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Separate Family Offices Can Minimize Money Problems

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It can be dangerous to ask executive assistants or your CFO to manage your personal finances. RSM's Ben Berger shows why a separate office helps both business and family manage money responsibly.

All too often, family members involved in the family business rely on the business's staff to manage personal wealth. For example, they might ask their chief financial officer or an executive assistant to also look into personal investment opportunities, pay their bills, or arrange for a disbursement of cash to buy a new car. As the business and family wealth grows, these tasks can become complex. Moreover, mingling personal and business finances can invite embezzlement, tax problems, and other issues.

In this video, Ben Berger, Tax Partner of RSM-US, LLP talks with Kimberly Eddleston of FamilyBusiness.org about the benefits of creating a separate family office to handle money-related tasks. These can include bill paying, accounting, investments, philanthropy, and concierge services for individual family members.

Some families resist creating a separate family office because it takes a lot planning, Berger says. Instead, they ask staff who are being paid to do business-related tasks to also handle personal financial services, which hurts their efficiency, especially when the family's financial needs grow and become more complex. And if the family business is sold and creates a windfall of wealth, it can be tempting for individual family members to misuse the extra cash.

Separating these tasks from the rest of the business, and putting them in the hand of dedicated professionals, offers many benefits, Berger says. It keeps financial transactions more private, makes reporting to key outside stakeholders easier, and allows family members to concentrate more fully on running the business. If an event occurs that generates more liquidity, like a sale of the business, managing that windfall will go more smoothly with calm professionals at the helm.

Link to video