

EPISODE 1185

[INTRODUCTION]

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RICHARD WILSON (RW): The most important thing is to identify your values, your objectives, your priorities, where you want to be in the future and not spend any money or hire anybody or invest in anything until you know the mission of your family, your values and priorities and your culture and your wealth creation story. Because otherwise you're gonna hire the wrong person, or waste money, or someone's gonna create a gameplan for you that's good for them and not for you. And you'll be wasting time and money if you don't really identify what your family stands for. You won't know who to hire and fire or even where to base your family office.

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Whitney Sewell (WS): Did you know that you might need to start your own family office? And if you do not know what a family office is, today is a show where you are going to learn a lot and maybe many ways to help you protect your wealth that you have worked so hard to build. Don't forget to like and subscribe, leave comments so it helps share the show with others who can benefit.

Today, our guest is an expert in starting family offices. He has helped create over 100 family offices. He runs [billionaires.com](https://www.billionaires.com), [commercialrealestate.com](https://www.commercialrealestate.com), and has authored 13 books over the last 14 years. He's the founder of The Family Office Club, the largest ultra-wealthy investor network globally. His name is Richard Wilson, he's created over 100 family offices like I mentioned, but he also works with over 500 passive investors through [investorclub.com](https://www.investorclub.com), a platform that he created many years ago. We are gonna get into what a family office is, but also when and who should have a family office, how you begin and start to structure your own family office, we're gonna get into what some family offices right now are investing in and why. And then also the partnership with operators like listeners like you and I, and what that looks like, how to begin that partnership, what they're looking for, and maybe some myths around what you currently have heard about working with family offices. And then at the end of the show, I enjoyed this section personally, a lot with Richard, we talked about him more and not just family offices, but how he's built this brand a little bit and some personal things that have helped him to stay

disciplined and moving forward and accomplishing so much, I know you are going to learn a lot. And we also. He lays out a thing at the end where if you do this thing and you send me a copy and I'm gonna make you listen to the show to figure it out. But the first one that does this is gonna get a gift from me personally, and you're gonna like it, you're gonna like this gift because I want some people to take action and I want to see you do this thing that he has laid out that's worked for him. You're gonna hear us talk about it towards the end of the show, I know you are gonna learn a lot today and your business is going to improve because of listening to today's show.

[INTERVIEW]

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WS: Good morning, Richard, and welcome to the show. Honor to have you on. I've heard nothing but amazing things over many years now, I can't believe you and I haven't met before now, but you have become just an expert around family offices and what that even means that oftentimes or actually, we've talked about a few times on the show, I can't believe out of 1200 episodes, we've not talked about it more than we have, however, I know there's listeners who wonder like, what is a family office and is that something I should be pursuing? That type of thing to work with or to partner with us, is that even an option? Maybe we can go over some pros and cons today, 'cause I know you know those ins and out. But give the listeners a little bit obviously about yourself, in case they haven't heard of you before, and Family Office Club and some of the things you've done. You've written so many books around this topic as well, and I'm looking forward to getting into that.

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Richard Wilson (RW): Yeah. Sure, I'll give the really short version, I'm thinking no one cares no more. I'm happy to answer your question. So, 2007, I started this investment club, it's calling the Family Office Club, and a family office is an ultra-wealthy solution to managing your balanced sheet and your portfolio, by the way. So, a Family Office Club is a community, we have people on one side, a thousand members who pay for chartered membership in the raising capital, and on the other side, we have 3000+ private investors who come to our live events and are always texting, emailing and calling me to get deals done. We have helped set up over 100 family offices for ultra-wealthy families, worked with everything from billionaires, I just signed a \$300 million JV term sheet with a billionaire four days ago. I work with a shark from Shark Tank, we just closed our

second deal with them two Fridays ago. We also work with high-net-worth investors who are worth 2 million, 5 million, 10 million net worth, etcetera. But over the last 14 years, I've written 13 books, hosted 150 conferences ourselves. I've spoken at a couple hundred more in about 15 countries. And we just have found the more that we give on the niche of family offices, the more that we get back, you know, just like your podcast, you know how that path goes. We try to be as helpful as possible and long term, if we do business together, great, if not we're happy to help you.

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WS: That's awesome, Richard, you have just a wealth of information and knowledge experience in this industry, and so I wanna jump in and be a little basic in the beginning. But then maybe we'll dive in a little more and just to explain to the listeners though, what a family office is, and it seems so simple to you, and I know to probably some listening. However, many people have never heard of that and are probably wondering like a family office, like what is that? I know you briefly said it, but maybe explain a little bit about who's gonna have a family office, why would they have a family office, and we'll dive into some of the pros and cons even working with the family office.

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RW: Yeah, and first off, a family office is not an office in your basement of your house. I just want to get that across super clear. Some of my best friends and family members still think probably I set up businesses in people's basements or something, but that's not what it is. A family office is a ultra-wealthy wealth management and investment solution. People who are worth 10, 20, 30 million, and even more often when you were 50 or 100 million plus, and there's three types of family offices, that makes them easier to understand. There are virtual family offices which are very lean, single-family offices, very lean family offices made for one person typically. And you may be one full-time person or halftime person, everything else is outsourced and you keep it very lean and focused. A single-family office, is typically when you get to 30-50 million net worth or much more, or up to several billion dollars in net worth, and again, it's a team maybe just for you to make you money in manufacturing, then maybe you just want to invest proactively in manufacturing, cash flow in real estate as what would a real estate development and then hire a private bank or multifamily wealth management group to manage your publicly traded assets, if that's not where you created your wealth, for example. So, a single-family office might have 3 or 5 or 200 full-time employees within the single-family office. And there are multifamily offices who are

just wealth management firms that are geared towards people that are worth 10, 20, 30 million plus that might have 20 clients might have 200 but they focus more on intergenerational planning, more on proactive tax planning, estate planning, and just managing all the chaos going around, what an ultra-wealthy family has to face. Last thing is, really important to mention, is that most people don't know what a family office is, even if they are ultra-wealthy and they should have one. So, most people who have worth 100 million dollars don't really know what a family office is yet, it was just a term, more frequently used in the last decade here, so you may meet people who are wealthy and not have a family office, but they don't, it doesn't mean that they're less powerful to work with, but those are the types we're referring to when we talk about family office investors.

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WS: Okay, and tell me the third one again, what do you call the third time?

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RW: Multifamily office. So, basically, it means serving multiple families within one family office solution, it's like a wealth management firm, but more ultra-wealthy focused.

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WS: Ok, no, that's awesome. Just three types, I was thinking through that a little bit. So, ultimately, once you create that kind of wealth within your family, right, your own net worth, you're gonna have a full-time staff, that's something you manage that, that's ultimately what this family office is doing, is that accurate?

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RW: Right, that is basically, the real function of it is to be more holistic. So, think about the problems you might have if you're worth \$1 million, and if you miss a tax deadline or you don't sell something at the right time and you sell it a day too late in 2022 versus 2021. And then by the tax laws are retroactive back to January 1st or something. For that little mistake, it might cost you \$2400. But if your worth \$100 million that one mistake might cost you \$200,000. So, you can easily make \$1 million mistakes if you're worth \$50 or \$100 million, so the cost of every mistake is greater, you have tons of employees, one of my clients is 114 different LLCs, they have to track and keep updated. One of my clients has seven different IRS audits going on in different states and different years of the federal level, and one of my clients has 4000 employees, so not only are

the mistakes more expensive, you're much more likely to make a mistake. So, keeping in mind what your CPA told you in February or April, keeping that in mind when you meet with your wealth advisor and your insurance agent and keeping it all straight and having to do a good quarterback of everything, it's just not practical. It breaks down and the cost of that are very expensive when you make mistakes at that level.

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WS: That makes complete sense, I appreciate that explanation because I think that's helpful for the listeners and myself to just understand, hey, it's almost a different world when you're worth 100 million versus a million or less and making, like you said, a small mistake like that could easily employ lots of people to help you do it right, right? I think it's hard to visualize or to comprehend, employing say, 200 people just in your family office, but when you have that kind of net worth, hey, a mistake could easily pay for that level of employee and the number of employees.

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RW: Yeah, I think that it's important to point out to those, there might be some people listening to this, they're like, oh I'm worth two million or five million or seven million so I can't relate to this. The main thing that I've been taking away from this, 'cause I started this business in a basement, studio apartment, there was about 300 square feet in Harvard Square and I didn't have enough money in my bank account to pay for rent that month when I started this business. So, my whole motivation since then until now, and now we have 20 employees, we're going to 5 million a year in revenue, and those non-deals every couple of weeks with investors, my motivation is to learn from these winners in the game of capitalism and the way they grow their wealth, leaves clues for other people on growing their wealth, the way they organize your ideas and execute on strategies and build their business platforms, the way do they focus their energy on investments, which meet certain criteria that I can talk about if people want to hear that, that is what motivates me to do all the work into running our 15 to 20 lives per year. Like on Monday, we're gonna have 800 people at our annual Investment Club Conference, and I scripted every one of the nine discussion panels, every question that's gonna be asked or things I wanna know from these investors, so I don't want this to seem foreign to those that are worth 2 million or 1 million or 5 million, I want it to be more inspiring and educational.

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WS: Yeah. I am personally going to that event. I just want the listeners to know that I am looking forward to that myself, and then learning from Richard and all the guests that he is bringing together. So Richard, you talked about it a little bit there, and talking about investors for say, five to seven million, or maybe they're probably listeners who are worth 8 to 10 million or more as well, when should they consider creating their own family office and maybe you give them a first couple of steps. And thinking through that.

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RW: Yeah, sure, so I think that when you start getting to between five and ten million net worth, you should start thinking of at least having some of the functionality of a family office in place because at that point you've gone beyond, ok I have my home, my business and this net worth, I have some money in my IRA or stock market, and you can go beyond just buying one rental property or two rental properties at that point, or a doctor or someone who's making seven figures in profit, for example, once you get to 600,000 or 700,000 thousand in consistent income, you should start thinking about it. And the reason is that you're just gonna be more effective in defending yourself against big expensive mistakes but you're also gonna be more effective. And so, what family office has typically learned over seven to ten years, the hard way is that you can't control everything, and it's usually not good to control nothing. So, if you're all green, wants to go sit on a beach and do absolutely nothing the rest of your life, you just sold your FinTech company yesterday to Facebook and okay, then someone can help you design that. But typically, families are entrepreneurial, first-generation families for some used to be in the CEO, they like the challenge of business, the fun of it, they don't wanna stop now after all the work of getting to where they are, they see it as just as plateau. And so, it's usually best to play offense in just one or two areas that you know really well, have full control and really have a good defense by playing offense there in growing your net worth on a niche that you have distribution or exposure etcetera. And then typically, every family I worked with wants real estate depends on their appetite for usually 25%, others have 50% real estate in their portfolio as a percentage of their net worth, is cash-flowing, some development, and then public market exposure, which is the most passive, usually, once you make your money in public markets. And so just three levels, the aggressive full control, the moderate I'm gonna pick the food group, maybe then pick out the assets of the independent sponsor real estate portfolio and then the highly-diversified public market's portfolio, so that's a different brand managing different components. In doing that is a very effective way of growing your net worth once you get to that level. And then you also wanna make sure you have a

family office quality service providers as you get to that five to ten million net worth, 'cause they shouldn't just be a cost, it should be an investment you get an ROI out of. And your attorney should give creative structures for your deals, your tax planner should help you or actively plan things out, etcetera.

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WS: Makes complete sense. And I was just thinking through the listener who, they're listening to this and they're thinking, okay, I'm right around 10 million, 12 million net worth. Maybe I should be considering this. This makes sense to me. Should they consider something like the multifamily office, like you're talking about, or if not, they say, you know what, I don't wanna have the multifamily office, I don't wanna be a part of that. I wanna go ahead and start my own. Who should be their first hire?

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RW: Great question. Part of it depends on who they have within their operating businesses. If you have sold off your company, and that's why you're ultra-wealthy, you'll gonna have to start from scratch, otherwise, some people will have their operating business and just hire a really powerful CFO within that operating business, but if a lot of their net worth is represented within that manufacturing company or consumer products company and that CFO is effectively overlooking their offensive part of their portfolio, right, so you can beef up the team within your operating business as part of the strategy, and it's really important to have excellent CFO controller, excellent wealth advisor who understands what a virtual family office is, putting that over 1000 site wealth advisors, and we just worked with three that work with different sized families. So, if anyone needs a connection there, were happy to do that. And what we used to charge at \$3000 or \$4000 a month retainer, help set up family offices, we just do it with our free now. We teach this at our workshops for those people that are raising capital, but the most important thing is to add value to an investor and build that relationship, and once you know and help them put family office together and help them define their direct investment strike zone, well, then you know exactly what you're bringing them, 'cause you know what hits that strike zone. So, the priorities of the family though, are gonna determine who they may need to hire most, right. So, a real estate family is gonna hire someone different than someone who has a publicly traded company in a consumer product space. The most important thing is to identify your values, your objectives,

your priorities, where you want to be in the future and not spend any money or hire anybody or invest in anything until you know the mission of your family, your values and priorities and your culture and your wealth creation story. Because otherwise you're gonna hire the wrong person, or waste money, or someone's gonna create a gameplan for you that's good for them and not for you. And you'll be wasting time and money if you don't really identify what your family stands for. You won't know who to hire and fire or even where to base your family office.

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WS: Love that. The priority of the family would determine who they hire first, so that's gonna dictate so much of that family office or how they're investing or how they're protecting what they're doing and thinking long term. On that thought, what are most of these families planning for? Are they planning, because I've learned more about this recently as well, are they planning for five years, 10 years, 100 years or 200 years, how do they think about that as they're contemplating these decisions and building this family office?

0:16:41.4 S1: Yeah. Some people say they plan for a couple 100 years out, but I don't know, I don't think it's too realistic with too many, some might have the intent for their family wealth and still be around in 100 years, but most families I work with are planning out their investments over the next 10 to 15 years in terms of building out their platform realistically and practical basis. And they know that a lot is gonna change over three to five years, we'll do some things that would only make sense if you cared about what happens the next 10 or 15 or 20 years in terms of the state planning or building a platform company in the new niche, they know that it's a little bit early right now, but they think will pay off in the future. So, that's kinda sort of timelines that we see, but they are very long-term minded compared to most investors, they don't have to worry about getting fired like an endowment fund person or something takes a while to pay out, and they can be more patient than others, they don't have to outgive any capital, but they can be more agile and aggressive if they want to as well. So, they have that flexibility.

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WS: Who is a family office looking to work with, obviously, most of our listeners are gonna be in commercial real estate, and mostly multifamily, but many listeners that are in different asset classes in commercial real estate, with that in mind, are family offices looking for, I assume they are probably, but how does this work as far as looking for good operators that are doing

commercial deals, if they can partner with or invest in? Can you talk through that process a little bit?

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RW: Yeah, sure, so the process is messy, it's inefficient, it's why they come to our events, other people's events, etcetera, they usually invest through referrals or who they've seen speak in an event or just who they've gotten to know or a couple of years maybe, they would rather invest with someone that vet trust, 100% true conviction, that only gets him at 14% IRR than investment with someone who just seems a little bit like greasier, too stressed out or just not their type of person, that promises a 20% IRR, has a great track record. They'd rather go with someone that they get to really trust. So, it's really important to be adding value first to the family, building relationship, and we recently closed a \$300 million deal, one of our clients recently closed a \$40 million deal, and if you're listening to this on the capital raising side, then it takes 400 investors at \$100,000 apiece equals \$40 million, so it's worth putting in a lot of time. You could spend 400 times more time than on one small investor. And on the investor side of things, and I think it's important to remember that in every niche, in every food group of self-storage, multifamily, etcetera, there's hundreds and hundreds of operators and sponsors, and if you ask around the same name may pop up over time, and if you see who you can easily meet in person with many times and go see the properties in person and get to know the character of who the leader is really are...

0:19:34.3 S1: And then when you can custom structure deals, so the structure is superior to the standard one that's being offered and never trust a big chunk of your money with any one of those operators, you can spread your money out of three different sponsors and self-storage and four different people in multifamily, etcetera. So, I would just tell people, be patient and build those relationships on the investor side until you're really (inaudible) those managers.

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WS: What about couple of examples or ways that you've seen people add that value to a family office to start building that relationship, like you're talking about?

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RW: Yeah, sure. One good example, as I moved here to Scottsdale last year, and the first week I

was here, I was getting my car serviced somewhere, and I saw their business model was very unique, it is well-branded, and I looked on their website, and they had 20 some locations so I emailed, I called, messaged the founder via LinkedIn, and I said, oh it looks like you're expanding quickly, I assume that you're raising capital and giving away equity every time that you open up one of these locations, I have an investment structure that would protect you from dilutions, you don't have to give away any equity, and you can still raise the capital you need, the equity capital you need to grow faster, and they responded the same day. I've met in person with them, I've met in person with their board, and they've had a 100 million exit to a large bank recently, etcetera. So, that was an example of one way, other ways, are connecting families to each other, another way is helping them create a family office or just pick a service provider too that they know. And then if you look at where a family creates their wealth, and it's in some niche like stem cells or venture capital, etcetera, then you might think who's the most valuable person you know in that niche, what project are they working on, and then just don't just randomly connect people, but have it be more meaningful, like why would they connect and what is the project exactly, where one person would put capital on the other's or one person could have employed the son of the other person to give them an internship or something like that. So, hopefully, that gets the wheels turning for some people.

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WS: Awesome. Richard, it's been an honor to get to meet you finally and have you on the show, I know the listeners and I both have learned a lot about family offices, so many details that I'm so thankful came out during the interview, but even some more personal stuff about self-discipline and obviously the dashboard one-pager, which I encourage listeners, if you missed that apartment, go back and listen to that with a special offer, so just grateful for you being so transparent and willing to share and helping so many people getting into this industry and learning these things, tell them though, how they can get in touch with you and learn more about you and the Family Office Club.

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RW: Yeah, just three quick places, somebody's here 'cause they're raising capital, then just go to capitalraising.com we have a free book for you there. If you're curious about family offices, and you wanna learn a lot about that and see one of our live events, etcetera, 15 live events a year, that's at familyoffices.com, and we got a whole bunch of free stuff in there. That's our whole

business model, it's to help people out. And then, if they wanna join as a member, we have a \$99 trial for new members that are raising capital and it's free for investors. And in the last place is investorclub.com with your passive investor and you wanna see the best of the best investments that we see, I have 1000 plus deals a year or work with us in some ways as an investor, just sign up at investorclub.com, and it's free to join. There's no annual fee, there's no fee when you invest, we do a deal together, just a small profit sharing at the back end.

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WS: I know at this point you are learning a lot about family offices and maybe even considering starting your own. Well, join us again tomorrow as Richard and I continue the conversation. He provides a ton of value about starting that family office, even the first employee that maybe you should think about hiring and how to think through that if you're someone who needs a family office, but also as an operator, talking through that relationship and what that should look like. He also provides some details at the end that's more personal to Richard and how he stays self-disciplined. And he also made an offer to you, the listener, that I want you to ensure that you hear. I wanna ensure that you hear it, 'cause I want you to take some action after listening to the steps that Richard lays out at the end. So, join us tomorrow as Richard and I continue the conversation.