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# WE Family Offices Sets Out To Reshape The Landscape Of UHNW Wealth Management

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**11 April 2013**

WE Family Offices is trying to change the landscape of high-end wealth management with its offering focused on "wealth as an enterprise."

While WE Family Offices is a new brand, it has in various forms been serving clients for a number of years - demonstrating the importance of personal relationships with clients, as it has retained them through times of upheaval.

"This company is really a continuation of a personal journey that Santiago [Ulloa], Michael [Zeuner] and I have been on for a long time," says Maria Elena Lagomasino, known in the industry as Mel, who is chief executive and managing partner of WE.

Talking to Family Wealth Report with fellow managing partner Santiago Ulloa, who founded the original TBK business which was the foundation of WE's client base, she explains their motivations and strategy.

Both Ulloa and Lagomasino are well-known names within the industry, having held some of the most senior roles (chief executive and president of international, respectively) at GenSpring Family Offices until fairly recently.

They are both now, though, along with other former colleagues such as Zeuner, who is managing partner of WE, on a different stage of that personal journey.

"[It is] a culmination of all these years of experience and figuring out what is the right business model," says Lagomasino.

### What is the right business model?

In some ways WE is as much of a philosophy as a business model. Given the background of its management team, it goes without saying that the only source of income will be the client, and that a big part of WE's job will be negotiating on behalf of those clients with the behemoths of finance – the JP Morgans, for example – to secure the best prices. But there is more to it than this, and it translates through to everything from the ownership structure to the families it will work with.

"It really is based on a belief that private capital can be a force for good," says Lagomasino.

"It's very important for us…who are these families, what do they believe in…we want to have the good guys, who want to use their capital as a force for good," she adds.

And, of course, they must be very wealthy. Because WE's model is highly intensive. Each family's wealth is viewed as an "enterprise" (hence the name, which stands for Wealth Enterprise), and WE's team begin as consultants, she explains, who act much like a business consultant might when brought into evaluate a firm. This approach extends to their entire balance sheet, including operating businesses, and even human capital.

The tale of one client family demonstrates this. The family's operating business was being supported by their personal capital. While they still had extensive assets to support this, their advisor pointed out that it was a sure route to draining away all their personal assets and they needed to come up with a plan for the business – perhaps a sale – quickly. Ultimately they closed down the business, a hard step which meant admitting it had had its heyday and the model was no longer viable. But it meant the family were able to retain their wealth and put it into a new direction, where a more productive future potentially lay.

Lagomasino points out that when a wealthy entrepreneur buys a $10 million business, he or she could probably reel off at the drop of a hat its vital statistics. But the same rigor is rarely applied to knowing the granular details of their family's finances.

As part of this approach, WE takes a non-discretionary approach to wealth: it wants to work with clients that are involved in the "enterprise." Meanwhile, as well as consultants the family office acts as "the infrastructure and arms and legs of the plan," says Lagomasino.

### Not a scalable model

This model of course raises questions: how practicable is it on a large scale? What is the universe of potential clients for this service?

"When you get north of $50 million then you should be thinking about it [managing your wealth in this way]," said Lagomasino.

"We would love to do it for the general public but there are just a few [families] where it makes sense," says Ulloa. "It [WE] is very un-scalable and we are very clear on that," he adds.

However, there will be no pressure to scale it.

"[WE] has been set up as a closely held private company," says Lagomasino, with operating structures that mean "we will never be forced to sell."

"One of our learnings is that it's very difficult to do this business if you have a public company as a major shareholder," says Lagomasino. "When we think about the business, we're trying to build a business for 40 years from now."

When it set up its management structure it gave ten members of staff the opportunity to buy in as partners. It was made very clear from the outset that doing so wouldn't make them a quick buck: the business would not be sold, and the succession plan is to make it affordable at the right time for a new generation of partners to buy in. Nevertheless, all ten invested.

The idea is that the business will grow with the families. It will have its own succession plan, transitioning from one generation of partners to the next.

"We're not looking to be huge, we're looking to be the best. This isn't a company we entered into to sell; it's a company we entered into to grow," says Lagomasino.

### How to grow it?

The company Ulloa founded in 2000, called TBK Investments at the time, was bought by GenSpring in 2007. But, he explains, as the international offering it "always maintained a separate license."

Therefore it maintained a slightly different model, which influences today its plans for (moderate) growth.

"What I started to see after [GenSpring] acquired TBK was that what TBK was doing for international clients was appealing to American clients," says Lagomasino.

"Most of the clients we have are international clients…our hope and intention is to grow our US business, to get more US clients and have a very balanced global group of families, really to be able to create a global network of families," she says. "We actually want to be the catalyst for that and manage it very intentionally."

In doing so, it is tapping into a growing trend among family offices and networks for the ultra-wealthy, in realizing that while privileged families already enjoy unparalleled access to opportunity, they often get real value out of meeting with other families with extensive private capital and similar viewpoints. This can lead to working together on business and philanthropic ventures, or just discussing similar issues they face.

The WE project sounds ambitious. "This is very different from the rest of the industry," says Ulloa. But it has a solid start: all former TBK clients remained with the firm through its latest transition to WE.

Forsaking the prospect of quick growth to sell goes against the grain to many, especially in a society which worships the bottom line. Furthermore, in the RIA industry more widely, some data points to a trend towards more mergers and more scale, not less.

At the very high end of the industry, though, business models can perhaps afford to be different. The clients are not as fee sensitive: they will pay upfront for valuable services.

And in a time of change, as pointed out by a recent Deloitte report which concluded the wealth management industry was in need of a dose of "creative destruction" to shake it out of the bad practices that had left clients alienated, new business and varied models are needed.

As Ulloa says: "We are trying to change the industry one way or another. We hope that the new trend that we are trying to create will change the industry for the long run."

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