Family Offices and Private Foundations: Exploring the Tensions

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Topics

- Family Offices
- Common Sources of Problems
  - Shared Employees and Office Space
  - Joint Investments
  - Contributing Interests in a Family Business
- Family Foundation/Family Office Crisis

Family Offices

- What is a family office?
  - An entity that manages the financial and personal affairs of one or more wealthy families
- Services include wealth management and support services
  - Investment and banking services, tax planning
  - Check writing, facilities management, philanthropy advising and administration

Explanation of family offices drawn from a presentation by Jody Blazek, Blazek & Vetterling; Robin Krause, Patterson, Belknap, Webb & Tyler LLP; Celia Roady, Morgan Lewis LLP; and Douglas Varley, Caplin & Drysdale, Chtd.

Family Offices

- The family office structure can give rise to self-dealing concerns if the family office provides services to one or more family private foundations as part of its function
- Common issue areas are:
  - Sharing employees and office space
  - Joint investments

Foundation & Family Office Sharing Office Space and Employees

- Concern: Potential for Self-Dealing
  - Self-Dealing excise tax intended to prohibit transactions with "disqualified persons" ("DQP")
  - Excise tax is imposed on DQP and potentially on foundation managers
  - No abatement

Foundation & Family Office Sharing Office Space and Employees

- Self-dealing exceptions that help in managing the relationship between the family office and the foundation include
  - Personal services exception
  - Incidental and tenuous benefits exception

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