

## **What is a Family Chief Financial Officer?**

**By: Maurice M. Redhead**

Most people know the term “Chief Financial Officer,” or CFO, referring to the person in a corporation who manages the accounting, taxes, and other financial matters. The CFO oversees the company’s investment strategy alongside the Chief Investment Officer (CIO), although the CFO might be the CIO in smaller corporations. Basically, the CFO knows everything that is happening financially in a company.

With this in mind, what is a Family CFO? Someone in this role is similar to the CFO of a corporation, but instead of managing corporate finances and investments, the Family CFO does this for a family. Their role is to oversee the family’s accounting, taxes, and investments and advise on any other financial issues. The Family CFO can handle non-financial responsibilities, too, since their duty is to work with the family as a trusted advisor wherever the family does not have a specific advisor for a particular area. The Family CFO can provide guidance themselves if they have the expertise or work to find a suitably qualified advisor to do so.

Ultimately, the Family CFO is not one-dimensional; they must know all aspects of financial and non-financial matters. They stay on top of all related topics for all industries in which the family is involved. In doing so, they are able to guide the family they support, as well as the family’s trusted advisors.

### **Who Uses a Family CFO?**

A Family CFO is usually hired by affluent families who typically do not have the time to oversee their personal wealth or speak with each of their advisors themselves. In such cases, a Family CFO may be hired to handle these matters. Many of these families do not already have family offices and do not want to pay for one to be set up, although some family offices hire a Family CFO to run their operation.

### **What Is the Purpose of a Family CFO?**

The main purpose of a Family CFO is to be one main point of contact; instead of the family having to call each advisor in turn, the Family CFO does that for them. They contact each advisor and report back to the family with answers on a daily, weekly, monthly, or quarterly basis to communicate how things are progressing and check if there are any questions.

### **Does the Family CFO Replace Any of the Family’s Trusted Advisors?**

The Family CFO is not a replacement for existing trusted advisors; if a family likes their tax accountant, that’s great! Please keep working with them. The job of the Family CFO is rather to gather information from each advisor, go through that information in detail, and then present it to the family.

### **The Responsibilities of a Family CFO**

As mentioned, the role of the Family CFO is to bring together the advice of all a family’s trusted advisors. There are, however, a range of duties that a Family CFO can do for the family. I highlight a few of these below.

**The Family:** The Family CFO must first understand where the family is at today. Next, they determine with the family which financial and non-financial tasks are required. Once this has been established, the Family CFO can begin the process. The process involves having the family make a list of all its trusted

advisors' phone numbers and email addresses and introducing the Family CFO to them and their roles as advisors. Then, the Family CFO can begin to set up conference calls to speak with each advisor individually.

**Financial History:** The Family CFO should also explore the family's financial history. By looking at this, the Family CFO can understand how the family spends its money, what it saves, and how it pays its bills—in other words, understand the family's cashflow. To do so, the Family CFO may need to speak with the family's bookkeeper or accounting firm.

**Taxes:** The Family CFO typically reviews the family's tax returns as well. The Family CFO will be sent a copy of the family's most current tax return and review it alongside any existing tax accountants to understand the strategy. The Family CFO does not need to be a tax expert but should have a basic understanding to ensure that all necessary deductions are being made. Once they have reviewed the tax return and spoken to the relevant accountants, the Family CFO speaks with the family directly.

**Investments:** The Family CFO oversees the family's investments and takes responsibility to ensure that objectives are being met. This involves working with external asset managers or an investment council, with the Family CFO supervising any asset allocation undertaken by the investors.

**Life Insurance:** The Family CFO also reviews the family's life insurance policies. To do so, they work with any existing insurance brokers to ensure that each family member has the right coverage and determine whether they need to increase or change the terms of their policy.

**Property Management:** The Family CFO works with any property management firm to review the family's real estate portfolio. They make sure that all properties are well-maintained, rent is collected on time, and any renter issues are taken care of efficiently. The Family CFO's property management duties can also relate to vacation homes or second and third properties that the family may have.

**Non-Financial Duties:** The Family CFO can manage non-financial issues as well. They can, for example, identify appropriate nanny and daycare services, schools, doctors, and anything else that the family requires. Let's say the family needs to locate a school for their child. The Family CFO can begin researching and speaking with schools in the area, the country, or overseas based on what the family is looking for. In this way, the Family CFO is more than just a business officer; they almost become part of the family itself.

### **The Role of a Family CFO**

The purpose of this article is to highlight what a Family CFO can do, although these are just a handful of examples. Indeed, the job description of each Family CFO is tailored to the family with whom they work. The Family CFO is also not a replacement for any existing advisors; they simply make sure that everyone is working in the best interests of the family. Particularly, Family CFOs have a fiduciary responsibility to ensure that the family's wealth is protected.

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MBA specializes in supporting families and their family offices, but we do not just serve as a legal entity. We also work with your trusted advisors to guarantee that they are working in your family's best interests. MBA offers additional services such as tax planning, investment oversight, and non-financial duties, to name a few. The goal of our firm is to ensure that your family and family office run like a successful, significant company.