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OMNIA WEALTH MANAGEMENT- FAMILY OFFICE SERVICES FOR HIGH-NET-WORTH INDIVIDUALS IN PORTUGAL

Ekaterine Liluashvili

Project submitted as partial requirement for the conferral of
MSc in Hospitality and Tourism Management

Supervisor: Professor Nuno Alexandre Guerreiro Pedro
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ISCTE BUSINESS SCHOOL

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Abstract

Economic crisis and geopolitical instability have further increased the relevance of asset protection and family legacy preservation for ultra-wealthy tiers of society. Threats from climate change, Covid 19 pandemic aftermath, and rising inequality of wealth distribution worldwide keep escalating the pressures on wealthy families to engage their resources for the social and environmental good more efficiently. Traditional philanthropy is often criticized for being a tax optimization and political influence tool rather than a way of the charitable activity of the wealthy. Subsequently, innovative ways of charitable giving like sustainable and impact investing have emerged and gained relevance thanks to changing values of next-generation heirs to a fortune. Considering the insufficient focus of financial intermediaries on impact products, family offices are placed in a unique position to incorporate impact investment in core service areas of financial advisory as well as succession planning and legacy creation.

This business plan proposes a new concept of a multi-family office with a dedicated impact advisory team, supporting Portuguese and international wealthy families to build a strong legacy by systematic integration of sustainability and impact factors in their portfolio and asset structure. Portugal is currently at the forefront of attracting high-net-worth individuals from all over the world due to quality of life, safety, and beneficial tax regime, therefore existing multi-family offices primarily target non-resident clientele. Omnia's main objective will be to introduce the multi-family office concept to Portuguese wealthy families and promote Portugal as an alternative jurisdiction for international owners of fortune.

Keywords: Family office, philanthropy, sustainable investing, ESG, impact investing, family legacy.

JEL Classification:

M13 (New Firms, Startups)

G51 (Household Saving, Borrowing, Debt, and Wealth)

Resumo

As circunstâncias causadas pela crise económica e a instabilidade geopolítica atuais têm aumentado a necessidade de proteção dos bens e do legado familiar das camadas mais abastadas da sociedade. Para além disso, a ameaça das alterações climáticas, as consequências da pandemia da Covid-19 e a crescente desigualdade na distribuição da riqueza em todo o mundo, têm pressionado estas famílias para que se empenhem, com os seus recursos, pelo bem-estar social e ambiental. A filantropia, nos seus moldes tradicionais, tem sido criticada por ser utilizada mais como uma forma de otimização fiscal e de influência política do que como forma de aplicação desinteressada da sua riqueza. Assim, em resposta a estas críticas e também devido à mudança de mentalidades da jovem geração herdeira destas fortunas, têm surgido alternativas inovadoras de aplicação de riqueza, tal como o investimento de impacto. Visto que os habituais intermediários financeiros não têm colocado suficiente ênfase em produtos de investimento de impacto e sustentabilidade, os Family Offices encontram-se numa posição privilegiada para incorporar este tipo de investimento nas áreas centrais dos seus serviços de consultoria financeira, de planeamento sucessório e de criação de legados.

O plano de negócios aqui apresentado propõe um novo conceito de Family Office, com uma equipa de consultoria de investimento de impacto e sustentabilidade destinada a apoiar famílias portuguesas e internacionais abastadas na construção de legados significativos, através da integração sistemática de fatores de impacto nos seus portfolios de investimentos e nas suas estruturas de ativos. Devido à sua qualidade de vida, segurança e regime fiscal favorável, Portugal tem atraído possuidores de grandes fortunas, e os Family Offices existentes têm-se focado neste tipo de clientes não-residentes. O objetivo principal da Omnia é apresentar o conceito de Family Office a famílias portuguesas abastadas e contribuir para a promoção de Portugal enquanto destino para estrangeiros afluentes.

Palavras-chave: Family Office, filantropia, investimento sustentável, ESG, investimento de impacto, legado familiar

JEL: M13, G51

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Glossary

AUM- Assets under Management

BP- Basis Point

CSR- Corporate Social Responsibility

ESG- Environmental, Social and Governance

FO- Family Office

MFO- Multifamily Office

MIBC - Madeira International Business Centre

SFO- Single Family Office

SRI- Socially Responsible Investing

UHNWI – Ultra High Net Worth Individual

Executive Summary

Omnia strives to provide holistic family office services primarily to the Portuguese wealthy segment and help them build and safeguard the family legacy for future generations. The goal is to satisfy the core needs of wealthy families ranging from asset protection to succession planning while simultaneously benefiting the community and environment.

Omnia will be a Limited Liability Company, registered in Madeira International Business Center and owned by private individuals also engaged in executive management of the firm. Founders have extensive experience in the international wealth management field and will play a significant role in the customer acquisition process. The scope of Omnia's services will potentially include strategic services like family governance and education, succession planning, wealth and tax planning, investment management, risk management, technology (reporting, ESG and impact measurement software solutions), philanthropy and impact advisory, legal advisory and oversight, family lifestyle management, finances. The full array of services, both in-house and outsourced, will be defined and customized according to the needs and preferences of the clientele.

The number of individuals, owning assets with a net worth above USD 50 million has increased by more than 50% during the 2019-20021 period and reached 254,200 people in 2021 (Shorroks et al., 2022a). The total wealth growth has been heavily concentrated on the richest tiers of society and has driven the demand for family office services to ensure asset protection and successful wealth transfer. In 2020, estimated 97 Portuguese individuals owned more than USD 50 million in assets each. The niche market seems to be underserved in terms of family office services, as existing multifamily offices primarily target non-resident clients. The segment remains hard to reach and one can assume that wealthy families mostly integrate some family office services in the existing family business structures and sustainability matters are covered by traditional Corporate Social Responsibility (CSR) strategies of family enterprise.

Environmental crisis and growing inequality of global wealth distribution have accelerated demand for ESG and impact investment expertise, with global ESG investment market size amounting to USD 40 trillion and global impact investing to USD715 billion accordingly in 2019 (Gifford & Stettler, 2021). Significant wealth transfer to the next generation heirs, who are characterized by a high propensity for impact and ESG investments, drives the need for financial experts in the field.

Multifamily offices operating in Portugal focus on the Golden Visa program for the non-resident wealthy segment and provide family office set-up and management services, tax, and legal advice as well as succession planning. Financial advisory and wealth management is offered in partnership with third-party vendors. Sustainability or social impact investment advisory is not included in their array of services. Omnia's main differentiating point will be expertise in sustainable investments with a dedicated impact team and enhanced software solutions to support families' sustainability and philanthropic goals.

Omnia aspires to maintain high level of customization for wealthy families and will provide services to only limited number of ultra-wealthy clients with average net worth of USD 50 million. Long-term financial objective is to reach USD 1 billion of assets under management (AUM) in 5 years and maintain the family office running cost at 30 basis points (0.30%) of AUM. Launching the business will require start-up capital of EUR 520,000 to cover the incorporation and legal costs, office rent, initial staffing, and IT solutions. Founders will each invest EUR 260,000 and search for potential co-investors amongst the peers in the financial advisory sector.

Overall, the project aims to contribute to better understanding of the ultra-wealthy family needs and challenges expected in future, change in wealth paradigm of next generation heirs, and indicates how family office advisors can play an important role in preservation of the family legacy over multiple generations. One the on hand, the business plan can have societal implications for Portuguese and international wealthy families to enhance CSR activities with systematic inclusion of environmental, social and governance and impact factors in their personal investment decisions. On the other hand, it provides insights into ESG and impact investment strategies, pain points of wealthy families hemming the transition from strictly traditional return-driven to impact-driven portfolios and how family offices can support the transition process.

1. Introduction

Number of family offices keeps growing in line with substantial increase of global wealth and scale of upcoming wealth transfer. By 2030, ultra-high net worth individuals (UHNWI) are expected to pass on estimated USD12.2 trillion to next generations (Imberg & Shaban, 2021). With growing concerns over inequality of wealth distribution, geopolitical and economic instability, and threats from climate change, wealthy families are expected to play more active role in solving societal and environmental problems. While older wealth owners still perceive traditional charitable giving as an effective tool, next generation is redefining the approaches to philanthropy and legacy creation focusing more on ESG and impact investing. For younger generations stewardship of wealth is not only preservation, but also sharing with others and benefitting the community.

1.1 Motivation

The entrepreneurial motivation behind the project was to find an alternative jurisdiction for establishment of the family office, that is unconventional for the industry though on the radar of foreign wealthy individuals and to identify the solidity of niche market where local wealthy tier remains underserved. Furthermore, the intrinsic motivation was to identify ways to contribute to positive environmental and societal changes and to assist multigenerational wealthy families in expansion of donor pool for charitable giving via socially responsible investing.

1.2 Proposal for Innovation

Financial intermediaries, independent advisors and other entities can address various needs of Portuguese wealthy families, though one-stop shop concept of a multifamily office that consolidates, coordinates, and customizes required services is rarely focused on local segment. Omnia aims to seize the opportunity on underserved Portuguese market and introduce different concept of multi-family office specifically targeted at younger generations of wealthy tier. The predisposition of next generation ultra-wealthy towards innovative and environmentally conscious projects and their ambitions to create positive societal impact, was determining factor in choosing the point of differentiation of the service. Dedicated impact team consisting of in-house investment professionals and third-party experts, technologically supported by innovative ESG and impact platforms, will be Omnia's unique selling point.

2. Literature Review

In the sixth century, royal wealth was managed by the king's steward. The royal stewardship has gradually developed into the family office (FO) concept, with first entity established in 1880s in US following the Industrial revolution and formation of significant fortunes by so called "industry titans". In 1838, House of Morgan was founded by the J.P. Morgan family to manage family assets, followed by establishing the first single family office by John D. Rockefeller in 1882 and formation of successful FOs by Carnegies and Vanderbilts in 1900s. In early 1970s, following the struggle of single-family offices to remain cost-efficient, the concept of multifamily office has evolved and nowadays the FOs have become vital part of financial service providers. Some sources estimated the total number of single FOs as 7300 in 2019 worldwide, others count 6000-7300 FOs only in United States (The Way Forward for Family Offices, 2021; Deloitte, n.d.; Rosplock, 2020).

Family Office is defined as 360-degree wealth and financial management solution for ultra-high net worth individuals and their family members. Single family office serves the needs of one multigenerational family and can be established by the family members. Multifamily office is a profit-oriented commercial entity rendering services to multiple wealthy families (Wilson, 2012).

Financial and research institutes have different methodologies of wealth evaluation and definition of wealthy segments. Wealth-X, one of the leading data providers, determines individual's wealth as sum of liquid (cash and dividends), public and private holdings (shares), real estate and luxury assets (fine art, cars, yachts) and classifies individuals with total wealth of USD 30 and above as UHNW (Wealth-X, 2021a). Credit Suisse defines Net worth, or "wealth," as the value of household's financial assets plus real assets (land and housing) minus debts. The category of high net worth (HNW) includes individuals with estimated wealth of USD 1million to USD 50 million while the UHNW individuals hold assets exceeding USD 50 million (Credit Suisse Research Institute, 2021).

Based on the complex needs of wealthy families, Woodson, and Marshall (2021) have defined seven verticals i.e., primary areas of services provided by family offices: finance, investment, lifestyle management, risk management, philanthropy, family governance and next generation. Apart from centralization of all services, privacy, and separation of family business and family investments, successful intergenerational wealth transfer is one of the most crucial reasons for establishing or becoming part of a family office.

Whether fortune is created or inherited can greatly impact the perceptions around wealth concept and how it should be protected or shared. Wealth creator, supposedly patriarch or matriarch of the family, can be someone who had experienced poverty in early years and managed to build a successful family business. Wealth, predominantly being a symbol of societal status, power, possessions, exclusive lifestyles, must be protected at all costs often making original wealth creators reluctant to innovate, take risks or relinquish control (Gruber & Binder, 2021). Apart from unwillingness of family patriarch or matriarch to hand over the governance, wealthy families foresee following challenges during succession planning: discord between family members, unpreparedness of next generation, discomfort discussing financial standing and succession, lack of advice and knowledge about successful wealth transfer (Credit Suisse Group AG, 2021). Younger heirs to the fortune could face multiple challenges. They may lack the financial awareness about the inherited assets, ways to invest and share the money, and ways to spend money in a conscious and value-based way. Their self-esteem could highly depend on the net worth of acquired fortune and they should be able to evaluate the impact of wealth on their relationships (Woodson & Marshall, 2021).

Next generation might feel the pressure of preserving the legacy, but financial security is not their ultimate goal. Globalization, international mobility, technological innovations, diversity of networking as well as ongoing sustainability and social challenges have impacted their outlook on investment strategies, philanthropy, and legacy in general (Imberg & Shaban, 2021).Younger generations might not be easily engaged in family business or investments, though focus on helping others can create stronger bonds between the members of multigenerational families, contribute to wealth preservation and building family legacy (Marcovici, 2016; Beckert, 2022). Establishment of charitable foundation and involvement of the younger generations can also introduce them to entrepreneurial responsibility, management of family wealth and impact of supporting those in need. Successors of the family businesses or wealth, who have not participated in wealth creation, have a possibility to turn philanthropy into their own legacy and have a different approach to the ways of helping others. Success of the philanthropic engagement lays in sharing the common goal even if it differs from the charitable goals and giving methods of the original wealth creator (Canessa et al., 2019; Marcovici, 2016)

Even though philanthropy, in contrast to sustainable and impact investing, intends to contribute to society without expectation of any financial return, the underlying purposes of charitable giving have been fiercely debated over the years. Focusing on tax implications of charitable giving, tax deductions and tax-efficiency can substantially increase the available funds for charity. As opposed to Thomas Piketty’s endorsement of higher inheritance taxes to fight wealth inequality, Marcovici (2016) believes the governments receiving higher tax collections will be less efficient than wealthy families fully in charge of their philanthropic endeavors.

Beckert (2022) considers philanthropy as an instrument to perpetuate wealth, reap tax benefits and legitimize fortune rather than support public welfare and highlights the role of family offices, charitable foundations, and tax laws in the process. Through significant charitable giving, wealthy families can gain influence over politicians, have impact on tax-policy decisions and steer the public opinion gaining their respect. Aside from the tax deductibility of donations, family members can benefit from charitable foundations through employing the family members and compensating them for engagement. Framework of national tax regimes and incentives is one of the important factors influencing the philanthropic behavior of the wealthy (Wealth-X, 2022).

In September 2022, the founder of high-end outdoor fashion brand "Patagonia" Yvon Chouinard decided to "go purpose" rather than "public" and transfer the ownership of the company with estimated annual sales of 1 billion USD to non-profit entities: Patagonia Purpose Trust, led by the Chouinard family and company's controlling shareholder with 2% ownership of the total stock, and Holdfast Collective, US charity dedicated to fighting environmental crisis. Holdfast Collective owns all the non-voting stock - 98% of the company and its philanthropic activities are directed by Patagonia Purpose Trust (Segal, 2022). The news was met with accusations that with new ownership structure Chouinard family will maintain the control of the company while evading estimated 700 million USD tax payment - capital gain taxes owed in case of 3- billion- USD worth company sale. Apart from tax evasion, transfer of ownership to non-profit organizations can increase the political influence of ultra-wealthy as political donations of non-profit companies in US are unlimited. Bloomberg article also evokes the example of electronics manufacturing mogul Barre Seid, who avoided capital gain tax payment by donating his 1.65-billion-dollar worth company "Tripp Lite" to Marble Freedom Trust, led by conservative activist who supported conservative dominance of the US Supreme Court in abortion rights and voting rules (Pendelton & Steverman, 2022). Patagonia's case was soon followed by Chip Wilson, the billionaire owner of Canadian athletic brand "Lululemon", donating 75 million USD to protect British Columbia forests. Previously "Lululemon" has been harshly criticized over coal-powered factories and production inconsistencies with their ethical branding (Lodewick, 2022; Readfearn, 2022).

While Sklair & Glucksberg (2020) link philanthropy and inheritance by defining philanthrocapitalism as an inheritance and succession planning tool as well as a mean to justify the significant accumulation of wealth to the public in the times of global wealth inequality, they do not automatically suggest that wealthy elite is not motivated to make a social impact by reducing the poverty and supporting critical environmental issues. On the other hand, critics contend that philanthrocapitalism intensifies wealth inequalities (Haydon et al., 2021).

Meanwhile, different sustainable and impact investment strategies have emerged, that can be considered as alternative channels of philanthropic activity. Sustainable investment is an approach of integrating environmental, social and governance (ESG) factors in portfolio selection as well as management. The term sustainable investment can sometimes be interchangeable with socially responsible investment (SRI) (The Global Sustainable Investment Alliance (GSIA), 2021). Four major sustainable investment strategies have been defined: exclusion, ESG integration, sustainable thematic and impact investing.

Exclusion, also known as ESG or negative screening strategy excludes funds or portfolio of companies and industries (sectors) that produce harmful products (alcohol, tobacco, weapons), damage the environment, or violate human rights. Apart from product types, the exclusion criteria can refer to company practices like animal testing or corruption.

ESG integration systematically merges the environmental, social and governance (ESG) factors in the investment decision-making process. Human rights, human capital, corporate governance, environmental issues, and supply chain management are focal points in the fundamental analysis of the companies. This strategy concentrates on the sustainability of the company's operations and processes.

Sustainable thematic differs from ESG integration in terms of focusing on the public solution-oriented companies, offering essential and impactful products or services in sectors like education, healthcare, sustainable agriculture, plant-based meat, green buildings, electric mobility, and clean energy.

Impact Investing focuses on growth of private high-impact companies in early development stage, established in developing countries, operating in green infrastructure or affordable housing fields. In case of public companies, tangible impact can be made through shareholder engagement and activism. Additionality, or investor contribution can be achieved either via funding the impact-generating private companies or investment in public companies and actively supporting the sustainability through shareholder voting at annual general meetings and providing strategic advice as regards to achieving ESG and sustainability goals.

To offset the high-risk and illiquid share of the investments, all four strategies can be applied in sustainable portfolios (Gifford & Bettermann, 2021; The Global Sustainable Investment Alliance (GSIA), 2021).

Global Sustainable Alliance identifies 7 sustainable investment strategies, broadening the spectrum: 1) ESG Integration; 2) corporate engagement and shareholder action; 3) norm-based screening (screening of investments based on the international norms and standards set by UN, OECD, Transparency International, etc.); 4) negative/exclusionary screening; 5) best-in-class/positive screening (investing in sectors, companies that perform highly in terms of ESG compared to their peers and surpass the industry benchmarks/threshold); 6) sustainability-themed/thematic investing; 7) impact investing and community investing (The Global Sustainable Investment Alliance (GSIA), 2021).

Considering their share in global welfare holding, HNW individuals can significantly contribute to the sustainable development by shifting from traditional investment practices and actively engaging in SRI. Wealthy elite has access to wider range of investments unavailable for retail investors and due the importance of capital preservation and intergenerational wealth transfers, SRI aspects can be integrated into their long-term investments. Impact-oriented HNWIs might feel personal responsibility (guilty of being rich, first-generation wealth vs inherited wealth, obligation to solve social problems) to contribute to social welfare, consider wealth as a cause (inequal wealth distribution) as well a solution to societal problems (environmental issues, poverty) (Risi et al., 2021; Paetzold & Busch, 2014).

Impact investing has been introduced in 2007 by Rockefeller foundation, descendants of the first family office created in 1882. Apart from expected financial and societal returns from impact investing, Gifford & Bettermann (2021) highlight additional dimension of experiential and family returns: alignment of family values with investment policies, building and preserving the family legacy, strengthening family bonds through shared mission and vision, value-aligned tool for financial education of younger generations, as well as broadening the expertise of families in fields like healthcare, education and climate tech-innovations, etc.

According to Risi et al (2021), HNWIs consider SRI as an investment tool and in contrast to traditional philanthropy, significant economic gain is expected. Furthermore, investors require proof that impact investing is as profitable as traditional investing. Hence the conclusion of authors regarding the primary profit orientation and secondary social benefit focus. The challenges of social impact measurement also influence the concentration on profitability. On one hand HNWIs question the relationship between ESG and financial performance, on the other hand query the real impact on social welfare.

Based on the review of more than 1,000 research papers of 2015-2020 period to examine the links between ESG and financial performance, Whelan et al. (2021) drew following key conclusions:

- Environmental sustainability has positive effect on corporate financial performance over longer time horizon
- ESG integration in investment strategy performed better than negative screening of companies that perform poorly on ESG factors.
- During social or economic crisis (2008 financial crisis, Covid-19 pandemic) ESG stock indexes perform better than non-ESG peers
- Implementation of sustainability strategies seem to improve financial performance of companies due to drivers like innovations, better risk management and operational efficiency
- Decarbonization strategies that significantly decreased carbon emissions improve financial performance of companies.
- Disclosure of ESG data on its own might not affect financial performance, while high ESG performance affects the firm value.

Apart from rising public awareness, the next generation of wealthy family members are the drivers behind growing engagement in sustainability. Covid 19 crisis has accelerated the interest in sustainable investing, with wealthy families focusing not only on financial profits of their portfolios but also societal impact and family values. The perception of trade-off between financial returns and sustainability have changed, with 56% of family offices believing there is no need to compromise on financial performance of portfolios to achieve sustainability goals (BlackRock, 2020). Companies with stronger ESG focus are generally considered to be of higher quality and more resilient during high market volatility and tend to outperform during market downturn (Tucker & Jones, 2020). In 2019 clean companies, that generate 10% of their revenues from clean energy, energy efficiency or clean technology, outperformed almost all leading equity indexes. The market capitalization of clean companies has tripled over the last 10 years period, while that of fossil fuel companies has declined by 5% in 2019 (Gifford & Stettler, 2021).

UBS research shows that 56% of family offices already allocate funds to sustainable investments, though there are significant concerns regarding the due diligence, possible greenwashing as well as performance evaluation. More than quarter of family offices, that do not invest sustainably, consider lack of clear definitions of sustainability as an obstacle to investing (UBS, 2021). Capgemini identified the growing demand of HNWIs for more information about sustainable investment opportunities, accurate impact data and more clarity about financial returns. 43% of UHNWIs and 39% of HNWIs age 40 and younger are more likely to focus on ESG score for financial products in their portfolios, which highlights the importance of sustainable investing expertise of wealth advisors, transparency about ESG benefits and impact measurement, as well as competitiveness of returns compared to traditional investments (Capgemini, 2021).

Impact Management Project (IMP) has defined five dimensions for measurement of impact on people and planet:

- What: evaluates the outcome during a certain period and importance of outcome on people or planet.
- Who: defines the stakeholders experiencing the outcome and how underserved they are in relation to the outcome.
- How much: assesses the number of affected stakeholders, degree of experienced change, and duration of impact.
- Contribution: evaluates the efforts made by companies or investors that contributed to change and if outcomes were likely to have happened without their efforts.
- Risk: determines the risks affecting all stakeholders if impact differs from what was expected (Firdaus, 2022).

These dimensions also help wealthy families to define their impact investment areas. After defining the key interest areas, sustainable and impact portfolio can be constructed through 4 different types of allocation:

- Higher income/return allocation- clients seeking higher returns invest in sustainable thematic equities with high exposure to clean energy and sustainable agriculture, or shareholder engagement equities.
- High liquidity allocation- investment in liquid alternatives like ESG hedge funds.
- High impact allocation- investor wants to achieve maximum impact through investing in illiquid projects like private equity, venture capital, green real estate and infrastructure, earlier stage companies or companies in frontier markets or in equity funds with active shareholder engagement.
- Lower risk allocation- investment in lower risk strategies like green bond issued by companies to fund green infrastructure or transition bonds issued by high greenhouse gas emission industries to finance their transition to lower-carbon strategies.

The role of traditional philanthropy cannot be undermined, though social impact investing can create more value by generating new job opportunities, supporting economic growth of underdeveloped or developing countries, technological advancements, and decreasing carbon footprint worldwide. The urgency of environmental threats as well as critical societal issues will further drive the growth of the sustainable investment market, which adds value to the expertise and advisory in the field. Ultra-wealthy are in position to create maximum impact due to their financial possibilities and long-term investment horizon. On the other hand, inclusion of their heirs in determining family values around sustainable and impact strategies, increases the connection between generations and positively impacts the wealth transfer process resulting in continuity of family legacy over multiple generations.

3. Methodology

Methodology to evaluate the business idea was largely defined by the limited accessibility of the target segment of ultra-wealthy families in Portugal and worldwide. Target population of ultra-wealthy with net worth exceeding 50mln USD is hard to reach due to high sensitivity towards confidentiality and privacy matters. Therefore, predominantly secondary research methods were conducted.

Initially, literature was reviewed to define main terms and concepts focused on philanthropy and sustainable investing. Literature review also contributed to identifying the preferences and pain points of the wealthy families in the wave of upcoming wealth transfer and how to address their needs with special focus on the next generation heirs to the fortune.

As the next step, market analysis was performed to gain insight into the family office industry, to identify external and internal factors influencing the business and evaluate feasibility of the business idea. Market analysis encompasses a) external analysis covering industry data, demographics of target segment, PESTEL factors, competitive analysis, and b) internal analysis to identify company's potential strengths and weaknesses, followed by SWOT analysis and review of relevant future trends in the industry. Market analysis chapter is completed by review of three business cases, which inspired the idea of the business project.

External market analysis was conducted based on comprehensive research of wide range of secondary data sources such as industry reports, theoretical books, business journal and online articles, white papers, case studies and scientific papers. For exploratory research, qualitative and quantitative data was analyzed around the global wealth, segments of wealthy individuals, and family offices. Socio-demographic elements like the age, size of wealth, source of wealth, country of origin and residence, and psychographic elements like interests and values as well as attitudes towards philanthropy, ESG and impact investing were covered. Respondents in the analyzed reports were geographically diversified covering Europe, Switzerland, Middle East, Latin America, US, Asia Pacific. Surveyed target group consisted of operating single and multifamily offices, their management, and members of the wealthy families. Study sample was generally profiled based on net worth of wealthy individuals and assets under management of operating family offices. Competitive analysis is based on Porter's 5 forces model and primary research method was used to gain information about potential competitors in Portugal, via interviews with operating multifamily offices.

Secondary research resulted in identifying the pain points of ultra-wealthy families and gaps in family office services. Firstly, findings were used to develop the business concept highlighting the business opportunity, describing phases of the project, and defining core activities of the company and model of service delivery. Secondly, business plan implementation steps were defined including marketing strategy, organizational strategy, and implementation requirements.

Marketing strategy involves formulation of company's mission and vision, specifics of target clientele, statement of value proposition, positioning, differentiation points of the company. The 4 key elements of marketing strategy (Product, Price, Place and Promotion) are summarized together with related marketing costs. Organizational strategy was based on analysis of theoretical literature about operating of family offices. Best practice examples were taken into consideration to determine organizational structure, management team functions, compensation plans, operating model, and partnership relationships of Omnia. As decision was made to incorporate the family office in Portugal, corresponding requirements were explored including licensing, allowed activities, capital requirements and applicability of tax benefits.

Eventually, financial plan was developed considering data about industry average family office operating costs, proportion of operating costs per each rendered service and main drivers of the expenses. Various family office industry reports gave insight into expected upward trends in staff, IT, legal and compliance costs, and growing demand and spending on advisory services.

4. Market Analysis

This chapter will focus on external and internal market analysis with overview of wealth industry and PESTEL factors influencing the wealthy segment and family office business, followed by Porter's 5 forces and SWOT analysis.

4.1 External Analysis

Substantial growth in global wealth, its concentration among ultra-wealthy families and their growing need for intergenerational wealth transfers has exponentially increased the number of family offices worldwide (*The Way Forward for Family Offices*, 2021). Despite predicted slower global economic growth and recession in some countries, the global wealth is forecasted to grow by 169 trillion USD by 2026 and number of millionaires is expected to surpass 87 million individuals over next 5 years (Shorroks et al., 2022). Though the full impact of Russia-Ukraine crisis on global wealth preservation and creation is yet to be assessed.

4.1.1 Industry Definition and Data

The number of family offices has grown regularly during the past decade with estimated 7,300 global family offices at the end of Q2 2019 and a 38% annual growth compared to 2018. As of 2019, North America was leading with 42% of family offices worldwide, followed by Europe with 31.5%. Despite Asia's share of only 17.8%, number of Asian family offices have grown significantly with 44%, compared to 41% in North America and 28% percent in Europe (Botha, 2022). According to UBS and Campden Wealth research (2019), surge in number of family offices stared after the millennium with 68% of surveyed FOs established after year 2000 and more than half currently serving first and second generations of wealthy. Exponential rise of family offices can be linked to growth of global wealth as well as number of high and ultra-high-net-worth individuals. Industries where families generated wealth is led by financial and insurance sector, followed by manufacturing and real estate.

Total global wealth increased by 7,4% and amounted to USD 418.3 trillion in 2020 despite the challenges of Covid-19 pandemic. The negative economic impact of the pandemic was mitigated by the actions of governments and central bank interventions resulting in more positive outlook on financial market, increasing share prices and significant increase in house prices positively affecting the global household wealth. Estimated global wealth in 2021 amounted to USD 463 trillion with significantly higher annual growth rate (9.8% versus 2020) than average annual rate of 6.6% since the beginning of the 21st century (Shorroks et al., 2022).

Wealth per adult increased by 6% to record high of 79,952 USD in 2020 and continued to grow in 2021 amounting to 87,489 USD by end of 2021. Wealth gains per adult were even recorded in the countries most affected by Covid-19. Researchers name two main reasons for differences in wider economy and household wealth developments: lowering of interest rates by central banks and significant support programs for businesses and individuals most affected by pandemic. While transfer of funds from public to private sector kept the disposable household income relatively stable in some countries, others benefited from higher income. As a result, household wealth grew along with increasing savings and decreasing debts due to restricted consumption possibilities. Net saving rates in European Union countries rose from 5.8% in 2019 to 12.57% of disposable income in 2020. Globally, pandemic related saving has been estimated as USD 5.4 trillion. In 2021 number of global USD millionaires exceeded 1% of all adults worldwide with 62.5 million individuals and aggregate wealth of USD 221.7 trillion. Their share in global wealth has increased from 35% in 2000 to 48% in 2021. Top group of the wealth distribution encompasses 2.7 million individuals with assets in the USD 10–50 million range and 254,200 ultra-high-net-worth individuals with assets above USD 50 million. The number of the individuals with net worth above USD 50 million has increased by more than 50% during 2019-2021 period (Shorroks et al., 2022).

Considering persistence of inflation, slower global economic activity and hindered wealth creation, Credit Suisse researchers expect the growth of USD 50 million net worth individuals over next 5 years reaching 385,000 adults with 2.4% share in total wealth. Another forecasted trend is the growing importance of non-financial assets in wealth creation process with expected faster growth rate of 6.7% p.a. compared to 6.2% p.a. of financial wealth. Financial assets like stocks have suffered a sharp drop in 2020 and in spite followed recovery, persistently high inflation levels will continue impacting the bond and equity returns (Shorrocks et al., 2021; Shorroks et al., 2022).

Despite global pandemic and its economic impacts, number of Portuguese USD millionaires has increased by 16% in 2020 compared to 2019, though the number decreased by 5.9% in 2021. The inequality of the wealth distribution can be highlighted by the richest 1% of the population holding 20% of country's wealth and the richest 10%'s share amounting to 52.7% of total wealth. The number of only 2 Ultra High Net Worth individuals with wealth exceeding 500m USD as estimated by Credit Suisse Research Institute in 2019 differs from the Forbes count of 10 with more than 500m Euros fortune (Shorrocks et al., 2021; Shorroks et al., 2022; Shorroks et al., 2022a; Meireles & Garcia, 2019; Meireles & Garcia, 2020).

According to extensive BlackRock survey of 185 family offices globally, 80% of Family Offices are interested and are already engaging in certain forms of sustainable investing. Even though only 38% have adopted sustainability as key component of their investment strategies, the trend is expected to continue with more than 75% of Family Offices increasing their exposures. Based on Credit Suisse research, 49% of the Family Offices plan to increase their sustainable investments over next 2-3 years with focus on areas like renewable energy, health, education, infrastructure, food, environment and biodiversity, agriculture, climate action, poverty and social inequality, responsible consumption, and production (Credit Suisse Group AG, 2021)

As of 2020, ESG integration was the most used sustainable investment strategy amounting to total of USD 25.2 trillion assets under management worldwide followed by exclusion or negative screening (USD 15.9 trillion) and shareholder engagement (USD10.5 trillion) (The Global Sustainable Investment Alliance (GSIA), 2021). According to UBS, exclusion-based investment is preferred by 38% of family offices, 31% focus on ESG integration while only 24% make impact investments (UBS, 2022). Based on Credit Suisse survey, 49% of respondent family offices plan to increase their sustainable investment (The Way Forward for Family Offices, 2021). Based on the Schroders research, 44% of surveyed Portuguese investors already allocate assets in sustainable investment funds with main reason to create positive environmental impact and secondary reason to benefit from high profitability of sustainable investments (JE Brand Channel & Schroders, 2020).

During the period of 2014-2019, global sustainable investing has increased by 122% amounting to USD 40 trillion, while global impact investing has grown by 1,092% reaching USD 715 billion (Gifford & Stettler, 2021) and the upward trend is expected to continue.

4.1.2 Demographic Factor

The average age of wealthy population owning assets above USD 30 million (ultra-wealthy population as defined by Wealth-X) is 64, with 57% of population comprised of individuals aged between 50 and 70 holding almost 50% share in total wealth and 31% of ultra-wealthy class aged 70+ holding almost 40% of total wealth. The wealth of the under-50's has grown the fastest in 2020, which can be attributed to this segment's primary business concentration on technology sector and inflating relevance of digitalization since 2020. Global ultra-wealthy population is predominantly comprised of male individuals accounting to almost 90% share. (Wealth-X, 2021a, 2021b). As of 2019, Forbes list included 50 Portuguese millionaires with total wealth of 24 billion Euro, with average age of 63 and only 4 members with net worth under 50 million EUR (Meireles & Garcia, 2019; Meireles & Garcia, 2020).

Philanthropy has significantly gained relevance not only due to rising awareness of environmental and social issues, but also increasing concerns over inequality of wealth distribution globally**.** Based on Wealth-X research (2021), source of wealth has a significant impact on wealthy individual's interests, philanthropy mainly being the focus for heirs to fortune. Interest and engagement in philanthropy increases in line with levels of wealth. With accumulation of wealth, successful wealth protection strategies, freeing up of the capital and aging, super rich tend to feel more obliged to engage in social causes and often set up their own private charitable foundations (Wealth-X, 2021a, 2021b).

In 2020 the philanthropic activity of the global ultra-high net worth individuals (>30mln USD) was concentrated on diverse areas like education, healthcare and medical research, arts, housing, social equality, and environmental issues. Representing only 1.1% of the worldwide millionaire population, this segment accounted for 36% of global giving (total of 750bn USD excluding corporations and government donations) (Wealth-X, 2022). Philanthropy remains one of the most important interests for wealthy donors passing on significant fortune by 2030 with education topping the list of philanthropic causes with almost 50% of total funding. Environmental causes represent only 10% of charitable giving, which is expected to grow in proportion with wealth transfer to more environmentally conscious younger generation (Imberg & Shaban, 2021).

Even though self-made wealthy remain the largest group of donors, it is expected that significant intergenerational wealth transfer of the coming decades will substantially increase the number of ultra-wealthy heirs and those who have both inherited and created fortunes. And this group is usually more predisposed to indulge in philanthropic activities on the earlier stage than primary wealth-creators. The number of self-made UHNW individuals has increased by 6% during 2016-2020 period and amounted to 72% of global ultra-wealthy population, while inheritance as source of wealth has declined in proportion, though still playing a significant role due to upcoming intergenerational wealth transfers. Despite growth of women entrepreneurship over the years, proportion of inherited or mix of inherited and self-made fortunes of women remain high with 26.8% and 28.2% respectively. The combination of inherited and self-made fortune accounts to 20% of global UHNW segment. (Wealth-X, 2021b; Wealth-X, 2022).

The scale of intergenerational wealth transition expected by 2030 can be highlighted by 679,337 individuals with a net worth of USD 5 million and above, passing the fortune of estimated USD 18.3 trillion USD on to next generation. The ultra-wealthy tier with assets exceeding USD 30 million is forecast to transfer total wealth of USD 12.2 trillion to the heirs. Europe is expected to pass on USD 3.6 trillion accounting for 15% of total wealth transfer. 85% of individuals passing on the fortunes are the wealth creators or self-made millionaires. Irrespective of wealth tier, average age of wealth donors is between 70 and 80 years. During last decades, there has been a clear shift in timeline of wealth transfer, with donors passing on the fortunes earlier in their life than traditionally. Fortune can be partially transferred to engage younger generations and prepare them for full succession (Imberg & Shaban, 2021).

With the Great Wealth Transfer phenomenon of estimated USD 3.4 trillion of wealth to be inherited by next generations over following 20 years transferred by 701 billionaires only, the number of "guilty rich" is bound to increase. In 2021 Resource Generations, community uniting the richest 18–35-year-olds in United states and, among other social matters, focusing on transformation of philanthropy from charity into social justice tool, has seen a significant increase of 65% in members compared to 2019 (Tait, 2022; Gruber & Binder, 2021). Even though the average age for inheriting large fortunes is believed to be 50's to 60's, next generation of wealth owners can comprise of individuals aged from 20 to 60 encompassing Gen Z as well as Millennials. (Wealth-X, 2021b). Next generation millionaires have different perceptions around wealth, shifting from traditional financial values to purpose of bringing positive societal changes to the world. Like elder generations and wealth creators in the family, wealth protection and sustaining family legacy remains crucial though with more impact-driven mindset.

4.1.3 PESTEL

PESTEL analysis will evaluate the political, economic, social, technological, environmental, and legal factors that can affect the business both on global scale as well on Portuguese market.

4.1.3.1 Political Factors

Russia's invasion in Ukraine in 2022 has heavily impacted global economies and intensified geopolitical instability. As outcome of war remains uncertain, significant shifts are anticipated in the world political order, foreign and trade policies, defense, and military expenditures as well as government interventions in critical economy sectors like energy (Bordoff & O'Sullivan, 2022). Covid-19 pandemic has heavily impacted the low-income households and led to significant rise in wealth inequality in 2020 with estimated 50% of adults representing the lowest group of wealth holders accounting for only1% of total wealth (Credit Suisse Research Institute, 2021b). According to OECD, inequality in Portugal is high compared to other advanced countries with 20% of poorest household earning estimated 7.8% of total income (Portugal Economic Snapshot - OECD, 2022). With ongoing war and economic crisis, further ramifications for low-income households might impact the taxation and pressure governments to review tax policies and potentially increase tax burden or introduce new types of taxes for wealthy tiers of the society.

4.1.3.2 Economic factors

Possibility of extended period of war between Russia and Ukraine poses high risk on global economic growth. Morgan Stanley economists predict 4.6% global real GDP growth in 2022 and 3.9% in 2023 due to higher food and commodity prices, possibility of persistent inflation and geopolitical tensions (The Russia-Ukraine Crisis: What Does It Mean for Markets? | J.P. Morgan Research, 2022). OECD estimates that sustained increase of commodity and energy prices could elevate global consumer price inflation by approximately 2.5% and reduce global GDP growth by over 1% in the first year since war outbreak ("Economic and Social Impacts and Policy Implications of the War in Ukraine," 2022).

Portugal's economic growth is expected to remain strong at 6.5% in 2022 mainly due to recovery of the tourism sector but is forecast to moderate to 1.9% in 2023 considering the repercussions of war in Ukraine, decrease in private consumption and higher inflation levels. 8.2% (y-o-y) inflation in second quarter of 2022 was driven by increasing energy and food prices and could lead to stronger wage adjustments pressures (Economic Forecast for Portugal, 2022).

Due to inflation pressures and geopolitical tensions, wealthy families are reviewing the strategic asset allocation and shifting their focus from fixed income and liquid investments to private equity and real estate expecting higher returns. Macroeconomic instability and uncertainty about the future developments impacts all asset classes, including private equity (direct investments, leveraged buyout, venture capital, real estate, etc) and the correct valuation of financial assets remains one of the crucial concerns for investors. Asset protection has further gained in importance as wealthy families are questioning the possibility of uncorrelated returns and looking for alternative diversification options even at the expense of liquidity (UBS, 2022).

4.1.3.3 Social Factors

Apart from political risks, social stability has become one of the biggest challenges with growing concerns over polarization due to wealth inequality, religious, racial and gender discriminations. The inequality of wealth distribution has been intensified since 2008 economic crisis and Covid 19 pandemic leading to slower economic growth and rising division amongst the society. The difference between the wealth levels of adults has widened in 2020 as well as wealth disparity within nations. While the global number of millionaires increased by 5.2 million reaching 56.1 million adults in 2020, estimated number of individuals with assets of less than 10,000 USD amounted to 2.9 billion or 55% of world adult population (Credit Suisse Research Institute, 2021). Based on different studies, rising income inequality has decreased economic growth of some developed countries by 9% while GDP of other countries with relatively curbed inequality levels have grown. Forecasted cost of lost consumption and investment between 2019 and 2028 due to wealth gap in black and white American populations ranges between USD 1 trillion and $1.5 trillion. Estimated cost of gender discrimination (women's limited access to education and economic activities) for global economy has amounted to USD 12 trillion per year (Acharya, 2022).

Covid-19 pandemic in Portugal has highlighted the critical problems in healthcare system, with low wages and shortages of health-care workers. Apart from improving the working environment and compensation for health-care workers, investment in education and medical innovation fields would contribute to resilience of the country in challenging times. Rising social and economic inequality together with pandemic and critical environmental issues has impacted the expectations of the wider society about engagement of the wealthy tier in solving these problems by philanthropic giving and social impact investments

4.1.3.4 Technological Factors

Most wealthy families consider technology, IT and cybersecurity as some of the most critical challenges for the coming years (The Way Forward for Family Offices, 2021). Pandemic has posed obstacles for the communication between the multigenerational family members residing in different locations and has accelerated the digitalisation/digital transformation process within the family offices. Platforms like 1FS Wealth have been further developed to cover families' needs ranging from investments to succession planning and philanthropy, as well as education to event management. The system enables secure and efficient communication between the family members crucial for decision-making process and keeping the healthy family dynamics. Covid-19 related health risks also raised concerns over succession-planning prompting the platform creators to enhance the asset and legal documentation function.

ESG and philanthropy module of these platforms, especially popular amongst tech -savvy next generation family members, enables creation of the value-aligned sustainable portfolio as well as evaluation of the impact of charitable giving (Trovato, 2021). Digital tools like Impact Management Projects' (IMP) Impact Classification System are already widely used to measure and evaluate the societal and environmental impact of the investments. Considering the high-personal-contact service of the family office, robo-advisory will not be able to fully substitute the financial consulting function, though artificial intelligence will undoubtedly enhance the investment opportunities research process (Canessa et al., 2019).

Based on the survey of 200 family office executives in US, cybercrime has increased significantly during Covid-19 pandemic with almost 26% of family offices having been targeted for cyberattack (Trovato, 2021). Threats facing wealthy families apart from ransomware, could be blackmailing to publish sensitive data, email hacking and social media account hijacking, espionage, financial losses due to fraud and phishing, etc. High-profile individuals are the main targets of cyber-attacks due to their financial standing and reputational vulnerability. Relevance of the cybersecurity might impact the decision on assigning chief technology officer and developing in-house technology systems or hiring a third-party vendor depending on the complexity of the family needs.

4.1.3.5 Environmental Factors

Lifestyle of wealthy elite has become a focal point in recent years research of carbon footprint. Carbon inequality could be highlighted by estimation that 1% of the richest is emitting almost 100 times more than the poorest 10% of the society (Barros & Wilk, 2021). Burning fossil fuels have detrimental effect on the climate change causing global warming. Rising sea levels and extreme weather conditions are expected to cause displacement of up to 1 billion people by 2050 and impoverishment of 26 million people per year. Deforestation and air pollution pose significant threats for the health of the humankind. The urgency of environmental issues pressure policymakers to decarbonize economies and prompt UHNW individuals to decarbonize their portfolios i.e., limit the portfolio exposure to companies with significant carbon footprint (average weighted carbon emissions) (Gifford & Stettler, 2021). Further deterioration of the environmental crisis could increase pressure on the wealthy families to modify their lifestyle and consumption patterns, increase their philanthropic spending on climate-change organizations or impact investments in environmental projects as well as divest from climate damaging companies.

Around one-fourth of Portuguese population is exposed to damaging air pollution predominantly in bigger cities and the greenhouse gas emissions per capita have not decreased over past several years, which may lead to review of current carbon taxation as well as higher demand for investments in transport sector and electric mobility (Portugal Economic Snapshot - OECD, 2022).

4.1.3.6 Legal Factors

MiFID II ESG amendments introduced in 2022, have posed new requirements for banks and investment firms to integrate sustainability preferences in suitability assessments and product governance. Banks and investments firms are required to educate clients on ESG investing, align financial product offering with the customers' sustainability preferences, provide information about the ESG investment performance including comparison with the conventional investments returns. These amendments will significantly impact the demand and offering of ESG financial products on the market (MiFID II ESG Amendments Apply Now – Are You Ready?, 2022).

Wealthy families with global asset ownership and complex cross-border transactions could be affected by potential changes in legal, tax and regulatory frameworks, which remains one of the top concerns for wealthy families. Systematically increasing importance of family offices, which remain unregulated compared to the banks and other asset management companies, may intensify the scrutiny of the regulator with regards to compliance issues (Botha, 2021b).

Companies established in Madeira's international business centre benefit from attractive taxation system, which is approved by European Commission and fully complies with the European Union's "Code of Conduct on Business Taxation" guidelines. The tax regime benefits granted until 2027, could be reviewed and amended afterwards (International Services in IBC Madeira, n.d.).

4.1.4 Competitive Analysis: Porter's 5 Forces

Currently Portugal is not considered as a conventional jurisdiction for establishing a family office. There is no available public information about the number or size of single-family offices of

Portuguese high net worth individuals. The family affairs can be handled through integrating FO in the existing family business, by Portuguese branches of international banks (Credit Suisse, BNP Paribas) or by locally established multi-family offices, which generally focus on Golden Visas for non-resident wealthy families, legal as well as tax advisory and concierge services.

4.1.4.1 Potential of New Entrants in the Industry

The threat of new entrants in the industry is medium to high as international and local banks in Portugal can offer family office services by establishing an extension of their wealth management arm without additional licensing requirements from the regulator. 55% of private banks expect that in following five years at least 50% of client investments will be made considering the ESG criteria. Banks like ABN Amro, UBS, Credit Suisse, Deutsche Bank among others have identified the growing demand for sustainable investment solutions and regard sustainability expertise as relevant differentiating factor and competitive advantage (Trovato, 2022).

Wealthy families might prefer structuring own single-family offices, though increasing operational costs and time-consuming process can be a serious barrier. Based on UBS survey, operational costs are expected to increase in next 3 years with staff (+54%) and IT/technology (+46%) costs being the main drivers. Cost efficiency remains one of the main pain points for wealthy families. Suggested rule of thumb for viability and cost efficiency of single-family office is minimum USD 100 million of total worth of family assets depending on the range and complexity of services (The Way Forward for Family Offices, 2021).

4.1.4.2 Power of Suppliers

The outsourced financial or lifestyle management services are important parts of the FO offering and can impact its low-cost competitive advantage if banks or bespoke concierge-service providers change the pricing and fee structure. Though wealthy segment and family offices have higher bargaining power over suppliers with regards to pricing, it is crucial to maintain several options of supplier substitution to maintain high-quality service without disruption.

According to Forbes, (Botha, 2021) leading banks like Credit Suisse, Lombard Odier, Julius Baer, J. Safra Sarasin, Edmond de Rothschild, Deutsche Bank, UniCredit, Caixa Bank and others have identified the growing interest of next-generation wealth owners in impact and socially responsible investing as well as shifting investment strategies of their family offices. These banks not only offer customized services to established family offices but also render family office services to wealthy segment. There is a probability of customers switching to financial institutions, especially if investment and portfolio management services are outsourced to them.

Apart from major key players of the concierge market (Quintessentially, Knightsbridge Circle, John Paul Group, Velocity Black, Bon Vivant, The Billionaire Concierge, One Concierge), luxury services are linked to premium credit cards like American Express Centurion, Citi Diamond, or offered by boutique luxury concierge service providers. The pricing difference between key players and boutique service providers might range between EUR 70,000-80,000 per person annually (Newsmantraa, 2022). Omnia will initially partner with smaller luxury lifestyle management and concierge service providers, which normally set a monthly fixed minimum service fee for the company and additional fee for bespoke services per client. Considering the number of family members and with additional clientele, the economies of scale can be achieved. Though switching to major players with international reach (Quintessentially Portugal), could increase the costs.

Before building a 360-degree in-house family office platform on later stage of business development, company will rely on the third-party vendors that provide wealth management technology solutions with integrated ESG/Impact evaluation and reporting functions. Following vendors would be considered in Europe: Altoo, Coryx, WIZE by TeamWork, WealthArc, Quantilia, QPLIX Gmbh. In case of white labelling (branding the third-party solution under Omnia's name) additional fixed maintenance or white label fees could arise.

4.1.4.3 Power of Customers

Limited number of clientele and their significant net worth increases the bargaining power, especially if part of the FO capital is financed by families or if some family members hold managerial positions in the company. Though in case of switching from MFO to SFO, the costs and transition from trusted FO team will be the biggest challenge. Financial institutions might offer bespoke financial and reporting platforms, though the level of institutionalization is high, and risk of conflicting interests grow together with the ambiguity of fee structures. Customers can join competitor multi-family offices, though apart from smooth transition the biggest challenge would be finding the MFO with fully aligned family values with lower level of institutionalization. Neither banks nor multi-family offices in Portugal are specializing on sustainable or social impact investment research and advisory, which as core differentiator can reduce the customer bargaining power.

4.1.4.4 Threat of Substitute Products

Multifamily office services can be substituted by single-family office, integration of the FO services in existing family business, or by wealth management and family office arms of serving financial institutions. Despite costs related to attracting and retaining top class C-suite managers and other operational expenditures, wealthy families can decide to establish single-family offices with family members managing the company to maintain maximum control, privacy, and high customization level. There is no competition between single family offices and creation of strong peer network can benefit the SFO with sharing of knowledge, best practices as well as in-house developed reporting systems

Some families might substitute family office services via integrating them in the family business. No additional recruitment or office costs arise as active CIOs, CFOs and accountants of the family companies will render the financial services to family members. The trust and confidentiality needs may be satisfied, though with growing scope of personal financial needs of the family members, company employees might not be able to provide customized and dedicated services. Multi-family offices with higher number of clients do benefit from economies of scale, though with growing number of clients alignment of family values and maintaining of high customization grade will be challenging.

Apart from local banks like Caixa Geral de Depositos or BPI, foreign banks UBS, Credit Suisse, Deutsche Bank, BNP Paribas, JP Morgan, Santander offer wealth management services in Portugal and could extend them to family office area. Though they would primarily substitute the financial advisory with lower level of personalization. Financial institutions and wealth management companies are still heavily focused on traditional investments which makes Omnia’s sustainable and social impact investment advisory one of main differentiation factors.

4.1.4.5 Competition in the Industry

In Portugal 3 companies have been identified as potential competitors offering multi-family office services, primarily rendered to non-resident customers.

ERG is a Portuguese multi-family office fully focused on non-residents families with varying net-worth of 100 million to 500 million EUR. ERG offers investment in luxury real estate, wealth management only for top tier clients handled by Prime Partners in Switzerland, and concierge services rendered in-house by a dedicated team. Apart from traditional FO services like legal advice, tax and estate planning, company promotes solutions for Crypto investors.

Dixcart offers establishment, management, and coordination of the family offices, as well as trust services across 6 different jurisdictions including Cyprus and Switzerland. Services also include confidentiality management, contingency planning, family governance, philanthropy, succession and inheritance planning, tax and wealth planning, and domicile advice. Investment and wealth management is offered in partnership with Portuguese STAG fund management, mainly focused on venture capital funds. Minimum investment or net worth requirement is not strictly defined.

RPBA is a law firm primarily offering structuring and management of family offices to non-resident clients. They provide estate, retirement, asset protection, charitable and succession plannings as well as real estate management. Establishment of operational companies is proposed in Portugal (Madeira Free Zone), Belgium and Luxembourg while jurisdictions like Lichtenstein and Malta are proposed for trusts and family foundations. Lawyers of the company are promoted as family officers which shifts the focus of the FO from financial services to legal advice.

All three multi-family offices specifically target non-resident families promoting Golden Visas program and advantages of Portuguese tax jurisdiction for relocation and company establishment. Sustainability or impact investing advisory are not advertised on competitors' websites though could be handled by their wealth management service providers upon client request.

Apart from local MFOs, international banks operating in Portugal can be considered as direct competitors, for example Credit Suisse which offers FO services as well as guidance on impact investing. The advantages of financial institutions would be the existing brand awareness, already established relationship and trust with the customer, accumulated knowledge/know-how, in-house financial services and digital (FO) platforms. Conflict of interest, that may arise in terms of promoting bank products (receiving retrocessions from investment funds, bonus for selling specific investment products), lack of fees structure transparency, more focus on short-term revenues rather than long-terms relationships, high probability of turnover of trusted relationship manager, or wealth planner count to the main disadvantages of bank rendered family office services. Bank relationship managers try to avoid institutionalizing their clients and bonding them with their wealth planner or trust advisor colleagues to simplify the client transition process in case of moving to another bank. Provision of tailor-made and holistic FO services covering needs like succession planning or real estate, art, etc., can also be limited. In terms of ESG and impact investing, lack of information/specialization of advisors has been a challenge for some of the financial institutions. The compliance and tax-evasion related issues have significantly undermined the trust for the financial institutions, which has led to re-focusing of wealthy families on multi as well as single family offices (Marcovici, 2016).

Big 4 consulting firms (EY, Deloitte, KPMG, PWC) as well as local boutique law-firms can offer global reach and expertise in taxation and legal matters especially if family members are dispersed across multiple jurisdictions. Despite less flexibility and availability for family members as well as low customization, higher fees and dependency on outsourced financial services, the accumulated legal and tax know-how could play an important role. Consulting firms can be viewed more as service providers rather than competitors.

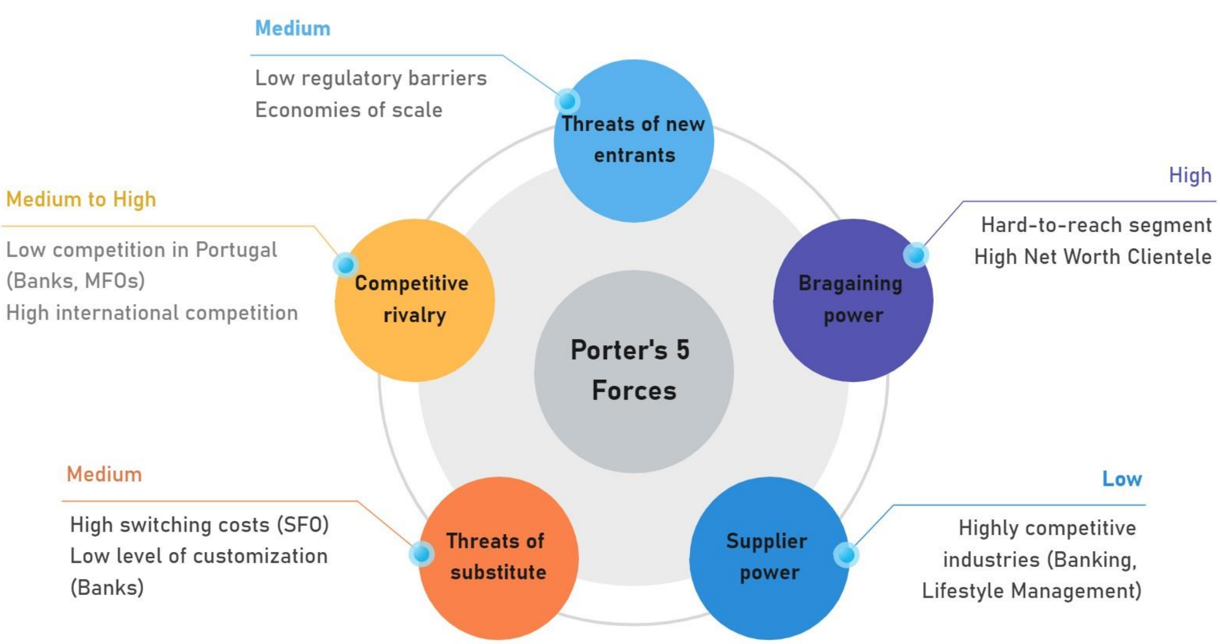

Figure 1: Porter’s 5 Forces. Source: Author

4.2 Internal Analysis

Omnia's clients will benefit from high level of customization with dedicated team of professionals rendering bespoke family office services. Addition of new clientele and growth of assets under management will lead to economies of scale without significant impact on service quality as total number of families served will be limited. Family office staff will become one of the main competitive advantages, though building an impact team is related to high recruitment and compensation costs, expected to increase over next 5 years.

Clients are highly sensitive to the turnover of trusted professionals and there is a possibility of family office executives leaving the company, establishing their own family offices, and luring clientele away. Family office customer satisfaction depends on quality of third-party service providers and overall service quality will be evaluated accordingly. The segment of ultra-wealthy is hard-to-reach due to privacy reasons and marketing communication strategy should be customized per targeted family. Number of ultra-wealthy individuals is limited in Portugal with estimated 72 individuals with assets in the USD 50-100 million range and 24 individuals with wealth exceeding USD 100 million as of 2020 (Shorrocks et al., 2021).

4.3 SWOT Analysis

Based on the conducted internal analysis of the company and external analysis of the market, SWOT matrix below summarizes the major positive and negative factors influencing the business.

	SWOT Analysis	
INTERNAL	**Strengths** • High level of customization • Economies of Scale • Skilled and knowledgeable staff • Expertise in ESG and Social Impact Investing	**Weaknesses** • Limited number of target clientele in Portugal • Hard to reach target segment • Increasing staffing costs • Dependence of overall service quality on third-party service-providers • Possibility of C-Suite managers exiting the company and luring away clientele

	Opportunities	Threats
EXTERNAL	• Low competition in Portugal • Underserved market in Portugal • Growing attractiveness of Portugal as alternative jurisdiction for relocation of families and businesses • Emerging and accelerating demand for ESG and Social Impact Investing	• Political instability • Slower global economic growth and high probability of recession • High competition from wealth management arms of international financial institutions • Regulatory restrictions • Amendments in taxations system

Table 1: SWOT Analysis. Source: Author

4.4 Future Trends in Industry

Digitization and ESG/Impact Investing are defined as main ascendant trends in the family office industry. Based on the interviews with various family office stakeholders, Canessa et al. (2019) identified that digitization is often perceived as a tool to increase the efficiency by automating reporting, back-office functions, and relatively simple tasks. Robo advisory is considered as supplementary service, as wealthy families require high level of personal interactions, though with upcoming wealth transfer to tech-savvy next generation, robo-advisory (algorithm-driven wealth management advisory services) might further gain relevance. With expected increase of IT and staffing costs, AI solutions and technological developments can maximize the FO efficiency and spare advisors' time for more quality interaction with family members. Julius Baer and UBS have been experimenting with moving face-to-face meetings with wealth management clientele to Metaverse, though data security and user friendliness of the technology has raised concerns. Metaverse virtual reality with three-dimensional avatars to interact with ultra-wealthy clients, who highly value confidentiality and personal interaction with advisors, has not been implemented as a communication channel yet but with further development might turn into a personal advisory technological tool (Walker, 2022).

Growing focus on sustainable and impact investing, with 56% of largest family offices already sustainably allocating funds, will further intensify the due diligence as investors strive to avoid greenwashing and gain better knowledge of impact measurement and performance evaluation (UBS, 2022). Based on Credit Suisse survey, 49% of family offices plan to increase their sustainable investment over next 2-3 years, with focus on three main areas: renewable energy, health, and education (The Way Forward for Family Offices, 2021; Gifford & Bettermann, 2021). Upcoming significant intergenerational wealth transfer to more environmentally conscious and impact focused heirs, is expected to further drive the growth of impact investment market with estimated size of USD 1.165 trillion as of 2022 (Hand et al., 2021).

Private Equity investments have become a favoured source of return for family offices over the last several years. According to the UBS survey, 74% of family offices tend to increase asset allocation in private equities in next 3-5 years and expect the outperformance of private markets compared to public markets. Apart from expected higher returns, wealthy segment considers private investment as risk diversification opportunity, access to broader range of investments, greater influence, and control over the business in case of direct investments as well as possibility to allocate funds in businesses they feel passionate about. 85% of surveyed family offices are primarily researching the expansion or growth equities and prefer investing at the early stage of business life cycle as assets are less expensive. Three most popular private investment sectors are technology (with 85% of FO's investing), healthcare and social assistance (60%), and real estate (54%) (UBS, 2022). Credit Suisse SFO survey also identified a strong trend of direct investments in private markets driven by limited correlation of returns with public markets and less price volatility (The Way Forward for Family Offices, 2021).

According to UBS research, family offices are becoming more crypto-curious, though in terms of decentralized payment, assets, and transaction reporting systems rather than investment in cryptocurrencies, mainly due to lack of regulation. Digital assets and distributed ledger technologies (DLT) like Blockchain are coming under focus, especially in US and Middle Eastern family offices (UBS, 2022). DLT is a decentralized digital system to record static as well as dynamic data like financial transactions, details of which can be recorded simultaneously in multiple places, which could be beneficial for family offices serving multi-generational wealthy families residing in various parts of the world.

Family office costs are foreseen to grow with staff being the main driver of the trend amounting to 69% of total internal costs. Staff costs are expected to increase by 54% over next 3 years mainly due to growing number of family offices and unmatched demand for top quality professionals (UBS, 2022).

4.5 Case Studies

Wealthy millennials tend to consider the traditional model of giving back to society via philanthropy as outdated and have been playing an important role in promotion of ESG and impact investing among family members.

Fernando Scodro is a third-generation member of a wealthy Brazilian family, whose father sold the baking and confectionary company Grupo Mabel to PepsiCo for USD 500m in 2011 and established a family office. While managing the family wealth, Scodro undertook the mission to develop the impact investment strategies for his family office “Grupo Baobá”. He discovered an energy efficiency start-up in the agricultural sector, that enabled the clients to earn profits while reducing the energy consumption thus benefiting the environment. Inspired by this business model, Scodro decided to participate in Impact Investing for the Next Generation course at Harvard with the goal to implement the strategy across his family’s entire portfolio. He translated all the course materials to Portuguese to present to his parents and engaged his mother as well as sister, who have not been actively involved in the family business previously. Engagement of family members and integrating their values into the portfolio was impactful for the family dynamics and helpful in carving out the clear investment strategy. Nonetheless, convincing older generation to use the impact investment approach was a complicated process taking more than a year to be fully accepted.

First step in implementation process was evaluating all the family assets and engaging advisors to find best ways to transition each asset class to impact investing. Based on their values, family defined five leading themes for impact investments: access to education, access to healthcare, access to better quality food, gender equality, and climate change. Implementation process took up to three years resulting in 20% of investment portfolio being sustainable and targeting 100% sustainability in coming years. Apart from family members, “Grupo Baobá” impact team includes third party advisors withing banks, as well as partners from other wealthy families that Scodro family co-invests and shares knowledge and experience with. In 2013 the ImPact, non-profit impact investing collaboration of family offices, was established to guide and advise wealthy families in impact investment. Scodro, one of the co-founders of ImPAct together with other wealthy millennials, came across the biggest challenge of strong reliance of wealthy families on their primarily profit-driven financial advisors, who often fail to align the family values with the investment strategy. Scodro believes in the possibility to maximize positive impact of the portfolio, while keeping the same profitability and risk levels (Gifford & Bettermann, 2021); Murray, 2019; Gruber & Binder, 2021).

Paolo Fresia, impact investor and investment director at London based family office "100% Sustainability", primarily focuses on climate change mitigation, promoting sustainable production and consumption as well as gender and LGBTQI+ inequalities. After inheriting wealth, he left the family office due to lack of financial and impact needs alignment and established his own private investment office. First step was to gain a clear vision about the most important social and environmental problems and define a mission to create maximum impact via investments. He started building an impact team and assembling outsourced investment specialists, which resulted in more flexibility and reduced operational costs. On one hand, outsourced chief investment officers were researching the actively managed funds that invest in companies whose products and services solve the environmental and social problems; on the other hand, ESG filters were assigned to passive investments. Fresia believes that private equity investments create the maximum impact, though as many other peers he used to prefer risk-averse and more liquid investments. After shifting this approach, he evaluated the liquidity needs of his family until he reached the age of 105 and planned the finances, accordingly, thus setting apart the capital for riskier and illiquid investments, as well as philanthropy. The due diligence process includes evaluation of quantitative metrics as well as different qualitative criteria against certain benchmark, for example: impact per dollar in developing countries compared to other countries or impact per dollar invested in forestry business compared to same amount donated to charity to plant trees, etc (Gifford & Bettermann, 2021). Fresia does not believe in full substitution of traditional philanthropy with impact investing, as this would negatively affect the most vulnerable members of society in need of basic goods and services. He considers impact investing as an enhancement of philanthropic activities of the wealthy and criticizes their abandonment only due to increasing hype around impact investing (Fresia, 2017).

Céline Chi Hae Wong, coming from Chinese solar industry family business Jinko Solar, invested her whole inheritance in a climate change focused "Infinitus foundation" with a goal to concentrate the philanthropic activities of her family office on generating infinite positive impact. The foundation researches the innovative investment possibilities to fight climate change.

Disappointed by the lack of action and expertise of financial institutions in environmental matters, Céline is trying to connect philanthropy and impact investing by contributing the profits from cleantech (companies and technologies that aim to improve environmental sustainability) investments to philanthropic social and habitat conservation matters. Céline is building an impact fund aspiring to create the blueprint for sustainable investments benefiting environment, society as well as economy. Investing in start-ups creates economic impact by job creation and technological innovations, that benefit environment via increasing the water and air quality. Additional social impact is achieved by redirecting the investment returns into philanthropy thus creating an infinite cycle of capital movements to maximize positive impact for humanity (Gruber & Binder, 2021).

These cases highlight the paradigm shift in perception of wealth in younger generations. Traditionally, wealth is seen as an ultimate achievement, symbol of status and source of power, while next gen aspires to achieve environmental and societal impact using their fortune as driver of significant changes. Financial mindset of the next generation wealthy focuses both on return on investments and impact per investment. Impact investment is seen a complementary of traditional philanthropy and as possibility to increase charitable giving. According to Markovici (2016), after a certain level, further growth of wealth does not bring additional happiness and conversely could destroy families and relationships. Engagement of family members in impact investment and philanthropic activities positively affects family dynamics and strengthens relationships, which is crucial for preserving the legacy over multiple generations.

5. Business Concept

Omnia will render bundled services to ultra-wealthy families in scalable and profit-oriented way, whilst maintaining the fundamentals of family office concept by offering tailor-made services to match the unique family needs. For smooth wealth transfer and succession planning, company will integrate the next generation services like financial education, training, intergenerational conflict resolution into their core activities and focus increasingly on stewardship covering both philanthropy and ESG/impact investment.

Developing clear sustainable and impact investment strategy will be one of the core responsibilities of the family office. Aligning the values and creating shared investment policy statement (IPS) for several families is the first step in the process. In case of families with traditional investment portfolios, family assets will be evaluated to develop best strategies for each asset class to gradually transition to impact investing with focus on themes like access to education, healthcare, gender equality, climate change, access to better food, etc. Two transition options will be offered: carve-out strategy and integrated approach. Carve-out strategy is applicable for families that prefer to test the sustainable investing with smaller funds to gain more knowledge about the performance and impact measurement. Considering the small share of high-risk high-impact investments, total risk will be diversified across the portfolio. Integrated approach with sustainable and impact investments gradually merged into the portfolio by some assets being replaced by more sustainable options.

Those families, who sold family business and are in process of building the family office portfolio, might decide in favor of 100% sustainable portfolios from the very beginning, though most of the families still commence with the carve-out strategy and increase the sustainability over time. The financial objectives and constraints will be carved out in the family's investment policy and would normally include return objectives, risk tolerance, distributions, asset allocation, investment time horizon, liquidity constraints. Family shall prioritize the objectives, either focusing on the "returns-first" or "impact-first" allocations. In case of prioritizing high-impact investments over the returns, impact objectives will be clearly defined to allocate funds accordingly. If returns are favored over impact, financial objectives should be defined first, and impact investment possibilities aligned respectively. The biggest challenge for family office will be liquidity management, as highest impact is believed to be achieved through illiquid private market investments like venture capital, private equity, green real estate, or green infrastructure (Gifford & Bettermann, 2021).

Chief investment officer together with dedicated impact investment team will be concentrated on research, development and execution of the diverse social impact investment strategies and representing clients to wealth management firms, financial institutions, and funds. Tools like Impact Management Project's (IMP) tool impact classification system will be integrated in the family office platform for impact measurement and reporting.

5.1 Business Opportunity

Portugal, being an unconventional location for family office establishment, is an underserved market with existing multifamily offices mainly targeting non-resident customers. Portuguese

Forbes list millionaire families' financial and personal needs could be covered either by family business employees (CFO, personal assistant, etc) or various third-party advisors requiring high level of coordination. Omnia has the opportunity to penetrate the niche market and satisfy the specific needs of Portuguese wealthy tier by bespoke services under "one-stop-shop" family office model with following benefits: structure for governance and management of family wealth, support in determining family values and visions, engagement of all generations in creation and strengthening the family legacy, coordination and integration of tailor-made services under one roof, financial and personal risk management, and high level of confidentiality and privacy of family members. Despite growing interest in sustainable and social impact investing as a complementary to philanthropic activities, Portuguese multifamily offices do not include ESG or impact advisory in their offering. Omnia will enhance the traditional family office services like asset protection and succession planning with expertise in sustainable and social impact investing. Due to relatively small number of 50 million plus net worth Portuguese individuals, the target market can expand internationally in the coming years.

5.2 Project Phases

Project phases, that encompass market entry, product development, market development and market penetration stages during the 5-year period, are presented in the Table 2 below:

1St Phase Year 1	**Market Entry**	• Company set-up in Portugal • Client acquisition (Portuguese ultra-wealthy families)
2nd Phase Year 2	**Product Development**	• Development of in-house family office IT platform with integrated ESG/Impact measurement systems • Building of an in-house impact team
3rd Phase Year 3	**Market Development: International Expansion**	• European markets • Portuguese Expats • Target clientele from US, Latin America and other countries that consider relocating to Portugal
4^{th} Phase Year 4-5	**Market Penetration**	• Increase sales • Broaden range of services used per client

Table 2: Project Phases. Source: Author

5.3 Main Activities

Omnia strives to offer full range of family office services, some rendered in house and some outsourced to third party providers. The multifamily office will be operating under an expert generalist model partially outsourcing some activities to benefit from top quality third-party vendors and moderate operational costs. The scope of services potentially rendered by Omnia include strategic services, investment and wealth management, risk management, technology and IT solutions, philanthropy and ESG/impact advisory, legal and tax advisory, lifestyle management and finances.   Detailed information about the services is summarized in Annex 1. Administrative services like employee management, IT infrastructure support and third-party vendor relationship management will be provided in-house. Depending on preferences and the complexity of family needs, some services can be rendered by blended team of in-house professionals and third-party expert.

6. Objectives

This chapter will summarize Omnia's strategic objectives for the timeframe of 3-5 years. Conventionally, wealthy families strategic planning goes beyond 5 years to 10 years and concentrates on succession planning, investment growth and philanthropy as well as ESG and impact investing. Company's strategic objectives will be aligned with clients' values, specifically in sustainability and philanthropy matters.

6.1 Strategic Objectives

Omnia's strategic financial objectives is to reach total assets under management of USD 1 billion and increase cost efficiency with family office running costs of maximum 30 basis points (is one hundredth of a percentage point) i.e., 0.30 % of AUM for 5 years. Pure costs of running a family office encompass staff, IT, research, legal and compliance costs.

Customer acquisition activities will be primarily targeted at Portuguese wealthy families in the first 2 years and will expand internationally afterwards aiming to reach maximum number of 15 clients (ultra-wealthy families) over 5 years period.

Implementation of efficient IT systems covering CRM, cybersecurity, consolidated reporting, risk management and building a strong network of trustworthy partners (banks, tax and legal advisors, lifestyle management companies, etc.) will contribute to achieving and maintaining operational excellence.

Talent retention is crucial due to the growing number of family offices, limited supply of professionals and client sensitivity to dedicated staff turnover. Clear compensation and incentives system, healthy company culture, alignment with families' values and goals are some of key element for FO success. Considering Omnia's point of differentiation, one of the strategic goals is to build an impact team of internal as well as external investment advisors delivering best practices of high-performing impact investing.

6.2 Short-term, medium, and long-term objectives

Table 3 below presents the short, medium, and long-term objectives.

Objectives	**Short-term (1 year)**	**Medium-term (3 years)**	**Long-term (5 years)**
Financial Expansion	AUM: EUR 150 million	AUM: EUR 450 million	AUM: EUR 1 billion
Financial Efficiency	FO running costs: maximum 40 bps	FO running costs: 35 bps	FO running costs: 30bps
Customer Acquisition/Retention	Number of Clients: 3	Number of Clients: 9	Number of clients: 15
Operational Excellence	Building Network of External Partners	Development/implementation of in-house FO platform Insourcing of investment related services	Strong Network of External Partners
People Expertise	Recruitment of C-Suite Managers	Talent retention Recruitment of additional IT staff Building of blended Impact team	High-performing Impact team

Table 3: Objectives. Source: Author

7. Development Strategy

From four of Porter's generic strategies, company will follow differentiation focus strategy with primary concentration on Portuguese ultra-wealthy segment, which is fairly underserved in terms of holistic family office services as well as ESG and social impact investment advisory. Niche segment will be offered array of high-quality, bespoke services, partially outsourced to keep staff costs relatively low compared to the industry benchmark.

Initially, Omnia will operate under the outsourced model of multifamily office where management consists of several expert generalists with extensive knowledge in wealth management field. With growing number of customers and assets under management, company will widen the array of in-house rendered services, especially in privacy sensitive areas like wealth transfer, succession planning and risk management and will recruit professionals such as wealth advisor. Even though ESG and impact investment expertise might gradually lose the differentiation degree, the specific core needs of niche segment will remain the same. Omnia envisions to be an independent commercial multi-family office with boutique concept, rendering services to a limited number of families with shared core values and maintaining high level of customization. Over time, target segment can extend to non-resident ultra-wealthy considering to re-locate their families to Portugal.

8. Implementation

The following chapter will elaborate on the business plan implementation steps covering marketing and organizational strategy as well as implementation requirements.

8.1 Marketing Strategy

In this section, Omnia's mission and vision will be defined, followed by segmentation, and targeting of the potential clientele. After the value proposition, company's main differentiation points will be determined, followed by 4Ps of marketing mix and costs analysis.

8.1.1 Mission and Vision

Mission of Omnia family office is to help create and safeguard the family legacy over generations, protecting the wealth and contributing to positive societal and environmental changes so that future generations, apart from financial security, inherit a better world to live in.

Vision is to fully engage diverse families and multiple generations in establishing a strong family legacy and unify them around creation of maximum societal impact by investing in sustainable and impact projects and expanding the philanthropic activities by generated financial gains. To fulfill the mission and implement the vision, family office will preferably invest in high-impact projects, early-stage companies, listed companies and funds with active shareholder engagement and outcome reporting and strong preference of ESG-related shareholder proposals, and projects with higher exposure to emerging and developing economies.

Sectors and companies that engage in business activities that contradict the families' values will be excluded from the investment process. UN Sustainable Development Goals (SDGs) will be used as a standard reference for decision-making in line with the family values. Considering each family's preferences and goals, specific percentage of portfolio will be allocated to "impact first" investments that drive positive fundamental changes for the society.

8.1.2 Segmentation and targeting

Omnia will target wealthy families with total net worth of 50 million USD and above, that are on the verge of divesting from family business or/and intergenerational wealth transfer. Initially company will focus on Portuguese ultra-high net worth families residing in or outside of Portugal, aiming to build strong family legacy and create maximum societal impact first and foremost in their home country. Primary communication target will be next generation wealthy family members already active in the family business or involved in the family wealth financial matters and decision-making process. Next generation will encompass Millennials (born in 1981-1996) and Gen X (born in 1965-1980), who tend to be more socially and environmentally conscious, tech-savvy and impact-driven.

8.1.3 Value Proposition

Omnia will serve multigenerational wealthy families under one-stop shop concept, addressing wide array of complex needs with unparalleled service and advice. As families' strategic partner, Omnia's team of experts will be committed to ensure smooth and successful intergenerational wealth transfer and to build and safeguard meaningful family legacy. Aligned with fundamental family values, tailor-made investment policies will aim at systematic contribution to positive societal and environmental changes as well as significant financial returns.

8.1.4 Positioning and differentiation

Omnia multi-family office will provide Portuguese and international wealthy families with holistic and bespoke advisory services, enhanced by 360-degree impact consulting. A dedicated "impact team" of advisors will research and deliver sustainable and impact investment strategies in line with families' financial and societal objectives. Innovative ESG and impact software solutions, that cover the research, impact evaluation and performance reporting, will ensure efficiency and transparency of the process. Technology-backed expertise in sustainable and impact investments will be main differentiation point of Omnia.

8.1.5 The 4 Ps of Marketing Mix

Following section will analyze the four key elements of marketing mix: product, price, place, and promotion.

8.1.5.1 Product

Omnia will offer wide range of family office services including financial advisory, investment management, lifestyle management, risk management, family governance (succession planning), next generation education, ESG impact and philanthropy. Core services like financial and investment advisory, family governance will be rendered in-house, others outsourced to third-party providers. Main differentiation point of Omnia will be ESG and impact advisory provided by blended team of in-house as well as third-party professionals and enhanced by digital solutions of ESG/Impact reporting and analytics. All types all asset allocations including high impact, low risk, high return, and high liquidity will be offered in the sustainable investing spectrum.

8.1.5.2 Price

Depending on the scope and complexity of rendered services, the range of family office fees can vary from 50 to 200 basis points of assets under management. The fee structure will combine fixed, hourly, and asset-based fees depending on the rendered service and form of delivery (inhouse or outsourced).

8.1.5.3 Place

Omnia's head office will be incorporated in Madeira for substance requirement reasons though services will be rendered by the Lisbon office. Due to the high-profile of the clients and possible multiple residencies of family members, the Omnia team will also need to travel extensively on regular basis. With growing number of clientele and complexity of cross-border services, presence in new strategic location could be considered.

8.1.5.4 Promotion

The most significant promotion tool will be communication with the extensive network of Omnia C-Suite executives from Wealth Management fields and recommendations of former high-net-worth clientele as well as peers.

In recent years website and regular content creation have gained relevance for family offices, which previously had remained private with no interest in broadening the public reach. FO website design and content will highlight the values and differentiating factors of the family office and address the core needs, pain points of the wealthy families. Considering the time-sensitivity of the target audience, website information should be concise, and navigation efficiently organized. To make company more relatable, separate page will be dedicated to the management team and their career paths. LinkedIn platform will be actively used by Family Officer or Chief Investment Officer for blogging about the new trends in the industry, and family office related topics.

Sponsorship of and active participation in Family Office and Wealth Management conferences and networking events is crucial for creating brand awareness and further business development. Foundational topics on these events will be presenting Portugal as alternative jurisdiction for family office services as well as family needs in terms of legacy creation through social impact investing and philanthropy. Through partnership with high-end lifestyle management and concierge service providers, company can gain access to the luxury events like exclusive art exhibitions, Formula One, Tennis championships, galas, film festivals, upscale club events etc.

8.1.6 Marketing Costs

Networking of the C-suite managers with their peers, potential referrals and clientele will be covered as representative costs. CEO and CIO’s responsibilities will include content creation and management to build presence on professional social media platforms like LinkedIn. Leadership will participate in networking events, wealth conferences and panel discussions dedicated to family offices, succession planning and ESG/Impact Investing to raise brand awareness. Participation fees vary from EUR 500 EUR to EUR 2,000 per person depending on the type of event, organizers and invited guests. Sponsorship of wealth and family office events can range from EUR 10,000 to EUR 25,000. Membership in family office associations with access to private dinners and events can amount EUR 12,000 on annual basis. Building a Search Engine Optimization (SEO) friendly website can cost from EUR 2,000 to 9,000 EUR. Creating SEO-friendly content with correct keywords is crucial for being ranked highest in search results.

8.2. Organizational Strategy

This chapter will cover ownership and organizational structure of the company, family office operations and supporting technology, and partnerships with third party service providers.

8.2.1 Ownership Structure and Management Team

The organizational strategy of a family office depends on the size of families' wealth, preferred level of privacy and control, types of core and value-added services, in-house provision, or outsourcing. Omnia is an independent multifamily office, run as a commercial business and owned by the founder/managing director not related to any of potential client families. The ownership structure might differ in case one or more of the targeted ultra-high-net-worth families wish to co-own or co-manage the FO on the later stage of business development, though this could create conflict of interest within families and complicate the decision-making process for management. One of the key success factors of the family office are employees. Apart from the extensive experience, professionalism and communications skills of the C-suite, the cultural fit and chemistry with the family members are essential for the high functioning family office.

In the early stage of development, Omnia will follow the outsourced multi-family office model and recruit expert generalist family officer (specialized in financial advisory and wealth management areas), Chief Operating Officer, and Chief Investment Officer. Apart from advisory, management's core function will be coordination and supervision of relationships with external partners including banks, lifestyle management firms, law firms providing tax and legal advice as well as IT third-party vendors. Depending on the number of client families, assets under management, needs and preferences of clientele, some of the services may be insourced and full-time staff added accordingly.

To remain cost-efficient, diminish the risk of receiving the financial intermediary status and becoming applicable for licensing, Omnia will fully outsource the portfolio management services to financial institutions. CIO will focus on building a so-called blended team of in-house professionals (investment analyst, wealth advisor) and select external advisors specialized in impact investing. Additional function will be establishing and managing relationship with different impact networks and associations to benefit from shared knowledge and experience in the area. CIO will supervise the implementation and functionality of the ESG/Impact analysis software and reporting systems provided by third-party vendors. Recruitment of C-suite managers and benefiting from their existing client and referral network is crucial for initial customer acquisition, followed by employment of administrative staff, IT and CFO team to handle family office operations. Annexes 2 and 3 summarize information about the organizational structure, functions and remuneration of C-Suite and their teams.

8.2.2 Operations and Technology

Design of efficient operational and technological infrastructure should be aligned with the complexity of family needs. Financial accounting, consolidated reporting (tax and compliance, asset and investments reports, strategic planning reports), data and decision archiving operations should be supported by appropriate software to ensure smooth flow of information between all beneficiaries. Developing in-house family office platform and recruiting Chief Technological Officer might be beneficial for privacy and customization reasons, though could be time-consuming as well as cost inefficient. Pricing of third-party software can vary from user-based, or asset-based to fixed annual licensing fee. Another option is to purchase the software incurring monthly maintenance and support fees. Lots of vendors offer white label solutions with the possibility to customize the software.

8.2.3 Partnerships

Provision of top-quality service by third-party providers is crucial for overall customer satisfaction. The first step is to choose partner financial institutions for outsourced portfolio management services. For risk diversification reasons up to three banks should be chosen preferably with international presence, wealth management arm, efficient custody and trading and portfolio management platforms (BPI, Santander, BnP Paribas, JP Morgan in Portugal). The choice will depend on proposed fee structure and complexity of family needs.

Big 4 (Deloitte, Ernst & Young, KPMG and PWC) consulting firms will be considered for legal and tax advice, compliance, and regulatory assistance due to their global reach and expertise. PWC additionally offers Wealth Compass, wealth management platform for family offices with holistic view of family assets and consolidated reporting system.

Developing in-house platform to cover core technology needs of the family like custody, consolidated reporting, trading portfolio management, risk management, client relationship management (CRM), implementation of the system as well as recruiting dedicated Chief Information Officer and IT team is beneficial in terms of customization and privacy, though can be related to elevated costs. Third-party vendors as well as some of the leading banks have already developed holistic family office service platforms which can prevent FOs from significant IT and related HR expenditures. Initially, Omnia will integrate third-party technology solution in the family office platform. Preferably, solutions would be white labelled - provided by the third-party vendor and rebranded under company's name.

Bespoke lifestyle services can be rendered by major market player Quintessentially Iberia with dedicated team in Portugal. Though alternatively partnership with boutique firms like Swiss Veltracon AG could be beneficial in terms of lower fees and wider array of services (luxury product sourcing, event management, event ticketing, fine art advisory, etc).

Alignment of family values, possible family conflict resolution, training and education of next generation family members require services of expert facilitator and advisors. Omnia will periodically organize family retreat events and partner with different independent experts and coaches in the family advisory field.

Networking and membership of associations dedicated to impact investment will broaden the knowledge about best practices and new developments in the area. Partnership with organizations like European Impact Investing Luxembourg, European Venture Philanthropy Organization, Mission Investors Exchange, Global Impact Investing Network and many more could also be useful for talent search and recruitment of impact team.

8.3 Implementation Requirements

Family Office will be established as a private limited company (Lda.) in Portugal to benefit from many advantages country has to offer. Apart from safety, high quality of life, highly skilled labor force and lower labor costs compared to other EU member countries, Portugal offers a favorable tax regime:

- zero tax on inheritance, gifts, and donations (stamp tax of 10% may apply)
- no wealth taxes

- no capital gains and dividend tax (if certain exemption criteria are met)
- international income of companies established in Madeira International Business centre, are taxed with 5% corporate tax
- in framework of non-habitual tax regime (NHR), foreign-sourced interest and dividend income can be exempt from taxation if specific participation exemption criteria are met (favourable for multinational family office structures).
- double taxation treaties with more than 70 countries (Portugal - Overview, n.d.; Tax Benefits, n.d.).

8.3.1 Legislation

Omnia will provide consulting and management services under MIBC (Madeira International Business Centre) jurisdiction. Registration or licensing under CMVM (Portuguese Security and Market Commission) or Bank of Portugal should not be required, as company will provide advisory services and does not qualify as financial intermediary. Though depending on the preferences of the future clients and possible integration of financial services in-house as well as changing legislative environment, the licensing may be required. Article 36º-A of the Portuguese Tax Incentives Statute defines the list of activities and types of companies allowed to establish and operate within the legal framework of the International Business Centre of Madeira. International services like management, consulting, development of real estate investments or holding participation in other companies are authorized together with management of trust structures (International Services in IBC Madeira, n.d.).

8.3.2 Requirements

Private limited company (Lda.) can be established with single shareholder, minimum capital of EUR 1 per shareholder and no requirement of director appointment. Company incorporation license is granted by S.D.M. (Sociedade de Desenvolvimento da Madeira) and requires license application with details about company activities, initial investment value, number of jobs to be created, as well as legalized incorporation supporting documents. Head office of the company should be located on Madeira as proof of substance. Legal reserve should correspond to minimum 20% of the share capital and 5% of annual profit, exceeding minimum amount of EUR 2,500 for private limited companies. Tax benefits will be applicable if one of following requirements are met: 1) creation of six or more jobs in the first 6 months of operation or 2) creation of one to five jobs in the first 6 months of operation and minimum investment of €75.000 in fixed assets, tangible or intangible, in the first two years of operation. Reduced corporate tax is applicable up to annual taxable income ceiling of EUR 3,550,000 in case of 3-5 created jobs and EUR 21,870,000 in case of 6-20 created jobs (Tax Benefits, n.d.).

9. Financial Plan

Financial plan is built on the assumptions about the revenue streams from rendered in-house services and costs related to outsourced services. Projections are based on the global family office industry averages, calculated as basis points of assets under management. The proportion assigned to revenue streams and cost categories depends on how the service is rendered: in-house, outsourced, or blended.

9.1 Assumptions and Projections

Following projections have been made in terms of AUM growth and number of clients. Client can be one or multigenerational family with minimum net worth of EUR 50 million. Client acquisition faces several challenges on the initial stage: 1) target clients are hard to reach due to privacy reasons, 2) as a start-up company, there is no success story to promote, 3) referral of Omnia's services by intermediaries such as independent wealth or legal advisors could be hurdled by the fear of losing respective client. Therefore, the intensity of client acquisition is low with average of 3 new client families per year. To maintain high level of customization, company does not envision to serve more than 15 multigenerational families.

	2023	2024	2025	2026	2027
AUM	€ 150 million	€ 300 million	€ 450 million	€ 700 million	€ 1 billion
Number of Clients	3	6	9	13	15

Table 4: AUM and client number projections. Source: Author

Main in-house services are divided in three categories: family professional services, general advisory services, and investment related activities. Family professional services comprise family governance and succession planning, concierge services, security, family counselling and relationship management, art and collectibles management, next generation education, etc. General advisory services include financial and tax planning, legal services, trust management, etc. Investment related services involve asset allocation, investment banking functions, financial accounting and reporting, private banking, and philanthropy. Fourth revenue stream represents the family office management fee to partially cover FO running costs including IT, staffing and employee management, office overheads, and other operating expenses. Goal is to maintain total family office fee paid by customer in the range of 0.5%-2% (50-200 bps) of AUM comparable to the industry benchmark (Annex 4).

Revenue Source	2023	2024	2025	2026	2027
Family Professional Services	10bps	10bps	10bps	10bps	10bps
General Advisory Services	11bps	11bps	11bps	11bps	11bps
Investment Related Services	16 bps	16bps	18bps	18bps	18bps
FO Management Fee	50 bps	50 bps	50 bps	50 bps	50 bps

Table 5: Revenue projections (Basis points of AUM). Source: Author

Costs are incurred by partially outsourcing core services to third parties. Proportion of revenues and costs related to general advisory and family official services remain on the same level over the years as the way they are rendered (in-house vs. outsourced) does not change.

Costs	2023	2024	2025	2026	2027
Family Professional Services	2 bps	2 bps	2 bps	2 bps	2 bps
General Advisory Services	5 bps	5 bps	5 bps	5 bps	5 bps
Investment Related Services	8 bps	7 bps	6 bps	6 bps	6 bps

Table 6: Cost projections (Basis points of AUM). Source: Author

Based on the limited data available about the exact cost structure, full-service family office running cost amounts to minimum USD 1.5 million. Viability of the family office also depends on the assets under management, rule of thumb being net worth between USD 100 million and USD 500 USD million to ensure cost-efficiency. Objective is to maintain the running cost to AUM ratio under 30 bps. Projected average proportion of FO running costs will be 23 basis points of AUM.

Remuneration of the employees will include base salary as well as discretionary bonus (percentage of annual salary). Bonus payments will be made on second year of FO operations. Base salaries and bonuses of top management are based on the family office industry average in Europe (UBS & Campden Wealth, 2019).

Position	2023	2024	2025	2026	2027
CEO	€ 200,000.00	€ 200,000.00	€ 200,000.00	€ 200,000.00	€ 200,000.00
CIO	€ 150,000.00	€ 150,000.00	€ 150,000.00	€ 150,000.00	€ 150,000.00
COO	€ 100,000.00	€ 100,000.00	€ 100,000.00	€ 100,000.00	€ 100,000.00
CFO	€ 80,000.00	€ 80,000.00	€ 80,000.00	€ 80,000.00	€ 80,000.00
IT support	€ 28,000.00	€ 28,000.00	€ 56,000.00	€ 56,000.00	€ 56,000.00
Wealth Advisor	€ -		€ 40,000.00	€ 40,000.00	€ 40,000.00
Investment Advisor	€ -	€ 40,000.00	€ 40,000.00	€ 40,000.00	€ 40,000.00
Admin	€ 15,000.00	€ 15,000.00	€ 15,000.00	€ 30,000.00	€ 30,000.00
Accountant		€ 24,000.00	€ 24,000.00	€ 24,000.00	€ 24,000.00
Controller	€ -	€ 26,000.00	€ 26,000.00	€ 26,000.00	€ 26,000.00
Number of Employees	**6**	**9**	**11**	**12**	**12**

Table 7: Employee Compensation. Source: Author

9.2 Financial Statements

For Profit and Loss Statement (Annex 5), income and expenses are forecasted for next 5 years based on projections about client number and AUM growth. Third year marks the building of the in-house impact team resulting in increase of in-house rendered investment service activities. Companies' expansion plans affect the advertising and promotion, and representative costs. Implementation of in-house family office platform is planned in 2025, hence the rise of IT costs. If some of IT solutions are white labelled, apart from set-up fee fixed monthly maintenance fees could apply. As company must qualify for the tax benefits offered by MIBC jurisdiction, standard corporate income tax is applied in calculations.

In Balance Sheet (Annex 6), assets include IT software (intangible assets) and computer equipment with 10% depreciation rate. Accrued expenses represent employee benefits like amounts to be paid for overtime and holidays. Dividend will be distributed starting from 2024 as 20% of net profit.

Investing activities in the Cash Flow statement (Annex 7) include purchase of computers as well as purchase and development of IT software. Due to changing regulatory and tax environment, capital expenditure such as investing in office space at specific location is not envisioned. With initial investment of 520,000 EUR and discount rate of 10%, estimated investment payback period would be 1.2 years, discounted payback period 1.3 years and cash flow return rate of 143.84%. Net Present Value (NPV) of future cash flows amounts to EUR 6,058,591.20. Two scenarios were evaluated: 1) pessimistic with 15% increase in staff costs and 20% decrease in sales and 2) optimistic with 10% decrease in staff costs and 10% increase in sales, which confirmed the viability of the project.

	Payback Period	Cash Flow Return Rate	NPV
Pessimistic	2.01 years	91.11%	EUR 3,411,219.14
Optimistic	1.01 years	164.56%	EUR 6,803,754.21

Table 8: Scenario Analysis. Source: Author

9.3 Funding Sources

Estimated start-up capital for the business amounts to 520,000 EUR to cover the costs of company incorporation, legal services, office rent, staffing and IT solutions as well as marketing activities. Each of the two founders will initially invest 260,000 EUR in the project and will consider peers such as independent wealth advisors in the financial sector as potential investors/co-owners. Bank credit is not viewed as alternative source of financing, as family office running costs will be covered by private funding on initial phase of operations. Considering the cash flow projections, external funding sources should not be required.

10. Conclusion

Environmental threats, wealth inequality, and social injustice have intensified the discussions about the role of the ultra-wealthy in driving positive change. The carbon footprints of the wealthy are criticized in the frame of their rich lifestyle as well as investment portfolios. On the one hand, philanthropy remains the preferred way for the wealthy tier to give back to society and safeguard the family legacy. On the other hand, the purpose of traditional philanthropy is questioned, as it is growingly perceived as a weapon of influence on governments and tax evasion rather than charitable activity.

The market analysis confirmed the needs and challenges of ultra-wealthy families in terms of asset protection and legacy preservation. On the verge of great intergenerational wealth transfer, family office like Omnia is uniquely positioned to support wealthy individuals and their future heirs in decarbonizing family portfolios and investing in impact-driven projects. Impact advisory, the main differentiation point of the company, will attract the next generation wealthy who aspire to link profits with the purpose of positive contribution to society and the environment. In the wave of significant growth of ESG/impact investment markets, demand for ESG/impact solutions expertise is not fully met by banks or wealth management firms, therefore Omnia's dedicated impact team will ensure the competitive positioning in the financial industry.

The financial evaluation shows the feasibility of the business despite an upward trend of staff costs as foreseen by the majority of wealthy families. Pricing and family office running costs remain in the range of industry benchmarks.

Portugal has gained popularity amongst foreign millionaires as an alternative destination to relocate with their families, though the country remains an unconventional choice for family office incorporation. The Portuguese ultra-wealthy segment seems to be underserved, as local multifamily office target non-resident clientele. Omnia aims to seize the opportunity to tap into the niche market and build a strong brand awareness firstly in Portugal and eventually expand the business to international markets.

11. Limitations and Future Steps

Empirical findings driven from the research might not be generalizable for the Portuguese market. Industry reports were focused on single or multi-family offices established in more conventional jurisdictions in Europe and other regions. Conclusions about the sustainable and impact investment behaviour, perceptions and propensities of the next generation heirs may not be applicable to the Portuguese ultra-wealthy segment due to cultural, geographic, or even personal aspects. Lack of information about the family office industry and future intergenerational wealth-transfer of ultra-wealthy tier in Portugal, poses further limitations to the study. Despite suggestiveness of the findings, direct access to the Portuguese ultra-wealthy and thorough research of segment specifics would greatly contribute to the success of the business project. One-on-one interviews with the target clientele would allow for more accurate insight into the pain points and envisaged challenges of the local ultra-wealthy segment, their visions around succession planning and creation of family legacy, their level of engagement in philanthropy and socially responsible investment.

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Annexes

Annex 1: Scope of Services. Source: Author

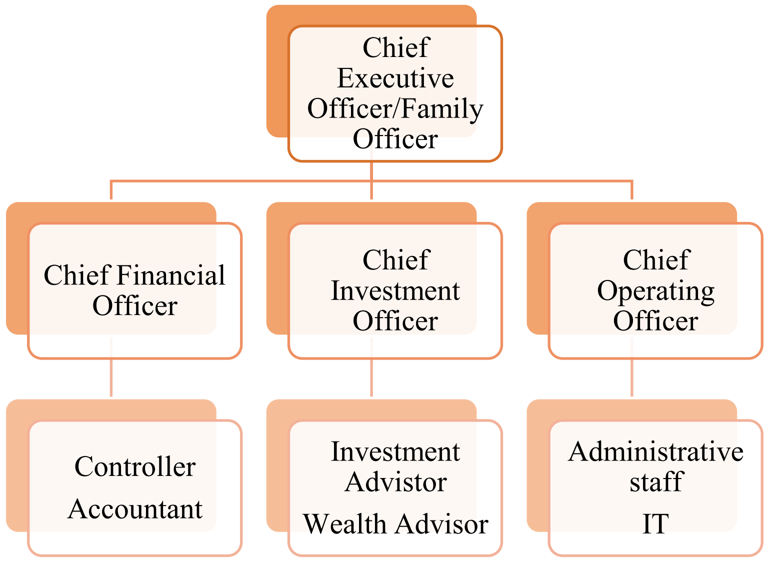
Strategic services	• Family governance: creation of family charter, family values, vision and mission, coordination of family council activities (in-house) • Family education and training of next generation (outsourced) • Succession planning: defining criteria for successor candidates, mediating relationship between successors and other family members (blended)
Investment and wealth management	• designing investment policy (in-house) • evaluation of overall financial situation (in-house) • asset allocation: defining risk profile, time horizon, investment goals, evaluation of different asset classes (blended) • portfolio management: research of investment strategies, evaluation of performance (blended) • selection and management of banking relationships (in-house) • investment due diligence and performance reporting (in-house) • wealth transfer planning (blended)
Risk management	• cybersecurity (outsourced) • physical security (outsourced) and reputational risk management (in-house) • insurance (outsourced)
Technology	• reporting system (outsourced) • trading and custody platform (outsourced) • risk management (outsourced) • ESG an impact measurement software solution (outsourced)
Philanthropy and ESG/Impact advisory	• due diligence of investments in ESG/Impact framework (in-house) • research of impact projects (in-house) • management of philanthropic activities (in-house)
Legal and Tax Advisory	• regulatory and compliance oversight (outsourced) • legal documentation, contractual oversight (outsourced) • tax compliance and planning (outsourced)
Lifestyle Management	• concierge services (outsourced) • art and collectible, property management (outsourced)
Finances	• bookkeeping, consolidated reporting (in-house) • budgeting and forecasting (in-house) • cash management (in-house)

Annex 2: Functions and remuneration of employees. Source: (Rosplock, 2020; Woodson & Marshall, 2021).

Position	Functions	Compensation
Chief Executive Officer (CEO)/ Family Officer	• FO management and oversight of FO operations • Strategic consulting and planning, • Investment Policy Review • Wealth education of the next generation • Engagement with FO legal counsel • Representing families' interests to third parties like partners or service providers	Base salary and bonus (% of annual salary) Co-investment opportunities, long-term incentives
Chief Operating Officer (COO)	• oversight of the infrastructure, systems, and IT, security, front- and back-office operations, compliance, and regulatory issues • oversight of administrative and staff functions such as technology and human resources • supervision of nonfinancial family assets (artworks, personal residences, aircraft, and yachts) • management of select third-party vendor relationships (IT, concierge, etc)	Base salary and bonus (% of annual salary) Co-investment opportunities, long-term incentives
IT (COO TEAM)	• IT support and management of different technologies	Base salary and bonus (% of annual salary)
Administrative Staff (COO TEAM)	• Administrative and back-office services	Base salary and bonus (% of annual salary)
Chief Investment Officer (CIO)	• outlining and execution of investment strategy • development of FO Investment policy statements (IPS), • management of the family assets • representing families' interests to third parties financial service providers (banks) • management of internal investment team and oversight of external asset managers and their coordination	Base salary and bonus (% of annual salary) Co-investment opportunities, long-term incentives

	• reporting of portfolio and all asset classes performance in coordination with CFO • research of the investment opportunities (special focus on ESG, IMPACT INVESTING) • Supporting the next generation's wealth education and incorporating external advisors as necessary	
Investment Advisor/Analyst (CIO TEAM)	• investment advisory and management • oversight of investment aspects of each family client. • selecting, monitoring, and managing investments and investment managers • Special investment performance research studies. • Analysis of investment/business opportunities, investment approach of the family office and • Translation into the specific needs and allocations for each underlying family	Base salary and bonus (% of annual salary)
Wealth Advisor (CIO TEAM)	• tax, estate planning, and accounting expert • wealth transfer and multigenerational wealth management planning • execute strategic planning that is complementary to the investment and portfolio management together with the investment advisor • liaison with risk management specialists and insurance advisors for matters such as life insurance, asset protection, etc.	Base salary and bonus (% of annual salary)
Chief Financial Officer (CFO)	• Financial policy and planning • income tax strategy, planning, and compliance with regulatory requirements • cash management, forecasting, budgeting, and financial reporting • insurance and risk management • oversight of financial management operations • development of financial management strategy across the family office	Base salary and bonus (% of annual salary) Co-investment opportunities, long-term incentives
Controller (CFO TEAM)	• Oversight of accounting, budgeting • facilitation of relationships with lawyers, prime brokers, and tax advisors.	Base salary and bonus (% of annual salary)
Accountant CFO TEAM	• Keeping the accounting ledger • Payroll management • financial statement preparation and analysis;	Base salary and bonus (% of annual salary)

Annex 3: Organizational Structure. Source: Author



Annex 4: Industry Benchmarks. Sources: UBS & Campden Wealth, 2019; Rosplock, 2020; UBS, 2022.

	Basis Points (of AUM)	Comments
Average FO running costs	31.7	AUM > USD 1 billion
Operating cost of Family Professional Services	11	Multi Family Office specific
Operating cost of General Advisory Services	16	Multi Family Office specific
Operating cost of Investment Related services	24	Multi Family Office specific
Average FO management fee	100-200	Depends on complexity of rendered services

Annex 5: Profit and Loss Statement. Source: Author

Omnia Wealth Management					
Profit and Loss (P&L) Statement	AUM				
EUR	€ 150,000,000.00	€ 300,000,000.00	€ 450,000,000.00	€ 700,000,000.00	€ 1,000,000,000.00
	2023	**2024**	**2025**	**2026**	**2027**
Family Professional Services	€ 150,000.00	€ 300,000.00	€ 450,000.00	€ 700,000.00	€ 1,000,000.00
General Advisory Services	€ 165,000.00	€ 330,000.00	€ 495,000.00	€ 770,000.00	€ 1,100,000.00
Investment Related Services	€ 240,000.00	€ 480,000.00	€ 810,000.00	€ 1,260,000.00	€ 1,800,000.00
Family Office Management Fee	€ 750,000.00	€ 1,500,000.00	€ 2,250,000.00	€ 3,500,000.00	€ 5,000,000.00
Referrals/Retrocessions					
Total Net Revenue	**€ 1,305,000.00**	**€ 2,610,000.00**	**€ 4,005,000.00**	**€ 6,230,000.00**	**€ 8,900,000.00**
Expenses					
Outsourced Family Professional Services	€ 30,000.00	€ 60,000.00	€ 90,000.00	€ 140,000.00	€ 200,000.00
Outsourced General Advisory Services	€ 75,000.00	€ 150,000.00	€ 225,000.00	€ 350,000.00	€ 500,000.00
Outsourced Investment Related Services	€ 120,000.00	€ 210,000.00	€ 270,000.00	€ 420,000.00	€ 600,000.00
Advertising & Promotion	€ 15,000.00	€ 20,000.00	€ 25,000.00	€ 30,000.00	€ 35,000.00
Depreciation & Amortization	-	€ 800.00	€ 920.00	€ 1,028.00	€ 1,025.20
Insurance					
Maintenance	€ 1,000.00	€ 1,500.00	€ 2,000.00	€ 2,500.00	€ 3,000.00
Office Equipment and Supplies	€ 10,000.00	€ 3,500.00	€ 4,000.00	€ 3,500.00	€ 3,000.00
Rent	€ 16,000.00	€ 24,000.00	€ 60,000.00	€ 60,000.00	€ 60,000.00
Salaries, Benefits & Wages	€ 573,000.00	€ 743,500.00	€ 847,600.00	€ 907,600.00	€ 947,700.00
Telecommunication	€ 1,000.00	€ 1,500.00	€ 2,000.00	€ 2,500.00	€ 3,000.00
Travel	€ 10,000.00	€ 20,000.00	€ 30,000.00	€ 35,000.00	€ 40,000.00
Utilities	€ 1,000.00	€ 1,500.00	€ 2,000.00	€ 2,500.00	€ 3,000.00
IT Costs	€ 5,000.00	€ 10,000.00	€ 20,000.00	€ 10,000.00	€ 10,000.00
Property	-	-		-	-
Total Expenses	€ 857,000.00	€ 1,246,300.00	€ 1,578,520.00	€ 1,964,628.00	€ 2,405,725.20
Earnings Before Interest & Taxes	**€ 448,000.00**	**€ 1,363,700.00**	**€ 2,426,480.00**	**€ 4,265,372.00**	**€ 6,494,274.80**
Corporate Income Taxes	€ 94,080.00	€ 286,377.00	€ 509,560.80	€ 895,728.12	€ 1,363,797.71
Net Earnings	**€ 353,920.00**	**€ 1,077,323.00**	**€ 1,916,919.20**	**€ 3,369,643.88**	**€ 5,130,477.09**

Annex 6: Balance Sheet. Source: Author

Omnia Wealth Management Balance Sheet EUR	2023	2024	2025	2026	2027
Assets					
Current assets:					
Cash	€ 873,920.00	€ 1,736,578.40	€ 3,271,033.76	€ 5,967,776.86	€ 10,073,183.74
Accounts Receivable					
Prepaid expenses					
Inventory					
Total current assets	873,920	1,736,578	3,271,034	5,967,777	10,073,184
Property & Equipment	€ 8,000.00	€ 9,200.00	€ 10,280.00	€ 10,252.00	€ 9,226.80
Intangible Assets	€ 5,000.00	€ 15,000.00	€ 35,000.00	€ 45,000.00	€ 55,000.00
Total Assets	**886,920**	**1,760,778**	**3,316,314**	**6,023,029**	**10,137,411**
Liabilities					
Current liabilities:					
Accounts Payable					
Accrued expenses	€ 13,000.00	€ 25,000.00	€ 47,000.00	€ 58,000.00	€ 68,000.00
Unearned revenue					
Total current liabilities	€ 13,000.00	€ 25,000.00	€ 47,000.00	€ 58,000.00	€ 68,000.00
Long-term debt	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Total Liabilities	**€ 13,000.00**	**€ 25,000.00**	**€ 47,000.00**	**€ 58,000.00**	**€ 68,000.00**
Shareholder's Equity					
Equity Capital	€ 520,000.00	€ 520,000.00	€ 520,000.00	€ 520,000.00	€ 520,000.00
Retained Earnings	€ 353,920.00	€ 1,215,778.40	€ 2,749,313.76	€ 5,445,028.86	€ 9,549,410.54
Net Profit	€ 353,920.00	€ 1,077,323.00	€ 1,916,919.20	€ 3,369,643.88	€ 5,130,477.09
Dividend Payment	-	€ 215,464.60	€ 383,383.84	€ 673,928.78	€ 1,026,095.42
Shareholder's Equity	**873,920**	**1,735,778**	**3,269,314**	**5,965,029**	**10,069,411**
Total Liabilities & Shareholder's Equity	**886,920**	**1,760,778**	**3,316,314**	**6,023,029**	**10,137,411**

Annex 7: Cash Flow Statement. Source: Author

Omnia Wealth Management
5-Year Cash Flow

	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027
For the Year Ending	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027
Cash at Beginning of Year	€ 520,000.00	€ 873,920.00	€ 1,736,578.40	€ 3,271,033.76	€ 5,967,776.86
Cash at End of Year	€ 873,920.00	€ 1,736,578.40	€ 3,271,033.76	€ 5,967,776.86	€ 10,073,183.74

Operations	2023	2024	2025	2026	2027
Cash receipts from					
Customers	€ 1,305,000.00	€ 2,610,000.00	€ 4,005,000.00	€ 6,230,000.00	€ 8,900,000.00
Other operations					
Cash paid for					
Inventory purchases	€ -	€ -	€ -		
General operating and administrative expenses	€ (269,000.00)	€ (488,500.00)	€ (706,000.00)	€ (1,042,500.00)	€ (1,444,000.00)
Wage expenses	€ (573,000.00)	€ (743,500.00)	€ (847,600.00)	€ (907,600.00)	€ (947,700.00)
Interest	€ -	€ -	€ -	€ -	€ -
Income taxes	€ (94,080.00)	€ (286,377.00)	€ (509,560.80)	€ (895,728.12)	€ (1,363,797.71)
Net Cash Flow from Operations	€ 368,920.00	€ 1,091,623.00	€ 1,941,839.20	€ 3,384,171.88	€ 5,144,502.29

Investing Activities					
Cash receipts from					
Sale of property and equipment	€ -	€ -	€ -	€ -	€ -
Collection of principal on loans					
Sale of investment securities					
Cash paid for					
Purchase of property and equipment	€ (15,000.00)	€ (13,500.00)	€ (24,000.00)	€ (13,500.00)	€ (13,000.00)
Making loans to other entities					
Purchase of investment securities					
Net Cash Flow from Investing Activities	€ (15,000.00)	€ (13,500.00)	€ (24,000.00)	€ (13,500.00)	€ (13,000.00)

Financing Activities					
Cash receipts from					
Issuance of stock					
Borrowing					
Cash paid for					
Repurchase of stock (treasury stock)					
Repayment of loans	€ -	€ -	€ -		
Dividends	€ -	€ (215,464.60)	€ (383,383.84)	€ (673,928.78)	€ (1,026,095.42)
Net Cash Flow from Financing Activities	€ -	€ (215,464.60)	€ (383,383.84)	€ (673,928.78)	€ (1,026,095.42)

Net Cash Flow	**€ 353,920.00**	**€ 862,658.40**	**€ 1,534,455.36**	**€ 2,696,743.10**	**€ 4,105,406.87**

Annex 8: Sustainable Investing Spectrum. Source: Gifford & Bettermann, 2021