

Protect your legacy?

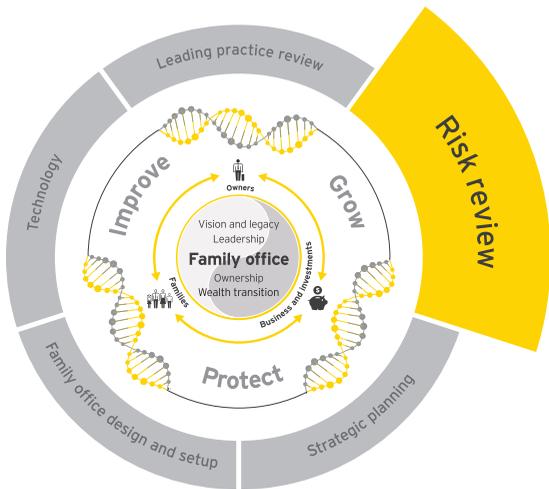
Break new ground?

Family office risk review



Building a better working world

The better the question. The better the answer. The better the world works.



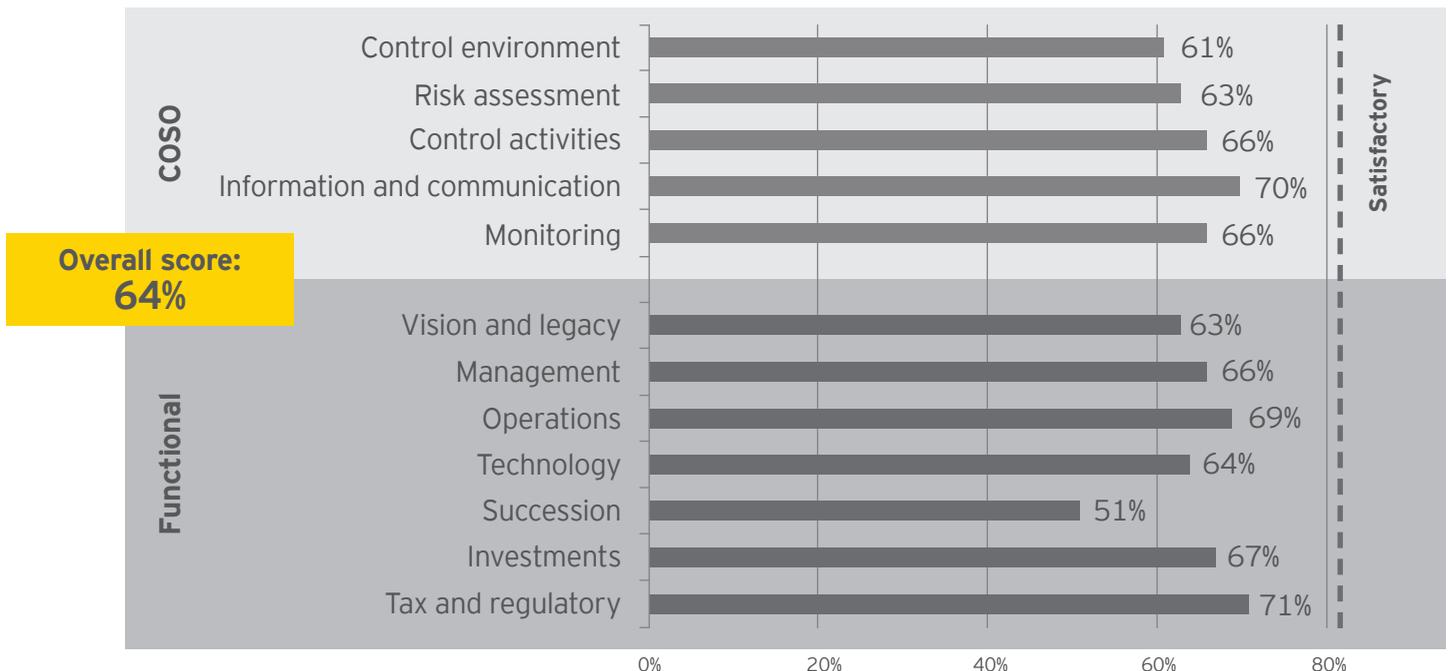
### Today's plans for your family office can mean the difference between surviving and thriving in the future.

Risks arise from a variety of sources, including the business, investments, technology or operations. A primary goal of most family offices is to protect the family from damage and loss, whether that is financial, physical or reputational.

### Risk diagnostic

Our Family Office Advisory Services (FOAS) supports family offices by assessing the levels of risk in the family office through our risk score index. The risk score index is based on our database of questions that are applied across the five dimensions of the Committee of Sponsoring Organizations (COSO) framework and across seven categories of risk, resulting in a score for each dimension.

### Risk score index example



We support the risk index and risk heat map score with an assessment report we deliver to management.

### Heat map

Additionally, our findings are plotted on a risk heat map to identify the level of residual risk in each category.

Risk category	Inherent risk	Control environment	Residual risk
Vision and legacy	High	Medium	High
Operations	High	Low	High
Technology	High	Medium	Medium
Business	Medium	High	Medium
Investment	Medium	Medium	Medium
Disaster	Medium	High	High

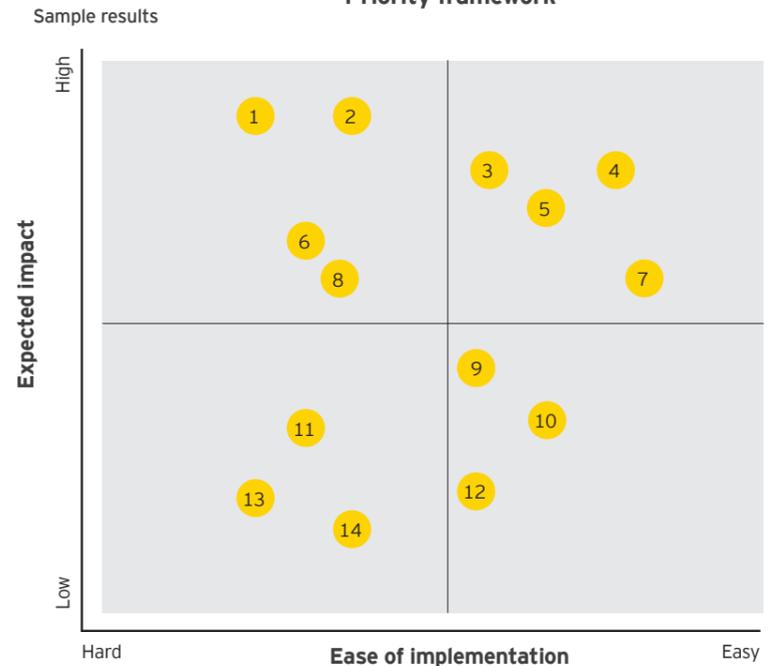
### Path forward in supporting your plan

Once we present our findings, our team then supports you by prioritizing the risks within a risk management framework. The goal is an action plan that has a meaningful impact on the office.

#### Risk management framework

<b>Insure</b> High-impact risks providing little ability for the family to control are generally transferred to an insurance policy. Examples: natural hazard, liability	<b>Manage</b> Those risks with a high impact and capability for the family to control should be addressed at an executive level and through a well-designed governance processes. Example: succession planning
<b>Monitor</b> Low-impact risks that should be watched are monitored. Example: external regulation	<b>Process</b> High-impact risks that are readily controlled should be staffed and are subject to policy and procedure. Example: wire transfer policy

#### Priority framework



#### Key strengths

- Family office regulatory considerations addressed
- Accurate and timely compliance

#### Key weaknesses

- No prenuptial agreements
- No written tax policies

#### Key strengths

- Buy and sell discipline and policy
- Diversified holdings

#### Key weaknesses

- No non-family investment committee members
- All assets on brokerage platform

#### Key strengths

- Family charter in place
- Family meetings held regularly

#### Key weaknesses

- No next-generation education plans
- No regular family council meetings



#### Key strengths

- Entity diagram includes members
- Communication among cotrustees

#### Key weaknesses

- No trust distribution guidance documented
- No estate plans for younger generations

#### Key strengths

- Human resources policies
- Social media policies

#### Key weaknesses

- No contracts for outsourced vendors
- No credit policy statements

#### Key strengths

- Backup and restore process in place
- Shared document storage

#### Key weaknesses

- No technology inventory
- No vulnerability assessments

#### Key strengths

- Written policies and procedures
- Separation of duties

#### Key weaknesses

- No budgeting for family
- No background checks

#### Sample recommendations:

- |                          |                             |
|--------------------------|-----------------------------|
| 1. Written procedures    | 8. Family financial reviews |
| 2. Family charter        | 9. Technology security      |
| 3. Strategic planning    | 10. Family intellect        |
| 4. Disbursement controls | 11. Estate planning         |
| 5. System passwords      | 12. Philanthropic donations |
| 6. QuickBooks automation | 13. Investments             |
| 7. Vendor management     | 14. Disaster recovery       |

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ED None

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Each family office is positioned at the center of the owners, families, and the businesses and investments they own. Family office leaders support the family's vision and legacy, leadership, ownership and wealth transition decisions with a focus on protection, improvement and growth. Our job is to support the legacy of your family office through our proprietary family office metrics tools for leading practices, risk, technology, strategy and design. What does that legacy look like to you?

## Learn how to cultivate sustainable results at [ey.com/familyoffice](https://ey.com/familyoffice).

To find out how Ernst & Young LLP's Family Office Advisory Services can support you, please contact one of our professionals.

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