

**From FAMILY WEALTH REPORT**

## Families first: America in global wealth management

Charles Lowenhaupt - 23 September 2008

**Charles Lowenhaupt** is chairman, CEO and president of **Lowenhaupt Global Advisors**, a St. Louis, Mo.-based advisory to ultra-high-net-worth families, and managing member of the law firm **Lowenhaupt & Chasnoff**.

Can anybody, regardless of where he lives, design his wealth plan without considering the U.S. tax system?

As the grandson of the first tax lawyer in the U.S., I posed that question in a recent conversation with a European friend. Ten years ago, I told him, I could forge instant bonds with any Hong Kong-based patriarch by asking whether he was willing to plan his affairs on the assumption that none of his grandchildren would put down roots in the U.S. Inevitably, this would open a full discussion of U.S. tax planning.

My friend said I would have had the same reaction in Europe a decade ago. No high-wealth European could ignore the possibility of a family member, somewhere down the line, becoming a U.S. resident.

But, said my friend, that's no longer true.

This man, who spends time in the U.S. and has children living happily here, told me that Europeans now view the U.S. as a troubled place that no longer welcomes wealth holders. It's seen as bellicose, indifferent to its middle class, hostile to its poor and increasingly oppressive.

"No one wants his financial life exposed to the U.S. regulatory authorities," my friend said. "People say America is going broke and its government will look at financial records to keep track of those whose assets it might ultimately decide to confiscate."



In fact, Europeans don't want to use American banks, he said. They feel it might lead to having their accounts scrutinized by U.S. authorities.

After explaining the general view from across the Atlantic, and delineating his own (that Americans are good people with bad government), my friend touched on areas in which he believes the U.S. leads the world -- primarily technology and private-secondary and university education.

"And let's not forget that Americans are the best investors in the world," he added. "They create the global models -- and when they finally start practicing 'global investing,' they will set world standards."

### **Know-how**

There's irony for you. U.S. financial-service companies will have the know-how that private wealth holders will want, yet it is a jurisdiction they'll be trying to avoid.

European wealth-management clients are turned off by U.S. branding. But, if my friend has it right, these same clients are, or soon will be, in search of U.S. know-how.

In those points alone there's the kernel of a winning business strategy. But, rather than outline this approach (just now anyway), I want to consider investing know-how in terms of family wealth.

What is this know-how?

Clearly it's not the capacity to build products and big banks. Look at the subprime debacle, auction rates, and the collapse of **Lehman**, **AIG** and **Merrill Lynch**.

It's not U.S. markets. London, Tokyo, Shanghai, and Hong Kong are building markets and exchanges as efficient and transparent as anything in the U.S. And it's not necessarily the design and creation of derivative products and funds. Asians are designing complex and creative derivatives and using technology to help operate them. And though U.S. investing know-how may be related to investment analytics, outsourcing this function to non-U.S. providers is making U.S. financial-service companies more productive.

The American "know how the world is recognizing" may in fact be something in the American historical view and mindset that gives us a special perspective on family wealth.

The U.S. leads the world in private philanthropy. People like **Andrew Carnegie**, the **Ford** and **Rockefeller** families, **Bill Gates** and even **Michael Milken** have contributed to positive public perceptions of what philanthropy can accomplish. **Warren Buffet** is lionized for his investment acumen, but his views on inherited wealth are also influential.

Our legends aren't just of "rags to riches" but of "rags to riches *and community service*."

Americans understand the complexities of family dynamics in ways the rest of the world values, even envies. **J.P. Morgan** and **Chase National**, U.S. institutions, pioneered concepts of wealth stewardship by outside providers. The **Institute for Private Investors**, the **Family Office Exchange** and other high-wealth associations took root here. Americans like **Jay Hughes**, **John Ward**, **Thayer Willis** and others travel the world planting concepts of family functionality and family harmony. America is the most nurturing place in the world for family offices and the birthplace of the multifamily office.

In the American view, "shirtsleeves to shirtsleeves in three generations" isn't such a bad thing because it's part and parcel with the fundamental U.S. belief that that our children can be more successful in society and more useful to the world than we have been.

Our rags-to-riches stories, our ideal of the wealthiest individuals living in simplicity, our vision of one's role in the community have given us a perspective and understanding that the world needs and admires as private wealth flourishes around the globe. In sum, the American experience of the last 150 years has given us unique insights into the very human interplay of wealth, family, community, functionality and success.

## **Genius**

So how do U.S. wealth advisors capitalize on the world's belief that we know about wealth and life?

First, we have to try to re-establish the U.S. as a predominantly middle-class country, a land of opportunity and idealism. Without that our "story" will become as old and stale as that of Dick Whittington's cat.

Second, we have to understand that our market is global, and we must appreciate that our greatest influence is in a global context. We must look at global wealth creation as a force that helps us maintain our relevance. And we have to observe wealth creation world wide. We have, after all, as much to learn from the Indian industrialist **Ratan Tata** as from Bill Gates, and as much to learn from the **Ambani** brothers' split as from the **Pritzker** family's battles.

Above all, we need to recognize that our genius lies in understanding the role of wealth in a healthy and balanced life. India, China, and Europe can produce returns: we can focus on how to *use* those returns. We can include appropriateness in performance analysis. We can start with the question: "What is this wealth for?"

Once we have the answer to that, the actual investment technicalities become less significant than the design of family wealth to accomplish its purposes.

And with these purposes in mind, we can help our clients deal with the most important issues: life, death, health and the task of defining true success.

In short, we can draw on our history, culture and beliefs to help the world's ultra-affluent to -- as one substantial wealth holder said -- "put the money in its place." - FWR

*The illustration for this column is a detail from a Japanese woodblock print in the Charles A. Lowenhaupt Collection.*

**<http://www.familywealthreport.com>**