

Small business: Management firm goes where the money is

TODD NELSON, Star Tribune

Money may not be able to buy happiness. And more money may only complicate life.

Those who have enjoyed great financial success, and may face potentially greater complications, can get financial advice along with personal, highly customized services from what is known as a "multifamily office."

These firms can address stickier issues such as helping clients decide what to do with a family business or a weekend getaway cabin. They also can take care of mundane tasks such as balancing checkbooks or reviewing benefit plans.

Or they can help families plan charitable giving to support community organizations. The multifamily model builds on that of private family offices once set up by the likes of the Rockefellers, where a staff of experts could provide comprehensive services and economies of scale to a single extended clan.

Multifamily offices have been growing in numbers and in assets under management in the past decade. In the Twin Cities, the multifamily office Meristem traces its roots to a family office founded to manage Pillsbury family finances, Sargent Management Co. The former Sage Partnership merged with Sargent Management in 2005 to form Meristem. (The firm takes its name from a botanical term for cells essential for growth in plants and trees.)

The vision behind Meristem, which chairman and CEO Charles Maxwell said he shared with co-founder Robert Westenberg, was to create an independent, boutique firm to serve "high-net-worth and ultra-high-net worth" clients -- such as closely held business owners or Fortune 500 executives, among others. Minnesota, which is home to more Fortune 500 companies per capita than any other state, makes fertile ground for such firms.

Meristem serves more than 100 families in 30 states and several countries. The firm had \$1.6 billion in assets under direct management or under supervision with outside managers at the end of 2007, Maxwell said. That figure has grown more than 30 percent a year every year since the merger.

Yet Meristem is a relatively small business. It has 43 employees, at least 15 of whom hold advanced degrees or professional designations, including CPAs, MBAs and a lawyer. Nationally, a survey by the Family Wealth Alliance, an Illinois consulting firm, found that 80 multifamily offices managed \$305 billion in assets at the end of 2006, an increase from 68 offices and \$250 billion the year before.

"We want to offer the same benefits of a family office, but open it up to multiple client-families" for whom the economies of setting up their own office isn't practical, Maxwell said.

"We want to be their first phone call," he said, whether for financial or personal services. "Customization is key in our work, given the nature of our clients."

Meristem advisers help clients choose asset-allocation strategies and asset classes. Then the firm goes on the open market to find managers to carry out those plans. The firm reviews the performance of the outside money managers and also hires an independent consulting firm to evaluate them.

Over time, the client might tap into other services, such as developing family goals, planning for taxes or the sale of a business or risk management and asset protection.

Personal services the firm carries out can depend on a family member's age and level of financial sophistication. Some clients don't want to pay household bills anymore, Maxwell said, so the firm takes that over for them.

A new college graduate might get help picking a health care plan from an employer, and get assistance with mortgage and banking relationships.

The firm also can conduct family meetings. At Meristem's headquarters in Minnetonka, the firm has a large room where it can hold gatherings for one client-family or informational sessions for a number of clients.

Maxwell, the father of triplets, put a snack bar and an arcade-style video game nearby to help entertain clients' children during such meetings.

Thomas Lyons of Faelon Business Brokers in Golden Valley enlisted Maxwell to write about financial planning in "Exit Strategy," which he wrote for business owners considering selling a company. He praised Maxwell as someone he "can recommend to anyone without any qualms."

The expert says: Ross Levin, founding principal of Edina-based wealth management firm Accredited Investors Inc., said the number of multifamily offices has been growing nationally with the rise of the "mass-affluent market."

Clients and their advisers at such firms need to go beyond financial considerations, Levin said.

"It's not just technical aspects of how you can save the most in taxes," he said. "You want to make decisions about whether it's in your kids' best interests to leave them as much money as possible. There are a lot of ways to come at this and you want to explore them all."

Relationship skills are important for both sides too. "There's nothing worse than giving fantastic technical advice that doesn't resonate with the emotional goals and objects of the family," Levin said. "You really need to have insight into people and what matters to them. ... That's what I love about this business. You can really make a difference in people's lives."

Todd Nelson is a freelance writer in Woodbury. His e-mail address is todd_nelson@mac.com.