

Hiring a Family CFO: Protecting the Family's Heritage and Legacy for Generations

By Maurice M. Redhead

When a family comes into wealth, that wealth is passed down, or the family is just super busy, the family may begin having discussions about how that wealth should be managed and who should manage it. A family member may suggest setting up a family office. However, the other family members may not want to incur the costs of arranging one. Another family member may suggest selecting a Family Chief Financial Officer (CFO). The cost of one is less than setting up a family office, and they have experience protecting family wealth. Further, if in the future the family would like to transition to a family office, they can do so with the Family CFO's help. But should the family agree to move forward with a Family CFO, what type of skillset should it look for in one?

What Should You Look for in a Family CFO?

When searching for a Family CFO, first look at their background. I personally seek an individual with a strong accounting and finance background because in the traditional sense, a good CFO has this skillset. This does not mean a Family CFO should have just an accounting and finance background, however. Their background should well-encompass all subject areas, such as economics, management, math, and organizational behavior.

An important item to consider when searching for a Family CFO is to make sure they get along with the family on a personal level. The Family CFO should also be a good listener. Indeed, the Family CFO may be a very knowledgeable person, but if they don't listen well to the family or have a bad attitude, this is a major red flag. Especially during an economic crisis or pandemic, the Family CFO must be a good listener and a good leader for the family. This person will make suggestions for the family on how to proceed with difficult matters, so having a good, levelheaded Family CFO will make a difference for the family. The Family CFO should also be a good emotional leader for hard times in the family's life. In having at least these two characteristics in a Family CFO, the family can start off on the right foot.

Getting to Understand the Family

After the family has chosen a Family CFO, the next and most valuable step is having the Family CFO really understand the family's needs. The Family CFO will begin with a broad range of questions for the family that will help the family decide which direction it wishes to go into. For example, the family may want to focus on charitable donations or provide educational information for the next generation. With that in mind, the Family CFO can then tailor their other questions based on the direction the family would like to take. The Family CFO may also ask the family to review its financial plan. In doing so, the Family CFO can recommend changing parts of the plan or leaving it as is.

Family CFO and Advisors

A part of being a Family CFO is building relationships with other advisors in various industries. The relationships that the Family CFO builds with these advisors allows them to then create a personal team of advisors who will report back to them. The Family CFO builds these relationships because it is impossible for them to know everything financial and non-financial. Accordingly, this team of experts assists the Family CFO with questions and meets with the family to share a more in-depth knowledge of the industry that they service. The Family CFO will meet regularly with these advisors to discuss what is new and what is happening in their industry. The Family CFO will also discuss new ways to better protect the family's wealth with each advisor.

Conclusion

The role of the Family CFO is to make a busy family's life easier. The Family CFO does this by functioning as the one point of contact for all of the family's advisors. As such, if a financial problem occurs, the Family CFO as the first point of contact is able to solve the problem without having to notify the family and thus cause it to stop and take care of the issue. Thereafter, the Family CFO will report back to the family what the issue was and the steps they took to resolve it. It's similar to having a family office without the set up or cost. Ultimately, the Family CFO is there to protect the family's wealth, heritage, and legacy.

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