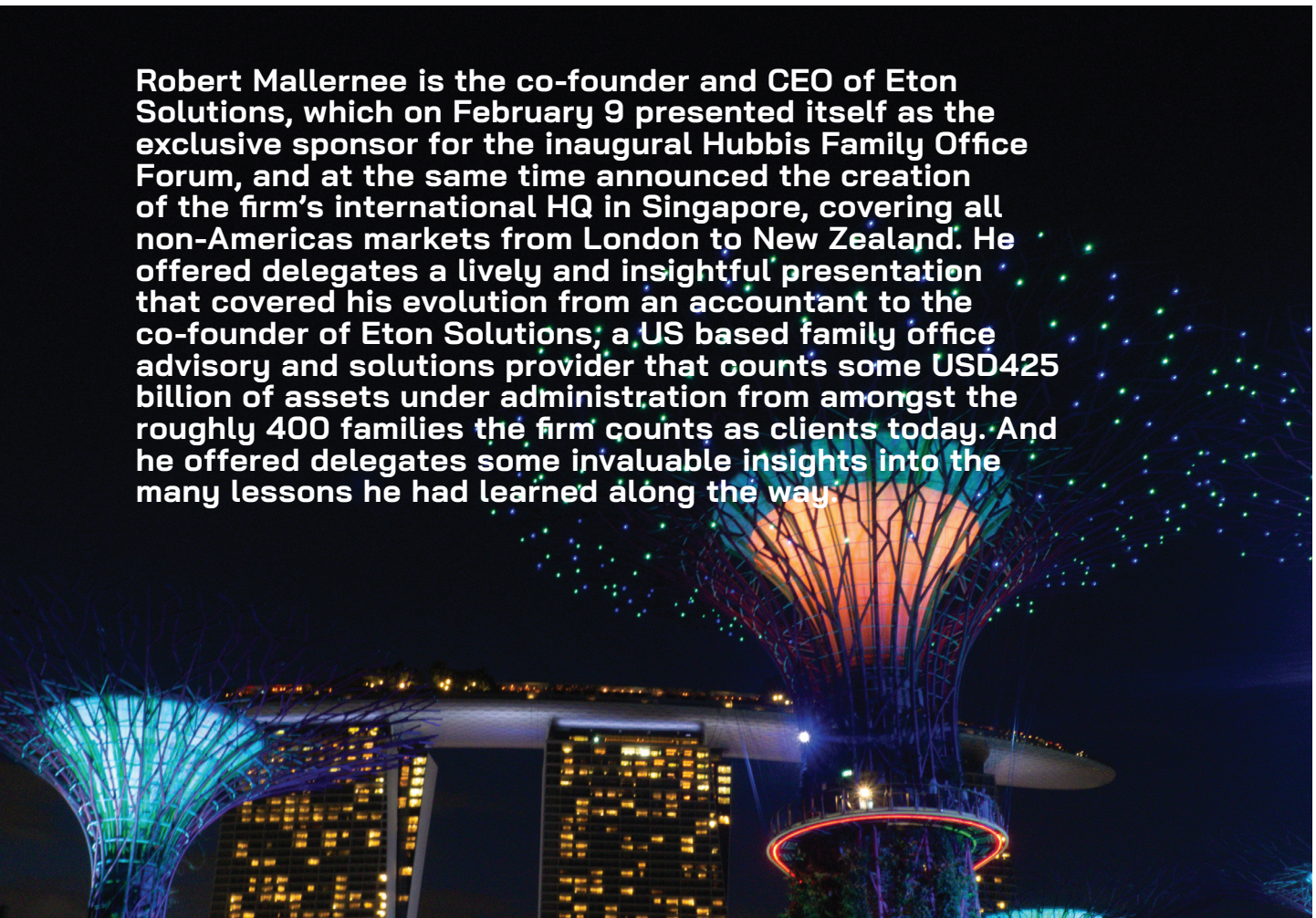


Invaluable Family Office Formation and Operation Lessons Learned by a Family Office Founder

Robert Mallernee is the co-founder and CEO of Eton Solutions, which on February 9 presented itself as the exclusive sponsor for the inaugural Hubbis Family Office Forum, and at the same time announced the creation of the firm's international HQ in Singapore, covering all non-Americas markets from London to New Zealand. He offered delegates a lively and insightful presentation that covered his evolution from an accountant to the co-founder of Eton Solutions, a US based family office advisory and solutions provider that counts some USD425 billion of assets under administration from amongst the roughly 400 families the firm counts as clients today. And he offered delegates some invaluable insights into the many lessons he had learned along the way.



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Robert Mallernee
Eton Solutions

Eton Advisors is a US based multi-family office that began life in 2009 and whose principals in 2015 created Eton Solutions to provide services to the US and then global family office community. They had learned of the numerous pitfalls and opportunities around creating and running a family office, and soon spotted the opportunity to become an advisor and solutions provider for other family offices that were set on their own journeys.

Eton Solutions has therefore developed an ERP platform that was built by a family office for global family offices. They now serve about 400 families, and over 1100 users, with 300 plus employees, of whom around 75 are in the United States, and 225 around the world. As a fully integrated SaaS (software and services) company, Eton brings together a leading technology platform combined with services to transform all aspects of family offices.

Learning from experience

With 30-plus years of experience in ultra-high net worth wealth management, Robert co-founded and led Eton Advisors, the highly

successful multi-family office that initially developed the AtlasFive platform. His passion for systems development and client service led him to help establish Eton Solutions in 2015 as a technology and services provider to ultra-high net worth family offices in the US and later internationally.

Prior to Eton, Robert held key roles at the UBS Multi-Family Office Group, the Private Asset Management Group at NC Trust Company, Arthur Andersen, and Price Waterhouse.

Robert opened his talk at the Forum on February 9 by telling delegates how he had started his own career journey at Price Waterhouse and Arthur Andersen doing tax and audit work. He said he particularly enjoyed working in those very

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structured environments with great attention to process, great methodology, and great training.

But he said it was challenging when they worked on new plans for structures and architecture for clients, only too often to find a year later that those plans had either not been implemented or had not been implemented properly. The other frustration was that the clients were doing things in certain ways on an ongoing basis that could have been done far better.

After nearly a decade in those roles, Robert decided to study for an MBA at the University of Chicago, and to become a CFA,

then joining an independent trust company that grew apace in the time he was there.

Technology and processes lagged objectives

“The problem however was that to do our work really effectively, we needed an integrated view of their tax structure, their entity structure, their family structure, their investments, and so forth, and it was really tough at that time,” he recalled. “For every 100-hour project we might have, for example, around two thirds of the time as taken up just trying to figure out what the clients owned, through which entities, and how the families were set up, their trust structures, and all of those issues. We were spending a lot of very valuable people’s time

doing very manual data assembly work that added little value.”

Thus began a two-year automation plan, which in the mid-1990s was immensely challenging from a technology viewpoint.

“As a relatively small trust company, we decided to sell out to a major US trust company with USD150 billion in AUA, hoping also that we would get access to optimised technology,” he reported, “but we soon realised that the technology there was actually even worse, and when that trust firm sold to Bank of America, I was hired into UBS to help create a family office operation in the US. They then had some USD1.5 trillion



of AUM globally, but we found once again that the technology was very creaky, and the challenges were even bigger.”

Learning from missions not accomplished

They hired Family Office Metrics, now part of Ernst & Young, to help achieve a truly integrated view of the data of the family office and other clients, but that got derailed somewhat in terms of momentum by the GFC of 2008. That was when Robert and his key colleagues had their epiphany to establish their own multifamily office, so in 2009 Eton Advisors arrived as an MFO that today is advising clients with over USD10 billion in assets.

Robert told delegates how these and many other lessons learned from the early days of his career and onwards were invaluable. A key understanding was that wealth management and family office management is much more of a continuous process, it is day to day, and you need a holistic view of all the constituent elements, not just the assets, the tax aspects, the investment piece, the structuring, but literally all the moving parts of the entire operation. Armed with all those insights and all that information, they knew they could do a much better job and provide much better advice.

Seeing the big picture

What to avoid, for example, is somebody creating a brilliant tax strategy, but not connecting the dots to the investment side, or somehow creating a fiduciary problem with that structure, Robert explained. Being able to pull all these strands together with a holistic view and through a team of experts results in far more optimal outcomes.

But he explained that they quickly also realised that pulling together that holistic view is expensive, and difficult. “These were universal problems that no one – huge global bank or smaller advisory business - had really figured this out. And hence Eton was born.”

Transforming the proposition

He said that from day one the mission was highly focused on the need for an integrated process and system to truly transform the family office into the best possible operation driven by the most comprehensive and accessible data to achieve optimal outcomes.

“We saw the mission as akin to building a house, with the right architectural blueprint, the right materials, and then all the different experts involved who will build the final edifice,” he explained. He reminded delegates that he had learned earlier on in his career that it was not enough to simply have a plan, you need all the constituent elements to work together to produce the best result. “At Eton,” Robert said, “we wanted to be excellent at helping the client with top quality execution.”

From little acorns...

He said one key area of consideration early on was what services and expertise Eton would offer internally, what could be automated and what would be better outsourced. Starting in 2009, he conceded it was far from easy, as technology then was not fit for purpose, so Eton started building the platform themselves, which took roughly five years.

“And we quickly realised that as just one fairly modest sized MFO, the costs were too high, which is why

in 2015 we created Eton Solutions, a separate company [from Eton Advisors] and one that would offer a world class platform to all types of family offices, all of which we realised faced the same challenges," Robert recounted.

Locking in on the targets

He explained that they assembled a team of experts and set about the mission very methodically, identifying some 270 different processes they could help clients with. "And that has been our journey for the past seven plus years," he said. "It has been challenging, but also immensely rewarding."

Eton Advisors, for example, soon outsourced 100% of their middle and back office to Eton Solutions, reducing their middle and back office cost by 50 even after considering paying Eton Solutions their license and service fees.

400 and counting

"We now have over 400 families on the Eton Solutions platform," he reported. "We are constantly innovating and upgrading and working very closely with our clients to solve their specific needs. We are thereby benefitting not from only from our own collective experience but also from the knowledge gained from working with families all over the world."

He explained that at Eton Advisors today they manage over USD10 billion in assets for clients in a highly efficient and profitable manner, with automated workflows at every point possible. He said they used to spend a month each year pulling data together for their audit and today they simply give the auditors access to a screen that is the portal to every single transaction over the past year, and beyond of course.

A dramatically enhanced client offering

He concluded by reporting that they have also achieved operational leverage. By outsourcing to Eton Solutions, they have enabled overnight reconciliation of each day's activity, so their front office team can arrive each day and it is already done, allowing them to then focus on new achievements, not on mundane chores.

"All of these advances have resulted in a significantly enhanced client experience," he said, on closing his talk. "We used to give our clients a quarterly report probably about 45 days after the end of the quarter, and today we can offer clients that information on a daily basis by logging in themselves from wherever they might be. We look forward to engaging with you today and thank you all again for coming." ■

