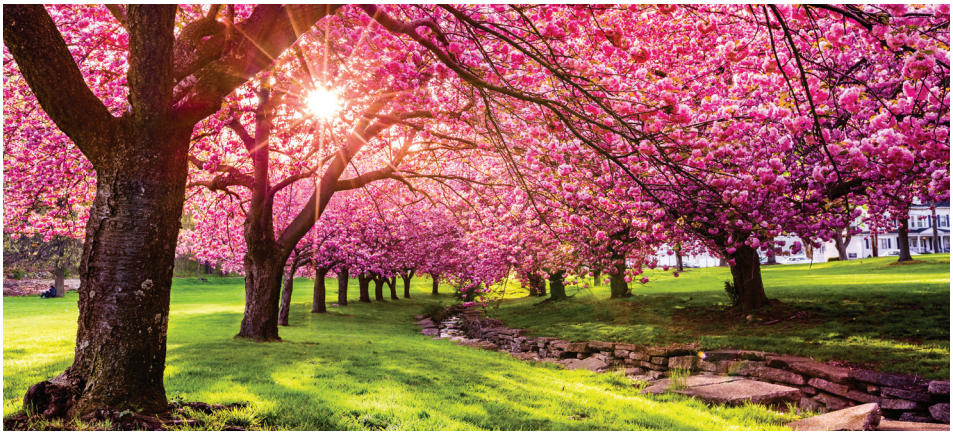
TC Wealth Partners LLC
Trust Company of Illinois

BUILDING YOUR FUTURE

From the Desk of the
President and CIO
J. Reed Murphy



The quarterly market commentary is written for a wide variety of readers—those who want in-depth analysis and those who want an overview. Take a deep dive through the whole piece, or scan the key themes, market recap, or portfolio implications sections. We also include a "Did You Know?" section where readers can answer fun and thought-provoking questions. Check our online magazine Of Significance *at TCWealthPartners.com/DidYouKnow for answers.*

THE BOTTOM LINE

- As we enter a new Spring season, will we switch gears to also propel economies and markets to warmer days ahead?
- Many of the issues and predictions we cited in our January market commentary are being realized.
- Looking under the hood, the Federal Reserve's about-face on interest rate projections helped propel equity markets higher.
- Bond markets weren't buying the good news as concerns for global economic slowing put downward pressure on long-term rates, creating an inverted yield curve.
- The current domestic economic expansion will be the longest in history by Summer. While the current economic expansion is long, the levels of investment (e.g., capex) and overall economic growth pales in comparison to previous lengthy expansions.
- What could be the catalysts to take the economy to its next gear and markets higher? Or, will we downshift towards a recession?
- Market recap – We review the returns for major asset classes.
- Portfolio implications – Why so many moving pieces, and how should my portfolio be positioned?

IS THIS THE NEXT GEAR?

During a recent visit to one of our clients on the east coast, I had the privilege of staying at their home. It was a terrific trip with plenty of bonding beyond business. One of the fun and fascinating parts of our visit included seeing their car collection, which included a car I fell in love with. Let me start by stating I'm not a big car person, but this "Plum Crazy Purple" colored 1970 rebuilt Plymouth Cuda captured my attention.

As the story goes, Chrysler was trying to take their Barracuda line to the next level to better compete with the Ford Mustang, which was created by Lee Iacocca. Ironically, Iacocca later joined Chrysler (owner of Plymouth) as its CEO. The result of Plymouth's efforts was the sporty Cuda line. They were successful as the car was considered the #1 drag-strip car of its day. While our client's car was rebuilt, the car has a power plant engine that includes a six-barrel carburetor with added fuel injection on top of the original powerful 440 cubic inch six-pack. The result was a most impressive muscle car. As the story was told, it could switch gears at 60mph to lay new tire treads. Now that is a next gear!

After a significant bounce in the first quarter, we are now wondering, what is our next gear? Let's take a closer look under the hood.

UNDER THE HOOD

As we discussed in our January market commentary, the markets suffered mightily in the fourth quarter of 2018, with no major asset class posting a 5% return for the year. For equity markets, it was much worse. The S&P experienced its worst December since the Great Depression and the worst quarter since the Great Recession. The primary culprits were concerns for tightening Fed monetary policy, as well as concerns for U.S. trade policies, particularly related to China.

What a difference! The first quarter of the year saw a significant rebound, particularly during the first two months of the year. We spent much of March consolidating a new base.

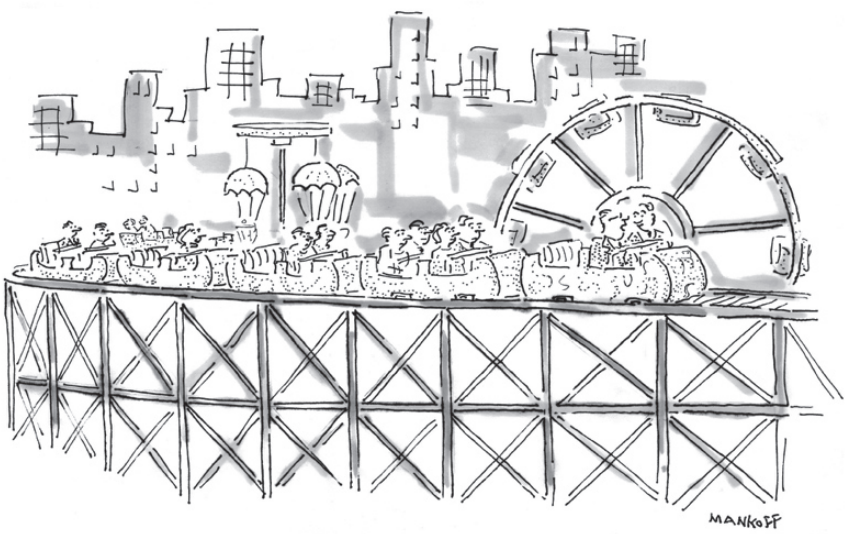
A primary reason for the excitement is the stark about-face reversal of the Federal Reserve's interest rate projections.

FEDERAL RESERVE'S ABOUT-FACE

During the Fed's March 20th meeting, they scaled back their projected interest-rate increases for 2019 from two to zero and said they would end the drawdown of their large balance sheet in September. This is the balance sheet accumulated during the Great Recession to stabilize markets (i.e., QE or Quantitative Easing). As they are winding down their balance sheet it is now considered a Quantitative Tightening (QT) tool. However, the Fed's announcement suggests that they aren't going to tighten conditions.

The equity markets loved the move, which helped drive up returns.

EXHIBIT 1: THE FED HAS US ON A ROLLER COASTER RIDE



"Personally, I liked this roller coaster a lot better before the Federal Reserve Board got hold of it."

CartoonStock.com

The Fed's wait-and-see attitude amidst full employment and stable inflation is calming to some and worrisome to others.

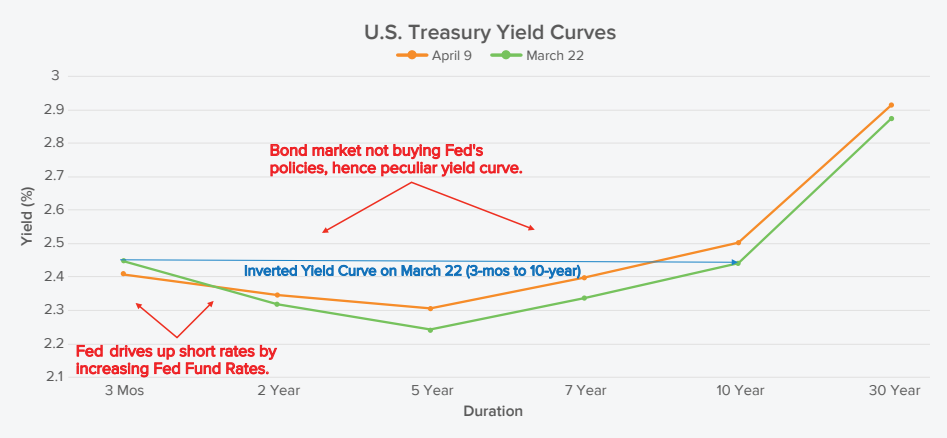
However, the bond market wasn't buying it. The result was that Treasury yields dropped to their lowest level in more than a year. Odds makers now suggest a rate cut in 2019 is possible, albeit a low probability. The Fed's wait-and-see attitude amidst full employment and stable inflation is calming to some and worrisome to others. Those worried suggest that the U.S. may now be slowing economically like the rest of the globe, hence a drop in longer-term interest rates.

This change in course was one of two items that we highlighted as a major catalyst for the year. Another issue we highlighted was a potential yield curve inversion.

YIELD CURVE INVERSION

Everyone is talking yield curve inversion and an imminent recession. Not so fast. An inverted yield curve is when short-term U.S. Treasury rates yield a higher interest rate than long-term U.S. Treasury rates. The most common comparison is the 2-year and 10-year Treasury rates. The concept suggests monetary tightening, restrictive lending and, consequently, slow economic growth and/or a recession.

EXHIBIT 2: YIELD CURVE INVERSION



Source: TC Wealth Partners, Bloomberg

While short-term interest rates inverted two days after the Fed meeting (March 22), a closer look at the inversion suggests folks shouldn't jump the gun. The stock market generally continues to increase after an inversion. It is also worth noting the abnormality of the yield curve. That is, the very short-end was inverted (e.g., 3-month to 10-year) for a brief period, but the 2-year to 10-year curve looks normal. See Exhibit 2.

I would add that when the curve inverts it is generally a sign that the Fed has made a policy error. They tend to continue with the error into a recession. With the Fed's recent stance of no more hikes in 2019, it is highly possible that they averted a policy error that could create the next recession. Time will tell.

Reading between the lines, don't be alarmed. Recessions generally do, but don't always, follow an inversion. They generally occur at least 12 to 18 months later, and the stock market tends to climb higher after an initial inversion.

While short-term interest rates inverted two days after the Fed meeting (March 22), a closer look at the inversion suggests folks shouldn't jump the gun.

DOMESTIC ECONOMIC ROAD AHEAD

While market returns year-to-date feel good, there are still concerns that warrant a measured approach. Global growth is slowing and—despite near full employment, stabilizing energy prices, and controlled inflation—sentiment in the U.S. needs to pick up. As Exhibit 3 highlights, small business confidence has dropped.

Providing we have positive economic growth reports over the next few months, the U.S. will enter its longest economic recovery ever. Add this to the longest domestic stock market run – neither of which feel all that great – and it suggests we need additional gears to sustain this expansion. Exhibit 4 highlights the length of this economic expansion, yet its lackluster cumulative growth relative to other long cycles.

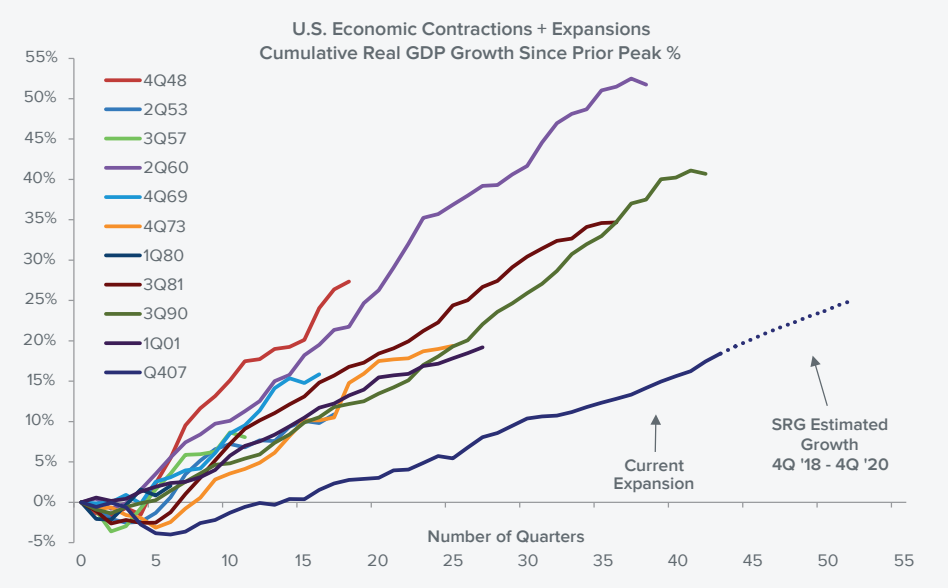
NEXT GEAR – TRADE?

Now that the uncertainties around the Fed's monetary policy are better known, the question is what could be the next gear for a leg higher in the equity markets?

EXHIBIT 3: NFIB SMALL BUSINESS CONFIDENCE

Source: TC Wealth Partners, Bloomberg

EXHIBIT 4: CURRENT LONGEST ECONOMIC EXPANSION SIGNIFICANTLY LESS ROBUST THAN OTHER LONG CYCLES



Source: Strategas Research Group

This leads us to the third issue we highlighted as a major catalyst for the year: the outcome of trade policies. It appears that a U.S./China trade agreement is getting closer. At the end of the day, the base-case outcome is probably already baked into market prices. However, a more pro-growth outcome could serve as an upside surprise. Nonetheless, the markets have received misdirection from our administration before, so an actual miss versus expectations would put pressure on markets.

Exhibit 5 shows the price pattern of U.S. and Chinese stocks after President Trump initially sent shivers into the markets during the Davos Speech in January of 2018 and on other occasions. This includes when Trump's statements of progress at a dinner with China's leader, Xi Jinping, during the G20 meeting in December, were realized to be more fluff than fact. Interestingly, today the S&P 500 stands at a nearly identical level as when Trump launched the trade war salvo at Davos. Chinese stocks are still below that same point.

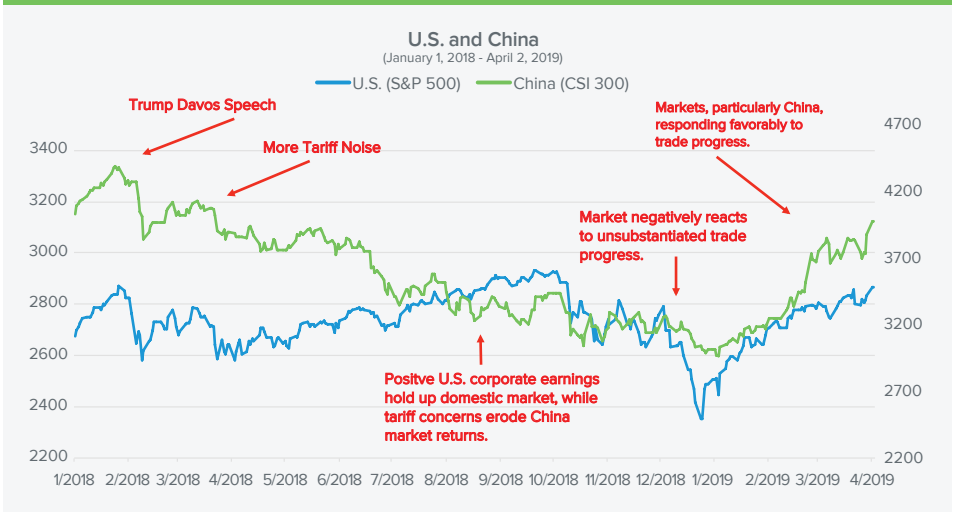
NEXT GEAR – CAPEX?

This brings us to capital expenditures (i.e., capex). Companies have three choices in spending the cash flow or earnings they received from recent tax breaks and repatriation of cash from overseas. They can increase dividends or buy back shares, which financially produce better stockholder returns (all other things being equal). Neither of these policies are pro-growth.

Alternatively, they can invest these proceeds into plants, equipment,

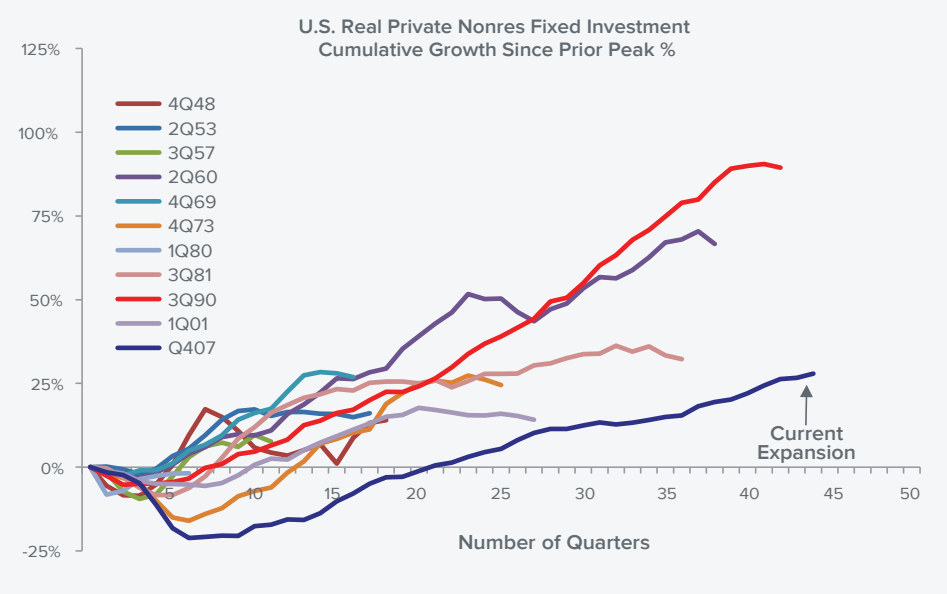
It appears that a U.S./China trade agreement is getting closer. At the end of the day, the base-case outcome is probably already baked into market prices.

EXHIBIT 5: MARKET RETURNS DURING TARIFF TANTRUMS



Source: TC Wealth Partners, Bloomberg

EXHIBIT 6: CURRENT CAPITAL EXPENDITURES (CAPEX) EXPANSION SIGNIFICANTLY LESS ROBUST THAN OTHER LONG CYCLES



Source: Strategas Research Group

employees, etc., which are pro-growth. Companies increased capex in the first half of 2018, then pulled the reins in the second half of 2018 based on uncertainties, largely around interest rates and continued trade policies. With these two uncertainties being addressed, it will be important to watch sentiment and capex going forward.

Providing we keep climbing the wall of worries and animal spirits climb higher, then capex could help elongate the current economic expansion and prop up market prices. Exhibit 6 also highlights the length of the current capex expansion with its subpar cumulative investment relative to other periods.

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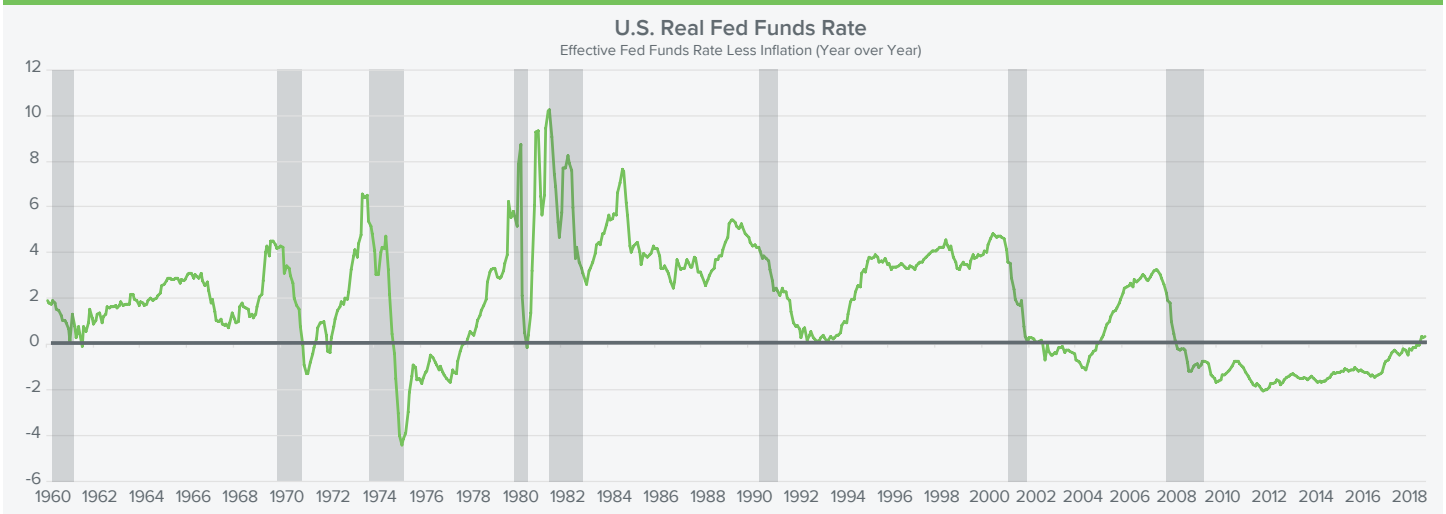
DOMESTIC EARNINGS & RECESSION WATCH

While odds makers have increased the chances of a recession, we don't see that as a probability in the near term, particularly if we can make progress on the trade policy front, monetary policies continue to be dovish and fiscal policies support growth. Nonetheless, the International Monetary Fund (IMF) downgraded global growth on April 9th to 3.3% - its lowest level since 2009. This downgrade is largely

EXHIBIT 7: REAL (POST INFLATION) FED FUNDS RATES SUGGEST MORE HIKES POSSIBLE BEFORE A RECESSION



Source: TC Wealth Partners, Bloomberg

based on the current impact of trade policy concerns.

Many of the traditional metrics for predicting an upcoming recession are not currently flashing red. These sign posts include, but are not limited to, wage growth below 4%, real Fed Funds rates near break-even (Exhibit 7), and a basket of leading economic indicators pausing but not faltering.

As a backdrop, the economy continues to slow. Corporate earnings for the first quarter will be negative (year over year).

However, corporate profits may be starting to roll-over. And while gross margins on the S&P 500 are expected to be up significantly in 2019 and 2020 due to tax cuts, these profits should propel wage growth higher. The question remains how significantly this will translate into broader cost inflation, which could trigger momentum towards a recession. Unfortunately, we see that higher corporate margins aren't yet translating to a commensurate increase in capex.

As a backdrop, the economy continues to slow. Corporate earnings for the first quarter will be negative (year over year). However, forward estimates have begun to turn up.

MARKET RECAP

Global equity markets rebounded strongly in the first quarter in large part due to the Fed signaling an end to rate hikes and positive comments about U.S.-China trade negotiations. The S&P 500 recorded its strongest quarterly performance in a decade, rising over 13% and leaving the index 3% off its all-time high.

The dovish pivot from major central banks also positively impacted global markets that had grown nervous over the prospect of monetary tightening in the U.S. During the first quarter, international developed and emerging markets increased by nearly 10%.

In March, the Federal Reserve decided to leave the fed funds rate unchanged. While this was widely expected, the Fed also surprised some with its signal that it does not expect any more rate hikes for the rest of 2019. This led to a "flight to safety" to long-term U.S. Treasuries, which resulted in short-term yields being higher than longer-term yields.

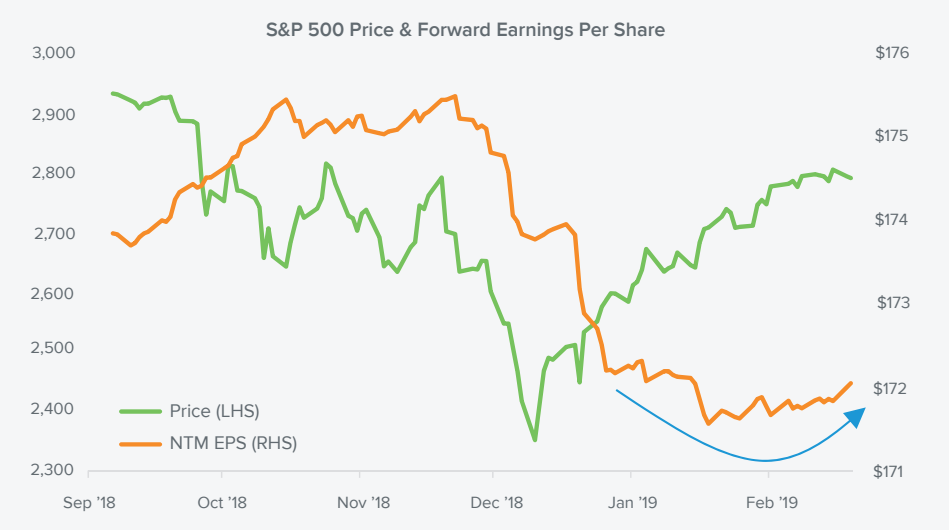
This yield curve inversion spooked equity markets but had little impact on corporate and high-yield bonds, which had positive gains for the month. U.S. 10-Year Treasury yields fell 30 basis points (bps) over the quarter finishing at 2.4%, its lowest level since late 2017. The broad U.S. bond market returned 2.94% for the quarter. As credit spreads tightened significantly during the quarter, high yield gained 7.26%.

MLPs and Infrastructure topped all categories with impressive returns of approximately 17% and 14%, respectively. These asset classes rebounded on stronger fundamentals and stable energy prices in MLP's case.

PORTFOLIO IMPLICATIONS

Pulling all this together, we provide portfolio implications for the following investment categories.

EXHIBIT 8: FORWARD EARNINGS EXPECTATIONS INCREASING AFTER BOTTOM OUT



Source: Strategas Research Group

EXHIBIT 9: MARKET RETURNS
PRIMARY MARKET RETURNS AS OF 3/31/2019

EQUITIES	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Global Equities	12.18	12.18	2.60	10.67	6.45	11.98
Domestic Large Cap	13.47	13.47	8.84	12.82	10.22	15.19
Domestic Small Cap	14.47	14.47	1.65	12.47	6.63	14.90
International Developed	9.98	9.98	-3.71	7.27	2.33	8.96
Emerging Markets	9.91	9.91	-7.41	10.68	3.68	8.94
MLP	16.82	16.82	15.11	5.69	-4.73	10.12
Global Infrastructure	14.06	14.06	9.24	8.66	5.44	10.92
FIXED INCOME	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**
Global Bonds (USD)	2.20	2.20	-0.38	1.49	1.04	3.05
Domestic U.S. Aggregate	2.94	2.94	4.48	2.03	2.74	3.77
U.S. Corp High Yield	7.26	7.26	5.93	8.56	4.68	11.26
U.S. Floating Rate	4.00	4.00	2.97	5.67	3.62	7.98
International Developed (USD)	3.06	3.06	5.21	3.28	4.62	4.23
International Developed (Unhedged)	1.56	1.56	-4.40	0.82	0.08	2.16
Emerging Market Debt (USD)	6.95	6.95	4.21	5.79	5.44	8.52
Tax Exempt (Munis)	2.09	2.09	4.41	1.81	2.19	2.96
Cash	0.60	0.60	2.12	1.19	0.74	0.43
Real Estate - Global	13.98	13.98	8.06	3.49	3.56	10.38
Real Estate - U.S.	15.64	15.64	19.06	4.64	7.25	16.74

Source: Morningstar

Equities

The strong rebound in domestic equity prices and a slowdown in year-over-year earnings growth for 2019, partly based on the fading effects of tax cuts and slower global economic growth, have created domestic valuations that are now above historical averages.

On the international front, we have seen a turnaround in sentiment this year. Three key developments have enabled the change in sentiment: the Fed pause, the decrease in trade tensions and the early signs of stabilization in China. Despite downgrading global growth on trade policy concerns, particularly related to the two largest global economies (China and U.S.), the IMF actually increased growth expectations for China.

Looking forward, international equity valuations are more attractive than in the U.S. Exhibit 11 illustrates that the returns of international equities have trailed the U.S. on a rolling 10-year basis for a while with such a gap not seen since 2001/2002.

Despite downgrading global growth on trade policy concerns, particularly related to the two largest global economies (China and U.S.), the IMF actually increased growth expectations for China.

As one international portfolio manager stated at the year's beginning, "I just don't believe that condition is permanent...It will reverse at some point. If you believe in the power of diversification, now is not the time to capitulate on international investing. Now is the time to look for opportunities in places where other investors are running away."

Fixed Income

Despite the new pause in interest rate hikes, bonds are still expensive. While short-term rates have climbed domestically, longer-term rates should be somewhat contained. Foreign demand for higher yielding U.S. Treasuries may continue to

EXHIBIT 10: EQUITY VALUATIONS

	P/E	20-yr. avg.	Div. Yield	20-yr. avg.
S&P 500	16.4x	15.8x	2.10%	2.00%
ACWI ex-U.S.	13.0x	14.1x	3.50%	3.00%
As % of U.S.	79%	89%	168%	149%

Source: JP Morgan

EXHIBIT 11: INTERNATIONAL VS DOMESTIC EQUITY RETURNS

Source: TC Wealth Partners, Bloomberg

We continue to believe that higher levels of volatility are likely, but hopefully these inevitable road bumps will be manageable.

create upward pressure on prices and conversely downward pressure on rates.

Unless one considers opportunistic fixed income strategies, the outlook for the fixed income portion of portfolios may present low to modest returns for the foreseeable future. Nonetheless, fixed income should still be considered for its lower volatility or downside risk characteristics.

Complementary Strategies

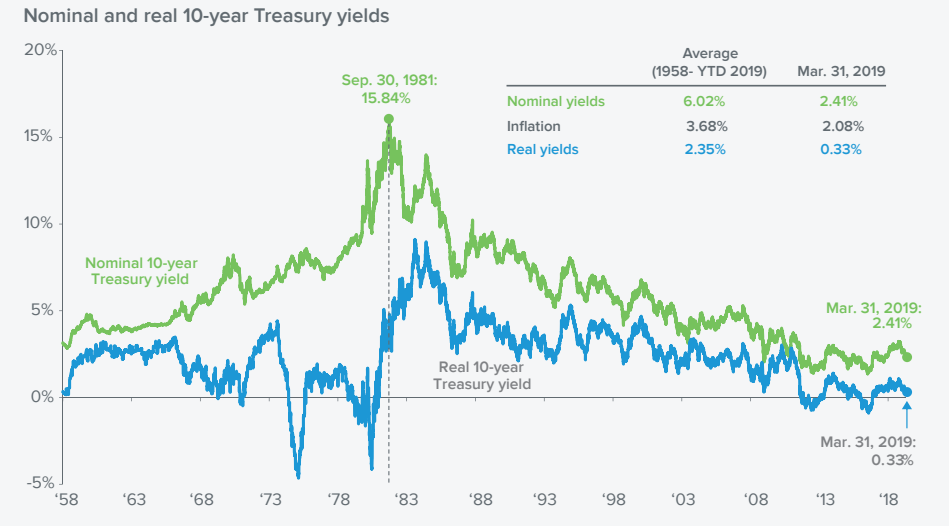
Given the state of equity markets and the unappealing fixed-income outlook, it is important to cast a wider net and consider non-traditional strategies to provide returns and manage risk. To address this need, we continue to look at other less-traditional, and lower/non-correlated strategies, such as tactical allocators and lower-risk-mitigating strategies.

Reading between the lines, we are happy that Spring has arrived, and the weather is starting to turn. Whether you like muscle cars or convertibles, we hope the road ahead continues on a favorable path. We continue to believe that higher levels of volatility are likely, but hopefully these inevitable road bumps will be manageable. In the meantime, we are focused on fundamentals and valuations and creating success for clients one at a time in a goals-based framework.

Please pass this message along. Our passion is to help others reach their goals and find comfort with their financial well-being. Be sure to visit our website (tcwealthpartners.com), subscribe to "Reed Between the Lines," or follow Reed Murphy on Twitter at @BTLReedMurphy if you want to receive regular updates throughout the quarter on his perspective regarding investments and other subject matters.

Thank you for your continued support. ■

EXHIBIT 12: 10-YEAR U.S. TREASURY RATE



Source: TC Wealth Partners, BLS, Federal Reserve, Bloomberg, J.P. Morgan Asset Management. Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for December 2018, where real yields are calculated by subtracting out November 2018 year-over-year core inflation. U.S. Data are as of March 31, 2018.

GUIDED PORTFOLIOS ALLOCATION UPDATES

We continue to be late in the economic cycle. Providing we maintain positive GDP numbers, we will officially be in the longest economic cycle on record by this summer. Despite a near technical correction late in 2018, the current domestic equity bull market is already the longest on record. However, neither feel all that great. During the first quarter the Federal Reserve did an about-face on interest rate policies, suggesting no more hikes for 2019. While the equity markets rallied, the bond market did not buy it. Long-term interest came down on concerns over global economic slowing, in part driven by trade policy concerns.

The primary changes to portfolio were driven by a desire to have a better graduated step function in risk from conservative to aggressive portfolios. This can be seen by the following chart.

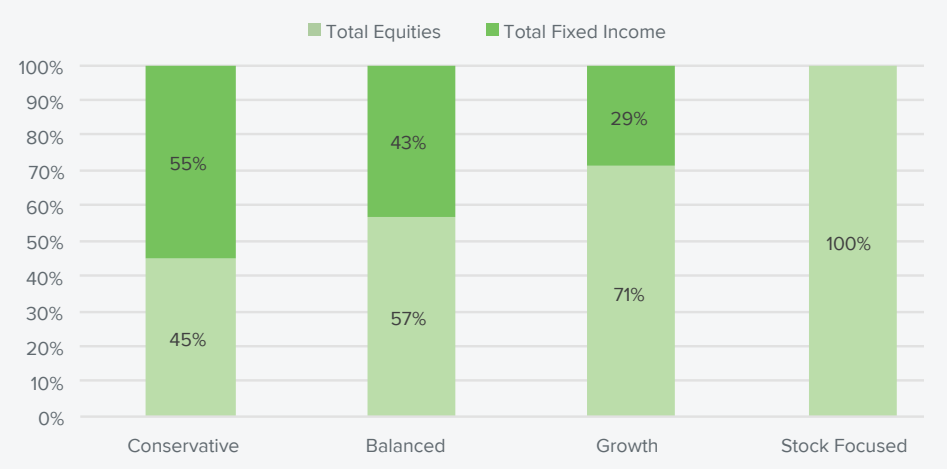
To better position the portfolios for a late-cycle environment we took the opportunity to de-risk some of our Guided Portfolios in March. As a reminder, each portfolio invests in mutual funds that invest in either stocks (equities), bonds (fixed income), or complementary (alternative) assets. Here is a summary of the changes made.

From a portfolio construction standpoint, we recalibrated our domestic to international exposure with domestic equities now representing approximately 60% to 70% of the equity allocation with more conservative portfolios having higher concentrations to U.S. stocks. This generally resulted in reduction in international in favor of increasing domestic equities. As part of this equity reallocation we increased our exposure to the more defensive global infrastructure strategy.

Based on a declining conviction level in one of our emerging market managers, we swapped it out for another emerging market manager that has a more focused exposure to the tremendous demographic trends in Asia. That strategy has demonstrated historically lower volatility to the emerging market asset class, while also providing stronger risk-adjusted returns. The fund is not a pure emerging markets fund. However, the Asia/Pacific region accounts for a vast amount of the world's wealth, global growth and approximately 75% of the actual emerging market.

With the decision by the Federal Reserve to halt interest rate increases and the lower probability of increasing interest rates on the horizon, we eliminated our allocation to our floating rate strategy. A floating rate can demonstrate more volatility during liquidity driven moves, which we witnessed in December. We replaced our allocation to in the Conservative, Balanced and Growth portfolios by adding a multi-strategy fund with attractive yields and historically good downside protection. We also reallocated a large portion of our short-term bond strategy to our core anchor fund strategy. We believe this allocation approach is attractive based on the recent change in Fed interest rate policy. ■

EXHIBIT 13: RPS PORTFOLIO'S ASSET ALLOCATION



Note: Allocations are approximate and as of mid-April. Weighting represent allocation to manager/fund strategies. Cash levels will be part of the underlying manager strategies. Opportunistic strategies, such as MLPs and infrastructure, and complementary strategies have been consolidated in the equity allocation for illustration purposes.

MARKET UPDATES

READINGS FOR THE WEEKEND

SIGN UP FOR WEEKLY "REED BETWEEN THE LINES"

If you want more frequent market updates as well as a smattering of other insights from our President and CIO J. Reed Murphy, be sure to sign up for "Reed Between the Lines: Readings for the Weekend."

While you won't receive an email notification, every Friday a new Reed Between the Lines will hit the TCWP site. Murphy covers the gamut of topics, including disruptive technology and its impact on society and investments; investment trends and newsworthy events; and items on the lighter side to provide a positive ending for your weekend.

Sign up for the weekly update by contacting Paula Brennan at pbrennan@tcwealthpartners.com and read the latest post here: https://rbtl.tcwealthpartners.com

DID YOU KNOW?

Test your market and economics knowledge, and then visit our blog *Of Significance* at **TCWealthPartners.com/DidYouKnow** to see our answers!

STRONGER RETURNS IN QUARTER 1

1. Since WW2 there have been 17 quarters with stronger returns than we experienced in Q1 of this year. While realizing that historical trends do not recognize cause and effect relationships, how often (% of time) does the next quarter portend a positive return?

A. 0%
B. 22%
C. 44%
D. 88%

BICYCLE PRODUCTION

2. How many bikes are manufactured in the world each year?

a. 10 million
b. 70 million
c. 100 million

MID-TERM ELECTIONS AND THE S&P 500

3. Since the 2018 mid-term election what is the return on the S&P 500?

A. 5%
B. -4%
C. 2%
D. -2%

SUSTAINING MULTIGENERATIONAL WEALTH

THE KEY FUNCTIONS OF A FAMILY OFFICE THAT WEALTHY FAMILIES NEED MOST.

A Q&A with TC Wealth Partners CEO Bill Giffin on the important elements of managing generational wealth.

Bill Giffin
CEO

For many individuals and families, substantive wealth can raise some long-term questions: "Do we need a family office?" "Should we set up a foundation?" and "How should we engage our children or other members of our extended family?" Throughout his career, Bill Giffin, CEO of TC Wealth Partners, has served high net worth families, helping them identify and begin to pursue what's most important to them.

In some cases, setting up a family office makes sense. But for others, they need some of the benefits of a family office without the infrastructure and expense. In this interview, Bill discusses the elements of a family office, to help families decide which services they might need to sustain their family for generations to come.

WHAT DOES A FAMILY OFFICE ACTUALLY DO FOR A FAMILY?

It can coordinate services that in many instances the family hasn't even thought about—from simple and tactical activities such as household management and bill payment to the complex work of investment management, policy statement and mission statement creation, philanthropy, succession, and education about wealth.

Many families, though, don't have enough wealth to create and sustain a family office themselves. It doesn't make financial sense. In which case, a financial entity with a breadth of services, including wealth management, trust services and expertise in investment management, can step in and function as its family office.

WHEN VETTING A FIRM FOR FAMILY OFFICE SERVICES, WHAT SHOULD A FAMILY LOOK FOR?

First and foremost, each situation is unique. Individuals and families should seek out a firm that has the breadth of services from which they can customize to their specific situation. Obviously, a family wants to work with a team that has deep experience in what the family needs.

Investments are only one of many services that a family office offers. For example, a traditional family office would have a chief investment officer (CIO). The family should look for a firm that similarly has a CIO. Arguably, a typical registered investment advisor could act as a CIO. However, the landscape is littered with poorly considered decisions from those who lack the experience deserving of a family's hard-earned wealth. It's important that there's an infrastructure that's institutionalized with oversight by the CIO.

High net worth families need a firm that is committed to a depth of research that considers the full breadth of investing options. They want an actual person sitting at the table with them to explain how the firm vetted investments, structured allocations, and selected managers.

You want personalized, full access to the CIO.

WHAT ARE SOME OF THE SOFTER FAMILY-OFFICE-TYPE SERVICES THAT A FAMILY MIGHT NEED?

The firm should be able to step in to help a family understand the burden of wealth—and walk alongside them during moments of transition.

I once worked with a client who owned a company and hadn't told his daughter that she was going to inherit a substantial amount of wealth. She was a teacher for disabled children, and that's what was important to her. Money wasn't a big driver, and she didn't really know much about it. On their way in to meet with us, he told her about the inheritance, and from that moment on we had to build trust with her to help her understand the larger implications of her wealth.

It's about being trustworthy and a confidant. The firm needs to be in the family's corner as they go through something that, in many instances, is unique. When working with families, it's important that they have peace of mind as they give the reins to their children. While each situation is different, and each needs to be tailored to the family's unique situation, the engagement starts first and foremost with creating a bond with the family.

HOW DO THE ISSUES OF FAMILY LEGACY GET ADDRESSED IN A TRADITIONAL FAMILY OFFICE SETTING?

When I have been part of a family-office-type environment, the biggest issue is the relationship between generations: parents with children, and their children with each other, and extended family. Most often a family's concerns are focused around relationships more than they are around dollars and cents. Family members might not be acting as good stewards of the wealth, but at the core it's not about the wealth. It's about the harm those decisions are creating to family relationships. Advisors in a family office setting need to help families manage the emotion of money—the highs and lows of it.

Sometimes that means a family-office-type environment must operate as a peacekeeper. I worked with another family in which two brothers jointly ran the family business. But they were torn apart by the money—both believing the other wasn't doing their part in the business. Sometimes you need a firm that simply will help sort through the family dynamics related to wealth and develop a plan that benefits the entire family.

WHAT DOES A FAMILY NEED MOST AS THEY SEEK TO TRANSITION THEIR WEALTH TO THE NEXT GENERATION?

I've seen greater success when there's more transparency. It's more difficult to pass on wealth from generation to generation when the patriarch or matriarch of the family has a stronghold on that next generation—because he or she holds the keys to the vault. It becomes more dictatorial than inclusive.

For a firm to be able to help families, there needs to be a willingness to be open and dig into the positives and negatives of wealth together. ■