Marucci family

Bianca Benoit recently transitioned to a relationship manager role at a single-family office dedicated to serving the Marucci family in the country of Novaria. The Maruccis have investable assets equivalent to approximately USD 45 million. Benoit has worked primarily with mass affluent clients in the past, so to prepare for her new responsibilities in serving an ultra-high-net-worth (UHNW) client, she consults a team colleague for information and insights concerning the characteristics of UHNW families.

Fabio Marucci (age 45) is married to Taylor Marucci (age 43). They have identical twin daughters, Susan and Louise (ages 20). Fabio is a managing partner at a public accounting firm, and Taylor is the founder of a clothing company, which she recently sold to a strategic buyer for USD 35 million. After the sale, Taylor and Fabio established the family office to advise the family on its financial affairs and to establish a foundation that promotes sustainable fashion production.

Benoit gathers qualitative information on each individual to better understand the Marucci family's dynamics. Fabio grew up in the neighboring country of Xanadia, where the culture emphasizes obedience and gives little respect to self-reliance. To this day, Fabio visits his parents weekly and follows their advice—even if he disagrees with it. Fabio followed in his father's footsteps and pursued a career in accounting. Despite amassing significant wealth, Fabio does not like to spend money and is very secretive about his finances.

Taylor grew up in Eldoria. The Eldorian culture stresses entrepreneurship and personal accomplishments. Taylor moved away from home when she was a teenager and chose to start a business instead of going to college. She worked countless hours in her 20s to grow her business into a national competitor. Due to her financial accomplishments, Taylor believes that she is a better-than-average person, and that wealth equates to happiness.

Susan and Louise were born in Novaria. The Novarian culture stresses living in the moment and enjoying the present. They prefer spending most of their day browsing social media and playing video games rather than worrying about adult life matters. They have also expressed feeling a bit neglected by their mother as she works all the time to make more money. As a result, the twins harbor some negative feeling toward money.

After better understanding the family members, Benoit drafts a family constitution to support family governance and reviews it with the Maruccis.

Question 1.1

The single-family office established by the Marucci family is *best described* as a(n):

A. Founder SFO. ✓

B. Optimizer SFO.

C. Entrepreneurial SFO.

Explanation:

Single-family office (SFO) models			
SFO type	**Generation(s) served**	**Business status**	**Primary focus**
Optimizer	First	Family retains control	• Maximizing wealth for family members
Preserver	Second (and successive)	Family retains control	• Preserving intergenerational wealth
Founder	First	Family has sold the business	• Continuing founder's legacy • Allocating assets among family members • Philanthropy
Entrepreneurial	Second (and successive)	Family has sold the business	• New investments • Increasing wealth

Family offices are private wealth advisory firms that holistically manage financial and occasionally nonfinancial affairs for very-high-net-worth (VHNW) and UHNW clients. A single-family office (SFO) is dedicated to serving one family, whereas a multi-family office (MFO) serves multiple families. The relationship manager at a family office is often the primary point of contact between the family and other professionals such as accountants and attorneys.

SFO models can be classified into several categories with different focuses and objectives, as shown in the table above. In a **Founder SFO model**, the family has experienced a liquidity event from selling its business and wishes to **continue** the **founder's legacy** (eg, through philanthropic activities) and effectively allocate assets among family members. In this scenario, Taylor Marucci has recently sold her business and is using some of the proceeds to promote sustainable fashion awareness.

(Choice B) Optimizer SFOs manage affairs for current business owners.

(Choice C) Entrepreneurial SFOs manage affairs for the second and successive generations to continue entrepreneurial ambitions after the founder's original business has already been sold.

Things to remember:
A single-family office (SFO) is dedicated to serving one family and can be classified based on different focuses and objectives. In a Founder SFO model, the family has experienced a liquidity event from selling its business and aims to continue the founder's legacy and effectively allocate assets among family members.

Question 1.2

Based on Benoit's discussions with her colleague, which of the following is *most likely* a unique feature of working with UHNW clients compared to working with mass affluent clients. UHNW clients typically:

A. have longer time horizons. ✓

B. are charged higher AUM fees on a percentage basis.

C. generate a significant portion of wealth through tax-deferred, defined contribution plans.

Explanation:

Common ultra-high-net-worth (UHNW) client characteristics	
Criteria	• > USD 30 million investable assets
Nontraditional planning	• Unlikely to contribute to DC or DB plans • Heavy focus on estate, transition, succession, philanthropy, and tax planning • Unique risks: reputation, private investments, unique assets • Importance of family dynamics and family governance • Wealth advisor often serves as point person for integrated and even nonfinancial services
Multi-jurisdictional holdings	• Properties, businesses across different geographies subject to different taxation and regulatory regimes • May require global custodian for integrated management
Longer time horizon	• Multi-generational estate, succession, and transfer planning goals require longer time horizons
Distinct risk-reward trade-off	• Entrepreneurial aspirations versus legacy and capital preservation
Team of professionals	• Wealth advisors often work with the client's attorney, accountant, bankers, custodians, philanthropic advisors, and other financial advisors

UHNW wealth advisors often coordinate with the client's team of service professionals (eg, attorneys, accountants, other advisors) to address the unique requirements of UHNW clients. These clients often own businesses, have multi-jurisdictional holdings, and require complex estate and tax planning.

In addition, **UHNW clients** emphasize the importance of preserving and **passing on** their **wealth to future generations**. Therefore, UHNW clients tend to plan for **longer time horizons**.

In this scenario, Benoit transitioned from a previous role serving mass affluent individuals. Compared to UHNW individuals, mass affluent clients have fewer financial resources. As such, mass affluent clients typically allocate greater proportions of capital toward meeting lifestyle and retirement needs over legacy planning, thus leading to shorter time horizons.

(Choice B) Private wealth fees often have sliding-scale tiered structures that charge lower percentage AUM fees for increased amounts of assets managed. These structures allows wealth management firms to attract much wealthier clients.

(Choice C) UHNW individuals typically acquire wealth through business ownership and are not as reliant on contributions to a company's defined contribution plan, which are tax-deferred and thus limited.

Things to remember:
UHNW clients focus heavily on preserving and transferring wealth across multiple generations. Due to the importance of succession planning, UHNW clients typically have longer time horizons that span generations.

Question 1.3

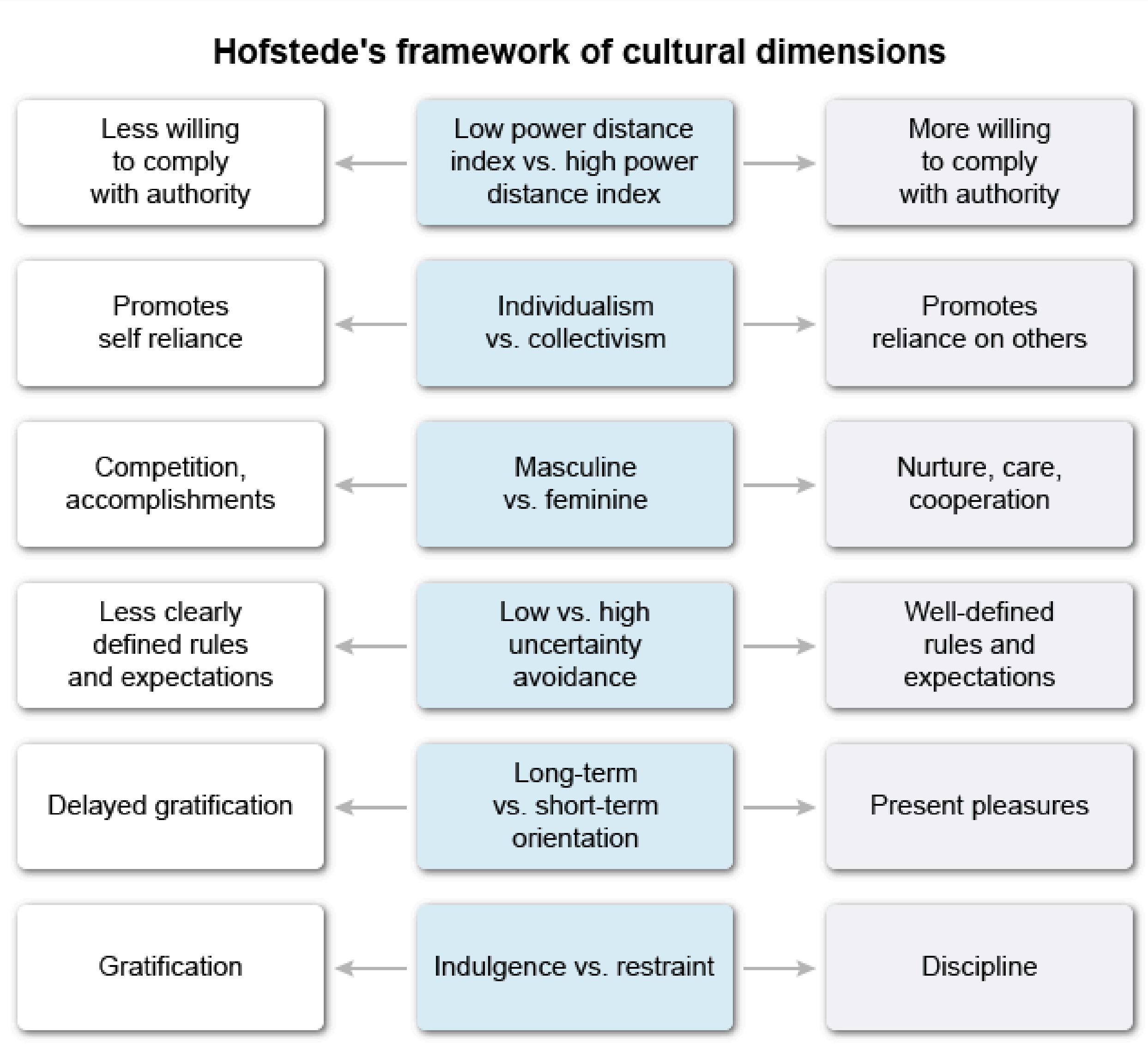
Applying Hofstede's framework on cultural context and the family insights Benoit gathered, which of the following is *incorrect*?

A. The Novarian culture focuses on short-term goals.

B. The Eldorian culture heavily emphasizes individualism.

C. The Xanadian culture is rated lower on the power distance index. ✓

Explanation:



When working with clients, it is important to understand how cultural context shapes different values, beliefs, and attitudes. Some views and behaviors considered normal in one culture may be strange to another culture. Hofstede's framework lays out dimensions within different cultures and can be used for cross-cultural communication.

The power distance index is a Hofstede dimension that describes how a society accepts authority. A culture with a higher (lower) power distance index is likely to be more (less) accepting of authority.

In this scenario, individuals in Xanadia are likely to exhibit a **higher power distance index** since the culture emphasizes **obedience**. Furthermore, this characteristic is supported by the fact that Fabio Marucci follows his parents' advice even when he disagrees with it.

(Choice A) The Novarian culture focuses on short-term indulgence given its focus on enjoying the present and not worrying about life matters.

(Choice B) The Eldoridan culture emphasizes individualism as indicated by its emphasis on entrepreneurship and personal accomplishments, and as exemplified by Taylor Marucci's independence since her teenage years.

Things to remember:
Hofstede's framework lays out dimensions within different cultures and can be used for cross-cultural communication. As described by Hofstede, the power distance index reflects how well a society accepts authority. A culture with a higher (lower) power distance index is likely to be more (less) accepting of authority.

Question 1.4

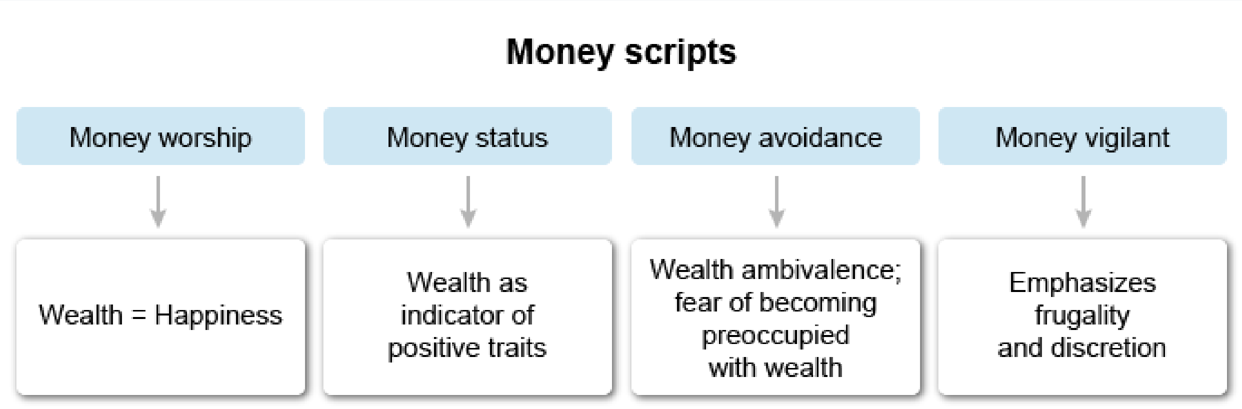
Using the Klontz framework, which of the following *best describes* the money scripts associated with each family member's attitude toward wealth?

A. Taylor's money script is money status. ✓

B. Fabio's money script is money avoidance.

C. The children's money script is money vigilance.

Explanation:



A **money script** reflects the client's **beliefs** and attitudes toward **money**. Understanding money scripts helps advisors understand client behaviors and preconceptions to better manage client relationships. Since Taylor Marucci believes her ability to generate **wealth** makes her a **better-than-average individual**, her money script is best described as **money status**. In addition, her belief that wealth brings happiness is indicative of money worship.

(Choice B) Fabio Marucci's money script is best described as money vigilance since he exhibits frugality and is discreet in financial matters.

(Choice C) The twins' money script is best described as money avoidance since they exhibit some negative associations with how wealth accumulation contributes to their sense of parental neglect.

Things to remember:
A money script reflects a client's attitude toward money. Understanding money scripts helps advisors better interpret client behaviors and manage client relationships.

The Edwards Family

David Edwards, 52, inherited a substantial fortune from his late father, George Edwards, who built a real estate empire. David never worked in his father's real estate business and has instead chosen to focus on his passion for environmental conservation. David has generously shared his inheritance with his family. He and his wife, Sophia, 47, met while attending university in London and have been married for 25 years. They have two children: Henry, 23, and Emily, 18.

Henry recently graduated from university and would like to pursue a career in business. He has feelings of guilt associated with the family's wealth and thinks he should, perhaps, focus on conservation efforts like his father. Emily, who is preparing to attend university, has expressed concerns about her personal safety and the motives of her peers, often retreating into a small close-knit group of family members and close friends.

David and Sophia, who have been living on the income generated by family trusts, are worried that their children are having challenges in finding a balance between benefiting from the family's wealth and forming their own identities. They feel uneasy about educating their children on responsible wealth management.

David serves on the board of the Edwards Family Foundation, which supports global environmental conservation initiatives. The foundation was started by George, and David continues to work closely with the foundation, though he is unsure whether his children are interested in contributing to the foundation's work..

The Edwardses have approached Sarah McMillan, the family's long-time adviser, to discuss how they can support Henry and Emily in understanding the family's wealth and philanthropic responsibilities. Henry has shown apprehension about managing money, and Emily has expressed concern over how the wealth was accumulated by her grandfather. David and Sophia hope that Sarah's guidance can help Henry and Emily develop a more positive relationship with wealth and align their personal goals with the family's environmental mission.

Question 2.1

Which of the following *most strongly* influences Henry and Emily's decision-making?

A. General indecisiveness that is normal for their ages

B. Their desire to be financially independent and make their own choices

C. The restrictions the family's wealth has placed on their capacity for independent decision-making. ✓

Explanation:

Intrafamily challenges of inherited wealth	
Challenges	**Description**
Lack of bonding with parents	• Wealthy parents often exert more control over their children's lives compared to other families. • Influence extends to education choices, peer groups, and marriage partners.
Parents using money to control their children	• Children of wealthy families may have fewer opportunities to develop independent decision-making skills. • Feedback loop is created where parents are frustrated by their children's lack of initiative and accountability, not realizing their own role in limiting these traits.

Those who **inherit wealth** face a combination of **financial** and **emotional challenges** different from the challenges faced by those who acquire their own wealth gradually. These unique challenges are referred to as an inheritor's dilemma, marked by the pressure to manage and uphold the legacy responsibly.

In this scenario, David Edwards inherited a great fortune from his father, and while he is sharing the inheritance to benefit his wife and children, issues may develop. Research indicates that, compared to other parents, wealthy parents often display more control and influence over their children's lives. This can extend to choices about career paths, education, peer groups, and even marriage partners.

The family's wealth appears to be inhibiting Henry and Emily's ability to make independent decisions, which has the potential to lead to a lack of initiative and accountability.

(Choice A) In the case of the Edwardses, the burden of the family's inherited wealth appears to be having a greater negative effect on Henry and Emily than are the normal anxieties of growing up.

(Choice B) It is not apparent from this scenario that Henry and Emily have the freedom to make their own choices without either being influenced by their parents or constrained due to the wealthy lifestyle they have known.

Things to remember:
Research on families with inherited wealth indicates that parents, though likely well-intentioned, may display dominating influence and control over their children. This may lead to indecisiveness on the part of the children and a failure to develop sound decision-making skills.

Question 2.2

What underlying issue is *most likely* contributing to Emily's sense of isolation and distrust of her peers?

A. Her peers have actively alienated her due to jealousy of her family's wealth.

B. Her parents have limited her social interactions to protect her from external influences.

C. Her social withdrawal is likely due to fears that others only like her because of her family's wealth. ✓

Explanation:

Intrafamily challenges of inherited wealth	
Challenges	**Description**
Family isolation and distrust of other people	• Fear for physical safety and well-being • Such fears can limit spontaneous encounters and chance experiences • Distrust caused by uncertainty regarding motives of others • Often most comfortable within a small, select group

In this scenario, Emily is exhibiting a common behavior displayed by individuals with inherited wealth. She prefers to socialize with a small group of trusted friends as she is fearful for her physical safety and unsure of other people's motives. **Inherited wealth** can **limit** spontaneous **encounters**, leading to social isolation.

(Choices A and B) There is no indication that Emily's peers are distancing themselves from her due to her family's wealth or that her parents have limited her activities to protect her from unscrupulous individuals.

Things to remember:
Inheritors of wealth are often subject to fears regarding their safety and well-being, which can result in the limiting of spontaneous encounters and chance experiences. Inheritors may also question the motives of others who seek their time and attention.

Question 2.3

The *most likely* explanation for Henry's anxiety over his future and ability to manage wealth is that he:

A. is wondering what he should do with his life.

B. does not want to be pressured into working for the Edwards Family Foundation.

C. believes he does not have the skills to handle his portion of the family's inherited wealth. ✓

Explanation:

Intrafamily challenges of inherited wealth	
Challenge	**Description**
Anxiety and fear	• Anxiety over managing life without relying on family wealth • Believe they lack skills to create wealth independently • Anxiety heightened by perceived lack of financial knowledge • Reliance on advisers for basic financial tasks like bill-paying, increasing dependency

The weight of the responsibility of **inherited wealth** can be a **source** of great **anxiety** and fear for young inheritors. Questions about whether an individual has the skills to manage wealth or manage their own life are common. Young adults also wonder if they would make it on their own if access to wealth were restricted or removed. A lack of financial knowledge can compound this psychological stress.

Even with a college degree in business, Henry has indicated that he is anxious about managing money. He believes he does not have the skills to handle his portion of the family's wealth. While Henry appears to have some conflicting emotions about his career choice and working for the family foundation, his main source of anxiety is his perceived lack of ability in managing money **(Choices A and B)**.

Things to remember:
Inheritors can be anxious if they believe they lack the skills to manage inherited wealth or to create wealth themselves. The weight of responsibility can cause emotional stress. Inheritors might feel guilty for receiving wealth they did not earn, or they could fear failure in maintaining what was given to them.

Question 2.4

Which of the following strategies is *most likely* to help Henry and Emily find personal fulfillment? David and Sophia should:

A. allow the children to decide how to use the family's wealth with few restrictions.

B. encourage Henry and Emily to explore philanthropic activities of the children's choosing. ✓

C. require Henry and Emily to become financially independent but assist them financially if they need help.

Explanation:

Challenges of inherited wealth	
Challenge	**Description**
Confusion about career and a sense of life purpose	Without having to support oneself through compensated labor, there can be a lack of urgency to discern one's purpose in life and to engage in fulfilling and meaningful activities.

Among the challenges of inheritance wealth is an abrupt reorientation of life's purpose and priorities. **Inheritors** may **struggle** with **finding** an **identity** that is separate from the wealth they have inherited. They may ask themselves questions like "Do I deserve this?" or "What should I do with my life now?" Without needing to work, in many cases individuals lack direction and a reason to engage in fulfilling activities.

To help their children find personal fulfillment, David and Sophia should encourage Henry and Emily to explore philanthropic and meaningful activities of the children's choosing. This way, they are not bound to work exclusively on the Edwards Family Foundation and are not in fear of losing access to their share in the family's wealth.

(Choice A) The children should be encouraged to pursue an activity that doesn't involve the family wealth to develop the identity and skills they otherwise would have been able to solidify

(Choice C) Requiring Henry and Emily to become financially independent but assisting them financially if they need help is likely to be seen as unduly controlling and could become a source of conflict in the children's lives.

Things to remember:
Part of an inheritor's dilemma is an abrupt reorientation of life's purpose and priorities. Inheritors may struggle to find an identity separate from the wealth they have inherited. There can be a lack of urgency to engage in fulfilling and meaningful activities.

Demers Family

The Demers family is navigating complex dynamics surrounding their significant wealth. Claude Demers, 58, was a senior executive at a publicly-traded company who built his wealth through stock options while also running a small family business raising bees for honey. He manages the family's $15 million liquid portfolio, but as he approaches retirement, he is reluctant to change the asset allocation. Claude and his wife, Louise, 57, are particularly worried about the lifelong care needed for their daughter with special needs, Andrea, 18.

Louise, once a marketing consultant, now works part time and is concerned about the family's financial situation despite an upcoming $5 million inheritance from her mother, Irene Belanger, who has dementia. Irene recently expressed a desire to modify her will to leave part of her estate directly to the Demers' three children, Luke, Dirk, and Andrea. While growing up, Louise witnessed arguments between her parents concerning who would manage the family's money.

Luke, 22, dropped out of college and rejects the family's wealth, but he lives at home, supported by his parents. Dirk, 16, is academically ambitious and wants to attend a prestigious university to learn about managing a business and pursue a corporate career. He sees himself building his own wealth through his career but also wishes to continue helping his father with the family beekeeping business. Andrea, due to her special needs, will likely never live independently.

The family's wealth advisor, Gabrielle McKenzie, is helping Claude and Louise navigate the financial planning for their inheritance decisions, their children's education, and Andrea's lifelong care. Tensions are rising around the control of Louise's inheritance, as she wants to manage the money herself but fears that Claude will take over. Furthermore, Claude is concerned about funding Dirk's university education, which is estimated to cost $100,000 a year.

Question 3.1

Which of the following *best describes* how the Demers family operates based on the characteristics of family systems?

A. A centralized power structure ✓

B. A decentralized power structure

C. A power structure in which major financial responsibilities are shared equally

Explanation:

Characteristics of families as operating systems	
Characteristic	**Description**
Shared norms	Unwritten rules setting expectations for behavior.
Clear roles	Division of responsibilities, privileges, and resources among family members.
Power structure	Authority for decision-making and resource distribution.
Communication	Preferred medium and style of interaction.
Rituals and traditions	How the family celebrates and honors key events.
Navigating transitions	Redistribution of responsibilities and resources after major life changes.

A **family** can be seen as **an operating system** in the way it handles wealth, adhering to a framework that shapes internal and external interactions. It is important for private wealth managers to understand family dynamics, which are more complex than the behaviors of individual family members. A family's views on wealth shape the operating system, just as the operating system can shape the family's views on wealth. **Wealthy families** often have an **established power structure**, in which power can be financial or based on members' **acceptance of authority**, driving both cooperation and conflict in wealth management.

In this scenario, Claude's control over the family's portfolio reflects an **established power structure** that limits others' input, creating dependency and tension, particularly with Louise, who may wish to assume a more equal role. This is an example of a centralized power structure **(Choices B and C)**.

Things to remember:
A family can be seen as an operating system in the way it handles wealth, adhering to a framework that shapes internal and external interactions. It is important for private wealth managers to understand family dynamics, which are more complex than the sum of individual actions.

Question 3.2

According to the FIBER scale, which dimension is *most relevant* to Dirk's involvement in the family beekeeping business?

A. Family control and influence

B. Identification with the family business ✓

C. Emotional attachment of family members

Explanation:

The FIBER scale	
Characteristic	**Dimension**
F	**F**amily control and influence
I	**I**dentification of family members with the business
B	**B**inding social ties
E	**E**motional attachment of family members
R	**R**enewal of family bonds through dynastic succession

Research shows that **family businesses differ** significantly from **non-family** businesses. **Socioemotional wealth** (SEW) **explains** how **family-owned businesses** often **prioritize social** (eg, reputation) and **emotional** (eg, identity) **rewards** over profit. The FIBER scale identifies five key SEW dimensions. This framework helps wealth advisors understand that family business decisions are not solely driven by financial factors.

In this scenario, Dirk's desire to help with the family business after finishing school shows that he identifies strongly with it, representing the "identification" aspect of the FIBER scale.

(Choice A) Dirk's primary motivation for involvement in the family's beekeeping business is not about taking control of the family's wealth, although he is personally interested in building wealth through a corporate career.

(Choice C) While there may be emotional ties to the family business, Dirk's plans to study business reflect a business-oriented, rather than emotional, commitment. His academic ambitions are likely to complement, not conflict with, his involvement in the family business.

Things to remember:
Research shows that family businesses differ significantly from non-family businesses. SEW explains how family business owners often prioritize social (eg, reputation) and emotional (eg, identity) rewards over profit. The FIBER scale framework helps wealth advisors clarify that family business decisions are not solely driven by financial factors.

Question 3.3

Claude's reluctance to make changes to his portfolio as he nears retirement is *best* described by which of the following behavioral biases?

A. Anchoring bias ✓

B. Disposition effect

C. Confirmation bias

Explanation:

Selected behavioral and cognitive bias that affect the wealthy	
Disposition effect	Investors tend to sell winning investments too early to lock in gains and hold onto losing investments too long, hoping to avoid realizing losses. This behavior often leads to suboptimal investment decisions.
Anchoring bias	Investors rely too heavily on an initial piece of information (the "anchor"), such as a past price or forecast, when making decisions, even if it is irrelevant or outdated. This can lead to poor financial choices that ignore new, relevant data.
Confirmation bias	Investors seek out and favor information that supports their existing beliefs or decisions, while ignoring or dismissing contradictory data. This often leads to poor investment choices based on reinforced preconceived notions.

Claude's **reluctance** to **change** his **portfolio** as retirement approaches suggests **anchoring** to past performance rather than adjusting for new goals. In other words, he appears to be fixated on past investment successes. Anchoring occurs when investors rely too heavily on an initial piece of information, such as a past stock price or forecast, when making decisions, even if that information is now irrelevant. This can lead to poor investment choices that ignore new, relevant data.

(Choice B) The disposition effect refers to the tendency to hold onto losing investments, which is not relevant to Claude's reluctance to change his portfolio despite changing financial needs.

(Choice C) Confirmation bias involves selectively accepting information, but Claude's behavior is more about anchoring to past performance.

Things to remember:
An investor who has accumulated a considerable sum of wealth might be subject to the behavioral bias of the anchoring effect. As a result, they may be reluctant to change their portfolio, even as new goals reflect the need for adjustments. Anchoring occurs

when investors rely on a past piece of information that may now be irrelevant or outdated.

Question 3.4

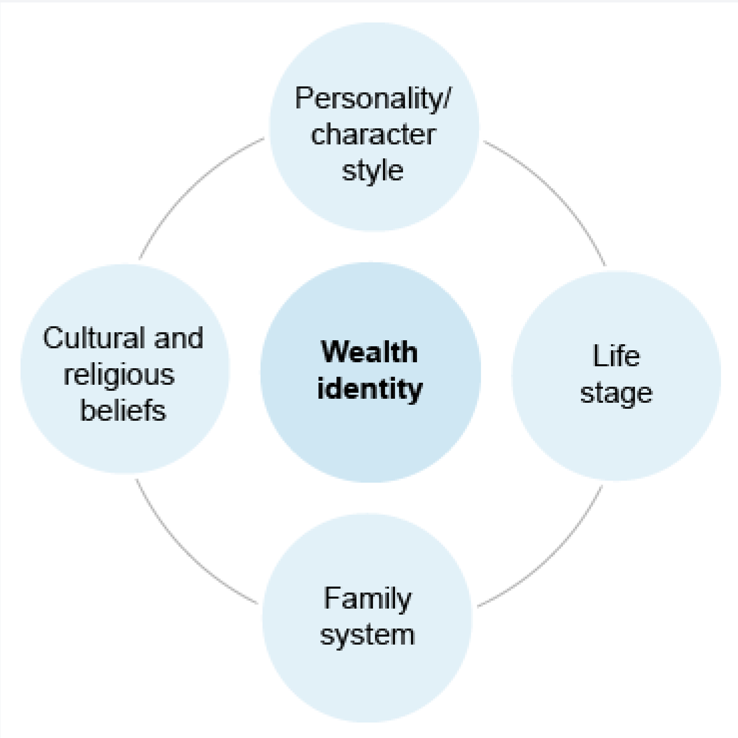
Which factor *best* explains Louise's concern over managing her own inheritance without Claude's involvement? Louise's:

A. Personality

B. Cultural beliefs

C. Identification in the family operating system ✓

Explanation:



An individual's **wealth identity** refers to **how their personal traits** and **environment shape** their reaction to **being wealthy**, influencing decision-making about and comfort with financial matters. Four factors that affect how easily one integrates wealth identity are:

- Personality/character: A keen sense of self and introspection help individuals adapt to wealth more easily.
- Life stage: Adjusting to wealth identity is harder for mature adults shaped by lifelong experiences.
- Family system: Clear family money values and the role in the family operating system shape responses to a changing wealth identity.
- Culture/religion: Integrating wealth identity is more difficult in cultures and religions that view money negatively than in those that celebrate prosperity.

In this scenario, Louise's desire to control the inheritance from her mother is related to her identification in her own family operating system, which is likely influenced by how she grew up, as wealth management was likely a significant issue in her family since her mother still makes financial decisions independently.

(Choices A and B) Since Louise has long tolerated Claude making financial decisions, it is not likely that her personality or cultural beliefs inspire this wish for a change.

Things to remember:
An individual's wealth identity refers to how their personal traits and environment shape their reaction to being wealthy, influencing decision-making about and comfort with financial matters. Four factors that affect how easily one integrates wealth identity are personality, stage of life, family system, and cultural or religious considerations.