# FAMILY OFFICE OF ONE

## *Your Family Is the Enterprise—and You Are the Principal.*

Reader Draft

Prologue + Chapters 1–4

September 13, 2026

# Contents

# Prologue — The Principal

This morning, I checked several investment and retirement accounts. I looked at cash. I balanced business accounts. I thought about taxes, legal issues, investments, and what needed my attention next.

Then I packed flower seeds and corrected Amazon listings.

That last sentence probably requires an explanation.

In addition to being an attorney, I own an e-commerce company that sells flower seeds. I am not merely an investor in it. I operate it. On any given day, that can mean sourcing inventory, pricing products, fixing a listing, thinking about advertising, reconciling the books, negotiating with a vendor, or physically packing seeds.

None of this feels contradictory to me.

I can spend part of a morning thinking about capital allocation and another part fixing an e-commerce problem. I can review a trust, look at a private investment, reconcile an entity's books, and then go do something extremely unglamorous in an operating business.

That is intentional, and it is part of the point of this book: you can be both the person running a business and the person running the family office around it.

I do not sit in a wood-paneled office surrounded by a staff of twenty people who manage my family's affairs.

I am the staff.

I research strategies. I source investments. I make investment decisions. I negotiate with banks and brokers. I set up and maintain legal entities. I keep the records. I keep the books. I prepare and file taxes. I manage insurance, charitable giving, private investments, and estate planning. I operate businesses. I think about succession and what happens when I am no longer the person doing all of this.

Running a Family Office of One does not mean pretending to know everything. It means understanding the system well enough to know what you can do yourself, what you need to learn, what question you should be asking, and when somebody else's expertise is worth paying for.

**I call this a Family Office of One.**

## What a family office actually is

The phrase family office sounds much grander than the underlying idea.

Traditionally, a family office is an organization created to manage the financial, legal, investment, tax, administrative, and sometimes personal affairs of a wealthy family.

At very high levels of wealth, that organization may employ investment professionals, lawyers, accountants, tax specialists, bookkeepers, estate planners, administrators, and other staff.

That makes sense when the family's wealth and complexity justify the cost.

But strip away the marble lobby, job titles, and institutional overhead, and the underlying work remains.

Someone still has to know what the family owns. Someone has to understand what it owes. Someone has to keep track of the entities. Someone has to monitor investments. Someone has to think about taxes. Someone has to know where the documents are.

Someone has to understand the insurance. Someone has to think about what happens when a principal dies or becomes incapacitated. Someone has to notice when the bank, broker, accountant, lawyer, insurer, or vendor is offering a bad deal. Someone has to ask whether an opportunity is worth pursuing.

And somebody has to see how all those decisions affect one another.

**Your family may not need a traditional family office. That does not mean your family does not need the work of a family office.**

The question is who is going to do it.

My argument is that a capable, curious, organized person can do far more of it than most people realize.

Not everyone will want to. Not everyone should.

But if you can use software, do basic math, apply logic, stay organized, learn unfamiliar subjects, and recognize when you are out of your depth, you may be able to coordinate a remarkably sophisticated family enterprise yourself.

That is the person I am writing for.

## I learned this before AI

Artificial intelligence makes this easier.

It is not the thesis of this book.

I built my own version of a family office before modern generative AI existed.

For years, if I wanted to understand an unfamiliar structure, I researched it. If I needed a document I had never drafted, I found a model. If I needed to understand an investment, I read the materials. If I needed to compare financing alternatives, I built the analysis. If I needed an organizational chart, I made one.

That required time, curiosity, and a willingness to look ignorant for a while when I did not know something.

AI changes the amount of friction involved.

Today, a capable person can use AI to explain an unfamiliar term, summarize a document, identify questions that deserve investigation, model alternatives, organize records, clean up a rough entity diagram, create a checklist, or prepare for a conversation with a specialist.

That is extraordinary leverage.

| AI | **AI OPPORTUNITY**<br>A recurring marker for places where AI can make the principal faster and more capable. |
| --- | --- |

Throughout this book, I will flag especially useful applications with an AI OPPORTUNITY marker in the right-hand side of the page.

When you see it, I am not telling you to hand the decision to AI. I am pointing out a place where AI can remove work—organizing a rough balance sheet, cleaning up an entity diagram, explaining an unfamiliar term, building a checklist, or helping you prepare better questions.

But AI is not the principal.

You are the principal.

**I did this without AI. You do not have to.**

I am not going to tell you to turn your financial life over to a chatbot.

I am going to show you how I think, how I organize problems, how I decide what deserves attention, and how modern tools can make that process easier.

The important skill is not knowing every answer.

It is spotting that there is a question.

## They hired me because of how I thought

I learned that lesson before I understood how important it was.

About fifteen years ago, while I was still in law school, I met an Eastern European investment manager who worked for a wealthy family in the process of moving its affairs (and wealth) to the United States.

He introduced me to the patriarch of the family.

During the meeting, the two of them spoke about me in Lithuanian while I sat there unable to understand most of the conversation.

The part I eventually understood was what they were trying to evaluate "**How does he think?"**

I was still a law student. I had never worked in a family office. I did not even know what a family office was and I certainly didn't understand sophisticated estate planning. I had never managed an investment portfolio. I had never sat on a corporate board. Other than purchase of a condominium, which was major to me at the time, I had never closed a major transaction.

I was older than many graduating law students. I already had an advanced degree and management experience. The Duke Law name probably helped. I was also an American joining people who were building and managing substantial interests in the United States.

But they still took a huge chance on me.

In retrospect, being green may have helped.

The founder liked smart people he believed he could teach.

What mattered was not whether I already knew everything.

It was whether I could learn, reason, spot an issue, and solve a problem—could I think?

That became the defining feature of my education there. You do not need to begin by knowing everything. You need to be willing to understand what you do not know.

## I was a problem solver before I was a lawyer

The family office did not create my way of thinking, but it gave it somewhere to go.

Before law school, I was a scientist. By the time I finished law school, I had accumulated roughly ten years of post-high-school education across science and law.

Scientific training mattered. It taught me to look at systems, understand how their pieces interact, form a theory, test it against what I could observe, and change my mind when the facts refused to cooperate.

That followed me into law school.

I remember a property-law discussion involving a landowner who depended on a lake and a neighboring landowner pumping enormous quantities of groundwater from a well.

To me, the problem was obvious. The lake and the groundwater were not necessarily separate systems merely because one was visible and the other was underground. Pump enough water from one place, and you may affect the water somebody else depends on.

My professor noticed that I was looking at the problem differently.

That was not because I knew more property law than everyone else—it was because I was bringing another discipline to the problem. But even science probably did not create the instinct.

I have always had an almost psychological need to figure out whether there is a better way to do something.

In high school, I was the first student in my county (a large Florida county) to construct a schedule that let me attend school every other day. I was not making a statement about education. I wanted the time. There was a system in place. The system had rules. I used the rules to produce a better result for myself. The following year, the computer I had taken to college was fried. My father told me I was on my own. There was no YouTube tutorial. There was barely an internet worth consulting, and I had no working computer to dial up with anyway. I figured out the components and built a replacement through trial and error. I did not know how to build a computer. I knew how to figure out how to build a computer and I was not afraid to try and fail. The distinction matters much more to this book than my law degree.

I have "range" and that range allows me to run A Family Office of One, but the range did not come from being a lawyer or from being a scientist—it came from curiosity, unintentional cross-disciplinary training, and a genuine psychological need for efficiency. This book is for curious people with range or curious people unafraid of acquiring it.

A lawyer sees the legal issue. A scientist asks how the variables interact. An operator asks where the inefficiency is. An investor asks where the opportunity is.

A Family Office of One needs enough range to ask, and search for answers to, all four questions.

**Family Office of One is not for lawyers. It is for problem solvers.**

You do not need ten years of higher education. You do not need a science degree. You do not need a law degree.

You do need to be the kind of person who can look at something you do not understand and think: I can figure this out.

## Ten years of learning the whole machine

I spent roughly ten years learning how wealthy people and family enterprises operate.

I began as a lawyer and consigliere.

The work quickly became broader than law.

The people I worked for owned businesses, investments, real estate, intellectual property, trusts, partnerships, and other entities. They borrowed money. They lent money. They bought companies. They sold companies. They fought lawsuits. They planned estates. They moved assets between generations. They negotiated with banks. They invested in public markets and private businesses.

The legal question was often only one part of the actual question.

**The actual questions were usually: “What should we do?” Or, more commonly, “how can we accomplish this?”**

Answering these questions required understanding the law, but also the economics, taxes, ownership, risk, timing, family objectives, and what would happen after the immediate transaction was over.

Over time, the responsibility given to me expanded.

First, I was trusted to help protect the family's wealth.

Then I was trusted to help plan for taxes, trusts, ownership, and what would happen to the wealth over time.

Finally, I was given responsibility for managing investments and helping grow the enterprise.

Protect it. Plan it. Grow it. This was the order I learned it.

For roughly the last eight years, I have also been applying the same style of thinking to my own financial life.

Eventually, the functions stopped feeling separate.

Investing affected taxes. Taxes affected estate planning. Estate planning affected ownership. Ownership affected liability. Liability affected insurance. Business decisions affected cash flow. Cash flow affected investment decisions.

Everything touched everything else.

**That is when a collection of financial chores becomes a system.**

## Why the first four chapters are about me

The first four chapters of this book are more personal than the rest.

That is intentional.

I do not expect you to care about my career simply because it happened to me.

I want you to see how my own assumptions changed before I ask you to question yours.

Chapter 1 is about the financial rules I inherited from my family—and how a rule that once protected a family can survive long after the circumstances that created it have disappeared.

Chapter 2 is about learning to protect wealth. It is about risk, entities, contracts, insurance, records, ownership, and the importance of spotting a problem before it becomes expensive.

Chapter 3 is about learning to plan wealth. It is about taxes, trusts, ownership, time, and the revelation that sophisticated families do not merely calculate taxes after events occur. They plan before the events.

Chapter 4 is about learning to grow wealth. It is about capital allocation, opportunity cost, leverage, enterprise value, and the five-minute mechanical-pencil lesson that finally broke my inherited belief that using cash was automatically safer than borrowing.

Those chapters are not the operating manual.

They explain how I learned the mental model behind the operating manual.

**Before you build a Family Office of One, you must learn to see the family as the enterprise and you must see yourself as the principal.**

## Then the book changes

After those first four chapters, the book becomes much more directly about you.

We will build the family balance sheet and learn to look at the household the way a business looks at its financial position.

We will map ownership and control so you know which person, trust, or entity owns which asset and who has authority to act.

We will organize the family record room so formation documents, operating agreements, tax records, private investment documents, stock certificates, real estate records, intellectual property filings, and important agreements can be found when somebody needs them.

We will talk about bookkeeping, banking, credit, insurance, procurement, retirement accounts, private investments, cap tables, leverage, taxes, trusts, operating businesses, succession, charitable giving, and the transition to institutional help when the family finally becomes too complicated for one person to coordinate efficiently.

We will also talk about the small things.

The credit card that should pay a particular bill because it provides insurance. The bank relationship that should be renegotiated. The car loan that should be evaluated separately from the car. The private investment report that should have arrived but did not. The entity document that should be saved now rather than searched for five years later while a transaction is waiting to close.

The point is not to turn you into a securities lawyer, CPA, estate-planning lawyer, investment banker, insurance broker, and portfolio manager.

The point is to make you the informed principal who can see the whole board.

**Specialists should advise the principal. They should not be the only people who understand the principal's own system.**

## Outsource expertise. Never outsource understanding.

My instinct is to do it myself.

I research the issue until I understand it. I read the source material. I learn the software. I run the numbers. I draft the document. I keep the books. I prepare the taxes. I structure the transaction. I manage the investment.

I do not automatically outsource a problem because somebody else has a professional title.

There are exceptions.

If I needed to litigate a serious case, I would hire a litigator.

And occasionally I encounter someone whose judgment in a particular field is genuinely better than mine.

Those people are rare.

I value them enormously.

When I was helping manage hundreds of millions of dollars, the investment manager and I went through several tax advisers before finding one who could consistently see things we had not seen ourselves.

He was older, deeply experienced, and exceptionally sharp.

We loved working with him precisely because he could sometimes outthink us.

That was valuable expertise.

A credential by itself was not.

Years later, the investment manager and I remain close friends. He is back in Lithuania and operates his Family Office of One much the same way I do: solve it yourself until you encounter the rare problem—or the rare person—that genuinely adds something you cannot.

Every once in a while, that person for him is me.

I am probably further toward the do-it-yourself end of the spectrum than most readers should be.

The point of this book is not to make you me.

It is to allow you to realize that you are the principal and the family is the enterprise, and to empower you to run the enterprise as such.

You may outsource most of the work. You may outsource almost none of it.

The principle is the same: **Outsource expertise when it adds value. Never outsource understanding.**

You can hire a tax adviser and still understand why you are doing the transaction.

You can hire a litigator and still understand the litigation strategy.

You can hire an investment manager and still know what you own, what you are paying, and what risks you are taking.

The professional works for the principal, but the principal does not surrender the thinking.

## Your family is the enterprise

Most families do not think of themselves as enterprises.

That is understandable.

A family is not a corporation. Love is not a line item. Children are not subsidiaries. A marriage is not a joint venture agreement.

But economically, a family with meaningful wealth has many of the same problems an enterprise has.

It owns assets. It has liabilities. It earns income. It pays taxes. It enters contracts. It buys insurance. It makes investments. It has stakeholders. It has records. It faces risks. It has people who can become incapacitated or die. It has assets that eventually must move from one generation to another.

Ignoring those similarities does not make them disappear.

It merely means nobody is managing them as a system.

**Your family is the enterprise. You are the principal.**

You may still be running a company. You may still have a job. You may still be raising children, caring for parents, packing flower seeds, practicing medicine, writing software, trying cases, or doing whatever else produced the wealth in the first place.

You do not have to stop being an operator to become the principal of your family's financial life.

You must recognize that the additional job exists.

Then you must decide how much of it you are willing to learn to do.

That is what this book is for.

**Let's build the office.**

# Chapter 1 — You Made It. Did You Notice?

For most of my life, the people I trusted gave me very sensible advice about money.

Much of it was wrong.

Not stupid. Not reckless. Not even necessarily wrong for them. My grandfather was a wealthy physician and one of the smartest people I have ever known. He believed you should not buy anything you could not afford to buy with cash—and that you should pay with cash if you bought it.

He had a reason.

Around 1930, when he was still a boy, he came home from school one day and found his family's home being auctioned off by the bank. His father was a gambler. Whatever financial security the family had was gone.

I cannot know exactly what that day did to him, but I know the financial principle that guided him for the rest of his life:

**Debt was dangerous.**

He carried that principle with him until he died in 2013.

And it worked.

He became a successful physician. He built his own practice. By the 1980s, he was worth several million dollars. He supported his family, lived responsibly and accumulated real wealth. If you looked only at the outcome, it would be hard to argue with him.

But his financial philosophy had been formed when his family was truly broke.

His circumstances changed.

His finances changed.

His rule did not.

That distinction is going to matter throughout this book.

My mother absorbed much of the same philosophy and passed it down to her children. Her picture of success was straightforward: become a doctor or a lawyer, get a secure job working for somebody respectable, earn a good salary, get health insurance, contribute to a 401(k), and do not do anything risky with your money.

Entrepreneurship was not really part of the conversation, which is funny in retrospect because my grandfather had been an entrepreneur—a physician who owns his own practice is running a business whether the family calls him a businessman or not.

My father was different. He used money. He made money. He did the taxes. He loved credit cards, which I know frightened my mother. I have no idea exactly what he was up to with them because, for reasons I still do not completely understand, we never talked about money.

My paternal grandmother had a much more entrepreneurial temperament. She encouraged education, curiosity, big moves and the willingness to make mistakes. Most importantly, she had range. Her fourth husband—the only one I knew—was an entrepreneur who built a shoe company from the ground up with his brother. They were self-made millionaires. I learned a great deal from him about generosity and sharing wealth.

He also gave me one piece of investment advice that never made sense to me.

**"When you make twenty percent on a stock, sell it."**

Why?

What if it was still a great company?

What if it doubled again?

What if selling it created a tax bill?

Why was twenty percent some magical finish line?

I did not yet know enough about investing to argue with him intelligently, but the rule bothered me.

That instinct—to ask why a rule exists before accepting it—would eventually become one of the most valuable things I learned about money.

But I did not learn it quickly.

## I did everything right

By my late twenties, I had largely followed the script.

I earned a master's degree. I took a government job. I made about $54,000 a year and had excellent benefits. I owned a car. I bought a condominium, with some help from my paternal grandmother toward the down payment. I had a thirty-year mortgage at roughly 6.25 percent. I was engaged.

On paper, I was doing great.

I had protected the downside.

That was the goal I had been taught.

Get educated. Get credentialed. Get employed. Acquire benefits. Own a home. Avoid financial catastrophe.

The problem was that I was stuck.

My graduate education had been financed. My mortgage would be around for decades. Advancement in government was slow. I could see a path toward making more money, but it looked like a very long path. Maybe a promotion in a few years. Another one several years after that. A little more salary. A slightly better retirement benefit.

It was a perfectly respectable life.

It was also a life in which I could already see the ceiling.

Then my fiancée asked for a pony—that was when I knew I was in trouble.

The engagement did not work out, but the pony was not really the problem. The problem was that the life I had constructed felt safer than it felt expandable.

I had done what I was supposed to do, and I was beginning to understand that following a low-risk path did not mean I had avoided risk.

I had simply chosen a different kind of risk.

The risk of stagnation.

The risk of giving away decades of opportunity.

The risk that I would spend the most productive years of my life waiting for somebody else to decide I deserved another rung on a ladder.

Safety has a cost and sometimes an enormous one.

## The first real risk I took was on myself

By then, safety had started to feel like its own kind of danger.

I could finish most of a day’s work in about half an hour. Then, I would sit in my cubicle staring at the wall.

I was not failing. That was almost the problem. I was doing the job easily, getting good benefits, making my mortgage payment and following the respectable path I had been taught to follow.

And I could see exactly where it led.

So, I decided to change careers.

The timing could hardly have been worse.

I started law school at the beginning of the financial crisis. I owned a condominium and had arranged for someone to rent it while I was away at school. As I was moving, the renter backed out.

Suddenly I had a mortgage, no tenant, no government salary and three years of law school ahead of me.

Eventually I had to give the condo back to the lender in lieu of foreclosure. This happened during a financial crisis when federal law provided relief from income taxation on certain forgiven mortgage debt, which kept an already painful situation from becoming even worse. The technical tax rule is not worth explaining here; what mattered was that I lost the condo.

My paternal grandmother, who apparently viewed risk differently from the rest of my family, encouraged me to go for it. In order to make life a little easier, she gave me an old Mercedes so I would have something to drive—a clunker but it got me from A to B. By the time I graduated from law school, the car was more than thirty years old—old enough to qualify legally as an antique.

That car became a pretty good symbol of where I was.

I had given up the stable job.

I had lost the condo.

I had sold the car I loved.

I was living on scholarships and student loans and driving an antique Mercedes my grandmother had given me so I could take the risk.

This was not a tidy career transition.

It was a real bet.

But I did not want to sit in that cubicle anymore.

I took the LSAT. Somebody put logic problems in front of me and asked me to solve them. I solved enough of them correctly that Duke Law offered me a scholarship.

My younger brother was already a third-year law student. He was intelligent, but he was also less serious than I was. I remember thinking that if that schmuck could make it through law school, I probably could too. So, I went.

Looking back, this was one of the first times I consciously accepted more short-term risk in exchange for greater long-term opportunity.

The downside was not theoretical. I experienced quite a bit of it.

But for the first time, I was no longer optimizing my life primarily around avoiding bad outcomes.

I was making room for a much better one.

**Avoiding risk and managing risk are not the same thing.**

I had spent years avoiding risk.

Law school was the beginning of learning how to manage it.

I graduated knowing a fair amount about contracts, some things about limited liability companies, and considerably less about the financial world than I probably thought I did.

Then the investment manager I described in the Prologue entered my life. I had barely heard the term "family office." Not long afterward, I was working for one.

I did not know it then, but I had just walked into the place that would completely change the way I understood money.

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## There are rules for people trying not to drown

Looking back, I think most middle-class financial advice is designed around a very reasonable objective:

**Do not get destroyed.**

Have an emergency fund.

Avoid expensive debt.

Buy insurance.

Save for retirement.

Do not spend everything you make.

Pay the mortgage.

Be careful with credit cards.

Those are good rules for a person whose financial life can be derailed by a bad month.

When money is scarce, its first job is obvious.

**Money is a sandwich—**You need it to eat.

You need it to keep the lights on, make the rent or mortgage payment, put gas in the car and get through Friday.

Once you have a little more of it, money becomes a life raft.

You can survive a broken transmission.

You can survive an unexpected medical bill.

You can survive a few months without a paycheck.

That feels like wealth when you have never had it before.

Then, if you keep going, something changes again.

Money becomes a shield.

You can withstand things.

You can walk away from the wrong employer.

You can absorb a recession without changing your life.

You can insure risks you do not want to bear personally.

You can help somebody you love.

You can defend yourself.

But there is another stage that people are much less comfortable talking about.

**At some point, money becomes a sword.**

I do not mean that in an aggressive or predatory sense. I mean that capital gives you the ability to act rather than merely react.

To buy.

To invest.

To negotiate.

To acquire.

To build.

To lend.

To take advantage of opportunities that somebody without capital cannot.

To solve a problem now instead of waiting five years.

To make a move.

That transition is where a lot of people get stuck.

They accumulate sword-level money and continue treating it like a life raft.

They become wealthy financially, but their thinking never catches up. They never change their view of themselves. They never change their rules. They never recognize that the family is the enterprise and they never become the principal.

## My mother made it before she knew she had

My mother is a millionaire even though I am still not sure she understands it.

She spent her career as a speech pathologist in the local elementary-school system. She worked hard, saved consistently, earned a pension and contributed to a 403(b), the public-school equivalent of the retirement account many private-sector employees know as a 401(k).

She was conservative even inside the retirement account. Given choices among investment portfolios, she reliably selected the safest one—the sort of bond-heavy allocation often designed for someone considerably older.

It was not how I would have invested the money.

But she saved enough, for long enough, that she still did well.

That matters.

My mother did many of the things middle-class Americans are told responsible adults are supposed to do. She got an education. She found secure work with benefits. She lived below her means. She saved. She funded retirement. She earned a pension.

And it worked.

Then she retired.

My grandfather had already died. My grandmother lived for roughly another decade.

During that decade, my mother essentially stopped managing the investment side of her financial life.

She did not meaningfully change her retirement allocation.

She did not rebalance it as her circumstances changed.

She did not learn what the investments actually were supposed to do.

She did not build a withdrawal strategy.

She did not coordinate the retirement account with her pension, Social Security, taxes or the rest of her assets.

The significant financial decisions she did make were buying her home and, eventually, refinancing it.

Even today, she could not confidently tell you exactly what her retirement account owns, why it owns those investments, or what she would do with any money she took from it.

That is remarkable when you think about it.

She spent decades accumulating the money and almost no time learning how to operate it once she had it.

Then, three or four years ago, she inherited substantial additional assets.

At that point, the arithmetic became difficult to deny.

She was not merely a retired school-system employee who had saved responsibly.

She was wealthy.

One of the simplest ways to see that change is a balance sheet. A balance sheet is just a snapshot of what you own and what you owe. Cash, investments, a house, retirement accounts and businesses are assets. Mortgages and other debts are liabilities. Subtract what you owe from what you own and you have your net worth.

Businesses use balance sheets constantly. Most families never make one. They should.

Today my mother's financial position bears almost no resemblance to that of someone living paycheck to paycheck. She has significant investment assets, retirement accounts, a pension or other retirement income, Social Security and a home.

But her internal financial identity did not suddenly update when the inheritance arrived.

Cash still feels safe. Debt still feels dangerous.

A large monthly payment can feel unaffordable even when the assets supporting it are sitting in another account.

Investment income can feel irritating because it produces a tax bill.

She knows, intellectually, that she has money.

That is different from thinking like someone who has money.

And that distinction is one of the reasons I wrote this book.

You can accumulate wealth through discipline, patience and perfectly conventional choices without ever learning how wealthy families manage wealth.

My mother learned how to save.

Nobody ever taught her how to operate what she saved.

The inheritance did not create that problem.

It simply made the problem much larger—and much easier to see.

That happens to people all the time.

**Their finances change faster than their financial philosophy—faster than their rules.**

And when that happens, a person can become a millionaire while continuing to make decisions using rules designed for the person they were twenty years earlier—or rules their parents designed after watching their own parents make a financial mistake.

In my family, a boy watched the bank auction off his home around 1930 because his father was a gambler. That experience helped shape a lifelong belief that debt was dangerous. My grandfather became wealthy, but the rule survived. My mother inherited the rule. Then she passed versions of it to us.

**Financial rules can outlive the financial circumstances that created them by generations.**

**Part of thinking like you've made it is knowing when to keep the wisdom—and when to retire the rule.**

## My twin sister took a different path to the same place

My twin sister is intelligent and a successful business owner.

For years, she saved some of the money from her business in pillowcases, or so it was rumored…

Later she graduated to keeping substantial cash in a restrictive online business account or similarly unproductive places.

No meaningful interest.

No appreciation.

No compounding.

But the number did not go down.

To her, that meant the money was safe.

This is one of the strangest things about how human beings experience money.

If someone owns $100,000 of stock and its market value temporarily drops to $90,000, the loss is visible. It hurts.

If someone keeps $100,000 in cash while inflation steadily destroys its purchasing power, the account may still say $100,000.

The loss is invisible.

So, people who are terrified of losing money can choose a strategy that virtually guarantees that the money loses value in real terms.

My sister did not act carelessly—she was following a deeply understandable emotional rule:

**Do not lose the money.**

Eventually, I persuaded her to start a Roth IRA.

She watched it grow.

That changed something.

Now, in her mid-forties, she is opening her first taxable brokerage account.

The lesson is not that everyone should put every spare dollar into stocks.

**The lesson is that financial identity can, and probably should, change when people understand what the machinery does.**

## Owning the machine is not the same as knowing how to use it

I have heard money described as a tool thousands of times.

It is true, but the phrase is almost meaningless because we hear it so often.

A better analogy is this:

Imagine someone gives you a fully equipped workshop.

There is a table saw.

A drill press.

A lathe.

A sewing machine.

Dozens of other pieces of equipment.

You own all of it.

You may even be proud that you own it.

But if you are afraid to turn anything on because you might hurt yourself, the workshop is not particularly useful.

That is how a lot of affluent families treat their capital.

They have the machinery.

They do not know how to operate it.

And when they ask for advice, they are often told some version of:

**"Be careful."** Be careful is not enough.

A saw can absolutely hurt you.

The solution is not to refuse to use saws.

The solution is to learn how they work.

## The strange thing about becoming wealthy

Most people assume the hard part is making the money.

Sometimes it is.

But once you accumulate enough, another problem appears.

You now have something worth managing.

And the stakes are higher.

A one-percent mistake on $10,000 is $100.

A one-percent mistake on $1 million is $10,000.

A seemingly tiny mistake repeated every year can become a large number.

The reverse is just as important.

A small improvement applied repeatedly across a meaningful amount of wealth can matter enormously.

Better financing.

Better tax planning.

Better banking.

Better insurance.

Better account structure.

Better estate planning.

Better investment decisions.

Better records.

Better use of benefits and rewards.

None of these things individually requires a billionaire. They require attention. That is one of the great misunderstandings surrounding family offices. People hear the phrase and imagine dynastic fortunes, private jets and twenty employees sitting in an office managing the affairs of a billionaire family. Those exist. But the underlying idea is much simpler.

A family office is a system for managing a family as an economic enterprise.

It asks:

What do we own?

Who owns it?

What does it earn?

What does it cost?

What do we owe?

What risks are we taking?

How are we taxed?

What happens if somebody dies?

Who makes decisions?

Where are the records?

Which opportunities should we pursue?

Which risks should we avoid?

What are we trying to accomplish?

Those questions do not suddenly become relevant at $100 million.

They become relevant when the answers begin to matter.

## The problem with rules

One of the ideas I will return to throughout this book is that many financial rules are not really rules.

They are shortcuts.

Pay off debt. - Why?

Keep cash. - How much?

Never borrow to invest. - Under what circumstances?

Pay off the house before retirement. - At what interest rate?

Do not move into a higher tax bracket. - Do you understand how tax brackets work?

Do not pay tax if you can avoid it. - What if paying tax means you made far more money?

These statements are attractive because they eliminate the need to think.

**But wealth eventually punishes people for refusing to think**.

The question I learned to ask is not:

**What is the rule?**

It is:

**What problem was this rule designed to solve?**

My grandfather's aversion to debt solved a very real problem.

Debt had helped destroy his family.

He had literally come home from school and watched the bank dispose of his home because of his father's gambling.

For the child who lived through that, "avoid debt" was not financial theory.

It was survival.

It was memory.

It was identity.

And if your family has almost nothing, if one missed payment can destroy you, or if debt is funding consumption you cannot afford, avoiding debt may be outstanding advice.

But decades later, my grandfather had substantial assets, high income and millions of dollars of wealth.

His balance sheet had changed completely.

His rule had not.

**The advice was not reckless. It was calibrated to a different balance sheet.**

A financial rule that is rational for a family with $5,000 in savings and unstable income may be irrational for a family with several million dollars in liquid assets.

The math changed.

The risk changed.

The available choices changed.

The rule should at least be *reconsidered*.

That does not mean the new answer is always the opposite answer.

It means you must think.

## You may already be there

Some people reading this book will not have made it yet.

That is fine.

In some ways, learning this framework before you have significant wealth may be even more useful because it gives you a destination beyond “save more money.”

But some of you have already made it.

You may not realize it.

Maybe you have $900,000 and a pension.

Maybe you have $2 million spread across retirement accounts, a house and savings.

Maybe you own a business worth more than you have ever consciously admitted.

Maybe you inherited money.

Maybe your spouse has benefits that dramatically change your family’s economics.

Maybe you have $5 million and are still going to work every morning because nobody ever told you that work had become optional.

The number itself is not the point.

The question is whether your circumstances have changed enough that the rules designed to help you accumulate money are no longer sufficient for managing what you accumulated.

And if the answer is yes, there is a second question.

Did your thinking change with them?

Mine did not.

Not immediately.

I had to learn.

And I learned in a peculiar order.

First, wealthy people hired me to help protect their money.

Then they asked me to help plan what would happen to it.

Only later did they trust me to help grow it.

**Protect it. Plan it. Grow it.** That sequence changed my life.

For the last fifteen years, it has also been how I think.

Eventually I realized something else.

You do not necessarily need a staff of twenty people to use those principles.

You need curiosity.

You need basic math.

You need logic.

You need organization.

You need the willingness to learn enough to spot the issues.

You need enough humility to recognize when you do not know something.

You need to know when the problem is sophisticated enough that somebody else should be brought in.

And you need to stop treating every financial rule you inherited as if it were a law of nature.

That is where we begin. **You made it. Now think like the principal and manage the family as the enterprise.**

# Chapter 2 — Protect It

When I joined the family office, I was a newly minted lawyer who knew enough to be useful and not nearly enough to understand what I had walked into.

Law school had taught me how to read cases, analyze contracts and recognize that limited liability companies existed. It had not taught me how a wealthy family used lawyers.

I assumed the job would mostly involve answering legal questions.

It did not take long to learn that the better question was usually:

**What can go wrong here, and how do we keep it from damaging the family? Or, how can we make this happen?**

That was my first real education in wealth.

Before I learned how wealthy families planned taxes or deployed capital, I learned how they tried to keep what they already had.

Protect it.

That sounds defensive, and sometimes it is. Lawsuits happen. Businesses fail. Partners fight. Employees make mistakes. Contracts get breached. People die. Insurance carriers deny claims. A permit turns out not to transfer. Someone signs a personal guaranty without thinking about what it means.

But protecting wealth is not the same thing as hiding from risk.

That distinction took me a while to understand.

A family office does not try to eliminate every risk. If it did, it would never invest, start a business, buy real estate, hire an employee or lend anyone money.

It tries to understand the risk, decide whether the expected reward justifies it, and then keep one bad outcome from spreading farther than it must.

**Risk does not disappear. You decide where it lives.**

## Six weeks in

In the fall of 2012, only about six weeks after I joined the family office, I was told I was going to London with members of the family and the investment manager to work on a lawsuit with international, multijurisdictional family implications.

I was fresh out of law school and suddenly sitting in rooms with lawyers from some of the best firms in the world: American lawyers, English lawyers, Irish lawyers, Dutch lawyers, and a Cypriot lawyer who had been the attorney general of his country. It was only my second trip to Europe and I was shocked I was in the room.

I did what any sensible brand-new lawyer would do in that situation. I mostly kept my mouth shut.

The lawyers were debating jurisdiction, common-law theories and where various claims might properly be brought. I listened until I could not help myself. I mentioned a constructive trust.

A constructive trust is a remedy a court can sometimes use when one person has property that, in fairness, should belong to someone else. The court can effectively treat the person holding the property as though he or she is holding it for the rightful beneficiary.

I expected someone to explain why the theory did not work.

Instead, I discovered that several of the extremely accomplished lawyers in the room had not considered it and, at first, did not seem to understand what I was suggesting.

The Cypriot lawyer did. He respected the idea enough to pick it up and work through it with me for a while.

Ultimately the litigation went in another direction, in large part because the case ended up being pursued in the Netherlands, which is a civil law country. But I never forgot that meeting.

Six weeks out of law school, surrounded by elite international counsel, I had spotted something they had not.

That did not mean I knew more law than they did. I obviously did not.

**You do not have to know everything to add value. Sometimes you just have to spot the issue nobody else is looking at.**

That became one of the central habits of my career.

During those same London meetings, my boss, the investment manager, pulled me aside and gave me another assignment. We were building a large seafood operation in New Bedford, Massachusetts, and he wanted me to buy the assets of another seafood company and merge them into the larger operation.

I had never drafted an asset purchase agreement. I had never closed a merger-and-acquisition transaction. M&A is simply the shorthand lawyers and businesspeople use for mergers and acquisitions: buying, selling or combining businesses.

This was long before modern generative AI tools. So, I did what I could do. I found a publicly filed asset purchase agreement on the SEC's website and used it as a model. I reworked it, line by line, to fit our deal in a break room at a top international law firm while everyone else was working on the litigation.

The agreement was aggressively buyer-friendly. I was banking on the seller focusing on getting his money rather than negotiating every provision. That is exactly what happened. The seller signed immediately.

I finished my first asset purchase agreement and closed my first M&A deal on an extended lunch break in London.

Six weeks into the job.

And the strange part is that the lawsuit we had traveled there to address would later change my financial life. It did not resolve until late fall 2014. By then I had grown into the family office, and the resolution produced the first major profit-sharing distribution of my life.

The case I first touched as a brand-new lawyer in London would become the source of the first real chunk of capital I ever had to deploy.

## The family is not one giant pocket

One of the first ideas I had to internalize was that a wealthy family can control many things without legally owning all of them in the same way.

An individual can own stock. A limited liability company can own a building. A trust can own an interest in that limited liability company. Another company can own a trademark. A business can have its own bank account. A trustee can control trust property for beneficiaries who do not control it themselves.

To someone who is not used to legal entities, this can seem artificial.

After all, if one family ultimately controls the pieces, isn't it all really the family's money?

Economically, perhaps.

Legally, no.

And that difference matters.

A limited liability company—usually shortened to LLC—is a legal entity that can own assets, sign contracts, borrow money and incur liabilities separately from its owners. The owners are usually called members. Depending on the structure, a manager may run the company even if someone else owns part or all of it.

A trust is different. A trust is a legal arrangement for owning and managing property under a set of written rules. The trustee is the person or institution responsible for following those rules and managing the trust property. The beneficiaries are the people the trust is intended to benefit.

Sometimes the same person can occupy more than one of those roles. Sometimes the roles are deliberately separated. That distinction becomes important later.

For now, think of it this way: the trustee controls and manages the property, but does so under the trust's rules for the benefit of the beneficiaries.

Those are simplified definitions. We will get much deeper into entities and trusts later.

For now, the important point is that wealthy families do not merely ask, “What do we own?”

**They ask, “Who owns it?”**

That question affects liability, taxes, succession, control, banking, contracts and what happens when something goes wrong.

I began to see the family's financial world as a collection of boxes.

Each box had a job.

One might own real estate. Another might operate a business. Another might hold investments. A trust might own one or more of those boxes for the benefit of family members.

The goal was not to create complexity for the sake of complexity.

The goal was to make sure that when risk appeared in one place, we understood which box it belonged in.

## Law is often just risk allocation written down

**If something goes wrong, who bears the cost?**

Who pays if a project is late?

Who owns the intellectual property?

Who is responsible if a third party sues?

What happens if one side wants out?

Who carries insurance?

Who can assign the agreement?

Who guarantees payment?

What happens if the law changes?

Who gets to decide whether the other side breached?

Those are economic questions disguised as legal provisions.

Once I saw contracts that way, I stopped thinking of legal work as something separate from finance.

A bad indemnification clause can be a financial liability.

A personal guaranty can move a risk from an entity's balance sheet onto the family's balance sheet.

A poorly drafted option can determine who owns a valuable property years later.

A restrictive covenant can determine whether a seller is free to build the next business.

The words are legal.

The consequences are financial.

## Limited liability is useful only if you respect the limit

People love forming LLCs because they have heard that an LLC protects them.

That is not a complete thought.

An entity can help separate liabilities, but only if the family treats it like an entity rather than a decorative abbreviation after a name.

That means separate accounts. Separate books. Appropriate agreements. Proper signatures. Records showing who authorized important actions. Clear ownership. Clear loans. Clear transfers.

It also means understanding which hat you are wearing.

If I sign something personally, that is different from signing as manager of an LLC. If I act as trustee of a trust, I am acting in a different legal capacity than when I act for myself.

This sounds like lawyer trivia until a bank refuses a transfer, a lender asks who has authority to pledge an asset, a buyer wants the company's formation documents, or two family members disagree about who was supposed to own something.

Then it suddenly matters very much.

One of the habits I eventually developed was to keep an electronic record book for every entity and a master diagram showing how the entities fit together.

I did not start doing that because it looked sophisticated.

I did it because missing documents waste time and create risk.

Deals get delayed because someone cannot find a certificate of formation.

Banks ask for an operating agreement that nobody can locate.

A private investment changes its structure and no one saves the amendment.

A family member dies and the successor has no idea what owns what.

Protecting wealth is partly about sophisticated legal planning.

It is also about boring organizational discipline.

**If you cannot prove what you own, who owns it, and who has authority to act, you are not as organized as you think.**

## Insurance isn't *always* a scam

Middle-class people generally understand a few kinds of insurance because they are familiar and socially normalized. Health insurance makes sense. Auto insurance makes sense. Homeowners insurance makes sense.

But once you move outside those categories, skepticism kicks in.

If someone at a rental-car counter wants to sell you another layer of coverage, your first instinct may be: of course they want me to buy it. That's how they make money.

I still think that way myself in plenty of situations.

And sometimes the skepticism is exactly right.

Some insurance is overpriced, redundant, poorly understood or designed around a loss the family could comfortably absorb itself.

But that does not mean insurance is always a scam.

The useful family-office question is:

**What loss am I transferring, what does that transfer cost, and can the family absorb the loss more efficiently on its own?**

That is a very different question from asking whether you believe in insurance.

A wealthy family can choose to absorb small losses itself and insure catastrophic ones.

You might decline coverage on a $1,000 problem you could easily absorb while buying a large umbrella policy because a multimillion-dollar liability claim could damage the family balance sheet.

You might skip a redundant rental-car policy because your existing auto policy or credit card already covers the risk.

You might deliberately choose a credit card because it includes rental-car coverage, purchase protection, travel insurance or cell-phone protection.

The principle is not to buy more insurance. The principle is to understand which risks you are already carrying, which ones you have already insured somewhere else, and which ones are worth transferring.

**If an insurer is selling it, that does not mean you need it. If an insurer is selling it, that also does not mean you should dismiss it. Run the economics.**

## The first large check changed how I saw my own balance sheet

About a year into the family office, I was beginning to understand another concept I had never encountered in ordinary employment.

I was earning into the investment portfolio under something called a waterfall with a hurdle.

I knew it was good. I wanted it. I did not yet fully understand it.

A waterfall is simply a set of rules that determines how money gets divided when an investment or business produces profits. A hurdle is a threshold that generally must be reached before certain people begin participating in those profits.

In other words, instead of being paid only a salary, I had begun earning the right to participate in upside.

That was new to me.

Then, in late fall 2014, the lawsuit I had first worked on in London finally resolved.

The founder came to the investment manager and me and told us to start planning for our profit shares because a distribution was coming. By planning, he certainly meant planning for the income taxes, which is a theme we will discuss later.

The investment manager's share would be measured in millions.

Mine would be measured in hundreds of thousands.

That was difficult to process.

Not long before, I had been living on scholarships and student loans and driving an antique Mercedes my grandmother had given me so I could take the risk of going to law school.

Now, I was about to receive more money in a day than I had previously imagined accumulating through years of salary increases.

And suddenly the question was not theoretical:

**What do you do when the money arrives?**

I did not start shopping for a car.

I did not start looking at houses.

I looked at my debts.

Despite my scholarship, I still owed roughly $135,000 on law-school loans at about 7.25 percent interest.

I also owed roughly $35,000 from graduate school at about 2.7 percent interest.

They were both student loans.

They were not the same debt.

The law-school debt was expensive. I paid it off.

The graduate-school debt was cheap. I kept it.

I reserved what I needed for taxes.

And I put roughly the remaining hundred thousand dollars into blue-chip stocks in a brokerage account.

That decision sounds obvious to me now.

It was not obvious to the person I had been a few years earlier. That person probably pays off all of the debt at once.

I had been taught to think of debt primarily as a burden and money primarily as security.

For the first time, I was looking at my whole financial position and asking what each dollar should do.

The high-interest debt was a guaranteed drag.

The low-interest debt did not bother me enough to surrender productive capital merely to make the liability disappear.

The taxes were an obligation, so the money for them was already spoken for.

The remainder became capital.

That day changed my life financially, but the more important change was conceptual.

I understood why salary alone often feels so slow.

Even meaningful annual raises tend to get absorbed into the normal rhythm of life. Housing gets a little better. Cars get a little newer. Vacations get a little nicer. The extra money arrives gradually enough that it can disappear gradually too.

A large distribution forces a different kind of decision.

It arrives as a chunk.

And a chunk makes you ask what the money should become.

**When a windfall arrives, do not confuse having money with having a plan for it.**

My own rough order became simple:

Reserve the taxes.

Get rid of genuinely expensive debt.

Do not automatically eliminate cheap debt.

Resist the urge to convert the windfall into lifestyle.

Put the remaining capital to work.

I would refine all those rules later.

But that was the first time I applied the family-office mindset directly to myself.

## Protection is not the same thing as preservation at all costs

There is a trap in the word protect.

It can sound like the goal is to freeze everything exactly where it is.

That is not what I learned.

Cash can lose purchasing power.

A business that never reinvests can become obsolete.

A portfolio that takes no growth risk can fail to keep up with a family's needs.

A person who refuses every opportunity because it could go wrong can protect himself all the way into stagnation.

Protection must be tied to a purpose.

What are we protecting the family from?

A lawsuit? A concentrated business risk? A catastrophic medical expense? A bad partner? A tax surprise? A market crash? An irresponsible heir? Inflation? Fraud?

Those are different risks and they require different responses.

That is another thing I began learning in the family office: the word safe is almost useless unless you finish the sentence.

**Safe from what?**

Cash is safe from a short-term stock-market decline.

It is not safe from inflation.

Paying off a mortgage can make a household safer from a monthly payment obligation.

It can also make the household less liquid.

An LLC can help contain certain liabilities.

It does not make bad conduct disappear.

A trust can solve some ownership, estate or asset-protection problems.

It does not solve every problem merely because the word trust appears on the document.

The point is not to collect defensive structures.

The point is to identify the actual risk and choose the right response.

## The first job was to keep one mistake from becoming the family's problem

Looking back, that was my first real role in the family office.

I was not yet deciding where millions of dollars should be invested.

I was not yet designing estate-tax strategy.

I was certainly not yet the person anyone would ask to build an industry roll-up.

I was learning how to see the edges of the system.

Where could liability jump from one entity to another?

What did the contract really require?

Who owned the asset?

Who had authority to sign?

What happened if the other side did not perform?

Was there insurance?

Was there a guaranty?

Was the family taking a risk intentionally or simply because nobody had noticed it?

That last question became increasingly important to me.

Some risks are worth taking. Some are not. But the dumbest risks are often the ones nobody realized they were taking.

That is why issue spotting became such an important part of how I work.

You do not need to know the answer to every question immediately.

You need to notice that there is a question.

Then you can research it, model it, ask somebody, negotiate it, insure it, document it or decide consciously to accept it.

**Protection begins with noticing.**

By the time the family office began asking me to think more deeply about trusts and estate taxes, I had stopped seeing wealth as a pile of money.

I saw a system. Assets had owners. Owners had liabilities. Contracts allocated risk. Insurance moved risk. Entities contained risk. Records proved what had happened. And every decision could affect the family somewhere else. That was the foundation.

First, protect it.

Then I was about to learn that protecting wealth was not enough.

You could also plan where it would be, who would own it, and how much of it would eventually go to the government.

That lesson was much more complicated.

And much more fun.

# Chapter 3 — Plan It

By the time the family office began asking me to work seriously on trusts and estate planning, I thought I was becoming pretty good at protecting wealth.

I understood why assets might belong in different entities. I understood that contracts allocated risk. I understood that a trust could separate legal control of property from the people who ultimately benefited from it. I was learning how to keep one problem from becoming everybody's problem.

Then the investment manager told me we were going to add some family funds to trusts and prepare for estate taxes.

I was about thirty-three or thirty-four years old.

I did not know what the estate tax was.

I had heard politicians complain about the "death tax." I knew, vaguely, that very rich people worried about taxes when they died. That was about the extent of my knowledge.

My boss told me to go meet with our tax adviser and figure it out. And, I did.

What I learned changed the way I thought about taxes for the rest of my life.

**Taxes were not merely something you calculated after the money was made. They could be planned before the taxable event ever happened.**

## The tax bill that can arrive after you die

The basic concept was not difficult once somebody explained it to me.

The federal estate tax is currently a 40% tax that can apply when a person dies owning more wealth than the amount federal law allows to pass without estate tax. The law provides an exemption - an amount that can generally pass without federal estate tax - and wealth above the applicable threshold can be taxed at a very high rate.

The exact exemption changes over time. Congress changes it. Tax laws change. The number matters when you are doing the planning, but the durable idea is simpler:

**If your estate is large enough, dying while you still own an asset can itself create a very large tax problem.**

For a family with a modest estate, that may be irrelevant. For a family with tens of millions of dollars, it can become one of the largest financial liabilities the family will ever face.

I had spent my first years as a lawyer thinking about lawsuits, contracts and liability.

Now I was being shown a liability that could be anticipated decades in advance.

And unlike a lawsuit, the triggering event was not speculative.

Eventually, everybody dies.

## The lifetime gift was not just a gift

At the time, federal law had made lifetime gifting unusually important for families with very large estates. I learned that the estate-and-gift-tax system did not simply wait until death to ask what you owned.

There was also a lifetime gift-tax exemption.

In plain English, the law allowed a person to transfer a substantial amount of wealth during life without immediately paying federal gift tax, subject to the rules and limits in effect at the time.

The patriarch of the family office was going to use a very large amount of his available lifetime exemption to fund a new trust for his family.

By then, trusts were no longer completely foreign to me. In fact, I was becoming an expert.

A trust is a legal arrangement under which property is managed according to written rules. The trustee is the person or institution responsible for managing the trust property and following those rules. The beneficiaries are the people or organizations entitled to receive money, property, income, or some other benefit from the trust under its rules. Put simply, the trustee manages the trust; the beneficiaries are the ones the trust exists to benefit.

A trust can be revocable, meaning the person who created it generally retains the ability to change or revoke it, or irrevocable, meaning the transfer and governing arrangement are much harder - and often impossible - for that person simply to undo at will.

A revocable trust can be extremely useful for estate administration, incapacity and avoiding probate in appropriate circumstances, but it generally does not accomplish the same asset-protection or estate-removal objectives as a properly structured irrevocable trust.

What we were discussing was not a fancy will substitute.

This was a deliberate transfer of wealth out of the patriarch's personal estate and into a structure designed to benefit the family.

## Then I learned his wife had an exemption too

The first part was already interesting to me.

Then I learned that the planning was going to involve his wife's available exemption too.

That was the moment that floored me.

Married couples have planning opportunities that can allow them, when the requirements are satisfied, to coordinate gifts and make use of both spouses' transfer-tax capacity. One concept I encountered was gift splitting, under which spouses can elect to treat certain gifts to third parties as having been made one-half by each spouse for federal gift-tax purposes.

The technical rules matter, and this is exactly the kind of planning that must be done correctly. But what stunned me was not the tax form.

It was the mindset.

There were people out there thinking this far ahead.

They were not waiting for someone to die and then asking the accountant how much tax was due.

They were asking decades earlier:

**Which assets should still be in my estate when I die?**

That question had never occurred to me.

My family had taught me to save money.

Nobody had ever suggested that, after you accumulated enough of it, one of your jobs was to decide whether you should continue to own it personally.

## The future growth was the real prize

The most important part of the strategy was not simply moving a large number from one box to another on the day the trust was funded.

It was what happened afterward.

Imagine, just for illustration, that a person transfers $10 million of assets into a properly structured trust and those assets later grow to $30 million.

If the planning works as intended, the important result may be that the future appreciation - the additional $20 million of growth - occurs outside that person's taxable estate rather than remaining inside it until death.

That is a very different way to think about tax planning.

The question is no longer only:

**How much tax do I owe today?**

It becomes:

**Where should future growth occur?**

That is a family-office question.

The family was not merely trying to reduce a bill.

It was trying to choose the legal and tax environment in which decades of future compounding would take place.

And the trust could do more than one job.

Depending on how it was designed and administered, it could create rules for who benefited from the assets, provide continuity across generations, separate ownership from day-to-day control, and potentially provide meaningful protection from certain future liabilities.

Underneath the trust could sit an LLC or other entity that held investments or other assets.

Now the boxes I had learned about in the protection stage began fitting together.

The trust could own the LLC. The LLC could own assets. A trustee could act for the trust. A manager could act for the LLC. Family members could be beneficiaries without personally owning every underlying asset.

Ownership, control and benefit did not have to be the same thing.

**That was when estate planning stopped looking like paperwork and started looking like architecture.**

## Tax planning is an art and a science

I loved it.

That surprised me.

Nobody grows up dreaming about gift-tax returns.

But I discovered that sophisticated tax planning felt a lot like solving a complicated logic problem.

There were rules, deadlines, definitions and exceptions. There were assets with different characteristics. There were family goals that did not always point in the same direction. And there was rarely one answer that maximized everything at once.

You had to understand what the family was trying to accomplish and then work backward.

How much control did the patriarch want to retain? Who should benefit? What assets were likely to appreciate? What assets might be needed for his own lifetime spending? What risks were we trying to protect against? What did the tax law permit? Who would administer the structure after he died?

Those are not tax-return questions.

They are design questions.

**Tax preparation reports what happened. Tax planning helps decide what happens.**

A tax return is largely retrospective. It tells the government what happened during a period that has already ended.

Good tax planning is prospective.

It asks whether ownership, timing, character, location or structure can be changed before the event occurs.

Sometimes the answer is no. Sometimes the tax is simply the price of making money. But you do not know until you ask.

## The goal is not to pay no tax

This is also where I began learning another lesson that would take years to fully develop:

**The goal is not to pay the least tax. The goal is to make the best after-tax decision for the family.**

Those are not the same thing.

People become strangely emotional about taxes. They will reject a profitable investment because the income is taxable. They will refuse to realize a gain because they hate the idea of sending part of it to the government. They will spend a dollar to create a deduction worth a fraction of a dollar.

They will sometimes make themselves poorer to feel as though they beat the tax collector.

That is backwards.

Tax matters enormously. But tax is one variable in the decision, not the purpose of the decision.

If an investment makes you $10,000 and you owe $2,000 of tax, you still made $8,000.

**Congratulations on your tax bill.**

Later we will talk about tax brackets, deductions, Roth accounts, health savings accounts, capital gains, charitable giving, basis, retirement accounts and the other places where tax planning can change the economics.

But the principle comes first:

**Optimize the family's after-tax result. Do not worship a zero tax bill.**

## Then I learned that estate tax and income tax can pull in opposite directions

As my own planning became more sophisticated, I learned that even the elegant estate strategy I had first encountered came with tradeoffs.

One of the most important is tax basis.

Basis is the tax system's starting point for measuring gain or loss on an asset. If you buy stock for $100,000, your basis is generally $100,000. If you later sell it for $1 million, the difference between the sale price and your basis is generally the starting point for calculating the taxable gain.

Under current federal law, many assets inherited at death receive a new basis tied to their value at death. People commonly call this a stepped-up basis when the asset has appreciated.

That can be enormously valuable.

But assets given away during life generally do not receive the same automatic basis reset merely because they were gifted.

So, a family can face a genuine planning tension. Moving a rapidly appreciating asset out of a very large taxable estate may reduce future estate-tax exposure. Keeping a low-basis asset in an estate may preserve the possibility of a favorable basis adjustment at death.

Which matters more? There is no universal answer. It depends on the size of the estate, the amount of appreciation, the family's goals, the applicable law, the expected holding period and many other facts.

**Do not minimize one tax in isolation. Think about the family's total tax burden across time and generations.**

I did not understand all of that at thirty-three. I learned it over time. The first sophisticated strategy you discover is rarely the last word on the subject. You learn the rule. Then you learn the exception. Then you learn that the exception creates another problem. Then you look for a structure that improves the tradeoff. That process never ends.

## The perfect solution is usually a moving target

I still think this way with my own money.

I own appreciated stock that I do not necessarily want to sell simply because I need liquidity.

Selling can create capital-gains tax. Borrowing against the securities can provide liquidity without immediately realizing the gain, but the loan costs interest and introduces leverage risk.

Holding the stock until death may, under current law and depending on how the asset passes, create a favorable basis result for the person who inherits it.

An exchange fund or another diversification strategy may eventually solve part of the concentration problem without requiring the same immediate sale, but that can introduce fees, restrictions and loss of direct control over the position.

There is no perfect answer. So, I keep thinking about it. I know why I am using the current strategy. I know what I dislike about it. I know what a better solution would have to accomplish. And I revisit the decision as my age, wealth, family, tax law and risk tolerance change.

**A good decision is not a permanent decision.**

Do not fall in love with a structure because it was clever when you created it. Do not keep a trust, entity, loan, investment, insurance policy or tax strategy forever merely because it once solved a problem. Circumstances change. Laws change. Assets change. Families change. The planning must change with them.

## Planning is not just for billionaires

The strategy that first opened my eyes involved a family wealthy enough to care deeply about federal estate tax. Most readers will not begin there. That does not make the planning mindset irrelevant.

A family with far less wealth still has to decide who receives property at death, who can act during incapacity, how retirement accounts are titled, whether beneficiary designations are current, whether a business can continue without its owner, whether a child with special needs should inherit property outright, whether annual gifts make sense, and whether insurance or liquidity will be available when someone dies.

The scale changes. The habit does not.

**Do not wait for the event and then ask what you should have done before it happened.**

Planning can be as simple as updating a beneficiary designation or as sophisticated as a multigenerational irrevocable trust.

The point is to look forward.

## Protection had taught me to see risk. Planning taught me to see time.

That was the real evolution.

When I first joined the family office, I was mostly asking what could go wrong today.

Now I was learning to ask what could happen ten, twenty, or thirty years from now—or generations from now.

Who would own the assets?

How large might they become?

Who would control them?

Who would benefit?

What taxes might be triggered?

What would happen if the patriarch died?

What would happen if he became incapacitated?

What would happen when the next generation inherited responsibility rather than merely money?

That is what sophisticated planning does. It forces you to imagine the future while you retain the ability to change it.

By then I understood that wealth could be protected. Now I understood that wealth could also be structured across time.

But I still had one major inherited belief left to break. I still thought that if you already had the cash, borrowing money to grow a business was needlessly expensive. Then the founder took out a mechanical pencil. Five minutes later, the last of what I had been taught about debt was gone.

# Chapter 4 — Grow It

For the first part of my family-office education, my job was mostly defensive.

Protect the money.

Then I learned to look forward.

Plan the taxes. Plan the estate. Decide who should own what and where future growth should occur.

The final change in my thinking came later, because it was the last responsibility the family gave me.

They put me in charge of helping make more money.

By then, the office was really cooking.

The investment manager and I had tremendous work chemistry. He was technically my boss, but we both understood that we served the family. We challenged each other, divided work naturally and had reached the point where the office could move very quickly.

The founder was spending much more of his time with us. The office was no longer merely managing investments and legal problems. We were building things.

Then the investment manager, who had accumulated meaningful wealth of his own, decided it was time to step back.

I was asked to take responsibility for managing the investments and serve as President and General Counsel.

I was never given the title Investment Manager. That mattered to me.

The man who had held that role before me had deep finance training, an MBA-level command of investments, and very big shoes. I was expected to manage the portfolio and make capital-allocation decisions, but I was not expected to become a carbon copy of him.

That was a very different job from being the lawyer.

I could read a balance sheet by then. I understood a cap table a little. A cap table—short for capitalization table—is simply a record of who owns a company, what kind of ownership each person has, and how much of it they own.

I could follow corporate and partnership reporting well enough to know what I was looking at.

But I had never been the person calling the shots on what to invest in, when to sell, how much risk to take or how aggressively to grow.

I had never sat on boards before.

Now the question was no longer only whether I could spot the risk or structure the transaction.

**The question was: what should we do with the capital?**

## The mandate was not to build a car wash

Around this time, the founder gave us a mandate to build a car-wash chain from the ground up.

The important word there is *chain*.

He was not interested in owning one good car wash.

He wanted to consolidate an industry.

This was familiar territory to him. He had spent much of his career building and consolidating businesses in the Baltic states. He thought naturally in terms of scale.

I was beginning to understand the concept too.

A roll-up is a strategy in which an investor builds or buys a number of smaller businesses in the same industry and combines them into a larger enterprise.

The idea is not merely that ten businesses produce ten times the profit of one.

The larger company may be worth more for each dollar of profit because scale itself can make the enterprise more attractive.

A larger operation may have professional management, stronger purchasing power, better systems, geographic reach, more predictable earnings, and less dependence on any single location. Sometimes these things are referred to as “economies of scale.”

Buyers may therefore pay a higher multiple for the larger enterprise.

That word—multiple—sounds more intimidating than it is.

Suppose a business produces $1 million a year of a commonly used measure of operating earnings called EBITDA.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. Technically, earnings and profit are not always interchangeable terms, and EBITDA is not the same thing as cash in the bank or true bottom-line profit. But for purposes of this chapter, you can think of earnings as profit, and EBITDA as a rough shorthand buyers, lenders, and investors use to compare how much profit an operating business produces before several financing, tax, and accounting items are removed.

If a buyer is willing to pay five times EBITDA, a business producing $1 million of EBITDA might be valued, very roughly, at $5 million.

If a larger, more stable and more professional company attracts an eight-times multiple, that same $1 million of EBITDA could support an $8 million valuation and selling price.

Now imagine that the larger company also produces much more EBITDA because it owns many locations.

That is why a roll-up can create value in two ways at once: grow the earnings and, if the strategy works, increase the price a buyer may be willing to pay for each dollar of those earnings.

**The goal was not to own car washes. The goal was to build an asset.**

## I still had one old rule left

By this point, I thought I understood debt.

I knew there was good debt and bad debt.

I had paid off my expensive law-school loans and kept my cheap graduate-school loans.

I used credit cards for purchases, collected the rewards and protections, and paid the balance when it was due rather than handing over my cash earlier than necessary.

I understood the value of free float—the period during which someone else's money is temporarily financing a purchase at no interest to me.

I thought I had moved beyond my grandfather's cash-only philosophy. I had not.

When we began talking about financing the car-wash expansion, the founder wanted to use debt. I could not understand why. We had cash. Why spend weeks preparing financial reports, projections, presentations, and all the other material a bank wanted just so we could ask permission to borrow growth capital and then pay the bank something like six percent for the privilege?

A projection of what a business expects to earn or spend in the future is often called a pro forma. Banks love pro formas. They want to see what management believes will happen if the plan works, and then they make their own judgment about whether those assumptions are credible.

To me, the whole exercise seemed unnecessary. We could buy the land. We could build two or three car washes with cash. Those locations would begin producing money. We could save the profits and use them to build the fourth. Then the profits from four could help build the fifth. Keep repeating the process. In six or seven years, maybe we would own eight or ten locations.

No lender. No interest. No begging a bank for money we did not actually need. It sounded great to me. The founder thought I was missing the point. He was right.

## The mechanical pencil

The lesson took about five minutes.

There was no spreadsheet.

No investment-banking presentation.

No fifty-tab financial model.

The founder took out a mechanical pencil and began scribbling on a sheet of graph paper.

He started with my plan.

How quickly could we get from the first location to the second if we paid cash?

How long until the first few locations produced enough excess cash to fund another build?

How long until we reached five?

How long until we reached ten?

Then he ran the same rough exercise with debt mixed into the capital.

If the family contributed some of the money and a lender supplied some of the rest, how many locations could we build sooner?

How much faster could we reach ten?

Then he asked me another question.

Once ten car washes were operating, how much cash would they throw off every year?

I calculated it.

Then he asked me to think about the years we would lose waiting for each cash-funded location to earn enough money to build the next one.

That was the first crack in the wall. The interest expense associated with a loan had been easy for me to see. Six percent appeared on a loan document. The cost of waiting did not appear anywhere. **But waiting has a price too.**

## Debt can buy time

That was the concept I had been missing.

Debt was not merely a way to buy something we could not afford. Used correctly, debt could buy time. And time could create value. If responsible leverage allowed us to reach ten profitable locations several years earlier, we did not merely get the same ten car washes sooner.

We got the cash flow from those additional locations sooner.

We got the purchasing power of the larger company sooner.

We got the management efficiencies sooner.

We got the market presence sooner.

And then the founder asked the question that really shattered the remaining rule in my head.

**What if we sell the business in four or five years?**

I had been thinking about how the company would fund the next car wash.

He was already thinking about the value of the entire enterprise at exit.

Exit is simply the finance world's word for the point at which an owner sells some or all of an investment and turns the ownership interest back into cash or another asset.

If my cash-only plan produced four or five operating locations by year four, we would own a certain business.

If a sensible amount of debt helped us reach ten operating locations by then, we would own a different business.

Not merely twice as many buildings.

Potentially a larger, more diversified, more professionally managed chain that a buyer might value at a higher multiple and pay more for. And the additional money in the purchase price would justify and pay off the debt and then some.

Now the comparison was no longer:

**Pay six percent interest or pay no interest.**

The comparison was:

**What does six percent financing cost, and what does having the larger enterprise years earlier potentially create?**

Those are completely different questions.

## Your own cash is not free

This was another idea that sounds obvious once you understand it and can feel completely wrong before you do. I had been treating the family's cash as free because we already owned it. It was not free. Every dollar we used for one purpose was a dollar we could not use for another.

Economists call that opportunity cost. Opportunity cost is simply the value of the best alternative you give up when you choose one use for your money over another.

If I use $1 million of cash to buy an asset, I may avoid paying interest on a loan.

But I also give up whatever that $1 million could have earned or enabled somewhere else.

That does not mean borrowing is always better.

It means cash has a cost even when nobody sends you a bill for using it.

This is one of the reasons wealthy people can make decisions that look strange to someone trained to hate debt.

The person focused on the liability sees the interest expense.

The person managing a balance sheet sees both sides.

What does the borrowing cost?

What remains invested because I borrowed?

What does the borrowed money allow me to do sooner?

How much liquidity do I preserve?

What happens if the investment performs badly?

What happens if rates rise?

What happens if the lender wants its money back at the worst possible time?

Those questions are harder than saying debt is bad.

They are also much more useful.

## Leverage is an amplifier

The finance word for using borrowed money alongside your own capital is leverage. Leverage is not magic. It is an amplifier. If the underlying economics are good, leverage can increase the return on the family's own capital and accelerate growth. If the underlying economics are bad, leverage can accelerate the loss.

That is why I do not like the simplistic advice that debt is either good or bad. The better question is what the debt is attached to and what happens in the bad case. Borrowing at a low fixed rate to finance a productive asset with reliable cash flow is not the same as carrying a high-interest credit-card balance because you spent more than you earned.

Both are debt. That is about where the similarity ends.

The founder did not teach me to love debt. He taught me to stop treating the absence of debt as a goal in itself. **The goal is not to have no debt. The goal is to use capital intelligently without taking a risk that can destroy you.**

## I still wanted the debt in the right place

The mechanical pencil changed my philosophy, but it did not make me reckless. I still cared about how and when we borrowed. In particular, I pushed for us to borrow against car washes after they had been built rather than relying as heavily on debt before the asset existed. That distinction mattered to me.

A completed car wash is a real asset. It has land, improvements, equipment and, if the location is working, operating history and cash flow. A proposed car wash is a plan. Construction can run over budget. Permits can be delayed. A site can take longer than expected to open. The economics can disappoint. Debt taken against a completed, functioning asset can therefore present a different risk profile from debt used before the project has proven itself. That does not mean construction financing is wrong. It means the timing and collateral of the debt are part of the investment decision.

We ultimately used some debt. But the lesson was not that the founder was right and I was wrong about every detail. The lesson was that we were solving different parts of the same problem. He was forcing me to see the cost of time. I was forcing us to think about where the leverage risk should sit. That is what good decision-making often looks like. Not one person winning an argument. A better structure emerging because people are looking at the problem from different directions.

## The business itself can be capital

Before this period, I tended to think about investments as things you bought: stocks, bonds, real estate, a piece of a private company.

Running the car-wash strategy taught me to think differently. An operating company can itself be a piece of capital that you manufacture. You can take land, equipment, employees, contracts, systems, financing, and management and assemble them into something that did not previously exist. Then, if you build it well, somebody may value the finished enterprise at much more than the sum of the pieces.

That is entrepreneurship viewed through the eyes of a capital allocator. The question is not only whether the individual car wash makes money. The question is what the entire platform can become. This was also when I began to understand why the founder naturally thought about the eventual sale even while we were still building. He was not being disloyal to the business. He was thinking about the business as an asset. You can love operating an asset and still understand its market value. You can intend to own it forever and still know what would make you sell. You can build with the possibility of an exit in mind without committing yourself to one. **A family office does not ask only, "Does this business make money?" It asks, "What is this asset becoming?"**

## The lesson followed me home

Once I understood the principle, I started seeing the same mistake everywhere.

People often focus on a monthly payment rather than the economics of the whole transaction.

They put large amounts of cash down on a car simply because a four-digit monthly payment feels frightening, even when they already have substantial investment assets.

They feel relieved because the payment is smaller.

But the cash they surrendered was real too.

The car and the loan are two different purchases.

First: what are you paying for the car?

Second: what are you paying for the money?

The purchase price, trade-in value, discounts, and fees belong to the first negotiation.

The interest rate, term, down payment, incentives, and opportunity cost belong to the second.

A monthly payment is merely the output of those decisions.

It should not be the thing that prevents you from seeing them.

I recently bought my wife a car this way. I negotiated roughly twelve percent off the sticker price. I put nothing down. I signed and I drove away. The first payment was not due for about forty-five days, and the financing was 1.9 percent interest for seventy-two months.

For forty-five days I had the car and had not spent a cent.

The important point is not that everyone should finance a car for six years.

The point is that I treated the price of the car and the price of the loan as separate economic decisions.

At 1.9 percent interest, I would rather keep my capital available and invested than hand over a large down payment simply to make the monthly bill look prettier.

If the financing had been nine percent, I might make a different decision. If the manufacturer had offered a large cash rebate instead of the low rate, I would compare the two. If the monthly obligation genuinely threatened my family's cash flow, I would care very much about the payment. But once you have meaningful assets, the question changes. **Do not surrender capital merely to make a monthly payment feel emotionally comfortable. Run the economics.** That is the same lesson the founder taught me with the car washes, just at a smaller scale.

## The rules had finally broken

My grandfather had taught me that debt was dangerous.

He had good reason.

His father's financial behavior had helped destroy his family's security.

My mother inherited the caution.

I inherited it too.

By the time I was managing the investments, I had already modified the rule. I understood that expensive debt and cheap debt were different. I understood credit-card float. I understood that paying off a low-rate loan early was not automatically the best use of cash. But some part of me still believed that if you already had the money, borrowing was unnecessary. The founder's mechanical pencil finally broke that assumption.

The lesson was not "borrow." It was not "take more risk." It was not "debt makes you rich." The lesson was:

**Stop asking whether debt is good or bad. Ask what the capital structure allows you to accomplish, what it costs, how much time it buys, and what happens if you are wrong.**

That is a much harder question. It is also the question wealthy families ask.

## Protect it. Plan it. Grow it.

Looking back, my education happened in the order the family trusted me with its wealth.

First, protect it.

I learned to see liability, contracts, ownership, entities, insurance, and the ways one mistake could spread through a family enterprise.

Then, plan it.

I learned that taxes could be anticipated, ownership could be structured, and decades of future appreciation could be affected by decisions made today.

Finally, grow it.

I learned that capital had an opportunity cost, debt could buy time, an operating business could be manufactured into a more valuable asset, and the safest-looking decision could carry an enormous invisible cost.

Protect it. Plan it. Grow it. Those three ideas are not separate departments in my head anymore. They are one problem.

A great investment can be ruined by bad tax planning. A brilliant tax strategy can be pointless if the underlying investment is terrible. A protected asset that never grows can lose purchasing power. A fast-growing business with reckless leverage can destroy the family. A profitable company sold under a bad agreement can give away years of value. Everything touches everything else.

That is why I eventually stopped thinking of myself as merely a lawyer, investor, business operator, or tax planner—I am the principal. My job is to see the whole system. And that is the job of a family office.

The rest of this book is about how to build one around your own family—even if the person sitting at the center of it is you.