

As appeared in

THE WALL STREET JOURNAL

© 2005 Dow Jones & Company. All Rights Reserved

THURSDAY, DECEMBER 2, 2004

© 2004 Dow Jones & Company. All Rights Reserved

The Investment Club You Can't Get Into

Wary Wall Street, Wealth Families Form Peer Groups to Share Advice, Manage Money

WEALTHY families are discovering a new source of financial advice: each other.

One of the hottest corners of the wealth-management business is "peering" where organizations charge wealthy families to meet other wealthy families. The idea is for families-tired of the hard-sell from wealth-management firms and private banks-to band together in formal peer groups to swap ideas and advice.

Those who join can get first-hand recommendations on such things as finding hedge funds to hiring private-jet pilots and preparing kids for their inheritance. They can also make investments together and get group discounts from money managers, banks and even travel companies.

The groups, which include New York-based Tiger 21 and Met Circle, as well as Boston-based CCC Alliance, aren't just high-end coffee-klatches or investment clubs. Most charge thousands of dollars in annual dues and require members to have several million dollars in liquid assets. There are monthly or quarterly meetings, and most groups have secure Internet networks that allow members to trade questions and answers.

The groups are growing in popularity as the number of rich families grows in the U.S. There are now more than 130,000 households in the U.S. with net worths of 510 million or more, more than double the number in 1990, according to a Federal Reserve survey of consumer finances.

Wealthy families have traditionally tilted to private banks, trust companies and brokerage firms for advice. But with bank consolidation, conflict-of-interest scandals on Wall Street, and more intense competition among wealth-management advisers, families often fear that their interests no longer come first. Some don't trust the advice they are getting, says Preston Tsao, head of Met Circle. Many "feel

like they're getting lost in the shuffle."

Each of the new groups has a different focus-and some are more commercially minded than others. New York's Tiger 21 is one of the fastest growing. Founded in 1998 by six entrepreneurs who cashed out of their companies and got together to help each other as investors, Tiger now has 40 members managing more than \$4 billion of their assets, according to co-founder Michael Sonnenfeldt, a successful real-estate developer. To join, members need at least \$50 million in assets; they pay a fee of \$30,000 a year.

Tiger also evaluates prospective members, looking for smart, active investors with specific expertise. They don't take someone who may have shucked it rich through a divorce settlement, for example. "We like our members to have something to offer, and something to learn," Sonnenfeldt says.

To achieve some intimacy, Tiger divides its members into smaller groups of no more than 12 individuals. With membership rising, Tiger launched a fourth group this fall and is about to launch a fifth. The organization plans to move into larger office space in Manhattan to house its growing staff and hold bigger events. It is also considering renting office space to members and selling them concierge services and travel advice.

Tiger 21 is known in the industry as the "deals" peer group; members often get together on big acquisitions or investments. One group, for example, bought an oil well. They also chat about family issues

Peer Counseling

Why wealthy families say they are forming private groups to share advice;

- Their interests come first. No worries that a private bank or brokerage is just pushing its products
- Like minds. Whether it is about aviation alternatives or advice on the kids' allowance, other families have been down that road and know the way.
- Joint ventures. Families can collaborate on investments or team up to get discounts.

and living with wealth.

The main event for Tiger 21 groups is an annual "portfolio defense." Members get up in turn to lay out their personal balance sheet, income statement and financial aims. Other members challenge the presenter's decisions and suggest alternatives. All are bound by strict confidentiality agreements. "We're not there to judge," says Mr. Sonnenfeldt. "This is what we call a 'carefrontational' approach."

Tiger 21 often gets discounted rates on financial products and

services, and the savings are passed onto members. The organization doesn't make any money from companies looking to sell products to its members and allows no corporate members. Met Circle, another New York peer group with 1011 families, also has a strict "no vending" policy-meaning no corporate members or sales pitches. Families meet twice a month to chat about everything from hedge funds to real-estate. One of the meetings is a "round-table" limited to family members. The other meeting features an outside presenter.

CCC Alliance in Boston has taken the peer-group model a step further by teaming up with University of Pennsylvania's Wharton School. In a newly launched joint program called Wharton Global Family Alliance, dozens of wealthy families-including CCC members-help the school conduct research on family businesses, philanthropy and wealth management. The research is then shared with the families and incorporated in Wharton's academic programs on family business.

Wealth Peer Groups

Some of the leading U.S. groups that allow wealthy families to swap recommendations and advice.

GROUP	MEMBERS/FEEES	MINIMUM WEALTH	FOCUS
Tiger 21 <i>New York</i>	About 40; \$30,000 a year	\$10 million	Mainly former entrepreneurs who've cashed out and want help with full-time investing. Known as the "deals" peer group, since many Tiger members get together to make acquisitions and investments. Stays commercial-free by not allowing corporate members or sales pitches.
Met Circle <i>New York</i>	100 families; \$20,000 a year	Generally \$100 million or more	Two meetings a month, one just for families and the other featuring an outside speaker. Strict "no vending" policy to marketers and rigorous confidentiality agreements. Members give each other advice on everything from hedge funds to finding good lawyers to raising wealthy children.
CCC Alliance <i>Boston</i>	49 families; \$12,000 a year, plus an initiation fee	Generally \$100 million or more	Motto is "by families, for families." No commercial members allowed, and members agree not to poach each other's staff. Families trade advice over a confidential electronic system and hold meetings once a quarter. Common discussion topics include family-business governance, wealth management and philanthropy.
Institute for Private Investors <i>New York</i>	310 families representing over 800 people and 175 companies; Family membership fees range from \$2,000 to \$9,000 a year	About \$10 million, though about half the families have more than \$50 million	Runs two confidential electronic communities for members—one just for families and another open to vendors and wealth-management firms. Derives about half its revenues from its 175 corporate members, which the firm says help better educate wealthy families. Holds meetings once a month on both coasts and has four big events a year.

With a peer group "you can turn to other families whom you get to know and test over time," says Laird Pendleton, a founder of CCC Alliance. "These are families who have walked in your shoes and maybe even been down the same path."

Some peer groups have taken a commercial approach to the trend. The New York-based Institute for Private Investors and the Chicago-based Family Office Exchange, which are run more like businesses, derive revenue from companies that sell products to the wealthy. The Institute has about 310 family members and about 175 companies. The firm aims to foster better communication between wealthy families and wealth-management firms.

Charlotte Beyer, president and founder of the Institute, says that about half her revenue comes from companies and the other half from families. Rather than creating a conflict, she says, corporate members help educate family members with their expertise and in-depth experience. "You cannot close the door and just have a group of families talking to each other," she says. If a group has a dominant member who recommends a particular investment that isn't appropriate for the others, she says, "the whole group can go off like lemmings off the same cliff."

Along with regular meetings, the Institute hosts two electronic message boards—one strictly for family members and another that's open to vendors.

Members post questions like "Anyone know a good overseas bond fund?" or "Preparing children for wealth?" The questions are sent to the families-only group first, then, with the names of the questioners removed, they are submitted to vendors for response. The answers are posted for others to see.

"Peer groups can be fabulous, but they can be dangerous if there is no teaching going on," Ms. Beyer says.



TIGER 21