PEER-TO-PEER INSIGHTS
ANTHONY MESSINA

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Anthony Messina is the president of Toronto-based Guardian Partners Inc. and the head of private wealth for its parent company, Guardian Capital Group Ltd. The firm provides highly specialized investment services for many of Canada's wealthiest individuals, families and institutions.

As we start this year, what are the most important issues for family offices?

It's the first year in the last 45 years where bond and equity markets are both negative, and I think we have to be careful because we could have another year that is very similar. We don't know what the Fed is going to do — probably raise rates — and we don't know what the earnings are going to look like for corporations. So there's a little bit of caution in what we do. Right now, our advice to our clients is to sort of stay still. There's a saying: It's important to stay still when you're getting a haircut — whether they're based in Canada, the U.S., the Caribbean or elsewhere.

A lot of wealthy families own a considerable amount of real estate — and some of that is financed, and some of that is tied to interest rates, and it's revenue-producing. But there's risk in real estate now that hasn't been seen in 15 years or more. In the first three months of this year, we'll see some signaling of what's going on from a family-office perspective where the family is often located all over the world — one in New York, another in London, and another will live in Rome with property in Sardinia. They need to be global in their approach. Will China flood the market with goods when prices go down? What's happening with the supply chain? Geopolitical issues like Russia-Ukraine? There's a lot on the table right now.

How do you — and your clients — define success as a family office?

In years where the markets aren't as turbulent, they're really concerned about continuity and the continuity of their family and their wealth, of course. But they're just as focused on effective family governance — how to engage everybody in the family toward the common goal. For example, let's say you have one trust and everybody's participating. Sally's in charge of real estate, and Bob's in charge of charitable giving. It's really about keeping all of that together. And a lot of times, these families still have an operating business, which can complicate things. But it all comes back to family cohesion.

Is there a talent gap at family offices — because the demand for professionals is greater than the supply?

Some family offices are finding it difficult to get the top-tier talent they deserve. They're outbidding pension plans, investment management firms on Wall Street for talent, and that can get quite expensive. The stickiness of some of those people isn't what it was 25 years ago, so they move around.

What lessons can you share with someone who's about to start a family office — about investing strategies, succession issues and philanthropy?

Make sure you leverage the people you know to find the people you need. And finding an independent thinker is in your best interest. Finding somebody who's going to say yes to every idea you have is not in your best interest. If you're the matriarch or patriarch of a family, you want someone who's going to have the ability to present another angle to what you think is a great idea. You have to be open-minded to do that.

As for succession, it's key to bring in outside family governance professionals into the mix to help you create the right structure around your wealth. They've got to be independent professionals — because if one of the family members has a sniff that you have a dog in this fight, then the whole thing is wasted.

Echoing the adage "shirtsleeves to shirtsleeves in three generations," it is estimated that 70% of wealthy families will lose their wealth by the second generation and 90% by the third. Is that accurate?

It's probably right. I'm 58, and when I was little, I remember some wealthy families that made their fortune in steel or construction — and they're not that wealthy today. If you don't do it right, it's going to go away.

How do you help your clients meet their multigenerational goals?

It's all about shaping the way the next generation thinks and making sure they understand the responsibility of being wealthy. That will shape how they view investments, growth, spending, philanthropy. And to understand how fast things can change. Take someone who is 25 or 27 — they've only seen the market go up, the rise of cryptocurrencies, low interest rates, and they believe that investing is easy. And over the last 15 months, we've learned that in fact it isn't so easy.

Interview conducted by Marcus Barum