

Protecting HNW Families - A Risk-Management Perspective

FRED KRAWCHUK
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Regardless of the level of wealth or social profile, all families ought to take the prudent steps necessary to bolster their security in order to protect their most vital assets. Risk management includes taking care of the lives of loved ones – as well as reputation, privacy, and financial resources.

As thoughts turn towards investments for the next year and further out, here is a view about asset allocation from A large amount of what goes on under the name of “wealth management” can sometimes be better described as risk management. All kinds of risks arise: loss of wealth, health and loved ones and from a variety of sources. New technology has brought with it the specter of cybercrime, for example.

A person with plenty of credibility to write about these issues is Fred Krawchuk, senior management consultant and family coach with The William’s Group. Krawchuk has a background in the armed forces. He is a former US Army Special Forces Colonel and US Department of State Fellow. During his career Krawchuk has provided security in many high-risk areas around the globe. He is a graduate of the United States Military Academy, Harvard University, and IESE Business School. The editors are pleased to share these insights with readers; the usual disclaimers about outside contributors’ views apply. To jump into debate, we urge readers to contact us at tom.burroughes@wealthbriefing.com and jackie.bennion@clearviewpublishing.com

Managing risk is imperative to families. Estate planning, financial and tax planning are some of the critical ways pragmatic families shield their resources. Building trust, improving the capacity to manage family dynamics, and co-designing a shared purpose for a family’s wealth are also ways families safeguard their relationships.⁽¹⁾ Protecting families from physical and information risks is also prudent. According to the BBC, British property developer and millionaire Matthew Gibbard was shot dead and his son injured outside of a luxury hotel in Buenos Aires after being held up by armed robbers.⁽²⁾ This article will assist families in learning from this tragedy in order to better protect themselves. Not only their physical security, but families can also develop practices to mitigate risks regarding a family venture’s proprietary information, reputation, digital privacy, and personally identifiable information.

Threats and other risks to family interests can come from industry competitors, criminals, terrorists, activists, or anyone with a cellphone and a grudge who wants to post embarrassing information online. An insider threat is an additional security risk that originates within a targeted business or emanates from someone close to a family.⁽³⁾

The first step a family should take to protect themselves is to conduct a threat assessment. What are a family’s vulnerabilities? These might include weak points in the security of a residence or workplace. Means of transportation, lifestyle, travel procedures, and potential risks from domestic or business employees are also critical areas to assess.

One of the best defenses to safeguard families after assessing vulnerabilities is to practice situational awareness. Being alert and vigilant to surroundings and guarding access to relationships can help prevent crimes, physical harm, as well as loss of sensitive information. Know what is considered normal and commonplace in a neighborhood, workplace, and other areas family members frequent. Pay attention when things seem out of place, report suspicious activity, and trust one’s instincts if something feels off.⁽⁴⁾

Situation awareness also applies to social media and online communications. According to Campden Wealth, 28 per cent of ultra-high net worth international families, family offices and family businesses have experienced a cyber-attack in the past.⁽⁵⁾ To protect digital privacy, families should take the following measures:

- Beware of social engineering scams, such as phishing and impersonation
- Delete spam, unknown links, and suspicious emails

- Use a password manager
- Employ two-step authentication whenever possible for online accounts
- Back up your data regularly
- Use antivirus software on your computer
- Be aware and careful of what family members and those close to the family post on social media in order to protect identity, location, and other private information
- Use a virtual private network (VPN) as much as possible (and do not use hotel, airport, or other public Wi-Fi access platforms to view sensitive information)⁽⁶⁾

In addition to protecting digital privacy, families should also take precautions for their physical security. Threats to safety increase, for example, when family members travel, as well as when they socialize or work in unfamiliar environments. In these situations, families ought to:

- Share travel itineraries with trusted sources and be vigilant about who coordinates travel for the family
- Research level of health risks and security threats in preparation for travel, and develop crisis responses accordingly
- Carry medical insurance and a first aid kit to mitigate health risks when abroad
- Consider International SOS or similar medical services when traveling overseas or when in areas with limited medical support
- Vary routes and times family members frequent their favorite or typical venues, such as work, gym, and social venues
- Keep conversations about work and family ventures generic in public spaces
- Locate the police station and hospital closest to a family's lodging location whenever they travel or are away from familiar locations⁽⁷⁾

If a family member encounters a criminal threat, he or she should not resist and then get away as fast as possible. Be aware of one's surroundings, do not wear expensive watches or jewelry, or bring unnecessary attention to the family in public. Taking these measures will help mitigate risk and avoid dangerous situations in the first place.

Physical security also includes taking precautions with the people a family hires, such as performing due diligence and checking references. Not only does a family want competent workers, they also need people who will respect their privacy and protect the family's reputation. A nanny should not take a picture with the children they are entrusted to protect and put them online, for example. Trust and confidentiality are key factors to consider when employing people who will be close to a family.

The successful implementation of these and other recommendations depend a great deal on the level of willingness and interest of a family to put them into practice. Security procedures are not always going to be convenient. Finding a healthy balance between safety and convenience will help a family make these procedures their own. Establishing new security procedures takes time and effort. However, they can save lives if they become habits for family members.

To help ensure that security becomes a standard practice, high profile and/or ultra-high net worth families should also consider additional security resources that are available. This is especially important when traveling in high-risk areas. Kidnapping and ransom insurance should be considered. Personal protection details, trained drivers, and periodic security training can also help a family look after themselves. Security experts gauge the potential risk to a family that will require mitigation and risk management. Affluent families would benefit from hiring a well-established firm to conduct threat assessments and put systems and procedures in place to harden a family's security posture.⁽⁸⁾

Just as a family carefully discerns who they hire for their company or domestic employment, the same diligence should apply when hiring a security company. A family would benefit from a security firm that can deliver a vulnerability assessment, provide physical security for a residence and/or workplace, and offer personal as well as digital protection. These firms need to have a strong bench of experienced personnel with backgrounds in diplomatic security, government protective services, cybersecurity, intelligence, or other similar security expertise. Check out references and get testimonials from satisfied clients to verify the security firm's level of competence, care, and commitment to protect a family's security interests and concerns.⁽⁹⁾

Regardless of the level of wealth or social profile, all families ought to take the prudent steps necessary to bolster their security in order to protect their most vital assets. Risk management includes taking care of the lives of loved ones – as well as reputation, privacy, and financial resources. Conducting risk assessments, addressing vulnerabilities, and taking proactive security measures will also give families peace of mind and empower them to avoid the kind of tragic misfortune that Matthew Gibbard and his family experienced when they traveled abroad.

Footnotes

1, *Bridging Generations: Transitioning Family Wealth and Values for a Sustainable Legacy*, Amy Castoro and Roy Williams, December 15, 2017

2, <https://www.bbc.com/news/uk-50797374>

3, Interview with Jim Hamby, CEO of Grey Ghost Operations, a retired military officer, combat veteran, and former senior official within the US Intelligence Community, January 16, 2020.

4, Interview with James Schnaible, a former senior government official with 31 years of global security experience in 80 countries with the US Department of State Diplomatic Security Service, January 15, 2020

5, <http://www.campdenwealth.com/article/more-quarter-uhnw-families-targeted-cyber-attack>

6, <https://www.nytimes.com/guides/privacy-project/how-to-protect-your-digital-privacy>

7, Interview with James Schnaible

8, Interview with Jim Hamby

9, *Ibid.*