

Utilizing Private Banking in Family Offices

Banking solutions can help family offices meet their liquidity and credit needs, while pursuing long-term goals

Family offices face a challenging balancing act: ensuring they have sufficient reserves to meet their liquidity needs, managing risk and meeting the evolving needs of multiple generations. Now more than ever, partnering with a private bank can be a key component in a comprehensive plan for family offices.

Cash Management for Family Offices

Cash management is an important component of every family office's day-to-day operations. It should be a permanent part of a comprehensive strategy, providing liquidity for bill paying, funding of near-term liabilities, or a more strategic, longer-term purpose. With this in mind, it's important for family offices to periodically evaluate how much cash they have, where it's held, how much it's yielding and the role it plays in their overall wealth plan.

Family offices will want to partner with a private banker who takes the time to analyze the family's liquidity needs and can recommend a tailored cash strategy. Look for a relationship that can offer a range of traditional banking solutions, such as checking, savings and customized CDs, for personal and business accounts. Online and mobile banking is a plus, providing the convenience and flexibility to manage daily finances from virtually anywhere. Your office will also want to be able to initiate bill payments, deposits, and wire transfers. Check for products that earn competitive interest rates, along with the backing of one of America's oldest banking institutions.

Escrow services is a niche service of private banking. Escrow arrangements offer a solution when your family and another party require a neutral third party to hold funds until a business transaction is completed. This service can help facilitate business transactions such as corporate mergers and acquisitions, commercial real estate transactions, and litigation, such as divorce escrows.

Safety and Security of Deposits

Given the stresses on some regional banks that surfaced in spring of 2023, family offices are placing a greater emphasis on the safety and security of deposits. BNY Mellon offers more than two centuries of banking experience, more than 50 years working closely with family offices, the backing of a fortress balance sheet and leading-edge cybersecurity. BNYM N.A. deposits are eligible for FDIC insurance up to \$250,000 per depositor and \$500,000 for joint accounts. [Additional information on FDIC insurance can be found here.](#)

Furthermore, the regulatory nature of being classified as a Globally Systematically Important Bank (GSIB) requires BNY Mellon to maintain leverage and liquidity ratios in excess of banks with less than \$250 billion in assets. BNY Mellon is consistently ranked among the top financial firms with strong external credit ratings. [Additional information on BNY Mellon's credit ratings can be found here.](#)

Now's the Time to Review Your Office's Liquidity Management

On a periodic basis, family offices should evaluate their liquidity needs. Doing so can help ensure you maintain sufficient cash to meet your short-term liquidity needs, while maximizing your investment portfolio's long-term potential. For insights on the two cash management approaches our Global Family Office group is seeing in use among top family offices, [read this article](#).

Why Family Offices Consider Borrowing

Opportunistic borrowing is something that family offices should consider in any interest rate environment. Leverage can help family offices minimize tax implications by avoiding the liquidation of assets, while maintaining long-term investment strategies designed to benefit future generations.

Strategic borrowing may be used to optimize both sides of a family's balance sheet, which can be particularly important when there are several generations to serve. As family offices support multiple generations, liquidity needs may arise as younger generations purchase homes, raise families, start businesses and pursue personal investment opportunities and charitable causes. In these cases, leverage can act as bridge financing to effectively move from point A to point B, enabling the family office to maximize tax impact and consider potential asset reallocations.

Interest rates are not the only consideration when deciding whether or not to borrow. Using credit strategically can be a prudent way to achieve a family's long-term goals of growing, protecting and sustaining wealth.

Types of Credit Solutions for Family Offices

Mortgage lending programs can provide financing for primary residences, vacation homes and investment properties. You'll want to partner with a bank that offers a broad range of mortgage solutions, including adjustable-rate and fixed-rate mortgages, hybrid solutions, construction financing, interest-only and 100% financing options. Of course, competitive pricing is vital.

Structured lending strategies are a resource for sophisticated investors, and include life Insurance premium financing, commercial real estate financing, art and aircraft financing.

An investment credit line allows families to borrow against the value of their investments and may be used to meet funding needs such as tax payments, business investments, medical and education expenses, and lifestyle needs.

How Private Banking Helps Family Offices

Many family offices find that working with a strong private banking partner, with substantial lending resources and the expertise to deploy leverage, is critical to preserving and growing wealth that spans generations. But private banking for a family office isn't a cookie cutter exercise; it's a nuanced service and requires deep knowledge and experience.

A private banker can be an integral member of the family office's team. Anticipating potential liquidity needs for family members helps ensure a family's financing requirements are met in a timely and seamless manner. Personal service looms large in private banking. Examples range from readily available lines of credit, to accessing funds internationally, and everything in between. That's all part of the job for private banking professionals.

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