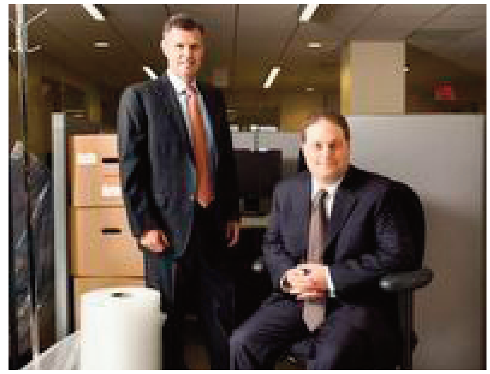
accountingTODAY FOR THE WebCPA
October 2014

PRACTICE PROFILE: NEW BEGINNINGS

Flynn Family Office opts to strike out on its own



Flynn Family Office managing partner Rick Flynn (left) and co-founder Evan Jehle

By Tamika Cody

New York City-based Flynn Family Office is one of the newest firms in the accounting profession: Its founders, Rick Flynn and Evan Jehle, jumped at the chance to launch their own practice after their time was up at Rothstein Kass, which was acquired by Big Four firm KPMG in March of this year.

"It was at that point in time when I really thought about this being an opportunity to start our own independent practice," said Flynn, formerly a principal-in-charge of the Family Office Group at Rothstein Kass. "We were given the option by KPMG and Rothstein Kass to start an independent family office. We felt for ourselves, our team and our clients that an independent route was better for all of us."

Flynn, who initially started off as a client of Rothstein Kass, had been involved with the firm for nearly 20 years. The client-firm relationship, which lasted for seven years, turned into something more. "Rothstein Kass brought me in as a partner to start the [family office] practice," said Flynn, who noted that the family office venture lasted 13 years. "Even though we built it together, it was really a boutique in a much larger firm. It was a group that was self-sufficient."

PARTNER INSIGHT

Flynn handpicked the team and the staff, and recruited clients over the years. "We hired our own people directly, and scheduled everybody directly. We kind of ran as an independent group within the larger firm," said Flynn. "Every few years the firm kept growing. Pre-2009, it was a pretty small practice. Post-2009 we started to grow nicely. The reason for that is because after the [financial crisis] a lot of wealthy families that had a single family office started to think of other alternatives, partially because of cost and partially because of running an HR operation."

As a result, Flynn started to see more high-net-worth families disaggregate their internal single-family office and start to outsource, especially in accounting and tax. "We rode that wave for the last five years - whether it was a single-family office that disaggregated, or multi-family offices that wanted back-office support or outsource support in accounting and tax, or the newly wealthy person, either an entrepreneur or a hedge fund general partner or an athlete or entertainer who wanted to create their own structure - kind of like a virtual family office that is very light in infrastructure. Those things really started to grow in the past five years," shared Flynn, who noted that he started to look for opportunities because the client base started asking for more services that did not easily fit in at Rothstein Kass.

A RUNNING START

His search was pre-empted in March 2014 by the news that Rothstein Kass had agreed to merge with KPMG. Flynn and co-founder Jehle took advantage of the opportunity - but they had to act fast to get their new firm in order. "What was most challenging is that we had a fixed period of time that we had to get it done. And it wasn't six months or eight months," recalled Jehle, who was a former principal at Rothstein Kass. The team had two months to get things up and running and they had to do it all in the middle of the busy tax season. "Anything between four to six months would have been great," said Flynn. The firm started to operate as an independent firm on June 1, 2014.

"I wish I could say that it was exactly seamless. The only part that was hard was the timing," Flynn said. "We did the transition in two months, which is a lot to do if you are not planning it at all for two months. There were a lot of things that needed to get done and even getting space in New York City is not an easy thing to do for a firm. There were also challenges of getting our name and the Web site up."

From the clients' perspective, the transition was seamless, Flynn stated. Within that short period of time Flynn Family Office had to contact clients, tell them about the split, and find out if they were going to stay with the new firm or go elsewhere.

FFO's clients include A-list celebrities, athletes, successful entrepreneurs, several significant GPs of hedge funds, and high-net-worth families. "We expected the majority or all of the clients to come over to us," Flynn said, and in the end approximately 90 percent of their clients agreed to stay.

The firm assists its clients with risk management, private equity due diligence, generational transfer planning, budgeting and liquid cash management, and a range of other services. "I am talking about the services that we provide -- accounting, tax and project management. If RK was doing audits for them, or tax work for the fund, those clients did not come. Our group always stayed away from the business, whether it was a hedge fund or a middle-market entrepreneurial business. We've only done the work for individuals. So it really was a pretty clear separation, where they kept the business accounts and the audit accounts and we kept the individual accounts in tax and accounting." Overall, Flynn said that there wasn't any friction from either side: "There were a handful of clients who were trying to decide if they should go with us or go with them."

At the end of the day, it's all about client communication. "Make sure you are direct with your clients," advised Jehel. "I would highly recommend treating your clients with the respect they deserve. You'd be surprised how supportive they can be."

ADMINISTRATIVE SPLIT

Transitioning the administrative operations and software was the big challenge. "There were a lot of steps," said Flynn. The co-founders were tasked with getting their name and LLC, then they had to acquire all of the old engagement letters and terminate them and produce new engagement letters, followed by getting consent letters to the clients so that FFO could tell RK and KPMG that it was all right to send all of their confidential information to them. "Then there's the tax software that we had to migrate and bring everything over. We also had the accounting software that we had to migrate and bring everything over," said Flynn.

After spending long hours trying to do everything themselves, they quickly realized that it was best to hire a team that specialized in lift-outs and spinouts of businesses.

The firm ended up engaging Dynasty Financial Partners, which helped get them connected to the right IT firm. "They understood the environment that we were coming from and the environment we want to go to," said Jehle. "We had this great infrastructure with RK in terms of technology and we wanted to make sure we didn't lose it," he explained. "Security was a major concern and we couldn't become a mom-and-pop shop and downgrade and use QuickBooks."

The firm uses Data Faxation for its data software, its general ledger and its bill-pay software. It is paperless, it has a workflow that allows clients to log in and approve bills, and it's also internal-control based. "We wanted to keep the internal controls in place and were able to do that. Rothstein Kass was very helpful to us in that they transferred over software licenses."

Rothstein Kass had a portal that gave clients the ability to access an online vault where they had a secure way to transfer documents between the firm and their clients. "That was not something that we could maintain because that was a proprietary software that RK built internally," said Jehle.

A year prior to the split from Rothstein Kass, Jehle started to search for a different portal that was more specific to the family office space. "We found a product that we really fell in love with called Summitas," he explained -- a family portal that is specific to the family office industry and is very secure.

HELPING HAND

To help with the transition and future growth of the firm, Flynn Family Office partnered with Focus Financial Partners, an international partnership of independent fiduciary wealth management firms that has approximately $60 billion in client assets.

"I've known Focus Financial for four-and-a-half years. When they learned of the Rothstein Kass and KPMG situation they approached me to see if we might be interested. I was very honest and direct and I told them, 'Not right now,'" Flynn said, explaining that many accounting firms in New York within the family office space and independent RIAs were also interested in investing in Rothstein Kass' family office practice. He did not have plans to find a partnership until the end of the year. The firm wanted to get through tax season and the transition, and then make a decision. "We came to the realization, after two months of putting this together, that we did not want to struggle with cash flow and the ability to expand this family office servicing group and other locations outside of New York. At RK, I was running our California, Boston and Texas operations. There are wealthy high-net-worth types all over this country and we would like to see that expand," said Flynn. The team then changed its plan mid-way through creating the new firm, and thought it would be best to take on an equity partner that would provide them with current capital to take care of cash flow and expansion capital, which Focus Financial was ready to do. "Their primary target for the last five to six years has been private RIAs. I think that they see an opportunity for growth and expansion in family offices services over the next decade. And I think they see us as the aggregator of that type of practice for Focus. They were able to make a business offer that we thought was really smart for us."

Flynn Family Office is the first accounting firm investment for Focus Financial, which currently owns an undisclosed minority stake in the firm. "When you look at the RIA industry, a lot of RIAs grew up as accountants," said Focus Financial Partners co-founder and managing director Rajini Kodialam.

"We think we could help [Flynn Family Office] a little more with marketing and event strategies," she said. "We really think there could be a lot of synergistic efforts between Flynn Family Office and some of our partner firms that work in the family office space." As examples, Kodialam pointed to LLBH Private Wealth Management, Joel Isaacson & Co. and LVW Advisors, all of which have a similar client base. "There are complementary skill sets that the firms bring together in a way that could be very cohesive for the clients."

Kodialam noted that there are particular smaller firms in certain geographies that have the same niche market as Flynn Family Office where a partnership is likely: "Our merger strategy is what we bring to the table. We bring the ability to source the financial engineering, the investment capital, as well as the money to enable these mergers to integrate them and make them seamless to the clients. We believe that Rick [Flynn] has the charisma, the potential, and the intellectual capital, and if we can provide him with the investment sourcing ... this can be a successful strategy."

The founders of Flynn Family Office spent some time aligning their vision of where they want the firm to go. Its ideal plan is to expand into other territories. "We will consider opportunities wherever they show up. We know that we want to have offices in California, Florida, Atlanta and Houston," said Flynn. "Focus Financial will provide us with not only the capital but also the filtering process on what is a good acquisition and what's not."

AT A GLANCE

Firm: Flynn Family Office
Headquarters: New York City
Managing partner: Rick Flynn
No. of partners/staff: 4/37
Year founded: 2014

Services: Cash flow management, tax planning & compliance, family governance, lifestyle management.

Industry specialties: Ultra-high-net worth, financial services, alternative investments, professional sports, fashion, entertainment, apparel.

SUMMITAS
335 MADISON AVENUE - SUITE 1432
NEW YORK, NY 10017
877 752 1717
summitas.com