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Wealth Firms Now Playing Role in Client Security

In New Study, They Cite Rising Risks from Cyber Fraud, Identity Theft

Wheaton, Ill., February 7, 2017 -- Many family wealth firms are finding themselves heavily involved in the personal security issues of their client households. Heightened fear of cyber fraud and identity theft, often brought on by actual experience with such crimes among family members or friends, is driving them to ask for help from their family wealth advisors.

A new study by the Family Wealth Alliance has found that 7 in 10 participating family wealth firms report at least some level of involvement in personal security matters of clients. Twenty-seven percent limit their activities to making referrals to security consultants when clients ask for help. But 42% go further, maintaining outsource retainer arrangements with security consultants, pushing clients to develop formal security plans, or even becoming actively involved, day-to-day, in helping clients manage security risks.

The 2017 Security Study from **Alliance Research** surveyed 55 firms in 2016 on a range of security-related issues. Half of the participants (47%) were multifamily offices and 26% were single-family offices. The remainder was either wealth management firms (22%) or accounting firms serving wealthy families (5%). It was the firm's 23rd overall research report and second security study (the first one was conducted in 2012).

The Family Wealth Alliance is a research and consulting firm based in Wheaton, Illinois. The security study report is being unveiled this week at the firm's 8th Annual **Alliance Partner Summit** held in Houston, Texas on February 7-9.

Multifamily offices, with their broad menu of services, are most likely to take a more active role in security matters for clients, while firms more narrowly focused on investments tend to limit themselves to making referrals when problems arise, or to completely avoid personal security issues. Of all firms participating in the study, 31% say they have no involvement in client security.

In their responses, participating firms express growing concerns about security risks facing their client families. Three in four say incidents involving families they serve have increased recently, with 24% saying the increase has been substantial. One in four (27%) say the number of incidents has stayed about the same recently, while none of the participants think there has been a decrease in security incidents. Many cite worrisome new types of threats, such as ransomware or tax return hijacking, as well as increased levels of sophistication in attempts to carry out more traditional scams such as wire transfer fraud.

When asked to identify the top security risks facing their clients, participants overwhelmingly cite identity theft and cyber fraud as most serious. “The number of attempted cyber security fraud attempts we’ve seen continues to rise at a very rapid pace,” says one participant. Third on this list is social media-related risks and fourth is risk related to personal travel and security. Wire transfer fraud comes in at No. 5 and credit card fraud at No. 6.

The most commonly occurring security incident appears to be credit card fraud. Half (51%) of the participants say at least one client household has experienced credit card fraud in the last year or so. Next most common is tax return fraud, with 31% saying at least one household has been victimized. “We’ve seen more tax returns getting hijacked,” says one participant. “That trend has been increasing and getting more sophisticated.”

About The Family Wealth Alliance:

The Alliance is a connector of firms and families who share its core value, “We Place Families First”. Known as an innovator, the firm chronicles, convenes, and consults. Details about all The Alliance’s research, consulting, and events can be found on the firm’s website: www.FamilyWealthAlliance.com.

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