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Great Wealth Transfer expected to fuel surge in new family offices



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After playing a role in taking a private manufacturing company public, David R. Elliott in 2021 consolidated his investments into a family office, D.R. Elliott & Co. His daughters will be the second-generation stewards of the family office.

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By Andrew Larson

David R. Elliott usually says “no” to investment opportunities.

Click below to see the D.R. Elliott & Co. investment portfolio.

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Elliott, 56, the **CEO and founder** of Southington-based family office **D.R. Elliott & Co.**, rejects the vast majority of pitches — about 99%.

But for the remaining 1%, he’s all-in on his bets, providing hands-on support to manufacturers, in addition to much-needed financial resources.

“My forte is commercializing other people’s ideas,” Elliott said in an interview with the Hartford Business Journal.

“I’ve built the company by saying, ‘Look, you don’t have to pay me. But I want a piece of the company,’” he explained. “When I think there’s an opportunity to capitalize, that’s normally what I do, and it’s worked several times.”

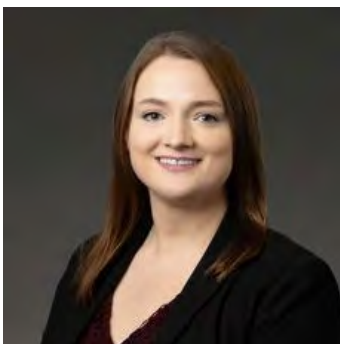
D.R. Elliott & Co., known as DRECo, recently invested in a fledgling Harwinton business called Fractal Water LLC, which produces a proprietary vortex magnetic system that conditions water to make it more efficient in hydroponics, greenhouses and agriculture.

The company says its technology can reduce energy consumption by 10% and increase crop yields by 10% to 30%. Elliott thinks he can transform Fractal Water, currently with just a few workers and little sales, into a business with about \$20 million in annual revenue and 15 employees.

DRECo, which has stakes in 11 different companies, is one of many family offices in Connecticut and across the globe looking to secure their investments for the future, with the goal of maintaining generational wealth.

During the next 20 years, the largest transfer of wealth in history is expected to occur, as \$84.4 trillion passes from baby boomers to the next generation, according to an estimate by market research firm Cerulli Associates.

There are roughly 15,000 family offices worldwide, which control about \$10 trillion in assets, according to a recent TEDx talk by **Ron Diamond, chairman & CEO of Diamond Wealth Strategies**. In comparison, there is only \$6.5 trillion in hedge funds.



Erin Nicholls

“I think that there are a lot of different reasons why (family offices are) becoming more popular,” said **Erin Nicholls, a partner** with New Haven-based law firm **Wiggin and Dana’s private client services department** and co-chair of the family office and strategic investments group. “Obviously, it’s attractive to be able to pool capital for investment purposes, but also family offices can serve the goal of ethical investing, which has become mainstream recently.”

Establishing a legacy

DRECo is based out of Elliott’s Southington home. He and his wife founded the family office in 2021 as a way to consolidate investments they’ve made over several decades.

DRECo has about \$100 million worth of investments, Elliott said, putting it on the small end of the family office spectrum.

The business consists of he and his wife, Kathryn, who serves as president, along with his two daughters, who are in their 20s and who Elliott hopes will embrace their role as stewards of the family office’s second generation.

“The way it’s set up is as an LLC that will start passing into them proportionately, and then it’s generational,” Elliott said.

For now, the family office is a part-time gig for everyone, except Elliott.

His older daughter, **Erica, is vice president of investments and philanthropy**. His younger daughter, **Kristen, is vice president and treasurer**.

They both have their own careers — one is a high school English teacher and the other is an occupational therapist.

The family office structure gives them the ability to choose their level of involvement.

“It gives my family, and hopefully the legacy, an establishment to invest,” Elliott said. “And from a tax perspective, it makes a lot of sense.”

There are a number of tax benefits to family offices, but how and when they apply can vary, experts say. For example, structuring a family office as a business could allow for certain business expense tax deductions.

Many of DRECo’s investments focus on manufacturing, like its most recent stake in Fractal Water. While the company’s vortex magnetic system has generated interest, Fractal has been too small to meet demand. It has just a few employees who assemble the product by hand.

Elliott believes his business expertise and financial resources can make the company profitable.

Elliott also lets Fractal use space in a 77,000-square-foot Cheshire warehouse and research facility that's home to metal manufacturer Wanho Manufacturing LLC.

<https://www.hartfordbusiness.com/article/great-wealth-transfer-expected-to-fuel-surge-in-new-family-offices>

Elliott serves as president and CEO of Wanho's North America business, and his family office is the company's third-largest shareholder.

Elliott has created a mold to automate production of Fractal's device. He's also working to secure patents for the technology, and expects the first inventory to be available starting Sept. 1.

"We have a lot of synergies here," Elliott said. "We don't have to have a separate warehouse, we don't have to have separate freight teams and logistics."

Eventually, he plans to fold Fractal's operations into Wanho, which has plants and distribution channels across the world.

In addition to focusing on investments in manufacturing, DRECo has an active philanthropic arm. The family office donates a portion of its proceeds every year to Waterbury Arc, which helps adults with intellectual disabilities, and has been the organization's largest donor for 20 years.

Figuring out a problem

Elliott compares his family office to a "mini" private equity fund.

The seed money for his investments derive from his business career, which began in 1987, when he and his wife started a company, DRE Dynamic Manufacturing, in his parents' one-car garage in Southington.

The company evolved into S&S Dynamic Tool & Manufacturing through a partnership with The Siemon Co. S&S specialized in metal stampings, tool and die, and wire electrical discharge machining.

In 1995, S&S started to concentrate on microwave and cellular telecommunications hardware and products. Elliott and a business partner purchased Siemon's shares and formed a revised LLC, then merged with Oregon-based MTS Wireless Components.

In 1998, Elliott and his business partner took S&S public through American Tower Corp.

By 2004, American Tower decided to divest most of its non-real estate holdings, so Elliott and two partners purchased the business' three operating units — MTS Wireless Components, S&S Dynamic and Wanho Feng LTD — back at a discount.

"This is first-generation money," Elliott said. "Every penny was made physically from a part manufactured, either (through) R&D or production."

Elliott has received patents for several inventions, including a snap-in hanger for coaxial and fiber cables.

The snap-in hanger is used on every wireless monopole tower that is built. Since Elliott holds the patent, he is the only one who can produce the component. That means whenever a new wireless tower is built, the developer has to buy the part from his company, Wanho.



HBJ PHOTO | STEVE LASCHEVER

David Elliott holds the patent for the snap-in hanger (shown above), which is a component used on wireless monopole towers.

Elliott is on the boards of all the companies he's invested in, including Ai-Tek Instruments LLC, which manufactures magnetic speed sensors and tachometers, and is located in the same Cheshire building as Wanho at 150 Knotter Drive.

DRECo also has stakes in Square Products LLC, which designed a square-shaped barrel to make yard work and other tasks more efficient; and Danbury-based Cadenza Innovation, which is developing lithium-ion battery technologies.

One of his previous investments stemmed from a chance encounter on an airplane, when Elliott met a small business owner struggling with his Texas-based plant food company.

Elliott said he invested in Daniel's Plant Food Inc. and helped save it from bankruptcy. Within three years, Chicago-based Ball Seed Co., which owns the brand Burpee, bought Daniel's Plant Food for a seven-figure sum.

"Normally, how I get these investments is, people come to me to figure out a problem," Elliott said.

Adapting to a new generation

As they grow in popularity, many family offices are narrowing their focus to specific industries and spaces that interest their members, experts say.

According to a report by The Economist and DBS Private Bank, entitled "The Family Office Boom," generational changes are causing family offices to adapt, as millennials and Generation Z (those born in the mid-1990s to mid-2010s) put a greater emphasis on social-impact investing, technology integration and sustainability.



Jo Anna Fellon

Jo Anna Fellon, a tax partner at Marcum who serves as national leader of the accounting and advisory firm's private client services practice, said young people – often third-, fourth- and fifth-generation members – are becoming more involved in family offices, bringing their own perspectives to the table.

Many family offices have their own governance and a mission statement, “and they very much run themselves like a business,” said Nicholls, the Wiggin and Dana attorney.

“They serve all facets of what a family could need and, beyond the investment realm, certainly tax and estate planning and philanthropy – having that under one umbrella – has proven to be pretty valuable to a lot of people,” Nicholls said.

A family office can serve many purposes, and one of them is to transfer generational wealth – a top concern among ultra-wealthy families ahead of the 2025 federal estate tax exemption sunset.

On Dec. 31, 2025, the \$13.61 million per-person federal estate tax exemption is set to drop to \$5.6 million. Connecticut’s estate tax exemption is tied to the federal level, so as of Jan. 1, 2026, Connecticut’s estate tax exemption will drop to \$5.6 million as well, unless Congress steps in to extend the higher exemption.

“Time is no longer on our side,” said Fellon, the Marcum accountant. “Stewardship needs to happen in both a thoughtful and efficient way, and it must happen in a timely, orderly way.”

Traditionally, family offices have been established by families with \$100 million or more in net worth. But there are also multifamily offices, which can contain a handful of families, and even virtual family offices, Nicholls said.

There can be overlap between family businesses and family offices, but usually they are distinct entities, she said. For example, a high-level executive at a family-run business could become involved with managing the owner’s family office.

“You could ask 20 advisers in a room and each would probably have a different definition” of a family office, Nicholls said. “And each would be perfectly valid, because the concept of the family office is evolving, and as they grow in popularity, the types of entities that you see as family offices can vary.”

D.R. Elliott & Co. investment portfolio

The family office led by David R. Elliott has stakes in these companies:

- Fractal Water LLC
- FIMO TEC/WANHO Manufacturing LLC
- Ai-Tek Instruments LLC
- Temptron Engineering Inc.
- Square Products LLC
- DelComm LLC
- Cadenza Innovation
- DRE Manufacturing and Scientific Consulting LLC
- PDL Consulting LLC
- Knotter Drive LLC
- S&S Technologies LLC



**Construction hasn't
started for new
Hartford luxury
apartments already
selling**