

# Bank of America Family Office Study

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Perspectives on the modern family office



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Investment products:

|                             |                                |                       |
|-----------------------------|--------------------------------|-----------------------|
| <b>Are Not FDIC Insured</b> | <b>Are Not Bank Guaranteed</b> | <b>May Lose Value</b> |
|-----------------------------|--------------------------------|-----------------------|



Elizabeth Thiessen  
Head of Private Bank  
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## Foreword

The modern family office stands at a pivotal moment. With a historic \$124 trillion wealth transfer underway in the U.S.,<sup>1</sup> the next decade will redefine how families manage, preserve, and grow their legacies. Against this backdrop, we set out to explore the needs of today's family office.

The Bank of America Family Office Study captures over 300 family office leaders' perspectives into how their organizations are navigating complexity, embracing innovation and preparing for generational change. Surprisingly, 87% of family offices have not yet been passed down to the next generation and 59% expect it to happen in the next 10 years. As this transition unfolds, we believe there will be a significant transformation in family offices as these organizations adapt to a new era and the changing needs of families.

Bank of America has been working with ultra-high-net-worth individuals and families for nearly 200 years and looks forward to supporting your family office with tailored solutions that honor your legacy and empower your future. We are committed to continuing this dialogue, deepening our partnerships, and sharing new insights as the family office landscape continues to evolve and redefine what's possible

1. The Cerulli Report: "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets", December 2024

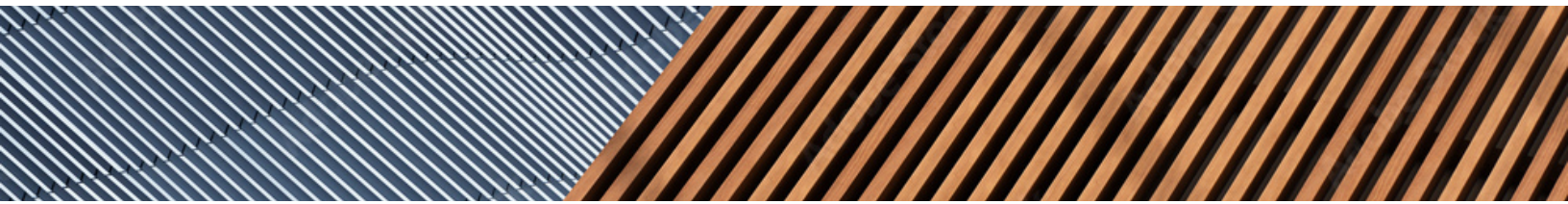


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# Executive summary

The *Bank of America Family Office Study* delivers a snapshot of today's modern family offices, including their size and origins, as well as their perspectives on investing, wealth planning, credit and banking, technology, governance and the transition to the next generation. The findings offer insights into the opportunities and challenges family offices face today. They also show how factors like assets under management, the level of principal involvement, connectivity to a family business, and whether the office was started by the original wealth creator or their heirs can influence an office's approach and decision-making.

The report starts with an overview of the modern family office, followed by an in-depth look at the areas that family offices identified as their greatest challenges today: investing, growing and preserving wealth; the strategic use of credit; the role of technology; and planning for the future. Below, we offer a few highlights.



## A portrait of the modern family office

### Generational transitions are on the horizon

The participants in our study are key decision makers at family offices, with 60% overseeing \$500 million or more in assets. More than seventy percent of these family offices were founded more than a decade ago, and 56% were established by the original wealth creator. With one-third of family offices expecting to transfer control to the next generation within five years, changes are anticipated, particularly to technology and investments.

### Family offices oversee complex operations

Today's modern family offices face considerable complexity. Besides managing institutional-sized portfolios across a wide and expanding range of asset classes, they handle the intricate daily banking needs of family members, file dozens to hundreds of tax returns each year, manage estate planning strategies across generations, oversee household staff, and much more. At the same time, family offices must navigate a rapidly developing technology landscape and contend with potentially disruptive generational transfers.

### Family businesses play a key role in the family office

It is not surprising that 60% of family offices received their founding assets from a family business, and 29% of offices from the sale of a business. Family businesses continue to generate income for 85% of offices. As a result, family offices often remain involved with the businesses and, in many cases, the organizations share resources.

### Family offices with governance structures are more likely to be involved in the family's philanthropy

Sixty-eight percent of family offices with governance structures in place support the family's philanthropic mission, versus 51% without governance structures. Among family offices that support the family's philanthropy, 44% handle these services entirely in-house, while the majority partially or fully outsource them.



## Executive Summary



### Investing, growing and preserving wealth

#### Family offices are optimistic about the economy and markets

Overall, family offices are optimistic about the outlook for the U.S. stock market, private equity, and merger and acquisition activity, with more than six in 10 anticipating that the markets will move higher over the next year. Additionally, more than half of family offices managing \$500 million or more believe U.S. gross domestic product (GDP) growth will increase next year.

#### Direct and fund-based investments into private companies are seen as the most promising opportunities today

Approximately two-thirds of family offices identify themselves as conservative investors, with about 70% of their portfolios divided nearly equally between marketable securities and alternative investments. However, participants name private equity, direct investments in companies and real estate as their top investment opportunities today.



### The strategic use of credit

#### Family offices are strategic about utilizing credit

Despite family offices' focus on growing and preserving wealth, only 34% currently use credit strategically, while 42% say they will only take on debt outside of revolving credit when absolutely necessary. Staying invested, making direct investments or large acquisitions, and minimizing tax liability are common reasons to use credit. Interest rates are cited as the most important factor in a family office's decision to take out a loan. Consequently, the use of credit is likely to increase as rates decline.

“Managing liquidity across different accounts and entities while still meeting commitments is becoming more complex.”

— Chief Executive Officer (\$1B+ AUM)

## Executive Summary



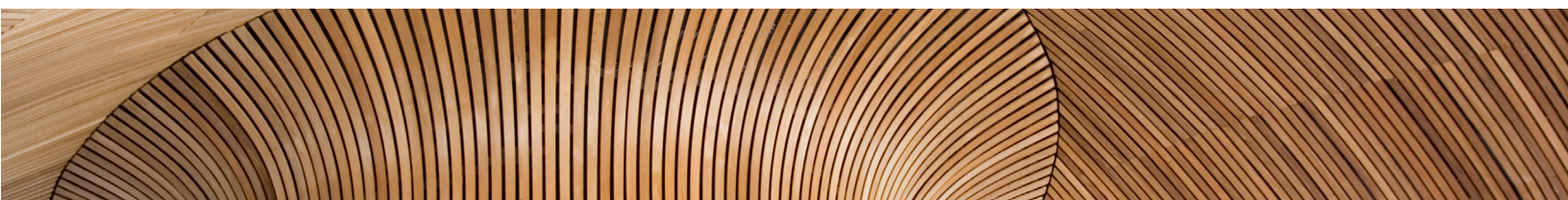
### The role of technology

Technology plays a bigger role for family offices, with platform integration a top request

Family offices currently use two wealth management platforms on average and identify better platform integration as a top technology concern. About three-quarters also said automation is important for alternative investment analysis, portfolio modeling and cash forecasting.

#### Increased use of technology and AI introduces more security concerns

One of the major changes expected with the next generation is the increased use of technology, including artificial intelligence (AI), in family offices. In fact, nearly nine out of 10 respondents believe AI could enhance investment returns, and more than half have already tried it, with most reporting positive experiences. While technology and AI usage is increasing, it comes with more security concerns. Nearly one-third of offices or a supported family member have experienced a cyberattack, with 40% of those reporting that it was moderately to extremely impactful on family assets.



### Planning for the future

#### Succession planning starts early with highly involved principals

Nearly six in 10 family offices plan to transition to the next generation within a decade, and 86% have identified at least one family member who could take over from the current principal. We found that more than 40% of family offices with highly involved principals begin to onboard the next generation either as soon as they express interest or when they reach a certain age or milestone, compared with less than one-third of those with less involved principals. Among family offices with less involved principals, 73% expect a change in the office's mission or purpose when the next generation takes over, compared with 37% of highly involved principals.

“One key challenge is balancing the needs of multiple generations within the family while ensuring effective governance and wealth preservation. Additionally, staying ahead of technological advancements, particularly in AI and cybersecurity, is crucial to protecting assets and optimizing investment strategies.”

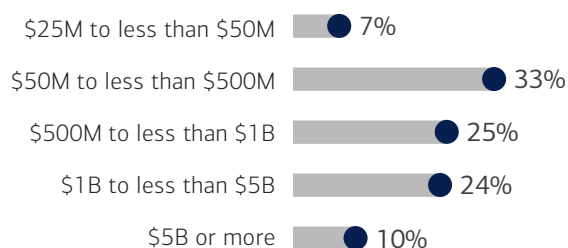
— Chief Investment Officer (CIO), \$500M–<\$1B AUM

# About this research

In the *Bank of America Family Office Study*, we surveyed 335 primarily C-suite decision-makers at family offices in North America, of whom 55% were family members. For the purposes of this study, a family office was defined as a private company whose employees help manage a family's assets and needs. The offices in our study manage between \$25 million and more than \$5 billion in assets, with 60% holding \$500 million or more. They range in size from less than 5 employees to more than 30, with 62% of offices having more than 10 employees.

## Profile of family offices in the survey

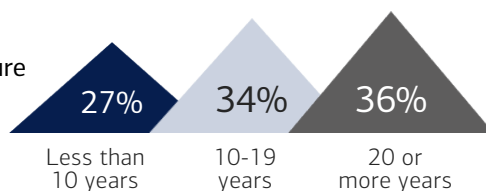
### Assets under management



### Office size

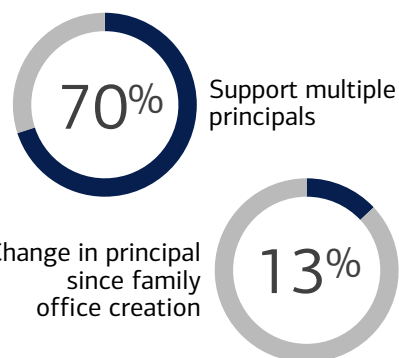
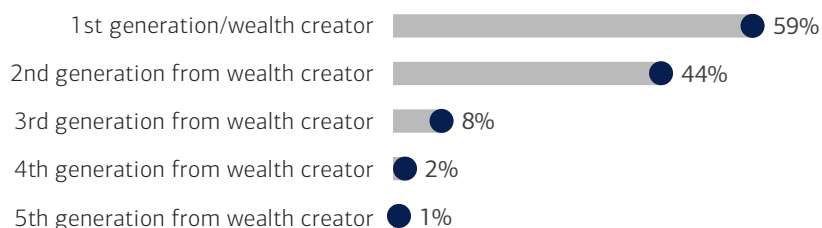


### Family office tenure



Family offices in our study support 10 family members on average, with 70% of family offices supporting two or more principals, and 75% supporting more than one generation. The first generation supported by family offices usually comes from Generation X or the Baby Boomer generation, while the second-generation family members are typically Millennials or Generation X.

### Generation of current principal





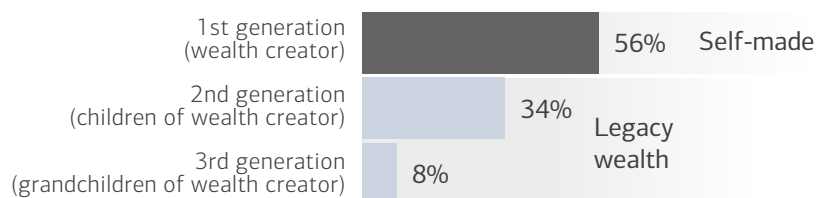
# A portrait of the modern family office

## Built first for oversight, then legacy

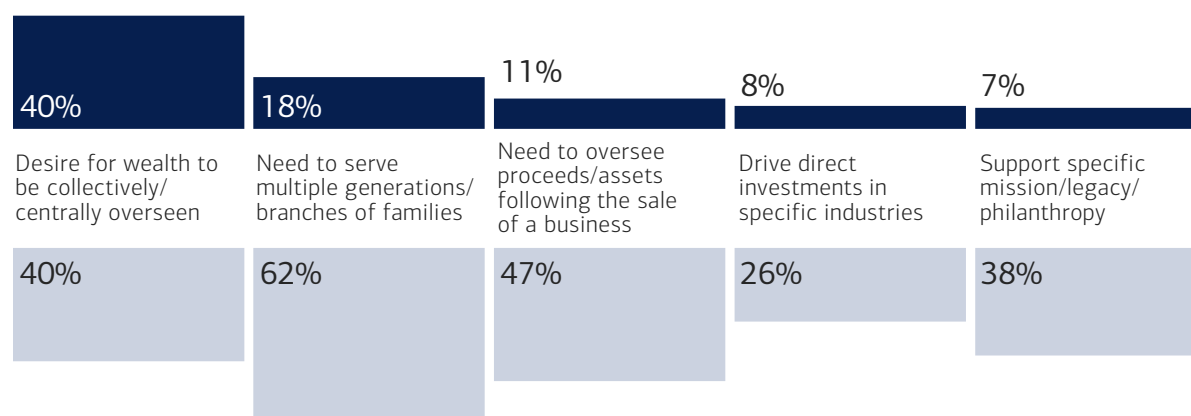
More than half of the family offices in our study were founded by first-generation wealth creators who, in many cases, were seeking centralized oversight of their assets. Fewer than one in five currently operating were established with future generations in mind. When family offices are set up to serve multiple generations, they are most often founded by second- or third-generation heirs who are inheritors of legacy wealth.

## The origin of the family office

Generation that created the family office



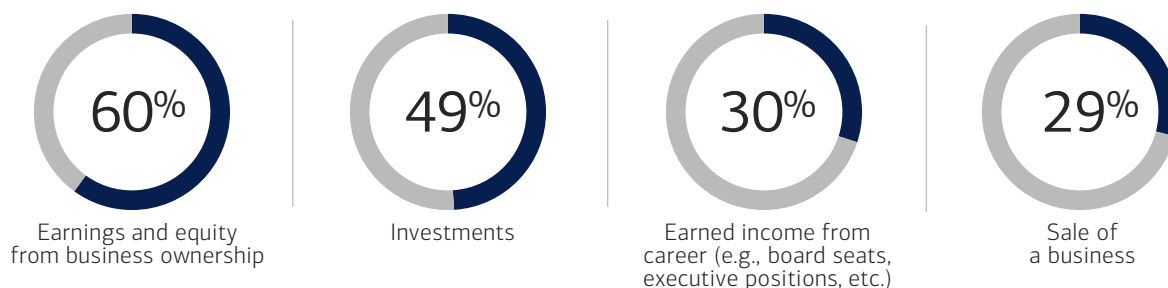
■ Among all family offices    ■ Among offices formed with legacy wealth



The wealth that drives the creation of these family offices may have originated from multiple sources, but business ownership is a top contributor. Sixty percent of survey respondents indicated that the assets stem from earnings and equity from business ownership, and 29% of offices report that the wealth originated from the sale of a business.

### Wealth often stems from business ownership

Wealth origin

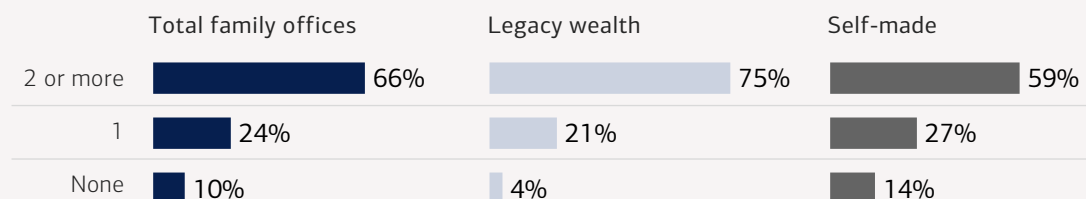


### Family in the office

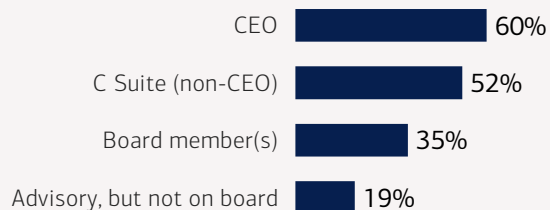
Family members are active participants in the day-to-day operation of family offices. Two-thirds of offices employ two or more family members, most often in the C-suite or on the board, where they help guide strategy, asset allocation and investment decisions, and governance. This is more prevalent in offices with assets under management (AUM) between \$500 million and \$1 billion, as well as those founded by next-generation family members.

### Family members hold key positions in offices

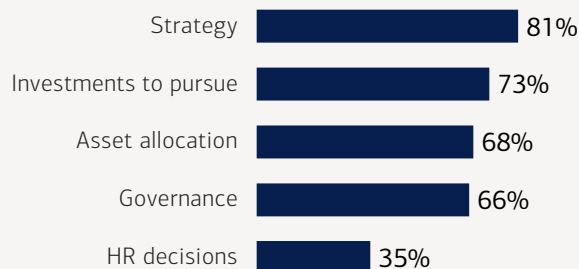
Number of family members working within office



### Roles family members hold



### Types of decisions family members are making within office



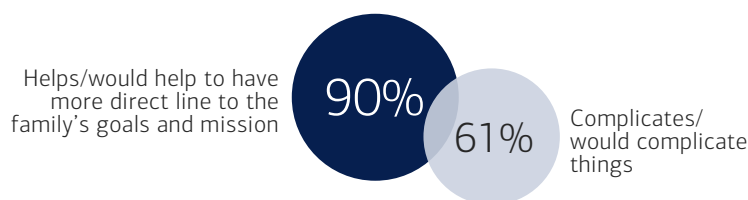
Most survey participants agreed that having family members working in the office can make things easier and provide a direct link to the family's goals and mission. However, non-family respondents also said that family involvement in the office can add complexity.

More than three-quarters of offices have principals who are moderately to extremely involved in managing operations. We found that principals who are fully involved in the family office typically belong to longer-tenured offices that support more family members. These offices tend to have more principals involved than offices with less-involved principals. Highly involved principals also tend to take a more active, deliberate role in succession planning versus less involved principals.

"Succession planning is a key concern as leadership transitions approach."

— Chief Financial Officer (<\$500M AUM)

## How family involvement impacts operations



## Older offices supporting more family members tend to have more engaged principals

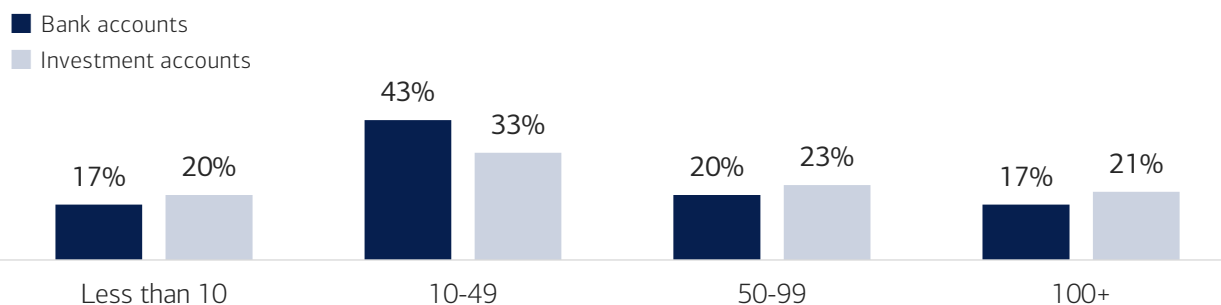
|                                           | Average family members supported | Average principals supported | Average age of family office |
|-------------------------------------------|----------------------------------|------------------------------|------------------------------|
| Moderately/extremely involved principals  | 13                               | 3                            | 21                           |
| Slightly & not at all involved principals | 7                                | 2                            | 16                           |

## The hidden complexity of managing a family office

Complexity is in the DNA of family offices, which must serve the needs of multiple family members and administer extensive day-to-day operations, while simultaneously seeking to grow and preserve wealth across generations. Even newer offices that serve smaller families are likely to manage multiple investment and banking accounts, trusts and limited liability companies, and real estate portfolios. Many will assist with a family business and sometimes, art collections. We found that one-third of family offices manage 50 or more bank accounts, and more than 40% manage more than 50 investment accounts. For family offices managing \$1 billion or more in assets, 32% have 100 or more bank accounts and 39% manage 100 or more investment accounts.

## Family offices oversee a significant number of accounts

Number of accounts

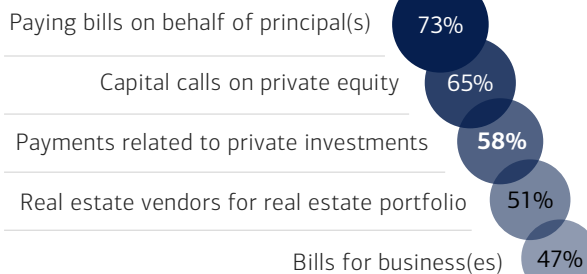




Nearly three-quarters of family offices pay bills for principals, and two-thirds handle capital calls. These money management tasks can add up, particularly for offices with higher assets under management: More than one-third of family offices make 100 or more wire or other external payments each month and 14% make more than 500 payments monthly. Thirty-nine percent of offices - and 50% of offices supporting five or more family members - make payments by check rather than an automated clearing house or digital wire.

## Family offices handle high payment volumes

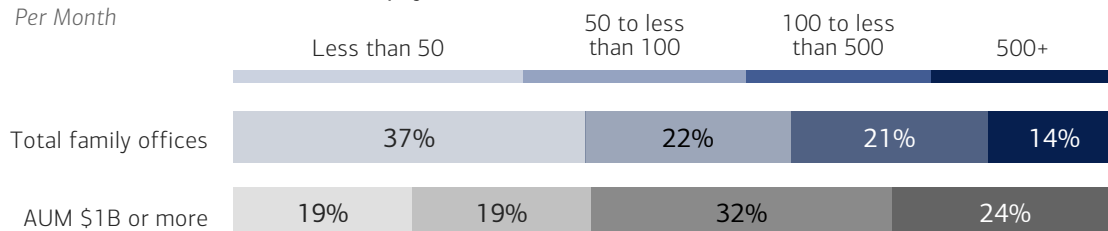
### Payment responsibilities



**Given this complexity, family offices report that when it comes to banking, they prioritize efficient and secure money movement and full visibility across all accounts. More than half of family offices indicate these banking topics are extremely important and slightly less than half think fraud prevention tools are extremely important (48%).**

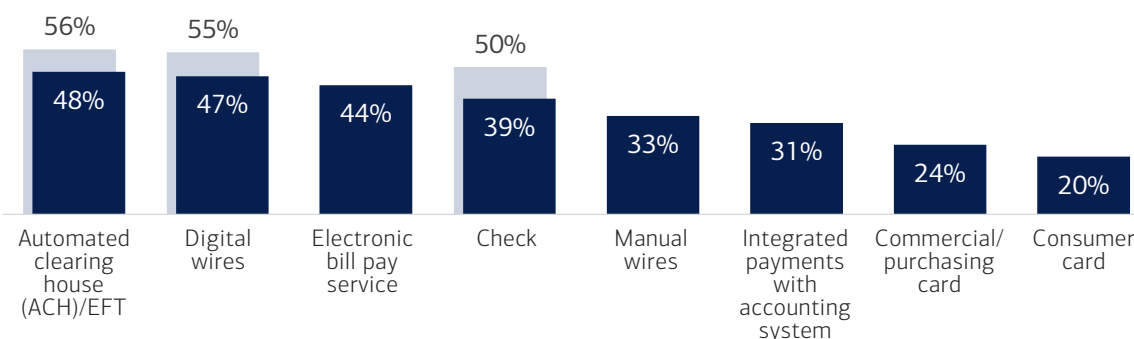
### Number of wires and/or external payments

Per Month



### Primary means of making payments

Among offices supporting more than five family members



Most offices cannot handle every need in-house. As a result, many offices partially or fully outsource certain functions that require additional expertise or staffing. Commonly outsourced tasks include tax services, legal services, trust and estate planning and administration, specialty investments and technology services. Additionally, among offices managing each respective task fully in-house today, those that would benefit most from outsourcing include trusts and estate planning, data aggregation, cybersecurity, tax services and accounting. From an operational perspective, outsourcing offers clear benefits, but it also creates complexity as offices may need to partner with and manage multiple service providers.

### Outsourcing can help family offices meet specific needs

Top 5 aspects that could be beneficial to outsource among those handling the aspects fully-in house currently



An additional complicating factor is that nearly 60% of family offices are likely to face a succession in the next 10 years. With a new generation of leaders comes the potential for redefining the office's mission, new investment and estate planning strategies, and a rethinking of the technology infrastructure.

### Tasks handled fully in-house vs. outsourced

|                                           | Fully In-House | Partially or fully outsourced |
|-------------------------------------------|----------------|-------------------------------|
| <b>Average tasks handled:</b>             | <b>7</b>       | <b>9</b>                      |
| Household management                      | 72%            | 22%                           |
| Bill pay                                  | 71%            | 28%                           |
| Next-generation education/family meetings | 69%            | 28%                           |
| Financial planning for family members     | 66%            | 34%                           |
| Accounting                                | 44%            | 57%                           |
| Philanthropy services                     | 43%            | 53%                           |
| Alternative investments                   | 40%            | 59%                           |
| Cybersecurity                             | 37%            | 62%                           |
| Sustainable/impact investments*           | 36%            | 47%                           |
| Trusts and estate planning                | 36%            | 65%                           |
| Public investments                        | 33%            | 65%                           |
| General legal services                    | 32%            | 69%                           |
| Data aggregation                          | 29%            | 67%                           |
| Tax services                              | 25%            | 76%                           |
| Corporate fiduciary                       | 25%            | 67%                           |
| Infrastructure/technology systems         | 24%            | 75%                           |
| Art/collectibles services*                | 17%            | 31%                           |
| Aircraft management*                      | 8%             | 33%                           |

\*Art/collectible services, aircraft management, and sustainable/impact investing are not applicable to more than half of family offices.

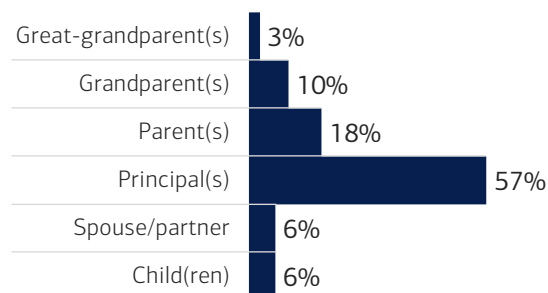
## Family businesses play a key role

Sixty percent of family offices report that their founding assets originated from a family business. Often, these companies continue to operate, but it is also common for principals in subsequent generations to start new ventures. Overall, 85% of family offices in our study indicated that a family member own or invest in a business currently generating wealth for the office. In most cases, these businesses were founded by a current principal.

### Principals often start the family business, particularly those who created the wealth

#### Who founded family business

By relation to principal

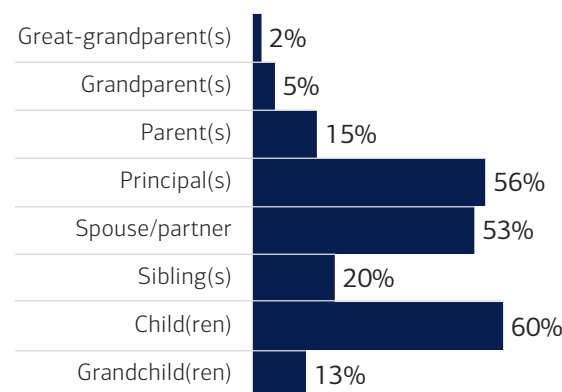


Family offices often arise out of family businesses, and the organizations can remain interconnected. Family members frequently work at these businesses, especially when the current principal is not the original wealth creator. In fact, across family businesses overall, more than half of principals and their spouses, and around 60% of their children, are involved in the family business.

### Family members often work for the business

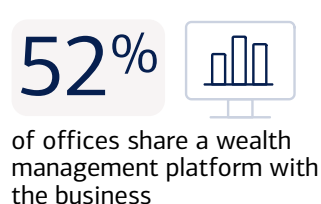
#### Family member involvement

By relation to principal



Family offices often leverage existing business infrastructure and may share administrative functions, office space and key personnel. Nearly half of family offices share employees with the family business and say these employees are moderately to extremely involved. Meanwhile, roughly half of family offices say they pay some bills for the business. Fifty-two percent also share their wealth management platforms, which typically provide accounting and investment reporting functions.

### Shared resources between family offices and businesses



While half of families have no plans to monetize the family business, more than 70% have a written succession plan that can range from a simple memorandum to a comprehensive, well-documented strategy. Twenty-eight percent say they have not documented a succession plan or have no succession plan at all. Over half of family offices have not communicated the plan to everyone affected. Only 12% have not communicated the succession plan at all and do not intend to share it.

“Ongoing challenge is succession planning - ensuring the next generation is both educated and involved in wealth management without creating conflict or losing strategic direction.”

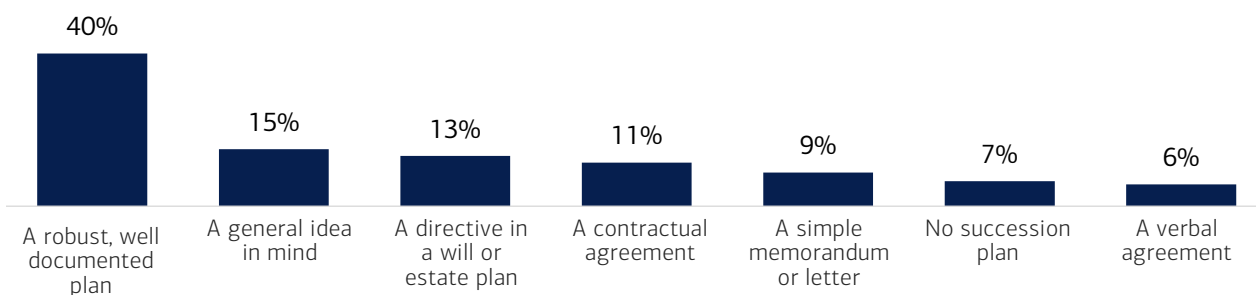
— Chief Investment Officer (\$500M-<\$1B AUM)

## Family business succession and monetization plans

### Business monetization timeframe

|                                                     | Total family offices | 1-5 family members supported | More than 5 family members supported |
|-----------------------------------------------------|----------------------|------------------------------|--------------------------------------|
| Within 5 years                                      | 23%                  | 31%                          | 17%                                  |
| 6-10 years                                          | 14%                  | 19%                          | 11%                                  |
| More than 10 years                                  | 10%                  | 10%                          | 11%                                  |
| Family does not have any plans to sell the business | 50%                  | 39%                          | 57%                                  |

### Business succession plan





## Family offices seek guidance for impactful philanthropy

Supporting causes important to family members can be a key part of a family office's mission. Philanthropy is significantly more common in family offices with governance structures in place. Among those, 68% engage the support of the family office. In addition, 7% of offices were created with the primary purpose of serving family mission, legacy or philanthropic goals.

When the family office is involved in philanthropy, 44% handle these services entirely in-house, while the majority partially or fully outsource them. An additional 32% of family offices believe they would benefit from outsourcing philanthropic services.

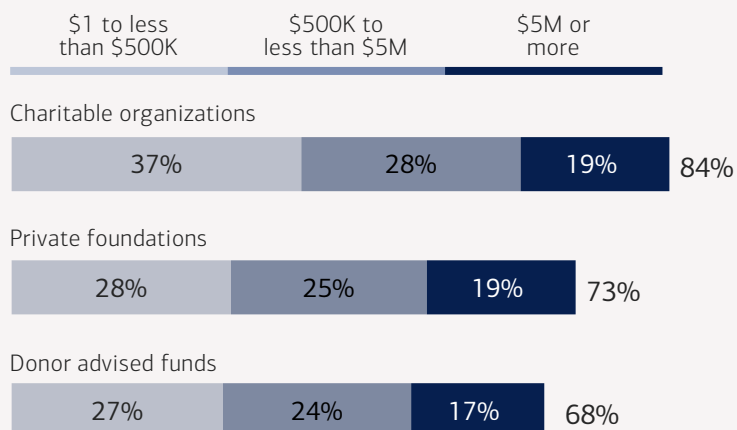
Philanthropy often is important to the rising generation. Fifty-one percent of family offices expect philanthropic goals and strategy to have increased importance when control of the office transitions to the next generation. Family offices that are led by the 2nd-5th generations are more likely to measure philanthropy's success by how it increases the next generation's confidence. These generations have likely benefited from seeing how the wealth creator and other previous generations engage in philanthropy and understand its importance to the family's legacy.

Family offices engaged in philanthropy typically donate assets to charitable organizations annually, with nearly half gifting \$500,000 or more. Offices with assets under management of \$500 million or more are significantly more likely to donate directly to charitable organizations as well as making contributions to giving vehicles including donor advised funds and private foundations. Offices with a family business are also more likely than those without a business to make annual philanthropic contributions.

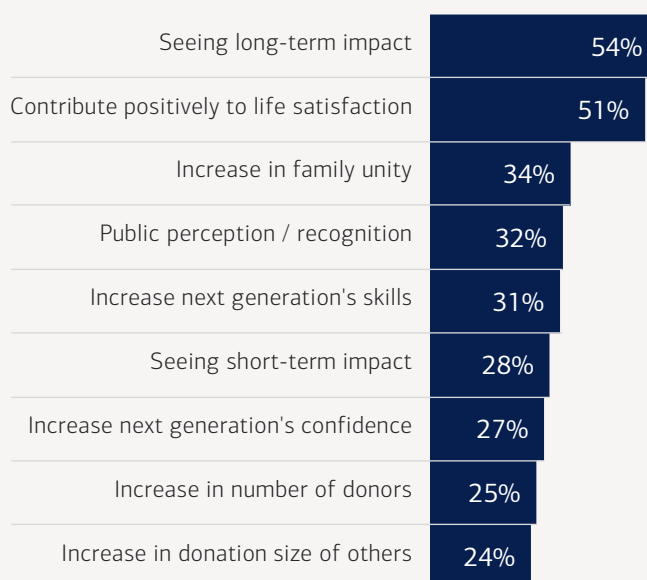
Family offices measure the success of their philanthropic activities across multiple metrics. Most say that philanthropy is successful when they see a long-term impact or when the program contributes to life satisfaction.

### Family offices engaged in philanthropy typically make annual gifts

#### Assets transferred annually



### Measuring the success of philanthropic activities



## Key challenges facing the modern family office

When asked about their biggest challenges today, family offices offered a wide range of responses. Many factors differentiate these offices: how long they've been in operation, their assets under management, the generation and involvement of the principal, the number of employees, and more. Consequently, we observed that each family office perceives its situation somewhat differently. In reviewing these responses, however, we identified common themes that apply broadly to family offices today and offer a framework for the remainder of the report.

### Top challenges of family offices today

Percentage of family offices challenged by each category and sub-category

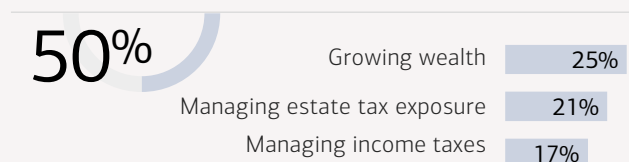
#### Investing, growing and preserving wealth:

How family offices currently allocate their investment portfolios and perceive opportunities, and their wealth preservation plans.



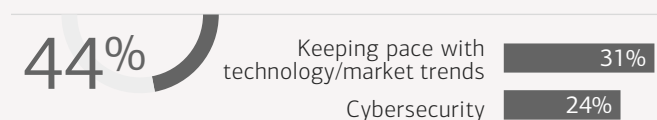
#### The strategic use of credit:

How family offices view and use credit today.



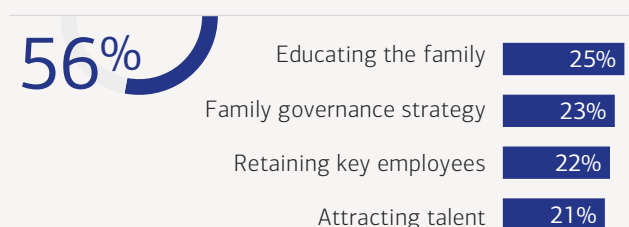
#### The role of technology:

How family offices are using technology and artificial intelligence, and concerns about cybersecurity.



#### Planning for the future:

The governance structures family offices currently have in place and how they are preparing for and bringing in the next generation.



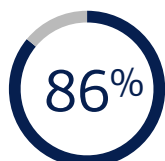


# Investing, growing and preserving wealth

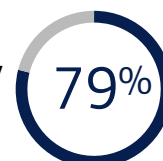
## Investment diversification remains a key priority

Investing, growing and preserving wealth were identified as top challenges for family offices. For most, particularly those that support multiple principals, the family is actively involved in investment decision-making. Sixty percent of family offices reported feeling optimistic about the direction of U.S. equities, private equity, and mergers and acquisitions activity over the next year. More than half of offices managing \$500 million or more also believe U.S. GDP growth will increase during the next year.

**Family office maintains a diversified portfolio**



**Family is moderately or extremely involved in decision-making**

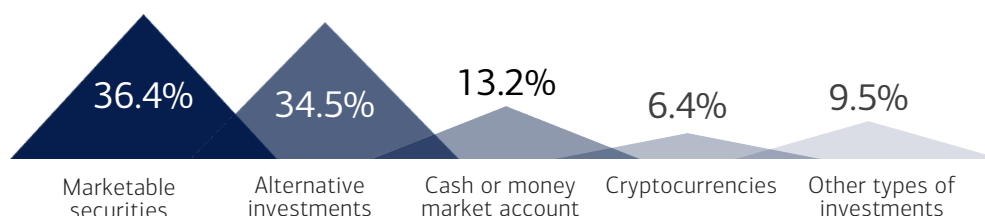


Most family offices hold diversified portfolios, with the percentage increasing when multiple principals are involved and as assets under management increase. Interestingly, even though 90% of family offices with more than \$1 billion in assets say they hold a diversified portfolio today, more than 40% plan to further diversify their holdings in the next two years. About two-thirds of respondents favor a conservative approach.

Portfolio allocations vary based on assets under management. Family offices with less than \$500 million allocate more heavily to marketable securities like public equities and fixed income; for those with \$500 million or more, the largest allocations are to alternative investments.

## Portfolios are balanced between alternative investments and marketable securities

Average investment allocations



## Family offices access alternatives through funds and direct investments

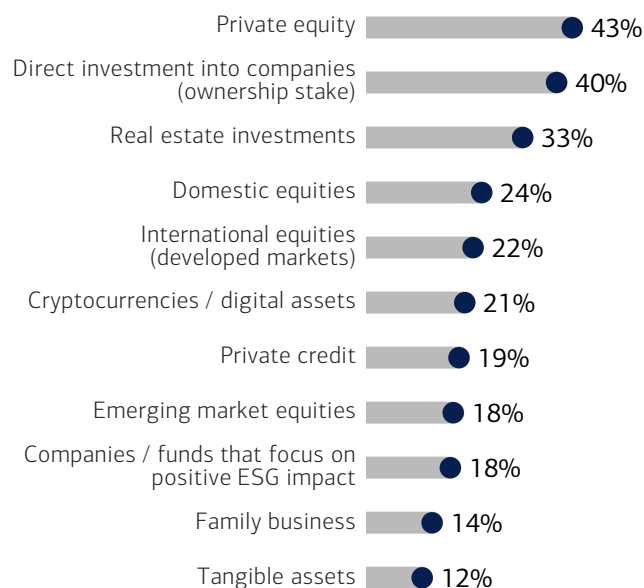
Family offices typically split alternative investment allocations between fund-based and direct investments. Certain types of alternatives, such as private real estate, investments in private companies and gold, attract more direct investment, regardless of family office size. Family offices with more than \$1 billion in AUM are more likely to make direct investments in private equity and venture capital.

While earnings and equity from business ownership helped fund 60% of family offices, only 14% view family businesses as the most promising future investments.

**Instead, family offices believe that private equity, direct investments into companies, and real estate investments offer the best return potential.**

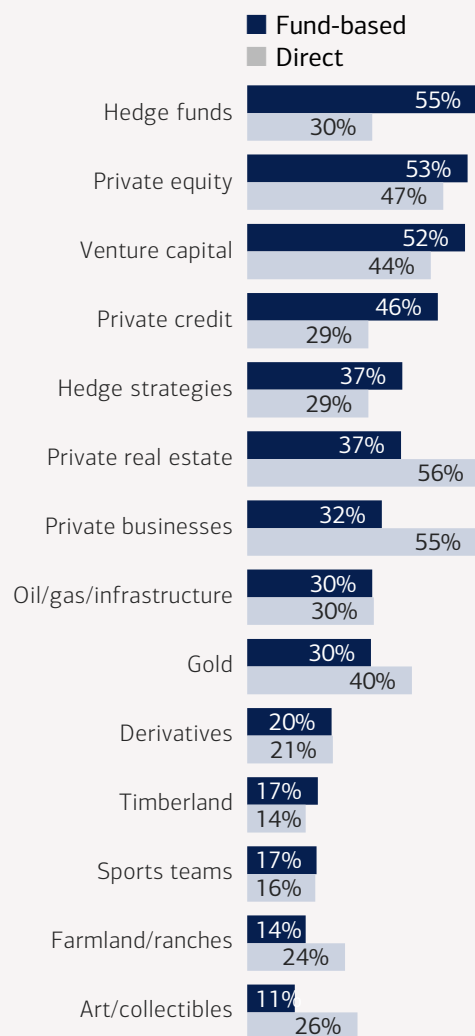
### Opportunity seen in private investments and real estate

Greatest opportunities to create wealth for family office in the future



## Alternative investment allocations split between funds and direct investments

### Alternative Investments



### Average investment allocations



## Preserving wealth across generations

Families employ a variety of strategies to preserve wealth and transfer it efficiently to the next generation. Irrevocable trusts, in particular, are principal wealth preservation vehicles for family offices participating in the survey, with more than half of them employing 10 or more trusts. That number increases with assets under management, with more than 40% of offices with at least \$1 billion in AUM having 50 or more trusts.

### Family offices manage a significant number of trusts

Trusts & LLCs



Fifty-five percent of family offices oversee more than \$100 million in assets in irrevocable trusts not subject to estate taxes upon the death of the most senior generation. Family offices supporting Generation Z or younger family members are more likely to hold more assets in trust than those that do not support younger family members. Meanwhile, larger family offices, as measured by the number of employees, are significantly more likely to have \$500 million or more held in irrevocable trusts.

### Most offices hold more than \$100 million in irrevocable trusts

Value of assets held in trusts not subject to estate taxes at the death of the most-senior generation



When it comes to fiduciary oversight of trusts, more than half of family offices designate a family member as trustee. Just under half are likely to suggest working with a corporate trustee. Fifty-four percent of offices that have operated for 10 years or more are somewhat or very likely to suggest a corporate trustee, versus 32% of offices that are less than 10 years old.

“Tax landscape keeps shifting which complicates our estate planning.”

— Chief Executive Officer (\$500M-<\$1B AUM)



# The strategic use of credit

## Credit use is limited among family offices today

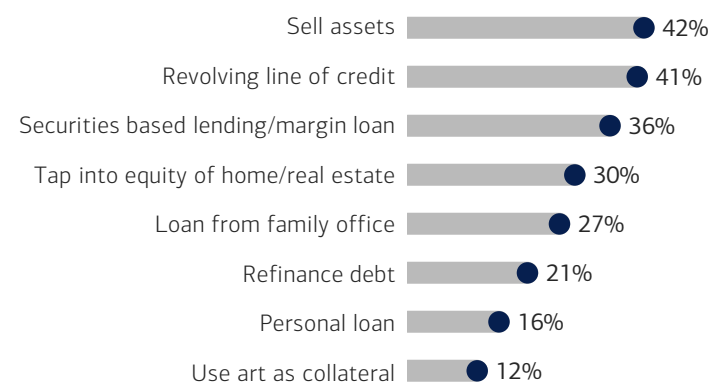
Family offices have myriad opportunities to use credit strategically to preserve and build wealth, but only about one in three takes advantage of them on a regular basis. Forty-two percent say they will take on debt outside of revolving credit only when absolutely necessary, a percentage that increases in offices serving multiple principals. When they need to access liquidity, family offices are more likely to sell assets than to take out a loan. The most common reasons to use credit are to stay invested, to make direct investments or large acquisitions, and to minimize tax liability.

## One-third of family offices use debt strategically

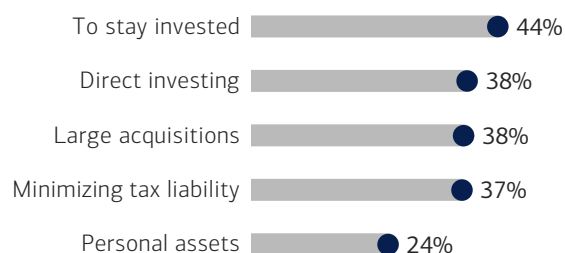
Perspectives on using debt (outside of revolving credit)



### Accessing Liquidity



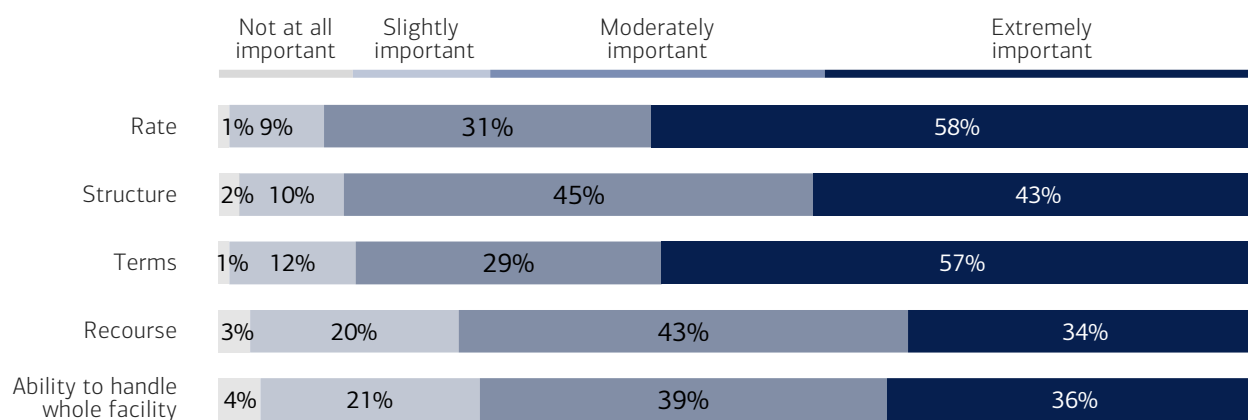
### Reasons for leveraging credit



Nearly nine in 10 family offices say interest rates are a moderately to extremely important consideration when taking out a loan. That percentage increases in offices with fully involved principals and in those supporting more family members. Other important factors include the loan rate, structure and terms.

**Among offices that support a family's art collection, only 30% say they would leverage the collection itself as collateral today, but nearly half say they are likely to do so in the future.**

#### Loan/Credit importance



Slightly more than 1 in 3 offices have had no change in the family's propensity to invest in non-liquid assets in the last three years while more than half have noticed an increase. With more of the family assets in non-liquid investments, it underscores the importance for family offices to think strategically about their use of credit and how to access additional liquidity if the family needs it.

#### Family investment in non-liquid assets in the last three years



"Managing liquidity across different accounts and entities while still meeting commitments is becoming more complex."

— Chief Executive Officer (\$1B+ AUM)



# The role of technology

## Technology infrastructure and automation

Nearly all family offices report using at least one wealth management platform to address needs such as accounting, investment data aggregation, performance analysis and reporting, and bill payment. Fifty-four percent of family offices use a single platform, but those established 10 or more years ago are more likely to use multiple platforms. Although three-quarters of offices that use multiple platforms say they work together, the top platform improvement need among family offices is better integration capabilities.

Family offices' top use for technology in wealth management is portfolio modeling, forecasting and risk management; increasing staffing efficiency; and automating portfolio allocations and rebalancing.

## Investment analysis is the top use for technology

### Role of technology in wealth management



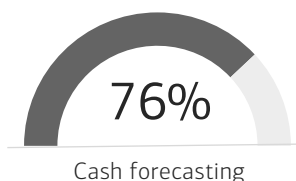
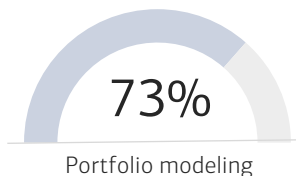
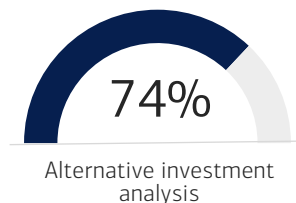
**Respondents noted that automation will become especially important for alternative investment analysis, as well as for portfolio modeling and cash forecasting.**

Whether to reduce costs or complexity, most family offices work with outside partners for technology support. Forty-one percent of family offices completely outsource their technology systems, and 39% partially outsource them. Only 24% manage their infrastructure and technology systems completely in-house. About 70% of family offices also partially or fully outsource data aggregation, and 40% who handle it in house believe outsourcing would offer benefits.

“We face the challenge of integrating new technologies while maintaining operational security and privacy.”

— Chief Investment Officer (\$1B+ AUM)

Importance of automation  
Moderately/extremely important

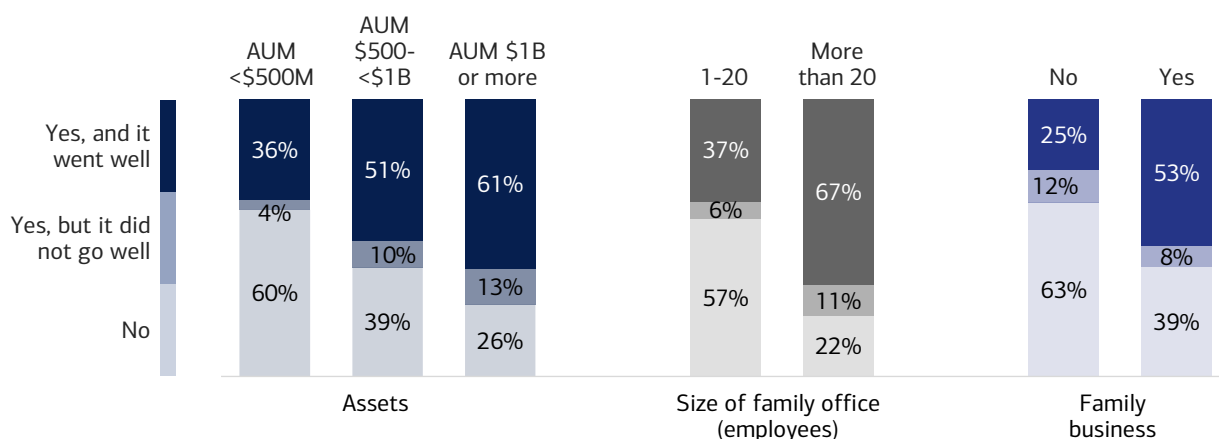


## Family offices are embracing artificial intelligence

Family offices see potential opportunities and risks in employing artificial intelligence (AI) in their operations. Fifty-seven percent of offices have used AI for various aspects of investment research, and most feel it went well. Larger and more experienced offices, as well as those with a family business, are more likely to report having used AI in the past.

### Larger offices are earlier adopters of AI

AI usage to influence investment strategies

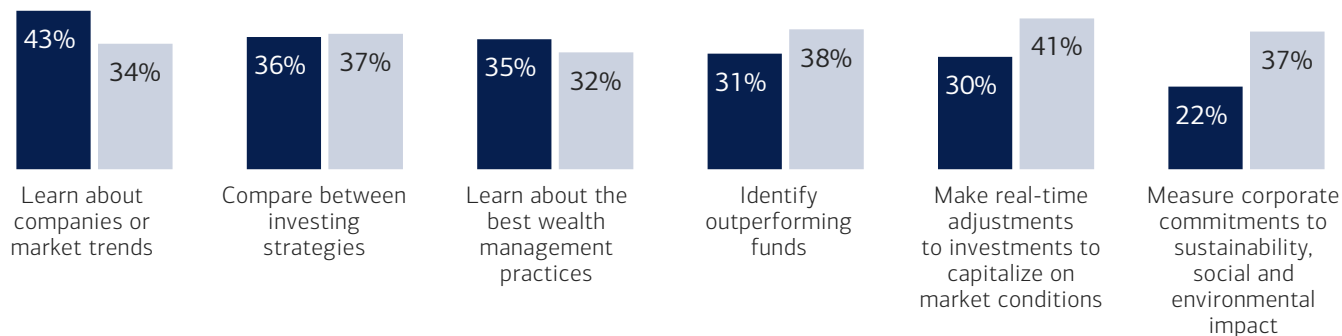


Nearly nine in 10 family offices agree that AI has the potential to improve investment returns. For those that have used or plan to use AI, the top three applications are researching companies or market trends, comparing different investment strategies, and learning about best wealth management practices. However, roughly two-thirds of respondents also worry that AI might produce inaccurate information and could threaten personal privacy and data security. Nearly three-quarters of survey participants believe the use of AI will increase when the next generation takes control of the office.

## Most family offices think AI could improve investment returns

Current and anticipated usage of AI

■ Have used AI ■ Plan to use AI



Somewhat/strongly agree

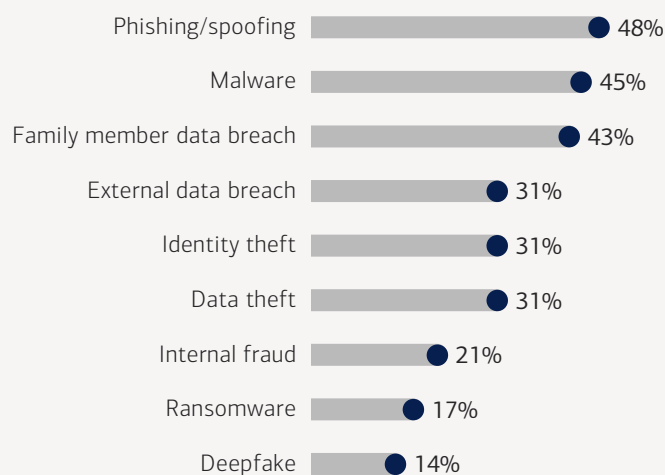


## Cybersecurity is a critical priority

Nearly one-third of family offices or supported family members have experienced a cyberattack, with a concerning 40% of those reporting that the attack had a moderately to extremely significant impact on family assets. These cyberattacks typically impact individual(s) in the family but can also impact the family office and family business. Larger family offices supporting more family members or that employ a larger staff are more likely to have experienced a cyberattack.

## Organizations face varied cyberthreats

Types of cyberattacks experienced





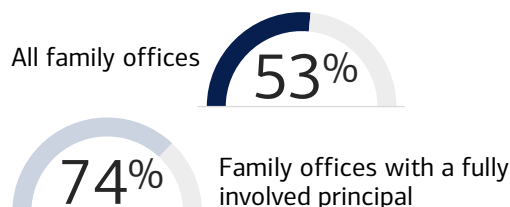
The most common types of attacks are phishing/spoofing, malware and data breaches. Despite the financial risks these attacks pose, only 53% of family offices report feeling knowledgeable about cyber threats, though that number increases to 74% when there is a highly involved principal. Only 46% of family offices report that next-generation family members have received cybersecurity education; 35% of those without training believe it could be helpful.

To reduce the risk of cyberattacks, 42% of family offices look to external IT specialists, while those with more than 20 employees or more than \$1 billion in assets are more likely to hire dedicated, in-house support. Threat mitigation measures most often include data security policies, back-up services and dual authorization of payment, with larger offices implementing more comprehensive safeguards. Surprisingly, the survey found that 10% of family offices managing less than \$500 million have no process in place for preventing cyberattacks.

“Cybersecurity remains a constant threat and we are trying to stay ahead.”  
— Chief Financial Officer (<\$500M AUM)

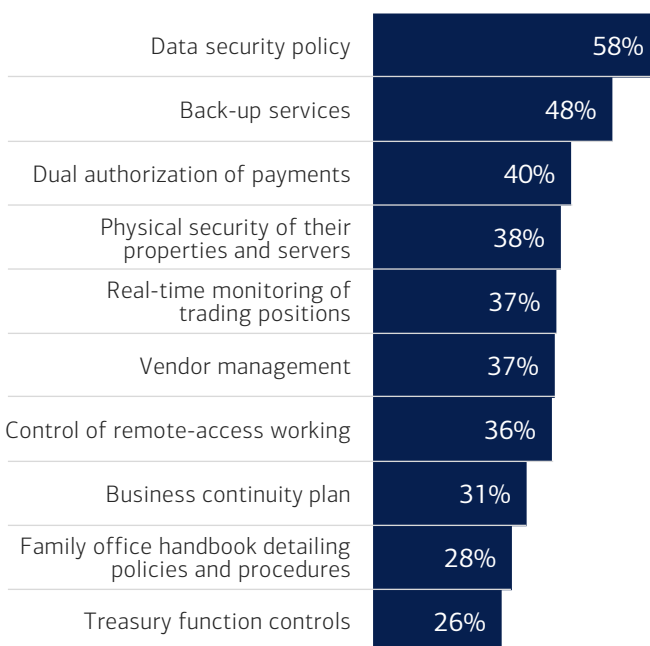
## Family knowledge level on the risks of cyberattacks

*Moderately/extremely knowledgeable*



## A multi-pronged approach to preventing cyberattacks

Risk mitigation measures that offices are utilizing



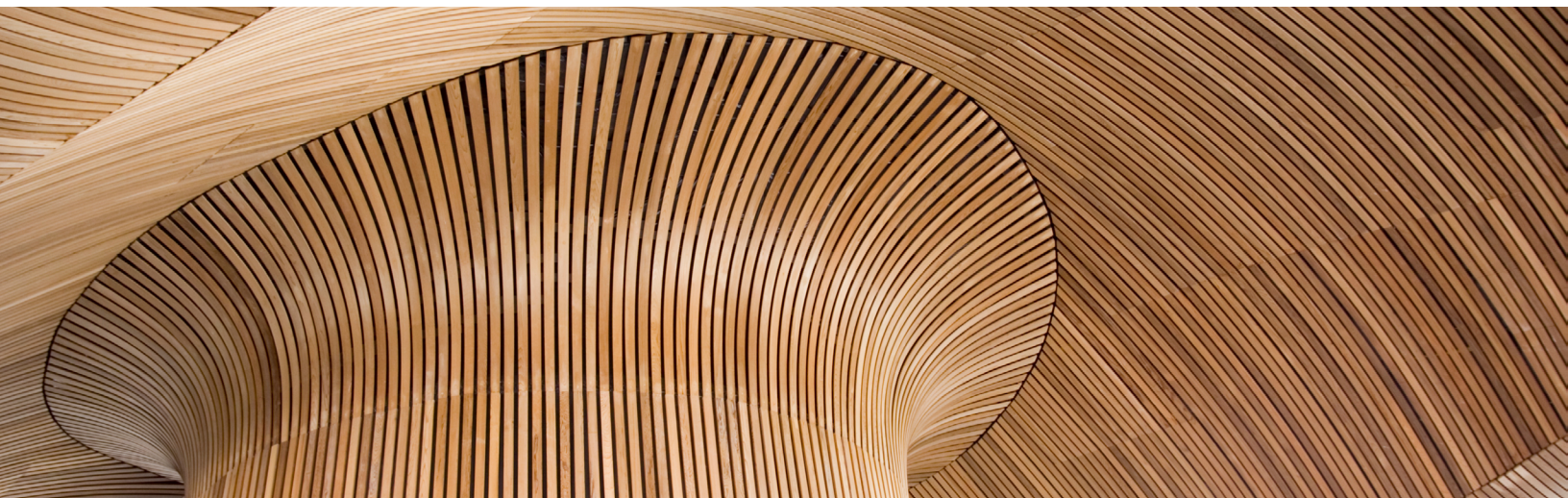
Meanwhile, 39% of family offices have experienced fraud, with family members the most frequent victims. Offices supporting Generation Z or younger family members are disproportionately affected, and credit card fraud is the most prevalent type.

## Fraud most often targets family members

**Fraud types experienced**

*Among those who have experienced fraud*





## Planning for the future

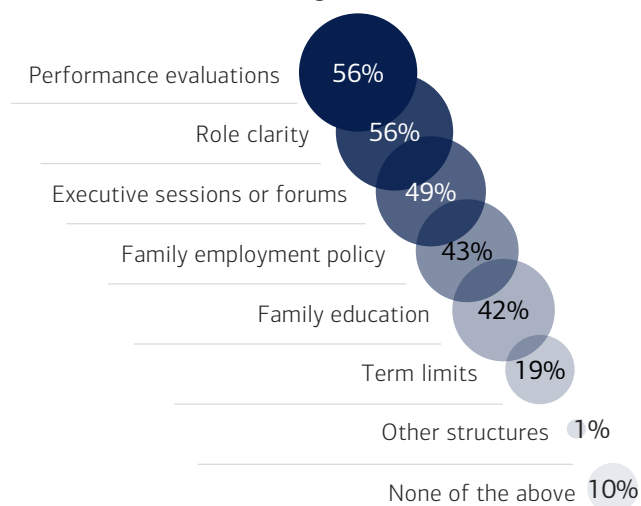
### Most family offices have some governance structures

Ninety percent of family offices report having some governance structures in place. Still, 33% of offices less than 10 years old identify governance as their primary challenge, and 40% of offices across the board say this is an area where they could benefit from outside support.

The most common governance structures across family offices are performance evaluations and role clarity, which may be particularly important given the likelihood of family members working in the office. Larger family offices are more likely to have such structures in place. Similarly, larger family offices report holding executive sessions or forums, something that is less common in smaller offices. The small percentage of family offices with no governance structures in place said they are unlikely to adopt any.

### Top governance structures focus on talent and education

#### Governance structures being used



Family offices connected to a family business often have policies that govern the terms under which family members can work in the company. Three out of four family offices that share employees with the business report having these policies, indicating that at least some of these shared employees are family members.

## Rules for family members working in the business

### Family office/family business policy



## Planning for family office succession

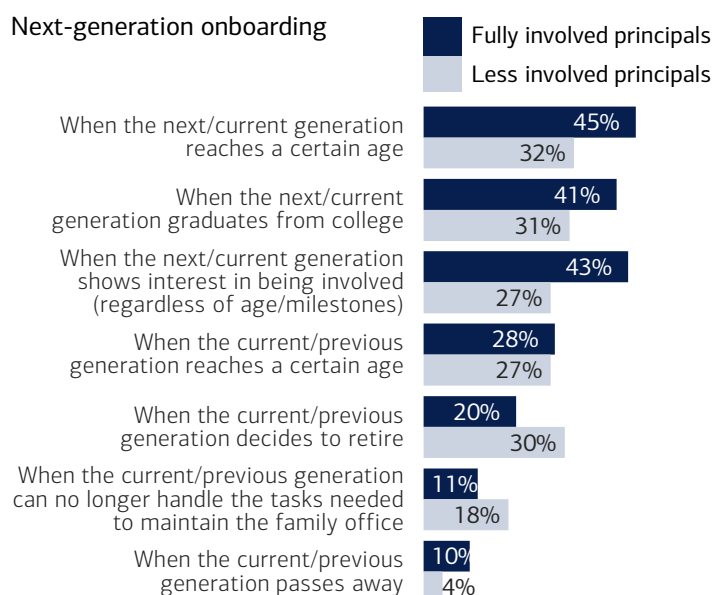
Generational handovers are inevitable for family offices, and 80% of those with next-generation family members have a principal who plans to transition responsibility, in most cases within the next decade. Additionally, 86% of principals have identified at least one family member who could assume responsibility for the office down the road.

Principals who are fully involved in decision-making tend to be intentional about bringing next-generation family members into the office, usually when they reach a certain age or show interest. Their goal is likely to help ensure a smooth and gradual transition when the next generation is ready.

**Additionally, 45% of family offices with highly involved principals have governance strategies specific to family education, compared with 36% of family offices with less involved principals.**

However, highly involved principals are also more likely to restrict what information can be shared with the next generation. Offices supporting more than five family members report similar information restrictions, likely due to the more varied roles and responsibilities common within larger families.

## Fully involved principals are intentional about transitions



## Family offices have identified next-gen principals

### Principal(s) plans to turn over responsibility of the office to the next generation



## Educating the next generation

As family offices begin to support next-generation family members, educating them becomes a priority. Many family offices rank educating the next generation as their second-biggest challenge, especially newer offices, those with less than \$500 million in assets, and offices in which the principal is not the wealth creator.

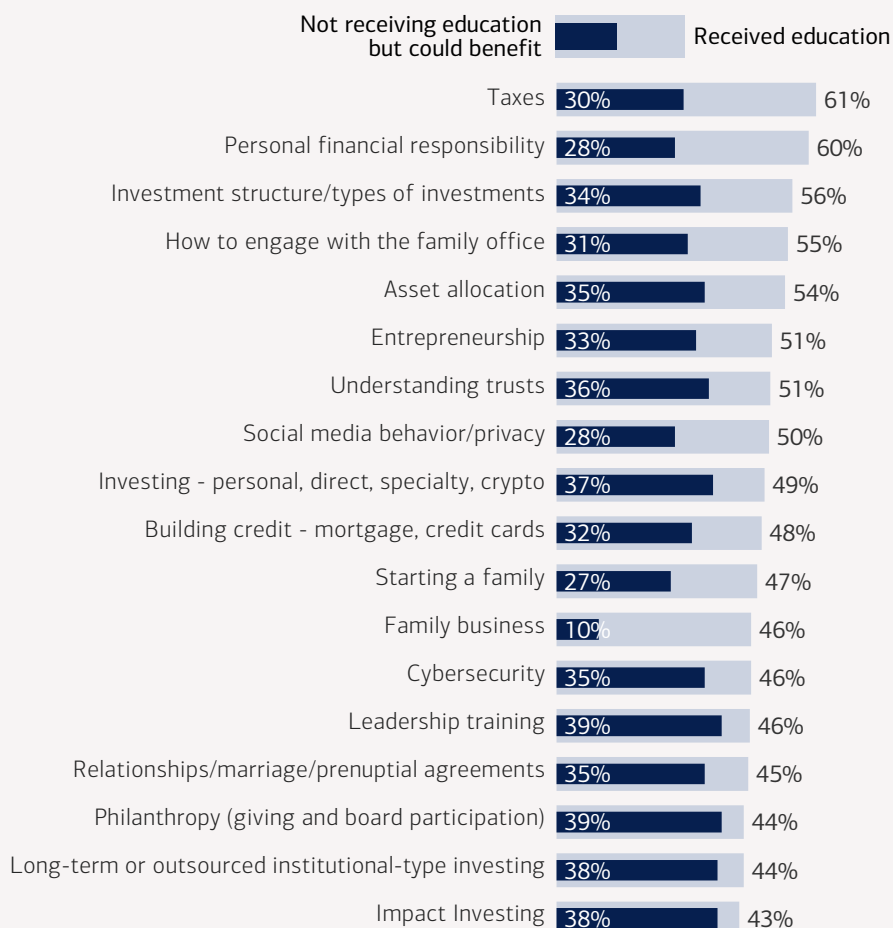
About 70% of family offices handle at least some next-generation education and meetings in-house. The most common topics include taxes and personal financial responsibility. Topics that are less-often covered in-house, but that were identified as potentially beneficial, include leadership, philanthropy and different facets of investing.

Where do family offices rank educating the family among top challenges?

|                 |     |                                                               |
|-----------------|-----|---------------------------------------------------------------|
| 5 <sup>th</sup> | 23% | Total family offices                                          |
| 2 <sup>nd</sup> | 29% | Offices with less than \$500M in assets under management      |
| 2 <sup>nd</sup> | 31% | Offices less than 10 years old                                |
| 2 <sup>nd</sup> | 30% | Principal is not the wealth creator (tied with cybersecurity) |

### Next-gen education is a concern for newer, smaller and legacy offices

Education of next generation by family office



## Changes expected with generational transitions

Most family offices anticipate a transition period when the next generation takes over. This could be a time of growth as younger principals introduce new ideas. Along these lines, family offices expect the next generation to increase the use of technology, artificial intelligence and cybersecurity solutions, and to make higher allocations to alternative investments. Just over half of family offices believe that credit use will stay about the same and that the next generation will continue working with the same partners and providers.

Families with principals who are less engaged in decision-making today, however, expect that the next generation will implement more significant changes, perhaps believing they will be more involved, at least at first, and eager to make their mark.

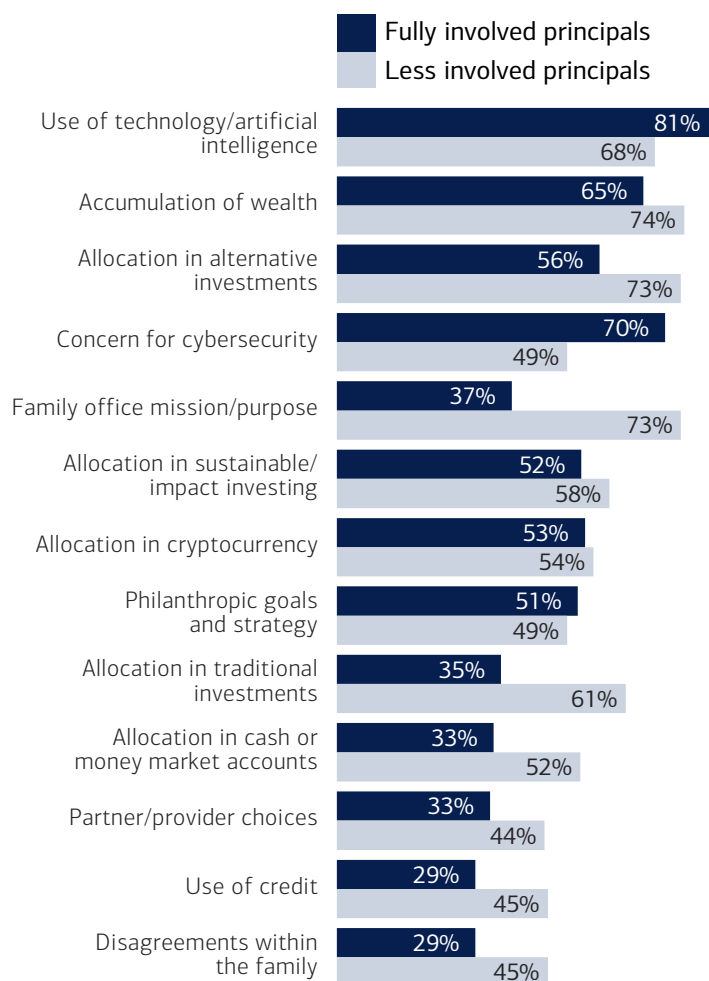
**Perhaps the most notable finding is that 73% of family offices with a less-involved principal anticipate the next generation will change the mission or purpose of the office, compared with 37% of offices with a fully involved principal.**

In some cases, there may even be a decision to sunset the family office if it no longer serves its purpose, the next generation is not interested or qualified to continue it, or they determine that the cost of operating the office is too high.

### Following a succession, change is expected

#### Anticipated change following succession

*Increase by current principal involvement*





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# Acknowledgment

We want to thank the family offices that took part in our study. Research is only as good as the data behind it, and we value the time and effort you dedicated to the survey and your insightful comments. With a significant wealth transfer underway, the modern family office is likely to evolve as younger generations step into new roles and make their mark. In the coming years, this research will track and reflect that change, and serve as a guidepost for our own work with family offices.

**Investing involves risk. There is always the potential of losing money when you invest in securities. Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.**

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