The evolution of family offices

As family offices change, so do best practices

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Over the past two decades, family offices have experienced significant growth and transformation, leading to a wide array of choices for families looking to staff their family office with experienced professionals, or to select services and technology. As family offices evolve, the opportunities and challenges for their leaders have also multiplied, requiring a modern approach to structuring and managing these entities.

Family offices have been around since the late 19th century, starting with the Rockefellers and other ultra-wealthy families. The primary goal was to protect, grow and pass down wealth through generations. These early family offices, or what UBS's Mark Tepsich calls **Family Office 1.0**, were simple in structure, typically focused on investment management and trust services.

In the early 2000s, the wealth landscape shifted dramatically with the rise of the tech industry and the creation of billionaires seemingly overnight. This period of rapid growth is what Mark Tepsich has coined **Family Office 2.0**, and it is characterized by the growth in both the number and the complexity of family offices. For instance, the number of billionaires in the US nearly tripled from 298 in 2000 to almost 800 by 2023, and globally, the number of ultra high net worth individuals has doubled in the past two decades.[1] This growth in wealth spurred an increase in the number of family offices, with over 8,000 existing today compared with about 6,100 in 2019.[2] With this growth, family offices became more sophisticated, moving beyond simple wealth preservation to more dynamic investment strategies, such as venture capital and direct deals.

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Family Office 3.0

The industry is now seeing a third, dramatic leap to professionalize, streamline and standardize operations. Family offices these days are akin to institutional investors in terms of complexity and investment approach. No longer just investing in a fund, they are the general partners; they are the venture capitalists. I see the industry connecting on invitation-only platforms designed for family offices to share deal flow—further identifying the players who can make investments individually that traditional investment advisors cannot.

[1] Statistica, 2024.
[2] "Defining the Family Office Landscape, 2024," *The Family Office Insight Series—Global Edition*, Deloitte Private, 2024.

The technologies that support family offices are changing just as rapidly. The rise of software solutions designed for family offices is one of the most noticeable shifts. In 2004, family offices relied on spreadsheets or traditional financial software not tailored to their specific needs, and the number of family office-centric software platforms was extremely limited. Fewer than five significant software packages specifically marketed to family offices existed in 2004, according to the historical Google search function.

Today, there are over 30 specialized software platforms for family offices that offer a range of services, from consolidated reporting to tax, estate and portfolio management. This leap in software availability reflects the increasing complexity and sophistication of family offices. In addition to financial reporting platforms, there are tools for document management, client portals and even AI-powered solutions coming online to further support the complex and individualistic approaches to family offices.

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This growth in technology is further reflected in the tremendous gains family offices have made in online visibility. A search for the term "family office" in 2004 would have yielded roughly 200,000 hits. Today, a similar search generates over 10 million hits, demonstrating a surge in public interest and media coverage, as well as the formalization of the family office as an industry. This increase in online presence mirrors the growing number of family offices, the creation of professional associations, and the proliferation of educational resources geared toward wealth management and family office operations.

My journey: Lessons learned

I began my journey in the family office space during the Family Office 2.0 era, joining a large single family office in 2004. At that time, the term "family office" was rarely used, even though we handled all the typical functions: managing businesses, overseeing real estate and personal properties, and providing concierge services. The third-generation office I worked for was highly traditional, yet it offered an early lesson in the value of meticulous organization. The family cataloged everything—from art and collectibles to household inventories—at a granular level. This system of asset tracking, which might seem excessive to some, was a critical tool for managing budgets and understanding lifestyle costs. It taught me the importance of not just managing wealth, but also educating the next generation on the practical aspects of stewardship.

By 2007, I moved to a tech founder's family office, stepping into an operations role. This experience was transformative. In just one year, the office expanded fourfold, and we had to rapidly develop systems to keep pace with the growth. Here, I learned the power of structured processes and the necessity of balancing day-to-day activities with long-term strategic planning. We also had to navigate the complexities of managing multiple families under one office, which ultimately led to splitting the office into two distinct entities. The process wasn't always seamless. With a younger management team performing newly created roles with limited family office experience, we didn't always communicate well. At one point, our management team underwent a strategic planning retreat that included group coaching and communication training. This allowed us to better understand each other and move the vision forward. The entire experience was a lesson in adaptability, resourcefulness and the importance of knowing when to seek external expertise.

In 2014, armed with a decade of experience, I was entrusted with setting up a new family office from scratch for a former principal. It was a chance to apply the best practices I had learned, yet the family office ecosystem was still evolving. Instead of the structured frameworks available through various resources today, we relied on personal networks and word of mouth. We set up a formal hiring procedure, but we found ourselves hiring under duress and ignored some of the rules we had put in place. This resulted in some poor hiring choices that set both the team and progress back. The lesson I learned is that adaptability and resourcefulness are critical in navigating emerging industries—when traditional channels are underdeveloped, you must leverage the tools available, even if they're informal—but following process is still a must.

After a brief pause to focus on family, I founded EFO Advisory Services in 2018 to meet the growing demand for operational expertise within family offices. Working for multiple clients as opposed to just one SFO, I was exposed to MFO structures, a wide array of RIAs, and numerous accounting, tax, legal, security and IT firms. I realized that many families were unintentionally reinventing the wheel and not treating their family office as a business.

This reinforced my view that a family office with a business mindset allows for more efficient operations and sustainable growth. While we remained agnostic and put multiple accounting and tax firms into our client's RFPs, Andersen was chosen more often than not. We repeatedly worked with Andersen over a five-year period, and I saw firsthand the value they brought through their expertise in family office tax strategy, private accounting, compensation consulting, and valuation, as well as their international tax and legal services. This collaboration ultimately led me to join Andersen in 2024, where I now contribute to our expanded family office offerings, helping to bridge the gap between tradition and innovation in this dynamic field.

Navigating a fragmented market

The wealth of options today can pose challenges. Most family offices are small, with limited internal resources, making it difficult to assess the multitude of available providers, from legal services to tech solutions. Additionally, as family offices grow and serve more households, the complexity of managing different interests and risk tolerances increases.

However, with the right approach, these changes offer the possibility for a best of both worlds scenario. As families face the daunting array of choices in services and technologies, the hybrid family office model has emerged as a leading solution. This model blends a small in-house team with a network of specialized external providers. By outsourcing specific functions like tax strategy, accounting, investment management and legal services to experts, families can benefit from a customized, high-performance team without the overhead of maintaining these capabilities in-house.

To take one example, consider how a family office might outsource the accounting function. Outsourcing accounting to a specialized firm trained to service family offices allows access to higher levels of expertise and a more efficient operational structure. Larger firms often have the resources to invest in ongoing staff development and training, ensuring that their professionals stay at the forefront of industry best practices and regulatory changes. Additionally, outsourcing eliminates the need for the family office to handle recruitment, onboarding and succession planning, as these tasks are absorbed by the external firm. This reduces operational costs and streamlines management. Moreover, specialized firms are often able to offer more competitive salaries and career progression opportunities than an individual family office could, attracting top talent and providing more stability for their teams. This structure benefits both the family office, which gains access to a broader pool of experts, and the employees, who have more room for growth within a larger organization.

Another significant benefit is the cost savings related to best-in-class accounting software. High-quality accounting platforms come with expensive licensing fees and require continual updates and maintenance. By outsourcing, family offices can leverage the sophisticated software already implemented by the external firm without having to bear the full cost of ownership. The outsourced firm can spread these costs across multiple clients, enabling the family office to benefit from cutting-edge technology at a fraction of the price it would incur if managing the software in-house. This allows the family office to scale more efficiently, as the firm helps to optimize costs without sacrificing quality.

An explosion of options

As families look to set up a family office or improve the operational ecosystem of their current family office, they will find an increasing number of choices in a variety of areas:

Operations and services. Third-party vendors offer services ranging from accounting with concierge services to estate management, construction management, concierge travel and aviation support. Whereas in the past, family offices looking for assistance primarily found investment and accounting firms that happened to take family offices as clients; now there are specialized firms (or groups within larger firms) focused on family offices.

Family office professionals. More family offices lead to more employees with family office experience. These are people who understand the speed and complexity of working in a family office environment—and they are available for hire, either by other single family offices or by firms providing specialized family office services. Employees from the largest family offices—and some members of wealthy families—have also gone on to start their own firms to provide services to the field.

Investment options. Investment options for family offices have expanded significantly as the number of wealthy families and the scale of their assets have grown. Today, many family offices are not only acting as large institutional investors, but are also carving out their own investment paths by becoming general partners, making direct investments and co-investing alongside other institutional investors. One key advantage family offices have over traditional private equity or venture capital firms is their ability to remain patient with their investments, free from the pressure to meet short-term return benchmarks or the strict timelines imposed by fund structures. This long-term view allows them to invest in opportunities that may take years to fully mature, such as early-stage start-ups, impact-driven ventures or real estate developments, and to ride out market volatility with more flexibility.

Family offices are also more willing to engage in bespoke and alternative investments that require a higher degree of customization and due diligence. They can structure deals with terms tailored to their specific goals, such as seeking minority stakes, providing growth capital or pursuing joint ventures. This flexibility often positions them as attractive partners for entrepreneurs and businesses seeking patient capital, as they are not bound by the typical exit horizons that private equity or VC firms might impose.

Additionally, the rise of boutique investment firms that focus exclusively on the ultra high net worth market has given family offices access to specialized expertise, niche strategies and curated deal flow. These boutique firms often focus on areas such as private credit, venture debt, infrastructure and sustainable investments—allowing family offices to diversify beyond traditional asset classes while maintaining a personalized and highly sophisticated investment approach.

Technology. Technology offerings are increasingly designed specifically for family offices. The number of software packages offering consolidated reporting, for example, has increased significantly. The same can be said for trust and estate, collectibles and property management.

Benefits and challenges

Rather than being overwhelmed by all these choices, family offices should take advantage of these options to choose the best of the specialists in each area—creating efficient processes and preparing for growth. This dramatic increase in options can lead to benefits for family offices:

More efficient operations. With more choices, it's more likely that a family office will find an option—whether they are looking at a software package or a service provider—that's a good fit. Experienced family office professionals, both those hired internally and those who work for specialized service providers, will know best practices for areas such as wealth management, trust and estate services, tax planning, accounting, reporting, lifestyle concierge services, philanthropy and family governance.

Better data. More data—about investments, best practices at other family offices or trends in areas such as philanthropy—helps family office leaders make better decisions. The internet and, increasingly, AI are making this data even more accessible.

More specialized support networks. There have long been membership groups for wealthy families, but as the number of ultra high net worth families has grown, these networking groups have become more stratified. This makes it easier for family office leaders to find a group whose offerings meet their needs.

However, the fragmentation of the family office services market can end up being hard to navigate. Most family offices have small staffs, so they may lack the time and expertise to evaluate all the options for everything from legal services to technology to investing. Even evaluating potential staff members or advisors can take time and resources: after all, it's easy for anyone who has worked with wealthy families to advertise themselves as a family office expert, but that doesn't mean they have the deep expertise needed.

Best practices for family offices

The saying, "If you've seen one family office, you've seen one family office" is popular and true—up to a point. That said, there are foundational best practices that anyone who is setting up or reorganizing a family office may find helpful. These big-picture best practices can provide touchpoints for those sifting through the many options for all the services that family offices need.

Begin with the mission. The mission of the family office is the foundation for all the other decisions—about its structure and size, about who will provide services, about which functions will be performed in-house vs. outsourced.

If the mission of a family office is philanthropy, for example, then an aggressive investment firm may not make the best partner. If the mission is to preserve wealth rather than to grow it, then private equity investments may not be the best fit.

Understanding the mission—which is set by the family and carried out by the family office leaders, whether they are family members or hired professionals—is the key to all subsequent decisions.

Think of advisors as if they are "just down the hall." Success depends on how well the team works together and shares information across departments. Working with advisors as if they are members of the overall team will result in a more effective family office operation. If a family wants to optimize on tax, then the tax team needs to know about transactions long before they happen—not after the fact. If they want their investment team to have the ability to invest without surprising them with a large need for liquidity, then the investment team should be working hand-in-hand with the accounting and tax teams.

Professionalize the family office. The most successful family offices view their wealth and assets as a business. And the net worth of most family offices is enough to be considered a mid-market or large enterprise.

This can be a difficult transition for some families, though. Most families or individuals who have created and amassed wealth above $100 million—enough to support a family office structure—did so through successful business creation, growth and a subsequent wealth event. The principal may have had the vision behind the business, but they had an operations and executive team that brought them to the finish line. Without the appropriate tax or corporate structure, executive team and systems built through operations behind their idea, they wouldn't have gotten very far.

The same rings true for a family office, but many families don't look at their personal wealth as a business. It may take even the most successful family years and multiple mishaps before they professionalize their office.

Once a family office has professionalized and invested in their operations as a core function of the office, the family often sees an increase in productivity and service with a decrease in the need for their time and the overall cost.

Conduct due diligence on potential providers. A successful family office is most often composed of internal and external resources, bringing together the best service providers in each discipline. This means it's important to know who the industry experts are—using client references and other research. Some ways to dig deeper than the standard sales pitch: ask for a reference for a project that didn't end up being successful; or ask vendors how many clients fall within a specific net worth range; or how many continue with their services from year to year.

Don't forget to include an operational team. The operations team of a family office is usually not principal-facing, nor are they credited with how successful the family office is. However, without them—and their systems, processes and policies—most family offices are little more than a group of people reacting to the family's needs and requests.

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Want to learn more about Family Office Solutions?

Family Office Solutions is a team of specialists that works exclusively with qualified US ultra high net worth families and family offices. The team helps clients navigate the challenges and opportunities across their family enterprises, including their businesses, family offices, philanthropic structures, and passions and interests. Having this expertise under one roof allows for integration and layering of services across the UBS ecosystem, delivering a personalized, holistic client experience.

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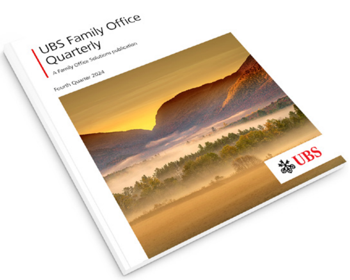

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