THE FAMILY OFFICE OPERATIONAL EXCELLENCE REPORT 2024

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THE FAMILY OFFICE OPERATIONAL EXCELLENCE REPORT 2024

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Price is what you pay, value is what you get.

Warren Buffett

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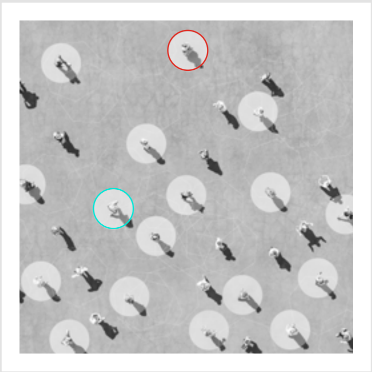
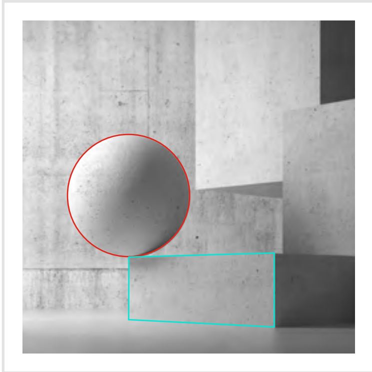
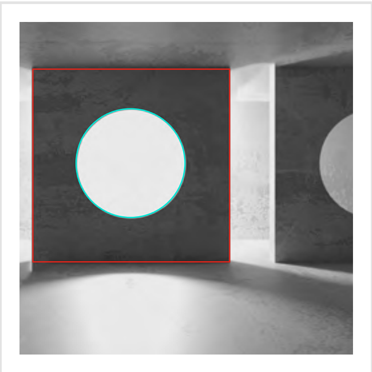
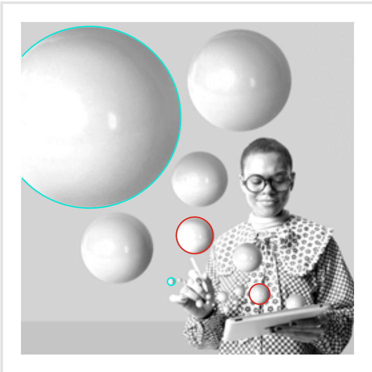
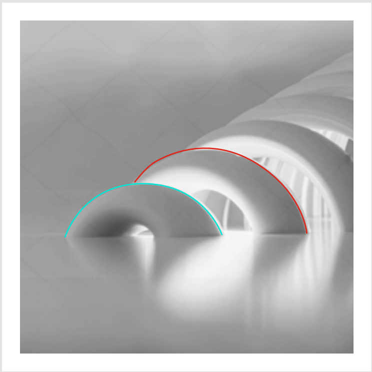
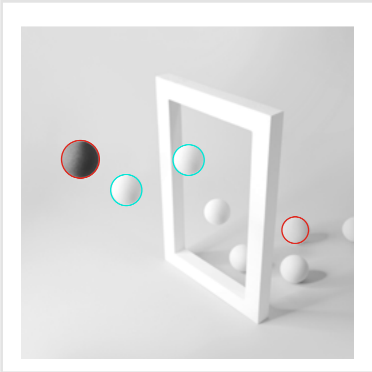


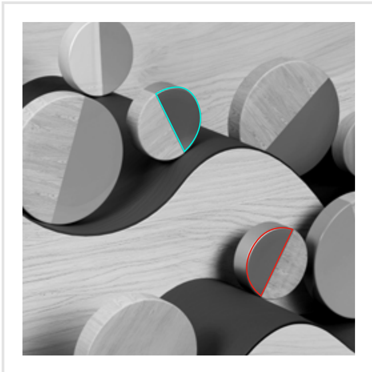












Forewords

Dear reader,

Family offices are often perceived as enigmatic entities, operating behind closed doors, shrouded in mystery. However, they are, at their core, businesses striving for excellence, just like any other enterprise. Constantly evaluating their strategies, operations, and technology, they are on a perpetual quest for improvement. Yet, what defines operational excellence for family offices remains a multifaceted question, complicated by the unique nature of each office.

In this report, our aim is clear: to replace heuristic rules of thumb with hard data, offering empirical insights and benchmarking data tailored to family offices of different sizes and vintages. We understand that what constitutes 'best practice' for one family office may not necessarily apply to another. Through careful segmentation of survey data, we illuminate trends and disparities, shedding light on the varied approaches to operational efficiency within the family office landscape.

Our methodology hinges on gauging satisfaction levels — a tangible indicator of operational success. By assessing the satisfaction of both family members and staff, we gain valuable insights into the efficacy of family office functions. We find that attributes such as maintaining family privacy, cultivating a dedicated workforce, and making informed, timely decisions are hallmarks of operational excellence in family offices.

We extend our heartfelt appreciation to the members of the family office community who generously shared their insights through our survey and interviews. Your contributions serve as a beacon of knowledge for others navigating the intricate terrain of family office management. Additionally, we express our gratitude to our partner, AITi Tiedemann Global, whose support has been instrumental in bringing this report to fruition.

It is our sincere hope that this document will serve as a valuable resource and guide for the family wealth community, offering clarity amidst the complexities of family office operations. Together, let us embark on a journey towards operational excellence, empowering family offices to fulfill their mission of stewardship and prosperity.

Warm regards,

Dominic Samuelson
Chief Executive Officer
Campden Wealth

Dear reader,

We are living in a time of exponential change fueled by a multitude of economic, technological, political, and social factors. Families and the family offices that serve them need to evolve to navigate the risks and to capitalize on the opportunities that face them today. As a global multi-family office partnering with many of the world's wealthiest families and family offices, we have witnessed and participated in a transformation of the industry over the past two decades where the scope of services has expanded and family wealth matters have become more complex, forcing the family office to adapt.

It is with all this in mind that we proudly partner with Campden Wealth to bring you this inaugural report focused exclusively on family office operational excellence. We are grateful to the 98 family offices who participated in the research. Without them, we could not offer such a rich guide of benchmark data and insights.

In an effort to dive deeper into 'how' a family office achieves operational excellence, we invite you to reflect on the *family* and the *office* as two separate but integrated and equally important pillars. Together they drive the success of a family office. How well the *office* operates is tied to key factors analyzed in the study such as costs, talent, technology, and operational risk management. How well the *family* functions is driven by governance, education, succession, and satisfaction amongst other things. When aligned and in sync, both can flourish.

In this study, we are pleased to have the opportunity to add our insights based on our own pursuits of operational excellence as well as those we have gained from the families and family offices we have partnered with. We hope you find the findings and conclusions relevant and helpful. We designed the report with a flexible structure and modular approach to allow readers to move easily to sections of interest without needing to read it from start to finish.

Our hope is that you discover valuable facts and insights — which may validate your own family office operations or call attention to certain areas you want to improve to achieve better outcomes and higher satisfaction. Through collaboration, sharing data and best practices, together we can improve operational excellence to the benefit of the family, the staff, and the family office. This study is one such example.

We know these insights will evolve over time and look forward to being in conversation and learning with you.

With appreciation from the entire AlTi team,

Erik Christoffersen
Head of Family Office Practice
AlTi Tiedemann Global

Introduction

The family office industry tends to primarily focus on managing investments and the risks associated with that. Family office research by the banks, accounting firms and wealth managers also narrowly focuses on the financial and legal activities. In consequence, other aspects tend to be neglected. It's often forgotten that family offices are businesses in their own right and are avidly interested in what their peers are doing to see if they can improve things. They are trying to determine what activities they should take on, whether functions should be in-house or outsourced, what technology they need, and which governance structures are most appropriate. As they strive for excellence in order to achieve better outcomes for their families, they are constantly asking – what's 'best practice'?

That said, answering this question is always difficult because family offices are not homogeneous. More importantly, it is hard to get information on how other family offices operate. The purpose of this report is to provide some empirical data which will provide family offices of different sizes and vintages with some 'best practice' and benchmark data relevant to them. Up until now, this might have been achieved through some heuristic rule of thumb. Our goal is to offer some hard evidence.

In this report, we have split our survey respondents into three groups to capture the nuance between and dynamics most relevant to each group: small family offices with assets under management (AUM) less than US $250 million, midsize family offices (AUM > US $250 million, < US $1 billion) and large family offices (AUM > US $1 billion). For example, small family offices have an average operational cost base equivalent to 0.6 percent of AUM, outsource 50 percent of their work to external vendors and 40 percent of them operate with leading-edge technology. By contrast, large family offices have costs as low as 0.2 percent of AUM, outsource only 20 percent of their work, and 70 percent employ leading-edge technology. Midsize family offices fall somewhere in-between these two parameters.

Aside from determining benchmarks, we also looked at levels of satisfaction that family offices achieve amongst their own employees as well as family members who work in the family office. We believe looking at satisfaction levels is one useful method to gauge operational excellence. The percentage of satisfied family members is highest (67 percent) in family offices with more than US $1 billion of AUM and the percentage of dissatisfied family members is highest (38 percent) among family offices with less than US $250 million. The reasons for this are not entirely clear. It may be the case that these small family offices are attempting to do too much with too little resource.

This report is based on a statistical analysis of 98 survey responses from mainly single family offices (93 percent) and some private multi-family offices. Almost all (97 percent) are located in North America. The survey was conducted between April and September 2023. Family offices participating in the survey have, on average, assets under management of US $1.4 billion; 27 percent have in excess of US $1 billion. 37 percent of respondents are family members and the remainder are senior family office executives. Confirming the fast pace of family office creation in recent years, 36 percent of participating family offices were established from 2010 onwards, and 45 percent are controlled by founders or other first-generation family members. ■

Key findings

Costs

As might be expected, investment management is the primary focus of small family offices and, on average, this function is responsible for around half of their costs. Interestingly, compensation levels for C-level executives are significantly lower than those offered by large family offices for the same roles – average compensation for a chief investment officer is US $337,000 for small vs. US $821,000 for large family offices. For large family offices, investment management accounts for around a quarter of total costs, allowing them to build out administrative functions, governance and family services. Additionally, large family offices benefit from economies of scale, with total costs averaging 0.2 percent of AUM compared to 0.6 percent for their smaller peers.

Succession

Despite the majority wanting to sustain the family office across generations, survey data reveals that only a little over half (57 percent) of family offices have a succession plan and a large proportion of these plans are incomplete or only informally discussed and agreed. Importantly, of those that don't have a plan, 65 percent were dissatisfied with their succession planning (or lack thereof).

Talent

More than 80 percent of family members were satisfied with their dedicated staff, and three out of four said that the use of in-house staff was the best way to ensure timely, consistent, high-quality output. Yet approximately 70 percent indicated difficulty recruiting staff and 65 percent of them were concerned about retaining existing staff. Understandably, staff turnover is the biggest operational concern for family offices after cybersecurity.

Outsourcing

Irrespective of size, all family offices agree (100 percent) that outsourcing in select areas allows them to deliver value by focusing on the internal operations they do best. Virtually every family office outsources some activities to external vendors. The percentage of work outsourced increases as the asset size decreases – 20 percent for large family offices, rising to 50 percent for their smaller peers. Most outsource because the cost of employment and limited workflow wouldn't justify a full-time employee. It's also an effective way to get access to specialized expertise when finding or recruiting such talent in-house is challenging.

Satisfaction

The majority of employees and family members who work in their family office are satisfied with the operations. But satisfaction levels are noticeably higher among employees than family members. Family members working in a large family office (AUM > US $1 billion) are much more likely to be satisfied than those working in a small family office (AUM < US $250 million) where dissatisfaction levels are highest.

Governance documentation

Sustaining the family office for multiple generations requires effective governance. Research discovered that typically many first- and second-generation family offices do not have a formal, documented decision-making framework in place. Only around half of them have a mission statement, while family constitutions and codified family histories are rare. While many large family offices have mission statements, adoption rates for family constitutions and histories are also low for this segment.

Operational risks

It is encouraging that more than two thirds of family offices have implemented foundational measures to reduce operational risks, including back-up servers, dual authorization of payments and control of remote-access working. But there is a marked difference between large and small family offices. A majority of large family offices have adopted five or more of the eight risk reduction strategies we presented to them. By contrast, the majority of small family offices have adopted just four or less. Likewise, family offices established before the turn of the millennium (in the 1970s, 1980s and 1990s) have a higher adoption rate than those established in the 2000s. This suggests that as family offices mature and become more knowledgeable, they focus more resources on risk management of their operations.

Reporting

Increasingly, aggregating data into coherent and informative reports that will help drive better decisions is becoming an area of heightened focus. Over 80 percent of family offices express satisfaction with their ability to access data for making timely decisions, yet approximately 40 percent of them are still concerned with their reliance on spreadsheets and manual aggregation of financial data.

Wealth aggregation

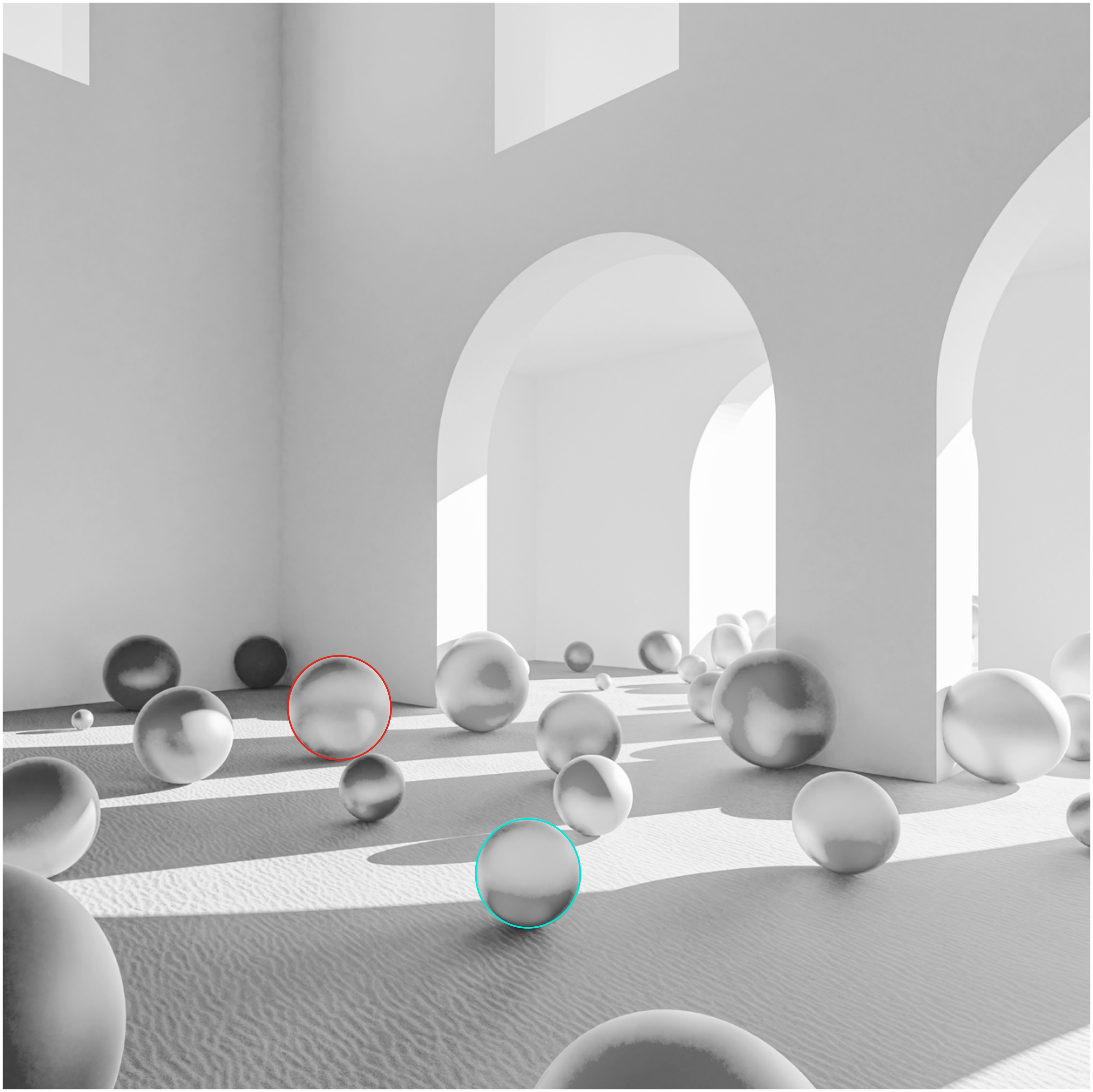
Wealth aggregation software, which provides an enterprise view of family office assets and relevant wealth information, is a relatively new addition to the technology stack, and the adoption rate is still low at 25 percent. This may be partially driven by family offices expressing a high degree of satisfaction with their current ability to access data. Additionally, the upside of wealth aggregation platforms, like adding speed and efficiency, may not be well understood.

Cybersecurity

Cybersecurity is the operational risk that concerns most family offices. This has been an issue for many years and, at some point, virtually all have relied on consultants and in-house IT staff to apply some relevant countermeasures. Yet, only 43 percent are confident or extremely confident of their ability to prevent cyber-attacks doing serious damage, leaving the majority worried and uncertain. Somewhat surprisingly, this is much more of a worry for midsize and large family offices than their smaller peers. Possible explanations are that the latter outsource many of their key systems or are yet to identify cybersecurity as a major risk.

Technology

This is a major investment area for family offices, but only 26 percent of survey participants claim to have leading-edge solutions for investing and operations technology. It appears that in many cases technology investment is tied to the decade the family office was created, which means many older firms have technology that is inefficient or sub-optimal. Limited spending on technology may contribute to lower efficiency and less effective reporting. Some family offices may not know what leading-edge IT solutions are available or the extent to which these solutions could improve existing systems. On the positive side, almost all family offices (85 percent) have adopted cloud-based data storage and over two thirds have implemented automated payroll and mobile data solutions.



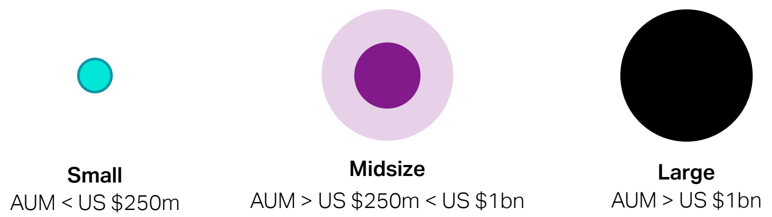
Executive summary

Operational costs

Costs vs. Satisfaction trade-off

Average operational costs (excluding investment-related fees paid to third-party managers) of family offices participating in our survey is US $5.2 million. But this figure disguises a very broad range running from US $0.7 million to US $24 million. Likewise, AUM range from less than US $150 million assets to more than US $10 billion. Family offices are not all the same. In view of this we divided our survey participants into three distinct groups, by AUM size:

Participating family offices by AUM size



Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Small family offices have, on average, costs of around US $1 million. The costs of midsize family offices are four times as high, and the costs of large family offices are three times larger still. When family offices are established, most of the initial cost goes into building the investment management function, but as they grow, administrative activities are prioritized, and employees are added to address these functions and to provide personal services to the family. This expansion is generally matched or exceeded by an increase in financial assets as a result of successful investing.

For large family offices, the ratio of costs to AUM averages 0.2 percent compared to 0.7 percent for the midsize group and 0.6 percent for the small cohort.

Key characteristics of family office groups

Family office type	Ave employees	Ave costs US $m	Ave AUM US $m	Costs/ AUM %
Small	4	1.0	172	0.6%
Midsize	7	3.6	510	0.7%
Large	14	11.0	4,700	0.2%
All	8	5.2	1,370	0.4%

Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Generally, costs at 0.2 percent or even 0.7 percent of AUM are not problematic because investment returns on AUM are so much higher, but this isn't invariably the case, for example in 2022 when returns for most family offices were in low single digits. Therefore, it's sound business sense for small and midsize family offices to keep tight control of their costs. A key device for achieving this is outsourcing. Virtually all family offices outsource to some degree, but for small family offices around half of all expenses represent the cost of outsourcing to external vendors.

In addition to cost management, the decision to keep a service in-house or outsource likely hinges on factors such as frequency, complexity and the ability to access appropriate talent. Frequently repeated, less-complex functions can be efficiently managed by generalists within the family office, but more complex specialized tasks, many of which are wealth-related (such as legal, estate and tax planning), may necessitate the expertise of external professionals. The family office can choose the best external vendor to fulfill the task when the volume / scope of work does not justify a full-time hire, a highly likely scenario for a small family office.

Although outsourcing is essential for small family offices, it does entail commitment: getting comfortable with trusting the outsourcing partners and making the effort to explain the quality and timeliness of the work expected. Not every external vendor will satisfy these criteria.

From our survey data, we noted that family members working in a large family office are much more likely to be satisfied with the key performance criteria of their family office than those working in a small family office. Doubtless there are many interconnected reasons for this aside from outsourcing. It may be the case that small family offices are simply trying to do too much with limited resources. But there does appear to be a visible trade-off going on; larger family offices have higher costs but more satisfied staff and family members.

Staff recruitment / retention

Finding and keeping good talent is challenging

More than two thirds of family offices reported having difficulty attracting talent for key positions. Recruitment is difficult because there is a limited pool of available talent. It's not just a case of attracting candidates with the appropriate professional experience and qualifications; finding talent they can trust is equally important. Further, assessing the interpersonal skills and integrity of candidates is never easy.

Not quite as difficult as staff recruitment, but still challenging, is staff retention. Two thirds of family offices view staff retention as problematic. Even though larger family offices offer much higher levels of compensation and more robust incentive plans than their smaller peers, retention problems extend across the sector irrespective of family office size. Retaining good staff is one of the biggest challenges in the pursuit of operational excellence and the effort to succeed here should not be underestimated.

Operational risk reduction

Small family offices need to do more

As custodians of substantial wealth, family offices must be permanently on their guard, aware that they are in the cross-hairs of fraudsters and scammers. Cybersecurity is the #1 operational concern. What measures do family offices take to mitigate these risks? Four in every five family offices employ back-up servers as a cybersecurity measure and to guard against accidental data loss. Dual authorization of payments is also a very common practice to mitigate the risk of fraud or human error. The majority of family offices also have data security policies, control of remote access working and business continuity plans.

In an effort to learn more about family offices' attitude towards operational risk, we identified eight common risk reduction measures and examined the extent to which they are utilized. These measures include back-up servers, dual authorization of payments, control of remote access working and business continuity planning. On average we found family offices utilize four of them, but there are significant differences by size and vintage. Only nine percent of small family offices employ five or more of these measures, compared to 43 percent of midsize and 80 percent of large family offices. Possibly part of this difference is a result of the narrower scope of in-house operations, given their propensity to outsource, but small family offices need to do more to minimize operational risk.

Technology

Older family offices use older technology

Overall, only 26 percent of respondents assess their investment and operating technology as leading-edge. This percentage is even lower among small family offices and even a third of large family offices report a reliance on older technology. It may be instructive to look at technology in relation to the vintage of the family office. Here, our data reveals that those founded before the turn of the millennium and immediately afterwards are more likely to be using older technology. This observation is consistent with the view that family offices are reluctant to upgrade processes and technologies that are working well even though new technology may render them sub-optimal. It appears that once they have something that's working, they no longer assess their needs nor aim to continually improve their systems. As might be expected, this may prove a shortsighted strategy and is unlikely to deliver operational excellence.

Wealth aggregation platforms, which offer a comprehensive view of the family office's financial position, are the most recent advanced technological solution to be added to the family office tool kit. Survey evidence points to this innovation helping family offices to make timely decisions and produce information in more accessible formats.

Governance documentation

Multigenerational sustainability of a family office requires effective governance

Family office governance documentation should include agreements that guide both the family and the office in their decision-making. A mission statement is the foundational document that defines the values, purpose, and goals of the family office. In our study 62 percent of family offices have a mission statement. Further, although most family offices have a mandate to manage the family's financial resources, surprisingly 40 percent do not have a documented strategic investment framework or investment policy that governs these decisions.

Other governance documentation such as a family constitution or codified family history can help instill a sense of unity and purpose, though they are rarely created. These guiding documents, though worthwhile for family offices no matter the size, scale, or generation of the family, are more frequently adopted by third- and fourth-generation families. The delay in developing guiding documents can be attributed to a confluence of factors including initial founder control, a prioritization of family harmony as membership expands, and the increasing complexity of wealth over time.

Satisfaction

A measure of excellence

As outside observers of family offices, it's difficult for us to get a measure of what represents operational excellence. For this report, we employed the approach of asking family office employees and family members to state their level of satisfaction with different functions and aspects of their family office. With this data, it's possible to get a sense of how family offices are serving their families.

We found the percentage of satisfied family members was highest within the large family offices group and the percentage of dissatisfied family members was highest among small family offices. Further, the longer a family office has been in existence, the higher the satisfaction rating was amongst employees and family members.

For family members working in a family office, we identified dedication of staff, privacy, value for money, timely provision of information and governance as the five critical functions with which they needed to be satisfied. Defining 'operational excellence,' as satisfying family members in at least four of these five categories, we discovered that only half of small family offices met these criteria, compared to 71 percent of midsize offices and 100 percent of larger family offices. This analysis indicates that while large and midsize family offices generally meet the formidable demands of their owners, this is less likely to be the case for smaller family offices with less than US $250 million of AUM.

Both family members and employees agree that family offices need to improve their succession policy and next-generation education. Family members also communicated an interest in improving governance, cash management, and budgeting.

↘

AITi Insight

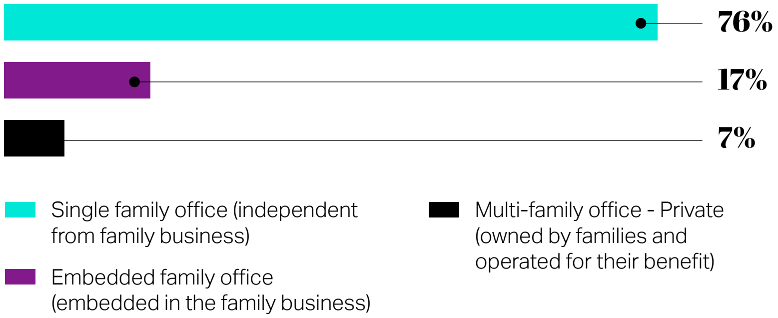
Family offices should focus on the Family and the Office

In our experience the most effective family offices divide their operations into two areas – the 'office part' related to investments, taxes, risk management, reporting etc., and the 'family part' which considers values and culture, engagement and education of rising generations, shared decision-making, wealth transfer plans, leadership succession, etc.

The top-performing family offices we work with have clearly defined needs and objectives across both sides. Family offices that have this clarity are able to develop effective structures that support what is best accomplished in-house and what is best outsourced, through a close partnership with a multi-family office partner who acts as the central hub to coordinate all external advisors. The optimization of who does what and where the work takes place is what tends to drive family office excellence.

Section 1. The participants

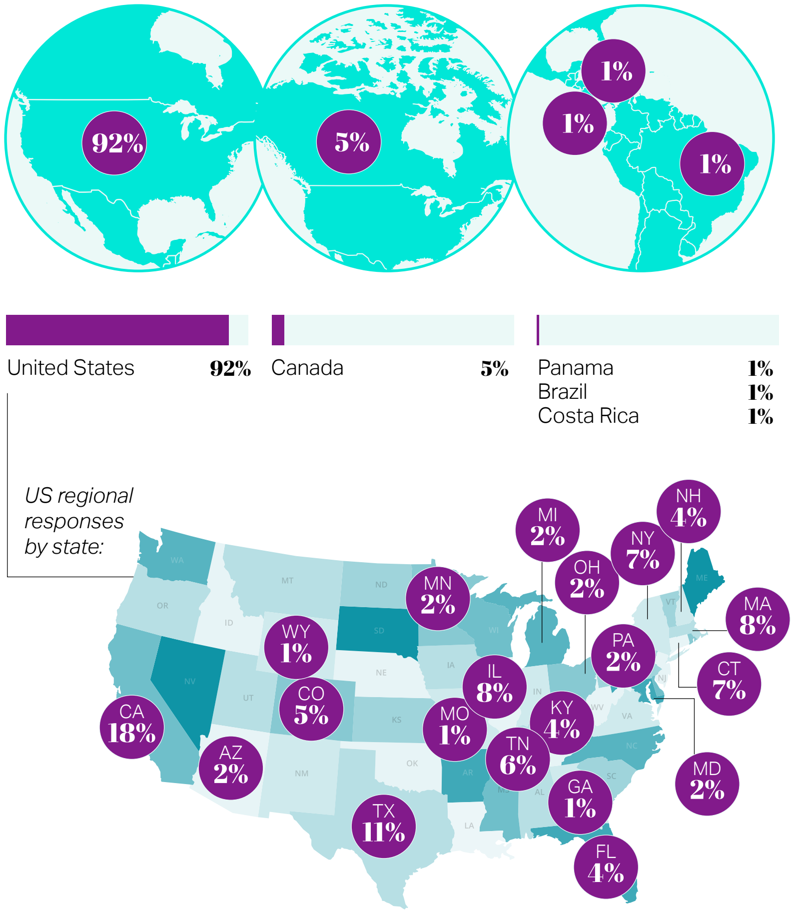
Fig. 1.0 — Participating family offices by type



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Titles ascribed to the senior leadership of family offices vary widely, but 33 percent of respondents describe themselves as chairperson, chief executive, founder, managing director or principal **(Fig 1.2)**. 37 percent of respondents are family members who work directly for the family office or business, and 57 percent of senior leadership positions are occupied by family members **(Fig 1.3)**.

Fig. 1.1 — Location of respondents



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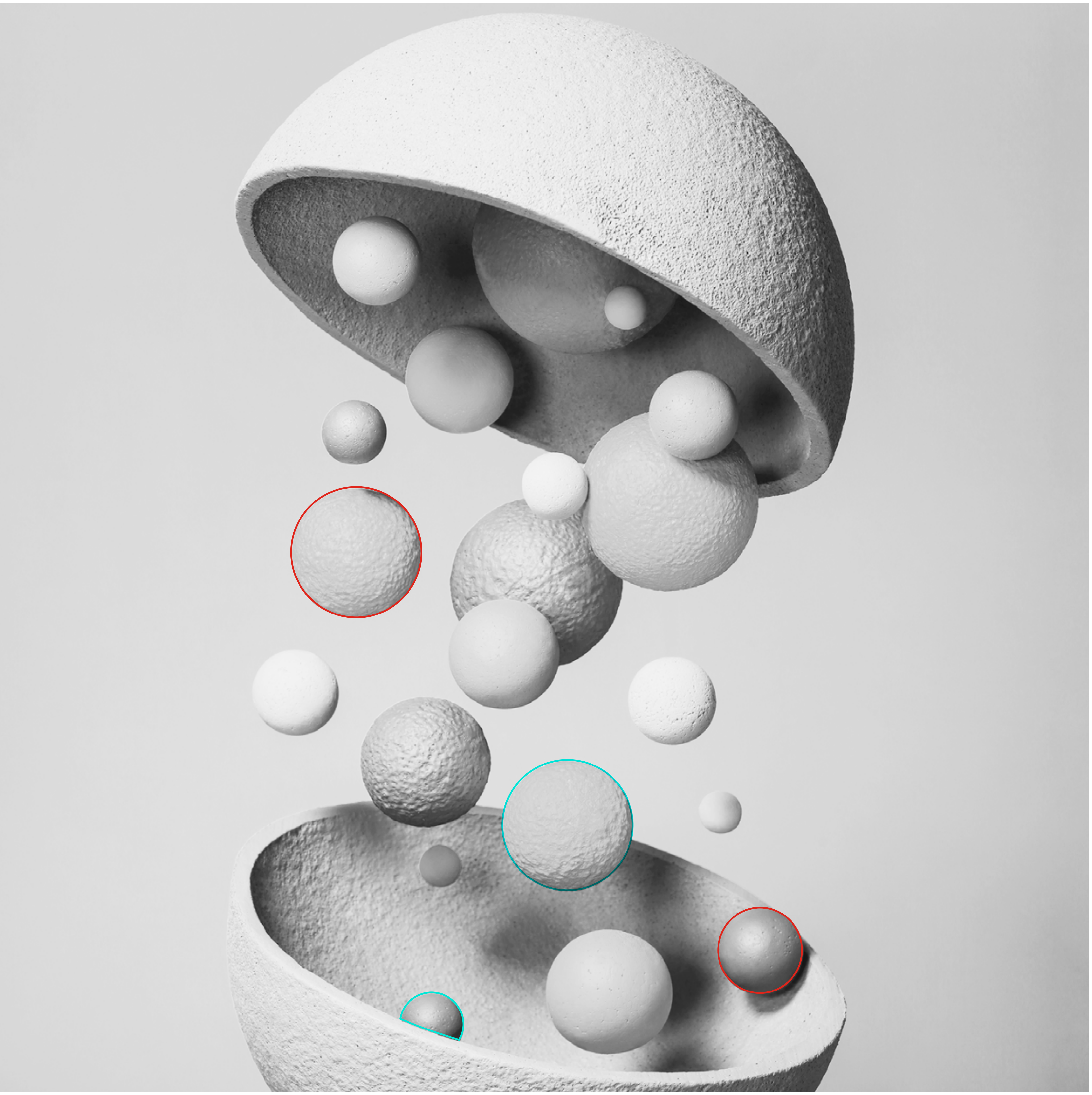
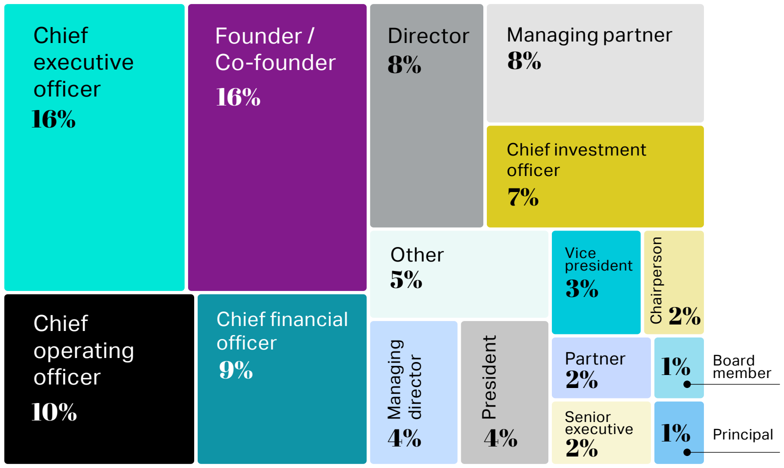
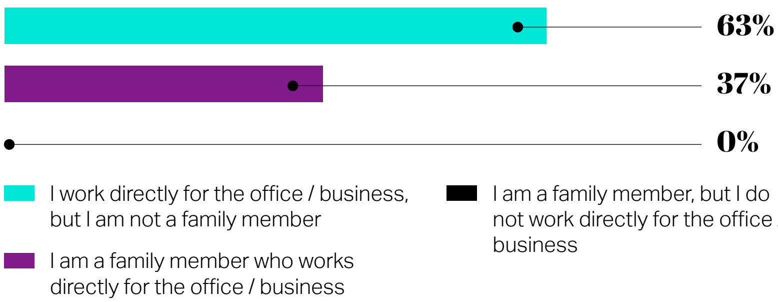


Fig. 1.2 — Respondents by title



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Fig. 1.3 — Respondents' relationship to family office

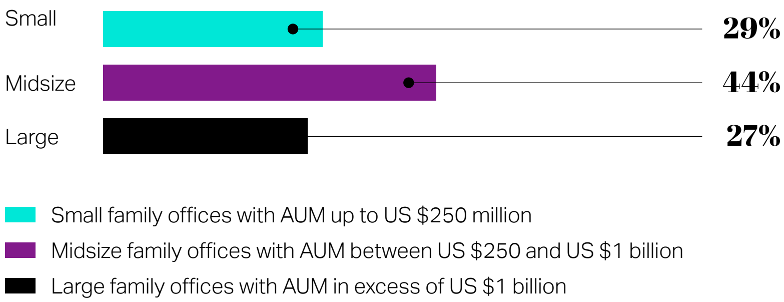


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

We asked respondents only for their financial assets excluding the value of family businesses which means overall family wealth is understated in these figures.

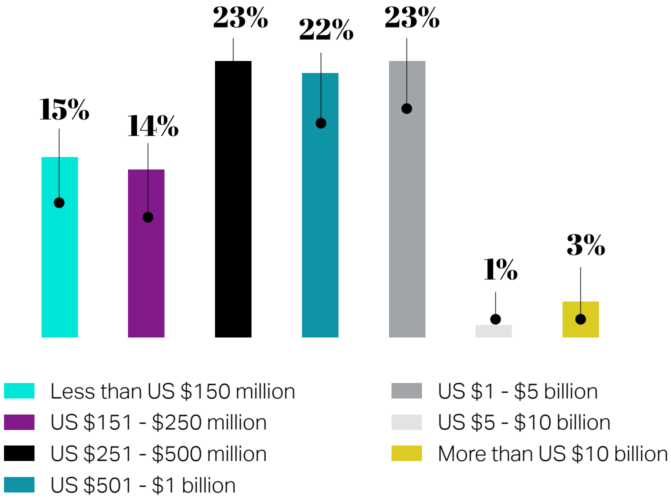
The family offices covered in this report have a very broad spread of AUM; the largest participants are possibly more than 70 times bigger than the smallest. This difference means that we can't treat family offices as all being the same. This is important because very often reports on family offices provide only aggregate information. But behaviors and best practices for those with less than US $150 million may look very different from those at the top end of the wealth scale. To surmount this challenge, we segment our participants into three groups:

Fig. 1.4 — Percentage of participating family offices by size



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Fig. 1.5 — Percentage of family offices by AUM band

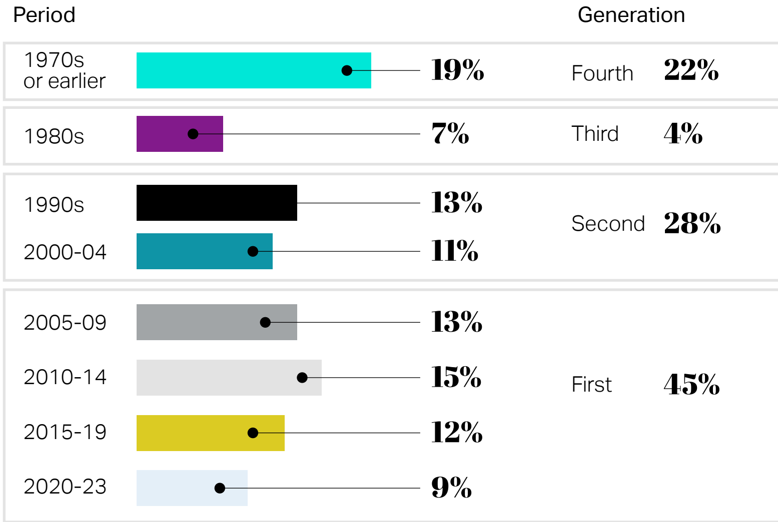


Note: Excludes value of operating businesses. Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Looking at survey participants by year they were established, the number of family offices created has accelerated post the millenium and so far the pace of formation doesn't appear to have slackened this decade. **Fig 1.6** also shows the breakdown by generation in control; 45 percent are still tied to the first generation.

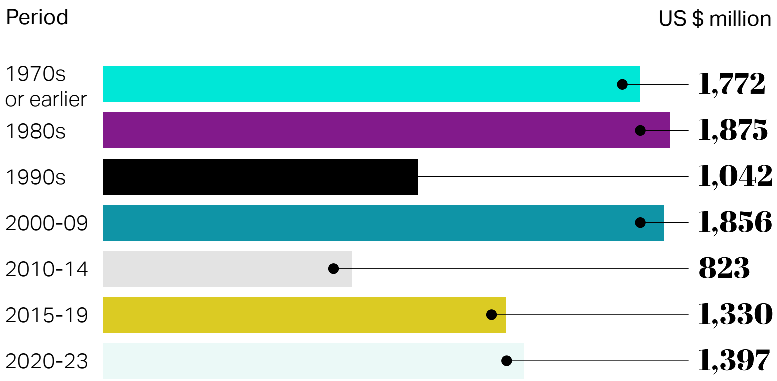
Thinking about the size of family offices, the wealthiest are those that have been around the longest. This seems to be the result of the compounding effect of investment returns propelling AUM, but on the other hand family offices established in more recent times may have been beneficiaries of more favorable liquidation events made possible by extremely low interest rates and surging corporate valuations. This may explain the average wealth level of family offices formed between 2000 and 2009.

Fig. 1.6 — Percentage of family offices by period when established and mapped against generation in control



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Fig. 1.7 — Average AUM of family offices established in period



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Section 2. Operating costs

The weighted average operational costs (excluding investment-related fees paid to third-party managers) of family offices participating in our survey is US $5.2 million. But this simple average is misleading; costs vary from US $0.7 million to US $24 million, confirming that our sample is far from homogeneous. For small family offices, costs average around US $1 million, for midsize they average US $3.6 million and for large family offices they average US $11 million.

Fig. 2.0 — Operating costs, employees, and cost per employee

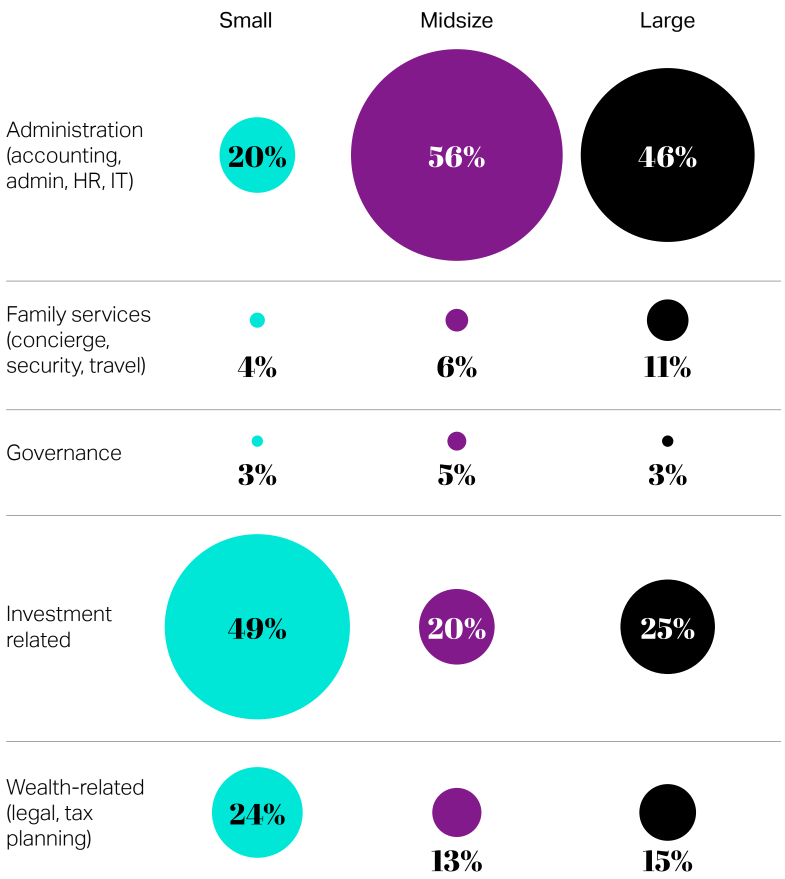
Family office type	Ave costs US $m	Ave employees	Cost per employee US $000
Small AUM < US $250m	1.0	4	280
Midsize US $ 250m > AUM < US $ 1bn	3.6	7	531
Large AUM > US $ 1bn	11.0	14	786
All	5.2	8	626

Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

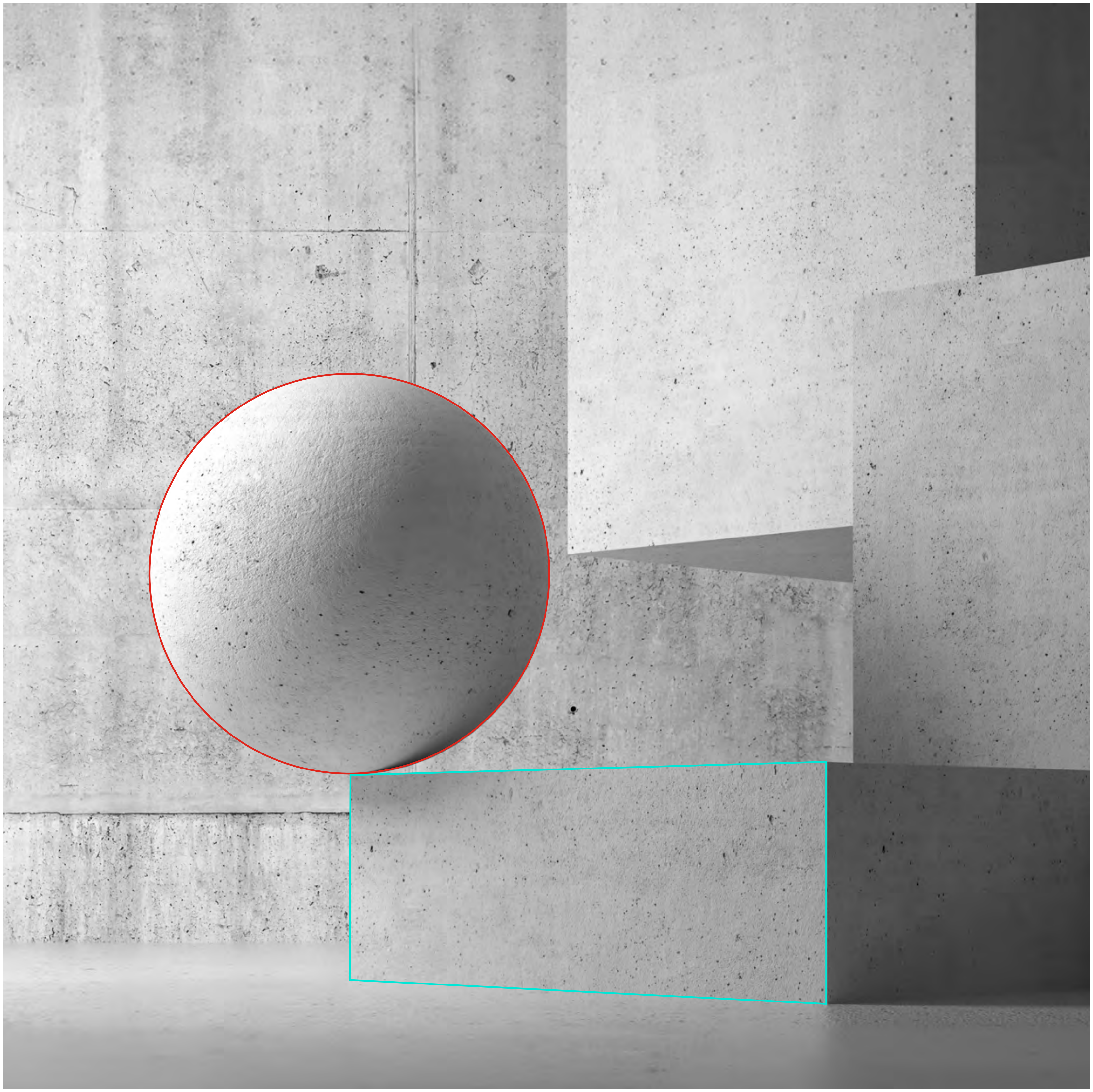
Average operating costs of a midsize family office are almost four times that of small family office. Part of the explanation lies with an increase in headcount as well as expanded scope of services. The average small family office has four employees, whereas a midsize family office has seven and a large office has 14. A more granular investigation of costs **(Fig 2.1)** reveals that for smaller family offices the biggest element (49 percent) is the investment management function with administration accounting for just 20 percent. But for midsize family offices, these percentages reverse: administration accounts for over half of all expenses while investment management costs drop to 20 percent.

This analysis confirms that smaller family offices prioritize investment management, whereas midsize family offices expand their scope to incorporate administrative services such as bill pay, accounting, investment reporting, and HR. As family offices get larger, they typically add wealth-related services (e.g., tax planning, legal, compliance) and family services (e.g., concierge, travel, security) which drive up the costs further.

Fig. 2.1 — Distribution of operating costs by size of family office



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*



Large family offices have much higher costs (averaging US $11 million with a range stretching from US $3 to US $24 million) but they also have significantly more assets. The ratio of cost to AUM provides one indicator of operational efficiency and it is lowest for large family offices **(Fig. 2.2)**. Economies of scale appear to kick in at around the US $1 billion AUM level.

Small family offices in our sample also appear slightly better positioned than the midsize family offices with costs / AUM at 0.6 percent compared to 0.7 percent. While the difference is marginal, it may explain why small family offices can still be viable if they focus on a more limited set of services and can get savings from outsourcing.

Fig. 2.2 — Operating costs, ave AUM, and costs / AUM

Family office type	Ave costs US $m	Ave AUM US $m	Costs / AUM %
Small	**1.0**	**172**	**0.6%**
Midsize	**3.6**	**510**	**0.7%**
Large	**11.0**	**4,700**	**0.2%**
All	**5.2**	**1,370**	**0.4%**

Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Evaluating the costs of a family office together with investment performance provides one benchmark for evaluating the viability of having a family office. In 2020 and 2021, the average pre-tax investment return achieved by North American family offices was 15 percent[1] and in this benign environment having higher operating costs at 0.6 percent or 0.7 percent of AUM simply did not matter. But, in 2022, the average investment return was just 1 percent[2]. The combination of a low return, operating costs, tax and commission paid to external investment managers would have left some small and midsize family offices at break-even or in loss.

"A family office that costs one percent of AUM has a problem if inflation is high and investment returns are low single digits. I would have to look the family in the eye and say, you can still fly private and have your 50-meter yacht, but right now the math doesn't support it."

Chief financial officer, small family office, United States

"Over the years we've managed to keep costs below 40bp of AUM. We've been helped by the family office being closely integrated with the family business so that we don't duplicate functions or technology."

Chief financial officer, large single family office, United States

[1] Campden Wealth / RBC Wealth Management, The North America Family Office Report 2021-22
[2] Campden Wealth / RBC Wealth Management, The North America Family Office Report 2023

“There are only four of us, but we manage to do most things the family requires. They are hands-off and like having a small office because staff costs are the biggest element in expenses, and our small size means we are keeping costs down.”

Managing director, small single family office, United States

“These days the cost of running a family office is huge. Unless there’s an operating company behind it you need US $500 million to US $1 billion under management. Many small offices will find they are just not big enough.”

Chief executive officer, small single family office, United States

AITi Insight

Cost focus vs. Cost efficiency

Asset size matters as well as budget. We have found that many families are operating sub-optimal family offices because asset levels do not support the cost of running a family office. A single family office with a ‘cost-driven’ mindset results in very different decisions than ‘value-driven’ multi-family offices that have both better economies of scale and a broader view of what constitutes value. A thoughtful cost / benefit analysis of the family office can prove highly beneficial.

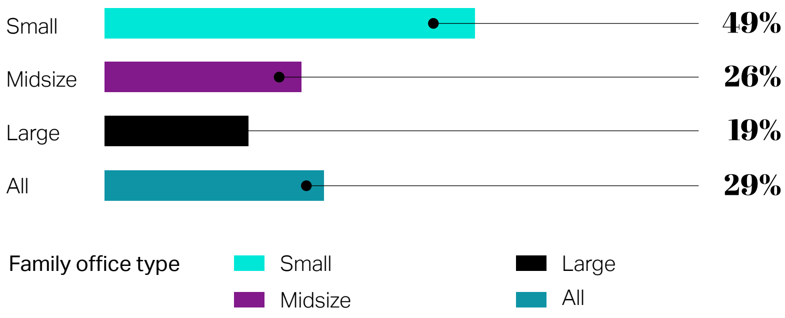
Most of the family offices that partner with us also place a high value on the best practices and insights we can share with them. We have accumulated this knowledge from the successes and mistakes of other family offices we have helped and served over the past two decades. This benefit becomes more apparent as families realize that many if not most single family offices work hard to be ‘invisible’.

Section 3. Outsourcing

From the previous section, it is evident that small and midsize family offices need to be mindful of costs, particularly when there is significant volatility in the capital markets. Outsourcing can be an important contributor to managing costs as well as raising the capabilities and capacity of the family office.

The decision whether to keep a service in-house or to outsource certainly hinges on factors such as cost, frequency, and complexity. But it should also include getting access to better talent, processes, and leading-edge technology. Frequently repeated, less-complex functions can often be efficiently managed in-house by generalists within the family office. In contrast, more complex and specialized tasks, many of which are wealth-related (such as legal, estate and tax planning) as well as needs around specific investment strategies, reporting and some risk management areas, can necessitate the expertise of external professionals. The family office may also turn to an external vendor to fulfill a task where the volume / scope of work does not justify a full-time hire. Where frequency and higher recurring work play a role, it's logical to expect larger family offices to employ their own lawyers, accountants, and tax specialists. Consequently, they will have a higher percentage of their total family office expenses incurred in-house. Conversely, it would be reasonable for smaller family offices to outsource a greater proportion of their functions and services as they typically don't have the volume of work or the capacity to undertake it in-house **(Fig 3.0)**.

Fig. 3.0 — Percentage of expenses outsourced to external vendors



Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

The services most commonly outsourced by family offices are wealth-related, typically legal, estate, and tax planning **(Fig 3.1)**. More than 60 percent of family offices use external vendors to provide these services. Administrative services such as IT and accounting are also extensively outsourced. Almost half of all family offices outsource at least part of their investment-related needs. Conversely, administrative and family services such as accounting, bill pay, HR, concierge and travel are predominantly in-house. Survey participants seem satisfied with the decision to outsource various services evidenced by the intention to outsource even more work in these areas.

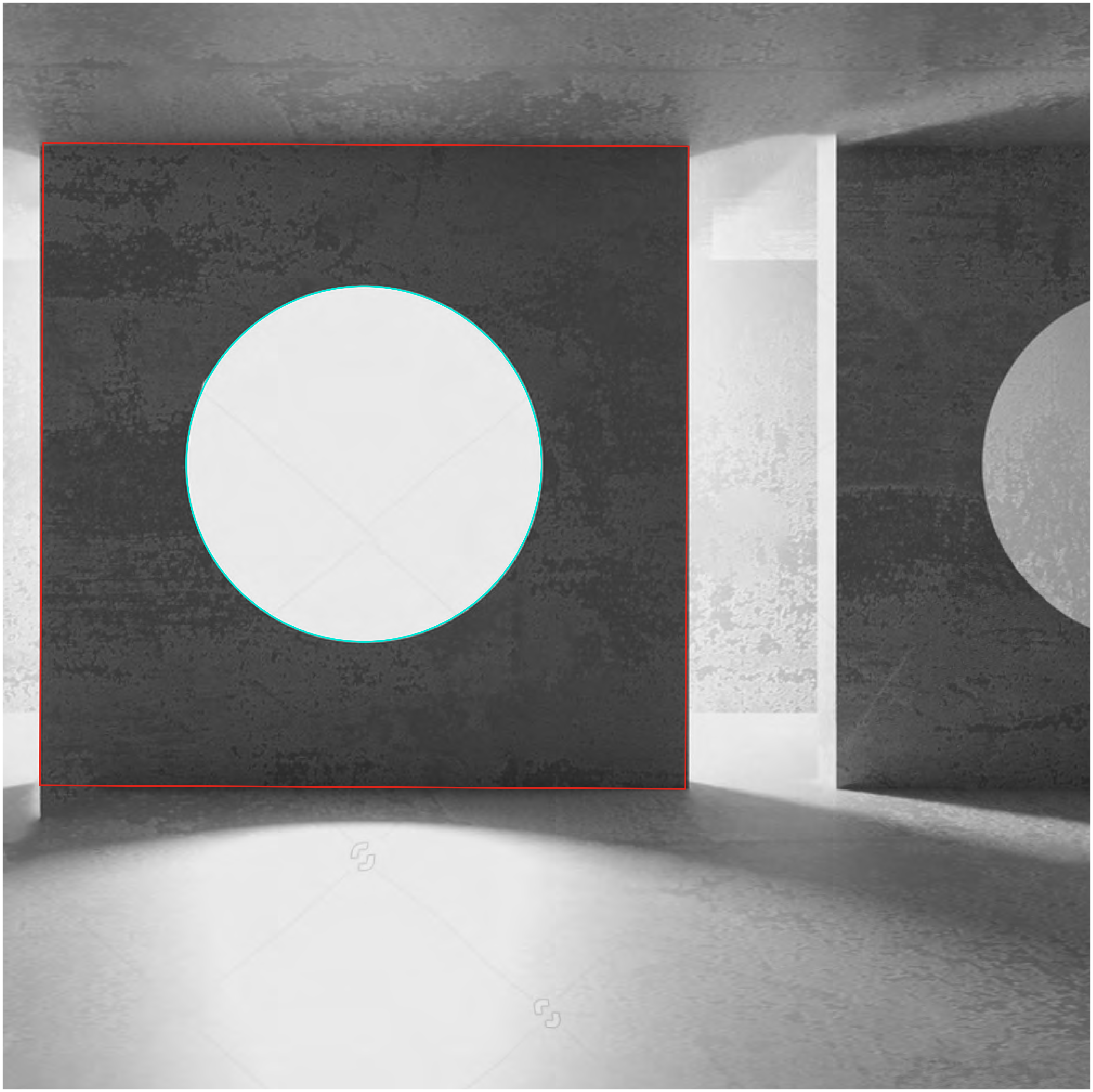
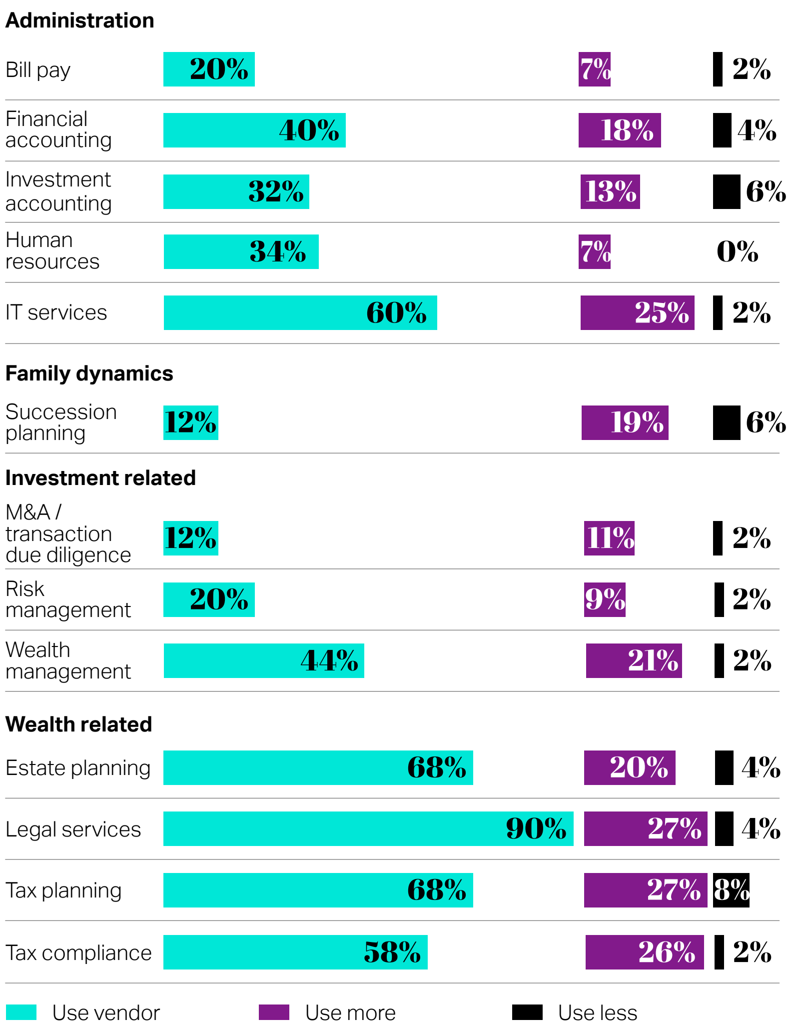


Fig. 3.1 — Percentage of family offices using external vendors for these services, and percentage intending to use them more or less over the next 24 months

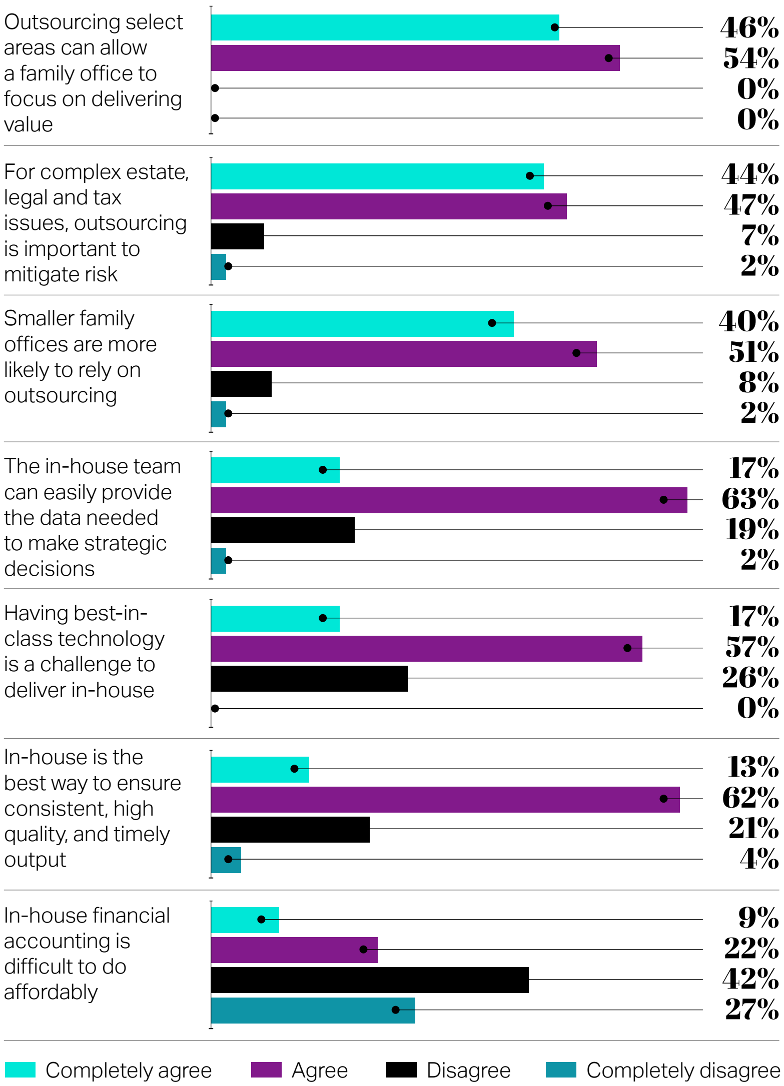


Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

How family offices perceive the advantages and disadvantages of outsourcing is detailed in **Fig 3.2**. Overwhelmingly, they see outsourcing as a means of delivering value in those areas where they do not have in-house expertise or experience, or where they have a specific, complex issue that warrants the engagement of an experienced external specialist. Family offices tend to favor using in-house resources where they have familiarity with the data and where there is a need for frequent, consistent and timely outputs. A majority of respondents believe the in-house team can deliver the data required for strategic decision-making and financial accounting at a reasonable cost. But in-house resources do not solve every problem. A net 48 percent of respondents describe in-house provision of best-in-class technology as challenging, which explains the high level of outsourcing of IT services.

> **“To be an office where you do everything in-house works out to be very expensive. Also, you need a constant workflow to keep people busy all the time. We do what we do best in-house and outsource everything else.”**
>
> Founder, midsize single family office, United States

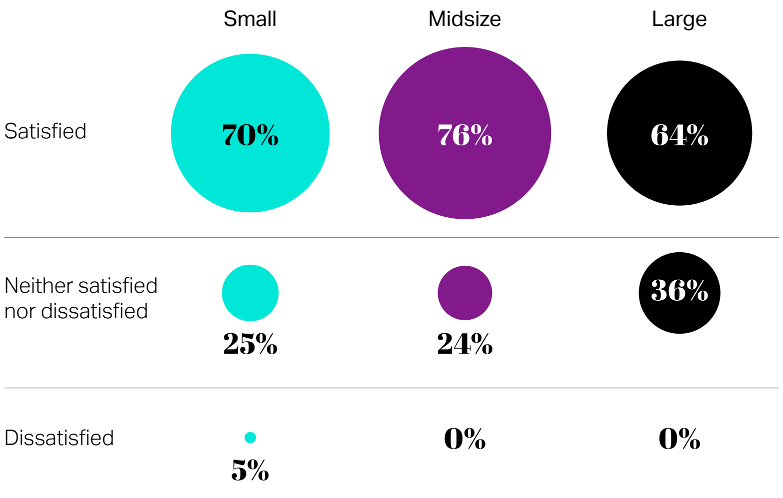
Fig. 3.2 — In-house vs. Outsourcing



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

It is important to recognize that effective outsourcing can be difficult. You can outsource estate planning to a highly qualified estate attorney, but if they don't know the family are they going to provide the most insightful advice? Outsourcing is clearly a viable strategy but it has to be done well to boost operational efficiency. The majority of family offices are satisfied with the work they outsource. This is appears to be true for family offices of all sizes **(Fig 3.3)**, with midsize family offices reporting the highest level of satisfaction at 76 percent.

Fig. 3.3 — Satisfaction with outsourcing



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

“There are pros and cons to outsourcing. Mostly, it’s determined by what the principal wants to control and what he doesn’t.”

Chief financial officer, midsize single family office, Canada

“Family offices in the United States will outsource most services. In Latin America, we need to ensure confidentiality and trust. That is why we try to do everything in-house.”

Chief investment officer, midsize single family office, Panama

↘

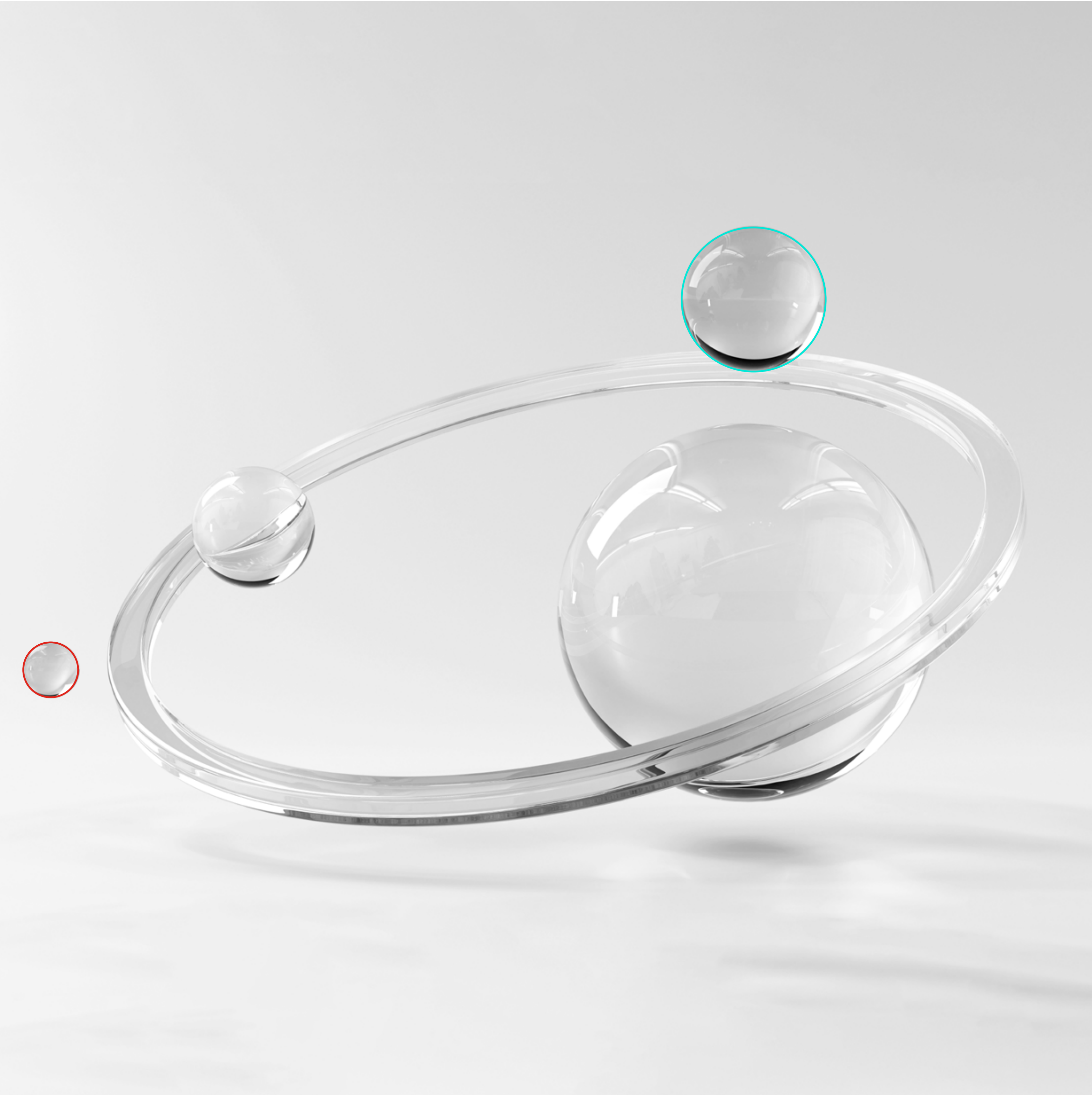
AITi Insight

Partner vs. Vendor approach determines outsourcing success

Frequently, single family offices consider outsourcing not only on the basis of cost but also on the potential savings that arise from freeing up internal resources. They (rightly) see outsourcing as an effective way to get specialized expertise. It is equally important to focus on the quality of the outsourcing partner to ensure a good outcome.

To do this, single family offices need to consider two other factors: 1) Are there other advantages apart from just costs (e.g., better talent, new technology, better solutions)? and 2) Will their engagement with an outsourcing partner be more effective than an in-house solution? In summary, the family office needs to assess the operational effectiveness of the outsourcing partner versus doing the work in-house.

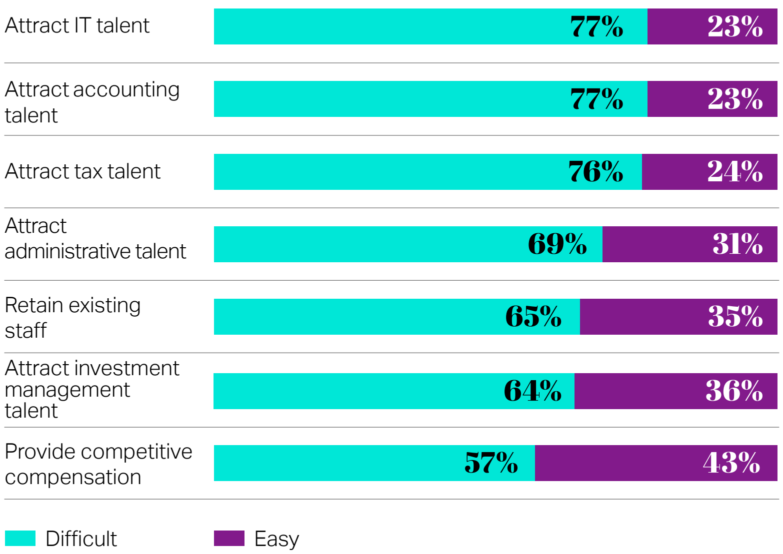
Many family offices also see the merit of partnering with a multi-family office to act as the ‘quarterback’ or ‘central hub’ to help coordinate and effectively collaborate with other outside professionals engaged to help the family. This approach typically results in increased operational excellence.



Section 4. Staff

Recruiting staff with the appropriate professional and interpersonal skills is critical for family offices **(Fig 4.0)**. But the pools of available talent are quite limited, and when identified, recruitment can be challenging. The majority of family offices reported difficulty attracting talent to fill many positions, in particular IT, accounting and tax. Clearly, finding suitable talent to work in a family office is one of the biggest issues in the pursuit of operational excellence. It's not just a case of attracting candidates with the appropriate professional experience and qualifications, but equally finding staff they can trust with good interpersonal skills and integrity.

Fig. 4.0 — Percentage of family offices experiencing difficulty with staff recruitment and retention

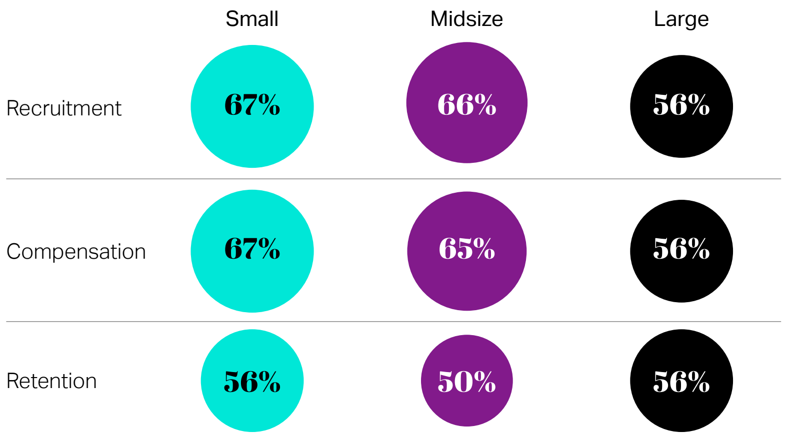


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Not quite as difficult as staff recruitment but equally crucial is staff retention. Two thirds of family offices find this to be problematic. The strength of the US employment market and labor mobility have undoubtedly had a part to play in this. Consequently, family offices have responded by offering flexible working arrangements and enhanced compensation packages incorporating co-investment opportunities and phantom stock options. While these packages are designed to reduce staff turnover, to work they require a long-term commitment from the family office.

It would be reasonable to suppose that the small family office segment would be most adversely affected by issues of recruitment, retention and compensation. But **Fig 4.1** reveals that these issues extend across the space almost irrespective of the size of the family office. It may also be the case that the outsourcing model of small family offices, encompassing low single digit headcounts with a high proportion of family members, limits staff turnover.

Fig. 4.1 — Percentage of family offices experiencing difficulty with recruitment, compensation and retention, by size



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Looking at C-level executive pay, total compensation (base salary, bonus and incentives) varies widely. Amongst survey participants, the average compensation for chief executive officers is US $727,000, but there's a big size differential. Small and midsize family offices are not competitive with their larger peers. Compensation packages in excess of US $1 million are preserved for chief executives of family offices with more than US $1 billion of AUM. But for small family offices, the average compensation for family members who serve as chief executives or the equivalent (chairperson, founder, managing director or principal) is substantially lower at US $262,000. This may signal that many are prepared to work for less than market rates in support of their families. The compensation for the three C-level positions in the small family office group is around US $0.8 million which consumes 80 percent of average total costs. This suggests that either small family offices do not operate with all three C-level positions, or these positions are occupied by family members earning below market compensation.

Fig. 4.2 — Annual compensation (base salary+bonus+incentives) in US $000 for C-Level

US $000	CEO	CIO	CFO
Small	318	337	147
Midsize	491	409	336
Large	1,139	821	446
Average	727	534	371
Average for family members	262	N/A	N/A

Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"Identifying and retaining staff is challenging. If we use more sophisticated technology to automate back-office functions then we would only need to attract professional staff for the more demanding investment roles that grow our assets, we wouldn't have to worry about who was taking care of the back office."

Founder, midsize single family office, United States

"Like everyone else, it's challenging to recruit and retain technical staff. The pool of qualified candidates is small to begin with, and we make it harder for ourselves by insisting that staff have to be in the office a high percentage of their time. I have to positively sell the idea of working for a family office and our desire for long-tenured employees, given high rates of labor mobility."

Managing director, small single family office, United States

“We’ve cut down on spending, particularly on salaries, to make the family office more sustainable. The family office couldn’t afford to employ myself or my brother at rates comparable to what we could earn elsewhere.”

Chief financial officer, small family office, United States

“We have retrained existing staff, but there are limited options for mobility across departments within the firm given our relative size. This is proving to be problematic.”

Chief executive officer, small single family office, United States

AITi Insight

Filling the position vs. Getting the right talent

When staffing a family office, the focus should be on more than just filling the position but also getting the right talent with the right fit. For many single family offices, particularly the smaller ones, this can prove to be challenging, especially when recruiting for specialized expertise.

To professionalize their operations, family offices often look to recruit from hedge funds, private equity and other financial organizations. It is important to recognize that compensation packages for these individuals may need to be more generous to align with the comparable pay they were getting before.

Once hired, training new employees in the ways of the family office, and ensuring their understanding of the family’s unique circumstances is critical. Finally, it can be hard for single family offices to evaluate talent – what’s the ‘standard’ for a top-notch family office professional? What is the job description? Who do you compare them to?

For family offices that evolve from the sale of a family business, family office leaders are often appointed from the family enterprise. In some cases, they may not have the right experience nor knowledge to run a successful family office. This makes it important to identify any gaps within the team so that the skills and experience needed to complement that team are hired or partnered with through outsourcing.

Section 5. Operational risks

Operational risks can be defined as the uncertainties and hazards an organization faces when conducting its normal activities. In this regard, family offices face some unique challenges. Aside from their position as custodians of substantial wealth, the privacy and security of family members needs to be safeguarded and the family's reputation protected.

Family offices must be permanently on their guard, aware that they are in the cross-hairs of fraudsters and scammers – the majority of whom operate in cyberspace. Not surprisingly, cybersecurity is the most common operational concern of family offices **(Fig 5.0)**. Its position at the top of the 'wall of worry' (59 percent of respondents) undoubtedly owes something to the high incidence of cyber-attacks, with 12 percent of family offices experiencing an incident within the last year. Behind cybersecurity, the second concern (54 percent) is the loss of key staff members, either through resignation or retirement. Here, the risk arises from the loss of specialist skills or knowledge not possessed by other staff members. Approximately one third of family offices have concerns about tax / compliance issues as well as succession planning.

But there is also some reassuring news to be read from **Fig 5.0**. The vast majority of family offices are not particularly worried by the risks posed by inadequate management information systems or insufficient internal controls. They have high levels of confidence in their own processes and systems. Likewise, only 13 percent see risk from failing to upgrade existing technology. This suggests that many believe their technology is sufficient for their current needs and there is no marginal benefit from upgrading. However, they may fail to recognize the data efficiencies / accuracies and protections new technology solutions can deliver. Finally, over 90 percent are confident their expenses are well managed and in no danger of running out of control.

Fig. 5.0 — Operational risks: Percentage of family offices citing issue as area of concern

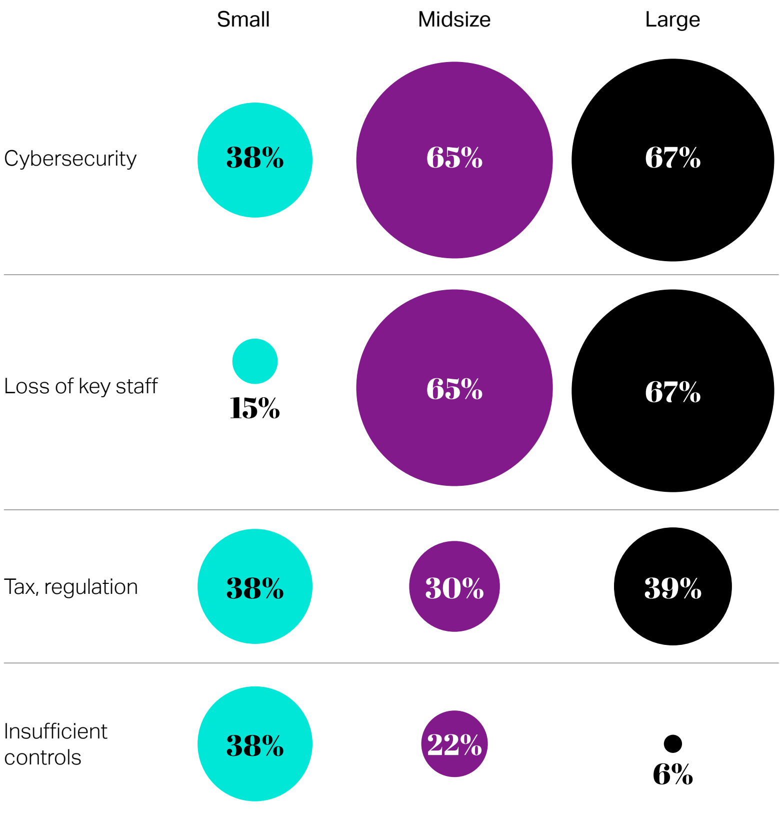
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Having looked at family office concerns in aggregate, it's worth pointing out that different concerns affect family offices differently based on their size. For instance, fewer small family offices are concerned about cybersecurity than their larger peers. They may believe they are under the radar screen of scammers, or alternatively, this may be the byproduct of outsourcing their data storage and key systems **(Fig 5.1)**.

Two thirds of medium and large family offices are concerned about loss of key staff – where culture, compensation, broader scope of work and increased complexity may be contributing to higher attrition. Small offices may have an advantage here if their ranks are more populated with family members. On the other hand, in comparison to their larger peers, a higher proportion of small and medium family offices are concerned about insufficient internal controls. Proportionately, family offices large and small are equally concerned by tax, regulation and compliance.

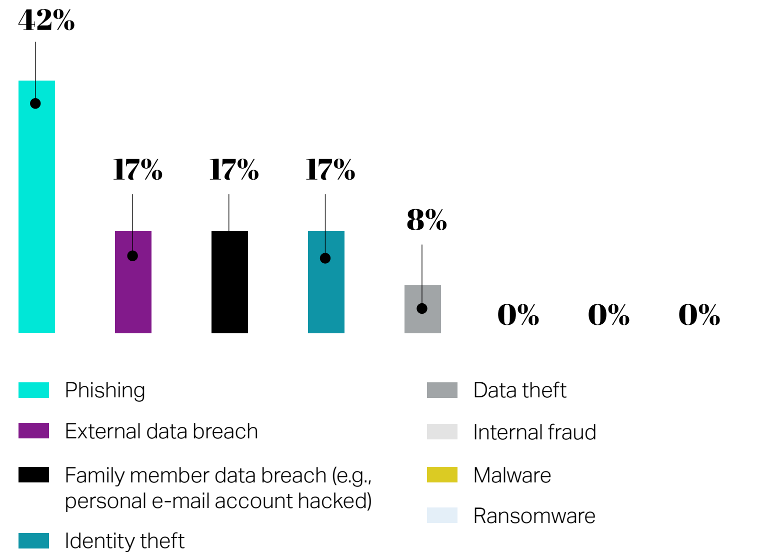
Looking at the data in **Fig 5.2**, it seems most family offices have experienced a phishing attack at some point in time. But thankfully less than one fifth have been adversely affected by other more serious forms of cyber-attack. The majority of these reported incidents did not result in either a financial loss or disclosure of sensitive information. However, it may be the case that unsuccessful attempts are underreported and vulnerability to more significant threats is not fully appreciated.

Fig. 5.1 — Percentage of family offices citing concern, by size



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

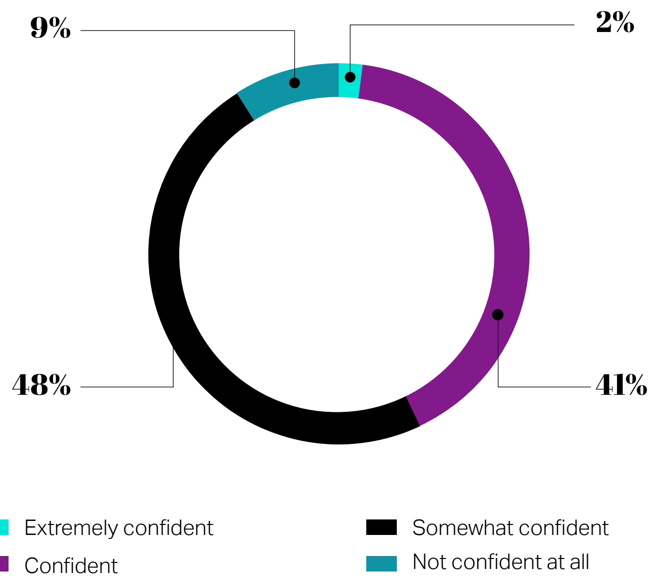
Fig. 5.2 — Type of cyber-attack experienced in last 12 months



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global The Family Office Operational Excellence Report 2024

Of course, cybersecurity has been an issue for family offices for many years. Virtually all, at some point, will rely on consultants and in-house IT staff to apply relevant countermeasures. But as one interviewee put it, "It's a case of running hard to stay one step ahead of the scammers." The constant need to upgrade security may explain why nine percent of respondents were not confident of their family office's ability to prevent a cyber-attack, and why 48 percent felt only "somewhat confident" **(Fig 5.3)**.

Fig. 5.3 — Confidence in ability to prevent cyber-attacks



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"It sounds paranoid, but I think family offices are becoming the number one target for hackers and phishing scams. I was on a call recently with ten other very large single family offices and six of them had been hacked."

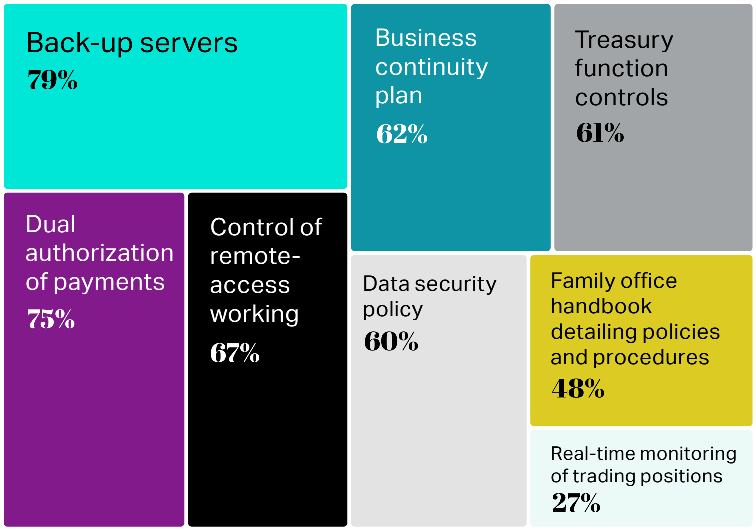
Chief financial officer, midsize single family office, Canada

"We've done a lot to make sure that we have good protection. We have everything backed up so we wouldn't pay up in the event of a ransomware attack. We use two-factor authentication when remitting to family members. We are doing everything textbook, let's hope it's enough."

Chief financial officer, small family office, United States

Having reviewed the principal risk to family office operations, we also wanted to look at the measures family offices take to mitigate them **(Fig 5.4)**. Foremost amongst these, 79 percent of family offices use back-up servers as a protection against data loss. Behind that comes dual authorization of payments (75 percent) to mitigate the risk of fraud or human error. Amongst other measures, family offices also rely on control of remote-access working (67 percent), business continuity planning (62 percent) and a data security policy (60 percent).

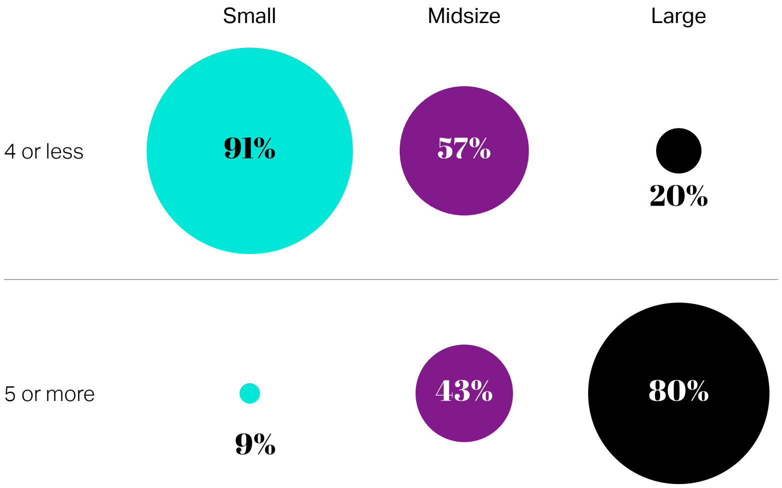
Fig. 5.4 — Percentage of family offices utilizing risk mitigation measure



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Six of the eight risk-reduction measures set out in **Fig 5.4** are broadly implemented, with more than 60 percent of family offices adopting them. On average, family offices utilize four of them. But once again there are significant differences by size of family office and by vintage. Only nine percent of small family offices employ five or more of these measures, compared to 43 percent for midsize family office and 80 percent for large family offices **(Fig 5.5)**. Possibly some of this difference reflects the narrower scope of services small family offices take on in-house. But it is important for this group to consider whether they need to do more to minimize operational risk.

Fig 5.5 — Percentage of family offices utilizing less than or more than five risk-reduction measures by size



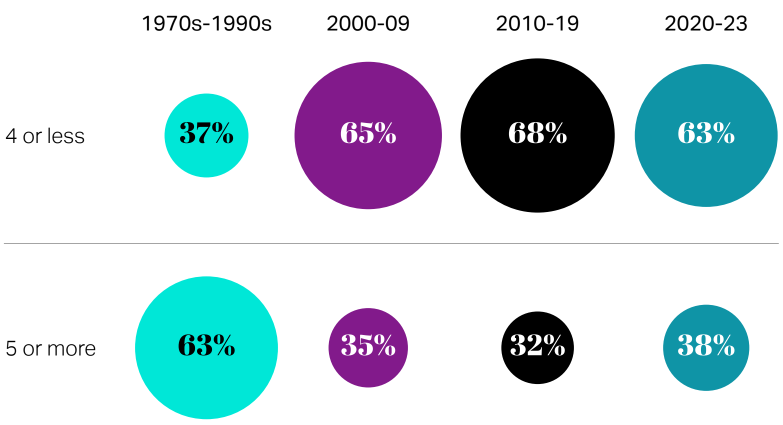
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

A similar pattern emerges when family offices are viewed by vintage or period of formation **(Fig 5.6)**. Older family offices, established before the turn of the millennium, have adopted more risk-reduction measures than their younger peers. It appears the longevity of the family office is associated with a heightened perception of risk.

"We no longer send any information to family members without going through a portal with multifactor authentication. We spend a lot of time and focus making sure we are as protected as we can be."

Chief operating officer, midsize single family office, United States

Fig. 5.6 — Percentage of family offices utilizing less than or more than five risk reduction measures by period established



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

> **"Twenty years ago, we had a secure server that was physically taken to a safe deposit box in a bank. Now it is all stored in a digital vault. That gives family members the ability to scan in documents but not share them with the family office team."**
>
> Chief executive officer, small single family office, United States

AlTi Insight

Risk management is never complete

Operational risk management is not static, and it is getting increasingly more complex. Too often, family offices have not done a proper audit / assessment of their risks nor evaluated whether their current measures are dated. Successful management of operational risk is often compounded by hesitancy to make necessary expenditures.

A benefit of having a strong outsourcing partner (e.g., a multi-family office) is they will manage many operational risks for the family, reducing the burden on the family office and their need to have this talent in-house. In summary, we have discovered that many family offices underestimate these challenges. Doing 'something' is not the same as doing the right thing or doing enough.

Finally, when it comes to data security policy, family offices should have a 'handbook' detailing anti-fraud practices as well as commit to staff training. These plans need to be monitored, tested and updated on a regular basis.

Section 6. Technology

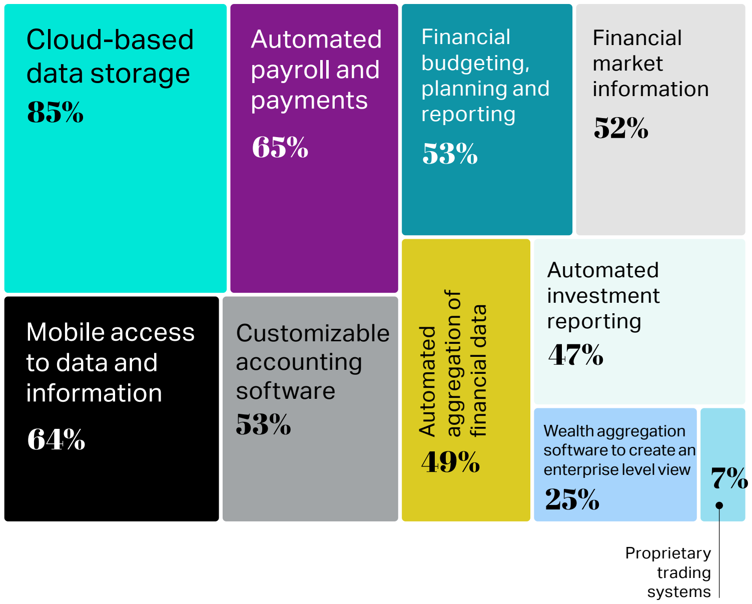
Family offices in North America are increasingly embracing the foundational new technological platforms of cloud-based data storage, automated payroll systems and mobile data access, with adoption levels in excess of 60 percent **(Fig 6.0)**. The use of customizable accounting software, automated investment reporting and financial market information is somewhat lower but nonetheless well established. It is somewhat surprising that adoption of these solutions is not higher given that automation should lead to greater efficiency and reduce the probability of human error.

Any hesitation with technology adoption may be attributed to cost considerations, lack of access to reliable IT talent or lack of knowledge about new solutions. Given the rapid pace of IT innovation there may also be a temptation to continuously defer purchases with the anticipation that something even better will be coming soon. That said, it may prove shortsighted not to consider the long-term benefits and efficiencies that these new solutions can offer to improve family office operations or to ignore the importance of regularly investing in upgrades to the tech stack as well as in the integration of new solutions into the family office operations.

"The older generation doesn't see investment in new technology as worthwhile so long as the existing processes are working. Consequently, none of our technology can really be described as cutting-edge."

Chief operating officer, midsize single family office, United States, est. 1980s

Fig. 6.0 — Percentage of family offices utilizing advanced technological solutions



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

As might be expected, where there is broad adoption of core new technology, for example cloud-based data storage, smaller family offices are as likely to be adopters as their larger peers **(Fig 6.1)**. But where adoption is more limited, as is the case with automated payroll or customizable accounting software, then the adoption rate of smaller family offices noticeably lags. Aside from considerations of cost and usage, it may be the case that the outsourcing undertaken by small family offices is offsetting, to some degree, their need to invest in advanced technological solutions.

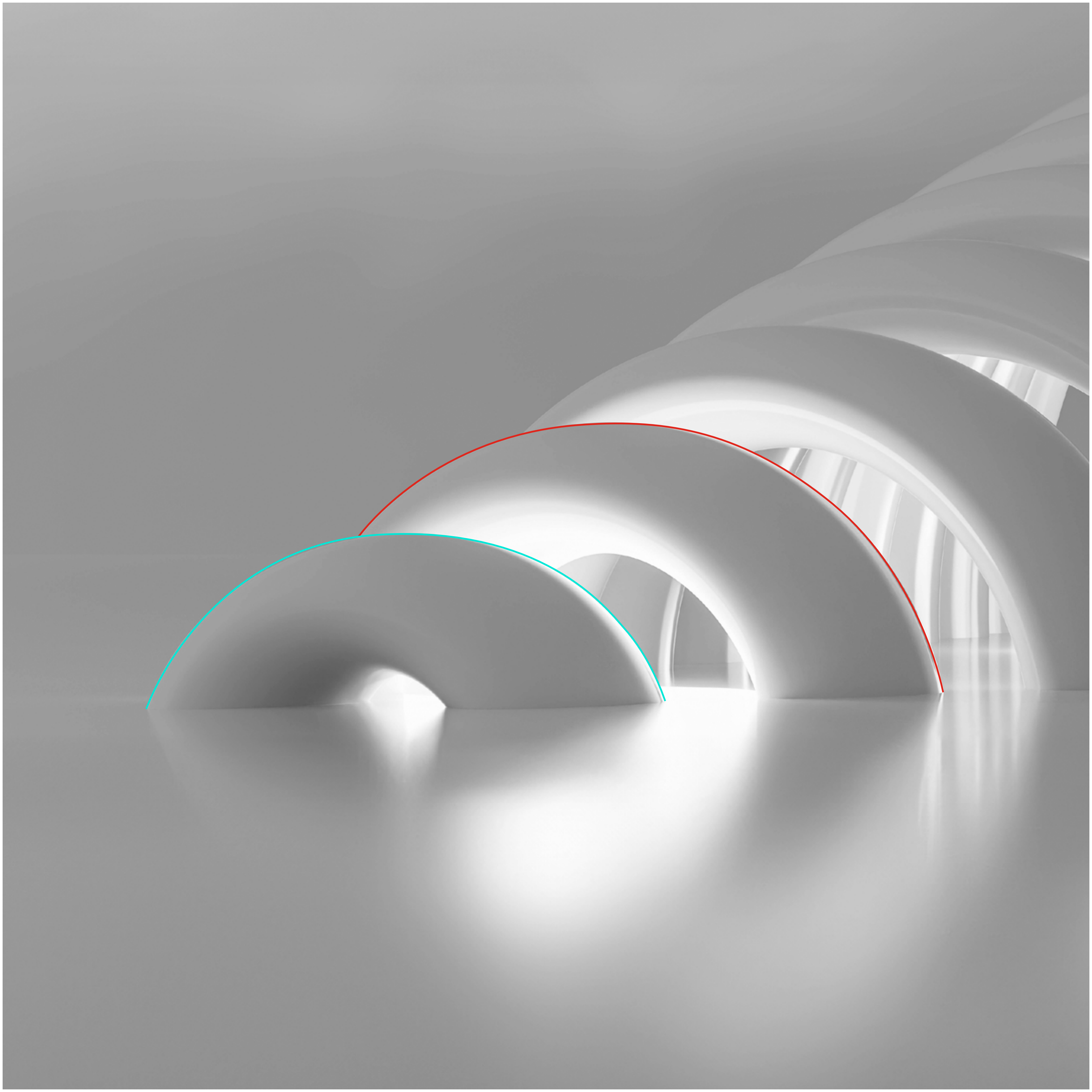
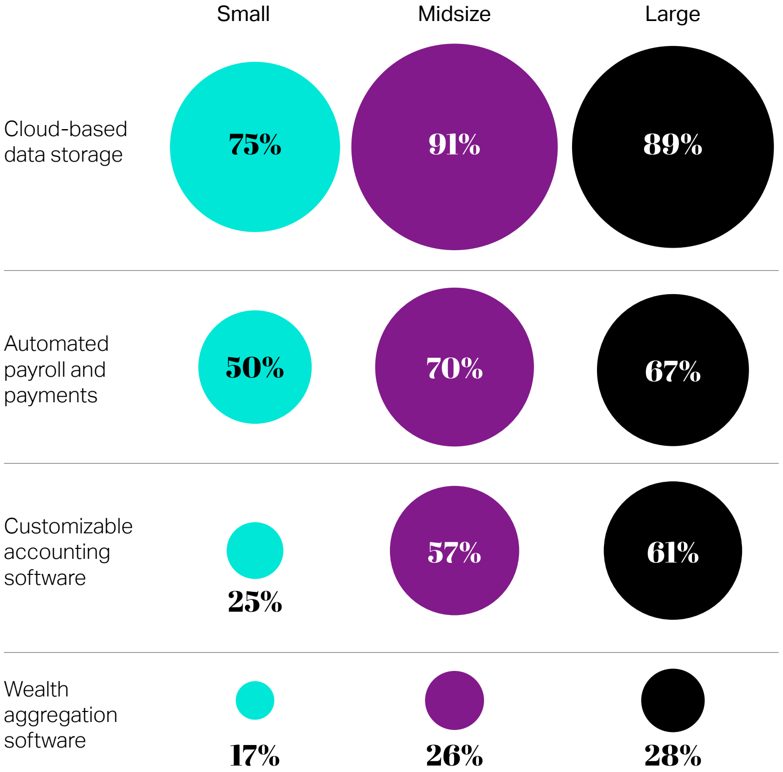


Fig. 6.1 — Percentage of family offices utilizing advanced technological solutions by size

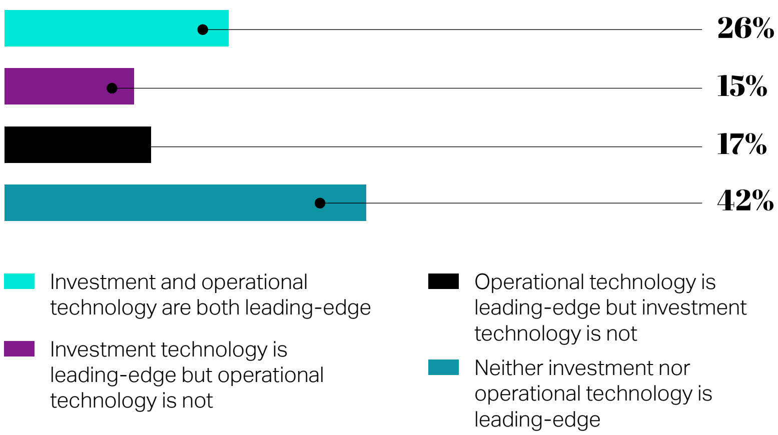


Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

The low level of adoption of some advanced technological solutions suggests that many family offices are still working with older, probably less efficient, systems and processes. For example, rather than implementing automated investment reporting, many family offices are still manually entering data on spreadsheets. To test this hypothesis, we asked survey participants whether they would describe their technology as leading-edge. For this purpose, technology was divided into two components: investment (which includes investment accounting, financial market information, proprietary trading and wealth aggregation) and operational (which includes payroll, payments, data storage, financial budgeting and reporting).

Only one out of four family offices claims to have leading-edge technology for both investments and operations. Perhaps more alarming, 42 percent indicate that they have neither leading-edge investment nor operational technology. Of course, the definition of 'leading-edge' is somewhat subjective but nonetheless this confirms that most family offices do not believe that they have the highest level of technology for their operations. This may be due to the fact that they do not feel they need it, or they are not prioritizing upgrading their technology.

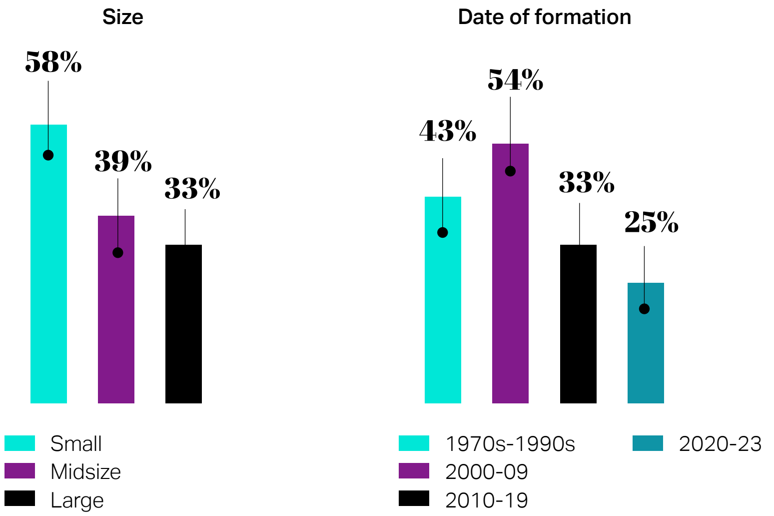
Fig. 6.2 — Family offices employing leading-edge technology



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Cost constraints and low frequency of transactions are among the reasons 42 percent of family offices are not utilizing leading-edge technology. Consequently, smaller family offices are the ones most likely to forgo investments with 58 percent of them not utilizing leading-edge technology as **Fig 6.3** illustrates. But even one third of medium and large family offices are relying on older technology. This is supported by the fact that 74 percent of family offices believe best-in-class technology is a challenge to deliver in-house **(Fig 3.2)**.

Fig. 6.3 — Percentage of family offices by size and vintage not utilizing leading-edge technology



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

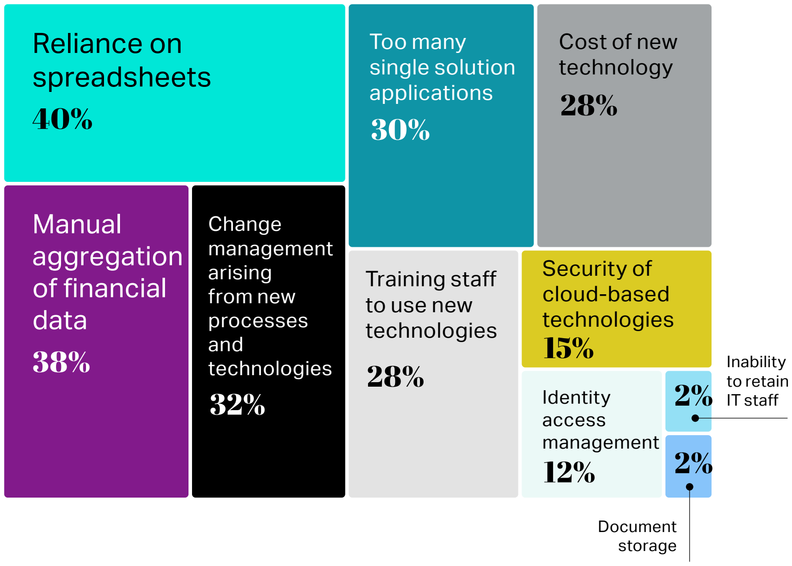
Looking at technology adoption in relation to the vintage of the family office, we see an important trend where older family offices (those founded before 2009) are most likely to be using older technology. In contrast, this percentage drops dramatically for those family offices established more recently (2010 and onwards) **(Fig 6.3)**. Based on this data it seems the technology investment of family offices is tied to the decade they were created. Our working hypothesis is that family offices are reluctant to upgrade processes and technologies that are working well even when new technology renders them sub-optimal. This strategy, while helpful in controlling costs in the short term, is likely contributing to lower efficiency and less effective performance over the long term.

> **"We look for technology that produces holistic solutions and streamlined processes which can accommodate the majority of family office requirements. This helps standardize processes, improve efficiencies, and produce clearly defined workflows. There has to be an audit trail for every transaction we initiate. Technology has helped accounting, reporting, tax, legal, operations and investment functions to become much more closely aligned."**

Chief financial officer, large single family office, United States, est. 1990s

When considering the problems that arise from current technology and processes used in their family offices, 40 percent of participants cited too much reliance on spreadsheets and 38 percent continue to employ manual aggregation of financial data **(Fig 6.4)**. Part of the problem likely comes from integration challenges with existing systems resulting in too many single-solution applications (30 percent). This can lead to inefficiencies, errors and the need for human intervention, explaining why some family offices are hesitant to upgrade their technology until they have confidence in an integration plan. For around 30 percent, the cost of new technology, necessary staff training, and management time effecting change are all key constraints. When you factor in the difficulty many family offices are experiencing with hiring IT talent, this makes it even harder for them to upgrade their technology despite the clear benefits they could realize by leveraging newer technology solutions.

Fig. 6.4 — Percentage of family offices citing issue as concern



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"When I arrived here in 2019, we just had QuickBooks and Excel. We worked from a couple of big spreadsheets. Every month we added a new column, but there was no way of extracting any useful information out of it, and it was full of errors."

Chief financial officer, midsize single family office, Canada, est. 2000s

"I'd like to eliminate Excel spreadsheets from the family office, but I can't ever see it happening. I have to keep track of over a hundred utilities supplied to homes within our rental portfolio. Spreadsheets are the only way to do this because there's no off-the-shelf software and it isn't worth getting bespoke software especially written."

Chief financial officer, large single family office, United States, est. 1990s

AITi Insight

Getting the right technology is hard but it can be a significant driver of family office excellence

For a variety of reasons, many family offices are reluctant to upgrade processes and systems that are working well, even though more advanced technology renders them sub-optimal. Among those that do upgrade, some may not realize operational efficiencies because they end up automating poor existing processes. Additional benefits such as getting better data faster, freeing up senior leadership time and focusing employees on more meaningful tasks are also often not factored into the purchasing decision and therefore delay investments in new technology.

It takes a disciplined effort to stand back, identify the desired outcomes and then design the process(es) necessary to achieve key operational benefits at the right scale and quality. By investing time and effort upfront together with a good plan, family offices can avoid the mistake of making a quick decision that results in only incremental improvements which ends up under-utilizing new technology.

Wealth aggregation

A new category of tech solutions has recently become available to family offices: wealth aggregation platforms offer a comprehensive view of their financial position. They provide general ledger, portfolio management, accounting and reporting tools all in the same software package, or they can be integrated into pre-existing systems within the family office. Their advantage is that data does not need to be moved and reconciled between systems, and all aspects of financial performance should be visible in real time. This technology has the potential to significantly enhance the operational efficiency, decision-making and financial oversight of family offices as they manage complex and diversified portfolios.

Given the recent availability of this new technological solution, it is understandable that the adoption level is a modest 25 percent **(Fig 6.1)**, but there is growing interest among family offices in harnessing the capabilities of these systems. The most effective platforms are those capable of accommodating the intricacies of family office operations, taking account of legal structures like trusts, limited liability companies and other entities tied to tax and wealth planning. They also need to be sufficiently versatile to handle the unique characteristics of diverse asset classes, ranging from the redemption cycle of debt securities to the capital call dynamics of private equity, as well as lifestyle assets[3].

Related to wealth aggregation, survey participants were asked whether they were satisfied or dissatisfied with their family office's ability to access data for strategic decisions, making timely decisions, and in accessible formats.

3 Campden Wealth / RBC Wealth Management, The North America Family Office Report 2023

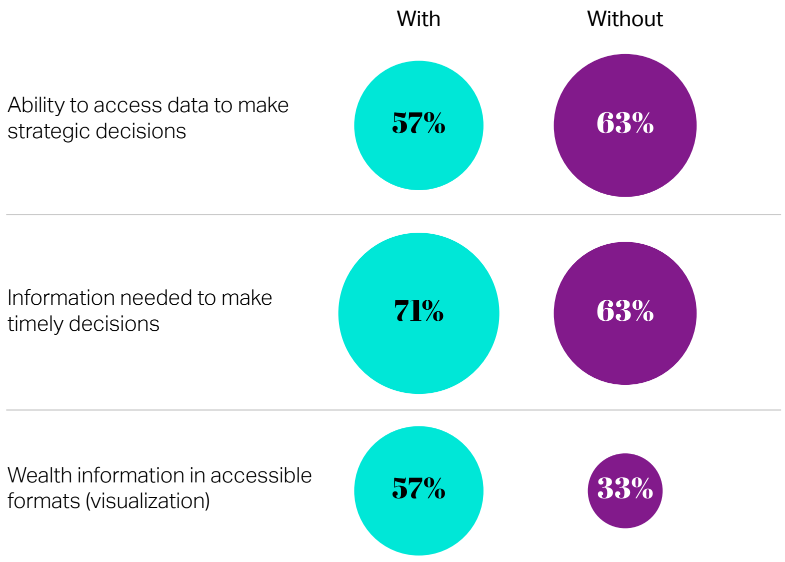
Family offices using wealth aggregation software score higher in the two latter categories than those that did not **(Fig 6.5)**. Generally, families express a high degree of satisfaction with their ability to access data, but wealth aggregation platforms improve both the speed at which this can be accomplished and the way the information is presented. It will be interesting to see whether this is sufficient to raise the adoption rate.

There are many suppliers of wealth aggregation software to family offices and the market is highly fragmented. Admittedly, our sample size is small, but nonetheless Addepar emerges as the most popular system used by the family offices in our survey followed, at some distance, by Black Diamond **(Fig 6.6)**.

"I view our aggregation platform as the single source of truth. I no longer have to access data from half a dozen individual third-party systems. When we put together the most recent family office balance sheet, all the data was pulled off the system and it was much faster."

Chief executive, small single family office, United States, est. 2000s

Fig. 6.5 — Net satisfaction score (satisfied less dissatisfied) of family offices with / without wealth aggregation software



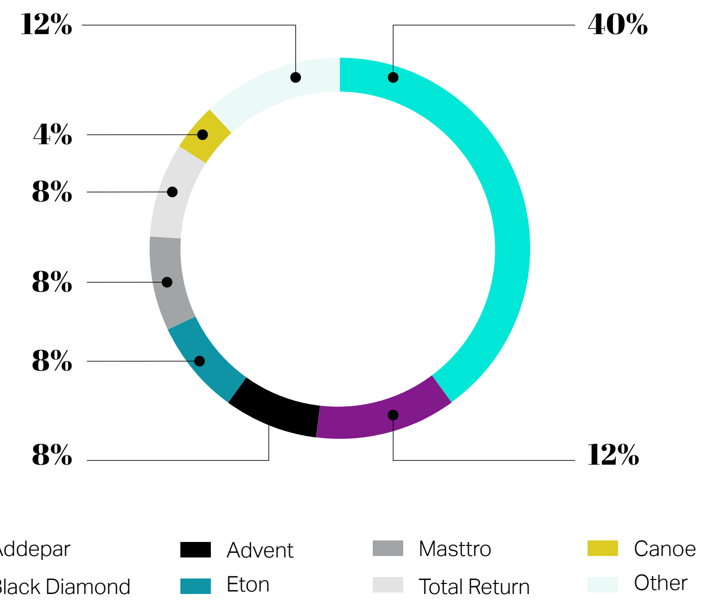
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"This wealth aggregation process is not simple because all the asset classes use a different language. Private equity uses a different language than hedge funds, and public equities use something different again. It's not easy to do but the software has come a long way over the past five years."

Managing director, small single family office, United States, est. 2000s

3 Campden Wealth / RBC Wealth Management, The North America Family Office Report 2023

Fig. 6.6 — Wealth aggregation platforms used by family offices



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"Our previous software had a major downside; it was disconnected from our data feed so all transactions had to be entered manually. It was time-consuming to enter our transactions, and it took me and my assistant ten days to get a final report ready for the family."

Chief financial officer, large single family office, United States, est. 1990s

AlTi Insight

A good wealth aggregation solution can increase operational excellence

Wealth aggregation platforms are relatively new and can be expensive. For some family offices, getting a full up-to-date picture of the family office's financial position at the push of a button is just what they want and need. But is this function worth paying for? It is probably not worth it if the family office has resource constraints or if there are no time constraints with getting the reporting. But if they lack confidence in the reporting data or want to increase the speed and frequency of these reports, it definitely is worth having a tool that can help with all that.

For some family offices this may be a benefit they receive from partnering with a multi-family office without having to incur the costs or assume the responsibility of managing the use of this software in-house.

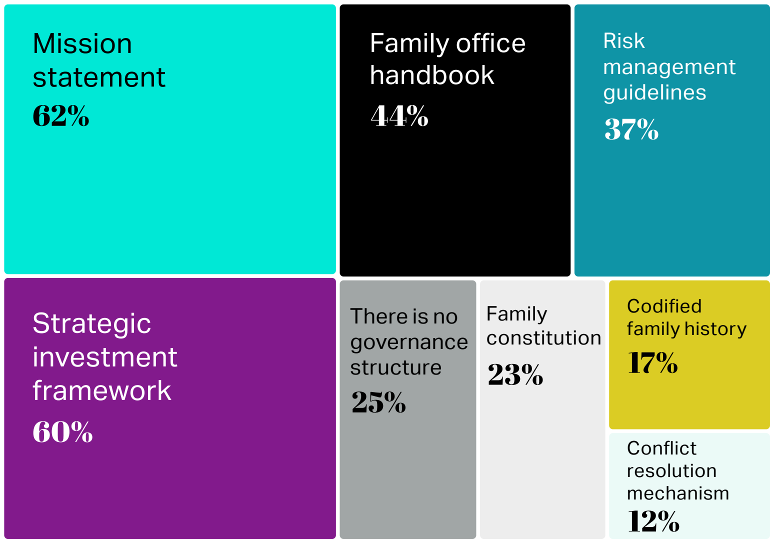
Section 7. Governance documentation

In the family office context, governance is the framework by which the family and the office operate. Effective governance includes agreed-upon values, principles, rules, and procedures for communication, education, transition planning, and decision-making. This governance framework should be documented in a variety of agreements intended to guide the family and the family office.

Three quarters of family offices surveyed have at least one form of documentation. Most commonly, this is a mission statement (62 percent) or strategic investment framework (60 percent). These two documents are viewed as the minimum for a sustainable family office. The investment framework is very often supplemented by risk management guidelines (37 percent) and 44 percent of family offices have an operational handbook. But less than a quarter have a family constitution.

Much of the documentation listed in **Fig 7.0** is intended to instill a sense of unity and purpose within the family as well as support effective decision-making in the family office. These documents become more critical the larger and more complex the family and its wealth become. Hence some first-generation family offices, and those uncertain about which governance mechanisms will best facilitate and encourage participation of family members, have decided that they can postpone addressing these matters. An analysis of the data by the generation in charge clearly demonstrates this. Noticeably, all the third- and fourth-generation family offices in our sample, supporting multigenerational family members, have a mission statement but only around half of the first- and second-generation families have one **(Fig 7.1)**.

Fig. 7.0 — Percentage of family offices relying on governance documentation



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

First-generation wealth creators often informally pass on their values, desired mission, and family history to their children. As time passes and generations are further from the founder, it becomes increasingly important to document family values and the story around wealth creation. Multigenerational success requires understanding the family's shared purpose, clearly defining communication channels, and having mutually agreed upon guidelines to navigate conflict when it arises. At the extreme, absence of governing documents could accelerate the dissolution of the family office.

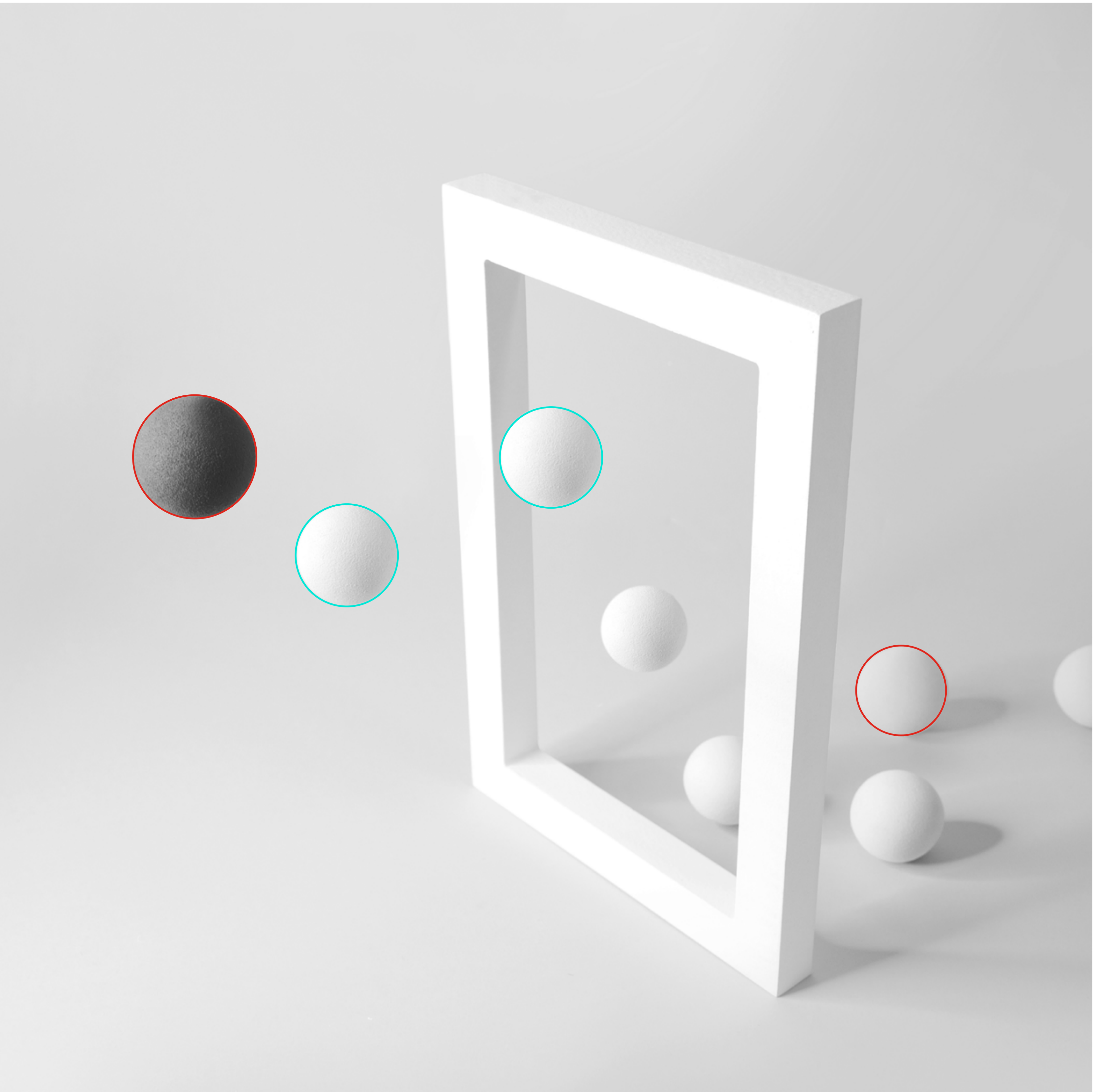
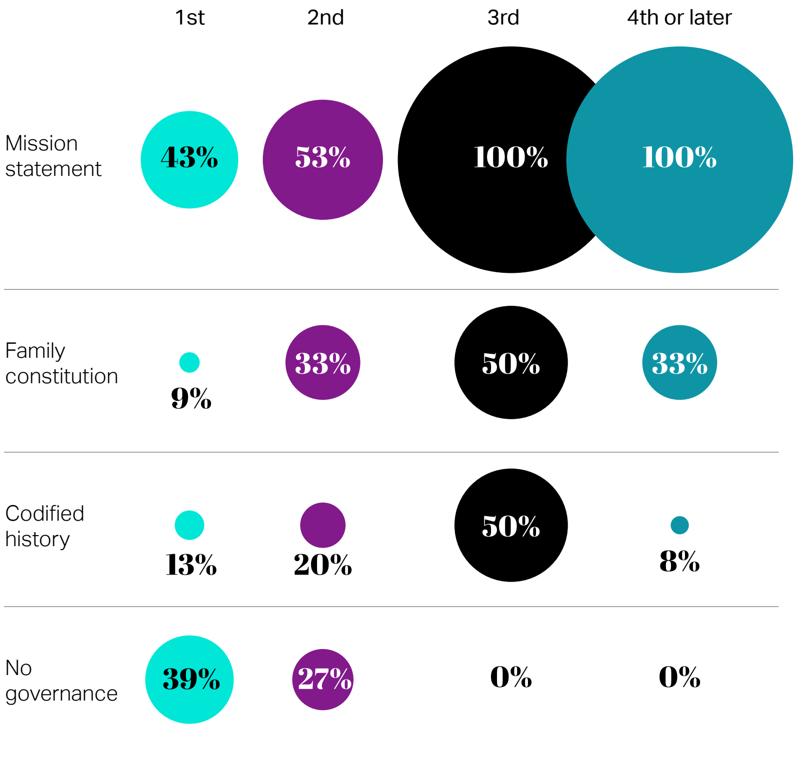


Fig. 7.1 — Percentage of family offices with mission statement, family constitution, codified history and no governance documentation by generation in charge



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

"Anything the family office can do to promote communication between family members and keep them aligned is, by my definition, value added. Creating a family constitution, or family council, and supporting the next generation is critically important."

Chief investment officer, midsize single family office, Panama

"With regard to next-generation, we organize courses on finance and investment and recently we have extended this to engaging a life coach to mentor those who are interested."

Chief financial officer, large single family office, United States

"The family foundation is something the family takes very seriously, and it has the effect of bringing family members much closer together and creating harmony. We started a monthly trustee meeting and very quickly this became the forum for regular discussion of all family-related issues."

Managing director, small single family office, United States

AITi Insight

Governance is essential to the sustainability of multi-generational family wealth and the sooner it is addressed the better

Governance at its core is formalizing who, what, when and how shared decisions will be made, focused around agreed upon objectives and shared values. The process of governing includes facilitated communication between the family, owners, the family office professionals, and the board or oversight body for the family office.

This survey looked at the number of family offices that formalized their governance process into key documents such as a mission and investment policy statement. Often first-generation wealth creators are accustomed to making decisions independently and do not prioritize formalizing and documenting how decisions will be made beyond them and how the office will be governed. This poses a significant risk and is a missed opportunity in our experience. The risk is that these discussions and decisions get postponed until it is too late.

Decisions made in a crisis without proper consideration of family values or a pre-established thoughtful process can damage family relationships and negatively impact the family office operations and / or the wealth it manages. The office can also become a burden for the family when they are not sufficiently involved or prepared in decision-making.

Our experience is that the family offices who recognize the importance of professionalizing decision-making structures and dedicate the time to document and integrate these practices into their family office operations see significant benefits, including better definition of their annual objectives, stronger family dynamics with a culture of cohesiveness and effective navigation of conflict and division that may arise in successive generations.

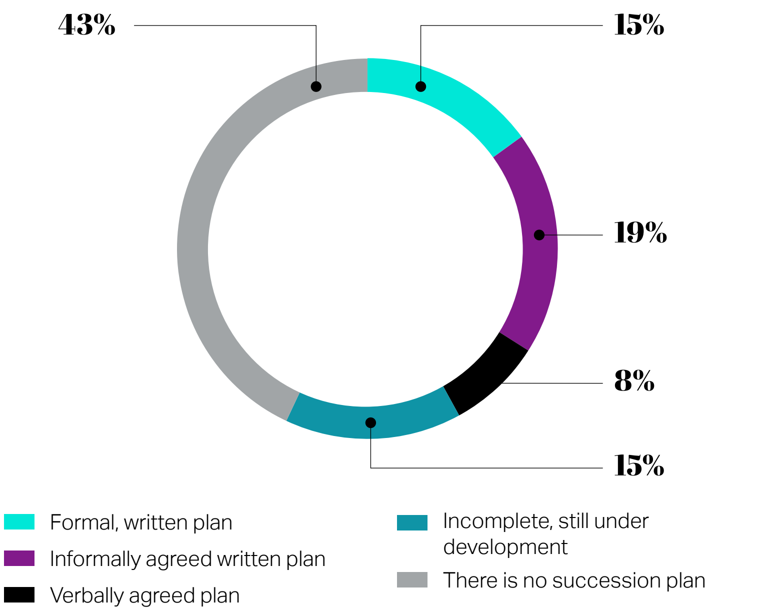
It is important to consider that good governance also includes decision-making frameworks, regular family meetings and establishment of a family council, assembly or board, all of which were not addressed in this survey but should be considered as part of any future research.

Finally, we are witnessing a growing desire for the financial decisions in a family to be more aligned with the family's values and goals. 'Making money' just isn't enough for many young family members, and decisions about family offices need to incorporate a mindset that reflects value and greater impact.

Succession planning

Succession planning is intended to minimize the risk of business disruption, proactively ensure capable individuals fill key leadership positions and guide the development of those individuals so they are equipped to fill those positions. Having a plan is part of operational excellence and survey data shows 57 percent of family offices do have a succession plan **(Fig 7.2)**. However, a large proportion of these plans are only informally or verbally agreed and therefore subject to challenge. Many succession plans are incomplete, but as one interviewee stated: “Succession plans are always incomplete because you never know what’s going to happen”.

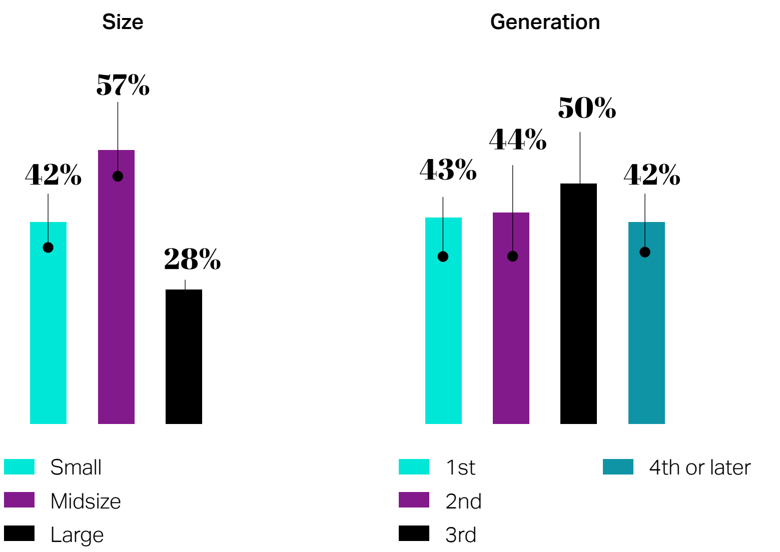
Fig. 7.2 — Type of succession plan



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Given its importance, why do family offices not have a succession plan? Though we are not immortal, it is uncomfortable and emotional to think about and plan for your or a loved one’s demise. There is a tendency, particularly when the current generation is healthy and engaged, to postpone this work for other priorities, and delay addressing them until a real crisis occurs. In some cases, the delay is simply for the reason that the next generation is either too young, or not yet interested in their future roles of being stewards of the family wealth and business.[4] This could happen in any family irrespective of whether it’s first-, second-, third-, or fourth-generation and may explain why from our survey data the percentage of family offices with no succession plan is independent of the generation in charge **(Fig 7.3)**.

Fig. 7.3 — Percentage of family offices with no succession plan by size and generation in charge

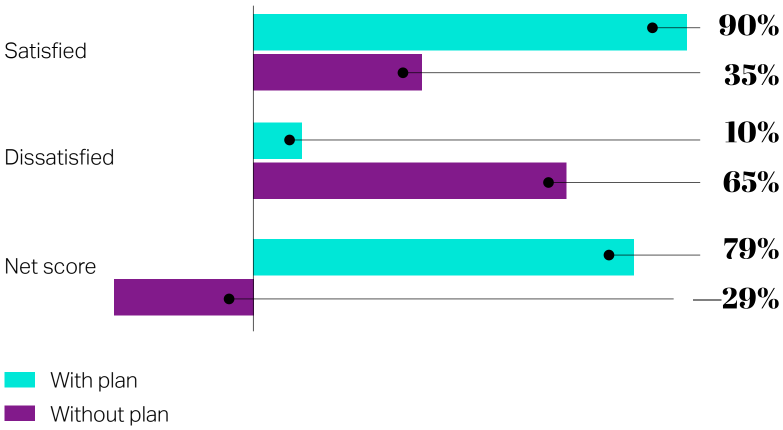


Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

4 Campden Wealth / RBC Wealth Management, The North America Family Office Report 2023

Survey participants were asked whether they were satisfied or dissatisfied with their family office's succession planning. A remarkable 90 percent of family offices with a succession plan were satisfied with their planning. Importantly, 65 percent of families with no succession plan were dissatisfied with their succession planning, or more specifically their lack of it.

Fig. 7.4 — Net satisfaction score of family offices with / without succession plan



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

AlTi Insight

A "just in case" plan should always be in place to ensure smooth transition across generations

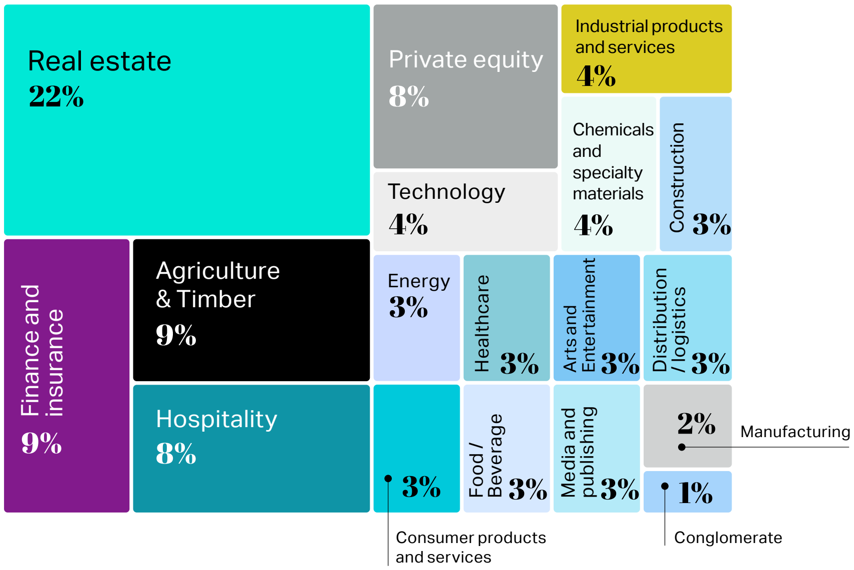
It is uncomfortable to plan for your demise, but it will inevitably happen. It is essential for a family office to have a written and communicated plan in place at all times to ensure a smooth transition in the event of the illness, incapacitation, or death of a family member or office leader.

Succession planning should be done proactively for both family and non-family leaders and decision-makers in the family office. Ideally, a board or governing body oversees the family office and ensures effective communication between the office and the family. Family members need preparation and time to take on formal leadership roles in the family office, to become good board members, to oversee the family office and even to be good stewards and owners of wealth. In this area, most family offices have a huge knowledge gap. Many do not have anyone in the rising generation of the family or on the family office team who are prepared to take on the role of successor. Family offices have an opportunity to engage and educate family members and family office staff to be effective communicators and leaders to step into key roles in senior management. We are also encouraged to see more and more rising generation family members wanting to learn about the family office and gain the skills and experience to be good stewards.

Section 8. Family business

Almost two thirds (63 percent) of families participating in the survey own an operating business. Seventeen percent of respondents have their family office embedded within their family business, sharing overheads and avoiding duplication of back-office functions. The sectors in which these businesses operate **(Fig 8.0)** are most commonly: real estate (22 percent), finance and insurance (nine percent), agriculture and timber (nine percent), hospitality (eight percent), and private equity (eight percent). Interestingly, of those families with an operating business, one in two have more than one family business with 20 percent owning three or more.

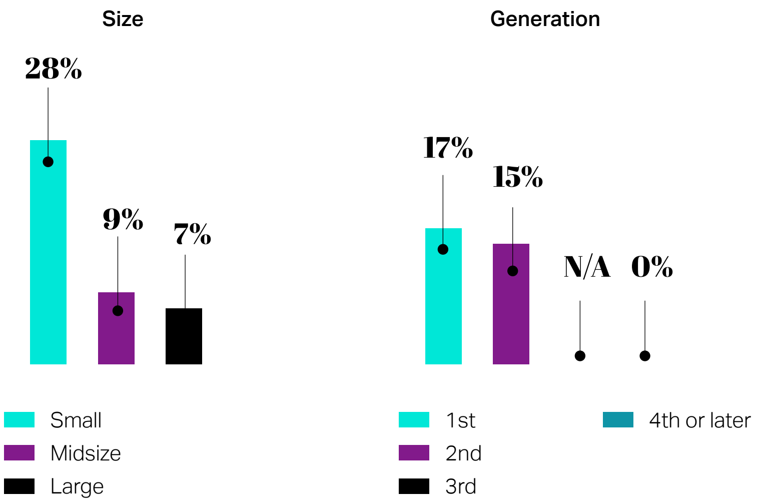
Fig. 8.0 — Sectoral distribution of family-owned businesses



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

The majority of families strive to keep their businesses, and approximately 16 percent are contemplating a possible sale **(Fig 8.1)**. Generally, it's smaller family offices which are more likely to consider selling their family business. As might be expected, this is just as likely to happen with first-generation families as it is with second-generation families. This may be due to succession challenges in advance of any significant wealth transfer to the next generation or economic challenges in their industry. Those families where the family business is in a sector that is dependent on discretionary expenditure – notably arts and entertainment, consumer products, and hospitality – are more likely to consider a sale.

Fig. 8.1 — Percentage of family offices looking to sell a family-owned business by size and generation in charge

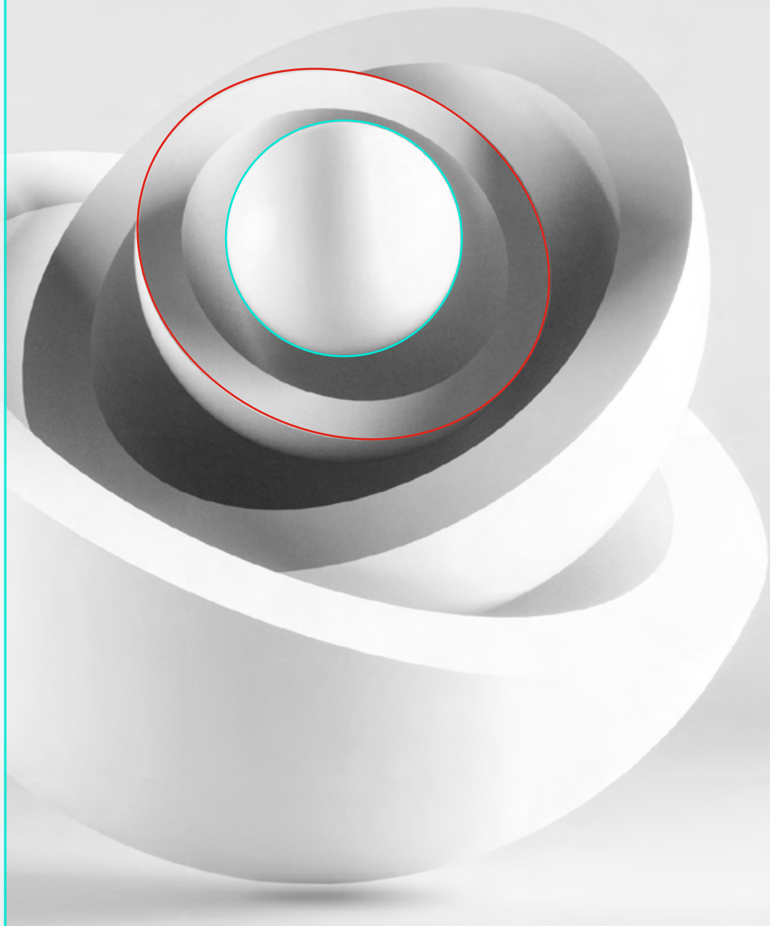


Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

AITi Insight

Family offices inside a family business need a sense of purpose beyond the business itself

Oftentimes, family wealth is created through the founding of an operating business. After selling the first business, many entrepreneurial families launch a new business or their children or grandchildren do. We are not surprised to find the majority of family offices are affiliated in some way with a family business particularly in the first and second generation. Our experience indicates that as the size and complexity of the business grows and the family expands, there is an increased need for better coordination and more structure to support the family, business, and wealth. It is important for these families to develop an overarching purpose for their wealth with goals tied to the impact they want their wealth to have. Otherwise evaluation of the family office may get reduced to financial numbers, investment performance and dollars distributed. Taking time and effort to develop a purpose for the family office (what we refer to as ‘The Why’) can be instrumental in ensuring that the family office offers more value and benefit than just maintaining and increasing the financial capital created by the business.



Section 9. Satisfaction

As outside observers of family offices it's difficult for us to get a measure of what represents operational excellence. For this report we adopted the approach of asking family office employees, and family members who work in the family office, whether they are satisfied or dissatisfied with 16 different functions and aspects of their family office as set out in **Fig 9.0**. From this, we were able to gauge the functions where families are well served, and the categories of family office providing the best overall satisfaction to their owners.

This exercise highlighted some marked differences between employees and family members. Overall, more than 80 percent of employees are satisfied on all functions except three. This percentage of satisfied family members is only achieved in two categories: dedicated staff and privacy. In most categories, the percent of satisfied family members is only in the 60-70 percent range.

Employee satisfaction

The top three categories with most satisfied employees were family services (100 percent), dedicated staff (94 percent) and value for money (94 percent). Generally, core functions such as investment management, financial planning, tax preparation, and governance achieve levels of satisfaction of 80-90 percent. At the other end of the table, three areas stood out with significant dissatisfaction: next-generation education (53 percent), succession planning (33 percent) and dissemination of wealth information in accessible formats (33 percent).

Family member satisfaction

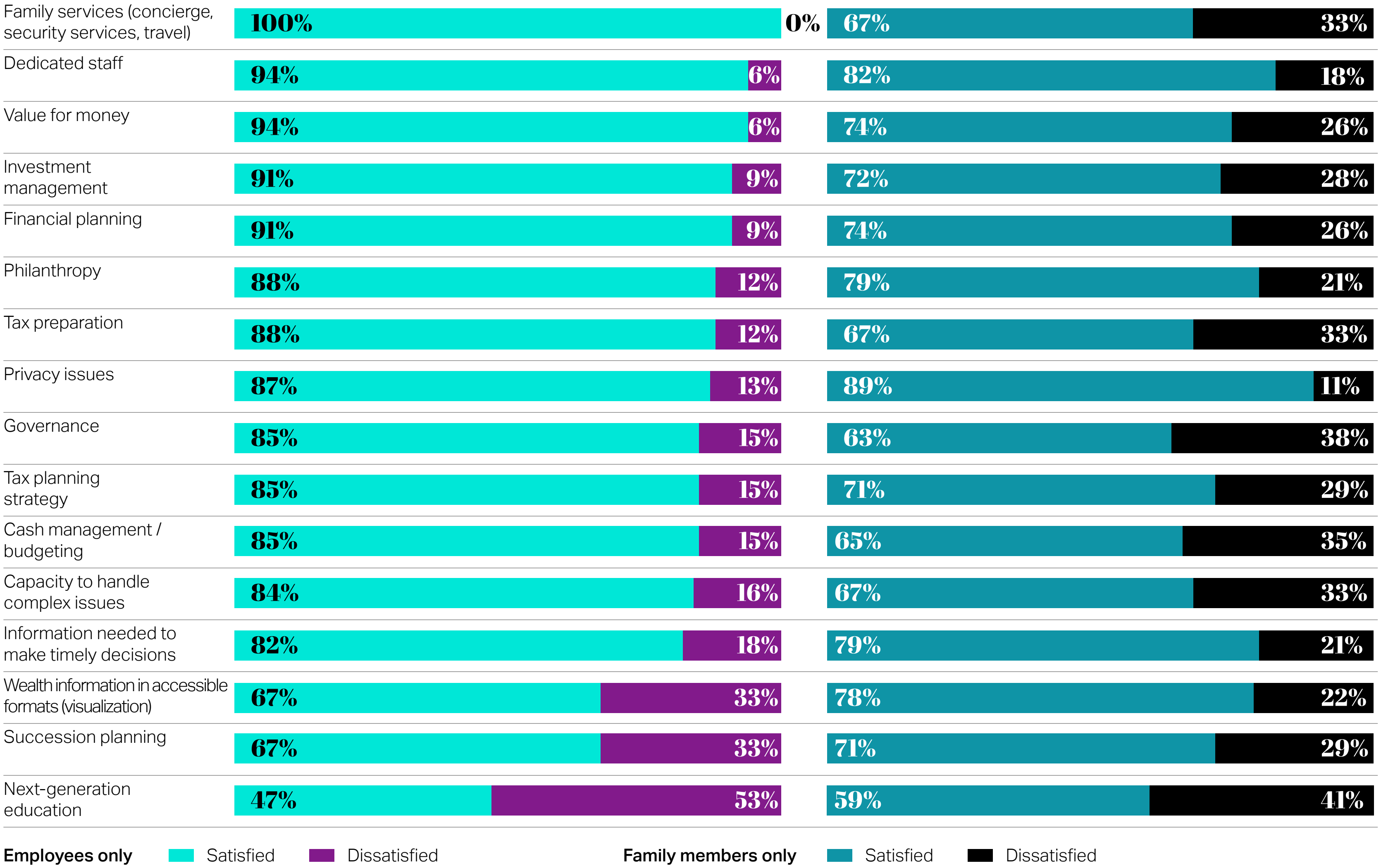
For family members working in the family office, the top three categories they rank the highest are privacy issues (89 percent), dedicated staff (82 percent), and tied for third are information needed to make timely decisions (79 percent) and philanthropy (79 percent). Generally, core functions achieve satisfaction levels in the low 70s. Dissatisfaction is most evident with next-generation education (41 percent), governance (38 percent) and cash management / budgeting (35 percent). Noticeably, family member satisfaction with family services, value for money, governance, and investment management all score significantly lower than employee satisfaction, as might be expected for issues which are likely to be of more concern to family members than employees.

To assess family members' overall satisfaction, we identified the following five categories which we believe collectively serve as a good proxy measurement. We then identified family offices where at least four of these five categories are deemed satisfactory:

- Dedication of staff
- Privacy
- Value for money
- Information needed to make timely decisions
- Governance

In **Fig 9.1**, which evaluates this data by family office size and decade of establishment, we begin to see some important differences in satisfaction levels. It is evident that only half the members of small family offices appear to be satisfied, compared to 71 percent of the members of midsize offices and 100 percent of larger family offices, albeit here the sample size is small. It may be the case that other factors play a part in determining overall satisfaction levels with small family offices, but this analysis does seem to suggest that large and midsize family offices generally meet the needs of their families.

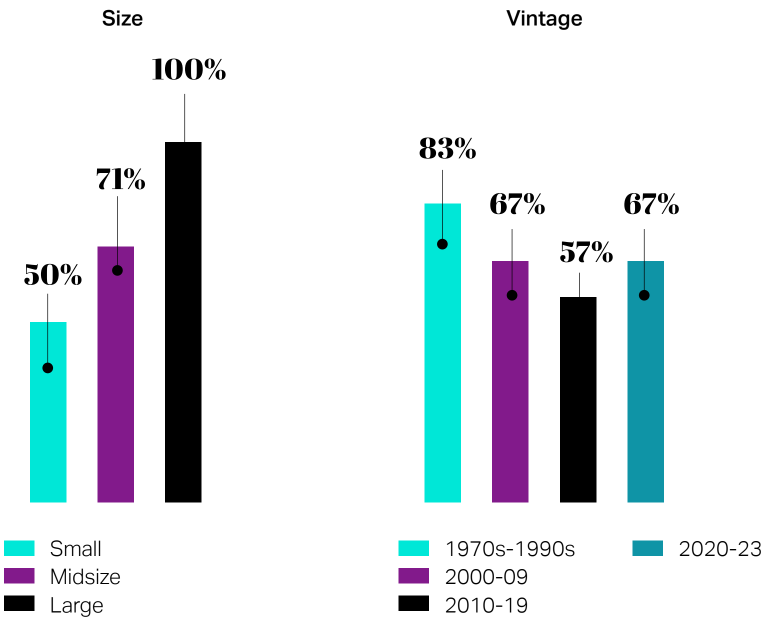
Fig. 9.0 — Percentage of employees / family members satisfied / dissatisfied with aspects and functions of their family office



Source: Campden Wealth / AITi Tiedemann Global *The Family Office Operational Excellence Report 2024*

A similar analysis looking at satisfaction levels by vintage reveals longer-established family offices are more likely to have satisfied family members. Interestingly, there is an uptick in satisfaction of family members with the most recently formed family offices (2020-23 vintage) which may reflect enthusiasm early on in the start-up phase.

Fig. 9.1 — Percentage of family offices satisfying family members on at least 4 out of 5 categories (staff dedication, information for decisions, privacy, value for money, and governance) by size and vintage



Source: Campden Wealth / AlTi Tiedemann Global *The Family Office Operational Excellence Report 2024*

Although **Fig 9.1** focuses on the five categories which we believe are most important for family member satisfaction, we also undertook a broader analysis of satisfaction categories. The results confirm the same trends.

- The percentage of satisfied (satisfied with 14 or more of the 16 categories in **Fig 9.0**) family members was highest (67 percent) within the large family offices group and the percentage of dissatisfied (dissatisfied on seven or more categories in **Fig 9.0**) family members was highest (38 percent) in the small family offices group.

- The longer the family office has been in existence, the higher the percentage of satisfied family members. This may be a demonstration of their ability to overcome challenges early on to develop a better functioning family office over time.

AITi Insight

Family office satisfaction is important feedback to measure regularly

How satisfied staff and family members are with the operations of the family office is an important metric that more family offices should measure regularly. We have learned that while it is important to understand what families are satisfied with, it is also important to learn what is missing or not being addressed. It may also be important for family offices to assign some weighting to these functions to identify the most vital areas to focus on in the pursuit of improving operational excellence.

Furthermore, any satisfaction survey should also include those family members who are not engaged in the family office. How this data is used also needs to be considered. If done constructively, it can be a helpful tool to enhance family office operations, the service offering, and interactions with the team. Finally, satisfaction data can improve the overall value proposition by identifying commonalities and differences between what family members perceive they are getting vs. what the family office thinks they are delivering.

Section 10. Conclusions

Looking ahead — Key takeaways from the report

1. Value for your costs

Think of the family office as much more than a cost center to be managed. While cost management is crucial, equally prioritize strategies that amplify value generation across all facets of operations. Focus as much on maximizing value as minimizing cost. Regularly measuring this will help you properly assess cost efficiency and value created.

2. Technology is a key driver of excellence

Continue to think about family office technology as a driver of added efficiency and enhancer of service offerings. Pursuit of new technology should be tied to the expanding and evolving needs of the family as well as to increased satisfaction. When successful, new technology can lead to better processes and decision-making alongside increased benefits to the family and cost savings.

3. Vigilance is key. Ignore cybersecurity at your own peril

Be relentless in the quest for better cybersecurity. The landscape of cybercrime continues to evolve. It is important to continuously improve your defenses against cyber threats and to be ready to respond swiftly to cyber-attacks when they happen. For many family offices this is an area where outsourcing can be the best approach.

4. Prioritize sustainability, governance and next-generation preparedness

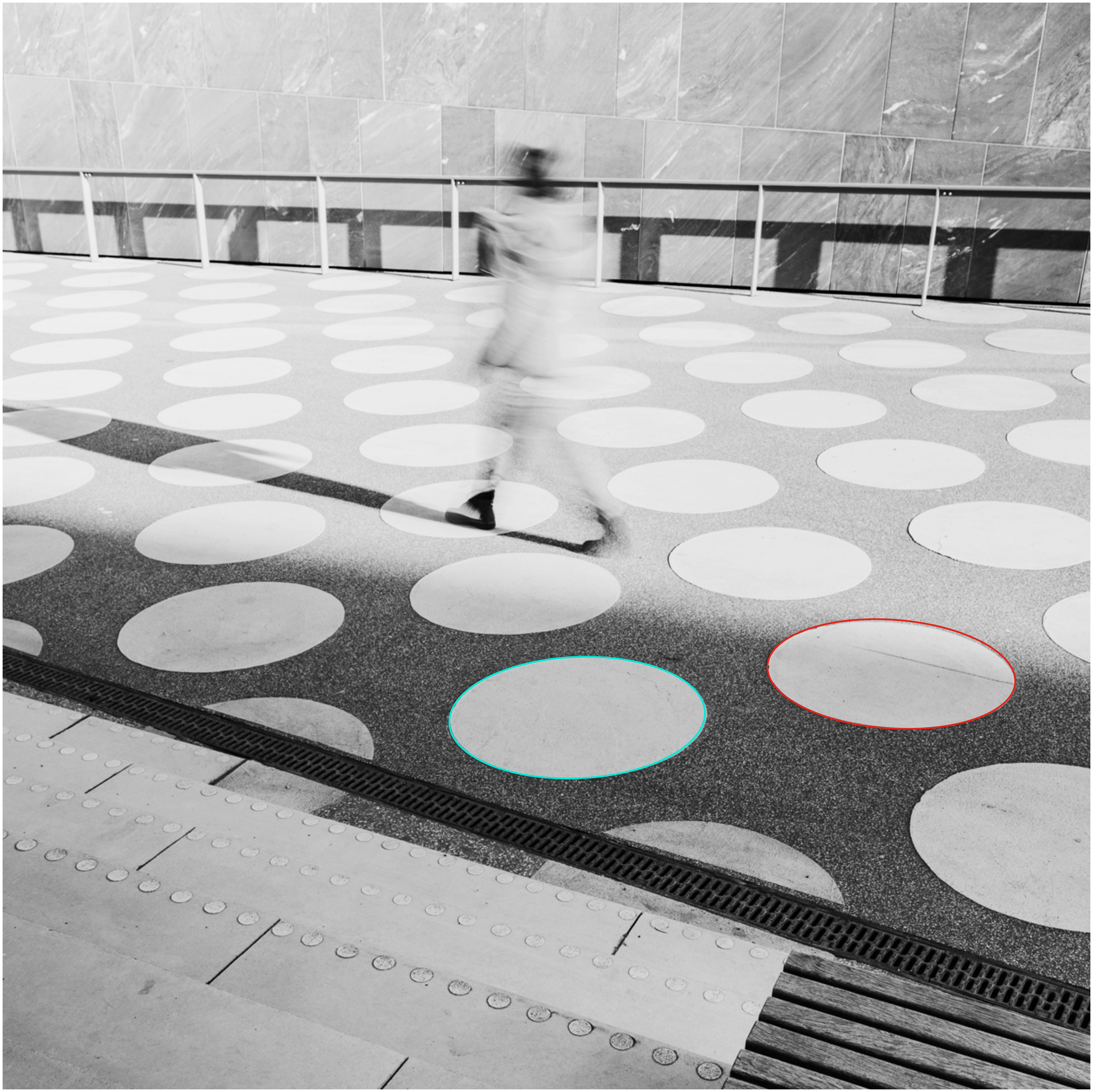
Recognize the pivotal role of succession planning, governance and next-generation preparedness in ensuring long-term sustainability and success. For too many family offices this is not happening, or substantial gaps remain. It's far better to do something than to postpone it altogether. Invest in the rising generation.

5. Seek honest feedback often

Family offices that are successful in the long term are the ones that adapt to the changing needs of the family. Getting honest feedback from all family members as well as from key talent working in the family office will provide insight and fuel ongoing adaptation. This will result in achieving better outcomes for the family while ensuring staff thrive and stay longer.

6. Outsourcing is a key component of any successful family office

All family offices in this study agreed that outsourcing is a critical component of staffing, adding depth of talent and delivering new capabilities. For the best results, think about how you outsource. Pick the right partners – the ones that demonstrate technical excellence and the ability to collaborate with the family and the family office. Focus on achieving successful outcomes through collaborative partnerships v. vendor relationships.



About the creators

About Campden Wealth

Campden Wealth is a family-owned, global membership organization providing education, research, and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

The Campden Club is a private, qualified, invitation-only members' club. Representing 1,400 multi-generational business-owning families, family offices and private investors across 39 countries, The Club delivers peer networking, bespoke connections, shared knowledge and best practices. Campden Club members also enjoy privileged access to generational education programmes held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisors and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Education delivers a virtual training platform empowering families with practical knowledge and the tools to make informed decisions. Drawing on deep expertise and real-world experiences, our programmes are designed to guide the whole family through all stages of ownership and growth.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991. In 2015 Campden Wealth further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

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AlTi Tiedemann Global

AlTi Tiedemann Global is a global multi-family office with headquarters in New York and over 20 offices in North America, Europe and Asia. AlTi combines the broad offering of a large firm with the focused attention of a boutique. This gives us the capacity for agility, responsiveness and resourcefulness.

For more than two decades, we have helped families invest their assets and assisted them in managing a wide range of other wealth matters. Our partnership model ranges from those who engage us to fully manage their family office to others who partner with us in a hybrid capacity to supplement their in-house capabilities.

Our overall service offering is a comprehensive suite of services ranging from investment management (traditional and impact) to family education and governance, financing solutions, tax strategies, wealth planning, trustee services, family office services like bill pay, payroll services, tax preparation, and alternative investment opportunities. As the family's needs evolve, we can expand or contract the services and talent we provide in a flexible, adaptive manner – something we call our 'accordion model.'

In summary, we are in the business of turning powerful ideas into high-performing strategies and solutions, all in the service of delivering enduring value to our clients and our investors.

For more information:
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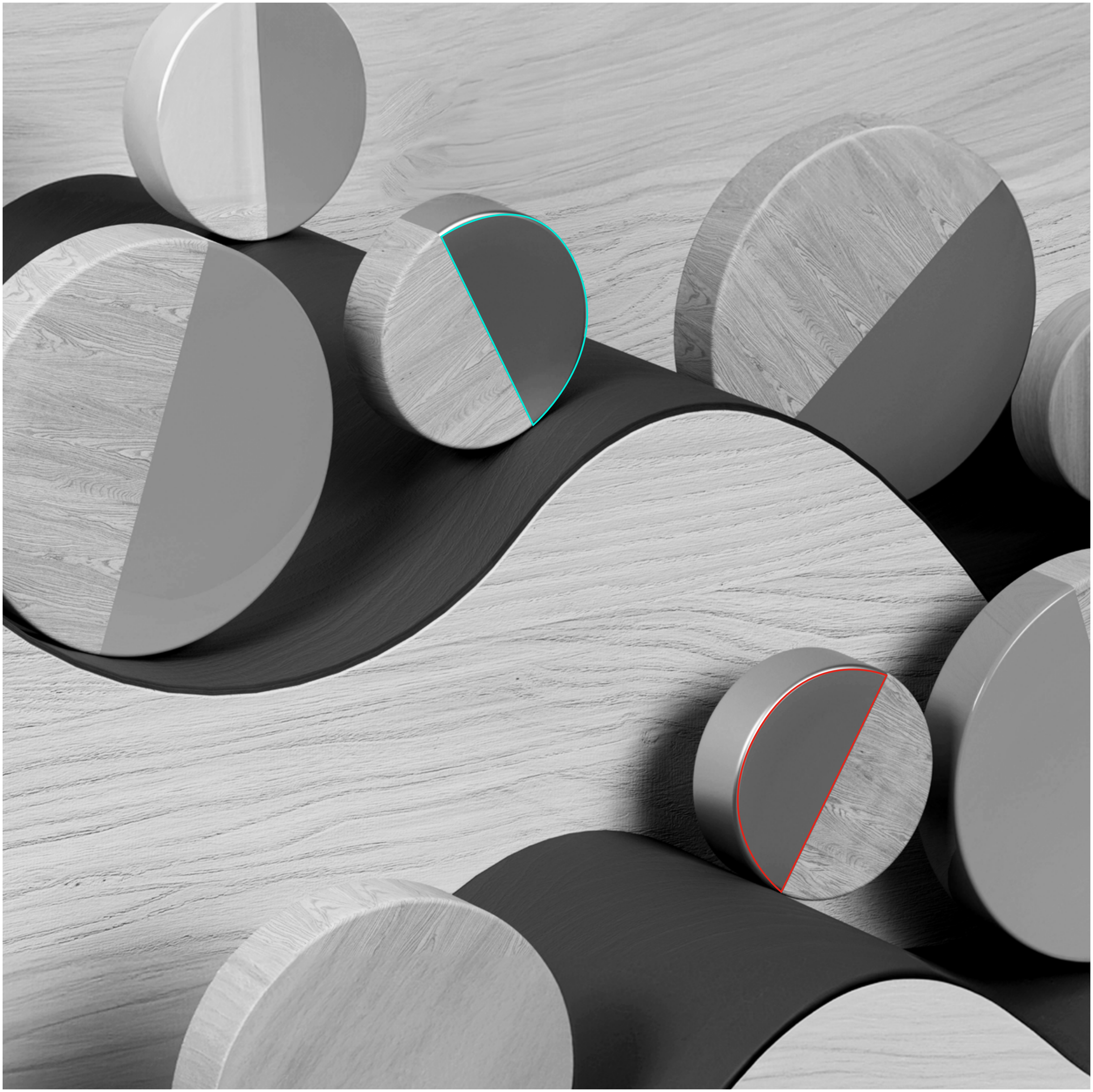

List of figures

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