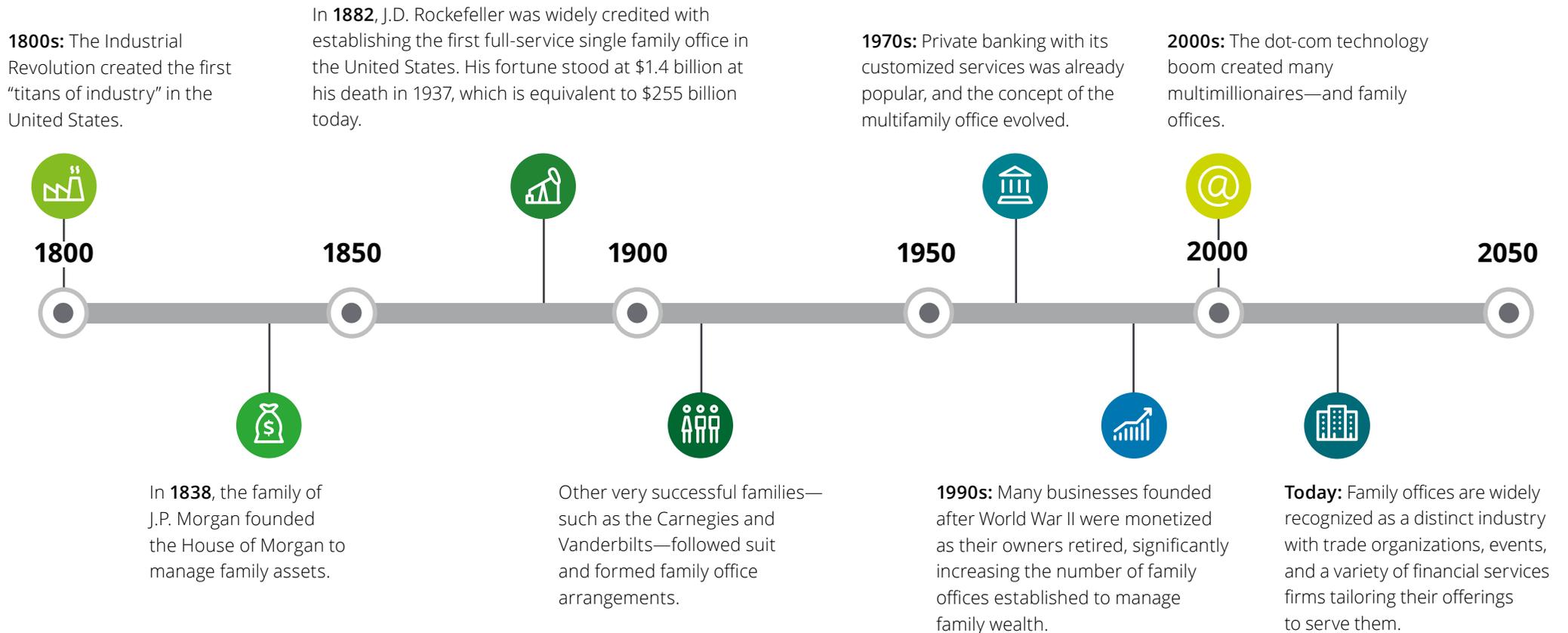


Family office fundamentals

# Modern history of family offices

Family offices are not a recent phenomenon; their modern history within the United States has paralleled the growth of our country. It is now estimated that there are approximately 6,000-7,300\* family offices in the United States.



\*Source: 2019 Family Office Exchange.



## Family office fundamentals

# Characteristics of a family office

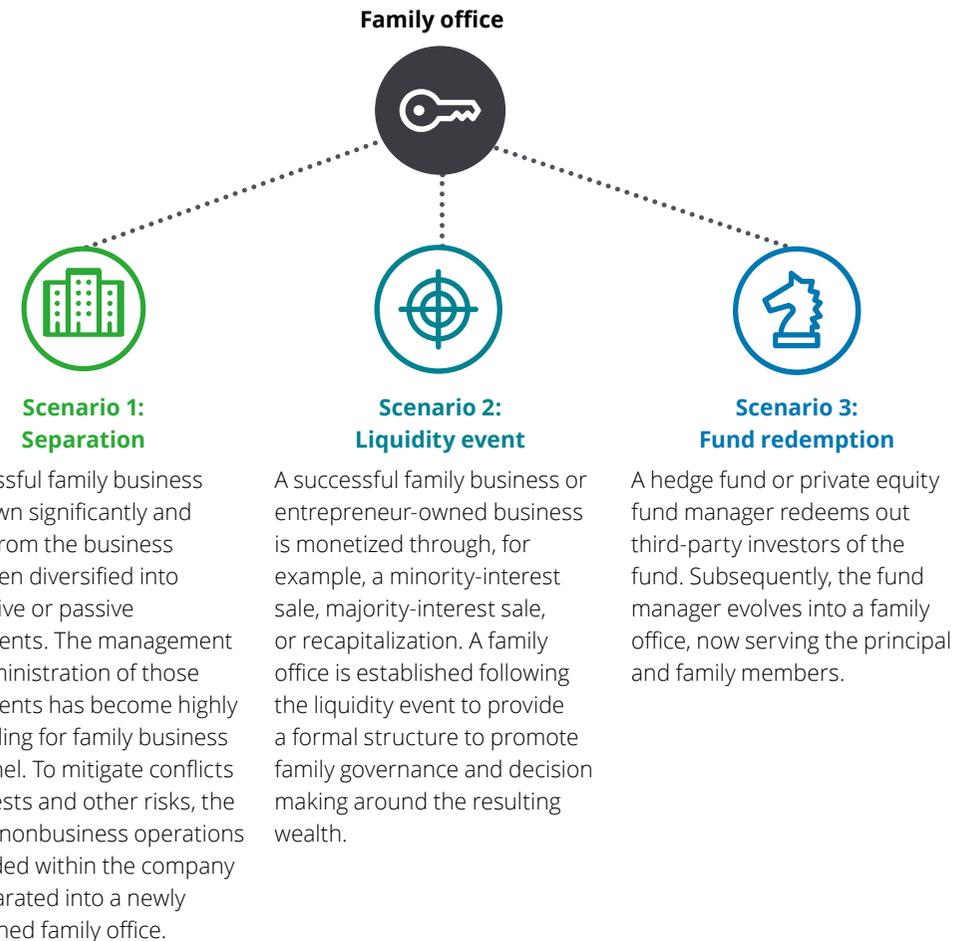
While each family office is as unique as the DNA of its individual founders, there are some common goals that most family offices strive to achieve.

- Provide formal structure for the management and governance of the family's wealth
- Promote the family's legacy, vision, and values
- Coordinate, integrate and consolidate customized services for the family
- Manage economic and personal risks for the family
- Capitalize on economies of scale gained from consolidated family wealth accumulation, such as preferential investment access and fee reductions
- Maintain confidentiality and privacy of family affairs



**Figure 1. Traditional paths of the family office**

One of several scenarios often results in the formation of a family office.



## Family office fundamentals

# When is it time?

While opinions vary widely, many people in the family office industry believe that a family needs at least \$100 million of investable assets to form a family office. Why? In general, it is believed that this amount of wealth is necessary for dedicated resources to provide favorable economies of scale from both a time and money perspective.

But the amount of wealth involved is not the only important consideration. There are a number of key integrated, qualitative factors that also should be considered (see figure 2). As more of the factors become relevant, so does the value proposition for the formation of a family office.

This due diligence process is an important step in assessing when and how to initiate the formation of a family office. With the guidance of trusted advisers, the diligence process provides a structure for weighing these important factors, which will help a family determine whether and when a family office makes sense.

**Figure 2. Integrated factors in the decision to form a family office**

The amount of wealth involved is only one of many factors that drive the decision to form a family office.

