

INSIDE THE MODERN FAMILY OFFICE:

What the Most Successful Ones Share,
and How the Model is Changing

Written by Hannah Arrighi

With thanks to Akshay Kiran, Bedrock Group (Helena Eaton and Gabriella Samuels), Daniel Hillman, Emma Paterson, Islandbridge (Joseph McCarthy), John Connolly, Johnson Cheng, Novum Partners (Gabriele Gallotti and Maria Mavridoglou), Octogone (Zoran Lalvani), ONE WORLD Investments (Scott Saslow), Ron Diamond, and Terrace Tower Group (Bill Brown)



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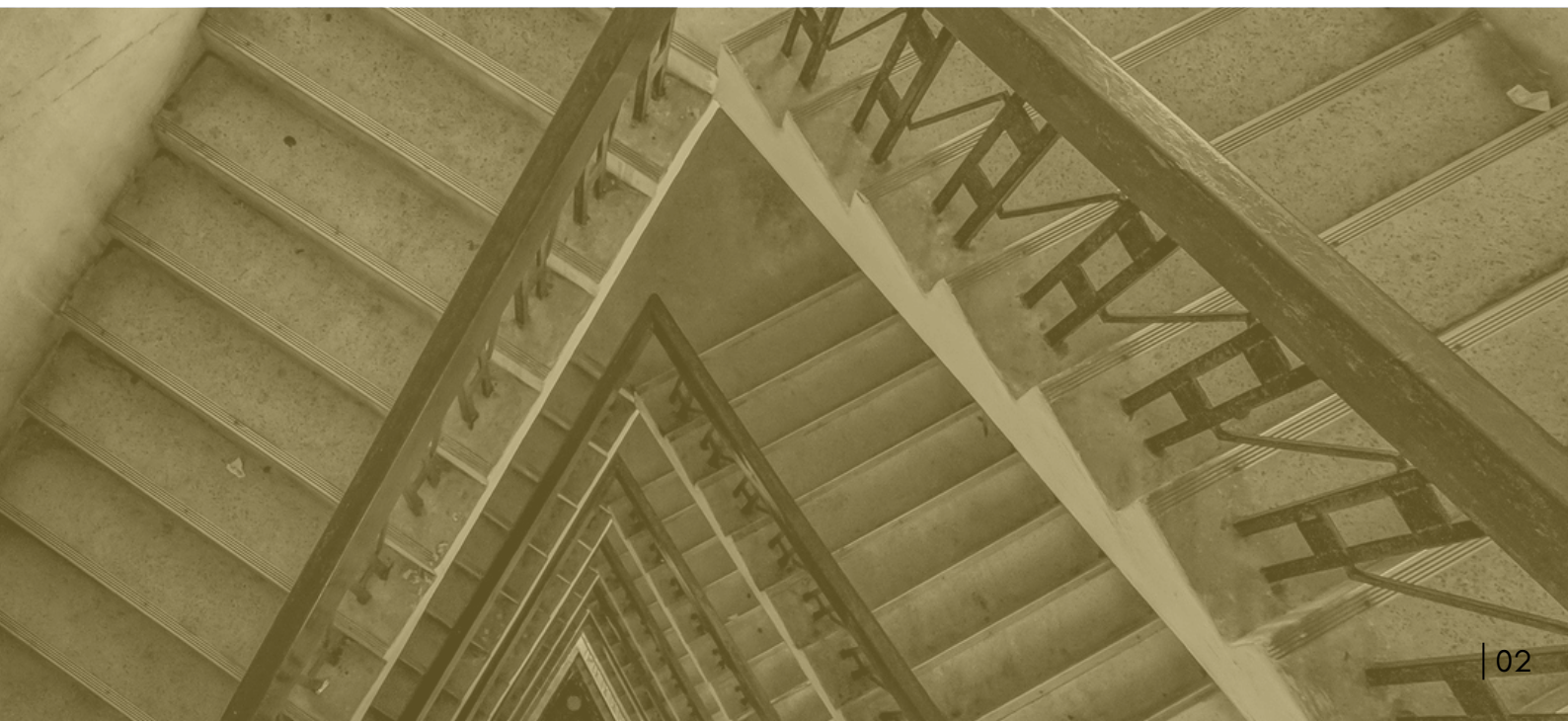
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As Tolstoy famously wrote at the beginning of *Anna Karenina*, “all happy families are alike; each unhappy family is unhappy in its own way.” Does the same hold true for family offices? Are all the happy ones following the same playbook?

I set out to explore this question, as well as general family office trends, when I interviewed established family office executives from across the globe. Coming from multi-family offices (MFOs), single-family offices (SFOs), or advising in the space, these executives reveal an industry that is simultaneously professionalizing and personalizing.

While family offices have existed for generations, their structure, investment approach, and purpose are undergoing a fundamental transformation. As industry expert Ron Diamond notes, we’re only in the “second inning” of their development. But what will tomorrow’s family office look like? And how will it account for each family’s diverse needs?

As the “Great Wealth Transfer” of \$124 trillion begins in earnest and new wealth compounds, the long-term success of existing and burgeoning family offices will hinge on two points: the one thing all happy family offices have in common, and how effectively each office can tailor the remaining elements to its specific needs.



Governance - The Structure Underlying All Successful Family Offices

When a person starts a family office, it's unpleasant to imagine a scenario in which strong governance is needed. These scenarios are vexatious: Strong disagreements over investment opportunities. Family divides. Incapacitation. While death and taxes may be the only two certainties in this world, it seems like only the latter is universally accounted for in family office planning.

But an unwillingness to confront governance early on leads to an onslaught of issues at a time when one is least equipped to deal with them. As Zoran Lalvani of the multi-family office Octogone says, "The last thing any family member would want whilst grieving a loss is to be caught blindsided."

And it's not just death or a destruction of family bonds that one needs to be mindful of when deploying family capital – it's a series of one-off club deals with friends that could end up skewing portfolio construction over time. It's trying to do too much and getting spread thin. It's an unclear division of responsibilities. All of this can lead to wealth slipping away insidiously, without anyone realizing what's happened until liquidity dries up.



Successful family offices do things differently. As family office executive Emma Paterson states, governance should be “laid out from the outset, then you can build decision-making around that (such as an advisory board, council, etc.) that defines who is responsible for what, what happens when or if things go wrong, and what success looks like.”

Ron Diamond agrees: “Most people who have a liquidity event – they don't even know what governance is. You need to do the governance, then you need to do succession. You need to talk to an estate planning attorney, and then you can start investing.”

So what does governance look like? A constitution is a helpful start, where the family office can define its mission, values, and roles. It should answer questions like, what's the purpose of having a family office – wealth preservation, wealth expansion, impact, or some combination thereof? How do distributions happen? As the family grows, when or under what criteria are children eligible to get involved? What about spouses?

Who mediates disputes, and how are decisions made? What's the succession process? Like signing a prenup, getting these questions resolved before acrimony has a chance to rear its ugly head is key to a smooth resolution of disagreements. As Joe McCarthy, founder and CEO of the multi-family office Islandbridge, notes, “Families that codify values early avoid disputes later.”

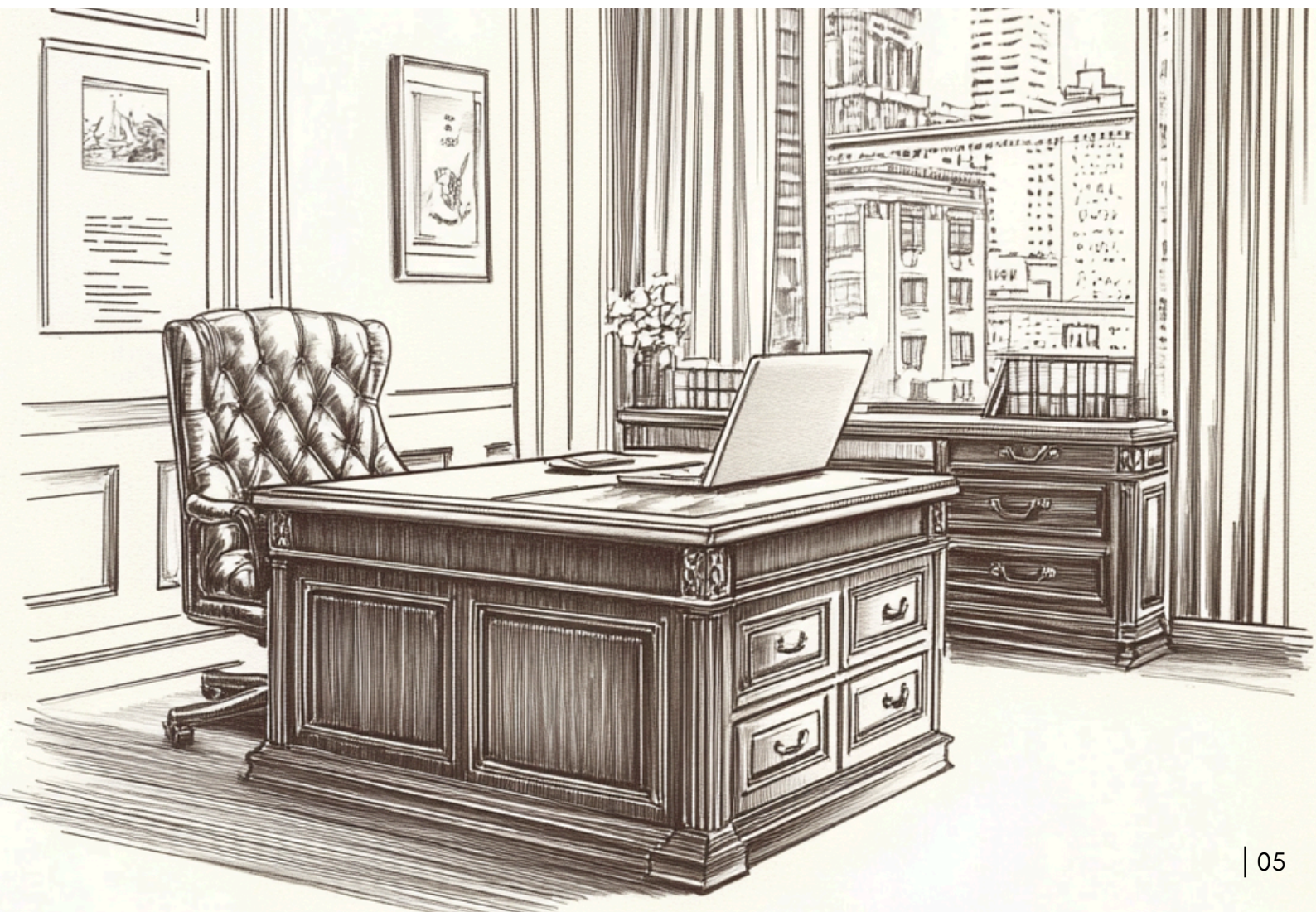
A family would then be well-served to put together an investment charter, which sets investment objectives, risk parameters, and monitoring standards. It resolves questions like, what's the target portfolio composition? What's the criteria for investment? Will the office directly manage private equity or real estate assets, or operate only through funds? How will investments get approved? Without this document, it's easy to succumb to trends and lose course.

A board of directors – filled by the CEO, designated family principals, and externals – could provide strategic oversight and approve policies, budgets, and major initiatives.

An investment committee – comprised of the CIO, designated principals, and externals – could review and recommend investment opportunities. Family offices could also create a mechanism that allows individual members to opt in or out of certain investments. Regular family meetings and official family councils could bring members together to foster collaboration.

Each family should have a governance structure that's particular to them. While the mission, portfolio composition, and division of responsibilities will look slightly different for each, the most important piece – and what all happy family offices have in common – is that governance, whatever it looks like, is clear.

The consequences of not elucidating it are severe. Only 25% of family wealth makes it to the second generation, 10% to the third, and 5% to the fourth. As Ron Diamond notes, “some of it is from bad investing, but more of it is from bad governance.”



The Threshold – When Does a Family Office Make Sense?

The threshold to establish a family office, and whether to go single or multi, has long been debated in the industry. Some say that single-family offices only make sense with an AUM of over \$500 million. Others say that the number should really be \$1 billion. Either way, the AUM for a proper single-family office should be high because the costs of running it are extensive.

One needs, at a minimum, investment and financial management, estate planning and legal advisory, risk management, and a clear governance structure. Ideally, the office would also have philanthropic advisory, family management, next-generation education, family relations management, succession planning, and concierge services.

AUM alone is not the deciding factor. If the wealth creator does not have the time or desire to execute this well, they might be better served by outsourcing family office functions to a third-party partner.

Helena Eaton, Head of Investment Advisory at the multi-family office Bedrock Group, observes families with “about \$2 billion or \$3 billion net worth, who, instead of running their own single-family office, join the multi-family office because they prefer to have credible infrastructure, where you have specialists with experience in different asset classes.” Yet she’s also witnessed the inverse: “people who have, say, a total net worth of around \$600 million who opt for their own small, single-family office.”

Gabriele Gallotti, founder and CEO of the multi-family office Novum Partners, has also noticed that many “larger” families are increasingly interested in the MFO offering. He states that “there is a void in the spectrum of services that banks can offer,” which leaves partnership-oriented wealth creators craving more tailored and financially aligned providers.



When families are evaluating whether they should start their own family office or link up with a trusted external party, they should first ask themselves how much bandwidth they have to execute. Running a proper family office is a full-time job, not a side hobby; even if the goal is to bring on an external CEO, the office will take substantial time, energy, and resources to set up. The second question families should ask is how much control they want to exercise over their investments and family office services. If they have specific value-creation mechanisms that they want to deploy, or intricate systems that they want to put in place for themselves, running a single-family office could make more sense.

Investment Trends – The Rise of Patient Capital

It's no secret that private equity investments have become a larger portion of family office portfolios. And if there's one defining characteristic that separates family offices from traditional private equity investors, it's time horizon. The industry has increasingly recognized this as its competitive advantage, with family offices positioning themselves as providers of “patient capital” – long-term, values-aligned investment that isn't beholden to fixed exit timelines.

This patient capital model has fueled growing interest from operators. “There's a lot more interest in family office investments,” notes one executive, citing their ability to “move quickly” in decision-making while maintaining values alignment. The caveat? Family offices will likely pay less than a private equity firm to acquire the same company. And family offices are “so principal dependent,” and often so under the radar, that values alignment might take a long time to assess.

As mentioned, portfolio construction has evolved significantly over the past two decades. While liquid assets – listed equities, mutual funds, ETFs, or fixed income – still comprise the bulk of many family portfolios, there's been a marked shift toward capturing the illiquidity premium through directs, funds, and co-investments. Families show considerably more interest in private equity, private credit, and venture capital than they did 15-20 years ago.

The exact investment mandate varies by office. For the single-family office Terrace Tower Group, about half of its investment assets are in self-operated real estate, and the other half is in a combination of public and private equities. Bill Brown, Terrace Tower Group's CIO, notes that the key to success is to “underwrite people, not funds.”



He assesses prospective funds in large part by the quality of their leaders' information and thought processes, finding value in emerging managers with proprietary access and perspectives. They also focus their investments in the U.S. and Australia because "we don't want to be a tourist; we would rather be a local."

Joe McCarthy adheres to the principle, "If we can't explain it simply, we avoid it." Green flags are "clarity of purpose, strong economics, and management teams we'd trust with our own capital."

All of the family office executives I spoke with are mindful not to get too caught up in a current that could turn. Gabriele Gallotti notes that "investment can be a little bit like fashion trends – you shouldn't just try to chase the trends and chase the market." Especially when – as is the case for family offices – value preservation, not get-rich-quick accumulation, is the goal.

Geographically, the family offices I spoke with are still bullish on the United States, but have expressed interest in diversifying more into their home regions or emerging markets. European families are tilting their exposure slightly more towards Europe. Middle Eastern families will likely see the expansion of large public-private partnerships – wherein, according to single-family office executive John Connolly, "a large private corporation, large family offices, and royalty will join forces for large infrastructure investments." When choosing to enter unfamiliar markets, families are engineering protection using structured notes linked to equity indices to bound downside risk, or allocating to trusted local active managers who can interpret market-specific dynamics.

The United States is still the home for technology investing, though how much of the AI gains amount to a bubble remains to be seen. Many family offices are looking for the "picks and shovels" of AI growth rather than brand names.



The Next Generation – Values, Purpose, and the Transfer of Responsibility

In the West's shift from an industrial economy to a knowledge-based and scalable service economy, growth's rewards have increasingly accrued to capital assets rather than wages. This has concentrated wealth amongst asset owners and made income inequality more self-reinforcing. The rapid rise of family offices over the past two decades is partly a consequence of this dynamic.

While philanthropy is nothing new, the next generation is increasingly interested in using their privilege and family office portfolios as tools for measurable social improvements. As Joe McCarthy states, they're "moving from being stewards of capital to shapers of capital. Families want portfolios that reflect who they are and what they believe. Education, impact, and collaboration are becoming core to the model."

Scott Saslow, the founder of ONE WORLD Investments and author of *Building a Sustainable Family Office*, also acknowledges this shift: “Family offices are becoming more purpose-driven, as older generations seek to engage next-generation members through aligning their investments with a greater purpose.” Ron Diamond echoes this finding, with his observation that “impact investing came from the younger generation to the older generation, not the other way around.” Family office advisor Daniel Hillman also notes the same – “the next-gen is interested in combining pure financial return with the more qualitative aspects of values, mission, and purpose.” For families looking to engage their heirs, impact investing can be a bridge with which family principals can mobilize their progeny, as well as a tool for effecting societal change.

Joe McCarthy clarifies that “one shouldn’t confuse impact investing and charity. One can learn from the other, and there is the possibility to have commonality in outcomes and vision. With impact investing, we are often looking to ensure there is the potential for real sustainability in outcomes and, depending on the project, consider a financial hurdle or rate of return.” Islandbridge and other multi-family offices describe using specialist intermediaries to help with impact implementation and measurement.

However, not all family office principals want to mix social aims with their investments. The people I spoke with who fall into this camp still prioritize philanthropy and impact investments, but do so outside of the scope of their family office. One family office member said, “The investment has to make money and a good return, and then we can think about what we can do on the impact side. What I contribute to different causes is my personal business, and I don’t want to advertise that. Some people like to set up foundations, but that’s not my thing. For me, I would prefer to help people by doing business.” A different family office executive mentioned that their two next-generation principals are extremely impact-oriented, but invest directly in such themes personally, outside of the family office umbrella.

There's also a geographic component to the type of impact investments that families pursue; Daniel Hillman notes that in the United States, he's seen more family offices deploying capital to "rebuild and revitalize American industry." However, this approach is not consistent across regions – "in London, for example, people are less likely to express patriotic sentiments through investment activities."

Overall, the trendline seems to indicate that the next generation is expanding the purpose of the family office from simply preserving wealth to expressing identity through capital allocation. Investment decisions then become not only financial judgments, but opportunities for education, alignment, and shared responsibility across generations.

Operational Challenges – Talent, Compensation, and the Cost Center Mentality

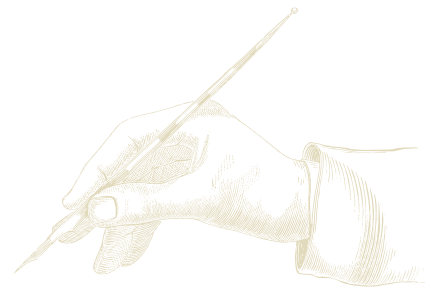
Running a family office presents unique operational challenges. Johnson Cheng, a next-gen member of a family office, describes the talent dilemma: "I think that most single-family offices struggle to find really strong talent that can manage investment portfolios and operations at the same time."

Because single-family offices are mainly built for stability rather than rapid expansion, career progression is naturally limited. Most family offices only have a handful of employees, which inhibits the upward mobility one might see at an investment bank or private equity fund. As Johnson states, "They're not doing deals every other Wednesday. Right? They're doing major deals once every six months or something like that." This requires what he calls "the sniper approach – you're not there to do deals every single week. But once you fire that shot, you've been preparing for it for a long time."

Compensation challenges compound the problem. But this is an easy solve. Ron Diamond states that “family offices should stop looking at employees as cost centers and more as profit centers. In order to compete with Carlyle, Apollo, and KKR, you need talent. And to get the talent, you need the compensation. You need to give part of the carry.”

However, as Bill Brown notes, the hiring landscape is already evolving. “It’s changed a lot – it’s definitely expanded and institutionalized, in part because the way many of the families make their wealth is different versus historically; they now often come from private equity, hedge funds, or VC, or as founders of new, first-generation businesses.

They’re more sophisticated financially and closer to how their money was made.” He thinks that family office careers are ideal for professionals “who have 5-10+ years of experience elsewhere in bigger, mainstream companies,” since family office roles often demand senior-level decision-making in a lean organization. The appeal is mutual; seasoned professionals gain autonomy, better work-life balance, and a long-term horizon, while families benefit from operators who can translate institutional discipline into a bespoke environment.



The Future – Becoming Visible

Perhaps the most significant trend shaping the future of family offices is the tension between their traditional preference for discretion and their growing need for visibility. Family offices may increasingly control capital at scale, but to generate alpha, the right managers and operators need to know where to find them.

Ron Diamond predicts a fundamental shift: “If the family offices want to remain private, they can, but they’ll never be able to compete. If you’ve got an early-stage deal and this family office loves early-stage venture deals, but nobody knows this family office – how are you going to know to go to them?”

He envisions families launching websites and publishing one-pagers detailing their investment thesis: “We invest in the following asset classes: Private equity? Yes. Real estate? Yes. In real estate, we do student housing. Our average size check is X. We need a board seat. We need majority.

Or, we don’t need a board seat. We need minority. And so on. I can go to Pitchbook today and tell you the top hundred private equity firms, but I can’t do that for family offices. Yet.”

This transparency trend, however, comes with risks. As Emma Paterson notes, “You’re dealing with personal wealth, so it’s a different animal, and personal success can attract unwanted attention.” This is particularly relevant as the next generation comes into play; the excess scrutiny can be dangerous. In light of social media, bad actors, and reputational risk, many families prefer to stay under the radar.

The solution, then, is not visibility for its own sake, but institutional visibility – presenting the office as a durable investment platform rather than a proxy for individual family members. By communicating strategy, mandate, and governance while maintaining personal privacy, family offices can become known to the market without becoming personally exposed.

In this model, reputation attaches to the institution rather than the individuals behind it, allowing families to access differentiated opportunities while preserving the discretion that defined the model in the first place.



Conclusion – Professionalizing the Personal

What emerges from these conversations is an industry at an inflection point. Family offices are simultaneously becoming more professional – hiring experienced talent, implementing sophisticated governance structures, and competing directly with institutional investors – while also becoming more personal, with investments increasingly reflecting family values, generational priorities, and long-term purpose beyond pure financial return.

The family offices that thrive won't simply be those with the most assets. They'll be able to balance competing demands: privacy with visibility, professionalization with personal touch, financial returns with values alignment, and current-generation control with next-generation engagement.

In this sense, perhaps Tolstoy's observation doesn't quite apply. The happy family offices aren't all alike, but they do share certain attributes: clear governance, patient capital strategies, thoughtful succession planning, and, increasingly, a sense of purpose that extends beyond wealth preservation to wealth stewardship.

And the unhappy ones remain unhappy in remarkably similar ways – through poor governance, inadequate talent, and a failure to prepare the next generation. The question for any family establishing or running an office is simple: which path are you on?



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