

Emerging Trends Among UHNW Families

March 21, 2024

Trends

1. Explosive Growth of UHNW Households and its Consequences
2. Impact of Complexity on Family and Providers
3. Increasing Importance of Sustainability

Explosive Growth of the UHNW Market

Size Characteristics

- Market size \$11.3 T
- 100,000 households, 8% annual growth
- Nearly 10,000 centimillionaires
- 10,000 family offices

Source: Wealth X

UHNW Family Investable Assets

\$893m

Average 2022
investable assets

\$663m

Average 2020
investable assets

Source: 2023 FOX Global Investment Survey

Consequences of Explosive Growth

- Rising Complexity
- Growing Demand and Diversity of Services
- Escalating Costs of Wealth Management
- Reinventing Strategic Outsourcing/Partnering

Growth and Complexity are Driving Costs Upward

Costs to the Family

Annual Cost of Wealth Management (n=121)

Internal Family Office Costs (avg. in Thousands)
External Advisory Fees (avg in Thousands)
External Investment Fees (avg in Thousands)
Total Cost of Wealth Mgt.

Universe (all respondents)
\$3,595
\$716
\$6,464
\$10,700

Source: 2023 FOX Family Office Benchmarking

The Growing Cost of the Family Office

- \$1.7m - \$6.0m annual cost
- Average \$3.6m (40 bp)
- Employees 6.0 ('21) to 8.6 ('23)

Source: 2023 FOX Family Office Benchmarking

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Nature of Complexity – Family Factors

(n=151)

	25 th Percentile	Median (50 th Percentile)	75 th Percentile
Number of adult households served by the office	4	6	14
Number of businesses controlled and/or operated by the family	0	2	5
Number of current trust beneficiaries	5	10	20
Percentage assets held in centralized "single pot" trusts	3%	20%	80%
Percentage of assets held in other trusts (for individual beneficiaries)	1%	25%	60%
Number of philanthropic entities	1	2	4
Number of governing boards supporting the enterprise	1	2	3
Number of family members on the family office board	4	6	9
Number of independent directors on the family office board	0	3	5

Nature of Complexity – Financial Factors

(n=151)

	25 th Percentile	Median (50 th Percentile)	75 th Percentile
Family office annual budget	\$1.251 M	\$3.354 M	\$8.138 M
Size of office staff (FTE)	3	6	10
Number of other employees of the family managed or administered	0	3	7
Number of major properties, boats, planes, collections, etc. managed	1	5	10
Number of legal entities	18	37	85
Total number of tax returns filed annually	18	43	150

Nature of Complexity – Investment Factors

(n=151)

	25 th Percentile	Median (50 th Percentile)	75 th Percentile
Investable assets (in millions of dollars)	\$147 Mil	\$365 Mil	\$900 Mil
Number of public money managers	1	3	10
Number of private or hedge funds	0	4	34
Number of direct real estate and natural resource holdings	0	5	13
Number of other direct investments	0	8	17
Number of investment partnerships managed by the office	1	3	10

Investment portfolio allocation (n=109)

% Allocated to private funds	0	4	29
% Allocated to direct real estate/other direct investments	0	9	30

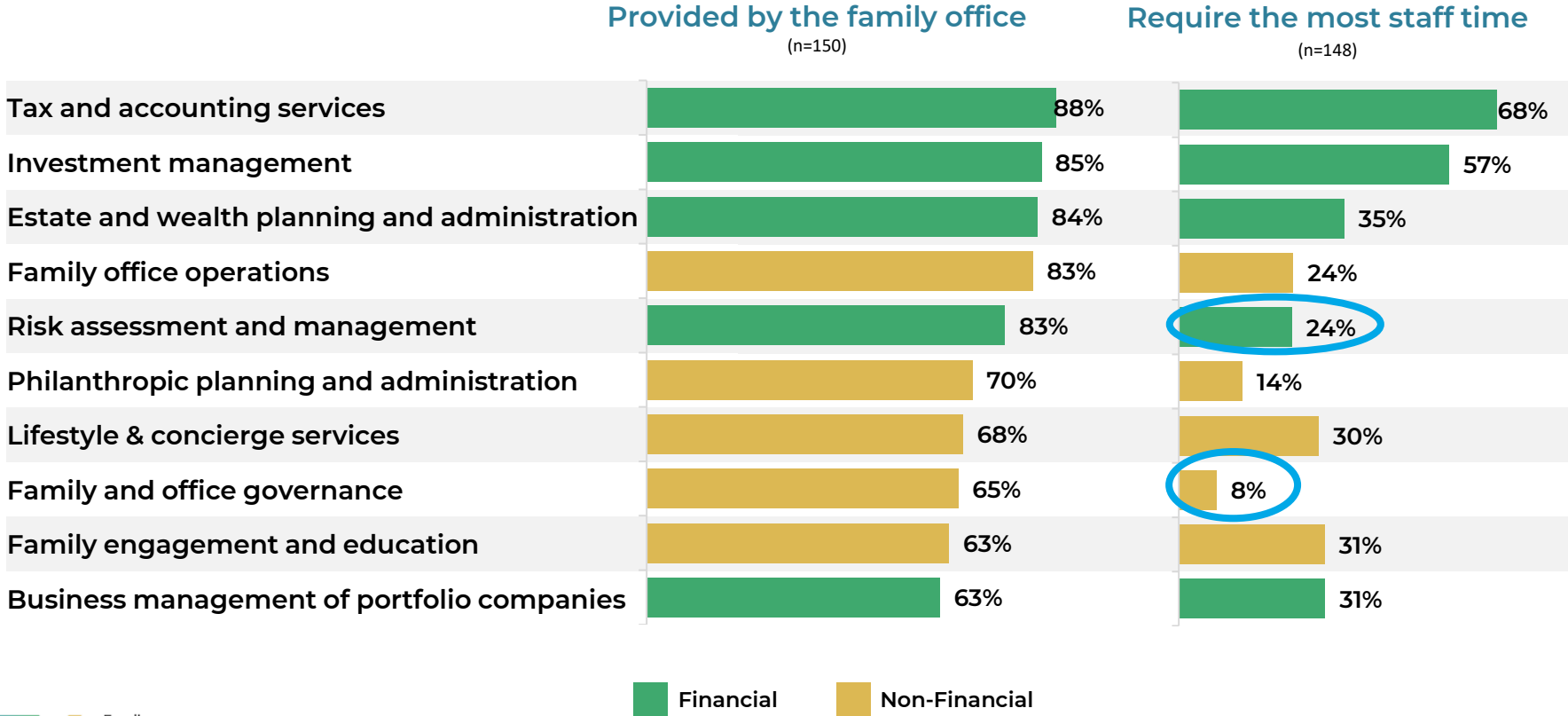
Growth and Complexity Drive Costs, but not Uniformly

Annual Cost of Wealth Management (n=121)

	Universe (all respondents)	Large Offices (7+ emp.)	Small Offices (<6 emp.)
Internal family office costs (avg. in thousands)	\$3,595	\$6,045	\$1,655
External advisory fees (avg. in thousands)	\$716	\$998	\$495
External investment fees (avg. in thousands)	\$6,464	\$11,497*	\$2,426
Total cost of wealth management	\$10,700	\$18,540	\$4,576

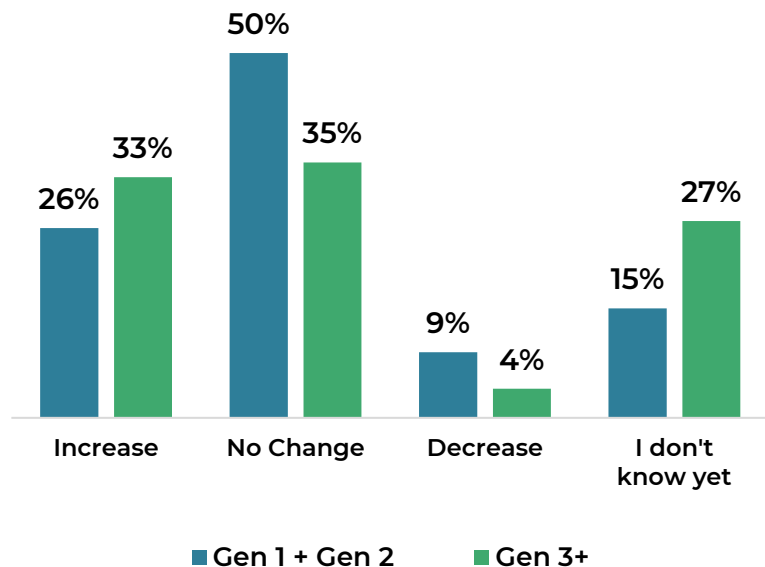
* Rise of the Mega Family Office

Alignment and Potential Realignment of Resources

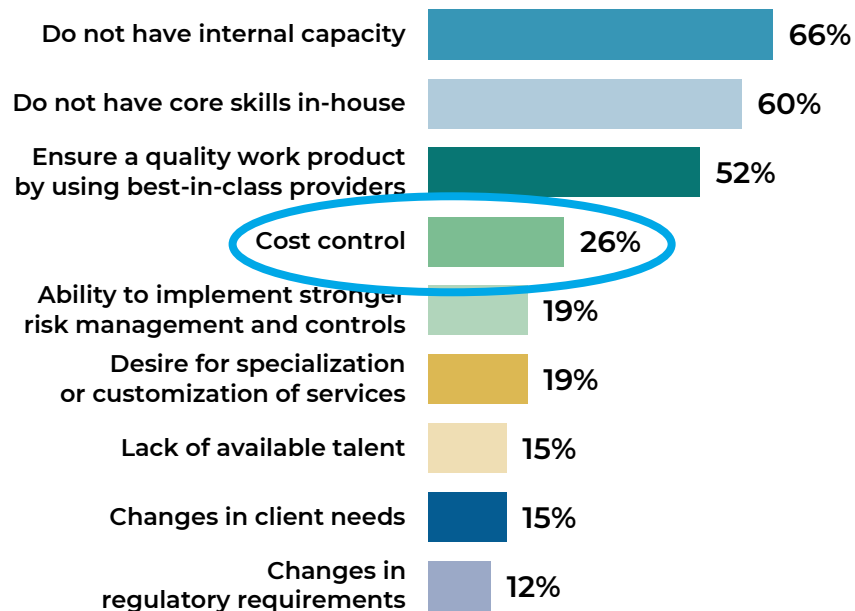


Changing Nature of Outsourcing

Outsourcing projection for the next 24 months (n=149)

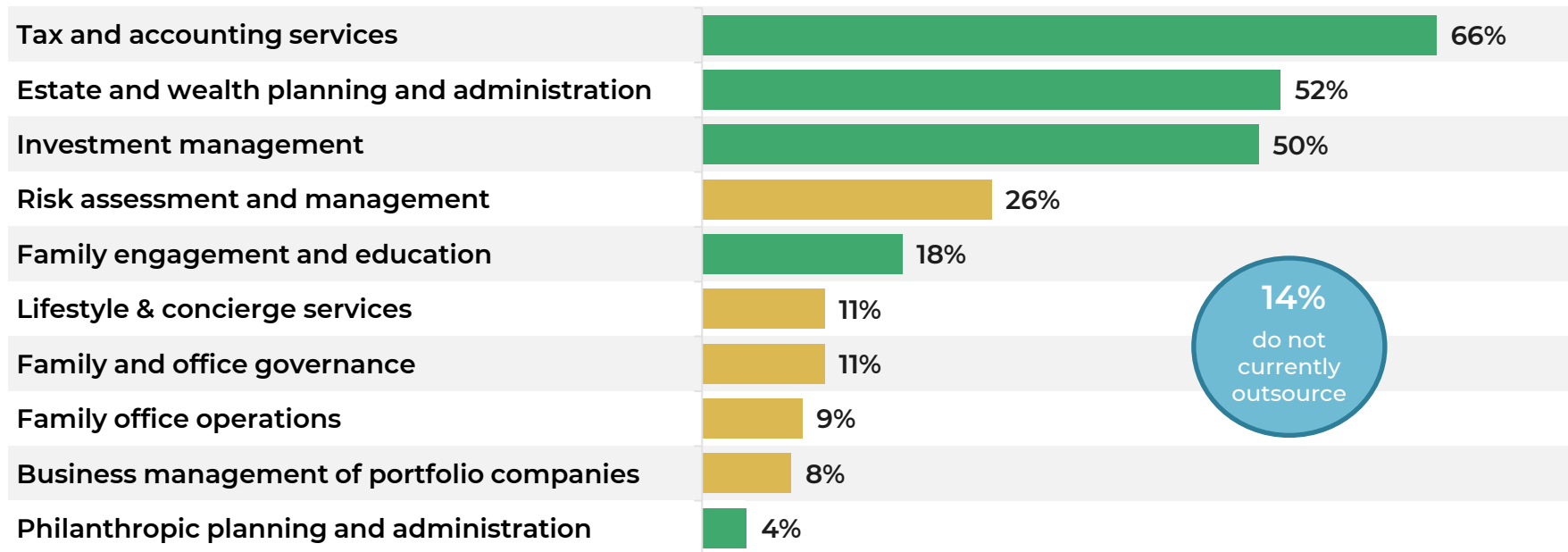


Reasons for outsourcing (n=144)



Services Outsourced by the Family Office

(n=138)



* Which services are you currently outsourcing? The service should be included if it is done by an external party, either in whole or in part.

Financial Non-Financial

Technology Will Play a Pivotal Role

Shifts in Technology Start-ups

2012: More than 50% of all technologies in the wealth management industry were focused on investments

2022: Primary focus, over 50%, is now on technology itself

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Growing Adoption of Governance



* versus 59% in 2021

Composition of the Governing Board (n=100)

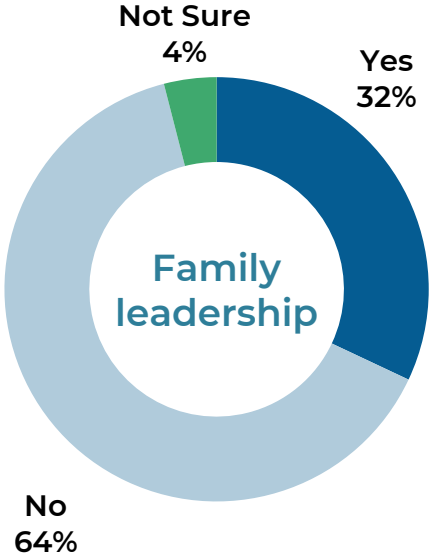
	# of Members (Median)	# of Members (Average)
Family Board or Subcommittee Members	6	8.4
Independent Board or Subcommittee Members	3	3.3



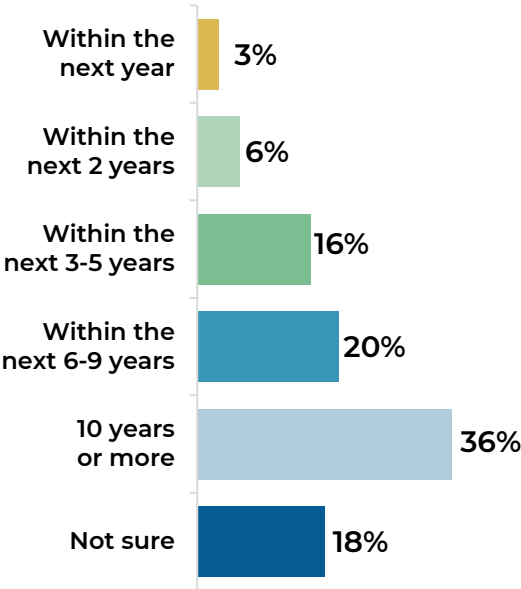
Source: 2023 FOX Family Office Benchmarking

Efficacy of Leadership Transition Planning

Formal succession plans
(n=148)



Family leadership transition
timeline (n=148)



Source: 2023 FOX Family Office Benchmarking

Family Learning's Impact on Sustainability

Family Meetings and Education Expenses

	Average	25 th Percentile	Median	75 th Percentile
How many family meetings were held last year? (n=115)	4	1	2	4
What is the annual budget for education and leadership development? (including family meeting expenses) (n=100)	\$74,330	\$20,000	\$40,000	\$100,000

Source: 2023 FOX Family Office Benchmarking



Wrap Up

Questions to Consider

- 1) Where do you see growing demand for service and how might that impact your present and future ability to deliver?
- 2) What long-term plans and investments are being made to sustain the family office?
- 3) How are you thinking of technology as infrastructure solution?
- 4) What is your resourcing strategy including hiring, development, outsourcing and partnering and how might that evolve?



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