

# State of the Business: Recharting the Course



**Glen W. Johnson**  
President of Membership



**David F. Toth**  
Managing Director

## Today's Speakers



**Glen W. Johnson**  
President of Membership

Glen Johnson is President of Membership at Family Office Exchange (FOX). In this role, he is responsible for all aspects of the member experience, ensuring that each family member, family office executive, and trusted advisor has an unsurpassed experience partnering with FOX by providing unique industry knowledge and insights coupled with a safe and confidential environment where members can share best practices.



**David F. Toth**  
Managing Director

David Toth is a managing director at FOX and is market leader for FOX's Wealth Advisor members. In his role, he serves as Co-Chair for Multi-Family Office and Integrated Wealth Advisor Councils. He also Co-Chairs the Strategic Chief Investment Officer Council, a peer group for family office CIOs.

## Recharting the Course of the UHNW Business

- **Growth as a Disruptor of the Business**
- **Impact on the Advisor's Role**
- **Family Wealth 3.0 – Preparing for a New Era**

# Growth as a Disruptor of the Business

## Unprecedented Transfer of Wealth and Creation of New Wealth

So Much Money in Motion



Seeking a New Place and Purpose

"The Great Wealth Transfer" \$68 trillion is estimated to be transferred between generations

- CNBC

"Studies suggest that at least 80% of millennial heirs will seek out a new financial advisor after inheriting their parents' wealth. "

- Unqork

"New wealth is being created at a rapid pace. UHNW households (over \$30mm) number 200k with over \$8T of assets in North America and grew at a rate of 10.7% in 2020"

- Capgemini

"51% of business owners said that they plan to give up ownership interest or control of their business within the next five years."

- Bank of America Private Bank

"Only 33% of these business owners have a robust, formal transition plan"

- Bank of America Private Bank

## Against a Backdrop of Increasing Volatility and Uncertainty

Threat of Recession is Increasing  Employment Growth May be Peaking

"Economists have increased the likelihood of a recession in the next 12 months from 44% in June to 49% in July"

- Wall Street Journal (July 20, 2022)

"The U.S. economy created 372,000 jobs in June while the unemployment rate held at 3.6%."

- Yahoo Finance

"The economy is going to slow a lot and you are going to see that across the board."

- David Mericle, Goldman Sachs Chief U.S. Economist (July 19, 2022)

Job cuts in the U.S. rose to 32,517 in June, a 58.8% increase year over year according to Challenger, Gray, and Christmas

- July, 2022

"Inflation is becoming more entrenched and widespread" (commenting on June's 9.1% y-o-y CPI increase).

-Jay Bryson, Wells Fargo Chief Economist (July 20, 2022)

# Market for RIA Mergers Slowed a Bit, Continues to be Robust

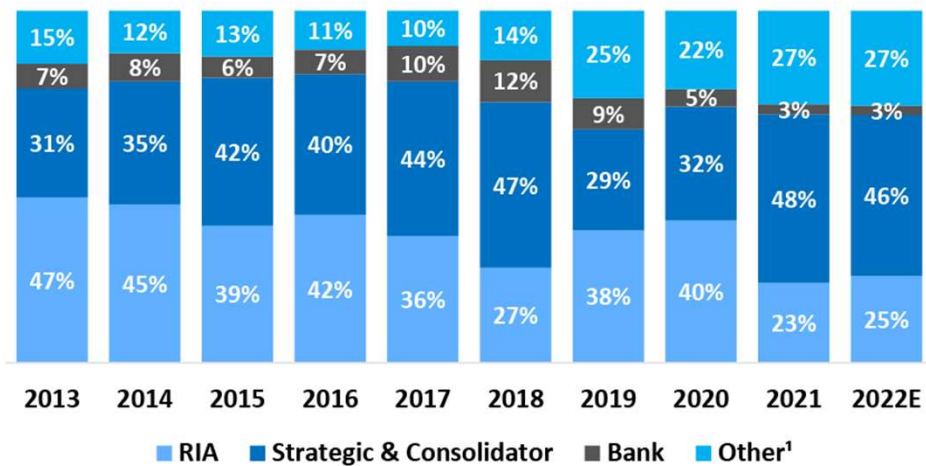
RIA Quarterly Deal Volume



Source: Company Reports, SEC IARD, ECHELON Partners Analysis

## Strategic Buyers and Consolidators are the Most Active

Percentage Breakdown of Acquirers by Firm Type



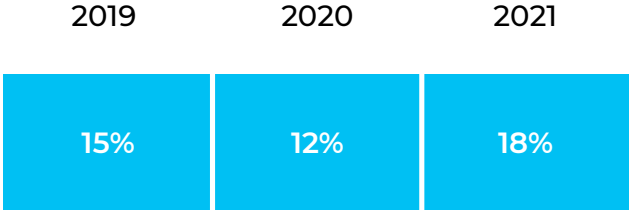
**46%**  
of YTD Transactions  
Involved Strategic  
Acquires & Consolidators

Strategic Acquirers & Consolidators continue to account for the majority of dealmaking, announcing **83 deals, or 46% of the YTD total.**



# Exceptional Market Performance has Helped Drive Wealth to Record Levels

Annual Portfolio Returns 2019-2021



UHNW Family Investable Assets



## What FOX Members are Saying About the Growth of Their Business and its Impact

### Growth of Business

“We are seeing explosive growth. It’s hard to get up to speed fast enough with so many new clients.”

“It’s not just the number of new clients we are seeing. Our target was \$50MM average account now all are over \$50MM.”

“Clients are seeking more family meetings, more about next gen, more on philanthropy. No longer just about managing new liquidity.”

### Impact of Growth

“There are unintended consequences of growth. What will our firm look like 10 years from now?”

“We increased our firm’s employment by over 33% in 2021 and need to add more.”

“We are working on a different approach to talent development that encompasses continuous learning.”

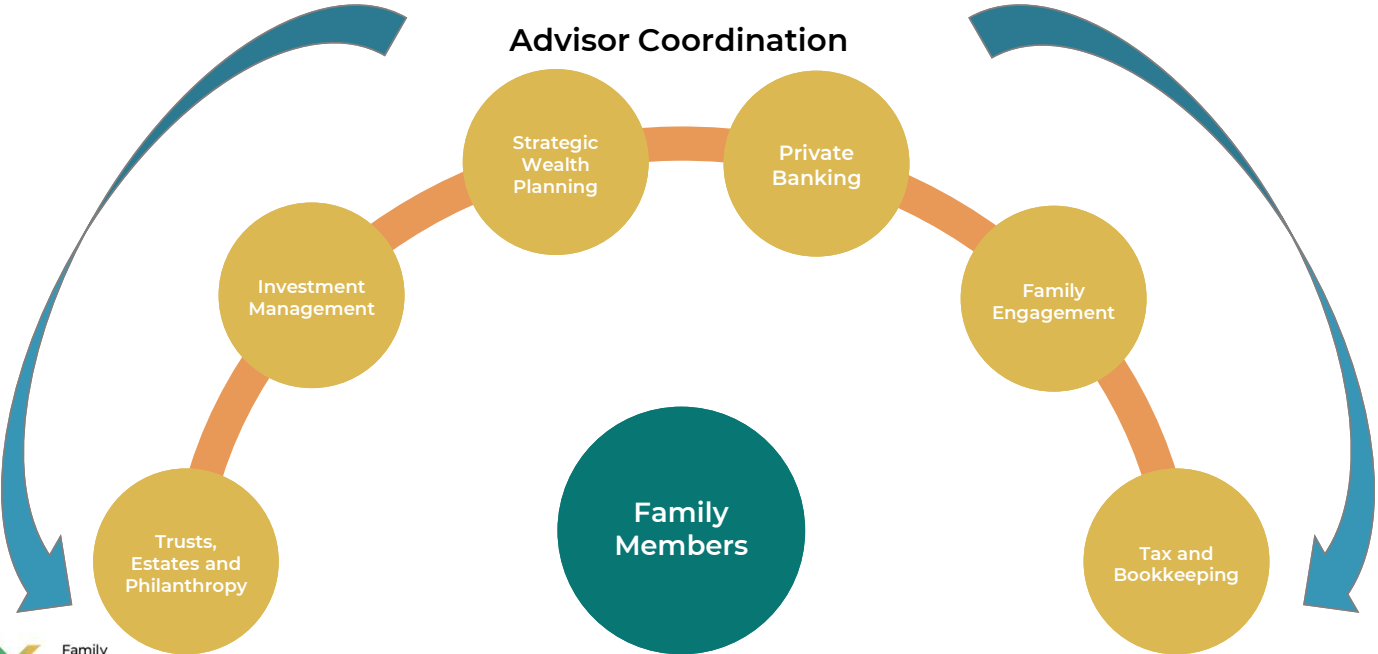
# Impact on the Advisor's Role

## Underlying the Wealth Growth Story is Changing the Nature of Client Relationships Amid Market Turbulence

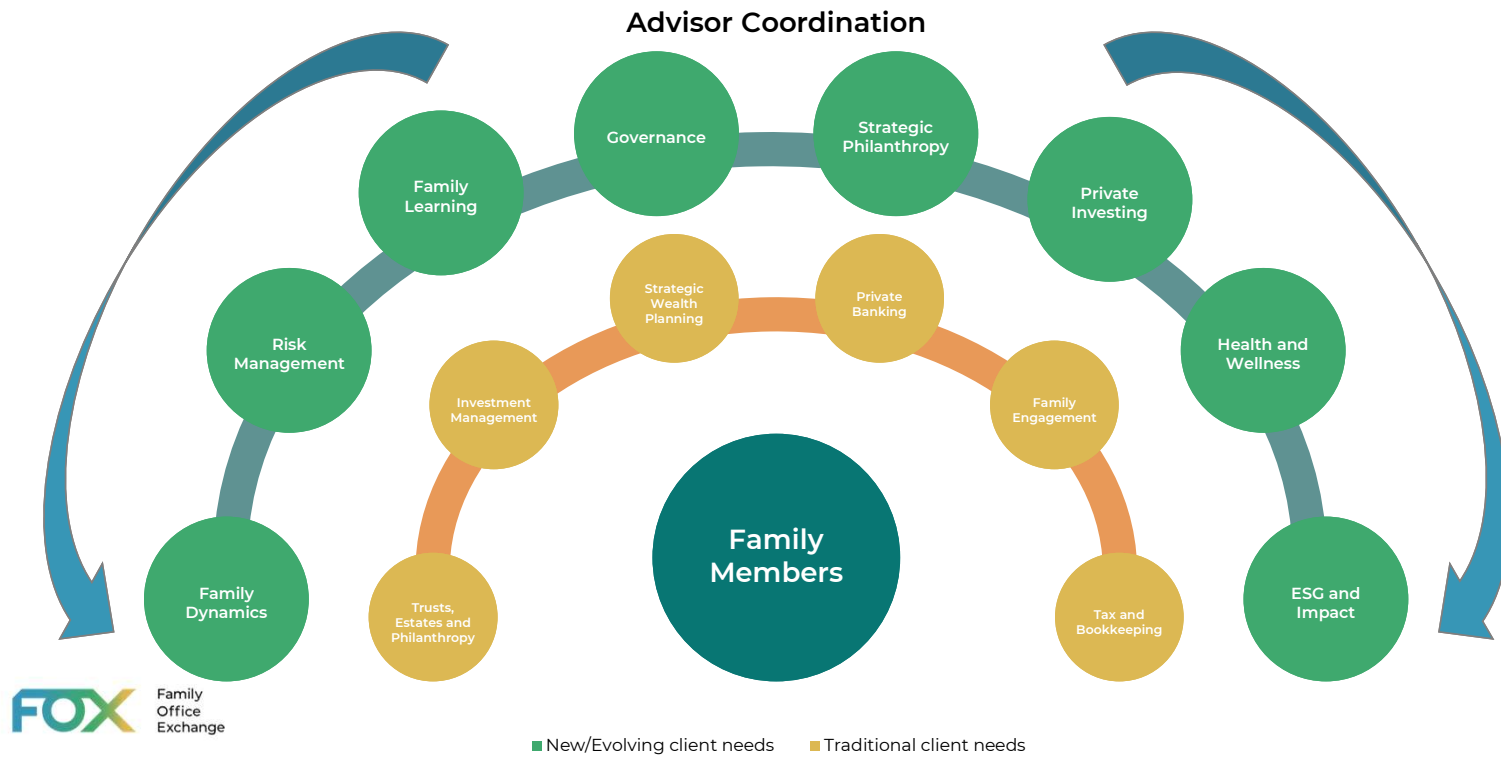
- 1) Expect to do more:**  
Rise of outsourcing to advisors is linked to a lack of resources and sufficient level of expertise.
- 2) Engage with an expanding ecosystem:**  
Involvement of multiple generations in discussions and decisions.
- 3) Advise on more complicated assets and risks:**  
Accelerate/facilitate movement from public to private investing and a broader view of investment objectives including ESG.
- 4) Market conditions and threat of recession:**  
How might worsening conditions influence these outcomes



# Integrated Approach to Family Wealth Has Been a Useful Way to Manage Complex Wealth

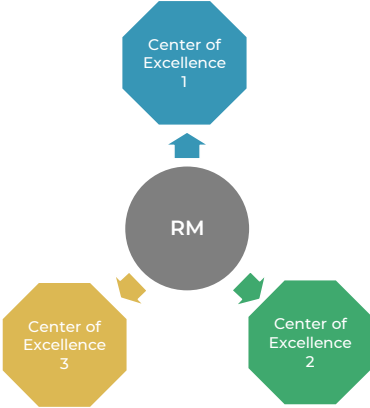


# That Approach is Being Challenged by the Addition of Evolving Client Needs ...

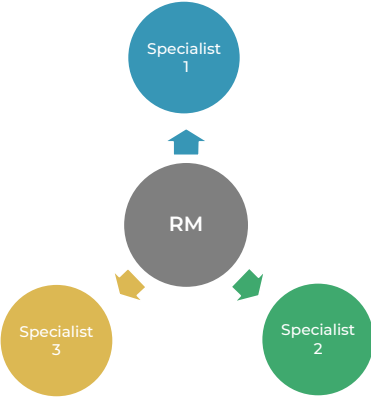


# ... Placing Stress on the Delivery Models that Were Designed to Balance Customization and Efficiency

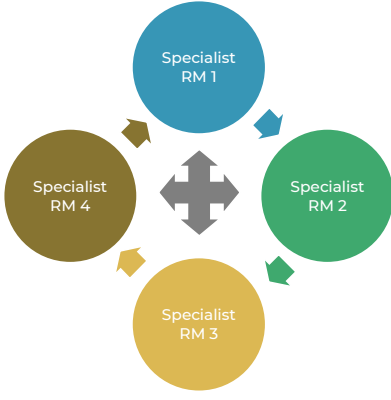
Center of Excellence Model



Local Team Model



Specialist RM Model



## What Does the Future Hold

- 1) While increasing client volumes and demands make an integrated approach to family wealth more challenging to execute, the practice continues to have merit.
- 2) Regardless of which delivery model is employed, firms are adjusting their approaches as they add services their clients demand while dealing with talent shortages.
- 3) Adjustments to the models can serve as a solid basis to prepare for a new era in Family Wealth Management.



# Family Wealth 3.0 – Preparing for a New Era

# Disruptive Forces

## TRANSITIONS



## TALENT



## TECHNOLOGY



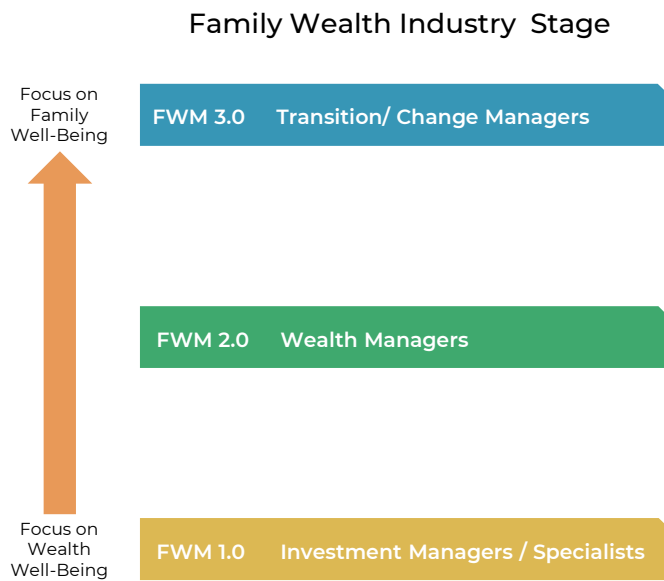
## TIME



## Evolution of Family Wealth and the Family Office

<p><b>2020s and beyond</b></p> <ul style="list-style-type: none"> <li>• COVID-19 pandemic &gt;&gt; ??</li> <li>• Inflation, wars, political unrest</li> <li>• Frontier and impact investing</li> <li>• Data privacy and cyber threats</li> <li>• Web 3.0 – blockchain and DeFi</li> </ul>	<p><b>Wealth 3.0</b></p> <ul style="list-style-type: none"> <li>• Psychology integral to advice</li> <li>• Focus on purpose of wealth</li> <li>• Shared values and positivity</li> </ul>	<p><b>Family Office 3.0</b></p> <ul style="list-style-type: none"> <li>• Focus on values, purpose, sustainability</li> <li>• Outsource to ecosystem of specialists &amp; firms</li> <li>• Formalize family learning and governance</li> </ul>
<p><b>2000s – 2010s</b></p> <ul style="list-style-type: none"> <li>• 9-11 &gt;&gt; Great Recession</li> <li>• Widening wealth gaps</li> <li>• Declining faith in public equities</li> <li>• Shift from PE funds to directs</li> <li>• Web 2.0 – social media</li> </ul>	<p><b>Wealth 2.0</b></p> <ul style="list-style-type: none"> <li>• Holistic financial and wealth planning</li> <li>• Focus on “shirtsleeves-to-shirtsleeves”</li> <li>• Enter family dynamics &amp; the “rising gen”</li> </ul>	<p><b>Family Office 2.0</b></p> <ul style="list-style-type: none"> <li>• Govern a multi-gen family enterprise</li> <li>• Deliver professional wealth management</li> <li>• Educate owners to be investors and trustee</li> </ul>
<p><b>1980s – 1990s</b></p> <ul style="list-style-type: none"> <li>• Recession &gt;&gt; dotcom bubble</li> <li>• Wave of private equity buyouts</li> <li>• Globalization of financial markets</li> <li>• Proliferation of asset classes</li> <li>• Web 1.0 – the internet</li> </ul>	<p><b>Wealth 1.0</b></p> <ul style="list-style-type: none"> <li>• Rational transactional advice</li> <li>• Preserve and grow the wealth</li> <li>• Multi-gen wealth view</li> </ul>	<p><b>Family Office 1.0</b></p> <ul style="list-style-type: none"> <li>• Recruit FO talent and best-in-class advisors</li> <li>• Peer-based benchmarks and best practices</li> <li>• Focus on tax, investments and reporting</li> </ul>

# Role of Advisors is Expanding and Being Elevated



## Advisor of the Future

- High EQ
- Questions-Driven
- Change Leader

## Integrated Wealth Advisors

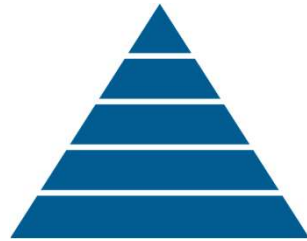
- Team Leader
- Planning-Oriented
- Decision-Driven

## Mono-Line Specialists

- Deep, unparalleled expertise
- Problem Solver
- Solutions-Driven

## Emerging Best Practices: How Firms Are Responding

Adapting  
Business  
Model



Embracing  
Continuous  
Learning

Enhancing  
Scope of  
Services



Adjusting  
Team  
Structure

# Emerging Best Practices: How Firms Are Responding

Adapting Business Model



**Example 1:**  
Harnessing more forward-looking measures, such as NPS as better metrics of sustainable success.

**Example 2:**  
Structuring to serve a family offices' outsourcing/co-sourcing needs.

Enhancing Scope of Services



**Example 1:**  
Less formulaic, more focus on best combination of services to in-source vs. outsource.

**Example 2:**  
Share your values, vision, mission with clients and help enable them to become more purpose-based.

## Emerging Best Practices: How Firms Are Responding

**Example 1:**

Access professional development that attunes advisors to family dynamics.

**Example 2:**

Recruit advisors who possess skills and curiosity across the all the forms of family capital.



Embracing  
Continuous  
Learning

**Example 1:**

Match-up internal specialists and outside third parties and stay involved.

**Example 2:**

Rethink metrics for account loads among specialists and the impact of virtual meetings.



Adjusting  
Team  
Structure

## Wrap Up: Questions for Your Consideration

- 1) What new demands are clients or prospects making? How has that demand changed?
- 2) How has your service model evolved? If it has changed, how is that evolution shaping your firm's future strategy? What other changes do you anticipate?
- 3) What additional factors are you considering as you formulate your firm's strategy and how do you account for them? (economic, management, competition)
- 4) How is your talent strategy adapting to meet the development and leadership needs of your team?
- 5) What new or re-allocated resources will you need?





# Upcoming Events



**FOX  
CYBER &  
SECURITY  
SHOWCASE**

September 21-22, 2022  
Virtual Event

A background image for the event featuring a dark blue and teal color palette with glowing binary code (0s and 1s) scattered across the scene.

**FOX  
FAMILY  
FORUM**

October 24-26, 2022  
Atlanta, GA

A background image showing a city skyline at dusk or night, with illuminated buildings and a prominent Ferris wheel in the foreground.

**FOX  
FAMILY ADVISOR  
TRAINING  
PROGRAM**

October 20  
Virtual  
Pre-Session 1

November 2  
Virtual  
Pre-Session 2

November 16-17  
Chicago, IL  
In-Person Program

A background image showing a group of people in a meeting or training session, with a close-up of an older man with glasses in the foreground.



Family  
Office  
Exchange

Chicago, IL  
312.327.1200

[info@familyoffice.com](mailto:info@familyoffice.com)  
[familyoffice.com](http://familyoffice.com)