Campden Wealth
Membership | Events | Research | Education | IPI

THE NORTH AMERICA FAMILY OFFICE REPORT 2024

RBC

This document has been prepared by Campden Wealth Limited.

A number of sources were utilized to research and profile the characteristics of family offices. These were blended into a mosaic analytical framework from which Campden Wealth Limited conducted extensive modelling and analysis. This information and data is part of data and analytics structures that Campden Wealth Limited is authorized to publish and are non-commercial in nature, and specifically non-attributable regarding the identity of any underlying family offices and individuals.

First published in 2024 by Campden Wealth Limited.

Campden Wealth Limited
Nova North
6th Floor, 11 Bressenden Place
London, SW1E 5BY
United Kingdom
Telephone: +44 (0)20 3941 8015
Email: enquiries@campdenwealth.com
Web: www.campdenwealth.com

ISBN: 978-1-915184-27-6

Contents

Forewords

Dear reader,

So far, 2024 has been a dynamic year for North American family offices, marked by both opportunities and challenges in equal measure. Following the modest gains of 2023, family offices have seen a renewed optimism, driven by strong performances in public markets and strategic adjustments in their portfolios. More than 40 percent of family offices are now expecting returns in excess of 10 percent for the full year, a notable shift from the caution that defined the previous year.

This year's report highlights a continued commitment to strategic diversification and a focus on growth-oriented investments, particularly in growth equities, defense industries, and artificial intelligence. However, the landscape is not without its complexities. Inflation remains a persistent concern, influencing interest rate expectations and investment decisions. Family offices are navigating these headwinds with a cautious yet optimistic outlook, balancing the need for wealth preservation with the pursuit of growth.

Private markets continue to be a cornerstone of family office investment strategies, despite some underperformance in venture capital and real estate sectors. The increased allocation to private credit and direct lending reflects a strategic shift towards more resilient, income-generating assets. Meanwhile, real estate, a traditionally stable asset class, has posed challenges due to oversupply and rising interest rates, particularly in the U.S. commercial market.

Operational efficiency and governance remain top priorities for family offices as they adapt to an evolving landscape. This year has seen increased adoption of technology, with wealth aggregation platforms and emerging AI tools beginning to play a significant role in streamlining operations. However, the human element remains central, with talent acquisition, retention, and succession planning at the forefront of long-term strategic planning.

Philanthropy and responsible investing also continue to grow in importance, with a substantial portion of family offices integrating practices into their broader investment strategies. A focus on generating positive societal impact, without sacrificing financial returns, is increasingly evident.

It is clear that North American family offices remain adept at balancing the immediate needs of today with a forward-looking perspective. They are well-positioned to not only preserve wealth across generations but also to capitalize on emerging opportunities in a rapidly changing world.

My colleagues and I at RBC are honoured to support our clients and their family offices in navigating these complexities while building a resilient foundation for the future. We extend our gratitude to our research partners in Campden Wealth and the many participants who have contributed their insights to this report.

We trust that the findings and perspectives within will be valuable as you chart the course for your own family office.

Manju Jessa
Vice President & Head
Family Office and Strategic Clients, Enterprise Strategic Client Group
Royal Bank of Canada

Dear reader,

In these past few years, our world has witnessed unprecedented geopolitical events: a pandemic, conflicts in Eastern Europe and the Middle East, and tension between the U.S. and China. These events have impacted the global economy and produced volatility in financial markets. The good news, however, is that 2024 has witnessed a significant step towards normality. U.S. inflation has been sticky but is no longer adrift from the Federal Reserve's two percent target. GDP growth is consistent with its long-term trend. These positive developments are reflected in the performance of financial markets and the optimistic expectations of family offices. Assuming no material setback to markets during the second half, they expect, on average, a return on investment of almost ten percent over the full year. Nonetheless, they will have to remain vigilant. A significant number reported disappointing returns from venture capital and private equity funds and, as has been widely reported, sectors of the commercial property market face challenges.

No two family offices are exactly the same. Data from our survey reveals very considerable differences in size measured by assets under management. Larger firms have the benefit of economies of scale and this difference is reflected in the number of employees, remuneration strategy, the range of services offered and extent to which they are provided in-house. Nonetheless, their smaller peers can also be successful through careful selection of services and reliance on outsourcing. A challenge for all family offices, both large and small, is the recruitment and retention of staff with appropriate professional and interpersonal skills.

Beyond financial and human capital, family offices must grapple with operational risk. Heading the list of concerns is over-reliance on spreadsheets and manual aggregation of data. New technology, particularly generative AI, has the potential to eliminate many manual processes and individual family offices will need to carefully consider the benefits of upgrading to new technological solutions when they become available. In addition, our survey reveals that recently established family offices tend to be "light" on governance because first-generation wealth creators don't always perceive a need to formalize how their family office will function. However, this deficiency will need to be addressed.

The vast majority of respondents expressed satisfaction with the dedication of their family office staff, the investment function of their family office both in terms of financial performance and the range of investment options that it offers, and its ability to handle complex transactions. On this evidence it seems that the family office community has navigated a complex, and at times very difficult environment, remarkably well. Our hope is that the data and information which the community has shared in this report will aid its continued success and support families in their decision making.

I would like to extend my gratitude to our partner, RBC, for their enduring commitment to the community and this report. I also want to express my deep appreciation to all the family offices that participated in this research.

Warm regards,

Dominic Samuelson
Chief Executive Officer
Campden Wealth

Executive summary

This report, which is accompanied by Asia-Pacific and European editions, is based on a statistical analysis of 360 survey responses from single family offices and private (non-commercial) multi-family offices worldwide. Of these, 183 are located in North America. The survey was conducted between March and June 2024. On average, families participating in the survey have total wealth (including operating businesses) of US $1.5 billion, and their collective wealth stands at US $268 billion. Their family offices have, on average, US $1.0 billion of assets under management (AUM), whilst aggregate AUM stand at US $181 billion. Across all three geographies covered in our global report, total family office AUM is estimated at US $368 billion.

Competence

Approximately 80 percent of participants viewed their family office as effective at overseeing the intergenerational transfer of family wealth, at making informed decisions and communicating with family members. However, smaller percentages (63-74 percent) viewed their family offices as ineffective at fostering a collaborative approach between family members and avoiding conflicts between them.

Governance

A third of survey participants are first-generation family offices. They tend to be "light" on governance structures and documentation because first-generation wealth creators are accustomed to making decisions independently, and don't feel the need to formalize how their family office will function. This factor, together with the relatively small size of first- and second-generationfamilies may explain why only half of participating North American family offices have a mission statement or family council.

Investing preferences

In public markets, family offices' preferred asset classes and investment themes are growth equities, defence industries, and obesity drugs. Long-duration bonds and Indian and Chinese equities are amongst the least favoured. In private markets, credit is the most sought-after asset class, and AI, automation, and healthcare are the technologies most likely to attract new investment.

Investment performance

Year-to-date financial markets have been relatively kind to family offices with more than 40 percent anticipating an investment return of over 10 percent for full year 2024. A strong performance from public markets has provided this sentiment but returns from real estate, venture capital and private equity funds are generally below expectations.

Market risks

Last year, the majority of family offices believed the U.S. economy would go into recession but fortuitously these expectations proved too pessimistic. Currently, the most frequently cited concern is the stickiness of inflation, which is preventing the Federal Reserve from cutting interest rates or at least reducing them at the pace which seemed likely a few months ago.

Philanthropy

Driven by a strong desire to give back to society, three-quarters of North American family offices make philanthropic donations. The majority of donations are in excess of US $1 million and a limited number of large donations pushes the average up to US $10 million. Philanthropy is seen by many as an opportunity to put family values into action and engage the next generation.

Private markets

A key feature of family office investment in recent years has been an ever-increasing allocation to private markets, which now constitute 30 percent of the average portfolio. Family offices still expect private equity and venture capital to supply the best long-term risk-adjusted returns despite recent disappointing outcomes and liquidity problems caused by reduced exit activity.

Real estate

As a result of oversupply and high interest rates, U.S. commercial real estate is widely viewed as problematic. There could be serious issues for family offices because this is their third largest asset class. But fortuitously family offices are investors rather than developers, and they have the advantage of local knowledge of the regional locations which comprise the national real estate markets.

Recruitment

Finding finance professionals from external organizations is a challenge for family offices, not least because as in the commercial world, they expect performance to be rewarded financially. In order to aid recruitment and retention, bonuses which are offered by around 80 percent of family offices are being supplemented with other forms of incentivization including co-investment opportunities, shares of investment management profits and options on phantom equity.

Responsible investing

Based on survey responses, slightly more than a quarter of family offices adhere to responsible investing principles. Around half the members of this group are engaged in outcome-focused impact investing. For 80 percent of responsible family office investors, adopting this strategy does not mean accepting lower financial returns.

1. Family office landscape

1. Family office landscape

1.1 Introduction

"Today someone's sitting in the shade because a long time ago someone else planted a tree."

Warren Buffett

Based on the performance during the first half family offices are optimistic about 2024 investment returns. Assuming no material setback to financial markets during the second half, they expect, on average, a return of 9.8 percent over the full year.

Over the first half of 2024, the S&P 500 rose 15 percent, Nasdaq 20 percent and Europe's Stoxx 600 7 percent leading exactly 50 percent of participants to indicate that the performance of developed market equities was better than they had anticipated. Developed market equities represent 22 percent of the average family office portfolio and so the strong performance of these markets has provided considerable momentum. Unfortunately it wasn't all positive with a significant number of family offices reporting disappointing returns from real estate, venture capital and private equity funds.

Our survey reveals that, near term, family offices' preferred investment themes are growth equities, defence industries, and obesity drugs. Interestingly growth equities are a more popular choice than the "Magnificent Seven" technology stocks. Long-duration bonds and Indian and Chinese equities are among the least favored asset classes. In the case of the former, this ties in with family offices' view that interest rates would stay higher for longer and Fed easing would be delayed.

Investor psychology is heavily influenced by the risks and uncertainty surrounding the U.S. economy. The most common concern of family offices is the stickiness of inflation which is preventing the Federal Reserve from cutting interest rates at the rapid pace which seemed likely at the start of the year. Family offices also foresee risks to financial markets coming from political turbulence around the U.S. election and from geopolitical issues in the Middle East and Eastern Europe. On the positive side, few see a global stock market sell-off but then markets rarely behave exactly in line with consensus expectations. Over the medium term, perceived risks revolve around China's relationship with the U.S. and its real estate market.

Family offices believe private equity and venture will provide the best risk-adjusted returns, and consequently these asset classes, together with private credit, constitute on average 30 percent of family office investment portfolios. This is up from 29 percent last year. Public market equities are the second largest asset class at 26 percent and real estate at 17 percent is third. Holdings of cryptocurrency, gold and commodities are no more than a couple of percent.

Family offices participating in the survey varied considerably in size with operating costs ranging between US $1 and US $20 million. We examined the financial characteristics of family offices of different sizes, finding that for those with less than US $500 million of assets under management (AUM), average costs are equivalent to 98 basis points (bps) of AUM, falling to just 42 bps for those with more than US $1 billion under management. This difference in scale between small and large family offices is reflected in the number of employees, the extent to which services are outsourced (greater for smaller family offices), and compensation (lower for smaller offices, particularly for family members in C-level positions).

Technology is radically changing family office operations. Repetitive tasks are being automated, workflows systematized and processes streamlined. Wealth aggregation platforms are emerging as the big thing in family office technology. Generative AI hasn't made its presence felt yet, but new products incorporating this technology are beginning to emerge, and family offices are clearly looking forward to their implementation making tasks easier and improving efficiency further. Currently, over-reliance on spreadsheets and manual aggregation of data are operational risks that most frequently concern family office executives.

Family offices put their investment function at the top of their list of priorities and it's no surprise that an investment committee is found in two-thirds of North American family offices. Only around 40 percent of family offices have a family office board but one third are controlled by first-generation wealth creators who are accustomed to making decisions independently, and many are yet to formalize their family office governance. Over 70 percent of family offices expect increasing emphasis on governance structures to be a continuing trend.

The vast majority of participants expressed satisfaction with the dedication of their family office staff. Three-quarters are satisfied with the investment function of their family office, both in terms of financial performance and the range of investment options that it offers. However, respondents are more ambivalent about whether family offices provide value for money. There are relatively low levels of satisfaction with outsourcing and the scope of functions offered. Where family offices appear to be falling short of expectations is around succession planning and the associated issue of next-generation education.

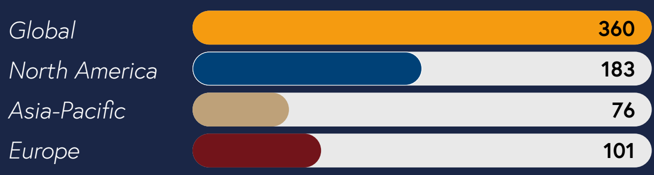
Methodology

This report is accompanied by European and Asia-Pacific editions and together they aim to provide the most in-depth global coverage of the family office ecosphere. The research supporting these reports is both quantitative and qualitative. Between March and June 2024, 360 family offices participated in the survey, including 183 from North America, 101 from Europe and 76 from the Asia-Pacific region. They are predominantly single family offices although non-commercial private multi-family offices family offices are also included. In-depth interviews were conducted with 29 family office executives worldwide.

1.2 *Overview of participants*

A total of 183 family members and family office executives participated in this survey of North American family offices. Among them, 54 percent are family members, and 39 percent hold key leadership positions as chairperson, chief executive, founder, principal or president.

Figure 1.1: *Participating family offices by number and geography*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 1.2: *Location of North American family offices*

United States

Alabama	1
Arkansas	1
Arizona	5
California	24
Colorado	3
Connecticut	1
District of Columbia	2
Florida	16
Georgia	4
Illinois	15
Kentucky	1
Kansas	2
Massachusetts	9
Maryland	3
Michigan	7
Minnesota	1
Missouri	2
North Carolina	1
Nebraska	1
New Hampshire	2
New Jersey	1
Nevada	2
New York	22
Ohio	2
Oklahoma	1
Pennsylvania	6
Rhode Island	1
South Carolina	2
Texas	11
Utah	1
Washington	1
Wisconsin	1
Wyoming	1

Canada

Alberta	4
British Columbia	7
New Brunswick	1
Ontario	13
Quebec	1

Other

Bermuda	1
Mexico	1
Panama	2

Source: Campden Wealth / RBC,
The North America Family Office Report, 2024

Figure 1.3: *Participants by title*

Board member	4%
Chairperson	6%
Chief Executive Officer	16%
Chief Financial Officer	4%
Chief Investment Officer	8%
Chief Operating Officer	4%
Director	4%
Founder / Co-Founder	7%
Investment manager	4%
Managing Director	9%
Managing Partner	9%
President	8%
Principal	2%
Senior Executive	3%
Trustee	2%
Other	9%

Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 1.4: *Respondents to family office survey by relationship*

I am a family member and work for the family office	46%
I am a family member but do not work for the family office	8%
I am not a family member and work for the family office	46%

Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Almost 90 percent of participants represent single family offices. They are predominantly stand-alone legal entities which are entirely independent of any family business. 32 percent of families have total wealth (including operating businesses) in excess of US $1 billion.

Figure 1.5: *Participating family offices by type*

Single family office (independent from the family business)	68%
Single family office (embedded in the family business)	19%
Virtual family office (technology orientated, functions outsourced)	2%
Private multi-family office (founding family holds at least 50 percent of AUM, and does not represent more than eight families)	11%

Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 1.6: *Wealth distribution of participating families*

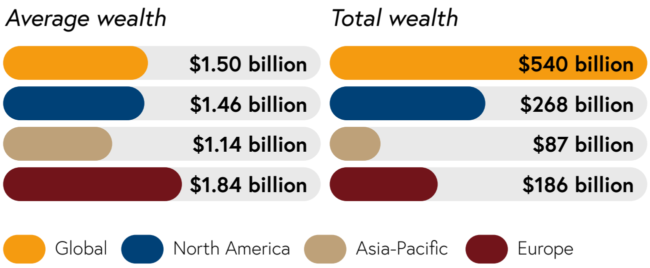
Less than US $100 million	16%
US $100 - $249 million	19%
US $250 - $499 million	17%
US $500 - $749 million	7%
US $750 - $0.99 billion	9%
US $1 - $1.49 billion	9%
US $1.5 - $2.99 billion	12%
US $3 - $4.99 billion	4%
US $5 - $9.99 billion	4%
More than US $10 billion	3%

Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Participating North American families demonstrate impressive financial stature, with average wealth of US $1.46 billion. Collectively, their combined wealth amounts to a substantial US $268 billion. Correspondingly, their family offices have, on average, US $0.99 billion of assets under management (AUM), and aggregate AUM of US $181 billion.

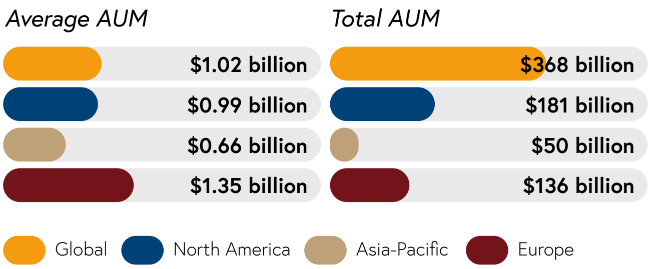
In the context of our comprehensive global report covering North America, Europe and Asia-Pacific, combined family wealth is estimated at US $540 billion, with family office AUM at US $368 billion.

Figure 1.7: *Average and total wealth of families by region, including operating businesses (US $)*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

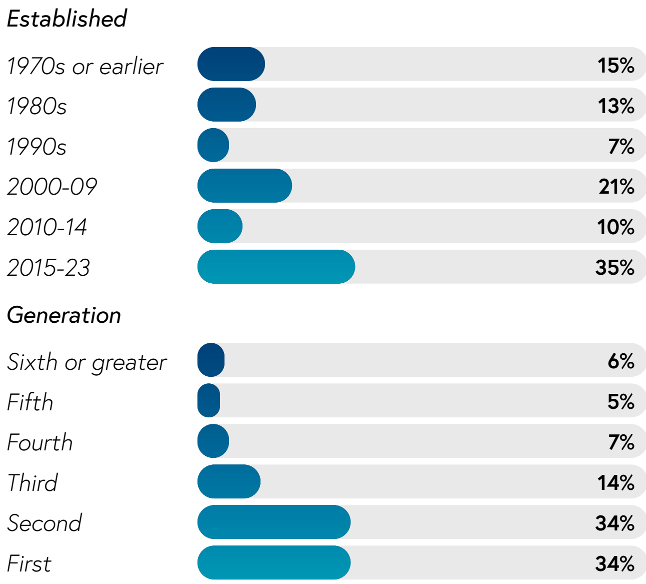
Figure 1.8: *Average and total AUM managed by family offices by region (US $)*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

35 percent of family offices were established relatively recently from 2015 onwards. An identical percentage date back to the 1970s, 1980s and 1990s. Slightly more than a third of family offices are controlled by their founders, or at least first-generation family members.

Figure 1.9: *Period when participating family offices were established and generation in charge*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

2. Investments

2. Investments

2024 is shaping up to be a good year for investment returns. Our survey asked family offices to indicate expected investment returns (capital appreciation and income) for the full year, based on their year-to-date experience. More than 40 percent of family offices are expecting a return in excess of ten percent with hardly any anticipating a negative outcome, the obvious caveat being no material setback to financial markets during the second half of the year.

With the S&P 500 rising 15 percent and Nasdaq 20 percent over the first half of 2024, 52 percent of survey participants indicated that the performance of developed market equities was better than they had anticipated. This asset class represents 22 percent of the average North American family office portfolio and consequently the strong performance of these markets would have provided considerable momentum. Unfortunately it wasn't all good news with a significant number of family offices reporting disappointing returns from real estate, venture capital, and private equity funds.

Our survey reveals that, near term, family offices' preferred asset classes and investment themes are growth equities, defence industries, and obesity drugs. Interestingly growth equities are a more popular choice than the "Magnificent Seven" technology stocks. Long-duration bonds and Indian and Chinese equities are the least favored asset classes. Last year's winner AI does not head the list of near-term prospects this time because very high expectations are already baked into share prices. However on a medium-term perspective, more family offices believe this theme will reward shareholders than any other asset class or investment theme. Also interesting on a medium-term perspective, family office preference switches from growth stocks to value stocks and relatively few family offices believe the "Magnificent Seven" will continue to reward shareholders. Cybersecurity, semiconductors and defence industries are expected to be rewarding investment themes.

The most common concern of family offices is the stickiness of inflation which is preventing the Federal Reserve from cutting interest rates. Family offices also foresee risks to financial markets coming from political turbulence around the U.S. election and from geopolitical issues in the Middle East and Eastern Europe. On the positive side, few see a global stock market sell-off.

44%

Expect full year investment returns in excess of ten percent

52%

State performance of developed market equities exceeded their expectations

66%

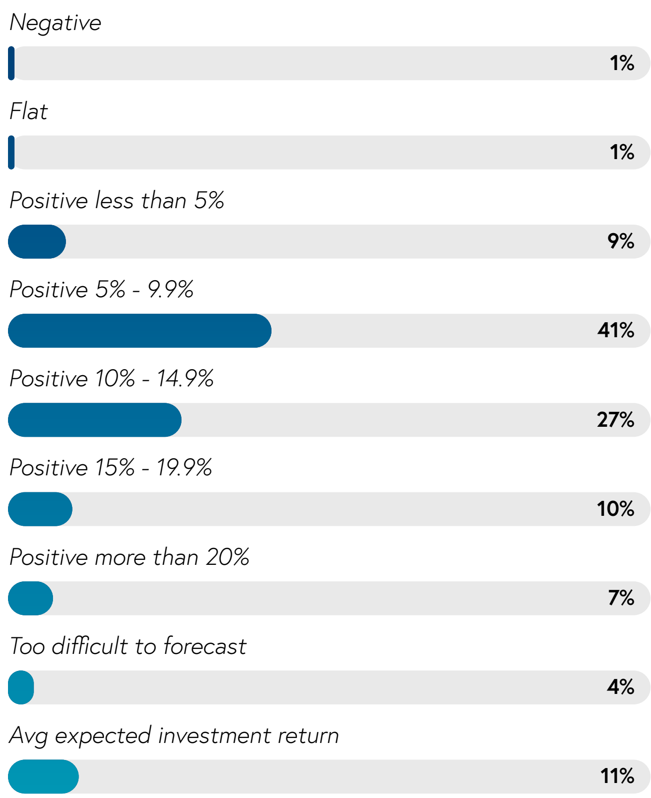
Highlight risk of delayed Fed easing

2.1 Year-to-date

First half returns

2024 is shaping up to be a good year for investment returns. Our survey asked family offices to indicate expected investment returns (capital appreciation and income) for the full year, based on their year-to-date experience. The survey was undertaken March through June of and paints a fairly encouraging picture for the first half. This may not prove indicative of the eventual full-year outcome. However, more than 40 percent of family offices are expecting a return in excess of ten percent with hardly any anticipating a negative outcome (**Fig 2.1**). Assuming no material setback to financial markets during the second half of the year, the expected average return would be 9.8 percent.

Figure 2.1: *Percentage of family offices indicating expected investment return*

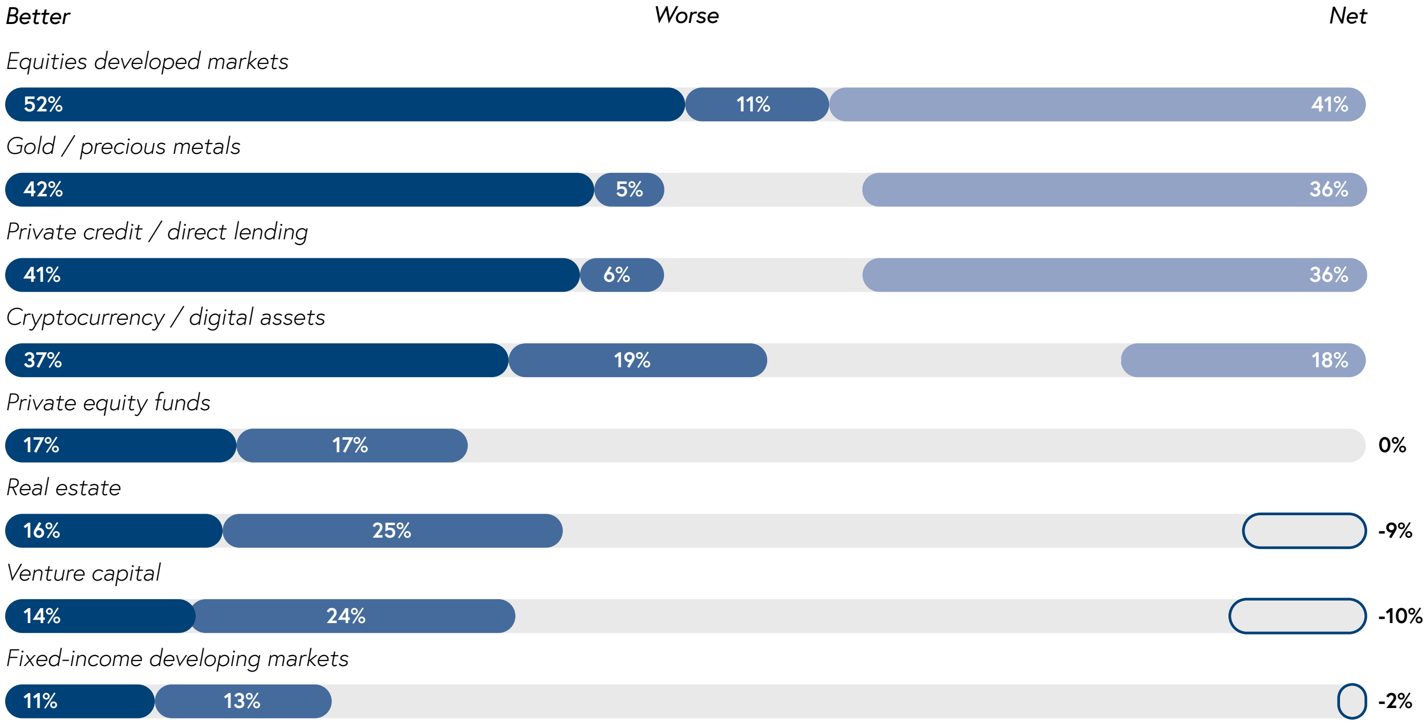


Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Looking at the performance of public markets it's not difficult to explain why investment returns are expected to be strongly positive. Over the first half of 2024, the S&P 500 rose 15 percent, Nasdaq 20 percent and Europe's Stoxx 600 7 percent. Developed market equities represent 22 percent of the average family office portfolio and so the performance of these markets would have provided considerable momentum. Among survey participants, 52 percent indicated the performance of developed market equities was better than they had anticipated (**Fig 2.2**). Gold and cryptocurrencies also outperformed expectations but these asset classes combined are no more than two percent of AUM.

The results from private markets are mixed. 41 percent of family offices indicated that returns from private credit and direct lending were better than anticipated. On the other hand, 24 percent and 17 percent respectively signalled returns from venture capital and private equity funds were worse. Indeed, these percentages exceed the comparable figures for family offices where expectations were beaten. The performance of real estate portfolios was also viewed as disappointing.

Figure 2.2: *Percentage of family offices indicating investment return better / worse than expectations since start of 2024*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Investment themes

For both private and public equity, it is instructive to look at the investment themes and asset classes which family offices believe will provide them with the best returns both in the near term (next 12 months) and over the medium term (two to five years). **Fig 2.3** reveals their near-term preferences are growth equities (31 percent), defence industries (30 percent), and obesity drugs (29 percent). Interestingly, all these themes are more popular choices than AI (28 percent) and the "Magnificent Seven" technology stocks (25 percent).

Indian and Chinese equities and long-duration bonds are among the least favoured asset classes. In the case of the former this ties in with family offices' view that interest rates would stay higher for longer and Fed easing would be delayed.

Last year's top pick, AI, does not head the list of near-term prospects this time, but on a medium-term perspective, more family offices (61 percent) believe it will reward shareholders than any other asset class or investment theme. Also of interest on a medium-term perspective, family office preference switches from growth stocks (38 percent) to value stocks (50 percent) and only 18 percent of family offices believe the "Magnificent Seven" will continue to reward shareholders. Over this longer period, cybersecurity (41 percent), semiconductors (34 percent) and defence industries (37 percent) are expected to be rewarding investment themes.

"The surprise is that inflation and interest rates haven't reduced to the extent the market expected. But the good news is that we are still positive year-to-date because of a good showing in the first quarter."

Chief financial officer, single family office, Canada

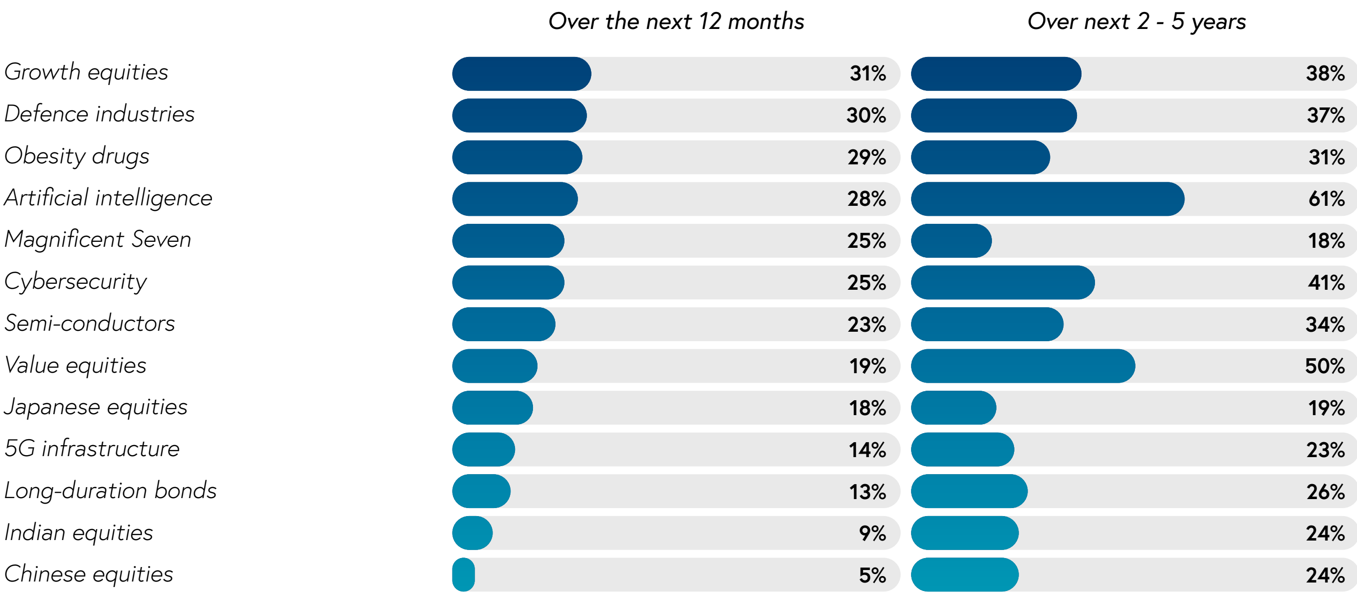
"At the beginning of this year, the professionals said there are going to be six rate cuts. I'm not an economist, I don't understand how they could have ever thought that. I don't see how the Fed can cut unless inflation falls significantly, and there's a fairly contentious presidential election coming."

Chairman, single family office, MA

"Markets tend to do a wonderful job discounting economic outcomes months ahead of time. They often anticipate the economic outlook and historically have risen or fallen accordingly. When expectations are priced into the market, however, the investment community becomes more data-sensitive, reacting to every economic number that does not exactly match what was expected. These periods usually happen during inflection points and are marked with higher levels of volatility, often making it difficult to navigate and emotionally challenging. Staying the course (owning good long-term sustainable businesses) and remembering why you invested in the first place becomes even more important. As is often said, "time in the market is more important than timing the market over the long run."

Hermann F. Leiningen, Managing Director, International Family Office Investments, Enterprise Strategic Client Group, RBC

Figure 2.3: *Percentage of family offices selecting asset class / investment theme as likely to reward shareholders*

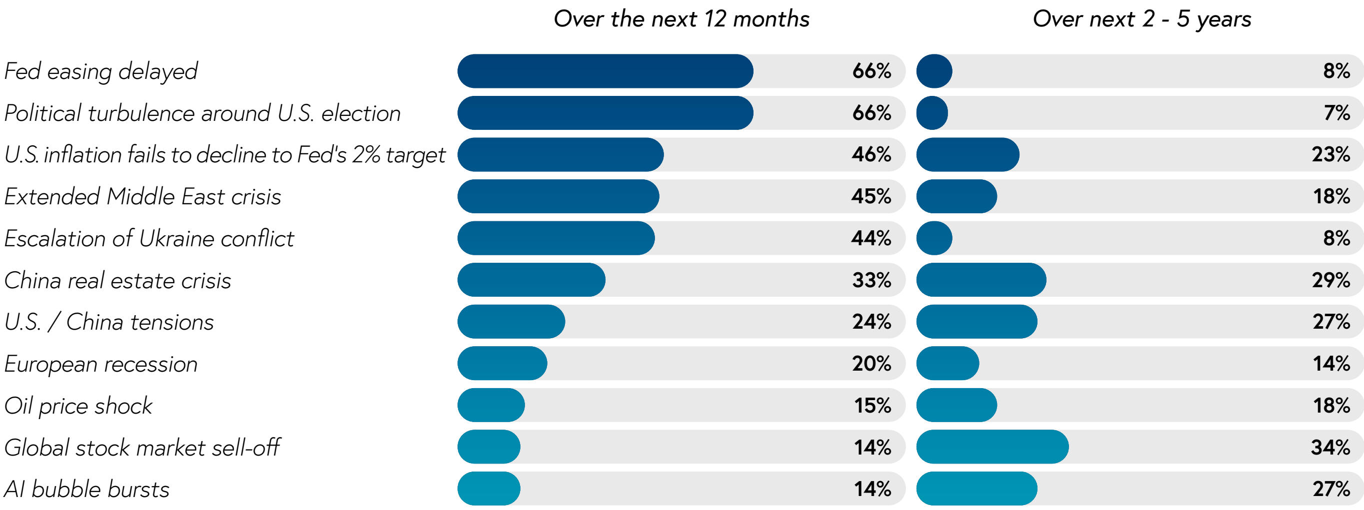


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Wall of worry

Investor psychology is heavily influenced by tangible risks surrounding the U.S. economy, and geopolitical tensions. In 2023 the most common concern of North American family offices (59 percent) was a U.S. recession which never materialized. Currently it's a delay to Fed easing. Interest rates have not been reduced at the pace expected at the start of the year, and family offices' scepticism has proved entirely justified (**Fig 2.4**). The Fed's dual mandate is to promote employment and stable prices, and while the former has been strong, inflation has remained sticky above their 2 percent target. 46 percent of family offices were right about that too. They expect political turbulence around the U.S. election and from geopolitical issues in the Middle East and Eastern Europe to prompt market volatility. On the positive side, few see a global stock market sell-off or a bursting of the AI bubble, at least in the short term. However, based on a two-to-five year perspective the most frequently cited risks to financial markets are perceived to come from China's relationship with the U.S. and its real estate market.

Figure 2.4: *Percentage of family offices expecting risks to crystallize within time period*

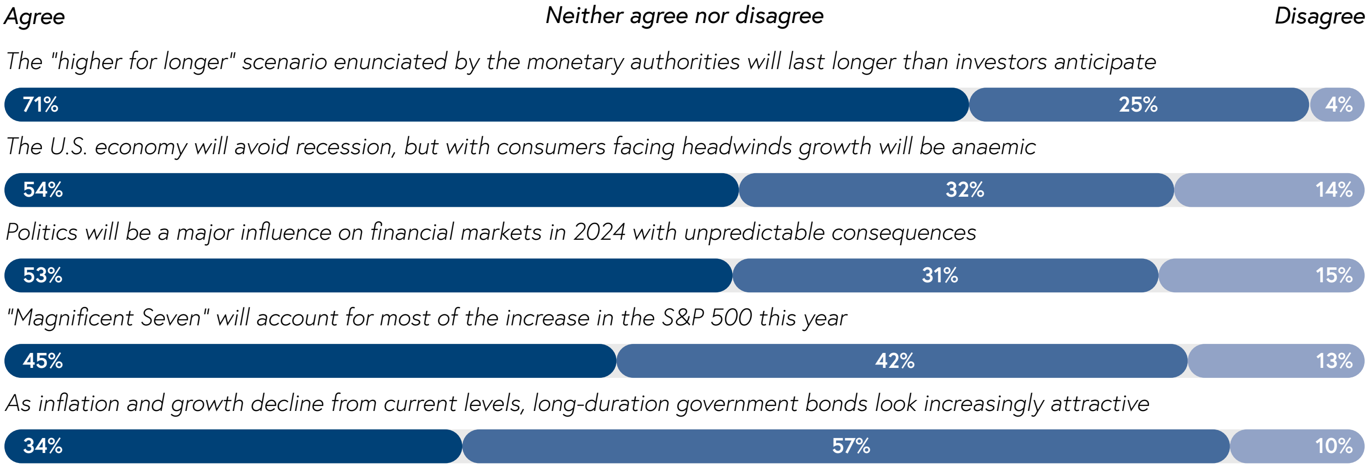


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

The scenarios that we highlighted in our attitudinal question (**Fig 2.5**), "higher for longer," interest rates, a weak U.S. economy but no recession, and the "Magnificent Seven" accounting for a sizable proportion of the gain in the S&P 500, materialized during the first half of the year. Responding to our survey, many family offices as well-informed investors correctly anticipated these developments. For example, 45 percent believed that the "Magnificent Seven" would account for most of the gain in the S&P 500: by mid-year these stocks had contributed about half the 15 percent rise in the index[1]. The limited number (34 percent) of family offices viewing long-duration bonds as attractive is a direct expression of their view on interest rates.

[1] https://www.cnbc.com/2024/07/01/how-magnificent-7-affects-sp-500-stock-market-concentration.html

Figure 2.5: *Extent to which family offices agree or disagree with statement*



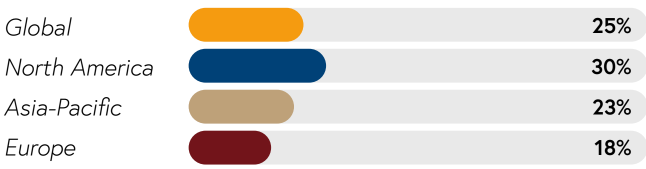
Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

2.2 Investment strategy

Preservation v Growth

To gain insight into investment strategy our survey asked family offices where they sat on a line between wealth preservation and growth. Growth implied taking above-average risk for the promise of faster capital appreciation and higher income. Preservation meant lower risk and lower investment returns to limit portfolio volatility. Between these extremes is a balanced strategy which was the preferred option of around 60 percent of family offices. (**Fig 2.7**). The percentage operating this balanced strategy has increased this year at the expense of those operating a strategy of wealth preservation. This may well reflect greater confidence in the stability of financial markets given that the U.S. economy has avoided recession and the next move in interest rates is more likely to be down than up.

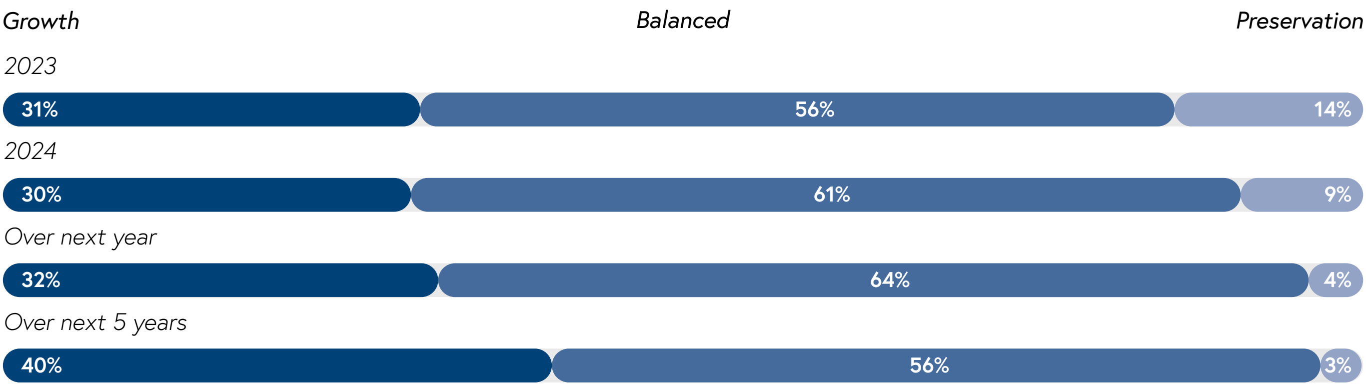
Figure 2.6: *Percentage of family offices operating a growth strategy*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Looking forward to the next five years, family offices are signalling that they are likely to shift towards growth, with the percentage opting for this strategy increasing ten points. This desire to rebalance towards growth has been a feature of previous surveys but hasn't followed through into an actual increase. It may not be a prediction about future behaviour as much as a recognition that families can reasonably be expected to double in size every generation or every 30 years. Preserving per capita wealth requires real growth of almost 2.5 percent per annum.

Figure 2.7: *How family offices describe their investment strategy*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Recognizing the importance of balancing risk and return, it is common for the benchmark return which family offices seek to achieve in any year to be set in relation to the risk profile of the assets in the portfolio. For most family offices, the benchmark is the expected return from each asset class weighted by portfolio composition. This compares with the 30 percent of survey participants setting an absolute level of return.

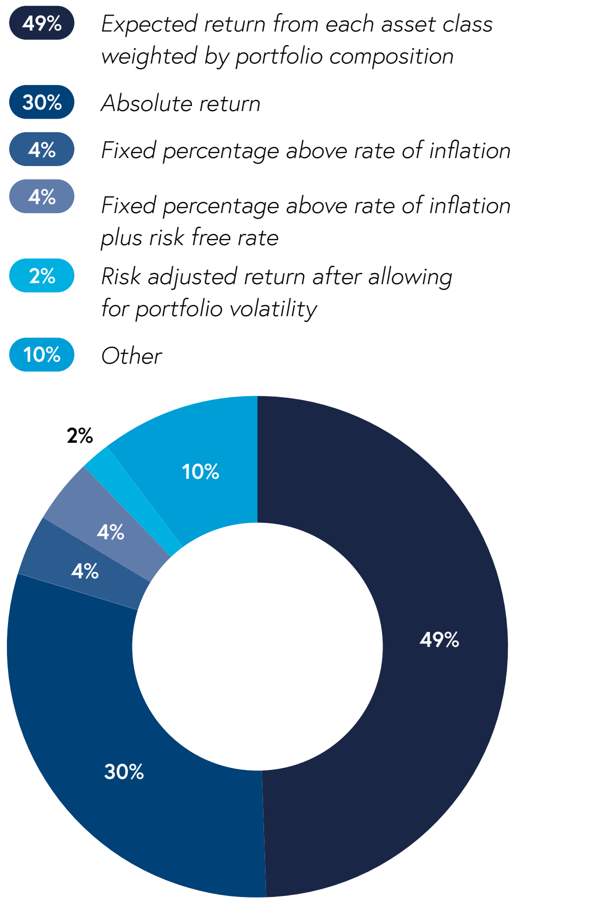
"Aside from taxation, the key risk for us is that it gets harder to move wealth across the generations as time goes by because you have an increasing number of family beneficiaries and a rate of investment growth that can't keep up."

Chief investment officer, single family office, IL

"A strategic investment framework needs to set down the general investment objective, in a way that family members who are not investment specialists understand. It could be something very simple like preserving wealth after inflation, taxes and distributions. To achieve this, you might need a nominal return of perhaps six percent per annum, and from that you can devise an asset allocation which can be expected to deliver that return."

Chief investment officer, single family office, FL

Figure 2.8: *How family offices set their benchmark return*

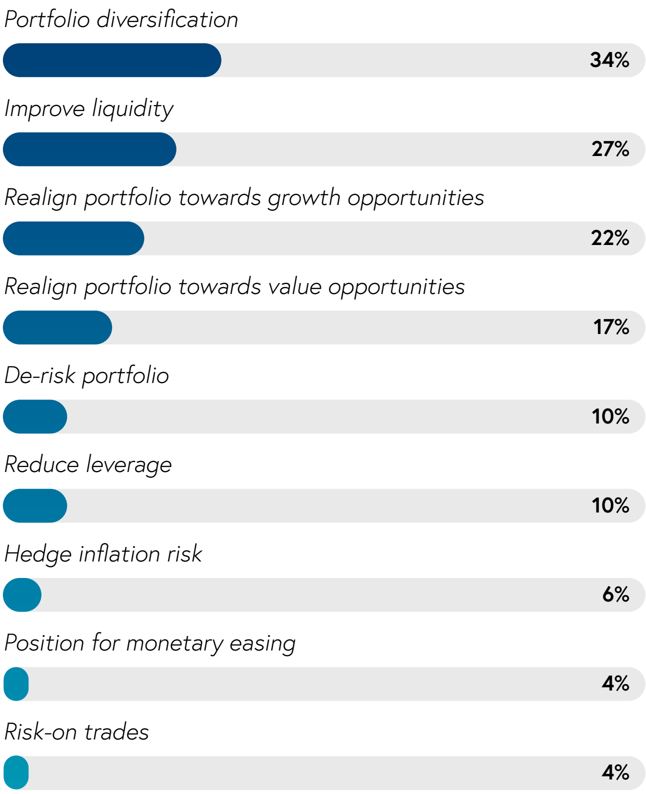


Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Investment objectives

In terms of immediate investment objectives, family offices are looking at portfolio diversification and improving liquidity (**Fig 2.9**). In most years portfolio diversification (34 percent) comes top of this list but improving liquidity (27 percent) has become more important, because the limited number of exits in private equity markets means more illiquid assets on balance sheets. Going in the opposite direction, hedging inflation risk was seen as an imperative last year (39 percent) but it's now dropped back (6 percent). Family offices are fairly evenly split between the desire to realign towards growth (22 percent) or value opportunities (17 percent).

Figure 2.9: *Family office investment objectives for 2024*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Having identified the investment objectives, **Fig 2.10** identifies how family offices go about achieving them. Increasing exposure to private markets (42 percent), alternative asset classes (36 percent) and real estate (20 percent) appear the most popular mechanisms for achieving diversification. Family offices intent on rebuilding liquidity expect to increase cash balances (34 percent) and reduce new money to private markets (24 percent).

"Everyone's piled to the front end of the yield curve. They can get significant income from money market funds, and short-term bond funds. It's real money, a lot of clients are very happy to earn this, but they don't realize that if inflation begins to cool, and the Fed drops rates, which they're likely to do at some point in the next 12 months, the front end of the curve is going to be the first place to see a dramatic drop in yields."

President, multi-family office, MA

"I do not need liquidity to come through to my existing portfolio to be able to deploy capital into new private equity funds or direct investments. But I have heard it's a problem for many LPs. Limited IPOs means that GPs hold assets for longer which is not only problematic for liquidity but valuations, since the only time you know the valuation is correct is when the asset is sold."

Chief investment officer, single family office, IL

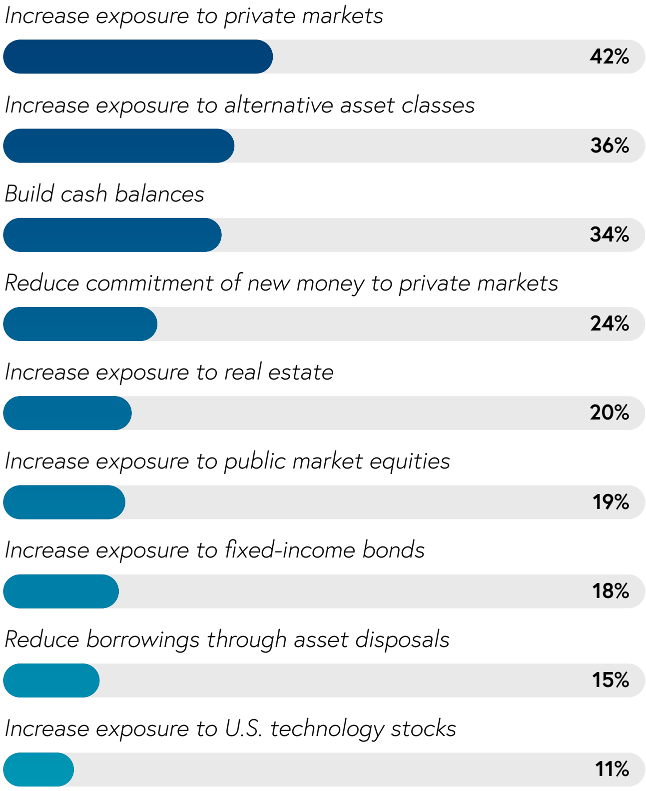
"There's a dearth of distributions at the moment, so our commitment of new money going into private equity is reduced but it hasn't changed our target strategic allocation. Overall private markets have held up relatively well; whether those marks are right or not is open for dispute, but it doesn't really matter. What really matters are the exit valuations."

Chief investment officer, single family office, FL

"The low level of distributions means that the percentage of private equity in our portfolio is rising. Do we need to dispose of assets to rebalance our portfolio? Well, we don't need the liquidity, and given the valuation discounts in market selling just doesn't make sense. If we were to sell it would be because either the underlying companies were distressed, we needed the liquidity or we couldn't tolerate the risk."

Chief executive officer, single family office, NY

Figure 2.10: *How family offices intend to achieve their investment objectives*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Asset allocation

The asset classes which constitute family offices' strategic asset allocation are characterized by different expected returns and degrees of risk. Historically, private equity and venture capital have delivered the highest returns but carry the highest levels of risk, since investments are made in emerging companies and technologies. Nonetheless, family offices rank these categories as providing the best risk-adjusted return, followed by public market equities and real estate (**Fig 2.11**). Cash is a traditional low-risk, low-return asset but surprisingly appears mid-table, reflecting the current elevated level of rates. The returns from cryptocurrencies, gold, and commodities are not seen as sufficient to compensate for the risk.

"As a family office, we are not worried about returns two to five years from now, but if we are going to invest in an asset class consistently over a long period of time, we need to understand what the return profile is, and how that might compound the family's capital."

Chief executive officer, single family office, PA

Figure 2.11: *Financial assets ranked by expected long term risk-adjusted return*

1st	Private equity & venture capital
2nd	Public market equities
3rd	Real estate
4th	Fixed-income bonds
5th	Cash and cash equivalents
6th	Hedge funds
7th	Cryptocurrency / digital assets
8th	Gold / precious metals
9th	Commodities

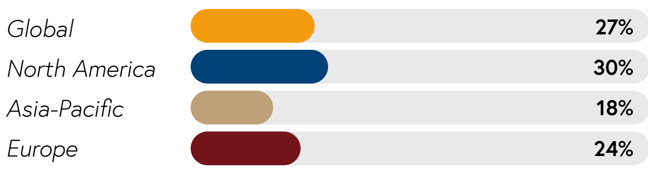
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Recognizing that private equity and venture provide the best risk-adjusted returns, these asset classes together with private credit constitute, on average, 30 percent of strategic portfolios (**Fig 2.13**). This is up from 29 percent last year. Public market equities are the second largest asset class at 26 percent (down from 29 percent) and real estate at 17 percent (unchanged) is the third.

Cryptocurrency, gold and commodities are no more than a couple of percent despite family offices' desire to diversify into alternative asset classes. Cash at 9 percent is at a near-term high reflecting the 4-5 percent rates available on bank deposits.

It's interesting to observe how the average asset allocation closely matches the ranking of risk-adjusted returns.

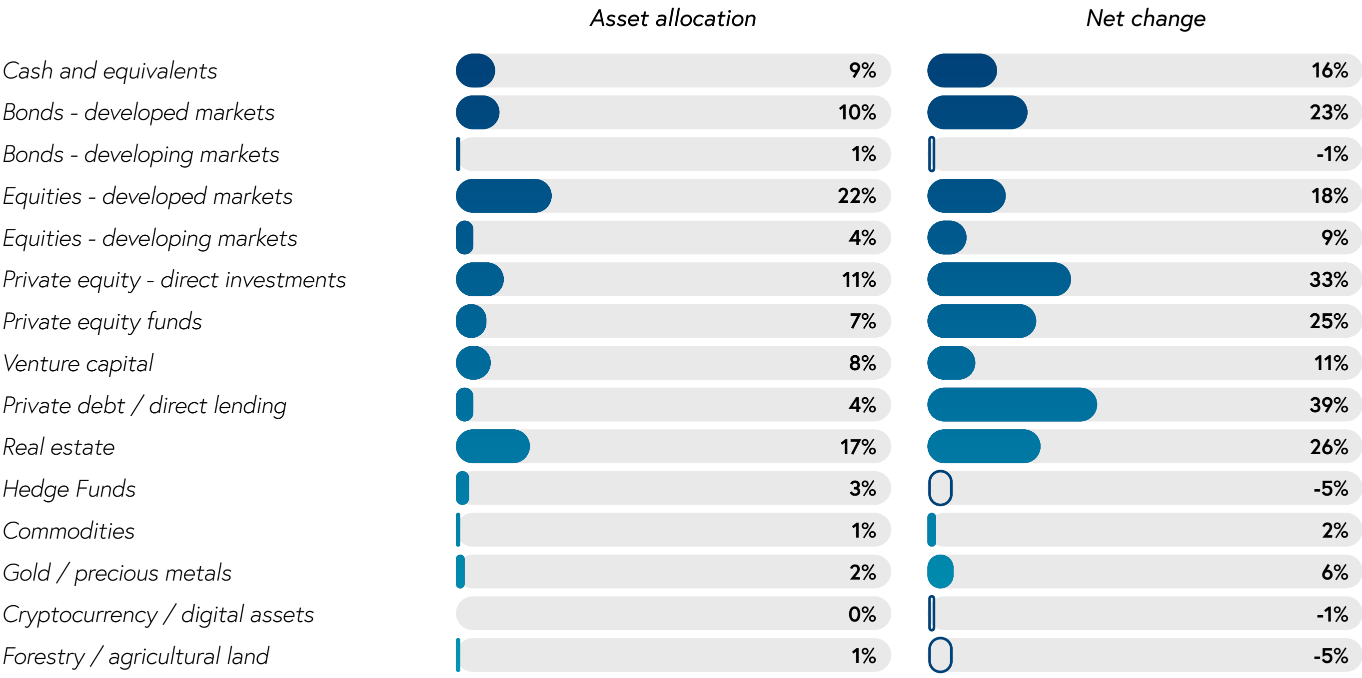
Figure 2.12: *Private markets as percent of average asset allocation*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

The second "Net change" column in **Fig 2.13** represents the percentage of family offices looking to increase their allocation to a particular asset class less the percentage looking to reduce. These data points indicate that private credit (39 percent) and private equity, both direct (33 percent) and funds (25 percent) are likely to increase as a percentage of the portfolio. Venture capital (11 percent) looks a lot less popular and despite their stated desire for diversification, family offices appear to have little enthusiasm for additions to their smaller asset categories (commodities, gold, cryptocurrencies). However, allocations to developed market bonds (23 percent) and real estate (26 percent) look set to increase.

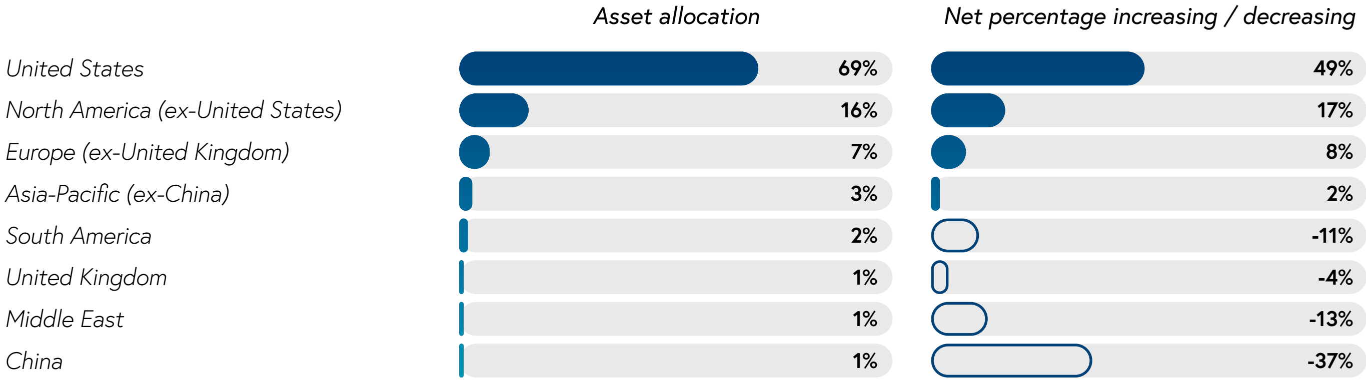
Figure 2.13: *Average strategic asset allocation and percentage of family offices intending to increase, less percentage intending to decrease, their exposure*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Given their easy access to the world's largest capital markets, it's not surprising that North American family offices allocate a substantial 69 percent of their portfolios to assets within the United States (**Fig 2.14**). However, the benefits of geographic diversification are not being entirely neglected since our survey reveals that 80 percent of family offices have at least some investments outside the U.S. and Canada. Looking at where family offices are intending to increase their allocations, it seems almost all future investment will be in the United States, with China studiously avoided.

Figure 2.14: *Average geographic asset allocation and percentage of family offices intending to increase, less percentage intending to decrease, their exposure*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"My first insight when we established the family office almost 40 years ago was that the portfolio should be entirely equity, held over a very long-term horizon. That's the situation we have today, with roughly half our portfolio in developed market public stocks and the other half in private equity."

Chairman, single family office, MA

"We're holding more cash than we have in the past, we are up against the maximum set by our investment guidelines. The yield makes it an attractive asset class."

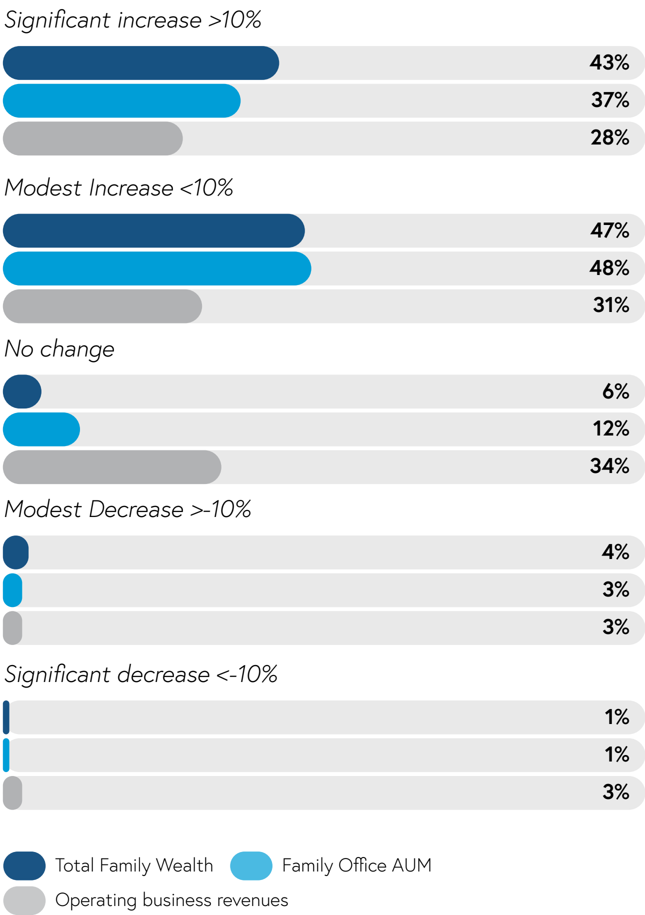
Principal, single family office, MI

2.3 2023 recap

A year of recovery

It is fading into the distance now, but 2023, following on from a very difficult 2022, proved to be a good year for family offices. 85 percent reported an increase in AUM, with 37 percent reporting an increase of more than 10 percent (**Fig 2.15**). To put this in context only 15 percent reported more than a ten percent increase in the prior year. Further, 40 percent of family offices reported outperforming their investment benchmark, and operating businesses connected to family offices also performed well with almost 60 percent reporting an increase in revenues.

Figure 2.15: *Percentage of families reporting change during 2023*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

While inflation remained stubbornly high in 2023, failing to decline to the Fed's 2 percent, target economic activity rebounded with solid 2.5 percent GDP growth. Doubtless, this was a factor which provided a tailwind for operating businesses while the performance of financial markets gave impetus to investment returns. Notably, the S&P 500 index rose 19 percent over the course of the year and the Nasdaq Composite 43 percent. The Cambridge Associates LLC U.S. Private Equity Index[2] recorded a return of 9 percent. But it wasn't all positives. The 10-year U.S. Treasury yield was higher at the end of the year than at the beginning, Cambridge Associates U.S. Venture Capital Index reported a negative return of 3 percent, and stress in various segments of the residential and commercial real estate markets spread more widely.

Returns analysis

We asked family offices for returns (capital appreciation plus income) for each individual asset class. By aggregating this data and applying it to the average family office portfolio (**Fig 2.16**) we estimate the average investment return for 2023 at 10.1 percent. This appears roughly consistent with the distribution of returns from our survey data (**Fig 2.12**).

It was evident that the main contributor to this favourable outcome was developed market equities which closely mirrored the performance of U.S. equities and provided a return of 18 percent. Cryptocurrency and digital assets produced the best individual return performance (**Fig 2.16**), but the very low allocation to portfolios meant this had little overall impact. Returns from private equity and venture capital were satisfactory in high single-digits, but it seems that around 10-15 percent of survey respondents reported negative returns. The same applies to real estate.

[2] https://www.cambridgeassociates.com/en-eu/private-investment-benchmarks/

Figure 2.16: *Average net return from asset class reported by family offices*

	Asset allocation	Return
Cash and equivalents	9%	3.9%
Bonds - developed markets	10%	5.5%
Bonds - developing markets	1%	7.5%
Equities - developed markets	22%	17.8%
Equities - developing markets	4%	11.4%
Private equity - direct investments	11%	10.0%
Private equity funds	7%	7.0%
Venture capital	8%	9.9%
Private debt / direct lending	4%	9.6%
Real estate	17%	6.9%
Hedge Funds	3%	8.7%
Commodities	1%	10.6%
Gold / precious metals	2%	9.6%
Cryptocurrency / digital assets	0%	39.7%
Forestry / agricultural land	1%	5.5%
Total	100%	10.1%

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

2.4 Alternatives

Real estate

Real estate is a popular asset class for family offices, not least because a sizable percentage of family-owned businesses are engaged in the industry. Our survey found 73 percent of North American family offices had some direct real estate exposure. Residential is the most popular sector for family offices (81 percent) but around half the family offices involved with real estate have some exposure to industrial, office or retail (**Fig 2.17**).

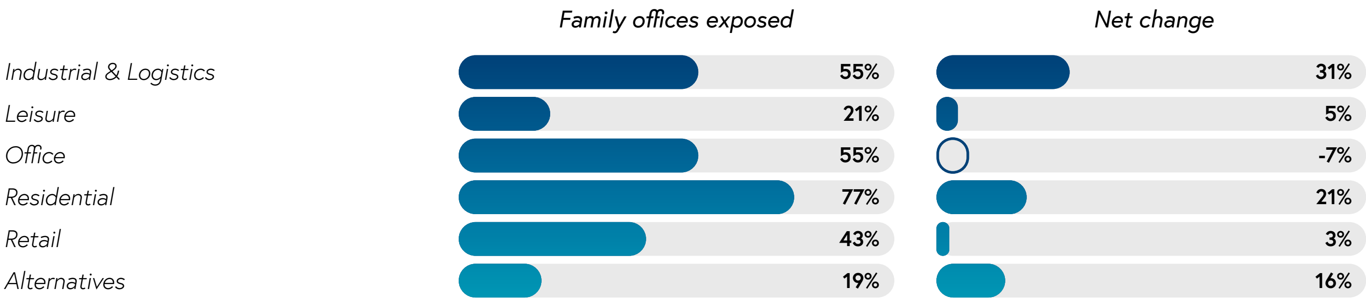
Figure 2.17: *Percentage of family offices with exposure to real estate*

Global	74%
North America	74%
Asia-Pacific	74%
Europe	73%

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Family offices are predominantly investors, and only a small minority act as developers which is positive given the current difficult market conditions. More than 90 percent of real estate owned by family offices is located in North America.

Figure 2.18: *Percentage of family offices with exposure to real estate sector and percentage planning to increase, less percentage planning to decrease, exposure*

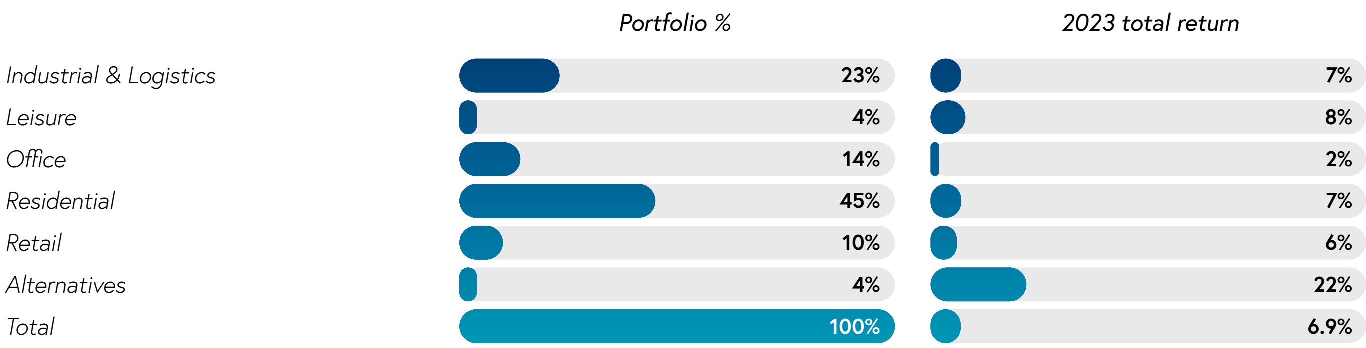


Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

U.S. commercial real estate has been described as a time bomb by some commentators[3]. In the office market, the over-arching trends have been home working reducing demand while new build has pushed up supply and vacancy rates. Retail and industrial segments have suffered as a result of rising interest rates. The hope is that rising rents and curtailment of supply will enable market equilibrium to be restored but overall commercial property prices are estimated to have experienced a 17 percent decline from their 2022 peak[4].

These trends have made their mark on family office investment. For example, 55 percent of family offices have some exposure to commercial offices and more of these family offices are looking at reducing their exposure than increasing it (**Fig 2.18**). The average return from commercial offices was just two percent in 2023 (**Fig 2.19**), in part because 20 percent of family offices responding to our survey experienced losses.

Figure 2.19: *Average family office real estate portfolio by category and 2023 average total return*

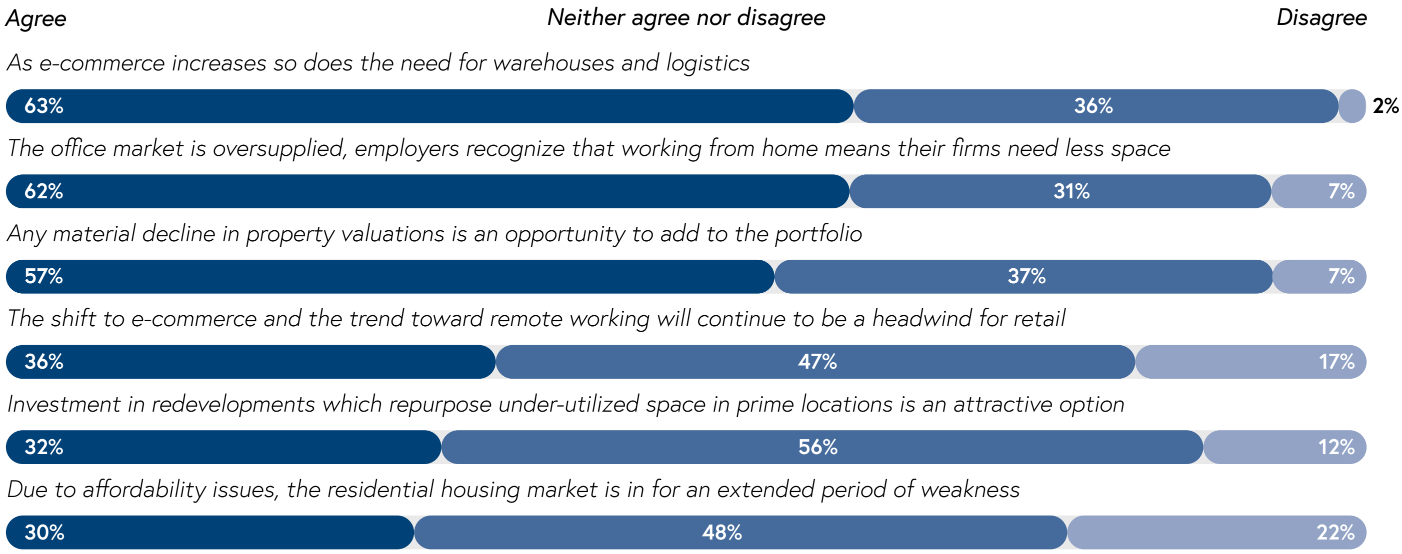


Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

[3] https://www.bloomberg.com/news/articles/2024-02-22/the-economic-time-bomb-ticking-in-empty-office-buildings-everywhere
[4] https://www.capitaleconomics.com/publications/us-commercial-property-chart-pack/us-commercial-property-chart-pack-q2-24

Our attitudinal survey (**Fig 2.20**) reveals family offices are still positive on industrial real estate, at least as far as warehouses and logistics are concerned, and they are reasonably balanced on the outlook for residential, which is their largest portfolio segment.

Figure 2.20: *Extent to which family offices agree or disagree with statement*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Also, it must be remembered that the U.S. market is really a collection of regional markets, each with their own particular dynamics. Deep knowledge of their local areas is an advantage that family offices have in abundance and could well be critical in finding profitable anomalies even when market fundamentals are highly challenging. Nonetheless, it's interesting to see how attitudes have become less optimistic over the past year. Then, more than 70 percent of family offices believed repurposing and redeveloping properties would provide attractive investment opportunities and material declines in commercial property valuations would represent a buying opportunity. Today, the figures are down to 57 and 32 percent respectively.

"The greatest unspoken concern of family offices today is their commercial real estate portfolios. Real estate is a very beneficial asset class for family offices producing tax-advantaged recurring income which they pass on to their trust beneficiaries. But now they are having to re-finance assets at higher interest rates when rental income and capital values are under pressure."

Chief executive officer, single family office, PA

"The other trend we're seeing is the shift away from offices, and to a smaller extent industrial, towards alternatives such as self-storage, mobile homes, data centres, and retirement communities. Family offices' involvement in real estate will switch into newer niche segments."

Principal, single family office, MI

"Quite a lot of family offices believe that office premises can be repurposed into residential but they are very wrong. The problem is that every residence needs a window. It's possible to do this with big square buildings but much harder for pre-1990s construction as they're the wrong shape and converting them is extremely expensive."

Founder, single family office, CA

"I see so much opportunity in residential real estate, housing is such an issue in the United States. There's just not enough, we're not making more land."

Chief investment officer, single family office, FL

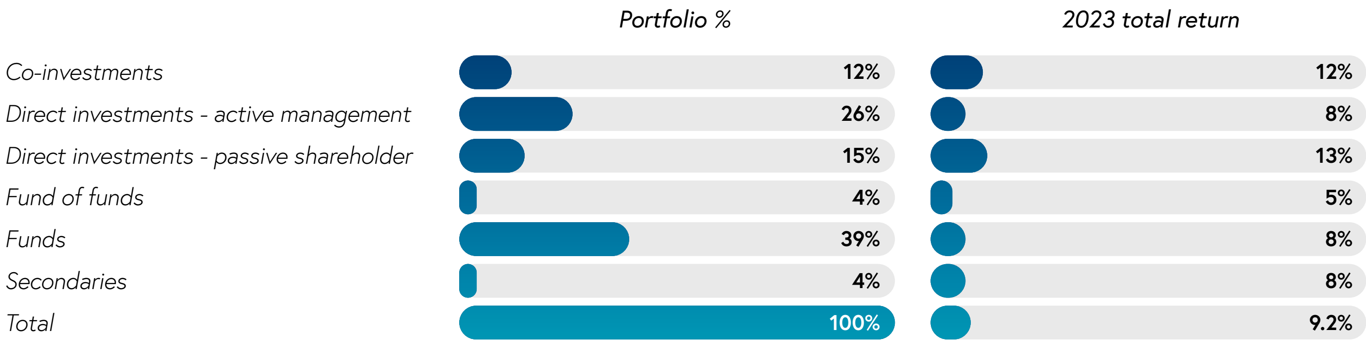
Private equity

An overwhelming 83 percent of North American family offices own private equity investments. Of this investment, 41 percent is achieved through direct participation, and 43 percent through holdings of funds or fund of funds (**Fig 2.22**). Co-investments made alongside private equity managers, and secondaries, positions acquired in the secondary market, play a modest but increasing role in family office investment strategies.

Figure 2.21: *Percentage of family offices with exposure to private equity*

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 2.22: *Average family office private equity portfolio by category and 2023 average total return*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Family offices' preference for fund investment is often attributed to the burden of in-depth due diligence and specialized investment management expertise that direct investments require. By contrast, some families opt for direct investment because they can leverage their industry-specific expertise and take a hands-on approach. Direct investment gives the family the opportunity to advise, mentor and propagate their values. In our survey 38 percent of family offices held a mix of direct and fund investments, 22 percent held only direct investments and 40 percent, predominantly smaller family offices, only fund investments (**Fig 2.23**).

"The problem with direct investing is that it eats up an enormous amount of your time. You tend to focus on the one thing you know how to do and end up not focussing on where the other 99 percent of the money is going."

Chairman, single family office, MA

"We invest through funds, not directly. Direct involves more people, more time and generally greater effort. It makes sense for offices to do direct deals when they have a particular field of expertise and are experts in a specific vertical."

Chief financial officer, single family office, Canada

"We are offered a lot of co-investment opportunities through fund managers and others. The challenge is that you only get about two weeks to decide whether to put money into something. Do we take all these deals? Do we ask other family offices in our network that have the vertical expertise to do due diligence and follow them in? It really comes down to bandwidth."

Chief investment officer, single family office, FL

"Another significant trend is the number of family offices that have gotten into direct investments and co-investments. I think many families thought that this is where they're going to get the greatest returns, but they now realize how difficult it is to actually do this. It's very labour-intensive, and you need to have deep knowledge of the industry into which you are investing."

Chief executive officer, single family office, NY

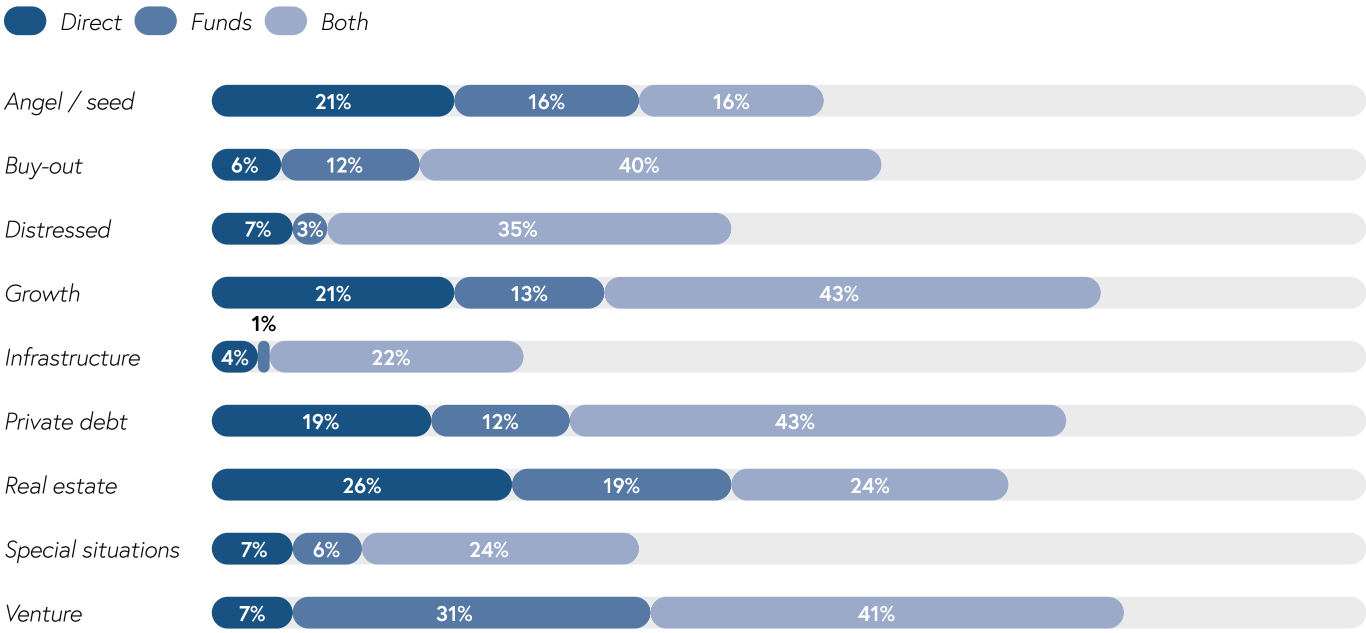
"From my perspective, single family offices don't see the full universe of investment opportunities. My multi-family office has six analysts in our research department that do due diligence on 600 different fund opportunities a year. The clients know they're seeing the big picture. They can get access to those funds because we invest as a single entity, we have negotiating power with that fund manager. We can reduce the fees they pay and the minimum size of their investment."

President, multi-family office, MA

"More often than not, family offices tend to be considered "patient capital." We see they have a greater willingness to make investments that have the chance to appreciate over an extended period – valuing assuredness and stability over the opportunity to turn a quick (but more risk-prone) profit. Companies who are seeking capital across a breadth of different sectors and industries appreciate this stable approach – and as a result, we are increasingly seeing family offices play the role of valued partners and capital-raisers in the private equity space."

Elizabeth Francis, Managing Director, Institutional Family Office Solutions Enterprise Strategic Client Group, RBC

Figure 2.23: *Percentage of family offices investing in private equity with exposure to private equity strategies*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Across both direct and fund investments (**Fig 2.23**), the most appealing investment strategy is venture (79 percent), closely followed by growth (76 percent), and private credit (74 percent). Venture capital investments in early-stage innovative businesses provide the opportunity for family offices to benefit from startup businesses often utilizing new processes or technologies. It's high risk but high return. The popularity of private credit reflects the high nominal interest rates that sub-investment grade borrowers are prepared to pay.

"In private equity, we might get our capital back in four to six years, which is good for cash-flow management. But when we're investing in an early-stage venture, it typically takes seven to nine years for a startup to reach its third or fourth funding round, which is when we begin to look for an exit. So, our invested dollars are compounding at a higher rate for a longer period before the capital is sent back to us."

Principal, single family office, MI

"We don't confine ourselves to particular industries or vintages. Our strategy is to stay consistently invested through every vintage year, which means not deploying too much capital today at the expense of tomorrow. If I only invested in AI startups in 2023, I'm making the bet that AI will be the big winner in 2028, and I'm not willing to take that risk."

Chief executive officer, single family office, NY

"The vast majority of our private credit is direct lending. The companies we lend to are sub-investment grade but they are not small, they generally have multiple product lines and revenues of around US $250 million. We like this size; if we lent to smaller companies we'd be able to get better spreads but there would be more risk. In the past we have experienced some credit losses, but we've learnt from that and we are pretty comfortable. Our lending is sponsor-backed which means that the borrowing company is owned by a private equity firm that does all the due diligence and could inject more equity into the borrower if required."

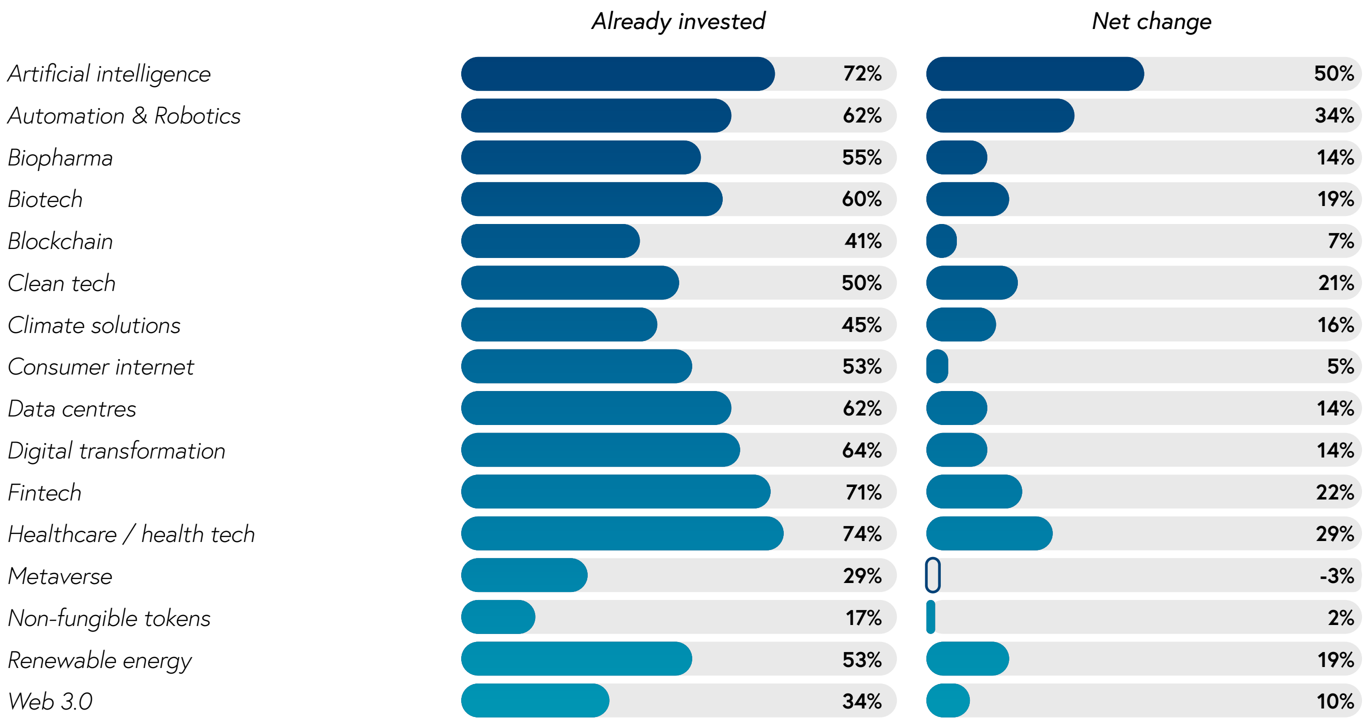
Principal, single family office, MI

"The hottest part of the market is private credit. Many funds now offer a private credit side deal alongside an equity investment in a company. It's certainly attractive as banks continue to get disintermediated from the lending business. But I just think you need to be very careful to understand the total leverage on these underlying companies. In an economic downturn returns from lending may not compensate for the credit risk."

Chief executive officer, single family office, NY

Through their direct private equity portfolios, family offices can engage directly with exciting emerging businesses that harness cutting-edge technologies. Additionally, private equity funds offer family offices exposure to a very comprehensive range of these technologies as indicated in **Fig 2.24**. Over 70 percent of family offices have some exposure to healthcare (74 percent), AI (72 percent) and fintech (71 percent). Behind that comes digital transformation (64 percent), data centres (62 percent) and automation (62 percent). Exposure to blockchain (41 percent) and blockchain-related technologies like Web 3.0 (34 percent) and Metaverse (29 percent), is relatively modest in comparison and family offices do not appear keen to increase their involvement. Technologies most likely to attract new investment are AI, automation, and healthcare.

Figure 2.24: *Percentage of private equity owning family offices already invested in new technology and percentage intending to increase, less percentage planning to decrease, exposure*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"Tech has enabled people to do things faster and more efficiently. That may be the outcome with AI. Think about customer services; it will make the customer service agent much more efficient, his job will still exist, but the company will need fewer agents. The same applies to programmers. For these companies, the AI effect may come through the cost line as much as the revenue line."

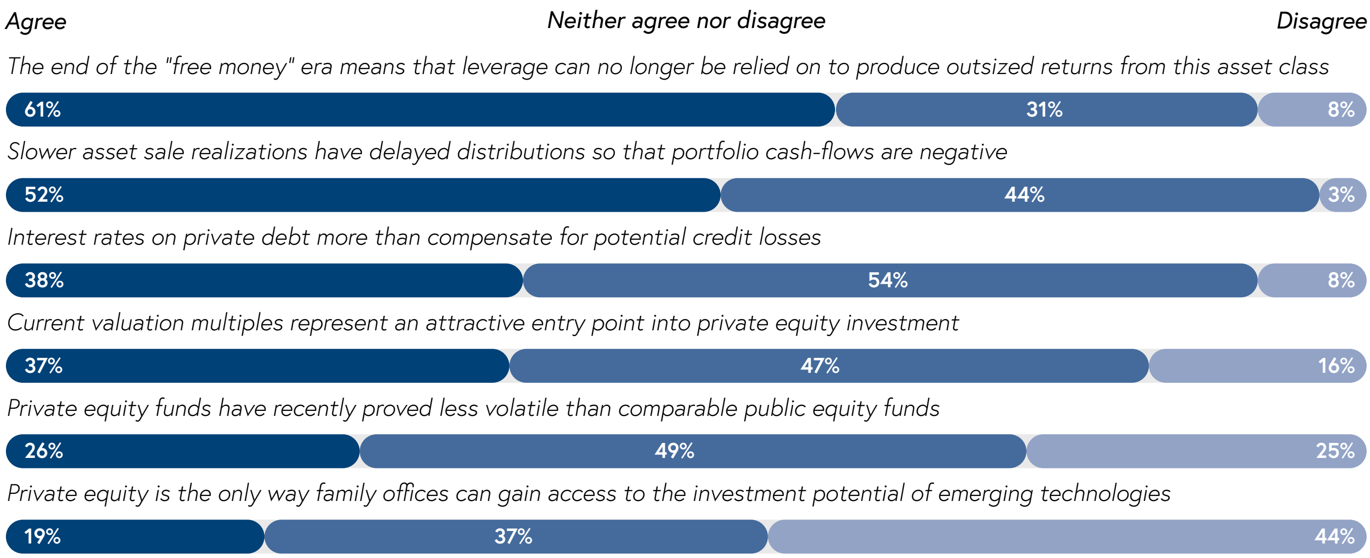
Founder, single family office, CA

"The disruption created by AI is exciting and massive and is exemplified by cases where the usage of the technology led to a 50% reduction in operating costs and the rapid evolution of business models. Just as the internet era transformed the physical world into a digital one, AI may represent a new paradigm shift to a complete operating system upgrade for all industries."

Principal, single family office, MI

Although family offices believe that private equity offers the best risk-adjusted return, their attitude towards the asset class has cooled somewhat. They agree (**Fig 2.25**) that the impact of higher rates will reduce the capacity to enhance returns through leverage (61 percent), and delayed exits are causing a cash-flow headache for investors (52 percent). However, they remain positive on private credit because lending rates are seen as more than adequate compensation for the risk of borrower default (38 percent). Finally, the view that private equity is not the only way to get access to emerging technologies is supported by 44 percent of family offices, which presumably are considering the weighting of technology companies within U.S. public markets.

Figure 2.25: *Extent to which family offices agree or disagree with statement*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"I think about private equity as a spectrum, from venture capital in startups all the way through to large buyouts, involving public companies. We continue to see a number of very concerning trends. Number one is that the IPO market is not functioning. So there are many funds which have been unable to exit their investments and are stuck with them which is clogging up the pipeline for new investments. This is especially true for venture capital where there have been very, very few transactions. Money is just not recycling the way it should."

Principal, single family office, MI

"People invest in private equity thinking their valuations are less volatile than those of public companies. But this is a fallacy. If you have a private company doing the same thing as a public company, then the valuations are going to be equally volatile. It's just a matter of how their valuations are reported and how this impacts investor emotions."

Chief investment officer, single family office, FL

"The way it worked was that exits from the first fund would cover our commitment to the manager's next fund. But the exits are not coming through, we are being pushed to increase our allocation which is creating a strain. We don't mind the general partners holding good companies for longer if it avoids selling at the wrong price. However, it means you can't plan, and it puts a strain on making future commitments."

President, multi-family office, MA

"The private equity and venture capital sectors have been dramatically impacted by the increase in interest rates. So many of the underlying companies have seen their profitability deteriorate because of higher rates. But I do see rates beginning to come down as inflation slows and we need the IPO market to loosen up, that would be a significant improvement."

Chief financial officer, single family office, Canada

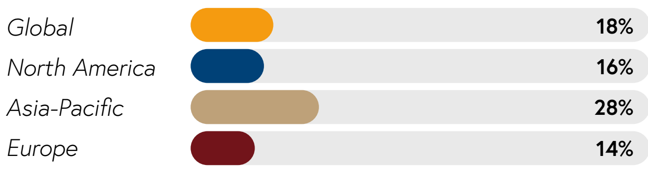
"I still think private equity is a very attractive asset class for us as taxable investors. In many ways, I don't want the money back, I want the money reinvested and the tax to be compounded internally within the fund. So actually, I'm not unhappy with the returns we are seeing at the moment provided that at the end of the day we get our money back."

Managing director, single family office, TX

Cryptocurrency

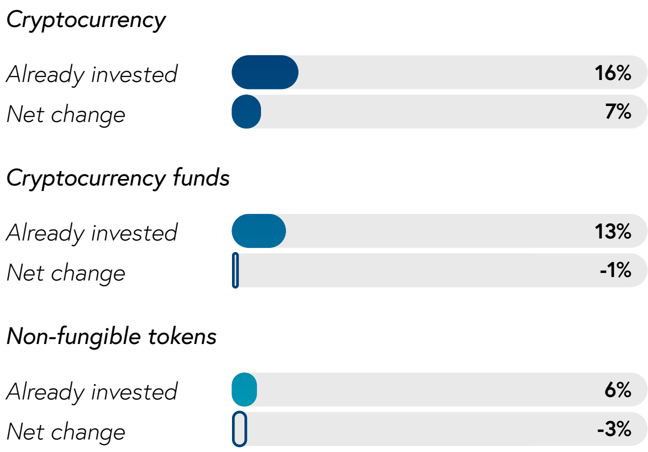
From a low point at the end of 2020, the market value of cryptocurrencies has almost tripled to more US $2.0 trillion[5]. Despite other investors reassessing this asset class, family offices remain uncommitted. Cryptocurrencies account for less than 0.5 percent of the AUM of the average North American family office (**Fig 2.16**) and only 16 percent of family offices are invested in the asset class, which is around half the level of two years ago (**Fig 2.26**).

Figure 2.26: *Percentage of family offices with exposure to cryptocurrencies*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 2.27: *Percentage of family offices already invested in cryptocurrency and percentage intending to increase, less percentage planning to decrease, exposure*

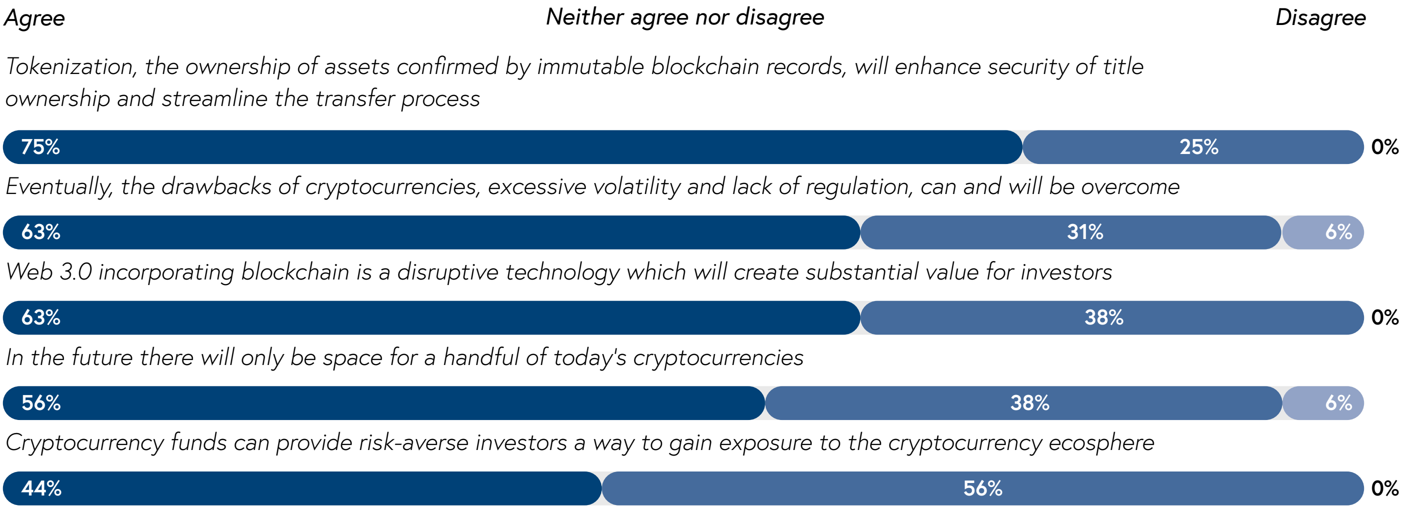


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

[5] https://www.coingecko.com/en/global-charts#:~:text=The%20global%20cryptocurrency%20market%20cap,a%20Bitcoin%20dominance%20of%2053.69%25

Although enthusiasm for cryptocurrencies currently appears muted this could change in the future. Some 7 percent of these family offices intend to raise their allocation (**Fig 2.27**) and our attitudinal survey (**Fig 2.28**) reveals that 63 percent believe that the drawbacks of the asset class, excessive volatility and lack of regulation, will eventually be corrected. Their views on blockchain, Web 3.0 and tokenization are also more positive than might be inferred from **Fig 2.24**, but these come exclusively from crypto-investing family offices.

Figure 2.28: *Extent to which family offices agree or disagree with statement*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"When it comes to cryptocurrencies, there's simply too many of them and too much volatility for them to be viewed as good currencies or investments. Only Bitcoin gets anywhere near close."

Chief executive officer, single family office, NY

"People say that cryptocurrencies and tokens have no intrinsic value but they may be failing to look below the surface. Currencies and tokens have been invented for specific purposes and those purposes could prove highly beneficial for society. Everything from medical records to share registers could be tokenized using blockchain technology."

Founder, single family office, CA

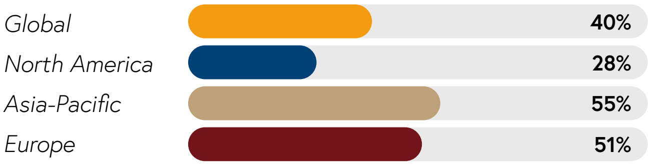
"We made our first investment about six years ago and it's been an unbelievable roller coaster. Crypto is less than one percent of the portfolio but it could become two or three percent. I'm sure crypto will be around for the long term but I'm not a futurist. Apart from Bitcoin, I don't know which coins to be in."

Chief investment officer, single family office, IL

2.5 *Responsible investing*

Repairing the world

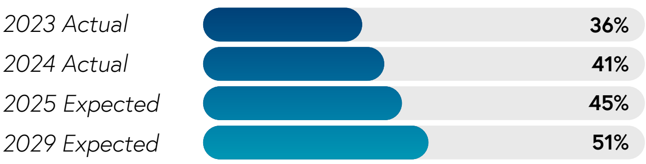
Figure 2.29: *Percentage of family offices engaged in responsible investing*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Proportionately fewer North American family offices have embraced responsible investing than their Asia-Pacific and European peers. However, among those that have, 41 percent of their portfolios are, on average, comprised of responsible investments. These family offices believe that the percentages of their portfolios given over to responsible investing will steadily increase to around 50 percent over the next five years.

Figure 2.30: *Responsible investments as percent AUM for families engaged in responsible investing*

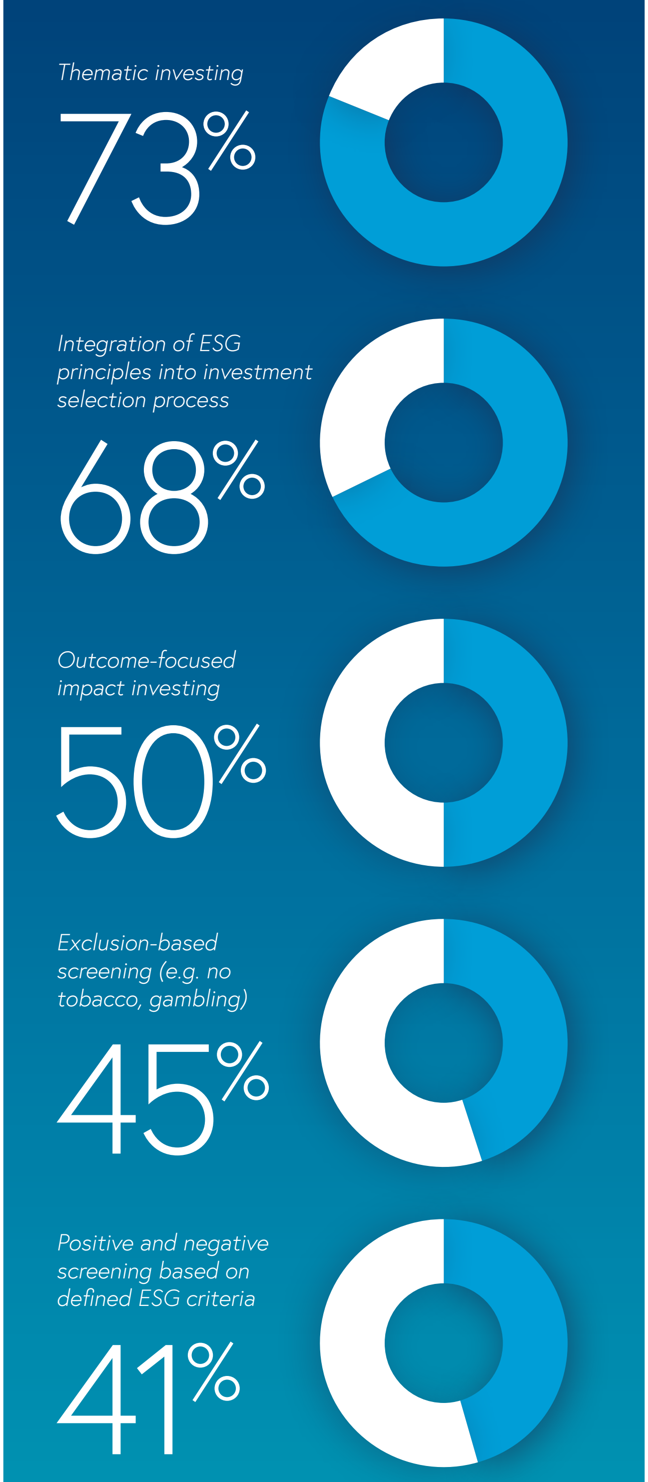


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

The approaches family offices take towards responsible investing are shown in **Fig 2.31**. The most commonly employed is thematic investing (73 percent) which entails investing in themes aligned with the family's specific interests. Integration of ESG principles into the investment selection process (68 percent) requires an assessment of the target firm's environmental, social and governance objectives. Exclusion-based screening (45 percent), which blocks investment in certain industries with dubious social or environmental benefits (e.g. gambling, fossil fuels), is a less nuanced approach than positive and negative screening (41 percent), where investments that meet desired ESG product or conduct-related criteria are positively selected.

Impact investing, which aims to produce a social or environmental benefit as well as a financial return, automatically classifies as responsible and is a viable option for 50 percent of family offices. The approach is to measure the impact a potential investment has on its society and environment, determine whether the impact is positive or negative, and invest on the understanding that the positive elements will be enhanced and the negative elements neutralized. However, measurement of societal and environmental effects is often challenging, and it is not always possible to invest in businesses that contribute to the positive outcomes that families may want to achieve.

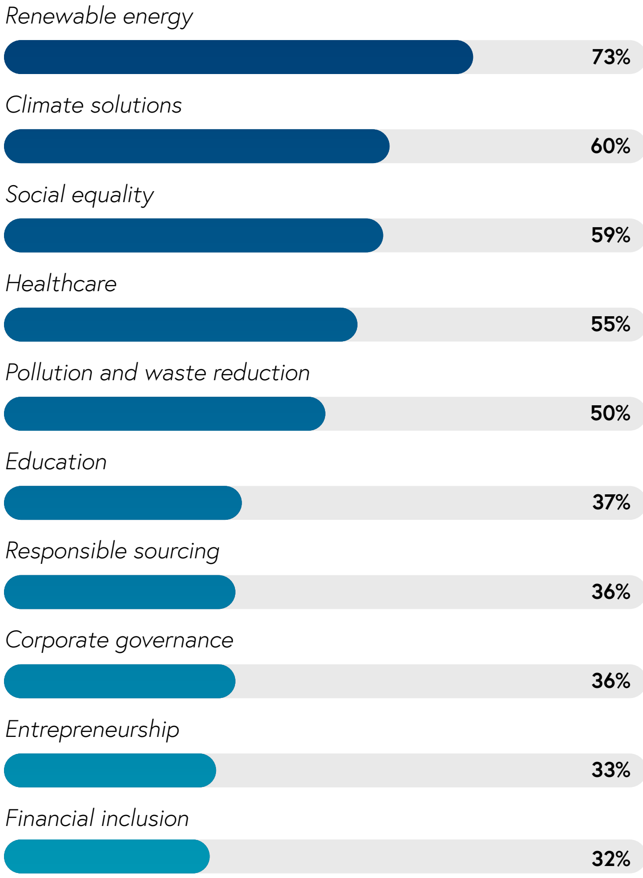
Figure 2.31: *Responsible investment methodologies used by family offices*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Each of these approaches requires some element of additional analysis and in many cases, due to the nature of the investment or voids in the data, a particular methodology may not be available. Therefore, family offices tend to adopt more than one, and this is the case for over 70 percent of our survey participants.

Figure 2.32: *Responsible investment themes supported by family offices*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Popular themes supported by responsible investors are renewable energy (73 percent), climate solutions (60 percent) and social equality (59 percent). There is considerable overlap between these themes (**Fig 2.32**) and the causes that families support through philanthropy (**Fig 4.19**), but responsible investing is more closely entwined with environmental concerns.

"Generating real-world change never used to be part of the old-school way of investing. It was just about making money; it didn't matter what industry the business was in or how it operated. Responsible investing has changed all of that, and it's changing lives."

Chief Investment officer, single family office, FL

"Our investment policy requires the managers we invest with to be Principals for Responsible Investment (PRI) signatories. We do ESG due diligence for all our investments, and we raise ESG issues with the boards of the companies we work with."

Chief financial officer, single family office, Canada

"For impact investments the most important criteria for us is social and environmental impact, not the financial return. Investments must be fully aligned with the family's values. For instance, the family believes social housing is very important for community development, so we are backing a residential developer committed to social housing even though the expected financial return is quite modest."

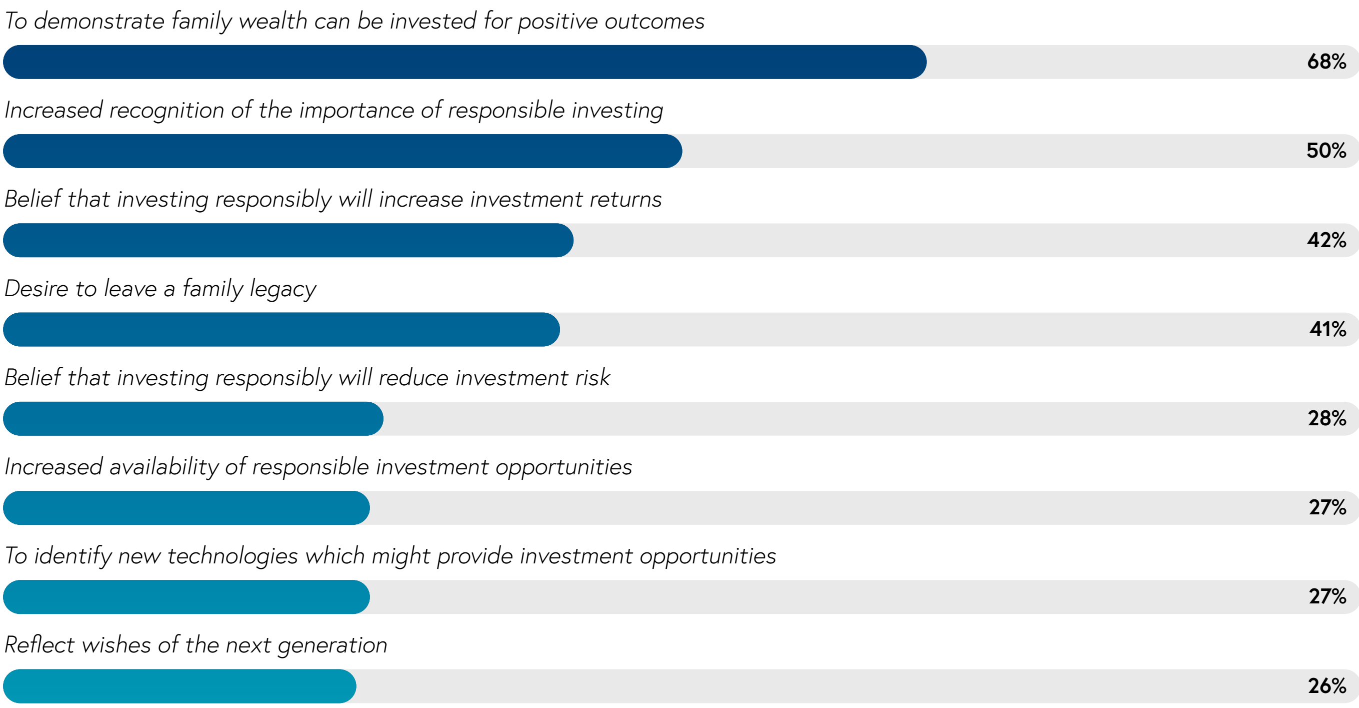
Chairman, single family office, MA

"The social benefit of impact is so difficult to measure and quantify. Many families, including my own, made a number of investments into direct impact opportunities in different companies. What we missed was there's not only startup risk, technology risk, and impact risk, but there are actually at least two or three layers of risk in this investment that we just didn't quantify. This is because impact investments are actually very close to venture capital, they have the characteristics of startups rather than late-stage private equity. They can miss their impact goals as well as their financial targets."

Chief investment officer, single family office, IL

The motivations driving responsible investing are many and varied (**Fig 2.33**). Our survey reveals that for 68 percent of North American family offices, a key factor is the desire to demonstrate family wealth can be invested for positive outcomes. This points to a genuine interest in responsible investing rather than engaging simply to reflect the wishes of the next generation (26 percent). The recognition given to sustainability in business, the media and popular culture is a key factor for 50 percent of family offices.

Figure 2.33: *Motivation for investing responsibly*



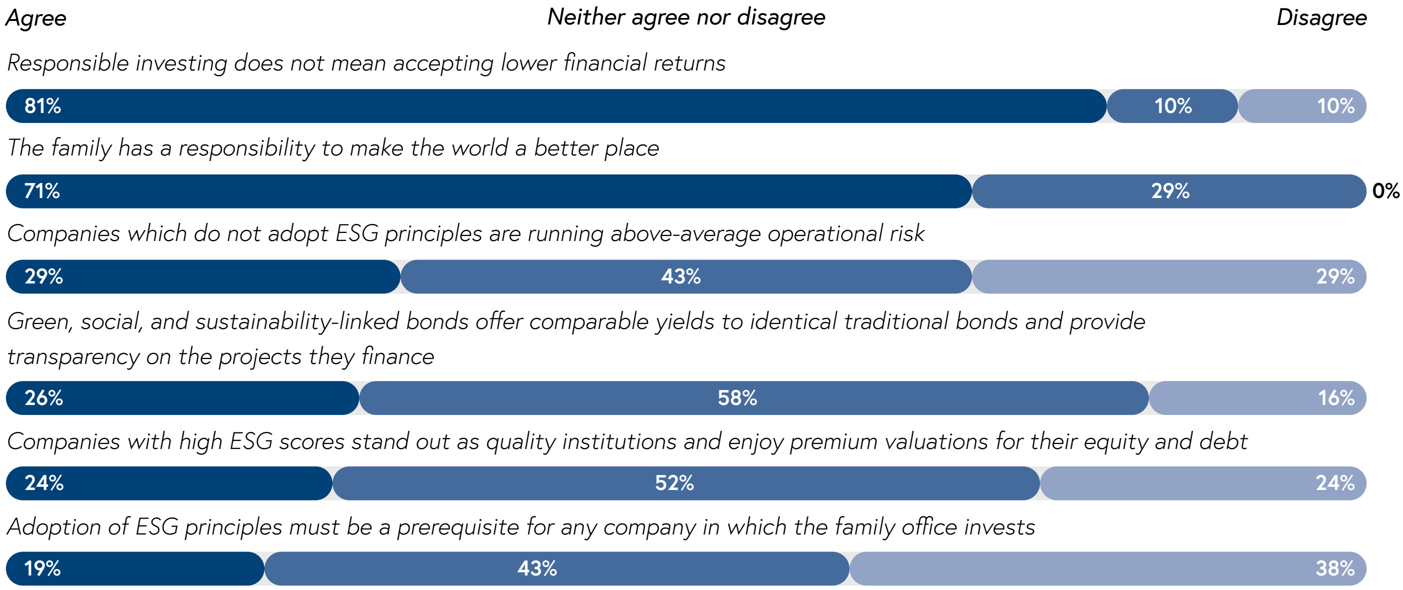
Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Interestingly, 42 percent of family offices believe investing responsibly will increase returns. This is further reinforced by our attitudinal study (**Fig 2.34**) in which 81 percent agree that responsible investing does not mean accepting lower returns. There is empirical evidence to support this view. According to Morningstar[6], sustainable funds outperformed their traditional peers in 2023 with a median return of 12.6 percent compared to traditional funds' 8.6 percent, a pattern repeated in four of the last five years.

On the questions of whether adopting ESG principles makes companies less risky and enhances their quality, family offices are split into two equal camps and no clear consensus emerges.

More than 70 percent of families which engage in responsible investing believe they have a responsibility to make the world a better place (**Fig 2.34**). However, repairing the world is a rather broad concept and for 38 percent of family offices it does not exclude investing in companies which have not adopted ESG principles. Similarly, family offices are equivocal on whether high ESG scores are the mark of quality institutions.

Figure 2.34: *Extent to which family offices agree or disagree with statement*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"I look to see whether ESG and sustainability are incorporated into the DNA of a company. Are they doing right by their employees? Are they a good corporate citizen? Are they using natural resources and energy efficiently? Companies that do these things well will probably be good investments."

Chief financial officer, single family office, Canada

"Unfortunately, the world is not a great place at this time. We need oil and gas companies to plug the gap until renewables satisfy 100 percent of energy demand. We need defence companies to maintain the geopolitical status quo. The definition of what's good for the world is a moving target depending on who's telling you about it."

Chief executive officer, single family office, PA

"The lines between philanthropy, impact investing, responsible / ESG investing, and private capital for good are increasingly blurred. The consistent thread that runs throughout the spectrum is values-aligned capital. This situates philanthropy as one of several effective tactics in a toolbox for social impact, family unity, next-gen leadership and system change. It seems that more family offices than ever are leveraging it to support causes and industries close to their hearts. As a result, they are bettering the world around them in many ways. Moreover, the increasing popularity of investing responsibly is positively influencing expectations towards what the financial returns should look like over time. When the yields meet or exceed that of more traditional investments, it should benefit both family wealth and legacy through impact."

Dr. Paula Murphy Ives, Managing Director, Social Capital & Impact, Enterprise Strategic Client Group, RBC

[6] https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MSInstituteforSustainableInvesting-SustainableRealityFY2023-Final.pdf

Taking the long-term view

Has the volatility of financial markets over the past several years shaken family offices' belief in the main asset classes? Our interviewee, the managing director of a single-family office based in Florida, thinks not, a view supported by our survey data. Unlike institutional investors who are required to outperform the indices every quarter, family offices can afford to take the long-term view.

Has your thinking around the investment portfolio changed since the start of the year?

"The investment perspective keeps changing. The rate cuts expected at the start of the year have been pushed back and there are periodic warnings about private equity. But to my mind, the absolute level of risk we are running hasn't really changed. The family is truly legacy-minded, and they think in terms of multiple generations. To the extent we do not have better options, we are happy to sit on the sidelines earning five percent on our cash. This seems a better deal than earning ten percent from public markets but having to take on all the additional risk. Our public markets assets are performing as expected, and our private market investments are both the source of wealth generally, and the primary source of growth and income for future generations."

"You should appreciate that most often the investment strategy of family offices is driven by their history. A first-generation entrepreneur will likely be more comfortable with concentrations in holdings, lower liquidity and taking more risk because she is necessarily a risk-taker in her professional life. But a family office supporting the fourth or fifth generation will tend to be much more conservative with a focus on the duration and liquidity of their assets, because of the liquidity required to support income and distributions they are making to family members. Big changes in strategy for a multi-generational-focused family occur only infrequently."

Have reduced distributions changed your attitude to private equity?

"For us, the duration of a private equity fund does not necessarily match the family's investment horizon. If we own good companies, we do not necessarily want to have to sell them, and we don't want the money coming back from the fund and having to find something else to do with it. The absence of distributions coming back from the general partners does not really worry us, although we would be concerned if the market looked genuinely unhealthy with companies being sold from fund to fund just to create the appearance of transactions. Overall, the compounding of cash flows from holdings and investments is a tremendous wealth multiplier. Generally, distributions from well-run companies are more sustainable and predictable than from PE funds. For this reason, we prefer the former."

What about real estate markets?

"A quarter of our balance sheet is proprietary real estate. These are assets that we developed ourselves, we own, and we operate. The team that runs the development company works for us, and they understand what the goals and objectives are."

"To answer your question, the real estate market is very regional in terms of health. In some parts of Florida for example, the office market is fine, but in much of the country, it looks like the day of reckoning is overdue. The number of multi-family projects being completed now is phenomenal. There's a lot of demand for the capacity, and the occupancy is still solid. But guess what, inflation hit. The cost of building has escalated and financing rates for developers have tripled. Many developers need refinancing, and the banks are becoming more cautious. For us, it means that the equity requirements are higher, and this lowers our cash-on-cash rate of return. But the family plays the long game, and they know that the market will sort itself out over time because the demand is there. They have seen these cycles repeatedly. Of course, where there is disruption, distressed opportunities also present themselves, and we are watching our core markets closely for opportunistic acquisitions."

And crypto?

"While our office does not invest, I pay close attention to the space and invest personally. Crypto has been through a serious shake out and I believe the survivors are generally intelligent honest people doing interesting things. In many cases, the coins and tokens that exist are essentially ways to fund the underlying technologies. Solana is probably the best example, and the coin represents value in a robust digital platform focused on providing blockchain-based solutions."

"The real value is in blockchain technology. Blockchain offers an immutable record of ownership. I think that banks and custodians will see huge disruption because it represents a much more efficient way to register and transact securities than the electronic systems currently employed. In fact, blockchain could be used to register ownership and record transactions for virtually any asset. I predict we will see the tokenization of a myriad of assets, from art to real estate to mutual funds, over time. There are already numerous examples."

"There's an inevitability to digital. Several years ago, I was leading a panel of crypto experts at a family office conference, and I asked the attendees to raise their hands if they had an active exposure to digital assets, and only five percent of the room put their hands up. Then I asked who in the room is never going to own digital assets and about half the room put their hands up. At a more recent conference I attended, these percentages had reversed. Investment opportunities in this space will become more prevalent, I believe."

Outside of investments, what big changes are family offices facing over the next decade?

"The conventional wisdom is that if you have X amount of money, then you should have a family office. But there's a new generation out there, and so-called Next Gens often look at money in a different way. They recognize that they are blessed to have been born into this wealthy family, but they often see wealth as a barrier to self-actualization and are hesitant to make their own way in the world. They cannot be the person they want to be, because they are affiliated with this massive amount of money, and it can become a real burden for them. This is truly a first-world problem, but the challenge is real. This homogenous advice to form a family office, establish a strong governance structure, and educate the Next Gens to manage and preserve the wealth needs to be rethought for many families. Governance of financial resources needs to relate to exactly how the family wants to live. My first question to families asking for advice on forming an office is, are you truly legacy minded and do you want to prepare the wealth for generations not yet born? Some say yes, and others choose a different path."

"Families are a lot like volunteer organizations, they are held together by a shared vision and perhaps a governance structure, but members can opt out. If the family members don't want to work together, then no structure will bind them together. It's easy enough to enhance the family office with a trust structure or a private trust company to control the assets. Building a sustainable family enterprise, however, is difficult. The human aspects must be aligned so that the family collaborates at every level. They must understand what brought them together originally and agree on their shared vision and values going forward."

3. Inside the office

3. Inside the office

Family offices participating in the survey varied very considerably in size. For the very smallest, with less than U.S. $100 million under management, operating costs (excluding investment-related fees) are frequently less than US $1 million. Rather than focus on one simple average we take a more granular approach, looking at the financial characteristics of three classes of family offices: those with less than US $500 million of assets under management, those with more than US $1 billion, and those in-between.

For family offices with less than US $0.5 billion of AUM, costs averaged US $1.8 million equivalent to 98 basis points (bps) of AUM, and US $3.9 million and 51bps of AUM for family offices with AUM between US $0.5 and US $1 billion. For family offices with more than US $1 billion under management, costs average US $8.7 million or just 42bps demonstrating the economies of scale available to larger family offices. This difference in scale is reflected in the number of employees, remuneration strategy, and the extent to which services are provided in-house rather than outsourced.

Last year around 20 percent of family offices reported an increase in professional non-family staff and more than half stepped up their investment in technology. Increasing professionalization and technology investment are long-term trends inexorably pushing up operating costs. On the other hand, family offices are optimistic about prospective investment returns and so it may be the case that in the near term at least their important costs to AUM ratios will not deteriorate.

Investment-related expenses are the dominant factor in the cost base of smaller family offices. This is perhaps not surprising since the effective management of financial assets is often the primary motivating force for the establishment of a family office. As family offices develop, more cost investment goes into administration and family services, and advisory services become more important.

The average base salary of the North American family office chief executives is $314,000, but our survey data reveals a huge divergence of salary levels with the top decile earning above US $638,000 and the bottom decile below US $48,000. This disparity appears to be associated with their status, base salaries for family members are very significantly lower than for non-family members occupying comparable positions in other family offices. The same picture emerges when other positions and bonuses are considered and is particularly evident with small family offices.

$8.7m

Average operational cost of family office with more than US $1 billion of AUM

42 bps

Cost / AUM efficiency ratio

$465K

Average base salary CEO (non-family member) of family office with more than US $1 billion of AUM

3.1 Cost footprint

Operating efficiency

Operating costs of the family offices participating in the survey (excluding investment-related fees paid to banks and third-party managers), average US $3.8 million. However, this simple average is misleading; for the very smallest family offices costs are often less than US $1 million, while for their larger peers figures in excess of US $20 million are not uncommon. Rather than focus on one simple average, we take a more granular look at the data, subdividing it into three segments as per **Fig 3.1**. The table shows how costs increase as family offices get larger (and presumably more complex) but they become more efficient in terms of the higher costs being spread over a bigger base of assets.

Figure 3.1: *Average family office operating costs by AUM band (US $million)*

	Average costs	Average AUM	Costs/AUM bps
Less than US $0.5 billion	1.8	189	98
US $0.5-1 billion	3.9	764	51
More than US $1 billion	8.7	2083	42

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

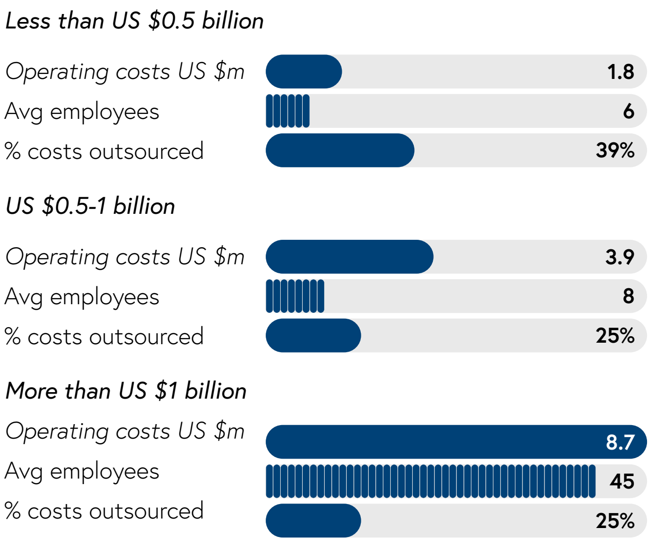
For family offices with less than US $0.5 billion of AUM, costs averaged US $1.8 million, equivalent to 98 basis points (bps) of AUM. But for family offices with more than US $1 billion under management, costs average US $8.7 million or just 42bps.

We estimate that in 2023 the average net investment return on AUM for North American family offices was 10 percent (**Fig 2.16**). Therefore, in aggregate family offices would have been operating profitably. However, this might not have been the case for small family offices (AUM less than US $0.5bn) in 2022 when the average investment return was very much lower at an estimated 1 percent of AUM, equivalent to 100bps.

In absolute terms, the average operating costs of family offices with less than US $0.5 billion of AUM are half those of mid-size family offices, which in turn are half those of family offices with more than US $1 billion. Not surprisingly, this difference in scale is reflected in the number of employees, and also the extent to which services are outsourced rather than provided in-house. External vendors are likely to be employed to fulfil tasks where the volume / scope of work does not justify a full-time hire, and this is more likely to be the case with a small family office than a large one.

Within our small family office category are the two percent of survey participants who describe themselves as virtual offices. They are characterized by AUM of less than US $100 million, costs of around US $1 million and outsourcing accounts for more than half their expenses.

Figure 3.2: *Key characteristics of family offices by size*

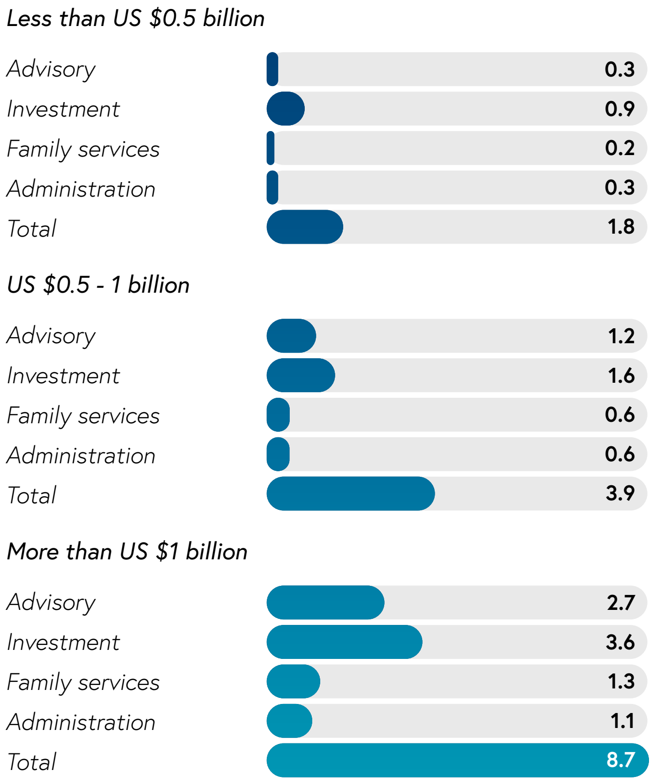


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Cost categories

We asked survey respondents to break down costs into four basic categories: advisory, investment, family offices and administration. Advisory includes estate, tax, and succession planning, while investment includes accounting, due diligence and risk management. The latter two categories are self-explanatory. **Fig 3.3** reveals that investment-related expenses are the dominant factor in the cost base of smaller family offices. This is perhaps not surprising since the effective management of financial assets is often the primary motivating force for the establishment of a family office. From the table, we can infer that as family offices develop, more cost investment goes into administration and family services, and advisory services become more important.

Figure 3.3: *Components of average family office operating costs US $ million by AUM band*

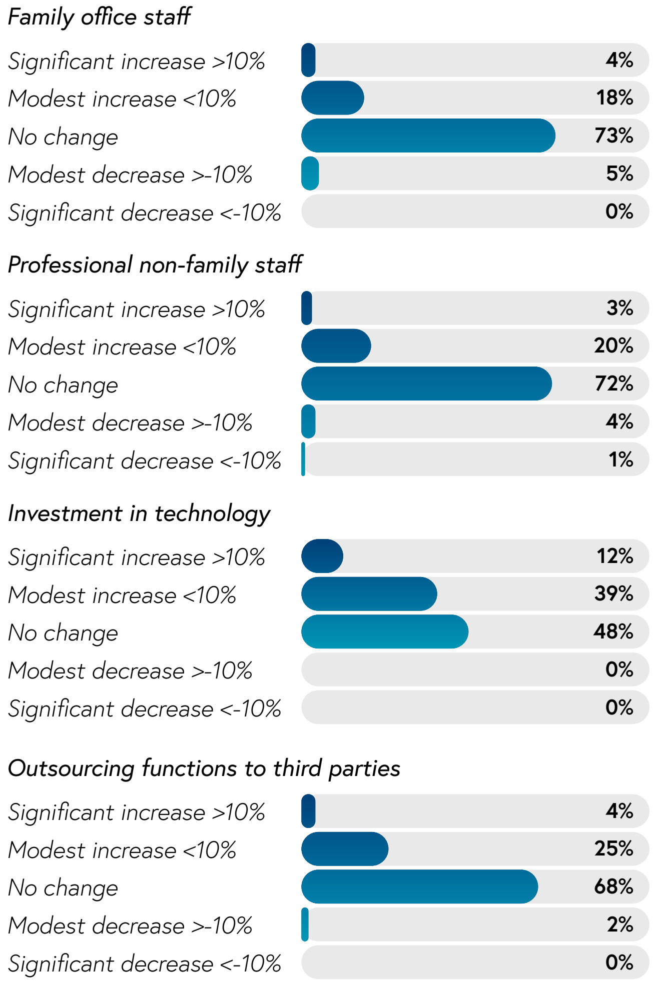


Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Advisory = Estate, Financial, Insurance, Legal, Tax, Succession Planning
Investment = Accounting, Asset allocation, Due diligence, Real estate, Risk management
Family services = Concierge, Next-gen education, Oversight, Security, Travel
Administration = Human resources, Information technology, Premises

North American family offices were expanding at pace during 2023. Around 20 reported an increase in headcount relying on the recruitment of professional non-family staff and more than half stepped up their investment in technology (**Fig. 3.4**). Both professionalization and technology investment are long-term trends, and it seems almost inevitable that, in absolute terms, family office operating costs will rise again this year. On the other hand, family offices are optimistic about prospective investment returns (see **Fig 2.1**) so it may be the case that their important costs to AUM ratios will not deteriorate.

Figure 3.4: *Percentage of families reporting change during 2023*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"The family's consumption has to be controlled so that after allowing for taxes, consumption and inflation there was sufficient capital to reinvest to keep the portfolio growing in real terms."

Chairman, single family office, MA

"We're a large family office with 40 staff which reflects the size of our private equity portfolio. We have 15 deals running at present. There is a separate real estate team, a direct investment team and a team that invests with third-party managers. We have a CEO, a CFO and the back office is large because we offer administrative services to other family members."

Chief investment officer, single family office, FL

"There are two factors driving costs inexorably upwards. First, a lot of older staff are retiring, and many families need additional staff to build out the family office. But the cost of finding good employees and retaining them is getting more and more expensive. Second, the costs of advisory work that includes legal and tax, are just getting out of control."

Chief investment officer, single family office, IL

"The challenge for large family offices is not to overspend. This is because everything you can possibly spend money on is de minimis alongside the size of the portfolio. It will only add one or two basis points to the cost ratio."

Chief executive officer, single family office, NY

"Size brings scale. We don't have size. We are a very small team and we outsource everything, legal, tax, and investment. That way we keep our expenses very low."

Founder, single family office, CA

In-house v Outsource

Survey data (**Fig 3.4**) also reveals almost 30 percent of respondents have increased the volume of work they outsource to third parties. In contrast, only 10 percent report moving functions in-house. This option is generally the preference of larger family offices and it may be the case that this result reflects the bias of our survey towards smaller family offices which are most likely to rely on outsourcing (**Fig 3.2**). With regards to advisory and investment work, the two categories which are most likely to be outsourced, the majority of family offices operate a mixed strategy, outsourcing when they lack in-house expertise or when complexity necessitates the use of an experienced external specialist (**Fig 3.5**).

Despite its importance particularly for small family offices, the overall level of satisfaction of family office employees and family members with their outsourcing function is relatively low (**Fig 5.2**). This may be a reflection of the effectiveness and efficiency of their outsourcing partners.

"We are definitely doing more insourcing. All our accounting is in-house and although our tax is done externally, we do a lot of the preparatory work in-house before it's sent out. We don't do tax strategies or planning in-house but certainly all the underlying information and tracking that would be used in tax returns is prepared in-house. It's less expensive and can be tailored to the family's needs."

Chairman, single family office, MA

"There are pros and cons to outsourcing. But if you think about it, we already outsource audits and fund management. It's just a question of where to draw the line between what the principal directly controls and what he doesn't."

Chief financial officer, single family office, Canada

"The investment function is outsourced because we are just a team of three people. We have two jobs. First, find the best asset classes to invest in. Second, find the best managers, the best selectors of assets within those classes."

Founder, single family office, CA

"A good estate attorney and a good CPA are invaluable. The insights they provide usually save the fee you are paying them. In fact, I think this is probably true for all external advisors. Sometimes it's hard to explain this to a family member who is only concerned about the fee."

Chief executive officer, single family office, NY

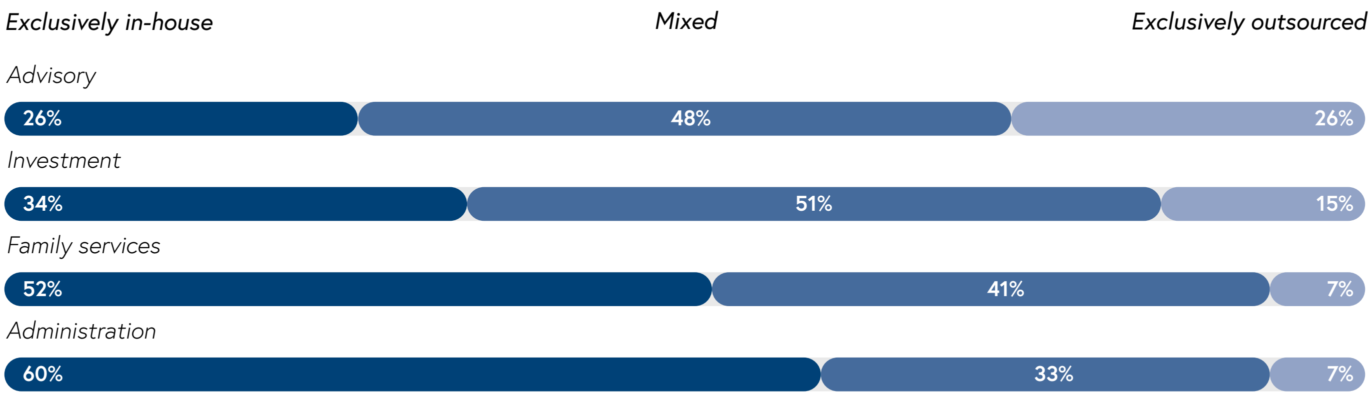
"The efficient frontier of your family office is driven by the scale and the complexity of its assets. If you have high scale and low complexity, you probably don't need a family office. But if you have low scale and high complexity, you absolutely do need a family office. If the assets were just money market funds and municipal bonds the investment management function could be easily outsourced. But it takes a dedicated in-house team to manage the family's real estate portfolio."

Chief investment officer, single family office, IL

"The family could establish a virtual family office employing one or two professionals and outsourcing 100 percent of everything. The problem comes when there's asset complexity. You really need someone to be the central resource to manage every category of complex assets. They have to have their arms around everything. There are a lot of technology platforms which can help but they, like employing more staff, are not cheap."

Founder, single family office, CA

Figure 3.5: *Percentage of family offices providing services exclusively in-house, exclusively outsourced and mixed*



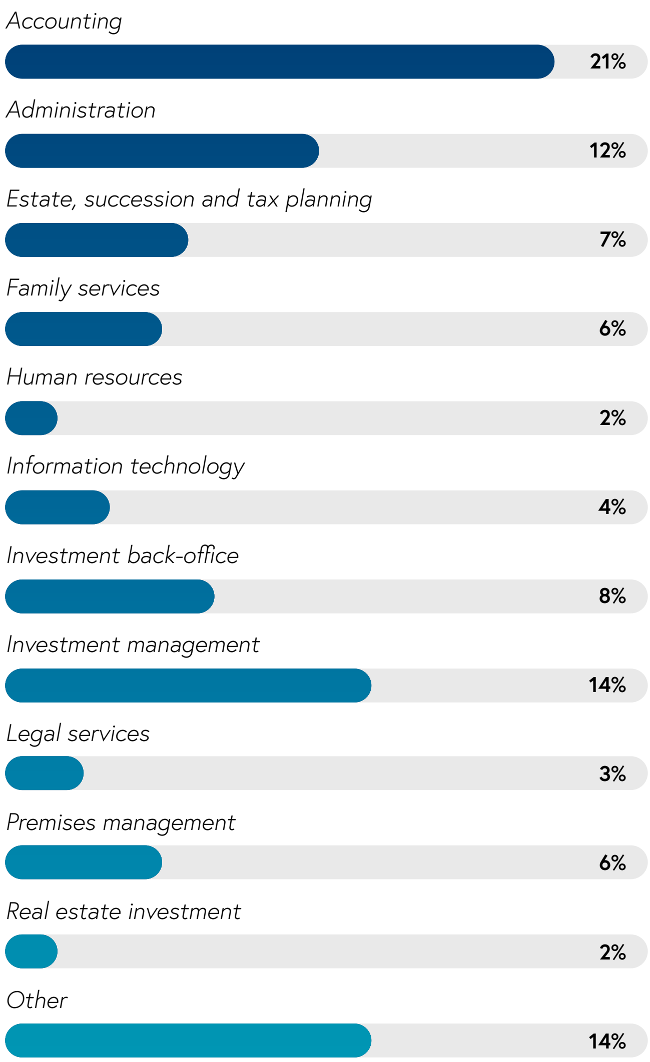
Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

3.3 Talent

Headcount

Commonly, North American family offices employ between five and ten staff members, but some of the very largest family offices employ considerably more, pushing the average for those with more than US $1 billion of AUM up to 45 (**Fig 3.2**). Around a quarter of family office staff are involved in investment management (including real estate) and a fifth with accounting. The remainder are engaged in a multitude of functions including estate and tax planning, legal services, and administration.

Figure 3.6: *Functions of family office staff*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Compensation

The average base salary of the North American family office chief executives is US $314,000, which represents a modest four percent advance from a year ago. However, our survey data reveals a huge divergence in salary levels with the top decile earning above US $638,000 and the bottom decile below US $48,000. This wide disparity is also evident in the compensation of other C-suite executives (**Fig 3.7**).

Figure 3.7: *Average base salaries of C-suite executives (US $'000)*

	Top 10%	Average	Bottom 10%
Chief Executive	638	314	48
Chief Investment Officer	573	384	145
Chief Operating Officer	575	332	175
Chief Financial Officer	460	277	170
Investment Manager	375	213	115
Accountant	248	152	96

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

At least part of the explanation is the status of relevant executives. We found that almost 60 percent of CEOs in our sample are family members, (also 40 percent of CIOs and COOs) and base salaries for family members are very significantly lower than for non-family members occupying the CEO position in other family offices (**Fig 3.8**). The same picture emerges when bonuses are considered.

Figure 3.8: *Average base salary and percentage bonus of chief executive (US $'000)*

	Base salary		*Bonus*	
	Family member	*Non family*	*Family member*	*Non family*
Less than US $0.5 billion	167	442	14%	93%
US $0.5 - 1 billion	105	406	0%	39%
More than US $1 billion	390	465	50%	220%

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

By working for sub-market rates of remuneration family members occupying C-suite positions are in effect subsidizing their family offices. Equally interesting, compensation for non-family CEOs appears to be independent of the size of the family office. This implies an additional burden on small family offices should they seek to professionalize by recruiting externally.

Finally, with average operating costs for small family offices at US $1.8 million, it follows that employing three or four non-family members as C-suite executives at US $0.3-0.4 million per head would not be possible. It seems that for these family offices, the key roles of CEO, CIO, COO and CFO must be amalgamated, or that family members on low compensation packages occupy these positions.

"Compensation for CEOs tends to be considerably lower than average if they are family members. This was true in our family offices when we had a family member in charge. When he retired we noticed the difference, paying market rates. If it's your own wealth that you're managing, paying yourself is inefficient, because you're turning potential assets into ordinary income which gets taxed. If that money is just going back into the pool, then why take it out in the first place?"

Chief investment officer, single family office, IL

"I know of one family office where the principal is managing the money of his siblings, nieces and nephews, and he is paying himself something equivalent to what an external asset manager would get paid, and this has become a huge issue for the family."

Managing director, single family office, TX

"With a family this large there may be a positive benefit from having a CEO like me who is not a family member. Some family members tell me they are more comfortable with the office now because there's less opportunity for one branch of the family to judge the other. It's a good recipe for avoiding arguments."

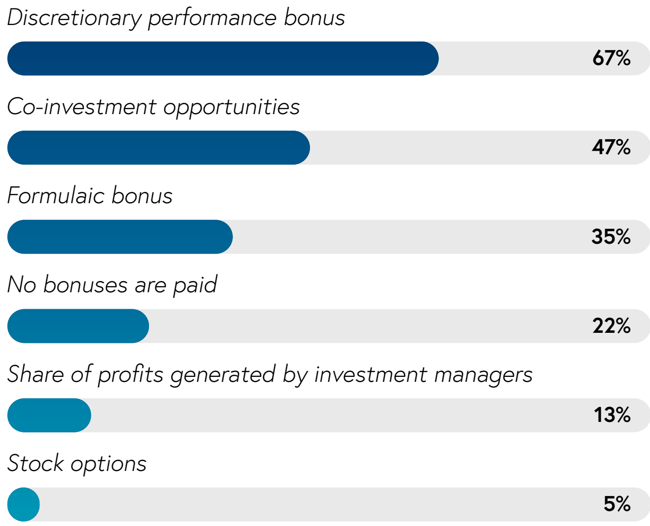
Chief executive officer, single family office, PA

Retention and recruitment

Recruitment of finance professionals from external organizations is a challenge for family offices, not least because as in the commercial world, they expect performance to be rewarded financially. As a result, the formulaic and discretionary bonuses which are offered by 78 percent of family offices are being supplemented with other forms of incentivization payments (**Fig 3.9**). These include co-investment opportunities (47 percent), shares of investment management profits (13 percent) and options on phantom equity (5 percent).

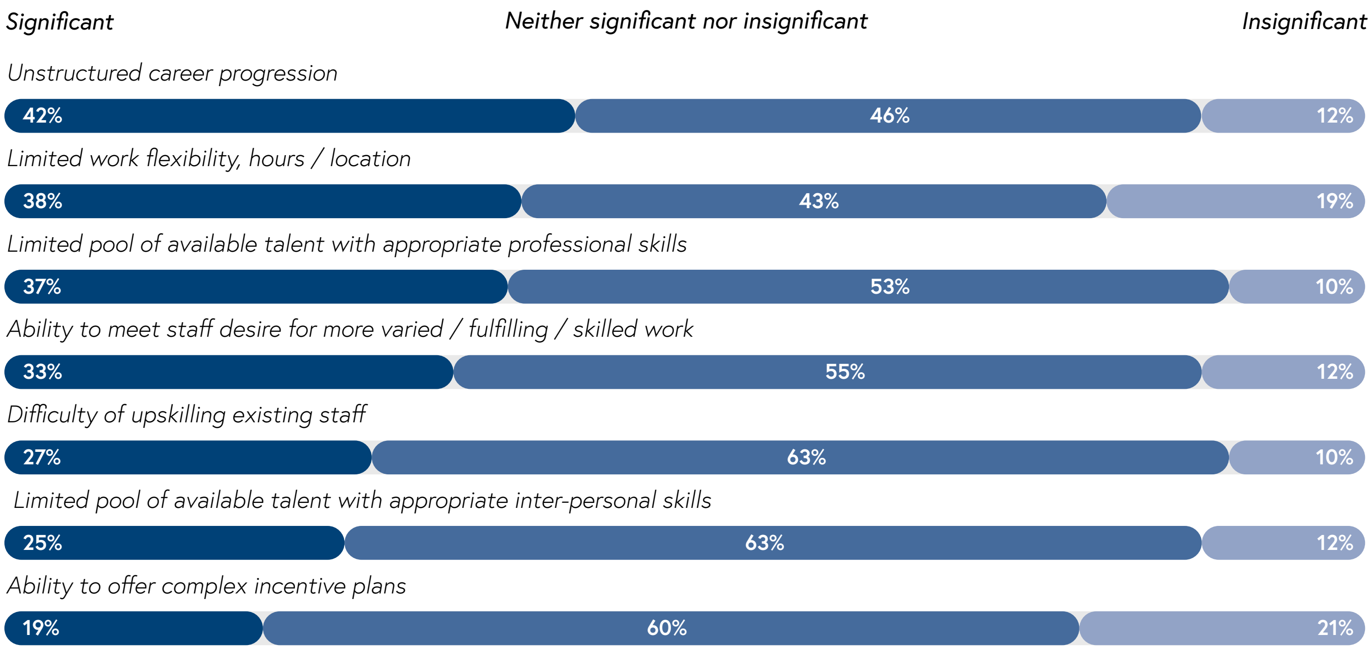
A common complaint of family offices is the difficulty of recruiting. The limited pool of candidates with appropriate professional skills is cited by 37 percent of respondents while 27 percent highlight the limited number with appropriate interpersonal skills (**Fig 3.10**). The unstructured career progression of family offices is seen as the most serious constraint on recruiting and retaining staff (42 percent) followed by the inability to offer flexible working (38 percent).

Figure 3.9: *Percentage of family offices offering additional incentive*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 3.10: *Significant issues in staff recruitment / retention*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"A big challenge right now is identifying and retaining staff. We need to use more sophisticated technology platforms and automate more of our back-office functions. This would allow us to attract talented staff for more meaty, demanding roles that would help us grow assets, rather than worrying about who would be responsible for back-office functions."

Chief investment officer, single family office, FL

"A key issue is human capital. Although we are a large office, I believe we are very lean because we have so much activity going on. We are permanently short-staffed and it's difficult to attract the right people. The market for talent is very competitive."

Chief financial officer, single family office, Canada

"Hiring is a big challenge. Most family offices are pretty lightly staffed, and we are trying to be as efficient as possible. I have six people, everybody makes a huge impact not only in their competence and capability but just in how they affect the culture of the office. I'm hiring on capability, but I also have to hire the right people who are going to fit in, who are going to be good team players and can work well with the family. For me, the right attitude and temperament are more important than qualifications and experience because you teach people almost everything that we do. A lot of what we do is complex, but it's not rocket science."

Managing director, single family office, TX

"The tenure of staff in family offices is very long, in some cases too long. The office is populated with people who have been around for 20 years or more, they love the environment, have an emotional connection to the family, very loyal, very devoted, and they prefer the current environment to any other possibility. Hence the status quo never changes."

Principal, single family office, MI

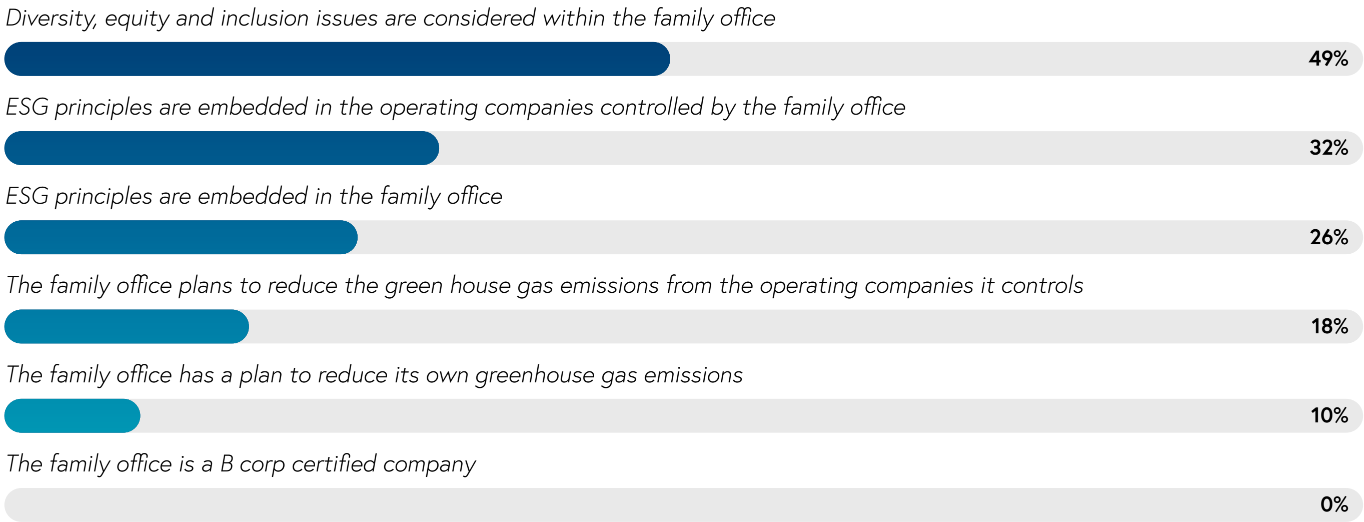
"We will have to professionalize our compensation and benefits program. There have been lots of discussions around deferred compensation and co-investments. But there is a danger in all this because the employee's and the family's interests must align. The employees can't be encouraged to run risks or take risks that the family can't measure. My other concern is that these plans may end up unnecessarily complex. The families are advised by consultants who tend to overthink things. Some of the advice they get is self-serving and designed to keep the consultants employed."

Chief financial officer, single family office, Canada

ESG

Family offices talk the talk, but do they walk the walk? In the investment section we highlighted their commitment to responsible investing, but do they apply the same rigorous criteria to their own behavior? We found that almost half have a diversity, equity and inclusion framework, and a quarter have adopted ESG principles (**Fig 3.11**). Family offices are also engaged in embedding ESG principles and reducing greenhouse gas emissions from operating businesses where relevant. However, no family office in our sample is B-Corp certified.

Figure 3.11: *Family office commitment to environmental and social issues*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

4. Operations and Governance

4. Operations and Governance

Technology is radically changing family office operations, automating repetitive tasks and streamlining workflow. However, some other well-established technological products such as budgeting and reporting software, customizable accounting software and automated investment reporting are not extensively utilized. New products incorporating AI are beginning to emerge, and family offices are clearly looking forward to their implementation making tasks easier and improving efficiency still further.

In past surveys cybersecurity is viewed as the primary operational risk facing family offices. However, this year the list of concerns is headed by over-reliance on spreadsheets and closely associated with this, the manual aggregation of data which lends itself to human error. The main strategic risks confronting family offices are perceived to come from the tax, regulation and compliance framework imposed by the government.

Family offices put their investment function at the top of their list of priorities and consequently an investment committee is present in two-thirds of North American family offices. Only around 40 percent of family offices in our survey have a family office board. However, one-third of the family offices participating in our survey are controlled by first-generation wealth creators who are accustomed to making decisions independently, and many are yet to formalize how their family office will function.

Despite its importance only 53 percent of family offices have a succession plan. It is certainly the case that when the current generation is healthy and engaged there is a temptation not to address the succession issue until a real crisis occurs. However, a simpler explanation is that in many family offices, the next generation is either insufficiently qualified or just too young for their post-succession roles to be considered.

Irrespective of the absence of succession plans, a generational wealth transfer is in prospect. 60 percent of family offices anticipate the transition happening within the next ten years, driven by the surge in family office formation that took place in the decade after the millennium (**Fig 1.9**).

#1

Priority is investment management

46%

Use wealth aggregation platforms

60%

Anticipate generational wealth transfer over next decade

4.1 Technology

Adoption rates

Technology is radically changing family office operations. Repetitive tasks are being automated, workflow and processes streamlined. As an example, there are now platforms which enable digital copies of tax documents to be uploaded to the cloud where they can be accessed by external tax advisors without the time-intensive process of data entry. The advantage of these developments is that they improve productivity and eliminate the risk of human error. There may be unintended benefits such as the capture of additional data and improved time management. On the other hand, licences for the use of new technology are not cheap, and the pace at which new systems are being rolled out means that it may be a sensible strategy for family offices to defer purchases on the basis that something better will come to the market within a short time.

Cloud-based data storage (90 percent) and automated payroll systems (81 percent) have been almost universally adopted by North American family offices (**Fig 4.1**). However, surprisingly, other well-established technological products such as budgeting and reporting software (75 percent), customizable accounting software (65 percent) and automated investment reporting (56 percent) are not utilized as extensively as might be expected. Further, apart from automated investment reporting and wealth aggregation software, there appears to be little desire on the part of family offices currently without these products to acquire them.

Part of the explanation may stem from the fact that smaller family offices outsource a significant proportion of their advisory and investment work, thereby limiting their need to invest in technological solutions.

AI intelligence

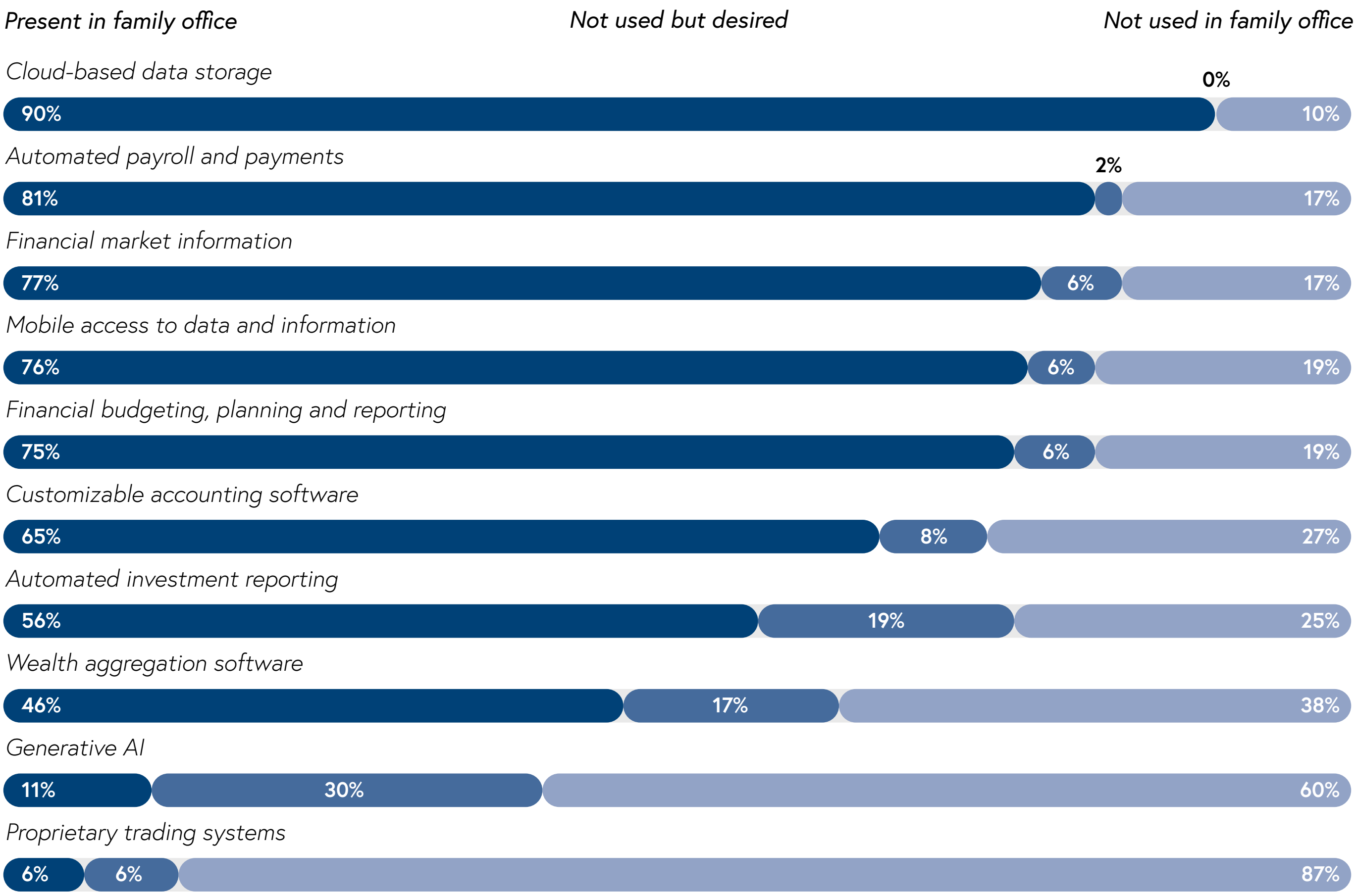
Present in only 11 percent of family offices, generative AI hasn't made its presence felt yet, but family offices are clearly looking forward to its implementation. Documents such as invoices, accounts or investment manager statements can be uploaded onto platforms with AI software proficient at reading, interpreting, and contextualizing these inputs. The software then enables anyone to access relevant information using simple voice commands; no programming or coding skills are required. Additionally, AI can write accessible reports and format data as required, unlocking new insights. With appropriate software any cognitive task involving human reasoning, decision-making, and content generation can be augmented with AI.

Aggregation software

Wealth aggregation platforms and related software provide a comprehensive view of an organization's financial landscape by consolidating data from multiple financial institutions. They are emerging as the "big thing" in family office technology. The adoption rate of 46 percent is up from 38 percent last year.

This technology has the potential to significantly enhance the operational efficiency and financial oversight of family offices as they manage complex and diversified portfolios. Comments from participants indicate that platforms are often regarded as the "source of truth" within the family and their ability to provide real-time information is highly valued. However, to be effective, wealth aggregation platforms have to accommodate all the intricacies of wealth ownership, taking account of legal structures like trusts and limited liability companies, and individual and group interests tied to these structures. Moreover, platforms must be versatile enough 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 like works of art or cars.

Figure 4.1: *Presence of technology platforms used in family offices*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"The bane of most family offices' existence is the manual work reporting and record-keeping for private equity and alternative assets. A day doesn't go by without receiving a capital account or general partner statement. Taking that data and getting it into our record-keeping systems is manual. But there are now some tools that are AI enabled, that can read these reports and do the updates remotely. From a reporting and record-keeping standpoint, that offers significant savings and time reduction."

Chief investment officer, single family office, FL

"We are seeing AI integrated into many more client interactions. In the legal community, we are already seeing this in the creation of legal documents. AI is going to have an enormous impact on the family office market, from tracking investment trends to assessing cybersecurity."

Managing director, single family office, TX

"New tools are emerging. It's possible now to take a family's estate plan and put it on a digital platform to show what's termed the estate plan hierarchy. This is a flowchart of the family's estate plan and an associated decision tree. In the past, I've had to go to my attorney to do the estate plan flowcharting, at $2,000 an hour. The ability to make estate planning simple and cheaper is a significant game changer. Likewise, families are also likely to bring their tax work in-house because there is now accounting software which enables them to do this and it is much cheaper than relying on CPAs. Larger family offices have been doing this for years because they have dedicated staff in-house, but it's spreading to smaller family offices because they now have tools to do it."

Chief executive officer, single family office, PA

Top of mind – Technology and wealth transfer

The impact of new technology and generational wealth transfer are the key issues for the principal of a single family based in Colorado. He highlights the transformation technology has made to his family office's operations and measures his family has taken to facilitate wealth transfer.

"The two issues family offices seem to be talking about are technology and generational wealth transfer. Technology has transformed our quarterly reporting. Generational wealth transfer is always a focus whether a family has been through it already or will go through it in the future. It's a very important pivot point and a very important time for any family or family office. Now that demographically baby boomers are ageing out, it's not surprising that generational transition is top of mind."

How is technology changing your family office's operations?

"We outsource reporting to a multi-family office which uses a reporting platform called Orion. That portal allows us to have a real-time dynamic view of investment performance or at least the public markets piece. For private markets, we get quarterly net asset value updates. Although these remain static for the duration of the quarter, we have enough data to have a clear picture of what's going on in the portfolio. What we don't have is a good handle on our legacy property interests and direct private equity and credit investments. We employ an accountant who keeps a complex spreadsheet on these assets, but as you know, a spreadsheet is not performance reporting software. This is a deficiency and it's one that I see very frequently in other family offices. I know a lot of high-net-worth people who have spreadsheets to track their net worth. Family offices need consolidated performance reporting that gives them a clear picture of everything and if they don't have it they are running an unnecessary operational risk."

"The technology is changing so fast, and new products are becoming available very quickly. I think sophisticated family offices are realizing that a spreadsheet isn't cutting it anymore. Spreadsheets are stale the minute that you put information in a cell. Having said all that, the reporting platforms are still some way from perfect. Quarterly reports have to be scanned into the Orion platform which is a clunky process and far from seamless. Also, the commitment of capital the family office makes to a fund gets called over a period of time, and the platform has to pick this up otherwise there are errors in expected cash flows. I still need to check the output."

"Still, much progress has been made and it's probable that the addition of AI to systems will reduce the scope for error. We hope that AI is going to be able to reduce the need to check figures entered manually into the system or scanned in from private equity managers' performance reports."

What changes does this new technology portend for the wealth community?

"Licences to use the new platforms are not cheap. I think that consolidated performance reporting is actually one of the reasons that high-net-worth families, even if they already have a single family office, might outsource to a multi-family office to take advantage of the technology around performance reporting, and cybersecurity. The family office services that are provided by a multi-family office platform are hard to replicate for a single family office that has less than US $500 million in AUM. A lot of families, including my own, have outsourced performance reporting, the due diligence part of investment research and administrative services such as bookkeeping, bill pay, property management and things like that."

"But technology is not the only driver of costs. The biggest element is staff, and the most expensive staff are involved in the investing, and accounting functions. You need to make sure that you're researching investments properly and you need to make sure that your reporting and accounting functions are sufficiently sophisticated. So you need good people and that's expensive."

What's your biggest concern at the moment?

"Aside from tax, an important development for the family office this year is bringing the rising generation into the ownership structure. I think there are a lot of pitfalls that can happen when you're transferring wealth from one generation to the next. Communication is essential. That's why we hired an outside consultant to help with that process. They help make sure that everybody has an appreciation of wealth creation and understands their stewardship responsibilities. The communication from the older generation to the younger one has to be carefully thought through, and it's complicated when the next generation is a mix of natural born and stepchildren."

"The family mission statement is really essential because our third-generation owners don't have a firm memory of the founder, the hard work he put in and the values behind the wealth creation."

"If those values and the vision he had for the family are to be successfully transmitted they have to be written down, codified, and communicated in a meaningful way. This is something first or second family generations should put into practice while the founder is still around. The wealth creator needs to express their intent and transmit those values which have driven them personally. Was it about having an impact on the world, philanthropy or responsible stewardship? What was his purpose for the wealth he created?"

4.2 *Operational and strategic risks*

Operational risks can be defined as the uncertainties and hazards an organization faces when conducting its normal activities. In addition, there are strategic risks, which if they crystallized, could pose a longer-term structural impediment to family office operations.

Operational risk

Family offices face some unique challenges when operational risk is considered, principally the privacy and security of family members and safeguarding the family's reputation. In recent periods their principal operational concern, which recognizes they are in the crosshairs of online fraudsters and scammers, has been cybersecurity. This year somewhat unexpectedly, cybersecurity only comes in second on the list of concerns (**Fig 4.2**), which appears to be related to increasing confidence in the counter-measures which family offices have put in place. Noticeably, just ten percent of respondents claim to have been the victim of a cyber-attack (predominantly phishing) over the past 24 months and it may be that these counter-measures are making incidents less visible and less impactful.

Heading the list of concerns is over-reliance on spreadsheets (37 percent), and closely associated with this, the manual aggregation of data (23 percent) which often arises when a new piece of technology cannot be integrated onto a pre-existing platform resulting in an inefficient single-solution application (20 percent). Spreadsheets have the advantage of flexibility but they generally represent the intellectual capital of one specific individual which doesn't necessarily lend itself to producing a streamlined process. Additionally, there is the risk of human error and data loss through resignation or retirement of staff members with specialist skills or knowledge.

It's also interesting to learn what is not giving family offices cause for concern. This would appear to include management information systems and the risk of conventional wire fraud.

"Ask any family office CFO or CEO what they are worried about and they will tell you they're worried about reporting and record keeping and how manual it is, it just lends itself to human error."

Chief executive officer, single family office, PA

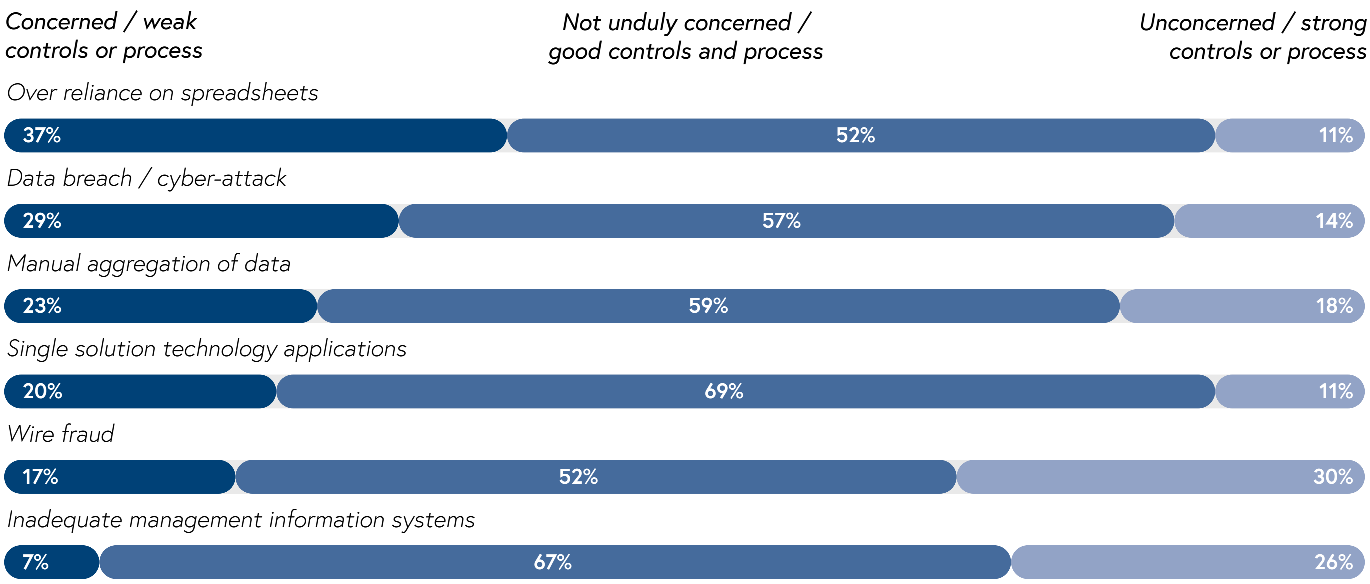
"Doing wealth reporting on a spreadsheet is like the task of Sisyphus, being condemned to push a heavy rock uphill for eternity."

Chief executive officer, single family office, NY

"There is dual authorization on everything, and additional authorization is required for larger payments. I have family members who are concerned about AI mimicking their voices. For them, any messages are passed through a separate, secure communication platform that we've implemented which employs two-factor authentication."

Chief investment officer, single family office, IL

Figure 4.2: *Percentage of family offices expressing concern over specified operational risk*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Risk mitigation

Figure 4.3: *Percentage of family offices employing dual authorization of payments*

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Having highlighted the most prominent operational risks, **Fig 4.4** lists the measures family offices adopt to counter them. Dual authorization of payments (85 percent) and two-factor authentication of payees (81 percent) are standard, protecting against theft and wire fraud. 69 percent employ backup servers as a defence against cyber-attacks and IT system failures, and 64 percent enforce a data security policy. To a lesser extent family offices also rely on staff training (54 percent) and their own family office handbooks (38 percent). Having these and other measures in place do not of themselves make the family office secure. They need to be monitored, tested and updated regularly because, in a complex world, new operational risks requiring assessment and evaluation are always going to emerge.

"We've experienced some remarkably sophisticated phishing attacks. We had an email purportedly coming from one of our investment managers giving revised wire instructions for money transfers. Fortuitously, we didn't act on it and it led me directly to a firm of cybersecurity consultants."

Chairman, single family office, MA

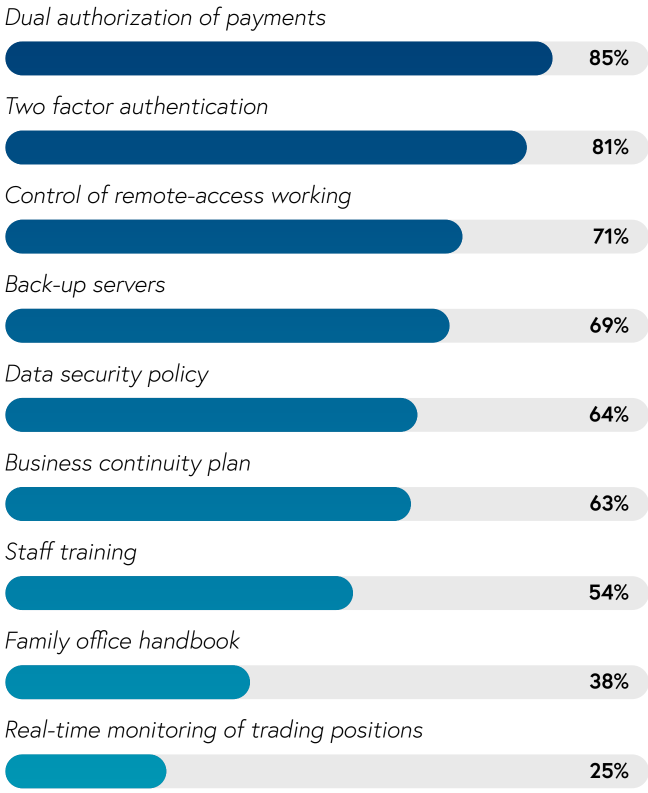
"The family has been working with an outside consultant who revised all the protocols. Now we have a multi-authentication protocol where you need to receive a text message with code on your phone in order to be able to log into your computer."

Chief executive officer, single family office, NY

"I get emails every day, asking me to click onto something, whether it's a fake DocuSign, email, or password reset, it's really a daily occurrence. Some of them are amazingly close to the real thing. I would rather delete something and have somebody call me and tell me I didn't sign something important than click on the wrong link."

President, multi-family office, MA

Figure 4.4: *Percentage of family offices with identified measure to reduce operational risk*



Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"The subjects of cybersecurity and associated risks come into almost every discussion we have with a family office. It is no longer just about raising awareness to standard phishing emails. With the sophisticated technology behind artificial intelligence interrupting payment protocols by mimicking online characters with remarkable authenticity, family offices have become more aware of the fact that they require countermeasures to protect their operations. Information technology security protocols need to be created, monitored and tested to minimize or fully eliminate risk. In today's world, awareness has to go beyond simply "how to protect" and must include procedures of "how to react" if it does."

Lori Woodman, Managing Director, Family Offices, Enterprise Strategic Client Group, RBC

Strategic risk

The main strategic risks facing family offices (**Fig 4.5**) are perceived to come from tax, regulation and compliance framework imposed by the government, (38 percent) and key staff deciding to resign or retire (36 percent). The current regulatory issues for family offices in the United States are the Corporate Transparency Act 2024 which requires the disclosure of beneficial ownership information as part of an anti-money laundering regime, and possible changes to IRS rules which enable family offices to treat investment management expenses as tax deductible.

A failure to upgrade technology is only seen as a serious strategic concern by 22 percent of respondents. The majority are prepared to continue to work with older, less sophisticated technology even if it's sub-optimal. Likewise, the majority of family offices are not concerned by the rising cost of new technology, nor do they expect to be adversely affected by poor cost control.

"We have to upload detailed financial information onto a website operated by the U.S. Treasury and the IRS. Previously family offices were exempt from disclosure because it was single family money. But then some hedge funds paid back their investors in order to become family offices with the result that the authorities have tightened up. Under the Corporate Transparency Act, a whole new reporting apparatus has been created with severe penalties for non-compliance."

Chief investment officer, single family office, FL

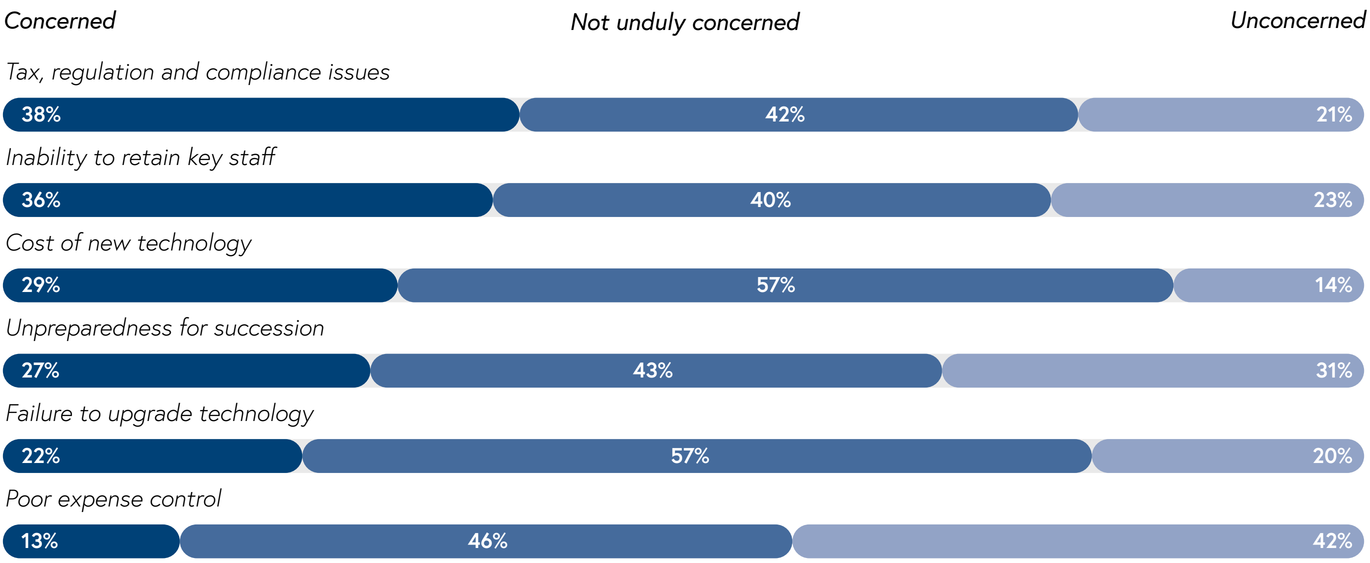
"Currently, tax planning is taking up quite a bit of my time. The elevated estate and gift tax exemption, currently US $14 million per person, is set to sunset at the end of 2025 and will fall to around US $5 million. I'm busy trying to transfer assets out of the taxable estates of older family members for the benefit of next gens. Alongside that there's the normal imperative of ensuring tax efficient investments are in taxable accounts and tax inefficient investments are in retirement accounts and trusts."

Principal, single family office, MI

"Under IRS rules an investment management firm can deduct investment management expenses and family offices rank as investment management firms if certain conditions are met. There has been recent case law on this and as a result, some family offices need to change their structure to ensure they meet IRS criteria."

Chief executive officer, single family office, NY

Figure 4.5: *Percentage of family offices expressing concern over specified strategic risk*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

4.3 Governance

Priorities

Traditionally, the purpose of a family office has been the collaborative management and safeguarding of family wealth, both for the present and future generations. This fundamental purpose is reflected in the ranking of the priorities of North American family offices: managing investment risk and determining investment policy emerge in first and third place (**Fig 4.6**). Neither of these would be meaningful without communication with the family which is ranked second. Protection of the family's reputation in fourth place, and financial education of next gens at sixth are perceived as reasonably important priorities, but interestingly, building a family legacy or giving family members a voice through a family council do not figure.

Figure 4.6: *Ranking of family office governance priorities*

1st	Managing investment risk
2nd	Communication with family
3rd	Determine investment policy
4th	Protect family reputation
5th	Managing operational risk
6th	Financial education of next generation
7th	Care of aging family members
8th	Facilitate family council
9th	Establish family legacy
10th	Oversight of human capital

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

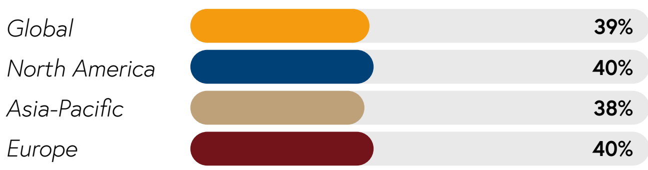
Structures and documentation

Having established family office priorities, the next step is to identify the appropriate governance structures and documentation necessary to put them into effect. In this context, governance is the rules, values and principles formalizing the family office's mode of operation.

Given that the investment function is at the top of the list of family office priorities it is no surprise that the most common governance structure, present in two-thirds of North American family offices, is the investment committee (**Fig 4.8**). Its purpose is to onboard non-family investment professionals as non-executive directors and advisors.

Only 41 percent of family offices in our survey have a family office board. This is unexpectedly low but comments from participants indicate that a formal board structure is only seen as a necessity when a family office is professionalized and not under the exclusive control of the family. One-third of participating family offices are controlled by first-generation wealth creators who are accustomed to making decisions independently and many are yet to formalize family office governance. Ignoring first-generation families, the percentage with a family office board rises to 50 percent.

Figure 4.7: *Percentage of family offices supporting a family council*



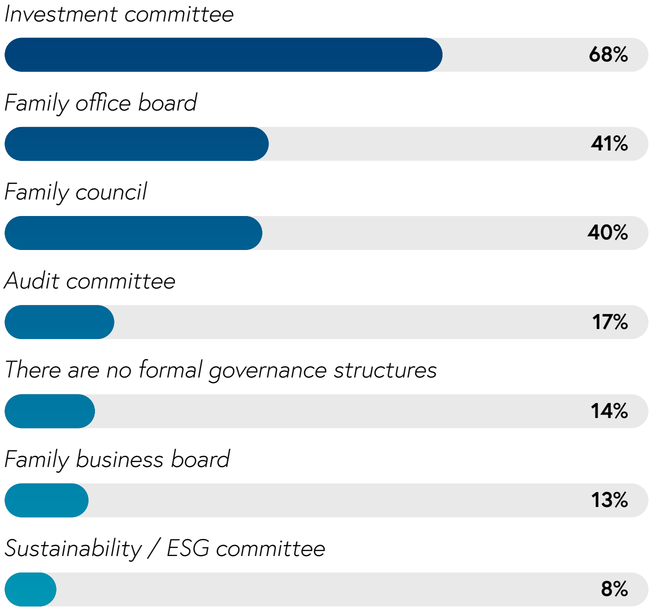
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Similarly, only 40 percent of family offices have a family council, but again, ignoring first-generation families this figure also increases to 50 percent. Family councils are more common and probably essential in larger extended multi-generational families to provide a voice to family members who would otherwise not be directly represented. It could be argued that even after making allowance for first-generation families there should be much higher percentages of family offices with boards and family councils. The experience of some participants is that strong governance structures improve family dynamics and cohesiveness. The 14 percent of family offices with no formal governance structures are almost exclusively first- and second-generation.

"We don't have any explicit formal governance structure written down. We just understand our roles and what the family office is supposed to do. Possibly this is something we need to put in place before generation three comes along."

Managing director, single family office, TX

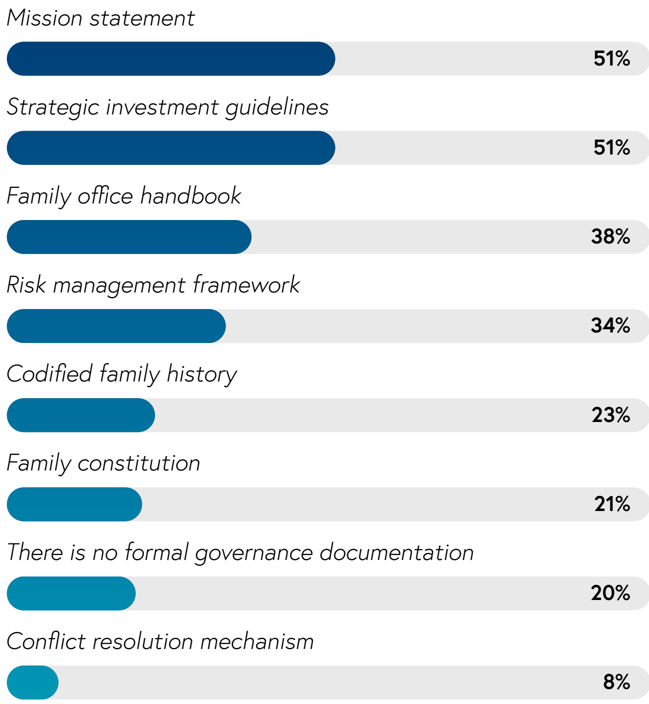
Figure 4.8: *Governance structures commonly found in family office*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Much of the documentation forming part of family office governance is there to regulate investment decisions by setting down strategic investment guidelines (51 percent) and the remainder is there to instil a sense of purpose and unity within the family (**Fig 4.9**). This would include mission statements (51 percent), family histories (23 percent) and family constitutions (21 percent). First-generation wealth creators can pass their values, sense of mission and history to their children. However, as time passes future generations will have no first-hand experience of the founder at a time when understanding the family's shared purpose is essential for its cohesiveness. This explains why this documentation is important, and why It tends to be absent from first-generation family offices. Excluding the latter, the percentage of family offices with mission statements rises from 51 to 58 percent.

Figure 4.9: *Documentation commonly forming part of family office governance*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"Having a mission statement, that is constantly referred to at every family meeting and every meeting with an individual family member, reminds the family members exactly why the family office is here. It's an important way to create connectivity."

Chief financial officer, single family office, Canada

"In my family office network there are always questions coming up about how the family office board interacts with the investment committee and how the trust committee works with the family council. Families need to see the benefit of formalizing their internal governance structures, especially around the really big question of succession."

Chief executive officer, single family office, NY

"We are a first-generation family office; the governance is handled by just me and my wife, so we're not overly concerned. Our only questions are how and when to bring our kids into the picture, and how we assemble our advisers. I know, we probably don't have a pass grade on governance. That's something that we have to definitely work on."

Founder, single family office, CA

"We are trying to solve problems before they occur by creating a framework for conflict resolution. Our long-term goals are responsible stewardship of the family's wealth and the creation of a family legacy. But neither would be possible if the interests of family members were not aligned. A lack of alignment would eventually mean division, separation and the end of the family office. The resolution framework is intended to come into play well before any disgruntled family member feels compelled to take any drastic action."

Chief executive officer, single family office, PA

"My role as non-family CEO has a hard and soft component. The hard elements are tax and estate planning, asset allocation, and manager selection. The soft element is developing the next generation, organizing meetings of the family council and ensuring the family constitution is adhered to. I try to engage with every family member and have conversations about their life goals, what they hope to achieve and where they want to go next. This is where I'm really adding value."

Chief executive officer, single family office, PA

"I'm familiar with the basic tools, such as mission statements, family constitutions and family councils. But keeping a family office together means keeping the family together, which means keeping the interests of individual family members aligned. Frequent meetings of the family council might help with this, but ultimately it depends on the goodwill of family members towards each other."

Managing director, single family office, TX

4.4 Succession

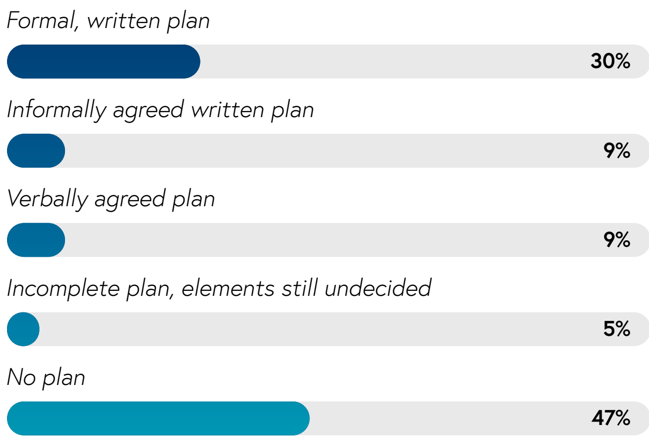
Planning

Figure 4.10: *Percentage of family offices with succession plan*

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Succession planning is a critical element within governance. Planning is essential to ensure that capable individuals fill leadership positions and the risk of business disruption is minimized. Planning also needs to take account of the personal development of future leaders to ensure that they are equipped for the task. Despite its importance only 53 percent of family offices have a succession plan and only 30 percent are formal written plans (**Fig 4.11**). 23 percent are informal or only verbally agreed, or incomplete which raises a question mark over whether they can be put into operation.

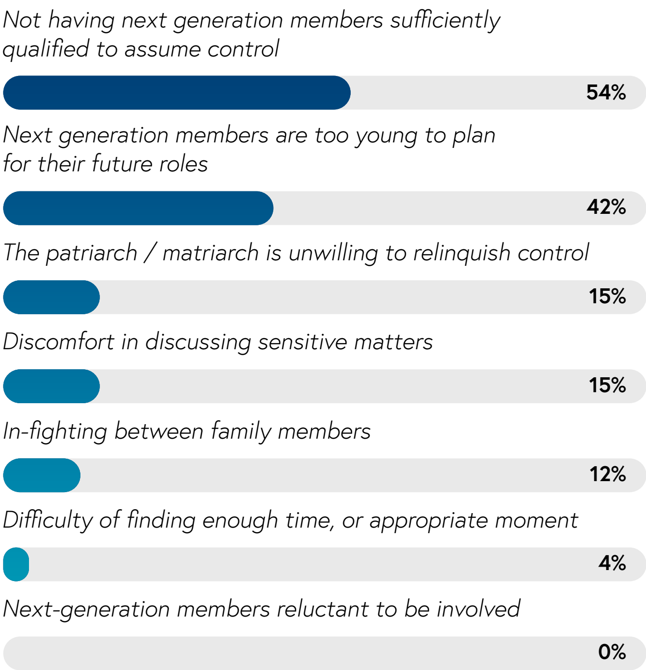
Figure 4.11: *North American family office type of succession*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Given its importance, why don't more family offices have succession plans? It is certainly the case that when the current generation is healthy and engaged there's a temptation not to address the succession issue until a real crisis occurs. But a simpler explanation is that in many family offices, the next generation is either insufficiently qualified (54 percent) or just too young (42 percent) for their post-succession roles to be considered (**Fig 4.12**). All the responses in this table come from family offices which do have a succession plan so the challenges set out in it can be viewed as surmountable obstacles rather than permanent blockages. Additionally, it's encouraging that no respondent cited a reluctance on the part of next gens to become involved.

Figure 4.12: *Challenges to succession planning*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Family offices with a succession plan (**Fig 4.13**) see themselves as prepared for succession (79 percent) or at least in an intermediate position (21 percent). But they are concerned that the family itself is not prepared, and to an even greater extent that the rising generation is unprepared. Only half of all family offices see their next gens as prepared for succession which aligns with the message from **Fig 4.12**.

"The principal normally has his arms around everything. That's why you need a succession plan so that as they get older their knowledge can be passed on. The knowledge becomes institutionalized so that the family can continue to manage its assets effectively. In choosing a successor it's imperative the family is involved because whether you are appointing someone from within the family or an external candidate, you need the family to have a vested interest in their success. The family really has to buy into the successor."

Chief financial officer, single family office, Canada

"Succession planning is on the top of my mind because I'm a trustee of everything and I'm not going to be here forever. My grandfather and father both died without a succession plan in place, and I'm determined not to repeat that mistake. So, I have a roadmap, everyone knows that a copy exists in our attorney's office and a copy exists in my home safe. There are two next-gen members who I think have the potential and aptitude to run the family office, but they have their own careers, and I don't want to disrupt them. But if something happens to me the plan will spring into effect."

Chairman, single family office, MA

"We're a relatively small, third-generation family. Outside of myself, none of them are engaged with the family office except for some philanthropy. They have never expressed any interest in the family office or the investment portfolio, so succession has been a big issue for us to think about. I have three strategic options. First, wind down and outsource as much as possible to become a virtual family office. Second, hire a non-family chief executive. Third, join a multi-family office, although I can't imagine a multi-family office always acting in my own family's best interest."

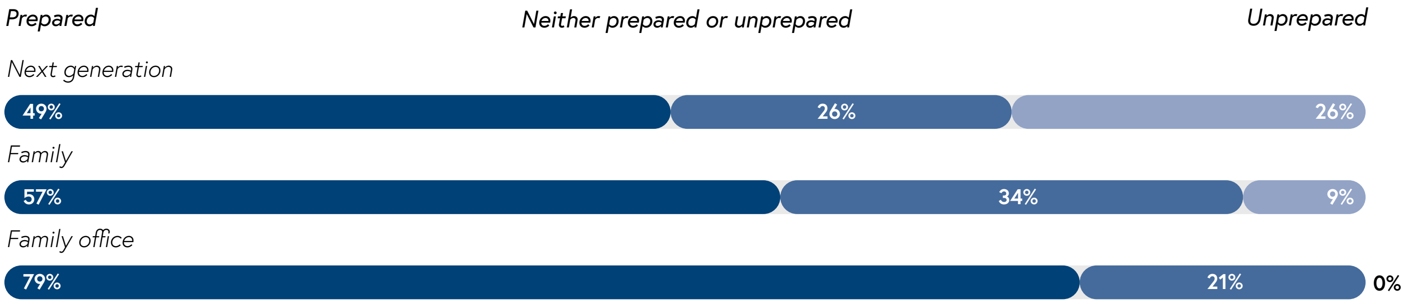
Managing director, single family office, TX

"While current generations may feel they are healthy and have many productive years ahead to prepare the next generation, we come across many cases where the current generation are suddenly and unexpectedly incapacitated. Despite their best intentions and optimism for the future, some families are left with a leadership and ownership competence gap after such an event. The best time to work on governance is when family members are healthy – not divided by conflict – and thinking about the betterment of all family before branch mentality sets in. The best time to chart a course is when sailing on smooth waters and not when sailing through a storm."

Asin Nurani, Managing Director, Family Governance, Enterprise Strategic Client Group, RBC

Next gens

Figure 4.13: *Preparedness for succession*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

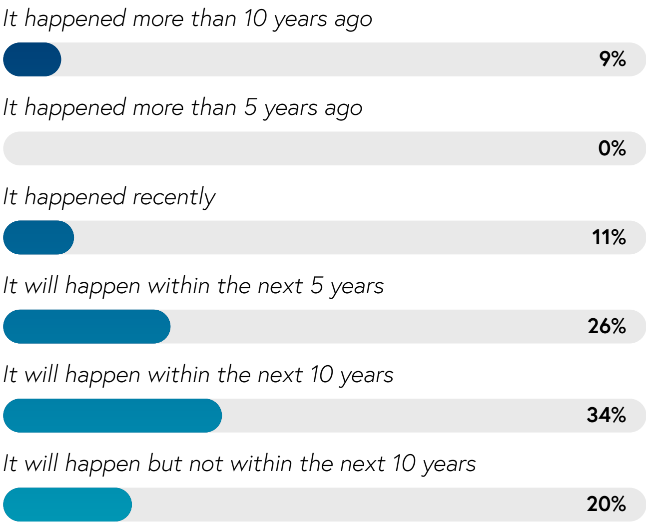
It may be the case that some next gens are not sufficiently qualified for a post-succession role but family offices are trying to do something about this. For around a third of respondents, the education of next gens up to college level is a collaborative exercise paid for by trusts and administered by the family office rather than individual families. Additionally, family offices arrange mentoring (26 percent), internal and external work experience and support their next gens' own investment and business objectives (**Fig 4.14**).

Figure 4.14: *Support family office offers next gens*

Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

For 20 percent of the family offices in the survey, the next generation has already assumed control (**Fig 4.15**). These are likely the family offices that were established in the 1970s and 1980s. Going forward, the pace of wealth transfer is set to accelerate. 60 percent of family offices anticipate the transition happening within the next ten years, driven by the surge in family office formation which took place immediately after the turn of the millennium (**Fig 1.9**). To put this acceleration in context, only 20 percent of family offices saw control pass in the last decade. It will be the family offices established over the past three decades which will be at the heart of this transition.

Figure 4.15: *When the next generation is expected to assume control*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"A generational wealth transfer will take place as the boomers pass away, and US $50 trillion of assets will be inherited. The legal work that goes to support that is enormous and legal fees are going to trend up over the next five years."

Chief financial officer, single family office, Canada

"Getting engagement, especially with younger family members, is a continual challenge. But we have made some progress by creating an advisory group of next gens which has become our next-gen training ground for leadership. At an offsite, an adviser explained what a family office does, why it was created, how it is structured and how it operates. He explained that ultimately it's up to the next gens to decide whether the family office would continue to exist."

Chief executive officer, single family office, PA

"Hopefully, the children are growing up without a huge sense of money. We don't hire private jets and when we do go on holiday it's usually within the U.S. They will probably grow up happier and more relaxed, without all the parental expectations. Money is freedom but it's not happiness."

Founder, single family office, CA

"Trying to engage with next gens is tricky. Most next gens don't respond to email, you have to text or WhatsApp. But under SEC rules you cannot use text to communicate with wealth management clients. We are constantly evolving our process of communication, which is also true for every family office out there."

Chief executive officer, single family office, PA

Single v Multi

Single family offices face strong competition from multi-family offices. They always have to justify their existence to their families, but they have two key advantages: trust and tradition. The CEO of a large Midwest single family office talks frankly about this dynamic and the importance of having a service culture and a sense of mission.

Can you give me a bit of background?

"I'm the chief executive of quite a large, well-established single family office but I'm not family. I consider myself to be running a multi-family office where all the clients just happen to be related. I imagine this because I'm competing against all the other multi-family offices which are out there and which would happily pick off, one by one, all my family members. I dedicate myself to providing excellent client service to my family. I'm always available at the end of the telephone, anything from tax filings to tickets for a ballgame. I go out of my way because client service will stop the family splintering and keep the family office going."

"With a multi-family office, you start by formulating a business proposition and then find the clients who view this proposition as attractive. A single family office is exactly the reverse; you start with the clients and then attempt to customize the business around them. But in doing this the family office has two advantages that multi-family offices don't have, trust and tradition. It's essential to retain those two elements and, in general, the family will always trust their family office more than any external provider. But if you lose trust then you are really fighting an uphill battle to keep the family office together, especially if you don't have scale."

"Two things have helped my family office survive. The first is that it is run entirely professionally. No family members are involved. This is a positive because if family members are effectively serving other family members then it's possible the concept of client service can go out of the window. Second, the family office is now serving the fourth generation and so it's very much part of the family history and tradition. That said, the founder had very distinct ideas about how a family office should operate. I'm trying to stay loyal to those ideas, but I appreciate that the style has changed. Nowadays, the family office offers a different set of services, has a different communication style, and employees come from different backgrounds with different skills."

Assuming you are wealthy enough, is it worth establishing your own single family office?

"Many family offices nowadays are created by principals who have made their money through investment banking, hedge funds or private equity. These people are happy to continue to invest in public and private markets in the same way they have always done. But suppose you have made your money by creating and then selling a chain of ice cream parlours? To try and build an investment business yourself within your family office is a daunting challenge. Principals who have made their money outside of finance think that because they have been successful once, they can watch a bit of CNBC and they can do this. But they quickly find out they can't. They're better off utilizing multi-family offices. Unless you want your own family office to be customized exactly the way you want it, in which case you need to start your own family office. Otherwise, I'm not sure it makes sense."

You mention tradition, which makes me think it's important for the family office to have a mission statement to underpin its activities.

"I don't think mission statements themselves are important. Rather, I believe the family office itself should have a mission. When you are thinking about establishing a family office, the first question you have to ask yourself is why? Is it because you will be a better investor than anyone else? Is it because you want to preserve your family history? Is it because you want to control all the trusts? Is it because if we let in outsiders, they won't do things the way we want? There are so many good multi-family offices out there, you need a good reason to explain why you are doing this. And if the reason is only about you, then what happens to the family and family office when you are no longer there? The chances are that it won't endure."

I've read that you shouldn't consider a single family office unless you have at least US $500 million of AUM.

"This really depends on what the family wants to do. If you want to have in-house teams of estate planners, lawyers and investment professionals covering stocks, bonds, private equity, and real estate portfolios then it's probably not quite enough. There's no way the team could enhance the family office's investment returns sufficiently to cover their compensation packages which have to reflect something close to the millions of dollars they would be earning on Wall Street. There's no question that you are better off simply paying their Wall Street employer for their services rather than hiring these asset managers directly. But if much of the investment process is effectively outsourced, then US $200 million is probably fine. It all depends on what the founder actually wants to do."

4.5 Philanthropy

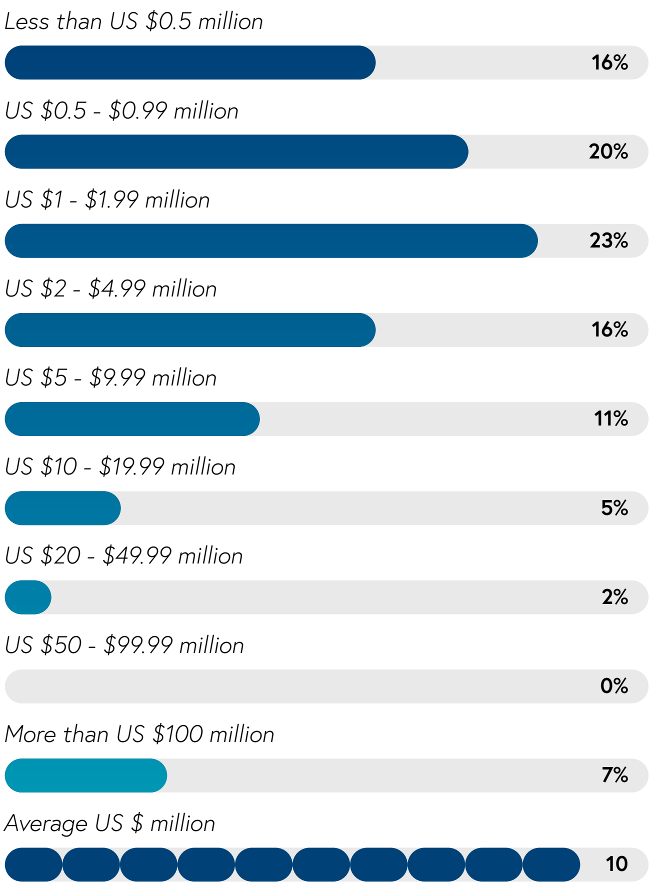
Causes and motivations

Figure 4.16: *Percentage of family offices engaged in philanthropy*

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Three-quarters of North American family offices make philanthropic donations. The majority of donations are in excess of US $1 million and a limited number of large donations pushes the average up to US $10 million (**Fig 4.17**).

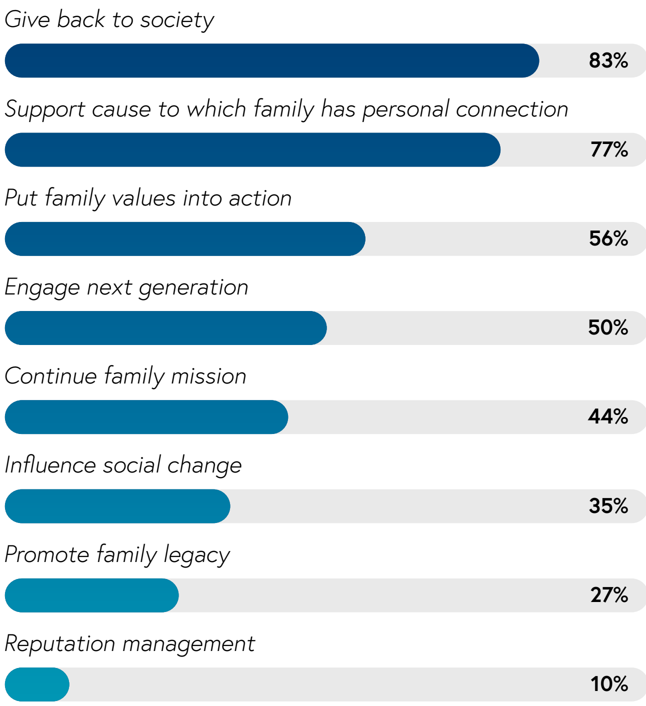
Figure 4.17: *Size of philanthropic donations*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Families have a strong desire to give back to society (**Fig 4.18**) and this provides the principal motivation for their philanthropic efforts (83 percent). In addition, they are inclined to support causes to which they have some personal connection (77 percent). Philanthropy is seen by many as an opportunity to put family values into action (56 percent) and engage the next generation (50 percent).

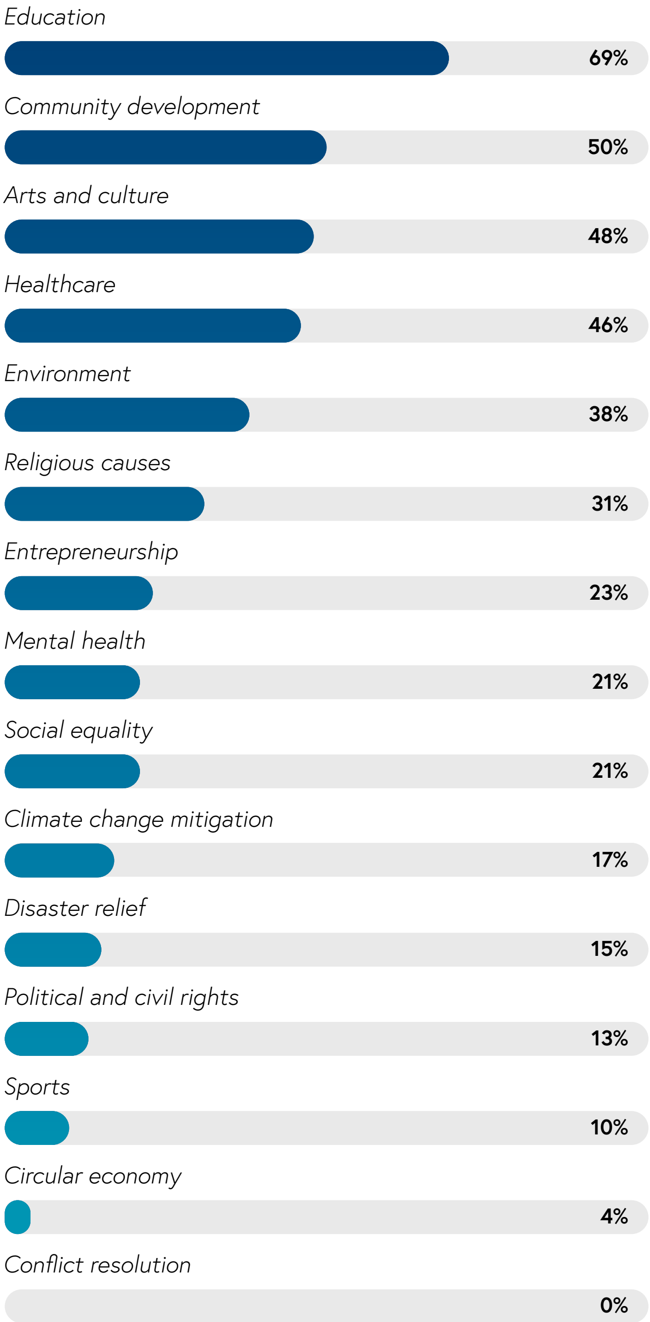
Figure 4.18: *Motivation for engaging in philanthropy*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Fig 4.19 highlights the top philanthropic causes that family offices support: education (69 percent), community development (50 percent) the Arts (48 percent) and healthcare (46 percent). A feature of all these causes is that they entail a long-term commitment. Families are attempting to address the root cause of problems rather than just providing temporary solutions. Hence their efforts rank as philanthropic rather than simply charitable.

Figure 4.19: *Percentage of family offices supporting cause*

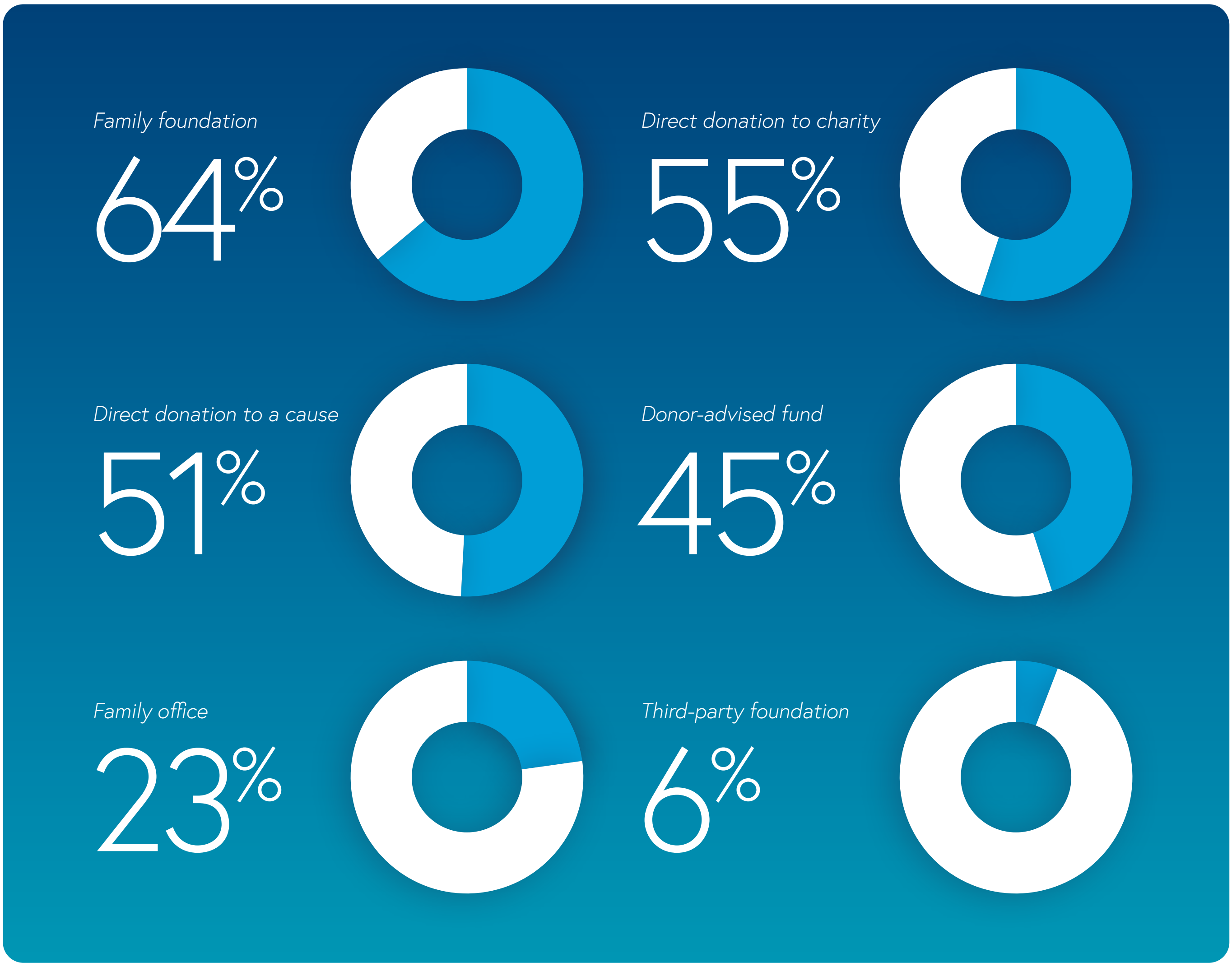


Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Vehicles

This long-term commitment is reinforced by the fact that 64 percent of families have established their own foundations (**Fig 4.20**). As legal entities, foundations can exit over the generations and their philanthropic activity can be shaped by the family's values and mission. They bring significant tax advantages, but the foundation must distribute five percent of its assets every year. A donor-advised fund is a simpler, and cheaper option but can only donate to a public charity, unlike a foundation which can support causes or individuals.

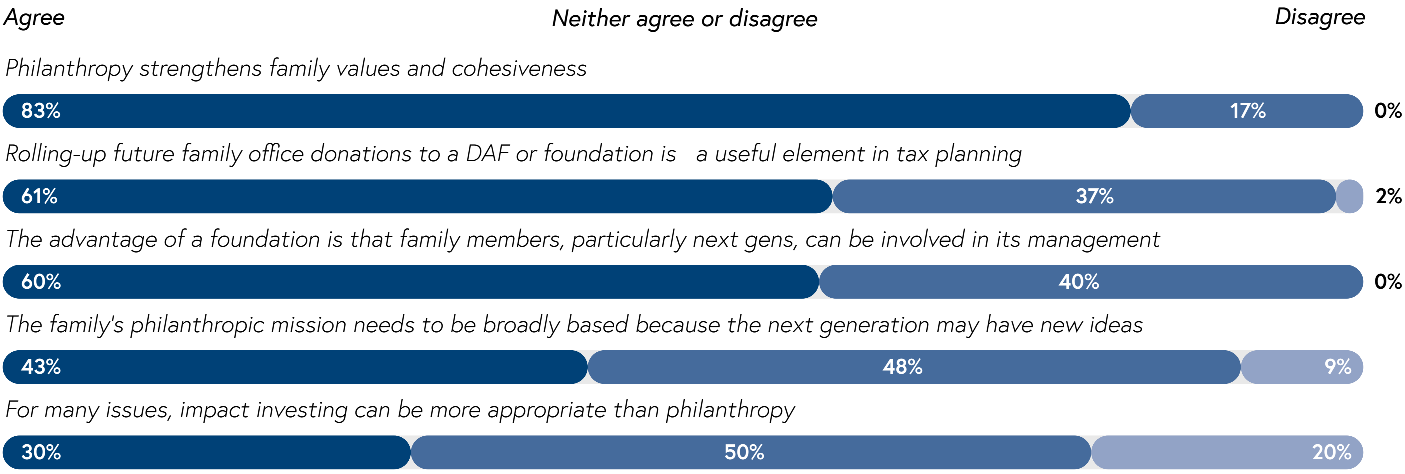
Figure 4.20: *Vehicles used for philanthropic giving*



Note: Multiple answers permitted
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

It is often argued that putting the family's purpose and mission into practice through philanthropy should strengthen its values and cohesiveness, a view supported by 83 percent of our participants (**Fig 4.21**). Around 60 percent also recognize the tax benefits of foundations and their capacity to engage next gens. Less clear-cut is the claim that impact investing can be more appropriate than philanthropy, which is supported by a small majority of respondents. Unlike the philanthropic donor, the impact investor is looking for some economic return alongside social or environmental benefits. However, it is not always possible to invest in businesses that contribute to the positive outcomes that families may want to achieve.

Figure 4.21: *Extent to which family offices agree or disagree with statement*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

"We have a family foundation which is entirely ESG aligned. We support diversity, community developments and access to healthcare. We are involved as a family; everyone has the right to make a donation to any particular cause, but they have to make a pitch to the rest of the family to explain why."

Chairman, single family office, MA

"The family considered a suggestion from various consultants and conferences that a philanthropic foundation involving three generations of family members would be a good idea. I disagreed, arguing that the extra administrative cost would be better spent directly on supporting causes. Eventually I won the rest of the family round."

Managing director, single family office, TX

"I don't think it's an either/or, philanthropy and impact investing are complimentary. Remember philanthropy was in existence before impact investing was even thought of. Our family foundation is over 100 years old, but it's only in the last few years that we have focused on impact investing in any meaningful way. "

Chief investment officer, single family office, FL

"A donor-advised fund account is easier to manage and much lower cost than a family foundation. But foundations can handle more complex assets such as company shares, and by creating a foundation the family is creating a vehicle through which the next generation of family members can get engaged. For many families that is the real purpose of the foundation."

Chief executive officer, single family office, PA

"Many families have experienced tremendous asset appreciation over the last 10 or 15 years leaving them with enormous unrealized capital gains. Rather than paying enormous capital gains taxes, we are seeing a lot of families gifting appreciated securities. This is probably the best financial transaction you can do. Philanthropy is being driven by asset valuations."

Chief financial officer, single family office, Canada

5. Conclusion

5. Conclusion

This report attempts to shed light on the operations of North American family offices. It recognizes that this community is far from homogeneous and that they differ markedly in size, operating models, capabilities, and aspirations.

Our purpose is to provide some useful benchmarks against which individual family offices can assess themselves relative to their peers. Additionally, it might be useful to draw some conclusions about we believe family offices do well and possible room for improvement. To facilitate this we asked survey participants for their level of satisfaction with their family office's performance of certain key functions.

85 percent of participants (including 70 percent of family members) expressed satisfaction with the dedication of their family office staff (**Fig 5.2**). Three-quarters are satisfied with the investment function of their family office, both in terms of financial performance and the range of investment options that it offers. However, respondents are more ambivalent on whether family offices are providing value for money (67 percent satisfied).

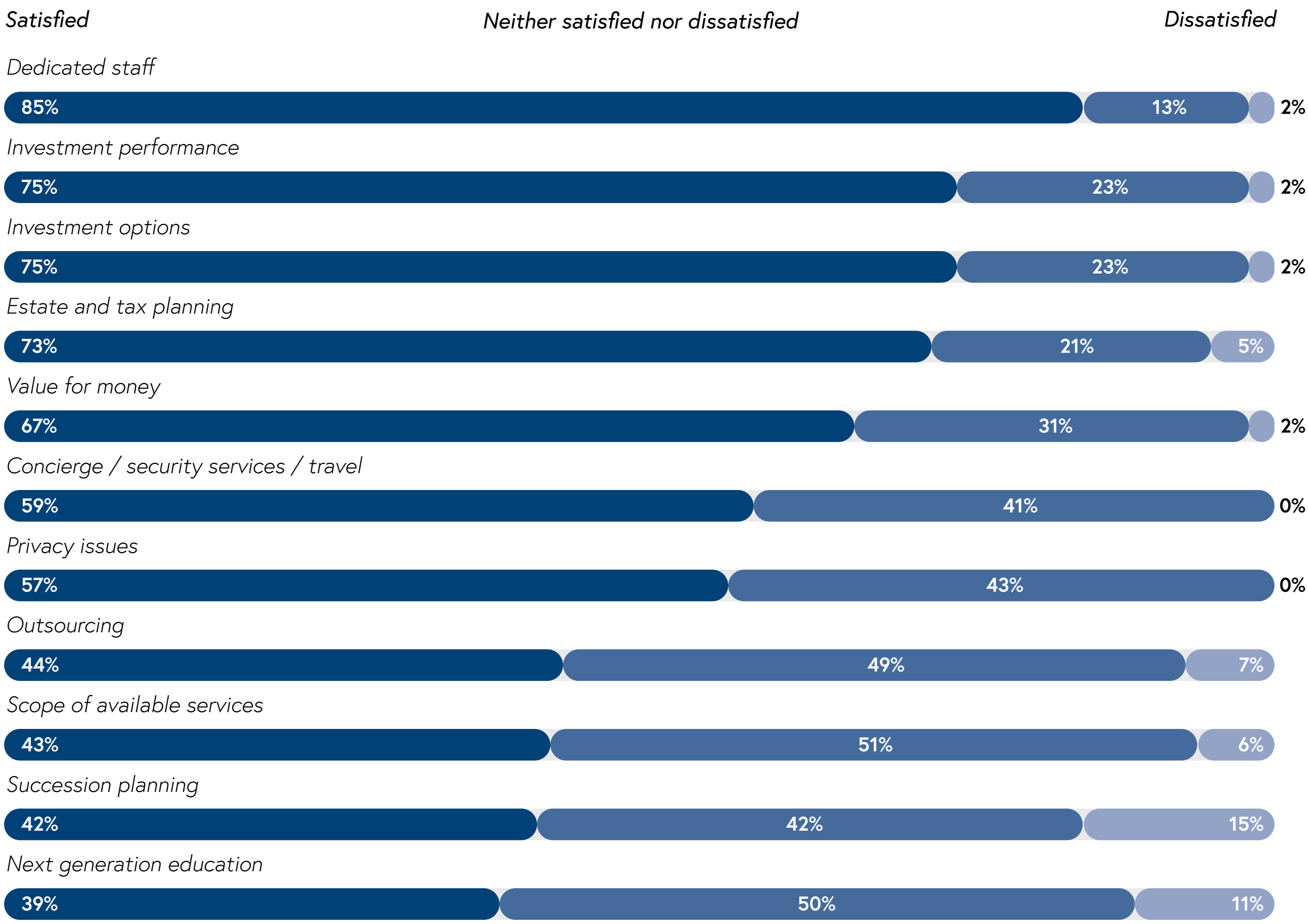
Figure 5.1: *Percentage of participants who view their family office as providing value for money*

Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Interestingly, there is a relatively low level of satisfaction with outsourcing (a critical function for smaller family offices and it may be the case that this stems from disappointment with the performance of external vendors), and there is some pressure, presumably on smaller family offices, to extend the range of services they offer.

Where family offices appear to be falling short of expectations is around succession planning (42 percent) and the associated issue of next generation education (39 percent).

Figure 5.2: *Percentage of participants satisfied with their family office function*

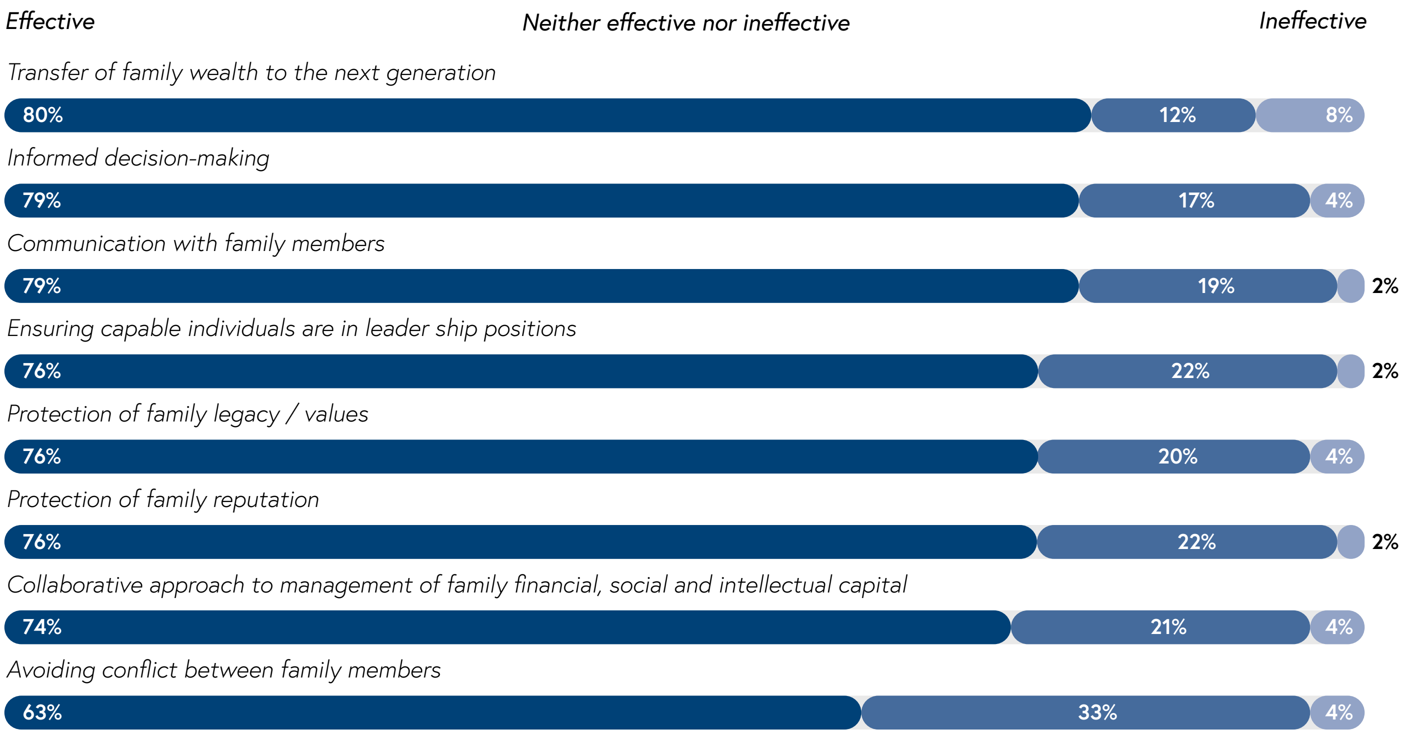


Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Aside from the performance of key functions, family offices need certain key competences to fulfil longer-term strategic goals. In this regard around 80 percent of participants viewed their family office as effective at overseeing the inter-generational transfer of family wealth, at making informed decisions and communicating with family members (**Fig 5.3**). Since these three functions are at the very core of family office responsibilities it seems that overall, they appear to be doing a pretty good job. On the other hand, it could be argued that our approach is akin to allowing family offices to "mark their own homework." In our defence, the bottom end of the table reveals that family offices are not so effective when it comes to fostering a collaborative approach between family members and avoiding conflicts between them. Perhaps this general observation will encourage some family offices to re-think their modes of interaction with their families.

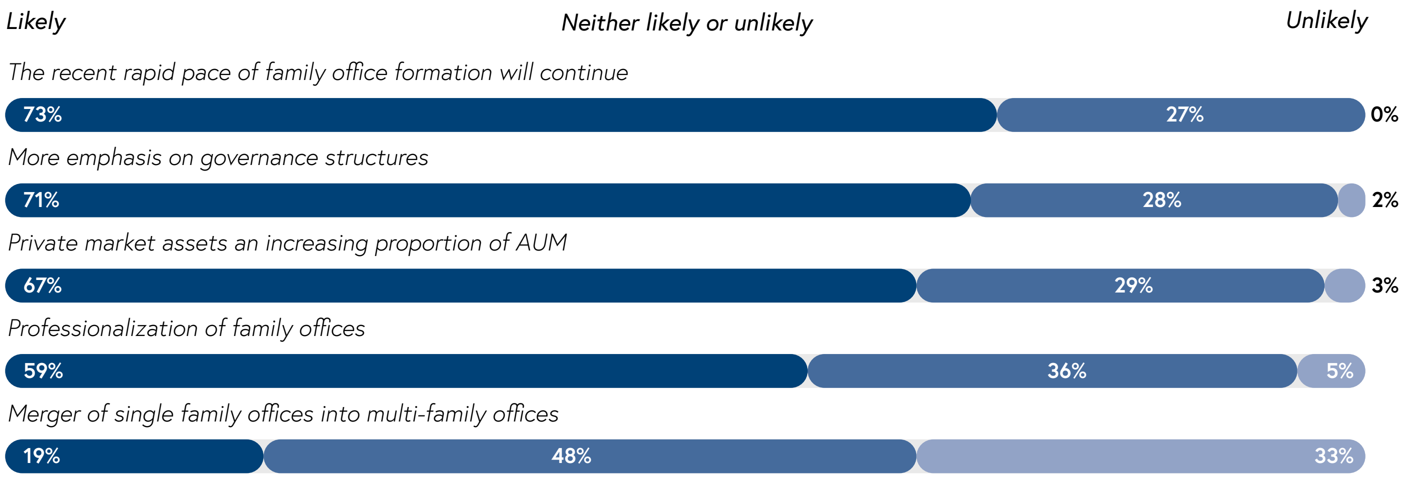
Survey participants indicate that the trends that we have observed in our research are expected to continue (**Fig 5.4**). Foremost amongst these are the fast pace of family office formation (73 percent), emphasis on governance structures (71 percent), and increasing percentage of investments in private markets (67 percent). However, they are more ambivalent about the continued professionalization of family offices (59 percent), which has been a clear feature for many years. We posited that cost pressures and investment in new technology might encourage single family offices to merge into multi-family offices but this view is not widely shared.

Figure 5.3: *Percentage of participants indicating effective core competence*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

Figure 5.4: *Percentage of family offices believing trend is likely / unlikely*



Note: Figures may not sum to 100% due to rounding
Source: Campden Wealth / RBC, The North America Family Office Report, 2024

List of figures

About family offices

What is a family office?

A family office is, in its simplest form, the private office for a family of significant wealth. The number of staff working in the office can vary from one or two employees to 100 or more staff, depending on the type and number of services it provides.

The purpose of an office can range from handling key family assets and core holdings (tax and accountancy, property and estate management) to include more sophisticated wealth management structures, while often providing family members with educational, professional and lifestyle services.

Generally, family offices manage key areas of family assets, including real estate holdings and direct or indirect investments, tax consolidation and estate management.

They can serve as the central hub for a family's legacy, governance and succession. They can furthermore support the education and development of family members, facilitate family governance, coordinate communication and resolve issues within the family enterprise. A typical family office:

- Affords structure to the management of family wealth, establishing increased control and oversight of the family wealth strategy and costs of managing investments;
- Consolidates tax, accountancy and wealth management reporting execution under one roof;
- Provides a clearly-articulated, efficient governance framework for investment decision-making, as well as family legacy and succession functions (including philanthropic foundations and initiatives);
- Coordinates with service providers, achieving economies of scale (especially in the case of multi-family offices) and preferential deal access and products;
- Ensures confidentiality and privacy for family members, liberating them from the burden of wealth.

Who would benefit from using a family office?

Families with private wealth in excess of US $150 million are ideal candidates for establishing a single family office structure. While it is not uncommon for first-generation entrepreneurs to establish a family office, these offices often support families with greater complexity in terms of households and generations. This is a key characteristic of family office structures and one that offices must account for when designing and executing investment strategies and family governance plans.

While each household will share some similar needs, from the perspective of the family office, each household merits special consideration. Such consideration cannot always be restricted to typical generational needs (i.e. retirees require income, while younger family members can accommodate more risk and longer horizons), because households themselves have differing liquidity requirements (for example, sibling benefactors may hold quite distinct professional ambitions).

Multiple wealthy families which might not necessarily be related to each other but nonetheless share some common values or goals may opt to consolidate and leverage resources by creating a multi-family office, rather than a single family office to manage the family wealth. Such a structure provides the benefit of economies of scale and investment deal opportunities that formal collaboration and a consolidated management structure afford. Naturally, family complexity factors arise for the multi-family office, only on another level of magnitude.

Here things can get quite messy. As such, traditionally, for a multi-family office to be successful and sustainable, families should share a common purpose, interest and risk appetite or, alternatively, comparable levels of wealth.

Traditionally for multi-family offices to be sustainable over the medium to long-term, they must manage cumulative assets of more than US $3.5 billion. For the sake of clarity, a number of terms with specific meaning in this report are defined below:

Private multi-family office: These will all have had a founding family before widening out their offering to multiple families. These offices are owned by families and operated for their benefit.

Commercial multi-family office: These will look after the interests of multiple families, often with wealth of less than US $150 million. Unlike private multi-family offices, they are owned by commercial third parties.

About the creators

About RBC

Royal Bank of Canada is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 100,000+ employees who leverage their imaginations and insights to bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada's biggest bank and one of the largest in the world, based on market capitalization, we have a diversified business model with a focus on innovation and providing exceptional experiences to our more than 18 million clients in Canada, the U.S. and 27 other countries. Learn more at rbc.com.

We are proud to support a broad range of community initiatives through donations, community investments and employee volunteer activities. See how at rbc.com/peopleandplanet.

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 43 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 advisers 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.

For more information:

www.campdenwealth.com
research@campdenwealth.com
T: +44 (0)20 3941 8015

Brien Biondi
CEO, Institute for Private Investors
& Campden Wealth, North America
bb@memberlink.net
Direct: 703-944-2183
www.instituteforprivateinvestors.com

Acknowledgements

Campden Wealth Research Team

Adam Ratner
Director of Research

Peter Toeman
Senior Researcher

Elisa Barbata
Art Director

Cleverly Creative Limited
Design

RBC Team

Josh Humeniuk
Senior Manager, Content & Communications, Enterprise Strategic Client Group

Megan Boldt
Senior Manager, Public Relations, Wealth Management U.S.

Kylie Grace
Director of Marketing, Enterprise Strategic Client Group & Private Banking

Kris Herberg
Director of Communications, Wealth Management U.S.

Meg Longworth
Senior Marketing Manager, Enterprise Strategic Client Group & Private Banking

Tammy Rogers
Senior Manager, Brand Marketing

Greg Skinner
Director of Communications, Wealth Management

Chloe Tejada
Manager, Digital Content

Nathaniel Wallace
Senior Manager, Corporate Communications, Wealth Management

Other thanks

Dominic Samuelson
Brien Biondi
Susan Kemp

Campden Wealth

Membership | Events | Research | Education | IPI

RBC®