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The Family Office  
Industry Supports  
the Evolving Family  
Enterprise

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**F**amily Office Exchange (FOX) delivers the connections, knowledge and resources that allow families to manage their enterprises and grow their wealth across generations. Founded in 1989, FOX was the first – and continues to be the industry-leading – membership organization that brings together families, family office executives and their trusted advisors.

Since inception, FOX has worked with more than 2,000 global, multi-generational families from 128 countries.

To learn more about the value we deliver, visit [familyoffice.com](http://familyoffice.com) or reach us at [info@familyoffice.com](mailto:info@familyoffice.com) or 312-327-1200.



### Sara Hamilton

Sara founded the Family Office Exchange (FOX) as an industry clearing house and peer network for family office executives in 1989. Within a few years, Sara could see that families needed help developing their enterprise vision and managing their family transitions, in addition to overseeing their family offices. As a result, FOX became an advisor to family owners of the enterprise, in addition to sharing family wealth best practices, and being an industry advocate for the importance of private enterprise in a global economy.

In her role as family advisor, Sara provides consulting advice to a select group of enterprise families and helps identify enterprise best practices for the FOX Knowledge Center. She supports the development of new FOX learning programs and delivers educational programs at the University of Chicago Booth School in Chicago and at VU University in Amsterdam. At the **University of Chicago Booth School of Business**, Sara has been an adjunct faculty member for their **Private Wealth Management** course for the past 17 years.

As Board Chair for FOX, Sara oversees the values, vision and mission for the firm, provides oversight for the strategic investments made by the business, and serves as an advocate and advisor to the unique membership community that FOX represents. FOX has a unique team of 14 subject matter experts who oversee 440 member relationships in 24 countries. The FOX management team is based in Chicago, New York, Pittsburgh, So Florida and Madrid.

Sara is co-author of **Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times**. Sara's article was published in the 25th Anniversary issue of *The Journal of Wealth Management*, titled "**The Family Office Industry Supports the Evolving Family Enterprise**." Sara serves on the international governing board for the Foundation for Advancing Impact and Sustainability in Bologna, Italy and the founding board for the Private Directors Association in Chicago.



# The Family Office Industry Supports the Evolving Family Enterprise

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## KEY FINDINGS

- Families come to realize over time that *preserving the family* in the midst of wealth is more difficult than preserving the wealth.
- The growing complexity of enterprise families today has increased the important role of the family office in supporting the family's enterprise goals.
- The wealth advisor's role requires more than financial skills to help families deal with the challenges of family engagement, personal wellbeing, and the purpose for family capital.

## ABSTRACT

The dramatic growth of the family office industry in the 1980s was sparked by new liquidity running through hundreds of business-owning families. In an effort to preserve and expand their wealth, they needed a professional financial office so they could focus on broadening their business endeavors or living unencumbered lives. Over the past 40 years, the family office industry has expanded into much more than an entity to preserve family wealth; rather, it acts as a vehicle for investment diversification, risk management, and next-generation engagement, along with opportunities for impact. This article maps changes over the past four decades, and nine themes emerge about what will create opportunities and challenges for enterprising families and their family offices.

The family office industry emerged as a necessary solution after the economic boom of the late 1980s to the early 2000s—when stock prices surged 171% over roughly a decade—and growing complexity recast the role of the family office as a professional wealth advisor and risk manager. Business-owning families flush with cash needed a competent, financially savvy advisor to ensure their money was housed safely and invested wisely. The immediate need was preservation, time moved slowly, and the future was foreseeable. What a difference a decade makes.

Before we dive into four key drivers that inform our perspective about the family office of the future, it is worthwhile to note that the goals of the family always drive the mandates for the family office. And many of the foundational goals of successful families have not changed over the past 40 years. Rather, the external environment (including social, political, and cultural norms) has evolved, changing the ways a family relates to its wealth: not simply as something to be preserved, but also as an important springboard to innovate, engage more family members in the enterprise, and use private family capital to create greater impact for society. So what are some of these fundamental goals?

First and foremost, parents want their children to have meaningful, productive lives. Irrespective of their wealth, they want their offspring to be contributing members of society—but often worry about the impact wealth will have on each child's motivation and self-esteem. Furthermore, the majority of parents believe rising generations need more training than they received themselves, and actively seek advisor relationships that can help educate and empower them.

In addition, successful families want to keep their affairs private. This is one of the reasons they create family offices in the first place. Professional management without public scrutiny was the original catalyst for growth in the family office industry. Additionally, sophisticated families want to create lasting enterprises that will have a positive impact in their communities. The family's desire to be respected business owners and community contributors has not changed.

Another key goal for many forward-thinking business families is to build multi-generational enterprises that oversee and organize their operating companies, financial investments, and philanthropic endeavors. The advantages in this approach are the ability to deploy capital strategically in new endeavors and to ensure financial security for generations of owners.

Using the family's collective purchasing power provides a strategic advantage for enterprise families, but as owners adapt to changing environments over time, their longevity is determined by their ability to keep the entrepreneurial spirit alive. Younger generations often are reluctant to take on leadership roles without a clear understanding of family goals and what it means to carry the enterprise forward into the future.

Dealing with change in a family setting is often not a smooth process, and some owners are more "change ready" than others when it comes to taking big risks and tackling new opportunities. Change in families typically occurs after much discussion across generations: setting new enterprise goals and allocating risk capital to new ventures encourages some and frightens other family members. What's novel for decision-makers is the sheer pace of change, fueled by technology, rapid information flows, and constant market volatility. These variables pose a unique set of challenges, and many families find it difficult to adapt quickly in this new environment.

## UNDERSTANDING THE INDUSTRY'S FOUR CATALYSTS FOR CHANGE

Reflecting on how quickly the industry has grown over the past 40 years, family offices have benefited from the combination of maturing families, more sophisticated talent, and more integrated technologies, all of which have significantly expanded the importance and impact of the family office role.

In the analysis shown here, we look at **four catalysts for change**: 1) external driving forces, 2) the priorities of families and their enterprises, 3) the professionalization of family offices, and 4) the response of the wealth management industry to evolving family goals. We analyze each of these for the distinct impact it has had on the evolution of private family capital.

### #1 – External Driving Forces

Many external drivers have influenced family enterprises over the past four decades. While stable economic growth marked the 1980s, the fall of the Berlin Wall and the massacre at Tiananmen Square also had broad sweeping implications at the end of that era. The 1990s were marked by multiple brief financial crises in the United States, including the Sterling and Madoff scandals, that eroded investor confidence.



By the early 2000s, as globalization was the new norm, volatility also went global. Ringing in the first decade of the 21st century was Y2K conversions, the 2002 tech bubble bursting, and the real estate-rooted financial crisis from 2008 to 2010. All these events led to excessive stimulus spending. Just as the economy seemed to be getting its sea legs back, COVID-19 swept across the globe, causing worldwide shutdowns and pandemic-related supply chain disruptions. The war in Ukraine added fuel to the fire, and now we are witnessing stubbornly high inflation and higher interest rates. The next decade will inevitably be rife with change that creates opportunities for investing private capital.

During this inflationary period, with higher employment costs and massive technological disruptions, wise families will prioritize trusted advisors and resources in order to manage these transitions. Assessing the family's capital base, risk tolerance, and commitments to business innovation will be key for future success for the family enterprise.

## #2 – Family and Enterprise Priorities

The role of private enterprise during the growth of the global economy was a primary driver for decades of stability and prosperity. Given the massive industry disruptions ahead, and the appetite of private equity funds to deploy capital, many families are contemplating whether or not to sell their core operating businesses—once the financial engine for the family.

When families are faced with new liquidity, they often make the mistake of believing their biggest challenge is managing the investment process. But over the years, families come to realize that preserving the family in the midst of wealth is more difficult than preserving the wealth. As the family grows and matures, their needs also evolve. Imagine the different challenges for a first-generation entrepreneur who entrusts wealth to her four children who must manage their collective capital together, and how this impacts what they want for their own children.

Looking at the range of transitions in the Exhibit 1, we see owners delegating financial decision-making to professionals in the 1980s, and then retaking ownership of the process after the financial crisis of 2008 taught them not to rely on the financial markets for consistent returns. Business owners became more actively engaged in direct investing because it's what they knew, and they put less importance on portfolio investments. Once again, the importance of private business success is surging as owners choose to reinvest their capital into direct investments where they understand the industry and how to grow profitable businesses.

## EXHIBIT 1

### Family Ownership Drivers

Family Ownership 1980s–1990s	Family Ownership 2000s–2010s	Family Ownership 2020 and Beyond
<ul style="list-style-type: none"> <li>• Success of private family businesses</li> <li>• Leveraged buyout funds purchase multi-generational family companies</li> <li>• Wealth owners preserve family wealth by using best-in-class advisors and consolidated reporting</li> <li>• Family assets held in POT trusts supporting multiple beneficiaries</li> <li>• Family trustees able to delegate trust fiduciary duties</li> <li>• Families begin to formalize governance to manage financial complexity</li> </ul>	<ul style="list-style-type: none"> <li>• Distrust of public financial markets</li> <li>• Return to active owner involvement in investment decisions</li> <li>• Renewed interest in direct ownership or real estate and private businesses</li> <li>• Priority to preserve the family's entrepreneurial spirit</li> <li>• Families build multi-generational enterprises using holding company structures</li> <li>• Private Trust Companies used to institute long-term family governance</li> </ul>	<ul style="list-style-type: none"> <li>• Growing importance of private enterprise in the global economy</li> <li>• Family focus on purpose for wealth, sustainability, and impact</li> <li>• Educated owners become active, empowered decision-makers</li> <li>• Appetite for family learning with cohort groups of peers</li> <li>• Peer-based philanthropic collaboratives</li> <li>• Personal access to centralized information and data analytics</li> </ul>

Since the 1990s, thoughtful families have been building strong, purpose-driven enterprises with a solid foundation of core family values that can foster a commitment to impactful family capital deployment. Additionally, the original entrepreneurial spirit of family-owned founders is resurfacing in younger generations who are comfortable taking risks in order to address pressing issues such as climate solutions. Conversations about wealth's ultimate purpose and using it as a springboard for "doing well by doing good" are getting ample attention. The family's commitment to private enterprise as a way to support the community and the global economy is a conscious choice that families are making, based on the opportunities and challenges that are shaping the next decade.

### #3 – Family Offices and Integrated Systems

In the 1990s, the role of the family office began to shift, as the need for executives who could manage complexity and risk on a more sophisticated scale became paramount. In that era, family office executives became guardians of family capital and mitigators of any risks that might jeopardize the family enterprise.

In the market today, family office executives understand that technology, talented advisors, and strategic outsourcing of services all ensure they meet these goals without having to build a large organization inside the family office. In the early years of the industry, the family office spent one-third of its time counting the assets and making sure ownership allocations were accurate in capital accounts. This process has become more automated as the industry evolved, allowing more time to focus on the greater complexity created by the family. Since the early 2020s, financial services outsourcing has become the more preferred way to serve the family's needs. As a result, partnerships with trusted advisors are a vital component in the efficient operation of the family office.

In the next decade, family offices will be central players in supporting complex family enterprises. The role of the office is to execute the family's decisions about how to strategically allocate family capital among competing priorities. Formalizing and monitoring the family's governance process will be an important role for office executives to play, and in many cases, better governance will bring objectivity and

## EXHIBIT 2

### Family Office Drivers

Family Offices 1980s–1990s	Family Offices 2000s–2010s	Family Offices 2020s and Beyond
<ul style="list-style-type: none"> <li>• Documenting family office best practices from peer surveys</li> <li>• Price parity achieved through data comparisons to institutional investors</li> <li>• Industry-wide difficulty recruiting FO executives – job perceived as a high risk career</li> <li>• Investigation of Private Trust Companies to provide flexibility</li> <li>• Introduction of internet and integrated data processes</li> <li>• Consolidated reporting done in excel</li> <li>• Different software applications for each function</li> <li>• Intangibles provide the greatest benefits of a family office</li> </ul>	<ul style="list-style-type: none"> <li>• Family offices professionalize multi-generational wealth management</li> <li>• Central role of the Family Office becomes risk management</li> <li>• Managing greater family size and complexity</li> <li>• New tools, data sources, and processes for different asset types: alternatives, direct investing, impact investing, etc.</li> <li>• Technology automating manual functions</li> <li>• Sophisticated balance sheet reporting</li> <li>• Transition to cloud storage and remote processes and services</li> <li>• Aggregation tools to tie functions together</li> </ul>	<ul style="list-style-type: none"> <li>• Changing goals for owners create changing roles and skills for the FO</li> <li>• Changing roles lead to more strategic hires</li> <li>• Addition of chief learning officer (CLO) role</li> <li>• Challenges managing complexity across four living generations</li> <li>• Increase in outsourcing FO services</li> <li>• Emergence of "virtual" family offices</li> <li>• Family office systems offering real-time reporting</li> <li>• Dashboard views integrating personal and enterprise assets</li> <li>• Cybersecurity a priority across all aspects of data and cloud services</li> </ul>



neutrality to family factions. Supporting family branches in the development of aligned goals and priorities will be viewed as a major benefit, and some wealthy families will reap benefits from evolving their family office into a strategic enterprise office.

#### #4 – Wealth Management Evolution

As previously mentioned, since the turn of the 21st century, wealth management has expanded beyond wealth preservation to encompass a broader range of family goals. The mandate that launched the industry in the early 1990s centered on asset diversification to minimize risk and preserve family capital. Assets typically were locked in multi-generational trusts; these required a single asset allocation for all beneficiaries, which led to a wave of lawsuits against trustees in the 1980s and 1990s.

The Uniform Prudent Investor Act, adopted in 1992, allowed trustees to delegate trustee duties to reduce liability and enhance performance through tax-advantaged investing and the use of alternative asset classes. The popularity of family investment partnerships grew, as this structure allowed for customized asset allocation for each LP, along with a reduction in estate taxes for minority limited partners. FLPs created greater flexibility for owners, but far more complexity for family offices and master custodians.

The investment markets in the early 2000s provided valuable lessons to families about volatile markets and unforeseen risks. Families who had trusted modern portfolio theory to reduce risk and balance performance felt betrayed by investment professionals who didn't adequately predict the impending financial crisis. These investors turned away from public markets and redeployed their capital into private direct investments, where they had a seat at the board table and clear incentives aligned with other business owners they trusted.

Looking forward, the wealth business will provide comprehensive, integrated wealth strategies that are carefully aligned with owners' goals. Tremendous energy is being deployed to add younger advisors to the wealth teams. These individuals have the ability to build strong relationships with wealth inheritors who will become future decision-makers and trustees for family capital. Keeping up with these rising

### EXHIBIT 3

#### Wealth Management Drivers

Wealth Management 1980s–1990s	Wealth Management 2000s–2010s	Wealth Management 2020 and Beyond
<ul style="list-style-type: none"> <li>• Multiple brief financial crises (Sterling, Long-term Capital, Asia, Russia)</li> <li>• Expanded toolset to implement Modern Portfolio Theory</li> <li>• Use of derivatives and structured products to manage concentrated risks</li> <li>• Tax-advantaged investing (indexed core with focus on alternative asset classes)</li> <li>• Hedge fund appeal to private investors</li> <li>• Private investors lose positioning with venture capital funds to pensions and endowments</li> <li>• Industry-wide performance benchmarking</li> <li>• Uniform Prudent Investor Act adopted</li> <li>• State Banking Commissions authorize Private Trust Companies</li> </ul>	<ul style="list-style-type: none"> <li>• Technology bubbles and mortgage industry meltdown</li> <li>• Global Financial Crisis from 2008–2010</li> <li>• Challenges to Modern Portfolio Theory as risk management framework</li> <li>• Declining confidence in public equities</li> <li>• Diversity in alternative asset classes</li> <li>• Popularity of ETFs</li> <li>• Post-Madoff emphasis on operational due diligence in hedge funds and private equity</li> <li>• Uniform Trust Code adopted broadly</li> <li>• Improvements in performance analytics</li> <li>• Impact Investing case studies document comparable market performance</li> </ul>	<ul style="list-style-type: none"> <li>• Bifurcation of portfolios by goals, risk, and liquidity attributes</li> <li>• Increased use of asset-based leverage given the low interest rate environment</li> <li>• Heavy investment in real estate, including preference for direct ownership</li> <li>• Growing interest in direct investing in operating companies</li> <li>• Continued use of PE Funds (parallel to direct)</li> <li>• Frontier investing attracts interest</li> <li>• Challenges in hiring/retaining family office investment professionals</li> <li>• Younger generations investing in Crypto, SPACs, EV, and Fintech</li> </ul>

NOTE: Insights provided by Jack Parham, Co-Founder and CIO at Eton Advisors.

generations of wealth owners has proven to be a challenging task, as frontier investments like crypto, fintech, AI, and robotics create new paradigms for investment risk and return. Staying current on new investment alternatives has become a full-time job for investors and their CIOs, whether housed internally or hired externally. What comes next is truly a new form of client-driven wealth management that will make for exciting, rewarding careers in our industry.

## EMERGING THEMES FROM THE FOX COMMUNITY

As we look at what has evolved over four decades and gather feedback from the FOX community, certain themes have emerged about what will create opportunities and complexities for private family enterprises. We are on the cusp of dramatic periods of change, and the family challenge will be working together to analyze opportunities and agree on a shared vision and future priorities.

Engagement in the FOX community offers unique insights, and we see **nine important trends** for the next decade.

### #1 – Private Capital Advantages

Family enterprises that have been financially successful have a competitive edge in how they choose to allocate their capital and structure their investments. They have strategic advantages because they may have a greater risk tolerance and a longer time horizon than institutional investors. Massive disruptions will occur in artificial intelligence, automation and robotics, blockchain applications, genomics and longevity, and many other areas. These disruptions from frontier industries will lead to unparalleled opportunities for wealth creation of which some families are eager to take advantage, despite the inherent risks connected to these paradigm shifts.

### #2 – Alignment of Interests

For entrepreneurial enterprises, adapting to a faster pace of change requires greater goal alignment among the owners who will have to make strategic decisions in unpredictable times. This environment centers the family discussion on the purpose for their wealth and the type of impact they want to have with their capital. The generational differences and pressing wealth gap issues make these conversations more difficult than in the past, but also more critical for the future of the family and society.

### #3 – Generational Shifts

Observations from hundreds of family stories indicate that risk-taking appetites decline as generations evolve, and liquidity needs to expand as the family expands. For families without entrepreneurial instincts, it becomes more difficult to balance the exponential growth of the family against the slower growth of the assets. Forecasts for future spending scenarios will become more important than ever to increase owner awareness and manage their expectations—as well as their cash flow needs for lifestyle expenses.

### #4 – Adaptive Leadership Skills

New skill sets for family leaders will be needed in the fast-paced, high-risk world where uncertainty abounds and predictable investment returns are harder to guarantee. Managing family expectations will require more frequent and effective



communication to retain family cohesiveness in the midst of uncertainty and disruption. To sustain the family's shared goals and manage the challenges ahead, leaders need to prioritize new skills—such as adaptability, creativity, and risk-analysis—to the governing board and the Family Council.

#### #5 – Greater Focus on Well-Being

Setting goals in terms of health and relationships will become as important as setting goals about family and wealth sustainability. Engaging in discussions about how the family defines personal well-being will become a more common practice among forward-thinking families. Thoughtful conversations around the definition of success will be essential, and greater access to customized health metrics will allow families to prioritize family wellness and develop goals for longevity and a dashboard for health metrics.

#### #6 – Data Privacy and Personal Safety

This prioritization of well-being puts the spotlight on personal data privacy, and the need for family members to own and preserve their private health data. As our cyber-driven world continues to stretch the boundaries around the storage and protection of data, preserving family privacy increasingly will become paramount. Globally-minded families recognize the importance of data privacy and personal security across jurisdictions, financial institutions, and social media sites.

#### #7 – Autonomy in the Enterprise

Perhaps the most understated shift in the changing wealth industry is the family's orientation toward wealth itself. Inheritors want enough freedom from the wealth to make independent decisions about how to live their lives outside the confines of collectively controlled family capital. As a result, having autonomy over some financial decisions allows owners to develop an independent identity and a better sense of accountability. Decisions made about personal capital are private matters, but being able to see how the wealth has been spent, and what impact it has had, can be a valued role for the family office to provide.

#### #8 – Impact Measurement

Supporting family members who want to have a positive social impact will become increasingly important for many families, and society expects successful families to step up and help others who are less fortunate. Dramatic leaps forward in technology and data analysis will allow families to better measure and compare the performance of their impact strategies. Insights from better data analysis will allow families to develop more impactful enterprise goals and better metrics for how they will measure their success.

#### #9 – Cross-Family Collaboration

Opportunities to collaborate with other families on investment opportunities and meaningful social impact will allow families to use the expertise and purchasing power of a larger peer group to have a greater impact with their capital. Reaching out to peers for insight and co-investment can strengthen the family's confidence in the decisions they make. There is strength in numbers for those who want to be part of a best-in-class community of impactful investors, and the family office team can help identify the best networks for collaboration.

## FAMILY OFFICES OF THE FUTURE

Families have successfully navigated a series of major shifts and crises since the 1980s, and family offices have been trusted advisors and stewards of family wealth for decades. Their role has undergone a fundamental transformation in these past four decades, and family offices now are adapting to support new and more complex family goals and expectations, from guiding rising entrepreneurs to implementing strategies for social impact. As a new generation prepares to inherit significant family resources and invest in new strategies for wealth creation—as well as causes that matter most to them—family offices will be even more essential to provide families with greater perspective and guidance in a rapidly changing world.