

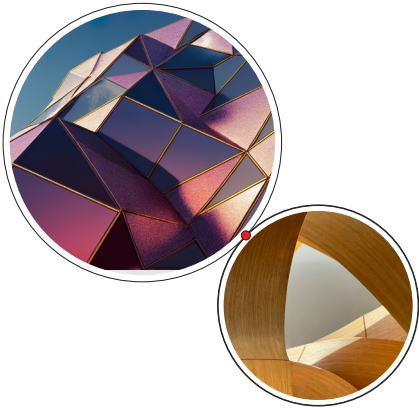
UBS Family Office Quarterly

A Family Office Solutions publication

Third Quarter 2025



UBS



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Introduction

We are pleased to share the third edition of the Family Office Quarterly for 2025 featuring insights on the many aspects of managing a family office. Our intent with each edition is to support your success and help evolve the industry.

We start off with our Chief Investment Office's look at the worsening US fiscal situation and possible avenues to reduce government debt burdens, which could help put the US government back on sounder fiscal footing.

Next, we explore the evolving role of family offices in the family business. Mark Tepsich highlights the shift from family offices being focused on managing a family's financial affairs outside of the family business to family offices being enlisted to provide strategic oversight of the family business. This development could not be more timely for family businesses facing an increasingly complex and competitive landscape.

With the \$83 trillion great wealth transfer set to happen over the next 20 to 25 years, we dive into considerations around personal and complex wealth transfer decisions: Distribute assets equally among beneficiaries? Or distribute based on what seems fair for each beneficiary? Senior strategists with UBS Family Advisory and Philanthropy Services provide a roadmap to guide families in evaluating "fair versus equal."

On the operations front, we highlight the importance of an Investment Policy Statement (IPS) as a strategic guide for families and family offices in planning and executing an effective investment program. Developed by Brian Formento in partnership with our CIO, our checklist is based on the idea of an IPS being aligned with the family's mission and values to ensure long-term success.

When it comes to family members participating in a family office, who and how much is often left to chance. Having a family participation plan can be a powerful step in ensuring family office involvement both helps develop talents and results in meaningful contributions. Joshua Gentine of Bench Consulting outlines key considerations in creating a thoughtfully crafted plan.

Our human capital section features insights from Bill Stranberg on key person turnover, which represents one of the greatest internal risks to family office success over time. Bill covers the risk, its origins, and strategies to mitigate it to help ensure a family office endures over the long-term.

Finally, our podcast conversation features Jeremy Langlois of iCapital speaking with UBS Family Office Specialist Kristen Liller about juggling his hockey career while developing Mirador with CEO Joe Larizza, the value of consolidated reporting and data mining in decision making, the art and science of reporting, ways the industry is evolving and more.

We trust you will enjoy exploring these topics, and we always look forward to hearing about what's top of mind for you as we continue to advance the industry together.



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Investment outlook

CIO's US fiscal outlook

Pathways to more sustainable debt



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A steady rise in longer-term Treasury yields despite slower economic growth, as well as the recent Moody's rating downgrade, have refocused investor attention on the worsening US fiscal situation and debt outlook.

The budgetary situation

The US government does not have unlimited capacity for debt. The recent rise in 30-year Treasury bond yields above 5%, despite expectations for slower economic growth, highlights growing investor concern about the persistently deteriorating fiscal situation. Rating agency downgrades merely confirm what is already widely recognized, yet these concerns have not prompted legislative changes to improve the fiscal outlook.

The current reconciliation package will further expand deficits, and tariff revenues will not be sufficient to put the US government back on a sounder fiscal footing. Lawmakers are assuming that lower taxes for businesses and individuals will generate enough economic growth to improve the deficit-to-GDP ratio, but a recession would severely undermine long-term fiscal sustainability.



Reconciliation package

In our most recent fiscal update in December 2024, we projected a two-bill approach: an initial, smaller spending package to fund border security and defense, followed later in the year by a separate bill to extend the 2017 Tax Cuts and Jobs Act (TCJA). Instead, Congress and the administration have moved rapidly to advance the "One, Big, Beautiful Bill" that combines both priorities and includes a debt limit increase and much more. The bill, which passed the House 215-214, includes a wide range of major spending and revenue changes for 2025-34 that would increase the deficit by more than \$3 trillion over the next decade, according to an analysis by the Committee for a Responsible Federal Budget (see Fig. 1).

Figure - Costs and savings in the House version of the "One, Big, Beautiful Bill"

Projected cost increase and decrease over 2025-34, in billions of US dollars

<i>Tax changes</i>	
Extend and expand individual TCJA tax cuts (higher SALT cap, estate tax)	3,900
New individual and business tax cuts (overtime, tip and social security)	663
Extend and expand business TCJA tax cuts (bonus depreciation)	278
Tax offsets (Inflation Reduction Act cuts, foreign corporate retaliatory tax)	-980
<i>Spending changes</i>	
Spending increases (border security, defense)	321
Spending cuts (Medicaid, food aid, student loans)	-1,500
Total deficit increase, including interest cost	3,100
Memo: Debt limit increase	4,000

Source: Committee for a Responsible Federal Budget, UBS as of 19 May 2025

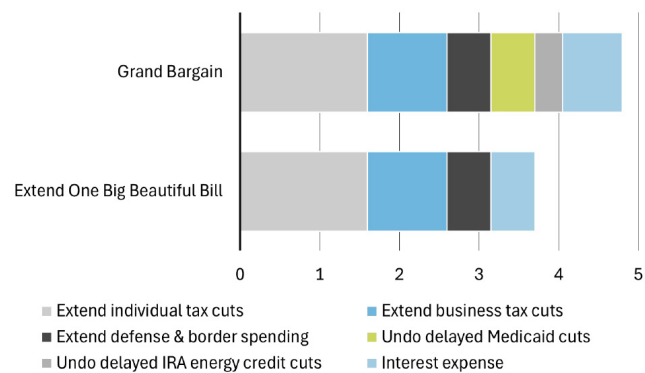
If the bill is not passed in time, Republicans will likely be forced to abandon the one-bill strategy in favor of a stopgap measure to separately lift the debt limit. During negotiations, fiscal conservatives—encouraged by Moody’s mid-May downgrade of the US debt rating to Aa1, stable—demanded deeper spending cuts, while blue-state House Republicans pushed to increase the cap on the State and Local Tax (SALT) deduction. Senate Republicans have expressed concern that the cuts to social programs are too deep, as are some additional new business and personal income tax cuts.

The tax cuts are front-loaded, as many of the new individual and business tax reductions in the House bill are set to expire midway through the 10-year window to limit the plan’s cost. Meanwhile, the savings are back-end loaded, building toward the middle of the window as cuts to social programs are phased in. If the new tax cuts are extended

or made permanent in future legislation, as is often the case given the political unpopularity of tax increases, the total cost over the next decade would rise by an additional \$1.5 trillion, excluding interest costs (see Fig. 2). Overall, the House bill is mildly expansionary. If it passes largely intact, federal government deficits would increase from an already elevated 6.3% of GDP in 2024 to more than 7% in both 2026 and 2027.

Figure 2 - Larger cumulative deficit impact of extending provisions

In trillions of US dollars, 2025-34



Source: Committee for a Responsible Federal Budget calculations, UBS as of 19 May 2022

Tariff revenues

Higher tariff revenues will not materially reduce the deficit when other factors are driving it higher. While tariff income serves as an offset to the increase in deficits from the reconciliation package, the latest round of "reciprocal" and baseline tariffs is not a reliable long-term revenue source, given their questioned legal basis and the discretionary nature of executive orders.

Legislated tariffs would provide more predictability and could be incorporated into the budget process, but they remain politically unpopular. That said, a 15% effective tariff rate could generate an additional \$300-\$450 billion in annual revenue over the next decade, depending on the impact on import volumes and the need to support sectors affected by retaliation. This would represent 1-1.5% of 2024 US GDP. However, higher tariffs do not necessarily result in higher revenue. The Peterson Institute for International Economics estimates that the economic damage caused by higher effective tariff rates can actually reduce potential revenue.

The federal debt burden is forecast to increase to 134% of GDP by 2035, from 98% in 2024.

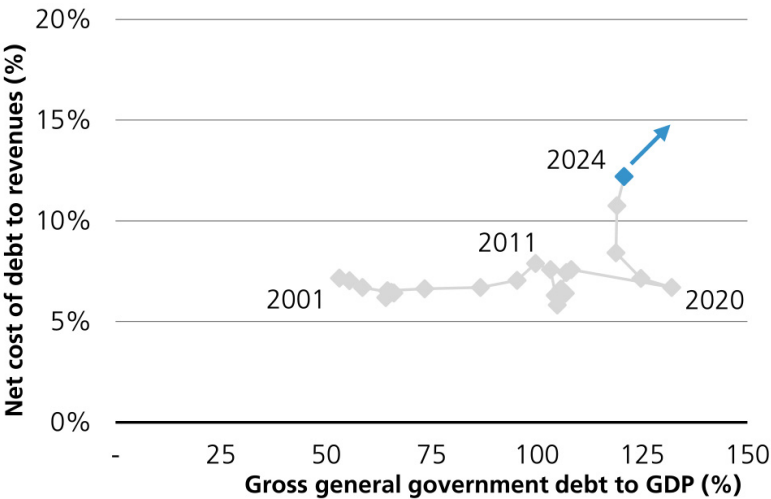
2026 budget

Bipartisan cooperation will soon be required to pass either the 2026 federal budget or a series of continuing resolutions to fund the government and prevent a shutdown. Unlike reconciliation bills, budgets need 60 votes in the Senate to overcome a filibuster. In 2025, the government relied on a series of continuing resolutions to maintain funding. The most recent resolution, approved on March 14, expires on September 30, by which time Congress must complete and pass the annual appropriations bills. President Trump’s budget request, submitted to Congress in early May, set the stage for significant spending cuts across a range of agencies. Non-defense discretionary spending would be reduced by 23%—to levels last seen in 2017—to fund increases in defense and border security. However, we see little likelihood that Congress will approve cuts of this magnitude.

US debt path and its sensitivity to higher bond yields

When Moody’s downgraded the US from Aaa, negative to Aa1, stable on May 16, it chose to act based on its expectations for the upcoming budget, rather than wait for its finalization. The agency projects that mandatory spending will rise to 78% of total spending by 2035, up from about 73% in 2024. Moody’s also expects a full extension of the 2017 Tax Cuts and Jobs Act to add \$4 trillion to the primary deficit over the next decade. As a result, the federal debt burden is forecast to increase to 134% of GDP by 2035, from 98% in 2024. For context, the general government debt ratio—which includes state and municipal debt and is the metric most other countries use as their official debt ratio—stood at 121% in 2024 (see Fig. 3).

Figure 3 - US public debt trajectory on a worsening trend



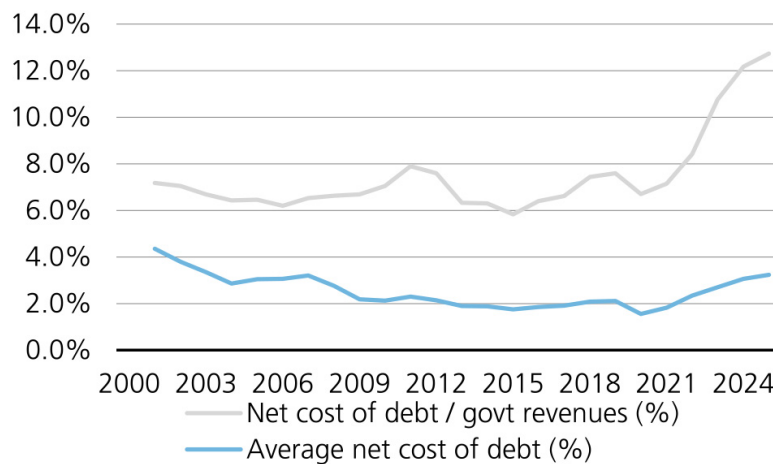
Source: UBS, IMF, as of April 2025



Higher funding costs are a key challenge

When assessing debt affordability, the net cost of debt relative to government revenues is more important than the debt ratio. We estimate this ratio at 12.2% for 2024 at the general government level (see Fig. 4). For the federal government alone, it was 18% last year, and Moody's projects that, if current fiscal policies persist, it could rise to 30% by 2035.

Figure 4 - The cost of the US debt burden keeps rising



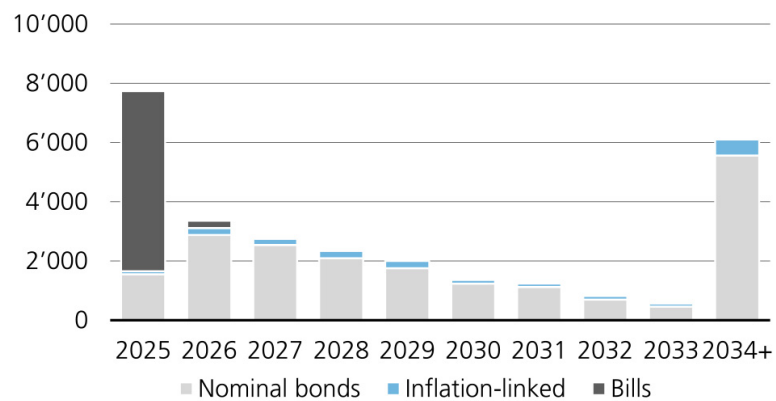
Source: UBS, IMF, as of April 2025

On net,
we think debt
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will rise further
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When thinking about the outlook for funding costs, some forces are pulling them lower, but most are pushing them higher. On net, we think debt service costs will rise further as a share of government revenues. The average coupon of US Treasuries stands at 2.99%, while new Treasury notes and bonds issued this year carry a weighted average coupon of 4.18% (it was 4.20% in 2024). The average monthly Treasury issuance this year is \$2.5 trillion, with the 10-year+ bucket representing 18% of total monthly issuance. The weighted average tenor at issuance this year was 7.5 years, up slightly from 7.4 years in 2024. Further debt refinancing will likely continue to add to interest expenses as bonds mature. Excluding bills, the US will need to refinance \$4.4 trillion of bonds with a weighted average coupon of 2.74% through the end of 2026 (see Fig. 5). Applying the current weighted average yield of Treasuries of 4.30%, the debt rollover would add \$69 billion in interest costs.

Figure 5 - US federal debt maturity profile

In USD bn



Source: Bloomberg, as of 22 May 2025

Another factor pushing up debt service costs is the compensation investors received for holding Treasury Inflation Protected Securities (TIPS) when inflation was high. Depending on the future path of inflation, the \$2 trillion in TIPS could also keep adding to debt service costs. After a decline recently, this cost may rise again depending on the ultimate impact of tariffs on consumer price inflation. For example, should the tariffs add one percentage point to the US CPI, the immediate additional cost of compensating holders of TIPS would be \$20 billion.

The \$6.5 trillion of bills that are being rolled over frequently should incur a lower cost during this year compared to 2024, given the decline in short-end yields. As an indication, average three-month yields were 5.1% during last year and have averaged 4.3% year-to-date—assuming an average for the year of 4.1% would translate into a reduction in debt cost of \$65 billion.

Altogether, we expect the rise of the net cost of debt-to-government-revenues ratio to slow in 2025, particularly as short-term yields have declined, somewhat narrowing the yield gap between maturing and new bonds. A higher net cost of debt will result from financing of the budget deficit and from lower Treasury holdings by the Fed, which pays out interest earned as a dividend to the Treasury (i.e., there is no net interest cost for government bonds held by the central bank).

We estimate the net cost of debt-to-general-government revenues will be 12.7% this year, a doubling from 2020 levels (see Fig. 4). In our base case, we expect the Fed to cut interest rates toward 3.00-3.25% by mid-2026 and yields across the curve to decline moderately, which should help to contain the debt service cost to 13.5% of general government revenues by 2026. If instead Treasury yields were to rise across the curve toward a weighted average of around 5% and stay there, the net interest cost would rise by almost one percentage point of revenues every year, reaching about 17.2% by 2030.

On this important debt affordability measure, the US already has the highest level of debt service among developed countries, posing a meaningful fiscal burden that policy cannot immediately influence.

How high can US government debt rise?

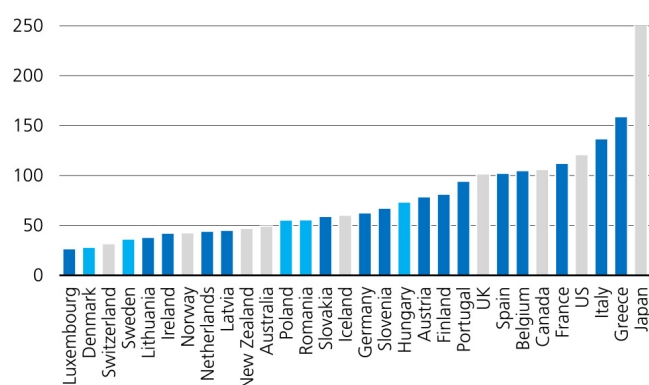
There is no strict limit on the amount of debt a government can carry, but the true “referee” on debt sustainability is the collective group of creditors who determine the government’s effective cost of debt. As a country’s debt burden grows, creditors may reduce their exposure or demand higher compensation. In turn, rising debt costs can consume a larger share of future revenues, which can be offset by spending cuts or increased revenues (also known as “fiscal austerity”) or by incurring more debt to pay interest (what Hyman Minsky called “Ponzi finance”). This latter strategy often leads to a debt crisis, where debt levels and costs both spiral upward.

US exceptionalism, which stems partly from its status as the world’s leading economy and provider of the world’s principal reserve currency, has afforded the US government some added scope to run high budget deficits and levels of debt at a highly affordable cost. But at the same time, no country has an unlimited capacity to carry debt, and

past rating downgrades to Aa1/AA+ indicate that the US has exhausted its extra debt capacity compared to other AAA-rated countries, which carry far lower debt ratios. For example, France, with a debt-to-GDP ratio 10 percentage points below the US and a net cost of debt of only 3.5% of revenues, saw Standard & Poor’s and Moody’s downgrade its debt one notch to AA- and Aa3, respectively, in 2024 (see Fig. 6). Further fiscal deterioration in the US could lead to more negative rating actions, albeit slowly, with one-notch cuts over several years.

Figure 6 - General government debt-to-GDP 2025E

Dark blue = EMU, light blue = EU



Source: IMF, as of April 2025

Pathways to a more sustainable debt path

The reconciliation bill misses an opportunity to get the US on firmer fiscal footing and instead offers a range of temporary new tax exemptions that could grow the debt even further if extended. At some point, the US will need to reduce its deficit to a more sustainable level—whether by crisis, by choice or by good fortune. There are several paths to reducing high government debt burdens:

a. Default and debt restructuring—an option often chosen by or imposed upon developing countries with large amounts of foreign currency debt, but one we consider highly unlikely for a major developed country like the US that issues debt in its own currency. The risk of a technical default if Congress were to fail to lift the debt limit in a timely fashion has become a recurring feature of US fiscal policy dynamics, but bondholders and claimants would

It remains to be seen whether advances in AI and related investments will boost economic productivity sufficiently to improve the debt outlook over the next decade.

eventually receive their payments as it would only be a matter of time before the debt limit is eventually increased.

b. Growing out of debt—achieving above-trend real growth and moderate inflation through a productivity boost. The US benefited from such an environment during the debt consolidation of the 1990s. It remains to be seen whether advances in artificial intelligence (AI) and related investments will similarly boost economic activity and productivity sufficiently to improve the debt outlook over the next decade.

c. Fiscal austerity, possibly enforced by bond vigilantes—politically unpopular measures such as tax increases or entitlement spending cuts are rarely pursued voluntarily. However, higher borrowing costs can make previously unpalatable solutions unavoidable. Many believe the US government will not muster the political will to rein in deficits unless rising bond yields force the issue. As Clinton-era strategist James Carville famously remarked, “I would like to (be reincarnated) as the bond market. You can intimidate everybody.”

There are precedents elsewhere, such as the “austerity” measures adopted in the Eurozone after sharp increases in borrowing costs in Greece, Italy, Spain, Ireland and Portugal in 2011-12. More recently, in 2022, a spike in bond yields prompted UK Prime Minister Liz Truss to reverse plans for tax cuts.

A 2023 Penn Wharton Budget Model study looked at a range of fiscal reforms to see whether they could stabilize the US debt-to-GDP ratio. None of the options stabilized the debt-to-GDP ratio through mid-century, but they were able to slow debt growth substantially relative to a 2024 policy baseline. A mix of broad-based tax increases and spending cuts, while politically unpopular, did a better job of controlling debt growth than a range of entitlement reforms or tax increases on high earners and estates.

Treasury Secretary Bessent has so far maintained a similar playbook to former Secretary Yellen of funding the deficit via short-end bills versus locking in costlier longer Treasury notes. While term premium may rise owing to supply/demand imbalances, there has not been a shift to increase long-end supply in this administration. To bring term premium lower, a move toward financial repression could be necessary.

d. Financial repression—encompasses a broad range of measures, taken directly or indirectly by governments, to facilitate the affordable financing of public debt by attempting to hold down real (inflation-adjusted) interest rates. Financial

repression does not necessarily arise only in response to fiscal distress, nor does it always aim to reduce the debt-to-GDP ratio. Such measures include lowering the cost of debt and creating a large pool of private sector investors who are either required or strongly incentivized to hold government bonds.

For financial repression to be effective, two key prerequisites must be met:

1. The government must have full sovereignty—meaning it can change laws, enact regulations, and issue its own national currency (central bank independence is not required).
2. The vast majority of government debt must be denominated in the national currency—a limitation that increases default risk for some emerging markets.

Financial repression was widespread in developed economies from World War II through the 1980s and played a significant role in reducing the high debt levels accumulated during the war. Reinhart and Sbrancia, in a 2015 paper, attribute an average annual reduction in the US debt ratio of 1.9 percentage points between 1945 and 1980 to financial repression. In the US, real interest rates were negative about half the time between 1945 and 1980. Until the Fed Accord of 1951, the Treasury set interest rates for various maturities, and the Fed intervened in secondary markets to maintain bond prices at par. In 1951, marketable Treasuries were exchanged for non-marketable bonds with 29.5-year maturities at 2.75% interest. In the 1960s, FX markets were highly regulated and capital flows were limited by the Bretton Woods system, while the 1970s saw inflation spikes and stagnating growth, again pushing real yields into negative territory.

For more insights into our views on how to position your portfolio, please read the report [*US fiscal outlook and the effort to contain bond yields*](#) and visit ubs.com/potus47.

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Beyond investments

The evolving role of family offices in the family business



Mark R. Tepsich
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Family offices, which often include financial, investment and tax professionals, can provide families with a more comprehensive understanding of their business, including strategy, capital structure and operations.

Traditionally, family offices have focused on managing the family's financial affairs outside of the family business, while the business itself remained largely autonomous. This narrative is changing, with family offices—and their financial, investment and other expertise—being enlisted to provide strategic oversight of the family business. This proactive approach positions the family business for long-term success in an increasingly complex and competitive landscape.

Nearly 80% of family offices surveyed also have an operating business, according to the *UBS Global Family Office Report 2025*. As families grow, many have become acutely aware of the complexities involved in owning, operating and controlling a family business. Today's families are more informed, learning from their own past governance missteps and those of their peers. They are also increasingly aware of alternative ownership and investment models, particularly private equity. As a result, they are no longer willing to treat the family business as a "third rail" on their balance sheet, allowing it to operate in isolation without strategic oversight.

Family offices, which often include financial, investment and tax professionals, can provide families with a more comprehensive understanding of their business and their associated options, whether it is strategy, capital structure or operations, as well as an objective analysis of performance. Traditionally, however, the family business has overshadowed the family office in terms of value, attention and influence. The family office has often played a minor role, managing aspects of the family's financial affairs outside the family business, while the business itself remained largely autonomous.



Expanded influence

This narrative is beginning to shift. The family office is increasingly serving as a conduit for families to assert their influence as both owners and investors in the family business. In this evolving dynamic, the family office resembles a general partner (GP) managing a portfolio company, with the family business acting as that portfolio company. This role becomes acutely important as business ownership transitions to next generations.

There are three primary ways in which family offices are beginning to advise families regarding their businesses:

- Driving active and engaged governance
- Providing investor relations functions
- Offering objective advice to both the family and the business board

With respect to the family business, families are starting to rely heavily on the advice of the family office, which has also started acting as a de facto successor for the family business in lieu of a single family member who does not have the experience, resources or desire to lead the business forward.

This article delves into the reasons behind this changing relationship and the benefits it brings.

Family business long-term focus

Family businesses constitute over 60% of the global workforce and represent 70% of global GDP.¹ Research indicates that family businesses often outperform their publicly traded counterparts over the long run, thanks to their commitment to a long-term vision.² Unlike many public companies that often focus on quarterly results or private equity-owned firms that only invest for three to five years, family businesses strive to build and invest for future generations. They also typically maintain lower debt levels than private equity-owned firms, allowing them to weather economic downturns more effectively.

Challenges to family business ownership

Despite their many advantages, family businesses also face significant challenges. These include alignment issues stemming from a growing family tree, insufficient governance oversight, lack of management accountability, and difficulties in maintaining objectivity. Family ownership can often be more passive and less informed compared to public and private equity-owned companies.

While boards may exist to oversee the family business, they tend to be passive and reactive, making it challenging for them to provide strategic value. Even non-family professionals on the board may lack the operational involvement needed to drive meaningful engagement and oversight.



Families are starting to rely heavily on the advice of the family office, which has also started acting as a de facto successor for the family business.

¹ *Empowering family businesses to fast-track sustainable development*, United Nations Conference on Trade and Development, April 13, 2021.

² *The secrets of outperforming family-owned businesses: How they create value—and how you can become one*, McKinsey & Company, November 28, 2023.

Family-run businesses versus public and private equity companies

Public companies

Publicly traded companies benefit from a high level of transparency and communication. They are required to provide regular financial reports, which analysts and institutional investors scrutinize in order to offer management valuable feedback on financial performance, capital structure, strategy, and market positioning. Moreover, market signals can prompt management to reassess their direction.

Public companies also host investor conferences and utilize investor relations teams to foster relationships with the investing public, resulting in robust feedback loops that continuously inform management. In contrast, family-run businesses often lack these mechanisms.

Private equity companies

Private equity general partners (GPs) have their own systems for holding management accountable. GPs exert control through legal ownership and board representation, enabling them to steer major decisions and strategic direction. They often employ operating partners with extensive industry experience who might sit with management on location and provide them with daily feedback and guidance. GPs have real-time access to financial data and implement strategic plans with specific key performance indicators (KPIs). This level of engagement ensures that private equity-owned portfolio companies benefit from active and informed ownership, a stark contrast to the typical dynamics seen in family businesses.



Families are beginning to reverse the traditional dynamics between family offices and family businesses. Particularly in multigenerational families, the family office is taking on a more strategic role.

The shift in family office dynamics

As families become more proactive, they are beginning to reverse the traditional dynamics between family offices and family businesses. In scenarios where the family office is not embedded in the business, particularly in multigenerational families where the wealth creator is no longer involved, the family office is taking on a more strategic role.

The typical family business here is mature, with steady cash flow, yet with still strong growth potential. The family business is beyond a survival stage. The family is also beyond the wealth creator or founder's generation and often has the third generation in leadership positions. The family office prototype here is one that truly serves the broader family. It has a relationship with the family and serves as the central hub for all of its financial activities.

Example: Driving active and engaged governance

For example, a family with a multigenerational business recently hired a Chief Governance Officer (CGO) at its family office to enhance board engagement and strategic oversight of the family business valued at \$2 billion. This family office, staffed with financial, investment, tax and legal professionals, provided the CGO with the necessary objective information to advise the board effectively.



The CGO's role was to advise the family business board and enhance its functionality. Although the board included some external members, they were passive participants who did not engage deeply enough with the business's operations and strategy.

The CGO reported to the board with the mandate to become embedded with management in order to understand the business, capital structure and competitive market positioning. And then make recommendations to the board on how to improve the company. The CGO identified a large industrial real estate portfolio that was carried at cost on the balance sheet. There was no leverage on any of the real estate and it was not owned by a separate or affiliated entity. The company was not paying rent and the real estate was essentially subsidizing company operations. In effect, the real estate was dead capital. The family had to weigh various options regarding the real estate, including its value, selling or financing options, and the impact of each on the business as well as the family owners. A real estate transaction could potentially unlock significant value for the family owners.

The CGO coordinated a comprehensive analysis involving multiple advisors, including tax, legal and real estate experts. This extensive process resulted in a valuation of \$200 million for the real estate, transforming previously dormant capital into an opportunity for enhanced liquidity and more productive investment. Of course, this is the first of many strategic projects that the family business will undergo as part of a more strategic approach in coordination with the family office.

Objective advice

Even with a board in place, families often find themselves relying heavily on business management for information and guidance, placing significant trust in their judgment—even when external, non-family professionals are involved. Unlike publicly traded companies, family businesses typically lack comprehensive market feedback from independent analysts.

Moreover, boards predominantly composed of family members frequently lack the industry expertise necessary to hold management accountable effectively. This dynamic can undermine objectivity and a broader view, particularly when management is present in board meetings, where they may steer discussions in their favor. Additionally, management's priorities are often aligned with the company's interests, which may not always reflect the best interests of the family and the family's capital.

For example, strategic decisions such as selling a division, restructuring, or leveraging assets for distribution to the family members could enhance the family's overall financial flexibility. However, these options might be overlooked or minimized if management prioritizes the company's stability over the family's broader investment objectives.

In this context, a family office can provide much-needed objectivity. Acting as an independent advisor, the family office can evaluate strategic opportunities that align business goals with the family's financial goals, enabling opportunities to unlock capital for other non-business investments, as illustrated in the above example.



Family office as investor relations function

Communication among family business management, the board and family ownership can be challenging since no one is driving or owning governance or communication across these stakeholder groups—especially when management's day job is operating the company. Governance and communication can become a luxury, rather than a regular and intentional practice.

According to the forthcoming *UBS-Agreus Enterprise Governance Report*, nearly 55% of family offices reported acting as the unofficial investor relations department for the family business. In the example above, the same family that appointed the Chief Governance Officer (CGO) also tasked her with improving communication across stakeholder groups. The CGO played a vital role in reporting business developments and board decisions to the broader family, ensuring that family members remained informed and engaged. Feedback from family ownership was also communicated back to the board, fostering a more transparent environment for all stakeholders.

By facilitating board meetings and enhancing their effectiveness, the CGO also guided the family board through critical generational transitions. This ensured that the next generation stepping into executive roles received the support and information necessary for a seamless transition, ultimately benefiting both the business and the family.

Example: Family office as business successor

Some families increasingly view the family office as part of their succession plan. Historically, these families relied on a single family member to lead or oversee the family business, either as an executive or chairman, overseeing non-family management. While potential family successors may be intelligent and sophisticated, they can often lack the requisite business or industry experience. This even assumes that there is a family member who wants to take on this massive responsibility.

To address this, some families are designating the family office head as a de facto chairman, overseeing the family business and ensuring accountability and a strong connection with business management. The family office head then relies on the acumen of the investment,

finance, tax and legal professionals within the family office to make informed analysis and drive outcomes. However, finding the right leader for the family office to fulfill this role can present challenges.

Family office as conglomerate management company

One family operated a large enterprise and was known for its prolific deal-making, acquiring multiple operating companies each year. As this family expanded its portfolio of companies, a family office emerged to manage the interests and wealth of its members outside these businesses, primarily offering functional and administrative support.

However, as the family continued to acquire operating companies, the family office evolved from a support function into a more strategic and operational role. It became the arbiter of family capital across all these entities, treating the capital held within each operating company as fungible. This approach enabled the family to allocate resources efficiently, channeling capital from one company to another where opportunities were greatest.

Moreover, the family office, now staffed with several dozen professionals, transformed into a nimble shared services firm for the operating companies. As opportunities within each business fluctuated, professionals could be deployed quickly to provide essential operational support, such as finance and accounting, rather than waiting to hire and train new employees for specific roles.

Importantly, the family office became the central hub for all activities related to the operating companies. Management teams from each company reported directly to the family office, which advised the family on performance metrics and provided recommendations for improvement and strategic direction.

In essence, the family office offered vital capital support, functional and operational assistance, and strategic guidance across the family's diverse portfolio of operating companies. This structure allowed the family to maintain active control and effectively scale their ownership model across numerous enterprises.



Family office capabilities

Not every family office is equipped to deliver this level of added value. First, families must undergo a mindset shift, empowering the family office in relation to their business. Second, the family office must possess the necessary human capital to be effective in this new role. For families seeking to assert their ownership over the family business more effectively, it is essential to evaluate the current structures of both the family business and the family office, ensuring they have the resources they need. To be sure, this family office is not meant as a replacement for the family and its active engagement, but as an extension of the family to help them achieve their desired outcomes.

Conclusion

The evolving relationship between family offices and family businesses signifies a substantial shift in how families engage with their businesses. By leveraging the expertise and objectivity of family offices, families can enhance governance, improve communication, and assert their influence as informed owners and family business investors. This proactive approach not only strengthens the family business but also positions it for long-term success in an increasingly complex and competitive landscape.

Mark R. Tepsich

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Beyond investments

Fair versus equal

A roadmap to guide wealth transfer decisions



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When it comes to estate planning and transferring wealth, some families believe that the best approach is to distribute assets equally among beneficiaries. Other families take the view that each beneficiary is unique and approach distribution based on what seems best and fair for each. The question of “fair” versus “equal” is deeply personal, and having a roadmap can make all the difference in navigating this complex question.

In our experience working with multigenerational families who are considering distributions in the context of estate planning or giving, the question of “fair” versus “equal” can be complex. For this reason, we often suggest “equal” as a starting point. In some cases, however, “unequal” may be viewed as “fair.” Any deviation from equal financial distribution among children or other loved ones should be carefully considered and thoughtfully communicated to those impacted. Because this process is deeply personal and potentially emotionally charged, you may want to enlist the support of a trusted partner to help you navigate these decisions.

When fair isn’t always equal

- Family members with special needs
- Children who may be in a more challenging financial position, whether related to chosen profession, education track, or cost of living
- Family business scenarios, where not all children are involved
- Tangible assets that are difficult to jointly own and manage, including artwork, collectibles or family real estate

Any deviation from equal financial distribution among children or other loved ones should be carefully considered and thoughtfully communicated to those impacted.

Starting with your “why”

Whether you are planning for giving during your lifetime or designing your estate plan, explaining your “why” is a critical step equal to the planning itself. If you are giving in a way that you feel is fair, but is not monetarily equal, you have surely thought through your reasons. But if you don’t explain this thinking to your children, they will fill in the blanks themselves. Whether it’s reiterating a message you have shared in the past or explaining new thinking, helping your loved ones understand the reasons for your approach will help ensure they have more successful outcomes.

Circumstances where children find out unexpected plans only after parents or other family wealth holders have passed can lead to unnecessary conflict and strained relationships amongst beneficiaries. In some cases, these circumstances may even lead to legal disputes or have lasting implications for the family culture over future generations.

Creating a roadmap with reflection questions

To further support your decision-making process, below is a series of reflection questions to consider. If you are making decisions in partnership with another, we first encourage individual reflection.

- Fair versus equal philosophy
 - What are your beliefs about equality and fairness?
 - When or in what circumstances is fair not necessarily equal?
- Lived wealth experience of each family member, including your own
 - How are/were the lifestyles similar or different?
 - For families with financial circumstances that have improved greatly over time, how might this impact children’s expectations?





- Past approach to fair versus equal
 - What financial support have you provided to beneficiaries up to this point?
 - Would you like to reconcile any imbalances that may exist now as part of your estate plan?
 - How have prior experiences with monetary distribution shaped the views that you hold today?
- Financial situation and needs of your children
 - Do your beneficiaries have approximately equivalent financial situations today, including current assets and earning potential?
 - Do some have more financial needs than others? Do they have more children? Do they live in a more expensive locale?
 - Have some been more financially responsible in saving and building wealth?
- Explore any special circumstances that you want to plan for
 - Are you planning for a special needs child, grandchild or other beneficiary?
 - Do you have concerns about financial resources being used in unproductive or risky ways such as substance abuse or gambling?
 - Do you wonder whether family assets may be at risk during a potential divorce?

Family-owned businesses: key considerations

Family-owned businesses present a unique challenge. It's important to consider who from the next generation is working in the business and each family member's potential to take on senior leadership roles. Having procedures in place to manage individual career progression and compensation is critical. Equally important are processes for shared decision-making.

It is also vital to think through a path for uncoupling operating/owning roles, and what that would look like from a financial perspective (employee versus owner or both).

Maintaining the distinction between a family business and the business of being a family is equally important. Being intentional, thoughtful and communicative on both sides of this consideration will contribute to intact and healthy relationships.

- Past communication of wealth plan
 - What has been communicated about your wealth transition plans and is it consistent with your current thinking?
 - How were your thoughts and potential plans received? What went well? What was challenging?

Conclusion

We hope this article provides guidance as you map your wealth transfer strategy. With children, we suggest starting from a place of financial equality. Whenever you deviate from this for any reason, consider explaining your “why” to prevent your decisions being left open to interpretation. Transparency will lead to clarity, and clarity to harmony and cohesion among your most precious asset—your family.

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Operational Excellence

Investment policy statements

Checklist for a family-centered approach to investing family wealth



Brian W. Formento, CAIA
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In our approach,
an IPS creates
a framework
for how assets
should be
managed
relative to a
family's mission.

Some of the most important and far-reaching decisions families make relate to how their wealth is invested. An Investment Policy Statement (IPS) serves as a strategic guide for families and family offices in planning and executing an investment program. Ensuring an IPS is centered in and aligned with the family's mission and values can help ensure the family flourishes now and in the future.

In our approach, an IPS creates a framework for how assets should be managed relative to a family's mission, serving as a strategic guide to planning and executing an investment program. When implemented successfully, an IPS anticipates issues related to:

- Governance of the investment program
- Planning for the appropriate risk-focused asset allocation
- Implementing an investment program with both internal and/or external managers
- Monitoring the results
- Managing risk
- Reporting appropriate information on a regular basis

The multiple benefits of an IPS

The IPS implements a governance framework that enforces accountability for all stages of investment policy development and implementation. It can reinforce the obligations of advisors to offer counsel and of principals to ultimately approve or disapprove the policy. In addition, an IPS can help address the financial needs of the family. It can offer guidance around managing distributions to meet individual family member's financial needs or philanthropic goals.

An IPS also establishes accountability for the various entities that may work on behalf of the investor(s). Perhaps most importantly, it serves as a guide that can offer an objective course of action to be followed during periods of market disruption when emotional or instinctive responses might otherwise provoke less prudent actions that can lead to behavioral investment mistakes.



Investment policy statement checklist

Given the importance of an IPS in supporting long-term investment success, the following checklist can be a reference for thinking through various aspects of an IPS that is centered in the family's mission and values.

Family mission statement

- Identifies core values, such as responsible stewardship
- Establishes a set of core guiding principles
- Focuses on most important issues for the family at a high level
- Allows for the ability to address future developments, ensuring durability
- Strengthens family communication and cohesion

Investment policy statement guidelines

- Guiding principles and goals tied to investment objectives
- Governance: Investment Committee criteria, monitoring and reporting
- Clear investment philosophy
- Establishing an IPS that is consistent with furthering the organization's objectives
- Operating guidelines
- Parameters: Risk and liquidity

Roles and responsibilities

- Investment Committee
- Investment managers
- Custodian

Risk tolerance and constraints

- Investment restrictions (if any)
- Time horizon
- Measurement of investment objectives/performance metrics
- Fee budget
- Liquidity budget
- Periodic review and rebalancing protocol

Strategic asset allocation framework

- Capital market assumptions
- Time horizon selection aligned with objectives
- Risk assumptions—historical vs projected
- Return assumptions—historical vs projected (baseline from risk-free rate)
- Reset conditions—periodically revisit: macro; policy; valuation; technology innovation; temporal

Strategic asset allocation

- Inputs: Asset class schema
- Mean-variance efficiency optimization vs proper risk profile
- Monte-Carlo simulation
- Periodic rebalancing and reset of SAA

Incorporate tactical asset allocation

- Risk mitigation vs opportunity
- Setting risk bands to maintain risk budget
- Impacted by business cycle, policy shift, valuation
- Monitoring and rebalancing

Instrument selection

- Due diligence processes
- Reputable provider
- Transparency
- Liquidity
- Passive vs active

For more detailed information, see our complete whitepaper, *Investment policy statements: A family-centered approach to investing family wealth* and *Investing together: Family investment strategy compass*.

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Operational excellence

Family office participation

Creating a plan to protect your family and your assets



Joshua Gentine
Founder & President
Bench Consulting

Family dynamics are the most common impediment to both a stable office operating environment and long-term returns for those the office is committed to serving.

Families are why family offices exist. But how many family members participate in a family office and how much is often left to chance. While becoming involved in a family office can be a vehicle to engage and develop talents, family dynamics can sometimes impede long-term success. A thoughtfully crafted family participation plan can be a powerful step toward transforming well-intentioned involvement into meaningful contribution.

“This would be more fun if it weren’t for the family.” This unsettling quote from an anonymous leader of a large family office is the unspoken sentiment frequently felt but rarely articulated in the family office community. Family is why the office exists; however, family dynamics are the most common impediment to both a stable office operating environment and long-term returns for those the office is committed to serving. This is especially acute when family members are involved in the office’s day-to-day operations.

To be clear, a family office is a wonderful vehicle for family members to engage their talents. However, without clarity and—dare I say, governance—those talented individuals often lose credibility while simultaneously creating friction for family and non-family professionals charged with operating a best-in-class office.

While governance in a family office can manifest in any number of ways, a family participation plan (or family employment policy) can be particularly beneficial. It codifies the expectations of family members interested in employment, as well as of those actively employed by the family office.



Why create a plan?

To begin, a participation plan aims to eliminate ambiguity and clarify expectations. Frustration builds and conflict erupts any time expectations differ from reality. By creating clarity and setting expectations up front, before a family member joins the office, you can minimize the frustration that comes with anticipating something that isn't going to materialize.

Additionally, a participation plan protects against the dangers of nepotism. By designing responsible policies, you prevent the slippery slopes that often accompany wealth. Furthermore, these policies send a signal to your team that your family takes its ownership responsibility seriously, which is critical to recruiting and retaining great talent.

And finally, the participation plan is a family document. The only way to get true buy-in is to co-create the plan together, as a family. This process is an opportunity to understand family members' intentions and build a deeper, shared bond. In short, the co-creation process is a vital piece of building the participation plan and as valuable as the outcome.

What's in a plan?

While every plan is different—if you've seen one plan, you've seen one plan—the key to building something durable is thinking through potential scenarios and having an honest conversation as a family about what's best for the family and the office. Additionally, the plan should be grounded in your family's shared values and should reflect the ethos and culture you hope to achieve in the office.

To get you started, think through the following six provisions as you design what's right for your family.

1. Joining the office

Will you create a role for a family member? This decision can have a significant impact on your family member's success as well as your office's culture and how employees view your family. Creating a role for a family member can have advantages, but the decision needs to be considered carefully, as the risks may outweigh the benefits. Some questions to ask include:

- If a role is created, is there a real business case for it, is it clearly defined, and is this the right role for the family member?

- If a role is created for a family member, what signal does it send to the employees? And what signal does it send to other family members?
- Will this decision threaten the retention of key employees who may sense nepotism or have concerns about how decisions will be made going forward?

2. Experience and educational requirements

For younger family members, getting experience outside the family office is critical for personal development. A common challenge I see when advising clients is that family members who haven't had meaningful experiences outside the safety net of the family enterprise often admit (in the privacy of our conversations) that they don't feel confident and don't feel they've earned their position.

This self-doubt is not only damaging for those family members, but their insecurity often permeates their day-to-day decision-making. As you think about outside experience and education, consider:

- Does a family member need outside experience to join the office? Does that outside experience requirement depend on the role they will take?
- How many years of outside experience do they need?
- What is considered "acceptable" outside experience?
- What are the education requirements and/or advanced degrees expected?

3. Managing family and monitoring performance

The stakes can be high for anyone tasked with managing a family member. Should a manager sugarcoat feedback or be direct? What if the family member doesn't like the manager or their feedback? Could there be retribution?

Being clear about how to manage family and evaluate their performance is critical to the success of family members as well as of those in the position of managing them. To alleviate risks (and the often awkward challenge of managing family), give some serious consideration to how you're preparing managers.





The participation plan should be grounded in your family's shared values and should reflect the ethos and culture you hope to achieve in the office.

Questions to consider include:

- What training needs to be put in place to prepare the manager of a family member?
- How are expectations communicated to the manager and the family member?
- What provisions are in place to protect the manager who manages a family member?
- What ensures family members are held accountable to objective performance metrics and constructive feedback?
- If a family member is struggling with performance, how is that communicated to leadership and the family?
- Will family members get formal performance improvement plans if they are not meeting expectations?
- Who is ultimately responsible for the termination of a family member?
- Who needs to weigh in on a termination decision?

4. Compensation

Family compensation (and managing perks) is frequently a source of tension in a family office, and the “right” decision is often opaque. If your family compensation and benefits program is overly generous, you may be incentivizing the wrong motivations. If the program falls short of the market rates, you may find family members choosing to take their talents elsewhere. To think through the tradeoffs, consider the following:

- Should family members get paid more because they are family, and there's a desire to have them involved in the office?
- Should family get paid less than market rates because they get additional benefits to make up for the delta?
- How do long-term incentive plans factor in? Does the family participate in those as well?
- What perks will family members have access to, and what are the implications?
- Are clear policies in place to manage those perks?
- Who makes decisions around bonuses, and how is that process going to be objective and transparent?

5. Marriage contingencies

To maintain harmony in the family, it's critical to be clear about how the family is going to address marriage and spouses participating in the enterprise. Without clear policies, ambiguity can quickly lead to chaos if the bonds of marriage fall apart. Simultaneously, a marriage can offer the benefit of a partner who brings a fresh mindset or a wealth of experience to the family that may not exist elsewhere. Considering this, give some thought to the following:

- What is the policy for having spouses working in the office? How about both partners working in the office?
- How will you mitigate conflict in the event of a separation or divorce?
- How do you make a difficult decision if the spouse is integral to the success of the office?
- How are you socializing the policies with family members and spouses?

6. Retirement

Retirement is difficult for anyone, but it is particularly difficult when a family member has dedicated their life to building generational wealth. However, when a family leader doesn't retire or they only semi-retire, it can create significant challenges for the next generation of leaders as well as the management team. Being intentional about retirement and having the conversation early can help alleviate the frustrations that accompany trying to tell a senior family leader, "It's time." To mitigate the challenges of an intransigent family leader, consider the following:

- Is there a mandatory retirement age for family members?
- Recognizing that the next leader will never fully be "ready," how is a support system built around the future leader to facilitate a smooth handoff and de-risk retirement for the outgoing leader?
- Are decision rights explicit? What happens if the outgoing leader continues to insert themselves in decisions?
- What compensation, benefits and perks are available to retiring family leaders?

A platform for generational success

There are enormous benefits that accompany the generational wealth housed in family offices around the world, as any family beneficiary will surely note. But with those advantages come challenges and burdens that are difficult to articulate and harder to solve. A thoughtfully crafted family participation plan is not a silver bullet, but it is a powerful step toward transforming well-intentioned involvement into meaningful contribution. It provides the structure needed to honor both the office's mission and the family's legacy, thereby reducing confusion, aligning expectations, and creating space for trust to grow.

In the end, when family roles are clear and governance is embraced, the office can shift from being a source of tension to becoming a true platform for generational success, making it more fun because of the family, not in spite of them.

Joshua Gentine

Founder and owner of Bench Consulting, Josh is a family office advisor, helping clients navigate family engagement and governance in complex multi-generational enterprises. He is also an owner and board director at his family's company, Sargento Foods Inc., a director at a large family-run auto dealership group and is a professor of the practice at UNC Kenan-Flagler Business School's Family Enterprise Center.

Human capital

Key person risk in the family office

The hidden costs of long-term loyalty



Bill Stranberg
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Key person risk emerges when critical knowledge, relationships and decision-making authority are concentrated in one or two individuals.

Key person turnover—the loss of an employee with expert, intimate knowledge of the family business—represents one of the greatest internal risks to family office success over time. Yet most family offices remain unprepared to manage this risk effectively. Understanding the risk, its origins, and strategies to mitigate it can help ensure your family office endures over the long-term.

One of the defining strengths of a family office is the longevity and dedication of its people. Trusted executives and advisors often remain in place for years if not decades, becoming institutional anchors—keepers of history, values and relationships. In many cases, they are seen not just as employees but as extensions of the family itself.

That same loyalty, when left unchecked over time, quietly compounds into vulnerability. Key person risk isn't always a financial loss that comes with losing a key person. It can reveal itself not just in knowledge gaps or operational hiccups—but in structural collapse. It's in realizing—too late—that you never understood how much you had come to depend on that person.

Key person risk emerges when critical knowledge, relationships and decision-making authority are concentrated in one or two individuals without a documented scope, succession plan or leadership development strategy. Is your office at risk? Here's a quick test: Think of someone who has been with your office for more than a decade. Can you find a role description that accurately describes their responsibilities?

If the answer is “no,” you are not alone.

This happens because without planning and documentation, key people absorb responsibilities informally. New people to the office need to prove themselves, so when the boss says jump, they jump. No task is outside their scope. As a result, trust, responsibility and authority do not expand according to functional excellence, but according to who is universally dependable.

A key person isn't always a senior executive. It could be a family principal, a long-serving employee or even a junior team member who has become essential. These aren't necessarily the individuals you hedge with a "key person insurance policy"—they're the ones your operating model has made indispensable. Their value is undefined and therefore untransferable. And when they leave—whether for a new job or retirement—they don't just take institutional memory. They take stability, trusted relationships and the invisible glue that holds the office together.

Why families value long-term loyalty

While a family office is technically a financial services organization, viewing it solely through that lens misses the point: the office serves a family. It isn't a hedge fund or investment bank. Employees in a family office are exposed—often unfiltered—to the full emotional and interpersonal reality of the family: conflict, hope, aspiration, disappointment, success. Yes, managing wealth demands discretion. But it's the personal character and reputation of the family—not just the assets—that drives the need for long-term, loyal employees.

Three core beliefs underscore long-term loyalty:

- 1. Trust and confidentiality:** Families seek people who understand their values and can handle sensitive matters quietly and faithfully.
- 2. Cultural fit:** Loyalty and alignment often outweigh credentials. "Culture fit" usually means values compatibility, not operational precision.
- 3. Handshake agreement:** In lieu of a formal documentation and compensation policies that come with employment, families prefer the flexibility of a firm handshake with the commensurate eye-contact that says, "If you prove yourself dependable, we'll take care of you."

These beliefs foster deep trust, and as loyal employees prove trustworthy and dependable, they establish long-term career security. But without clear governance, documentation and succession planning, dependable employees become indispensable. And that's when long-term loyalty becomes long-term risk.

When loyalty becomes liability

Picture a young professional hired to support a growing family office. They prove themselves quickly—not by drawing hard boundaries, but by taking ownership. No task is beneath them. Over time, their initiative is rewarded with increased responsibilities. Fast forward ten or twenty years: they are no longer just an employee—they are a trusted internal advisor. Trusted beyond reproach. One of the family.

This is the arc of loyalty. And it works—until it doesn't.

The central challenge of loyalty is that its limits often emerge when personal needs begin to conflict with organizational demands. A better-paying offer, a shift in life priorities, or the gradual weight of overdependence can prompt even the most trusted employees to leave. When they do, family offices are frequently caught off-guard—scrambling to fill the void. This kind of talent vacuum can destabilize the organization. If the office rushes to hire without a clear understanding of the departing employee's value, replacements often struggle. Many new hires fail or exit within a year. Beyond the financial cost, these misfires erode morale and shake principal confidence.

The sudden loss of a trusted employee can be a traumatic experience, but a more pernicious slow-evolving problem is endemic in long-term employment—the gradual breakdown of oversight.

As loyalty deepens, scrutiny often fades. Systems that were once rigorous become casual; reporting lines blur; accountability becomes assumed rather than verified. Without intentional checks, the trusted few operate with increasing autonomy and decreasing visibility. This environment invites a wide range of issues: sloppy work



hidden by good intentions, critical tasks delayed or neglected, and in extreme cases, ethical breaches that go unnoticed until significant damage is done. A family office that relies on trust alone, without reinforcing it with sound governance, slowly undermines its own foundations.

Loyalty, at its core, implies permanence. In family offices, it's not a short-term ask—it's a lifelong expectation. It fosters a deep mutual dependence that is expected to endure indefinitely.

The greatest challenge arises when key individuals won't step aside. Driven by comfort or fear, some principals and executives outstay their effectiveness. Entrenchment takes hold when someone—family or not—resists oversight, defers succession planning, and places personal security above the long-term health of the enterprise. Masquerading as stability, these individuals become bottlenecks: slowing decisions, monopolizing relationships and shifting their attention from the organization's mission to the preservation of their own role.



Key indicators of entrenchment

Self-preservation over stewardship

Decisions prioritize personal security or legacy at the expense of the family office's long-term goals.

Information control

Critical knowledge remains undocumented or siloed, making the individual indispensable by design.

Refusal to delegate

Tasks and relationships are hoarded to maintain relevance and perceived irreplaceability.

Low trust in others

A belief that "only I can handle this" undermines team development and succession planning.

Resistance to oversight

Governance structures are met with defensiveness—seen as threats rather than tools for continuity.

Stagnated Innovation

Entrenched executives focus on what works best for themselves, not the office. As a result, offices with entrenched executives fail to seize on opportunities in a timely manner.

Attrition

Other employees exiting the office is one of the hallmarks of entrenchment. Low-trust environments where upward mobility is stifled are not conducive to productive work.

Defensive thinking

Innovation and outside ideas are dismissed reflexively, regardless of merit or alignment with strategy.



Entrenchment stems from loyalty—a byproduct of deep, sustained commitment. Yet it confronts a hard truth: a well-run office must outlast any one individual. While the office evolves and demands new skills, the entrenched executive relies on maintaining the status quo, often holding a position of unchecked authority. This imbalance undermines adaptability, erodes transparency and stalls succession planning. When the separation finally comes, it's rarely smooth.

Entrenched principals risk court battles with family. Entrenched employees leave behind cultural damage and operational blind spots. What's left is often undocumented, unclear and hard to recover.

How common is key person risk in family offices?

Key person risk is a rampant issue. Research shows that the continuity of many family offices rests on the shoulders of a few individuals, with no real backup plan in place. This is not surprising, given that the majority of private wealth is held by people over 60 years old and managed by trusted key advisors from the same generation.

In a global Dentons survey, 54% of family offices cited key person turnover as their greatest internal risk—more than any other concern.¹ Yet most remain unprepared to manage that risk effectively.

Succession planning is one of the biggest gaps. Campden Wealth reports that 57% of single-family offices have no succession plan at all, and only 15% have a formal written one.² Even more telling—one-third of those without a plan still feel confident in their continuity strategy, suggesting a dangerous gap between perception and preparedness.

The family office landscape is undergoing rapid transformation. The well-documented transfer of generational wealth, coupled with new wealth creation by Gen X and Millennials, is fueling growth—particularly among offices that are more agile, tech-enabled and investment-oriented. Many newer family offices now offer executives opportunities to co-invest alongside principals, enhancing the appeal of family office positions.

However, the talent landscape is under strain. The sector's expansion has attracted a wave of finance-focused professionals—both seasoned and emerging—who often view family offices primarily as investment vehicles. This narrow lens, combined with increasing competition, has made retention a challenge. Over half of family offices report difficulty holding on to top performers, and one-third of professionals are actively considering a move. A common friction point: long-tenured executives occupying key roles with limited room for advancement, prompting high-potential talent to seek opportunities elsewhere.

Mitigating key person risk

Family offices can reduce key person risk without undermining the culture of trust that defines them. But doing so requires more than good intentions—it requires updating assumptions, modernizing operations, and planning deliberately for leadership continuity.

Many offices still operate on outdated models, shaped by the example of long-serving gatekeepers that have supported (and depended upon) wealthy families for decades. That precedent often becomes the default template for future leadership: What worked 30 years ago will work again today. But the world those models were built for no longer exists.

Seven essential strategies

Continuity doesn't come from replication. It comes from evolution. To reduce key person risk while preserving trust, family offices should focus on seven essential strategies:

1. Strategic planning

Define how the needs of the family will evolve over time. This is your evolving mission. Role qualifications, performance metrics and compensation design should all stem from this plan.

2. Operational succession planning

Document succession plans for all critical roles—not just the CEO or CIO. Start early, involve stakeholders and treat succession as a continuous process.

3. Knowledge transfer and cross-training

Require documentation of workflows, relationships and decision history. Use centralized tools and run periodic “fire drills” to identify gaps. Ensure team members are trained to step in if needed.

4. Delegation and decision rights

Use decision matrices to clarify accountability and authority. No relationship—internal or external—should rest solely with one person.

5. Governance and oversight structures

Create structures such as boards or committees that include independent members—not just those with personal ties to the principals. Third-party reviews reinforce objectivity and build resilience.

6. Talent mapping and development

Identify key contributors and evaluate succession readiness. Develop internal talent benches and cultivate external pipelines. Give rising family and non-family leaders the exposure they need to grow.

7. Abandon the “employee for life” mindset

You can't predict whether today's skill set will be relevant five years from now. Foster a culture of loyalty and competency—where skills evolve in step with the needs of the family. Plan and be prepared for the exit of any principal or employee.

Mitigating key person risk isn't just about continuity. It's about honoring what long-term loyalty built—while building something resilient enough to last long after the loyalist has moved on.

Bill Stranberg

Bill is the Managing Partner at Stranberg, a boutique firm focused on leadership transitions in family-held entities. He specializes in guiding family offices through executive transitions, ensuring alignment across governance, ownership and leadership. Bill helps family principals articulate a clear shareholder vision and design the leadership structures and accountability systems necessary to sustain that vision over the long term.

¹ *The Evolving Risk Landscape for Family Offices - Survey Report*, Dentons, May 2024.

² *The North America Family Business Report*, Campden Wealth, 2023.

In conversation

Consolidated reporting: A function whose time has come

A Family Office Solutions podcast



Jeremy Langlois
Managing Director,
Data Solutions
iCapital

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Our Family Office Solutions podcast features a conversation with **Jeremy Langlois**, Managing Director, Data Solutions for iCapital, which provides consolidated reporting and outsourced consolidated reporting solutions for family offices.

Jeremy grew up playing hockey and after completing a graduate degree in finance, was signed to play professionally. In his first off-season, he had an internship at a private equity firm, where he had a mentor who not only gave him a great knowledge base in new issues and debt deals, but also encouraged him to think about the future and how technology was developing.

Jeremy injured his hip during his second pro-hockey season and while doing rehab, started thinking more about the intersection of technology and finance. During this period, he met Mirador CEO and co-founder Joe Larizza, who at the time only had a rough business plan. They decided to develop Mirador together—even with Jeremy continuing to play hockey during the initial years.

Highlights of their conversation include:

- The value of consolidated reporting and data mining for decision-making
- Ways family offices engage with reporting data
- When outsourcing makes sense
- The art and science of reporting
- How the industry is evolving to meet increasing needs



Mirador's genesis was the demand for consolidated reporting—going from legacy Excel spreadsheets to a tool that can aggregate hard-to-track data, so you can get a full picture of what you own on a real-time basis.

Excerpt

Kristen: Jeremy, could fill us in on how Mirador/iCapital developed from your first meeting with Joe Larizza?

Jeremy: Our first client was a multibillion-dollar global family office based in Connecticut serving a family with four generations. We were tracking everything from liquid cash equities to fixed income, to alternatives, private equity, hedge funds and direct investments. The reporting platform we built still operates on Addapar. We really worked to establish ourselves as the experts when it came to consolidated reporting and acting as an extension of our firms and our families while advocating for these performance reporting systems.

We steadily built Mirador over a decade to service family offices as well as larger wealth managers. Then in May of 2024, we were acquired by iCapital, which has been very synergistic for both companies. iCapital is the leading alts platform out there. They tech-enabled what had been very inefficient workflows for investing in alternatives. That said, there were cases where clients had alternatives outside of the core platform, and that's the area that Mirador specialized in—tracking any asset no matter where it's held. So now iCapital can work with our clients, wealth managers and families, tracking and aggregating assets all across any asset class.

Kristen: Thank you. Can you talk more about the problem that Mirador was addressing—the problem of staffing this function inside a family office and how it came to be?

Jeremy: Yes, the genesis was the demand for consolidated reporting. Joe's prior firm was an independent wealth manager using one of the largest asset aggregation or data gathering tools available to provide consolidated reporting for families. The problem was that a family might have \$50 million with that firm, but \$100 million outside. The idea was to be able to offer consolidated reporting all on one platform through one firm. Many families at the time were receiving fragmented reporting across multiple institutions, so they had assets at one firm, but they were also going direct into private equity deals or real estate and had direct investments in art or wine. We were able to say we can take you from your legacy tools and Excel spreadsheets to a newer tool that can aggregate all of this data on a nightly basis, and we can track and manage all of the alternatives and hard-to-track assets, so that you can actually get a full picture of what you own on a real-time basis.

Kristen: What do you notice from family office clients that initially managed the consolidated reporting function in-house and then outsourced it?

Jeremy: Well, the question many family offices most ask is, “What are other family offices doing?” This question is usually followed by, “How do we know what is good reporting? Are we getting the most out of our reporting systems?” It goes back to asking them how they are handling their investments, whether they are leveraging firms like UBS and how they are handling the accounting/tax side. What is their operating model internally? Do they have internal resources that are doing some of these activities or are they a virtual family office and leveraging other counter-parties to execute their work?

Obviously, we prefer to engage with families at the front end of selecting some of these tools. We get most of our clients coming in when they have already selected or are thinking about selecting the tool and are trying to figure out whether to outsource it or if we leverage iCapital data solutions to help operate the tool. Often clients come when they lose a key employee or subject matter expert who took the time to implement the system and then left, so the family office is panicking to figure out who can fill the seat. In some cases, it may be the president of the family office, or CIO, or CFO who is now tasked with data maintenance and a technology that they

don’t know how to use, so they often struggle to get the most out of the system. At the end of the day, you do need dedicated expertise to run these reporting systems.

One of the things that I notice most about working with clients, is that they are managing the system as needed to run a monthly or quarterly report, but they’re not doing it daily. So, when they go to run their monthly report, they have a mountain of tasks that builds up and makes it very hard to efficiently run the business. I call it having good hygiene. Like brushing your teeth every morning, you need to check your data in the morning to make sure you’re getting everything out of the tool.

At the end of the day, most of these family offices deal with what I call the fractionalization issue. They have a need to build and operate these systems, but they may only need a half of a person, or three-quarters of a person or a person and a half. So, it’s a push-pull to get the resources they need at a given time.

When we engage with our families, we usually start with understanding the inputs of the data and the desired output, depending on who is going to need access to that data and information. Once we do that, they often want to see more and that’s the benefit of leveraging a third party that lives and breathes these systems on a day-to-day basis.





Kristen: What are some of the ways that family offices engage w/ this data? What have you found that is unique or surprising?

Jeremy: It depends on who you are asking within the family office. On the investments side, they want to look at timely returns and risk calculations that drive a lot of the performance and rebalancing. On the accounting side, they typically are looking for realized gain information, dividends, or distributions and rules that may be feeding general ledgers. Family members may want a monthly report or something to show the next generation their ownership that's not a pooled trust. A trustee or board member may want to look at how investments are adhering to target allocations, what's happening within the overall portfolio. We work with our clients to understand the dynamics and the operating models so that we can provide the appropriate outputs.

Most families end up having standardized monthly and quarterly reports that can be run at the click of a button on a variety of different levels. These reports are a mix of art and science, matching the demands of the consumer, but also making sure information is scalable and repeatable.

That's the value of consolidated reporting—that you have those standardized report packages so that everyone can be speaking the same language when they sit down together as a group. When it comes to the future, the next gen is looking at portals and apps and the ability to customize that data where necessary to fit their needs. I think that as these trends continue, having people that understand the data as well as the dynamics of the family office is key.

The silver bullet that every family office is looking for is to marry the performance reporting with the general ledger data in one platform.

There are new and unique ways for family offices to interact with this data. For example, we had a real estate family that started with us just looking at their investment portfolio. It was a second-generation family with a lot of joint ownership of different vehicles, investing across public and private assets as well as real estate. We had a single line item for each of the trusts and then added not only the value, but the liabilities, the debt and the cost to complete. They could see gross and net across each of the hundreds of properties that they own. Taking general ledger data, we could also show operating cash across all these different portfolios. So now they can see the joint ownership across all the entities as well as what percent the trust owns for each of the properties. The family office head commented that this was the first time that the trustees had a full picture with the weightings of all the underlying entities. This helped them make decisions about when to invest in the operating business versus continuing to deploy money to the public and private side. So that's a great example of how families start in one place but are able to evolve over time in interesting ways.

We're in a period of lots of volatility and this is usually where clients run a lot of reports. They want ad hoc reports that show performance on a daily or weekly basis. What do our terms look like? Where is my cash? How much cash do I have to deploy? When you have everything consolidated on one system and you are doing that daily hygiene, you can facilitate those requests in an easier manner. During times like this, we are seeing families using reporting in a unique way and keeping up to date information so they can be better prepared to make better decisions with that framework.

Kristen: There has been a lot of innovation and entrants into the consolidated reporting market in recent years. Where do you think the space is going?

Jeremy: There's a ton of money being spent to track clients to grow wallet share. You have firms like Addapar that are spending \$100 million a year on tech to improve the platform, so keeping up with the Joneses is increasingly more expensive. Given the costs, I think you will see more consolidation in the industry. But you must be smart about which tool and platform you're going with and whether it has staying power for the next five plus years. You really want to take the time to select the right tool, so you don't go through multiple implementations.

The silver bullet that every family office is looking for is to marry the performance reporting with the general ledger data in one platform, rather than trying to integrate multiple systems. When I talk to clients who are located in different jurisdictions, they're still consuming their data from multiple sources.

I think when you look at how technology is evolving, AI is really shaking up the space and will continue to do so. It is easier than ever to build tech to attract data, to assist the tech team in translating data and prompting it with questions. I think the next layer for many of these platforms will be using AI to help the user and to help the platform grow and scale.

Kristen: Jeremy, before we leave today, is there anything else that you'd like to leave our listeners with?

Jeremy: For both advisors and families, you need to do your homework and speak with folks in the industry. Family offices are very dynamic. There's understanding the technology, but more importantly, there is understanding the people and the actual business behind the family office to make sure you are meeting needs across both.

Listen to this podcast on ubs.com/inconversation

Jeremy Langlois

As Managing Director, Data Solutions, Jeremy oversees business development for the data management and performance reporting unit of iCapital. He is a subject matter expert in financial reporting and leverages today's leading financial technology to provide Data Solutions' clients with premium reporting solutions. Previously, Jeremy was the Chief Revenue Officer of Mirador, Inc., which was acquired by iCapital in 2024.

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