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2022 National Family
Office Forum report

Family forward: Moving confidently into the future

Family offices are flexing their muscles. Traditionally focused on balanced, longer-term financial assets, today's single family office (SFO) is a multifaceted operation offering many of the same services as a top-tier private bank or investment firm. At the same time, the family office remains a bespoke institution reflecting the attributes and ambitions of the family it serves.

Opportunities may lie just around the corner. But getting there can be a journey that requires adapting to a new normal. That includes:

- **Reimagining work** to accommodate new talent models, revised compensation structures, a culture of well-being, and more digital ways of working
- **Making sense of complexity** as family offices navigate the increase in direct investments, the rise of crypto assets, and the ever-evolving regulatory environment
- **Staying ahead of risk** in a world of virtual connectivity, multiplying operational processes, and unpredictable family dynamics

That's how we arrived at the theme for Deloitte's fourth biennial National Family Office Forum (NFOF). "Family forward: Moving confidently into the future" is an acknowledgment of the unprecedented change that has taken place in the last few years and a message of optimism for those who turn the change to their advantage. To support this theme, we brought in a lineup of speakers with fresh ideas to share, while leaving ample time for attendees to make new connections and renew old ones.

In this summary, we expand on each of the theme's pillars—work, complexity, and risk—with key takeaways from the 2022 conference. We also share highlights from our pre-conference survey, which explores these same topics and more. Some of the survey questions are reprisals of previous ones to show year-on-year trends. Other questions are new. Either way, we hope they shed light on where you stand relative to your peers.

Deloitte has worked with family offices for decades. We've helped them as they set up new offices and restructure existing ones. We've collaborated on issues ranging from philanthropy to technology to global mobility. And along the way, we've watched SFOs take on growing importance in the financial services ecosystem. We can't wait to see what the future brings.

Sincerely,

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Addressing today's and tomorrow's family office challenges

The National Family Office Forum is designed to help you address the opportunities and challenges in front of the family office today, as well as the ones that are just over the horizon. To build on the discussions that took place this year, please visit the [Family Office hub on Deloitte.com](#). To download the session materials from this year's Forum, please visit the [2022 Deloitte National Family Office Forum portal](#).



"As a new member in the family office industry, it was evident the family office network and sharing at the Forum was unparalleled."

"I have been to all four events. You have listened to all of our collective feedback and made each event better than the prior."

Topics covered at the 2022 National Family Office Forum

Plenaries	Professional & leadership development electives	Greenhouse Lab elective	Tax & advisory electives
<ol style="list-style-type: none"> One family office's journey on establishing an enterprise risk management framework The family office from Bill Woodson's lens - co-author of "The Family Office – A Comprehensive Guide for Advisers, Practitioners, and Students." Leadership succession: A discussion with family office CEOs Family story: Aligning a common purpose and generational transition 	<ol style="list-style-type: none"> Elevating risk intelligence Establishing family governance and leadership structures Personalizing the talent experience: A conversation about culture and well-being Attracting and retaining the best talent in an increasingly competitive market Proliferation of digital assets (aka crypto) 	<p>Transforming the family office: Rethinking processes, technology, and talent to increase the value delivered</p>	<ol style="list-style-type: none"> Federal tax policy update: Politics, proposals, and prospects Family office structuring and talent compensation arrangements What's next for philanthropy in the 2020s? How family enterprises can compete effectively for attractive acquisitions Navigating the growing complexity of multistate taxation IRS examinations of high-wealth individuals and their partnership investments Key operational risks facing the modern family office Family investment partnerships hot topics and trends Cyber fraud threats and methods

Survey highlights

Resiliency is a common theme as family offices seek to address short and long-term priorities while continuing to deliver on their organization's mission.



Operations is the most pressing concern

Top three challenges for the family office right now

1



Enhancing the operations of the office through process or technology changes

2



Understanding the true expectations of the family

3



Managing the investment returns and opportunities the family wants to pursue

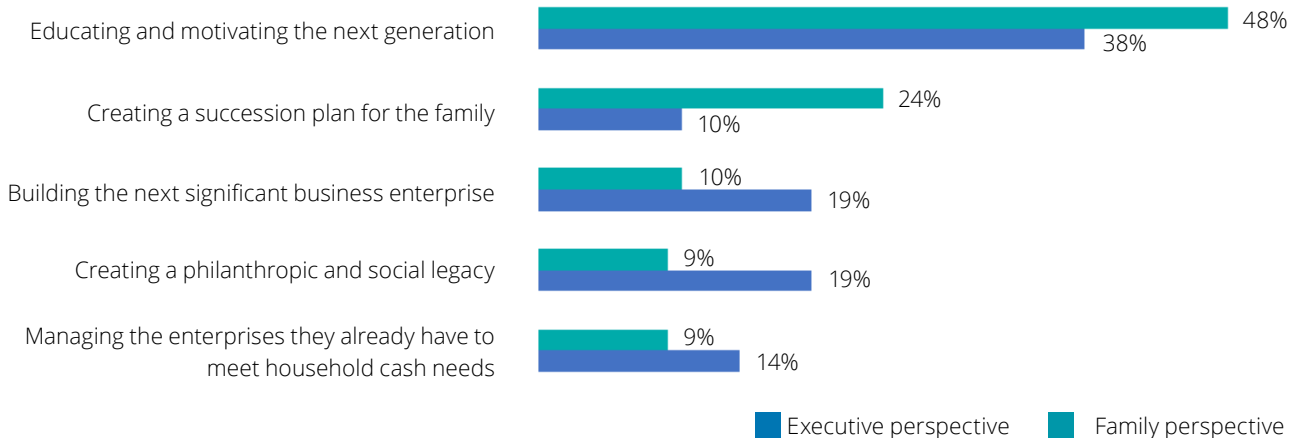
62%

of respondents indicate their SFO is focused on philanthropy



Many respondents see succession planning as an underappreciated need

Most important and strategic long-term challenge facing the family



Source: Deloitte 2022 National Family Office Forum survey

Reimagining work

Historically, many family offices attracted talent by offering opportunities to work directly with family members, comprehensive benefit packages, and a more defined schedule. But the market for financial and tax talent has become tight. SFOs may now be rethinking their talent models—including where work gets done, how staff can be retained, what work can be outsourced, and how automation can streamline their processes.

During the peer group breakout sessions, many attendees noted that the families they serve previously expected their professionals to come to the office five days a week to maintain the culture and protect their personal information. However, flexibility on workplace location has become a requirement to retain, attract, and recruit new talent. Competitive compensation packages have also become critical. Many leaders are evaluating long-term compensation plans, including deferred compensation plans tied to appreciation in the family's investment portfolio or co-invests or carried interests in family investment partnerships, as strategies to increase retention and remain competitive.

During the Greenhouse Lab elective, many SFO leaders indicated that they're evaluating certain processes to determine whether they need additional resources or whether those processes can be streamlined and automated. Family office leaders are also evaluating the skills their teams need and looking for talent with different technical backgrounds to challenge the status quo. Many SFOs are pursuing professionals with strong technology and automation skills to revise processes that have remained unchanged for decades.

Finally, there has been greater emphasis on creating a culture of well-being. Whether through work-from-anywhere days, flex schedules, or exercise and well-being challenges for the office, SFOs are rethinking the career experience for their professionals. One way to create a culture of well-being is by taking a small step each day. Small steps can offer room for cultural changes to take hold, while adding up to big differences over time.



“The peer group breakouts were outstanding, especially the one where the group was divided by number of employees.”

“Great to hear how other family office leaders are approaching the hybrid work environment and working to ensure culture remains within their teams.”



Survey highlights

Survey respondents indicate a focus on consistency and efficiency, with people, processes, and technology all on the table for action this year.

43%

of respondents indicate they have a **formal approach** to family office executive **leadership succession**

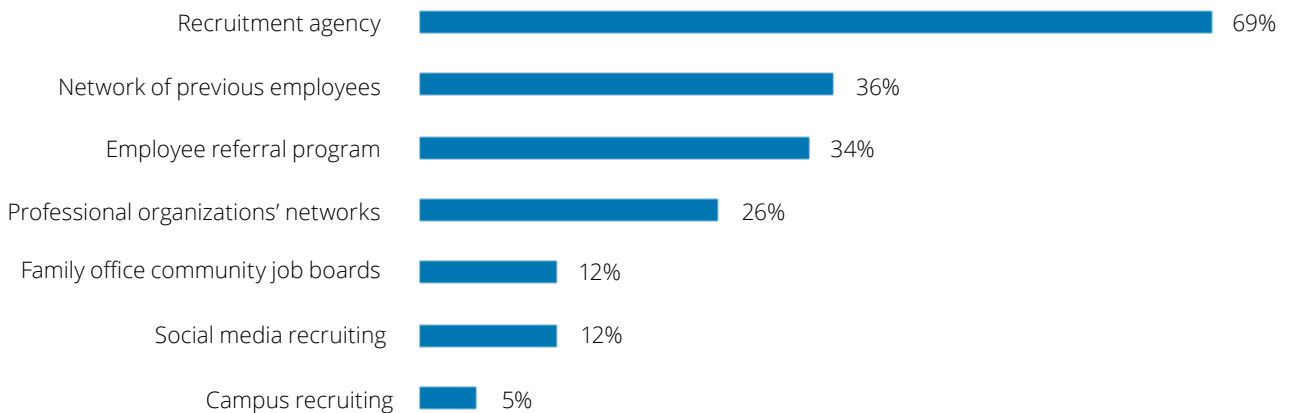
68%

of respondents plan to analyze existing processes to identify opportunities to **reduce redundant steps** and/or to **automate certain tasks** this year



For most respondents, agencies are a key source of family office talent

Recruiting approaches that have been successful in expanding the talent pool



Source: Deloitte 2022 National Family Office Forum survey

Making sense of complexity

The world wealthy families help shape continues to become more complicated. Many families are venturing into more involved asset classes, such as direct private equity and digital assets, and offering family members the opportunity to participate through family investment partnerships. For family office leaders, this trend raises questions on how to wrangle data, maintain proper controls, and report out to the family.

Separately, philanthropy continues to evolve as powerful social, economic, and geopolitical trends create fundamental changes in the philanthropic landscape and shape how families approach their commitment. Add the prospects of tax reform, coupled with the Internal Revenue Service's focus on wealthy families through its Global High Wealth program, and family office leaders may have a complicated framework to navigate for their family. A balance of strong leadership and technical acumen has perhaps never been more important.



“Outstanding insights and expertise on developing areas, including digital assets and direct investing.”

“You have done a great job of balancing soft and technical topics.”



Survey highlights

Many family office leaders are adapting their planning and investment efforts as they navigate an uncertain future.

48%

of respondents say some of their family office's portfolio is **invested in cryptocurrency**

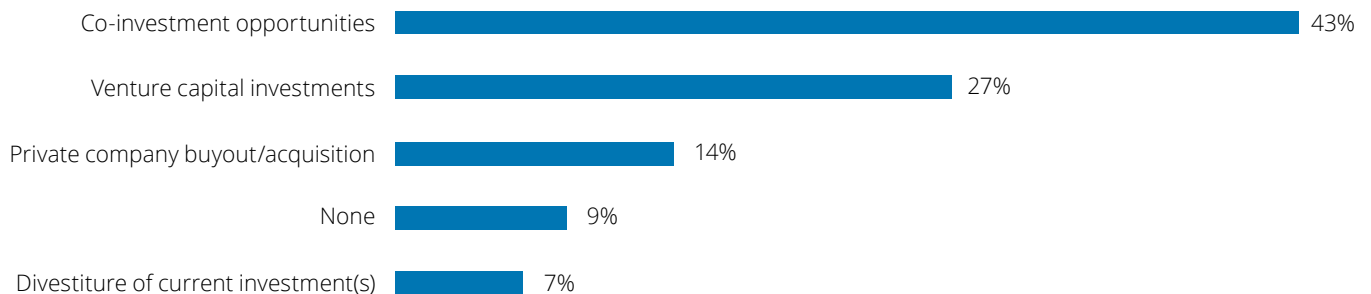
45%

of executives expect to focus their planning efforts on **transfer tax** in response to the increased gift/estate exclusion, compared with 39% in 2020



For many respondents, co-investment opportunities are on the agenda

Transactions most likely to consider in the next 12-18 months



Staying ahead of risk

From global assets, cyber crime and hybrid working environments, the risk environment for family offices is constantly evolving. Under these circumstances, senior executives often need to tighten their governance.

Thoughtful risk governance has multiple benefits for the SFO. It can boost performance by enabling risk-based decision-making, which can help balance value creation and asset protection. It can also enable the executive team to fulfill their risk-related responsibilities by clarifying risks to the enterprise and ensuring that those risks have been addressed. Beyond that, effective risk governance can build trust by providing visibility into risks as well as assurance to stakeholders. Most SFO executives in attendance indicated their risk capabilities were still in the early stages of development. But by building risk practices into decision-making across the enterprise, the family and family office can selectively seize the opportunities that risks present.

During one plenary, the attendees had the opportunity to hear from Bruce Betters, CEO/CIO of Marshall Street Capital on the specific journey the family office took in identifying, prioritizing, and then outlining remediation steps against the array of risks faced. Bruce emphasized the importance of scaling and customizing the risk journey and that the process of assessing risks is an evolving process which is reviewed and revised as new issues and opportunities arise across the organization.



“Nice blend of strategy content and tactical content.”

“As a new family office leader, the ability to hear how my peers approach risk was invaluable.”

Survey highlights

Risk management, a perennial concern for family offices, takes on a different light amid an evolving cyber threat landscape.

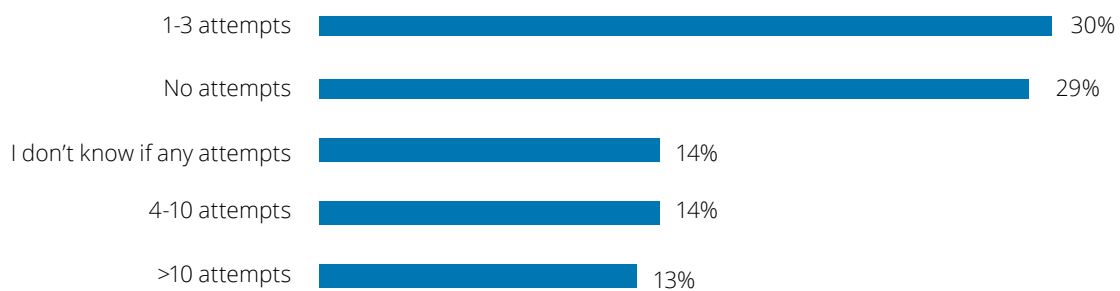
50%

of respondents say their family office's **risk management capabilities** have matured beyond the developing stage



Most family offices surveyed have been targeted for cyber crime

Attempts to fraudulently obtain funds from the family office through email or other electronic communication during 2021



Source: Deloitte 2022 National Family Office Forum survey

Let's keep the conversation going

Looking ahead

Tax policy, new laws and regulations, advancing technology, shifting geopolitical climate—these and other issues are perennial challenges for the family office. Against this backdrop, moving confidently into the future requires a carefully crafted strategy that may touch on the following considerations:

- Many family offices have been around for decades. At some, the leaders may be weighing retirement and the opportunity to turn the reigns over to a new leader with a fresh vision. What does the succession plan for SFO leadership look like, and how will the next leader be set up for success?
- Many new family offices are being formed as a result of significant liquidity events. These SFOs typically have few preconceived notions about family offices and need talent who understands this unique environment. Under these circumstances, what is the most effective approach for challenging orthodoxies and implementing change?
- The competition for talent will likely heat up even more, with old SFOs, new SFOs, and professional services firms all recruiting from the same pool. What talent, compensation, and retention models are needed to remain competitive in this kind of labor market?
- On top of that are the many risk factors impacting wealthy families: new asset classes, more sophisticated cyber criminals, risks associated with succession planning, and more. What are the different domains of risk affecting SFOs, and what can be done to implement practical, sustainable risk processes?
- Each family enterprise is a complex cocktail of family dynamics combined with management, ownership, and economic interests. What principles, practices, processes, structures, and relationships are required for the family to achieve their desired objectives?

That's a lot for any SFO to deal with, and it may not be realistic to develop in-house expertise in every area. But there's one thing every SFO leader can do. They can evaluate where they're willing to take risks to grow the family's assets, while protecting the assets that exist today. If you have any questions, or simply would like to continue the discussion, please contact us.



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