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The Family Office Insights Series - Global Edition

The Fireside: A Family Office Case Study Collection, 2025

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Foreword

Welcome to **The Fireside**, part of Deloitte Private's **Family Office Insights Series**. This is a compilation of extraordinary interviews we have conducted with top family office executives. Representing some of the most prominent families in the world, they offer invaluable peer-led insights and advice that can help family offices navigate the playing field and plan for long-term success.

Additionally, they are fascinating as they pull up the veil on a community that is notoriously private to ask questions such as: Why has one of the world's wealthiest and most high-profile people decided to give away his fortune? What does it look like to watch "the third-generation curse" unfold? What did one of the US's largest family offices do after a cyber criminal successfully hacked their systems? What did family office executives do when the family branches they served decided to split up the office? How does a family office scale up to manage one of the largest personal investment portfolios on the planet? How does a ninth generation family office keep the family close and their legacy thriving?

Please note, as some of the families represented here are among the most high-profile people in the world, to allow their family offices to speak freely, their stories have been anonymized.

We hope these insights prove useful in shaping the future of your family office, and we would like to offer a heartfelt thank you to all participants who generously shared their time and perspectives.

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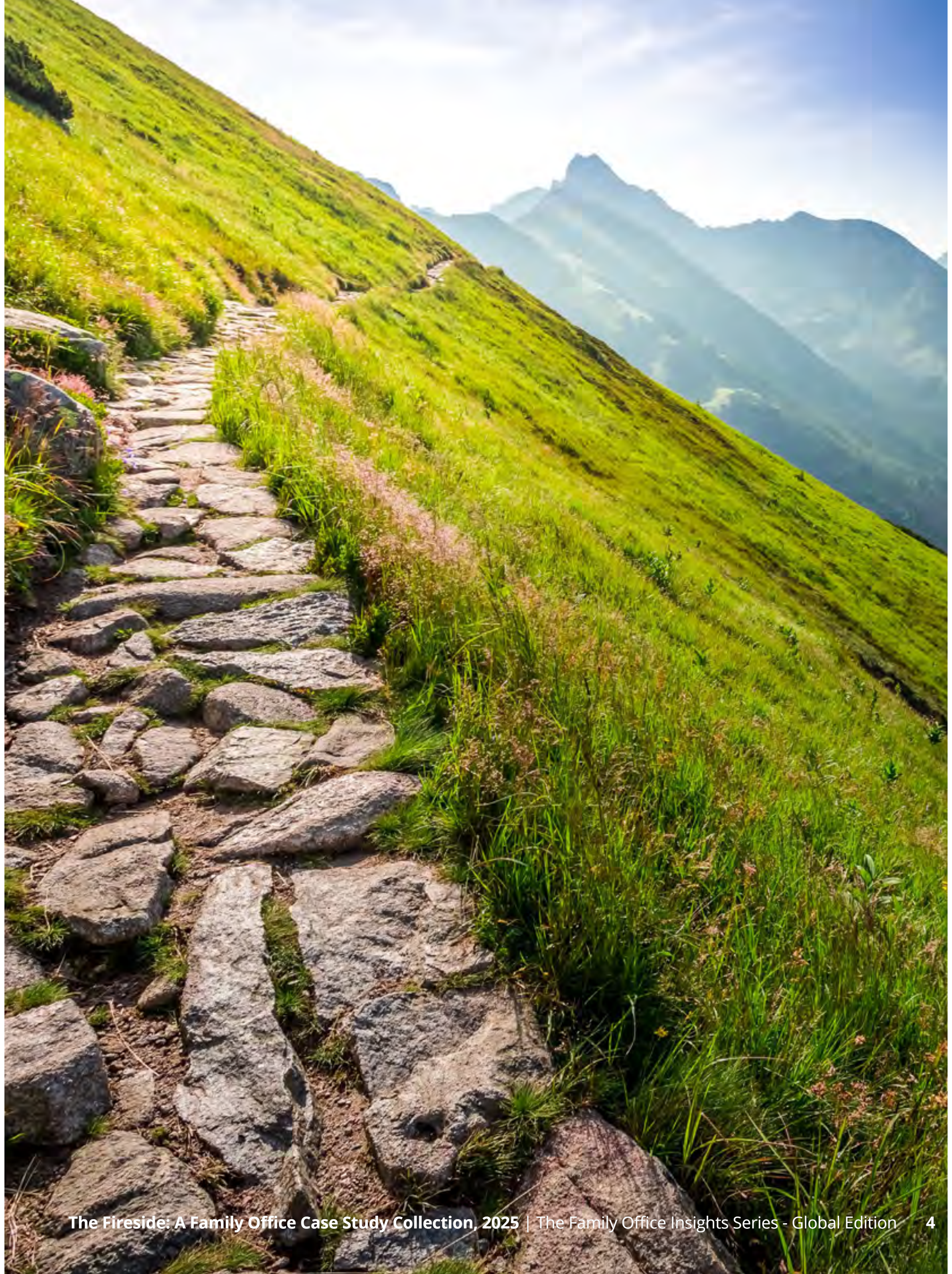


One generation and done:
When one of the world's richest people plans to give away his fortune to better the planet

We conducted an interview with the chief executive officer of the family office for one of the wealthiest and most high-profile people in the world. His mission is to look after the principal and to utilize his wealth to combat some of the most pressing social and environmental issues of our day, including climate change and disease. With a philosophy that resembles the Giving Pledge (a promise by the world's wealthiest individuals to dedicate the majority of their wealth to charitable causes), this fascinating interview takes readers into the world of a family office driven to make a difference.

What is your family office's mission?

Our family office is very large because of the company the principal created. We do a good job investing his money, but we are not looking to triple his personal portfolio. We are here to look after the principal, manage what he has, and, frankly, to give his money away to good causes. The plan is to give away nearly all his money and then shut the family office down. One generation and done.

Where does this motivation come from?

It comes from the principal for sure. It is his mission; we just carry it out.

As you are dealing with such a vast fortune, what will that look like in practice?

In practice, you cannot resolve his estate very quickly. It will take at least five years. We have a private trust company that will continue to run because there are assets that it oversees. Then the foundation will spin-off and become its own entity.

What is your approach to investing in good causes?

We run the principal's core investment portfolio, which is set up for his retirement and is based on minimal-risk, long-term investments. Then, we take on long and arduous journeys and have two areas of focus—one is on climate change, and the other is on neurodegenerative diseases, where we invest the foundation endowment and funds.

Then, in our 501(c)(4) (social welfare organization), we invest directly in funds in which we are the only limited partner, or there might be one other limited partner, but it is with a fund we have created to focus specifically on climate change and science investing. At present, these two portfolios are not the same scale as the principal's core philanthropy, but they are not far off, and over time they may become larger.

For instance, in one area of degenerative health, we are the largest funder of research in the world. We are on par with the United States government, so we have capacity we can bring to bear to accelerate scientific discovery and, ultimately, new treatments.

How do wealth holders effectively tackle such large-scale problems as climate change and degenerative disease?

When we look at a problem, we examine what forms of capital are best to address it in order to bridge an existing gap. Oftentimes, it is more than one. It might not just be philanthropy, maybe it is an investment that has a compromised return, maybe it is also policy change so we turn to our 501(c)(4). The benefit we have is that we run coordinated teams that work hand-in-glove across each of these areas to leverage the principal's assets for maximum effect.

In doing so, we make pure market rate sustainable and climate-related investments. We also make what we refer to as "pull forward the future investments," which means investments you know will accelerate change if you are willing to not have a market rate return. If accelerating change means investing money without a return or with a minimal return, we are willing to do that.

What are the most promising areas of investment you have seen to mitigate climate change?

We looked at the world to ascertain what areas are the biggest emitters of greenhouse gases but also the most underfunded philanthropically and investment-wise. Here, we identified four targets that we now focus on—shipping, offshore wind, grid modernization, and heavy trucking. For instance, why are diesel trucks sitting in ports all day polluting the atmosphere when they can be converted into electric vehicles?

Do you have tips for other family offices when it comes to measuring the impact of their investments from an environmental or social change perspective?

For every philanthropic investment we make, we have objectives and key results (OKRs) that we expect the grantee to sign up for and report back on, and those are driven around greenhouse gas emissions reduction or the enablement of future greenhouse gas emissions reduction.

We are going to get up every day and continue to do good work. I have the best job in the world. I really do. I work for someone who gives me great latitude to spend his money for the good.

Build, buy, partner:
One of the world's largest family offices reveals what is in their secret sauce for successfully scaling up

We sat down with a director at a large family office behind a sixth-generation business/family dating back to the mid-1800s. In our conversation, the director talked about how the family office's build, buy, partner model allows the team to flexibly adapt and scale up to meet the needs of a large-scale family.

The family office, with its staff of almost 70, manages one of the largest personal investment portfolios in the world, while also supporting an extensive family tree with 77 different branches. How do you do it?

We rely on a smart build, buy, partner model. Family offices are notorious for thinking they must build everything themselves for reasons of control or privacy. They need to understand that there are ways to maintain that integrity without having to do everything in-house.

For example, we have a tax team of five, and every year we do the family's tax returns, which number over 600. For various reasons, we often do not get all the data we need until just two weeks prior to the final deadline. So, we must figure out how to manage the workload on a very compressed timescale.

To maintain client satisfaction during these peak times given the limited size of our team, we communicate frequently to manage our clients' expectations. We also try to work intelligently and efficiently, and to be very thoughtful about staffing. Why would we staff 12 to 15 tax people full time when we only need them during these compressed periods? It makes more sense to work with an outsourced partner to pitch in and be our extra arms and legs when needed.

And while we will always have a tax team, we pull the lever on our outsourcing partnership as needs arise. For example, last year two people went on maternity leave, so I had to pull the lever hard—and I was able to keep that lever pulled as my team found more valuable planning work we could do for the client. I would not have been able to do that had we not demonstrated that we could deliver as needed given budget, time, and resource constraints. That is an important strength.

Do you use this hybrid model in other areas of the family office?

We use it to expand our expertise on the operational technology front and on the investment side. For example, we do a mix of direct investing and co-investing in outside funds. We leverage outside experts to help given that there's only so much due diligence a small team can do.

We are very thoughtful about our build it, buy it, partner model, but I think we lean toward the partner category most often. While we are a big family office, we are not a big organization, and so to buy it or build it is oftentimes not the most cost effective or efficient way to operate.

How has the family responded to the hybrid model?

The older generation feared the possibility of losing control of their data, so we had to reassure them. We also had to explain why this approach made sense, not only from a cost perspective—as it is much easier to partner than to hire and train new staff—but also due to the added expertise. In our small tax practice, we cannot have experts who know everything about international, state, and local matters, quirky trust matters, software matters, you name it. Instead, I can call an outside firm that has all this knowledge; it is incredible.

It was a bit easier with the younger generation, but they, too, initially did not see why we should not simply hire more staff. It was important to address the generational differences in terms of communication styles and needs, and so we took a two-pronged approach. We focused on the privacy and confidentiality concerns of the senior generation and outlined the cost and efficiency benefits for the younger generation.

The biggest thing is education, and it is an ongoing process. It is a tug and tow approach whereby we must inform the family about the adjustments needed to improve the family office, but we must also adapt ourselves to retain the important components the family has become accustomed to. Our build, buy, partner philosophy must be smart. We must be able to adjust as needed—as the environment changes, we must change with it.

Do you have any tips for other family offices?

Sometimes there is a disconnect between what the family office staff think they should be doing and delivering, and what the family believes they should be doing and delivering. So, it is important to make that expectations gap as small as possible.

Lastly, I think the most important thing is for a family office to be incredibly adaptive. For instance, if it is hard to find talent where you live, you can consider virtual working possibilities so you can pull in the best people from around the world. This is particularly important for family offices. We are a big family office, yet we are only 70 people. A big family office is still a small business, so you must be creative when it comes to things like talent and resources.

On the brink of the third-generation curse: Important lessons from a first-generation family office executive

A family office executive raises his concern over his principal's lack of attention to creating a succession plan. Understanding how the loss of a first-generation wealth creator can throw a family office into chaos, this story offers insight into the possible repercussions of failing to plan for succession. It also illustrates how a wealth creator's decision to shelter family members from the responsibilities of wealth stewardship can potentially backfire and lead to strategic dissonance and disarray, and how unchecked, exorbitant spending can threaten the financial empire one has built.

What is the biggest risk to family offices?

If you are going to be honest, the biggest risk to most family offices is the family. Sure, there are things like tax, regulatory, and cybersecurity risks—the stuff we executives spend most of our time on. But if you get at the heart of it, the family is the biggest risk. For smaller family offices, it can be about which family member executives will need to report to and who will be making the high-level, strategic decisions. For larger family offices, it can be more about how to transition from one generation to another or how to prevent different family factions from branching off and dividing the assets into multiple family offices.

How is this risk playing out in your family office?

The patriarch, who also acts as the head of the family office, is in his 70s and has had serious long-term health problems. Despite this, he has no succession plan in place. I have pleaded with him countless times to create a plan. Because he, the first-generation wealth creator, makes all the decisions, I shared my concerns with him about the leadership void that would occur should he depart. But his response is always that his heirs can decide later whether or not to keep the family office going.

I have explained that it is not a simple yes-or-no decision. Eighty percent of the functions we do simply must be done. It is just a matter of how they will get done. The wealth could be managed through a multifamily office or a virtual family office, elements could be outsourced, and some could be cut. But the tax returns must be filed next year no matter what. We cannot just decide not to do that anymore. So, unfortunately, there is a lack of understanding.

Why is the patriarch unwilling to address succession?

Succession is a sensitive topic, and he does not want to deal with it because individuals in his orbit have taken on senior roles in the family office and, unfortunately, they lack competence. If the patriarch creates a succession plan that everyone knows about, and I were to be appointed the leader, it could alienate others. He does not want to do that, so he has not created a plan at all.

How does his family fit into the equation?

The patriarch's wife has no knowledge of the activities of the family office. She has not been brought up to speed, nor does she show a desire to be involved. They share three children who are now adults. One is laser-focused on growing the family wealth and cutting excessive spending. She has ambitions for the family's investment portfolio but lacks the experience needed to run the family office. The other two beneficiaries work in unrelated fields and, like their mother, are not involved in the family office. They appear happy to enjoy the lifestyle benefits of the family's wealth. In turn, the family dynamic comes with inherent risk.

What do you envision will happen to the family wealth and the family office in the future without a succession plan?

I could see half the wealth being depleted by the third generation. Overspending is the biggest risk—the numerous houses they have bought that need to be managed, the household staff, the drivers, private jets, yachts, etc. They have become accustomed to a certain lifestyle. It would be hard to flip the switch. It is even harder when you have been sheltered from ever understanding what things even cost. Without that appreciation, it is difficult to make relevant value judgements. In turn, it would not surprise me if the family ends up going down the multifamily office route should they find the single family office too troublesome without the patriarch in charge.

Given the patriarch's serious health condition, how do you think the family office would cope if he were to pass?

I already know what would happen. It would be chaos. Everyone would sit there trying to figure out who could lead the family office and set a path forward, but they would not be able to. If you head up a family office and are the largest shareholder of its investments, and you pass away without naming a successor, there is no majority vote to elect a new leader. Where I reside, you must first go through probate court, and this could paralyze the family office to act for a whole year.

Going through this would be so disruptive that I am sure half our staff would quit instantly, as they would have no idea what the future would entail. The uncertainty would be intolerable, and the patriarch refuses to acknowledge that, and it is frustrating and demotivating.

What tips do you have for other family offices going through a similar experience?

The absence of a succession plan can send the rats skittering off the decks. In turn, a well-thought-out plan is critical to the stability of a family office. Keep in mind that the first- to second-generation is the biggest transition because a family office often moves from a single decision-maker structure to a more process-driven organization.

Properly preparing for succession is the best path. However, if you are absolutely unwilling to address succession because the topic is too uncomfortable or challenging, you can at least create a private plan. You can prepare documents, name successors, successor managers, and successor trustees, seal your plan in an envelope, and give it to your lawyer with instructions to open it upon your death. At least this way, others will have a blueprint on how to proceed once you are gone.

Making it to the 9th generation:
The key to engaging Next Gens and building a family legacy

The secretary general of a European family office talks about her role as the glue between the family and the family office, and her focus on building cohesion among the next generation. Serving a prominent ninth-generation family that has a business empire dating back more than 200 years, her tips are valuable for families hoping to build a legacy that will stand the test of time.

How do you effectively engage a ninth-generation family in the affairs of the family office?

Uniting the family and family office is a central tenant of my role. First, it is important to gain their trust. Think of it like a circle. It is not about talk, it is about action. In its simplest form, you must plan interactions and events that family members are interested in and benefit from. If you are successful, they get more interested, and the cycle continues. Once trust is built between you and the family members, you can start engaging with them on a host of matters relevant to the family office, business, and foundation.

The family I work for is large, with more than 150 members across seven branches. I focus on getting them together as a family from an early age—cohesion and early coaching are key. When kids are between birth and 10 years old, we welcome them and their families to our annual gathering. This makes the children's transitions into a program we call Redwood much easier.

Redwood helps the different branches of the family get to know one another and engages them with the family's business, investment, and philanthropic affairs. It is for family members between the ages of 16 and 32. We meet two times a year. We hold educational events, travel to businesses abroad, and focus on the social side of things. The family is growing larger, so there are now roughly 40 people in the family who fall into this age group.

In the program, we offer a great deal of formal support and training for Next Gens. For instance, some engage with the family foundation, while others participate in the family businesses' boards or other committees. We also offer educational stipends for Next Gens to undertake courses or degrees.

What is the secret to getting the next generation actively engaged?

Focus on having more social events and fun. Last year, 100% of our focus was on the fun factor because that is what the next generation needed. They thought our program had been boring, and so their interest was not there. Merely three joined the program in recent years. Another family inspired us to change our strategy. They have a large residence where they get their family together annually. The teenagers watch the younger children while doing activities in a kids' camp. Meanwhile, the adults get to socialize and bond. Everyone looks forward to it each year. It is a great way to create family cohesion and drive the family's interest in wider business affairs.

This approach led us to change the way we operate. Now we focus more on enjoyable and engaging events, not only for the youngest kids, but also for next-generation adults. This change has really paid off, as they are now actively engaged in a variety of areas.

What words of advice do you have for other families hoping to build a multigenerational legacy?

Families that have long legacies are different than those with fewer generations of wealth. What can happen is that initially the whole family is entrenched in the affairs of the operating business. It is their core conversation topic at dinner. Over time, this can weaken as family members become less involved in the business. Then, there can be one generation that does not involve their children or other family members, and the cycle of engagement is forever broken.

My advice is to continually engage family members in the affairs of the family business. Take them to visit the company. Memorialize the family's business history. Make them as engaged as possible. This does not mean that they need to work in the business, but it does mean that they need to engage in the business in a formal way, so they feel aligned and connected to it. For the family I support, not many still work in the family business, but they do sit on the board and in the family council.

Memorializing the history of the family and its business is also key to legacy building. The family I support is very invested in caring for and archiving their family history, as the family business stretches over 200 years. This shared history acts as a glue between family members who feel part of something significant.

It is furthermore important to recognize that while a family's business affairs may evolve over time, it can be useful to retain a footing in the historical origin of the business. To illustrate, while the family I support has directives and shareholder agreements to operate in the markets they have historically worked in, they also operate in other markets. They started out in one field, which they are still well known for today, but their portfolio has expanded into real estate, a broader investment company, and many other businesses. However, they keep their core identity in their historical market. This enables family members from all generations to relate to where they came from as their origins are so deeply embedded in the DNA of the family and the family business.

Unity versus independence:

When harmony is in question, should a family office split up to cater to a family's different branches? Bucking traditional thinking, one COO says "yes."

***"Several years back, we decided to split our family office into two branches to serve each of the family's third-generation siblings. It was a painful process, but in hindsight, it was the right decision. Families should feel empowered to do good in their respective ways,"* shares the chief operating officer (COO) of one of the world's most prominent family offices. In our conversation with the COO, we discussed the process of branching out globally and how, in this case, it brought harmony to the family and enabled the different family branches to achieve their own unique aspirations.**

What was the family's journey like as you grew to multiple locations globally?

Like many other families, our family office was embedded in the operating business when we first started out. We then matured to a stage where it made more sense to separate the business from family matters, so we established family offices at the two key locations the business operated in—our headquarters in Africa and the United Kingdom, because family office staff members were initially recruited directly from the business. Over time, our family office expanded further, as we set up a third branch in a European offshore location for the purpose of global restructuring.

Then, about five years ago, we decided to split our family office into two branches to better cater to the family as it has two separate branches. It was a challenging process, but in hindsight, it was the right decision, as families should feel empowered to do good in their respective ways.

When it came to structuring the family office's branches, both sides kept their presence in Africa and the United Kingdom because of personal connections and lifestyle choices. The split was more apparent in terms of offshore locations. For example, one of the family branches opened a new office outside of the United Kingdom and, later, in the Far East, where they were quite successful in setting up a new team in a short period of time.

In the family office world, there is often an instinct to keep families together. What are the benefits of having multiple family branches?

The general inclination in the family office space is to keep it all together for economies of scale and to avoid redundancies. But we have come to realize that embracing family dynamics and maintaining family harmony is more important to the well-being of this family. Establishing multiple branches and reducing the number of family principals eased tensions while enabling the distinct family offices to do a better job of meeting each member's needs. The third- and fourth-generation members are now more empowered to realize their own strategic priorities.

How do the different branches collectively operate?

The family office branches have negotiated agreements in place, setting the ground rules and detailing the protocols of collaboration among them, with representatives appointed from each branch to coordinate joint matters. One major collaboration effort is to manage joint family investments, which are overseen by representatives from both sides of the boards. Other matters include investment strategies, tax planning, and family affairs. Having these arrangements contributes to stable, long-term relationships among the branches.

What advice do you have for family offices going through transitions?

I recommend family offices have conversations with their principals early, instead of waiting until tensions build up and threaten to impact family relationships. Find out each family member's concerns and try to address them early. My other piece of advice for family office branches is to not let the transition process jeopardize working relationships between the branches. Do not sour the relationships just to get the best deal for each of the family branches. The family office staff should think long term, as the branches may ultimately need to work together for the long term.

Given your own family office's expansion working with what is now a fourth-generation family, what do you think the future of the global family office landscape will look like?

I think there will be many more family offices in the next 10 to 20 years, with a potentially big difference between the types of the services offered to older wealth versus newer wealth holders. Newer wealth holders tend to have smaller, agile, and more dynamic family offices. There will be an explosion of smaller family offices with potentially shorter investment horizons and a bigger focus on quick-moving, tech-enabled investments compared to older wealth.

You have highlighted the importance of family dynamics. Why is managing family dynamics so important?

Looking forward 20 years, it is just as important to consider things from a family dynamics perspective than, say, a tax planning or investment perspective. It is critical to think what the family might look like in the future and to start working toward that now. A big part of gaining that perspective and realizing the family's vision is to have long-established trust and transparency between family members and the family office. It is also important to understand what each family member wants to achieve so that you can help balance those priorities and build a plan to bring those goals to fruition.

Transcending borders:
Evolving from local to global

Contesting the well-known saying, "When you have seen one family office, you have seen one family office," is Matt Norman, chief investment officer at Kenjiro Private Office. Founded in 2017, under the guidance of Akira Ushioda, a third-generation member of a wealth-holding family from Japan, Kenjiro Private Office has built a globally diversified multi-asset portfolio with a long-term investment horizon. The family office is based in London and the family members now live mainly in Europe. In our conversation with Matt, we discussed the evolution of family offices in Asia Pacific, from local to global, and from informal to formal.

How are family offices in Asia Pacific evolving from a globalization perspective?

The challenge for every family office, regardless of where they are located, is the transition from local to global. Wherever the wealth is generated, once families start to grow beyond their local market, they must learn something new, deploy talents with international expertise, and create a plan for growing not only locally, but regionally and globally.

The globalization of wealth-holding families often involves undergoing several processes. First, it involves the global education of the younger generation; second, the establishment of a global holding structure; and third, the management of family wealth at a global level, hence the formation of an investment team with international expertise. The globalization process for many families in Asia Pacific is in its infancy, as a lot of them have just started learning how to put systems in place to enhance family resilience and longevity on an international scale."

What are the main considerations for family offices in Asia Pacific to become more professionalized?

I see three main factors. One is generational shifts. Sometimes Next Gens are not interested enough or suitably skilled to manage family wealth or the family business, so over time many businesses are either sold or take on external management. If businesses are sold, the next generation inherits a large pool of liquid assets, and the family office becomes geared up to manage that wealth. The second factor is a liquidity event that prompts the opening of a family office if one has not already been established. The third factor is the spirit of learning new concepts and new ways of doing things. There seems to be a genuine enthusiasm from the families to learn what a family office does and how to make one work. It is not necessarily because the wealth in Asia is newer than in other regions like Europe or North America. It is about families looking to move to newer structures.

You mentioned families in Asia excel at building relationships. What are the benefits of relationship building?

The family we serve, and our family office alongside it, focus heavily on building relationships and partnerships with other families, their businesses and family offices. Family offices typically cannot compete with institutional investors in terms of scale, so when families group their wealth together, they get better access to top managers and investment opportunities. It is also important for family offices to align and cooperate with other families with similar values so they can learn from one another, share ideas and opportunities, and scale up together. The families in Asia form bonds and give trust with a long-term perspective, and once they give trust, it runs very deep.

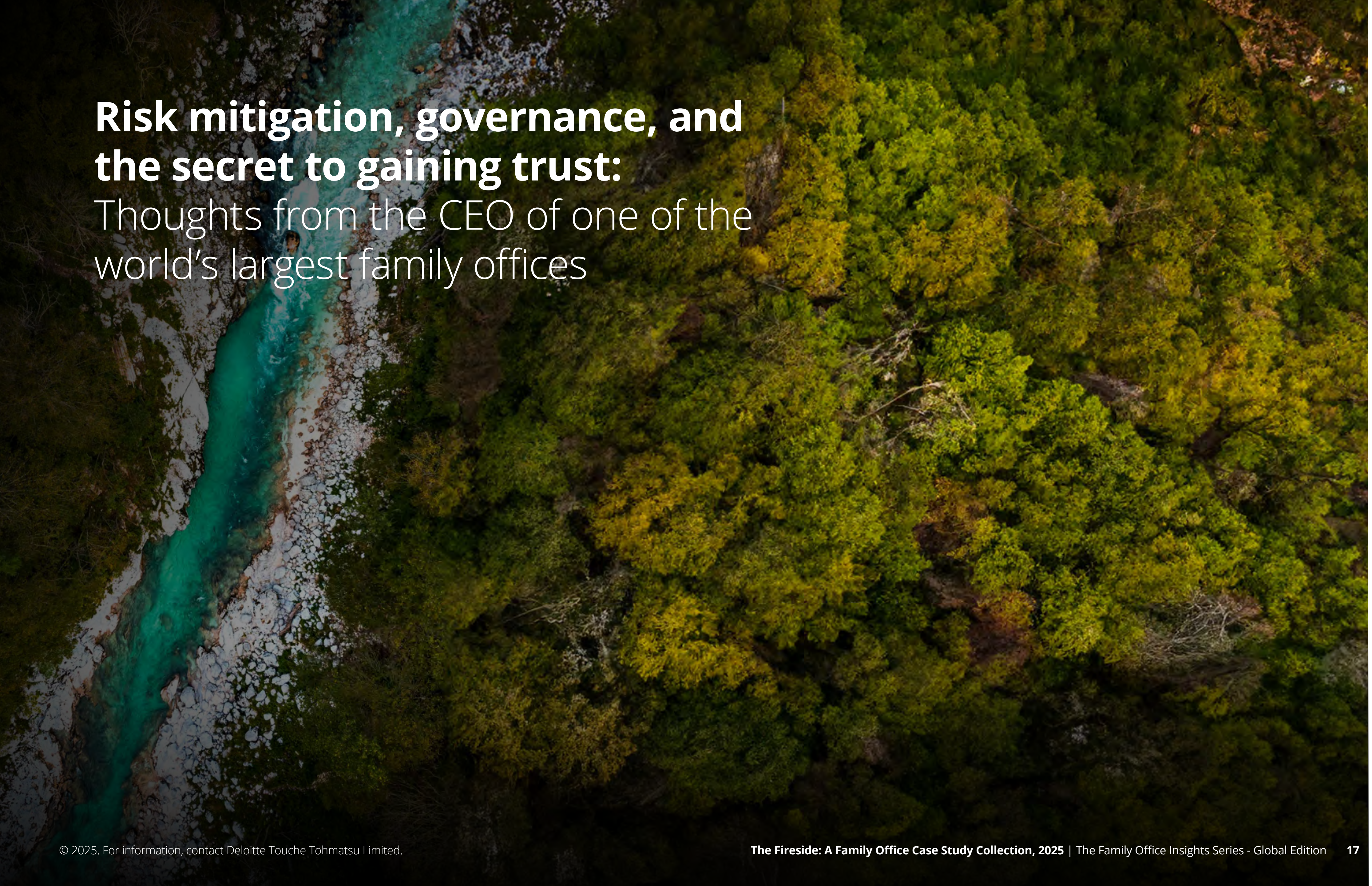
As we are talking about the evolution of the family office space, what are your thoughts on family succession, as succession has a critical impact on the future mission and character of a family office?

Succession takes decades. There is no magical moment where the control of wealth changes hands. Ever since we set up the family office about seven years ago, our core purpose has been to aid the transition of wealth stewardship from generation two to generation three. In the process of doing this, our views and strategies are continually influenced by the experiences of family members—such as where they want to invest, what happens in their lives, if they have children—along with other factors, such as what the markets are like and how regulations and tax regimes are changing. With these factors considered, the succession strategy constantly evolves over time.

What advice do you have for other families in Asia Pacific going through a generational transition?

I always say, it is an evolution, not a revolution. There is no one-hit solution. There is no one product that makes things magically happen. You must spend as long as it takes to get to the point where the family is comfortable. There has been a lot of focus around the concept of preparing the next generation. But focusing exclusively on the next generation can undermine the impact succession has on the exiting generation as part of the family's wider journey. For succession to take place smoothly, families and family offices should also consider the arrangements needed to ensure the comfort and confidence of the exiting generation. For example, they should prepare for the exiting generation's retirement. What will they do when they retire? How long should the existing patriarch and/or matriarch remain as chairman or chairwoman? How much oversight should they give away, and at what stages? How much control of the wealth should be transferred and when?

Looking at the picture holistically leads to greater confidence in one's succession strategy, happier family dynamics, and, ultimately, greater success.



Risk mitigation, governance, and the secret to gaining trust:

Thoughts from the CEO of one of the world's largest family offices

The CEO of a United States-based family office, which represents one of the world's wealthiest individuals, talks about the risks he faces and how he mitigates them. He offers advice on building an advisory board and on how to gain wealth holders' trust as an effective family office executive.

What is it like leading a family office of a prominent world figure?

It is a big responsibility. First and foremost, we are running a business. It happens to be a business with only one client, but it is a business, and we are serving his needs. It is important to bring that mindset into how you approach things.

How does your family office assess and manage risk?

We are big on risk management. We have a risk committee made up of four or five people, including outside experts, who are exclusively dedicated to assessing and managing risk. The committee ensures that we look at the various risks we face and rank them according to how probable and impactful they are, and which ones we need to get in front of. We maintain a constant, ongoing discussion.

Can you explain why you set up a parallel family office branch in Asia to mitigate risk?

We live in an unpredictable world and having resilience and redundancy is important, both in terms of the tasks we perform and the teams we represent. Increasingly, part of what we think about is what can potentially go wrong and whether we are prepared if it does, even if it is the most extreme case. We believe that we live in a world where we need to be prepared.

In turn, we wanted to set up another branch. We wanted somewhere we felt comfortable. In Asia, populations are growing, and wealth is going in the right direction. In the end, we chose the region because we have an interest in Southeast Asia from a climate perspective.

How do your two family office branches collectively operate?

The Asia branch acts an extension to the American team, as it is all about resiliency and redundancy. For instance, the investment and accounting professionals who sit in our Asia branch work with our professionals in the United States in unison, and our head of climate in Asia does philanthropy and sustainable investing alongside our American team.

What do you believe are the biggest risks to your family office in 2024?

The biggest risk is if we do something stupid. If someone screws up on either an interaction related to the principal's life or an interaction related to running the core business, such as treating someone improperly and causing reputational risk, it puts us in an untenable position. It is hard to control if someone suddenly goes outside the boundaries. Another risk is what I call table stakes. Just because the principal is wealthy, it does not mean he is not like you and me. The same things that bother you are the same things that bother him. Years ago, the principal asked me why he had to be the guy who remembers the dog needs its flea oil. I thought to myself, my kids used to have a calendar that reminded them of their responsibilities, so I did not have to worry about them getting done. That is table stakes. It is just daily life, like paying the bills on time so that you do not get a call saying the principal's credit card has been rejected. Our goal is to take care of the things that matter most to the principal to make his life as seamless as possible. Getting the table stakes right leads to gaining his trust. And gaining his trust allows us to manage his wealth in a way that we can do tremendous good for the world.

Trust is critical to wealth holders around the world. How do family office executives gain their trust so that they can perform their duties effectively?

There are several ways. First, just do your job and improve upon what you are doing over time. Second, be very rational in everything you do. Third, always put the family first, the team second, and the individual third. If you cannot do that, you cannot work in our family office and be involved in all the good we do. Everybody here understands they have a role to play and playing their role—and maintaining the principal's trust—allows us to go on and do good for the world. Finally, sometimes you need to have uncomfortable conversations. When they happen, do not come from a standpoint of judgement. Instead, come from a standpoint of sharing your observations.

Establishing an effective governance structure is key to the long-term success of a family office. Can you outline the benefits you have found in establishing a family office advisory board?

I see value in having an advisory board. It gave us insight and support to do the things we needed to do to turn the family office into a business. For instance, when I arrived, staff bonuses were determined without a structure in place. This is a company, and there should be a structure so that staff know what their target is and how to get there. And there should be a long-term incentive plan.

The other benefit of the advisory board is that the principal can hear the perspectives of others, and they can push back in a way that is different than some of us can. For instance, one member of the advisory board comes from a wealthy, high-profile family. She can say to him, "Let me tell you what my mother and father did..." It is beneficial to hear from someone who came from wealth and can very thoughtfully share her experiences.

How did you go about selecting your board members?

The board is made up of five people who are very senior in their respective fields. We selected them as we would for the board of a publicly traded company. We asked ourselves what skill sets we needed. I need someone with a financial background to challenge us on the financial side, someone who is going to challenge us on the investment side, and a lawyer who works with wealth holders who can provide perspective there. Then I have someone who helps on our philanthropy efforts, and another member who helps with both philanthropy and family dynamics.

Taking risk seriously:
How one of the world's most prominent family offices protects the family's assets and reputation

Cybersecurity and reputation management are two areas the CEO and CFO of one of the world's largest family offices take very seriously, particularly given the universal recognizability of the family. In conversation, they describe a cyberattack their family office faced, and what safeguards they have put in place from both a cybersecurity and reputational management perspective.

What experience does your family office have with cyberattacks?

CFO: "Cyberattacks happen all the time, but we have not had an attack that has been successful."

The CEO added: "In one attack, the level of sophistication was amazing. My assistant got an email from someone who knew I was speaking at a conference. The email was tailored to her as if it were from the event holders. Something seemed wrong, so she had our security team examine the email and they confirmed it was malware. Thankfully, she did not open the attachment."

What kind of cybersecurity protocols do you have in place?

CFO: "We are up to date on our security protocols, and we train our staff members not to click on suspicious links or download data unless it comes from a trusted source. We use an external team and an outside consultant to manage our cybersecurity. We also have a business continuity plan and a risk committee where we discuss risks like these and how to mitigate them."

The CEO added: "The risk committee has four or five members, including outside experts. It ensures that we look at the various risks we face and ranks them according to how probable and impactful they are, and which ones we need to get in front of. It is a constant, ongoing discussion.

We are really big on risk management. Everyone uses a virtual private network (VPN), multi-factor authentication, a password manager [which alerts people to password breaches], and company-controlled devices. Our phones and computers are managed by the family office. When we travel, we do not use public wireless networks; instead, we use our phones as hotspots. We also instruct third parties twice a year to simulate attacks to test our systems. So, we go pretty far protection-wise."

Has it helped to orchestrate simulated attacks?

CEO: "Yes, it has, as it shows you that human beings are human beings, and they will click on corrupt files they think are safe. It is better to have them make these errors in training than with a real attacker."

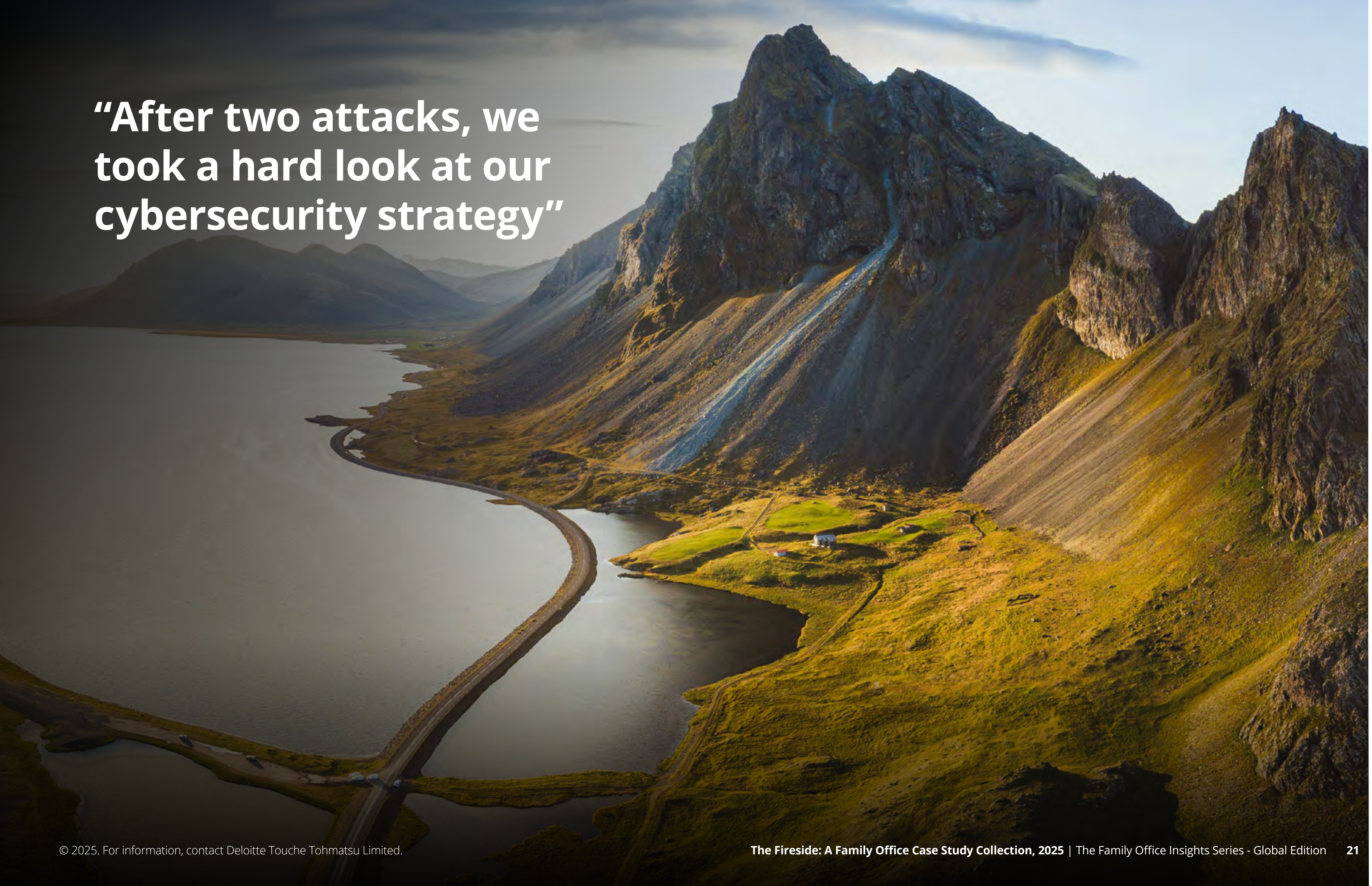
Do you have any tips you would like to share with other family offices?

CEO: "The main tip is do not rely on yourself when it comes to cybersecurity. Rely on a third-party expert to check your systems—and get your systems regularly tested."

How do you manage reputational risk?

CFO: "We have security employees who do daily monitoring of the internet and social media and look out for the family's reputational interests."

The CEO added: "I think we manage reputational risk well. We pay attention to what is being said, and we get in front of things if we think there is going to be an issue given that the person we work for is in the public eye. At the end of the day, it is the reputation of the family we are concerned about. I have almost no impact on how they conduct themselves, but we can impact how other people write about them or correct the record if they are saying things that are inaccurate."



“After two attacks, we took a hard look at our cybersecurity strategy”

The CEO of a United States-based family office retells the story of how both he and a family member got hacked. He discusses how they responded to the attacks by upping their cybersecurity defenses and offers tips for other family offices at risk.

Can you outline the cybersecurity attacks you suffered?

We experienced two cyberattacks in short succession. In the first instance, a family member's bank account was hacked. Someone tried to transfer money out of the account, but thankfully the bank had controls in place to stop them. We put out alerts across the board once it happened, but we never figured out how they got in.

In the second incident, someone hacked into my account. They tried to replace me at the institution by putting in the contact details of another person. I am the signatory on a lot of our accounts, and someone was able to get into my account and email the back office at our banks and tell them that I changed my address and phone number. It was really alarming. From a risk perspective, cybersecurity is the thing I am most worried about. The threat is everywhere.

What were the repercussions of these attacks?

Thankfully, we incurred no damage from the attacks, as the banks caught them as they were happening. I was impressed with how they managed to stay on top of things. They immediately notified us of suspicious activity both times, and we confirmed that we did not authorize the activities. However, the executive team and I felt very vulnerable because of the attempted breach. I needed to separate my emotions from my job and focus on reducing the risks going forward. We have since put tighter controls in place and have instituted alerts across all our accounts.

Did your family office change its approach to cybersecurity because of the attacks?

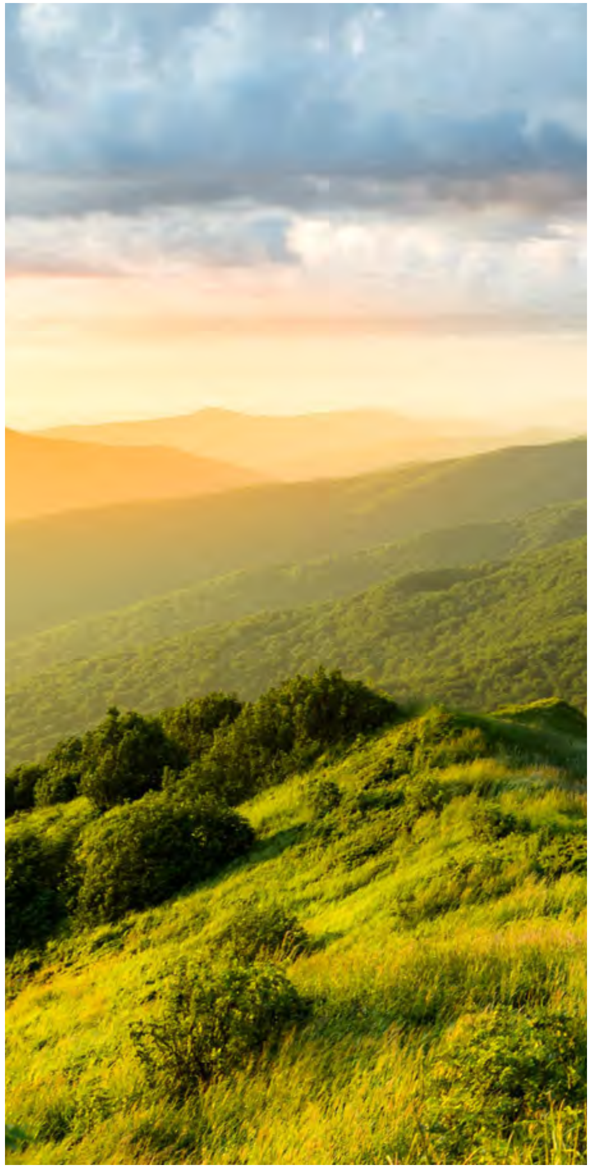
The first thing we did after the attacks was hire an outside expert to come in and take a hard look at our internal processes and controls. We wanted to ensure that we are doing everything we can to protect ourselves. We then upgraded our cybersecurity team from an individual IT consultant to an outside firm, as we felt that our office's activities were getting too complex for one person to stay on top of. It has been a nice upgrade, and we are constantly talking to the firm about how to handle emerging threats.

We are putting up as much firewall as we can, so we also provide staff with a lot more training now about phishing and other threats. We have also implemented two-factor authentication and annual reviews and tests of our systems, firewall, and disaster recovery plans. And, thankfully, the family I work for is very low key. They are not in the public eye by design, so that is a risk mitigator.

Having gone through this experience, what advice do you have for other family offices?

Having your family office's internal controls reviewed by an outside institution is very valuable. We do it now every three years. It is extremely important, as family offices are typically small and work in a vacuum. We do not have a big institution behind us, so it is extremely important to have outside help to review your systems and processes.

I go to meetings and join groups to meet other family office executives, but in the end, I still go back to working in a small office. Unless you are one of the rare family offices that has hundreds of staff, you are reliant on a small group of people. You must trust them, but you also must put policies and procedures in place to ensure that you are mitigating every threat you can. Overall, we feel more secure thanks to all that we have done, but you can never feel completely safe because the bad actors are always inventing new ways to attack.



A five-year transformation plan:
When one of the world's largest family offices overhauls their systems and security

We interviewed a director at a large family office behind a sixth-generation business/family dating back to the mid-1800s. In our conversation, the director explains how a cybersecurity attack on the family office accelerated its five-year plan to transform its operational technology and security systems.

What was the nature of the cyberattack you experienced?

There was a breach; someone got into our client email system. When it was found, all the measures on earth were thrown at it. We used to operate on a server, and a staff member found a draft email from a hacker in a client's account. We shut the system down and we are now serverless, so they cannot do that again.

Was there any resulting damage from the attack?

Thankfully, the hacker was stopped before any direct damage was caused. But it created a scare, and that resulted in reputational risk to the family office, as our clients were concerned as we needed to lock down their data.

What did the family office do as a result of the attack?

We changed our managed service provider (MSP) [which oversaw our security]. We moved our on-site information security staff to manage a go-forward strategy project. We then brought on two outsourced MSPs to offer daily tech support, and a chief operating officer to oversee everything. In turn, we went from two technology people to five to manage both our technology and cybersecurity.

We now do tons of security-related staff training. We also hired a cybersecurity firm to support and train the family, which the board tested out. The company went through every device I have and told me what security measures to put to place, and they set up an app that can scan for threats. They once called me and said my password was found on the dark web, so I had to change all my passwords.

We then implemented numerous system-related security measures. For instance, we introduced what we call the "terrific 12," which are measures that ensure our data can be stored and shared safely. One of the measures is a new, secure email system for the family.

Do you feel safe with these new security measures in place?

No, we never feel safe, but we are in a place of acceptance. We are doing everything we can, so this is as safe as we are going to feel and, moving forward, we are going to have to stay vigilant. We must keep evolving. Period.

Do you have any security-related advice for other family offices?

Bring in strong experts to help and assess your systems, and then follow their guidance to the letter.

What other technology have you introduced to upgrade your family office operations?

We are pretty far along with our technology transformation. In the last four years we have undergone tremendous change to tackle issues, improve processes and efficiencies, and focus on security. Thus far, we have:

- adopted a new investment reporting system, which can do a lot more from an investment performance perspective, including data aggregation;
- switched from a desktop payroll system to a web-based system that has more contemporary features, such as removing the need to print checks; and
- implemented what I had referred to as the "terrific 12," which are security measures aimed at ensuring our data can be safely stored and shared.

Up next, we are adopting:

- a new investment accounting system that deals with tax and accounting data and has report generation features that can convey information in a palatable way for clients;
- a new document management system that organizes information in an easily searchable way; and
- a new client portal, so that clients can see and share data securely.

Our team is constantly introducing new things. You can only imagine how it was years ago when everything used to be on paper.

How many years will it take to implement such an extensive transformation plan?

We started in 2021, and we will likely finish in 2025 (until we move to the next thing, of course). We give each piece of software at least a six-to-12-month runway.

Is artificial intelligence a part of your technology plan?

No, we are extremely hesitant about AI's chat components. Some of these systems can take your data and then own it, so that is a huge privacy concern. We have so much personal client data. There is no way we want a company to become the owner of that data and to synthesize it to spit out information for someone else. Until we get more comfortable around these controls, we are going to be slower to adopt this technology, but we are reading and investing constantly to be in the know.

Of all the technology you use, what is the number one thing your family office cannot live without?

It is most important that our client information is good and shared in an effective way. To do this, you need a good planning and/or investment performance platform and a good client portal.

Do you feel your family office is well prepared for the future?

We are trying to be as prepared as possible, and I would say that we are definitely on the side of being contemporary. However, we joke that as soon as we get all this done, we will move onto the next thing, because that is just the nature of technology right now.

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