



NORTHERN  
TRUST

EXECUTIVE SUMMARY

# 2020 FAMILY OFFICE BENCHMARKING REPORT

PEER PERSPECTIVE FROM THE  
GLOBAL FAMILY OFFICE CLIENT COMMUNITY





# FOREWORD

The question that we hear most from Global Family Office (GFO) clients is “What are other families like mine doing?” In the midst of so much uncertainty – in our markets, workplaces and the broader world – having access to peer perspective from a trusted community is vital.

Thanks to the generosity of our GFO client community, we are pleased to share these highlights from our 2020 Family Office Benchmarking Survey. This report is intended to help you:

- **benchmark your current activities** related to family engagement, service delivery, investments, and technology
- **articulate the value** that your team currently provides to the family
- **make a case** for additional resources or areas for future investment

Our hope is that this executive summary provides you with a mix of validation of what’s working well in your office and inspiration to move forward on issues that have challenged you. Perhaps you’ll find data within to affirm that your challenges are shared by families like yours or to inspire you to have a conversation with a family member or your Governing Board that you might not have otherwise had.

We welcome you [feedback](#) on this inaugural survey; the full research study is shared exclusively with participants. We invite you to contact your Northern Trust Relationship Manager if you’d like to participate in the next survey.

Wishing you good health and peace of mind as you explore the strategies and practices used by some of the world’s leading family offices.



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The full, 56-page research study is shared exclusively with participants. If your family office would like to complete the survey to receive this full report, please reach out to your Northern Trust Relationship Manager or email us at [gfofamilyofficeconsulting@ntrs.com](mailto:gfofamilyofficeconsulting@ntrs.com).



KEY FINDINGS

### Protecting the Family

Cybersecurity tops the list of concerns keeping family office leaders awake at night. This is amplified in an environment where many are working from home.

**96%** of respondents have experienced a cyberattack.

### Engaging the Rising Gen

**66%** indicate that most rising gen family members (ages 25-40) are engaged in family activities.

### Collaborating on Service Delivery

When asked why they outsource, **92%** partner with an advisor when the office lacks the necessary expertise and/or wants access to a team of advisors.

### Preparing for Succession

**64%** of respondents will experience a succession event in the next 3-5 years.

### Responding to Uncertainty

**78%** cite domestic political uncertainty as their top economic concern, and **53%** are increasing cash reserves due to concerns about the market and to take advantage of opportunities as they arise (dry powder).

### Working in the Cloud

**79%** of respondents utilize cloud technology, and **44%** provide financial information to family members on an ad hoc basis.

### Investing in Alts

**98%** have an allocation to alternative investments; the average allocation for respondents is **37%** of the portfolio. Liquidity constraints and due diligence are the most common challenges when allocating to alternatives.

### Staying Connected

**83%** are interested in an online discussion board for GFO clients.

## METHODOLOGY

The 2020 Family Office Benchmarking Survey is designed to provide the GFO client community with insights about common practices in family offices around the globe. Current and prospective GFO clients were invited to complete the online survey between May and August of 2020.

We are grateful to the 78 family offices that made time, in the midst of a global pandemic, to complete the survey. Their generosity informs the industry and guides our efforts to better serve the GFO community. The vast majority (94%) of participants are headquartered in the United States. These 78 family offices provide services for more than 800 households and oversee nearly two hundred billion dollars in assets along with all of the complexity that accompanies extraordinary wealth.

In some sections of the report data has been provided based on the participants':

- Business ownership: n=36
- Generational leadership: G1 n= 29, G2 n=26, G3+ n=21
- Staff size: Small (<7 FTEs) n = 26, Large (7+ FTEs) n= 50

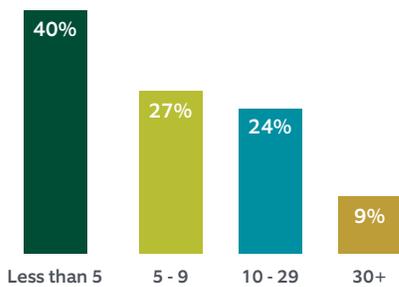
The sample size varies throughout the report, as not every participant answers every question. Accordingly, the sample size for each question is shown as "n=" throughout the report.

## DEMOGRAPHICS

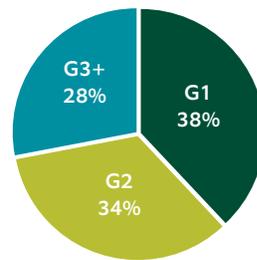
### ABOUT THE FAMILY

Every family office is a reflection of the family it serves. Its purpose is tied to the goals and priorities of the family. Whether that purpose is to: simplify all of the complexity required to protect and grow the family's capital; provide a means of continuity and connection for family members; be a mechanism for pooled purchasing power and privacy; or all of the above, it drives the work of the office. The values and needs of the family dictate the service menu and the culture of the family office, and evolve with the family through the generations. These data points provide a look at the families behind the data within this report.

How many adult households does your family office/firm serve? n=75



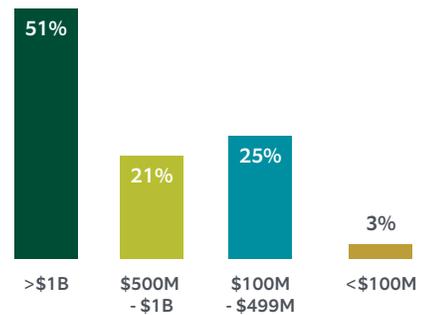
Which generation leads the family? n=76



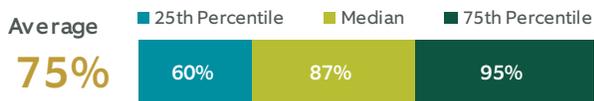
How many family branches are served by your family office/firm? n=73

n	Average	Q1	Median	Q3
73	3	1	2	4

What is the family's total net worth\*? n=63

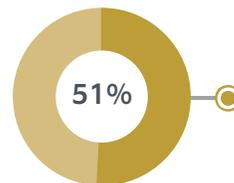
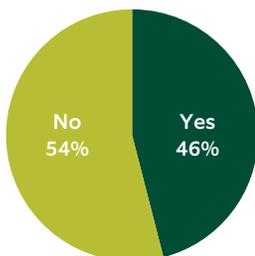


What percent of the family's assets are held in trust? n=51



\*Operating businesses + Marketable securities + Alternative assets

Does the family own an operating business? n=76

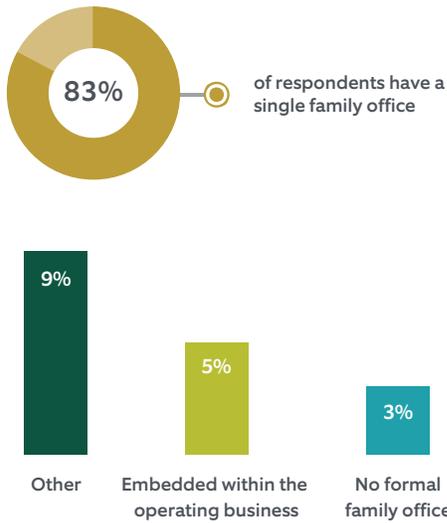


51% of offices with an operating business still own the business responsible for generating the family's wealth.

**ABOUT THE FAMILY OFFICE**

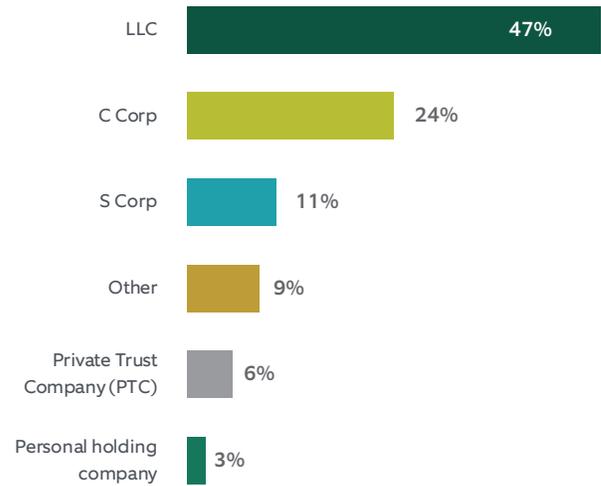
Family offices come in all different shapes and sizes. Whether your office is one person inside the operating company taking care of “family stuff” or a 100-person operation with locations around the world, you have true peers within the GFO community and within this data set. This background is provided to offer context for the challenges and practices shared throughout the report. The vast majority of respondents run single family offices, and 69% of the families they represent have had a family office since 2004. They’ve been with their families through the financial crisis and many other challenges. Their experience is displayed throughout this report and is a terrific guide for the GFO families who are new to the family office world.

**Which best describes your family office? n=78**



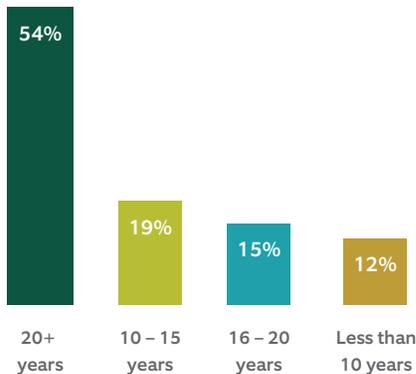
Other includes: Multi-family office, foundation, hybrid of two family offices, client of a multi-family office, virtual office.

**What type of legal entity is the family office? n=72**

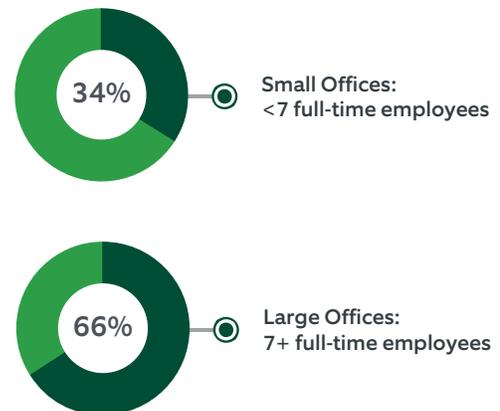


Other includes: No legal entity or formal structure, family foundation, limited partnership.

**Age of the Family Office n=74**



**Staff Size**



## TOP OF MIND ISSUES

### KEY CONCERNS

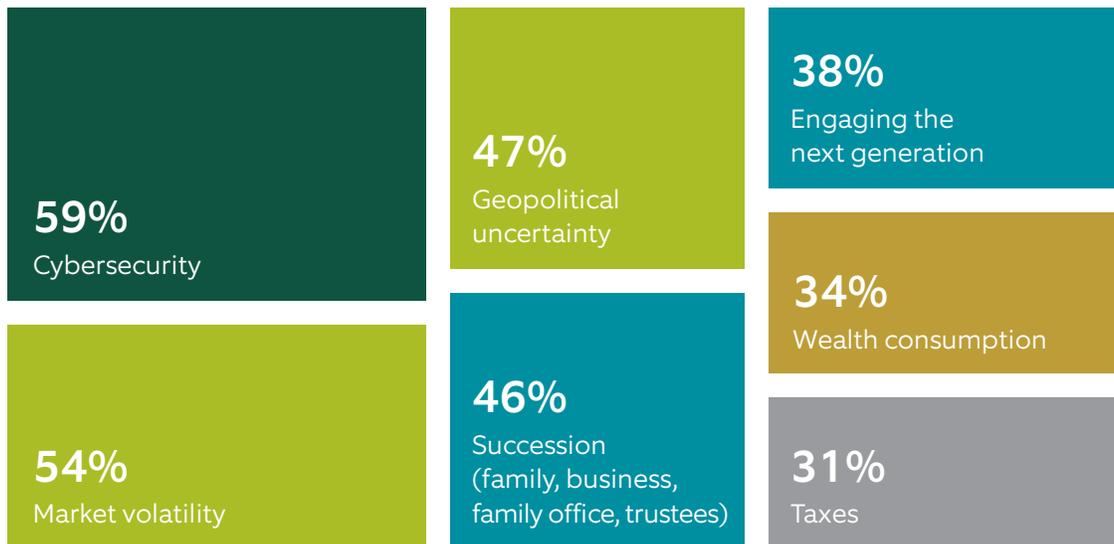
When we ask GFO clients what’s keeping them awake at night, concerns about economic and political uncertainty and engaging the next generation are always top of mind. However, given this year’s unprecedented social, political and economic disruption, cybersecurity tops the list of late night worries. Keeping the family safe, both physically and online, is paramount. Ninety-six percent (96%) of respondents have experienced at least one cyberattack and know, firsthand, the costs of recovering from such a breach.

These concerns and the work that office staffs are doing to respond to them surface throughout this report. Just 33% of respondents are optimistic about global growth for the next 12 to 18 months. More than half (53%) have increased their cash reserves to be able to take advantage of opportunities as they arise and to manage liquidity.

Succession in the family office, family leadership, family business or with trustees is a reality for 64% of survey respondents in the next three-to-five years, and we are pleased to see that most (66%) indicate that the rising gen is engaged in family activities.

Many GFO clients are revisiting their estate and tax planning in advance of the election and using federal and state lifetime transfer tax exemptions if they haven’t already.

**When you think about the next 12 months, what keeps you awake at night?** *Select all that apply n=68*



Other includes: Business disruption, Impact of COVID-19.

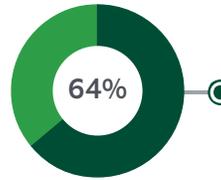
**PREPARING FOR SUCCESSION**

When we ask former family office CEOs to describe what a successful succession looks like, many say that it should be a non-event or seamless for the family because they've been a part of the transition process, have confidence in the successor, and are prepared for the change.

This wisdom applies to each of the succession events that respondents are facing and takes an enormous amount of communication and thoughtful planning, often over a period of many years.

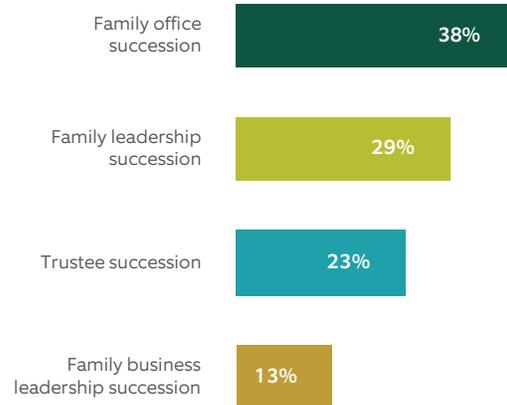
Including succession planning (in the business, family, family office or with trustees) in the context of a broader business continuity plan helps to shift the conversation from the often emotional departure of a trusted resource to a more comprehensive look at what is needed for the longer-term well-being of the family.

It's encouraging to see that 69% of respondents currently have or are working on a written business continuity or disaster recovery plan.

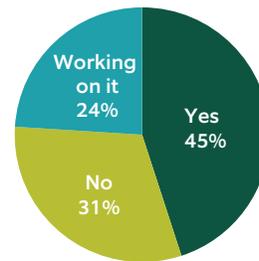


Will experience at least one of these succession events in the next 3-5 years.

**Which of the following will you experience in the next 3-5 years? Select all that apply n=69**



**Do you have a written business continuity or disaster recovery plan? n=71**



### STAYING CONNECTED

GFO has a long history of bringing families together to share experiences and learn from one another. These networking opportunities are especially precious in today’s virtual environment, and we see strong interest from respondents (83%) in an online discussion board and networking platform.

We are piloting a new platform called Anchor Harbor that will allow our clients to gather virtually in “rooms” based on their roles in the office or to discuss specific topics. Participants can engage in groups or contact a specific person for a private interaction via email, chat or phone.

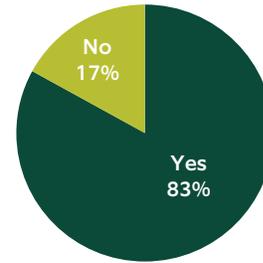
Within Anchor Harbor, clients will also have access to white papers, educational videos and real-time expert thinking on topics that matter to the community.

This technology can also be leveraged as a portal with a private app for secure communication between the family and the family office.

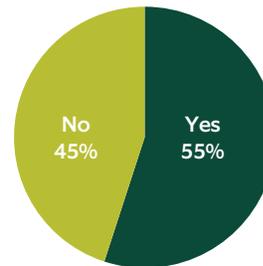
We are delighted to see that the majority of respondents (55%) have rising gen family members who are interested in networking and learning with their GFO peers as we have launched a Rising Gen Community that is led by rising gen GFO partners.

Please contact your Relationship Manager to learn more about Anchor Harbor and all of our GFO networking opportunities.

If Northern Trust offered an online family office discussion board for GFO clients, would you like to participate? n=75



Our rising gen family members (ages 25-40) would be interested in networking and learning with their peers from other GFO families. n=56



## ENGAGING THE RISING GENERATION

While it is encouraging to see that 66% of respondents report that most of their rising gen family members (ages 25-40) are engaged in family activities, we have many conversations with clients about the challenges of preparing a diverse group of young people for the responsibilities that come with great wealth.

The most precious commodity is time, and most of these younger family members struggle to balance their responsibilities to their broader families with their own careers and growing families.

Family offices are often challenged to get parental buy-in on training programs and to provide learning opportunities that resonate across a broad range of interests and aptitudes.

**What is your greatest challenge related to preparing the rising generation for leadership?** n=44

### Time

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*“Getting their time and attention. They are starting their careers, and their time is limited.”*

### Varied Interests & Aptitude

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*“All want something different — how do we tailor to each individual?”*

### Readiness

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*“What is the right age to let them know what is in their trust?”*

Most of our rising gen family members (aged 25-40) are engaged in family activities n=59



### Engagement

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*“Engagement. Only one out of three of our next generation is really engaged with the family office.”*

### Family Dynamics

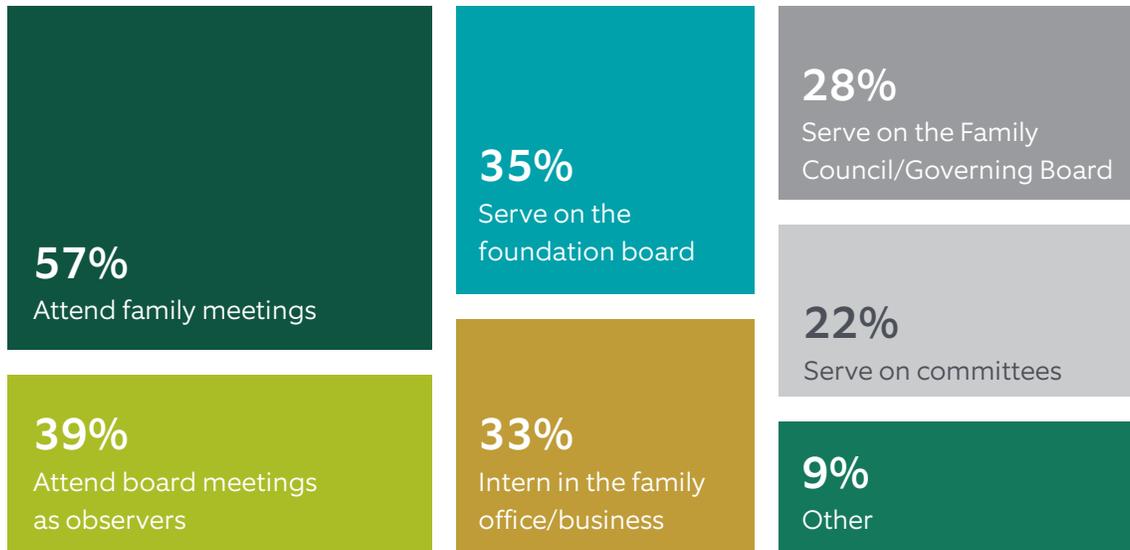
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*“Getting G1 to let go.”*  
*“Getting parental buy-in.”*

### OPPORTUNITIES TO CONTRIBUTE

Many families offer on-the-job training for younger family members in the form of service on the foundation board or committees. Most younger family members are invited to attend the annual family meeting, and many (39%) can attend board meetings as observers or intern in the family office or operating business (33%). These experiences help younger family members understand what's involved in each of these roles and the training that is required so that they can determine the best way to contribute their skills and talents to the family enterprise.

**In what ways can younger family members engage with the family? *Select all that apply* n=54**



Other includes: attend investment and trustee meetings, participate in next gen programs, learning sessions and projects with the family office.

## SERVICE MENU & DELIVERY

### WHAT HAPPENS IN A FAMILY OFFICE?

Most GFO clients are full-service family offices, and the image below can be helpful for family members who may not appreciate the depth and variety of services that are provided or overseen by the office staff.

The service menu, like everything in the family office environment, depends on the family’s goals and needs. For example, some families decide explicitly that the office will not provide concierge or travel services. Almost all rely on the family office for consolidated financial reporting. Accounting & Reporting and Investment Services typically consume most of the staff’s time.

In many families, the service menu varies by generation and age of the family members. It’s not uncommon for the family office to be providing concierge and other services just for the senior generation. The image below provides a look at the services respondents provide and how they’re delivered (in-house, in collaboration with an external advisor, or outsourced to an external advisor).

### Service Menu & Delivery

<b>Strategic Wealth Planning</b>	Estate Planning	Financial Planning	Investment Structure & Design	Philanthropy	Tax Planning	Trusteeship
<b>Family Learning &amp; Engagement</b>	Family Meetings/Annual Retreats			General Education for Family Members		
<b>Investment Services</b>	Investment Strategy & Asset Allocation	Manager Selection	Performance Reporting	Custody		
<b>Accounting &amp; Reporting</b>	Bookkeeping	Budgeting & Cash Flow Analysis	Financial Reporting	Tax Preparation	Technology	
<b>Banking &amp; Insurance</b>	Lines of Credit & Financing		Insurance Selection	Insurance payment & Claims Processing		
<b>Concierge Services</b>	Bill Payment	Private Employee Management	Property Management & Maintenance	Travel	Yacht, Aircraft & Art Management	Special Projects

n=75    ■ In-House    ■ With Advisor    ■ Outsourced

Two questions to consider as you think about your service menu include:

1. Are we delivering services as effectively as we can?
2. Are we delivering the right services for our clients?

The second question becomes important over time because families’ needs change, and it’s critical to ensure that the services the family office provides remain relevant and valued.

## INVESTING AMID UNCERTAINTY

Investments are the “engine room” of most family offices. Each engine is (or should be) purpose-built for the specific outcomes designated and desired by the family. By being intentional, families are able to separate the signal from the noise and focus on a long-term framework for generational wealth sustainability while incorporating additional goals and intentions along the way.

Unsurprisingly the data suggest an ongoing interest in alternative investments with Private Equity, Private Credit and Venture Capital leading the way. These interests are continually being shaped by questions of geo-political confrontation, domestic (U.S.) political uncertainty, climate change and current asset prices.

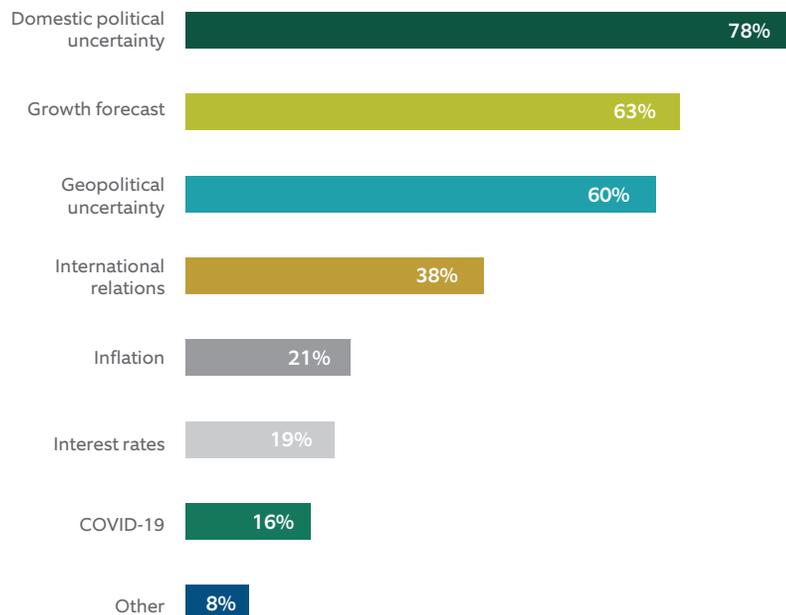
One point of division seems to be family offices in which the family owns an operating company and those who have made the full pivot to being investment companies. Here we observe the distinction as one between operating and employing in the COVID-19 world and investing in marketable securities – very different experiences indeed.

Please note that this data was collected between May and August of 2020.

## ECONOMIC CONCERNS

Unsurprisingly U.S. political uncertainty leads the list of investors’ concerns around economic activity. Recent comments at the NABE meeting from Chicago Federal Reserve Board President Charlie Evans, noting the lack of certainty in global trade policy which pushed manufacturing into an early year recession in 2020, are another example of how these concerns are shaping investor decision-making.

**What economic factor(s) are you most concerned about? Select all that apply n=73**



Other includes: Deflation, environmental, social and political unrest, government spending and currency markets.

WHERE IS THE OPPORTUNITY?

Given current public market valuations and the ability of family offices to take on illiquidity and longer time horizons, we note now the rise of “Private Everything.” With the tidal wave of assets, we have noted the rapid rise in new funds and GPs. Manager and deal selection will be critical to investor success over the next decade and for generations to come.

Where do you see the highest conviction opportunities in 2020 and beyond? n=41

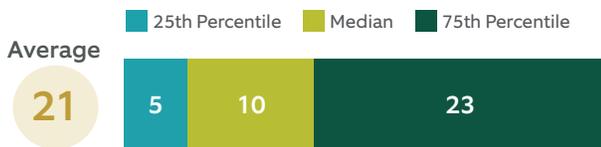


**INVESTING IN ALTS**

Everyone is in the pool. More investors are now understanding that fund of funds are not as egregiously offensive as they once were. This has to do with market saturation at the top and the need to find alpha further down the size and sector verticals.



**Number of direct investments overseen by the family office? n=41**



**Number of capital calls completed by the family office? n=45**



12/31/19 Allocation to Alternatives (n=51)	Average
Private Equity – Direct	5%
Private Equity - Funds	14%
Real Estate - Direct	6%
Real Estate - Funds	3%
Hedge Funds	9%
<b>Total</b>	<b>37%</b>

## TECHNOLOGY & CYBERSECURITY

### COMMON CHALLENGES

Cybersecurity is the most common issue keeping survey participants awake at night. This appears as the number one technology challenge, as well. In a world where many are still working from home and meetings with family members are happening via Zoom, Teams and other platforms, these security concerns are heightened.

The other issues on this list are perennial, and differences exist based on where the participants are in their evolution. Finding the right software solutions is a priority for participants led by the first generation, while automation takes precedence for participants led by G3+ where the sheer volume of activity puts the focus on finding ways to automate manual processing. Staying current and streamlining the integration of data from many sources to provide customized client reporting challenge everyone, especially those with small staffs.

#### What is your greatest technology challenge? n=71

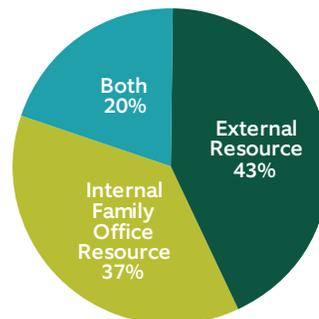


Other includes: Adjusting to remote work environment from a security standpoint, oversight and management of our technology platform.

### IT SUPPORT

For many respondents, IT support is a second job for the CFO or COO in the office. We're seeing a growing number of GFO families (43%) hire an external resource for system maintenance and support. As you might expect, small offices are more likely (52%) to rely on an outsourced solution. Some of the firms used by respondents include: [Lloyd Group](#), [Switchfast](#), [Eze Castle](#) and [OS33](#)

#### Who is responsible for system maintenance and support? n=71



### **ABOUT NORTHERN TRUST**

Northern Trust Corporation (NASDAQ: NTRS) is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families and individuals. Founded in Chicago in 1889, Northern Trust has offices in the United States in 19 states and Washington, D.C., and 23 international locations in Canada, Europe, the Middle East and the Asia-Pacific region. As of September 30, 2020, Northern Trust had assets under custody/administration of US\$13.1 trillion, and assets under management of US\$1.3 trillion. For more than 125 years, Northern Trust has earned distinction as an industry leader for exceptional service, financial expertise, integrity and innovation. Visit [northerntrust.com](http://northerntrust.com) or follow us on Twitter @NorthernTrust.

### **ABOUT GLOBAL FAMILY & PRIVATE INVESTMENT OFFICES**

Founded in 1982, the GFO group has a focused commitment to families of significant wealth, their private foundations and the family offices that serve them. Among the longest-standing family office providers, GFO combines Northern Trust's institutional-strength technology, investment capabilities and global platform with its 130-year heritage of serving as a fiduciary and wealth manager. The group of over 265 dedicated professionals works with more than 450 families in more than 30 countries across the globe. The average client size is US\$900 million.

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All graphics included in this report are representative depictions of findings from the 2020 Family Office Benchmarking Report run by Northern Trust's Global Family & Private Investment Offices group.



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