



PLANNING AHEAD

By **Peter Moustakerski**

The Family Office in 2025: Understanding and Managing Complexity

A practical framework for all involved

Every family journey is unique, but regardless of where they are in their evolution, there's one thing all sophisticated families have in common today: rising complexity. Wealthy families are entering a perfect storm of shifting family demographics, dizzying technological advances and disruptive geopolitical and socioeconomic forces.

Ultra-high-net-worth families, whether they still own and operate the business that generated their wealth or not, rely on formal or informal structures to oversee their financial management. Whether through their operating business or the family office (be it in the form of a single family office, a multifamily office or a virtual family office), families are finding those entities are fast evolving into the family's nerve center, navigating their near-term and long-term priorities. These structures and family offices (enterprises) are called on to manage an increasingly broad spectrum of services and responsibilities, including family unity, family enterprise governance, technology and operations, risk management, impact and philanthropy, family learning and health and well-being. In turn, family offices are expected to provide their principals an ever-expanding portfolio of services and support a burgeoning ecosystem of internal strategists, external advisors, expert vendors and specialized technologies that families rely on.



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The Family Journey

In my experience, the definition of an “enterprise family” has evolved to mean one that intentionally adopts a multigenerational mindset that supports the family's shared ownership and collective interests and not simply families that manage the businesses that generate(d) the wealth.

The first step in positioning the family and its enterprise for success in the face of this exploding complexity is to understand the internal forces driving the needs and behaviors of the family and its members. The best tool for accomplishing that is the concept of the family journey—that is, knowing where the family, the family enterprise and the individual wealth owners are in their multigenerational evolution.

In their recently published book, *Build an Enterprise Family to Last: Proven Strategies to Thrive Across Generations*,¹ Sara Hamilton and Margaret Vaughan Cox map out the archetypical journey all sophisticated families follow—one from a business-centric family with a few shareholders to a complex enterprise family. What begins with a creative and enterprising founder evolves into an intricate system that could include operating businesses, real estate investments, private foundations, family trusts or holding companies and potentially Rising Gen entrepreneurs.

Understanding the family in the context of its cross-generational journey requires understanding three key elements unique to each family:

1. **Where they are today.** This includes understanding the family's history and culture, which helps strengthen family bonds and enhances their ability to plan for and manage change.

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2. **Where they want to go.** This involves aligning the family around shared interests and goals, motivating them to work beyond generating wealth to create a greater impact.
3. **How they want to get there.** This helps ensure a sustainable family governance system by developing skillsets to manage complexity and build an equitable system for decision making.

Knowing where the family is on this path—and where they're going over time—dictates the decisions family leaders and their trusted advisors make regarding all critical aspects of the family office.

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Drivers of Complexity

The wave of complexity washing over families and their family offices originates from the confluence of several internal and external factors, some unique to the family and some driven by the social, economic and geopolitical forces shaping the environment in which the family exists and operates. This originates from four key factors:

1. **Family.** These are the demographic, behavioral and structural characteristics related to the family itself, including: the number of generations active in the family enterprise, governing boards, independent board directors and family meetings held each year.
2. **Ownership.** These pertain to the family enterprise ownership structures, operating and governance processes and joint activities family members undertake. Some examples are the number of operating businesses, direct investments, philanthropic entities and generation-skipping trusts, the percentage of assets held in trust and the amount of annual charitable giving.
3. **Investment.** These relate to the complexity of the family's investment portfolio and investment activities the family office manages or oversees. They include the total amount of investable assets, asset allocation and the number of public money managers, private funds and direct investments.
4. **Operational.** These factors are associated with the activity and services provided by the family office, including: the number of family office employees, tax jurisdictions and geographies that family is active in, households serviced, legal entities, tax returns, K-1s processed and external advisor relationships maintained.

External Forces

The current social, economic and geopolitical environment in which successful families operate is changing rapidly and undergoing significant disruptions. Three major forces are impacting families and shaping their needs and behaviors:

1. **Family demographics.** Longevity and birth rate trends result in families with up to four generations actively involved in the enterprise, with younger members across family branches and world views and values that differ significantly among different generations. This results in more complex family dynamics, culture strain and conflicting needs and objectives.
2. **Wealth transfers.** We're in the midst of what's been dubbed the "great wealth transfer," which will result in a new generation of owners and clients seeking performance, personalization and human advice. It will also require both family offices and external advisors to be conversant across a broad spectrum of concerns important to the family.
3. **Macroeconomic and geopolitical trends.** By all expert accounts, we're entering the final stage of a global socioeconomic and geopolitical crisis that's been brewing for 25 years. The uncertainties and disruptions of this period will amplify the complexity and introduce incremental needs related to risk management,



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business and investment diversification and social and environmental impact, largely driven by the values and beliefs of Rising Gen family members.

Control Horizon Framework

In 2025 and into the foreseeable future, in addition to the requisite technical and financial skills, advisors and family office professionals will be required to possess the qualitative skills necessary to help families navigate the unique challenges and opportunities that arise from their success and wealth.

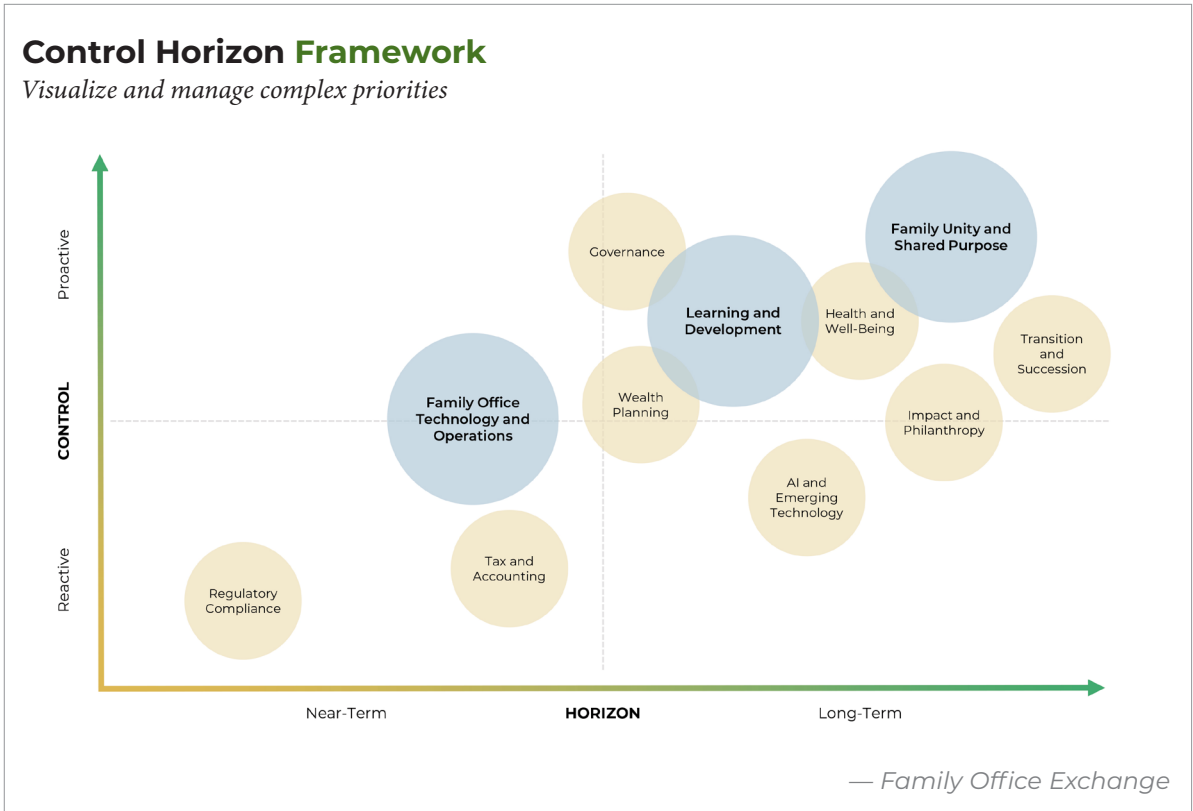
Research indicates the average single family office engages 23 external advisors and service providers² including those in risk management, family engagement and education, lifestyle and concierge services, technology and cybersecurity. The multifaceted demands on family offices are transforming this into a multidisciplinary field emphasizing transparency, collaboration and integration—not just among the wealth owner, the

family office and the advisors but also across the burgeoning ecosystem of external advisors and vendors serving successful families.

To manage and eventually master this complexity will require families, family offices and advisors to recognize the full scope of needs and priorities facing the family enterprise, both in the near and long term, and including both the reactive measures and proactive strategies undertaken by the family.

“Control Horizon Framework,” this page, helps visualize and manage these complex priorities. The fundamental principle underlying this framework is the importance of approaching complexity with an intentional and strategic mindset—to tame and master complexity rather than fall victim to and be ruled by entropy.

Complexity tends to hit all aspects of the family enterprise simultaneously and in ways that can overwhelm family members, family office executives and many advisors. It can feel like “everything everywhere all at once,” in which the whole lot



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must be managed with equal priority and urgency. That, however, is the path to entropy, burnout and dissatisfaction, exponentially escalating costs and chaos.

The control horizon framework helps families and advisors segment and strategically prioritize the most important responsibilities to the family's goals and success. It suggests that by distinguishing between near- and long-term priorities and between reactive and proactive activities, the family is able to overlay its own strategy and objectives over the vast complexity it faces.

"Control Horizon Framework" illustrates a sample segmentation of the top family needs and priorities. Family Office Exchange (FOX) expects to dominate family office agendas and resource allocations. This isn't intended to be an exhaustive map but rather a visualization of the most likely areas we foresee family offices will be asked to work on in service of their families.

This framework prompts families, their family office executives and their advisors to ask some important questions before they start implementing solutions and sinking resources into daily tasks, such as:

- Should we orient the family office toward responsive near-term tasks or steer it toward achieving the family's long-term goals and vision?
- Which functional areas should we build in-house, and which should we outsource?
- Who should lead each area of activity for the family?
- How much time and resources should the family and the family office dedicate to the different areas? For example, how much agenda time should leaders dedicate to tax and financial reporting versus Rising Gen learning and development?

Most family offices will likely work on at least some of the areas in the framework over the course of 2025. For example, with regulatory changes taking effect (including the Corporate Transparency Act), a new administration in Washington and multiple countries changing their residency rules, compliance and tax strategies will still be very complex and important. And with generational transitions and wealth transfers

looming, succession and wealth planning will remain top of mind.

But with the help of this framework, families and their advisors can identify the areas of greatest strategic importance based on where the family is in its journey and how it collectively defines success. This strategic approach allows the family, its family office and the advisors supporting the family enterprise to isolate and focus on the needs and activities that most directly support the achievement of the family's strategy and objectives. At the very least, it offers a way to choose where to focus its limited resources.

Without a framework for family unity and shared purpose, all other priorities and activities can become irrelevant and leave the family enterprise on shaky ground.

Special Areas of Focus for 2025

The following three areas will likely command the most attention among family office executives in 2025.

Family unity and shared purpose. These are the foundations of any long-term family strategy. Without a framework for family unity and shared purpose, all other priorities and activities can become irrelevant and leave the family enterprise on shaky ground.

But supporting shared ownership and collective interests across a family enterprise is no small feat and doesn't happen automatically—it takes hard work, focus and resources. And while unity is the most important element of successful enterprise families, it's rarely the area most families readily prioritize.

Defining the shared purpose and path for family unity involves considering the values that connect the family and determining how to get multiple generations to work together toward that shared vision. Understanding the family journey is particularly important for achieving family unity, allowing families to reach the ultimate goals of:



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- Painting a clear picture of a shared future.
- Giving meaning and purpose to the lives of all family members.
- Developing a thoughtful enterprise-wide strategic plan with buy-in from the entire family.

Communication among the family members, family office executives, board members and external advisors is essential. As more generations become involved, advisors must manage individuals with diverse values and motivations. The Rising Gen may have different investment, philanthropic and operational priorities, such as preferring to focus on social impact investing or embrace new technologies. A successful family culture gathers input from all generations to help the enterprise family evolve while preserving the shared purpose.

Uniting the rising generation of leaders is crucial as they'll be the ones to lead their families through a period of immense change. Against this backdrop, strengthening family unity and purpose is more critical than ever for long-term success.

Family learning and leadership development. Fostering a shared family purpose isn't possible without a commitment to continuous learning. That's why we've seen family offices increasingly becoming learning organizations, emphasizing human development as much as financial management.

More and more families and their advisors realize that focusing on individual well-being will ultimately strengthen the collective family enterprise. As a result, both the family office and the external wealth professionals serving the family are becoming more involved in the family's learning strategy and development of its human capital.

Opportunities for learning don't have to be complex. They can start by inviting family members to join meetings, encouraging them to attend industry workshops or serve on philanthropic boards. Providing opportunities for internships or junior board roles can benefit both the rising generation and the family at large.

But as the industry understands the importance of human capital development, some family offices realize the need to formalize their learning strategy and infrastructure. More offices are hiring a chief learning officer (CLO) to create, guide and facilitate

family learning initiatives and to act as a liaison and facilitator with family governance structures. I anticipate this trend to accelerate in 2025.

Hiring a CLO, whether full-time or as an outside consultant, helps ensure families work with a professional who can develop a solid learning structure tailored to their unique needs. But it's important to note that there's no clear line regarding when to implement a more formal learning program, particularly in larger families in which different branches could have other needs or desires. Whether learning efforts are formal or informal depends on the family's unique circumstances.

Preparing the rising generation of family leaders isn't a one-off succession event. It includes early messaging about upcoming transitions and working with family members to assess interest, begin education and training and continue learning opportunities to ensure a smooth transition process. It includes asking:

- Do the family members know what roles are available to them or when potential roles may open up?
- Do they feel ready to step in?
- Is there a path to readiness available for them?

Successful enterprise families have a clear family learning plan. It begins with investing in child education and young adult engagement and continues through adult education opportunities. This ensures information is shared over time at age-appropriate levels and that there's clear communication about family learning opportunities and expectations.

With more generations involved in the family enterprise than ever, multigenerational co-learning matters as much as passing down knowledge from older to younger generations. As more family members are involved and scattered geographically, understanding where the family is on its journey allows them to build a continuous learning culture, provide the tools necessary for identifying desired skills and skill gaps and help raise responsible owners across generations.

Family office operations and technology. Family offices still spend most of their time managing the family's financial capital, and much of their

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operational design and technology implementations are focused on tasks such as portfolio performance, consolidated reporting or partnership accounting.

As the family's needs continue to expand, however, the pressure on the family office to deliver a broad set of highly specialized, white-glove services has risen exponentially. Operations and technology requirements have evolved from merely managing accounting and investments to supporting all the family's lifestyle demands, including philanthropic planning and administration, budgeting and cash flow management, family engagement and education, property management and client communication. All of these tasks require specialized tools, and they need to be highly interconnected to foster collaboration among family members, family office executives and external advisors.

Rather than look at building a technology stack from a purely task-based perspective—what Kent Lawson, FOX Chief Technology Officer, calls the “Request for Proposal (RFP) model”—a more proactive and holistic approach involves building a comprehensive family profile. The RFP model is more reactive in nature, responding to solving problems as they arise, resulting in a patchwork of nonintegrated technologies.

On the other hand, building a family profile focuses on the family's future, providing a more proactive roadmap to building a technology stack for the long term. The right technology implementation requires understanding the family journey.


A major consideration for most family offices in 2025 will be deciding what services they should formally provide to family members and, from there, building an efficient and reliable operating and service model to deliver these services consistently. Saying “no” isn't in the DNA of most family offices, but this white-glove client service culture is also the source of much of the complexity and costs family offices now face.

In addition to designing their menu of services, family offices will face the important decision of whether to outsource some—or all—of these services to external advisors or service providers. Family offices demand deep expertise and specialized solutions. Hiring top-tier talent continues to be an ongoing, significant challenge and investing in

state-of-the-art technology to address each domain of expertise the family relies on can quickly become very expensive. That's why so many family offices, both small and large, are exploring outsourcing, functional lift-outs, cooperative arrangements with peer families, hybrid designs with multifamily offices or the complete virtualization of their family office.

Ultimately, most operational and technology implementation failures aren't due to the technology itself but an inability to accept change. Change management will be a key skill for family office advisors to help guide families through a more complex operating environment.

Mastering Complexity

Family wealth advisors and their clients face many transformative challenges. To serve and stay relevant to their fast-evolving and ever-more-sophisticated clients, family office professionals and external advisors must develop knowledge of the multifaceted requirements of the families they serve and understand the sources of the complexity they face. Mapping out the current state and future direction of the family's journey, completing a profile to measure and track complexity and using the control horizon framework to manage the strategic priorities and resourcing of family office activities are some of the practical tools recommended for family wealth professionals as they gear up to help their clients navigate the challenges and opportunities they'll face in 2025 and beyond. 

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Endnotes

1. Sara S. Hamilton and M. Vaughan Cox, *Build an Enterprise Family to Last: Proven Strategies to Thrive Across Generations* (James E. Hughes, Jr. Foundation Publishing 2024).
2. “2023 Family Office Benchmarking Study,” Family Office Exchange (FOX).