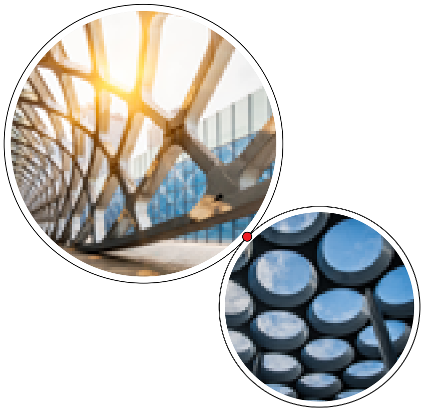
UBS Family Office Quarterly

A Family Office Solutions publication

First Quarter 2025



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Introduction

With a new year ahead, we are pleased to share the first edition of the Family Office Quarterly for 2025, bringing you leading insights, thoughtful discussions and experience-based practices across the many dimensions of managing a family office.

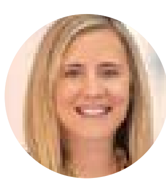
As we approach the midpoint of the current decade, we begin by looking at key developments that we believe will shape the next stage of these "Roaring 20s," including US political change, falling interest rates and transformational innovation in artificial intelligence (AI) and in power and resources.

Next we explore the confluence of factors that make this an optimal time for collectors to enter the art market. We also share how collectors can make the most of this buyer's market with strategic approaches to both galleries and auction houses.

Just as family offices facilitate effective management of a family's financial and investment ventures, we examine why private trust companies (PTCs) are growing in popularity as a means for families to have control and cohesive management over their trusts. We also consider why a modern approach to structuring and managing a family office is required as these entities evolve with multiple challenges and opportunities for leaders. The evolution of family offices is further explored from the perspective of seeing a convergence with the industry, and private equity and services firms in particular.

For family offices looking to recruit executives, we share insights into key aspects of the recruiting process to help navigate the challenges that can arise—including a long time frame. And our conversation this edition uncovers how reporting platforms are allowing family offices to unlock the value of private investments through streamlined management and rich data insights.

We trust you will find meaningful ideas and insights. As always, we'd love to hear what topics and concerns are top of mind for you as we continue to evolve our industry together.



Judy Spalthoff
Head, Family Office Solutions

John Mathews
Head, Private Wealth Management Americas

Year Ahead 2025

Roaring 20s: The next stage

Mark Haefele
Chief Investment Officer
UBS Global Wealth Management

Solita Marcelli
Chief Investment Officer Americas
UBS Global Wealth Management

Kiran Ganesh
Global Head of Investment Communications
UBS Global Wealth Management

Daniel Scansaroli, Ph.D.
Head of Portfolio Strategy & UBS Wealth Way Solutions Americas
UBS Global Wealth Management

We are approaching the midpoint of a decade that has brought rising equity markets, solid economic growth and technological breakthroughs—as well as a global pandemic, the outbreak of wars and societal challenges. Here we look at key developments that we believe will shape the next stage of these "Roaring 20s," including US political change, falling interest rates and transformational innovation in artificial intelligence (AI) and in power and resources.

Since the start of the 2020s, global equity markets are up by around 50%, US nominal GDP has increased by over 30% and US corporate profits are up nearly 70%. All that in spite of unprecedented global lockdowns, the outbreak of wars in Eastern Europe and the Middle East, and the largest spike in interest rates and inflation in decades.

The market and economic developments have led some to term the decade so far as the "Roaring 20s," marked by high economic growth, strong market returns and improving productivity.

We are now approaching the midpoint of the decade, and the implications of the US election result are a focal point. A key question is whether US political change might extend or end the Roaring 20s.

The upside scenario would see lower taxes, deregulation and trade deals adding to a positive market narrative built on solid growth and continued investment in AI. The risk scenario is that trade tariffs, excessive fiscal deficits and geopolitical strife will contribute to higher inflation, weaker growth and market volatility.

As we consider a wider range of market outcomes ahead, the unpredictability of this decade so far should remind us of the importance of humility and market diversification. But it should also remind us of the adaptability of the economy, the power of innovation and the potential for long-term market growth.

In Year Ahead 2025, we highlight the investment opportunities and strategies to help investors capture opportunities and manage risks as the decade enters its next stage.

What does this mean for investors?

In our base case, we believe that central banks are poised to cut interest rates further in the year ahead and that returns on cash will fall. As such, we believe investors should position for lower rates by putting cash to work in investment grade bonds, diversified fixed income strategies and equity income strategies to sustain portfolio income.

We continue to believe that artificial intelligence is positioned to be the investment opportunity of the decade. To capitalize, investors should focus on both listed megacaps and innovative private companies. Rising electricity demand and decarbonization goals should also create a significant long-term opportunity in companies related to power and resources.

We think there is more to go in equities. With markets powered by falling interest rates, solid economic growth and transformational innovations, we expect the S&P 500 to reach 6,600 by the end of 2025—around a 10% price return from current levels. Tariffs and geopolitical uncertainty are likely to contribute to volatility for European and Chinese markets in the year ahead.

While tariffs are a concern, they should not completely overshadow the opportunities outside the US. We see value in maintaining diversified exposure to Asia ex-Japan. Korea's and Taiwan's exports, crucial to global supply chains, are less likely to be affected by tariffs owing to their non-substitutable nature. India offers a compelling domestic growth story, and we remain positive on China's internet stocks, which could benefit from potential stimulus measures. In Europe, our focus is on small- and mid-cap stocks in the Eurozone, as well as Swiss high-quality dividend payers.

In currencies, tax cuts, immigration controls and tariffs are likely to provide short-term support for the dollar. While further near-term strength cannot be ruled out, we believe the dollar is currently overvalued and overextended. Investors should consider selling further dollar strength.

In commodities, we expect gold to break new highs and anticipate higher prices for "transition" metals like copper, lithium and nickel. We also think the outlook for global residential and commercial real estate is bright amid constrained supply and rising demand.

Thinking strategically

Beyond some of the specific ideas we present in our Year Ahead report, we also provide a number of strategic focus areas that can help investors plan ahead and build better long-term portfolios.

These include putting cash to work, strengthening your core, diversifying with alternatives, optimizing leverage, being active with managing your investments and considering going sustainable.

By thoughtfully embracing near-term opportunities within the framework of a well-crafted strategic plan, we are confident that investors can build resilient and profitable portfolios. As we reach the midpoint of this dynamic and transformative decade, we extend our best wishes for a prosperous and successful year ahead.

Economic outlook

In our base case, we expect sustained economic growth in the US, supported by healthy consumption, loose fiscal policy and lower interest rates. Tariff threats are a headwind for Asia and Europe. If imposed, they could be partially offset by reactive stimulus measures in China. We expect growth in Europe to modestly improve as interest rates fall.

US: Slower but solid

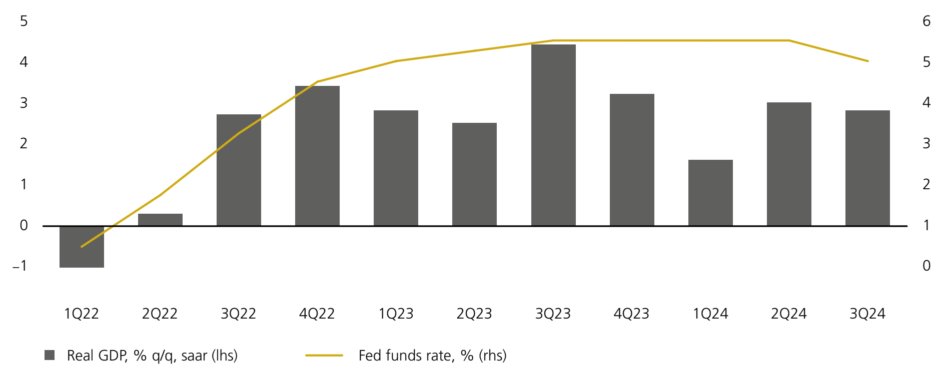
We expect US economic growth to slow slightly but remain close to 2%.

Over the past two years, the US economy has defied expectations that higher interest rates would provoke a sharp slowdown. In 2024, nonfarm payroll growth averaged 170,000 per month, and GDP growth estimates point to a 2.7% rate for the full year.

In the year ahead, we expect US economic growth to slow somewhat but remain close to 2%. We believe many of the key factors that have sustained US economic growth in recent years are likely to persist.

Solid US growth despite sharp rate hikes

US real GDP growth and federal funds rate, upper bound



Sources: Bloomberg, UBS, as of November 2024.

Strong incomes support spending

Strong income growth is enabling consumers to increase spending while maintaining decent savings rates. This suggests that consumption can stay robust, provided the labor market remains healthy. Unemployment has started to rise but remains low by historical standards.

We also expect inflation to keep falling, even if selective tariffs contribute to a one-off increase in some prices.

US goods prices have been in deflation for the past three years, while stubbornly high shelter prices are easing. In our view, the Fed is likely to look past tariff-induced price increases and will cut interest rates by a further 100bps during 2025, bringing rates close to our estimate of neutral (3.25-3.50%) by the end of the year. Lower rates should ease pressure on indebted households and businesses, and improve conditions in interest-rate-sensitive parts of the economy.

Tax cuts and deregulation under President Trump may further bolster the US economy.

Risks to watch

We believe blanket tariffs would increase the risk of US stagflation.

We are monitoring potential risks. While we do not believe selective tariffs on US imports from other countries are sufficient to derail US growth, blanket tariffs would increase the risk of US stagflation.

Limits on migration introduced in mid-2024, and potential future limits on migrant labor supply, are likely to mean slower labor supply growth. This could cause inflation to remain more stubborn than expected and could limit overall GDP growth.

We also note that US fiscal policy is unsustainable over the long term. We expect a budget deficit in excess of 6% in 2025 for the fourth consecutive year. We do not expect any major measures to address the deficit to be introduced in the near term, and there is a risk that higher long-term borrowing costs weigh on US growth.

Asia: Divergence amid slower growth

We forecast slightly slower growth in Asia in 2025, with regional variations.

China: Tariff headwinds
In our base case, we anticipate the Trump administration will introduce additional selective tariffs on US imports from China, increasing the effective rate from about 10% to 30% by end-2026. In a risk scenario, a 60% blanket tariff could make much of US-China trade unviable.

However, China's CNY 10 trillion local government debt resolution plan should help mitigate risks, and Beijing appears ready to boost economic stimulus if needed.

We expect China's growth to move from 4.8% in 2024 to 4.0% in 2025.

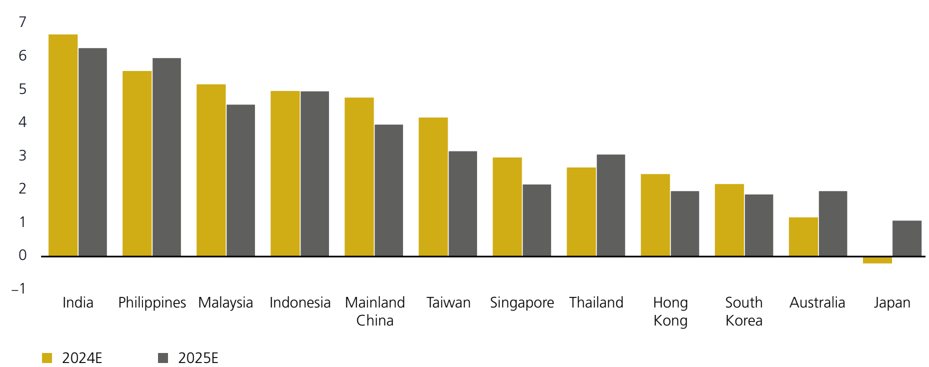
We forecast slightly slower growth in Asia in 2025, with regional variations.

Robust growth in emerging Asia
India and Indonesia are likely to experience stronger growth due to favorable demographics and lower tariff risks. In fact, US-China tensions might actually enhance investment in other parts of Asia, bolstering infrastructure and construction activity.

Acceleration in developed Asia Pacific
We forecast Japan's growth to accelerate to 1.1% in 2025 from -0.2% in 2024, driven by higher wages and consumption, with a Bank of Japan rate hike anticipated by mid-2025. We project Australia's GDP to increase to 2.0% in 2025 from 1.2% in 2024, aided by fiscal measures to boost consumption and increased mineral demand for renewable energy.

Asia to experience growth divergence

Real GDP growth, % y/y, UBS estimates



Source: UBS, as of November 2024 .

Europe: Uneven and subdued but stronger

In 2025, we expect Europe's economic growth to be uneven and subdued, yet stronger than in 2024.

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Trade risks
A global trade war is a potential risk for Europe in the year ahead, especially for export-oriented economies. At the same time, higher European defense spending and additional investment associated with near-shoring may support growth.

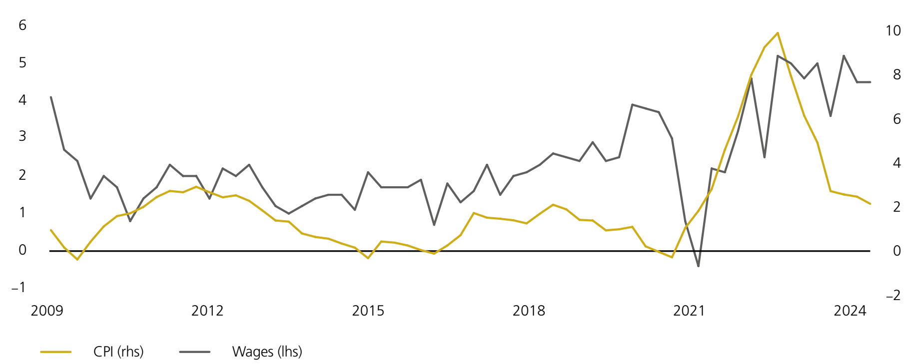
Country-level divergence
We believe Germany, France and Italy will experience modest growth of around 1%, with structural challenges and fiscal constraints limiting growth. We expect Spain, the UK and Switzerland to outperform, with growth rates of approximately 2.3%, 1.5% and 1.3%, respectively.

Fiscal and manufacturing headwinds
Tight fiscal budgets are constraining public spending and limiting the ability of governments to stimulate their economies through public investment. The manufacturing sector is also under pressure due to weak demand from China.

Consumer and monetary support
Despite these challenges, we expect high recent savings rates and rising real incomes to boost consumer spending as inflation declines. Furthermore, we expect further interest rate cuts by the European Central Bank, Bank of England and Swiss National Bank to support corporate investment.

Wage growth in Europe could boost spending

Eurozone nominal wages and salaries, and headline CPI, quarterly average, % y/y



Sources: Eurostat, Bloomberg, UBS, as of November 2024.

What will President Trump mean for markets?

A Trump presidency, coupled with Republican control of Congress, has the potential to reshape the global economic and geopolitical landscape. Key policy areas in focus for investors include tariffs, fiscal policy, deregulation, monetary policy and international relations.

Economic implications

Trade: Selective and bilateral tariffs likely
Tariffs—particularly the mooted blanket 60% on Chinese imports and 10% on others—pose the most significant global economic risk. Given potential legal and Congressional challenges, we think that the Trump administration is more likely to implement bilateral and selective tariffs. Such tariffs are likely to contribute to volatility for European and Chinese markets, but in our base case we do not believe they would derail US growth.

Fiscal and regulatory policy: Congressional constraints?
The Trump campaign emphasized extending personal income tax cuts, reducing corporate taxes and implementing deregulation on the financial and energy sectors. While these measures could stimulate economic activity, Congressional objections amid large federal budget deficits may limit their scope. For example, fiscal hawks in Congress might resist policies that further expand the deficit.

The Fed: Still on course for lower rates
Although tariffs could temporarily increase inflation, we believe the Federal Reserve will continue its path of rate cuts toward achieving a neutral policy stance; we anticipate 100bps of rate cuts in 2025. Nevertheless, the Fed will closely monitor factors that could have a more long-lasting impact on inflation or inflation expectations, including limitations on migration, blanket trade tariffs or significantly looser fiscal policy.

Geopolitics: Peace through strength
A "peace through strength" approach to Trump's foreign policy could increase volatility in a market seeking greater geopolitical stability.

Initially, we expect a more confrontational approach toward China, strains in transatlantic relations and a "maximum pressure" strategy on Iran, with a view of seeking deals to preserve US interests. At the time of writing, Polymarket prices the odds of Trump ending the Russia-Ukraine war within 90 days of taking office at 39%.

Market implications

Equities: Divergent US and international impact
For the US, we anticipate the S&P 500 reaching 6,600 by the end of 2025, driven by benign growth, lower interest rates and AI advancements. Potential tax cuts and deregulation under a Trump administration could further support markets. Our preferred sectors include technology, utilities and financials. While tariffs may affect tech earnings, AI infrastructure spending remains robust. Utilities may face headwinds from less government support for renewables, but demand for AI data centers should drive power demand. We expect the financial sector to benefit from deregulation.

International markets could face greater headwinds from tariffs. That said, Beijing's potential stimulus in response could help mitigate the impact on China, US imports from markets like Taiwan and Korea are not easily replaceable, and most US sales by European companies are from goods and services made in the US.

Bonds: Yields rise too far?
US Treasury yields rose in anticipation of a Trump presidency. But with the Fed likely to stay on a rate-cutting path, and with plans to loosen fiscal policy facing potential Congressional constraints, we think yields are likely to fall in the year ahead. We believe investors should use currently elevated yield levels to lock in returns.

Currencies: Near-term dollar strength, longer-term weakness

The US Dollar Index has strengthened on confirmation of a Trump presidency, driven by expectations of lower taxes, higher tariffs and heightened geopolitical uncertainty. While the dollar may remain strong in the short term, we believe that the dollar is now overvalued and overstretched at current levels. The Chinese yuan is likely to remain pressured until clarity about trade tariffs emerges.

Gold: Initial sell-off, a good hedge

Gold prices sold off on confirmation of a Trump presidency, with a stronger US dollar, higher yields and a decline in equity market volatility crimping investor demand for the metal. However, in 2025, we believe gold will remain an effective hedge against key political concerns, including government debt levels, inflation or geopolitical tensions. We maintain our target of USD 2,900/oz by end-2025 and continue to recommend around a 5% allocation to gold as a diversifier.

Alternative investment opportunities

Private markets

Investors can diversify sources of return and potentially enhance portfolio growth by including an allocation to private markets in their portfolios. Annualized returns on global private equity so far this decade have outpaced those on global stocks, according to data from Cambridge Associates, and opportunities have expanded as companies have delayed or avoided listing on public markets. We believe investors can consider replacing around 30% of their public equity exposure with private markets, depending on their tolerance for illiquidity. In private markets, we like private credit, value-oriented buyout and secondaries including infrastructure. We expect to see a growing private markets opportunity set over the next 15 years, given the scale of capital required for digitization and decarbonization.

Time for real estate

Supply and demand dynamics are improving with decreasing vacancy rates and rising rental growth. Both public and private real estate markets are trading at attractive yield gaps and offer good discounts, in our view. We recommend focusing on sectors with strong fundamental dynamics:

- **Commercial:** Logistics properties, data centers and telecommunication towers that benefit from e-commerce and AI.
- **Residential:** Multifamily, senior and student housing sectors, although we are less optimistic on the sector in the UK and China.
- **Retail:** Selective opportunities exist, particularly in need-based retail properties.
- **Office market:** Caution is advised with a focus on prime, high-quality central office spaces.

Explore more

For more insights into our views on how to position your portfolio in the next year, please read the full report at ubs.com/yearahead.

To stay up-to-date with in-depth reports and market commentary from the UBS Chief Investment Office, please visit our Investment Research site.

Mark Haefele

Mark is the Chief Investment Officer for UBS Global Wealth Management and the Chair of the UBS Global Investment Committee, where he oversees the investment policy and strategy for approximately USD 2 trillion in invested assets. A former lecturer and acting dean at Harvard University, Mark is a frequent contributor to numerous financial media, including CNBC, Bloomberg and the Wall Street Journal. Mark received a B.A. from Princeton, and both an M.A. and Ph.D. from Harvard University. As a Fulbright Scholar, he also received an M.A. from the Australian National University.

Solita Marcelli

Solita is Chief Investment Officer Americas for UBS Global Wealth Management, where she oversees both the CIO Research and Investment Solutions businesses, with USD 2 trillion in total invested assets. Frequently featured on CNBC, Bloomberg and the Wall Street Journal, Solita is a member of the Aspen Global Leadership Network and the Global Advisory Council for the Wilson Center. Solita holds an M.B.A. from the Stern School of Business at New York University and a B.A. in economics and history from Brandeis University.

Kiran Ganesh

Kiran is a managing director and Global Head of Investment Communications for UBS Global Wealth Management. Kiran is editor-in-chief of the CIO's annual outlook, appears regularly in financial media, including CNBC, Bloomberg, the Financial Times, and the Wall Street Journal, and has previously been named as one of Forbes Europe's 30 under 30 in finance and a Future Leader by the Institute for International Finance. Kiran holds a first-class honors degree from Imperial College London in mathematics with statistics for finance, an Executive M.B.A. with Distinction from Columbia and London Business Schools, and is a CFA charterholder.

Daniel Scansaroli, Ph.D.

Daniel is a Managing Director and Head, Americas Portfolio Strategy & UBS Wealth Way Solutions, for UBS Global Wealth Management. Dan leads research and advises individuals and institutions on asset allocation, goals-based investing, private markets and hedge fund investing strategies, as well as portfolio/risk management. Dan holds several degrees from Lehigh University, including a doctorate (Ph.D.) in industrial/financial engineering, an M.S. in applied mathematics, an M.S. in management science and a B.S. in mechanical engineering.

Navigating today's art market as a collector

Matthew Newton
Art Advisory Specialist
UBS Family Office Solutions

Today's art market presents an opportunity for ultra high net worth collectors. The confluence of reduced market activity, lower confidence and an absence of speculative frenzy makes this an optimal time for collectors to enter the market. To make the most of this buyer's market, collectors should consider strategic approaches to both galleries and auction houses.

The art market, famous for its opacity and the perception of ever-increasing valuations, experienced price declines over the last two years, opening itself to buying opportunities for patient collectors. While up and down market cycles are nothing new to the art world, many seemed to forget the possibility of falling prices during the most recent decade-plus consistent growth market. The strength of the price surge and speculative energy during the post-COVID period left art owners with an especially heightened sense of their art's value. As those lofty valuations naturally retreated, many would-be sellers—collectors are rarely compelled to sell—chose to wait out the current market until those higher values return. When quality material does come up for sale, buyers who have remained in this market frequently have opportunities to acquire those works at more favorable prices.

> Several factors suggest a market ripe with opportunities for buyers who can navigate its nuances strategically.

Data points from the current art market

According to the UBS Art Basel Global Art Market Report, in 2023 the global art market saw sales totaling nearly $65 billion between galleries and auction houses, not including private sales brokered directly between collectors. This marked a reset following the pandemic-driven surge of 2021 and 2022. And while the market has cooled from its frenzied pace, it is still robust, creating a new baseline for what collectors can expect from overall sales volumes.

And yet, the first half of 2024 was characterized by a noticeable decline in art market confidence. Auction sales, particularly in the fine art segment, have seen a substantial decline, with a 29.5% drop in sales value compared to the same period in 2023, which was already down significantly from 2022. The ArtTactic Confidence Indicator, a survey of art market participants, hit a four-year low in July. The declining market and lack of confidence also led to an enticing reduction of speculation risk, with the ArtTactic Speculation Barometer dropping to a 10-year low. These circumstances suggest a market ripe with opportunities for buyers who can navigate its nuances strategically.

Characteristics of this buyer's market

A convergence of factors contributed to the current perception of a buyer's market in art. Auction houses have seen a steep drop in volume, with high-priced masterpieces offered less frequently. In some notable examples, significant works were withdrawn before they reached the auction block due to insufficient demand. Results from the works that do go under the hammer show a diversion in the market: especially rare works are bid up to record prices, while those of middling quality dwindle—and even significant works often sell at prices well off of their recent highs.

The recent downturn not only affected auction houses but also galleries dependent on month-to-month sales. Many galleries with high operating costs faced challenges as exhibition sales slowed. Buyers have more time to consider the works offered and to negotiate prices. Also, the market's narrative has shifted from an emphasis on underrepresented artists to widespread uncertainty as to what comes next, causing buyers who follow trends to reduce eager purchases. On the other hand, blue-chip galleries and those with exceptional material in inventory are able to meet the remaining buyer demand for top-quality work and have fared this market with strength, especially as auctions have fewer of those works on offer. The decline in speculation and the thoughtful refocus on quality artworks makes this an ideal time for strategic purchases. Collectors now have an opportunity to acquire works without always competing against the urgent land rush that characterized art buying in recent years.

How to take advantage of this buyer's market

To make the most of this buyer's market, collectors should consider strategic approaches to both galleries and auction houses. High-quality material is still available, particularly from galleries, and this is often the best time to secure these works. Buyers are advised to avoid waitlists, request private resale opportunities for works they are interested in and negotiate for larger discounts given the current conditions.

For auctions, collectors can look to regional and off-season sales for artists' works they follow. These auctions sometimes feature significant works at more favorable prices, particularly during periods of lower overall market activity. Monitoring auction results, even without immediate intent to buy, can also help collectors calibrate their understanding of current price trends and identify

opportunities when they arise. In this cycle, collectors should typically avoid entering bidding wars at auction unless a particularly rare or desirable artwork is up for acquisition that fits the collection's goals.

Additionally, during this period of reduced activity, collectors can take practical steps to protect and enhance the value of their collections. Cataloging works, updating valuations, tending to any condition issues and ensuring appropriate insurance policies are in place can position collectors well for future growth of their collection or strategic sales. Taking advantage of lower valuations to minimize the impact of lifetime charitable gift amounts or, conversely, using recent higher valuations for charitable deductions, may also offer financial benefits that align with broader estate planning goals.

Collectors can also increase the visibility of their collections by loaning works to museums or institutions, thus contributing to the cultural ecosystem and the exhibition and publication history of their works. This strategy can be effective for both established artists—by sharing a significant artwork with a wider audience—and for emerging artists, whose works may gain prestige through institutional recognition.

Conclusion

Today's art market presents an opportunity for ultra high net worth collectors. The confluence of reduced market activity, lower confidence and an absence of speculative frenzy makes this an optimal time for collectors to enter the market for artists' work they have prioritized in their collections. For those who can act decisively on thoughtful acquisitions, the present environment offers the chance to build significant cultural value—and possible financial resilience—by leveraging the unique opportunities that emerge in times of market transition. By deliberately engaging galleries and auctions, updating collection management practices and diversifying acquisitions, collectors can capitalize on the current market with best practices that apply to all art market cycles.

Matthew Newton

Matthew is the UBS Family Office Solutions Art Advisory Specialist. Art Advisory partners with UBS Private Wealth Advisors to provide ultra high net worth clients with personalized advice to build, manage and plan for exceptional lasting art collections in context of their overall wealth management. Topics of guidance include collecting vision and strategy, navigating the art market, organizing and caring for collections, and strategic legacy planning. Before joining UBS, Matthew developed a career in the commercial fine art gallery space, culminating as Associate Director at Michael Rosenfeld Gallery LLC, New York. His integrated art world experiences provide an array of resources and perspectives in service of comprehensive collecting guidance. Matthew graduated magna cum laude from the University of Georgia with a dual B.F.A. in art and art education. He received his M.F.A. from Hunter College of The City University of New York.

Beyond investments

Private trust companies: A family-controlled solution for trust services

Ann Bjerke
Head of Advanced Planning
UBS Advanced Planning Group

Todd D. Mayo
Senior Wealth Strategist
UBS Advanced Planning Group

As family offices allow families to cohesively run and operate a family's financial and investment ventures, private trust companies (PTCs) are growing in popularity as a means for families to have control and cohesive management over their trusts and to integrate and formalize family governance into their fiduciary activities.[1]

A PTC is an entity formed for the purpose of acting as trustee of trusts for a family. For the right family, a PTC provides multiple benefits for the family members and an organized, formal structure for the management of the family's wealth. A PTC may be a good option for families who are looking for an alternative to a traditional institutional fiduciary or a succession of individual trustees and who have the capacity to build and run a trust company. It also may be an option to consider for families with unique assets, like an operating family-owned business or other specialized assets over which the family wants to retain control.

> For the right family, a private trust company provides multiple benefits for the family members and an organized, formal structure for the management of the family's wealth.

A PTC is generally a solution for families that are cohesive in their vision for management and succession and stewardship of the family wealth. Often families that have successful and efficient family offices have demonstrated the aptitude for the type of complexity a PTC will bring and will stand to reap the benefits that a PTC can provide. For these families, PTCs provide a formal structure for family lines to work together, develop leaders of the rising generation and realize shared family goals for its wealth, business ventures and philanthropy. On the other hand, families that may have a family office that is not the product of a shared family vision or is not valued or maximized by the family may not be the best candidates to endeavor to create a PTC. For other families, a PTC may involve too much complexity and expense and other more mainstream solutions can adequately solve the family's needs.

As such, we at UBS generally see families with assets of over $500 million as the best candidates for creating a PTC, although there are some motivated families with less who create and operate PTCs successfully and efficiently.

[1] In some states, a PTC is called a family trust company or a private family trust company.

Structure

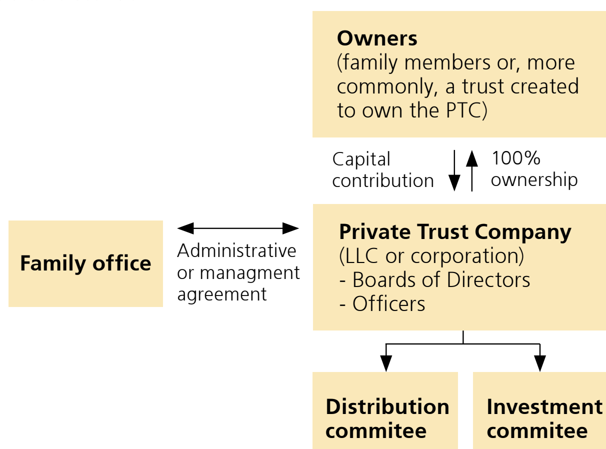
A PTC is generally structured as a corporation or limited liability company.[2] A board of directors (or similar group) typically oversees the management of the company, and shareholders (or other owners) vote on major issues, such as electing the directors. The owners of the PTC can include family members and trusts. A PTC typically charges an administrative fee (trustee fee) to each trust it administers, but most generally do not operate to generate a profit for their owners.

The board of directors generally manages the company at the macro level and appoints officers who handle day-to-day matters. Many trust administrative functions are run by committees, whose members are appointed by the board of directors. For example, a PTC may have an investment committee and distribution committee. In general, the committees' members may include family members and nonfamily members. Depending on the terms of a trust and its distribution standards, a settlor of a trust or other family members may be excluded from participating in certain decisions—such as decisions concerning discretionary distributions—for purposes of avoiding negative income, gift or estate tax consequences. Some PTCs have independent members (i.e., members who are not related or subordinate to the family members for tax purposes) on every committee as a safeguard to ensure proper governance.

A PTC may have separate committees or subcommittees that are responsible for different groups of trusts, so that the trusts for the benefit of one branch of the family are governed by different committees or subcommittees than trusts for another branch of the family.

The PTC may have in-house legal counsel, trust officers and compliance officers. The PTC may also hire independent providers for accounting, bookkeeping and legal matters and may enter into a services agreement with the family office in order for the family office to provide investment advisory services and management of direct investments.

The diagram illustrates an example of how a PTC might be structured.



[2] New Hampshire allows a PTC to be organized as a corporation, limited liability company or foundation. A foundation is a type of entity that holds property in furtherance of charitable or non-charitable purposes or for the benefit of its beneficiaries. (In this context, the term "foundation" refers to a special type of legal entity and isn't shorthand for "charitable foundation" or "private foundation.") New Hampshire is one of two states that recognize foundations. Unlike a corporation or limited liability company, a foundation doesn't have any owners, which may simplify the structure when used as a PTC.

Benefits

Long-term governance and succession plan

PTCs allow families to provide for a long-term succession plan for trustees of the family's trusts while also creating a mechanism for future generations to become involved in the governance and administration of the family's investments. Instead of relying on a succession of individuals who may not have the capacity, skills or time to devote to the job or an institutional trustee that may have high turnover of its trust officers or at the entity level if the trust company is bought or merged with another, a PTC is a (typically) perpetual entity that gives the family control and flexibility to appoint appropriate individuals to the board of directors and its committees, which will manage and invest its trusts.

Family control over appointment of decision-makers

The family can create a structure for appointing family members to the various committees. It may be desirable for family branches to have members of each branch on the distribution committees to retain maximum control (by immediate family members) and have other family members on the investment committee in order to leverage the investment expertise of certain family members and family office employees and provide a strategy for the family's investment portfolio.

Liability protection

PTCs provide greater protection for decision-makers than the protection afforded to individual trustees. Individuals acting as trustee have personal liability for their acts as fiduciaries.[3] This may deter qualified individuals from getting involved in trust administration. A director of a PTC or a member of a PTC committee generally is protected by the limited liability afforded to directors and officers of a business entity. A PTC can further protect these individuals by obtaining errors and omissions (E&O) and directors and officers (D&O) insurance. Moreover, the required adherence to formal process and decision-making lends itself to greater risk management and fewer unintentional missteps in trust administration and therefore less potential liability for individual fiduciaries.

Flexibility and management of unique assets

The PTC provides more flexibility in retaining and managing trust assets, like family-owned businesses or concentrated stock positions held by the family for long periods of time, than a traditional institutional fiduciary, which may be more risk averse or require more bureaucracy in the oversight and administration of the trust assets. While the family may have a view on specific companies or industries and a corresponding desire to invest in concentrated positions, an institutional trustee might be more likely to encourage diversification and make decisions with a priority of mitigating fiduciary risk. PTCs can also create economies of scale with investment structures, such as pooled investment funds, to allow trusts of all sizes access to certain investment opportunities.

Avoid registration

A licensed PTC can generally provide investment services to the family and its trusts without having to register as an investment advisor with the Securities and Exchange Commission (SEC) or a state securities regulator. A licensed (or regulated) PTC is a PTC that obtains a charter or license from a state banking regulator and is subject to periodic examination by that regulator.

[3] For a discussion of a trustee's duties, see Casey Verst, **Duties of a Trustee** (a publication of the UBS Advanced Planning Group).

Considerations

When deciding whether to create a PTC, there are several things that a family should consider.

Transition of trusts

A family will need to review its trust agreements to determine the process for naming a successor (and potentially removing the current trustee if it won't resign). In addition, the family may need to assess whether the situs or governing law of the trusts may be changed.

Tax consequences

There are potential negative estate and gift tax consequences if certain family members retain too much control over decisions for the trusts or activities of the PTC. As a member of a committee, a settlor or a beneficiary of a trust may not participate in certain decisions (such as distribution decisions) affecting the trust. In some cases, the settlor's spouse or the beneficiary's spouse is subject to the same restrictions. The Internal Revenue Service (IRS) issued proposed guidance (Notice 2008-63) regarding some of the income, estate, gift and generation-skipping transfer tax (GST) issues for structuring and operating PTCs. The IRS has not issued final guidance, and there are still open issues. Thus, it is important that families carefully design and run their PTCs.

Expense

Licensed PTCs are costly to create and administer (e.g., legal fees, capitalization requirements and examination fees). Unlicensed PTCs may be less costly but still often involve significant initial and ongoing expenses. The analysis is comparable to the decision-making process when considering whether to create a family office or to outsource various administrative and investment functions.

Less certainty

In many respects, the tax and other laws governing PTCs are less well developed than the laws governing trusts, including directed trust and divided trusts (which can incorporate decision-making and other governance elements similar to what a PTC can offer). This is especially apparent with respect to income, gift, estate and GST taxes. Although certain tax principles may be well established, their specific application to PTCs might not be. There are few rulings involving PTCs, and families and their advisors have less practical experience with PTCs than trusts (including trusts with robust governance structures).

Family conflict

While PTC governing documents will provide a process for resolving conflict, if the family encounters significant conflict with respect to the direction of the PTC, goals for family-owned businesses, or roles of various family members, it may be hard to extricate the family from the PTC structure. Each generation must buy in to the strategy and engage in the governance of the family's wealth. A fractured family will have difficulty effectively running a PTC, or a family office, for that matter.

Choice of state situs and jurisdiction

A family considering creating a PTC has the flexibility to choose the state situs of the PTC, which can be different than the state in which the family or family office is located. Favorable jurisdictions for PTCs include Florida, Nevada, New Hampshire, South Dakota, Tennessee and Wyoming.

For many families, situs selection often comes down to geographic convenience. A family selects a state with which it has existing ties or a state that is near the hub of the family's activities. Of course, there are other factors that may influence a family's choice.

The choice of jurisdiction is in part determined by whether the family wants to form a licensed or unlicensed PTC. Several states have enacted statutes that specifically permit licensed PTCs, which are subject to capital and reporting requirements and are subject to periodic examination by the state banking regulator. Licensed PTCs generally are exempt from registration as an investment adviser with the SEC or a state securities regulator. Some states allow for unlicensed PTCs, which generally are not required to file periodic reports with the state banking regulator or submit to periodic examination by the state banking regulator. An unlicensed PTC generally avoids requirement to register as an investment advisor only if it qualifies for the family office exception. To qualify for this exception, the PTC generally must be owned and controlled by only one family, and it can generally only serve that family and certain trusts and entities tied to the family.

In addition, when choosing a jurisdiction, the family will also consider the state's income tax rules (most choose a jurisdiction that does not impose income tax at a state level), the state's creditor protection and asset protection laws, the state's trust laws with respect to flexibility of irrevocable trusts (e.g., whether the state permits trust decanting) and the protection afforded to institutional fiduciaries. The family should consider how easy or challenging it may be to change the trust situs of existing trusts.

The family should also consider whether the state requires a physical presence for the PTC. Some states, like Nevada, require a physical office space for the PTC and at least one officer who is a Nevada resident (among other requirements).[4] In states that try to attract PTC business, local service providers are equipped to provide the requisite office space and qualified personnel. Other states do not explicitly state any requirements for a physical presence, so families should carefully consider what is practical.

Another factor when considering the situs and expense of a PTC is the capital requirement set forth by the state. Certain states require PTCs to be capitalized with $500,000 or more.

There are many considerations for a family thinking through whether a PTC is the right option for them. On top of the significant start-up and ongoing expenses, it is critical to consider the time and effort involved in creating and running a PTC, how the PTC will integrate with an existing family office, and, perhaps most importantly, the capacity and willingness of the family to commit to this structure.

Ann Bjerke

Ann leads the Advanced Planning group at UBS, a team of former practicing estate planning and tax attorneys who work with ultra high net worth clients to help coordinate their estate planning, income and transfer tax planning, business succession and family office structuring. Prior to joining UBS in 2008, Ann practiced law with the law firms of Winston & Strawn LLP and Levin, Schreder & Carey, focusing on estate planning. She also worked in the Office of Gift Planning at the University of Chicago. Ann received a B.A. from the University of Michigan and her J.D. from Vanderbilt University Law School, where she was a managing editor of the Vanderbilt Law Review. Ann is an adjunct professor of law at Northwestern Pritzker School of Law.

Todd D. Mayo

Todd is a Senior Wealth Strategist in the UBS Advanced Planning Group. In that role, he works with ultra high net worth individuals and families, helping them to design and implement wealth strategies that reflect their goals and values. Before joining UBS, he was general counsel of Perspecta Trust. He previously practiced law, focusing on trust and tax matters, and also served in an earlier role as a trust company executive. Todd drafted some of New Hampshire's laws governing trusts and trust companies. Notably, he was a principal author of the New Hampshire Family Trust Company Act, which governs private trust companies.

[4] Nev. Rev. Stat. 669A.140.

Operational excellence

The evolution of family offices

As family offices change, so do best practices

Rebecca Cowley
Managing Director
Private Client Services
Andersen Tax

Over the past two decades, family offices have experienced significant growth and transformation, leading to a wide array of choices for families looking to staff their family office with experienced professionals, or to select services and technology. As family offices evolve, the opportunities and challenges for their leaders have also multiplied, requiring a modern approach to structuring and managing these entities.

Family offices have been around since the late 19th century, starting with the Rockefellers and other ultra-wealthy families. The primary goal was to protect, grow and pass down wealth through generations. These early family offices, or what UBS's Mark Tepsich calls **Family Office 1.0**, were simple in structure, typically focused on investment management and trust services.

In the early 2000s, the wealth landscape shifted dramatically with the rise of the tech industry and the creation of billionaires seemingly overnight. This period of rapid growth is what Mark Tepsich has coined **Family Office 2.0**, and it is characterized by the growth in both the number and the complexity of family offices. For instance, the number of billionaires in the US nearly tripled from 298 in 2000 to almost 800 by 2023, and globally, the number of ultra high net worth individuals has doubled in the past two decades.[1] This growth in wealth spurred an increase in the number of family offices, with over 8,000 existing today compared with about 6,100 in 2019.[2] With this growth, family offices became more sophisticated, moving beyond simple wealth preservation to more dynamic investment strategies, such as venture capital and direct deals.

> Family offices today are akin to institutional investors in terms of complexity and investment approach.

Family Office 3.0

The industry is now seeing a third, dramatic leap to professionalize, streamline and standardize operations. Family offices these days are akin to institutional investors in terms of complexity and investment approach. No longer just investing in a fund, they are the general partners; they are the venture capitalists. I see the industry connecting on invitation-only platforms designed for family offices to share deal flow—further identifying the players who can make investments individually that traditional investment advisors cannot.

[1] Statistica, 2024.
[2] "Defining the Family Office Landscape, 2024," **The Family Office Insight Series—Global Edition**, Deloitte Private, 2024.

The technologies that support family offices are changing just as rapidly. The rise of software solutions designed for family offices is one of the most noticeable shifts. In 2004, family offices relied on spreadsheets or traditional financial software not tailored to their specific needs, and the number of family office-centric software platforms was extremely limited. Fewer than five significant software packages specifically marketed to family offices existed in 2004, according to the historical Google search function.

Today, there are over 30 specialized software platforms for family offices that offer a range of services, from consolidated reporting to tax, estate and portfolio management. This leap in software availability reflects the increasing complexity and sophistication of family offices. In addition to financial reporting platforms, there are tools for document management, client portals and even AI-powered solutions coming online to further support the complex and individualistic approaches to family offices.

> The leap in software availability reflects the increasing complexity and sophistication of family offices.

This growth in technology is further reflected in the tremendous gains family offices have made in online visibility. A search for the term "family office" in 2004 would have yielded roughly 200,000 hits. Today, a similar search generates over 10 million hits, demonstrating a surge in public interest and media coverage, as well as the formalization of the family office as an industry. This increase in online presence mirrors the growing number of family offices, the creation of professional associations, and the proliferation of educational resources geared toward wealth management and family office operations.

My journey: Lessons learned

I began my journey in the family office space during the Family Office 2.0 era, joining a large single family office in 2004. At that time, the term "family office" was rarely used, even though we handled all the typical functions: managing businesses, overseeing real estate and personal properties, and providing concierge services. The third-generation office I worked for was highly traditional, yet it offered an early lesson in the value of meticulous organization. The family cataloged everything—from art and collectibles to household inventories—at a granular level. This system of asset tracking, which might seem excessive to some, was a critical tool for managing budgets and understanding lifestyle costs. It taught me the importance of not just managing wealth, but also educating the next generation on the practical aspects of stewardship.

By 2007, I moved to a tech founder's family office, stepping into an operations role. This experience was transformative. In just one year, the office expanded fourfold, and we had to rapidly develop systems to keep pace with the growth. Here, I learned the power of structured processes and the necessity of balancing day-to-day activities with long-term strategic planning. We also had to navigate the complexities of managing multiple families under one office, which ultimately led to splitting the office into two distinct entities. The process wasn't always seamless. With a younger management team performing newly created roles with limited family office experience, we didn't always communicate well. At one point, our management team underwent a strategic planning retreat that included group coaching and communication training. This allowed us to better understand each other and move the vision forward. The entire experience was a lesson in adaptability, resourcefulness and the importance of knowing when to seek external expertise.

In 2014, armed with a decade of experience, I was entrusted with setting up a new family office from scratch for a former principal. It was a chance to apply the best practices I had learned, yet the family office ecosystem was still evolving. Instead of the structured frameworks available through various resources today, we relied on personal networks and word of mouth. We set up a formal hiring procedure, but we found ourselves hiring under duress and ignored some of the rules we had put in place. This resulted in some poor hiring choices that set both the team and progress back. The lesson I learned is that adaptability and resourcefulness are critical in navigating emerging industries—when traditional channels are underdeveloped, you must leverage the tools available, even if they're informal—but following process is still a must.

After a brief pause to focus on family, I founded EFO Advisory Services in 2018 to meet the growing demand for operational expertise within family offices. Working for multiple clients as opposed to just one SFO, I was exposed to MFO structures, a wide array of RIAs, and numerous accounting, tax, legal, security and IT firms. I realized that many families were unintentionally reinventing the wheel and not treating their family office as a business.

This reinforced my view that a family office with a business mindset allows for more efficient operations and sustainable growth. While we remained agnostic and put multiple accounting and tax firms into our client's RFPs, Andersen was chosen more often than not. We repeatedly worked with Andersen over a five-year period, and I saw firsthand the value they brought through their expertise in family office tax strategy, private accounting, compensation consulting, and valuation, as well as their international tax and legal services. This collaboration ultimately led me to join Andersen in 2024, where I now contribute to our expanded family office offerings, helping to bridge the gap between tradition and innovation in this dynamic field.

Navigating a fragmented market

The wealth of options today can pose challenges. Most family offices are small, with limited internal resources, making it difficult to assess the multitude of available providers, from legal services to tech solutions. Additionally, as family offices grow and serve more households, the complexity of managing different interests and risk tolerances increases.

However, with the right approach, these changes offer the possibility for a best of both worlds scenario. As families face the daunting array of choices in services and technologies, the hybrid family office model has emerged as a leading solution. This model blends a small in-house team with a network of specialized external providers. By outsourcing specific functions like tax strategy, accounting, investment management and legal services to experts, families can benefit from a customized, high-performance team without the overhead of maintaining these capabilities in-house.

To take one example, consider how a family office might outsource the accounting function. Outsourcing accounting to a specialized firm trained to service family offices allows access to higher levels of expertise and a more efficient operational structure. Larger firms often have the resources to invest in ongoing staff development and training, ensuring that their professionals stay at the forefront of industry best practices and regulatory changes. Additionally, outsourcing eliminates the need for the family office to handle recruitment, onboarding and succession planning, as these tasks are absorbed by the external firm. This reduces operational costs and streamlines management. Moreover, specialized firms are often able to offer more competitive salaries and career progression opportunities than an individual family office could, attracting top talent and providing more stability for their teams. This structure benefits both the family office, which gains access to a broader pool of experts, and the employees, who have more room for growth within a larger organization.

Another significant benefit is the cost savings related to best-in-class accounting software. High-quality accounting platforms come with expensive licensing fees and require continual updates and maintenance. By outsourcing, family offices can leverage the sophisticated software already implemented by the external firm without having to bear the full cost of ownership. The outsourced firm can spread these costs across multiple clients, enabling the family office to benefit from cutting-edge technology at a fraction of the price it would incur if managing the software in-house. This allows the family office to scale more efficiently, as the firm helps to optimize costs without sacrificing quality.

An explosion of options

As families look to set up a family office or improve the operational ecosystem of their current family office, they will find an increasing number of choices in a variety of areas:

Operations and services. Third-party vendors offer services ranging from accounting with concierge services to estate management, construction management, concierge travel and aviation support. Whereas in the past, family offices looking for assistance primarily found investment and accounting firms that happened to take family offices as clients; now there are specialized firms (or groups within larger firms) focused on family offices.

Family office professionals. More family offices lead to more employees with family office experience. These are people who understand the speed and complexity of working in a family office environment—and they are available for hire, either by other single family offices or by firms providing specialized family office services. Employees from the largest family offices—and some members of wealthy families—have also gone on to start their own firms to provide services to the field.

Investment options. Investment options for family offices have expanded significantly as the number of wealthy families and the scale of their assets have grown. Today, many family offices are not only acting as large institutional investors, but are also carving out their own investment paths by becoming general partners, making direct investments and co-investing alongside other institutional investors. One key advantage family offices have over traditional private equity or venture capital firms is their ability to remain patient with their investments, free from the pressure to meet short-term return benchmarks or the strict timelines imposed by fund structures. This long-term view allows them to invest in opportunities that may take years to fully mature, such as early-stage start-ups, impact-driven ventures or real estate developments, and to ride out market volatility with more flexibility.

Family offices are also more willing to engage in bespoke and alternative investments that require a higher degree of customization and due diligence. They can structure deals with terms tailored to their specific goals, such as seeking minority stakes, providing growth capital or pursuing joint ventures. This flexibility often positions them as attractive partners for entrepreneurs and businesses seeking patient capital, as they are not bound by the typical exit horizons that private equity or VC firms might impose.

Additionally, the rise of boutique investment firms that focus exclusively on the ultra high net worth market has given family offices access to specialized expertise, niche strategies and curated deal flow. These boutique firms often focus on areas such as private credit, venture debt, infrastructure and sustainable investments—allowing family offices to diversify beyond traditional asset classes while maintaining a personalized and highly sophisticated investment approach.

Technology. Technology offerings are increasingly designed specifically for family offices. The number of software packages offering consolidated reporting, for example, has increased significantly. The same can be said for trust and estate, collectibles and property management.

Benefits and challenges

Rather than being overwhelmed by all these choices, family offices should take advantage of these options to choose the best of the specialists in each area—creating efficient processes and preparing for growth. This dramatic increase in options can lead to benefits for family offices:

More efficient operations. With more choices, it’s more likely that a family office will find an option—whether they are looking at a software package or a service provider—that’s a good fit. Experienced family office professionals, both those hired internally and those who work for specialized service providers, will know best practices for areas such as wealth management, trust and estate services, tax planning, accounting, reporting, lifestyle concierge services, philanthropy and family governance.

Better data. More data—about investments, best practices at other family offices or trends in areas such as philanthropy—helps family office leaders make better decisions. The internet and, increasingly, AI are making this data even more accessible.

More specialized support networks. There have long been membership groups for wealthy families, but as the number of ultra high net worth families has grown, these networking groups have become more stratified. This makes it easier for family office leaders to find a group whose offerings meet their needs.

However, the fragmentation of the family office services market can end up being hard to navigate. Most family offices have small staffs, so they may lack the time and expertise to evaluate all the options for everything from legal services to technology to investing. Even evaluating potential staff members or advisors can take time and resources: after all, it’s easy for anyone who has worked with wealthy families to advertise themselves as a family office expert, but that doesn’t mean they have the deep expertise needed.

Best practices for family offices

The saying, "If you've seen one family office, you've seen one family office" is popular and true—up to a point. That said, there are foundational best practices that anyone who is setting up or reorganizing a family office may find helpful. These big-picture best practices can provide touchpoints for those sifting through the many options for all the services that family offices need.

Begin with the mission. The mission of the family office is the foundation for all the other decisions—about its structure and size, about who will provide services, about which functions will be performed in-house vs. outsourced.

If the mission of a family office is philanthropy, for example, then an aggressive investment firm may not make the best partner. If the mission is to preserve wealth rather than to grow it, then private equity investments may not be the best fit.

Understanding the mission—which is set by the family and carried out by the family office leaders, whether they are family members or hired professionals—is the key to all subsequent decisions.

Think of advisors as if they are "just down the hall." Success depends on how well the team works together and shares information across departments. Working with advisors as if they are members of the overall team will result in a more effective family office operation. If a family wants to optimize on tax, then the tax team needs to know about transactions long before they happen—not after the fact. If they want their investment team to have the ability to invest without surprising them with a large need for liquidity, then the investment team should be working hand-in-hand with the accounting and tax teams.

Professionalize the family office. The most successful family offices view their wealth and assets as a business. And the net worth of most family offices is enough to be considered a mid-market or large enterprise.

This can be a difficult transition for some families, though. Most families or individuals who have created and amassed wealth above $100 million—enough to support a family office structure—did so through successful business creation, growth and a subsequent wealth event. The principal may have had the vision behind the business, but they had an operations and executive team that brought them to the finish line. Without the appropriate tax or corporate structure, executive team and systems built through operations behind their idea, they wouldn't have gotten very far.

The same rings true for a family office, but many families don't look at their personal wealth as a business. It may take even the most successful family years and multiple mishaps before they professionalize their office.

Once a family office has professionalized and invested in their operations as a core function of the office, the family often sees an increase in productivity and service with a decrease in the need for their time and the overall cost.

Conduct due diligence on potential providers. A successful family office is most often composed of internal and external resources, bringing together the best service providers in each discipline. This means it's important to know who the industry experts are—using client references and other research. Some ways to dig deeper than the standard sales pitch: ask for a reference for a project that didn't end up being successful; or ask vendors how many clients fall within a specific net worth range; or how many continue with their services from year to year.

Don't forget to include an operational team. The operations team of a family office is usually not principal-facing, nor are they credited with how successful the family office is. However, without them—and their systems, processes and policies—most family offices are little more than a group of people reacting to the family's needs and requests.

Rebecca Cowley

Rebecca Cowley is a managing director in the Private Client Services practice at Andersen, one of the largest independent tax firms providing a wide range of tax, valuation, financial advisory and related consulting services to individuals, family offices, businesses and alternative investment funds. Rebecca has over 20 years of experience working with ultra high net worth single family offices and has worked with family offices since before the term "family office" was common.

Operational excellence

Family Office 3.0: The convergence

Mark R. Tepsich
Family Office Design
and Governance Strategist
UBS Family Office Solutions

The term "family office" has become ubiquitous. Over the past 15 years, single-family offices ("SFOs") have been created at a rapid pace. Here we discuss why that happened, what it means and why it matters. And we will explore where SFOs are headed: toward a convergence with the industry, namely service and private equity firms.

Why do SFOs exist?

SFOs exist due to a market failure. Indeed, there is no single commercial firm that can do everything a wealthy and complex family requires. SFOs are essentially miniature service conglomerates and are inherently not scalable due to a family's complexity. For very wealthy families, the sum of their parts is a complex whole.

Family Office 1.0: the early years

To understand where the SFO industry is going, let's look at where it has been. What we call Family Office 1.0 existed prior to the Global Financial Crisis ("GFC").

> Over the past 15+ years, the SFO industry has rapidly evolved, with the support network of external firms, solutions and resources becoming more robust.

These early SFO professionals had to vertically integrate solutions and figure it all out on their own. They were like modern day explorers, hacking their way through the jungle. No roads, maps or infrastructure existed; all they had were their own tools.

During 1.0, the number of SFOs wasn't enough to warrant service at scale by accounting, investment management, tech and other commercial firms—what we call the industry. SFOs also suffered from a lack of understanding by those firms in the market. Tech companies often built solutions for the retail or institutional investment channel first and then attempted to sell them to SFOs.

Rebecca Cowley, a long-time SFO veteran, in her article, **The Evolution of Family Offices** in this **Quarterly**, also discusses this dynamic. I also started my own career in an SFO in 2008, just prior to the GFC and before I heard the term SFO. Over the past 15+ years, the SFO industry has rapidly evolved. Over time, the support network of external firms, solutions and resources has become more robust.

Family Office 2.0: Robust growth

The SFOs formed since the GFC ushered in SFO 2.0. These SFOs were born out of the private equity boom. Indeed, the SFO boom and the private equity boom have gone hand in hand. Prior to this, families had a family business and they either went public, sold to a strategic buyer or passed their business onto the next generation. Yes, private equity was around but it, too, was not as ubiquitous during that time. Further, going public was often not a path for many family businesses due to size, fit, desire or necessity. Now, private equity has provided a right-sized capital solution for the family and its business.

Families that went through a liquidity event were then in need of a wealth management infrastructure to replace the family business infrastructure. SFO employees who started in the industry during the early days of SFO 2.0 were following in the footsteps of the early explorers before them. The path was cleared and some rudimentary maps drawn, but the infrastructure was still lacking.

Over time, key elements of that infrastructure developed, including:

The industry response: Well into SFO 2.0, the industry started to take notice and respond. Accounting firms, banks and wealth management firms repositioned themselves to capture this opportunity. Tech solutions were created to serve family offices first.

Technology solutions: To illustrate, Francois Botha put out his first Family Office Software Roundup in 2019. That report referenced 20 tech providers that serviced SFOs. Five years later, he published his 2024 SFO Software Roundup in Forbes that profiled nearly 70 tech firms. In addition, firms sprang up to help family offices navigate the tech landscape.

SFO recruiting firms: Specialized recruiting firms emerged. These firms were not built to serve the asset management or wealth management industry first; they were built exclusively to serve SFOs. Some of these firms share industry-relevant insights. For example, Agreus and KPMG publish a family office compensation report that brings clarity to opaque SFO compensation practices.

The negatives of FO industry growth

There are of course negatives to the growth of SFOs. Commercial firms have employed the term "family office" as a marketing tactic and gimmick, rather than a quality offering. In some discussions, the term family office almost seems like its own asset class, which of course it is not. Then there is the rise of the LinkedIn family office expert who has never set foot in a family office and peddles dubious advice. There is also a cadre of conferences purporting to bring SFOs together, but which are primarily focused on making the SFO the product. While we will no doubt continue in SFO 2.0, we are seeing clear signs of SFO 3.0.

Family Office 3.0: The convergence

SFO 3.0 is the convergence of SFOs and the industry, specifically service as well as private equity firms. If Family Office 1.0 were pioneers hacking their way through the jungle and Family Office 2.0 was the second wave of explorers following clearer paths, SFO 3.0 will be modern day voyagers, traveling on a robust network of highways.

This convergence era will manifest itself in several ways. While SFOs have historically been islands, they are now building bridges to the mainland with operations, resources and functions that are external to the family office. This trend of augmenting their capabilities with outside resources will lead to more informed SFO operations and efficiency and result in lower SFO start-up costs. This will lead to more SFOs, not fewer.

Whereas native tech solutions were created, new service offerings have been built to manage this technology from outside the SFO. This is the industry that has not yet seen what AI will do to SFO data and informational complexities. Whereas the SFO is inherently an unscalable model, these offerings are making the construction and operation of SFOs easier and more efficient to operate. This means fewer personnel inside of the SFO and also a rent-it, rather than a build-it, model for not only tech solutions, but also people, resources and operations.

Rebecca Crowley's firm, Andersen, is another example of ready-built infrastructure that SFOs can tap into. Think general ledger accounting solutions, partnership accounting, tax, bill-pay/treasury and entity management, among other services. Sure, these services existed in the past, but they were staffed by individuals with no SFO experience. Now these offerings are staffed by ex-SFO professionals who know the inherent complexity of SFOs. The lines of where a SFO start and where the industry begins are blurring.

Just as family demand has forced change in the tech and service sectors, they are also changing the investment landscape.

Family Office 3.0—families as GPs

As many SFOs were born out of the private equity boom, families themselves are converging into private equity GPs. Family offices as patient capital has been discussed for a while now, but families and their family offices need to go further to capture this opportunity at scale. This strategy involves families taking majority control of portfolio companies and forming a fund with third-party capital. This strategy will look like a private equity firm but will be fundamentally different. It will employ a family's long-term perspective, be focused on operations and building, rather than financial engineering and look to do this over multiple decades rather than holding for three to seven years. It will also leverage the family's deep industry knowledge of the sector where they had success. This is SFO 3.0.

We are here to explore the opportunity, the challenges and why anyone should care about family offices acting as PE GPs.

Many of these families and first-generation wealth creators are operators and builders. They are often not content to sit back and just be passive allocators after their liquidity event. It is in their DNA to continue to build and create. Many of these founders are much younger than the founders who have sold their businesses in the past. So, they want to continue to build and create but from a different vantage point. They also still possess deep industry knowledge. They understand the industry stakeholders and how the industry operates. They have had tangible and demonstrable success over time. Having more liquidity than business-owning families in the past because of the private equity boom, families are now converging into the very force that created their liquidity.

The challenges

First, let's discuss the challenges and context. Many commentators cite statistics that SFOs plan to continue allocating to direct investment deals. They say this could result in SFOs becoming a force to rival private equity. It will be a tall order to rival private equity in both AUM and capability. Of course, there are some well-known SFOs that have a very sophisticated private equity program; these are the exception, rather than the general rule.

These same commentators cite statistics that SFO capital is nearly as large as the hedge fund industry. This statistic is also misleading.

SFOs are not a monolith of capital. Families allocate to a diversified portfolio—across equity, debt/fixed income, private equity and yes, hedge funds. This does not even take into account their numerous private residences, art and other non-investment assets. So, the comparison of the size of SFO capital to hedge fund capital is nearly meaningless. Indeed, family offices are not an asset class.

To illustrate

A post liquidity event, $1billion SFO, while not small, will likely have a diversified portfolio. Of the entire portfolio, 10%, or $100 million, might be allocated to direct investments. Even 10% is a high allocation for many SFOs. For multigenerational families, they can have many other per capita claims on the capital, such as for consumption. A $100 million private equity fund would be considered small. Once that $100 million is allocated, families are often out of dry powder.

SFO dynamics

Many SFOs lack scale in their direct investment program, so it can be a challenge to obtain quality deal flow as they are not higher volume transactors. They often have no dedicated deal sourcing capability. Often the same individual(s) performing deal sourcing are the same professional(s) conducting due diligence and post-transaction support. Many SFO investment teams are spread thin as they also oversee the total portfolio, rather than being solely focused on individual direct investments. Further, many direct investment programs are allocated to passive, minority stakes, rather than majority control equity. Again, some SFOs do have both the AUM and the capability and resources, but they are the exception.

Private Equity GPs compared to (most) SFO Direct Investment Programs

Let's compare SFOs to traditional private equity GPs, where the GP AUM is all going into the PE strategy, rather than spread across a diversified portfolio. PE funds have a near infinite capital source, often raising a new fund every few years. Because of this, they have the scale and resources to build out their focused teams and capabilities. The team is also segmented across deal sourcing, transaction support, monitoring and analysis, post-investment support and operations, among other functions. They can pay their staff a part of the carried interest because of a constant stream of exits to harvest it. They also have quality deal flow coming from investment banks and others in the industry, as they are known buyers.

Families of course sometimes engage in club deals with a few select other families. This strategy also faces challenges. Due to a lack of capital commitment, this strategy can become inefficient. Without raising a fund, families must source the deal, then take each individual deal to other selected families, every single time. Families can then opt out for any number of reasons. Of course, some family groups have been successful at this on a sustained basis. Many of these club deals, however, are in the real estate sector, rather than operating companies.

Why raise third-party capital?

First, it allows family offices to scale their resources and capability to implement this strategy of taking majority control of several portfolio companies. Doing so also means another family business with massive wealth creation potential. Family offices will have to figure out more creative and different ways to compensate their talent, as the strategy will have longer hold times than traditional private equity firms.

This strategy of SFOs as PE GPs won't be for all family offices. Some may lack the desire, preferring not to have investors and the responsibility. However, families can pick and choose their investor base to ensure they have a shared mindset. If these SFOs, however, were to raise third-party capital, they would then definitionally and legally cease to be SFOs and would become private equity managers.

Families as builders and operators

Family businesses have been the backbone of the global economy since the beginning of history. According to a study by McKinsey, family-owned businesses account for more than 70% of global GDP and also generate revenue in the neighborhood of between $60 to 70 trillion annually.[1] The world needs more business creation, not less. For many founders and families, this is in their DNA. The strategy of SFOs acting as PE GPs will allow them to take their operations acumen and focus on long-term building to help other founders and management teams build in similar fashion.

Family business competitive advantages

McKinsey has shown that family-owned businesses ("FOBs") often outperform non-family-owned businesses.[2] McKinsey identified a few factors that help family-owned businesses drive their outsized performance, including putting purpose beyond profits, having a long-term perspective and being financially prudent. These are the advantages of successful family businesses. Interestingly, private equity firms are often reviled for lacking these factors.

Purpose beyond profits

McKinsey indicates that FOBs create a culture of purpose, beyond just mere financial gain. This purpose becomes the company's guiding force and helps create a strong organizational culture. This purpose and culture galvanize the individuals within the company. This approach carries over to how they hire, promote and retain employees. Many FOBs also care about and improve the communities in which they operate. The owners often live and work in the same community as their employees. Their children go to the same schools and play on the same sports teams. The community challenges are also their challenges. Often the family business and the family's name are inseparable and so the business's actions are often viewed as the family's actions.

[1,2] **The Secrets of outperforming family-owned businesses: How they create value—and how you can become one**, McKinsey & Company, Nov. 28, 2023.

Long-term perspective

Family capital is patient capital, and families are not necessarily interested solely in the exit. These businesses do not focus on short-term improvements, often preferring long-term gains from innovation, reinvestment and expansion into new markets and other opportunities.

Cautious financial stance

FOBs often have a cautious approach to leverage. This helps them weather financial downturns, economic cycles and other shocks. Given a long timeline, these downturns will happen. Less leverage can allow more flexibility when opportunities arise.

Generalized comparison

These comparisons are broad generalizations. Private equity firms have evolved over the years and can employ diverse strategies. Some are longer-term investors and care about their community and organizational culture. Conversely, not all family businesses care about their communities, organizational culture or have a cautious approach to leverage. This also does not mean that positive family business attributes will carry over to SFO 3.0.

Why should anyone care?

For like-minded investors, often other families, SFO 3.0 will be a welcome development. First, families who are also builders and operators will more intuitively understand this strategy of SFOs as PE GPs. There is also a good financial reason to do so. Bain & Company modeled out a single long-term hold over 24 years of the same portfolio company with identical performance vs. the same portfolio company that was sold four successive times over the same period.[3] They found that the single hold resulted in nearly 2x the return on an after-tax basis to the investor vs. the four transactions of the same portfolio company with identical performance. The return differential was due to elimination of transaction fees such as legal, tax and consulting that were associated with buying and selling businesses. It also resulted from allowing the capital to compound and deferring capital gains taxes, rather than the LPs having four tax recognition events. The capital also remains fully committed, rather than waiting to be called.

There are of course other factors that should resonate with investors as well as with the management teams of the portfolio companies. This includes consistent management team focus, rather than the distractions and disruptions of getting a new owner with different KPIs and strategies every few years. Having a long hold also allows the business to be sold at the most optimal time. The FOB mindset also shows up in financial prudence. It also allows them to be more aggressive at opportune times, such as during shocks, when their competitors may be just trying to survive because of their debt load. Further, instead of distributing capital through strategies such as dividend-recaps, capital is reinvested for the long term.

More willingness to invest for the long term is another important factor, which often does not occur if the expected hold time is short. The owners can be more focused on building and developing, rather than selling and raising, a fund every few years.

Portfolio companies

Founders and management teams could also be more comfortable with receiving investment from another operator, who also knows what it is like to have employees and make payroll. The track record of some families, not only of success but of how they treat employees, partners and investors is often well known within industries. This can give further comfort to founders and management teams. Of course, the communities in which these organizations operate could also care.

The era of convergence

As with the convergence of the service sectors, family offices are starting to converge into PE GPs. They will take their history of operating and building and partner with and employ private equity professionals. Unlike Family Office 1.0, the resources and infrastructure for Family Office 3.0 is already there. This includes the private equity professionals, investors, resources and support infrastructure. Here, too, in this era of convergence, the lines will become blurred between family offices and private equity firms.

Mark R. Tepsich

Mark is the Family Office Design and Governance Strategist for UBS Family Office Solutions, advising families across the Americas on family office organizational design, structure and governance, as well as operational best practices and strategy to manage and sustain their wealth for future generations. Prior to joining UBS, Mark built a family office platform for an investment advisory firm and spent a decade as General Counsel for a large single-family office to a dynastic, multigenerational family.

[3] **Spotlight on Long-Hold Funds: Opening Up New Horizons**, Hugh MacArthur, Bain & Company, 2018.

Human capital

Executive search: Advice for family offices recruiting for top positions

Kay Shah
Director
Family Office Division
Steven Douglas

Kristen Liller
Executive Director
UBS Family Office Solutions

The following interview explores key aspects of the recruiting process for hiring family office executives. While it may sound straightforward, the process can often take months and encounter various challenges. Kay Shah shares guidance on how to navigate them based on her years of recruiting experience.

Kristen: Kay, can you give some background on yourself and your practice?

Kay: Yes, I'm originally from London, I've been a recruiter for 13 years and have experience working in agency and in-house settings. In 2018, I moved to Uganda to work for an UHNW family that I know very well. I have a strong connection with the chairman's daughter, and her younger brother, the next-gen leader, invited me to assist with launching a new operating business under their existing empire—a recruitment agency. After a few years there, I had the opportunity to relocate to NYC and open the first international office for my previous employer, a London-headquartered family office recruitment agency.

For the last 4.5 years, I've focused on the US family office space. Recently, I moved to South Florida from Manhattan, where I've been with Steven Douglas for nearly two years as part of the wealth management team. Our team spans the full scope of wealth management, including traditional RIAs, financial advisor recruitment, and, for a couple of us, a dedicated focus on family offices. Steven Douglas has deep, long-standing relationships with HNW and UHNW families across the US.

> We often start talking with families months, sometimes even a year or more, before they begin the hiring process.

Kristen: How do you help family offices and families?

Kay: In a highly relational and nuanced space, the family office service we provide is far from just transactional. For families who are in the process of setting up a family office, or starting to look for their first non-family member hire, we often start talking with them months, sometimes even a year or more, before they begin the hiring process. On the other hand, multigenerational offices that are replacing long-term employees generally know what they want, and so those processes can be quicker.

Essentially, we help in two key ways: finding candidates for specific roles and consulting with families on how to structure their family office. This includes advising on whether to outsource, hire in-house, and how to align hiring with their long-term goals and mission. Ultimately, we deliver full recruitment services, but with a consultative approach that touches on many facets of the family's dynamics.

Kristen: Can you briefly talk about how families/family offices typically go about choosing someone to head their family office?

Kay: The process typically begins by identifying long-term goals and the key competencies needed in a family office head. Our executive search services focus on aligning candidates with the family's values, investment philosophy and operational needs.

We start by reaching out to candidates from multiple sources and having detailed interviews with them. Once we identify a strong shortlist, we share their profiles. From there, the process involves interviews with key family members or advisors, narrowing down candidates based on cultural fit and other expertise, depending on the specifics of the role. It's about more than just qualifications—it's ensuring the candidate aligns with the family's unique dynamics and future vision.

Kristen: This process sounds straightforward, but it can present challenges, given the increasing size and complexity of modern families. How do you advise multigenerational families as they navigate the process?

Kay: Alignment is critical, especially for senior roles like president or chief investment officer. For example, we worked with a family where next-gen siblings and cousins were involved. We facilitated discussions to define their objectives, which revolved around wealth preservation, business growth and philanthropy. From there, we created a candidate profile.

We encourage inclusivity, involving key family members across generations, but aim to keep the process efficient. For example, with one SFO, the process began in March for their first nonfamily senior hire. Initially, they had a defined vision, but as interviews progressed, their understanding of the market evolved. It's a balancing act, requiring patience as families refine their priorities and objectives.

The process typically begins by identifying long-term goals and the key competencies needed in a family office head.

Kristen: OK, so the process is to include the broader family in not only initially identifying the right profile candidate but also in interviewing, choosing and selecting this person. Do you advise having individual interviews with each family member or should it be group interviews with the broader family?

Kay: We recommend a hybrid approach. A hiring manager—whether a chief of staff or trusted advisor—can vet initial candidates to avoid overburdening family members. For subsequent rounds, individual interviews with key family members can offer deeper insights, while group interviews assess candidates' ability to navigate family dynamics. Sometimes, the wealth creator and/or next-gen leader has a louder voice, so it's important to solicit the feedback of some of the quieter family members as well.

In family offices where the next-gen is not involved, the principal may limit involvement to nonfamily advisors. Regardless of the approach, face-to-face interviews (at least two to three times for senior roles) are crucial to ensure a strong fit.

Kristen: Do families ever put up "internal" candidates? How do you think about staffing from within family versus external?

Kay: Yes, it's not uncommon for families to consider internal candidates, whether they're family members, long-standing advisors or employees from an operating business transitioning into the family office. While this approach can bring trust and continuity, it's essential to evaluate these candidates with the same rigor as external candidates to avoid capability gaps or favoritism.

Succession planning is a critical consideration in these cases. If all the institutional knowledge is tied to one person, what happens if they leave unexpectedly? Ensuring a well-documented process and clear responsibilities is vital for continuity.

At the same time, external candidates can bring specialized expertise, fresh perspectives and best practices that might not exist internally. We typically recommend going to market even when there's a strong internal candidate. This allows families to benchmark the internal option against others, ensuring the best fit for the role.

There's a noticeable shift, especially with the next generation, toward a more structured approach to hiring. They value thorough evaluations and are moving away from the "I know this person; let's hire them" mindset. By balancing internal trust with external expertise, families can make thoughtful decisions that serve their long-term objectives.

Kristen: Have you noticed any trends or differences in how the next generation is approaching hiring?

Kay: Next-gen leaders are adopting a more institutional and strategic approach compared to their parents, who often built their businesses decades ago. They recognize that top candidates have multiple opportunities and therefore emphasize thoughtful, engaging conversations throughout the hiring process.

Key priorities for next-gen leaders include tech integration, workplace flexibility and strong interpersonal skills to navigate complex family dynamics. For instance, we recently worked with a next-gen leader who hired a candidate based in the Northeast, allowing them to work remotely while traveling to the family office as needed. This level of adaptability and openness to modern work practices reflects a shift from the more traditional hiring preferences of the prior generation.

Kristen: Do you ever have challenges with the first generation not wanting to give up control? How do you typically navigate that challenge?

Kay: It's a common and understandable challenge. The first generation often has deep emotional and financial ties to the wealth they've built, and stepping back can feel like relinquishing their legacy. To navigate this, it's crucial to strike a balance between honoring their contributions and creating space for the next generation or external leaders to step in.

We often encourage establishing clear governance structures that define roles, responsibilities and decision-making protocols. This provides the first generation with a meaningful, advisory role where they can remain involved without feeling sidelined. Consulting agreements or structured transitions can also help ensure their expertise is preserved while allowing for professionalization of the family office.

Kristen: Any last pieces of advice for a multigenerational family office interviewing candidates?

Kay: Demonstrate your ability to navigate complex family dynamics with emotional intelligence and discretion. While technical expertise is essential—especially as many family offices now leverage advanced platforms for real-time insights—your cultural fit and understanding of the family's mission, values and long-term goals are just as important. If these aren't made clear during the process, take the initiative to ask thoughtful questions to better align yourself with their vision.

Confidentiality, conflict mediation skills and the ability to foster trust across generations are critical. Highlighting experiences where you've managed sensitive situations can set you apart. Keep in mind that family office hiring processes can take time and may involve stops and starts, particularly for high-impact roles or when replacing long-standing team members. Patience and adaptability are key.

Finally, consider investing in your understanding of family office dynamics—whether through networking, specialized business school courses or staying informed on best practices and industry trends. Building long-term relationships within the family office community can be invaluable as this space often feels smaller over time.

It's important to tailor the hiring process to the family's needs. Reference and background checks are essential, and in some cases, technical or personality assessments can add value, especially for roles involving multiple stakeholders.

Ultimately, trusted advisors who truly understand the family can be pivotal in identifying the right candidates. By building strong relationships, we're able to opportunistically present candidates who align with the family's evolving needs.

Kay Shah

Kay Shah is a Director in the Family Office Division at Steven Douglas with experience spanning London, East Africa, the Middle East and the US. She started her recruitment career in business change and transformation in the UK Financial Services industry and her varied recruitment journey bought her into the US and Global Family Office ecosystem.

Kristen Liller

Kristen Liller is an Executive Director at UBS Family Office Solutions, helping UBS's family office clients navigate complex situations. She was also Eastern Division Head within the Portfolio Advisory Group at UBS helping to deliver comprehensive, research-driven asset allocation and portfolio strategy advice. She also has an additional focus on driving ESG initiatives through investment selection and asset allocation models.

In conversation

Revolutionizing private investment management for family offices

Ryan Eisenman
Co-Founder and CEO
Arch

Brittany Menke
Business Development
UBS Family Office Solutions

Our Family Office Solutions conversation features Ryan Eisenman, co-founder and CEO of Arch, a digital platform designed to streamline the management of private-market assets such as private equity, venture capital and real estate.

Highlights of their conversation include:

- Reporting platforms allow family offices to **unlock the value of private investments** by making them easier to manage, track and understand
- As family offices increasingly look toward alternative investments, the **demand for streamlined management and insightful data has never been higher**
- With reporting platforms, family offices can manage their wealth with confidence, knowing that every aspect of their investment operations is taken care of, leaving them **free to focus on the bigger picture—** safeguarding and growing the family's wealth for generations to come

Imagine a world where managing your private investments is as easy as checking your e-mail or logging into a single app—a world where the complexities and challenges of alternative investments are simplified and streamlined, empowering investors and advisors alike. That's where reporting providers like Arch come in.

At the end of the day, family offices need three things: efficiency, transparency and peace of mind. By automating routine tasks, improving access to critical data and providing tools for smarter decision-making, family offices are better equipped to protect and preserve their legacy while embracing the future of investing.

> Family offices often spend too much time on administrative tasks, not able to focus on preserving and growing wealth across generations.

Brittany: You work with a lot of family offices, and I'm sure you know the saying, "you've seen one family office, you've seen one family office." As a family office's portfolio grows, what are some of the hurdles you have seen?

Ryan: Managing a family office's wealth is no small feat. As portfolios grow, so does the complexity of tracking multiple investments across various asset classes—private equity, real estate, hedge funds and more. For family offices managing billions of dollars, navigating disparate systems, dealing with mountains of paperwork and maintaining clear communication between accountants, advisors and operations teams can be a logistical nightmare. They often spend too much time on administrative tasks, resulting in their not being able to focus on the ultimate goal of preserving and growing wealth across generations.

Brittany: Every family office is unique and comes with its own complexities. Can you provide examples of how aggregating data under one centralized platform can be beneficial for family offices?

Ryan: Family offices often manage diverse portfolios with complex structures. Imagine a family office overseeing 30 private equity funds, 15 hedge funds and a host of real estate ventures—each requiring frequent capital calls, performance tracking and communication between advisors, accountants and investment teams.

Having all of this data under one roof allows family offices to seamlessly track their investments, streamline collaboration between internal teams and access critical documents anytime, anywhere. This ensures nothing gets missed (i.e., capital calls) and enables key stakeholders to collaborate in real time.

Brittany: Yes, private market investments, for example, can be particularly complex. What are some of the pain points family offices often face when managing sophisticated investments for family offices?

Ryan: Alternative assets often involve different reporting standards, multiple portals for retrieving key documents and manual processes that can quickly overwhelm even the most experienced teams. Take, for example, the difficulty of retrieving K-1s or responding to capital calls in time—vital tasks that can easily fall through the cracks when spread across disparate systems and inboxes. With alts data management platforms like ours, family offices no longer have to chase after documents or risk missing deadlines. Like at Arch, these platforms can automate data collection, remind users of key tasks like capital calls, and centralize all updates in a daily e-mail, ensuring a seamless flow of information.

Brittany: Say more about how automated data collection allows family offices to run more efficiently.

Ryan: Absolutely. Alternatives data management platforms eliminate the need for manual data entry, offering full integration with accounting and reporting tools so family offices can focus on strategy rather than administration. Whether it's tracking investment performance or reconciling tax documents, everything is handled in one place, allowing family offices to focus on higher-value activities.

Whether managing investments for a single-family office or a multi-family office with numerous clients, infrastructure is needed to allow the scaling of operations and ensure timely, accurate decision-making. With automated document collection, real-time investment updates and intuitive insights into portfolio performance, family offices can operate more efficiently than ever.

Brittany: Can you share how these reporting tools are beneficial for family offices?

Ryan: These tools are built to meet the specific needs of family offices. For family offices managing a wide variety of asset classes, the ability to create bespoke, digestible reports allows them to get quick insights into how each fund is performing, track capital commitments and understand distributions at a glance.

At Arch, for example, we created a tool called AI Summaries 2.0, so family offices no longer need to wade through long investor updates. Instead, the platform distills these documents into concise summaries, highlighting key performance drivers, market outlooks and exit opportunities—helping advisors and decision-makers stay on top of their portfolios with minimal effort.

Brittany: When should family offices look to implement a reporting platform for their alternative investments?

Ryan: While each family office is unique, they often turn to tools like those Arch provides when their current processes or technology no longer meet their needs. This could be due to increased complexity, limited resources, the need to scale or a combination of factors.

Whether managing investments for a single-family office or a multi-family office with numerous clients, infrastructure is needed to allow the scaling of operations and ensure timely, accurate decision-making.

Reporting platform benefits

There are endless key benefits of reporting platforms for family offices, including:

- **Centralized platform:** Consolidates all investment data, documents and performance tracking in one place, eliminating the need to manage multiple portals and systems.
- **Automated document collection:** Say goodbye to chasing down K-1s, capital call notices and distribution statements. Automated document saves retrieval time and reduces error.
- **Enhanced collaboration:** Family office advisors, accountants, attorneys and investment teams can work together seamlessly, with all stakeholders accessing real-time updates and data.
- **Task management and reminders:** Never miss a capital call or deadline again with the ability to track important tasks and receive reminders to ensure timely action.
- **Deeper insights:** Get a clear, at-a-glance view of portfolio performance, capital commitments and distribution to make informed investment decisions.
- **AI-driven summaries:** Distill lengthy investor updates into concise summaries, highlighting key information to help family offices stay informed without being overwhelmed.
- **Comprehensive search capabilities:** Instantly find key insights or documents across the entire portfolio, streamlining access to crucial data.
- **Real-time performance tracking:** Family offices can track the performance of private investments in real time, enabling better decision-making and faster responses to market changes.
- **Integrated tax and reporting systems:** Integrate seamlessly with existing accounting and tax reporting tools, simplifying the preparation and filing of tax documents, including K-1s and 1099s.
- **Data security and confidentiality:** Provides secure storage and management for sensitive family office documents, ensuring privacy and compliance with regulatory standards.

Brittany: How do you see these tools enhancing the future of investing for family offices?

Ryan: To stay ahead in an increasingly complex investment environment, family offices need the tools, support and technology that allow them to streamline operations, enhance transparency and unlock the full potential of private market investments.

Ryan Eisenman

Ryan is the co-founder and CEO of Arch (arch.co), a digital platform designed to streamline the management of private-market assets such as private equity, venture capital and real estate. Originally developed to simplify K-1 collection, Arch now automates portfolio management and analysis for over 300 institutional clients, family offices and investment advisors, including four of the 20 largest US banks. A Houston native, Ryan graduated from Vanderbilt University with a degree in human and organizational development and now lives in New York City, fostering Arch's in-person culture.

Brittany Menke

Brittany is a Business Development Associate with UBS Family Office Solutions, where she executes strategic business development initiatives for ultra high net worth clients, with a particular focus on family offices. Brittany manages the UBS Professional Network, a select group of external service providers that complement existing in-house offerings.
She is also the US Relationship Manager for the Growth Entrepreneur Network and the Industry Leader Network, two exclusive UBS networking and leadership development communities. Brittany graduated from Hofstra University with a B.A. in business administration with a minor in legal studies in business.

Want to learn more about Family Office Solutions?

Family Office Solutions is a team of specialists that works exclusively with qualified US ultra high net worth families and family offices. The team helps clients navigate the challenges and opportunities across their family enterprises, including their businesses, family offices, philanthropic structures, and passions and interests. Having this expertise under one roof allows for integration and layering of services across the UBS ecosystem, delivering a personalized, holistic client experience.

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