FAMILY OFFICES OF THE FUTURE

An update on the opportunity and operational landscape facing family offices in 2025

HEDGEWEEK

- Family office numbers have risen rapidly in recent years, and SS&C sees more expansion ahead, with APAC and the Middle-East now key regions.
- Hedgeweek polled family offices on their key challenges, with operational complexity and high costs emerging as significant factors.
- Family offices are now investing in a greater range of non-traditional asset classes, with private credit set for the biggest increase.

The booming family office market has become a significant force within the asset management industry. New sources of wealth and growing business fortunes have driven an unprecedented expansion, the number of family offices globally increasing more than threefold to more than 4,500 between 2019 and 2023, according to Preqin (see Fig. 1).

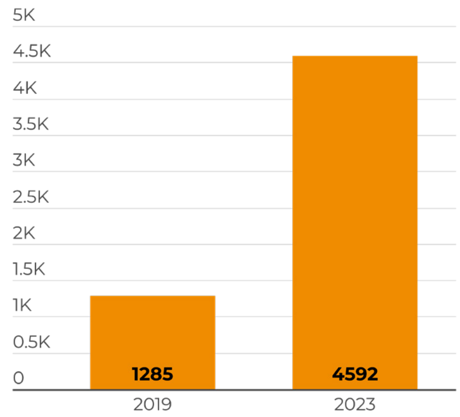
The opportunity is clear. The family office model can help the world's wealthiest manage their fortunes in a structured way, allocating in their preferred asset classes and according to their interests, with different generations brought into the decision-making process.

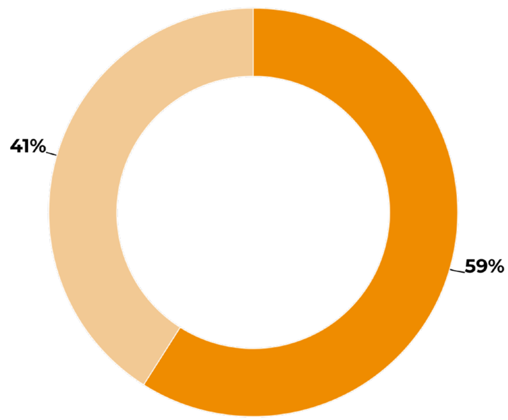
"We continue to see fast expansion in the family office space globally," says Alan Baron, Managing Director with SS&C Technologies. "There has been a rise in prospect calls from APAC; this region will be a key focus in 2025. Many areas of wealth are growing, from the Middle East to India and other locations, and family offices are developing quickly."

The expansion in family office deployment in the Middle East and Asia-Pacific regions is a reflection not only of the growing business wealth generated in these regions, but the increasingly mobile nature of the global wealthy. According to a New World Wealth report, 120,000 millionaires (in dollar terms) migrated to new countries in 2023, more than double the 2013 figure of 51,000 – and forecast to rise to 135,000 in 2025.

This growth has been accompanied by challenges as wealthy individuals and

Figure 1 Number of family offices globally, 2019 vs. 2023

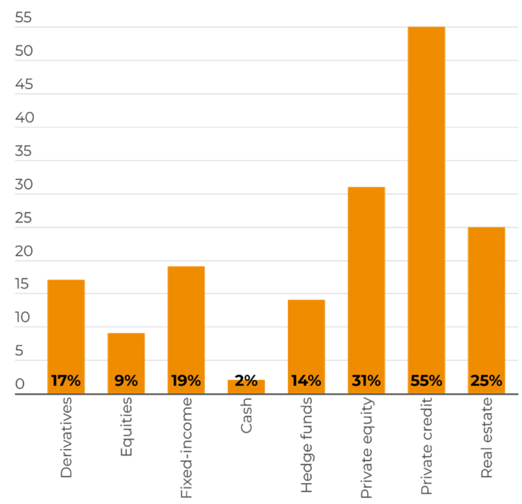




Single-family office
Multi-family office

Sources: *Preqin, Fundraising from family offices – a guide to raising capital, 2024*

Figure 2 Family office allocation plans for 2024 – net increase



Sources: *Hedgeweek Family Office Survey 2024*

Figure 3 Functions outsourced by family offices

Analyst note: Survey respondents were asked in March 2024, 'Which functions of your family office or other investment vehicle are currently outsourced? (Please select all that apply)'

Sources: *Hedgeweek Family Office Survey 2024*

families encounter the world of investment management, some for the first time. How should they invest their wealth? What are best practices in the middle and back-office? Which functions should be outsourced and what role can technology play? It can be hard to navigate.

To get a sense of the top challenges facing family offices from an operational perspective, Hedgeweek polled its audience in September and October 2024.

One family office investor highlighted the need for: "Reliable access to data systems that are technologically sufficient – most industry standards are highly outdated." Another said the challenge lay in: "Aggregation of data from diverse banks and sources. Challenge to maintain efficiencies and staying relevant in the current investment environment."

Cost was a recurring theme. One family office said their key challenge surrounded "controlling external costs." Another said: "regulatory demands make everything more expensive."

On the other side of the coin, Hedgeweek heard from a hedge fund with family office investors. "Operationally some family offices are not setup nor comfortable with hedge fund investments," they said.

Technology and outsourcing can help. At present, most family offices outsource part of their middle and back office, with legal (73%) most likely to be outsourced, followed by technology/IT infrastructure (60%). Almost half (47%) outsource their accounting, while 29% outsource their performance/risk reporting (see Fig. 3).

"As these family offices form and look to institutionalize, technology is critical in creating efficient and streamlined operations and reporting," said Alan Baron, Managing Director, SS&C Technologies.

"Due to the expanding asset classes family offices are investing in, we've seen increased demand for new data aggregation and reporting requirements. This trend creates new challenges in maintaining accurate and timely data across liquid and private market positions. Technology can help automate the workflows to capture and report on these diverse portfolios."

Family offices, which may historically have focused their investments on traditional stock, bond and cash positions, are now investing in a much greater range of alternative investments. That is not likely to change, with 55% planning a higher exposure to private credit in 2024 (see Fig. 2).

This greater sophistication ups the complexity. Baron adds: "Detailed reporting is essential for family members as it enables them to make informed decisions. Transparent, timely reporting capabilities are fundamental to managing families' interests."

For more information, click here to read the Hedgeweek Insight report: Family offices: A new era of growth.