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THE NORTH AMERICA FAMILY OFFICE REPORT 2021

RBC®

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Forewords

Dear reader,

We are pleased to partner with Campden Wealth to launch **The North America Family Office Report 2021**.

At RBC, we recognize that the family office landscape continues to grow and evolve. New family offices are being set up and existing family offices are continuing to grow at an exceptional speed. We are at an important juncture as wealth continues to accelerate, especially in North America where 86% saw their wealth increase last year and 20% saw it rise significantly, all during a global health pandemic where there was a lot of uncertainty.

With this growth comes an increased focus on risk management and preparing for the future. Family offices are gearing up their risk management strategies as nearly two-thirds (66%) have shared that this has become more important to them over the last 12 months. With an expectation of inflation and rising interest rates, many are factoring these elements into their decisions while remaining bullish (86%) about economic growth in 2022.

In addition to economic risks, family offices continue to be concerned about cyber security as 28% have been the subject of a cyberattack over the last 12 months and 55% have been the subject of an attempted scam.

A major focus for North American family offices is on governance and succession planning. Half of the family offices that participated in the survey had a succession plan in place, meaning there is a large number that do not. This is a priority for family offices as 39% shared that implementing a succession plan was a top priority in the next 12 to 24 months.

What remains clear is that family offices are continuing to seek new investment opportunities and this cuts across both traditional and newer investment classes such as cryptocurrency. In 2019, growth represented just 31% of family offices' investment strategies compared to 49% today. This is notably higher than European and Asia-Pacific family offices (both at 27%).

At RBC, we remain committed to helping our clients think through these important decisions as we recognize we are at an important moment for many family offices – both new and existing.

We hope you enjoy this report and would like to thank all participants who contributed to this fascinating insight into the family office space.

Yours faithfully,

Mark Fell
Head, Family Office and Strategic Clients
Royal Bank of Canada

Dear reader,

We are pleased to present **The North America Family Office Report 2021**. It is the seventh of its kind since our inaugural Global Family Office Report in 2014. This year, however, we are introducing three regional reports covering North America, Europe and Asia-Pacific in order to provide richer and more granular analysis. Each of these reports also contain a backdrop of global data, so that family office principals can benchmark themselves to their peers both regionally and globally.

Amongst the fascinating findings produced, I am pleased to say family offices have effectively tackled the challenges presented this past year by the COVID-19 pandemic. In fact, many have flourished. Nearly nine-in-10 (86%) of the North American families we evaluated saw their wealth increase over the last 12 months, along with more than half (58%) of family offices' assets under management (AUM).

The family office space has continued to mature rapidly, as notable proportions of those surveyed have expanded their offices, structures and services over this period. The key areas of growth in North America relate to a rise in staff levels (noted by 25% of respondents), IT infrastructure (45%), risk measures/structures (32%), governance/reporting structures (28%) and outsourcing services (21%). Furthermore, now 27% of family offices have two or more branches.

With these factors in mind, broadly speaking, family offices are feeling bullish about the economic climate, with 86% believing that 2022 will reflect a year of economic growth. They are shifting more towards growth-oriented investment strategies, and eyeing new areas to allocate to, such as sustainable investing, cryptocurrency and emerging technologies like artificial intelligence, fintech and biotech. A surprising one-in-four family offices are even investing in cannabis, as it has become legal in parts of North America.

Succession within family offices continues to pose challenges for families and ensuring the next generation are well qualified requires constant nurturing and oversight.

With that said, it is an exciting time for family offices, and I would like to thank all the families and family office executives who kindly participated in this important research and RBC for their continued partnership.

I hope you enjoy the read.

Dominic Samuelson
Chief Executive Officer
Campden Wealth

Executive summary

This report is based on statistical analysis from 385 surveys conducted with family offices worldwide, with 179 (or 46 percent) coming from North America. The average family represented from North America has wealth of USD $1.5 billion, while their estimated cumulative wealth stands at USD $269 billion (total global wealth across the report series is estimated at USD $655 billion). The average North American family office has assets under management (AUM) of USD $1.0 billion, while their collective AUM is estimated at USD $179 billion (the total global family office AUM across the report series is estimated at USD $424 billion).

The following denotes the key takeaways:

Nearly nine-in-10 North American families' wealth rose over the pandemic

Amid a global pandemic, a staggering 86 percent of North American families' wealth has increased over 2020/2021, along with 58 percent of their family offices' AUM. This compares with global averages of 79 percent and 61 percent, respectively.

The family office space is growing rapidly and radically

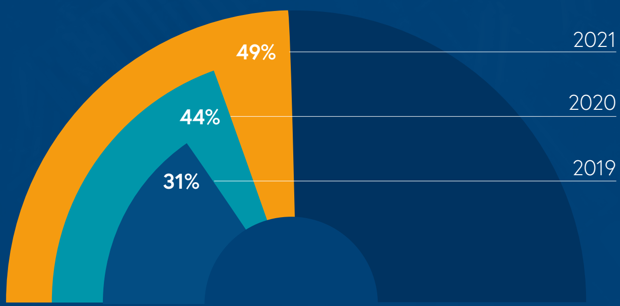
Reflecting the skyrocketing growth of the family office space, many offices are expanding their offices, structures and services. The key areas of growth over the last year for North American family offices relate to a rise in staff levels (noted by 25 percent of respondents), IT infrastructure (45 percent), risk measures/structures (32 percent), governance/reporting structures (28 percent), outsourcing services (21 percent) and bringing services in-house (11 percent). Furthermore, 27 percent of North American family offices now have two or more branches.

Family offices are bullish about the economy

Family offices in North America are feeling broadly positive about the economic climate, with 86 percent asserting that 2022 will reflect a year of economic growth–a sentiment that is shared by most family offices across the globe. In preparation, 46 percent of North American family offices are seeking new investment opportunities, 33 percent are realigning their investment portfolios to pursue more growth-oriented opportunities and 25 percent are seeking to diversify their portfolios.

North American family offices shift sharply towards growth investment strategies, heralding an average 2020 portfolio return of 15 percent

Bucking a trend from the pre-pandemic years, family offices in North America shifted sharply towards growth-oriented investment strategies in 2020 and 2021. To illustrate, in 2019 just 31 percent of family offices in the region favoured a growth-oriented investment strategy. This rose to 44 percent in 2020 and 49 percent in 2021. Globally, growth was favoured by just 25 percent pre-pandemic, but today 45 percent opt for it. The outcome of this shift produced an average family office portfolio return of 15 percent in North America and 13 percent globally.



Campden Wealth / RBC, The North America Family Office Report 2021

Family offices chase equities, while fixed income trails behind

In pursuit of growth, family offices are looking squarely at the equities space. Following a year of solid returns in 2020, averaging 19 percent for developed markets and 16 percent for developing markets, in 2021, equities accounted for 34 percent of the average North American family office portfolio (29 percent for developed and five percent for emerging markets). Looking ahead to 2022, 31 percent of family offices plan to increase their allocations to developing market equities. Meanwhile, roughly one-in-five plan to reduce their exposure to fixed income over 2022, an asset class that currently makes up 14 percent of the average North American family office portfolio.

31%

of North American families currently invest in cryptocurrency

46%

of North American family offices are seeking new investment opportunities

Cryptocurrency investment is gaining traction, with nearly one-in-three family offices on board

Thirty-one percent of North American family offices and 28 percent globally currently invest in cryptocurrency, and another 30 percent and 28 percent, respectively, plan on increasing their allocations over the coming year. Achieving an average 2020 return of 40 percent across family offices worldwide, it is no wonder that over two-in-five family offices in North America agree that cryptocurrency is a promising investment.

A surprising one-in-four family offices in North America invest in cannabis

Since cannabis has been legalized in Canada and various U.S. states, it is has attracted greater investment from family offices. To date, a notable one-in-four (24 percent) family offices in North America now invest in cannabis (global average: 18 percent). Furthermore, 41 percent agree with the statement, 'cannabis can be a promising investment that family offices should consider' (global average: 33 percent). Other popular areas for investment include health care, where 74 percent of family offices in North America invest, biotech (64 percent), fintech (61 percent) and artificial intelligence (49 percent).

Is fintech becoming a threat to banks? Family offices certainly think so

Fintech is becoming increasingly popular among North American family offices, as 34 percent said that it plays a role in their financial transactions (however, it does not replace traditional investing), while six percent report that it is used in a majority of their financial transactions. Furthermore, 61 percent agree that fintech will likely replace traditional banking services in the future.

Cyberattacks and scams haunt the family office space

Twenty-eight percent of family offices in North America have been the subject of a cyber security attack over the last 12 months, while 57 percent have been the subject of an attempted scam. To safeguard themselves, 77 percent of family offices reportedly have a cyber security plan, but most (55 percent) feel that their plan 'could be better' and 20 percent don't currently have a plan (although half of these claim to be getting one). Furthermore, while 92 percent of family offices expect that the number of cyberattacks/scams will increase over the coming year, nearly one-in-three (30 percent) feel that the family/family office is ill-prepared to safeguard themselves should an attack occur.

North America trails its regional counterparts in succession planning

Just 50 percent of North American family offices have a succession plan in place, compared with 52 percent in Europe and 70 percent in Asia-Pacific. Of these, only half (48 percent) are formally written. The remainder are either informally agreed written plans (20 percent) or simply verbally agreed plans (14 percent). This may help to explain why 27 percent of family offices and 33 percent of families are reportedly unprepared for succession.

The next generation is not qualified to take over, according to half of family offices

Not having a next generation family member/s qualified enough to take over was deemed to be the greatest challenge to succession, as expressed by 51 percent of North American respondents. In fact, over half (55 percent) said that the Next Gens they deal with are either somewhat (41 percent) or very (14 percent) unprepared. In a related vein, the second greatest challenge to succession is an unwillingness of the patriarch/matriarch to relinquish control, as denoted by 30 percent of respondents–a factor that could lend to Next Gens' unreadiness.

1. The family office landscape

1.1 *Introduction*

1.2 *Overview of participants*

1. The family office landscape

1.1 Introduction

"If you could take yourself back to being a child, why did you spend all that time and energy building sandcastles that you knew were going to be taken away by the sea? It's the same reason you create a family office. You do it to strengthen the bond between your children and your broader family."

CEO and family member, single family office, Tennessee, United States

In the midst of a global pandemic, many found light in the dark. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This brought a tidal wave of chaos that led to a global recession, which kicked off in February 2020, and has been marked as the worst economic crisis since the Great Depression.

Nearly two years have passed since COVID-19 was first identified and much has changed. Due to the herculean efforts of many, we experienced a rapid V-shaped recovery, as governments injected widespread economic stimulus into communities, businesses reacted quickly and flexibly to keep operations alive and the medical industry produced a vaccine at record speed. As a result, the S&P 500 was back to its pre-pandemic level by October 2020, and then surpassed it after the release of effective vaccines. Companies in the technology and online sectors also experienced a hike in demand, benefiting from government-imposed lockdown restrictions.

Family offices, being relatively small in size and nimble in nature, adapted quickly and adjusted their portfolios to capitalize on opportunistic deals during these highly uncertain times. One such opportunity came when the stock market bottomed out. Family offices, which are known for having cash reserves and patient capital, rapidly shifted towards a growth-oriented investment approach and began to seize opportunities to buy while the stock market was low. They also took advantage of the tumultuous landscape and invested more into hedge funds, bucking a five-year downward trend, and they reacted to lower company valuations by moving in on opportunities within the private equity space.

As a result of strategies such as these, a staggering 86 percent of ultra-high net worth families in North America and 79 percent globally actually saw their wealth increase over 2020/2021. For one-in-five, their wealth increased 'significantly'; for the remainder, it increased 'slightly'. Fifty-eight percent of North American family offices' AUM also rose, along with 61 percent globally.

Reflecting the rapid ongoing growth within the sector, and with more money in the coffers, family offices decided to bulk up. Twenty-five percent of those in North America hired additional staff over this past year, 45 percent enhanced their IT infrastructure, 32 percent introduced new risk management measures and 28 percent integrated new governance and reporting structures. Another 21 percent looked to service providers for outsourcing support, while 11 percent decided to take on the additional work in-house.

Looking to the year ahead, the vast majority of family offices currently feel bullish about the economy, with 86 percent asserting that 2022 will bring economic growth–a sentiment largely shared by family offices worldwide.

In preparation for such growth, nearly half (46 percent) of those in North America are seeking new investment opportunities, a third (33 percent) are realigning their investment portfolios to pursue more growth-oriented opportunities and a quarter (25 percent) are seeking to diversify their investments.

In turn, while it has been a challenging time for many, family offices have proved that their patience, discipline and long-term outlook permitted them to have enhanced flexibility to take advantage of market conditions. As a result, they are looking forward to more fruitful gains in the coming year.

With that said, life is not without its challenges. Family offices are gearing up their risk management strategies with a sense of vigour as we enter an inflationary period, which will likely bring an erosion of purchasing power and a rise in interest rates. The world is also not out of the woods when it comes to COVID-19 which has been impacting industries such as travel, leisure and hospitality, retail and oil and gas.

With these factors in tow, this report series aims to be the most in-depth study globally on family offices. It covers topics that matter most to them, such as investing and performance, operational costs, technology, cyber security, governance, risk, succession planning, the next generation, philanthropy and more. The aim is to provide a detailed picture of the family office landscape so that families and their executives can benchmark themselves to their peers.

But the picture drawn will be somewhat different this year. For six years, The Global Family Office Report came in the form of single annual editions. This year we are offering richer and more granular analysis. We are introducing three regional reports covering North America, Europe and Asia-Pacific, with a global overlay of what is taking place in the family office space worldwide.

Methodology

This research is both quantitative and qualitative. A total of 505 family offices from across the globe participated in the survey, which was administered between April and July 2021. Of these, 385 surveys were selected for statistical use, with 179 of these being from North America. In addition, in-depth interviews were conducted with 32 family office executives worldwide, with 15 being based in North America. Unlike previous years, single and private (not commercial) multi-family offices are included in the analysis this year. We define private multi-family offices as entities that serve no more than eight families, with the core family holding at least 50 percent of the family office's total AUM.

Furthermore, for the purposes of comparing the North America family office findings to those of Europe and Asia-Pacific, references to this data are sometimes made in the text but are not included in the charts. In turn, please note that these references relate to the European and Asia-Pacific editions of this regional series. All other individual references to additional data are highlighted in the footnotes.

1.2 Overview of participants

179

family offices from North America participated

The following provides a profile of the family offices that participated in this research:

In 2021, 179 family office executives based in North America participated in The North America Family Office Report survey. Ninety-three percent are from single family offices and seven percent from private multi-family offices. These include non-commercial family offices that look after no more than eight families and have a core family that holds at least 50 percent of the office's total AUM (**figure 1.1**).

In terms of where the respondents reside, 84 percent are based in the United States, 15 percent in Canada and two percent in Mexico and Barbados (**figure 1.2**).

Figure 1.1: *Type of family office represented*

	Private multi-family office	Single family office
Global	8%	92%
North America	7%	93%

Campden Wealth / RBC, The North America Family Office Report 2021

Figure 1.2: *North American breakdown of the family offices by geography*

	United States
1%	Alabama
1%	Arizona
1%	Nebraska
8%	California
3%	Colorado
3%	Connecticut
8%	Florida
3%	Georgia
5%	Illinois
1%	Kansas
1%	Kentucky
1%	Maryland
6%	Massachusetts
1%	Michigan
1%	Minnesota
1%	Mississippi
1%	Missouri
2%	Nevada
1%	New Hampshire
1%	New Jersey
9%	New York
1%	North Carolina
3%	Ohio
1%	Puerto Rico
3%	Pennsylvania
1%	Tennessee
7%	Texas
1%	Utah
3%	Virginia
1%	Washington
1%	Washington D.C.
1%	Wisconsin
2%	Wyoming
	Canada
1%	Alberta
3%	British Columbia
8%	Ontario
3%	Quebec
	Other
1%	Barbados
1%	Mexico

Campden Wealth / RBC, The North America Family Office Report 2021

385

family offices participated around the globe

A total of 385 surveys worldwide were selected for statistical use within the report. Ninety-two percent are from single family offices and eight percent are from private multi-family offices (**figure 1.3**).

In terms of where the respondents reside, 46 percent are headquartered in North America, 28 percent Europe, 20 percent in Asia-Pacific and six percent in emerging markets, including South and Central America, Africa and the Middle East (**figure 1.4**)

Figure 1.3: *Global breakdown of the type of family offices*

Private multi-family office	Region	Single family office
8%	Global	92%
7%	North America	93%
10%	Europe	90%
9%	Asia-Pacific	91%
10%	Emerging markets	90%

Single family office   Private multi-family office

Campden Wealth / RBC, The North America Family Office Report 2021

Figure 1.4: Global breakdown of the core family offices by region

Barbados
Canada
United States
Mexico

Belgium
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Gibraltar
Ireland
Isle of Man
Italy
Liechtenstein
Luxembourg
Monaco
Norway
Poland
Portugal
Romania
Russia
Spain
Switzerland
Turkey
United Kingdom

46%
North America

20%
Asia-Pacific

Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Pakistan
Philippines
Singapore
Taiwan

28%
Europe

6%
Emerging markets

Algeria
Bahrain
Brazil
Caribbean
Chile
Colombia
Ghana
Kuwait
Oman
Panama
Peru
South Africa
United Arab Emirates
Yemen

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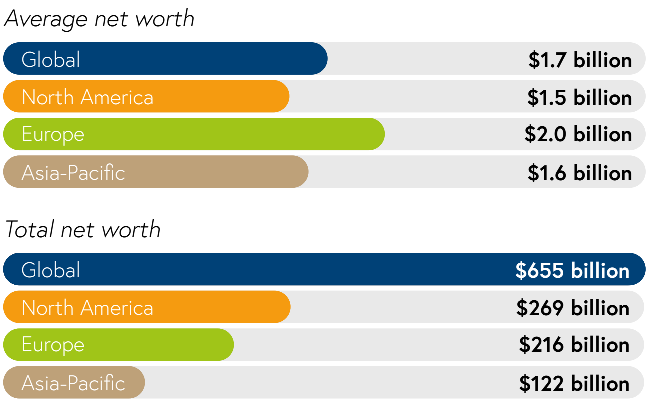
Average North American family wealth USD $1.5 billion; total estimated wealth USD $269 billion

The average family wealth of those surveyed across North America stands at USD $1.5 billion, while their total estimated wealth stands at USD $269 billion (**figure 1.5**).

The respective figures for those surveyed worldwide are USD $1.7 billion for average family wealth and USD $655 billion for estimated total wealth.

Figure 1.5: *Including their holding in the core operating business, the total net worth of the founding families by region (for multi-family offices, the total net worth of all the families served)*



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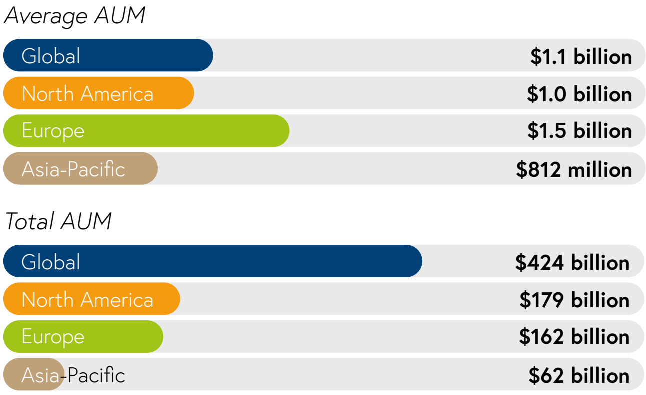
Average North American family office AUM USD $1.0 billion; total estimated AUM USD $179 billion

The average AUM of the family offices surveyed across North America stands at USD $1.0 billion, while their total estimated AUM is USD $179 billion (**figure 1.6**).

The respective figures for those worldwide are an average AUM of USD $1.1 billion and estimated total wealth of USD $424 billion.

Figure 1.6: *Excluding operating business ownership, the total private wealth the family offices manage (in AUM) by region*

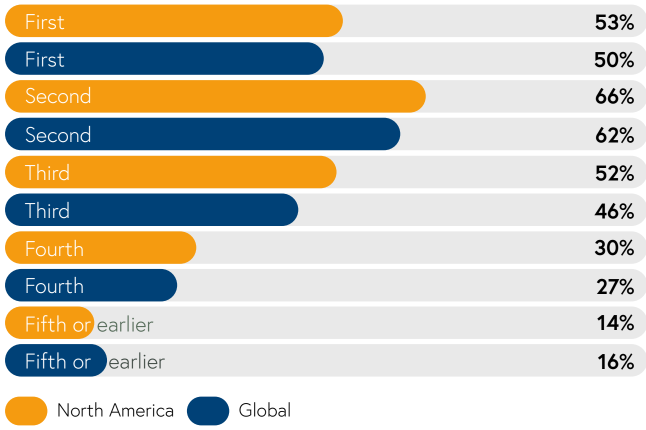


Campden Wealth / RBC, The North America Family Office Report 2021

More than half of North American family offices serve first, second and third generation wealth holders

Broadly in line with the global averages, family offices in North America tend to serve the first, second and third generations of wealth holders. Reflecting a recent rise in family wealth in the region and emergence of family offices as wealth preservation and management vehicles, a relatively smaller, but still notable, proportion of family offices (44 percent) have served four or more generations (**figure 1.7**).

Figure 1.7: *Generations served by the family office (tick all that apply)*



Campden Wealth / RBC, The North America Family Office Report 2021

A staggering 86 percent of North American families' wealth has increased over the last 12 months, along with 58 percent of their family offices' AUM

Amid a global pandemic, it is remarkable to note that 86 percent of the families in North America analyzed for this research saw an increase in their wealth over the last 12 months, with 20 percent of these experiencing a significant hike in wealth (**figure 1.8**).

In a similar vein, 58 percent of North American family offices' AUM went up over the year, with 17 percent up significantly.

This compares with global averages of 79 percent for increases in wealth and 61 percent for increases in family office AUM. It is also interesting to note that North American families, on average, were the most likely within any region to see their wealth increase over the year.

As family offices' AUM grows, so does their size and operational activity

Reflecting the rapid growth of the family office space, 25 percent of those surveyed in North America report an increase in their number of staff over the year, 45 percent said that their IT infrastructure has broadened, 32 percent have grown their risk measurements/structures and 28 percent have strengthened their governance and/or reporting structures. Similarly, 21 percent are relying more on third party outsourcing services, while 11 percent are bringing more services in-house (**figure 1.8**).

Figure 1.8: *Changes to the family office over the last 12 months (tick all that apply)*

		Significant increase	Slight increase	No change	Slight decrease	Significant decrease
Total family wealth	North America	20%	66%	10%	4%	0%
	Global	21%	58%	13%	7%	0%
Total AUM	North America	17%	41%	38%	5%	0%
	Global	18%	43%	34%	5%	1%
Operating business revenue	North America	17%	31%	36%	9%	6%
	Global	15%	33%	34%	14%	5%
Number of family office branches	North America	1%	1%	96%	2%	0%
	Global	1%	3%	94%	1%	1%
Number of family office staff	North America	4%	21%	67%	7%	1%
	Global	3%	24%	66%	6%	1%
Reliance on outsourcing family office services to third parties	North America	2%	19%	77%	1%	1%
	Global	2%	20%	75%	2%	1%
Reliance on bringing family office services in-house	North America	3%	8%	85%	4%	0%
	Global	2%	14%	80%	4%	0%
Number of risk measures/structures in place	North America	4%	28%	68%	1%	0%
	Global	5%	34%	60%	1%	0%
Family office, governance and/or reporting structures	North America	4%	24%	71%	1%	0%
	Global	6%	28%	64%	1%	0%
IT infrastructure	North America	5%	40%	54%	1%	0%
	Global	7%	41%	51%	1%	0%

Campden Wealth / RBC, The North America Family Office Report 2021

North America Global

Twenty-seven percent of family offices now have two or more branches

Another sign of the burgeoning family office space is that 27 percent of those in North America now have two or more branches (**figure 1.9**). This compares with a global average of 30 percent and a European average of 32 percent (the region with the highest proportion of additional branches). It is also noteworthy that five percent of North American family offices plan on setting up an additional branch in the coming years, something that 10 percent of family offices globally plan to do.

Figure 1.9: *Number of family office branches currently held*

	North America	Global
One	73%	70%
Two	18%	17%
Three or more	9%	13%

Campden Wealth / RBC, The North America Family Office Report 2021

2. Investments

2.1 *Asset allocation*

- 2022 economic outlook
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- Asset allocation
- Allocations to emerging fields
- Family offices are divided on cryptocurrency – but nearly a third invest in it
- Family offices are riding the tech boom
- Two-in-five think cannabis is a promising investment
- The geography of allocations
- Access to credit and cash reserves

2.2 *Family office asset class focus*

- Private equity
- Real estate
- Sustainable investing

2.3 *Performance*

2. Investments

"We feel that things are going to be very good through 2022. There's just too much money coming into the system for anyone to mess it up too much. We think inflation is a concern that isn't transitory, but one that will pale in comparison to the growth and earnings of companies over the next year and a half."

Principal, private multi-family office, Florida, United States

- Family offices in North America are feeling bullish about the economic climate with 86 percent reportedly believing that 2022 will be a year for economic growth. In response, 46 percent of North American family offices are seeking new investment opportunities, 33 percent are realigning their investment portfolios to pursue more growth-oriented opportunities and 25 percent are seeking to diversify their portfolios.

- Bucking a trend from the pre-pandemic years, family offices in North America shifted sharply towards growth-oriented investment strategies in 2020 and 2021. To illustrate, in 2019 just 31 percent of family offices in North America favoured growth. This rose to 44 percent in 2020 and 49 percent in 2021. Globally, growth was favoured by just 25 percent globally pre-pandemic, but today it is favoured by 45 percent.

- With a 2020 return of 19 percent for developed markets and 16 percent for developing markets, equities is both the most popular asset class family offices invest in and one that forms part of most growth-oriented investment strategies. In 2021, this asset class accounted for a sizable 34 percent of the average North American family office portfolio, with 29 percent being dedicated to developed markets and five percent to developing markets. Looking ahead to 2022, 31 percent of these family offices plan to increase their allocations to developing market equities, a move that might be influenced by the high prices many report to be finding among developed market stocks. Meanwhile, with a 2020 annual return of four percent for developed markets bonds and three percent for developing market bonds, some plan to reduce their exposure to fixed income over 2022, an asset class that currently makes up 14 percent of the average North American family office portfolio.

- Nearly one-in-three (31 percent) North American family offices invest in cryptocurrency (global average: 28 percent), and another 30 percent plan on increasing their allocations to crypto over the coming year. Nearly, one-in-four (24 percent) invest in cannabis (global average: 18 percent). Other popular areas for investment are health care, where 74 percent invest, and biotech, fintech and artificial intelligence, where 64 percent, 61 percent and 49 percent currently invest, respectively.

31%

of North American family offices invest in cryptocurrency

49%

of North American family offices have shifted to growth-oriented investment strategies

74%

of North American family offices invest in health care

2.1 Asset allocation

2022 economic outlook

Family offices are feeling bullish about the economic climate

North American family offices are generally feeling positive about the broad economic climate. Nearly nine-in-10 respondents (86 percent) believe the world will be in a state of slow (59 percent) or rapid (27 percent) economic recovery in 2022, a cautiously optimistic view that we will be in the aftermath of the COVID-19 pandemic (**figure 2.1**). In the words of family office executives across the United States and Canada:

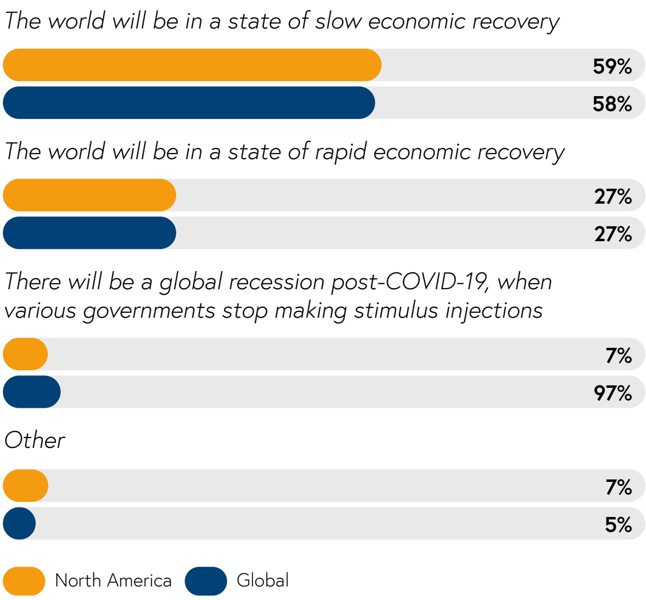
"I feel exceedingly bullish. The reopening of trade seems to be working. The Fed continues to be accommodative. There was a brief fear of inflation, but it seems to have subsided. I think we'll continue to see economic improvement across the board."

CEO and family member, single family office, Tennessee, United States

"I feel quite optimistic. Our portfolio of investments and our principal investment have all done well over the last 18 months."

CEO, single family office, Ontario, Canada

Figure 2.1: *What family offices believe will be the economic state of the world in 2022*

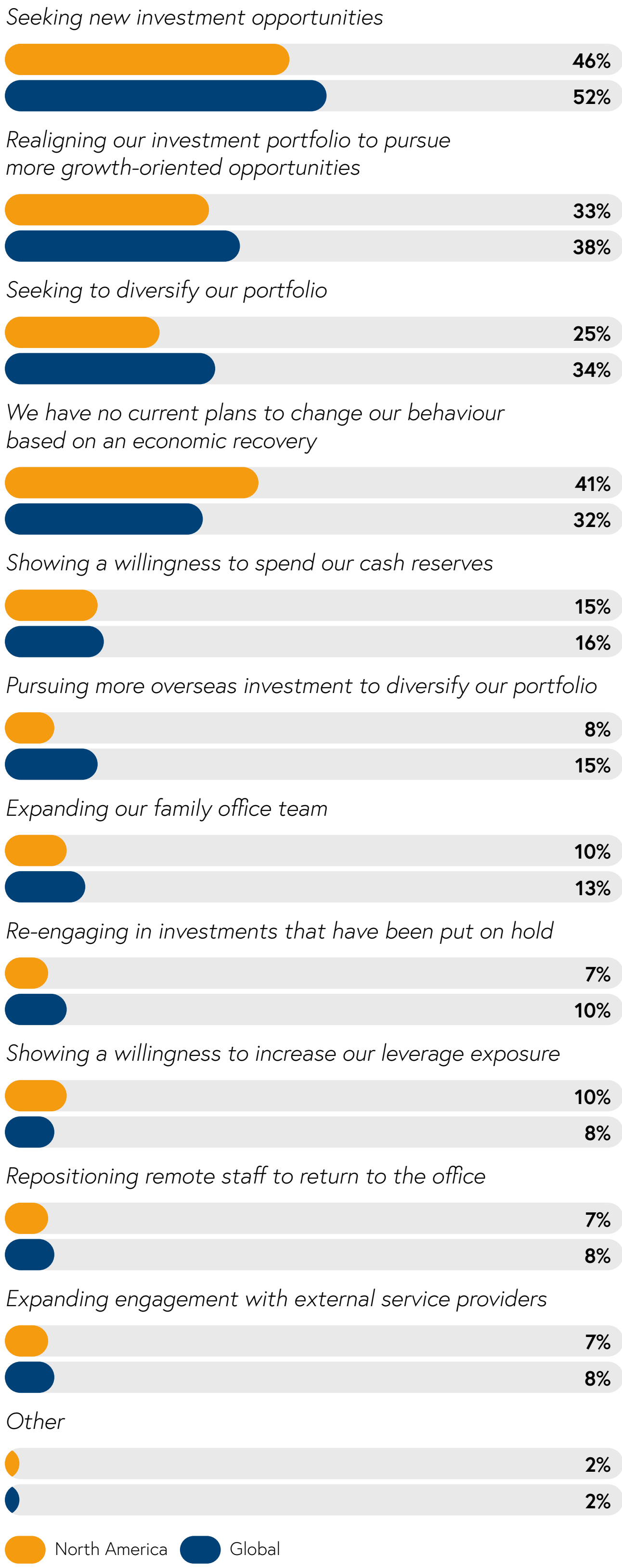


Campden Wealth / RBC, The North America Family Office Report 2021

Family offices are seeking new investment opportunities, particularly in growth, and they want to diversify

In terms of how family offices in North America are aligning themselves for economic recovery, 46 percent are seeking new investment opportunities, 33 percent are realigning their investment portfolios to pursue more growth-oriented opportunities and 25 percent are seeking to diversify their portfolios (**figure 2.2**).

Figure 2.2: *Of those who believe in economic recovery, how they are preparing (tick all that apply)*



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Investment strategy

Family offices in North America take a sharp turn towards growth

Family offices tend to favour a balanced growth plus preservation-oriented investment strategy. However, that has changed over the pandemic, as they have leaned more into the equities space to pursue opportunistic deals.

To illustrate, in 2019 (prior to the pandemic), 56 percent[1] of family offices in North America favoured a balanced approach. Today, just 40 percent favour a balanced approach (**figure 2.3**). Conversely, in 2019 growth represented just 31 percent of family offices' investment strategies. By 2021 that figure jumped to 49 percent, surpassing the 40 percent that currently utilize a balanced strategy. Interestingly, half (49 percent) of family offices in North America also expect that their strategy will remain growth-focused over the coming 10 years.

It is also interesting to highlight that this occurrence in North America is notably different to other regions. For example, in Europe growth was favoured by only 15 percent of family offices in 2019, 21 percent in 2020 and 27 percent in 2021. Asia-Pacific reflects a similar pattern at 19 percent in 2019, 24 percent in 2020 and 27 percent in 2021. Therefore, the shift towards growth is visible across the globe, however, those in North America have adopted the strategy at a far greater rate than their regional counterparts. In the words of one family office executive who shifted from fixed income (preservation) to equities (growth):

"We feel like the market gives us an opportunity about once every 10 years to move from fixed income into equities and we saw that opportunity in March of 2020 with the COVID-19 pandemic."

Chief investment officer, single family office, Ohio, United States

In the words of two family offices that have retained a balanced approach:

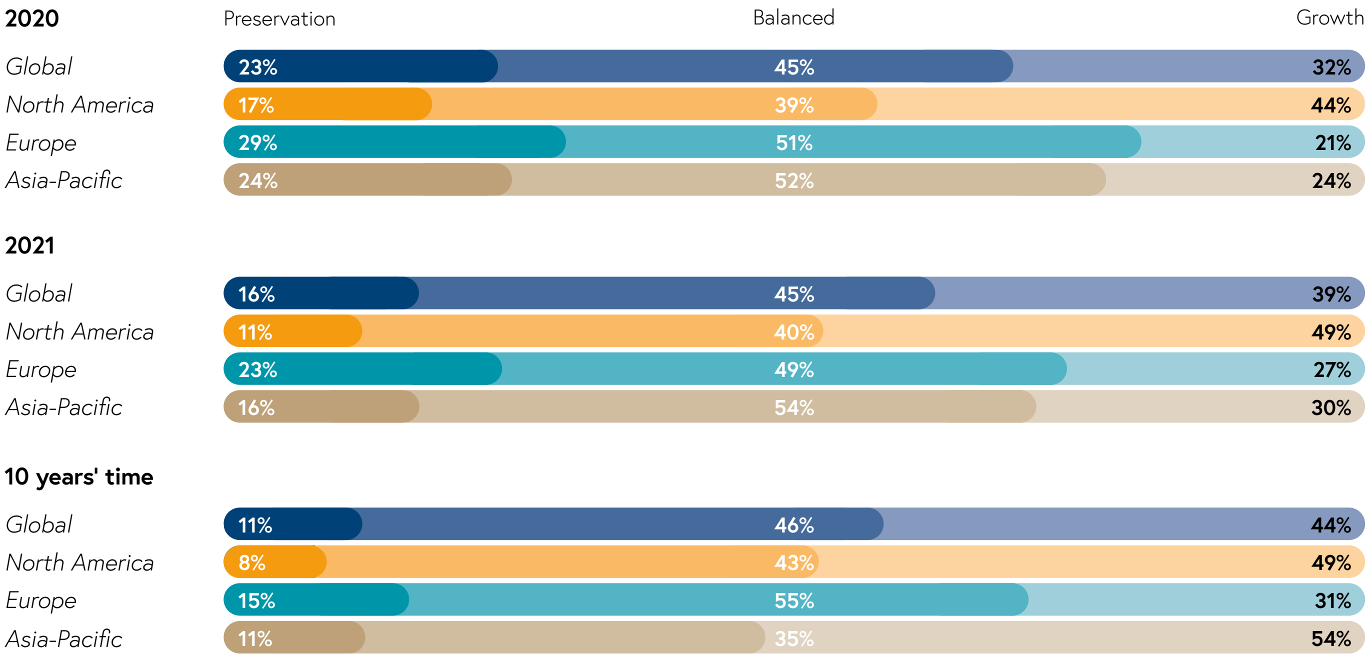
"Because our investment portfolio was created almost 30 years ago and is based on fundamental investment themes of diversification in style, time horizon, asset allocation and risk, we don't do big asset allocation swings."

Principal and family member, single family office, Ontario, Canada

"It's been helpful to have a balanced portfolio and structures that reduce the downside and target a specific sector or theme that makes sense to us."

CEO and family member, single family office, Florida, United States

Figure 2.3: *How family offices described their main investment objective with respect to their wealth in 2020, 2021 and 10 years' time*



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[1] The 2019 figures are from the UBS/Campden Wealth, The Global Family Office Report 2019.

Asset allocation

Family offices are embracing equities...

On December 31 2019, the Wuhan Municipal Health Commission reported a cluster of pneumonia cases in Wuhan, China. On February 21, Italy announced the first lockdown in Europe covering 10 municipalities. This precipitated a major sell-off in global financial markets that persisted until March 23. According to data from Bank of America Securities, it took the S&P 500 merely 22 trading days to fall 30 percent from the record high it achieved on February 19, making this the fastest decline of this scale in history.[2] However, the prompt action of monetary authorities in the United States and Europe, initiating relief packages and quantitative easing, calmed investors' nerves and prompted a V-shaped recovery. By October, the S&P 500 was back to its pre-pandemic level and the development of effective vaccines gave global markets further tailwind.

Many family offices capitalized on the falling stock prices and bought into equities, an asset class that offered favourable returns for those who bought low, and one that fits into many family offices' broader strategy to become more liquid and defensive during a period of economic uncertainty. These offices also felt a degree of added comfort as governments were injecting substantial sums of economic relief into the system and keeping interest rates at a historical low to help prop up economies during the crisis.

In turn, North American respondents dedicated a sizable 34 percent of their portfolios to equities in 2021–29 percent to developed markets and 5 percent to emerging markets (**figure 2.4**). Those who are strong advocates of equites commented:

"Sixty percent of our portfolio is in equities. It's been a good strategy for us over the last 10 years because equities have done nothing but go up. So, the family's wealth has just grown and grown. With the low interest rates and the government trying to stimulate the market, we jumped on the train."

Principal and family member, single family office, Ohio, United States

"We're bullish on equities. We manufacture construction materials and have software and technology companies. These industries are growing, so we feel bullish. We think the stock market will continue to improve, so we're going to continue to invest there."

CEO and family member, single family office, Kansas, United States

Not everyone, however, judged the market correctly, as exemplified by one family office principal who sold his stock at the wrong time:

"We've been sitting on too much cash, so we're investing it opportunistically by increasing our allocations to equities. We made a mistake, though. We sold 70 percent of our public equities in May/June 2020. We planned to get back in the second quarter of this year, but that was not the right move whatsoever. We should have just stayed invested. We thought the pandemic was going to get worse, but instead the economy improved quickly."

Principal and next generation family member, single family office, Texas, United States

With that said, developed market stocks, particularly mid and large cap, have been criticized for their high prices. In turn, 31 percent of family offices in North America plan to allocate more to emerging market equities over 2022 (**figure 2.5**). This is where it has been noted that family offices can still find value should they be willing to take on the added volatility sometimes found in emerging markets. Two family office executives explained:

"We are not that optimistic about strong returns going forward based on where we are today. That's not to say there aren't some values out there–there is value in small cap, both for developed and developing areas. But, growth in U.S. stocks, particularly large and mid-cap, looks very expensive to us right now."

Chief investing officer, single family office, Ohio, United States

"Like everybody else, we go in and out of emerging markets. They're up 20 percent one year, down 20 percent the next–you never know what's going to happen."

Principal, private multi-family office, Florida, United States

...while they plan to reduce their 2022 exposure to fixed income

Meanwhile, North American family offices' allocations to fixed income stood at 14 percent in 2021 (**figure 2.4**). However, amid criticism that they too are expensive and yield modest returns, 23 percent plan on reducing their exposure to developed market bonds over the coming year (**figure 2.5**). In interviews with family office executives, a number of them explained why they are looking to shift their allocations from fixed income to equities:

[2] CNBC, This was the fastest 30% sell-off ever, exceeding the pace of declines during the Great Depression, March 23, 2020: https://www.cnbc.com/2020/03/23/this-was-the-fastest-30percent-stock-market-decline-ever.html

"A lot of people are going to be very defensive over fixed income. Spreads have narrowed dramatically in high-yield bonds, so we're pulling back our exposure here. Everyone was waiting for a rise in interest rates and signs of inflation, which have now started to appear. So, we've tried to be duration neutral. Now we're shortening our duration and moving to things like floating rates and inflation protected bonds, because I think rates are going to continue to increase over time."

Managing director, private multi-family office, Massachusetts, United States

"Fixed income is the most expensive it has ever been–it's more expensive than stocks. It doesn't matter what fixed income market you are talking about. If you hold it for 10 years, you're not going to get a real return on it. In a normal state, if fixed income was more reasonably priced, we'd be moving back into it based on the tremendous run up in stocks. But, given the high prices, the stock market is the only game in town."

Principal and family member, single family office, Ontario, Canada

"Fixed income has provided very good returns for us for many years. However, after what happened in March/April 2020, fixed income just didn't make sense anymore, so we ended up being a bit more aggressive and allocating to public and private equity. This move has changed our risk profile."

CEO and family member, single family office, Florida, United States

Hedge funds have experienced a small revival

Prior to the pandemic, we reported for five years straight that family offices were shying away from hedge funds over criticism that their fees were too high and their returns too low. However, given the tumultuous economic climate brought on by the pandemic, hedge funds are seeing a revival among some family offices, now accounting for five percent of the average family office portfolio in North America and four percent globally (**figure 2.4**).

Furthermore, 17 percent of family offices in North America report that they plan to increase their exposure to hedge funds over the coming year (**figure 2.5**). With another eight percent reporting that they plan to decrease their allocations, this equates to a difference of about one-in-10 respondents, or nine percent. Thus we may see a moderate uptick in hedge fund allocations over 2022. Explaining the recent attention hedge funds have received, several family offices remarked:

"We looked long and hard at hedge funds. After 22 years of getting frustrated with our hedge fund managers, in 2008/9 we said, 'Did you do what you were supposed to?' And, again in March last year we said, 'Did you do what you were supposed to?'"

Principal and family member, single family office, Ohio, United States

"Typically, I'm not a fan of hedge funds, but I invested in two which are performing pretty well. We won't be doing any more though. I went into a distressed fund because of COVID-19; it looked like a good opportunity. But I'm expecting it to have a short life."

Principal and family member, single family office, California, United States

"I want to be in the part of hedge that gets absolute returns and shoots for little downside in a time of worry. So, we've rejiggered ourselves towards the type of managers who are good at protecting your money when everything goes wrong. Hedge funds are almost a bond substitute now. We were at 10 percent hedge and now we're at 13 percent, and we're hoping for high single digits returns."

Principal and family member, single family office, Ohio, United States

SPACs had a brief moment of euphoria

Special purpose acquisition companies (SPACs) have been around for decades, providing a useful and efficient way to take private companies public. However, they never gained much traction until late 2020 when the market experienced a period of euphoria and it was reported, "SPAC mania has taken hold of the public markets."[3] However, as quickly as the craze washed in, much of it retraced by the first quarter of 2021 amid increased regulatory scrutiny and an oversaturation of supply.[4]

Today, SPACs account for just 0.2 percent of the average family office portfolio both in North America and across the globe. One family office executive who invested in SPACs commented:

"SPACs achieved record highs over the past year. We hadn't really considered them before, but then suddenly we received a number of very compelling opportunities to invest in. So, we chose to be opportunistic in those. But we don't necessarily consider SPACs to be private equity, we consider them public equity, so we did this as part of a broader shift to become more liquid and more defensive going into 2022."

Managing director, private multi-family office, Massachusetts, United States

[3] CB Insights, "What is a SPAC," July 14, 2021: https://www.cbinsights.com/research/report/what-is-a-spac/
[4] Business Insider, "Wall Street SPAC craze is over, Rest of Stock Market Could be Hit Next," August 22, 2021: https://www.businessinsider.com/wall-street-spac-craze-stock-market-drop-fraud-2021-8?r=US&IR=T
Advisor Perspective, "Is the SPAC Party Over?," August 11, 2021: https://www.advisorperspectives.com/commentaries/2021/08/11/is-the-spac-party-over

Figure 2.4: *Family offices' strategic asset allocation to the nearest percent for 2021*

	Global	North America	Europe	Asia-Pacific
Bonds				
Fixed income–developed markets	10%	13%	9%	5%
Fixed income–developing markets	4%	1%	2%	12%
Equities				
Equities–developed markets	24%	29%	26%	14%
Equities–developing markets	9%	5%	5%	19%
Alternative investments				
Private equity–direct investments	13%	12%	18%	9%
Private equity funds	9%	10%	10%	7%
Real estate–direct investments	15%	15%	15%	11%
REITs	1%	1%	1%	2%
Hedge funds	4%	5%	3%	6%
Commodities				
Agriculture (forest, farmland, etc.)	2%	1%	2%	2%
Commodities	1%	1%	0.4%	2%
Gold/precious metals	1%	0.3%	1%	2%
Cash or cash equivalent	6%	5%	6%	6%
Cryptocurrency	1%	1%	1%	1%
SPACs (special purpose acquisition companies)	0.5%	0.2%	0.2%	2%

Note: Figures may not sum to 100% due to rounding.
Campden Wealth / RBC, The North America Family Office Report 2021

Figure 2.5: *Whether family offices plan to increase, maintain, or decrease their 2022 allocations, and their overall return target for 2022 (% per annum)*

	North America Increase	North America Leave	North America Decrease	Global Increase	Global Leave	Global Decrease
Fixed income–developed markets	3%	74%	23%	10%	71%	20%
Fixed income–developing markets	5%	90%	5%	13%	75%	13%
Equities–developed markets	16%	65%	19%	27%	58%	15%
Equities–developing markets	31%	66%	3%	29%	59%	12%
Private equity–direct investments	38%	60%	3%	43%	52%	5%
Private equity funds	43%	54%	4%	40%	52%	7%
Real estate–direct investments	32%	62%	6%	29%	58%	13%
REITs	9%	88%	4%	11%	85%	4%
Hedge funds	17%	76%	8%	18%	71%	11%
Agriculture (forest, farmland, etc.)	4%	92%	4%	16%	83%	2%
Gold/precious metals	8%	91%	2%	16%	75%	9%
Other commodities	9%	85%	5%	13%	79%	8%
Cash or cash equivalent	11%	70%	20%	16%	61%	23%
Cryptocurrency	24%	76%	0%	25%	71%	4%

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Allocations to emerging fields

"Some years ago, we looked at where we've been incredibly successful, and it was all health care-related. From that moment forward, we basically became a health care-only venture investor. There are always exceptions, but that was our evolution. That continues today, but as we've become wealthier, it represents a smaller part of our portfolio as we have liquidity and have therefore diversified our portfolio."

Principal and family member, single family office, Utah, United States

Three-in-four family offices invest in health care

Perhaps in part furthered by the pandemic, roughly three-in-four family offices in North America currently invest in health care (74 percent), and half (53 percent) plan on increasing their investment to health care over 2022 (**figures 2.6** and **2.7**). This compares with global averages of 78 percent and 51 percent, respectively. Being a popular sector to invest in given the aging population, various family offices commented:

"Health care as a sector never goes badly. It never underperforms, so we've been really looking at that."

CEO and family member, single family office, Florida, United States

"We invested in a health care company in Canada that deals with telemedicine and clinics. The company went from private to public and is doing phenomenally well."

Director, single family office, British Columbia, Canada

Figure 2.6: *Emerging areas family offices are currently invested in, 2021*

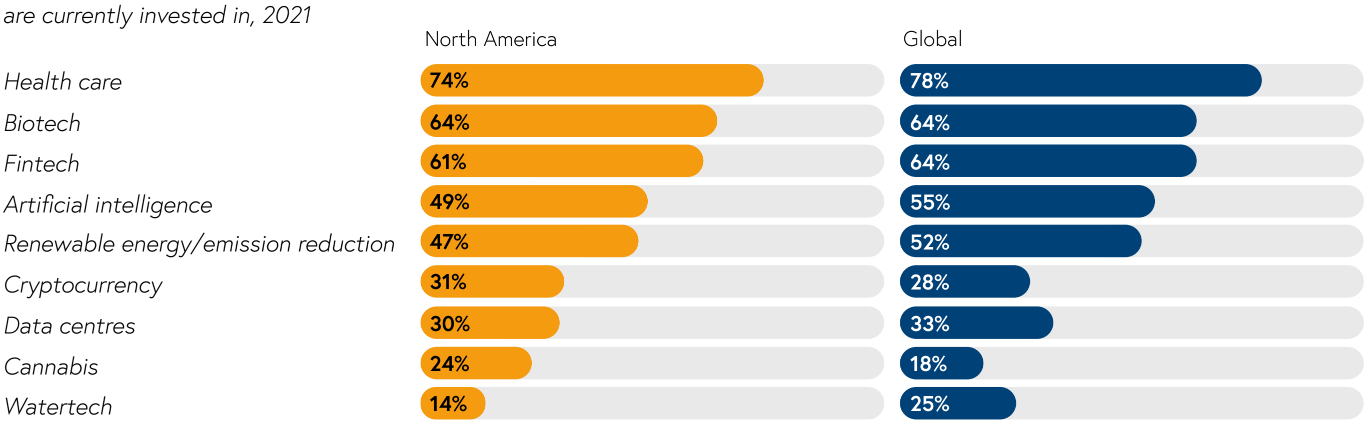

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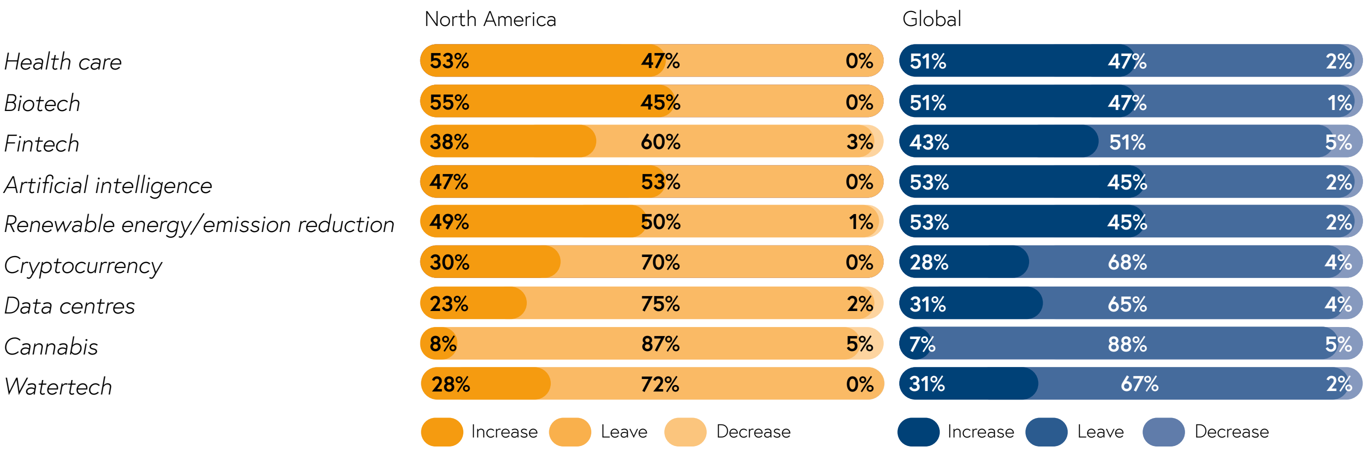
Figure 2.7: The areas family offices plan to increase or decrease their investment in 2022



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Note: Figures may not sum to 100% due to rounding.

Family offices are divided on cryptocurrency–but nearly a third invest in it

The legal status and, in turn, value of cryptocurrency has been highly debated over the last decade. There is little doubt that the currency of the future will be digital. Cashless payment methods, driven by e-commerce and mobile transactions, have continued to gain ground during the COVID-19 pandemic, whilst cash has become increasingly irrelevant. Blockchain and shared distributed ledger technology enable digital assets to be transferred easily worldwide. However, this threatens to disintermediate not just commercial banks, but central banks as well, since fiat money guaranteed by governments would no longer be necessary.

This outcome, and the uncertainty attached to it, explains both the value of the cryptocurrencies and their extreme volatility. When Tesla CEO Elon Musk announced[5] Tesla's acceptance of bitcoin as a medium for payment, it produced a spike in bitcoin's valuation (of course, that announcement was later reversed in May 2021). China's clampdown on cryptocurrency mining had the opposite effect.

There are two key considerations here. First, will central banks be prepared to give up on their key franchise? Many are now adapting elements of cryptocurrency technology to design their own digital currencies.[6] Second, the decentralized ledger requires data miners to verify each transaction to ensure that the currency cannot be replicated. For this they are rewarded with coins, and although the reward diminishes overtime, the number of coins in free market circulation also diminishes. Scarcity of coin pushes up its market value, which leads skeptics to suggest that cryptocurrencies cannot, unlike fiat currency, be a store of value.

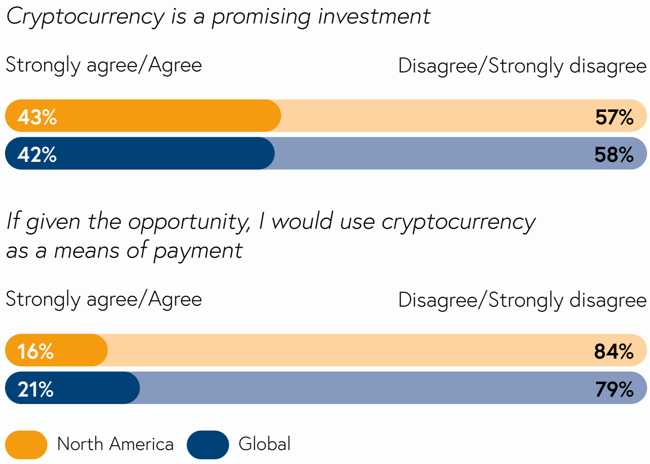
With that said, CoinMarketCap reports that as of August 2021, more than USD $1.9 trillion has been invested into the cryptocurrency market[7] and crypto returns have outstripped that of many traditional investments over the last decade.[8] For instance, CNBC reported, "In July 2011, two years after it was created, one [bitcoin] cost USD $13.91. Back then, USD $1,000 would have bought you 71.89 bitcoin, which would be worth USD $2,785,737.50 today. That figure represents growth of 278,476.56 percent. A USD $1,000 investment in the S&P 500, by comparison, would be up…to USD $4,059.68 over the past decade."[9]

Wherever families stand on the divided issue of cryptocurrency, one thing is certain–it is catching the attention of many. This is highlighted by the fact that notable names such as Elon Musk, Mark Cuban, Jack Dorsey and Richard Branson have thrown themselves into the crypto investment ring[10] and countries, such as China[11] and the United States[12], are exploring having their own digital currencies.

As a result of its growing prevalence, 31 percent of family offices in North America currently invest in cryptocurrency and another 30 percent plan on increasing their allocations to crypto over the coming year (**figures 2.6** and **2.7**). Globally, these figures stand at 28 percent each.

Furthermore, with cryptocurrency's average return in 2020 hitting 40 percent, it is unsurprising that 43 percent of family offices in North America and 42 percent globally agree that it is a promising investment, while 16 percent and 21 percent, respectively, assert they would use cryptocurrency as a means of payment if given the opportunity (**figure 2.8**).

Figure 2.8: *Family office attitudes towards cryptocurrency*



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[5] Financial Times, Elon Musk's effect on crypto world shows how irrational markets fare, February 9, 2021: https://www.ft.com/content/92ab487d-1990-42b9-b7d3-ba9d54d9bd22
[6] Bank of England, Central Bank Digital Currencies, September 8, 2021: https://www.bankofengland.co.uk/research/digital-currencies
[7] CoinMarketCap, Global Crypto Market Cap, Accessed August 18, 2021.
[8] HowMuch.net, The Investment of the Decade: Bitcoin vs. World's Megacorps, December 9, 2019: https://howmuch.net/articles/biggest-companies-vs-bitcoin-last-decade-performance
[9] CNBC, Here's how much money you'd have if you invested $1,000 in bitcoin 1, 5 and 10 years ago, July 26, 2021: https://www.cnbc.com/2021/07/26/how-much-money-youd-have-if-you-invested-1000-dollars-in-bitcoin-in-2011.html
[10] CoinMarketCap, Top 10 celebrities who own bitcoin, February 15, 2021: https://coinmarketcap.com/alexandria/article/top-10-celebrities-who-own-bitcoin
[11] Wall Street Journal, China Creates its own Digital Currency, a First for Major Economy, April 5, 2021: https://www.wsj.com/articles/china-creates-its-own-digital-currency-a-first-for-major-economy-11617634118
[12] CNBC, The Fed this summer will take another step in developing a digital currency, May 20, 2021: https://www.cnbc.com/2021/05/20/the-fed-this-summer-will-take-another-step-ahead-in-developing-a-digital-currency.html

$1.96

trillion has been invested into the cryptocurrency market as of August 2021

The following breaks down the debate among family offices, with some being for crypto assets, some against and some still on the fence.

Those for cryptocurrency highlighted its growing pervasiveness and ability to produce strong returns

"We believe crypto is going to become a real currency. How, when and in what form, nobody really knows. Governments like the U.S., Britain and Australia will end up having their own cryptocurrency. People believe bitcoin is going to survive because it's too big and the infrastructure and security is good. But it's important to look at smaller tokens too–there are hundreds. Of these, one day 20 will be left standing. Which ones, nobody knows. Given the pricing of crypto and some of the smaller tokens, we think this is the time to get a toehold in."

Principal, private multi-family office, Florida, United States

"We've seen crypto go from USD $60k down to USD $30k. I think it will find a new resting place and eventually serve a purpose. It will also find value as a hedging and diversification vehicle, similar to what gold is for many portfolios. I don't see it becoming a base currency, but I think it will be a tiny portion of a well-hedged portfolio."

Managing director, private multi-family office, Massachusetts, United States

"We started allocating a small amount to crypto on the venture side. I didn't learn much about it at the time because it was a very early, very small investment. But, the funds have done so well, going up seven times over the past year, that it's become a reasonable part of the portfolio. So, purely due to performance, I forced myself to learn about it."

Chief investment officer, single family office, Connecticut, United States

Those against cryptocurrency criticized its volatility and questionable value, however, they did see a promising future for the blockchain technology behind it.

"Wherever you are, when you are in finance and people find you, the first question they ask is, 'What do you think about bitcoin?' I say the same thing every time, 'If you want to have a punt, go for it, but for me, there's a lot of other things I'd rather buy in my life.' For me, it has no value."

CEO and family member, single family office, Florida, United States

"We don't view crypto as a currency because it's way too volatile. How can it be a currency when it fluctuates as much as it does? We're never going to buy into it. Blockchain, which is amazing, is here to stay, but that's different."

Principal and family member, single family office, Ohio, United States

"I don't believe in bitcoin. I don't see it as a store of value, it's too volatile. It's not like gold, it's just a speculative asset. But within 'cryptocurrency' you have the Ethereum network, which is based on blockchain technology. I was on an institutional investor call last week with a lot of pension funds, foundations, etc. They generally said, 'We don't believe in cryptocurrency, but we do believe in blockchain technology.'"

Chief investment officer, single family office, Connecticut, United States

Those on the fence are learning more about it, with some making small test-case investments.

"We do not have any crypto investments, but we are doing research to become more knowledgeable, so we may do something in the future."

Principal and next generation family member, single family office, Texas, United States

"I think blockchain has unbelievable opportunities and a future. In terms of crypto itself, though, I'm a wild skeptic. I bought my first Ether yesterday, but still I'm wildly skeptical that with the volatility it will work as a currency."

Principal and family member, single family office, Utah, United States

In sum, while the debate on cryptocurrency wages on, more family offices are starting to learn about the space and are dipping their toes into initial investments. However, given the volatility of the market, these investments generally make up only a small portion of their portfolios and are made as a means to further diversify their portfolios and hopefully buy into an emerging sector while it is still in its infancy. Given wealth holders' reputation for patient capital, this move could potentially benefit their families generations down the line if the cryptocurrency market goes mainstream.

Family offices are riding the tech boom

The tech industry has been booming and family offices are taking an 'all aboard' approach when it comes to their investments. While many family offices are already avid investors in technology, such as fintech, biotech and artificial intelligence, others report that they do not understand the space as well as they would hope, and so they are starting to invest in tech as a means to improve their knowledge. For fear that those who do not keep up with the tech revolution will fall behind, this has helped them to better understand the space, so as to not only profit from it via investments, but to apply this knowledge to their outside businesses.

With that said, at present, roughly two-in-three family offices in North America invest in biotech (64 percent) and fintech (61 percent), while half invest in artificial intelligence (49 percent) and a third in data centres (30 percent) (**figure 2.6**).

Commenting generally about the tech sector, family offices noted that those who do not adapt to the technological frontier will be left behind

"Pick a sector, biotech, edtech, you can go on and on. If you're not adopting new technology, no matter what your industry or enterprise is, you're going to be left behind. All COVID-19 has done is put the accelerator down."

CEO and family member, single family office,
Florida, United States

"We're looking for innovations in the growth and middle markets. Regardless of the category, whether it's pharmaceutical, medical, etc., these innovations are going to be incredible over time."

Principal, private multi-family office,
Florida, United States

Biotech is a popular area among family offices but, for some, it is an all or nothing game.

"Last year we allocated to biotech in the U.S. and China. They are the two biggest markets in the world and there's an innovation war going on between them, so we figured we'll bet on both players. Our investments are long biased and last year ended up being really good for our exposure."

Chief investment officer, single family office,
Connecticut, United States

"The one part of health care allocations that we continue to struggle with is biotech. We have access to many amazing biotech opportunities, but it's very difficult to understand the binary risk. It either gets approved and it's hugely successful, or it's worth zero. It's a very difficult market to invest in. That's why we rely on outside managers to help us make decisions."

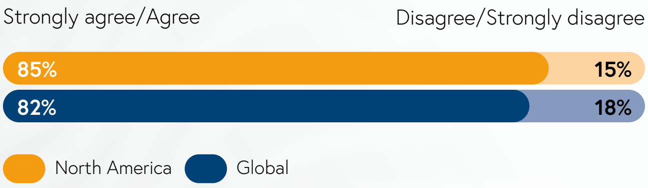
Managing director, private multi-family office,
Massachusetts, United States

Artificial intelligence is becoming relevant to 85 percent of North American family offices in terms of the companies/funds they invest in

"I got interested in AI years ago and my son said, 'We have to be careful. Are we going to get to a place where the human race will no longer be needed, where there will just be machines doing everything people do now? What will we have left?' Yes, I agree there's that element, but between now and then I have great faith in it."

CEO and family member, single family office, Florida, United States

Figure 2.9: *Artificial intelligence is increasingly relevant to the companies/funds I invest in*



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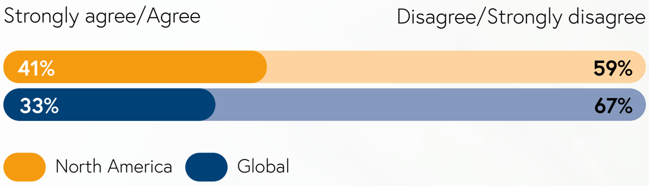
Two-in-five think cannabis is a promising investment

Another controversial area to invest in is cannabis. As cannabis has become legal across parts of the United States and Canada, many new industry players have entered the space, particularly within the medical and health/well-being sectors. This has led a notable 24 percent of family offices in North America to invest in cannabis (the global average is 18 percent) (**figure 2.6**).

Furthermore, 41 percent of family offices in North America agree with the statement, 'cannabis can be a promising investment that family offices should consider' (the global average is 33 percent) (**figure 2.10**).

Figure 2.10: *Family offices attitudes towards cannabis: 'cannabis can be a promising investment that family offices should consider'*



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In interviews with family offices, none reported to be avid investors in cannabis. However, some made investments, particularly a few years back when the market opened up after the easing of legislation, and they see potential for profitability within the space…

"Three years ago, we looked at cannabis extensively and made some investments. If you were an early investor in cannabis, you had an opportunity to make four or five times your money. But it has been a state-by-state issue in terms of the number of licences that are granted. For instance, in Oregon there are an unlimited number of licences, but in Maryland there are only five. Now, there has been an explosion in the Canadian market. So, I think supply is going to one day exceed demand and the price of the core commodity will begin to bottom out. The opportunities we've looked at are vertically integrated companies that have both the ability to produce but also package and deliver. That's going to be what's really compelling. The companies which can create a brand around their offering will be the ones that are most attractive."

Managing director, private multi-family office, Massachusetts, United States

"The time to invest in cannabis was two to three years ago. There were some family office club deals available to buy up a lot of the growers and the hydroponic guys. That was the time to do it. We didn't, but I know other family offices that did, and they'll end up doing well. Now, I don't know how to invest in it as an individual family office, so we haven't."

Principal, private multi-family office, Florida, United States

…however, the current generation appears to be more resistant to learning about cannabis investment…

"Cannabis is a big deal in Canada because it's legal here now. But, when it came onto the market a couple of years ago, I said to all my young Next Gen, 'When you inherit your own money, you can go and buy pot stocks. I'm not going to learn about it or invest in it, and I can assure you that the managers we invest in aren't going to be investing in it either."

Principal and family member, single family office, Ontario, Canada

…while others are simply interested in watching the space evolve, from a distance

"We're not invested in cannabis. I think it's one of those things that you can only invest in if you know enough about it and where to invest. The U.S. is moving more toward cannabis legalization in different parts of the country. Even here, in Utah, we finally passed medical use of it. I think it has a fascinating future. People will make a lot of money; people will lose a lot of money."

Principal and family member, single family office, Utah, United States

The geography of allocations

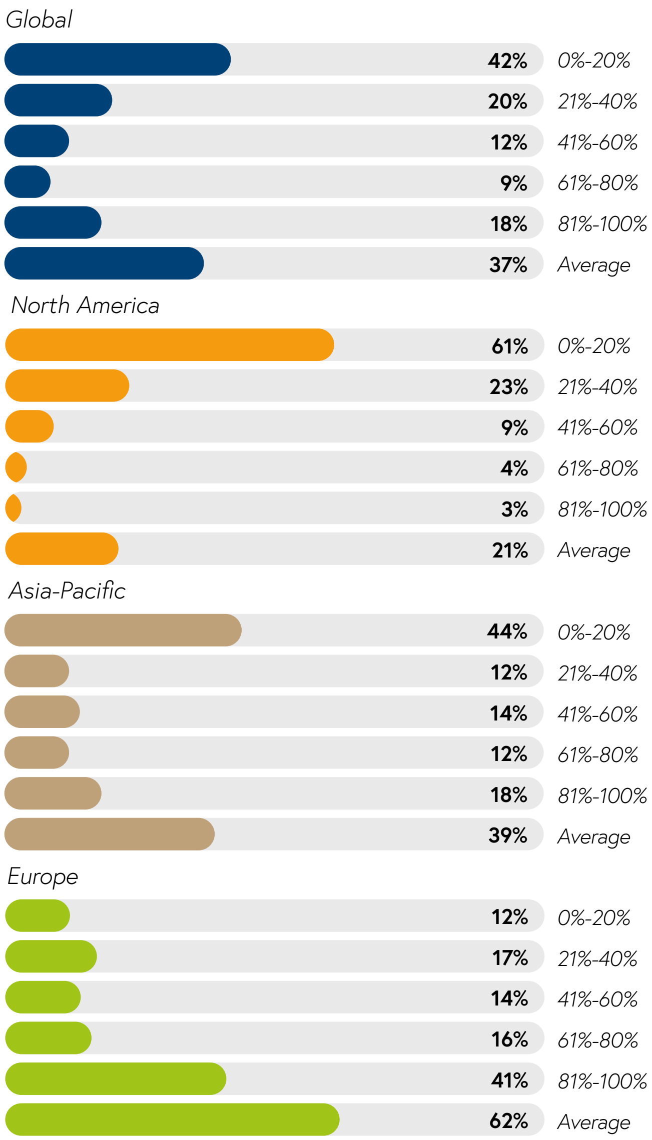
North Americans still have a bias towards their own markets…

Nearly two-thirds (61 percent) of family offices in North America allocate between zero percent and 20 percent of their portfolios to foreign markets. Another 23 percent allocate between 21 percent and 40 percent (**figure 2.11**). The average allocation stands at 21 percent, which is far lower than both Europe at 62 percent and Asia-Pacific at 39 percent. One interviewee noted:

"We like the U.S., we're over waiting for European stocks to grow. We're staying away from emerging markets too at the moment, because we don't know what's going on with the U.S. dollar and we're not quite sure how that's going to affect things."

Principal, private multi-family office, Florida, United States

Figure 2.11: *The proportion of family offices' existing investment portfolio that is invested outside of their home country*



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…however, more North American family offices plan on increasing their investment to APAC

When asked which regions family offices plan on increasing their investment, 45 percent of those in North America highlighted Asia-Pacific, an interesting finding as it surpasses the 40 percent who highlighted their own North American region (**figure 2.12**).

Europe and the emerging markets (South and Central America, Africa and the Middle East) are the geographies least likely to see further investment from North America, with only 31 percent and 10 percent planning to expand there, respectively. In the words of two family office executives:

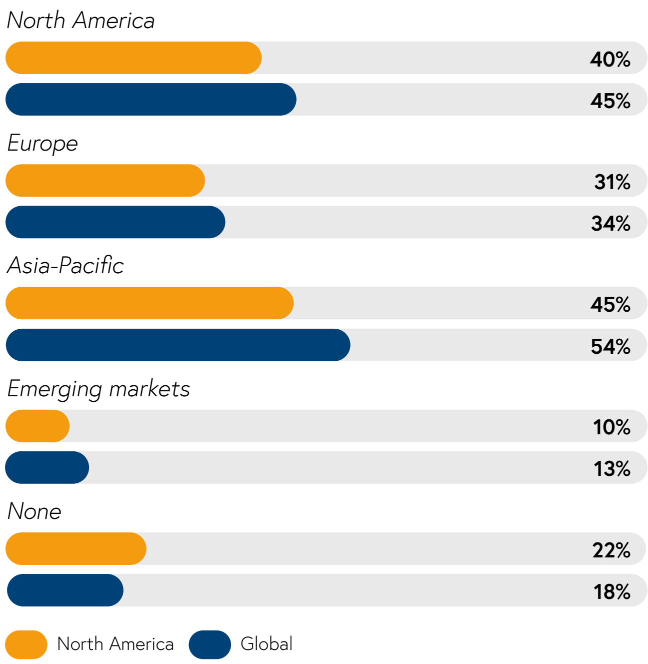
"The sheer populations for China and India are amazing, so we want to have exposure there."

Principal and next generation family member, single family office, Texas, United States

"We had many discussions and decided that we would increase our exposure to Asia–not just to China, but to a variety of Asian countries. So, that is what we did last year and again twice this year."

CEO and family member, single family office, Florida, United States

Figure 2.12: *The region/s family offices anticipate increasing their investment to (tick all that apply)*



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"We like China a lot. We have found ways to invest directly in China, which are not through U.S. companies doing business in China or the U.S. exchange. However, Chairman Xi is unpredictable. You never know what he's going to do. A stock might be flying high, but then suddenly it drops 39 percent because he decides there are trust concerns with big tech. Or, you're a U.S. company, like Tesla, and he says, 'I think I've got to promote Chinese companies, so we're going to put new tariffs on Tesla.' He does this stuff at will. So, it's a little scary to invest in China right now and it will be until there's clarity on how things will work going forward."

Principal, private multi-family office, Florida, United States

Two-in-five North American family offices currently invest in China

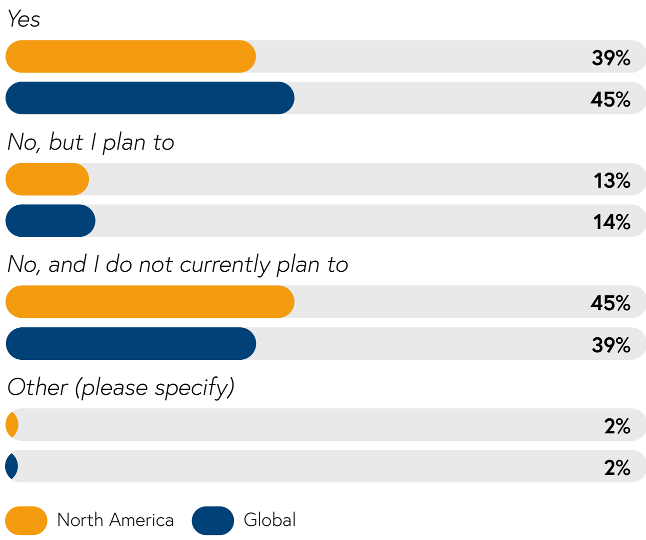
Being the second largest economy in the world, China has garnered notable attention from the investment community. At present, 39 percent of family offices in North America invest in China (**figure 2.13**). This compares with a global average of 45 percent, with 49 percent of family offices in each Europe and Asia-Pacific investing in the country. With that said, while family offices see promise in investing in the country, they hold some concerns:

"We have been focusing on China since last year, for obvious reasons. There is concern in Australia over China's political interference and globally regarding China's intentions, so we want to be careful. I have two sons, they make our investment decisions. One was adamant that we should put all our money into China. He was there when everything broke with Australia last year and has first-hand knowledge of what's going on. The other was in Australia and saw the reaction to what happened. So, he has the opposite view and isn't happy. Therefore, we're divided."

CEO and family member, single family office, Florida, United States

Fifty-three percent of family offices in North America further noted that the U.S.-China trade war has affected their investments. This compares with a global average of 51 percent.

Figure 2.13: *The proportion of family offices that currently invest in China*



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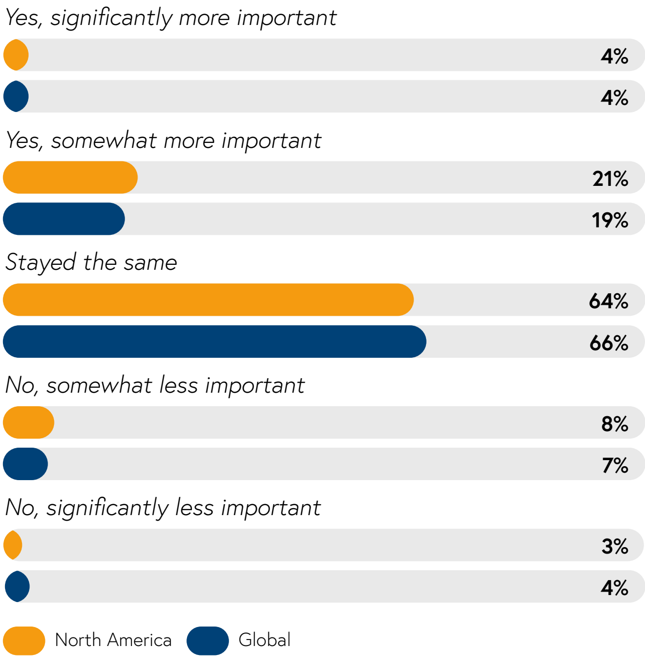
Access to credit and cash reserves

Access to credit continues to be a priority for family offices. When asked if access to credit has become more important over the last year, 25 percent of North American family offices said that it has (**figure 2.14**). Interviewees explained that interest rates have been so low that some family offices have been taking advantage of their access to credit so as to enable them to buy into new investments or to hold on to riskier ones. One CEO commented:

"Everybody who's smart and has capital right now are getting credit facilities in place because debt is so cheap–you want to lock it in. It's a free option. Everyone is doing it. It must be widening the inequality gap because we have access to so many different products and other people don't. It's happening across individuals and private equity. GPs are taking out credit facilities when they don't even have anything productive to do with them."

CEO and family member, single family office, Tennessee, United States

Figure 2.14: *Whether access to credit has become more important to family offices over the last year*



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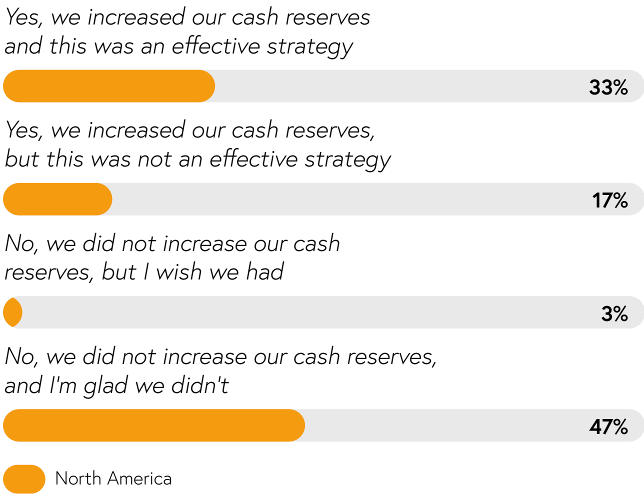
Despite many families deploying patient capital in 2020, half of family offices still increased their cash reserves in 2020, demonstrating that risk mitigation remains important

Additionally, 50 percent of family offices increased their cash reserves over 2020 (during the height of the pandemic) (**figure 2.15**). Doing so can benefit family offices as cash reserves can serve as both a buffer to support potentially risky investments during economic downturns, and also as a resource to enable family offices to capitalize on opportunistic investments. With that said, 33 percent of the family offices surveyed remarked that their move to increase their cash reserves was an effective strategy.

Figure 2.15: *Whether family offices increased their cash reserves in 2020*



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2.2 Family office asset class focus

Private equity

"We see private equity investing as a long-term relationship with the managers we invest with. We treat it almost like a marriage. We invest in numerous funds, so we want to be comfortable with them, because it's a long-term arrangement."

Principal and next generation family member, single family office, Texas, United States

The vast majority of family offices invest in private equity with a fairly even balance of direct and fund deals

A notable 85 percent of the family offices in North America (and globally) invest in private equity. Within their private equity portfolio, there is a fairly even split between direct investments (47 percent) and fund-based investments (53 percent) (**figure 2.16**). However, those in North America tend to prefer funds more than their regional counterparts, with 39 percent of the average private equity portfolio being dedicated to funds in North America, compared with 30 percent in Europe and 33 percent in Asia-Pacific. Several family offices remarked:

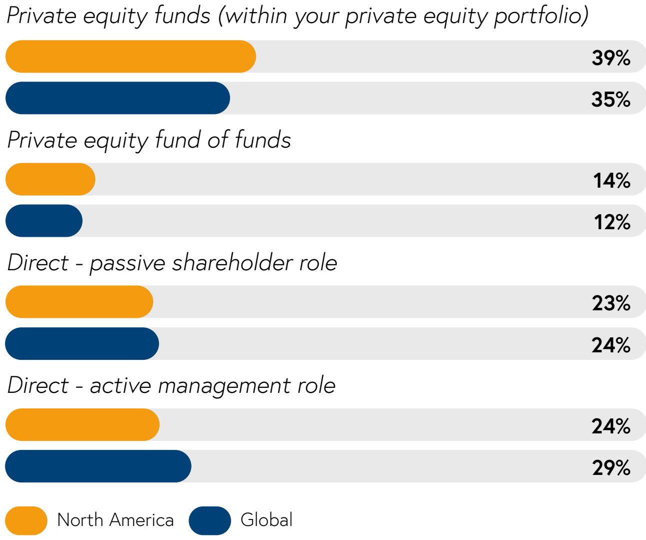
"We don't do much direct. We don't have the manpower to get into a bunch of complicated private equity deals ourselves and structure and monitor them. So, we often go in as a secondary partner with other firms, which spend a lot more time monitoring and supervising the deals. We don't want the family office to get too big, so we're happy to rely on trusted partners and let them do the heavy lifting. We pay a price for it, but it's worth it, as it makes our lives easier"

CEO, single family office, Ontario, Canada

"We allocate to venture and private equity deals. We do a lot of direct deals presented to us by venture capital GPs. We've been trimming off some of our hedge fund allocations and applying much of it to the VC space."

Chief investment officer, single family office, Connecticut, United States

Figure 2.16: *Current percent allocation to private equity as a proportion of your private equity portfolio (must total 100%)*



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Direct active management investments delivered a 27 percent average return, passive management 21 percent

Private equity investments performed well in 2020. Direct active management deals delivered the highest average return in North America at 27 percent, followed by direct passive management deals (21 percent), private equity funds (17 percent) and fund of funds (11 percent) (**figure 2.17**). In the words of one respondent:

"We have a very large private equity portfolio and valuations have reached all-time highs. So, we've been receiving distributions and payouts for many of the funds we invest in. Instead of rolling the money back into private equity, we've been increasing our liquid allocation in domestic equities. We want the liquidity, so as to be more defensive, and we feel like the private markets have achieved record highs."

Managing director, private multi-family office, Massachusetts, United States

Figure 2.17: *Family offices' average annual return for their private equity allocations, 2020*

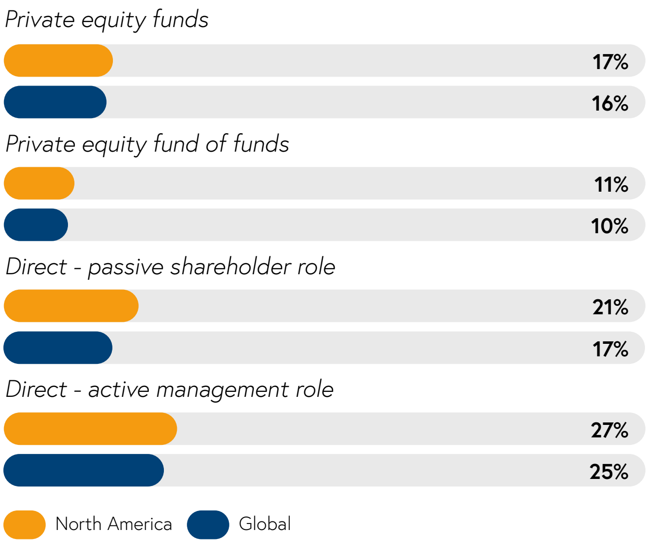

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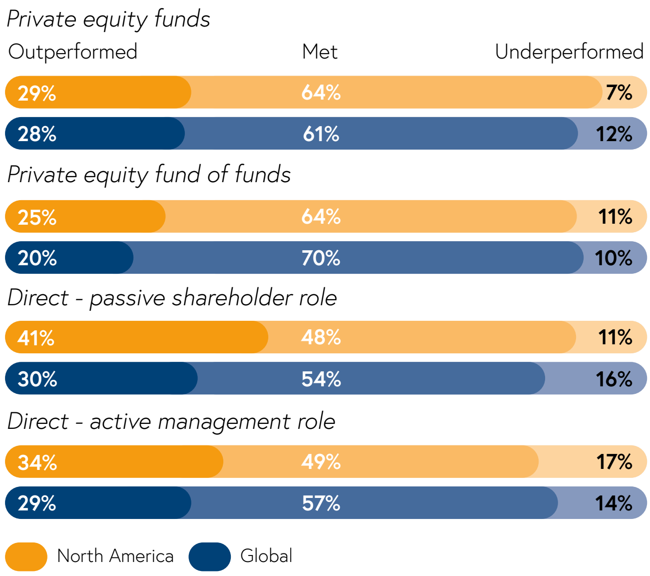
Figure 2.18: *Whether family offices' 2020 performance met expectations*



Note: Figures may not sum to 100% due to rounding.
Campden Wealth / RBC, The North America Family Office Report 2021

The vast majority of private equity investments met or exceeded expectations in 2020

A remarkable 93 percent of family offices' private equity fund investments met or exceeded expectations in 2020 (**figure 2.18**). This compares with a global average of 89 percent, and averages of 79 percent and 86 percent in Europe and Asia-Pacific, respectively.

In terms of direct actively managed deals, 83 percent met or exceeded expectations. This slightly trails the global average of 86 percent, Europe at 86 percent and Asia-Pacific at 90 percent. Meanwhile, 89 percent of direct passive manager role deals met or exceeded expectations, compared with a global average of 84 percent. In turn, private equity fund deals were somewhat more likely to meet/outperform expectations than direct deals.

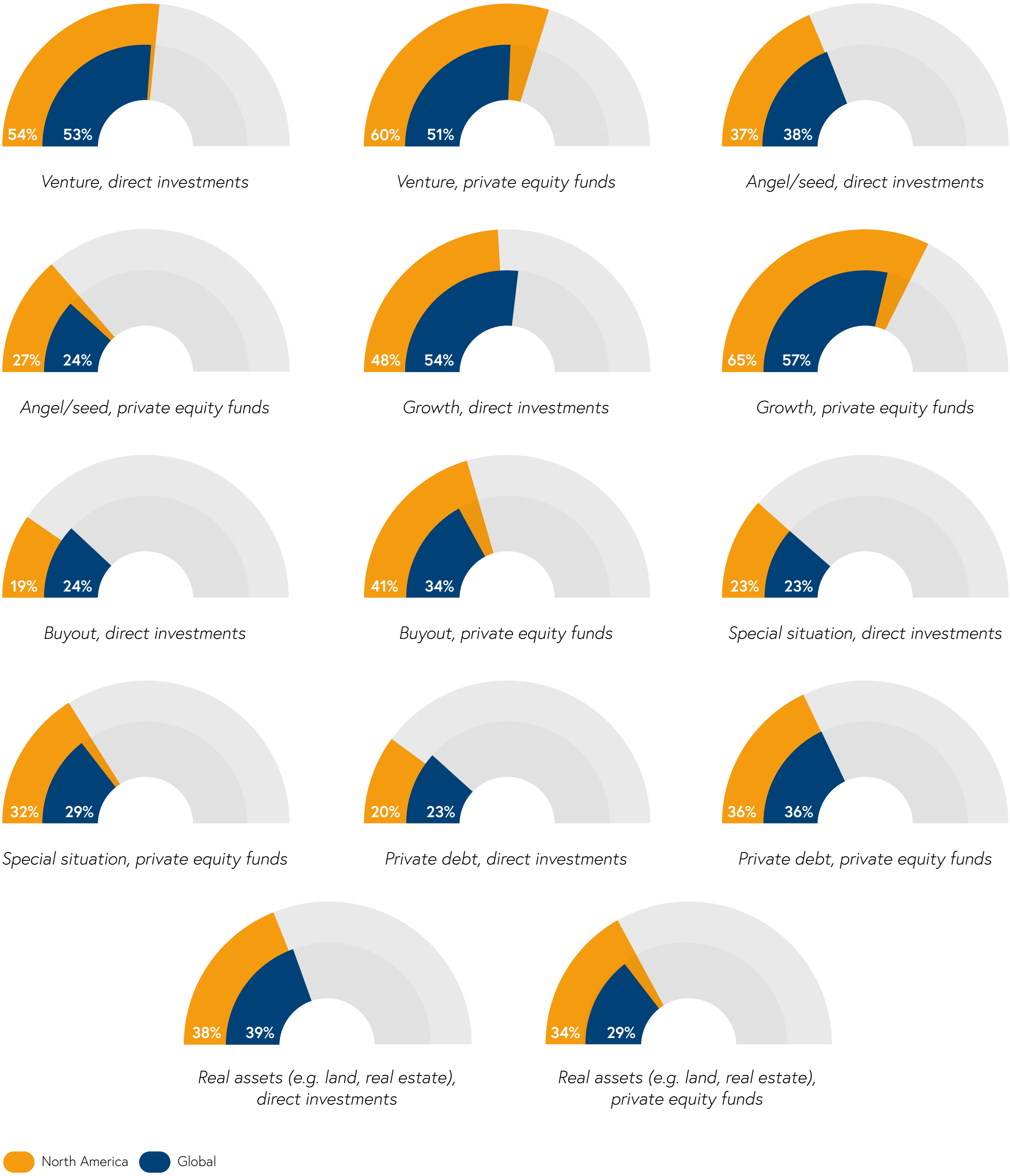
North American family offices favour private equity growth and venture funds

Family offices in North America are engaged in a variety of private equity deals, however, the most popular are private equity growth funds, which 65 percent of respondents invest in, followed by private equity venture funds (60 percent), venture capital direct investments (54 percent) and growth direct investments (48 percent) (**figure 2.19**). One investor commented:

"Many people, especially in the angel investing world, claim to have made a ton of money doing X. So, I evaluated X and we didn't do as well. Therefore, our belief is, we're good at health care venture capital and that is that. But everything we do is manager driven. We know enough to ask the right questions and to pick quality managers, but we don't have the knowledge to invest directly."

Principal and family member, single family office, Utah, United States

Figure 2.19: *The type of private equity funds and direct investments family offices are involved in (tick all that apply)*



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It is also interesting to point out that a change in valuations during the pandemic led more than one-in-10 family offices (13 percent) in North America and 16 percent globally to invest more in direct and venture capital deals.

Amid the pandemic, family offices found interest in private lending

Private lending has always been a part of our economic system. However, the pandemic and subsequent economic crisis hit some far harder than others, creating cash-flow constraints. This created an opportunity for family offices, which are known for their deep pockets, cash reserves and patient capital, to get into the private debt market.

In fact, 46 percent of the family offices surveyed in North America report that they have a growing interest in private debt (**figure 2.20**). Reflecting a worldwide phenomenon, this compares with 47 percent globally, 43 percent in Europe and 61 percent in Asia-Pacific. Furthermore, 31 percent of North American family offices have increased their private lending activity over the last 12 months, the same as the global average (**figure 2.21**).

In interviews, family office executives commented that there is currently a great deal of money in the market, which is leading to steep competition for good deals. In turn, private lending represents a new, less crowded space for family offices to gravitate to:

"We have been doing more in private debt. This is principally because there's so much money out there that it's hard to find good deals. In turn, we found good opportunities in the private debt market where there are fewer competitors looking for deals."

CEO, single family office, Ontario, Canada

"We started in private lending over the pandemic. I don't want to say I'm 100 percent confident, but I'm pretty damn sure we're going to get our money back, as I know the underlying investment well. We're finding really niche investments now and when I'm pretty certain I'll get a 12 percent return on a loan, I'll take it."

Principal and family member, single family office, Ohio, United States

Figure 2.20: *My family office has a growing interest in the private debt market*

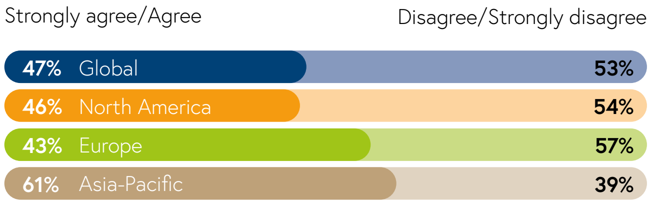

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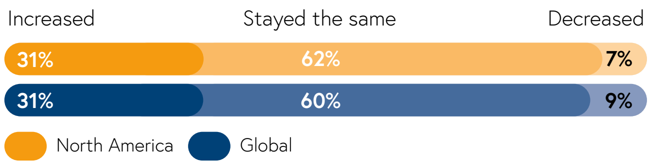
Figure 2.21: *Whether family offices have increased, maintained or decreased their private lending activity over the last 12 months*



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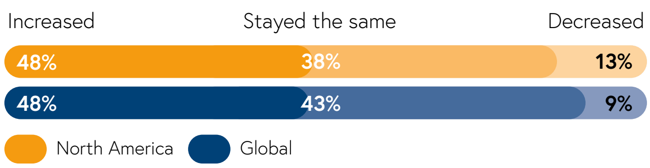
Four-in-five North American family offices invest directly in private equity deals

Seventy-nine percent of family offices in North America and 81 percent globally currently engage in direct investing. This comes off the back of 48 percent in North America and another 48 percent globally remarking that their interest in doing direct investments has increased over the last 12 months (**figure 2.22**).

Figure 2.22: *Whether family offices' interest in doing direct investment deals has increased, stayed the same or decreased over the last 12 months*



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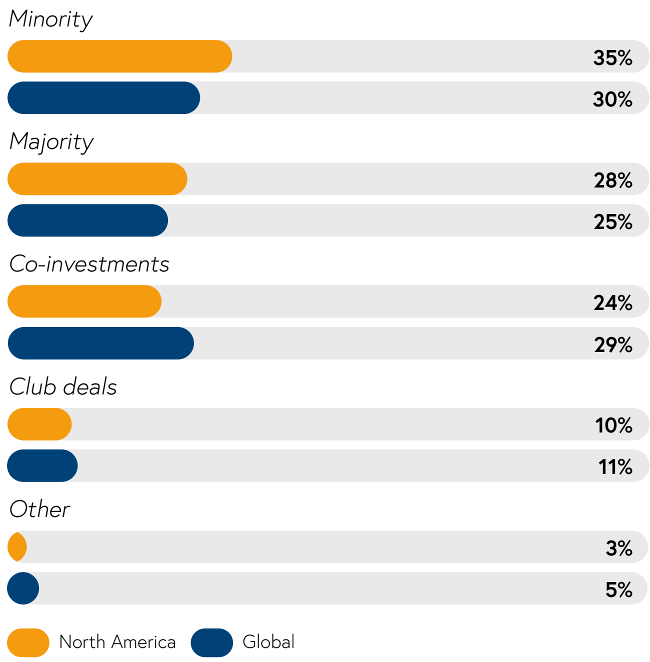
North American family offices favour minority stake deals, and one-in-four co-invest

Breaking down North American family offices' average portfolio of direct investments, the largest share is dedicated to minority stake deals (35 percent), followed by majority stake deals (28 percent), co-investments (24 percent) and club deals (10 percent) (**figure 2.23**).

It is also interesting to note that those in North America favour majority stake deals far more than those in Asia-Pacific, 28 percent versus 17 percent, respectively. However, North Americans are the least likely group to co-invest, 24 percent versus 33 percent for Europe and 38 percent for Asia-Pacific. With that said, with one-in-four co-investing, it is obviously a popular area for some.

Figure 2.23: *A breakdown of family offices' portfolio of direct investments by type of deal*



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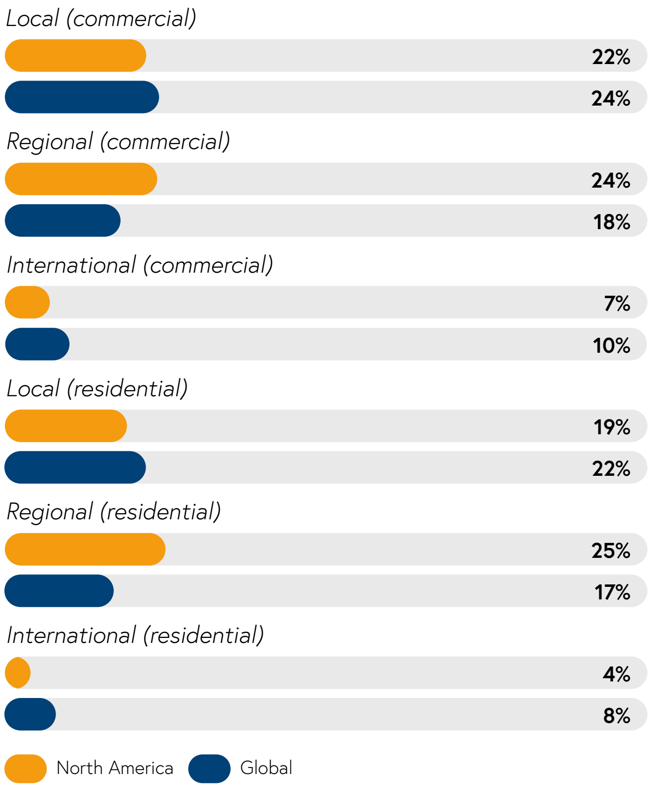
Real estate

Real estate is the third most popular asset class family offices invest in, with four-in-five (79 percent) allocating to this area across both North America and the globe. (Regional comparison: Europe 84 percent, Asia-Pacific 68 percent.)

Looking at a breakdown of North Americans' average portfolio, it is evident that regional residential (25 percent) and regional commercial (24 percent) investments account for the largest shares, followed by local commercial (22 percent) and local residential (19 percent). There is less appetite for international deals, as they presently only make up 11 percent of the average portfolio, with a slight bias towards commercial over residential opportunities (seven percent versus four percent, respectively) (**figure 2.24**).

Figure 2.24: *Real estate portfolio 2020*



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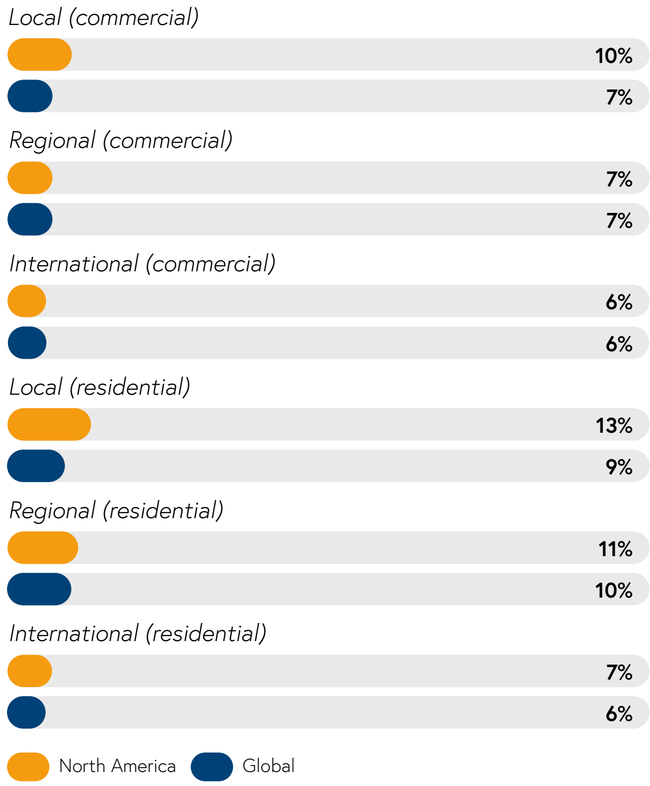
Note: Figures may not sum to 100% due to rounding.

Figure 2.25: *Real estate annual returns, 2020*



Campden Wealth / RBC, The North America Family Office Report 2021
Note: Figures may not sum to 100% due to rounding.

Residential is the most popular sector

The most popular sectors family offices in North America invest in are residential homes/apartments (88 percent), offices (56 percent) and industrial/logistics (46 percent) (**figure 2.26**). Less popular sectors include retail (35 percent) and hotels (29 percent), two areas that have been hit particularly hard by the global pandemic, and senior housing/care (18 percent) and leisure (16 percent). Reflecting the variety of types of deals family offices do, several interviewees commented:

"Everything we do in real estate is manager driven. We work with a variety of managers, some in funds and some in direct deals. We do everything from hotels and hospitality to single dwellings, student housing, affordable housing and industrial. Most of our stuff is in the U.S. but some is international."

Principal and family member, single family office, Utah, United States

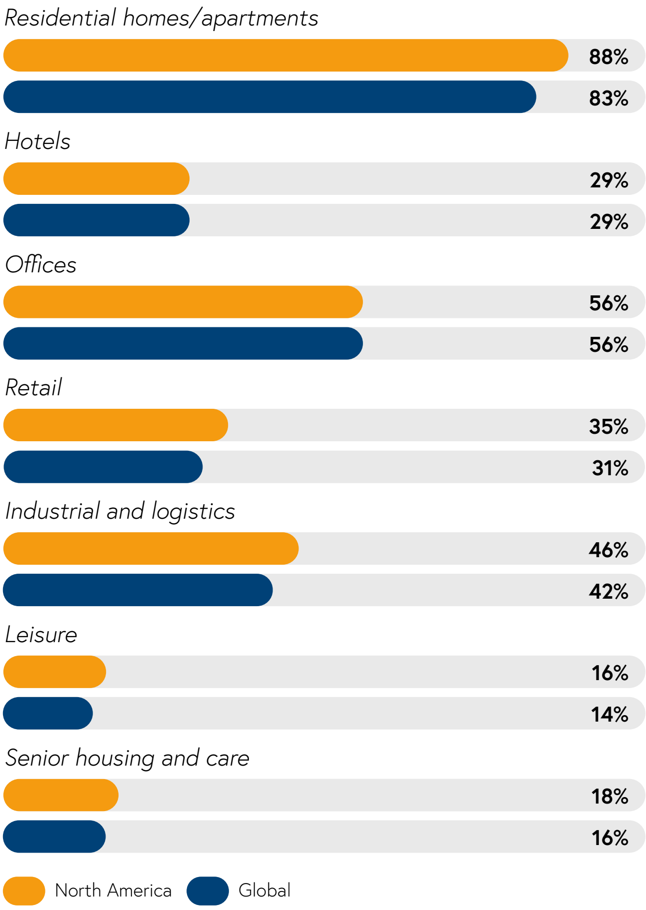
"We're into one-off deals in real estate–buying a hotel, renovating it and flipping it."

Principal, private multi-family office, Florida, United States

"It can be hit or miss in real estate. Offices are very challenging right now, obviously. But we haven't had any properties blow up, and lenders have been generally accommodative, so we haven't had major issues like in 2008. We continue to allocate to medical offices, flex, industrial, even some retail. We focus on the few places that you can get good quality yields in today's environment. And the tax benefits are just tremendous, so yes, I think we'll continue to allocate."

CEO and family member, single family office, Tennessee, United States

Figure 2.26: *The real estate sectors family offices invest in (tick all that apply)*



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Given the pandemic and the tumultuous economic climate, interviewees also highlighted various concerns about the sector:

"We have a mix of real estate investments, and I want to continue to put our money into real estate, but that's where the risk is. By that I mean credit risk."

Principal and family member, single family office, California, United States

"We have a number of legacy real estate positions we've held on to. We've also been approached by various funds to invest in new deals. We looked at opportunity zone projects and chose not to invest in them. Like many family offices, we were really concerned about how COVID-19 was going to impact valuations. I think real estate got oversold. We're seeing prices bounce back now, much faster than what anyone would have expected, so we probably should have invested more than we did."

Managing director, private multi-family office, Massachusetts, United States

One interviewee also highlighted a concern about increasing regulations, echoing a finding that 76 percent of family offices (both in North America and globally) anticipate that the regulatory environment will become more stringent over the coming years:

"We do early stage developments, so we go through the environmental and permitting process. It's taking longer and longer to get through in some jurisdictions. For instance, the permitting processes are cumbersome in California and Vancouver. This has slowed our developments. If you have a five-year plan, it may easily get extended to seven or eight years, and that impacts you."

Director, single family office, British Columbia, Canada

Sustainable investing

Definition: Sustainable investing is an investment approach that involves the consideration of environmental, social and governance (ESG) factors in the investment process. Three distinct sub-approaches, which can be used individually or in combination, can be identified: 1) exclusion–excluding investments that are not aligned with an investor's values; 2) integration–incorporating ESG factors into traditional investment processes; and 3) impact investing–investing with the intention to generate measurable environmental or social impact, alongside providing a competitive financial return.

Sustainable investing is catching on worldwide, but North American family offices are trailing their regional counterparts when it comes to adoption

Increasing at a rapid pace over the last decade, the sustainable investment landscape has ballooned to a considerable USD $35.3 trillion globally.[13]

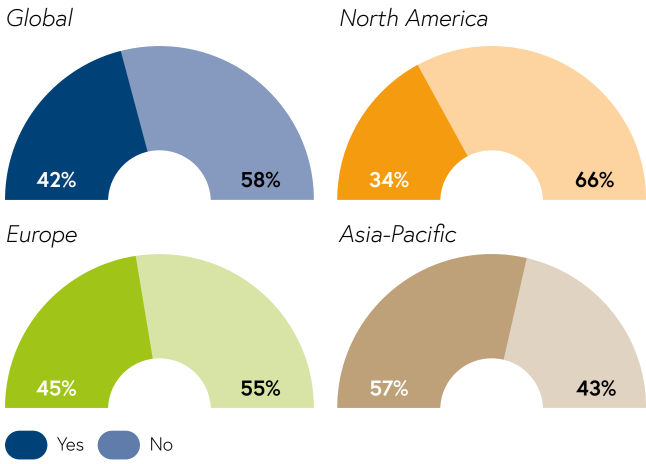
Family offices were no strangers to sustainable investment prior to the pandemic. In 2019, The Global Family Office Report found that 34 percent of family offices worldwide and 26 percent of those in North America invested sustainably. However, the pandemic has since accelerated the movement, with 42 percent of family offices worldwide now reporting to allocate to this market (**figure 2.7**).

However, with a current adoption rate of 34 percent, North America is considerably behind its regional counterparts. This research has found that 57 percent of family offices in Asia-Pacific now invest sustainably, along with 45 percent of those in Europe. The 2019 pre-pandemic rates stood at 44 percent for Asia-Pacific and 42 percent for Europe.[14] While this research did not ascertain specifically why North American family offices lagged their regional peers, one potential reason may stem from the changing political landscape in the United States. Setting a tone for the United States, the Trump administration, which served between January 20, 2017, and January 20, 2021, withdrew from the Paris Agreement and reportedly rolled back more than 100 environmental rules covering, for instance, climate change, wildlife, clean air, water and toxic chemicals.[15] It might, perhaps, be the case that this dampened some family offices' enthusiasm for sustainable investing, during a time when it was ramping up more rapidly elsewhere around the world.

"Driven by family members, we introduced an ESG-based sustainable investment offering which targets both environmental and social issues. It has exposure to emerging and developed markets, is passively managed and is highly diversified."

Chief investing officer, single family office, Ohio, United States

Figure 2.27: *Whether the family office is engaged in sustainable investing*



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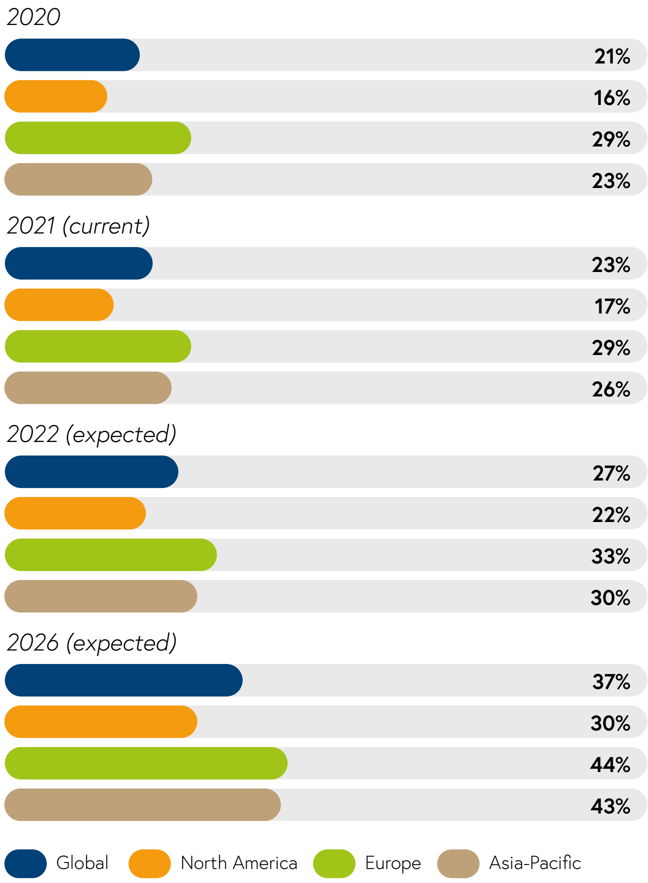
Family offices expect to nearly double their investment to sustainability over the next five years

In 2019, family offices globally dedicated an average of 19 percent of their portfolios to sustainable investments.[16] This increased to 21 percent in 2020 and again to 23 percent in 2021. Family offices expect that this share will rise to 27 percent by 2022 and 37 percent within five years' time (**figure 2.28**).

Trailing their regional counterparts, family offices in North America currently allocate an average of 17 percent of their portfolios to sustainable investments compared with 29 percent in Europe and 26 percent in Asia-Pacific.

[13] Global Sustainable Investment Alliance, Global Sustainable Investment Review, 2020: http://www.gsi-alliance.org/
[14] These statistics refer to unpublished data from the UBS/Campden Wealth 2019 Global Family Office Report
[15] NY Times, The Trump Administration Rolled Back More than 100 Environmental Rules. Here's the Full List, January 20, 2021: https://www.nytimes.com/interactive/2020/climate/trump-environment-rollbacks-list.html
[16] UBS/Campden Wealth, The Global Family Office Report 2019

Figure 2.28: *Percent of family office portfolio dedicated to sustainable investments in 2020, 2021, 2022 and in five years (2026)*



Campden Wealth / RBC, The North America Family Office Report 2021

Sustainable investments delivered an average return of 12 percent in 2020 and 2021

Trending slightly above the global average of 10 percent, North American family offices' sustainable investments delivered an average return of 12 percent in each 2020 and 2021 (**figure 2.29**). This combats the concern of some that sustainable investments might be unable to achieve attractive returns.

Figure 2.29: *Family offices' average annual return for their sustainable investments in 2020 and 2021*

Campden Wealth / RBC, The North America Family Office Report 2021

ESG investing is going mainstream

Amongst those who invest sustainably, in 2019, 46 percent of family offices worldwide integrated ESG factors into their investments.[17] Today, this number has shot up to 68 percent worldwide and 76 percent within North America. These figures have surpassed the proportion that invest thematically to make ESG the number one approach used by sustainable investors.

Campden Wealth's Investing for Global Impact: A Power for Good 2021 report also found that ESG integration is the most commonly used approach to sustainable investing.[18] In fact, 96 percent of the report's sustainable investment respondents employ ESG considerations to their investments and 68 percent do so for most of their investments. Furthermore, the report found that traditional (non-sustainable) investors are rapidly adopting ESG considerations, reflecting how it is becoming a mainstream approach to investment.

With this said, it is no wonder that 80 percent of family offices in North America and 79 percent globally assert that "ESG is not simply a fad."

Outside of ESG considerations, the next most popular approaches used in sustainable investing are thematic investing (59 percent), positive/best in class selection (56 percent), negative/exclusion-based screening (41 percent) and active engagement (26 percent) (**figure 2.30**). In the words of one interviewee:

"Every one of our portfolios are screened to exclude assets that we don't believe represent our values, and our managers pick companies that are best in class. Here is where we've seen outperformance by companies who are leaders in ESG investing. Eventually, you get to what's called integrated capital, which is when your entire portfolio reflects your values.

[17] UBS/Campden Wealth, The Global Family Office Report 2019
[18] Campden Wealth/GIST/Barclays: Investing for Global Impact: A Power for Good 2021

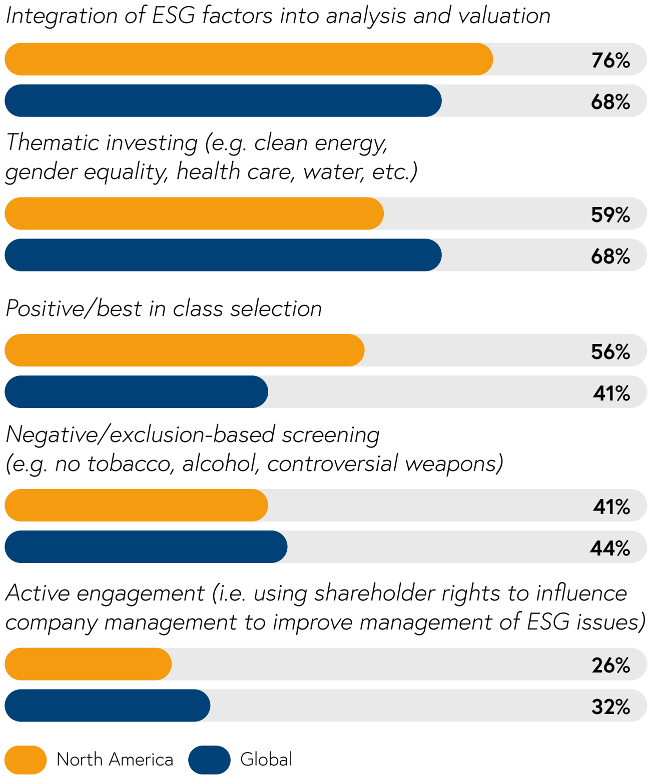
I can't get over how quickly this market has accelerated from the different types of investment vehicles available, to their ability to truly reflect value. It represents an incredibly interesting opportunity. We've had returns that are not only comparable to our non-ESG portfolio, but they actually now exceed it. That's very encouraging and I would expect it to continue. This is especially the case with climate change. It has become universally accepted that it must be addressed. And the families want to make sure that it is addressed head on, which is fantastic."

Managing director, private multi-family office,
Massachusetts, United States

"Driven by family members, we introduced an ESG-based sustainable investment offering which targets both environmental and social issues. It has exposure to emerging and developed markets, is passively managed, and is highly diversified."

Chief investment officer, single family office, Ohio, United States

Figure 2.30: *The sustainable investment approaches family offices use (tick all that apply)*



Campden Wealth / RBC, The North America Family Office Report 2021

Climate change tops the chart of priorities families want to address

With the world heating up at a rapid pace and extreme weather causing havoc, climate change has become an increasingly pressing issue. In August 2021, the United Nations Intergovernmental Panel on Climate Change (IPCC) published its Sixth Assessment Report on climate change.[19] The report sounded an alarm, noting that nations' failure to curb their carbon emissions means we can no longer stop global warming from intensifying over the next several decades. The planet has already heated by circa 1.1 degrees Celsius since the 19th century and this rise in temperature is now likely to hit 1.5 degrees Celsius within the next 20 years. This will result in a significant jump in extreme weather, such as the widespread fires across the United States, Russia, Turkey and Greece, floods in China and Germany, and scorching heat in Canada and the United States.[20]

Recognizing the importance of these events, environmental-related themes account for the top three areas North American family offices commonly target, with 74 percent directing their investment to climate change, 57 percent to waste and pollution and 54 percent to water improvement and management (**figure 2.31**).

Separately, 67 percent of family offices in North America and 78 percent globally agree with the statement, 'We are headed into a green industrial revolution'. And 69 percent in North America and 79 percent globally agree with the statement, 'The wealth community needs to do more to combat climate change.' In the words of two interviewees:

"If we had to pick a category to invest in, it would be the environment. We do a lot in solar and made a lot of money over the last year and a half. The whole sector is up."

Principal, private multi-family office, Florida, United States

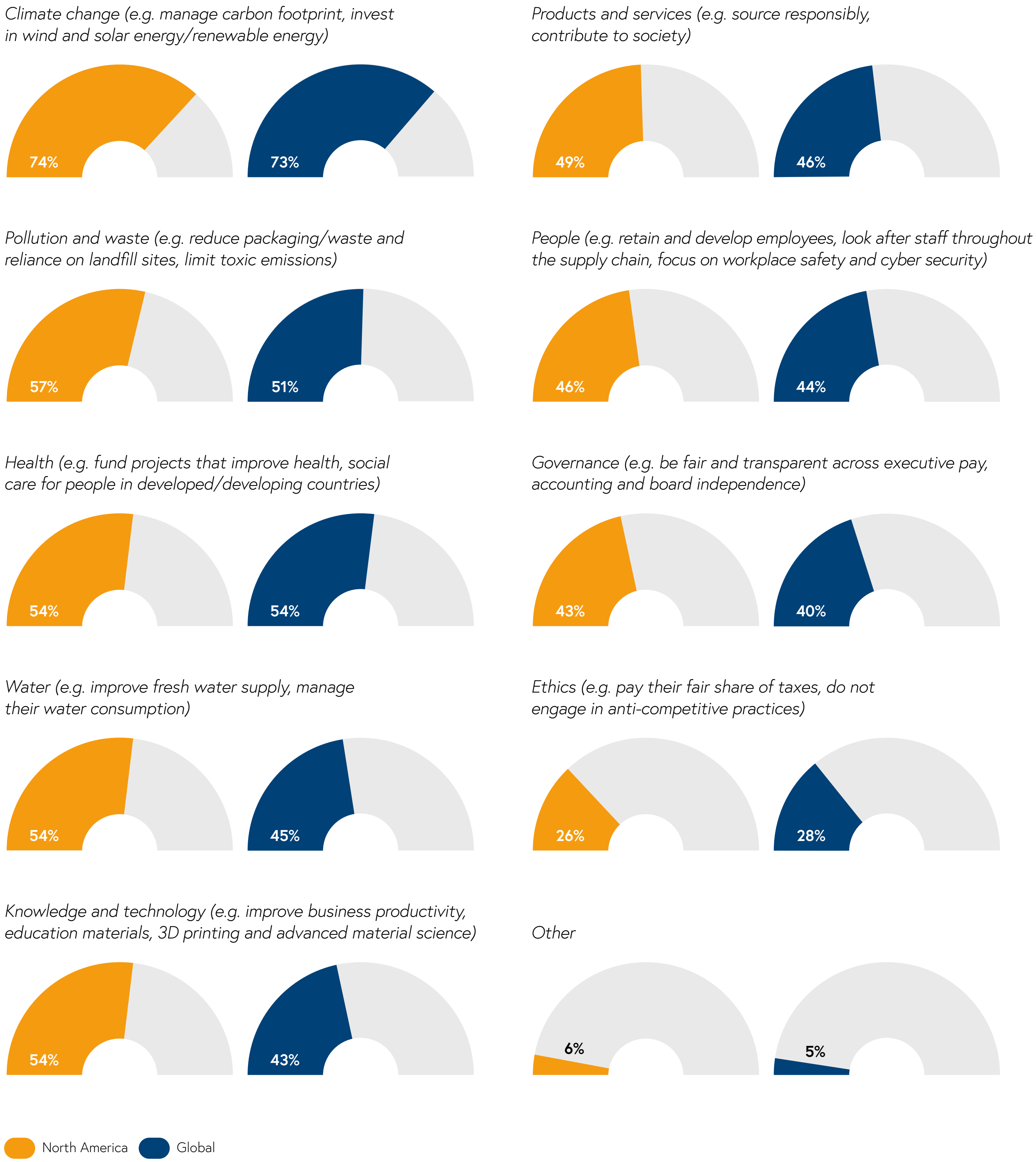
"We don't invest in fossil fuels. I come from a renewable energy background, so we invest in wind farms throughout Canada and the United States."

Director, single family office, British Columbia, Canada

Other popular areas for investment are health (54 percent), products and services (49 percent), people (46 percent) and governance (43 percent).

[19] Intergovernmental Panel on Climate Change, AR6 Climate Change 2021: The Physical Science Basis, August 2021: https://www.ipcc.ch/report/ar6/wg1/
[20] NY Times, A Hotter Future Is Certain, Climate Panel Warns. But How Hot Is Up to Us, 9 August 2021: https://www.nytimes.com/2021/08/09/climate/climate-change-report-ipcc-un.html
Financial Times, Extreme weather takes climate change models 'off the scale, July 24, 2021: https://www.ft.com/content/9a647a51-ede8-480e-ba78-cbf14ad878b7

Figure 2.31: *The areas of sustainable investment family offices focus on (tick all that apply)*



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Family offices are driven by a variety of factors, including the next generation and a shift in awareness about sustainability concerns

Family offices in North America are driven to invest sustainably because they feel a responsibility to make the world a better place, according to 81 percent of respondents. This is followed by a desire to show that family wealth can be invested for positive outcomes (54 percent), the influence of the next generation (49 percent) and a shift in awareness about the importance of sustainability (49 percent) (**figure 2.32**).

In interviews, however, family office executives focused particularly on the effect of the next generation:

"Our next generation is now between the ages of 25 to 35. I felt it was important that our equity portfolio reflect their beliefs. Twenty years ago, our portfolio was heavily into oil and gas. I can't justify that today, especially to the next generation. So, over the last 10 years we have been transitioning to clean tech and eco-investments to reflect our Next Gens' interests."

Principal and family member, single family office, Ontario, Canada

"There are a number of Next Gen leaders who are deploying their capital to sustainability in really impactful ways. So, Next Gen family members have people they can look to. I don't know if such people existed 10 or 15 years ago. Now, Next Gens not only have a voice, but they also have role models to follow."

Managing director, private multi-family office, Massachusetts, United States

Figure 2.32: *Family offices' main motivations for investing sustainably (tick all that apply)*

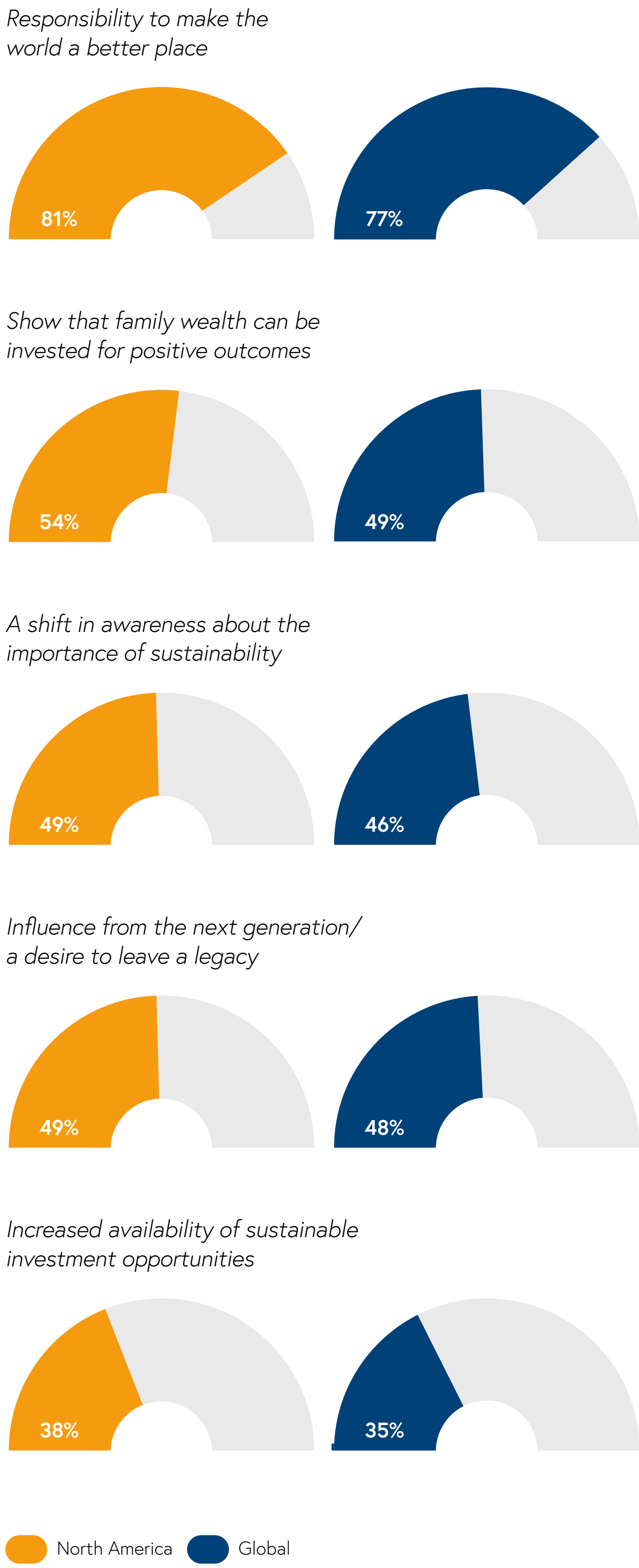

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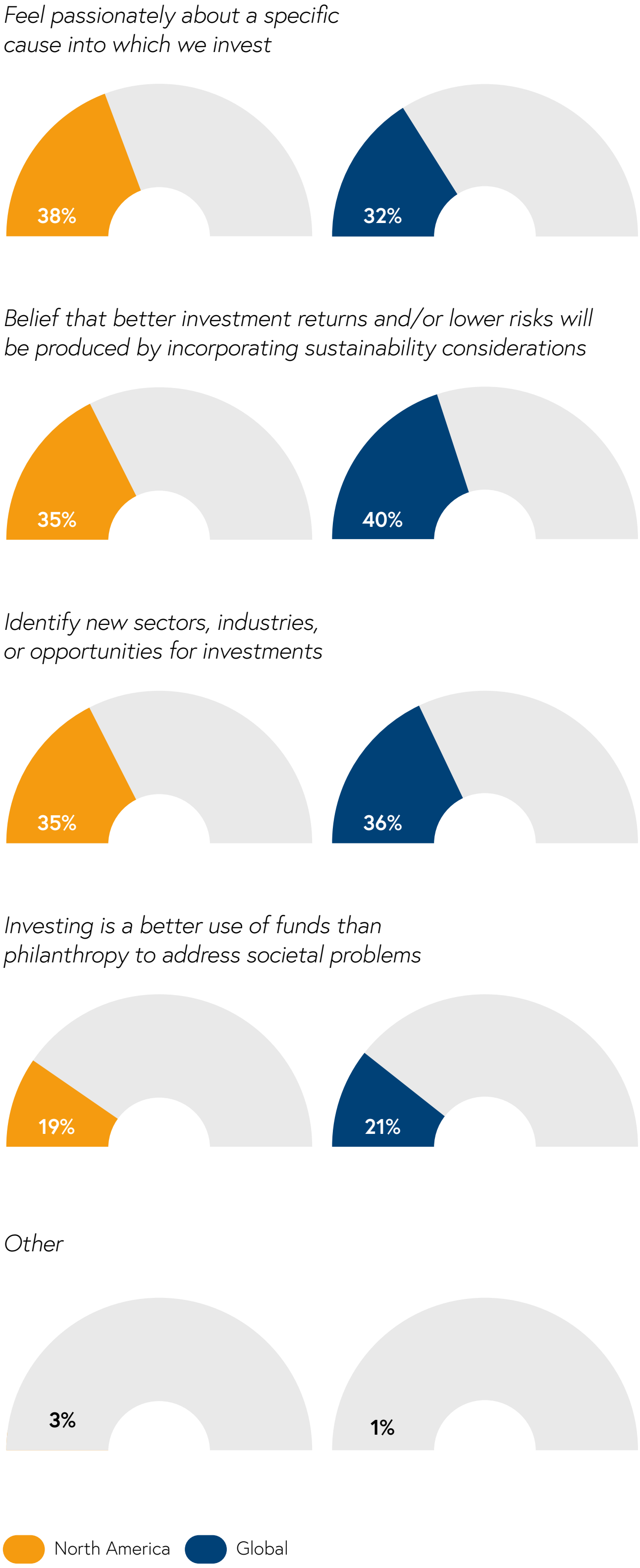
Figure 2.32: *Family offices' main motivations for investing sustainably (tick all that apply)*



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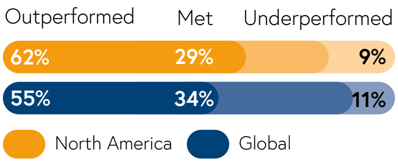
2.3 Performance

Nine-in-10 investments met or outperformed expectations in 2020

Nearly all (91 percent) of North American family offices' investments either outperformed (62 percent) or met (29 percent) expectations in 2020. This is compared with a global average of 89 percent and averages for Europe and Asia-Pacific of 88 percent each (**figure 2.33**).

Figure 2.33: *Whether family offices' 2020 investments outperformed, met or underperformed compared with the overall benchmark*



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North American family offices' average portfolio returned 15 percent in 2020, led by gains in private and public equities

Family offices in North America and Asia-Pacific performed the best in 2020, delivering an average portfolio return of 15 percent each. European family offices performance fell just below this at 12 percent.

These fruitful gains were led by strong performances within both private and public equities. Among North American family offices, direct private equity investments topped the charts with the highest average return (20 percent), followed by developed market equities (19 percent), developing market equities (16 percent) and private equity funds (16 percent) (**figure 2.34**).

In the public equities space, North American family offices, in particular, would almost certainly have had greater exposure to U.S. stock markets than their regional counterparts, and therefore would have been advantaged by the 16 percent rise in the S&P 500 (3 Jan 2020, to 31 Dec 2020) relative to the 4 percent rise in the DAX, the 8 percent decline in the CAC and 15 percent decline in FTSE 100 over the same period.

Following a small revival, hedge funds came in with a credible average return of 11 percent, while real estate direct investments came in at 13 percent. Fixed income returns were more modest at 4 percent for developed markets and 3 percent for developing markets.

Figure 2.34: *The net returns family offices generated in 2020, per asset class*

	Global	North America	Europe	Asia-Pacific
Bonds				
Fixed income–developed markets	4%	4%	3%	3%
Fixed income–developing markets	5%	3%	3%	10%
Equities				
Equities–developed markets	18%	19%	14%	25%
Equities–developing markets	17%	16%	13%	23%
Private equity				
Private equity–direct investments	19%	20%	19%	19%
Private equity funds	13%	16%	13%	23%
Other alternatives				
Real estate–direct investments	11%	13%	11%	8%
REITs	4%	6%	3%	4%
Hedge funds	10%	11%	10%	10%
Commodities				
Agriculture (forest, farmland, etc.)	6%	9%	6%	3%
Gold/precious metals	6%	7%	5%	5%
Other commodities	6%	11%	2%	2%
Cash or cash equivalent	1%	0.9%	0.6%	3%
Cryptocurrency	40%			
SPACs *(special purpose acquisition companies)*	3%	8%	0.4%	0.7%
Average returns	13%	15%	12%	15%

Note: The sample size for cryptocurrency returns is not large enough to produce regional statistics.
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3. Family office structures

3.1 *Family office costs*

3.2 *Family office human capital*

– Legacy wealth: How one of the oldest American families has navigated liquidity events and maintained family peace

3. Family office structures

- In 2021, North American family offices' total average spend on services stood at USD $12.1 million. This includes USD $7.2 million in operational costs and USD $2.9 million in external investment management administration, performance and custody/report fees.
- Family offices spent an average of: USD $1.4 million (14 basis points) on general advisory services; USD $2.7 million (27 basis points) on investment-related activities; USD $1.4 million (14 basis points) on family professional services; and USD $1.7 million (17 basis points) on administration activities.
- North American family office CEOs made an average base salary of USD $444k, CIOs USD $448k, COOs USD $244k, CFOs USD $295k, traders USD $208k and portfolio managers USD $209k.

$12.1m

North American family offices' total average spend on services

$1.4m

North American family offices' average spend on advisory services

$444k

North American family offices' average CEO base salary

3.1 Family office costs

North American family offices' 2021 average spend on services, USD $12.1 million

Once again this year, this report outlines the average costs family offices incur on their operations and external investment management.

This year, family offices in North America spent an average of 121 basis points (bps) of AUM on services (down slightly from the 125 bps in 2020). This consisted of 72 bps on operating costs (i.e. general advisory, investment, family professional and administration related services), and 49 bps on external investment management administration, performance and custody/reporting fees (compared with 74 bps and 50 bps, respectively, last year) (**figures 3.1** and **3.2**).

These 2021 costs are slightly higher than the global average for operating costs (70 bps) and for external investment management administration, performance and custody/reporting fees (54 bps).

Figure 3.1: *Family offices' overall costs in basis points of AUM, 2020*

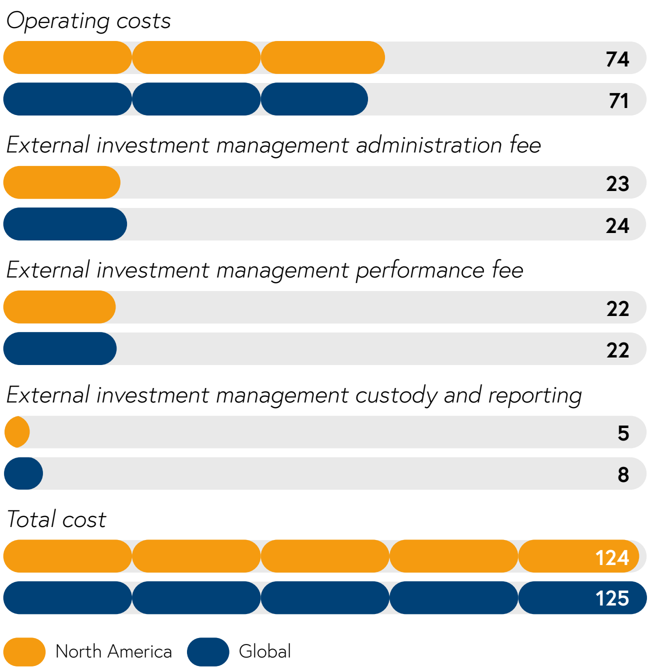

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Figure 3.2: *Family offices' overall costs in basis points of AUM, 2021*

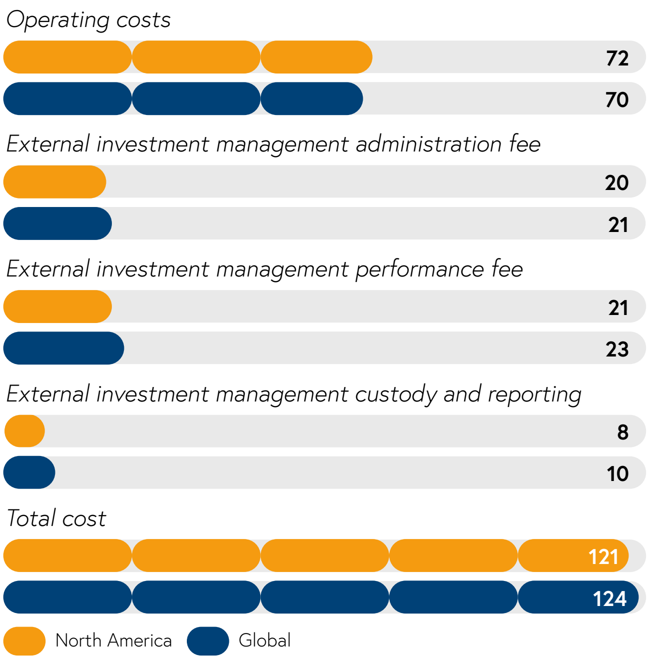

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Figure 3.3 breaks down these costs in greater detail. In interviews, family office executives expressed various views about the costs of running a family office. One family member and principal asserted that the associated cost of running a family office has become so high that only those with wealth of between USD $500 million and USD $1 billion should consider getting one:

"These days, the cost of running a family office are so high. I just don't think we're big enough anymore in today's marketplace. I mean honestly, I think the biggest problem was calling it a family office 30 years ago. It should have just been called an investment firm that gave people dividends or distributions or something. Without an operating company, it's just really hard. Unless you have, say, USD $500 million to USD $1 billion."

CEO and family member, single family office, Tennessee, United States

Reflecting the high costs some family offices pay, one family office reported an annual cost of at least USD $20 million+:

"Our operating costs are USD $20 million a year. If there are legal fees, it could be another USD $10 million, depending on what went on that year. The incentive compensation can be much more, depending on how the public company is doing."

CEO, single family office, Ontario, Canada

Other family offices, however, adopt strategies to keep their costs down, such as by employing family members who are willing to work for a reduced basic initial fee and by keeping their staff count down, as one interviewee explained:

"We have very low costs and overhead. We own our building. My controller works four days a week, then there's me and some outside accountants and lawyers."

Principal and family member, single family office, California, United States

Figure 3.3: *A breakdown of family office operating costs, 2021*

	Proportion of operating costs in %	Operating cost of each service (BP)*	Operating cost for the average FO (USD $)*	Proportion of operating costs in %	Operating cost of each service (BP)*	Operating cost for the average FO (USD $)*
General advisory services	**20%**	**14**	**$1,405,000**	**20%**	**14**	**$1,566,000**
Financial planning		2.4	241,000		2.2	246,000
Tax planning		3.5	351,000		3.6	403,000
Estate planning		2.9	291,000		2.8	313,000
Legal services		2.2	221,000		2.1	235,000
Insurance planning		2.0	201,00		2.4	268,000
Trust management		1.0	100,000		0.8	89,500
Investment related services	**38%**	**27**	**$2,709,000**	**36%**	**25**	**$2,797,000**
Asset allocation		2.7	271,000		2.8	313,000
Risk management		1.6	161,000		1.8	201,000
Manager selection / oversight		3.0	301,000		2.3	257,000
Private banking		1.4	140,000		1.5	168,000
Traditional investment		1.9	191,000		2.0	224,000
Alternative investment		1.9	191,000		2.0	224,000
Real estate		3.0	301,000		2.5	280,000
Investment banking functions		2.4	241,000		2.0	224,000
Investment strategy		2.2	221,000		1.8	201,000
Financial accounting / reporting		3.5	351,000		2.8	313,000
Global custody and integrated investment reporting		1.4	140,000		1.0	112,000
FX management		0.5	50,000		0.5	55,900
Philanthropy		1.9	191,000		1.5	168,000
Family professional services	**19%**	**14**	**$1,405,000**	**20%**	**14**	**1,566,000**
Concierge services and security		1.8	181,000		2.0	224,000
Family counselling / relationship management		2.5	251,000		2.4	268,000
Family governance and succession planning		4.2	421,000		3.5	392,000
Management of high-value physical assets (e.g. property, art, yachts)		2.4	241,000		2.7	302,000
Support for new family business and other projects		3.1	311,000		3.5	392,000
Administrative services	**24%**	**17**	**$1,706,000**	**24%**	**17**	**392,000**
IT costs		2.2	221,000		2.4	268,000
Office overheads		4.6	462,000		4.6	515,000
Tax accounting		5.3	532,000		4.8	537,000
Cyber security		1.5	151,000		1.5	168,000
Other office services		3.6	361,000		3.7	414,000
Total operating costs		**72**	**$7,225,000**		**70**	**$7,831,000**
External investment management performance fee		**21**	**$2,107,000**		**23**	**$2,573,000**
External investment management custody and reporting		**8**	**$803,000**		**10**	**$1,119,000**
External investment management administration fee		**20**	**$2,007,000**		**21**	**$2,349,000**
Grand total			**$12,142,000**			**$13,872,000**

North America (first three value columns) Global (last three value columns)

*Note: Values may not be exact due to rounding.
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Family offices rely on a mix of services both in-house and outsourced

The services family offices most often provide in-house are philanthropic giving (86 percent), financial accounting/reporting (73 percent), investment strategy (64 percent), asset allocation (64 percent), risk management (63 percent) and investment banking functions (62 percent) (**figure 3.4**).

The services they most often outsource are global custody and integrated investment reporting (44 percent), FX management (38%) and private banking (32 percent). Along with this, an array of family offices rely on a mix of in-house and outsourced services.

It is also interesting to note that 56 percent of North American family offices' average AUM is currently being managed in-house, compared with a global average of 59 percent. One virtual family office executive, who is an advocate of outsourcing, remarked:

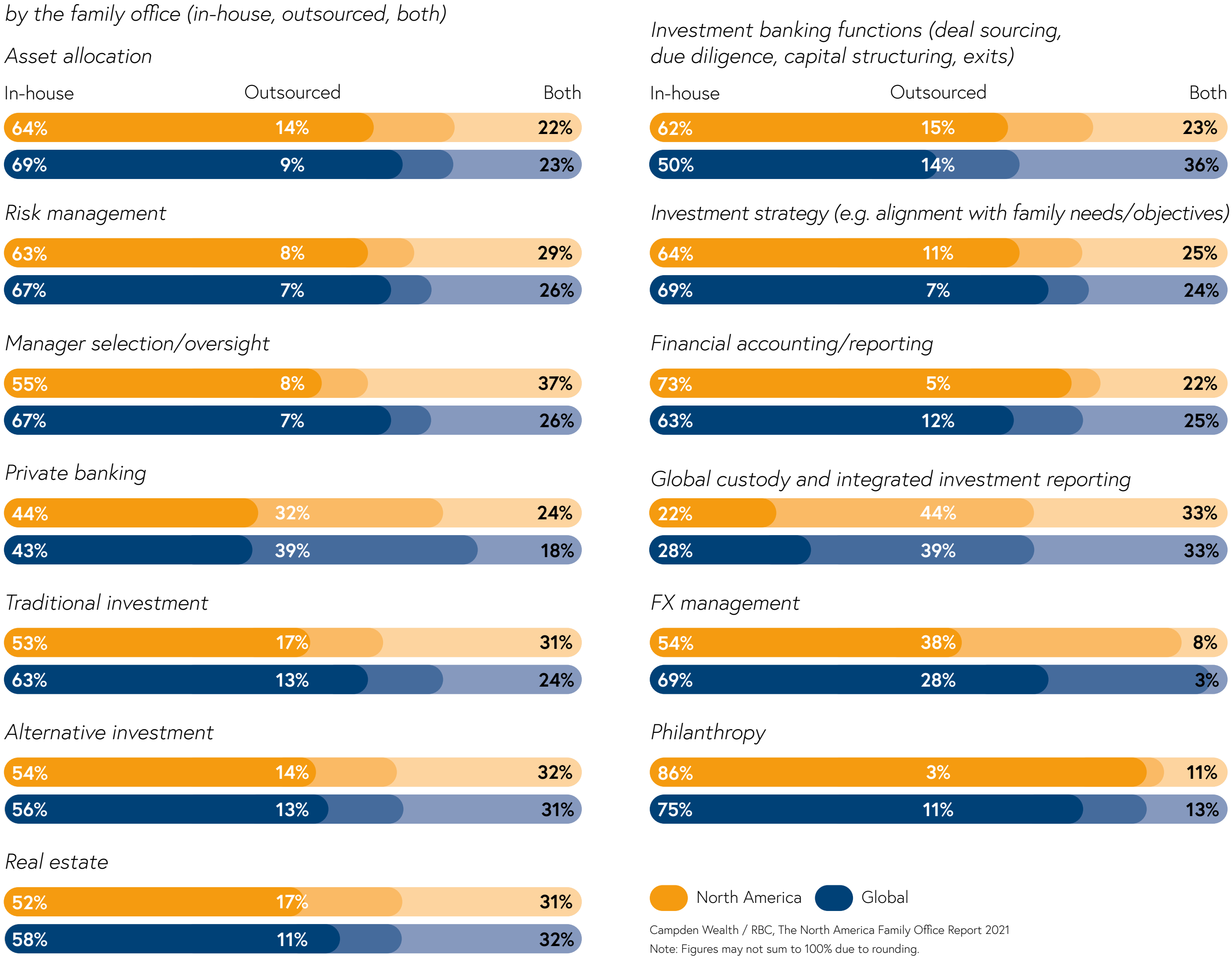
"We outsource our investment advisory and insurance. I view ourselves as a virtual family office. I think the world of single family offices is going in that direction. You do what you do best in-house and you outsource the rest. To be an office where you do everything in-house is very expensive. And you better have an awful lot of work to keep those people busy 100 percent of the time. It's hard to do that. So, why not outsource and find really smart people to do the things you know that you can't?"

Principal and family member, single family office, Ohio, United States

"We namely have three costs–personnel, IT and software. You can outsource reporting and consolidation; there's companies in the U.S. that do that."

Principal, private multi-family office, Florida, United States

Figure 3.4: *The investment-related services provided by the family office (in-house, outsourced, both)*



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Note: Figures may not sum to 100% due to rounding.

3.2 Family office human capital

The average family office in North America has 10 members of staff, with an average of 1.4 members being family. This is compared with a global average of 11 members with, again, 1.4 members being family.

North American CEOs make an average base salary of USD $444k

CEOs in North America are currently paid, on average, higher base salaries than those of any region at USD $444k. Their European counterparts make USD $348k and their Asia-Pacific ones USD $231k (**figure 3.5**).

The same is true across all roles, with CIOs in North America outstripping their regional counterparts by making an average of USD $448k in 2021, COOs USD $244k, CFOs USD $295k, traders USD $208k and portfolio managers USD $209k.

Furthermore, bonuses range from 26 percent to 40 percent, and most are discretionary rather than formulaic or a mix of the two (**figures 3.7** and **3.8**). Three interviewees commented:

"Salaries, insurance and professional fees dominate our spending. We've cut down on spending, particularly on salaries, to make us more sustainable. It wasn't going to work if we wanted multi-generational sustainability. We couldn't afford to have someone like me, I could easily be a partner in a major law firm, or my brother, who could be running a significant venture fund, but was not because he was running a venture fund for us. It would just be too expensive, so we had to become more sustainable."

Principal and family member, single family office, Utah, United States

"We employ five lawyers, four tax planners and 15 accounting people. You could take a view that maybe we pay people too much or too little, but salary is the big expense."

CEO, single family office, Ontario, Canada

"Our number one cost is people. We recognize that we're not a big enough office. There's only four of us, but we get by. The family are hands off, so we get away with having a smaller office. They like that because it saves them money."

Principal and family member, single family office, Ohio, United States

Figure 3.5: *The base salary of key personnel within the family office in 2020*

	Global	North America	Europe	Asia-Pacific
Chief executive officer	$360k	$439k	$326k	$237k
Chief investment officer	$340k	$442k	$295k	$262k
Chief operations officer	$214k	$226k	$205k	$204k
Chief financial officer	$224k	$294k	$165k	$157k
Traders	$186k	$202k	$164k	$204k
Portfolio managers	$175k	$201k	$150k	$210k

Campden Wealth / RBC, The North America Family Office Report 2021

Figure 3.6: *The base salary of key personnel within the family office in 2021*

	Global	North America	Europe	Asia-Pacific
Chief executive officer	$376k	$444k	$348k	$231k
Chief investment officer	$329k	$448k	$265k	$231k
Chief operations officer	$227k	$244k	$201k	$200k
Chief financial officer	$221k	$295k	$163k	$139k
Traders	$182k	$208k	$175k	$162k
Portfolio managers	$180k	$209k	$164k	$197k

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Figure 3.7: *Value of bonus paid out as percentage of base salary*

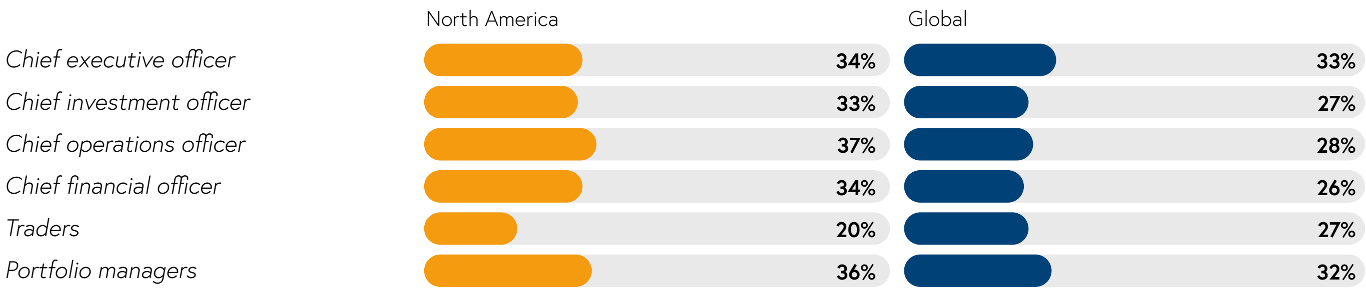

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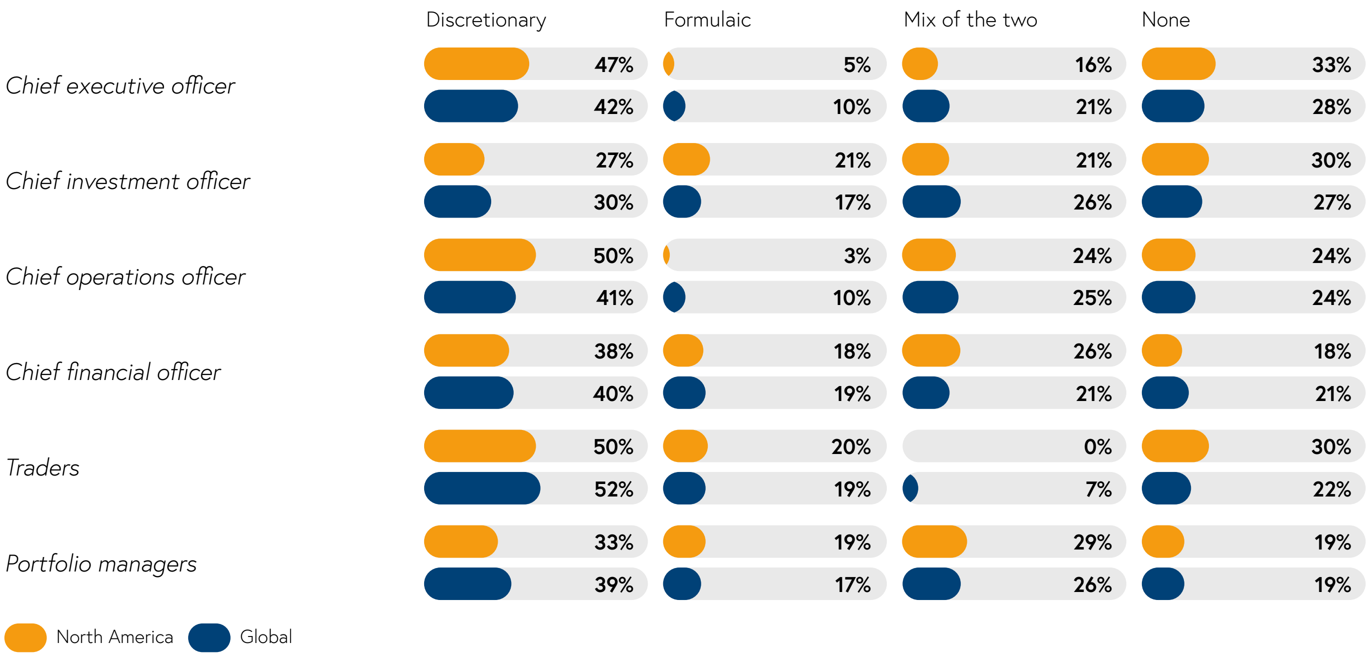
Figure 3.8: *Type of bonus paid out as a portion of base salary*



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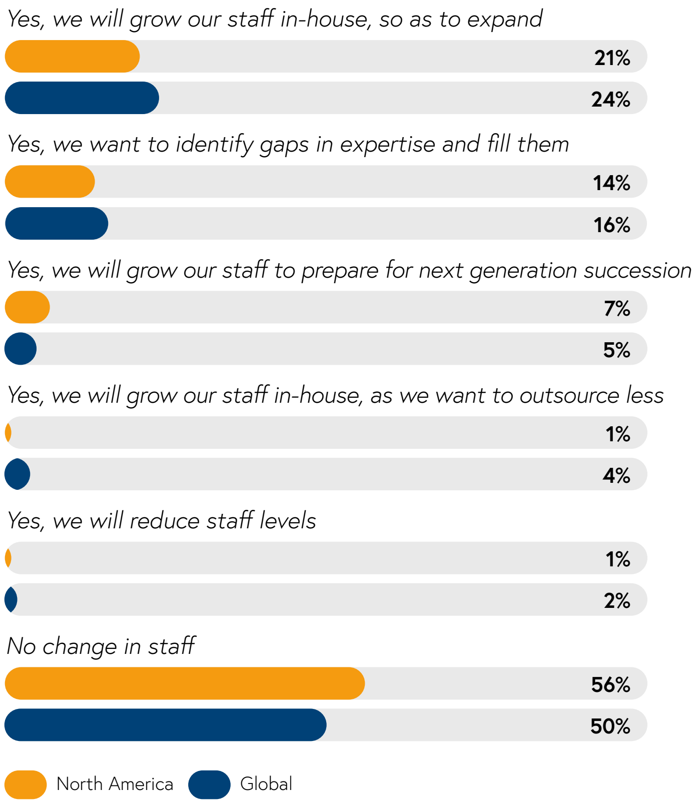
Nearly half of family offices plan on growing their staff over the coming 12 months

Reflecting the rise in family offices' AUM over the year, 44 percent of North American respondents report that they plan on increasing their number of staff over the coming 12 months. This stems from a variety of reasons, such as a desire to expand (21 percent), to identify gaps in expertise and fill them (14 percent) and to prepare for next generation succession (7 percent) (**figure 3.9**).

Figure 3.9: *The family office's plan on making changes to its staff over the next 12 months*



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Legacy wealth: How one of the oldest American families has navigated liquidity events and maintained family peace

Retaining wealth through the generations is no easy feat. The following reflects a unique set of interviews with the chief executive officer, chief investment officer, chief operating officer and head of human resources for a large, 45-person, family office in the United States. The nearly USD $10 billion family behind the family office are seventh generation wealth holders whose original family business dates back to the early 1800s. Since, the family has had various businesses, including owning shares in two public companies, both of which underwent a liquidity event in recent years.

With approximately 220 family members to look after across roughly 80 households, the family office is a complex web, with two U.S. branches and consideration under way for the opening of a third. While family members do not work in the day-to-day operations of the family office, they do account for four of its seven board member positions and ownership of the family office is split up into shares that are distributed across the family.

How is the family office structured to operate fairly across the different households and to mitigate family tension?
The CEO explained that governance is key. A 'family agreement' was put in place before the liquidity events. It ensured that the family's share of the public companies could only be sold with a majority vote of family members, and that once it was sold, the funds could only be distributed to core family members. After the family members agreed to the sale (which occurred during different liquidity events throughout the 2010s), the trust dispersed the funds to the bloodline family member of each household. These households were then in control of their own share and are now treated by the family office as separate free-will entities:

"The shares of the company came out directly to the family members. This was governed by a voting agreement, which is important to family governance. It was created before the trust terminated. The beneficiaries of the trust came together to agree to keep their shares of the company in the family. There was also a voting agreement provision, such that if the family had a decision to make about the company, they had to come together as shareholders and decide how they were going to vote for that entire block of stock."

The COO added, *"The liquidation event that occurred in the trust in 2012 distributed wealth out to the individual branches of the family via the 25 family members. Then, when the larger of the two public companies was sold, that money was split down. Therefore, we now don't have much in the way of commonly controlled assets to deal with. So, if there is tension between family members, it is between the parent and child, not the cousins."*

The COO added, *"We operate closer to what I call a retail model than we do a family office model. For example, if you take our 25 G4s, we deal with them as a family unit, the mom, dad and their kids. We work with them on their estate planning and their wealth as an individual family unit. They may participate in the investment partnership or the private trust company, but what they do doesn't impact others. They make their own decisions, but they don't get a vote or have a controlling voice. It's a retail model. We aren't dealing with G2s. When you get to G4, G5, G6 it's a very different situation."*

When asked if running such a complex family office scheme is challenging, the CEO remarked: *"It is a challenge. There has been liquidity event on top of liquidity event. When the trust distributed funds after the liquidity event in 2014, everyone was similarly situated. They needed the same things at the same time and had the same level of wealth. So, there was a tremendous opportunity for scalability, especially in terms of investment management and wealth transfer planning.*

We are dealing with a challenge now as we are shifting from 25 G4s to 80 G5s. So, customization is going to be more important. One of our strategic challenges over the coming decade will be how to best serve a group of people who may not all be similarly situated. Our G4s have different amounts of children; they deal with wealth differently, and have different goals. So, when our G5s are 60 years old, there is going to be a very different dispersion of wealth than our G4s had. I think that will be a challenge for us going forward."

Tips for other families and family office executives

When the interviewees were asked what tips they have for other families and family office executives they remarked:

Chief executive officer:

Communication and trust are key: *"I inherited a family office structure from my predecessor and his predecessor. It is built around two very important traits–communication and transparency. It is critical that the family trusts the family office and that the family office is completely transparent with the family. Nothing is hidden. For instance, if you want to observe a board meeting, come observe, so that there are no surprises. I have seen family offices in the United States that have splintered because the family office starts to exercise judgment on behalf of the family, instead of having the family exercise its own judgment."*

Keep the family together: *"It is important to keep the family together. To do this, you need to build a structure for members to get together and communicate with each other. Our family has a long, 27-year tradition of getting together annually. When they started, the cousins didn't even know each other. Now, the G5s don't sit with their family branches, they sit with their own generation. These might be second or third cousins. That tradition of being transparent, communicative and building relationships works. The family has had to make very hard decisions about its companies, particularly around their exits. These are emotional decisions, but the family members know and respect each other, so they could listen to one another's opinions without fracturing the family."*

Effective governance and bringing in outside talent are key, particularly the further you get down the generational line: *"What has helped us in our evolution is to improve our governance structure. Our COO comes from a corporate background. He introduced a new level of corporate risk measurements and controls, and professionalized the operation of the family office.*

Similarly, we brought in outsiders to sit on our board. They were not the typical type family offices hire–trusted advisers, such as the long-time lawyer or wealth manager, usually a father-figure type who everyone knows and trusts, and so they just linger on. We had this type previously, but we changed things and brought in outsiders from large, publicly *traded companies. Doing so has been really good for our governance oversight and for driving forward better practises.*

When you have nearly 50 employees, you must think about things like succession planning, good compensation structures, risk, cyber security, the family's personal security, etc. Professionalizing the office is about bringing people in who have the expertise you need, but who are not necessarily from traditional wealth management or even professional services areas. How lawyers, accountants and investment managers run their businesses is not always the way a great business should be run."

Tackle succession planning head-on: *"We have done a lot of work on succession planning for my position and all my direct reports' positions. We try to ensure that we have an internal pipeline for talent and that we develop that pipeline.*

Succession planning for the board is a little more difficult. We have two boards, a family office board and an investment board, so family members have multiple ways to get involved. We are starting to see more G5s take board seats. This is great, but we need our training program in place. It covers financial literacy, trusts and board membership. A lot of our family members have not worked before. They have not had the business experience we have all had, so it can be intimidating to nominate themselves for a board position. That is something we are talking about now. How to get more people interested in the board and how to help them develop competencies to be able to govern."

Chief investment officer:

To preserve wealth, diversify your investments: *"From a philosophical standpoint, we have always believed that if you want to generate wealth, own one thing. Just make sure it is the right thing. But, if you want to preserve wealth, diversification is the key and so all our investments are highly diversified. That doesn't mean that we don't generate excess returns, because we do. But, it's not uncommon for a family member to have exposure to 10,000 investments."*

Establish a spending and investment plan that will ensure that the wealth is preserved as the family grows in size: *"We have a philosophy that we try to drill into family members. It is based on a reasonable level of spending that will result in wealth generation. We take a simple example: if a family member spends two percent or less of their wealth on an annualized basis, after that spending and after inflation, we expect that the family will grow their wealth at a rate of at least three percent. If they grow that wealth at 3 percent over a span of 30 years, they are going to turn a dollar into USD $2.42.*

We have a huge estate tax liability, so our expectation is that our strategies can reduce that estate tax liability from 40 percent down to 20 percent, and so the USD $2.42 will turn into a USD $1.96 after spending, inflation and fees. What that will mean is that over a span of 30 years, a family member will be able to pass on the same level of wealth they inherited 30 years earlier, in real terms, to two children.

The way that we can achieve this is through a balanced portfolio. Throughout history, a balanced portfolio has been able to generate an average return of eight percent, but as fixed income is so expensive right now, our balanced portfolio is largely investing in stocks."

Take advantage of tax exemptions: *"In the Unites States there is a lifetime gift and GST exemption, so a couple can now give USD $23 million away. My recommendation is to use it as soon as you possibly can. Basically, skip your children and benefit your grandchildren and all generations beyond that, so that wealth can have a greater opportunity. It's the greatest gift the IRS gives and that is the key for building multi-generational wealth. So, maximize the use of your lifetime gift and GST exemption."*

Chief operating officer:

Try to keep the family together: *"Try to find a way to keep the family together because there is a benefit of access to wider resources and economies of scale. A lot of family offices splinter. Branches go off and then everybody builds the same thing. By keeping it in one shop, it's more efficient and more private. You can have access to an advisor that has a 360 degree view of the family, so they can provide a better service. We offer a full service–we can do tax, investments, concierge services, we help with purchases, etc. We understand what the grandparents' wishes were when they set up the trust for their kids. Having all that in one shop makes for a better experience for a family."*

Head of human resources:

Don't skimp on talent: *"Family offices should hire the smartest talent that they can find. I think some families try to get employees on the cheap, to put it bluntly. I think it's in their best interest to find the best talent. Over the years we have hired people from top firms and have partnered with incredible experts, so that we can provide the best advice possible to the family."*

Financially equip the family office with the resources it needs to grow: *"Since 2012, we nearly doubled in size and we anticipate that we will probably eclipse 50 employees next year. With the liquidity events, we have provided much more to the family. This has meant more compliance and back-office work has been required and contributes to the growth. Expansion among family offices, such as this, should be recognized and supported."*

Build strong relationships with families and understand their needs and positions: *"Every family's culture is different. In some family offices, there is the expectation that everybody is going to grow up, go to college, maybe get a master's degree, work in the family business, etc. That is not us at all. A lot of our G5s have never worked. They range from 20 to 50 years old, but most are in their 30s. So, it's a matter of meeting the family where they are.*

Some of them are more educated than others, so we have had to spend a lot of time educating clients over the years as to what financial literacy is. When you get further down the generational line, a number of family members don't work and so don't face work-related challenges. Therefore, it's a matter of meeting them where they are so that you can help get them where they want to go. Therefore, in addition to hiring top-notch people, family offices also have to build strong relationships with their clients. This is key."

4. Technology and security

4.1 *Technology use in family office operations*

4.2 *Cyber security and scams*

4. Technology and security

- While family offices in North America commonly use technology, such as virtual meetings (98 percent), cloud-based data storage systems (88 percent) and integrated accounting systems (64 percent) in their day-to-day operations, few use blockchain technology (four percent), robotic process automation (RPA) (nine percent), artificial intelligence (16 percent) and proprietary trading systems (nine percent). This suggests that although family offices might be avid investors in technology, they are relatively slow to the field when it comes to integrating technology into their business operations.
- With that said, fintech is becoming increasingly popular among family offices in North America, as 34 percent say that it plays a role in their financial transactions (however, it does not replace traditional investing), while six percent report that it is used in a majority of their financial transactions. Furthermore, 61 percent reportedly think that fintech will likely replace traditional banking services in the future.
- Twenty-eight percent of family offices in North America have been the subject of a cyber security attack over the last 12 months, while 57 percent have been the subject of an attempted scam. To safeguard themselves, 77 percent reportedly have a cyber security plan, but most (55 percent) feel that their plan could be better and 20 percent don't currently have any plan at all (although half of these claim to be getting one). Furthermore, just 68 percent feel that the family/family office is either somewhat (50 percent) or very (18 percent) prepared to safeguard themselves against cyber security attacks and scams.

98%

of North American family offices use virtual meetings in their day-to-day operations

61%

of North American family offices believe fintech will likely replace traditional banking services

55%

of North American family offices feel their cyber security attack plan could be better

4.1 Technology use in family office operations

Despite being avid tech investors, family offices are slow to adopt tech in their operations…

While family offices are avid investors into technology, their use of sophisticated tech services in their operations is generally limited.

At present, the use of virtual meetings is very common. In fact, as a consequence of the COVID-19 related lockdowns, 98 percent of family offices in North America report that their use of communication technology has increased, while another 98 percent report that they now rely on virtual meetings (**figures 4.1** and **4.2**). Cloud-based data storage systems are also used among 88 percent of family offices, and 64 percent use integrated accounting systems.

However, the use of other forms of technology is limited, such as blockchain technology (four percent), robotic process automation (RPA) (nine percent), artificial intelligence (16 percent) and proprietary trading systems (nine percent) (**figure 4.1**).

As these technologies can aid family offices with needed tasks such as due diligence, risk management, data entry and data analysis, it may be that in the coming years, family offices begin to recognize their usefulness and start adopting them. One executive commented:

"Our principal is tech savvy, so it has been easy for us to work remotely. Everything is shared on the cloud. It feels weird to use paper now; I don't even use a printer anymore."

Director, single family office, British Columbia, Canada

Figure 4.1: *The technologies family offices currently use in their operations (tick all that apply)*

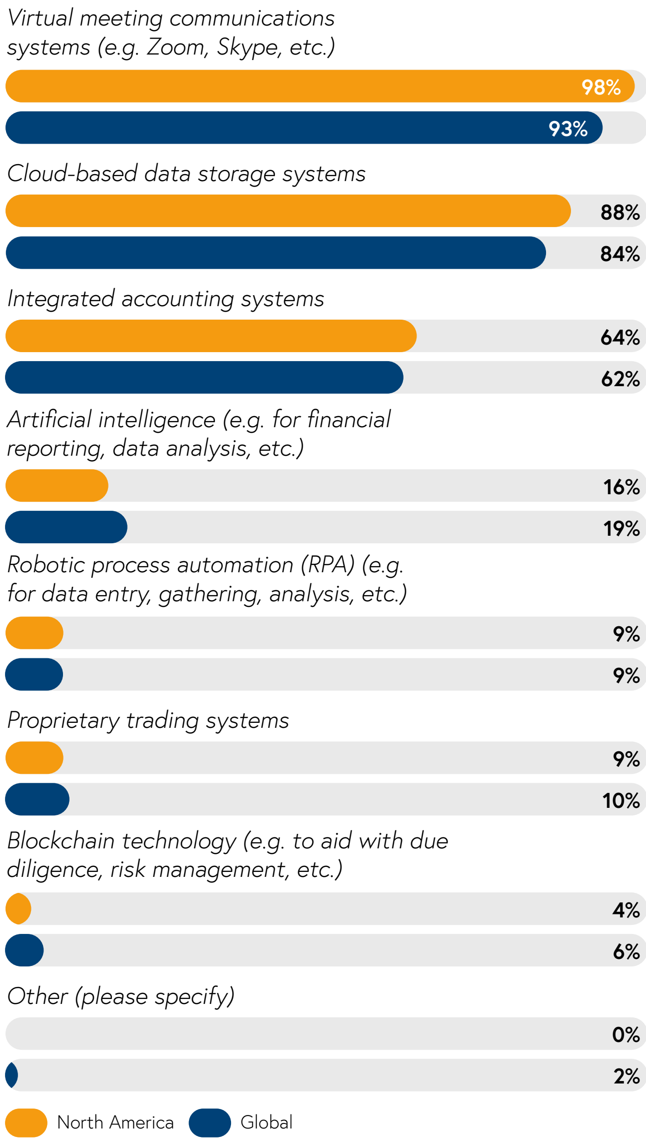

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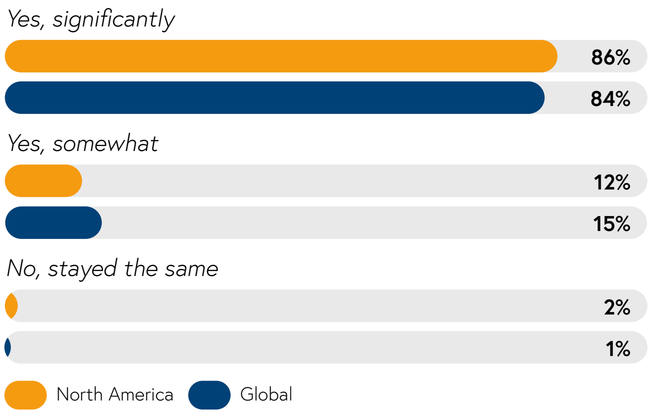
Figure 4.2: *The proportion of family offices that increased their use of communication technology since the COVID-19 lockdowns (e.g. Zoom, WeChat, Teams, Slack, etc.)*



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...however, fintech services are proving to be increasingly in demand

Fintech has been disrupting the banking industry in a variety of ways, such as through payments, lending and wealth management. When family offices in North America were asked whether they use fintech as part of their everyday banking needs, 34 percent said it plays a role in their financial transactions but does not replace traditional investing, and six percent said it is used in a majority of their financial transactions. Merely 25 percent report that they rely on traditional banking services alone (**figure 4.3**).

It is interesting to note as well that European family offices use fintech services more regularly, as 16 percent claim to use them in a majority of their everyday banking needs. This surpasses that of both North America (again six percent) and Asia-Pacific (three percent). Asia-Pacific is the least progressive in this respect, with the largest proportion, 38 percent, relying solely on traditional services, a figure that is behind the 27 percent global average.

When North American family offices were asked if they believe fintech will likely replace traditional banking services in the future, a notable 61 percent said that they would (63 percent globally) (**figure 4.4**). Two family office executives remarked:

"Banks have the function of an intermediary. They take money from savings and loans. That's the traditional way, but it's not the most effective way to transfer money. So, I hope fintech will create more competition, because if you don't have competition with traditional banks, they won't improve and we need a source of competition for the traditional banking system."

Director, single family office, British Columbia, Canada

"Generations X, Y, Z and whatever's to come, they won't even walk into a bank. They don't have any need for it. Any bank's days are numbered if they are not moving 100 percent towards technology and working out where they are going to make money using technology."

CEO and family member, single family office, Florida, United States

Figure 4.3: *To what extent fintech is part of family offices' everyday banking needs*

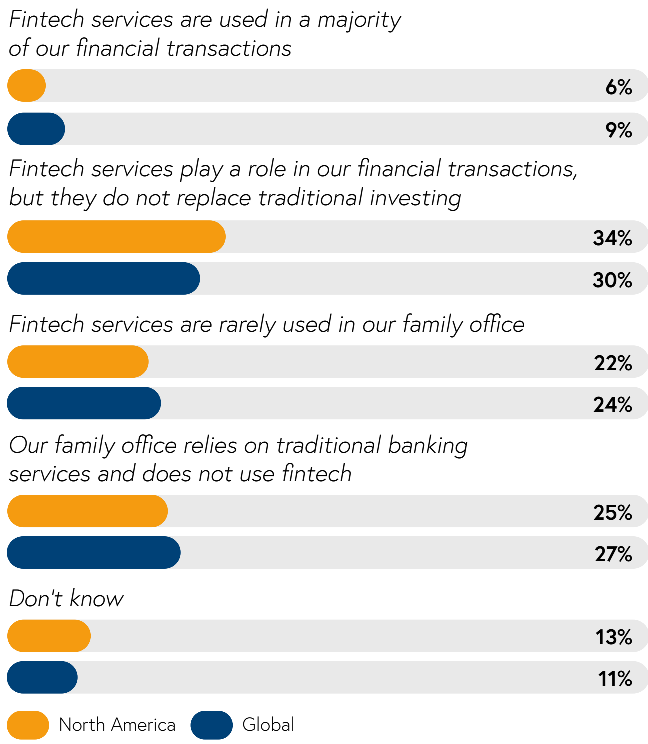

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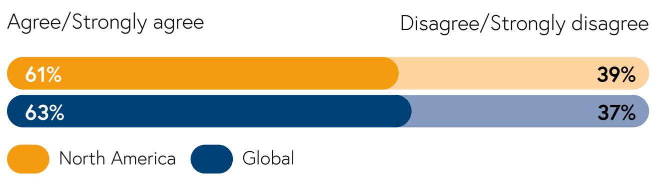
Figure 4.4: *Fintech is likely to replace traditional banking services in the future*



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4.2 Cyber security and scams

More than one-in-four family offices in North America have been the subject of a cyber security attack

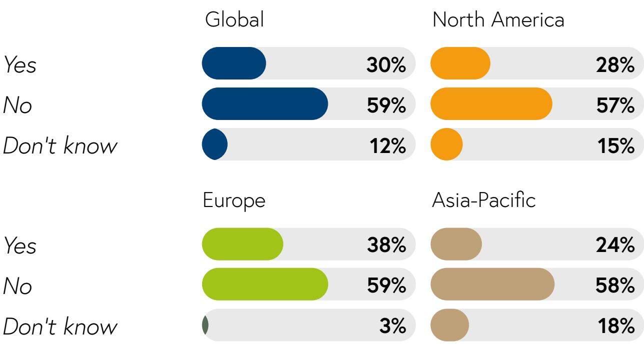
Cyber security is becoming an increasingly prominent issue, with cyber attacks in North America this year affecting companies like Microsoft Exchange, CNA Financial and Bombardier, to name a few.

A quarter (28 percent) of the family offices surveyed in North America claim to have experienced a cyber attack over the last 12 months (**figure 4.5**). This is roughly in line with the global average of 30 percent, but notably below the European average of 38 percent. In the words of one family office executive:

"I think cyber attacks are only accelerating. Families need to bring in outside IT expertise to deal with it, not only for the family office, but for the family members. We're getting targeted now. I was on a call last week with a bunch of family offices and half had been hacked."

Managing director, private multi-family office, Massachusetts, United States

Figure 4.5: *Whether the family office has experienced a cyber attack within the last 12 months (e.g. phishing emails, identity theft, hacking, etc.)*



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Note: Figures may not sum to 100% due to rounding.

More than half have been the subject of scams

Scams are another area in which family offices can be vulnerable. In fact, 57 percent of the family offices in North America report that they have been prey to scammers over the last 12 months, a notably higher figure than experienced by those in Europe (47 percent) or Asia-Pacific (36 percent) (**figure 4.6**). These scams come in the form of unwanted phone calls, emails and texts, and for some, they are constant:

"I have friends who have been scammed. The percentage is up, there's no question. In the U.S. it's the IRS calling, social security calling, Medicare calling, etc. There's no end in sight to this stuff."

Principal, private multi-family office, Florida, United States

"We got caught in a scam several years ago. Someone used a family member's name and asked us to send USD $250k to an account. We learned from it and got an outside firm that helps us review our security. Now, when we get an email asking for money, we phone the family member. I think we're always vulnerable, but we're pretty attentive to it."

CEO, single family office, Ontario, Canada

"Somebody sent my brother-in-law an email asking for a wire transfer. Thankfully, we were sitting next to each other at the time, so we figured out it was a scam pretty quickly. That's when we started verbally confirming if there's any change in wire instructions."

Principal and next generation family member, single family office, Texas, United States

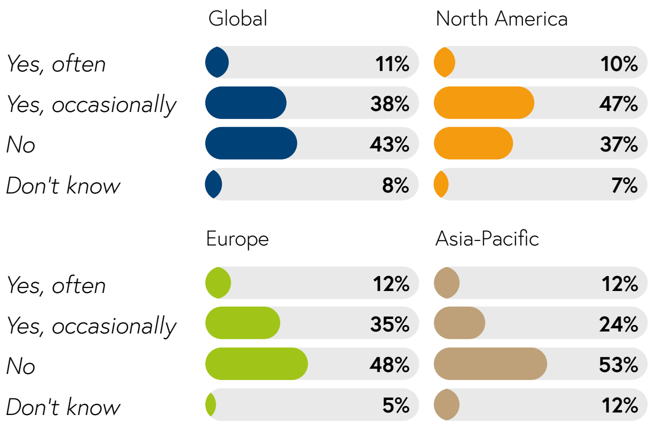
"Someone tried to scam us to get unemployment from the government using one of our staff's credentials. They called human resources and said, 'So-and-so is now unemployed and we need you to sign us up for unemployment'. We said, 'Well, no, that employee still works here.'"

CEO and family member, single family office, Kansas, United States

"Our principal's phone was hijacked and he was asked for ransom money. He is extremely tech savvy, so somehow he was able to de-hack his phone and he went after the hijacker."

Director, single family office, British Columbia, Canada

Figure 4.6: *Whether the family/family office has been a target of any scams over the last 12 months (e.g. phone calls, emails or texts illegitimately claiming to be another entity in order to deceive others into paying money*



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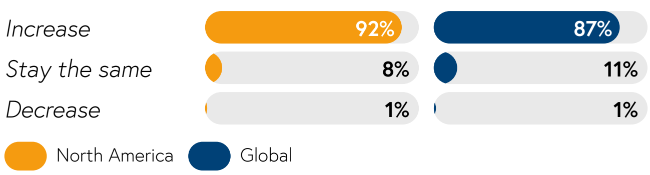
Ninety-two percent expect the number of scams/cyber attacks will increase over the coming year

A significant 92 percent of those surveyed in North America also expect that the prevalence of scams and cyber attacks will increase over the coming 12 months, potentially magnifying the problem (global average 87 percent) (**figure 4.7**).

Figure 4.7: *Whether family offices expect the prevalence of scams/cyber attacks to increase, stay the same, or decrease over the next 12 to 24 months*



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While more than half of families and three-quarters of family offices have cyber security plans, most feel they could be better

As attacks are becoming increasingly prevalent–with our Global Family Office Report 2019 noting that just 20 percent of family offices worldwide experienced an attack in 2019, compared with 29 percent today–it is important to understand how prepared families and family offices are to fend off such attacks.

At present, more than half (57 percent) of the families in North America studied for this report have a cyber security plan in place. However, 44 percent said that their plans could be better (**figure 4.8**). This leaves a third (33 percent) without any plan (although 12 percent of these are reportedly in the process of getting one).

On the family office front, 77 percent claim to have a cyber security plan, but again, most (55 percent) feel that their plan could be better (**figure 4.9**). And, one-in-five (20 percent) don't currently have any plan at all (although half of these claim to be getting one). Furthermore, just 68 percent of those surveyed in North America feel that the family/family office is adequately prepared to safeguard themselves from cyber security attacks and scams (**figure 4.11**).

With this information in mind, there is currently a notable swath of families and family offices who are either not protected or they feel that they could be better protected. Some of the unequipped family offices feel that with so many organizations out there, they are unlikely to be singled out for attack, so they just rely on their banks for protecting their money:

"Everyone is afraid of cyber attacks. Maybe I'm naïve, as I'm in Ohio, not a targeted area like New York or San Francisco, but I feel like we're below the radar. And, my bank has so many protocols in place, my phone rings 15 times a day to approve moving money, that I don't feel like I have to worry myself. Nor have we had anything bad happen."

Principal and family member, single family office, Ohio, United States

Others feel that they are covering the basics protection-wise, but that they are still open to more sophisticated intrusions:

"We've done a lot to make sure that we have good protections. So, if we had a ransomware attack, I don't think we'd be at huge risk, as we have everything backed up. What scares me though is identity theft or someone breaking into our accounts. We regularly use verbal authorizations and two-factor authentication, but is it enough?"

Principal and family member, single family office, Utah, United States

"We have rudimentary firewalls and insurance, but we always have an issue with people using their company laptops for non-company related stuff. You can't control it. And, every time we add a new app or look at something on Google, we are potentially at risk, as we don't have real safeguards in place. So, our 2021 plan is to overhaul our IT and security access points."

Principal, private multi-family office, Florida, United States

Figure 4.8: *Whether the family has a cyber security plan in place*

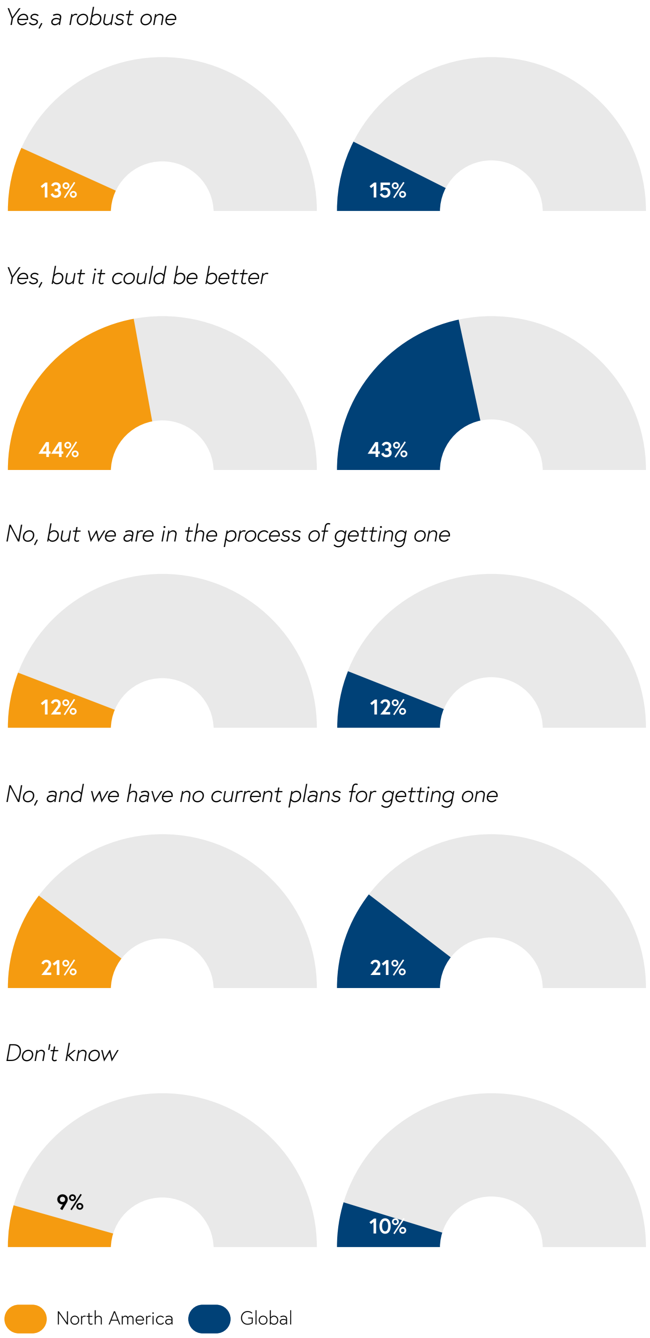

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Figure 4.9: *Whether the family office has a cyber security plan in place*

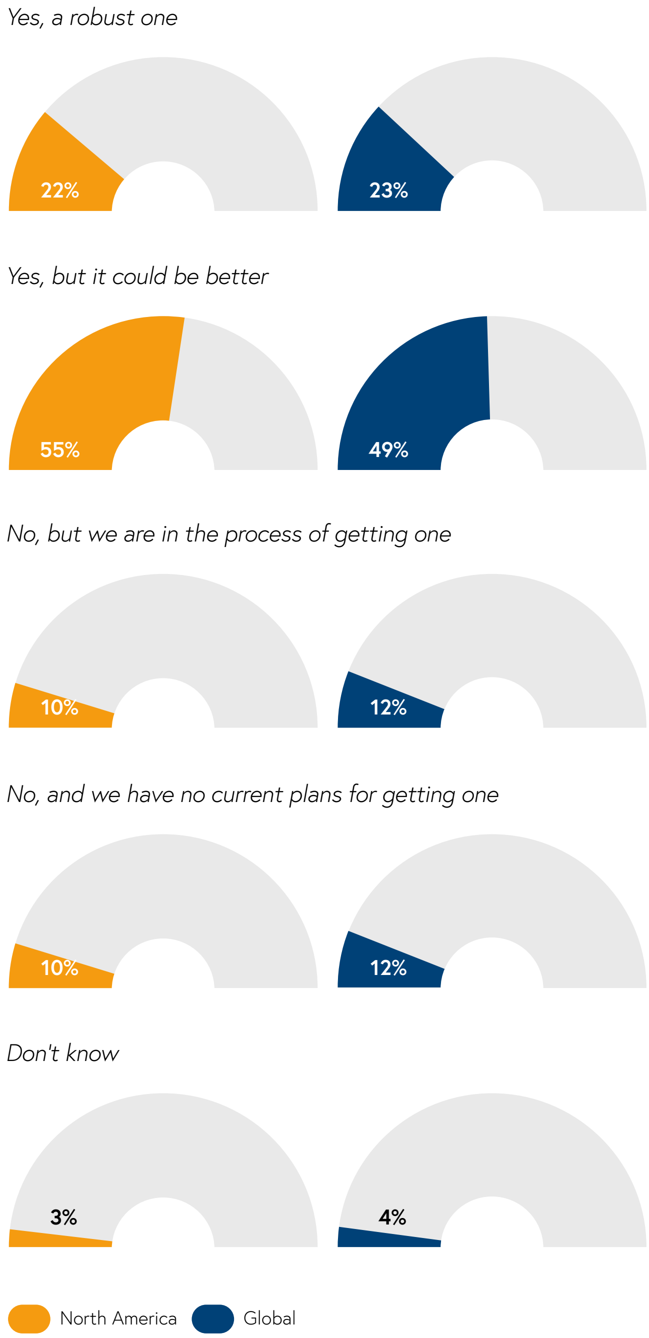

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Figure 4.10: *The last time the family office's cyber security plan was updated*

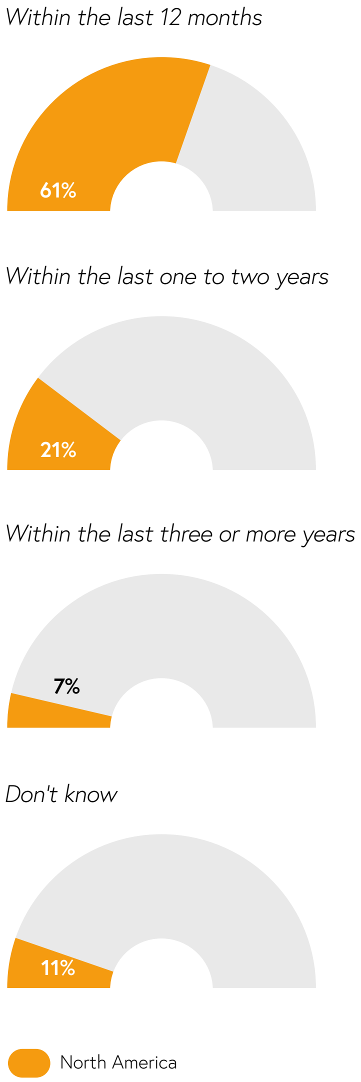

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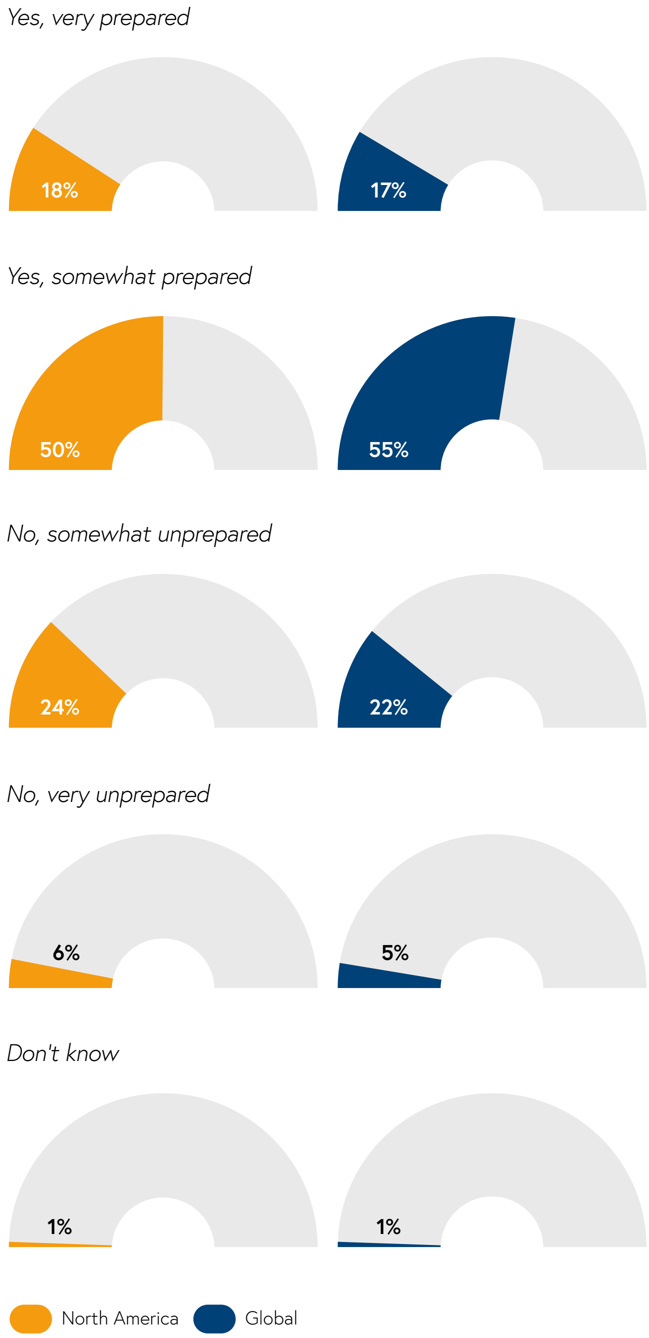
Figure 4.11: *Whether the family/family office feels adequately prepared/educated to safeguard itself from scams/cyber attacks*



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5. Purpose

5.1 *Family office governance*

5.2 *Family office risk*

- Inflation: Should we be worried?

5.3 *Succession planning and the next generation*

- Succession planning
- The next generation

5.4 *Philanthropy*

- The secrets to success: Lessons to be learned from one of the world's wealthiest families

5. Purpose

North American family offices' top three governance priorities for the next 12 to 24 months are risk management (65 percent), investment governance and valuation policies (62 percent) and human capital oversight (40 percent). It's unsurprising, given the health crisis, that 66 percent also report that risk management has become more important to them over the last 12 months.

Just 50 percent of North American family offices have a succession plan in place, and only 48 percent are formally written. The remainder are either informally agreed written plans (20 percent) or simply verbally agreed plans (14 percent). This may help to explain why 27 percent of family offices feel unprepared for succession, a figure that is higher than in both Europe (18 percent) and Asia-Pacific (16 percent).

Not having a next generation family member/s qualified enough to take over was deemed to be the greatest challenge to succession, as expressed by 51 percent of respondents. In fact, more than half (55 percent) said that the Next Gens in the family are either somewhat (41 percent) or very (14 percent) unprepared. In a related vein, the second greatest challenge noted to succession was an unwillingness of the patriarch/matriarch to relinquish control, a factor that could lend to Next Gen's unreadiness.

Seventy percent of the family offices in North America are involved in the families' philanthropic giving. The average amount they gave over the last year was USD $9.3 million, while the top causes they supported were education and health (93 percent) and economic and social impact (55 percent).

65%

of North American family offices prioritize risk management for the next 12 to 24 months

27%

of North American family offices feel unprepared for succession

70%

of North American family offices are involved in philanthropic giving

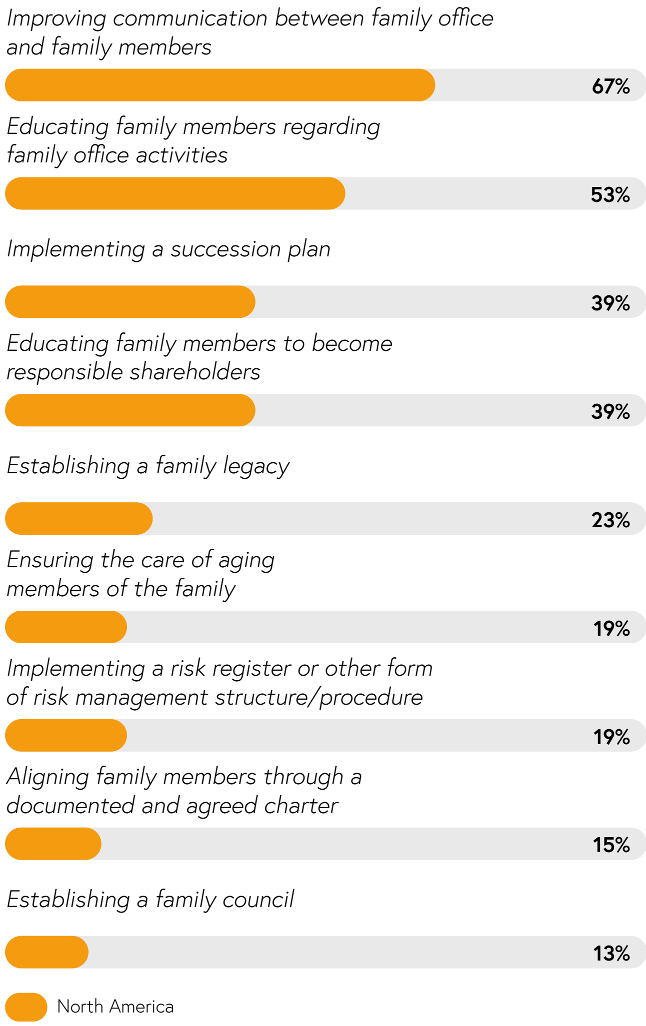
5.1 Family office governance

Improving communication between the family and the family office is families' number one priority...

The top three governance priorities for families in North America over the coming 12 to 24 months involve improving the communication between family members and the family office (denoted by 67 percent of respondents), educating family members about the family office's activities (53 percent), implementing a succession plan (39 percent) and educating family members in how to become responsible shareholders (39 percent) (**figure 5.1**).

Relative to other regions, educating family members about family office activities is more important in North America (53 percent) than in Europe (44 percent) or Asia-Pacific (40 percent).

Figure 5.1: *The top three governance priorities for the family in the next 12 to 24 months*



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...while risk management is family offices' number one priority over the coming 12 to 24 months

Risk management (65 percent), a factor that has been highlighted given the COVID-19 health crisis, is North American family offices' number one governance priority over the coming 12 to 24 months, followed by investment governance and valuation policies (62 percent), and human capital oversight (40 percent) (**figure 5.2**).

Figure 5.2: *The top three governance priorities for the family office in the next 12 to 24 months*

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Figure 5.3: *The governance structures family offices currently have in place (tick all that apply)*

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Family offices rely on a variety of governance structures

In relation to the governance structures these family offices have in place, it is most common to have investment guidelines (78 percent), to monitor investments (71 percent) and to have investment process guidelines (63 percent). Roughly half or fewer family offices have governance structures in place to analyze and monitor the market (54 percent), a mission statement (50 percent), risk management framework (46 percent) or governance overseeing succession planning guidelines (35 percent) (**figure 5.3**).

With that said, interestingly, those in North America are the most likely of any region to have a control panel to monitor investments (71 percent versus 50 percent for Europe and 61 percent for Asia-Pacific). One family office executive remarked:

"We have a board of directors which has really helped us to achieve a better governance structure."

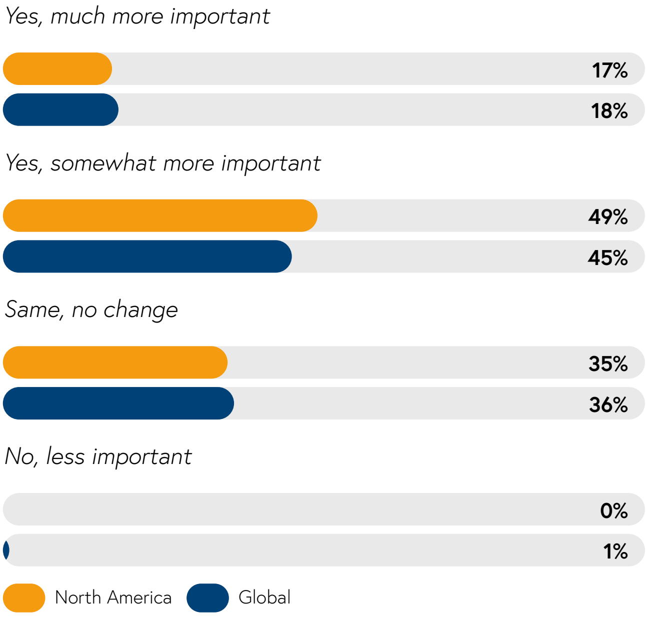
Chief executive officer, single family office,
Ohio, United States

5.2 Family office risk

Amid a year of worldwide crisis, it is unsurprising that 66 percent of family offices in North America report that risk management has become more important to them over the last 12 months, as it is a common sentiment that has been felt across the globe (63 percent) (**figure 5.4**).

Risk management is likely being given great prominence due to financial markets approaching an inflection point. This is most visible in the shifting behaviour of bond yields as they react to the latest inflation print or Fed statement. Investors' primary concern is inflation. Is it a blip, as the authorities assume, or a trend? If the former, then Fed tapering of bond purchases will not likely unduly worry markets and increases in interest rates will be gradual and over an extended multi-year period. The risk is that in the event of persistent inflationary pressure the authorities will be 'behind the curve' and increases in short rates will be higher than current modest expectations.

Figure 5.4: *Whether risk management has become more important to the family office over the last 12 months*



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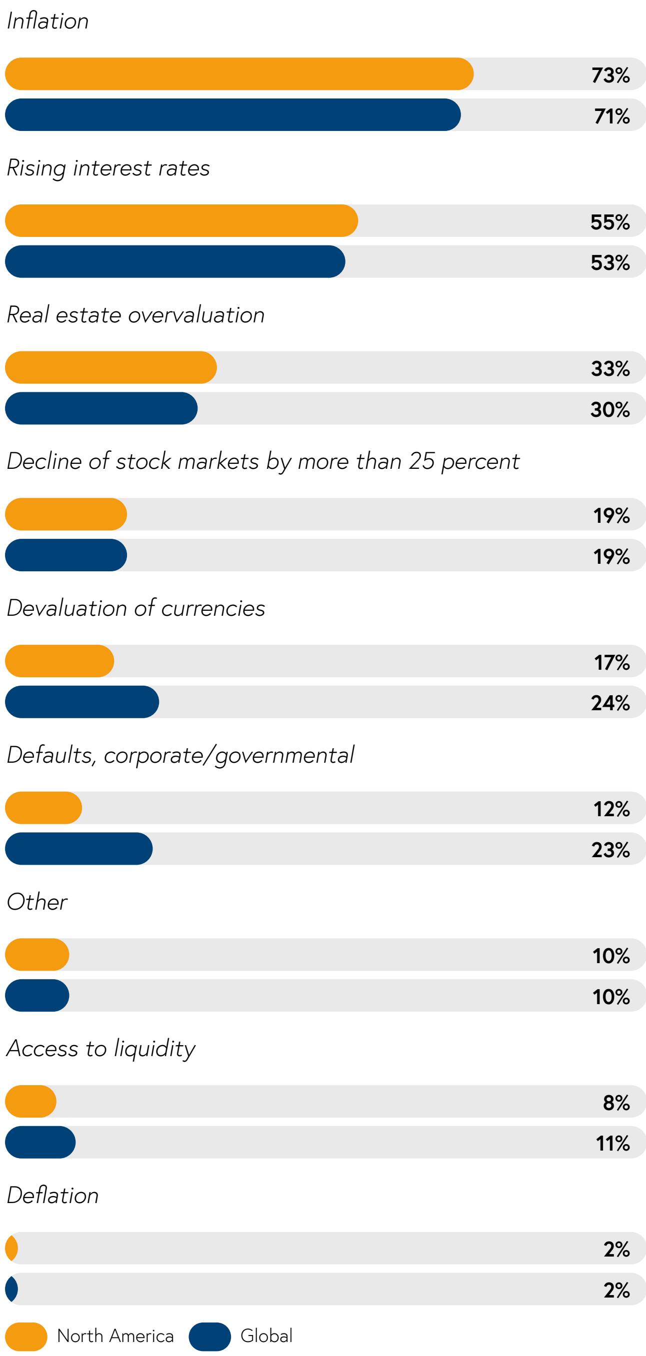
Inflation is the number one market risk family offices believe they will face over the coming year

When family offices were asked what they perceived to be the most significant market risks over the coming year, inflation came in at number one, with three-in-four (73 percent) North American family offices flagging it. This was naturally and intrinsically followed by concerns of rising interest rates (55 percent) (**figure 5.5**).

Figure 5.5: *What family offices believe will be the most significant market risks over the coming 12 months (tick all that apply)*



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Inflation: Should we be worried?

The United States Department of Labor reported an annual inflation rate for July 2021 of 5.4 percent. This marks three months above five percent, the fastest rate since 2008.[21] Excluding food and energy, the figure was still in excess of four percent. The conventional wisdom is that this inflation can be attributed to transport dislocation and supply chain constraints and is therefore just a temporary blip that will disappear as the pandemic winds down. However, rising prices are also being observed in North American economies, and for those who believe that price levels are determined by money supply, the finger is pointing firmly at the huge stimuli that governments have pumped into their economies. North American family offices are somewhat divided on this issue, but most only feel moderately concerned, as the following denotes –

Are family offices worried about inflation?

The large majority of family offices were only mildly concerned:

"I'm mildly concerned about it, but I'm not panicking. We'll take appropriate steps to keep it from getting to a point where it's damaging."

CEO, single family office, Ontario, Canada

"In the United States between 1973 and 1984, inflation averaged over nine percent and the stock return was only about five percent. So, we're not going to become really concerned about it until it gets over six percent and stays over six percent."

Chief investing officer, single family office, Ohio, United States

"It's certainly not an issue that's keeping us up at night. I don't think we're returning to the 1970s, and even if we did, people are forgetting that asset prices went up along with some of the inflation rates."

Principal and family member, single family office, Utah, United States

Only a few family offices expressed notable concern:

"We're worried about it. The Fed has come back and said it is short-term inflation, so they don't seem concerned. But I think it could take the wind out of the sails in the equity markets if inflation really does hit. It could create a psychological ripple effect where everyone starts looking at their portfolios to figure out what the impact will be."

Managing director, private multi-family office, Massachusetts, United States

"I think the biggest thing right now is all the money that's been pumped into the market–I'm too old to think it's not going to be inflationary. So, the biggest thing I see on the horizon is that massive taxes are coming and it's all going to be inflationary. It can't be helped."

Principal and family member, single family office, California, United States

"One danger with inflation is the fiscal stimulus. Right now we have a problem with unemployment. Too many companies can't hire people because the unemployment benefits are so high that it doesn't make sense to work until after September when the benefits expire. Instead of working at McDonald's or driving an Uber, you can sit at home, watch Netflix and get paid USD $16 an hour until September. I think there's a lot of fraud out there. I think that itself is bad for inflation as it drives up wages. People are now getting paid bonuses just to attend interviews, it's crazy."

Chief investment officer, single family office, Connecticut, United States

Similarly, only one family office was pleased about inflation:

"Inflation doesn't concern me. Inflation is good for us as we buy real estate, so we're standing to benefit from this period."

CEO and family member, single family office, Kansas, United States

Why do family offices think we're experiencing an inflationary period and how long do they think it will last?

When asked why family offices believe we are entering an inflationary period and how long they think it will last, they pointed to a supply chain problem arising from the pandemic, which they felt will be ironed out before long:

"I think inflation is transitory. It's being created by supply chain problems after the crisis. No one was spending money or using anything. As a result, people saved about USD $3 trillion in their bank accounts in the U.S. In addition, the government gave them another circa USD $2 trillion. So, we've got about USD $5 trillion of excess capital that people are going to spend on travel, leisure, restaurants, whatever. I think all these savings are going to come out. But, COVID-19 did hurt us. For example, no one rented cars last year, so the rental companies sold their cars. Now we have a shortage and it costs a ridiculous amount to rent a car. Over time this stuff will settle though, and prices will moderate."

Chief investment officer, single family office, Connecticut, United States

[21] https://www.dol.gov/general/topic/statistics/employment

"The inflation we're seeing is pandemic induced. There are a lot of supply chain problems. You're seeing it at the grocery store, with lumber, everywhere. I don't think it's going to be a long-term 1970s-style panic. I think we're just going to see a short-term blip in the radar and then things will normalize."

Principal and family member, single family office,
Ohio, United States

"We think a lot of the inflation is being driven by supply chain challenges right now. They're increasing prices. But, if you look at core inflation, food and services, inflation is not there. It's all in the supply chain right now–oil and gas. There is so much money coming into the markets right now in the U.S., Europe and China, though, that I think inflation concerns will be built into them very quickly and they will continue to grow."

Principal, private multi-family office,
Florida, United States

What do family offices think government will do about inflation?

When asked how they thought the government would respond to inflation, most family offices thought that interest rates might rise, but not significantly, as the government wouldn't allow it:

"If there is inflationary pressure, it means the Fed is going to raise interest rates. If they raise rates too much, though, they won't be able to afford to pay our debt. So, they can't do that. Once rates get above three percent, we can't pay the interest on our debt for the federal deficit. So, they can't allow that to happen. It will break the bank."

CEO and family member, single family office,
Tennessee, United States

Are family offices concerned about rising interest rates, a common knock-on effect of inflation?

One interviewee expressed concern about rising interest rates, however, he too felt that the U.S. government could not raise rates too much given its own deficit:

"If the Feds were to raise interest rates, then yes, I'd be concerned. The government has so much debt, though, that it's against their interest to raise rates because it will make their debt cost more."

Principal and next generation family member,
single family office, Texas, United States

Another interviewee pointed to his belief that inflation will be transitory and thus he felt interest rates would not rise significantly:

"I'm not concerned about interest rates because I think inflation will be transitory. I think we'll have a taper tantrum at some point next year and then things will calm down."

Chief investment officer, single family office,
Connecticut, United States

A third family office highlighted the fact that interest rates have been historically low, something people should not become accustomed to, as it's not an economically fruitful strategy long-term:

"We have become used to ridiculously low interest rates. Historically, I don't think it makes a lot of sense. So, if rates come up a bit, I am not concerned."

Principal and family member, single family office,
Utah, United States

How are family offices preparing for inflation?

The risk is that inflation will cause a steepening of the long-term yield curve. When asked how family offices are preparing for inflation, a common response was that they have capitalized on the current low interest rate environment by locking in low rates before inflation hit, with the intent that this would see them through the inflationary period:

"We remortgaged our real estate portfolio at the currently low interest rates. This should see us through the inflationary period."

Principal, single family office, California, United States

Furthermore, following the events surrounding COVID-19, some respondents had already repositioned their portfolios to shift further into equities, an asset class that tends to be preferred during inflationary periods:

"We shifted more into equities. We believe the stock market will keep up with inflation, so we're okay with it. If you look historically, the stock market has always kept up with inflation. It adjusts and we'll adjust with it."

Principal and family member, single family office,
Ohio, United States

Investment risk is considered the biggest risk to family offices over the coming three to five years

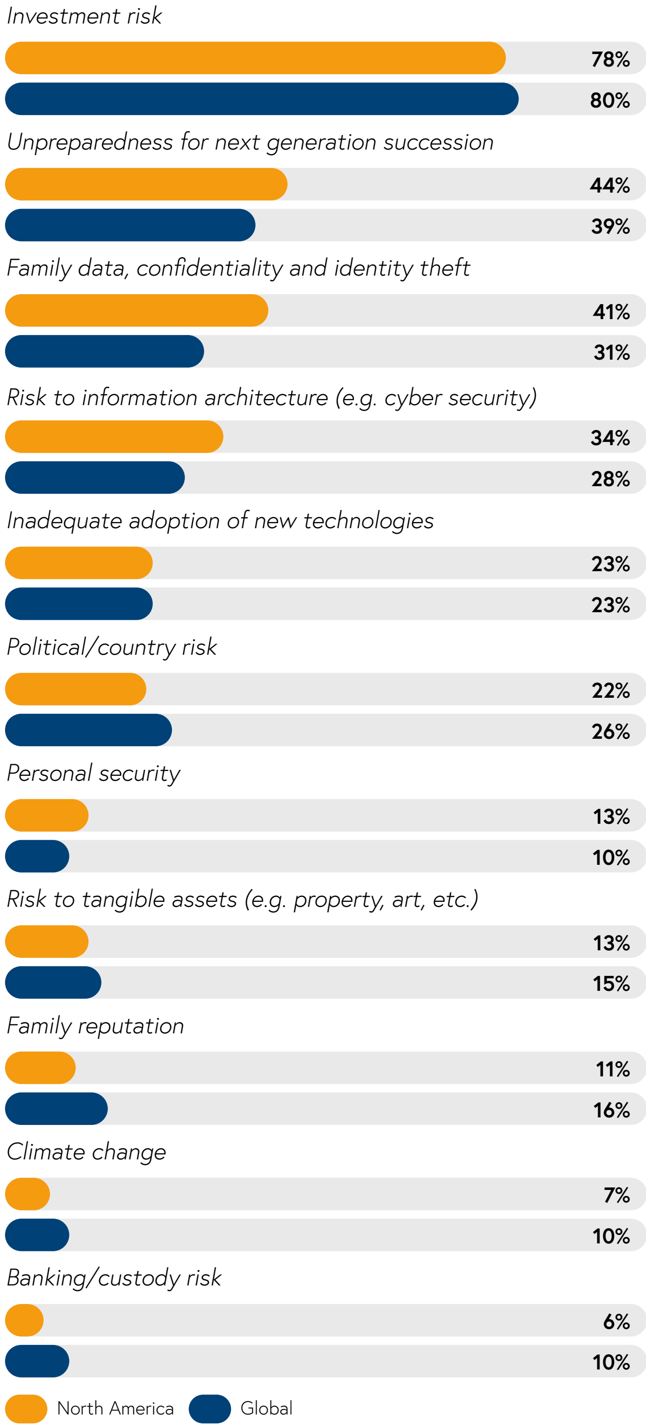
When respondents were asked what risk factors they believe will be most important to family offices over the next three to five years, it is unsurprising that investment risk (78 percent) ranked number one (**figure 5.6**). In the words of one family office CEO:

"I'm constantly thinking about investment risk and what could happen. Over my career I have found the things that always get you in trouble are leverage, short volatility and short liquidity. So, when you're late in the cycle, you want to be as liquid as possible, you don't want to be short. This is why we tend to shy away from credit unless it's really, really interesting."

Chief investment officer, single family office, Connecticut, United States

However, what is surprising is that nearly half (44 percent) of family offices in North America also list the unpreparedness of the next generation as a key risk over the coming years. This is something just 33 percent of family offices in Europe equally fear, and an issue that will be discussed in the forthcoming section.

Figure 5.6: *The biggest risk factors to the family office over the next three to five years (tick all that apply)*



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Seventy-six percent expect the regulatory environment to become more stringent over the next 12 to 24 months

Another area of potential risk stems from potential heightened regulation. Roughly three-quarters (76 percent) of family offices in North America expect that the regulatory environment will become more stringent over the coming two years (**figure 5.7**).

This comes after the U.S. political spectrum swung back towards Democratic representation under President Joe Biden and talks began of increasing taxes on the wealthy,[22] and Archegos Capital Management sent shockwaves through global financial markets by rapidly losing more than USD $20 billion, much of which the banks will reportedly not be able to claw back.[23] This incident garnered public and political attention, leading to increased scrutiny from the Securities and Exchange Commission (SEC) in relation to family offices' exemption from the Investment Advisers Act of 1940. This act regulates the conduct, registration and reporting of investment advisors.[24 25] Several family office executives commented:

"The Securities and Exchange Commission in the U.S. made a rule years ago which basically says, if you are doing investment work for a single family, you do not have to comply with the SEC's regulatory restrictions. This meant huge cost savings for family offices and was beneficial not only from a regulatory burden standpoint, but from a privacy standpoint. We don't have to make all these public filings that a registered investment advisor has to make if it's providing investment services to the public."

CEO and family member, single family office, Florida, United States

"There is a lot of negative political momentum at the moment around family offices and wealth holders. They are being accused of using loopholes to avoid paying taxes. So, we are very worried that the current political climate, on top of bad actors, is creating a perfect storm for regulation, which could add significant costs to our family office operations and reduce privacy."

Chief executive officer, single family office, Ohio, United States

"I never thought politics really had an impact on companies making money, other than the power of the purse. But now, probably like every other family office in the U.S., we're looking at all these proposed tax changes."

Principal, private multi-family office, Florida, United States

A family member from a different family office in Ohio agreed with the above and added:

"Legislators in the United States don't understand family offices. It's the old, 'Look what I'm doing for America, but I really don't know what I'm doing for America, because I don't understand the RIA provisions or family offices–but I certainly sound good to my constituents' type of thing. It really won't change what we're doing. They are just trying again to blame the less than one percent for causing the problems of the other 99 percent."

Principal and family member, single family office, Ohio, United States

Another family member from Utah commented that implementing a 'wealth tax' is far easier said than done, so he's not too worried about it, as he thinks it will result in more hype than action:

"The idea that we have all figured out how to park money for generations without paying taxes on it, for me, is wrong. I also think figuring out how to implement a wealth tax, with all the creative structuring that goes on between trusts and everything else, is going to be incredibly difficult. I think everything will adjust as it always has, so I'm not spending my time worrying about it."

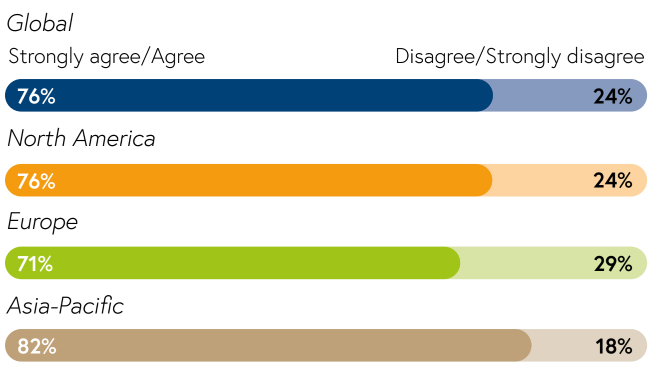
Principal and family member, single family office, Utah, United States

Disagreeing, one family office executive commented that he felt there would be more regulation that will target the rise in hedge funds converting into family offices:

"More and more hedge fund managers are converting to family office structures and using their family offices to take incredible risks in the market. I think we're going to definitely see regulation on that front."

Managing director, private multi-family office, Massachusetts, United States

Figure 5.7: *The portion of respondents who expect the regulatory environment for family offices will become more stringent in the next 12 to 24 months*



Campden Wealth / RBC, The North America Family Office Report 2021

[22] New York Times, In Push to Tax the Rich, White House Spotlights Billionaires Tax Rates, September 23, 2021: https://www.nytimes.com/2021/09/23/us/politics/biden-wealthy-tax-rates.html
[23] Bloomberg, The Man Who Lost $20 Billion in Two Days Is Lying Low in New Jersey, August 9, 2021: https://www.bloomberg.com/news/features/2021-08-09/where-is-bill-hwang-the-man-who-lost-20-billion-after-archegos-collapsed
[24] The National Law Review, Family Offices Receive Increased Regulatory Scrutiny, June 9, 2021: https://www.natlawreview.com/article/family-offices-receive-increased-regulatory-scrutiny
[25] Dentons, What family offices should know about HR4620, a bill requiring more family offices to register with the SEC, August 6, 2021: https://www.dentons.com/en/insights/alerts/2021/august/4/what-family-offices-should-know-about-hr-4620-a-bill-requiring

5.3 Succession planning and the next generation

Succession planning

"I belong to this group of family office principals of 100 families. You ask how many have a succession plan in place and it's like 10 percent or 20 percent. I think that's a huge issue."

Managing director, private multi-family office, Massachusetts, United States

In 2017, we asked family offices when they expected the next generational transition to occur, and 69 percent said within the next 15 years. This suggests that we are on the precipice of a seismic shift, worth trillions of dollars, of wealth which will transfer hands between generations. Since this date, we have been tracking the progress of this transition and monitoring how family offices are preparing for it.

Just 50 percent of North American family offices have a succession plan in place

At present, just half (50 percent) of family offices in North America have a succession plan in place (along with 55 percent of those worldwide) (**figure 5.8**). Most of these plans were put in place within the last year (32 percent) or last five years (56 percent) (**figure 5.9**).

Figure 5.8: *Whether the family office has a succession plan in place*

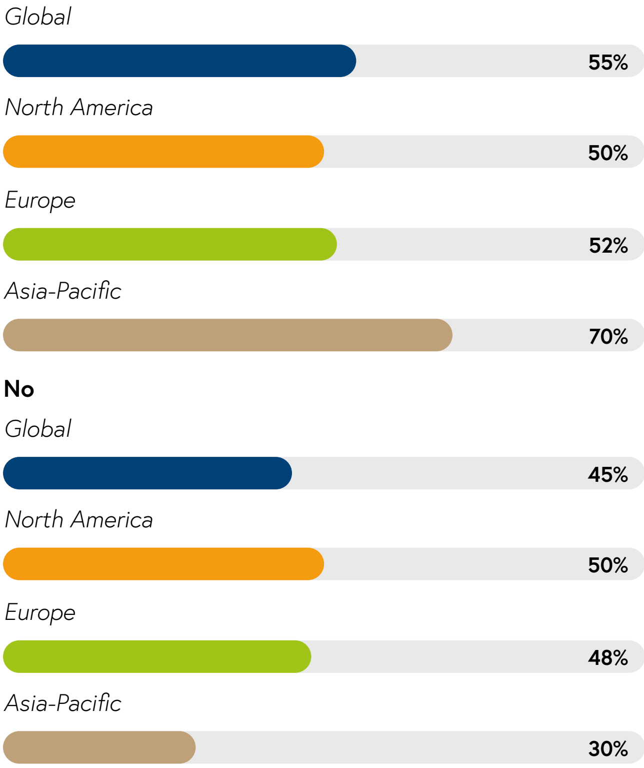


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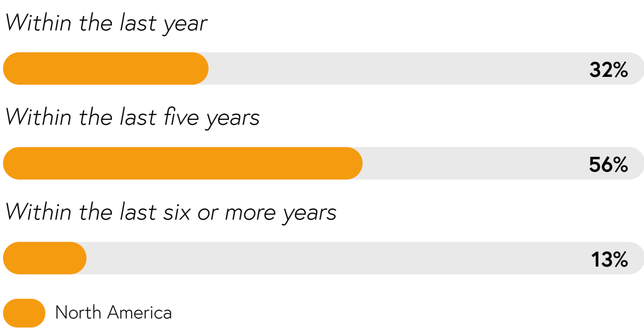
Figure 5.9: *How recently the succession plan was put in place*



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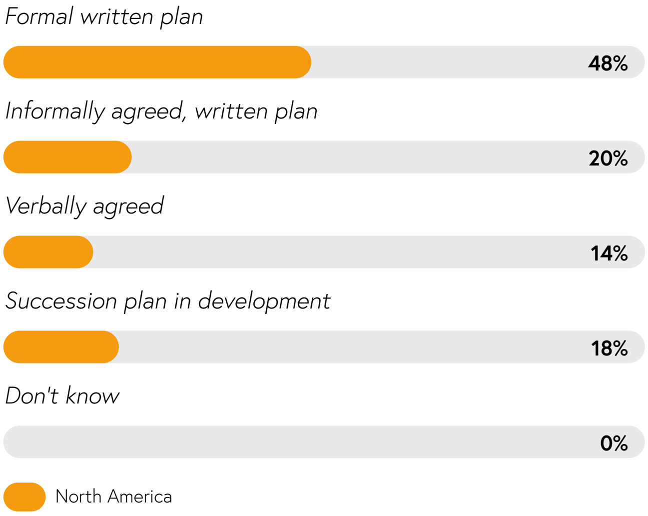
Just 48 percent of succession plans are formally written

As the most sophisticated family offices have both long-term and short-term (contingency) succession plans, this highlights an area that needs continued focus. Within this area, it's important to point out that among those family offices with plans in place, only roughly half (48 percent) of the plans are formally written. The remainder are either informally agreed written plans (20 percent) or simply verbally agreed plans (14 percent) (**figure 5.10**).

Figure 5.10: *The type of succession plans in place*



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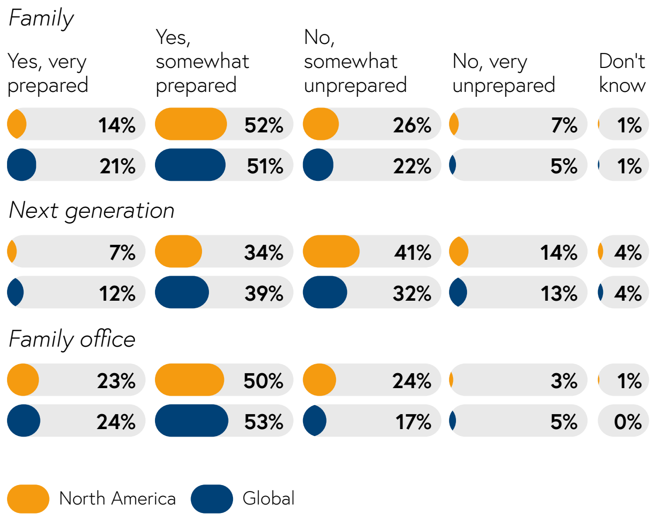
Twenty-seven percent of family offices feel unprepared for succession

Merely 23 percent of family offices report to feel 'very prepared' for succession. Half (50 percent) feel somewhat prepared and a quarter (27 percent) feel somewhat/very unprepared (**figure 5.11**). This unpreparedness is compared with only 18 percent in Europe, 16 percent in Asia-Pacific and a global average of 22 percent.

Furthermore, the proportion of those feeling unprepared in North America moves up to 33 percent when it comes to the family's own readiness. Again, this proportion is higher than other regional averages, with 21 percent in Europe feeling unprepared, 14 percent in Asia-Pacific and 27 percent globally.

It is important that families and family offices are clear on their intentions while the current generation is still in charge, as a death, particularly an unexpected one, can throw an office into disarray / prevent the next generation from getting information and clarification.

Figure 5.11: *Whether the family/next generation/ family office is well prepared for succession*



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Next Gen's ill preparedness to take over is a major concern for half the family offices in North America

When family offices were asked about the greatest challenges they face with regard to succession, the most commonly raised factor was not having a next generation family member/s qualified enough to take over, as denoted by 51 percent of respondents (**figure 5.12**). (Highlighted earlier, this was also the number two risk factor family offices said they face over the coming three-to-five years.)

It is fascinating to note that this issue is far more prevalent in North America than any other region, as just 19 percent of those in Europe and 23 percent of those in Asia-Pacific raised this as a challenge.

Adding credence to this concern, only seven percent of family offices in North America reported that the next generation is currently very prepared for succession. Thirty-four percent felt they are somewhat prepared and, more importantly, more than half (55 percent) said that they are either somewhat (41 percent) or very (14 percent) unprepared (**figure 5.11**).

It is also interesting to note the disparity between responses when Next Gens themselves were asked if they were prepared for succession. In our 2020 The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today report, 71 percent of Next Gens felt that their family, and indeed their generational peers, were prepared for succession (26 percent very prepared, 45 percent somewhat prepared).[26] This proportion is far greater than the 41 percent of family offices executives in this research who felt that they were very/somewhat prepared. This might be a factor of overconfidence on the part of Next Gens, a lack of communication and preparedness between the next generation and the family office or, indeed, a case of both.

Another issue raised by 30 percent of this report's respondents is that the patriarch/matriarch is unwilling to relinquish control, a factor that could lend to Next Gens' unreadiness, and also a factor that 22 percent of the Next Gens in the aforementioned report mentioned. To explain why this issue might be occurring, one family office executive explained:

"I hear so many examples of there being a strong family council, but when there is an issue, it always defers to the parent. So, the Next Gen never learns the necessary tools to succeed. That's why you see members of the Next Gen fail."

Managing director, private multi-family office, Massachusetts, United States

In terms of remedying issues with problematic Next Gen members, one family office executive remarked:

"The more family members you get, the more risk there is that someone is going to prove difficult. But then, we had the genius idea of feathering out a fair bit of money to them to invest themselves. We say to them, 'Show me your track record, how have you done? I'm happy to show you my numbers, if you show me yours.' I don't mean in a competitive way, but it's a real test. We give them lots of money and professional encouragement and want them to do their own thing."

CEO, single family office, Ontario, Canada

There is also the issue of the next generation not wanting to take over the family office, as two family members explained:

"Oftentimes the patriarch, a first generation wealth creator, creates a family office infrastructure because he thinks it's the right thing to do, without ever consulting anybody else in the family. And then they wrap their ego up in it and they never discuss whether anybody else would want to run it after they're gone. Then it becomes this burdensome structure where there's an obligation to have this entity. I think it's not so much a function of the second or third generation being reckless. I think these structures just don't make a lot of sense for some multi-generational families. They're very cumbersome."

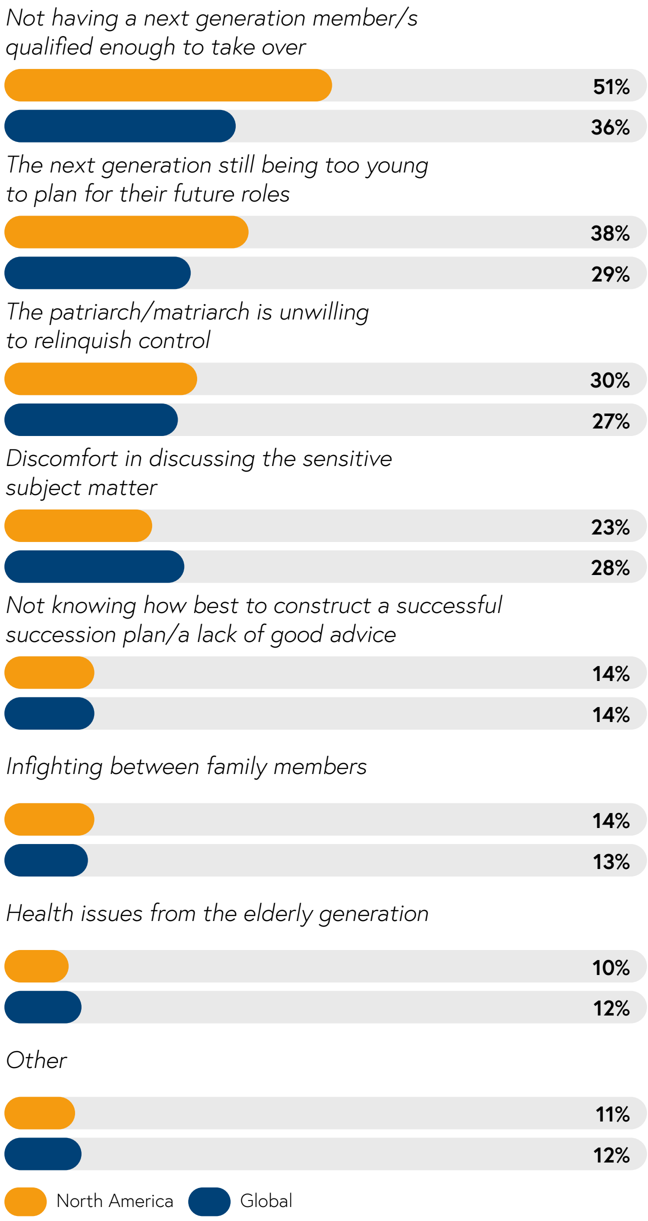
CEO and family member, single family office, Tennessee, United States

"No one has really shown an interest in overseeing the family office. So, the whole notion of how we are going to deal with succession is a constantly evolving conversation. Right now, our succession plan looks more like an outsourced set of advisors than, 'Oh, Pete is going to take over.'"

Principal and family member, single family office, Utah, United States

[26] Campden Wealth/RBC, The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today 2020

Figure 5.12: *The greatest challenges family offices face with regard to succession planning (tick all that apply)*



Campden Wealth / RBC, The North America Family Office Report 2021

Other factors raised in interviews with regard to the struggles of succession were family infighting, families who want to split up and go their separate ways, and a discomfort with raising the issue of succession:

"The matriarch is getting very old, so succession is coming sooner than later. There will probably be a lot of fighting over who will be in control of family office decisions and things like that. I try to talk about her passing to make things transparent, but to say the family all get along great just isn't true."

Principal and family member, single family office, California, United States

"I've been working on the succession plan for many years. The families are going to split up upon succession. Each want to manage their own money. We are a single family office right now with one pool of money. Over the last three years we've been working towards splitting the assets up. So now I have to find multi-family offices to transition the money to. That's not a succession plan in terms of my family, but it is for their money."

Principal and family member, single family office, Ontario, Canada

"Family succession is difficult. I often say the biggest risk is if the chairman doesn't wake up tomorrow, because we haven't done any work to figure out who comes after him. One reason I don't want to do it is because the current chairman is in good health. He could do it till he was 90, assuming he had all his marbles. I worry that if we start talking succession, we'll unleash an impatience in the family, who may then give him a term limit."

CEO, single family office, Ontario, Canada

Forty-five percent of North American Next Gens are expected to assume control within the next 10 years

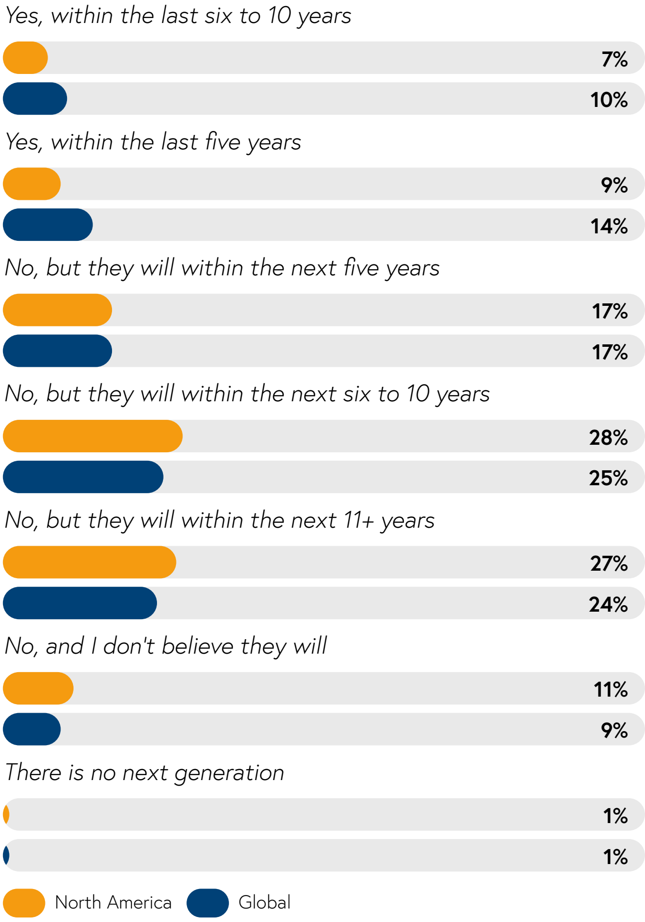
Sixteen percent of Next Gens in North America have already assumed control of the family wealth (**figure 5.13**). Another 17 percent are expected to assume control in the next five years and 28 percent in six-to-10 years.

These proportions differ somewhat to other regions. In Europe, for example, 32 percent of Next Gens have already assumed control, along with 32 percent in Asia-Pacific. North American family offices are most often trending six to 10 years or more behind these regions when it comes to presumptions of succession.

These findings may, in part, be explained by the fact that Next Gens, on average, assume control of the family wealth at an older age in North America than they do in Asia-Pacific. According to the 2019 Global Family Office Report, the average age a Next Gen in North America assumes control of the family wealth is 47 years old, compared with 41 years old in Asia-Pacific. This does not, however, explain the gap amongst those in Europe who, on average, take over at 45 years old.[27]

[27] UBS/Campden Wealth, The Global Family Office Report 2019

Figure 5.13: *Whether the next generation has already assumed control*



Campden Wealth / RBC, The North America Family Office Report 2021

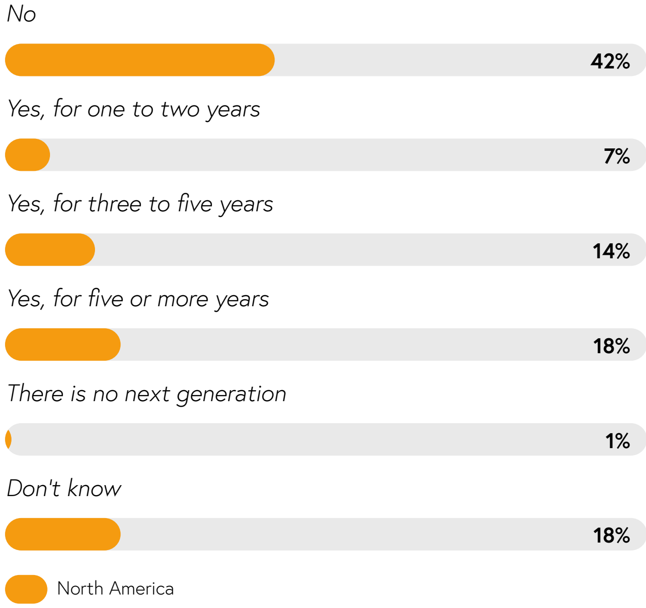
The next generation

A quarter of Next Gens are currently engaged in the family office; 42 percent are expected to be in 10 years' time

At present, one-quarter (25 percent) of Next Gens are currently engaged in the family office. This is expected to rise considerably to 42 percent in 10 years' time.

The majority, 42 percent, do not expect the next generation to work elsewhere, such as a bank, hedge fund or foundation, before joining the family office or family business. However, 39 percent of respondents do, with the highest proportion of these, 18 percent, expecting Next Gens to work five or more years, followed by 14 percent who expect them to work between three and five years (**figure 5.14**). This is an interesting finding as it is typically perceived that encouraging Next Gens to learn from outside businesses before coming into the family fold tends to be the most beneficial approach. This is because it can offer them a more well-rounded business education and allow them to gain insights that may, in turn, help shape the family business/office in the future.

Figure 5.14: *Whether the family requires the next generation to work elsewhere (e.g. an investment bank, hedge fund, foundation) before joining the family office/family business*



Campden Wealth / RBC, The North America Family Office Report 2021

Roughly a third of family offices feel ill-equipped to address the needs of the next generation

About a third of family offices worldwide currently feel insufficiently prepared to address the next generation's needs in relation to understanding their role post-succession (37 percent), helping them to gain needed wealth management (34 percent) and financial literacy (30 percent) skills, and in relation to their governance (32 percent) and communication (29 percent) related needs (**figure 5.15**).

Again here, family offices in North America tend to trail their regional counterparts in nearly every area. For instance, 36 percent of North American family offices feel ill-equipped to train the next generation on financial literacy, whereas in Europe only 21 percent and in Asia-Pacific 25 percent feel this way. Similarly, 43 percent in North America do not sufficiently understand what Next Gens' roles are going to be post-succession, compared with 29 percent in Europe and 33 percent in Asia-Pacific. Furthermore, communication-related needs are a problem for 33 percent of those in North America, but for only 17 percent in Europe.

Here, it is interesting to again point out what the next generation has said in The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today 2020 report. Twenty-eight percent of Next Gens said that there are family disagreements about managing the family business, 23 percent said that there are also disagreements over business strategy and 14 percent over family members' competence and commitment.[28]

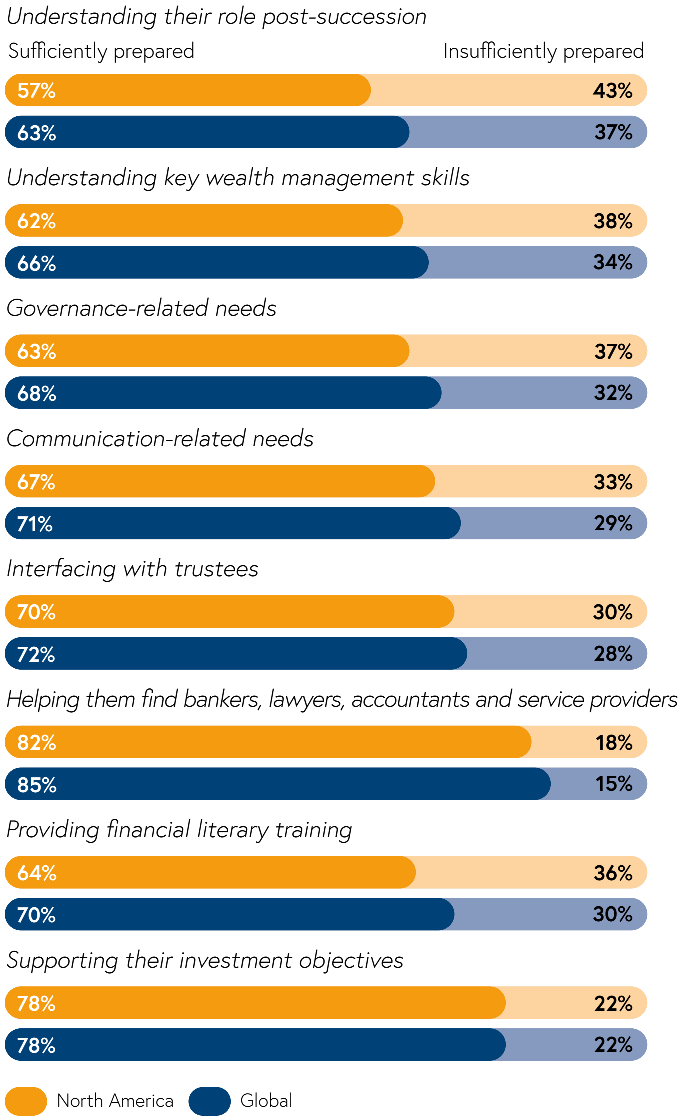
[28] Campden Wealth/RBC, *The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today 2020*

As wealth is typically lost by the third generation and family offices are often considered the hub for preserving family wealth, these are all important areas that both family members and family offices may wish to examine before the next generation assumes control.

To help in this regard, Next Gens asserted that ensuring there is regular communication (50 percent), regular formal meetings (43 percent), formal written policies and procedures (26 percent), a family council (22 percent), a family constitution (20 percent) and ongoing family member training (19 percent) can help resolve some of the issues families and family offices face.[29]

For a more detailed discussion of these matters and the next generation more broadly, please refer to our report The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today 2020.

Figure 5.15: *Whether the family office is sufficiently prepared to address the next generation's needs in relation to:*



Campden Wealth / RBC, The North America Family Office Report 2021

[29] Campden Wealth/RBC, *The Next Generation of Global Enterprising Families: Shaping Tomorrow, Today 2020*

5.4 Philanthropy

Seventy percent of family offices in North America are involved in the family's philanthropic giving

Seven-in-10 (70 percent) of family offices in North America are involved in families' philanthropic giving. (This is irrespective of whether the family also has a foundation.) More than half (53 percent) do so with a clear strategy and focus, 17 percent do so without a clear strategy or focus and, for 28 percent, the family has means of giving outside the family office, such as via a charitable foundation, which they use instead of the family office (**figure 5.16**).

North American family offices gave an average of USD $9.3 million to philanthropy over the last year. This compares with a global average of USD $6.7 million. Several family offices remarked:

"COVID-19 has accelerated philanthropic giving, particularly under the CARES Act. For Next Gens, I think it has changed their outlook forever. Black Lives Matter has also had an impact, particularly for many Next Gen members who are disgusted by the racial injustice we've seen."

Managing director, private multi-family office, Massachusetts, United States

"In Canada, we have a high tax rate, but no estate tax, so you can take it with you to the grave. Therefore, there's much less philanthropy than in the United States. I think that has created a certain dynamic and impeded the growth of philanthropy in Canada, like there is in the United States with the Ford and Rockefeller foundations."

CEO, single family office, Ontario, Canada

"My boss, who passed, was not into philanthropy. He saw charities as bureaucracies which take your money and do what they want with it. So, he didn't give generously. His idea of giving was, someone would come to him, have a loosely written business plan which they needed USD $1 million to implement, and he would meet with them three times. If he liked them, he would give them the money and say, 'Let's see what they can do.' I'd say, 'There's a really high probability we're going to write that off in the next three years', but he would say, 'It's fine, we're giving them a chance that they'll never get somewhere else.'"

Principal and family member, single family office, Ohio, United States

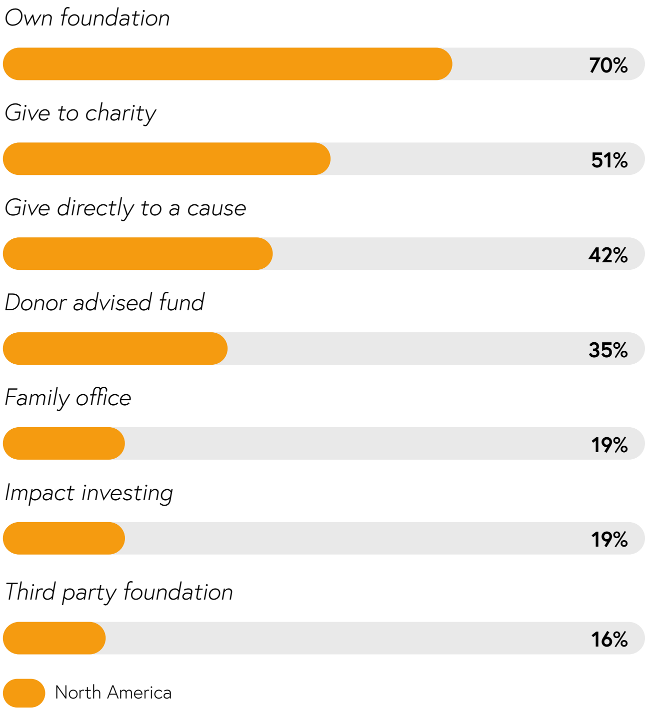
Figure 5.16: *Whether the family office manages the family's philanthropic activities*

Campden Wealth / RBC, The North America Family Office Report 2021

Seventy percent of families have their own foundations

The large majority of the families examined here have their own foundations (70 percent) (global average 61 percent). However, many families also give directly to charities (51 percent) or causes (42 percent), or via donor advised funds (35 percent) (**figures 5.17**).

Figure 5.17: *The type of vehicles the family uses for philanthropy (tick all that apply)*



Campden Wealth / RBC, The North America Family Office Report 2021

Education is the number one cause families support

Nearly all family offices in North America support education and health (93 percent). This is followed by economic and social impact (55 percent), the environment (48 percent), political and civil matters (38 percent) and conflict resolution/peace (10 percent) (**figure 5.18**).

What is interesting to note is that more family offices in North America (again 38 percent) support political and civil causes than in Europe (23 percent) or Asia-Pacific (15 percent), a fact that might link to the rise in political tension and polarization in the United States.

With that said, those in North America are the most likely cohort to support education and health (again 93 percent) compared with 86 percent in Europe and 76 percent in Asia-Pacific. In the words of two family office executives:

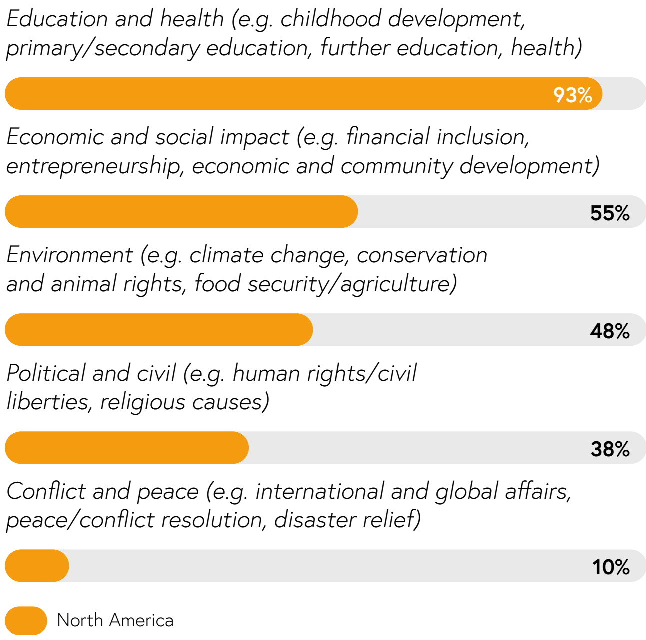
"Most of our philanthropy goes towards education. We contribute to the colleges the family has gone to by providing scholarships to students."

Principal, private multi-family office, Florida, United States

"We have a family foundation which was started over 70 years ago. It's one of the oldest in the country. It's a separate entity which has nothing to do with the family office. It's very environmentally focused. We do 10 year grants programs and, at the moment, 75 percent of our grants go to environmental causes."

Principal and family member, single family office, Ontario, Canada

Figure 5.18: *The causes the family give to (tick all that apply)*



Campden Wealth / RBC, The North America Family Office Report 2021

The secrets to success: Lessons to be learned from one of the world's wealthiest families

A rare and in-depth interview was conducted with the North American family office CEO of one of the world's wealthiest families. The CEO's vast knowledge of how to run a large, 50 person, fifth generation family office proved to be a gold mine for those seeking tips on how to protect and grow their wealth for generations to come.

As the saying goes, "When you've met one family office, you've met one family office". This reflects the fact that each family office is as unique as the family themselves. Therefore, there are different strategies that will work for different families. However, as this report shows, only 22 percent of the family offices surveyed worldwide have made it to the fifth generation. In turn, special attention should be paid to those who have lived through lifetimes of hurdles and are now more successful than ever.

With that said, the following includes key takeaways from this very unique and insightful interview–

How is the family office structured?

"There's a lot to the architecture here. I often say, there are eight family office branches–the core family office and seven smaller branches [which reflect the different branches of the family]. We think it's important to distribute the money out to the branches to let the family members become their own leaders. That's my definition of success. Some of them will succeed fantastically. Some will fail. But the fail will be minimal because there will always be the core family office safety net. So, no one's ever going to go hungry.

One of the things we've done, which I have really pushed for, is for the different branches to have access to a lot of money. We encourage them each to have, at the very least, a chief investment officer, because we want them to make their own investment decisions. Family members own a slice of the wider family office, but they also have their own money. They should have some autonomy and not live in a world that is too paternalistic. We encourage them to make their own mistakes and achieve their own wins. No one can go so far off track that they can't be salvaged.

We're quite transparent about what we're invested in at the core family office, so that family members can invest in the same things that we're invested in, and sometimes they do. But it's all around a mission to develop a sense of autonomy for these people.

My hope is that the next generation won't feel like they have to come to the family office every time they want to buy a new car. But, they will feel like they have achieved something from what they've invested in or they've pursued as a passion. We give them lots of money, professional encouragement and, let's say, hospitality in the corporate sense, and we want them to do their own thing–to have independence."

How does your family office operate across the different branches?

"We operate in silos–in a good sense, not a negative sense. Each silo, or department, has figured out how to function, and what degree of communication they need to have amongst the legal, tax and accounting people. Our accounting group is the biggest group in the company. It's got hundreds of companies and dozens and dozens of trusts. An awful lot of basic household management goes through this group. Then tax would be our next biggest group, followed by legal and investments."

What services do you offer?

"We offer a full service for those family members who want the full service. Different family members have different approaches. For example, some rely on the family office to pay for the cleaning lady at the cottage. Others only rely on it to have their tax returns filed. There's a real spectrum. We've said, we'll do whatever for anybody and we don't charge anybody anything. So, it's a bit of a candy shop for some, but it works well."

Do you think that your approach, which focuses on independence, has helped to mitigate family conflict?

"Yes, I really do. When you get up to 40 family members, plus spouses, etc. there can be a little bit of finger pointing. But when you give them a lot of money [and independence], they are too busy trying to invest hundreds of millions of dollars to bicker."

Why is building a sense of independence so important?

"We were seeing over time that the generation before was feeling fantastically wealthy, but a bit like wards of the state. They were unfulfilled. They were just waiting on the family office to give them their allowance. The current chairman, who is a senior family member, and I decided about eight years ago that we have to get the family out of this mode. We have to make them responsible for themselves. One way to do it is to give them money and a safety net. We have done that and it's gone really well."

Do family members work at the family office?

"We have a chairman who is a family member, but apart from that, no one works in the family office, the holding company or the public company. It is a concrete rule. We've had kids in college and the mother or the father will say, 'Oh, can you hire my son to work at the family office for the summer?' We say no, because I don't want them to see their aunt's bank statement or their uncle's tax return. So we say, 'No, but tell me what kind of job the kid would like and I'll go find it.' We'll do that, but he can't work here and he can't work at the public company."

What advice do you have on how to be successful with multi-generational wealth succession?

"The next generation should respect what's been achieved. Someone has already made a billion dollars or a hundred million dollars, whatever the number is. The extraordinarily wealthy family members who I find to be the most well-adjusted are those who acknowledge that the wealth was created before them.

They are professionals who wake up every day thinking about increasing the wealth, managing it and taking care of it. They shouldn't spend their time thinking that they personally could do it better or have a 'if only I was in charge' mentality. Our family has put a tremendous amount of credence into professional management. That's mainly why there's no family members involved. It's a very deliberate policy that everybody buys into. I think that's really healthy.

It's a problem when you start getting a third generation of retailers who think they were just as gifted as grandad was when he started the department store. They want to take the reins and they just end up fighting with their sister about how things are done.

In the main, business is really dangerous. If a wealthy family came to me and asked me to design a family office for them, I would say, 'Hire a bunch of outsiders that you could fire without breaking up your own family. Take professional advice and you go off and build a life for yourself that is satisfying. Don't just try to replicate what your grandfather or father did.'"

How does your family office differ to others of a similar ilk?

"I was at a dinner years ago, seated beside a family member from another prominent family business. The last name you would instantly recognize. We were talking about how our family offices were run. She told me hers has a training program where you come in at 25 years old and get to work at a certain level in the operating business. Then by 40, you get to work at another level. And, over the next 10 years, you end up working in every single department. It was really thoughtful and deliberate.

I said, 'That's interesting, but at our place we have the opposite rule, no one can do anything.' At the end of dinner, she came over to me and said, 'I was thinking about it and I think you're right.'

So, it's just different strokes for different folks. We're in the fifth generation and it is harmonious. Everybody is richer than they were the year before, the decade before, and the millennium before. So, it's a formula that works for us."

6. Conclusion

6.1 *Looking ahead*

- About family offices
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6. Conclusion

6.1 Looking ahead

Identify and manage your risk

As highlighted by 65 percent of family offices across North America, this is a key year for managing risk. The top market risks noted were inflation (73 percent) and rising interest rates (55 percent), and the top risks facing family offices over the coming three-to-five years are investment risk (78 percent), an unpreparedness for next generation succession (44 percent) and the loss/theft of confidential family data. Furthermore, 76 percent of family offices expect that the regulatory environment will become more stringent over the coming 12 to 24 months, so this is an important area to keep an eye on. With that said, numerous family offices are putting additional governance and risk management structures and protocols in place to pre-empt and mitigate the risks they will face. And, if this is not something you are doing, you might benefit from considering it.

Tackle succession planning head-on

As just 50 percent of family offices in North America have a succession plan in place, this is another key area that needs focusing on this year. Family legacies often survive by having both long-term and short-term (contingency) plans for succession. With new wealth holders being created every day and fortunes often being lost by the third generation, it is important to strategize not only for the coming several years, but with an eye for generations to come. Here is where long-term security and legacies are built.

Understand and address the needs of the next generation

More than half, 51 percent, of family offices in North America report that the next generation is not yet prepared for generational succession. Furthermore, many respondents noted that the family office is insufficiently prepared when it comes to understanding Next Gens' roles post-succession (43 percent), helping them to gain key wealth management skills (38 percent), addressing their governance needs (37 percent) and understanding their communication-related needs (33 percent). As we are in the midst of a major generational transition, it is imperative that we understand the next generation's needs and how to best help them to become confident, responsible stewards of wealth.

Nepotism might not be the best answer to achieving legacy wealth

Many like the idea of bringing their son or daughter into the family business or family office. However, if your desire is to retain your wealth generations down the line, it is important to have an honest conversation with your family regarding whether the next generation family members in your life are really the best positioned to protect and grow your wealth over the long-term. There is now a lot of highly qualified talent within the wealth management sector who might be better positioned to take over the family's wealth management. Or, at least, they can support the next generation in their endeavours to oversee the wealth.

"Don't skimp on talent"

As one top family office human resources professional in the United States said, "Family offices should hire the smartest talent that they can find... Over the years we have hired people from top firms and have partnered with incredible experts, so that we can provide the best advice possible to the family." With this in mind, while working with individuals you already know and trust can be important, it can also be useful to bring new ideas and skill sets into the family office, so as to improve over the coming years. Here is where many family offices have looked to hire top professionals from investment banks and hedge funds to support their evolution.

Diversify your portfolio for long-term wealth preservation

As one family office executive noted, long-term wealth preservation is often dependent on having a diverse portfolio of investments. This can come in the form of cross-asset class allocations and/or mixing one's investments across developed and emerging markets. Whichever strategy you pursue, and most family offices use a blend of both, one thing that is common is that most successful family offices diversify their portfolios so that they can effectively adapt to market fluctuations and opportunities.

Jump on board the sustainable investment train

The sustainable investing landscape has been growing rapidly, both within the family office space and more broadly. At present, one-in-three family offices in North America (34 percent) engage in sustainable investing. It accounts for 17 percent of their average portfolio and this proportion is expected to rise to 30 percent within the next five years.

Family offices have previously expressed concerns about the sustainable market not being mature enough to provide sufficient opportunities for investment, adequate tools to measure the social and environmental impacts achieved, and returns that are comparable to traditional investments. However, the landscape is maturing rapidly and so progress has been made on all fronts, as illustrated by the fact that North Americans' average return on their sustainable investments in 2020 stood at a notable 12 percent.

Campden Wealth's Investing for Global Impact: A Power for Good 2021[30] report recently found that 70 percent of those surveyed see "the transition to a global net zero emissions economy is the greatest commercial opportunity of our age," suggesting that sustainable investing is one area that family offices do not want to miss out on. Therefore, if you are new to the space, it is worthwhile to get up to speed on the developments within the space and the opportunities now present.

[30] Campden Wealth/GIST/Barclays, *Investing for Global Impact: A Power for Good 2021*

About family offices

What is a family office?

A family office is, in its simplest form, the private office for a family of significant wealth. The number of staff working in the office can vary from one or two employees, to 100 or more staff, depending on the type and number of services it provides.

The purpose of an office can range from handling key family assets and core holdings (tax and accountancy, property and estate management) to include more sophisticated wealth management structures, while often providing family members with educational, professional and lifestyle services.

Generally, family offices manage key areas of family assets, including real estate holdings and direct or indirect investments, tax consolidation and estate management.

They can serve as the central hub for a family's legacy, governance and succession. They can furthermore support the education and development of family members, facilitate family governance, coordinate communication and resolve issues within the family enterprise. A typical family office:

- Affords structure to the management of family wealth, establishing increased control and oversight of the family wealth strategy and costs of managing investments;
- Consolidates tax, accountancy and wealth management reporting execution under one roof;
- Provides a clearly articulated, efficient governance framework for investment decision-making, as well as family legacy and succession functions (including philanthropic foundations and initiatives);
- Coordinates with service providers, achieving economies of scale (especially in the case of multi-family offices) and preferential deal access and products;
- Ensures confidentiality and privacy for family members, liberating them from the burden of wealth.

Who would benefit from using a family office?

Families with private wealth in excess of USD $150 million are ideal candidates for establishing a single family office structure. While it is not uncommon for first generation entrepreneurs to establish a family office, these offices often support families with greater complexity in terms of households and generations. This is a key characteristic of family office structures and one that offices must account for when designing and executing investment strategies and family governance plans.

While each household will share some similar needs, from the perspective of the family office, each household merits special consideration. Such consideration cannot always be restricted to typical generational needs (i.e. retirees require income, while younger family members can accommodate more risk and longer horizons), because households themselves have differing liquidity requirements (for example, sibling benefactors may hold quite distinct professional ambitions).

Multiple wealthy families that might not necessarily be related to one another but nonetheless share some common values or goals may opt to consolidate and leverage resources by creating a multi-family office, rather than a single family office to manage the family wealth. Such a structure provides the benefit of economies of scale and investment deal opportunities that formal collaboration and a consolidated management structure afford. Naturally, family complexity factors arise for the multi-family office, only on another level of magnitude.

This is where things can get messy. For a multi-family office to traditionally be successful and sustainable, families should share a common purpose, interest and risk appetite or, alternatively, comparable levels of wealth.

For multi-family offices to traditionally be sustainable over the medium- to long-term, they must manage cumulative assets of more than USD $3.5 billion. For the sake of clarity, a number of terms with specific meaning in this report are defined below:

Private multi-family office: will all have had a founding family before widening out their offering to multiple families. These offices are owned by families and operated for their benefit.

Commercial multi-family office: these will look after the interests of multiple families often with wealth of less than USD $150 million. Unlike private multi-family offices, they are owned by commercial third parties.

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About the creators

About RBC

Royal Bank of Canada is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 84,000+ employees who bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada's biggest bank, and one of the largest in the world based on market capitalization, we have a diversified business model with a focus on innovation and providing exceptional experiences to our 17 million clients in Canada, the U.S. and 34 other countries. Learn more at rbc.com.

We are proud to support a broad range of community initiatives through donations, community investments and employee volunteer activities. See how at https://www.rbc.com/community-social-impact/.

About Campden Wealth

Campden Wealth is a family-owned, global membership organization providing education, research and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

The Campden Club is a private, qualified, invitation-only members' club, which represents 1,400 multi-generational business owning families, family offices and private investors across 39 countries. The Club delivers peer networking, bespoke connections, shared knowledge and best practices. Campden Club members also enjoy privileged access to generational education programs held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisors and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Education delivers a virtual training platform empowering families with practical knowledge and the tools to make informed decisions. Drawing on deep expertise and real-world experiences, our programs are designed to guide the whole family through all stages of ownership and growth.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States which was founded in 1991. In 2015, Campden Wealth further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

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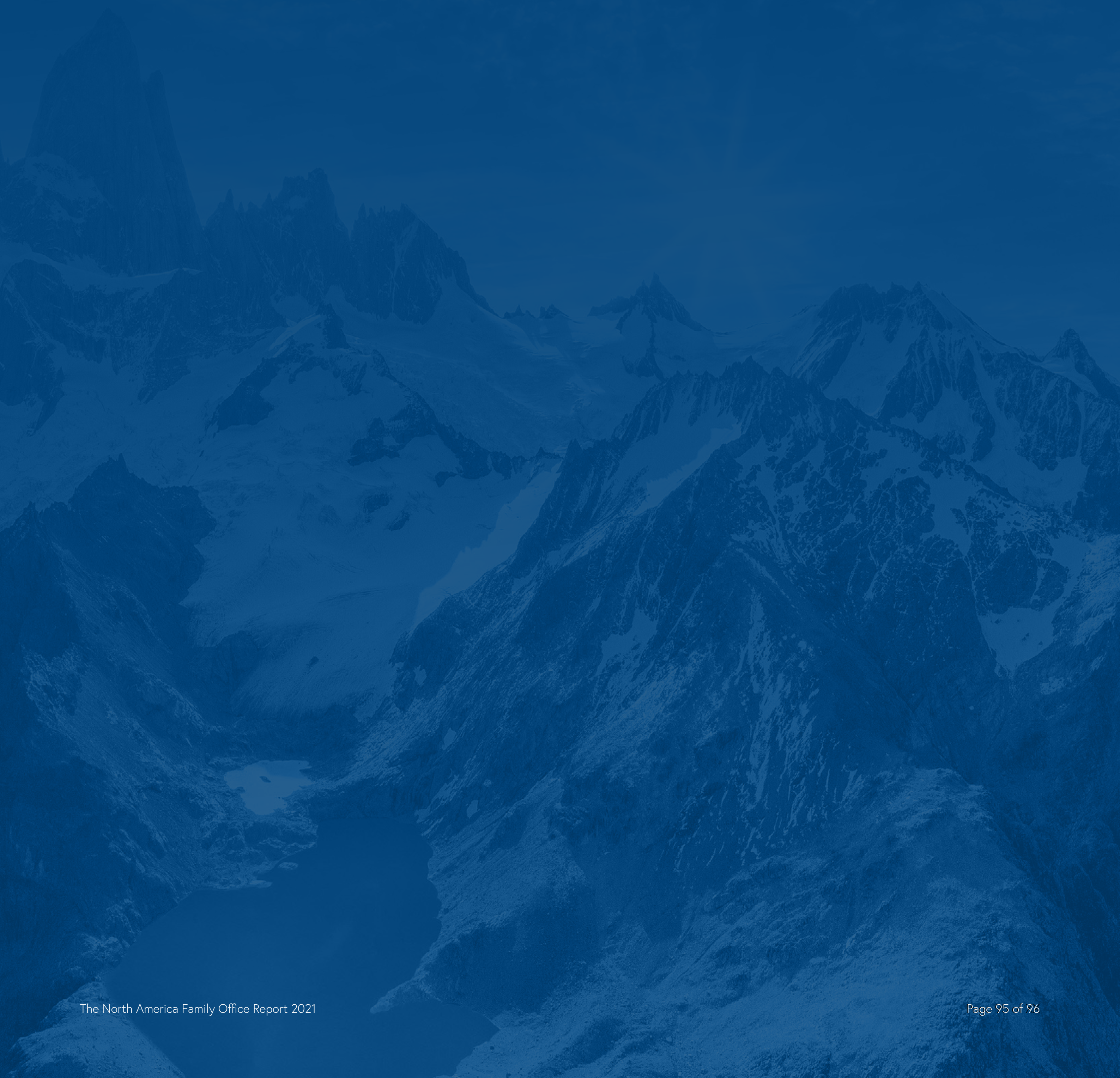

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