



Wharton

UNIVERSITY *of* PENNSYLVANIA

Global Family Alliance



2022

**Family Office
Benchmarking Report
Executive Summary**



Executive Summary

The Wharton Global Family Alliance 2022 Family Office Benchmarking Report is one in a series of reports from the Wharton Global Family Alliance. The detailed 2022 report regarding the findings of the survey is distributed exclusively to Family Offices that completed the survey. This summary of the 2022 Benchmarking Report is presented to share more widely some of the insights gained on current practices of Family Offices around the world. This is the sixth detailed benchmarking survey undertaken by the Wharton Global Family Alliance in order to develop a better understanding of the performance drivers of Family Offices, and to share that emerging knowledge with participating families in a manner that preserves anonymity and confidentiality.





Executive Summary

The Wharton Global Family Alliance

Established in 2004, the Wharton Global Family Alliance (WGFA) is a unique academic-family business partnership established to create and disseminate actionable knowledge that is helpful, timely, and important to substantial families and to their businesses through:

- Knowledge creation and thought leadership through research (creating cutting edge research and publishing it in academic and practitioner journals).
- Knowledge dissemination and transfer through teaching (to convey knowledge across generations through a range of degree and non-degree customized executive programs).
- Outreach to bring influential global families together to discuss mutual interests and problems as well as share best practices.

The WGFA provides a forum for global families that control substantial enterprises and/or resources to engage with leading faculty researchers at the Wharton School at the University of Pennsylvania. WGFA researchers focus on key issues affecting substantial families, their family businesses, and their related entities such as the family office and the family foundation, combining two highly credible and complementary sources of insight – the practical expertise of highly successful global families and rigorous scholarly analysis from Wharton researchers.



Executive Summary

The 2022 Benchmarking Survey

The online survey instrument was developed and distributed in Q2 2022 both directly to Family Offices and through a select number of firms who have Family Office clients. Survey respondents are from 24 countries spread across North and South America, Europe, the Middle East, Asia and Australia.

The survey includes the following 11 sections:

- A. Family Office Demographic Information
- B. Family Office Asset Management
- C. Family Office Risk and Return Measurements
- D. Family Office Governance, Control and Fiduciary
- E. Family Office Documentation and Policies
- F. Family Office Processes
- G. Family Office Communications
- H. Family Office Human Capital Practices
- I. Family Office Education and Succession Planning
- J. Family Office Information Technology
- K. Family Office Philanthropy

Each section contains a set of detailed questions on issues that are of concern to principals and managers of Family Offices. The survey was designed with a view to maintaining a balance between obtaining a high level of detailed information and ensuring that the survey's overall length was manageable.

Executive Summary

Descriptive Analysis of the 2022 Family Office Sample



While the 2022 sample of Family Offices that are examined in this report covers 24 countries, the majority (77%) are headquartered in the Americas region, which includes North, Central, and South America; 8% are in Europe; and 16% are spread across the rest of the world (RoW). A more even geographic distribution of Family Office respondents would have enabled a meaningful regional comparison.



With respect to the Assets under Management (AUM) that are managed by the Family Offices in our sample, we note that 51% have greater than \$1 billion; 27% have between \$500 million to \$1 billion; 19% have AUM between \$100 million and \$500 million; and 3% have less than \$100 million.



57% of the 2022 sample respondents are involved in operating businesses on which they control or exert substantial influence. As well, 70% of family businesses are managed by one or more family members.

Executive Summary

Key Observations



Family Office Activities

34% of the Family Offices in our sample serve 1-3 households, about 23% serve 4-6 households, and about 43% of the Family Offices in the sample serve more than 7 households. Close to 32% of sample Family Offices employ 4-7 professionals. Close to 17% of our sample are large Family Offices that employ over 21 professionals. In comparison to earlier surveys, we note an increase in professional staff members which reflects the trend to internalize such activities as asset allocation, risk management, and estate planning that previously have been outsourced.



Asset Allocation Trend

The top 3 asset classes to which families allocate capital are: public equity, which accounts for 36%, private equity (20%), and real estate (11%). With the exception of real estate assets and principal (direct) investments which are managed in house, the management of other asset classes is outsourced to specialist managers by most Family Offices.



Cost Breakdown

With respect to the distribution of Family Office expenses, on average 35% of Family Office investment management expenses are outsourced while 29% of investment management expenses are incurred in house. 24% of non-investment management expenses are incurred in house with the balance of non investment management expenses outsourced.



Financial Performance

The vast majority of Family Offices report 1, 3- and 5-year average annual net absolute return greater than 10%. However, Q1 2022 returns paint a very different picture: 44% reported net return in the range of -1 to -5% while 20% report a net return between -6% and -10% with the balance reporting lower net returns.



ESG Investment

Only about 35% of the Family Offices in our sample are currently making ESG investments, and 38% reported that their current portfolio related to ESG issues is less than 10%. The top three investment approaches are thematic investing (e.g., clean energy, gender equality, health care, water) (28%), integration of ESG factors into analysis (24%), and negative / exclusion-based screening (e.g., no tobacco, alcohol or weapons) (20%).



Information Technology

The technology platform of a Family Office is truly mission critical to the Family Office as it enables many of the tasks associated with financial management, custody, information consolidation and aggregation, along with client reporting. Over 70% of Family Offices have an IT disaster recovery plan in place. However, on average, 4.6 IT professionals are employed by Family Offices in our sample, but among those IT professionals, less than 1 is a cybersecurity specialist.



Human Capital Practice

The majority of Family Offices have non-family professionals stay with them for five years or longer (92%). About 85% of respondents reported that their Family Offices retain employees for long periods of time and invest in their human capital by funding the continuing education of their professionals. Headhunters are often used to recruit professionals to the Family Office (28%). Furthermore, the data indicates that informal networks and word of mouth play an important role in attracting professionals to the Family Office (23%). At the same time, it is worth noting that vendors such as private banks and accounting firms are also an important source of professional human capital for Family Offices (21%).



Philanthropy

About 70% of philanthropic activities are carried out through family foundations. Further, about 40% of respondents reported that the Family Office manages the family's philanthropic activities following clear guidance and oversight from the family, while 24% of respondents reported that they are not directly involved since the family has established separate entities for philanthropic activities.