

## PRIVATE WEALTH DATA INTELLIGENCE

# 10 Reasons Why Family Offices Make Great Investors

In a tumultuous global economy, it is evident that personal finances and financial planning can pose a significant challenge. When it comes to high-net-worth individuals, the old saying of 'more more, more problems' rings true, as the intricacies of managing large pools of capital and navigating the tax system exceed the abilities of a single person. To assist with these complex and time-consuming tasks, wealthy families are turning to niche groups of experts in asset management, tax planning, legal consulting and a variety of other wealth management areas, also known as family offices.

Over the past few decades, family offices have become the preeminent financial model for the ultra-wealthy. This amassing of capital has resulted in family offices becoming significant players in the private capital and alternative investment markets. As the leading family office data & research platform, **FINTRX** has seen first-hand the impact of family office investors and their unique strategies on the larger investment landscape.

We continue to see the numbers of global family offices growing exponentially year over year as affluent families, entrepreneurs and other wealthy individuals increasingly turn to family offices as their main wealth management tool. As family offices continue to establish themselves as a force to be reckoned with in the private wealth ecosystem, there are a number of reasons as to why these niche groups make optimal investors.

## 1) Business Savvy

Family offices are comprised of qualified professionals with extensive experience in providing a range of wealth management services to families & individuals. Because these groups typically manage over \$50M in assets that can be easily shifted and allocated at will, they are prime targets for a variety of investment opportunities.



Family offices also tend to offer more 'patient' capital, utilizing a larger spread of investment opportunities and often taking a long approach to capital allocation. These groups are more hands-on than other wealth management firms when it comes to asset management, employing their own expertise and strategically building relationships with trusted advisors. Oftentimes, family offices will seek out one another to pool capital and share ideas, resources, experience and more.

## 2) Tailor-Made Structure

Family offices differ from traditional wealth management organizations in the sense that they offer a total outsourced solution to managing the fortunes of opulent families. Each has its own unique structure that is specifically suited to fit the needs of the family or families that it serves. The 'uniqueness' of each group is influenced by the values, interests and idiosyncrasies of its clientele. The internal operations of a family office generally include private lawyers, fund managers, tax and trust specialists, senior bankers, real estate professionals and executive assistants--to name a few.

## 3) Personalized One-Stop Solution

High-net-worth families and individuals often require much more in terms of specialized services than your average investor when looking for wealth management solutions, with many hoping to receive an all-in-one service. Family offices provide just that--offering a number of various services that perfectly align with the specific needs, values and goals of the individual or family. These groups can offer anything from asset allocation to legacy planning to charitable giving, providing a wholistic approach to wealth management for their clients.

Single family offices are particularly niche, as they are the result of a carefully selected group of professionals, hand-picked to create the perfect solution for the individual or family that they serve.



## 4) Diverse & Flexible

Aside from having greater freedom and flexibility to allocate capital in a way that strategically aligns with the values and desires of each group, family offices also open doors to a variety of co-investment opportunities with different types of capital. Family office capital tends to be sticky, utilizing a larger spread of investment opportunities and taking a long-term approach to capital allocation.

Family offices are known for investing in a wide variety of asset classes, including real estate, hedge funds and direct investments into private companies, among many others. Utilizing a family office can offer investors plenty of opportunities for unique, high-potential investments.

## 5) Methodical Guidance

Family offices act as financial mentors to their clientele, ultimately guiding and teaching them along the way. This can include thinking through the purpose of their wealth, what they need from a family office to achieve their goals, and advising on the building blocks necessary to implement their plans--from choice of location and resource requirements to governance and structuring.

## 6) Increased Industry Exposure

In search of higher returns, family offices often take a more hands-on investing approach than traditional wealth and asset managers. Family offices with sticky capital and a high level of sophistication tend to be more willing to take riskier investment approaches, often investing in emerging markets, emerging fund managers, or progressive sectors such as cannabis or cryptocurrency. By increasing exposure to industries and asset classes with higher-yield potential, these niche groups gain experience in a wide variety of sectors and asset class types, helping to create a more well-rounded industry view.



## 7) Simplified Due Diligence Processes

Family offices help formalize the investment process for their clients free from institutional mandates, intermediaries and other standard due diligence procedures. Wealthy individuals turn to a family office model in an effort to maintain direct control of their investment portfolios, as compared to allocating to traditional wealth managers or fund managers who charge a layer of fees and offer the investor much less flexibility.

## 8) Socially Responsible & Innovative Mindset

Family offices are forward thinkers, continuously reevaluating traditional approaches to investing as a means to grow capital. Research suggests that ESG (environmental, social and governance) focused investing is not only socially responsible, but fiscally advantageous. While it can be difficult for companies to successfully allocate the appropriate capital and resources to boosting their ESG status, when done correctly, being a top performer in ESG has historically yielded higher returns for investors. Shifts in the past decade or so have put even more pressure on companies to perform in socially responsible ways, as the social media movement often 'cancels' those that fail to do so. We expect this trend to continue at an outsized pace as control of these family offices is put in the hands of younger generations.

## 9) Privacy & Confidentiality

Family offices, while certainly a much bigger recent trend, have been around for hundreds of years, and yet they are still widely unknown and understated. They excel at remaining fairly hidden, with these wealthy families often making every effort to avoid public scrutiny and keep their financial strategies close to their chests. Despite increased transparency into these wealth vehicles in recent years, family offices remain fairly opaque and difficult to research, with very limited resources on their investment activity and dealings available in the market.



## 10) Trust & Commitment

Trust and commitment are pivotal to ensuring any kind of success with a family office. Because of their unique standards, those targeting the family office space require an elevated approach for effective engagement. Building connections based on shared passions, interests and goals allows potential GPs to capture mindshare and establish that initial level of trust, ultimately leading to strong relationships with ideal investment groups.

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## ABOUT FINTRX

FINTRX is a leading [family office](#) & [registered investment advisor \(RIA\)](#) data intelligence solution that provides comprehensive data on [4,000+](#) family offices, [21,000+](#) family office contacts, [40,000](#) RIAs and [850,000](#) registered reps. Our platform combines data, analytics and intuitive software to help clients identify potential investment opportunities, connect with investors and clients and stay informed on industry trends and developments.

At FINTRX, we leverage advanced AI technology to provide accurate and updated information on family offices and RIAs worldwide. FINTRX data is powered by millions of sources, which are constantly updated & verified by our [75+](#) person research team and experienced data scientists. This ensures you have access to the most relevant and accurate information available.

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**"The reality is that the family office landscape is growing incredibly quickly and becoming more sophisticated by the year. The need for an ever-moving and intuitive dataset in the family office space has never been greater - in a nutshell, that's exactly what we do."**

**Russ D'Argento**  
FINTRX Founder & CEO