

10 Reasons Why Family Offices Make Great Investors

Over the past thirty years or so, family offices have become the preeminent financial model for the ultra-wealthy. This amassing of capital has resulted in the family office becoming an intricate player within the alternative investment and private capital markets ecosystem. As the leading family office data and research platform, **FINTRX** has seen first-hand the impact of family office investors and how their unique nature distinguishes them from the rest.

As household debt hits record highs, it is evident that personal finances are a challenge for most people. When it comes to ultra-high-net-worth individuals, the old saying 'more money, 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 laborious tasks, wealthy families employ a niche group of experts in asset management, tax and accounting, legal affairs and a variety of other wealth management professionals, resulting in the creation of single and multi-family offices.

Not only have we seen a spike in family offices all over the world, but we also uncovered a growing trend among affluent families, entrepreneurs, and startups increasingly looking to family offices as an alternative to attract and mobilize capital. As they continue to establish themselves as a force to be reckoned with, we have provided ten reasons as to why family offices make optimal investors.

1. Business Savvy

In essence, family offices are comprised of qualified professionals with extensive experience providing a range of wealth management services to families and individuals around the world. With a starting AUM of roughly **\$50M+**, family offices are prime targets for a variety of investment managers because they can shift funds more easily than larger asset pools, such as pension funds.

About FINTRX

FINTRX is the leader in providing comprehensive family office intelligence - engineered to help you **identify**, **access** and **raise** family office capital.

Family offices tend to offer more patient capital, utilizing a larger spread of investment opportunities and often taking a long approach to capital allocation. These private groups are more hands-on when it comes to asset management employing in part their own expertise and strategically building relationships with trusted advisors. Oftentimes, family offices will seek out one another to pool capital, share ideas, resources, shared experiences 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 have unique structures that are specifically suited to fit the needs of the family. The 'uniqueness' of each group is influenced by the values, interests, and idiosyncrasies of the families being served. 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 are often seeking much more than your average joe investor. Instead, many hope to receive a full-service platform from wealth managers. Family offices do just that; by providing a number of services that perfectly align with the specific needs, shared values, and interests of the family. Some of the main services offered include setting and monitoring financial goals, asset allocation, investment management, legacy planning, charitable giving, tax planning, risk management, estate planning, retirement planning, and many more.

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.

5. Methodical Guidance

Family offices act as financial mentors to the individuals they serve, 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 in order to achieve this, and advising on the building blocks they need to implement their plans; from choice of location and resource requirements through to governance and structuring.

6. Increased Industry Exposure

In search of higher returns, family offices often take a more hands-on investing approach. By increasing exposure to higher-yielding assets, such as real estate for instance, industries across the board continue to attract family office capital given its diversity and mass appeal. Family offices with sticky capital and a high-level of sophistication are more willing to be riskier in their investment approaches, oftentimes investing in emerging markets such as in healthcare or biotechnology.

7. Simplified Due Diligence Processes

Family offices help formalize the investment process for their clients, as they are 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 private equity fund managers who charge a layer of fees for little control.

Interested in a newfound approach to targeting the family office sector?

5 Effective Ways to Tackle the Family Office Market



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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) investing is not only socially responsible, but fiscally advantageous. The primary drivers of sustainable investments are made in education, housing, community development, and agriculture. We expect this trend to continue at an outsized pace as control of these family offices are put in the hands of younger generations.

9. Privacy & Confidentiality

Family offices have been around for hundreds of years and yet they are still an unknown entity to many. They typically remain hidden (in a sense) out of respect for the families they serve. Oftentimes, these wealthy families make every effort to lead a 'normal' life, without the scrutiny of media outlets, journalists, etc. That being said, there has been a recognizable shift in the transparency of these wealth vehicles. As more investors turn to the space for funding, family offices are slowly but surely coming out of the shadows, allowing for higher quality deal flow.

10. Trust & Commitment

Trust and commitment are pivotal to ensuring any kind of success with a family office. Because of their unique standards, individuals targeting the family office space require an elevated approach for effective engagement. Connecting to the genuine passions, interests, and goals allows potential GP's to capture mindshare and establish that initial level of trust. Trusted family offices are like control towers - the more trust you have in one another, the better the outcome will be.

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