



PART FOUR

# Family Office Overview and Allocation Preferences

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SCHWAB



## Contents

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|  |       |
|--|-------|
| Geographic Location of Single & Multi Family Offices | p. 6  |
| Countries With the Most Family Offices               | p. 7  |
| Family Offices Throughout the United States          | p. 8  |
| Regional AUM Breakdown                               | p. 10 |
| Asset Class Interest by Family Office Type           | p. 14 |
| Asset Class Interest by AUM Range                    | p. 16 |
| Industry of Wealth Origin by Region                  | p. 18 |
| Asset Class Interest by Industry Origin of Wealth    | p. 20 |
| Direct Transactions                                  | p. 22 |
| ESG Interest   | p. 25 |
| An Interview with Paul Ferguson                      | p. 26 |
| About FINTRX   | p. 28 |

# Introduction

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Dear Reader,

It is with great enthusiasm that I present Part Four of our Industry Briefing Series. Nearly two years ago, alongside our partners at Charles Schwab, we at FINTRX released part one of the Series with the goal of providing useful and insightful commentary on the global family office landscape. Following the release of two subsequent chapters, it became evident that the information published in the piece was incredibly well received and highly sought after by the greater financial services community. Thus, after minimal discussion we began to plan the next chapters of the industry Briefing Series, which has culminated in the following piece.

As with all FINTRX data, the information and analysis contained in the following pages was sourced using a bottom-up methodology. Through public sources, proprietary research, and personal communication the dedicated FINTRX research team has compiled, over many years, an extensive database of family office research. A cross-section of this data was ultimately used to provide the insights contained within this piece. We believe this piece represents the most accurate industry analysis and commentary to date.

A special thanks to Jill Matesic, Paul Ferguson, Eddie Brown and the entire Schwab team for their continued assistance and valuable insight throughout the creation of this report. I hope you enjoy our second Family Office Industry Briefing Series.

Thank you,

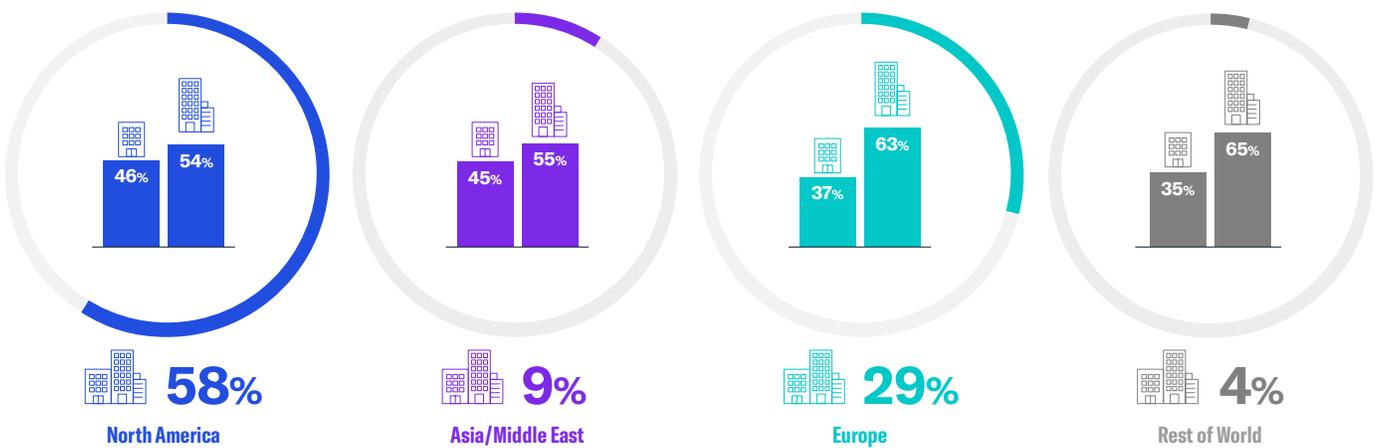
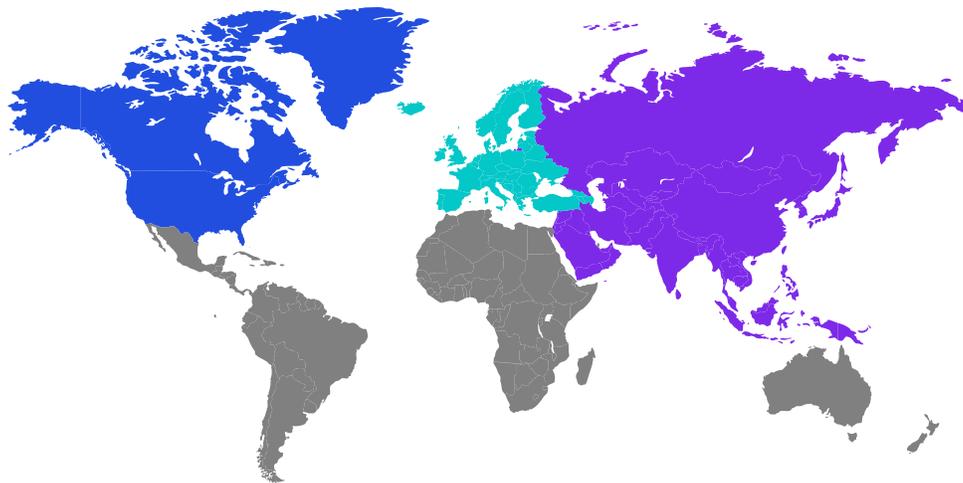
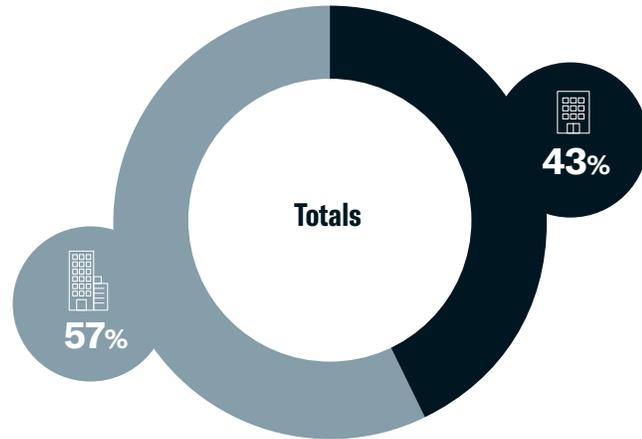
Dennis Caulfield Jr.  
Vice President of Research





# Geographic Location of Single & Multi Family Offices

Throughout this report, we define family offices as private wealth vehicles established to service the needs of high and ultra-high-net-worth families including investing and managing their financial assets. This report excludes private companies established strictly to operate or serve as a holding company to family businesses, which some may classify as a family office. We bifurcate between two firm types. Single family offices, which manage the wealth of and serve a single individual or family and multi family offices, which as the name suggests, serve the needs of multiple high-net-worth families.



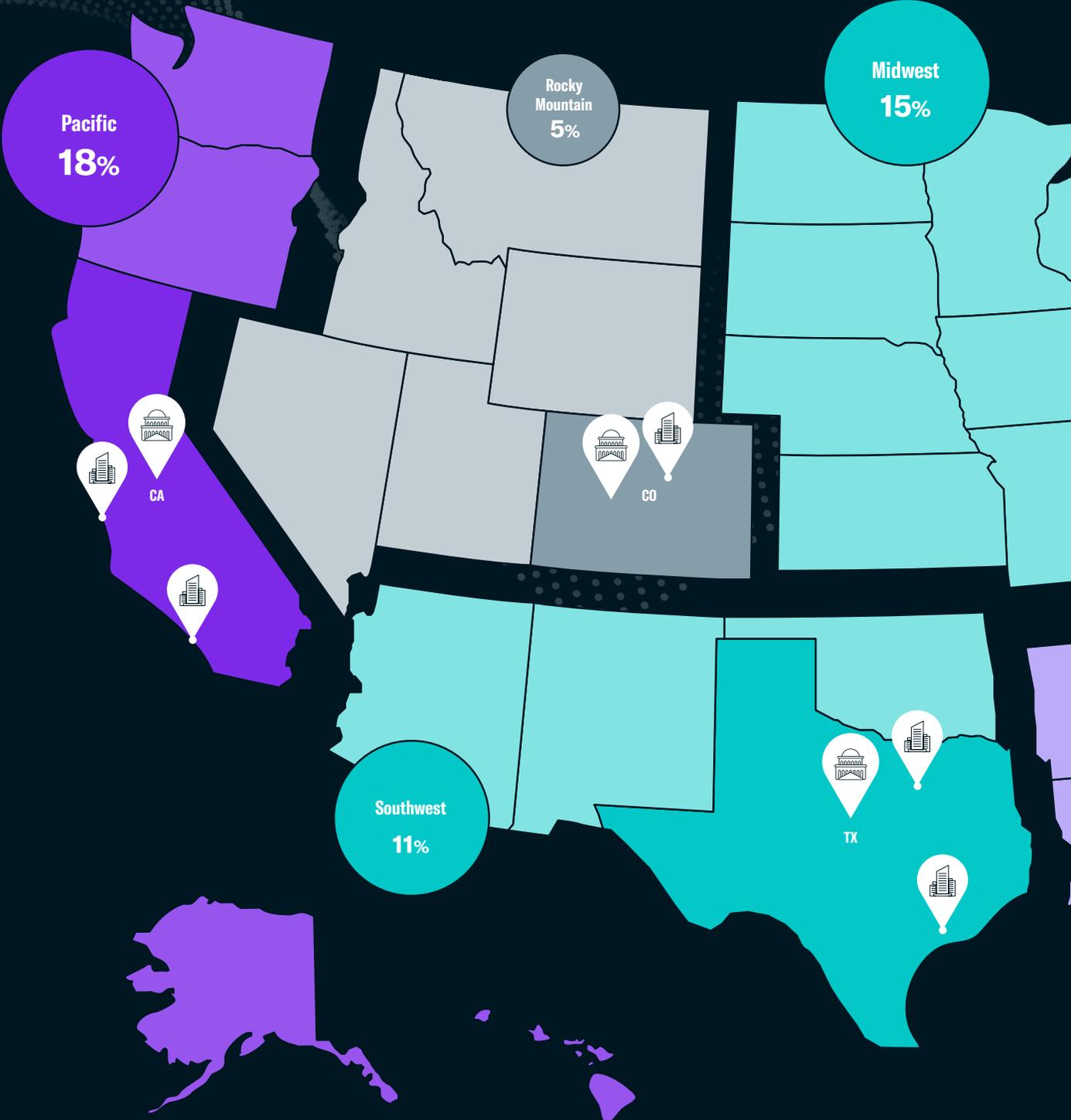
# Countries With the Most Family Offices

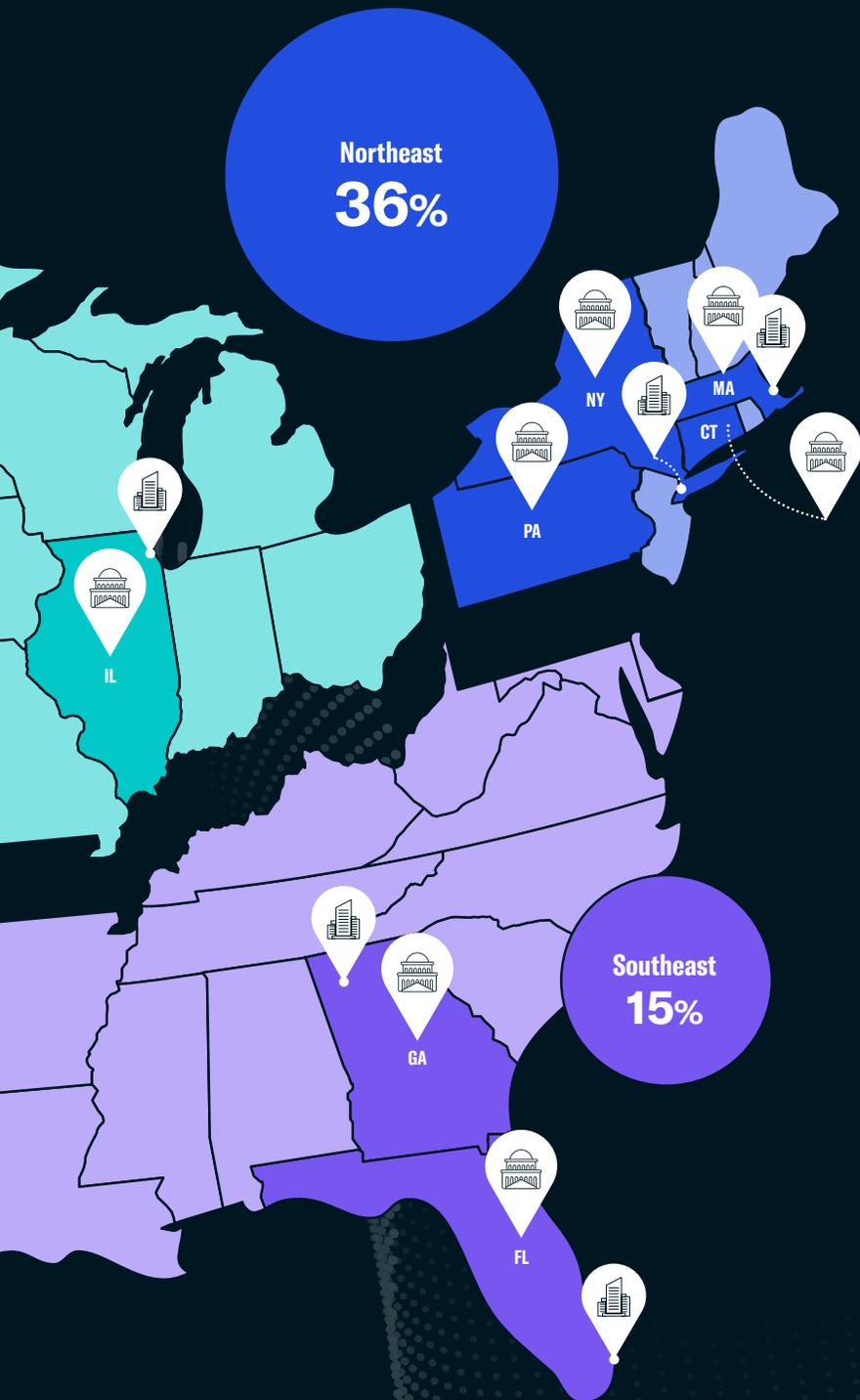
## List of the top 15 countries with the most Family Offices



The origin of the “family office” is not entirely clear; however, most agree that what we consider to be the modern family office traces its origins to the 19th century as captains of industry and magnates sought solutions to the complex issues that came with enormous fortunes. These private wealth vehicles originated in the United States and Europe and over the subsequent century grew increasingly popular across the globe. Today, the majority of family offices are headquartered in the United States, followed by Switzerland, the United Kingdom and Germany respectively.

# Family Offices throughout the United States





**Top States**

- New York
- California
- Texas
- Florida
- Illinois
- Massachusetts
- Pennsylvania
- Connecticut
- Colorado
- Georgia



**Top Cities**

- New York City
- Chicago
- Dallas
- San Francisco
- Boston
- Los Angeles
- Miami
- Houston
- Atlanta
- Denver

# Regional AUM Breakdown

## North America

**69.5%**  
of Global Family Office Assets



### Single vs. Multi Family Office Assets

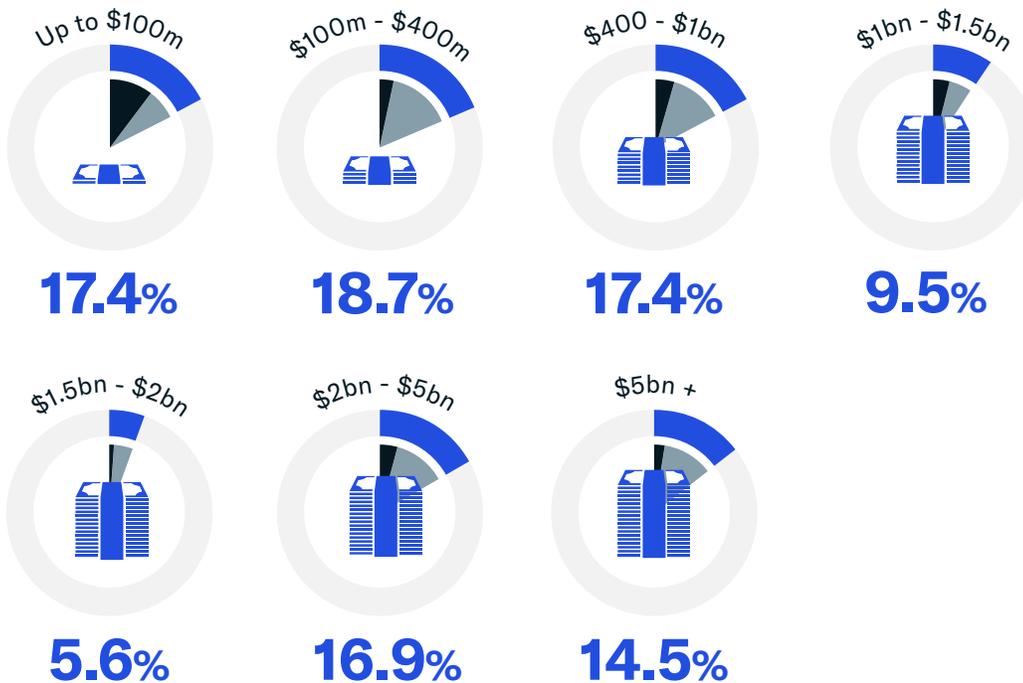


**26.1%**



**73.9%**

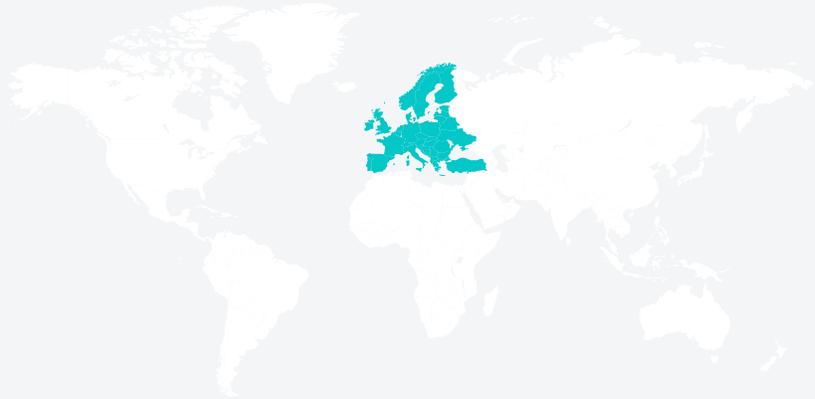
### Percentage of Family Offices by AUM Range



Europe

**20.8%**

of Global Family Office Assets



Single vs. Multi Family Office Assets

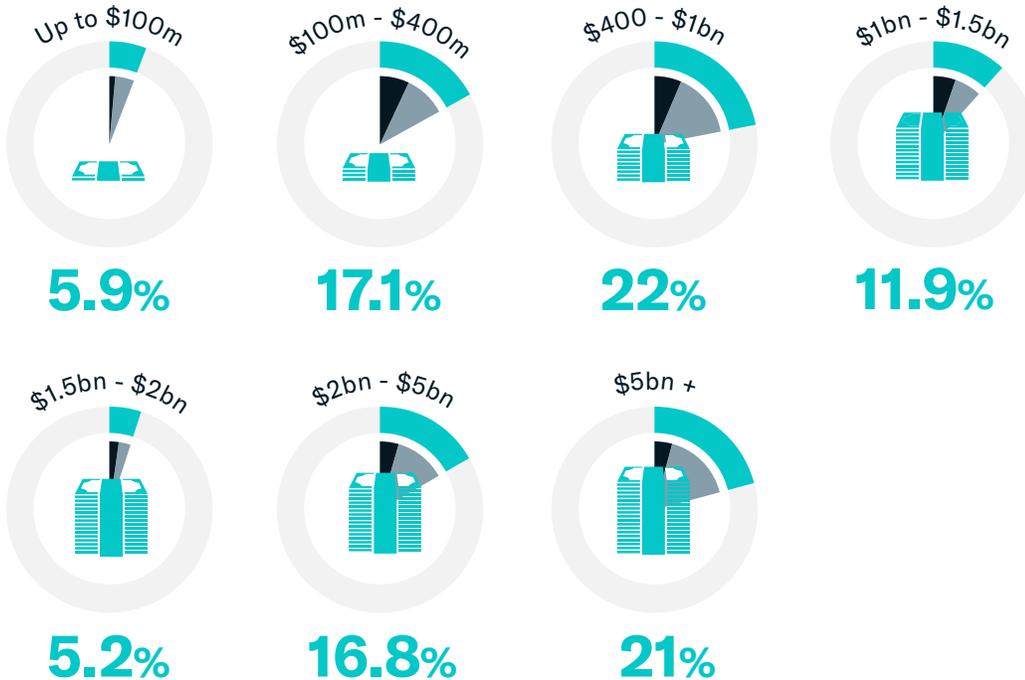


**34.6%**



**65.4%**

Percentage of Family Offices by AUM Range

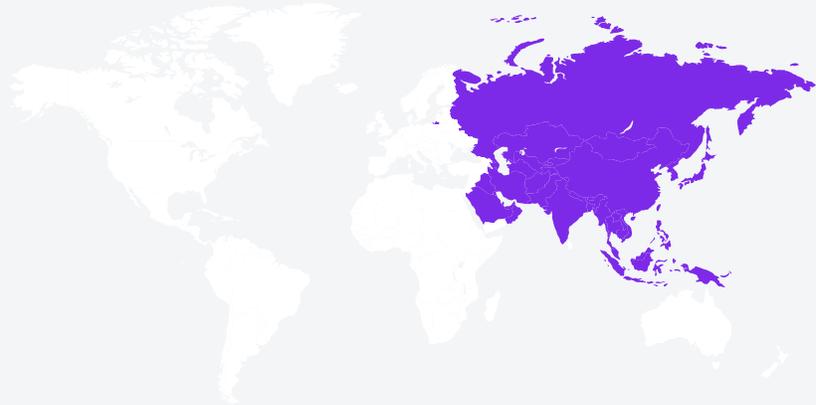


# Regional AUM Breakdown

## Asia/Middle East

**7.6%**

of Global Family Office Assets



### Single vs. Multi Family Office Assets

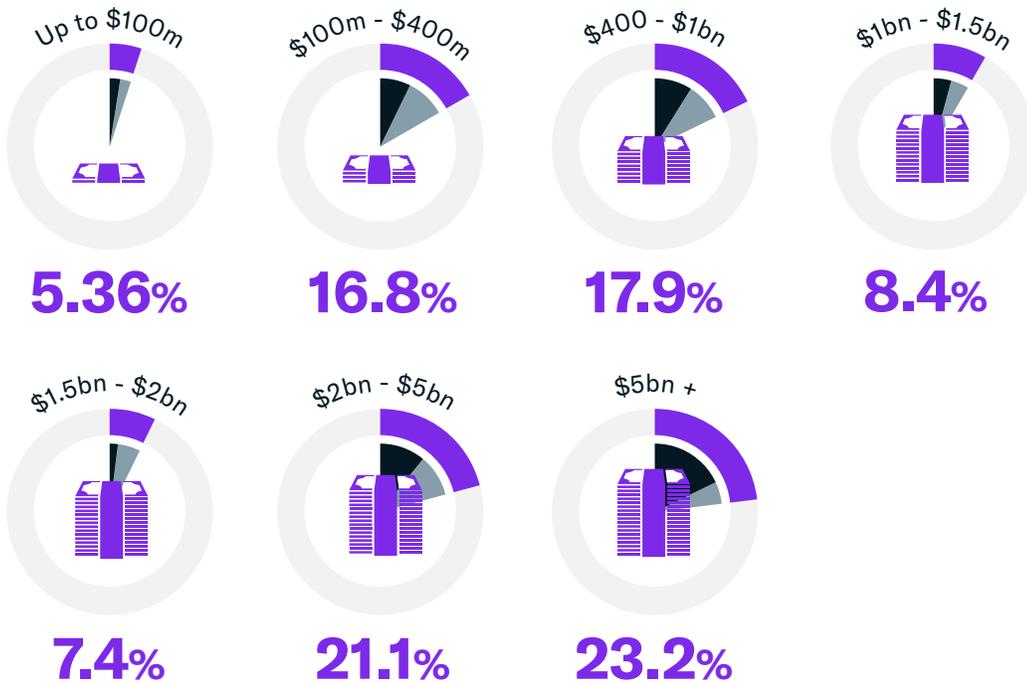


**65.2%**



**34.8%**

### Percentage of Family Offices by AUM Range



Rest of World

2.1%

of Global Family Office Assets



Single vs. Multi Family Office Assets



44.6%



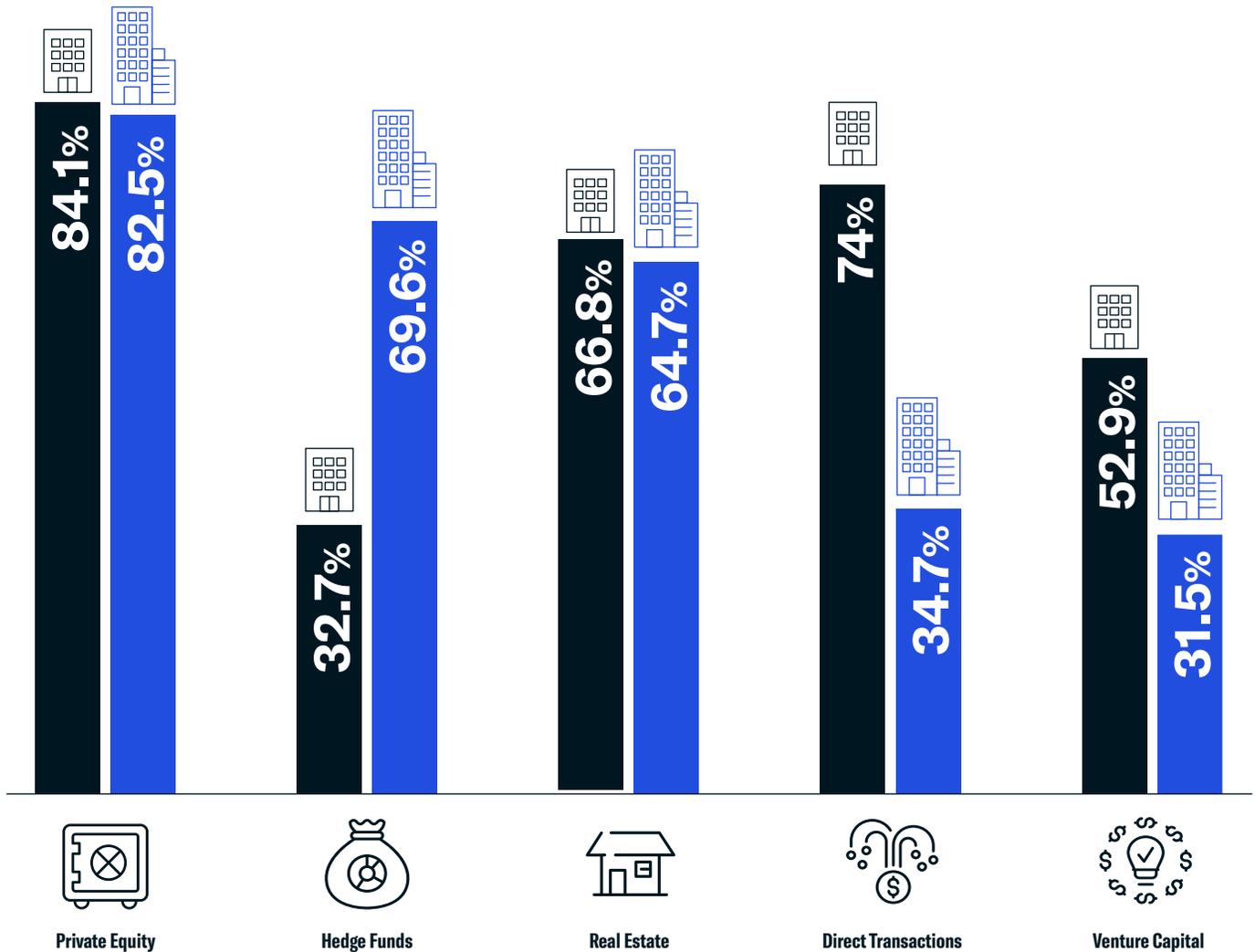
55.4%

Percentage of Family Offices by AUM Range

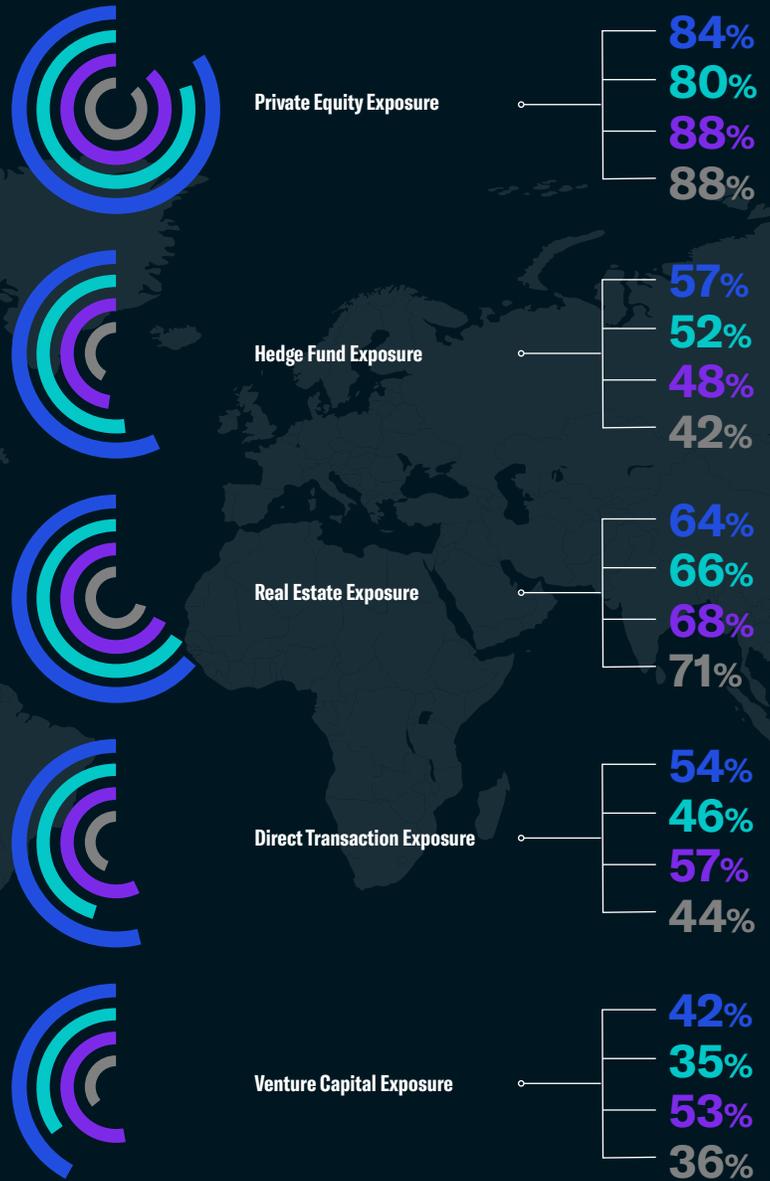


# Asset Class Interest by Family Office Type

While single and multi family offices frequently offer similar services and ultimately strive to protect and create wealth on behalf of their clients, the difference in their client base leads to diverging asset class interests. For example, while both single and multi family offices typically consider private equity investments, an overwhelming majority of single family offices elect to make direct investments while less than half of all multi family offices consider investing directly into private companies. Conversely, over the past five years, hedge funds have largely fallen out of favor with single family offices while remaining an integral part of multi family office investment strategies.



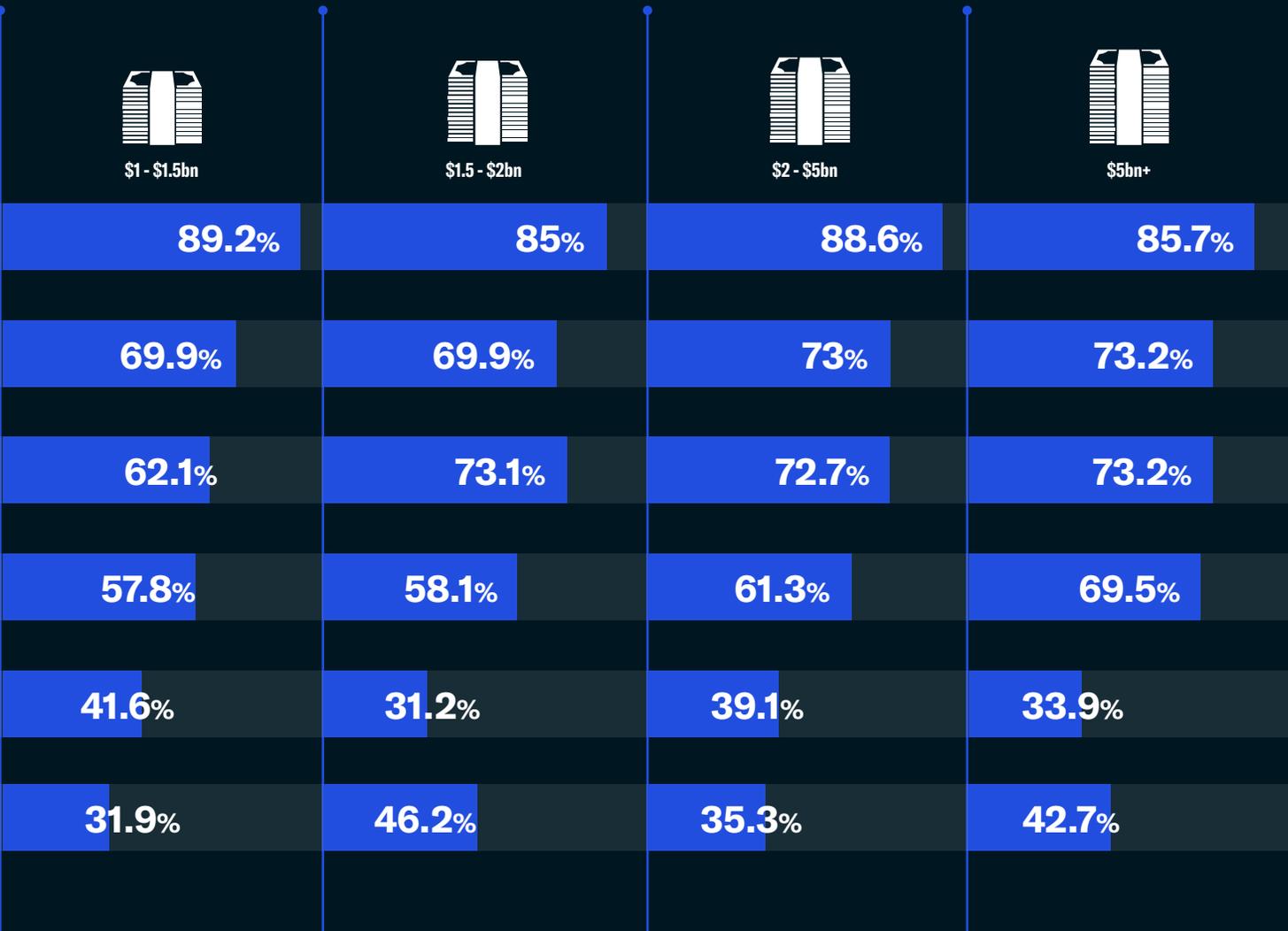
# Asset Class Interest by Region



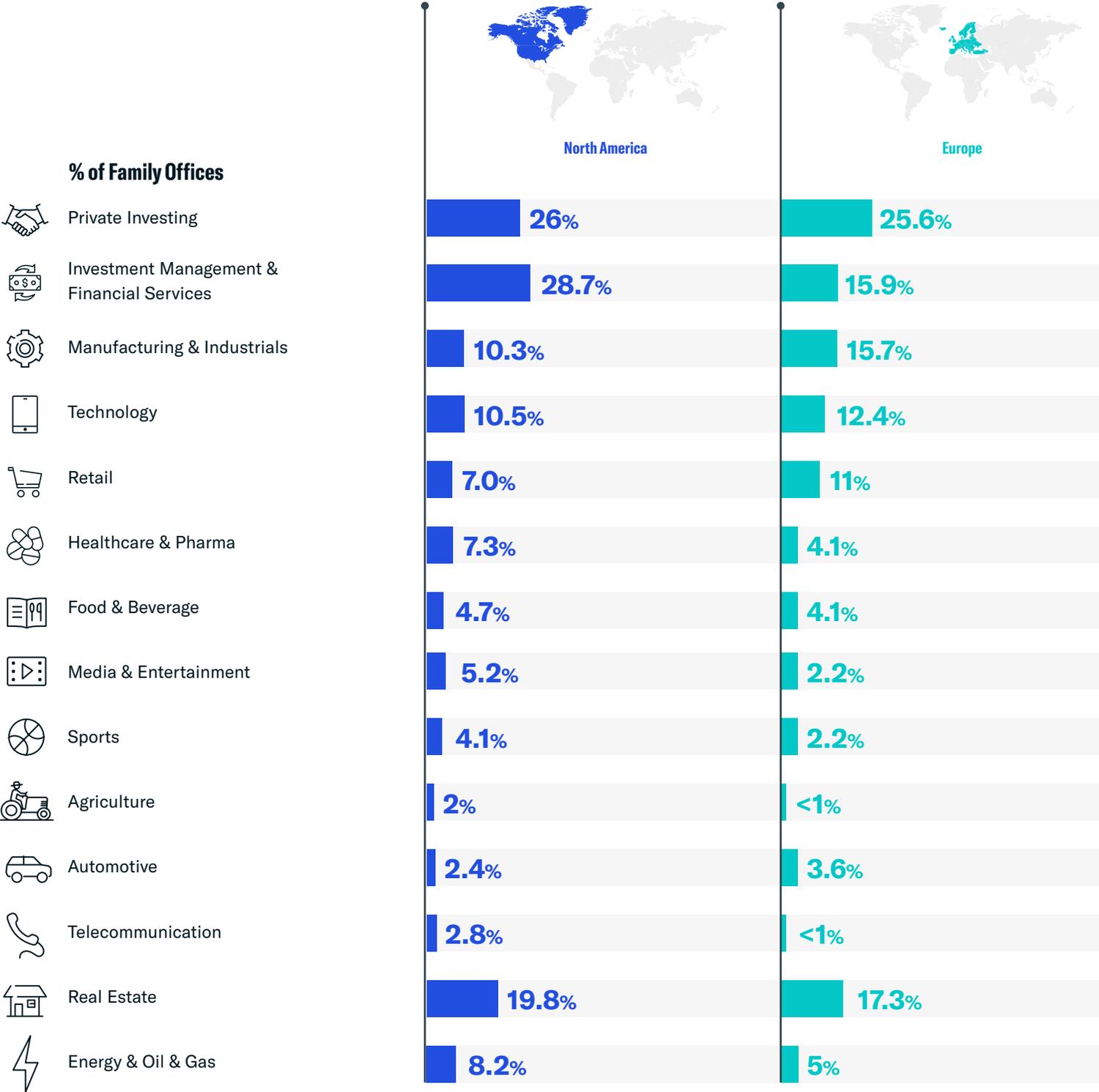
As information and access to investment opportunities have become increasingly globalized, asset class interest has trended toward a standardized approach across geographic regions for family offices. While there remain minor outliers such as an outsized venture capital interest amongst Asian family offices, market pressures and a decrease in inefficiencies throughout the alternative investment landscapes have led to more consistent allocations with regard to asset class.

# Asset Class Interest by AUM Range





# Industry of Wealth Origin by Region

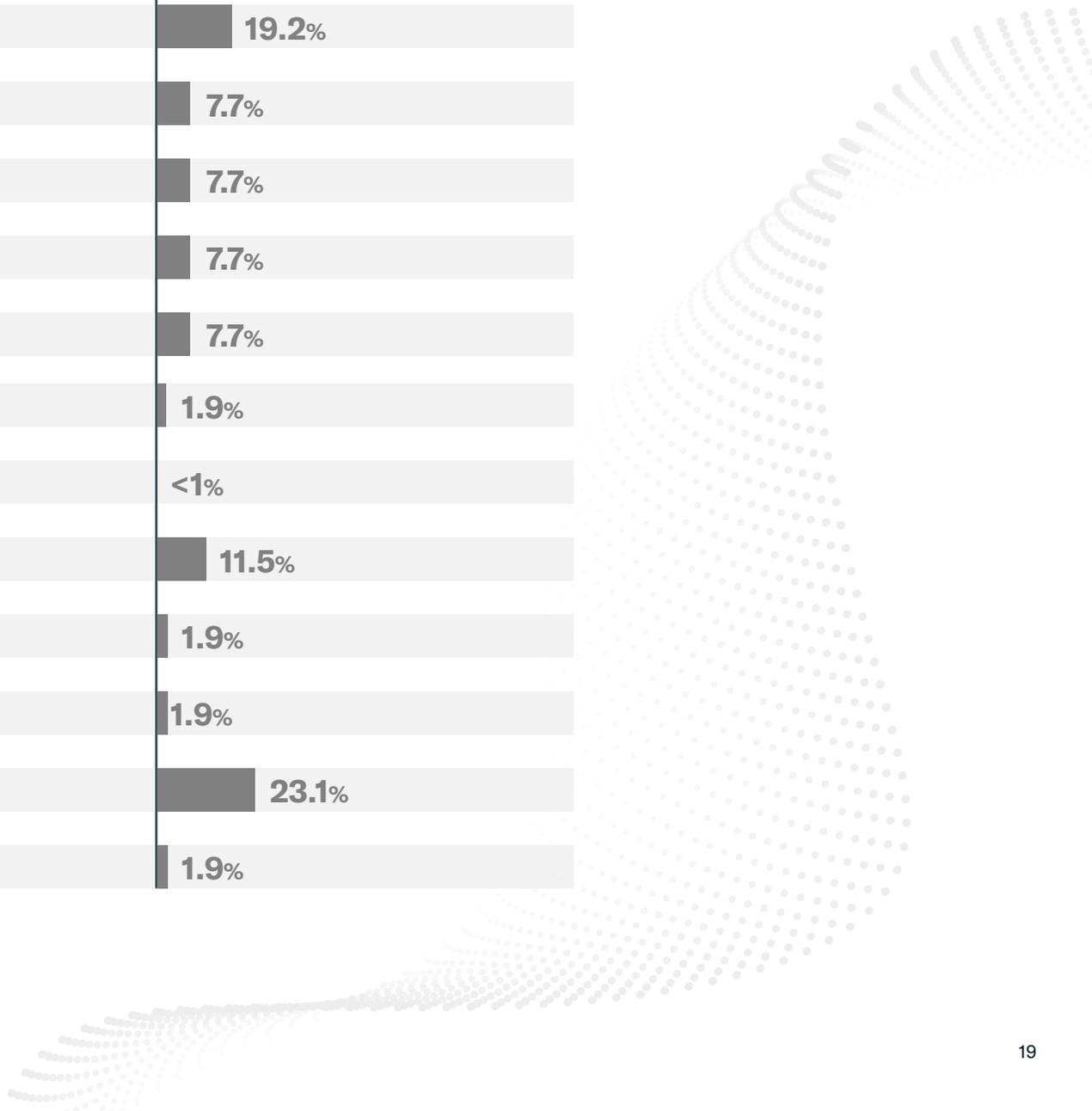
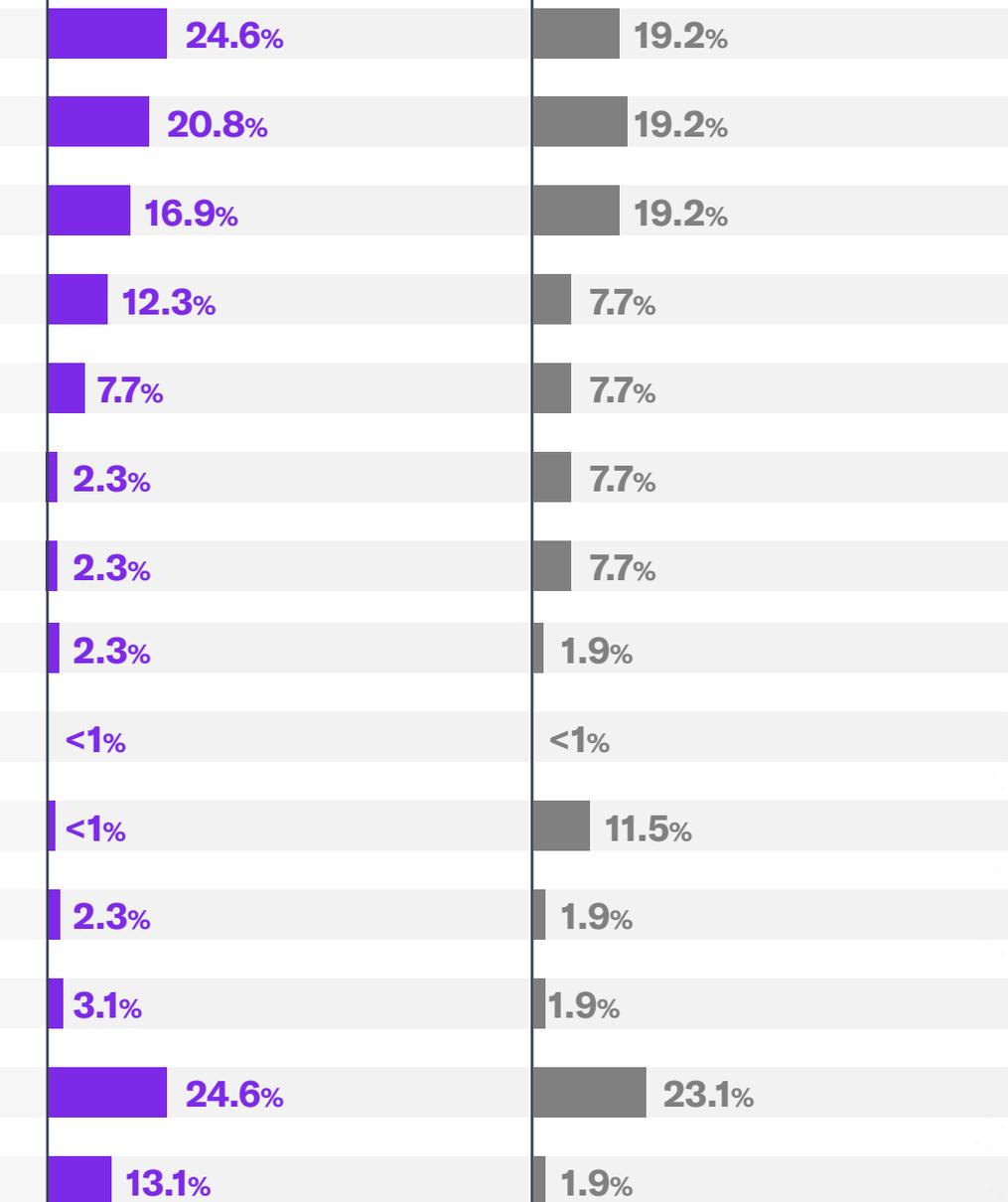




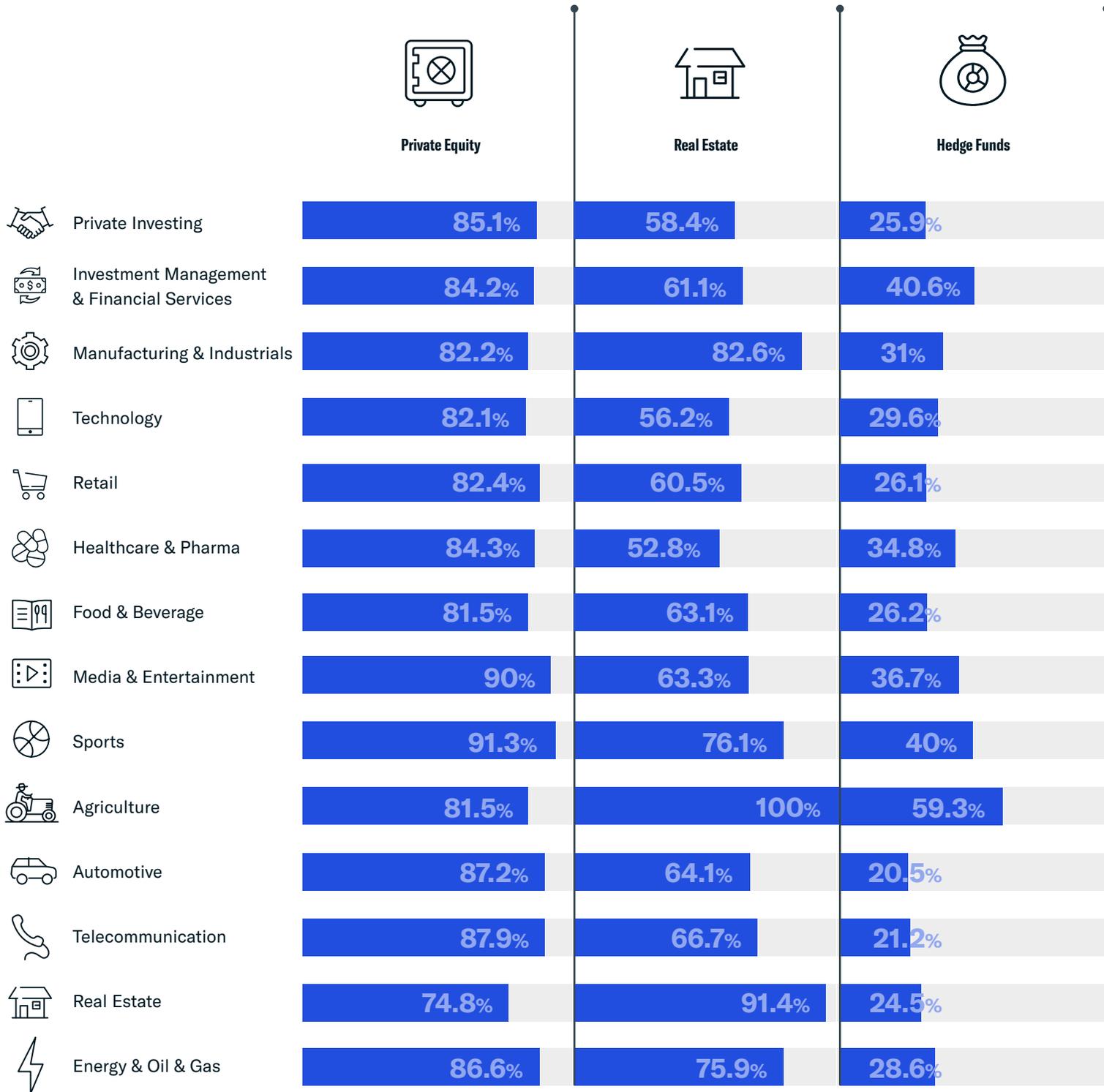
Asia / Middle East

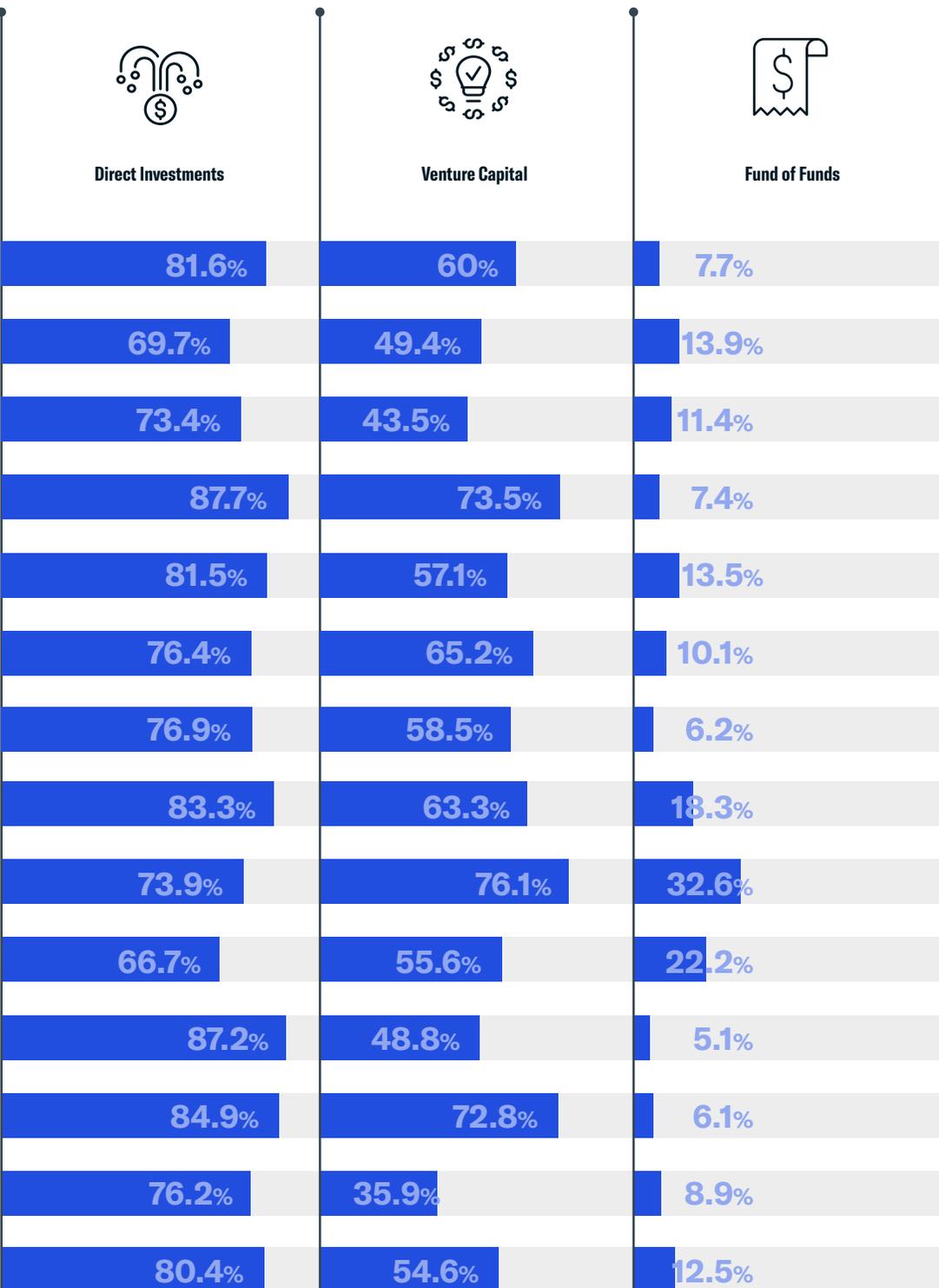


Rest of World



# Asset Class Interest by Industry Origin of Wealth





# Direct Transactions



family offices have made over

**21,000+**

Direct Transactions since 1990 into

**17,700+**  
companies



**52%**

of Family Offices make Direct Transactions

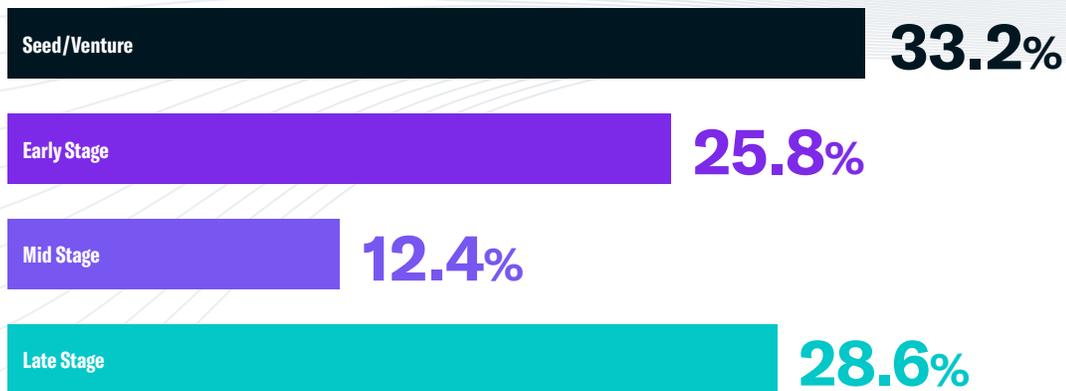


**18%**

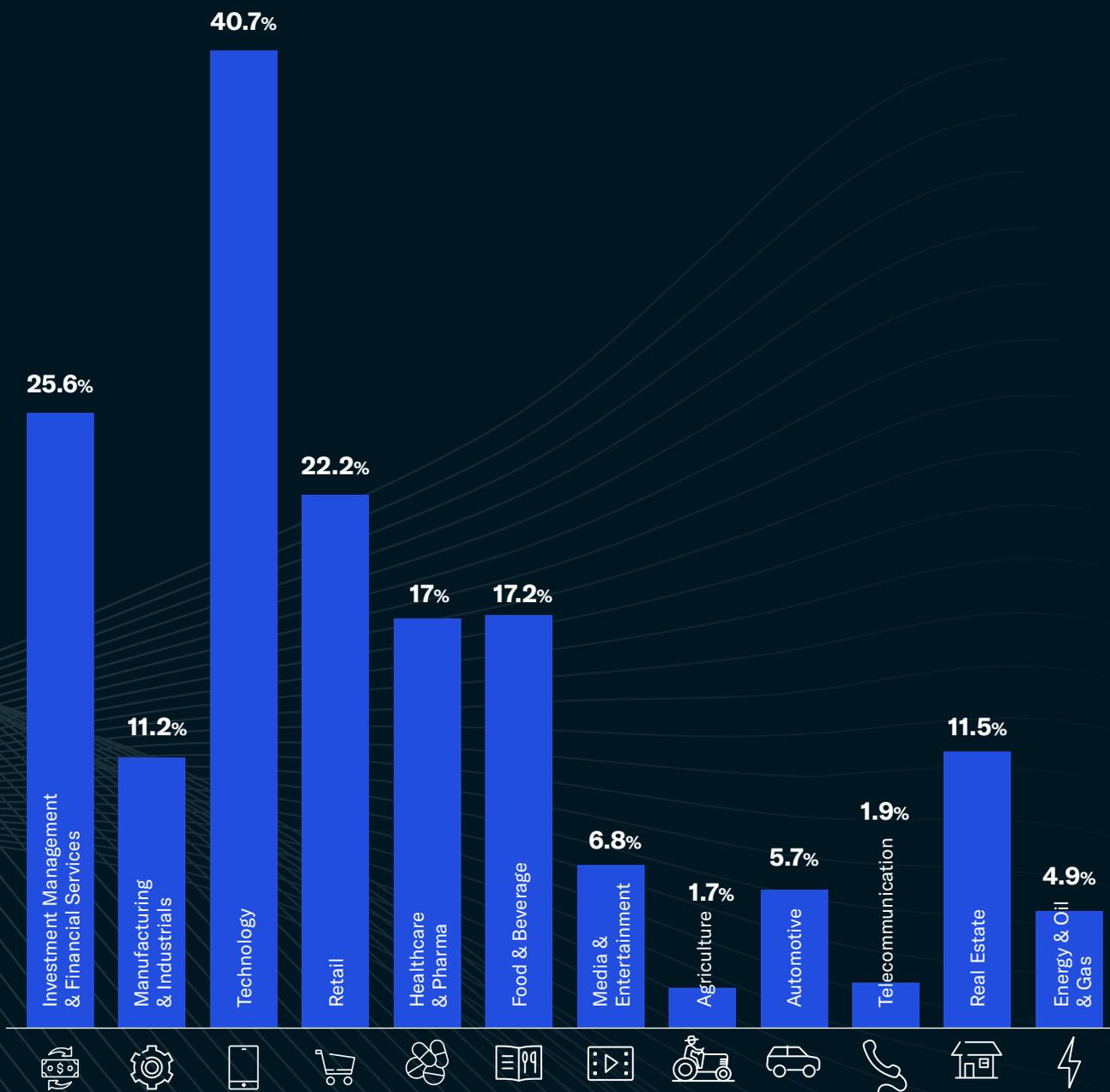
of all Direct Transactions made by Family Offices are "Follow-On"



## Direct Transactions by Stage

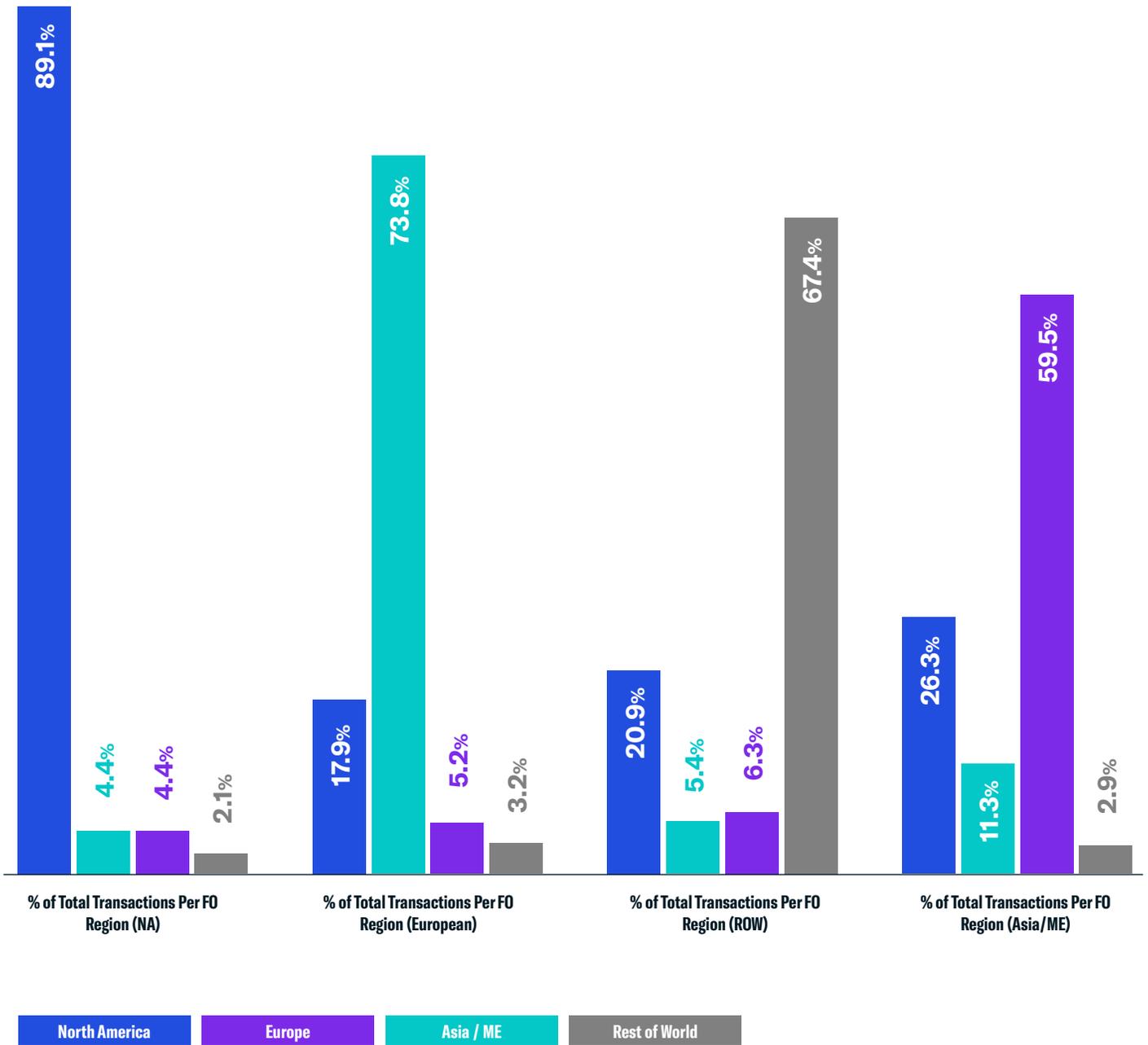


Direct Transactions by Industry



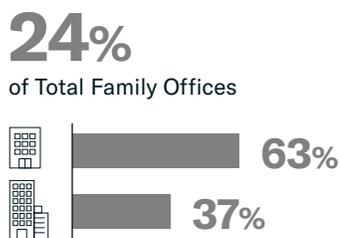
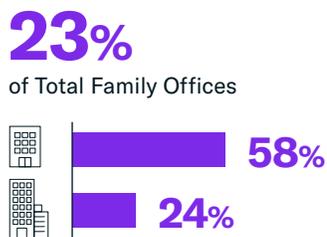
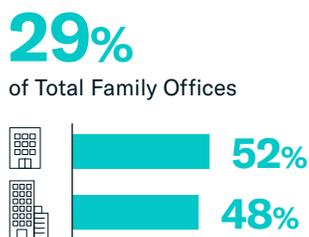
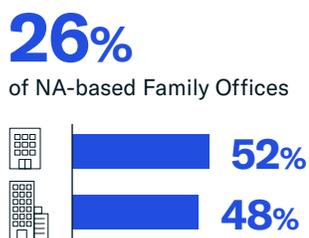
# Direct Transactions

## Direct Transactions by Company Location



# ESG Interest

## Geographical Breakdown by Region of ESG Interest



**64%**  
of family offices with an ESG strategy were established later than 2000. Top industry of wealth creation amongst ESG investors include Real Estate, Technology & Financial Services. ESG Investing is most popular among family offices domiciled throughout Norway, Austria, Belgium, France and Germany.

# How Family Offices can lead on ESG and Impact Investing

It was the height of the Great Depression. John D. Rockefeller, Jr., stood before volunteers for the Citizens Family Welfare Committee of New York City to share his technique for soliciting donations for worthy causes

Junior, as he was known back then, started his speech: “I have been brought up to believe, and the conviction only grows on me, that giving ought to be entered into in just the same careful way as investing—that giving is investing, and that it should be tested by the same intelligent standards.”

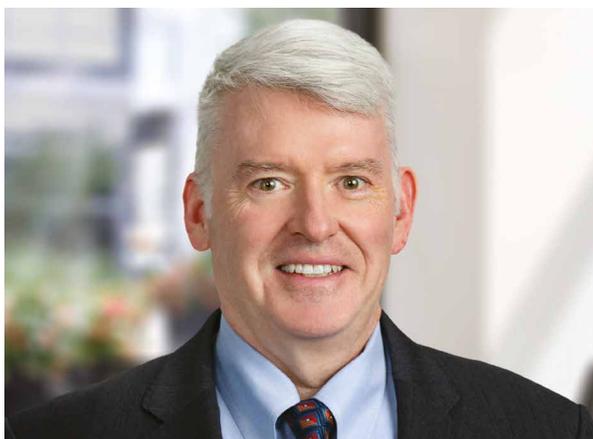
Rockefeller’s words have new resonance today as family offices grow more interested in investing in assets with favorable environmental, social, and governance (ESG) standards.

ESG is not charity. It’s a way of aligning portfolios with principles—doing well (investment performance) by doing good (making a societal impact). Family Office professionals have entered the ESG space with the same philosophy with which Junior used to approach philanthropy. Now, a number of family offices and ultrahigh-net-worth individuals are ready to bring ESG into a new era.

## ESG as an operating principle

“Some family offices still focus solely on returns,” says Paul Ferguson, Head of Relationship Management at Schwab Advisor Family Office. He also notes that a rising tide of family office leaders now considers ESG the new fact of business. “These family office leaders view ESG as not just a metric, asset type, or asset class but a philosophy that informs nearly every decision they make.”

As a leader in Schwab’s specialized family office offering, Ferguson has an interesting perch. His team of Relationship Managers address the complex needs and unique requests of some of the largest, most sophisticated family offices in the U.S. From that vantage point, he plugs family office leaders into relevant networks so that they can exchange insights and strategies with other family office professionals and specialists.



**Paul Ferguson**  
Head of Relationship Management, Schwab Advisor Family Office

Lately, he’s seen a flurry of new activity from some family offices that are using their capital and unique agility to go beyond selecting ESG-screened mutual funds and ETFs to make direct investments in private companies and impact startups.

Why? It’s about family cohesion, says Ferguson.

## Accelerating change through direct impact investing

“Families that sustain over time tend to be the ones that impart the entrepreneurial spirit from one generation to the next,” Ferguson says.

Many single-family offices created foundations to address problems that were meaningful to families, while others and multi-family offices (MFOs) leaned on donor-advised funds (DAFs) to invest and grow assets, give assets to charities, and create lasting legacies.

## But then came the ESG investing revolution

“ESG and impact investing are getting the rising generation interested in their family’s wealth and, more importantly, interested in managing it,” says Ferguson. “Direct investing in ESG-focused private companies is often the next step for getting younger members involved. A direct impact investment can be much more engaging for a rising generation family member than picking socially responsible stocks or buying a bond.”

## Demand for transparency and control

Investment managers rely on information that’s available when evaluating a socially responsible investment. Scores or ratings can vary across data providers. Data is sometimes incomplete or unavailable, which can make it challenging to evaluate the success of impact investing.

“I think that’s also why we’re seeing this trend towards direct investing,” says Ferguson. “Fund investing is much less transparent, not to mention the added fees.”

Instead of being at the whim of fund sponsors for ESG information, some family offices are going direct to make long-term investments for larger impacts.

“If I truly want to have an impact, I need to not only know what the company is doing,” says Ferguson. “I need a way to track impact and that my dollars are being used in a productive manner. The ability to have greater impact and measure that impact can make direct investing very appealing for family offices.”

## Bringing impact investing capabilities in-house

A direct investment in a clean energy startup is an example of one way a family office can accelerate the change they wish to see in the world. But it’s not the only way to invest for impact.

Ferguson senses a new trend emerging. In 2022, family offices began leveraging their agile structures and privately owned capital to make big, strategic investments in their advisory capabilities for ESG and impact investing.

“It’s what clients are asking for,” says Ferguson, “and MFOs are finding new ways to provide it.”

### Three steps to get started

1. For family offices starting to explore impact investing, Ferguson suggests that you begin with a family meeting. Set the stage. Define what success looks like for the meeting. It might be as simple as discussing the core values of each family member and landing on impact themes that express those values.
2. If the family has a foundation, it can explore, with guidance from the family’s investment advisors, an opportunity to align the foundation’s investment portfolio with its mission and values.

Which ESG considerations should be integrated? Which are ancillary? Naturally, you’ll want to consider important factors such as risk profile, time horizon, and target returns, as well as how impact will be measured.

3. If a family decides to adopt an impact investing strategy, it should consider connecting with investment networks and peers to develop a learning community around ESG and impact investing. These networks can support impact exploration and help family offices learn to better identify investment opportunities and execute strategies. Contact your custodian if you need help finding a community network of resources.

Schwab Advisor Family Office connects family office professionals with third-party peers, networks, and industry experts to help build knowledge. “We have a pulse on so many different family offices. And that gives us a unique perspective,” says Ferguson.

From climate change to diversity and inclusion, there is no shortage of important issues that demand attention.

### Find professionals you trust

Family office impact investing has the potential to bring change while driving profits that can help fund progress and possible prosperity.

“As a custodian with an open architecture platform, we’re trusted by the family office community,” Ferguson says. “We’re a resource for them, whether it’s answering questions about ESG or thoughts on how to prepare the rising generation for maximizing the impact of their family wealth.”

**Learn more about Schwab’s exclusive custody offer for family offices. Call 1-877-687-4085 to speak with a Schwab representative.**

### About Schwab Advisor Family Office

With more than three decades of serving ultra-wealthy families and investment advisors, Schwab Advisor Services™ has the deep experience and extensive resources needed for today’s single- and multi-family offices. As an industry leader, we combine experts who deliver high-touch service with modern technology. It’s why 365 single- and multi-family offices custody with Schwab<sup>1</sup> and why we are entrusted with \$ 620 billion in ultra-high-net-worth household assets.<sup>2</sup>

Our mission at Schwab Advisor Family Office is to be the most trusted custodian to investment advisors and family office professionals serving the ultra-wealthy community. Our dedicated team of experts is highly specialized in providing what is most critical to the modern family office. We offer subject matter expertise, curated thought leadership, and bespoke events to fuel the success and ensure the sustainability of the family office firms we serve.



### Advisor Services

1. As of June 30, 2022. “Family office” is defined as advisor firms that identified as a family office in their ADV filings. Single-family offices that do not file ADVs with the SEC are not included in this number.

2. As of June 30, 2022. Includes assets with Schwab Advisor Services by households with \$20 million or more.

This is for general informational purposes only. Schwab does not provide investment planning, legal, regulatory, tax, or compliance advice. Consult professionals in these fields to address your specific circumstances.

Environmental, social, and governance (ESG) strategies implemented by mutual funds, exchange-traded funds (ETFs), and separately managed accounts are currently subject to inconsistent industry definitions and standards for the measurement and evaluation of ESG factors; therefore, such factors may differ significantly across strategies. As a result, it may be difficult to compare ESG investment products. Further, some issuers may present their investment products as employing an ESG strategy, but may overstate or inconsistently apply ESG factors. An investment product’s ESG strategy may significantly influence its performance. Because securities may be included or excluded based on ESG factors rather than other investment methodologies, the product’s performance may differ (either higher or lower) from the overall market or comparable products that do not have ESG strategies. Environmental (“E”) factors can include climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social (“S”) factors can include how an issuer manages its relationships with individuals, such as its employees, shareholders, and customers as well as its community. Governance (“G”) factors can include how an issuer operates, such as its leadership composition, pay and incentive structures, internal controls, and the rights of equity and debt holders. Carefully review an investment product’s prospectus or disclosure brochure to learn more about how it incorporates ESG factors into its investment strategy.

Schwab Advisor Services serves independent investment advisors and includes the custody, trading, and support services of Charles Schwab & Co., Inc. (“Schwab”).

Independent investment advisors are not owned by, affiliated with, or supervised by Schwab.

Third-party firms and their employees are not affiliated with Schwab. Schwab does not supervise or monitor their services, advice or consultation and this should not be construed as a recommendation, endorsement, or sponsorship. Schwab does not provide legal, regulatory, tax, or compliance advice.

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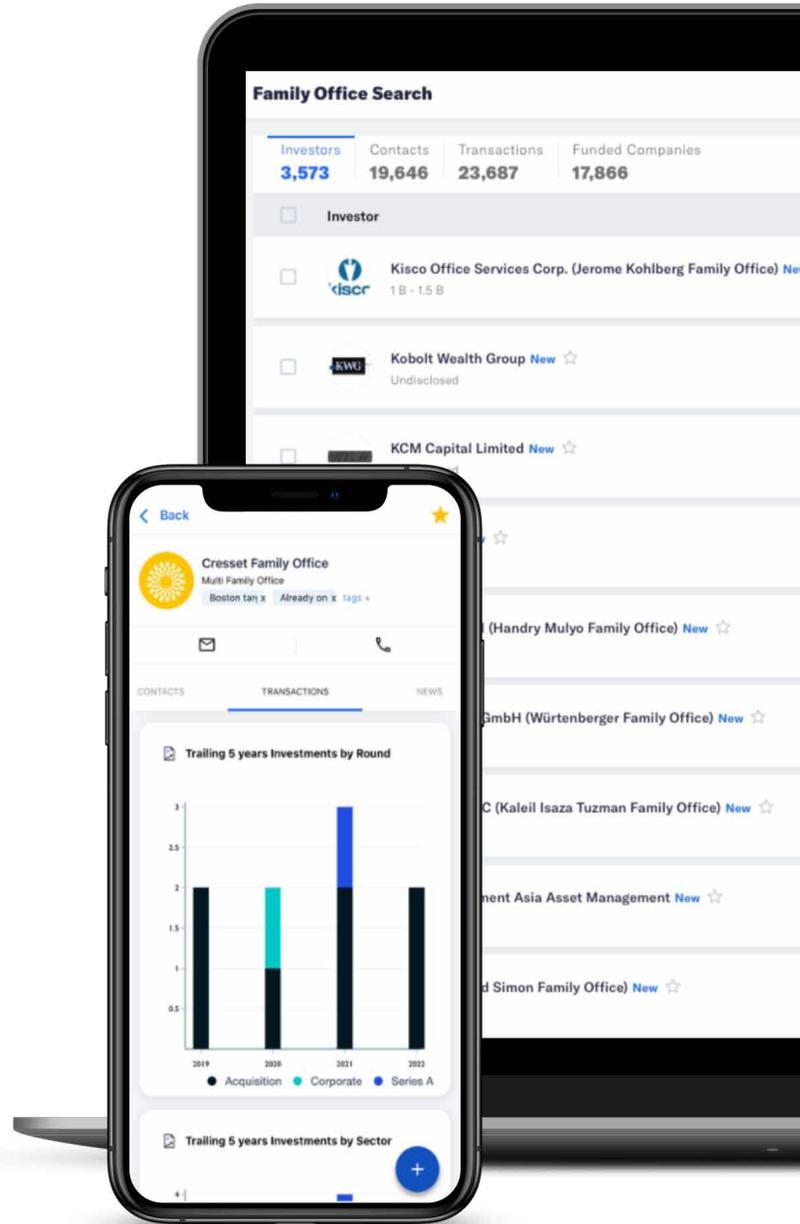
# About FINTRX

FINTRX is a unified data and research platform, offering extensive data intelligence on over 850,000 family office and investment advisor records, designed to enhance industry professionals' ability to access, map and engage with the global private wealth ecosystem by providing comprehensive and updated information on family offices, registered investment advisors and other entities in the space.

With an extensive database of 4,000 family offices, 20,000 family office contacts, 37,000 RIAs and 750,000 registered reps, the FINTRX database offers unparalleled access to accurate and actionable information. Equipped with 375+ search filters, FINTRX allows you to seamlessly track the flow of private capital, uncover allocation trends and break down investment data. Our mission is to empower financial professionals by equipping them with the tools and insights needed to effectively engage and connect with potential investors.

FINTRX goes beyond basic contact details, providing in-depth profiles that include investment preferences, asset allocations, historical investment activity and so much more. This allows users to identify and target the most relevant prospects based on specific criteria, such as investment strategies, geographies and asset class preferences.

At FINTRX, we remain committed to providing exceptional customer support and ensuring our users have the resources they need to succeed. Join us and experience the transformative power of FINTRX. Together, we can navigate the complexities of the private wealth market and unlock new opportunities for growth and success.







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