OCORIAN

REGIONAL FAMILY OFFICE REPORT

The UK, Europe and Crown Dependencies

The growing professionalisation of Family Offices

Contents

Introduction

Throughout Ocorian's Family Office regional reports we're going to deep dive into the nuances, trends and themes of the evolving landscape of family offices across different geographies, the natural succession of wealth and leadership within families, how the professionalisation of the family office has changed in the past five years, and what services we provide that can assist you on your journey.

Our experts at Ocorian: Michael Harman, Commercial Director, Tracey Neuman, Private Client Executive, and Ella Pinnock, Client and Operations Director, all at Ocorian, respond to the data that we've gathered from our international study, and explore the evolving landscape of family offices through natural succession of wealth, investment planning and the increase of assets across Europe, the United Kingdom, and the Crown Dependencies.

Key research finding

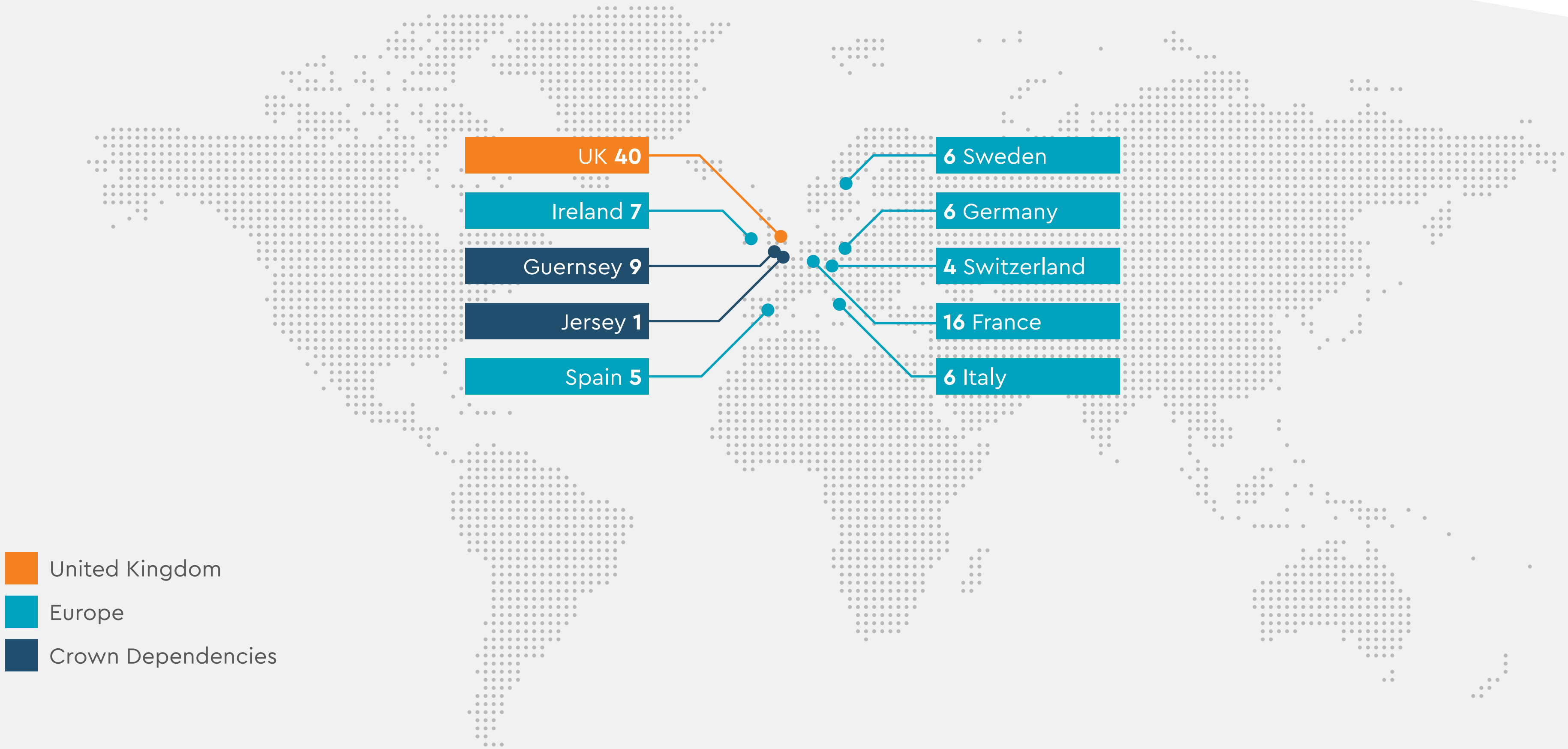
- The natural succession of wealth and leadership within families
- With investment planning comes tension
- Greater professionalisation leads to more robust governance
- The trend driving the increase of assets
- The biggest challenges facing family offices
- What's next for family offices?

Research background

The research was conducted by independent research agency PureProfile. It asked 45 questions in total and was completely anonymous – respondents didn't know the survey was Ocorian led.

It was completed by 100 respondents in total who all outsource to third-party service providers. Respondents were from both single and multi-Family Offices and help to manage over $100 million or more of family wealth.

Respondents by geographic region

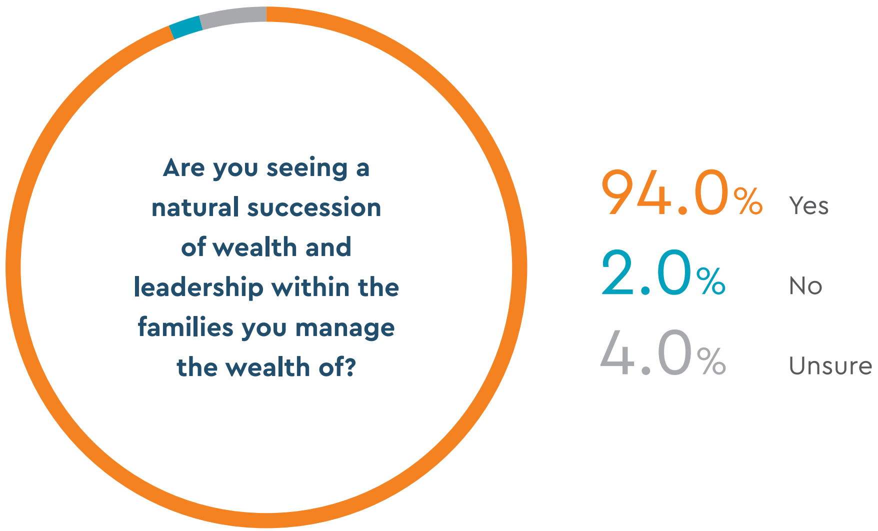


The natural succession of wealth and leadership within families

94% of people agree they are seeing a natural succession of wealth and leadership within families. This may be because there is an obvious candidate or because of forced heirship. In the latter case the next generations don't necessarily get a say in whether they want to lead the family unit and take on the natural succession of wealth. As you can imagine, the problem with that is that families can end up with segmented wealth – and that is where a family office can help to solve the problem and provide the structures that a modern family needs.

Family offices can allow that wealth to be collectively invested, and this is how in the future the next generations can still access interesting investments that require a minimum buy-in, like some funds and some private equity. So, the individual family member will have greater access to a variety of investments, within the structure, and crucially the governance, of the family office.

Succession is a popular topic in the mature markets of Europe, the UK and the Crown Dependencies because, often, wealth was made generations ago and in some cases it has reached the fourth, fifth or sixth generation, who are far removed from the original wealth generation and don't have the same sentimental attachment to family assets, such as family-founded businesses. When the next-generation family members either don't want to lead or aren't necessarily the best-placed individual to do it, tension arises.
Alongside elements of control and leadership, as more family offices manage significant wealth, there is a growing realisation that more conversations need to happen around succession planning.



With investment planning comes tension

It's not just in succession where difficult conversations can arise. 55% of people agree that the investment approach and priorities of the next generation differ compared to the founding generation. So, when the next generation begin to become more involved in the planning of investment strategies, older generations are sometimes surprised by their family members' philosophy to generating wealth, and vice versa.

How widely does the approach and priorities of the next gen differ from the founding / originating generation?

8.0% Does not differ

55.0% Differs slightly

37.0% Differs significantly

0.0% Don't know

The founding generation, who may have built a large business empire and typically maintain traditional investment strategies such as holding cash in the bank and shares in the family business, may find themselves at odds with the younger generation, who seek greater diversification in investments and assets. 55% of people believe that the next generation are becoming more involved in developing and reviewing the investment strategy that family offices have built for the business, as the founding generation start to hand over the reins.

Thinking about the family or families whose wealth you help to manage, are the next generation becoming more or less involved in developing/reviewing the investment strategy you and your colleagues have developed for them?

29.0% Much more involved

55.0% More involved

15.0% Their level of involvement has not changed

1.0% They have become less involved

0.0% Don't know

The varying philosophies to life also apply to businesses and their management; younger generations having more ownership over their family businesses are reshaping the way they work. With different values, priorities and expectations to the generation above, these younger generations want and need a different approach; it isn't enough to just pursue profits. Now, businesses need to be in pursuit of a purpose.

In order for the next generation to become emotionally invested in the business, they need to have a cause or something that they care about. That can be generating wealth, as it probably was for previous generations, but it can also be a social cause, such as wanting to be part of a business that makes a positive impact on the world, or cares highly about their environmental, social, and governance (ESG) impact.

ESG is now a key consideration for family offices, with 82% of people believing it is part of fiduciary duty to prioritise in a business. With a shift towards sustainable and impact investing, businesses are scrambling to adapt and meet the needs of not only their younger directors or owners, but also the next generation of investors.

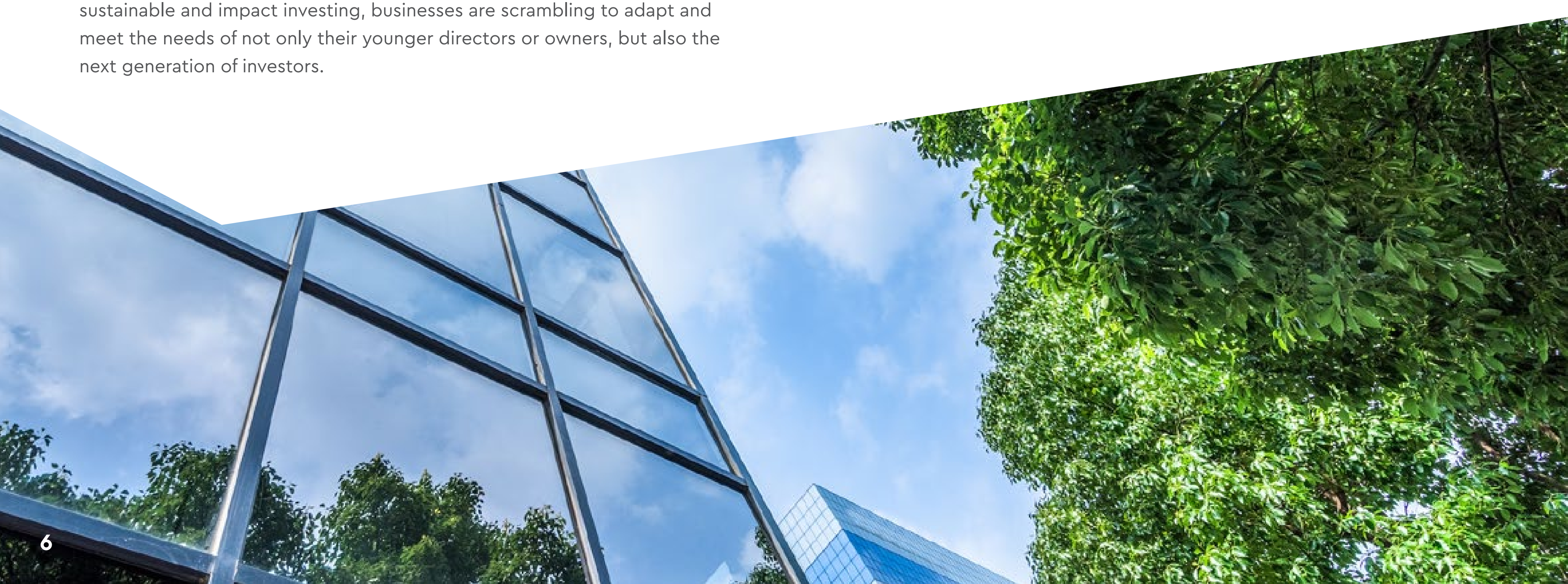
Do you believe ESG is part of fiduciary duty?

82.0% Yes

1.0% No

4.0% Indifferent

13.0% Yes, but making a return is essential for it to be a consideration / but only where there is a return



Greater professionalisation leads to more robust governance

57% of regional respondents to our survey believe that the family office has become more professional in its operations and structure over the past five years, due to an increasing level of scrutiny from regulators globally, leading family offices to become more focused on compliance. They are now adopting ESG criteria, implementing rigorous risk management frameworks, and ensuring they adhere to global tax and financial reporting standards.

Over the past five years, do you feel that the family office has become more professional in its operations and structure?

30.0% Yes, it has become much more professional

57.0% Yes, it has become slightly more professional

12.0% It was already very professional and didn't need to improve much here

1.0% No it has not become more professional

0.0% Don't know

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We help clients of all sizes navigate complex regulations, ensuring compliance and peace of mind. Our services include regulatory reporting, financial crime prevention, board evaluation services and training.

As family offices mature and manage increasingly significant wealth, 81% of people agree that there needs to be a growing emphasis on succession planning to ensure the continuity of wealth and governance across generations. That robust governance includes setting up family trusts and structures that decide the roles and responsibilities of family members and professionals. These frameworks have strengthened the family unit and encouraged clarity and understanding among those professionals and family members to ensure that similar values and responsibilities are transferred across generations.

As more family offices manage significant wealth, there is a growing realisation that more needs to be done around succession planning. How strongly do you agree or disagree with this view?

17.0% Strongly agree

81.0% Slightly agree

2.0% Don't know

0.0% Strongly disagree

0.0% Slightly disagree

As a result of the need to become more professional, there has been a big shift towards hiring experienced professionals from the banking, legal, private equity, and hedge fund industries. By doing this, family offices can enhance the sophistication of their investment strategies, employ leading industry expertise to meet family demands, and manage the increasing number of complex assets.

The trend driving the increase of assets

The number of family offices in the UK and Crown Dependencies is rising, driven by the expertise, sophistication, and deep knowledge embedded within these jurisdictions. With a long-standing history in this sector, they have established stable and well-regulated governance frameworks, continuously evolving to meet the diverse needs of their clients.

Family offices in this region are often global in outlook, as they are used to working with internationally mobile ultra-high-net-worth individuals (UHNWIs) and recognise that the wealthy are only getting wealthier.

84% of respondents have based their family offices in the UK, Crown Dependencies or Europe due to a range of needs such as family members living abroad, the need to diversify the family's investment portfolio, and especially to counteract the effects of geopolitical issues.

This trend is evident in the increasing outflow of assets from the Middle East. While families often retain local assets within their home countries, they are increasingly relocating other assets abroad. This shift is becoming more obvious as new corporate tax policies and evolving gender dynamics influence financial strategies in that region and contribute to European hubs for these families.

Below are some of the issues to consider when deciding where to open a family office.

The biggest challenges facing family offices

With global living on the rise, 92% of respondents have seen family members have multiple citizenships and reside in different countries in the past five years. Therefore, managing cross-border financial, legal, and tax issues becomes more complicated. Family offices are now having to navigate varying regulatory environments, currency risks, and tax implications, while ensuring compliance across multiple jurisdictions.

92.0% Yes

6.0% No

2.0% Don't know

The rapid pace of technological advancement also presents challenges. It requires family offices to continually keep up to date with the newest systems and processes. This includes adopting tools for data analytics, risk assessment mapping, and portfolio management, as family offices continue to evolve.

Another challenge that family offices face is balancing the distinct risk appetites and return expectations of different family members and professionals. Aligning these expectations with the overall investment strategy is a key consideration for the modern family office in this region, especially in an unstable global market. This requires family office professionals to maintain and develop a remarkable understanding of each family member's financial goals and risk tolerance.

What's next for family offices?

The landscape of family offices across Europe, the UK and the Crown Dependencies is experiencing a major transformation. Driven by a shift towards sustainable and impact investing, and the need for enhanced governance, family offices are continually evolving to meet the demands of UHNWIs and their families in an ever-changing world.

As family offices grow and adapt to these trends, they are becoming more sophisticated. Ocorian is constantly creating new strategies to continue to grow family wealth for the generations to come, establishing them as key players in the field, and positioning the business at the forefront of wealth management in these regions.

Meet Ocorian's UK, Crown Dependencies and European team

Michael Harman

Tracey Neuman

Ella Pinnock

To download our global Family Office report and the regional reports from the Middle East, Africa, Asia and the Americas, follow the QR code.

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