REPORT

Family Offices and the role of third party service providers

Contents

Foreword

The Family Office has been on an inexorable rise in recent years. With greater demand than ever for the services of single and multi Family Offices, it stands to reason that third-party providers have become essential allies in the mission to provide an exceptional and complete service to the underlying families.

Alongside the sheer demand is an increased complexity of wealth planning and needs; as sophisticated structuring becomes more commonplace, and cross-border considerations become essential for many families, the expertise of third-party providers is just as important as the scale they provide.

With this survey we wanted to not only highlight the role of third party providers – now and in the future – but also the factors that are likely to contribute to the evolution of the Family Office ecosystem. We asked our respondents everything from succession planning to ESG, digital assets to fund allocations, and I'm grateful to all who took the time to contribute to the survey.

Of particular personal interest is the relationship between ESG factors and fiduciary duty. I've written about this before and feel it's one of the areas where an evolution in thinking is not only prudent, but absolutely necessary.

At Ocorian we have many of the foundations in place to meet the current and future needs of Family Offices. Our history is one of applying intellectual solutions to all problems, to finding bespoke solutions to individual needs, and to always adapting to reflect the world of our clients, and the families they represent.

This is enabled by our fabulous team, who regularly go above and beyond in the name of client service. I am as ever indebted to their expertise, hard work and dedication, and thank them all. Special thanks goes to Amy Collins, who leads our Jersey Family Office team and has contributed to interrogating this data and sharing her insights.

Thank you for taking the time to read our report, I hope you find the results of our survey interesting. Feedback and the sharing of ideas is always welcome at Ocorian, so get in touch if you have any thoughts on what we have learned – we're always very happy to talk and to understand the needs of your Family Office. This is the only way for us to continue to match and exceed your expectations, now and in the future.

Michael Betley
Global Head of Private Client, Ocorian

"With this survey we wanted to not only highlight the role of third party providers – now and in the future – but also the factors that are likely to contribute to the evolution of the Family Office ecosystem."

About this report

To keep abreast of current trends and to better understand what motivates the families we serve, Ocorian commissioned global independent research, in early 2023, interviewing over 130 family offices. All respondents use third-party private client service providers, such as Ocorian, to support in the preservation and protection of their clients' wealth.

Ocorian provides a comprehensive suite of family office services with a dedicated global family office team based in key jurisdictions including the Channel Islands, the UK, the UAE, Singapore, Hong Kong, Mauritius and the Caribbean. We have technical expertise and a deep knowledge and understanding of the dynamics of wealth within families and a commitment to provide the tailored services required.

We work alongside other experts to provide a holistic and complimentary service centred around the specific needs of our clients. Our team offers practical solutions that are flexible enough to adapt to changing family circumstances, acting as an outsourced family office or multi family office, providing support around issues such as managing asset holding structures, running family homes and philanthropy.

Respondent highlights:

- **134** total responses
- All respondents use **third-party service providers**
- **Research carried out globally** - weighted toward the US, UK, the Middle East, India, and China
- Collectively, the respondents are responsible for an **AUM of c$62 billion**
- **Respondents also from** Canada, Germany, Norway, Singapore, South Africa, Sweden, Switzerland, Denmark, France, and Japan
- 63 respondents **work for multi-family offices**

Survey highlights

91%

Predict an increase in the outsourcing of key services

86%

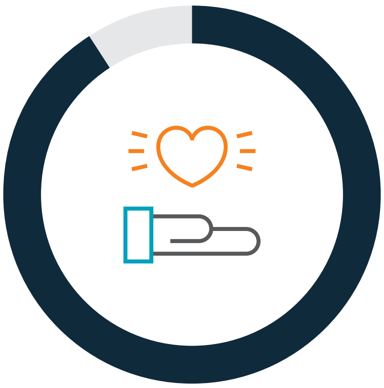
Say next generation are more involved in developing and/or reviewing wealth strategies

88%

See a natural succession of wealth and leadership in client families

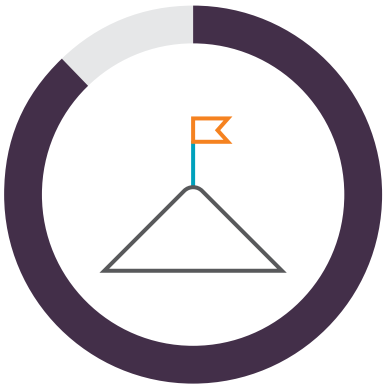
94%

View ESG as a key consideration for client investment priorities



91%

Predict an increase in philanthropy over the next three years



88%

Predict an increase in client risk appetite over the next 12 months

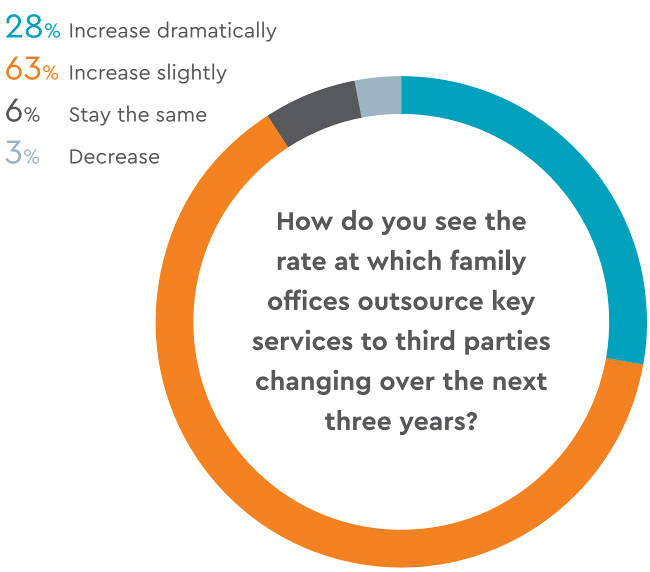
The current role of third-party providers

All respondents noted that they use third-party providers for support in some shape or form. Third-party providers are external companies that handle one or more functions of the Family Office's operation such as Ocorian.

The Family Office ecosystem requires a diverse range of skills and services from an increasing number of locations. The most popular element of Family Office work that third-party providers get involved in are illiquid investments, for example Private Equity (PE) – 63% of respondents use third-party providers in this space.

Personal financial management is sought by 60% of respondents, and 48% use third-party providers for liquid investments, such as investment funds.

63% of respondents anticipate a slight increase in the rate at which they outsource key services to third-party providers in the next three years. 28% foresee a dramatic increase.



Below are a list of assets and areas that family offices provide advice and assistance to clients on. In your work here, which ones do you currently receive support on from third parties?

48% Liquid investments

63% Illiquid investments

34% Assets of passion

30% Family homes

25% Philanthropy

60% Personal financial management

31% Wealth planning

43% Extended family services

16% Repository of all key documents

"Clearly, third-party providers are currently providing the most value for Family Offices in handling specialist investments, likely because of their expert networks and close relationships to fund managers, PE houses and others."
Amy Collins

The increasing role of third-party service providers

Every area we asked about is projected to experience an increase in outsourcing to third parties over the next three years, with the greatest jumps expected in liquid investments (85% said slight or dramatic increase) and extended family services (79%).

As the needs of families increase, and wealth planning and preservation become increasingly sophisticated, external providers are being viewed as a valuable resource for augmenting the capabilities of a Family Office.

Perhaps the increased volatility of liquid investments in recent times has added to the sense that a third-party provider can provide an extra layer of security and expertise when making these decisions for the end client.

10% of our respondents anticipated a 'dramatic decrease' in the need for outsourced philanthropy services, despite respondents predicting an increase in the level of philanthropy they plan to undertake over the next three years. This could be because of the advance of philanthropic endeavours over the past 10 years, meaning many families now have a clear framework or plan in place for philanthropic deeds; or perhaps families are looking to get more 'hands-on' and direct with their giving, and do less of it through their Family Office and the associated structuring.

"With demand growing, it is essential that third-party providers act now to ensure they have the global presence, level of expertise and staffing to meet the needs of Family Offices. We're already seeing increased demand, across these services, from our clients all around the world."
Michael Betley

How do you see your level of oursourcing around each of these areas changing over the next three years? – Part I

Liquid investments

37% Increase dramatically
48% Increase slightly
12% Stay the same
2% Decrease dramatically
3% Decrease slightly
0% Don't know

Illiquid investments

37% Increase dramatically
34% Increase slightly
20% Stay the same
5% Decrease dramatically
3% Decrease slightly
2% Don't know

Assets of passion

29% Increase dramatically
36% Increase slightly
25% Stay the same
5% Decrease dramatically
4% Decrease slightly
2% Don't know

Family homes

24% Increase dramatically
36% Increase slightly
28% Stay the same
8% Decrease dramatically
1% Decrease slightly
3% Don't know

Philanthropy

23% Increase dramatically
39% Increase slightly
23% Stay the same
10% Decrease dramatically
3% Decrease slightly
2% Don't know

How do you see your level of oursourcing around each of these areas changing over the next three years? – Part II

Extended family services

39% Increase dramatically
40% Increase slightly
14% Stay the same
4% Decrease dramatically
2% Decrease slightly
1% Don't know

Wealth Planning

34% Increase dramatically
36% Increase slightly
20% Stay the same
5% Decrease dramatically
3% Decrease slightly
2% Don't know

Personal finance management

33% Increase dramatically
35% Increase slightly
18% Stay the same
9% Decrease dramatically
3% Decrease slightly
2% Don't know

Repository of all key documents

23% Increase dramatically
41% Increase slightly
27% Stay the same
6% Decrease dramatically
2% Decrease slightly
2% Don't know

Meeting the growing need for third-party providers

With the rate of outsourcing to third-party providers anticipated to increase in the next three years – dramatically for 28% of our respondents, slightly for 63% – it is clear that increasing the offering and understanding the need is vital.

71% of respondents said that enabling them to improve their overall service levels was a key reason for increasing outsourcing, reflecting the rise in demand for Family Office services, and the increasing complexity of family needs.

Many Family Offices realise their own strengths and know where a third party can enhance their functions, and the extra resource is clearly welcome.

If overall you expect to outsource more services to third parties, why is this?

59% It will enable us to focus on our core strengths

71% It enables us to improve our overall service levels

54% Clients are increasingly expecting this

27% Regulatory pressure

31% We have many investments, using one family office in one jurisdiction helps

The global nature of wealthy families is also reflected in our data, where 72% of respondents said that third parties' ability to provide access to an increasingly globalised network of administration centres is something they will need more of.

Wealth is global, and many Family Offices relish their ability to remain niche, so it's clear to see why a reliable, global third-party provider can be a powerful addition to a service offering.

Understanding the industry trends and how our clients perceive risk helps us adapt and retain our value. This report is part of our market intelligence gathering to remain better informed and will help us improve our wider offering to Family Offices.

"One of the great challenges of modern private wealth is its global nature. We already have a global network so understand the cross-border considerations that come with managing, preserving and growing wealth. It doesn't make sense for Family Offices to expand their own presence so they often work with us as we have the foundations in place to meet their needs."
Michael Betley

How do you see the role of third parties evolving to meet the needs of your family office over the next 3 years?

60% They will facilitate access to a broader range of financial services and solutions

72% They will provide access to an increasingly globalised network of administration centres

44% They will bring sophisticated regulatory expertise

49% There will be a diversification of skillset

19% Increasingly sophisticated technology to facilitate greater transparency

"Client service is at the heart of our offering. We take on all the tedious work so that our Family Office clients can focus on their areas of expertise, reflected in the above predictions made that outsourcing is set to increase."
Amy Collins

Succession planning and your investment strategy

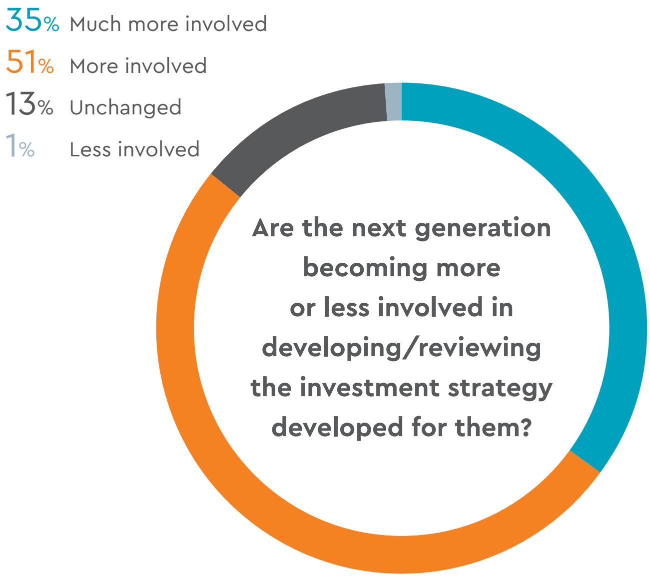
There was universal agreement among our respondents that more work needs to be done with end clients around succession planning (55% slightly agree, 45% strongly agree). This is unsurprising considering that only 1% of respondents said that the next generation is 'less involved' in developing and reviewing investment strategies.

86% of respondents said the next generation is 'much more involved' (35%) or 'more involved' (51%), demonstrating a strong interest in understanding and influencing the direction and preservation of family wealth.

Many Family Offices seem to be in good shape regarding succession planning, with 88% of respondents seeing a natural succession of wealth and leadership in the families they work with. Whilst this does not directly reflect the Middle East and Asia, this is the direction of travel for families in the region.

86% of respondents are seeing an increase or a dramatic increase in the involvement of future generations with 'the long-term sustainability of the Family Office', reflecting a generally greater level of interest in the next generations in issues of sustainability and environmentalism. Of course, it's natural that future generations would have a greater interest in the long term than current generations.

Environmental, social and governance (ESG) considerations are another area of interest for the next generation, with ¾ of respondents seeing an increase or dramatic increase in interest levels.



"There is no denying that the next generation is more actively involved in 2023 than they have been previously. This is perhaps a hangover of the COVID years, when many families took the opportunity of being together to commence conversations about family wealth. With a greater level of awareness among second, third and even fourth generations, providers need to adapt their modes of working with clients to encompass a greater demographic range than ever before."
Amy Collins

If more involved, are you seeing more or less of a focus on the below as part of the investment strategy?

Long-term sustainability of the Family Office

40% Increase dramatically
46% Increase
14% Stay the same
1% Decrease
0% Don't know

A focus on private markets

33% Increase dramatically
45% Increase
19% Stay the same
2% Decrease
1% Don't know

Increased risk appetite

34% Increase dramatically
37% Increase
22% Stay the same
7% Decrease
1% Don't know

Philanthropy

19% Increase dramatically
43% Increase
33% Stay the same
5% Decrease
2% Don't know

Exposure to digital assets

36% Increase dramatically
38% Increase
18% Stay the same
7% Decrease
2% Don't know

ESG consideration

37% Increase dramatically
48% Increase
13% Stay the same
3% Decrease
0% Don't know

ESG is a fiduciary duty

ESG considerations are not just a priority for the next generation, 94% of respondents felt that ESG principles are a key consideration when it comes to Family Office investment priorities (54% slightly agreed with the statement, 40% strongly agreed).

Further to being a key consideration, 91% of respondents believe ESG is a part of fiduciary duty, which of course impacts third-party fiduciary providers.

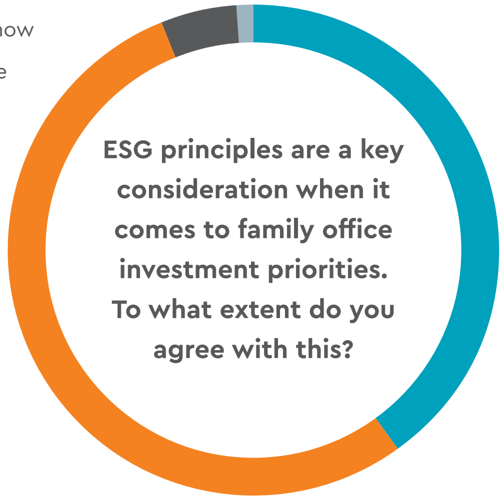
91% Believe ESG is a part of fiduciary duty

Our respondents agree that ESG isn't going away any time soon; over the next three years 37% think the focus on ESG principles will increase dramatically, and 51% think it will increase slightly.

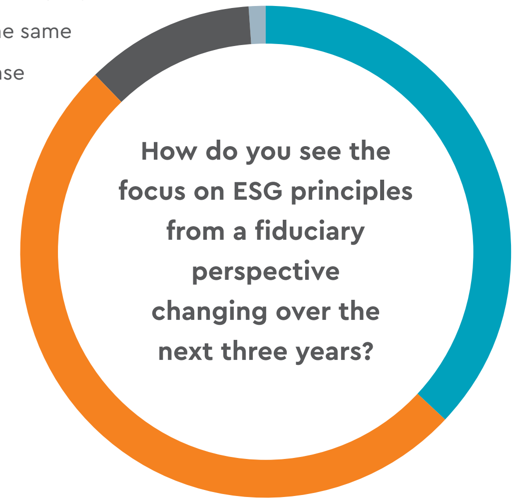
Hopefully the world, and the financial services industry, are moving towards some more universally applicable metrics on ESG, as this is what we perceive to be one of the greatest barriers to wider adoption of reporting. But either way, third-party providers will only be able to keep up with Family Office and end client demand in this space if we begin to accept that it is part of our responsibility, and offer associated services as part of the solution.

That all starts with conversations. Across Ocorian's service lines, our teams are leading proactive conversations with clients on ESG; how important is it, how can we assess it, and what is best practice? Only by having these conversations can we keep up with demand.

40% Strongly agree
54% Slightly agree
5% Don't know
1% Disagree



37% Increase dramatically
51% Increase slightly
11% Stay the same
1% Decrease



"A good fiduciary considers any and all risks to their clients' assets, and ESG is compatible with that existing duty anyway. Building this consideration into new trusts is fairly straightforward, but does need to become normalised – the challenge is in applying it to existing structures, which is why conversations are so important."
Michael Betley

Philanthropic services

91% of respondents are predicting a slight or dramatic increase in the level of philanthropy undertaken by Family Offices and UHNW families over the next three years; and third-party providers have a part to play in facilitating this.

At Ocorian, we recognise that donors want their personal and family wealth to make a difference and drive real change. Efficient philanthropic structuring ensures that money is never wasted, and gets to targeted causes.

From occasional targeted distributions to bespoke and focused philanthropic missions, we have extensive experience across a range of causes and approaches to philanthropy.

We establish the right company, trust or foundation for your needs, administer it effectively and ensure all relevant regulations are adhered to.

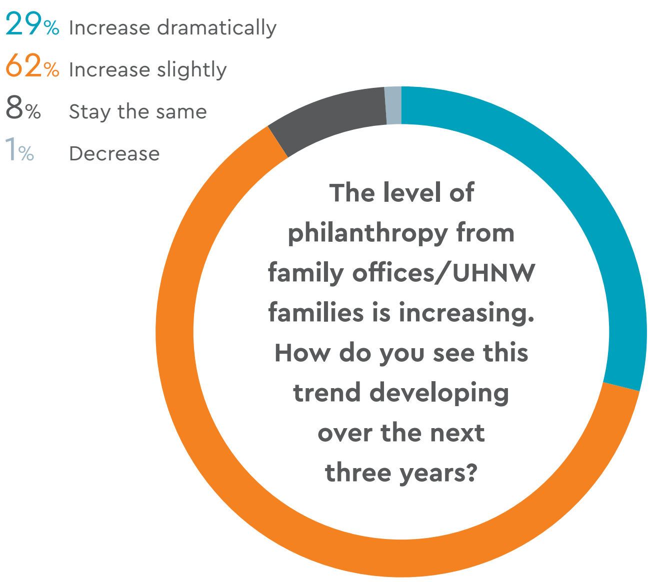
We understand social investment and cross-border giving and know how to ensure you – as the benefactor – get the most from your gifts, including tax relief.

Philanthropy in practice

At Ocorian, we are seeing an increase in the level of philanthropy undertaken from both our new clients and our existing longstanding clients.

Over the last few years, we have supported clients in establishing new entities for their philanthropic activities. We work with client advisors on registration in the relevant jurisdiction, all necessary policies and procedures, and the compliance and administration of the charitable entities.

On an on-going basis, Ocorian can act in a variety of formal or informal roles, dealing with the day to day management of the entity



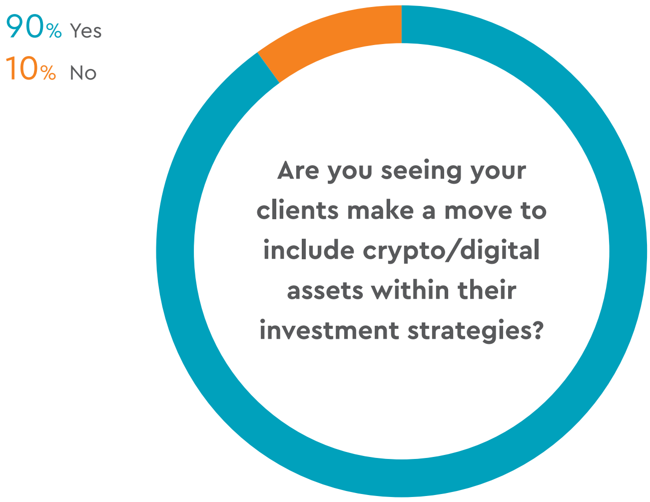
"Philanthropy can be extremely complex, and family offices must ensure they are accessing the right expert advice to make sure their hard-earned wealth is supporting the causes that are close to their hearts, in line with their tailored, personal, philanthropic strategies."
Amy Collins

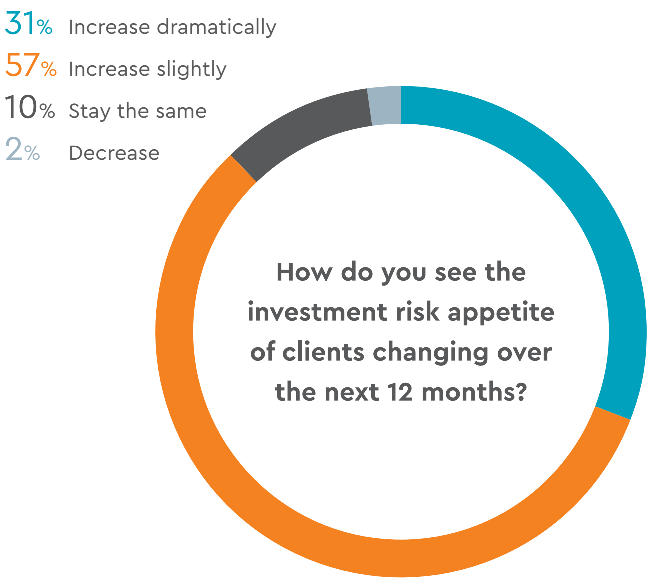
Digital asset services

We are already seeing digital assets as a significant growth area in the fiduciary space. Respondents to our survey agreed; 90% said their clients are making a move to include crypto/digital assets in their investment strategies. Allied with this is a projected increase in broader risk appetite, with 88% of respondents predicting either a dramatic (31%) or slight (57%) increase in client risk appetite over the next 12 months.

As some of the macroeconomic shocks of the past couple of years settle down, it seems that Family Offices are starting to gaze outward once again and consider how to find higher returns for their clients' investments. Digital assets are something of a frontier in this race for returns.

80% of respondents said they are struggling to outsource the management of these assets to third parties who are willing to support in the regulation and reporting obligations involved, signifying that this is an area that the industry needs to embrace, and fast.





Digital assets in practice

We have been working with digital assets and other cutting edge investments on behalf of our clients for more than five years.

We work closely with our clients to achieve their aims whilst ensuring that we understand the practicalities of investing in the asset classes as well as the risks involved.

"Digital assets include everything from crypto currencies to non-fungible tokens (NFTs) and are a growing area for Family Offices and UHNWIs. Custodianship in this area is of increasing importance for our families so we've worked hard to understand the practical, regulatory and compliance ramifications of offering digital asset services. As reporting standards are agreed and reporting obligations are clarified, we're expecting this to be a significant growth area for us and our clients."
Amy Collins

Ocorian's family office services

Formation and administration of a family office
We provide formation and ongoing administration services for all types of family offices as well as in relation to the structuring and administration needs of the family assets.

Working with an existing family offices
We provide supporting services to established family offices tailored to what they need.

HR support services
We provide HR services bespoke to you whatever your circumstances/objectives. This may include payroll, recruitment, staff management and ad-hoc support.

Lifestyle and luxury assets
We ensure your lifestyle and luxury assets are managed appropriately and by professionals.

Family governance
We impliment family governance planning bespoke to a family's circumstances/objectives e.g. establishing a charter, advising family members, philanthropy, and succession planning.

Resident and relocation services
We manage residency applications or work permit applications and visas for individuals, families and employees either inhouse or through partner firms.

We partner with Family Offices
To enhance their treasury and accounting functions alongside offering specialist administration services to ensure the full range of assets are comprehensively managed.

20+
Office locations

1,500+
Staff worldwide

15,000+
Structures under administration

8,000+
Clients

50+
Years of providing administration services

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