Charles Schwab

Advisor Services

Schwab Advisor Family Office

The multi-family office of tomorrow—simplifying complexity for families of significant wealth

About Advisor Services

With over three decades of service to investment advisors and the ultra-wealthy community, Schwab Advisor Services™ has the experience and custody resources needed for today's single-family and multi-family offices. We combine experts who deliver high-touch service with modern technology. It's why we are entrusted with billions in ultra-high-net-worth household assets[1] and why we have the honor to work closely with hundreds of family offices, providing solutions and connections to some of the country's most successful families and the professionals who serve them.[2]

Introduction

When I joined Schwab, the independent model was the leading growth story in the financial services industry. That same narrative is just as true today. The independent advisory industry continues to grow each year, with assets managed by independent registered investment advisors (RIAs) growing 12% over the past five years.[3] Our family office team specializes in supporting single-family offices (SFO) as well as multi-family offices (MFO) that are dedicated to serving ultra-high-net-worth (UHNW) clients, where the total asset opportunity is projected to grow to $1.4 trillion by 2025.

In addition, the number of UHNW families continues to increase along with the wealth they control. Currently, there are more than 101,240 UHNW families—with more than $30 million in net worth—in the United States, an 8% increase from the previous year and comprising upwards of $11.3 trillion.[4] With the number of ultra-wealthy families on the rise, so too are expectations and options for managing their wealth. The needs of these families have become increasingly complex, expanding far beyond traditional wealth management and tax planning. Multi-family offices become the "first call" of their clients, requiring a much broader suite of services and expertise, including areas such as family dynamics, health care concierge, philanthropic advice, personal security, and cybersecurity.

Families are seeking MFOs that can oversee their entire financial lives while preserving their privacy, objectivity, and access to solutions.[5] Multi-family offices face important questions, however, when considering how best to serve their wealthy clients and their evolving needs. Will the services be provided in-house or outsourced by referring families to a third-party specialty provider?

It is with these questions in mind that we are sharing our collective expertise as a leader in serving multi-family offices, combined with the perspectives of some of the best-in-class MFO industry professionals. As a leader of your firm, you'll be empowered to use the knowledge you've gained to better serve your clients with a deeper understanding of the family office community.

Eddie Brown

National Managing Director and
Head of Schwab Advisor Family Office

> “Based on decades of service to single- and multi-family offices, we have a unique understanding of the challenges facing ultra-wealthy families. Schwab is uniquely positioned to help MFOs customize their service offering, deliver results for their firm and their clients, and cultivate a peer network that helps drive a culture of learning that benefits the entire family office community.”
>
> **Jon Beatty**
> Chief Operating Officer,
> Schwab Advisor Services

The independent model is one of the fastest-growing segments in the financial services industry. Advisors focused on serving the UHNW community are choosing to go independent as they seek greater flexibility in building their business. In addition, ultra-wealthy families are attracted to the independent multi-family office firm and are creating single-family offices as an alternative to traditional bank and wirehouse providers. But SFOs often find they do not have all the necessary skillsets within their organization—or the resources to hire specialized talent—to address the many and varied needs of the families they serve.

“When you look at the cost structure and the responsibility of staffing an SFO—as well as managing and developing it—a compelling case for a shared-services model begins to emerge,” says Eric Becker of Cresset Capital, an MFO with $27 billion in assets under management (AUM). “You can get more services and less headaches on a more cost-efficient basis.” Where SFOs can become limited in the services they provide, MFOs are able to offer a variety of solutions to these firms in a more scalable manner. Further, SFOs and MFOs tend to collaborate and serve as resources for one another—an important point as each MFO builds its own compelling experience aimed at serving particular types of UHNW clients. Thus, what were once thought to be mutually exclusive models—SFOs and MFOs—are now converging, and SFOs are increasingly outsourcing to MFOs to achieve greater scale and, at times, secure a viable succession plan. Matt Fleissig of Pathstone Family Office, a national MFO based in Englewood, New Jersey, with approximately $35 billion in assets under advisement (AUA), gives an example of this convergence: “There are times when we’ll work with our client to provide a level of succession as their long-time chief financial officer or other team member in the family office is looking to retire.”

Evolution of an offering

While there is no single definition of a multi-family office, what distinguishes an MFO from a wealth manager is that, generally, MFOs provide integrated wealth management services and focus on ultra-affluent families with a net worth of $30 million and above, often serving multiple generations or households within individual families.

An MFO is also different from a single-family office (SFO), which is established to serve the financial and lifestyle needs of a single ultra-affluent family, generally with a minimum of $100 million in assets but typically much higher.

Over the years, MFOs have typically evolved from SFOs that sought to leverage their capabilities with additional families, from advisory firms that built up their capabilities to meet the wealth and lifestyle needs of ultra-affluent families, or from firms that expanded their focus to include multi-generations.

Traditional RIAs winning UHNW business

Most UHNW households are not served by an RIA that specializes in UHNW clients.

- Most UHNW households are served by RIAs that have less than half their AUM from UHNW clients, and about one-fifth of UHNW households are served by RIAs with just a few UHNW clients.
- Many UHNW clients work with multiple advisory firms, which they may see as diversifying risk. A non-specialist firm may manage part of a client's investments while others provide different services, such as banking, lending, estate planning, or additional investment services.
- Only about 10% of UHNW households choose an RIA that specializes in UHNW clients. The average household net worth for specialist firms is $30 million, compared to $12 million for firms with just a few UHNW households. Advisors with specialized practices tend to focus on higher-asset households, which generate the revenue necessary to cover the extensive support provided to UHNW families.

Understanding MFO business models

Ultra-high-net-worth clients expect their financial advisors to do more. However, depending on the concentration of UHNW assets in a firm, these needs may be met differently. Thus, as firms seek to serve their UHNW clients, it is important to understand the different types of MFO structures (see Figure 1 on pages 6-7), as the key to profitable growth in the MFO market is selectivity. Firms must put solid boundaries around what they offer and to whom, and then deliver that offer with distinction.

The most common MFO structures fall under four broad categories: Aspiring, Boutique, National, and National Bank. These structures present different benefits and challenges, and the model that suits a particular firm will depend on factors such as the number of UHNW relationships served by the firm, the resources needed to service those clients, and the leaders' vision for the future of the firm. It is important to note, however, that although four distinct models are observed, other models exist and the differences among them are not rigid. In fact, every MFO is different—with varying investment philosophies, processes, and services—but some commonalities exist. Generally, MFOs:

- Focus on serving UHNW clients
- Have dedicated team members and specialists working with these clients
- Provide many services in addition to investment management and financial planning

The key is that firm leaders recognize their firm's current position, consider the right questions when evaluating their existing business, and plan for changes that better align with their overall strategy.

> "Multi-family offices share a common client base of families with over $30 million in net worth, but that is where the similarities end. Having evolved over the years, MFO firms are varied and unique in their service menus and their origins. Further, they share the same client-centric approach akin to independent advisors, and we find their service model evolves over time with the needs of their clients."
>
> **Tom Livergood**
> Chief Executive Officer,
> Family Wealth Alliance

FIGURE 1

Multi-family office business models

Having a baseline understanding of the different types of MFOs helps firms evaluate their current situation so they can evolve their business in a way that aligns their clients' needs with the firm's overall strategy and vision for the future. In turn, they can create enduring firms that help their ultra-wealthy families protect and preserve wealth while ensuring the family legacy.

	Aspiring MFO	**Boutique MFO**	**National MFO**	**National Bank MFO**
Description	The firm is considering becoming an MFO or already has a few (1–4) existing UHNW clients. In order to grow in the MFO market, the firm needs to build an offer that will attract other UHNW clients. Alternatively, these firms may seek to protect their small number of current UHNW clients by building out an MFO for them, but they may not want to formally expand into the MFO space. However, they risk losing their UHNW clients to competitors who are investing in the structure, processes, and experiences to better serve these clients.	The firm solely supports UHNW clients and is often founder-owned or born initially from an SFO that evolved into an MFO after successfully serving a single family. Due to the firm's ongoing success, other families have pressed for access to similar services and experiences, thus causing the firm to evolve. These firms typically have 10–15 UHNW clients and provide a personalized offer to each family based on their needs.	The firm has a large portion of UHNW clients as well as those with less than $30M in investable assets who are, at times, supported through a bifurcated model. The firm has a complex business structure consisting of the services, technology, talent, and resources to serve dozens of UHNW clients. To some degree, these firms offer the exclusive experience that UHNW clients desire. But because they focus on UHNW, their processes are repeatable, resulting in consistent, high-touch client experiences. In turn, these firms can achieve economies of scale that allow them to attract additional UHNW clients and grow the business.	The firm operates as a family office that is embedded within another institution such as a large national or regional bank. Depending on the institution, this model may offer additional benefits, such as an enterprise-wide approach to serving clients: e.g., lending money to a family business, using monetization strategies, and then managing the generational wealth. The various businesses of the larger enterprise—e.g., commercial banking—can serve as organic referral sources for one another based on client needs.
Client base	▪ Has a predominantly mass affluent or HNW ($5–20M net worth) client base; less than 25% AUM from UHNW households (HH).[6] ▪ Low concentration of UHNW assets (average four UHNW HHs per firm, with average HH size of $12M).	▪ Only accepts UHNW clients with complex needs. ▪ On average, has 10–15 UHNW clients with average client size in excess of $30–50M.	▪ Has a very high percentage of UHNW clients. ▪ May segment clients based on net worth (such as $30M and $100M) and client types (e.g., athletes and entertainers versus serial entrepreneurs) in order to offer solutions aligned with the needs of each segment.	▪ Has a large percentage of clients who align with the bank's focus; e.g., a bank with a strong focus on commercial banking will attract family-owned business clients, while another bank may work with Fortune 500 companies and focus on corporate executives.

Multi-family office business models (continued)

	Aspiring MFO	Boutique MFO	National MFO	National Bank MFO
Client experience	▪ Generally focused on a traditional RIA service approach and does not typically have defined processes or an offer to serve UHNW clients. ▪ Likely offers the same services to both UHNW and HNW clients. ▪ Responds to UHNW clients' requests as they arise. ▪ May risk losing UHNW clients if the firm doesn't meet clients' expectations. ▪ Tends to shift limited resources to deliver on UHNW client requests in order to maintain credibility and instill trust with these clients. ▪ Spends a significant amount of time serving UHNW clients, often with manual processes like Excel spreadsheets.	▪ Generally focused not on achieving scale, but rather on providing a customized and personalized experience that meets or exceeds the needs of the families they serve. ▪ Often accepts only UHNW clients with complex needs, onboarding one new client at a time (or choosing not to take new clients at all). ▪ Advisors tend to be their client's first call when navigating major financial and life decisions.	▪ Designs its offering and experience to specifically meet the needs of UHNW clients and provide additional services beyond investment management and wealth planning. ▪ Most likely to hire and partner with additional experts to support a broad set of client needs; e.g., personalized health care support, alternative investments, etc. ▪ Has repeatable processes resulting in a consistent, high-touch client experience. ▪ Advisors tend to be their client's first call when navigating major financial and life decisions.	▪ Can determine, depending on the needs of the client, which platform (e.g., bank, wealth management, family office) is the best solution. ▪ Can help with a broad spectrum of services, including services that other types of MFOs are not able to provide, such as banking and lending. ▪ Has access to broad internal specialist resources due to the institution's size.
Services (in general)	▪ Services tend to include investment management, retirement planning, education savings, wealth planning, and basic estate planning. ▪ Note: Firm may provide retirement planning and education savings services to their mass affluent client base, but will soon realize that these services are not applicable to UHNW clients.	▪ Services include private equity and other types of alternative investments, advanced estate and tax planning, charitable giving strategies, and support with family dynamics and legacy planning. ▪ These firms may additionally offer bill pay, cash flow analysis, and risk management, along with a broad range of other specialized services including aircraft advisory, personal security, SFO consulting, reporting, income tax preparation, life insurance planning and placement, and property and casualty insurance.		

Multi-family office business models (continued)

	Aspiring MFO	Boutique MFO	National MFO	National Bank MFO
Opportunities	▪ Has a strong desire to maintain credibility and demonstrate a high level of competency with UHNW clients. ▪ Firm leaders may view the UHNW market as an attractive area of growth and see the service experience and relationship as critical to establishing an offer that will attract other UHNW clients.	▪ Prioritizes the servicing of existing relationships and in many ways operates like an SFO due to the exclusivity. ▪ Lacks scale and resources to hire specialists to address certain complex needs of clients, so the firm seeks solutions through external partners. ▪ Firm is starting to think of succession because owners want to create an enduring business.	▪ Prioritizes growth and scalability and thus may be looking to expand the firm's footprint by entering other markets or pursuing inorganic growth strategies as an acquirer. ▪ Has achieved economies of scale because of its established, complex business model and acquired learnings and resources; firm can therefore extend its offer to clients lower on the wealth spectrum ($1–10M) and drive greater profitability.	▪ May seek to grow inorganically; e.g., through acquiring private banking teams from wirehouses.
Key considerations	▪ Is the firm able to effectively and efficiently respond to the requests of its UHNW clients? ▪ What gaps exist between UHNW clients' needs and what the firm is offering? What services are needed to fill those gaps? ▪ Is the firm compromising its core offering for its mass affluent or HNW client base by shifting limited resources to meet the needs of its UHNW clients? What additional resources are needed to avoid cannibalizing resources? ▪ Can the firm provide the needed services in-house, or should it consider outsourcing?	▪ Can the firm afford family-office-focused technologies such as consolidated reporting systems? ▪ Should the firm choose an all-in-one tech stack solution (e.g., one that combines asset aggregation, investment reporting, and general ledger) or find a best-in-breed software solution for each category? ▪ What is the firm's succession plan? Should the firm consider being acquired by a firm with scale, talent, and technology? ▪ How can the firm attract and retain talent without a defined career path?	▪ Does the firm have consistent processes that create economies of scale and allow them to attract additional UHNW clients? ▪ Can the firm expand its services without negatively impacting profit margins? ▪ Does the firm have the capabilities in-house to expand its offering? ▪ Has the firm achieved enough scale to expand its offer to clients lower on the wealth spectrum? ▪ Can the firm invest in technology in a way that creates additional scale and differentiates its offer?	▪ How can the business attract and retain the type of talent that has an entrepreneurial spirit and the mindset of a business owner? ▪ What additional regulation does the business need to comply with? ▪ Should the firm consider inorganic growth opportunities (expanding geographic presence with regional offices) by acquiring other businesses (e.g., smaller banks) in various regions?

Defining a compelling value proposition

Regardless of which MFO business model a firm most closely aligns with (see figure 1 on pages 6-8), a firm seeking to evolve or grow its business should start with one critical question: What does its ideal family client look like? MFOs are most successful when they create a service model and experience that meet the needs of specific target families in a way that maximizes the use of resources and is flexible enough to meet their families' needs as they evolve over time. Thus, in our experience, firms that outperform develop an ideal family profile (IFP). This strategic management tool helps MFOs explore not only client asset size, but also the demographic and psychographic characteristics of the families that value the services they provide, the needs of the families they want to serve in the future, and the unique capabilities required to profitably serve those families. For example, families with multiple business entities and legal structures can require extensive reporting capabilities. Families with multiple decision makers (sometimes a dozen or more) can pose a challenge for relationship management, requiring more time to be spent on family governance. And a multi-generational client family can require extensive customization across family units. The source of wealth can also guide what services are important. For example, are you focused on first-generation wealth creators or corporate executives with different needs?

Having an IFP allows an MFO to optimize resources around the type of family that best fits the firm as it looks to acquire new families or retain and evolve with their existing ones. The firm determines which aspects of its offering those families value most, and it develops a strategic plan that aligns the firm's unique capabilities with the right investments and initiatives. This also allows the firm to create an experience that its families perceive as valuable—the family value proposition—as well as to identify any gaps that may exist. In addition to having a service model that is unique to the firm, the MFO creates an environment in which every aspect of the firm—such as services, talent, processes, and technology—maintains an extreme focus on their ideal family profile (see Figure 2 on page 10).

A compelling client value proposition should speak to each of these dimensions as advisors look to engage in conversations that allow them to build relationships and trust by connecting with families and prospects on a meaningful level. Best-in-class firms, like the ones interviewed for this paper, recognize that when they design their office around what their families perceive as valuable, they can evolve as the needs of the families change, and remain relevant for the next generation of wealth. And while the services these firms offer may not always be notably different from one another, it's how they deliver them that creates a unique experience based on the needs of the families they serve. "There are very few secret recipes in this industry," states Eric Becker of Cresset Capital. "It's how you put the ingredients together and execute on them. That's where firms stand out."

Ideal family profile

Developing a strong ideal family profile typically begins with exploring your existing clients and identifying characteristics and patterns among those whom you feel value the services you provide. A desirable set of attributes will begin to emerge as you reflect on the various demographic and psychographic characteristics of your clients, the aspirational qualities you would like to see more of in your client base, and the strategic direction you want to take the firm, such as a specialization in a niche. The best of these attributes can then be brought together into a profile.

The ideal family profile is not a specific family; it is an aspirational example of the most desirable characteristics of your firm's preferred best clients.

FIGURE 2

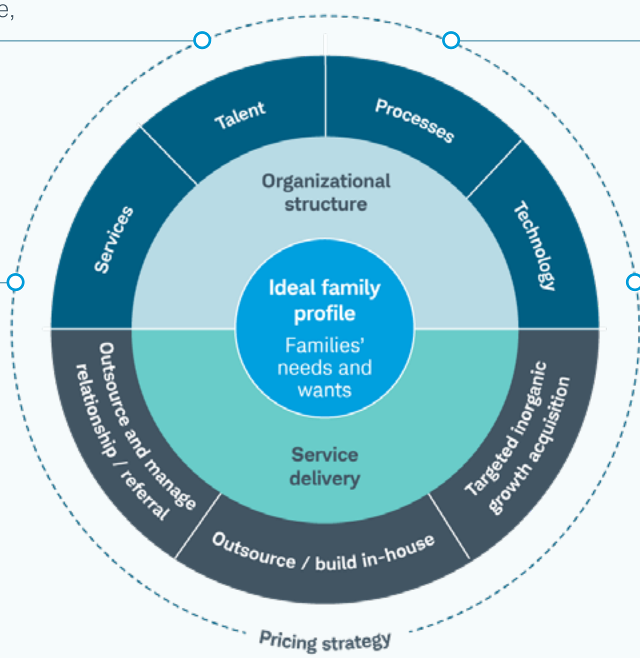
Designing a valuable client experience

Defining a value proposition means determining what suite of services best fits the target client group and how those services can be delivered in the most distinct way. In a competitive MFO market, this step can help the firm build a differentiated identity with both current and future clients.

- Recruiting and hiring
- Outsourcing (e.g., freelance, specialists, etc.)
- Talent development
- Compensation, incentives, and rewards
- Succession

- Client onboarding
- Client communication
- Client meetings
- Operational workflows
- Safety and security of assets
- Planning
- Pricing and discounting

- Asset management
- Liability management
- Recordkeeping and reporting
- Planning and compliance
- Risk management
- Lifestyle management
- Philanthropy
- Family dynamics



- Data aggregation
- Reporting
- Alternative investment reporting
- General ledger
- Bill pay
- Trading
- Risk analysis
- Planning

Services offered

Worldwide, there are between 3,500 and 5,000 SFOs and MFOs that have one or more employees, $100 million or more in investable assets, and some form of external investment activity, and multi-family offices located primarily in North America make up an estimated 65% of this number.[7] However, as previously stated, every MFO is unique, and the exact service offerings of firms can vary greatly from one firm to the next. In this paper, we discuss services in the following categories:

- Asset management
- Liability management
- Recordkeeping and reporting
- Planning and compliance
- Risk management
- Lifestyle management
- Philanthropy
- Family dynamics

While there are several ways to categorize the services provided by MFOs, we have categorized them as Quantitative, Qualitative, and Administrative, as shown in Figure 3. With the increased complexity of services that family offices offer, many firms are striving for more institutionalization in their quantitative services—asset management, liability management, risk management, and planning and compliance—as well as increasing their focus on offering qualitative services such as family dynamics and philanthropy. It is important for family offices to align and balance quantitative and qualitative services, as well as administrative services, to better support their strategic business goals, help create scalability for future growth, deliver better service, and improve the overall client experience. How or whether certain services get implemented, however, varies from firm to firm. That is, MFOs create a value proposition that is structured around their individual business philosophy and objectives, as well as addresses their target client's needs. For example, athletes and entertainers may require bill pay as a service, whereas business owners likely will not, as this is often performed within the scope of their business. The point is that UHNW clients seek firms who will be stewards of their wealth, help them navigate and simplify the full spectrum of their complex lives, and give them objective advice. From here, a firm's offering becomes a succinct articulation of what sets them apart in the eyes of their clients and prospects. The offering highlights the reasons that clients make their firm "the first call" when any need arises and why future clients would choose to work with that firm.

"We had a scenario where the patriarch of a very wealthy family became quite ill while overseas and needed to get back to the United States," states Lisa Colletti of Aspiriant, a firm headquartered in Los Angeles, California, with $15 billion in AUM. "The family called their lead advisor and said, 'Can you help us make this happen?' And we did—within 45 minutes of receiving the call, we were able to arrange private air travel back to the States. We want to be that first call, whether we're making something happen ourselves or finding someone who can help." The key is that clients see the value of what a firm does not only in terms of their portfolio returns, but also in terms of the firm's relevance to their life circumstances.

In the following section, we look at each of these categories in further detail, starting with quantitative services and then moving on to qualitative and administrative services.

FIGURE 3

Multi-family office service categories

With no standard practice model to conform to, MFO firms base their business model on their individual business philosophy and objectives and the value proposition that will appeal to their target client.

Services offered: Quantitative

Asset management

As RIA firms, MFOs often begin their client relationships with investment advice. However, due to the amount of capital UHNW clients control, these clients have access to a wider array of investment options, including alternatives and direct investing. As a result, MFOs generally have to broaden their scope of investment options. However, MFO investment philosophies vary greatly. Some firms, for example, believe in a very conservative approach where their goal is to preserve capital focusing on tax-efficient passive investments. Other MFOs believe in active management of public equities with a significant focus on alternative investments, including but not limited to:

- Private equity funds (venture, mezzanine, buyout or leveraged buyout, growth capital, and distressed)
- Hedge funds
- Private real estate funds
- Private credit funds

As Matt Fleissig of Pathstone Family Office states, "Our clients expect innovative idea flow from us. It's the very niche-y, interesting funds such as secondary interest of hedge funds where we've really made our mark on the alternative side." Access and due diligence, however, may be internal within the MFO or outsourced. (For a listing of MFO services typically provided in-house versus outsourced, see Figure 4 on pages 17–18). A few MFOs may also create their own private funds. These private funds could be created as feeder funds to allow the MFO's clients to invest at a lower commitment level (some private funds have a $5 million or $10 million minimum commitment) or as a vehicle to invest in a specific co-investment or direct investment as discussed below. In addition to alternative investment fund investing, MFOs are increasingly providing their clients with access, due diligence, and monitoring of direct investments—ownership of a business directly rather than through a fund structure—and co-investments. In fact, 26.7% of MFOs are assisting their clients with making direct investments, and other firms are increasingly exploring making this service available to their clients.[8] Further, MFOs with direct investing and alternative investment expertise are also acting as outsourced CIOs (at least for that sleeve of a client's portfolio) for RIAs and MFOs that lack this in-house expertise.

> "In this industry, the more solutions you provide, the happier and more satisfied clients are, and the more willing they are to provide introductions to you."
>
> **Shannon Kennedy**
> Global President,
> BMO Family Office

Many MFO firms also provide ESG, impact, and socially responsible investing for their clients. This is becoming especially important as firms consider the implications of intergenerational wealth transfer and the demands of new generations who tend to have differing investing preferences than the primary wealth creator. Firms like Pathstone have teams dedicated to these types of investing due to their increasing importance to younger generations. "We are incredibly excited to have merged with another firm to enhance our impact and ESG investing offer," states Fleissig. "Finding other people who share a common vision and common mission not only increases our talent and accretion at the same time, but it's been helpful as we've looked to grow."

In addition to their core investment offer for UHNW families, many MFO firms like BMO Family Office—a family office headquartered in Chicago, Illinois, with over $22 billion in AUA—have created an outsourced CIO offer to provide investment advice to SFOs. Under these services, the MFO does not have assets under management but instead advises the SFO on how to invest—often for a flat fee rather than for an asset-based fee. With the convergence of the SFO and MFO models, we see this trend continuing. More SFOs will look to hire professionals focused on one type of investing—either public or private markets—and will hire an outsourced CIO for the other. With the challenge and cost of finding good talent, we see more SFO professionals focused on their area of experience.

Pricing

According to the Family Wealth Alliance (FWA) Fees & Pricing Study 2020 in association with Charles Schwab, pricing has remained steady for MFOs while the number of value-added services offered continues to increase. “Even as most firms report feeling margin pressure, fee levels [are not] changing overall,” the study states. “Three out of five survey respondents agreed their firm experienced margin pressure due to the addition of new services or enhancements to the client experience. Yet three in four firms said their fees have not changed in the past three years, and only about one in five reported raising their fees during that period.”[9]

While the AUM fee-based model is still the predominant method MFOs use to charge, the fastest-growing pricing methodology is a hybrid model where firms charge an asset-based fee for investments and a flat annual retainer-based fee for other services. Some firms believe that a retainer-based fee reduces conflicts of interest, so it is the preferred—and only—way they charge clients. The FWA Fees & Pricing Study also states that a best practice is to set a firm’s retainer fee annually and review it periodically with the client. This allows the MFO to align the cost structure with the scope of the work provided. Additionally, as a best practice, these firms understand the actual expense to provide such services because they purposefully track employee productivity and determine the amount of time and effort being allocated to these services. The firms then use these data-based insights to price their retainer and educate their clients that the fee can increase or decrease based on periodic reviews of actual hours worked and resources consumed.

Some MFOs, however, are hesitant to leverage the retainer-based model because they fear backlash from clients accustomed to paying an AUM fee. The firms that have successfully implemented a retainer-based model—or even a hybrid model—have found that educating their clients on the services provided and their value, along with transparency in how clients are being charged, helps alleviate concerns and foster trust not only in the pricing model, but also in the relationship overall. These firms have also found that while many clients are unaccustomed to paying a retainer, those same clients struggle with asset-based pricing for services—such as bill pay, financial planning, and estate planning—that are unrelated to the amount of assets they have with the MFO. Research has shown, however, that UHNW clients are willing to pay for value as long as they can perceive that value and feel assured that the fees they are paying are related to the services.

“Professionals in the family office space regularly ask us how to charge clients. As service levels increase and offerings to ultra-high-net-worth clients become more robust, setting the optimal pricing levels and fee mix grows more complex.”

Paul Ferguson

Head of Relationship Management
Schwab Advisor Family Office

Liability management

Not every UHNW client has debt; in fact, many are averse to debt. Others like to be opportunistic and view a low-interest rate environment as favorable. As a result, many MFOs tend to take a holistic approach to their clients' finances by advising on their entire balance sheet—not just their assets. For example, MFOs that offer liability management services can help clients secure loans by finding potential lenders, negotiate the best rate and note terms, and streamline the process to save their clients their most valuable commodity—time. The types of liabilities MFOs manage are vast and include examples such as mortgages, margin, securities-based lines of credit, aircraft financing, premium financing, and commercial real estate. Regardless of whether a firm advises a client on obtaining credit, they often monitor clients' loans and report on debt, allowing the firms to advise on the best opportunities to pay off debt or refinance.

Risk management

UHNW families tend to be at a significantly higher risk for targeted fraud, scams, and solicitations than the average mass affluent client. Thus, having a firm and a trusted advisor to help protect and educate their clients about these risks is often a compelling component of a firm's service offering. For example, it is common for UHNW families to travel to remote destinations or have homes in multiple jurisdictions, states, or countries. Making sure their clients are protected from gaps in property and casualty (P&C) coverage, covered from fraud or negligence by household employees, and sheltered from cybersecurity attacks is something that a high-end P&C agent specializing in family office clients can do. While some view risk management purely as life insurance, outperforming MFOs tend to see this more broadly—such as educating children not to post their current or upcoming location on social media—and include investment risk management as well as some, or all, of the following services:

- Life insurance analysis and placement
- Property and casualty insurance placement and coordination
- Family cybersecurity assessment
- Personal security assessment
- Personal security education
- Travel protection
- Family reputation management
- Privacy planning

Many MFOs do not provide these services internally, opting to outsource them to external providers instead.

Planning and compliance

The planning that MFOs offer to their clients is different from the planning offered by traditional wealth managers—which is focused on the mass affluent client segment. UHNW clients have different needs and complexity, including potential estate tax liabilities. Because of this, MFO planning tends to focus on sophisticated estate planning, income tax planning, and cash flow rather than retirement planning, education savings, and goals-based planning; however, these could play a role for second- and third-generation family members.

From a tax planning perspective, some MFOs are both an RIA and a certified public accountant (CPA) firm—allowing clients' tax returns to be prepared in-house—while other MFOs partner with outside CPA firms (the MFO hires the CPA but remains the primary point of contact for the client). Other firms may refer their clients to a trusted CPA that the MFO has worked with in the past. Alternatively, clients may have a long-standing relationship with a CPA and the MFO builds a relationship with that firm to service the client as a team. The same is true with the preparation of estate planning documents. The vast majority of MFOs, however, have a few select law firms—which can also serve as centers of influence and sources of referrals for the MFO—that they trust and partner with to address their largest clients' needs.

Other types of planning in this space include:

- Exit planning
- Business succession planning
- Concentrated stock position diversification
- Corporate executive and stock option planning
- Single-family office consulting

One example of planning services comes from AdvicePeriod, a firm in Los Angeles, California, that is part of Mariner Wealth Advisors, an advisory firm with over $60 billion in AUA and 70 offices across the U.S. AdvicePeriod leverages estate balance sheet planning software to import data from third-party performance reporting solutions. This allows the firm to create an estate balance sheet for planning purposes with real-time data based on complicated ownership structures, including layered entities and trusts. “The system we are building via Vanilla is able to identify opportunities such as taking a non-skip, non-grantor trust and identify the benefit of taking a distribution in order to move the holdings into a generation-skipping grantor trust. If done properly, the benefit is avoiding paying any additional taxes and emptying the old, less effective trust. We are extremely proud of this software, as we believe there is nothing like this out there,” states Steve Lockshin, AdvicePeriod’s Founder and Principal.

Services offered: Qualitative

Family dynamics

The area of family dynamics addresses one of the most significant risks to the sustainability of wealth over time: the loss of wealth and family harmony in future generations. Further, one of the biggest concerns for families of significant wealth is that they don’t want to “ruin” or “spoil” their children. As UHNW clients seek to mitigate intrafamily conflicts and preserve family wealth, family dynamics has become increasingly important and an area that has evolved the most over the last 10 years. Multi-family offices with a critical mass of UHNW clients and AUM are hiring internal family dynamics specialists such as organizational psychologists or executive coaches, as well as tapping into the growing pool of consultants focused on this topic.

> “We’re not your father’s Oldsmobile in that we look a lot more like a tech firm. We use technology to drive prices down and service up so that we can do a lot more for less.”
>
> **Steve Lockshin**
> Founder and Principal,
> AdvicePeriod

> “Wealthy families need to realize that their lives will never be less complicated than they are today. Complexity only increases.”
>
> **Sara Hamilton**
> Founder and Board Chair,
> Family Office Exchange

In addition, wealthy families need help navigating the complexities of family trust and communication, mission and vision, and preparing the next generation for wealth. This encompasses not only financial education, but also roles, responsibilities, and how to be a good steward of wealth. Learning how to increase levels of trust and communication within the family, preparing the next generation to have a responsible relationship to wealth, and aligning the family on a set of values are essential to successful wealth transition. Enduring MFOs understand that developing the next generation not only helps them to be prepared to take on the responsibilities of managing and preserving their wealth for future generations, but also preserves the relationships that can be at risk after a transfer of wealth.

Philanthropy, ESG, and impact investing often play a role in educating the next generation and getting them involved in the family’s wealth. While education regarding the risks clients face is a requirement for advisors, many families do not address these issues with the younger generations unless they are educated by a forward-thinking advisor equipped with the knowledge and sophistication to proactively raise the topic with their clients. Multi-family offices are increasingly engaging in these discussions with clients and assisting them with these challenging topics. Often, the first step is educating members of the MFO through an outside consulting firm that performs training sessions for businesses, followed by coaching for end family members.

Philanthropy

Philanthropic consulting is popular for both UHNW clients and advisors. About 90% of affluent households give to charity[10] and UHNW clients use more complex giving strategies with which they often need help, such as:

- Establishment of philanthropic entities including 501(c)(3)s, private foundations, supporting organizations, charitable remainder trusts (CRTs), and charitable lead trusts (CLTs)
- Use of multiple giving vehicles in combination to achieve the desired charitable impact
- Building a legacy and teaching family through multi-generational giving
- Due diligence on grantmaking recipients
- Grantmaking administration
- Custom grantmaking, such as testamentary gifts, multi-year commitments and custom designations

There are many aspects of philanthropy and philanthropic advice that are often provided by MFO firms, either internally or externally via a specialty provider. These services may be qualitative (e.g., helping a private foundation develop its mission and vision) or more quantitative (e.g., bookkeeping, reporting, and compliance). Further, philanthropic tax planning is usually performed inside the MFO by high-end estate and income tax planning resources. Foundation management, including grantee due diligence and grantmaking support, is also often provided by external specialty providers.

Services offered: Administrative

Lifestyle management

Ultra-high-net-worth families need—and ask for—services to help them manage their lives. The inexperienced may define these services as "walking the dog" services, but that term is rarely used by experienced MFOs because it belittles the value of the services provided. For MFOs with more experience working with UHNW clients, these services are those the firm takes care of based on client need or emergency. That is, these MFOs solve their clients' problems, regardless of whether they have a formalized offer to provide those services, such as helping a client with international travel, finding a specialist doctor, buying a private aircraft, or negotiating the sale of a business. Often, MFOs are not compensated for these services; they provide them in order to become their clients' trusted advisor and the "first call" for all their clients' needs—both financial and personal.

"We had a client traveling from Africa who had no blank pages left in their passport. They needed new clean pages to return to the country. It was sort of a rallying cry, and we were able to help. That's not normally in the scope of services—it's the unexpected bit we call the 'wow' factor," states Michael Kossman of Aspiriant.

When lifestyle management is structured as a formalized offer for a fee, the services may include:

- Concierge healthcare
- Private aircraft advisory and management
- Concierge travel
- Vacation home management
- Art and collectibles management

Driven by the needs of their clients, MFOs determine which lifestyle or concierge services will provide the most value to these clients and enhance or deepen their value proposition. Steve Lockshin of AdvicePeriod, for example, created a service around managing not only aircraft procurement, but also all the intricacies that come with aircraft ownership, such as logging flight hours, managing pilots, and even refurbishing planes. "Our knowledge of airplanes, and the management of them, is atypical. In the last year, we've overseen the refurbishment of multiple heavy aircraft including the Gulfstream we are working on now. This aircraft was stripped down to its skin and it's going to be incredible—all-in, our client will have paid about $6 million for what is now a $10 million airplane."

Recordkeeping and reporting

Reporting on complex financial structures with timely, accurate information is critical to an UHNW client and is thus one of the most important services for UHNW clients. It is also pertinent to the MFO advisor, in that it can be difficult to provide family office services without a clear picture of the client's entire financial life. Many MFOs utilize reporting software, most of

FIGURE 4

Providing services in-house versus outsourcing

The services MFOs provide are vast and growing as families present new and unique requests. However, for a small MFO or a firm evolving its business into an MFO, hiring talent to provide services internally can be challenging. Lacking the capital or scale required to provide non-core services in-house, many firms turn to alternative solutions such as outsourcing to external providers. Often, the services provided in-house are based on the skills and expertise of the firm's staff—such as investments, estate planning, and insurance—whereas other non-core services are outsourced or referred out.

The following table highlights services that are most often **performed in-house by MFO professionals** and those that are **commonly outsourced to an external provider, referred to an external provider, or not provided:**

	Most commonly performed in-house by MFO professionals	Most commonly outsourced to an external provider, referred to an external provider, or not provided
Asset management	▪ Asset allocation including asset location ▪ Investment policy statement development ▪ Manager selection and due diligence ▪ Access to managers and fee negotiation ▪ Portfolio risk analysis ▪ Rebalancing ▪ Advice on assets held away ▪ Alternatives: hedge fund and private equity access and due diligence ▪ Values-based investing: ESG / SRI / Impact	▪ Direct investing opportunities access ▪ Direct investment due diligence ▪ Employee stock option analysis and advice
Liability management	▪ Financing advice ▪ Debt management and monitoring ▪ Advice on refinancing ▪ Home mortgages ▪ Margin and pledged asset lines of credit	▪ Specialty UHNW lending: aircraft, art, collectibles ▪ Premium financing ▪ Commercial real estate ▪ Commercial business ▪ Interfamily loans
Risk management	▪ Asset protection ▪ Life insurance analysis	▪ Property and casualty insurance ▪ Excess liability (umbrella insurance) ▪ Life insurance purchase ▪ Private placement variable annuity (PPVA) and private placement life insurance (PPLI) ▪ Personal security ▪ Family cybersecurity and technology support ▪ Family safety education ▪ Reputation management ▪ Privacy management ▪ Identity theft protection ▪ Travel insurance ▪ Employee background checks ▪ EPL insurance
Planning and compliance	▪ Basic estate planning ▪ Advanced wealth transfer planning ▪ Modeling of estate planning strategies ▪ Succession planning ▪ Complex entity creation and administration ▪ Estate planning strategy administration (e.g., grantor retained annuity trust (GRAT) distribution, CRT distribution, note payments) ▪ RMD distribution management	▪ Drafting of legal documents ▪ Corporate trustee ▪ Income tax return preparation ▪ Estate and gift tax return preparation ▪ IRS dispute resolution and audit defense ▪ Estate administration and settlement ▪ Family office setup and structuring advice ▪ Private trust company setup and structuring

	Continued **Most commonly performed in-house**	*Continued* **Most commonly outsourced**
Recordkeeping and reporting	▪ Investment performance reporting ▪ Online client portal ▪ Custodian interaction: account opening and money movement ▪ Aggregation of assets from multiple custodians through data feeds ▪ Private equity administration including capitals calls, distributions and IRR ▪ Multi-currency reporting	▪ Bill pay ▪ Document vault ▪ General ledger accounting ▪ Financial statements ▪ Customized reporting ▪ Household employee management ▪ Family office back-office support
Lifestyle management	▪ Cash flow planning liquidity analysis	▪ Private banking facilitation ▪ Concierge travel ▪ Real estate purchase and sale ▪ Aircraft advisory ▪ Aircraft management ▪ Concierge healthcare ▪ Household and vacation home management ▪ Home construction management ▪ Automobile purchase
Family dynamics and education	▪ Family mission, vision, and values ▪ Family education ▪ Family literacy	▪ Family history ▪ Family higher education counseling and coaching ▪ Psychology of wealth ▪ Family meeting and retreat facilitation ▪ Family governance ▪ Family constitution and bylaws
Philanthropy	▪ Philanthropic planning ▪ Philanthropic entity creation ▪ Governance and decision making	▪ Organization vision and mission ▪ Grantee due diligence ▪ Grantmaking support ▪ Administration and bookkeeping

> "We've put together a whole program of external providers with expertise in things like cybersecurity, high-end travel concierge, bill pay, and high-end tax return planning. Not only does this allow us to provide services outside our area of expertise, but we've been able to leverage those relationships for back-and-forth referrals."
>
> **Shannon Kennedy**
> Global President,
> BMO Family Office

The power of outsourcing should not be understated. It allows firms to provide a broad range of services they do not have the talent or resources to provide, such as bill pay or tax return preparation. While these services can be referred out, the difference with outsourcing lies in the client experience. "Referring out" is the equivalent of giving a client the names of three providers and letting the client interview, hire, and engage without the MFO's involvement. The MFO relinquishes control over the experience the client receives. Alternatively, "outsourcing" refers to an arrangement where the MFO has hired an external specialty provider on the client's behalf, manages the experience for the client, and communicates directly with the external provider on an ongoing basis. With outsourcing, the MFO is the center of the client's relationships and coordinates these services, saving the client time and simplifying their life. Further, the MFO has more control over the experience the client receives because they are coordinating the services. While MFOs will always refer out, they should consider whether outsourcing would better meet their clients' needs.

which can aggregate assets from multiple financial institutions and can report on a variety of asset types and ownership structures. Aggregated reporting and performance reporting—reporting investment returns and benchmarking—are two of the most common types of reporting provided by MFOs. However, some MFOs have expanded their reporting capabilities into broader financial administration services including bill pay, personal financial statement preparation, general ledger accounting for family entities and businesses, and household employee payroll.

To help with the complexities of reporting—such as with reporting on alternative investment funds and direct investments—and to help streamline the labor-intensive, manual process of administering and reporting on illiquid investments, new technology is being created. The cost to implement these technologies, however, can be significant. This is one of the main reasons an MFO needs a critical mass of UHNW clients in order to be a national MFO: The more UHNW clients a firm has, the easier it becomes to justify the cost.

The UHNW market can be a difficult segment to navigate. Evolving an MFO offering has to be a well-thought-out strategic decision, based on a clear understanding of who these services are for, how well they align with the firm's overall value proposition, and how well those clients are best served. Further, a solid strategic foundation will help firms make the most of the opportunity to meet the increasingly complex needs of UHNW families successfully and profitably.

Creating efficiency through technology

Due to the complexity of the UHNW client's life and the personalized and customized services wealthy families have come to expect, the family office business is extremely labor intensive. With a business model based on highly customized workflows, the predominant way to create economies of scale is through technology to help support day-to-day operations, as well as to streamline and automate key business processes. Firms that implement standard and consistent practices through technology can not only better support their strategic business goals, but also improve the overall client experience and create even more efficiency, allowing them to grow, compete, and succeed. As the market opportunity and complexity of the ultra-wealthy continue to increase, so do the number of software solutions centered around the family office space. In general, MFOs have some of the same systems that traditional RIAs have —including a CRM, billing, and investment reporting—but MFOs also employ certain systems that RIA firms focused on the mass affluent business do not need. As a client's net worth increases, for example, the number and type of assets they own also increases, creating a need to track and report on multiple asset types in layered entity structures. The average aggregation and reporting software may not be enough for an MFO. Because of the complexities of their clients' assets, an MFO may need a specialized reporting system that not only reports on assets from multiple custodians, but also allows for aggregation of alternative investments, private businesses, and collectibles. Systems designed for the MFO also are much better at partnership accounting—the reporting of interest of multiple family members through multiple entities and trusts. Often, MFO systems also need to integrate with a general ledger system.

As investments become more complex, new technology is being developed—such as software systems that gather information on private investments (both direct and through funds)—to help bridge the gap to ensure timely, accurate information. However, finding the right technology that works for a firm and enhances the client experience is not an easy task. As a result, having a critical mass of UHNW clients and AUM is often necessary for an MFO to be able to invest in technology and is one of the reasons why outsourcing is often a good solution for boutique MFOs. A large MFO, for example, may have one or two Salesforce CRM specialists on staff and several reporting system specialists, whereas a boutique firm lacking those resources may need to hire both a CRM consultant and an outsourced reporting solution like an external provider who runs the MFO's reporting system.

Having a critical mass of UHNW clients, AUM, and revenue also allows for MFOs to make the necessary technology investments within the firm. Many of the national MFOs we interviewed developed their own

Community and connections

Having developed significantly over the last 30 years, the family office community started when many family office firms felt isolated and were left wanting more resources to serve their clients and a community in which to learn. They wanted to know what other family offices were doing and how they were addressing their clients' needs. Thus, several SFO groups were formed to help SFOs in navigating the complex lives of the families they served. Over time, the SFO groups expanded to include all of those serving UHNW clients—including MFOs. "There is a close sense of community in this industry. We don't view the other MFOs as the competition. We view the wirehouses and private banks as our competition," states Fleissig of Pathstone Family Office. Multi-family offices often collaborate, brainstorm, and learn from each other, and in some cases, they create networking study groups within the family office ecosystem.

Below are some of the resources available within the family office community:

- Since 2003, the **Family Wealth Alliance** (FWA) has been focused on connecting and supporting North American multifamily wealth firms. They are a collaborative, member-driven community that offers proprietary research, thought leadership, intimate events, and facilitated networking opportunities. With more than 25 industry benchmarking reports to date, FWA has established itself as the authority on North American multi-family offices.

> "At Schwab, we cultivate a peer network to help drive a culture of learning and applying best practices. You can join a community of hundreds of forward-thinking family offices. We can also facilitate introductions to leading family office organizations."
>
> **Jill Matesic**
> Family Office Strategist
> Schwab Advisor Family Office

> "Our mission is to be a trusted partner, empowering our clients to be successful in enriching the lives of the families they serve."
>
> **Elyn Davis**
> Head of Service and Operations
> Schwab Advisor Family Office

- **Family Office Exchange** (FOX) is the industry-leading membership organization serving multi-generational families, family office executives, and trusted advisors.
- The **UHNW Institute** is a nonprofit and independent think tank. It publishes and curates exceptional thought leadership and content relating to UHNW families, family offices, their advisors, and the industry.
- The **Family Wealth Report** provides thought leadership and information about the industry.
- **Cerulli Associates** is a research and consulting firm specializing in asset management and distribution trends worldwide.
- **FINTRX** is the preeminent resource for private wealth data intelligence. Its platform features millions of data points on the global ecosystem of family offices and registered investment advisors.
- **Wealth-X** is the global leader in wealth information and insight. Its data comprises the world's most robust collection of curated research and intelligence on ultra- and very-high-net-worth individuals.

Additionally, one of the best resources in the family office industry are its peers. To learn how you can meet other MFO business owners through events and roundtables, contact your Schwab relationship manager.

proprietary technology. Pathstone, for example, created a proprietary platform in which they fully integrated their performance reporting systems with their general ledger accounting system. “This was always thought of as the holy grail for family offices,” states Fleissig. “We now have multi-client, multi-entity bill pay with imaging. When we meet with families and they see what we built, it’s literally like we invented fire.” And while Pathstone ultimately created this software to serve its UHNW clients, it has opened a door for single-family offices looking for similar functionality. “We have single-family offices that use our platform, use the access we built, and use our reporting but keep their own CIO as well as their own managers and asset allocations that are off the platform. And so, we found ways to charge more of a platform fee than an advisory fee.”

While the operations, processes, and technology that run a business may look different for every firm, MFOs that leverage technology are able to create an integrated environment that produces greater efficiencies and effectiveness such as onboarding clients faster and servicing more complex relationships. In turn, this can result in a better client experience in which accurate, timely data leads to better decision making. While this paper highlights just a few examples, firms that thrive in this area are better positioned to create capacity because their staff are no longer overburdened with operational activities and are able to spend more time in front of clients nurturing trust and building relationships.

“An ultra-high-net-worth client is inherently inefficient to serve. What efficiencies can be gained are through technology, processes, and talent that understand the complexities of significant wealth.”

Paul Ferguson
Head of Relationship Management
Schwab Advisor Family Office

A critical mass of UHNW clients provides MFOs with greater talent opportunities

The RIA industry has evolved immensely since its inception, with one contributing factor being the entrance of private equity—and other purchasers of RIA firms—which has resulted in an increase in mergers and acquisitions (M&A). The MFO space is no different, having also seen a rise in M&A activity that is expected to continue. This point is important because the result is often a larger MFO with a critical mass of UHNW clients, AUM, and revenue.

Firms that specialize in clients with a net worth over $30 million are rare, and the sourcing, prospecting, on-boarding, and servicing of these clients are complex. In fact, some MFOs limit client acquisition to one client per quarter to avoid jeopardizing the experience of their other clients. To help with this challenge, some of the national MFOs have begun to acquire other like-minded MFOs that share their values and focus on clients to grow their service offering. In addition, having a large number of UHNW clients means more resources to recruit and hire professionals in a variety of specialties. Today, most MFOs employ a great number more professionals than investment professionals, planners (e.g., CFPs), and service support specialists. The best-in-class MFOs—primarily due to their size—now have a CEO, CFO, and COO who do not maintain their "own book of clients," but rather focus on the overall firm strategy. Multi-family offices are now being managed as complex business organizations rather than as boutique financial firms, and they are often hiring specialists in areas such as family dynamics, ESG and impact investing, philanthropy, and risk management specialties.

The other advantage that larger MFOs have is their national footprint. Much like the ongoing challenge facing SFOs, boutique MFOs located in smaller cities, for example, may not be able to attract and retain the best talent due to a more limited talent pool. Single family offices also struggle to attract entrepreneurial talent who may prefer the MFO structure of a larger firm where they can share in ownership and have a defined and clear career path in which the firm is actively engaged in their professional growth. With the fierce competition for talent between SFOs and MFOs—and among RIAs in general—many SFOs are locating their offices in more desirable locations regardless of where their client families live. There are many MFOs that are still organized as boutique firms, however, with 3 to 10 employees serving 10 to 30 clients. These firms still provide great client service and many family office functions, but because of their size, they are unable to provide the depth and breadth of resources to as many clients that national MFOs can provide. Without a national footprint, they may struggle to find talent in their geography and are much more likely to outsource and refer out families than larger MFOs. In addition, national firms seem more willing to attract and retain talent by providing work flexibility and remote work, which is something that SFOs and boutique MFOs have been less willing to accommodate.

The future of the MFO

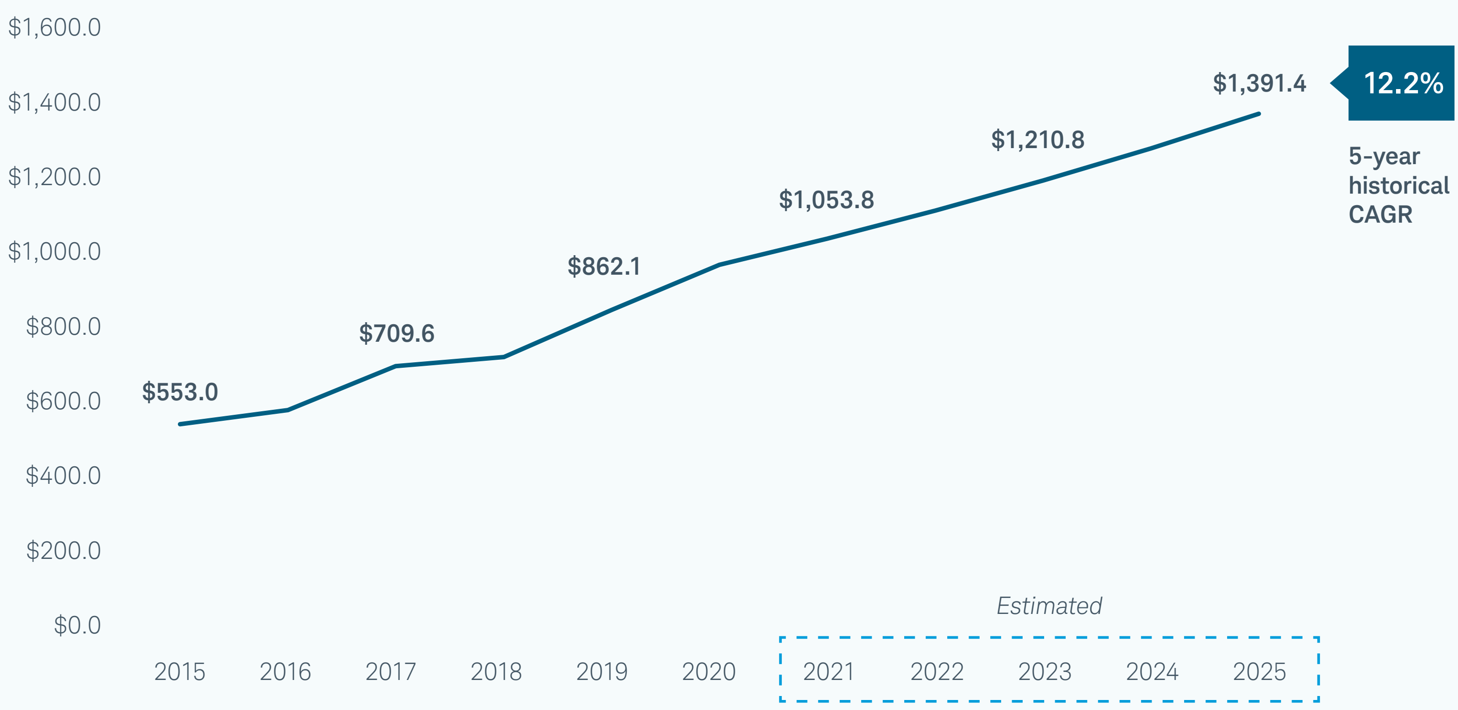
The MFO model has grown at a fast pace, with a five-year historical CAGR of 12.2%[11] (see Figure 5), and it is expected to continue to thrive as RIAs keep growing at a pace faster than wirehouses or private banks. It should be noted that although MFOs are growing at a faster pace, their market share is still significantly lower than those channels. Multi-family office market share of HNW AUM for 2020 was 6.6%, compared to wirehouses at 28.4% and private banks at 21.3%. The good news? Wirehouses and private banks are expected to lose market share over the next five years. The amount of interest and focus on the MFO business is also expected to increase as wealth continues to expand with ongoing trends. Further, complexity among the needs of the UHNW will continue to increase as they face more and more risk exposures, complicated planning structures, and sophisticated investment options.

While every MFO is unique, with its own investment philosophy, service offering, pricing model, hiring practices, and technology strategies, those firms that stand out have one thing in common: they become their client's primary trusted advisor. Ultra-high-net-worth clients of an MFO do not simply call their advisory team for their financial needs alone, but for all of their needs, ranging from planning a trip overseas, to buying a plane, to renegotiating a contract with their employer. The MFO becomes the client's "first call"—even before the client's attorney or CPA—for any and all needs, financial or otherwise. Establishing this relationship requires trust that can be built only by truly understanding the needs of clients and creating compelling and memorable experiences. Over time, the MFO is viewed as indispensable, and the firm has now created not only a loyal client for generations, but also a raving fan to refer or be a reference for other UHNW families.

FIGURE 5

MFO channel

Actual and projected high-net-worth assets and market share by firm type



Commercial family offices include assets within other channels (e.g. bank B/D, private bank, and multi-family office), international assets

Source: Cerulli Associates, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021: Evolving Wealth Demographics

To learn more about the family office business and community, speak with your Schwab Relationship Manager or call **877-687-4085**

1. As of February 28, 2022. Ultra-high-net-worth investor assets are defined as households with a net worth of $30 million and above.
2. Charles Schwab & Co., Inc., as of February 28, 2022.
3. Cerulli Associates, *U.S. High-Net-Worth and Ultra-High-Net-Worth Marketing 2021: Evolving Wealth Demographics*, p. 65
4. *Wealth-X Global Wealth Report 2021*
5. Private Wealth, *Demystifying Family Office Choices For The Ultra-Wealthy Client*, September 12, 2019 https://www.fa-mag.com/news/demystifying-family-office-choices-for-the-ultra-wealthy-client-51605.html?section=66
6. Based on research conducted by Charles Schwab in which RIA firms representing a range of exposure to UHNW end-clients were selected to discuss how they define UHNW clients and UHNW unique needs.
7. *FINTRX Industry Briefing Series Part I: Mapping the location and assets of the Family Office Industry*
8. *FINTRX Industry Briefing Series Part II: Analyzing Family Office Direct Investment Activity*
9. Family Wealth Alliance (in association with Charles Schwab), *Fees & Pricing in Family Wealth: 2020 Report*
10. *2021 Bank of America Study of Philanthropy* https://newsroom.bankofamerica.com/content/newsroom/press-releases/2021/05/nearly-90--of-affluent-americans-gave-to-charities-in-2020--and-.html
11. Cerulli Associates, *U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021: Evolving Wealth Demographics*, p. 65

Thank you to the firms interviewed for this project and for their participation and insights. Firm interviews were conducted in 2021. AUM or AUA referenced in this whitepaper are as of May 2022.

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