



The Single Family Office evolution: Planning for future success

A Single Family Office (SFO) is where a family establishes and operates a legal entity separately from its operating businesses. The entity is solely devoted to providing Family Office services to that family. Services often include finance administration, accounting and investment management, and have broadened over the years to include a greater focus on governance, leadership, succession, philanthropy and wealth education. A SFO may have a family or non-family CEO, employ staff and utilise outside expertise.

As outlined in Mutual Trust’s whitepaper: [Why the Modern Family Office Matters](#), there are strengths and challenges associated with all Family Office models. Traditionally, in the case of the SFO, many families value the total control, privacy and dedicated team that come with managing their Family Office requirements in-house. Over the years, however, the cost of running a SFO has steadily increased – today, families require at least \$500m in investible assets for their SFO to be sustainable in the long-term.

This rising cost, combined with evolving requirements around scalability, talent, technology and wealth ownership, is prompting many families to review their Family Office structure to ensure it remains fit for purpose for generations to come.

So how do families work out whether their SFO will continue to meet their needs for the long-term?

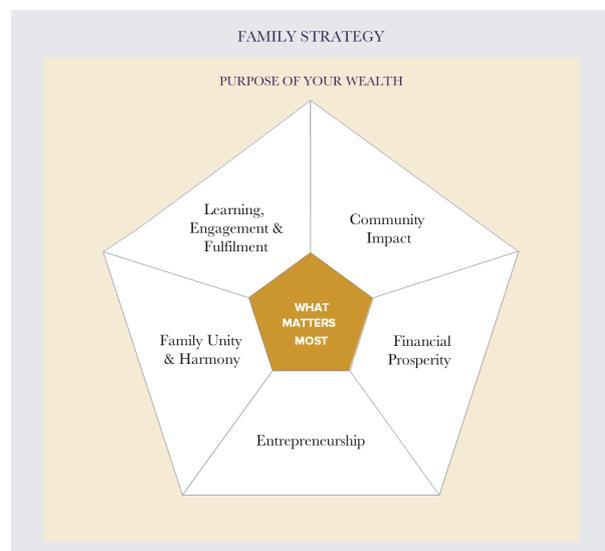
It all starts with exploring what matters most to the family

When families are seeking to optimise their Family Office model, we always start by asking about the purpose of their wealth and whether they have a Family Strategy in place to achieve that purpose.

In our experience, we’ve observed many recurring themes and identified five facets that matter most to successful families of wealth.

This has informed the design of a valuable family framework, the Mutual Trust Gemstone (pictured right). We use this framework to help families uncover what’s most important to them – their Purpose of Wealth, setting the foundation for their long-term success.

The Mutual Trust Gemstone Framework 2023



The family's Purpose of Wealth informs the development of their Family Strategy, a comprehensive plan which covers their key objectives across the five facets of the Framework.

Developing a Family Strategy is a wonderful opportunity for all family members to come together and define their objectives and future goals. If a Family Strategy already exists, it's important to make time to review and refresh it to ensure it remains relevant.

When families have a well-defined strategic plan and clear objectives in place which they are all aligned on, it becomes easier to adjust or implement the right Family Office model to execute that plan and achieve what matters most to them.

“We see families achieve great success when they are able to unite around a common purpose for their wealth and implement a robust and well-considered strategy to achieve it.”

Angela Rutherford
Partner, Family Office

With the Family Strategy in place, it's time to ensure the operating model is fit for purpose

The Family Office model should be designed with the right capability - made up of people, processes and systems - to successfully execute the Family Strategy across generations. To help families optimise their SFO model, we take a look at some important considerations:

People

Evaluating key person risk

Typically, SFOs are lean organisations. Often, there will be one Executive or family member managing the Office. This person may have supported the family for decades and have critical knowledge about their business, investments, tax strategies and family dynamics. If this person leaves, retires or can no longer perform the role, it opens potential for major disruption.

Securing appropriate talent in a competitive market

Attracting the right talent can be challenging for Family Offices. In the Asia-Pacific region, the number of SFOs has increased 28% over the past five years, with the total number of Family Offices predicted to increase 40% by 2030ⁱ. This growth, when combined with a limited candidate pool, can make finding the right talent a competitive expertise.

The importance of governance and succession planning

Many families procrastinate about succession planning. Often, these conversations can lead to bigger discussions around the sustainability of the Family Office and the family's desire to stay together over the long-term, under the next generation's control.

Understandably, these 'bigger picture' decisions can feel overwhelming and cause planning to stall. In fact, of the 151 families surveyed as part of the [2023 FOX Family Office Benchmarking Study](#), only 32% had a formal leadership succession plan in place. This poses a huge risk, especially as we enter one of the largest wealth transfers in history, with an estimated \$4.9 trillion of wealth anticipated to be transferred between generations in Australia over the next decadeⁱⁱ.

It can help to review the Family Office structure and model from a future-focused perspective to ensure the right governance, leadership and succession plans are in place. Having a long-term Family Strategy which spans the next five, 10 or even 20 years, will help to identify the right structure and expertise to invest in now, for the future.

When it comes to Family Office executive management and the Family CEO, it can also help to adopt a flexible and creative approach. For example, if no clear successors are identified, a family might consider dividing the CEO role into multiple positions. Alternatively, the family could look at outsourcing this role, incorporating services from external providers to complement existing and future family member expertise, availability and interest.

Systems and processes

The operational efficiency and infrastructure of the SFO is important. While a family may prefer to manage all tasks in-house, there may be opportunities to streamline *how* these tasks are performed.

This might be, for example, by implementing software to automate operations, leveraging AI tools where appropriate and reviewing service providers with a view to negotiating better terms and consolidating services under fewer providers.

To approach this, we recommend defining all the workflows that take place within the SFO. Outline what needs to be done, by when and by who in line with the Family Strategy. This provides an informed view of current operations and makes it easier to review opportunities and implement plans to improve efficiencies.

There may also be inefficiencies in the way decisions are made within the SFO. It's important to consider existing and future governance structures, policies and procedures, ensuring all family members are aligned in who is required to participate in what boards, committees and decisions, at what age, and in what fashion.

Engaging the next generation

When it comes to managing wealth, a family's needs and desires evolve over generations. For example, younger family members who haven't created the wealth themselves may feel less engaged to actively manage it. They may prefer to pursue other interests and careers to fulfil their own dreams, rather than work within the SFO. It's important to maintain a flexible approach and leverage modern Family Office practices to accommodate the family's changing needs.

This is where that focus on the Purpose of Wealth offers real value. When families have open and honest conversations around their interests, desired levels of involvement and ideas for the future, the family can ensure the Strategy is fit for purpose and reflects the needs of future generations.

Where younger family members are interested in taking on an active role in SFO, it's important to plan for how to provide them with suitable mentoring and coaching opportunities and deliver appropriate learning and development that will serve them well as future family leaders.

Costs

Running a dedicated SFO is expensive, especially when families maintain all the necessary expertise in-house. If the complexity of the SFO is high, it further increases the costs and risks.

Families can seek to reduce costs by leveraging new technologies to introduce efficiencies. Other options include cross-training staff to cover multiple functions and outsourcing non-core responsibilities (such as legal and IT support).

“Our work with financial families has taught us, definitively, that wealth alone cannot hold a family together.”

Sara Hamilton
Founder, Family Office
Exchange (FOX)

Many positive outcomes can be achieved with Multi-Family Office support

While families value the privacy and control that comes with operating a SFO, many are finding that the flexibility and scalability of a Multi-Family Office (MFO) approach is better suited to their evolving needs - particularly if their next generation of family members will soon come into wealth ownership.

In Australia, many SFOs opt to use MFOs to fill gaps in expertise, systems and processes. This approach allows families to access a broader range of services, technologies, infrastructure and expertise, while sharing the operational costs with other families.

Often, a SFO will transition into a MFO, where it retains its own identity, staff and office space, yet becomes part of a model which offers deeper expertise for the SFO to broaden its capabilities.

Further, families choose to partner with MFOs over the long-term to serve as back-up or successor to their SFO. This is important if a change in family circumstances warrants an evolution in the Family Office model (such as the next generation not wanting to actively manage the SFO). This partnership mitigates many of the risks outlined earlier and provides continuity for the family.

To work out which Family Office approach is best suited to a family's particular circumstances, it's important for all family members to engage in open and honest conversations on what they desire for their future. This isn't always easy. An external advisor can add significant value as a trusted and objective third party, helping family members voice their unique perspectives and collectively identify a suitable long-term approach.

If you would like to explore how Mutual Trust can help your family plan for the long-term success of your Family Office, please contact your Relationship Manager.

Jeff Steiner

Partner, Head of Family Office

ⁱ [Deloitte, Defining the Family Office Landscape, 2024](#)

ⁱⁱ [Vanguard, The Great Wealth Transfer: Building trust across generations.pdf](#)

Melbourne

Level 32
360 Collins Street
Melbourne VIC 3000
T +61 3 9605 9500

Sydney

Level 18
126 Phillip Street
Sydney NSW 2000
T +61 2 9224 7600

Perth

Ground Floor
22 Stirling Highway
Nedlands WA 6009
T +61 8 9230 7700

Adelaide

Level 1
190 Flinders Street
Adelaide SA 5000
T +61 8 7082 3900

info@mutualtrust.com.au
www.mutualtrust.com.au

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