



STRATEGIES FOR MODERNIZING THE FAMILY OFFICE

Private Wealth Team

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In recent years, the family office has undergone a transformation. A rising tide of data, new technology, and rising expectations have challenged what was often primarily an administrative hub for financial management of family wealth. Family offices today are responding by becoming more professional and data driven and, in some cases, using family office investment consulting to guide this evolution.

At NEPC, we have played a role in helping many family office clients adapt, often by leveraging institutional-grade investment practices and operational guidelines. In this article, we will explore what's behind these changes and what actions, in our view, do the most to facilitate the successful evolution of family offices.

FROM TRADITION TO TRANSFORMATION: FAMILY OFFICE 2.0

Historically, many family offices were lean operations focused on minimizing taxes, preserving wealth, managing administrative functions, and supporting philanthropic priorities. Governance structures were often informal, technology usage could be limited, and investment strategies frequently leaned toward traditional assets, potentially in conjunction with an active operating business.

But family offices are feeling pressure to become more sophisticated as families seek better ways to ensure their wealth will be protected and preserved across generations. We believe there are several underlying factors that may be driving this change:

- **Investment portfolios** have become more complex, with families seeking exposure to asset classes far beyond traditional stocks and bonds;
- **Greater data sophistication**, with analytical tools enabling enhanced portfolio optimization and risk management capabilities; and
- **Generational transitions** among family members and family office professionals, serving as an impetus for change, leading to increased professionalization and institutionalization.

These forces are pushing family offices – even those who already have a relatively sophisticated approach – to reconsider their operational and fiduciary standards. In our experience, family office leadership often looks to the institutional marketplace for ideas, and family office consulting is increasingly viewed as a pathway to achieving institutional-quality practices. We have seen family offices have meaningful success, for example, by adopting institutional risk management practices to better safeguard their investments. Likewise, implementing institutional-level governance structures, such as investment committees and decision-making boards, can be useful for enhancing discipline and professional rigor.

THREE STRATEGIC FOCUS AREAS FOR THE FAMILY OFFICE

These changes can be challenging, but they can also be highly beneficial to family offices and the families they serve. For example, adopting advanced data analytics can significantly improve decision-making processes, leading to better investment outcomes and improved risk management.

How can a typical family office build these skills? Based on our experiences working with family office clients, we recommend these strategies:

STRATEGIC FOCUS #1: PRIVATE MARKETS USAGE

Over the past decade, private markets have become an increasingly large part of many family office portfolios, just as they have become more commonplace in a wider range of institutional portfolios. Private equity, venture capital, real assets, and direct deals now account for a growing share of allocations.

Private markets offer numerous benefits, for instance, tax management, diversification, and exposure to unique return opportunities. But their usage requires rigorous due diligence, risk assessment, and manager selection, and finding the right talent needs to be a priority. Many family offices address this by hiring professionals with institutional backgrounds and experience in asset management. An alternative approach is to partner with an investment consultant. [Investment consultants](#) bring specialized expertise and can often give families access to top-tier investment managers. They can also facilitate the transition to more sophisticated portfolio practices.

STRATEGIC FOCUS #2: TECHNOLOGY UPGRADES FOR MORE ROBUST DATA MANAGEMENT

For family offices managing complex portfolios, the ability to collect, analyze, and report data accurately is no longer optional. State-of-the-art platforms such as Addepar, Arch, and Sage Intacct, whether in-house or outsourced, allow offices to effectively consolidate investment, administrative, and reporting data.

Beyond efficiency, these systems improve transparency, auditability, and accuracy. They allow families to track performance against benchmarks, monitor liquidity, and integrate tax and estate planning considerations. They also ensure stakeholders have timely, accurate information. For larger family offices, these platforms have become the backbone of fiduciary oversight.

STRATEGIC FOCUS #3: ACQUIRING PROFESSIONAL SUPPORT

As the operational demands of family offices grow, many are expanding leadership teams to include experienced CIOs, COOs, and formal investment committees; others are enhancing governance with written investment policy statements and structured decision-making frameworks.

Notably, a number of family offices are choosing to delegate investment execution to outsourced chief investment officer (OCIO) providers. This model leverages the deep resources of institutional-grade asset managers while allowing family principals to focus on high-level strategic goals. In many cases, this hybrid approach delivers superior performance oversight, reporting accuracy, and cost efficiency compared to a fully in-house model.

LOOKING AHEAD

The professionalization of the family office is a continual trend that has been gaining momentum. Over time, we expect the lines between family offices and institutional investors to continue to blur as family offices adopt more sophisticated practices and standards.

In our view, the shift toward greater professionalization is not so much a departure as an evolution – one that strengthens the family office’s ability to sustain and grow wealth across generations. Family office investment consulting can assist with this evolution, equipping families with institutional-grade tools and governance while preserving the personal focus that makes a family office unique. By embracing technology, expanding into private markets, and engaging professional leadership, family offices can position themselves to navigate a complex investment landscape with confidence.

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