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# INVESTING IN PRIVATE MARKETS: BEST PRACTICES FOR FAMILY OFFICES

A series for building and managing a private markets portfolio

This is the **first** of a four-piece series under the heading, "Investing in Private Markets: Best Practices for Family Offices." In the series, we focus on the unique challenges of investing in private markets and how family offices can most effectively address them. For other pieces in this series, please click [here](#).



# 1. BUILDING A PRIVATE MARKETS PROGRAM FROM THE GROUND UP

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Family offices have increasingly been exploring private market funds to enhance family portfolios. While family offices have long embraced private market investments, new technologies and regulatory changes are making pooled private market funds far more accessible, bringing the advantages of private markets to a wider range of high-net-worth investors.

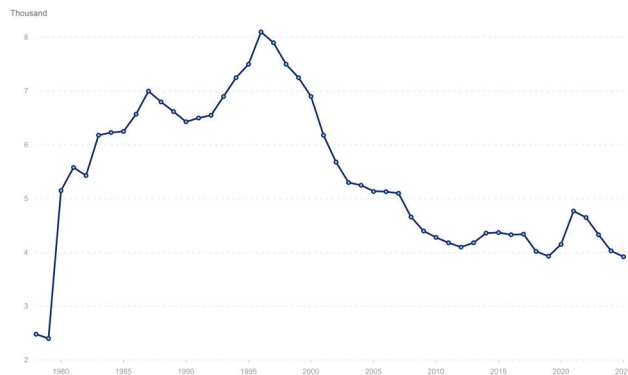
We at NEPC believe that private markets are highly attractive, assuming the family office is well prepared to tackle their many challenges. In our experience, those challenges can be addressed by following best practices that institutional investors have developed over decades. These practices work because they build a disciplined, thoughtful foundation and guide decisions that historically have led to success.

In this series, we will focus on three critical challenge areas – portfolio construction, liquidity management, and manager selection – and the best practices that all family offices should be acquainted with. We will also address the governance issues that can help a family office invest in private markets confidently.

## WHY ENGAGE IN PRIVATE MARKETS?

Considering the risks and complexities that come with private markets, why include them in family portfolios at all? Obviously, the return potential of private markets drives a lot of interest. Private equity has a history of strong performance compared with other major asset classes over the past two decades<sup>1</sup>, and private debt provides investors with access to a much wider range of risk and return opportunities than the public bond market<sup>2</sup>. In theory, this return potential compensates investors for illiquidity, since private markets involve long capital lock-up periods. But for family offices, who are typically planning investment strategy over generations, the liquidity risk is generally manageable. Private market investing represents the kind of patient capital deployment that aligns naturally with multigenerational wealth objectives.

Importantly, private markets offer performance from a wider range of sources. Since the 1990s, the number of U.S. listed companies has shrunk dramatically, and so has the number of annual initial public offerings<sup>3</sup>. At the same time, private markets have broadened – they are often the best place to look for innovative companies in growing economic sectors<sup>4</sup>. Private markets funds give family offices access to opportunities in these areas, while diversifying overall portfolio positioning.



Source: World Bank

Private markets portfolios can offer numerous planning advantages as well for families in the right situations. Private equity portfolios in particular can be tax efficient because returns are typically realized as long-term capital gains rather than ordinary income, and tax events are deferred until exit. They can also be useful in estate planning and generational transfer of wealth strategies, especially if they are held within a family partnership.

But to benefit from these advantages, family offices need to recognize the primary challenges of investing in private markets and be prepared to take the necessary steps to address them.

## THE BEST PRACTICES FOR COMMON CHALLENGES

Piece #2 in this series, [Tackling Private Market Portfolio Construction](#), focuses on portfolio construction and allocation decisions. Family offices need to determine how much to allocate to private markets, as well as questions of position sizing and diversification. There are issues specific to private markets that public market investors don't face, like the risks of overconcentrating in a single vintage year.

Drawing from our experiences working with institutions and family offices, we will identify best practices such as overcommitment, developing a pacing plan, and diversifying across vintage years, among others.

1 New Report: Private Equity Delivers Stronger Long-Term Returns Than Any Other Asset Class. American Investment Council, December 8, 2025. <https://www.investmentcouncil.org/new-report-private-equity-delivers-stronger-long-term-returns-than-any-other-asset-class>

2 Why Private Credit Remains a Strong Opportunity. J.P. Morgan Private Bank, July 31, 2025. <https://privatebank.jpmorgan.com/nam/en/insights/markets-and-investing/why-private-credit-remains-a-strong-opportunity>

3 Data from World Bank from 1978 to year end 2025

4 The Rise of the Retail Investor: How Private Markets Are Being Transformed. World Economic Forum, Jan. 20, 2026. <https://www.weforum.org/stories/2026/01/investment-private-markets-alternative-assets>

Piece #3, [Retaining Portfolio Liquidity When Investing in Private Markets](#), targets perhaps the greatest challenge of investing in private markets – liquidity risk. Private market programs are likely to falter if a family office underestimates liquidity needs. This piece will discuss ways to incorporate liquidity considerations into an allocation strategy and the kind of liquidity guardrails that are needed to keep a private markets program on track.

Finally, piece #4, [Selecting Private Market Managers and Evaluating Performance](#), tackles the investment skills family offices need to build success. Being able to handle the complexity of a private markets program is an underappreciated challenge for many family offices. The piece discusses the benefits of disciplined manager evaluation, strong governance tools, and appropriate success metrics over chasing performance.

## CONCLUSION

A well-designed private markets program is a powerful tool for family offices, but that power comes with complexity, and complexity rewards thoughtful design and consistent execution. The families who benefit most from private markets are those who approach it with patience, discipline, and a trusted partner like NEPC who can provide both the framework and the ongoing guidance to navigate it well.

## IMPORTANT DISCLOSURES

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All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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