

Family office decision- Determining what's right for your family

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Managing Significant Wealth: Opportunities and Complexities

Regardless of your background, how your wealth was created, or your family situation, handling substantial wealth brings with it distinct opportunities as well as challenges. Making informed decisions and preserving your legacy for future generations often requires dedicated effort, planning, and expert support.

Your Relationship with the KGS Family Office

Family offices are purpose-built to meet the unique needs of high-net-worth families. While their format can vary significantly, their structure typically reflects the goals and priorities of the family they serve.

Evaluating Whether a Family Office Is Right for You

Compared to conventional wealth management, a family office may offer enhanced benefits in terms of planning, governance, and alignment of long-term goals.

1. **Family Governance and Decision-Making:** A family office can establish a formalized governance framework that supports smoother decision-making during difficult periods. This structure helps minimize conflict through defined roles, transparency, and organized processes. Although family-owned businesses or foundations can provide some structure, they generally lack the depth and breadth of governance available in a dedicated family office.
2. **Unified Strategy and Coordination:** Traditional wealth management often involves multiple advisors and varying strategies, which can result in conflicting plans or unnecessary risk. In contrast, family offices aim to consolidate and align the family's financial objectives across all members, enabling a more cohesive and mission-driven approach.
3. **Tailored Services:** Family offices offer a high level of personalization. Whether it's investment strategy, estate planning, philanthropic giving, business affairs, or lifestyle management, services can be tailored specifically to a family's unique preferences. These offices often engage professionals with specialized expertise to help the family realize its financial and personal goals.

Choosing the Right Family Office Model

Your choices around control, privacy, and cost will help determine the ideal family office setup for your needs.

Types of Family Offices

1. **Single-Family Office (SFO):** Exclusively serves one family, though it often supports several branches or generations. While it tends to be costlier and requires more direct involvement, it offers unmatched flexibility and customization.

2. **Multifamily Office (MFO):** Provides services to multiple families. A variation, the Multi-Client Family Office, may feature a primary family that extends its office to others, sharing expenses and resources. These families may range in wealth and relationships, including former business partners or collaborators.

Key Considerations

1. **Control:** To what extent do you want to direct the family office? In an SFO, you maintain full authority over hiring, operations, and decision-making. In an MFO, control is typically shared or delegated, so it's essential to evaluate how decisions are made and whether your priorities align with the other families involved.
2. **Privacy and Security:** Are discretion and data security critical to you? Typically, a single-family setup offers enhanced confidentiality, especially when family members are part of the staff. However, larger MFOs and institutional setups may implement stronger cybersecurity and regulatory safeguards. Ultimately, confidentiality depends on the quality of internal controls, employment agreements, and governance policies.
3. **Cost:** How much are you willing to invest in operating the office? Family offices are resource-intensive. Costs can range from \$1 million to \$2 million per year, depending on size and services. An MFO can be more economical, thanks to shared resources. Consider which services matter most and where you can balance in-house efforts with outsourcing to manage expenses.

Approach to Outsourcing

Outsourcing decisions go beyond cost — they involve strategic evaluation of risk, privacy, and operational complexity.

1. **Specialized Expertise:** Which roles are most vital to your family office? Complex tax or investment structures may demand sophisticated systems and specialized staff. Rather than hire in-house, some families prefer outsourcing to firms with backup capabilities and deeper expertise.
2. **Technology Planning:** Tech evolves quickly. Offices must choose between reinvesting in their own systems or outsourcing to providers who offer continual upgrades. Either way, flexibility and up-to-date platforms are key.

Core Family Office Services

1. **Business Oversight:** Management of real estate, operating companies, and family partnerships
2. **Investment Oversight:** Development of policy, manager supervision, performance tracking
3. **Risk Management:** Evaluation of insurance, long-term care, liability planning
4. **Integrated Wealth Planning:** Coordinated strategies for tax, asset protection, and succession
5. **Philanthropy:** Setup and compliance for charitable foundations or giving vehicles
6. **Financial Administration:** Handling of cash flow, ledgers, payroll, and banking
7. **Fiduciary Oversight:** Tax compliance, trust administration, and reporting
8. **Family Governance:** Creation of boards, legacy plans, and next-generation education

Balancing Privacy and Operations

Some families retain tasks like bill payments or cash management in-house to maintain tighter control. Others prefer to delegate to providers with strong compliance processes and robust reporting tools.

Outsourcing Investments

While some offices employ in-house CIOs, many families choose to outsource investment management. External advisors provide not only expertise but also access to diverse strategies and robust due diligence processes.

Family Participation

Your family's skill set and interest in managing the office are also important. Members with backgrounds in finance, law, or investing may wish to take active roles. This kind of engagement can guide decision-making and strategy alignment.

Tailoring Family Office Services

Family offices are highly adaptable and should reflect the vision and needs of the families they serve. Clarifying your values and goals helps ensure your office supports the outcomes most important to you.

Investment Strategy

How actively do you want to be involved in investment management? Do you prefer maximizing returns, preserving capital, or balancing both across generations? You may also want to consider whether to hire in-house expertise, use specialized advisors, or fully outsource.

Estate and Succession Planning

Are you planning for intergenerational wealth transfer? Is tax efficiency a high priority? If a business sale or generational transition is likely, working with estate planners or specialists can help you develop strategies that align with your long-term legacy.

Philanthropy Strategy

Does charitable giving play a central role in your wealth management philosophy? If so, consider including a giving vehicle like a donor-advised fund or private foundation in your office structure. Dedicated philanthropic advisors can help increase your impact and streamline compliance.

Education for Future Generations

Do you want to educate younger family members about managing wealth? Some family offices offer financial literacy programs or educational resources tailored to younger generations. Consider building a customized curriculum or working with advisors who can support this goal.

Reporting Requirements

What level of detail and frequency do you need in your reports? In-house reporting systems offer discretion but can be costly and inflexible. If you want consolidated reporting across different assets and institutions, an outsourced or hybrid solution may be best.

Administrative Needs

What professional services must the office support daily? Legal, PR, and administrative functions may require dedicated staff or trusted external advisors, depending on your needs.

Making the Family Office Decision

Family Office Advantages

1. How important is structured governance to your family?
2. Do you seek alignment between family values and wealth planning?
3. Is a fully tailored experience your priority?

Choosing the Right Structure

1. How much direct oversight do you want?
2. What are your privacy expectations?
3. Do you prefer in-house expertise or external partners?
4. What budget are you prepared to commit?

Customizing Services

1. Which services does your family require most?
2. What level of investment personalization is needed?
3. How should younger generations be educated?
4. Is philanthropy central to your mission?
5. What kind of reporting and operational support do you expect?
6. Are there future liquidity events or business transfers on the horizon?

Building Your Personalized Family Office

Next Steps

KGS has a deep legacy of helping families navigate the complexities of wealth and legacy planning. Whether you are building a new family office or considering joining an existing one, we can help you evaluate your options and connect with the right resources to meet your goals.