



FONDAZIONE
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FOX Family
Office
Exchange

TECHNOLOGY IN FAMILY OFFICES

Digital Integration Revised



Fondazione AIS works to support entrepreneurial families in responsible private wealth management. In a world of complexities, global and sustainability crises, and unprecedented speed of change we believe that private wealth management is pushed to integrate all different dimensions of its work. This will allow decision-making to be based on strong evidence, tailored to user needs.

To explore the state of the art of such integration processes and above all, their digital implementation and available technology solutions, **Fondazione AIS** and **Family Office Exchange (FOX)** have partnered to conduct this survey. Many of you indicated that this process of digital integration of private wealth management is a work in progress and we, as an industry, need to travel some further steps to arrive at fully satisfactory solutions.

Our survey has met with a strong response. We would like to express our gratitude to all our participants who devoted their time to respond. Both **Fondazione AIS** and **FOX** are grateful for your expressions of further interest in an exchange on digital integration of private wealth management in entrepreneurial families and their family offices.

In particular, we wish to thank the teams both at **FOX** and at **Fondazione AIS** who have allowed us to share the experience of a very competent, constructive and enjoyable process of cooperation. Not all questions could be asked (to keep the survey concise), not all questions have been answered and new questions have emerged. We will look into the best possible ways to capitalize on what we have learned and to explore what we don't yet know.

We look forward to you remaining our trusted partners on this journey.

Dr. Volker Then
Fondazione AIS

Hilary Leav & Kent Lawson
FOX

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RESEARCH SUMMARY INSIGHTS

Overall, the rate and pace of participation in this study suggests that this is a topic of great interest, and, it could be inferred, a great challenge in the UHNW community. Moreover, the willingness of nearly half the participants to share their thoughts in future interviews suggests that there is quite a bit that can be learned from current perceptions, processes, and experiences with technology in this space.

In general, participant family offices are offering similar services – and seem to be having similar experiences with their technology, at least in terms of what is currently used, what is desired, and what is prepared and shared from the technology. This is unusual in FOX research, in the sense that there are not major differences in asset level, generation in leadership, office size, or other common demographic categories.

However, levels of satisfaction with current digital solutions and perceived areas of need for future solutions may offer insights on how family offices think about technology in their work processes. It suggests that this is still an area in development within the industry, and that more and deeper study may be needed to help family offices maximize their usage of digital solutions.

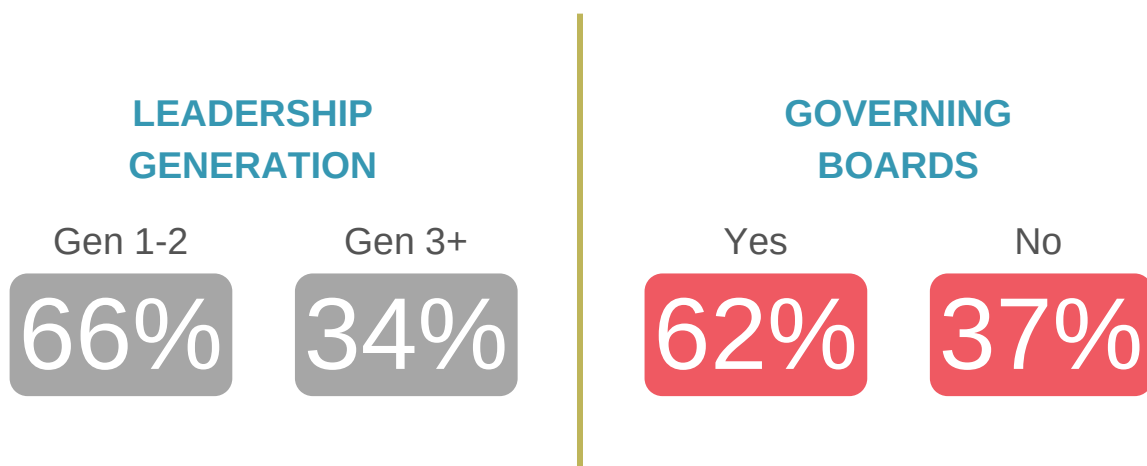
METHODOLOGY & SURVEY ADMINISTRATION

In order to better understand current family office processes and usage of technology, FOX and Fondazione AIS jointly developed a 26-question survey. The survey covered office services, digital tools, types of reporting, types of information needed, and interest in integrated platforms to support the family office work.

The survey was administered via an online data collection software to a panel of FOX community members and was launched in October 2022, with a run-time of five weeks. A total of 106 offices responded to the survey. Hopefully, the following information retrieved during this process will help to understand the direction that technology, solutions and platforms might be taking in the near future.

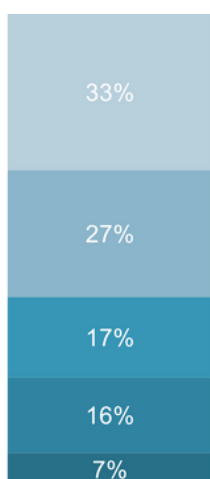
PARTICIPANT DEMOGRAPHICS

Overall, the survey had 106 participant family offices. In general, the participant demographics are consistent with what we see in typical FOX survey participation. Below, we see the percentages of participants by leadership generation and those with governing boards.



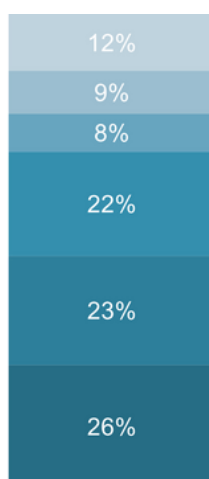
Survey participants also shared annual office budget and investable asset ranges. Finally, the survey also asked about philanthropic contributions; the distribution of responses is shown below.

ANNUAL PHILANTHROPIC CONTRIBUTIONS



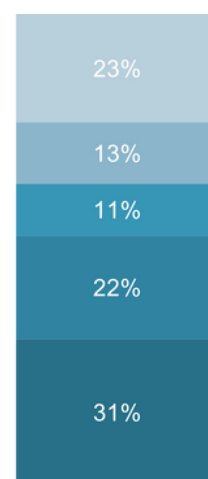
- Less than \$100,000
- \$100,000-\$499,999
- \$500,000-\$999,999
- \$1m-\$3m
- More than \$3m

ANNUAL OFFICE BUDGET



- Under \$1 Mil
- \$1-\$1.9 Mil
- \$2-\$2.9 Mil
- \$3-\$3.9 Mil
- \$4-\$4.9 Mil
- \$5 Mil +

INVESTABLE ASSETS



- Under \$250 Mil
- \$250-\$499 Mil
- \$500-\$749 Mil
- \$750-\$999 Mil
- \$1 Bil +

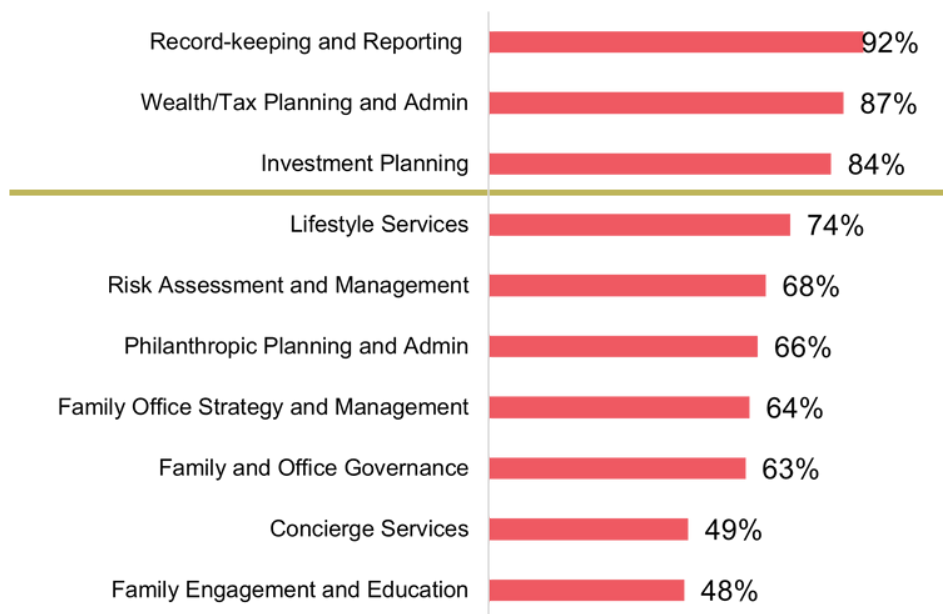
SERVICES PROVIDED BY THE OFFICE

Services offered by the family office define much of the offices' staffing and structure – and potentially the types of software and digital solutions used to support the work processes. Participants were asked to identify which services were offered by the office. While each of the ten categories of service offerings received some representation, three key areas rose to the top of the list, and deeper analysis revealed that services offered by the family office remain remarkably consistent across different demographic breakdowns.

The top service areas include:

- Record-keeping and reporting (92%)
- Wealth/Tax planning (87%)
- Investment planning (84%)

SERVICE CATEGORIES



These top three categories may shift in order depending on specific demographic category being analyzed; specifically, deeper review shows that investment planning becomes more common as asset levels increase.

Lifestyle services, risk assessment and management, and philanthropic planning and administration round out the list of the top five most offered service categories. Here we also see shifts with analysis by generation in leadership. While these remain important, the categories of family office strategy and management and family and office governance increase in families led by Gen 3+, perhaps suggesting a shift in the roles and duties of the office.

We also see shifts in the top five categories of services as it relates to lifestyle services and level of investable assets. Presence of lifestyle services as an office service category decreases as asset levels rise. It is generally hypothesized that as a family's asset level increases, and as the office becomes more sophisticated and professionalized, these functions move out of office oversight. Regardless, this generated much discussion and may be an area for exploration in future research.

We also see trends in services based on investable asset levels. Two service categories (lifestyle services and philanthropic services) show an inverted u-shape and u-shape curve, respectively. This may indicate changing needs over time – and as asset levels grow – that may move in and out of the family office's management. Risk assessment and management is another area that shows change. Presence of risk management services increases as asset levels increase, moving from just over half of offices under \$250 million to nearly four out of five offices with \$1 billion or more in assets.

CURRENT TECHNOLOGY USED IN THE OFFICE

To understand the connection between services offered and current technology used by the family office, participants were asked to identify which solutions are currently used in their office. Current technology used by participants centers on three categories of digital solutions:

- Accounting (92%)
- Investments (66%)
- Administration (50%)

This heavy focus on technology to support wealth management is not surprising given the top services identified earlier. The prevalence of these tools increases as office budgets increase, as does presence of cash management solutions.

TECHNOLOGY CURRENTLY USED

	%
Accounting (Accounts Payable/Receivable, Financial Reporting, General Ledger, Partnership Accounting, Trust Management & Accounting)	92%
Investments (Alternatives Management, Direct Investing, Forecasting & Planning, Investment Portfolio Accounting & Reporting, Oil & Gas, Portfolio Analytics, Real Estate)	66%
Administration (CRM - Client Management, Data Integration, Document Management)	50%
Cash Management	39%
Communication (Client Portal, Family Communication)	38%
Philanthropy (Grants/Project Management, Family Giving, Fundraising)	31%
Lifestyle (Collection Management, Concierge Services, Flight/Airplane Management, Planning & Education)	18%
Board Management	11%
Impact Measurement	5%

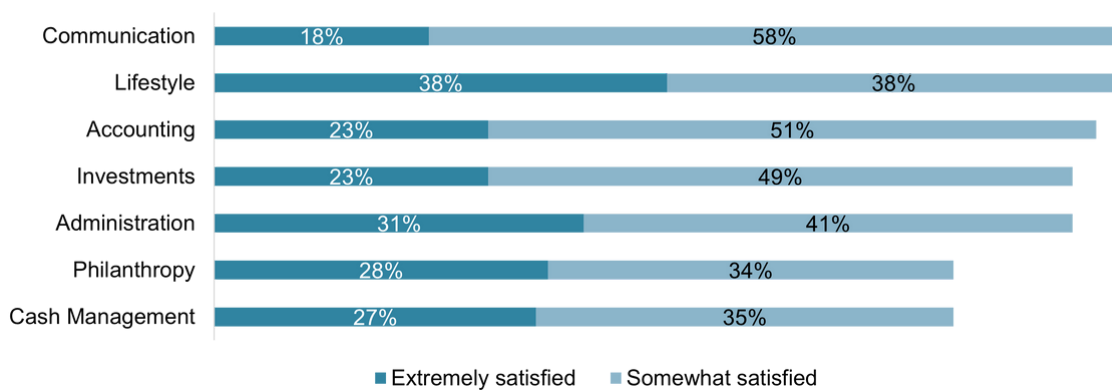
Generation in leadership and office budget showed some variation in the current technologies used that may provide insight into how technology supports family office processes. While accounting and investment software continues to dominate, technologies such as administration, communication, board management and impact measurement are used more in Gen 3+ family offices. However, cash management and philanthropic administration software is used less than in Gen 1-2 family offices.

When looking at office budget, in most cases, presence of digital solutions increases as budget size increases. However, there are some interesting exceptions: philanthropy, cash management, lifestyle and communication remain consistent regardless of what the size of the office budget may be.

SATISFACTION WITH DIGITAL TOOLS

In general, most are on the satisfied side of the scale when considering their technology solutions; while some respondents may be somewhat dissatisfied, these percentages remain low, and very few are extremely dissatisfied.

LEVEL OF SATISFACTION BY TECHNOLOGY TYPE



What is worth further exploration and discussion is the percentages of those that consider themselves “somewhat satisfied” or “neither satisfied or dissatisfied”. This large group of participants – which are present in every software category – may be able to provide deeper insight into what challenges remain, and what is preventing users from being more satisfied with a tool or digital solution. Anecdotally, many FOX council and other peer group discussions highlight challenges in software selection and implementation that provide context around these results. Moreover, these findings seem particularly important in light of the results around technology integration and other digital solution needs in the office.

TECHNOLOGY & DIGITAL SOLUTIONS STILL NEEDED

When looking at what types of software or digital solution needs still exist in participant offices, integration between systems and aggregation of information are the top two. Integration between systems remains at the top of the list regardless of what demographic categories are used for analysis. This implies a clear interest and demand for integrated solutions.

Additionally, training tools for staff and family members is the third identified need. Need for training tools and solutions increases in percentage as the size of the office budget increases.

CATEGORIES OF SOFTWARE STILL NEEDED

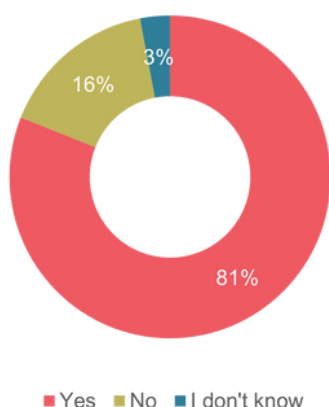
	%
Integration between systems	48%
Aggregation of all information in a central location	43%
Training tools for staff and family members	42%
Private Equity or Alternatives data feeds	41%
Risk management dashboarding	38%
Direct Investment management	36%
External crisis and risk assessment	29%
Philanthropic impact	29%
Board governance	27%
Personalized information	17%
Video reporting	15%
None	14%
Other (please explain)	8%

However, of the remaining categories, around one-third of participants are still looking for software around private equity, risk management, direct investing, external crisis management, and philanthropic impact. This may suggest a myriad of unmet needs that are impacting how offices value, assess, select, and implement digital solutions.

SUMMARY REPORTING PROVIDED

Participants indicated summary reporting is the norm, with 81% of offices creating some measure of summary for family members.

SUMMARY REPORTS ARE PROVIDED



Additionally, this increases in later generations, where the presence of summary reporting increases to 89% in Gen 3+. It also increases in asset level, where it jumps as high as 100% in some larger asset categories.

The information consolidated and provided in these summary reports focuses on asset management, but may also include information on philanthropic activity, or aspects of the family business. The content provided shifts slightly when considered by generation in leadership, where Gen 3+ families start to show more reporting around governance.

SUMMARY REPORTS PROVIDED BY TOPICAL AREA AND RECIPIENT

	Family members	Family office
Asset management	83%	79%
Family business	27%	27%
Real estate management	31%	38%
Lifestyle cost management	31%	29%
Philanthropic activities/giving management	48%	43%
Impact measurement	5%	9%
Family governance	19%	22%
Public reputation and media coverage	6%	7%
Global (external) crisis and risk assessment	9%	12%

60% report that specialized summary reporting is prepared for family members, though it is office executives and staff that indicated regular use of the information.

SUMMARY INFORMATION BY RECIPIENT

	Specific, customized information prepared	Regular use of the information	Feedback given or received on the information shared
Family Office Governing Board	28%	28%	22%
Family leadership	31%	35%	27%
Family members	60%	49%	48%
Family office executives	43%	67%	44%
Family office staff	36%	60%	41%
Advisors	28%	31%	17%
Community or public	2%	1%	3%
Outsourced service providers	14%	17%	8%

Family office executives, family office staff, and family members were also indicated as using results and giving feedback on the information. Here, we also see differences in the results when comparing the data by generation in leadership. Gen 1-2 show more customization and use of information for the family and the family office, but Gen 3+ gives more feedback, particularly at the governing board or family leadership levels.

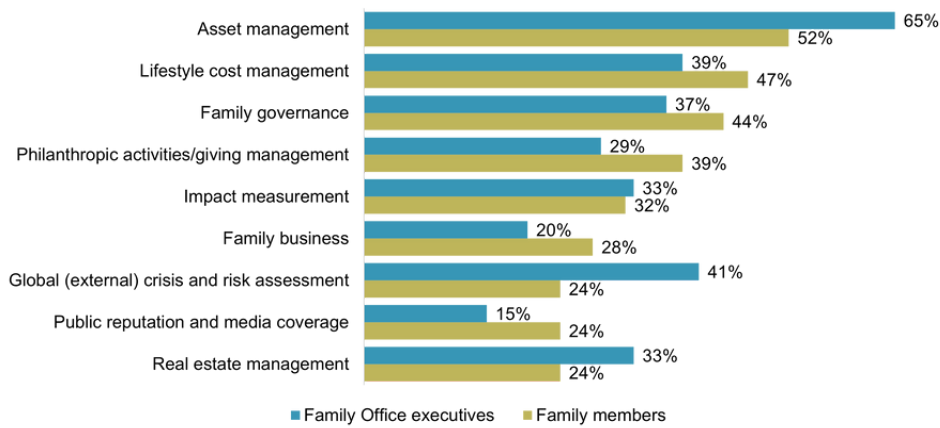
Delivery of the summary report focuses on email formats for sharing information. This question has been researched by FOX in other studies; specifically, in 2021 Family Office Benchmarking. At the time, there was a change in delivery formats when compared to 2019, moving towards electronic distribution. FOX believed the change was less about technology and rather had been influenced by the pandemic and restrictions on physically sharing paper reports. It is also unclear how participants might have interpreted the statement “real-time” when answering the survey questions, which may have affected responses. Within the current data, we do see that an online portal is more present in Gen 3+-led family offices.

METHOD OF REPORT DELIVERY

	%
Sent out PDF written document	88%
Real-time online portal	22%
Other	7%

For participants, types of information needed for better decision-making still focuses on asset management for both family members and family office members. Here, information on family governance, lifestyle cost management, and philanthropic and impact management also become more important. Need is noted across many additional categories, but the main need seems to be in these key areas.

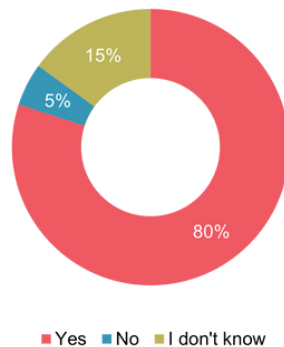
TYPES OF INFORMATION BY RECIPIENT



INTEGRATION, INTEREST IN PLATFORMS & DECISION-MAKING

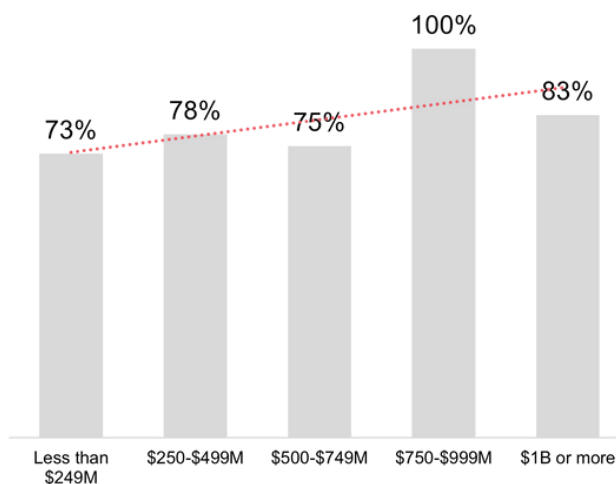
Overwhelmingly, 80% of participants felt that technology integration would be important to family offices in the next several years. When looking at this information in different demographic categories, there were interesting differences.

TECHNOLOGY INTEGRATION IS IMPORTANT IN THE FUTURE



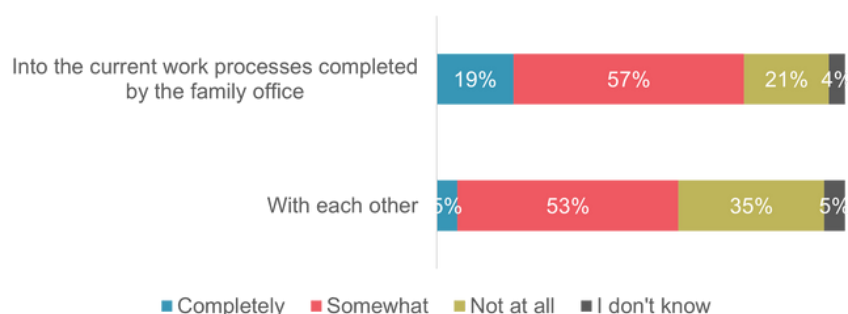
Specifically, belief of technology integration's importance decreases in Gen 3+, but the belief increases as asset levels rise. There are many possible explanations for this, including an acceptance or embracing of the importance of technology as a proxy for efficiency or ability to scale without hiring additional staff, or that by Gen 3+, offices have already adopted technology and are comfortable with it, making them less likely to answer in the affirmative.

BELIEF TECHNOLOGY INTEGRATION IS IMPORTANT BY LEVEL OF INVESTIBLE ASSETS



It is also interesting to consider how participants responded to whether their technologies and processes were integrated. Given the overall perceived importance and the identified needs of integration and aggregation, it is not surprising that the highest percentage of participants selected “Somewhat” for both questions.

LEVELS OF INTEGRATION



This suggests that integration is a priority – or at least a wish list item – for many offices but achieving these objectives may be falling short of expectations. In that light, the high prevalence of “somewhat” responses is not particularly helpful, either in determining need or understanding where efforts may be falling short.

When considering how technology decisions are made in the family office, it is interesting to note that it is primarily the family office driving the process. Nearly two-thirds of participants noted that family office staff would have a high level of interest in a platform that could integrate and provide summary information; the primary interest in this is suggested to be to improve communication between the family and the office. Since the family office executives and staff are the ones driving inquiry into new technology and making decisions about which technologies are implemented, it may be worth continuing to explore many of the issues and areas noted above in future research.



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