

The Cost of Your Family Office Team



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How do wealthy families make the best use of their money? With help.

Many rely on family offices to manage and grow their wealth, among other financial services. Family office teams consist of various financial professionals who understand how to avoid risk, evaluate investments, minimize taxes, and manage assets for multiple parties with a collective interest. Family offices have become far more common in the last 20 years, owing largely to the immense wealth created by the emergence of the internet. Newly-minted millionaires with more money than time need to entrust someone with their funds, and family offices are an appealing alternative to institutional money managers.

Given the nature of their work, one might expect a family office team to have no trouble managing their own accounting obligations. One might also expect wealthy individuals to disregard the cost of their family office. But neither assumption holds up. Accounting, finance, and cost controls can all be challenges for a family office, and that should concern the family itself.

How Costs Get Out of Control

Prevailing wisdom says that family office costs should equal around 1% of the family's active assets. Those costs typically fall into four categories:

- Internal Costs – Salaries, benefits, overhead, technology
- Family Expenses – Property, art/collectibles, taxes, consumption
- Professional Services – Insurance, lawyers, consultants, security
- Advisor Fees – Management, research, reporting, custody

As this table makes clear, family office costs can be complicated and considerable. They could easily exceed 1%, making a family office an essential but expensive resource. Alternately, costs could fall below the 1% threshold, suggesting the family office may be sacrificing effectiveness for efficiency. In either case, family offices costs can become difficult to track and manage for small teams with big responsibilities. A family office needs a big enough budget to cover their costs. But just as importantly, they need a way to manage that budget without it becoming a distraction or a disruption.

Fine-Tuning the Family Office

Adding an accountant to the family office team doesn't make sense in most cases. What does make sense is utilizing accounting and finance outsourcing (AFO) to supplement the expertise already on the team. With an outsourcing partner in the mix, family office teams can focus on managing wealth while offsite accountants handle routine obligations like bill payment, general ledger management, and financial reporting. Teams can also rely on AFO to handle specialized finance if and when necessary.

If family offices need to keep costs in check without constraining their capabilities, AFO is the logical solution. It costs a fraction of hiring in-house accountants while delivering vastly more than one (or several) professionals could offer on their own. Arguably most importantly, the oversight and input of an outsourced team can prevent costs from compromising the family fortunes. With AFO, the family office becomes the asset it was intended to be.

How does outsourcing fit into your own family office operations? Explore the answer with the team at [Dean Dorton](#).

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