



FINTRX
INDUSTRY BRIEFING SERIES

PART FIVE

Examining Family Offices by Primary Business Activities

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Introduction

Dear Reader,

Welcome to the fifth installment of the Family Office Industry Briefing Series, presented in partnership between FINTRX and Charles Schwab. In this segment, we delve into the intricate world of family office classification, unveiling a comprehensive analysis of various family office archetypes that shape the global financial landscape.

As the family office ecosystem continues to evolve and diversify, understanding the distinct characteristics, structures, and investment strategies of different family office types becomes pivotal for informed decision-making and strategic collaboration. In this installment, we explore the data we've meticulously gathered, presenting insights into classifications such as Traditional Limited Partners (LPs), Private Equity (PE) and Venture Capital (VC) Focused Offices, Real Estate Focused Offices, Family Holding Companies, Full-Scale Wealth Managers and Active Trading Firms.

By delving into their defining features and analyzing key data points, we aim to illuminate the nuanced distinctions between these categories, ultimately offering a deeper understanding of the family office landscape's rich diversity and its implications for both investors and industry stakeholders.

Thank you,

Dennis Caulfield Jr.
Vice President of Research



Family Office Primary Structures Defined



Traditional LPs

A traditional limited partner (LP) follows the standard approach of investing capital through external alternative investment managers. Traditional LPs are both single family offices and multi-family offices that have allocated capital to various investment funds run by professional firms or individuals. They take a conventional passive role as LPs, entrusting investment professionals to manage their capital across funds.



PE/VC Focused

Family offices with dedicated teams or employees focused on making direct private equity and venture capital investments are considered PE/VC focused. These FOs take an active role acquiring equity stakes in privately held companies or providing startup funding to new ventures in exchange for ownership interests. They are directly involved in deal sourcing, evaluation, and execution. Unlike the traditional LP investor, they handle PE & VC direct investments in house.



Real Estate Focused

Family offices with internal teams or employees focused exclusively on making and managing direct real estate transactions fall into this category. Their real estate teams specialize in property acquisition, development, and management. They are directly involved in the sourcing, evaluation and execution of real estate transactions. These investments are handled in house.



Family Holding Company

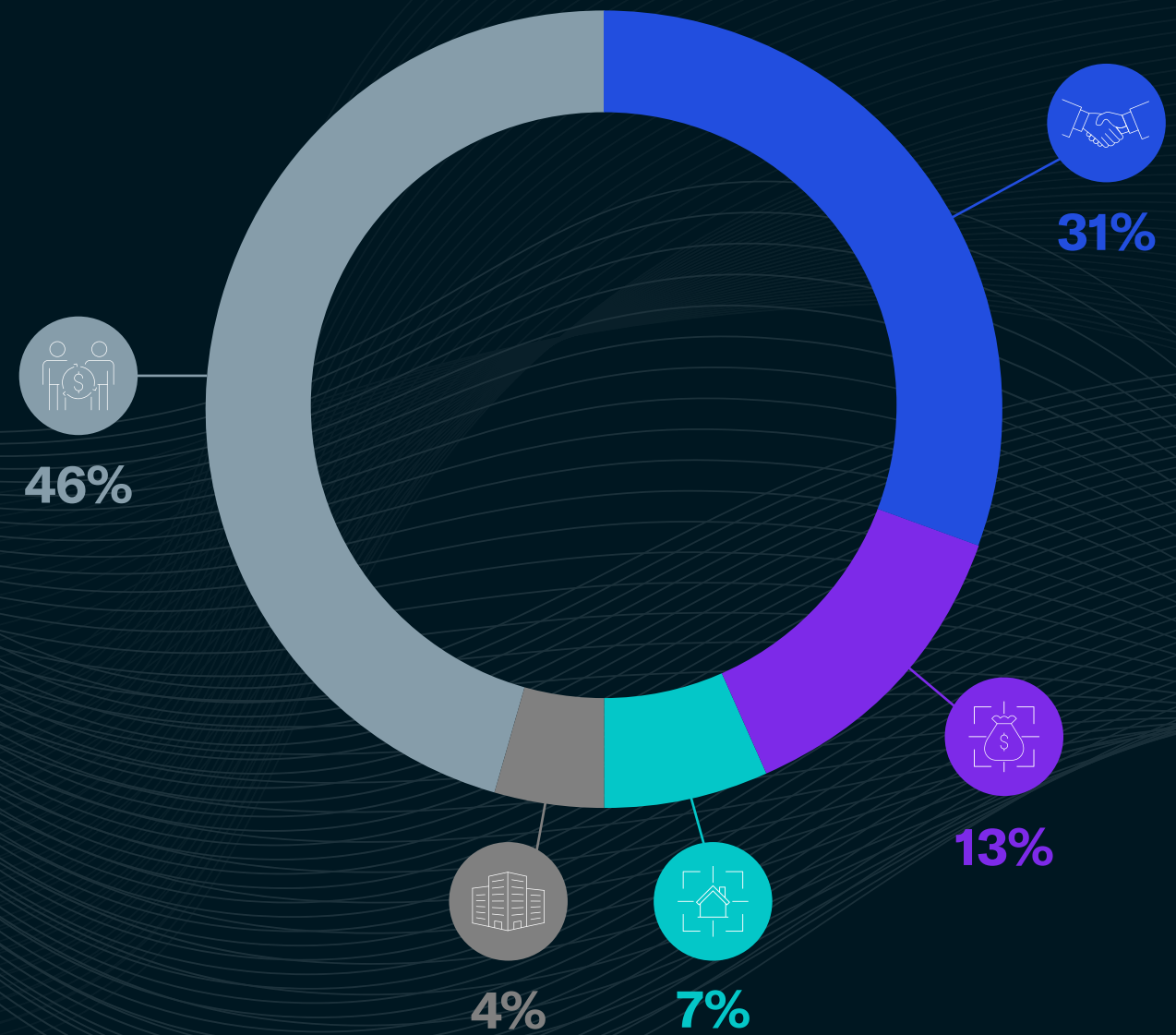
A family holding company is a family office actively tied to large, often publicly traded companies. These FOs have substantial wealth concentrated in a single company or group of companies. They utilize the FO to preserve and oversee this wealth, governing various financial, investment, and strategic aspects related to the company. The FO serves as a central oversight entity for the family's ownership stake.



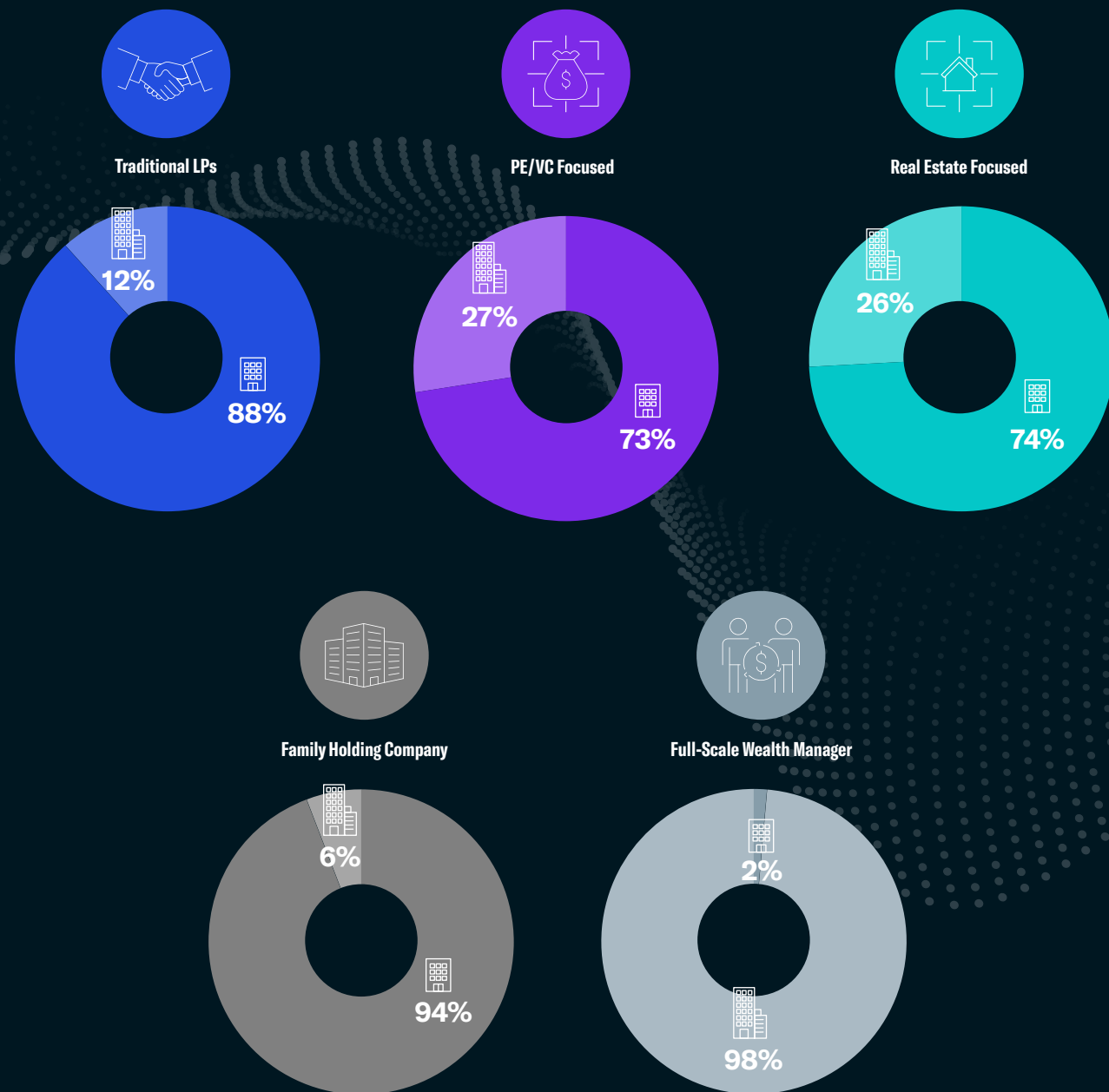
Full-Scale Wealth Manager

A full scale Wealth Manager is a comprehensive, full-service investment advisory firm. Operating independently, these groups are typically registered investment advisors and offer a wide array of financial services beyond investment management, such as financial planning, retirement planning, estate planning, and other customized wealth management solutions. With extensive capabilities, full scale wealth managers provide holistic, tailored financial advice based on the individual needs of clients. Furthermore, they are typically actively recruiting new business to the firm.

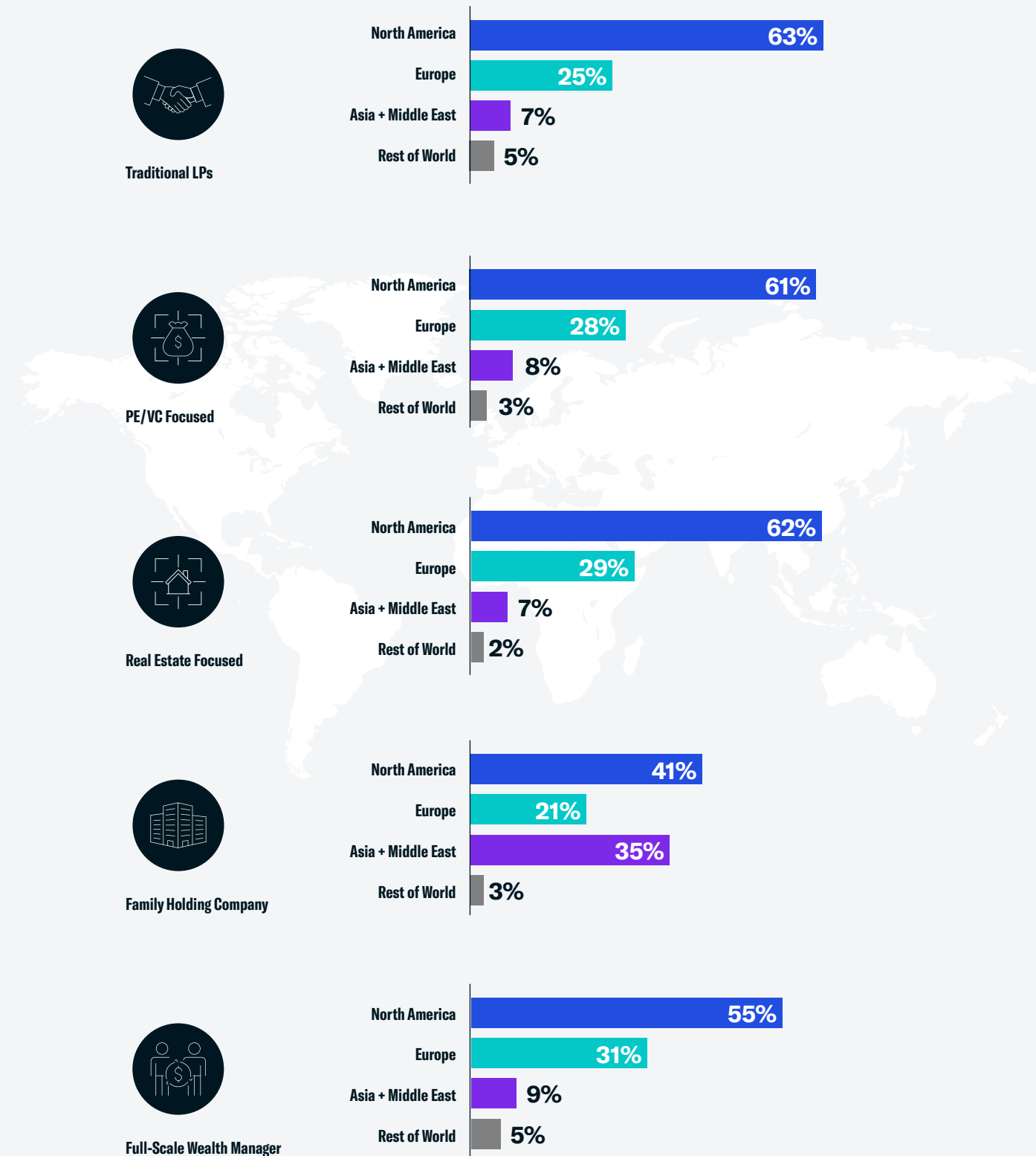
Primary Structure Totals



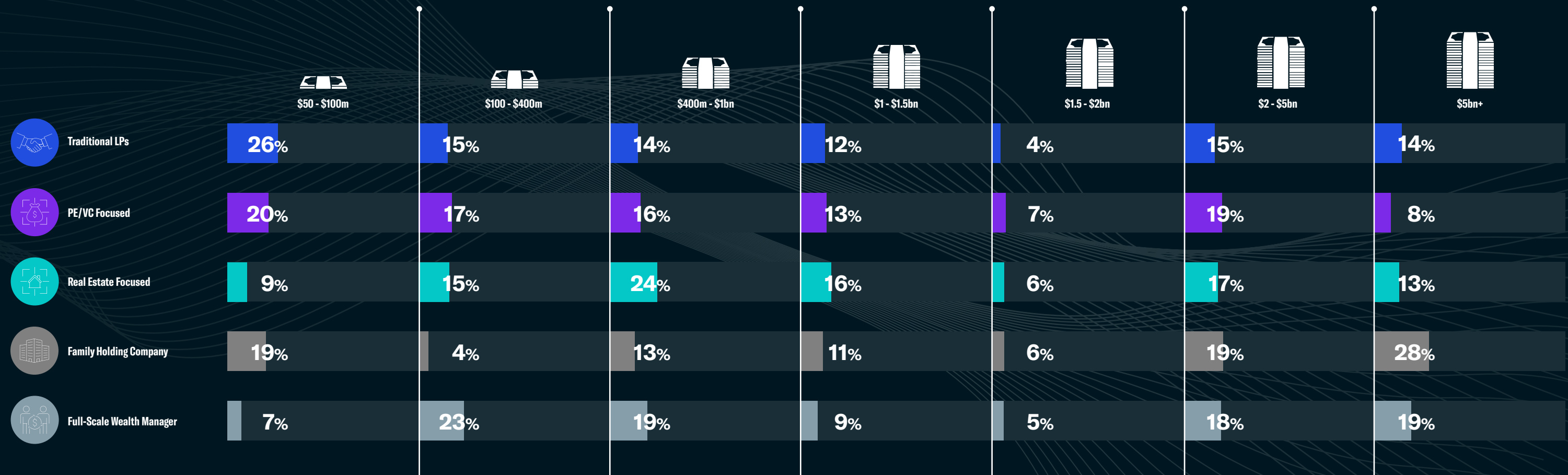
Primary Structure by Family Office Type



Primary Structure by Geographic Region



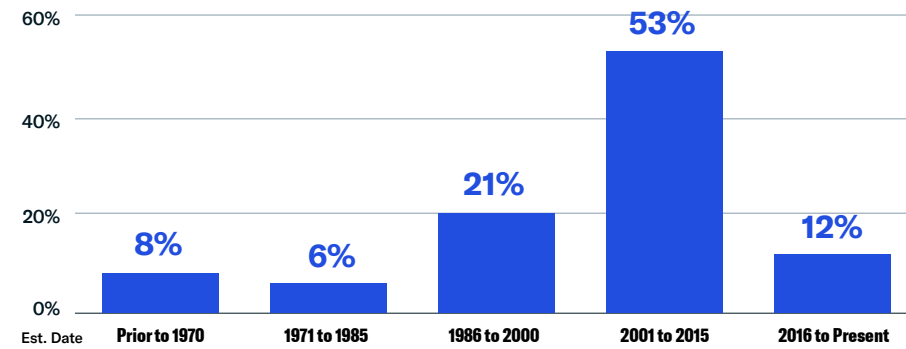
Primary Structure by Assets Under Management (AUM)



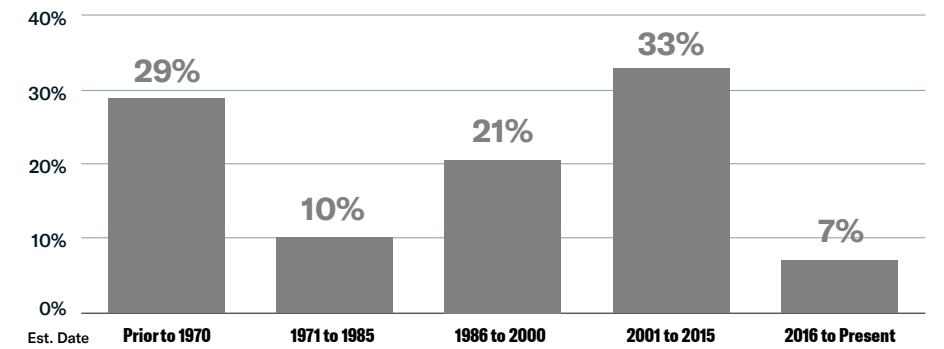
Primary Structure by Family Office Established Date



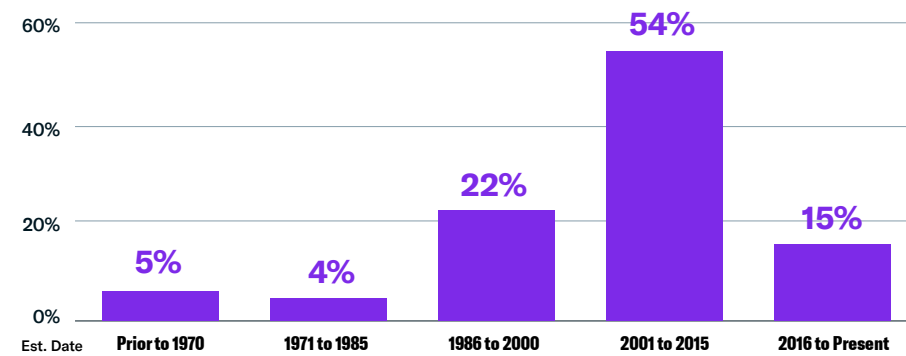
Traditional LPs



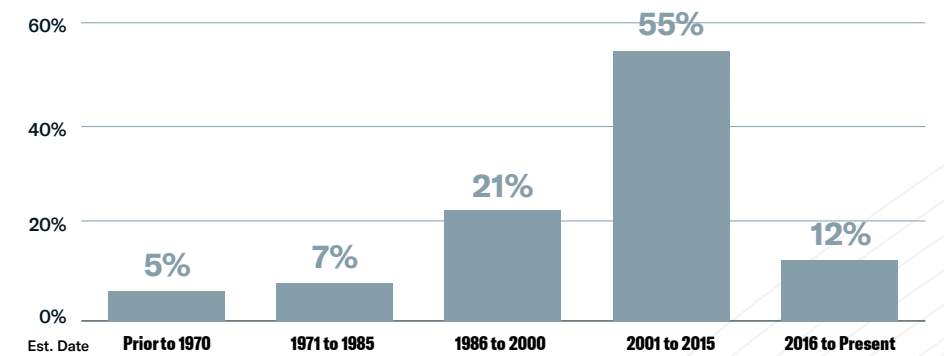
Family Holding Company



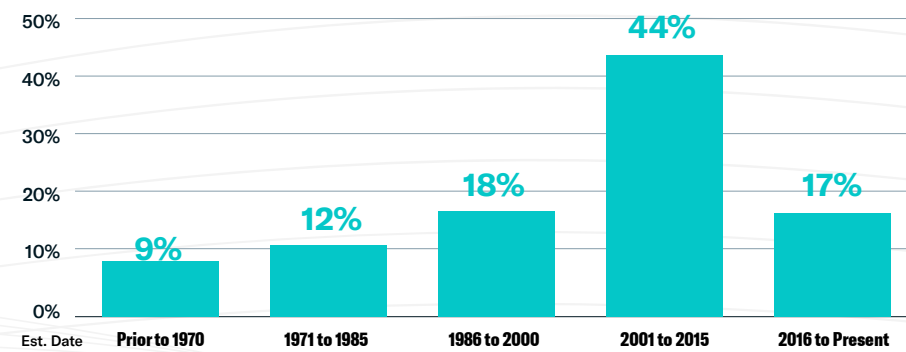
PE/VC Focused



Full-Scale Wealth Manager

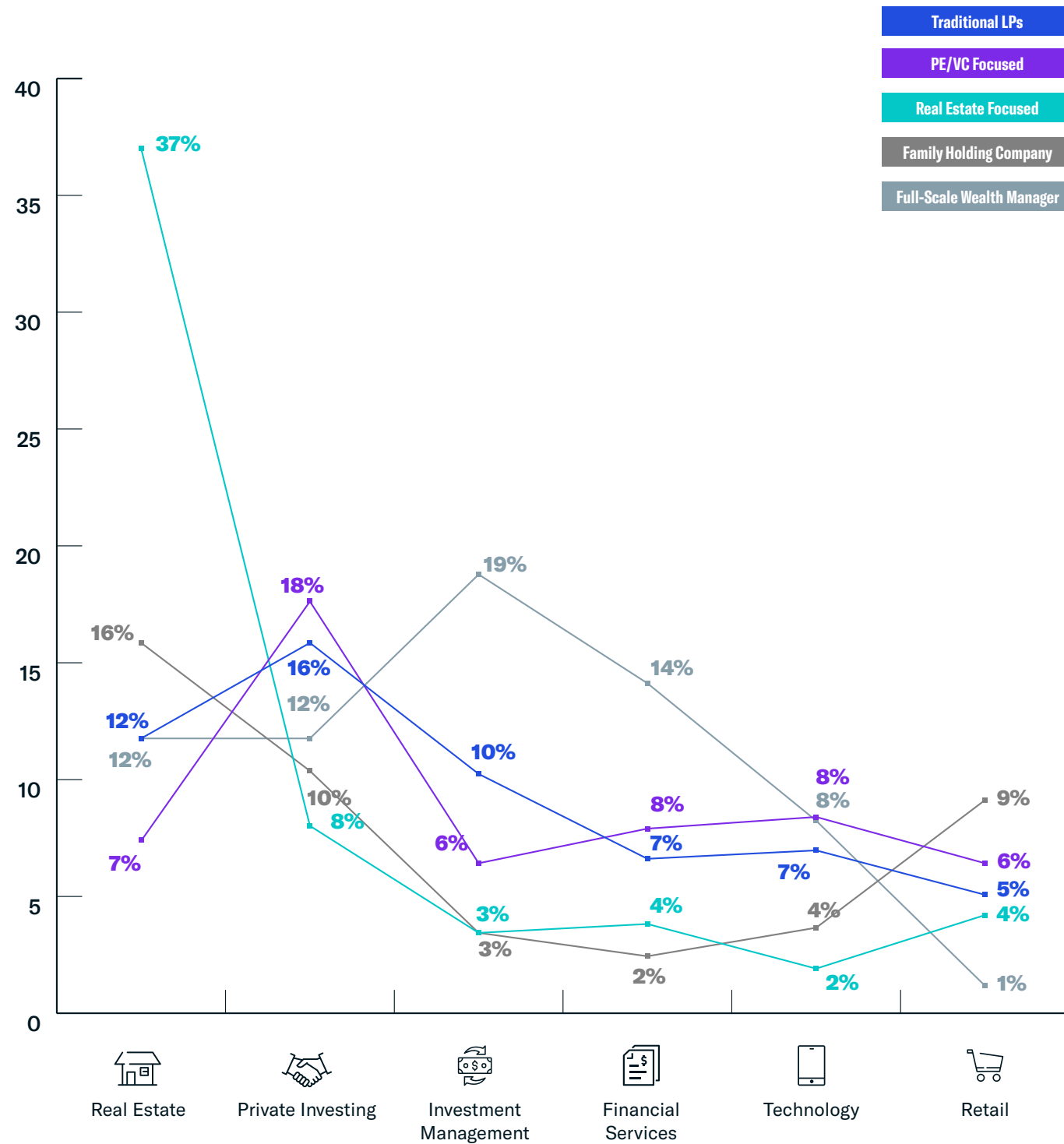


Real Estate Focused

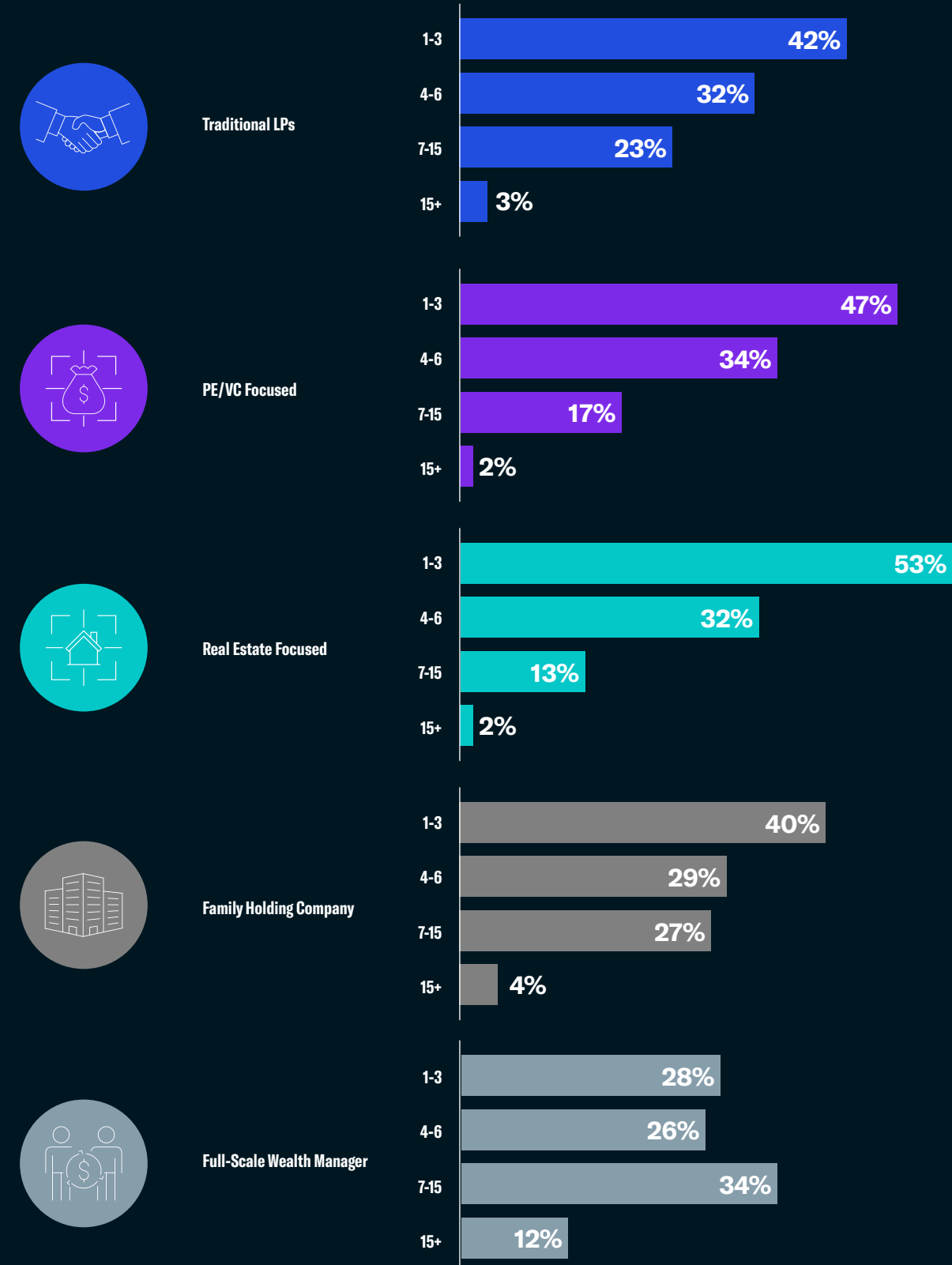


The data outlined in the charts above highlights an interesting trend in the family office eco-system, demonstrating a large number of legacy family offices, established prior to the 1970s, serving as management organizations for single businesses or holding companies. The success of many of these family offices can be directly attributed to a strong foundation for wealth preservation and growth created by thriving family-owned enterprises. Additionally, a transformation in the industry is elucidated by the increased number of full-scale wealth management businesses providing family office services established between 2000 and 2015. This can likely be attributed to a burgeoning demand for more specialized, institutional oriented, financial and managerial services tailored to the complex needs of affluent families and individuals.

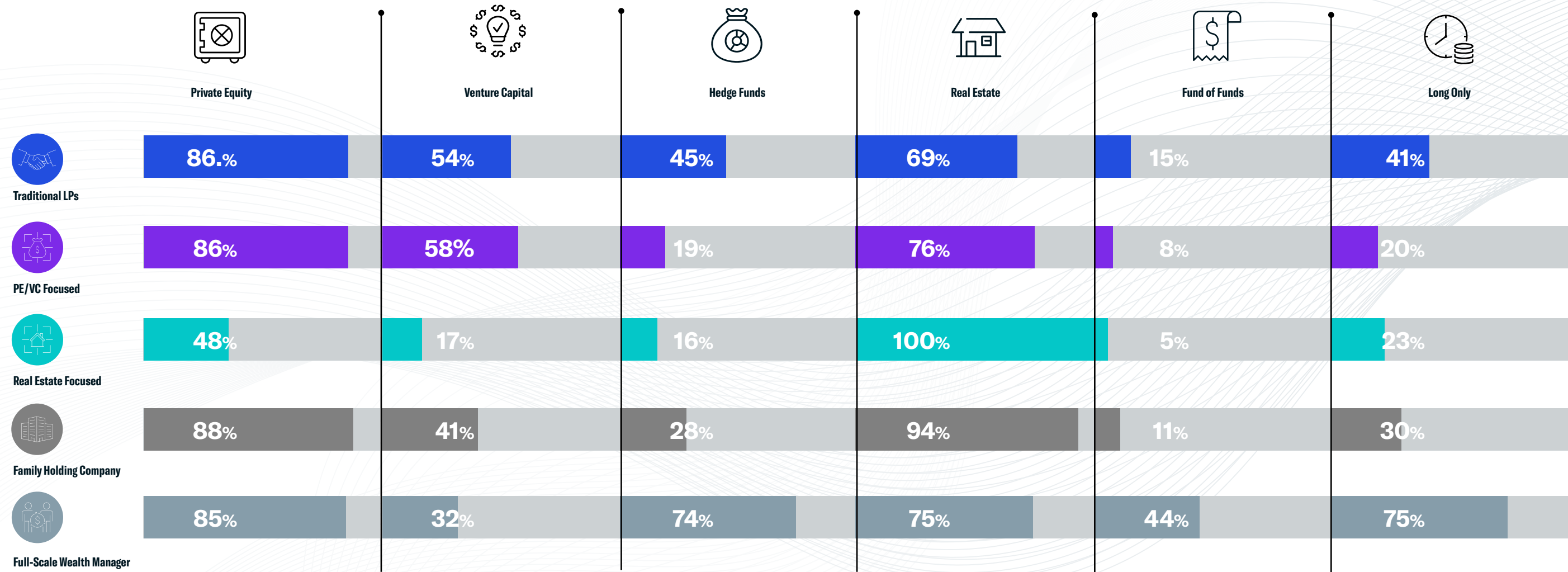
Primary Structure by Industry Wealth Origin



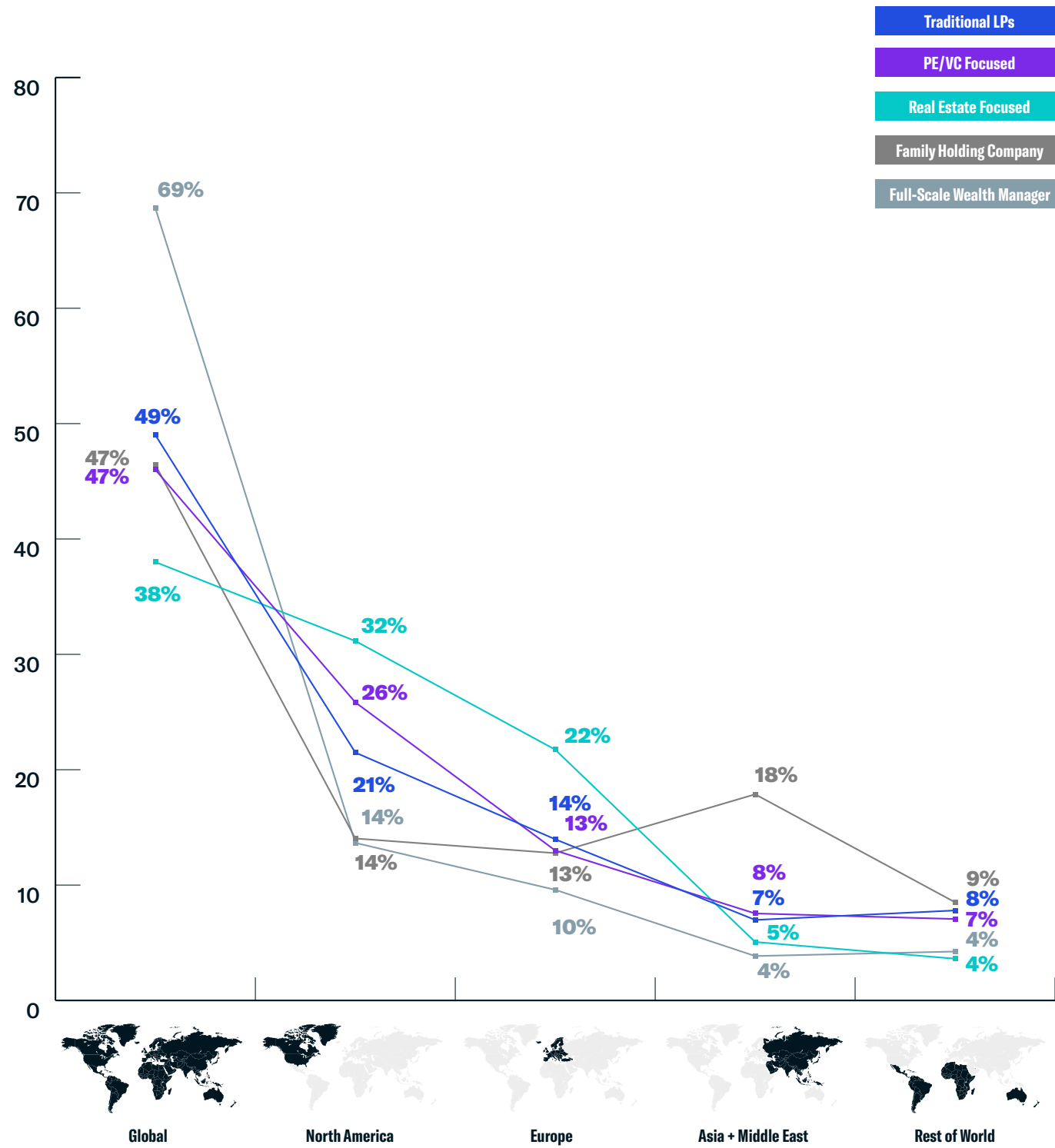
Primary Structure by Firm Contact Count



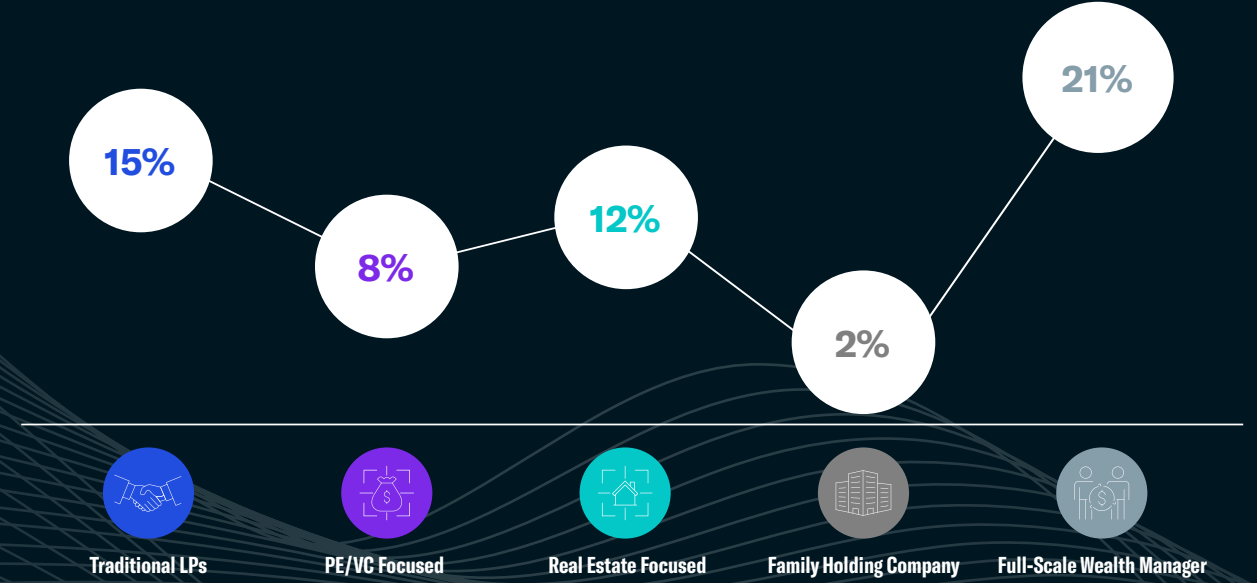
Primary Structure by Asset Class Interest



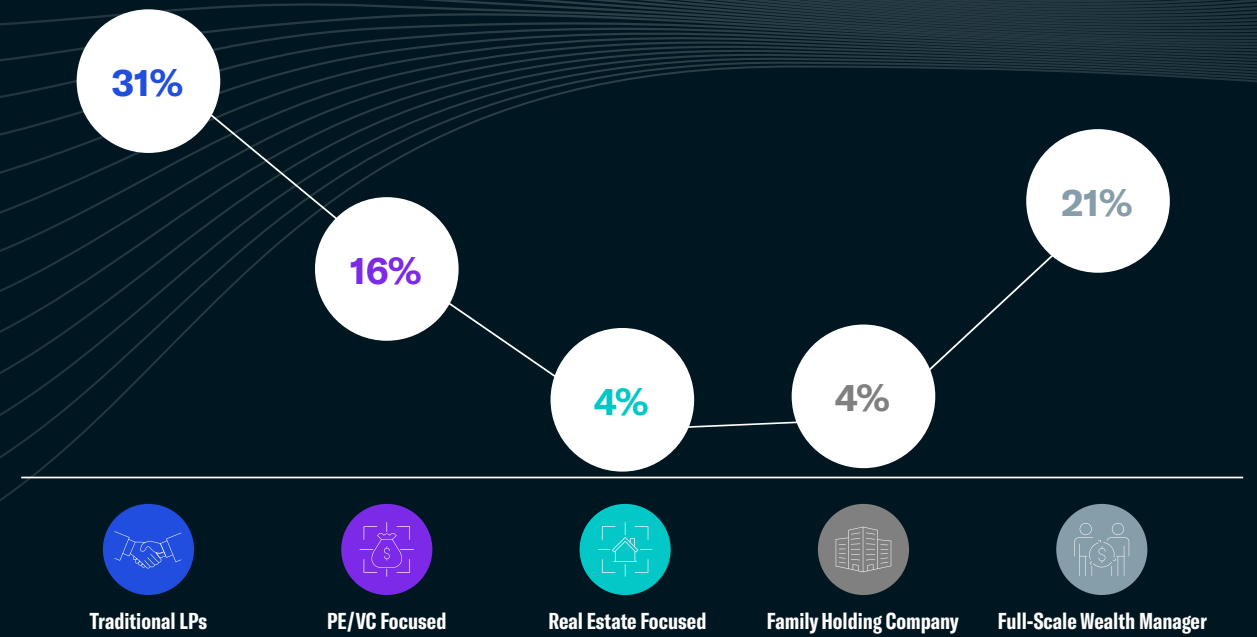
Primary Structure by Geographic Focus



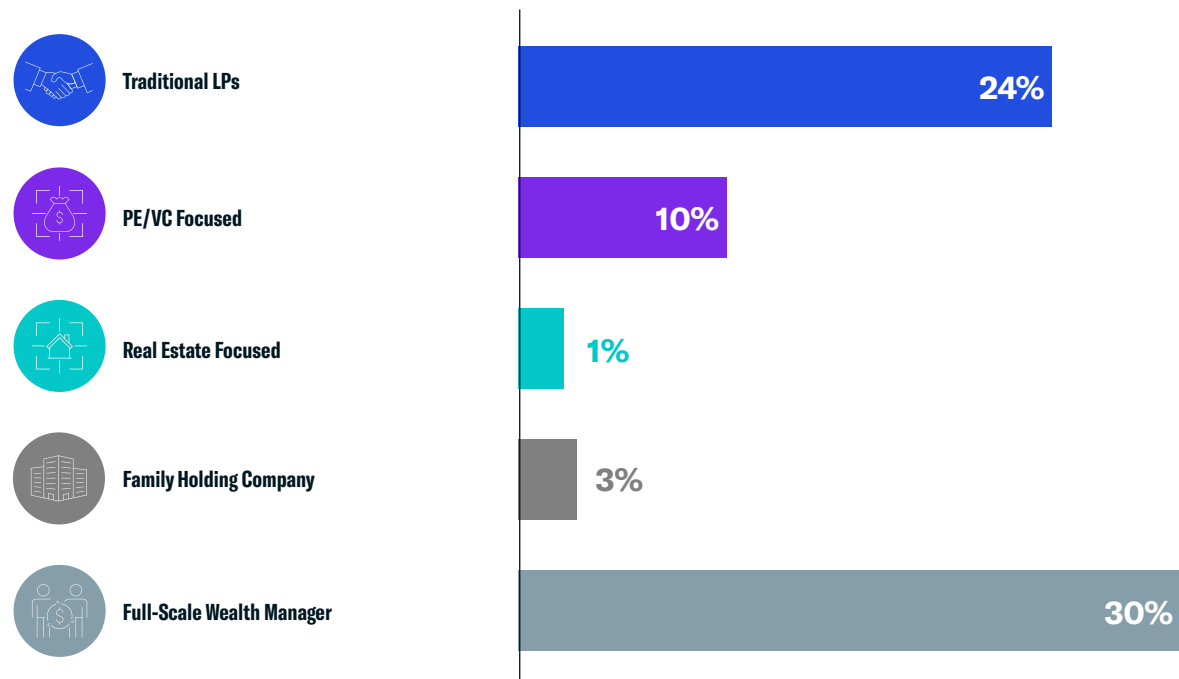
Primary Structure by Co-Investment Activity



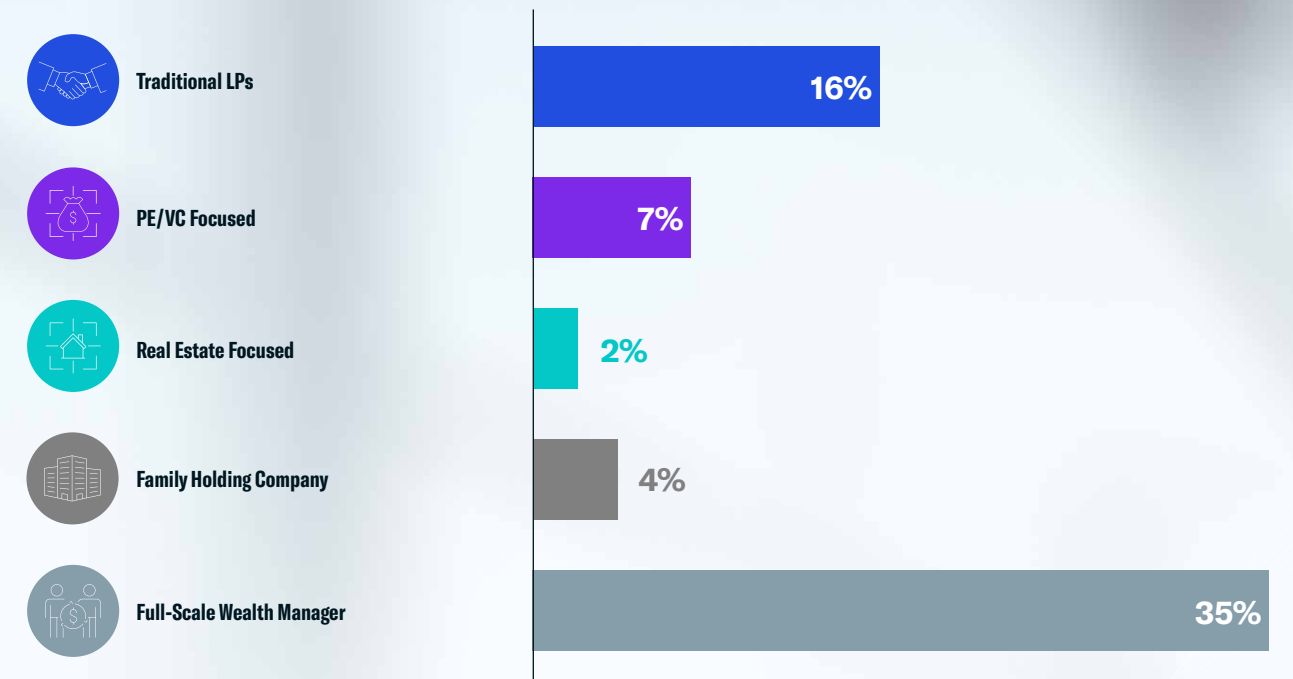
Primary Structure by Progressive Investor



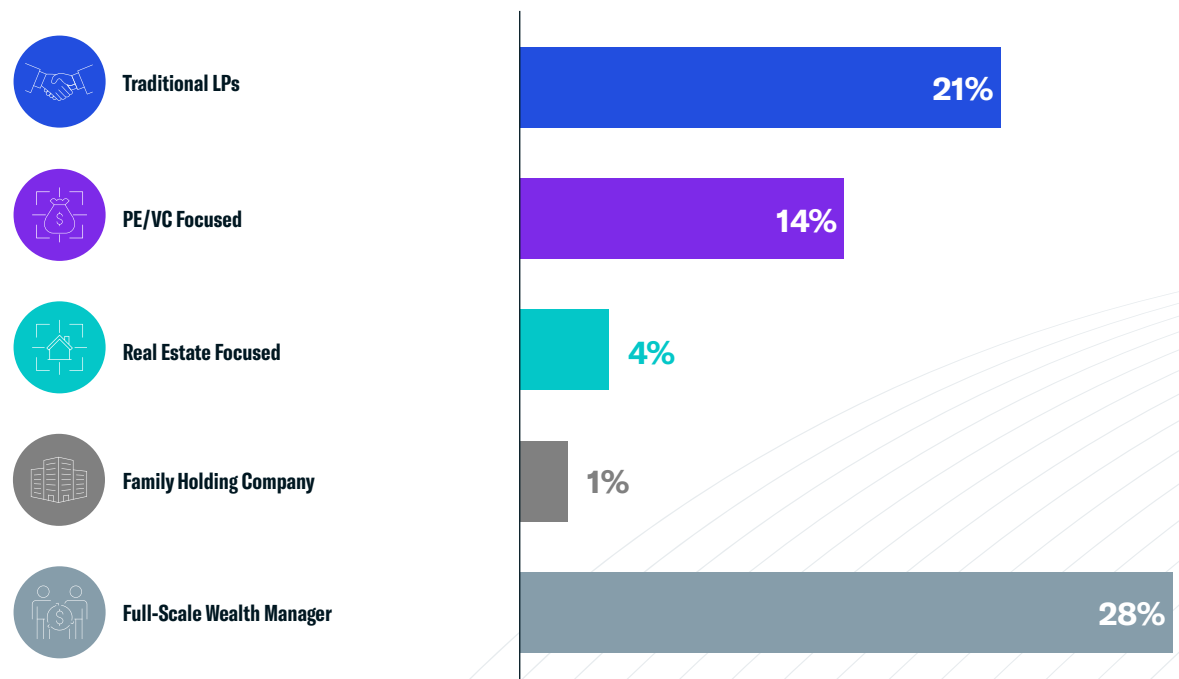
Emerging Manager Interest by Primary Structure



Emerging Market Interest by Primary Structure

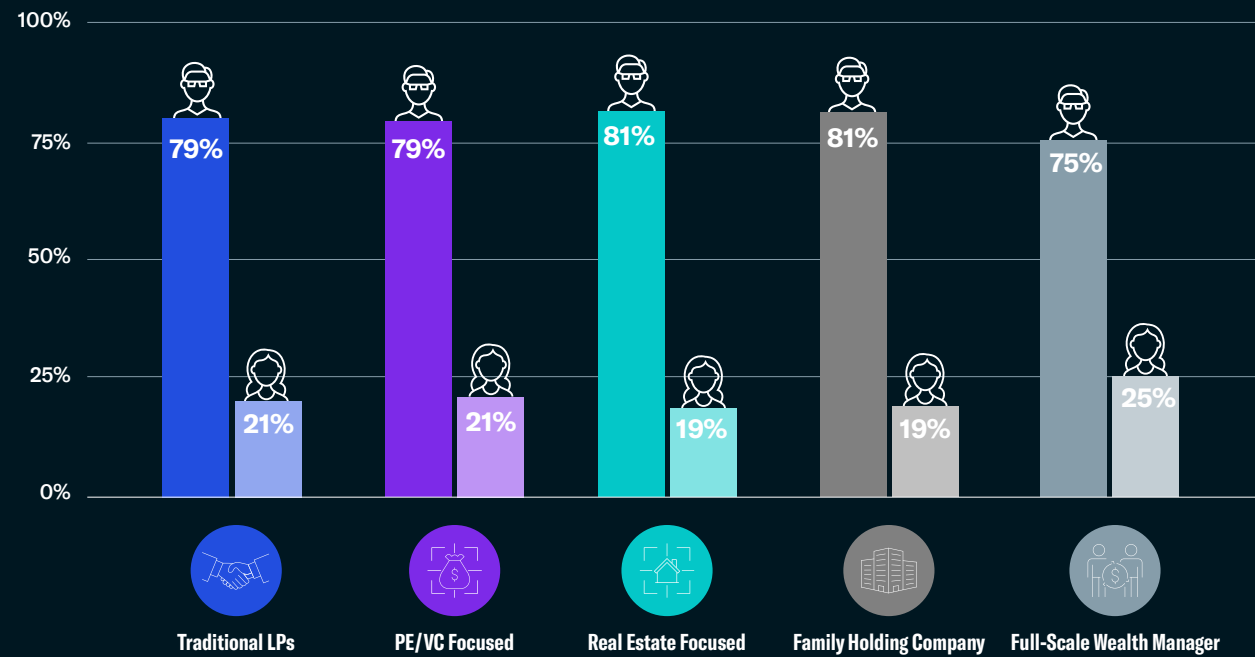


ESG Interest by Primary Structure

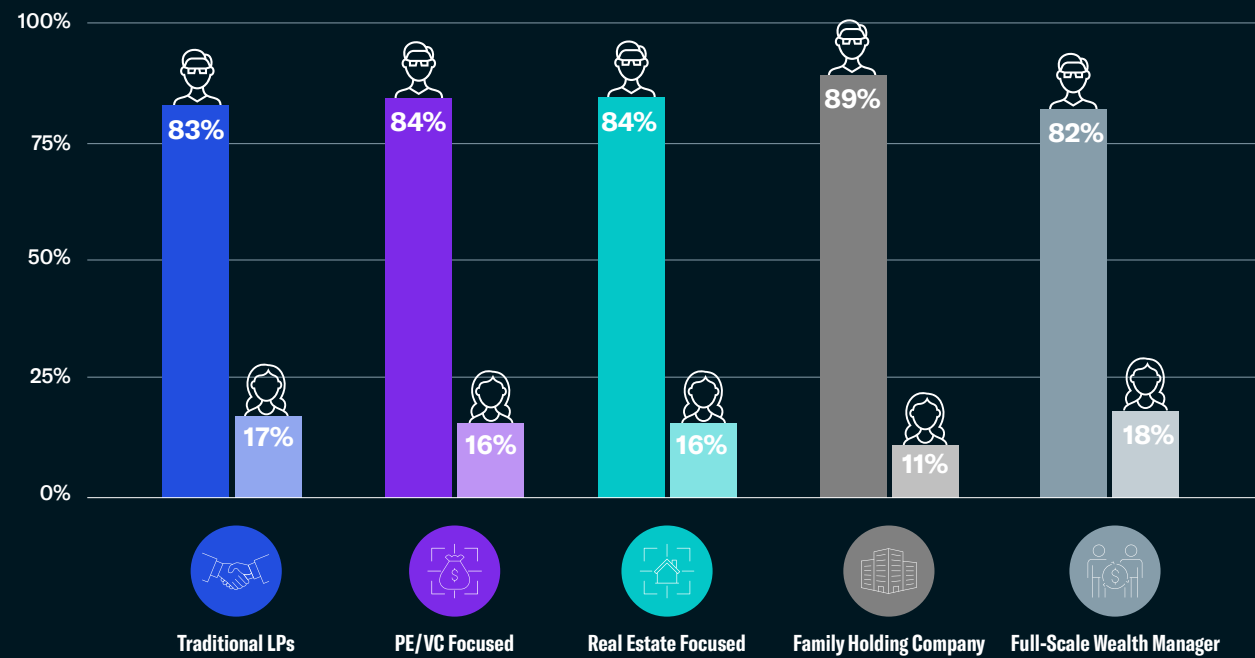


As demonstrated in the graphic above, Family Offices with a full scale wealth management business structure are far more likely to have interest in emerging markets. Not surprisingly, family offices with a primary focus on real estate are least likely to show interest in emerging markets. This is likely attributable to real estate-focused family offices' propensity to invest locally or with a specific geographic focus.

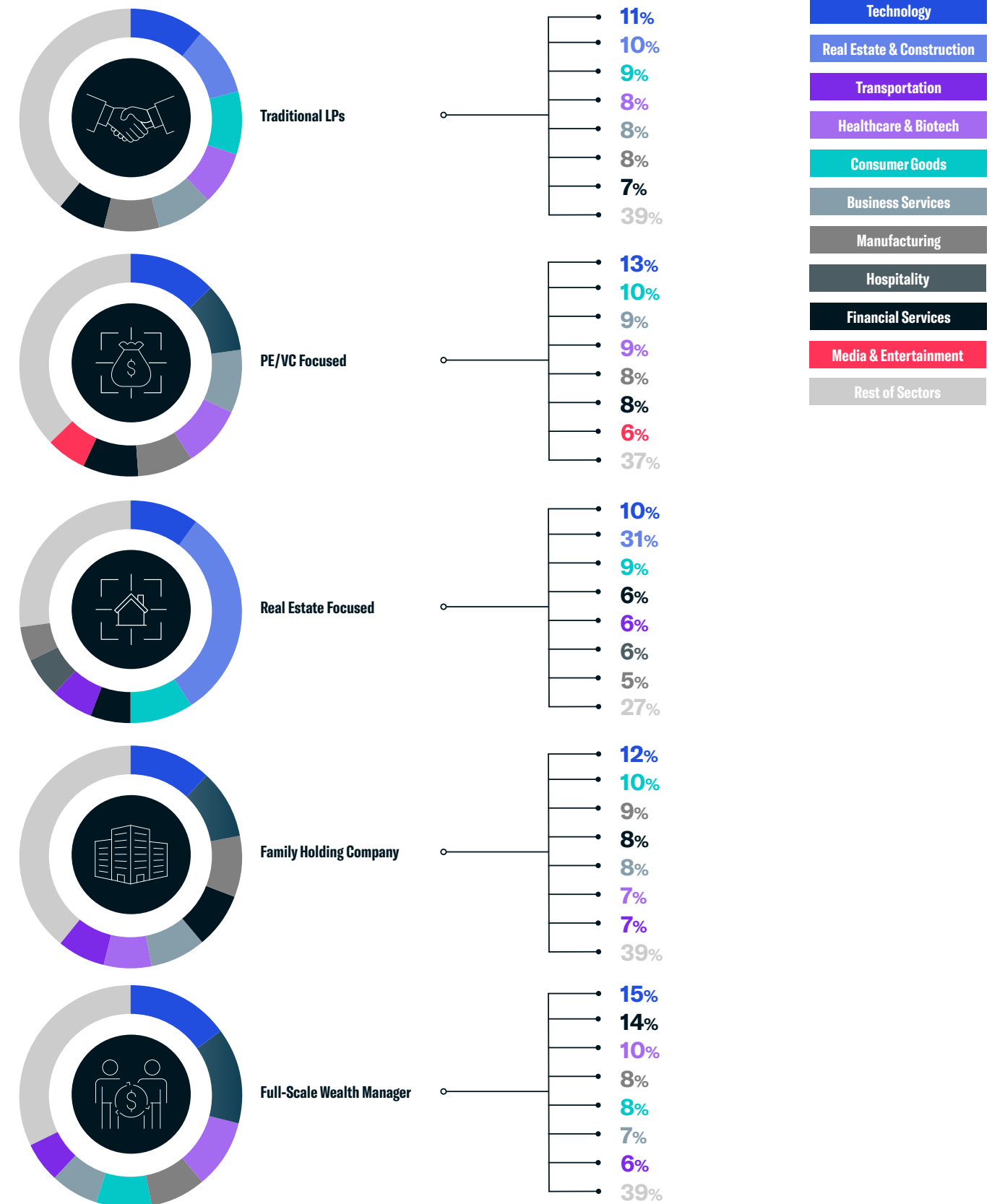
Employee Gender by Primary Structure



C-Suite Executives by Primary Structure

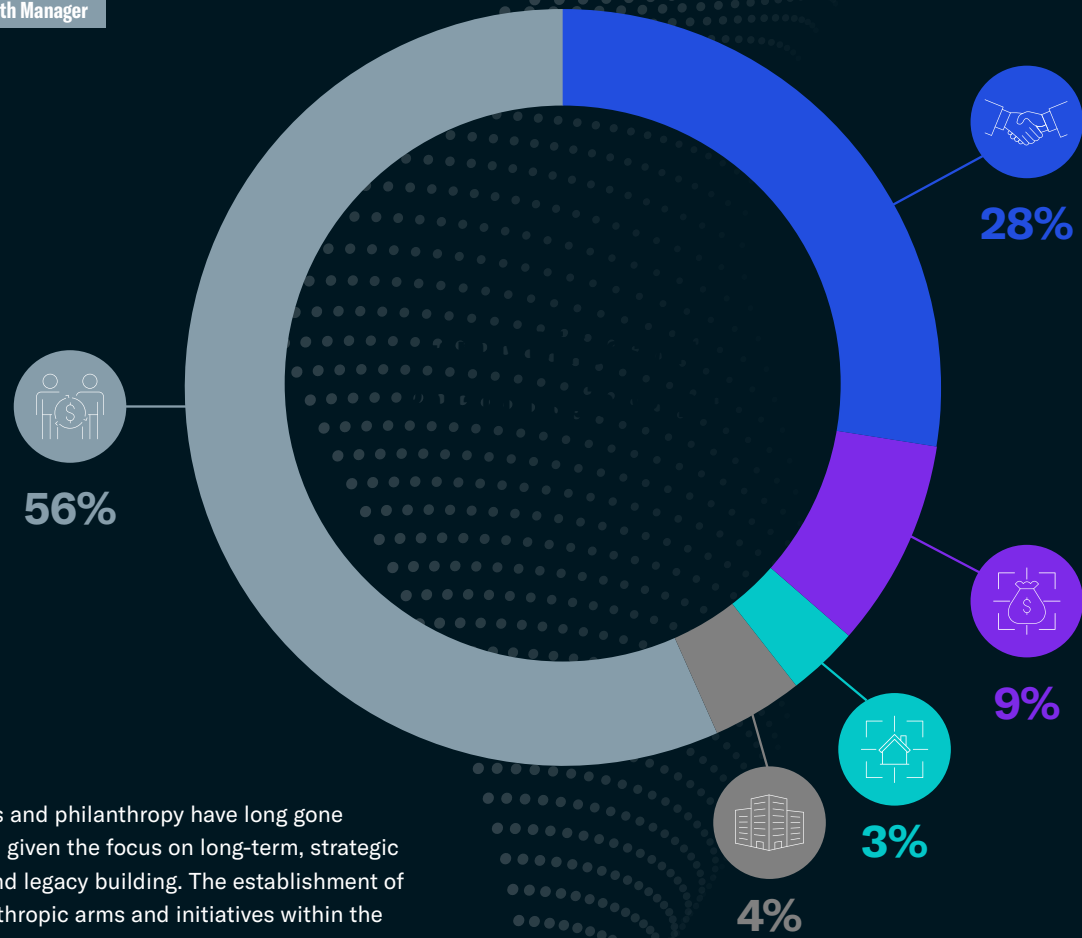


Primary Structure by Top Direct Investment Sector



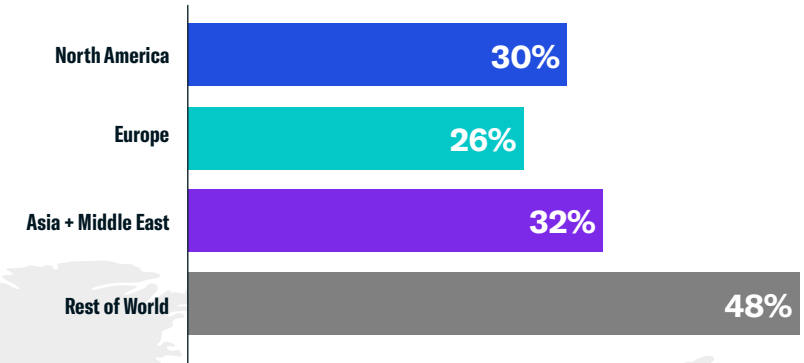
Philanthropic Data

- Traditional LPs
- PE/VC Focused
- Real Estate Focused
- Family Holding Company
- Full-Scale Wealth Manager

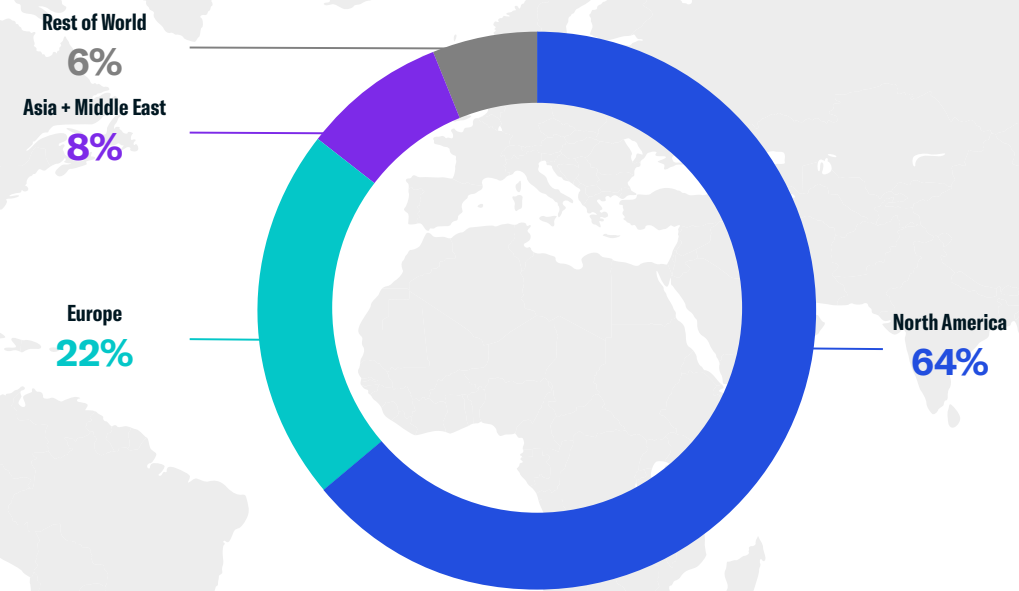


Family offices and philanthropy have long gone hand in hand, given the focus on long-term, strategic investment and legacy building. The establishment of formal philanthropic arms and initiatives within the family office allows for a more targeted and impactful approach to philanthropy. Thus, it is not surprising that an increasing number of larger, institutional family offices have established formal philanthropic arms, a prerequisite for many high net worth families looking to take advantage of a single bespoke solution.

Family Offices with Philanthropic Arm/Agenda

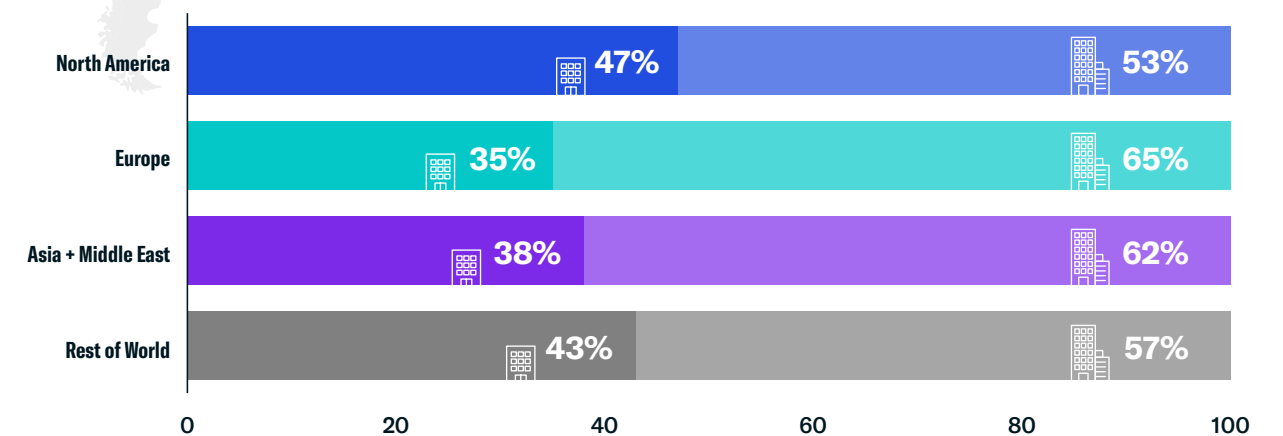


Location of Philanthropically Active Family Offices



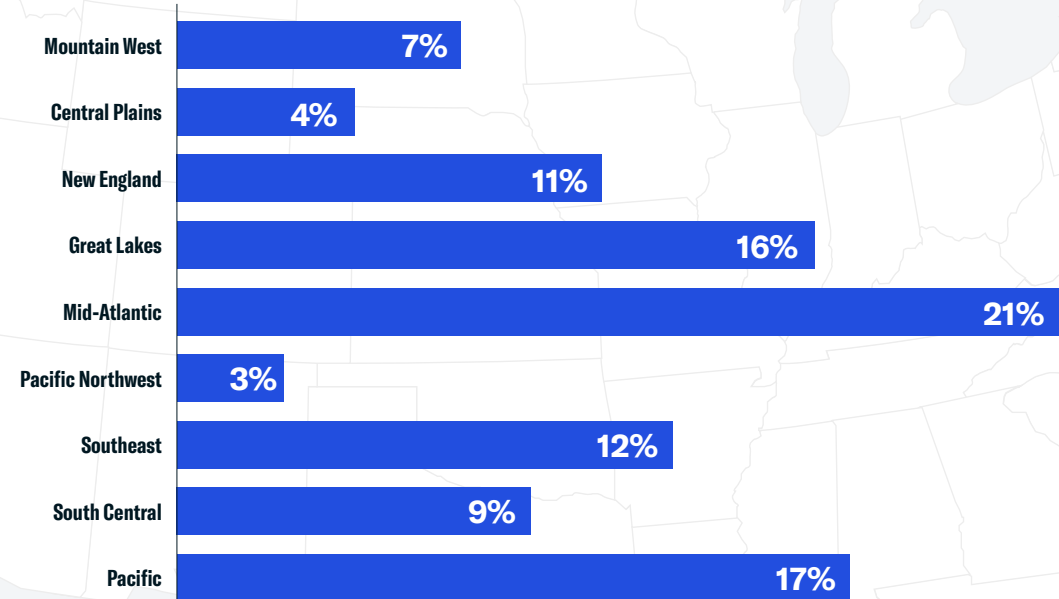
Philanthropic Family Offices by Type

Single Family Offices vs Multi Family Offices



Philanthropic Data

Family Offices with Philanthropic Agenda by U.S. Region



Two experts weigh in on philanthropic trends

Maximizing the impact of charitable giving

The landscape of charitable giving is always evolving. There's now more complexity, more options, and more opportunities for customization available than ever before. For that reason, navigating the path forward requires greater expertise and a desire to become a difference-maker to the families you serve.

Helping your clients achieve their philanthropic goals is another important way to add value to your relationships. Family offices and other advisors who serve ultra-wealthy philanthropists have long known that they can differentiate themselves from their competition by offering bespoke services tailored to their clients' personal values. To that end, many of these advisors are offering value-added services, like donor-advised funds. Others are partnering with outside experts to provide more focused support.

Eddie Brown, Managing Director and Head of Schwab Advisor Family Office, and Fred Kaynor, Managing Director of Relationship Management, Marketing, and Partnerships for Schwab Charitable, share their insights on what advisors can do to help their clients build lasting legacies. They discuss the changing landscape of charitable giving and how advisors can position themselves to respond to these changes.

Trending toward impact

In recent years, the concept of impact investing, or consciously choosing to invest in companies or causes that generate positive social change in addition to financial returns, has gained ground. A similar principle can be applied to charitable giving.

"Impact philanthropy continues to be an area of focus for family offices," Brown says. "Families want to know that their philanthropy dollars are making a difference and also want to be able to measure the specific impact."

Often, they do this by creating clearly defined philanthropic goals and then collecting and analyzing data to determine whether those goals are being met. For example, an analyst working for an investor could potentially gauge an educational charity's efficacy by looking at changes in student test scores or attendance records over time. Family offices and advisors interested in this kind of results-driven analysis can partner with outside experts to dig deep into the data and determine where their clients' donations will go the furthest.



Eddie Brown
Managing Director,
Head of Schwab Advisor
Family Office



Fred Kaynor
Managing Director, Relationship
Management, Marketing, and
Partnerships, Schwab Charitable

Finding the right partner

By turning to outside experts, like Schwab Charitable™, advisors have someone who can help them tackle the complex needs of ultra-high-net-worth investors and philanthropists. Schwab Charitable is an independent 501(c)(3) public charity that aims to increase charitable giving. "We provide a best-in-class donor-advised fund platform to advisors and consult with their clients to help them achieve maximum impact with their charitable giving," Kaynor says.

Since its inception in 1999, the organization has supported over 235,000 charities, granting more than \$29 billion to their causes. "We've spent that time really perfecting our solution, making sure it's truly as tax-smart as possible for clients and the advisors who support them," Kaynor explains. "We are now one of the largest nationally sponsored donor-advised funds in the country."

What's the advantage of working with donor-advised funds? For one thing, they offer a continuity of support, regardless of the market's ups and downs. "They also reduce tax exposure and can increase the impact you have on the charities you support. You can take the stock and donate it directly to the fund," Kaynor says. By doing so, investors avoid paying capital gains, which can be 20% or more.

Kaynor's goal is for each family office to determine its own destiny, with input from clients. "We let them take the lead and identify what sort of assistance they need," he says.

Delivering results

Schwab Charitable also works closely with charities around the world, and Kaynor's team can leverage their connections to help clients quickly divert funds to those who need them most. "We have a very robust platform where we partner with the Center for Disaster Philanthropy, which vets and produces a

list of charities that are providing boots-on-the-ground service for emergency needs on a 24-hour basis," he explains.

When the wildfires occurred in Maui, for example, Kaynor's team pulled a list of organizations that were providing services in the area. "Within a week, we had over \$8 million from our donors going to Hawaii's relief and recovery," he says. "That's the beauty of our solution—the generosity of our donors and the support of our family offices. It manifests itself in helping to give right away where it's needed most with maximum impact."

Reaching the next generation

The rising trend of family-focused foundations and multi-generational giving is another cornerstone of modern philanthropy.

"Philanthropy is a great way to get future generations involved and interested in wealth by supporting causes that interest them and their families," Brown says.

By making their children or grandchildren part of their philanthropic endeavors, ultra-wealthy families can foster an interest in charitable giving that bridges multiple generations, and their advisors can help educate and guide their families on a successful journey of lifelong charitable giving.

Family foundations and multigenerational commitments tend to work best when everyone involved feels like their voices are being heard. That's why conversations around wealth should take place early, before a clear plan has been put in place.

"We can help them embrace that strategic philanthropy process and say 'OK, we might have differences, but we share a common goal of giving back and working together by embracing philanthropy,'" Brown adds.

When it comes to charitable giving, the needs of donors are already complex, and they're getting more complex every year.

Family offices distinguish themselves by putting clients first and helping them make meaningful donations, both in the short term and for the long haul. They also know there's no one-size-fits-all approach to philanthropy and that they must continue to build upon their knowledge of strategic philanthropy and the options available. In doing so, they can ensure that the families they serve leave behind lasting legacies.

Learn more about how Schwab can help you work with your clients to maximize the impact of their charitable giving. Call 877-687-4085 to talk with a Schwab representative.

About Schwab Advisor Family Office

With more than three decades of serving ultra-wealthy families and investment advisors, Schwab Advisor Services™ has the deep experience and extensive resources needed for today's single- and multi-family offices. As an industry leader, we combine experts who deliver high-touch service with modern technology. It's why **370 single- and multi-family offices** custody with Schwab¹ and why we are entrusted with **\$560 billion** in ultra-high-net-worth household assets.²

Our mission at Schwab Advisor Family Office is to be the most trusted custodian to investment advisors and family office professionals serving the ultra-wealthy community. Our dedicated team of experts is highly specialized in providing what is most critical to the modern family office. We offer subject matter expertise, curated thought leadership, and bespoke events to fuel the success and ensure the sustainability of the family office firms we serve.



Advisor Services

1. "Family office" is defined as advisor firms that identified as a family office in their ADV filings. Single-family offices that do not file ADVs with the SEC are not included in this number.

2. As of July 30, 2023. Includes assets with Schwab Advisor Services by households with \$20 million or more.

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Independent investment advisors are not owned by, affiliated with, or supervised by Schwab.

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Schwab Charitable does not provide specific individualized legal or tax advice. Please consult a qualified legal or tax advisor where such advice is necessary or appropriate.

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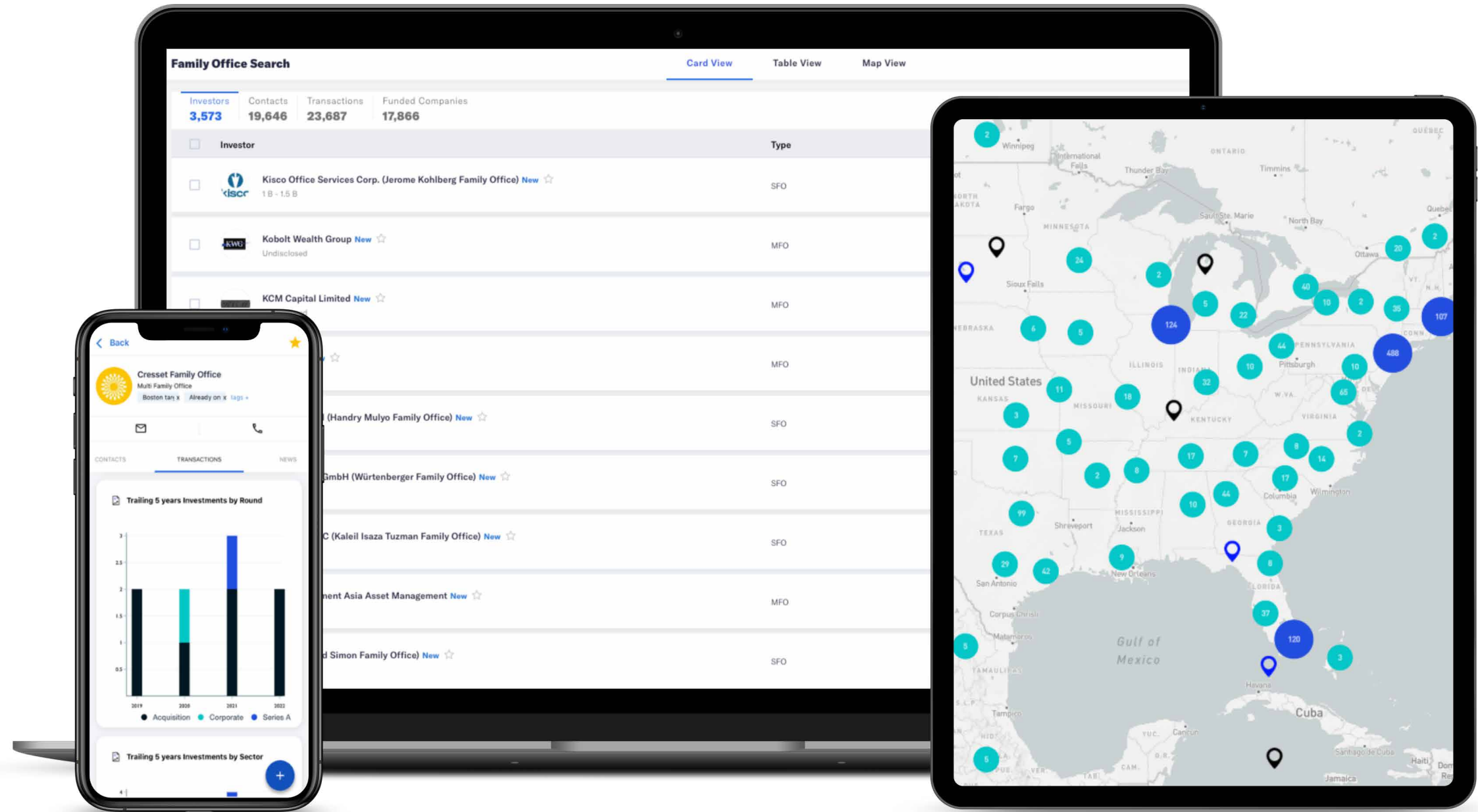
About FINTRX

FINTRX is a unified data and research platform, offering extensive data intelligence on over 850,000 family office and investment advisor records, designed to enhance industry professionals' ability to access, map and engage with the global private wealth ecosystem by providing comprehensive and updated information on family offices, registered investment advisors and other entities in the space.

With an extensive database of 4,000 family offices, 20,000 family office contacts, 37,000 RIAs and 750,000 registered reps, the FINTRX database offers unparalleled access to accurate and actionable information. Equipped with 375+ search filters, FINTRX allows you to seamlessly track the flow of private capital, uncover allocation trends and break down investment data. Our mission is to empower financial professionals by equipping them with the tools and insights needed to effectively engage and connect with potential investors.

FINTRX goes beyond basic contact details, providing in-depth profiles that include investment preferences, asset allocations, historical investment activity and so much more. This allows users to identify and target the most relevant prospects based on specific criteria, such as investment strategies, geographies and asset class preferences.

At FINTRX, we remain committed to providing exceptional customer support and ensuring our users have the resources they need to succeed. Join us and experience the transformative power of FINTRX. Together, we can navigate the complexities of the private wealth market and unlock new opportunities for growth and success.





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