Family Office Study 2024

Current challenges, asset allocation and the internationalization of family offices

February 2025

Roland Berger

Executive summary

Family offices are currently facing significant challenges such as fluctuating interest rates, geopolitical upheavals and potential recession impacts. To address these challenges and seize investment opportunities, they have been actively adjusting their asset allocation for several years.

Real estate, funds and fixed-income investments are being prioritized as key asset classes by family offices. Private equity – particularly in the shape of direct investments – closely follows these most popular asset classes, while simultaneously experiencing the strongest growth. Thematically, family offices frequently place their focus on medicine & healthcare, IT & digital businesses, and infrastructure.

Approximately 60 % of family offices invest abroad, primarily in North America and Europe, which are considered the most appealing regions outside their home markets. While family offices from various countries perceive target regions slightly differently, they invest abroad mainly to diversify risk and ensure access to unique investment opportunities that are not available on their home markets. Overall, family offices are generally satisfied with their private equity investments abroad.

From an organizational perspective, cybersecurity and digitalization are major concerns. Additionally, it is becoming increasingly important to involve different generations of the entrepreneurial family in the family office through appropriate governance structures.

This study is based on an online questionnaire that was completed by >100 family office professionals mainly from the DACH region.

Family offices see interest rates, geopolitical upheavals and recession as major challenges

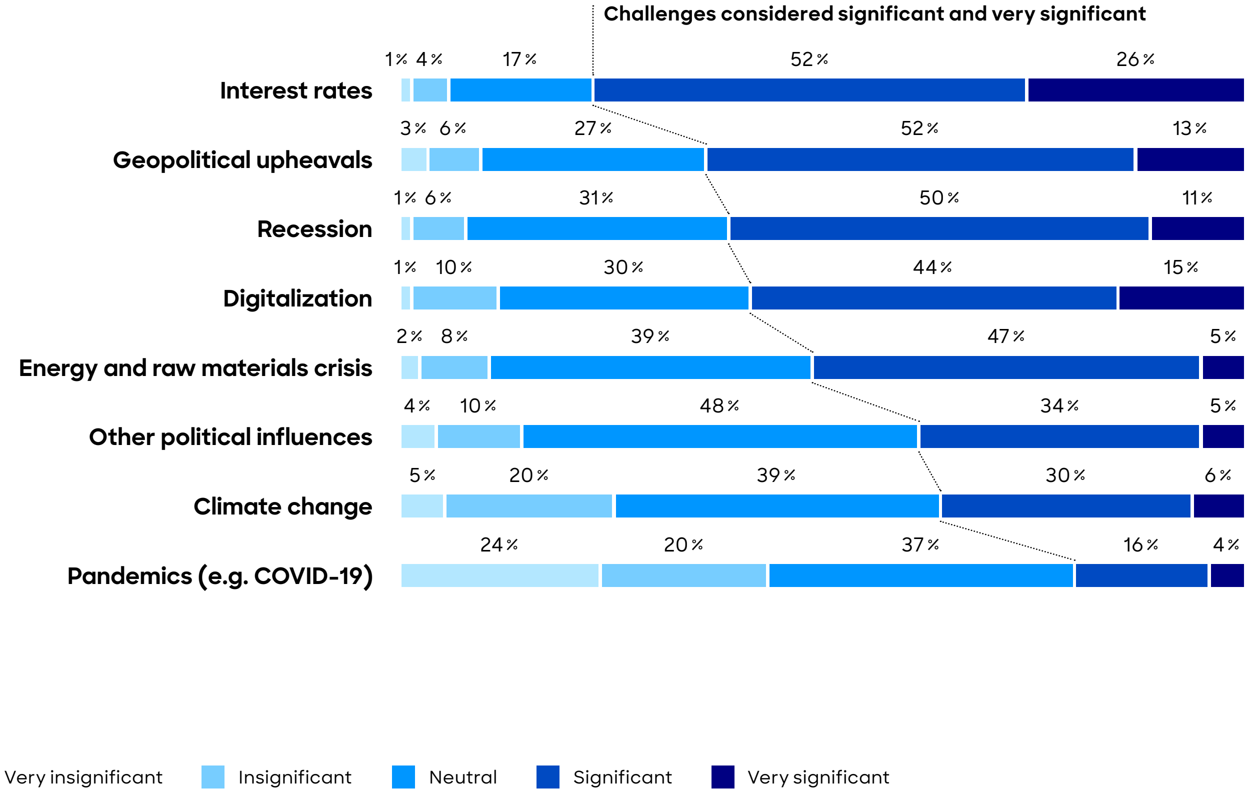
Current challenges faced by family offices

Family offices continue to face multiple challenges concerning their asset allocation. The intensity with which family offices perceive market challenges has nevertheless decreased somewhat compared to recent years.

Currently, 78 % of family offices see interest rates as the single biggest challenge. Recent central bank rate cuts have slightly eased the situation, lowering the perceived significance of this factor compared to last year (2023: 86 %). Similarly, geopolitical upheavals are still considered to have the second most critical impact: 65 % consider them a major challenge (2023: 72 %), although supply chains are perceived to be less affected. Family offices are also clearly coming to terms with the recession: Despite the worsening outlook for Germany, only 61 % still see this as a major challenge (2023: 70 %). Challenges from pandemics were a more prominent issue during COVID-19. While their significance has weakened, they are still perceived as a challenge by 20 % of family offices.

Following multiple crises and the resulting challenges, family offices have essentially got used to adverse circumstances and their risk management has improved. They now view these challenges more calmly and have learned to respond appropriately by constantly reallocating assets.

Key challenges to family offices, by importance
[multiple responses possible]



Note: Might not add up to 100 % due to rounding

Source: Roland Berger

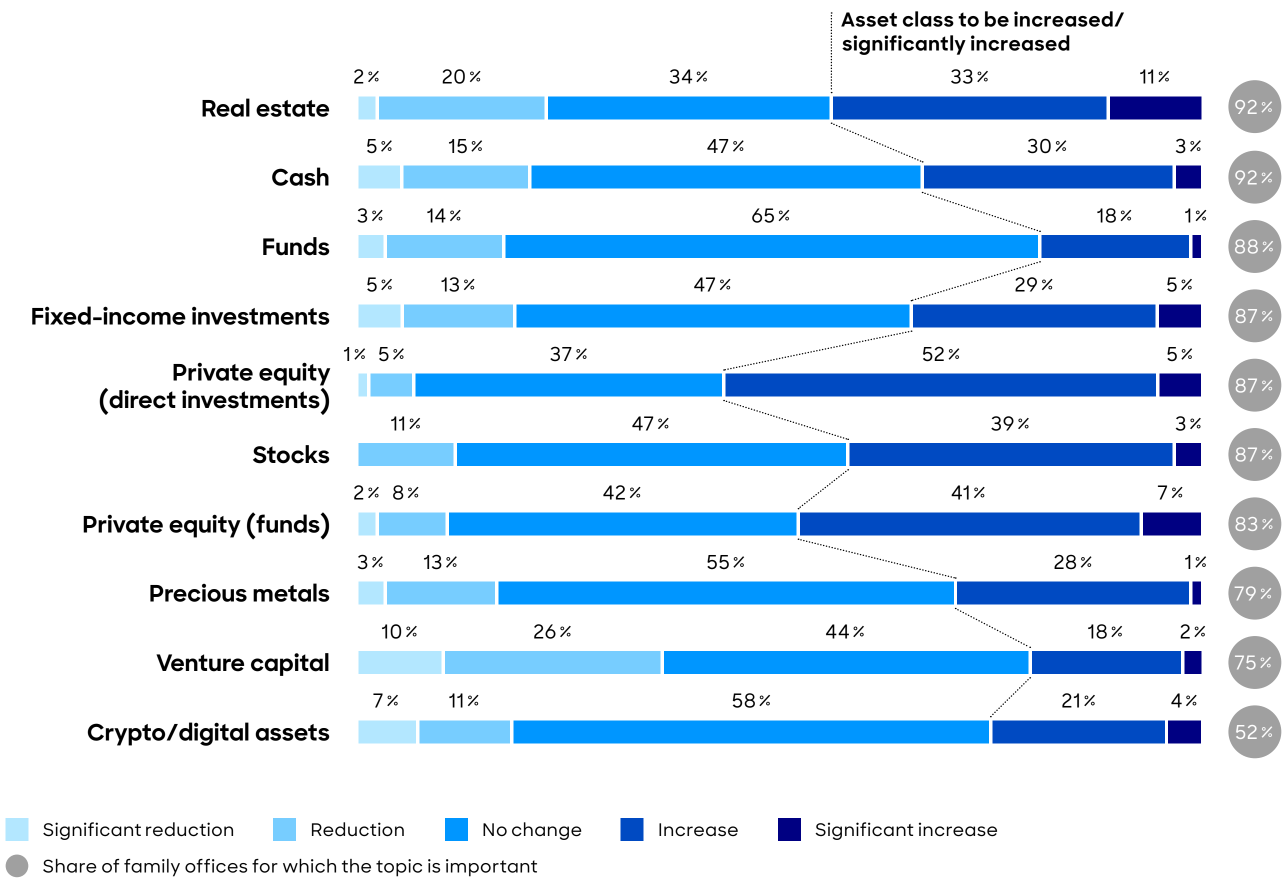
Of all asset classes, family offices plan the strongest increase in private equity in the shape of direct investments and funds

Important asset classes for family offices

To face the challenges outlined before, family offices continually adapt their asset portfolios. Real estate remains an important factor for 92% of family offices (2023: 94%), although only 44% plan to increase their holdings in this asset class. Fixed-income investments have recently gained slightly more significance, with 87% of family offices now seeing them as important (2023: 83%). While many family offices have taken the chance to invest in this asset class before interest rates fall further, only 34% plan to increase their participation in the near term (2023: 60%).

Private equity in the form of direct investments is perceived by 87% of family offices as significant (2023: 89%). It is also the most critical asset class in terms of expansion, with 57% of family offices planning to ramp up this position. This is due to positive experience to date and the ability to actively influence investments. Similarly, private equity funds are of importance to 83% of family offices, with 48% planning to step up their engagement. This would make private equity funds the asset class in which the second-largest number of family offices plan to raise their stake, after direct investment in the form of private equity. Private equity funds are seen as attractive sparring partners for their investment strategies. Venture capital is important to 75% of family offices (2023: 75%), but only 20% aim to increase their investment here (2023: 33%), driven by a general shift towards less risky investments.

Family offices' activities and readjustment plans across different asset classes



Note: Might not add up to 100% due to rounding

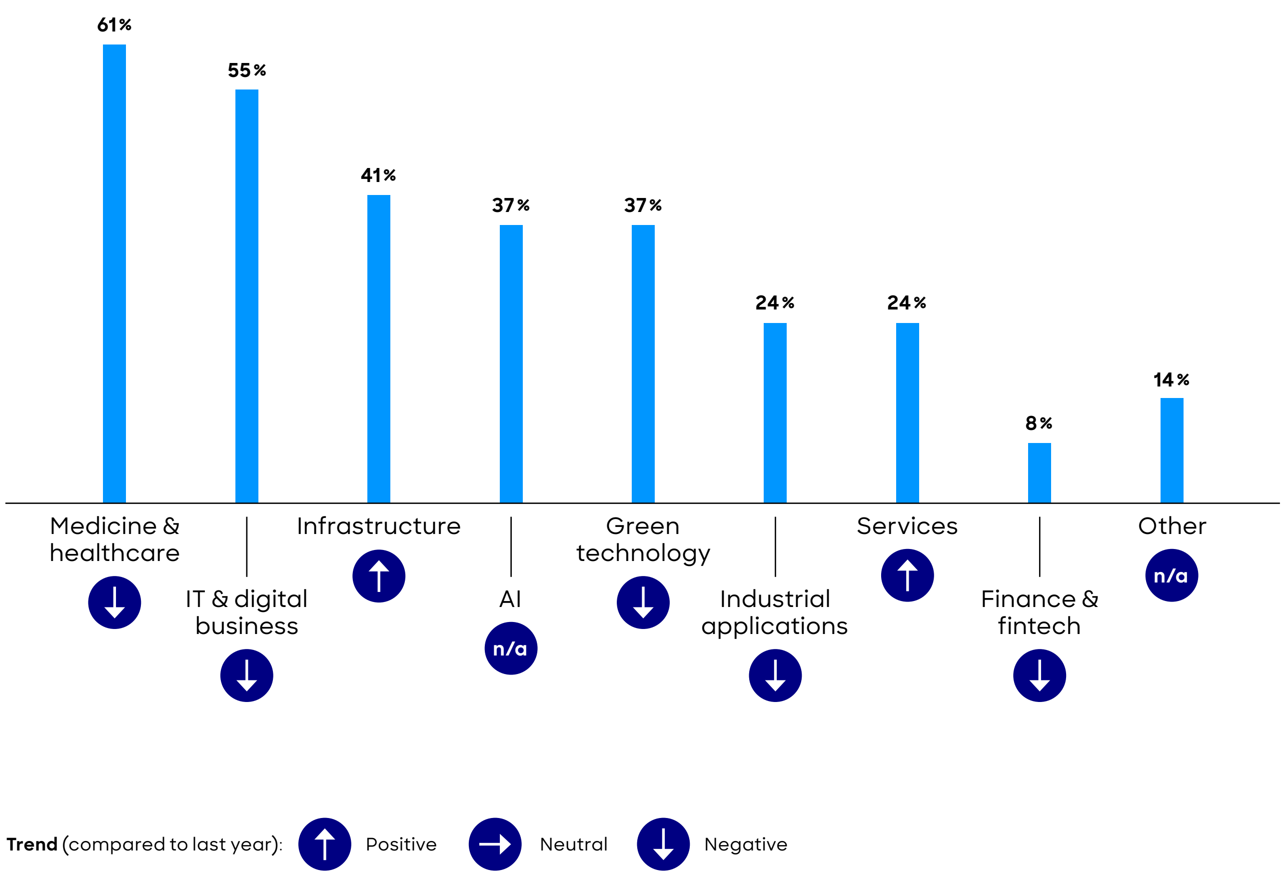
Source: Roland Berger

The key target sectors for investments are medicine & healthcare, IT & digital business, and infrastructure

Investment focus of family offices

As family offices adjust their asset portfolios, they are also shifting the focus of the sectors they wish to invest in. Driven by an aging population, advancements in diagnostics and more expensive treatments, investments in medicine and healthcare are rated as attractive by 61% of family offices (2023: 69%). IT and digital business is the second most interesting category, with 55% of family offices finding it appealing (2023: 67%). In line with this finding, 37% of family offices regard AI as a crucial area of investment that is expected to intensify further as it is adopted in industry and healthcare scenarios. Infrastructure is gaining ground too, with 41% of family offices considering it important (2023: 36%) in light of both aging infrastructure in developed countries and investments driven by climate measures and technological advancements.

Key areas where family offices are investing
[multiple responses possible]

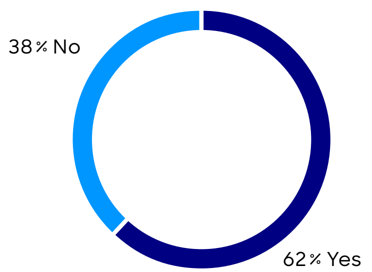


Source: Roland Berger

The majority of family offices invest abroad with only a small fraction of their private equity portfolio – North America and Europe in focus

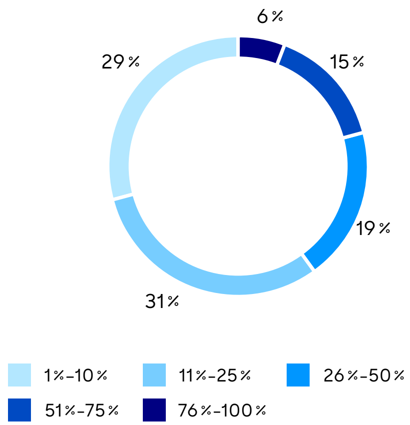
Internationalization of family offices

Family offices with investments abroad [%]



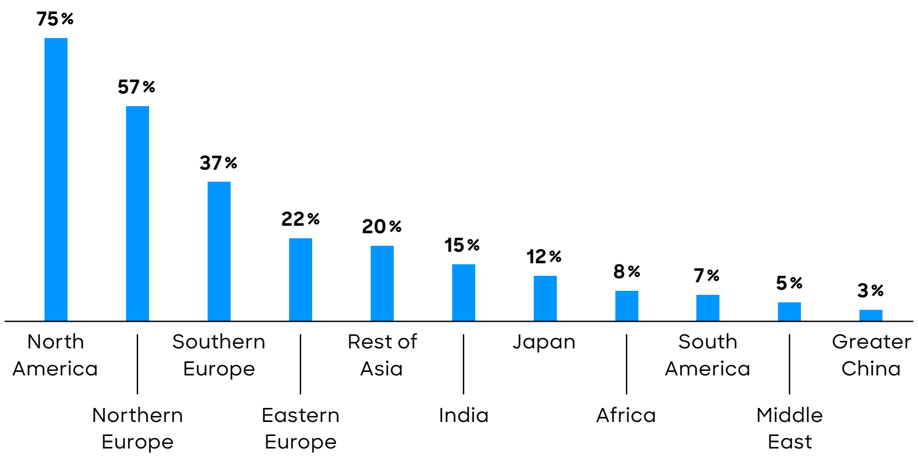
62% of family offices invest outside their home markets. The main reasons for doing so are to diversify risk and exploit new investment opportunities.

Percentage of portfolio invested abroad [%]



Despite this penchant for investing abroad, family offices prefer to keep most of their portfolio local. Around 60% invest less than 25% of their portfolio abroad, while only 6% of family offices invest between 76% and 100% abroad.

Target regions for DACH family offices outside their home market [%, multiple responses possible]



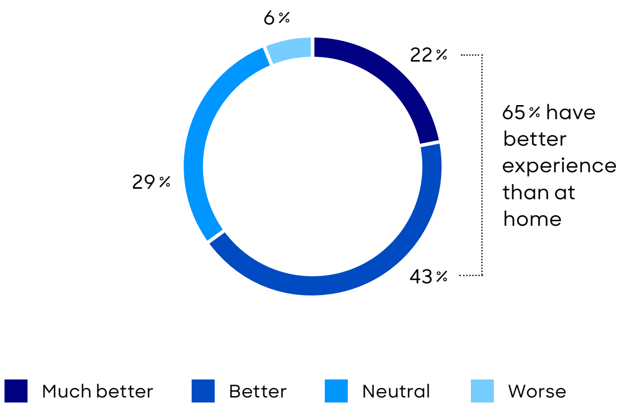
75% of family offices plan to invest in North America, which boasts a mature M&A market with attractive risk profiles and opportunities. In comparison, 57% target Northern Europe due to stable economies, largely predictable politics and favorable interest rates in these markets. South America, the Middle East, Africa and Greater China are less appealing, with the result that less than 10% of family offices have plans to invest in these regions. The reasons cited are instability, rather convoluted M&A markets and political challenges. That said, more risk-tolerant family offices could find attractive opportunities in these markets.

Source: Roland Berger

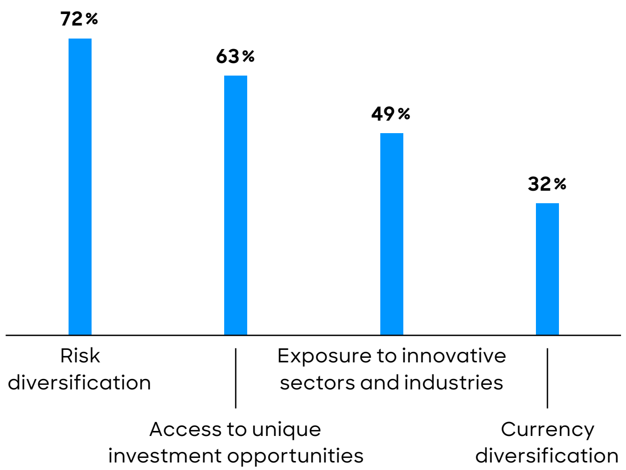
Family offices have good experience with investing abroad, which enables them to diversify their investment portfolio and access unique investment opportunities

Reasons for and challenges to investing abroad in private equity

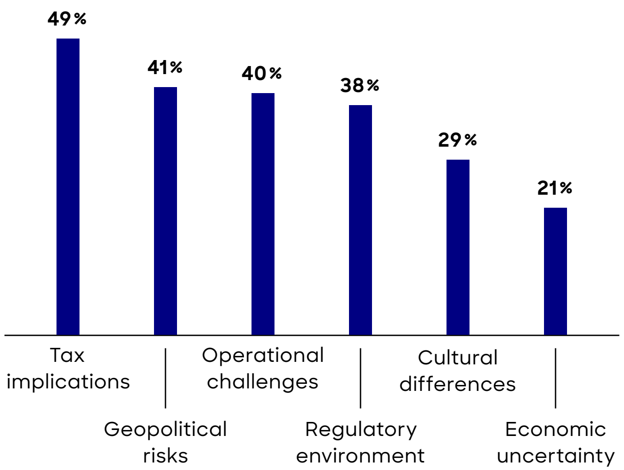
Experience with investing abroad compared to local options [%]



Main reasons for investing abroad [%, multiple responses possible]



Main challenges to investing abroad [%, multiple responses possible]



Family offices are highly satisfied with their private equity investments abroad. 65% report better experiences compared to their local private equity investments, indicating that they have actively seized opportunities and diversified their portfolios internationally. 29% are equally satisfied with investments at home and abroad, while only 6% view investments abroad as worse.

72% of family offices invest abroad to diversify risk, while 63% seek unique investment opportunities that are not available in their home country – primarily to gain exposure to innovative sectors and industries (49%). About one third of family offices consider currency differentiation through private equity investments abroad to be a key factor.

The main challenges for family offices investing abroad are tax implications (49%) and geopolitical risks (41%). These are followed by operational challenges (40%) and the regulatory environment (38%). Cultural challenges (29%) and economic uncertainty (21%) are also noted, with the latter regarded as minor issues given that family offices can target the regions of their choice.

Source: Roland Berger

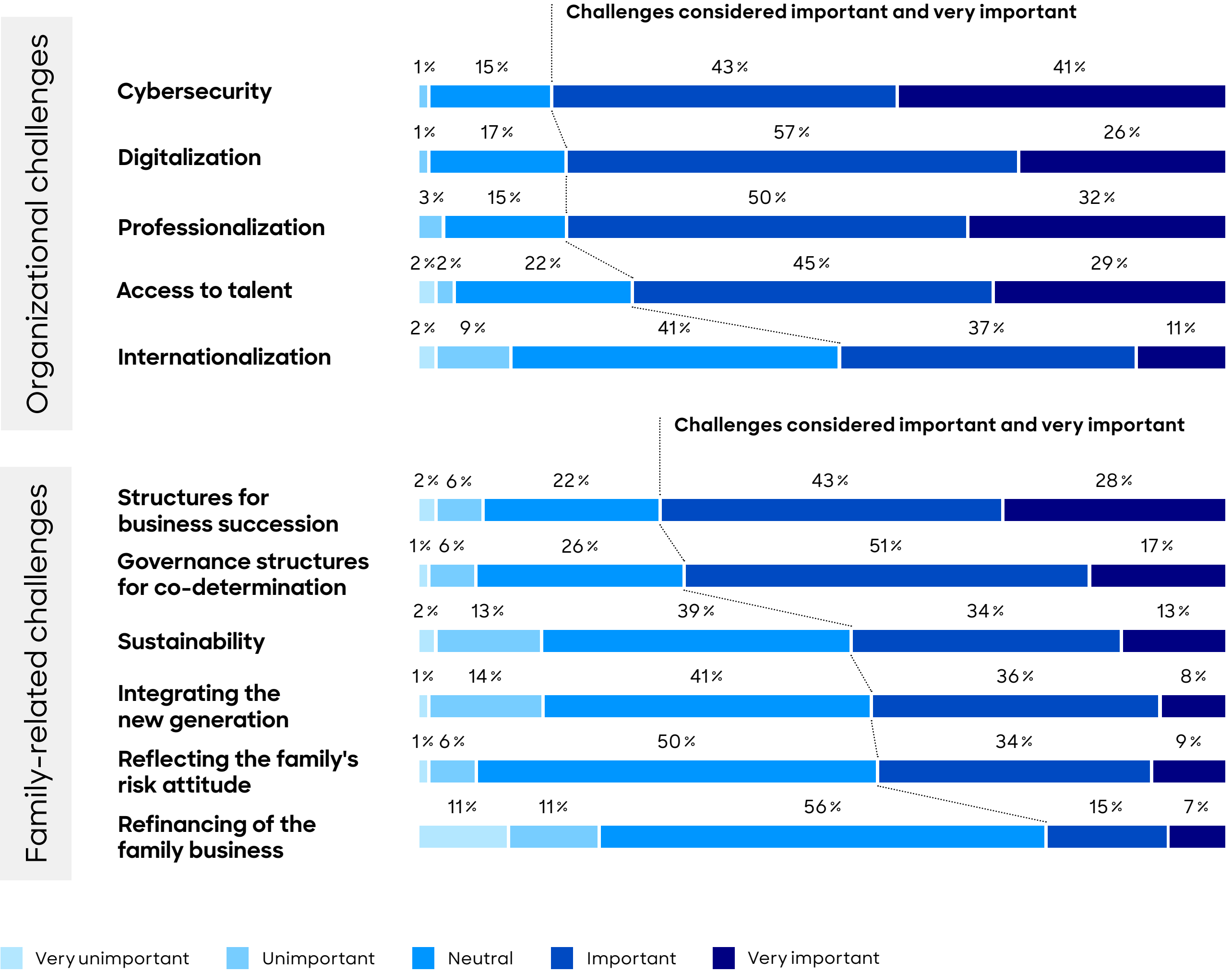
Cybersecurity and structures for business succession are the main internal challenges

Organizational and family-related challenges

Family offices continually strive to enhance their internal processes in order to better address operational challenges and improve services for entrepreneurial families. Yet despite these efforts, organizational and family-related challenges have remained relatively constant over the years. Key challenges include cybersecurity, digitalization and the professionalization of internal processes, all of which affect at least 82% of family offices (2023: at least 92%). The decrease in perceived operational challenges indicates better adaptation and strategies to cope with these challenges rather than their absence.

Family-related challenges have also eased slightly and are mainly centered around the participation of the entrepreneurial family. Structures for business succession are a critical challenge for 71% of family offices (2023: 78%), while governance for co-determination is now seen as important by 68%, up from 56% a year ago. Family office members emphasize that different generations within the entrepreneurial family have varying investment expectations that the family office must address. Only 22% see it as important to finance the family business via the family office (2023: 28%). As with market challenges, family offices have experienced a learning curve and have improved over the years. However, some challenges, such as the operational implementation of cybersecurity and digitalization, are expected to remain in place in the upcoming years.

Internal challenges for family offices



Note: Might not add up to 100% due to rounding

Source: Roland Berger

Family Office Study 2024 – Current challenges, asset allocation and the internationalization of family offices

Key findings

1. Family offices are facing major challenges such as fluctuating interest rates, geopolitical upheavals and potential recessions. However, they are adapting and learning to manage these issues more effectively.

2. Family offices are adjusting their asset allocations to address current challenges, primarily focusing on real estate, funds, and fixed-income investments. Direct investments in companies, especially in the medicine & healthcare and IT & digital sectors, are on the rise.

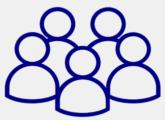
3. Family offices invest mainly in North America and Europe outside of their home markets, where they are usually more satisfied with their investments, while seeking risk diversification and unique investment opportunities. Simultaneously, they face risks such as tax issues as well as geopolitical and operational challenges.

4. Current challenges to family offices include cybersecurity, digitalization, business succession structures and governance structures for co-determination.

Source: Roland Berger

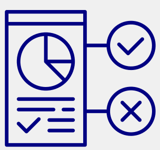
The study is based on a sample of key professionals in the family office domain
Methodology

Participants



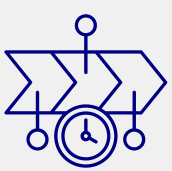
109 family office members and associated professionals

Study method



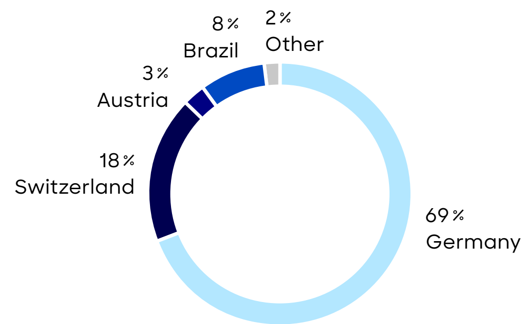
Online questionnaire sent to a selected target audience,[1] plus project experience with family offices

Timeline

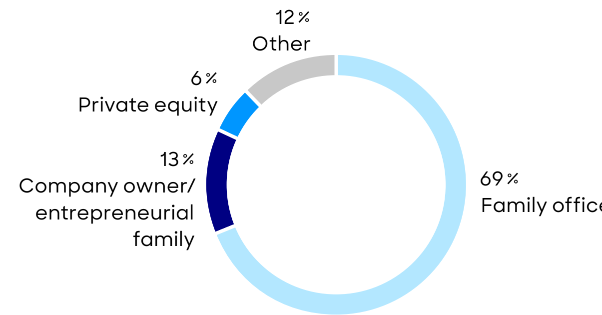


October and November 2024

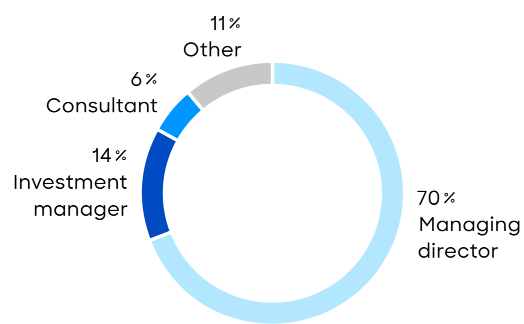
Family office location [%]



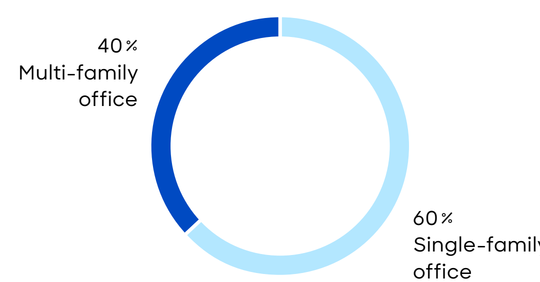
Participants' employer [%]



Position of participants [%]



Multi-family vs. single-family office [%][2]



1 680 questionnaires were sent out 2 In cases where the participant worked directly for the family office

Note: Might not add up to 100% due to rounding

Source: Roland Berger

We are looking forward to discussing further family office challenges with you

Roland Berger experts

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