

Top 5 considerations for family offices in 2020

#pwcforfamilies



At the start of a new year, we would like to highlight the top opportunities and concerns for family offices in the coming months. There is an unprecedented amount of change taking place in the market and it is more important than ever to have the infrastructure in place to stay anchored to your strategy, protect your assets and be nimble in decision making. **Danielle Valkner, PwC's US Family Office Leader**, provides her view of what families should be doing to help ensure their legacy continues to grow in 2020. **Diane Petan, Masttro's Director of Business for North America**, provides key input on how to leverage technology to improve transparency, efficiency and security goals.

1 Follow your strategic priorities like the north star



Danielle Valkner: Many families have the strategic priority of preserving their legacy and wealth to pass along to future generations or to impact the world in a positive way. No matter what is most important to your family, that key priority should be your guiding light as you make smaller tactical decisions as well as shifts in your overall strategy.

As you map to your strategic priorities, having a holistic view of your assets and wealth is highly useful in ensuring you are on target and understanding your gaps and risk exposures. Once those are identified, you'll have a clearer idea of how to respond – maybe by considering new investment strategies, leveraging outside board members, or acquiring new skills with new employees. It all needs to be anchored to your strategic priorities in order to stay focused on the goal line and the appropriate path to get there.

Diane Petan: When looking for solutions to support your family's strategic priorities, consider technology that allows for the most accurate and timely aggregation of data from all aspects of your net worth. Increased transparency across the family enterprise is vital to timely and informed decision making. Many tools do a good job of managing liquid assets but fall short when it comes to showing families the complete picture, including their alternative investments, real estate and passion assets, as well as a clear view of their trusts, foundations and personal holdings. In 2020, it will be imperative for families to leverage technology that incorporates all aspects of net worth, so they can make the best wealth and investment decisions that allow them to grow, protect and share their success.

2 Data matters most – be data driven in everything you do



Danielle Valkner: I see this as the area of greatest opportunity in 2020. In order to be successful, wealth owners must identify the critical data they need to make key decisions and have the processes and tools in place to be able to aggregate, present and consume the data in ways that are useful to all of the various stakeholders (owners, leadership, board, accountants, advisers, etc). As families become more global and diversified in their holdings, the complexity of managing the portfolio increases significantly as data may reside in several different places and in different forms. It is important to understand the source, quality and timeliness of your data, have one reconciled source of truth and to be able to access it at your fingertips.

Diane Petan: We now live in a data-driven world and technological advances are creating amazing opportunities that have never existed before now. As we advance into 2020, family offices are going to have to move beyond technologies that were never created for wealth management. Some of the tools being used were not meant to manage enormous and complex data sets that can change daily. And managing disparate systems that don't talk to each other is an old-world approach. We're focusing on greater and smarter integration of systems and more powerful data processing capabilities, giving families unprecedented computing power and visibility at their fingertips.

3 Embrace the digital revolution – automate or stagnate



Danielle Valkner: This is an exciting time to be in business. Technology is opening doors to capabilities we never imagined before. That said, many family offices are behind the curve when it comes to leveraging technology to do things more efficiently and effectively. This is the perfect time to make the leap. I highly encourage family offices of any size to enhance their digital acumen and take advantage of new business intelligence tools and capabilities.

We have seen that business leaders and the work force agree with this perspective. In PwC's [2019 CEO Survey](#), 79% of respondents worried about the availability of key skills needed to succeed and in our 2019 Digital Survey, 70% of employees report wanting to learn new skills and be relevant. To keep pace and be effective in this digital age, we need a different way of working, communicating and solving problems. Family offices need the appropriate skill sets in their employees as well as the tools and processes to support them or they risk falling behind and not being able to attract and retain the talent they need to support and achieve their strategic goals. We are seeing leaders in the industry take advantage of cloud technologies, robotics process automation, artificial intelligence and advanced workflow tools to not only provide efficiencies, but to greatly increase effectiveness.

Diane Petan: As family office complexity grows, legacy and older technologies have not kept pace with what they need – particularly automation across all data types and tasks and workflows. The tools that are available today and will come in 2020 are able to significantly reduce manual, error-prone processes and bring real value to a family.

A great example of intelligent automation is streamlining private equity investment workflows. Alternative investments are a growing asset class for families because of the higher yield potential versus traditional asset classes. However, it's always been very difficult to track the status of these investments. But today we are using technologies like Artificial Intelligence to automate the operations that support private fund investments. Machines will extract data, manage it and report on it in seconds – taking the manual effort out of it. I expect more opportunities like this to come about in 2020.

4 Batten down the hatches to prevent cyber attacks



Danielle Valkner: All of us are exposed to cyber risk in this digital age, but wealthy families are particularly attractive targets because they have more value to protect. In addition, they tend to be very mobile and on the leading edge of the latest mobile and smart technologies – both of which create a higher risk profile. Many people don't realize how much data is being accumulated and stored on their devices – not just their phones and computers, but also their home appliances, vehicles, security systems, not to mention social media. Their daily habits and routines are being tracked and cyber criminals are actively trying to get to that valuable information.

We recommend family offices put together a complete cyber risk plan to understand what data they have, how sensitive it is, and how to protect it. There are many technology solutions to help keep your data safe and prevent fraudsters from stealing from you and it is important to have a proactive plan with the mechanisms to stay current with the latest tools and techniques. Ongoing education and awareness is also essential. Cyber risk insurance for high net worth families is also something to consider so you are protected from any losses that might occur. A corresponding benefit to getting cyber risk insurance is that the insurer will want proper controls in place to promote adequate risk management and will share leading practices. You'll be covered both ways. Read my recent [blog post about how families can protect themselves from cyber threats](#).

Diane Petan: I agree that wealthy families are at heightened risk for cyber attacks. This is one of those things that can keep you up at night, worrying that hackers are on the brink of stealing your data or not knowing why your data has changed. To start with the basics, everyone should be using multi-factor authentication as opposed to just an ID and password. Tokens are a second layer of defense that are not difficult to put in place. You can even go beyond that by getting the most advanced military grade encryption for data in transit and data at rest in servers. New technology is equipped with advanced privacy controls to manage access and visibility to your information in real time and alert you of potential threats. With some of these measures in place, you can rest easier knowing that you've taken the necessary precautions to prevent theft and ensure your privacy and confidentiality.

5 Look to your board for stronger oversight and new strategies



Danielle Valkner: The volume of wealth being generated in the market today is unlike any we've experienced before. With the tech boom, the number of wealthy families has grown immensely in the past decade and generational families keep getting larger and more complex. Volume and complexity are bringing governance to the forefront.

Historically, a family board (if it existed), was likely made up only of family members. Today, family boards not only include outside members, but there is a developing trend to have a majority of independent directors on the board. Independent directors can provide fresh perspectives and upfront feedback that might be missing from a close-knit family group. They can also expand networks to people and places that can benefit and bring credibility to the family. Having a majority of outside directors does not mean they have the majority vote - the family can still retain control while gaining the valuable perspective and expertise. Check out [PwC's Governance page](#) for resources about bringing in independent directors.

Diane Petan: As families navigate the complexities of governance and wealth succession decisions, they need a reliable and secure means to communicate and share information within a family ecosystem. Families should expect their technology platforms to offer integrated communication portals, that not only support internal family governance decision making, but seamlessly include outside advisors contributing to family education, asset management and estate planning.



We're here
to help

Both [PwC](#) and [Mastro](#) have extensive experience helping families grow their legacy through savvy strategies and leading edge technology. As you start the new year, we encourage you to see how your family office aligns with our top considerations for 2020. If you want help navigating through change, please reach out to us for a deeper conversation on how we can support your family office in 2020:



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