

# From Complexity to Clarity: The Family Office Question

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## “Do we need a family office?”

It's one of the most common questions we hear from families who have built successful enterprises and accumulated meaningful wealth. But behind that question lies something deeper – not just about *how* to structure wealth, but *who the family is and what the wealth is for*.

While these are simple questions, the answers are rarely straightforward. Every family's situation is unique — shaped by their history, complexity, values, and stage of transition. Research shows that the most effective family offices are not purely financial constructs. They operate first as family systems and

second as financial systems. In our work, we see this every day. When a family begins with identity, mission and shared values, everything else – governance, investment strategy, education – aligns more naturally.



## Why Purpose and Family Values Should Guide Family Office Design

Before exploring structures or models, we encourage families to pause and articulate their North Star – a clear mission statement that expresses who they are and what they stand for. From there, the conversation about a family office becomes richer. It is no longer simply, “Do we need one?” but “What purpose could it serve for our family, and how might it help us grow as stewards?” Families also begin to ask: “What do we want this wealth to do, for us, for future generations, and for the communities we care about, in a way that best aligns with our values?”

The right family office strategy should not only protect and grow assets but also strengthen communication, build governance, and support family harmony by nurturing connection across generations. To guide that conversation, it is helpful for families to begin by asking themselves three questions:

- Why are we considering a family office, and why now?
- What functions or issues are we trying to address?
- How should we structure it to align with our family's goals and capacity?

To bring this to life, we'll return throughout this article to two example families — the Taylors and the Baileys — each at a different stage of growth, wealth, and complexity.

## Why Enterprising Families Consider a Family Office

There are countless reasons families begin exploring a family office, but several patterns emerge across generations. While complex liquidity events may trigger the discussion, the deeper opportunity lies in aligning structure with purpose by creating a family-focused office<sup>[1]</sup> that reflects identity, not just assets.

### Liquidity Events and the Shift from Operator to Steward

For many families, a liquidity event, such as the sale of an operating company, is the spark that prompts this conversation. A transaction often marks more than a financial shift; it's also an emotional and identity transition as families move from entrepreneurs driven to build an operating business, to long-term stewards of capital.

The Bailey family, for example, is in the process of selling their long-held manufacturing business, a move expected to generate \$700–800 million in liquidity. For decades, their wealth was tied to an operating company — cash flow predictable, governance clear, and complexity relatively contained. The sale changes that overnight.

### Growing Family and Financial Complexity Across Generations

Complexity is not just financial — it's relational. As family members spread geographically and generationally, the need for coordination becomes as much about communication as it is about compliance.

The Taylor family, now in their third generation, still owns and operates a thriving marketing business. As the business and family both expanded, so did the administrative burden, including taxes, trusts, properties, philanthropy, and coordination among siblings now living across several states. For years, the Taylors have used company staff to help manage family financial matters, effectively running an embedded family office within the business. This worked — until it didn't.

### Stewardship, Education, and the Responsibilities of Multi-Generational Wealth

As wealth grows and generations expand, managing it responsibly becomes more challenging. Education becomes essential, helping rising generations understand not only how wealth is managed, but why it exists and what responsibilities come with it.

Families like the Baileys and the Taylors both face the same reality: each new generation brings more individuals, more branches, and more perspectives. The wealth that once supported a single household must now serve many, across different life stages, needs, and values. A family office becomes a platform for stewardship — coordinating tax, investment, education, and philanthropy in ways that align with shared purpose.

### Governance and Communication as Wealth Grows

Governance is where structure meets relationships. Over time, even the most aligned families find it difficult to coordinate decisions about investments, philanthropy, or family resources. Clear governance creates shared language — the connective tissue between generations and branches — that keeps the family's purpose visible in everyday decisions.

For the Taylors, this means establishing clear roles and processes to prevent overlap between business and personal decision-making. For the Baileys, it means creating a structure for collaboration among siblings who may live in different places, have distinct goals, and manage varying levels of wealth literacy.

### **Aligning Family Wealth with Shared Values**

Finally, we often see families pursue a family office as a way to connect values to action. The psychology of wealth can be complex and difference in comfort levels around spending, giving, or investing can create friction between family members. A well-designed family office supports alignment around shared principles, offering tools for education, communication, and philanthropy that preserve both wealth and harmony.

## **Core Functions of a Family Office**

A family office centralizes the management of a family's financial and personal affairs. At its best, a family office does more than manage money. It helps families learn, collaborate, and live out their shared purpose. While every family's needs are different, most offices focus on a combination of the following:

- **Tax, Accounting, and Estate Planning:** Coordinating filings, cash flow, and multi-generational planning.
- **Investment Oversight:** Aligning investment strategies with owner goals for growth, risk, and liquidity.
- **Alternative Investments & Co-Investments:** Managing private equity, venture, or direct investment activity.
- **Risk Management:** Protecting against financial, operational, and reputational risks, including cybersecurity.
- **Philanthropy & Social Impact:** Structuring giving strategies, managing foundations, and aligning family values.
- **Lifestyle Management:** Coordinating properties, travel, staffing, and insurance for multi-residence families.
- **Education & Engagement:** Preparing rising generations to understand ownership, wealth, and governance.

For the Taylors, key functions include tax coordination and investment oversight that were once handled by business staff. For the Baileys, the focus is broader — developing investment policies, managing liquidity, launching a foundation, and engaging their adult children and spouses through financial education.

## **How to Choose the Right Family Office Model**

Not all family offices look the same. The best model depends on complexity, scale, and the family's appetite for cost, control, and customization. The question is not only which model fits, but which model reinforces who the family wants to be. Below are four common approaches:

### **Embedded Family Office**

Some families, like the Taylors, begin by using company resources such as accounting, HR, or finance staff to manage family affairs. While this approach can be efficient in early stages, it often becomes challenging as the family, its complexity, and its wealth grows. Over time, personal financial matters can place an increasing burden on the business and create discomfort around the handling of sensitive family information.

Single Family Office (SFO) A dedicated entity serving one family exclusively. The Baileys, following their liquidity event, are evaluating whether to create one. An SFO offers the highest degree of privacy, control, and customization but comes with significant cost and complexity. For that reason, families often take time to evaluate whether this level of infrastructure aligns with their needs, values, and long-term goals. Even families that establish an SFO may continue to work with multi-family offices or outside advisors to access specialized expertise as needed.

### **Multi-Family Office (MFO)**

For families who prefer professional management without building their own infrastructure. MFOs offer institutional-level investment access and shared services at lower cost, though with less exclusivity. Ultimately the Taylors began to work with an MFO and have built a trusting, rewarding relationship that has benefitted them as the rising generation also now has a resource who they interact with and learn from as they develop into better owners.

### **Outsourced or Virtual Family Office**

A flexible model that coordinates trusted external advisors through a single point of contact. It's efficient and cost-effective for families seeking cohesion without full-time staff.

## **Designing a Family Office That Grows with the Family**

Whether a family office makes sense depends less on asset size and more on complexity, coordination, and readiness. When approached through the lens of purpose, the design process itself becomes a clarifying exercise and a chance for the family to define its shared vision before defining the structure.

For the Baileys, the question is how to design structure and governance that can grow with them. Their next-generation members are already involved in philanthropy and co-investing, and a family office can provide the scaffolding to support that collaboration with transparency and accountability.

For the Taylors, the issue became redefining boundaries between family and enterprise while continuing to benefit from shared expertise. For them, the solution became a multi-family office, but the evolution could alternatively have involved spinning out certain administrative functions into a small, outsourced office while retaining close ties to the operating business.

In both cases, the family office conversation became less about administration and more about alignment, a platform for translating mission into practice. Both families illustrate a common truth: the right family office isn't about size or status, it's about alignment, purpose, and stewardship.

## **There Is No One-Size-Fits-All Family Office**

There is no single "right" answer to the family office question. What matters most is clarity about what problems the family office should solve, what values it should reinforce, and how it will support both the family and the enterprise over time.

When built intentionally, a family office can become more than a financial structure, it becomes an expression of identity. It protects relationships, fosters education, and ensures that the family's financial and human capital grow together.

From the Baileys' major transition to the Taylors' gradual evolution, each family's path will look different. The goal is the same: to create structure that simplifies complexity and helps the family thrive, in business, in ownership, and in relationship with one another.

[1] Peppet, S. (2021, November 10). *The Family-Focused Office*. Family Firm Institute

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