

The New Age of

Family Offices

November, 2025

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An overview of the future of family
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the support of Transylvania Bank



Foreword

5.4

USD Trillion expected assets under management
of family offices to 2030

Deloitte Private

The Return of Wealth

Most of what is commonly considered normal in terms of wealth, relations between classes as well as concepts of fairness come from a very particular, if not singular, period of human history and geography: modern America, namely the world of lifetime employment, growing industry, defined benefit pensions, relatively cheap homes and state-sponsored college education. The idiosyncrasy of the time between the early 1950s and late 1960s is difficult to overstate but it suffices to say the United States represented almost 40% of global GDP and was at its most egalitarian distribution of wealth in its entire history. That normal, close to unique in human history, came to be a point of reference that obscured the fact that most of the world has returned to a much older tradition that harked far beyond a few decades' data points

namely the world of inherited wealth, wide gaps in income and the primacy of capital over labour. However, while many years ago we would make references to houses, aristocratic families of various sorts or estates, today we reference family offices, equity holdings and tax optimisation.

In other words, the nature of the Agricultural Age - embodied in family and wealth - has reclaimed its place, albeit within Industrial Age structures such as nation states, taxation, corporations and shares, aided by the Digital Age technologies which fueled the Third Wave of Globalization.

The implications of that are numerous, complex and at times emotionally-charged, but the results in terms of wealth is fairly unquestionable: wealth is back.

Family Offices *in* Brief

Number

2024

8030

Growth

Expected to 2030

75%

AUM

2024, USD Trillion

3.1

Alternatives

Median Portfolio Allocation

45%

With family businesses accounting for over 8 USD trillion globally and family offices expected to hold over 5 USD trillion by 2030, that wealth, approximating what would be the third largest economy in the world, is rapidly becoming one of the key economic and political contemporaneous questions. If returns on capital continue to outpace returns on labour, as they may not only continue but accelerate as AI eclipses an increasing number of professions, the holders of that capital may very well decide what the future looks like.

Those holders are, increasingly, family wealth being managed by fairly private family offices which outpace hedge funds in terms of assets under management, and expected to do so as family wealth is expected to increase by 189% over the next decade. Consequently, it merits understanding how the new houses of our times work, what their aims are and what this implies for financial markets as well as economies worldwide, as these financial structures come to define a new period in human history.

Radu Magdin

Radu Magdin

CEO, Smartlink Communications

November, 2025

1

A look at the historical context of family offices

Tri Partite Structures

A tripartite society is a social structure characterized by three distinct and more often than not hierarchical groups or classes. Such structures have remained more or less stable throughout recorded human history, irrespective of the economic, social, geographic context from the start of settled agricultural civilisations. What may be called the ruling class, composed of about 10% of the population with various degrees of heterogeneity inside it, tend to control more than the majority of wealth within that society, this pattern remaining more or less uniform from early society to contemporary society, with the exception of the period between the 1940s to the late 1970s in the United States.

35%

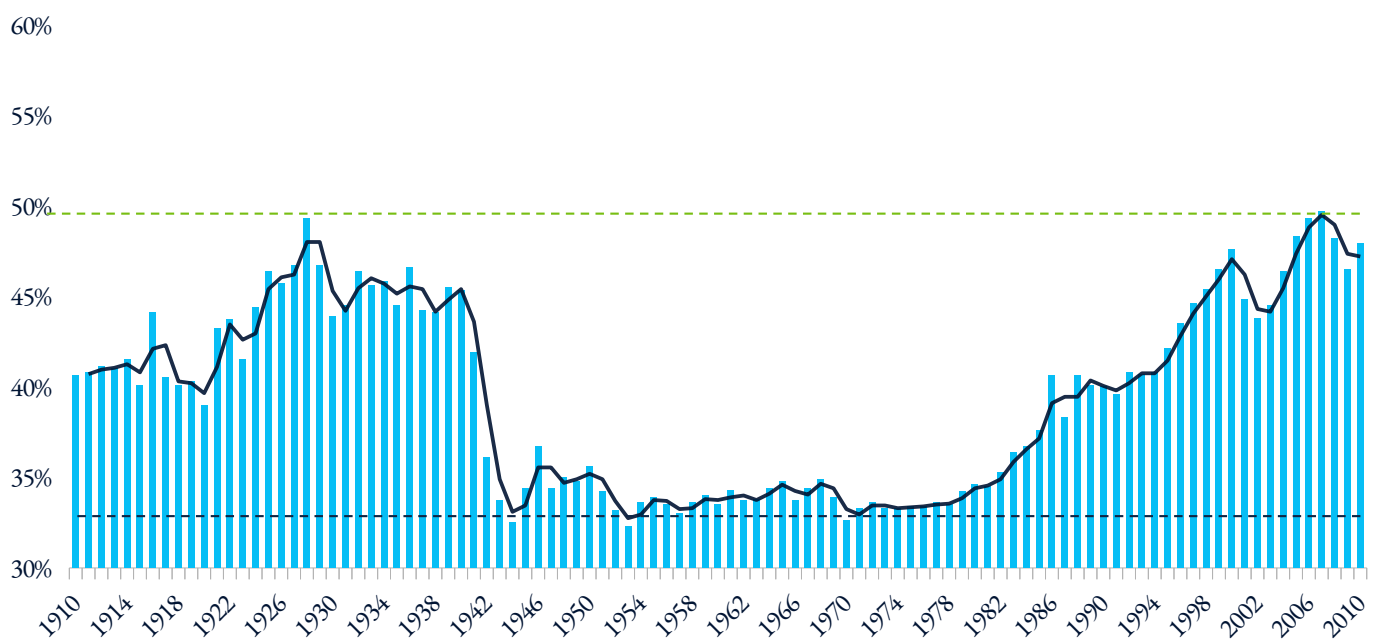
Proportion of national wealth held by the top 1% in the United States, 2023.

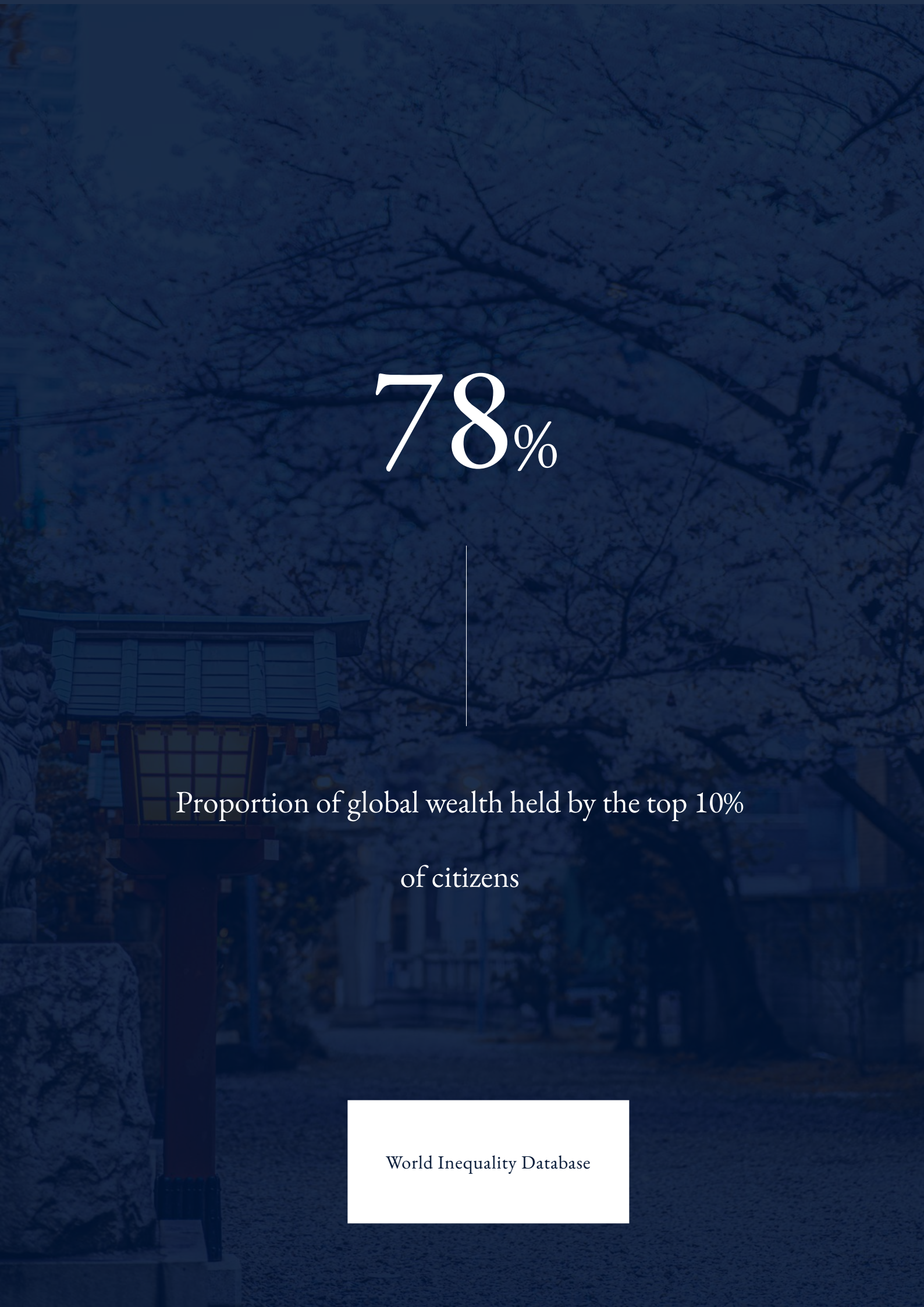
WID

35%

Proportion of national wealth held by the top 1% in the Uganda, 2023.

WID



A dark blue, semi-transparent overlay covers the entire image. In the background, a traditional Japanese lantern with a tiled roof and a stone base is visible on the left. The rest of the background is filled with the intricate, dark branches of a cherry blossom tree, with some light-colored blossoms visible.

78%

Proportion of global wealth held by the top 10%
of citizens

World Inequality Database



1.

Upper Class

This group primarily consists of individuals and families who own a significant portion of capital—land, stocks, bonds, real estate, etc. The capitalist class earns most of their income through the returns on their capital investments (rents, dividends, interest), rather than through labour. The accumulation of wealth is often intergenerational, passed down through inheritance, and leads to the creation of a hereditary aristocracy of wealth.



2.

Middle Class

This group includes individuals who earn a substantial income from their labour but also accumulate some capital. Their income typically comes from salaries or wages in what are known as the professions. They are relatively stable and often have opportunities to accumulate wealth through savings, though they are not as wealthy or influential as the capitalist class.



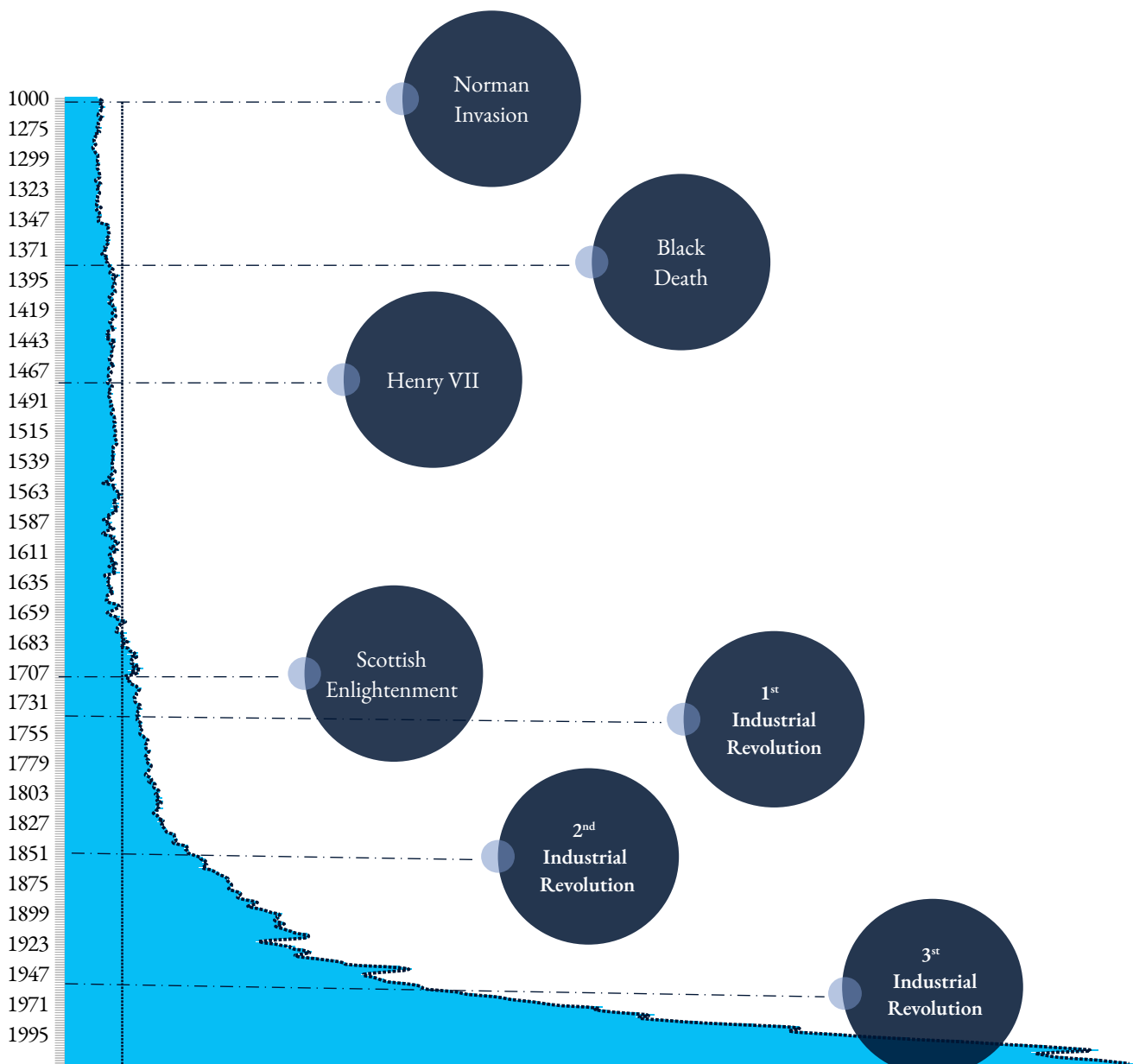
3.

Lower Class

This group includes people who primarily rely on wages for their livelihood. Workers have less capital, fewer opportunities for wealth accumulation, and are more vulnerable to economic fluctuations. Their income is mostly derived from labour, and their standard of living can vary significantly based on the labour market and the economy.

United Kingdom GDP per capita

The United Kingdom GDP per Capita (PPP) between 1000 and 2018, based on the Maddison dataset, reflecting the impact of the First Industrial Revolution.



Economic Development

104%

Percentage GDP per capita in China compared to Western Europe, in 1500

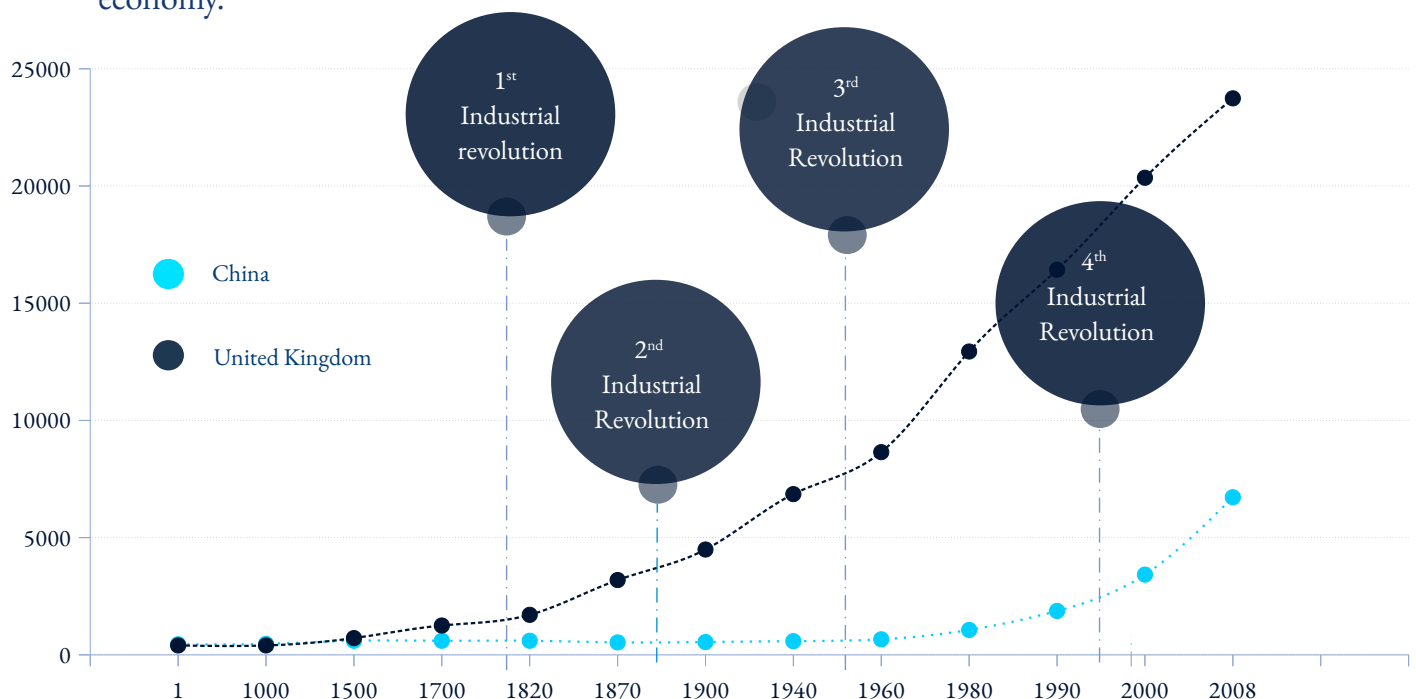
Maddison

The degree to which this particular social structure has shown itself to be development prohibitive is highly debatable as it stays more or less constant in history, with the exception of technological shifts. These technological shifts, be it the development of early weapons or the Industrial Revolution tend to allow other groups to accumulate wealth based on capital not controlled by the top 10% and thus open the opportunity to replace them, with heterogeneity in different societies based on the degree to which the ruling classes have successfully resisted those technological shifts, most importantly from an agrarian economy to an industrial economy.

9%

Percentage GDP per capita in China compared to Western Europe, in 1950

Maddison



Proportion of national wealth held by the top 10% in the United States, 1910 to 2012

Maddison

Wherever there is an ascendant class, a large portion of the morality of the country emanates from its class interests, and its feelings of class superiority. The morality between Spartans and Helots, between planters and negroes, between princes and subjects, between nobles and roturiers, between men and women, has been for the most part the creation of these class interests and feelings: and the sentiments thus generated, react in turn upon the moral feelings of the members of the ascendant class, in their relations among themselves. Where, on the other hand, a class, formerly ascendant, has lost its ascendancy, or where its ascendancy is unpopular, the prevailing moral sentiments frequently bear the impress of an impatient dislike of superiority. Another grand determining principle of the rules of conduct, both in act and forbearance, which have been enforced by law or opinion, has been the servility of mankind towards the supposed preferences or aversions of their temporal masters, or of their gods. This servility, though essentially selfish, is not hypocrisy; it gives rise to perfectly genuine sentiments of abhorrence; it made men burn magicians and heretics. Among so many baser influences, the general and obvious interests of society have of course had a share, and a large one, in the direction of the moral sentiments: less, however, as a matter of reason, and on their own account, than as a consequence of the sympathies and antipathies which grew out of them: and sympathies and antipathies which had little or nothing to do with the interests of society, have made themselves felt in the establishment of moralities with quite as great force.

John Stuart Mill

On Liberty

The Rise of Growth

That move from an agrarian economy to industrial production, while proving disruptive to many aspects of society, did increase output per worker significantly. Most important of these developments was, specifically, moving from an economy solely based on extensive growth subject to the Malthusian Trap to an economy, at least in part, based on intensive growth that moved workers from low-productivity sectors such as agriculture to high productivity sectors such as manufacturing.

0%

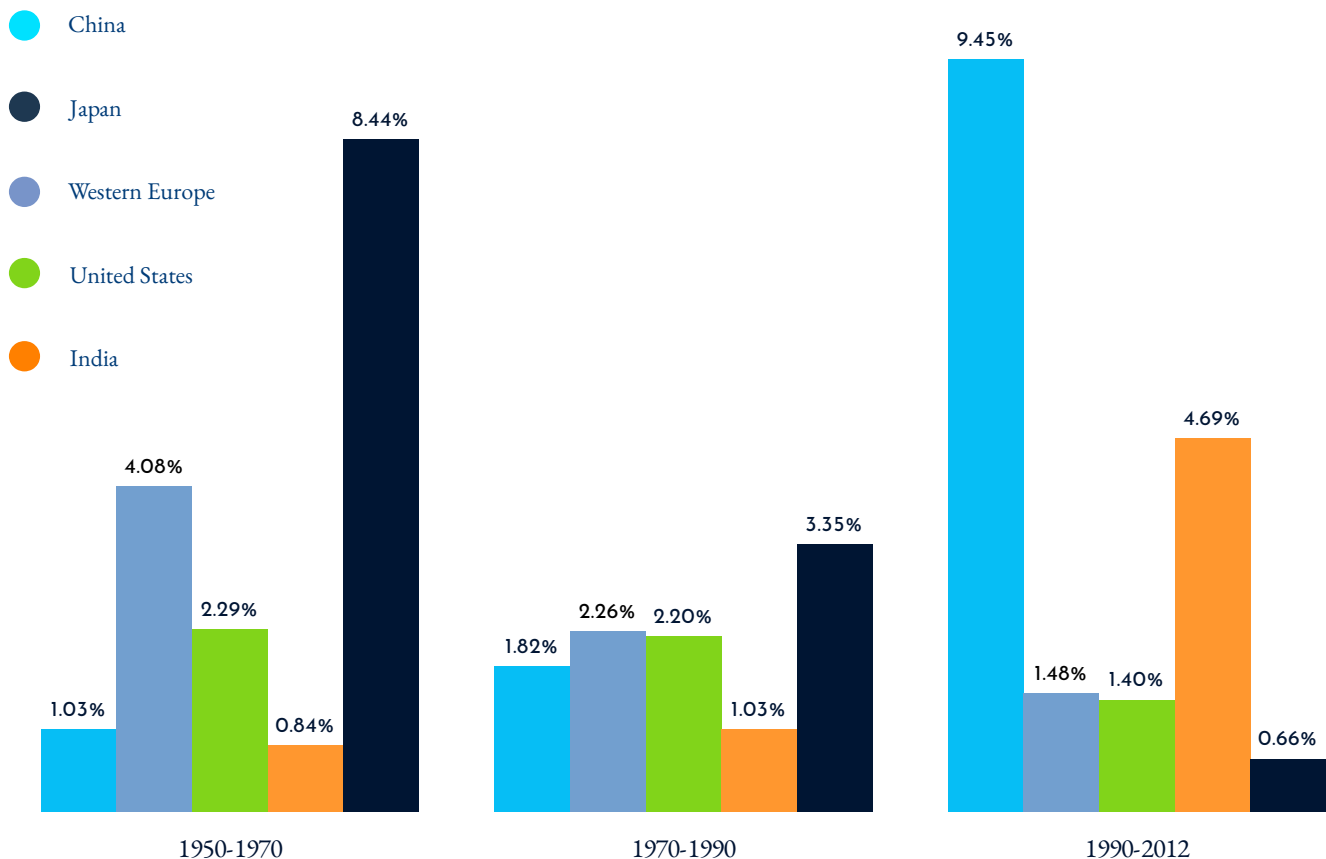
Average yearly growth
in GDP per capita in
China between the
years 0 and 1700.

Maddison

7.1%

Average yearly growth
in GDP per capita in
China between the years
1980 and 2012.

Maddison



GDP Per Capita in 1950 *compared to* 1000

Asia

1000-1950

65%⁺

Europe

1000-1950

887%⁺

U.S.

1000-1950

1500%⁺

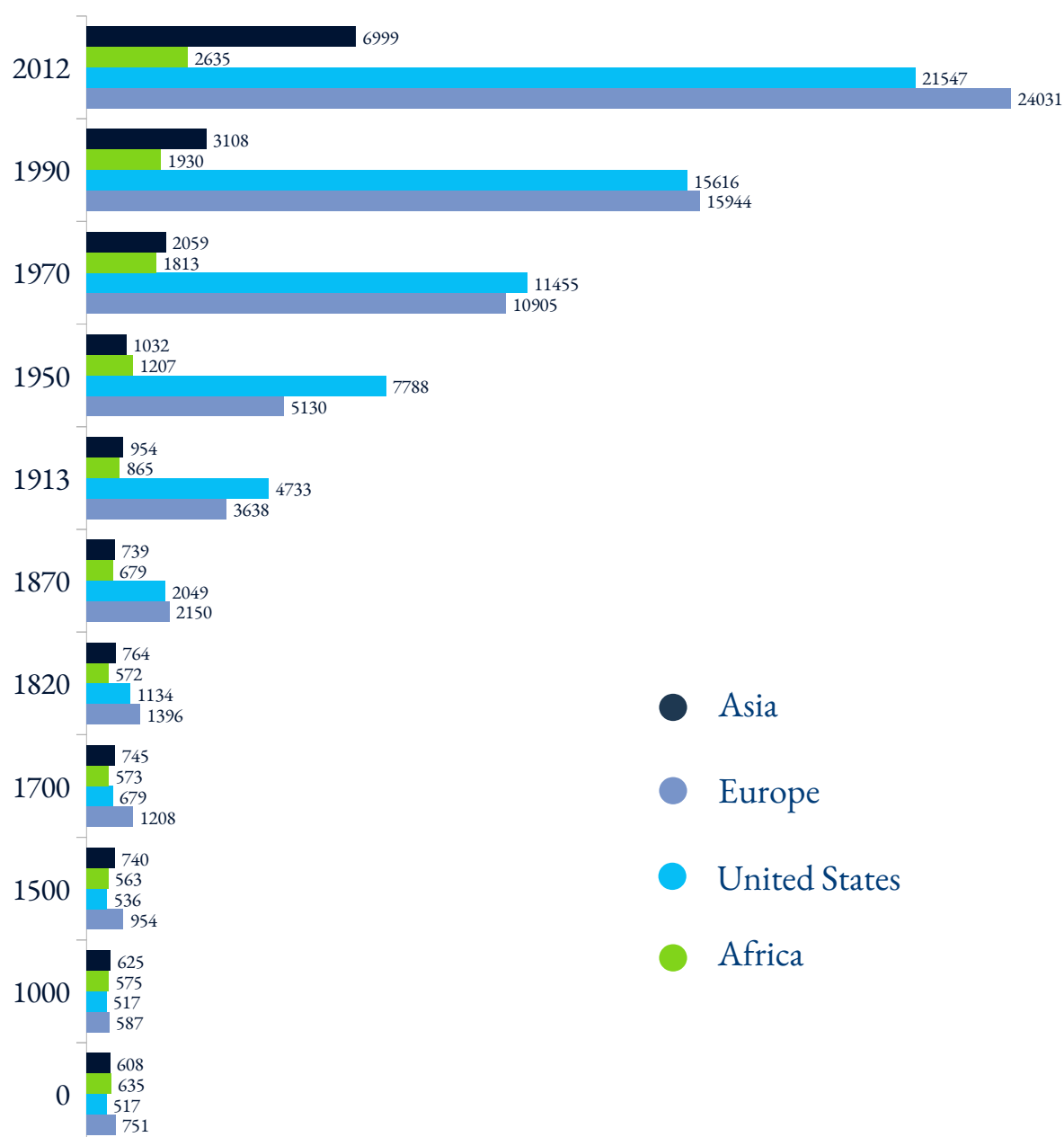
Africa

1000-1950

200%⁺

Global GDP Per Capita

Historic GDP Per capita, PPP, segmented per continent, between 0 and 2012.



116

USD PPP GDP per capita, monthly, in Europe had the
Industrial Revolution not happened, assuming a
perfectly equal distribution of income

Maddison

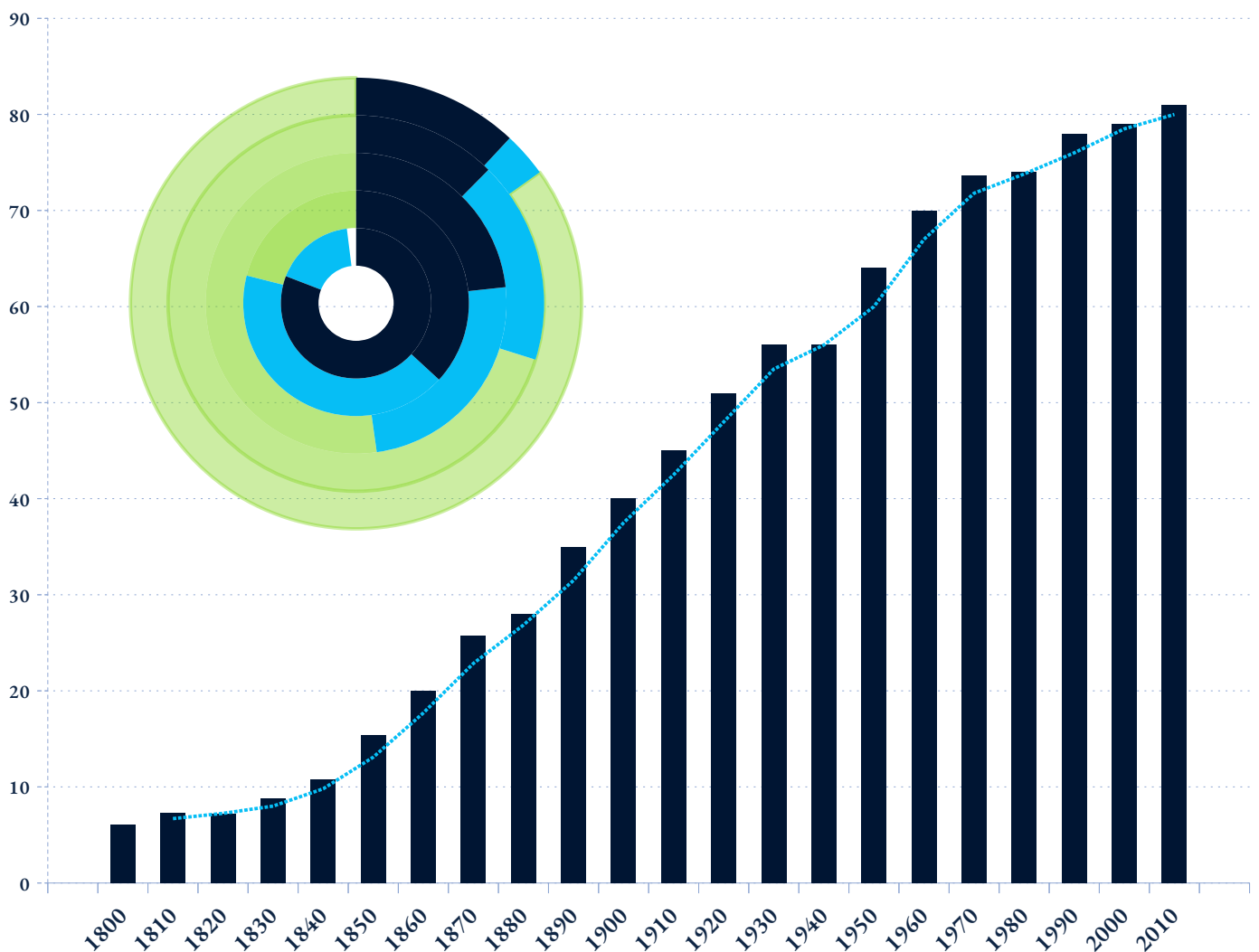
Structure of the Economy

0.9%

This shift to manufacturing dramatically changed the entire structure of economies at different points in time, one example being the United States, which was one of the first to embrace industrial modernity, moving with the advent of the Second Industrial Revolution from an agrarian, rural, country in the late 1800s into an urban, manufacturing based economy by the 1950s.

Percentage GDP in the United States represented by the agricultural sector, in 2022.

World Bank



Rate of urbanisation in the United States, together with a breakdown of the sectoral composition of GDP in 1800, 1850, 1900, 1950 and 2000.

St. Louis Federal Reserve

1.

Agrarian

In agrarian economies, land was the cornerstone of wealth and economic power. Agricultural productivity depended on the ownership of land, making it the dominant form of capital.

2.

Industrial

The Industrial Revolution introduced mechanized production with far greater productivity than artisans, shifting the economic focus from agriculture to manufacturing. Fixed capital in the form of machinery and factories began to rival land in importance and eventually displaced it.

3.

Financial

The late 19th and early 20th centuries saw the rise of joint-stock companies and corporations. These entities pooled resources from multiple investors through equity shares. Ownership shifted to shareholders, who provided capital in exchange for equity. Financial markets became central to the economy, enabling the trading of equity and debt securities.

Structure of Capital

In turn, this changed the structure of wealth inside industrial and industrialising economies, with the older aristocratic classes and landed gentry giving way both the fast movers within their own ranks and to new entrants whose wealth began deriving from fixed capital in the form of machinery, patents and factory organisations, such that even in traditionally agriculture-focused France private wealth in the form of land accounted for just 60% of national income by 1920, down from 273% as late as 1880, with even faster patterns seen in the United States and the United Kingdom.

478%

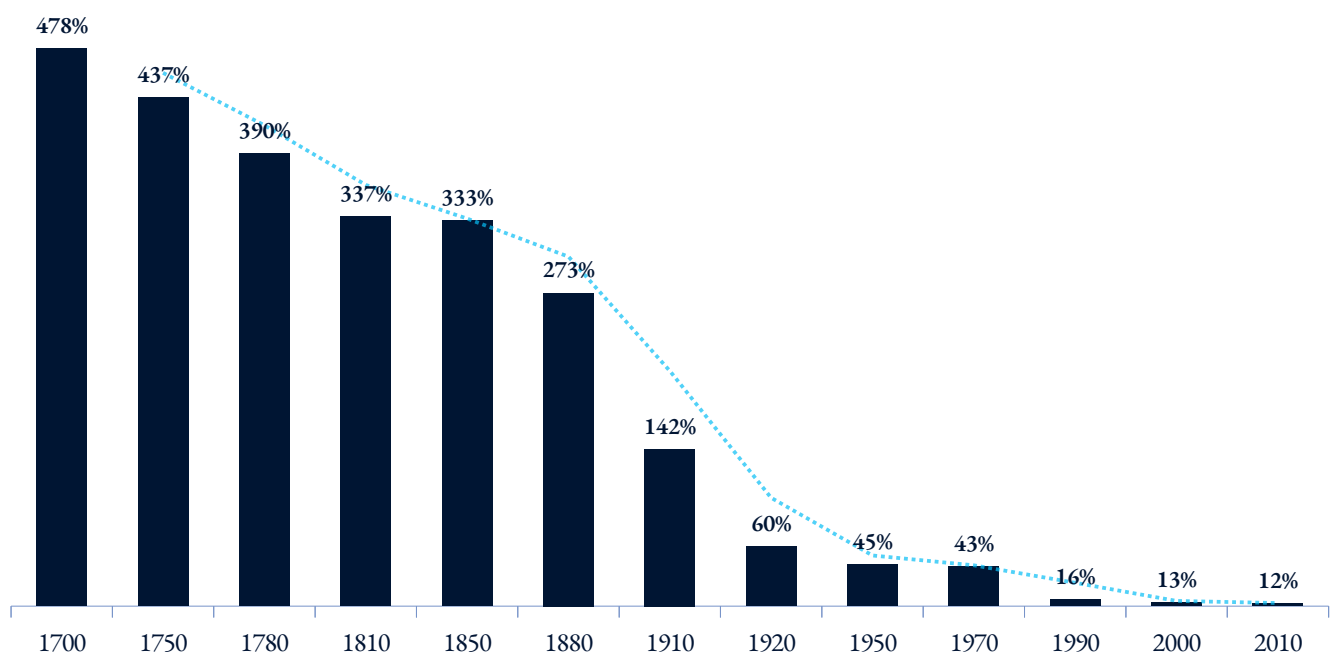
Proportion of national income that was held as private wealth in the form of land in 1700, in France.

Piketty

12%

Proportion of national income that was held as private wealth in the form of land in 2012, in France.

Piketty



Proportion of national income held as private wealth in the form of land ownership, in France, between 1700 and 2012.

Piketty

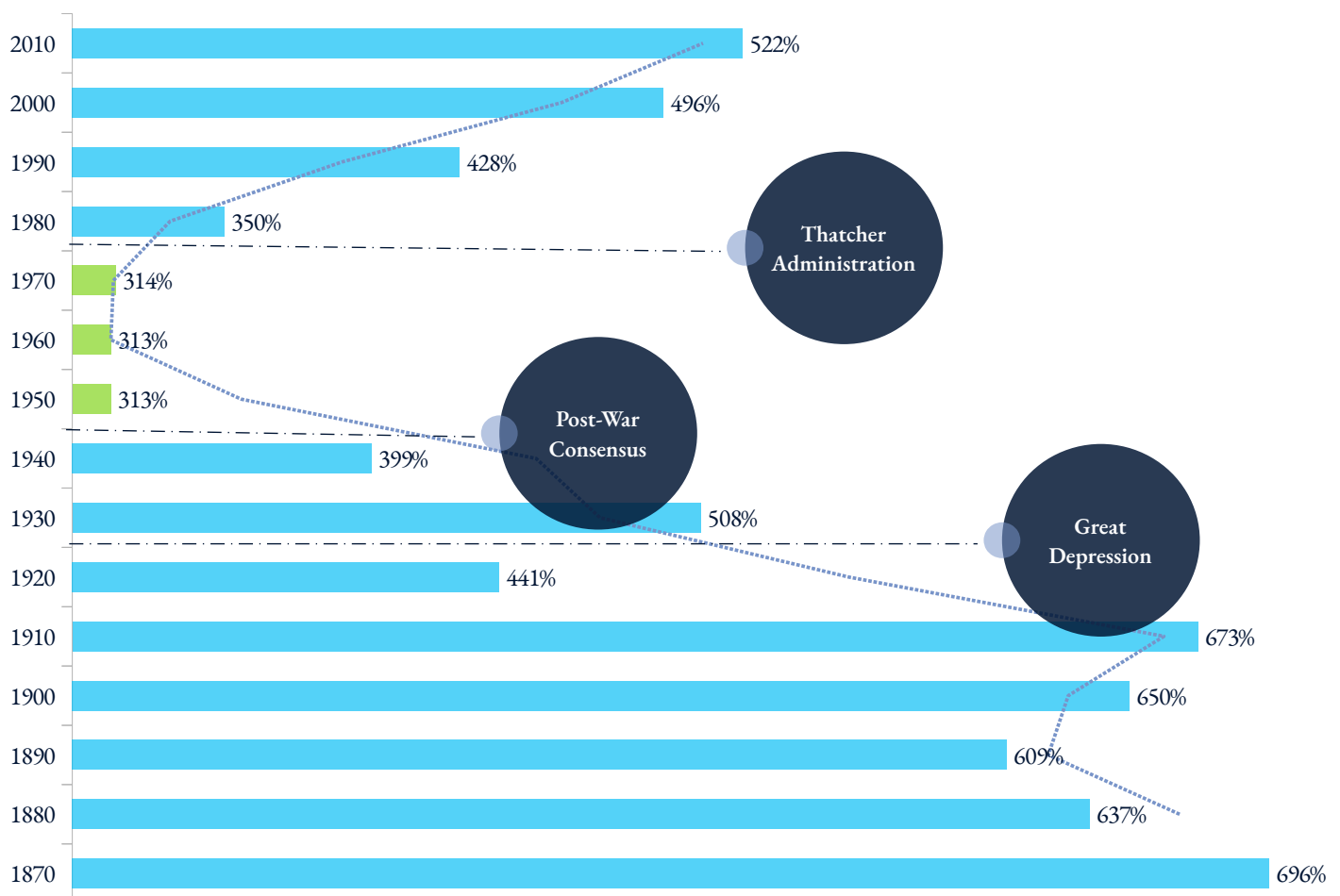
Private Capital

However, the changing structure of capital only temporarily altered the proportion of private wealth relative to national income in various economies, that period only lasting between 1950 and 1970. Instead, the period of social liberalisation seen in the late 1960s triggered the phenomenon of ‘the revolt of the elites’ and the breakdown of the post-war social consensus, shaping policy with the election of the Thatcher and Reagan administrations.

18%

Proportion increase in the ratio of private wealth to national income in the United Kingdom between 1920 and 2010

Piketty



Proportion of national income held as private wealth in all forms, United Kingdom, between 1870 and 2010.

Piketty

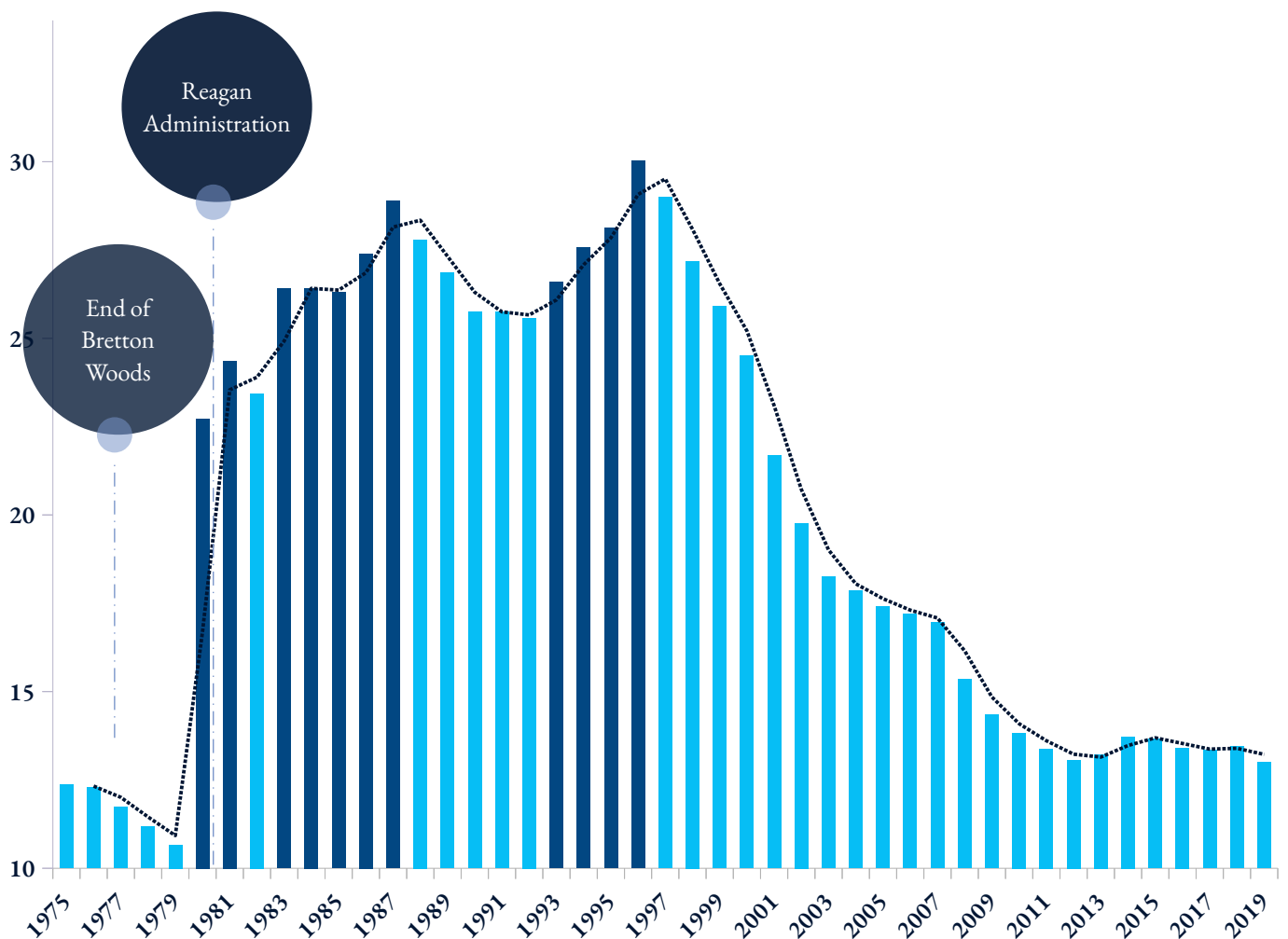
Financial Capital

That private capital soon found its way to equity markets, where a dramatic expansion of publicly listed companies between 1979 and 1981 allowed it to become embedded in the economy, facilitated by the rise of IPO-led private equity.

229%

Change in the ratio of
publicly listed
companies to millions
of residents between
1979 and 1981,
United States.

St. Louis Federal Reserve





21%

The proportion of U.S. households which
directly own shares in 2024

U.S. Census Bureau

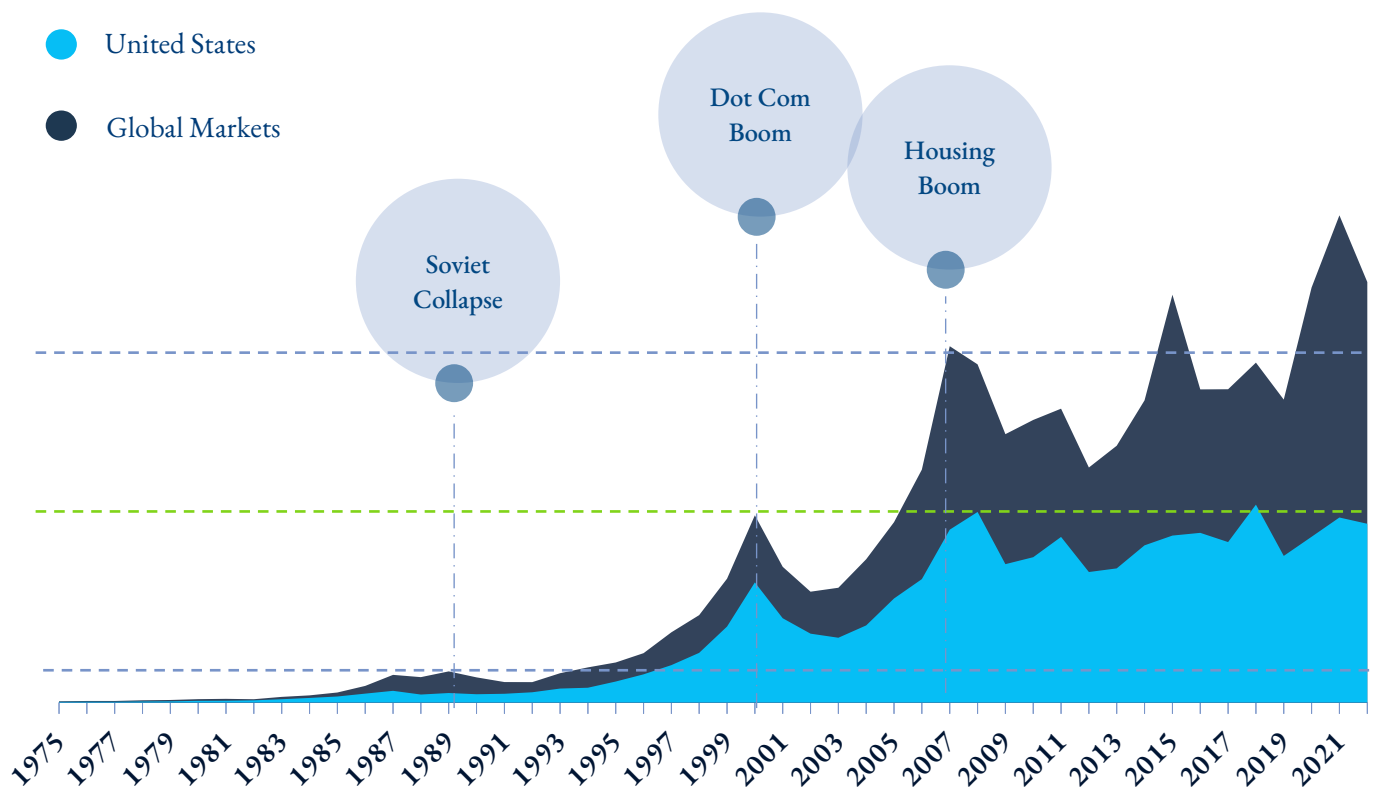
Shareholding Class

15

Number of times that market capitalisation in the United States of domestic companies was greater in 2000 compared to 1989

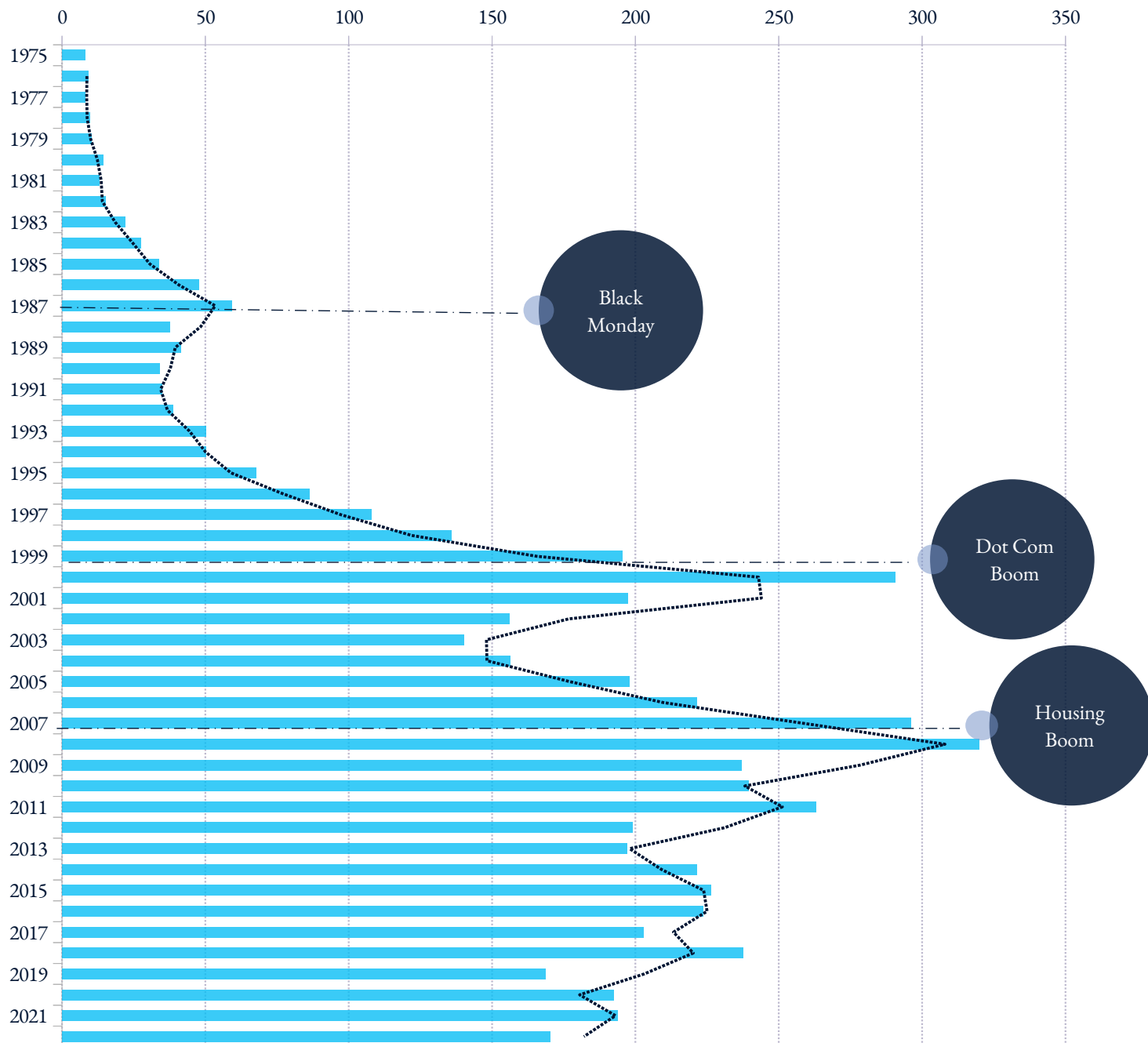
World Federation of Exchanges

That brought a wave of deregulation, most commonly associated with the rise of private equity, and the rise of shareholding capital as a primary form of wealth, in addition to housing, which itself was a far more mobile than land. That brought both new financial market participants as well as generated an expanding pool of financial capital for companies as the post-war Bretton Woods system gave way to significant international purchases of U.S. debt and USD currency.



Market Capitalisation as a Percentage of GDP

United States domestic listed companies' market capitalisation as a percentage of GDP
(USD, Constant 2016) between 1975 and 2021.



Beginning in 1965 the Martin Fed shifted to an inflationary policy which continued until the early 1980s and in the 1970s became known as the Great Inflation. The shift in policy reflected the accommodation of growing fiscal deficits—a strategy referred to as fiscal dominance (Leeper and Walker 2011.)

Increasing U.S. monetary growth led to rising inflation. Rising U.S. inflation then spread to the rest of the world through growing US balance of payments deficits. A well understood transmission mechanism was via the classical price specie flow mechanism supplemented by capital flows. This led to growing balance of payment surpluses in Germany and other countries. The German monetary authorities (and other surplus countries) attempted to sterilize the inflows but were eventually unsuccessful leading to growing inflationary pressure.

In April 1971, the U.S. balance of trade turned to a deficit for the first time. The decision to suspend gold convertibility by President Richard Nixon on August 15 1971 was triggered by French and British intentions in early August to convert dollars into gold. The U.S. decision to suspend gold convertibility ended a key aspect of the Bretton Woods System. The remaining part of the system, the adjustable peg disappeared by March 1973.

Once the system had evolved into a de facto dollar standard after the collapse of the Gold Pool, the obligation of the United States was to maintain price stability. Instead it conducted an inflationary monetary policy that ultimately destroyed the system. Indeed the Bretton Woods System was based on rules. The most important of which was to follow monetary and fiscal policies consistent with the official peg. The U.S. violated this rule after 1965.

Michael Bordo

Paper, The Bretton Woods System

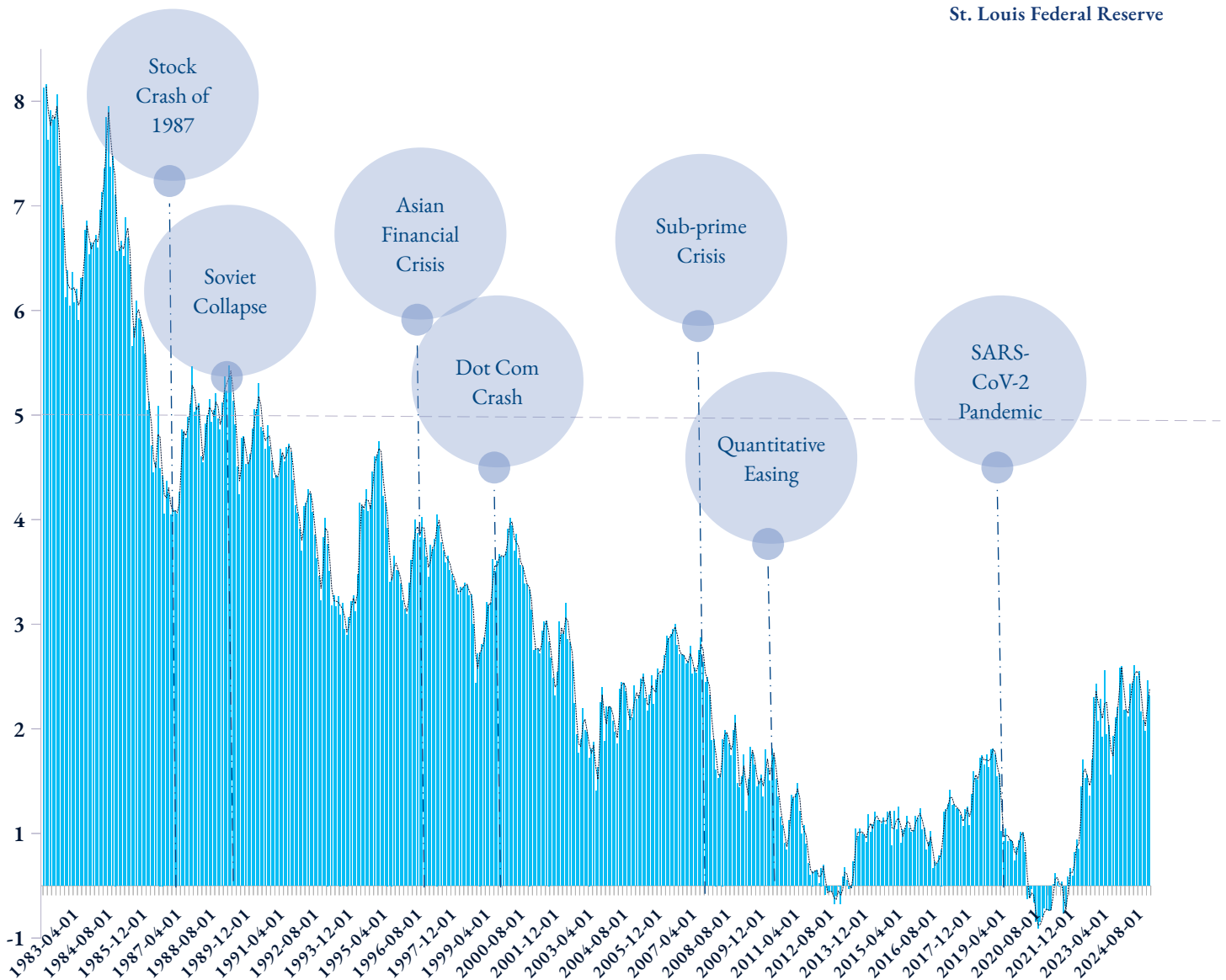
Low Interest Rates

59

The end of the Bretton Woods system also increased demand for USD denominated assets, in particular United States government debt, which led to significant downward pressure on U.S. rates of interest and what will become a dramatic expansion of domestic credit.

The age an individual would need to have in order to have seen interest rates above 5% in the United States while in the labour market.

St. Louis Federal Reserve



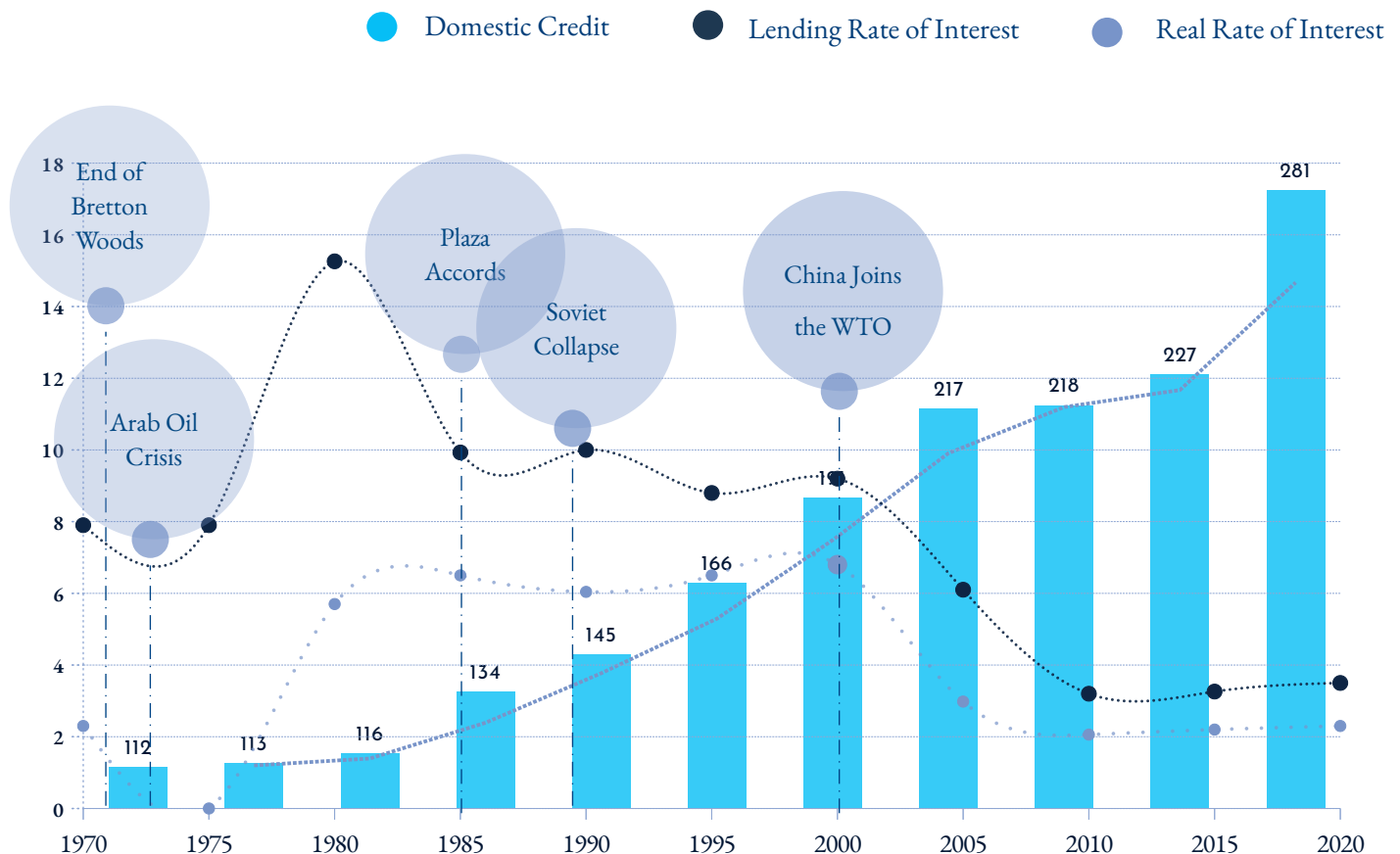
Domestic Credit

This period led to a dramatic expansion of domestic credit in the United States from slightly above GDP to almost 300% of GDP, which allowed wealth to scale up returns significantly both by the expanding consumer market as well as using leverage to purchase assets. Some of these assets were domestic but the important part to note is that many represented foreign assets, this being the time where Gross National Income bypassed Gross Domestic Product.

18

Trillion USD in credit given by commercial banks in the United States, 2024 figures.

St. Louis Federal Reserve



Domestic credit as a percentage of GDP, in addition to the Lending and Real rates of interest, at official reported rates.

St. Louis Federal Reserve

1.

First Industrial Revolution

The First Industrial Revolution marked the transition from agrarian economies to industrialized production, driven by mechanization and steam power. The economic focus shifted from subsistence agriculture to factory-based manufacturing, creating new centers of economic activity. Urbanization surged as workers moved from rural areas to industrial cities, forming the foundation of a wage-based economy.

2.

Second Industrial Revolution

The Second Industrial Revolution introduced advancements in mass production, electrification, and transportation. These innovations increased efficiency and lowered production costs, allowing industries to scale rapidly. The revolution also marked the rise of new sectors, such as chemicals, oil, and automotive manufacturing.

3.

Third Industrial Revolution

The Third Industrial Revolution, the Digital Revolution, was driven by advancements in electronics, computing, and telecommunications. The development of semiconductors, personal computers, and the internet fundamentally transformed economic systems. Production processes became automated, enhancing productivity and reducing labour costs. This is the period which saw the rise of financialization, as capital flowed increasingly into intangible assets and intellectual property with a global perspective.

The Third Industrial Revolution

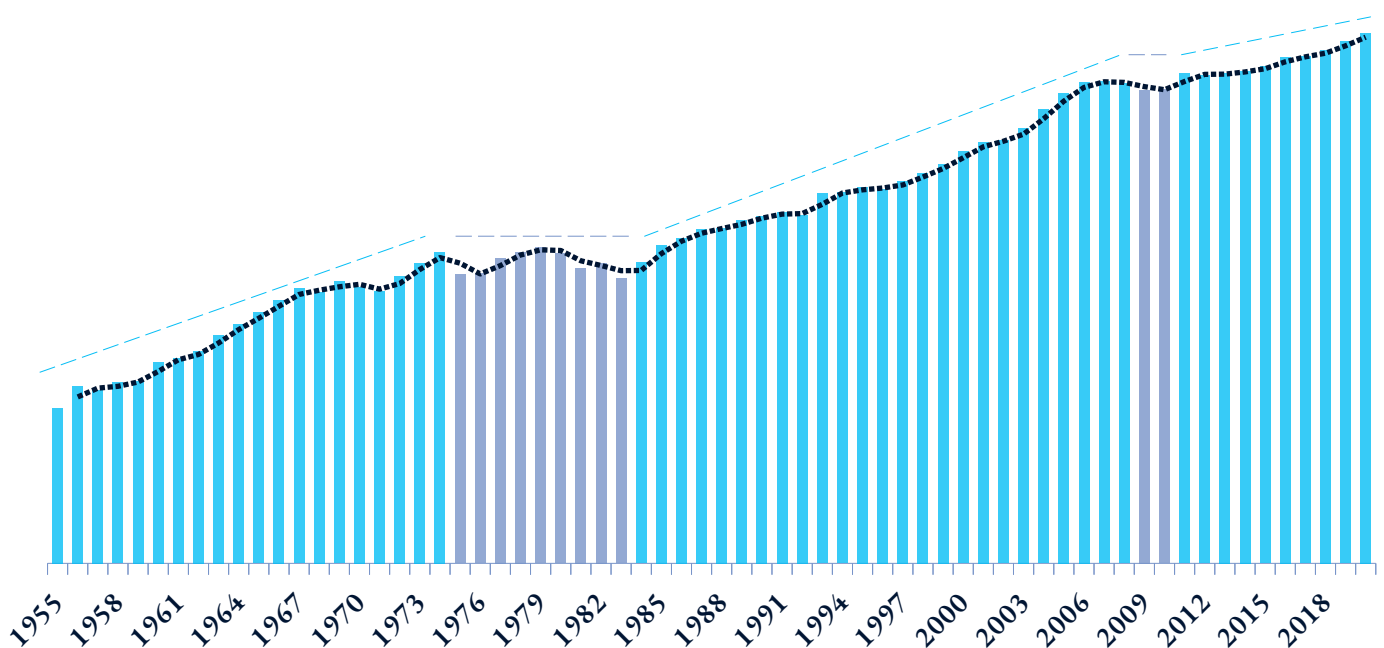
9

The particular creative destruction unleashed, irrespective of social effects, did prove very lucrative for internationally-focused companies which could access that financial capital because of two important developments: the Third Industrial Revolution and the Third Wave of Globalization.

Years of declining or stagnating Total Factor Productivity in the United State, between 1973 and 1982.

St. Louis Federal Reserve

These began as Western economies achieved a significant level of adaptation to it, translating that financial capital into competitive advantages which could be applied globally as well as ending a period of decreasing or stagnant total factor productivity which started in the early 1970s.



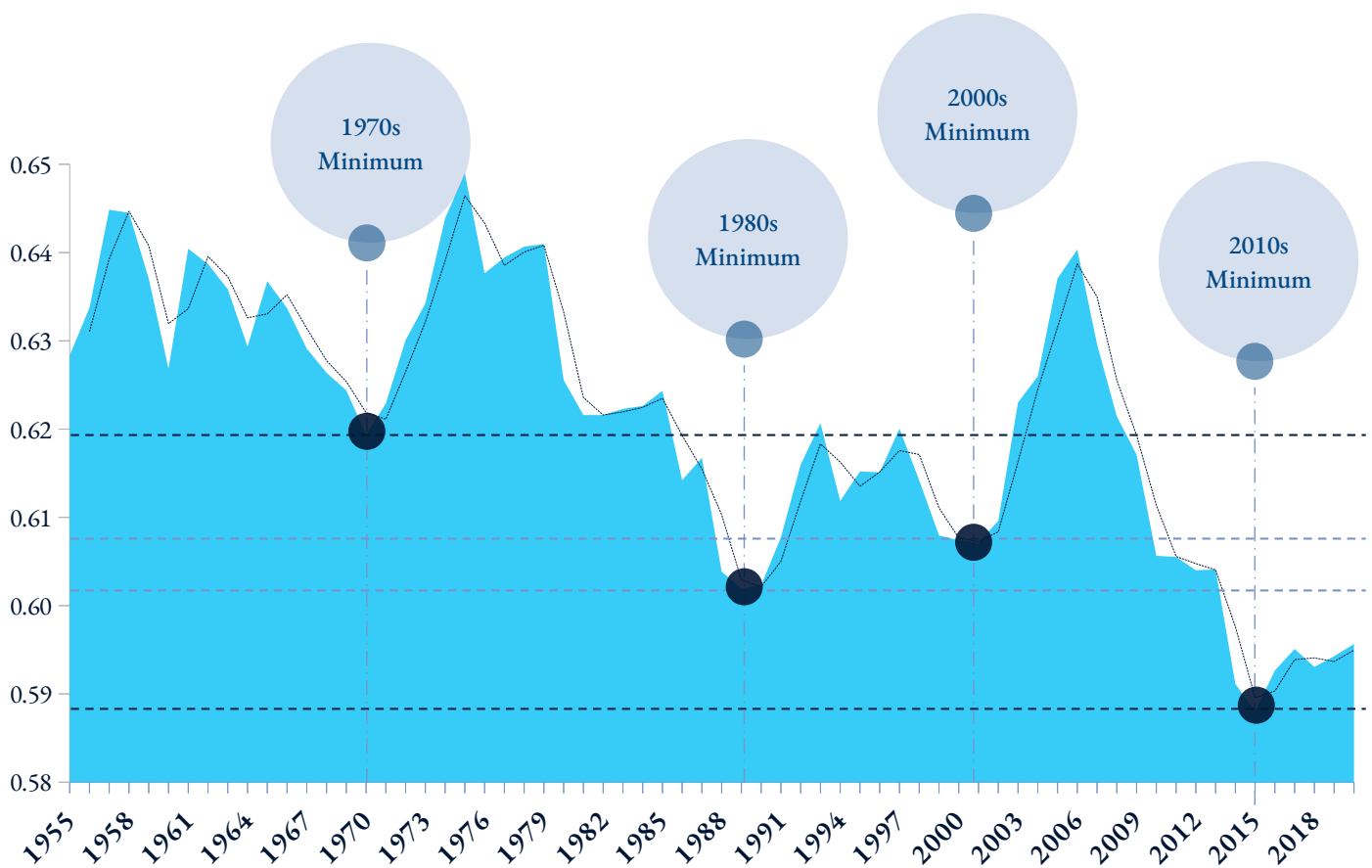
Labour Share of Income

During this time, however, the volume of new income created which accumulated at the top 10% kept increasing and the power balance between capital and labour shifted in favour of capital, partially driven by increasing automation, lower bargaining power of workers and higher ability to both outsource as well as replace labour with fixed capital, now including digital fixed capital.

70%

Decrease in union membership of private sector labour between 1960 and 2017.

David Autor



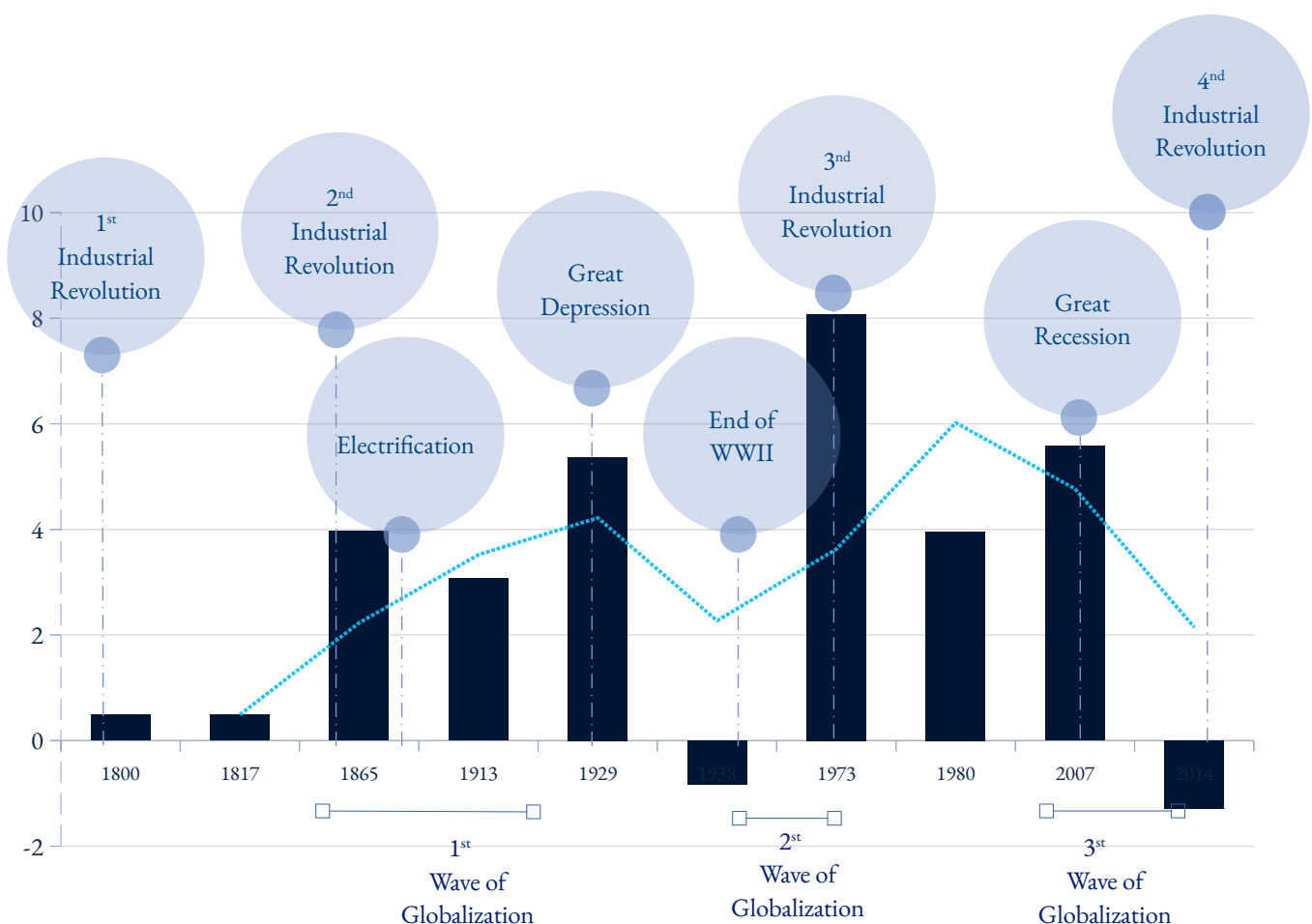
The Third Wave of Globalisation

Furthermore, the Third Wave of Globalization which began with the collapse of the Soviet Union enabled the Western companies, and shareholders, which successfully used the infusion of financial capital to achieve competitive advantages through the Third Industrial Revolution to expand both sales and supply chains globally, scaling up sales as well as profit margins concurrently.

11%

Trade as a proportion of GDP, United States, in 1970.

World Bank



1.

First Wave of Globalisation

Between the 1800s and early 1900s, the first wave of globalization was characterized by the expansion of trade and investment driven by industrialization, advancements in transportation such as railways as well as communication technologies such as the telegraph.

2.

Second Wave of Globalisation

Following World War II, the second wave of globalization was marked by the establishment of international institutions to promote trade and economic stability, such as the General Agreement on Tariffs and Trade (GATT), which evolved into the World Trade Organization (WTO). This era focused on rebuilding economies through trade liberalization, multilateral agreements, and economic cooperation.

3.

Third Wave of Globalisation

The third wave of globalization emerged with the advent of neo-liberal economic policies and technological advancements in computing and telecommunications. The WTO, established in 1995, played a central role in expanding trade liberalization, addressing not only goods but also services, intellectual property, and investment. This era was defined by the integration of developing economies, such as China and India, into the global market.

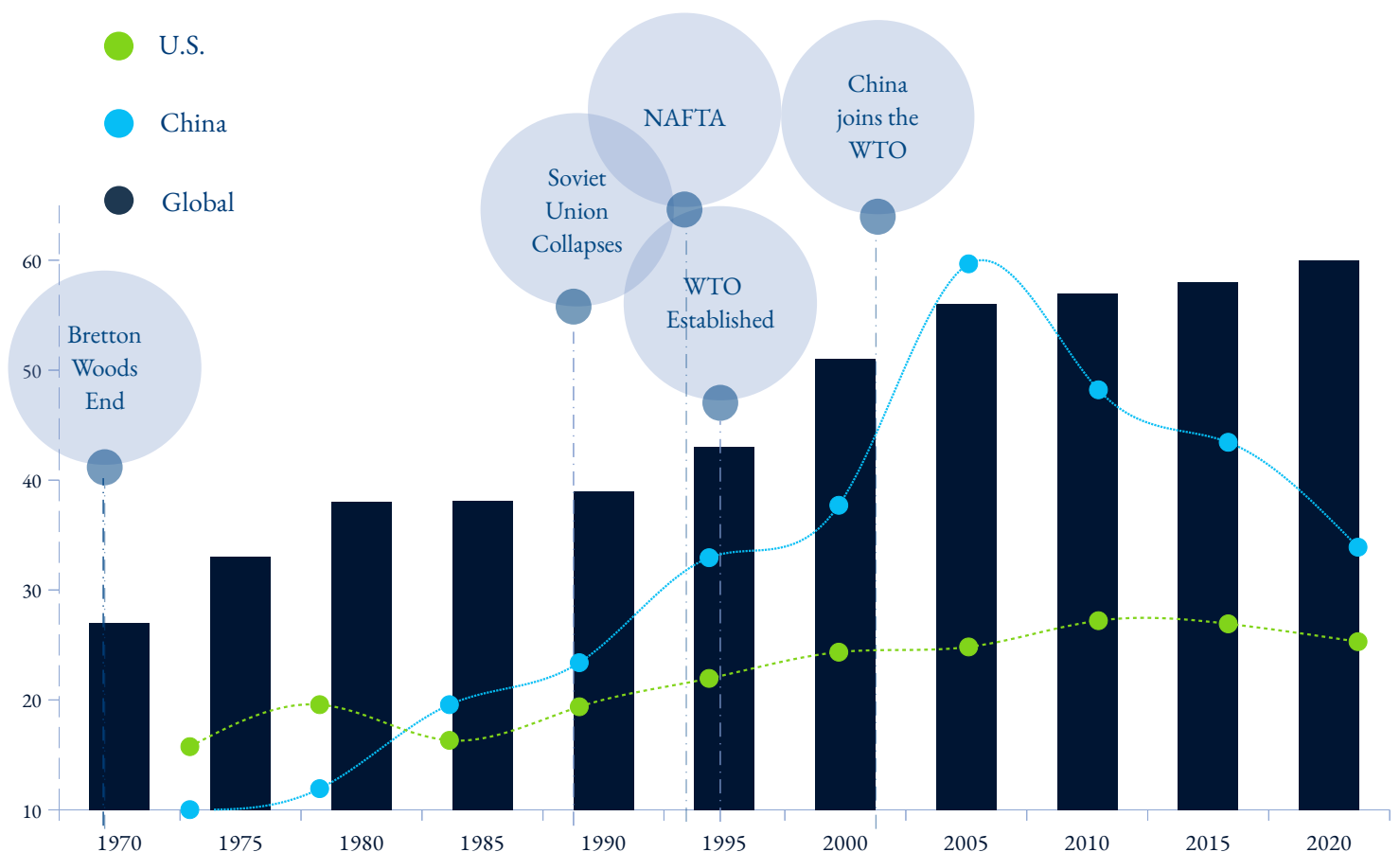
The Rise of Trade

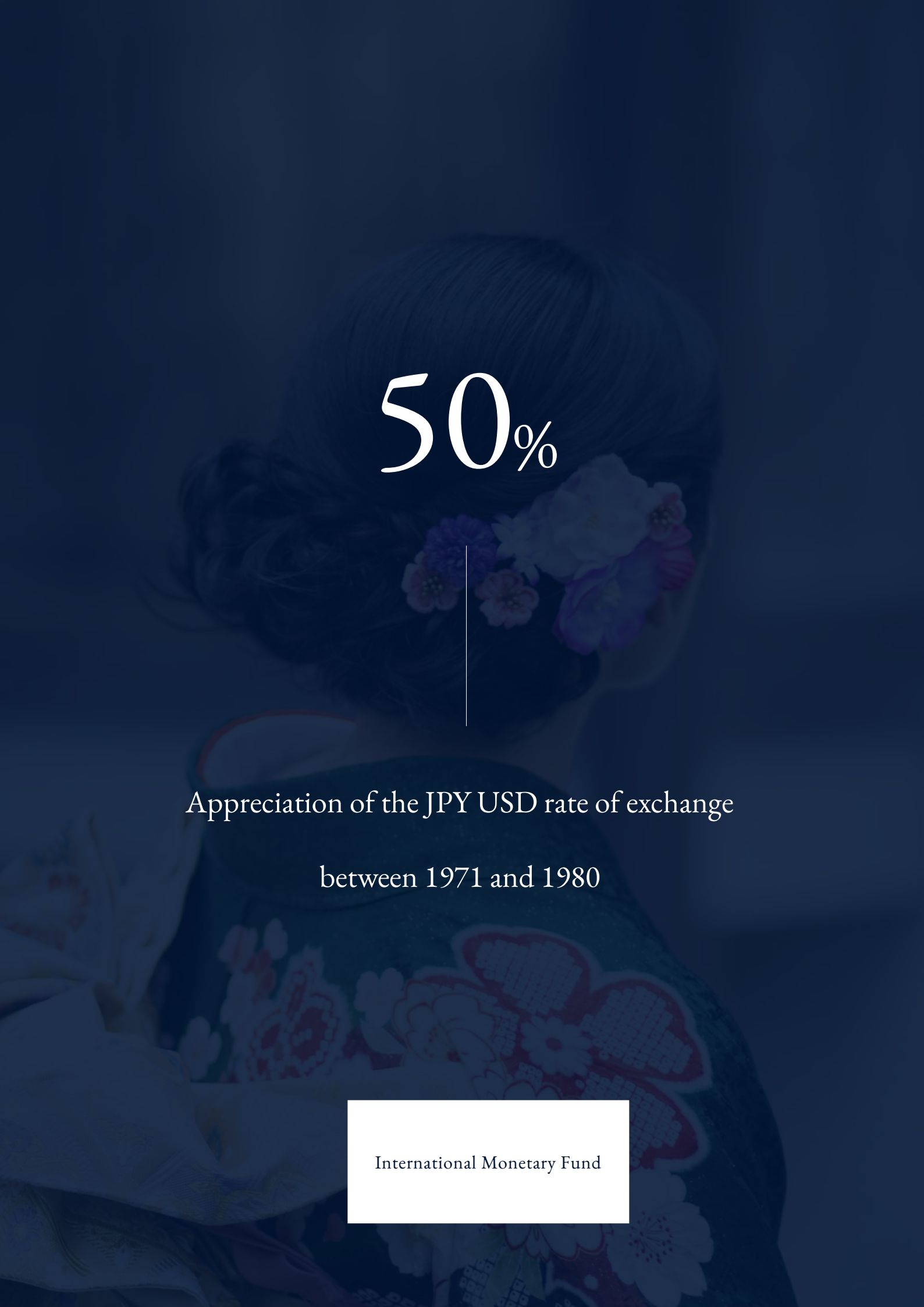
That Third Wave of Globalization both transformed economies worldwide as well as allowed the capital of the top 10%, once tied in land and made mobile financial capital, to leverage the post Bretton Woods low interest rates to expand and scale up globally and gain exposure to the growth economies irrespective of domestic circumstances.

235%

Increase in the proportion of trade as a proportion of GDP between 1975 and 2024, global figures.

World Trade Organisation



A woman with dark hair styled in a bun, adorned with several colorful flowers (pink, purple, and white). She is wearing a dark-colored kimono with a large, vibrant floral pattern in shades of red, white, and green. The background is a solid dark blue.

50%

Appreciation of the JPY USD rate of exchange
between 1971 and 1980

International Monetary Fund

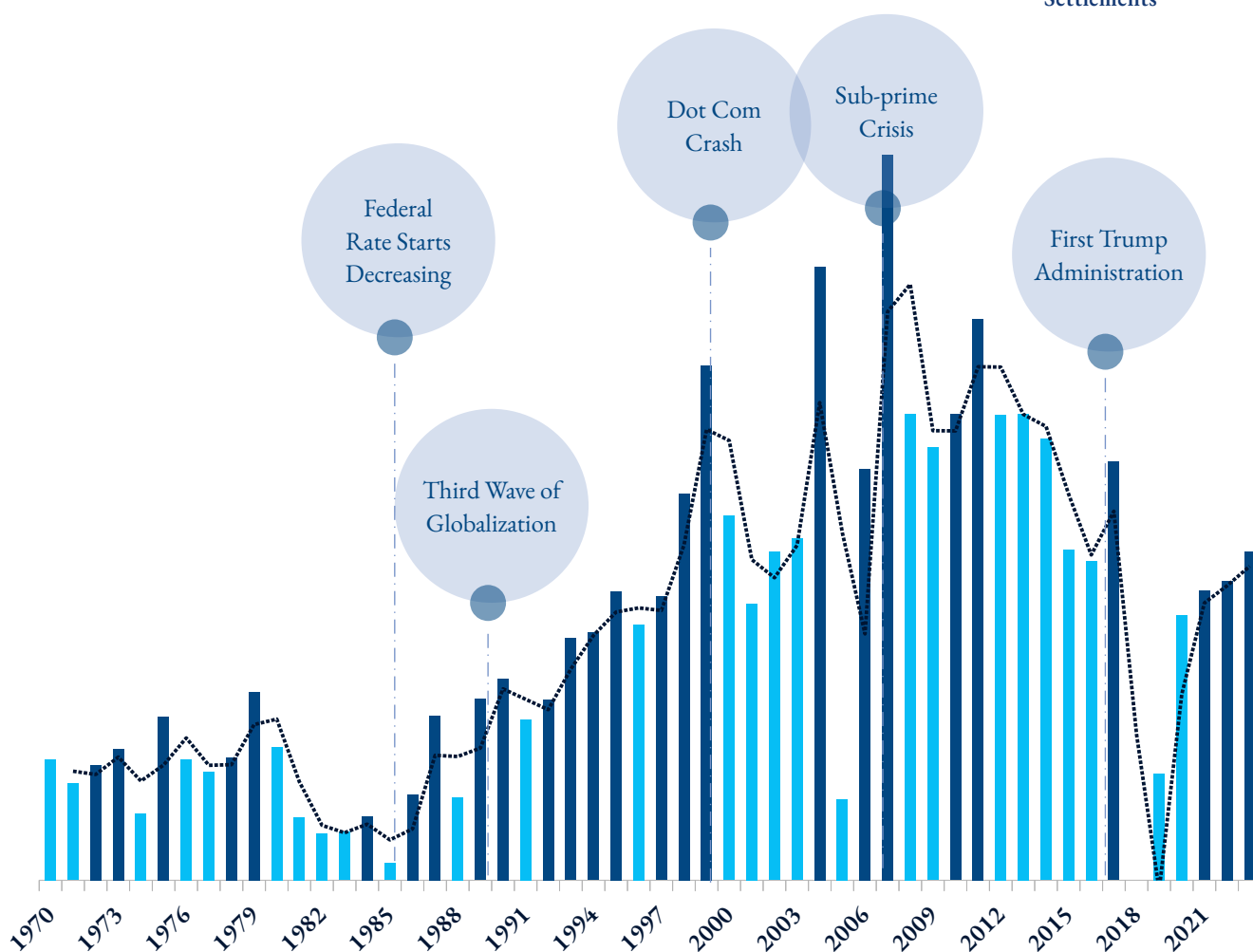
Global Financial Capital

With trade came foreign direct investment, with outflows from Western economies, often backed by the aforementioned low interest rates, rising dramatically between 1988 and 2008, adding up to an 874% increase. This translates into a vast, global network of commercial interests both direct as well as in terms of stakes in foreign companies that has allowed the United States to, at times, borrow for free.

874%

Change in the ratio of foreign direct investment outflows to GDP between 1988 and 2007, United States.

Bank for International Settlements



Net Foreign Direct Investment outflows as a proportion of GDP, United States., between 1970 and 2024.

Bank for International Settlements

Despite having a negative international position of \$2.5 trillion, the U.S. paid out only \$3.4 billion in net income payments to foreign investors during the first half of 2006. This translates into payments on net international liabilities at only a 0.3 percent annual rate. In effect, the U.S. has been able to become a significant net debtor practically for free! And U.S. net investment income balance was actually in positive territory prior to this year.

Why is the U.S. net income deficit so small, and why was the net income balance in surplus until recently? This surprising state of affairs reflects the fact that the U.S. has earned a higher rate of return on its large stock of international assets than it has paid out on its even larger stock of international liabilities. Indeed, the \$293 billion that the U.S. earned on foreign assets during the first half of 2006, on a base of \$11.1 trillion, translates into an annual rate of return of 5.3 percent. The \$296 billion that the U.S. paid out foreign liabilities, on a base of \$13.6 trillion, translates into an annualized rate of return of 4.3 percent. This gap in rates of return was enough to keep the U.S. net income balance close to zero.

New York Federal Reserve

Borrowing Without Debt?

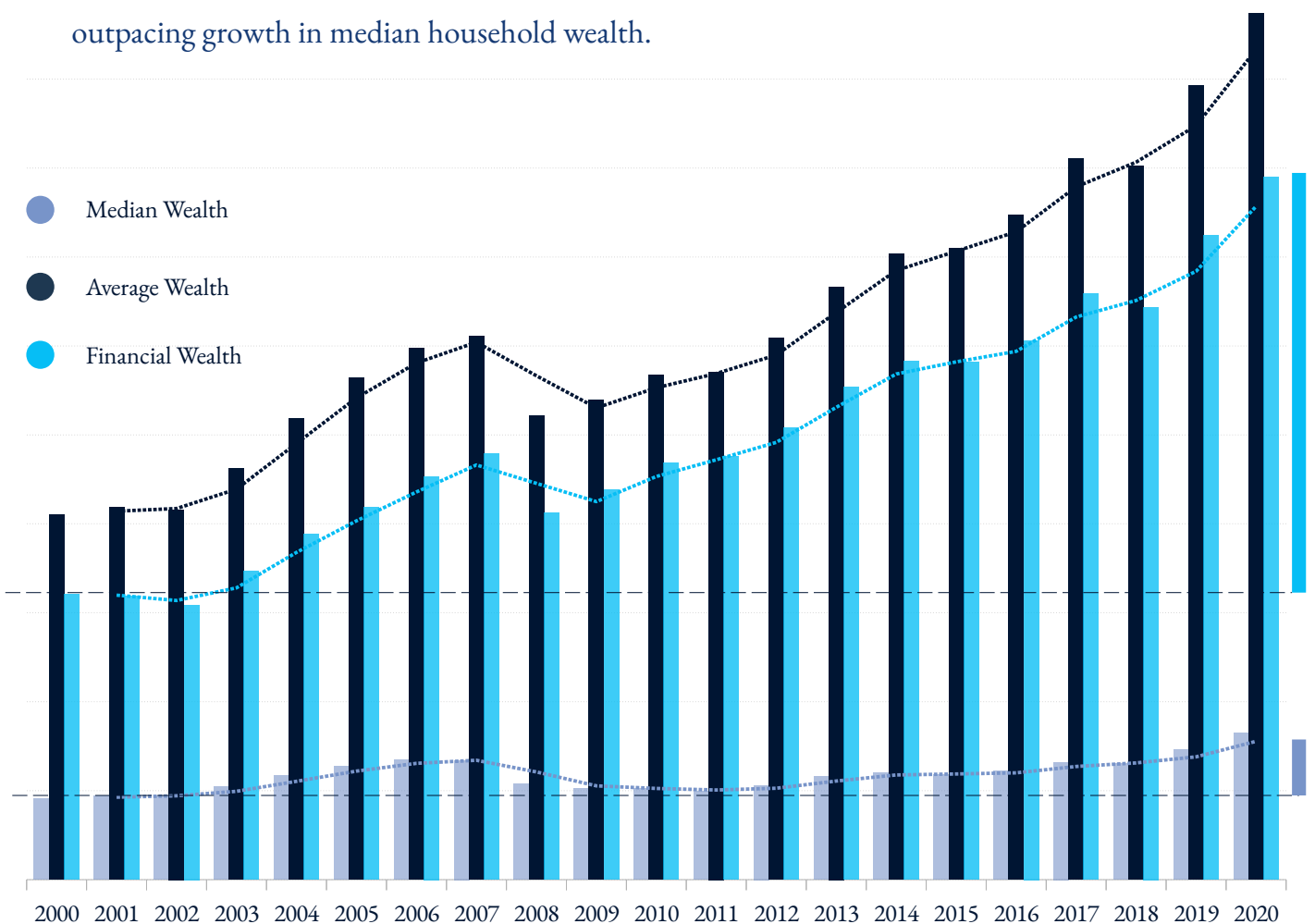
Re-emergence of Wealth

Those two factors - namely the declining labour share of income and the rise of international financial markets as a store of wealth - also meant that the pattern of capital and labour previously associated with land as a form of wealth re-emerged in the form of equities. This led to a growing divergence between households which own shares in companies and those reliant on wages and salaries from those companies, with growth in financial wealth far outpacing growth in median household wealth.

135%

Difference between the rate of growth of median wealth figures and the equivalent financial wealth between 2000 and 2020, United States.

UBS



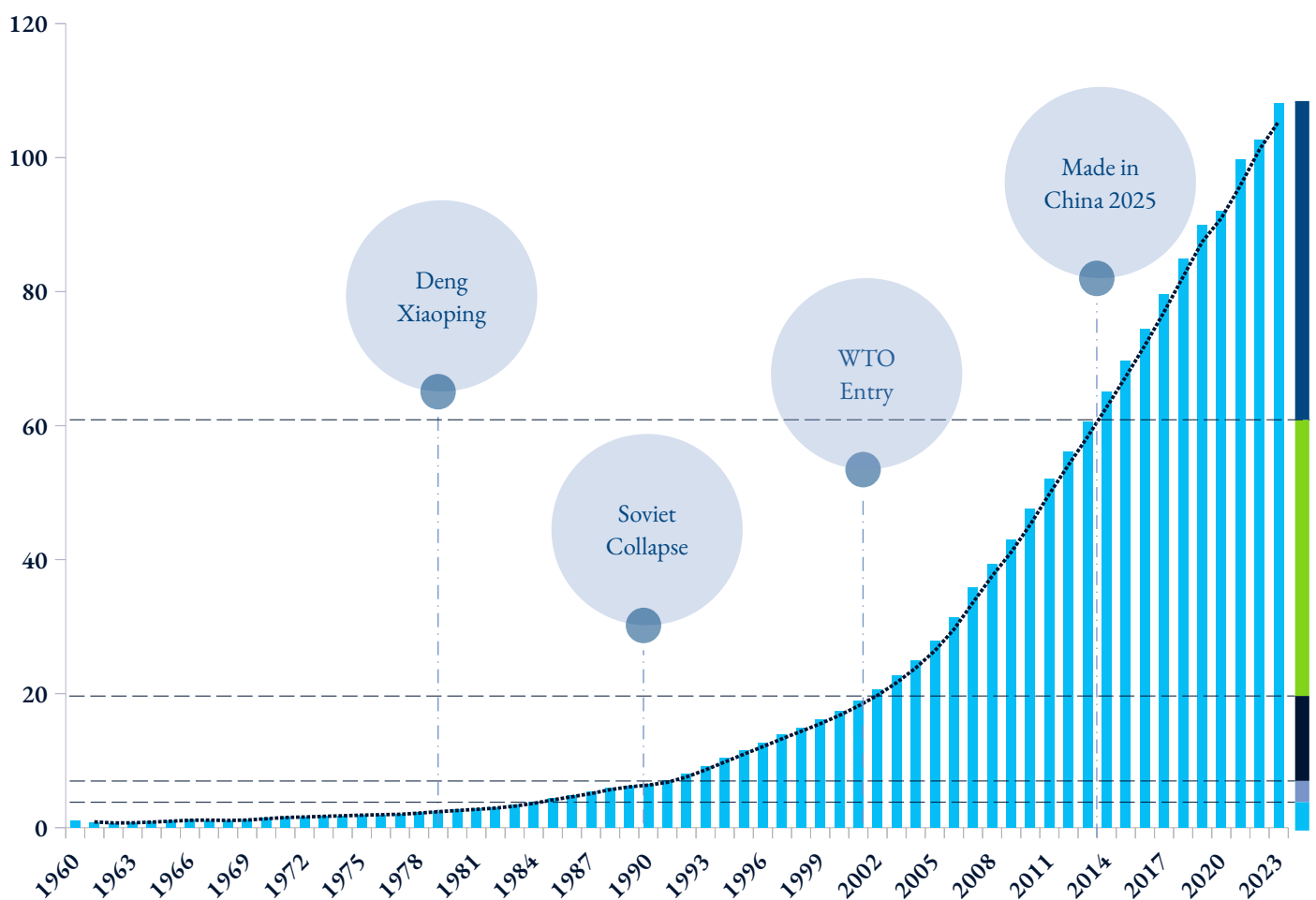
Emerging Market Wealth

Meanwhile, the boom in foreign direct investment did allow economies with forward-thinking governance to leverage that in order to develop their technological base and not be simply colonised by financial capital. This in turn led to the development of domestic industries, R&D development and a new crop of equity-driven global companies that can compete with U.S. companies.

17

Number of times the Chinese economy increased in the case of an individual born in 1990, constant USD 2016

World Bank



Number of times GDP constant USD 2016 has risen in China compared to the figure in 1960, between 1960 and 2024.

World Bank

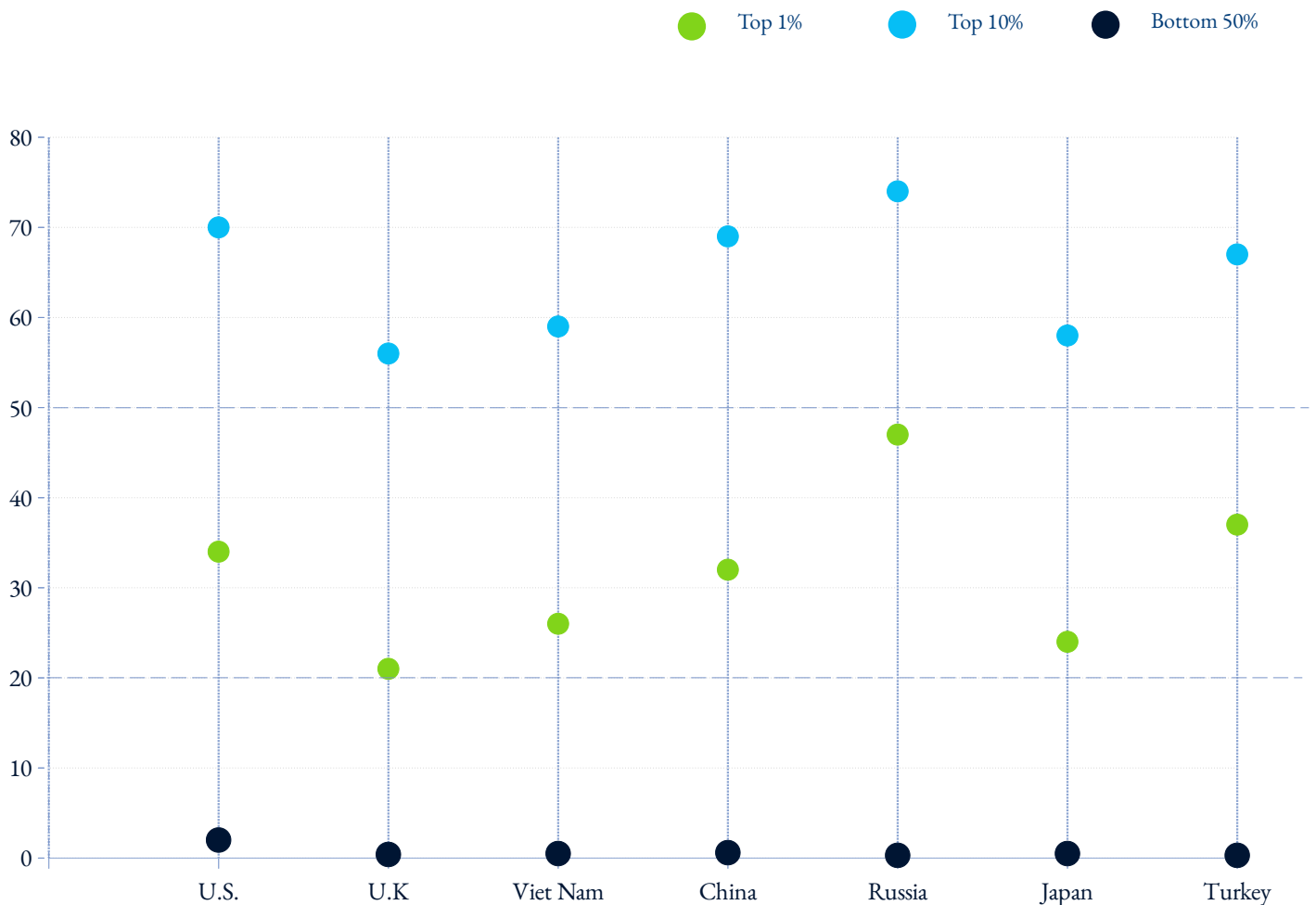
Global Wealth

78%

Furthermore, since the returns on capital outpaced the returns on labour for an extended period of time, an ever-increasing amount of the wealth generated during this period became accumulated at the top, with a global average of 78%, with countries such as the United States or Russia only marginally below that global average.

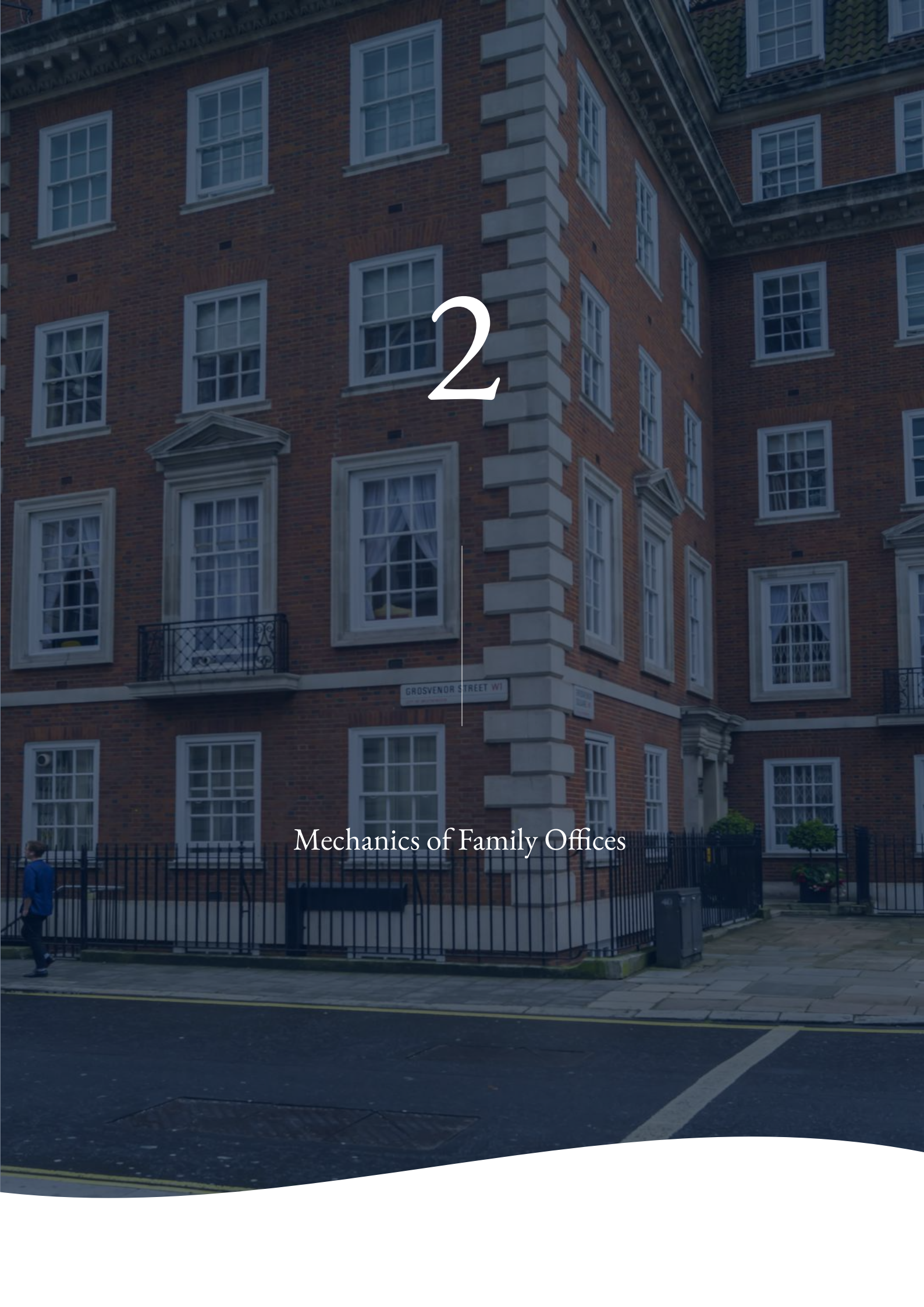
Global wealth held by the top 10% of people in the world.

WID



2

Mechanics of Family Offices



Functions of Family Offices

Objectives

The mechanics of that tremendous change in wealth, from traditional land-based assets, to the emergence of economic growth, followed by the globalisation and subsequent re-capture of that wealth – all depend on family offices.

Quite simply, family offices are the new family estates of contemporary circumstances. The objectives of these family offices is straightforward: take the 78% of global wealth held by the top 10% and perpetuate it inter-generationally. That means family offices naturally focus on tax optimisation, capital gains tax management and inheritance tax management as core functions, in addition to managing the specifics of each family's needs.

Furthermore, while some outsource part of the investment process externally focusing on core functions such as capital tax management and tax planning, many do not and they are expected to become one of the main players in financial markets

2700

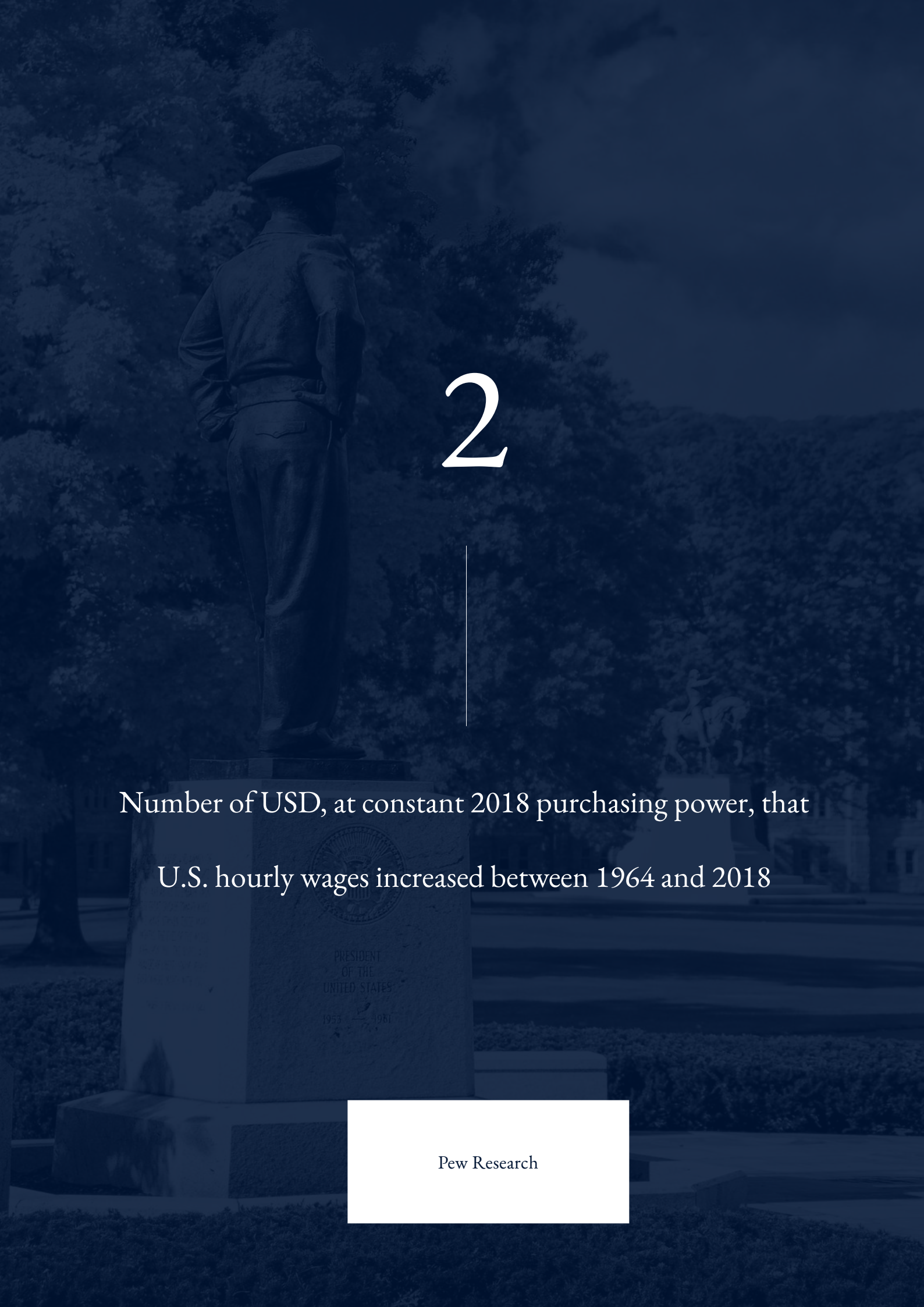
Number of
billionaires, USD,
global total.

CapGemini

4

Trillion, USD, AUM
by family offices
expected in 2030,

Deloitte



2

Number of USD, at constant 2018 purchasing power, that
U.S. hourly wages increased between 1964 and 2018

Pew Research

Tax Optimisation

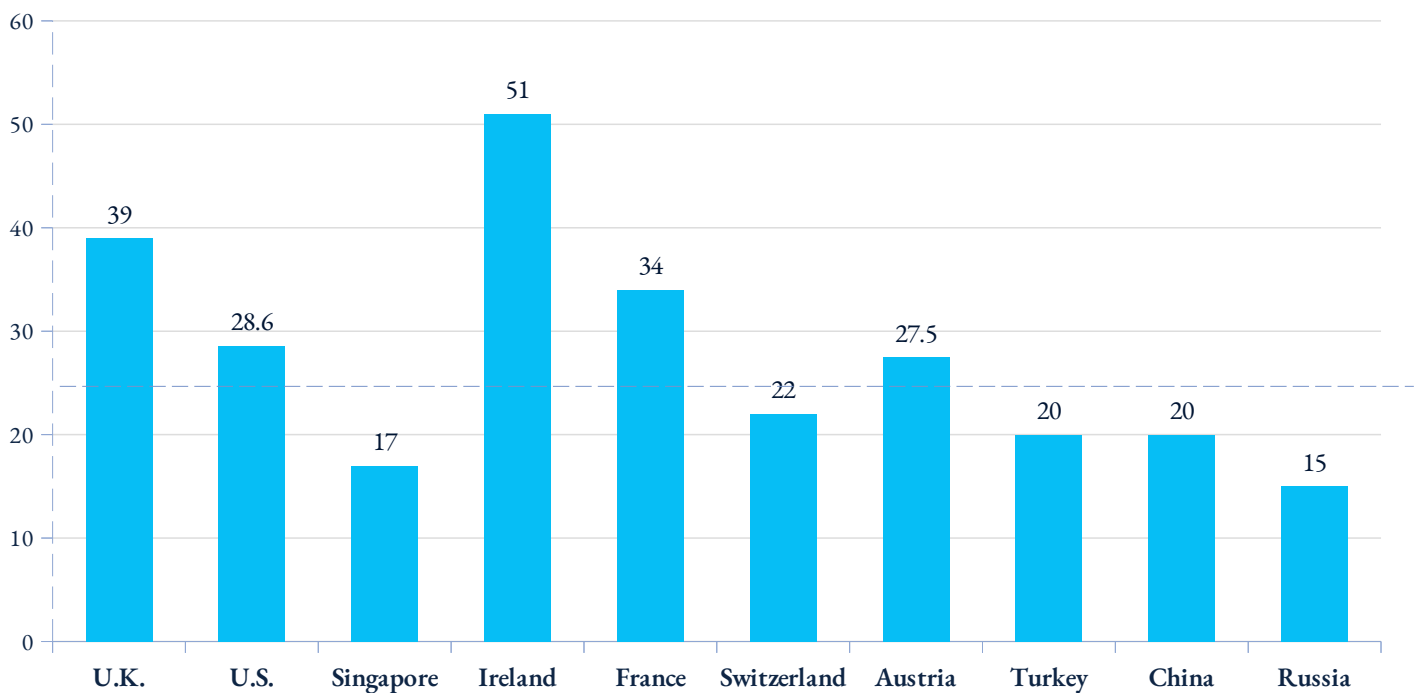
Tax optimisation is one of the core functions of family offices, particularly for high-net-worth individuals (HNWIs) who seek to preserve and grow their wealth efficiently. These strategies span income tax planning, estate and inheritance tax mitigation, capital gains management, and the use of tax-efficient investment vehicles.

52%

Proportion of income
in the United States
earned by the top 20%
of households

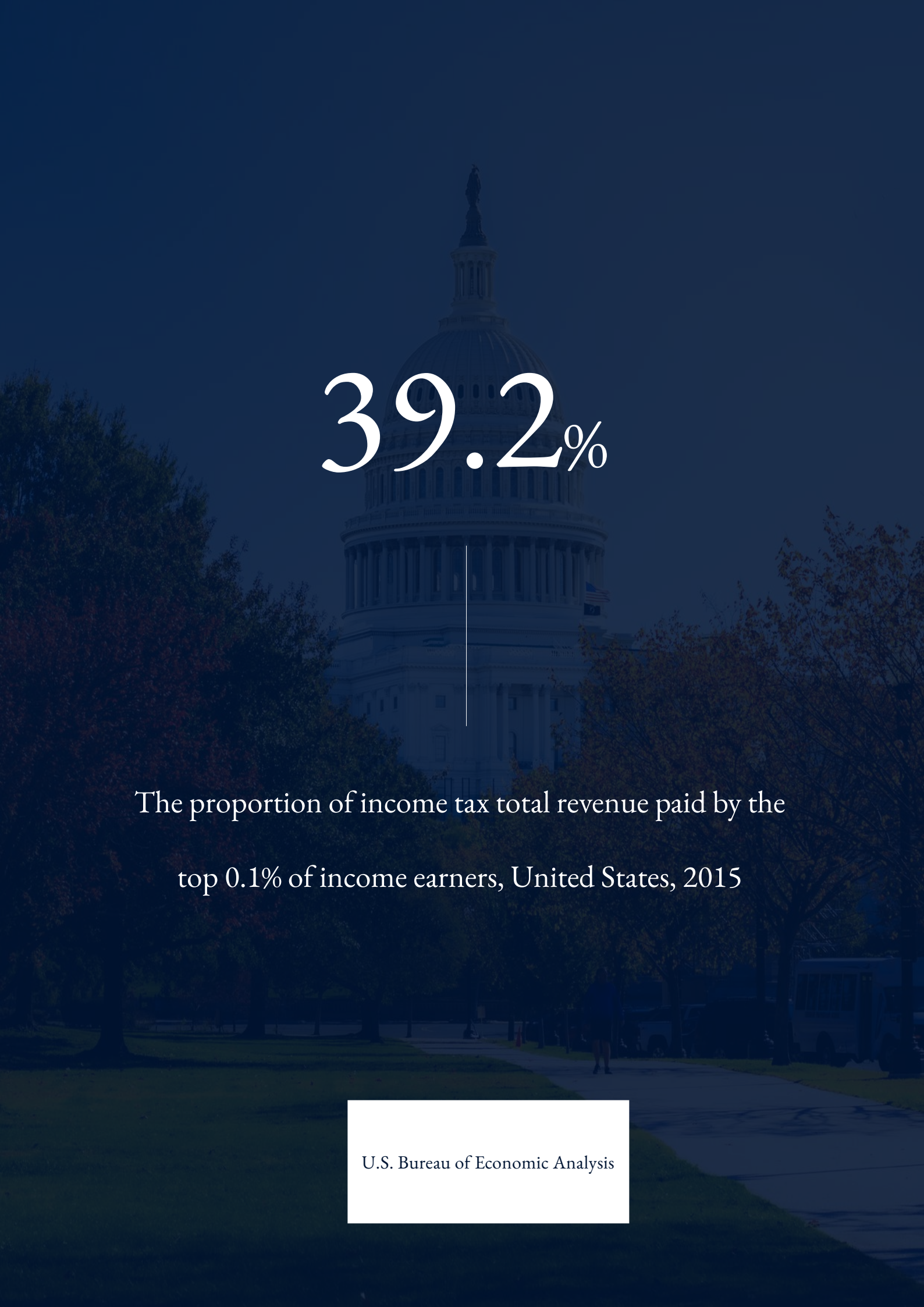
The overarching goal of tax optimisation is quite simply to structure the family's financial affairs in a way that reduces the tax burden across generations while aligning with their broader risk profile and investment targets.

Pew Research



Dividend tax rates across the world, top rate reported, provincial government rates not considered.

Multiple Sources



39.2%

The proportion of income tax total revenue paid by the
top 0.1% of income earners, United States, 2015

U.S. Bureau of Economic Analysis

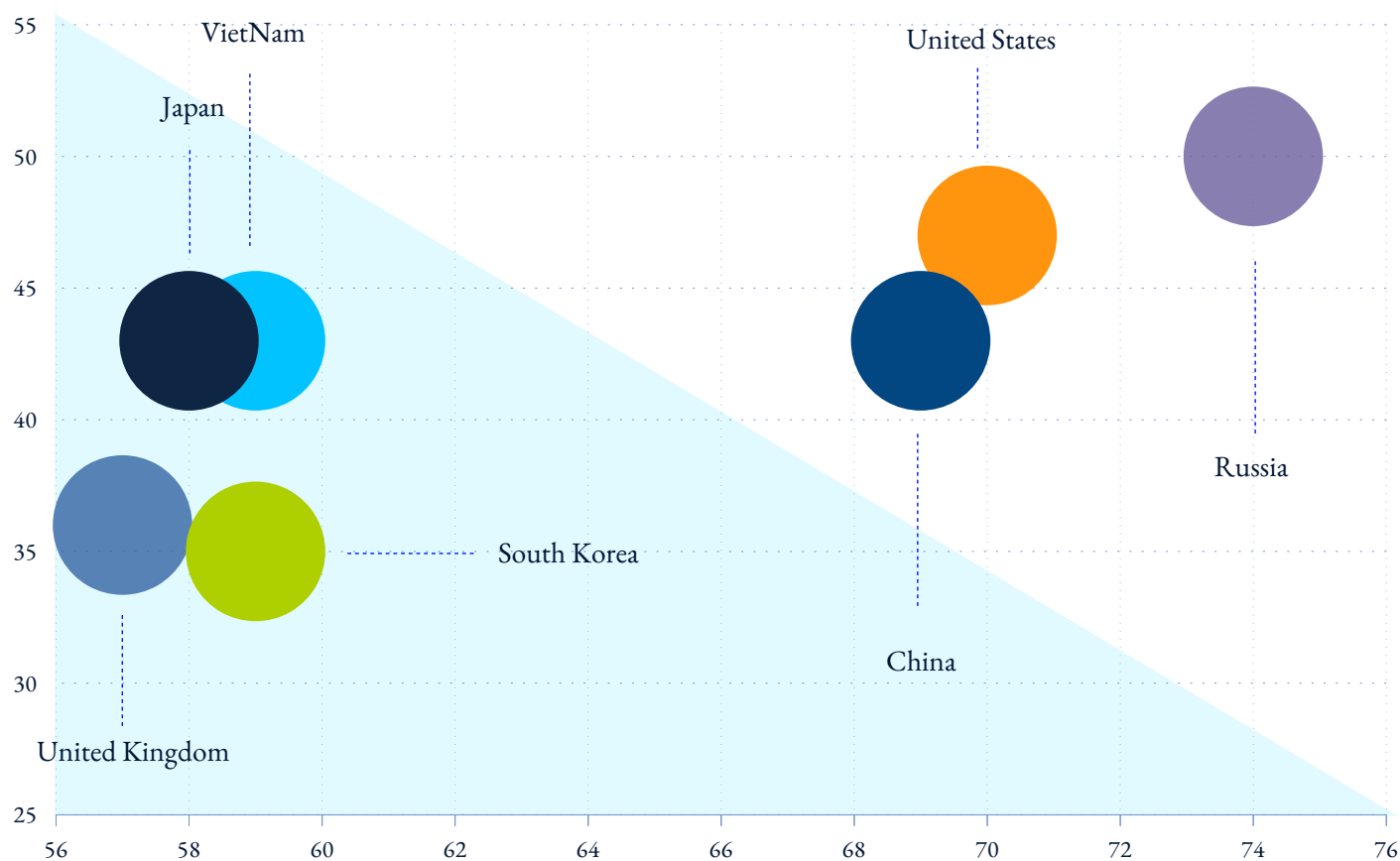
Income Tax Planning

Family offices utilize various mechanisms to optimize income tax for HNWIs. They may also use income-splitting techniques to distribute income among family members in lower tax brackets, thereby reducing the overall tax liability. Additionally, family offices often establish legal entities, such as trusts or private foundations, that provide income tax advantages by deferring or reducing taxable income. Internationally, some family offices help relocate family members to jurisdictions with favourable tax regimes, ensuring that residency-based income taxes are minimized.

49%

Percentage of family offices which serve the second or third generation

Deloitte



Capital Gains Tax Management

Tax optimisation is one of the core functions of family offices, particularly for high-net-worth individuals (HNWIs) who seek to preserve and grow their wealth efficiently. These strategies span income tax planning, estate and inheritance tax mitigation, capital gains management, and the use of tax-efficient investment vehicles.

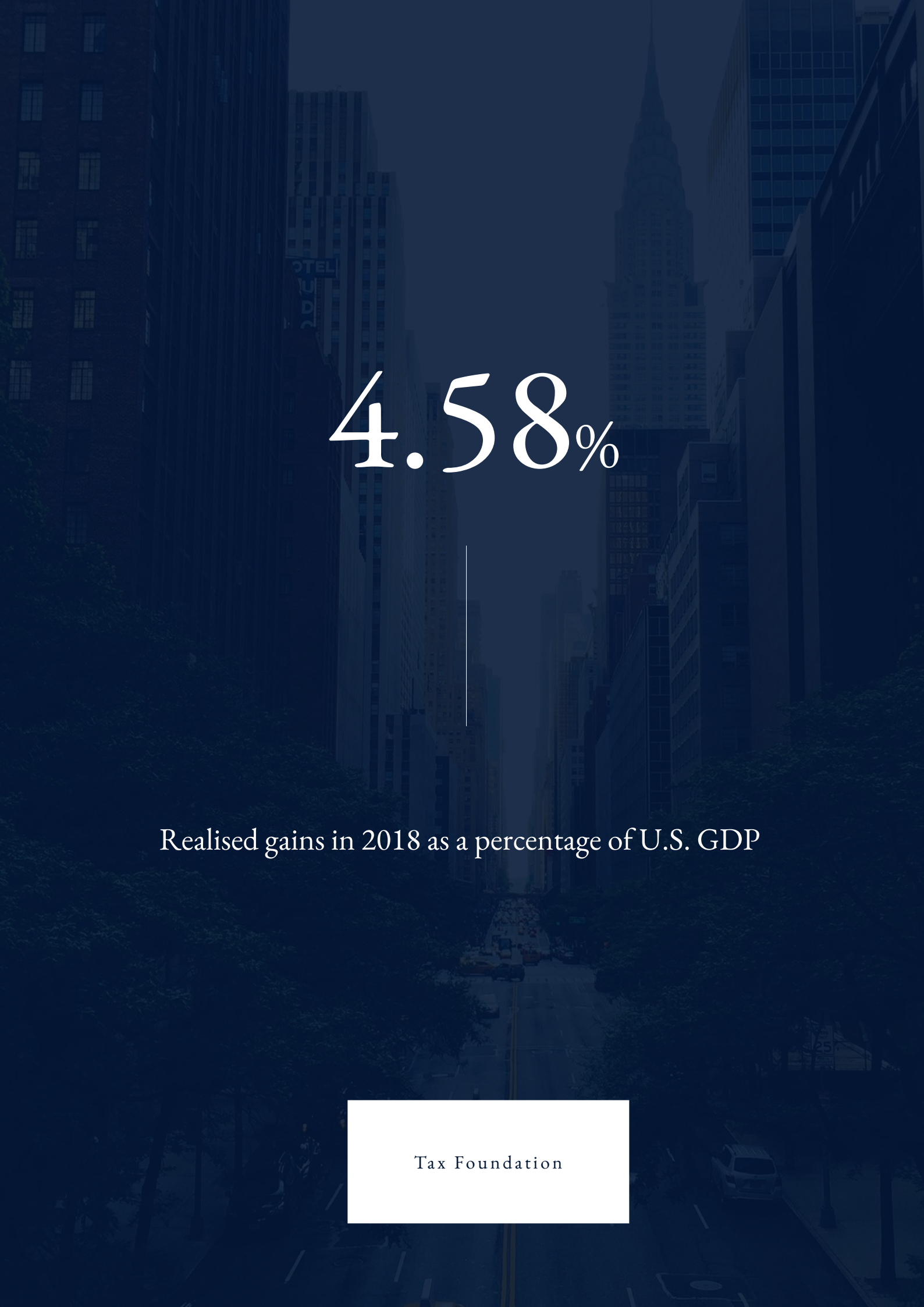
The overarching goal is to structure the family's financial affairs in a way that reduces the tax burden across generations while aligning with their broader financial objectives.

0%

Capital gains tax in
Switzerland

PwC





4.58%

Realised gains in 2018 as a percentage of U.S. GDP

Tax Foundation

Direct Investments and Private Equity

Many family offices engage in direct investments, acquiring equity stakes in private companies rather than relying solely on public markets. This approach offers the potential for higher returns and greater control over investments. Family offices often invest in sectors where the family has expertise, leveraging their networks to identify promising opportunities. Private equity investments may include funding startups, participating in growth-stage financing, or acquiring controlling stakes in established businesses. Direct investments also provide opportunities for tax efficiency and align with long-term wealth preservation goals. Some family offices establish co-investment partnerships with other family offices or institutional investors to access larger deals while sharing risks.

1st

Rank of the United Kingdom in private equity investment deals from family offices

PwC



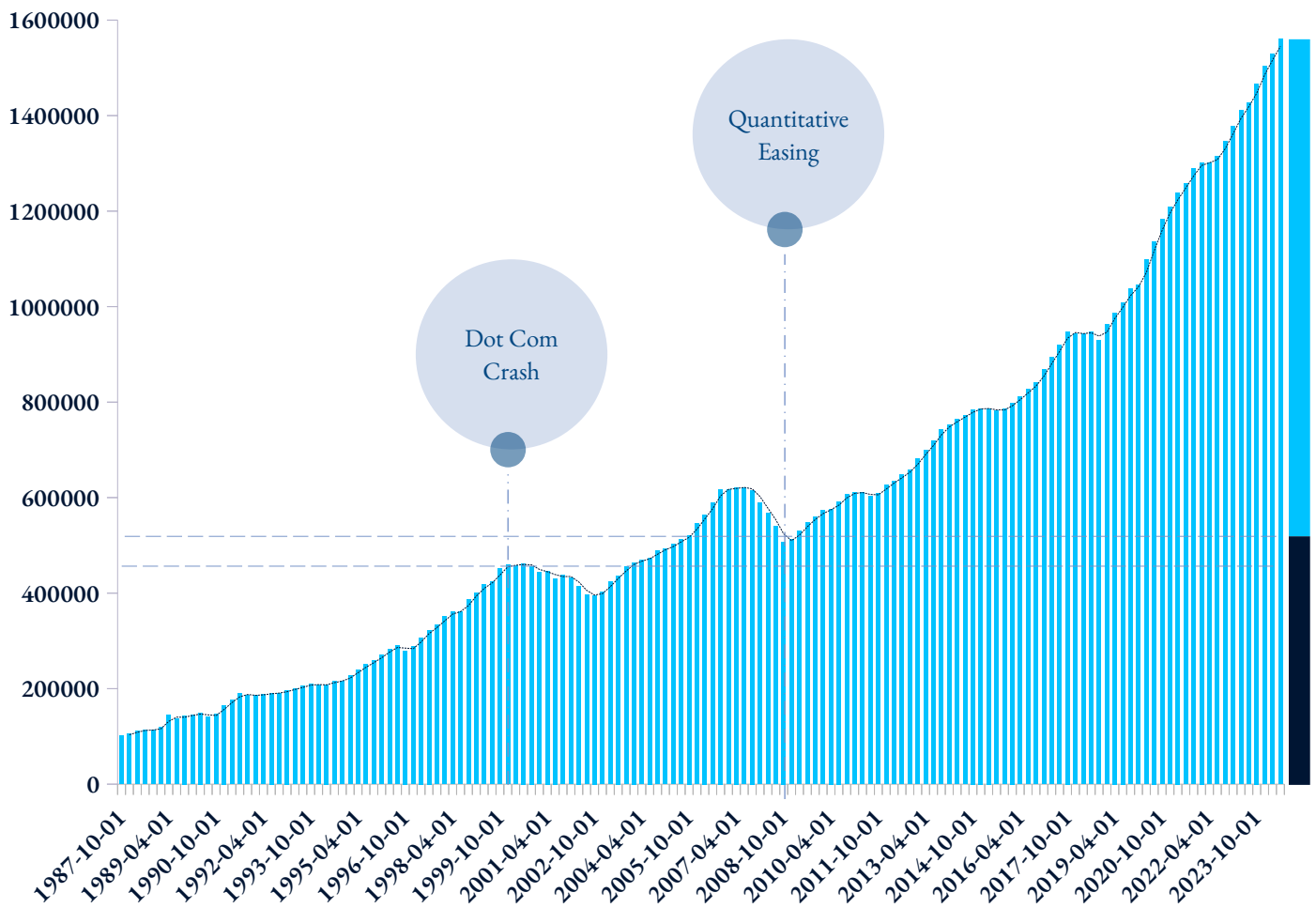
Philanthropy

Philanthropy is another avenue for tax optimization, as many jurisdictions offer significant tax incentives for charitable contributions. Family offices assist HNWI's in establishing private foundations or donor-advised funds, allowing them to make tax-deductible donations while maintaining control over how the funds are used. These structures can also help offset taxable income or capital gains.

18%

Percentage of U.S.
philanthropic giving
which came from
private foundations

National Philanthropic
Trust



Philanthropic giving by Generation

Silent

1928 - 1945

88%

Boomer

1946 - 1964

72%

Gen X

1965 - 1980

59%

Gen Y

1981 - 1995

60%

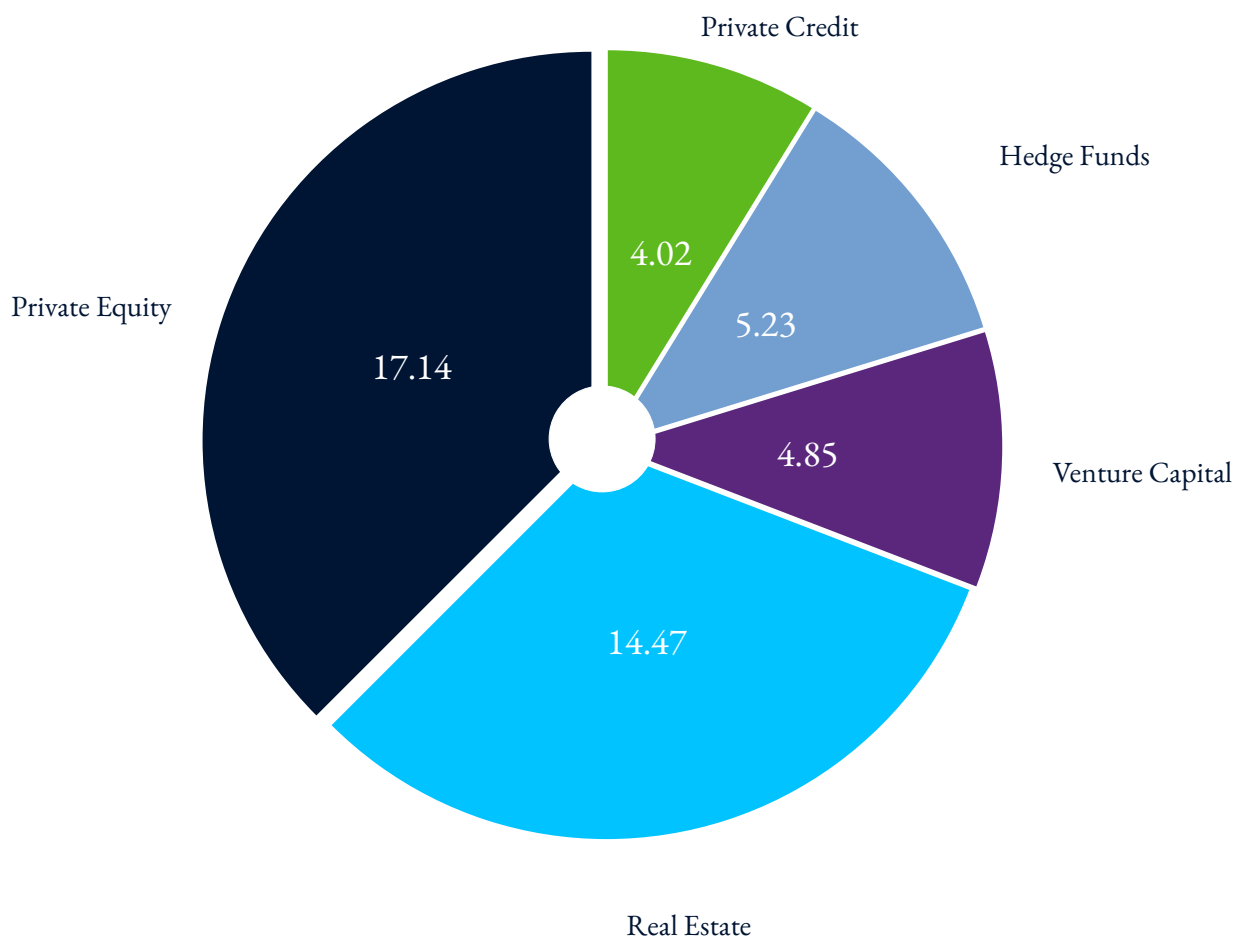
Alternative Investments

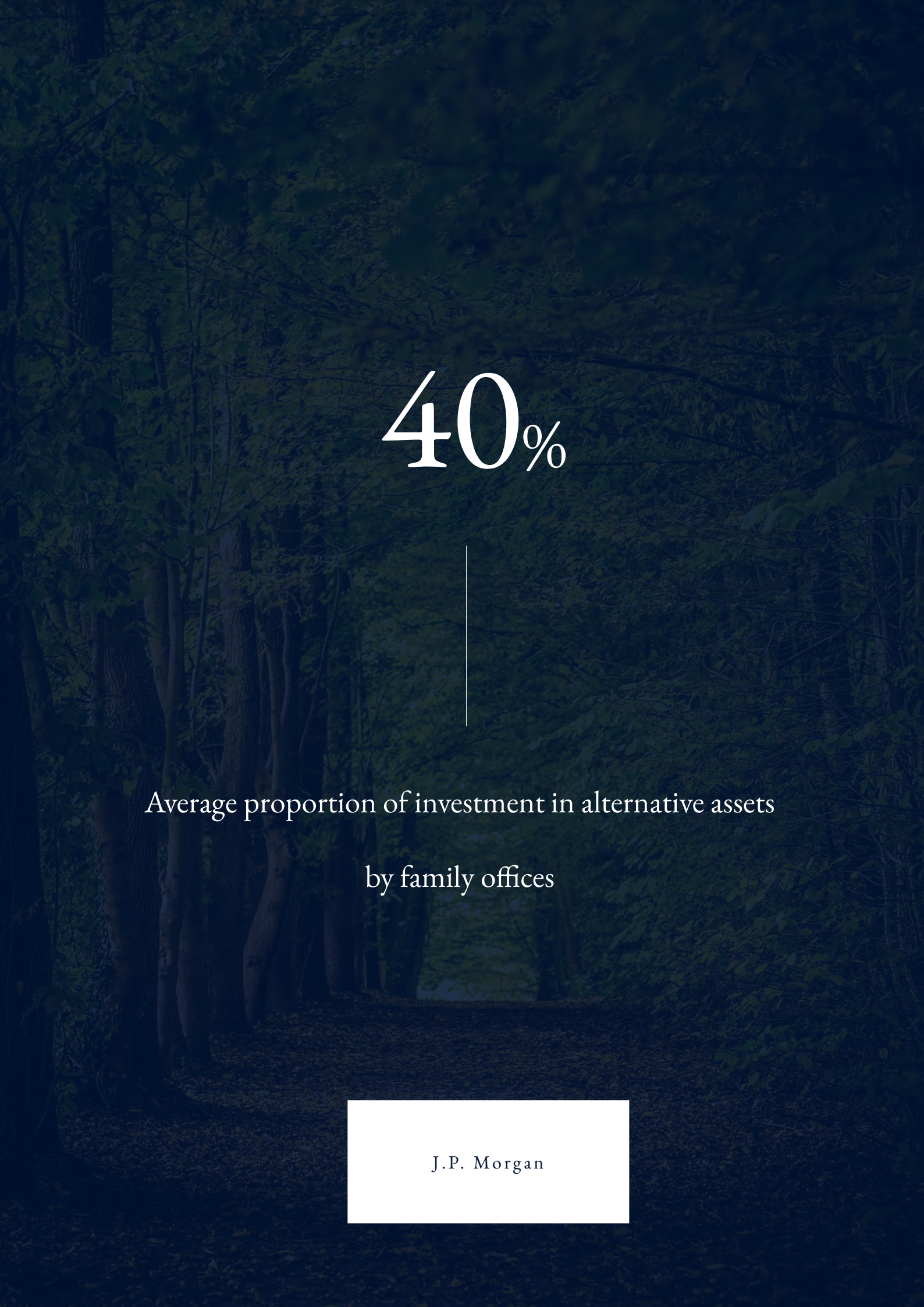
Family offices frequently allocate a portion of their portfolio to alternative investments, which can provide diversification and higher returns. Hedge funds, real assets and collectibles are common components of alternative investment strategies. These assets are less correlated with traditional markets, making them valuable in times of economic uncertainty. Additionally, family offices often have the patience and capital to invest in illiquid assets, such as farmland or timberland, which can offer inflation-hedged returns over time.

45%

Percentage of total investments by family offices which were into alternative asset classes, global averages

J.P. Morgan





40%

Average proportion of investment in alternative assets
by family offices

J.P. Morgan

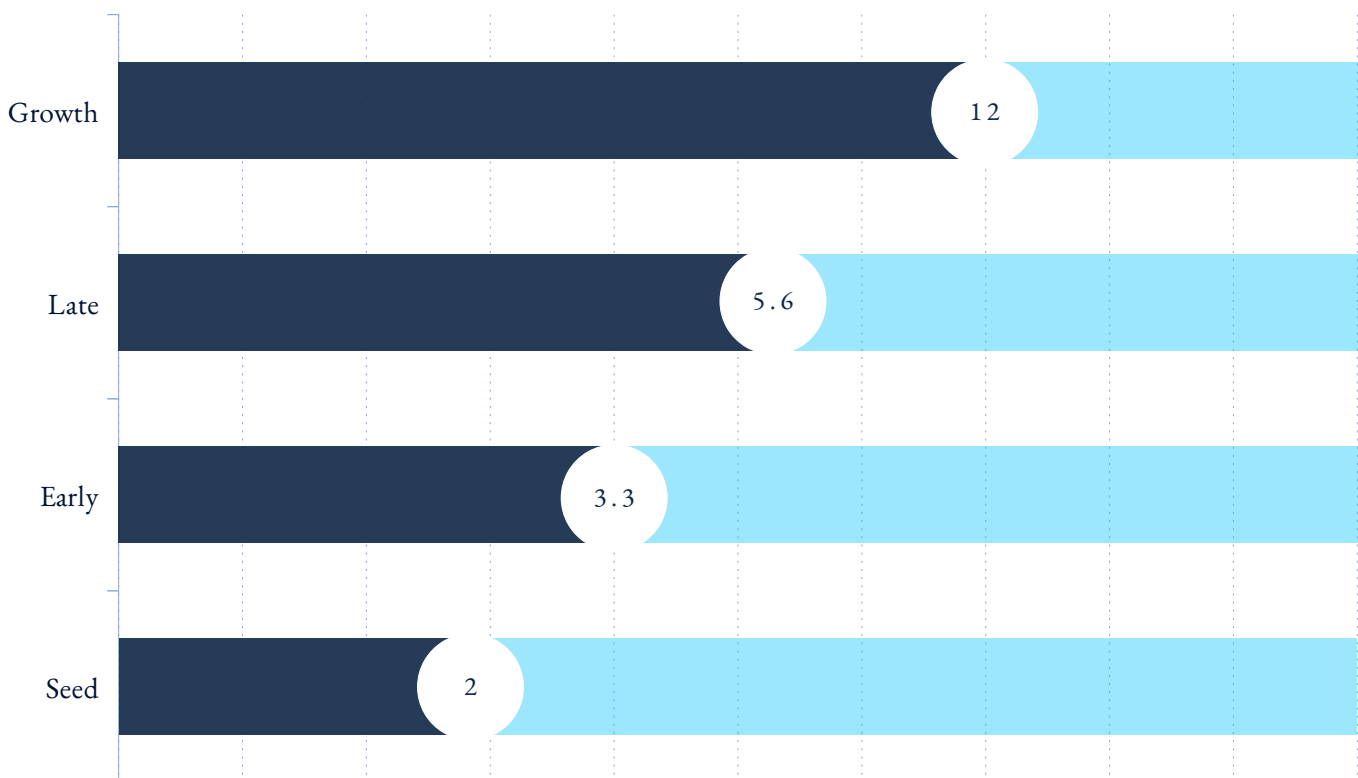
Venture Capital and Impact Investing

Venture capital is another key focus area for family offices, particularly those seeking high-growth opportunities in innovative sectors such as technology, healthcare, and renewable energy. Family offices are well-positioned to take long-term views on venture investments, often acting as patient capital that allows start-ups to scale sustainably. Additionally, many family offices are embracing impact investing, which aims to generate positive social or environmental outcomes alongside financial returns.

0.2%

Percentage of business start-ups in the United States which received any venture capital, in 2016

Steven N. Kaplan





3

Family Offices & Financial Markets

Investment Topology *of* Family Offices

North America

- Avoid fixed income
- Tend to focus on alternatives
- Technology equities favoured

Latin America

- Focused on low-yield fixed income
- Defensive, inflation focused
- Technology & climate change seen as risks

South East Asia

- Avoid real estate
- Tend to focus on diversification
- Fearful of geopolitics

North Asia

- Focused on AI
- High cash holdings
- Fearful of geopolitics, less of climate change

Europe

- Inwardly-focused
- Developed market equities preferred
- High risk aversion

Middle East

- Focused on low-yield fixed income
- Highest proportion into real estate
- Highest perceived risk of financial crisis

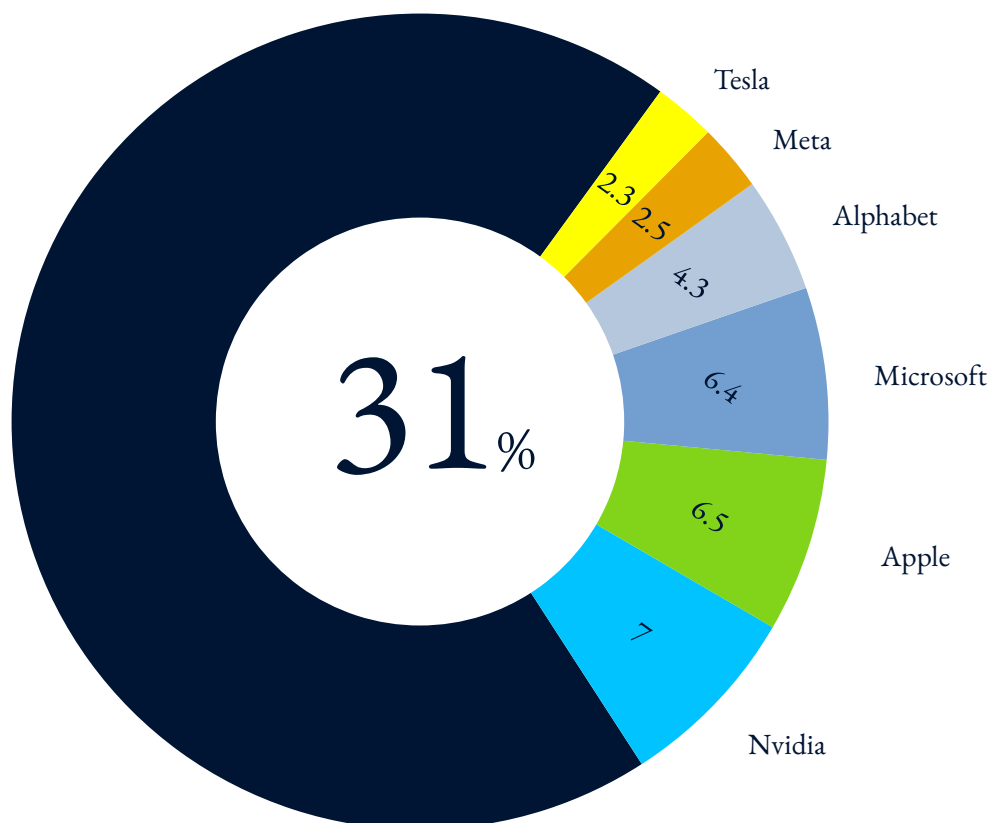
Wealth Transmutation

The previous 30 years have presented near ideal conditions for family wealth, specifically offering the opportunity to use 'old money' assets to access low-cost debt to fund 'new wealth', primarily through strategies which leverage alternatives with an IT-heavy equities portfolio.

34%

Market capitalisation
of the Magnificent 7 as
a proportion of the the
S&P500, December
2024

Goldman Sachs



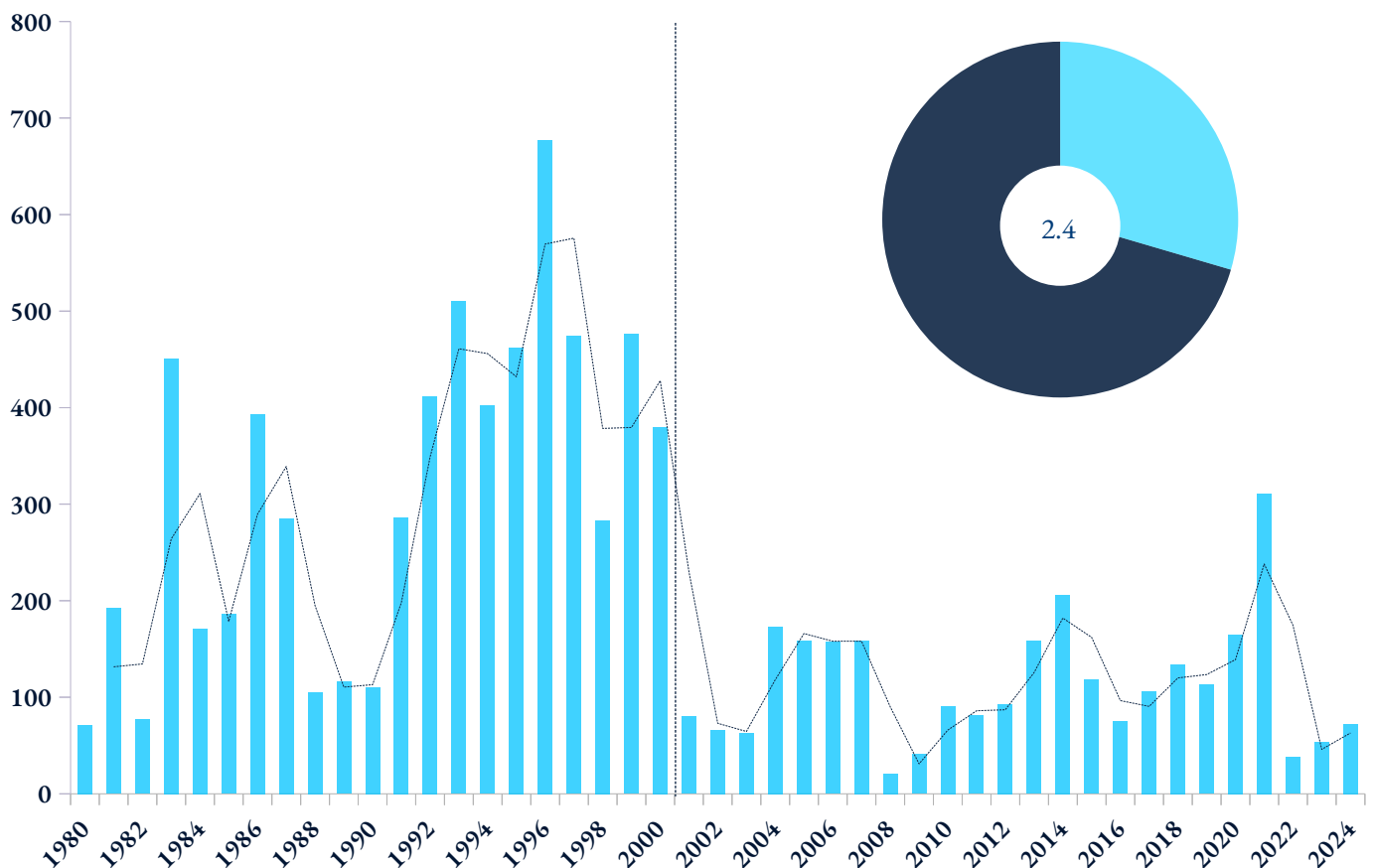
Privatisation

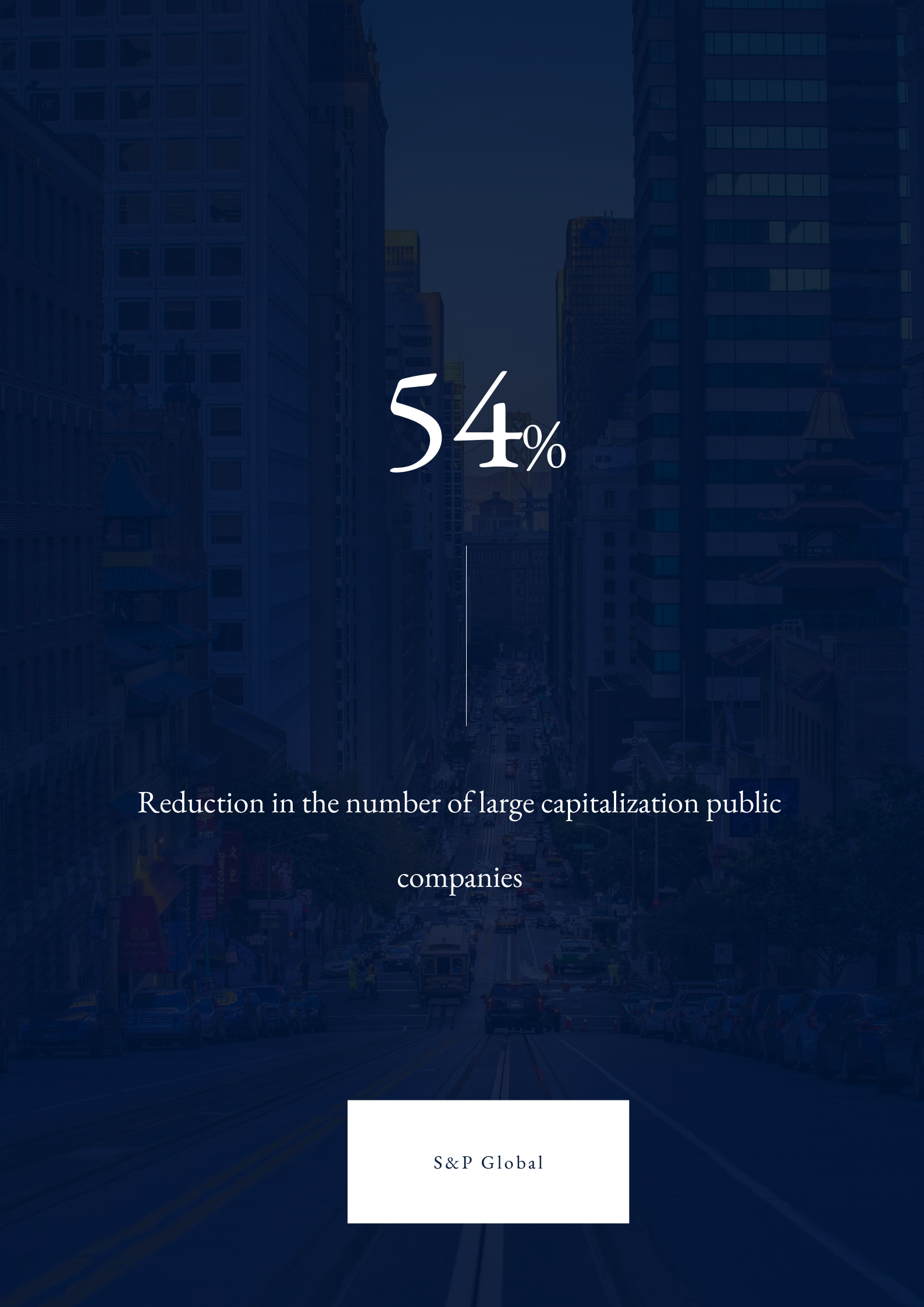
These have tended to drive forward the trend of public companies moving to private legal structures, accessing funding through private equity, significant part of which come from family offices either directly or indirectly through venture funds. This in turn allowed family offices to gain exposure to many of the fastest growing U.S. companies over the past 20 years while retail investors focused on the relatively limited number of public technology companies.

2.4

Ratio of IPOs between 1980 and 2001, over the 2001 – 2024 period.

Personal Research





54%

Reduction in the number of large capitalization public
companies

S&P Global

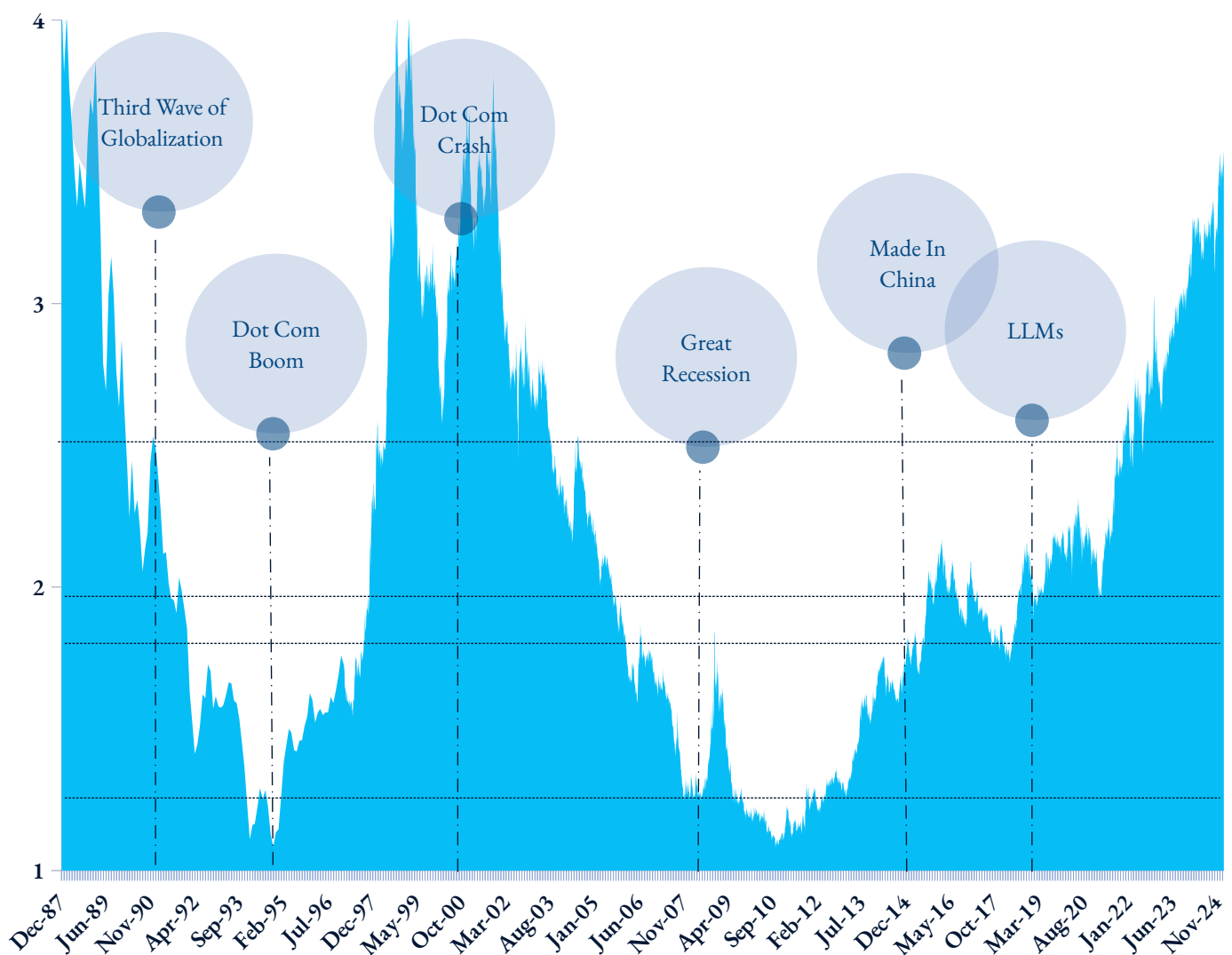
Technology Supercycle

The technology-cycle appears to be driving a recurring pattern in U.S. and emerging markets valuations, with technology-driven booms in the 1990s and 2010s shifting funds towards U.S. markets, to be followed by shifts to emerging markets, apparently the most important factor extended periods of emerging market under-performance given revenue growth in the latter.

42%

Share of U.S. market's
total global market
capitalisation, 2023,
MSCI indexes.

MSCI



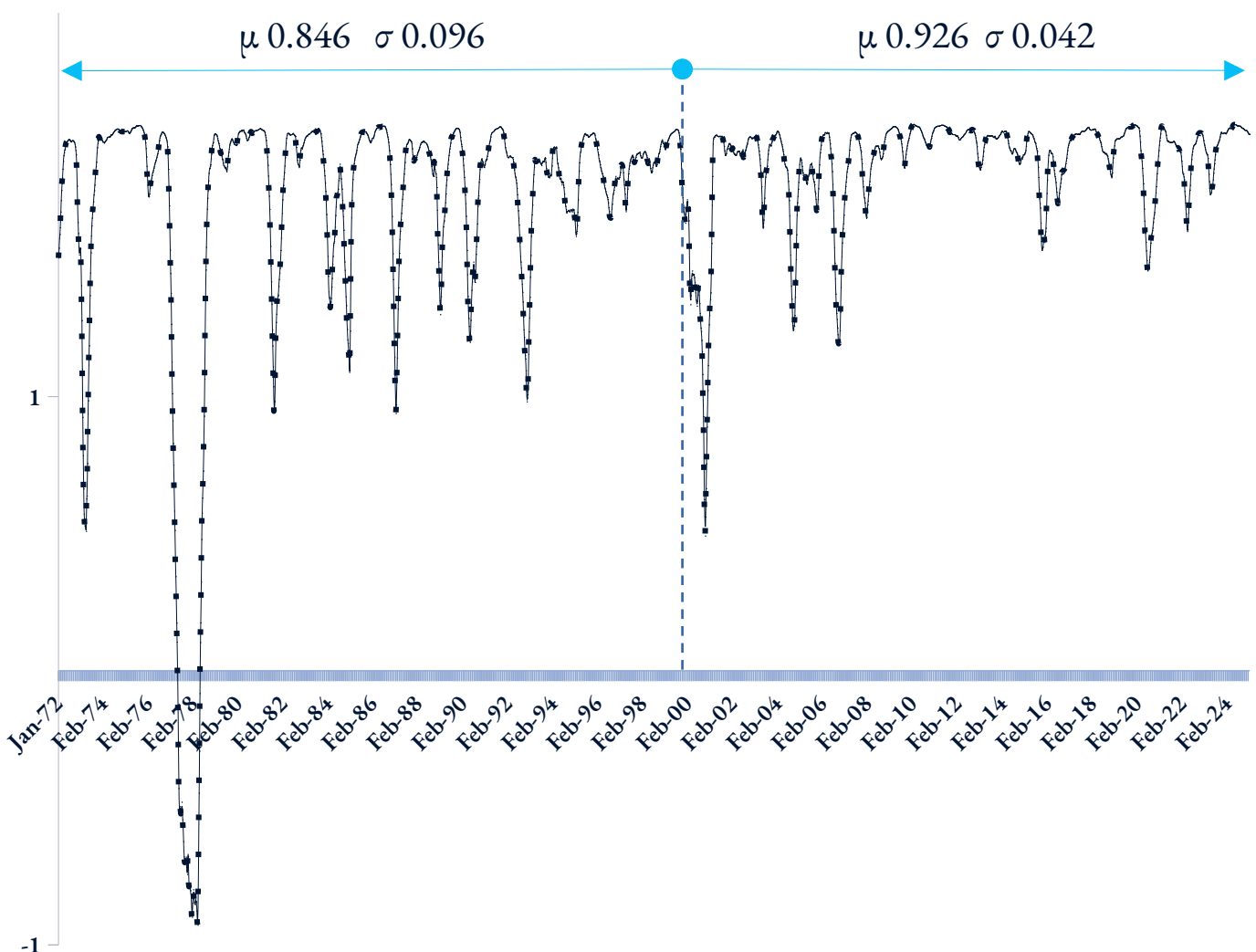
Technology Correlation

96%

The rise of technology as a composition of U.S. equities as well as growing concentration in a few technology equities may also be seen in the growing correlation coefficient between the NASDAQ100 and S&P500, with a mean of 0.846 between 1972 and 2000 and 0.926 between 2000 and 2024, rising to as high as 96% for the 2021 and 2024 period.

Correlation between the NASDAQ100 and S&P500 between 2021 and 2024

Personal Research



Earnings growth *implied in* P/E Ratios

Low

8.5 P/E

Moderate

13.5 P/E

2.5%

5%

High

28.5 P/E

Boom

48.5 P/E

10%

20%

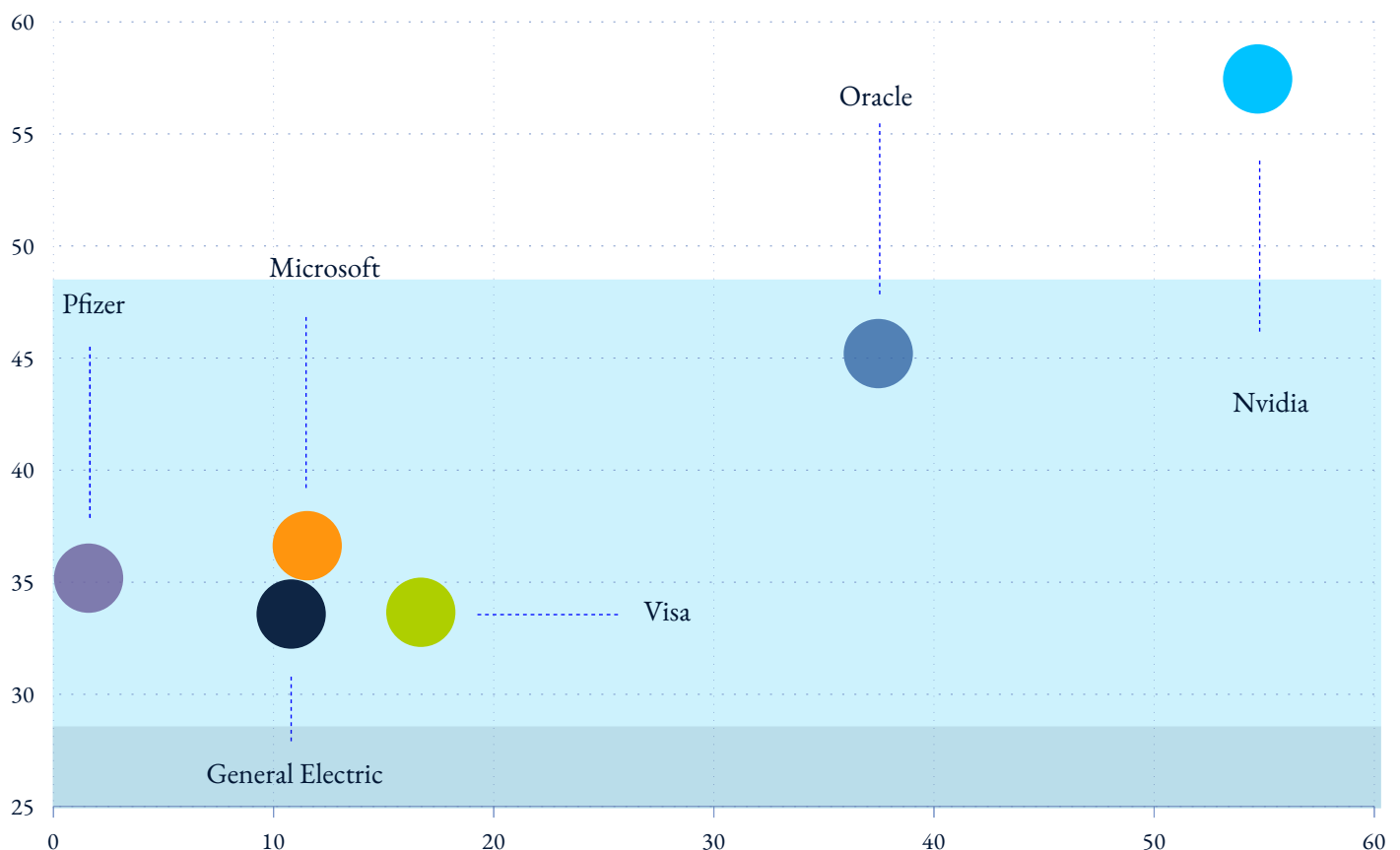
High Growth Intangibles

The second effect has been the shift away from fixed assets as observed in the growing asymmetry of price to book values seen across indexes, with the likes of Nvidia, Eli Lilly or Oracle enjoying P/B ratios between 50 and 60 or nearing 40, while Pfizer's stands at 1.6 as of January 2025, even lower than hardware-focused Cisco's 5.6 P/B.

80%

Rise in the average
S&P 500 P/B ratio
between 2005 and
2025.

Personal Research



Selected U.S. equities, with Price to Book ratios on the x-axis and Price to Earnings ratios on the Y axis, December 2024. Highlighted, levels at which 10% and 20% YoY earnings growth is implied pe P/E ratios.

Bloomberg

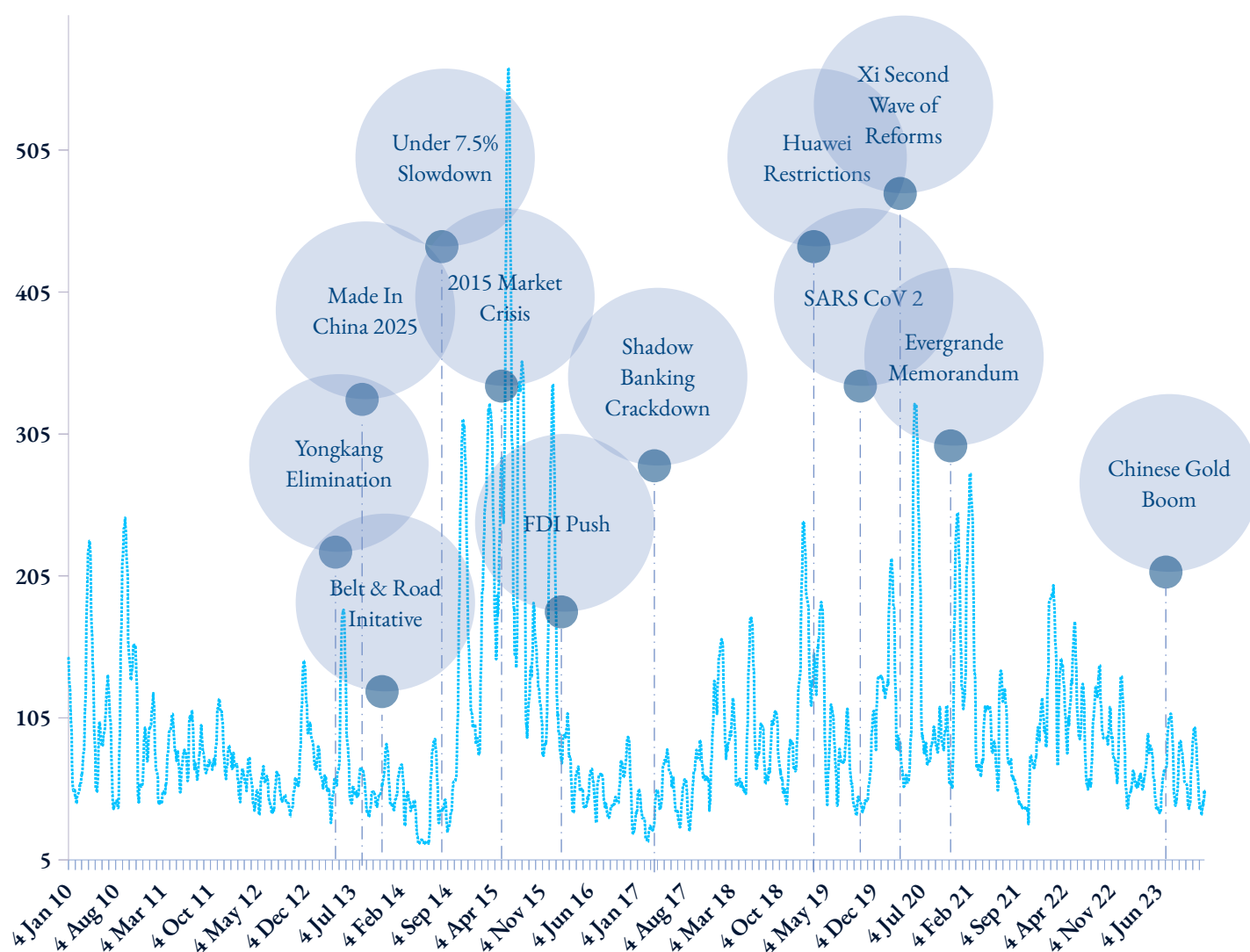
Chinese Volatility

Meanwhile, Chinese family offices have continued to prefer alternative assets to either fixed income or equities, primarily due to the higher volatility found in Chinese markets. This has moved significant funds into either housing, before 2021, and either international equities or alternatives. This is expected to change as the private pension market is growing in China.

10%

Percentage of Chinese investors which are classed as institutional

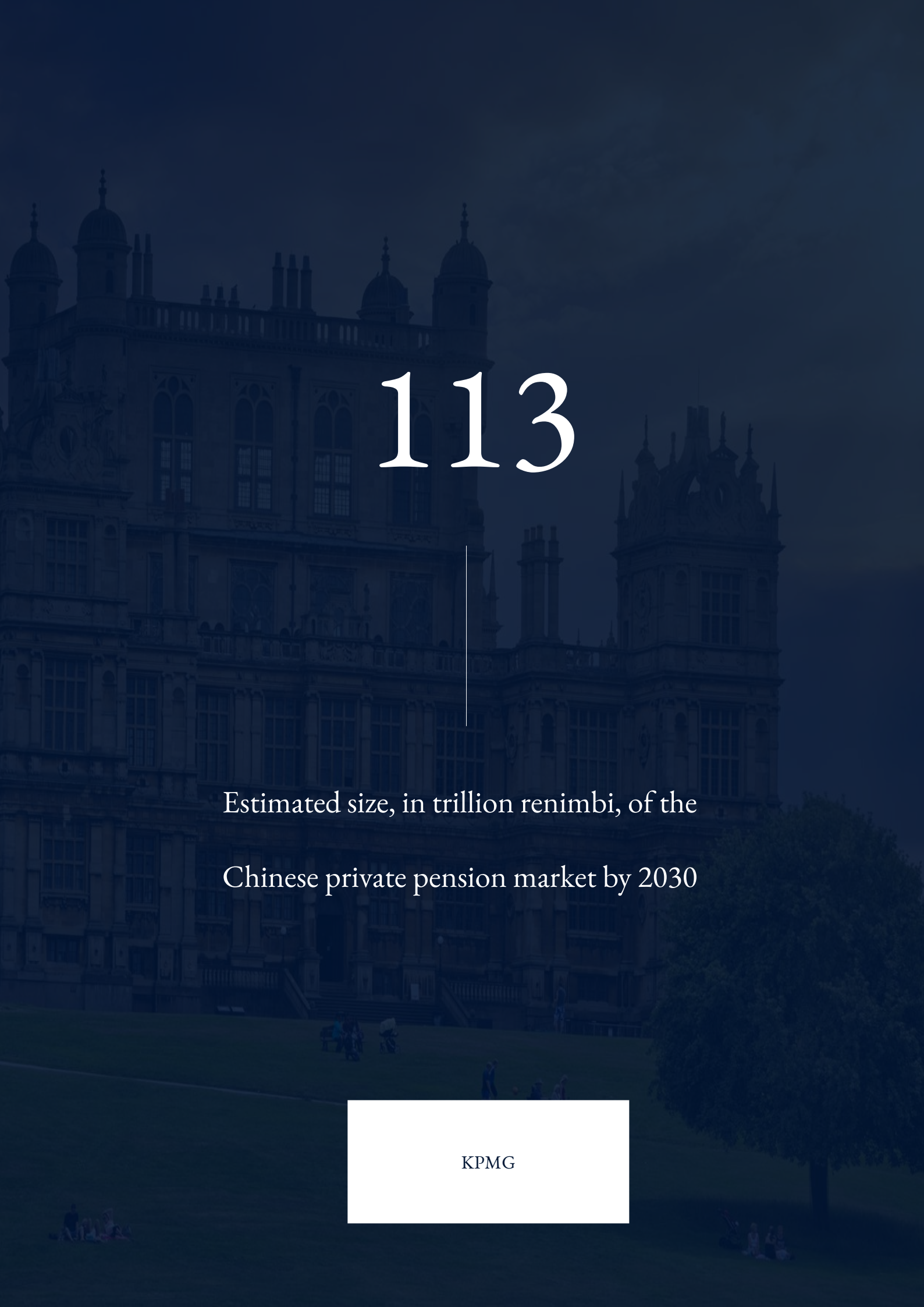
Personal Research



Different from the United States, China's stock market has two prominent features: dominance of retail investors and active participation by the government. After reviewing nearly 100 previous studies, we reach three conclusions. First, there is substantial heterogeneity in retail investors. Small retail investors have low financial literacy, exhibit behavioural biases, and not surprisingly, negatively predict future returns, whereas large retail investors and institutions are capable of processing information and positively predict future returns. Second, the macro- and firm-level information environment in China is slowly but gradually improving, which greatly affects trading behaviours of different investors, especially the more sophisticated institutional investors and large retail investors. Finally, the Chinese government actively adjusts their regulations on the stockmarket to serve the dual goals of growth and stability. Many regulations are effective, while some may generate unintended consequences.

Tsinghua University

Retail and Institutional Investor Trading Behaviors



113

Estimated size, in trillion renimbi, of the
Chinese private pension market by 2030

KPMG



4

Future of Family Offices

Outlook

Family offices have evolved significantly over the past few decades, moving from a fairly small, private financial management entity into numerous, global investment vehicles catering to the needs of ultra-high-net-worth (UHNW) individuals and families that represent nation-sized portions of global GDP. However, in the following years, family offices may face a range of challenges and opportunities arising from broader economic and demographic trends. Among the most significant of these trends are rising state debt, demographic decline as well as the backlash to rising wealth inequality. Each of these factors are expected to shape the way family offices operate, manage wealth, and plan for the future.

As governments grapple with mounting debt levels, family offices may face a new tax environment and stricter regulatory constraints, while inflationary pressures may require family offices to adjust investment strategies. All of this will be sharply brought into focus by demographic changes that are shifting government balances as well as investment opportunities and it merits considering each in turn.

17%

Increase in interest payment expenses to revenue ratio, global averages, expected to 2030

S&P Global

28%

Percentage of GDP dedicated to covering old-age expenses in France, 2035 projection.

S&P Global



1232

USD Billion held by the top 20 family offices
worldwide

The Economist

1.

Debt

Government debt as a proportion of GDP is inexorably rising across the world, whether on the central government balance sheet as in the United States or in provincial governments and prefectures as in China or Japan. It remains unclear which governments will actually survive in their current form and how markets will adjust to these new realities

2.

Regionalisation

The near-ideal environment brought by the Third Wave of Globalization is giving way to a regional approach to both trade as well as technology transfers. Being able to optimise between fiscal environments while accessing global opportunities has been a staple of investment strategies for well over three decades and family offices as well as other investment vehicles will have to adapt.

3.

Inequality

Growing inequality in several countries remained a secondary issue provided sustained growth and the continued provision of public services. However, as the latter two become less certain, unequal distribution of an increasingly fixed pie becomes a matter of public policy.

Government Debt

Rising state debt is one of the most pressing economic concerns for many countries, especially advanced economies like the United States, Japan, and European Union members. Governments are accumulating debt at unprecedented levels outside of wartime, driven by factors such as increasing social security costs, rising commodities costs and fiscal responses to economic crises including the SARS-CoV-2 pandemic.

Governments with high levels of debt are

often compelled to raise taxes to service their obligations, either through direct taxation or the implementation of new forms of levies such as wealth taxes. Family offices, which manage the wealth of some of the richest individuals and families in the world, may face increased scrutiny and regulation in the coming years. The growing trend of wealth tax proposals, especially in Europe, suggests that family offices will need to actively plan for and mitigate the





Financial crises, the erosion of the middle class, and greater public awareness of income inequality—all with roots predating the 2008 downturn—have fed sentiment in the West that the costs of trade liberalization outweigh the gains. As a result, the historic, 70-year run of global trade liberalization faces a major backlash, undermining future prospects for further liberalization—and raising the risk of greater protectionism.

Governments will increasingly struggle to meet public demands for security and prosperity. Fiscal limits, political polarization, and weak administrative capacity will complicate their efforts. This gap between government performance and public expectations—combined with corruption and elite scandals—will result in growing public distrust and dissatisfaction. It will also increase the likelihood of protests, instability, and wider variations in governance.

U.S. National Intelligence Council

Global Trends 2035

potential tax risks that come with holding significant amounts of wealth. Moreover, countries with high debt levels may be more inclined to impose capital controls or regulations that could limit the mobility of assets across borders, which family offices often rely on for geographic diversification.

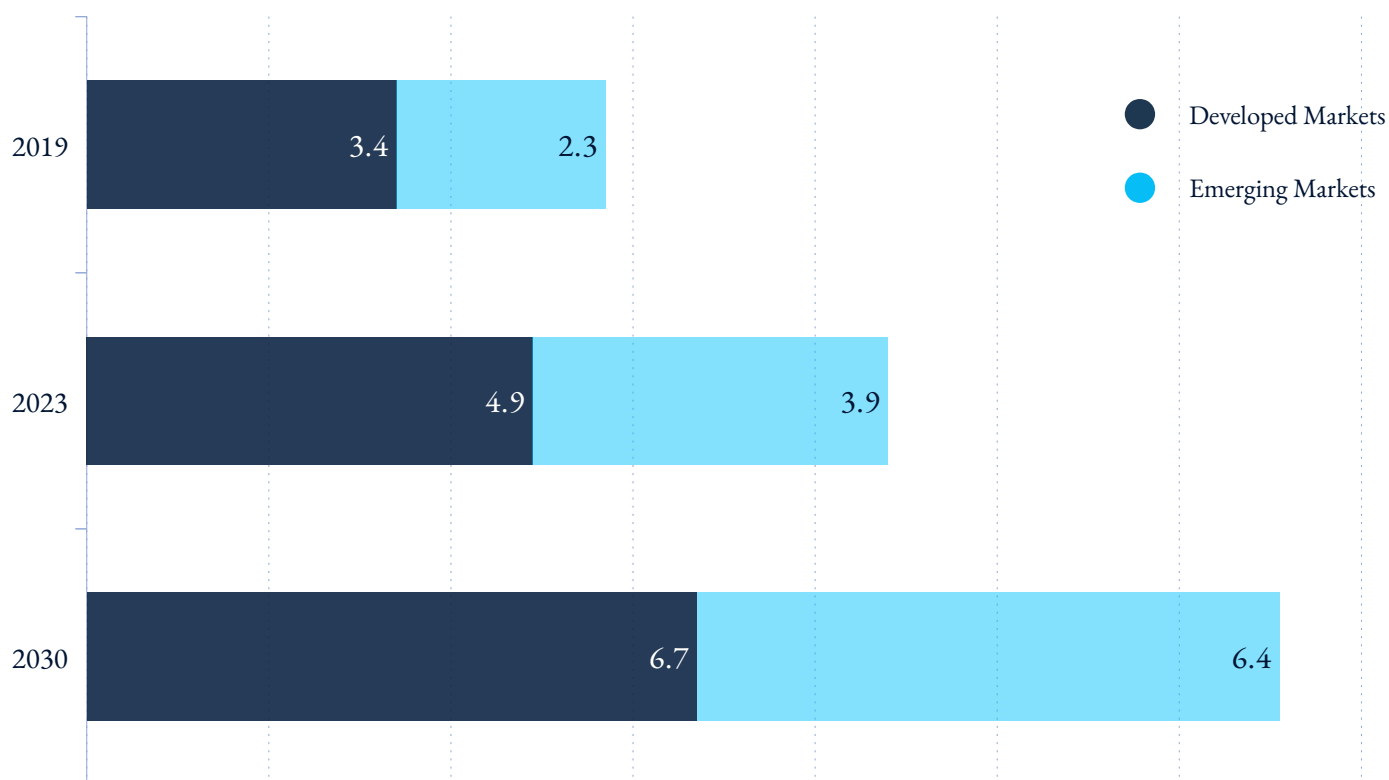
Furthermore, those high level of debt are often associated with inflationary pressures, especially if governments or central banks resort to monetary policies like quantitative easing in order to service debt. Inflation is close to a death sentence to intergenerational wealth accumulation outside of inflation-linked asset classes, which may weight increasingly on the mind of wealth managers and at least in part explains the asset allocations of many Western family offices towards alternative assets for close to half of assets, in particular when capital gains are difficult to measure.

The second effect of debt can also lead to higher interest rates as governments attempt to attract buyers for their bonds or contain inflation, that potential volatility heightening interest rate risk as well as funding liquidity risk. Family offices that rely heavily on long-dated fixed-income investments may find their returns squeezed by rising interest rates. In response, family offices may diversify their portfolios by increasing exposure to equities, alternatives or venture capital, where returns tend to be higher and less correlated with interest rate movements but also imply much greater oversight and active management.

Meanwhile, the demographic shift, characterized by falling birth rates and ageing populations in many developed economies, will likely have restructuring effects implications for family offices in the coming decades.

For better or worse, a shrinking working-age population and a growing elderly population will lead to structural changes in the economy, which will increasingly impact many if not all decision being made in term of investment strategies. In some countries, such as the United States, the shift is partially attenuated by the fact that the working age population is expected to actually increase due to continued immigration but in other cases such as

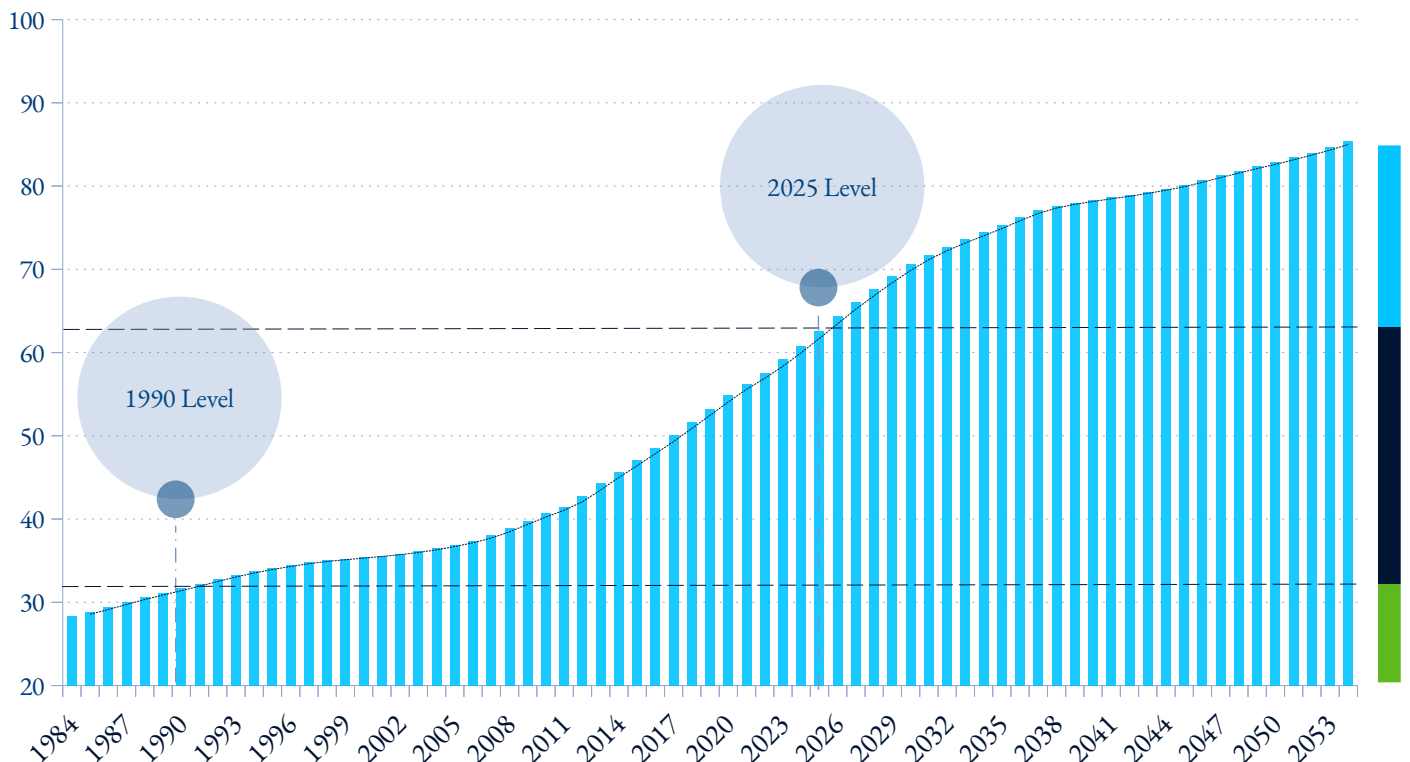
Europe, the impact may be felt fully, with limited integration of immigrants into the labour force simply resulting in greater state expenditure and demand on public services. In the context of lower baseline growth levels, coupled with higher expected interest rates, this would significantly heighten risk, despite the initial outlays to cover additional expenses connected to ageing amounting only USD 5 trillion to 2030 according to S&P Global.



Demographic Decline

A demographic decline results in a shrinking labour force, which tends to shift the production possibility curve leftwards while depressing accumulated savings. Family offices with significant investments in industries dependent on labour-intensive processes or highly available credit

may face operational challenges as companies struggle to fill positions, even when considering immigration. Furthermore, the issue of healthcare costs and pension costs for an ageing population would at time force the productive economy itself to restructure in cases which include





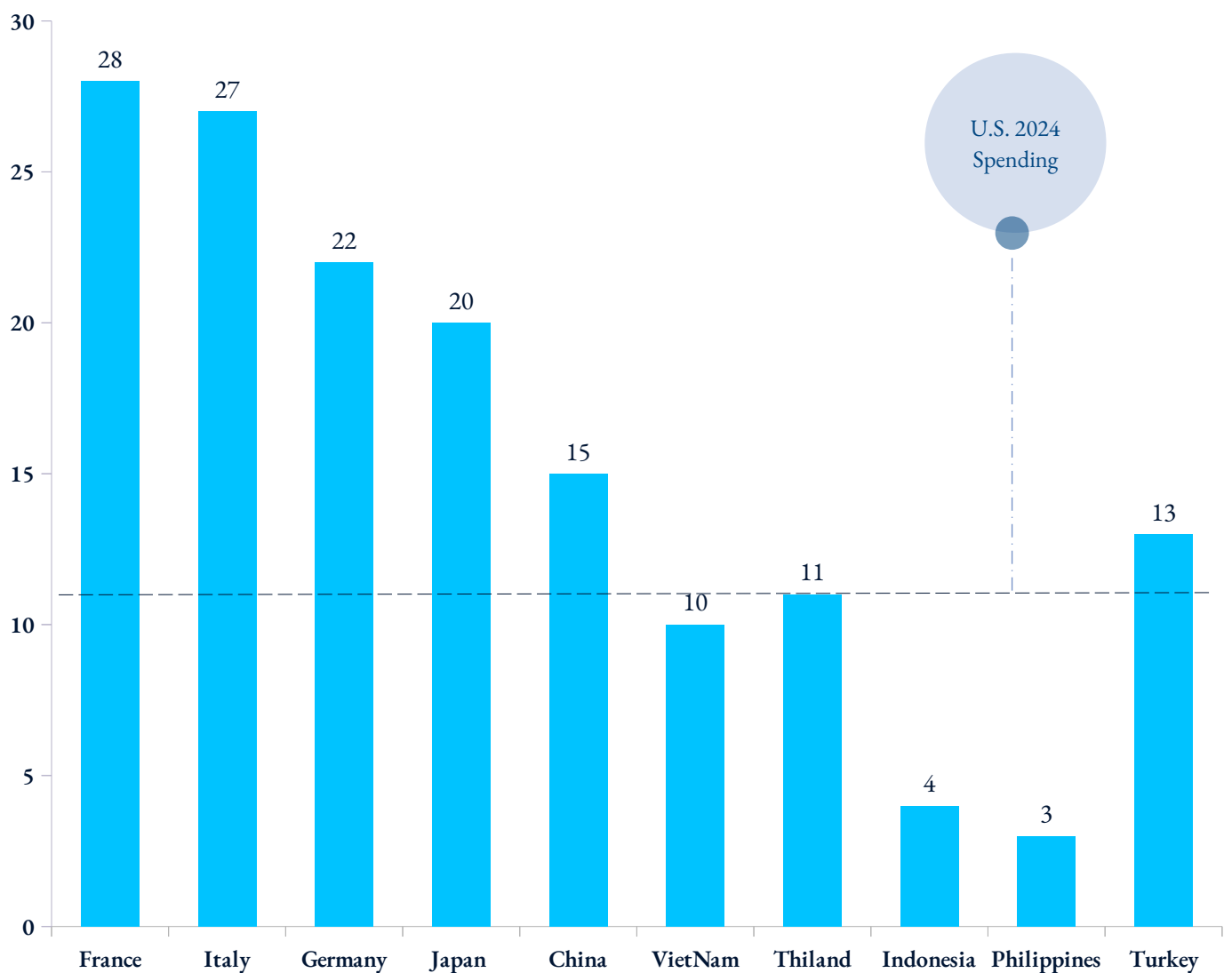
83

Trillion USD wealth expected to be transferred from
Silent Generation and Baby Boomer Generation to
younger generations to 2045

J.P. Morgan

China, Thailand and Europe, where the greatest changes in the proportion of GDP which will need to be dedicated to elder care. The ageing of the population will also alter consumer patterns, as older individuals generally consume fewer goods and services, but spend more on healthcare, retirement services, and leisure activities.

The degree to which this economic shift will impact each family office or invest vehicle will vary but it suffices to say that in many countries across the world, the many government expenditure will, at the current rate, become elder care or associated with elder care, who in turn will be withdrawing their accumulated savings in the process.



Regionalisation

Last but not least, the future of family offices will be affected by the growing trend of regionalisations. The world's wealthiest have to a degree always been a country of their own, with more in common with each other than their respective co-nationals and that has in fact been the historical norm until the rise of nation states and the threats brought on by Industrial Age total wars.

What followed was the period variously described as The Great Moderation and globalisation under the auspices of the Cold War, followed by the unipolar moment and the Third Wave of Globalization, which has been nothing short of phenomenal for family offices as it translated into global access to markets coupled with a relatively peaceful, low volatility period of growth,

in particular in the equity markets which once formed the core of family offices' holdings.

During this period, the UHNW individuals in the West could experience something close to a trifecta: a stable, low-interest rate environment in their home countries, a world of high-growth opportunities worldwide and myriad tax optimisation heavens across the world. Each of these depended on globalisation, including East Asian and Middle Eastern trade surpluses, and each may be receding due to increased regionalisation. Family offices, in particular in the West, may need to adapt to conditions which haven't been in place for close to a generation.



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November, 2025

Writing

Radu Gheorghe Magdin

Data

World Bank, Bloomberg, St. Louis Federal Reserve

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