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The Biggest Risk to Family Wealth Isn't Investment Performance—It's Succession

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Family offices excel at managing money but often overlook the greatest threat to multigenerational success: poorly planned succession. Here's how they can help.

Family offices have gained increasing prominence as key institutions in the management of substantial private wealth. As family offices begin to attract people who once considered investment banking and related professions, they've devoted lots of attention to asset allocation, fiscal efficiency, and performance optimization.

But today's family offices are starting to do more. They not only manage financial capital but also play a growing role in coordinating governance, supporting intergenerational transitions, and preserving the continuity of family systems. However, many family offices have not given enough attention to succession, a transition that threatens both family harmony and the health of the business.

Our review of research on this topic has shown that the most significant threat to the long-term continuity of family offices does not primarily stem from financial mismanagement, but from poorly managed succession processes and fragile family dynamics.

Although financial structures can be optimized, the sustainability of wealth across generations ultimately hinges on the family's ability to navigate transitions, redefine roles, and maintain cohesion. The drawbacks of a purely financial approaches become most apparent when succession is at hand. In this article we explain how family offices can close this gap.

Succession is a Fatally Underestimated Risk

Ultimately, every leader of a family firm faces the issue of succession (Ahrens, 2020). Yet, family office structures remain inordinately focused on the financial, legal, and investment-related dimensions. This means succession remains an underestimated risk for family businesses and the family offices that support them.

Because succession typically happens so rarely, even veteran business leaders lack the experience to manage it well. Moreover, someone who has built the firm over an entire lifetime may have substantial psychological barriers to retirement (Riefolo et al., 2024). A lack of structured succession processes within the family system can compound these problems, leaving families and their family offices unprepared for transitions. The result can be conflicts within the family over assets, power, and control, or increased tensions between the predecessor and successor, or between the first and next generations (Riefolo et al., 2024).

These disputes can weaken the family and the business, and may even lead to its downfall (Ahrens et al., 2018). For family offices, these dynamics represent a key vulnerability, as their mandate to preserve wealth across generations depends on a stable family system.

Recent cases of billion-dollar family empires reaching the courts over succession issues illustrate this point (Forbes, 2025; Challenges, 2026). These situations demonstrate that even highly sophisticated financial structures cannot compensate for unresolved succession dynamics and underline the limits of approaches that treat succession primarily as a technical or financial problem.

Beyond Money

Family offices' objectives are different from private banking or private equity. Multigenerational success does not primarily depend on investment performance, tax optimization or financial engineering, but on healthy family dynamics and continuity. (Ahrens et al., 2024). When familial relationships deteriorate, even the most sophisticated financial structures can't protect the business. The risk worsens when families depend on complex succession plans in foreign countries or offshore entities with unfamiliar laws. Enhanced communication alone won't help when decision rights and authority boundaries remain undefined, and such ambiguity during transitions can worsen the tension.

What Family Offices Can Do Now

While financial risks are carefully managed and monitored, relational risks — despite their potentially greater impact — are often treated too lightly or too late. Here are some ways that family offices can help.

Understand succession as a process, not an event

Research and practice have shown that succession is a process rather than a single event. It often transpires over several years and requires early planning, trust-building, and regular communication. Business factors are secondary. Essential soft skills -- such as mediation, empathy and the ability to navigate delicate family relationships -- are vital for a smooth transition.

Family offices should not treat succession as a one-off event, but as an ongoing process requiring coordination over time. The offices should support not only the structural aspects of succession but also the process itself by facilitating communication, structuring interactions, and ensuring continuity in governance.

Embrace the complexity

Modern family structures introduce additional complexities. Marriage is a weaker institution than it once was. Divorce, remarriage, and stepfamilies have become more prevalent and socially accepted (Stamm et al., 2024). For business families, these changes can heighten emotions and relational issues. Unifying many family branches and networks around a shared vision for the enterprise and the family is becoming increasingly challenging yet more essential than ever.

Families must also address seemingly straightforward yet emotionally significant questions, such as who constitutes the immediate family. Binz Astrachan et al. (2023) pose the critical question: Do you regard in-laws as the "out-laws" in the family business? Explicit agreements regarding the roles, rights, and responsibilities of spouses, in-laws, other relatives, and partners are essential for intergenerational continuity. These expectations should be set early, well before transitions happen.

Promote family unity

Familial cohesion is a critical factor in ensuring an effective succession. A strong bond between previous and subsequent generations significantly increases the likelihood of successful collaboration during the transition period (Zybura et al., 2024). Common principles, reciprocal respect, and coordinated actions promote harmony and enhance social capital, which in turn lead to a more effective organization. Harmony is not a trivial or purely emotional concern, but a strategic condition that enables shared decision-making and coordination.

Investing in communication, collaboration, and cohesion equates to investing in the family's social capital. Family gatherings and shared experiences should therefore be intentionally designed - not as obligations, but as meaningful moments that strengthen relationships and reinforce trust.

Coordinating such interactions is a vital yet often overlooked responsibility of the family office. By structuring opportunities for connection and dialogue, family offices can prevent relational tensions from escalating into financial or legal disputes. Therefore, fostering cohesion is central to the role of the family office as a steward of long-term continuity.

Be a stabilizing force

Even in favorable circumstances, succession issues may still emerge. Indeed, successful succession processes are rarely seamless (Binz Astrachan, 2019). Prolonged disputes are a sign of interpersonal tensions

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as well as a structural failure to contain disagreements. Without clearly defined decision-making processes, authority boundaries, and escalation mechanisms, conflicts can intensify unchecked, and can even lead to court cases.

In high-stakes, emotionally charged situations, families should take a step back and consider the actual risks and potential losses that could result from continued conflict escalation. Family business succession experts can facilitate a more constructive and harmonious approach going forward. But family offices should also see themselves as stabilizing actors. By anticipating areas of tension and embedding governance mechanisms capable of managing disagreement, they can help contain conflicts before they threaten the integrity of the family system. They can also bring in advisers and mediators who can help the family manage the succession. This should be done well before the succession takes place.

Conclusion

A family business represents far more than mere economic value. It is a dynamic symbol of a family's entrepreneurial ambitions spanning multiple generations. For business families and family offices alike, this implies a shift in perspective. The central challenge is not only to manage assets, but also to actively support and structure the family system through succession. While financial risks are routinely anticipated and managed, relational risks can have a potentially greater impact. Therefore, recognizing succession as a process requiring governance, coordination and sustained attention to family dynamics is not a secondary concern, but a core condition for long-term continuity.

This means investing in relationships, family governance and the succession process years in advance, transforming the family office from a custodian of financial assets into a custodian of the family heritage.

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