

Before You Create a Family Office, Prepare the Next Generation

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A full family office may not be the first step. Strong governance can prepare younger family members to steward wealth long before a crisis forces the issue.

The conversation usually starts the same way. A founder sits across from me — a business built over decades, real wealth accumulated, a name that means something in the market — and asks: *“Someone told us we need a family office. Is that true?”*

My answer is always: It depends. And in the markets where I work — economies still building their financial institutions, capital markets, and governance culture — the honest answer, more often than not, is that a full family office is not what the family needs. At least not yet, and not in the form they imagine. What they need is a structure: a disciplined way to bring the next generation into the stewardship of family wealth, designed for the ground they are actually standing on.

Case Study: The Family That Waited Too Long

Consider a family I will call the Adjei family. Mr. Adjei built a diversified group over 35 years — trading, commercial real estate, and later manufacturing. By his late sixties he was, on paper, worth over \$50 million, yet almost none of it was liquid. The wealth lived inside the operating businesses, in land, and in a scatter of offshore accounts he had opened quietly over the years, because he did not fully trust the local banks and had watched more than one fund manager collapse with depositors' money.

When advisors told him he needed a family office, he hesitated — waiting for the business to be bigger, the

children to be “ready,” the political weather to settle. Meanwhile the money was managed as it always had been: by him, personally, and by a rotating cast of bankers. His three children grew up watching wealth handled by strangers and a father who kept every detail in his head. Then Mr. Adjei had a stroke.

There was no Investment Policy Statement, no inventory of the offshore accounts, no committee, no successor who had ever made a real financial decision. His capable eldest daughter had never been allowed near the portfolio. Within 18 months the family was disputing assets no one could fully account for; currency depreciation had eroded a third of the idle cash; and two offshore accounts required foreign legal processes just to establish who now had authority over them.

The Family Office — and Its Challenges

The single-family office has become the gold standard for managing family wealth, and increasingly a marker of status. But the threshold is high: most advisors put the minimum at \$100-250 million in investable assets before an office becomes cost-efficient. Below that, the overhead consumes the very returns it is meant to protect. And that benchmark assumes investable assets — while in developing economies, most first-generation wealth is locked in operating businesses and land, exposed to a currency that can lose a fifth of its value in a bad year.

Before committing to an office, families should be clear-eyed about the obstacles — several sharper in emerging markets than founders expect:

- **Cost versus scale** — Fixed overhead is unforgiving when much of the wealth is illiquid and cannot easily be deployed or rebalanced.
- **A thin talent pool** — Experienced portfolio,

compliance, and fiduciary professionals are scarce and expensive.

- **Shallow, volatile capital markets** — Limited local products push families offshore, adding custody and cross-border complexity.
- **Currency and inflation risk** — Persistent depreciation quietly erases nominal gains; real returns are what matter.
- **Regulatory gaps** — Supervision and legal recourse can be slow and inconsistent, leaving families less protected.
- **A trust deficit** — Having watched managers and deposit schemes collapse, founders are reluctant to delegate control to anyone.
- **Concentration and political exposure** — Wealth is often tied to a few assets and, sometimes, to political relationships.

None of this makes a family office wrong. It makes it a destination, not a starting point. That path is where the next generation comes in.

The Hidden Cost of 'Not Yet'

The families that struggle most with wealth transfer are not the ones that lacked money, but the ones that lacked preparation — exactly the Adjei trap. While the founder waits for the right moment, the next generation grows up watching wealth managed by strangers and absorbing a corrosive lesson: that money is something other people handle, and that they are not trusted with it. By the time transition arrives — or is forced by illness or death — they have no financial fluency and no shared culture around wealth. In markets where succession is often sudden and estate law slow, the family office, when it finally comes, becomes a crisis response rather than a planned institution.

The Next-Gen Family Fund Manager

Let me be clear about what I am not suggesting: that a founder hand the family's wealth to a 28-year-old with an MBA and an enthusiasm for crypto, and step away. That is not a structure: It is the same risk in a younger suit. What I am describing is a formal, governed role, structured with the same scrutiny you would apply to any professional appointment. Appointing a family member to manage family money is a sensitive act. Done casually, it is nepotism with a title; Done properly — with oversight, due diligence, and real accountability — it becomes the most powerful governance and development tool a family has.

The role rests on a written mandate: an Investment Policy Statement defining risk tolerance, allocation, return objectives in real terms, and ethical boundaries; a defined scope of authority; regular reporting against benchmarks; and an annual review of both performance and the structure itself. This is not a favor. It is a professional framework that happens to be led by a family member — which is precisely why it works, and why it must be governed with care.

The Professional Oversight Committee

Because this appointment is sensitive, the single most important safeguard is that the fund manager never operates alone. Their authority should sit beneath a Professional Oversight Committee — small (three to five members) and deliberately mixed. Composition is everything: A committee of family members alone reproduces the family's blind spots and politics; one that includes independent voices does not. It should include the founder, at least one independent professional (an investment professional, chartered accountant, or seasoned fiduciary willing to disagree), and one or two next-generation members, so oversight itself becomes training.

The committee approves the Investment Policy Statement, sets the fund manager's scope, reviews reporting, signs off on decisions above defined thresholds, commissions independent verification, and holds the authority to remove the fund manager for cause. This independence is what converts “a family member managing money” into a governed professional role. It is also the founder's honest answer to a skeptical spouse or sibling asking why one person has been trusted with the family's future. That responsibility rests not with a single person, but with the structure.

Due Diligence: Appointment and Function

Due diligence runs on two tracks. Families think of the first and neglect the second — and the second is where wealth is actually lost.

In the appointment

A next-generation member is not entitled to the role by birth; They earn it against defined criteria, assessed honestly by the committee's independent members. That means testing competence and qualification, running a fit-and-proper assessment of integrity and

judgement, requiring full disclosure of conflicts and outside interests, and beginning with a probationary mandate over a limited portion of assets that expands only as discipline is proven.

In the function

Appointment due diligence is a snapshot; functional due diligence is the ongoing verification that the role is being carried out honestly — the part most often skipped. It requires independent verification of holdings and offshore accounts with third parties, segregation of duties so the person who executes is not the only one who records and reconciles, periodic independent audit reporting to the committee, performance benchmarked in real terms, and a documented trail of every decision.

Quality and Risk Management

A governed family fund is only as strong as its quality controls and its handling of risk — and where the margin for error is thin and the shocks large, these are the core of the discipline, not optional refinements. Quality means written policies and repeatable processes; standardized reporting the committee can scrutinize; routine external audit; and clear documentation of assets, mandates, and authorities, so the family is never again unsure what it owns or who controls it.

The risks that matter most must be named and managed deliberately: concentration risk, the default condition of first-generation wealth; currency and inflation risk that idle local cash guarantees; liquidity risk, the danger of being asset-rich and cash-poor; operational and fraud risk, mitigated by segregation of duties and audit; key-person risk — the Adjei problem of too much held in one head; and cross-border compliance risk on offshore holdings.

What Founders Need to Put in Place

The path forward does not demand a large budget — it demands intentionality:

1. **Write an Investment Policy Statement** — even a simple one capturing values, risk tolerance, and long-term objectives. Without it, the fund manager has no mandate.
2. **Establish a Professional Oversight Committee** of three to five: yourself, at least one independent professional, and a next-generation member.
3. **Run real due diligence on the**

appointment — competence, integrity, and conflicts, with a probationary mandate to start.

4. **Build accountability into the function** — regular reporting, real-terms benchmarks, independent verification and audit, and separation of execution from reconciliation.
5. **Manage quality and risk deliberately** — Much of what unravels family wealth is not a bad investment but an undocumented one, so begin with the paperwork. Keep a living inventory of every asset, account, and authority (offshore holdings included) so the family is never again unsure what it owns or who controls it, and a written trail of mandates, decisions, and reconciliations that anyone authorized can follow if the person who built it is suddenly gone. Only then name and manage your concentration, currency, liquidity, and key-person risks.

Return, for a moment, to the Adjei family. Picture the same founder a decade earlier — not waiting, but writing a simple Investment Policy Statement, seating a small oversight committee with one independent voice on it, and giving his capable eldest daughter a modest, probationary mandate under real supervision. When the stroke came, there would have been an inventory of the offshore accounts, a successor who had already made real financial decisions, and a committee to steady the family through the shock. A third of the idle cash need not have vanished to depreciation, and no one would have gone to foreign courts merely to establish who controlled what. The wealth would not have lived or died with what one man carried in his head. That is the whole difference between a structure and a hope.

A Question Worth Asking

The next time someone tells you your family needs a family office, pause before you answer. If what you are solving for is investment performance, there are efficient solutions. But if it involves legacy, succession, and the long-term cohesion of your family around shared wealth, a full office may not be the first step you need.

Before you ask whether you can afford a family office, ask whether you can afford to keep your next generation waiting on the sidelines of their own inheritance — until a crisis makes the decision for you.

The governance you build today, however modest, is the foundation your family will stand on tomorrow. And

the next generation — given the right structure, the right oversight, and the right trust — may surprise you.