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How Successful Do You Need to Be to Start a Family Office?

As your company—and net worth—grows, setting up a family office can be an important step to secure your future. Here's how to get started.

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When Josh Ploch moved to Oklahoma in 2010, it was to help friends start a church. But with his background in human resources and operations, he also began helping them with their businesses. Over the next decade, the Tulsa-based entrepreneur took equity stakes in these companies, then majority stakes, and then started a company of his own, building and rehabbing affordable housing. He took the company public via a reverse merger in 2023, and exited the following year. Now liquid, he needed to get organized.

"We started to look at where we were going from here," said Ploch, 48, whose three children range in age from 6 to 24. "You start that legacy conversation."

To preserve wealth over generations, more business owners are turning to family offices, which let successful entrepreneurs manage their net worth like a business. Many can provide succession and estate planning, accounting, philanthropy services, and legal services, depending on your family's needs.

According to a 2024 report from J.P. Morgan Private Bank, the number of people with tens of millions of dollars in assets has skyrocketed over the past couple of decades—and the number of family offices has, by some estimates, more than doubled.

For entrepreneurs, the need for a family office often becomes apparent after a liquidity event, says Mark R. Tepsich, a family office

design and governance strategist at UBS. Generally, if your wealth exceeds \$50 million to \$100 million, it may be time to consider a family office. According to J.P. Morgan Private Bank, 3 percent of family offices in the U.S. represent families with a net worth of \$50 million to \$100 million, while 16 percent have a net worth of \$101 million to \$250 million.

Young families, like the Plochs, are increasingly establishing family offices, notes J.P. Morgan. One-fifth of family offices in the U.S. support a single household, while 51 percent support just one or two generations. Launching a family office is not cheap.

Depending on the size of the staff, running a family office, even a small one, can cost millions of dollars annually. To mitigate these costs, some opt for a multifamily office (MFO) or a shared services model, with several families relying on the same group of advisers. Even those with billions in wealth sometimes opt for an MFO. For instance, Iconiq Capital, a San Francisco-based global investment management firm, reportedly manages the wealth of several billionaire entrepreneurs who include LinkedIn co-founder Reid Hoffman and Twitter and Block co-founder Jack Dorsey.

The right time to establish a family office isn't just about cash on hand. When it becomes hard to describe what you own and where it is, it might be time, says Dino De Vita, the president of global family office at

wealth management firm Northern Trust. A family office often solves the challenge of managing wealth across countries and asset classes. Tepsich of UBS has met families with a "vanilla" billion-dollar portfolio and two homes who don't really need an office. "It's more a function of complexity than net worth," he says.

This means the term family office is sometimes a misnomer. Those who want to preserve their wealth, or become private investors, can benefit from the family office infrastructure even without having a spouse, kids, or close family. Ultimately, De Vita says, there's no one blueprint for setting up a family office. The structure and staff will depend on what the individual wants to accomplish, but a few decisions need to be made regardless of how you go about it.

IDENTIFY THE MISSION

According to J.P. Morgan's report, 95 percent of family offices prioritize managing the family's financial assets, and 70 percent prioritize preserving that wealth over generations. Many support succession planning and prepping the next generation. Impact investing and philanthropy are also on the rise. For some, that means giving back to their communities or backing startups they believe in.

It helps to begin with the mission, Tepsich says. He recommends writing an investment policy statement (IPS) as part of the goal-setting stage. "Families who do not

have an IPS often have a scattershot and not-well-thought-out investment strategy," he says. The budgeting and forecasting of cash flows is essential. This should be done for each family member, each household, and each entity, such as trusts.

BUILD YOUR TEAM AND STRUCTURE

Early on, you'll need to decide who will work in the office and who will make decisions. A firm like Northern Trust is often brought in to "quarterback the process," as De Vita describes it.

The governance structure describes how decisions will get made and by whom. Will there be a vote by committee or unilateral decisions? Though family offices often have teams to help with investment decisions, J.P. Morgan found that in 56 percent of U.S. family offices, a single family member holds ultimate decision-making power.

Personnel needs vary and will often be determined by your goals. Some offices are entirely virtual, with most services outsourced, while others have fully staffed brick-and-mortar locations. Half of family offices employ no more than five people. But if too few people are tasked with too many things, Tepsich says, the organization can suffer. He added that a lack of time spent by the principal or family also could contribute to potential problems.

LOOK TO THE FUTURE

Over time, you'll need to reevaluate the goals of your family office, and ensure younger generations are being considered. Tepsich says he's seen rifts occur when new generations aren't brought in properly. If the original wealth-builder doesn't let younger family members engage and afford them some autonomy, they may take their assets and go elsewhere. A well-run family office can provide the glue that keeps it intact.

For Josh Ploch, who is now the private equity principal of the Ploch family office, which focuses on investing in affordable housing, "there is no rulebook" to building a family office, and "no real clear guide on what to do or which boxes to check."

Nevertheless, Ploch is enjoying the journey. "All of the family office members I've met are committed to making the communities around them better," he says.