

From Vision to Structure: Architecting a Family Office

Building the Infrastructure Behind a Lasting Family Legacy

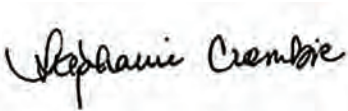
FOREWORD

Families build more than wealth—they build institutions that endure. From the first entrepreneurial vision to the stewardship of a multigenerational legacy, success brings with it both opportunity and complexity. For many, managing that complexity requires more than financial acumen. It calls for a cohesive structure—a family office—with a clear vision for how decisions will be made, responsibilities allocated and values preserved across generations.

As your family evaluates the creation of a dedicated family office or the refinement of an existing structure, the process begins with the right foundation:

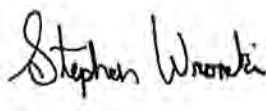
- Defining your vision and needs as a family in a proactive capacity
- Establishing governance for accountability and resources to address sourcing
- Integrating investment and operational functions for scale
- Leveraging the right partners to deliver transparency, efficiency and insight

Whether your priorities include consolidating investment oversight, institutional-level operational support or expanding access to differentiated investments, Morgan Stanley Family Office aims to provide the integrated framework, insight and access to help sustain long-term success: A full-service ecosystem to fuel your vision and goal to create an enduring legacy. And every enduring legacy begins with a vision and is sustained by structure.




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This report explores key elements to building the infrastructure behind a lasting family legacy:

**CATALYSTS FOR STARTING OR
RESTRUCTURING A FAMILY OFFICE**

**FINDING THE RIGHT BALANCE BETWEEN
IN-HOUSE AND OUTSOURCE**

**SCALABILITY THROUGH INSTITUTIONAL
STRATEGIC PARTNERSHIPS**

The Imperative To Scale Efficiently for the Family Offices of the Future

Families looking to form or optimize their family office structures are often challenged to effectively unite resources across financial planning, investment strategy, governance structures, administrative functions and educational initiatives to enhance their lives and legacies. Understandably, operating a successful stand-alone family office presents challenges, particularly in achieving scalability for dependable organization and management of complex wealth.

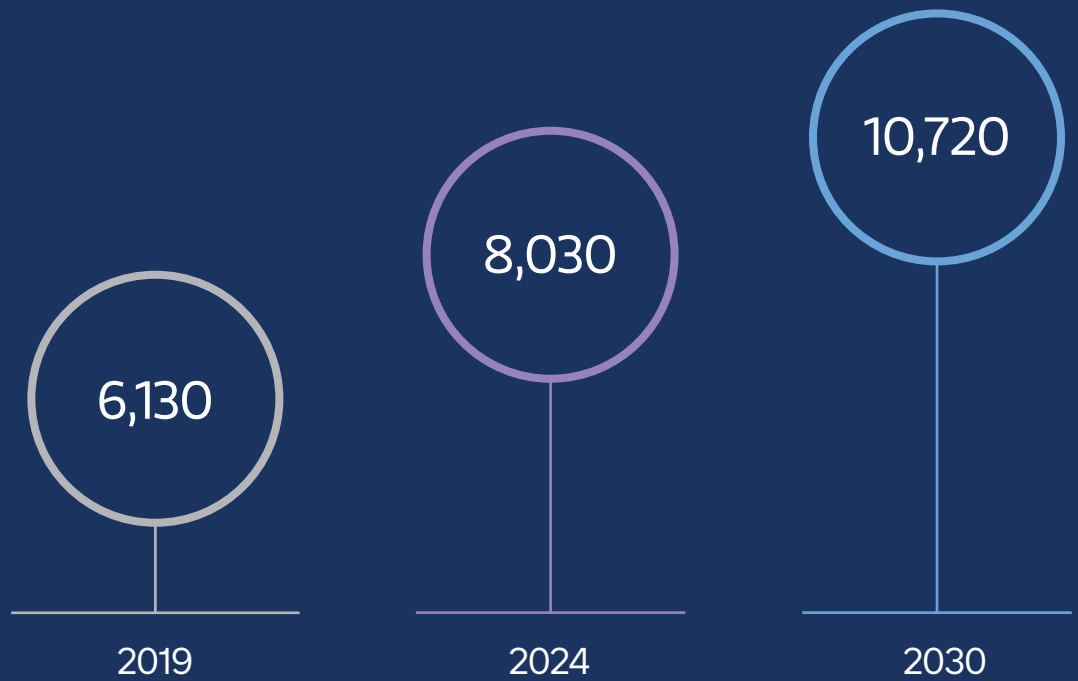
Additionally, entrepreneurial activity and the great wealth transfer—as trillions of dollars shift from baby boomers to the next generations—are expected to drive significant growth in the family office landscape. This evolution is likely to necessitate a reevaluation of optimal staffing and service models as families adapt to changing needs and increasingly complex demands. While each family's circumstances are unique, many share common challenges centered on simplifying their financial lives and preserving their legacy.

¹ Source: *The Wall Street Journal*, "Mike Bezos Aurora Borealis Expansion" (article), <https://www.wsj.com/finance/mike-bezos-aurora-borealis-expansion-15aaa96c>.

² Source: <https://www.deloitte.com/content/dam/assets-shared/docs/services/deloitte-private/2024/2024-defining-the-family-office-landscape-executive-report.pdf>



FAMILY OFFICES WORLDWIDE



The number of family offices has swelled in recent years, a rough reflection of the “most rapid accumulation of riches by the ultrawealthy in the United States since the Gilded Age,” according to the Wall Street Journal.¹ Deloitte estimates that 8,030 single family offices existed worldwide as of 2024, a 31% increase since 2019. Deloitte projects that number will grow to 10,720 by 2030.²

Catalysts for Establishing or Evolving a Family Office

Families often face a range of circumstances, both planned and unexpected, that prompt them to formalize or redesign their family office structure. While these events can create urgency, they also present an opportunity to build a family office that is resilient, scalable and aligned with long-term priorities.

When addressed strategically, such catalysts become opportunities to design or augment a family office's structure to meet evolving needs.



COMMON CATALYSTS INCLUDE:

LIQUIDITY EVENTS AND WEALTH-CREATION MILESTONES

The sale of a business, IPO proceeds or other significant inflows of capital often mark major wealth-creation milestones and can catalyze a more formal approach to governance, investment oversight and administration to help protect and potentially grow new wealth. In many cases, these moments also coincide with a fundamental shift in investment philosophy that can meaningfully reshape a portfolio's purpose, priorities and overall structure, aligning decision-making and implementation with evolving family objectives and a new long-term context.

FAMILY CHANGES AND WEALTH TRANSFER ACROSS GENERATIONS

Life events such as marriages, divorces, births and deaths can shift governance priorities, alter decision-making dynamics and require adjustments to the family office structure. These events are often followed by the movement of significant assets from one family member or generation to the next, raising complex questions about governance, investment philosophy, philanthropic goals, and the roles and responsibilities of family members. They often necessitate formalized processes, succession planning and comprehensive education to prepare future leaders for stewardship.



THE CHANGING LANDSCAPE IN FAMILY OFFICE TALENT

The sudden loss of a CEO, CFO or other key decision-maker in a family office can disrupt operations and expose vulnerabilities. Governance gaps may emerge, reducing direction and decision-making authority. Institutional memory can be lost, undermining continuity and strategic planning. Cybersecurity risk may rise if the individual owned critical controls or oversight. Continuity planning may prove insufficient, causing operational disruption. Robust succession planning, documented processes and resilient governance structures are essential to mitigate risk and enable a seamless transition.

SCALING OPERATIONS AND ACCESSING TALENT AND RESOURCES EFFICIENTLY

As service needs expand or shift rapidly, families may look for institutional-grade investment advisory, administration, consolidated reporting and other specialized capabilities, without taking on the cost and operational complexity of building large internal teams. Technology modernization, such as AI-enabled enhancements, can help drive efficiency and create scalable operating leverage. This ensures that families do not have to manage sophisticated platforms alone, allowing them to focus on value-added functions.

In-House vs. Outsource: Finding the Right Balance

Family offices are increasingly looking for flexible, scalable solutions that can adapt to changing financial conditions and family dynamics. Families and family office staff alike can benefit from strategic partnerships with firms that have already achieved scale and have also built nimble capabilities within their walls to help power the unique pursuits of family offices.

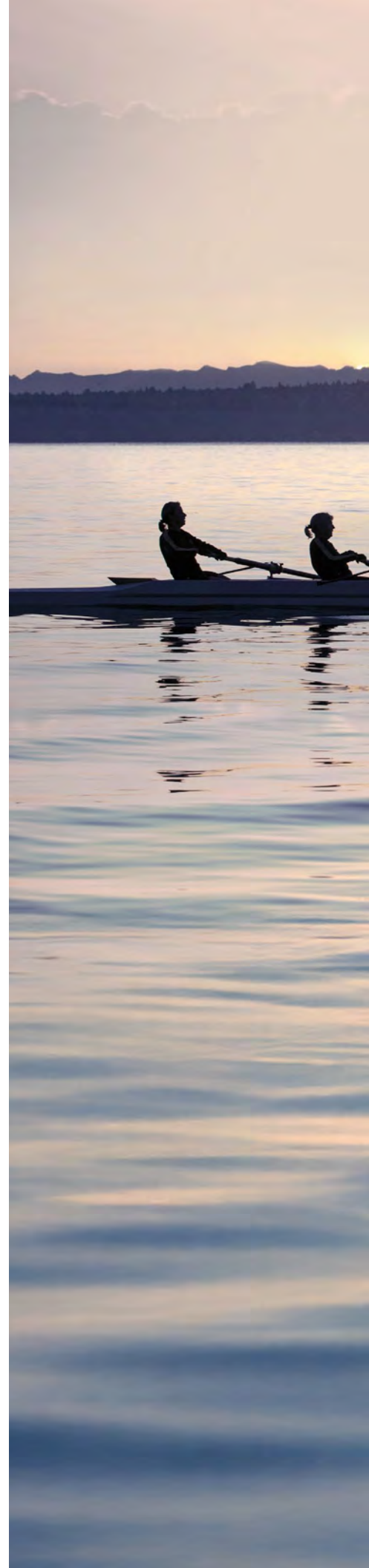
The right balance depends on several factors, including how the family defines the purpose and scope of the organization, the time required for talent management, cost sensitivity, existing access to expertise, the complexity of operational needs, and where they are in their generational planning journey. Building and maintaining certain functions in-house may be the right approach when the organization has the resources, scale and commitment to support these capabilities effectively over the long term.



AUGMENTING SELF SUFFICIENCY WITH INSTITUTIONAL-SCALE CAPABILITIES

Maintaining functions in-house may make sense when a family values self-sufficiency over data and decision-making. Outsourcing may be more effective when the priority is cost-efficiency, operational scale or access to top-tier thought leadership without the burden of managing a large staff. A hybrid model preserves core decision-making in-house while drawing on external specialists to deliver targeted expertise and execution.

³ Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.





KEY FAMILY OFFICE VERTICALS TO CONSIDER

Organization, Workflow
and Governance

Investment
Management
and Advisory

Tax, Trust, Estate and
Philanthropy Planning³

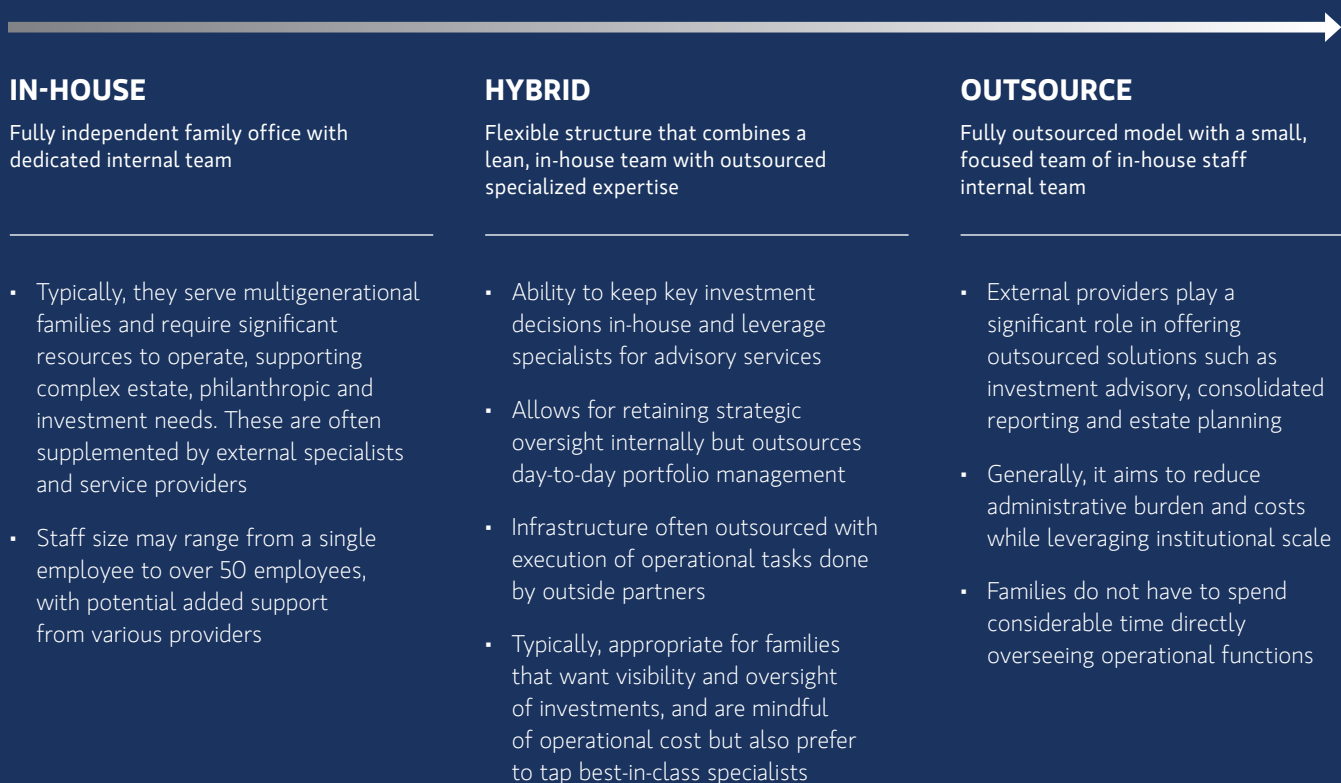
Banking
and Lending

Consolidated Reporting
and Operational
Support Needs

Lifestyle Advisory
and Other
Specialized Services

Understanding the Family Office Operating Model Spectrum

Understanding where the family office sits on the in-house/outsourcing spectrum can help clarify the structure and resources necessary for success. Most family offices fall into one of three broad categories, which differ in terms of staffing, complexity and scope. Each of these models has its own trade-offs in terms of cost, control, complexity and scale.



Comparative Analysis: Model Strengths and Limitations

Understanding the advantages and trade-offs to consider within each family office archetype can greatly enhance structural decision-making. Below is a comparison of in-house versus outsourced models of engagement.

	IN-HOUSE	HYBRID/OUTSOURCE MODEL
STRENGTHS	<ul style="list-style-type: none"> • Maximum independence • Direct oversight of operations and decision-making • Cultivation of in-house expertise, dedicated to the family 	<ul style="list-style-type: none"> • Enhanced privacy • Ability to integrate operating systems (e.g., HR and accounting software) and investment platforms (investment reporting tool) • Cost-effective and scalable • Leverages third-party expertise and infrastructure, inviting a host of perspectives • Flexible model that allows for specialist support to scale with the family's need • Reduces day-to-day management burden • Access to institutional expertise, tools, cybersecurity and best practices • Delegation of burdensome functions
LIMITATIONS	<ul style="list-style-type: none"> • Higher operational costs and management intensity • Ongoing recruitment and retention challenges • Increased key-person risk • Limited scalability • Potential isolation from broader institutional resources 	<ul style="list-style-type: none"> • Reduced proximity to daily operations • Risk of overreliance on external providers



By striking the right balance between the models, we can leverage the strengths of each, delivering an approach that appropriately blends autonomy, customization and institutional support.



THE HYBRID ADVANTAGE: BALANCING EFFICIENCY AND OVERSIGHT

Hybrid models often strike an optimal balance between efficiency and strategic oversight by combining in-house capabilities with outsourced expertise. A balanced approach can allow families to maintain autonomy over their critical priorities while leveraging strategic partnerships for efficiency, specialized expertise, scale and cost-effectiveness.

However, it's important to recognize that no single solution fits all needs and scenarios. Some families may find that a fully outsourced model provides the simplicity and expertise they need without the burden of internal management. Others might prefer a predominantly in-house structure for maximum autonomy or self-sufficiency. Ultimately, the most effective structure is one that aligns with the family's specific goals and values.

Key Benefits of the Hybrid Model

- ✓ Optimized cost structure through selective outsourcing
- ✓ Access to a broader range of tools, platforms and institutional insights
- ✓ Reduced key-person risk as human capital is managed and retained by larger organizations equipped to onboard and offboard accordingly
- ✓ Scalability and flexibility to adapt services as family needs evolve
- ✓ Commitment to technology innovation and AI-driven capabilities through expert collaboration

Exploring Hybrid Family Office Structures

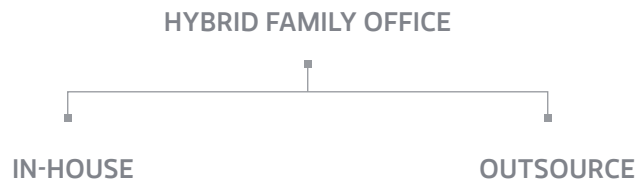
Examining the diverse family office structures is key to understanding how they can be customized to meet the unique needs of each family. The illustrations below are conceptual and designed to visually demonstrate how responsibilities might be allocated in different ways. They can be adapted, scaled or configured based on each family’s preferences and complexity. Two hybrid models are presented: Model 1: In-house investments with selective outsourcing, and Model 2: Investment management and operational functions are both outsourced. Together, these approaches illustrate the potential balance between retaining strategic oversight and leveraging external expertise, and they demonstrate how families can structure operations to enhance both efficiency and effectiveness. These hybrid structures can vary and be adjusted based on family needs.

MODEL 1 – IN-HOUSE INVESTMENTS WITH SELECTIVE OUTSOURCING

Model 1 focuses on a structure where core functions sit in-house while highly specialized needs are outsourced.

BENEFIT

Keeps investment decision-making while optimizing headcount.



Investment Strategy Lead

Cash Flow Planning

Family Governance

Investment Advisory

Consolidated Reporting

Tax Planning⁺

Legal Work⁺

Tech Platforms

Philanthropy⁺

Education

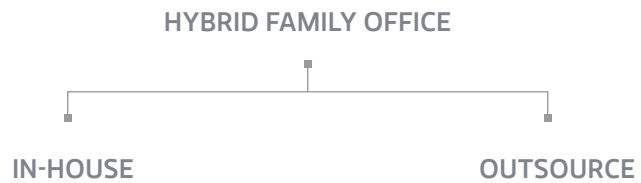


MODEL 2 – STRATEGIC OVERSIGHT WITH OUTSOURCED INVESTMENTS AND OPERATIONS

Model 2 highlights how to streamline a family office with a big focus on outsourcing certain investment functions.

BENEFIT

Provides strategic oversight without operational burden.



Investment Strategy Lead

Family Affairs and Lifestyle Administration

Outsourced Chief Investment Officer (Portfolio Management)

Private Deal Access

Consolidated Reporting

Cash Flow Planning

Legal Work[†]

Tax Planning[†]

* For illustration purposes only.

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Amplifying Scalability Through Institutional Collaboration

Achieving scale is an essential part of optimizing family office structures. Scale goes beyond mere cost reduction; it enables the enhancement of organizational competencies, the improvement of decision-making processes and the liberation of resources. Institutional strategic partnerships can be instrumental in unlocking scalable potential by providing access to infrastructure and expertise that would be impractical or prohibitively expensive to develop internally.

Independent Family Offices often face scalability limits due to constrained access to specialized expertise. By engaging external partners, they may enhance efficiency, strengthen governance, increase purchasing power and operate with a more strategic, deliberate focus.

Select key areas where scale generates value:

Investment Advisory: portfolio construction, investment sourcing, due diligence, cash flow pacing

Administrative Efficiency: cash flow management, consolidated reporting, record-keeping, document aggregation and retention

Continuity Planning: reduced key-person risk, consistent institutional memory

Technology and Cybersecurity: secure platforms, compliance oversight, best-in-class technology maintained by a provider at scale

Access: Connections to a peer network and a strategic partner with a strong pulse in industry developments, enabling idea sharing and the exchange of best practices



⁵ 2025 Single Family Office Compensation Report by Morgan Stanley.



UNDERSTANDING THE COST OF SCALE

Operating a family office can require meaningful scale and ongoing investment. Total operating expenses, particularly compensation, may represent a significant percentage of assets under management (AUM) for many family offices. According to the data from the 2025 Morgan Stanley Single Family Office Compensation Report, 89% of investment-focused firms reported total operating costs up to 1.9% of AUM, including 53% reporting total operating costs under 1% of AUM. Similarly, 95% of these firms reported compensation costs up to 1.9% of AUM, with 55% reporting compensation costs under 0.5% of AUM.⁵ These costs are influenced by the size of the assets and the complexity of the services provided. The true cost of scale should be a consideration when structuring a family office, which includes the staff and infrastructure needed to support institutional-quality capabilities.

Additionally, families may benefit from collective insights drawn from an institutional partner's experience in serving multiple clients across diverse life stages and governance models.

A knowledgeable partner can also provide strategic guidance on foundational decisions regarding entity formation, governance frameworks, staffing models, operational design and other choices that may fundamentally shape the long-term efficacy of the family office.

Families with robust in-house capabilities could benefit from institutional strategic partnerships by filling strategic gaps and leveraging more advanced tools. Scale is not necessarily only about doing more; it is about enhancing existing competencies through less operational friction and, ideally, fewer costs incurred as the family benefits from economies of scale (e.g., licensing fees).

KEY QUESTIONS TO GUIDE FAMILY OFFICE DESIGN

Designing the right family office begins with an honest assessment of the family's unique circumstances. Key factors such as family size, desired level of control, portfolio complexity and other considerations shape the optimal structure. The questions below are intended to help families reflect on these variables and clarify what they would need from their ideal family office model

ARCHETYPE SELECTION

YES NO

Have you identified the family office archetype that best fits your needs (e.g., in-house, hybrid, outsource)?

Does the chosen model align with your long-term goals and the complexity of your family's needs?

Are you prepared to evolve your archetype over time as those needs change?

WEALTH TRANSFER: EDUCATION AND GOVERNANCE

Are you in need of tailored financial education to prepare the next generation? Do you have a preference on how closely family members work with/in the family office?

Do family members understand their stewardship responsibilities and decision-making roles?

Have you established a clear family governance framework?

Are there defined processes in place for conflict resolution, voting and succession planning?

Do you hold regular family meetings to promote transparency, education and alignment?

Is philanthropy a priority, and could a partner help professionalize your giving strategy and execution?

OPERATING MODEL**YES** **NO**

Have you clearly defined which functions should remain in-house versus those best outsourced to third-party providers?

Are you aware of the costs and risks involved in building a fully in-house team?

Does a hybrid model offer the right balance of control, efficiency and access to expertise for your family? Do you have a preference on how responsibilities are divided?

Do you have contingency plans in place if key personnel leave the family office?

 STAFFING ASSESSMENT

Have you defined the critical roles needed (e.g., CIO, CFO, COO, legal, operations) given the answers to the above generational considerations?

Do you have a plan for recruiting, compensating and retaining top talent?

Have you benchmarked staffing costs relative to your assets and complexity?

Do you have dedicated staff who will be responsible for managing the third-party relationships?

Are you set up to manage succession planning for family office leadership and staff?

Crafting an Ecosystem Identifying the Right Partner

Families should identify and work with a family office partner that supports growth and navigates complexity in such a way that will enable the family to realize long-term strategic objectives and cultivate enduring legacies. Whether managing succession events, integrating new family branches or diversifying into alternative asset classes, the right organization provides institutional-grade support and helps alleviate the burden of internal administrative and infrastructure development.

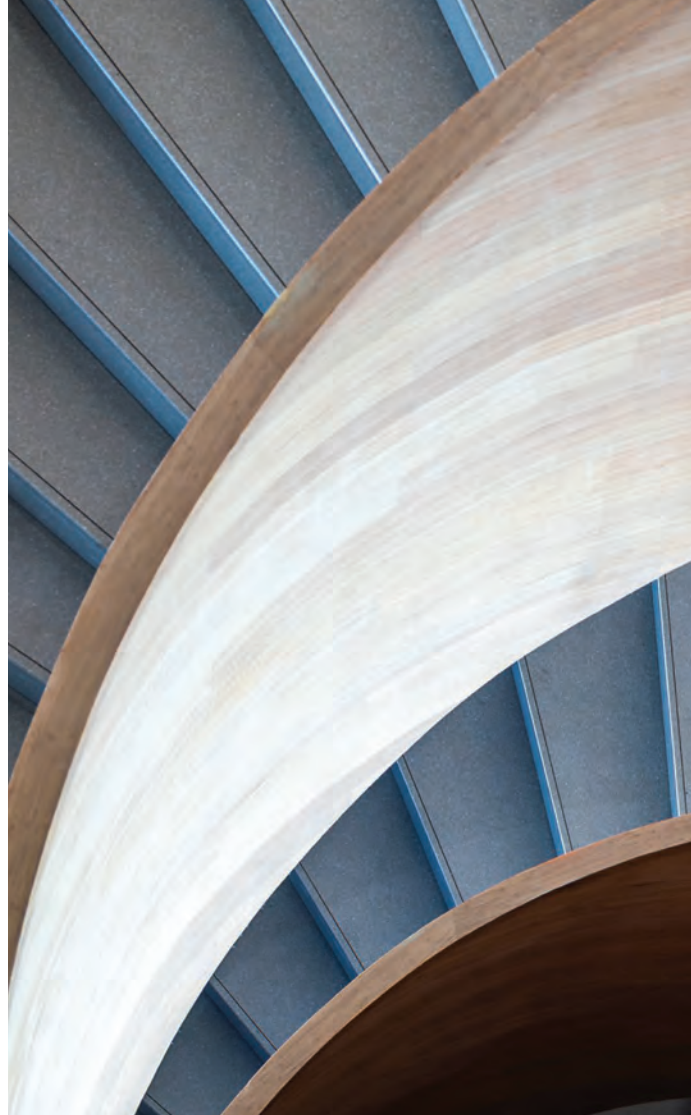
A STRONG PARTNER HAS AN IDENTIFIABLE SET OF CAPABILITIES THAT ENABLE IT TO OFFER DIRECT, STRATEGIC SUPPORT TO FACILITATE EACH FAMILY'S VISION:

ADAPTIVE ENGAGEMENT MODELS

A flexible approach that accommodates families at various stages of their family office journey, with service offerings that typically include:

- Fully outsourced family office solutions
- Hybrid arrangements complementing select in-house capabilities
- Supplementary services for institutional family offices seeking operational enhancement

This adaptability allows families to maintain autonomy in desired areas while leveraging their partners' expertise where needed.



COMPREHENSIVE INVESTMENT CAPABILITIES

An extensive investment platform that encompasses:

- Public and private market opportunities
- Direct and co-investment options
- Discretionary and advisory mandates
- Customized portfolio construction services
- Cash flow pacing and forecasting

Capabilities often include investment technology and advanced analytics that enable families to thoughtfully evaluate sophisticated portfolios, optimize outcomes, assess exposures and plan strategically for liquidity events.



STATE-OF-THE-ART OPERATIONAL INFRASTRUCTURE

Secure, cutting-edge technology solutions for:

- Data aggregation and analysis
- Capital call management
- Efficient money movement
- Comprehensive reporting
- Secure document storage and sharing

Platforms should be designed to address the complexities of multi entity structures and intergenerational wealth management.

SPECIALIZED ADVISORY SERVICES

Offerings that go beyond investment and operational support:

- Strategic tax planning and compliance⁶
- Trust and estate planning⁶
- Entity structuring guidance
- Multigenerational wealth education programs
- Philanthropic consulting, including foundation management⁶
- Lifestyle support services, including health advisory and concierge solutions

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Prepare Your Family Office for What Comes Next

Morgan Stanley Family Office, a dedicated division within Morgan Stanley Private Wealth Management, is tailored to meet the unique needs of some of the world's most significant and sophisticated families. Our focus is providing institutional-level support that leverages the scale and expertise of Morgan Stanley to help deliver specialized investment services and comprehensive operational capabilities to support an enduring family legacy.



To better understand potential approaches for positioning your family office amid evolving trends shaping the future of multigenerational wealth, please contact your Morgan Stanley Financial Advisor or visit www.morganstanley.com/msfo.

