Private Enterprise

The 2023 Family Office compensation benchmark report: UAE findings

KPMG Lower Gulf

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Contents

Foreword

Family-owned businesses play a vital role in the economy, contributing over 60% of the GDP in many regions. Their significance in driving economic growth cannot be overstated. In recent years, there has been a notable increase in the establishment of Family Offices, driven by families' desire for comprehensive wealth management, access to investment opportunities, privacy, family governance, succession planning, and philanthropic aspirations.

The UAE has experienced a rise in the establishment of new Family Offices, attracting wealthy families from around the world who recognize the opportunities available in the region. The UAE's appeal as a destination for Family Offices stems from its combination of tax advantages, strategic location, robust financial services sector, and high-quality lifestyle amenities. The pro-business environment and supportive infrastructure further enhance its attractiveness for wealth management and investment purposes.

In 2021, financial wealth in the UAE grew by 20%; approximately 41% was generated by ultra-high-net-worth individuals and Family Offices, forecast to increase to 46% by 2026. It is estimated that the UAE's financial wealth will continue to grow at a compounded annual rate of 6.7% and reach USD 1 trillion by 2026.

The regulatory framework in the UAE has been a significant driver in attracting Family Offices to set up in the country. The government has implemented supportive initiatives, including investor-friendly policies and streamlined business setup processes, fostering a conducive environment for Family Offices. The UAE's commitment to aligning its regulatory framework with international standards and best practices further strengthens its credibility and reputation.

Considering these factors, it is evident that the UAE is emerging as a hotbed for Family Offices, with a conducive business environment, attractive regulatory landscape, and a wide range of opportunities for families seeking to establish and grow their wealth in the region.

The UAE's appeal as a destination for Family Offices stems from its combination of tax advantages, strategic location, robust financial services sector, and high-quality lifestyle amenities.

Raajeev Batra
Partner I Head of
Private Enterprise
KPMG Lower Gulf

Paul Westall
Co-Founder of Agreus

Tayyab Mohamed
Co-Founder of Agreus

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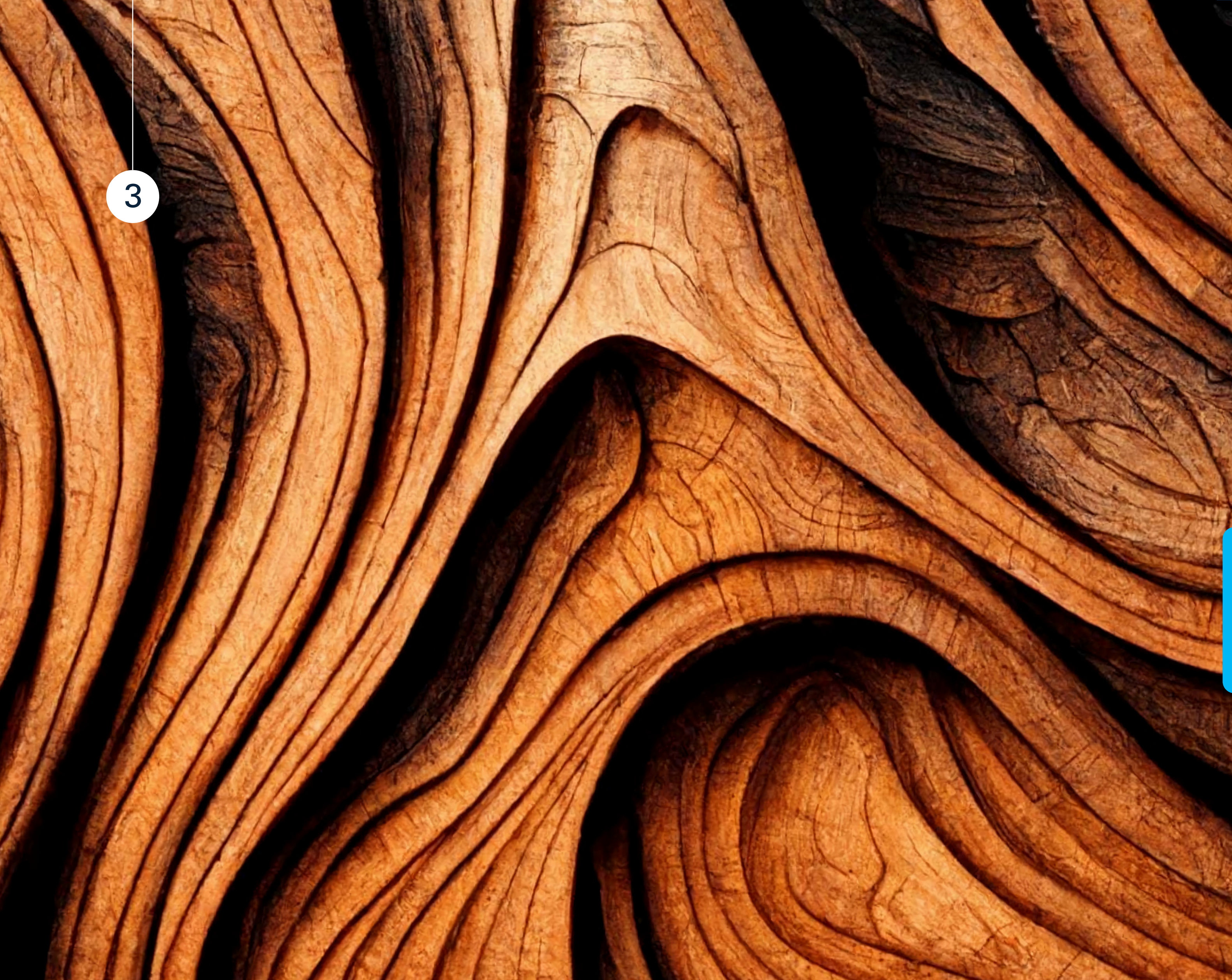

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Key findings and post-pandemic changes

2022 was all about recovery, retention, and regulation with an objective of building up and giving back. Family Offices began to turn their attention away from the effects of macroeconomic factors and instead looked to review the affairs of the families they serve and put structures and relevant planning in place to protect their wealth in light of potential legislative changes and reputation management.

While Family Offices began to think about compensating their staff for the long term, the huge strain on talent that we witnessed in 2022 means that Family Offices will standardize their compensation, embed long term incentive structures and professionalize their entire approach to recruitment.

To address this issue, UHNW Families are increasingly introducing employee participation schemes like profit sharing, rise in B corps and interest in employee ownership trusts, whereas on the personal side Family Offices are devising professional compensation structures that incentivize excellence and ensure longevity in their new hires. This will see the likes of carried interest, co-investment opportunities and long-term performance bonuses rise in popularity and for the first time, they will not just be offered to C-suite Family Office professionals but instead, anyone deemed critical.

On a global scale, while the world still lives with the effects of external factors such as the pandemic, Brexit and conflict overseas, Family Offices have become accustomed to operating in times of uncertainty and are quite uniformed in their approach. Plan B contingency strategies have become commonplace and so whatever 2023 and beyond throws at Family Offices, they should be able to handle it as they have done before. In KPMG firms' experience, Family Offices tend to pause, reflect, and then take action.

While the coming years could see the introduction of yet another new and exciting asset class, many Family Offices will look to diversify away from risky areas and invest in traditional, safe arenas where track records have already been achieved.

Diversifying does not always mean investing heavily in the likes of cryptocurrency but rather, decentralizing risk by spreading investments across multiple areas with precedents of high return. Crypto like many 'new' asset classes may well continue to play a very small role in Family Office portfolios but it is envisioned this shall fall into the category of fun — a small percentage for Principals to play with either for passion or simple curiosity.

Speaking of recession again and while uncertainty is still in the air, it could be argued that 2023 offers a glimmer of certainty and that is thanks to the knowledge that a recession is likely. The International Monetary Fund[1] had forecast a third of the world's economy to be hit by a recession in 2023 with the US, China and Europe all experiencing a weakening of activity. While the aftershock is yet to be experienced, Family Offices can plan for that outcome and invest cautiously with the aim of ensuring every downfall is considered an opportunity. The Private Equity (PE) space will be a particularly interesting watch as following a decline during COVID-19 and a V-shaped recovery soon after making it the most popular asset class of choice, it is now thought that PE may well benefit from a market correction. Like any other investment decision, Family Offices should approach the rest of 2023 with an educated outlook and that's something only attained by well-structured and highly capable teams.

As a result, several hundred pandemic-billionaires were crowned and countries and territories around the world began to see the potential of hosting these ultra-wealthy and professionalized families. This has led to more and more 'Family Office hubs' being added to the list, with each offering something slightly unique to the families they wished to serve.

It is KPMG and Agreus' view that many Family Offices will not only treat 2023 as an opportunity to completely re-strategize but rather, do things right. By professionalizing family wealth, embedding long-term compensation benchmarks, retaining the right talent, and decentralizing risk, Family Offices can thrive in yet another era of uncertainty.

Finally, the pandemic put Family Offices on a platform. Family Offices showed themselves to be the single-most fluid group of investors and served as the backbone of the global economy. Some Family Offices invested in 'start-ups' to speed up the world's recovery to the virus and very much kept the world running while much of it was forced to stop.

[1] International Monetary Fund, "*World Economic Outlook*", January 30, 2023.

4 United Arab Emirates

UAE results

Key findings

100%

of surveyed CEOs in the UAE were:

- male
- aged between 40 and 44
- from a banking background
- university educated
  had a master's degree
- earning between USD 330,001 – 396,000
- also able to earn between 11% and 20% of their salary as an additional bonus

Please note that the data may appear misleading as the sample size was 35. This may not necessarily be representative of all Family Office professionals in the UAE, and is indicative only of the survey respondents. Some numerical data in the following pages may total 99% or 101% due to rounding differences.

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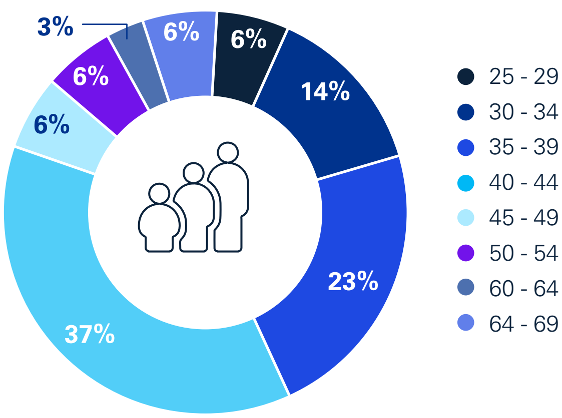
Gender

86% of **all surveyed Family Office professionals** in the UAE are male

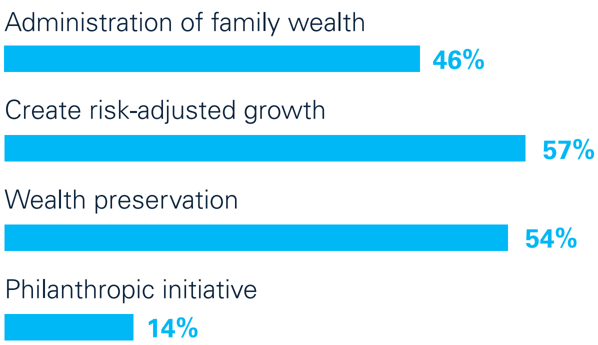
3% chose not to disclose gender

11% were female

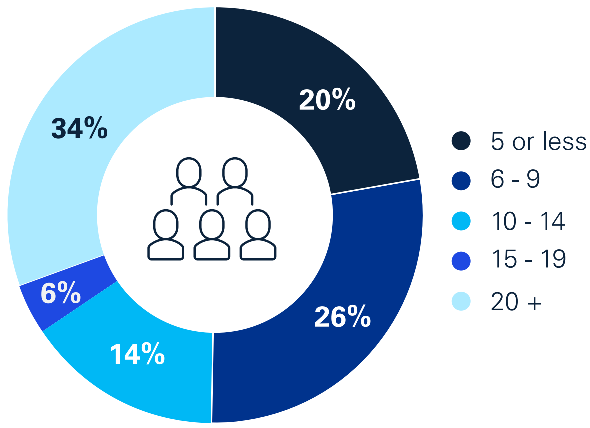
Age



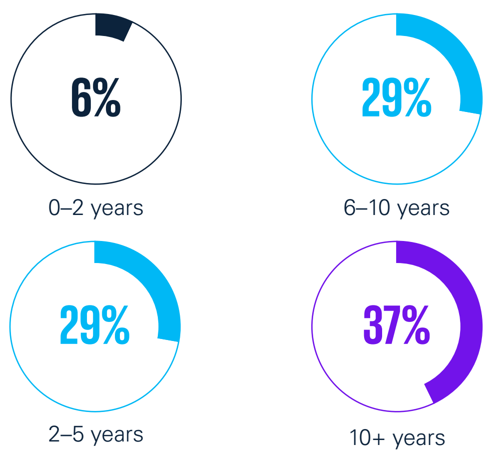
Purpose of the Family Office



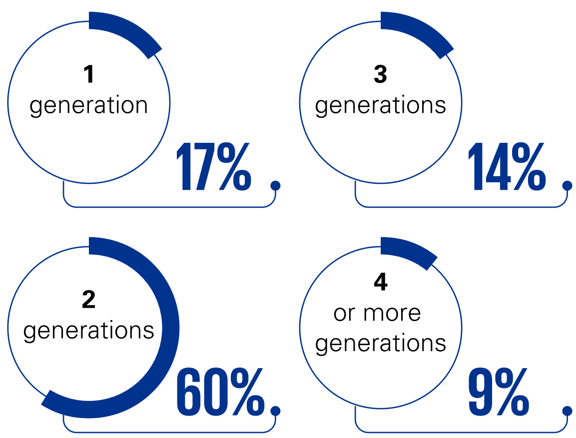
Number of employees



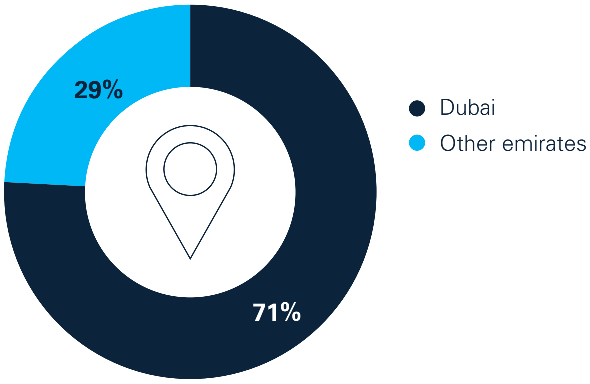
Years in operation



Generations of wealth being managed



Locations



31% of UAE-based Family Offices also have at least one other Family Office location

17% In Europe

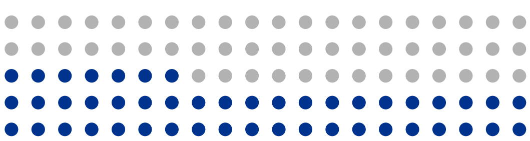
14% In Asia

3% In South America

14% Elsewhere in the Middle East

3% In North or Central America

47% of Family Offices in the UAE have a succession plan in place



27% of C-suite Family Office leaders in the UAE are targeting cutting costs

AUM

7% Below USD250M

7% USD500M–1BN

20% USD2BN-5BN

53% USD250M–500M

7% USD1BN–2BN

7% USD5BN+

Role of the Ultimate Beneficial Owner

Oversees from the Board
27%

CEO
7%

Chairperson
13%

No active involvement
7%

Oversees from the Investment Committee
47%

It most commonly costs

0.6%–1.0%

of AUM to run a Family Office in the UAE

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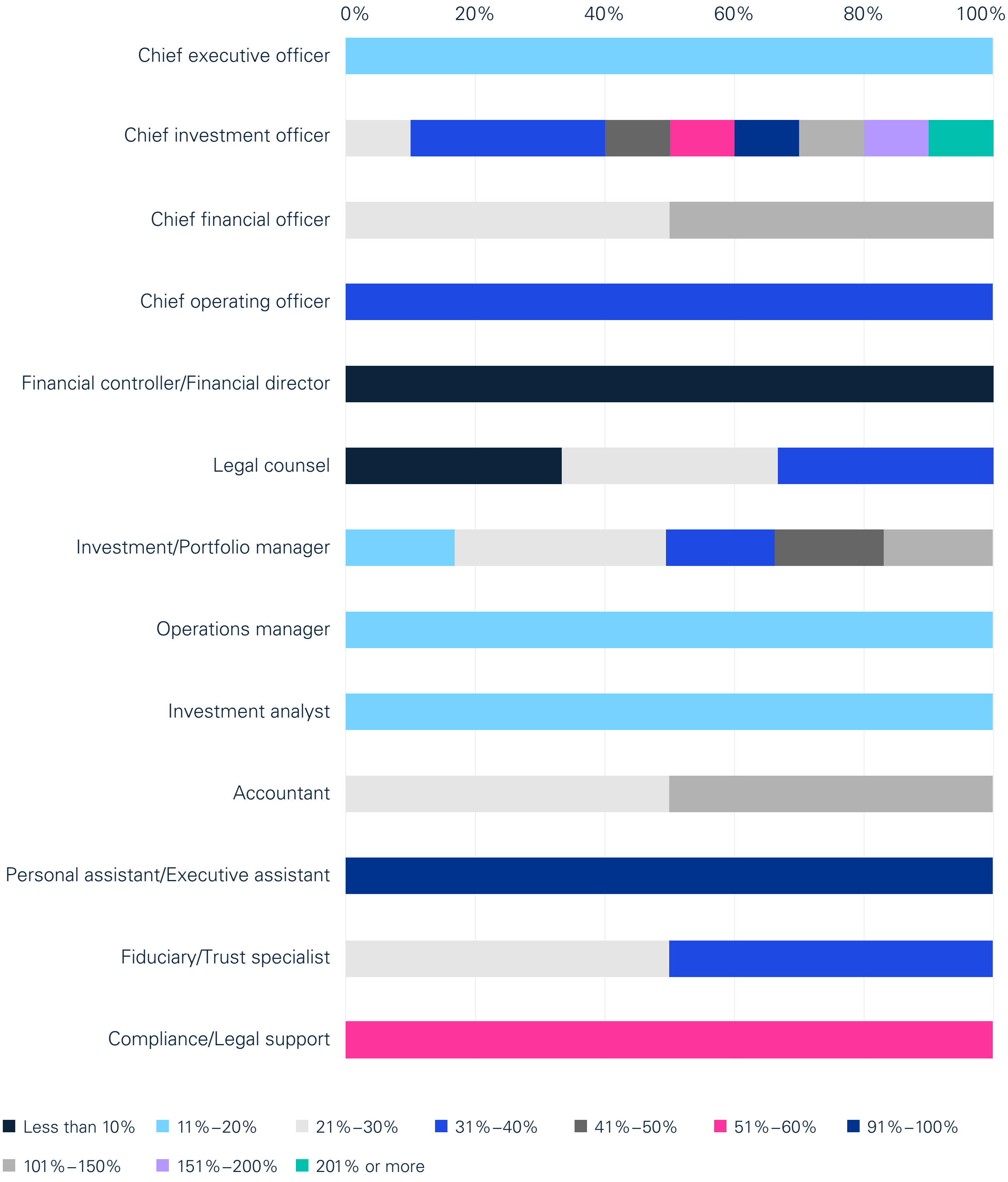
Salary


Role
>$60,000
$60,000
$72,000
$85,000
$99,000
$132,000
$158,000
$198,000
$264,000
$330,000
$396,000
$500,000
Accountant
Chief Executive Officer
Chief Financial Officer
Chief Investment Officer
Chief Operating Officer
Compliance and Legal Support
Fiduciary/Trust Specialist
Investment Analyst
Investment/Portfolio Manager
Legal Counsel
Operations Manager
PA/EA

Percentage of annual salary awarded as bonus



Bonus information

69% of Family Office professionals in the UAE said their salary was reviewed annually

23% reviewed periodically

9% not regularly reviewed

94% receive a performance bonus

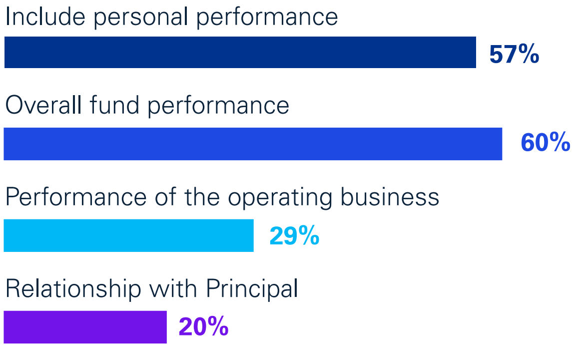
6% do not

Of those who do:

89% of UAE-based Family Office professionals only receive a discretionary bonus

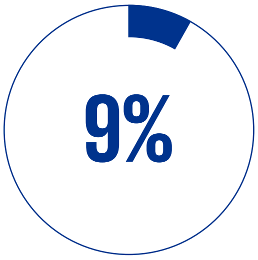
11% receive both a formulaic and discretionary bonus

Drivers of bonus

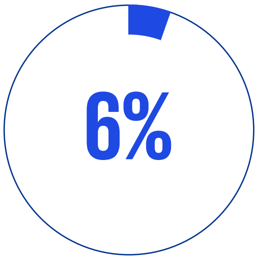


LTIPs

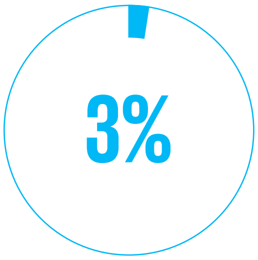
26% of Family Office professionals in the UAE are offered a Long-Term Incentive Plan (LTIP) of which



are offered carried interest



are offered co-investing opportunities

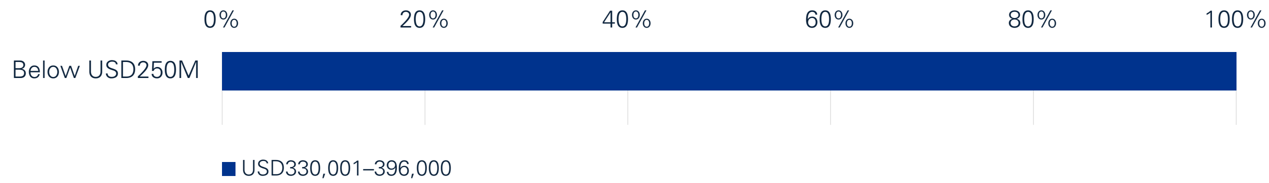


are offered stock options

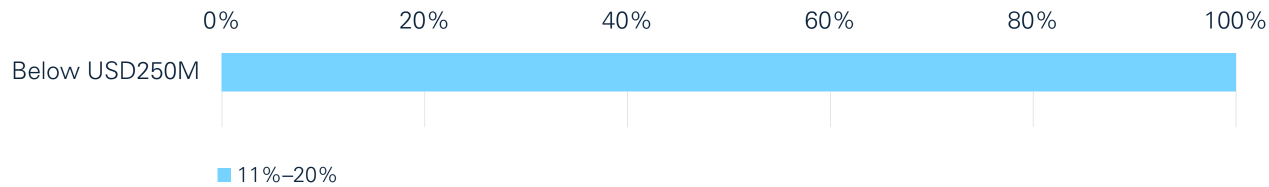
Other responses included phantom equity, bonus payments as per performance in assets, length of service gratuity, and deferred compensation

CEO compensation against AUM

Basic salary

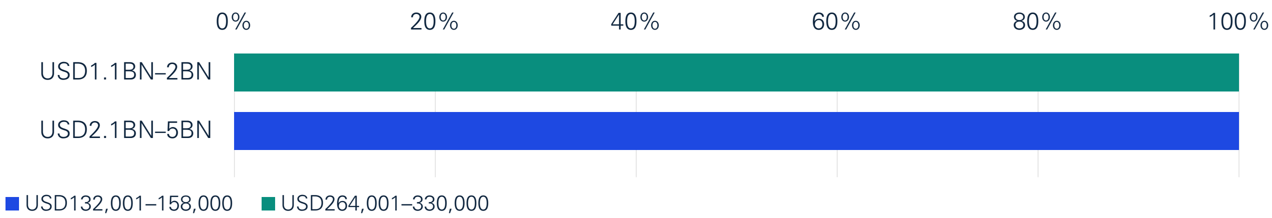


% of salary awarded as bonus

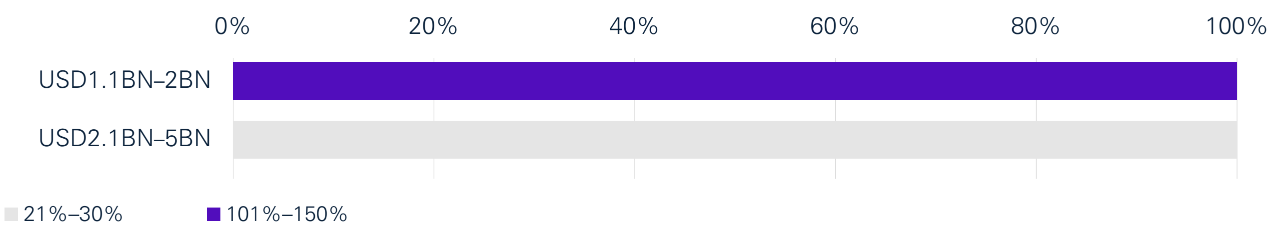


CFO compensation against AUM

Basic salary

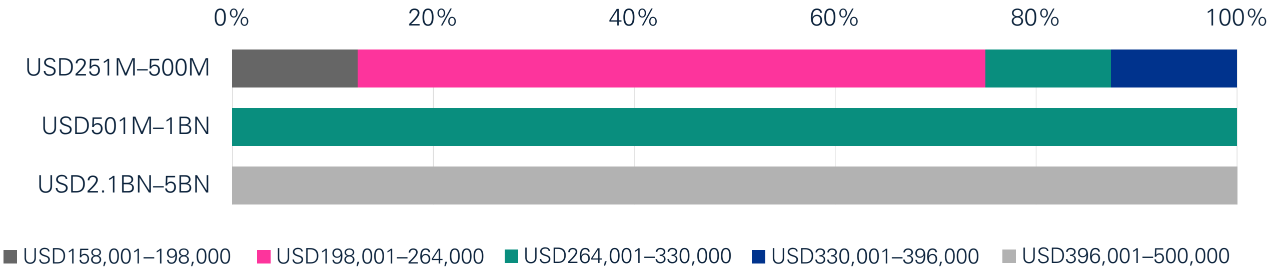


% of salary awarded as bonus

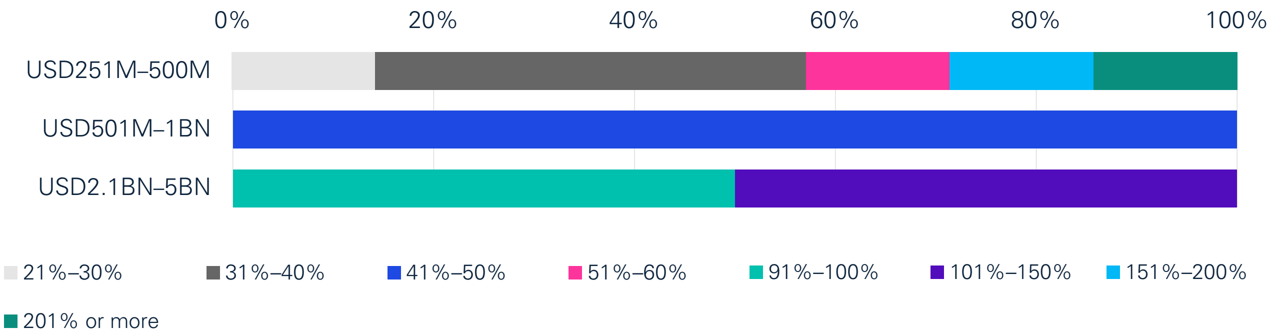


CIO compensation against AUM

Basic salary

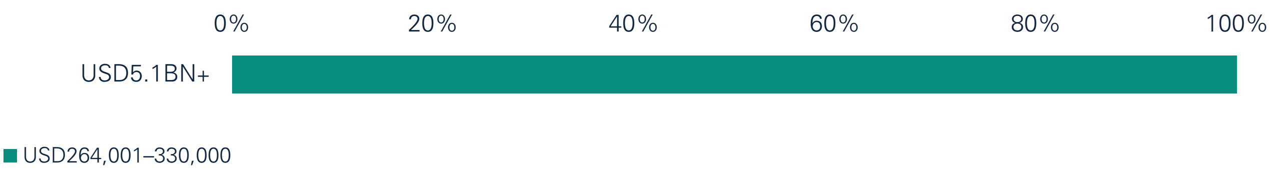


% of salary awarded as bonus

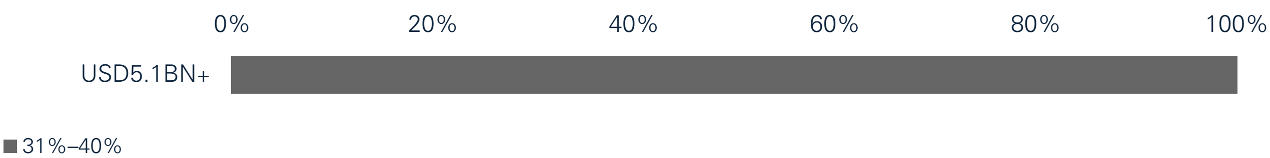


COO compensation against AUM

Basic salary



% of salary awarded as bonus



Benefits

Are offered private healthcare 69%

Are offered flights home 54%

Are offered life insurance 43%

Are offered a travel allowance 29%

Are offered a pension 17%

Are offered accommodation 20%

Are offered a company car 14%

Are offered a gym membership 9%

Other policies in place

Have a maternity policy in place 66%

Have a paternity policy in place 46%

Offer educational leave 34%

Offer a vacation buy-out scheme 6%

Offer sabbatical leave 9%

Offer stress leave 3%

31%

Family Office professionals in the UAE most commonly receive 25 days of annual leave

54%

of Family Office professionals received an uplift in their salary in 2022

The most common uplift received by **42%** of these professionals was over **15%** of annual salary

Drivers behind uplift

Personal performance 59%

Market data 18%

Inflation 12%

Cost of living 6%

Overall business performance 6%

Family Office professionals in the UAE are allowed to work remotely part-time 57%

Work remotely full-time 6%

83%

Family Office professionals in the UAE believe they perform a hybrid role

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Family offices in the UAE have emerged as dynamic and influential entities within the global financial landscape. The UAE's strategic geographical location, favorable regulatory environment, and robust economy have attracted both local and international families to establish their Family Offices in the region. In recent years, the UAE has witnessed a proliferation of Family Offices, drawn by the allure of its cosmopolitan cities, state-of-the-art infrastructure, and access to diverse investment opportunities. Dubai and Abu Dhabi, in particular, have become focal points for this trend, hosting a growing number of single-family and multi-Family Offices. As hubs of global trade, these cities offer a compelling ecosystem for Family Offices to connect with international markets, foster innovation, and engage in cross-border ventures. Moreover, the UAE's commitment to fostering a business-friendly environment, coupled with its efforts to diversify its economy beyond oil, has attracted significant foreign investment and expertise. This, in turn, has contributed to the growth of Family Offices, as both local and foreign entrepreneurs seek to leverage the UAE's potential for wealth creation and preservation. As these Family Offices continue to evolve and shape the financial landscape of the UAE, their influence is poised to extend far beyond the borders of the region, shaping global economic dynamics and investment strategies. ”

Raajeev Batra
Partner I Private Enterprise
KPMG Lower Gulf

"The 2022 drawdown has reminded many investors about how correlated many of the traditional asset classes can be and the importance of running a structured investment program with strong downside protection built in. The last decade's of low interest rate environment has resulted in many Family Offices rushing into more growth style equity risk portfolios (heavy exposure to tech both in private and public markets) and I feel that 2023 will start the shift in Family Offices looking for more uncorrelated strategies and portfolios with strong downside protection. I will also add that historically it was not uncommon for many Family Offices to focus more heavily on investments and less on having a robust sophisticated operational infrastructure but this trend has started to change as Family Offices with poor liquidity and risk management struggled during the recent banking crisis.

It is important to keep in mind that there is no uniform investment approach amongst the Family Offices (for the right reasons!) with some opting for the direct investment approach in underlying companies operating in sectors which the families are familiar with and others opting for the "endowment model" of investing in fund managers for the long term. Regardless of the approach adopted, the long-term nature of Family Office capital is a critical differentiating factor for the recipient. That said, Family Offices had to compete against other capital pools in the last decade for access to capacity constrained fund managers and investment opportunities. These capital pools may start retreating either partially or completely which offers another attractive opportunity for long-term-focused Family Offices to deploy capital."

Vignesh Vijayakumar
COO — Miras Management, Single Family Office, Dubai

Insight from Agreus

The United Arab Emirates (UAE) has built its name for being a safe haven for ultra-high-net-worth individuals and families in recent years. With the introduction of favorable regulatory frameworks and policies, the country is set to be the next Family Office hub.

The UAE is actively positioning itself as an ideal destination for Family Offices. The country has been implementing favorable tax policies to lure Family Offices. With no estate and inheritance taxes in place, the UAE is a tax-efficient location for wealth management. The country is strategically located between Europe, Asia and Africa, and has a thriving financial ecosystem that allows Family Offices to have access to a wide range of investment opportunities including popular asset classes such as private equity and real estate. The UAE also offers a wide range of services catered towards Family Offices including wealth management, tax, and legal services. According to a recent report[1], the UAE is expecting an inflow of 4500 millionaires in 2023 alone. A significant number are Indian Family Offices that are attracted by the relaxation of business ownership rules and residency options. The UAE is growing in prominence in the Family Office landscape and is set to be another Global Family Office hub. Among the emirates, Dubai and Abu Dhabi are major drivers of the growth of the Family Office industry in the country.

Dubai, the second largest emirate of the country, is no stranger to the ultra-rich world. The city is home to many ultra-high-net-worth individuals and families. Dubai International Financial Centre (DIFC) is a special economic zone in Dubai that is widely recognized for being a leading financial hub for private wealth. The city has taken multiple measures to further enhance its appeal to Family Offices. DIFC has recently introduced Family Arrangements Regulations that allow Family Offices in the UAE to operate without registering with the Dubai Financial Services Authority as a 'designated non-financial business or profession'. As a result, Family Offices in the region will no longer be required to disclose the name of the common ancestor, source of wealth and amount of equity. The legal system of DIFC is based on English common law, making it familiar and easy to navigate for many overseas investors.

Abu Dhabi Global Market (ADGM) is one of the world's largest financial districts. Located in Abu Dhabi, the capital of the UAE, The ADGM offers a tailored approach to Family Offices and a well-established investment ecosystem with numerous big hedge funds, venture capital firms and crypto companies.

We are also seeing top Asian Family Offices forging closer ties with the Middle East, especially the UAE. The increased collaboration between two regional Family Office hubs will provide immense opportunities for Family Offices in both regions to prosper. The UAE is poised to become a leading jurisdiction for Family Offices in the years to come. A surge in demand for top Family Office talent in the Middle Eastern region is anticipated.

1 https://www.henleyglobal.com/publications/henley-private-wealth-migration-report-2023

Guest opinion

The UAE Family Office landscape: opportunities and evolution

The Middle East, and the UAE in particular, has witnessed a transformative shift in its Family Office landscape.

Historically, Family Offices in the Middle East echoed the essence of traditional family businesses, deeply rooted in legacy and age-old practices. As times changed, so did the modus operandi of these institutions. Today, Family Offices are no longer limited to the confines of conventional business models. They have expanded their horizons, intertwining age-old heritage with modern strategic initiatives, philanthropic ventures, and a diversified global investment approach.

The transformation isn't exclusive to local families; the allure of the Middle East, and especially the UAE, has drawn many international families. They view the region as a home where they can anchor their multi-generational legacies. The UAE, recognizing and nurturing this shift, is not just passively observing the change. It is proactively adopting a multi-dimensional role in the world of Family Offices, considering asset management, advisory roles, and fintech integration.

> The transformation of the UAE into a premier destination for Family Offices is no mere coincidence. It is the outcome of visionary leadership, strategic positioning, and an unwavering commitment to innovation and growth.

Opportunities for Family Offices and enterprises

The UAE offers a strategic geographical location, acting as a bridge between the East and West, which appeals to globally-minded Family Offices. The region boasts a robust financial infrastructure, including world-class banking facilities, investment opportunities, and a business-friendly regulatory environment.

With its focus on innovation and technological advancement, the UAE presents opportunities beyond traditional investments – in sectors like green energy, AI, and biotech.

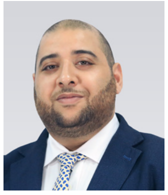
Benefits of making the UAE home

Tax incentives: Favourable tax regimes, including zero taxes on personal and capital incomes, enhance the appeal for Family Offices.

Confidentiality: The UAE respects the privacy of its investors, a significant draw for families keen on discretion.

Connectivity: Its position as a global transport hub ensures easy access to global markets.

Cultural harmony: A melting pot of cultures, the UAE fosters an environment conducive for international families while maintaining its rich heritage.



Adam Ladjadj
Founder and Chairman of the Emirates Family Office Association

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Survey methodology

625 Family Office professionals, including 35 from the UAE, partook in an online survey. They ranged from personal assistants to principals. We also conducted qualitative interviews with industry leaders, in each continent. The results from both the online survey and the qualitative interviews are represented in this benchmark report.

About Agreus

Agreus Group is a full-service resources and recruitment consultancy dedicated to working exclusively with Family Offices throughout the world. We offer a bespoke and tailored service which unlike others isn't focused on specialism or industry but rather, tailored to each Family Office. We specialise in placing entry-level through to executive-level professionals within Investments, Legal, Accountancy and Finance and Operational roles. Our sole purpose is to find an effective solution to the people-problems faced by Family Offices globally and since founding more than a 13 years ago, we have become an established presence in the United Kingdom, Europe, United States of America, Asia Pacific and Middle East. Our experience has given us unique access to primary data and intelligence within the Family Office space and enabled us to be an authoritative voice as a Family Office thought leader.

www.agreusgroup.com

About KPMG Family Office & Private Client practice

The KPMG Private Enterprise Family Office and Private Client Network's professionals understand that not every family and private entity is the same. We provide bespoke support customized to the needs of you and your families. We advise on the establishment and operation of Family Offices with a focus on growth while helping to preserve your energy. We assist individuals, families and Family Offices operating in all sectors, irrespective as to how their wealth and success has accumulated.

Visit: kpmg.com/familyoffice

About KPMG Lower Gulf

For about 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman. We work alongside our clients by building trust, mitigating risks and identifying business opportunities.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 236,000 professionals in over 144 countries. KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise, providing the sector and specialist skills required by our clients.

KPMG is widely represented in the Middle East: along with offices in the UAE and Oman, the firm operates in Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan, the Lebanon, Palestine and Iraq. Established in 1973, the Lower Gulf firm now employs approximately 1,780 people, including about 190 partners and directors across the UAE and Oman.

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. Our values are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change.

Our KPMG IMPACT initiative aims to help clients future-proof their businesses amid times of increasing focus towards issues such as climate change and social inequality. The goal is to help them achieve success across 17 major Sustainable Development Goals (SDGs) and become more resilient and socially conscious.

Fifty years since its founding, the UAE has evolved into a hub of dynamism, an economic heavyweight and a symbol of perseverance. As the nation recently marked its golden jubilee, KPMG Lower Gulf is proud to celebrate its 50th anniversary in the UAE this year. Our three pillars – exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams – are the foundation of our firm. Over the coming decades, we commit to lending our support to the UAE's journey as it goes from strength to strength: together, for better.

https://kpmg.com/ae/en/home.html

Contact us:

KPMG

Raajeev Batra
Partner I Head of Private Enterprise
KPMG Lower Gulf
e: raajeevbatra@kpmg.com

Firas Haddad
Partner I Governance, Risk and Compliance Services
KPMG Lower Gulf
e: fhaddad@kpmg.com

Aqeel Al Lawati
Partner I Advisory
KPMG Lower Gulf
e: aqeelallawati@kpmg.com

Agreus

Paul Westall
Co-Founder of Agreus
e: paulw@agreusgroup.com

Tayyab Mohamed
Co-Founder of Agreus
e: tayyabm@agreusgroup.com

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