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Australian Family Office Compensation Benchmark Report 2023



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Foreword



ROBYN LANGSFORD

Global Leader KPMG Private Enterprise Family Business Partner in Charge, Family Business and Private Clients KPMG Australia

How much we earn is traditionally a taboo subject. As individuals, we're typically reticent to make public how much we are paid. Instead, setting competitive compensation and remuneration arrangements within large businesses relies heavily on benchmarking against industry and market data, all of which helps where the data is readily available and standardised work practices exist.

Single family offices, however, continue to operate in relative isolation. There is no public list nor requirement to register as a distinct financial services entity, the capacity to be private and operate discretely continues to be highly valued. It's not surprising, therefore, that at KPMG we are often asked by family offices, 'What should I pay my CEO?'

I'm delighted to share our findings into how family offices in Australia are structuring their remuneration

arrangements for staff across a range of roles. Uncovering crucial data from Agreeus Group and comparing those arrangements to single family offices on a global scale is a unique opportunity.

Accordingly, I'm grateful to all who contributed to the development of the report, including members of Agreeus Group and The Table Club, whom we are pleased to work alongside in the development of relevant and meaningful thought leadership for the Australian family office sector.

I hope this report will prove useful to family members, executives and employees of family offices, enabling them to continue building their internal resources and professionalise their operations. The family office sector in Australia continues to grow and we're pleased to be able to support the creation of sustainable family enterprises across generations.



JAMES BURKITT

CEO and Founder
The Table Club

The Table Club has been delighted to work with KPMG Australia in enabling the production of an Australian-centric report into family office compensation and benefits. As hosts of over 150 separate family office events in the last 12 months, it's become increasingly noticeable how well the sector has attracted talented resources to help families manage their wealth.

It's also noticeable that being able to retain in-house teams can add to the long-term success of the family office operations as the objectives and purpose of the roles inside the family office become more tightly defined.

We're also conscious of the fact that as employers, family offices are not only competing for talent with investment banks and asset managers, as is traditionally the case, but they're also working to attract staff from other family offices as staff mobility within the sector increases.

Having the capacity, therefore, to be able to benchmark one's own compensation performance relative to peers locally and globally is a powerful tool. We encourage members of The Table Club, principals and family office executives to take time to understand how their own practices may be endorsed or enhanced by the findings in this report.

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Introduction

The once-opaque world of family offices is becoming increasingly transparent. Whilst privacy and discretion remain key attributes to be exhibited by employees and service providers alike, there is a mounting need for data from the family office sector to better understand and benchmark operating performance.

Nowhere is this now more important, perhaps, than in understanding what family offices need to offer as competitive compensation and benefits packages to their staff. While some are sizeable business operations, most family offices have a small number of employees, requiring a personal approach to compensation management.

Of course, it's also the case that many employees are possibly second, third, fourth or even fifth-generation family members; their participation may not be rewarded simply by reference to

remuneration for work performed – to some extent, benchmarking becomes less meaningful.

However, one of the most significant features of family offices today is that they are potentially managing significant 'complexity' that requires experience and talent – talent that is rewarded well in the marketplace.

Our survey, representing an identified data set specific to Australia, was undertaken from late December 2022 to February 2023. We are grateful to the clients and contacts of KPMG's Family Office in Australia and members

of The Table Club who took the time to complete the survey, and to Agreus Group, who compiled the survey and provided the data on which this report is based including that received from 1,500 global family offices. We hope they can use the outcomes of the survey to create meaningful compensation arrangements amidst a tighter, more competitive labour market for family office professionals.

Executive summary

Family office employees in Australia, by and large, receive competitive compensation and benefits in comparison to their peers in similar roles across the globe.

The recent growth of the sector over the last five years has meant that staff recruitment from investment management firms and the accounting and banking industries has dictated – to some extent – the compensation level for many roles, including what represents a meaningful package of salary and benefits.

Family office principals should take heed that while the data suggests packages are competitive, so too is the demand for talent with the unique skill sets that family offices are looking for. Across the globe, the survey showed that 40% of family offices are looking to hire staff in 2023 and 33% of family office professionals will be looking for a new role this year.

Where better to recruit from than within the family office ecosystem? With increased mobility comes heightened pressure to provide a

compelling reward package with a value proposition for staff that includes cultural alignment and the capacity for flexible working.

These are not issues that only affect family offices, but they are symptomatic of the change in the profile of family offices as professionalised institutions capable of offering career pathways and growth.

Operations

Over 50%

of family offices in Australia were established in the last 10 years and have **5 or fewer employees**.



of family offices in Australia have formalised their succession process.

Nearly
90%

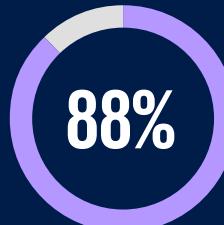
of family office professionals believe they play a hybrid role.

Assets Under Management (AUM)

Over 50%

have AUM of between **\$100 million and \$500 million** – however, there is an increasing percentage of offices with over \$1 billion of assets.

Gender



of family office personnel are male, although we are seeing an increase in female participation at the board level.

Executive summary

CEO key findings

CEOs of Australian family offices are paid, on average, between

\$396,001-\$500,000

They receive an average bonus of **21%-30%** of base salary.

CEOs of family offices with AUM **over \$1 billion** receive commensurately higher levels of base salary, **more than \$1 million per annum**, and higher percentage bonus entitlements.



Only

27% offer a Long-Term Incentive Plan (LTIP) as compared to the US, where 34% of CEOs are offered a LTIP.

C-suite key findings

CFOs of Australian family offices are paid, on average, between

\$330,001-\$396,000

They receive an average bonus of **21%-30%**.

CIOs of Australian family offices are paid, on average, between

\$198,001-\$264,000

More than half of family office CIOs with AUM of more than \$500 million receive a bonus of between **91% and 100% of salary**.

COOs receive relatively lower bonuses compared to CEOs and CIOs, and half receive a salary of over

\$500,000

where the family office has AUM over \$500 million.

01

Overview of Australian family offices

The numbers at a glance

Overview of Australian family offices – profile of participants

In the post-GFC period, the number of family offices in Australia is estimated to have doubled. Indeed, our research supports that proposition, with 57% of respondents to the survey representing family offices that were created in the last 10 years.

When comparing the age of family offices relative to the US, Europe and Asia, Figure 1 confirms that the last 10 years have been that of a growth phase for family offices: Asia, the Middle East and Australia all demonstrated high levels of growth.

As a business model, the family office is now recognised by suppliers of services and consumers (the founders and their families) alike. In Australia, they largely remain small enterprises, with less than 30% of family offices employing more than 10 people (Figure 2).

Globally, an average of 23% of survey respondents reported having five employees or less. In the Australian cohort, this figure was 50%.

Figure 1 – Years of operation as a %

LOCATION	0-2 YEARS	2-5 YEARS	6-10 YEARS	10+ YEARS
Australia	10	20	27	43
UK	8	10	21	62
US	10	17	13	60
Europe	8	15	23	53
Asia	23	20	18	39
Middle East	37	22	28	43

Figure 2 – Number of employees (% of respondents)

LOCATION	0-5 EMPLOYEES	6-9 EMPLOYEES	10-14 EMPLOYEES	15-19 EMPLOYEES	20+EMPLOYEES
Australia	50	22	10	7	12
UK	32	16	22	5	25
US	29	25	12	4	29
Europe	30	23	18	5	24
Asia	32	36	13	5	14
Middle East	22	28	15	4	30

The number of employees in a family office does not necessarily dictate the amount of financial capital that is under the office's control. Figure 3 indicates the significance of this by analysis of the Assets Under Management (AUM) in the various geographies.

With scale comes complexity and, typically, increased service needs. While not directly correlated, the number of employees in a family office would typically increase as the size of the financial capital grows – other factors being, of course, family needs based on the number of family members and the generations served by the family office.

In this regard, the Australian respondents to the survey reported that 40% were managing wealth on behalf of only one generation, 35% were managing wealth on behalf of two generations, 20% were working for three generations and 5% were working on behalf of four or more generations.

In the US, 18% of respondents were managing wealth on behalf of four or more generations. The implications for family offices in Australia, as they mature, will be a requirement to either confirm or refresh the role that the family office plays on behalf of the family.

Figure 3 – Assets Under Management¹ (% of respondents)

LOCATION	BELOW \$250M	\$250M-\$500M	\$500M-\$1B	\$1B-\$2B	\$2B-\$5B	\$5B+
Australia	21	41	32	3	0	3
UK	21	20	18	16	21	4
US	26	21	17	18	9	9
Europe	26	23	20	12	14	5
Asia	20	20	24	20	12	4
Middle East	5	45	8	32	30	5

Accordingly, family offices as potential employers are now becoming more attractive to professionals who would have traditionally been drawn to larger institutions. Typically, they are candidates from inside the financial services industry, as ex-private bankers or former investment analysts.

They are attracted by less bureaucratic processes or the opportunity to generate financial returns they can share in by way of access to Long-Term Incentives, such as carried interests.

As interest increases, so too does the competition for talent. This survey seeks to help family offices understand

how their peers – both in Australia and globally – are designing compensation and benefit arrangements, and provide an understanding of what represents a competitive proposition.

It will also examine the trends emerging in family office recruitment and how they are playing out in the Australian marketplace.

¹ Assets Under Management (AUM) is reported in the functional currency of the office – in this case AU\$.

The role of the family office

Traditionally, the fundamental role of the family office has been to preserve and enhance a family's wealth. However, that purpose is increasingly seen as being more in line with family offices working for several generations of a family. In essence, they are asking, 'What do we need to do to preserve the "purchasing power" of our capital faced with an increasing number of family members?'

One telling comparison with family offices in the US and Europe was their relative maturity in those geographies compared to Australia and the flow-on effect this has to the defined objectives of the family office.

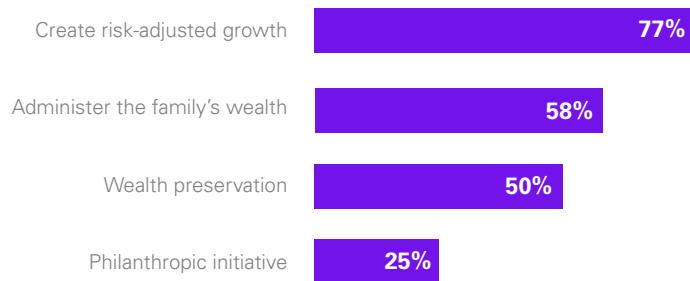
Where the original funding for the family office has been recently derived from a liquidity event, the family office's purpose is typically more oriented towards the management of financial capital.

In fact, there are many examples of family offices in Australia that define themselves not as family offices, *per se*, but as private investment offices – clearly demonstrating a priority of growing 'financial capital' rather than focusing on the family's personal needs.

The survey asked family offices to choose which of four specific objectives were central to the purpose of the family office: administration of family wealth, create risk-adjusted growth, wealth preservation and philanthropic initiatives.

Family offices were able to choose more than one response and whilst the purposes are themselves not mutually exclusive, it was interesting to see that in Australia the most common purpose was to create risk-adjusted growth.

Figure 4 – What's the role of our family office? (multiple responses possible)



In contrast, globally, the administration of family wealth was the paramount purpose, with 67% defining this as the purpose of their family office. In the UK this rose to 73%.

As the family matures, the role of the family office must adjust to the needs of the family to remain relevant. It is not a given that family offices will be maintained across generations and, like all family-owned enterprises, there needs to be a deliberate process of transition. One part of such process is ensuring that the family office is working towards the needs of the family.

In several cases, remaining aligned in regards to the role of the family office has proven more difficult to achieve, resulting in the deliberate separation of family interests.

The market for family office staff in Australia

As a conservative estimate, there are around 2,000 family offices across Australia, each managing family wealth for a single family or a cohort of families.

Many may not call themselves family offices, preferring alternative monikers such as private offices or private investment companies. Many may be 'embedded' within the administrative function of the family's business and several employees may be spending time on behalf of the business itself and on the affairs of the owners of the business. Clearly, a difficult role to manage for both employee and employer. Globally, 25% of the survey respondents were representatives of family offices that were embedded into an operating business.

Based on the number of employees at the family offices that responded to our survey (Figure 3), the family office sector employs anywhere between 10,000 and 20,000 people in Australia -- well over double the number of family office employees 10 years ago.

There's a larger public understanding of what a family office does; one can now describe themselves as working for a family office and not need to explain what that means.

Many family office employees have previous experience working with the family, either as part of the existing family business or in splitting roles across the family business and an embedded family office. Loyalty is clearly an important characteristic

of family office employment and suggests that the evidence of extended tenure inside family firms follows on into their family office environment.

At a global level, 25% of respondents had been working for their family office for more than 10 years, with a further 21% between 6 and 10 years.

By contrast, the recent growth in the Australian market means that 57% of respondents have not previously worked for a family office.

There are, of course, ramifications of this growth:

- increased competition for talent with relevant family office experience
- capacity to work across multiple disciplines, with reporting and client experience becoming increasingly relevant
- the formalisation of roles in the sector and the preference for candidates to have demonstrated prior experience.

This is manifesting itself in several ways across the globe already, as seen in the rise of the family office recruitment industry and firms such as Agreus Recruitment, the co-authors of the Global Survey with KPMG. No such firm dedicated to family offices exists yet in Australia, though several boutique providers have relevant experience, particularly in senior C-suite style hires.

It is also likely that courses in family office management will also be more common as a basis of credentialing one's skills, with universities and other institutions offering accreditation in the management of private offices.²

Interestingly, 87% of Australian respondents said they played a hybrid role, indicating that employees were often required to fill in talent gaps. Presumably, whilst scale may increase specialisation, potential candidates need to demonstrate the capacity to perform a number of different functions inside family office environments.

² Harvard Business School recently announced the introduction of a virtual course "Building a Legacy: Family Wealth Management".

Who's running Australian family offices?

In Australia, the CEO of a family office is most likely to be male (92%) – roughly a quarter being family members (23%) – and aged between 45 and 49 years old.

Male dominance in the CEO position is a continuing theme across the financial services industry as a whole. In the family office sector specifically, other surveys have observed that approximately 22% of all family office employees were women.³

The stark gender inequality in family office leadership in Australia stands in contrast to the UK, where 63% of CEOs are male, and the Middle East, where 85% of CEOs are male.

All the CEOs of the family offices surveyed were university educated and nearly 40% had postgraduate qualifications. Over 30% have an investment management background, presumably directly related to the predominant purpose of the family office, if one has been enunciated.

CEOs



had postgraduate qualifications



have an investment management background



of all family office employees were women



of Australian family office CEOs are male

³ Agreus – Women in Family Offices – Empowering Women in Leadership – 2021.

02

Running a family office

The owner, their office and how decisions are made

Across the spectrum of the respondents, the part played by the Ultimate Beneficial Owner (UBO) of the family office varied from direct control as CEO (35%) to little or no active involvement (6%) with separate roles as Chair (24%) or in a role of governance, either as part of a board (32%) or from an investment committee (3%).

The survey identified that 40% of family office respondents are managing the wealth of one generation; many of these offices are less than five years old. This suggests that the UBO as CEO is most likely the prevalent governance mechanism for newly formed family offices.

At inception, the challenges facing wealth owners are typically more operational in nature, encouraging nimble, uncluttered decision-making. With the development of a purpose, the ambition of the family office becomes broader, with the concept of stewardship and fiduciary responsibility supporting the transition of intergenerational wealth.

Across the cohort of global responses, the following represented their governance arrangements:

58%

of family offices have formalised governance arrangements in place: of these,

56%

said this was independent of the family office, while 44% said it was tied to a wider family governance structure

60%

reported having an investment committee, whilst 40% did not

less than half

had a family board

From this analysis, some assumptions can be drawn. Where the family office is embedded within the structure of the family business, it is most likely that formal governance arrangements exist. Noting that 64% of respondents owned an operating business and 32% of respondents reported working for both the family office and family business, it is probable that these offices would also have developed more formal arrangements.

Therefore, what may be concluded is that governance is -- to some extent -- an inherited trait and following a full liquidity event and sale of the whole operating business, it may need to be redesigned at some point inside the new family office.

Similar responses to the questions of how decisions were made came through KPMG's recent survey of family offices completed in conjunction with The Table Club, Wealth in Transition – Family Offices in Plain View.

As a general observation, that report found that risk management is idiosyncratic.

Less than half of family offices have 'broad' diversification as a strategy for managing risk or have formal investment committees. More are appointing independent non-executive directors to their boards.

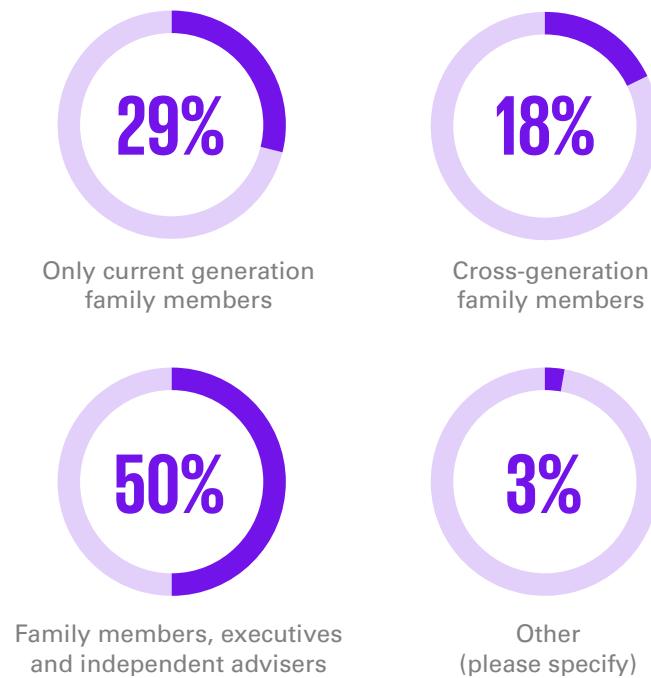


The increased relevance of an investment committee over a family board to many obviously reflects the importance of managing the family's financial capital as a priority above other risks to be managed.

A reflection of the composition of investment committees in that report is shown in Figure 5.

The percentage of family offices with investment committees globally (60%) is, to a large extent, a reflection of the family office's approach to managing family capital. The greater the level of diversification and thus asset classes in which investment is made, the more likely the family office will have its own investment committee. It also underlines the fact that a high percentage of family offices focus on managing idiosyncratic risks rather than broader portfolio risks. In Australia, this is usually in the ownership and management of real estate.

Figure 5 – Who sits on your investment committee or is responsible for making investment decisions?



More than half the respondents targeted an ROI in the range between 7% and 11% per annum with 9.1% to 10% being the most common

Setting performance targets for the family office

By far the most significant function played by a family office is to grow the family's wealth (see Figure 4 – What's the role of our family office? above). Only 12% of the family offices surveyed said that their investments were outsourced.

Across the cohort, over 80% use managed funds to some extent (7% exclusively), whilst only 19% invest directly. The processes for management of both requires different skills and measurement.

It is not surprising, therefore, that a significant proportion of family offices measure performance by reference to return on investment (ROI).

It is not clear to what extent these expectations have been explained to third-party managers or outsourced investment professionals.

In the Wealth in Transition survey, over 93% of family offices reported using the value of financial assets year-on-year as a primary measure of performance. Breaking that down, the responses to this survey indicate that the range of target annual ROI were as broad as over 20% per annum to as little as 2%–3%.

More than half the respondents targeted an ROI in the range between 7% and 11% per annum, with 9.1% to 10% being the most common.⁴

Interestingly, only 42% reported having a benchmark in place to measure relative performance. Perhaps this underpins the idea that one should work towards one's own benchmark rather than wonder about the opportunity cost of one's investment decisions.

The high percentage of family offices that insourced their investment management (88%) is reflected in the fact that across the respondents, nearly 22% reported employing five or more investment professionals and only 14% advised that they only had one investment professional working inside their office.

Managing operating costs

If ROI is one measure of performance, the survey also advised that over 20% of family office C-suite executives in Australia are targeting operating costs. In contrast, the percentage of C-suite executives focused on costs in the UK and Europe increased to 37% and 34%, respectively, suggesting that the costs of running the family office become more acute as the number of generations served and level of complexity in services increase.

Costs as a percentage of AUM should typically decrease as AUM increases.

Therefore, it was not surprising that roughly 30% of respondents reported operating costs as being between 0.1% and 0.5% of AUM, 30% reported costs between 0.5% and 1% and the balance reported costs more than 1% of AUM.

Appreciating the AUM of the family offices disclosed in Figure 3, where 37% of respondents reported owning over \$500 million of assets, the expectation is that this cohort would be capable of managing costs to below 50bps of AUM (or \$2.5 million on \$500 million).

It is probable, however, that the full costs of both direct and indirect management of financial assets would be underappreciated and therefore understated. However, as a general proposition, staff costs would represent the single most significant cost element.

For this reason, we look forward to undertaking a thorough analysis of the costs of running a family office in conjunction with The Table Club, with an anticipated release date for the report later this year.

⁴ The reference to ROI is as a nominal return rather than a 'real' return and implies the expectation is to 'double' the financial wealth of the family each decade, after costs and inflation, on the basis of the 'Rule of 72'.

03

Pay and benefits in family offices

Compensation and benefits – structure and review

58%

of family office professionals in Australia told us their salary was reviewed annually, a further 35% said this was reviewed periodically and 7% told us this was not reviewed frequently at all.

In 2022

57%

of Australian family office staff reported an uplift in salary, of which 38% reported an increase of 6%–10% and 29% received an uplift of less than 5%.

In Australia

73%

of family office professionals receive a bonus and 27% do not. Of those who do, 75% receive a discretionary bonus, whilst 25% receive a formulaic bonus.

The number of respondents who reported a salary increase in 2022 (57%) would suggest a decline in overall market conditions for many family offices over the last 12 months. In comparison with other geographic regions, the UK reported the highest number of staff receiving an uplift (70%), whilst elsewhere, roughly 50% of respondents reported receiving a salary increase.

A key challenge facing many organisations, including family offices, is how to manage wage growth expectations during a period of high inflation and softening economic conditions – not least in investment markets themselves.

This will place additional pressure on organisations with limited budgets that are keen to manage their operating costs. The primary benefit for family offices would be the capacity to communicate with each individual staff member.

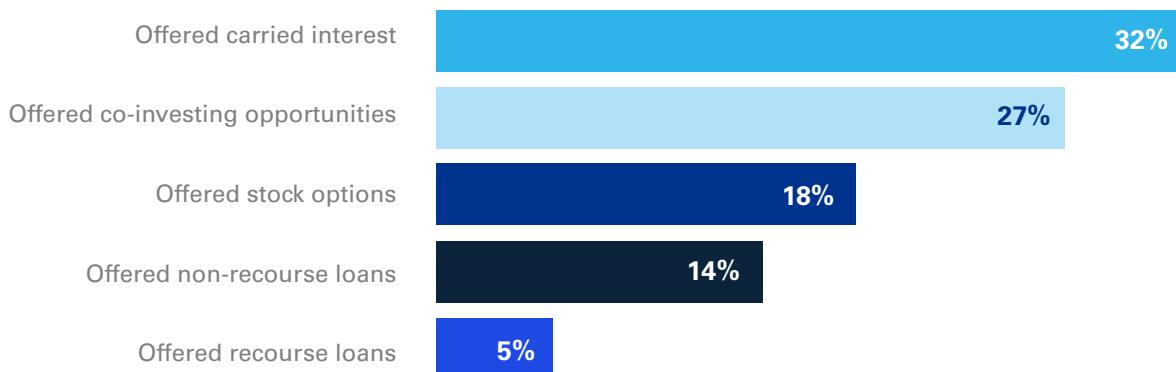
The extent to which the current economic circumstances are placing pressure on staffing levels inside family offices is unclear, but it is obvious that the conversations around pay and benefits will be more constrained than in the recent past, as economic conditions have tightened.

In setting bonuses, the biggest drivers included bonuses by reference to personal performance (55%);

bonuses by reference to the performance of the operating business (52%) and overall fund performance (41%); and a more subjective measure – the relationship of the individual with the principal (25%).

While the majority of family office employees were offered salary and a bonus, the composition of that bonus was primarily directed towards short-term incentives. The survey respondents advised that only 27% of family office professionals in Australia were offered a Long-Term Incentive Plan (LTIP).

Figure 6 – Composition of Long-Term Incentive Plan sorted by primary component



The composition of that incentive was typically designed in accordance with Figure 6 – Composition of Long-Term Incentive Plan.

The nature of the LTIPs described infers that the bonus structure was most applicable to investment staff and C-suite executives, where opportunities for direct investment and equity participation were most obvious.

In comparison to other jurisdictions, Figure 7 – LTIP across family offices globally, suggests that Australian staff enjoy more flexible compensation and benefit arrangements than global peers in regard to LTI, but overall fewer participate in bonus plans.

The composition of Long-Term Incentive Plans varies across each region and to some extent is driven by local tax considerations.

However, in general, for those offered a Long-Term Incentive, the composition of such incentives is broad.

Figure 7 – LTIP across family offices globally

LOCATION	% RECEIVING STI	% RECEIVING LTI	% AS COMPONENT OF LONG-TERM INCENTIVE PLANS		
			CARRIED INTEREST	CO-INVESTMENT	STOCK OPTIONS
Australia	73	27	32	27	18
UK	80	18	44	50	22
US	78	28	27	30	13
Europe	83	19	55	39	24
Middle East	91	24	27	18	9
Asia	82	11	50	0	50

Salary packaging – additional benefits

In Australia, the benefit options are seemingly more limited:

8%

private health care
(72% in the Middle East,
60% in the US, 48% in Asia)

15%

a travel allowance
(28% in the Middle East)

12%

a company car

10%

a gym membership

5%

paid-for accommodation

5%

flights home

Salary packages and benefit arrangements differ quite markedly between different locations of family offices, with several benefits being more common in certain geographies than others. For example, 57% of family office staff in the Middle East would be offered flights home, indicating the global nature of the workforce in Dubai and Abu Dhabi. In comparison to other geographies, the range of benefits are more limited, as a consequence of the fact that Australia imposes a 'fringe benefits tax', FBT, on the 'taxable value' of those benefits.

One noteworthy benefit, by exception, was the provision of life insurance benefits, which while very popular in the US (49%) and the Middle East (39%), were not mentioned by Australian respondents to the survey. Presumably, this is a function of the compulsory superannuation contributions arrangement and the provision of 'death benefits' that sits within most members' default funds.

The most common policies offered to family office staff in Australia are the provision of maternity leave (53%) and paternity leave (33%) and the capacity to buy out annual leave or purchase additional leave. A great deal of such

policies is of course, mandated by employment law in Australia; it is not obvious from the survey the extent to which these policies go beyond what is statutorily mandated.

However, something of note is the incidence of policies providing for education leave (23% of respondents) and stress leave (12%), as defined.

In broad terms, the range of salary packaging options available to family office staff is in line with what other employers in the financial services industry would typically be providing.



Family offices as workplaces

Post-Covid work environments have changed for a significant proportion of the office population. The capacity for family offices to adopt hybrid working practices has, to a large extent, been a function of their adoption of digital work practices.

Family offices in Australia seem to have pivoted towards new practices effectively in the wake of Covid. Based on the survey, 73% of family office professionals in Australia can work remotely and nearly 10% are working full-time from home.

These figures are reflective of the global population: 80% of staff in the UK and 74% in the US are able to work remotely. The capacity for family

offices to support hybrid working practices is obviously critical in attracting talent.

The concept of 'how, where and when I work' is becoming increasingly important to all talent as a precursor to their engagement with family offices. However, another significant factor is the relationship of the employer to the individual's own values and sense of social responsibility.

The rise in the influence of impact investment and belief in the importance of how capital is utilised was a theme that ran through our survey of family offices in 2021, where 70% of respondents had either invested in or were conscious of developing an investment strategy around impact. It is a sentiment that is shared by many employees.

The data – compensation and benefits inside family offices

The following table includes a summary of the salary ranges for specific family office roles, expressed as a percentage of the total number of respondents who identified as filling the particular role. The second table shows the amount of bonus paid as a percentage of salary during FY 2022.

The salary ranges are reported in AU\$.

Figure 8 – Salary arrangements – FY 2022

ROLE	LESS THAN \$60K	\$72K-\$85K	\$99K-\$132K	\$132K-\$158K	\$158K-\$198K	\$198K-\$264K	\$264K-\$330K	\$330K-\$396K	\$396K-\$500K	\$500K-\$625K	\$625K-\$750K	\$875K-\$1M	\$1M +
Chief Executive Officer	0%	0%	0%	0%	0%	8%	15%	15%	31%	8%	8%	8%	8%
Chief Financial Officer	0%	0%	10%	0%	0%	10%	20%	30%	20%	10%	0%	0%	0%
Chief Investment Officer	0%	0%	0%	20%	0%	60%	0%	20%	0%	0%	0%	0%	0%
Chief Operating Officer	17%	0%	0%	0%	17%	17%	33%	0%	17%	0%	0%	0%	0%
Financial Controller/Finance Director	0%	0%	0%	0%	25%	50%	0%	0%	0%	0%	25%	0%	0%
Investment Analyst	0%	0%	14%	43%	29%	14%	0%	0%	0%	0%	0%	0%	0%
Investment/Portfolio Manager	0%	0%	20%	10%	20%	20%	10%	0%	20%	0%	0%	0%	0%
Operations Manager	50%	0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	0%

Figure 9 – Bonus arrangements – FY 2022

ROLE	LESS THAN 10%	11%-20%	21%-30%	31%-40%	41%-50%	51%-60%	61%-70%	91%-100%	101%-150%	151%-200%	201% OR MORE
Chief Executive Officer	11%	0%	22%	11%	0%	11%	11%	11%	11%	11%	0%
Chief Financial Officer	38%	13%	38%	0%	0%	13%	0%	0%	0%	0%	0%
Chief Investment Officer	25%	25%	0%	25%	0%	0%	0%	25%	0%	0%	0%
Chief Operating Officer	17%	17%	17%	33%	0%	0%	17%	0%	0%	0%	0%
Financial Controller/Finance Director	33%	33%	0%	0%	33%	0%	0%	0%	0%	0%	0%
Investment Analyst	0%	40%	40%	0%	0%	0%	0%	0%	0%	0%	20%
Investment/Portfolio Manager	0%	38%	38%	13%	0%	0%	0%	13%	0%	0%	0%
Operations Manager	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%

A detailed analysis of three major roles in family offices – CEO, CFO and CIO – is discussed more deeply below. Among other roles, there were some interesting data points. For example, one respondent described their role as being ‘Compliance and Legal Support’ which is not a role commonly filled in a family office. However, for their employer it was a valuable position, with that participant receiving a salary in the range of \$300,000 per annum – albeit with a lower discretionary bonus.

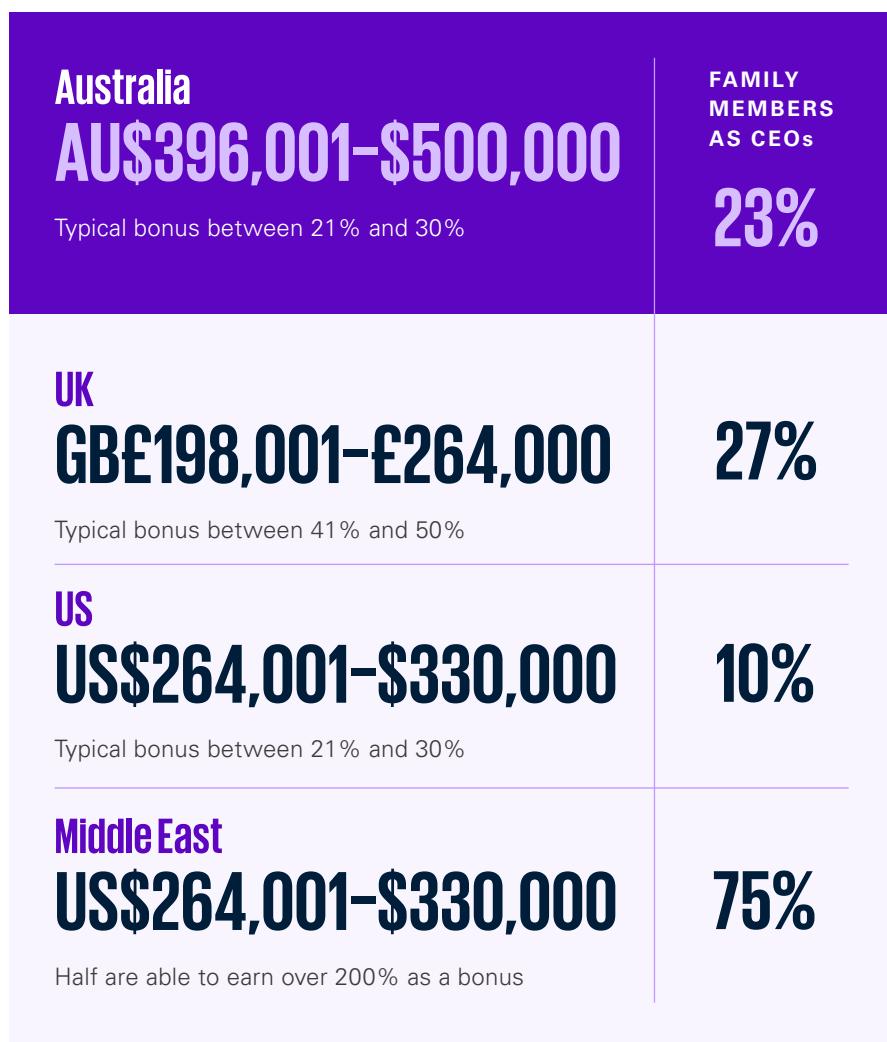
Comparing Australian family office CEOs with global peers

Based on survey responses, family office CEOs are mostly aged between 45 and 49, and 36% of respondents were originally from an investment management background. The Australian family office CEO typically takes home a salary of between \$400,000 and \$500,000 per annum -- though a number take home a salary of over seven figures.

Similarly, while a large proportion receive a bonus between 21% and 30% of base salary, over 10% of CEOs report a bonus over 150% of salary. It is not clear to what extent the background of the CEO influences their bonus arrangements, nor is the extent to which the roles of CEO and CIO are merged. It is also noted that 23% of CEOs are family members.

As a comparison to other geographies, Australian CEOs appeared to receive a very competitive level of both fixed and variable components. For example, in the UK the most common salary range was in AU\$ equivalent⁵ of \$360,000–\$480,000 per annum with a bonus of 41%–50% of salary.

Figure 10 – How Australian family office CEOs compare to their global peers



⁵ For purposes of this calculation the following exchange rates have been used AU\$1 – 55p; AU\$1 – 67c US; AU\$1 – 62 euro; AU\$1 – S 90c.

Figure 11 – CEO average salary across other geographies converted to AU\$

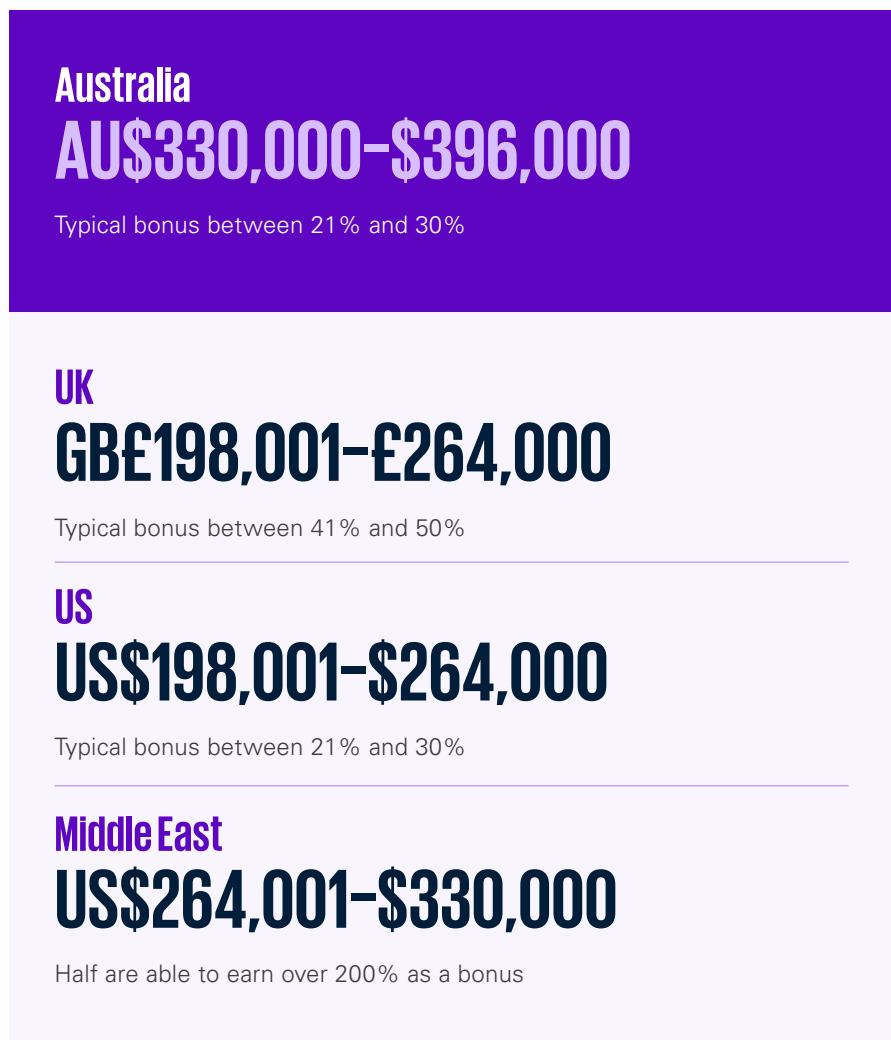
LOCATION	SALARY RANGE IN AU\$ (000s per annum)	BONUS AS A %	FAMILY MEMBER CEOs	% OF MEN AS CEOs
Australia	400–500	41–50	23	92
UK	360–480	41–50	27	63
US	280–380	21–30	22	80
Europe	320–420	21–30	25	77
Asia	320–370	21–30	31	100
Middle East⁶	\$1m+	Up to 200%	75	75

In relation to Chief Financial Officers, the salary ranges varied with most being paid a salary of between \$310,000 and \$350,000, with 10% earning over \$500,000 per annum. As with CEOs, CFO bonuses were commonly set at 21%–30% of the CFO salary.

The CFO is one role that has traditionally cascaded from the finance function of a family business or sits across both the family business and an embedded family office. Highly trusted, CFOs are also valued for their corporate history and capacity to be a 2IC.

Role definitions can also be important. In the case of several 'Financial Controllers', they reported receiving salaries of between \$625,000 and \$750,000 per annum. It would be safe to assume that these are probably comparable roles for the purpose of analysing the data. With regards to bonus arrangements, the roles mirrored those for CFOs, to some extent.

Figure 12 – How Australian family office CFOs compare to their global peers



⁶ The data for the Middle East was striking with regard to the capacity to earn either AU\$350k–\$400k as over AU\$1m+ and that one half of CEOs reported being able to earn more 200% of their salary as bonus. The large percentage of CEOs as family members was also noticeable as was the fact that one quarter were women.

Inside family offices, the most significant role in regard to achieving 'absolute returns' is that of the Chief Investment Officer (CIO) and their team.

Before examining the salary ranges for CIOs in Australian family offices, the following observations are relevant.

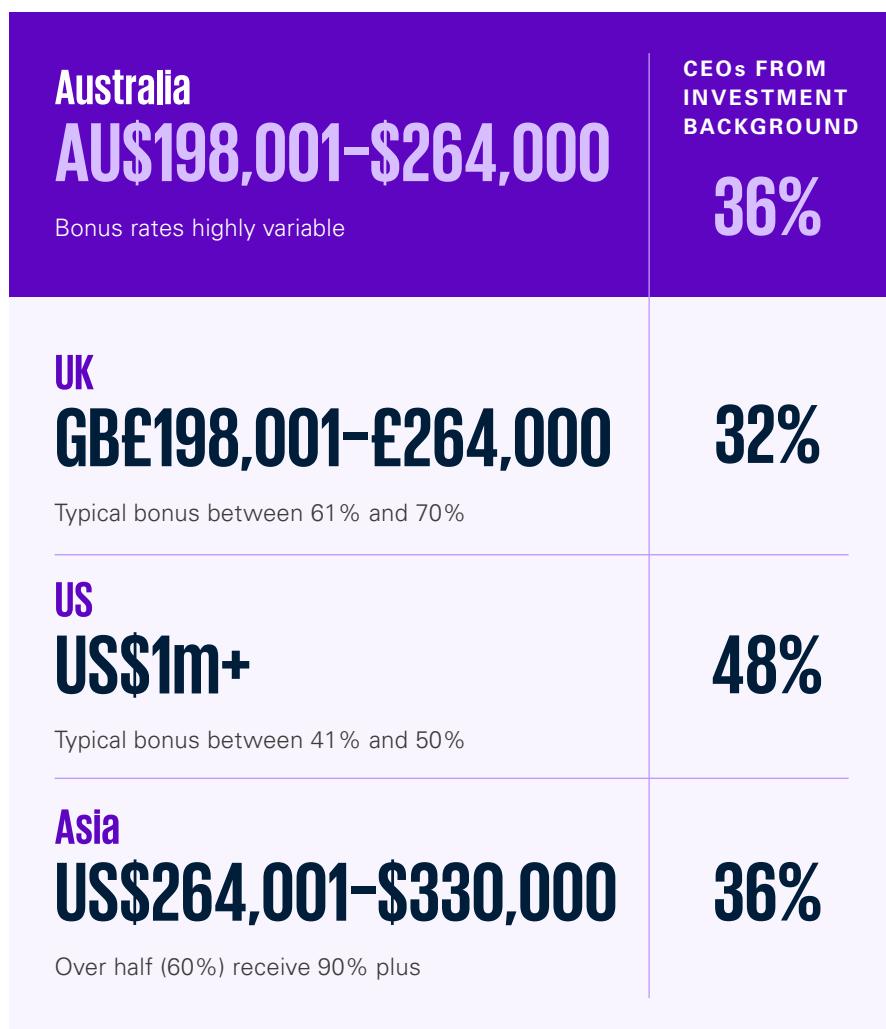
- Very few CIOs are the founder or a member of the founder's family.
- The CIO is typically recruited from an investment management or wealth management background and would have negotiated their salary package accordingly.
- It is most likely that CIOs would be responsible for the highest number of direct reports.
- They are typically responsible for the main performance metrics of the family office, change in value of AUM.

It was surprising to some extent to note that those in the CIO role were typically paid in the range of \$250,000 per annum, with some reporting being paid in the \$300,000–\$400,000 per annum range.

One would also have expected to see bonus arrangements reflect highly variable components. However, at least 25% reported receiving a bonus of between 91% and 100% of the fixed salary component. Otherwise, the range of bonuses was evenly spread across a range of 10%–40%.

For members of their team, investment analysts or portfolio managers, the salary range was typically between \$200,000 and \$250,000 per annum, with bonus payments representing 10%–30% of base (see Figures 8 & 9).

Figure 13 – How Australian family office CIOs compare to their global peers



One apparent correlation in higher CIO compensation packages is where CEOs have an investment management background. In the US, specifically, where 48% of CEOs had an investment management background, the CIO's compensation package was significantly higher compared to global peers.

Conclusion

Macro-headwinds, the impact of rising interest rates and wage pressures

The timing of the completion of the survey (January to February 2023) coincided with the tightening of monetary policy by central banks in developed economies to combat rising inflation.

In the short term, the family office sector will face a more challenging environment for managing investment returns – by reallocation of their financial risk budgets – and potentially, for many, the first time they have faced tougher conversations with staff in regard to compensation and benefits where the capacity to pay discretionary bonuses becomes more difficult.

For many longer-established family offices, however, this may not necessarily be the case. They have been able to maintain staff by virtue of the working environment and culture of their office. A number of family offices will have long-standing executives who have worked for the family for well over a decade and have an inherent loyalty.

Whether increased mobility across family offices will drive wage growth remains to be seen, but implicit with this challenge is ensuring that the family office's value proposition for all stakeholders is meaningful.

Operating cost management

By extrapolation of the survey data and estimates of the annual cost of running a family office as a % of AUM, salary costs would seem to represent an average of well over 50% of the operational costs. The nature of those costs and how they are managed in the future will require close examination to remain competitive and cost-effective to justify the continued operation of the family office.

What constitutes 'justifiable' will be a question more frequently asked as costs become more highly scrutinised. Increasingly, the question will be, 'What do we need the family office to be doing on our behalf?'

The role of technology

With 87% of family office employees suggesting they played a hybrid role, there is already a great deal of employee time being potentially misallocated. The general nature of small teams requires a great deal of 'rolling up the sleeves' to tackle a range of different issues.

The danger is that there is a potential mismatch between risk and management as many specialist issues requiring certain expertise may be being handled inefficiently. Reporting is a prime example, as is cyber, which potentially exposes the family office to outside threat.

As in other professional services environments, the role of technology in the family office needs to be understood to be able to capture the benefits of generative intelligence. Already happening at the investment management level, how it applies to the delivery of family office services, in general, must be explored.

Operations and decision-making

Recent economic events and monetary authority reactions will challenge the operation of family offices, globally, and in Australia.

In the short term, wage negotiations below the C-suite will be more directed towards cost of living pressures, whilst ever the labour market remains tight.

Some of the longer-term themes are:

- **Cost structure**
How much does it cost to run my family office?
- **Productivity**
How can we increase staff time spent on value enhancement – what is the role of AI?
- **Skills for the future**
Do we have the right resources in-house?
- **Basis for having a family office**
What benefits are we deriving?

Changing skill sets

The nature of family office teams is that they are generally loyal and highly trustworthy. The average length of their tenure is indicative of this fact.

However, as with all executive roles, the skill sets required to meet the needs of the family – and therefore the family office – may vary. This may be as a consequence of transition or external factors such as heightened security threats and the rise of sustainability and ESG as an operational necessity and an investment thesis.

The capacity to recruit those resources may be constrained, leading to an increase in outsourcing. We are seeing an interest in family offices looking to outsource an increasing number of matters, from routine practices like

accounting and investment reporting to more specific skills such as mentoring and educating next-generation family members.

As a consequence, there is a rise in the number of service providers serving family offices. Having the ability to effectively manage external third-party resources will become increasingly important.

Benchmarking in general

The importance of being able to compare and measure relative performance is already well established in the management of investments. It is less common in regard to the operations of family offices, but through heightened 'surveillance' and deepening of

networks, the capacity to compare notes is now as great as it ever was.

However, for benchmarking to be of any real value, it requires comparing relative data. At this stage, the idiosyncratic nature of family offices means that such comparisons are difficult to make. However, in broad terms, there will be a more urgent need to justify the role of the family office and its value to the family through use of more standard metrics – be they costs as a percentage of AUM or salary costs as a percentage of operating costs.

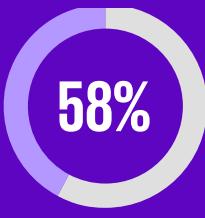
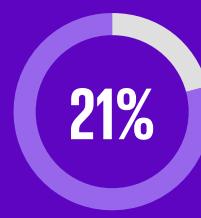
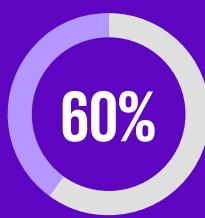
What will be even more difficult, but equally as important to determine, is the value of the family office to the family.

Key findings of family offices in Australia



Costs

Less than 0.5% of AUM	32%
Between 0.5%–1% of AUM	32%
Greater than 1% of AUM	36%



64%

of family businesses also have an operating business of which ...

32%

of family office professionals work for both the family office and the family business

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