Corner Office

Why Almost Every Family Office Employee Is Getting a Fat Raise in 2023

The wealthiest familiies are fighting each other for a small pool of talent and driving up compensation.

By Michael Thrasher September 29, 20223

Illustration by II

Working for the wealthy got even more lucrative this year, as family offices battle each other to attract and keep employees and reached into their deep pockets to sweeten compensation plans.

Out of 1,728 employees surveyed at 406 single family offices in the U.S., 93 percent of executives and 94 percent of all other staff members said they either received, or expected to receive, an increase in salary this year, according to a biannual report by Morgan Stanley and Botoff Consulting.

The offices surveyed have an average of only 14.4 employees and 90 percent of them reported raising salaries. Sixty-nine percent of family office employees also reported salary increases of 5 percent or more. The median salary in the U.S. across industries is projected to increase 3.8 percent in 2023, the highest level in 20 years in response to inflation, labor shortages, the cost of labor, and business performance, according to the report.

The results of the report didn’t surprise professionals who work with family offices. They say the plum compensation packages are what is required for the organizations to achieve their goals. “Family office talent should not be viewed as a cost but as a value-add,” Linka Mack, founder of family office executive search firm Mack International, said in the report. “Compensation continues to be highly competitive. So families and family office executives should prioritize resource needs while being aware of the competitive landscape, to do what it takes to attract and retain the best talent.”

The fight for investment professionals is especially fierce, Mack added. Families are more focused on their portfolios now than they have been in recent years.

Chief investment officers had the highest median base salary out of all employees: $500,000 per year. CEOs and presidents made nearly as much, a median salary of $486,000. Chief financial officers, chief operating officers and general counsels all made median salaries of roughly $325,000. Portfolio managers are making a median salary of $229,000. Senior investment associates are making a median of $160,000 and associates are making $130,000.

But most family office employees also get an annual bonus and long-term incentives, such as deferred compensation, co-invest opportunities, carried interest, or phantom carry (a carried interest bonus pool distributed to employees). Those packages can materially boost total compensation. For example, CIOs had a median total cash compensation of $829,000 and median total direct compensation of $926,000. Some were making even more. The CIOs for single family offices with at least $2.5 billion assets who were in the top 75th percentile of earners had a median salary of $800,000, total cash compensation of $1.45 million, and total direct compensation of $1.6 million.

Richard Wolkowitz has been astutely aware of family office compensation for decades. After nine years as a mergers and acquisitions lawyer at Husch Blackwell, Wolkowitz left to lead the office of his own family, then went on to be an executive for family offices in Phoenix and the Toledo, Ohio area, respectively. In 2022, he founded Xylogenesis Family Office Advisory and has worked with families worth $20 million to $12 billion on establishing or rethinking their structure. A big part of that is determining the complexity of a family's needs, what types of employees they need in-house, and what they might cost.

Finding a person with the desired technical and the qualitative skills is hard. Once a family hires one, they don't want to let them go and they are willing to pay to keep them. Family offices, like most family businesses, have pride in continuity and rewarding performers, Wolkowitz explained.

"You have one client, a family, but that one client has lots of sub-clients. A professional who really can communicate and navigate within that dynamic is a special person," Wolkowitz said. Other families don't want to go through any trial and error of hiring so they seek out employees of other family offices. "If there's a successful family office employee in one family office, then they probably already meet the litmus test of technical competency…they also probably understand the important nature of being able to manage family dynamics."

Needing to check that additional box makes a small talent pool of professionals even smaller, Wolkowitz said.

Element Pointe Advisors, a multi-family office in Miami that oversees $1.5 billion in assets for about 50 families, is feeling the same talent crunch as single family offices. But fortunately for Element Pointe, more single family offices have been turning to it for help as a result. "As the cost of properly maintaining an in-house investment team has increased substantially for a family office, the math behind outsourcing is compelling," said Carlos Dominguez, president and CIO. (Families are also working more closely with BlackRock and other asset managers to source investment opportunities, even while they are doing fewer direct deals.)

El Segundo, California-based Running Point Capital Advisors, a multi-family office with $463 million in assets, has also been talking to single family offices that are considering outsourcing some services because they can't hire in-house staff. As the new family offices form, they are realizing they need "more than just a plaque on a door and a financial administrator to keep papers in order," said Michael Ashley Schulman, CIO.

Family offices are making a mistake if they only consider candidates that have already worked for one — that thinking is only making it harder on all of them, he argued.

"Unfortunately, when trying to hire for these positions, many family offices and their specialty recruiters seek people specifically with family office experience, rather than with deep experience within their vertical of investments, tax, accounting, or legal and legacy planning," Schulman said. "This is both driving up salaries and artificially limiting the supply of candidates."