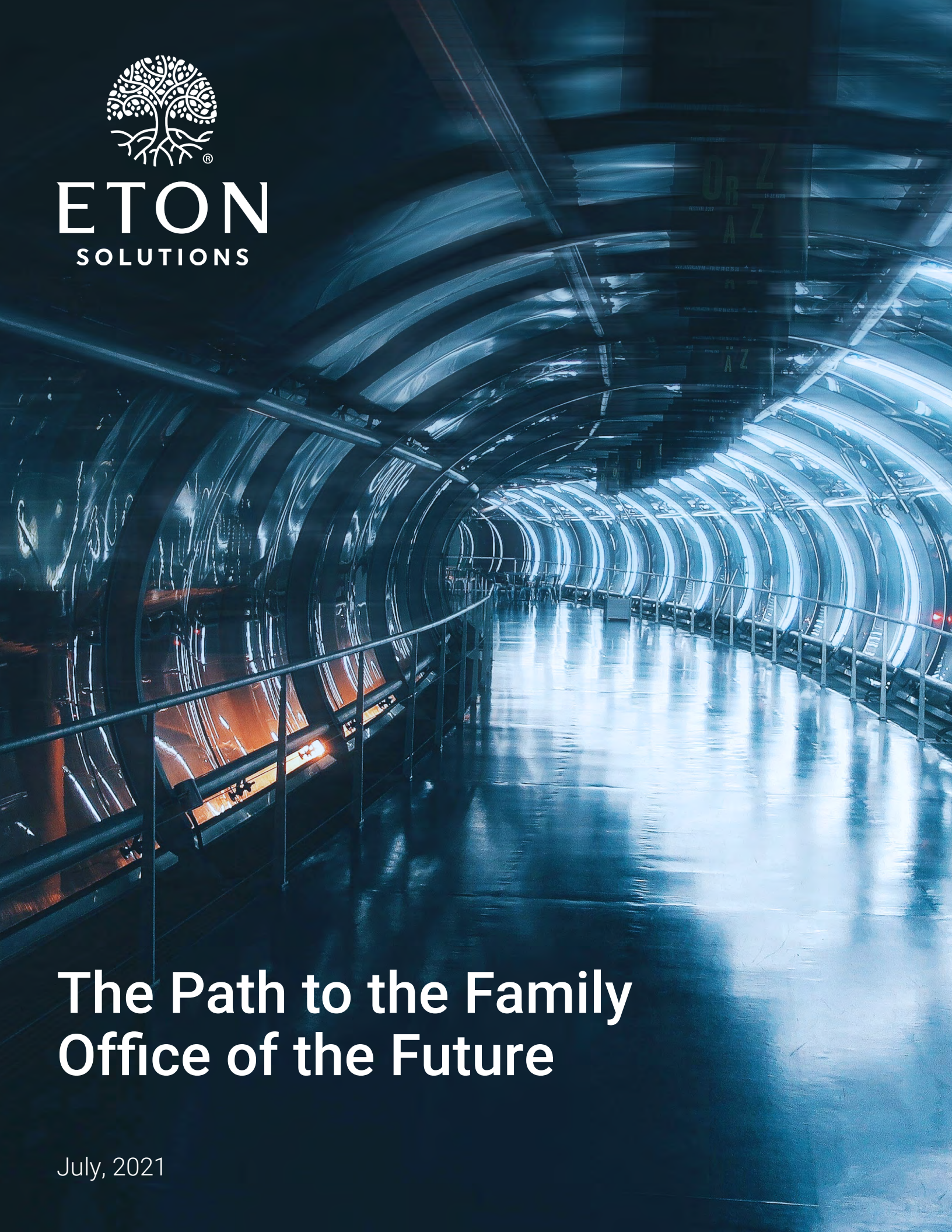

ETON SOLUTIONS

The Path to the Family Office of the Future

July, 2021

01 Introduction

02 The 5 Eras of Family Office Technology

03 Drivers of Change

04 5 Strategies to Deliver the Family Office of the Future

05 An Integrated Family Office Technology Platform

06 Family Office of the Future: What Could it Do?

07 Conclusion

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Introduction

Professionals working in family offices are experiencing significant and increasing complexity. Manual, high-risk work processes such as spreadsheets and point systems erroneously rely on human reconciliation – leading to incomplete, delayed, and inaccurate reporting and the inefficient use of high-value human resources.

Moreover, manual calculations inherently lack cybersecurity, disaster recovery, and business continuity processes and skills.

How, then, can family offices remain up-to-date in the tools, software, and security to manage UHNW assets?

When family offices look to the future, tools that revolve around Natural Language Generation (NLG), automated BOT processes, and Artificial Intelligence (AI) inevitably become part of the conversation on how to get there.

Part of a family office's challenge is to remain relevant not only in terms of the need for ultra high net worth wealth management, but also in terms of its ability to deliver such services. Use of antiquated data tools and limited flexibility puts a family office that is not focused on the future in the past.

Will family offices have to try and make use of such tools developed for larger markets, like investment management, hedge funds and private equity, and try and make them fit their fact pattern? This is a well-known problem. Which is not a surprise as most of the point applications that family offices are forced to use were created primarily for other markets.

The major question to consider when thinking about the Family Office of the Future is what are the specific challenges family offices now face that could be remedied using technology?

To achieve the Family Office of the Future you need a technology platform built by family office professionals who have lived the challenges that you face every day.

> "
> The ability to capture data effectively, securely, and consistently in a central repository is important to enable your technology journey.
>
> *Family Office Exchange (FOX) - Technology: Springboard to the Family Office of the Future.*

With a single source of data, there is an additional need for a data model that reflects the "true" world the office deals with. All the entities, individuals, assets, liabilities, accounts, and transactions that make up the operational management of the family office.

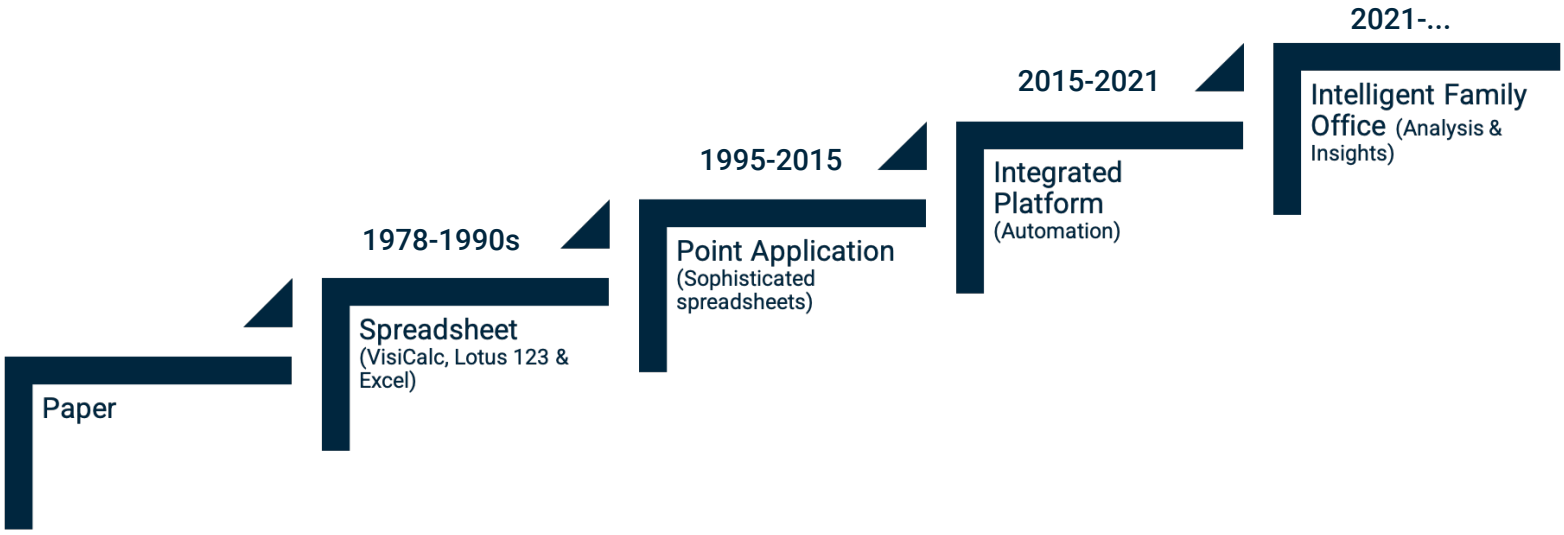
So, the Family Office of the Future will have total dependency on "data" to populate the new tools mentioned above and a data model that reflects the "true" world of the family office.

This is why an integrated technology platform based upon a single, unified database is The Path to the Family Office of the Future.

Family Office Exchange (FOX) - Technology: Springboard to the Family Office of the Future.

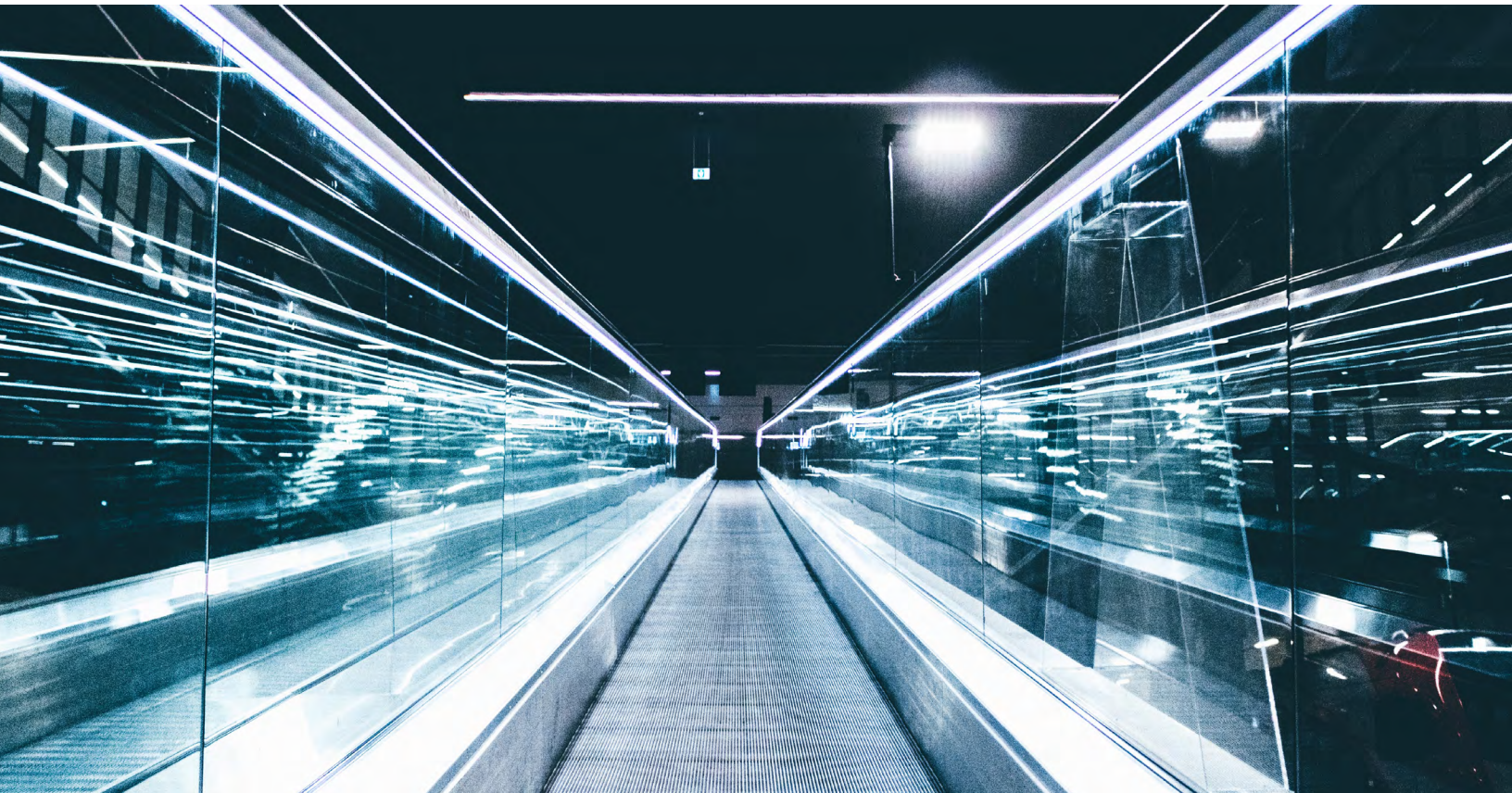
5 Eras of the Family Office

Which era are you in?



There are other factors that are driving technology change in family offices. The Family Office Exchange (FOX) paper warns against the choice to pass new development and technological opportunities, “The cost of NOT engaging in new developments will far outweigh the actual cost of adopting a range of new technologies.”.

But there are prerequisites to moving up the levels and achieving the Family Office of the Future.

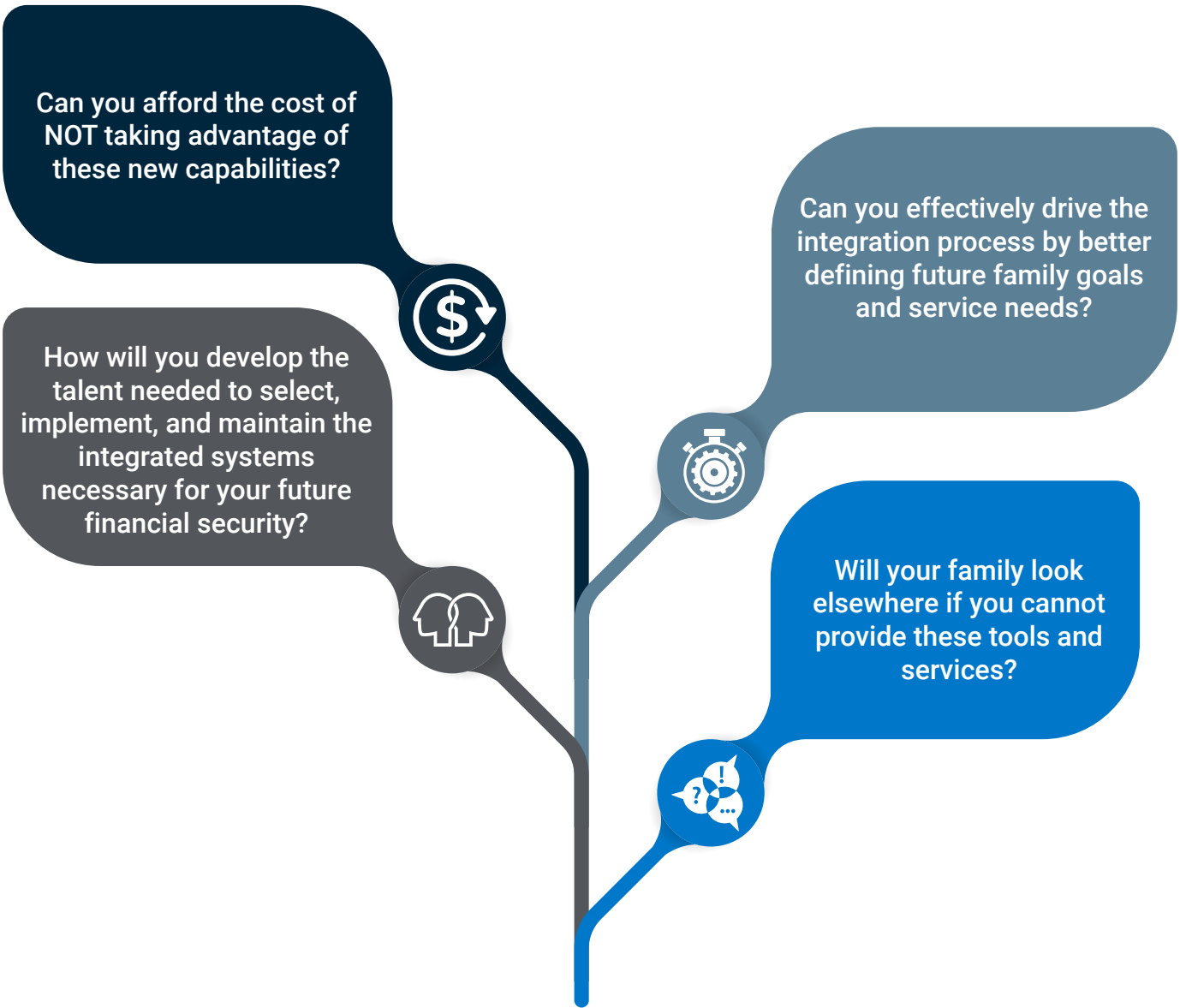


Drivers of Change

> *…families' changing expectations and behaviors are driving the family office's need to evolve. - FOX*

As you build a strategy to future-proof your family office from oncoming disruption, it is vital to address the four questions below.

It is also about setting a strategy and framework to evaluate what works best for your family office and the family it serves.



5 Strategies to Deliver the Family Office of the Future

The key to the future: Deliver value.

"Investments in technology today are critical investments in your family's future. These investments will ensure the office is prepared to meet changing needs. Technology will empower your staff to deliver increased tangible and intangible value…" FOX - Technology: Springboard to the Family Office of the Future.

The way forward is a mixture of applying the right strategy and the right technology approach to match your family office and ensure value-add. The premise is that technology facilitates the transformation of an office from a "cost" center to a "value" center. This is not new in other businesses, but it is radical for family offices.

Essential strategies to achieve a future-focused family office:

1. Understanding & utilization of up-to-date technology platforms
2. Robust data ownership and cyber-security protocol
3. Data, data, and data (gathering, processing & aggregation, analytics & insights)
4. Automated processes and reporting
5. Integrated family service delivery

"The revolution of family offices with future-focused strategies and components are able to produce consistent results, scale operations, and maintain client relationships through", says FOX, …"information access and transparency, automated data collection and reconciliation, interconnectivity and integration, data-driven insights and decision-making, and enhanced risk management."

Examples of the importance of value-add are that "Currently, as much as one-third of an office's time is spent counting, valuing, and reporting. **Now, most of these historic focused activities can be automated.** As a result, the future family office executive will increasingly have the time and insight to become a strategic advisor more than a problem-solver and compliance officer."

And, "Family offices will be able to manage multiple service offerings based on generational differences and lifestyle preferences. This new service delivery approach will emphasize client experiences more than documenting historic activity."

The right tech brings **3 key factors** into play: Operational efficiency, transparency, and risk mitigation, and it is these that are the foundation for value building. You eliminate manual processes, you define efficient workflows, you work with a single source of data based at the transaction level, everything is auditable, and everything can be queried.

To family office staff, this adds time to provide better analysis, better oversight, better planning, and insights. It is the value that moves the office and staff from being the recorder and reporter of historical data (i.e., a cost) to being able to maximize the value their role plays in the very complex lives of the families they serve.

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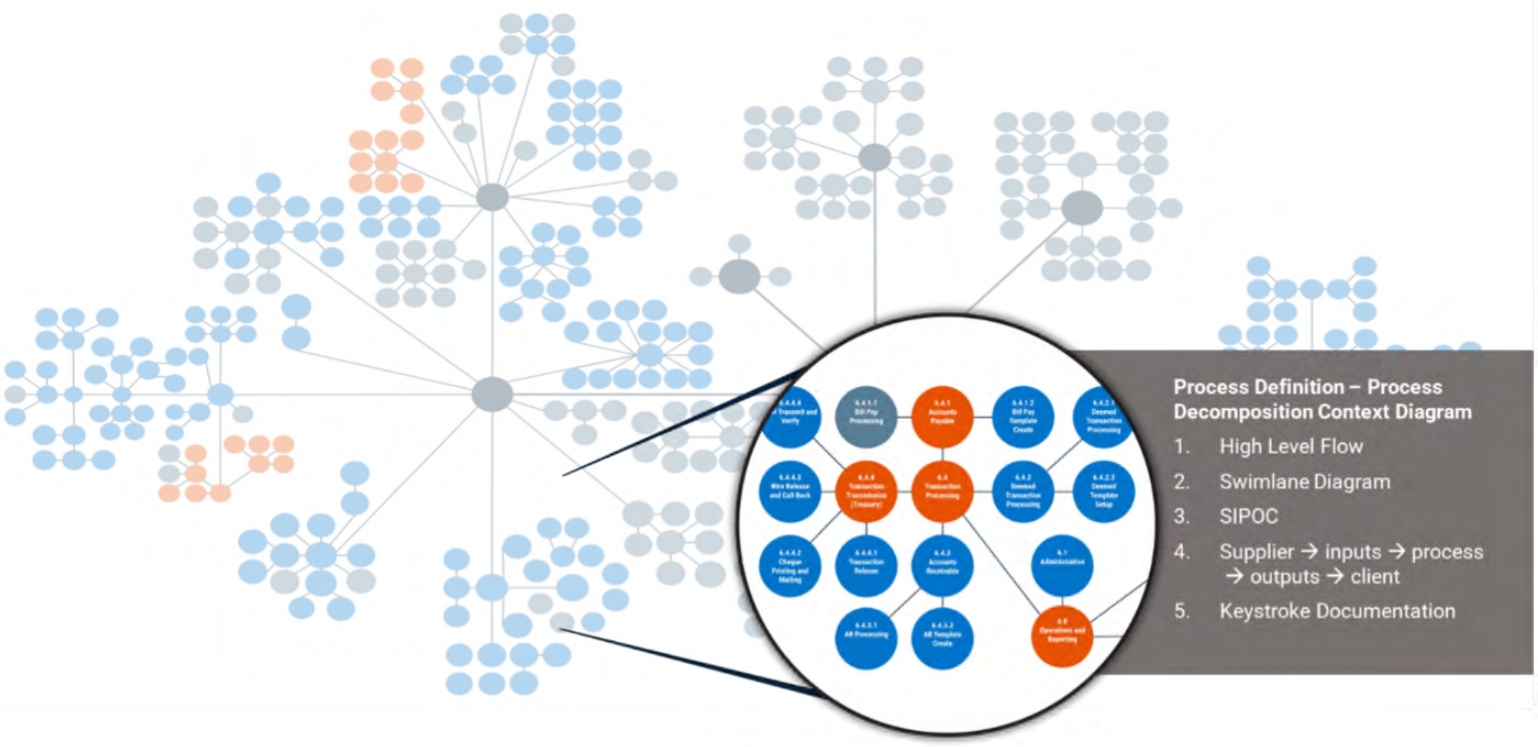
An Integrated Family Office Technology Platform

The 4th era in our graphic is the Integrated Platform: How can it facilitate the office moving forward?

FOX establishes that it goes beyond simply collecting data, and extends to, “The ability to capture data effectively, securely, and consistently in a central repository is important to enable your technology journey.”

Until 2015, nobody dealing with family office technology went back to the basics when building a system. Ultimately there is the need to understand and map all the business processes and workflows that are core to the efficient working of a family office, and not fit it into another industry “box”, like technology for a hedge fund.

This mapping is what was needed:



As well as mapping all the best practice business processes and workflows a family office needs, it went a step further to apply a lean principal approach to ensure the value-add of any technology platform structure based on this.

The layered approach of a single data store where actions, like transactions, are facilitated by fit-for-purpose business processes and workflows is just part of it.

A design informed by process management (e.g., workflows, swim-lanes, etc.) and “lean” principles (e.g., inspect quality on the front end, not the back end) brings embedded family office best practice into the platform.

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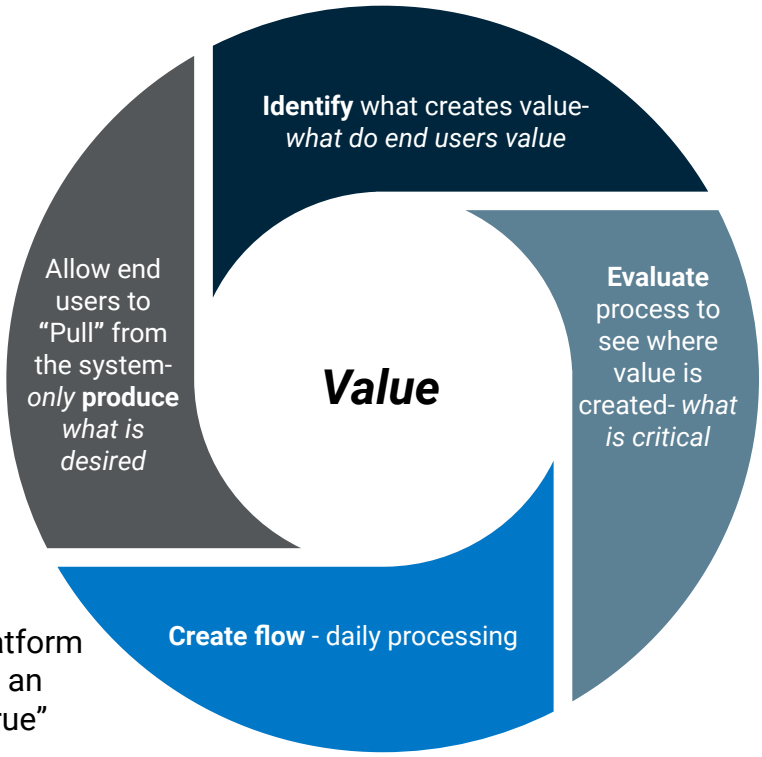
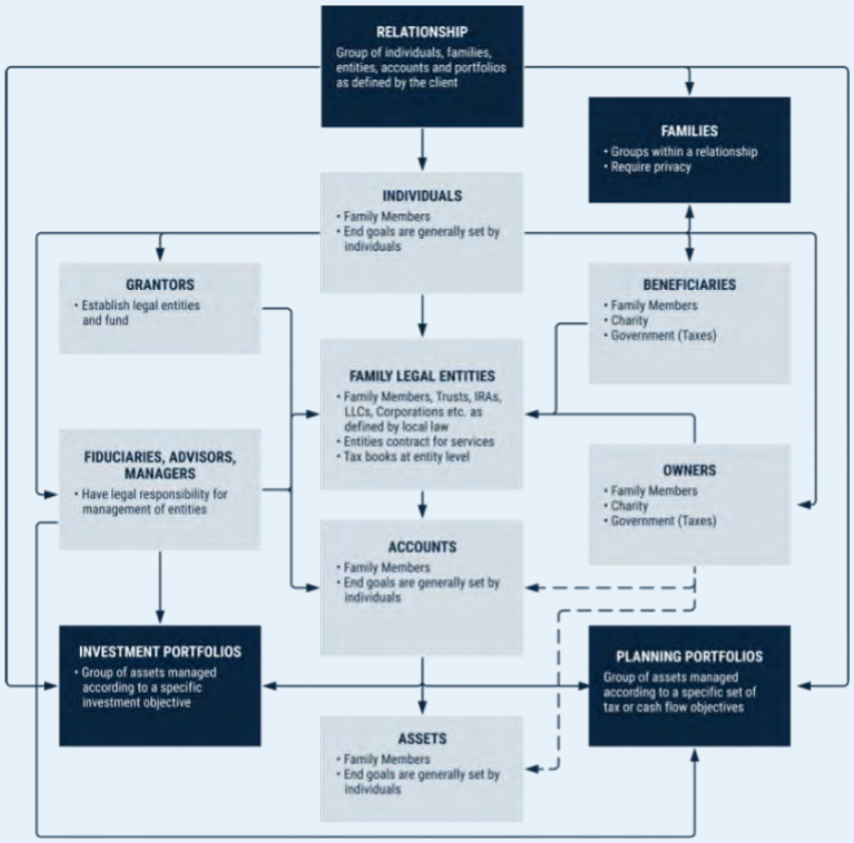
The approach is focused on **key principles that deliver consistency, accuracy, efficiency, and effectiveness.**

The risks and weaknesses can be determined, and the processes improved. It also ensures the appropriate checks and balances, as well as full transparency, around all the processes and workflows so that they can be trusted. This is accomplished through ensuring segregation of duties and implicit 'knowledge' transfer to the embedded business processes. Integral reviews, approvals, and authorizations act as a checkpoint for processes and reporting.



However, what sets an integrated technology platform built by a family office for a family office apart is an effective data model that is able to reflect the "true" world a family office deals with.



All the relationships and linkages between the entities, individuals, assets, liabilities, accounts, and transactions that make up the operational management of the family office.

This is the data model an integrated family office technology platform needs to enable the efficiencies described above.

The data is stored at the lowest level of granularity. This model allows that data to be associated and "known" from the transaction level up and where everything is auditable, and everything can be queried.

In a family office, how everything is related really matters. There is often the "world" outside and the one the family office deals with.

From a process perspective that fits the data model, the next page illustrates what an integrated technology platform should look like. Required elements include the key components outlined by FOX earlier: Automated data collection and reconciliation, interconnectivity and integration, information access and transparency, enhanced risk management, and data-driven insights and decision-making.

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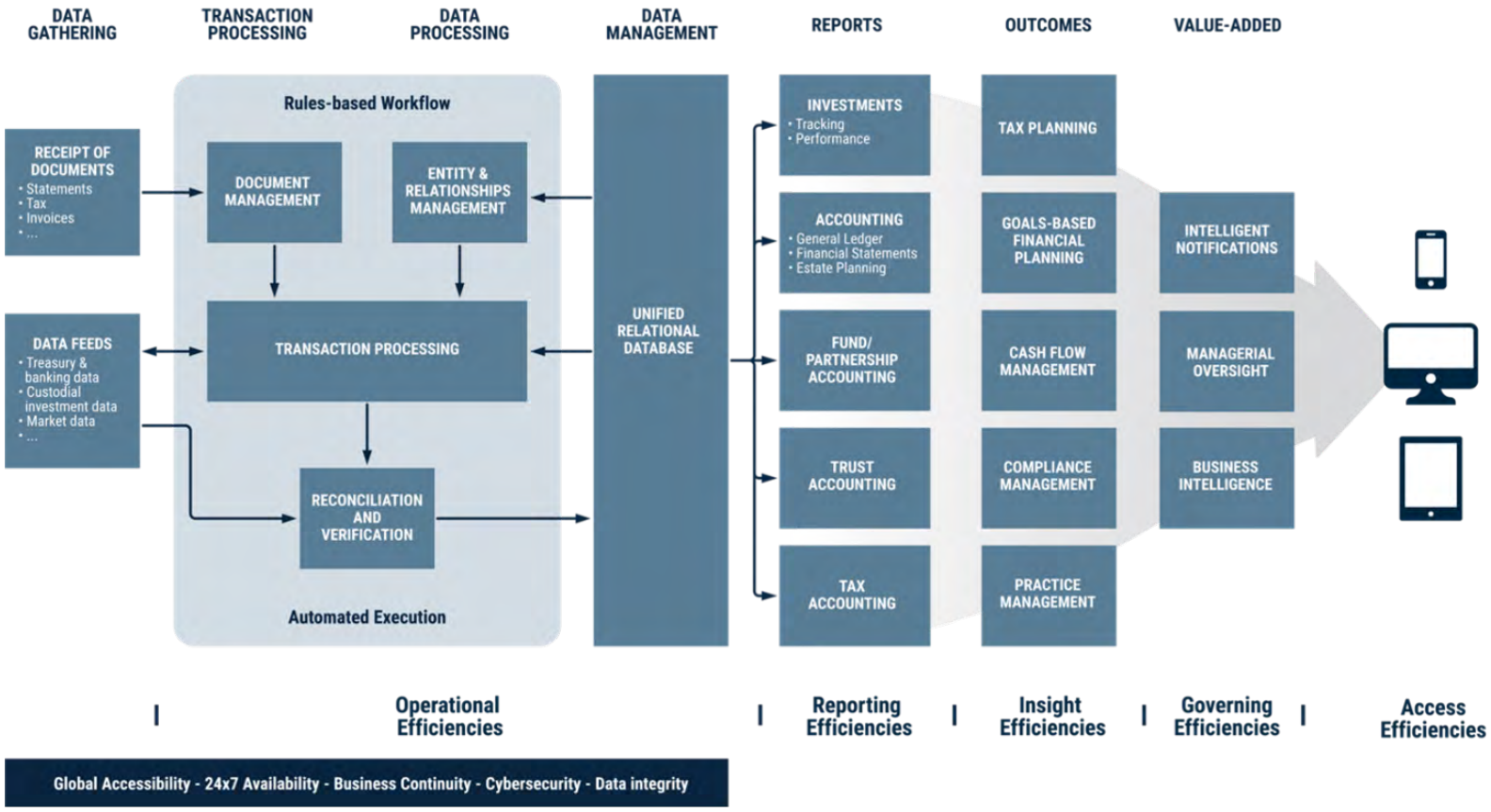

Benefits of this integrated platform include:

Operational Efficiencies

- Daily transaction files received through custodian integrations
- Data entered once
- Daily reconciliation
- Maintenance of data at the lowest level of granularity
- Training on one user interface

Reporting Efficiencies

- All ledgers come off the same database, with a consistent taxonomy and updated daily
- The structure of the database allows you to slice and dice or consolidate the information in ways that you need them
- All data available for reporting

For family offices, reporting data that is consistent and accurate is a fiduciary duty to clients – one that can only be upheld through the implementation of the right tools and processes – such as comprehensive, user-defined reporting to drive decision-making and intelligent best practice workflows to simplify the execution of complex processes.

The integrated platform empowers the family office to interpret and analyze data with the tools and services to enable office staff to meet and exceed client expectations. The SaaS delivery model enables work and management from anywhere – all protected through industry-leading cybersecurity, disaster recovery, and business continuity.

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Family Office of the Future: What can it do?

The Future of family offices is true integration through one unified database – integration beyond current tools and methodologies that exist within present-day family offices. Integration with other technological elements such as BOTS, AI, and Natural Language Generation (NLG) can facilitate a more comprehensive service selection and delivery of Family Office services and operations.

For example, we could see NLG used to provide the family office staff and family members with 'streamed' knowledge delivered to any device – including a mobile phone. NLG could automatically generate text from a data set, while BOTS 'learn' repetitive tasks and process them. AI could drive the applied analytics and insights and might be implemented to identify problems, bottlenecks, and monitor end-to-end performance, enable detailed document search and classification, automated document ingestion and transaction processing, and more.

This access to knowledge as it happens can help to ensure transparency and efficiency, and facilitate intra-day risk management. An integrated technology platform combined with BOTS, AI, and NLG can work effectively to change administrative loads and human processing time – propelling family offices into the future.

This futuristic model of a family office, featuring AI, BOTS, and NLG can only be effectively integrated with a single source database where information is accessible from a centralized location. With existing siloed information storage, these features would not be able to provide cohesive data for automation.

Centralized data, on the other hand, can offer automated technology to provide a clear picture in reporting, operations, and data analytics.

What does this look like in application?

Users could ask a virtual assistant, "How much did we pay ABC law firm last year across all entities where I own 50% or more?" And get a correct answer in seconds. This is possible because the single database is storing all data at the lowest level of granularity.

With AI, the drivers for its use in a family office are:

- Recognizing patterns
- Risk oversight
- Initiating best practice processes
- Strengthening good decision making
- Enabling effective communication

For instance, when all data — like payments — are being processed through a single, end-to-end platform. A document — like an invoice — is automatically uploaded into the platform, the document is 'read' and details like vendor, amount, date, entity name, etc. populate a pre-formed template. That template has the built-in business "knowledge" around the relationships of all participants needed to record the data properly.

The template creates a workflow where humans review and approve the transaction through to payment. The ACH payment batch, etc., is also then automatically processed following final approval.

When you look at replacing mundane work done by office staff, it is used in processes like documents being automatically read and all the data elements for processing and posting completed by AI. The office staff is then able to do the critical work, like approvals.

Therefore, an integrated technology platform can facilitate such an approach because all of the family office best practices are integrated into a single system. This means that procedures on how to perform work are embedded, operational risks are mitigated, and timely and accurate reporting is enabled. Instead of bogging down C-Suite personnel with administrative roadblocks, efficiency – and confidence – in office capabilities are increased by delivering dramatically more information in a timely manner. Staff and operating costs are reduced. Operational risks are mitigated.

The impact of this approach is that the family office can now be sure that they are in control. There is trust in the data, trust in the process, and trust in what is reported.

Conclusion

The Family Office of the Future is not a 'big bang'. It is an evolving approach. BUT, to take advantage of all it offers you need the prerequisites — the right foundation technology.

While the Family Office of the Future is an evolutionary approach, it still requires the right foundation of technology to take advantage of the possibilities for your family office. For staff, this means a faster pace for accurately completed work and that management is able to focus on strategic activities that achieve high value office and client goals.

The goal of business process and workflow automation, NLG, BOTS, or AI is not to replace employees or fundamental family office operations. Instead, it is to enhance work tasks and allow to add value where it really matters — to have business processes run with minimal, or no effort from a team. To automatically handle tasks, send alerts and trigger processes. The real potential is for these technologies to support and enhance family office services. As FOX says, "The cost of NOT engaging in new developments will far outweigh the actual cost of adopting a range of new technologies."

With technology as the facilitator of change, the Family Office of the Future is possible for you.

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About Eton Solutions

AtlasFive® from Eton Solutions is an enterprise technology platform for the family office whose primary value proposition is to solve complexity and provide efficiency. This platform is based upon exceptional domain knowledge, as seen in its unique data model, and is driven by the concept of integrated and unified data and applications, that is cloud-native, and where everything is designed to work together. NLG, BOTS,and AI for the family office are part of the development roadmap and are being rolled out now.

The platform is built on enterprise-grade security architecture and full integration for family office operations.

Security has been at the core of AtlasFive® since its creation, which has led to our industry-wide recognition as the security leader in the family office market. Built on modern technology, AtlasFive® transforms the way that family offices serve their clients and perform high value workflows. We provide the necessary data store that is the 'Single Source of Truth'.

AtlasFive® was custom developed to meet the unique needs of a family office. It is a platform built by a family office, for family office professionals -- especially those who are ready to harness the power of the Family Office of the Future.

Ready to put your family office on
the path to the Future?

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