

Family Office Pulse Survey

Year-End Compensation Planning

December 2020



B O T O F F
C O N S U L T I N G



Introduction

Compensation is often the most significant expense consideration for family offices. In this report, a broad spectrum of U.S.-based Single Family Offices (SFO) have shared how the current environment impacts their annual and year-end compensation planning decisions. This survey focuses primarily on salary increases for 2021 and payment of incentive awards for 2020 performance to SFO executives and staff.

2020 was a difficult year between the COVID-19 pandemic, stock and job market volatility, and a Presidential election. These dynamics challenged individuals and organizations globally as they worked to find a new equilibrium. In order to adapt, many difficult interim operational and staff decisions have been necessary, including the close examination of compensation plans.

Family offices certainly have not been immune to market trends, but most have maintained continuity and staffing levels at, near, or even above, pre-pandemic levels. Below we have highlighted survey insights regarding SFO practices, along with a comparison to recently reported U.S. market trends for 2020-21.

Botoff Consulting SFO Survey Insights

Key findings of the survey include:

- Three-quarters of family offices plan 2021 increases between 3% – 5% for executives and staff, continuing to outpace the broader U.S. market
- However, 37% of SFOs report that increases for staff in 2021 will be lower than 2020
- Overall, 60% of SFOs report that bonuses for 2020 will be consistent with bonuses for 2019, and will not be significantly affected by the pandemic
- 88% of SFOs report that there will be no major changes to their Long-Term Incentive plans in 2020

National Market Trends*

General U.S. market trends reflect:

- 2021 salary budgets are projected to fall for the first time in 12 years from 3.3% to 2.9%, the first decrease since the recession of 2008-09
- 16% of companies indicate a 0% salary increase budget for 2021, which is nearly 10 times higher than in 2019
- Despite these statistics, 84% of organizations expect to provide increases in 2020, and almost 70% are still providing increases in the 3% - 4% range

** Based on the World at Work 2020-21 Salary Budget Survey*

About the Study

Led by Trish Botoff, the Botoff Consulting team published the "Family Office Pulse Survey: 2020 Year-End Compensation Planning" on December 17, 2020. The study was conducted online from October 27, 2020, to November 17, 2020. Data were collected and analyzed by Botoff Consulting, LLC. Participation was by invitation only, with responses received from 72 single family offices (SFO). As appropriate, SFO data are presented in categories of assets under management (AUM), including below \$500 million, \$500 million to \$999 million, and \$1 billion and greater.

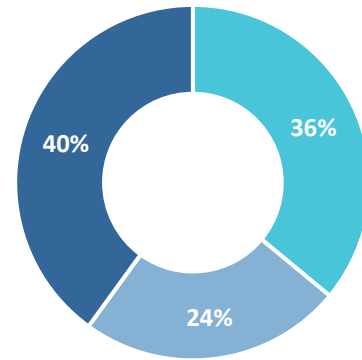


SFO RESPONDENT PROFILE

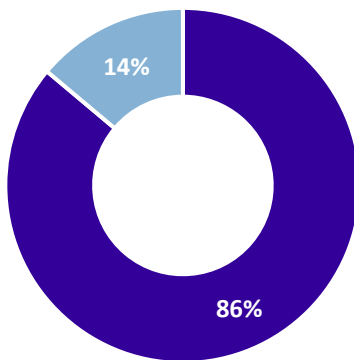
SFO Assets Under Management (AUM)

In total, 72 family offices contributed results to this invitation-only survey. Participating family offices represent a balanced cross-section of AUM tiers:

- 60% of participating family offices have AUM less than \$1 billion
- 40% of participants have AUM greater than \$1 billion



■ <\$500 Million ■ \$500 - \$999 Million ■ >\$1 Billion



■ Stand-alone entity ■ Embedded entity

SFO Organizational Structure

Overall, 86% of participating SFO are stand-alone entities, with the remaining 14% embedded within an operating company.

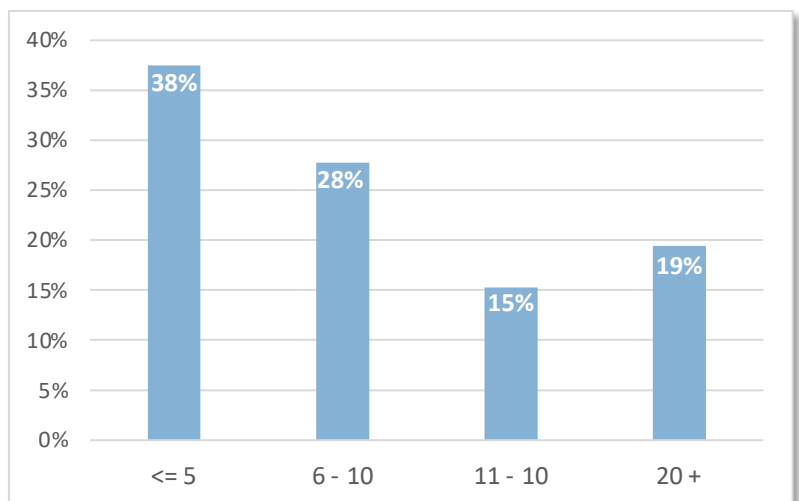
Family offices between \$500 million - \$999 million report the lowest percentage of embedded family offices at 11.8%, and family offices with AUM below \$500 million report the highest percentage, at 15.4%.

SFO Staff Size

The complexity of a family office generally increases with AUM, and the average number of in-house staff and family members typically increase accordingly.

While the average number of SFO staff reported by participants is 16.7, nearly two-thirds reported staff of 10 or fewer.

Family offices with \$1 billion or more report an average staff size of 31.3.





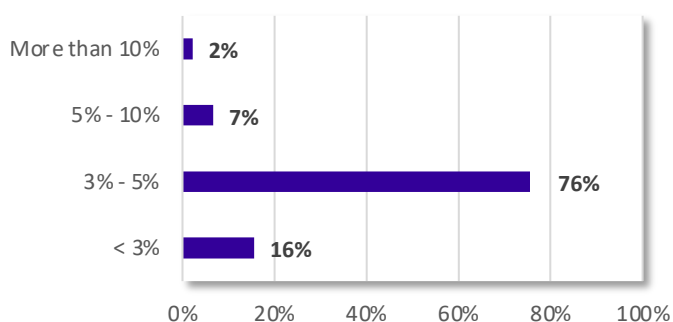
EXECUTIVE COMPENSATION

2021 Planned Salary Increases

One-third of participants report that 2021 salary increases have not yet been budgeted or approved for executives.

Of those SFOs who have budgeted/approved increases for executives for 2021, 76% report increases of between 3% and 5%.

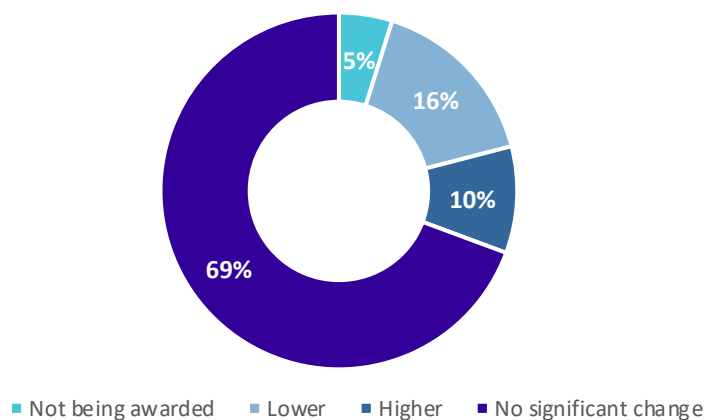
Consistent with the market, most family offices review and adjust salaries each year with the most common effective date for executives being January 1st.



2021 vs. 2020 Salary Increases

Family offices were asked to compare how salary increases for 2021 compare to increases for 2020, and 69 percent report no significant changes in planned increases from 2020.

While 10 percent of offices expect 2021 increases higher than 2020, five percent reported no increases for 2021, with 16 percent expecting smaller increases.

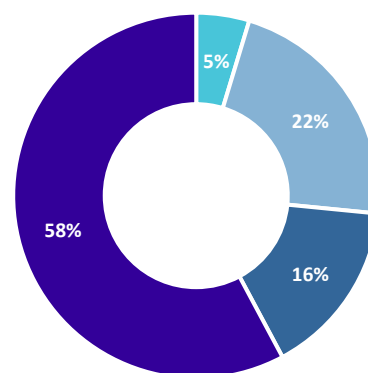


2020 Planned Bonuses

Participants were asked how executive bonuses planned for 2020 compare to bonuses paid for 2019.

Nearly 60 percent of respondents report no major changes to bonus plans in 2020 from bonuses paid in 2019. Survey responses were consistent across AUM tiers.

- 5% report that no bonuses will be paid in 2020
- 22% report that bonuses will be lower than 2019
- 16% report that bonuses will be higher than 2019

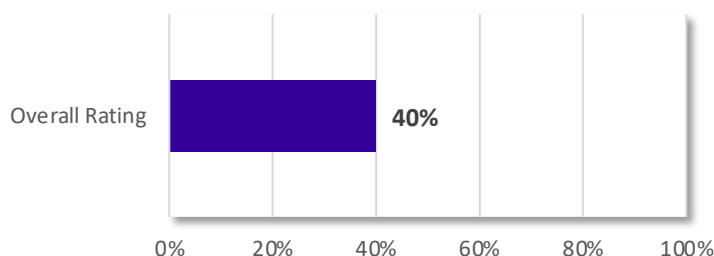


■ Not being awarded ■ Lower ■ Higher ■ No significant change

Pandemic Bonus Impact

Participants were asked to rate the impact of the pandemic on 2020 bonus decisions for executives. A scale was presented of 0 to 100, with 0 being no impact and 100 being significant impact.

The overall average response was 40. Family offices with AUM <\$500 million reported the highest impact on bonus decisions with an average response of 43.





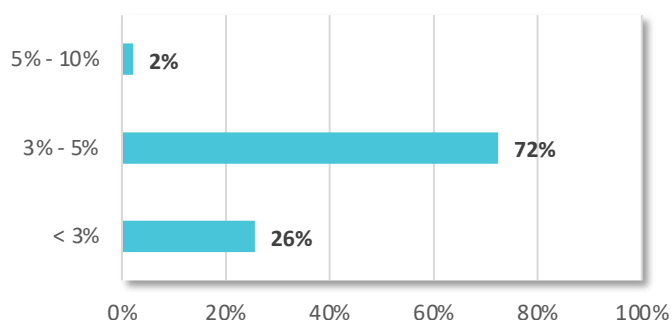
STAFF COMPENSATION

2021 Planned Salary Increases

Twenty-nine percent of participants report that salary increases for 2021 have not yet been budgeted or approved for staff positions.

Of the SFO that have budgeted/approved increases for staff for 2021, more than 72 percent report increases of between 3% and 5%.

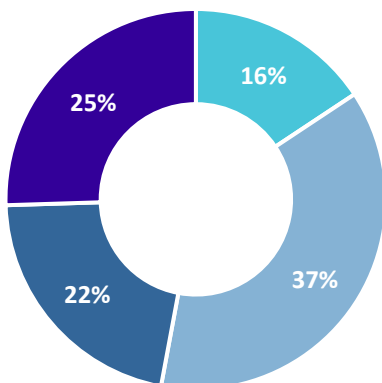
Consistent with salary increases for executives, 60% report that increases for staff occur on January 1st, followed by 30% reporting that increases occur on another common date.



2021 vs. Salary 2020 Increases

Family offices were asked to compare how salary increases for staff for 2021 compare to increases for 2020. Notably, reporting of SFO staff increases varies substantially from that of reported executive increases.

- 25% report no significant change from 2020
- 22% report increases higher than 2020
- 37% report increases lower than 2020
- 16% report that increases will not be awarded



■ Not being awarded ■ Lower ■ Higher ■ No significant change

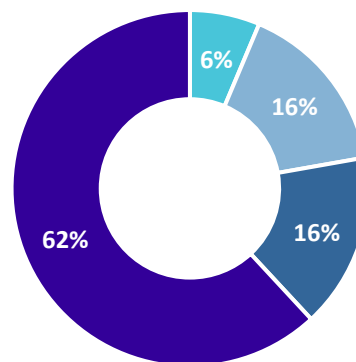
2020 Planned Bonuses

Participants were asked how staff bonuses planned for 2020 compare to bonuses paid for 2019.

Sixty-two percent of participating family offices report that there are no major changes planned for bonuses in 2020 from bonuses paid in 2019.

Family offices with > \$1 billion AUM report a much higher prevalence of higher staff bonuses in 2020, while family offices with <\$500 million AUM are more likely to not pay any staff bonuses for 2020.

- 6% report that no bonuses will be paid in 2020
- 16% than bonuses will be lower than 2019
- 16% report that bonuses will be higher than 2019

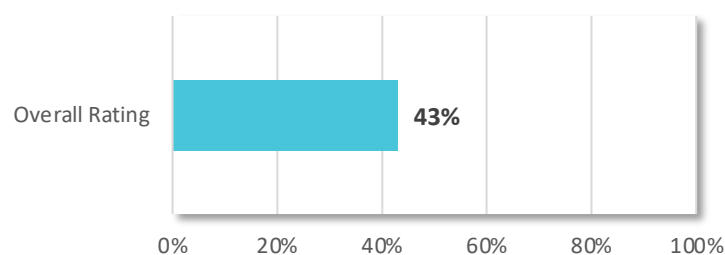


■ Not being awarded ■ Lower ■ Higher ■ No significant change

Pandemic Bonus Impact

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The overall average response was 43.





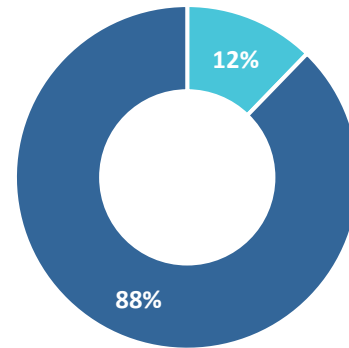
Long-Term Incentive Compensation

2020 Long-Term Incentive Awards

Participants were asked if any changes are being made to 2020 LTI awards or payouts.

Nearly nine of 10 SFO respondents with Long-Term Incentive (LTI) plans reported no impact to LTI awards.

About 25 percent of respondents noted that LTI plans/awards are not applicable.



■ LTI awards impacted ■ No impact to LTI awards

About Boff Consulting

Boff Consulting provides compensation and related consulting services to private and family enterprises, family offices, family investment firms, and foundation clients.

Our consulting team combines diverse backgrounds and a deep array of insights with a long history working together – enabling us to leverage the group’s collective strengths to create industry-leading, custom client solutions and service.

The Boff Consulting team operates from both the East and West coasts to serve our clients nationally and globally.



For questions regarding the survey and our services, please contact us:

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