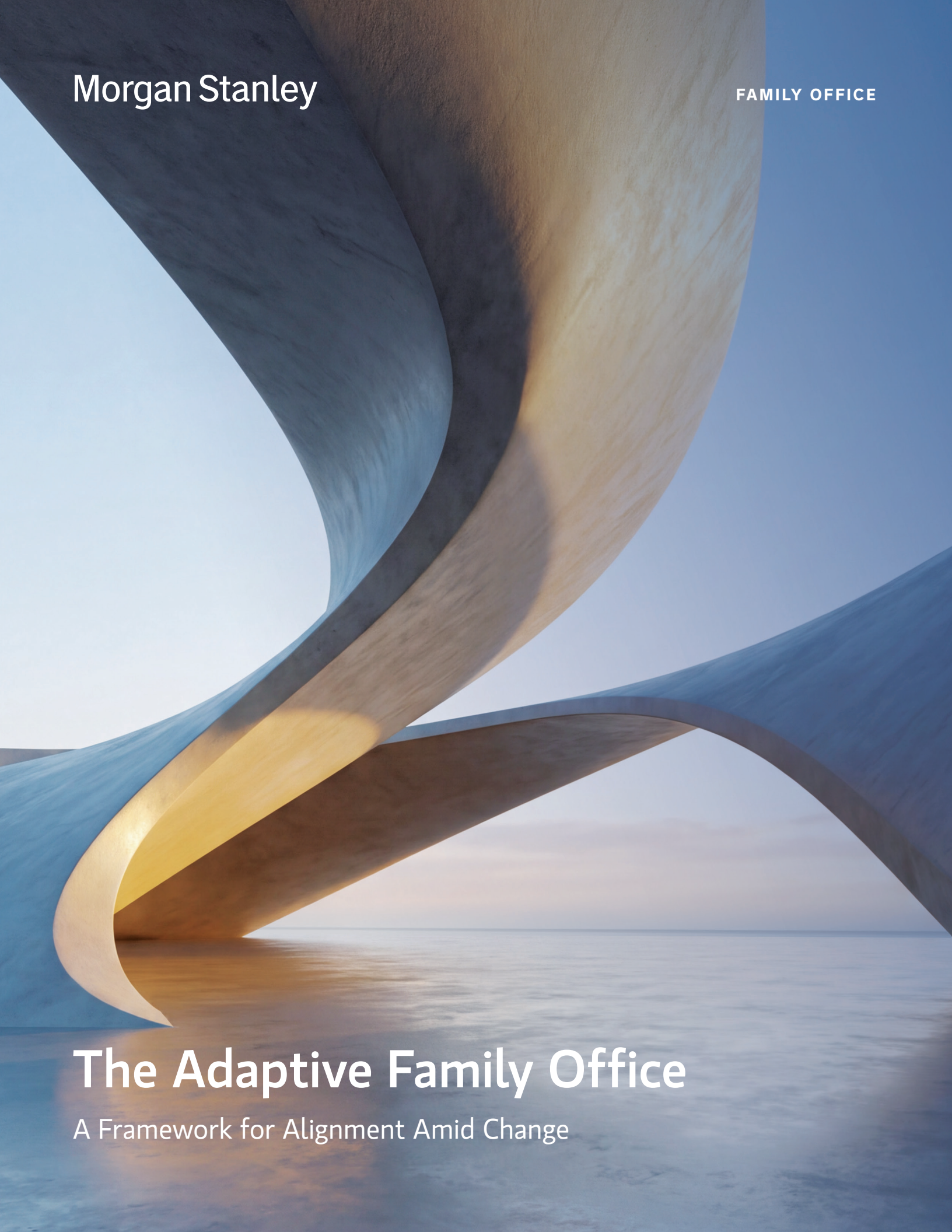
Morgan Stanley

FAMILY OFFICE



The Adaptive Family Office

A Framework for Alignment Amid Change

FOREWORD

Family offices endure by making change governable. The strongest offices do not simply add capabilities as markets, risks, technologies and family needs evolve. They create a disciplined system for deciding what should change, what should remain anchored and how each adjustment affects the whole.

This publication introduces an adaptive framework for that work. It is designed for families and the executives who serve them—those seeking more than a menu of services and who are looking instead for a practical model that connects purpose, decision rights, capital, execution, protection and family experience.

The objective of this framework is to help families evaluate how they may preserve intent while enhancing organizational clarity and consistency over time.

The framework elements described within are illustrative and should be evaluated with qualified legal, tax and other advisors in light of a family's specific circumstances.

This publication focuses on three practical elements:

1 THE SIX-DIMENSION MORGAN STANLEY FAMILY OFFICE STRATEGIC FRAMEWORK.

2 THE FOUR EXECUTIVE MOVES—ADAPT, REORIENT, SHAPE AND CALIBRATE—THAT HELP SUSTAIN ALIGNMENT OVER TIME.

3 AN EXECUTIVE MOMENT THAT ILLUSTRATES HOW A SINGLE DISRUPTION CAN TEST THE WHOLE SYSTEM.

An Adaptive Strategic Framework for Coherence Amid Change

A modern family office is often described as a set of functions—investments, governance, operations, risk management and family priorities—managed in parallel. In practice, it behaves more like a single, interdependent system. When one element moves, others shift with it.

A familiar six-sided alignment puzzle—commonly known as a **Rubik's Cube**[1]—offers a useful analogy. Progress depends less on perfecting one side in isolation than on coordinating movement across the whole system. For family offices, the objective is not static perfection. It is the ability to return to alignment repeatedly as circumstances change.

The defining challenge for families today is not only complexity—it is **change that arrives in combination**. Markets evolve, regulations shift, technology introduces both new opportunities and vulnerabilities, and family dynamics naturally transform across generations. Many family offices find that static structures are less effective as complexity increases. They are **living, adaptive architectures**—capable of adjusting in unison while preserving continuity and intent.

A strategic framework is critical because flexibility without structure can create inconsistency, while structure without flexibility can create rigidity. Sustainable success requires both: a disciplined way to realign the system repeatedly without losing clarity, control or cohesion.

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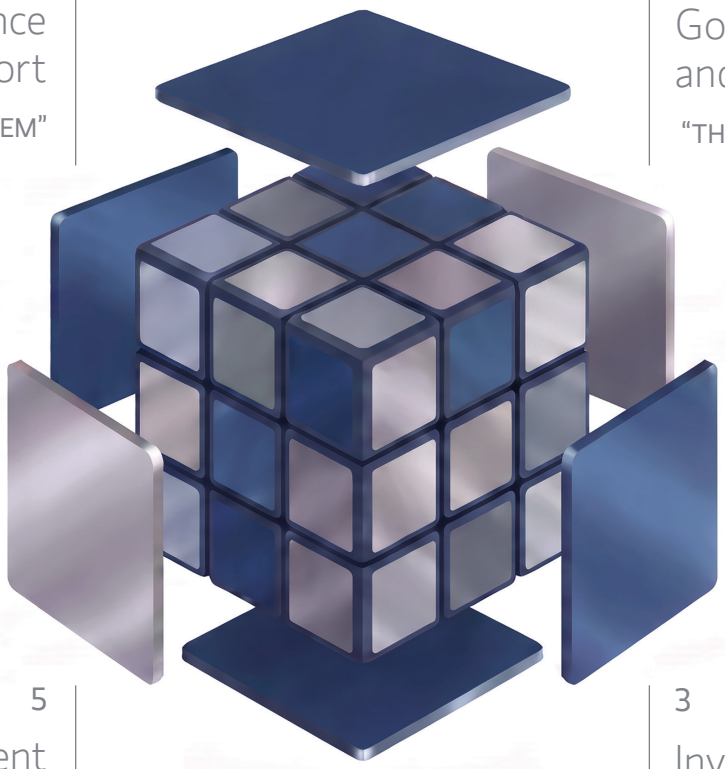
1
Mission and Purpose
"THE NORTH STAR"

6
Lifestyle, Experience and Family Support
"THE SUPPORT SYSTEM"

2
Governance and Structure
"THE CONTROL ARCHITECTURE"



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Risk Management and Security
"THE SHIELD"

3
Investment Strategy and Deployment
"THE CAPITAL ENGINE"

4
Operations and Execution
"THE FUNCTIONAL CORE"

To translate the Rubik's Cube analogy into a practical operating lens, the **Morgan Stanley Family Office Strategic Framework** organizes the modern family office into six interdependent dimensions: Mission and Purpose, Governance and Structure, Investment Strategy and Deployment, Operations and Execution, Risk Management and Security, and Lifestyle, Experience and Family Support. Distinct in function, these dimensions are inseparable in practice.

1

Mission and Purpose

"THE NORTH STAR"

ROLE: The North Star clarifies what the family is trying to preserve, build and ultimately pass on. It is expressed through a family mission statement, a family constitution, legacy/value/impact alignment and succession goals. When this dimension is clear, it becomes the reference point for trade-offs—helping the family distinguish between what is merely attractive and what is truly aligned.

IN PRACTICE: This may include values conversations, a family charter, philanthropic or impact principles, and agreed-upon guidelines for liquidity, privacy, growth, control and inclusion. When family branches disagree—for example, reinvestment versus distributions—the North Star provides a shared language for resolution.

EFFECTIVE PRACTICE: A written, widely understood statement of purpose that helps the family office make faster, more consistent decisions when priorities compete.

2

Governance and Structure

"THE CONTROL ARCHITECTURE"

ROLE: Control Architecture is how the family makes decisions, assigns authority and maintains cohesion as complexity grows. It includes entity setup and tax strategy, decision-making bodies, next-gen preparedness and conflict resolution. This dimension determines whether the family office can move decisively and consistently, especially during transitions, disagreements, liquidity events or periods of market stress.

IN PRACTICE: This may include a family council, an investment committee, board-like oversight, a decision-rights matrix, meeting cadence, voting protocols, a next-generation education pathway and an escalation process for disputes. When a time-sensitive opportunity emerges, the family office needs clarity not only on whether to act but who has authority to decide and how the process will be respected.

EFFECTIVE PRACTICE: Clear decision rights and governance forums that may help families make decisions more efficiently and support alignment during periods of complexity.

3

Investment Strategy and Deployment

"THE CAPITAL ENGINE"

ROLE: The Capital Engine converts intent into portfolio action. It includes an investment policy statement (IPS), deal flow and co-investments, consolidated investment reporting, liquidity management, and risk mitigation and performance benchmarking. This dimension is not simply about returns; it is about building a repeatable mechanism for deploying capital in a way that supports the family's long-term objectives while preserving flexibility.

IN PRACTICE: This may include refreshing the IPS, defining target allocations and liquidity guardrails, setting private investment pacing limits, creating diligence protocols for direct deals, monitoring concentration risk, and using consolidated reporting to understand total balance sheet exposure.

EFFECTIVE PRACTICE: A disciplined investment process designed to support consideration of opportunity, liquidity needs, transparency, or governance objectives.

4

Operations and Execution

"THE FUNCTIONAL CORE"

ROLE: The Functional Core is the operating backbone rather than the family's day-to-day service layer. It includes staffing and compensation, technology centralization and integration, reporting cadence, expense management, and oversight of external advisors such as legal, tax, accounting, insurance and investment professionals. When this dimension is underbuilt, complexity becomes costly and slow; when it is overbuilt, it can become rigid.

IN PRACTICE: This may include role mapping, staffing and compensation review, workflow tools, data consolidation across custodians and entities, standardized reporting packages, expense approval protocols, and vendor or advisor oversight. If reporting depends on manual spreadsheets and one key employee, the family faces both operational and continuity risk.

EFFECTIVE PRACTICE: A scalable operating model that makes strategy repeatable, with the right people, processes, platforms and controls to execute consistently.

5

Risk Management and Security

"THE SHIELD"

ROLE: The Shield protects continuity across generations. It includes cybersecurity and digital privacy, physical and reputational security, business continuity, insurance and compliance, and risk oversight and internal controls. In an era when risk is increasingly non-financial and fast-moving, this dimension often determines whether the family can preserve not only capital but also freedom of action. The Shield is most effective when it is integrated into governance and operations, not treated as a separate technical function.

IN PRACTICE: This may include cybersecurity assessments, secure communication protocols, vendor access reviews, travel security planning, reputational risk monitoring, insurance reviews, fraud prevention controls, incident response planning and business continuity testing.

EFFECTIVE PRACTICE: An integrated risk program that protects the family's assets, data, people, reputation and continuity of decision-making.

6

Lifestyle, Experience and Family Support

"THE SUPPORT SYSTEM"

ROLE: The Support System reduces friction and protects family bandwidth. It includes estate and household management, private travel and experiential access, health, security and well-being, and quality-of-life services. While sometimes viewed as peripheral, this dimension can be stabilizing infrastructure, helping the family sustain focus, reduce operational noise and preserve cohesion. Done well, it supports decision quality by protecting time, attention and trust.

IN PRACTICE: This may include household staff coordination, estate operations, aircraft or travel logistics, medical concierge access, relocation support, education planning, family meeting logistics, personal administration, and protocols for service levels across family branches.

EFFECTIVE PRACTICE: A thoughtful service model that reduces complexity for the family while maintaining fairness, discretion and operational discipline.

Taken together, these six dimensions create an operating architecture that connects purpose to decisions, decisions to execution, execution to oversight and oversight back to long-term continuity.

Why Alignment Matters Now

Family offices have grown in number, ambition and complexity. Alignment matters because family office decisions rarely stay contained within one function. In practical terms, this means:

A portfolio decision can create governance pressure — for example, a significant private investment or co-investment opportunity may require clarity on who approves, how quickly the family office can act, what information is shared with family members and whether liquidity guardrails remain intact.

A governance change can alter investment agility and risk oversight — for example, the departure of a Family Office CIO who has been with the office since inception may reveal how much investment judgment, manager access and institutional memory depended on one individual.

A technology upgrade can improve reporting while introducing new cyber exposure — for example, a consolidated reporting platform may enhance transparency but also require tighter controls around data access, vendor diligence, digital privacy and information-sharing.

A shift in family priorities can require operational redesign, not just philanthropic adjustments — for example, next-generation interest in impact investing, more active governance participation or cross-border living may require changes to staffing, reporting, advisory coverage, education and risk management.

A family transition can compress decision timelines — for example, a liquidity event, succession moment, health event or marital change can simultaneously affect tax planning, governance, investment policy, communications and family cohesion.

Because the dimensions are interdependent, families benefit from an architecture that can flex without breaking.

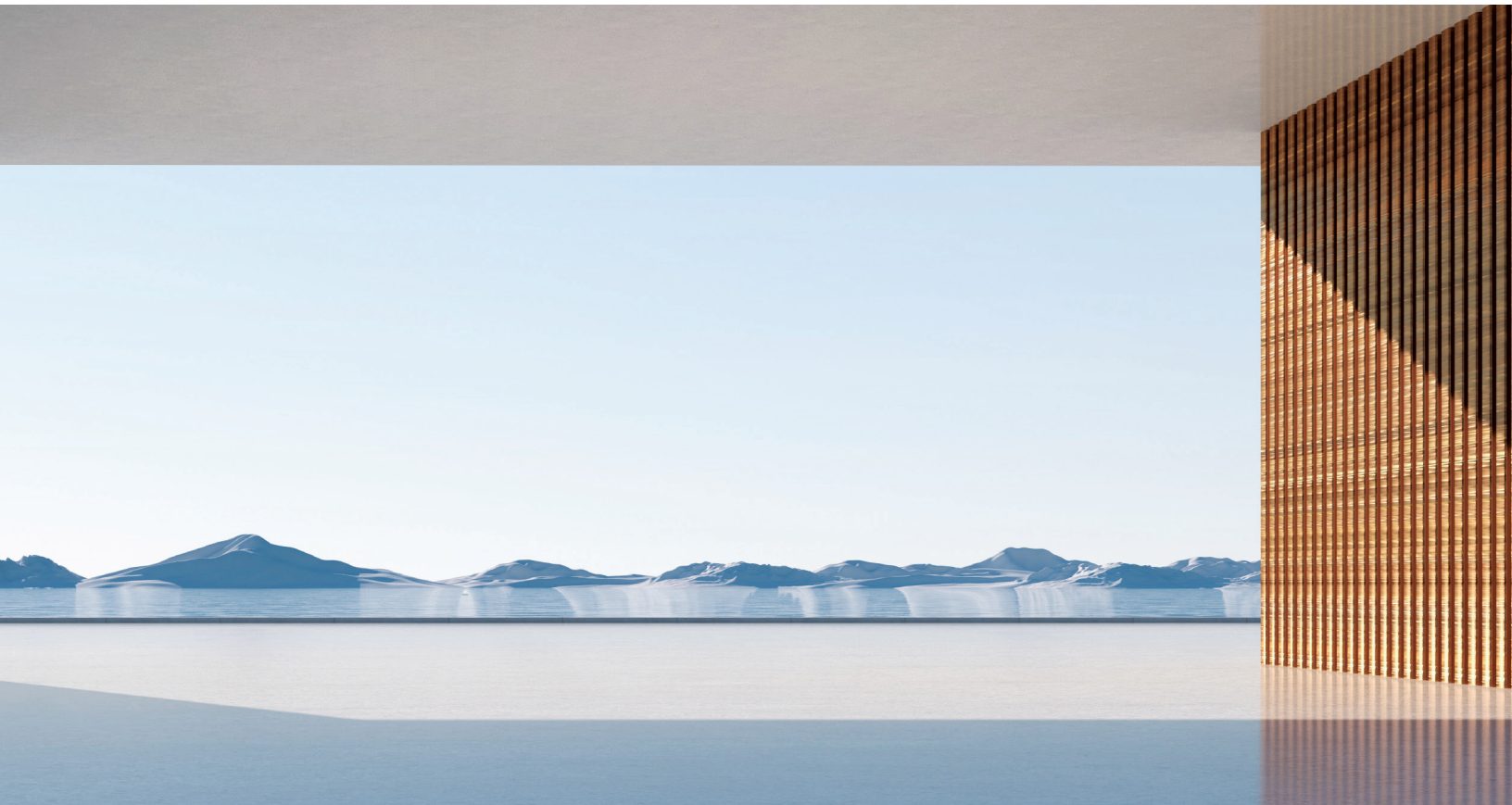
Alignment as a Dynamic Discipline

Alignment is not a static end state. Because the six dimensions of the family office are interdependent, a decision in one area can quickly create implications across the others. A shift in investment strategy may affect governance demands, operational requirements, risk exposure and family communication. A technology upgrade may improve transparency while increasing the need for stronger data controls, vendor oversight and cybersecurity discipline.

External forces add further pressure. Economic conditions, regulatory developments, technology advancement, geopolitical risk and evolving family priorities can change what is possible, what is prudent and what the family values at a given moment. These forces rarely arrive in isolation; they interact, compress decision timelines and raise the cost of misalignment.

The objective, therefore, is not to eliminate movement. Movement is inevitable. The goal is to build the capability to realign the family office with discipline and speed—preserving continuity while adapting purpose, governance, capital, operations, risk management and family support as conditions change.

This is the essence of the adaptive family office: a system designed not only to function when conditions are stable but to remain coherent when conditions change.



From Framework to Action: Four Executive Moves

If the six dimensions represent the family office system, long-term sustainability depends on the executive team's ability to keep that system aligned under pressure. For family office executives, alignment is not a theoretical exercise; it is the day-to-day work of translating family intent into decisions, decisions into execution and execution into continuity.

The role of the family office executive is increasingly less about managing functions in parallel and more about orchestrating an interdependent enterprise. Markets shift. Families grow. Regulations change. Technology introduces both leverage and vulnerability. Talent transitions occur. New risks emerge. In each case, the executive team must determine not only what should change but how that change will affect governance, capital deployment, operations, risk oversight and family experience.

Four executive moves—Adapt, Reorient, Shape and Calibrate—provide leadership discipline for navigating change without losing cohesion.

1 Adapt

STRUCTURAL FLEXIBILITY— FLEX WITHOUT FRAGMENTING

IN PRACTICE: Adapt preserves continuity while the family office changes shape. It may involve revisiting decision rights as new family members become involved, updating entity or trust structures as jurisdictions change, redesigning oversight after a key executive departs, or building redundancy where institutional knowledge is concentrated.

FRAMEWORK ALIGNMENT: Adapt strengthens the Control Architecture and the Shield: Authority remains clear, oversight remains intact and continuity is protected even as the structure changes.

EXECUTIVE TEST: Can the office absorb family growth, leadership transition, jurisdictional complexity and new asset classes without destabilizing decision-making or control?

2 Reorient

STRATEGIC REASSESSMENT— PIVOT DELIBERATELY, NOT EMOTIONALLY

IN PRACTICE: Reorient helps the family office distinguish signal from noise. It may include reassessing portfolio strategy after a liquidity event, revisiting the IPS after a market dislocation, evaluating whether private market exposure matches liquidity needs or determining whether new family priorities require a strategic reset.

FRAMEWORK ALIGNMENT: Reorient activates the Capital Engine while staying anchored to the North Star: Capital deployment, liquidity planning and opportunity remain connected to long-term intent.

EXECUTIVE TEST: Do we have a disciplined process for reassessing strategy before market events, family transitions or external pressures force the decision?

3 Shape

FIT-FOR-PURPOSE DESIGN— RIGHT-SIZE THE MODEL TO THE MOMENT

IN PRACTICE: Shape designs the family office around the family's actual needs—not legacy assumptions, peer comparisons or inherited structures. It may include assessing whether the office is underbuilt or overbuilt, clarifying roles between internal staff and external advisors, deciding what belongs in-house versus outsourced, upgrading technology and reporting, or redefining service levels across branches.

FRAMEWORK ALIGNMENT: Shape strengthens the Functional Core and the Support System: Execution becomes more repeatable, reporting becomes more trusted and family bandwidth is protected.

EXECUTIVE TEST: Is our family office designed for the family we serve today—and the family we are becoming —or for a prior version of complexity?

4 Calibrate

COHERENCE AND CONTINUITY— ALIGNMENT AS A REPEATABLE DISCIPLINE

IN PRACTICE: Calibrate keeps the whole system coherent over time. It may include integrated dashboards, annual or semiannual alignment reviews, cross-functional leadership meetings, governance refreshes, risk reviews, next-generation readiness assessments, and a structured process for connecting current decisions back to multigenerational intent.

FRAMEWORK ALIGNMENT: Calibrate is the connective tissue across all six dimensions: The North Star, Control Architecture, Capital Engine, Functional Core, Shield and Support System remain coordinated as conditions change.

EXECUTIVE TEST: Do we have a regular cadence for identifying misalignment early—before it becomes a governance issue, operational failure, liquidity constraint or family conflict?

Together, these four executive moves define the leadership mandate of the modern family office. ADAPT protects resilience. REORIENT protects relevance. SHAPE protects fit. CALIBRATE protects coherence. The executive team is the mechanism through which the family office returns to alignment—again and again—while preserving the mission it was built to serve.

CASE STUDY

Executive Moment: When a CIO Departure Tests the Whole System

A family office's long-tenured CIO, who has been with the family since inception, unexpectedly announces plans to depart. At first, the issue appears to be a personnel transition. Within days, the implications widen.

Who has interim investment authority? Which manager relationships depend on the CIO personally? Does the investment committee have enough visibility to act? Are liquidity assumptions documented? Will next-generation family members view the transition as a risk or as an opportunity for greater transparency?

Viewed through the four executive moves, the family office must **ADAPT** by clarifying interim authority and reducing key-person dependency, **REORIENT** by reassessing investment strategy and liquidity assumptions, **SHAPE** by right-sizing internal and external investment capabilities, and **CALIBRATE** by establishing an oversight cadence that keeps governance, reporting and family communication aligned.

The family office does not simply replace a role. It uses the moment to strengthen the system around that role. What began as a leadership transition becomes a catalyst for stronger governance, better reporting, reduced key-person risk and greater continuity.

THE LESSON: The CIO departure did not create misalignment; it revealed it. The role of the family office executive is to turn disruption into a disciplined return to coherence.

The Future: Toward the Adaptive Family Office

Looking ahead, adaptive capacity may become an increasingly important marker of family office resilience. Technology can improve integration through consolidated reporting, secure communication, and faster visibility into liquidity and risk. Yet human judgment remains essential. Interpreting information, managing trade-offs and stewarding family dynamics cannot be automated. Governance will therefore need to remain both principled and review-driven—flexible enough to adapt yet anchored enough to preserve continuity.

Key Takeaways

- **Alignment must be designed, not assumed.** The most resilient family offices build repeatable mechanisms to realign purpose, governance, capital, operations, risk and family needs as conditions change.
- **Purpose should guide trade-offs.** A clear North Star helps the family distinguish what is merely attractive from what is truly aligned.
- **Governance converts intent into action.** Decision rights, forums, next-generation pathways and conflict-resolution processes determine whether the family office can act decisively and consistently.
- **Capital deployment requires liquidity discipline.** IPS discipline, consolidated reporting and liquidity management allow families to pursue private opportunities without creating unintended constraints.
- **Operations makes strategy repeatable.** Staffing, technology integration, reporting cadence, expense management and advisor oversight determine whether complexity becomes manageable or costly.
- **Risk and service infrastructure protect continuity.** Security, continuity planning and quality-of-life infrastructure preserve freedom of action and reduce friction that can erode intergenerational cohesion.

CONCLUSION

Families do not need a perfect structure; they need a reliable way to keep the structure aligned as the family and the environment change. By anchoring decisions in purpose, clarifying authority, matching capital deployment to liquidity reality, strengthening execution and risk controls, and protecting family bandwidth, the family office becomes more than an administrative platform. It becomes an adaptive institution—built to preserve intent, improve decision quality and act with confidence across generations.

APPENDIX

The Family Office Alignment Questionnaire

Families may use the questionnaire as a discussion guide for leadership meetings, annual family office reviews, governance refreshes or transition-planning conversations.

A. THE SIX DIMENSIONS

1. MISSION AND PURPOSE — "THE NORTH STAR"

Clarity and Continuity of Intent

	YES	NO
Have we clearly documented what we are trying to preserve and build—such as wealth, unity, impact, freedom and legacy—in a way others can understand and use?	☐	☐
Do we have a shared definition of "success" over five, 10 and 25 years?	☐	☐
Have we identified the areas where the family is most at risk of values drift across generations?	☐	☐
Have succession goals for leadership, ownership and stewardship been made explicit?	☐	☐
When we disagree, do we have a clear principle that resolves trade-offs (e.g., liquidity vs. growth, privacy vs. transparency, control vs. inclusion)?	☐	☐

2 GOVERNANCE AND STRUCTURE — "THE CONTROL ARCHITECTURE"

Decision Rights, Accountability and Cohesion

Who has authority to decide what—and is that clear to everyone involved?	☐	☐
Do we have the right forums (family council, investment committee, board equivalents) with the right cadence?	☐	☐
Are we structured to move decisively during stress (market dislocation, family transition, liquidity event)?	☐	☐
Is our entity/trust structure still fit for today's complexity and jurisdictions?	☐	☐
Do we have a conflict resolution mechanism that is understood and actually used?	☐	☐
Are next-generation pathways defined (education, participation, leadership readiness)?	☐	☐

3. INVESTMENT STRATEGY AND DEPLOYMENT — "THE CAPITAL ENGINE"

Repeatable capital deployment aligned to purpose and liquidity reality

Do we have an Investment Policy Statement (IPS) that reflects today's goals and constraints?	☐	☐
Is our liquidity plan explicit (near-term needs, commitments, stress scenarios)?	☐	☐
Do we have a clear approach to private investments (pace, sizing, governance, diligence, concentration)?	☐	☐
Are performance and risk measured in a way that supports decisions (benchmarks, attribution, exposures)?	☐	☐
Do we have consolidated reporting that allows us to see the whole portfolio and its trade-offs?	☐	☐
Are we confident our capital engine can pursue opportunities without forcing reactive decisions later?	☐	☐

4. OPERATIONS AND EXECUTION — "THE FUNCTIONAL CORE"

The Operating Backbone That Makes Strategy Repeatable

	YES	NO
Is our staffing model right-sized (underbuilt = bottlenecks, overbuilt = rigidity)?	☐	☐
Are roles and responsibilities clear across internal team members and external advisors?	☐	☐
Do we have integrated technology and data across systems?	☐	☐
Is reporting timely, trusted and decision-useful (not just comprehensive)?	☐	☐
Do we have a disciplined expense management approach that matches our values and complexity?	☐	☐
Do we understand what would break first if our complexity doubled across entities, private assets, and family members?	☐	☐

5. RISK MANAGEMENT AND SECURITY — "THE SHIELD"

Continuity, Resilience and Freedom of Action

Do we have a clear view of our top risks (financial and non-financial) and who owns them?	☐	☐
Are cybersecurity and digital privacy treated as enterprise risks (not just IT tasks)?	☐	☐
Do we have business continuity planning that is current and tested?	☐	☐
Are physical and reputational security addressed proactively?	☐	☐
Are insurance, compliance and internal controls aligned to our real exposures and complexity?	☐	☐
Is the Shield integrated into governance and operations?	☐	☐

6 LIFESTYLE, EXPERIENCE AND FAMILY SUPPORT — "THE SUPPORT SYSTEM"

Reducing Friction and Protecting Family Bandwidth

Do our services meaningfully reduce friction for the family without creating unnecessary complexity?	☐	☐
Are household/estate management responsibilities clear and consistently executed?	☐	☐
Do we have a consistent approach to travel, security, health/well-being and special projects?	☐	☐
Does the Support System protect time and attention for high-stakes decisions?	☐	☐
Are service levels equitable and understood across family branches (to reduce friction)?	☐	☐

B. THE FOUR EXECUTIVE MOVES FOR SUSTAINED ALIGNMENT

These questions help families assess whether they can realign the family office as external forces change priorities, constraints and risks.

1. ADAPT — STRUCTURAL FLEXIBILITY (FLEX WITHOUT FRAGMENTING)

	YES	NO
When the family expands or circumstances change, can we evolve structures without destabilizing decision rights?	☐	☐
Are our governance and entity structures designed to adapt without requiring major rebuilds?	☐	☐
Do we have a clear process for structural change (who proposes, who approves, how it's implemented)?	☐	☐

2. REORIENT — STRATEGIC REASSESSMENT (PIVOT DELIBERATELY, NOT EMOTIONALLY)

Do we have a disciplined way to reassess strategy when markets or family priorities shift?	☐	☐
Do we have clear time-based and event-based triggers for conducting a strategic review?	☐	☐
Are we confident we can pivot the portfolio without creating liquidity stress or governance confusion?	☐	☐

3. SHAPE — FIT-FOR-PURPOSE DESIGN (RIGHT-SIZE THE MODEL TO THE MOMENT)

Is our operating model designed around our family's DNA (values, complexity, tempo) or inherited from a prior era?	☐	☐
Are our people, platforms and partners configured to scale up or simplify as needed?	☐	☐
Do we have the right mix of in-house capability vs. outsourced expertise, and do we revisit that mix periodically?	☐	☐

4. CALIBRATE — COHERENCE AND CONTINUITY (ALIGNMENT AS A REPEATABLE DISCIPLINE)

Do we have integrated dashboards that show trade-offs across the full system (purpose, governance, capital, operations, risk, family experience)?	☐	☐
Do we run periodic alignment reviews that treat the family office as one system, not separate agendas?	☐	☐
Are today's decisions explicitly connected to multigenerational intent and next-gen preparedness?	☐	☐

Practical Next Steps

STEP 1: Begin by reaffirming the **North Star** and pressure-testing the **Control Architecture**.

STEP 2: Validate that the **Capital Engine** reflects both purpose and liquidity reality, and that the **Functional Core** can execute with speed and transparency.

STEP 3: Strengthen the **Shield** so risk management and security are embedded in governance and operations—not treated as a separate technical layer—and ensure the **Support System** protects family bandwidth so attention stays focused on the decisions that matter most.

Done well, this creates a disciplined alignment rhythm—integrated reporting, periodic alignment reviews and next-generation pathways—that keeps the family office consistent in intent while adaptable in execution.

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Build a Family Office Designed to Adapt

Morgan Stanley Family Office, a dedicated division within Morgan Stanley Private Wealth Management, is tailored to meet the unique needs of some of the world's most significant and sophisticated families. Our focus is providing institutional-level support that leverages the scale and expertise of Morgan Stanley to help deliver specialized investment services and comprehensive operational capabilities to support an enduring family legacy.

To better understand potential approaches for positioning your family office amid evolving trends shaping the future of multigenerational wealth, please contact your Morgan Stanley Financial Advisor or visit **www.morganstanley.com/msfo.**