June 3, 2026

The Evolving Employment Landscape for Family Offices: Why a Tailored Approach Is Essential

Family offices occupy a unique position at the intersection of wealth management, private enterprise, and household operations. As privately held entities that manage the financial and personal affairs of high net-worth individuals and families, they often employ a diverse workforce spanning investment professionals, administrative personnel, and household staff. This multifaceted structure does not lend itself to a one-size-fits-all compliance model; rather, it requires a tailored and highly individualized approach to structuring employment relationships and policies. Without careful planning, family offices face a range of employment law challenges that differ in important ways from those that may arise in the traditional corporate context.

One of the most significant issues for family offices is worker classification. While investment professionals and administrative staff are typically treated as employees, domestic workers, such as house managers, chefs, housekeepers, nannies, drivers, and personal assistants, are sometimes engaged as independent contractors. In practice, this is a key risk inflection point. Workers who are paid a flat monthly fee, work a set schedule, and take direction from family members or family office staff are frequently treated as contractors in form, but function as employees under applicable legal standards. Misclassification in this context can trigger liability for unpaid overtime, payroll taxes, and penalties under federal and state wage and hour laws.

Closely related are wage and hour compliance issues. Particularly in their early stages, family offices often operate informally, especially on the household side, which can lead to inconsistent timekeeping and payroll practices. Domestic workers who sometimes work long or irregular hours are generally entitled to minimum wage and overtime protections, and many states impose additional requirements, such as mandatory rest periods or written employment agreements. Ensuring proper classification is critical to avoiding penalties, back pay claims, and the associated potential reputational risk. Live-in employees present additional complexities, as certain exemptions may apply but may vary by jurisdiction. Situations in which live-in employees are paid a fixed weekly salary without tracking hours worked can create meaningful exposure, as large portions of those hours may be compensable depending on the jurisdiction. On the investment side, it is important to carefully scrutinize whether certain employees qualify for exemptions from overtime under the "white collar" exemptions, particularly where roles blend administrative and financial responsibilities. Careful analysis of job duties and compensation at the outset of the family office formation is essential for compliance.

Privacy and confidentiality concerns are also particularly acute in the family office context. Employees, particularly those working in households, often have access to highly sensitive financial, personal, and reputational information about family members. While confidentiality agreements are standard, they must be carefully drafted and enforced in compliance with applicable laws, including recent restrictions on nondisclosure agreements in some jurisdictions. At the same time, family offices must balance their desire for discretion with employees' rights under whistleblower protection laws and statutes governing workplace conduct. Overly broad confidentiality provisions may be unenforceable or even unlawful.

Another key area of risk involves workplace policies and culture. Family offices frequently operate without the formal human resources infrastructure found in larger organizations. This can lead to gaps in policies addressing harassment, discrimination, and retaliation. This risk is often amplified by the personal nature of the workplace. In environments where employees interact directly with family members but lack clear reporting channels or escalation procedures, concerns may go unaddressed until they become legal or reputational issues. Implementing clear policies, conducting regular training, and establishing reporting mechanisms are important steps in mitigating these risks.

Employee benefits and compensation structures can present further complexities. Investment-side employees may receive bonuses, carried interest, or other incentive-based compensation (previously highlighted here), which must be structured in compliance with tax and employment laws. Domestic workers, on the other hand, may be entitled to benefits such as paid sick leave under state or local laws. Family offices must navigate a patchwork of requirements that vary widely by jurisdiction.

Finally, employee disciplinary issues, including termination decisions, can be particularly delicate in the family office setting. The personal nature of many family office relationships can lead to abrupt or poorly documented terminations, increasing the risk of wrongful termination or discrimination claims. Even in at-will employment jurisdictions, employers should document performance issues and ensure that termination decisions are consistent and nondiscriminatory. A well-drafted arbitration agreement (where permitted) can help resolve disputes privately, reducing the risk of public litigation involving sensitive personal information.

In sum, family offices face a distinct set of employment law challenges because of their multifaceted structures that often include investment management and household employers. These complexities underscore the need for a thoughtful, tailored approach to structuring employment arrangements, policies, and compliance practices. Proactive measures, including careful analysis of worker classification, pay practices, clear and consistent policies and procedures, and consistent documentation, are essential to managing risk in this unique and complex area. Proactive planning in these areas not only reduces legal risk but also helps family offices operate more effectively and discreetly in a complex and highly personal environment.

This article appeared in the May/June 2026 edition of Generations. For more from this issue of Generations, click here.

Authors



James M. Leva

Partner

Parsippany, NJ | (973) 966-8416

Stamford, CT | (973) 966-8416

jleva@daypitney.com