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5 Evolving Concerns For Family Offices In 2025

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As family offices continue to adapt to economic, financial and technological changes, several ongoing developments are giving these practices plenty to consider heading into 2025.

These issues include gift and estate tax exemptions, which are set to halve at the start of 2026; federal and state updates regarding noncompete agreements; ongoing IRS campaigns around sports investing and business aircraft use; a federal mandate regarding anti-money laundering programs; and the evolving use of artificial intelligence in cybersecurity.

1. Increases to Gift and Estate Tax Exemptions

In October, the Internal Revenue Service announced that the annual gift tax exclusion would increase in 2025 due to inflation. The exclusion will be $19,000 per recipient for 2025 — the highest exclusion amount ever. In addition, the estate and gift tax exemption will be $13.99 million per individual for 2025 gifts and deaths, up from $13.61 million in 2024.

For family offices, these updates may provide additional capital for wealth preservation and transfer as part of a tax planning strategy. This is especially true as family offices and high-net-worth individuals consider gifts in the next year. For a couple that has already maxed out lifetime gifts, this means they may now give away another $760,000 starting in 2025.

As a reminder, although the IRS has announced that the lifetime estate and gift tax exemption will increase to $13.99 million in 2025, under current law, that amount will be decreased by half at the start of 2026. While the new administration is likely to take a friendly stance on extending tax cuts authorized under the 2017 Tax Cuts and Jobs Act, it is nevertheless imperative that family offices take the necessary steps in 2025 to secure the tax-free transfer of select assets.

2. Continued Interest in Federal and State Noncompete Restrictions

In April, the Federal Trade Commission approved a final rule banning noncompete clauses for almost all workers, which was set to become effective Sept. 4. While the rule was blocked in August by a nationwide injunction in the U.S. District Court for the Northern District of Texas, delaying its implementation indefinitely, a growing number of states have taken steps to enact their own noncompete restrictions. This includes California, a key state for family offices, which has long banned noncompete clauses but recently passed legislation to apply its ban to contracts signed outside the state.

Although recent activity, including the U.S. Supreme Court's Loper Bright ruling in June, may have weakened the power of agencies like the FTC to make sweeping change at the federal level, family offices must still be mindful of the rapidly changing state landscape. The absence of noncompete clauses may affect a family office's ability to secure and retain talent, especially in an era of increased professionalization, and protect proprietary family and business information.

3. Strategic IRS Initiatives

The IRS has several initiatives that affect family offices, particularly in the areas of tax compliance, reporting and regulatory updates. Two particular IRS compliance campaigns that will continue to affect family offices in 2025 are the sports industry losses campaign and the crackdown on corporate jet use.

The sports industry losses campaign, announced in January 2024, is meant to "identify partnerships within the sports industry that report significant tax losses and determine if the income and deductions driving the losses are reported in compliance with the applicable sections of the Internal Revenue Code."

The business aircraft campaign, launched in February 2024, is intended to address "compliance concerns related to business aircraft usage by large corporations, large partnerships, and high-income taxpayers" to "ensure tax compliance while also increasing awareness related to the business aircraft regulations and reporting requirements."

These campaigns are part of a broader IRS audit focus on high-income and high-wealth individuals, partnerships and their partners. The IRS' intention is to investigate whether taxpayers within these broad groups are in compliance with the applicable law and paying the taxes they owe. While the priorities of the new administration are unclear, family offices must remain vigilant in staying up to date with their tax strategy to avoid penalties and ensure proper reporting.

4. Growing Risks of Anti-Money Laundering Compliance

In recent years, anti-money laundering, or AML, compliance has grown increasingly complex as certain countries have enhanced legal requirements and financial services firms have instituted more robust best practices.

Accordingly, institutional investors, such as family offices, are facing an even more tangled web of information requests when making investments in private funds or direct investments in operating companies — particularly where those investments are offshore. In conflict with that trend, family offices have a heightened interest in maintaining information about their ownership structure in confidence, given ongoing threats of cybercrime and identity theft.

In 2025, family offices can expect to see requests for AML-related information expand even further. In August, the U.S. Department of the Treasury's Financial Crimes Enforcement Network adopted a final rule[1] that will subject investment advisers registered with the U.S. Securities and Exchange Commission to AML regulations and related reporting requirements, including suspicious activity reports.

Unless this rule is delayed or revisited in connection with the upcoming change in presidential administration, U.S. investment advisers will have to comply with the new rule as of Jan. 1, 2026.

5. Cybersecurity as a Top Concern

Family offices continue to cite cybersecurity and data protection as top concerns — and with good reason, as family offices are prime targets for bad actors due to the substantial financial resources they oversee and the sensitive information they handle. Further complicating the issue is the fact that family offices generally have less robust defenses than larger organizations and maintain smaller, more siloed internal teams.

In addition to the more established threats around data breaches, ransomware and phishing, family offices must also remain proactive around evolving threats, particularly those that make use of AI. For example, while text-to-speech models are a rapidly evolving tool in the spectrum of AI solutions for businesses, they also provide an avenue for cybercriminals to misuse voice as personal data.

Many global regulatory bodies have implemented a broad definition of personal data, inclusive of voice, both recorded and synthesized, so family offices should ensure that their cybersecurity policies are comprehensive and include provisions for how voice data can be collected, stored, processed and transferred to third parties.

Conclusion

As family offices head into 2025, they must remain agile in navigating a complex and evolving landscape of regulatory changes and emerging risks. The ongoing adjustments to gift and estate tax exemptions present an opportunity for wealth transfer and preservation, but the impending reduction in these exemptions after 2025 means timely action is crucial.

Additionally, evolving federal and state regulations on noncompete clauses, ongoing IRS scrutiny and new anti-money laundering requirements all highlight the importance of proactive compliance. The increasing threats to cybersecurity, especially from AI-driven risks, further underscore the need for robust defenses and vigilance in safeguarding sensitive data.

By staying informed and adapting to these developments, family offices can better protect their assets and ensure continued success in a rapidly changing environment.

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[1] https://public-inspection.federalregister.gov/2024-19260.pdf.