
THE BARATELLI BRIEF

VOL. 1 · ISSUE 12 September 2026 [TOOLS.BARATELLIINSTITUTE.COM](https://tools.baratelliinstitute.com)

Research and reference for finance, accounting, family-office, real-estate, and wealth practitioners.

FAMILY OFFICE · THE VIRTUAL FAMILY OFFICE STACK

The Virtual Family Office (VFO) at \$30M

A \$300M family operates a 12-person SFO. A \$30M family can run the same operating quality with one person and a vendor stack at one-tenth the cost.

"I used to think the VFO was a compromise. After two years running one, I think it's a feature, not a bug." — a family-office principal in Greenwich

1. The myth that families need \$200M+ to operate a family office

The Single Family Office (SFO) industry standard says you need \$200-300M of investable wealth to justify a real family office. The math behind that number: the cost of a 10-12 person SFO (CIO + CFO + tax counsel + investment ops + bill-pay + admin + concierge) runs \$2.5-4M per year. At a 1% all-in cost target, that requires \$250-400M of assets to be defensible.

The math is correct for that staffing model. The math falls apart if you replace the staff with a vendor stack and orchestrate the vendors with one strong CFO. The result is the Virtual Family Office (VFO) — same operating quality, one-tenth the cost, accessible to families with \$20-50M of investable wealth.

2. The eight-vendor stack

- (1) **The OCIO (Outsourced CIO).** Quarterly investment review, manager selection, performance reporting. \$50-150K/year for \$20-50M AUM. Replaces the in-house CIO.
- (2) **The fractional CFO.** Monthly close, cash management, vendor coordination, family financial reporting. \$80-200K/year. Replaces the SFO CFO + ops staff.
- (3) **The bill-pay platform.** Bill.com, AgilLink, or similar. \$300-1500/month. Replaces the bill-pay clerk role.
- (4) **The tax provider.** Mid-size CPA firm with HNW practice. \$25-75K/year. Replaces the in-house tax counsel.
- (5) **The estate attorney on retainer.** \$10-30K/year baseline + project work. Replaces no SFO role; was always external anyway.
- (6) **The insurance broker.** Property + casualty + umbrella + life. \$5-15K/year fee or commission-paid. Replaces no SFO role; was always external.

(7) **The concierge service.** Travel, household, household-staff coordination. \$20-60K/year. Replaces the concierge or admin roles.

(8) **The cybersecurity & technology vendor.** Email security, password management, secure file storage, VPN. \$5-20K/year. New role most SFOs don't fully cover.

Total VFO stack cost: \$200-540K/year. Versus \$2.5-4M/year for the in-house SFO. At \$30M of investable assets, the VFO is sub-2% — defensible. At \$50M, it's sub-1%.

3. The governance overlay that makes it work

The vendor stack is necessary but not sufficient. What makes the VFO actually function is the governance overlay: a written charter that names who decides what, a quarterly family meeting that orients the family to the operating decisions, an annual investment policy statement (IPS) that the OCIO is held to, and a monthly CFO report that touches every vendor.

Without governance, the VFO becomes eight vendors who don't talk to each other and a family that feels uncovered. With governance, the VFO becomes a coherent operating system that the family experiences as one front door.

4. When to graduate from VFO to SFO

Two triggers. First, when investable wealth crosses \$80-100M and the OCIO model no longer covers the bespoke investment opportunities the family wants to pursue (direct deals, co-invest with PE funds, real-estate syndications) — bringing investment ops in-house pays for itself. Second, when family complexity (multiple branches, foreign citizens, philanthropic foundation, operating businesses) generates more coordination work than a fractional CFO can handle — bringing dedicated staff in-house.

Below those triggers, the VFO is the right model. Above them, the SFO is. Most families spend a decade in the VFO and then transition; some never transition because the VFO keeps working.

PAIRED TOOL · INTERACTIVE

Family Office Cost Calculator

SFO vs MFO vs VFO build-vs-buy economics. Staffing costs, vendor stack, 5-year P&L.; Models the VFO stack directly.

→ tools.baratelliinstitute.com/fo-cost.html

SAMPLE TAB FROM THE COMPANION WORKBOOK · FULL WORKBOOK SHIPS WITH THE GUIDE

VFO_Vendor_Stack_Scorecard.xlsx

Eight-vendor scorecard. Each vendor: pricing model, coverage scope, performance KPI, contract renewal date, alternative providers. Maintained by the fractional CFO; reviewed annually by the family.

The most underrated VFO discipline: knowing when to swap a vendor. The scorecard is the document that tells you when.

Don't believe the \$200M floor. The VFO works. Build the eight-vendor stack, hire the fractional CFO who runs it, and the \$30M family operates with the same coherence the \$300M family does.

WHAT TO READ NEXT

REFERENCE GUIDE Family Office Reference Guide — The 350-page reference. Chapter 4 walks SFO/MFO/VFO; the 23 matter workflows describe what each vendor in the stack actually does.

https://tools.baratelliinstitute.com/guide-fo.html?utm_source=brief&utm_medium=pdf&utm_campaign=brief_12&utm_content=guide-fo

FREE INTERACTIVE TOOL CFO Engagement Profitability — For the fractional CFO who would price the VFO seat.

https://tools.baratelliinstitute.com/?utm_source=brief&utm_medium=pdf&utm_campaign=brief_12&utm_content=

REFERENCE GUIDE Wealth Psychology Guide — For the family-meeting facilitation that makes the governance overlay actually work.

https://tools.baratelliinstitute.com/guide-wp.html?utm_source=brief&utm_medium=pdf&utm_campaign=brief_12&utm_content=guide-wp

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