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Family Offices as Employers: Seven Employment Law Issues That Can Put a Family's Wealth at Risk



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A family office exists to protect what a family has built over generations. One of the most common sources of unplanned legal exposure for these offices is not an investment decision. It is how the office handles the people who work for it.

A single-family office may employ a chief investment officer, analysts, and an executive assistant, along with a house manager, a private chef, childcare providers, drivers, and grounds staff. Federal and state employment law treats each of those roles differently. An informal arrangement that worked well for years can fall apart quickly once an employee becomes unhappy.

Family offices sit in an unusual position. They operate partly as investment firms, partly as operating businesses and partly as household employers. Many started informally, with long-tenured staff, little documentation, and HR practices built on personal trust rather than written policy. That works well until a dispute arises.

Expectations have also changed. Next-generation principals and professional COOs, general counsel, and compliance officers now running many offices expect employment practices on par with institutional employers. Regulators and plaintiffs' lawyers expect the same, and they apply the same rules to a family office that they apply to everyone else. Fortunately, most of these risks can be addressed quietly and efficiently before they turn into claims.

Below are the seven issues most often seen, along with practical steps for each.

Worker classification: employee or independent contractor

Family offices often pay household and personal staff a flat fee or on invoice and report the payments on Form 1099. That approach is simple, but it frequently does not hold up. A worker who keeps a regular schedule, takes direction from the family or the office, and receives a steady fixed payment will generally be considered an employee, regardless of how the arrangement is documented.

Misclassification exposure can include back wages, overtime, payroll taxes, penalties, and attorneys' fees, and a single claim can reach six figures before trial. Every 1099 relationship should be reviewed now. If the family or the office controls how, when, and where the work is done, the arrangement should be treated as employment and corrected proactively.

Overtime eligibility for household and office staff

Paying someone a salary, even a generous one, does not by itself make that person exempt from overtime. Exemption depends on both job duties and compensation, and most household roles, including childcare providers, housekeepers, cooks, drivers, and many house managers, do not meet the applicable duties tests.

Under federal law, household employees who do not live in the home are generally entitled to overtime for hours worked over 40 in a workweek. Live-in domestic workers are exempt from federal overtime, but several states have adopted domestic worker protections that fill that gap.

For office staff, the federal minimum salary for the executive, administrative, and professional exemptions is $684 per week ($35,568 annually), following the Department of Labor's May 2026 restoration of the 2019 thresholds. Salary is only part of the analysis, though. An executive assistant with a senior title and substantial pay may still be owed overtime if her duties do not qualify, and several states set higher thresholds. Family offices should keep accurate time records for every non-exempt employee, including long-tenured household staff.

Identifying the employing entity

It is not always clear whether a staff member works for the family office entity, for an individual family member, or for a trust or holding company that owns a residence. That uncertainty creates risk.

The answer affects payroll tax reporting, workers' compensation coverage, which state's laws apply, and who is named in a lawsuit. Getting it wrong can undermine the liability protection the family office structure was designed to provide. The employing entity for each individual should be designated in writing, and payroll, workers' compensation coverage, and offer letters should all be consistent with that designation.

Confidentiality and restrictive covenant agreements

Confidentiality is central to how a family office operates, and nondisclosure agreements are common. An agreement that is overbroad or outdated, however, may be unenforceable when it matters most and can create new risk of its own.

Federal law now limits the enforceability of pre-dispute nondisclosure and non-disparagement provisions as they relate to sexual harassment and sexual assault claims. As for noncompetes, the FTC's proposed nationwide ban has been vacated and formally abandoned, but the agency has indicated it will continue to challenge overbroad noncompetes on a case-by-case basis. Several states, including California, Minnesota, North Dakota and Oklahoma, prohibit most employee noncompetes outright. Confidentiality and restrictive covenant agreements should be reviewed under the law of each state where staff actually work, rather than relying on a single national template.

Monitoring and recording in the residence

Protecting a family's privacy sometimes requires monitoring the premises, but the law draws clear lines. Video monitoring in a private residence is often permissible. Audio recording is treated very differently. In all-party consent states such as California and Maryland, recording a conversation without everyone's consent can lead to both civil and criminal liability. Monitoring in bathrooms or staff sleeping quarters is never permissible. Family offices should adopt a written monitoring policy that explains what is recorded and where, and should obtain signed acknowledgments from staff.

Terminations

Because family office relationships are personal, terminations often happen quickly and with little documentation, which is the kind of record that supports discrimination and retaliation claims. At-will employment does not protect against those claims, and neither does a small headcount, since many state and local anti-discrimination laws apply to employers with only a few employees. Performance concerns should be documented as they arise, standards should be applied consistently, and counsel should be involved before a termination decision is communicated.

Written policies

Many small offices assume they do not need a handbook. That assumption can be costly. Clear written policies on compensation, time off, harassment reporting, confidentiality, and complaint procedures are an important defense when a claim arises, and experienced professionals considering a role with the office will expect to see them. A handbook sized to the

office, with separate expectations for household staff, is a sensible starting point.

Family office employment checklist

- Every worker is classified as an employee or contractor, with the basis documented
- Exempt and non-exempt status is based on duties and pay, not job titles
- Non-exempt staff, including household employees, track their hours
- Each person has one designated employing entity, consistent with payroll and insurance
- Workers' compensation covers household staff where required
- NDAs and restrictive covenants have been reviewed for each state where staff work
- A written monitoring policy is in place and acknowledged by staff
- A handbook appropriate to the office includes a harassment reporting procedure
- Performance issues are documented before any termination decision

Conclusion

Informal employment practices can put a family's wealth, privacy and reputation at risk, and those risks tend to surface during a dispute, when they are hardest to manage. Most of the issues above can be addressed now, at modest cost and on the family's own timeline. If your office has not recently reviewed how it hires, pays, protects, and separates from its employees, now is a good time to do so.