

Hey! What's New? 2026-28

Your CFO Is Already Your Chief Risk Officer

Sarah Oliver writes in *CFO* that, “in a lean family office structure, the CFO sits at the intersection of every financial and operational signal in the organization. They see entity-level cash flows, debt service schedules, capital call obligations, operating company performance and governance processes, all at once, across the entire portfolio. Since the CFO sees the whole picture, they are ideally positioned to also integrate risk across it.”

Family offices tend to concentrate capital across a small number of large positions, she adds. “Private equity, direct real estate, operating businesses and co-investments. This is often intentional. Concentration reduces fee drag, enables governance participation and aligns capital with operating outcomes in ways that diversified portfolios cannot.”

The risk that concentration creates is less well understood, says Oliver. “The standard assumption is that private market investments provide diversification relative to public equities. Academic research has challenged this directly. When liquidity risk factors are properly accounted for, private equity returns move with the broader market in ways that standard analyses miss, and they move in the wrong direction at the wrong time. When public markets are stressed, and liquidity is scarce, private market distributions slow, exit conditions deteriorate and capital calls accelerate. The family office faces maximum pressure precisely when it has the least flexibility.”

Oliver points out that “Static cash forecasts do not capture this dynamic. A spreadsheet that shows 12 months of comfortable liquidity under normal conditions tells you nothing about what happens when three adverse conditions arrive at once: A delayed distribution, an accelerated capital call and a debt maturity that cannot be refinanced on acceptable terms. That scenario, and combinations like it, is exactly what a CFO-led risk framework is designed to stress test.”

According to Oliver, “the framework that family office CFOs need rests on four interconnected practices”:

Liquidity stress testing means “modeling the portfolio’s ability to meet obligations under combinations of adverse conditions, not just individually, but simultaneously, over a 12-to-36-month horizon. The output is not a single number. It is a set of thresholds: Minimum liquidity reserves, maximum unfunded commitment levels and trigger points that tell the CFO when to act.”

Scenario analysis addresses the longer horizon. “How does a sustained rise in interest rates affect real estate valuations and refinancing costs? How does a recession affect operating company performance and private equity exit markets? Scenarios are not predictions. They are internally consistent stress maps that show where the portfolio is most vulnerable and where strategic optionality is most valuable.”

Counterparty risk assessment is the discipline that family offices most often underinvest in. “The counterparty universe in a complex family office is wide: Lenders, private equity sponsors, property managers, co-investors, operating partners and service providers. Each relationship carries exposure. Recent regulatory research has flagged particular concern about counterparty concentration in private credit markets, where disclosure frameworks were not designed for bilateral, relationship-based structures. A complete counterparty inventory — with concentration limits and a regular review schedule — is not a compliance exercise. It is a basic risk management requirement.”

Operational risk monitoring closes the loop. Oliver explains that, “in real estate portfolios especially, operational failures, deferred maintenance, compliance exceptions, inadequate insurance and poor vendor oversight are leading indicators of financial distress. By the time operational problems show up in the financial statements, they are already expensive. CFO involvement in monitoring key operational metrics provides an early warning capability that no amount of financial reporting can replicate.”

CFOs who understand all this are not just financial officers, Oliver concludes. “They are the steward of the family office’s most important asset: The ability to act on its own terms, on its own timeline and in any market environment.”

For more, check out [Your CFO is already your chief risk officer | CFO.com](#).