



**WEALTH-X**

APPLIED WEALTH INTELLIGENCE

A GENERATIONAL SHIFT:  
FAMILY WEALTH TRANSFER  
REPORT 2019

# A GENERATIONAL SHIFT: FAMILY WEALTH TRANSFER REPORT 2019



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# KEY FINDINGS

**THERE IS A GROWING AWARENESS OF THE IMPORTANCE OF FAMILY WEALTH TRANSFER.** Wealth transfer as a topic and service is becoming a greater priority among the wealthy – and among the industries that serve them. And the population of wealthy individuals is steadily expanding; many are likely to be party to, or are considering, the transfer of substantial wealth for the first time.

**WE EXPECT \$15.4TRN OF WEALTH TO BE TRANSFERRED BY 2030 BY INDIVIDUALS WITH A NET WORTH OF \$5M OR MORE.** This sum is equivalent in value to the entire Chinese economy or 17 times the market capitalization of Amazon. This wealth transfer will be carried out by almost 550,000 individuals, equating to an average of \$28.2m being passed on by each person.

**NORTH AMERICA WILL BE HOME TO OVER HALF OF ALL THE WEALTH TRANSFERRED GLOBALLY.** A total \$8.8trn will be passed on in this region, testament in large part to the scale of wealth in the US. In Europe, a slightly older wealthy population than the global average will pass on a significant \$3.2trn by 2030, accounting for just over a fifth of all wealth transfers. Asia will account for just 12% of all wealth to be passed on, a total of \$1.9trn. This is mainly attributable to a substantially younger wealthy population than in most other regions.

**ACROSS WEALTH TIERS, THERE ARE DIFFERENCES IN AGE, GENDER AND SOURCE OF WEALTH.** Of those passing on wealth, 55% of very high net worth (VHNW) individuals (those with a net worth of \$5m to \$30m) are between 65 and 74 years of age, whereas ultra high net worth (UHNW) individuals (those with a net worth of \$30m+) tend to be older. Meanwhile, over 85% of VHNW individuals have made their fortunes themselves. In contrast, while most are also self-made, inheritance plays a greater role for the UHNW population.

**WHILE THE FUNDAMENTALS OF WEALTH TRANSFER PERPETUATE, THE EXTERNAL ENVIRONMENT WILL CONTINUE TO EVOLVE.** From shifting political landscapes and economic uncertainty to changing disclosure regulations, this presents new challenges (and also opportunities) for the wealthy and those that serve them, and a need to continually adapt. Amid this environment, the wealthy are seeking further investment diversification, while demand for private assets – such as private equity and venture capital – has surged.

**THE ‘NEXT GENERATION’ WHO WILL BE INHERITING THIS WEALTH DIFFER FROM THEIR ELDERS IN OUTLOOK.** Mainly comprising generation X but also including some millennials, this group of individuals is global, highly digital and often seeks to find meaning in the way it uses its wealth. Wealth preservation continues to be important, but these individuals are also noticeably concerned about the impact of their wealth on the world, society and the environment, shown by the increasing interest in impact and responsible investment.

**FAMILY WEALTH TRANSFER WILL HAVE A LONG-TERM IMPACT ON ORGANIZATIONS ACROSS A RANGE OF INDUSTRIES.** From the financial, legal and advisory professions to the luxury and not-for-profit sectors, providers should seek to implement an active, systematic and long-term approach to wealth transfer, talk to clients early about this issue and take measures to understand, connect and engage with the next generation.

# INTRODUCTION

Wealth-X has been tracking family wealth transfer issues for the best part of a decade. Our third in-depth report examines the rising awareness among the wealthy of the importance of the wealth-transfer process, assesses the scale of wealth that will be passed on in the period to 2030, and discusses the challenges involved for those looking to protect their assets and secure a legacy.

For the first time, our analysis includes very high net worth (VHNW) individuals – those with a net worth of \$5m to \$30m – alongside our continued focus on ultra high net worth (UHNW) individuals with a net worth in excess of \$30m. We look in greater detail at the ultra wealthy class, providing insights on those with between \$30m and \$100m in net worth, and those with over \$100m. We shine a spotlight on those individuals passing on wealth to the next generation and draw out differences by wealth tier, source of wealth and gender.

While similar themes and fundamentals of family wealth transfer perpetuate, the stakeholders involved and external environment are in constant flux, presenting new issues and challenges. Transferring wealth is a complex process, with business succession and property management posing some of the biggest questions for the wealthy and the professionals who advise them. A fast-changing world, with greater political polarization and economic uncertainty, also brings new considerations to wealth transfer.

We take an in-depth look at the next generation of inheritors, examining how they differ from those currently passing on wealth, and consider their broader outlook on wealth in general. Both groups – through their ownership of private businesses, their investment choices, their values and their approach to philanthropic planning – will have a considerable influence on wealthy and non-wealthy generations to come.

The processes involved in family wealth transfer, and their outcomes, are applicable to a host of industries. While most services and transactions directly associated with wealth transfer are provided by the financial, legal and advisory professions, the luxury and not-for-profit sectors can also be affected significantly over a longer time period. This report focuses on the aspects that such providers to the wealthy, and the wealthy themselves, need to keep front of mind when discussing and implementing successful wealth transfer plans.

## KEY DEFINITIONS

### Very high net worth (VHNW) individuals

Those with a net worth of \$5m to \$30m

### Ultra high net worth (UHNW) individuals

Those with a net worth of \$30m+, also referred to as the ultra wealthy

### Donors

Individuals passing on their wealth

### Beneficiaries

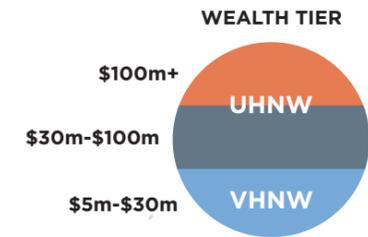
Individuals inheriting this wealth

## SIZING WEALTH TRANSFER AND PROFILING THOSE WHO WILL TRANSFER THIS WEALTH

We have updated our **Family Wealth Transfer Model**, which sizes the population and amount of wealth that will be transferred to 2030 by wealth tier and by region. To gain further insight on the individuals who will be passing on this wealth, we also use the Wealth-X Database, the world's most extensive collection of curated research and intelligence on HNW and UHNW individuals. For more information please consult the Methodology section on page 27.

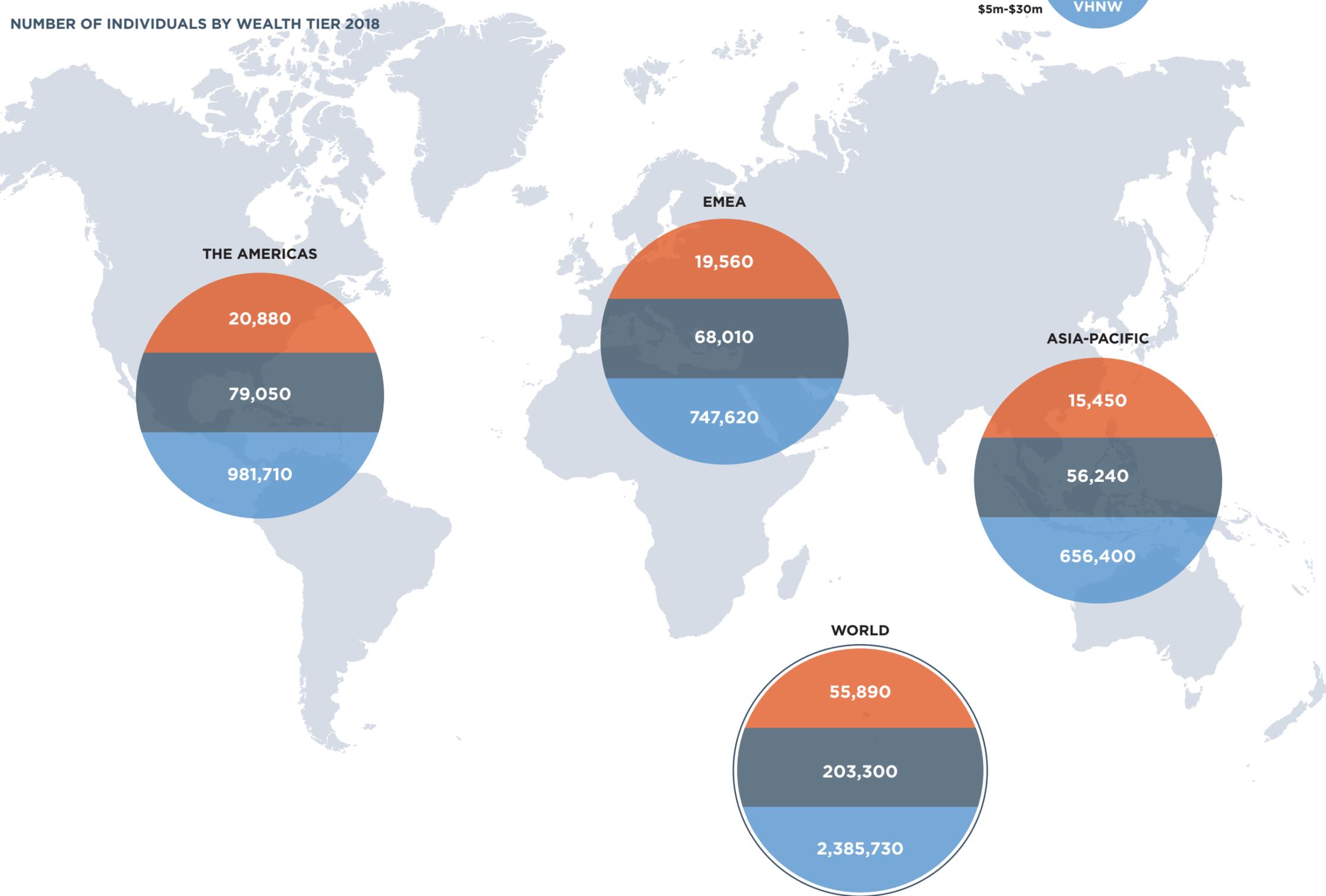
# A SNAPSHOT OF THE WEALTHY AROUND THE WORLD

NUMBER OF INDIVIDUALS BY WEALTH TIER 2018



While wealth transfer is an issue relevant to many people, this report focuses on the transfer of assets of an exclusive group of individuals – those with a net worth of over \$5m. This very wealthy population totals 2.6 million worldwide, collectively holding assets worth almost \$57trn. Yet the number of individuals who will have access to these assets in some way will be substantially higher once family members – spouses, children, stepchildren and grandchildren among others – and associates are counted.

Wealth is distributed unevenly among the wealthy, a situation that is also true of the more general population. Most wealthy individuals reside in the lower wealth tiers. As net worth rises, the number of people holding such wealth falls sharply: UHNW individuals (those with over \$30m in net worth) number 259,000, comprising just short of 10% of all individuals with a net worth above \$5m and around just 1% of all individuals with over \$1m in net worth. However, their collective net worth amounts to more than \$32trn, over half of the total wealth held by the group of individuals studied in this report.



Source: Wealth-X

# THE IMPORTANCE OF WEALTH TRANSFER – A GROWING AWARENESS

The importance of wealth transfer cannot be overstated. Amid popular conceptions of wealth and inheritance, there are many challenges that families have to overcome to protect their wealth and ensure it can continue to accumulate over the generations while still adhering to the family's values and vision.

These hurdles include the transition of ownership and management of one or more businesses, property and other assets, but also non-commercial concerns such as philanthropic foundations or art collections. The often large number of people involved in wealth transfer planning can be a complicating factor. These include those passing on their wealth, their spouses, children, siblings, grandchildren, friends and associates, as well as other stakeholders such as advisors within the legal, financial and philanthropy spheres.

## IN THE SPOTLIGHT

Awareness of wealth transfer as a topic and service has been on the rise among the wealthy – and the industries that serve them – in recent years. 'Conscious legacy building' and other terms are increasingly in use as the wealthy seek to put the right transfer structures in place. This situation is something of a natural development given that most wealthy people are above the age of 60. Moreover, the population of wealthy individuals, and their collective net worth, is steadily expanding, not only in size but also across new markets and in more countries. Many wealthy individuals are likely to be party to, or considering, the transfer of substantial wealth for the first time.

**It's hard to face one's own mortality.**

Despite the rising awareness of its importance, wealth transfer planning is not a simple task. For one, it requires an individual to face up to and assess their current situation and the future. Among the wealthy, procrastination needs to be tackled before starting a conversation, let alone putting a detailed plan in place.

Moreover, for those passing on substantial wealth, ceding some control or planning for this eventuality is not always easy. Entrepreneurs, in particular, can find this very difficult to accept. They have typically spent much of their lives focused on building up their business or businesses, and will understandably have reservations about diminishing their control of this asset base. Invariably, a host of long-term issues will need to be discussed.

Also each family is different. It is no easy task to ensure future assets are distributed in a way that is considered relatively equitable and effective by all those involved and that sustains the family's values (or takes them in a new direction). Indeed, even with the best of intentions, honest conversations are essential to reducing potential conflict in the future. For example, those passing on wealth may get their assumptions wrong about what role their children or grandchildren want to take in the family's fortunes.

“One of the biggest blocks to wealth transfer is mental. The process can be extremely challenging for families. Wealth transfer entails confronting difficult and emotive issues – from the identity of the family to the role that each family member plays.”

— Urszula Swierczynska, Fundraising/  
Philanthropy Advisor

## Getting the point of view of the next generation is critical.

Trust is a theme that looms large when it comes to starting discussions about family wealth transfer. There is a certain balance to be found with clients and prospects. Transparency within the family is also important. Family discussions need to be honest and provide disclosure of the way wealth structures are set up due to their complexity.

“On one hand you have to make clients aware [of wealth transfer's importance] but on the other you need to do this from a place of trust – it will only resonate with mutual trust and understanding.”

— Russell Hunter, Head of Middle East &  
UK, Schroder & Co Banque SA

## PLANNING PERMISSION

Despite the challenges, the planning process can be rewarding for families. During the planning stage, family members are given an opportunity (and dedicated time) to discuss their individual roles and visions for the future. Family cohesion and trust can be – sometimes to the surprise of the individuals involved – an end benefit of the process.

Moreover, a well prepared and regularly updated wealth transfer plan can enable heirs to be successful in their own right. Those passing on wealth often grapple with how best to structure the assets being handed to the next generation.

“At the end of the day, every family is trying to thwart entitlement. They have the spotlight of the silver spoon on them. Quite often they will never wear the shoes of their heirs – they will need to blaze their own path.”

— Kirby Rosplock, Researcher, Advisor, Author and Speaker, Tamarind Partners

## AN EVOLVING PROCESS

What does successful family wealth transfer look like? In contrast to many financial and legal transactions, preparations for a smooth and enduring transfer of wealth should be an evolving process and not undertaken in one go. Rather, different aspects should be examined every so often to ensure the structures in place remain relevant and to allow for small adjustments where necessary. This is particularly the case when major life events occur, such as marriage or divorce, the birth of a child or a death in the family.

“Wealth transfer is not an event but a process. Those passing on wealth need to have conversations involving the next generation, and hard decisions must be made. In this domain, a surprise is never a good thing.”

— Vladimir Barbieri, Partner, BanyanGlobal Family Business Advisors

**In recent decades, two notable developments underline the importance of revisiting family wealth transfer plans.**

► **WEALTHY FAMILIES ARE INCREASINGLY GLOBAL.**

In line with a more globalized and mobile world, families are often scattered across countries and continents. Children often work or study abroad and cross-national marriages are increasingly the norm. In this context, it is imperative to revisit plans to consider the tax implications of global inheritance and to remove issues involving conflict of law.

► **THOSE PASSING ON WEALTH ARE PARTING WITH THEIR ASSETS EARLIER IN THEIR LIFETIMES.**

Traditionally, most wealth transfers took place upon the death of those passing on their fortunes. In recent decades, however, more significant levels of wealth are being passed on before death. This is sometimes done to empower or gradually prepare the next generation by giving them limited amounts of wealth to oversee. At other times it is for practical, logistical or tax-planning reasons. Philanthropic initiatives such as the Giving Pledge (‘giving more, giving sooner and giving smarter’), whereby the world’s wealthiest individuals commit to giving over half of their wealth to charitable causes during their life (or in their will), have inspired many individuals to do similarly. With wealth being passed on earlier, revisiting these developments and assessing whether to continue them is key.

# THE SIZE OF THE PIE: WEALTH TRANSFER TO 2030

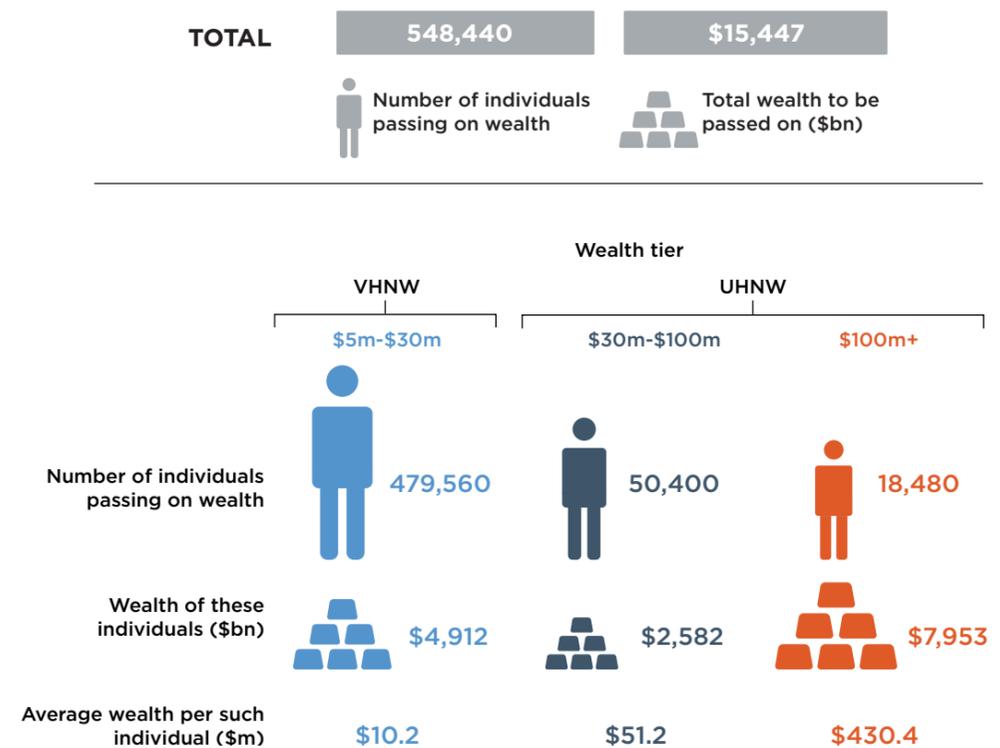
Over the next decade or so, one of the largest ever intergenerational wealth transfers will take place. Including all individuals with a net worth of \$5m or more, we expect \$15.4trn of wealth to be transferred by 2030.<sup>1</sup> To put this into perspective, this sum is equivalent to the entire Chinese economy or 17 times the market capitalization of Amazon, one of the world's most valuable companies.<sup>2</sup>

This wealth transfer will be carried out by almost 550,000 people, equating to an average of \$28.2m being passed on by each individual. While most inheritors are likely to be spouses and the next generation, other beneficiaries will be grandchildren, siblings and other relatives, as well as non-family members, foundations and philanthropic legacies.

The picture differs significantly across wealth tiers. Most of the population passing on their wealth will be VHNW individuals with a net worth of between \$5m and \$30m. In total, this group will transfer almost \$5trn. However, despite being much fewer in number, UHNW individuals, with a net worth over \$30m, will pass on a collective \$10.5trn, which equates to a startling average of \$153m per individual. This has much to do with the fact that wealth rises with age and, as a result, a larger proportion of these individuals is expected to pass on its wealth between now and 2030.

**We expect \$15.4trn of wealth to be transferred by 2030, carried out by almost 550,000 people.**

## GLOBAL WEALTH TRANSFER TO 2030



Note: The data is pre-taxation and any other regulatory requirements.  
Source: Wealth-X, 2019

<sup>1</sup> The estimates of our updated Family Wealth Transfer Model are more optimistic than our previous calculations. This is largely due to changes in methodology, in that we now incorporate probabilities of mortality by country, as well as other minor changes.

<sup>2</sup> At May 20 2019.

## REGIONAL DIVERSITY

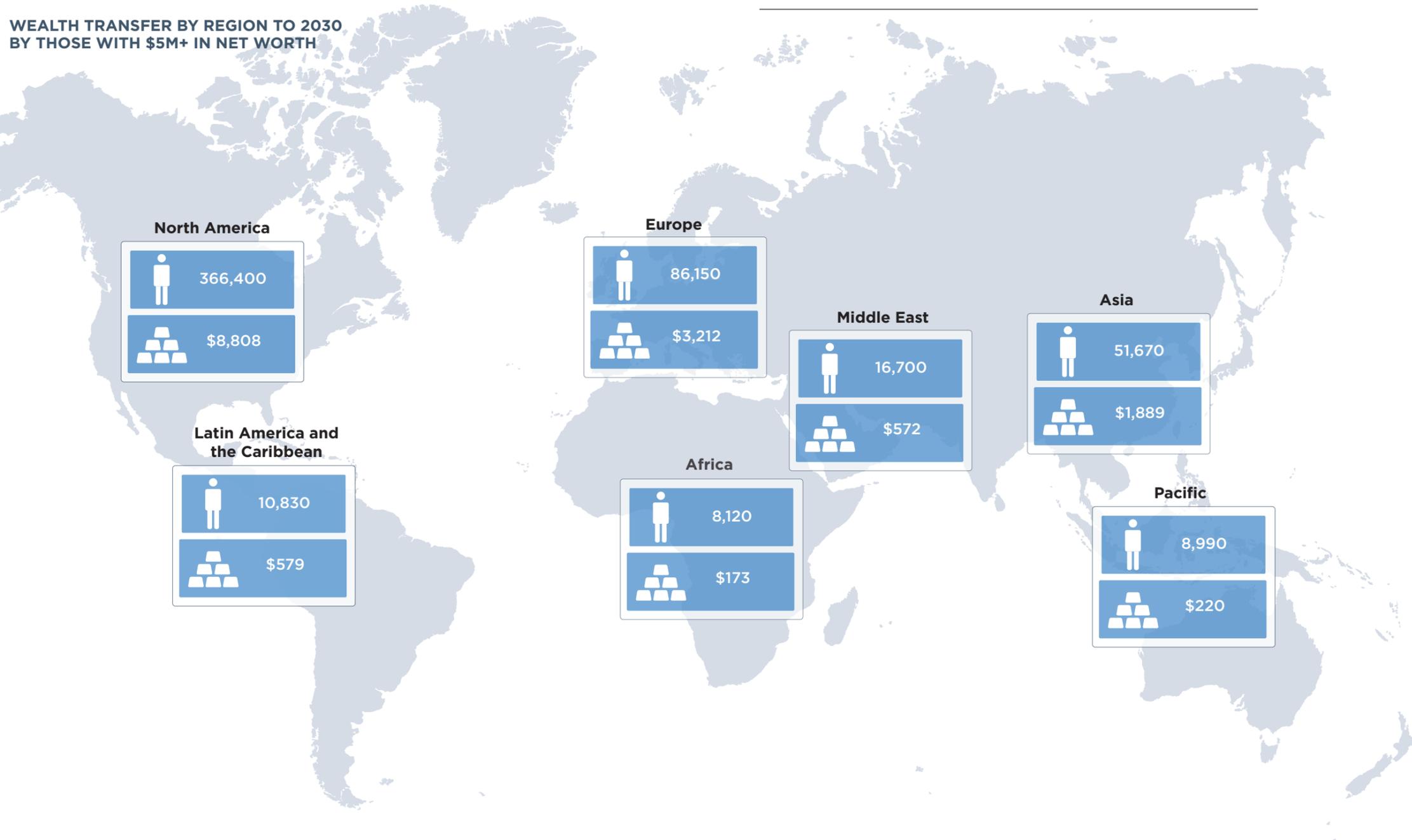
Family wealth transfer will also play out differently across regions. This situation is influenced by several key factors: wealth concentrates in some geographies more than others, and the age profile of the wealthy and their mortality rates also differ by country.

**At \$8.8trn, North America will be home to over half of all wealth transferred globally.** This is testament to the scale of wealth in the US, the country with by far the world's largest population of such individuals. In Europe, a slightly older wealthy population than the global average will pass on a significant \$3.2trn by 2030, accounting for just over a fifth of all wealth transfers.

**Wealth transfer in Asia is smaller than one would perhaps expect.** Despite accounting for over a quarter of global wealth among this population, Asia will account for just 12% of all wealth to be passed on, a total of \$1.9trn. This is mainly attributable to a substantially younger wealthy population than in most other regions, with emerging economies having created wealth only in the past generation or two. It will take another generation before a significant share of these wealth holdings is transferred. For example, in China, the average age of individuals with \$30m+ in net worth is 55, much younger than the global average of 63; the story is similar in India, where the average is 59. However, this is somewhat counterbalanced by an older than average wealthy population in Japan, the second largest wealth market in Asia.

The wealthy will transfer around \$580bn in both the Middle East and in Latin America and the Caribbean over the next decade or so, in line with the regions' proportions of total wealth.

### WEALTH TRANSFER BY REGION TO 2030 BY THOSE WITH \$5M+ IN NET WORTH

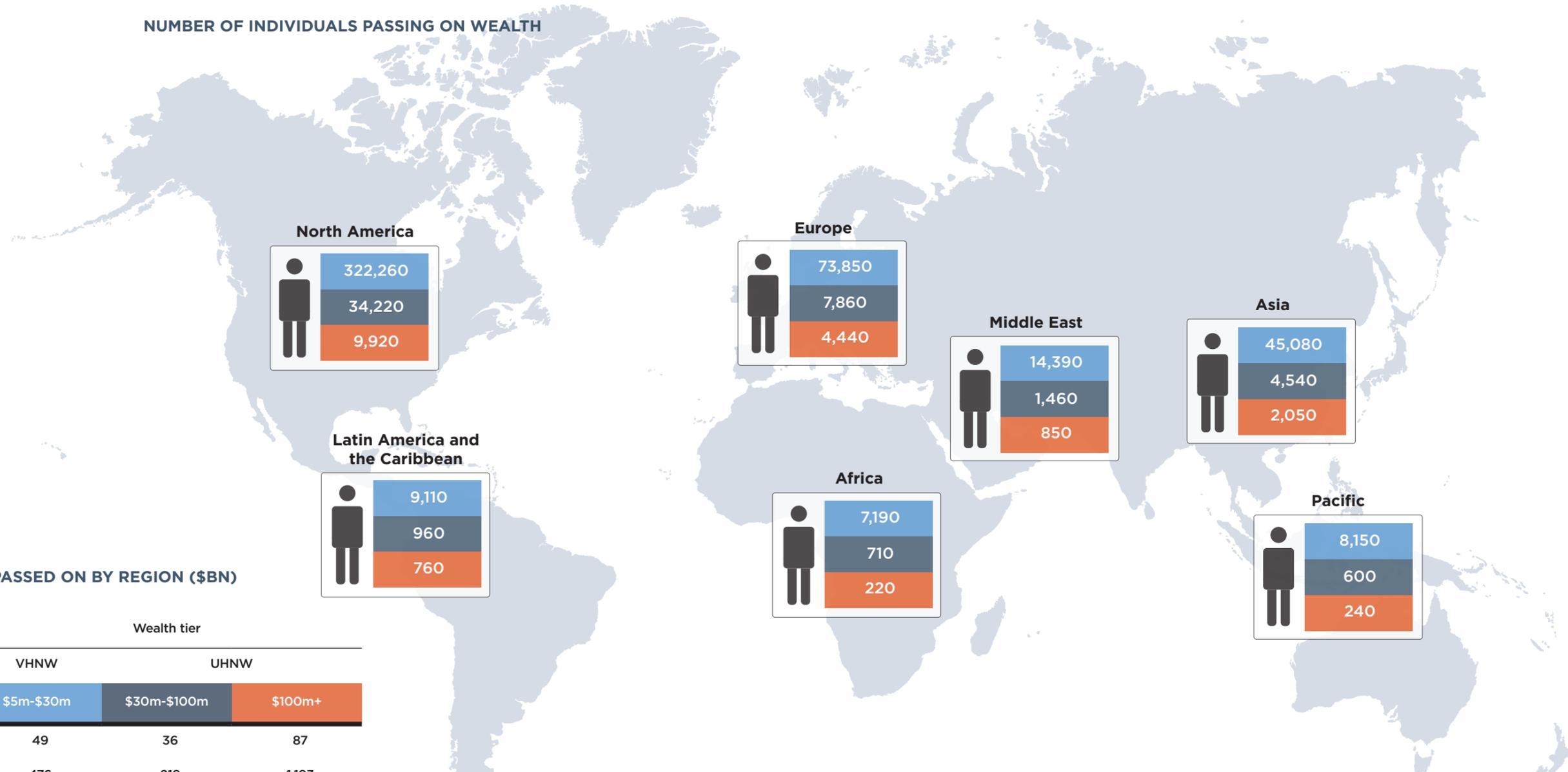


The data is pre-taxation and any other regulatory requirements. The total of the regions may not equal the global total, as a result of rounding.

Source: Wealth-X, 2019

# WEALTH TRANSFER BY REGION TO 2030 BY WEALTH TIER

NUMBER OF INDIVIDUALS PASSING ON WEALTH



TOTAL WEALTH TO BE PASSED ON BY REGION (\$BN)

REGION	Wealth tier		
	VHNW \$5m-\$30m	UHNW \$30m-\$100m \$100m+	
Africa	49	36	87
Asia	476	219	1,193
Europe	752	392	2,068
Latin America and the Caribbean	98	52	429
Middle East	152	77	342
North America	3,301	1,769	3,738
Pacific	88	36	95

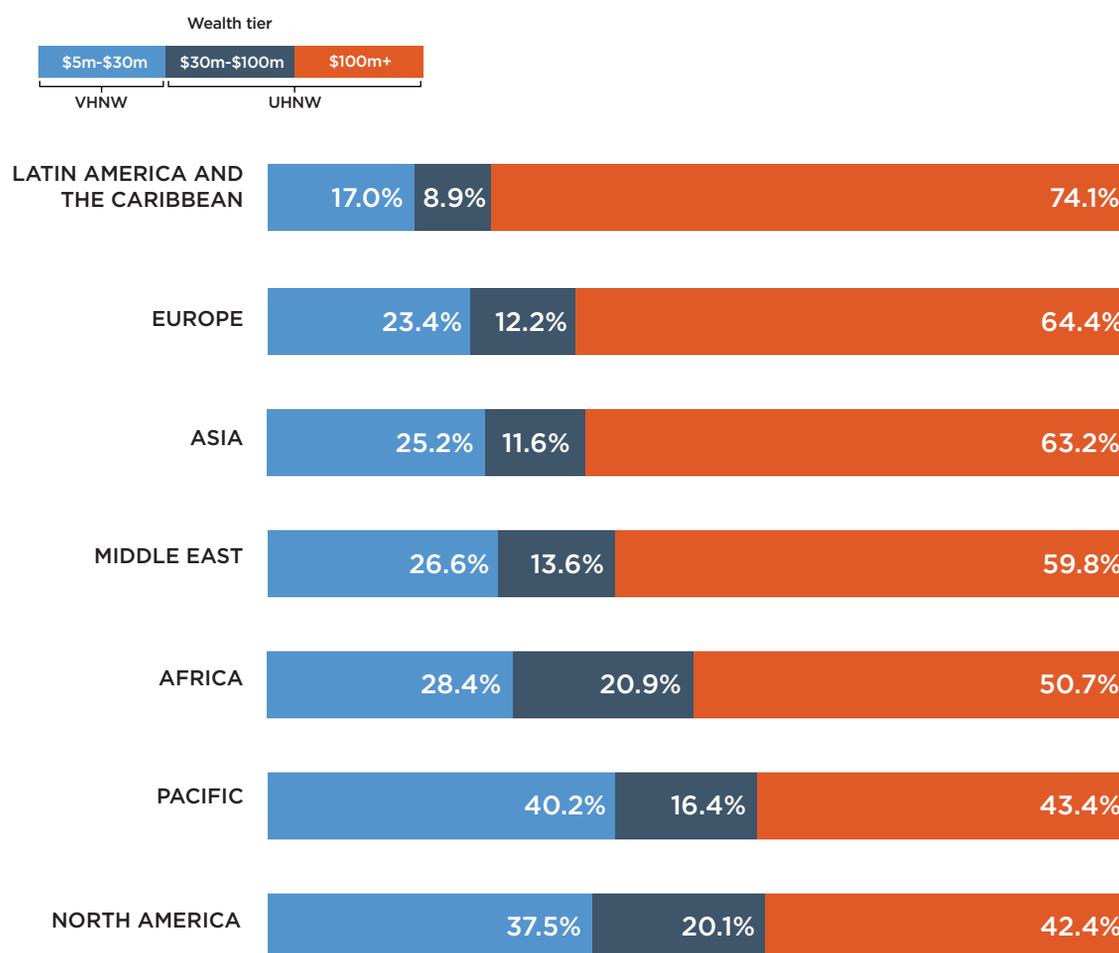
Those individuals in the highest wealth tier will pass on the greatest amount of wealth, despite being relatively modest in number.

Note: The data is pre-taxation and any other regulatory requirements. The total of the regions may not equal the global total, as a result of rounding.

Source: Wealth-X, 2019

In each region – and mirroring the global total – it will be those individuals in the highest wealth tier, those with \$100m+ in net worth, that pass on the greatest amount of wealth, despite being relatively modest in number. However, again illustrating the uneven distribution of wealth, there are some notable regional differences. North America shows the most equal proportion of wealth to be passed down across the three tiers, with the total value of wealth transferred by individuals in the highest wealth tier only slightly higher than that by the VHNW population. This contrasts with far more imbalanced distributions in Europe and in Latin America and the Caribbean, where the total value of wealth transfers will be heavily skewed towards the top wealth tier. Indeed, Latin America and the Caribbean shows the highest wealth transfer inequality: individuals with \$100m+ in net worth in this region are expected to transfer more than two-thirds of the region’s total, with VHNW individuals transferring just 17% of this wealth.

### INTRA-REGIONAL PROPORTION OF WEALTH TRANSFER WITHIN EACH REGION ACROSS EACH WEALTH TIER TO 2030 (%)



Note: Wealth tier refers to those passing on their wealth.  
Source: Wealth-X, 2019

**North America shows the most equal proportion of wealth to be passed down across the three tiers.**

# THE COMPLEXITIES OF WEALTH TRANSFER

There are plenty of reasons why families struggle to put in place comprehensive and successful wealth transfer plans. There are many questions to answer and intricacies to tackle. These include the complex issues surrounding the ownership of private companies and property, the distribution of financial assets and art collections, and future involvement in philanthropic ventures.

## BUSINESS TRANSITION – HARD TO LET GO

A very large proportion of wealthy individuals own and often manage their own business(es), and working out how to transition this illiquid asset is often the most difficult decision of all.

This asset will often represent the largest share of a family's wealth portfolio and if not planned for properly, its transfer to the next generation can have huge, potentially negative implications for total net worth. There have been a number of high-profile cases of family business splits resulting in large-scale destructions of wealth, often caused by family members fighting each other for control of a company. Divorce or legal disputes can also be significant obstacles to a proposed business transition.

“Bad investment returns don't jeopardize a family's wealth; instead, a lack of good family governance can because, in such instances, family members can unilaterally decide to opt out and force the break-up of a company.”

— Rolf Bauer, Head of Family Solutions, Switzerland, Credit Suisse

Often, entrepreneurs find it hard to cede control of their business interests. Almost three-quarters of those who are expected to undertake wealth transfers by 2030 have made their fortunes themselves, often spending the best part of their lives building up a company (or companies). This can often lead to frictions in business transition, with decisions becoming motivated more by emotion than by financial, commercial or practical concerns. Cultural and social factors can also be in play, requiring a varied approach to wealth transfer planning in different regions.

**Entrepreneurs have often spent the best part of their lives building up their businesses.**

“In the Middle East, for example, where patriarchy is the norm, many such individuals find it hard to cede control. It’s only in the past two generations that they have accumulated this wealth, so they are used to having that control.”

— Tim Denton, Vice President, Head of Trust and Wealth Structuring, Emirates NBD

Numerous questions come into play when considering business transition: should the company stay private, go public or be sold? How can the value of an illiquid asset be divided between family members? Who should manage the company? Should it be someone in the family or an independent manager? And should multiple family members be involved in the day-to-day management of the business?

In addition, from a financial point of view, many families’ wealth remains highly concentrated in their businesses. Being tied to a single investment is more risky from a wealth preservation perspective. The transfer of wealth, possibly from the company founder, to the next generation can present an opportunity to diversify some of this risk by selling all or some of the company or by going public.

**Many families’ wealth remains highly concentrated in their businesses.**



PHOTO BY DREW BEAMER ON UNSPLASH

## PROPERTY TRANSFER – A TAXING ISSUE

Real estate is another complicated asset to plan for wealth transfer. Similar to privately held businesses, property is an illiquid asset class and one often that is hard to value. The wealthy also tend to own properties across borders, and with tax liabilities varying significantly across countries, their structuring can make a significant impact on a family's investment portfolio.

Owning properties means managing and maintaining them, and residences can exert a strong emotional pull on some or all members of a family. Given the assets' indivisibility, questions about who should be given ownership of properties, as well as who should be responsible for their upkeep, are often not easy to answer.



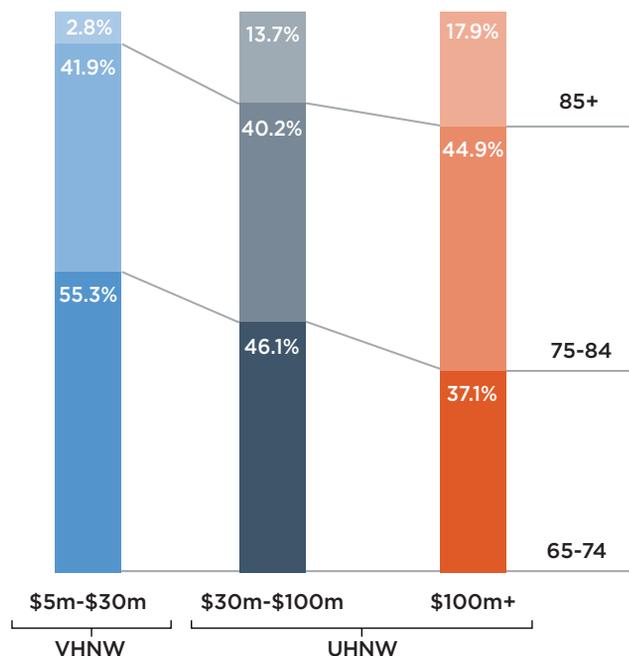
PHOTO BY DANIEL BARNES ON UNSPLASH

## AGE AND EXPERIENCE MATTER

While no two individuals and families are the same when it comes to wealth transfer, there are some broad insights that can be gained when looking at things from a higher level. Among VHNW individuals, most of those who will be passing on wealth over the next decade or so are currently aged between 65 and 74. Representation of this age group declines as the wealth threshold increases – a reflection of the higher average age of the very wealthiest individuals. Those providing wealth transfer planning services, whether in business transition, tax planning or real estate succession, will need to tailor their strategies and the conversations they have with their clients according to their respective ages.

With regards to those wealthy individuals transferring their fortunes by 2030, the proportion of males to females is even higher than the gender divide among the wealthy population as a whole. In practice, however, many women will be closely involved in their husband's or partner's wealth transfer plans.

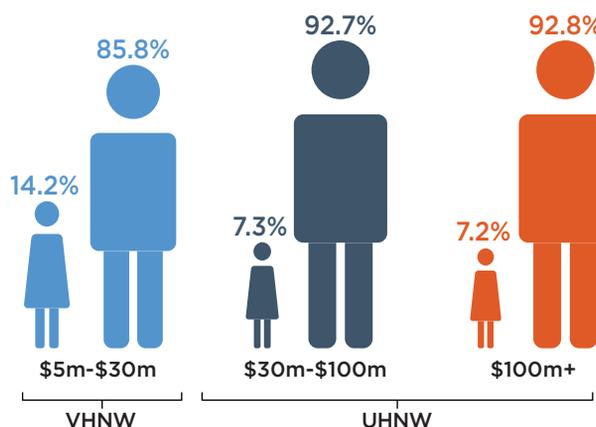
AGE BY WEALTH TIER



Note: Wealth tier refers to those passing on their wealth to 2030.  
Source: Wealth-X, 2019

**Among those passing on wealth, the proportion of males to females is even higher than the gender divide among the wealthy population as a whole.**

GENDER BY WEALTH TIER



Note: Wealth tier refers to those passing on their wealth to 2030.  
Source: Wealth-X, 2019

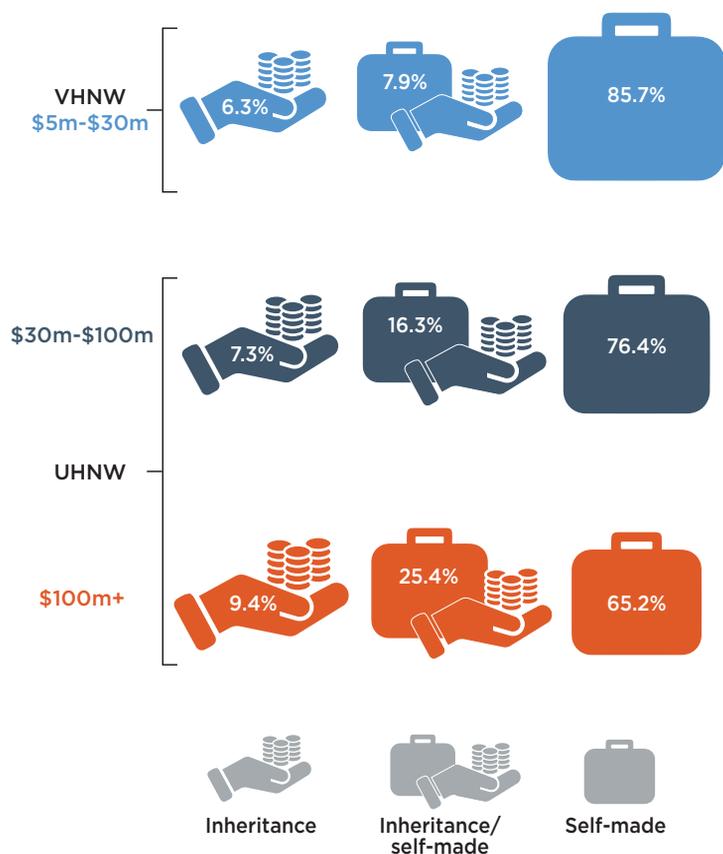
In terms of the source of wealth of those passing on such wealth, VHNW individuals are highly represented among those who have made their fortunes themselves. In contrast, while a majority of UHNW individuals are also self-made, inheritance plays a greater role in their population. Whether an individual has created or inherited the bulk of their own wealth will often have a considerable influence on their outlook and priorities for the next generation. Again, providers to the wealthy will need to consider the communication strategies they use with different types of wealthy individuals and adapt them accordingly.

Interestingly, however, the degree of preparation made for wealth transfer often has little correlation with the level of an individual’s or family’s wealth. In essence, it boils down to an openness to engage in the planning process. Family preparedness covers a wide spectrum: some are well prepared, some want to make provision but do not take action, and some are not concerned by it at all. For advisors and those specializing in wealth transfers, encouraging families to take the first step can be the biggest – and most important – challenge.

“Once we’re at the table [with clients] and drawing out the implications about wealth transfer, a lot of walls come down. Then you can get some focus and clients see its importance.”

— Kris Stegall, Senior Vice-President, Momentum Advanced Planning

### SOURCE OF WEALTH BY WEALTH TIER



The degree of preparation made for wealth transfer often has little correlation with the level of an individual’s or family’s wealth.

Note: Wealth tier refers to those passing on their wealth to 2030.  
Source: Wealth-X, 2019

# A CHANGING WORLD

While the fundamentals of wealth transfer perpetuate, the external environment will continue to evolve. From shifting political landscapes and economic uncertainty to changing disclosure regulations, this presents new challenges (and also opportunities) for the wealthy and those who serve them – as well as the need to continually adapt.

## UNCERTAINTY DRIVES DIVERSIFICATION

Economic and political uncertainty have increased in recent years. Risk in political and, by consequence, legal and economic matters has grown markedly as a result of souring US-Chinese trade relations, the growth in anti-elite and anti-immigrant sentiment, an isolationist US, the UK's convoluted Brexit process, a populist shift in South America and rising international tensions involving Saudi Arabia and Iran.

In the context of wealth transfer, this more volatile environment has spurred a clear trend for further diversification in terms of asset allocation. This is across geography, industry and different types of financial instruments.

“Diversification is a key theme. The ever-changing geopolitical environment has certainly affected how clients allocate their assets and investments. Meanwhile, the changing regulatory and tax environment has also added another layer of complexity when it comes to managing family wealth.”

— Felicia Law, Head of Wealth Advisory Group, North Asia, J.P. Morgan Private Bank

While having a more diversified portfolio may appear a sensible way to protect wealth, it may be difficult for many individuals or families to achieve. As we have noted, complications can arise if the wealthy hold substantial illiquid assets, such as a single large private business or multiple properties in one region.

**A more volatile environment has spurred a clear trend for further diversification in terms of asset allocation.**

## PRIVATE ASSETS IN DEMAND

Among the wealthy there has been a surge in investment demand for private assets. This is largely the result of years of very low global interest rates, which have depressed returns on income-based investments, alongside a push to diversify asset portfolios. These investments include private debt and real estate but notably private equity and venture capital, which have become more popular financing channels in the decade since the global crisis. In addition, some families are looking to connect directly with others for new opportunities. The mixed performance of the investment-fund sector since mid-2018, amid regulatory disruption, has also encouraged greater interest among the wealthy in investing in specific private companies.

While more risky, all of these private assets offer the potential of significant value uplift. Still, those families with substantial wealth are able to adopt a very long-term view, often spanning a generation.



PHOTO BY REDCHARLIE ON UNSPLASH

## TURN OF THE (ECONOMIC) CYCLE

For most of the decade since the global financial crisis, the world's economy and particularly the asset markets – buoyed by the ultra-loose monetary policies of major central banks – have been in recovery. Amid occasional bouts of volatility, the broad trend has been one of growth and opportunities for wealth creation. A decade-long bull market has meant many wealthy families have become overweight in equities, encouraged by elevated corporate earnings.

However, the dynamics of the global economy have shifted since mid-2018 as global demand and trade have slowed, prompting a rethink from policymakers who had been anticipating a gradual upturn in interest rates to more 'normal' levels. Predicting the onset of a recession is well known to be fraught with difficulties, but there are signs that a broader market downturn may be approaching. These include heightened volatility in financial markets, persistent global trade tensions and softer demand across emerging markets. With wealth transfer planning in mind, there is now a need for the wealthy to revisit their asset allocation to ensure it is as diversified and future-proof as possible.

**The momentum is for an increase in transparency of global wealth portfolios.**

## GREATER TRANSPARENCY

The past decade has experienced a significant rise in global asset disclosure and reporting requirements. Moving beyond taxation, governments are increasingly looking to identify cross-border capital flows and holdings of offshore wealth. From frameworks such as FATCA, CRS and CDOT to the more recent EU Directive DAC6, the momentum is for the greater transparency of global wealth portfolios.

With the diversification of assets extending into a need for greater complexity in the trusts, holding companies and financial instruments used to hold and manage wealth across national borders, the wealthy are now becoming increasingly aware that high-quality specialist advice in this area is essential for successful wealth transfer planning.

“This is another challenge for the wealthy in terms of growing offshore portfolios, for example, and all the complexities they bring to tax structures.”

— Kristin Bulat, Senior Vice-President of Strategic Resources, NFP

# THE NEXT GENERATION

Who will be inheriting such wealth over the next decade or so? These individuals will generally be in generation X (definitions vary but approximately those currently in their 40s and 50s). Millennials (people currently in their mid-twenties and 30s) will also be beneficiaries of this wealth although not to the same degree, given their relative youth.

How does this next generation approach wealth and what does it value? What comes across clearly is that the members of this group differ from the generation before in their outlook and the way they manage their daily lives. In order to remain relevant, providers to the wealthy need to ensure that their offerings, services and values connect with this next generation of wealthy individuals (some of whom are already affluent in their own right).

## FEELING CONNECTED

Although to some extent constrained by generalization, there is agreement among those serving the wealthy that the next generation is more global. These individuals have often lived, worked or studied in more than one country and they tend to be more aware and informed of matters at an international level.

Those in the next generation (particularly millennials) are also highly digital in their habits. When interacting with service providers or other organizations, they expect high levels of contact and personalization, transparency and a quick turnaround. Certainly, relationships and networks are still valued but being closer to the 'transaction' per se is more important to them than for the older generation that is passing down wealth.

“They ask us to interact virtually; they want to be empowered via immediate access and smart tools; they want a more active role in the service they are engaged with and more information.”

— Rolf Bauer, Head of Family Solutions  
Switzerland, Credit Suisse

**The next generation  
wants to feel  
emotionally connected.**

Moreover, this group of inheritors is likely to place greater importance on feeling some connection with their investments and to seek meaning in the way they use their wealth. With many families looking to pass on one or multiple businesses to the next generation, establishing an attachment to this enterprise will be essential. Many families start involving their children early on, partly in an effort to build up motivation and commitment to this cause.

“It’s a complex question of balance for those passing on wealth: inspiring the next generation while also maintaining ownership of their operating assets. The continuum varies for each family or family office.”

— Kirby Rosplock, Researcher, Advisor, Author and Speaker, Tamarind Partners

## IT’S NOT ALL ABOUT THE MONEY

Many of those preparing to pass on their wealth have long focused on what they will leave to the world. The next generation, however, are displaying a clear step change in emphasis. Wealth preservation continues to be important, but they are also noticeably concerned about the impact their wealth will make on the world, society and the environment.

There has been a significant increase in interest in impact and responsible investment, the latter aiming to incorporate environmental, social and governance (ESG) factors into investment decisions. There are also changing expectations of such investments, with many believing they should not necessarily under-perform against more mainstream investments and may actually out-perform them. This heightened interest is likely to continue, although the sector has yet to undergo a market downturn and, looking ahead, such a correction could test the next generation’s commitment to such assets.

“The ESG sector was something very few of our clients were interested in a handful of years ago. While it remains a relatively small asset class, it is growing extremely rapidly. Today, I would estimate that 80% of our clients are directly investing in equity, fixed income and/or alternative ESG solutions, or exploring the asset class in earnest.”

— Scott Hasley, Managing Director, Head of US/Canada Family Office Business, BlackRock

## A SHARED FOCUS ON PHILANTHROPY

Those passing on wealth and their beneficiaries share a common concern – shaping and building the family’s legacy via philanthropy. There has been a clear upward trend in global philanthropic activity among the wealthy over the past decade, reflecting an increased awareness of a need to give back to society, whether via charitable organizations or through other means, such as donor-advised funds or impact investment vehicles.

Moreover, families are becoming aware that philanthropic planning can have other benefits – bringing them together, increasing cohesion and getting the next generation on board when considering non-financial matters.

“We have seen families being more involved in philanthropic initiatives. Instead of making a cash donation, representatives of the families often participate in formulating strategies and tracking progress of charitable projects.”

— Felicia Law, Head of Wealth Advisory Group, North Asia, J.P. Morgan Private Bank



PHOTO BY JAY RUSESKY ON UNSPLASH

# BEST PRACTICE: ENSURING THE WEALTHY AND YOUR ORGANIZATION ARE PREPARED

The issue of family wealth transfer will have a long-term impact on a wide range of organizations, from those in the financial, legal and advisory professions, to the luxury and not-for-profit sectors. What can organizations that serve the wealthy do to prepare and protect their clients as well as their businesses, revenue streams and funding? While those in each industry will approach the issue from their own angle, there are several universal best practices to follow.

## ► IMPLEMENT AN ACTIVE, SYSTEMATIC AND LONG-TERM APPROACH.

Review your organization's strategy for family wealth transfer. Ensure that in your organization's interactions with clients, discussions on this topic are built into the customer journey map. Each strategy – whether or not its wealth transfer aims are explicit to clients – should be tailored to fit the organization and its unique processes.

## ► START TALKING ABOUT WEALTH TRANSFER EARLY.

Both for providers and the wealthy, starting early and accepting this will be a long journey will make a substantial difference to revenue and value protection. Education and training is a great way to begin discussions and build trust among different stakeholders. The wealth transfer process is complex and a significant investment in time will be needed before worthwhile action can be taken.

## ► EMPLOY HONESTY AND TRANSPARENCY THROUGHOUT THE PROCESS.

Building and implementing a successful wealth transfer plan means facing up to difficult issues and decisions. Honesty and transparency will not only build trust between stakeholders but will make plans more successful and future-proof. Those passing on their wealth will be clearer about the aims of the next generation while making these decisions, while the beneficiaries will understand why certain decisions have been made.

## ► LOOK TO UNDERSTAND, CONNECT AND ENGAGE WITH THE NEXT GENERATION.

This generation, mostly those from generation X but also millennials, are different from the generation that will be passing on wealth over the next decade or so. Organizations should seek to understand the values of these individuals and how best to engage with them – as well as develop new products/services and new skills – or risk losing out on this valuable next set of customers. For the wealthy themselves, understanding the point of view of their heirs will enable them to devise a successful wealth transfer plan.

# METHODOLOGY

In order to size wealth transfer and profile those who will transfer this wealth, we use our newly updated Family Wealth Transfer Model and the Wealth-X Database.

Our **Family Wealth Transfer Model** sizes the number of wealthy individuals that will be passing on wealth and the amount of this wealth in the period to 2030 by wealth tier and by region. The model uses a three-step process. First, the model uses Wealth-X's Wealth and Investable Assets Model to size the general wealthy population by country and to estimate the total wealth held by individuals in each wealth tier. Second, we use the Wealth-X Database to incorporate age distribution by wealth. Third, we use secondary sources to integrate life-expectancy distribution of wealthy individuals by country. We use life-expectancy data from 46 countries globally to estimate (with a 99% confidence level) the proportion of population within each age bracket that will experience mortality in the next decade or so.

To gain further insight into the individuals passing on this wealth, we use the unique and proprietary **Wealth-X Database**, the world's most extensive collection of curated research and intelligence on the wealthy. Our database provides insights into their financial profile, career history, known associates, affiliations, family background, education, philanthropic endeavors, passions, hobbies, interests and much more. Our proprietary valuation model (as defined by net worth) assesses all asset holdings, including privately and publicly held businesses and investable assets. Wealth-X uses the primary business address as the determinant of a wealthy individual's location. References to \$ or dollars refer to US dollars.

Analysis of the data and additional insights were provided by the **Wealth-X Analytics** team. Leveraging the Wealth-X Database and its own data models, Wealth-X Analytics provides customizable data assets tailored to your organization's needs. Wealth-X Analytics is uniquely positioned to provide market-level data and analysis to inform strategies across the financial services, luxury, not-for-profit and education industries.

The Wealth-X Analytics team is composed of experienced analysts, economists and thought leaders, armed with deep-sector knowledge and unique skills. The team regularly collaborates with clients across industries to provide:

- Market sizing
- Forecasting
- Profiling/Archotyping

To learn how Wealth-X Analytics complements our full suite of data-driven products and services, contact us:

[contact@wealthx.com](mailto:contact@wealthx.com)

# ABOUT WEALTH-X

The global leader in wealth information and insight, Wealth-X partners with leading prestige brands across the financial services, luxury, not-for-profit and higher-education industries to fuel strategic decision-making in sales, marketing and compliance. Wealth-X boasts the world's most extensive collection of records on wealthy individuals and produces unparalleled data analysis to help organizations uncover, understand, and engage their target audience, as well as mitigate risk. Founded in 2010, with staff across North America, Europe and Asia, Wealth-X provides unique data, analysis, and counsel to a growing roster of over 500 clients, worldwide.

# A GENERATIONAL SHIFT: FAMILY WEALTH TRANSFER REPORT 2019



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