Wealth Management

# Creating social value now

## How the idea of legacy in the U.S. is shifting

The notion of legacy is complex and variable, reflecting geography, gender and generation along with personal preference. Around the world, majorities of high-net-worth individuals (HNWIs) today are shifting their definition of "legacy" from the familiar focus on wealth preservation and the traditional transfer of assets to an increasing focus on the impact of wealth and familial relationships. Two-thirds of American HNWIs—the highest share in any region—say the quality of their relationships are a crucial part of defining their legacy. It's also notable that younger HNWIs in the U.S. are seeking to align not just their legacy planning and charitable giving but also their day-to-day spending with their social goals.

These are among the findings of a recent survey by The Economist Intelligence Unit (EIU) of 1,051 HNWIs across regions, genders and generations, commissioned by RBC Wealth Management. The survey included 365 respondents in the U.S. with at least US$1 million in assets.

Written by

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### Understanding the role of wealth

Material wealth is certainly the foundation of how HNWIs view the legacies they hope to create. Nearly two-thirds of American HNWIs—61%—agree wealth is the main enabler of their legacy. Furthermore, U.S. HNWIs are fairly optimistic about wealth building. Of those surveyed, 90% believe they will acquire more wealth than their parents over the course of their lifetimes, a greater share than anywhere except China, where the figure is 96%. However, for many, this optimism is limited to the current generation. Only about half (51%) of U.S. HNWIs expect the next generation to accumulate even more wealth, a level of doubt matched only by the UK.

This raises the question of how today's HNWIs are defining "wealth" itself. Nearly three-quarters of American HNWIs equate wealth with financial security and independence, a much higher share than those in other regions. Scarcely more than half (55%) of HNWIs in the U.S. say wealth means total financial asset value. Though these are the top two definitions of wealth across regions, the uniquely larger share of Americans choosing security and independence over asset value stands out.

### Redefining legacy in the next generation

In addition to their focus on family relationships, most American HNWIs align their wealth planning in some way with charitable goals, for example, through impact investing, aligning spending with personally important causes or giving more to charity as their wealth increases. For younger U.S. HNWIs[1], especially, a significant component of wealth building and legacy creation is focused on the ability to create change through wealth, either through giving from their own businesses or through personal charitable giving. They are more often focused on these goals than older U.S. HNWIs and, on the whole, more than Millennials in other Western countries. The majority (62%) of younger U.S. HNWIs also say they have an obligation to transfer wealth to the next generation, and 74% say they have an obligation to transfer values.

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Furthermore, many younger HNWIs think it's important to start on the path of social impact before a traditional legacy would take effect: 50% of younger HNWIs globally, and 49% in the U.S., plan to distribute their wealth through giving or spending mostly while they're still alive. In the U.S. that figure is more than twice the proportion of older HNWIs who say the same.

A final way in which younger U.S. HNWIs stand out is that 85% of those who own businesses say it's important to them that their companies make a positive charitable impact on the communities in which they operate, far ahead of their counterparts in other Western countries.

All of this suggests a generational shift not only in how much wealth people expect to accumulate but also in what they expect to do with it. As Sapna Shah of the Global Impact Investing Network sees it, the turnover of generations is "going to be a huge paradigm shift and a complete change in the way the economy understands financial markets. We're seeing the younger generations expressing their values through their work and social entrepreneurism, and this blending of personal and professional lives is just the tip of the iceberg of what's to come."

Abigail Noble, CEO of ImPact, a New York-based non-profit that helps family enterprises make their impact investments more effective, explains that "going forward, what we're going to see when we talk about legacy planning and wealth preservation is the family's values, their engagement in markets, and how they're playing a broader and more influential role in making sure that the social and environmental problems facing the world are being addressed through their investment portfolios."

1. "Younger" is defined as people in Generation X or the Millennial generation, born between 1965 and 2000.

Liesel Pritzker Simmons is an example. A Hyatt Hotel heiress, she is co-founder and principal of Blue Haven Initiative, an investment management firm that seeks to generate competitive financial returns and address social and environmental challenges. "What I was spending my time doing and what I was passionate about had nothing to do with how my wealth was invested," Simmons, who is 34, told ImPact. "I started asking my financial advisors if there were ways that I could align what I really cared about with what my assets were invested in."

### Making a difference in the day-to-day

Twenty-one percent of U.S. HNWIs say investing with social responsibility in mind is part of their wealth management. Even more often, they align their spending with causes that are important to them: 36% say they do that. The figures among younger American HNWIs, like those for younger HNWIs around the world, are even higher, with 39% of the younger HNWIs in the U.S. choosing to align spending with social causes and 29% with impact investing.

There is strategy to the spending, according to Noble: "Spending is usually a several-times-a-day decision," she says, "whereas investment decisions might only [occur] on a quarterly or annual basis. It means more opportunities to engage and make impactful decisions. Also, there's a changing relationship today between companies and products and consumers—people want to feel that they're adding value and making the world a better place by their buying."

It may be that American legacy will come to be defined by strong familial relationships and the amount of good one does for others.

### Conclusion

Although U.S. HNWIs don't necessarily expect future generations to be able to acquire as much wealth as those who came before, younger generations of HNW Americans are determined to deploy the assets they are accumulating for the benefit of their families and society—and increasingly plan to do so in their lifetimes. As these younger HNW Americans come to the fore, it may be that American legacy will come to be defined by strong familial relationships and the amount of good one does for others.