

The Next Generation of Global Enterprising Families Shaping Tomorrow, Today

2020



Campden Wealth

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FOREWORDS

Royal Bank of Canada



Dear reader,

At RBC, we recognize that many enterprising families are at an important juncture in the transition of responsibilities within the family. The goal of this report is to provide an overview of how the next generation of leading enterprising families have thought about and are currently thinking about dealing with family dynamics, succession planning, wealth, health, and well-being.

The term “next generation” can mean different things to different people, and it’s important to note that in this report we looked at a cross section of generations – all of whom are considered next generation within their respective families.


The following report reveals that there is no single approach to how to deal with the increased responsibilities that the next generation of leading global family enterprises face, nor should there be, especially for families with this level of wealth.

That being said, there are a number of key findings from this research that can be used as a roadmap to prepare both the current generation and the next generation for how to effectively transition responsibilities within the family – communication being key.

In some cases, the transition of wealth and responsibilities is still a few years away, but in many cases the next generation of leaders has already emerged and are already making significant decisions within their family enterprise – *Shaping Tomorrow, Today*.

We hope you enjoy this report and would like to thank all participants that contributed to this fascinating insight into the next generation.

Yours faithfully,



Mark Fell
Head of Global Ultra-High Net Worth Services
Royal Bank of Canada

Campden Wealth



Nearly all will agree, 2020 has been a challenging year. COVID-19 has escalated into a global pandemic, and taken a considerable social, physical, emotional, and economic toll on society. From watching the hollowing out of formerly bustling cities, to acclimating to a residential lockdown, and witnessing the illness, and even death, of our loved ones, this disease has impacted us all in one form or another.

But, amidst this challenge, we as a society can also see that with loss comes birth. Seeds of change are being planted, as many of us aspire to rise from this situation stronger, smarter, and more thoughtful than before.

This evolution, or new beginning, is echoed by the simultaneous emergence of the next generation. We are in the midst of a major generational transition, and now is the time that many Next Gens are taking the reins of their powerful family enterprises. As this research has shown, 43% of Next Gen respondents have already assumed control of the family enterprise. And, though they are forging ahead in challenging and uncertain times, they embody a sense of promise.

Whilst no one can predict the future, we can however aim to better understand those who will wield the power to shape it. At a time when the wealthiest among us are playing increasingly pivotal roles in society through business, philanthropy, impact investing, politics, and social and environmental reform, we can try to understand their views, desires, and decision-making. Doing so will help us to better evaluate and prepare for the future.

With this in mind, this research offers a unique glimpse into the DNA of the next generation of ultra-wealth holders in the United States, Canada, and the United Kingdom. What is revealed is that this generation is smart, dynamic, driven, and passionate. The world is changing rapidly around them, and yet, by-and-large, they choose to respond in a thoughtful, considered, and focused way. With a unique set of values, they aim to build upon the considerable achievements and legacies of their ancestors, but also to embrace a goal of social and environmental betterment.

They are a generation of achievers. They often juggle numerous responsibilities, from decades of formal and informal education, to undertaking leadership roles in business, to managing complex investments, along with family-related responsibilities. And, while doing this, most also donate their time and money to philanthropy to help improve the world for others. In fact, a considerable 93% of the Next Gens examined give philanthropically, and over a third (34%) plan to leave considerable sums of their wealth to charitable causes when they pass away.

In turn, while many of us have fears about the future, I believe that the current generation can feel confident that their children – now grown – are smart, switched-on, and proactive. No other generation has been better prepared, and is better equipped, to tackle the challenges we as a society face as this one. And that, I believe, should give us some comfort.

With that said, I would like to thank those who made this important report possible, including the Next Gens who participated in the research, the Royal Bank of Canada for partnering with us, and the Campden Wealth Research team.

Best wishes,

Dominic Samuelson
Chief Executive Officer
Campden Wealth

EXECUTIVE SUMMARY

This study examines the values, priorities, and practices of the next generation (Next Gen) of ultra-high net worth (UHNW) families about topics pertaining to family dynamics, succession planning, wealth, health, and well-being. Just over 100 Next Gens from the United States, Canada, and the United Kingdom were surveyed and 20 were interviewed; all had wealth of at least US\$100 million.

The result was a plethora of rich findings which explain how this unique cohort is responding to the

rapidly evolving world around them through the use of a unique set of values and practices which embrace both personal and financial success, and a drive for social and environmental betterment. The findings also reveal the average ages Next Gens hit key milestones in their lives and, ultimately, where we are in the midst of the current generational transition.

What follows is a snapshot of the key findings from this report.

Succession planning, a high priority

Two-thirds (67%) of the next generation of UHNWI inheritors have a succession plan in place in relation to their family business and wealth, while a third (33%) are either without plans or knowledge of existing plans. Furthermore, 28% of Next Gens reportedly believe their families are either 'somewhat' or 'very unprepared' for succession. As wealth is typically gained and lost within three generations, a focus on effective succession planning is key.



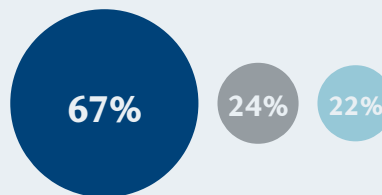
Key ages in Next Gens' lives

Twenty-six is the average age Next Gens took on their first role in the family business, while 37 is the average age they assumed leadership responsibility. Thirty-one and 33 are the average ages they first learned about the extent of their family wealth and began to manage a portion of the wealth, respectively.



The Next Gen are already leading

Two-thirds (67%) of Next Gens currently play an active role in their family office. In their family business, 24% presently serve in CEO/managing director roles, while 22% serve in each board member, director or management/executive-related roles.



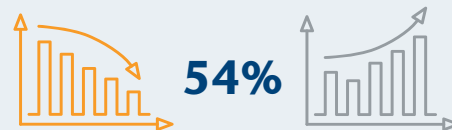
We're in the thick of a major transition within family enterprises

Over two-fifths (43%) of Next Gens have already assumed control of the family enterprise, while 26% plan to do so within the next 10 years. The average age a Next Gen took control of the family enterprise is 45 years old.



Wealth concerns are widespread

More than half (54%) of Next Gens are worried they will lose the wealth their family has created, while 44% are worried their children will lose the wealth. Meanwhile, 62% feel it is their responsibility to not only preserve, but grow, their family wealth.



Family offices, the first port of call for wealth advice

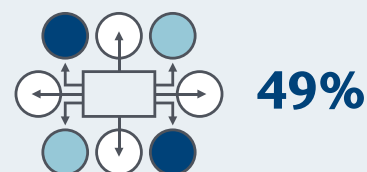
Reflecting their rising popularity among wealth holders, a notable 67% of those surveyed have a family office. These offices have become a notable feature in Next Gens' lives, as they reportedly rely on them for advice about managing their wealth more than they rely on their parents (28% versus 20%).

67%



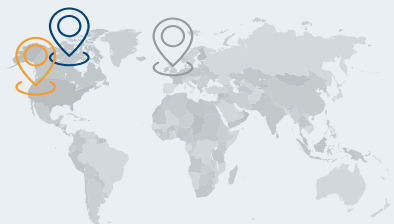
Communication, health, and family dynamics challenges prevail

Next Gens ranked communication, family dynamics, and health concerns as the top three challenges they face. In fact, nearly half (49%) of Next Gens are concerned about their own health.



A generation shaped by globalization

Merely 35% of Next Gens currently have all of their business and financial needs met domestically. Roughly a quarter operate their business/es in other countries (26%) or have international banking operations (23%), while roughly a fifth own property (20%) or support philanthropic causes (18%) internationally.



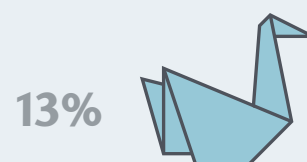
Fear of the world children will live in

Next Gens are concerned about the future world their children will inhabit, with 73% believing they will have a more challenging life than their own. Climate change, in particular, was a key concern, underlining why more than half (56%) of Next Gens feel it is important for children to learn social and environmental responsibility at home.



Thirteen percent plan to donate a quarter or more of their wealth when they pass away

Two-fifths (40%) of Next Gens expect to leave 10% or less of their wealth to philanthropic causes when they pass away. Over a third (34%) plan to leave more, with 21% aiming to leave between 11% and 24%, and 13% aiming to leave a quarter or more.



1.

The next generation of ultra-high net worth families

1.1 Introduction

1.2. Overview of the 2020 participants

1.

The next generation of ultra-high net worth families

1.1 Introduction

The world is in the early stages of a major generational transition – one that will lead to the largest wealth transfer in history. Fifteen trillion US dollars will change hands from one generation to the next by 2030¹. This transfer is occurring in the midst of uncertain times, with the outbreak of COVID-19 creating even further uncertainty against a pre-existing backdrop of geo-political challenges, an aging population, and concerns for a climate change crisis. In turn, the next generation of wealth holders will have significant – and consequential – shoes to fill, as they assume control of their family enterprises whilst navigating a sometimes turbulent and unpredictable playing field.

At a time when the wealthiest among us are playing an increasingly prominent role in global politics, business, and social and environmental impact, it is important to understand the DNA of this emerging power generation. How are they being groomed to steward their family enterprise? What concerns and challenges do they face? What unique values and ideologies do they share? And, ultimately, what type of legacy do they plan to leave with regard to their wealth, business, and social/environmental footprint?

To understand these areas, this study takes readers on a journey through the lives of next generation wealth holders, whose average family fortunes reach nearly US\$1 billion. In doing so, powerful insights have emerged with regard to how this generation is responding to the increasingly complex and globalized world they inhabit with a unique set of values and priorities. These elements translate into a drive for both personal/financial success and a yearning to create positive social and environmental change. Key stages in Next Gens' lives, such as the average age they first

learned about their family wealth or assumed control of their family enterprise, also emerge from the findings, along with a broad understanding of where we are in the midst of this significant generational transition.

Some of the key findings from this study, which broadly define the nature of a next generation wealth holder, follow –

A highly educated and motivated group –

On average, the next generation of wealth holders are a highly motivated and educated group, with 92% holding a bachelor's or higher form of degree. Many of them have been training for their roles of wealth stewardship since the time they were young, and they are eager to take on new responsibilities and reach new professional milestones, particularly within their family enterprise.

92%

Next Gens hold a bachelor's or higher form of degree

Next Gens are taking on leadership roles –

More than two-thirds (67%) of Next Gens currently play an active role in their family office. In their family business, 24% serve in CEO/managing director roles, while 22% serve in each board member, director or management/executive-related roles.

Legacy builders and entrepreneurs – Through their work at the family enterprise, Next Gens wish to honor their families' esteemed pasts by building on their legacies. This means that they endeavor to not only maintain (21%), but predominately grow (62%), their family fortune.

Succession planning is on families' radar, but there is more still to do – More than two-thirds (67%) of the Next Gens surveyed here currently have a succession plan in place; a marked uptick from the global average (54%)². Of these, roughly half (46%) were put in place within the last five years. This leaves a remaining third (33%) of respondents either without plans or knowledge of existing plans. Of these, 23% report their succession plan is currently in development, 4% have no form of a plan, and 6% are unaware if a plan exists (a sign of unpreparedness). As wealth is typically gained and lost within three generations³, a focus on effective succession planning is key.

67% have a succession plan

Almost half of Next Gens have already assumed control – In terms of where we are in the broader generational transition, nearly half (46%) of Next Gens have already assumed control of the family enterprise and 22% expect to do so over the next 10 years. The average age a Next Gen began to manage a portion of their family wealth is 33 years old, while the average age they assumed control of the family business is 45 years old.

46% have already assumed control of the family enterprise

International lifestyles and business requirements – As a natural product of globalization, Next Gens often embrace an international lifestyle, with personal residences, business ventures, banking operations, and philanthropic endeavors far afield (merely 35% have their needs met domestically).

Socially and environmentally conscious – In a similar vein, they are often socially conscious citizens, who want their children to learn values of not only hard work and an understanding of the value of money, but also tolerance and respect for others, along with a sense of social and environmental responsibility. Reflecting this, a remarkable 93% of Next Gens give to philanthropic causes, and 34% plan to donate 11% or more of their wealth to social/environmental causes when they pass away.

93% give to philanthropic causes

A generation harboring worry – As another likely byproduct of globalization, along with living in a fast-paced, technologically advanced, media rich environment, this cohort harbors a number of worries, some of which are unique to this generation. For example, they are often concerned about: climate change; their children growing up in a world they perceive to be more difficult and challenging than their own; the possibility they will lose the wealth their family has created; their mental and physical health and well-being; their ability to effectively start up new businesses; and their inability to have sufficient time to care for their aging parents.

METHODOLOGY

This research was conducted using quantitative and qualitative data sourced by Campden Wealth. Between October 2019 and early March 2020, 101 surveys were collected from Next Gens from the United States, Canada, and the United Kingdom. In turn, the findings within this report are relevant from the date of collection, which was prior to the World Health Organization declaring COVID-19 to be a pandemic. In addition to the quantitative data, 20 interviews were conducted with Next Gens between October 2019 and April 2020 to provide a deeper insight into the survey responses and to produce the case studies.

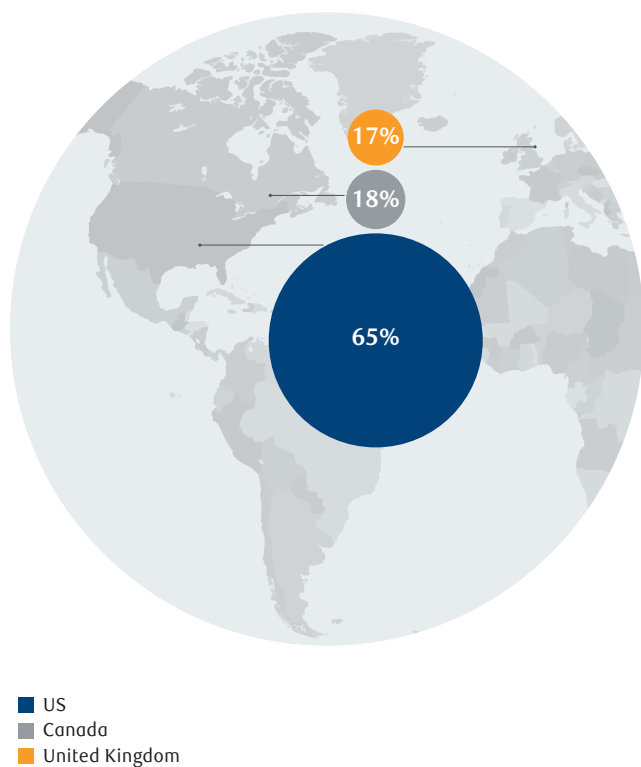
1.2 Overview of the 2020 participants

The following outlines a profile of those who participated in the research—

Typical respondent: Second generation Millennial with US\$946 million in family wealth

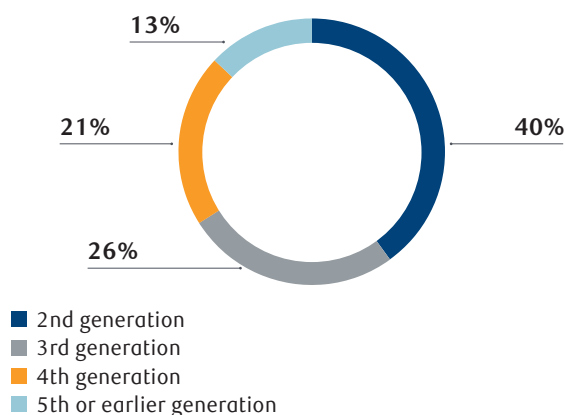
A total of 101 Next Gens participated in the survey across the United States (65%), Canada (18%), and the United Kingdom (17%), with these proportions broadly reflecting the concentration of wealth across these three countries⁴(figure 1.1).

Figure 1.1: Country breakdown of participants



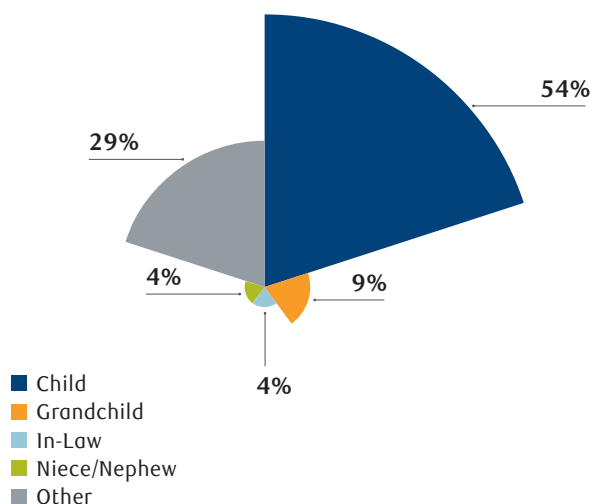
These respondents' average family wealth stands at US\$946 million, and the bulk of them are second generation wealth holders (40%), followed by third generation (26%), fourth generation (21%), and fifth or earlier generations (13%) (figure 1.2).

Figure 1.2: Generation of the family wealth



The majority (54%) are also the children of the main wealth holder, versus the grandchildren (9%), in-laws (4%), or nieces/nephews (4%) (figure 1.3).

Figure 1.3: Relation to main wealth holder



Two-thirds (66%) of the sample are male and one-third (33%) female (figure 1.4). In terms of age, just under half of the sample (45%) are Millennials / Generation Y (born 1981 – 1995), while 33% are Generation X (born 1965 – 1980), 17% are Baby Boomers (born 1946 – 1964), and 5% are Traditionalists or the Silent Generation (born 1945 or before) (figure 1.5).

It should also be noted that the surveys were sent to families on a randomized basis. This allowed them to determine which next generation member should respond to the questions, therefore response criteria were not set based on specific age or gender.



“

We're a fourth generation family and we look to the next three or four generations - the glue - that's going to hold the family together and support the company. It's very important for us to maintain that connection, that glue, and those relationships, and it gets more and more challenging each generation. In the third generation, we all lived in the same house. Now, we live in the same country, but in 22 different states. Therefore, it's very hard to keep up with family members, so we spend effort, time, and money to do so. If we do those things, it will support the company and the company will support us - and everything will work.

Baby Boomer, Male, United States

Figure 1.4: Gender breakdown of participants

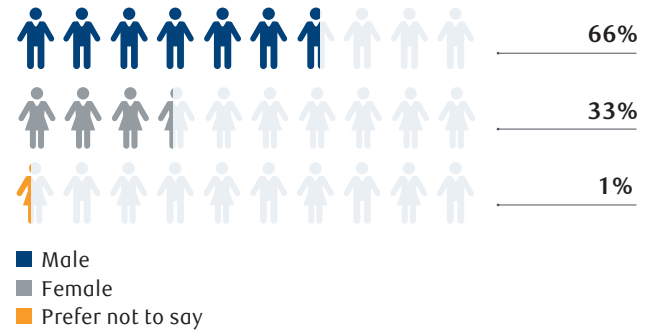
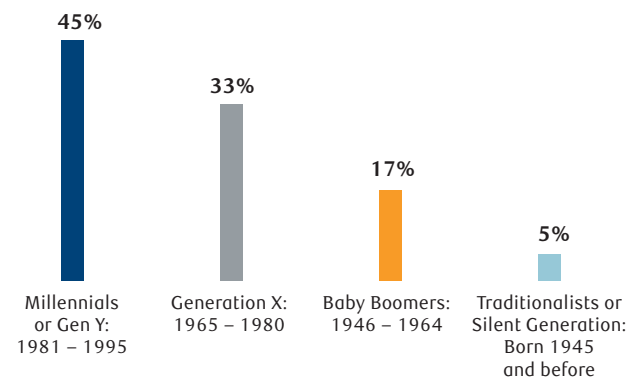


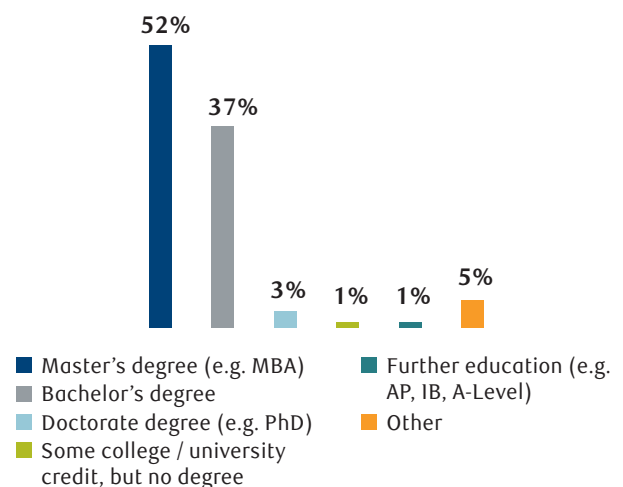
Figure 1.5: Generation of participants



A well-educated cohort

The Next Gens who participated in this study are highly-educated, with the vast majority (92%) having completed a minimum of a bachelor's degree, and 55% having completed either a master's degree or doctorate (figure 1.6).

Figure 1.6: Highest level of education

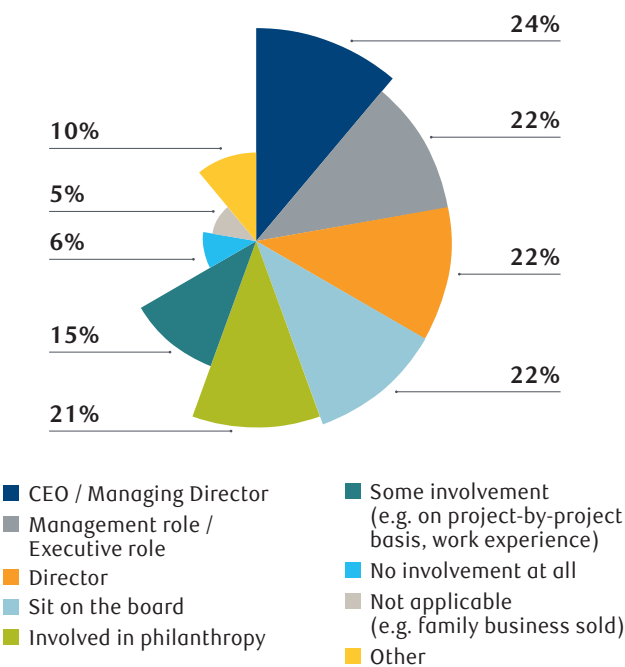


Note: Percentages may not round to 100% due to rounding errors.

Next Gens often hold senior roles in the family business

Among respondents, the vast majority are involved in some shape or form in the family business. In fact, 24% of Next Gens described themselves as being the CEO / managing director of the family business. This was followed by an equal proportion (22% each) of management/executive roles, director roles, and board seats (figure 1.7). Just 6% of those whose families still own their businesses claimed to have no involvement in them whatsoever.

Figure 1.7: Current involvement in the operations of the family business



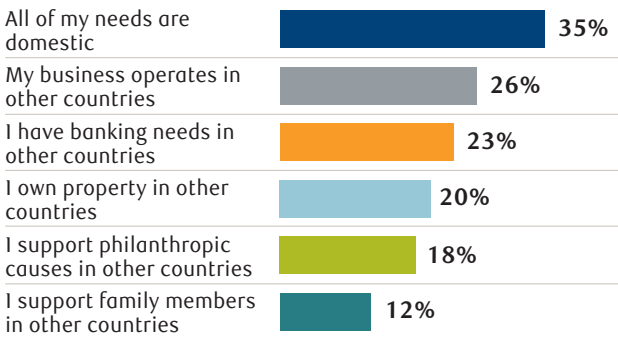
A generation shaped by globalization, with an aim to grow their family wealth

In relation to Next Gens' business or financial requirements, only 35% of those surveyed have all of their needs met domestically, with the highest proportions in this category coming from the United States, followed by the United Kingdom, and Canada.

Rather, notable proportions operate within an international playing field, running companies internationally (26%), or having banking needs (23%), property ownership (20%), philanthropic initiatives (18%), or family members (12%) in other countries (figure 1.8).

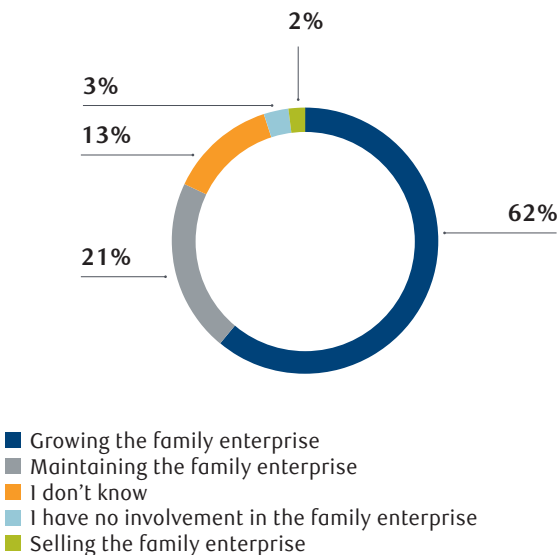
Furthermore, two-thirds (62%) of Next Gens see their role within the family enterprise as growing, rather than solely maintaining, their family wealth post succession (figure 1.9).

Figure 1.8: Those with international business or financial requirements



Note: Multiple options permitted.

Figure 1.9: Following succession, vision for the family enterprise



Note: Percentages may not round to 100% due to rounding errors.

The bulk of UHNW Next Gens have family offices, and plan to keep them post succession

In 2019, Campden Wealth estimated there were 7,300 single family offices worldwide, up a notable 38% (from 5,300 offices) from 2017. Reflecting the rising popularity of family offices, two-thirds of all Next Gen respondents reportedly use either a single (57%) or multi- (10%) family office (figure 1.10).

Figure 1.10: Those with a family office

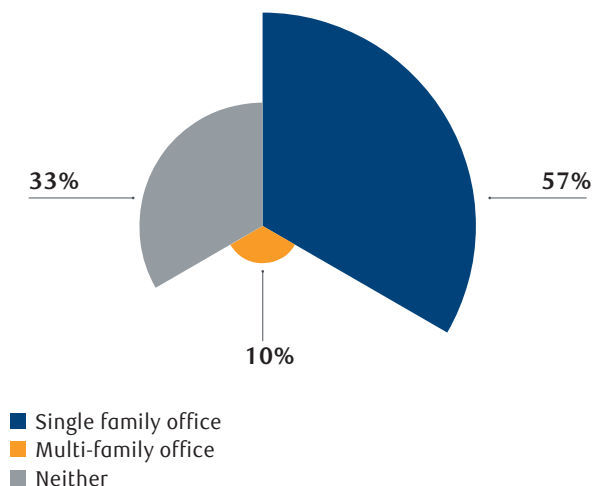
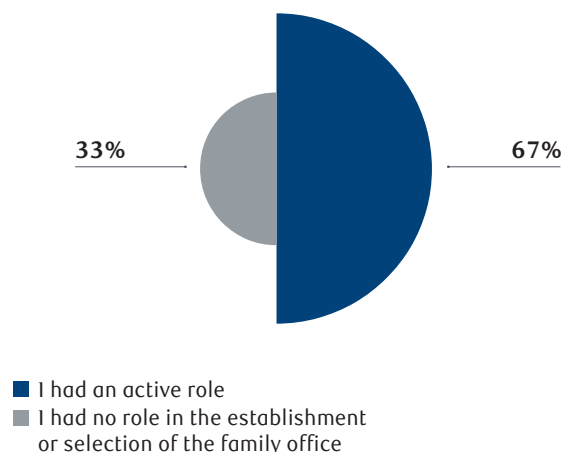


Figure 1.11: Those who had a say in the selection of the family office



Of these respondents, a notable two-thirds (67%) played an active role in the selection of their family office, showing a high level of integration between Next Gens and their family wealth management arms (figure 1.11). Next Gens' reliance on family offices is also later exemplified in Chapter Four, as family offices proved to be Next Gens' first port of call when they have sought advice about the management of their wealth.

Looking to the future, 78% of those surveyed who have a family office intend to keep it post succession (figure 1.12). In the words of three Next Gens from the United Kingdom:

“Twenty-five years ago, family offices were incredibly different. The things that we could do, from an investment perspective, were limited. The number of places we could be at were limited, along

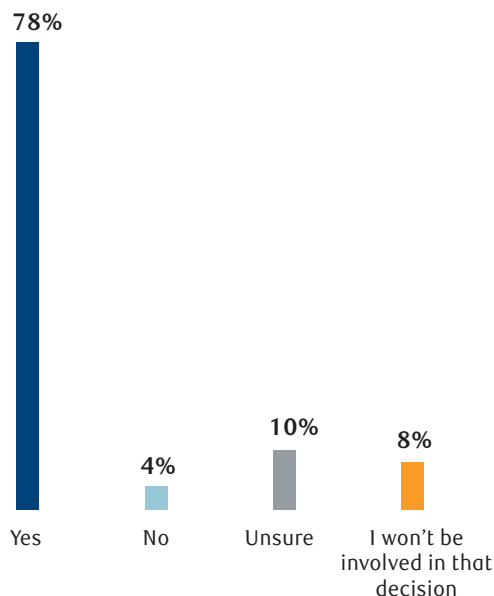


“

Twenty-five years ago, family offices were incredibly different. The things that we could do, from an investment perspective, were limited. The number of places we could be at were limited, along with the type of investments. Now, since the banking crisis of 2007/2008, banks have left the scene [aka alternative investments], and I think family offices are picking up that slack. We run our own funds, we're property investors with our own balance sheets, and we are doing our own direct private equity investment. I think that means family offices are perhaps more relevant than they have ever been.

Generation X, Male, United Kingdom

Figure 1.12: Whether or not Next Gens plan to keep their family office post succession



“

Family offices, at least good ones, are like families – they change over time. Different family members come in with different voices and different investment appetites.

Millennial, Male, United Kingdom

”



“

I think family offices are amongst the best places to work on the planet, I really do. I've been working with family offices for 25 years now and I think they've spoiled me for actually going to work anywhere else.

Generation X, Male, United Kingdom

”

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2.

Life satisfaction and health

2.1. Life satisfaction and challenges

2.2. Health and well-being

2.

Life satisfaction and health

- When Next Gens were asked to rank the aspects of their lives which brought them the most joy, entrepreneurial endeavors, traveling the world, and helping others ranked at the top. When asked to rank the most challenging aspects of their lives, breakdowns in communication, family dynamics, and health problems ranked highest. In fact, roughly half (49%) of Next Gens expressed concern about their health (a figure that was reported prior to the World Health Organization announcing that COVID-19 had turned into a global pandemic).
- More than half (54%) of Next Gens are worried they will lose the wealth their family has created, while 44% are worried their children will lose the wealth. Meanwhile, 62% feel it is their responsibility to not only preserve, but grow, their family wealth. Taken together, these findings reflect the responsibility many Next Gens feel to continue building their successful family legacies.
- The majority of Next Gens who participated in the survey have children (69%). When it comes to the qualities they want their children to learn at home, hard work (69%), an awareness of the value of money (67%) and tolerance and respect for others (65%) are deemed most important. In terms of their concerns about their children, 73% are worried their children will have a more challenging life than their own, with climate change concerns being a key point of discussion.
- The majority (86%) of Next Gens have at least one parent or spouse's parent who is still alive. Their biggest concern with regard to caring for their aging parents is not having enough time (39%), followed by addressing who in the family will accept primary responsibility for their care (17%).



“

Family and friends bring me the most satisfaction in life – without family and friends, life is pretty meaningless.

Generation X, Female, United States

”

2.1 Life satisfaction and challenges

Life satisfaction

Entrepreneurial endeavors bring the most satisfaction to Next Gens’ lives

When Next Gens were asked to rank which aspects of their lives brought them the most joy, entrepreneurial endeavors, traveling the world, and helping others ranked at the top (figure 2.1). The joy of entrepreneurial endeavors is explained by a female Generation X respondent from the United States:

“My entrepreneurial spirit is something I have obviously inherited from my family. The first family business was in stove manufacturing, and then we went into financial management. Over four generations we have had some big shifts, but there is an entrepreneurial bug. I think that it is part of our DNA.” — Generation X, Female, United States

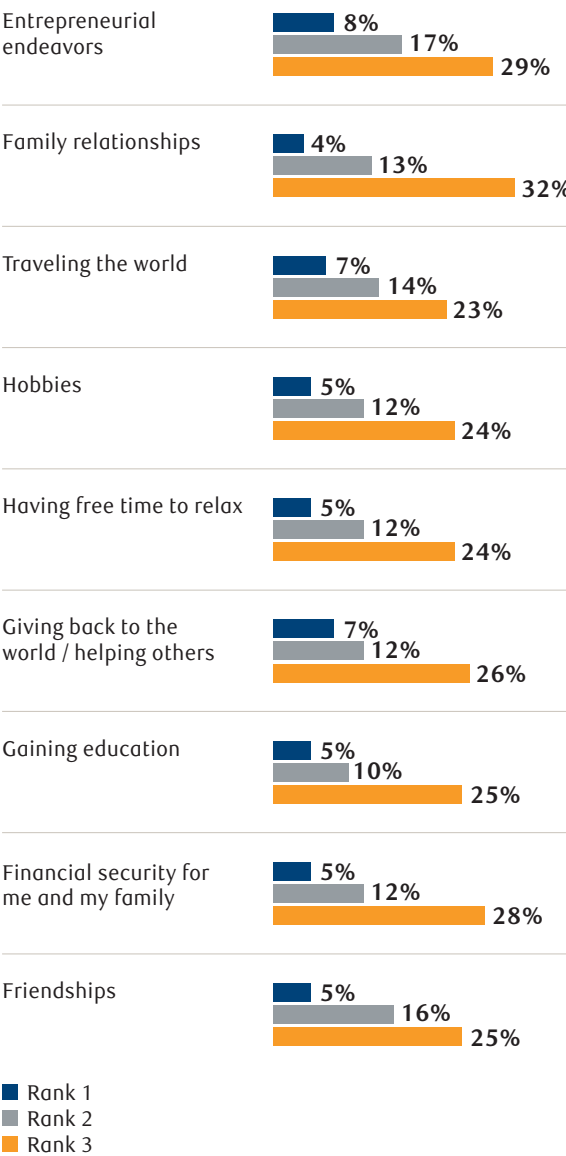


“

My entrepreneurial spirit is something I have obviously inherited from my family. The first family business was in stove manufacturing, and then we went into financial management. Over four generations we have had some big shifts, but there is an entrepreneurial bug. I think that it is part of our DNA.

Generation X, Female, United States

Figure 2.1: The aspects of Next Gens’ lives which bring them the most satisfaction

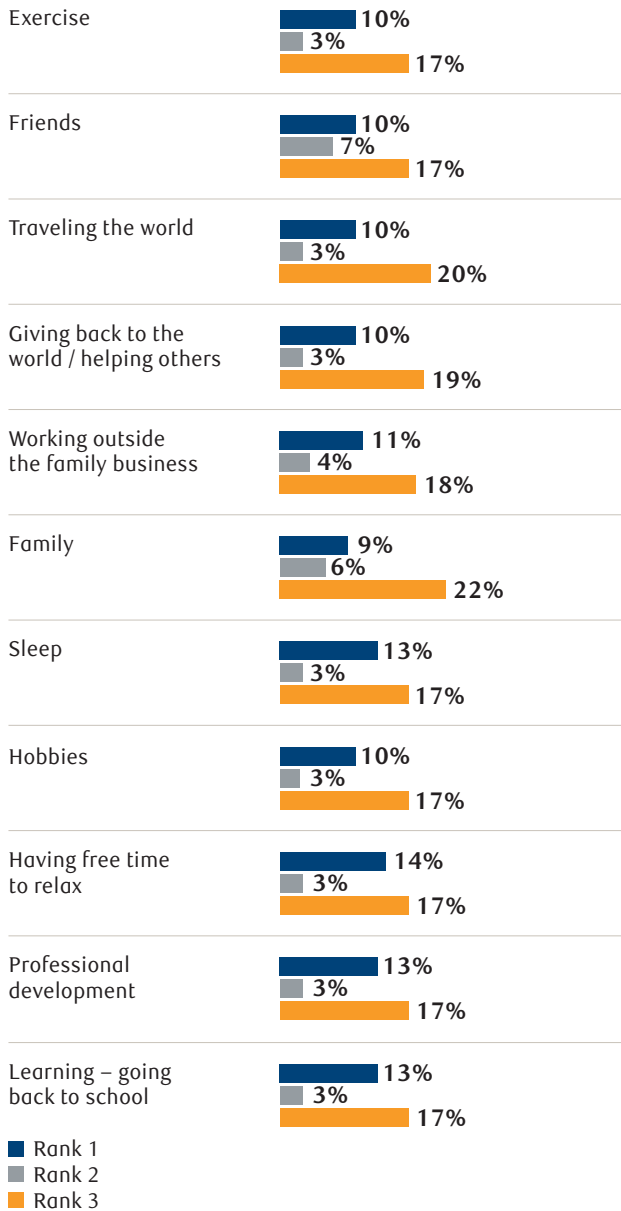


Note: Next Gens were asked to rank their top 10 preferences in relation to this chart and for the purposes of simplification, only the top 3 are noted here. In turn, due to methodology, the figures do not sum to 100%.

Next Gens wish they have more time to relax and be with friends and family

Given the increasingly fast-paced and globalized world we live in, if Next Gens had more time, the number one thing they would like to do is stop and relax. This is followed by a desire to develop themselves professionally, to give back to the world, and go back to school (figure 2.2).

Figure 2.2: What Next Gens wished they had more time for



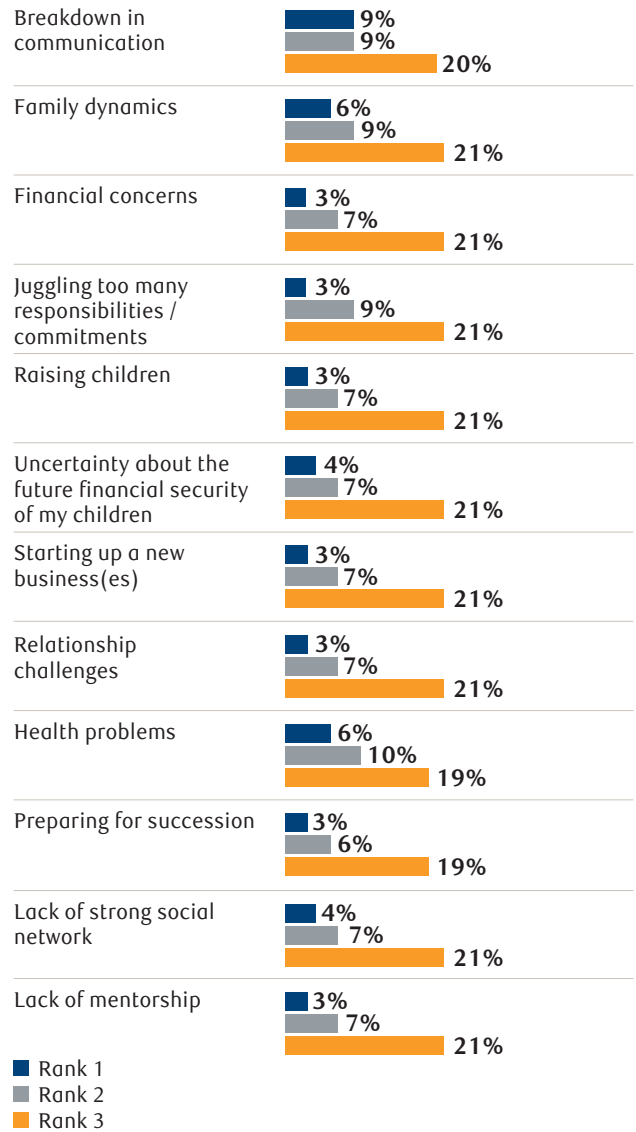
Note: Next Gens were asked to rank their top 10 preferences in relation to this chart and for the purposes of simplification, only the top 3 are noted here. In turn, due to methodology, the figures do not sum to 100%.

Life challenges

A breakdown in communication, family dynamics, and health problems are Next Gens' greatest challenges

When asked to rank the most challenging aspects of their lives, Next Gens collectively ranked a breakdown in communication as number one, followed by family dynamics and health problems (figure 2.3).

Figure 2.3: The aspects of Next Gens' lives which are most challenging



Ultra-high net worth families can be unique, as they are often bound by their source and management of wealth, i.e. their family business and family office. These businesses often employ family members across generations and this can naturally lead to family conflict. In turn, it comes as no surprise that communication and family dynamics ranked highly among the challenges in Next Gens' lives. In the words of two Next Gens:

"Family offices always involve the family and I don't know if your family is anything like my family, but my sisters and I argue. We like each other, we adore each other, but we argue a lot. Family offices make that far more difficult. Wealth makes that far more difficult. This is because you have got a lot more to argue about." – Generation X, Male, United Kingdom



“

Generally in your thirties or early forties life isn't necessarily easy. You have to plan for a rainy day – and you've got to plan for the next generations to come.

Baby Boomer, Male, United States

”

“I'm one of seven siblings from the second generation and we have 17 in the third generation. As one would expect, when you have a large number of people, not everyone always gets along or necessarily understands one another. Sometimes family dynamics can be really hard to manage.”

– Generation X, Female, United States

“My family had internal conflicts and so we did this program called Nonflict, where instead of conflicting between each other, you focus on how to resolve matters. We took this weekend program where we were taught how to deal with our disagreements in a way that we can agree to disagree in a non-confrontational way. It actually worked for us. Every time we get into a conflict now we have the tools we need to work through the conflict to get to a ‘nonflict’. My siblings have also agreed to have monthly meetings to talk about what binds us together as a family. Is it really the business or is it the family just wanting to be a part of a bigger family, as opposed to going off in the world individually? This is why we had a conflict and I find you've got to work through it with regular communication.”

– Generation X, Female, Canada

Families from legacy wealth are also unique because, unlike many business owners who need to think about supporting their immediate families, multi-generational wealth holders often need to think about supporting their family generations down the line. As one Baby Boomer put it:

“Generally in your thirties or early forties life isn't necessarily easy. You have to plan for a rainy day – and you've got to plan for the next generations to come.”

– Baby Boomer, Male, United States

American Millennial males express the greatest concerns of any cohort

It is interesting to point out that, on average, the men who participated in this research were proportionately more likely than the women to express concern across a range of challenges, such as finances, health problems, a lack of strong social networks, challenges preparing for succession, relationship issues, and difficulties starting new businesses.

The women, however, were far more likely to rank juggling too many responsibilities and commitments as a key issue. In the words of one Gen X woman from the United States:

“I have young kids, I am involved in philanthropy, and I work full-time – and it takes me on the road. I've been somewhere at least a couple of days every week for the past six weeks - so it's all just a lot.”

– Generation X, Female, United States

It is also fascinating to note, Millennials appeared to hold on to more worries than Generation X members or Baby Boomers. This was particularly the case with concerns about:

- communication breakdowns;
- Next Gens' finances;
- the financial security of their children;
- a lack of strong social networks;
- relationship challenges; and
- uncertainty surrounding where they stand in the family business.

When one Millennial male was asked to help explain these findings, he remarked:



Communication breakdowns and relationship challenges can be one and the same, and are difficult to address given that it sometimes feels like men and women have different perspectives, and messages can get lost in the delivery.

Millennial, Male, United Kingdom

“Communication breakdowns and relationship challenges can be one and the same, and are difficult to address given that it sometimes feels like men and women have different perspectives, and messages can get lost in the delivery. Here, I have sometimes found it helpful to have a third-party who shares my view to translate what I am saying and bridge the gap.

In terms of concerns about one’s finances, the financial security of their children, and their standing in the family business, I feel they are all interconnected. The only way to really resolve these problems is to make yourself of value to the company, and then that standing and the other financial questions will become self-evident.” – Millennial, Male, United Kingdom

From a regional perspective, it is notable to highlight that those in the United States were, broadly speaking, more likely to express concerns overall compared to their Canadian or British counterparts, particularly as it related to finances, health problems, relationship issues, and uncertainty of where Next Gens stood in the family business. In sum, the results suggest that American Millennial males have (or at least express) the most challenges of any group.

Raising children

Next Gens want their children to learn about hard work, the value of money, and social tolerance at home

The majority of Next Gens who participated in the survey have children (69%), with most having more than one child (80%) and children who are under 23 years old (70%) (figures 2.4/2.5).

When it comes to the qualities Next Gens want their children to learn at home, hard work was cited most often (69%); an interesting finding given that Next Gens ranked a desire to find more time to relax at the top of their own wish list (figure 2.2).

Figure 2.4: Whether participants had children

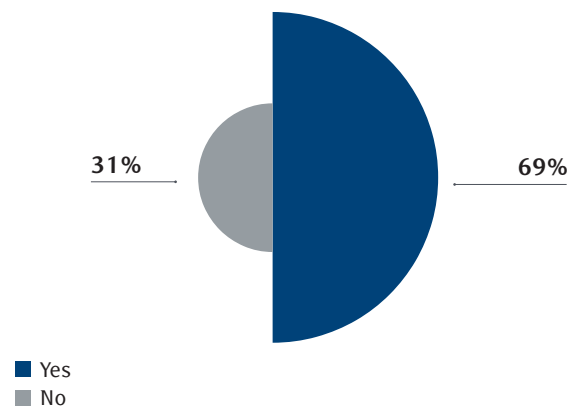
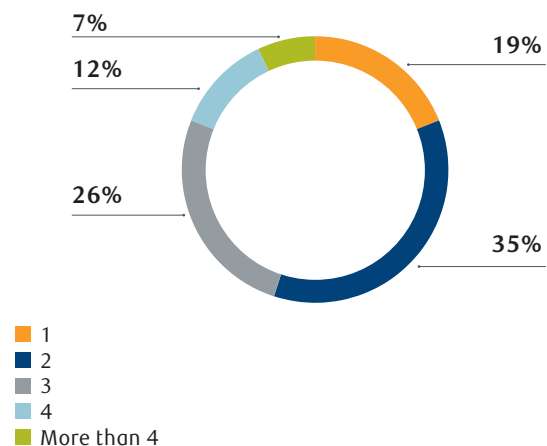


Figure 2.5: Number of children



Note: Percentages may not round to 100% due to rounding errors.

In the words of one Millennial who had a progressive take on how best to phrase the concept of hard work to his young child:

“I think it’s important to teach the value of doing your best and trying to be your best. Hard work sounds like a lot of hard work, so I’m more inclined to teach her to work smart, while putting in 100% effort.” — Millennial, Male, United Kingdom

An interest in their children learning about the value of money at home ranked second (67%), which is also notable given that Next Gens tend to rely more on their family offices for advice about managing their own wealth than their parents (figure 4.16).

Following this point, and ranking in third, Next Gens want their children to learn tolerance and respect for other people (65%). This finding is interesting because it reflects Next Gens’ adoption of broader social awareness and acceptance messaging seen throughout the western world. It is also interesting because it far outstrips their desire for their children to learn respect for their parents at home (45%) (figure 2.7).

It is similarly poignant to note that more than half (56%) of Next Gens want children to learn social and environmental responsibility at home, a sentiment which is echoed by a Gen X from the United Kingdom:

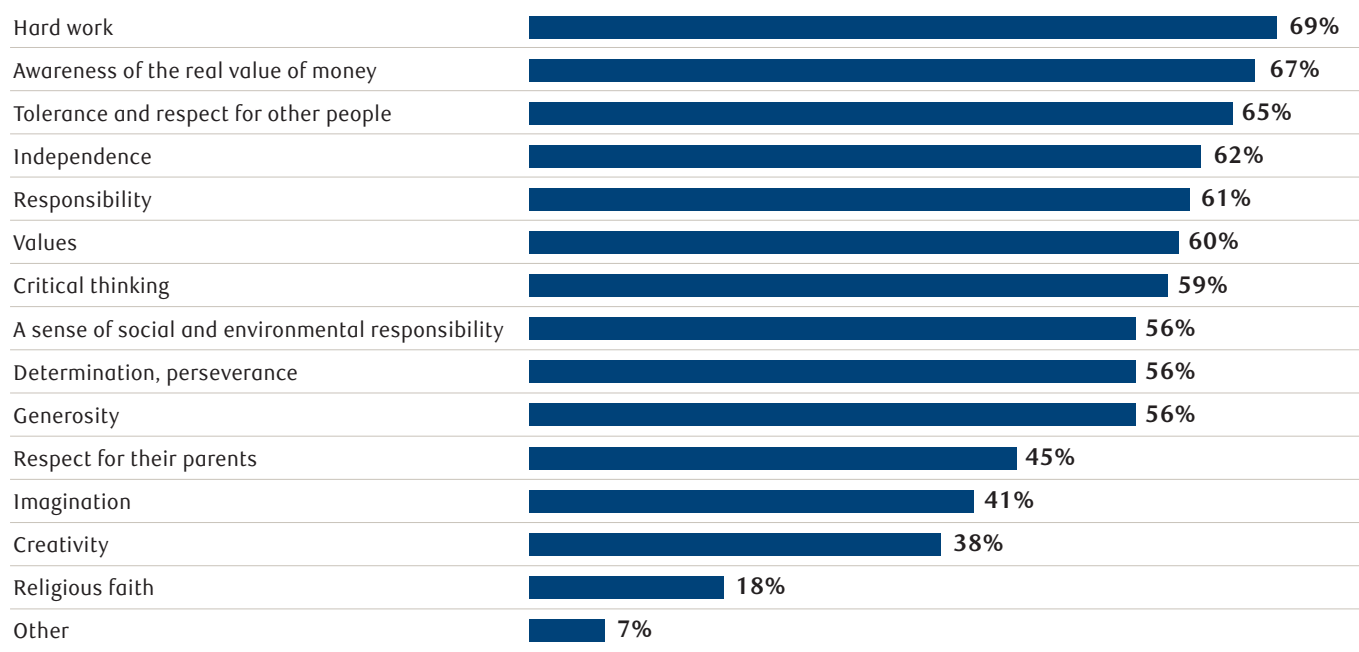
“I think wealth is changing and thankfully people are embracing social responsibility. One of the things family offices talk about a lot is the need to make the next generation ready for the wealth. I think most families do a good job of schooling family members on business. However, in this modern age, one of the things that we need to consider more is where environmental and social needs fit within that spectrum. That is the type of education we need to be embracing.” – Generation X, Male, United Kingdom

Finally, it is noteworthy to highlight that teaching creativity (38%) and imagination (41%) at home ranks amongst the lowest in priority. For instance, a desire to teach children hard work, an awareness of the value of money, and tolerance/respect for others, all rank about three-fifths times higher in importance than lessons on creativity and imagination.

Bucking this trend, one Baby Boomer from the United States asserted:

“I think for kids to succeed, they have to think outside the box now more than ever. They need to imagine how things ‘could be’. That is very important, otherwise you’re just the status quo person and you go along with whatever happens. I don’t want my kids to go along with whatever happens; I want them to make a change! If you don’t have an imagination, it’s hard to create change.” — Baby Boomer, Male, United States

Figure 2.7: The most important qualities that children can be encouraged to learn at home



Note: Multiple options permitted.



“

I worry about climate change. I worry about populism. I worry about environmental issues. I worry about taxes on the wealthy. I feel like the next generation is going to be faced with issues that we have not had to deal with in our family; at least in my generation.

Baby Boomer, Male, United States

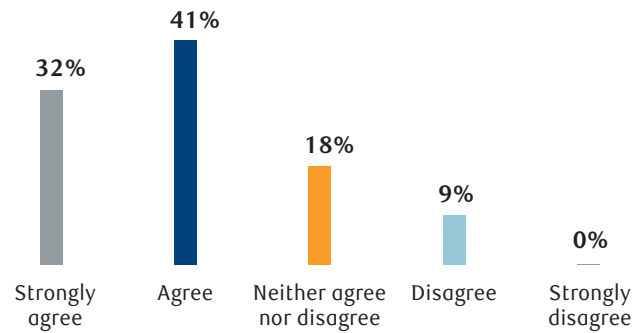
Next Gens are concerned about their children's future

Not a single respondent strongly disagrees that their children will have a more difficult and challenging life than their own. In fact, a large proportion (73%) is worried their children will have a more difficult and challenging life than their own (figure 2.8). While this sentiment is equally shared among male and female respondents, from a geographic perspective, it is most often shared amongst those from the United States, and from a generational perspective, most often expressed by Baby Boomers.

In relation to why they are concerned, during interviews, Next Gens raised a variety of concerns about the impact of social media, taxes, and the rise of populism, but they most often cited a feeling of alarm about the environment:

“I worry about climate change. I worry about populism. I worry about environmental issues. I worry about taxes on the wealthy. I feel like the next generation is going to be faced with issues that we have not had to deal with in our family; at least in my generation.” — Baby Boomer, Male, United States

Figure 2.8: Given the problems faced by the world today, I think that my children will have a more difficult and challenging life than my own



“There are two big trends that frighten me the most – climate change and the growing inequality gap between the haves and have nots. At some point in my children’s generation, if we continue down our current path, those two elements will cross - and I don’t think even wealth will be able to help you there.” – Generation X, Female, United States

“I think the challenges are more around youth finding themselves, and I think with social media it makes it a little more challenging. There are so many more external distractions that make it a little harder for people to be more introspective and take the time to stop and smell the roses.” – Generation X, Female, United States



“

There are two big trends that frighten me the most – climate change and the growing inequality gap between the haves and have nots. At some point in my children’s generation, if we continue down our current path, those two elements will cross - and I don’t think even wealth will be able to help you there.

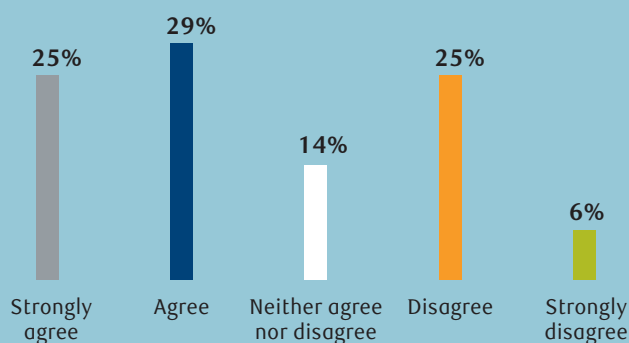
Generation X, Female, United States

Fear of fortunes lost

Next Gens are concerned they could lose their family wealth...

Research shows that 70% of wealth is often lost in two generations, while 90% is lost in three generations⁵. With that said, despite the high levels of education/training and family office support many of the Next Gens receive relative to previous generations, more than half (54%) are concerned they will lose the wealth their family has created; only 31% are not (figure 2.9). Within this group, male Millennials most often harbor this concern, along with those from the United States, followed by Canada.

Figure 2.9: Given research shows that 70% of wealth is often gone in two generations and 90% is gone in three generations, I worry about losing the wealth my family has built



Note: Percentages may not round to 100% due to rounding errors.

In terms of the reasons for why inter-generational wealth holders can lose their fortunes, outside of not having family members who are knowledgeable enough to manage the family wealth (or willing to do so), Next Gens cited disruptions within a family which can harm its success:

“

If you look at a family that is growing, it's very difficult to double the size of the wealth between generations if there is any sort of distribution coming out of the pot.

Baby Boomer, Male, United States



“

It might be surprising to hear that somebody who is as wealthy as I am is concerned about money. But, it is something that I am always concerned about.

Baby Boomer, Female, United States

“If you look at a family that is growing, it's very difficult to double the size of the wealth between generations if there is any sort of distribution coming out of the pot.” – Baby Boomer, Male, United States

To mitigate these concerns, one Next Gen from the United States discussed how her parents put a succession plan in place to protect the family wealth, and help guide her and her siblings:

“My parents had a good structure for succession. Family trusts were put in place, along with outside advisors, to support us with everything from education, to how to get a mortgage on our first home. Putting safeguards like that in place are important, whether it's for when you are 25, 30, 35 or any other age.” – Generation X, Female, United States



“

I am fairly confident that the next generations will do fine. The parents and the group overseeing the wealth are really pushing to create better earnings and opportunities for children, and to limit distributions within each generation.

Baby Boomer, Male, United States

Another respondent remarked on how his family moves their wealth between generations to give each a helpful start in life before they are expected to carve out their own financial independence:

“Generation four established a program where their children all received revenue from a trust, rather than it all going to generation three, because they had plenty of money. Then, we cut generation four off in their mid-forties and shifted the money to generation five. It lets them see how properly structured money from past generations can be moved to help each generation get their life started.” – Baby Boomer, Male, United States



“

For a lot of children who didn’t earn the wealth, it comes to them without an understanding of what it really means.

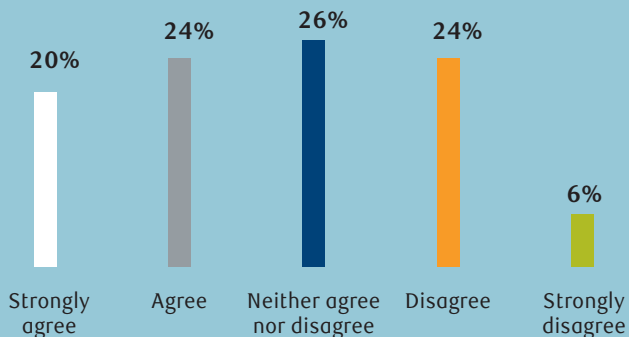
Generation X, Female, Canada

Meanwhile, a different respondent noted that his family has a multi-tiered approach to wealth management which focuses on wealth generation, next generation preparation, and family-disruption mitigation:

“I am fairly confident that the next generations will do fine. The parents and the group overseeing the wealth are really pushing to create better earnings and opportunities for children, and to limit distributions within each generation.” – Baby Boomer, Male, United States

In terms of forming an inter-generational wealth management arm, it should be noted that the majority of respondents (67%) currently use either a single or multi-family office. As families may not always have members who are natural experts in wealth management, it is increasingly common for them to establish family offices as a means to both preserve and grow their wealth through the generations. Family offices can support families’ wealth management, succession planning, next generation training, and more, thereby providing a welcomed sense of guidance and support to families as they evolve. It is therefore unsurprising that, as noted earlier, 78% of the Next Gens within this study reportedly plan to retain their family office after succession takes place (figure 1.12).

Figure 2.10: Worry about my children losing the wealth my family has built



Note: The 26% of respondents who neither agreed nor disagreed with this statement may reflect the fact that the majority of Next Gens' children were younger than 23 years old and so it might have been too early for Next Gens to project on their children's ability to manage wealth.

...and concerned their children could lose the family wealth

"For a lot of children who didn't earn the wealth, it comes to them without an understanding of what it really means." – Generation X, Female, Canada

As this study looks at Next Gens from an inter-generational perspective, in addition to highlighting their concerns about their own ability to preserve their family wealth, it is also important to note their concerns regarding their children. In fact, nearly half (44%) of all Next Gen parents are

“
Children have to understand that when they are lucky enough to be born into a family of wealth, they also inherit a responsibility – a financial responsibility.

Generation X, Female, Canada

worried their children could lose the wealth their family has created (figure 2.10).

To help address this fear, one respondent spoke about how she prepared her children for financial independence by ensuring the family wealth was not their main source of income:

"Our decision to give our children their inheritance before we die was a really good one – my dad did the same for me. It is a good way to let them know, this is it, you're not getting any more, we expect you to work and make your own money. For us, that was a really important value to transfer on. Being able to provide for your family and yourself affects your self-esteem and the way you feel about yourself in general. Neither of my kids felt that they could just live off what we gave them. It was never meant to



“
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Baby Boomer, Female, United States.

be their main source of support, but rather just a safety net. That was communicated to them from the time they were young and those values have stuck, as they're both now working and supporting themselves.” – Baby Boomer, Female, United States

Another Next Gen and her family take a pragmatic business/preservation-minded approach to their wealth:

“We’ve kept the family wealth in a separate, collective pot. We’ve done a lot of work to make it very preservation-focused, so it’s there to support our business and for times of dire need. It’s not there whatsoever to support anyone’s personal lifestyle.” — Millennial, Female, United States



“

We’ve kept the family wealth in a separate, collective pot. We’ve done a lot of work to make it very preservation-focused, so it’s there to support our business and for times of dire need. It’s not there whatsoever to support anyone’s personal lifestyle.

Millennial, Female, United States

”



“

It’s about children understanding the responsibilities that wealth brings to the family – the good and the bad, the pros and the cons. If they understand it from a young age, then they won’t fear it, and by not fearing it, they won’t just throw it away.

Generation X, Female, Canada

”

Still others talked about the importance of ingraining children with an understanding of wealth, its origin, and the responsibilities that come with it:

“It’s about children understanding the responsibilities that wealth brings to the family – the good and the bad, the pros and the cons. If they understand it from a young age, then they won’t fear it, and by not fearing it, they won’t just throw it away.” – Generation X, Female, Canada

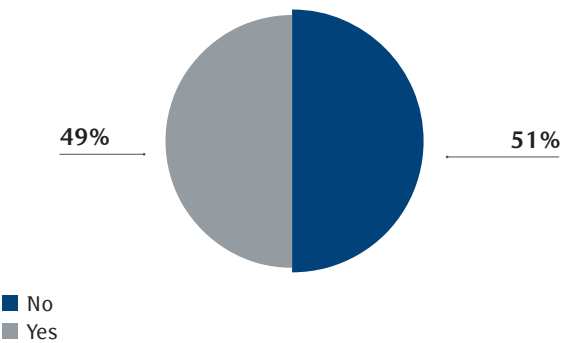
“Children have to understand that when they are lucky enough to be born into a family of wealth, they also inherit a responsibility - a financial responsibility.” – Generation X, Female, Canada

2.2 Health and well-being

Half of Next Gens are worried about their health

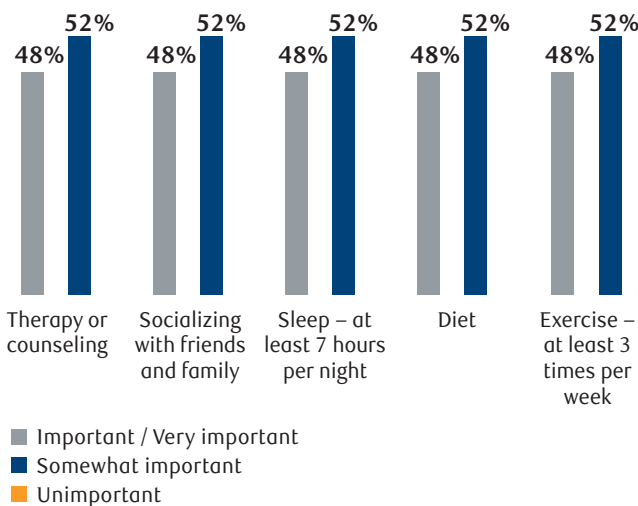
Roughly half (49%) of Next Gens are worried about their health, a notable figure that was captured before the World Health Organization’s announcement on March 11th that COVID-19 had become a pandemic (figure 2.11). Unsurprisingly, Baby Boomers are somewhat more likely to be concerned about their health than those from the Millennial or X generations.

Figure 2.11: Whether Next Gens worry about their health



When it comes to the aspects Next Gens perceive to be important to their health, issues surrounding both mental and physical health were raised. For example, roughly half of respondents feel professional mental health therapy, socializing with friends, a healthy diet, regular exercise, and getting a sufficient amount of sleep are important factors to their health and well-being (figure 2.12).

Figure 2.12: The perceived importance of different factors to Next Gens’ health and well-being



Within this vein, a few different threads of thought emerged from interviews. The first was an emphasis on the general importance of maintaining one’s health:

“Health is a day-to-day thing. What you put into your body is what your body will give back to you, and if you don’t take care of yourself, you will suffer the consequences later on. Your body can only take so much abuse if you are not eating well, exercising, or getting enough sleep.” – Generation X, Female, Canada

“I’ve always been a true believer that you have to care for your body like you would any asset you own. Like a house or a car, continuous maintenance is needed so that it doesn’t get run down.” – Generation X, Female, Canada

The second was an understanding that while having wealth is a unique advantage, wealth alone cannot necessarily buy good health, an utmost value:



“

Health is a day-to-day thing. What you put into your body is what your body will give back to you, and if you don’t care of yourself, you will suffer the consequences later on. Your body can only take so much abuse if you are not eating well, exercising, or getting enough sleeping.

Generation X, Female, Canada

“Mental and physical health is one of the most important things in our family. We’re very conscientious about self-care, eating right, and everything else. We appreciate that one’s health is dramatically improved by having wealth, but that wealth also doesn’t solve every health problem that you’re going to face.” – Millennial, Male, United States

The third was an appreciation for how the spread of COVID-19 has focused respondents’ minds on their health and their families’ health:

“Since the insurgence of COVID-19, I am much more conscious of my health, my children’s health, and my parents’ health. Are we getting enough exercise? Are we getting adequate nutrition? Are we adequately protected when we leave the house so as to not catch the virus? How will our pre-existing conditions, like diabetes and asthma, impact us if we get the virus? How do we keep my parents, who are nearing their eighties, out of harm’s way as their health is at greatest risk?” – Generation X, Female, United Kingdom



“

Mental and physical health is one of the most important things in our family. We’re very conscientious about self-care, eating right, and everything else. We appreciate that one’s health is dramatically improved by having wealth, but that wealth also doesn’t solve every health problem that you’re going to face

Millennial, Male, United States



Caring for aging family members

The biggest worry for Next Gens is having enough time to care for their aging parents

The majority (86%) of Next Gens have at least one parent or spouse’s parent who is still alive (figure 2.13), and their biggest worry is having enough time to care for them (39%), followed by addressing who in the family will accept primary responsibility for them (17%) (figure 2.14).

A few respondents remarked about their own experiences with regards to their aging parents:

“Financially and physically, my siblings and I are prepared to take care of our parents. Fortunately, we have plenty of resources, so if we need something like around the clock nursing care, that’s easy enough to provide.” – Generation X, Female, United States

“I’m very blessed that we have financial resources, but at the end of the day, it’s really about the people. The money becomes irrelevant if you’re sick or alone or you make poor choices. So that’s why the social, spiritual, emotional, and mental health and well-being are the most critical parts in my opinion.” – Generation X, Female, United States



“

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Generation X, Female, United States



“My parents used to live about 12 hours away, so when something unfortunate happened, getting there was a challenge. My parents encouraged us kids to lead our own lives and not worry about taking care of them. But, when the time came when they needed us, we were pretty much entrenched. Losing them happened so quickly. We want to make this a little easier for our own kids. We want to create more special memories between now and whenever we have to leave this world.” – Baby Boomer, Male, United States

Figure 2.13: Whether Next Gens have at least one parent or spouse’s parent still alive

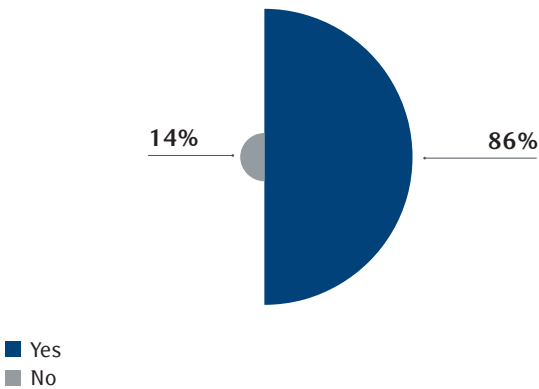
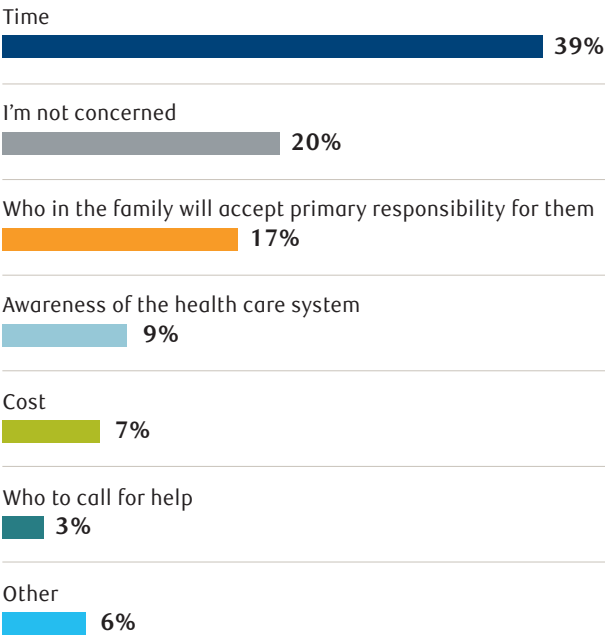


Figure 2.14: Next Gens’ biggest concerns when caring for their aging parents



Note: Percentages may not round to 100% due to rounding errors.



“My parents used to live about 12 hours away, so when something unfortunate happened, getting there was a challenge. My parents encouraged us kids to lead our own lives and not worry about taking care of them. But, when the time came when they needed us, we were pretty much entrenched. Losing them happened so quickly. We want to make this a little easier for our own kids. We want to create more special memories between now and whenever we have to leave this world.”

Baby Boomer, Male, United States

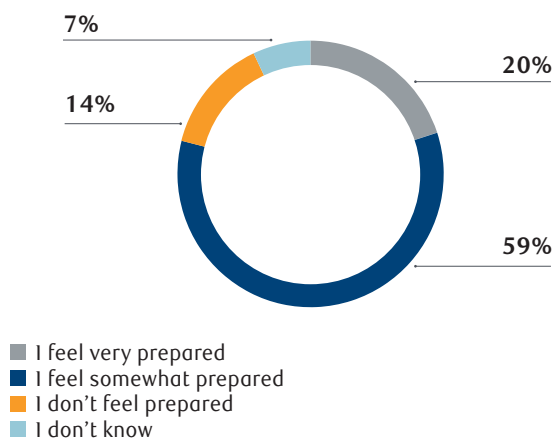
Most Next Gens feel at least somewhat prepared to care for their parents

Even though the most prominent concern Next Gens have in relation to caring for their aging parents is time (figure 2.14), when it comes to preparedness, 79% feel some level of comfort with respect to financial support, time commitment, and awareness of the health care system (figure 2.15).

With regards to health care, an American Millennial explained how she has readied herself:

“We got our parents live-in care which accommodates a lot of their needs. We also have a really good concierge doctor which has been a blessing. That is a service that we intend to keep for the rest of their lives.” — Millennial, Female, United States

Figure 2.15: Preparedness in caring for aging parents in terms of financial support, time commitment, and awareness of the health care system



Next Gens are somewhat confident about their own children's preparedness

In relation to Next Gens' children caring for them as they age in terms of finances, time, and health care, over a third believe that their children will have some level of preparedness (39%) (figure 2.16).

When Next Gens were asked what concerns them the most on this matter, half said they have no current concerns, while 17% were worried about who will accept primary responsibility for their care, and 14% were concerned about the cost of care (figure 2.17).

It is also important to highlight, a notable proportion of Next Gens feel their children are too young for this to be a consideration (38%); meaning, they may have not yet been thinking about preparing their children to look after them in their old age. It should also be noted, some Next Gens did not want to put the burden of responsibility onto their children, as one remarked:

"I don't think a child should take on that responsibility unless they choose to; then it's a different story because they are not being forced. I'll make sure that there is enough money put aside that they can pay somebody else to help me. We've had these conversations, because then it doesn't become another taboo subject by not talking about illness. When the time happens, I can say to my children, 'No, we've always said that I'm not expecting you to come and care for me. But, come and visit me whenever you have time to and I'll leave it to you to decide how often that is.'" – Generation X, Female, Canada

Figure 2.16: Next Gens' perception of how prepared their children will be to care for them in their older age in terms of finances, time and health care

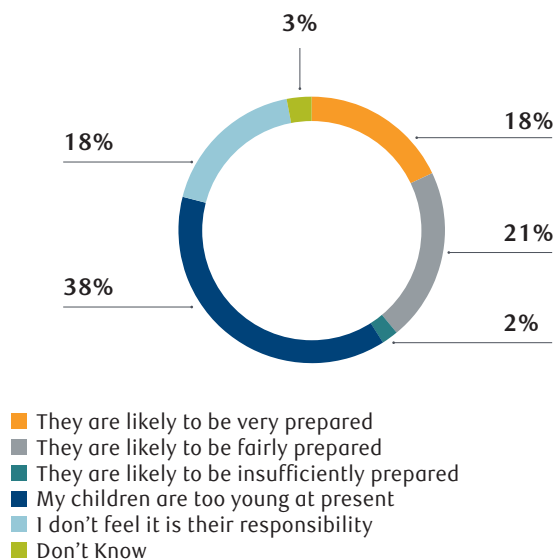
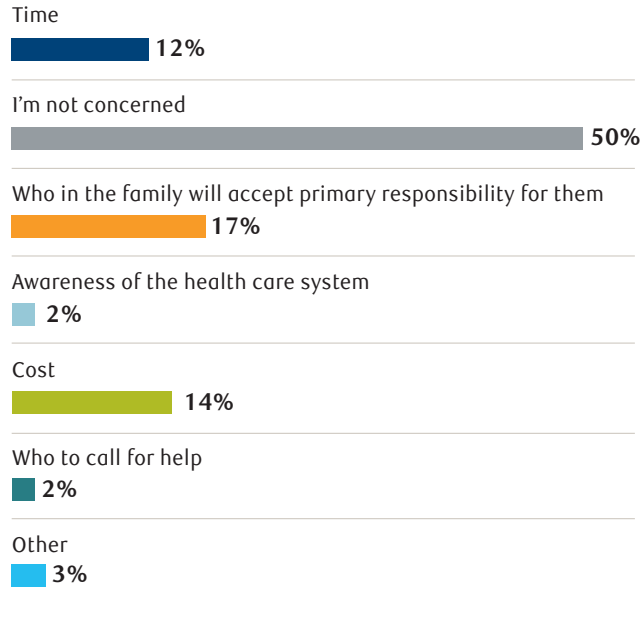


Figure 2.17: The factors Next Gens worried about with regard to their children caring for them in the future



The impact of COVID-19

Next Gen participants were surveyed directly before the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Therefore, concern for the virus would not be reflected in the statistical results. However, a number of the interviews that were later conducted with survey participants examined how Next Gens and their families responded to the crisis.

The qualitative findings show that some families were on the frontlines, medically addressing the crisis and donating to relevant initiatives. Others were thinking about what to do with their investment portfolios as markets plummeted. Still others remarked on how the virus has impacted their everyday life, with government stay-at-home orders in force.

Some key excerpts from interviews are as follows -

Families embroiled in the coronavirus fight

"There is a specific reason that everybody in our family focuses on health and tries to understand it. In terms of the current COVID-19 issue, we have three members who are on the frontline in hospitals. We have others that are volunteering, or holding up in their respective residences, self-quarantining. The emphasis has now moved to what we need to do for the charitable organizations and the communities we live in, which are going to suffer as a result of this. Most of the family is focused on the consequences of the virus, as opposed to being worried about getting the disease." – Generation X, Male, United States

Impact on daily life

"Since the lockdown, life is really different and I think that everyone is getting used to the 'new normal'. Like many others, my family and I only leave the house to exercise or go to the store. I have had to figure out how to conduct all of my business online and over the phone, and how to simultaneously juggle teaching my children, who are now being temporarily home schooled. In some ways things are harder, and in others I appreciate the new slower pace of not overcomplicating my day with unnecessary meetings and demands. The virus has had the effect of making me focus on what is really important." – Generation X, Female, United States

"I think many people are reassessing their priorities at the moment. I feel lucky to be happy at home. My life is currently 24/7 with my daughter, my wife, and our pets. I am really enjoying home-schooling my daughter at the moment, and getting to spend this extra time with her." – Millennial, Male, United Kingdom

"I didn't think much about my health before the virus, but I do now. I think a lot about how we can stay healthy and even be healthier. At present, I'm reassessing everything from the type of food we eat to general fitness. I went vegan awhile back for a mix of health and ethical reasons, but Covid-19 has shown just how fragile we really are no matter what we do. Luckily, this virus hasn't targeted kids yet, but it could mutate or there could be a future virus that does and in that sense it has brought health to the forefront of my mind." – Millennial, Male, United Kingdom

Impact on financial strategy

"Our financial portfolio has not yet been hit badly. I have always been taught that if you have something in your portfolio that you fear can lose all its value in one day, then it shouldn't be in your portfolio. If you're not willing to hold on to it, you shouldn't have it. As a family, we have a long-term, medium risk strategy. It is certainly intended to have a growth element, but it is also not extremely aggressive. I have personally mimicked that approach in terms of



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I didn't think much about my health before the virus, but I do now.

Millennial, Male, United Kingdom



“

Our wider family's strategy is mainly private equity-based, and I think there is going to be interesting long-term affects there. It will be interesting to see what is happens in the private markets.

Generation X, Female, United States

how I think about finances. My husband definitely has a bit of a different strategy. He has also just held on to all of his stocks at this point, watching them fall and fall and fall, sort of knowing that there will be a point in time that this will turn around.

Our wider family's strategy is mainly private equity-based, and I think there is going to be interesting long-term affects there. It will be interesting to see what happens in the private markets. As a family, we have received a lot of calls for money recently. The board of directors is deciding how to handle it; do we want to use our own cash to invest or take out a line of credit. That is a decision I don't think we previously had any intention of making.”
– Generation X, Female, United States

Impact on children and re-evaluating what is important in life

“The virus has particularly affected my daughter, who is looking for a new job. I think in this environment it's going to be really, really tough. From a jobs perspective, I think everybody has to be a little worried, so that's a real concern.

My hope is that this situation makes people really think about what's important. Having financial resources is a cushion, but there's so much more to life – your health and well-being. So, we need



“

We are going through a period of needed focus on environmental change and sustainability. Can we leave the world in a better place than we found it when we were born?

Generation X, Female, Canada

to really re-evaluate what's important.” – Baby Boomer, Female, United States

The impact of globalization

“The world is changing. People's interest is now on COVID-19 and the impact of the world being so interconnected, with so many people traveling all over the globe. I find there is much more people have to deal with; with social media, information is at everyone's doorstep.

We're in Canada, but we know what is going on in the UK. Everything before was local news, local government, local everything. There is so much going on in the world. Now, we are more aware of what is happening in other people's lives and countries.” – Generation X, Female, Canada

Concern for the younger generation

“We are going through a period of needed focus on environmental change and sustainability. Can we leave the world in a better place than we found it when we were born? What is going to happen to the world as the sun gets hotter? Climate change is at our fingertips. We've got more forest fires, more floods, and more viruses. There is more concern all around, and I can see that the Millennial generation will have more sources of stress to deal with.”
– Generation X, Female, Canada

3.

Succession planning

- Two-thirds (67%) of the Next Gens surveyed have a succession plan in place, while a third (33%) are either without plans or unaware of any plans that may exist. As wealth can often be lost within three generations⁵ – and the most well-prepared families often plan decades in advance – well thought out succession planning is of key importance.
- Twenty-eight percent of Next Gens believe their families are either somewhat or very unprepared for succession.
- The biggest obstacles Next Gens face during succession planning relate to:
 - ▶ the discomfort families feel when discussing this sensitive topic (33%);
 - ▶ the main wealth holder being unwilling to relinquish control (22%);
 - ▶ families not knowing how to construct a successful succession plan (17%); and
 - ▶ the family not having a next generation member who is either sufficiently qualified or willing to takeover (17%).
- To avoid and resolve family disputes about the management of the family business and wealth, a number of families have found success through using regular communication (50%), regular formal meetings (43%), and formally written policies and procedures (26%).

3.1 Planning for succession

“Preparing for succession is particularly challenging as my father is almost 85 years old and has not even adequately prepared for his own succession!” – Generation X, Female, United States



“

Preparing for succession is particularly challenging as my father is almost 85 years old and has not even adequately prepared for his own succession!

Generation X, Female, United States

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Succession planning needs to remain in focus

In 2016, Campden Wealth reported nearly 70% of family offices were expecting a generational transition to occur within the next 10 to 15 years. This suggests we are in the early stages of a seismic shift in wealth transferring hands between generations.

In 2019, Campden Wealth found that 54% of families had a succession plan in place, up from 43% the previous year. Comparing these figures to Next Gens in the United States, Canada, and the United Kingdom reveals this emerging cohort is better prepared for succession than the global average. In fact, two-thirds (67%) of the Next Gens who participated in this research have a succession plan in place, outstripping the global average by 13 percentage points⁶ (figure 3.1). Over half of these plans (53%) are also formally written, compared to a global average of just 32% (in 2019).

More than a third (38%) of these plans were adopted within the last five years, and 8% within the last year (figure 3.2).

Despite UHNW Next Gens being somewhat ahead of the curve in this regard, much work still needs to be done, as a third (33%) of those examined are either still without plans, unaware of any plans that may exist or are still in the drafting stages of making their plans. Furthermore, 14% of the plans that do exist are either informally written or purely verbally agreed; and of those with plans, 44% were put in place more than five years ago, suggesting that some may need to be re-visited and revised.

As life can take unexpected turns, and once someone passes away the time for clarification can be lost, formally-written plans are encouraged to mitigate potential risk. The most prepared families plan for succession decades in advance, creating both long-term and short-term contingency plans. Thus, there is no time like the present to get one’s arrangements in order and to re-evaluate plans over time as families evolve.

Figure 3.1: Form of succession plan

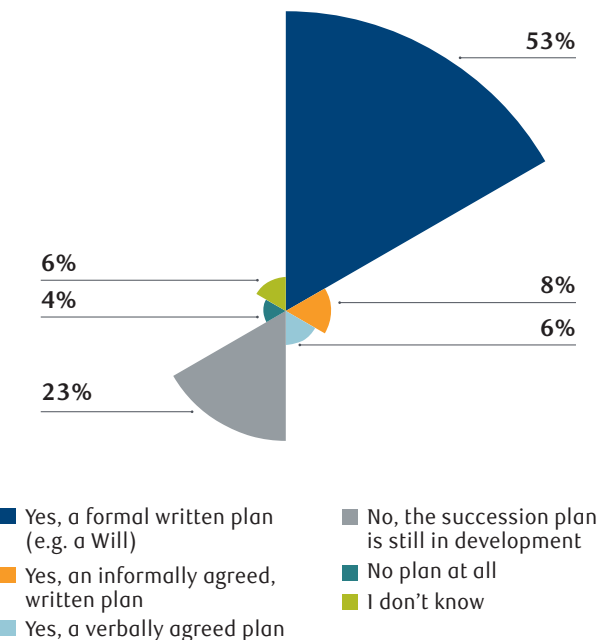
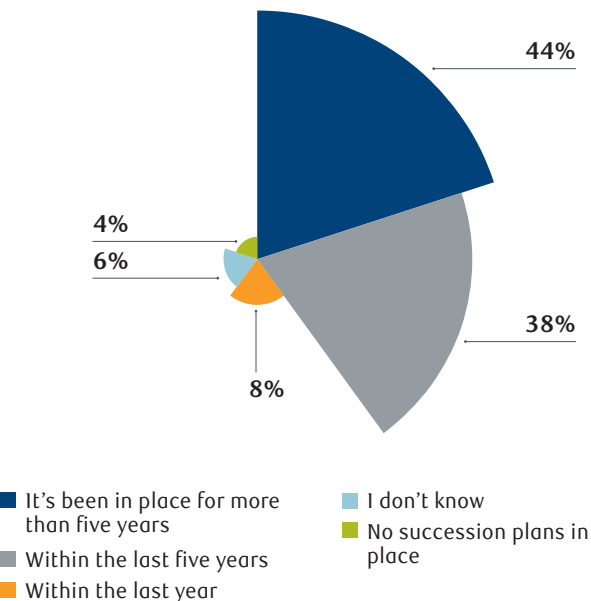


Figure 3.2: How recently the succession plan was put in place



Note: Figure 3.2 does not include participants with succession plans which are still in development.

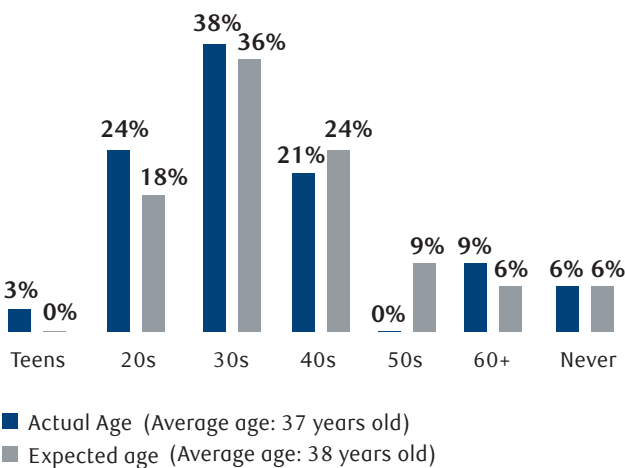
3.2 The right time for succession

Succession planning timing is in line with expectations

The majority of Next Gens discussed succession with their families in their thirties, though the range of ages spans between 20 and 50 years old, demonstrating that there is no single approach to these discussions. In fact, the average age was 37, which is just a few years after Next Gens typically begin managing a portion of the family wealth (figures 3.3 and 4.13).

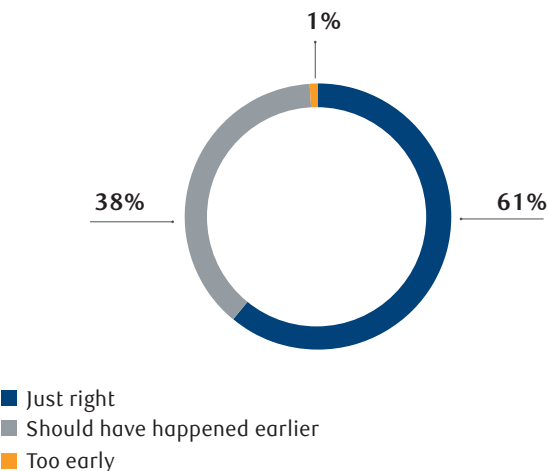
Roughly three-fifths (61%) of participants felt the timing they experienced was right for them, although a notable proportion (38%) felt it should have happened earlier (just 1% felt it happened too early) (figure 3.4). It is also interesting to note, women more so than men, tended to feel that these discussions should have occurred sooner. Apart from the gender differences, those from the United States and Generation X are also the most likely groups to state that these discussions should have come earlier.

Figure 3.3: Age of discussion of a succession plan and/or role after succession versus when the discussion was expected to happen



Note: Percentages may not round to 100% due to rounding errors.

Figure 3.4: Timing of discussing the succession plan and/or your role after succession with your family



Next Gens feel relatively confident that their families are prepared for succession

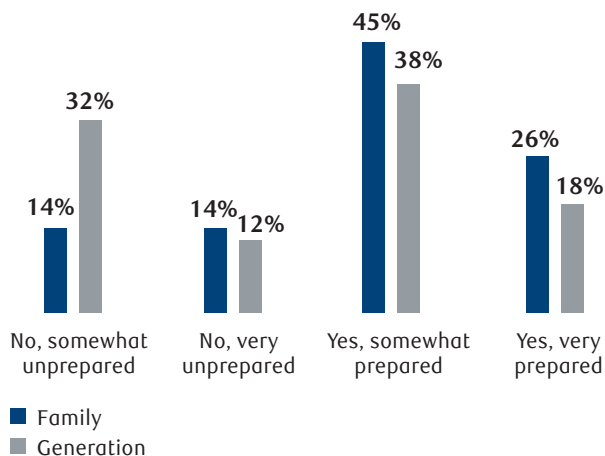
In terms of being sufficiently prepared for succession, roughly a quarter (26%) of Next Gens feel their families are very prepared, while just under half (45%) feel they are somewhat prepared. Conversely, 28% feel they are very or somewhat unprepared (figure 3.5)

Speaking broadly about their generation as a whole, Next Gens tend to believe that their peers are not as well equipped for the transition as their own families, with 44% feeling their generation is very/somewhat unprepared; a difference of 16 percentage points.

As succession can be a complicated matter, particularly as more generations come into the fold, one Millennial in the United States remarked about the challenges and open questions his family is facing:

“The nice thing is that I’m the next generation and I’m currently running the family office, so from that stand point, the succession transition is limited. A potential challenge is that the other beneficiaries just aren’t financially sophisticated. It’s a question, in 20 years are we still going to operate as one office, or are people going to do their own thing? And, the generation below me is a big question. There is only one family member in the next generation right now, who is nine years old. The biggest confusion therefore is, where will we be 20 in years?” — Millennial, Male, United States

Figure 3.5: Do you feel that your family/your generation are adequately prepared for succession?



Note: Percentages may not round to 100% due to rounding errors.

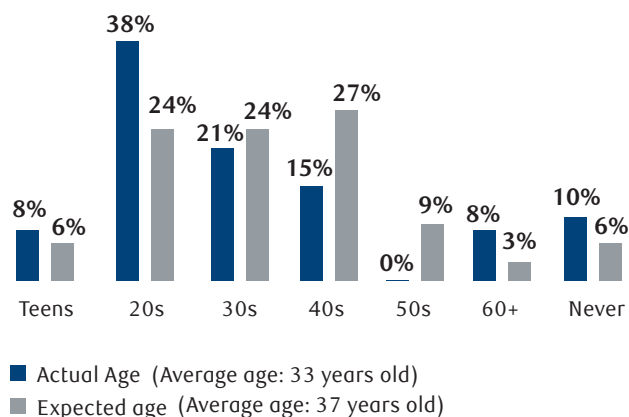
Inheritance discussions came sooner than expected

When it comes to the discussion of inheritance, a naturally sensitive subject, the average age a Next Gen learned about the family wealth was 33 years old. Most Next Gens (65%) feel this timing was broadly in line with their expectations (33 versus 37 years old), though there were a number of individuals who still think it should have happened earlier (34%).

In this regard, one Baby Boomer in the United States spoke highly about her own family's open communication:

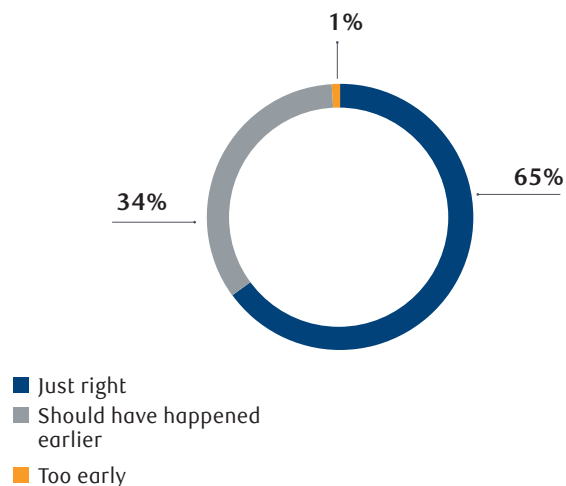
"I had a good role model in my father in that he was completely open with us about his wealth and what we could expect. In turn, I do the same thing with my own kids." — Baby Boomer, Female, United States

Figure 3.6: Age Next Gens talked to their parents about how inheritance will work versus age they expected the discussion to happen



Note: Percentages may not round to 100% due to rounding errors.

Figure 3.7: Timing of talking to parents about how inheritance will work



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I had a good role model in my father in that he was completely open with us about his wealth and what we could expect. In turn, I do the same thing with my own kids.

Baby Boomer, Female, United States

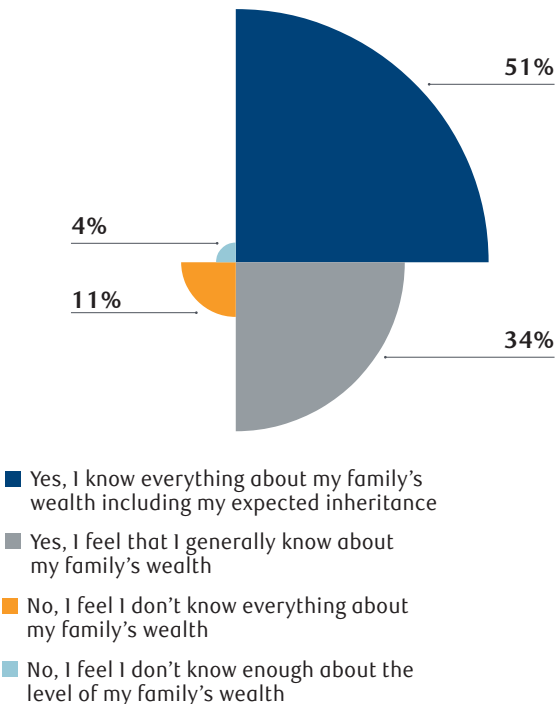
The majority of Next Gens are well informed about their wealth and inheritance

Roughly half (51%) of Next Gens claimed that they know ‘everything’ about their family’s wealth, including their expected inheritance (figure 3.8). About a third (34%) claimed to have general knowledge about their family’s wealth, while 15% claimed they do not know enough; an assertion that could be remedied by more open communication and family member wealth management involvement. In the words of two Next Gens who benefited from being actively involved in their family’s wealth management:

“We run ourselves like a business; our family office is totally transparent. We have an asset base, we know where that asset base came from, and hopefully we do a really good job of maximizing that asset base. Everything is transparent.” — Generation X, Male, United Kingdom

“I’m in an incredibly unique position as I’m literally the person that puts the balance sheets together. I have direct insight into how many assets there are and what they are. I also play a big role in helping to shape our business planning.” — Millennial, Male, United States

Figure 3.8: Next Gens’ level of comfort with their knowledge about their family’s wealth



3.3 Addressing succession challenges

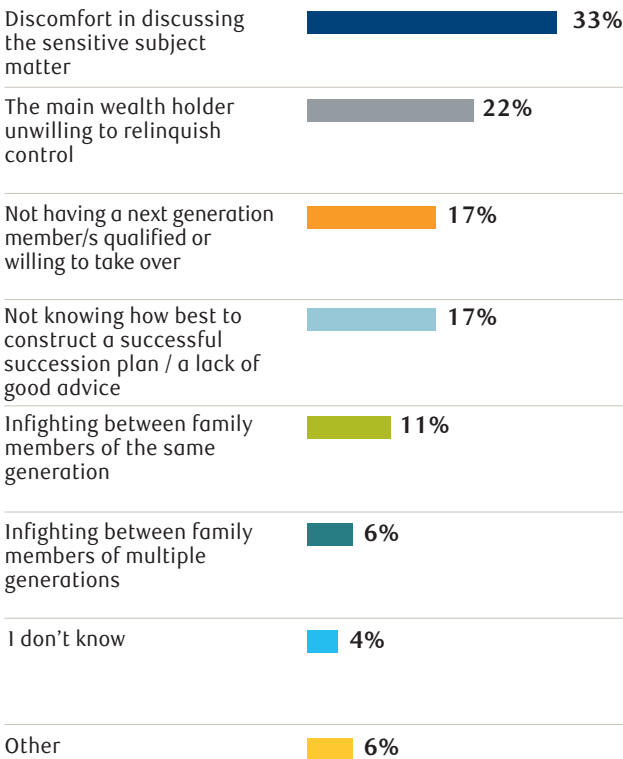
The challenges of succession planning are varied

The top five challenges Next Gens face in relation to succession planning relate to:

- a discomfort in dealing with the sensitive matter (33%);
- the main wealth holder being unwilling to relinquish control (22%);
- a lack of family members who are qualified or willing to take over (17%);
- not knowing how to construct a successful succession plan (17%); and
- infighting between family members of the same generation (11%) (figure 3.9).

Here, it is interesting to note that women, the younger generations, and those from Canada are most likely to face challenges surrounding the wealth holder being unwilling to relinquish control. Similarly, those in Canada are also the most likely to report their families did not know how best to construct a successful succession plan and/or do not have a family member who is qualified or willing to take control.

Figure 3.9: Challenges for succession planning



Note: Multiple options permitted.

On average, those with less wealth face more challenges with succession planning

When broken down by level of family wealth, challenges to succession planning appear to be most prevalent among those with wealth between US\$100 million and US\$200 million. Not knowing how to construct a successful succession plan (67%), infighting between family members of the same generation (45%), and not having family members who are qualified or willing to take over (42%) are the most commonly cited issues within this cohort (figure 3.10).

This finding may reflect the fact that those with less wealth tend to be from first or second generation family business backgrounds, as vast sums of wealth (such as US\$1 billion+) often take multiple generations to amass. These families have not undergone succession planning numerous times, as many fourth or fifth generation families have, thus they can experience added struggles as they formulate new arrangements.

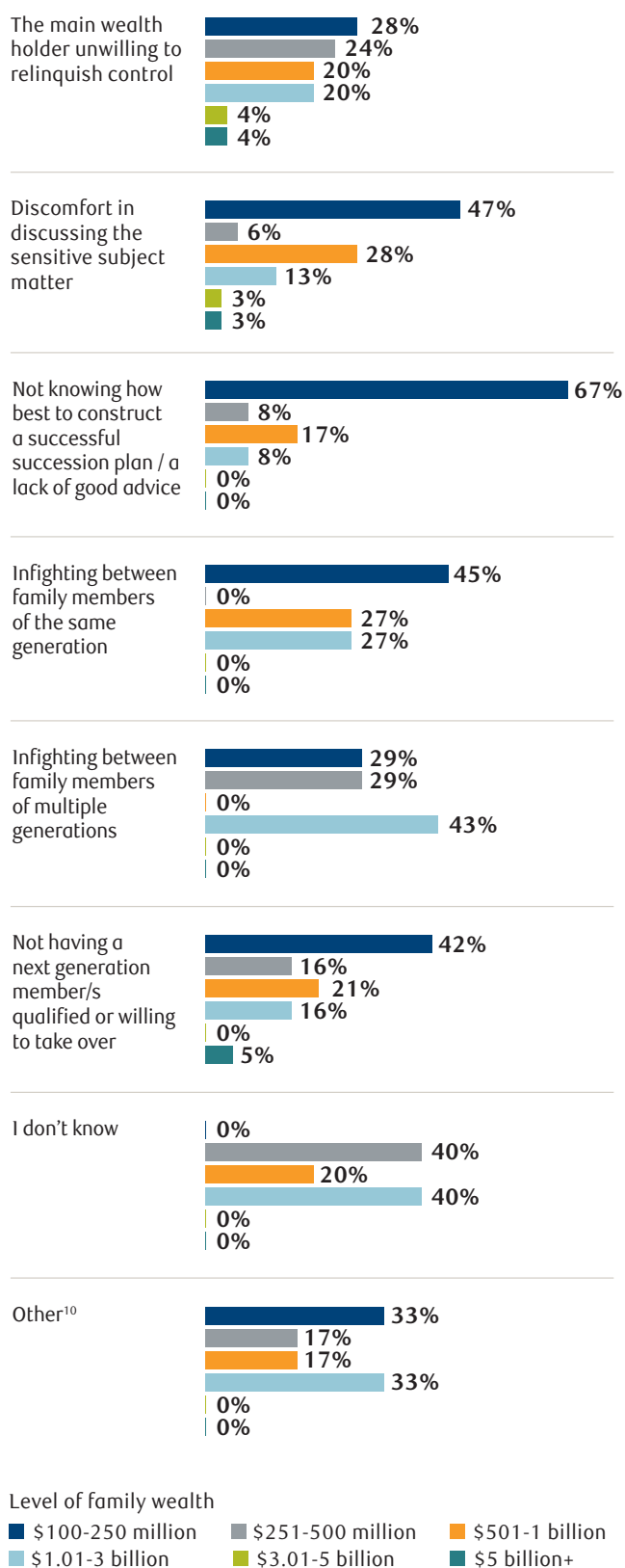
For these families, the original wealth holder is also often still in the picture, and will likely have a firm grip over the direction of the family business/wealth. This can, as noted by 28% of Next Gens with wealth between US\$100 million to US\$250 million, cause strain on the emerging generation.

Conversely, families from legacy wealth are more likely to have outside professionals manage the family business/wealth, thus this distance can mitigate certain problems. For example, only 8% of those with wealth of US\$3 billion or more have an issue with the original wealth holder not relinquishing control because, as explained, it is likely that most original wealth holders are no longer active players.

With that said, families of legacy/multi-generational wealth can also face their own set of challenges. For instance, more than two-fifths (43%) of those with between \$1.01 billion and US\$3 billion noted that infighting between family members of multiple generations is a key problem.

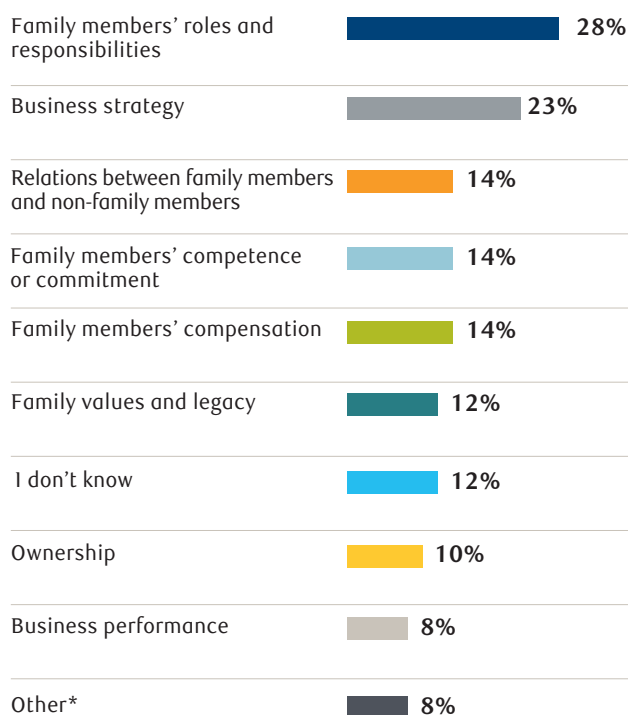
In relation to disagreements about managing the family business in particular, the most contentious issue for Next Gens across all wealth levels relate to family members' assigned roles and responsibilities (28%), followed by the family's business strategy (23%) (figure 3.11).

Figure 3.10: Breakdown of family wealth in relation to challenges of succession planning



Note: Multiple options permitted. Too few respondents answered here, therefore meaningful insights cannot be drawn from this data.

Figure 3.11: In family disagreements about managing the family business, the elements deemed most contentious



*These included: no disagreements (38%), direction of family business (13%); investment segments (13%); those working at the business and those that are not (13%); very few meaningful disagreements to date (13%); wealth management (13%).

How to address challenges

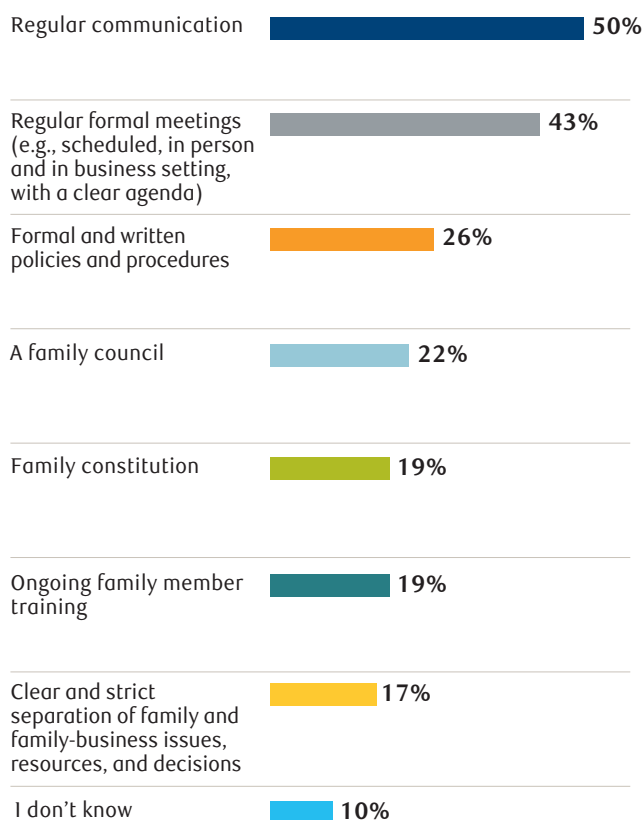
Regular communication is used by most Next Gens to avoid family disputes

To avoid or resolve family disputes regarding business management or ownership of the family wealth, Next Gens often use frequent communication (50%), regular formal meetings (43%), and formally-written policies and procedures (26%) (figure 3.12).

The importance of communication in avoiding such disputes is emphasized by a Next Gen who works with his siblings:

"Working together requires really good communication. If you hold people accountable, they'll speak their minds. We also try to do a lot of work around cross-pollinating and cross-verbalizing." – Baby Boomer, Male, United States

Figure 3.12: How to avoid family disputes regarding business management or ownership of family wealth



Note: Multiple options permitted.

This tactic is echoed by another Next Gen in the United States, who draws from his experience with family offices to argue for the importance of regular family communication/meetings:

"Having interacted with so many other family offices, conflicts within the family are often created by problematic family dynamics that were created decades before. They're oftentimes not business or legal issues, they're family issues. I've found that by having monthly calls, annual meetings, and annual family trips, you improve the health of the family dynamic and this solves 99% of the family's problems. But, that takes work." – Baby Boomer, Male, United States

Lessons on educating the next generation from one of Canada's most successful families

An interview with Patricia Saputo

Generation X, Canada

Patricia is the daughter of Francesco and Lia Saputo, a third generation member of the multi-billion dollar Saputo family business, Saputo Inc. It was founded by her grandfather, Giuseppe Saputo and the family, in Montreal, Canada in 1954. The company, which is one of the top ten dairy processors in the world, went public in 1997. That allowed Patricia to pioneer in the family office space with her immediate family's holding company, Placements Italcan Inc., where she began to manage the family's wealth.

Trained as an accountant and with a diploma in taxation, Patricia's Chief Financial Officer role in the family office allowed her to utilize her expertise in the area of investment holding companies, personal and corporate tax, and estate and succession planning. She eventually developed the skills of a Chief Executive Officer (CEO), or "Chief Emotional Officer", as she put it. Patricia also sits on the Board of Governors for the Concordia University Foundation, Concordia University Pension Plan, the MUHC Foundation, and she holds a variety of advisory committee positions.

“
Children have to understand that when they are born into a family of wealth, they inherit a financial responsibility.
”

Through her extensive experience, Patricia has developed a financial literacy strategy that is highly useful when teaching the next generation. Patricia's vast multi-generational wealth management experience makes her a powerful source of guidance for other wealth holders. In turn, in a unique interview, Patricia has shared her experience and insight on educating the next generation on managing wealth and succession planning.

Training the next generation from an early age

Patricia, who has three children, is a strong believer in teaching the next generation about the responsibility of wealth from an early age. In her words: *“I do a lot of next generation family education. Children have to*

understand that when they are born into a family of wealth, they inherit a financial responsibility. The awareness of financial affairs has to be important enough for them that they are not afraid of it or shy away from it. Instead, it can become a part of who they are as individuals, so that they are comfortable with it. They can think that even though they didn't earn the wealth or create it, they have to respect it, whether they use it to propel them forward or just as a safety net.”

As part of the process of learning, Patricia's family holds bi-annual meetings, and they involve even some of the youngest members of the family. She commented, *“We started our family meetings when the youngest of the grandchildren was seven years old. And, it's become a part of the bi-annual*



Patricia Saputo

“

I learned that you can work for your money, and your money can work for you, if you do well by it. Even when you're not working for your money, it should still be working for you, so that you'll always have something to fall back on.

meetings that we have. When we did not have a meeting one year, the grandchildren actually said, 'What happened, why didn't we have our meeting?' It became a part of who they are."

This approach to early indoctrination has a key objective – to help the next generation feel comfortable with their wealth and with asking questions about it. Patricia comments,

"By age thirteen, they say that a family member will know whether they are wealthy or not, just by the house you live in, the cars you drive, the vacations you go on. And, when they speak to their friends at school, and say, 'you've done this or you've done that', they kind of weigh up where their family fits in to where the other schoolmates are. They make an assessment in their own right. Therefore, if you can formalize it through meetings and having discussions with everybody together, then as questions come up, they can feel like they can ask any question and not be judged."

For Patricia, her early understanding of her family's wealth and how to manage money, was crucial to how she thinks about wealth today. She noted, *"I was in high school when my father gave us our first cheque, which was a large sum of money. He said to us, 'I'm giving you this money. As much as you might want to go spend it, maybe you shouldn't. See what investments are all about and learn about how to manage your wealth, as opposed to just spending your wealth.' This put me in a mind-set that not all money that comes to you should be spent immediately. By putting it aside, I learned that you can work for your money, and your money can work for you, if you do well by it. Even when you're not working for your money, it should still be working for you, so that you'll always have something to fall back on."*

Since this time, literacy lessons evolved within the family. Using the system of cheques, children were taught about financial, social, and intellectual capital, along with giving back to society. Patricia noted,

“We have tried to teach the children that investments are not just about financial capital, but also social and intellectual capital. Intellectual capital is where you might take a course and advance your intellect. Social capital is where you might wish to do something that benefits society. For instance, one family member used her money to give back to the local zoo; she adopted a sloth.”

Building a legacy plan and governance protocols

As a part of the family’s planning for children’s generational succession, and general governance oversight, Patricia is stewarding a legacy plan and a governance plan in the family office.

In terms of the legacy plan, Patricia noted, such a plan *“depends on how old the money is, or, how long it has been in the family, and what kind of legacy plan has been put forth to date. Education is so important. The*

She added, “Once you set out a legacy plan and set up the rules, regulations, policies, and procedures, it creates a guide for what the generations moving forward should abide by. However know that once the next generation has bought in to those guidelines, they should be able to change them as things evolve in the future.”

In terms of building governance protocols to help with the day-to-day operations of the family office, Patricia is in the midst of thinking about creating an investment committee, with an eye for including the next generation as they mature. *“We haven’t formalized who will be on the investment committee. Do we take in third-parties or does it have to be family members? The next question that we haven’t detailed out is if the siblings or grandchildren want to be part of that investment committee, what do they need in terms of education and background knowledge? Can they sit in the meetings, to at least listen to*

unified family office umbrella. She remarked, “There is no right answer on whether to keep it together or divide it up. My father always talks about leaving doors open. If you want to exit, you can exit, and if you want to stay, you can stay.”

How a mistake made today can shape a family’s future legacy

As the family’s governance structures have evolved over time, issues have cropped up which have highlighted how decisions made today can significantly impact family members in the future, and ultimately the family’s legacy.

In one fascinating instance, Patricia explained how her father, despite good intentions, made what she perceived to be a mistake, which, if carried out, could have had a lasting impact on the cohesiveness of the family.

Here, she recollected an important conversation she had with her father, where she, as a next generation member, was able to use her own unique views to reshape his traditional thinking and, in turn, the family dynamic: *“When we started the family meetings, my father did not want to include the husbands, because we’re five daughters.”*

Patricia noted her father saying, *“We can have family meetings with the grandchildren and my five daughters, but I don’t want the husbands to hear the conversations we’re having.”*

I said to my father, ‘Well, then we’re not going to start the family meetings unless you are comfortable with having them involved. What is it about them being part of the meetings that you’re not comfortable with?’ and

“

Education is so important. The next generation has to understand where the money came from and what the legacy plan of the previous generation was.

next generation has to understand where the money came from and what the legacy plan of the previous generation was. They also have to understand their family’s values. For me, the values of an individual stem from their family’s values, because you’re raised with those values.”

them? And, at what age will we start accepting them in? We need to start formulating more detail.”

In relation to financial arrangements, at present, Patricia believes that it is best to keep the management of the family wealth under one

“

There is so much more going on in the world. We are now more aware of what is happening in other people's lives and in other countries. And now, the world itself is going through environmental change and issues of sustainability. Can we leave the world in a better place than we found it when we were born?

he said, 'I don't want to talk about the family's net worth, I don't want to talk about actual dollar values.'

I said, 'We can talk about financial literacy without talking about the family wealth and dollar value. Instead, we can talk about wealth in general.' I added, 'The reason why I won't start a family meeting without the husbands is because if you were to ask any of your grandchildren who their family is, I can guarantee you they will all start with mom and dad. And if you're excluding dad from the definition of what the family is, you are now redefining for them the importance of their father, or the lack of importance of their father.'

I don't want to start creating a future, or a legacy plan, where husbands and wives are not part of the family, because eventually they will play an important part. Let's just say, the children, God forbid, lose their Mom [one of your daughters], and their father raises them. If their father has been excluded from the family, you'll never see your grandchildren again, because he will never have felt like part of the family. You can decide now, for the future, what that

trajectory will be, and whether or not you see your grandchildren.'

In the end, my father agreed to include the husbands, as long as we don't talk about dollar values. Now, we have family meetings that talk about wealth and financial literacy in general. We have had these meetings since 2013."

Equipping the next generation for challenges ahead

In terms of preparing for the future, Patricia notes that the emerging generation, the Millennials, and those who have come after, have a number of stresses and responsibilities that her own generation has not had to struggle with. She notes that the world is changing and this puts them in a different position to early generations:

"There is so much more going on in the world. We are now more aware of what is happening in other people's lives and in other countries. And now, the world itself is going through environmental change and issues of sustainability. Can we leave the world in a better place than we found it when we were born? What is going to happen to the world as we see that the sun is getting hotter and we've got

climate change at our fingertips? We've got more forest fires and flooding, more viruses, etc. There is more overall concern out there. In turn, the Millennial generation has higher amounts of stress and technological concerns."

She further noted: "It's also more difficult for them because they're trying to process so much more at a younger age. For me, it was – get an education, go to school, and figure out what you want to do for a living. Now, we're expecting kids at elementary school to figure out what they're going to do for the rest of their lives. We're bombarding them with so much at such a young age that by the time they get to age twenty, they are stressed out."

Putting emphasis on the importance of early next generation education, Patricia hopes to help children navigate many of these challenges: "They won't be stuck stressing because there are so many financial responsibilities to worry about. If you have financial conversations with your children early on in their lives, you can have an easier conversation at age 18."

For instance, she noted, "If, at 18, a child wants to buy a new car, what is it that you're going to help with and what are you not going to help with, so that they can figure out what value of car they can purchase. Do you pay for the gas, insurance, or down payment, or not? For me, these discussions should start young, so once the real questions come up, you are able to have a dialogue that is easier than when it's the first time you're talking about financial responsibilities."

She added, "With wealth comes a lot of responsibilities." ■

Staying connected to the family legacy after the sale of the family business

An interview with Bryn Mars Monahan

Millennial, United States

Bryn Mars Monahan is a fourth generation family office board member, and a consultant at Relative Solutions LLC and Bryn Mars Consulting. The challenge she and her family office have faced was to figure out how to manage succession, and ensure that future generations are connected to the family legacy, after the sale of the family business, which was in steel fabrication.

Bryn's unique experience on the matter may prove helpful to other wealth holders who are considering selling, or have sold, their family business and want to know how to carry on their family legacy.

Teaching youth about the family wealth

Communicating with the next generation about the family's wealth is an important part of a successful succession. However, it is something many families can find difficult.

In Bryn's experience, she noted, *"I don't think that my parents - and this is very true of most families - felt equipped to have that conversation, so they just didn't. My family office did."*

“

I think that by 16, most young adults are both intelligent enough to understand the basics of what we began to learn, as well as mentally equipped to handle the information. I suppose that is very individual, but for my family, 16 seemed to be the magic age.

”

Bryn recounted how she and her cousins learned about the details of their family wealth, *"In the early years, we learned about ownership and governance structures, family history, our family's investment strategy, and the beginnings of how to invest. It was a few years later that we had family conversations around net worth. Like many families, ours is structured so that each immediate family branch, and sometimes individuals, have a different share of ownership, and thus net worth."*

Bryn was 18 years old when these discussions began, but said she wished they had started earlier.

"As my cousins turned 16, they were brought into the conversation. I was 18, but I think 16 is a more appropriate age. I think that by 16, most young adults are both intelligent enough to understand the basics of what we began to learn, as well as mentally equipped to handle the information. I suppose that is very individual, but for my family, 16 seemed to be the magic age."

Her family office planned for succession relatively early on. The family business was sold in the late 1970s and by the late 1990s, the transition from the third to fourth generation had begun. Bryn noted, *"It was done slowly in what Joline Godfrey would call the drip, drip, drip method. We learned a little bit over a long period of time and those drips eventually formed a cup of water."*

For instance, Bryn and her cousins learned about investing by each being invited to put US\$5,000 into an investment pot. The youth were encouraged to form a governance structure



Bryn Mars Monahan

“

As there are more and more generations, you lose that strong connection to the original family business, so you have to find ways to make that connection. This is especially the case for families like ours, which no longer own the family business. I think it's really important to find a human connection.

to decide how decisions should be made, and the pot grew year-on-year, as they were guided through the process. *“The education continued,”* Bryn remarked, *“and it still continues, but in a different capacity and not as formalised. It will continue forever, I imagine.”*

In term of progress, Bryn noted, *“2010 was when the first G4s were elected to the board of directors; that was myself and one of my cousins. It was 12 years from the time of the first educational program to when they had board members. Now, there are only two G3s left on the board, and four G4s. So, we are in the process of succession; it takes a really long time. But, I think we have done a really good job of preparing G4.”*

“The investment group that we formulated was our educational program. We used it not only to learn about investing, but to form governance, to learn to challenge each other, to discuss hard topics (like prenuptial agreements

and the role of spouses), family history, etc. We also rotated the ‘president’ position so that we were all exposed to leading one another. Part of the president’s role was to attend board meetings, and report back to the group. Those of us who showed desire and leadership were then invited to do a two year internship as preparation for becoming board members, where we spent time meeting our money managers, and took a deeper dive into our family’s strategy.”

Addressing the challenge of succession after the sale of the family business

The CEO of the family office, a former accountant, was the driving force in the succession’s early planning. Bryn remarked, *“He really understood something that many other families didn’t understand, which is that, if there’s no longer a family business, the transition is going to look different. It is going to be more challenging and take a longer time.”*

A key challenge the family office faced was to ensure that by the fourth generation, the family members still felt connected to the family legacy after the sale of the business. Previous generations were able to witness and participate in the business before it was sold, unlike the fourth generation.

As Bryn recalled, *“They had access to the history of the business and the opportunity to work for the business. In fact, many of them continued to work for it after it was sold. In turn, I think the mental connection to it was very different for G3 than it was for G4.”*

In turn, the challenge the family office faced, Bryn noted, was to create a sense of connection and belonging between the fourth generation and the family’s legacy: *“As there are more and more generations, you lose that strong connection to the original family business, so you have to find ways to make that*

connection. This is especially the case for families like ours, which no longer own the family business. I think it's really important to find a human connection. For me, my friends are my family and my family, for the most part, are my friends. We spend a lot of time connecting with one another. The family education and retreats are really meaningful to me."

Given the rise in globalization and social mobility, family connectivity can, however, be a challenge, as Bryn commented, *"My biggest concern is that neither my sister nor I live in the same city as my parents. My parents split their time between Pittsburgh and Arizona, my sister lives in Boston, and I live in Chicago."*

This dispersal means that families oftentimes need to put additional effort into coordinating meetings, events, and holidays to encourage cohesiveness and mitigate disruptions. However, this is something one's family office can help facilitate.

“

We have so many great causes that we can try to help, but if we don't have a planet, none of it will matter. For me, that has really hit home. It is about the environment and strategies to be thoughtful towards the environment.

“

Gun violence is also important to me. I'm Jewish and I grew up in Pittsburgh. The synagogue that I grew up in had a shooting last year. I was already interested in how we can curb gun violence, but that became much more important to me when it literally hit home.

Generational shifts in philanthropy

One way, in particular, Bryn's family has learned to stay connected is through philanthropy. However, as Bryn noted, this does not discount the differences in approach between the generations, which can lead dissimilar lifestyles.

"My parents will support anything I support, but their focus is more on local community causes. They are both highly involved, especially in Pittsburgh and Arizona, where they live. I don't think there's anything wrong with supporting local causes, but I haven't lived in the same community for more than nine and a half years. In turn, I've never felt like the local community was something I needed to focus on."

The philanthropic causes close to Bryn are topics many Millennials think about, including the environment and gun violence.

"We have so many great causes that we can try to help, but if we don't have a planet, none of it will matter. For me, that has really hit home. It is about the environment and strategies to be thoughtful towards the environment."

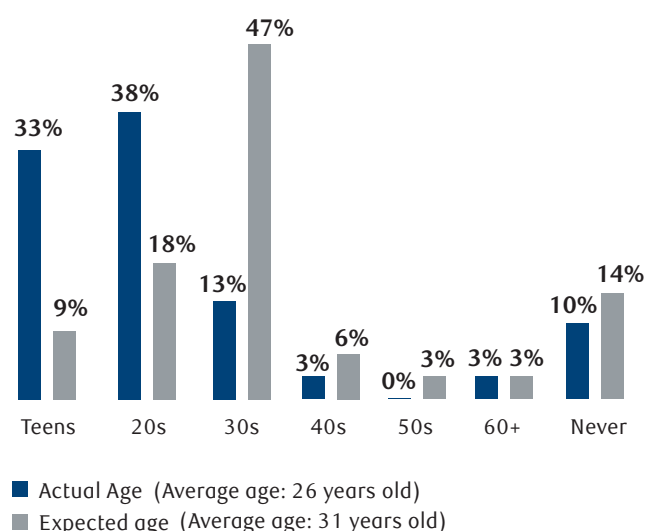
"Gun violence is also important to me. I'm Jewish and I grew up in Pittsburgh. The synagogue that I grew up in had a shooting last year. I was already interested in how we can curb gun violence, but that became much more important to me when it literally hit home." ■

4.

Working in the family enterprise

- In terms of key stages in Next Gens' lives, 26 is the average age Next Gens took on their first role in the family business, while 37 is the average age they assumed leadership responsibility. Thirty-one is the average age they first learned about the extent of their family wealth, while 33 is the average age they began to manage a portion of the family wealth.
- More than two-fifths (43%) of Next Gens have already assumed control of the family business. Thirteen percent expect to take control within the next five years, another 13% within the next six to 10 years, and 17% in 11+ years. The average age a Next Gen took control of the family enterprise is 45 years old.
- When seeking advice about managing their own personal wealth, family offices are Next Gens' first port of call, (28%), while their parents are their second (20%).

Figure 4.1: Age Next Gens took their first job working in the family business versus the age they expected this to happen

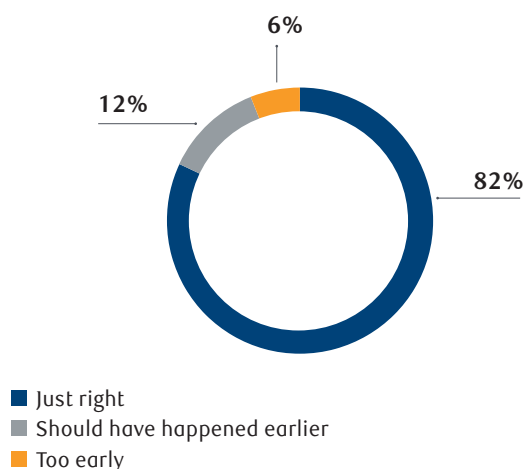


4.1 Working in the family business

26 is the average age Next Gens first began working in the family business

The most common ages Next Gens took on their first job in the family business was in their teens (33%) and twenties (38%), with the average age being 26 years old (figure 4.1). This was somewhat younger than many expected, as Next Gens, on average, presumed this would occur at 31 years old. Despite the earlier indoctrination, 82% of Next Gens feel that the age they entered the family business suited them well (figure 4.2).

Figure 4.2: Timing of first job working in the family business



The average age to assume a leadership role in the family business is 37

More than two-thirds (68%) of Next Gens were promoted into a leadership role in the family business by their thirties, with the average age being 37 years old (figure 4.3). Despite coming somewhat sooner than expected (at 40 years old), nearly four-fifths (79%) of Next Gens feel positively about the timing they experienced (figure 4.4).

A male Baby Boomer described his quick succession into a leadership role favorably:

“I was lucky. Growth happened extremely quickly; our US\$18 million family business became a US\$200 million business over the course of three or four years. And then, three or four years after that, it became a billion dollar enterprise. I gained a lot of experience quickly. As a 35 year old, I had a ton of experience and felt that I had matured as a business person. So, taking on a leadership role felt right to me at that time.” — Baby Boomer, Male, United States



“

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Baby Boomer, Male, United States

Figure 4.3: Age Next Gens took a leadership role in the family business versus the age they expected this to happen

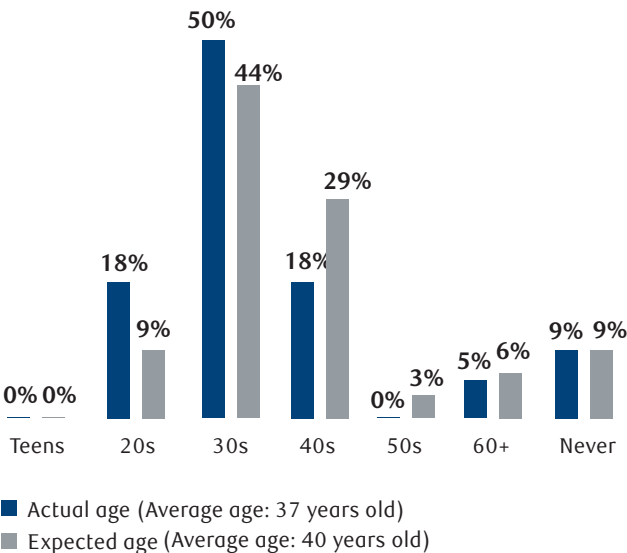
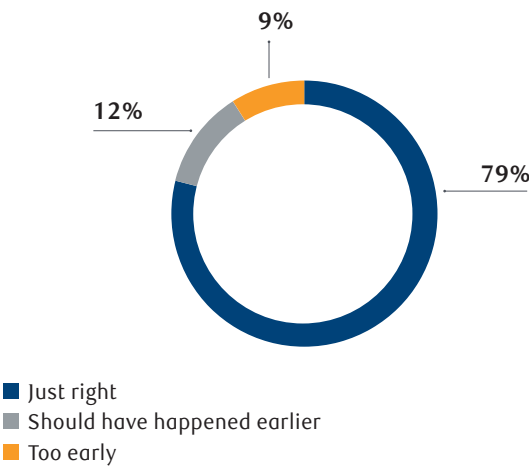


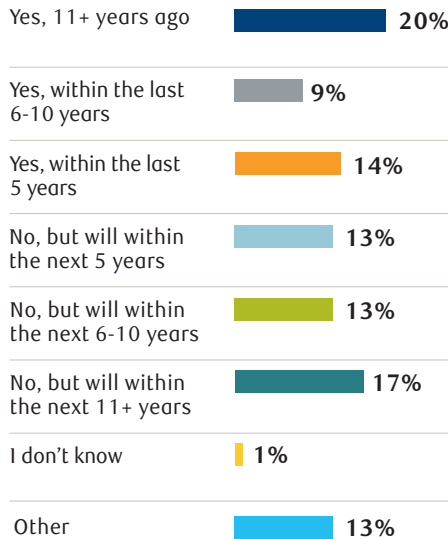
Figure 4.4: Timing of taking on a leadership role in the family business



43% of Next Gens have already assumed control of the family business

More than two-fifths (43%) of the Next Gens surveyed have already assumed control of the family business. Furthermore, 13% reportedly believe they will take control within the next five years, another 13% within the next six to 10 years, and 17% in 11+ years (figure 4.5).

Figure 4.5: Whether the Next Gens or their family members within their generation have already assumed control of the family business



45 was the average age Next Gens took control

Next Gens most often took control of the family enterprise in their thirties (38%) and forties (33%), with the average age being 45 years old. This was somewhat younger than expected, with the average assumed age being 50 years old (figure 4.6).

Two-thirds (66%) of respondents, however, feel the age they took over was right, while a third (33%) feel that it should have happened earlier (figure 4.7).

Figure 4.6: The age Next Gens took over control of the family business and the age they expected this to happen

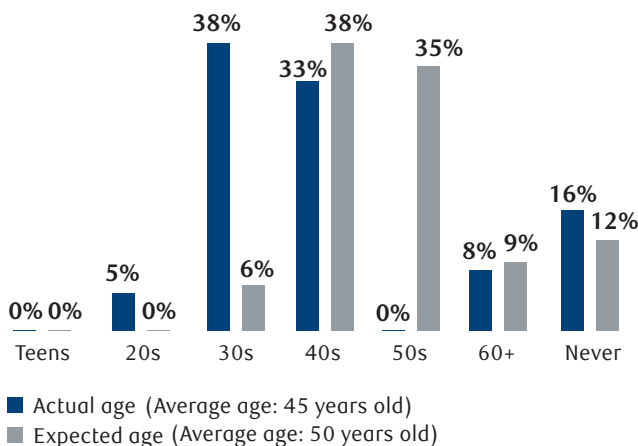
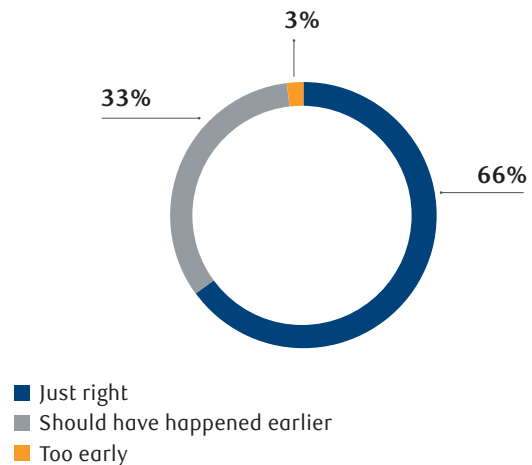


Figure 4.7: Pass ownership control of the family business to the next generation



Note: Percentages may not round to 100% due to rounding errors.

Most Next Gens feel satisfied with their role in the family business

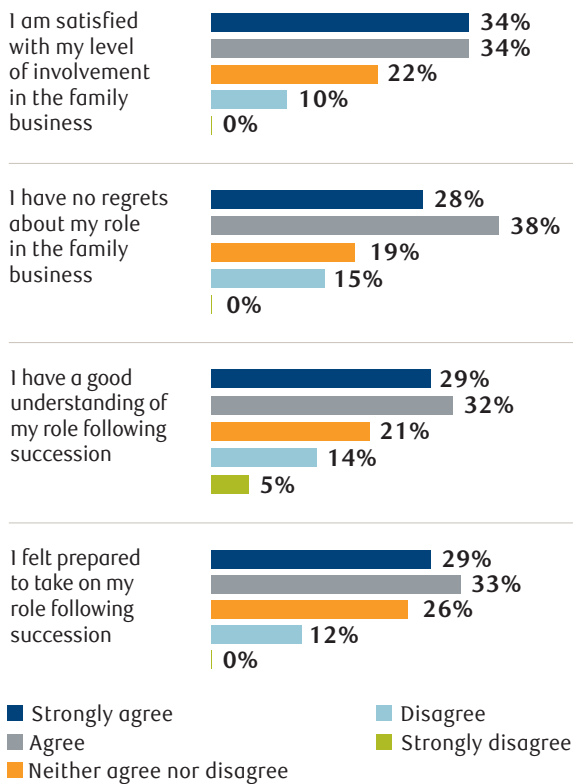
The majority of Next Gens feel satisfied by their level of involvement in the family business (68%), and do not have any regrets about their role (66%) (figure 4.8). Furthermore, 61% feel they have a good understanding of their role following succession, and are adequately prepared to take it on when the time comes (62%).

Outside of those who feel broadly good about their positions, there are also a number of Next Gens who do not feel positive in this regard, particularly when it comes to understanding their role post succession and having regrets about their current position in the family business (at 19% and 15%, respectively). In turn, there are still areas where effective communication and planning could be used to resolve their unease.

When one Millennial was asked if he has ever felt dissatisfied with his role in the family business, he replied with an anecdote that helped him to find happiness in his position:

"Yes, I was once dissatisfied and so I left the business. However, years later I returned and realized that to be content I would have to create the role around what excites and interests me, rather than forcing myself into something that didn't fit." – Millennial, Male, United Kingdom

Figure 4.8: Next Gens' opinions towards their role in the family business



Note: Percentages may not round to 100% due to rounding errors.

A large proportion of Next Gens expect their children will get involved in the family business

Interestingly, when it comes to Next Gen's children, 39% expect them to be involved in the family business (figure 4.9). However, the aforementioned finding may be clouded by the fact that many of their children are still very young, therefore working in the family business may not yet be at the forefront of their minds. This is supported by one Gen X from the United States who remarked:

"They're so young right now, so it's really above their heads. I do hope that in some way, somebody wants to follow me into the family asset business. I don't want to make them. I want them to do what they feel is most important and makes them most happy. But, it's still a big unknown." – Generation X, Female, United States

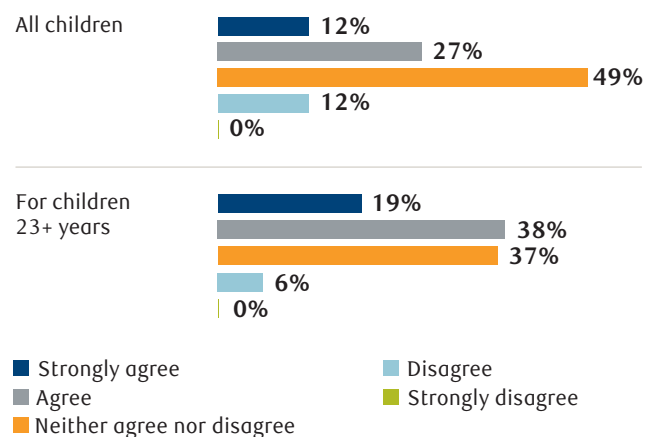
To address this issue, we examined Next Gens with offspring 23 years or older and deduced that a notably larger proportion, 57%, expect their children would get involved in the family business at some point.



“
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Generation X, Female, United States

Figure 4.9: Percentage of Next Gens who expect their children to be involved in the family business¹²



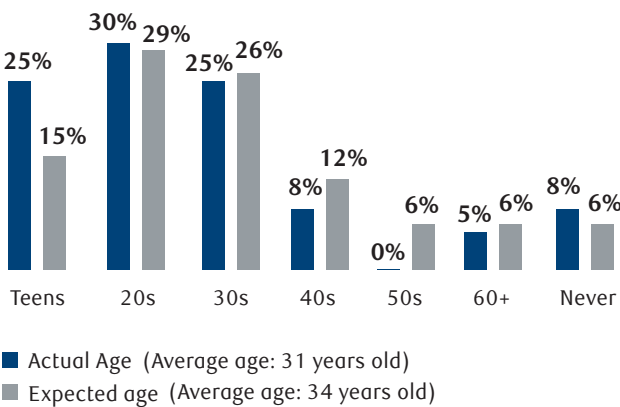
Note: Insights from this analysis need to be approached with caution due to the small sample size (18 Next Gens have children over the age of 23).

4.2 Education on the management of wealth

Next Gens first learned of the extent of their family wealth at 31 years, on average

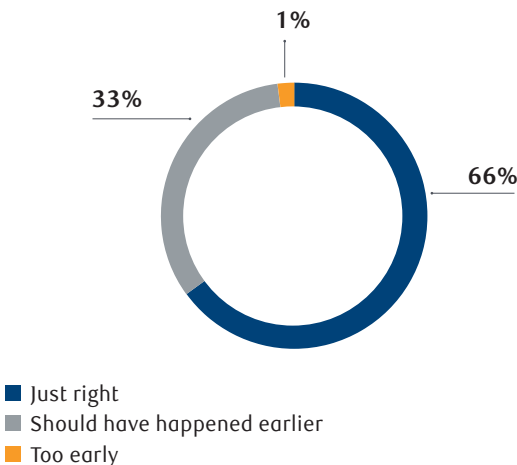
When it comes to discussing the family wealth, the large majority of Next Gens first had these talks with their parents before they turned 40 (80%), with the average age being 31 years old. This is slightly below the average expected age of 34 (figure 4.10). Two-thirds (66%) of respondents feel that these discussions happened at the right time. Conversely, a third (33%) feel they should have happened sooner (figure 4.11).

Figure 4.10: Age Next Gens spoke to their parents about the level of their family's wealth versus age they expected to have the discussion



Note: Percentages may not round to 100% due to rounding errors.

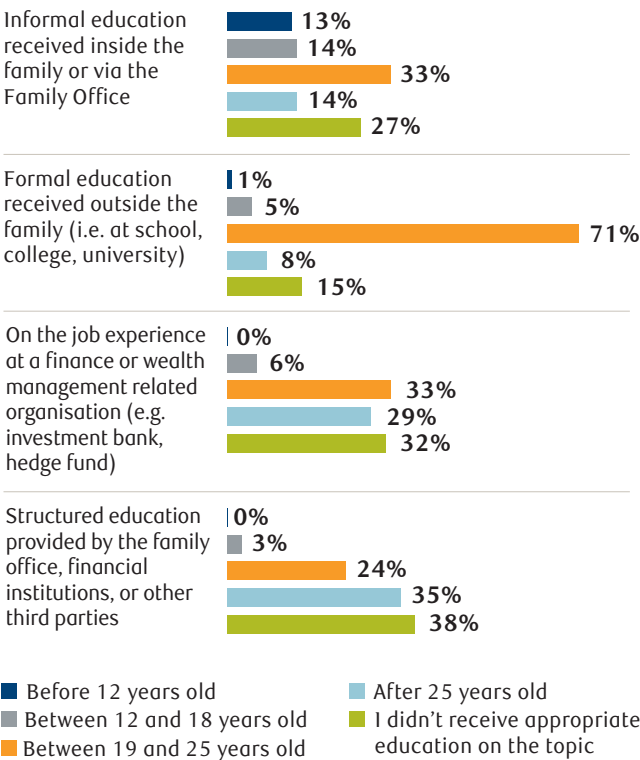
Figure 4.11: Timing of talking to parents about the level of family's wealth



Education on managing wealth began early for many

By their 18th birthday, more than a quarter (27%) of Next Gens began to receive informal education about managing wealth from their family or family office, with nearly half of these lessons beginning before Next Gens were just 12 years old. The largest proportion, 33%, gained this knowledge between 19 and 25 years old. During these latter years, the bulk (71%) also received formal education on the subject matter at a college/university (figure 4.12).

Figure 4.12: The ages Next Gens received management of wealth training/education



Note: Percentages may not round to 100% due to rounding errors.

To put this education into practice, it was furthermore common for Next Gens to work at a finance or wealth management-related organisation (e.g. an investment bank or hedge fund), with a third (33%) taking on such employment between the ages of 19 and 25 years old, and another 29% doing so after this period. Even further, the majority of Next Gens (62%) received structured education about managing wealth from their family office, a financial institution or other third-party. In sum, the training many Next Gens have received is both in-depth and long-term.



“

With each generation you tend to see a difference in the way that generation looks at life.

Over time, you are further and further away from the individual who made the money in the first place.

Baby Boomer, Male, United States

”

With that said, there are still notable proportions of Next Gens who have not received such training. To illustrate, between 27% and 38% of those surveyed have not received either formal or informal education from the family, family office, or other provider, nor did they gain related experience on the job. This might, in part, explain why over half (54%) of Next Gens reported feeling concerned that they could lose the wealth their family has created (as noted in Section 2. Life satisfaction and health).

Having significant wealth can be an incredible privilege; but it can also be a significant responsibility. In turn, ensuring the next generation, despite their chosen professions, are well equipped to manage their wealth post-succession can help families both now and for generations to come. In addition, it is also important to ensure family members are on the same page in terms of their wealth-related objectives/responsibilities to help protect families from losing their wealth down the generational chain, as illustrated by one respondent:

“The dynamic that exists today as we move to generation five, is that we have a number of members of generation five who are waking up and saying, ‘Wait a minute, our numbers are getting greater and greater. The purchasing power of what comes to each generation is diminishing and what can we do to rectify that?’ I have a situation where about two-thirds of the family couldn’t care less about the business piece and are much more focused on family, life, and philanthropy. Then I’ve got about a third who are saying we need to rev

this thing up from an investment perspective and ensure that we can generate enough to maintain purchasing power for each generation moving forward.” – Baby Boomer, Male, United States

Reflecting on the differences between the generations, another Next Gen remarked on how the further a family gets down the generational line, the further it can become removed from the original wealth creator:

“With each generation you tend to see a difference in the way that generation looks at life. Over time, you are further and further away from the individual who made the money in the first place.” – Baby Boomer, Male, United States

This is an important point, as the valuable knowledge wealth creators have about generating money and operating businesses successfully can get lost through the generations if family members do not work hard to preserve it. And, here is where family wealth is often lost.

Managing a portion of the family wealth came at 33 years old, on average

Next Gens typically began managing a portion of their family wealth in their thirties (38%), with the average age being 33 years old (figure 4.13). This came somewhat sooner than Next Gens broadly expected, with 40 being the average age one presumed this would happen. With that said, 81% feel that the age it did occur worked well for them (figure 4.14).

Figure 4.13: Age Next Gens began managing a portion of their family's wealth versus the age they expected this to happen

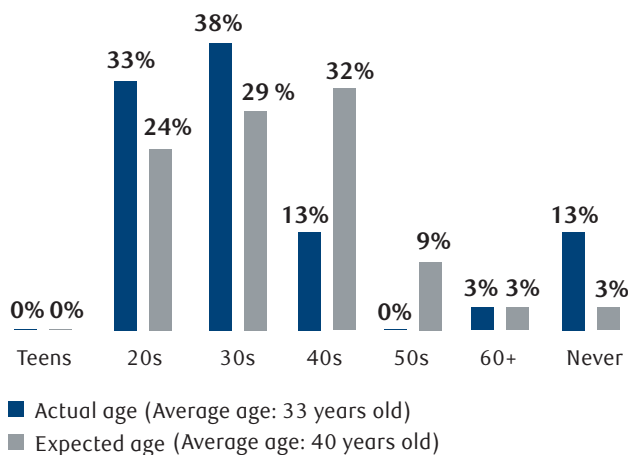
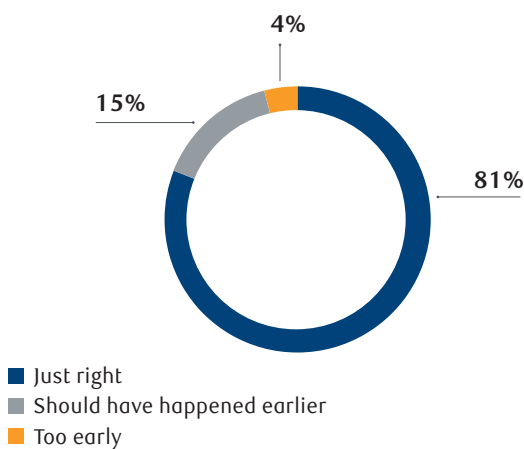


Figure 4.14: Timing of beginning to manage percentage of family wealth



Note: Percentages may not round to 100% due to rounding errors.

4.3 Next Gens' plans for their children

Eighteen to 35 years old considered the optimum age for a variety of milestones

When it came to Next Gens planning for their children's future in relation to the family enterprise (including getting their first job in the family business, graduating to a leadership role, managing a portion of the family wealth or discussing succession), by and large, an equal proportion believe these events should happen between the ages of 18 to 25 years and 25 to 35 years (figure 4.15).

One theme that emerged from the interviews on this topic related to the need to allow youth to gain experience and mature in their roles:

"At 35, I feel like Next Gens know something. They've been out there and made a few mistakes, and they maybe did a few things right. They saw people screwing other people or getting screwed by somebody. They have had a chance to see legal documents that are one-sided or not one-sided. It takes a while to learn to watch out for the bad guys, and to take advantage of what you've learned in your own business. In turn, I think that it takes people until they are in their thirties to mature."

— Baby Boomer, Male, United States

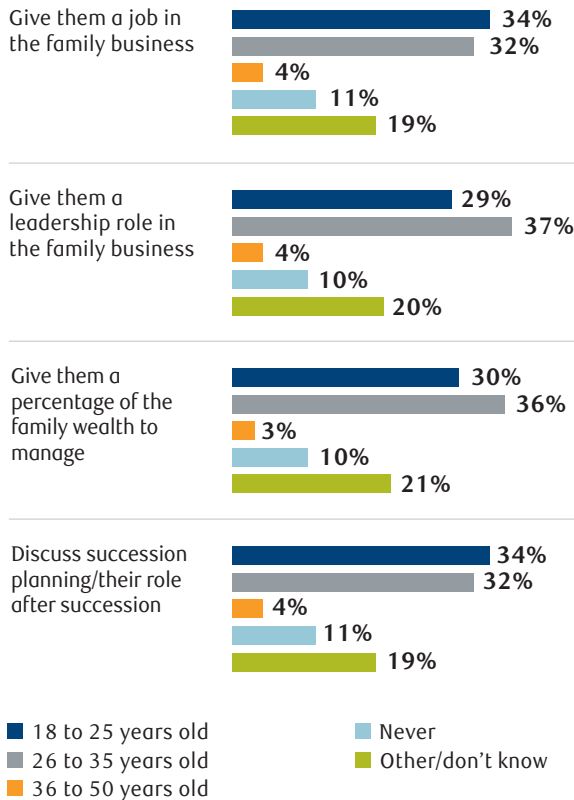


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Baby Boomer, Male, United States

Figure 4.15: Next Gens' development plans for their own children, by age



Note: Caution should be used when interpreting these figures due to the small sample size for this question.

Another theme that emerged related to bringing Next Gens into the conversation early, in an honest and open fashion, so they can adequately prepare themselves for the responsibility of wealth stewardship:

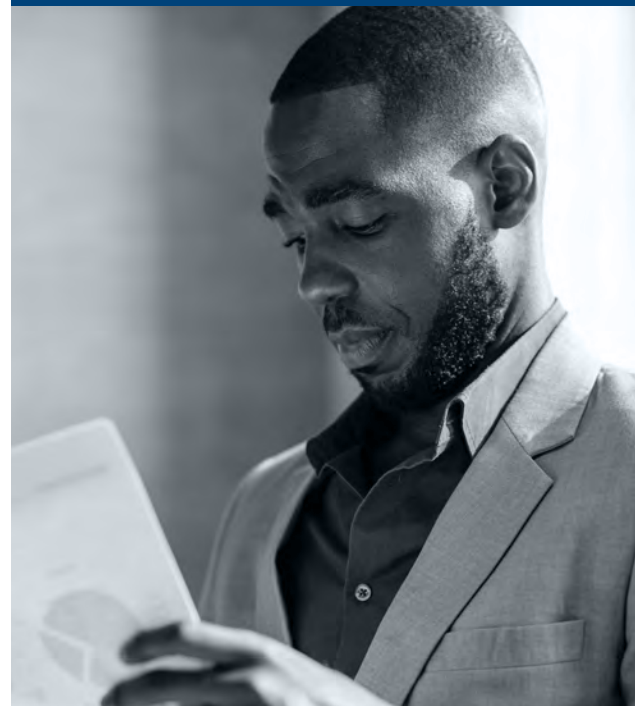
"In terms of succession planning, there are two streams – one stream is making the office ready for the next generation and the other is making the next generation ready for the office. I see too many families in situations where they keep the next generation away from any form of decision-making or business involvement. Their attitude is, 'How dare you question your parents.' Then, all of a sudden, the parents pass away and the next generation have a huge amount of wealth and have no experience, no idea, maybe they never even had a job before. One of the things that you should be using family offices for is providing formal input and education for family members. We've been very successful at using the family office as a training ground for the next generation." — Generation X, Male, United Kingdom

"I think too many wealthy people want to pretend that they're not wealthy, so they don't talk to their kids about how to steward their wealth. I'm always advocating to people that it's important to be very open with your kids about your wealth and what to expect. They need to know so that there aren't any surprises. I work in philanthropy with a lot of wealthy people and I have heard a lot of horror stories about inheritors who didn't know what they were going to get. They felt so betrayed by their parents, as they felt like they didn't trust them to be able to handle the money, so they found out about it after their parents died. A lot of anger was generated from hiding this from them." — Baby Boomer, Female, United States

“

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Generation X, Male, United Kingdom



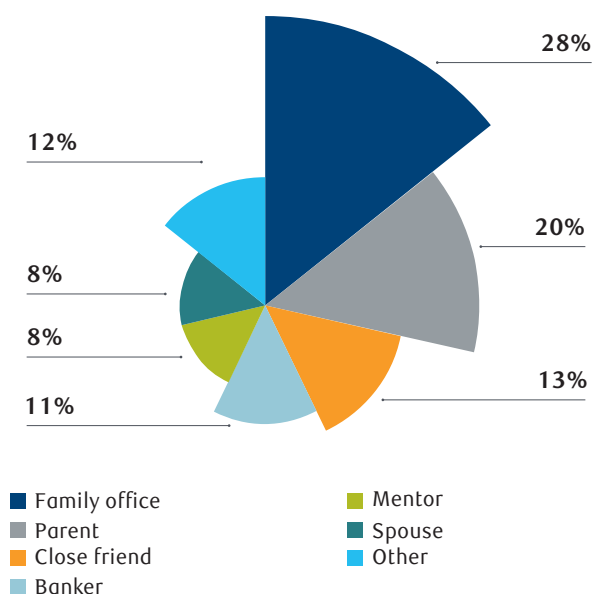
4.4 Financial advice and banking

Next Gens' first point of call for advice on the management of their wealth is their family office

As reported by Campden Wealth in 2017, the majority (71%) of Millennials in North America tend to seek professional advice when making finance/wealth management-related decisions. At the time, family offices were voted Millennials most trusted advisors, with a significant 93% remarking the advice their family office provided was good/excellent⁷.

In keeping with this finding, among the Next Gens studied here, family offices are their first port of call when seeking advice about managing their own wealth (28%). Contacting one of their parents is second (20%), while friends is third (13%), and bankers fourth (11%) (figure 4.16).

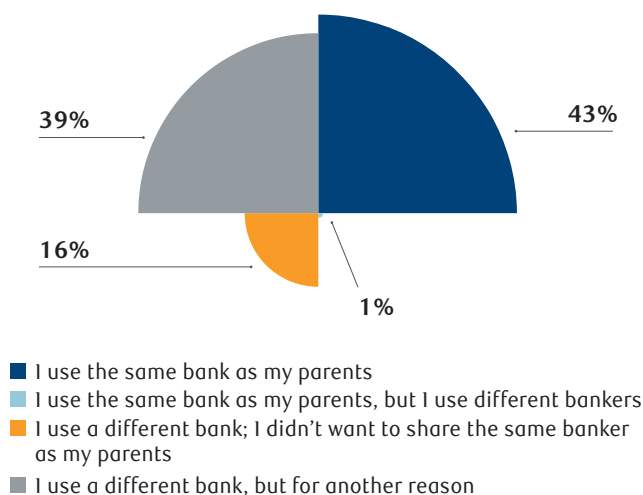
Figure 4.16: Who Next Gens typically call first when they have a question about managing their own wealth



The majority of Next Gens use a different bank than their parents

Charting their own path, more than half (56%) of Next Gens have chosen to use a different bank than their parents, with 16% claiming to do so 'because they did not want to share the same banker as their parents', and the remaining 39% doing so for 'other reasons' (figure 4.17).

Figure 4.17: Whether Next Gens use a different bank than their parents as their primary bank for personal needs



Note: Percentages may not round to 100% due to rounding errors.

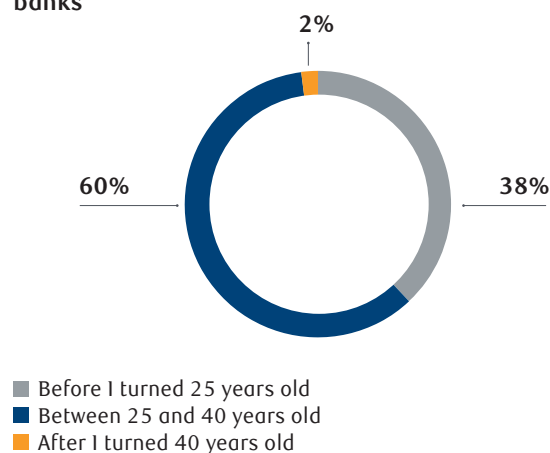
These reasons include a desire to be independent, or to find a bank which is closer to where they live or which has better fees and services.

Nearly all (98%) of those who decided to switch banks did so before the age of 40 (figure 4.18).

In relation to what Next Gens look for when choosing financial service providers more broadly, some of the key criteria listed are their:

- ability to offer specialized private wealth management advisory services (31%);
- an ability to offer a wide range of services beyond traditional banking products (30%);
- Next Gens' access to senior management at the firm (29%); and
- whether or not the provider is well respected by Next Gens' friends/peers (29%) (figure 4.19).

Figure 4.18: Age when Next Gens decided to switch banks



In the words of two Next Gens who continued to use their parents' bank:

"I would rather bank with somebody I know well, who knows us well, who we have spent a lot of time with, rather than going with the cheapest person on the block. I think for any organization, you have to know the senior management team because there are always bumps in the road and if everybody knows and is comfortable with each other, things work out better through the economic ups and downs." — Generation X, Female, United Kingdom

"I use the same banks as my parents. It's a combination of convenience, as the accounts are already open, and the existing beneficial relationship we have with the private banking manager." – Millennial, Male, United Kingdom

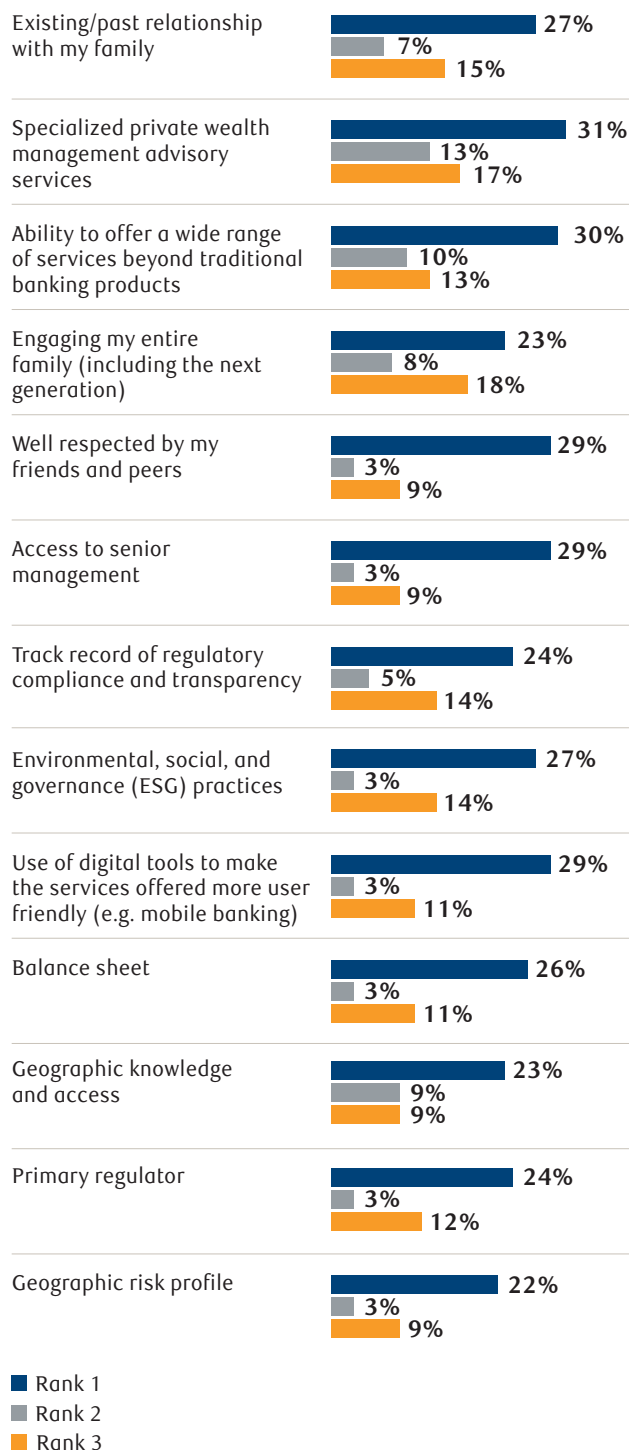


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I would rather bank with somebody I know well, who knows us well, who we have spent a lot of time with, rather than going with the cheapest person on the block. I think for any organization, you have to know the senior management team because there are always bumps in the road and if everybody knows and is comfortable with each other, things work out better through the economic ups and downs.

Generation X, Female, United Kingdom

Figure 4.19: The three most important criteria in selection of financial service providers, multiple options permitted



Note: Respondents were asked to rank the three most important criteria amongst the following factors. This chart denotes the proportion of responses per factor

CASE STUDY 3

A new generation reshapes a traditional legal landscape

An interview with Benji Tucker

Millennial, United Kingdom

Benji Tucker, a Millennial from London, England, is a solicitor at Tuckers Solicitors, the largest criminal defence and civil liberties law firm in the United Kingdom. Established in 1980 by Benji's father, Barry Tucker, the firm specializes in civil liberties, criminal law, and regulatory proceedings.

Herein lies an interview with Benji, whose strong social values epitomize a generation that is often characterized by a desire to not only generate wealth, but also create a positive social and environmental impact. Through a journey of self-discovery, Benji has found a unique way to build on his family legacy, while also embracing his passion for fighting for important social causes. He also offers interesting insight into the characteristics of the Millennial generation, and the influence they are having on organizations' social betterment initiatives.

Using the legal system to fight for social change

Tuckers Solicitors' social justice programs, Justice Champions Law and the JUST Society Anti-Knife Crime Initiative, are where Benji focuses much of his time, fighting for animal rights activists, knife crime reduction, and economically disadvantaged youth.

Justice Champions Law

To promote justice, Benji is helping the firm to take a progressive and innovative approach to legal representation through the Justice Champions Law initiative. Previously, barristers and PR experts have tried to keep the press at bay to protect their clients. However, Benji remarked, *"We are flipping this on its head, and using a creative mind-set to help get unjust cases directly into the spotlight. Public opinion matters to initiate change. In turn, we are achieving justice for our clients by proactively championing their cases, not just in the court of law, but also in the court of public opinion."*

The firm's initiative is soft-launching at the moment. Here, Benji and his colleagues are currently in the process of preparing a high profile case to represent animal rights activists, who Benji believes are 'justice advocates', to challenge a large, luxury, high street brand. Benji, who is proud to be part of the case, remarked, *"This is a very exciting initiative for me, as it gives a voice to those normally left voiceless and brings injustice to light."*

This particular initiative is dear to Benji as he notes, *"I have been a vegan for nine years, and have closely looked at animal abuse and injustice in our society. I strongly*

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Public opinion matters to initiate change. In turn, we are achieving justice for our clients by proactively championing their cases, not just in the court of law, but also in the court of public opinion.

believe that for many reasons, from personal health to animal welfare, and the type of society that we as humans aspire to be, that this is the right way to go. I can therefore relate to animal rights activists, as I view them as justice seekers who are fighting for a good cause. It is therefore a great honor to be able to give a voice to animal rights protestors who are normally trampled on, and empower them to speak the truth about these societal wrongs."

JUST Society Anti-Knife Crime Initiative

Caring about societal change is also the driving force behind

the firm's JUST Society Anti-Knife Crime Initiative, which tackles knife crime, and social and economic inopportunity. Being part of this work, Benji is looking at the problem of knife crime, particularly in inner cities, from a holistic perspective. He not only wishes to reduce weapons use, but is also trying to provide broader support to disadvantaged communities who suffer the most from these crimes. He remarked:

"I believe it is our responsibility as the largest criminal defence firm in the UK to utilize our resources and reputation to make deprived communities better. It's all very well telling people not to join gangs and to drop their knives, but if there isn't an alternative in place, then it's not a tangible solution. To this end, the JUST Society Anti-Knife Crime Initiative focuses on how we can spark systemic change by creating a positive alternative to gang membership. We aim to build this alternative community with a mantra of positivity and potential for growth in the right direction. The aim is to show the light at the end of the tunnel and enable people to get there through self-development, mentorship, skill acquisition, and access to industry."

To achieve this, Benji is building a network of like minded individuals. He is reaching out to people and corporate CSR programs to help give disadvantaged youth access to a range of opportunities, from career preparation and role models to industry exposure.

Millennials' take on the world – 'So we have wealth, what's next?'

While Benji is part of a new generation which often values social betterment, his beliefs surrounding personal responsibility and justice have also been shaped by his family.

He remarked, *"My grandma was a magistrate and counsellor. My grandfather, Harold Tucker, was also in politics and Lord Mayor of Manchester. Together, they emanated an incredible sense of justice and social responsibility, which has really resonated with me."*

However, while his family has always embraced values of social justice and giving, Benji sees a difference between his parents' generation and his own, namely in the way they choose to give back to society. *"While my father is very into social causes and philanthropy, it is more in terms of giving to or being part of charities which he thinks will do good. As both a private client and legal aid practice, there is a sense that this is part of the raison d'être of the firm. However, I just wanted to take this work a step further."*

Highlighting the differences between the generations further, Benji added, *"We are the generation following those who believed that making money was a life purpose in itself. I think this gave the Millennial generation a view of 'What's next?' or 'What else is there?', as wealth by itself doesn't necessarily equate to happiness. I think the definition of success has changed for our generation, and many more individuals are defining it as spreading positivity and being true to yourself."*

In terms of what has effectuated this change and what it means to his own life, he noted, *"I think the world being more connected via social media is definitely a catalyst to wanting to change it and make it better. I personally believe my purpose in life is to*



Benji Tucker

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My purpose in life is to continue on with my philosophical exploration, to become the best version of myself I can, and to try to create a positive ripple effect.

continue on with my philosophical exploration, to become the best version of myself I can, and to try to create a positive ripple effect."

Charting one's own path, while embracing a family legacy

While Benji currently feels fulfilled in his role in the family business, his path to get there did not come without its hurdles. When he initially qualified as a solicitor, he had second thoughts about practising law and stepped back from the firm. This led him down a path of self-discovery which, interestingly, a decade later, took him back to the family firm, and his roots. He remarked:

"When I first qualified as a solicitor, I wasn't sure that being in a law firm was my path, and I went on a journey of self-discovery in philosophy and human nature. I looked at the construction of self and built my own theory and understanding. I asked myself, 'Who am I, who would I like to become, and how do I create the best version of myself?' The journey began with the analysis of self and the world around me. I started breaking things down into points of information, then reconstructing them into building blocks and structures.

One way of looking at this is like a Lego castle. We have each built our own castle of self. They take different shapes, but the pieces are basically the same. They have been influenced by us and by others, like parents or teachers, along with experiences, like heart break or success. If you can break this down, understand it, and see the process, then you can rearrange or remove some constructions and enhance others. For instance, you can build confidence or remove insecurities. You can become who you really you want and should be.

I believe it is our responsibility as the largest legal aid firm in the UK to utilize our resources and reputation to make deprived communities better. It's all very well telling people not to join gangs and to drop their knives, but if there isn't an alternative in place, then it's not a tangible solution.

After taking this journey, I realized that being in a justice firm is the perfect place to put my philosophies into action, and I grew to realize that it's an amazing responsibility and privilege to help justice exist."

In turn, through taking the time to learn about himself and what fundamentally motivated him as a person, he found a way to combine his personal interests and core values with his family's legacy. *"The justice system is one of the fundamental pillars of our society. To bring injustice to light, enable representation for those in need, and find creative solutions to societal problems, creates a real opportunity for change. By joining the family law firm I can be the person I am and exercise what I believe in, while helping shape society in a better way."*

For the generation after Benji's, he hopes they will get the chance to explore their passions at a much younger age. He and his wife have a young daughter and based on his own experience, Benji is grateful for the privilege of having went to a liberal private school, but he also wishes that methods of teaching would change in the future and become less rigid. *"I would rather my daughter play in the gardens or with animals, and explore her interests in her own time. I would potentially live in different*

places so that she can experience different environments, and would tell her to focus on her heart's desires."

Responding to COVID-19 with positive action

Reflecting on the impact of COVID-19 on this work, Benji noted, *"In the UK, courts have slowed down due to the lockdown. In turn, we are working online at the moment, putting together interested parties and building teams that have the skills and desire to make a real difference."*

He added, for society, this is a unique opportunity to reflect and come together. *"I think the virus has shown us that no matter how different we might perceive ourselves as people or nations, in the end we are all interconnected. Everything we do affects one another, and this strengthens the notion that we are all one society."*

In turn, Benji believes that people can come together to create a 'silver lining' amidst the difficult situation, by finding a positive difference they can make to help those in need. *"I believe it's imperative that those in power, or who have wealth, help those who do not to succeed. The bubble, or ivory tower we often imagine ourselves to be in, is just an illusion."* ■

5.

Philanthropy

- The majority of Next Gens (84%) gave up to US\$1 million philanthropically of their personal wealth over the last 12 months. The key causes they support are education (51%), youth/children (34%), arts, culture, and sport (32%), and community development (32%).
- In terms of the vehicles they use to give, 37% give directly to causes, 28% give to charities, and 27% give via their family foundations. Less used vehicles are donor advised funds (19%), family businesses/corporate foundations (7%), and family offices (5%).
- The biggest challenges Next Gens face when giving include measuring the impact of their philanthropic activities (36%), identifying good organizations to support (24%), finding co-investing partners (11%), and scaling up successful initiatives (10%).
- Two-fifths of Next Gens expect to leave 10% or less of their wealth to philanthropic causes when they pass away. More than a third plan to leave more, with 21% aiming to leave between 11% and 24%, and 13% aiming to leave a quarter or more.

Definition of Philanthropy

The voluntary act of giving by an individual or a group to promote the common good. Philanthropic giving supports a variety of activities and causes, such as research, education, the arts, social justice, poverty alleviation, and climate change.



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Giving back is a major part of my life. I not only have three family foundations, but I'm also a philanthropic consultant, so I help other philanthropists give money away in an effective, impactful way. It's a huge part of my life. It feels good to be doing something that can have a lasting effect.

Baby Boomer, Female, United States

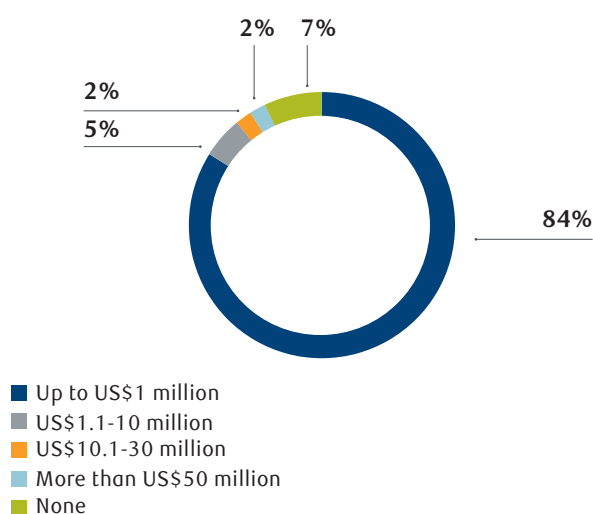
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5.1 Philanthropic engagement

The majority of Next Gens gave up to US\$1 million over the last year

In terms of philanthropic giving, the large majority of Next Gen participants (84%) gave up to US\$1 million of their own personal funds over the last 12 months. Five percent gave between US\$1.1 million and US\$10 million, while 4% gave over US\$10 million (figure 5.1).

Figure 5.1: Amount personally given to philanthropy in the past 12 months



It was also noted from the interviews, when Next Gens give to community development or educational establishments, it tends to be due to a personal affiliation with a cause. With regards to community development, a Baby Boomer from California discussed the work she and her family have done nearby in San Diego:

“With my parent’s foundation, we wanted to have an impact, especially on poverty. We decided that the best way to do that is to focus microscopically geographically, so we work in a low-income neighborhood in San Diego. Our focus on economic development comes from my dad, as he feels that the most charitable thing you can do for someone is to give them a living wage job. We’re building housing, commercial, and business space, so that jobs will be created. It’s so much better than a grant. For the community development part, we didn’t want to come in and tell people what they needed for a community. Instead, we said, ‘What do you need?’, ‘What would you like us to do?’, ‘How do you want to do it?’ We have always had residents in the community involved in our work, and the outside board members are community members.” — Baby Boomer, Female, United States



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Our focus on economic development comes from my dad, as he feels that the most charitable thing you can do for someone is to give them a living wage job.

Baby Boomer, Female, United States

5.2 Causes supported

Education is the most common cause supported

The most popular causes Next Gens support are education (51%), youth/children (34%), arts, culture, and sport (32%), and community development (32%) (figure 5.2).

In terms of gender differences, interestingly, women most often support environmental causes (e.g. climate change, conservation, animal rights, food security, sustainable agriculture), youth/children, and gender equality, while men most often support causes relating to health and the elderly (e.g. veterans and adult care).

Figure 5.2: Causes Next Gens support philanthropically

Education (e.g. primary/secondary education, further education, academic research)

51%

Youth/children

34%

Arts, culture, and sports

32%

Community development

32%

Health

24%

Environment (e.g. climate change, conservation and animal rights, food security / sustainable agriculture)

22%

Economic and social development (e.g. financial inclusion, entrepreneurship)

21%

Humanitarian causes (e.g. disaster relief, support for refugees fleeing violent conflict)

16%

Gender equality (e.g. promoting education for girls, financial empowerment, entrepreneurialism for women)

14%

The elderly (e.g. adult care, veterans)

12%

Political, civil, and human rights (e.g. civil liberties, freedom of expression)

11%

Conflict and peace (e.g. international and global affairs, peace / conflict resolution)

9%

Other

9%

Note: Multiple options permitted.

The importance of community development in one's local area is also echoed by a Gen X in the United Kingdom:

"We do philanthropy out of our UK-based family office. We look at philanthropy locally. Many of our people are London-based, so we support causes we consider to be important in our neighborhood; like knife crime in the inner city." – Generation X, Male, United Kingdom



“

My sisters and I all grew up in the same school, while my brother and father went to the same university. In turn, we tended to overlap at different places that ended up having big impacts on our lives. When we collaborate, it most often has to do with giving back to those institutions. It has made a lot more sense to do it that way.

Generation X, Female, United States

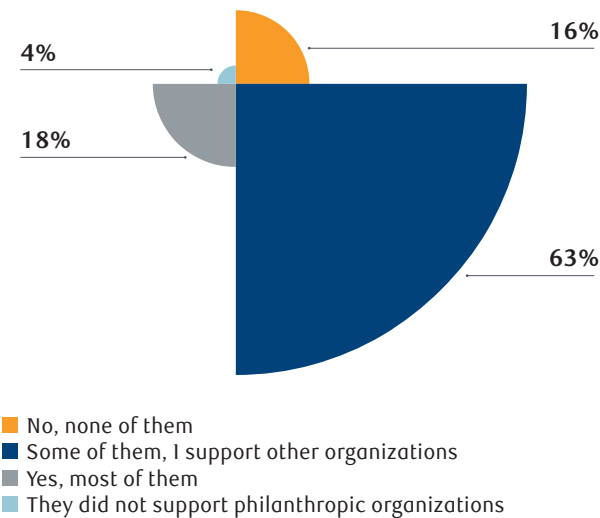
Similarly, when giving to education, as noted, having a personal affiliation to an institution appeared to be of importance, as demonstrated by a female Next Gen in the United States:

"My sisters and I all grew up in the same school, while my brother and father went to the same university. In turn, we tended to overlap at different places that ended up having big impacts on our lives. When we collaborate, it most often has to do with giving back to those institutions. It has made a lot more sense to do it that way." — Generation X, Female, United States

Next Gens are starting to make their own philanthropic decisions

While nearly a fifth (18%) of Next Gens support most of the philanthropic organizations their parents support, many of them are starting to make their own decisions surrounding giving, as indicated by the fact that 63% purport to support just some of the organizations their parents support, while 16% support none of them.

Figure 5.3: Whether Next Gens support the same philanthropic organizations as their parents



Note: Percentages may not round to 100% due to rounding errors.

5.3 Vehicles for giving

Next Gens most often give directly to causes

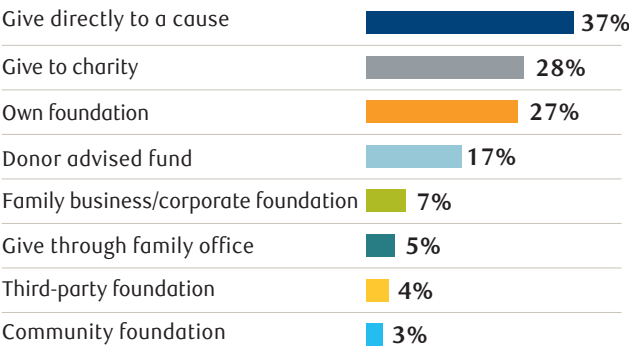
In relation to the vehicles used to give philanthropically, more than a third (37%) of Next Gens give directly to causes (e.g. schools in need, local food banks, etc.), followed by giving to charities (28%), and giving through their family foundations (27%) (figure 5.4). Less used vehicles are donor advised funds (19%), family businesses/ corporate foundations (7%), and family offices (5%).

One Next Gen from the United Kingdom remarked about the directional benefit of giving through a foundation:

“The foundation has been really useful as it’s a clear template for the family to sit down and say, ‘What do we really want to give to?’, ‘What is important in Africa that we should support?’ There are thousands of good causes, but if you dilute your activity too

much, you don’t really make any impact. What we try to do is be laser-focused about our core beliefs, and then we support those core beliefs quite robustly.”
– Generation X, Male, United Kingdom

Figure 5.4: Vehicle for philanthropy



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My aunt said, ‘I don’t care about getting recognition for this, as it devalues the scholarship from the recipient’s perspective. The scholarship is about the recipient, what they’ve accomplished, and what they can accomplish in their lives. I don’t need to be thanked all of the time, or have my name associated with it; that’s irrelevant.’

Millennial, Male, United States



“

It's very easy to lose your way in philanthropy. Some people set out to try and change the world and support absolutely everything. Irrespective of how much wealth you have, you simply can't do that – you can't give everything to everybody all the time.

Generation X, Male, United Kingdom

The importance of having a clear focus for giving is also explained by another Gen X in the United Kingdom:

“It's very easy to lose your way in philanthropy. Some people set out to try and change the world and support absolutely everything. Irrespective of how much wealth you have, you simply can't do that – you can't give everything to everybody all the time.” — Generation X, Male, United Kingdom

For a Next Gen in the United States, the benefits for him were more related to being able to give anonymously, which is a high priority for his family:

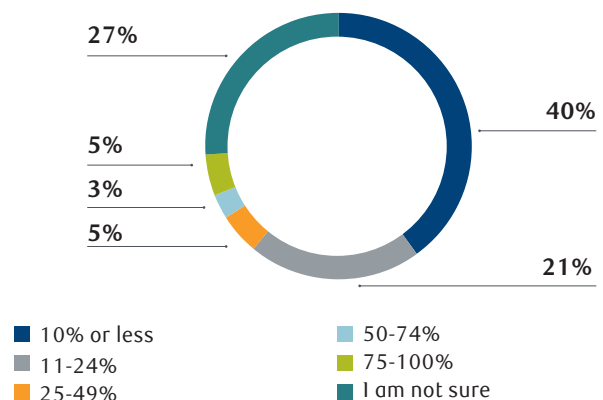
“I have a strong preference towards using the family foundation. It's not possible to be totally anonymous in the US with the rules and regulations around these things, but we have a very non-descript name for the primary foundation that we use. My aunt, who really drove a lot of this and started out running the foundations, really cared about maintaining anonymity. This is not because we are giving to causes that we don't want people to know we are associated with, but because she believes that receiving copious amounts of recognition for doing the right thing devalues having done the right thing. For example, we have been giving out a college scholarship for a couple of years...My aunt said, ‘I don't care about getting recognition for this, as it devalues the scholarship from the recipient's perspective. The scholarship is about the recipient, what they've accomplished, and what they can accomplish in their lives. I don't need to be thanked all of the time, or have my name associated with it; that's irrelevant.’” — Millennial, Male, United States

Next Gens intend to leave 10% or less of their wealth to causes when they pass away

In terms of the proportion of their wealth they plan to leave to good causes when they pass away, most expect to leave 10% or less (40%). However, over a third plan to leave more, with 21% aiming to leave between 11% and 24%, and 13% aiming to leave a notable 25% or more (figure 5.5).

It should also be noted that many of the Next Gen who participated in this survey are still relatively young, and so this question might not be something they have yet thoroughly considered. In turn, these findings should be taken with a grain of salt.

Figure 5.5: Amount expected to leave to causes after death



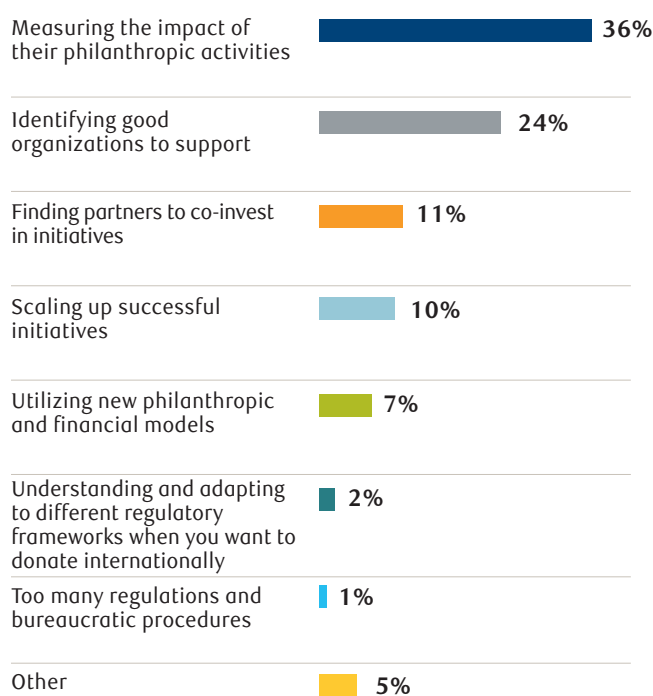
Note: Percentages may not round to 100% due to rounding errors.

5.4 Challenges to giving

The biggest challenge for Next Gens is measuring the impact of their philanthropic activities

Engaging in philanthropy can have its challenges. The biggest challenges Next Gens reportedly face include measuring the impact of their philanthropic activities (36%), identifying good organizations to support (24%), finding co-investing partners (11%), and scaling up successful initiatives (10%) (figure 5.6).

Figure 5.6: Challenges faced when engaging in philanthropy



One Millennial from the United States remarked about the difficulty he faced when trying to find a co-investing partner to scale up an initiative:

“There are some ideas that we have around education and how things can be reformed more effectively when rolled out on a larger scale, whether that’s national or regional, rather than local. Finding partners who have similar ideas can be challenging though. We can’t fund a massive nationwide program for something in education ourselves, as we don’t have that level of wealth. If there are others who have similar ideas, I think we can easily put something like this in place.” — Millennial, Male, United States



“

I think one challenge is around effectiveness. We’ve worked on educating ourselves as a family on what types of impact certain gifts will have with certain organizations, and restricting our gifting accordingly.

Millennial, Male, United States

Another Millennial in the United States spoke about the challenge of overly bureaucratic and non-efficient charities, and noted how his family has addressed the problem:

“I think one challenge is around effectiveness. We’ve worked on educating ourselves as a family on what types of impact certain gifts will have with certain organizations, and restricting our gifting accordingly. We’ve found that, unfortunately, there are some really bureaucratic organizations with high overheads, or they’re just very slow to implement changes. We have tried in a lot of cases where we have made a large gift, to have at least one family member get very involved. Not in a big brother oversight type of way, but more in a way that we’re comfortable with the organization and what it’s doing, and we’re able to manage both their expectations and ours concerning what the dollars are going to be doing.” — Millennial, Male, United States

CASE STUDY 4

Training to take over the family office, while reshaping the family's philanthropic legacy

Case study with Louisa

(name changed for purposes of anonymity)

Generation X, United States

Louisa is a fourth generation family member, portfolio manager, and managing director of a multi-family office in the United States. Her family had a successful business in manufacturing, which was sold in the 1980s. After the sale, Louisa's father established an investment management business which, over time, evolved into a multi-family office.

As Louisa noted, *"It wasn't until the 1990s that the actual family office structure was put in place. There were about 10 years where it was loosely investment management focused."*

At present, Louisa works closely with her father, who ultimately runs the family office. As Louisa is a managing director in her forties, the family is deep into fulfilling its plans for succession. However, she remarked that the process has been a long journey, which is still in the making.

She also highlighted how her generation looks at the world differently and how this is changing the way families of wealth approach philanthropic giving.

Growing into the family business

Louisa's initial indoctrination into the family enterprise came when she first learned about her family's wealth. The revelation was explained to Louisa in her twenties in one large-scale discussion.

She remarked, *"At the time, it made sense, and it was nice to get to know all the pieces. I think it was a testament to how much planning and thought my parents had put into what they wanted to tell me, and when they wanted to tell me."*

Later, when Louisa was 27 years old, she took on a job at the family office. This was after she received an advanced education in business and investing, and worked for a major investment bank. Feeling positive about the

transition into the family business, she remarked, *"I felt the timing was right. Any time between one's late 20s or early 30s seems like a good time when people can make their own decisions based on whatever their career path has been so far."*

To further prepare her and her siblings to become independent adults, able to juggle various financial responsibilities, her parents established a team of advisors and formulated family trusts.

"My parents had a good structure for succession. Family trusts were put in place, along with outside advisors to support us with everything from education, to how to get a mortgage on our first home. Putting safeguards like that in place are important, whether it's for when you are 25, 30, 35 or any other age."

“

Any time between one's late 20s or early 30s seems like a good time when people can make their own decisions based on whatever their career path has been so far.

”

As she and her brother have grown to take on greater responsibility in the family office, it has proven to be a natural evolution for succession.

“My brother has joined me in the business recently, and I would say we’re moving in a direction of it being pretty clear that we’ll step in as the heads. My sisters are not interested at all, so I feel like my dad is getting more comfortable with having us two family members and the four or five non-family members run the firm. We have not fully said this is the plan, but we have started to put the pieces in place so that it just happens.”

To effectuate a smooth transition, Louisa also remarked about the benefit of having a close relationship with her father, who is her guide and confidant.

“If I have a question that my husband and I can’t figure out, normally my dad is the first call. It could be because we work together, and because we are just always in contact.”

Thinking ahead – planning for the succession, after succession

Given her parents’ thoughtful consideration for her succession, Louisa has started to think about the path she will forge for her own children. With three young kids at home, she knows there will be big decisions the family will one day have to make.

She is also cognizant that family dynamics are changing between generations, as families more often branch out across different geographic locations, making it more challenging to work as a unit. She noted,



“

There is a question of what is expected of children and what is not.

I want to have some form of conversation as early as I feel like they are in a position to own their own destiny. We can then ascertain whether or not they might wish to join the family business.

“Families don’t often live in the same place as much as they used to”. Furthermore, “There is a question of what is expected of children and what is not.”

Louisa knows that her children, like some of her siblings, might not want to join the family business in the future. In turn, when she feels her children are mature enough to handle the discussion, she wants to ensure a free and open channel of communication is created.

“I want to have some form of conversation as early as I feel like they are in a position to own their own destiny. We can then ascertain whether or not they might wish to join the family business.”

In terms of when she feels it will be the right time to discuss her wealth with her kids, she emphasized a desire to wait until they have their own life and financial affairs in order. This maturity, she believes, will help them cope with the responsibility of wealth.

"My father's sibling approached how she discussed her wealth with her children differently than my parents did. She waited longer to have the discussions. I now manage the accounts for the whole family and I get a sense that her kids took on the responsibility differently. I now wonder if that had to do with how old they were before they realized the safety net they had. This has encouraged me to think that it could be a good idea to wait a bit longer to have these discussions, as it is a lot to process. Perhaps the more well-equipped you are in your own life and your own finances, the better you will handle the transition."

Generational shifts in philanthropy

In addition to her work at the family office, Louisa is involved in a non-profit she established in her local area, which focuses on community redevelopment, civic engagement, and artistic collaboration and expression.

"I try to stay very connected to my local community. I founded a non-profit organization there, so I serve as the board chairwoman and support the staff. It's a community based social service event and public art non-profit."

Her interest in philanthropy, she says, is shaped by her surroundings, *"I think it's the dynamics of where I live. Living on the coast, working with communities that are under-resourced, and just being particularly attuned to environmental and social issues."*

Traditionally, her family has been involved in arts and education; a passion Louisa shares. However, she also sees a generational shift

in philanthropy, with her generation focusing more on environmental and social issues in the community.

"I do a lot more in terms of environmental and social issues, but through creative and educational outreach. My family's philanthropy overlaps some, but not completely. We overlap on education and arts organizations, but then we diverge on issues around community needs."

Where they align, all family members contribute to their prior schools and universities to give back to the institutions that formed them: *"My sisters and I went to the same high school, and my brother, father, and I went to the same college and university. Therefore, we tend to overlap on supporting places that had big impacts on our lives. We collaborate the most in giving back to those institutions. My sisters and I team up when we give to our high school. My brother, my dad, and I collaborated on a*

gift to our university. But, for what I do in the community, which is where I spend the most time, it is all personal. This is because my siblings and parents don't have the same connection to the local organizations or people that I do."

The family office is also trying new approaches to philanthropy that could blur the traditional distinction between giving and investing.

"The previous generation really saw investments as investments, and charity as writing a cheque. And so I'm in the process of thinking more about how to use our financial background to leverage our giving, versus just one extreme (philanthropy) or the other (investing). I still don't have a clear picture of what my family wants to do there. However, I am beginning the conversations for how we can be more dynamic in this space, if we utilize more strategies. So the jury is still out there, but it's on the radar." ■

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6.

Conclusion

6.1 Summary

This study has revealed a powerful body of insight into the exclusive and often veiled lives of UHNW next generation members. It has shown how this unique group of individuals has been groomed to steward immense wealth and carry on prized family legacies; however, they have done so with their own unique set of values. As these values shape into priorities, and these priorities lead to action, what has unfolded is a progressive take on families of traditional wealth.

Echoing the findings within this report, figure 6.1 reflects the key words that can often be used to describe this generation. In sum, and by-and-large as all individuals are unique, the next generation of wealth holders are a **highly educated** and **motivated** group. Many of them have been training for their roles of wealth stewardship since the time they were young, from listening to dining room table discussions about wealth/business management at home, through to undertaking advanced academic degrees, and participating in formal training offered by their family offices or businesses.

They are a cohort which is **eager** to learn new things, take on new responsibilities, and reach new milestones in their lives, such as taking on leadership roles in their family business or managing their family wealth.

As **legacy builders** and **entrepreneurs**, this generation not only wishes to honor their families' esteemed pasts, but to expand upon their success by growing their family enterprises. However, this drive does not come without its drawbacks. The concept of 'burden of wealth' is widely known within this community, and the pressure to carry

on the family legacy can be passed down through generations, as no one generation wants to break the chain and lose the wealth the family has amassed.

In response, it is common for members of this generation to gain advanced skills in business, and to take on **leadership** roles from a relatively early age. With great fortunes on the line, it is also common for them to have personalized and sophisticated instruments to help manage their wealth and succession planning. Thus, a notable 67% of those surveyed have dedicated family offices, another 67% were involved in the selection of their family office, and a further 78% plan to keep their family office post-succession.

Having been raised during a period of significant globalization, these respondents also frequently embrace an **international lifestyle**, with personal residences, business ventures, and philanthropic endeavors far afield⁸.

Likely as a byproduct of this outward looking lifestyle, they are also often socially conscious individuals, who wish to endow their children with values of not only **hard work** and an understanding of the **value of money**, but also **tolerance and respect for others**, and a sense of **social and environmental responsibility**.

As a result, the vast majority of respondents, 93%, endeavor to make a positive impact on the world by giving to causes, such as education, youth, and the environment. After all, family legacies are not only about amassing wealth, but also about a family's reputation and display of core values.

As another likely byproduct of globalization, along with living in a fast-paced, technologically advanced, media rich environment, this cohort harbors a number of **concerns**, some of which are unique to this generation. For example, they are concerned about **climate change**, potentially losing their family wealth, starting up new businesses, preparing for succession, juggling too many tasks, and a lack of time to care for aging parents.

Another common concern they hold is for their **health** – not only physical, but mental – and so they aim to look after themselves and their families from

a holistic perspective. In turn, many value elements such as personal counseling, friends, family, hobbies, and traveling to address their mental well-being, in addition to personal fitness, a good diet, and adequate sleep to address their physical well-being.

In sum, with 60% of this cohort coming from three, four or five or more generations of wealth, a sense of family legacy is often engrained in them. However, they have adapted to the rapidly changing, increasingly complex and globalized environment by adopting a **progressive** take on what it means to steward great wealth.





6.2 Advice for Next Gens

Address succession head on

Whilst two-thirds of Next Gens currently have a succession plan in place, one-third either do not or are unaware of any plans that may exist. Many others also have succession plans in place which may need to be updated. Given that life can sometimes take unexpected turns, there is no time like the present to get prepared. The most forward-thinking families plan for succession decades in advance, instilling both long-term and short-term (contingency) plans. Some tips for a successful succession are:

- Review the family's wider legacy plan, including the elements relevant to succession.
- Define a model for future leadership and outline the core issues to address.
- Identify the key skills needed for future leadership.
- Define and implement a fair and thorough process for leadership selection.
- Adequately train future leaders prior to them assuming their roles.
- Design a system for leadership performance reviews.
- Prepare for the execution of a clean succession.

Leave children well equipped to manage the family wealth...

In a similar vein, being part of a family with significant wealth can have many advantages, but it can also come with great responsibility. In turn, many of the Next Gens within this study have received copious amounts of training on the management of wealth, which often started when they were young. They received informal education on the subject matter at home and via the family office, along with formal education from family members, family offices, financial institutions, universities, and other third-parties. Some have also gained on-the-job experience at financial and wealth management firms, such as investment banks and hedge funds.

Still, however, many Next Gens are set to inherit vast sums of wealth with little understanding of how to manage it, let alone preserve it for forthcoming generations. As a considerable 54% of those surveyed highlighted a concern that they might lose the wealth their family has created, and 44% worried that their children could lose the wealth, it can be beneficial for parents to take an active role in facilitating children's learning prior to succession. Parents, in particular, have an immense amount of useful knowledge they can pass onto their kids, along with excellent access to inspiring minds in the field. Time is the most valuable gift a child, irrespective of age, can receive, along with guidance on how to become independent, thoughtful stewards of wealth and family legacy.

...and well equipped to address the challenges unique to their own generation

Another matter of concern for Next Gens who have children of their own, is a fear that their kids will grow up in a world that is more difficult and challenging than their own. Globalization, climate change, social media, disruptive technology, and cyber security threats are just a few of the many factors that will have a deep impact on the future children will live in.

While no one can precisely predict how the future will unfold, one can equip children with various tools to strengthen their ability to cope with, and thrive in, the world around them.

For example, Next Gens can instill in children solid family values to help guide them through life, a deep rooted sense of hard work and resilience, an ability to think outside the box, a commitment to care for others and the planet we live in, respect and tolerance for others, including those most different to us, and so forth. By providing their children with a strong education, both through formal and informal at-home lessons, schooling, and on the job experience, they can pass on the multitude of lessons they have learned across their own lives.



Identify and live your family values

This report is written as the COVID-19 pandemic is unfolding across the world. In a time of crisis like this, many families focus on their core values, such as to help those in need, to have tolerance for one another, to ensure that family and friends are at the top of the priority list, or to care for the planet.

In turn, readers' families may wish to reflect on their own core values. Legacies are built brick-by-brick through individual actions, and it is oftentimes the character of a family, particularly during difficult times, that will be remembered. Therefore, decide on what values mean the most to your family, and long after this difficult time has passed, remember to live by them. Whether that means donating time or money to good causes, actively valuing important relationships, prizing education and hard work, or simply embracing personal hobbies or dreams, now is a good time to get one's 'life priorities' in order.

Lessons from the COVID-19 pandemic about health and well-being

Roughly half (49%) of the Next Gens within this report noted their health as being one of their greatest concerns. This figure is particularly notable given that the majority of respondents were relatively young (Generations X and Y) and the survey was conducted prior to the World Health Organization declaring a global pandemic.

As a number of the survey respondents were subsequently interviewed during government enforced stay-at-home orders due to the spread of the virus, Next Gens' concern for their health and the health of their loved ones naturally grew.

While some of the Next Gens spoke of having family members on the front lines in medicine, others talked of their escalating efforts to donate funds to affected causes. Still more remarked about the ubiquitous impact of the virus on everyday life. From one's restricted ability to leave their home, to the hollowing-out of previously bustling city centers, the rise in illness juxtaposed against the lack of needed COVID-19 testing, and the near-universal need to adjust to at-home working, the world, for many, felt like a mired altered reality. To help get through this difficult stage, one can use this valuable time to:

- Think through their priorities and plan for a life post-virus, which is even richer and fuller than before;
- Think of ways to help their community and those in need (e.g. donate to causes/hospitals/food banks, help elderly neighbors, get involved in impact investing, engage in productive politics, use social media to advocate for good causes);
- Take time to practise self-care and explore one's hobbies (e.g. yoga, meditation, personal fitness, creative/DIY projects); and
- Reach out to loved ones via phone or internet, and spend the extra time with them, many Next Gens wish they always had.

Get aging parents' care in order

In line with the above, the COVID-19 pandemic has highlighted the particular need to care for older generations, who often face the greatest health risks. At present, merely one-in-five Next Gens feel very prepared to care for their aging parents. The remaining four-in-five feel either somewhat prepared (59%), unprepared (14%), or they simply do not know (7%).

With that said, a stark 80% of Next Gens reported feeling concerned about the care of their parents. These worries stretch from figuring out who in the family will accept primary responsibility for them, to working out how the health care system works, who can be called for help, and how the expenses will be paid. These expressed worries suggest that more needs to be done to address unresolved sources of family tension.

To address matters, ongoing communication is key, even when it gets uncomfortable, to answer salient questions, such as: Who in the family will take primary responsibility for parents' care, or how will the responsibility be divided amongst family members? What medical or assisted-living professionals will be needed? Where will parents live if/when they can no longer reside in the family home? What will be done when one parent passes away, leaving the other behind? How will their care be paid for? Situations as important as these are often best addressed head-on, as many concerns can be eased with effective planning.



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About Campden Wealth

Campden Wealth is a family-owned, global membership organization providing education, research and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and preserving their family legacy.

The Campden Club is a private, qualified, invitation-only Members Club representing 1,400 multi-generational business owning families and family offices across 37 countries. The Club provides peer networking on a global scale, bespoke connectivity around aligned objectives, shared knowledge & best practices, co-investment opportunities with qualified liquid investors and support for the NXG. Campden Club Members also enjoy privileged access to generational education programs held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisors and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991. In 2015 Campden further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

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NOTES

¹ *Wealth X. (2019). A Generation Shift: Family Wealth Transfer Report.* Retrieved from https://www.wealthx.com/wp-content/uploads/2019/07/Wealth-X_Family-Wealth-Transfer-Report_2019.pdf

² Over half, 54%, of family offices globally have a succession plan in place (Campden Wealth/UBS 2019 *Global Family Office Report*).

³ Williams Wealth Consultancy conducted a study of 3,200 high net worth families; it found that 70% of wealthy families lose their wealth by the second generation and 90% by the third generation: <https://www.marketwatch.com/story/heres-why-90-of-rich-people-squander-their-fortunes-2017-04-23>

⁴ *Wealth-X's Very High Net Worth Handbook 2020* found that the United States has the highest proportion of 'very high net worth' individuals in the world with an estimated total of US\$9,497 billion in wealth. The United Kingdom came in sixth globally with an estimated total US\$ 959 billion in wealth, while Canada came in seventh with an estimated US\$795 billion in wealth.

⁵ Williams Wealth Consultancy conducted a study of 3,200 high net worth families; it found that 70% of wealthy families lose their wealth by the second generation and 90% by the third generation: <https://www.marketwatch.com/story/heres-why-90-of-rich-people-squander-their-fortunes-2017-04-23>

⁶ The global wealth average comes from the 2019 *Global Family Office Report*; here the average family wealth was US\$1.2 billion, which is slightly above the average family wealth within this study at US\$946 million.

⁷ Campden Wealth/OppenheimerFunds, *Coming of Age: The Investment Behaviors of Ultra-high Net Worth Millennials in North America*, 2017

⁸ As noted, merely 35% of respondents have all of their needs met domestically.

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