Global private wealth and the future of philanthropy 2021

Looking beyond the Covid-19 pandemic

Contents

About the authors

Vistra

With a laser focus on minimising risk, Vistra provides expert advisory and administrative support to Fund, Corporate, Capital Market and Private Wealth clients – helping capital flow, protecting investors and safeguarding assets across multiple industries.

Vistra is present in 46 jurisdictions and employs over 4,700 professionals. For more information, please visit www.vistra.com.

Coleman Parkes Research

Coleman Parkes Research, the UK-based independent leading business-to-business research company, designed and implemented the research project on behalf of Vistra.

All information was obtained under the rules of the Market Research Society, which ensures respondent anonymity and confidentiality. Two hundred and twenty five detailed interviews, using an agreed set of questions, were completed by high-net-worth and ultra-high-net-worth individuals around the world.

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Vistra and Coleman Parkes Research would like to thank the individuals who kindly gave their time to participate in this study.

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Covid-19 has had a direct influence on respondents’ philanthropic activities – with a noticeable shift towards healthcare and environment projects. These look to remain the top two areas for giving in the next 12 months.

Executive summary

Vistra has conducted its first global research study investigating private wealth and the future of philanthropy from the perspective of 225 high-net-worth and ultra-high-net-worth individuals around the world. The aim of the research was to understand the current priorities of these individuals across a broad spectrum of wealth planning matters and to establish how current approaches may change in the years ahead.

It was undertaken during the third quarter of 2020, when the Covid-19 pandemic continued to have a devastating impact around the world.

It is evident from our findings that, while global wealth planning was already in a process of ongoing transformation, the pandemic has accelerated this in some areas, while creating shifts in others.

On the basis of the responses received, this report focuses on three key areas of interest.

1. Broader issues around private wealth
One of the most significant shifts within private wealth in recent years – driven largely by efforts towards greater transparency – has been the move away from wealth structuring mainly for tax mitigation purposes. This is borne out by the findings of the survey, which show that tax planning is the top priority for only 9% of respondents, with a much higher focus placed on investment, asset management, wealth protection, and estate and succession planning.

Yet many of our respondents either lack a structured succession plan for their family wealth or do not review this as frequently as would be expected.

Even though there is a global spotlight on climate change, the environmental aspect of environmental, social and governance (ESG) investing was seen as the least important when it came to making investment decisions. This is contrary to philanthropic endeavours, where environment is a high priority for many who are seeking tangible and measurable outcomes.

All told, despite how technology and globalisation are transforming the wider world and creating more diverse and international opportunities, the role of experienced advisers providing impartial support to families remains core. Attributes of flexibility and versatility resulted in the family trust being the preferred structure for holding family wealth.

2. Philanthropy now and in the future
Covid-19 is acting as a real catalyst for change, directly influencing respondents' philanthropic activities. Not only did a majority (36%) increase their philanthropy in 2020, but they did this at speed and in a targeted manner – being far more responsive and active than before.

It is no surprise that both healthcare and environment saw significant in-flows from philanthropic activity in the immediate aftermath of the pandemic, and these look to remain the top two areas for giving in the next 12 months.

The global advance of technology is also playing its part – with 48% of respondents saying that they are using social media to source philanthropic projects. Marry this with a significant increase in the number of people who intend to establish a foundation in the coming year and there appear to be fundamental shifts happening in the philanthropic space.

3. Succession planning requires attention
With 90% of respondents stating that the pandemic has put their mortality into greater perspective, the survey shows that there may well be a disconnect between any urgency they feel and how they currently plan for succession.

Firstly, just over half of respondents (52%) have a succession plan in place. Even among the highest age group (those over 60) that figure only rises to 73%. That said, in the over-40s where a plan is not currently in place, the vast majority are having plans developed.

However, where a succession plan does exist, there appears to be a distinctly unstructured approach to reviewing it. Not only do the majority (58%) only review their succession plans on an ad hoc as needed basis, but a further 22% only do so every five years or more.

It appears across this survey that while respondents can move quickly as and when required in some areas, there is also a lack of innovation or progressive thinking in others, which could potentially put them at risk of being behind the curve, be that from an investment, philanthropy or succession perspective.

Introduction and background

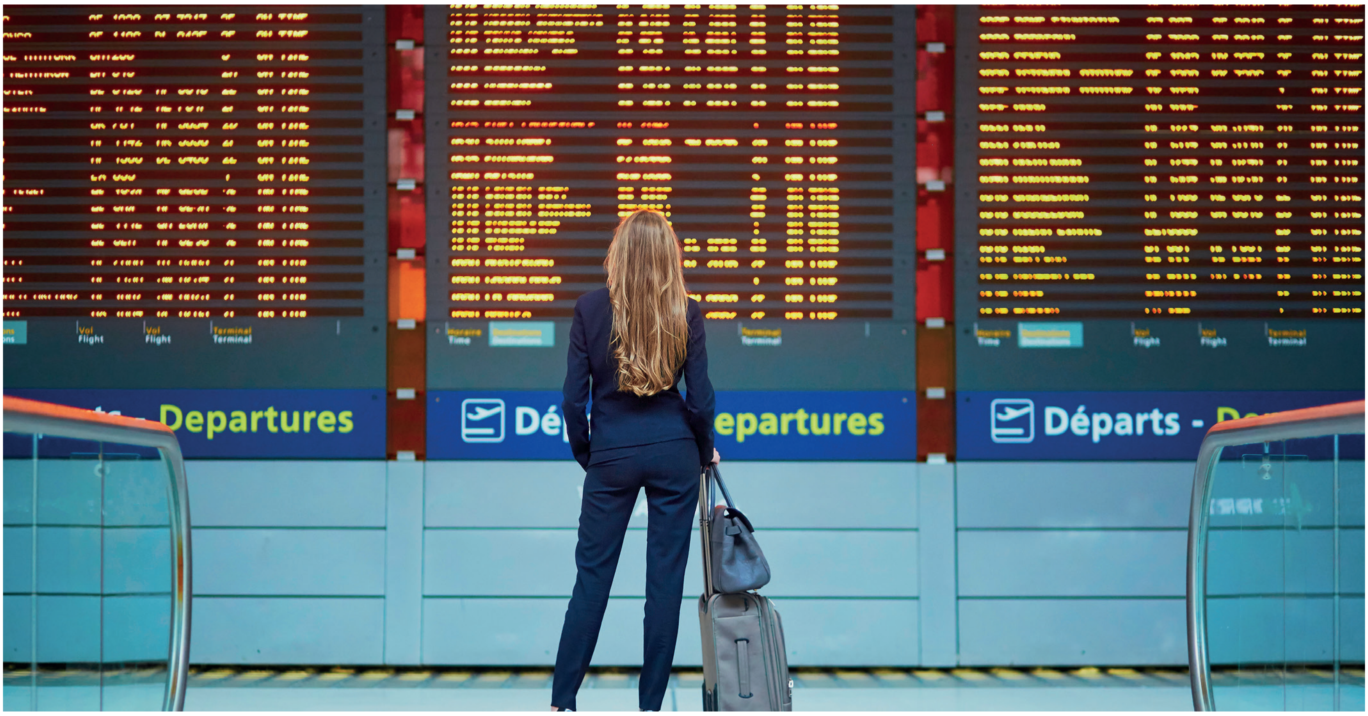
The private wealth landscape has been steadily evolving since the global financial crisis of 2008. High-net-worth and ultra-high-net-worth individuals have become increasingly attuned to how global political and economic pressures not only have a direct impact on the businesses they own, but also on their broader wealth planning.

Alongside this, the creation of new wealth, notably in emerging markets, is reshaping the private wealth industry on a global scale. As a result, private wealth providers – from investment managers and trust companies to lawyers and family offices – have increasingly professionalised their services in order to meet client demands.

All of this is happening against a backdrop where global and domestic legislation and regulation is leading to increased tax transparency. As a result, wealth planning has become more concerned with broader estate and succession planning and much less focused on tax mitigation.

While philanthropy has always been a key area of interest for wealthy individuals, increased globalisation, the proliferation of technology, and global movements such as those around climate change have raised the bar – and the recognition that philanthropy can create social change has led to exciting innovation and new thinking.

This is influencing the approach to giving and social responsibility across the world and is becoming a topic that, at Vistra, we see individuals looking to discuss at an ever-increasing rate. Philanthropy is becoming a 'go to' area for wealthy families and individuals who want to marry their intrinsic values and beliefs with society and



help to shape the world's future state. This is especially true in the wake of Covid-19 and societal issues such as the divide between rich and poor.

Regional and cultural variations

Despite increased global mobility, especially as younger generations of wealthy families are being educated abroad more often, the regions that feature in this report – Europe, the Middle East, Africa, North America, Latin America and Asia-Pacific – not only differ from each other, they also have internal regional differences which have a direct impact on wealth planning and approaches to philanthropy.

Compare long-established wealth in North America with emerging wealth in Latin America, for instance. Likewise, compare old with new wealth across North and Southeast Asia. While the world may seem more open, it hasn't led to homogenisation.

A one-size-fits-all approach to private wealth simply does not hold, as multiple factors always come into play. From common and civil law issues around wealth structuring, and religious and cultural perspectives around philanthropy, to discrete country-by-country challenges around government attitudes to wealth, clients expect bespoke planning that best fits with their requirements.

While individuals and families from specific countries may have preferences for the country in which they would like to structure their wealth, advisers are becoming increasingly jurisdictionally agnostic and taking a more global view when it comes to best servicing their clients.

The Covid-19 pandemic

Into what was a very diverse, but relatively steady picture, the Covid-19 outbreak introduced remarkable uncertainty, market volatility, shocks to businesses and their supply chains, and worry about the health and mortality of individuals and their families.

"The pandemic also changed the way in which people communicate with each other," explains Simon Morgan, Director, Head of Private Wealth at Vistra in Jersey. "What used to be unusual has now become the norm. Typically, we would go and see clients several times and have discussions with them before a structure was agreed and put in place. This is simply no longer possible, and so much is being done virtually. Clients had to change the way decisions were made and potentially put more trust in their advisers."

"The pandemic changed the way people communicate with each other. What used to be unusual has now become the norm. Typically, we would go and see clients several times and have discussions with them before a structure was agreed and put in place. This is simply no longer possible, and so much is being done virtually."

Simon Morgan

Director, Head of Private Wealth, Vistra Jersey

Perhaps the way in which the pandemic most affected the private wealth industry was the environment it created for philanthropy. While, for many families, philanthropy had always played a key role in their broader wealth planning, the gaps where support was needed were exposed. The challenge for many was working out how best to provide that support in the most effective manner.

It is against this multi-faceted, diverse and rich landscape that Vistra presents the findings of this private wealth and philanthropy report.

Research methodology and respondent information

The research was conducted online during September and October 2020 among 225 high-net-worth and ultra-high-net-worth individuals – regarded as having a minimum of US$10 million and $30 million in investible assets, respectively.

Respondents were equally split in terms of age, with 75 individuals in the under-40 age group, 75 aged 40-60 and 75 aged 60+.

With regard to region, North America, Latin America and Asia-Pacific had 50 respondents each, and the Europe, Middle East and Africa (EMEA) region had 75.

Owing to the way in which the respondents were sourced, 97% have family business interests.

Private wealth: the bigger picture

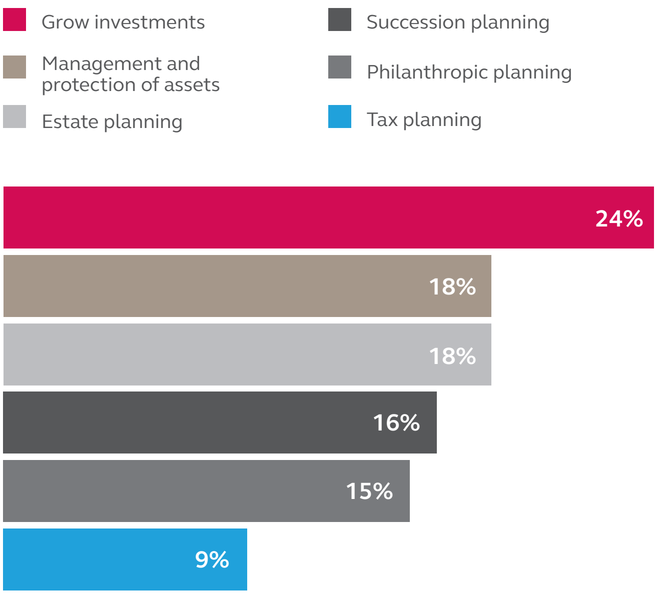
For HNWIs and UHNWIs, wealth planning often involves a complex and varied range of considerations, many of which are happening concurrently. However, each individual will have their own priorities, depending on what their wealth structuring requirements are at any given time.

This range of factors is reflected in the responses to our survey, with growing investments (24%), management and protection of assets (18%) and estate planning (18%) seen as the most important issues among our respondents. While responses were generally relatively evenly spread, there are a number of significant data points worth focusing on.

Firstly, it is very notable that tax planning is seen as a priority by the smallest percentage of respondents. This reflects a trend that has been growing for the past decade. In the age of transparency and regulation, tax planning is no longer the main focus of wealth planning, with emphasis being placed on other considerations.

As Simon Morgan notes: "When you gather together estate planning, management and protection of assets and succession planning – which all sit under a wide umbrella – they add up to 54%. This all points to structures such as trusts being used more clearly for broader wealth structuring as opposed to mere tax planning."

Top priority for wealth structuring



"There is a real recognition from families that they want to ensure they are paying their fair share of tax and, along with philanthropy, that they are making their contribution back to society."

Chris Marquis
Managing Director, Global Head of Private Weath

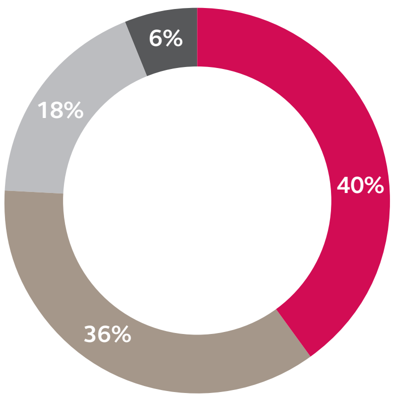
Chris Marquis, Managing Director, Global Head of Private Wealth, adds: "These figures indicate that individuals are thinking in a far more strategic manner and not simply for tactical tax planning reasons. I think this is partly driven by the OECD's efforts around sharing information with tax authorities internationally.

"But I also think there is a real recognition from these families that they want to ensure they are paying their fair share of tax and, along with philanthropy, that they are making their contribution back to society. There is often an underlying set of core values and principles driving the family's decision-making, which are critical to ensuring effective intergenerational wealth transfer."

From a regional perspective, Yumei Zhang, Executive Director, Head of Private Wealth, North Asia, notes: "If you look broadly at countries in Asia, most are low-tax jurisdictions anyway, so tax has never been a key driver for estate planning or succession planning in the Asian context. This is even less so now with the increased scrutiny of adverse tax planning structures."

One regional difference that stood out when drilling further into the data was that the top priority among Latin American respondents was philanthropic planning – at 24% compared with the 15% average. This didn't come as a surprise to Sascha Züger, Country Managing Director, Switzerland, who commented: "Many wealthy families in the region live in an environment where there is considerable poverty, and they want to give back and support local initiatives." This will be addressed in more detail later in the report.

Expectations for younger family members



Family businesses

While our respondents were all questioned based on individual wealth, the vast majority (97%) also have an involvement in a (non-listed) family business. That level of involvement is relatively equally split across those who own and manage the business (40%), those who own a business but don't manage day-to-day operations (31%), and those who own and jointly run a family business (27%).

The importance that family business has to play in the broader private wealth picture is demonstrated by the fact that the vast majority of businesses (78%) have been running for 15 years or more – with 21% running between six and 15 years. Indeed, in Vistra's experience, some have been in operation for considerably longer.

What was notable, however, was the attitude of many respondents as to whether younger generations should be involved in the family business or not. While 40% expected younger family members to join the family business, a close 36% expected them to start their own.

On the surface, this points towards an entrepreneurial shift – as technology becomes increasingly prevalent, there is a broader range of business opportunities across multiple sectors. For younger generations, this presents the chance to move into industries potentially very different from the current family business.

78%

of family businesses have been running for 15 years or more

While Middle Eastern respondents had a higher percentage (46%) who wanted younger members to join the family business, 52% of Asia-Pacific respondents want younger members to start their own business, with only 4% saying they are free to choose their own path.

As Christine Tan, Managing Director, Private Wealth Asia, comments: "I found this figure very interesting. While the Asian mentality is very entrepreneurial, there is an expectation among patriarchs that children will join and succeed in the family business. However, there is a very clear difference between 'old' and 'new' wealth in Asia-Pacific and this may well be driving this figure."

It is also worth noting that, in Vistra's experience, the older generations often give financial support to younger family members so that they can set up their own ventures. This is so that they can gain experience of running a business before, at some point, they take the helm of the larger family business.

All of the above certainly seems to align with the broader consensus of 92% of respondents who agree that it is important for the next generations to 'earn their way' through life.

Structuring and investment

While the Covid-19 pandemic delivered an immediate shock to investment markets around the world, those markets largely recovered value during 2020. Volatility, however, remained a large factor, caused by many events such as the US election and, more positively, successful Covid-19 vaccine trials.

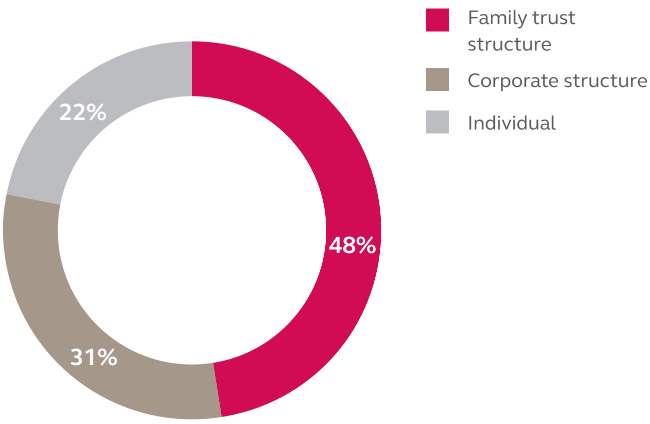
Unsurprisingly, respondents to the survey take advantage of professional financial advice, with all but one of the 225 who took part using an investment manager. This points towards a structured, longer-term view regarding investments, which is also backed up by the way in which net wealth is held – with 48% of respondents holding wealth in a family trust structure, 31% in a corporate structure and 22% individually.

The outlier to this data was in Asia-Pacific, where 62% of respondents cited a family trust, against 8% for a corporate structure. "Trusts are well-recognised in this part of the world, although there are exceptions, such as Indonesia where civil law is more prevalent," explains Christine Tan. "In most parts of Asia-Pacific, however, the trust is the most commonly used structure for asset consolidation, particularly within politically stable, well-regulated jurisdictions with a strong legal system."

92%

agree that it is important for the next generations to 'earn their way' through life

Who legally holds net wealth?



The survey also revealed a typically balanced approach to investment, with bonds (34%) and equities (27%) making up the largest percentage of asset classes. Notably, respondents are allocating a reasonable percentage to alternative assets such as private equity (7%), real estate (7%) and hedge funds (5%).

Indeed, private markets is an area in which there may be increased interest in the years ahead as individuals look for returns in the face of challenging bond markets and volatile equity markets. "While these asset classes are less liquid, individuals can exercise greater control and influence over the performance of their investments," explains Chris Marquis.

Responses also revealed a different approach in Asia-Pacific with equities (35%) being the most popular asset class, ahead of bonds (32%). "This is typical in my experience," says Christine Tan. "Being invested in equities is a very big part for any Asian investor – this is particularly true when it comes to the older families. There is a broader acceptance of the risk/return dynamic."

Considering the rise of environmental, social and governance (ESG) investment, alongside a broader awareness of climate issues globally, the survey also examined attitudes towards ESG investment. On a scale of 1-7, where 1 is not at all important and 7 is essential – 79% rated ESG as 5 or above with regard to how important it is when making an investment decision.

Notably, however, and certainly seeming to fly against expectations, the element of ESG which was considered most important when making an investment decision was social (41%), followed by corporate governance (31%) and then environment (28%). It is worth noting, however, that among under-40s respondents, environmental and corporate governance rated highest (both at 34%), which would tend to indicate a generational shift.

What's more, since the pandemic, there has been a major increase in the importance of each element of ESG – 61% put greater importance on corporate governance, 51% on social and 33% on environment. Yet again, environment features lowest across all respondents – however, this doesn't tally with the philanthropic approach to environment, which we will address in the next section.

41%

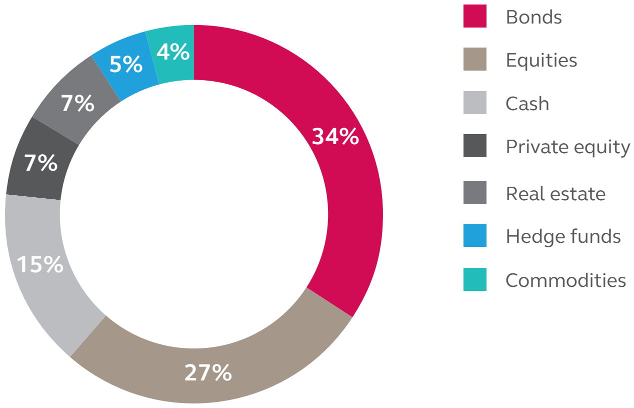
of respondents believe the social aspect of ESG investment is most important when making an investment decision

"Being invested in equities is a very big part for any Asian investor, this is particularly true when it comes to the older families. There is a broader acceptance of the risk/return dynamic."

Christine Tan

Managing Director, Private Wealth Asia

Net worth is held as follows (excludes property for own use)



The family office anomaly

When any research or survey is undertaken, specific responses may reveal unexpected attitudes or deliver results that seem out of line with what is commonly understood. The temptation might then be to omit them, but it can be far more interesting to interrogate them further.

Such an instance happened with this survey. When asked: 'Do you currently make use of a professional family office, either internal or external?' – 91% of respondents said 'yes', while 6% said 'no' but are likely to do so within the next two years.

On the surface, and compared with other industry research, we recognise that this figure seems high. In attempting to understand it, we suggest there are a number of possible explanations:

- The perception of exactly what a family office is – in many quarters, the family office is a relatively new concept and there is a blurring of what a family office actually does. "An individual may use a single investment officer, for instance, but because that is a service offered by family offices, they may think they are using a family office," explains Sascha Züger.
- Branding of financial service providers – "In the past few years, there has been a mushrooming of outfits calling themselves family offices, but if you look at them carefully, they are all kinds of things. In practice, many of them are probably not what would typically be called family offices," says Christine Tan.

It is possible that acceleration in the professionalisation of family wealth planning services in recent years is driving individuals to seek the highest level of advice available, and also creating a desire to have a professional family office. So, while the proliferation of wealth services provides valuable expertise and choice, it may also be causing a small measure of confusion.

Philanthropy: now and in the future

For centuries, philanthropy has played a significant role in how wealthy families give back to the societies in which they live and to causes they deem important. In a globalised, technologically advanced world, however, the shape of philanthropy is changing. And the events of 2020, in the form of the Covid-19 pandemic, have potentially pushed philanthropy into a whole new realm.

While, as revealed on page 8, only 15% of our survey respondents named philanthropic planning as their top priority, 100% allocate a part of their net wealth to philanthropic/charitable work. Essentially, every respondent is involved in philanthropy in one way or another.

The majority (62%) of respondents allocate up to 5% of their net wealth to philanthropy/charitable work – with 35% allocating between 6-10%, and 3% between 11-15%. Considering the net worth of some participants, this equates to a substantial amount. Perhaps unsurprisingly, those over 60 tended to give more than those under 40 – potentially because they are holding more wealth, have long-established structures or are not as focused on growing a new business.

But it is when examining philanthropy in light of the pandemic and what this means for the future that the responses become particularly revealing.

Responding to the pandemic
Covid-19 had an immediate and dramatic impact on philanthropic giving. A majority of respondents to the survey (36%) increased their philanthropy during the pandemic, while 19% reduced their giving. Upon further examination of the data, regional differences become very apparent.

36%

of respondents increased their philanthropic giving during the pandemic

Latin America, for instance, saw bigger shifts in both directions – with 50% increasing and 24% decreasing their giving. Whereas in the Middle East, while a smaller set of respondents, 69% increased and none decreased their giving.

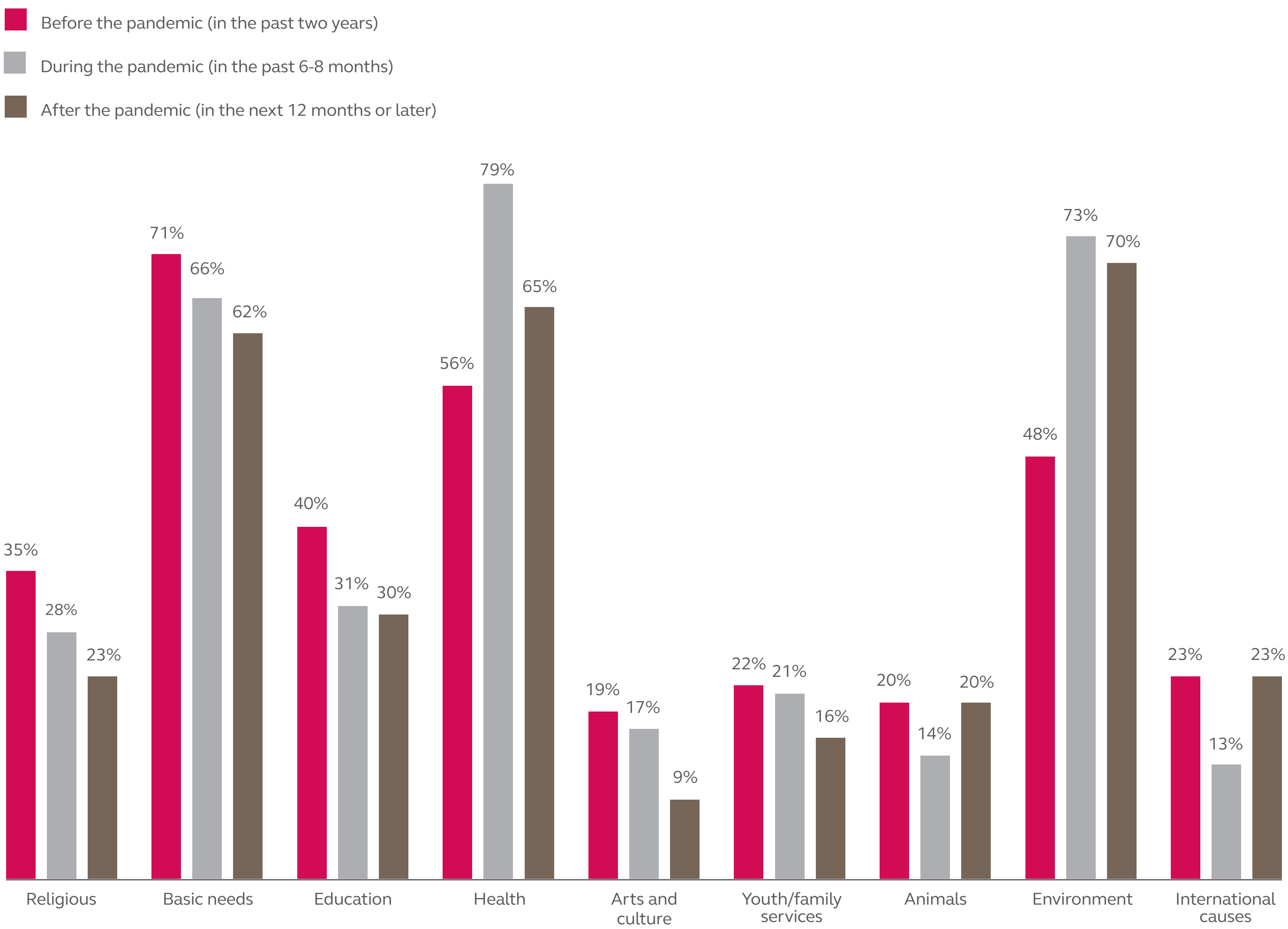
Conversely, Asia-Pacific saw a reversal of the broader trend in that 40% decreased their giving during the pandemic as opposed to 14% who gave more. There are many potential reasons for this, according to Yumei Zhang. "It's highly likely that among new Asian entrepreneurs, their wealth, especially their business, was more affected by Covid. This is also true because of supply chain issues out of Asia," she says.

That said, Zhang also points to clients who wanted to move very quickly using existing structures to distribute money to specific companies, for protective gear to distribute on the ground, for instance.

Importantly, the broader shift towards increased giving looks set to continue post-pandemic compared with pre-pandemic levels – with 40% saying they will give more and only 8% saying they will give less. Indeed, increases in North America and the Middle East look set to be even higher at 58% and 57% respectively.

Involvement in philanthropic/charitable endeavours	Actively involved	Plan to be involved (6-12 months)
Run a foundation	24%	57%
Regularly give to selected global charities	58%	33%
Regularly give to selected local charities	68%	28%

Where individuals are focusing their philanthropic and charitable endeavours



Where is the money going?

People give to a broad range of philanthropic and charitable causes, but what was noticeable is how that giving changed during the pandemic and how it is expected to keep changing in the months and years ahead.

Across all three periods (before, during and after the pandemic), the three main areas of interest to our respondents were basic needs (eg food and water), health and environment. Notably, there were significant increases in health and environment during the pandemic.

According to Julius Bozzino, Head of Private Wealth UK, this is understandable. "On one hand, people knew that emergency funding was needed in health. But they could also see the real-world environmental impact of CO_2 reduction because of less air travel and car usage. It's very interesting to see how people seem to prioritise environment around philanthropy but not around investment, as our survey shows.

"What is also clear here is that people appear to be far more flexible and reactive in their philanthropic giving – responding quickly to matters happening around them on a large scale."

"People appear to be far more flexible and reactive in their philanthropic giving – responding quickly to matters happening around them."

Julius Bozzino

Head of Private Wealth UK

"The pandemic has changed the thinking," says Chris Marquis. "There seems to be a definite shift from passive to more active philanthropy. While there has been a trend in that direction for a while, the pandemic has accelerated that thinking from these families as it has likely changed their sense of perspective or sadly had a very personal impact."

Putting themselves in control

This shift from passive to active philanthropy also seems to be echoed in how respondents to the survey are currently involved or plan to be in the future. While only 24% are actively involved in a running a foundation, 57% plan to be involved in the year ahead.

"In the Middle East, the family name and reputation is paramount, and families want to ensure that they're involved in philanthropy and charitable giving,"

Heba Al Emara

Managing Director, Middle East

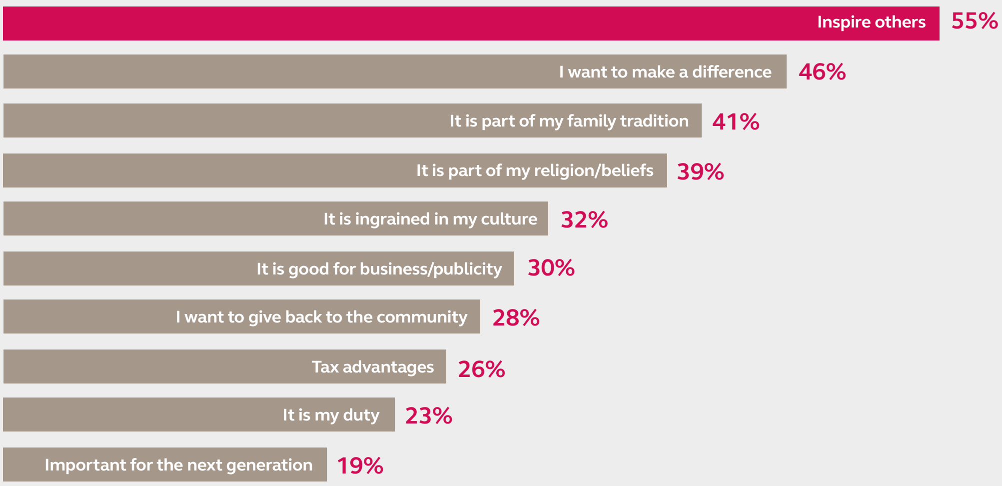
While a measure of cachet and kudos clearly comes with having a foundation in one's name, they also give individuals more control over where the money goes. "People can be far more specific with their philanthropy through a foundation," says Simon Morgan. "It gives you a certain degree of autonomy in terms of how you partner with an existing charitable project, or indeed set up a project of your own. Having a foundation also means that children and other family members can get involved."

There is also the matter of reputation. "In the Middle East, the family name and reputation is paramount, and families want to ensure that they're involved in philanthropy and charitable giving," explains Heba Al Emara, Managing Director, Middle East. And this also aligns with a broad desire for people to see a tangible outcome on their giving.

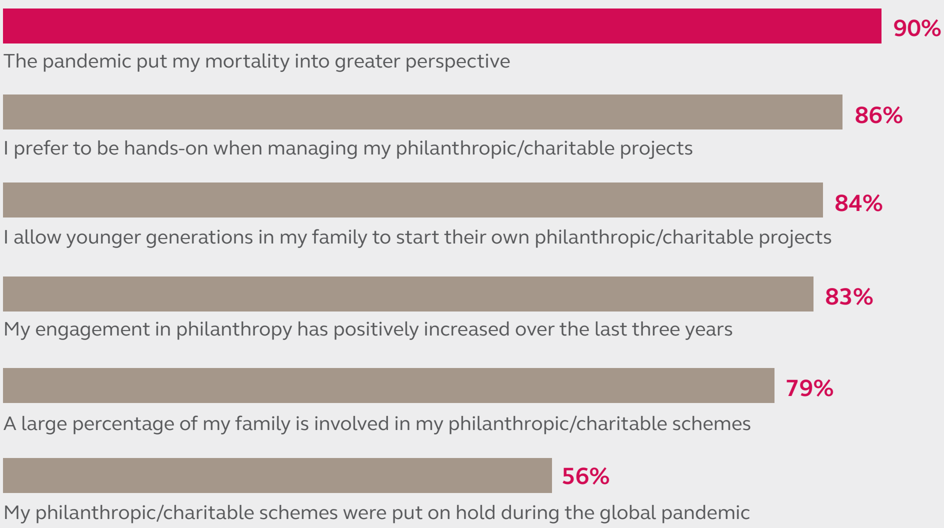
Indeed, 100% of respondents want to see a tangible outcome on their philanthropy. While only 4% want to see this on *every* activity, 58% want it on most activities and 38% on some activities. So, it certainly seems that people want to be generally more hands-on.

And while we are seeing these shifts in engagement and giving, they seem to be happening both on a local and global scale, and the preference for where money is allocated

Reasons for involvement in philanthropy



The percentage of respondents who agree with the following statements



appears to be personal. Indeed, 42% say it is more important to contribute to local communities, 39% cite global projects with 19% saying both are equally important.

Notably, Asia-Pacific respondents have a much higher focus on global projects. “Many of the next generation have been educated overseas, so they tend to see things rather differently than the patriarchs and matriarchs,” explains Christine Tan. “Some of them really have quite a global vision.”

Attitudes to philanthropy

Despite all of the changes that are taking place in philanthropy, not least in reaction to the Covid-19 pandemic, there are typically some very fundamental reasons why our respondents are actually involved in philanthropy, many of which are deep-rooted.

While the reasons are quite diverse, there are some discernible trends, most significantly around tradition, religion, culture and duty. These seem to have the broadest resonance in Asia-Pacific and Latin America, where figures typically came out higher.

One notable outlier is that in Latin America, 42% of respondents said that philanthropy is good for business/publicity, against an average of 30%. While it might be easy to be cynical about that result, Sascha Züger puts forward a slightly different explanation.

“In Latin America, society revolves around clear class distinction,” he says. “While they typically might not mix socially, the business-owning classes depend tremendously on their workforce. Everybody either has employees in their businesses or at home. By supporting local charities, those people reap the rewards – they may be healthier, happier and more motivated, which ultimately benefits the business.”

How philanthropic projects are sourced

54%
Recommendations from family and friends

48%
Social media

45%
Recommendations from wealth adviser

37%
Web searches

34%
Advertisements

Social media breaks new philanthropic ground

Prior to the advent of the internet, it would be natural to assume that any HNWI or UHNWI interested in philanthropy would get recommendations from family and friends, advisers or from traditional news media. But we live in far more technologically advanced times.

So, while family, friends and advisers still have a key influence, social media now also plays a major role in providing inspiration for philanthropic projects, with 48% of respondents saying that it has been used as a source.

The natural inference is that this is simply a result of the times we currently live in, as well as an extension of the crowdfunding model. While it may be unsurprising that the largest age demographic citing social media as a source was the under-40s (55%), Middle East respondents across all age groups returned an even higher figure (60%).

According to Heba Al Emara, this isn’t totally surprising. “Businesses in the Middle East understand the power of social media, so it seems to be a natural extension that they utilise it more broadly in their wealth planning and philanthropy.”

While it is understandable that the proliferation of social media has opened everyone up to projects that they might not have come across otherwise, it does stress the importance of appropriate due diligence on any philanthropic endeavour.

Succession: preparing for the next generation

While the Covid-19 pandemic may have had an immediate impact on the state of investment markets and people's engagement with philanthropy and charitable endeavours, it has also shone a light on longer-term succession planning, with 16% of HNWI and UHNWI participants in this survey naming it as their current highest priority.

Considering that 90% of respondents admitted that the pandemic put their mortality into greater perspective, this attention to succession is perhaps unsurprising.

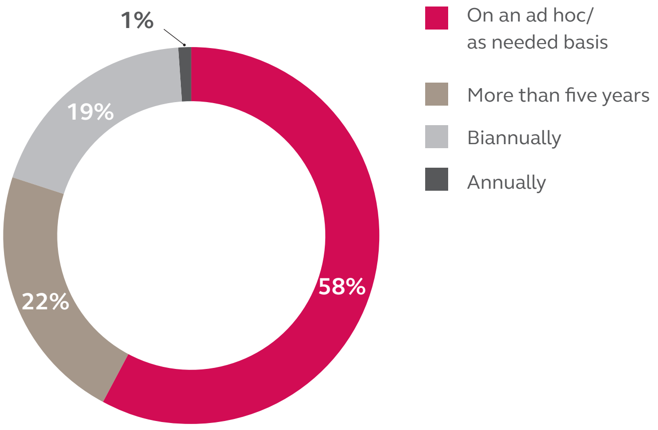
What our survey has shown, however, is that there is a distinct difference between succession planning in the under-40s and those who are over 40. Only 18% of under-40s have a succession plan in place compared with 65% in the 40-60 age group and 73% in the over-60s.

Chris Marquis feels that these figures reflect the importance of succession to these age groups. "As people get older, succession becomes a priority," he says. "Often, the under-40s are busy creating their wealth and haven't managed to turn their attention to their protection needs. Yet they clearly exist for this group, as evidenced through 34% having succession plans being developed."

Another factor that might come into play is that if under-40s are part of a wider high-net-worth family, it may well be that there is a plan but it hasn't been communicated to them. So, there may be a need for greater awareness in this younger generation around where the succession plans are.

"Where we see succession work very well is when there is an open forum for collective decision-making and family issues are discussed openly and understood ahead of important decisions being taken," says Marquis. "Without doubt, the next generation see the world very differently to their parents, however their diversity of experiences and ideas can be a real asset."

How often is your succession plan reviewed?



Yumei Zhang feels that there are other possible issues at play here. "The younger generation are naturally less engaged, but they are also more mobile and so there is added uncertainty over where they will ultimately end up," she says. "What's more, it is hard for them to know where to start with broader succession planning."

Indeed, for those respondents without a succession plan in place (largely the under-40s), the key reason was that they didn't know who to turn to or which adviser to use, cited by 29%.

Structuring and frequency of planning

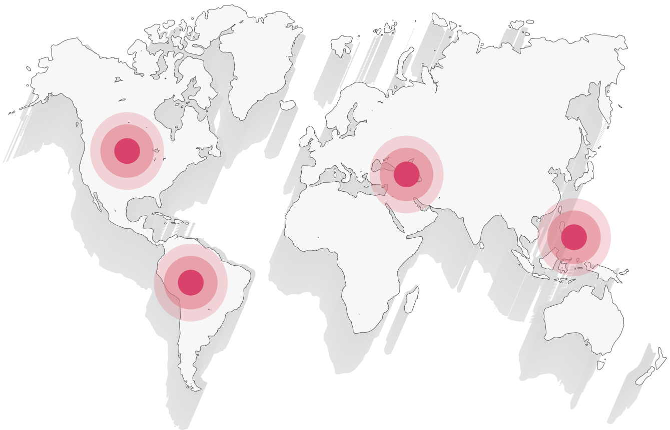
Although succession planning has been highlighted as a priority by many respondents, and that Covid-19 may have created a short-term sense of urgency, the survey points to a far less structured approach when it comes to how often succession plans are reviewed and updated.

Do you have a formal succession plan in place?

	Total	Age		
		Under 40	40-60	60 +
Yes – I have a succession plan in place	52%	18%	65%	73%
No – but my succession plan is currently being developed	29%	34%	32%	27%
No – I do not have a succession plan in place	19%	48%	3%	–

Preferred structure for succession planning

	Total	EMEA	North America	Latin America	Asia-Pacific
Foundation	72%	71%	57%	79%	85%
Will	62%	60%	63%	60%	68%
Trust	37%	45%	51%	19%	26%



A large majority (58%) review their succession plan on an ad hoc basis, followed by those doing it every five years or more (22%). Only 1% review it annually and 19% biannually. The figures for ad hoc review are even higher among the under 40s (64%) and notably so in Asia-Pacific (77%).

This points toward a tendency only to review succession planning in light of major life events, such as marriage, childbirth, the sale of a business, or the death of a family member – something that essentially necessitates change.

"It strikes me that many of the respondents may not be using professional advisers in this regard," says Chris Marquis. "We would always regularly review this with families when we meet with them. While they may have the basic hardware in terms of a structure that holds their assets for succession, they are not necessarily engaging with their advisers around how this is all going to play out and is communicated with the wider family."

A lack of regular planning also raises the spectre of a succession plan no longer being fit for purpose, which can then lead to disputes. "A plan and its related structures may have been in place for some time," explains Heba Al Emara. "But the incoming generations may well have questions, such as whether a plan aligns with family interests now as it did in the beginning."

Quite how respondents structure their succession throws up a number of interesting points, not least in terms of geographical differences. Across all respondents, the preferred structure for succession planning is the foundation (72%), followed by the will (62%) and the trust (37%). However, in North America the three are more closely grouped, while in Asia Pacific the foundation is preferred by 85% and in Latin America, the trust by only 19%.

It isn't possible to identify one particular reason for these results as a number of factors are likely to have an impact.

Firstly, foundations typically offer a larger measure of control – although this is becoming increasingly possible through trusts. "Some cultures may struggle with the notion that you are going to give something to a trustee and they are going to run it," says Simon Morgan.

Issues around common or civil law also come into play, as does the matter of familiarity. "Certain jurisdictions will typically use one structure over another," says Yumei Zhang. "I'm not sure that clients particularly have a view of their own, so it comes down to what they know.

"At the end of the day, I think they are very much guided by their adviser or service provider. This is also why the established offshore jurisdictions rushed to update and modernise their trust and foundation laws."

Educating the next generation

In recent years, trustees, family offices and fiduciary businesses have started to put increased emphasis on the need for founders, settlors and the older generations to educate younger family members about wealth, philanthropy and running the family business. It is a trend that seems to have gathered some momentum.

According to our survey, 78% of over-60s and 72% of those in the 40-60 age range have an education plan in place for the next generations that allows them to appreciate and understand their wealth. This is in stark comparison to only 5% of under-40s.

"I think these figures make sense," says Julius Bozzino. "Family wealth is becoming increasingly complex and in order to make sure that it passes from one generation to the next as smoothly as possible, it is understandable that older family members want the younger generations to have a grip on exactly how everything works. Those under-40s simply may not have families of their own yet, or children who are old enough to pass their knowledge on to."

Conclusion

The private wealth landscape is undoubtedly multi-faceted and geographically diverse with a vast range of factors having a direct or indirect impact on high-net-worth families and the decisions they make around wealth planning and philanthropy.

These include external geopolitical and financial factors – such as government regulation, stock market volatility and events like the global financial crisis – as well as 'black swan' events such as the Covid-19 pandemic.

Similarly, they can come from inside the family – be that in the form of a dominant ruling patriarch or matriarch, historical approaches to wealth, changes to the family structure or, notably, when conflict arises.

And as seen through responses to our survey, tradition clearly plays a role in family wealth – not least around expectations of younger members and their role in the family business as well as reasons for involvement in philanthropic and charitable endeavours.

The world is changing, however, and the private wealth landscape is changing with it.

As younger generations become increasingly mobile and ambitious – whether that is through being educated in countries far from home or travelling more widely – they are introduced to new cultures and different ways of thinking. It is clear from our survey that respondents under 40 may hold similar attitudes to their predecessors in some regard but, as global citizens, there are areas in which those attitudes diverge significantly.

Technology also means that we are all exposed to more information than ever before. As far as private wealth is concerned, this brings benefits in that it opens individuals up to new investment opportunities and philanthropic projects. However, it can also create information overload, making it harder to reach informed decisions.

Based on the survey findings, and our extensive expertise, we have reached a number of conclusions about the current state of play in private wealth and philanthropy and how this may play out in the years ahead.

1. An holistic approach is critical
It's clear that HNWIs and UHNWIs are having to juggle a myriad of considerations at any given time – from practicalities such as running a business and choosing where children are educated, to protecting wealth, making investments, planning for succession and choosing philanthropic projects that align with family values. This undoubtedly means prioritising some decisions over others.

While our survey shows that some areas, such as growing investments, are front of mind, others are clearly being put on the back burner. The fact that 58% of respondents only review succession planning on an ad hoc basis indicates an attitude that if there are no current red flags, then everything is in order. But neglecting to review succession can lead to problems further down the line.

While acknowledging that some matters need to take precedence over others, all areas of family wealth planning need to be considered and a structured, holistic plan should be in place to ensure that nothing is left behind.

2. Philanthropy is becoming far more dynamic
Covid-19 has had a direct impact on the philanthropic and charitable endeavours our HNWI and UHNWI respondents are involved in. Understandably, many shifted their focus to healthcare-related projects when the pandemic hit.

Going forward, we expect to see a far greater dedicated emphasis placed on increased resources and effort for philanthropic causes.

Our survey also indicates individuals not only wanting to see tangible outcomes on projects, but also a shift to a more hands-on approach with an expected increase in the use of foundations. This is clearly substantiated in our research, which showed that 57% plan to be involved in a foundation for philanthropic purposes in the next year.

This indicates that individuals are becoming more responsive to projects as they arise – moving quickly to fund projects they wish to support. With 48% using social media as a source, it seems that philanthropy looks set to be more fast-moving than in the past.

3. Advisers have a key role to play
While private wealth may be changing, the use of professional advisers remains central to helping families deliver on their goals. This is particularly important when considering the successful integration and education of the next generation within the wider family enterprise. As our survey shows, respondents value the knowledge and experience of professional wealth advisers.

In a world that seems to be typified by uncertainty and ongoing volatility, this looks unlikely to change. Indeed, as individuals turn to different asset classes in order to realise returns while seeking protection for their wealth, expert advice may become more critical.

Similarly, trusts and foundations continue to play a key role in the structuring of both family wealth and philanthropic endeavours – and these require expert support in both their establishment and ongoing administration. With HNWIs and UHNWIs looking to optimise philanthropy and wealth planning, while adhering to local and global regulation, external advisers will continue to play a major role.

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