

PREPARING FAMILY OFFICES FOR THE GREAT WEALTH TRANSFER

Author:
Craig Holland
Managing Director
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INTRODUCTION

Over the next decade, an unprecedented amount of personal wealth will change hands, as 70 million baby boomers prepare to pass an estimated \$15 trillion in assets to the next generation. Ultra-high-net-worth individuals will be responsible for a sizable proportion of that wealth, which has continued to grow at a staggering rate of 27.5% during the pandemic alone, according to UBS data.

Once a space dominated by private bankers, family offices have emerged as one of the most effective and popular new choices for UHNW individuals to steward, manage and safeguard their exponentially growing wealth for future generations and sensibly pass it to their heirs.

Adding to the challenge of that wealth transfer is the fact that it is estimated that around 50% of family offices “are not prepared” for succession (1). For family offices to be ready to meet their moment, they'll need to master an array of new complexities, from tax structures that change with each new administration to the increasingly globalized and environmental, social and governance (ESG)-minded millennial generation who will receive the wealth. Like any steward, family offices themselves can't do it all; they have to determine what they do in-house and what they outsource to third-party professional partners. The time for relying solely on trusted friends, legacy systems and manual processes has passed, and family offices who don't enlist fully capable professionals and technological solutions to track, analyse and assess risk across asset classes and geographies will be hard-pressed to stay aligned to their stewardship obligations and related UHNW family expectations.

(1) 2021 RBC /Campden North America Family Office Report

COMPLEXITY

Adding diverse geographical assets calls for an additional level of sophistication, since the Next Gen cohort tends to relocate to foreign countries more often, forcing the family office to deal with not only the usual investment decision-making but also an array of complex international tax and regulatory challenges. The right governance and technology can help family offices simplify the compliance workflow and save time by staying tuned to the specific tax and regulatory requirements.

The increased complexity of family offices also means they'll need standardized and centralized technology to provide fast and efficient reporting to be able to support families as they move, invest and live in different parts of the world and prepare for their wealth transfer.

The actual technology in the market is still in its relative infancy, at least in regard to the type and level of demand. Many out of the box tech tools out there tend to have a narrow focus on liquid assets like cash and public securities in a dashboard setting. That's all well and good, but given increased appetite and investment in alternative assets by family offices (like real estate, private equity, venture capital and luxury assets), what's generally lacking is the multi-asset-class functionality as well as related bookkeeping and accounting capabilities.

REAL-TIME MONITORING AND REPORTING

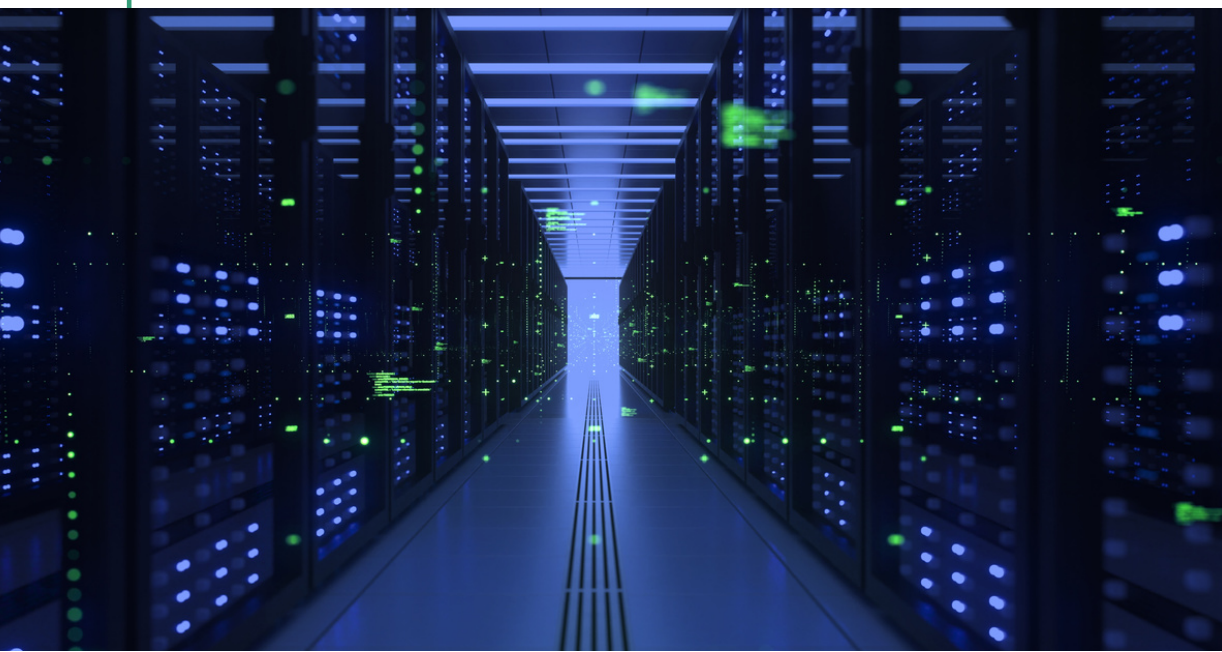
Today, UHNW individuals expect a data-driven approach to stay on top of risks and opportunities. Only an efficient end-to-end process enabled by technology can allow family offices to provide a real-time view of the family's intricate relationships as well as quick access to complete auditable records. In this era of speed of information and transparency, especially amongst Next Gens, family offices need the ability to generate a holistic snapshot on a simple, tailored dashboard consolidating info from investments spanning multiple asset classes and worldwide locations, multiple fund and asset managers, banks, custodians, and brokers. Technology can remove the analysis barrier between liquid financial assets with highly standardized data and nonfinancial alternative assets with highly disparate data.

It's essential for the family offices to move from a world of data that's currently centred around remote reporting, to a dynamic reporting style that would offer an immediate and complete understanding of an investment environment, so they can make complicated decisions more easily, manage investment risk and seize opportunities.

READYING NEXT GEN FOR SUCCESSION

An estimated 18,500 individuals with a net worth of \$100 million or more will be transferring most of the assets in what's often referred to as the "Great Wealth Transfer."

Families planning to move wealth to the next generation must grapple with a variety of emotional decisions and family dynamics, so the last thing they need from the family offices are obsolete or incomprehensible financial and compliance data. Family offices play a critical role in ushering the younger generation into the fold and ensuring any estate or succession plan is executed properly. Family offices with the best technology at their fingertips can offer the uninitiated the clearest real-time data, intelligent and consolidated reporting, across multiple geographies and asset classes, and a holistic view of their families' combined full balance sheet.



NEXT GEN PRIORITIES

Millennials and Gen Z are famously more socially conscious than their parents and grandparents, with keen interest in ESG-compliant funds and socially responsible and impact investing. With a rapidly evolving ESG landscape coupled with an increasingly stringent set of requirements from regulators, navigating the ESG environment has become something of a minefield for asset managers and investors. Globally, family offices have intensified due diligence processes when looking to invest, as they seek to avoid greenwashing, measure impact and define their approach. Family offices need to be capable of due diligence, monitoring, reputation assessment and real-time tracking of ESG investment metrics. Family offices must also stay current with new technologies that could impact future financial systems.

With the growth of UHNW individuals, the growth of family offices has also likewise exploded, with some estimating that there are upwards of 7,000 family offices in the United States alone. To stay competitive as the Great Wealth Transfer approaches, family offices can't afford to make decisions flying blind. To provide a smooth transition ahead of the greatest intergenerational transfer of wealth in history, robust tech for tracking, risk management and reporting will help meet the rising expectations for the stewardship, management, preservation and investment across multiple generations and family segments. Whilst the supply side of such governance and tech demand remains in its infancy, some providers like Generation Private have anticipated this need and are well on the way of deploying such tools.



GENERATION PRIVATE

Generation Private is a multi-family office practice servicing the needs of High Wealth Families. Generation Private provide a specialist tailored offering to its clients to seek and provide solutions to the many of the issues they may encounter. Whether it is compliance service, estate planning, investment management and reporting to family constitution development, Generation Private provides a holistic service to its high wealth client base.

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