

Conversations with the next gen: the changing face of the next generation

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From concrete concepts such as nationality, geographical spread and demographic profile, to far more subjective qualities such as entrepreneurial spirit, behaviours, ethical values and purpose-driven philosophies, the next gen presents modern day private wealth advisers with something of a conundrum.

Inherently different and intrinsically more challenging to pin down, the changing face of the next gen asks fundamental questions of advisers in terms of how best to communicate with them and how to approach wealth planning and asset protection strategies.

Demographics

Perhaps most obvious is how the demographic profile of the next gen differs with that of the current generation.

The picture overall now is one of far greater complexity. In terms of nationality and geographical spread, for example, the reach of the next gen is becoming increasingly diverse. Often, the next gen has had the opportunity to study overseas most often in Western economies, such as the US and UK, away from their family "home".

In some cases, they have decided to remain in those locations, gaining multiple citizenships. In other scenarios, that initial overseas experience has encouraged them to explore other destinations away from home after completing their studies, to travel to different countries, experience cultures and pursue alternative business ventures. The end result is a far greater mix of geographies than the current generation.

Then there is the added complexity of gender and family make-up. Children who are adopted or fostered into a family, conceived through IVF or born out of wedlock are increasingly common within family models, while there is also a greater percentage of unmarried family members.

It offers both the potential for a greater mix of family members and heightened scope for the blurring of boundaries when it comes to family stakeholders.

Sociocultural and behavioural divergence

Sociocultural and behavioural divergence, meanwhile, is perhaps less straightforward to pin down, and there is undoubtedly a danger when it comes to characterising the next gen of overgeneralisation.

Often the claim is made, for instance, that the next gen is driven almost exclusively by "purpose", has an intrinsic interest in ESG, or is tied inevitably to technology. This can indeed be the case - one study found that next gen family members placed a great weighting on the importance of ESG principles (63%) against pure financial return (37%) compared to the founder generation, which was the exact opposite - 33% to 67% (Wealthbriefing). But that's not necessarily always the case.

The next gen context, of course, is very different. The first and second generations of a family were, in the vast majority of cases, the original wealth creators - but the mass transition of wealth, estimated at around US\$70 trillion, expected to take place over the coming years means that the wealth experience of the next gen is very different.

Certainly, there are clear aspirations among the next gen for growth - but they are also the custodians of existing family wealth and family business interests. That can manifest itself in different ways - an intense sense of responsibility in maintaining the existing family legacy, for instance, or contributing to the family in new ways ... or both.

It's one of the reasons we are seeing a rise in female family members establish themselves as entrepreneurs, as families with female next gen members in different international markets around the world have been given a platform to pursue different ventures or set up their own business.

Overall, the key characteristic is, by and large, an appetite to be involved, contribute and be engaged on family matters. How the current generation, and advisers, react to that is critical.

Adviser complexity

Navigating a rapidly evolving next gen landscape that is an evolution of previous generations, but by no means uniform in itself, is becoming increasingly tricky. Exacerbated by an external environment of complex regulation and market volatility, cross-border advice in supporting next

gen aspirations and family succession planning is now a fundamental part of private wealth planning, and we are seeing this play out in a number of ways.

First, there is the challenge of establishing and maintaining a shared vision and keeping a multigenerational, diverse family on track. Diversity of interests among the next gen, driven by the factors outlined above, mean that often values and visions are not always aligned across generations. Absolutely crucial is for these issues to be discussed between families and their advisers, so that advisers can take a holistic view and advise their clients as a coordinated family entity.

Research shows, for instance, that there is a disconnect between what the next gen expect, and what the current generation are offering - the number of next gens saying they are given significant family internal operations to lead has gone down from 48% in 2019 to 28% in 2022.

Accordingly, education has become a core part of the adviser responsibility - both in relation to the next gen, so that they can understand their role better within a family context and the complex world they live in, ultimately so they are prepared to take on greater responsibility. But also in relation to the current generation, so they can gain an appreciation of the hopes and aspirations of the next gen and gain confidence in their abilities.

Bringing different generations to the table can be beneficial in engendering better inter-generational understanding - and that can then be backed up by legal advisers by putting in place solid frameworks, ground rules and governance frameworks that can set out clear, shared visions, roles and responsibilities.

From a legal and structuring standpoint, meanwhile, the divergence of next gen family members, interests and behaviours means that private wealth practitioners need to build global flexibility much more into holistic family structures - so that they are robust in the face of new business ventures and international regulatory requirements; can provide certainty when it comes to diverse family frameworks; and can instil confidence should circumstances change - such as divorce, citizenship or tax residency.

Further, global mobility among the next gen means that there is now a much greater need for international expertise and specialist knowledge when it comes to both international and regional and domestic laws and compliance and reporting requirements. For legal advisers, this means providing a coordinating role, to bring the experts to the table as required.

There's no doubt that the changing face of the next gen is posing to families fundamental questions about their wealth structuring, investment strategies, and approach to business. Engagement and not simply building a wall around their wealth is vital - it can help put a family in a good position not only to manage the succession to the next gen, but to empower that generation to draw on its diverse interests and experiences to enhance the family platform even further.

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