



Advising the new generation of private clients

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Considerable focus is placed on advising existing and dynastic high net worth clients on how best to plan for the succession of their wealth and how to assist the next generation inheriting such wealth. However, less is spoken of the needs of the new generation of high net worth clients.

In 2023, HSBC published for the first time its Global Entrepreneurial Wealth Report which indicated a number of notable facts for private wealth advisers considering how to best advise younger entrepreneurs and high net worth business developers. In particular those creating wealth rather than inheriting wealth.

An important factor for the new generation to consider is succession planning. However, the report indicates 11% of UK entrepreneurs have not yet thought about this despite three-quarters of entrepreneurs operating across borders and a third looking to exit their business in the next five years, where there could be a significant increase in their wealth. This emphasises the need for advice on how to best structure an exit. It also highlights the importance of planning for the succession and growth of wealth thereafter. Often, those generating wealth can overlook this.

It is also important that when advice is sought, advisers are familiar with the worlds in which the new generation of wealth developers operate, what their current and long term goals are and what really matters to them. Given the often relatively young age of many entrepreneurs, planning for the long term could be more important than ever.

Trusted advisers can have a truly positive impact on the long-term affairs of clients, working alongside them for a significant period as their lives and business ventures evolve. But what should be discussed?

| The here and now

"Digital natives"

A phrase used by McKinsey & Company to describe the first generation to grow up in a fully

digitalised world, digital natives have a greater understanding and use of technology than any other generation before them. It's therefore no surprise that a considerable number of new careers and entrepreneurs focus on the development, use and selling of technology.

It will therefore be increasingly important for advisers to not only understand the industries within which their clients generate wealth but also to embrace the use of technology themselves to advise clients. The new generation will often demand on the spot, easy to understand and data driven analyses and advisers will need to stay up to date with tools and technologies available to them.

Digital nomads

The desire to set down roots is not as important to many of our younger clients. The growth in lifestyle content creators has glamorised the potential for people to work in exciting locations, prioritising flexibility, travel, and the opportunity to experience different cultures. With all this now possible while building their businesses and in some cases being the catalyst for the development of new businesses.

The rise of co-working spaces, digital communication tools, and the gig economy has facilitated this trend, allowing individuals to maintain productivity and connectivity, no matter their location. While this may be something that will slowly reduce over time, it is a lifestyle choice that is expected to remain the preference for many new generation clients.

However, with flexibility and freedom can come complexities, from both a tax and a wealth management perspective. Advisers are now being asked to advise more regularly on wealth planning solutions for those with no "fixed abode". This requires cross-jurisdictional tax and legal advice to be obtained, and a holistic approach taken to the client's affairs - all while allowing their flexible lifestyle to remain such.

Potential exits

For the successful new generation client, there will come a time when they may wish to consider exiting the business - whether they want to move on to other things, or the time is right to realise the value created through their entrepreneurialism.

Statistically, young entrepreneurs can be less likely to remain involved in their startups once they reach their exiting point by way of acquisition, initial public offering or merger. For example, the creator of MySpace, Tom Anderson, sold the platform in 2005 for approximately half a billion dollars. He initially remained with the company as president but left a few years later citing his lack of interest in working in the corporate space and to pursue his personal passions.

With that said, before deciding to exit the business and whether to remain involved, it's important for entrepreneurial clients to take advice on how best to structure the exit and what rights,

obligations and benefits will be retained after they do, whether as an employee, consultant, partial owner or otherwise. Where the client will not remain involved with the business, it's important that the exit is as fruitful as possible, and that appropriate structuring and management is in place to look after the significant wealth to be received.

Solutions such as pre-IPO trusts, family investment companies and gifting with suitable tax relief advice can help maximise the opportunity to plan for the future and to benefit family.

Serial entrepreneurs

Some entrepreneurs are fortunate enough to create not just one but multiple successful businesses, pivoting from one idea to another, even from one sector to another. For example, Palmer Luckey, who created Oculus VR headsets which was purchased by Meta for a significant profit, went on to found Anduril Industries, an autonomy focussed defence technology company. While both businesses were based on the development of technologies, they were ultimately two very different businesses both with significant room for growth.

In some cases, the profits from a former business venture will be required to create another business and there is no guarantee that a client will have the same level of success as the first time. It's therefore important for clients to be well advised on the risks of new ventures, the cost implications and how this could impact on their personal wealth and their future financial position.

Advice should be taken to ensure existing wealth is protected and will not be jeopardised by future, potentially unsuccessful ventures. With the use of trusts, foundations and family investment companies, clients can consider these options to ringfence one portion of their assets from another for use in a new business.

Sustainability-driven issues

The rise in ESG is showing a trend that businesses are more aware of the issues around climate and sustainability. Entrepreneurs increasingly aim to create businesses that not only generate wealth but also limit any negative impact on the world and in some cases even create positive change. For example, businesses such as Patagonia, have been serious activists in ensuring that significant funds are allocated towards protecting the environment.

To do so, some businesses have chosen to structure themselves in the form of a philanthropic structure. Positive impact is at the forefront of the business' aims rather than profits. Advice will need to be taken to ensure the business continues to be successful while maintaining its positive impact objectives.

Guernsey has for many years been a jurisdiction of choice for the establishment of philanthropic ventures with a flexible yet well regulated charities regime and the existence of non-charitable

purpose trusts and foundations which can be used for philanthropic but not strictly charitable purposes.

The future - because one cannot be young and successful forever

A number of clients will become extremely successful, but their careers might not have the longevity of others by their very nature. The careers of a professional sportspersons, for example, will often be relatively short, even if they are able to pivot into other related areas (such as media, coaching and product affiliation or development). We could come to see the same true for modern entrepreneurs - influencers, streamers, and online content creators who can amass significant wealth through sponsorships, advertising, and merchandise but whose careers may not be long-lived.

This phenomenon underscores the importance of adaptability, continuous learning, and diversification for young entrepreneurs as well as long-term planning. While significant wealth may be amassed in a short space of time, this wealth may need to provide for clients for an extended period into the future. For clients in this position, it is important that they take long-term advice and asset management planning to ensure their affairs are taken care of.

Ogier's private wealth services are designed to support this journey, offering bespoke solutions for wealth structuring, succession planning, and asset protection. By focusing on the future and preparing today, we help shape lasting legacies and make a meaningful impact for generations to come.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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