

YOUR ACTIVE WEALTH PODCAST

Talking 'Bout Next Generation

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Featuring:

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VO [00:00:01] Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Wealth, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework: Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

Ben [00:00:30] Hi, I'm your host, Ben McGloin, and welcome back to *Your Active Wealth*. Back in 1960s, Pete Townshend and Roger Daltrey sang about "My Generation." Now, today, the focus is on "Next Generation." Over the next several decades, the U.S. will experience a massive demographic and wealth shift that may impact most Americans. Each generation has distinct attitudes shaped by their environment and experiences. On today's episode, we'll address the priorities and interests of the next generation of wealth holders in the United States. We call them "Next Gens." We'll discover what's on their minds as they move forward in the "great wealth transfer." To help us discuss this important topic, we have two guests who are experts in the area.

Brien Biondi is CEO of Campden Wealth North America and IPI. For over 25 years, Campden Wealth and IPI have delivered membership services, peer-to-peer private meetings, educational programs, proprietary research, news and analysis for families and family offices. Brien has led numerous high-profile membership organizations for the past 25 years. He has served as executive director of the Chief Executives Organization and as CEO of the Entrepreneurs' Organization.

Belinda Herzig is a senior wealth strategist for BNY Wealth, engaging with clients, families and business owners to design comprehensive wealth planning strategies. Belinda has extensive experience in planning for generational wealth transfer, business succession and philanthropy, as well as estate administration. Currently, Belinda is on faculty as an adjunct professor in the graduate tax program at the Texas A&M University School of Law.

Brien, Belinda, welcome to the podcast. So Brien, to get started, maybe you could tell us a little bit about your firm, Campden Wealth.

Brien [00:02:17] It would be my pleasure. Campden Wealth is a community of ultra-high net worth families, and I think that's the key word, community. We're not a money manager, we're not advisors. We facilitate learning and connectivity because there are so many issues that come with wealth. There is the investment landscape, it's continually changing. So, we bring in the best and brightest to educate our families, they have single family offices, throughout the investment landscape, whether it's fintech, cannabis, blockchain, and then there's all the family related issues succession, Next Gen, governance. And these are issues that we tackle, educate the families and help them understand and learn from one another. It's a peer group, as I said. It's a community of families learning, sharing.

Ben [00:02:58] That's terrific. And obviously your firm joined with BNY Wealth last year for a comprehensive Next Gen study. Can you tell us why this subject is so important and maybe perhaps provide some background on the study?

Brien [00:03:11] I'd be happy to. We were pleased to partner with BNY and we really look to partner with best-in-class organizations on areas that are really important to the families. And right now, we are in the midst of the biggest wealth transfer in the history of the world. It's going on right now and this is a challenge for the Next Gens, it's a challenge for these ultra-high net worth families. We'll talk a little bit more about it. But right now about I'd say a third of Next Gen have already started to take control of it. And probably half of the members we surveyed, the families, will take control in the next 5 to 10 years. Again, the biggest wealth transfer in the history of the world. And this subject is going to have an impact for years to come in terms of investing and obviously the Next Gen being knowledgeable and smart enough, how to make that investment and having the proper advisors and external professionals to help them. So the report explores the views of a little bit more than 100 Next Gen, ultra-high net worth individuals, and the report explores their activity and opinions across a range of topics such as succession planning, family communication, conflict resolution, their work in a family office, the family business, philanthropy, and investing in areas such as digital assets and sustainability. The findings show that the Next Gens are eager to engage in the family enterprise, have an appetite for growth and a drive to shake things up. I point that out again, a drive to shake things up, as they aim to bring to life their vision for the future of their family legacy. It's a great report and I would say that the majority of the respondents were millennials and Gen X, so kind of in the ages of 25 to 40. We did have a handful of, I'd say dynasty families that are, you know, fourth generation. But for the most part, these were second gens that were responding to the survey.

Ben [00:05:05] And Belinda, I'd love to hear what your key takeaways were from the study.

Belinda [00:05:08] Well, first, as Brien mentioned, this is a major generational transition that will change our world. Second, there is a generational disconnect on succession. And third, Next Gens have a greater appetite for risk.

Ben [00:05:26] Let's dig in a little deeper on these takeaways. How do generations differ on the subject of succession?

Brien [00:05:33] Well, I wouldn't say so much that generations differ. What was notable from the report was the fact that the vast majority of families don't have succession plans in place. And to me, this is a tremendous issue that's facing families right now. We surveyed over 100 families and roughly a third had succession plans in place. And this was also representative of our family office report that we did earlier in the year where we surveyed the families. And again, about a third of them had succession plans in place. And even though 85% of these felt that they were ready and somewhat prepared to take the responsibility, they don't have a formal succession plan in place, which is, to me, a real problem. I thought it was interesting one of the participants said our goal as parents is to give our kids guardrails and let them be themselves. So yeah, but they've got to get that succession plan in place. And you see the families that have the succession plan in place, it's a much more effective transition than the ones that don't.

Ben [00:06:34] So Belinda, you talked about the survey indicating that Next Gens have a greater appetite for risk. How do you think this will impact their investment portfolios going forward?

Belinda [00:06:43] Well, showing a high appetite for risk, one third of Next Gens report that switching to a more growth-oriented investment strategy will be their top priority when they take control of the family office or the family business. And those Next Gens surveyed outlined what their future growth strategy might look like once they are in control. So about one quarter plan to shift towards alternative investments such as private markets, hedge funds, commodities. Another quarter want to integrate new technologies into the family office, such as blockchain, artificial intelligence, and then others state they want to emphasize sustainability or ESG investing or allocate more to emerging investments with cryptocurrency, NFTs and new technology, which were at 23% each.

So sustainable investing is a key theme for Next Gens, with over half stating they currently invest sustainably and those who are active in sustainable investing dedicate 17% of their average portfolio to sustainability and they expect this proportion to rise to 43% within the next five years. And that's in comparison to the North American Family Office report of 2022, which found that family offices in North America who engage in sustainable investing currently dedicate 20% of their portfolios to sustainability. That proportion is expected to rise to 31% within the next five years. And the other part of it is that Next Gens remain interested in cryptocurrencies. Nearly half of the Next Gens surveyed invest in digital assets and new technology, committing 5% of their average portfolio to cryptocurrencies and 9% to other digital assets. And of those actively investing in crypto, they're staying committed to the controversial asset class with more than half planning to maintain and 43% are looking to increase their portfolio allocation in the upcoming 12 to 24 months.

Ben [00:09:08] Those really are fascinating statistics as it relates to investing. Brien, often there's conflict amongst generations. Could you share some of the insights from the survey around how Next Gens are tackling family conflict?

Brien [00:09:20] Before I answer that question, I just want to pick up on Belinda's point about the Next Gen having a bigger role in the investment decisions and she mentioned sustainability. We've seen the asset allocations changed dramatically over the last five, six, seven years with the Next Gen having a bigger input and wanting more of the families' investments to be around sustainable investing. So with wealth comes conflict. And of the 100 families we surveyed, 44% of them said that with excessive wealth, that leads to family fighting. And they've experienced that. And we had one family member said that during the times of family conflict, you need to address the elephant in the room. There's always sensitivities and you need to acknowledge them. So when families are dealing with this levels of wealth, they do have conflicts. And what we've learned from the report is that today they need effective governance tools to help them. They need regular ongoing communication, regular formal meetings with the family and using an outside consultant, a third party who's independent. And that has been very helpful to the families. In addition, the families rarely want to talk about family issues and wealth issues with non-family members, with friends and so on. They want to discuss that primarily with the family. Certainly, we see that in our organization where you have a community of peers, they're more comfortable sharing these issues with peers. But for the most part the families are very private and do not want to share the family disputes the wealth-related issues with non-family members.

Ben [00:10:54] Thanks for that, Brien. And Belinda, switching to perhaps a more positive area of the study, maybe you could share how the Next Gen view charitable giving through the lens of the survey?

Belinda [00:11:03] Next Gens are duty bound. They understand that wealth is a privilege with a notable 82% being active in philanthropy. There are a lot of quotes in the study from the survey participants, and one participant summed it up saying, I realized as a young adult that I'm incredibly fortunate in that I have an opportunity and an obligation to give back not just with capital, but also through time and expertise. Three quarters asserted that they are motivated by a sense of duty to give back and Next Gens donated an average of \$1.2 million U.S. dollars of their own wealth over the past 12 months. So, almost half said that giving back is one of their most important lifestyle activities. And when looking at the categories, Next Gen philanthropy targets education at 76%; support for youth and children was 60%, and community development at 56%. So other areas as well. But those were the top priorities. And while it might seem like there's a giant chasm between generations, honest and open communication, especially around philanthropy, can bridge the divide. So, with our families, often it's ongoing conversations about philanthropy that not only maximize the impact of charitable giving, but it keeps family values alive for future generations.

Ben [00:12:38] And so, Brien, before we close with so much on the line for the next generation of wealth holders in America, could you share with the audience what individuals and even families can do in terms of taking next steps to address some of the topics we've talked about today, like succession planning, investing, philanthropy?

Brien [00:12:56] Well, the first thing I would do is I would download this report. I mean, it's a very insightful report with a lot of nuggets of information. And I think it'll help families and the Next Gen as they learn from their peers.

You can download this report at www.bny.com/wealth. And I think that would be the first step. Secondly, exploring outside professionals. You know, we're in the business of people business, and there's no substitute for in-person conversations with professionals.

Of the survey, we did hear about a third of the families who have \$250 million or less in assets don't have any wealth managers on their team. They rely solely on outside professionals, and that's pretty standard. We find that families of wealth under a half billion dollars tend to outsource and look for the best-in-class professionals like BNY and really most of the areas that they truly rely on. I mean, almost every survey came back and said that it's trust and estate planning, tax planning, tax mitigation. That's where the most help was needed with these Next Gen as they begin to take control of the wealth of the family.

Ben [00:14:04] Wow. Terrific insights. And thank you, Brien and Belinda, for joining us today to share your insights on the next generation of wealth holders in the U.S. To learn more about the Next Gen study we've discussed throughout this podcast, please visit our website bny.com/wealth and type "next generation" into the search function.

At BNY Wealth, we have over 200 years of experience working with individuals and families to help craft investment strategy, estate planning, tax management, philanthropic strategies, business succession planning and more. As a leading wealth management firm, we understand the motivations of all generations of clients, as well as the complex philanthropic and estate planning approaches used to preserve wealth while giving back to the community.

To learn more about how BNY Wealth can help you, I encourage you to reach out to a BNY wealth manager. I'm Ben McGloin, thanks for joining us and we'll see you on our next episode of *Your Active Wealth*.

VO [00:14:28] Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit bny.com/wealth to view the latest insights on the subjects that matter most to you.

As of September 2023, Ben McGloin is no longer working at BNY Wealth.

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