
The Great Wealth Transfer: Evolution, not revolution – next generation philanthropy

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There's no doubt that global philanthropy is on the rise with individuals, families and businesses increasingly wanting to make a difference to society in a structured manner. In the UK alone, for instance, the total value of donations of £1m or more rose from £1.37bn in 2006 to a record high of £1.83bn in 2016¹.

The trend is a long-term one and it is clear that for these efforts to have maximum impact, philanthropy must be considered in the context of the next generation of beneficiaries of private wealth.

Jersey Finance has published a new thought leadership paper entitled *Flourishing Futures*, which examines the intergenerational transfer of wealth and provides guidance on how to make succession a success so philanthropy is relevant in this context.

Complex families

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dollars passed from baby-boomers to the present-day generation, via the transfer of direct and absolute wealth ownership and the transfer of individual influence in existing wealth-holding structures.

Back in the 1960s when structures were set up by the baby-boomers, the requirements of families were often much more straightforward than they are today. The typical ‘one-size-fits-all’ trust was set up, for instance, assuming that family members would remain in their ‘home’ jurisdiction and that they would all share the same wealth-planning goals.

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As a result, such structures, understandably, had little flexibility built in to them.

However, for the ‘next generation’ of beneficiaries, things can be more complex and that has significant implications when it comes to wealth and succession planning, sometimes leading to disputes. Indeed, when a trust has a philanthropic purpose, this can be particularly complicated if there are widely differing levels of connection to the cause.

Evolution

In order to address the complexities of modern family life and ensure the great wealth transfer can take place smoothly, trust structures have had to evolve to allow a lot more freedom.

Families tend, for example, to spread their wings further geographically, and are more likely to consist of step-children, long-term relationships without marriage, and same sex marriages, whilst not all family members will share the same personal, commercial or philanthropic goals.

In addition, families are much more comfortable with technology – accessing information and communicating digitally, transacting online, managing their finances via apps or being more open to fintech investment options.

As such, it is clear that it will be the digitally-enabled, flexible jurisdictions and trust providers who will win the day in meeting these changing needs and providing the most innovative solutions to modern family wealth planning, including where philanthropy is concerned.

Opportunity

There are opportunities to support families with philanthropic endeavours as part of the transfer of inter-generational wealth. Indications of this can be seen in the social, cultural and technological trends shaping the global wealth management sector.

The Knight Frank Wealth Report 2018², for instance, suggests that only 26% of families have a full wealth transfer plan in place and that the next generation is not being educated early enough about the management of wealth.

Jersey Finance’s latest thought leadership paper, in partnership with law firm Bedell Cristin, makes various recommendations to this end, including:

- Prepare a summary of the trust structure which explains the terms of the trust in detail
- Initiate meetings with the next generation to discuss the trust
- Consider how existing structures meet the wishes of the next generation or whether it might be appropriate to establish new structures supporting philanthropic causes
- Review how the trust suits the lifestyles of the beneficiaries and considers family relationships
- Ensure communication is carried out in a suitable manner. For instance, with the next generation expecting fast, accurate information, does the existing approach sufficiently embrace technology, have the capability to interact via social media or offer an easy online platform?

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The focus should be on evolution, not revolution. What is important is to prepare properly for change – bearing in mind that, through inheritance alone, the total wealth of high net worth individuals in the UK and North America is expected to increase by US\$4 trillion over the next generation³. So there is a lot at stake and it is vital to do this right.

Conclusion

It is inevitable that the great wealth transfer will throw up challenges where long-standing trust structures are

concerned, and there is a clear need amongst families for specialist support.

Jersey Finance has witnessed the on-going changes in the global wealth landscape and as a result, believes that it is those wealth advisers who anticipate and adapt to change who will be best placed to meet the needs of the next generation and ensure the family's philanthropic legacy is sustained into the future.

*As CEO of Jersey Finance, **Geoff Cook** works closely with governments, regulators, financial professionals and investors, to promote the Island's award-winning finance industry, whilst highlighting legal and regulatory developments, as well as innovations in products and services that make international trade and investment easier to do.*

In addition to leading Jersey Finance hosted events, bringing together industry professionals, politicians and regulators to provide an open forum for debate, knowledge sharing and networking, Geoff speaks at and contributes to conferences and seminars around the world. He frequently contributes to leading publications – as well as writing a regular Jersey Finance CEO blog. In promoting Jersey's finance industry, Geoff features in media such as the Financial Times, The Wall Street Journal, The Economist, BBC Radio, the BBC World Service and Bloomberg TV.

Geoff joined Jersey Finance in 2007 with a strong career background in the London banking world, having held senior-level roles in wealth management and financial planning. Geoff is a chartered banker MBA, chartered director, a fellow of the ifs School of Finance, a fellow of the Chartered Institute for Securities & Investment and a member of the Society of Trust and Estate Practitioners. Geoff is also chairman of the Jersey Employment Trust, a locally registered charity whose primary role is to assist people with a disability to prepare, find and maintain employment in Jersey.

¹ Coutts Million Pound Donor Report 2017.
<http://philanthropy.coutts.com/>

² Knight Frank Wealth Report 2018.
<https://www.knightfrank.com/wealthreport>

³ RBC Wealth Transfer Report, 2017.
https://www.rbcwealthmanagement.com/_global/static/documents/RBC-wealth-transfer-report-2017.pdf