

Next gen: Socially conscious wealth management

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There are profound differences in how today's young wealthy individuals and entrepreneurial figures approach their wealth management, with many of them showing a keenness to demonstrate their social conscience within their financial affairs.

The techniques, skills and approaches that were once common in the wealth management industry have evolved to meet and anticipate the fresh and innovative ways that a new generation of wealthy and entrepreneurial individuals manage their wealth.

Ethical evolution

Young wealthy individuals, whether they have acquired their wealth or generated their own, are a product of the modern, connected world.

Whereas previous generations played their cards close to their chest and there was much greater secrecy around wealth, investments and structuring, the climate today is starkly different.



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Global regulations that are now in place mean that transparency is the norm, complementing the more socially minded approach that we are seeing younger generations demonstrate when it comes to every aspect of their life, including their wealth.

The world has also changed. More than ever, the public demands that wealthy individuals and corporations demonstrate their social conscience. Facebook founder Mark Zuckerberg's decision to set up innovative new structures for social giving has been widely reported, as has Harry Potter author JK Rowling who dropped off Forbes' billionaires list because she has given a vast proportion of her wealth to charity.

One of the defining attributes of entrepreneurs and young wealthy individuals is that they are proactive and committed to using their wealth to make a difference. Entrepreneurs and the new generation of affluent individuals are often driven by their passions, rather than the sole aim of making money.

Wealth creation

Today, the rise of technology has transformed the ways that individuals can become successful. With limited resources, an Internet connection and very little capital, pioneering businesses can be launched from a bedroom. Famously Larry Page and Sergey Brin founded global search engine Google in a garage in California. It's now worth nearly \$500 billion.

Entrepreneurial courses are now included on University curriculums, underscoring how attitudes towards employment and wealth have developed.

Traditionally, it may have taken a long time to build up significant wealth. Technology has made the business world a much smaller place, which has greatly increased the opportunity for success and how quickly it can be achieved on a major scale.

Collaboration

Collaboration is a key marker in how entrepreneurs work with a willingness to share ideas and work alongside other industry professionals. E-communities, where people use online platforms to share ideas, have become a common way for younger generations to create and refine concepts and offer one another support.

For years, the start-up culture seemed to be focused on the activities of businesses based in Silicon Valley. However, tech and start-up communities have now spread across the globe, based in cities throughout Europe, Asia, North America, South America, Africa and Asia.

Creativity with control

Individuals who have built their wealth on their own steam want to be sure that their advisers will respect their personal beliefs. Today, some prefer to retain an element of control in their investment decisions and social responsibility features heavily in their wealth management choices.

With vast amounts of information at their fingertips, the new generation of wealthy is able to educate themselves on the tools and strategies available and they want to be certain that their portfolio represents their social beliefs. They want to be able to retain some authority over their wealth and be sure that their professional advisers will implement their clear financial objectives and desire to make a genuine difference.

Foundations and PTCs

The wealth management industry is adapting to accommodate the evolving requirements and expectations of the wealthy. There is now a range of suitable structures available to meet the need for creativity and control that some entrepreneurs demand.

Foundations, introduced in Jersey in 2009, are starting to come into their own and we have seen a recent surge in interest. Private trust companies are also popular vehicles. Often created with a specific purpose in mind, foundations are perfect tools for ensuring clients retain oversight of their wealth and investments. They ensure the original objective of the structure remains at the forefront of decision making.

A foundation, for example, can be set up to invest into specific areas or themes, such as waste management, sustainability or another area that is aligned to the client's social concerns and passions. For example, Hawksford provides personal trustees for the Eric Young Charitable Trust. Through the formation and careful administration of the philanthropic structure over a large portfolio of mixed investments, income is generated to fund the Eric Young Orchid Foundation, the world's premier foundation dedicated to orchids.

We also manage a multi-million pound trust which is funded by royalties received from distributors in specific geographic areas for a medical treatment created by the settlor of the trust. The majority of funds received are utilised to sponsor a wide variety of medical-related charities and further scientific medical research.

Working with a varied client base and their advisers across a diverse range of charity and philanthropy

interests is essential. These structures, which have proven popular with international clients, allow for greater flexibility of their financial affairs, without jeopardising the integrity of the structure.

Philanthropic future

The new generation of wealthy people and entrepreneurs recognises the opportunity to leave a legacy and to use their wealth for creating social benefit. While there are clear tax advantages in using these structures to direct their wealth towards social enterprises, entrepreneurs today are more driven by the opportunity to make a genuine difference and be taken seriously as a philanthropist.

According to the latest EY Family business philanthropy report, nearly 44% of family business owners and managers actively engage in social impact investing¹. In 2015 Mark Zuckerberg announced plans to donate 99 per cent of his Facebook shares to the cause of human advancement, representing roughly \$45 billion at the business' current valuation.

It is expected that there will be more interest in structures for philanthropic purposes in the near future. It is an exciting prospect to work with a more socially aware generation that is motivated by the desire to invest wealth wisely and is an active participant in the process.

¹ *EY Family Business Center of Excellence: Family Business philanthropy report 2016*
[http://www.ey.com/Publication/vwLUAssets/ey-family-business-philanthropy/\\$FILE/ey-family-business-philanthropy.pdf](http://www.ey.com/Publication/vwLUAssets/ey-family-business-philanthropy/$FILE/ey-family-business-philanthropy.pdf)

Steve Carr joined Hawksford in 2000 and is a Director with the responsibility for growing Hawksford's private client services alongside James Howe.

He has a wealth of private client experience, particularly in the formation and administration of estate and succession planning structures and employee solutions. He brings experience of working with clients from a wide range of industries, including retail, entrepreneurial, manufacturing, media, sports professionals and international entertainment stars.

Steve is known for going the extra mile and is well-liked and trusted by clients and colleagues.

Steve has 20 years' experience in the offshore finance industry and is an associate of the Institute of Chartered Secretaries and Administrators.

Sarah Cobden's area of expertise lies within marine-based structures, working with both HNWIs and corporates.

Sarah has built up lasting relationships with commercial lawyers, yacht managers, VAT specialists and tax advisers; finding solutions to often complicated structuring requirements, while working across multiple jurisdictions to include Asia, Africa, the Caribbean, Russia and the UK. She is also heavily involved with complex structures holding property, manufacturing and other lifestyle assets.

She is an active member of Citywealth and STEP, holding the STEP Diploma and in a previous role she was the student liaison officer for the Jersey STEP Committee. She has also achieved the Jersey Certificate of Offshore Administration.

Sarah has gained 20 years of experience in offshore trust administration, having previously worked at Warren Trustee Group and Barclays Wealth.