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BNY MELLON

WEALTH MANAGEMENT

The Next Generation of Wealth Holders in the United States

2022

Contents

Olympic National Park, Washington, USA

Foreword

The Wilson Arch, Utah, USA

We are pleased to share this unique research on what it means to be a next generation family member in the United States. The "next generation" can mean different things to different people. In this report, we gathered insights from ultra-high net worth family members, all of whom have or will assume control of the family wealth and/or the family business/family office.

The profile of these Next Gens is largely shaped by a cosmopolitan worldview. They have grown up in a globalized world and traveled to or lived in different continents. They have become accustomed to technology structuring their everyday lives, connecting them with like-minded people, friends, and family. Now, they are facing succession and the "Great Wealth Transfer". Being in the midst of a major transition of wealth from one generation to the next, 86% of Next Gens are already actively involved in the family office. Another 55% are working in the family business.

With Next Gens getting first-hand knowledge about their family enterprise, they start creating a vision for the future. The report illustrates that Next Gens have a higher risk appetite, as 34% plan to switch to a more growth-oriented investment strategy after succession. Their plans for the future also involve incorporating alternative investments, sustainability/ESG/responsible investing, new technologies (e.g., blockchain, artificial intelligence), and emerging investments (e.g., cryptocurrency, NFTs) into their investment strategy.

Reinforcing Next Gens' readiness to move away from conservative investment approaches, the study dives deep into the subject of sustainable investing and investing in digital assets. Over half of respondents (56%) are actively investing in sustainability and they are expecting that 43% of their average portfolio will be dedicated to sustainability five years from now. The study also reveals that 78% of those investing in digital assets are driven by a desire to diversify from traditional investments.

In sum, the next generation is keen to take on responsibility and is not afraid to shake things up. Next Gens want to protect our planet, while increasing the family wealth. They want to get it right – not just to prove to themselves that they can – but to live up to the expectations of their families and, more importantly, to make a positive impact on the world.

We would like to thank those who made this important research possible, including the participants, BNY Mellon Wealth Management, and the Campden Wealth Research team.

With that said, we hope you enjoy the read –

Yours faithfully,

Dominic Samuelson
Chief Executive Officer,
Campden Wealth

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The next generation is keen to take on responsibility and is not afraid to shake things up. Next Gens want to protect our planet, while increasing the family wealth. They want to get it right...

Executive summary

25

Knowing early, inheriting late: On average, Next Gens first learn about their family wealth at the age of 25. They expect to assume control (or have assumed control) of the family wealth by 48, after they have already gained substantial work (and life) experience.

Committing to the family enterprise:

Post-succession, over half of Next Gens (51%) plan to work in the family office, followed by 40% who plan to work in family philanthropy, and 33% in the family business. Here, they are most likely to hold positions that relate to investment strategy (42%), or financial or succession planning (38% each).

46%

Tackling family conflict: Nearly half of Next Gens (46%) believe that excessive wealth can lead to family infighting, while 44% have already experienced wealth-related family disputes. To avoid family disputes, Next Gens believe the most effective governance tools relate to ongoing communication (66%), regular formal meetings (39%), and using a family consultant (32%).

Higher risk appetite:

Business strategy is one of the most contentious issues when managing the family business, according to 36% of respondents. Showing a high appetite for risk, 34% of Next Gens report that switching to a more growth-oriented investment strategy will be their top priority when taking control of the family office/business.

31%

Prioritizing cybersecurity: The younger generation plans to enhance safety in the digital space. Nearly a third of Next Gens surveyed (31%) say improving cybersecurity is critical when taking charge of the family business/family office. Next Gens rank the topic second only to business strategy (a priority to 34% of respondents).

Keeping matters in the family:

Next Gens discuss topics of wealth and the family office primarily with their family, according to 88% of respondents. Only 22% of respondents discuss these matters with their friends. In a similar vein, merely 34% discuss their family business with their friends, compared to 80% who discuss it with family.

82%

Duty-bound: Next Gens understand that wealth is a privilege, with a notable 82% being active in philanthropy. With 74% asserting that they are motivated by a sense of duty to give back, Next Gens donated an average of US$1.2 million of their own wealth over the past 12 months.

56%

Sustainable investing is here to stay: Over half (56%) of Next Gens currently invest sustainably, while 68% assert that sustainable investing has become a permanent feature of the investment landscape. A quarter of Next Gens surveyed (24%) intend to emphasize sustainability/ESG investing when assuming control of the family business/family office.

Staying committed to crypto:

Forty-five percent of Next Gens surveyed invest in digital assets/new technology, committing 5% of their average portfolio to cryptocurrencies and 9% to other digital assets. Those actively investing in crypto stay committed to the controversial asset class, with 57% planning to maintain and 43% looking to increase their portfolio allocation in the coming 12-24 months.

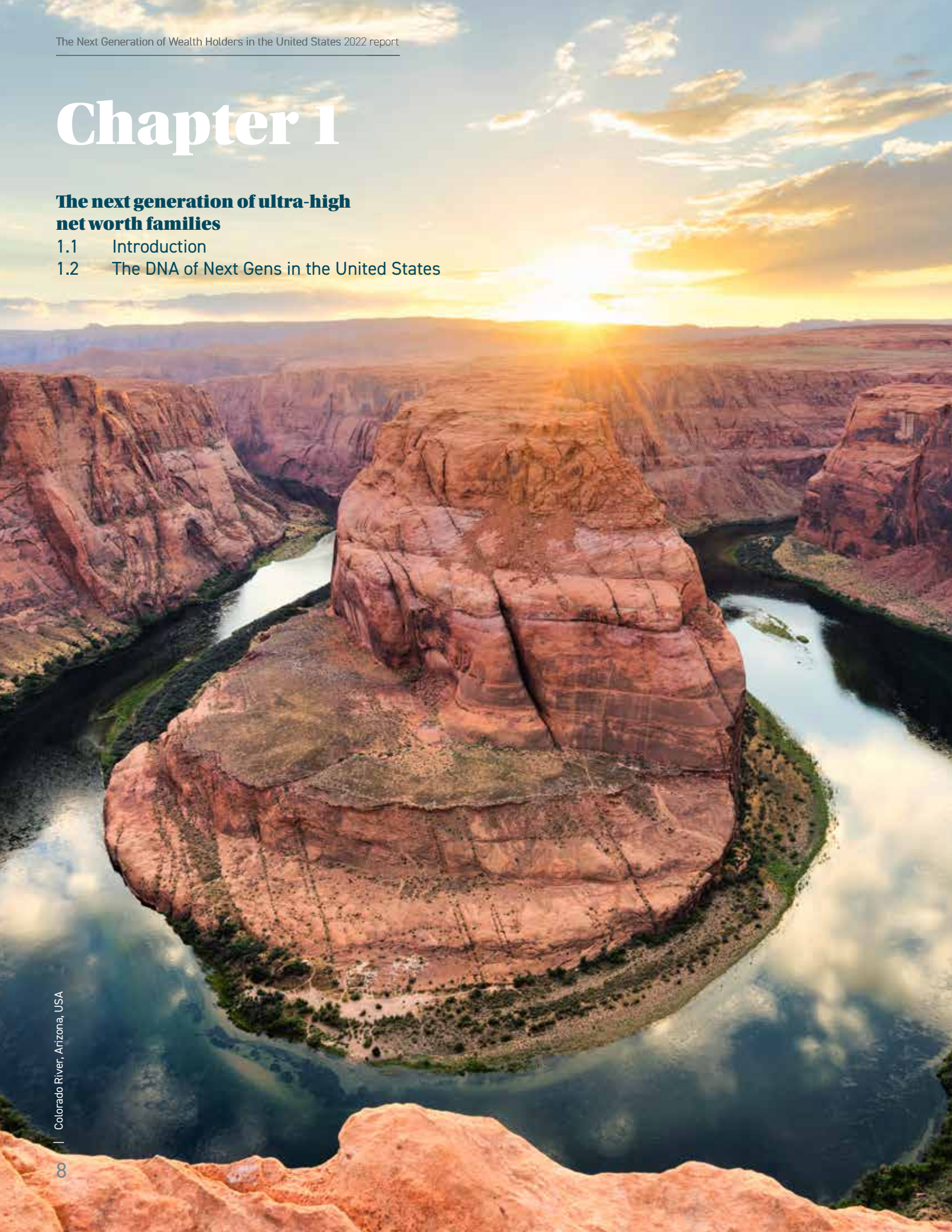
32%

Looking for expert advice: Expert advice is most needed in the areas of trust/estate planning and tax planning/mitigation, according to 99% and 97% of respondents, respectively. Another 63% rely on outside professionals for their succession planning/wealth transfers. Notably, a significant 32% of those with family net worth below US$250 million confess they do not currently have their own wealth manager.

Canyonlands National Park, Utah, USA

Chapter 1

The next generation of ultra-high net worth families



Colorado River, Arizona, USA

Chapter 1

The next generation of ultra-high net worth families

Only 37% of respondents feel very prepared for succession, compared with 52% who state they feel somewhat prepared or even unprepared

1.1 Introduction

After two years of a global pandemic, we realize that our everyday lives might never return to normal. While lockdown rules were lifted globally, we still feel the pandemic's impact. Adding to this, Russia's invasion of Ukraine reminded us how quickly peace can fade away. With economic tensions accelerating globally, inflation hikes and the cost of living started challenging business as usual – all while we see the ever-increasing impact of climate change unfolding around us.

In this rapidly changing world, the next generation of wealth holders prepares for succession. Being at the beginning of a significant transition of intergenerational wealth, about three in 10 Next Gens (29%) have already assumed control of the family wealth. Another 55% are set to take control over the next 10 years.

In the following pages, we track their journey. What is the profile of a typical next generation wealth holder, and what do they care about? Have Next Gens been sufficiently educated about their inheritance and succession? Which responsibilities have Next Gens already assumed, and what is their vision for the future?

We find that one of Next Gens' most significant challenges is to get succession planning in order. Facing the enormous responsibility of inheriting wealth, Next Gens admit they don't always feel ready. Only 37% of respondents feel very prepared for succession, compared with 52% who state they feel somewhat prepared or even unprepared. The report also shows that only a third (33%) of represented families have a formally written succession plan in place. The remaining families are still developing their succession plans, rely on informal/verbal agreements, or have no plan at all. Now, it is up to Next Gens to initiate family conversations and to put succession planning on the top of the agenda.

Our findings suggest that Next Gens are well-equipped to address succession planning. They are highly educated, and most of them actively engage in the family office or family business (86% and 55%, respectively). They also don't shy away from hard work. On the contrary, the Next Gens surveyed want to advance their leadership skills, looking to support the family enterprise in strategic and finance-related positions. Perhaps their biggest asset is being sensitive about negative family dynamics. Showing great openness to address these, two-thirds of respondents (66%) believe in the power of regular communication, and a third (32%) think hiring a family consultant might ease family conflict.

Next Gens don't just want to be stewards of the family wealth. Knowing that their

| Diablo Lake, North Cascade mountains, Washington, USA

children are more likely to experience extreme weather and natural disasters, they also want to make the world a better place. In turn, they are keen to promote sustainable investing, which a great majority (68%) believes is now a permanent feature of the investment landscape. Furthermore, Next Gens are driven by a desire to give back. Eight in 10 Next Gens (82%) are already committed to philanthropy, prioritizing donations to education, youth/children, and community development.

To summarize, the next generation is fueled by a desire for change and positive impact. Having dealt with crises before, they are keen to implement their vision for the family enterprise. Doing so, they honor hard work, family unity, and the well-being of our planet.

Next Gens are driven by a desire to give back. Eight in 10 Next Gens (82%) are already committed to philanthropy

Methodology:

This study is based on quantitative and qualitative data sourced by Campden Wealth. Between March and July 2022, 102 surveys were collected from next generation wealth holders in the United States with a family net worth in excess of US$30 million – all of whom have recently or will soon assume control of the family wealth and/or the family business or family office. The generations that dominate the sample are millennials (44%) and Gen X (33%) who account for over three-quarters of the respondent sample (Baby boomers make up 22% and Gen Z represent 1%). Furthermore, 12 in-depth interviews were conducted with Next Gen family members. Quotes from these interviews were used to create case studies and to provide deeper insight into the trends outlined by survey responses.

Figure 1.1.
Family net worth and expected inheritance

US$752 million
Average family net worth

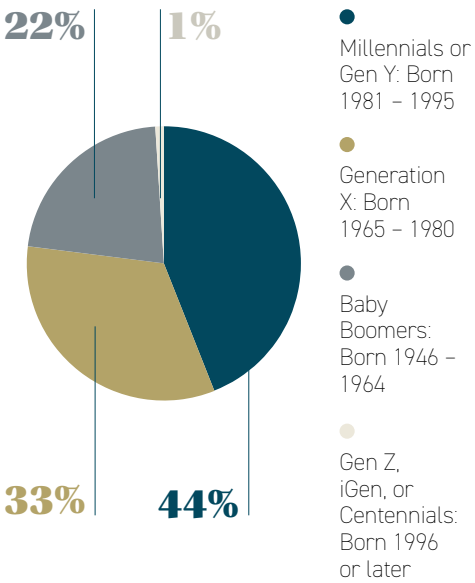
US$77 billion
Estimated total family net worth

US$200 million
Average of expected inheritance

US$19 billion
Estimated total expected inheritance

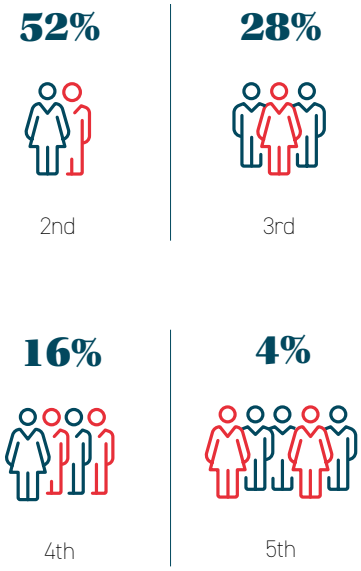
Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management *The Next Generation of Wealth Holders in the United States 2022* Survey

Figure 1.2.
Generation of participants



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Figure 1.3.
Generation of family wealth



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

1.2 The DNA of Next Gens in the United States

The following outlines a profile of those who participated in the research.

The typical respondent: A millennial with a family net worth of US$752 million and an expected inheritance of US$200 million

A total of 102 ultra-high net worth individuals across the United States participated in this year's survey. Respondents' average family net worth stands at US$752 million. Next Gens expect to inherit at least a quarter of their family wealth, which averages US$200 million (**figure 1.1.**).

The sample is dominated by millennials and Generation X, who account for 77% of the respondents surveyed. Nearly half the sample (44%) are millennials, aged between 25 and 40 (**figure 1.2.**).

Second Gens and children of current wealth holders dominate the sample

The sample covers a wide range of generations of family wealth, with several dynasties going back more than five generations. Nonetheless, the largest group of Next Gens represented are second-generation family members (52%) (**figure 1.3.**).

"Our family wealth was created quite a long time ago. There's a culture in the family to be thinking long-term."

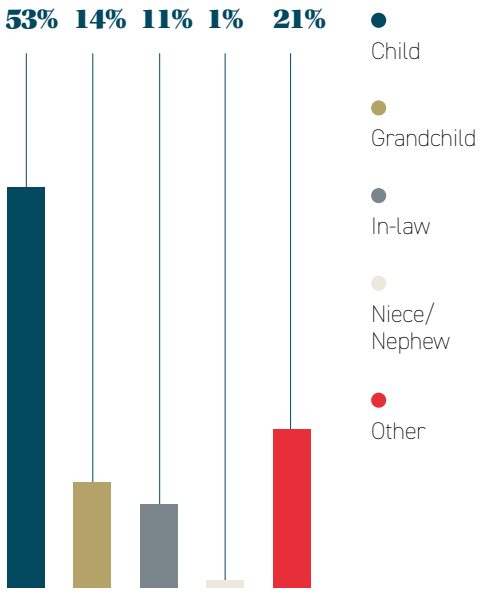
Baby boomer, male, fifth generation

Over half of respondents (53%) are the children of those currently in charge of the family wealth. As a result, succession is an increasingly relevant topic for those surveyed (**figure 1.4.**). In chapter 2, participants' journey to succession is analyzed in greater detail.

Gender diversity is improving, but wealth holders in the U.S. remain ethnically homogenous

The gender breakdown shows a stronger representation of female Next Gens. They make up 37% of the sample, while 60% identify as male. In 2021, only 33% identified as female and 66% as male (**figure 1.5.**).[1]

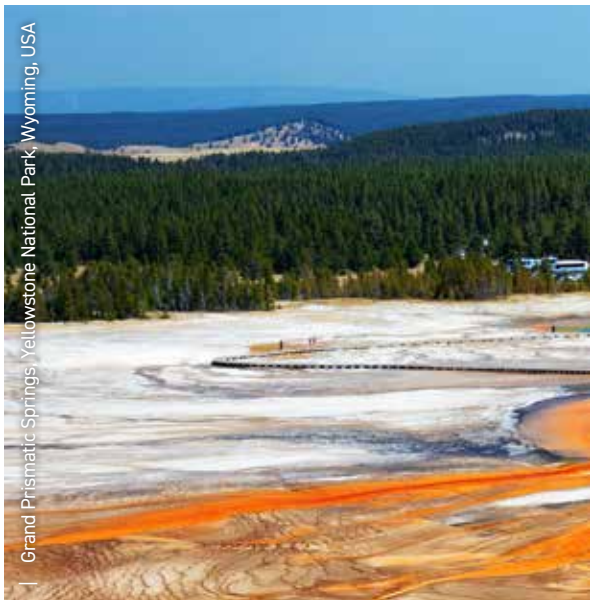
Figure 1.4.
Relationship to the main wealth holder



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

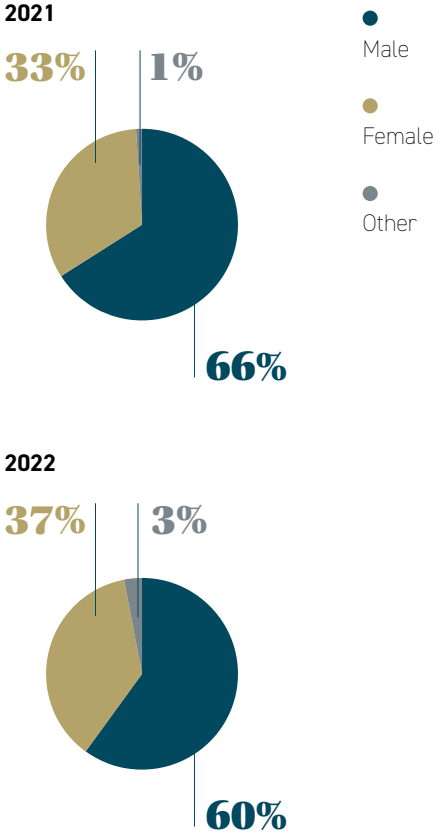
"My mother involved me in decision-making on family matters from early on. I think I was 12 or 13 when she started asking for my input. It made me realize that I was going to have a responsibility towards the family wealth in the future. It also strengthened our relationship. We made a good team."

Gen X, female, second generation



Grand Prismatic Springs, Yellowstone National Park, Wyoming, USA

Figure 1.5.
Gender breakdown of participants

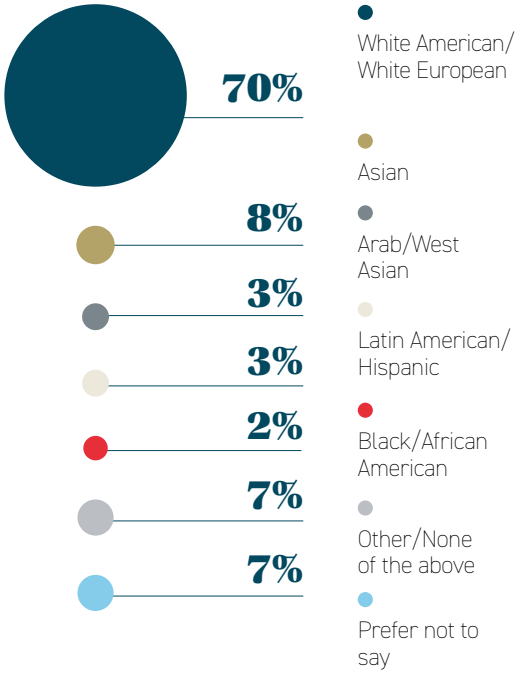


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

[1] Three percent responded other/prefer not to say, compared with one percent in 2020. See also, The Next Generation of Global Enterprising Families 2020, Campden Wealth/RBC, p. 12

While gender representation is diversifying gradually, ethnic diversity remains limited in this sample. Seventy percent of respondents surveyed identify as white American/white European. A total of 23% of respondents identified as non-white, of which 8% reported having an Asian background (**figure 1.6.**).

Figure 1.6.
Respondent self-reported background

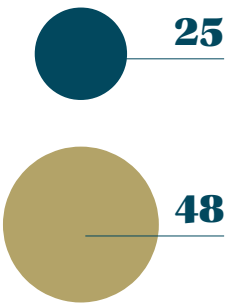


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Gaining life experience before assuming control of the family wealth

Although a largely homogenous group, Next Gens are aware of their family wealth from early on. The average age when they first learn about their family wealth is 25. Reportedly, Next Gens expect to assume or have assumed control of the wealth at the average age of 48 (**figure 1.7.**).

Figure 1.7.
Average age of Next Gen when they:



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

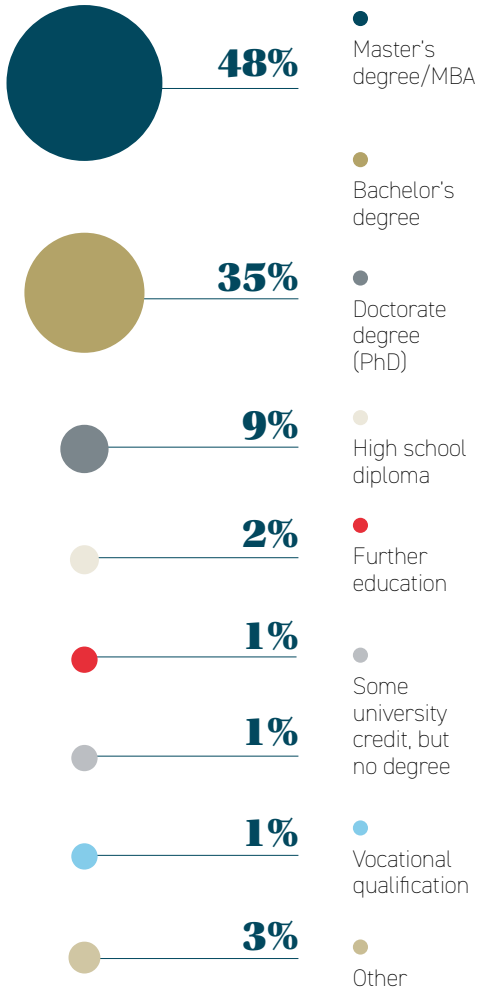
"I had an inflection point in 2010. I really wanted to engage with the family office but they do not hire family members anymore. I worked with them in my spare time with no financial benefit. So I initiated our estate planning. We made sure that the wealth is beneficial to the younger generation during our lifetime and that I can engage in the family office with no negative financial impact."

Millennial, male, fourth generation

A highly educated bunch

The Next Gens surveyed are highly educated, with nine in 10 (92%) having attained a college degree and 48% a masters/MBA. Nine percent also hold a doctorate degree (**figure 1.8.**).

Figure 1.8.
Highest level of education

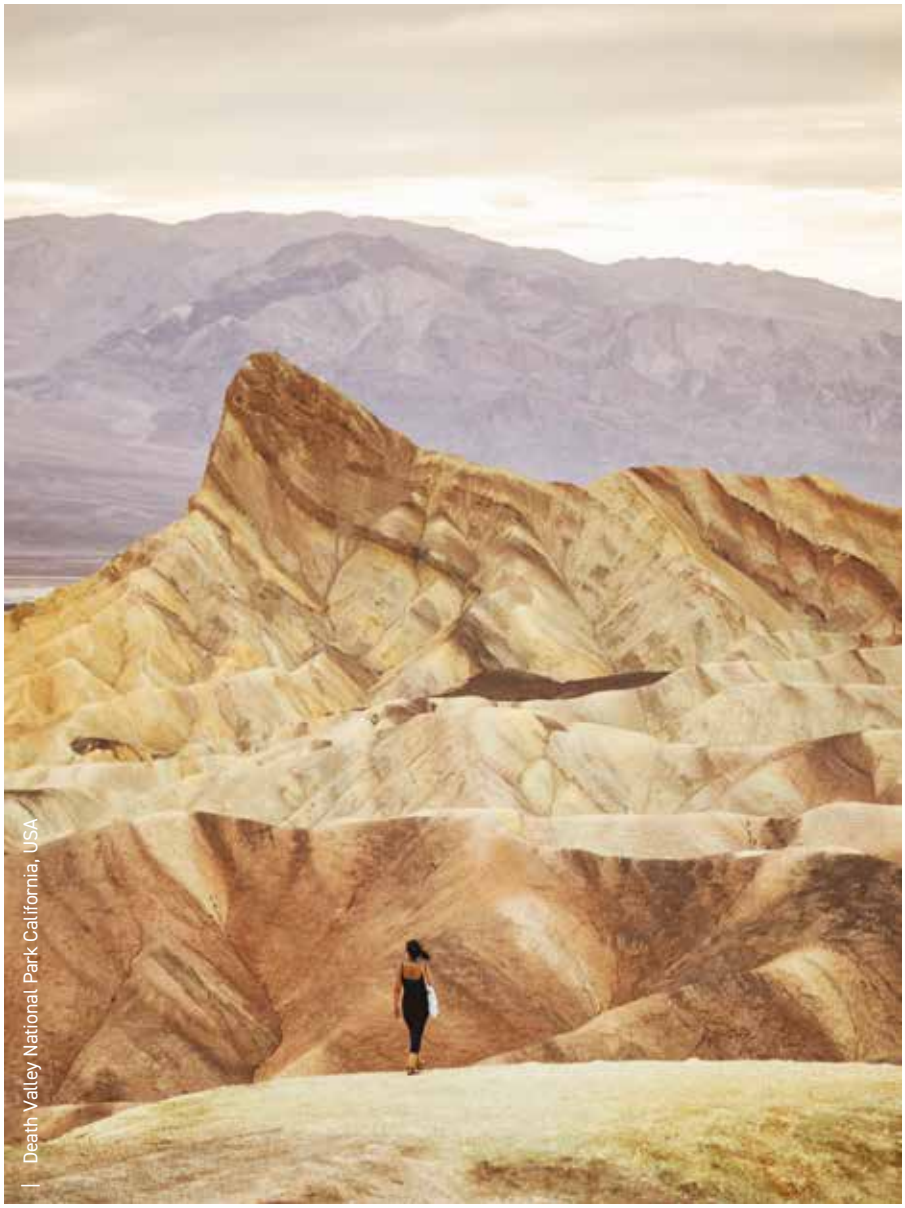


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Parents with young children

Most of the Next Gens surveyed already have children, 69% (**figure 1.9.**). While the average age of their children is 17, the largest proportion of respondents have younger children. Roughly 40% have a first and second child under the age of 12 (**figure 1.10.**). In our interviews, participants shared diverse approaches to their parenting:

> **"Our goal as parents is to give our kids guardrails and then let them be themselves."**
>
> *Gen X, female, second generation*



Death Valley National Park California, USA

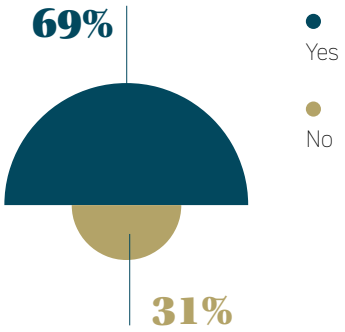
"I focus most of my energy on being a good and interactive parent who cares and is present in my kids' life."

Millennial, male, second generation

"I think we have raised our kids well. They don't share any of the typical problems of wealth inheritors like the entitlement, expectation, and dependency on the money. That's mostly because I married the right woman but, honestly, I don't know how she did it!"

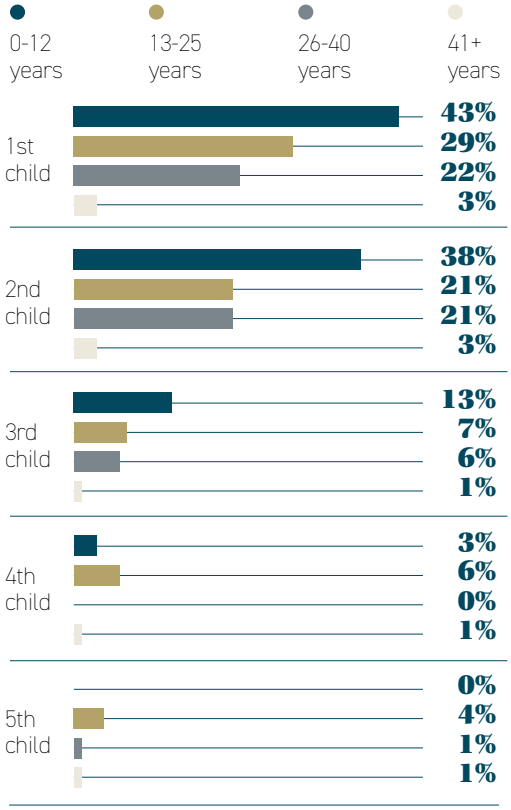
Baby boomer, male, fifth generation

Figure 1.9.
Whether respondents have children



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Figure 1.10.
Age of children



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

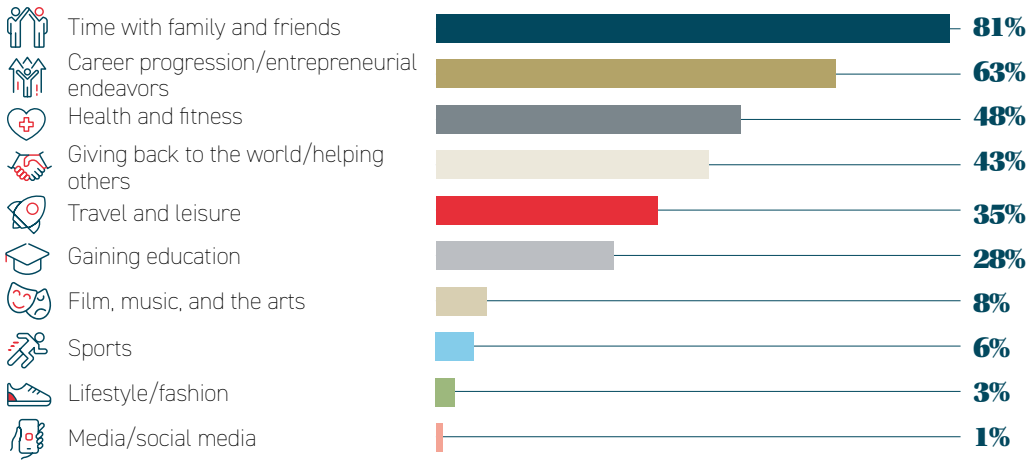
Spending time with friends and family is a priority

Showing a healthy work-life balance, the Next Gens surveyed ranked spending time with family and friends (81%) as their most important lifestyle activity. Interestingly, career progression is their second priority, according to 63% of respondents (**figure 1.11.**).

"I'm working with a start-up right now. It's a good example of the importance of inclusiveness and good board and management culture. We are a good team; we complement each other. We also have fun while we're working, which keeps everyone's morale up when dealing with complex issues."

Gen X, male, third generation

Figure 1.11.
Most important lifestyle activities



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Next Gens' and their parents' views tend to align

Next Gens in this survey make up their own mind, but their thinking is not radically different from their parents. When asked which topics they agree or disagree on, they were most likely to fully agree on gender roles (55%), how to run the family office (53%), and family business succession planning (53%). They were the most likely to disagree on topics such as cryptocurrency (38%), politics (20%), and religion (20%) (**figure 1.12.**).

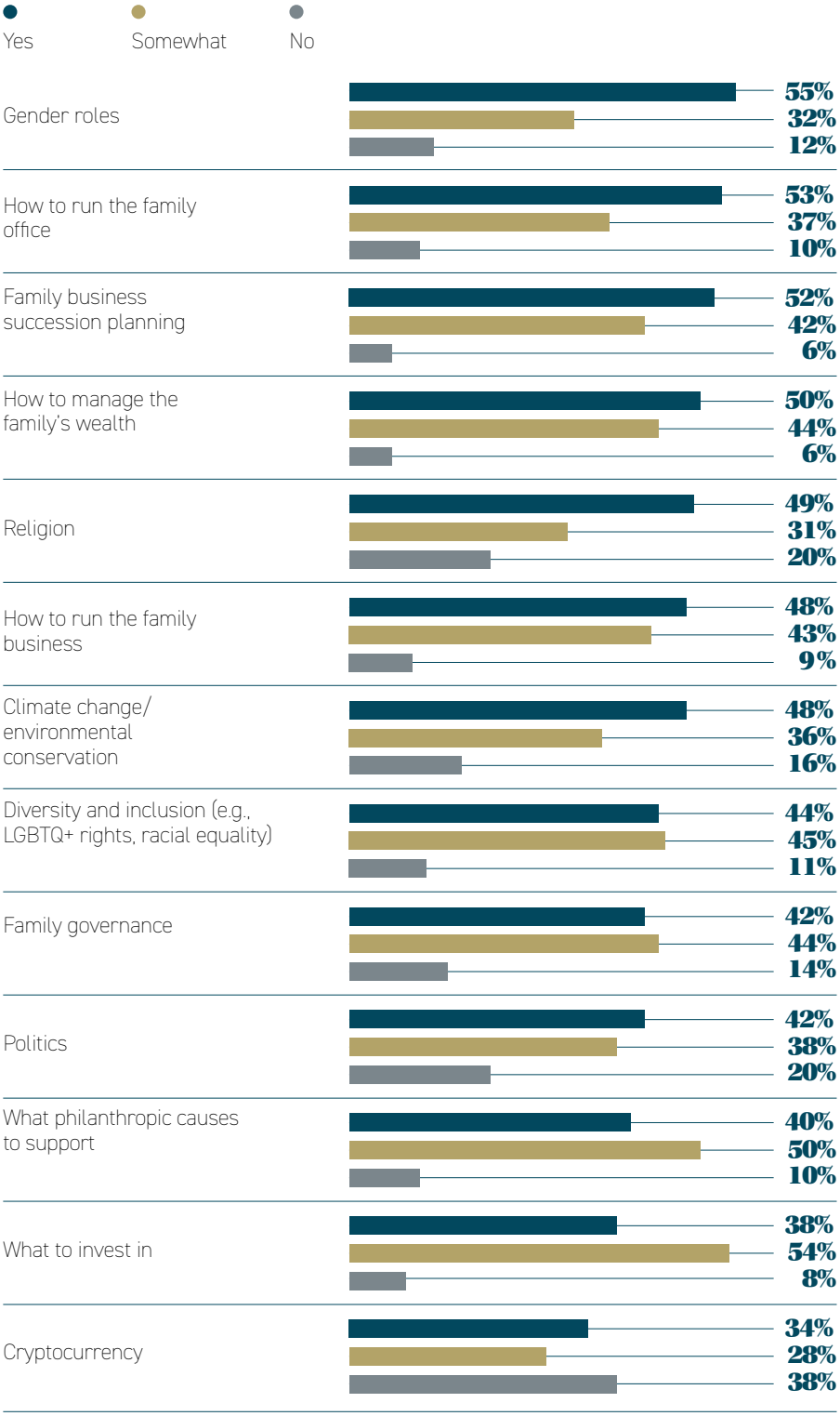
"We discuss most things. Sometimes we disagree, but I don't recall disagreeing when it comes to our wealth or finances."

Gen X, female, second generation

"It is critical to ensure that you have a vision for the family and that everyone is aligned with that vision. Anytime you need to make a big decision, you have to ask yourself, is your vision still aligned and are your goals still the same?"

Millennial, male, third generation

Figure 1.12.
Agreeing/sharing beliefs with parents on the following topics



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding


Mount Moran, Wyoming, USA

Conversations about wealth are often kept within the family

Most respondents are open to discussing a variety of topics with their friends. The major exceptions are the topics of family wealth and the family office, where only 22% of respondents discuss these matters with their friends, compared to 88% who discuss them with their family. In a similar vein, merely 34% discuss their family business with their friends, compared to 80% who discuss it with their family (**figure 1.13.**).

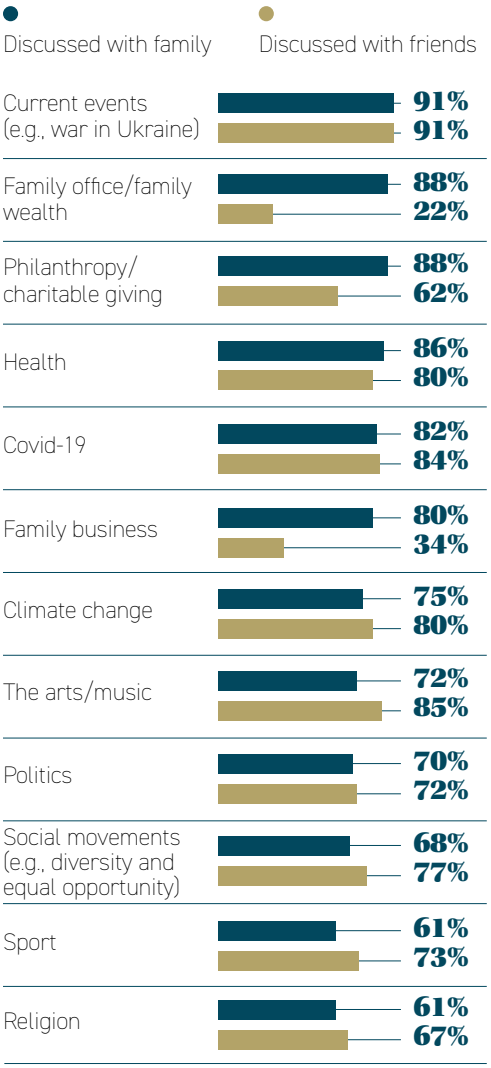
This approach likely reflects two positions. Firstly, it is common for significant wealth holders to shy away from conversations about wealth as they can create a feeling of "otherness." Secondly, from a need-to-know perspective, families need to be aware of how their wealth and businesses are being managed in order to successfully function. In turn, these conversations naturally occur in families' day-to-day activities. This second-generation family member summarizes her position on the topic:

"Most of my friends are not in the financial position that we are in. Their advice on those matters would be limited. I also don't want to put them in a situation where they feel awkward. I go to conferences in the family office and ultra-high net worth space and this is where I bounce off ideas and get advice from family office executives and family members."

Gen X, female, second generation

The topics Next Gens are more likely to discuss with their friends than their family often resonate with younger generations, such as climate change, a topic most (80%) discuss with their friends, compared with 75% who also discuss it with family. The topic of social movements is an area 77% discuss with friends and only 68% include their families in these conversations (**figure 1.13.**).

Figure 1.13.
Topics discussed with family and with friends



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Family, work, and politics are keeping Next Gens awake at night

Next Gens openly shared what keeps them awake at night. Their worries are once more showing that they care for their families. They also are concerned about politics, the economy, war, and the future of our planet. Only a few Next Gens say that they sleep very well (**figure 1.14.**).

"Money solves money-related problems; it doesn't solve other things."

Millennial, male, second generation

Figure 1.14.
What keeps Next Gens awake at night...

Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Chapter 2

Wealth, succession, and the family

Tunnels Beach, Kauai, Hawaii, USA

Chapter 2

Wealth, succession, and the family

- Once Next Gens have assumed control of the family wealth, 51% of those next in line identify as male (69% in 2020), while 30% identify as female (19% in 2020). Nearly all female Next Gens surveyed (97%) feel a responsibility towards wealth preservation, compared with 89% of male Next Gens.

- Next Gens are looking to advance professionally once they inherit the family wealth. About half of those surveyed, 51%, plan to work for the family office, followed by 40% who plan to work for the family philanthropically, and 33% who intend to work for the family business. They prioritize strategic and investment-related positions with investment strategy (42%) ranked on top, followed by financial planning (38%), and succession planning (38%).

- Nearly half of the Next Gens surveyed (46%) believe that excessive wealth leads to family infighting, and about the same proportion (44%) has already experienced wealth-related family disputes. Tackling the issue head-on, Next Gens believe the most effective governance tools to avoid family disputes are regular communication (66%), regular formal meetings (39%), and using a family consultant (32%).

2.1 Facts and views on the inheritance

The next generation of wealth holders is taking on more responsibilities. Millennials, representing the largest group, are between 25 and 40 years old. Most of them have started their professional careers and have a family of their own. They are increasingly thinking about how to best manage and protect the family wealth. This chapter looks at Next Gens' views on their inheritance, their plans for after succession, and how to tackle challenging family dynamics.

"I don't touch the family wealth. I create my own."

Millennial, male, second generation

The beginning of a major generational transition

The world is currently witnessing one of the most significant transitions of wealth from one generation to the next.[2] In the U.S., 29% of Next Gens have already assumed control of the family wealth, however, the majority is yet to take over. Over half of Next Gens (55%) in the U.S. are set to take control of the family wealth within the next five to 10 years (**figure 2.1.**).

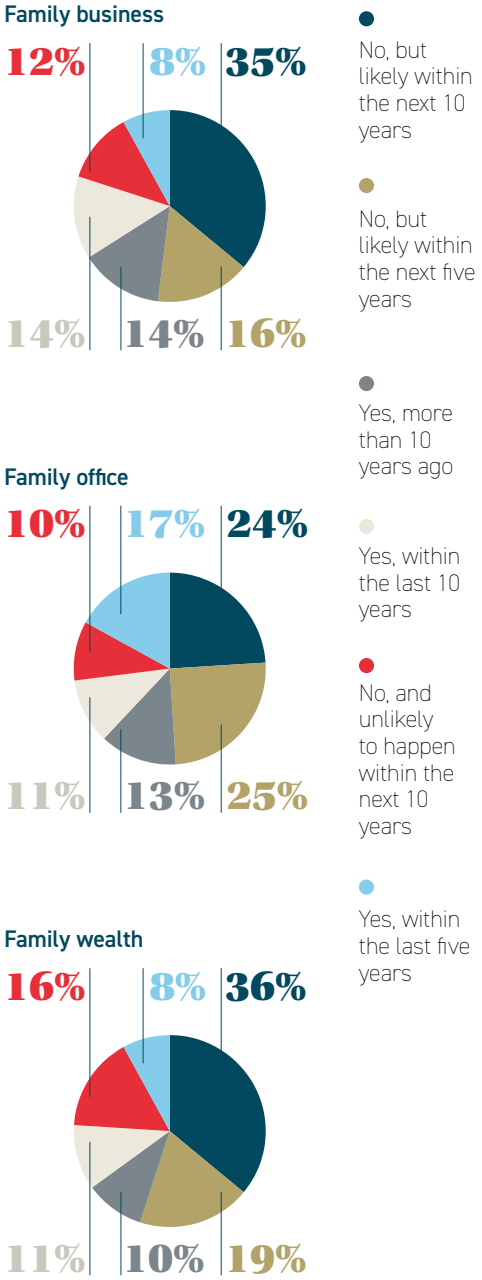
[2] The North America Family Office Report 2022, Campden Wealth/RBC, p. 64


Yosemite Valley, California, USA

Taking a closer look at succession at the family enterprise, family offices tend to be ahead of the curve. Seventeen percent of Next Gens have already assumed control of the family office and another 25% expect to take control within the next five years. This compares to only 8% of Next Gens who were put in charge of the family business within the last five years and 16% who will take it over within the next five years (**figure 2.1.**).

> **"My father told me and my siblings that the wealth which is coming our way is not entirely ours. He said that we have a responsibility to protect it for future family members and for the communities in which they live."**
>
> *Baby boomer, male, fifth generation*

Figure 2.1.
Whether the next generation has already assumed control



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

A more female future

Gender representation is gradually becoming more balanced. Currently, seven in 10 (72%) of those in charge of the wealth are male, compared with only two in 10 who are female (20%). Reflecting a change toward fewer patriarchal families in the near future, 56% percent of wealth holders will be male, while a third of future wealth holders (33%) will be female (**figure 2.2.**). Reflecting on changes in family roles, two interviewees remarked:

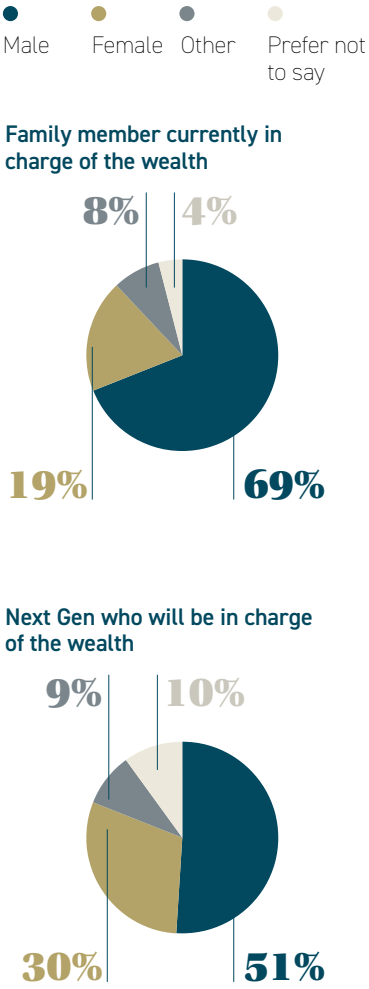
"My dad was never expected to be a good father. He was expected to make money. That's different today."

Millennial, male, second generation

"When my father passed away my mom would suddenly become the main wealth holder in the family. She was somewhat unprepared for that and I wanted to support her. Soon, I realized that I was going to be taking over her role. With my education and professional experiences, I am now in a much better position to manage the family wealth."

Gen X, female, second generation

Figure 2.2.
Gender breakdown of family members currently in charge of the wealth and those in charge after succession



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Female Next Gens feel great responsibility towards wealth preservation

Nearly all female Next Gens surveyed (97%) say they feel responsible for preserving the family wealth. In comparison, male Next Gens are slightly more reluctant, with 89% saying they share the same responsibility and 9% remaining neutral on the topic (**figure 2.3.**).

In terms of Next Gens' feelings towards wealth inheritance, 66% say they are totally at ease with inheriting the family wealth (56% of females and 71% of males). Lastly, one-third of Next Gens (33%) hold a fear of losing the family wealth (26% of females, 38% of males).

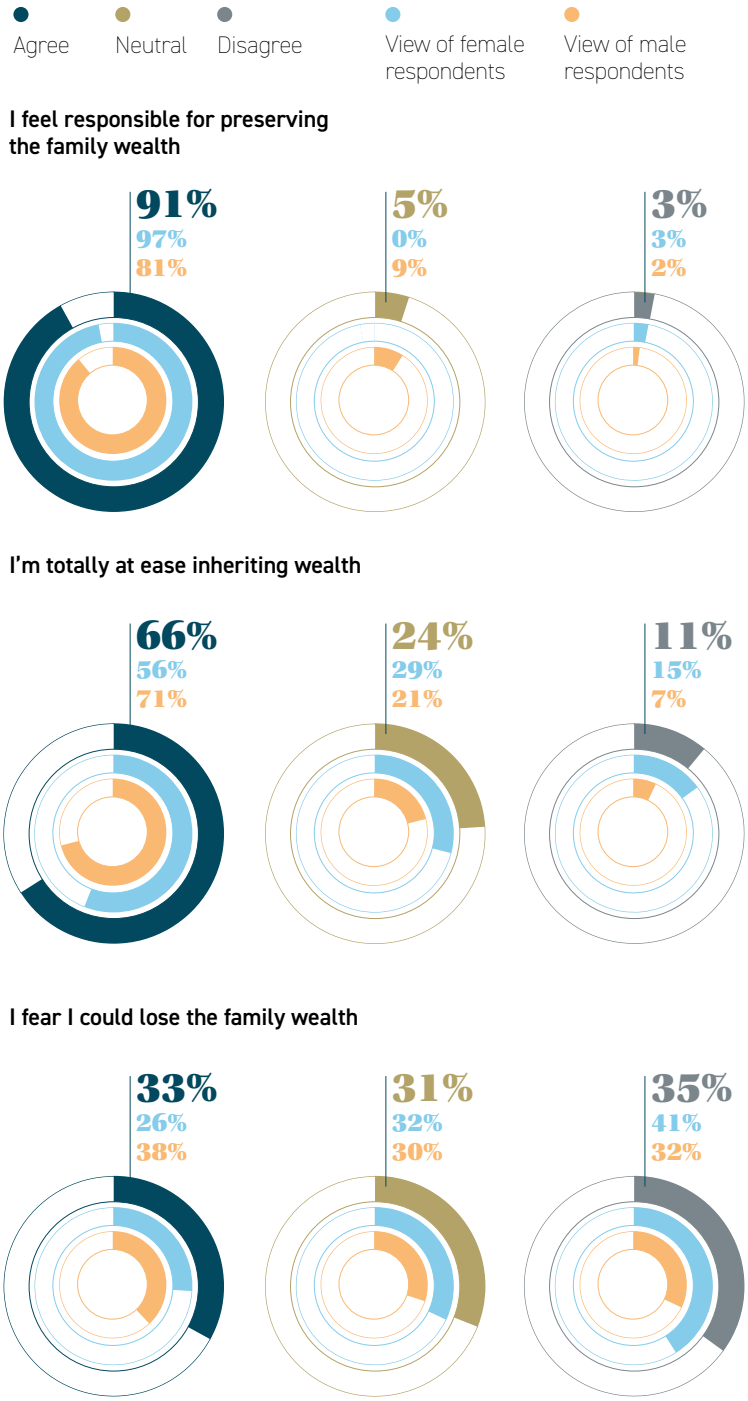
"I don't feel entirely at ease with inheriting the family wealth because I didn't make the money. It's my parents' money. I haven't earned it so it's very uncomfortable for me."

Gen X, female, second generation

"When I married my wife, I was not prepared for this level of wealth. I didn't come from that world. My initial reaction was intimidation, confusion, and to some extent, I didn't want to know about it."

Millennial, male, second generation

Figure 2.3.
Views on inheriting wealth with a breakdown by gender



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

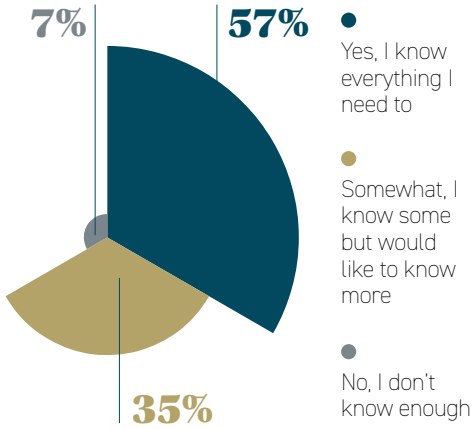
Over a third of Next Gens would like to know more about their inheritance

When asked if they feel comfortable with what they know about their inheritance, over a third (35%) of Next Gens surveyed said they would like to learn more. Fifty-seven percent feel they know everything they need to (**figure 2.4.**).

"My co-trustee asked me to not tell my kids about their inheritance, but I said, 'I will absolutely tell them.' I'm a big believer in 100% transparency."

Gen X, female, second generation

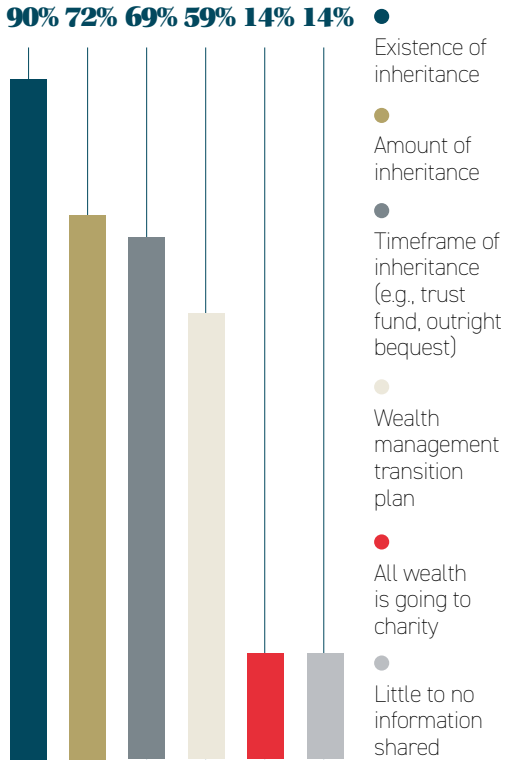
Figure 2.4.
Whether Next Gens feel comfortable with what they know about their inheritance



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

A closer look at what Next Gens already know about their inheritance shows that 31% of families shared details about timelines. Only 59% of Next Gens know about the wealth management transition plan, which can contain the specifics most relevant to understand one's role and responsibilities post-succession (**figure 2.5.**).

Figure 2.5.
Next Gen knowledge about their inheritance



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Ah-Shi-Sle-Pah Wilderness, New Mexico, USA

Ready to advance professionally

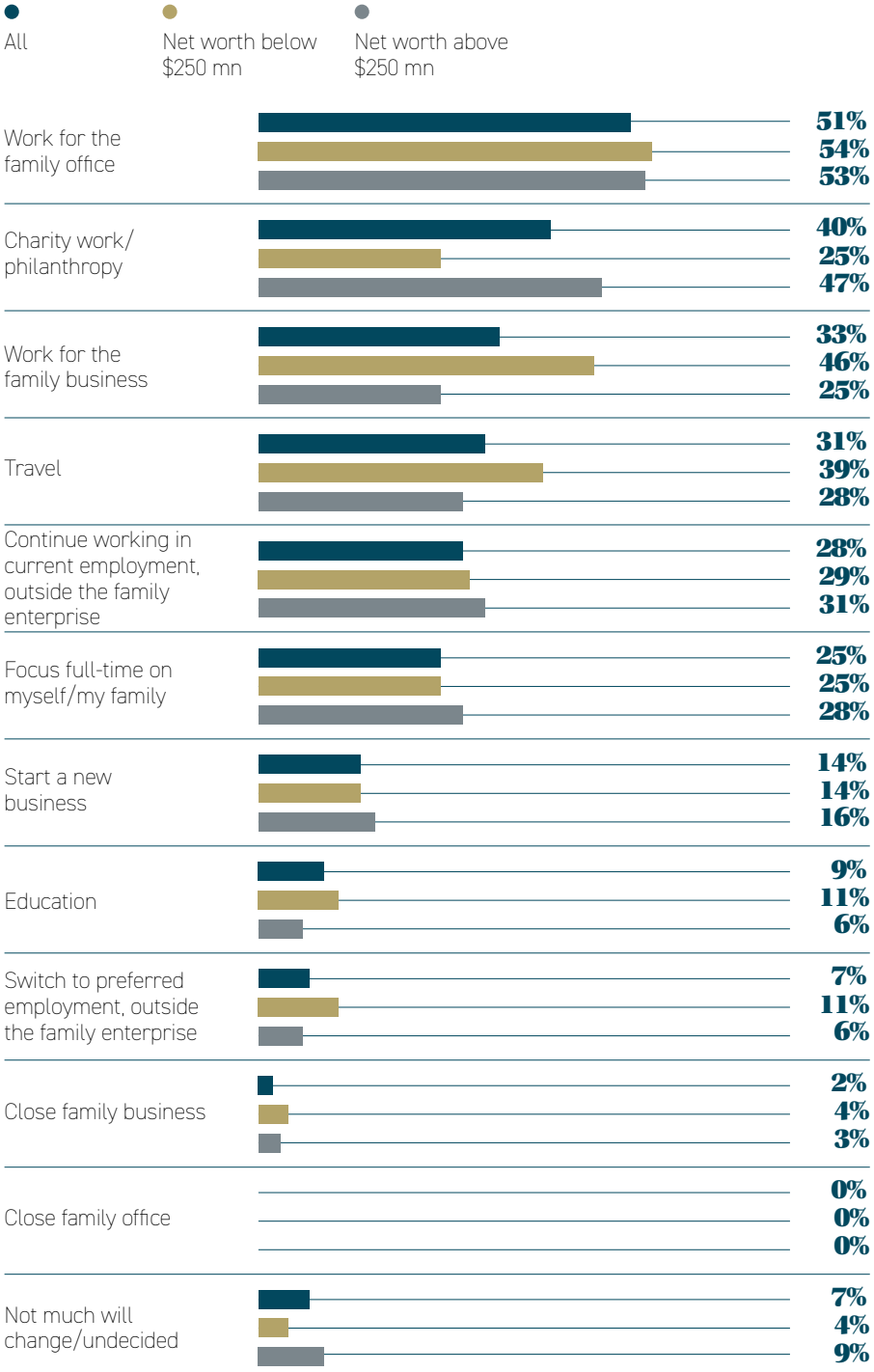
Next Gens are keen to advance their careers. When asked about their plans for when they inherit the family wealth, the majority planned on working in the family office (51%). Commitment to charity work/philanthropy (40%) and working for the family business (33%) ranked second and third, respectively. When broken down by level of family wealth, those with a family net worth above US$250 million are more likely to work for the family office or engage in philanthropy (53% and 47%, respectively) than those with a net worth below US$250 million. Interestingly, those in the lower net worth category are more likely to work for the family business (46%) (**figure 2.6.**).

"My parents definitely taught us good values, and the importance of hard work. We are self-sufficient and we don't spend more than we earn. Some of our cousins don't do that. So I'm grateful to my parents for making sure that we were raised that way."

Gen X, male, fourth generation

| La Jolla, San Diego, California, USA

Figure 2.6.
Plans for when Next Gens are inheriting the wealth by level of family wealth



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Bombay Hook National Wildlife Refuge, Smyrna, Delaware, USA

2.2 Succession planning

Passing on the family wealth is a decisive moment for every wealth-holding family. If done effectively, succession planning can lay the foundations for a long-lasting family legacy. If planned ineffectively, it can lead to family conflict and/or a breakdown in communication. This section explores initiatives and advances of wealth-holding families in the U.S. to create a smooth and successful transition of wealth from one generation to the next. Family members also explain their challenges with complex family dynamics and how best to address them.

The most challenging aspect of succession planning is complicated family dynamics

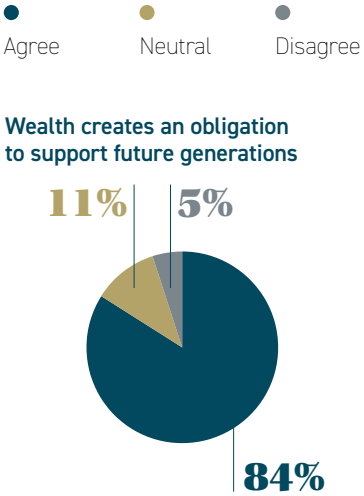
Most Next Gens surveyed (87%) agree that wealth creates an obligation to support future generations (**figure 2.7.**). However, they also confess to the challenges their families face. About half (51%) feel that challenging family dynamics is the most problematic aspect of succession planning. Moreover, about a third think that a breakdown in communication (33%) and discomfort discussing this sensitive topic (33%) pose barriers to successful succession (**figure 2.8.**).

However, respondents have mixed views over whether these problems arise from intergenerational differences. While 40% agree that succession planning is challenging because the values of the older and newer generations are hard to reconcile, another 40% remains neutral on the topic (**figure 2.7.**).

"Protecting the family wealth means different things for to me and my siblings. We have implemented our ideas in completely different ways. Some of those ways are in conflict and the relationships aren't always perfect. In fact, I think we are splitting more and the family branches carry on somewhat independently."

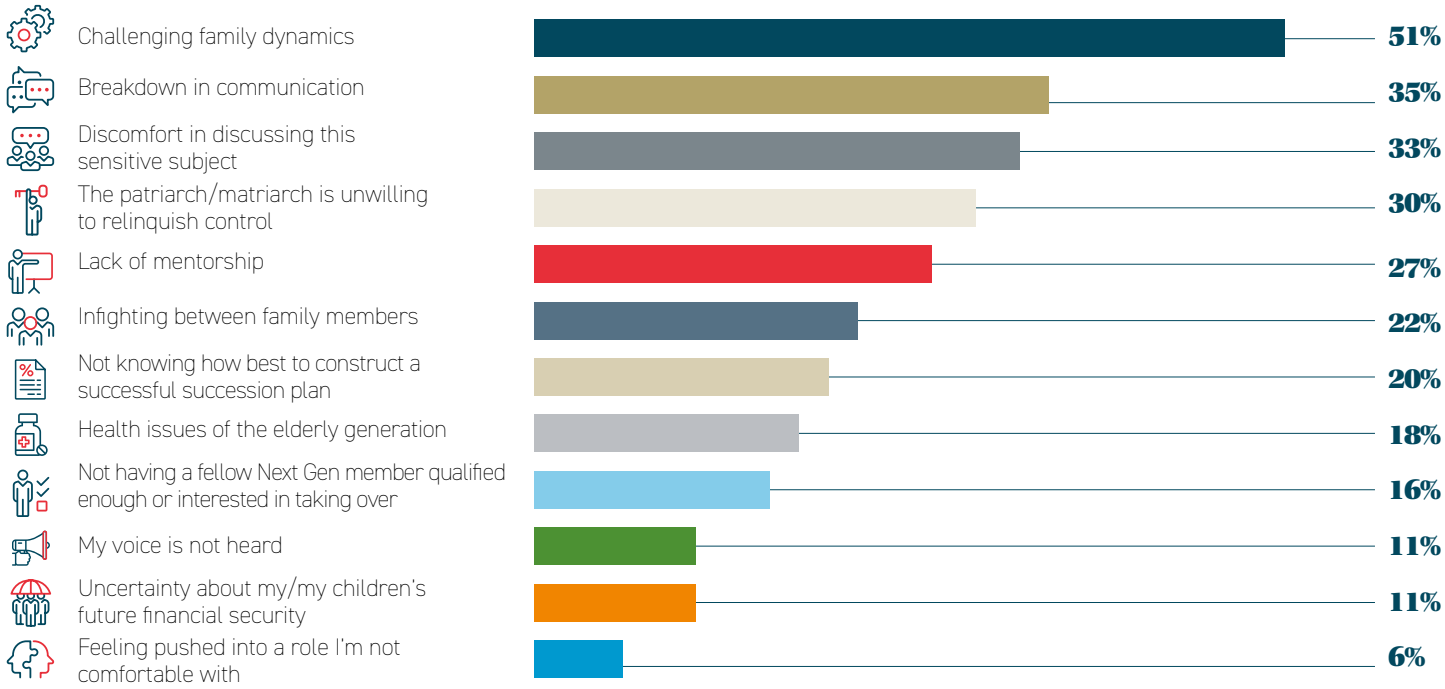
Baby boomer, male, fifth generation

Figure 2.7.
Views on succession planning



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

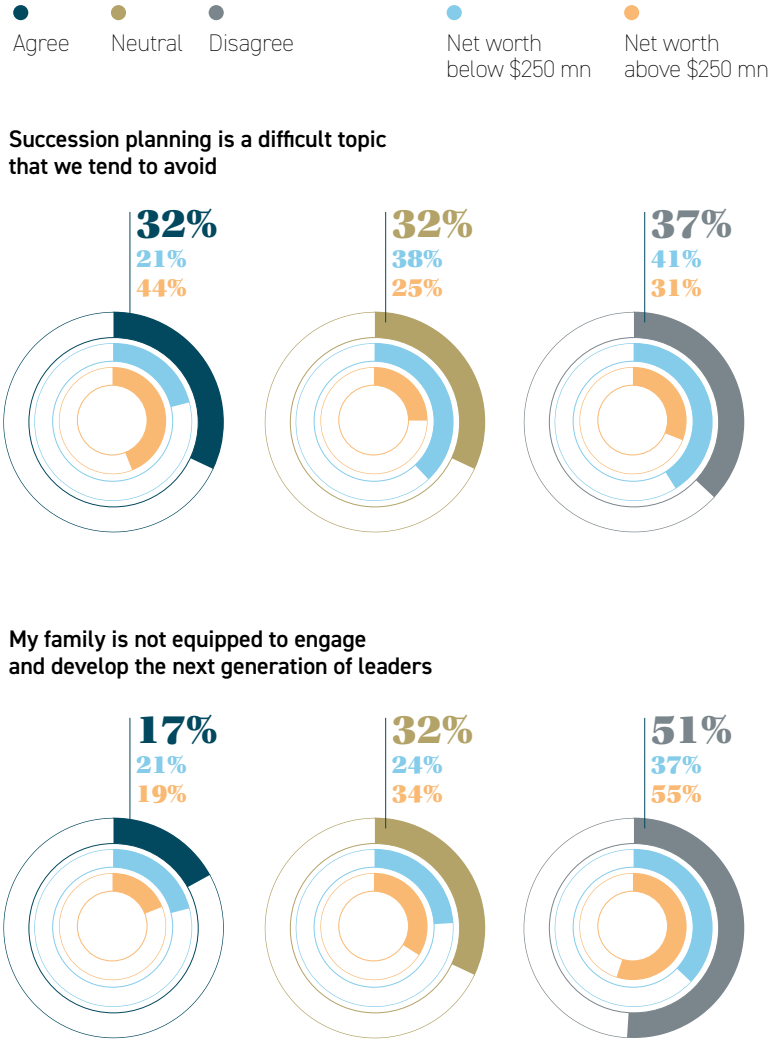
Figure 2.8.
Most challenging aspects of succession planning



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Mount Rainier National Park, Washington, USA

Figure 2.9.
Views on succession planning with a breakdown by level of family wealth



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

The wealthier the family is, the less likely succession will be addressed

Succession can play out differently depending on the family's circumstances. According to 44% of respondents, families with a net worth above US$250 million more readily agree that succession planning is a complex topic they tend to avoid. Only 21% of those with a net worth below US$250 million would agree (**figure 2.9.**).

Interestingly, wealthier families appear to be more confident about their families' ability to enable and support the next generation. Fifty-five percent of Next Gens with a net worth above US$250 million feel that their family is equipped to develop the next generation of leaders (**figure 2.9.**). In comparison, 37% of their less-wealthy peers feel the same way. However, this confidence might not meet reality, as one interviewee explained:

"In our case, the family name was associated with great power and great wealth. Some family members believed in that as well. The reality was that all of the wealth was tied up in the family foundation. The family itself was not wealthy."

Baby boomer, male, third generation

Tufa Formations, Mono Lake, California, USA

Next Gens' wealth education starts in their mid-twenties

Equipping the next generation of wealth holders requires an introduction to wealth management. The Next Gens surveyed first began receiving wealth education at various ages, ranging between eight and 58 years old. However, on average, Next Gens receive formal wealth education at 25 (**figure 2.10.**).

"I see a real need in our extended family for making sure that the core values of the founders are memorialized and taught in formal and informal ways."

Gen X, male, fourth generation

Figure 2.10.
The average age Next Gens:

Began receiving informal wealth education (e.g., family discussions)	Began receiving formal wealth education (e.g., schooling, work experience)
24	25

Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Learning from professionals and through on-the-job experience

Next Gens first learn about wealth stewardship by working with professional advisors (64%) and through on-the-job experience at the family office/family business (59%). Fifty-eight percent also received informal training via the family office. At university, 57% of Next Gens learned about the basics of wealth management (**figure 2.11.**).

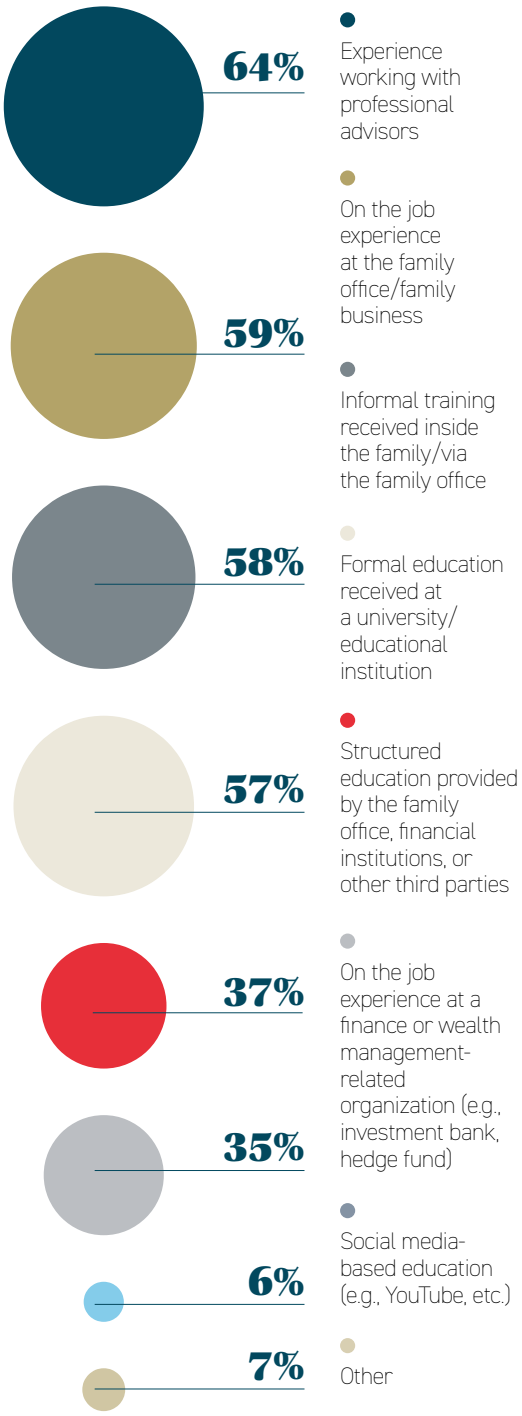
Next Gens want to better understand their role post-succession

Next Gens are eager to learn about their future role in the family. Forty percent state that a better understanding of their role post-succession would make them feel better prepared. Thirty-seven percent would also like additional education in key concepts of wealth management. A similar proportion of respondents (36%) furthermore look to improve their financial literacy (**figure 2.12.**).

"My father didn't have a succession plan. He was under severe pressure. Our family business was a Fortune 500 company but it wasn't doing very well. Whatever plans he had, they were deprioritized due to other challenges he faced. Our inheritance was being lost and my father knew it."

Baby boomer, male, third generation

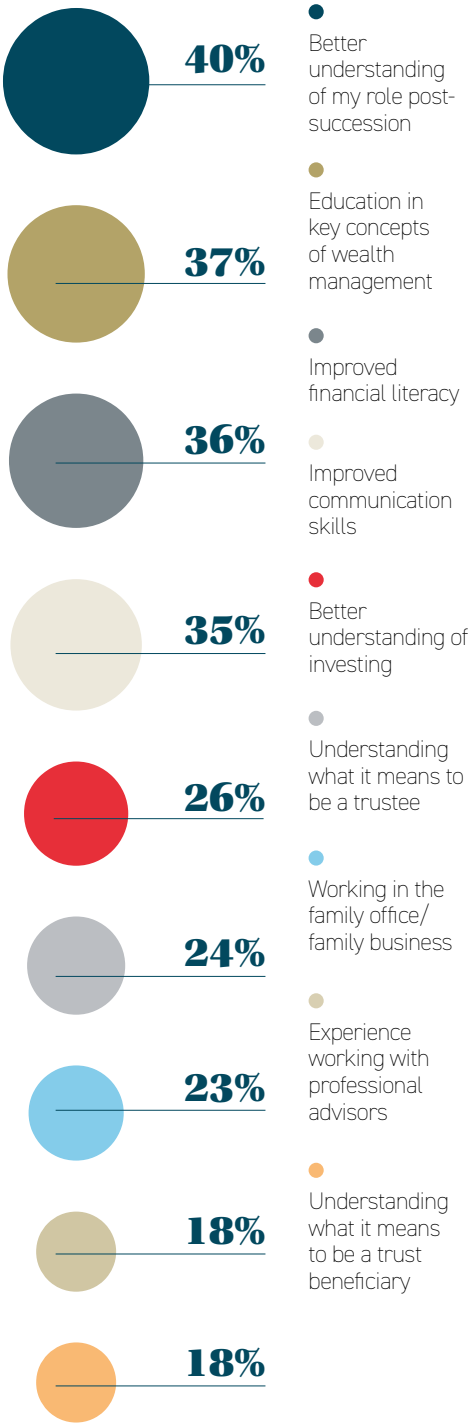
Figure 2.11.
The type of wealth education Next Gens have received



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

| Glacier National Park, Montana, USA

Figure 2.12.
The areas Next Gens would like additional support in preparation for succession



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

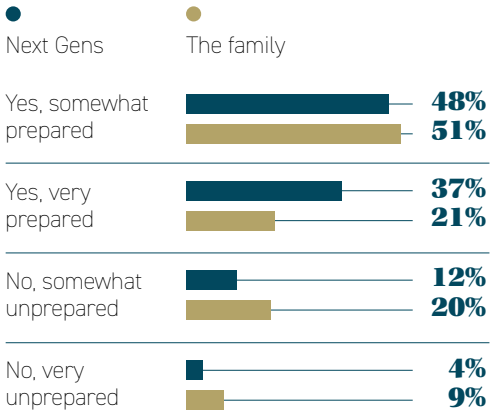
Next Gens feel prepared for succession, but are they really?

When asked if they feel prepared for succession, broadly speaking, Next Gens feel relatively comfortable, with 85% feeling either very (37%) or somewhat (48%) prepared (**figure 2.13.**). This contrasts with findings from *The North American Family Office Report 2022* which found that only 39% of family offices deem the Next Gen to be adequately prepared for succession, showing a disconnect between Next Gens and their family offices.[3] A similar divergence can be observed with regards to succession planning. Most Next Gens (72%) think their family is well prepared for succession, however only 57% of family office executives would agree.

"When we became adults, my siblings and I took over organizing the family's trusts, investments, and holdings. It was all very open and collaborative."

Baby boomer, male, fifth generation

Figure 2.13.
Whether Next Gens feel they/their family is prepared for succession



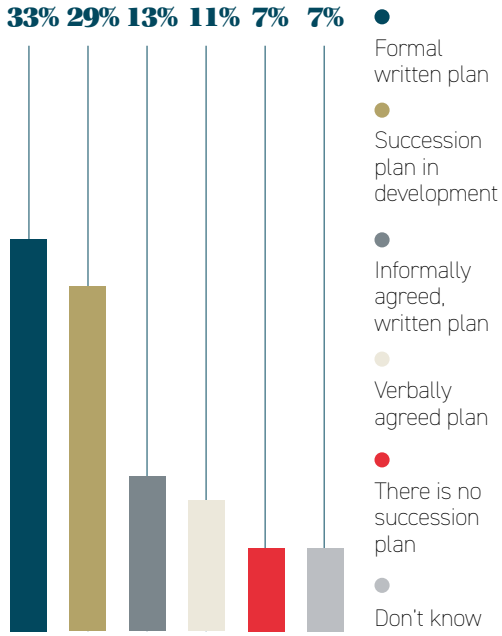
Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

[3] The North America Family Office Report 2022, Campden Wealth/RBC, p. 67

Over half of respondents have some type of succession plan in place

While the majority of Next Gens (57%) have some form of succession plan in place, merely 33% are formally written plans. The remainder are either simply verbally agreed (11%) or informally agreed written plans (13%) (**figure 2.14.**). As the time for clarifying the current generation's intentions can be lost with an unexpected illness or passing, this begs the question of whether families should be doing more to crystallize their intentions in advance of succession.

Figure 2.14.
Type of succession plan in place



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

"I wanted to address succession and openly ask, 'what do we want to see happen and how can I help us get there?' But eventually, I realized that wasn't going to happen. The approach I'm now taking is to assume informal leadership. I have been pulling the strings behind the curtain and positioning the family office the way that I think it ought to be run."

Millennial, male, fourth generation

"I think the family office community can do a lot of good things, but still it's a very lonely place. I don't think we're super open and comfortable talking about how we can collaborate better."

Millennial, male, second generation

2.3. Family communication and conflict resolution

More money, more problems

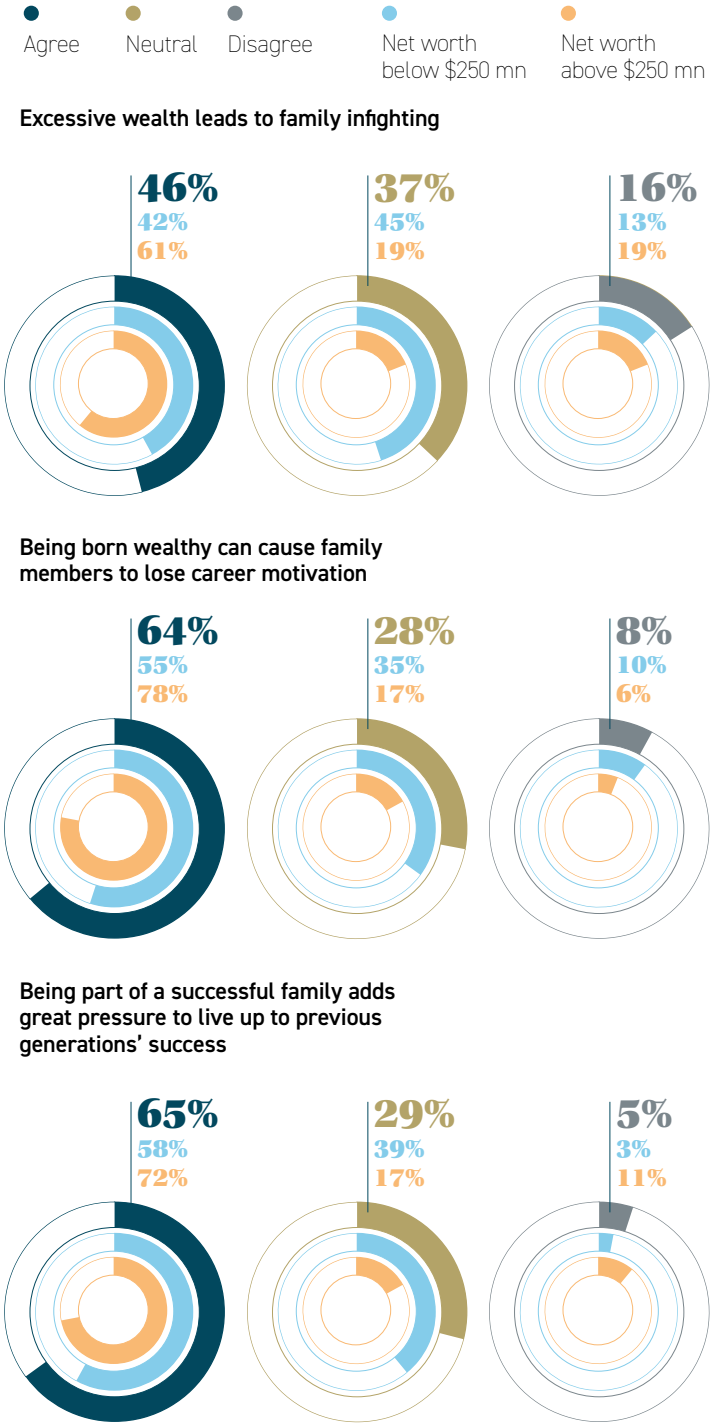
In their effort to balance personal relationships and wealth management, many families experience some form of conflict. This is particularly true for families of significant wealth. Sixty-one percent of respondents with a family net worth above US$250 million agree that excessive wealth leads to family infighting, while 44% concede that they have already experienced some form of family dispute (**figure 2.15.**).

In comparison, only 46% of respondents with wealth below US$250 million believe wealth creates family infighting, and they are also less likely to experience challenging family dynamics (37%) (**figure 2.16.**).

Factors that complicate family relationships tend to be the career motivation of family members and the family's expectations. The Next Gens surveyed who find themselves in the bracket of highly wealthy families (> US$250 million) find that wealth lowers Next Gen's ambitions. Seventy-eight percent agree that being born wealthy can cause family members to lose career motivation (**figure 2.15.**).

Seven in 10 also feel that being part of a successful family adds great pressure to live up to previous generations' success. This pressure is slightly lower for less wealthy respondents, as 58% of Next Gens with a net worth below US$250 million agreed, and another 39% remained neutral on the topic (**figure 2.15.**).

Figure 2.15.
Views on wealth and family conflict



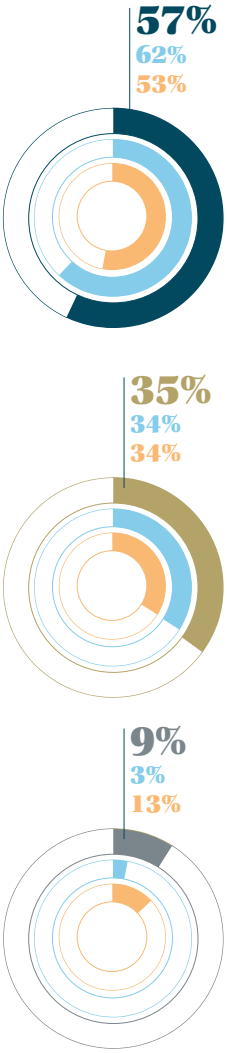
Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

"My dad decided that he was going to split the inheritance evenly with his second wife's children and his own. That created quite a bit of stress and conflict within our family. We've been processing and grappling with it."

Gen X, male, fourth generation

Maroon Bells peaks, Elk Mountains, Colorado, USA

Figure 2.16.
Whether family wealth has become a matter of dispute



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Let's talk about it...

Two-thirds of Next Gens (66%) believe regular communication is the most effective governance tool to avoid family conflict. According to 39%, regular formal meetings are also a top choice to prevent disputes, followed by 32% who believe that a family consultant can resolve challenging family dynamics (**figure 2.17.**).

The interviews with Next Gens about personal experiences of family conflict and resolution unanimously confirm this data. Speaking to one another about shared values and being transparent about one's personal goals is critical for preserving family unity.

"During times of family conflict, you need to address the elephants in the room. There are always sensitivities. They should be acknowledged."

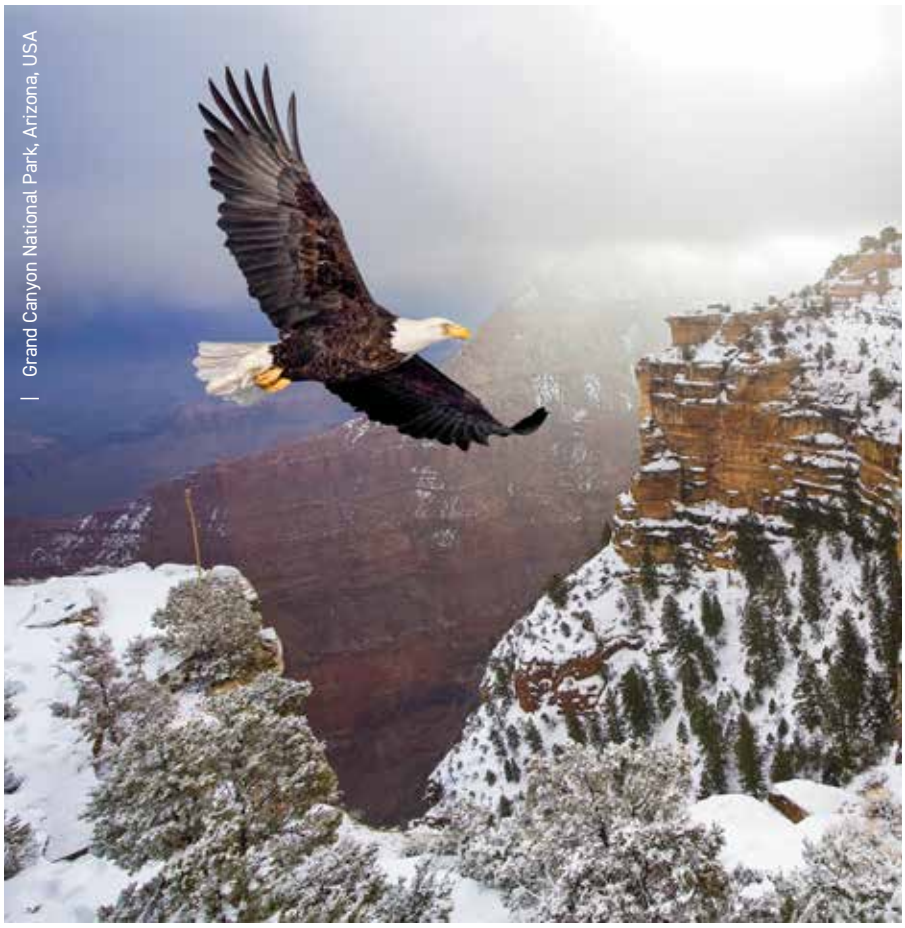
Gen X, male, third generation

"We talk a lot about ethics in our family. We discuss what we think is the right way forward and about what we owe to the rest of the world."

Gen X, female, second generation

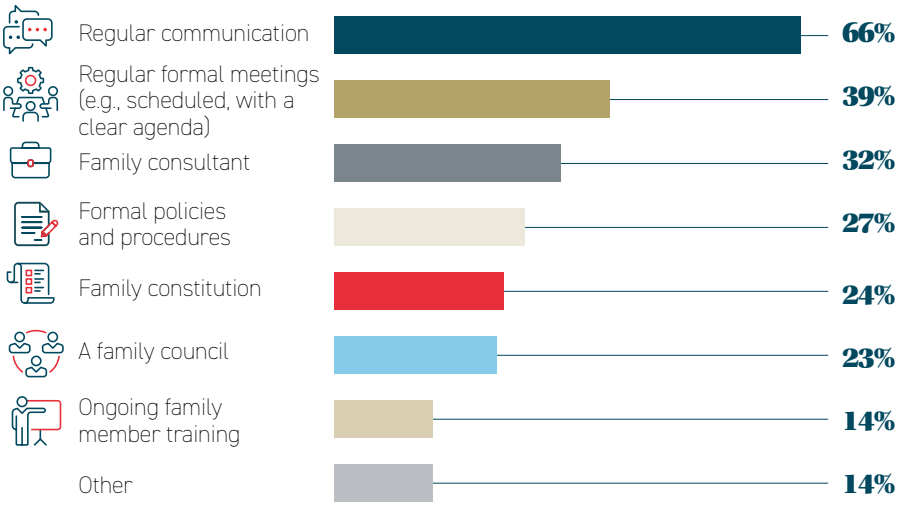
"There really isn't any reason to disagree with each other, because we are all bouncing ideas off each other. I hope this continues."

Gen X, female, second generation



Grand Canyon National Park, Arizona, USA

Figure 2.17.
Governance tools to avoid family disputes



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Case Study

On formality, inclusivity and how to be comfortable with your wealth

Michael[4] is a millennial and a fourth-generation family member from one of the wealthiest families in the world. Although the family business was sold in the mid-1990s, the family stays connected through highly professionalized wealth management structures. **"We are a financial family, and aside from that, I really like my family,"** Michael says, smiling.

Michael's family succeeded in creating a large and inclusive family, where wealth connects people instead of driving them apart. When asked how his family built this connection among family members, Michael remembers the experiences he and his cousins shared growing up. **"The family decided to take a portion of the family office budget and put it into an education committee. I was 13 when I first joined generation-focused events. We did white water rafting and backpacking together. As we got older, we went to workshops on public speaking, we did the Myers-Briggs personality test, etc. These meetings were essentially team-building exercises for the entire fourth generation. That really created a connection across family branches."**

The family organization today consists of three entities; a family foundation for philanthropic giving, a family office for general family services, and a trust company that manages investments. He talks passionately about how each entity supports creating a shared vision across generations. According to Michael, the family office stands at the center. **"As we get further away from the wealth creator, the family office's primary role is to manage stewardship of our assets. They focus on family services such as organizing collaboration and shared business between family members. It is also the back-end business support for the investment team, tax preparation, and tax reporting. In many ways, it serves as a connector and provides hugely valuable services to us as a family."**

While the family office is the glue for the family, the investments are primarily managed at the trust company. **"The original family business was wrapped up in a series of dynasty trusts. These have been passed down from generation to generation, and we cannot break them apart."**

The trust company structure thus requires family members to collaborate, which helps them stay connected. The trust company also allows family members access to a professionally managed portfolio. Michael explains, **"At our trust company, there are the original dynasty trusts, but individual family members also created trusts for their kids or personal investments,**

[4] Name changed for the purpose of anonymity

Yosemite National Park, California, USA

so there's a financial interest in working together as a family." The trust's portfolio management expertise comes from working with finance professionals. Their focus is on manager selection and asset allocation, Michael says. **"We even run our own in-house private equity firm. We spin up a new private equity investment vehicle every three years that will invest over the next three years. For that, we partner with professionals from private equity firms."**

The family foundation is the third entity and the organization most family members are proud of. **"It's a great organization. I love being involved with it because it allows us to give back to our community and continue to create a positive family legacy. There are two arms of the foundation. About half of the assets are in Family Funds, which are created by individuals or family units, each with their own philanthropic intent. It allows family members to engage in charitable giving with professional support of the foundation. The other half of the foundations' assets is dedicated to program-specific grant-making. The foundation engages directly with non-profit leaders who are experts in this type of work and who partner with other organizations to find solutions to systemic issues. Sometimes they create a freestanding organization to achieve the desired outcome."**

When asked how the family manages conflict, Michael refers to formality and inclusivity. **"There's an old saying in our family, 'formality is your friend'. Our governance provides a structure for everyone to air their grievances, usually positively, to the family office."** Michael compares the governance structure with representative democracy. **"We have a family office board that serves somewhat as a representative form of government. Each family branch has an elected representative and there are three available at-large positions that allow for additional broad family representation. Each branch representative makes sure to have at least quarterly touchpoints with their constituents to understand what is happening within the family. If anything arises through those individuals, we circle up as a board to address it. That structure has served us fairly well."**

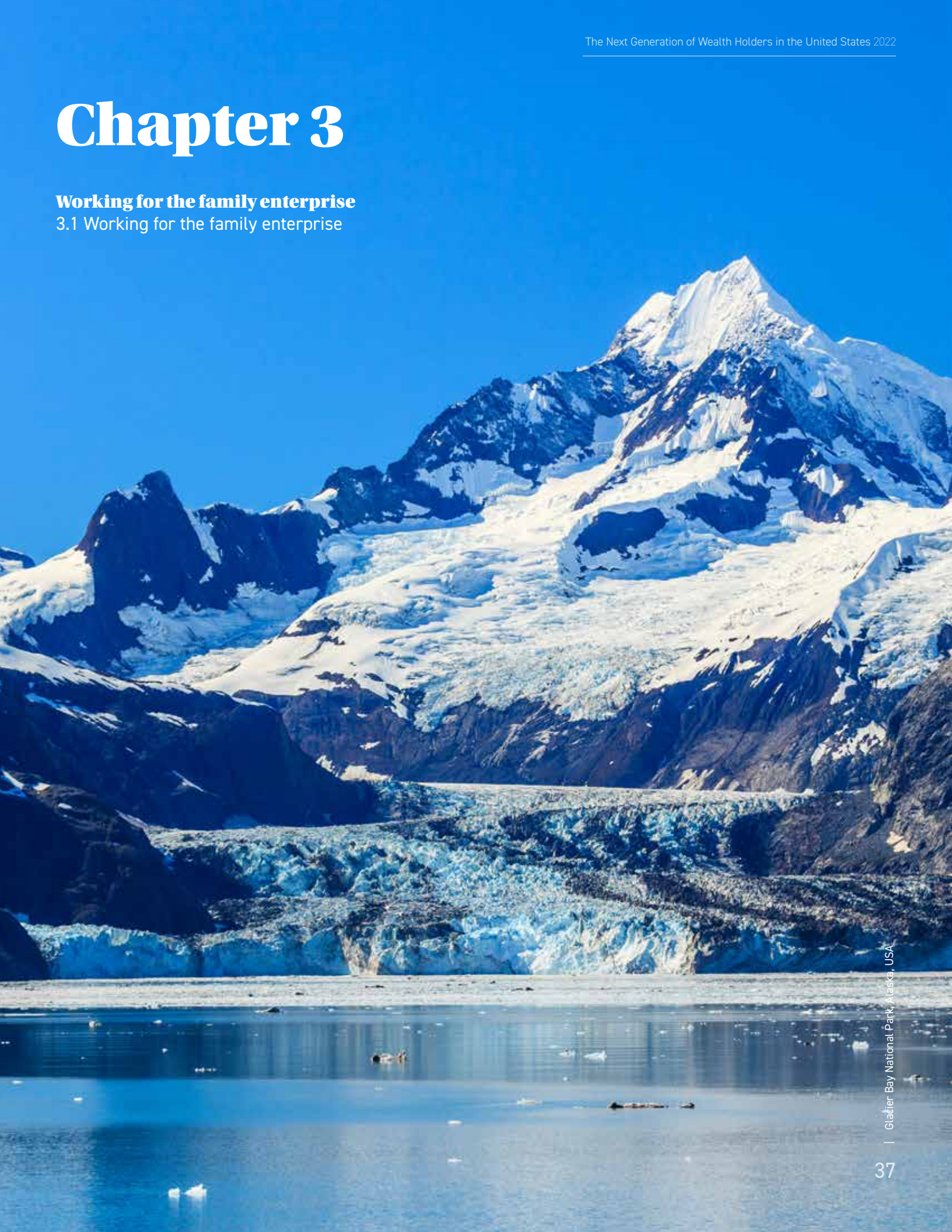
In addition, the family is forward-thinking on inclusivity, according to Michael. **"We are inclusive and broad in our definition of a family member. Our life partner policy allows for individuals to petition the board for full family membership status if they choose not to be married. Additionally, spouses are treated as full family members, and many serve in leadership positions."**

Their professional wealth management structure allows the large family to stay connected and to benefit from professional services. However, knowing the organization and the family well, Michael still thinks there are challenges with succession planning in individual family branches. **"I see difficulties occur across a lot of families of wealth. Parents hold onto wealth as long as possible. Within my family branch, we work collaboratively with the family office to facilitate thoughtful estate planning. We've done that for the last decade. There are other family units where some in my generation may never see a cent. And for them to maintain commitment across family organizations is a challenge."**

When thinking about his young kids, Michael hopes to teach them the positive experience of having family wealth. **"There's a fine line between entitlement and stewardship. I believe that a sense of humility allows you to be comfortable with your wealth. It is about knowing that you have enough to provide for yourself, and what you don't need, you share."** He adds, **"I hope my kids do not shy away from the wealth but are grounded about it. I hope to teach them about the idea of stewardship, the rewards of committing time to your family, embracing education, taking care of their community and the environment, and leaving the world in a better place."** ■

Chapter 3

Working for the family enterprise



Glacier Bay National Park, Alaska, USA

Chapter 3

Working for the family enterprise

- Most Next Gens are involved in the family office (86%) and family business (55%). On average, Next Gens take their first job in the family office/business at the age of 26, and they gain an average of six years' work experience before assuming a leadership role. They typically move on to take control of the family office/family business in their early 40s.

- Among those already involved in the family business, 33% serve on the board, while 32% engage in philanthropy. Another 29% currently hold a management/executive role. Over half of Next Gens (54%) surveyed are happy with their current involvement at the family business/family office, while only 18% are keen to get more involved in certain activities.

- Business strategy is one of the most contentious issues when managing the family business, according to 36% of respondents surveyed. In turn, 34% of Next Gens report that switching to a more growth-oriented investment strategy will be their top priority when they assume control of the family office/business.

3.1 Working for the family enterprise

Every family has a story. For the wealthiest families in the U.S., these stories speak about opportunity, success, and community. Inspired by those memories, the next generation is now tasked to create their own. Perhaps they feel pressure to live up to expectations of continuous success, or maybe they choose not to join the family enterprise. This chapter explores Next Gens' views on their involvement in the family office/business and tells the story of how to best create a vision for working with and for the family.

Next Gens are ready to get involved

Next Gens globally are taking part in a significant transition of intergenerational wealth. In the U.S., a vast majority of Next Gens surveyed (86%) have become actively involved in the family office, and about half of the respondents are already working for the family business (55%) (**figure 3.2.**).

"My family was on track for a shirtsleeves-to-shirtsleeves in three generations scenario, like most families are. I made it my mission to change that trajectory."

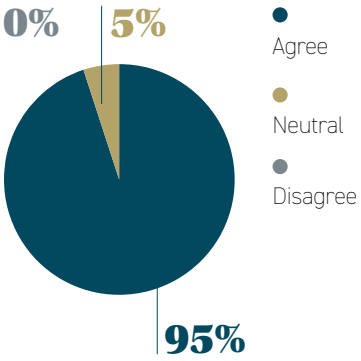
Gen X, male, fourth generation

"I have grown up regularly learning and talking about the family business. It was a pretty consistent conversation around the dinner table."

Millennial, male, third generation

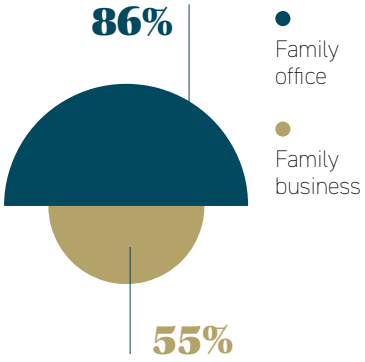
Deshler Reservoir Park, Ohio, USA

Figure 3.1.
Views on wealth providing opportunities



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Figure 3.2.
Respondents' involvement in the family business/ family office



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Bryce Canyon National Park, Utah, USA

Next Gens gain substantial experience before assuming control

Next Gens are, on average, 26 years old when they accept their first job in the family office/business. They work for an average of six years before taking on a leadership position. It then takes another eight years before they typically assume control of the family business (at 40) or 12 years for the family office (at 44) (**figure 3.3.**). This interviewee reflects on her journey of joining the family business:

"Working for the family enterprise has changed my risk appetite. I constantly had to evaluate risks. Every day there were all kinds of different things thrown at me. I learned how to stay calm. It really helped me grow."

Millennial, female, second generation

Figure 3.3.
Average age of Next Gen when they ...

...took their first job in the family business/family office	...took a leadership role in the family business/family office	...expect to assume (or assumed) control of the family business	...expect to assume (or assumed) control of the family office
26	32	40	44

Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

| Mount Shuksan, North Cascades National Park, Washington, USA

Learning about the family business via board meetings and philanthropy

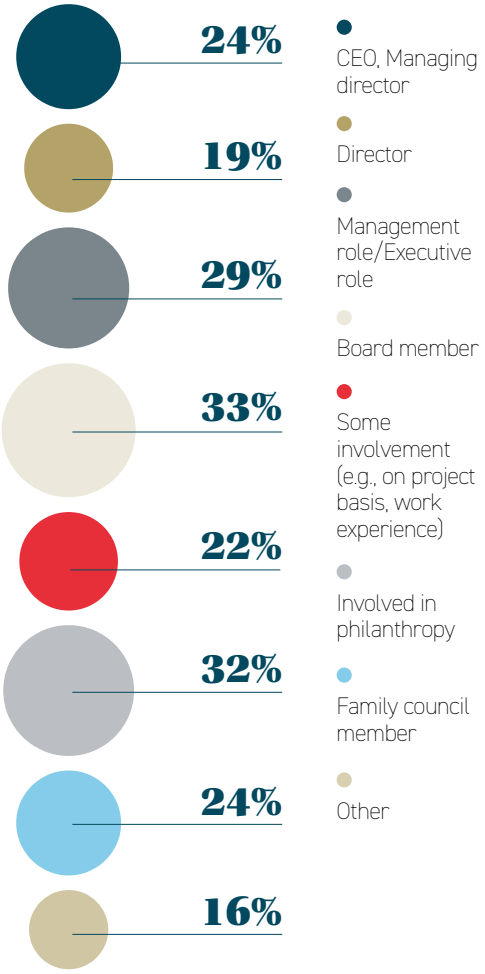
Next Gens who are currently involved in the family business are most likely to be a board member (33%) or active in philanthropy (32%). The data reflects a common path for Next Gens. They first learn about strategic planning and business monitoring by joining the board. Supporting the family's charitable giving is another route for them to improve their understanding of the family's practices and values (**figure 3.4.**).

"It's been a process to lead the older generation through succession by persuading and convincing them of what we should do. It's not an easy path, but it's the one that feels right to me."

Gen X, male, fourth generation

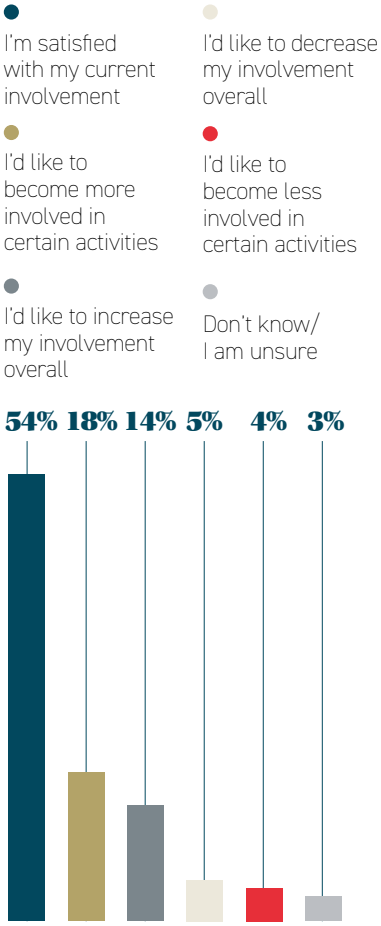
Over half of Next Gens (54%) surveyed are happy with their current involvement. Only 18% are keen to get more involved in certain activities. A relatively small proportion of respondents (14%) would like to increase their involvement overall (**figure 3.5.**).

Figure 3.4.
Current involvement in the family business

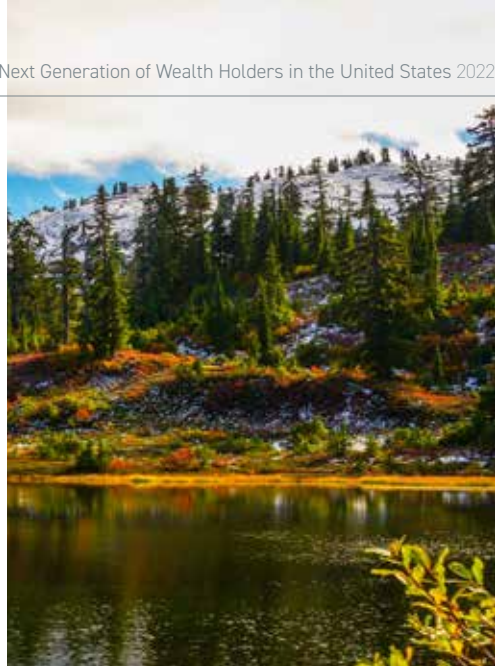


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Figure 3.5.
Whether respondents are satisfied with their current involvement in the family business/family office



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding



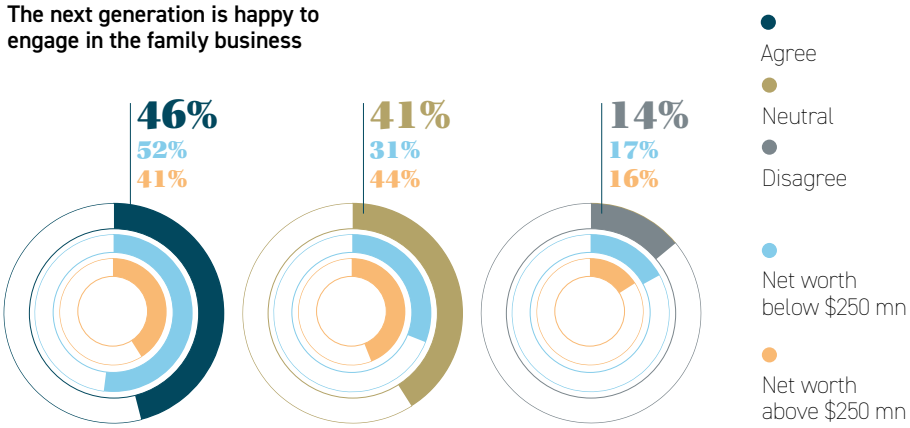
Next Gens' take on joining the family business

When we asked respondents if they feel their generation is generally eager to join the family business, their response was mixed. Forty-five percent agreed with the statement, "the next generation is happy to engage in the family business," while 41% remained neutral. Next Gens with a family net worth below US$250 million were more inclined to say their generation is eager to prove themselves in the family business than their wealthier peers (**figure 3.6.**).

"I think the family's involvement in a company can be an asset. However, it takes a leader who has a vision. You can't be wishy-washy about things."

Baby boomer, male, third generation

Figure 3.6.
Views on Next Gen involvement in the family business with a breakdown by level of family wealth



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

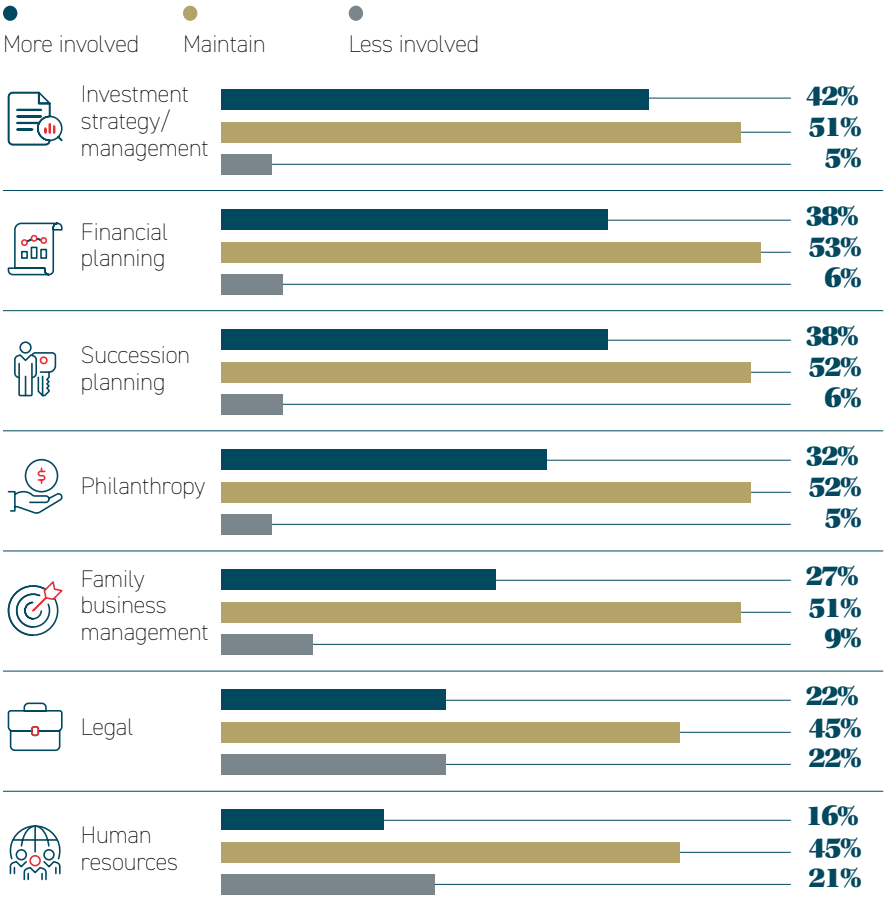
Next Gens prefer strategic and finance-related roles

Figure 3.7. confirms the findings from **figure 3.5.**, which states that Next Gens are generally happy about their current roles in the family enterprise. When asked in which areas they would like to be more involved, most Next Gens prefer strategic and finance-related positions. Those surveyed ranked investment strategy/management on top (42%), followed by financial planning (38%), and succession planning (38%). Legal and human resources are areas respondents would like to be less involved in (**figure 3.7.**).

"Investing is very simple to me: I'm out to make the highest return I can, because if I don't make it, someone else will."

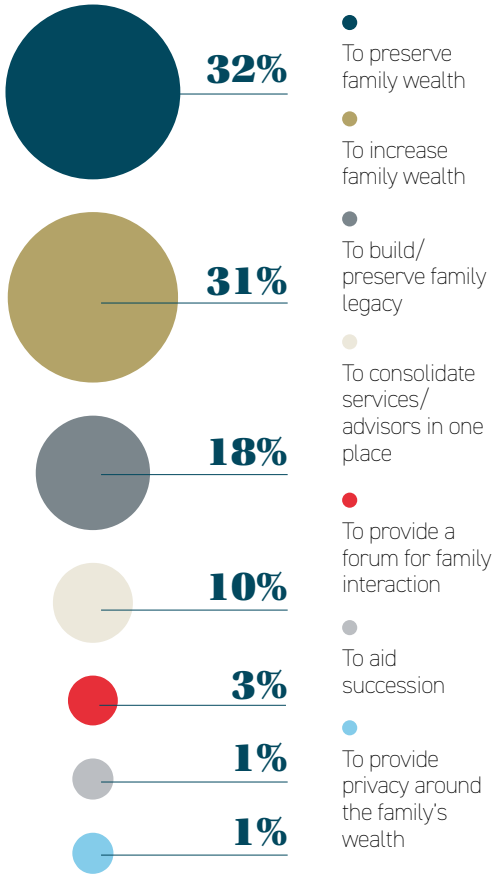
Millennial, male, second generation

Figure 3.7.
Respondents' preference to increase/decrease/maintain their role in the family business/family office



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Figure 3.8.
View on the primary purpose of the family office



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Family offices' primary purpose is to preserve and grow the family wealth

Given that most Next Gens are involved in their family office (**figure 3.2.**), they have firsthand knowledge of its wider goals. About a third of those surveyed believe that the primary purpose of the family office is to preserve (32%) and/or increase (31%) the family wealth (**figure 3.8.**).

Interestingly, Next Gens surveyed did not believe that family offices' primary purpose is to aid with succession. Perhaps they believe succession planning is inherently linked with preserving the family wealth (ranked first by 32%) (**figure 3.8.**). However, many Next Gens might yet have to realize the important role family offices can play in facilitating succession planning. According to the North American Family Office report, 32% of family offices see succession planning as an essential governance priority.[5]

[5] The North America Family Office Report 2022, Campden Wealth/RBC, p. 60

Family members' roles and responsibilities pose challenges for the family enterprise

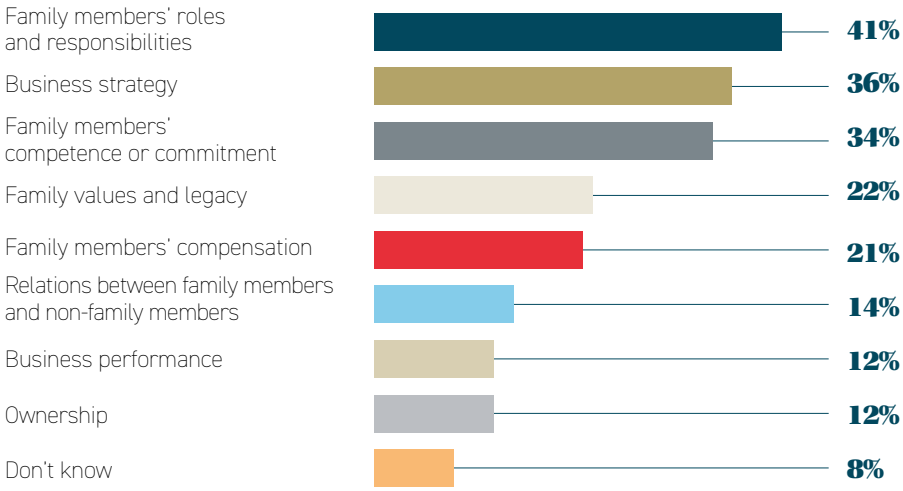
When asked about the most contentious issues managers of family offices/businesses face, Next Gens ranked family members' roles and responsibilities on top (41%), followed by concerns over business strategy (36%), and family members' competence/commitment (34%) (**figure 3.9.**).

> **"My generation wants to grow the business to be able to pass on the legacy - not to sell it."**
>
> *Millennial, male, third generation*

Once in control, Next Gens plan to shift towards growth

The topic of business strategy reappears when looking at Next Gens' plans for when they assume control of the family office/business. Showing a higher appetite for risk, over a third of respondents (34%) intend to switch to a more growth-oriented investment strategy once in charge (**figure 3.10.**).

Figure 3.9.
Most contentious issues when managing the family business/family office



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

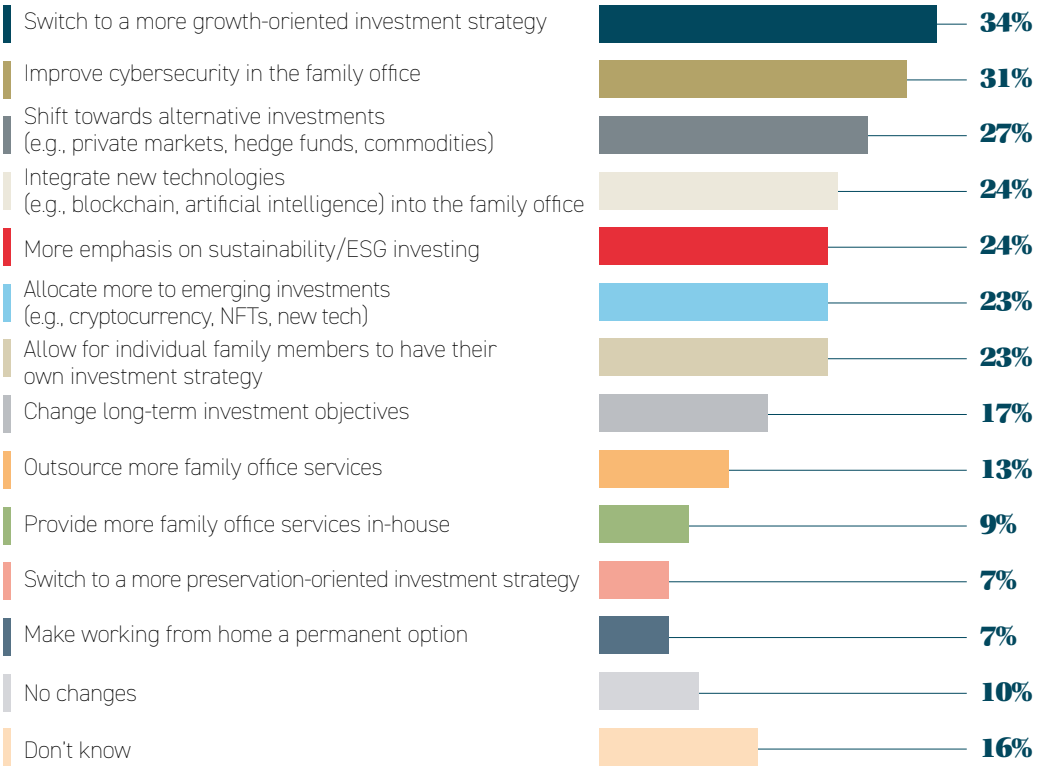
Next Gens are keen to mix up investment strategies

Next Gens surveyed outlined what their future growth strategy might look like: once in control, 27% plan to shift towards alternative investments (e.g., private markets, hedge funds, commodities), while another 24% want to integrate new technologies (e.g., blockchain, artificial intelligence) into the family office. Others state they want to emphasize sustainability/ESG investing and/or allocate more to emerging investments (e.g., cryptocurrency, NFTs, new tech) (each 23%) (**figure 3.10.**). Next Gens' desire to mix up traditional investment strategies corresponds with findings in chapter 4, which show Next Gens are ahead of the curve when it comes to sustainable investing and investing in digital assets/ new tech.

Prioritizing cybersecurity

Campden Wealth research shows that 32% of North American family offices don't currently have a cybersecurity plan, despite 37% having experienced cyberattacks over the past 12 months.[6] Addressing the issue head-on, nearly a third of Next Gens surveyed (31%) plan on improving their family office's cybersecurity once they are in charge (**figure 3.10.**).

Figure 3.10.
Next Gens' intended changes once they assume control of the family office/family business



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

According to one interviewee, addressing online risks is part of a wider trend to professionalize operations at the family office:

"Back office functions are increasingly important. There's been a lot of focus on investments, but it's also about getting better software, improving cybersecurity, and hiring better and enough people to implement proper accounting and HR policies. That level of professionalism means you are running the family office like a business, not just like your own investment brokerage."

Gen X, female, second generation

[6] The North America Family Office Report 2022, Campden Wealth/RBC, p. 63

Case Study

How a trio of third-generation siblings created a family business legacy

Daniel[7] is a Gen X and a third-generation family member. He is also the youngest of three siblings. Growing up, he never cared much about the wealth he would inherit someday. **"I have a distinct memory from when I was 13. My dad went through medical issues, and I made the conscious decision that I want to work with my father and learn from him."**

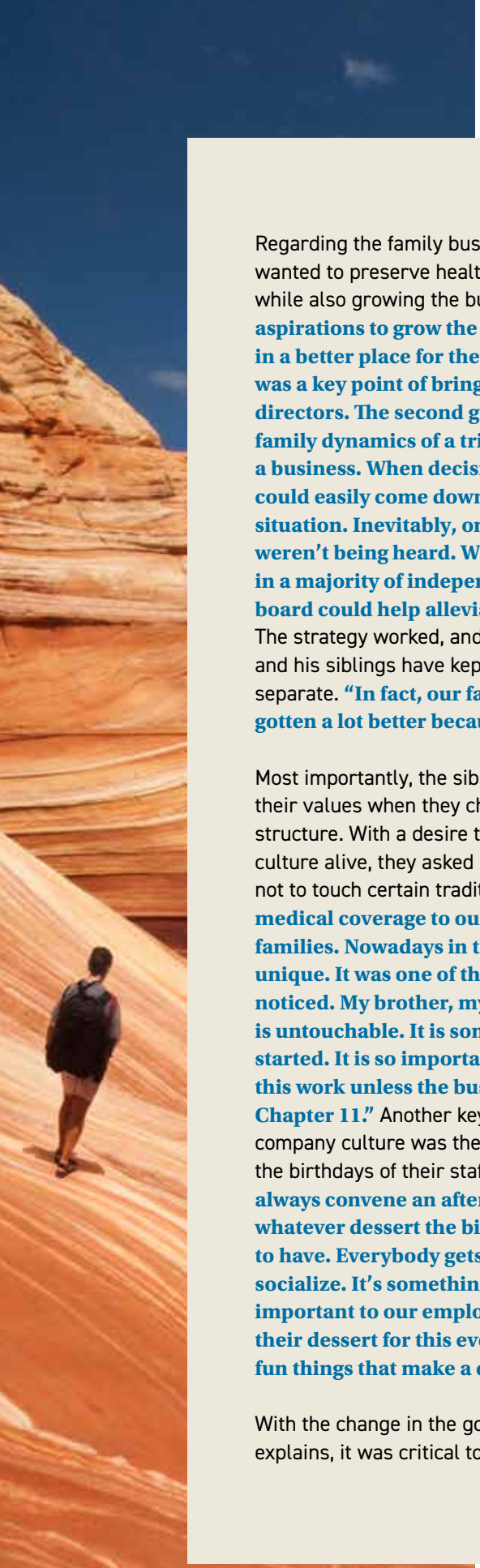
From age 15, Daniel helped at the food company owned by his family. He swept floors, cleaned tanks, and worked on the production floor. In our interview, Daniel explains that his parents never pressured him nor his siblings to do so. **"My grandfather expected our dad to join and run the business. He did not leave him a choice. Luckily, our father had a passion for it, and because of that, our parents were always cognizant of not trying to build an expectation for us kids."**

Succession planning was also not a major concern. Daniel says: **"I can't remember there being an explicit sit-down where I'd hear, 'Here's the product that we produce, here's who we sell to, here's our vision'. There was none of that."** His parents engaged and educated Daniel and his siblings by setting a good example. He remembers, **"It was very organic. Philanthropy, for example, was just something our parents did. They volunteered in the church or by coaching the baseball team. It was very natural for them to be engaged with the community. My siblings and I never learned anything different."**

When Daniel and his siblings became more involved, they formalized the family's philanthropy and professionalized the business. In collaboration with their mother, they launched the family foundation. **"It took a bit of research to understand exactly what it means to have a foundation, to define its mission, and how to fund it. Initially, my mother put in money from her estate. For almost 10 years, we also contributed 10% of our net income from the business to the foundation. We have now built an endowment to help the causes we want to support."** The foundation's mission was aligned with the business and the industry it operates in. It gives scholarships to support education. It also supports programs to improve health and education in the developing countries. **"We wanted that halo effect around the business,"** says Daniel, who also acts as the foundation treasurer.

[7] Name changed for the purpose of anonymity

Paria Canyon-Vermilion Cliffs Wilderness, Page, Arizona, USA



Regarding the family business, the siblings wanted to preserve healthy personal relationships while also growing the business. **"We have aspirations to grow the business and leave it in a better place for the next generation. That was a key point of bringing in independent directors. The second goal was to manage the family dynamics of a trio of siblings running a business. When decisions were made, it could easily come down to a two-against-one situation. Inevitably, one of us would feel we weren't being heard. We knew that bringing in a majority of independent directors on the board could help alleviate those dynamics."** The strategy worked, and Daniel is happy that he and his siblings have kept the family and business separate. **"In fact, our family relationships have gotten a lot better because of it."**

Most importantly, the siblings stayed true to their values when they changed their governance structure. With a desire to keep the company culture alive, they asked professional executives not to touch certain traditions. **"We provide full medical coverage to our employees and their families. Nowadays in the U.S., this is pretty unique. It was one of the first things that was noticed. My brother, my sister, and I said that is untouchable. It is something my parents started. It is so important to us. We will make this work unless the business is filing for Chapter 11."** Another key component of their company culture was the tradition of celebrating the birthdays of their staff members. **"We always convene an afternoon break and bring whatever dessert the birthday person chooses to have. Everybody gets together, and we just socialize. It's something we've learned is really important to our employees. They love to pick their dessert for this event. It's just one of those fun things that make a difference."**

With the change in the governance system, Daniel explains, it was critical to define the roles and responsibilities of family members still involved. The siblings decided to give family members their independent departments. **"The three of us all have very distinct areas of the business that we're involved in, and there's not a lot of overlap in our functional roles."** Another critical aspect of the siblings' successful collaboration is retaining open communication, even on challenging topics. **"You've got to be able to have transparent, meaningful, and difficult conversations. We worked with family business consultants. They made sure we put our egos aside, were willing to listen, repeated back what we heard, and showed that we understood one another. Whether you are in a relationship or running a business, it's the same thing, but you must be able to do it."**

The family is now preparing the fourth generation. Some of them are still too young to decide on whether they want to be part of the family business or not. Still, the siblings are keen to establish a structure for those who wish to join. Setting up a system of how shares are transferred to the Next Gen, the family looks to establish rules for future successions. **"If the Next Gen wants non-voting stock, they can hold that anytime. However, we are putting in requirements to owning voting stock. If they are going to be involved, we want Next Gens to be educated in business matters and the values of our family business."**

To his great regret, Daniel's dream of working side-by-side with his father in the executive office never materialized. His dad passed away when Daniel was still in college. However, the siblings may have realized an equally important dream by all working together. Having successfully grown and professionalized their business while starting a family-run foundation, Daniel is happy and visibly proud of his family's achievements. He says, smiling: **"My siblings and I are leaving our families a legacy. It is a great thing."** ■

Chapter 4

Philanthropy, sustainability, and the state of the digital asset market

4.1 Philanthropy
4.2. Sustainable investing
4.3. Investing in digital assets/new tech

Zion National Park, Utah, USA

Chapter 4

Philanthropy, sustainability, and the state of the digital asset market

- U.S. Next Gens generally understand that wealth is a privilege. Eight in 10 of those surveyed (82%) are active in philanthropy. Motivated by a sense of duty to give back, they have donated, on average, US$1.1 million of their own wealth over the past 12 months. Next Gens active in philanthropy are more likely to give directly to a cause (72%) or to a charity (58%), while their families are more likely to rely on the family foundation for their philanthropy (57%). Next Gen philanthropy targets education (76%), support for youth/children (60%), and community development (56%), among other areas.

- Over half (56%) of Next Gens surveyed currently invest sustainably, while 68% assert that sustainable investing has become a permanent feature of the investment landscape. Those active in sustainable investing dedicate, on average, 17% of their portfolio to sustainability and expect to increase their average allocation to 43% over the next five years. The areas Next Gens most actively target are climate action (53%), affordable and clean energy (53%), and education (47%).

- Forty-five percent of Next Gens invest in digital assets/new technology. Those active in the space are committing 5% of their average portfolio to cryptocurrencies and 9% to other digital assets. Fintech (86%), bio tech (77%), and healthcare tech (76%) are currently the leading areas for investments in digital assets.

4.1 Philanthropy

Philanthropy shows the deep commitment of certain wealth-holding families to help create a better world. Supporting community and societal causes have a long tradition in many families represented in this report. Going beyond simply donating money, philanthropy often embodies a family's history, values, and goals. Philanthropic engagement at a young age also teaches Next Gens about their roles and responsibilities post-succession. As a result, Next Gens deem giving philanthropically one of their most rewarding responsibilities.

A sense of duty

Most Next Gens understand that wealth is a privilege, and 82% are active in philanthropy. The motivation to give largely stems from a sense of duty to give back, according to 74% of respondents. Two-thirds also emphasize that their family has a tradition of giving and that they want to make a difference in their local community (each 66%) (**figure 4.1.**).

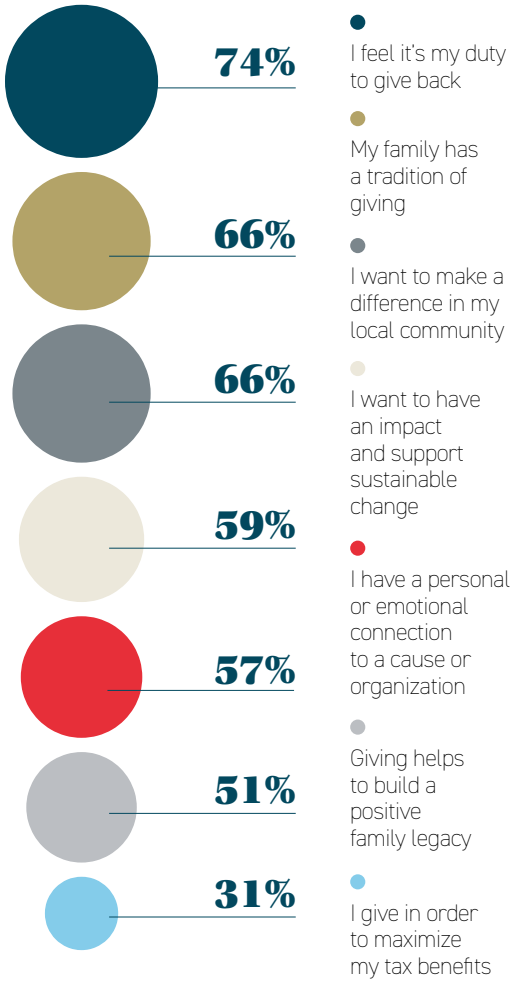
"Philanthropy creates a positive loop. A person gives you a gift for no reason. Then you feel, wow, I'm going to go do that for somebody else. It's a positive way of bringing goodness into the world."

Baby boomer, male, fifth generation

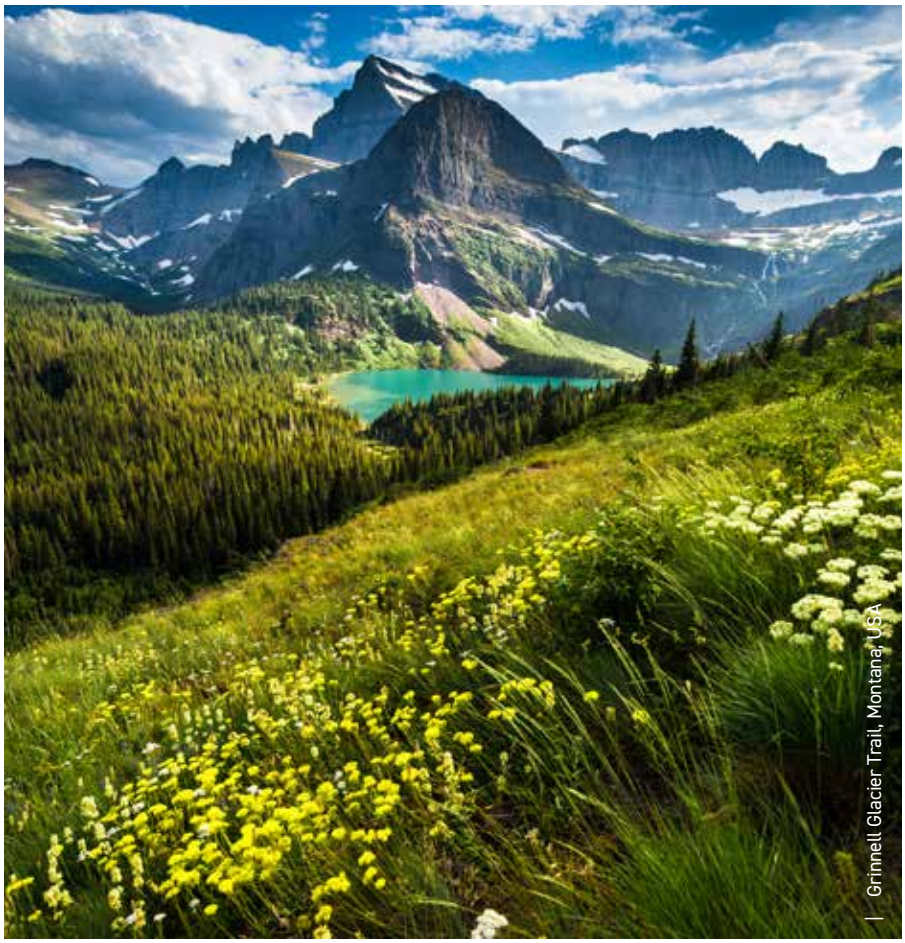
"My philanthropy stems from the example my parents and grandparents set. I realized as a young adult that I'm incredibly fortunate, and that I have an opportunity and obligation to give back – not just with capital, but also through time and expertise."

Gen X, male, fourth generation

Figure 4.1.
Motivations for engaging in philanthropy



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted


Grinnell Glacier Trail, Montana, USA

Next Gens also perceive society at large as critical or envious of their wealth. Seven in 10 respondents (69%) agree with the statement that society dislikes beneficiaries of excessive inherited wealth (**figure 4.2.**). Having these assumptions naturally promotes a desire to show that private wealth can be used to generate positive outcomes.

"At our level of family wealth, nobody feels bad for you."

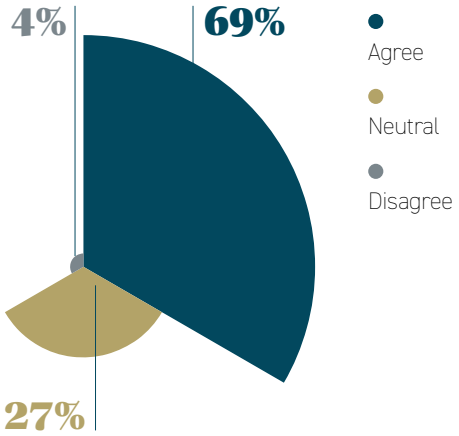
Millennial, male, second generation

"I am no different from anyone without family wealth. Except that I should have fewer worries than someone with less money. That's how money works."

Millennial, male, second generation

Figure 4.2.
Views on society and wealth

Society dislikes beneficiaries of excessive inherited wealth



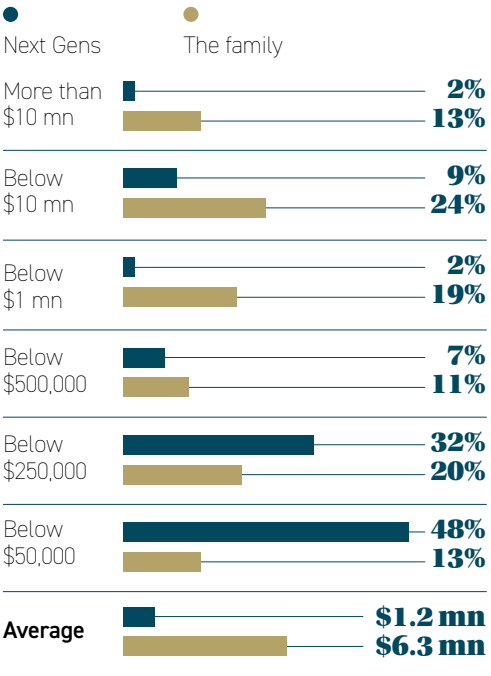
Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Next Gens are ready to engage in philanthropy

Next Gens have donated, on average, US$1.2 million over the last 12 months to social/environmental causes, while their families' donations have averaged US$6.3 million. The difference in the number of grants shows that while Next Gens want to follow in the footsteps of older generations, they are likely to have fewer financial resources to do so. About half of Next Gens surveyed (48%) stated they donated less than US$50,000, whereas 24% of their families have donated between US$1 million and US$10 million (**figure 4.3.**).

On average, Next Gens want to leave 22% of their wealth to good causes in their will. Notably, 32% still need to figure out how much they want to give away, while 5% plan to donate everything (**figure 4.4.**).

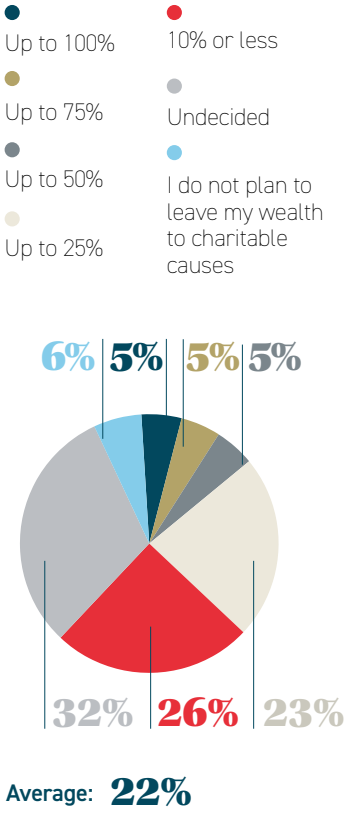
Figure 4.3.
Donations in the last 12 months



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

> **"If you are in a better position than others, then it's your duty to contribute to helping others that perhaps can't help themselves."**
>
> *Millennial, male, third generation*

Figure 4.4.
Next Gen expected proportion of personal wealth intended for philanthropy in their will



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding


Chisos Mountains, Texas, USA

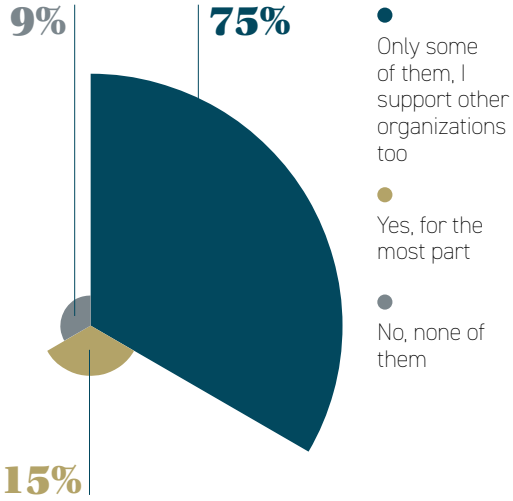
Next Gens make up their own minds about their philanthropy, but see advantages in working with their family

Next Gens make up their own minds on which causes they wish to support. However, their parents remain role models, with 75% of Next Gens saying that they support some of the same organizations as their parents, but also give to other causes. Furthermore, 45% of Next Gens agree that philanthropy and sustainable investing help to build a bridge between older and younger generations, thereby enhancing family unity. However, this interviewee shares a different experience:

"I disagree with my parents on philanthropy. My parents were entrepreneurs and they always found it offensive that people would ask them for money. I'm different, I'm very intentional about it. I think a lot of good happens from giving."

Gen X, female, second generation

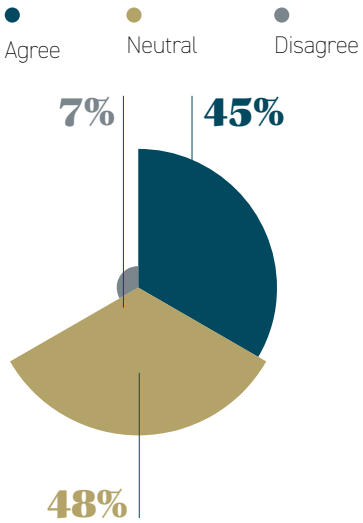
Figure 4.5.
Whether Next Gens support the same organizations as their parents



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Figure 4.6.
Views on philanthropy and sustainable investing

Philanthropy and sustainable investing help to build a bridge between older and younger generations



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Philanthropic giving targets education, youth/children, and community development

Education is the number one cause both Next Gens and their families support, with roughly three-quarters of each giving here. The second most popular cause Next Gens support is youth/children (60%), while, for their families, it is community development (63%) (**figure 4.7.**).

The most substantial divergence in philanthropic giving relates to support for health-related causes, which only 26% of Next Gens support, compared to 43% of their families. Next Gens more readily fund economic and social development (e.g., financial inclusion, entrepreneurship), with 49% who support this segment compared to 37% of their families who do the same (**figure 4.7.**).

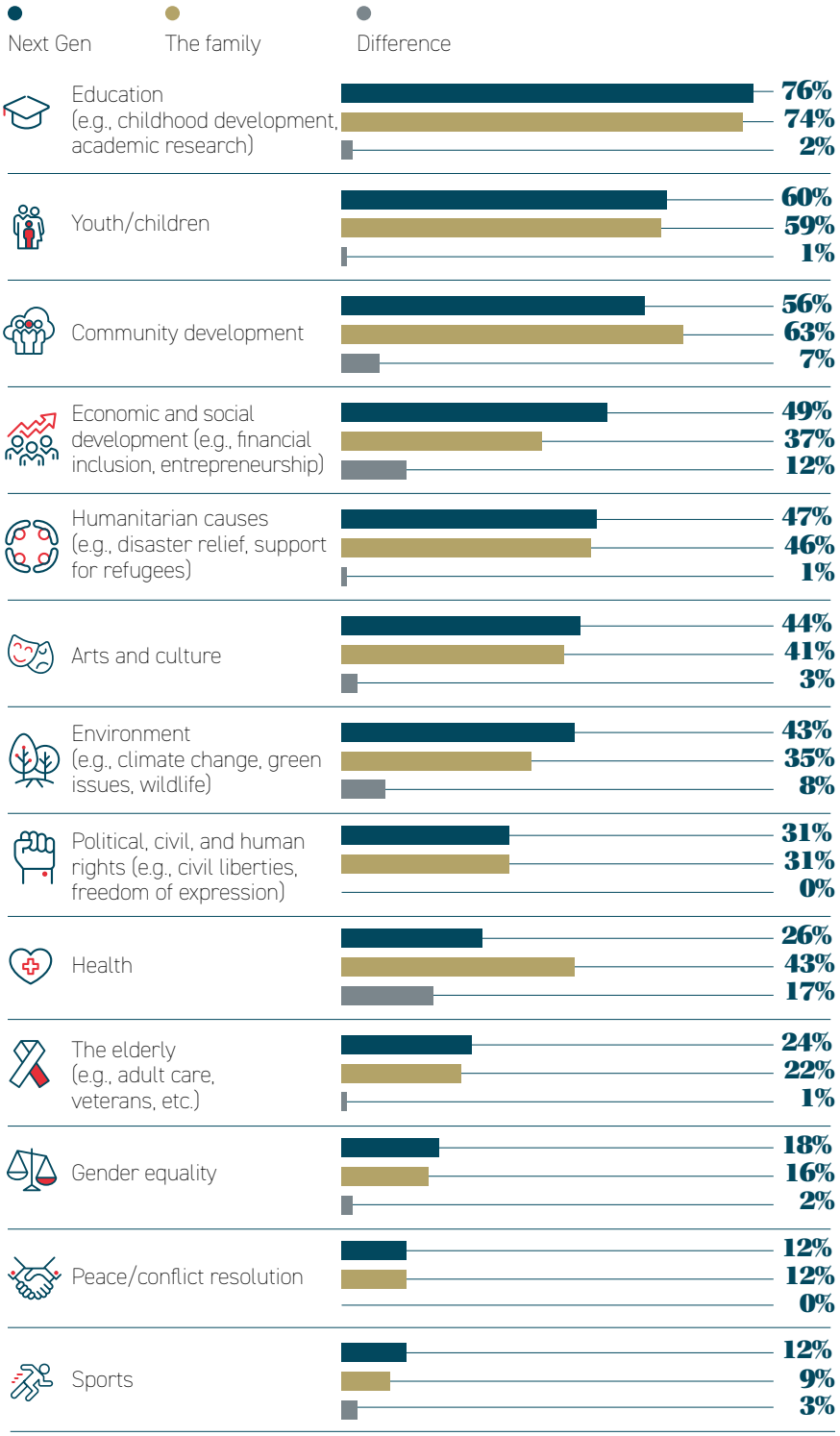
"We live in an economically diverse community in New York. Some people living here are below the poverty line. So, it was very important to me to fund and create inclusive social gatherings for those in the community."

Gen X, female, second generation

"When the pandemic hit, we didn't have a means within the original mission of our foundation to support people in need. We changed the mission, so that we could participate in helping those who are severely impacted by the pandemic."

Millennial, male, third generation

Figure 4.7.
The causes Next Gens and their families support in their philanthropy



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

While the family donates via the family foundation, Next Gens prefer giving directly

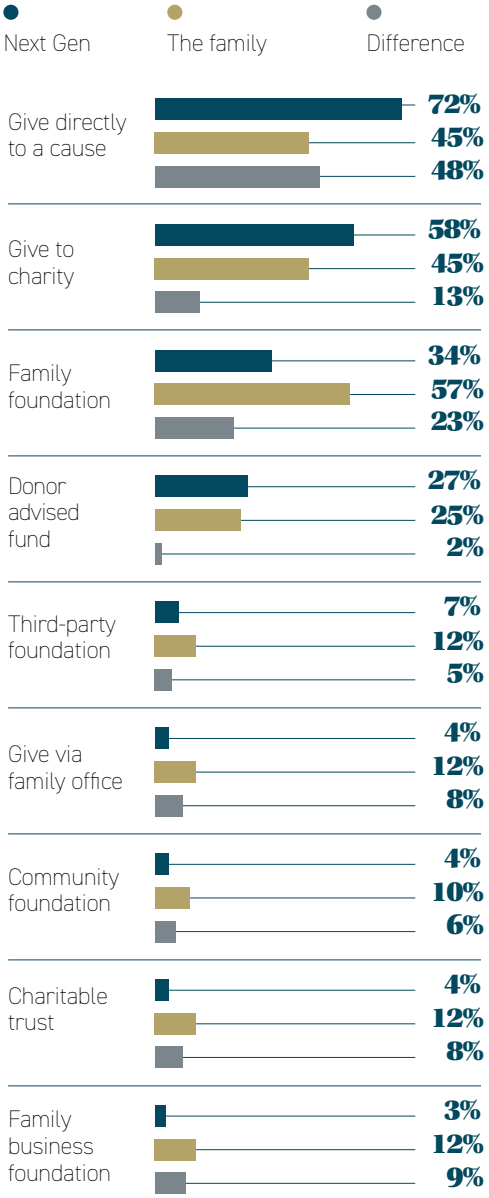
When supporting causes important to them, Next Gens rely on diverse channels of distribution. About seven in 10 Next Gens (72%) give directly to causes, while about six in 10 (58%) give directly to charities. Their families tend to distribute funds via the family foundation, according to 57% of respondents (**figure 4.8.**).

"All our family members sit on the board of the family foundation. We have an equal voice in grant-making decisions."

Millennial, male, third generation

Spire Cove, Kenai Fjords National Park, Alaska, USA

Figure 4.8.
Distribution channels of Next Gens and their families when giving philanthropically



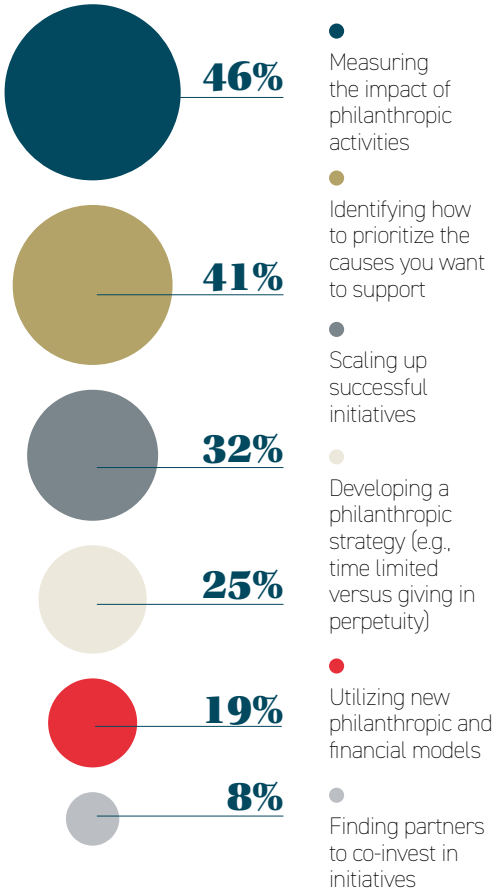
Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Everglades National Park, Florida, USA

Top philanthropic challenges – measuring impact and finding good causes to support

When asked about the challenges the next generation of philanthropists face, Next Gens share similar problems to philanthropists operating around the world. In the U.S., 46% of Next Gens can find it problematic to measure initiatives' social/environmental impact. Forty-one percent confess they struggle to identify good causes to support (**figure 4.9.**). These figures reflect the view of philanthropists more widely. Globally, 53% of those active in charitable giving wish to improve impact measurement, and 45% find it challenging to identify good causes to support.[8]

Figure 4.9.
Most difficult challenges Next Gens face when engaging in philanthropy



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

"Truthfully, I am burdened by philanthropy because I have a last name which attracts people who want money. There isn't a week that goes by when I am not approached by someone. I wanted to get away from that. I am more interested in being a mentor to entrepreneurs in early-stage companies."

Baby boomer, male, fourth generation

[8] Investing for Global Impact: A Power for Good 2023, Campden Wealth/GIST/Barclays Private Bank

4.2 Sustainable investing

Definition: Sustainable investing is defined here as an investment approach that involves the consideration of environmental, social and governance (ESG) factors in the investment process. Three distinct sub-approaches, which can be used individually or in combination, can be identified: 1) Exclusion: excluding investments that are not aligned with an investor's values; 2) Integration: incorporating ESG factors into traditional investment processes; and 3) Impact investing: investing with the intention to generate measurable environmental or social impact, alongside providing a competitive financial return.

In many families, the next generation pushes for sustainable investing to become a part of the family's investment portfolio. Being aware that their opportunities in life are shaped by the degree of environmental protection and social cohesion in our societies, they work hard to promote sustainability. Sustainable investing (includes environmental social and governance criteria, ESG; impact investing; and exclusion-based investing) was boosted by the threat of climate change and the disruptions caused by the Covid-19 pandemic. It confirmed the conviction of most Next Gens that they are doing the right thing. Accordingly, about seven in 10 respondents (68%) believe sustainable investing is now a permanent feature of the investment landscape (**figure 4.10.**).

Next Gens are ahead of the curve

Next Gens largely embrace sustainable investing. Fifty-six percent of those surveyed are already active in the space. Compared to family offices, Next Gens are ambassadors in the field. According to *The North America Family Office Report*, only 47% of family offices globally and 37% of North American family offices invest sustainably.[9] Confirming these findings, 53% of Next Gens would say they are more engaged in sustainable investing than their parents (**figure 4.10.**).

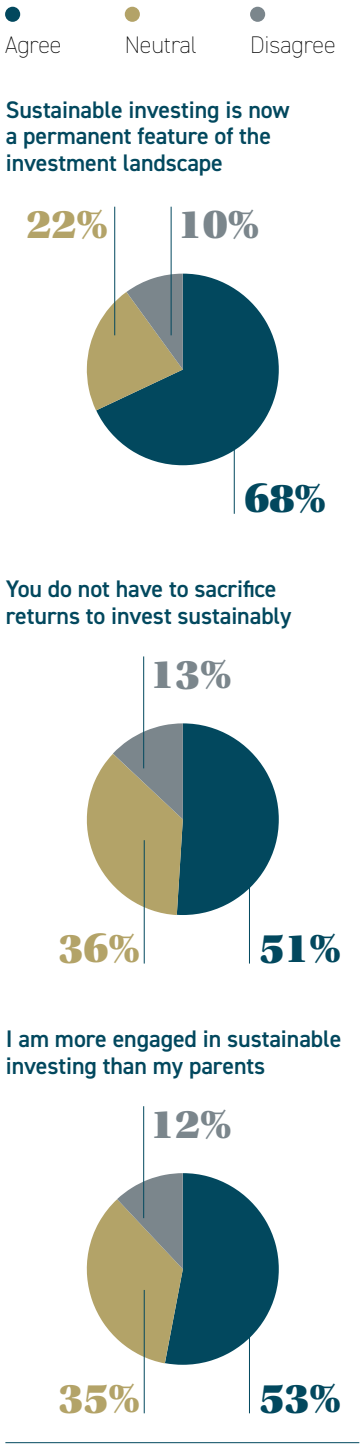
"The next generation introduced the idea of sustainable investing in my family. Then advisors picked up on that and gave us reports about where we stood on the ESG scale. Now, we want to make sure that our investments fit within the comfort zone of the family."

Gen X, male, fifth generation

"Sustainable investing has changed the dialogue. People go deeper and look at how it affects the environment. Are we sustainable? Do we have good governance practices? How do we treat our employees? That's a real advantage."

Millennial, male, fifth generation

Figure 4.10.
Next Gen views on sustainable investing



Base: Respondents involved in philanthropy
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

[9] The North America Family Office Report 2022, Campden Wealth/RBC, p. 42

Sustainable investing is driven by the responsibility to make the world a better place

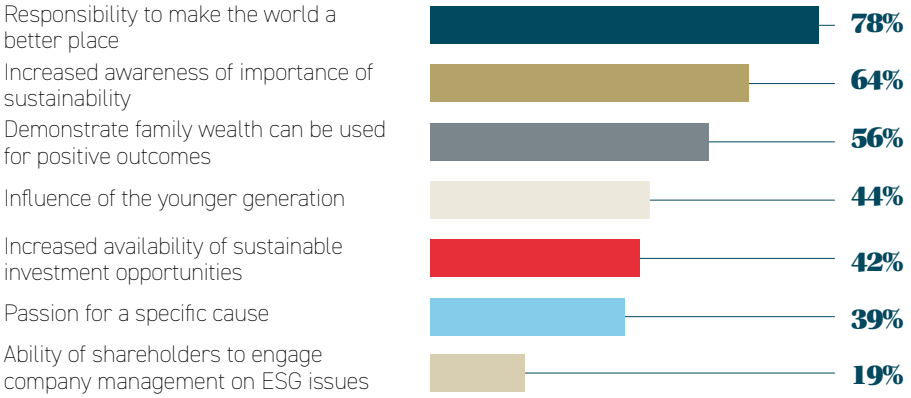
Next Gens who are investing sustainably are motivated by the responsibility to make the world a better place. Sixty-four percent confess that they have an increased awareness of the importance of sustainability, while 56% want to demonstrate that family wealth can be used for positive outcomes (**figure 4.11.**).

The rising awareness that sustainable investments generate solid financial returns pushes the industry ahead. Among those surveyed, 51% are convinced that one does not have to sacrifice returns to invest sustainably (**figure 4.10.**).

"My children are going to inherit a planet where the climate has changed profoundly, with more droughts and heatwaves every year. I'm worried that there's really nowhere for them to go."

Millennial, male, second generation

Figure 4.11.
Motivations to invest sustainably



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

"I agree with the decision to go away from nuclear. It is the right thing to do. And I am a huge supporter of anything that increases renewable energy. It's very important."

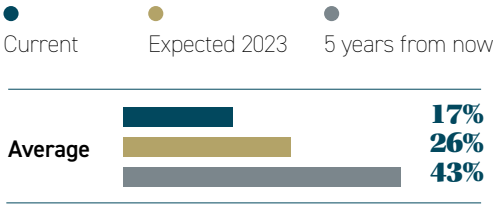
Gen X, male, second generation

Five years from now, Next Gens are looking to dedicate 43% of their portfolios to sustainable investing

Those active in sustainable investing currently dedicate 17% of their average portfolio to sustainability and they expect this proportion to rise to 43% within the next five years (**figure 4.12.**). In comparison, *The North American Family Office Report (2022)* found that family offices in North America who engage in sustainable investing currently dedicate 20% of their portfolios to sustainability and that this proportion is expected to rise to 31% within the next five years.[10]

Garden of the Gods, Colorado, USA

Figure 4.12.
Proportion of investment portfolio dedicated to sustainable investing



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding; Small sample size

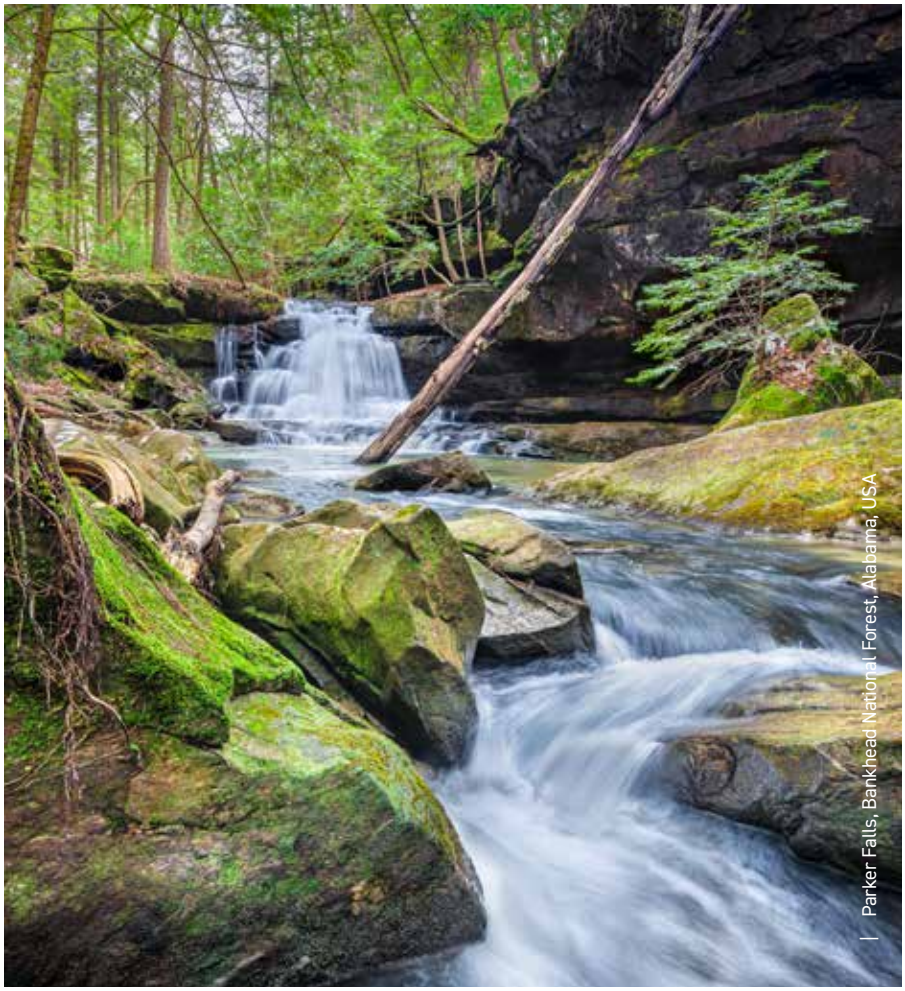
[10] The North America Family Office Report 2022, Campden Wealth/RBC, p. 42

Next Gens prefer investing in domestic public equities

The most popular asset classes held by Next Gens engaged in sustainable investing are domestic public equities (22%), followed by venture capital, direct private equity, and private equity funds (each 13%) (**figure 4.13.**). However, views are mixed on the effectiveness of certain asset classes to achieve social/environmental goals.

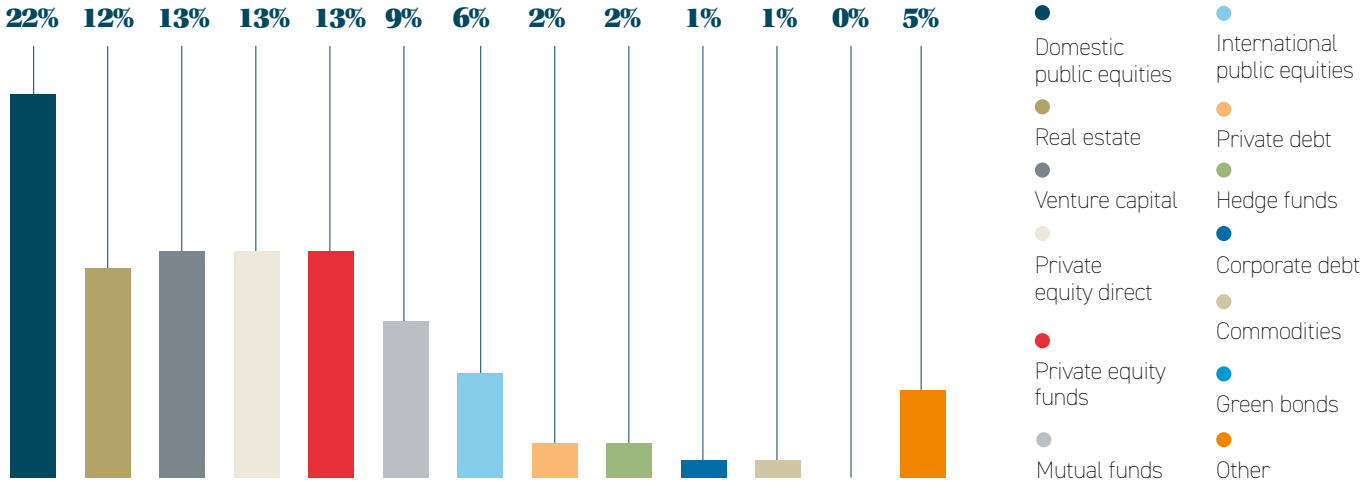
"The funds that invest in sustainability aren't necessarily doing so. I think private equity is a better vehicle to create a positive impact."

Gen X, female, second generation



Parker Falls, Bankhead National Forest, Alabama, USA

Figure 4.13.
Average proportion of asset classes held in sustainable investing portfolios



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding; small sample size

Okefenokee National Wildlife Refuge, Georgia/Florida, USA

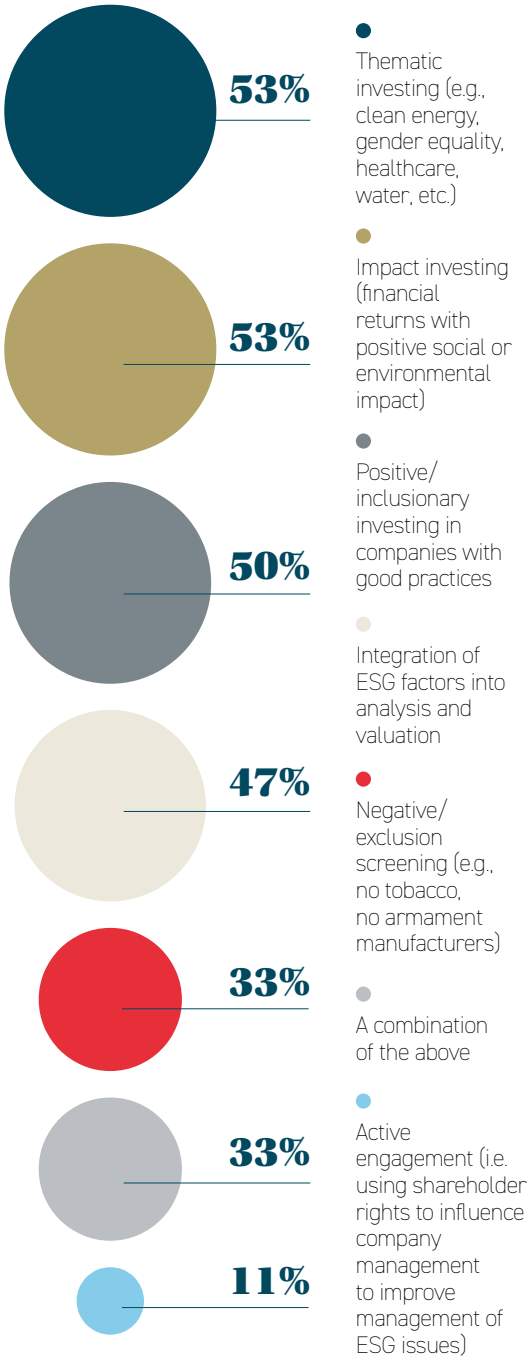
Thematic and impact investing are preferred sustainable investing strategies

One of the most popular investment strategies is thematic investing, which is employed by 53% of respondents. Following this approach, Next Gens invest in a particular area of interest (e.g., clean energy, gender equality, healthcare, water, etc.). Equally important to Next Gens is pursuing an impact investing strategy (53%), whereby investors allocate to organizations with the core purpose of creating a positive social or environmental impact alongside a financial return (**figure 4.14.**).

Next Gen investments target energy, climate action, and education

Following the United Nations Sustainable Development Goals (SDGs), Next Gens focus their investments on affordable and clean energy (53%), climate action (53%), and quality education (47%) (**figure 4.15.**). In comparison, wider research we have conducted in the report, *Investing for Global Impact: A Power for Good* (2021) reveals that sustainable investors more broadly prioritize education (59% of respondents), climate action (59%), and good health and well-being (55%).[11]

Figure 4.14.
Most popular sustainable investing strategies



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

[11] Investing for Global Impact: A Power for Good 2023, Campden Wealth/GIST/Barclays Private Bank

Figure 4.15.
Sustainable investing themes targeted based on the UN Sustainable Development Goals

Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Ten Thousand Islands National Park, Florida, USA

Greenwashing – the biggest challenge in sustainable investing

Green marketing of investment products that do little to reduce environmental damage, or "greenwashing," is becoming increasingly problematic and Next Gens worry about that type of deception. About half of those surveyed (49%) agree that greenwashing of sustainable investing opportunities is a significant problem (**figure 4.16.**). Fifty-three percent of respondents actively investing in sustainability confirm that greenwashing is their number one challenge. Interestingly, only 31% worry about the inability to deliver returns equivalent to those of their traditional investments (**figure 4.17.**).

"Avoiding greenwashing is very complicated. So far, we cannot really compare the carbon footprint of one company with another. We will eventually figure out how to calculate this, but we don't have it yet."

Baby boomer, male, fifth generation

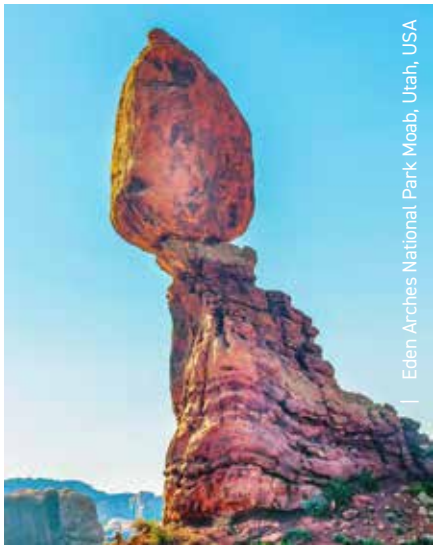
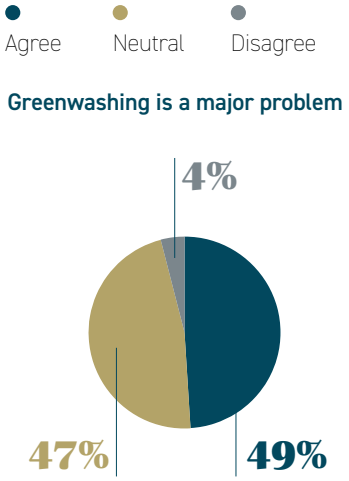
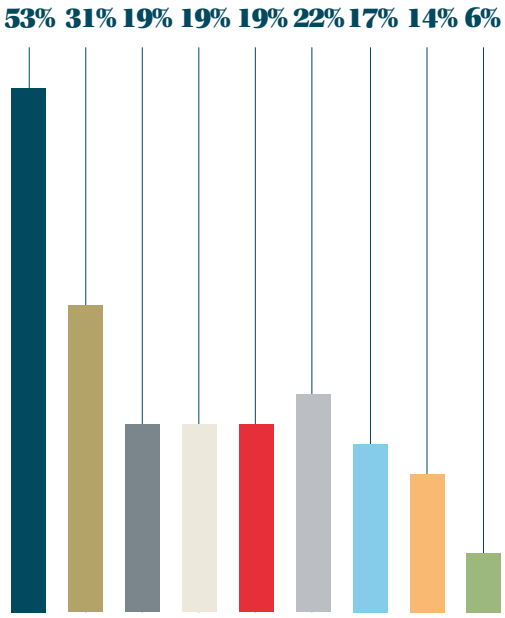

Eden Arches National Park Moab, Utah, USA

Figure 4.16.
Views on challenges when investing in sustainability



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Figure 4.17.
Most difficult challenges faced when investing sustainably

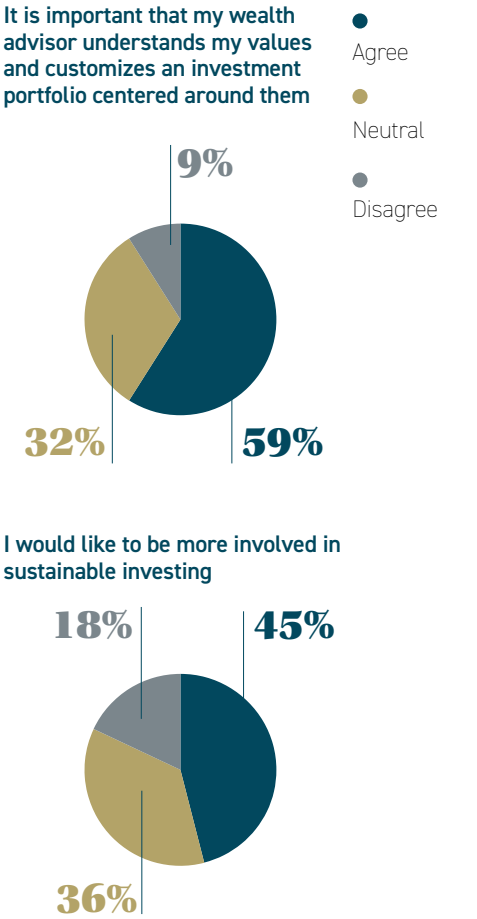


Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Next Gens are looking for advisors to provide adequate tools for impact measuring

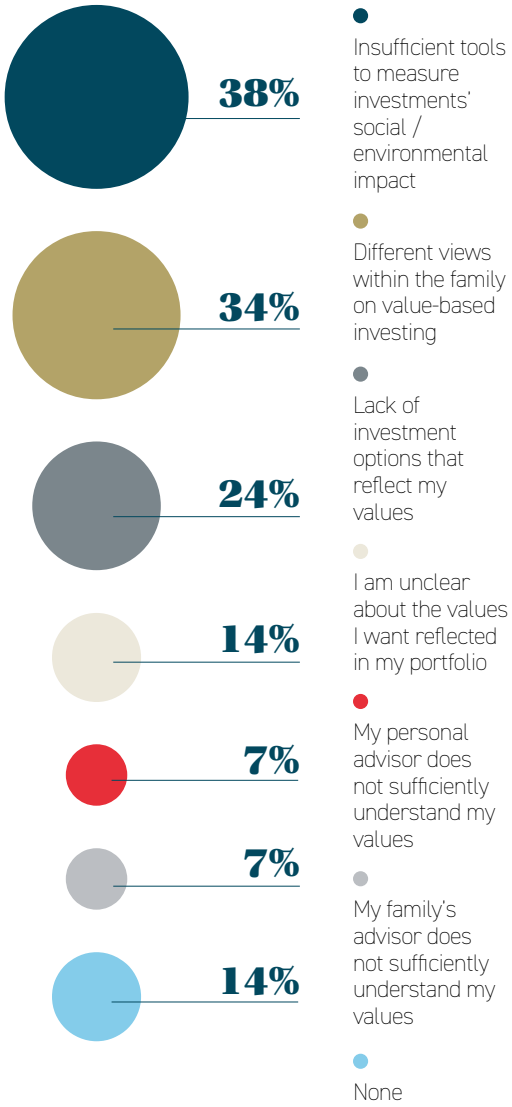
Next Gens want to learn more about sustainable investing. In this process, they are looking for professional advisors to guide them. Fifty-nine percent state that it is vital that their wealth advisor understands their values and customizes an investment portfolio centered around them (**figure 4.17.**). Those already engaged in the space and working with an advisor to align their portfolio report that insufficient tools to measure investments' social/environmental impact is their top challenge (38%). About a third also say that different views within the family on value-based investing poses a challenge when working with an advisor (**figure 4.19.**).

Figure 4.18.
Views on involvement in sustainable investing



Base: Respondents involved in sustainable investing
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Figure 4.19.
Most difficult challenges faced when working with an advisor to align the portfolio with respondent values



Base: Respondents involved in sustainable investing
Source: Campden Wealth / BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

"Philosophers and theologians have tried to measure good for thousands of years and it is a difficult thing to do."

Baby boomer, male, fifth generation

"In an investment call ESG might be brought up. Many family members want to have a voice in that but it's hard to know the good players from the window dressing."

Baby boomer, male, fifth generation

4.3 Investing in digital assets/ new tech

Cryptocurrencies, which are digital currencies that operate outside the realm of government, first started to fascinate investors during the global financial crisis in 2007. Back then, the collapse of the global financial system provoked investors to take blockchain technology and digital asset investing more seriously. Digital assets have since seen a considerable increase in value, often followed by a sizable bust. Despite these boom-and-bust cycles, the product range in the digital asset and new tech markets continue to grow, with non-fungible tokens (NFTs/ digital artwork) and the metaverse being the latest trends.

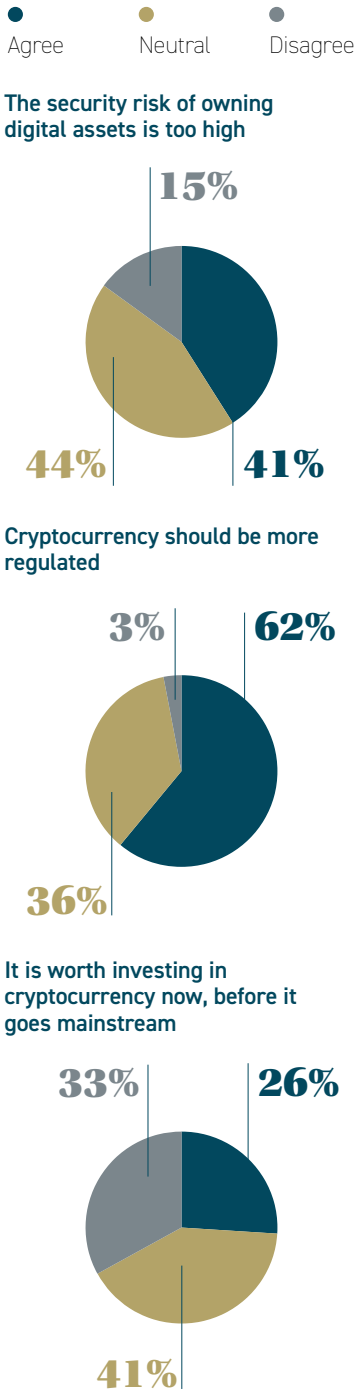
45% of Next Gens invest in digital assets/ new tech

Forty-five percent of Next Gens surveyed are active in digital assets/new tech. Whether actively involved or not, most participants have an opinion about this controversial investment class. In the qualitative interviews, views could not be more mixed on how the digital asset/ new tech market will develop in the future. While some Next Gens expect another boom, others dismiss crypto markets as Ponzi schemes. This corresponds well with earlier findings. **Figure 1.12.** in the first chapter shows that cryptocurrency is the topic Next Gens are most likely to disagree on with their parents.

Crypto is deemed to be a risky asset – at least for now

Reflecting the risk of market eruption and the shock of the recent collapse of the stablecoin 'terra', 62% of respondents believe that cryptocurrencies should be more regulated. Only a quarter of respondents believe it is worth investing in cryptocurrency before it goes mainstream. However, when asked about digital assets more broadly, respondents have mixed views. While 41% would say that the security risk of owning digital assets is too high, 44% percent remain neutral on the topic (**figure 4.20.**).

Figure 4.20.
Views on cryptocurrency/ digital assets market



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

> **"Crypto is a hot button topic for me. I believe it is a Ponzi scheme."**
>
> *Baby boomer, male, fifth generation*

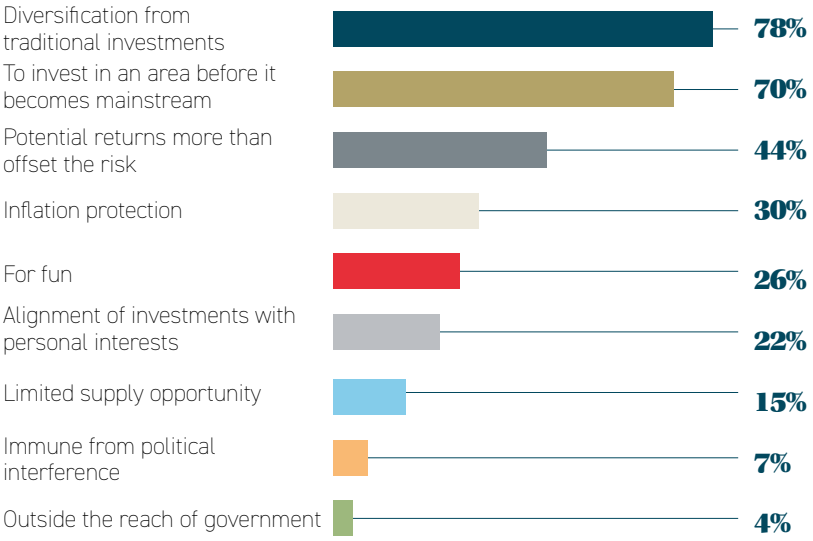
Next Gens allocate 5% of their average portfolio to crypto and 9% to other digital assets

Next Gens investing in digital assets/new tech are driven by a desire to diversify from traditional investments (78%) and to invest in an area before it becomes mainstream (70%) (**figure 4.21.**). Next Gens are willing to take a higher risk than family offices when diversifying their portfolio with crypto assets. On average, those active in the space allocate 5% of their portfolio to crypto and 9% to other digital assets. In comparison, among North American family offices, the average portfolio allocation to crypto assets currently stands at 1%.[12]

> **"I guess there is a little bit of FOMO. If you have nothing in this sector, you are making a mistake. Put a very, very small amount if you don't believe in it, but don't be the person who missed this."**
>
> *Gen X, female, second generation*[13]

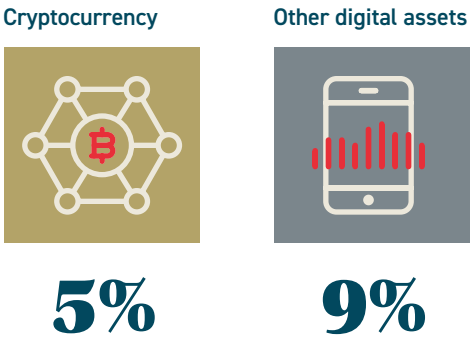
[12] The North America Family Office Report 2022, Campden Wealth/RBC, p. 72
[13] FOMO = fear of missing out

Figure 4.21.
Motivation to invest in digital assets



Base: Respondents investing in digital assets
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Figure 4.22.
Average proportion of cryptocurrency/digital assets investments in portfolios



Base: Respondents investing in digital assets
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Kasha-Katuwe Tent Rocks National Monument, New Mexico, USA

Fintech is the most popular asset class, with artificial intelligence and robotics on the rise

The most popular asset classes Next Gens invest in are Fintech (86%), Biotech (77%), and Healthcare tech (76%) (**figure 4.23.**). Over the next 12 to 24 months, Next Gens plan to increase their exposure to artificial intelligence (60%), Fintech (60%), and robotics (53%) (**figure 4.24.**).

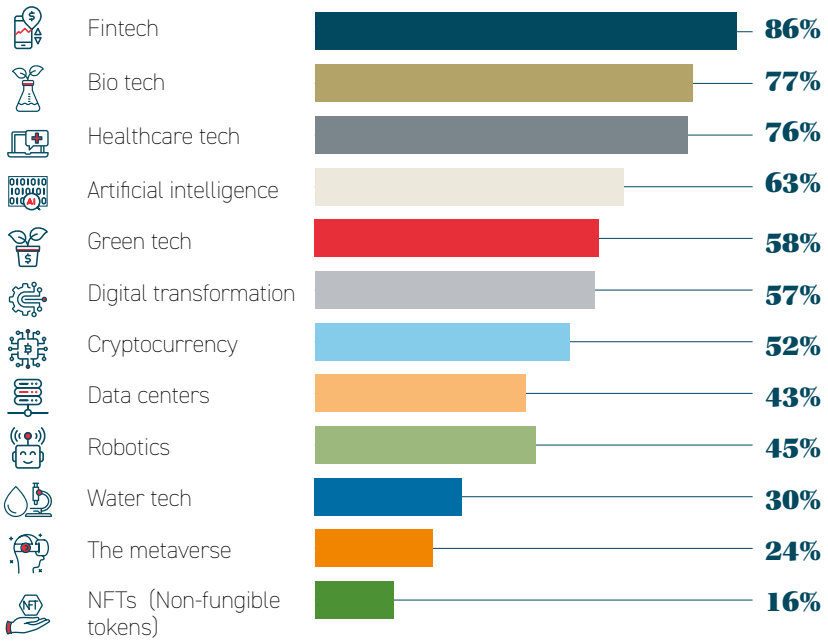
According to respondents, the metaverse and NFTs are the least popular asset classes among U.S.-based Next Gens (24% and 16%, respectively) (**figure 4.23.**).

However, those engaged in these two areas remain firmly committed, with 72% of respondents willing to maintain their investments in NFTs and the metaverse (**figure 4.24.**).

"I look for disruptive technology. There are parts of the economy that I just avoid because technology might just crush that whole industry pretty soon."

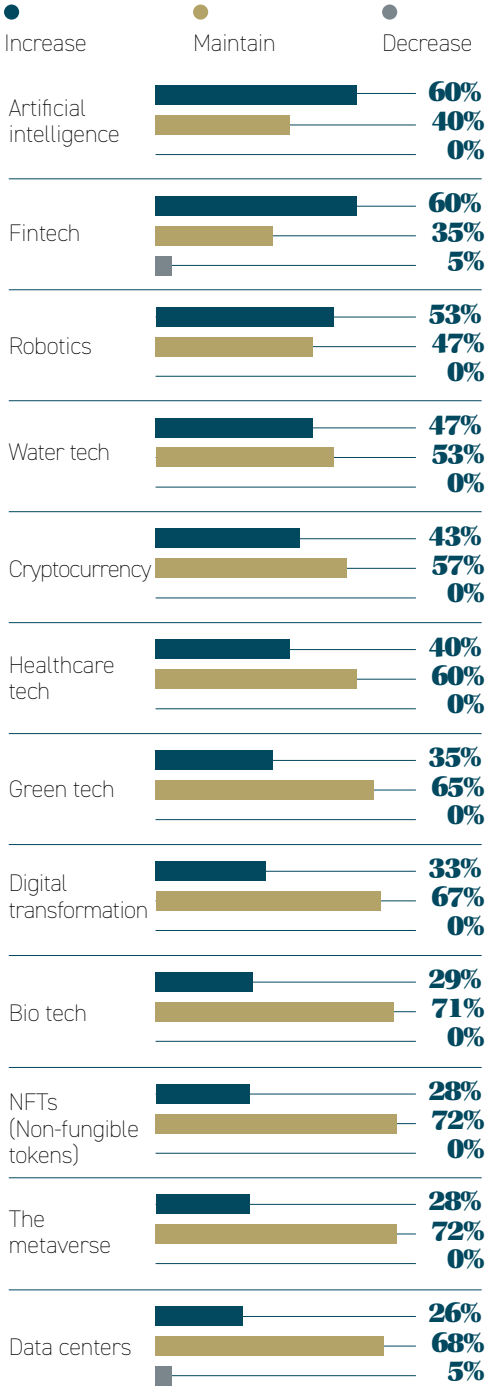
Millennial, male, second generation

Figure 4.23.
Most popular digital asset investing



Base: Respondents investing in digital assets
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Figure 4.24.
Plans to increase/maintain/decrease portfolio allocations over the next 12-24 months



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding


Hamilton Pool Preserve, Texas, USA

Next Gens are undecided about the future of digital assets

Next Gens appear undecided when asked to assess the future development of digital asset markets. Being a relatively new and highly dynamic space, its establishment in the investment landscape remains somewhat limited. While those active in this space stay committed, with 57% willing to maintain and 43% planning to increase investments in crypto (**figure 4.24.**), overall enthusiasm remains limited. Particularly in crypto markets, recent boom and bust cycles have increased uncertainty. Accordingly, 56% of respondents remain neutral on whether the cryptocurrency market "will explode over the next 10 years," along with 62% for the NFT market. Still, a reasonable portion believe they will take off, 29% and 15% respectively (**figure 4.25.**).

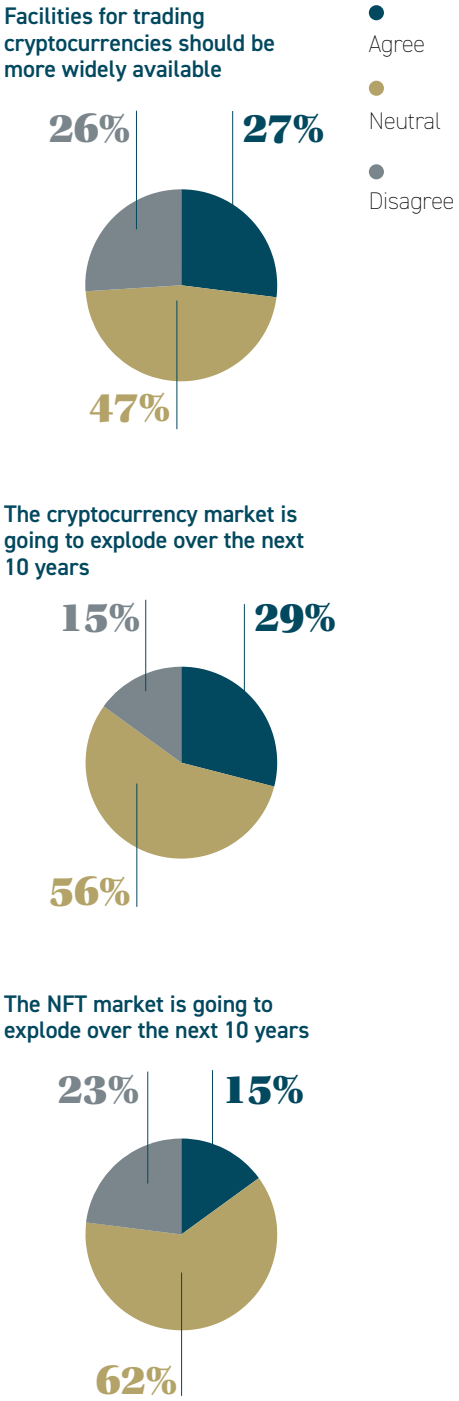
"Blockchain itself is interesting, but there are very few businesses which actually implement blockchain technology and truly create value."

Baby boomer, male, fifth generation

"We plan to increase investments in digital assets. Our investments in this sector have multiple facets. Some are very high risk and purely speculative – new crypto coins can totally fail or skyrocket. Then there is investing in blockchain infrastructure in general."

Gen X, female, second generation

Figure 4.25.
Views on investing in cryptocurrencies/digital assets



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Case Study

On the power (and limits) of being an in-law

Anna[14] is a Gen X and a scientist who spend her career working for a large tech company. When her father-in-law approached her about joining the family business, she was surprised and remarked, **"I am not a direct family member because I married into the family."** Nonetheless, the highly skilled scientist was a good fit. As an in-law she had a different relationship to her father-in-law and it gave her the right kind of distance to collaborate with him. The help was desperately needed. **"After 15 years, my father in-law's healthcare company had grown pretty large. It was based in 65 locations in over 25 states in the U.S. I was responsible for everything that was non-clinical; the finances, all of compliance, legal, everything was brought up to me."** The experience was path-breaking for her as she had no prior experience in managing a company. **"The company had grown fast but the business infrastructure wasn't there yet. It was my job to get the company straightened out,"** she remembers.

Her new job challenged Anna in ways she never imagined. **"I am usually pretty calm, but the job was so stressful that I experienced insomnia for the first time in my life."** Anna recalls trying to adapt to a completely different working environment: **"As a scientist, I was used to data driven decision-making. Then I was dropped into the family business and the people I was working with were not data driven at all. That was difficult. Additionally, lots of things were thrown at me. The pressure was non-stop."** However, as Anne settled into the role, she increasingly enjoyed the challenge. **"This has been a journey. I have learned that I am capable of much more than I ever thought I was."** She also started to appreciate the benefits of working with family. **"When you're collecting a salary, you have a responsibility to your employer to do the right thing. That's about being correct. It's different when you have a family enterprise, where your contribution is always returned to the family. That's a very different feeling and it's pretty amazing."**

[14] Name changed for the purpose of anonymity

In 2019, Anna's father-in-law sold the company and prepared the launch of the family office. Once more, she was asked to help out. **"Two months before we were about to sell the business, I found out there was no estate planning. So, we had to do a lot of work,"** Anna recalls. As a team, Anna and her father-in-law tried navigating the family office landscape: **"Right away, we started taking care of legal things. Investing was not a priority during the first months. Then, due to Covid-19, the market started falling apart. This was another setback for us because it was even more difficult to start investing."** Additionally, Anna's family faced another hurdle. Challenging family dynamics significantly increased after the sale of the business, she says with regret. **"After the liquidity event, we had more conflict in the family. Nobody expresses what the problem is, but there is notable tension."** This issue led Anna to think that the family office needs better governance structures and could benefit from the help of an external adviser. However, she is also aware that, as an in-law, her power is limited. **"I learned that it is better to stay out of it because I am not a direct family member."**

For now, Anna prefers to avoid the topic and focus her energy on developing a portfolio strategy that works well for the family. She feels excited by the opportunity to challenge herself again: **"Initially, we worked with a bank, where we had all of our funds and they started pushing products, but after a year we wanted to do things differently."**

Anna suggested that the family should have more control over their investing. **"We wanted to align the family's personal interests with our portfolio. My father-in-law has a real passion for real estate, so we restructured a large portion of our portfolio into that sector."** While the family is professionalizing their family office operations, Anna is very grateful for everything she has learned while working for the family enterprise. She already knows what she wants for her children: **"I now truly appreciate the value of a family enterprise. Creating an organization and letting your kids continue the work, I think that's amazing,"** she says, smiling. ■

The Wall, Badlands National Park, South Dakota, USA

Chapter 5

Wealth management and external advice

Alaska, USA

Chapter 5

Wealth management and external advice

- Nearly all Next Gens surveyed rely on professional advisors for their trust/estate planning and their tax planning/mitigation, (99% and 97%, respectively). Sixty-three percent admit they also require external support for their succession planning/wealth transfers. Notably, 28% are finding it difficult to find advisors who can help with succession planning.

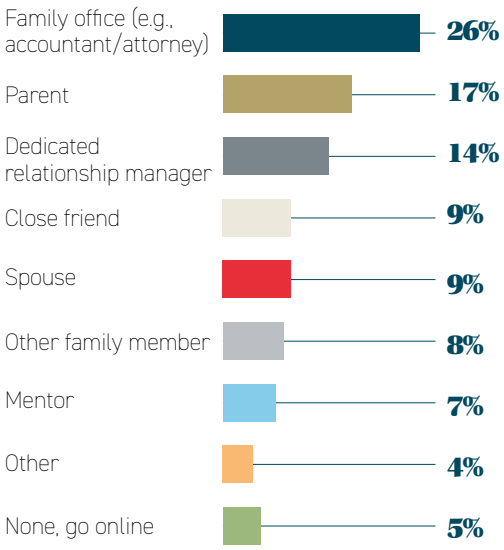
- Merely 37% of Next Gens surveyed use the same wealth management firm as their parents, while a significant 39% either use a different wealth manager or don't currently have their own (24%). Comparing families of different wealth levels, about a third (32%) of those with family net worth below US$250 million confess they do not currently have their own wealth manager, compared with only 21% of their wealthier peers who would say the same.

5.1 Wealth management and external advice

Relying on qualified professionals is part and parcel of preserving and growing family wealth. In turn, this chapter explores Next Gens' relationships with wealth managers and how the wealth management arena is set for a shake-up as we progress towards a global generational transition of wealth.

Family offices are Next Gens' first port of call for wealth management advice. When Next Gens have questions about managing their wealth, their family office is often their first port of call, as denoted by 26% of respondents. Another 17% call their parents, 14% their relationship managers, and just 9% their close friends (**figure 5.1.**).

Figure 5.1.
The person Next Gens are most likely to call with questions related to wealth management



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

"If an issue comes up, we first discuss it with the family. Then we call our advisors and ask if they agree with what we're seeing."

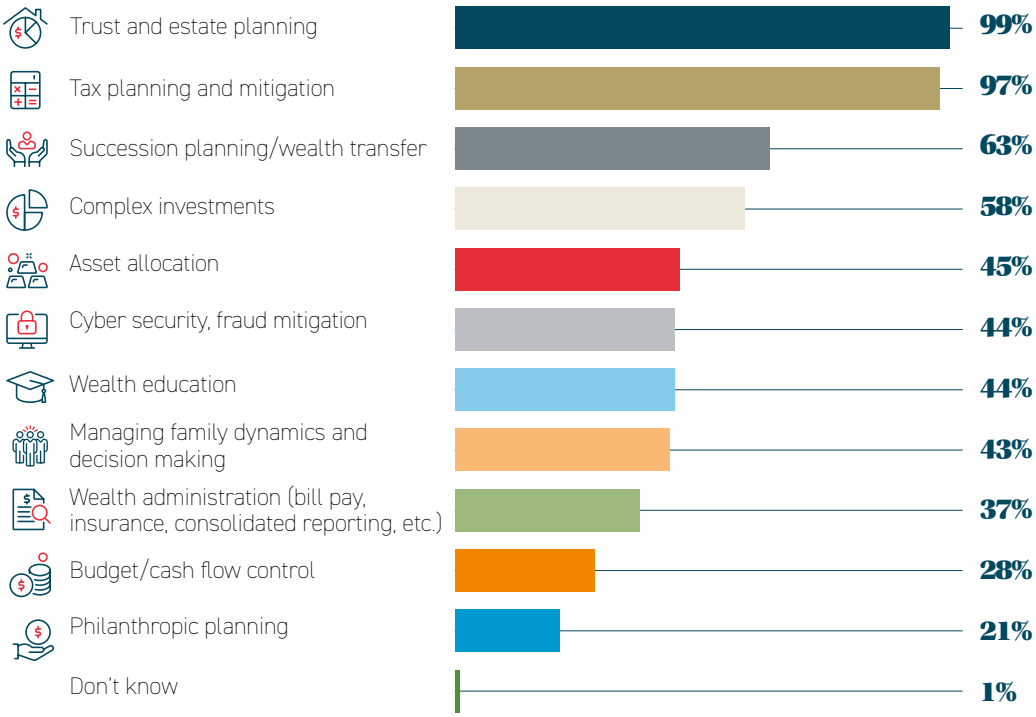
Gen X, female, second generation

Next Gens value top-notch advice, but not all know where to find it

Given the complexity of managing significant wealth, Next Gens near-unanimously agree that an array of professional advisors is needed to steer the ship. In terms of where they are needed most, 99% of Next Gens agree that trust and estate planning is the most important area. This is followed by tax planning/mitigation (97%) and succession planning/wealth transfers (63%). When it comes to the latter, over half of Next Gens (52%) confess that they currently need outside support to navigate their family's succession (**figure 5.2.**).

Qualified talent is abundant in certain geographies, with 43% of Next Gens claiming that finding trusted external advisors to help with succession planning is relatively easy. With that said, a notable 28% are finding it difficult to find such advisors, suggesting that there is room for growth in relation to scaling up professional advisories and/or in brokering relationships between them and next generation wealth holders (**figure 5.3.**).

Figure 5.2.
Areas where professional advisors are needed most



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

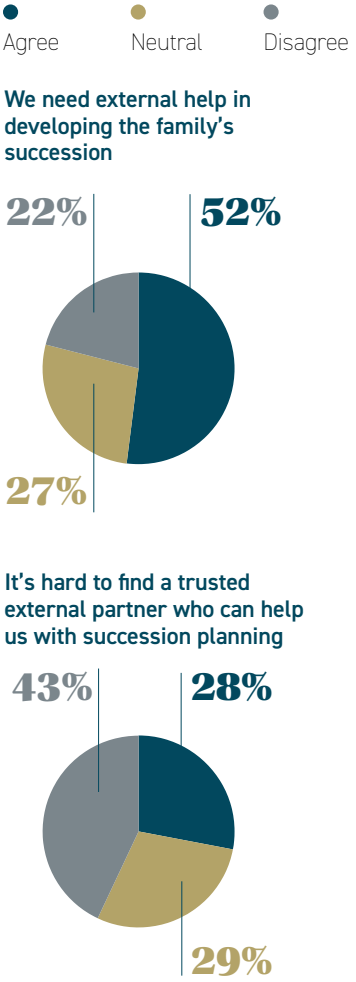
"There is currently a lot of discussion about the transfer of wealth in my family. My dad and his siblings are co-owners of the family office. We need to make sure that everyone is okay with whatever succession plan is created. Hiring an external advisor helps to give the process the stamp of professional legitimacy."

Gen X, male, fourth generation

"The family has a very good understanding of what happens when the current generation passes away. The workflow is well understood. We've worked hard to paper it correctly and be tax efficient with it."

Millennial, male, second generation

Figure 5.3.
Views on external advisors and succession planning

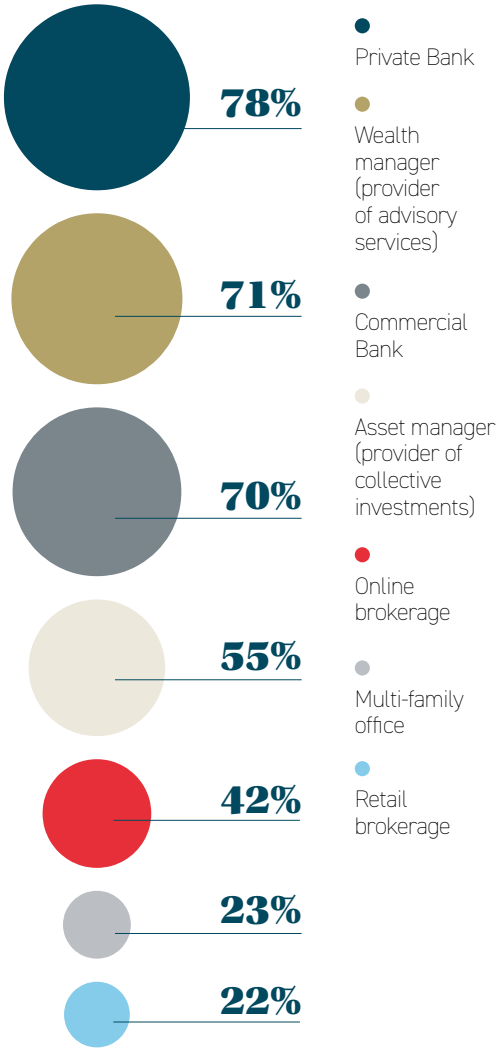


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

Next Gens are adept at using financial service provision

Eight in 10 (78%) of respondents have a relationship with a private bank, and seven in 10 a commercial bank (70%) or wealth management firm (71%) (**figure 5.4.**). As a caveat to this, most (74%) prefer to use different firms for their banking and private wealth management services (**figure 5.5.**).

Figure 5.4.
Financial institutions Next Gens have a relationship with

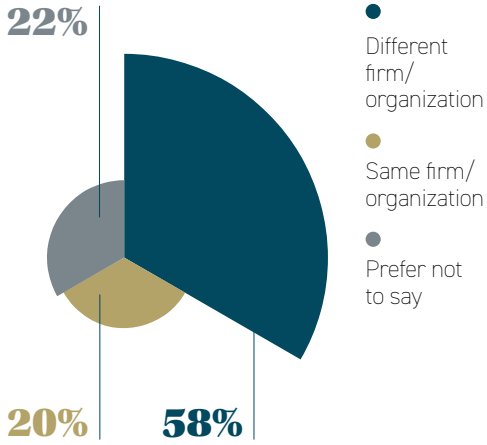


Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

"I currently manage the wealth, but I'm dying to push this onto other people. I don't want to do it anymore. There are too many other things I want to do with my life."

Gen X, female, second generation

Figure 5.5.
Whether respondents use the same firm for their banking as for their private wealth management



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey

Just over one-third of Next Gens use the same wealth manager as their parents

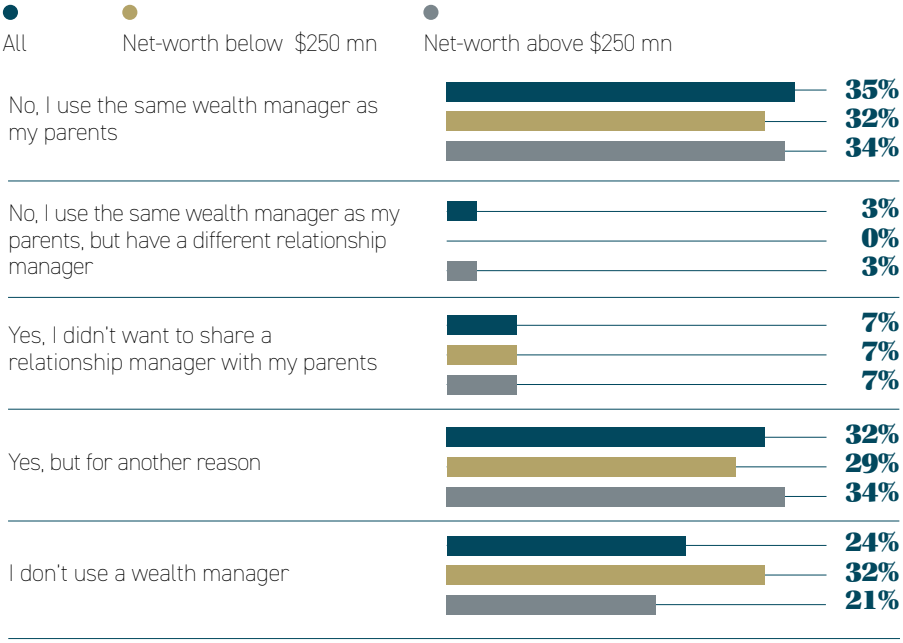
When it comes to who Next Gens choose to support their wealth management aims, just 37% say they use the same wealth management firm as their parents. That leaves a significant 63% who are either without a wealth manager (24%) or who have selected an outside option (39%) (**figure 5.6.**).

Given that we are in the midst of a major generational transition of wealth, by which an estimated US$30 trillion are changing hands from one generation to the next,[15] this leaves a question mark over who, if anyone, a quarter of Next Gens will turn to for support with their wealth management decisions. The phrase "shirtsleeves to shirtsleeves in three generations" has become a common utterance among wealth holders for good reason, as many families fail to establish the structures needed to preserve their wealth from a multi-generational perspective.

As a sign of a rapidly maturing sector, these findings also highlight how competitive the wealth management arena has become. With roughly four in 10 Next Gens having ventured away from the current generation's choice of managers, this has created a breeding ground for competition and given rise to the birth of alternative providers and a pursuit of service provision improvement (**figure 5.6.**).

Echoing the above, it's interesting to highlight that our 2020 report, The Next Generation of Global Enterprising Families, found that 55% of Next Gens have also already chosen a different primary bank than their parents' option.[16]

Figure 5.6.
Whether Next Gens use a different wealth manager as their parents



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures may not add up to 100% due to rounding

| Bell Pass Trail, Scottsdale, Arizona, USA

[15] The Greatest Wealth Transfer in History, November 11, 2019, Forbes
[16] The Next Generation of Global Enterprising Families 2020, Campden Wealth/RBC, p. 59

Crater Lake National Park, Oregon, USA

What would prompt a change in wealth advisors?

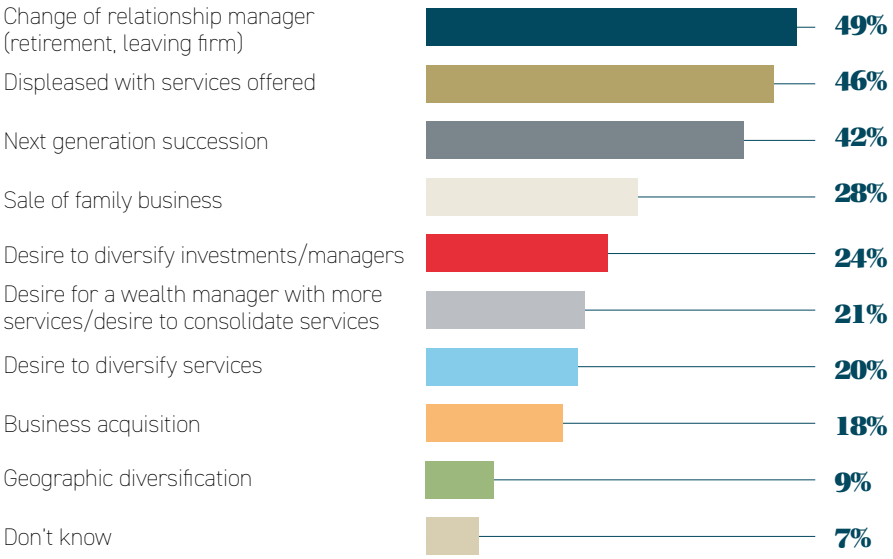
Continuing with this trend, nearly half (49%) of Next Gens report that they/their families would consider changing their wealth management firms when their current relationship manager departs the business. This emphasizes the importance families place on long-term trusted relationships. Another 46% state that they would select a different advisor if they become displeased with the services they receive (**figure 5.7.**).

The topic of succession is another important reason to change advisors, according to those surveyed. Forty-two percent of Next Gens say succession would prompt them/their families to consider changing personnel (**figure 5.7.**).

"I advocated for our family to bring in a third-party advisor to work through succession planning and the emotional aspects of it, but this was met with a lot of resistance."

Millennial, male, second generation

Figure 5.7.
Circumstances that would prompt Next Gens/their family to change their wealth manager



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Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
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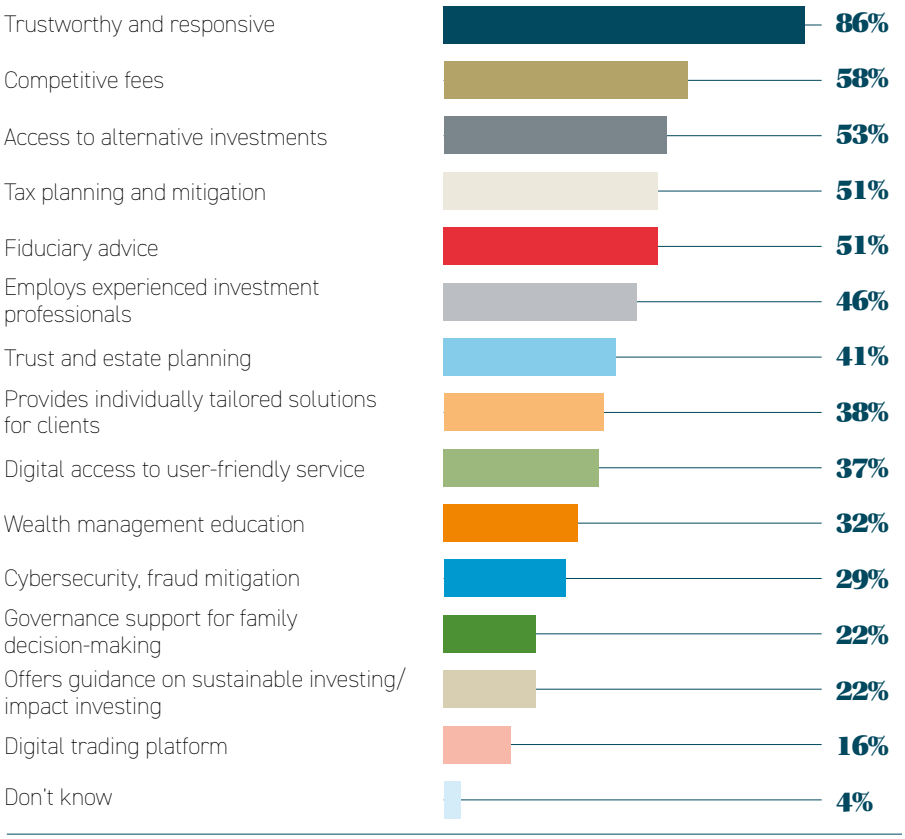
What Next Gens look for in a wealth manager

When it comes to what Next Gens are looking for in a wealth manager, it emerges that fees are not as important to them as having a trusted relationship. According to 86% of Next Gens, trustworthiness and responsiveness are the most-wanted features when selecting a wealth manager. Competitive fees ranked notably behind at 58% (**figure 5.8.**).

Over half of Next Gens (53%) are also looking for greater access to alternative investments. This, in part, reflects the rising demand for wealth advisors who can offer expertise on sustainable investing products (**figure 5.8.**). It also corresponds with current research on sustainable investing, which shows that 40% of investors want wealth advisors to provide more impact-specific investment strategies.[17]

Figure 5.8.
Most important factors when selecting a wealth advisor



Base: All respondents
Source: Campden Wealth/BNY Mellon Wealth Management, *The Next Generation of Wealth Holders in the United States 2022* Survey
Note: Figures do not add up to 100% due to multiple answers permitted

Mount Denali, Alaska, USA

[17] Investing for Global Impact: A Power for Good 2023, Campden Wealth/GIST/Barclays Private Bank

Key takeaways

When conducting this research, we asked Next Gens to share their most valuable lessons learned. This section summarizes their key words of advice:

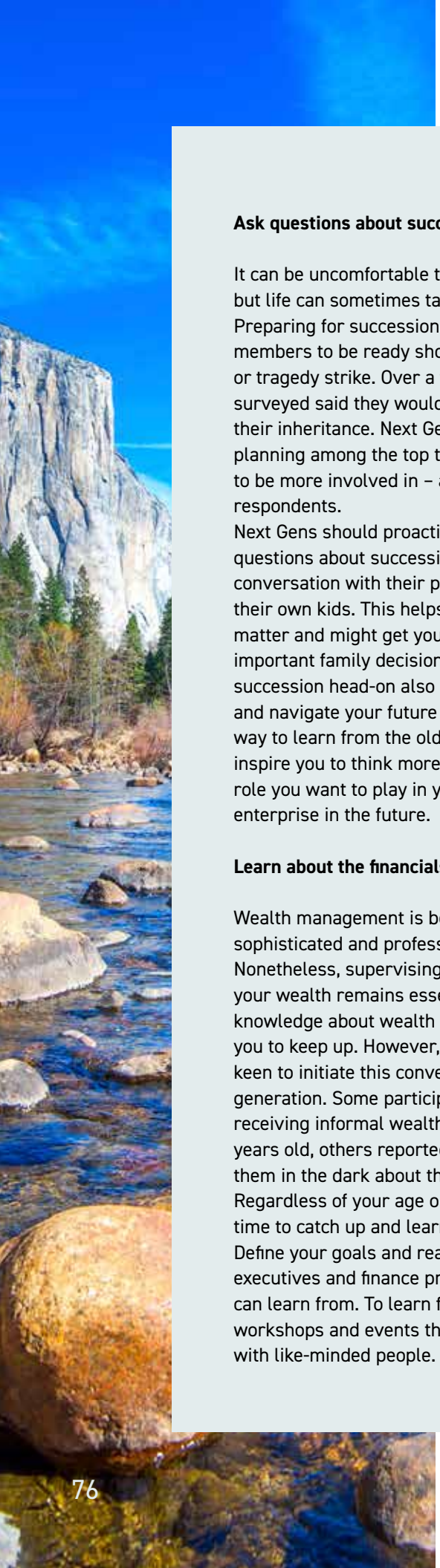
Talk about your values

Wealth can be a uniting factor. Family businesses, family offices, and family foundations give family members a variety of forums to share their values and ideas with one another. After all, family legacies are created by committed individuals open to listening to one another. Therefore, participate in regular family meetings and ensure that your voice, and that of others, is heard. According to the observations of one interviewee, family members can use different words to express similar values, so listen for the deeper meaning. It is also important to respect members' alternative views. Finding common ground and overcoming communication hurdles are critical to succeed as a family.

Find your (professional) niche

Exploring your professional skills is critical to finding out who you are and what you want to be. Travel or live abroad, form a network of inspiring peers, or work for an organization you admire. Participants in this study have talked about how following their interests has shaped their professional path. Gaining professional experiences has enabled them to make valuable contributions to the family enterprise later on. Finding your own path and looking to grow is critical to developing the confidence needed to tackle life's future responsibilities. While doing this, remember that it is also OK to do less. You can, but you do not have to, spearhead your family's philanthropy or update its investment portfolio. You might prefer to be a non-voting board member of the family business. The opportunities to get involved are diverse, and the degree of your participation is entirely up to you.

El Capitan Half Dome and Merced River, Yosemite National Park, Sierra Nevada, California, USA



Ask questions about succession

It can be uncomfortable to talk about succession, but life can sometimes take unexpected turns. Preparing for succession early enables family members to be ready should an unexpected illness or tragedy strike. Over a third (35%) of Next Gens surveyed said they would like to know more about their inheritance. Next Gens also deem succession planning among the top three areas they would like to be more involved in – a desire shared by 38% of respondents.

Next Gens should proactively address their questions about succession and initiate a conversation with their parents, siblings, and/or their own kids. This helps normalize the subject matter and might get you a seat at the table when important family decisions are made. Addressing succession head-on also allows you to understand and navigate your future responsibilities. It is a way to learn from the older generation and may inspire you to think more specifically about what role you want to play in your family/at the family enterprise in the future.

Learn about the financials

Wealth management is becoming a highly sophisticated and professionalized arena. Nonetheless, supervising what is happening with your wealth remains essential. Having basic knowledge about wealth management will allow you to keep up. However, not all families are keen to initiate this conversation with the next generation. Some participants in this study started receiving informal wealth education as early as 8 years old, others reported that their parents left them in the dark about their wealth until adulthood. Regardless of your age or background, there is still time to catch up and learn about "the financials". Define your goals and reach out to family office executives and finance professionals who you can learn from. To learn from your peers, join workshops and events that will help you connect with like-minded people.

Get professional advice

Having open and regular conversations within the family is one of the most effective tools to avoid conflict, according to two-thirds of respondents (66%). However, sometimes it is hard to respectfully talk and listen. If this is the case, feel free to look for outside support. It is common for families to struggle with communication dynamics. In fact, the wealthier the family, the less likely sensitive topics, like succession planning, are discussed. Forty-four percent of Next Gens with a family net worth above US$250 million agree that succession planning is a complex topic that their families tend to avoid. Only 21% of those with a net worth below US$250 million agree. Moreover, 61% of Next Gens from extremely wealthy families believe that excessive wealth leads to family infighting, compared with 42% of less wealthy Next Gens.

Whenever there is tension within the family, remember that you oftentimes have a shared goal – creating a vision for how the family wants to be remembered. Professional family consultants allow you to make a fresh start at communicating with one another. They can give you guidance on how to define your family's vision. They can also help implement tasks to achieve a legacy all family members can be proud of. ■

List of Figures

About the Creators

About Campden Wealth

Campden Wealth is a family-owned, global membership organisation providing education, research, and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

The Campden Club is a private, qualified, invitation only Members club. Representing 1,400 multi-generational business owning families, family offices and private investors across 39 countries. The Club delivers peer networking, bespoke connections, shared knowledge and best practices. Campden Club members also enjoy privileged access to generational education programmes held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisers and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Education delivers a virtual training platform empowering families with practical knowledge and the tools to make informed decisions. Drawing on deep expertise and real-world experiences, our programmes are designed to guide the whole family through all stages of ownership and growth.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991. In 2015 Campden Wealth further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

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Other thanks

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First published in 2022 by Campden Wealth Limited.

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ISBN: 978-1-915184-13-9

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