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FAMILY BAROMETER 2023

MARKETING MATERIAL

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Foreword

Going through this year's Family Barometer results and seeing what hundreds of experts shared with us, at first felt like a reinforcement of what we have been seeing over the past years. It seems, that in turbulent times, the primary focus of wealthy families lies on navigating complexity, be it in the investment space or beyond. Given that through increasing wealth and especially internationalisation, a family's exposure to complexity increases exponentially, this comes as no surprise and is something we see every day when discussing with and advising our clients.

Yet, when digging deeper, and especially when observing regional nuances for the first time in this edition, we believe there are some valuable insights worth sharing. We see, for example, that whilst adapting the family investments to a new geopolitical reality is key globally and navigating the tax landscape remains an evergreen, other topics, such as Family Governance seem to play a key role in the Middle East and political stability is a big concern especially in the Americas and Asia.

Further, for this year's Family Barometer, we chose to focus on the "Rising Generation", aged between 18–40. This generation is ready to take on more responsibility and wants to leave their personal footprint and legacy.

We see that, whilst being prepared to do this, they are willing to take bigger risks than their parents and have clear expectations towards the advisors they choose to take on their personal wealth journey.

We, as organisations, take pride in having been chosen as trusted advisors by many global families over generations, which is why we have decided to join forces in bringing our knowledge to the table with the Family Barometer. Through this, we have been able to not only cover more expert views in general and bring in regional perspectives from leaders within and beyond the financial industry, but also lift synergies that can be created, when two leading organisations work together. Because, just as in our daily lives, we believe that the best solutions are often not found alone.

We hope you enjoy the read as much as we did.

From our families to yours,

Guy Simonius
Head Family Office Services
Julius Baer Group Ltd.

Jürg Niederbacher
Partner, Leader Private
Clients and Family Offices
PwC Switzerland

Navigating complexity remains key for wealthy families

Top 5 burning topics for client families in the last 12 months:

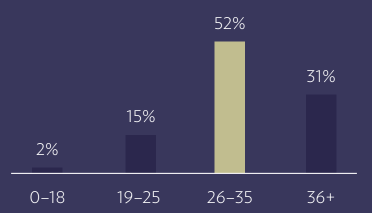
- 22% Geopolitical diversification
- 16% Private direct investments
- 14% Investments in real estate
- 7% Investment coaching
- 7% Lombard loans

- 24% Family wealth structure
- 19% Taxes & regulations
- 10% Family governance
- 10% Political stability
- 9% Philanthropy

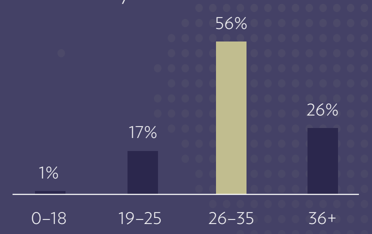
The rising generation is prepared to take over responsibility…

At what age does the rising generation get…

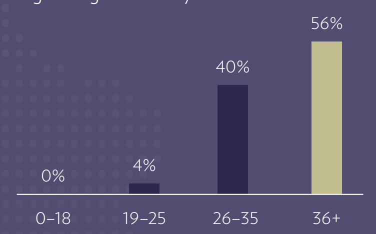
…involved in decisions about the family wealth?



…introduced to the advisors of the family?



…a voting right for decisions regarding the family wealth?



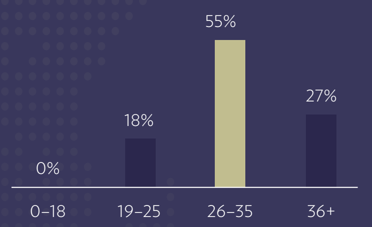
Top 3 educational vehicles families use:

1. Involvement in family business
2. Educational support (schools / universities)
3. Involvement of family advisor

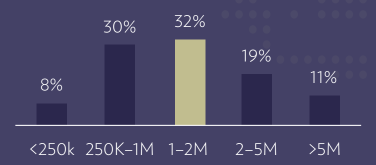
…and sets clear expectations towards advisors.

The rising generation does…

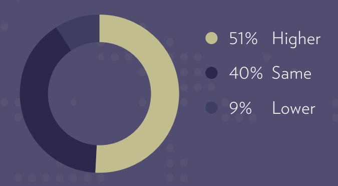
…their first substantial investment around the age of 25–36…



…with a first investment size of CHF 250k–2m…



…and shows a higher risk appetite compared to their parents!



Top 3 traits the rising generation is looking for in a financial services provider:

1. Real-time updates / availability of financial information
2. Cost transparency / low fees
3. Reputation of firm

Wealthy families across regions share similar challenges

Regional insights: talking points within families

Families across regions share similar challenges, mainly driven by complexity and political events, whereas health seems to shift out of focus for now.

Americas – Investment related
- 31% Geopolitical diversification of assets
- 23% Investment in Real Estate
- 17% Private direct investments
- 6% Lombard loans
- 6% Options for consolidated reporting

Americas – Beyond investments
- 24% Taxation & Regulation
- 19% Family wealth related topics
- 19% Political stability
- 11% Philanthropy
- 9% Family governance

Europe – Investment related
- 20% Geopolitical diversification of assets
- 16% Private direct investments
- 13% Investments in real estate
- 7% Lombard loans
- 6% Investment coaching of family

Europe – Beyond investments
- 27% Family wealth related topics
- 19% Taxation & Regulation
- 10% Health
- 9% Family governance
- 8% Political stability

Asia – Investment related
- 25% Geopolitical diversification of assets
- 17% Private direct investments
- 15% Investment coaching of family
- 8% Investment in Real Estate
- 7% Lombard loans

Asia – Beyond investments
- 23% Family wealth related topics
- 22% Taxation & Regulation
- 16% Political stability
- 14% Philanthropy
- 9% Family governance

MEA – Investment related
- 26% Geopolitical diversification of assets
- 18% Investment in Real Estate
- 16% Private direct investments
- 9% Lombard loans
- 9% Structured loans

MEA – Beyond investments
- 20% Family governance
- 20% Family wealth related topics
- 17% Taxation & Regulation
- 8% Data privacy
- 8% Personal safety

Last year's results

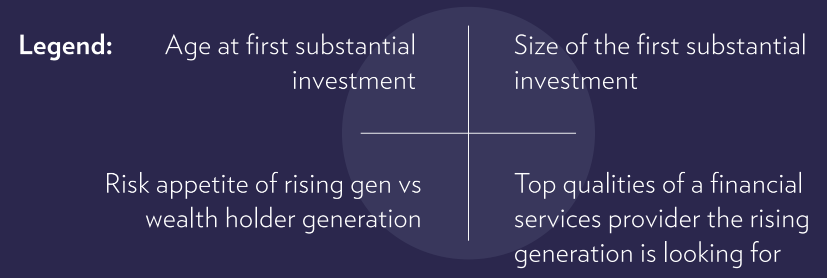
2022 Global TOP 5
Investment related topics:

1. Private direct investments
2. Sustainable Investments / ESG / Impact
3. Geopolitical diversification of assets
4. Lombard loans
5. Investment coaching of family

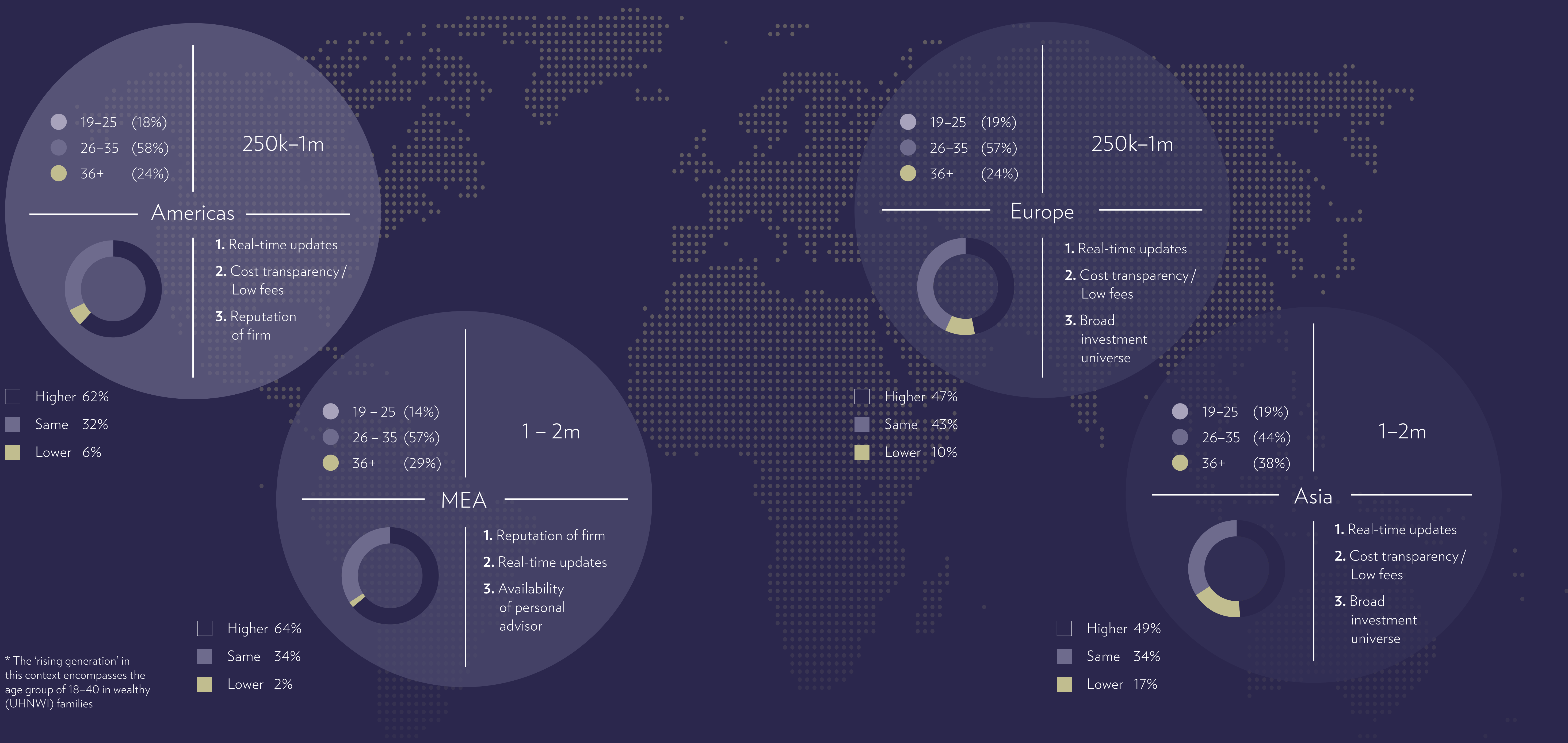
2022 Global TOP 5
Topics beyond investments:

1. Family wealth related topics
2. Family Governance
3. Health
4. Taxes & Regulations
5. Political stability

Across regions, the rising generation takes more risks and sets clear expectations



Regional insights - the rising generation*



* The 'rising generation' in this context encompasses the age group of 18–40 in wealthy (UHNWI) families

Key findings: simplifying complexity takes centre stage

The 2023 Family Barometer shows that families need to accept heightened complexity and turn to experts for help in simplifying it

- The findings confirm that the past few years' 'black swan' events have increased complexity for global families
- While the overall results are similar to 2022, taxes and regulation along with political stability are discussed more often
- Simplifying today's complexity often requires international expertise from trusted advisors.

For wealthy global families, the past year has only confirmed the greater complexity of the world we currently live in. Geopolitical tensions have intensified, central banks have raised interest rates to contain resurgent inflation and asset prices have corrected. In such testing times, it's unsurprising that the Julius Baer 2023 Family Barometer survey finds that families are looking to their trusted advisors for guidance.

The barometer is our authoritative annual survey that monitors the shifting opinions of financial services experts who work with and advise wealthy clients. For the 2023 edition, we canvassed more than 1,500 internal and external experts from Europe, Asia, the Middle East and the Americas.

2023's top five discussion topics

It's clear that the period of unpredictability and heightened complexity that started with the pandemic three years ago has become normal. Experts participating in this year's survey reveal that families are primarily interested in discussing wealth-related matters beyond investments. These include the structuring of their assets and wealth, as well as establishing collaborations with advisors. While this is much the same as last year, when taken together with the greater emphasis on tax and regulation, and political stability, it's evident that families are seeking to work more with trusted experts to organise their wealth and plan family governance.

In our third edition, here's what the experts had to say about their top five topics beyond investment, ranked in order of importance:

1. Family wealth-related topics beyond investments and collaboration with advisors is a topic as old as time. Yet the turmoil of the past three years explains why it's the main topic clients want to discuss once again this year. Over the past few decades, wealthy families have spread across the globe as they go to university, work and marry in different countries, making their affairs naturally complex. But then Covid-19 turned the world upside down in 2020, heightening that complexity. Since then, geopolitics have made constant challenges a normal state of affairs. As a result, wealthy families need more specialist advice, not only to cater for complexity, but also to manage inherent risks raised by exposure to a multitude of legislations. In our experience, they are turning to wealth managers with an international presence. Trust is key, however, whether that's trust in a particular individual or an organisation.

2. Taxes and regulation is the second highest ranked topic, rising from fourth in 2022. This is a key area of expertise, especially following the trend towards greater transparency in tax affairs that has occurred across the world over the past 10 years, and has been accompanied by increased regulation. Ongoing political instability and pressure on public-sector finances mean that changes to tax and regulation are likely to continue. Yet these adjustments require an understanding of fine details in each country, making local specialist expertise essential.

3. Family governance is a perennial topic that has become more important as wealthy families have expanded to span several generations. After one generation has expended a tremendous effort accumulating wealth, good governance helps to preserve its legacy through the generations. Families discuss governance issues – spanning the family's constitution, shared values, education, succession and even purpose – often using periodic assemblies to ensure open communication. Good communication translates into good governance. Achieving this takes planning and organisation, though, especially when cultural and generation gaps in families are wider than before.

4. Political stability is the fourth highest ranked topic for discussion this year on a global basis, a little higher than its position of fifth in 2022. Notably, it ranks highest in the Americas, where it's second to taxes and regulations, and in Asia, where it ranks third. The wealthy families in these regions appear concerned about political instability within countries, typified by political polarisation and rising nationalism. The results show that wealthy families are taking political stability and geopolitics into account far more than before, not just in their investment decisions but also in how they structure their overall wealth. For many families, this means refraining from investing in places where they believe the geopolitical situation might lead to added complexity or, at worst, a loss of assets.

"You need to do two things: accept complexity and involve experts."

Guy Simonius, Head of Family Office Services at Julius Baer

5. Philanthropy retains its place as the fifth most discussed topic, as it was in 2022. Many wealthy families view philanthropy as an important way to give back to society, creating a positive impact and providing the family members with a purpose that binds them and brings their values to life. Discussing how philanthropy aligns with family values can foster cohesion between an extended international family's different branches and generations. What's more, involving the next generation of a family at a young age can instil pride, responsibility and identification with the family values. This ongoing dialogue also fosters a long-term commitment to specific philanthropic activities.

What the 2023 survey confirms is that global families, once again, face a less predictable world, where greater instability appears to be normal and 'black swan' events have a habit of materialising on a regular basis. It's a more difficult world for preserving legacies, as well as the family's wealth and purpose.

That makes careful long-term planning and structuring more important than ever. Achieving this is not just a one-off exercise but an ongoing journey involving the whole family. Yet, if properly addressed, this journey can be one that provides many opportunities and can even act as a driver for cohesion within a family. So, while there can be much to lose, there is a lot that can be won, too.

5 steps to address complexity in global families:

By Marco Sella-Rolando, Head of Wealth Planning International at Julius Baer Group Ltd.

Step 1: Have a plan and put it on paper

Even if the plan is to have no plan, it's probably a good idea to place the family in focus to make conscious decisions and better anticipate likely outcomes. It is this active focus that helps facilitate appropriate steps to ensure that the wealth creator's wishes in providing for dependents is properly reflected in the outcomes.

Step 2: Select your advisors

The territory that needs to be covered is extremely complex. No advisor can honestly say that they have all the answers. Whilst our skill is in taking a high-level, 30,000 feet helicopter view, the key is to select, harmonise and manage a professional service team around the family that can synthesise the various moving parts, and to then translate that into a message that is clearly understood.

Step 3: Formalise

As the complexity of the planning multiplies exponentially, the more locations are involved, a careful harmonisation of the various regimes at play need to be considered to achieve successful and lasting outcomes. The necessary formalities should be diligently followed and the 'i's dotted' and the 't's crossed'. This ensures a clear framework within which the planning can be communicated, implemented, and executed.

Step 4: Align

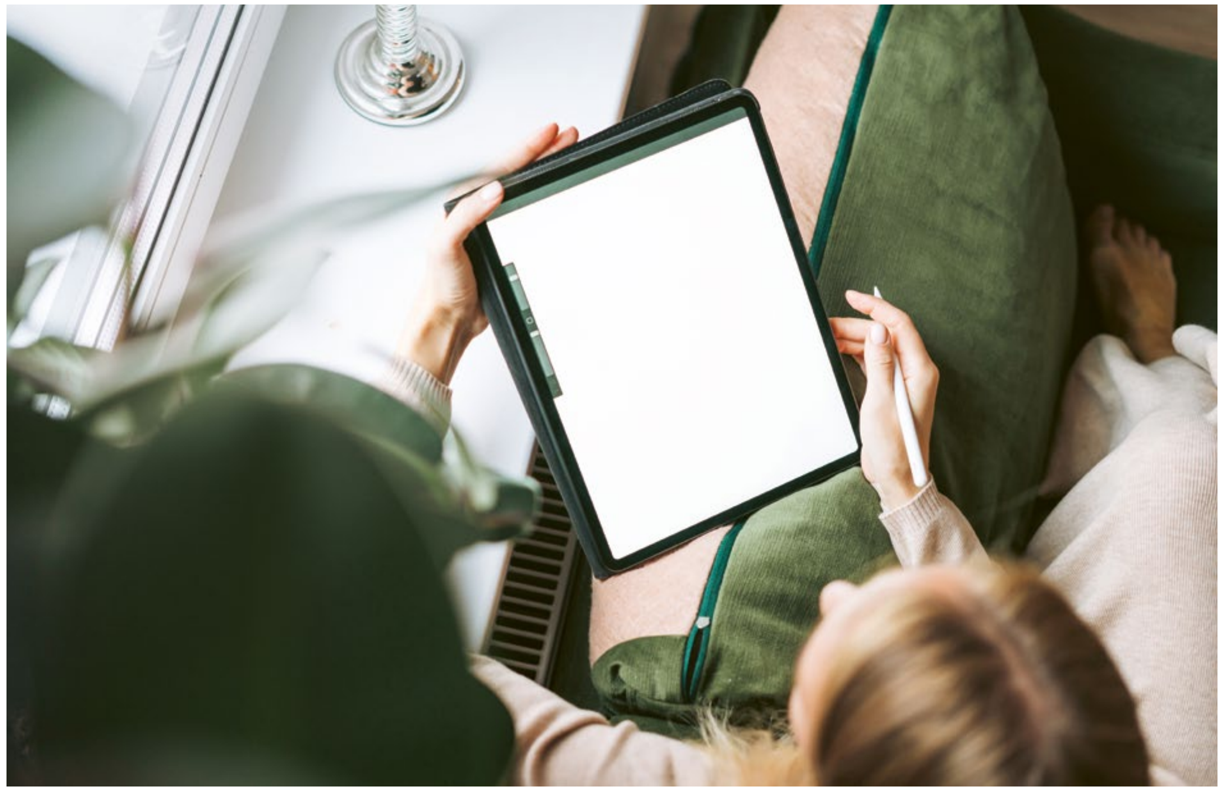
Communicating the plan to all stakeholders, and managing the moving parts whilst recognising that some dynamism is to be expected, is key. Often the best made plans fail simply because the communication and related change management has been poor.

Step 5: Review for life events

'Lasting outcomes' is perhaps a misnomer in a world that turns with constant change in the legal, regulatory and tax environments, to mention just a few. I won't apologise for sounding slightly flippant when I say that 'nothing is forever' in this space, although prudent and early focus on how planning might react to changes in life events will help ensure that forever doesn't need to be such a long, or finite, term. Regular review is key.

> "Today more than ever, you need to protect and preserve the accomplishments of one generation in a conscious way."

Marco Sella-Rolando, Head of Wealth Planning International at Julius Baer Group Ltd.



The 'great reset' revives interest in risk assets

After a year in which asset prices have returned to more normal valuation levels, wealthy families are concerned about geopolitical risk and inflation

- 2023's Family Barometer shows wealthy families keeping a strong eye on geopolitics, real estate and private direct investments
- To a degree, they have responded to the Great Reset of 2022, when a rise in interest rates caused a correction in asset prices, bringing their valuations back to more normal long-term levels
- Looking to the future, real estate and private direct investments are favoured.

What a difference a year makes. After a prolonged period of historically low interest rates and rising asset prices, 2022 marked the year of the 'great reset'. The rise in inflation alarmed central banks, which quickly raised interest rates, sending stock and bond markets tumbling in unison. As if this were not enough, geopolitical tensions have grown to become a global investment issue for the first time in a generation.

It is evident from the results of our 2023 Family Barometer that wealthy families understand this shift. In fact, what they wanted to speak about most to their advisors in the past year was finding ways to protect their assets from rising geopolitical tension.

Additionally, wealthy families wanted to discuss and better understand real estate and private direct investments – both of which are 'real assets', known for providing hedges against erosion of purchasing power in a world where inflation has recently re-emerged. Along with publicly traded stocks and bonds, the values of these assets fell in 2022, but this dark cloud also had a silver lining in the form of their valuations returning to more attractive levels.

"What happened in 2022's great reset was a normalisation of interest rates after a decade of financial repression when an asset price inflation was created," explains Reto Hintermann, Julius Baer's Head of Chief Investment Office (CIO) and UHNW solutions. "Everything is trading again at levels that are more or less in line with long-term averages, although valuations aren't super-cheap. From that perspective, there is now a bigger opportunity set for investors. Quality fixed income assets achieve a positive yield again, even after taking inflation expectations into account."

2023 investment-related global results:

"What happened in 2022's great reset was a normalisation after a decade of financial repression when an asset price inflation was created".

Reto Hintermann,
Julius Baer's Head of Chief Investment Office (CIO) and UHNW solutions

Geopolitics: concentration rather than diversification

Geopolitical tension has been ratcheting higher for several years, making it a key consideration for investors looking to grow and protect their portfolios. It is, therefore, no surprise to find it the top topic of conversation for wealthy families and their advisors. Diego Wuergler, Head of Investment Advisory, states: "We can highlight that geopolitical risks are much more important than they used to be and will influence many investment decisions going forward much more than in the past."

But when it comes to the new geopolitical environment, concentration rather than diversification might actually be the better way to manage risk. Investors are increasingly choosing to concentrate their investments in their home countries and other states where they trust the political system and the rule of law. Indeed, to avoid being caught out by the latest flare-up in geopolitical tensions, investors are better off focusing on markets where the playing field is familiar and the rules of the game are most likely to be respected.

Real estate's hedge against inflation

Real estate has become one of the top five investment topics in the 2023 Family Barometer after being ranked lower in 2022's survey. Many wealthy families regard it as an inflation hedge, because rents can be increased in line with the consumer price index. Against a backdrop of tightening monetary policy and expanding property yields, real estate investors generally focus on property segments like the residential or logistics market, which offer the potential for rental growth to offset current inflation.

There are many opportunities in the market still, only one of which is incorporating green building principles into one's investment strategy. This not only demonstrates a commitment to mitigating climate risk but can also bring healthy returns. The arrival of new resource-saving technologies like solar panels, robust insulation and water-saving devices offers investors potential for long-term savings and increased profitability.

Private direct investments' enduring appeal

Large wealthy families have always sought to invest directly into fast-growing young businesses, and the 2023 Family Barometer shows this remains the case. "Often people have become wealthy because they had their own business, or a former generation did, and so they know the flavour of these private placement investments, as well as the risks related to them and what it takes for them to be successful," says Reto Hintermann.

Often the most popular private direct investments are co-investment opportunities linked to star brands or entrepreneurs, typically in the technology sector. But many investors acknowledge the higher risk in private direct investments, which is why they may opt for diversified programs rather than individual transactions.

As with all other asset classes, private equity valuations fell in 2022 and remain lower than before. "I would not be surprised if 2023 turns out to be a very successful vintage year, as the capital raised now will be deployed over the next two to four years," Reto Hintermann concludes.

Long-term gains, short-term safety

It takes a strong nerve to remain invested when so much still remains uncertain, especially with the threat of recession looming in many countries. After 2022's great reset, how should wealthy families adjust their investment portfolios? What asset classes should an investor turn to? And how should risk be considered?

For individuals and families aiming to grow and protect wealth amid today's volatile and complex environment, this task can feel like an overwhelming challenge. After all, it takes specialist knowledge not just to understand the macroeconomic environment but also to navigate the large range of investment options available.

Every family must discover what works for them. While many families choose to stay closely involved in the management of their investments, others choose to carefully select third-party experts, freeing them to focus on other matters.

Or, as Diego Wuergler puts it: "It is not important how you address the management of your investments, as long as you do it consciously and own the process, before it owns you."

"It is not important how you address the management of your investments, as long as you do it consciously and own the process, before it owns you."

Diego Würgler,
Head of Investment Advisory at
Julius Baer Ltd.

Why foresight is critical in a new era for taxes and regulation

Amid greater data transparency and sophisticated tax legislation, wealthy families are turning their attention to tax's mounting technical complexity

- Taxes and regulation are the second most discussed topics in this year's Family Barometer at a time when tax authorities are more actively reviewing international financial data
- Wealthy families are naturally turning to specialist advisors for help, seeking to steer clear of common pitfalls
- There's an opportunity for families to improve management of their personal data, so that they have everything to hand for tax purposes.

"Staying compliant and understanding the potential 'tax drag' on your investments, while still maximising opportunities is vital in today's dynamic financial environment."

Lisa Cornwell, Partner, Private Clients and Family Offices at PwC Switzerland

In the past decade, a wave of transparency has swept over the tax landscape, whilst many countries have simultaneously introduced complex new tax legislation. As a result, tax authorities are not only leveraging the increased availability and digitalisation of tax data, but have also raised the bar of regulation.

This shift explains why taxes and regulation are the second most discussed topic between wealthy families and their advisors, according to the 2023 Family Barometer. Indeed, more than half (57%) of the experts surveyed acknowledged their significance for wealthy families.

With more individuals relocating for work or personal reasons, there's a growing need to take a comprehensive and global approach to assessing potential tax liabilities. Increasingly, people are buying property or investing overseas, marrying a foreign national, studying at a top international university, relocating to a more stable country or simply moving for a change in lifestyle. That means global families' ownership structures need to be assessed through regular reviews, to judge whether they comply with emerging tax regulations and are future-proof.

An important watershed was the introduction of the Common Reporting Standard (CRS) by the OECD in 2014, leading a few years later to the automatic exchange of information between tax authorities. When combined with other new legislation, this means that wealthy individuals and families must navigate greater technical complexity when managing their taxes.

Navigating the global tax landscape

With tax transparency and regulations increasing in this way, wealthy families are turning to specialist advisors for help. "As the regulatory landscape becomes increasingly complex, families seek expert advice to navigate tax and regulatory challenges across multiple jurisdictions," notes PwC's

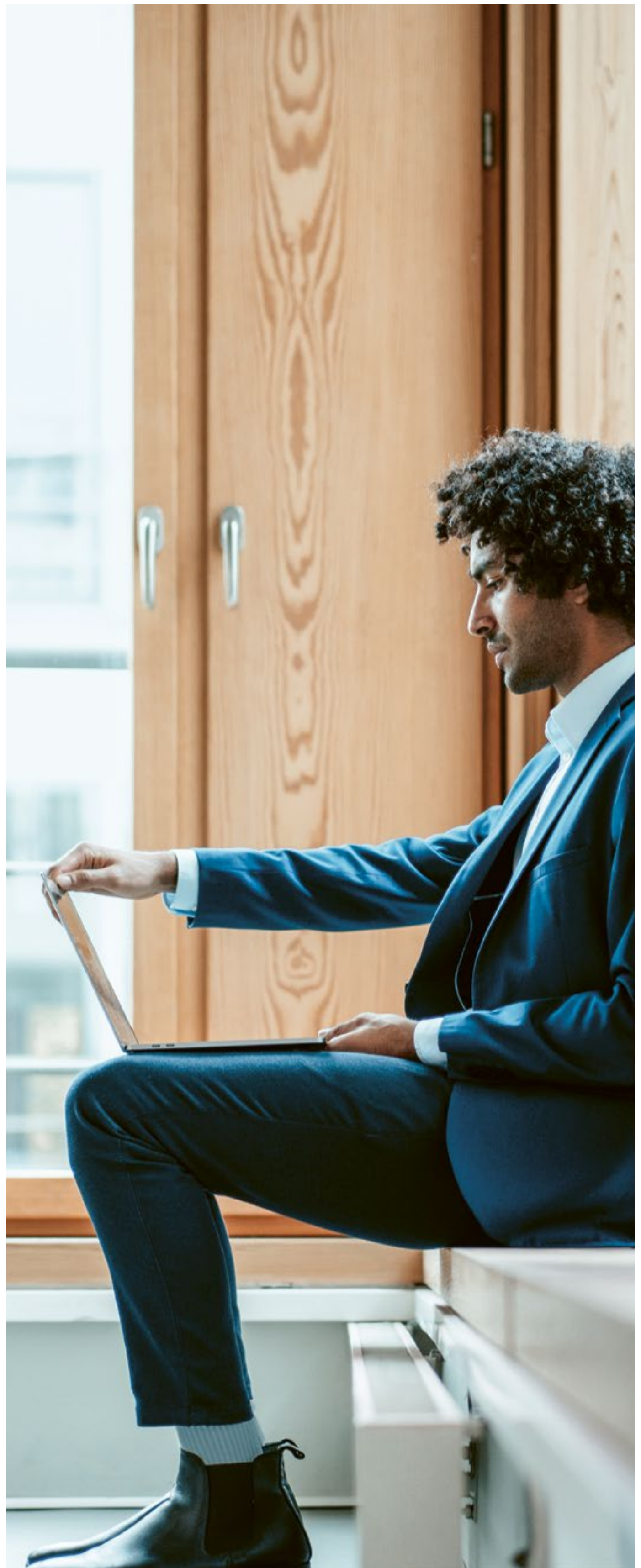
Lisa Cornwell, Partner, Private Clients and Family Offices at PwC Switzerland. "Staying compliant and understanding the potential 'tax drag' on your investments, while still maximising opportunities is vital in today's dynamic financial environment."

Navigating the tax system has become ever more intricate. While many countries have double tax treaties in place to ensure tax is not levied on the same item more than once, this is not a given: it is not even certain that two countries will view the same investment in the same way. Today's increase in transparency and complexity has amplified the need for clarity, accurate compliance and the development of advanced tax planning strategies that secure family fortunes. Ensuring that consistent information is shared, and understood, in all relevant locations is critical for avoiding misunderstandings with tax authorities – especially given the potential for CRS data to differ from what's reported on an individual's tax return.

This means there is a growing demand for expert advisors who can trouble-shoot across the global landscape, providing tailored solutions aligned with their clients' evolving needs and aspirations, and who can take a truly global approach to anticipating and managing tax liabilities. Over the longer-term, advisors can offer valuable guidance about managing taxes, adhering to compliance requirements and staying updated on tax changes that may impact wealth. Having investment and tax advisors working together hand-in-glove can help families avoid unexpected liabilities, making sure that investment performance is not impacted by intermittent consideration of taxes.

Avoiding pitfalls

A common mistake is to assume that a tax structure that's popular in an individual's home country will work well everywhere else. For example, trusts are well known and understood in common law jurisdictions (such as the UK, US and Australia), whereas civil law jurisdictions are more familiar with the idea of a foundation. While the features of structures may be similar and seek to solve the same family problems (protection of assets for example), the approach taken by tax authorities varies greatly from one jurisdiction to the next. Some jurisdictions consider trusts to be opaque and generating no ongoing income for any of the parties involved, yet others view them as entirely transparent.



How can pitfalls like this be avoided? Wealthy families benefit from global advisors who both understand how local tax systems interact and can take a high-level view of the family's entire ecosystem. "Tax and regulation guidance is crucial for families facing an increasingly complex reality. It's key to understand that each family is different and requires proper assessment of how its individual situation might trigger tax implications or even risks beyond the expected," explains Patrick Akiki, Partner, Financial Services Leader at PwC Switzerland.

Increasingly, family offices serving wealthy individuals place tax and regulatory compliance at the core of their operations. Given the tax rates associated with such wealth, meticulously managing taxes and maintaining rigorous compliance is critical for conserving and amplifying family assets.   This is not to minimise tax, rather to ensure that taxes due are paid in the right place, by the right entity and at the right time.

Family offices also look to manage risks to reputation and privacy. Wealthy families do not want misunderstandings over their tax affairs to damage their reputations. Being splashed on the front page of a newspaper for aggressive tax avoidance or evasion is to be avoided at all costs. The rising generation views the payment of tax as a societal topic and moral obligation. What's more, families generally are keen to avoid data leakages and unwanted media attention.

Optimising data and planning ahead

Having accurate, consistent and comprehensive data is essential when managing taxes in the new era of greater technical complexity. Yet many families still manage their data in Excel spreadsheets, with big gaps in information. "In today's complex regulatory environment, effective data management is essential for families seeking tax and regulatory guidance," explains Lisa Cornwell. "We recognise that understanding the full picture across asset types and jurisdictions can be very challenging. Yet, it is crucial to have accurate information, which allows families to ensure their regulatory and tax reporting is precise. Families should ensure they streamline their financial information, reducing compliance risks, and providing confidence in meeting tax and regulatory obligations."

As wealthy families turn their attention to taxes and regulation, a forward-looking analysis of tax liabilities and obligations in different jurisdictions has never been more important.

"Tax and regulation guidance is crucial for families facing an increasingly complex reality. It's key to understand that each family is different and requires proper assessment of how its individual situation might trigger tax implications or even risks beyond the expected."

Patrick Akiki, Partner, Financial Services Leader at PwC Switzerland

What the wealthy rising generation wants: fast information and timeless reputations

When it comes to financial services, the rising generation values immediacy combined with strong reputations

- The top five attributes that generations Y and Z, aged 18 to 40, value range from real-time updates through to competitive fees and good reputation, according to the survey
- Wealthy families often give their successors investment capital to learn how to make investment decisions
- The wealth managers that win the trust of the rising generation will be those that adapt to changing needs while maintaining strong relationships.

Just as the young are disrupting food, media and fashion industries with their changing tastes, so too have they specific ideas about what they want from financial services. As might be expected from a generation that has grown up in a digitalised world with immediate access to all information, they put a greater emphasis on real-time data and cost transparency than the older generation.

Our survey reveals what the rising generation of wealthy families is looking for in a financial services provider, as well as their appetite for risk and when they start to invest.

What it shows is that the young wealthy are not so different when it comes to financial services to the rest of their age group – they are looking for fast results and competitive pricings. Yet they also value the reputation of financial service providers, which suggests that they prioritise the importance of relationships and trust for managing wealth over time. This is the characteristic that has differentiated the top wealth managers for centuries.

The five top requirements

When it comes to the top five qualities the rising generation looks for, real-time updates / availability of financial information, cost transparency / low fees and the reputation of a firm, respectively, rank first, second and third. They are followed by a broad investment universe and then online trading, ranking fourth and fifth.

Explaining the apparent contradiction between looking for real-time updates on the one hand, and a good reputation on the other, Kevin Tay, Group Head South East Asia at Julius Baer, says: "It all depends what you're looking for. If you want to trade actively, you will do that immediately on a digital tool or application.

"It all depends what you're looking for. If you want to trade actively, you will do that immediately on a digital tool or application. The young like to try out investing with some investment capital at hand. When it comes to major long-term investment strategies, though, they like to be in a trusted environment. It's important to make a distinction between individual trades and long-term relationships."

Kevin Tay, Group Head South East Asia at Julius Baer Group Ltd

The young like to try out investing with some investment capital at hand. When it comes to major long-term investment strategies, though, they like to be in a trusted environment. It's important to make a distinction between individual trades and long-term relationships."

In line with the propensity for active trading, the young wealthy have a high appetite for risk. More than half of survey respondents say they usually have a greater risk appetite than their parents, which is unsurprising.

Trading portfolios of up to USD 2 million

In our experience at Julius Baer, parents often give the young capital to invest in order to learn about financial markets through experience. This is confirmed by the survey. According to more than half (55%) of survey respondents, the rising generation most commonly starts making the first substantial independent investments between the ages of 26 and 35. Even before this time, though, many have already experimented with smaller sums.

"When we first get introduced to our client's heirs at a young age or have them attend one of our programs, they often don't know the first thing about investing but that changes," explains Kevin Tay. "Yet, we see regularly that clients give their children small amounts of capital to try out trading. That's very often how it starts."

After some youngsters make those 'baby step' experiences in their teens and early 20s, the subsequent investment capital can be substantial. Almost two thirds of survey respondents (62%) report that the first substantial investment size ranges from USD 250,000 to USD 2 million. A further fifth (20%) testify to it being more than USD 2 million.

Calling for innovation

As the rising generation learns how to put capital to work, to what extent will they prove a disruptive force for financial services and wealth management? It looks as though they want to have the best of both worlds: the immediacy and low costs of today's tech-driven era, twinned with the old-fashioned trusting, long-term advisor relationships that served their parents so well.

The wealth managers that work most successfully with the rising generation will be those that adapt quickly and seamlessly to their changing needs, while retaining the strength of relationship that creates lasting reputations. Trusting relationships are especially important when young people do not want to be involved in investment decisions, preferring to fulfil their purpose in another way. In this case, they may naturally gravitate towards wealth managers with excellent reputations.

"To effectively cater to the rising generation, financial providers must adapt and innovate their services," notes Patrick Akiki, PwC Switzerland, Financial Service Leader. "Understanding their desire for personalised support and involvement, providers can offer tailored investment options, interactive platforms and educational resources. By leveraging technology and analytics, they can deliver real-time updates and cost-effective solutions, while building a strong reputation for meeting the evolving needs of the rising generation."

The rising generation's progression towards succession

Our survey shows that many families are taking a systematic approach to younger generations, helping to overcome potential pitfalls

- Wealthy families typically increase the responsibility given to the rising generation gradually, according to the survey
- Consulting external advisors is common, the survey shows. In our experience, the right advice can bind the family together
- Planning the rising generation's progression and eventual succession systematically gives greater confidence in the eventual outcome.

It's said that you can't always control the outcome but you can control the process. The same is true for wealthy families seeking to manage their next generation's development and eventual succession. That's why families that take a systematic approach are more likely to see their children build fulfilling futures that carry forward the family legacy.

Our survey portrays just such an organised approach to the 'rising generation' – defined as individuals from 18 to 40 years old. It shows families giving their young adults greater responsibility one step at a time: starting with decisions about the management of family wealth and interacting with the family advisors, before moving on to having a say, or voting right, in important family decisions.

More than half (52%) of the professionals taking part in the survey say that families start to involve the young in decisions about managing wealth between the ages of 26 and 35. A similar proportion (56%) introduce them to advisors at the same age. But families wait longer before involving them in important decisions or giving them voting rights: more than half (56%) of the respondents report that families wait until their children are over 35. That said, the children do not always have to wait so long, as four in ten respondents note that families give children a say between 26 and 35.

Managing this progression towards succession is, by nature, a refined process that's unique to every family and every heir. It requires intelligent planning and management, with the avoidance of many potential pitfalls, such as: waiting too long before handing the young responsibility, not using the right educational options, not learning from others, not involving advisors and leaving the young in the dark about the extent of the family's wealth.

"The topic of succession can be a delicate one in families with multiple generations", says David Durlacher, CEO of Julius Baer International. "Wealth managers can tend to focus on things that clients see as hygiene factors, such as execution efficiency, technology, and investment performance, but we should be having conversations that are much broader in scope. This would allow all viewpoints to be heard and to inform the path ahead for the next generation of a family and their wealth."

5 common mistakes families make when educating their heirs to assume greater responsibility:

1. Waiting too long	If you wait too long when planning for the future or before you involve the next generation, they might make mistakes that could have been avoided or not understand so quickly how to help carry on the purpose of the family wealth. Consciously plan ahead, over different phases and adapt your plan if needed. Importantly, plan jointly with the next generation to get them more involved.
2. Not using all learning options at hand	Obviously your children must learn for themselves, but providing the right options will give them a head start. Apart from a solid educational base, there are many alternatives, such as dedicated courses at specialist institutes, incrementally increasing their involvement in managing the family's wealth or letting them run particular projects.
3. Not listening to experience	Seek out experience. Many of your peers, both decision makers and heirs, have gone through similar situations before. Ask them to share lessons learned and first-hand advice, e.g., in networks or clubs of peers.
4. Not involving advisors	Many professional advisors can help with practical expertise. However, someone must keep an eye on the big picture: the family and its dynamics. Here dedicated family advisors can help you to nurture the different generations, across all relevant areas.
5. Leaving the heirs in dark about the extent of the family wealth	It may sound obvious, but in many families the heirs are not prepared for the full extent and complexity of great wealth. Let them know what their future responsibilities will be and prepare them accordingly.

It's a long-term game

In our experience, it is crucial not only to plan for passing on wealth — which is a difficult task that requires forward planning — but also to prepare the members of the rising generation. At a high level, you can do so by helping them to understand your vision for the purpose of the wealth and helping them to develop their own.

For that, it is crucial to create a common understanding of values and goals. Or as David Durlacher puts it: "Clients, like businesses, need to ask bigger questions than just how much money they want to make over a particular timeframe. Questions like: what is my purpose? What is my impact upon the world? What is my impact on my community, my impact on my family? What is the fundamental purpose of my wealth?"

Evidently, answering these questions takes time and the answers often change continually. In our experience, though, the results are best when both the parents and their heirs are involved in responding. "The simple fact remains that there is a new generation with new aspirations for what the world will look like and their place in that world," Durlacher says.

Hearing the children's views

But when is the right time to hand over some responsibility? While every family's situation is different, it's evidently a mistake to wait for too long. At Julius Baer's recent Young Partners community program, this was a key topic that attendees were hungry for information about. They wanted to know how family governance structures could be adapted for them to fit in.

Forums such as the Young Partners program perform a valuable role in allowing the children to talk with similar peers in a safe environment about the challenges they face. Contrary to expectations, the psychology of growing up wealthy can be tough. Often the subject of money is taboo in wealthy families, causing feelings of guilt about having more than others or worries about a lack of parental trust.

"Often parents never raise the topic of money, which can have a psychological effect on the kids," relates Sandra Wassermann, Head of Client Communities at Julius Baer. "And that's an everlasting thing because my parents didn't tell me, so I don't dare to ask. Then, of course, if you don't dare to ask questions, you're actually not dealing with the topic."

"The fundamental objective for both clients and their wealth manager is to understand the real purpose of wealth. It's important that successors understand they are not only inheriting wealth, but also a shared family purpose and legacy. Fully understanding what the wealth stands for will also help to sustain it."

David Durlacher,
CEO of Julius Baer International Ltd

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Sandra Wassermann,
Head of Client Communities
at Julius Baer Ltd.

The business of learning

An essential part of ensuring that the rising generation reaches its full potential is education – whether practical or academic. This equips the young not just to be fulfilled in life but also to learn about the purpose and management of a family's wealth. According to the survey, the top three learning vehicles are: firstly, involvement in the family business; secondly, education, whether school or university; thirdly, talking to the family advisor.

This focus on education is nothing new. Once again, many families take a systematic approach, with some even having their own educational programs. Commonly, they also encourage the young to join the family business from a young age, or work for friends' or competitors' businesses.

When deciding how best to transfer wealth to the next generation, wealthy families generally consult external advisors, according to the survey results. Almost a quarter (23%) of the professionals surveyed say that families always do so, and approaching two thirds (61%) say they often do so.

Binding the family together

This finding comes as no surprise in today's increasingly complex world. It's a theme of the last few years that with the mounting complexity of international families' circumstances on the one hand, and increasing taxes and regulation on the other, there's a far greater need for professional advice. Nowhere is this truer than in planning inheritance.

But advice goes beyond purely financial matters. It can also help to ensure that families retain their wealth and their guiding characteristics down the generations. Finding a common purpose can bind a family together.

"The fundamental objective for both a client and their wealth manager is to understand the real purpose of wealth", notes David Durlacher. "It's important that successors understand they are not only inheriting wealth, but also a shared family purpose and legacy. Fully understanding what the wealth stands for will also help to sustain it."

Survey 2023

Surveyed population

1'552 Recipients of survey[1], of which:

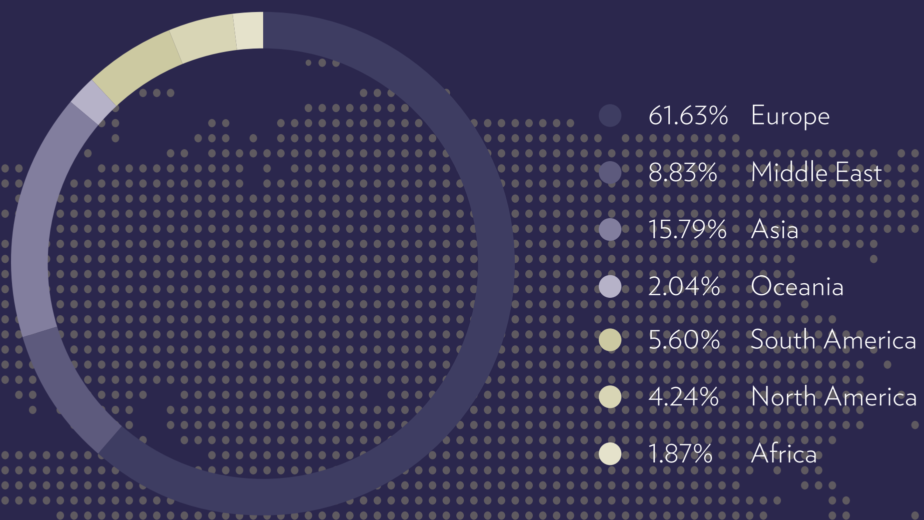
681 Julius Baer experts

650 PwC experts

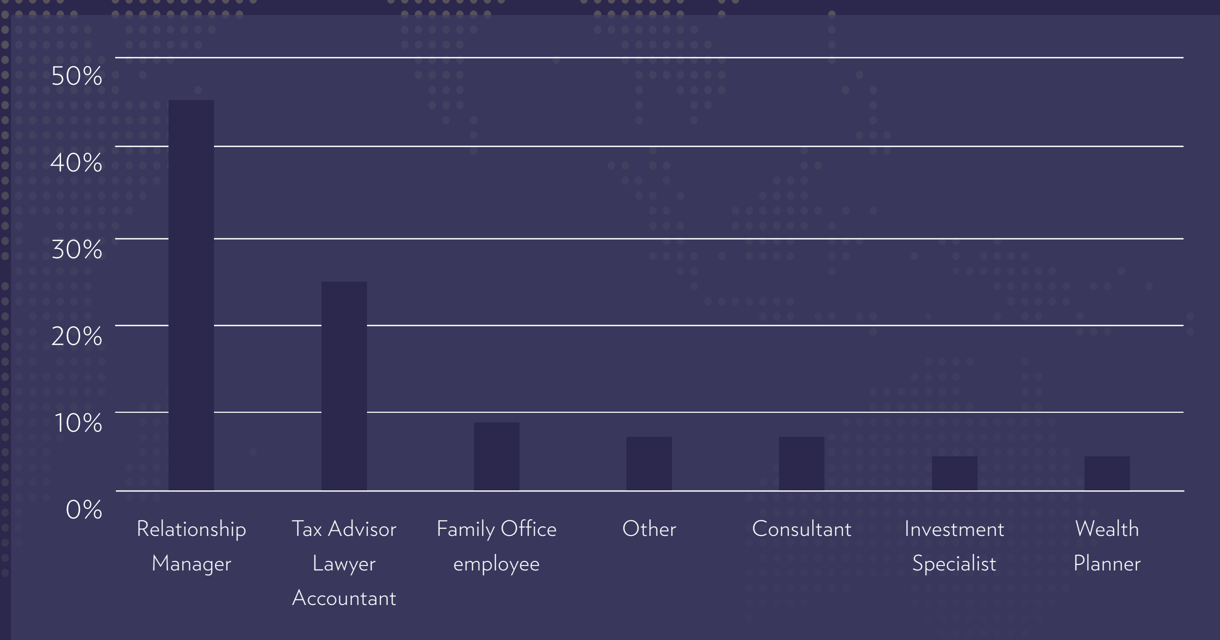
221 3rd party specialists

41.8% **Overall answer rate[1]**

Where are the UHNWI clients (i.e. CHF 50+m total wealth) of the respondents mainly based:



Main type of professional touchpoint of respondents:



[1]The survey has been distributed to selected SMEs who have different client interactions to ensure the highest coverage and most holistic responses. Correspnding roles are: Relationship Managers,Tax Advisors & Lawyers, Family Office Employees, Consultants, Wealth Planners, Investment Specialists, Others

The Julius Baer Family Barometer, in collaboration with PwC:

The Julius Baer Family Barometer is our yearly global survey to gather the opinions of experts who work with and advise wealthy clients and their families. Once a family owned bank, Julius Baer has ensured that family stays in our DNA. This year, we collaborate with **PwC Switzerland and its global network of firms** to enable more relevant insights and share our common views. In 2023, we surveyed in-house and external experts who shared their insights.

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