Julius Bär | pwc

FAMILY BAROMETER 2024

MARKETING MATERIAL

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Foreword

No family can ever know with certainty what lies ahead, but 2024 is a year that brings more than its fair share of uncertainties. Against a backdrop of geopolitical tension, technological advances, elections in many major economies, and an unpredictable interest rate environment, the primary focus of wealthy families remains steadfast: navigating the complexity of these global dynamics to ensure the preservation and growth of their wealth for future generations.

This year's Family Barometer reveals that when it comes to preserving and growing their family's wealth, intergenerational wealth transfer and succession planning are the topics uppermost in the minds of wealthy families across all regions. This focus underscores the importance of smooth wealth transitions to maintain family legacies and prevent potential conflicts. With some USD 19.4 trillion set to be passed down to children and grandchildren in the coming years, according to our analysis, it's easy to understand how big an impact this shift will have on the lives of the receiving generations. Unsurprisingly, those responsible for passing on this wealth are eager to prepare them in the best way possible to manage their new-found wealth and prosper far into the future.

While the younger, tech-savvy family members are eager to influence family investments, the older generation often hesitates to relinquish control. Yet involving the next generation in business decisions and family discussions nurtures relevant skills and alignment with family values. Early involvement fosters strong relationships with wealth managers and ensures continuity.

At Julius Baer and PwC, our educational, mentorship, and leadership programmes focus on wealth management skills to equip both the receiving and giving generations with the financial literacy and governance skills that are pivotal for sustaining and growing the family's wealth. Through family education, we aim to promote the skills both generations need to fulfil their responsibilities to the family business or managing wealth. After all, successful families thrive not only by incorporating the hard-won experience of the family's older members, but also by integrating fresh ideas from younger generations, thereby securing long-term prosperity – no matter how certain or uncertain the global picture may be.

This same commitment to bringing diverse expertise and insights to the fore underpins our collaboration in the Family Barometer series. Together, we aim to help families navigate these uncertain times by providing strategic guidance and support. We hope you enjoy reading our findings in this report.

From our families to yours,

Roger Stutz
Head of Wealth Planning
Bank Julius Baer & Co. Ltd.

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

Navigating wealth transfer and succession planning for the next generation

Global top 3 **family** topics:

- 1st Succession planning
- 2nd Individual and family growth opportunities
- 3rd Family governance

Global top 3 **investment** topics:

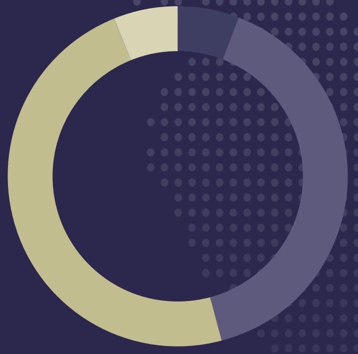
- 1st Geopolitical diversification
- 2nd Real estate investing
- 3rd Inflation protection

Global top 3 **societal** topics:

- 1st Taxation
- 2nd Intergenerational wealth transfer
- 3rd Political stability

Transparency in wealth transfer processes remains moderate and the involvement of wealth receivers in discussions limited

To what extent are the wealth receivers involved in strategic discussions about wealth management during the lifetime of wealth givers?

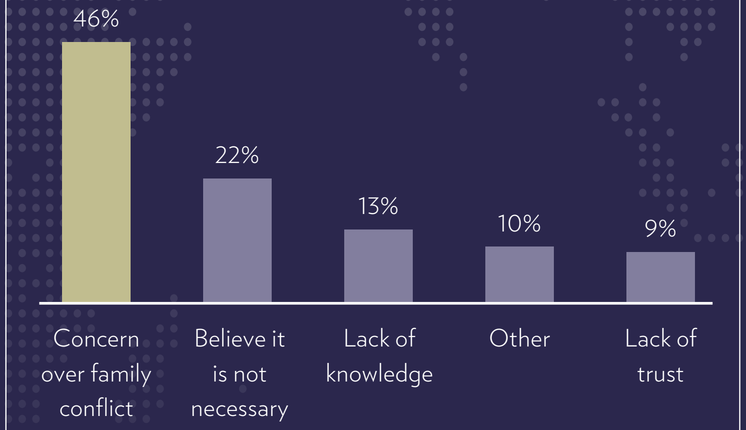


Engage wealth receivers early

Increase involvement of wealth receivers in the discussions to prepare them better for future wealth management responsibilities.

Wealth transfer discussions are informal, and what hinders them the most are concerns over family conflict

What is stopping families from having wealth transfer discussions with the wealth receivers?

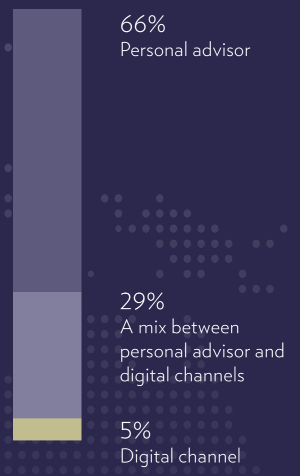


Break the silence and unlock family potential

Include professional advisors and educate the giving generation to effectively facilitate crucial wealth transfer discussions.

Wealthy families prefer personal advisors for wealth management purposes

Do wealthy families prefer a personal advisor or a digital channel?



Emphasise personal connections

Strengthen client relationships by prioritising personal advisory services, blending with digital channels where appropriate to enhance trust and personalised advice.

Regional insights

Europe

- Health remains a significant concern, making Europe the only region to highlight it. Real estate investing is the top investment priority, unlike other regions.
- 33% of wealth transfer discussions in Europe involve professional advisors. Their main objective is to mitigate family conflicts, a concern for nearly 50%.

Top 3 **family-related** topics:

1. Succession planning
2. Individual and family growth opportunities
3. Family governance

Factors stopping families from having wealth transfer discussions with the wealth receivers (Top 3)

	Global	Europe
Concerned that it might cause a problem in the family	46%	46%
Believe it is not necessary	22%	22%
Lack of knowledge	13%	14%

Top 3 **investment-related** topics:

1. **Real estate investing***
2. Inflation protection
3. Geopolitical diversification

Measures put in place to make sure the wealth receivers are ready to manage inherited wealth (Top 5)

	Global	Europe
Involvement in family and business decisions	23%	23%
Wealth education	17%	18%
Participation in investment decisions	17%	17%
Alignment on the succession plan	15%	16%
Active engagement in personal investments with own funds	11%	11%

Top 3 **societal** topics:

1. Taxation
2. Intergenerational wealth transfer
3. **Health***

Measures implemented to facilitate wealth transfer discussions

	Global	Europe
Family meeting with the support of professional advisors	32%	33%
Informal family meetings	33%	31%
Family meeting with the support of a third-party facilitator	26%	27%
None of the above	9%	9%

* Most significant differences compared to global results

Global / Europe

Last year's results

2023 global top 3 investment-related topics:

1. Geopolitical diversification
2. Private direct investments
3. Investments in real estate

2023 global top 3 topics beyond investments:

1. Family wealth structure
2. Taxes and regulation
3. Family governance

Asia

- Political stability remains a top priority, while inflation protection has emerged as a key concern. Asia stands out as one of the two regions that emphasise consolidated reporting of all assets.
- 37% of wealth transfer discussions are facilitated through informal family meetings. The reason for avoiding discussions is the fear of family conflicts for 46% of Asian families.

Top 3 **family-related** topics:

1. Succession planning
2. Individual and family growth opportunities
3. Family governance

Factors stopping families from having wealth transfer discussions with the wealth receivers (Top 3)

	Global	Asia
Concerned that it might cause a problem in the family	46%	46%
Believe it is not necessary	22%	21%
Lack of trust	9%	13%

Top 3 **investment-related** topics:

1. Inflation protection
2. Geopolitical diversification
3. **Consolidated reporting of all assets***

Measures put in place to make sure the wealth receivers are ready to manage inherited wealth (Top 5)

	Global	Asia
Involvement in family and business decisions	23%	22%
Participation in investment decisions	17%	18%
Alignment on the succession plan	15%	16%
Wealth education	17%	14%
Active engagement in personal investments with own funds	11%	13%

Top 3 **societal** topics:

1. Taxation
2. Intergenerational wealth transfer
3. Political stability

Measures implemented to facilitate wealth transfer discussions

	Global	Asia
Informal family meetings	33%	37%
Family meeting with the support of a third-party facilitator	26%	31%
Family meeting with the support of professional advisors	32%	22%
None of the above	9%	10%

* Most significant differences compared to global results

Global / Asia

Regional insights

Middle East

- Intergenerational wealth transfer is more important than in other regions, with political stability also ranking high. Geopolitical diversification remains a significant concern, similar to last year's findings.
- 40% of wealth transfer discussions occur through informal family meetings. Concerns about family conflicts hinder these discussions for 44% of families in the region.

Top 3 **family-related** topics:

1. Succession planning
2. Individual and family growth opportunities
3. Family governance

Factors stopping families from having wealth transfer discussions with the wealth receivers (Top 3)

	Global	Middle East
Concerned that it might cause a problem in the family	46%	44%
Believe it is not necessary	22%	21%
Lack of knowledge	13%	17%

Top 3 **investment-related** topics:

1. **Geopolitical diversification***
2. Real estate investing
3. Inflation protection

Measures put in place to make sure the wealth receivers are ready to manage inherited wealth (Top 5)

	Global	Middle East
Involvement in family and business decisions	23%	24%
Participation in investment decisions	17%	17%
Alignment on the succession plan	15%	14%
Wealth education	17%	13%
Active engagement in personal investments with own funds	11%	12%

Top 3 **societal** topics:

1. **Intergenerational wealth transfer***
2. Taxation
3. Political stability

Measures implemented to facilitate wealth transfer discussions

	Global	Middle East
Informal family meetings	33%	40%
Family meeting with the support of professional advisors	32%	38%
Family meeting with the support of a third-party facilitator	26%	17%
None of the above	9%	5%

* Most significant differences compared to global results

Global / Middle East

Last year's results

2023 global top 3 investment-related topics:

1. Geopolitical diversification
2. Private direct investments
3. Investments in real estate

2023 global top 3 topics beyond investments:

1. Family wealth structure
2. Taxes and regulation
3. Family governance

Latin America

- Personal safety is a unique concern in Latin America, not mentioned elsewhere. This region is also one of two regions that highlighted the importance of consolidated reporting of all assets.
- 44% of wealth transfer discussions are facilitated with the support of professional advisors. The primary concern stopping these discussions is the fear of family conflicts, affecting 44% of families.

Top 3 **family-related** topics:

1. Succession planning
2. Family governance
3. Individual and family growth opportunities

Factors stopping families from having wealth transfer discussions with the wealth receivers (Top 3)

	Global	Latin America
Concerned that it might cause a problem in the family	46%	44%
Believe it is not necessary	22%	22%
Lack of knowledge	13%	16%

Top 3 **investment-related** topics:

1. Inflation protection
2. **Consolidated reporting of all assets***
3. Real estate investing

Measures put in place to make sure the wealth receivers are ready to manage inherited wealth (Top 5)

	Global	Latin America
Involvement in family and business decisions	23%	22%
Wealth education	17%	22%
Participation in investment decisions	17%	16%
Alignment on the succession plan	15%	15%
Mentorship programmes within the family	7%	9%

Top 3 **societal** topics:

1. Taxation
2. Political stability
3. **Intergenerational wealth transfer / personal safety (physical)***

Measures implemented to facilitate wealth transfer discussions

	Global	Latin America
Family meeting with the support of professional advisors	32%	44%
Informal family meetings	33%	28%
Family meeting with the support of a third-party facilitator	26%	18%
None of the above	9%	10%

* Most significant differences compared to global results

Global / Latin America

Key findings: Intergenerational wealth transfer as a priority for global families

The 2024 Family Barometer survey reveals the priority for wealthy families is to ensure a successful wealth transfer and achieve their long-term objectives for wealth preservation by professionalising their practices.

- This year's results shed light on wealthy global families' desire to protect and safeguard their wealth for more than one generation.
- Wealth owners are prioritising wealth transfer, taxation, political stability, growth, and family governance, recognising their role as stewards of their family's legacy, values, and stability.
- Navigating today's uncertain global environment calls for resilience and a structured, long-term view to ensure wealth preservation and growth.

It is often said that family businesses go from "shirtsleeves to shirtsleeves in three generations", with previous research by PwC showing that wealth transfers to the third generation are successful in only 12 per cent of cases[1]. In other words, in almost 90 per cent of cases, wealth usually dissipates after the second generation. Given this, it is hardly surprising that families are increasingly focused on safeguarding their wealth against volatility and uncertainty. Against the backdrop of heightened geopolitical tensions and fluctuating market conditions, they are relying on the steadying hand of trusted advisors to preserve and grow their wealth.

The Family Barometer is our authoritative annual survey that monitors the shifting opinions of financial services experts who work with and advise wealthy clients. For the 2024 edition, we canvassed more than 1800 internal and external experts from Europe, Asia, the Middle East, and Latin America. Thanks to increased participation in the Middle East and Latin America, this year's survey was more globally balanced than ever before.

[1] Julius Baer Global Families report, 'Building on solid ground', 2020

2024's top five discussion topics

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

1. Intergenerational wealth transfer and succession planning has moved up from second place to emerge as this year's top family-related topic across every single region. This universal focus indicates that families globally are deeply concerned with ensuring a smooth transition of leadership and wealth to the rising generation. As family businesses often play a significant role in regional economies, the emphasis on succession planning reflects a proactive approach to safeguarding the future of these enterprises. At the same time, the increasing amount of wealth to be transferred to more than one generation and the international nature of today's affluent families – with family members, assets, and business interests often spread around the globe – calls for a coherent plan to tackle the challenges across jurisdictions.

The survey results highlight the particular importance of intergenerational wealth transfers in the Middle East region, where respondents ranked it the highest in comparison with other regions.

In this year's findings, we observe moderate transparency in wealth transfer processes from wealth givers to wealth receivers, albeit with some variability in the responses. In Latin America and Europe, wealth owners tend to communicate more openly about the transfer of wealth between the generations, while in the Middle East and Asia wealth transfer arrangements are less openly discussed. This suggests that while a majority of respondents experience a fair level of transparency, there is still a need to enhance clarity and communication in wealth transfer practices.

"As wealth managers, we play a crucial role, acting as a medium between our clients and the next generation and supporting them through the various stages of the wealth transfer journey."

Rahul Malhotra, Member of the Executive Board and Region Head Emerging Markets, Julius Baer

2. Taxation: When it comes to societal topics, this year's results show a greater emphasis being placed on taxation across most regions. The topic rose from second to first place in this year's survey. It is the top concern across Europe, Asia, and Latin America and the second-highest priority in the Middle East, which highlights its widespread global importance. Political tensions and changes of government in some of the world's major economies in recent times mean that tax changes and regulations are likely to continue to be of importance for wealthy families in the near future.

"Advising clients today requires a nuanced understanding of global tax trends. Navigating this complexity demands foresight, agility, and a deep commitment to protecting client wealth."

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

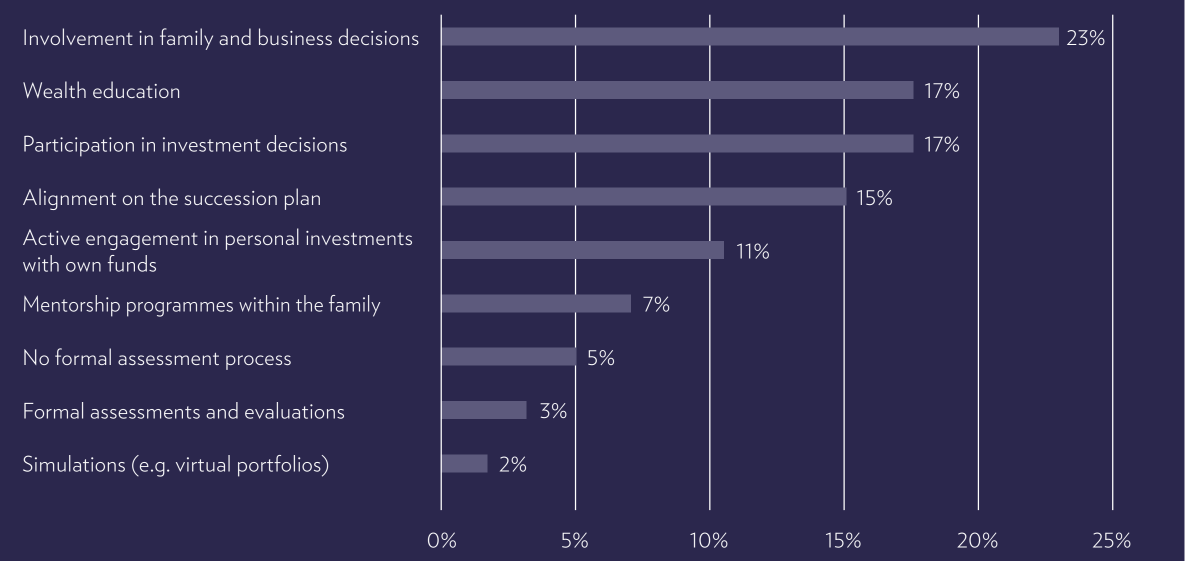
“Through our Young Partners program, we provide educational content that goes beyond pure financial literacy and connect our rising generation of clients from around the world.”

Sandra Wassermann, Head of Client Communities, Julius Baer

3. Individual and family growth opportunities ranks as the second family-related topic in most regions, gaining one place since last year, when ‘personal development options’ ranked third. This highlights a strongly increasing interest in fostering personal and professional development within families as well as exploring new opportunities for growth and expansion. This year’s results indicate that wealth education programmes for the rising generation are a significant priority for wealthy families. By educating heirs about the stewardship of wealth, families can diminish the risk that the wealth dissipates after one generation.

In a look at regional preferences, Europe and Latin America show a stronger preference for conducting family meetings with the involvement of professional advisors and grant greater importance to wealth education in preparing the rising generation to manage family wealth. This approach reflects a broader understanding that external expertise and structured education can significantly contribute to individual and family growth opportunities. By involving advisors, families can gain valuable insights and strategies that foster both personal development and financial acumen, ensuring that the next generation is well-prepared to sustain and grow the family wealth.

What do your UHNW clients put in place to make sure the wealth receivers are ready to manage inherited wealth?



In contrast, the Middle East and Asia show a slight preference for conducting family meetings without the involvement of third parties and a stronger preference for involving the rising generation in investment decisions as a means of preparing them to receive the family wealth. Across all regions, the most emphasised measure in preparing wealth receivers is their involvement in family and business decisions (23%), followed by wealth education (17%) and participation in investment decisions (17%).

4. Family governance is prioritised differently across regions. While it is the third most important topic for most regions, it ranks second in Latin America. This distinct regional focus reflects the fact that Latin American families place a higher importance on establishing robust governance structures.

This matches our belief that robust family governance frameworks and education are essential in preserving a family’s wealth. Research[2] indicates that in 60 per cent of cases, a lack of communication and trust is the main reason for the failure of wealth transfers, while in 25 per cent of cases, the main reason is inadequate preparation of heirs. Providing family transparency and governance skills is therefore crucial for maintaining and growing the family legacy.

[2]The Williams Group: 25-year study of 3250 families

Family governance

64% Informal structure (occasional discussions)
31% Fully defined structure (meetings with agenda, etc.)
5% No structure

“When undertaking a wealth transfer strategy, the most important part is not the legal structure per se. The key to success is the process and the establishment of regular communication channels within the family to achieve their joint and individual goals.”

María Eugenia Mosquera, Head of Wealth Planning Key Clients & Family Office Services, Julius Baer

"In Asia, it's becoming a trend for wealthy families to set up single family offices with professionalised practices to manage their wealth and in some cases to prepare and involve the rising generation."

Christos Anagnostopoulos,
Head of Family Office Services
Advisory Singapore, Julius Baer

In most regions, wealthy clients show a preference for adopting professionalised practices and governance structures to ensure long-term wealth preservation and growth. Despite a reported high level of professionalisation in practices and governance structures among most wealthy clients, there remains a reliance on informal frameworks characterised by occasional discussions. It is evident that only 30 per cent of families have fully established governance frameworks that include investment committees and clearly defined roles. This disparity highlights a gap between the perceived level of professionalisation and the actual implementation of formal governance and risk frameworks. The continued reliance on informal structures underscores the need for more robust and formal governance mechanisms.

5. Political stability has become a top-three societal topic for the first time this year and is a major concern in Asia, the Middle East and, above all, Latin America. This reflects widespread concerns among wealthy global families about the impact of issues such as nationalism, political polarisation, and diverging economic tectonics. The global economy is fracturing into different blocs that are reshaping the interactions between different jurisdictions and having a bigger impact on asset allocation than they have for a generation. A further upshot of this concern is the emergence of geopolitical diversification as this year's highest-ranked investment topic.

Political stability and personal safety also gained prominence in some parts of the world, indicating the prevailing mindset among the guardians of family wealth. It's only natural that when families face what they perceive to be outside instability or risk of any kind, they seek the supervision and guidance of professional advisors to increase their peace of mind and the resilience of their wealth management strategies.

Ultimately, the 2024 Family Barometer bears out last year's early indications that it has become a more difficult and uncertain environment in which to preserve wealth. In a world where the future is uncertain and change is fast-paced, families need to look beyond short-term performance so that they and their wealth not only withstand unpredictable times but also emerge stronger.

This makes it all the more essential for them to work with professional advisors to establish a solid financial plan. Such a plan not only protects their wealth against the negative forces of market volatility, geopolitical turmoil, and the resulting 'unknown unknowns', but also ensures long-term growth for their wealth and that it remains abundant for future generations.

"For our clients resident in Latin America and Iberia, asset diversification and personalised wealth planning advice are essential to preserving and growing wealth for more than one generation."

Carlos Recoder, Member of the Executive Board and Region Head Americas & Iberia, Julius Baer

"It's part of our core business to provide holistic advice to our clients and support them with cross-generational asset transfer strategies."

Sonia Gössi, Member of the Executive Board
and Region Head Switzerland & Europe,
Julius Baer

Outsourcing your family's investment management

Investing without clear governance often results in short-term thinking and jeopardises the preservation of a family's values and legacy. One way wealthy families can avoid that risk is by taking advantage of 'outsourced' investment management formats in which they work shoulder to shoulder with a bank's skilled investment specialists to create a bespoke strategy.

- This year's findings show that less than a quarter of families involve the wealth receivers in family and business decisions.
- Partnering with a bank as part of an outsourced solution creates a clear governance structure and gives the family access to vast investment expertise.
- Outsourced models also help to preserve family wealth by passing on knowledge to the rising generation.

The 2024 Julius Baer/PwC Family Barometer shows that while most wealthy clients report highly professionalised practices and governance structures, a significant number still rely on informal structures characterised by occasional discussions. Our research shows that in 33 per cent of cases, wealth transfer discussions are addressed mainly as part of informal gatherings without the involvement of any third party. This highlights a gap between the perceived level of professionalisation and the actual implementation of formal governance and risk frameworks.

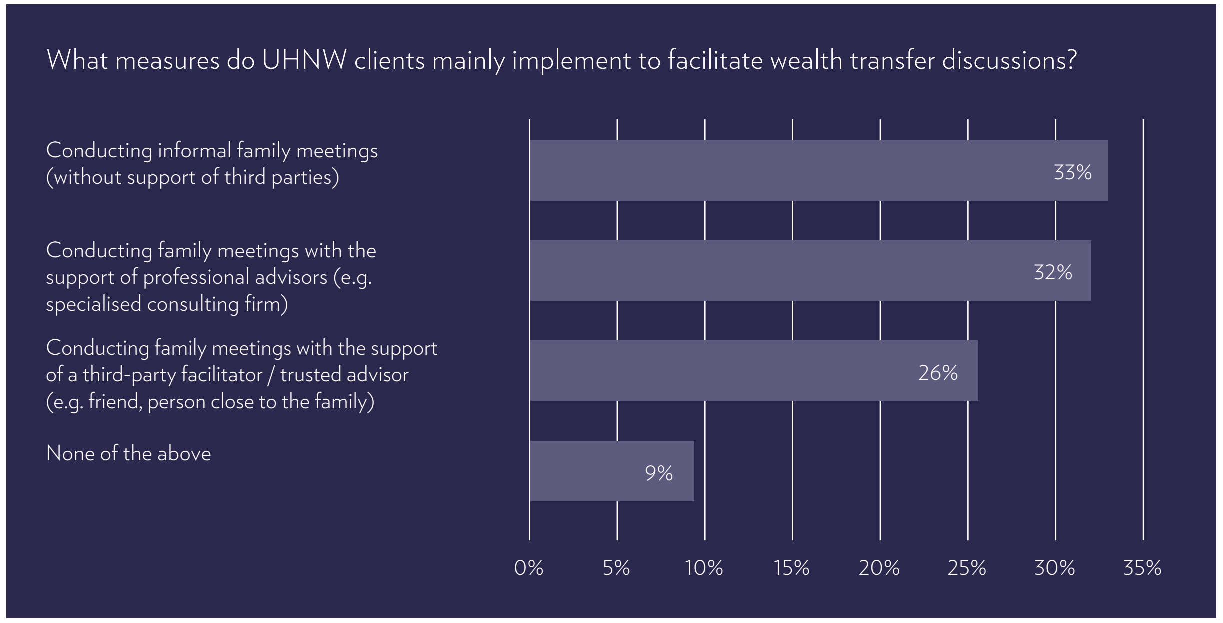
Without a system of sound governance, the investment decisions a family takes may be reactive and reflect short-term trends. Conversely, families with a clear understanding of how to manage their overall wealth can choose a more focused strategy in which their investments reflect their family values and preserve the family legacy, and in which the next generation is properly equipped to assume stewardship of the family's wealth.

Side-by-side decision-making

At Julius Baer, we observe that wealthy families are increasingly likely to collaborate with banks like ours to close the professionalisation gap identified in this year's research. We offer a variety of bespoke solutions to help clients organise themselves to ensure their capital will be invested with a long-term view according to institutional best-in-class processes and principles.

Many families are turning to 'outsourced' set-ups, for example, in which the family's representatives work together with the bank's entire investment organisation within a clear governance structure.

UHNW clients facilitate discussions through informal family meetings and involve wealth receivers in business decisions to prepare them for managing inherited wealth



- **UHNW clients primarily facilitate wealth transfer discussions through informal family meetings** (33%), followed closely by meetings with professional advisors (32%).
- In preparing wealth receivers, **involvement in family and business decisions is the most emphasised measure** (23%), while simulations are the least used (2%).

"Outsourced models provide access to a wide network of investment management experts and solutions as well as the bank's product range and deal flow", explains Reto Hintermann, Julius Baer's Head of Chief Investment Office and UHNW solutions. "The family representatives sit together with the bank's investment experts on an investment committee to discuss the strategy and allocations. It's a real partnership, rather than a delegation of services."

Sparring partner

Such solutions are typically attractive to families who possess considerable wealth but don't have their own fully fledged family office set-up. "Outsourced models are highly risk- and cost-effective solutions for wealthy families with investable liquid assets ranging from USD 100 million to USD 1 billion", says Reto. "Families whose wealth exceeds a billion dollars usually have the critical size required to build their own organisation."

In some cases, however, families who have their own investment capabilities in-house choose also to partner with banks under these outsourced formats. "Many larger clients enjoy having a sparring partner who can bring an outside view and support them with the finer details of investment strategy or with specific asset class expertise", says Reto.

Knowledge transfer

A crucial advantage of outsourced solutions in multi-generational set-ups is that they allow families to bring the new generation into the discussion early without overwhelming them by giving them full responsibility. "Outsourced solutions provide an ideal platform for younger investors to learn how to manage asset bases and allocation strategies", says Reto. "The bank's investment specialists can start to have regular discussions with them about topics like markets, the macroeconomic situation, and how to adjust the portfolio accordingly."

Reto gives the example of a client who'd built up significant wealth thanks to his expertise in real estate investments. "This client was adept at growing his wealth through the various lucrative property deals he'd made and the connections he'd established. Given his skillset, he was capable of achieving high yield levels without bringing in external investment expertise, and initially he was resistant to doing so." It was only when the discussion turned to his legacy that the advantages of involving outside experts became clear. "His children didn't have the same financial savvy, so the family needed to create a set-up in which he could pass on his skills and his children could pick up the dos and don'ts of investing and how to manage risk."

Cross-generation allocation strategy

In working with an institution like Julius Baer to form an investment committee, families benefit from all the know-how of the bank's specialists in framing a custom-made, cross-generation strategic asset allocation and understanding the source of returns in capital markets. "For each asset class, a family has several options as to how they deploy their capital", says Reto. "We work together with them to consider the full range of investment opportunities and products and to optimise the cost of their portfolio construction."

Given that family investors often have a cross-generational perspective, the portfolio discussions typically focus on investments that can provide sustainable growth and income generation for future branches of the family. "We've built our strategy for families who want to invest long-term and who have the freedom and the time horizon to take advantage of the liquidity premium that you get in asset classes like private markets and hedge funds."

This long-term view revolves around helping families thrive across future generations. "At some point, the new generation may have sufficient expertise to take more responsibility themselves for the family's investment decisions. Outsourced solutions set them on that path by building trust among the older generation and buy-in from the next."

"Outsourced investment management models are a real partnership, rather than a delegation of services."

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

"We work together with families to consider the full range of investment opportunities and products and to optimise the cost of their portfolio construction."

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

Navigating the landscape of taxation and political stability for wealthy families

Taxation and political stability are two major concerns for wealthy families worldwide, with the potential to significantly influence their ability to preserve and grow wealth if not considered in advance.

- The elections taking place in many countries in 2024 are likely to have an impact on how tax policies evolve.
- This political dynamism requires continuous monitoring and potentially the adaptation of wealth management strategies.
- Safe hubs can play a role in helping families navigate and mitigate the challenges posed by uncertainty.

"In a world of shifting political tides, wealthy families must continuously adapt their strategies, not just to protect their assets, but to ensure their legacy endures across generations."

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

As we navigate a period marked by significant changes globally, including pivotal elections, topics such as taxation and political stability become even more critical. The outcomes of these elections have the potential to transform domestic policies and impact global market trends. In this context, effectively managing risks and reinforcing stability-promoting institutions is more crucial than ever.

Taxation has become a lightning-rod issue for many voters with various countries considering increases in tax rates, changes in longstanding rules, and the introduction or amendment of wealth taxes, inheritance, and estate taxes. Given that we know trillions of dollars will change hands from one generation to the next within the next ten years, understanding and anticipating these changes is essential for effective ongoing wealth preservation and management.

Impact of elections

During 2024, over 60 countries are holding elections, including major economies like the United States, the European Union, the United Kingdom (UK), France, India, and Mexico. By the end of this year, more than two billion people will have been able to participate in a vote.

Generally, politics and taxation are closely interwoven, and we usually expect that newly elected governments will review existing tax policies and introduce new rules, some of which can have a significant impact on wealthy families. For countries seeking to balance the books and address perceived inequalities, finding a path between implementing higher taxation and retaining wealthy, mobile international families within their borders is a challenge.

Examples of this are already being seen in anticipation of the US presidential election and as an outcome of the recent UK general election. During 2024, it is anticipated that the UK will lose around 10 000 millionaires and India over 4000, with the net recipients of new millionaires including Dubai (7000) and Singapore (4000) amongst others[1]. For the UK, this can clearly be traced to the uncertain tax environment as many of the expected changes impact wealthy foreigners living in the UK and the inheritance tax regime.

[1] PwC Switzerland, Wealth Management Center of Excellence research

Seeking a safe harbour

Tax changes in and of themselves – and having to pay more tax – are not usually the main issue; rather, for wealthy international families it is the feeling of uncertainty and having to manage constant change that is unpalatable, especially when other countries are offering alternatives that are seemingly more stable. This political dynamism necessitates continuous monitoring and flexibility to adapt wealth management strategies if required.

Political change and instability can lead to economic volatility, which in turn can impact asset values and investment returns. Wealthy families therefore need to develop strategies that include diversifying investments, and we see a clear desire for families to establish a presence in politically and economically stable countries with robust legal frameworks in order to protect their assets.

At PwC Switzerland, we observe that wealthy families are likely to relocate themselves, their structures, and their assets to 'safe hubs', especially when they have children, even if these hubs have very different cultures from their home countries. Other factors influencing a decision to relocate can include tax regulation, freedom of movement, banking regulation, economic certainty, residency and citizenship programmes competitive business environments, and robust education and healthcare systems. It is not – as may be commonly perceived – simply a question of wanting a 'better' tax deal.

Attractive locations

Currently, we see that key global safe hubs for wealth preservation include Switzerland, Monaco, Singapore, and Dubai. These markets protect families, providing a sense of security that allows them to focus on the future instead of worrying about safety today. In today's geopolitical environment, this is a luxury.

Switzerland and Monaco are renowned for their political stability, strong legal systems, and favourable tax environments. They attract wealthy investors seeking security and efficiency in managing their

Shifts in tax perspectives

Being conscious of taxes that apply to succession and considering them in advance is not synonymous with a desire to pay less tax. For example, at the World Economic Forum in Davos, 260 millionaires and billionaires signed a letter demanding that world leaders increase their taxes. We have also seen recent examples of a rising generation from well-established wealthy families that publicly embraces paying higher taxes. This represents a significant shift in values and priorities, and this evolving mindset underscores a major change in how wealth is managed and perceived.

wealth. Even if the families themselves do not relocate, the desire to have structures based in such countries – and if not the structures, the assets themselves – is strong.

Singapore's strategic location, economic stability, and well-regulated tax system make it a preferred hub for wealthy families looking for a base in Asia. The country offers a well-regulated financial sector and legal certainty that supports complex wealth management needs. Family office structures in Singapore facilitate centralised management of family wealth and personalised financial services. This is an increasingly popular jurisdiction, with hundreds of these structures being established in the past few years alone.

Dubai's tax-free environment, modern infrastructure, and growing reputation as a financial hub are increasingly attracting wealthy individuals from the Gulf Cooperation Council countries and beyond. Its legal frameworks protect assets and facilitate international business operations. The establishment of free zones in Dubai provides benefits such as 100% foreign ownership and repatriation of profits, making it an ideal location for family offices and investment holdings. Over the past few years, the entire region has made strides to become more attractive for wealthy families from across the globe.

Inheritance and estate taxes

The ongoing political discourse in Europe and beyond around taxes applying to capital – such as wealth taxes and inheritance taxes – requires constant vigilance and proactive planning so that the potential impact is understood well in advance. Given that a huge amount of wealth will be transferred to the next generation in the next ten years, we anticipate that this is an area that will be subject to change and is of increasing importance to wealthy families.

Currently, there are no inheritance, estate, or gift taxes in eight EU countries: Austria, Cyprus, Estonia, Latvia, Malta, Romania, Slovakia, and Sweden. Many other countries – typically based on common law, for example the UK, US, and Australia, as well as major economies like France and Germany – apply combinations of gift and inheritance taxes, and although there are various exemptions and reliefs available, the rates can be very high if not considered in advance, potentially wiping out wealth that has taken years to build.

Inheritance tax is viewed by the OECD as an important tool to raise revenues and address inequalities. During the 2023/2024 tax year in the UK, a record GBP 7.5 billion in revenue was generated from inheritance tax, although this is still under one per cent of all taxes collected. Against that backdrop, we understand that it is likely that other countries will seek to review their tax systems applying to the transfer of wealth in future. Recent developments, such as the Swiss initiative, underscore this evolving landscape even in the 'safe hubs' that we recognise.

Need to think ahead

The Swiss initiative 'For a social climate policy – financed fairly through taxation (Initiative for a Future)', presented in March 2024, proposes an inheritance and gift tax of 50 per cent in addition to existing cantonal or municipal taxes, with a one-off tax exemption of CHF 50 million on all gifts and estates.

Whether this initiative is successful or not, it indicates the need to consider the impact now, particularly for family businesses that employ local people, with liquidity to pay taxes entirely tied up in the ongoing business. Should such a tax be introduced, there is no doubt it would significantly impact their long-term sustainability. Effective succession planning is crucial to manage such potential risks and ensure smooth wealth transfer across generations.

This initiative, if introduced, should not impact foreigners who have chosen to manage their financial assets in Switzerland (depending on the location and nature of the assets), and other safe hubs similarly do not (yet) impose inheritance and gift tax on assets held in-country by non-residents. However, the interaction between the family's country of residence and the location of assets is a matrix that must be considered if only to ensure that assets pass at the time and in the manner anticipated.

Conclusion

The guidance of professional advisors is essential in navigating a dynamic political global landscape and understanding the challenges of succession, including the taxes that may apply. Safe hubs offer a secure environment for implementing tax-efficient strategies, while proactive planning ensures compliance and optimisation amid changing political landscapes.

When transferring wealth means transferring knowledge

This year's Julius Baer/PwC Family Barometer suggests a need for greater engagement with the rising generation in discussions about the future of the family's wealth. The sharing of perspectives and lessons learned can prove to be a valuable education – and not only for the wealth receivers.

- Families believe they are mostly aligned on values and priorities, but the level of transparency in the wealth transfer process is moderate.
- One of the main reasons cited for not addressing the topic of wealth transfer is concern over its potential for family conflict.
- Delaying discussions about wealth transfer is a missed learning opportunity for both the wealth-giving and receiving generations.

"You can't put an old head on young shoulders", as one saying goes. "The younger generation has more ideas than the older generation has ever heard of", goes another. If we look to such proverbs – the so-called wisdom of the ages – for clues to which generation is best positioned to steward a family's wealth, it seems the jury remains out. The findings from this year's survey suggest that these conflicting generational views are also reflected in the beliefs and choices wealthy families confront when addressing the process of transferring wealth.

It is natural for a family's senior members to seek to instill in their heirs a common set of beliefs, principles, and moral standards that guide the family's behaviour. In this regard, the results reveal an impressive degree of connection between the generations. This year's survey shows that wealthy families are mostly aligned on their values and priorities, with 86 per cent declaring that the wealth givers and receivers were either mostly or fully aligned.

At the same time, however, our findings reveal that there is only a moderate level of transparency in wealth transfer processes. Wealth givers in all regions, but especially in Asia and the Middle East, appear reluctant to openly discuss with their prospective heirs either the extent of the wealth they are likely to inherit, or how these receivers of wealth might approach strategies to manage that wealth. Furthermore, we also see that across all regions only six per cent of wealth receivers are actively involved in strategic wealth management discussions, which suggests some mismatch between perception and practice.

Roadblocks to discussion

Why do a family's elders hesitate to discuss their wealth openly when they and their offspring appear to be singing from the same hymn sheet? Participants in this year's Family Barometer survey highlighted interesting concerns, such as not wanting to involve children too early, cultural roadblocks, existing generational differences, and fears about negatively impacting the ambition and work ethic of the next generation.

As in previous years, many wealthy families are also concerned about the complex and multifaceted nature of wealth transfer challenges. "Given the internationalisation of wealth nowadays, where family members reside in different jurisdictions and hold different types of assets in different countries, wealth planning is extremely important", says María Eugenia Mosquera, Head of Wealth Planning Key Clients & Family Office Services. "In these cases, a simple discussion or last will might not be sufficient to address all the family needs."

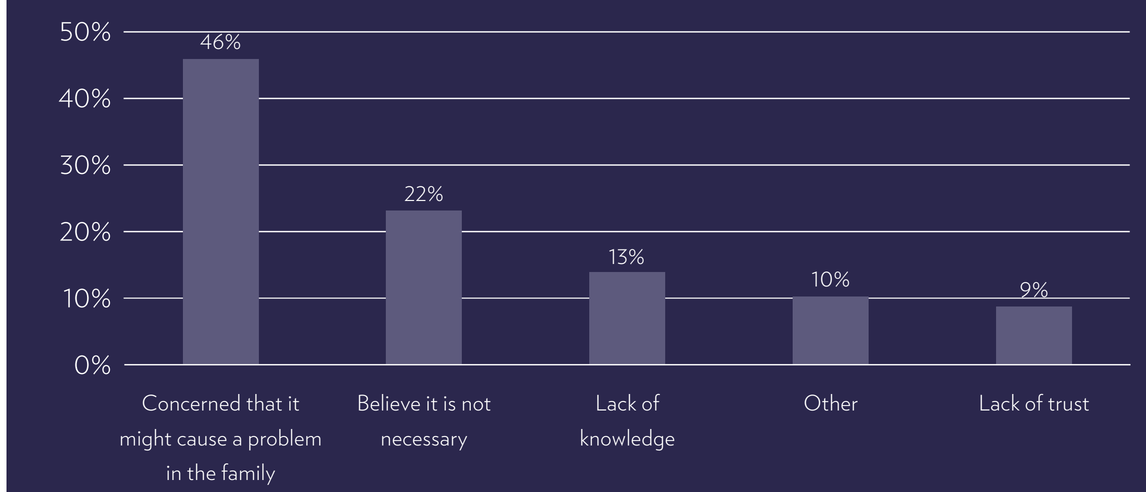
Fear of disharmony

Above all, however, this year's findings indicate that it's the very prospect of jeopardising the family's common understanding, of rocking the boat, that leads to such reserve among wealth givers. Across all regions, the most commonly cited concern (46%) stopping families from engaging in wealth transfer discussions is the fear that it might cause family conflicts.

"It's important that wealthy families collaborate with trusted advisors to ensure both the hard-won experience of the wealth creators and the fresh insights of youth are integrated prudently into the family's wealth planning."

Marco Sella-Rolando, Head of Wealth Planning International, Julius Baer

What is stopping families from having wealth transfer discussions with the wealth receivers?



"Discussions about succession or division of assets are often tied to emotional issues, so early involvement of a third-party advisor helps to make the process structured and more objective", says Silke Mies, Head of Wealth Planning Switzerland & Germany at Julius Baer. "By enlisting professional help to discuss how to pass wealth on from one generation to the next, families greatly improve their chances of avoiding conflict – both by ensuring the rising generation understands their elders' visions for the family's wealth and by helping them develop one of their own."

A two-way street

One of the significant drawbacks of delaying discussions about wealth transfer within a family is the missed opportunity for education that these discussions provide. Year after year, our survey shows the importance of education to wealthy families. In this year's results, wealth education was a major priority for 55 per cent of wealthy families.

Education in this context is commonly held to mean equipping the rising generation to learn about the purpose and management of a family's wealth and pick up strategies to ensure successful stewardship. But another way that a trusted advisor can smooth discussions between the generations is by ensuring that the learning flows in both directions – not only from the older family members to the younger, but also vice versa. "Wealth givers and receivers often have different goals and expectations. By listening to each other's viewpoints and respecting each other's insights, both parties can appreciate the concerns, values, and intentions behind wealth decisions", says Marco Sella-Rolando, Head of Wealth Planning International at Julius Baer. "This fosters trust and understanding between family members."

In our experience of serving multiple generations of families and from programmes such as Julius Baer's Young Partners community, there are many modern strategies and perspectives on wealth management that a family's older generation can learn from their younger counterparts. Take the integration of new technologies, for instance. Younger generations commonly use digital banking and financial apps to track their spending, budgeting, and investing, while they also have a sound grasp of new investment opportunities in cryptocurrencies and the underlying

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blockchain technology. Their greater willingness to invest in companies that prioritise environment, social, and governance criteria also brings diversification and risk management advantages as well as alignment with evolving market and regulatory trends.

Female empowerment

Another important consideration is that a significant amount of wealth will first be transferred among family members of the same generation before it is passed on between the generations. Hence, wealth transfer discussions provide the opportunity to support women in strengthening their financial autonomy. Our research shows that numbers of female billionaires with inherited wealth have increased, with "academic studies showing that the number of women qualifying for billionaire status via inheritances was 1.7x the number qualifying through self-made means for the 2010-2023 period." With women holding an increasing share of global wealth, it's imperative that families ensure the financial preparedness and empowerment of the different generations of women.

"We noticed that women increasingly assume the role of decision-making and distributing family wealth. Engaging them early in wealth transfer discussions prepares them for future responsibilities, ensuring they're informed and confident in making those decisions", says María. "Including women from all generations in these discussions can also improve family dynamics by fostering more open communication and ensuring that women's opinions and preferences are considered."

Best of both worlds

Against the backdrop of mounting complexity and rapidly changing financial landscapes that families face, no one generation can legitimately claim to be the ultimate authority when it comes to wealth management. "It's important that wealthy families collaborate with trusted advisors to ensure both the hard-won experience of the wealth creators and the fresh insights of youth are integrated prudently into the family's wealth planning to serve their best interests across all generations", says Marco.

In this sense, both of our proverbs hold true. While the rising generation certainly benefits from listening to the lessons learned by older generations, the family's senior members should work with professional advisors to ensure they systematically tap the knowledge of younger family members and thus enhance their wealth management practices, adapt to new financial realities, and potentially improve their overall financial well-being. After all, the family that learns together, grows together.

Hybrid advisory models: The best of both worlds

Technological advancements and families' evolving expectations for flexible and convenient financial advice are driving the adoption of hybrid advisory models. By combining trusted, personalised interactions with the use of innovative digital tools, families are benefitting from a more tailored and convenient advisory experience.

- The 2024 Julius Baer/PwC Family Barometer reveals that while 66 per cent of clients still value face-to-face interactions with their advisors, there is a growing demand for hybrid advisory models.
- The advisory experience is enhanced with the adoption of a hybrid approach that combines personalised interactions with data-driven insights.
- Digital tools are enablers but not a replacement for personal relationship management.

To meet a family's needs fully, it's essential that wealth managers view the family's wealth in the overall context of their lives. Transferring wealth to the next generations, selling a company, or managing a global family footprint are complex challenges that many clients face. These situations greatly benefit from the trust, personalised guidance, and deep understanding that only a personal advisor can provide.

It's little surprise, therefore, that this year's survey finds that personal connection and advice, where family members engage in face-to-face interactions with their relationship manager, remain a cornerstone of advisory services, with 66 per cent of wealthy clients still favouring this approach for research and investment management.

However, the evolving landscape of wealth management is reflected in the increased willingness of clients to embrace hybrid models. This year's findings reveal that while personal interactions are highly valued, there is a growing appreciation for the efficiency and flexibility that digital tools provide. In fact, the PwC Wealth Management Insights Survey shows that 85 per cent of respondents now prefer a hybrid advisory model, combining the best of both personal and digital engagement.

"While clients continue to value personal interactions, we are witnessing a steady evolution in digital engagement. The integration of digital channels and AI is empowering clients with the flexibility to manage their wealth on their own terms – anytime, anywhere – enhancing their overall experience and control", explains Patrick Akiki, Financial Services Market Leader at PwC Switzerland. "Clients benefit from data-driven insights as well as a holistic view of their assets and the achievability of their financial goals."

Deeper engagement

Julius Baer sees the potential that advanced digital solutions offer in terms of deepening the engagement between clients and relationship managers as well as providing a more holistic view of financial aspects such as estate and retirement planning. In Switzerland, the bank deploys a digital hybrid approach during client meetings by using innovative dashboards and analytical capabilities to enhance discussions with families about their needs. "We use digital tools to display a client's wealth or life events on screen or simulate the effect of cash flows on their wealth development over time", explains Andreas Raquet, Julius Baer's Head of Wealth Planning Platforms & Positioning.

Digital tools are particularly powerful when used in combination with a 360-degree approach to wealth management. "Each life is unique, but in certain stages of their lives, family members have similar lifecycle needs that need to be addressed – for example, overarching topics such as family, business, passion, real estate, retirement, succession, and their total wealth", says Andreas. "Our relationship managers and experts conduct recurring review meetings with our clients to understand their needs along those lifecycle topics. We then use digital capabilities to provide a holistic view of their wealth and create a roadmap of mutually agreed actions."

Peace of mind

Andreas highlights the significant impact that visual tools can have on clients, particularly when they observe the interconnections between various lifecycle topics and the potential outcomes of different scenarios on screen. For instance, during a recent review meeting with a wealth planner, an elderly couple expressed their desire to transfer portions of their wealth to their children and grandchildren. The ability to visually explore and discuss these options provided them with a clearer understanding of the implications and benefits.

"The couple hadn't yet transferred any assets to their offspring due to concerns about their own financial security, despite their favourable financial situation", says Andreas. "By using a digital planning tool in combination with our 360-degree approach, we were able to show the couple that they could maintain their desired standard of living way beyond life expectancy without affecting the substance of their assets. The couple felt confident about passing their assets to their grandchildren in order to provide them with start-up capital for education, and the investment strategy for the remaining assets was adapted to the needs of their children."

"We can use digital tools to display a client's wealth or life events on screen or simulate the effect of cash flows on their wealth development over time."

Andreas Raquet, Head of Wealth Planning Platforms & Positioning, Julius Baer

Increasingly, clients appreciate when their wealth management strategy is aligned with their broader life goals and values, rather than focusing solely on portfolio performance. By asking meaningful questions like "how do you intend to use the wealth you're accumulating?", advisors can foster stronger, long-term relationships built on a deeper understanding of clients' intentions.

Ongoing personal appeal

Leveraging artificial intelligence and data analytics in the future will be crucial for delivering tailored wealth management solutions. Their potential applications include everything from continuous portfolio rebalancing and client behavioural analysis to real-time risk monitoring and automated compliance monitoring, all of which will enable wealth managers to better understand their clients and make more informed decisions. Digital channels also help to reduce operational costs while maintaining high-quality client service, making wealth management more scalable.

As the client preferences that were revealed in this year's survey indicate, it is vital that relationship managers and experts remain the central point of contact for clients. However, the increased use of hybrid models during these interactions ensures that families benefit from an additional means of meeting their evolving expectations for flexible and convenient financial advice.

"At Julius Baer, our value proposition includes the promise of holistic advice and that we truly care about what matters to our clients", says Andreas. "By combining the use of innovative digital capabilities, personal advisory offerings, and a 360-degree approach to wealth management, we deliver a tangible proof point of how we deliver against this value proposition. Helping our clients to grow and protect their wealth across generations is at the heart of what we do and will continue to do."

> "The integration of digital channels and AI is empowering clients with the flexibility to manage their wealth on their own terms – anytime, anywhere – enhancing their overall experience and control."

Patrick Akiki, Partner, Financial Services Market Leader, PwC Switzerland

Preferred hybrid models for client interactions*

Hybrid advisory (mix of digital and in-person)	85%
In-person advisory (face-to-face meetings)	77%
Virtual advisory (video calls, remote advisory)	49%
Digital platforms (online client servicing tools)	35%
Digitally enabled advisors (tech-supported personal advisors)	28%
Digital self-directed (online self service)	26%

*Source: PwC Switzerland, Wealth Management Insights 2024

Survey 2024

Surveyed population

1849 Recipients of survey[1], of which:

873 Julius Baer experts

586 PwC experts

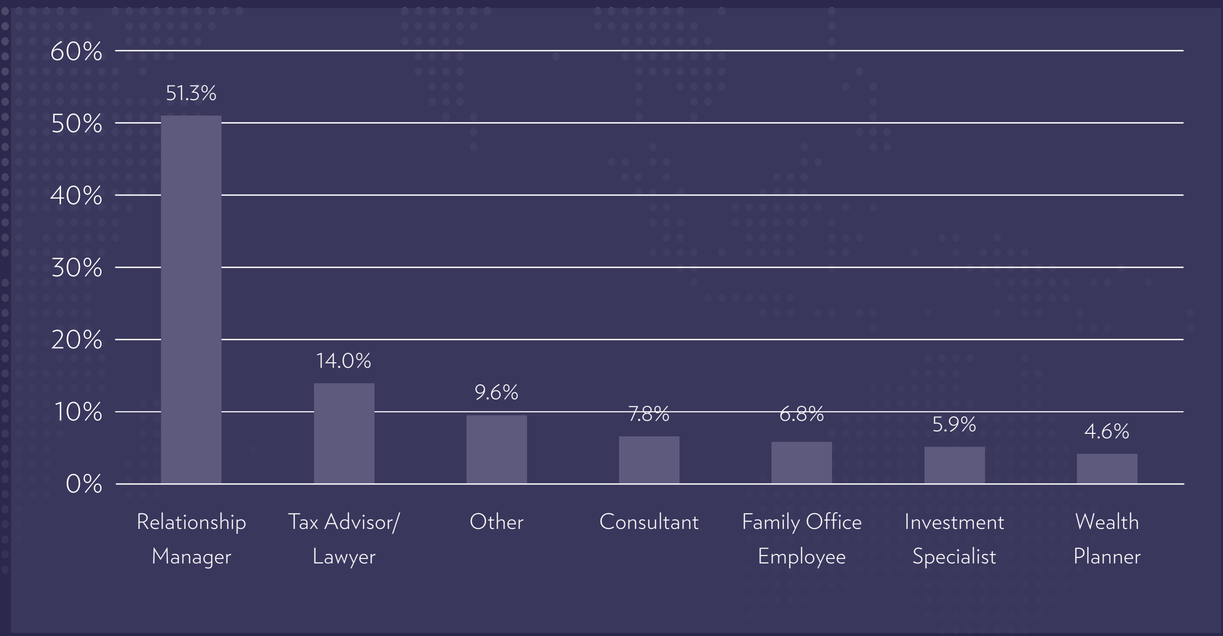
390 third-party experts

33.7% **Overall answer rate[1]**

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

- 58.4% Europe
- 11.6% Middle East
- 16.5% Asia
- 1.0% Oceania
- 8.5% Latin America
- 3.2% North America
- 0.8% Africa

Main type of professional touchpoint of respondents:



[1]The survey was distributed to selected SMEs who have different client interactions to ensure the highest coverage and most holistic responses. Corresponding 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 are collaborating with **PwC Switzerland and its global network of firms** to enable more relevant insights and share our common views. In 2024, we surveyed in-house and external experts who shared their insights.

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11/2024