7 habits of the *new* HNWs

Young high-net-worths (HNWs) are not like their parents. They want their wealth to have a social impact. They worry about security and, perhaps surprisingly, privacy. Financial education is high on their agenda, as are transparency and pricing. They are typically (but not always) risk-taking investors, are equally at home both online and offline, and are more likely to be swayed by the opinions of their peers than their parents. They are also increasingly likely to be female. Wealth advisors, it may be time to adapt the service you're offering. Here are seven reasons why...

By *Elliot Wilson*

1 They want their wealth to have a positive social impact

Younger generations want their wealth to be used responsibly. In a June 2017 report by HSBC Private Bank, 24 per cent of HNWs in their twenties cited 'having a positive effect in the community' as their key priority, versus 13 per cent of HNWs in their fifties. The latter demographic was also far more likely to view 'increasing personal wealth' as their primary goal. That matters, given that 23 per cent of the world's millionaires are millennials, according to data from the Shullman Research Center, and the 20–37 age group is set to inherit USD30 trillion from baby boomers.

'Younger HNWs are generally far more engaged with social impact, social justice and philanthropy than those who came before,' notes Dillon Hale, who has spent 20 years running or advising some of the world's biggest family offices, including MSD Capital, tech billionaire Michael Dell's USD17 billion family office. Mary Duke, a New York-based family wealth advisor, adds: 'Socially responsible investing is de rigueur among young clients. There is far more awareness of wealth and its impact.'

Within the world of philanthropy, a clear division has opened up between generations. While older wealth focuses on broad-based giving, targeting arts or the environment, younger family members or entrepreneurs are 'more laser-targeted when it comes to philanthropy', says James Gibbons, director of Bermuda-based Harbour International Trust. 'They are often inspired by a singular motivation – perhaps they made their money in sports, but got a poor education, so they give to inner-city schools.' One thing is clear, though, reckons Gibbons: all generations 'get to an age where they want to do something good with their money'.

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2 They need digital service, but with a human touch

According to Forbes, of the world's 10 youngest billionaires, six inherited their wealth, with the other four building their tech empires, and their fortunes, from scratch.

The average Twitter user is around 30 years old, and this number falls to 20 for Snapchat. Is this changing the way younger generations want to interact with their wealth manager? Well, that depends.

Hale says that younger HNWs 'expect to be serviced using technology – more so than human contact'.

But there isn't a clear-cut generational shift. 'Some of the savviest and youngest billionaires I know don't want anything to be online – they don't trust it or want it,' says Duke. 'On the other hand, I have 90-year-old clients who only want to Skype with me.'

Private bankers tell similarly contrasting tales. 'The younger "digital generation" is always online,' says one Singapore-based banker. 'They prefer to communicate using email and other digital means. But that doesn't mean they don't want to come and talk face-to-face.'

A Paris-based wealth manager offers an insight into the future, where HNWs keen to talk shop with their primary wealth advisor prefer to pop on a virtual reality headset. 'VR and virtual conferencing are the way forward,' he says. 'It is like you are in the room with one another. It's a mix of the physical and digital worlds.'

Female entrepreneurs such as Facebook's Sheryl Sandberg are focused on the impact of wealth

3 Women are leading the way in impact investing

Significant wealth is more likely than ever to be owned by women. A record 256 women made the *Forbes* World's Billionaires list in 2018, 72 of whom were self-made – compared with 56 the previous year. For the first time, their collective net worth topped USD1 trillion. Women control 51 per cent of personal wealth in the US, or USD14 trillion, a number that's set to rise to USD22 trillion by 2022. And they are more likely to strike out on their own: around half of all entrepreneurs under the age of 35 are women, according to a report by HSBC Private Bank.

This matters for many reasons. Eighteen per cent of women, compared with one in 10 men, consider themselves to be impact investors, according to the 2017 US Trust *Insights on Wealth and Work* report. The study found that women are 33 per cent more likely to see investing as a manifestation of their personal, environmental, social and political values. Women are less likely than men to focus on returns and taxes, and more likely to emphasise impact investing, an industry that's tipped by the Global Impact Investing Network to swell to USD500 billion by 2020. 'For women, investment is less a case of "tell me how much I made and how I performed versus benchmarks", and more a case of "can I be proud of how my wealth is impacting on the world?",' says Duke.

> 'Women are 33 per cent more likely to see investing as a manifestation of their values'

4 They expect data security and privacy

High-profile data leaks have put immense pressure on wealth managers. But do next-generation HNWs have a different attitude to security than their parents or grandparents?

Gibbons points to a clear dichotomy between generations: 'A 60-year-old is likely to have greater awareness of the importance of security, while a 25-year-old will understand the guts of the problem better.' That doesn't mean a younger HNW is better at comprehending the danger or the scale of digital theft, or what to do about it. 'I've met 20-year-olds who have made millions of dollars by inventing an app, but are utterly clueless about digital security,' Gibbons adds.

And when it comes to privacy, it turns out that younger generations do care about how their personal information is used, and by whom. In a 2017 study by the University of Sydney, when asked if there was 'no such thing as privacy', 41.9 per cent of those aged 18–29 disagreed, a higher share than all other age groups, except those aged 40–49.

'Young people want digital access, but they also want security of data from their wealth management provider,' says Gibbons.

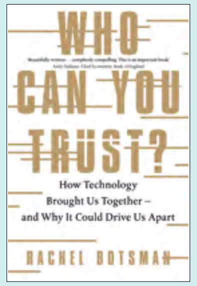
'Young people are more willing to embrace risk, because they have less life scar tissue'

5 Investment strategies must be bespoke

Are young HNWs more demanding than their forebears? The answer, according to wealth advisors, is an emphatic 'yes'. Millennials, says one London-based private banker, 'are more likely to engage directly with me. My first challenge, particularly when it comes to new wealth, is to win their trust.' They want to feel special, he adds.

That means 'creating a bespoke investment plan' that typically has less of an emphasis on low-yielding, interest-bearing instruments such as corporate and sovereign bonds, but instead contains a higher concentration of riskier assets. These might include private equity and venture capital or socially responsible investments that target a specific outcome, such as the advancement of a zero-carbon economy. Underlying this shift is a curious blend of risk-taking and social conservatism. 'Young people are more willing to embrace risk, because they have less life scar tissue,' says Gibbons.

6 Social proof and insight matter to them



Around the world, trust in governments and institutions is said to be in decline. But in an important new book, *Who Can You Trust?*, Rachel Botsman (pictured) says that trust is, in fact, shifting to the new digital platforms. We look to reviews, recommendations and 'social proof' to back up our decisions. Millennials, similarly, often seek validation in their choice of wealth advisor.

'Who their friends bank with may matter more to them than who daddy banked with,' says a London-based private banker. In this spirit, younger, better-educated HNWs also expect their advisors to act as a mixture of mentor and educator. 'They want financial education and expertise – they want to learn,' he adds. 'And they're more interested in pricing and transparency than their parents. They want to know what they are being charged. And they expect you to talk to them as peers, clearly and consistently, using straightforward language.'

'Who their friends bank with may matter more to them than who daddy banked with'

7 They still like to be 'near the money'

Most countries in the developed world are getting older, including Bermuda. According to the CIA's *World Factbook*, the average Bermudian is 43.4 years of age. Life expectancy is 81.4 years. This may explain why Bermuda 'is now drawing young entrepreneurs in their prime who are looking to escape the rat race,' says Duke. 'Now, a young tech entrepreneur might visit their advisor in Hamilton, fall in love with the place and buy a house there. Their spouses get involved in the community; their kids are enrolled in school. It's becoming a much more dynamic and young place.

'Entrepreneurs aren't wedded to a specific urban centre any more; they can be wherever they want to be,' adds Duke. But however portable wealth becomes, people still want to be 'near' their money.

There are a host of reasons why Bermuda is attractive to young HNWs, reckons Clare Maurice, Senior Partner at boutique private client firm Maurice Turnor Gardner. 'You can locate your trust here; it's tax neutral, politically stable and safe; and it has the rule of law and a deep well of professional talent – accountants, lawyers, wealth managers. Also, it is a very civilised place, full of dignity and respect. Young people crave that as they mature.' ■

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