

Coutts | 



*Breaking the wealth taboo:  
making succession a success*

# INTRODUCTION

It is estimated that £1 trillion will pass down from one generation to the next over the next 20 years. Many families will transfer their wealth successfully, yet there will be many others who will struggle to meet this aim.

The age-old issue of balancing the interests and needs of immediate and wider family remains, along with upholding family values, promoting a vision and making sure that your wealth is there for subsequent generations to benefit from. Add in human factors such as perceptions, temperament and ability, and it is easy to see why finding the right balance can be a complex and daunting task. It also explains why discussing wealth has been a taboo subject for many families for so long.

But while wealth succession planning is a challenge, it is one that can be overcome. This report aims to get to the bottom of the issues families grapple with when it comes to wealth succession.

We interviewed wealthy families across the UK to find out how they approach succession planning and to get to a deeper understanding of their hopes and fears. Indeed, we would like to thank all of the people that took part in the interviews, focus groups and survey – people whose considered responses make up the basis of this report.

We believe the report's findings will help wealthy families plan their next steps. By sharing our research and the thoughts of families and experts, we hope to make wealth succession an easier, less stressful and, ultimately, a more fruitful experience than it is for many today.

Coutts has been looking after wealthy families for all of its 321-year history and, as such, it is well versed in the issues and challenges that go hand-in-hand with wealth succession. Our experience has shown us that transferring wealth from one generation to the next can be a smooth and fulfilling journey.

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# EXECUTIVE SUMMARY

*Despite the huge amounts of money that will be passed down through the generations, half of high-net-worth families sweep the topic of wealth succession under the carpet. For them, it is a taboo subject, which means that many families are taking a chance with their fortune – and it could have serious repercussions.*

It is understandable why many families don't want to talk about passing down wealth. It is a complex area since there is no blueprint and, as our research shows, there are many factors to consider. When do you start to plan? Who gets what and how much? These are just some of the questions that cropped up during our research.

But wealth succession is not just about the practicalities of transferring money and assets to future generations. It is also an emotive subject because it involves people and their assumptions, perceptions and feelings. We found that a third of families with a net worth of more than £5m said that they had experienced conflict when it came to succession planning.

Families are also becoming more complicated in their make-up –

second and third marriages are part and parcel of family life and this means that stepchildren and step-grandchildren are increasingly being brought into the wealth succession mix. This also accounts for the rise in popularity of prenuptial agreements.

But obstacles can be overcome and the wealth succession process, with some planning and foresight, can be a fulfilling and smooth journey. One of the most powerful conclusions from our research is that families who communicate effectively usually experience a smoother transition of wealth than those who don't.

Having surveyed families across the UK, we have identified an eight-step journey to help families consider how best to pass down wealth in a way that meets their vision and objectives.



# 8

## STEPS TO SUCCESSFUL SUCCESSION

### 1. Vision

To start with, you should have a clear vision for your wealth and share it with your family. The more time spent thinking about this, the easier it will be to articulate and plan for.

### 2. Purpose

Consider the purpose of your wealth. For most, its primary purpose is to provide a secure, comfortable and nurturing environment for your family, with access to opportunities such as education.

### 3. Concerns

Only by understanding and articulating your concerns with your family can you start to protect against any potential conflict and prepare the next generation for the future.

### 4. Fairness

Most families value fair distribution of wealth highly, but they quickly realise that equality is not always the fairest method and is not easy to achieve for a number of reasons.

### 5. Know yourself

Everyone has different attitudes to wealth and varying philosophical outlooks. Understand your own attitudes and you will be better able to consider the impact of these views and plan accordingly.

### 6. Prepare

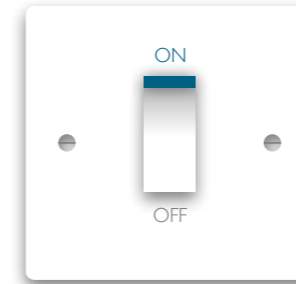
Proactively prepare your next generation. The research shows that if the next generation are poorly prepared for wealth transfer, they will find it hard to fulfil the responsibilities of managing matters in the future.

### 7. Practice

A key part of preparing the next generation is to gradually empower them to practise managing their family's wealth in a gradual and controlled manner. Giving them the opportunity to understand their future responsibilities while you are still around, is one of the best ways to ensure beneficiaries are prepared in good time.

### 8. Wealth preservation

A key component of any plan is to identify and mitigate future risks. Some families have generations of experience, while others rely on advisers. There is no right way, but identifying future risks will help you consider the most effective way to manage your wealth.



# TRIGGERS FOR SUCCESSION PLANNING

*Most people start their succession planning at the suggestion of their advisers, prompted by the need for effective tax planning or because of tax law changes. But our research shows that other factors play a part, including lifecycle, health scares and enforced business succession events.*



**Birth**  
A new family addition often means adding an extra person into the plan and can trigger thoughts about future tax structures and trusts.



**Early years**  
Events such as starting school often see parents and/or grandparents providing funding for private education.



**Early adulthood**  
Typical events in this period include starting higher education, providing a deposit for a home or supporting a career.



**Marriage**  
As well as providing support for the wedding and new family home, parents often consider ways to protect family wealth if the marriage fails.

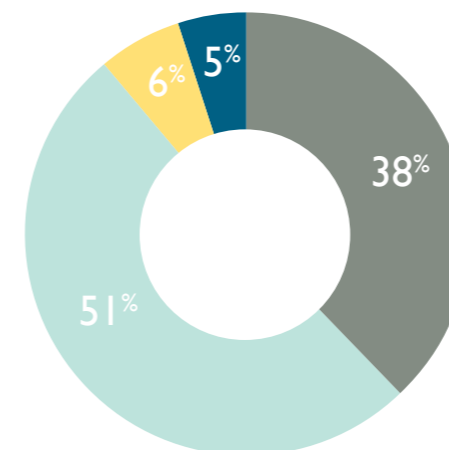


**Retirement**  
Elderly generations want to make sure they have enough wealth to enjoy the rest of their life, but also want their children to have access to their money early enough so that opportunities do not pass them by.



**Death** can come unexpectedly so the importance of early planning is vital.

## WHO GETS INVOLVED IN YOUR FAMILY'S WEALTH PLANNING?



38%  
SELF



51%  
SELF AND PARTNER



6%  
FAMILY



5%  
EXTENDED FAMILY

**£1 trillion**  
due to pass down over the next 20 years

**87%**  
the amount wealth must grow over 25 years to break even



2.5 million stepchildren complicate matters

**58%**  
of people do not have an up to date will

**1 in 3**  
families dealing with succession suffer conflict\*\*

## | 01 | THE CHALLENGE

Over the next 20 years, over £1 trillion is due to be passed down from one generation to the next in the UK.

While the scale of the transfer is not in itself a problem, the issues surrounding succession are increasingly complex, and a reluctance to discuss the subject among many families puts their fortunes at further risk.

Families are growing in size and complexity – second or even third marriages are increasingly common, with families made up of a wide and intricate set of relationships, involving stepparents, stepchildren and half-brothers and sisters.

To add to this complexity, we are living longer – the average life expectancy in the UK is now 80 years and rising. This presents two problems: wealth has to last for longer and the end-of-life wealth transfer point is extended. This means that some of the next generation won't receive the wealth and the responsibilities associated with it until they are in their 50s or older.

It all adds up to the need to plan. However, understanding the motives and vision for wealth, its purpose and

benefits both now and in the future, is an important initial step in succession planning. Key questions to ask include:

**When is the right time to pass wealth on?**

If your children receive too much, too soon, will it have a negative impact on their drive? Yet pass it on too late and they could miss out on opportunities to realise their potential.

**How much do you give and to whom?**

Does treating your children fairly mean treating them equally? All of your children are different, each with their own abilities, vulnerabilities and needs. Do you provide more to those with greater need? Or do you back those with a flair for business?

**Who gets involved in the decision making?**

Do you get involved in succession planning solely or do you engage your spouse and children? Which advisers will you call upon? As well as professionals such as accountants, lawyers and your private banker, do you talk to friends and confidants?

**“We’re planning for six generations”**

Tim Blackstone\* is a man with a clear and uncompromising vision. After making his wealth in business, he is determined to see that it supports his family for decades to come – not just for his children and their children, but into the next century.

“We have looked at what can be done for six generations,” he says. “We set up a trust in conjunction with some independent trustees. I think that’s important. Our children will not get the money; it’s not for them to have. It’s for them to manage and to benefit from, but after that it goes to the next generation and on and on that way.

“You have to ask yourself, ‘What do you create wealth for?’ Surely you create it to have a good life, but then if your children, grandchildren and great-grandchildren also benefit from it, that’s even better. That’s very much our view.”

“Our children will not get the money. It’s not for them to have. They can benefit, but after that it goes to the next generation”

“You create wealth to have a good life, but if your children, grandchildren and great-grandchildren also benefit, that’s even better”

\*see page 37  
\*\*based on survey respondents of £5m-plus

## | 02 | HOPES AND FEARS

*From owners of stately homes that have been passed down through the generations for centuries, to entrepreneurs and lottery winners, each family we spoke to had their own succession story. But familiar themes emerged.*

### Hopes

Your vision for wealth can be influenced by history, values, personal experience and the family's sources of wealth. However, five main hopes emerged from our survey.

#### Security

All families we surveyed considered security as either the most, or one of the most, important benefits of wealth to their family.

Many of those surveyed wanted their family to have a decent home to live in, as well as good health care and protection in case of emergency. For some families, this meant purchasing properties outright for their children when they left home, while others provided deposits and loans to help fund the purchase of their first property.

Around 70% of respondents say that they plan to pass wealth down during their lifetime to cover these provisions. Where this is not the case, it is common to find provisions made in wills or trusts.

#### Lasting legacy

Some families consider themselves to be custodians of wealth, which is there to be passed from generation to generation – in some cases creating five or six generation plans. However, others feel that planning too far ahead

would place unwanted obligations on subsequent generations.

#### Education

A decent education for their children and grandchildren is regarded as a high priority for many families, and for many, this aim is achieved by paying for private education. In most cases, they are happy for parents to decide where their grandchildren are educated, but some grandparents insist that they have an influence too.

#### Opportunity

Wealth can be seen as a springboard for children wanting to pursue a particular career or passion without having to worry about how much they earn. In situations where wealth has been generated through business ventures, many families feel strongly that it should be a catalyst for generating further wealth through entrepreneurial activity or involvement in family business.

#### Philanthropy

Almost one in five families with liquid assets of more than £5m consider philanthropy as one of the primary purposes of wealth. For many, philanthropy provides an opportunity for children to better understand

their family's values and vision, as well as the impact and influence this can have. It also provides a focal point for families to discuss wealth in a positive way, while involving children in a philanthropic trust is a way of engaging children with investment and governance issues.

#### WHAT IT MEANS FOR YOU

Each family will view the purpose of wealth differently according to their values, attitudes and experiences. Parents are not always aligned in their thinking, so they need to discuss their views and hopes so that a cohesive message is passed on to the next generation. The more ambiguity parents can remove, the more likely that the next generation will understand their vision for wealth succession and use the wealth for the purpose it was intended.

### Fears

Our survey shows that the five biggest concerns for families are taxes, conflict, complacency, wealth erosion and privacy.

#### Paying too much tax

Tax is one of the biggest concerns for wealthy families. For those who have recently earned their wealth, Inheritance Tax (IHT) is seen as a major issue. Many feel that, having already paid Income Tax, Capital Gains Tax and other taxes on their wealth, paying up to 40% in IHT on top is unfair and could place a burden on the next generation.

Those who have inherited wealth are more familiar with tax implications, and while they often regard it as unfair, they have more time and experience to plan sufficiently for the transition ahead.

Regular changes to tax and trust laws are also a concern for many, making long-term planning a challenge, especially for complex estates.

#### Family conflicts

Wealth can put a great strain on family relationships – a third of families with more than £5m of liquid assets say they have suffered conflicts. Not surprisingly, these families are keen to avoid history repeating itself.

Family members, including husbands and wives, often have varying opinions, and this can cause problems. We heard from parents that various family members have different views on what they consider to be fair in terms of wealth distribution, and who should be included as beneficiaries. If a wealth succession plan is deemed unfair by some, it could provoke feelings of envy and injustice on one hand, and despair and depression on the other.

Parents also fear that their children could attract people who are more interested in their money than a relationship. Many have also seen a negative impact on a marriage if one party came to the relationship with significantly more wealth than the other. Some parents are also concerned that wealth and its transfer would affect the relationships of their children with each other. Many of the advisers

#### “We were very clear – we decided to give each of our children a home”

Bernard Davies\* and his wife have clear views of the purpose of wealth in their family. “We were very clear,” he says. “We decided to give them each a home – it didn't have to be a mansion, but a home that is appropriate for someone who is young. We provided each one with a modest car and also made sure they have medical and car insurance.”

Davies provides support, but is conscious that his children need to learn the value of money. “Earlier in their lives, we provided each with a world-class education and then, when they went to university, we paid for their living expenses. If they wanted anything extra, they got a job and paid for it themselves.”

Now that his children have grown up, levels of support are much lower. “Now I'm here for two things,” says Davies, “an emergency and to back talent. I have created a fund where I back young people with talent and that can include my own children.”

\*see page 37

we surveyed also note that they have witnessed conflict between siblings or cousins, usually following the death of parents when the details of wills have been revealed.

**Complacency**

Many parents are worried that wealth would affect the drive and ambition of their beneficiaries. One in five say that children who simply assume they will inherit enough money to sustain an acceptable lifestyle could become too complacent, lacking the motivation to realise their full potential. Getting the balance right is one of the biggest dilemmas parents face.

**Wealth erosion**

Most families want to see their wealth provide opportunities not only for the next generation, but for subsequent generations as well. But they fear being ‘clogs to clogs in three generations’ – a Lancastrian phrase depicting someone from a poor background becoming wealthy, only for it all to be thrown away by the third generation. The vast majority of those surveyed say that ensuring wealth is passed on is a major responsibility.

Another big worry is the risk of a divorce destroying a family’s wealth. With courts starting with a 50:50 split as the default award, families fear that large sums could be lost or that assets that have been in the family for generations might need to be sold to settle a claim. Many parents (28%) are anxious about protecting family wealth, yet highlight the sensitivity in raising the topic of prenuptial agreements (see page 31).

The recent increase in uncertainty around investment returns is also a cause of concern for many families.

Due to the increasing size of families, wealth needs to grow by 87% just to maintain a family’s lifestyle over 25 years. Some are concerned that their wealth may diminish beyond repair before a significant upturn in investment returns is seen.

**Privacy**

Wealth is a hugely private matter, but the internet and social media are making it increasingly difficult to keep a lid on family finances. There is an abundance of information, such as newspaper and magazine rich lists, Companies House accounts and media reporting that is freely available. Many families agree that this increases physical and emotional security risks.

Furthermore, there are questions surrounding the accuracy of much of the information floating around in cyberspace. All families that express an opinion on this issue say that most publicly available information is inaccurate and gives

people the wrong impression of their actual situation. This could have serious repercussions if children find out from public sources or friends rather than their parents and wonder why that information is being hidden from them.

**WHAT IT MEANS FOR YOU**

Each family has its own concerns around the effect of wealth on the family. To achieve the best outcomes, it is important to openly discuss these concerns with family and advisers. This will enable families to understand the perspectives of all involved and the possible impact of those concerns, then develop solutions before the risks become a reality and emotions are heightened. Such a risk management approach can help build a more solid foundation for a successful wealth transfer plan.

**“We worked hard for our money – we don’t want to fritter it away”**

Jean Tremlett’s\* husband sold his business seven years ago and this was the trigger for them to start planning how to pass on their wealth. They set up a discretionary trust to ring-fence money for their children’s future, for example to cover school fees.

“I believe the philosophy for protecting your wealth is different to that for earning it,” says Jean. “We were very entrepreneurial, but our investment strategies are much more conservative. We are also concerned about Inheritance Tax and looking at whether we can take out insurance to cover it.

“We worked hard to earn the money and wanted to make sure it wasn’t frittered away. We have split the money into two pots: one for us and one for our boys. We are safe in the knowledge that the money has been secured for our children’s future.”

\*see page 37

**56%**  
of high-net-worth individuals worry they pay too much tax\*\*

**36%**  
want their wealth to provide family security

**52%**  
worry about the impact of wealth on the next generation



\*\*based on survey respondents of £5m-plus





### | 03 | IS EQUAL FAIR?

*What is considered fair when it comes to passing down wealth?  
And does fair mean an equal distribution of wealth when it's  
passed down to the next generation?*

Families take different approaches to dividing their estate, and one of the key challenges they face is whether to do this equally in terms of number of children or whether they see fairness in some other form. There is no right answer.

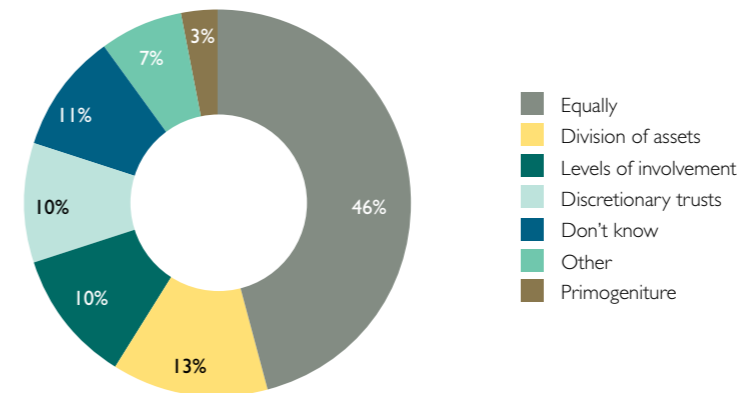
Whatever approach is taken, it is important that the next generation understand why the decision was made and to understand the impact it will have. Only in this way can resentment and conflict be avoided.

Our research shows that the starting point for most families is equality. However, the wide range of circumstances and events that occur within a family mean that equality is not always easy to achieve. For many,

support is often provided unequally through the lifespan of a generation, depending on their circumstances and needs. Sometimes this balance is never redressed and for others, equilibrium is actively sought and accounted for in succession plans.

In many cases, children do not find out about their inheritance until parents have died, so the reasoning behind decisions is often unclear and there is nowhere to go for answers. While it is understandable for parents to put off difficult discussions, those who talk with their children typically feel better for doing so.

#### HOW FAMILIES PLAN TO DIVIDE THEIR ESTATE



# 10 TOP INFLUENCES ON WEALTH DISTRIBUTION

*The form of wealth and how it was created can be a significant influence on how it is passed down. If wealth has been in the family for generations and there are precedents for how wealth is distributed then these can prevail. But our research shows that other reasons can also have an influence.*

## 1. Maintaining the legacy

Families are often keen that an estate or business stays together. This is primarily for heritage, legacy and sound business reasons, but also for fear of being the generation that was responsible for its break-up.

## 2. Business involvement

Planning for the succession of long-standing family businesses can also be difficult in terms of achieving equality. All, some or none of the next generation may be interested in the business and show a flair for management or other roles within it. Some families concentrate the shareholding around those involved in the business; others pass them down equally, regardless of involvement. Having different branches of a family involved, each with their own history, set of drivers and dynamics, can make it more of a challenge to manage.

## 3. Liquidity

For many families, a large majority of their wealth is tied up in businesses and other assets, meaning they can't readily get their hands on this wealth in order to distribute it equally. This

will restrict the options available for succession planning.

## 4. Tradition

History can also be restrictive. For instance, certain assets may have to be handed down through the bloodline, with limitations such as an inability to pass shares to spouses.

## 5. Entrepreneurial spirit

Families with newer wealth, say from the sale of a business which they created, tend to feel less pressure to maintain and protect the wealth than those who have inherited. They often feel that their children should be ambitious, driven business people too. Those with entrepreneurial flair are often supported more by their parents. On the other hand, some parents prefer to limit the wealth they pass on in order to make their children hungry for success.

## 6. Portfolio valuation

Many wealth portfolios do not lend themselves to equal division. Properties, for example, can have a particularly wide range of values and can be hard to split unless they are sold. Properties often have emotional

value, which means a holiday cottage full of family memories can be regarded as being more 'valuable' than an investment property.

## 7. Primogeniture

Primogeniture, where the eldest male takes preference, is still used by some families – although far less than in the past. But even in cases of primogeniture, the eldest male does not tend to inherit all – he might receive the flagship asset, maybe a house or business, while siblings also often receive an inheritance.

However, for many, gender is no longer the issue as parents are often looking for the child who has the aptitude and desire to manage a family business or estate. Unlike most jobs, managing an estate can be a 24-hour-a-day task, which may not suit the talents or aspirations of the next generation, or may not appeal to the eldest. Some children may see the inheritance as a liability.

## 8. Family composition

Family structures can play a big part in wealth succession. As wealth passes down, the different numbers of children in each branch can create inequality. Additionally, regardless of whether children are their own or stepchildren, some parents consider them all to be equal, especially if the children have grown up together since they were young. Others may treat children and stepchildren differently, especially when it comes to inheritance of family assets such as properties, businesses and heirlooms.

## 9. Needs and abilities

Parents tend to support their children based on need. Sometimes a need arises from the career choice of the next generation and parents help their children to follow their dreams, rather than pursue a career that would pay the bills. One mother recounted how her son loves being an academic scientist, but pointed out that the job does not pay well. However, she was able to step in and helped him to buy a house and a car – despite him having no such expectation.

## 10. Values and behaviours

A family's sense of fairness in distributing its wealth is usually linked to the parents' values. A widespread intolerance of lavish spending, regardless of the work ethic of their children, means that many parents choose to pass less wealth to carefree spenders than their more careful and responsible siblings.

### WHAT IT MEANS FOR YOU

Each relevant factor needs to be considered as part of the wealth succession planning process and shared with family members impacted by the decision. This will also lead to the most appropriate decision for the parents on whether to act in an 'equal' way or whether another method is considered fairer. More often than not, a combination of these approaches will help to ensure that the emotional and subsistence needs of the children are met.

### “We can't commit to giving our children too much money”

Tim Jeffries\* is worried that if he commits too much money to his children too early, he and his wife could be left living a more frugal life than he would want.

“I'm 63 and hopefully still have a long way to go,” he says. “We enjoy life and I know how much I need to spend each year to maintain my quality of life. We'd like to commit to, say, providing a few hundred thousand pounds every year for each of the children, but we just can't commit to it. So we have planned what we need and decided that anything left over will remain in trust to be distributed equally after we die. In fact, we are just looking at appointing independent trustees so we can get them involved in good time.

“Throughout our lives we have supported our children equally. They have had different needs at different times, but it has all worked out pretty evenly. The one exception is my son, who has been far more involved in the family business than the others and has earned more.”

\*see page 37



**“My two daughters will always be treated equally”**

For Jane Smith\*, equal is fair. She is planning for wealth to be provided equally through life and on death. She has always been very clear with her two daughters that they will always be treated equally.

“There is a four-year age difference between the two,” says Jane. “The older one got a car when she passed her driving test and the younger one isn’t even thinking whether she will also get one – she is just wondering what car she will get.

“We not only treat our daughters equally but also the wider family. When we sold our business, we decided to give some of the proceeds to our siblings and parents. We gave lump sums to each – equal amounts regardless of their financial situation. We are planning to pass on a lot of wealth before we die. Whatever is left will be divided equally.”

**“My son gets 70% and my daughter 30%”**

Brian Stevens\* ran a successful manufacturing business, but when it came to thinking about retirement, he faced a dilemma. He has two children. His son now runs the family business, but his daughter doesn’t want to get involved. He wanted to recognise the fact that his son was investing his time and talent in growing the family wealth, whereas his daughter wasn’t.

“I set up a scheme to split things up in a way that treats my children unequally but I believe fairly and I think they have come to terms with that.

“When my business partner wanted to sell out, I bought his share of the company and gave it to my son and daughter. When we have a dividend at the end of the year, my son gets 70% and my daughter 30%. When we come to sell the business, they will split their shares and anything related in the same proportion.”

**“Sometimes it’s not in their interests to be equal. One might be working their socks off keeping the family business running, while the other is sitting around waiting for an inheritance”**

\*see page 37

## | 04 | PERSONALITY MATTERS

*Through our focus groups, parents demonstrated some common characteristics in their approach to wealth succession, which we have categorised into four distinct personality profiles: custodians, realists, spenders and philanthropists. None are absolute and some may fall between two, but each will help you consider the impact of your views and plan accordingly.*

### “We’re giving most of our money to charity”

Phillip Barton\* and his wife Michelle worked long hours to build up their business. Because they weren’t at home as much as other parents, they believe they may have overcompensated by providing their children with too much financial support. The Bartons decided that their children have had too much of a good thing and have cut their inheritance entirely.

“We have supported our children where and when they needed it, and now they have come to expect whatever they want,” says Phillip. “We have reached a position where we think the children should not expect wealth from their parents; they should acquire it themselves. Our thoughts have slowly changed about whether or not we should hand our wealth on to our children.

“The crux of the situation is that you can’t get too comfortable. If you get too comfortable, the will to succeed diminishes. If you protect your children too much, they won’t appreciate the true meaning of business and survival. In hindsight, it’s better for them to experience pressure, since that teaches them the value of money. We have decided to give most of our money to charity. It will be a difficult discussion to have, but it’s necessary.”

\*see page 37

### *Custodians*

Custodians see themselves as one in a chain of stewards looking after the family’s wealth for future generations, rather than just the next generation.

They tend to have a clear view of the values they want to pass on and favour risk-averse, long-term wealth-preservation investment strategies.

This type of parent often looks to communicate the subject of wealth between generations sooner rather than later. With a long-term vision, they often use structures to protect the family wealth while providing future generations with limited and controlled access to wealth.

#### Key questions to ask

- Is the family aware of the vision to pass the wealth through the generations and how this will be achieved?
- Will the family be able to benefit from the wealth and will the next generation be able to realise their potential if it is to be maintained for future generations?
- Will the next generation resent the expectation to maintain the legacy?
- Are children being prepared to become responsible custodians?
- Is there sufficient governance to achieve this aim?
- Will those who inherit wealth from a long line of custodians question whether they deserve it, since they have not worked for it or earned it?
- Could philanthropy be a key way to bind even the most inactive and dispersed family members?

### *Realists*

Realists are focused on helping their children to be ‘grounded’. They want them to appreciate the privileges that come with wealth and ensure that their expectations are carefully managed.

Most tend to provide for their children’s education, but then encourage them to create their own wealth so that they understand the value of money and hard work. Realists generally want their children to feel a struggle in the same way they may have done, and also recognise the importance of managing their children’s expectations by setting clear parameters.

#### Key questions to ask

- Have the expectations of the next generation been carefully managed?
- Wealth is a potential springboard for opportunity, so if funding is being denied, is there a risk that children will not realise their potential?
- How far should children be allowed to get into financial trouble before being rescued?
- If it is not for the children to use and there are not strong views towards philanthropy, what happens to the family wealth when parents die?
- If children are financially independent, to what extent can parents still have a say in their children’s affairs?

### *Spenders*

Parents that fall into the spenders category want their family to live a good life and enjoy their wealth.

Most of those in this group have earned their wealth rather than inherited it, and so generally feel they have the right to spend it and do what they want with it. This is why they tend to provide more wealth to their children earlier – they do not want to see them struggle as they may have done.

Most also believe that wealth does not give them the right to control their children’s lives. They are keen that children reach their own conclusions about what wealth means to them and their family.

#### Key questions to ask

- How can you ensure that their lifestyle does not result in a lack of understanding of the value of money from the next generation?
- Could receiving wealth at a young age – or having the expectation that it will come – undermine your children’s motivation to develop a career of their own?
- Could receiving wealth in an unstructured way lead to confusion or anxiety as children try to get to grips with the responsibilities of wealth?

### *Philanthropists*

Philanthropists view wealth as a force for common good. Parents in this camp tend to provide the basic needs of their children, such as education and housing, but also look to maximise giving to philanthropic causes and making a difference in society.

They tend to make sure that their wealth is not frittered away and, often, set up controls to channel wealth into philanthropy. In many cases, they also engage their children on their philanthropic journey.

#### Key questions to ask

- Has the vision been clearly articulated?
- What is the right balance between spending and giving?
- Will philanthropic giving be limited to your life or will it be a legacy for future generations?
- Do the next generation know what is expected of them and what role they might play?
- Can philanthropy be used as an opportunity to get the family working together and maintain family harmony?



## | 05 | PREPARATION STARTS WITH COMMUNICATION

*There is a direct relationship between the provision of clear and coherent communication to the next generation and the success of wealth transfer. Yet for half of those we surveyed, discussing wealth is still taboo. In many other families, communication is restricted to a 'need-to-know' basis.*

It is not only communication around the scale and nature of wealth that is taboo. Poor communication also means that some parents are not explaining key facts about the succession process – they fail to mention the names of trustees or advisers, or even whether a will exists, let alone what it contains or who will be executor. Once the lines of communication are open, parents can then get their children more involved and therefore prepare them for succession.

Simple steps such as introducing children to advisers mean that they will be dealing with familiar and trusted people in testing times following the death of a parent. They will also get used to financial jargon and not be overwhelmed by conversations with accountants or lawyers.

Getting them to help manage the family finances or assets also provides continuity. It enables them to practise while their parents are still around to teach and guide them. Providing

them with increasing levels of control, gradually over time, also means that they learn to take on more responsibilities and test their own abilities to manage that wealth.

### The taboo

So why do many families not talk about wealth and actively prepare the next generation for the transition ahead?

Some parents feel that telling the next generation too much, too soon could make them feel different from their peers, when most want their children to feel as 'normal' as possible.

Some also worry that children who expect large sums of money to come their way would stop trying at school, drop out of university or lose the motivation to work. They also want their children to really appreciate wealth and are anxious for them not to develop an unhealthy sense of entitlement.

Additionally, parents fear that children who know too much, too

soon might inadvertently reveal their wealth to people who may want to befriend them for the wrong reasons.

But our survey reveals that failing to talk about succession issues is not only about these fears. In some cases, it is simply that many parents don't know how to start communicating with their children about wealth. Often, their own parents didn't communicate with them, so they have no template to follow. Some acknowledge that their own limited understanding of finances has held them back.

Other parents take the view that there is no rush to start talking to their children about wealth and that they will wait until everyone is ready. The problem with this approach is that they take for granted they will lead long lives,

as a consequence the communication may not happen.

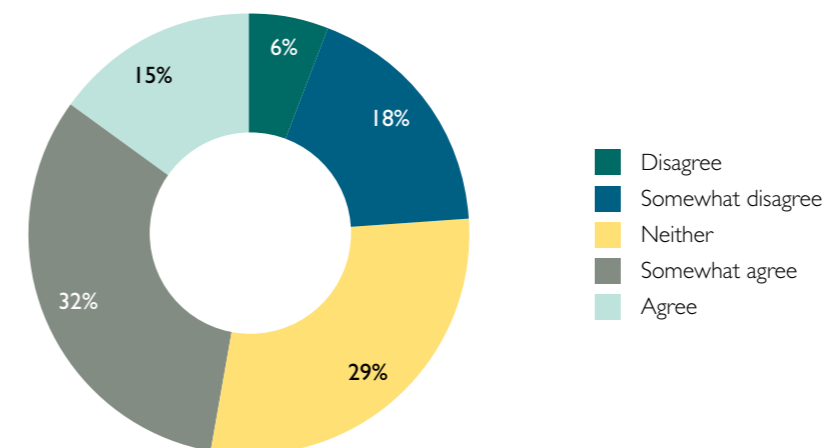
### Striking a balance

Some parents explained how they have deliberately withheld information about wealth from their children, often with the aim of protecting the family and the wealth, but sometimes as a way of maintaining control.

However, this approach can have a negative effect – it can create resentment by showing a lack of trust and leaving many feeling unprepared for the transition ahead. Ultimately, withholding information for too long will leave beneficiaries vulnerable and ill-equipped, giving rise to an ineffective handover of wealth.

Conversely, some parents described how they had provided too much information and control to children who lacked the knowledge or maturity to understand it. This can result in children rejecting the information or feeling overwhelmed and parents feeling out of control of the situation.

### DO YOU AGREE THAT YOUR CHILDREN ARE READY TO HANDLE INHERITANCE?



## Raising the succession discussion

It is clear that a fine balance needs to be struck to make sure the handover of information and control is appropriate and managed effectively. The approach will be different in every family and needs to be based on the age, maturity, abilities, knowledge and skill of the next generation, as well as the point reached in the family's wealth lifecycle.

From our focus groups, four categories emerged.

### 1. Empowered and prepared

Parents are open to providing information and making sure their children understand it all, while at the same time gradually handing over control and responsibilities. In this way they have the chance to practise managing the family's wealth while their parents are still around and able to guide them, making them well prepared and ready to take over when the time comes.

### 2. Sink or swim

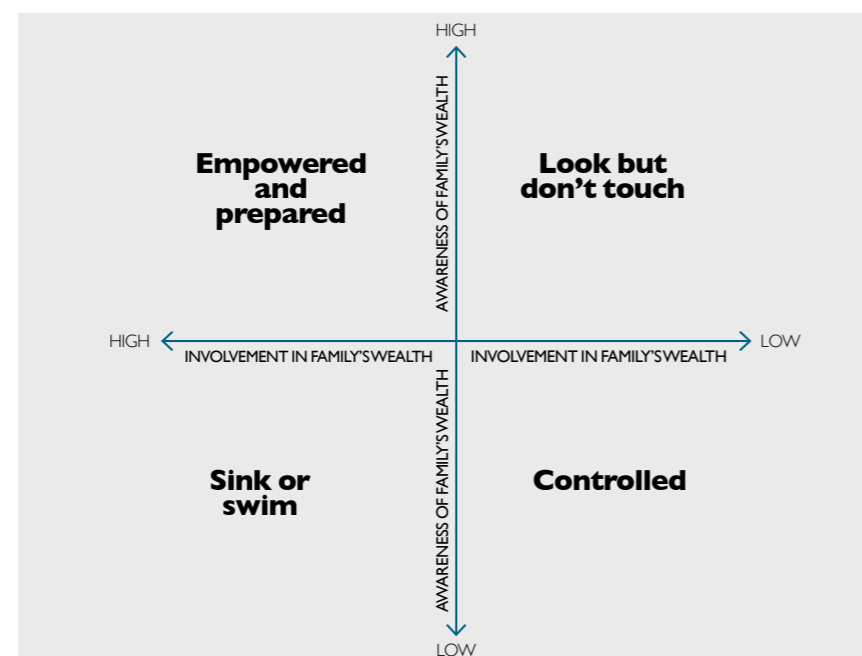
Parents who take this approach provide limited information or education to their children, but start to hand over control and wealth so the children are thrown in at the deep end and left to sink or swim. They are typically unprepared to manage the wealth that has been passed on, as they haven't been given the knowledge, training and skills to do so effectively.

### 3. Look but don't touch

In this approach, parents gradually pass over all the given information and teach their children, but give them little opportunity to get involved and practise while retaining control of everything. Families who take this approach may be missing a trick – they are willing to be open, but if they gave their children more opportunity to get involved, they may have far greater engagement. Children are also more likely to switch off when they are given information but don't think they will have an opportunity to influence things.

### 4. Controlled

These parents tell their children nothing and retain complete control over everything to the very end. In fact, they can even control matters after they have gone through trusts, other complex structures, their letter of wishes, etc. In this case, children have had no opportunity to learn, understand or practise managing the wealth they have inherited and are completely unprepared for the transition and reliant on unknown advisers.



### HOW AND WHEN TO HAND OVER CONTROL

One of the most powerful conclusions from our research is that families who communicate effectively and empower their children usually experience a smoother transition of wealth than those who don't. Examples of successful transitions of wealth include a gradual process of sharing information and getting the next generation more involved, until the nature of the wealth and their role in managing it becomes clear.

The most successful approaches also include educating the next generation about the family assets and the responsibilities they will have for the wealth. Approaches to education range from providing children with financial education – formal and informal – to enabling them to spend time working with the family charitable foundation to help them understand more about aspects of wealth such as investments and governance.

### DO YOUR CHILDREN LIVE THE HIGH LIFE?

Most parents want their children to be 'grounded' individuals and to understand the real value of wealth. What they don't want is for their children to have a sense of entitlement. Parents want their children to recognise that wealth is a privilege not to be taken lightly and not to be frittered away.

A pattern of situations emerged from the focus groups that illustrate parental thinking on this issue.

#### Economy or first class?

The majority of parents say that all short-haul flying should be done in 'economy'. And when it comes to long-haul flights, many think that their children should not expect to fly first class, even if the parents do.

#### Ferrari or Ford Focus?

Buying a car for their children is seen by many parents as fulfilling a basic need. But the choice of car is critical, with most considering a modest car to be suitable. Many feel that if their children choose a supercar, this will be a sign that they have lost sight of the value of money and that expectations have been mismanaged.

#### A place in the country?

Parents say they are prepared to provide deposits or even buy modest family homes for their children when they set out on their own. But some have been shocked by requests from their children for mansions or holiday homes. Still, some parents have given in to these requests on the basis that property is a good investment.

## *Why participation pays dividends for younger generations*

Each family will need to carefully consider what they are doing to prepare the next generation. Our research shows that a wide range of measures are being employed. These include:

### **Financial education**

This varies from homespun education, such as giving children money to invest, to going on financial and business courses.

### **Meeting advisers**

A number of families we spoke to in the course of our research said that they had introduced their children to advisers, including bankers, accountants and trustees. They have also started to involve them in meetings while encouraging them to forge their own relationships.

### **Family meetings**

Some families set up regular structured meetings to specifically discuss wealth management and succession. For some, this can involve drawing up family ‘charters’, while for others less formal approaches are taken.

### **Family foundations**

Philanthropy involvement is a growing trend, with a number of parents involving their children in some formal capacity in their own family charitable trusts. Foundations also provide an opportunity for future generations to be involved in decision making, leadership, governance and investment management.

### **Networking**

Many children are encouraged to network with their peers in order to take in and learn from the experiences of other wealthy families, as well as develop a support group of others in similar circumstances to themselves.

### **Business ventures**

Many parents encourage their children to set up their own ventures and help them build business cases. Many also provide seed funding and take on non-executive roles to help.

### **Work experience**

Family business owners often encourage their children to work in the business from an early age, during weekends or school holidays. Older children could be invited to take on more specific roles to learn more about the business or get involved with governance as part of the preparation process.

### **Trusteeships**

Some parents include children as trustees in family trusts in order to teach them more about this role. It also gives them clarity about the vision and values of the family, while they learn how to manage finances and investments.

### **Dividends**

Many children have been handed shares and receive regular dividends from them. Some parents use this as an opportunity to talk about the performance of the business and help them understand business reports and accounts.

### **“I gave them £10,000 each to invest in shares”**

Charles Simpson\* thought he would teach his children how to invest their money through a little competition.

“When my son was 22 and my daughter 20, I gave them £10,000 each and said whoever ended up with more money in two years’ time would win a trophy,” he says. “I did it so they could learn about stocks and shares, and how to spread risk through bonds and other investments. Ultimately, I wanted to educate them about the value of money. It was great fun and very effective. My daughter won but they both learned the lesson.

“I applied a similar sense of fun when I encouraged my children to get involved in my business. I thought the best way to get them interested was to involve them somehow. Just like my father took me around the business when I was young, I took them, and I am doing the same now with my grandchildren. They sit in the front of lorries and pretend to drive, rolling their sleeves up and mucking in. They love it and are learning to love the business.”

\*see page 37

## *What your children really think*

A key finding of our research is that parents and their children only usually talk about wealth and its succession in a cursory way. While parents are trying to make the best decisions for their families, these decisions often fail to take into account the perspective of the people for whom they have the biggest impact. In many cases, this is the children. Here’s an outline of what the sons and daughters of wealthy families had to say.

Reassuringly, the next generation seem to be in tune with their parents’ views of what wealth can achieve for families. They recognise that wealth provides them with security and protection. They also see wealth as providing them with the best preparation for adult life in terms of education and experiences.

Most of the next generation feel that wealth provides them with opportunities, either as a springboard for developing business ideas or for supporting them as they pursue their dreams and passions. They also

appreciate how wealth can free them from money worries.

But there can be a cost that comes with inheriting wealth and many feel overburdened by expectation. This feeling is especially strong in those who feel an expectation that they must run the family business or estate, whether they want to or not. A number are concerned that they will be judged against their parents’ achievements. This is daunting to those who have put off career decisions by embarking on lengthy academic programmes or deliberately chosen a career that avoids direct comparison with their parents’ success.

The majority of those we spoke to are determined to remain ‘grounded’ and fear alienation from their peers because of the assumptions their peers may have made about them due to their wealth. They also fear that friends, acquaintances and suitors will take advantage of them by acting under false pretences.

In many, there is a huge sense of guilt and anxiety because the next generation have been given a great opportunity that they are expected to exploit, but know they have done nothing to earn it. This means that they can often feel unworthy, which significantly impacts their self-esteem and motivation. They also have to grapple with meeting their parents’ expectations and achievements, which they feel they will ultimately be judged on.

Interviewees also expressed anxiety about being worthy and prepared custodians, and having the skills to protect and manage wealth and estates that future generations are able to enjoy.

### **Over 50s: few crumbs of comfort for sandwich generation**

Increasing longevity has brought about a new era of concerns for the so-called ‘sandwich generation’, those who are caring for both children and parents, despite being in their 50s themselves. With life expectancy in the UK pushing up to 80 and beyond, it is not unfamiliar to find next-generation children in their 50s still awaiting succession. One concern expressed in the survey is that if parents choose to withhold inheritance (or the vast majority of inheritance) until they die, they would be denying their children the ability to make the best use of the opportunity when they really need it.

**“I took a crash course on how my father’s estate worked”**

When her father died unexpectedly while she was in her 20s, Jessica Nash\* did not realise just how complex her life would become. Jessica’s father had not talked to her about his wealth, how it was structured or what would happen upon his death. “As well as having to cope with the grief of my father’s death I found myself in bewildering conversations with lawyers, accountants and other advisers who had worked with my father.”

She adds: “I received a crash course in how my father’s estate worked, but it was not a simple affair. One year on, I’m still struggling to understand what is expected of me. It has been a long, drawn-out process because things were not really organised.

“It has just been my mother and me, but my father had much more financial knowledge. He always said ‘You will be okay’, but I wish I had more financial understanding. I was relying on him a bit too much.”

**“I am acutely conscious where my daughters are concerned that perhaps we have overdone it in looking after them”**

**“I have responsibility for my family’s estate”**

Stephen Sharp\* is the only son in a family that has owned a stately home in the Midlands for eight generations. Although he has two older sisters, family tradition means that the eldest male heir inherits the estate – a process known as primogeniture.

“For me and my sisters, there are two options,” he says. “Either I get the house and my sisters get everything else, or the house is sold and we split everything equally. My family has always been quite eager to relieve the pressure, but I personally feel a responsibility for keeping it. So too do my sisters – they would prefer the house to stay in the family.

“You are a custodian in some sense, but you are not just there waiting for the next one to take over. You also have to make something of it. It is a business and it has to be run. My inherited wealth will be a lifestyle, but I use it as a means to realise my full potential and the potential of our assets. I think being a custodian is only half of it.”

\*see page 37







30%

of high-net-worth individuals begin to plan after the age of 55

50:50

the presumed asset split upon divorce

34%

of marriages are subsequent marriages

## | 06 | HOW TO PROTECT YOUR WEALTH

*Our survey shows that protecting wealth for future generations is the main goal identified by families. We also identified three factors that worry families the most: tax, divorce and the increasing complexity of families. Managing these risks is not easy, but these tips should help.*

Wealthy families in the UK predominantly use wills and trusts to control the transfer of wealth. Our study shows that 90% of high-net-worth individuals have a will and a quarter use trusts – though this figure rises to over 50% for high-net-worth individuals with more than £5m in liquid assets. But there are other ways to protect family wealth.

### **Start early**

There is a strong correlation between the length of time taken to plan and prepare families for wealth transfer and a successful, smooth transition. Many families leave planning too late. Our research shows that almost 30% start planning when they are over 55. In some cases, this will provide families with enough time to provide for a gradual transfer of information and control. But for others, it would have come too late.

### **Make a will**

A will is crucial for anyone wanting to protect their family from a huge

headache after they die, and 90% of those surveyed say that they had a will. Even if you have made a will, it can pay to ensure that it is up to date, yet two-thirds of those surveyed said they had not amended their will since it was signed. Wills that are out of date are potentially unsuitable for meeting their intended objectives. With 34% of marriages in the UK being subsequent marriages, most do not realise that this automatically invalidates any existing will.

### **Use a trust**

Trusts are legal arrangements that enable you to give away assets, but restrict or direct how and when they are used. Once assets are placed in a trust, those assets no longer form part of a person's estate, so they are better protected from any claims made against the estate through divorce or litigation. Assets held in trust can provide an income for beneficiaries and can also protect capital.

As trusts are often administered by professional trustees, they can

also offer some protection around the behaviours of beneficiaries and potentially jump generations, ensuring wealth is not squandered but used for its intended purpose.

While trusts have many benefits, they can be complex to administer. As they are designed to protect wealth from 'free' access, they can be difficult to change or break up when circumstances or objectives change, although they can be drafted flexibly.

### **Consider a prenup**

UK courts start with a presumption that assets will be split 50:50 in a divorce. For most families, let alone wealthy ones, there is a sense of one party being entitled to more than the other. For wealthy families, where it is common for a spouse to have married from a position of relative financial weakness, an even split can seem unfair.

This is one of the biggest concerns for families, yet discussing the impact of divorce on wealth can provoke a passionate response. This may help explain why the number of families

considering the use of prenup/postnup agreements is about one in four.

Pre and postnups are agreements whereby a spouse relinquishes some rights to financial and other claims in the event of a divorce. Well-drafted prenups are now increasingly given weight in divorce decisions in the UK and are a developing area of law. Indeed, prenups can be a useful mechanism for protecting wealth and can be successful, provided the subject is raised and dealt with sensitively and fairly, and with suitable professional advice. However, this is not always straightforward.

The issue of whether to use these agreements is hugely sensitive. Those who are getting married tend to feel optimistic and do not want to contemplate failure. However, parents or siblings may be deeply concerned about protecting family wealth, but feel guilty about suggesting prenups because it might set the wrong tone.

### **WHAT IT MEANS FOR YOU**

There are many ways that wealth can be protected. The best approach is to consider the risks and the consequences, both intended and unintended. With careful thought, most risks can be anticipated and mitigated – or at least managed – well in advance.

Communication is vital with timing playing a crucial part. It is far easier to test your thinking with family members as a hypothetical exercise well in advance of any trigger event, rather than the decision being delivered as a fait accompli in the midst of emotionally-charged events such as dividing the assets of a will or discussing a prenup a few weeks before a wedding.

**“We decided a cohabitation agreement is the best way forward”**

Bernadette Gilks\* currently lives on her own with her eight-year-old daughter. She sold her company a few years ago and is about to move in with her partner. Her partner is independently wealthy with a daughter of 20 and son of 17, and they are working closely together to find the right structure to protect both wealth and children. They have looked at the impact of both living together and getting married. “It is quite challenging,” says Bernadette. “You never think when you get married that you are going to be thinking about protecting your wealth.”

The couple have decided that a cohabitation agreement – and if they get married, a prenuptial agreement – is the best way forward. “We are both independently wealthy, but they are different multiples. And I have the higher wealth so it is not a common situation. How do you deal with that? We will share costs, but we want our independent wealth to go down to our children. The answer for us is to make sure we have an agreement that recognises the situation and that we think is fair. We also know that things are likely to change over time and, just like wills, we need to ensure that whatever agreements we put in place are reviewed regularly to ensure they reflect any changes in the way we live and consider our new family unit.”

**“My daughter’s ex got two-thirds of her money”**

Tom Wilson\* gave his daughter a large sum of money eight years ago.

“She insisted on putting 50% of it in the name of her second husband, whom she had just married,” he says, “although we were not convinced of the match. I tried to get her to do a prenuptial agreement but she refused, saying, ‘No, we are in love and we have to share.’ They have just divorced, which was absolutely horrific. They had just bought a villa in France, where he’s been living. Worse still, he successfully claimed under French law that he should get the money and has walked away with two-thirds of the money that my daughter had.”

*Who do you turn to for advice?*

According to our survey, three-quarters of high-net-worth families rely on advisers to help them manage their wealth, with financial advisers, accountants, lawyers and bankers being the most popular.

Families are looking for someone they can trust to give them advice and support – perhaps not surprising given that wealth and the details of how wealth is managed and transferred is a highly sensitive subject.

Many families prefer not to deal with big organisations where they could be dealing with a wide range of people, many of whom they might only ever speak to once. They want a consistent, long-term, one-to-one relationship with an adviser who will be available to speak with them regularly.

Financial advisers often have a close relationship with those who have earned wealth, and many have come on a journey with their clients from before they were wealthy.

However, many families raise concerns about the level of skills and ability of advisers. Those with relationships with small firms often found that as their wealth had grown, it stretched the ability of their advisers to cope with the demands of providing accurate and helpful advice.

And it is not just technical skills that are important. Softer skills such as communication, negotiation, empathy and understanding the family dynamics are valued. Families also want the opportunity to use the experience of their advisers to learn about how other families are dealing with the transition of wealth.

Parents are often keen for their children to use the same advisers as them, but only 17% of those surveyed state that their children know or have a relationship with their advisers. While 29% of children surveyed want to forge their own relationships, the majority are open-minded about using their parents’ advisers, provided they can trust, rely on and relate to them.

**PROTECTING WEALTH FROM DIVORCE**

**23%**  
raised the idea  
of a prenup

**8%**  
don't believe  
in prenups

**69%**  
said once wealth is  
passed on it's none  
of their business

**ADVISERS TRUSTED MOST BY WEALTHY FAMILIES**



\*see page 37

## | 07 | CONCLUSION

Thinking about your wealth in the future and what you hope to achieve with it can be a complex and challenging process.

Working out how to treat family members fairly can be a daunting task, given the large numbers of family members that are often involved and who often have different needs, circumstances and levels of involvement.

One of the clearest messages that emerged from our research was that those who start to plan earlier stand a far better chance of achieving their desired outcomes than those who don't. So how should families start to approach and navigate this complex task?

It is important to remember that wealth succession planning is a step-by-step process – it's not an event that happens by chance.

While some people embark on this journey alone, many choose to involve partners, children and others in establishing a plan. The process can be uncomfortable for you and your family. It often requires you to ask searching questions of yourself and those who are closest to you, and it will require you to address the taboo subjects of death and money.

Feedback from families who have been considering or are executing their wealth succession plans has helped us isolate some of the key stages that a family might consider

working through when creating their plan to pass down not only wealth, but also the values associated with becoming responsible beneficiaries of that wealth.

There is no single blueprint for wealth succession. Each family will view the eight stages we have identified in a different way and will come up with their own opinions and answers.

### “Each family will view the eight stages in a different way”

Without a clear plan and open communication, family members can feel confused, frustrated and anxious. A lack of preparation can lead to inheritors being left with a set of complex affairs they are ill-prepared to deal with. This can leave them feeling alone on a steep learning curve as they try to manage the family's wealth with little support, often under difficult and emotionally charged circumstances.

But talking about wealth doesn't mean opening up the family's balance sheet and sharing every detail. It's about gradually passing over information and teaching the next generation what wealth means,

how it should be managed and how it impacts their lives.

Parents have to judge the maturity and the ability of their children to decide what information is being offered to them, carefully assessing when and how to discuss the issues and to get children involved in activities that will equip them, technically and emotionally, to manage wealth responsibly.

Providing the right information at the right time is just one element of developing successful communication. Creating an open culture, where parents answer questions and manage expectations, and where the next generation can share their hopes and concerns, is also an important factor of success. With the right environment and good communication, the next generation can feel empowered and supported, and get used to the responsibilities of wealth in a steady and structured way.

The more you 'normalise' wealth and the privileges, opportunities, responsibilities and challenges it brings, the more prepared your family will be to handle that wealth at the appropriate time.

We hope that you can take something from the experiences of those who have been on this journey to help you develop a plan that suits you and your family's vision for the future.

## YOUR NEXT STEPS

### Consider wealth preservation

- Have you considered the key risks you will face in the future and what measures might help protect you and your family from those risks?
- Can your trusted advisers play a key role in helping you identify those risks and help guide you through this planning process?

### Allow the next generation to practise

- What steps could you take to gradually empower your children?
- Are family members mature enough to manage small amounts of wealth or other assets?

### Proactively prepare the next generation

- How well equipped are your children for wealth succession? What would help prepare them for the responsibilities of wealth?
- How open are you with your children about wealth and to what extent have their expectations been appropriately managed?

### Understand your own attitude

- What impact does your attitude have on your succession planning process?
- Do you have the same attitude as your partner? If not, what impact could that have on your planning process?

### Put fairness into context

- Is dividing wealth equally the fairest form of distribution or do you judge fairness by another method?
- Who would you include in your definition of family?

### Understand your key concerns

- Have you considered whether your concerns are the same as those of your partner or children?
- What steps can you take to mitigate any concerns you may each have and prepare for the future?

### Consider the purpose of your wealth

- Is wealth for looking after your family's core needs or does it serve a different purpose?
- What emphasis do you put on using wealth to create further success through education and business opportunities?

### Articulate your vision for the future

- Do you see your wealth as being there for the current generation or for many generations to come?
- Does your family understand your vision for the future and do they have any opportunity to influence it?

## ABOUT US

We understand that wealth means more than money. So when clients talk to us, they often want advice on broader issues, such as discussing their wealth as a family, preparing the next generation for the responsibilities and opportunities wealth brings, and getting involved in philanthropy. They know that without a forum to address these issues, the risks of family conflict and loss of wealth are much higher. That is why the Coutts Institute was established. The Coutts Institute focuses on the governance of wealth. We support clients and their families wherever they are located, including the UK, Russia and CIS, Switzerland, Asia, and the Middle East. We run a programme of forums on current issues and produce a series of handbooks and thought-leadership pieces.

### Wealth succession

At Coutts, we know that the ability to pass wealth successfully from one generation to another is a process not an event. Our specialists are equipped to help clients tackle key questions, such as when and how to talk to the next generation about wealth.

### Next generation

Inheritance can be a tricky subject to approach with your children. At Coutts, we understand the importance of starting those conversations early and giving the next generation the tools and insights to start to plan for the future. Through a series of programmes, we introduce the next generation to a like-minded peer group, in order for them to understand and discuss key themes such as entrepreneurship, financial awareness, social impact and personal development.

### Family business

We believe that the key to a healthy family business is careful planning and open communication. Our experts are an invaluable resource, sharing insight and expertise around themes such as family governance, ownership succession and leadership development.

### Philanthropy

Having supported many philanthropists, we recognise that there is no single way to give to your chosen causes. The options are more varied and exciting than ever. We provide you with specialist knowledge on creating giving strategies based on your personal passions and beliefs.

To find out more about the Coutts Institute, please contact your Wealth Manager or Private Banker or visit [coutts.com](http://coutts.com)

## METHODOLOGY

This report is based on research conducted on behalf of Coutts by WealthInsight.

The research comprises four elements:

- A comprehensive literature review compiled from publicly available sources, subscription sources and proprietary WealthInsight databases.
- Economic modelling conducted by analysts and economists.
- Qualitative research gleaned through focus groups and interviews held all over the country with more than 120 high-net-worth individuals and couples, as well as advisers.
- Quantitative research from a screened panel of 270 respondents with liquid assets of more than £1m, plus 120 respondents having liquid assets of more than £5m.

All research, quantitative and qualitative, was conducted between January and April 2013.

\*All case studies in this report are real-life stories. However, the names associated with them have been altered to a pseudonym to protect the identity of the client and ensure confidentiality.

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