

# Voices of next gens:

Family wealth at the crossroads  
of legacy and impact





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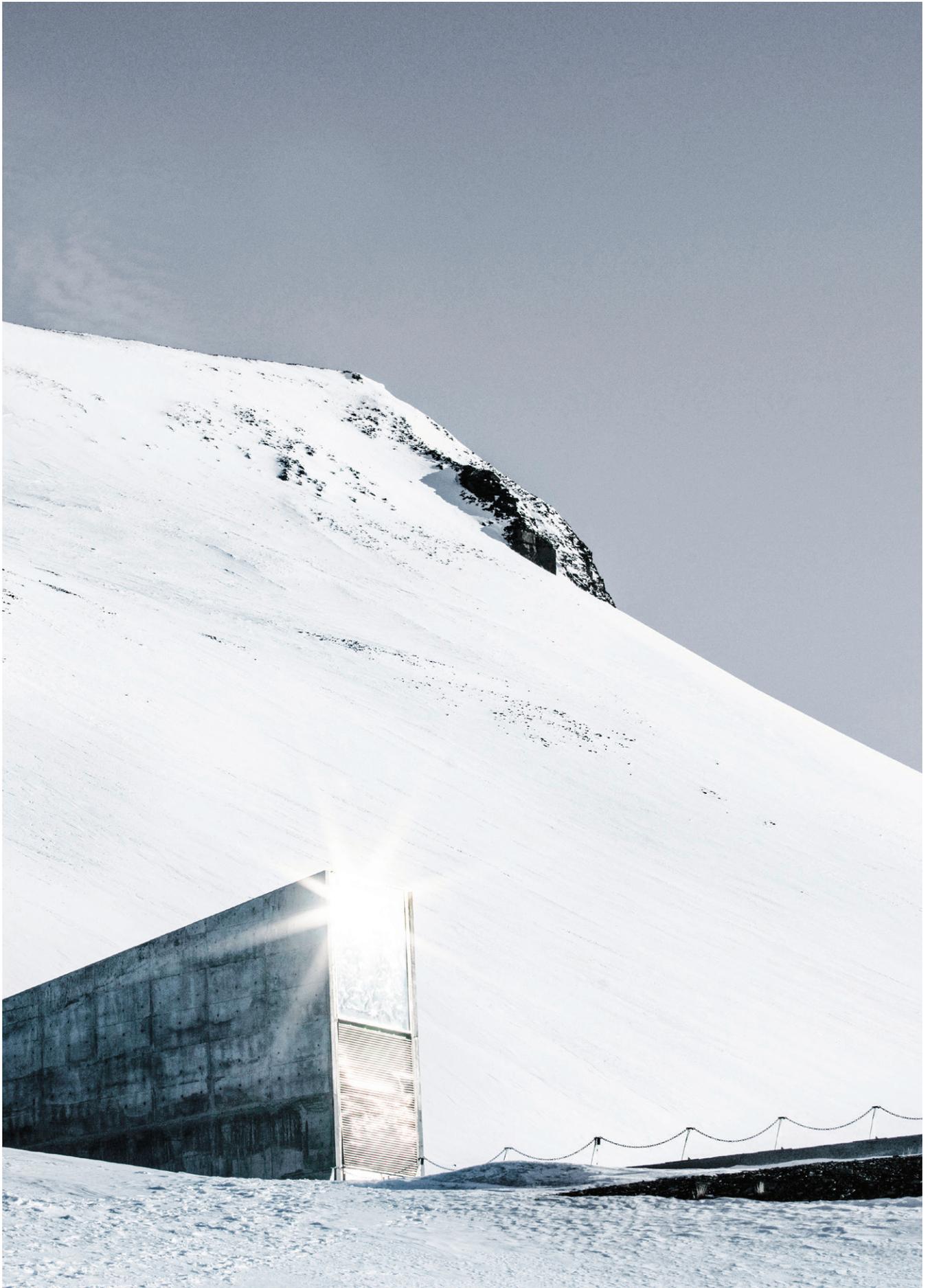
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## Foreword

For years, members of the wealth management industry around the world have discussed the unprecedented, ongoing global transfer of wealth from one generation to the next.

The many reports on this topic often feature staggering numbers and focus on the urgency for families to start organizing or reviewing their family governance arrangements. While it is key to have a family strategy in place to ensure wealth continuity for the generations to come, it is paramount to first ask oneself what the purpose of the family's wealth is or should be in the future. Only through a dialogue between the generations and the inclusion of the voices of the next-generation family members in the planning process will the regeneration of the family wealth be successful.

In that context, the personal challenges and opportunities for the members of the aforementioned next gens are often not discussed or acknowledged enough. Next gens frequently find themselves stretched between maintaining the family legacy – sometimes closely tied to an industry household name – and their ambition and wholehearted motivation to positively impact the world they are living in.

Many of them plan to play, or are already playing, a leading part in their family business or family office, while others seek to earn their stripes as entrepreneurs with their own enterprises.

Others have a passion for philanthropy and have started to engage in their own projects or are already overseeing their family's activities in that area.

Finally, they are investors – and we often experience them as highly knowledgeable, well informed and connected but equally skeptical and sometimes impatient.

More than previous generations, next gens don't handle these roles in isolation from each other. Instead, they aim to align their roles – as individuals, family members, entrepreneurs, philanthropists and investors – with their own purpose in order to maximize the impact of their activities.

In this report you will encounter some of them and I trust that, in learning about their journeys, you will be as excited and hopeful for this next generation of change-makers as we are.

**Your Family Advisory Team, UBS Global Wealth Management**

# Executive summary

## On the brink of a sea change

The voices of next gens make it clear:

Over the coming years and decades, trillions of dollars of family wealth will be inherited or transferred to the next generation from their parents<sup>1</sup>. This handover signifies more than a pure transfer of financial wealth. As the current generation passes on the baton, the voice of those next in line will become more powerful and exert a substantial influence in the world of businesses, finance and beyond.

This report presents an in-depth look into the mindsets of next gens from family businesses and family offices who are seeking to innovate the way their family businesses and family wealth are managed. It sheds light on their world views – what wealth means to them, how they view the family’s legacy and the positive impact they want to create in an interconnected world. Growing up as global citizens and experiencing major environmental and social challenges firsthand, next gens strive for meaning and purpose in life and understand that the financial wealth they will possess can be used to create positive impact when addressing present and future challenges of sustainable development.

“We are witnessing the first waves of a sea change that will not only fundamentally transform the worlds of business and finance but also have profound implications for society at large.”

<sup>1</sup>USD 3.4 trillion will be transferred in the next 20 years to their heirs by 701 billionaires alone. Source: UBS/PWC Billionaires Report 2018.



Growing up as global citizens and experiencing major sustainability and social challenges firsthand, **next gens strive for meaning and purpose in life and understand that the financial wealth they will possess can be used to create positive impact** in addressing the challenges of the next decade.



Many next gens already play a pivotal role in shaping their family's fortunes in a way that corresponds to their identities and aspirations. With their ideas and capabilities, they help their family businesses adjust to the realities of digitized economies and grasp new opportunities by spearheading impactful innovations. **Next gens steer decisions towards sustainable and impact investments in their family offices, and launch their own new ventures in their quest to preserve family legacy while exploring new frontiers.**



Next gens feel like they have no time to lose when it comes to addressing pressing challenges like the climate crisis. **They band together with likeminded peers to power up their ambitions and want to see the finance sector transform itself.**



Next gens appreciate the growth of sustainable investment vehicles, yet push for more: **greater transparency and full disclosure of the positive – or negative – impact of a particular asset on the environment or society, so they can make well-informed investment decisions aligned with their impact values and goals.** Without this transparency, they look for their very own impact investment opportunities (e.g. via investments in social venture capital funds).



While the activities of next gens are focused either on environmental or social impact in isolation, **they also have an emerging interest in blending the two by re-investing the profits of their cleantech assets into social issues such as poverty, education and social justice.**



In order to fully grasp the investment opportunities of the next generation and to stay relevant for them, the finance sector is challenged to understand and align with the mindset of next gens. **New engagement activities should be implemented to become or remain relevant partners to the next generation.**

# 1.0 The changing meaning of wealth



## Wealth is a powerful and intriguing concept

Wealth is a powerful and intriguing concept. It's both a goal and an achievement. From an economic perspective, it denotes the possession of significant amounts of physical and financial assets. It's a comparative concept too, as we often define our wealth relative to that of our peers in our attempt to "keep up with the Joneses."

Our concepts of wealth are subject to change over time, affecting how different generations in a family enterprise interpret wealth, attach meaning to it, and seek to manage it in line with their convictions. In other words, although wealth is often viewed as stock or as one's possessions, it has a fluid character shaped by the current zeitgeist and socioeconomic context.

### Wealth and the family business yesterday, today and tomorrow

Different interpretations of wealth are evident among the different generations in family businesses, with everyone's path unique. Consider the generation of grandparents in Western countries. They represent the founding generation in many family businesses. Growing up during the world wars meant they experienced times of scarcity and struggled to satisfy basic needs like food and housing. For them, wealth usually signifies economic achievement and a personal safety net.

The generation of parents, in contrast, grew up as post-war Boomers. They experienced economic growth and quickly rising standards of living. For many, the meaning of wealth is closely tied to the possession of considerable financial means that enable exclusive lifestyles, independence and societal status.

Looking to Asia, we find here that many members of the generation of grandparents experienced situations of extreme poverty, to a point where they were unable to satisfy very basic needs when providing for their children. For them, wealth is defined in monetary terms, ensuring that you can provide a good life for your family.

Next gens have their own outlook. Growing up as global citizens while experiencing major sustainability and social challenges, they strive for meaning and purpose in life and understand that financial wealth can have a positive impact.

# For the next gens, wealth means:



## Freedom

"For me, wealth is the freedom of time and being able to do what you truly want to do. For my father, wealth is first and foremost providing for his family – that is super important to him because he came from nothing."



## Connections

"For me, wealth is freedom to do meaningful things that no one else would dare to do, because you have the financial means to pioneer ideas. But this goes beyond the financial part. What is most important is human connection. The richness of having the opportunity to meet amazing mentors – I wouldn't be where I am now if I hadn't met amazing people along the way."



## Responsibility

"Wealth is a combination of means, capital and wellness. In general, I think about wealth in the capital sense but there is also a deeper philosophical sense as well. It has a strong notion of responsibility."



## Self-fulfillment

"My parents and the generation before were driven by basic needs, psychological needs, safety needs – to feed their families and to get out of the poverty cycle. Today, it is much more about self-fulfillment: what do we want to achieve in life, what makes you feel good, what are your values, what drives you?"



## Legacy

"My parents come from extremely poor backgrounds. For them wealth is therefore defined by financial security, making sure that there is enough for the family. Wealth to me is, of course, to fulfill my duty as a father and husband, but once I achieve this, wealth is more the reputation or the legacy that I leave."



In this report, we dive into the mindsets of next gens from family businesses and family offices who are setting out to change how these are managed. Understanding their views, aspirations and actions is vital because they are the people who will decide the mid- to long-term fate of their businesses and carry their achievements forward into a prosperous future.

We want to take you on this journey because greater sensitivity toward the differences between generational perspectives will help soothe intergenerational tensions and facilitate transitional processes. It will also establish the basis for joint efforts to address manifold challenges while harnessing important new opportunities in family businesses.



## 2.0 Driving innovation – inside and outside the family business

Managing a family business involves a difficult balance of preserving the tradition of the business while adapting the business to emerging realities. This challenge has been made harder in recent years as the business landscape shifts at an accelerated pace. From technological disruptions such as 3D printing and artificial intelligence to changing consumer behavior and the need to embrace sustainable business practices, family businesses are under pressure on many fronts. This pressure has increased even further due to the effects of the COVID-19 pandemic.

Revenue fallouts faced by many family businesses, combined with the need to transform existing offerings and business models, have led to accelerated succession planning in many of the family businesses studied for this report.

As the landscape changes and challenges mount, next gens are not standing on the sidelines. Their capabilities, ideas and perspectives are often critical for accomplishing a successful business transformation. They spearhead impactful innovations and serve as pioneers in addressing the challenges of the next decade. They build on the fundamental tenets of their family business, aiming to protect and preserve past achievements while pursuing important (sometimes overdue) innovation projects. In this subtle balancing act, they diligently reinvent the tradition of the family business – the meanings and values that have been passed on from generation to generation – and leverage it to advance the renewal of their business.

Whereas some next gens primarily focus their work on the family business, others seek to leave a mark by charting a more uncertain path with disruptive innovations and launch their own ventures.

## 2.1 Imprinting the Millennial mindset on the family business

### Positive impact for society and the planet

Success has for a long time been narrowly defined in economic terms of financial returns and profits. But this narrative is shifting rapidly among Millennials. Exposed to the pursuit of wealth accumulation throughout their lives, the next gens interviewed for this report are on a quest for meaning and purpose and to evolve from economic leaders to global change-makers.

The Millennial mindset that shapes their behaviors and actions within the family business – and beyond – is driven by their strong desire to achieve positive impact for society and the planet. This is summarized by one next gen who says:

“There is a movement among next gens to have an impact with their business and wealth. I see so many next gens who engage in one way or another and say that we have to do something and we need to move quickly. And this is really inspiring and we are inspiring each other.”

It is important to realize that the motivations driving this search for impact and meaningful work are deeply ingrained in their identities and are core to their considerations. It's something readily apparent in how many of the next gens pursue an encompassing sustainability agenda in their family businesses, reinterpreting and extending the traditional concept of Corporate Social Responsibility (CSR).

Consider the case of one next gen who is aiming to realize an ambitious new CSR strategy with his family business. “What I am trying to instill in our company is that time should be given as much as capital. For example, if we give away 30% of the time of our employees, with 5,000 people working for us this would be very impactful.”

Crucially, this change in mindset affects succession planning. For the majority of next gens interviewed, the decision to take over the family business is a conscious, well-evaluated choice rather than a predetermined life decision. This not only relates to their own succession decision, but also that of their children, whom they want to liberate from any pressure to take over responsibility.

## Motivation

Next gens are very self-aware, seek personal fulfillment with their work and do not differentiate as to whether to achieve this self-realization inside or outside their family's business. As one next gen explains, "I want to be motivated by what I am doing now. I tend to live in the now. I tend to be very present. I tend to assess what is important to me and be true to myself and ensure that the decisions I take are not influenced by anyone around me. One thing that happens a lot when businesses go from one generation to the other is that it is very difficult for the generation in control to assess the motivations of the next generation. What is important to you and how you can have better knowledge of yourself are very relevant. The motivation to deal with the business has to be intrinsic, it should not be extrinsic."

Leaving a meaningful legacy is a primary ambition of next gens as they seek to fuse their family name with their own narrative around wealth, which encompasses societal and environmental responsibilities. However, while safeguarding the family legacy is of utmost importance, next gens see it as somewhat detached from the business. "It's not so much the family business that I feel I need to safeguard. Industries are changing quickly, so I don't think it makes sense to be completely attached," says one next gen.

For many, the responsibility of managing the transition from a family business to a family office in the near future is reflected in the following quote:

"We need to ensure we keep the family legacy past three generations. It doesn't matter whether this is still in the form of our current business or in the form of an equity firm or asset management, but we absolutely have to sustain the family legacy."



## Sanveer "Sunny" Gill

Earning your sweat equity to be a successor

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### **Gill Capital was set up in Singapore in 2007 by Jagdev Singh Gill to help international brands reach out to Asian shoppers.**

Gill Capital includes a family office that invests entrepreneurial capital in food and beverage, lifestyle and tech businesses. Prior to Gill Capital, Jagdev started a multibrand company that became a retail empire in Asia for fashion, sports, active lifestyle and golf retailing and distribution, with sales reaching more than one billion US dollars in 40 countries.

When Sanveer "Sunny" Gill returned to Singapore from his studies in the US, he was convinced that at 22 years old he was ready to have a say in the family business – a belief that led to a lot of friction. "One thing I see now is that a lot of next gens who come into a family business feel they have the right to voice their opinion because of their last name. But I think you need to earn sweat equity before you can start voicing your opinion. Just because you have a last name doesn't mean you have the right to speak. I realized that I needed to earn my stripes before my opinion was respected."

Arriving at this insight took some time, as Sunny was enjoying the perks without putting in the work, he humorously recalls. As the relationship with his family suffered, Sunny took time for some deep-dive introspection and with the help of a personal trainer decided to make positive changes to his lifestyle and his life.

As a result, Sunny has been announced as the successor to the family business and is scheduled to take over in April 2022. "Since COVID-19 began I have been involved in everything, because the best way to prep a successor for a succession is to throw him into one of the worst economic crises in history and see how he manages."

“I now wake up every morning at 5am and my priorities have shifted to what’s important: my family, my work, my friends and my health. When the family realized that this is a consistent change in my life, they understood that I was working toward bettering myself for the sake of others and most importantly putting my own selfish needs behind me. The relationship improved significantly and so did their trust in me.”



## Expanding the positive reputation of the family

Sunny’s ambition when taking over is for the business to be known primarily for what the family stands for rather than the physical nature of the business. “I started writing a family charter, which is divided into three sections. First is the family, which is all about us spending time together, looking after the family assets and the family business. It’s a checklist for what we should be doing as a family. Then, from a business perspective, it’s about new brands, diversification of the business and allocation of funds. Then there is the philanthropy part, the responsibilities we currently have and how we can expand our engagement.”

For Sunny, philanthropy is of high importance, as he seeks to make a positive impact on the world around him. “I want to understand how I can have an impact on the lives of our stakeholders – first and foremost our employees. How can we look after them from an emotional standpoint, from a mental health standpoint, from a well-being standpoint? These people give us their lives and I therefore feel it is our responsibility as a family to take care of them. This is where I believe we can set our footprint as a family, and this is where I believe we have started to make a difference.”

## 2.2 Next gens re-inventing the family enterprise



The list of challenges faced by family businesses is long



They are not only confronted with an emerging set of social and environmental values, standards, legislation and customer demands, but also with an unprecedented range of technological possibilities. The revamping of existing business models is therefore a key endeavor for next gens who want their family businesses to remain competitive.

Many next gens are uniquely equipped to drive innovation inside their family businesses. While sensitive to traditions, they bring a fresh perspective and their own ideas. Acting as intrapreneurial change agents, they can become a driving force of innovation, pushing their family businesses on the digital frontier, on sustainability and on capturing new growth spaces.

Yet, due to differences in the mindsets across generations, pursuing innovative projects can prove difficult. "What is challenging is how much exploration versus exploitation to do," says one next gen. "My father and I have constant frictions, we try to use this friction for something positive, but there is a constant friction. My personal belief is that as you reach an elderly age, your mindset automatically shifts to wealth preservation, while at a younger age you are taking risks and you have a more optimistic view because you think you have enough time to make up for failure.

This generational difference also affects your priorities: you will evaluate stability and reputation as more important than profit and growth, for example."

Not surprisingly, reinventing the family business tends to be more challenging in multigenerational businesses as, over the course of many decades, rigid structures and routines are set, which provide little room for radical transformation. One next gen explains: "If you go to Asia, Africa or Latin America, the heritage generally goes back two generations. In Europe or the US you are often talking to next gens of the sixth or seventh generation and this is a completely different story because as these families grow older, the idea of a wealth creator becomes less and less appealing."

In first- and second-generation family businesses, the founding generation is often still active and possesses a strong entrepreneurial drive, high risk tolerance and an openness toward innovation and change. One next gen, a member of the second generation of a family business, says, "My ideas are not just tolerated but are encouraged by my family, as they are very open-minded. Everything I want to do outside the family business I can realize within the family business as well."



## **Julian Lim and Jamie Lim**

Being entrepreneurial  
while safeguarding the  
family business legacy

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### **Furniture brand Scanteak was founded in Singapore in 1974.**

Focusing on high-quality, timeless design, Scanteak has continuously expanded into different markets and diversified its product offering to become one of Singapore's most renowned lifestyle companies. Today, four members of the family are involved in steering the company: Founder and Chairman Lim Pok Chin; his wife, Executive Director Catherine Foo; and two of their children, Regional Marketing Director Jamie Lim and Regional Procurement Director Julian Lim.

## Striving in a challenging environment

Jamie and Julian Lim joined the family business in 2004 and 2009 respectively, and have since contributed to the impressive growth of Scanteak. For Jamie, who considers herself a people person, having an impact was a key reason for joining. "I want to improve people's lives by providing the right values. If you get the message right it can redefine people's lives," she says.

One of her first significant changes was to rebrand Scanteak, a bold move that has been recognized by several important industry awards. "I changed the branding from a very product-driven one to the message 'feel at home,' which reflects the idea of bringing the family together." The importance of family and Christian values stems from her mother, who "glued the family and business together with values." These principles determine not only how the Lims interact with each other, but also how they treat their customers, employees and suppliers.

Joining the family business came with its own challenges for Jamie. An outgoing young woman who had just returned from Hollywood, she found the traditional way of doing business in this male-dominated industry anachronistic. "I stumbled upon digitalization because, for a woman in a very traditional industry like furniture, the only way that I could get ahead was by digitizing many of our networking-intense processes," she says. Business success has proved that her decision was right, and she is now digitizing other areas of the company. "I am very excited about the possibilities of digitalization to change the business, improve our performance and to manage people."

The freedom to introduce important changes and continuously reinvent the business model comes from the siblings' father, who still serves as Scanteak's Chairman. They describe him as "a very open-minded man for whom entrepreneurship is his blood, his passion and his livelihood."

While the family business has retained its entrepreneurial spirit, Julian highlights the challenge for second-generation leaders who have to carefully balance entrepreneurial risks with safeguarding the business's legacy.

"When my parents started the company, they had to sacrifice a lot, they were running the business to survive. Our challenge today is to safeguard this legacy and to manage a listed company instead of a start-up."

Jamie also emphasizes that, as a next gen leader, she has to try to keep the company's entrepreneurial spirit alive while managing a successful business. Proving that the siblings have entrepreneurial hearts beating in their chests, Julian adds, "Maybe Jamie and I will start a new venture – just for fun, as siblings. Just to challenge us and to try something new."

## 2.3 Next gens following their entrepreneurial spirit



For many next gens, some of the aforementioned changes and opportunities are so profound that they prefer to capitalize on them outside of the family business, by starting their own ventures. This way of pursuing their passion for entrepreneurship and innovation is often fueled by a concern that they would put the family business at risk by “experimenting” with the legacy that previous generations have successfully built.

Next gens’ desire to challenge and prove themselves is a strong driver. For example, one next gen highlights that he did not know what he wanted to do in life, so he picked the most difficult industry he could find to start his career and later launched a new business.

In a similar vein, another next gen explains, “When I was young, I really tried to emphasize my own personality and how I am different from my father – you know, a sort of ego play.” Sometimes this “ego play” reached a point where it was counterproductive to achieving their goals. “I realized that by trying to do something on my own, I had made my life harder and I should accept help to transfer my energy into doing something good, rather than doing it by myself just to be able to say that I did it on my own. In retrospect, I feel it was a waste of energy to worry about that.”

Intriguingly, next gens’ ventures often have distinct qualities, with business models designed to link profitability with purpose – for instance, by addressing the grand societal challenges of this century. In other words, it’s not only their entrepreneurial aspiration and their urge to express their innovative visions that drive their start-up activities, but also their sense of responsibility and desire to create positive impact, ideally on a global scale. “Business is one of the best ways to produce change – people vote with their wallets. This is where my motivation comes from, to build change through better products that give people access to all they need and more, yet without destroying the environment,” says one next gen.



## **Vicente Ricciardi Leitão**

Preparing for  
succession by taking an  
entrepreneurial detour

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**Leitão & Irmão is a prestigious goldsmiths that was established in Porto in the 19th century and was appointed Jewelers of the Portuguese Crown in 1887.**

A seventh-generation family business, Leitão & Irmão represents modernity and quality, and is known for its tailor-made and personalized pieces including engagement rings, cutlery and tableware.

Born into an illustrious family, Vicente Ricciardi Leitão understood the responsibility that comes with a traditional family business from an early age. "My family taught me something that I will always keep in my mind, which is 'we do not own our business.'" he says. "In legal terms of course we do, but it signifies that we have a responsibility, so that in the end the business owns us. And it is really important to understand the relevance of that: when you are in this position, you are there to honor the work of everyone who has been there before you and everyone who may come after you."

In the light of this obligation, Vicente will prepare as much as possible before leading the family business. "My family always told me that before getting involved in the family business one must gain experience outside the family scope. Before you start giving instructions and before you implement what you want to implement, it is very important that you absorb external inputs, because you will learn from failure. External experience will allow you to be better prepared and less prone to fail," he explains.

Vicente feels it is important to follow his entrepreneurial spirit before settling into the family business: "My motivation is also to prove myself. And yes, some of my businesses were not super successful – I've already failed and I've already made stupid investments, but I see this as being part of the process of maturing. So when I arrive at the family business, I will be as well prepared as possible."

## Creating value through multiple start-ups

Having started several ventures across different industries and with involvement in others as an investor, Vicente has built up his own holding organization in just a few years. The most important motivation for him is to create value, not just in monetary terms but also for the environment. "It's impossible that we create so much trash, destroy nature as we do and that we lose so much wildlife. This makes me feel bad and unsettled, and I don't need any other motivation to make sure that, whatever I do, I do it in a way that is giving back to Mother Nature."

While he clarifies that his environmental concern is not reflected in all his projects, he is particularly proud of his Trema Project brand. "We focus on leather and silver products, and we try to manufacture them in a circular way," he says. "We go to factories and buy leftovers or redundant materials to produce our objects. We would love to only use leftovers, but we also need to use some new materials. Yet, I believe that we are moving in the right direction with this. I am not an activist, but I do the best I can."

With plans to take over his family business in a few years, Vicente sees his entrepreneurial role transitioning into that of an investor: "My master plan is that I will be operationally involved in the family business and find a trusted team to manage my holding."



# 3.0 Changing the face of family offices



## New career opportunities

Family offices are experiencing a massive surge in popularity, with numbers increasing tenfold in less than a decade<sup>2</sup>. This signifies much more than families wanting professional management of their financial wealth. As many of the cases studied for this report reveal, families have broadened the scope of what leaving a legacy means, reaching beyond the family business to include the family office as well. This redefinition is profound in that it extends the very basis of what the family considers as core to its identity – an identity which, in some cases, has existed for multiple generations purely as a “family business.”

For next gens, the advent of the family office opens up important new career opportunities. While traditionally they have been the apparent heirs to leadership positions in the family business, the existence of the family office gives them alternative options within the realm of the wider family enterprise. In response, many next gens proactively acquire the knowledge and skills to become managers in their family offices. They study finance, acquire expertise at the crossroads between financial asset management and sustainability, or gain work experience as portfolio managers, investment bankers or management consultants prior to joining their family office.

In choosing this career path, they emphasize that the family office is core to the legacy of their family and subsequently should not (only) be run by professional investment managers. Furthermore, by becoming key players in the family office, they will have the ability to realize their own vision of how their family’s financial wealth should be invested.

For next gens, this is important for two reasons. First, assets controlled by the family office tend to have greater fungibility than the assets bound by the activities of the family business. Next gens’ investment activity in the family office allows them to act more quickly and more flexibly when faced with changing contexts, unforeseeable threats, disruptive technologies and new market opportunities, thereby helping to preserve and grow their family’s wealth.

Second, next gens can align their quest for impact with the priorities of the family office and evolve their parents’ approach to supporting societal causes, which is often primarily via philanthropic engagements. In line with the UBS Global Family Office Report 2020 – which reveals that next-in-line inheritors push for an increase in sustainable investing in almost half of family offices – many of the next gens interviewed for this study see their role in the family office as catalytic for realizing their impact ambitions.

By actively working in the family office, they pursue new opportunities for creating the impact that’s required to address societal and environmental challenges. Many next gens express discontent with the investments currently available in the markets and consider them mostly as return-driven rather than impact- and return-driven. They often lament the lack of external support to fulfill their investment vision:

“It’s very frustrating to see how people in the financial industry make decisions, which is basically all past-experience based – and we are talking about markets that are fundamentally transforming. Just imagine, there is not one index on the stock market that doesn’t have oil and gas in. All the ESG indices have at least one oil and gas product in them.”

<sup>2</sup>EY estimates that there are currently 10,000 single-family offices globally, a ten-fold increase since 2008. Source: EY 2018

## 3.1 Embodying philanthropic engagement

### Philanthropic engagement continues to be important

Philanthropic engagement continues to be an important means through which next gens demonstrate their societal commitment and build reputational capital. In wealthy families, philanthropy is associated with responsibility – a core value passed on from one generation to the next. As one next gen elaborates, “I was introduced to philanthropy at a very young age. Philanthropy was always deeply rooted in our family’s values and I saw how my family members would start their own philanthropic ventures to support causes they care about.”

While the importance of philanthropic engagement remains unchanged, the way many next gens interpret this responsibility is changing. Rather than offering one-time, significant and visible financial donations, next gens are pursuing their own approaches to supporting philanthropic opportunities that squarely align with their identities and personal values: “Philanthropy and giving back has been a big part of me personally. My parents have always done it and have set an example, but they have done it by donating capital. I am trying to do it by, of course, donating capital but also by donating my time.”

Next gen’s inspirational leadership is resulting in philanthropic engagement where time, talent, knowledge and social networks are leveraged. Sometimes small financial commitments can generate significant positive impact.

The next gens we spoke to are also aware, however, that under certain conditions a financial donation is still the most important lever for achieving impact. This is the case, for instance, in situations of disaster relief, which call for flexible donors who are able to quickly and non-bureaucratically mobilize financial support for organizations and under-served communities. As one next gen says: “For some philanthropic activities, time is more valuable than money; for others, money is more valuable than time.”

“For some philanthropic activities, time is more valuable than money; for others, money is more valuable than time.”



## 3.2 Creating opportunities for (co-) investing in impact

Impact investing – an investment philosophy that generates financial returns as well as social and/or environmental impact – is at the top of the agenda for most next gens. By pursuing impact investments, they are able to align their vision of a sustainable future with their family office investment portfolios.

In pursuing this ambition, next gens feel compelled to lead the way in shaping the future of investing. They are highly critical of existing investment opportunities, which are limited when it comes to addressing sustainability issues, they also feel that their desire to realize social and environmental impact is not taken seriously by established investment players, leaving them no other choice than to seek their own opportunities for investing or co-investing in impact.

In response, several of the next gens featured in this report have established their own impact investment funds to support start-up projects that address social and/or environmental issues. They see their strategic investments as vital to achieving the UN's Sustainable Development Goals (SDGs) and accessing sustainable market opportunities worth USD 12 trillion<sup>3</sup>.

It's important to note that while next gens are particularly driven by achieving a social or environmental mission, financial returns continue to be perceived as a decisive investment criterion, as only investments that promise a satisfactory return can be sustained over time: "I think it is also just more convincing to ask people to put their money into sustainable investments. This means not just giving away the money but also investing it in a way that generates some financial returns, which in the end really makes the investment sustainable."

Next gens' influential and likeminded networks support their search for impact investment opportunities. These networks provide a powerful platform – not only to meet up and to exchange ideas, but also to organize themselves and engage in concerted action. This type of collective effort is particularly important for scaling social change, which can only be achieved on a foundation of strong partnerships between influential individuals and organizations.

<sup>3</sup>Sustainable business models could open economic opportunities worth up to USD 12 trillion by 2030. Source: Business and Sustainable Development Commission Better Business, Better World Report 2017.



## **Fernando Scodro** Inspiring family offices to invest in impact

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**Fernando Scodro is a third-generation member of the Brazilian family business Grupo Mabel, which was sold to PepsiCo in 2011.**

At their family office Grupo Baobá, Fernando is responsible for the impact investment strategy. He is currently building a venture capital portfolio around biotechnology applied to healthcare and food manufacturing. He is a member of the Young Investors Organization and is on the global board of The ImPact, a network of family offices that helps its members to make more effective impact investments.

When Fernando returned to Brazil to manage the family office investments, he was instinctively drawn to one of the companies in its portfolio – an energy efficiency start-up in the agricultural sector. “The start-up was making money by helping its clients to save money, and the environment benefited because of the reduced energy consumption. I thought this was brilliant.”

Around the same time, he joined the Impact Investing for the Next Generation course, run by Harvard University and the University of Zurich’s Center for Sustainable Investments & Private Wealth. “It was one of the best things that happened to me because at the course I got a skeleton and the vocabulary to my instinct. So, the instinctive reaction ‘this is a cool business’ now had a name and had a framework of how to make this systematic not only across the venture capital (VC) part of our portfolio, but across our entire portfolio – and the name was impact investing.”

Highly motivated by the insights gained during the course, he set out to bring this knowledge to his family and convince his parents to use this investment approach for managing their portfolio. But getting his parents on board was a difficult and long process. “They reacted in a natural way. They said ‘this makes sense,’ but only after one and a half years and a lot of screaming, because we are hot-blooded Brazilians! It is easy to talk about it now, but going through it was a really difficult process that took a lot of time.”



## Creating a shared vocabulary

Realizing that moving ahead with his family office would have limited global impact, Fernando set out to support other families in their transformation towards impact. "I find that within the next gen world, there is a clear sense of 'I can learn from people like me and this will make whatever I do in the future better.' I find that very encouraging, because then you create these support networks and help each other to progress."

A major challenge he encountered is that most wealthy families that enter the world of investing rely completely on their financial advisors who, while putting in significant effort to get up to speed with new investment strategies, are often still driven by returns and don't necessarily speak the same language as next gens who want to align their assets with impact. For Fernando, the Young Investors Organization and The ImPact are therefore important interest groups that help to create a shared vocabulary for organizing and qualifying the demand of family offices.

Fernando has also been active at the Center for Sustainable Finance & Private Wealth, developing training programs for wealth managers to better communicate with their clients about impact investing and sustainable finance. He believes that the best outcomes happen once everyone shares a common understanding of what sustainable investing is, and of the capabilities and limitations that are possible within each investment portfolio.

He is convinced that we are just at the start of a larger movement which will, eventually, profoundly change the way wealth is invested. "Everyone I have ever spoken to about impact investing understands what having values means and what living by those values means. What is foreign is attaching this mentality to an investment portfolio. Once you understand that the two can be linked it is very difficult to argue against it. If you can keep having the same returns and keep having the same risk levels, but you organize and allocate your portfolio to maximize its positive contributions, then why wouldn't you do that?"

## 3.3 Pursuing opportunities in blended finance 2.0

### Blended finance

Blended finance is an investment scheme that combines development finance and private capital to achieve impact in developing markets. It brings together two seemingly incompatible worlds: on the one hand the public and philanthropic sectors, which are impact driven and financially more risk tolerant, and on the other hand the private sector, which is more return-oriented and risk-averse.

In blended finance, public and philanthropic sector funding primarily serves to de-risk the investment opportunity and opens the door for investments from private investors. For instance, development agencies may give guarantees, carry currency risks or provide first loss capital – agreeing to bear first losses in an investment to encourage the participation of co-investors – in order to incentivize commercial actors to invest in developing country projects.

Given their desire to create impact, the next gens interviewed for this report are increasingly interested in blended finance mechanisms, which they view as a potential paradigm shift in the investment landscape. Blended finance can be seen as a cross-sector, mutually beneficial solution that simultaneously delivers financial returns for private investors and impact returns for public/philanthropic investors, and ultimately generates value for the beneficiaries in developing and emerging markets.

For environmentally conscious next gens, blended finance has yet to reach its full potential by expanding the use of blended finance mechanisms to “green” investment cases as well. Similar to the development sector where blended finance schemes have been spearheaded, the financial challenges associated with climate change mitigation and biodiversity are enormous. As one next gen explains:

“In the next 10 years we have to halve industrial emissions, but people don’t understand how difficult that is and what kind of industrial change this requires. It means we basically have to touch most of the industries – steel, cement, energy and transportation – and we have to change all of these fragmented industries. Yet, the way we have to change them is super complex. So, I think you have to be naïve enough to think you can do it and I think the next gens are naïve and positive enough to believe in this.”

This is where some next gens see untapped potential for realizing a blended finance model 2.0; one that combines governmental funds for natural resource management with private sector funding in developing and developed markets.



**Céline Chi Hae Wong**  
Bridging the worlds of  
impact investing and  
philanthropy

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**Named as one of the Top 100 Women in Fintech 2018 by global fintech hub Lattice80, Céline Chi Hae Wong has built and sold a successful fintech start-up and has held several managing positions at banks, venture capital funds and foundations.**

Céline has been appointed as the sole trustee of the Infinitus Foundation and leads family office investments in the sustainable and impact investment field. Céline was also a nominee to the World Economic Forum Young Global Leaders 2019 and holds a PhD in Politics & Finance and a fellowship at the University of Zurich's Center for Sustainable Finance & Private Wealth.

## Contributing profits from cleantech investments into philanthropy

Coming from a family business in the solar industry, Jinko Solar, Céline Chi Hae Wong is well aware of the importance of clean technologies for tackling climate change.

“The core principle that I keep repeating is ‘make this world a better place.’ This is a core value of how I was brought up and is reflected in all our companies, where corporate sustainability plays a central role. It’s very important for our family to leave a positive legacy.”

For Céline, sustainability is not only a mindset but a call to action – and she is focusing all her efforts and ambitions to mobilize her network to join this effort. “I have decided to put my entire inheritance into a foundation which is focused on clean and new technologies to tackle climate change. It’s called the Infinitus Foundation for a reason and with this foundation I seek to centralize the philanthropic work of our family office with infinite positive outcome.”

As a thought-leader in the fintech world, Céline likes to challenge and rethink entrenched structures. This is why her foundation searches for innovative ways to invest money in fighting climate change. “It’s not just pure philanthropy, because I think that there is a very fine line between what is philanthropy and what is impact investing since both have the underlining core purpose of creating a positive impact.”

If there is one thing that frustrates Céline, it’s the rigidity and inaction of many institutional players when it comes to addressing climate change. She is convinced that banks have an important role to play in the sustainable transformation but that the current system and the pressure to deliver a rising share price to shareholders prevents them from filling this role. “The banks will refer you to an investment advisor if you want to talk about impact investing, but if you want to talk about philanthropy you get redirected to another department. As a client I get frustrated if I have to talk to all these different people and they don’t even know what the other one is doing. These organizational silos really frustrate me.”

Addressing this perceived shortcoming, Céline is building an impact fund with other next gens, aimed at bridging the world of impact investing and philanthropy. “The trend needs to go more into cleantech investments that help everyone to sustain the only planet we live on. For that reason I made my personal commitment to contribute the returns and the profit from the investments into philanthropic social and habitual conservation impact.”

It’s her hope that this fund and other investments will become a blueprint for making sustainable investments that create a win-win-win situation for the economy, the environment and society. “Think about it: you are creating an economic impact by investing in start-ups. That in turn creates jobs and advances technology. At the same time, you create a positive environmental impact, where this piece of technology helps everyone to have, for example, cleaner water or better air quality. And on the social impact side you can then use the profits that I’m gaining from this investment to be contributed back into my own philanthropic work that supports social causes. A clear infinite life cycle of moving capital for the infinite good for humanity.”

# 4.0 Demanding more impact investment opportunities from the banking sector



Reflecting a widespread sensitivity to environmental, social and governance issues, a rapidly increasing number of private and professional investors now consider impact when making their investment decisions, with sustainable investment the fastest-growing segment in finance over the past two years. It's a vital development for next gens – and indicates that the world is waking up to its existential challenges.

But at the same time next gens are pushing for more. They want greater transparency and full disclosure of the positive – or negative – impact of a particular asset on the environment or on society.

**Michael Baldinger**  
global head Sustainable  
and Impact Investing, UBS  
Asset Management AG

“Within a short time span, investors have become very sophisticated on the impact front. Their revised capital allocation decisions put massive pressure on companies to adjust their business models to the demands of the 21st century and to establish a standardized reporting on social and sustainability criteria. Evidently, this is a complex undertaking, as it requires much more transparency from companies, detailed data from their value chains, etc. Yet, once such a reporting is available, it will change the conversation as investors can make a fully informed choice in their investment decisions.”

These observations are echoed by Mara Harvey, head Client Services, UBS Global Wealth Management, who also highlights that investors are becoming more sensitive about social issues and sustainability. “The strong interest we are seeing in sustainability is only beginning to emerge in other key impact dimensions such as inequality and diversity. For instance, gender and racial equality are still an investment niche, yet the interest in investing in a gender-smart way is accelerating.”

For her, a major opportunity lies in UBS's capability to offer blended finance products “where philanthropic capital is used as catalytic risk capital to crowd-in investment capital.”

She explains, “Because people are concerned about return and impact, the days are over when they just gave away money to philanthropy. Philanthropy and investment need to go hand-in-hand and we need to innovate in this space where the two worlds connect. There is a major opportunity to differentiate ourselves, much more than any competitor can.”

The observations made in this report foreshadow a fundamental shift in how, where and for what purposes financial wealth is employed and allocated. This requires the banking sector to turn to its trusted players in impact investing – for instance, by creating its own investment vehicles or by collaborating with existing impact investment funds.

While the larger banking platforms are eager to deliver these types of opportunities to the next gens, they are also mindful of the risks of each approach. Andrew Lee, head Sustainable and Impact Investing, UBS Global Wealth Management, USA, says: “Wealth managers and private banks increasingly offer clients impact investing opportunities across a range of outcome areas. Yet they may not always provide the volume or breadth of solutions that some investors are looking for. In part this is because many impact-focused funds and investments have limited track records, a lack of organizational depth and other perceived risk factors. Some banks may have less comfort with these due to a potentially heightened risk for clients, whereas individual investors and bank platforms who are more familiar with evaluating impact may not see the same risks or be willing to take them on.”

At least for the time being, many next gens are doing just that – pursuing impact investments on their own or even launching impact investment funds. Next gens are impatient and eager to see larger banking platforms embrace impact investing with the right investment vehicles. As one next gen puts it, “Only if we have the big tankers changing their course will we get to the level of impact that we aspire to.”

The observations made in this report should also urge banks to engage with next gens in new ways. In line with their view that donations should entail more than “just” financial support, the unique strengths of globally active and renowned banks can be leveraged to enable distinct, value-added impact opportunities that allow next gens to contribute beyond their financial involvement.

For Michael Baldinger, this shift will enable fresh conversations with clients: “They will also want to know if their investment made a difference, and that requires data which is currently unavailable. It will create a highly appealing new category of client experience in investing. And it requires strong investment in technology, as the user outcome that we want to achieve is often not so much about the product but about the delivery mechanism, and this can establish an important differentiating factor.”

Taken together, the aforementioned opportunities place considerable new demands on the competence profiles of advisors and on the impact recruiting practices in the banking sector. The desired competences comprise technical capabilities at the intersection between ecological/social impact and finance, which form part of a growing number of educational offerings in sustainable finance.

But it’s also vital that client advisors are able to immerse themselves in the thought worlds of the next gen – which is no small challenge given the fundamental shifts in

investment logic outlined in this report. Andrew Lee points out the need for advisors who understand and share the priorities of the next gens. “Success for us is about knowing our clients, what motivates them, and their priorities and objectives – and helping them to achieve those goals, whether through philanthropy, social finance or sustainable and impact investing. We are constantly working with our advisors to provide them with the knowledge they need and want in this area, from knowledge of SDGs and other critical challenges, to the relevant tools and solutions, and the broad landscape of ongoing initiatives and collaborations. The more that we all understand about the issues facing us, and the more that we all speak the same language about the opportunities for positive change across different pockets of capital, the more impact we will be able to drive together.”

Mara Harvey concedes that the shift we are seeing is a cultural transformation, a new social contract. Deploying new offerings that align with clients’ values and with SDGs is only one of the multiple challenges the financial industry needs to embrace. As we align to our clients’ purpose for their wealth, we are called upon to shape our own purpose too.

Overall, this requires a transformation that reaches deep into the core of the bank. As Michael Baldinger explains, “Clients look across the table to their client advisors and ask, ‘Do I trust you to manage my money?’ They have to see the light in your eyes when discussing the impact product – only then will they believe it. And, yes, I think we absolutely need to do more to train our advisors and others, but we also need to create that DNA in the firm. So, when we recruit people we really need to make sure that these are the people who can help us transform the business: they need to embrace how the next generation thinks and comprehend how the markets will develop.”



**Andrew Lee**

head Sustainable and Impact Investing, UBS Global Wealth Management, USA

**Dr. Mara Harvey**

head Client Services, UBS Global Wealth Management

“The education of our client advisors is critical because this is the connection, the interface to our clients. Our business is about understanding our clients, their priorities and objectives, and helping them to achieve those.”

“UBS takes this encompassing challenge seriously, deploying as fast as need be, from the top to the bottom of the organization, the new skillsets that people will need.”

# 5.0 Conclusion



## Playing a proactive role

Next gens are not standing on the sidelines and waiting for their turn in advancing the family legacy. Instead, they are playing a proactive role in shaping their family's fortunes. They're doing it in a way that corresponds to their identities and aspirations, and supports the current generation in harnessing the challenges and opportunities offered by a shifting business landscape.

Next gens serve as an important source of inspiration for those who are currently at the helm of the family business. But they are also taking on essential leadership roles as they design and implement innovative and impactful solutions that transform their family businesses and family offices.

With a growing number of next gens taking over powerful roles in the coming years, their influence on how business is conducted, the types of innovation pursued and how wealth is allocated will become even more pervasive. We are only at the beginning of a profound shift – possibly a sea change – that will transform the world of finance and have significant implications for society, as investments initiated by the next gens realize their positive impact.

The next gens encountered in this report may be at different life-stages and have different approaches. But it's undeniable that they have a holistic global view. Rather than being overwhelmed by the challenges, they are excited about the opportunities and are ready to align their efforts as individuals, as family members, as entrepreneurs, as philanthropists and as investors – and oftentimes, in all these roles at once.

# Thank you

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