

Next Generation

Successions

July, 2026

Contents

0.

Foreword 3

Author's foreword

1.

Intergenerational Wealth 7

A short look at the dynamics of intergenerational wealth around the world

2.

Intergenerational Capital 22

Intergenerational wealth as a challenge of long term asset allocation and portfolio management

3.

The Successful Succession 31

A look at what the next generation will inherit

A photograph of a traditional Japanese shrine. In the foreground, a large, white, ornate lantern hangs from a wooden structure. The background shows a wooden torii gate, a path with a wooden fence, and two people walking. The scene is surrounded by lush green trees, with some autumn-colored leaves visible. The overall atmosphere is serene and traditional.

Foreword



Greener Bays

It may be said to be in the nature of any person — and the more driven the more so — to consider how life might have unfolded in greener bays. With fewer constraints, more opportunities, fewer setbacks, more lucky breaks, fewer sabotage, more competent friends — in other words, the otherwise forgotten moments in life that in retrospect made all the difference.

Fortunately enough, as people have observed over the past few millennia, there is always the opportunity of the next generation, both as a source of solace as well as hope. The opportunities one did not have, the resources one did not pass, the network one may have wished for, the accent one may have hid.

Now, as people over the past few millennia

have also observed, that rarely actually happens as one may have hoped for.

Succession and legacies very rarely survive for long, as informed by the legacies of both European nobility and the Gilded Age's fortunes — there may actually be about 16,000 missing billionaires if the fortunes of the age had been minimally preserved.

More contemporaneously, that question has taken near macroeconomic proportions, with about USD 83 trillion waiting to be passed from one generation to another, alongside ownership of some of the most important businesses and conglomerates in the world. It is almost redundant to repeat, but we are in fact in the middle of the greatest wealth transfer in human history.

How that wealth transfer will proceed, and *how best* it should proceed, is the scope of this report.

In the first chapter, Intergenerational Wealth, we discuss the general dynamics of wealth transmission, focusing on what will be termed the ‘entropy of capital’ and the dynamics that may lead to those statistics. Then we proceed to look at how families tend to protect their assets across different jurisdictions. In the second chapter we discuss current wealth statistics and bring into focus why that ‘greatest transfer’ is so important, both in the sheer scale of economic impact as well as the sub-sequent

impact of any portfolio re-adjustment among family offices which would, in turn, have the potential to have market moving impacts. Last but not least, we discuss what constitutes a successful succession, both in terms of wealth as well the business itself, underlining both the common pitfalls found in the literature as well as ways to handle those pitfalls. Each succession is, to an extent, an unique situation but with USD 83 trillion under discussion the issue has taken a proportion that merits genuine attention from both such families as well as any financial analyst or economist that seeks to better understand what drives current dynamics.

Radu Magdin

Radu Magdin

CEO, Smartlink Communications



Intergenerational
Wealth



The Entropy of Capital

For families that have built substantial wealth through an operating business, the question of perpetuity is not abstract but may be said to be a matter of structural engineering. To that, the empirical record, very much across civilizations and centuries, suggests an almost inescapable gravitational force: *most fortunes dissipate within three generations*. This phenomenon is not merely a function of poor spending habits or unlucky investments but may be said to arise from a set of fairly predictable, recurring dynamics that operate on family capital much like thermodynamic entropy operates on closed systems.

The most fundamental dynamic is arithmetic. A single founder will have two to four children. Those children, in turn, expand the circle of claimants geometrically

such that by the third generation, the number of direct descendants can easily exceed ten or fifteen. Each of these individuals may potentially have a moral, legal, or cultural claim on the family's assets. In a privately held operating business, this multiplication creates an immediate tension. The business, even when in conglomerate form, may be said to be a single, indivisible engine of value. But the family is a growing set of individuals with potentially divergent preferences regarding liquidity, risk, time horizon, and involvement. Some heirs will wish to work in the business. Others will not. Some will need cash for personal ventures or lifestyles. Others will prefer to retain reinvested earnings. The business cannot simultaneously satisfy all these preferences without structural adaptation.



70%

Percentage of wealthy families who lost their wealth by
the second generation

Williams Group

When no adaptation occurs, the default outcome is fragmentation. Ownership shares are divided equally or according to inheritance rules. Over time, no single heir holds a controlling stake. The business becomes a commons — owned by many, governed by consensus, and vulnerable to the lowest common denominator of decision-making, very much the setting for the tragedy of the commons. This is the first general rule of dynastic entropy: the number of claimants will likely grow faster than the capacity of a single enterprise to align their interests.

Secondly, the founder typically possesses an outlier combination of risk tolerance, industry insight, work intensity, and timing luck. That combination will not be fully heritable. The children and grandchildren of the founder are drawn from the same distribution closer to the general population.

Economic research on intergenerational mobility in income and occupational choice consistently finds that while advantages such as education, connections or initial capital may persist and be quite consequential, the specific talent for spotting arbitrage opportunities, managing operational crises, and making concentrated bets under uncertainty does not necessarily transmit. There will be variance and if already at a very high level of functionality, that variance will more likely than not go down. This is not a moral failing of the next generation: it is a statistical inevitability that should be treated as such and accounted for. The effect is simple enough. Consequently, the return on assets managed by the founder, very much including the business itself, tends to be above the market average — and at times substantially so. The return on assets managed by the second generation would, however, tend to converge toward the market average.

The return on assets managed by the third generation, particularly if they have never worked outside the family's ecosystem, may even fall below the market average due to complacency, risk aversion born of inherited wealth, or the simple lack of the founder's specific pattern recognition. Now, the mean reversion is not inevitable in every single family. But it is the base rate, and quite literally what is to be expected statistically. And it means that, even without taxes or legal fragmentation, the internal rate of return on the family's capital tends to decline across generations.

Furthermore, there is the shift in marginal utility of wealth. For the founder, who may have experienced scarcity, the utility of an additional dollar is high. For a third-generation heir who has never known financial constraint, the utility of an additional dollar is low, but the utility of additional consumption—a second home,

private schooling, travel — is normal.

Standard economic models of wealth preservation assume that families optimize for long-term real returns, but when the next generation may be said to have a high consumption floor, their personal incentive structure changes.

Moreover, the dis-utility of the effort required to manage a complex family enterprise becomes very high relative to the marginal benefit of additional wealth. It is in fact entirely rational for such an heir to delegate management, to demand dividends rather than reinvestment, and to avoid the stress of operational involvement.

This is not laziness. It is a rational response to a low marginal utility of wealth paired with a positive time preference. The aggregate effect, however, is that the enterprise's retained earnings shrink,

its growth rate slows, and its capital base is gradually consumed rather than expanded.

Finally, the state inserts itself into the intergenerational transfer of wealth. Estate taxes, inheritance taxes, capital gains taxes at death or on deemed disposition, and gift taxes all reduce the nominal value passed from one generation to the next. Even in jurisdictions with no explicit wealth transfer taxes, income taxes on business distributions and property taxes on real estate holdings create a fiscal drag that compounds over decades. But tax is only part of the legal friction. Inheritance laws that mandate forced heirship prevent the founder from concentrating ownership in the most capable heir and laws that grant surviving spouses automatic claims can fragment control. That may be further compounded with the procedural costs of probate, trust administration, and contested wills which consume both time and assets.

Needless to say, these legal frictions interact with the multiplication of claims. More heirs mean more potential disputes, more legal fees, and more pressure to liquidate assets to achieve equitable distribution.

Wealth

Preservation

5.4

USD Trillion expected assets under management
of family offices to 2030

Deloitte Private



Rules of Conduct

Now, there are also families which have been wealthy for time immemorial. How have they managed to do so?

The answer lies in a set of countervailing dynamics. These do not eliminate entropy, but they can slow it to a rate that allows renewal. Arguably, the first step is limiting the downsides. The most powerful ameliorating factor may be the creation of a family governance structure that operates separately from both the business management and the individual desires of heirs. This typically takes the form of a family constitution, a family council, and a clear distinction between ownership rights and management rights.

To be clear: a family constitution does not have legal force in most jurisdictions, but its

normative power can be substantial. It codifies rules for the sale of shares (right of first refusal, valuation methods), conditions for employment in the family business (education requirements, external work experience, performance benchmarks), and mechanisms for resolving disputes.

By establishing these rules before conflicts arise, the constitution reduces the probability that fragmentation leads to value destruction.

More sophisticated structures may also involve a family holding company or a family trust that owns the operating assets. Shares in the holding company are distributed to heirs, but voting rights may be attached to a separate class of shares held by a family board.

This decoupling of economic ownership from control is a deliberate defence against the multiplication of claims. It allows the family to benefit from the entire enterprise's performance while limiting the number of people who can make strategic decisions.

Alternatively or simultaneously, primogeniture — the concentration of inheritance in the eldest child — has a bad reputation in contemporaneous hyper-egalitarian discourse, but it is an exceptionally effective mechanism for preserving operating businesses. By keeping the enterprise intact under a single owner, it avoids fragmentation entirely. The other children receive cash, other assets, or trust income, but they do not receive voting shares in the operating company. Where primogeniture is illegal or culturally unacceptable, families have developed functional equivalents. These include the use of non-voting shares for most heirs,

the creation of a family foundation that holds the core assets, and the strategic use of buy-sell agreements funded by life insurance that allow one heir to purchase the others' stakes at a predetermined price. These mechanisms achieve the same outcome: a single controlling interest passes to the next generation of management, while other heirs receive financial but not strategic claims.

Furthermore, it may be noted that families that successfully preserve wealth across generations almost invariably require their heirs to work outside the family business for a significant period. This practice serves three purposes. First, it provides a realistic benchmark for compensation and performance. Additionally, an heir who has earned a salary in an external firm knows the market value of their labour and is less likely to overestimate their contribution to the family enterprise.

Second, it develops skills that may be difficult to learn in a protected family environment. Third, it allows the heir to experience failure without threatening the family's core capital. An external career that ends poorly can be corrected; a failed internal leadership transition can destroy the business. This dynamic is often described as the "*apprenticeship model*", but it is better understood as a form of real options. The family preserves the option to bring the heir into the business, but only after that heir has demonstrated competence in an arms-length market.

Last but not least, the universal constant. While specific tax advice is beyond the scope of this discussion, the general principle is clear: families that preserve wealth across generations actively manage their jurisdictional exposure.

They locate holding companies, trusts, or foundations in legal regimes that minimize wealth transfer taxes, allow perpetual duration, and provide strong asset protection against creditors and divorcing spouses.

This is not tax evasion. It is the rational exercise of legal rights. Different jurisdictions have different trade-offs between fiscal extraction and the rule of law. Families with substantial mobility in terms of capital and of persons can align their legal domicile with their wealth preservation goals. The existence of such arbitrage opportunities is itself a factor that ameliorates decay, because it means that the most determined families can opt out of the most destructive tax and inheritance regimes.

International
Aspects



United States

The universal pressures described above operate everywhere. But their magnitude, and the available countermeasures, vary by geography. The following comparison examines four broad zones: the United States, Europe, Sub Saharan Africa, South East Asia, East Asia, and the Middle East. Each has a distinctive legal tradition, tax framework, and family culture that shapes the intergenerational wealth trajectory.

The United States is a common law jurisdiction with strong testamentary freedom, which is to say wills tend to be highly respected. A business owner can, in principle, disinherit any heir, leave the entire estate to a single child, or distribute assets in any proportion. This flexibility is a powerful tool against fragmentation.

However, the U.S. imposes a federal estate tax (with a large exemption, but one that applies to the transfer of operating businesses at death) and a generation-skipping transfer tax. Many states add their own estate or inheritance taxes. The tax drag is significant, though it can be mitigated through vehicles such as grantor trusts, family limited partnerships, and valuation discounts for illiquid assets. The distinctly American dynamic is the tension between the trust and the operating business. The U.S. trust, as a legal entity, can last for many decades despite the rule against perpetuities. This, in turn, allows for near-dynastic planning. Concurrently and however, the operating business, if held inside a trust, faces what will be called a complex income tax treatment.

The choice between holding the business directly (thus exposing it to estate tax) or inside a trust (exposing it to compressed trust tax rates) is a perennial dilemma.

Now, culturally, American family businesses are somewhat above average in their willingness to bring in professional non-family CEOs and to sell control if the next generation lacks interest or capability. This market-based pragmatism reduces the risk of long-term value destruction by incompetent heirs, but it also means that many family businesses do not survive as family-controlled entities beyond the second generation. The wealth itself may persist but the underlying operating business that created that wealth is duly sold. For the family, or more likely the founder, whose identity is tied to the enterprise, this is a form of decay even if the financial capital remains.

43%

Proportion of global millionaires found in the United States, USD figures, 2025

UBS



Europe

Europe, loosely defined, presents somewhat of a more challenging baseline. Most continental European countries follow civil law traditions with forced heirship. In France, Germany, Italy, and Spain, the law reserves a fixed portion of the estate (typically 50–75%) for the descendants, divided equally among them. The founder cannot concentrate ownership in a single capable heir. This is, on its face, a powerful engine of fragmentation. However, European families have developed sophisticated legal workarounds. The most important is the private foundation (Stiftung in German-speaking countries, fundación in Spain, fondation in France). A foundation is a legal entity that owns assets. It has no shareholders and no owners; it is a purpose-driven vehicle. The family can be the beneficiaries of the foundation,

receiving income or other benefits, but the foundation itself owns the operating business.

Because the foundation is not part of any individual's estate, forced heirship does not apply. The business remains intact.

The trade-off is that foundations are subject to stringent regulation. Now, these foundations must have a public benefit purpose in most jurisdictions. They are taxed differently than individuals or corporations. And once assets are transferred to a foundation, the family cannot easily reclaim them. The foundation is a one-way door and not necessarily one that should be taken as lightly as sometimes suggested in the general media.

Last but not least, another European dynamic of note is the prevalence of cross-border planning. Simply, a family based in France may establish a holding company in Luxembourg, a foundation in Liechtenstein, and a family office in Switzerland. The European Union's free movement of capital and persons, while constrained by national tax laws, still offers more jurisdictional arbitrage than is commonly understood, even while remaining heavily reliant on the foundation structure often observed in Europe.



26%

Proportion of global millionaires found in Europe,
USD figures, 2025

UBS



Middle East

The Middle East, an extremely loose term in itself and focusing particularly the Gulf Cooperation Council states, operates under a hybrid of Sharia-based inheritance rules and contemporaneous commercial codes. Islamic inheritance (*fara'id*) is mandatory and detailed. A fixed fraction of the estate is reserved for specified heirs: the spouse, children (with sons receiving twice the share of daughters), parents, and sometimes siblings. There is no testamentary freedom for more than one-third of the estate. This is, on paper, the most fragmenting regime in the world. A successful founder with four sons and four daughters will see the estate divided into many small shares. Yet the Gulf states have developed a powerful ameliorating mechanism: *the waqf*. A waqf is an Islamic trust or endowment.

Once assets are placed in a waqf, they are no longer owned by the founder; they belong to the waqf. The founder can designate descendants as beneficiaries of the waqf's income, but the assets themselves cannot be inherited, divided, or sold. The waqf is perpetual.

Moreover, the contemporaneous variant, particularly in the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), allows for common law-style trust principles within a Sharia-compliant framework. A family can establish a *waqf* that owns the operating business, appoint family members as trustees, and set rules for succession of management. Because the *waqf* owns the assets, the mandatory *fara'id* rules do not apply to them. The business remains intact.

The other distinctive feature of the Gulf is the absence of personal income tax, capital gains tax, and inheritance tax, at least in most conditions and with the specification that the legislative landscape is changing. The fiscal drag is near zero in most cases. Combined with the *waqf* structure, this creates an environment that, theoretically, allows for indefinite wealth preservation. The practical constraint is governance. Now, needless to say, *waqfs* are subject to regulatory oversight, and disputes among family trustees can be as destructive as any legal fragmentation.

Additionally, partially from a cultural perspective, Middle Eastern family businesses are often large, diversified conglomerates. They have a tradition of employing extended family members, similar to East Asia, but also a tradition of using professional managers from outside the family.

Overall, the combination of zero tax, *waqf* structures, and a pragmatic approach to management has allowed several Gulf families to preserve substantial wealth across four or more generations — *somewhat of a rarity in global terms.*



East Asia

East Asia — a term here used as encompassing Mainland China, Hong Kong SAR, Taiwan, Japan, Korea, and Singapore — presents a hybrid picture. The legal systems vary from common law (Hong Kong, Singapore) to civil law (Japan, Korea, Taiwan, and, increasingly, China). But the cultural dynamics are more distinctive than the legal ones.

Historically, East Asian family businesses used a form of primogeniture, often with the eldest son inheriting the business while other children received cash or other assets. This practice was never absolute but it may be said to have reduced fragmentation. In contemporaneous East Asia, equal inheritance has become the legal norm, but there is some cultural expectation that the business passes to the most capable child.

This creates a tension between law and practice that can lead to litigation. The distinct East Asian dynamic is the role of the family as a social safety net. In many East Asian societies, the family is expected to support not only direct descendants but also uncles, aunts, cousins, and in-laws. The family business becomes a de facto employment agency and welfare provider.

This “clan” dynamic dramatically increases the consumption floor. The business may very well retain its ownership structure — concentrated in the hands of a patriarch of sorts —but its earnings are frequently siphoned off to support a sprawling network of relatives. The result is a slow but steady decline in the business’s capital base and long-term competitiveness.

Singapore and Hong Kong may be said to be exceptions. As city-states with common law traditions, low taxes, and no forced heirship, they offer an environment closer to the US model. Many East Asian families have established holding companies or trusts in these jurisdictions precisely to escape the clan obligations and legal fragmentation of their home countries. The wealth may be earned in Indonesia or the Philippines, but it is held in Singapore.

China adds a unique complication: the one-child policy, now relaxed but historically consequential, created a generation of family businesses with a single heir. This solves the fragmentation problem but creates a concentration risk. If the single heir lacks interest or ability, the business has no internal succession candidate. This is not a universal case but may be said to be a factor in itself in China.



54%

Proportion of global personal wealth held by individuals
in Greater China and the United States

UBS



South East Asia

South East Asia — here used as a term comprising Indonesia, Thailand, Vietnam, Malaysia, the Philippines, Myanmar, and the smaller ASEAN states — presents a heterogeneous intergenerational wealth dynamic that resists easy generalization.

Unlike the relatively homogeneous legal traditions of Europe or the Gulf, South East Asia is a patchwork of colonial legal inheritances (Dutch, French, British, Spanish, and indigenous systems), diverse religious frameworks (Buddhism, Islam, Christianity, Hinduism), and rapidly evolving commercial codes.

The overall result is a region where family wealth preservation depends heavily on the specific jurisdiction, but where several common patterns emerge.

The most significant universal dynamic is the role of the conglomerate — *often called the grupo in the Philippines, the konglomerat in Indonesia, or the chaebol analog in Thailand.*

Most large family fortunes in South East Asia are not concentrated in a single operating business but in a holding company that controls dozens, sometimes hundreds, of subsidiaries across sectors that might not be directly related — *banking, real estate, palm oil, retail, infrastructure, and media not being a set that truly stands out.* This diversification within the family's own structure is a deliberate strategy. By holding a portfolio of businesses rather than a single enterprise, the family reduces the risk that the failure of one operating company destroys the entire dynasty.

However, it introduces a different decay dynamic: managerial complexity. No single heir can possess operational competence across fifteen industries, forcing reliance on professional managers earlier than in single-business families.

Furthermore, inheritance laws vary widely. Vietnam and Thailand have civil law influences with forced heirship provisions. Indonesia, despite its civil law heritage, operates under a plural legal system where Islamic inheritance rules apply to Muslims (the majority) while *adat* (customary) law applies to others. The Philippines, with its Spanish civil law base and strong Catholic tradition, enforces legitimate (forced heirship) reserving a fixed portion for descendants, but also allows extensive use of testamentary trusts influenced by US common law. Singapore and Malaysia, former British colonies, follow common law with testamentary freedom, making them

outlier havens within the region.

The distinct decay driver in South East Asia is the intersection of family size and political risk. Unlike East Asia's one-child legacy or Europe's low fertility, South East Asian families, particularly in Indonesia, Malaysia, and the Philippines, often have multiple children across multiple marriages or with extended kinship networks.

The multiplication of claims is, thus, exceptionally rapid. Combined with weak legal enforcement of shareholder agreements and at times opaque corporate registries, fragmentation may frequently lead to prolonged, value-destroying litigation.

On the other hand, the most powerful ameliorating factor in the region has been the establishment of family offices in Singapore.

For families originating in Indonesia, Thailand, or Vietnam, the migration of legal domicile for holding structures to Singapore accomplishes three things: it substitutes common law certainty for civil or plural uncertainty, it eliminates forced heirship, and it provides access to Singapore's trust and foundation regimes (including the variable capital company structure). The wealth remains operationally in the home country, but the ownership migrates. This jurisdictional arbitrage has become the single most effective defence against intergenerational decay in South East Asia. A second ameliorating factor is the Chinese diaspora business culture that dominates much of the region's private wealth. Overseas Chinese families in Indonesia, Malaysia, Thailand, and the Philippines have historically practised a form of informal primogeniture: the business passes to the most capable son, while other children receive cash, property,

or smaller businesses. This cultural norm persists even where formal law mandates equal division. The tension between cultural practice and legal requirement creates risk — disinherited heirs can and do sue — but the practice itself may be said to slow fragmentation significantly.

9.3%

Proportion of global millionaires found in South East
Asia, USD figures, 2025

UBS



Sub Saharan Africa

Notably, Sub-Saharan Africa is the most heterogeneous region in terms of legal systems, but the most homogeneous in terms of wealth preservation challenges.

Excluding South Africa, which has a developed common law framework and a developed financial sector, most of the region operates under a dual legal system: a formal, often weak, statutory law inherited from European countries (British common law in Anglophone countries such as Nigeria, Kenya, Ghana; French civil law in Francophone countries such as Côte d'Ivoire, Senegal; Portuguese civil law in Angola, Mozambique), and a parallel system of customary law governing inheritance, land rights, and family obligations.

Cognizant of that, it may be said that the intergenerational wealth decay dynamic in Sub-Saharan Africa is dominated not by tax or sophisticated legal fragmentation, but by what may be called the institutional void.

Estate taxes are often nominal or poorly enforceable. Inheritance laws on the books may be progressive, but probate courts are slow, sometimes corrupt, and at times non-existent. The real threats to wealth preservation are expropriation (by the state or by powerful rivals), family predation under customary law, and the absence of reliable financial intermediaries.

Meanwhile, the multiplication of claims is extreme. Fertility rates in much of Sub-Saharan Africa remain high, with about 4–6 children per woman.

Combined with polygynous marriage practices in many traditional societies, a successful founder may have twenty or more direct heirs across multiple households. Under customary law, each child may have a claim to a share of the founder's assets, including the operating business. There is no primogeniture tradition in most of the region; inheritance is often distributed among all children and sometimes among siblings and cousins. The distinct decay driver is the tension between the formal business entity and the customary estate. When the founder dies, the formal company may pass according to the will (if one exists and is recognized), but the customary heirs will often contest the will in parallel forums. The result is years of litigation, asset freezing, and even the eventual sale of the business to pay legal fees and satisfy multiple claims. While numbers should always be taken with a pinch of salt, the decay rate from G1 to G2 in Sub-Saharan Africa, in

the absence of planning, could tend towards 100% within a decade as a modelling result.

The most effective ameliorating factor has been the use of offshore trusts and foundations, similar to the South American solution but with an additional layer of jurisdictional distance. Sub-Saharan African families with substantial wealth typically establish holding companies in Mauritius, the Seychelles, or the British Virgin Islands. Such that the operating business in Nigeria or Angola is owned by the Mauritius holding company. The founder's will or trust deed governs succession under Mauritian law, which has no forced heirship and recognizes testamentary freedom. Because the Mauritian entity owns the assets, the founder's death does not trigger any transfer of ownership under Nigerian customary law. The business continues unchanged.

Of high importance is also an uniquely African ameliorating factor is the clan or ethnic lineage as a governance mechanism. In some societies the extended family or clan exercises collective oversight over inherited assets. While this can lead to dissipation, it can also prevent fragmentation by maintaining assets under a single family council. The clan decides which heir manages the business; other heirs receive support but not ownership shares. This informal primogeniture, enforced by social pressure rather than law, has allowed a small number of family enterprises to persist across multiple generations. The challenge is that it works only as long as the clan structure remains intact, which urbanization and globalization are eroding.

South Africa stands apart.

With a developed common law system, no forced heirship, enforceable trusts, and a

sophisticated financial services industry (including specialized family office services in Johannesburg and Cape Town), South Africa offers a legal environment comparable to the United States or the United Kingdom. The constraints in South Africa are not legal but economic: somewhat low growth, a degree of currency volatility, crime, and emigration — such that Many South African family businesses have moved their legal domicile to Mauritius or the Isle of Man while retaining operations in South Africa, replicating the offshore holding model used elsewhere on the continent.



Latin America

South America — *herein defined as comprising of Brazil, Argentina, Chile, Colombia, Peru, and Venezuela* — presents the most hostile baseline environment for intergenerational wealth preservation among the regions examined, with the self-evident exception of extreme political risk jurisdictions. The combination of a history of high inflation, currency volatility, expropriation risk, and civil law forced heirship creates a decay rate that, absent aggressive structuring, approaches certainty within two generations. The legal foundation of most South American countries is the Spanish or Portuguese civil code, which imposes forced heirship (*legítima*). Typically, two-thirds or more of the estate is reserved for descendants, divided equally.

The founder cannot concentrate control in a single heir. Moreover, the civil law tradition in South America is less flexible than its European counterpart: *the foundation structures available in Liechtenstein or Luxembourg have no direct equivalent in most South American jurisdictions*. Trusts, as understood in common law, are either unrecognized or severely constrained.

The result is that the legal fragmentation of ownership is effectively mandatory. A successful founder with four children will see the operating business divided into four equal stakes by operation of law upon death, regardless of any testamentary wishes to the contrary.

189

Billion USD in transferable assets inter-generationally
estimated over the next 15 years, in Argentina, Brazil,
Chile, Columbia and Mexico

UBS

Unless the family has planned extensively with holding companies incorporated abroad, the business becomes a partnership of multiple heirs, each with veto rights in practice under civil law's unanimity requirements for fundamental corporate changes. This is a recipe for deadlock.

Additionally, a distinct decay driver in South America is macroeconomic volatility superimposed on legal fragmentation. The region has experienced repeated cycles of hyperinflation (as observed in Argentina, Brazil), currency collapses, sovereign defaults, and capital controls. Even a well-managed family business can see its real value halved by a single devaluation. When ownership is already fragmented, the response to macroeconomic shocks is typically slower and less decisive. Heirs disagree on hedging strategies, on dollarization of assets, on repatriation of earnings. The business drifts, potentially

disastrously.

The ameliorating factors in South America are almost entirely extraterritorial. The most successful families in the region have long since moved the legal domicile of their holding companies to common law jurisdictions: the Cayman Islands, Delaware (U.S.), Switzerland, or Luxembourg. The operating businesses remain in South America, but ownership resides in offshore trusts or foundations that are not subject to forced heirship. At death, the trust continues; the founder's estate includes only the beneficial interest, not the underlying assets. This bypasses the *legítima* entirely — *alongside pressure for legislative change.*

A second ameliorating factor is the use of Uruguayan or Panamanian private interest foundations (Fundaciones de Interés Privado).



0.82

Gini coefficient in Brazil, 2025

UBS

While not as robust as Liechtenstein foundations, these vehicles offer a degree of asset protection and succession planning that domestic civil law does not. The foundation owns the operating company; family members are beneficiaries. Because the foundation has no owner, there are no inheritance events to trigger forced heirship.

Last but not least, culturally, South American family businesses are characterized by a tension between patrimonialism and professionalization. The first generation is typically a hands-on entrepreneur. The second generation, often educated in the U.S. or Europe, introduces professional management. The third generation, however, frequently exhibits the consumption floor effect more acutely than in other regions, because the volatility of the external environment makes risk aversion rational.

A third-generation heir in a stable European or U.S. family business can afford to take entrepreneurial risks. A third-generation heir in Argentina or Venezuela, having witnessed multiple wealth confiscations, will prefer liquid hard-currency assets over reinvestment in the local operating business. This preference accelerates decay by starving the enterprise of capital. The exception is Chile, which has sustained a relatively stable legal and economic environment for several decades, and where a sophisticated private pension fund system and corporate governance reforms have allowed some family businesses to preserve wealth across four generations. Chile's adoption of U.S.-style trust-like structures and its relatively low tolerance for inflation have created a regional outlier. But for most of South America, the baseline remains one of high decay, with survival dependent on offshore structuring.

Intergenerational
Capital

40%

Average proportion of investment in alternative assets
by family offices in the United States

J.P. Morgan

Wealth

Overview

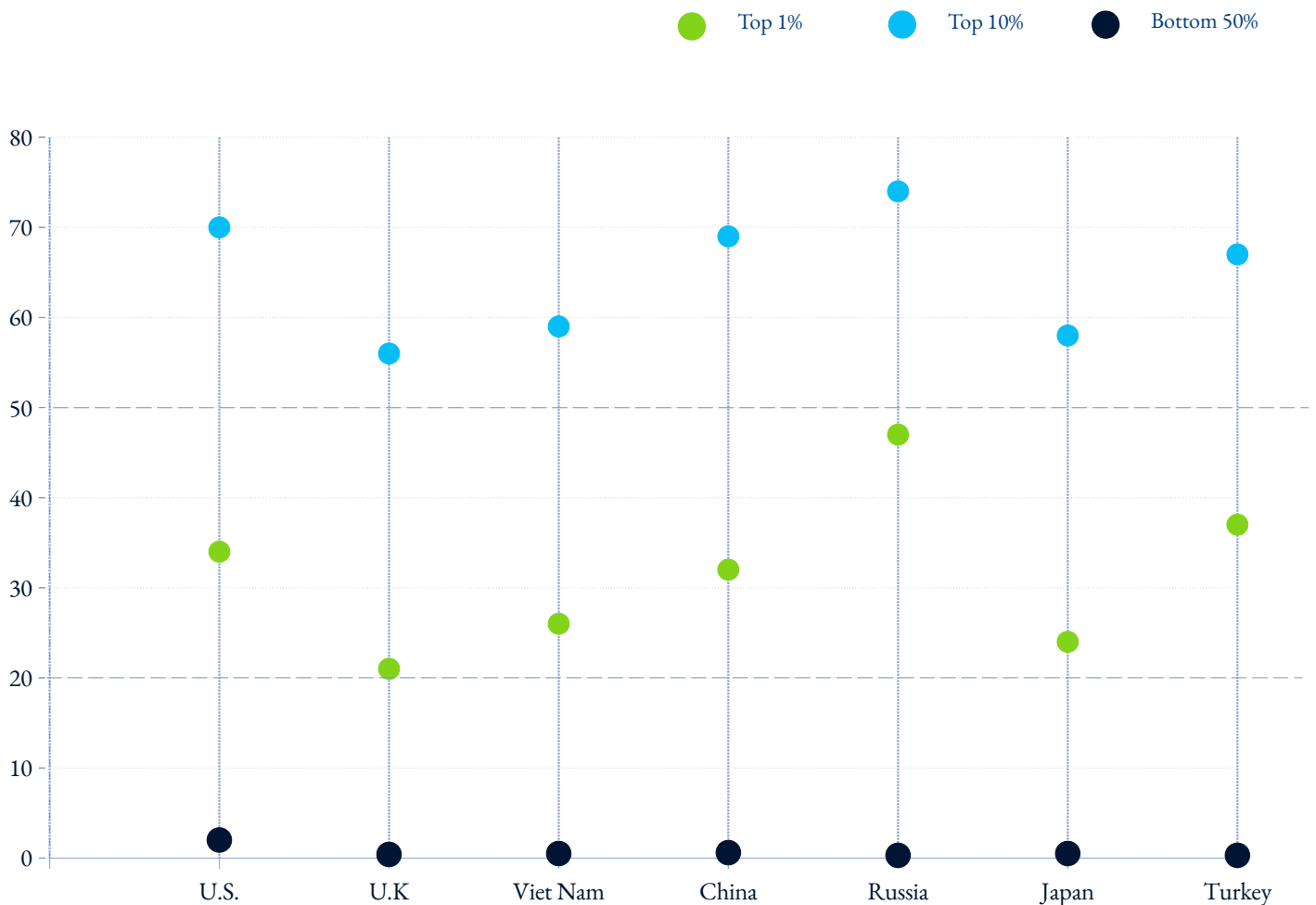
Global Wealth

In terms of global wealth, the general wealth dynamic advanced by Piketty seems to hold, unadulterated over the past few thousand years. This follows a general, global, trend towards the polarization of wealth towards the top 10% and, in that 10%, the 1% of families – the main point to emphasise being the degree of consistency of this pattern across countries.

78%

Global wealth held by the top 10% of people in the world.

WID

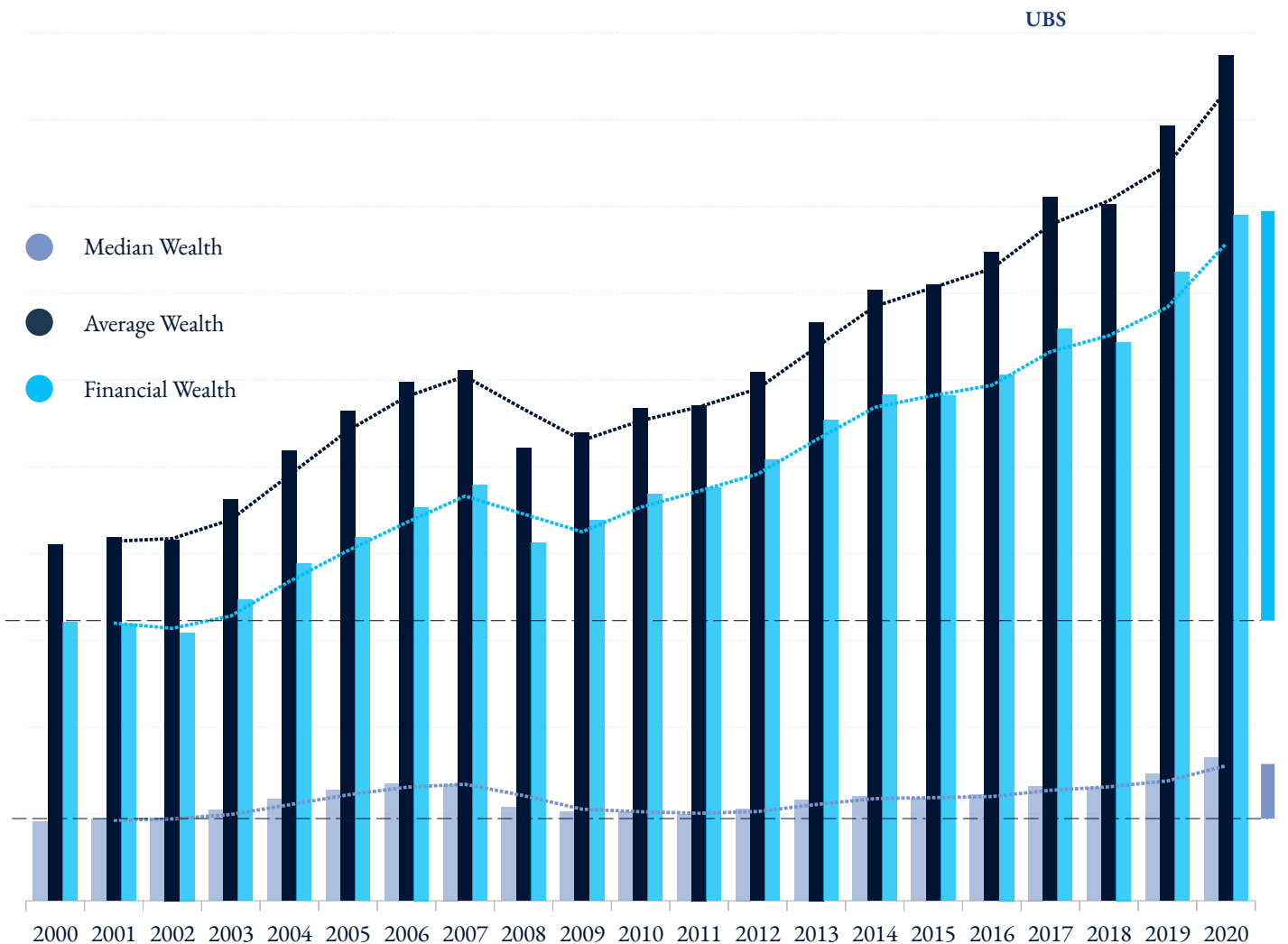


Polarization of Wealth

A significant driver of the dynamic arises from the simple fact that the return on financial assets has been consistently higher than the return on labour income, in line with the $r > g$ hypothesis. In other words, those families who had significant financial capital at the start of this dynamic grew it at a faster pace than those who relied solely on income, be it business income or labour income.

135%

Difference between the rate of growth of median wealth figures and the equivalent financial wealth between 2000 and 2020, United States.



78%

Proportion of global wealth held by the top 10%
of citizens

World Inequality Database

Mean Reversion

In the simplest of terms, the historical average previously mentioned is reasserting itself through mean reversion all across the world, both in the place that previously had ‘gotten to Denmark’, to borrow a phrase from Fukuyama, as well as those that aspire to that.

In fact, the proportion of of national wealth held by the top 1% was the same in Uganda and the United States, with a fairly stable observable trend towards convergence among the top 10% as well.

35%

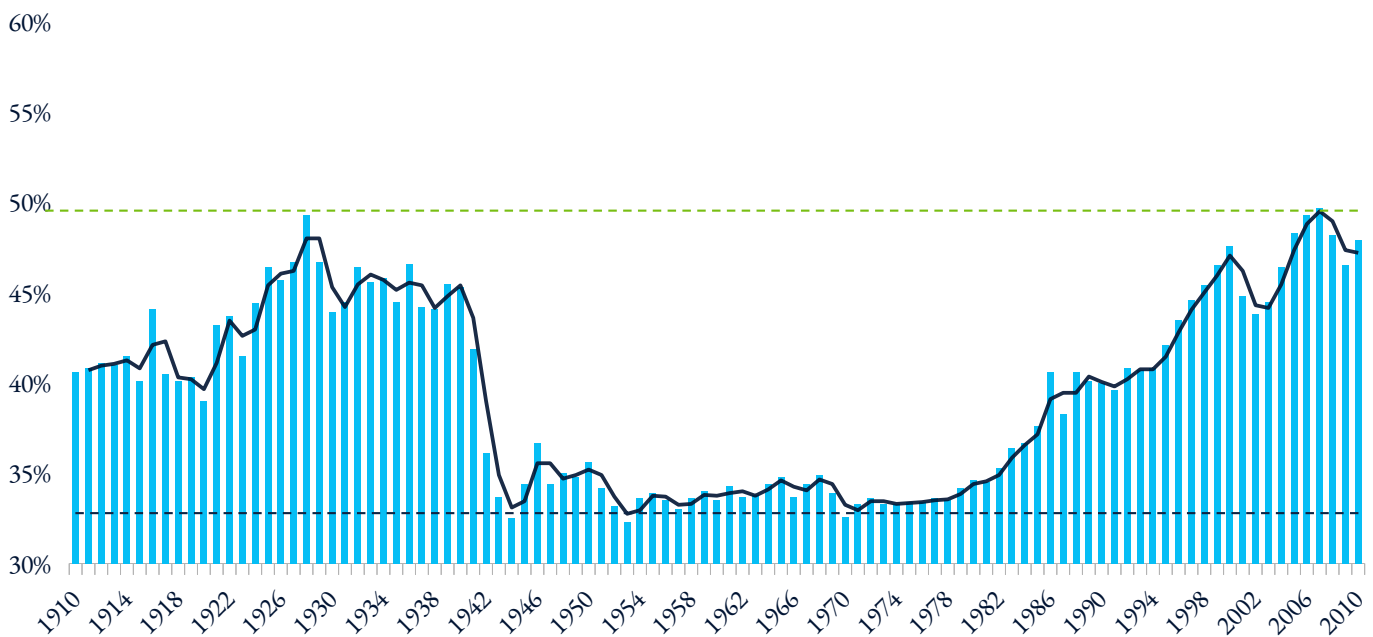
Proportion of national wealth held by the top 1% in the United States, 2023.

WID

35%

Proportion of national wealth held by the top 1% in the Uganda, 2023.

WID



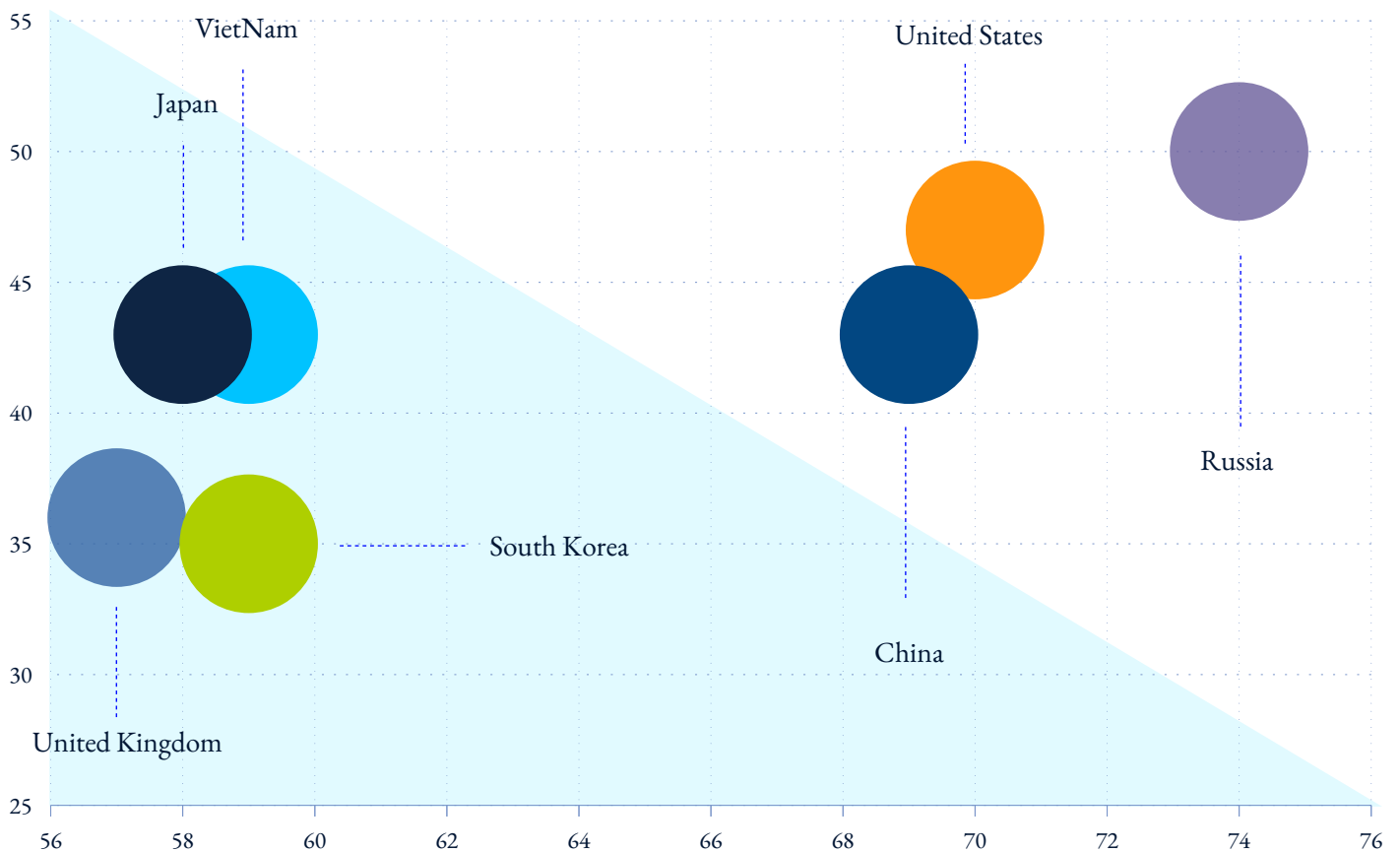
Constants

This trend does have a degree of heterogeneity and should be yet regarded as fully universal, with fairly egalitarian countries such as Japan and, media stereotypes aside, South Korea showing some degree of difference in the 10% category. Yet, in the 1% category, the variance in between countries is limited. Coupled with the rise of family offices professionalising inter-generational wealth transfers, this pattern may be expected to, *ceteris paribus*, increase rather than decrease.

49%

Percentage of family offices which serve the second or third generation

Deloitte



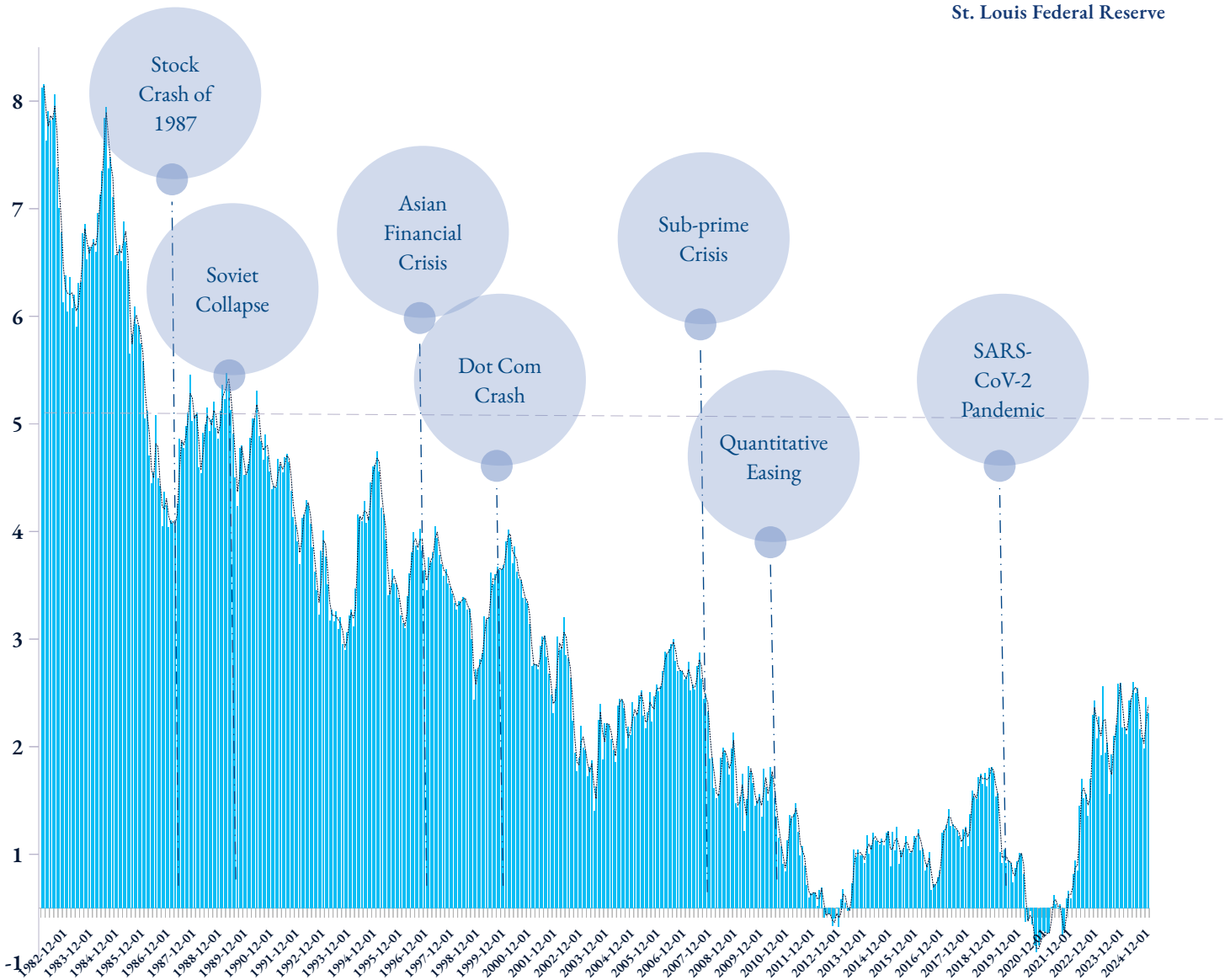
The Role of Interest Rates

59

Part of this is simple: after the stagflation of the 1970s, in the issuer of the world's reserve asset, fiscal measures gave way to monetary measures and expansionary welfare measures gave way to expansionary monetary measures for the middle class: instead of a salary raise you get a lower interest rate on that car.

The age an individual would need to have in order to have seen interest rates above 5% in the United States while in the labour market.

St. Louis Federal Reserve



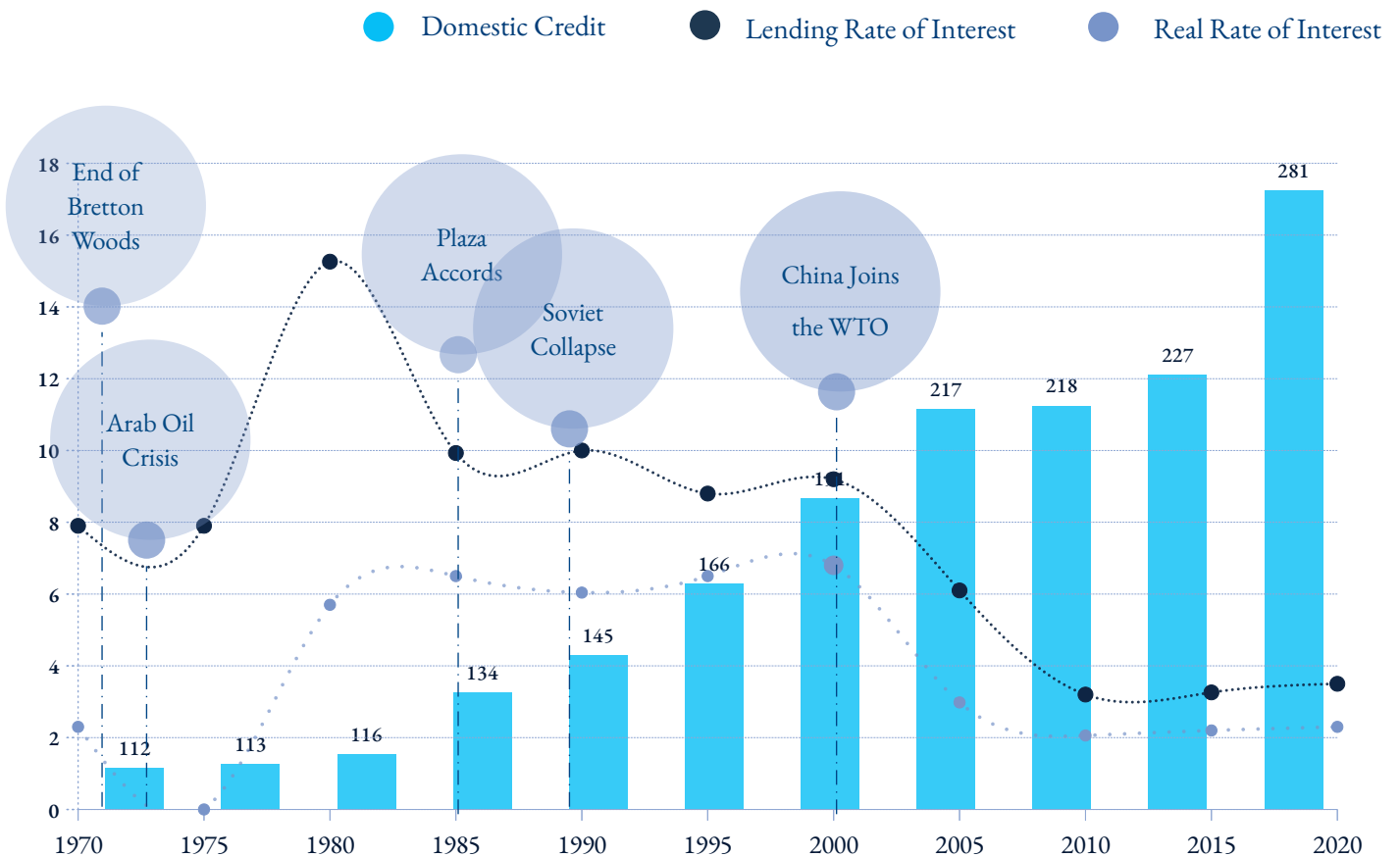
Domestic Credit

This period led to a dramatic expansion of domestic credit in the United States from slightly above GDP to almost 300% of GDP, which, among other ways, transmitted in the way of higher asset prices, which tended to favour holders of those assets, be them equities or real estate. In turn this allowed wealth to scale up returns significantly both by the expanding consumer market as well as using leverage to purchase assets.

18

Trillion USD in credit given by commercial banks in the United States, 2024 figures.

St. Louis Federal Reserve



Domestic credit as a percentage of GDP, in addition to the Lending and Real Rates of interest, at official reported rates. United States. 1970 to 2020.

St. Louis Federal Reserve

The Greatest

Transfer



83

Trillion USD wealth expected to be transferred from
Silent Generation and Baby Boomer Generation to
younger generations to 2045

J.P. Morgan

Immediate Questions

All, or a significant part of it at the very least, of that USD 83 trillion in wealth previously discussed will be inherited at one point. Part of it constitutes financial investments, part of it alternative assets, and part of it constitutes businesses themselves. Over less than the next 15 years UBS already expects about USD 5.9 trillion in wealth to be transferred from one generation to another only in the billionaire segment of that statistic.

There are three core questions relating to that transfer:

1 – What will it imply in terms of asset allocation?

2 – What is the extent to which it will be tax optimised?

3 – What is its impact on business continuity and performance?

The third question will be discussed in the third section of this report, which focuses on successful successions, and we will focus on the first two questions here.

5.9

USD trillion expected to be transferred inter-generationally over the next 15 years among households with over USD 1 billion in assets

UBS

2919

Number of households estimated as holding over USD 1 billion in assets, in 2025

UBS

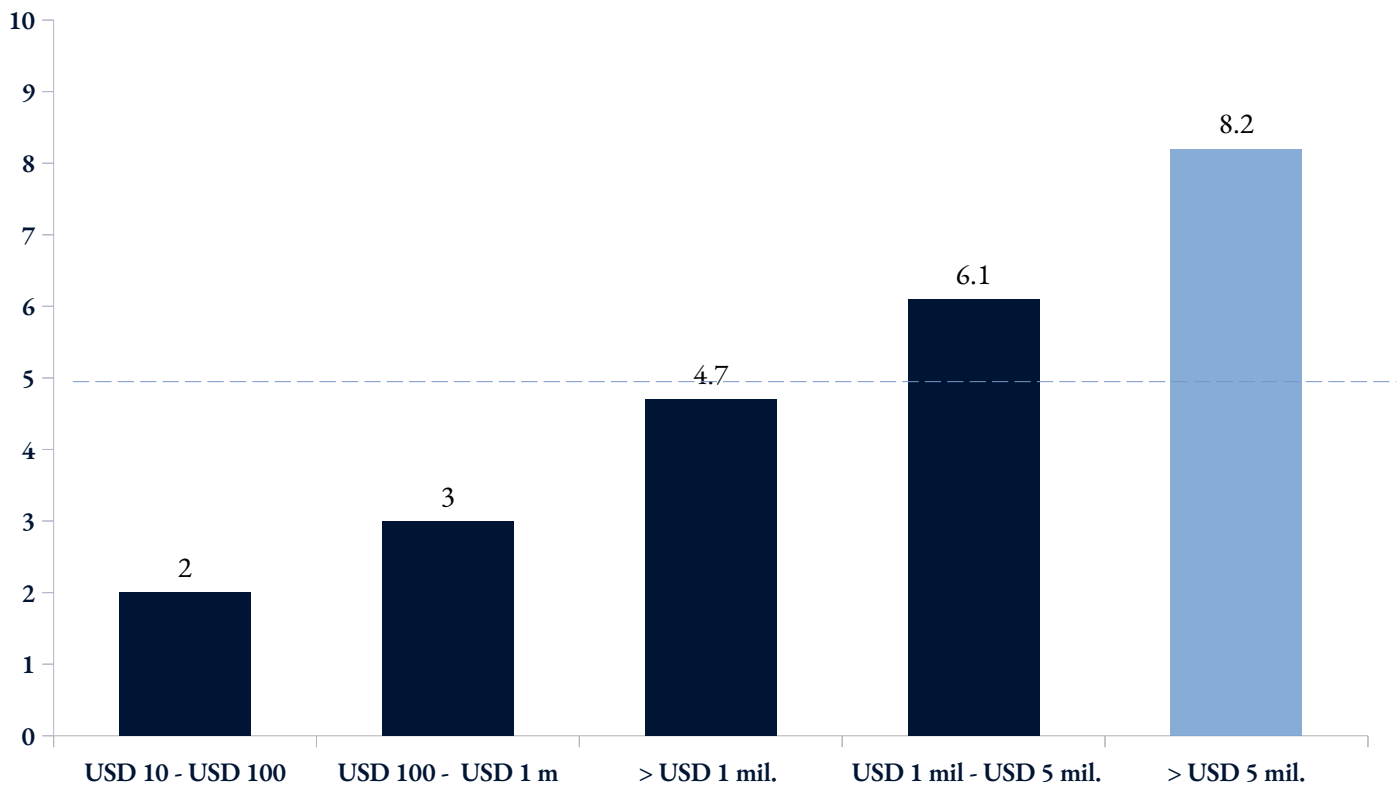
Levels of Wealth

The reason behind the importance of the first question is fairly simple: a significant dynamic of that wealth is simply wealth itself. Those with low levels of wealth, who may be highly invested in cash assets and exposed to shocks such as healthcare expenses, will experience a compound annual return of about 2% while those with a wealth level above USD 5 million have a CAGR of 8.2%. A significant part of that is the aforementioned difference in growth between financial wealth and other forms of wealth.

6.2%

Difference in the average CAGR of total wealth between those with wealth under USD 100k and those over USD 5 million. United States, 2000 - 2024

UBS



CAGR of total wealth, net of debt and inflation, by wealth bracket. United States, to 2000 to 2024. Figures in thousands, market rate USD.



297

USD billion inherited by the next generation in 2025,
among families with over USD 1 billion in assets

UBS

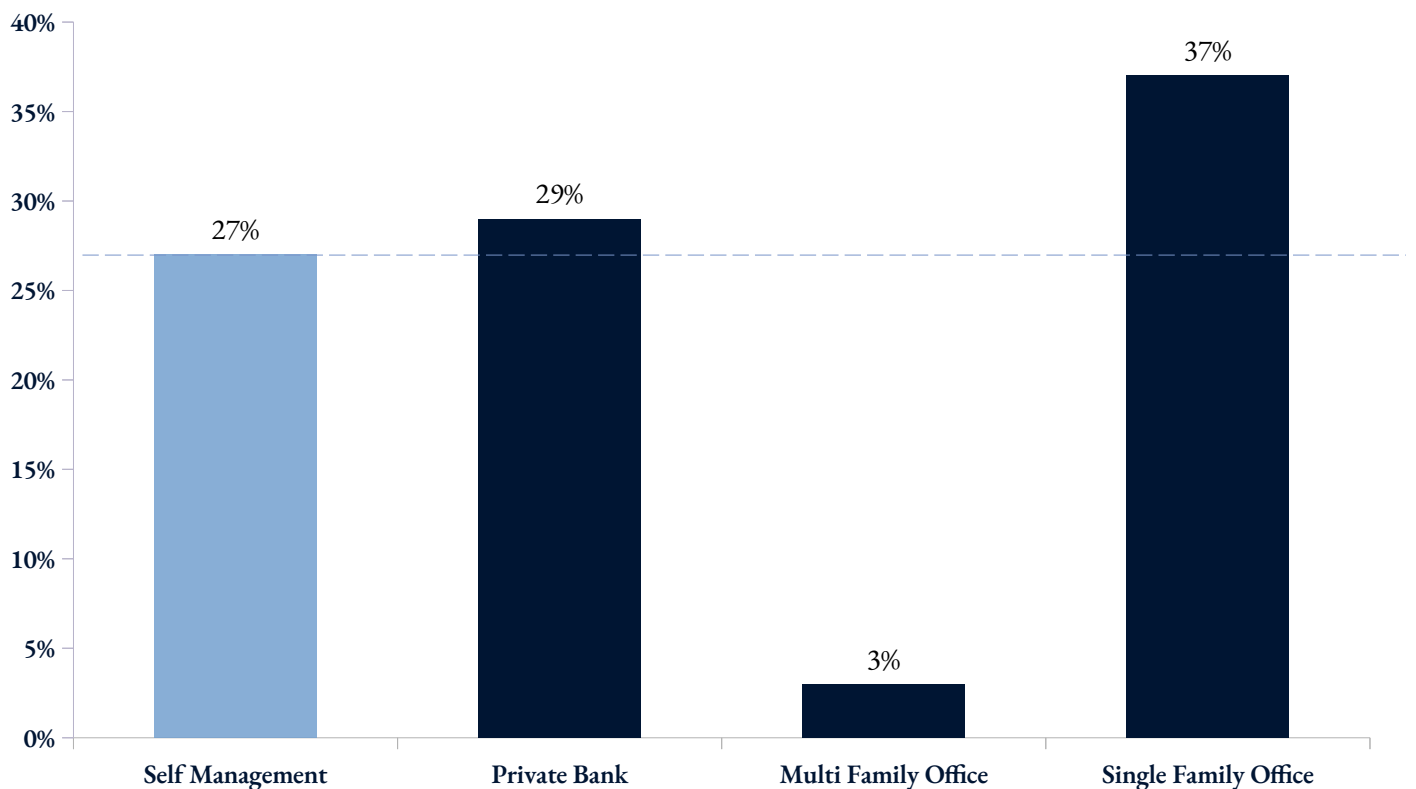
Professional Wealth

That in turn raises the question of whether next generation successors would experience a ‘lottery win’ behaviour whereby assets are drawn-down into cash or low-yield assets such as luxury real estate, yachts or lifestyle spending which erodes the basis of that compound return, both in term of absolute amount and the investment categories that can be sustained with a potentially lower absolute amount. Now, a plurality of families interviewed by UBS point to wealth being managed by a single, dedicated family office but over a quarter of families actually self-manage their wealth.

27%

Percentage of families interviewed that manage their own wealth. International figures, 2025.

UBS



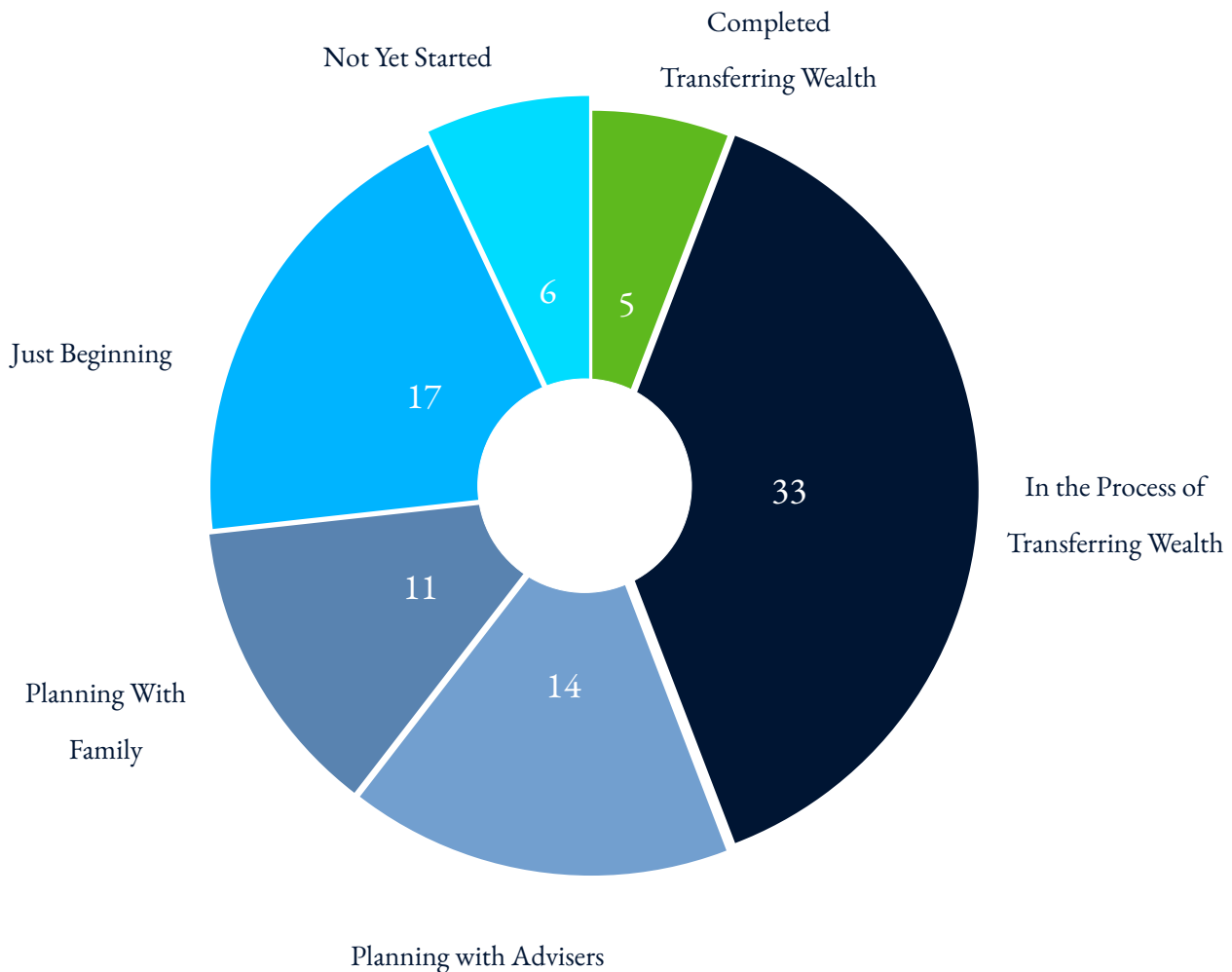
Transfer Process

Furthermore, cognizant of the USD 83 trillion figure under discussion, it is worth noting that what is an unprecedented total sum being transferred inter-generationally is not yet fully planned for, with just 5% of families interviewed by UBS reporting that they have completed the transfer, suggesting an approximate figure of USD 79 trillion still in the process or about to be transferred.

62%

Percentage of families interviewed that have not formally begun the process of transferring wealth to the next generation. International figures, 2025.

UBS



Aggregate responses to the question of whether family wealth planning for inter-generational transfer has begun within the family. International figures, 2025.

Asset

Allocation

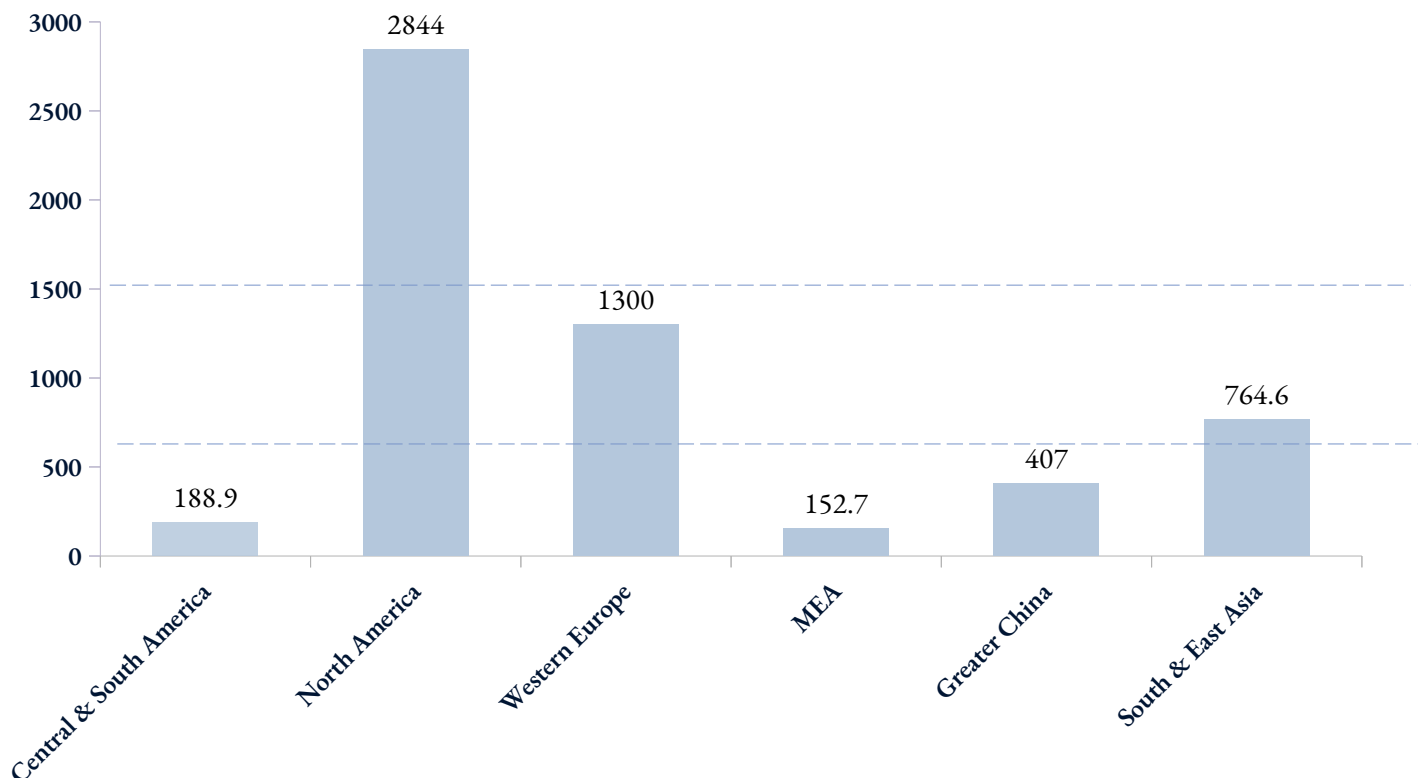
Wealth Impact

First, looking at the sums estimated over the next 15 years, with the figures below being in USD billions, it is self-evident that these are market moving sums, passing the USD 1 trillion mark in the United States and Western Europe. Portfolio re-calibration and changes in asset allocation would quite literally move markets, potentially making this succession one of the most important, if slow moving, market events to keep track of.

4.1

USD Trillion expected to be inherited only among families holding over USD 1 billion in assets, in North America and Western Europe, over the next 15 years,

UBS



Investment Topology *of* Family Offices

North America

- Avoid fixed income
- Tend to focus on alternatives
- Technology equities favoured

Latin America

- Focused on low-yield fixed income
- Defensive, inflation focused
- Technology & climate change seen as risks

South East Asia

- Avoid real estate
- Tend to focus on diversification
- Fearful of geopolitics

North Asia

- Focused on AI
- High cash holdings
- Fearful of geopolitics, less of climate change

Europe

- Inwardly-focused
- Developed market equities preferred
- High risk aversion

Middle East

- Focused on low-yield fixed income
- Highest proportion into real estate
- Highest perceived risk of financial crisis

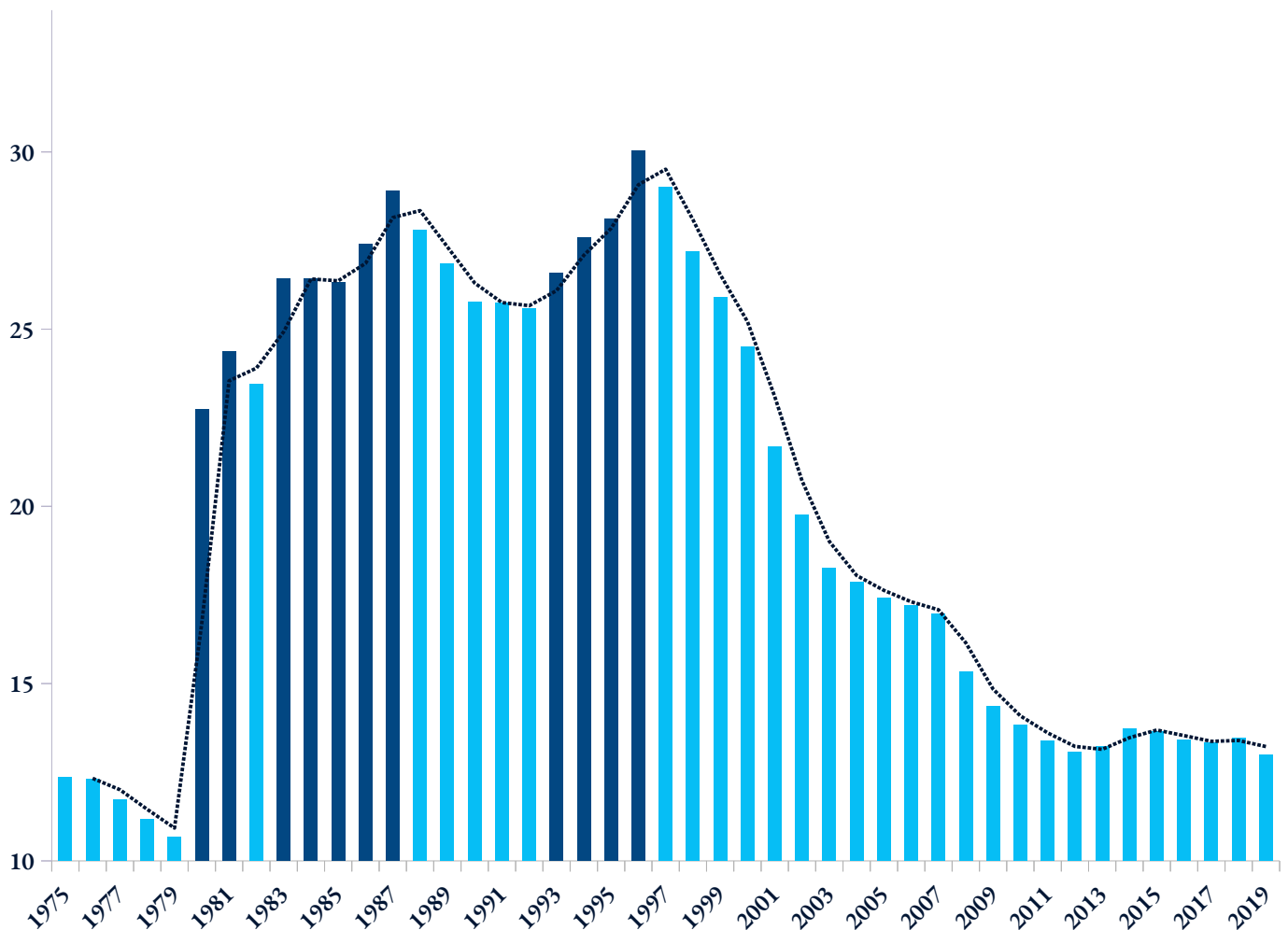
Economic Impact

As the majority of these sums will be transfer through family offices, it merits looking at the investment topology. The economic impact of that investment topology may be regarded as of limited economic impact but the reader may consider its impact on the number of public IPOs, currency ‘races to the public’ notwithstanding. There are two patterns here: geopolitical diversification and the focus on alternative assets.

229%

Change in the ratio of publicly listed companies to millions of residents between 1979 and 1981, United States.

St. Louis Federal Reserve





60%

Proportion of family offices interviews by UBS
which state that they plan a strategic asset
reallocation in 2026

UBS

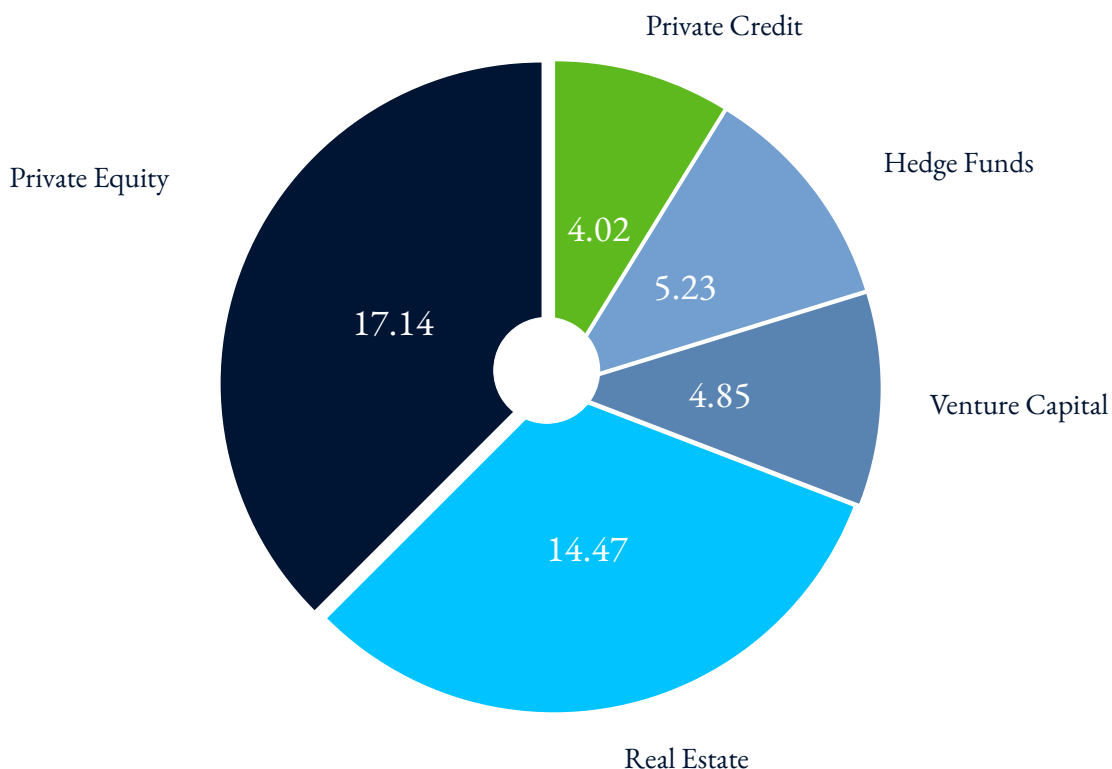
Alternative Focus

First, family offices frequently allocate a portion of their portfolio to alternative investments, which can provide diversification and higher returns. Hedge funds, real assets and collectibles are common components of alternative investment strategies. These assets are less correlated with traditional markets, making them valuable in times of economic uncertainty. Additionally, family offices often have the patience and capital to invest in illiquid assets, such as farmland or timberland, which can offer inflation-hedged returns over time.

45%

Percentage of total investments by family offices which were into alternative asset classes, global averages. 2024.

J.P. Morgan



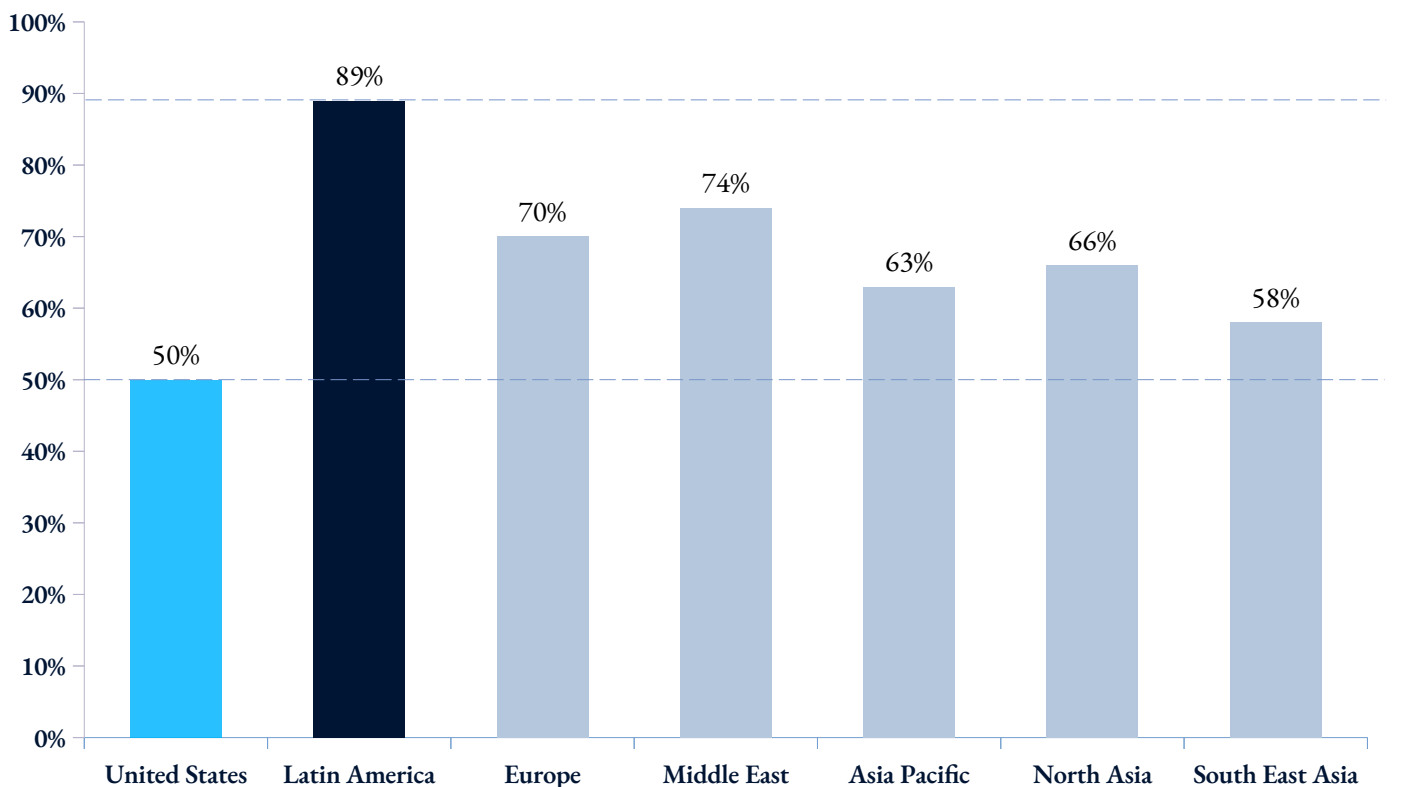
Geopolitical Diversification

Secondly, most family offices report a significant awareness of geopolitical risk and manage that, primarily, through jurisdictional diversification. That is fairly extensive, with almost 90% of Latin American family offices, possibly responding to the pressures previous outlined in Chapter 1, holding funds in 3 or more jurisdictions. The lowest figure is provided by the United States, with 35% of family offices holding funds only domestically.

88%

Percentage of family offices globally which hold funds in two or more jurisdictions

UBS



Percentage of family offices, categorized by region, which have funds in 3 or more jurisdictions Calculated from UBS data.

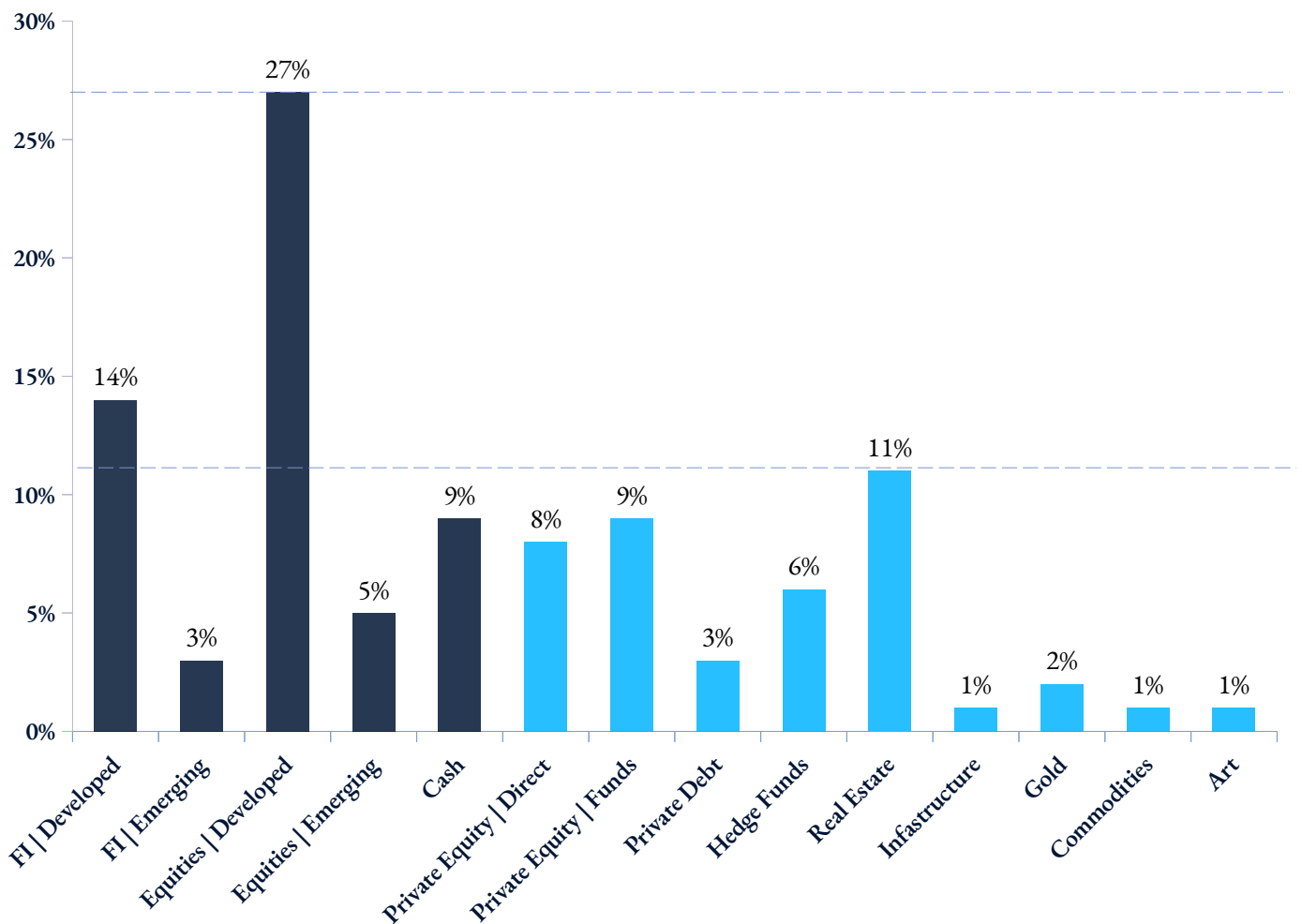
Asset Class Diversification

The focus on alternatives is observed in UBS data as well as J.P. Morgan data, with 42% of assets allocated to alternatives. That allocation primarily consists of private equity, both direct and through funds, and, to a lower extent, real estate. Gold, Infrastructure and art take up less than 3% of the strategic portfolio allocation, in terms of global aggregates.

42%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, global figures.

UBS



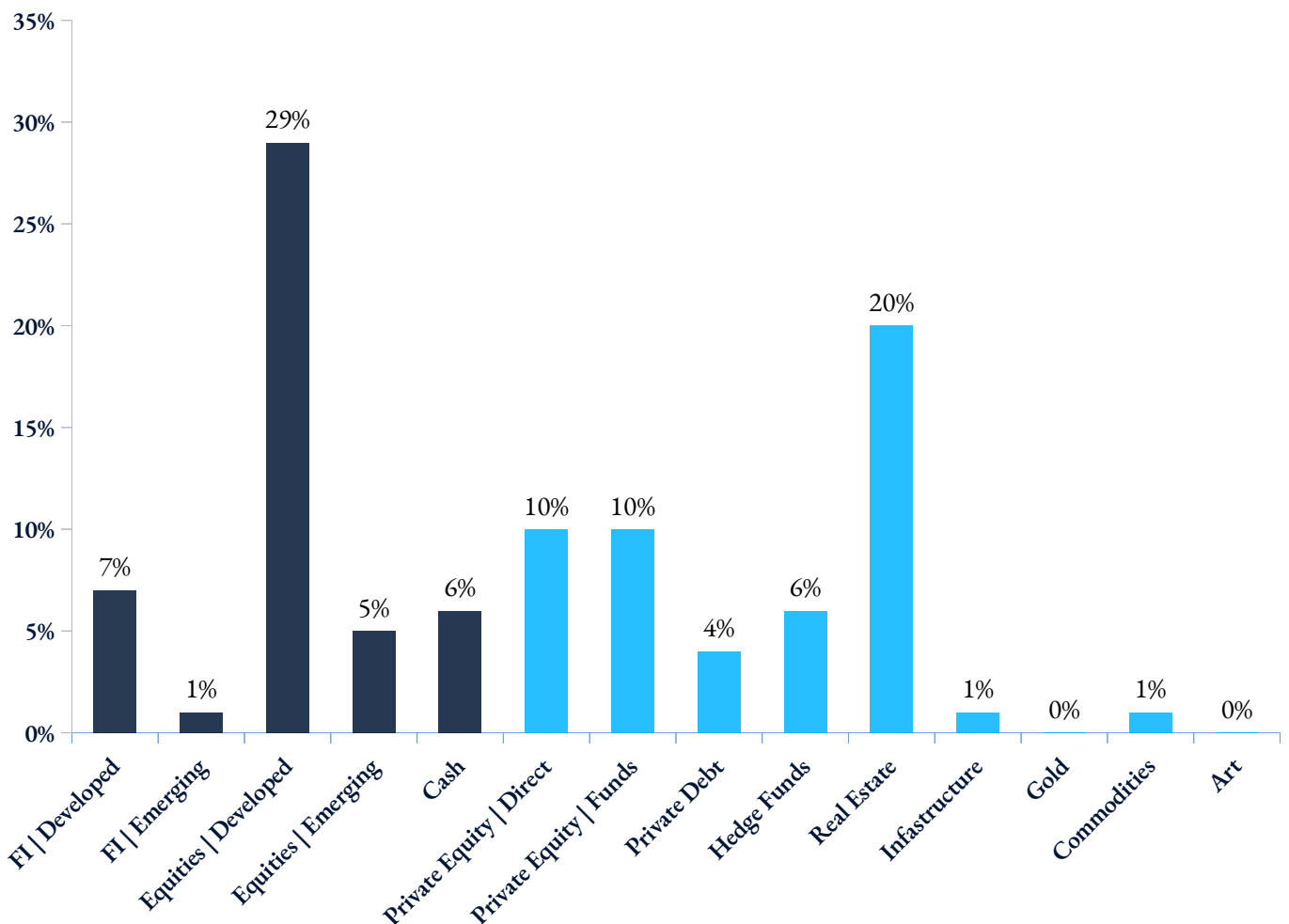
United States

Using only data for family offices in the United States, the allocation skews towards developed market equities and real estate, as well as higher allocation to private equity. Fixed income, developed market as well as emerging market, is significantly below global averages, with alternatives such as gold, commodities and art being close to eliminated despite alternatives having a much higher allocation than traditional assets.

52%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, United States figures.

UBS



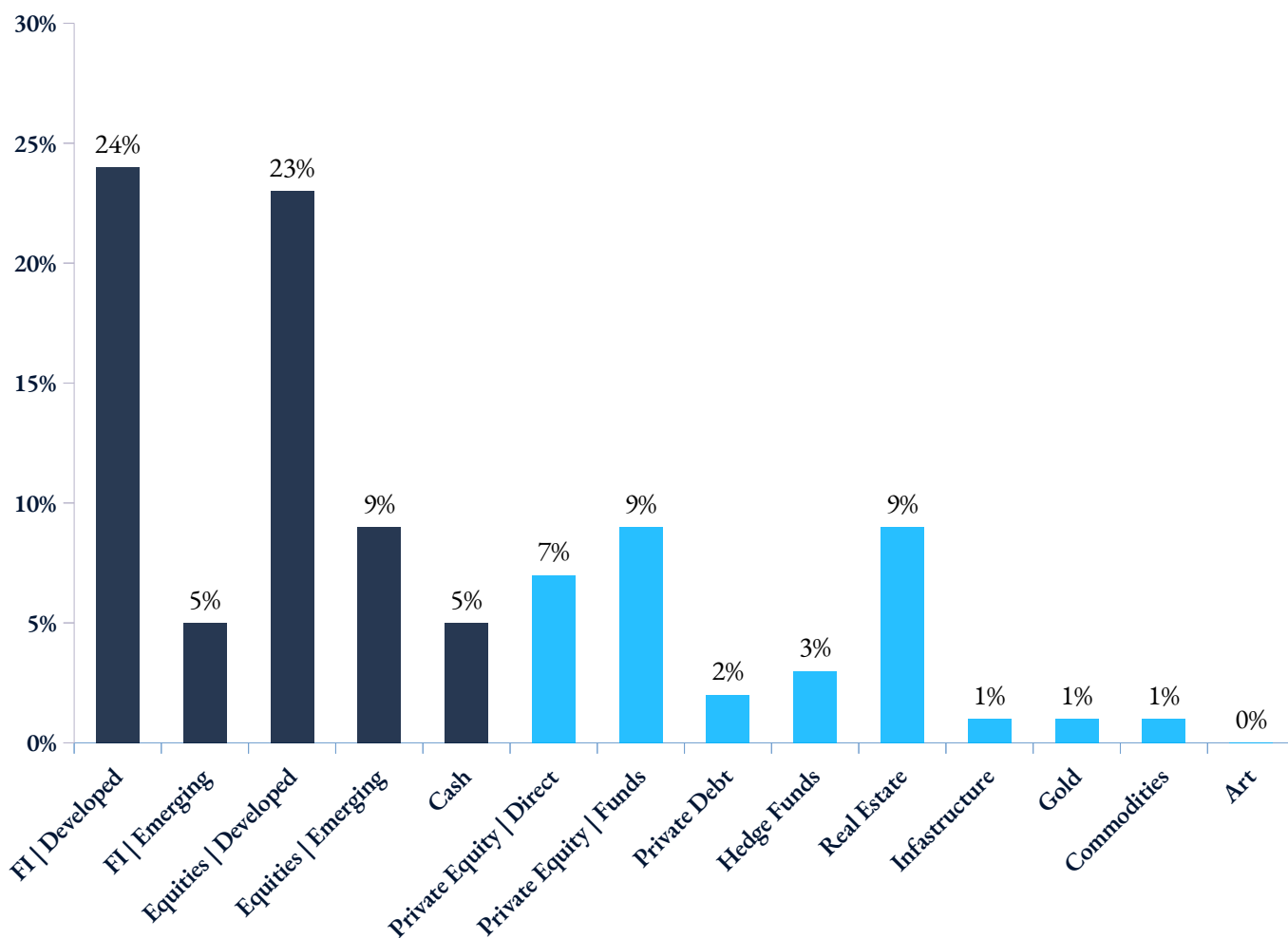
Latin America

Using only data for family offices in the Latin America, the allocation skews towards fixed income to a significantly higher extent, rising from 8% in the case of the United States, to 29% in the case of Latin America, while equities as a whole remain close to stable but with a higher proportion allocated to emerging market equities. The difference seems to mostly come from allocation to real estate and private equity, in particular direct private equity.

34%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, Latin American figures.

UBS



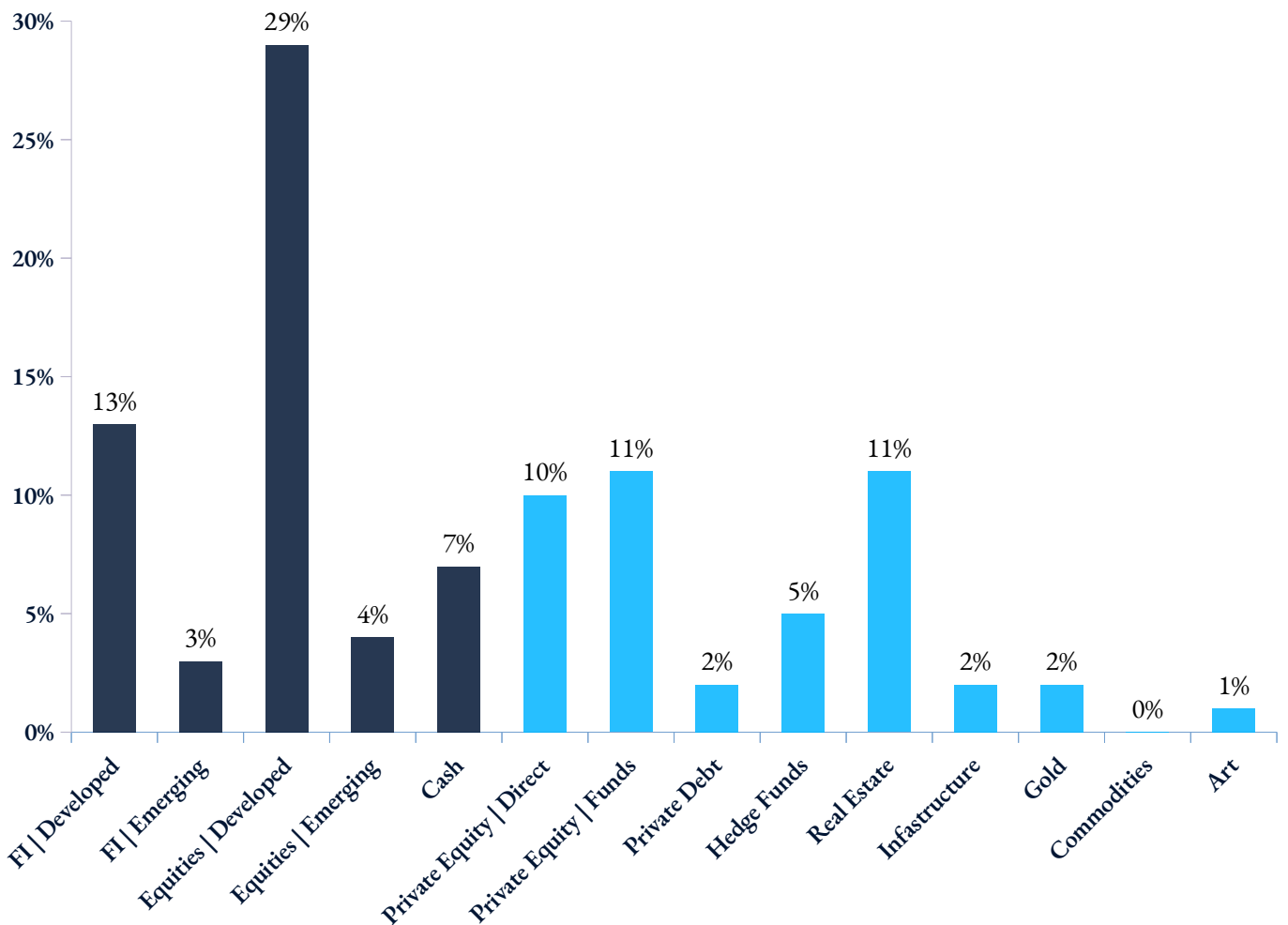
Europe

Using only data for family offices in the Europe, the allocation tends to mirror the United States in many respects but with a lower distribution into real estate and higher distribution into fixed income, in particular developed market fixed income.

44%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, European figures.

UBS



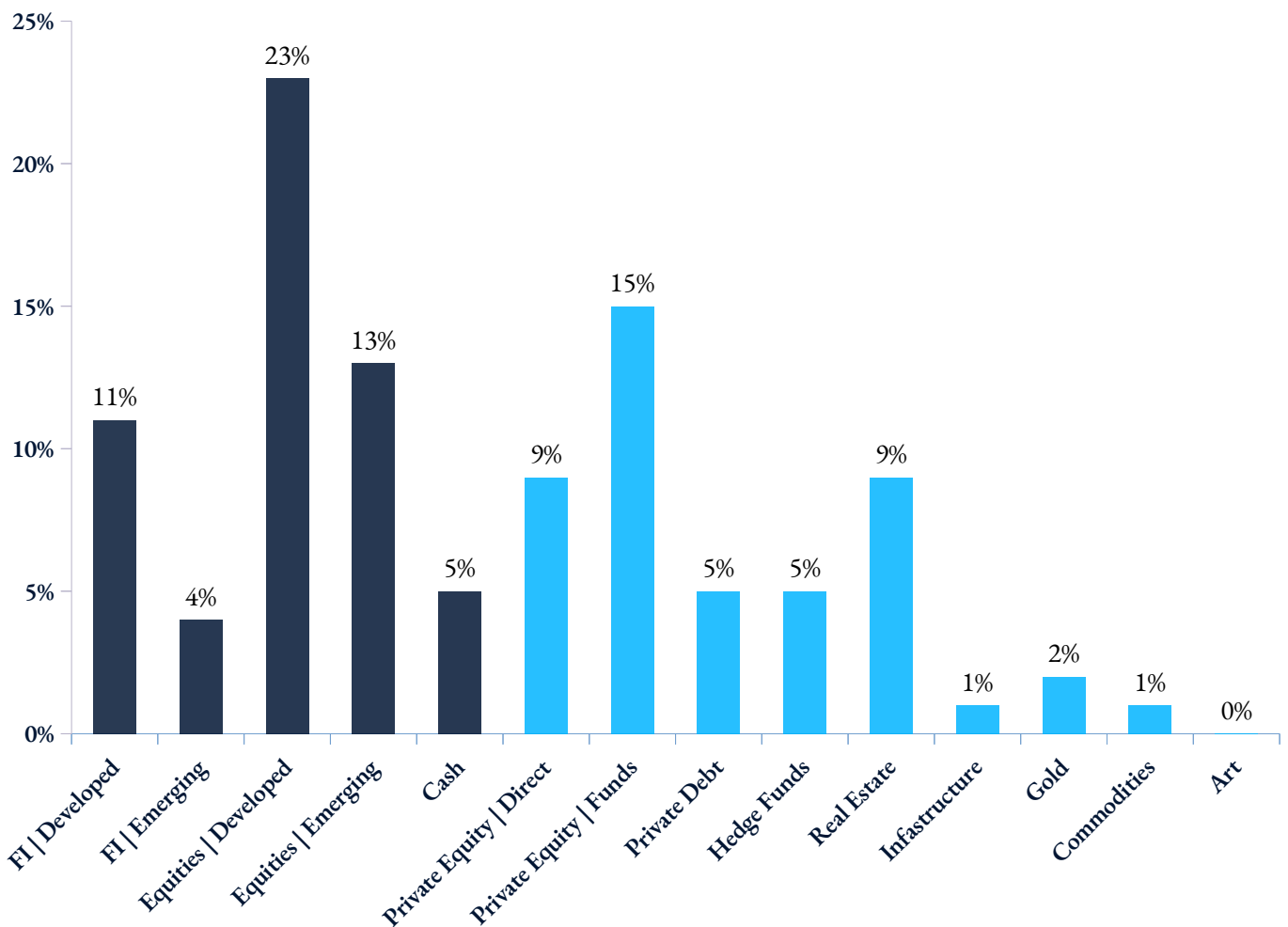
Middle East

Using only data for family offices in the Middle East, the allocation tends towards equities quite remarkably, with the highest proportion allocated to emerging market equities of all geographical areas under consideration as well as a slightly higher allocation to private equity, in particular private equity funds, while maintaining the same overall allocation to alternative assets as European family offices.

44%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, Middle Eastern figures.

UBS



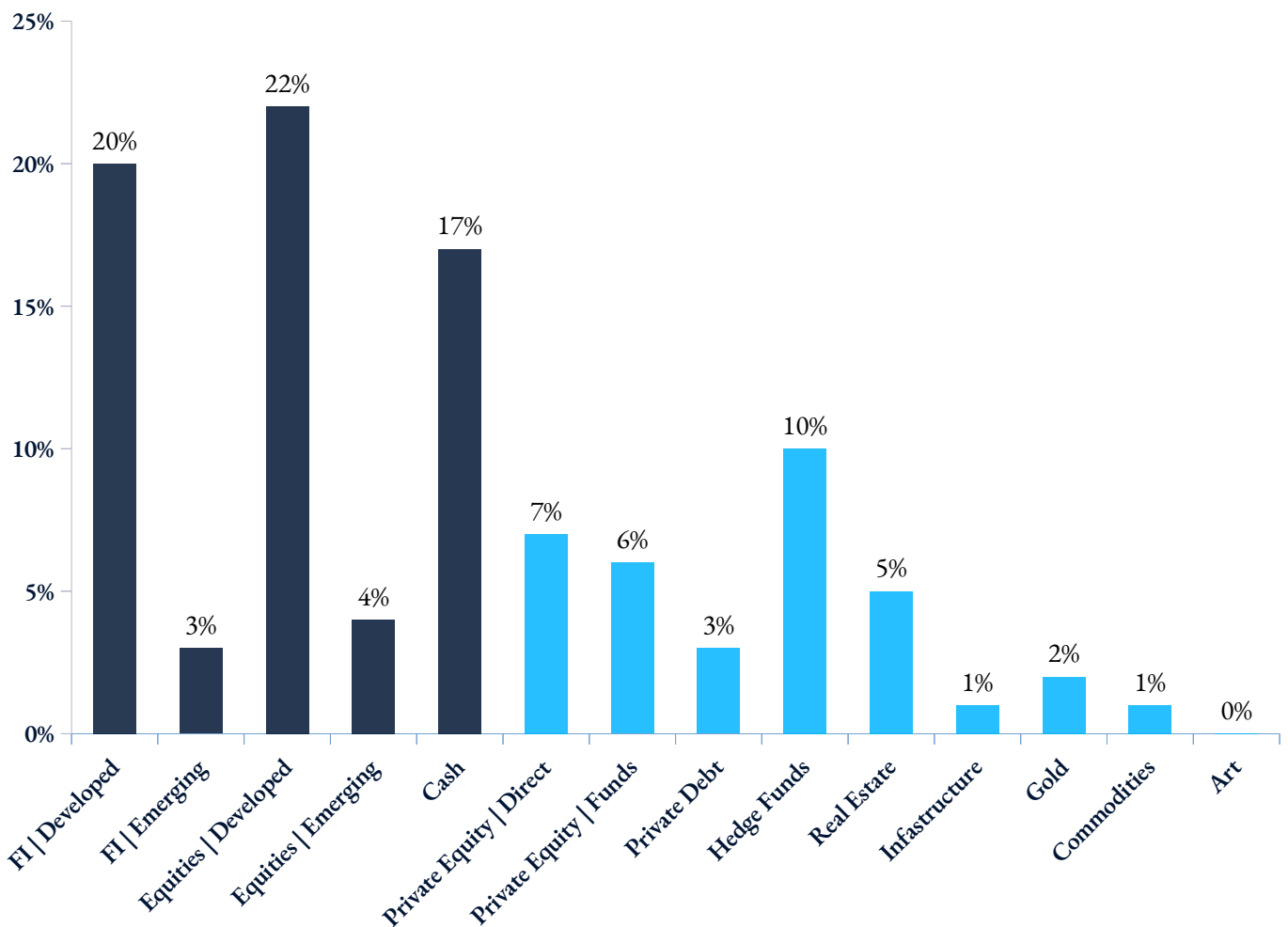
Asia Pacific

Using only data for family offices in the Asia Pacific region, the allocation is notably defensive, being quite similar to Latin America, in that developed market fixed income predominate, with a near parity between bonds and equities as percentages, coupled with a highly remarkable 17% held in cash. In contract, private equity, which dominated U.S. and Middle Eastern allocations, comprise just 13% of total allocations.

34%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, Asia Pacific figures.

UBS



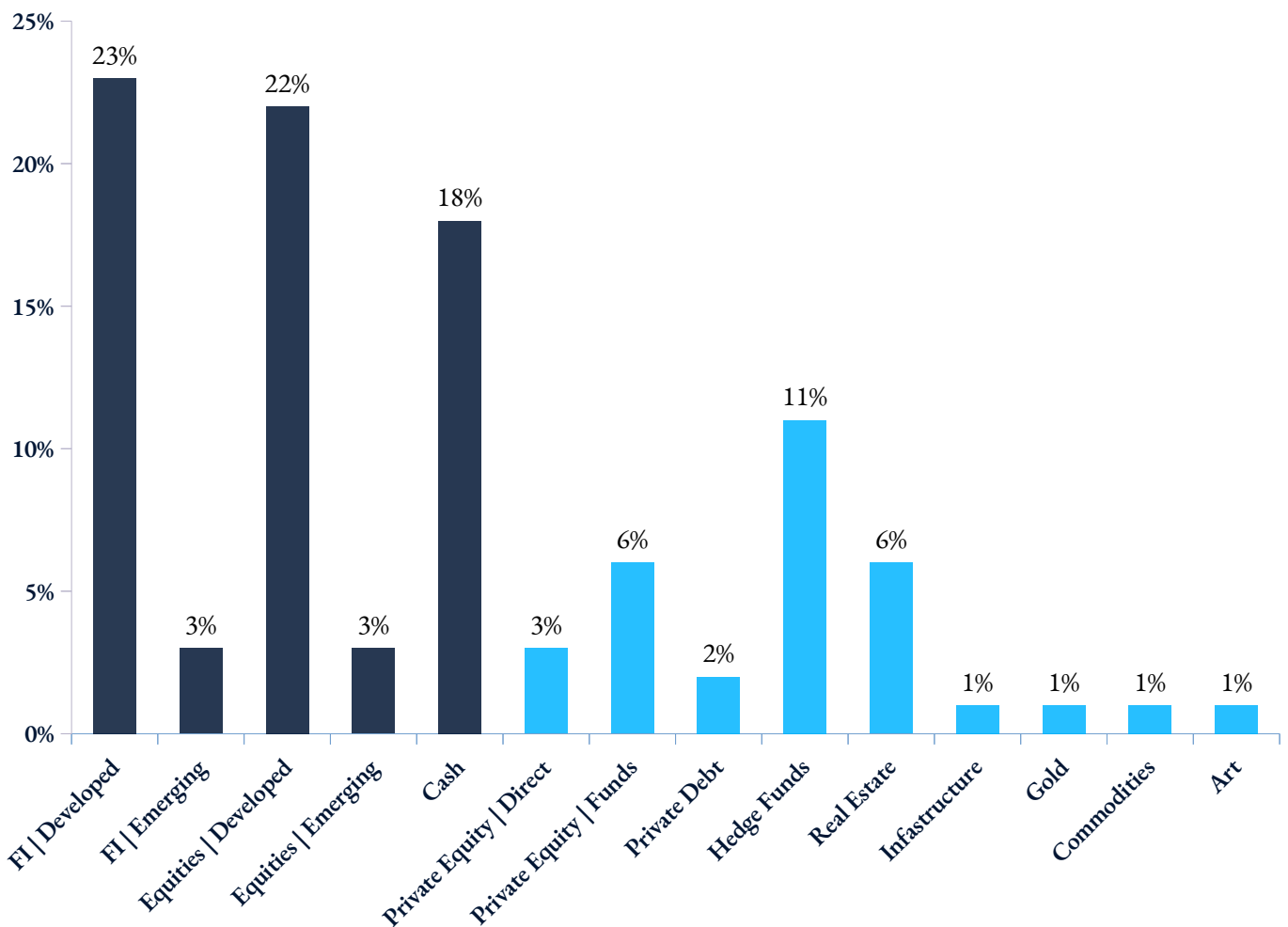
North Asia

Using only data for family offices in the North Asia region, we can see an even more defensive allocation, with 18% allocated to cash, 23% allocated to developed market fixed income and 22% allocated to developed market equities. Most risk capital seems to be allocated to hedge funds, which actually match private equity and private debt in aggregate while also having the highest allocation to traditional assets, with only 31% allocated to alternatives.

31%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, North Asia figures.

UBS



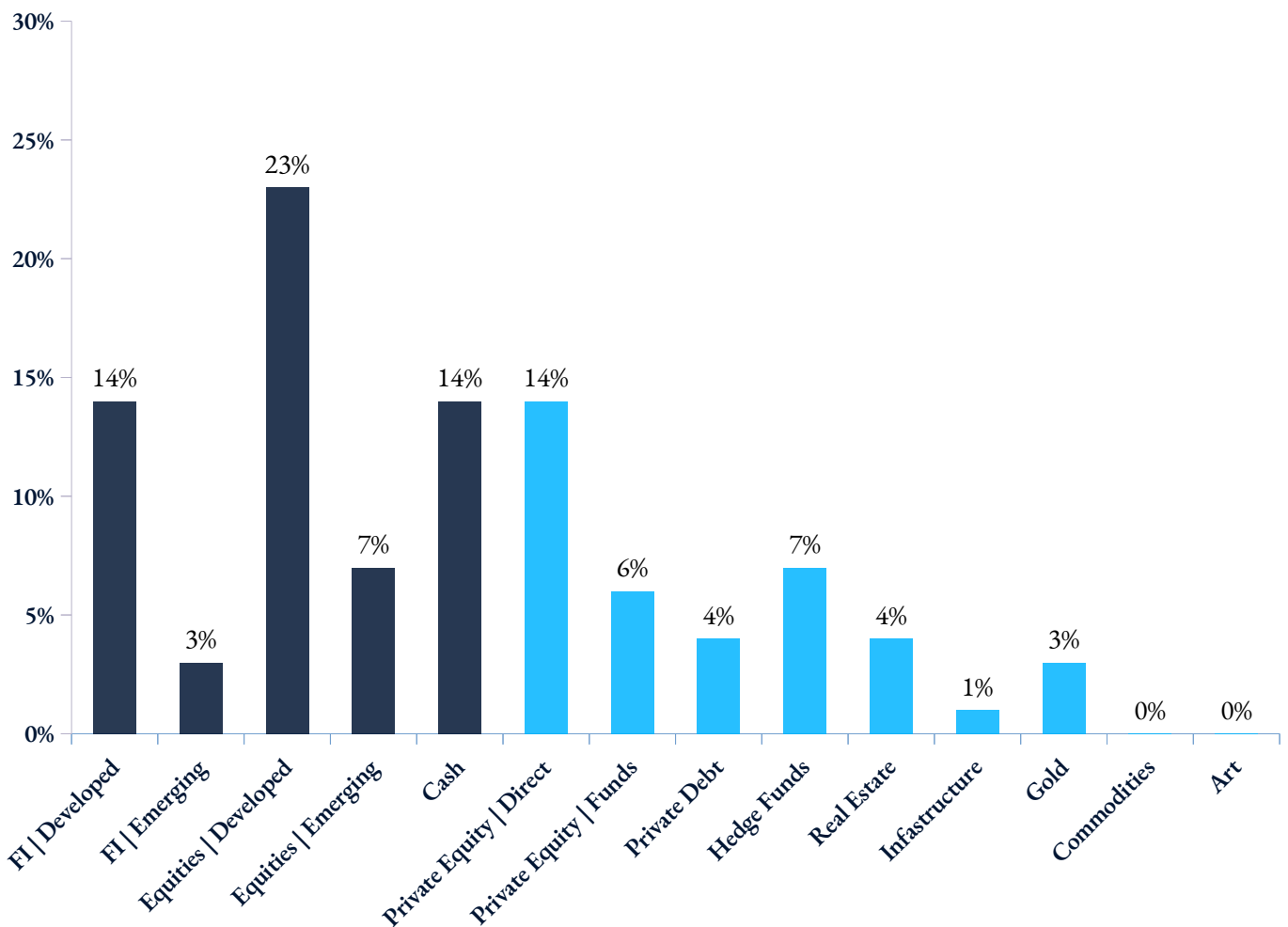
South East Asia

Using only data for family offices in the South East Asia region, we can see a slightly less risk-adverse allocation than Asia Pacific or North Asia, with 14% allocated to cash, 14% allocated to developed market fixed income and 23% allocated to developed market equities. Private equity, in particular direct private equity seems to play a critical role for South East Asian family offices' allocation, the category bringing the alternative asset allocation to 39%.

39%

Percentage of family offices strategic asset allocation in alternatives assets, in 2025, South East Asia figures.

UBS



Tax

Considerations



39.2%

The proportion of income tax total revenue paid by the
top 0.1% of income earners, United States, 2015

U.S. Bureau of Economic Analysis

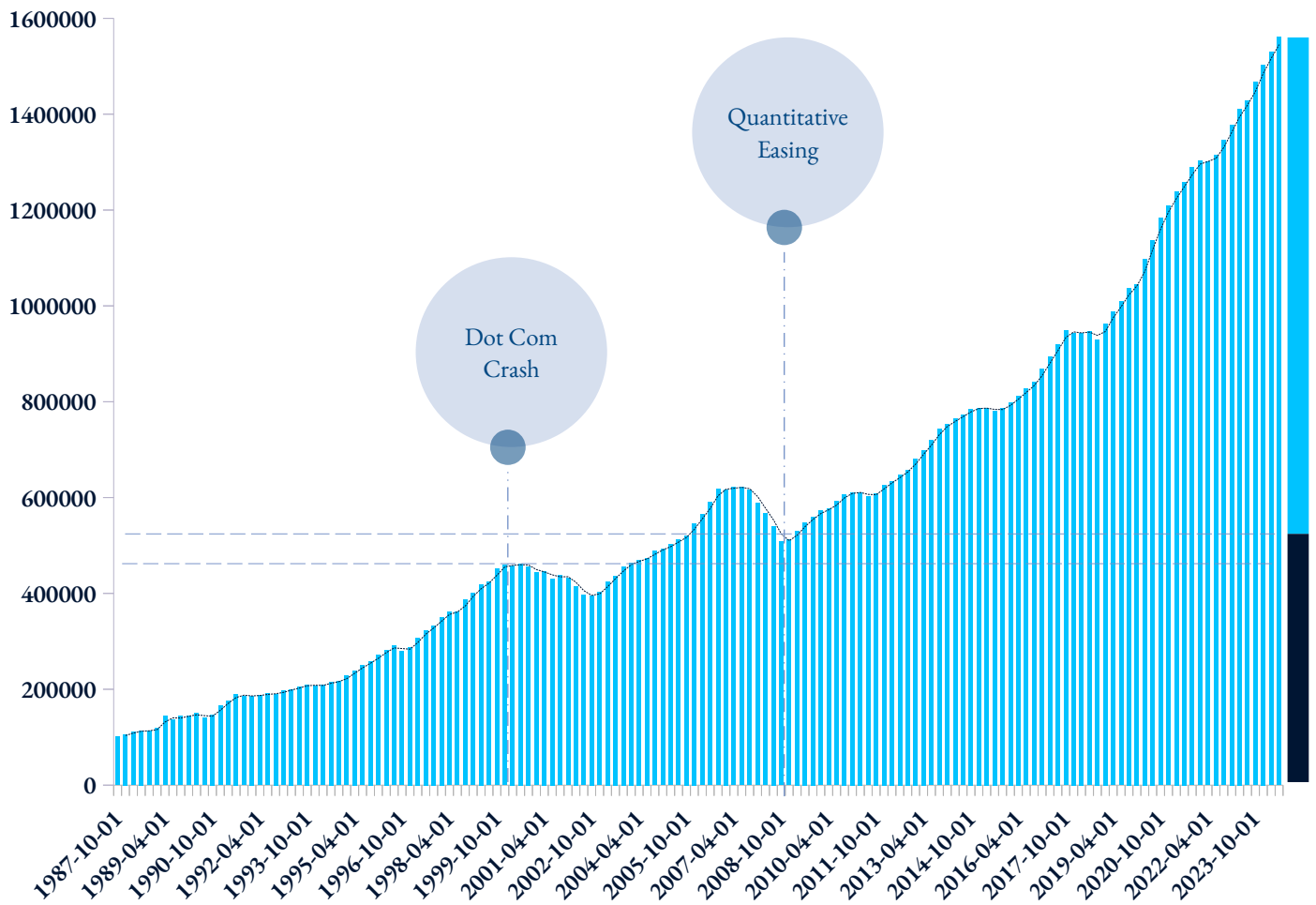
Foundations


Philanthropy and foundations, a well-established tax optimization vehicle, seem to have increased significantly in, without a corresponding increase in actual donation transfers, which suggests the generalisation of these vehicles along European lines.

18%

Percentage of U.S. philanthropic giving which came from private foundations

National Philanthropic Trust





Financial crises, the erosion of the middle class, and greater public awareness of income inequality—all with roots predating the 2008 downturn—have fed sentiment in the West that the costs of trade liberalization outweigh the gains. As a result, the historic, 70-year run of global trade liberalization faces a major backlash, undermining future prospects for further liberalization—and raising the risk of greater protectionism.

Governments will increasingly struggle to meet public demands for security and prosperity. Fiscal limits, political polarization, and weak administrative capacity will complicate their efforts. This gap between government performance and public expectations—combined with corruption and elite scandals—will result in growing public distrust and dissatisfaction. It will also increase the likelihood of protests, instability, and wider variations in governance.

U.S. National Intelligence Council

Global Trends 2035

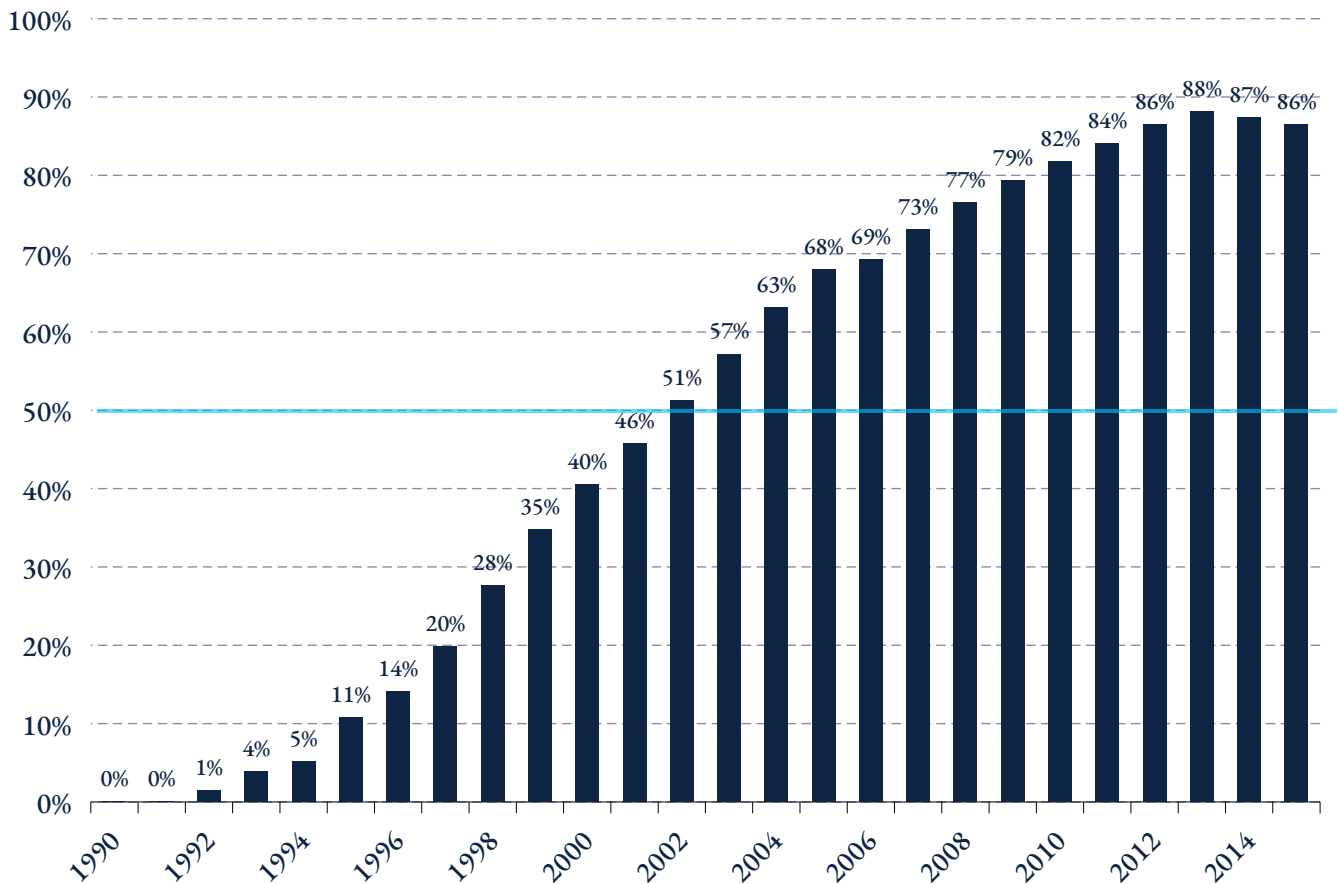
The Role of Tax Havens

Additionally, the globalization of financial capital has among other things led to significant amount of capital away from domestic jurisdictions to offshore jurisdictions, with some of the upper estimates reached 88% of national income.

88%

Proportion of national income that is estimated to have been repatriated to tax heavens in 2013.

Piketty



Proportion of national income being repatriated to offshore tax havens. Estimates. 1990 to 2015.



The Successful
Succession

The common

Pitfalls



Preliminaries

First of all, it needs to be underlined that the measurement of success itself can be a pitfall.

Families routinely define succession success by a single metric: *the enterprise remains under family control, or the assets remain whole, or no litigation has occurred.*

This overly Kierkegaardian definition can, in this context, be inadequate and obscures the deterioration of non-financial family capital. A family can maintain legal control of assets while experiencing a complete erosion of trust, communication, and shared identity among its members. The assets survive, but the family system does not. This outcome is not success: *it is a frozen conflict with a balance sheet attached.*

A more robust definition of succession success may incorporate the quality of relationships among family members, the degree of engagement and preparedness of the rising generation, the alignment between the family's activities and its stated values, and the capacity of the family system to adapt to unforeseen changes — *all, perhaps, difficult to measure yet utterly critical to a genuinely successful succession*

Families that adopt this broader scorecard may be regarded as better able to identify and correct drift before it becomes crisis.

This framework may be regarded as valuable to keep in mind through the process of planning the succession as well as its implementation to avoid all of the common pitfalls to follow.



Systematic or Systemic Failure?

The process of transferring both operating business control and financial wealth from one generation to the next is one of the most extensively planned yet least successfully executed events in the life of a high-net-worth family.

The advisory ecosystem surrounding substantial private wealth has produced an enormous volume of technical documentation but, despite this sophistication, the failure rate remains high enough to constitute a systemic problem.

The data is well-known: a minority of family businesses survive the transition to the second generation, and an even smaller fraction remain intact as family-controlled assets through the third. What deserves closer examination is why these failures occur in the presence of abundant capital,

elite professional advice, and sincere intent on the part of all involved. The answer is not a single catastrophic misjudgment but an accumulation of predictable, avoidable pitfalls that cluster around communication, preparation, governance, psychological identity, and the management of sibling dynamics. Each pitfall operates not in isolation but as part of a system in which a failure in one domain triggers cascading consequences in others.

A primary and recurring pitfall is the absence of a clearly articulated, cross-generationally shared purpose for the wealth itself. Many families operate under the unexamined assumption that the preservation of assets is an end in itself but that is somewhat of a trap. The senior generation, having built or stewarded

significant capital, often frames its objective as protecting the financial security of children, grandchildren, and future descendants. This framing, while understandable, contains a critical weakness: it provides no affirmative reason for the wealth to remain aggregated and no behavioural standard against which heirs can measure their own decisions.

Without a defined purpose that transcends capital preservation — *such as sustaining an operating business, supporting entrepreneurial ventures, funding philanthropic missions, or even simply maintaining a family reputation* — wealth becomes a passive asset pool vulnerable to dilution, disengagement, and eventual liquidation. UBS research with global family offices consistently identifies purpose as a leading indicator of long-term continuity. Families that have codified a statement of purpose, shared values, or a family mission

report measurably higher confidence in the next generation's readiness. The pitfall is not the absence of a mission statement as a document but the absence of a genuine, lived conversation about why the family chooses to remain economically interdependent. When purpose is undefined, the default drift is toward fragmentation: each branch eventually optimizes for its own liquidity needs, and the collective asset base unravels.



It Takes a Parent

A second and related pitfall is the systematic underinvestment in the preparation of the rising generation.

Preparation extends far beyond financial literacy. While many families arrange for their children to receive investment education, exposure to the family office, and perhaps an introduction to the operating business, these efforts, anecdotally at least, often remain at a technical surface level. The more profound dimension of preparation concerns both genuine financial training, decision-making capacity, and the ability to collaborate with siblings and extended family under conditions of complexity and stress. Families routinely delay this preparation because the senior generation is uncomfortable initiating conversations that involve mortality, loss of

control, or the acknowledgement that their eventual absence is a planning reality. The result is that heirs may frequently reach their 30s or 40s without ever having participated in a simulated investment committee decision or managed a discrete pool of family capital with real consequences. When the transfer event occurs, whether gradual or sudden, the receiving generation is thrust into a role for which it has had no meaningful apprenticeship. There is a recurring finding in the literature: *a significant gap exists between the senior generation's self-assessed effectiveness in preparing heirs and the heirs' own reported confidence and readiness.*

This perception gap is itself a risk factor, because it causes the senior generation to overestimate the resilience of their plan

and under-allocate time to leadership development.

Closely linked to the preparation gap is the pitfall of conflating entitlement with ownership and ownership with stewardship.

In many succession structures, legal ownership of assets is transferred to the next generation through trusts, outright gifts, or share distributions at a prescribed age. These transfers frequently occur with minimal conditions attached. The receiving generation experiences an inflow of legal rights — *to distributions, to votes, to control over assets* — without having internalized the corresponding obligations. The result is a consumer relationship to wealth rather than a steward relationship. The concept of stewardship is widely referenced in family wealth discourse but is often communicated as an abstract value rather than translated into enforceable expectations, performance

metrics, or *graduated responsibility*.

Without a clear framework that links rights to demonstrated capabilities, families create an incentive structure in which the benefits of wealth are decoupled from the behaviours that sustain it. This decoupling accelerates in the third generation and beyond, where the connection to the founding story weakens and the number of stakeholders multiplies.

The practical consequence is that major decisions — such as a sale of the legacy business, a potential restructuring of the family office, a endogenous or exogenously-driven shift in asset allocation — are made based on individual liquidity preferences rather than on a disciplined, collectively agreed-upon strategy.



Governance

Governance represents an entire category of pitfalls, many of which arise from a mismatch between the complexity of the family system and the sophistication of its decision-making structures.

A family that has grown from a single founder to a multi-branch cousin consortium continues to operate with the informal, consensus-based decision-making style of the founder's kitchen table. In such an environment, authority is ambiguous, decision rights are undefined, and accountability is diffuse. The lack of formal governance does not eliminate power dynamics: *it simply drives them underground, where they express themselves through avoidance, passive aggression, and the gradual withdrawal of key family members from collective activities.*

This pitfall becomes particularly acute when an operating business is involved.

The absence of a clear distinction between family governance and corporate governance leads to boardrooms populated by family members whose primary qualification is lineage rather than competence, or conversely, to governance structures so dominated by independent directors that the family's voice and values are effectively excluded.

Generally, families with established family councils, clear employment policies for family members, and documented decision-making protocols navigate succession transitions with measurably less conflict and better outcomes.

Now, the core pitfall is not the choice of any particular governance model but the failure to evolve governance as the family system increases in scale and complexity. Static governance in a dynamic system is functionally equivalent to poor governance.

That said, a specific and highly damaging governance failure tends to concern the employment and compensation of family members in the operating business or the family office. The absence of transparent policies governing entry requirements, performance evaluation, promotion criteria, and market-based compensation creates an environment of perceived unfairness that corrodes both family relationships and enterprise performance. Family employees who are under-qualified or under-performing cannot be effectively managed because there is no objective framework for feedback or removal, while competent non-family executives perceive a ceiling on which

to prevent succession derailment.

Last but not least, the founder or senior generation leader embodies a set of pitfalls that are among the most difficult to address because they originate in the very traits that generated the wealth. The concentration of authority, the habit of unilateral decision-making, the deep identification with the enterprise, and the reluctance to acknowledge the finitude of one's own tenure are common characteristics of wealth creators.

These traits become liabilities during succession when the senior leader cannot execute a genuine handover of authority. The retirement announcement is made, the titles are transferred, but the former leader remains physically present, intervenes in decisions, contradicts the successor in front of staff and clients, and retains informal veto power.

This creates a dual authority structure that undermines the successor's credibility, confuses stakeholders, and may even result in the premature departure of the successor generation from the enterprise. The senior generation may potentially misinterpret its own continued intervention as helpful guidance when it is in fact a de-legitimizing force. The family and its advisors must recognize that the senior leader's psychological readiness for transition is as critical a variable as tax planning or share valuation, and it demands its own dedicated preparation, often involving coaching, a structured withdrawal plan, and a genuinely absorbing post-transition role that does not overlap with the successor's operating authority. Symmetrically, the rising generation can fall into the pitfall of deference, where the authority and experience of the senior generation are so overwhelming that the successors never develop the confidence and independence

to make contested decisions.

This is particularly common in cultures that place a high premium on filial respect. The next generation, having been socialized to seek approval and avoid conflict, enters leadership positions with an internalized permission-seeking mindset. They may hesitate to pursue strategic pivots, replace legacy executives, or exit underperforming business lines because they anticipate disapproval. The enterprise thus may drift under a nominal new leadership that is in fact still governed by the psychological presence of the prior generation. Breaking this dynamic requires a deliberate process in which the successor demonstrates competence through a sequence of increasingly consequential autonomous decisions — *and with the senior generation explicitly endorsing and supporting those decisions even when they diverge from the predecessor's instincts.*



Communication, Honestly

Communication failures constitute a pitfall so pervasive that it could be considered the general-pitfall from which many others flow.

The specific communication breakdowns most relevant to succession include: the avoidance of wealth-related conversations with children until an age when financial attitudes are already formed, the failure to explain the rationale behind structural choices such as trust terms, share classes, or unequal distributions, and the practice of communicating sensitive information through intermediaries such as lawyers or family office executives rather than in direct, family-led conversations. The consequence of these patterns is that family members make decisions based on partial information and unverified assumptions.

In the simplest of terms, a family that cannot hold a structured conversation about money, mortality, and control is a family that will experience the succession process as a series of shocks rather than a managed transition.

The content of family communication matters less than its existence as a regular, normalized practice. Families that institutionalize regular family meetings, with agendas that include both education and decision-making, and that cultivate the capacity to hold difficult conversations without relational damage, are the families that catch nascent conflicts before they become existential.

The treatment of spouses and in-laws introduces another layer of risk that is frequently underestimated.

A family may have a well-designed succession plan that assigns shares, voting rights, and office roles exclusively to bloodline family members, yet that plan can be destabilized by the uninformed or hostile actions of spouses who influence family members from outside the formal structure.

Divorce, in particular, and a statistical reality for many families, can force the liquidation of illiquid family assets to satisfy settlement obligations, disrupting business continuity and altering the ownership balance. The pitfall here is the failure to integrate spouses into the family's communication and education processes to a degree appropriate to their influence and proximity, while also moulding them into useful assets for the family.

This does not mean extending voting rights or ownership, but it does mean ensuring that spouses understand the family's values, the structure of its wealth, and the expectations attached to ownership so that they can support rather than undermine the system.

Practically, prenuptial agreements, structured as part of a broader family conversation rather than as an adversarial legal transaction, are a necessary and perhaps even imperative component of this integration.

Simply, a family that treats the prenuptial discussion as an issue that will be raised only when an engagement is announced will find itself navigating a negotiation under maximum emotional pressure with minimal preparatory groundwork.



Inter-generational Structure

The structural design of ownership and the vehicles through which wealth is held can themselves become a pitfall when they are optimized solely for tax and asset protection outcomes without sufficient consideration of the impact on family behaviour and decision-making.

A common structure involves placing operating company shares or investment assets into an irrevocable trust with a corporate trustee, substantial restrictions on distributions, and a class of beneficiaries that will expand across multiple generations. While such a structure may be technically effective from a tax and creditor-protection perspective, it can produce behavioural consequences that are destructive to succession. Beneficiaries who have no control over their beneficial interest, no

visibility into the decision-making of the trustee, and no mechanism for input or feedback often disengage from the family wealth entirely.

They, thus, view the trust as a remote, bureaucratic entity rather than as an expression of family values and stewardship.

When those beneficiaries eventually assume trustee roles or gain decision-making authority, they may find themselves unprepared and unmotivated. The design of legal structures must therefore be accompanied by a deliberate plan for beneficiary education, for the creation of mechanisms that allow beneficiary voice, and for the regular review of trust provisions to ensure they remain fit for purpose across changing family circumstances.

Engineering

Successions



Plans

It may be duly said that developing and designing the architecture of intergenerational continuity is a project that demands the same intellectual rigour, resource commitment, and long-term perspective that successful high-net-worth families apply to the creation of the wealth to begin with.

The empirical record, documented across decades of research by global private banks, management consultancies, and academic centres studying family enterprise, converges on a central insight: *succession is not a legal event triggered by a founder's departure but a permanent operating discipline.*

The families that build durable systems do not rely on informal understanding or technical tax structuring alone.

Such families engineer, with professional support, a coherent set of mutually reinforcing governance mechanisms, developmental pathways, liquidity policies, and communication protocols that collectively convert a fragile dependency on individual personalities into a resilient institutional order.

The foundation of this engineered approach is a clearly articulated and documented family purpose. Extensive survey work among large single-family offices reveals that those with a formally ratified statement of purpose report materially higher levels of next-generation engagement and confidence in the future.

Purpose, in this context, is not a vague aspiration expressed in a mission statement

drafted by a public relations consultant. It is a specific, decision-relevant constitution that answers the question of why the family chooses to remain an economic collective across generations. It may very well centre on the stewardship of an entrepreneurial platform, the shared pursuit of philanthropic impact, the maintenance of a diversified asset base as a foundation for individual pursuits, or even the preservation of a cultural or artisanal legacy.

The critical design feature is that the purpose is sufficiently specific — or ‘granular’ in some contemporaneous literature — to guide resource allocation trade-offs.

At a minimum, a family that defines its purpose as has created a practical filter against which strategic proposals, distributions, and governance appointments can be evaluated.

The process of drafting this purpose, typically facilitated by an independent advisor through a series of structured workshops involving all adult family members, serves the parallel function of surfacing latent disagreements in a controlled environment where they can be resolved constructively rather than allowing them to fester until a succession crisis forces their exposure.

Once purpose is established, the governance architecture should ideally be designed with explicit separation of family, ownership, and management functions. The tripartite model observed in enterprises that endure into the fourth generation and beyond is a recurring pattern in the advisory frameworks of leading institutions.

The family assembly, comprising all adult family members by birth and marriage, convenes annually for education, social

bonding, and the ratification of constitutional amendments.

The family council, a smaller elected representative body, meets quarterly and holds responsibility for policy development, conflict resolution, and the interface between the family and the formal board or investment committee. The board or investment committee itself is a competency-based organ that includes qualified family members alongside independent non-family professionals, making operational and asset-allocation decisions through defined majority voting mechanisms.

Each of these organs operates under a written charter specifying its terms of reference, membership criteria, meeting cadence, and decision rights.

A properly engineered governance system

may also include a conflict resolution protocol that escalates unresolved disputes through structured mediation before any party may pursue litigation or unilateral exit.

This protocol is not an admission of anticipated failure but a circuit breaker that prevents normal disagreements from becoming existential threats.



Forming Successors

The systematic preparation of the rising generation is perhaps the highest-return investment a family can make, and best practice at the very least suggests for a developmental pathway that spans from at least early adolescence through full adult integration.

This pathway may be structured in phases.

In the education phase, children receive age-appropriate financial literacy training delivered by external educators rather than parents, removing emotional pressure and normalizing wealth as a topic of study.

In the exposure phase, young adults attend family meetings as observers, visit portfolio companies, and are paired with a non-family mentor who can offer candid career

guidance without the weight of parental expectation.

The apprenticeship phase marks a critical shift from passive learning to active responsibility. The next-generation member manages a discrete, ring-fenced pool of capital with real profit-and-loss consequences, serves on a junior investment committee that presents recommendations to the principal committee, or undertakes a strategic project in the operating business under the supervision of a non-family executive who has authority to evaluate performance objectively.

The final integration phase grants the prepared family member formal governance roles, potential employment subject to merit-based criteria, and voting rights

commensurate with demonstrated capability.

Throughout this pathway, the family office maintains a skills matrix for each rising member, identifying gaps and deploying targeted development, ensuring that no heir arrives at a governance seat without the requisite competence. The employment and compensation of family members within the operating business or family office usually demands a separate policy.

Industry benchmarks are fairly unambiguous on this point: *the absence of a formal family employment policy correlates strongly with enterprise decline*. The policy must specify minimum educational and experience qualifications for any family applicant, mandate a competitive recruitment process that includes external candidates, and impose the identical performance management system applied to

non-family employees. Compensation should be calibrated to market benchmarks by an independent compensation committee, not set by parental discretion for reasons that will be self-evident to any parent.

Employment income may be separated entirely from ownership distributions; family employees draw salaries and bonuses at market rates, while dividends and other ownership returns flow identically to all shareholders of the same class.

This structural separation removes the single most common source of sibling resentment. Equally important is the design of a dignified exit pathway for family members who prove unsuited to their roles or who choose to leave employment, ensuring that a career transition does not automatically become an ownership rupture or a family estrangement.



Liquidity Events

Last but not least, keeping in mind that solvency does not equal liquidity merits consideration. In other words, all of the facts above may have been checked and implemented successfully, only for a liquidity situation to arise and the entirety of the succession process to collapse into the outcomes one worked to avoid to begin with, at worst precipitating forced sales of legacy assets at moments of maximum vulnerability.

Illiquidity traps shareholders who have legitimate, divergent financial needs, converting them into adversaries lobbying for the unwinding of the collective structure.

The engineered solution, validated by the corporate finance and wealth structuring

practices of major advisory firms, is the establishment of periodic liquidity windows governed by a documented policy. The policy defines the frequency of windows, the eligible sellers, the maximum percentage of total equity redeemable in any single window, a pre-agreed valuation formula, and the funding source — *somewhat customarily a dedicated liquidity reserve accumulated from retained earnings or a revolving credit facility*. The reserve is capitalized systematically over years, not assembled in crisis. By making liquidity a designed feature rather than an emergency concession, the family structure can recalibrate ownership in response to changing life circumstances without triggering a destabilizing auction of the enterprise or the investment portfolio.



Copyright

July, 2026

Writing

Radu Gheorghe Magdin

Data

World Bank, Bloomberg, Brookings Institute,
St. Louis Federal Reserve

© Radu Gheorghe Magdin, 2026. All Rights Reserved.

