OCORIAN

The **2030 Trustee**

How does the past impact the future?

Introduction

Ocorian's 2030 Trustee series is based on three moments in time, the financial crash of 2008, the post-COVID-19 landscape of today, and the envisioned future of 2030. We're going to look at how the trust industry, its professionals, and our clients have changed during this time, and anticipate the trends that will define our future.

Contents

History repeating? How do the economic conditions of today stack up to those of the post-2008 financial crash?

Michael Betley, Ocorian's Global Head of Private Client recalls the response to the 2008 financial crisis, and asks whether today's post-COVID environment mirrors what we saw then.

When we consider the big economic events of the last 20 years the eye is inevitably drawn to three landmarks: the global financial crash of 2008, the UK's decision to leave the European Union, and the COVID-19 pandemic. The second of those obviously has greater pertinence to those of us based in the British Isles, but the other two were worldwide phenomena.

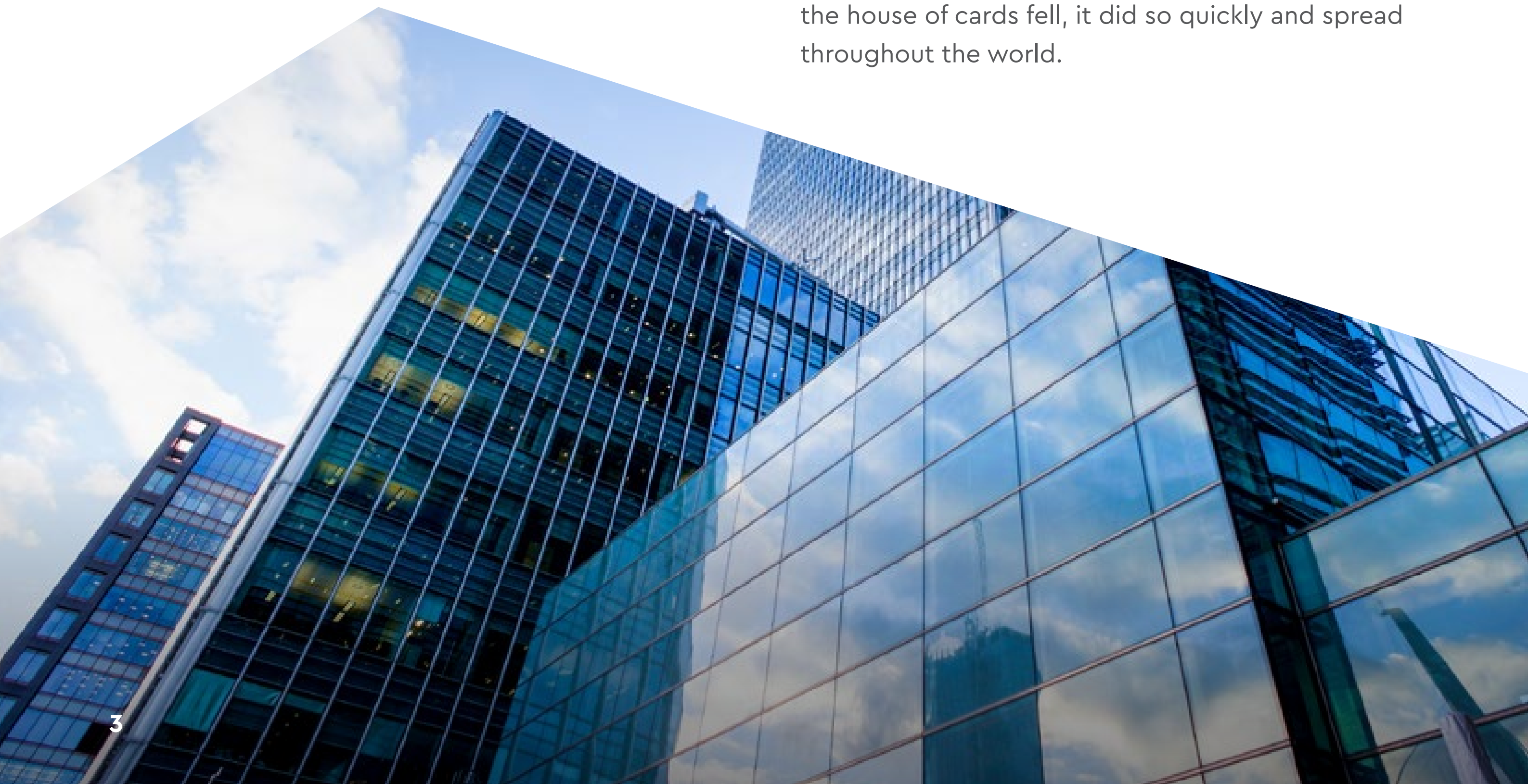
We wanted to start Ocorian's 2030 Trustee series by examining our present in relation to our recent past, before projecting forward. The economy affects all of our lives every day, but only really makes the headlines when it is performing poorly. 2008–2010, and 2020 to today are both instances of the economy exiting the realms of specialists and permeating the consciousness of the broader population, so what can we in the financial services industry surmise from our contemporary landscape?

Good times, bad times

The lead up to the financial crash of 2008 and the pandemic of 2020 were characterised by benign conditions for investors and significant economic growth across the board.

Before 2008 many economies had experienced a period of expansion, buoyed by global free trade, wide availability of lending, and rapid economic advancement in countries that were starting to play a bigger role on the world stage. But sadly that was a bubble that quite dramatically burst.

The main cause of that crash was, as the editor of Investopedia puts it, "overzealous lending in an overheated housing market."[1] Some institutions were lending money to people who simply couldn't afford to buy houses, creating a bubble that inflated house prices, and then re-selling those loans through mortgage-backed securities. When the house of cards fell, it did so quickly and spread throughout the world.



Ahead of the COVID-19 pandemic, the global economy had returned to a fairly healthy place, characterised mainly by low interest rates enabling borrowing.

From about 2012 onwards we were very much in a 'bull run' – a period of time when the price of assets continuously rises – which enabled huge amounts of profit to be made by those who had timed the market well.

The size of global wealth dramatically increased in these years. As early as 2013, RBC was reporting that the world's high net worth individuals' (HNWIs) wealth grew to a record high of $46.2 trillion.[2] By 2019, the same report, produced in each instance by Capgemini, proclaimed a new record high of $74 trillion.[3]

HNWIs wealth growth

$46.2 trillion 2013

$74.0 trillion 2019

Similarly, the number of HNWIs globally – an HNWI is someone with investable assets of more than $1 million – grew from 12 million in 2012, to 19.6 million in 2019.[4]

Number of HNWIs globally

12.0 million 2012

19.6 million 2019

When the bull run ended, very few people predicted that a global pandemic would be the cause, but the scale of COVID-19 naturally had huge economic ramifications.

Bouncing back

In the immediate aftermath of the crash, clients adopted different strategies, as they always do, but many responded to the uncertainty by hunkering down and holding what they had.

That is a luxury afforded to those who are able to take the long view, but that is exactly how many HNWIs choose to view their wealth and investments.

Of course, that doesn't suit everyone; out of crisis comes opportunity, so many clients were inclined to see where there was value in investment markets as a result of the crash, and reconsider how they were invested, and in what.

As I write, in 2023, we find ourselves in a similar transitionary period. The immediate impact of the pandemic – in terms of closed borders, economic inactivity, and restrictions on personal freedoms – is over, but the medium-term consequences are yet to be realised.

At the moment we're all living through high inflation and high interest rates. What this means for our clients is again dependent on circumstances, but generally there is more caution than gung-ho enthusiasm.

Some have taken this opportunity to swing out of risk assets as they don't anticipate much growth in the coming years and, actually, the 4–5% return that is available on gilts, bonds and cash is pretty good. In that sense investors are in a better position than they were in 2010, as there are some safe harbours.

One cause for caution is the huge amount of debt that has been loaded into the financial system since 2008. Ok, it's not corporate or personal like it was in the years leading up to 2008, but instead governments are shouldering the burden of supporting that 2010s recovery, and had to prop up their economies through COVID-19.

1 https://www.investopedia.com/news/10-years-later-lessons-financial-crisis/#toc-3-overzealous-lending-in-an-overheated-housing-market
2 https://www.rbc.com/newsroom/news/article.html?article=125077
3 https://www.capgemini.com/nl-nl/wp-content/uploads/sites/7/2020/07/World-Wealth-Report-WWR-2020.pdf
4 https://www.capgemini.com/nl-nl/wp-content/uploads/sites/7/2020/07/World-Wealth-Report-WWR-2020.pdf

In both instances, we found that many of our clients were considering what they wanted and needed from their private client provider.

The post-2008 landscape saw a bit of a move from the 'one-stop-shop', where many trust companies were institutionally owned, and there had been a perception of convenience in having your banking, fiduciary and investment needs met by the same provider. That really changed in the 2010s as clients looked for the best-in-breed in each field, rather than having one provider that could do it all. This helped spread their personal risk too.

Now we're seeing the impact of HNWIs and wealthy families having lived through the pandemic and found themselves needing a trustworthy, nimble and reactive trust provider. We have won work in the past couple of years from families who simply weren't getting that and had realised the value in it.

What next?

In the immediate term, how inflation and interest rates continue to shift will be the primary influences on the economy. As we look ahead to 2030, we have to consider whether we're expecting a few more years of caution, or a rebound and another bull run, probably largely sustained by the growth and ever-increasing power of the tech companies who have so many touchpoints in our everyday lives.

The likes of Amazon, Google, Meta and more have provided consistently high returns for investors in recent years, albeit suffering in 2022, and as their power grows, so will their economic influence.

For private clients, the trends we've seen advance in the years since 2008 will continue to be the ones that shape our industry. As part of our 2030 Trustee series, we will be exploring the next generation; digital assets; environmental, social and governance factors; and philanthropy.

Our industry has shown itself to be resilient to economic forces, and what comes next will continue to require our expertise, adaptability, and strong client relationships.

"Our industry has shown itself to be resilient to economic forces, and what comes next will continue to require our expertise, adaptability, and strong client relationships."

A changing industry: How the industry has evolved since 2010

Ian Rumens, Ocorian's Head of Private Client – Jersey, looks at the previous and current compositions of the private client industry, shares his experience on how clients and their needs have evolved, and charts the rise in the importance of regulation.

We humans don't really like change; it's familiarity that brings us comfort, stability that we crave, and the things we already know that guide us. Yet change is inevitable, and adaptability is a virtue. In the private client industry, we have seen rapid changes since the financial crash of 2008.

Michael Betley has outlined the economic conditions of that time, and compared them to what we are experiencing today, but if the crash was a tornado, which other prevailing winds have directed our industry in the years since?

The 2010s were a decade of significant change, and COVID-19 introduced immediate shifts in technology adoption and working patterns that would otherwise have taken years. It would be naïve in the extreme to think that we won't face any more change between now and 2030. Our industry has evolved, but how?

The lifecycle of the industry

One of the major shifts we have witnessed is the composition of the industry itself, as the currents of client demand and jurisdictional capability have brought us in and out of contact with other service lines and sectors.

Looking back, consolidation was the dominant industry trend of the 2010s, as firms that had started out as boutique grew and were acquired by larger firms. This wasn't a one-way street though; the increasingly stringent regulatory environment introduced in the 2000s really started to bite in the '10s, increasing the resources needed and costs associated with doing business. Many smaller firms simply needed the extra scale to help them cope.

The industry in the 2010s could broadly be divided into three segments: global platform providers building businesses on worldwide scalability and serving multiple client sectors; regional specialists that knew their markets; and out-and-out service specialists who eschewed the one-stop-shop approach to focus on a very specific provision, for example funds.

But these things are cyclical. Just as trust companies spun out of law firms and accountancy practices and were extremely attracted to either management buyouts (MBOs) or private equity (PE) investors, so now we are in an environment where offshore law firms are re-entering the market, and we're beginning to see sovereign wealth funds investing into the industry too.

Changing clients

Alongside structural changes to the composition of our industry, the clients we serve and the ways we help them have also changed, for a variety of reasons.

Michael has already mentioned the enormous expansion of wealth that occurred throughout the 2010s, with Capgemini recording an increase in the wealth of the world's high net worth individuals (HNWIs) from $46.2 trillion in 2012, to $74 trillion in 2019.[5] That figure peaked in 2021 at $86 trillion, before falling to $83 trillion in 2022 as the impact of "geopolitical crises, a steep market decline, and unprecedented inflation" was felt.[6]

HNWIs wealth fall

Nonetheless, there are certainly more HNWIs (defined as someone with investable assets of more than $1 million) now than there were in 2010. In 2022 the population was estimated at 21.7 million people.[7] Alongside this has been an increase in the number of individuals described as 'mass affluent' (they have investable assets in the range of $100,00 to $1 million), Capgemini claims this group accounted for around 11% of the global population in 2020.[8]

So where is this money coming from? Well, a bull run, as we experienced in the 2010s, is always conducive to growing wealth, but what we have observed is that our client base has become younger. My team and I are dealing with clients who are perhaps 20 years younger than we would have done in the early 2010s.

Some of this is down to the possibilities afforded by a digital world. Whereas your traditional retail empire would have to be built one shop at a time, someone who creates a popular app or writes a bit of in-demand code can become incredibly wealthy incredibly quickly. There is immediate scalability in online that simply wasn't there before.

With wealth, and those who are wealthy, on the rise it is unsurprising that clients have become increasingly sophisticated.

5 https://www.capgemini.com/nl-nl/wp-content/uploads/sites/7/2020/07/World-Wealth-Report-WWR-2020.pdf
6 https://www.capgemini.com/insights/research-library/world-wealth-report/
7 https://www.capgemini.com/insights/research-library/world-wealth-report/
8 https://www.capgemini.com/insights/expert-perspectives/the-rise-of-the-mass-affluent/

Complex needs, regulatory requirements

The scale of wealth that we're now dealing with has changed what we need to offer our clients. Some are quasi-institutional in size and may therefore be familiar with the structures and solutions proposed to them by institutional banks and investment houses; this has necessitated a change in approach from the private client industry.

Alongside this has been the rising popularity of family offices, which have increased hugely across the last decade or so. Partly this is due to the amount of wealth under families' control, but it is also the consequence of expanded governance and regulatory requirements.

Previously, back in the 2000s, good governance was the preserve of the fund and corporate services worlds, but now it is so important for our private client offering.

The open, transparent environment that we operate in now involves complex international reporting and disclosure of information, and we have worked hard to develop the capability and tools to enable us to do this efficiently and effectively.

Contrary to the claims of uniformed commentators, good governance and international compliance are a reason to go offshore; far from avoiding these considerations, many offshore jurisdictions now lead the way in compliance matters, regularly undergoing checks and verification from a host of international bodies to validate their credentials. What we have seen is that strong governance is now one of the main drivers of being offshore.

Governance is a universal requirement of our clients, and there are other themes like next generation, philanthropy and digital assets that we'll explore later. Our industry will continue to evolve to address these areas with ever-more ability, and Ocorian is going to be there for clients whatever their needs.

"Our industry will continue to evolve to address these areas with ever-more ability, and Ocorian is going to be there for clients whatever their needs."

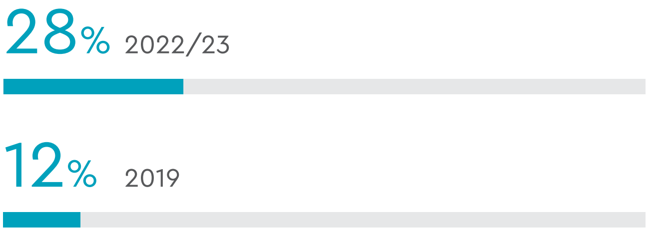
The role of the trust professional: From administrator to specialist

Amy Collins, Executive Director and leader of Ocorian's Jersey Family Office team, reflects on how working in the private client industry has changed in the last decade or so from the perspective of the job itself and the workplace environment. Then she asks whether the job in 2030 will look the same as it does today.

If we think about the legacy that COVID-19 has left on our professional lives, there is a really obvious place to start: remote working.

In the UK, the latest data from the Office for National Statistics (ONS) shows that 28% of the working adult population reported that they had worked from home and travelled to work over the period September 2022 to January 2023. ONS data from a survey conducted in 2019 showed that only 12% said they worked from home at some point in the week before the survey.[9]

% of adult population working from home



In the private client industry, where most jobs are 'desk-based' – wherever your desk may actually be located – the percentage is probably higher, as hybrid working, as it's commonly known, has become the norm.

But that's not all that's changed for trust industry employees in the years since the 2008 financial crash.

More engaging work

Any changes in the types of roles and responsibilities that characterise our industry are brought about by several factors, but perhaps foremost among them is how our clients have changed.

Ian Rumens covered how clients evolved in the 2010s in his contribution to the 2030 Trustee, and as their makeup and needs have shifted, so has how we respond to them.

Even 10 years ago, you could make a solid case that there was such a thing as the 'standard client'. This was likely a high net worth individual (HNWI) or family that had a straightforward trust structure established to preserve wealth and prescribe a succession plan for it. Therefore, the role of the private client practitioner was likewise relatively standardised across clients; regular meetings occurred, reporting was done to a defined schedule, and assets were managed in a uniform manner.

Now, however, there is certainly no such thing as a standard client. Clients vary enormously, and as their needs have evolved their structuring arrangements have become more complex.

The role of the practitioner has therefore changed, even if some core attributes and skills – good communication, strong numeracy skills, a focus on client service – remain the same.

9 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/characteristicsofhomeworkersgreatbritain/september2022tojanuary2023

Now I would argue that the private client professional generally falls in one of two camps: the project manager, or the problem solver.

Project managers are vital in an industry that has become increasingly subject to regulatory requirements and reporting standards. An ever-growing list of international obligations need well-managed schedules and a clear understanding of their ramifications and scopes. Alongside this are the increased number of client vehicles and structures, each of which requires management and administration.

Problem solvers bring creative solutions to complex client needs and situations. As families grow and become increasingly multi-generational, non-nuclear, and international, their requirements naturally become more nuanced and bespoke. The problem solver views this as an exciting challenge and uses their industry knowledge to find the right solutions.

Of course, most practitioners combine the expertise of both roles and benefit from good relationship-building and client facing skills.

A better industry to work in

A large part of client service is availability, and that's where we see the two-way street of flexible working, as practitioners will have to be available outside of core hours from time to time to meet a specific client demand.

Of course, the flip side of that is that many private client providers in 2023, including us here at Ocorian, have embraced flexible working as a tenet of the modern workplace. That can revolve around anything from childcare to exercise routines and is a requirement of many new joiners who see similar schemes in place in other industries.

Gratifyingly, wellbeing is far higher up the corporate agenda now than it was even back in the 2010s, with mental health taken extremely seriously, and organisations providing extra benefits that recognise that employees are human beings and should be treated with kindness.

The other big in-workplace change has been technology. Naturally, we were very IT dependent even in the years before the financial crisis of 2008, but COVID-19 accelerated the adoption of technology in the private client space, which one could argue was previously quite a traditional sector.

Before the pandemic, only directors were permitted to log on elsewhere to work remotely; now everyone has a laptop and can work from where they need to, with the software and security systems to do that efficiently and with peace of mind.

We're always looking at how we can use technology to enhance what we do. We don't see it as replacing humans or their skills, but certainly recognise how automation could change the nature of some tasks and create greater opportunities for our colleagues to work directly with clients, and do high-intellect, rewarding work.

New skills to shape the future

Some upskilling and reskilling will of course be part of this journey, but this industry has always created opportunities for practitioners to learn new things and develop new specialisms.

As we look forward to 2030, we'd anticipate colleagues becoming even more specialist as a result of client requirements becoming more bespoke. As each family seeks something different from their private client professional, it is inevitable that we will become experts in different, and indeed new, areas.

If we think about something like digital assets, then there is a clear opportunity there for a whole cadre of professionals to emerge and own the specialist knowledge that will shape that area. There is so much to consider in terms of how we hold those assets, how we advise clients to engage with them, and how they are regulated and reported on, that it is a clear growth area for new skills.

We know that our industry has changed, and the way we work within it has adapted too. Looking back, I would conclude that being in the private client space now is more fulfilling, provides greater opportunities, and is a modern industry that cares for its people. That's to be celebrated, but we must work hard to keep evolving to 2030 and beyond.

We now look forward to 2030 and explore the trends that we expect to dominate the private client industry for the next seven years and beyond.

2030 themes:
The next generation

Any consideration of trends needs to be conducted against the backdrop of the transfer of significant capital from one generation to the next, known as the 'great wealth transfer'; **Lynda O Mahoney** examines who the 'next generation' are, and what they want.

What is it?

The only way to look at the trends that we're expecting to characterise our industry over the next decade or so is through the lens of the 'great wealth transfer'. Broadly speaking, this is the transfer of wealth from baby boomers (the post-World War II generation) to millennials (those born in the 1980s and '90s).

In 2022, abrdn reported that in the UK £5.5 trillion of assets will be passed down the generations before 2050. Globally, the figure is $68 trillion.[10] These are huge sums that will have an enormous impact on the lives of those who are to inherit the assets.

Assets passed down generations before 2050

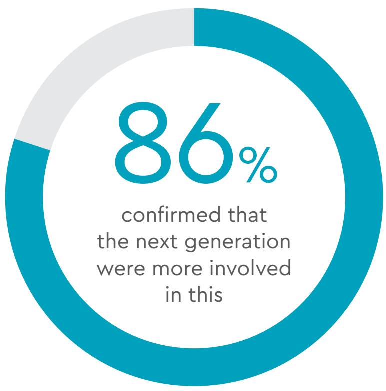
What the next generation think, and feel is therefore going to become increasingly important to the private client industry, so is the primary consideration for any look forward in time.

Why does it matter?

For the private client sector, our clients are changing. As assets are passed down through the generations, we find ourselves dealing with different individuals or families than we previously did. Names of beneficiaries are becoming the people at the end of the phone or in our offices for board meetings as they take on responsibility for safeguarding and growing wealth.

This is happening now.

Our report into **'Family Offices and the role of third party service providers'**, published earlier this year, asked more than 130 family offices whether the next generation were becoming more involved in developing and/or reviewing wealth strategies; 86% of respondents confirmed that the next generation were more, or much more, involved in this.



This matters for our industry because we are dealing with clients with different perspectives, outlooks, ideas and values than their antecedents.

This generation has different approaches to philanthropy, they prioritise ESG commitments, are likely global citizens, and are, if not quite digital natives, then at least extremely comfortable living in a digital world.

10 https://www.abrdn.com/en-gb/intermediary/insights-and-research/wealth-transfer-how-to-prepare-for-the-responsible-heirs

How is Ocorian approaching the trend?

Consideration of the next generation of clients is shaping much of our thinking today. We realise that to continue to provide exceptional service we need to adjust what that service looks like, what form it comes in, and how it is delivered.

The transition is not going to be a seamless one in all cases. There may be cultural differences between generations, values that are misaligned and gaps in understanding that need bridging. Plotting a route through those differences and reaching outcomes that work for all generations is a big part of our team's current focus. By facilitating conversations between family members, we can help them to see the professional picture and reach harmonious decisions.

Our advice also factors in the global lives that the next generation are generally living; they were perhaps educated abroad and now live in a country different to that of their birth, and their parents. Perhaps they have played a role in expanding a business overseas, perhaps their own children are starting out on entirely new paths. The advice and the solutions we're offering need to reflect these realities, which is where our global footprint and worldwide expertise come into play.

We're also considering how we communicate with clients and continue to meet their individual needs. Digitally literate individuals expect us to be online and be available. Face-to-face meetings still have a place, but we recognise that many of us live in a world of instant communication, and that impacts expectations.

Finally, we know that our own next generation are extremely important in maintaining the levels of client service we've become known for. Having the right development plans in place for more junior members of our team, and giving them exposure to meaningful client work, means that we are futureproofing Ocorian for the next generation and beyond.

2030 themes: Digital assets

One of the fastest-growing, but least-understood, areas of the asset and investment space is digital assets. Client demand for this class is rising, and our industry needs to learn, and fast. **Ian Rumens** explores why the future is digital.

What is it?

'Digital assets' is a broad term encompassing everything from cryptocurrencies to non-fungible tokens (NFTs). They typically use distributed ledger technology, commonly known as 'blockchain', to record and validate transactions.

Cryptocurrencies really emerged in the wake of the 2008 financial crash and became more popular throughout the 2010s as the infrastructure developed to support their widespread adoption.

Now, digital assets have proliferated and alongside cryptocurrencies many investors are starting to hold stablecoins, NFTs, central bank digital currencies (CBDCs) and security tokens.

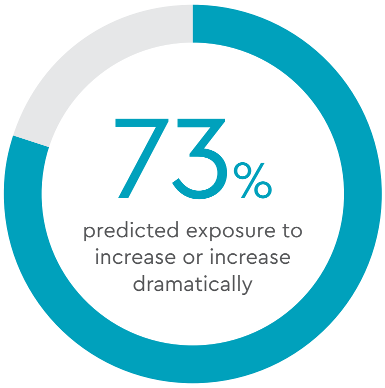
Digital assets have gained popularity as they can deliver large returns for investors, but because they are so new, they are inherently riskier, and relatively underdeveloped as an asset class.

Why does it matter?

Like many of the trends we have identified, the rise in digital assets is partly being fuelled by the movement of wealth to the next generations.

Naturally younger generations feel more at home in the digital space and are less intimidated by what is quite an esoteric asset class that is still misunderstood, despite its rising popularity.

But, also like our other trends, this isn't some imagined future, it's an asset class that is here right now. In our report into **'Family Offices and the role of third party service providers'**, we asked family offices whether there was a long-term focus among their clients in exposure to digital assets. 73% of respondents said that they predicted exposure to increase or increase dramatically.



90% said that clients are including crypto or digital assets in their investment strategies already, showing that the class is not confined to those 'in the know', everyone wants a piece of the digital pie.

Indicative of where the private client industry currently finds itself, is that 80% of our survey respondents said that they struggle to outsource the management of these assets; so, there is work for us to do.

With this level of interest, it is incumbent upon our profession to get educated, understand what clients want, and anticipate the ways in which we'll be asked to hold these assets in the short, medium and long-term.

How is Ocorian approaching the trend?

At Ocorian, we've been working with digital assets for more than five years now. Like all sound trustee work, we need to balance the risks involved in a holding with understanding the practicalities of investing in the class.

Custodianship of digital assets is of increasing importance for many of our clients, so we've worked hard to understand the practical, regulatory and compliance ramifications of offering services in this space.

There is no doubt that this is an evolving area, with lots more regulation coming down the line once regulators catch up with the fast-evolving assets.

Our approach to managing digital assets for our clients is to develop a bespoke corporate and compliance framework in each case to understand the pertinent risks and comply with regulations in the relevant jurisdictions.

Digital assets are part of the conversations we're having every day with clients and seeing the speed of uptake and interest so far, we're in little doubt that they will be a standard holding for most trustees by 2030.

2030 themes: ESG

ESG has been a growing consideration for everyone in the financial services industry for at least a decade now, but new pressures will see that focus sharpen as we head towards 2030. **Michael Betley** explains why ESG is not a 'nice to have', it's essential to modern private client practice.

What is it?

ESG stands for environmental, social and governance; and represents three increasingly important, non-financial, areas of measurement and reporting for our industry, and for financial services more broadly.

Broadly speaking, the umbrella term is a way to categorise several factors that have become increasingly important considerations for boards and management committees as they represent significant risks and opportunities.

The term is used to refer to internal and external business matters, and relates to processes, procedures, corporate identity and performance, just as much as it relates to products, services and external relations.

Environmental factors include anything that a company does that impacts our natural world; social factors relate to people and the societies we live in; and governance reflects corporate behaviour and best practice.

Why does it matter?

In 2023, our industry has reached a point of consensus that ESG matters. And it doesn't just matter, it matters on an existential level.

First, outside of our industry, it was only in July that António Guterres, the UN Secretary General, said that the era of global warming was over, and we're now in a period of 'global boiling'. Since then, extreme weather events from the USA to Libya have reinforced that our planet is suffering, and action is needed.

That is the fundamental reason why environmental concerns need to be factored into not only the ways we help our clients, but also the way we run our organisation and industry.

Social concerns are similarly pressing, and we want to do our part for the communities we live and work in.

Governance has taken on increased importance too, with reporting requirements becoming ever-more stringent, and there being a greater number of aspects of corporate governance to report on. But it's not just the landscapes – geographical, social and business – that we operate in that have driven ESG up the agenda. Clients too are increasingly asking more of us in this arena, driven once again primarily by the next generation.

91% of respondents to our report into 'Family Offices and the role of third party service providers', believe that ESG is a part of fiduciary duty.

A survey conducted by Savanta and the FT revealed that around 60% of UK millionaires regard providing ESG investing options as moderately, very or extremely important.[11]

Fund managers themselves are also driving change; Larry Fink of Blackrock is notably vocal on the issue, and his firm's approach to ESG integration states: "Our investment conviction is that ESG-integrated portfolios can provide better risk-adjusted returns to investors over the long-term, and that ESG-related data provides an increasingly important set of tools to identify unpriced risks and opportunities within portfolios."[12]

How is Ocorian approaching the trend?

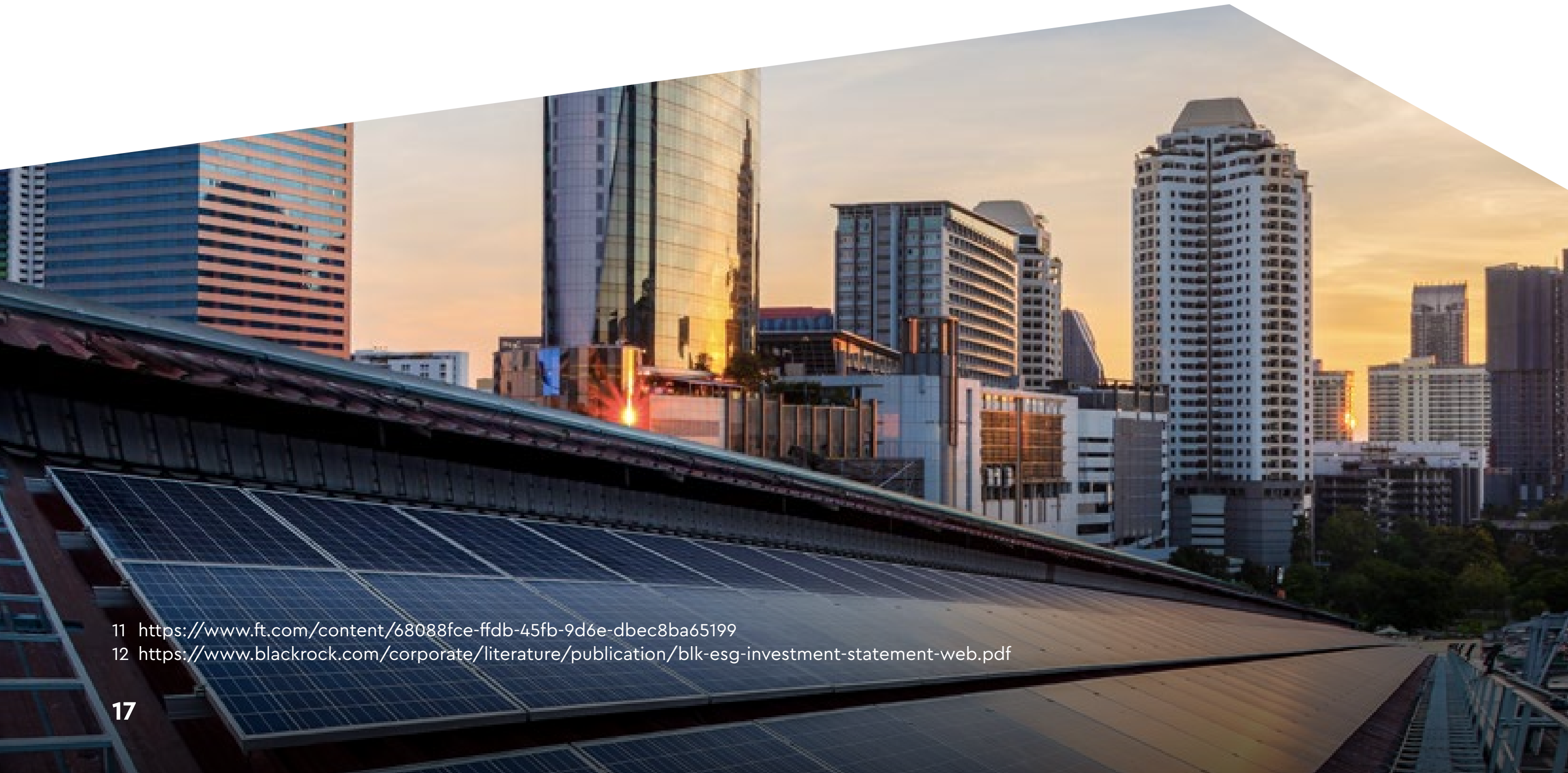
At Ocorian, conversations around ESG have been ongoing with clients for many years, and we've been tracking the trend to ensure our teams understand the latest developments and requirements in this arena.

Furthermore, we believe that a good fiduciary considers all risks to their clients' assets, and ESG factors are compatible with that existing duty. Building this consideration into new trusts is straightforward but does need to become normalised – the challenge is in applying it to existing structures, which is why conversations are so important.

There are still barriers to addressing ESG as comprehensively as we would like; most notably a lack of consensus on universal reporting standard. But hopefully the world, and the financial services industry, are moving towards some more universally applicable metrics on ESG.

But either way, the private client industry will only be able to keep up with the demands and requirements of our clients, intermediaries, and societies in this space if we begin to accept that it is part of our responsibility and offer associated services as part of the solution.

That all starts with conversations. Across Ocorian's service lines, our teams are leading proactive conversations with clients on ESG; how important is it, how can we assess it, and what is best practice? Only by having these conversations can we keep up with this trend.



11 https://www.ft.com/content/68088fce-ffdb-45fb-9d6e-dbec8ba65199
12 https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf

2030 themes: Philanthropy

At Ocorian, the growing interest in philanthropy is echoed by the growing demand from our clients. **Michael Betley** explains what is driving clients to think about putting their wealth to work for the greater good.

What is it?

Philanthropy is often considered society's risk capital, with wealthy individuals looking to establish private foundations to facilitate their philanthropic efforts. It's defined as 'the desire to promote the welfare of others, normally through the generous donation of money to good causes'.

Over the last two decades, there has been an explosion of interest in philanthropy across the world which can be reflected by the demand coming from our clients. Modern philanthropy is complex, and for good reason. Donors want to make sure their hard-earned wealth is making a difference and driving real change and they want to establish the most efficient philanthropic structures to ensure that their money is never wasted. Younger generations too, have a keen interest, seeing inherited wealth as an opportunity to make their mark on the world in a positive way.

Why does it matter?

Like many of the trends we have identified across the *2030 Trustee* series, philanthropy is a notably growing area of interest. As governments tighten their belts the activities and support provided by the third sector become ever more critical and worthy of notice. The focus of wealthy individuals has shifted, from making and preserving wealth, to putting their wealth to use for the greater good.

Philanthropy will come in many different guises, from crisis relief to long-term development initiatives and we're seeing interesting new ways in which philanthropy is integrated into wider portfolios.

We are also finding more wealthy individuals using philanthropy to boost their sustainability efforts. Alongside the growing trend for more sustainable investments in a traditional portfolio, the desire to use wealth to combat threats such as climate change means that sustainability is very important to any philanthropic project or initiative. For our clients it's not just about giving today, it's about making sure that the giving can continue into the future. It is about creating your legacy.

How is Ocorian approaching the trend?

Our approach is to help our clients establish how they want to use their wealth by understanding their values and focus areas, better equipping ourselves to have conversations about different philanthropic structures and what they want to invest in, and by establishing a streamlined and effective philanthropic strategy.

What we're going through now is the largest wealth transfer of capital the world has ever seen, one that will likely continue for the next 15 to 20 years. Out of that comes some fascinating issues and nuances for those who are transferring the wealth and for those who are receiving it.

The next generation of wealthy individuals have markedly different views to their parents or grandparents. They are more progressive, and more interested in equity, opportunity for all and for the preservation of the environment. There's an expectation from the broader community and from their peer group that the wealthy put something back into the community in which they're involved and so we're seeing philanthropy develop to a much greater extent than it did before. In an age where it is no longer necessary for an inheritor to take on the family business in quite the same way, philanthropy can often now be seen as an opportunity to learn important skills. Project management, financial and directorial responsibilities and good governance for example all form a key part of modern charity work, and are useful, transferable skills.

As custodians of wealth and acting for our clients as trustees, philanthropy provides an interesting challenge. Initiatives can be diverse both from a subject matter but also a geographic perspective, and we have certain responsibilities to help our clients achieve their aims, while also safeguarding their interests. As a result we are rapidly evolving our outlook to accommodate that demand.

"As custodians of wealth and acting for our clients as trustees, philanthropy provides an interesting challenge."

2030 themes: The Middle East

We've talked about the next generation, but one region that is going to be acutely affected by shifting demographics is the Middle East. **Lynda O Mahoney** looks at what's changing in the region, and how those changes are going to impact the private client space.

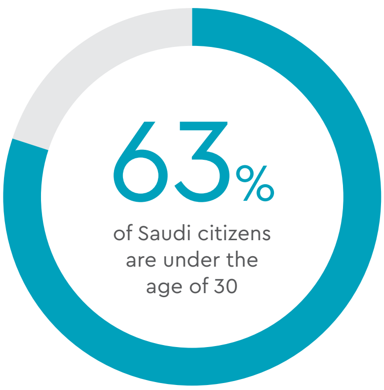
What's happening?

We've already spoken about how, by 2050, $68 trillion of assets will be passed down the generations globally.[13] That, coupled with different attitudes between those generations, will have a significant impact on the private client industry, as well as many other aspects of financial services.

Perhaps nowhere is this phenomenon going to be felt more keenly than in the Middle East, which is on the cusp of enormous demographic changes.

Last year, the Organisation for Economic Co-operation and Development (OECD) reported that people under 30 make up 55% of the population of the Middle East and North Africa (MENA).[14]

Earlier this year Saudi Arabia released the results of its 2022 census, which revealed that the average age in the Kingdom is 29, and 63% of Saudi citizens are under the age of 30.[15]



Saudia Arabia and the United Arab Emirates (UAE) account for more than 70% of the population and of the $21 trillion GDP (Gross Domestic Product) of the Gulf region,[16] so for this piece we'll mostly be focusing on these two nations, but the trends to extend across many of the others.

Over the next seven years and beyond, Saudi Arabia and the UAE are going to see their large young populations be the ones coming into power economically, as businesses, wealth and responsibility are all handed down.

Why does it matter?

Seismic demographic shifts like these are enough to necessitate an alteration to the private client industry's approach to the region.

But these aren't the only winds of change in the region; bold economic expansion projects, top-quality international finance centre zones, like the DIFC (Dubai International Financial Centre) and RAK ICC (RAK International Corporate center), and greater external relations and cooperation are all also on the agenda.

We are already dealing more and more with the next generation of Middle Eastern families and individuals. These are perhaps 30-somethings who have been educated abroad and have creative visions and expansive ideas.

13 https://www.abrdn.com/en-gb/intermediary/insights-and-research/wealth-transfer-how-to-prepare-for-the-responsible-heirs
14 https://www.oecd.org/gov/youth-at-the-centre-of-government-action-bcc2dd08-en.htm#:~:text=Young%20people%20(aged%20under%2030,the%20population%20across%20OECD%20countries.
15 https://portal.saudicensus.sa/portal/public/1/17/44?type=DASHBOARD
16 https://www.wealthbriefingasia.com/article.php?id=197488

They view themselves as entrepreneurial due to their exposure to international cultures and businesses – either through education, work or lifestyle – and perhaps therefore don't want to work in the family business. They might prefer to set up their own venture and make a success of themselves.

That spirit extends to breaking away from traditional industries, and the countries' encouraging approaches to innovation and digital economies could enable individual ambitions in a major way.

How is Ocorian approaching the trend?

We have had a presence on the ground in the Middle East since 2018 and have seen the beginnings of the change that will accelerate up to 2030 and beyond.

Managing a generational wealth transfer is neither simple nor easy, and succession planning is a current trend among our clients. These conversations are not overly common in many Middle Eastern cultures, so one of our key roles is to facilitate them and help bridge the gaps through the generations.

In any region, succession planning is essential for sound wealth preservation and growth strategies, and that involves good governance, a professional approach and a strong understanding of client dynamics.

But it's not just on the corporate side of things that our professional expertise is needed; sometimes our people are playing a vital role in crossing generational cultural divides too. Many younger people have different ideas to their parents that the older generation struggles to understand or empathise with. Likewise, younger generations may not understand their parent's motivations for setting the family's affairs up in a certain way. We can help to share points of view in positive and proactive ways.

Domestic structuring is a much larger part of our remit than it was even five years ago, and we expect this trend to increase in importance and frequency.

The Middle East is changing, and we're ready to change with it to do what we've always done: help our clients to navigate challenges and maximise opportunities.

2030 themes: Asia

Global wealth took a hit during COVID-19, but optimists are starting to forecast some growth from 2024 onward. One region that is undergoing significant change, and growth, is Asia Pacific (APAC). **Novia Lu**, Business Development Director looks at the rising influence and affluence of China, and how the rest of the APAC region is adapting to new global realities.

What's happening?

Wealth is on the rise across much of the APAC region and has been since before the financial crash of 2008. This is broadly in line with global trends, but APAC's base point needs to be considered, as this is what has led to a recent eye-catching claim from HSBC that wealth in Asia (excluding Japan) could surpass that in the US by 2025.[17]

That power shift would be as meaningful in practical terms as well as in its symbolism. HSBC also reports that mainland China holds nearly 50% of the region's total financial assets, demonstrating its importance to the region's overall prosperity, and economic leverage.

As China aims to transition to a more consumption-based economy, and its relationship with the US and Western Europe continues to be a fragile one, keeping an eye on what the country does next is an increasingly popular pastime for the private client professional.

Wealth across the region is growing, with Vietnam, the Philippines and Indonesia especially seeing increases.

17 https://www.hsbc.com/news-and-views/views/hsbc-views/the-rise-of-asias-wealth-will-boost-its-resilience

Why does it matter?

As wealth grows it means more UHNWIs are emerging, so it stands to reason that the private client industry will see large increases in client numbers over the next seven years and beyond.

The job of the private client professional has, in recent years, been one of an educator. Traditionally, much wealth planning in the region was solely focused on investment portfolios, and indeed those remain a keen area of interest, especially as China, in particular, has become a little more expansive in channelling investment.

But as families and UHNWIs turn their attention to wealth and asset protection and preservation, the region is experiencing a boom in sophisticated structuring.

APAC was not previously overly familiar with trusts, which were seen as unnecessary for the most part. But with shifting geopolitics, trusts are coming to be seen as a very secure solution for protecting assets.

This is only going to increase in the coming years as succession planning also becomes more pertinent in the region.

As we've covered in the series, the next generation is going to be defining our industry's priorities and this is true in APAC, where a lack of sound family governance requires urgent addressing.

How is Ocorian approaching the trend?

Our Asian presence is centred on Hong Kong and Singapore, but we work with clients across the region and beyond.

Our global footprint is seen as a huge advantage as it's reassuring to know that we have expertise and experience in the structures we offer to families and UHNWIs in the region. We are familiar with trusts and other vehicles and clients like knowing that we are advising them from a position of great knowledge.

We are proactively addressing the issue of succession planning, and our candour, tact and experience and being brought to bear on delicate family dynamics.

These conversations are helpful in evolving the dialogue around succession, as well as everyone's understanding of what will work in each specific situation.

But these conversations need to result in substantial change, especially in governance. Sound management of affairs is the only way to ensure that wishes are met and respected, so our professionals are actively engaged in applying our knowledge of best practice to our clients' assets.

Awareness of sophisticated structuring is on the rise in APAC, and we're more than ready to help families and UHNWIs who want to evolve their asset management and wealth preservation. APAC is an exciting place to be and will only get more so up to 2030 and beyond.

Contributors

Thank you to the Private Client team for contributing their expertise, hard work and dedication towards this editorial series. If you would like to join in the 2030 Trustee conversation, please reach out to the team using the QR code below.

Michael Betley
Global Head of Private Client
E michael.betley@ocorian.com

Ian Rumens
Head of Private Client – Jersey
E ian.rumens@ocorian.com

Amy Collins
Executive Director
E amy.collins@ocorian.com

Lynda OMahoney
Global Head of Business Development – Private Clients
E lynda.omahoney@ocorian.com

Novia Lu
Business Development Director – APAC
E novia.lu@ocorian.com

20+
Office locations

1,500+
Staff worldwide

15,000+
Structures under administration

8,000+
Clients

50+
Years of providing administration services

Contact us

ocorian.com/private-client-services

Corporate Services | Capital Markets | Fund Services
Private Client | Regulatory, Compliance & Legal