

FINANCIAL SERVICES

Young HNWI's in US put values over value

June 15, 2018



Affluents take care of their parents' investments. Image credit: Merrill Lynch

By BRIELLE JAEKEL

Luxury brands need to consider their social and environmental impact, not only for their own values but to attract affluents who are more concerned with social contributions in terms of legacy.

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A new report from The Economist shows that more than 66 percent of high-net-worth individuals in younger generations in the United States believe it is their duty to use their wealth for social benefit. They want their legacy to be more rooted in family and social contributions, says the survey commissioned by RBC Wealth Management.

"The younger generation is more in the moment when they think about legacy and their impact, which is more about their values footprint versus passing along their money in the traditional, vertical way to the next generation," said Angie O'Leary, head of wealth planning at **RBC Wealth Management**, Denver, CO. "We see this in their interest in the values of the companies in which they invest.

"They also have an interest in ESG investing," she said. "We see this in how they make their spending decisions, which are more of an everyday impact decision.

The report surveyed 1,051 high-net-worth individuals that represent different regions, genders and generations, including 365 respondents from the United States, with at least \$1 million in assets.

Values versus value

More than 68 percent of American HNWI's claimed family was the most important factor for their legacy. On a global average scale, that number drops to 62 percent.

However, this is not related to finances, as only 42 percent claimed this meant what they are doing for their family monetarily.

Sixty-two percent of younger U.S. respondents said they feel they have an obligation to transfer wealth to the next generation, but 74 percent believe the obligation lies with transferring values.

This group is likelier than their predecessors to believe that social issues are more important than acquiring wealth. Only 38 percent of older HNWI's believe this compared to 64 percent of those in younger age brackets.

While these younger individuals focus more on these values over wealth, it could be because they are not worried about their financial statuses.

Sixty-one percent of all American HNWI's are aware that their wealth enables them to leave behind a legacy with family and social issues, but 90 percent believe that their wealth will exceed the finances of their parents over time.



Younger consumers are focused on their familial legacy. Image credit: RBC

The top four areas that Americans respondents think will provide wealth are investments, education, new technologies and greater access to information at 61 percent, 56 percent, 55 percent and 52 percent respectively.

"Some examples of brands they like to purchase because of the brands' values include Toms, Love Your Melon and Love-Haiti Sandals by Kenneth Cole," Ms. O'Leary said. "How they spend is increasingly becoming an important part of their personal statement around their impact, and they are sharing this with their network.

"We see it in their global perspective, which has less of a domestic/national bias," she said. "We see this in the companies and the work they choose."

Additional insight

Building a strong connection with the affluent segment on a one-on-one basis for brands could potentially help consumers overlook other issues.

According to a Altiant report on the sentiments of affluents and high-net-worth individuals, luxury hospitality is drawing in well-off consumers and could alter the high-end travel industry as a whole. The sector saw the highest performance in terms of sentiment from survey takers, while wealth management saw the worst metrics ([see story](#)).

As older generations pass on, a new generation of young affluents will soon be inheriting their wealth, but few are prepared for what that entails.

Another report from FIS looked at the upcoming mass wealth transfer from older generations to their younger heirs, aiming to find out what preparations young inheritors were making. What they found was that many young heirs to large fortunes have few plans for what to do once the wealth of their parents or benefactors is transferred to them ([see story](#)).

"Our industry needs to be prepared to respond to this, by providing more research and services that interest them," Ms. O'Leary said. "That might mean we have to include purpose and mission when looking at investment opportunities.

"Goals-based planning is a great way to get at the importance of this type of purpose goal for both generations," she said.