The coming wealth transfer: $84.4 trillion

By Editorial Staff *Thu, Jan 20, 2022*

'About $72.6 trillion in assets will be transferred to heirs, while $11.9 trillion will be donated to charities,' according to Cerulli Associates. More than half will be transferred by Baby Boomer households.

Multigenerational wealth transfer is one of the most significant factors affecting the high-net-worth (HNW) and ultra-high-net-worth (UHNW) segment—its impact in the coming decades is set to increase substantially.

Shifting wealth into next-gen's hands will reward firms that are able to sustainably establish advisory relationships with younger clients in the years to come, according to Cerulli's latest report, "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021: Evolving Wealth Demographics."

Cerulli projects that wealth transferred through 2045 will total $84.4 trillion—$72.6 trillion in assets will be transferred to heirs, while $11.9 trillion will be donated to charities. Greater than $53 trillion will be transferred from households in the Baby Boomer generation, representing 63% of all transfers.

Silent Generation households and older stand to transfer $15.8 trillion, which will primarily take place over the next decade. $35.8 trillion (42%) of the overall total volume of transfers is expected to come from high-net-worth and ultra-high-net-worth households, which together only make up 1.5% of all households.

As a result, firms that can remain on the cutting edge of complex planning and wealth structuring tactics will be invaluable to clients as taxation becomes a more pressing worry. According to the research, grantor trusts (77%) are far and away the most common way to increase the tax-efficiency of wealth transfer events among HNW practices, followed by spousal lifetime access trusts (54%) and strategic gifting (46%).

"As taxes become an increasingly pressing regulatory issue among legislators, wealth managers will need to keep a pulse on the latest developments at the state and federal levels," said Chayce Horton, an analyst at Cerulli.

As transfers lead to changes in family dynamics as well as engagement preferences, financial services providers across the wealth spectrum must adapt their business models. "Winners of walletshare will need to be prepared for changes to their business model and to

evolve with the needs of a younger demographic," said Horton. According to the research, family meetings and regular communication (81%) is considered the most-effective wealth transfer planning strategy by HNW practices, followed by educational support (59%), and organized succession planning (31%).

To improve relationships across generations, Cerulli recommends making family events a regular part of the advisory process. "Extending interfamily relationships to involve the entire range of stakeholders rather than just the current controllers of that wealth will create a greater sense of responsibility and inclusion among heirs that will help in the likely case that more complex discussions about management of the family's wealth occur in the future," said Horton.

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