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MODERN AFFLUENCE SUMMIT

The Great Wealth Transfer

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The Future Laboratory is one of the world's foremost strategic foresight consultancies. Members of our trends intelligence service LS:N Global get exclusive access to the mindsets defining tomorrow and the early adopters driving global change across eight industry sectors.

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Cover: AI Imagery by The Future Laboratory, UK

Foreword

Ben Whattam and Victoria Archbold, Modern Affluence Exchange

Welcome to the 2023 Modern Affluence insights report, and with it our first partnership with The Future Laboratory. Our collaboration with their brilliant team is based on two distinct drivers. The first is their incredible grasp of the global consumer and the trends affecting them. The second is their integrity to cut to the very essence of the issue they are investigating and share with clarity the resulting opportunities. We would also like to say a special thanks to our event partners, VGC Partners and Adoreum, without whose support these insights couldn't have been generated.

The Great Wealth Transfer can be dismissed as a series of private capital events that only affect the top 0.1% of the world's population, a mere side note to the macro-economic landscape that is leading to a greater wealth divide and societal fragmentation. But, what if this first-of-its kind event were coinciding with a seismic and generational shift in the values and behaviours of those who will inherit it, deploy it and benefit from it? And with 15% of American adults expecting to receive an inheritance from a parent, spouse, family member or another individual in the next 10 years, the audience is larger than you may think.

Yes, here at the Modern Affluence Exchange we confess to holding an optimistic position when it comes to the positive opportunities that the Great Wealth Transfer will unlock for the world. By concentrating on the positives, we can focus on the drivers of change that can still be triggered or reinforced, and we believe that is a better use of our collective minds and influence than focusing on the potential pitfalls.

'With great power comes great responsibility' is an adage popularised by Spider Man in Marvel comics. Thanks Stan Lee. We couldn't think of a better one to describe the philosophy that runs throughout this report. Reassuringly, it is seemingly a mantra that Generations Z and Alpha are happy to adopt and promote. From wider society to the modern affluent consumers with education and capital at their disposal to the extreme affluence of the Great Wealth Transfer, the rising generations are united (with cultural capital finally overriding financial capital?) by a shared knowledge that clear and practical change is needed, and that compromise is not an option. And with £9.4 trillion ($11.9 trillion, €11 trillion) of the £66.7 trillion ($84.4 trillion, €77.5 trillion) predicted to be donated to charities, the influence cannot be underestimated.

As cultural capital and financial capital converge at ever greater speeds, with it comes the requirement for brands and businesses to think about their behaviour, not just in the context of business performance, but of business survival. The buzzwords of ESG, purpose and impact will no longer be mere footnotes in annual reports, but will be the business drivers opening new markets, new audiences and new levels of profitability. Future growth will be dependent on authentic and meaningful change and behaviours. Scary, right?

And, of course, for those brands and businesses that behave with integrity and true purpose, the opportunity to attract and retain a loyal audience of informed, influential and connected customers is unparalleled as the emerging quiet luxury trend that we believe is here to stay. Brands which can hit the sweet spot between integrity and experience will become a destination for the modern affluents to deploy some of the hard-earned capital being created by them or for them.

The Future Laboratory unpacks this moving landscape of emotional and rational drivers of change to help us better understand why the Great Wealth Transfer is a signpost for transformation, and the generation that will be responsible for it a breath of fresh air in the current world of populism and profiteering at all costs.

We only scratch the surface of the topic, but we have far more to say. So, if you'd like to speak to us and The Future Laboratory about the implications and opportunities please don't hesitate to get in touch.

Enjoy reading, take the time to think, make notes and make a plan for how the modern affluence mindset can unlock potential in your brand or business.

Executive Summary

As Millennials and Gen Z affluents prepare to inherit unprecedented amounts of wealth, the global financial sector needs to consider how their politics, attitudes and increasingly activist mindsets will affect their views on investment.

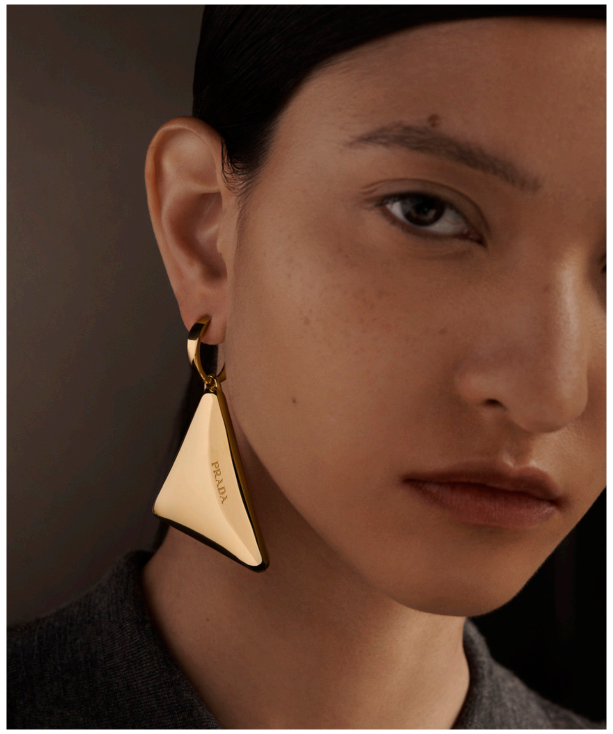
Inflation, war in Ukraine, spiralling interest rates, the ongoing cost of living crisis and escalating geopolitical concerns have left deep dents in the pockets and bank accounts of high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) globally.

Their wealth and relative size to population have dropped by 3.6%, and 3.3%, respectively, when compared to previous years. And while the US still leads the way, it has suffered big declines wealth-wise in 2022, with HNWIs shedding their hard-earned cash by 7.4%, and population by 6.9%, according to Capgemini's World Wealth Report 2023.

As Henley & Partners' Centi-Millionaires report also indicates, centi-millionaires are also in the ascendent, with almost 26,000 of them making an appearance globally, with 9,730 in the US, followed by China (2,021), India (1,132) and the Middle East. The highest growth rates are expected to come from Asia over the coming decade.

Surveying the wider landscape, of which HENRYs (High-Earning, Not Rich Yet) and Modern Affluents are a part, we also need to take into account the changing fortunes of Gen Z, Millennials and middle-aged Gen Xers and understand that their current control of the world's wealth, which sits at a meagre 3%, is about to reach a significant 60%, while Gen Z and Millennials in the US alone, will be handed a staggering £42 trillion ($53 trillion, €49 trillion) by 2045.

Despite this, only 18%, according to the World Report Series 2023, are satisfied with their current wealth management adviser. As one UHNWI about to benefit from an influx of wealth from her parents' family office told The Future Laboratory recently: 'It isn't about using money as an instrument for profit – that was my parents' generation – it is about using it as a force of change, impact and unprecedented difference.'



Eternal Gold by Prada, Italy

This is backed by recent research from PwC, which highlights that 71% of next-gen family members recognise that their 'family' has a responsibility to fight climate change and its related consequences.

Is this important? The Modern Affluence Summit, in partnership with The Future Laboratory's Luxury Futures team, would say it isn't just important – it's a core pillar around which all insights about subsequent modern affluent generations revolve and why, when you are speaking to both groups, it is core to understating how you target them and what you target them with – whether this is an alternative asset vehicle or a lifestyle one.

For Millennials, ethics and investment are one and the same. They distrust stocks – too opaque – with only 25% investing in them, versus 55% of those aged over 43, according to Bank of America. They are more likely to invest in alternative investments than average investors, such as crypto (29%, versus 7% of the over-43s). More than 70% of the 21–42 age group hold sustainable investments in portfolios compared with just 21% of those aged 43 and over.

They are also seeking impact, sustainability, purpose and positive returns for the environment when parting with their money. Similar attitudes and mindsets are emerging when they are focused on luxury, fashion or art. British and French HNWI Millennials, for example, are happy to pay more for a sustainable brand – 87% in the UK, 90% in France, 67% in the US, according to Agility, Research & Strategy.

Gen Z are equally proactive when it comes to researching their luxury brand, whether this is about uncovering their back story – greenwashing or questionable business practices. In the US, Forrester Research found that 51% of Gen Z 'citizensumers' did this as a matter of routine.

But Gen Z, like their Boomer forebears, are keen on investment, and even with the smaller amounts they have at their disposal, are learning to cut their teeth on investment platforms with meme stocks, cryptocurrencies and NFTs leading the way.

Six in 10 Gen Z in the US, for instance, report that they have their own spread risk investments (think savings, pre-owned, fee-free platforms such as Robinhood), with a significant 19% investing in cryptocurrency and NFTs, while many of them taught themselves how to invest before turning 18, according to a report from the CFA Institute.

Unlike their Boomer and Millennials counterparts, they are very aware of the risks they take and mitigate accordingly – about 48% say they know more about investing than their parents (the figure is much higher in the UK), with 33% saying they are very confident in their ability to make investment decisions.

They are also using their digital-first skills to make investments that enhance their wardrobes and wrists, as well as their bank accounts. Gen Z are adding pre-loved or archival pieces to their portfolios in the same way that older Millennial collectors have done.

According to The RealReal's 2023 annual Luxury Consignment Report, Gen Z are by far the most active investors on the platform, with sales and purchases of luxury items by them up 50% in 2022 alone. Cashing in on this desire among modern affluent Gen Z and Millennials to invest in fashion, Artnet has launched a new finance service that enables owners to use their collectable pieces as loan collateral.

In a bid to democratise access to art ownership in the way that high-end luxury has with fashion and the world of resale, fractional art platforms are similarly empowering Gen Z investors to buy important paintings without the hefty price tag. Often using blockchain technology, these companies divide artworks into shares, which are subsequently sold to speculative investors.

During the pandemic, for instance, online platform Masterworks purchased artworks by significant artists including Jean Michel-Basquiat, Andy Warhol and Yayoi Kusama before dividing them into shares to sell on to its users. In 2021 it became the biggest spender on artworks in the world with purchases worth nearly £316m ($400m, €370m) (source: Axios).

Similarly, In New York, technology start-up Front of House is partnering with restaurants to offer subscriptions to the city's most sought-after dining spots. Its most recent collaboration is with seafood restaurant Dame. The two companies launched the Affable Hospitality Club, which lets VICs book one dinner each week through an NFT subscription that costs £790 ($1,000, €925).

AI Imagery by The Future Laboratory, UK

Introduction

‘The rich aren’t just different; their relative wealth and the position they inhabit mean that each wealth cohort need to be spoken to and dealt with differently’

Chris Sanderson, co-founder and global luxury analyst, The Future Laboratory

While markets remain uncertain, as our Modern Affluence Summit white paper suggests, two generational groups – Gen Z and Millennials – are certain about how they want the future wealth landscape to play out: with purpose, with impact, with ESG credentials and with total transparency.

As Lisa Song, a Millennial research analyst with the Nomura Research Institute, America, puts it: ‘Most people in my generation are interested in doing something meaningful with our lives and with our financial investments.’

The amount that will be ‘spent’ by Millennial and Gen Z consumers on these meaningful moments and lives could reach £53 trillion ($68 trillion, €63 trillion) when all cross-generational transactions are complete, making both generations the wealthiest in history and among the most prolific spenders on luxury goods ever.

But it is not just any luxury goods, as luxury brands themselves are learning. This is luxury with a conscience, culture with meaning, an industry and a category, more than ever, that are keen to give back – in the way that their future patrons and supporters are giving back, or planning to do so.

This has led to luxury brands seeking B-Corp certification (Aesop, Chloé, Vestiaire Collective), using blockchain to improve transparency (Prada, LVMH, Cartier), launching circular fashion lines (Gucci), or embracing a hitherto dismissed – by luxury fashion brands at least – resale market that is set to be valued at £41bn ($52bn, €48bn) by 2026 .

But, as we shall see, luxury, art, culture and sustainability have also become more readily entwined thanks to the blurred and blended opportunities presented by the digital realm, whether this is the much discussed but still underused metaverse, or how decentralised autonomous organisations (DAOs) are using the blockchain, digital art purchases, luxury designer interventions or cultural experiences themselves to develop non-fungible tokens (NFTs), or fractional ownership models that have passed from the digital into real life as powerful asset classes in their own right.

TAG Heuer, for instance, has issued a new version of its Connected Calibre E4 smartwatch that allows wearers not only to connect their crypto wallets but also to showcase their NFT collection via the watch face.

Meanwhile, Tiffany & Co is now making necklaces for owners of CryptoPunk NFTs, crafted in gold and gemstones, and based on the design of their individual Punk NFTs. Each will cost the equivalent of ETH30 – about £38,775 ($49,300, €45,600) in fiat currency – with Tiffany & Co’s artisans producing only 250 necklaces on a first-come, first-served basis.

Similarly, in San Francisco, hospitality platform SHŌ Group has unveiled an NFT-gated Japanese restaurant. There are 3,265 memberships in total, with the most expensive costing £235,700 ($300,000, €277,100).

MODERN AFFLUENCE SUMMIT : THE GREAT WEALTH TRANSFER

A brave new world indeed, and one where luxury – once seen as a traditional, retrospective industry – is already leading the way at a time when financial advisers, asset managers, and financial services generally, are deemed to be out of touch by HNWI Millennials and Gen Z themselves, who see them as group who are distrustful of their intentions, dismissive of their beliefs and failing in their ability to communicate with them on the subjects that matter – climate change, the environment, social activism, transparency, gender equity, and the role diversity and inclusion plays in the decisions they make and the places they will want to invest their future funds.

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

Reading between the lines, as our report suggests, this isn't outright generational dismissal. It is more about how we improve the mechanisms of engagement (digital, social media, virtual), the subjects on which we engage (ESP, diversity, gender equity being key ones) and crucially, how we engage – collaboratively, creatively, culturally, conversationally and, dare we say it, convivially – in spaces that are meaningful to them not to their parents' or grandparents' generations.

This generational exchange, after all, isn't just about financial capital, it's about its cultural counterpart – how we embrace it, learn it and finally practise it – which is what the Modern Affluence Summit, and this report, are all about.

Fendi and Ledger Italy

The Great Wealth Transfer

As markets prepare for the Great Wealth Transfer (GWT), The Future Laboratory, in partnership with the Modern Affluence Summit, takes you behind the hype to look at what this shift really means in terms of modern affluent behaviours and the insights driving them.

Mociun, US

AOI, UK

New Modern Affluents

As Scott Fitzgerald once said to Ernest Hemingway: 'The rich are different from you and me.' 'Yes,' he replied to Hemingway, 'they have money…' And as we shall see, despite the current economic travails, they still have a lot of it – even if they are now spending it in radically different ways.

But first, the facts.

Inflation, war in Ukraine, spiralling interest rates, the ongoing cost of living crisis and escalating geopolitical concerns have left deep dents in the amour-propre, not to mention the pockets and bank accounts of high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) globally. 'Their wealth and relative size to population,' says The Future Laboratory's co-founder and global luxury analyst Chris Sanderson, citing the Capgemini World Wealth Report 2023, 'have dropped by 3.6% and 3.3%, respectively, when compared to previous years. And while the US still leads the way, it suffered big declines wealth-wise in 2022, with HNWIs shedding their hard-earned cash by 7.4% and population by 6.9%.'

In dollar terms, however, billionaires gained roughly £1.3m ($1.7m, €1.5m) for every £0.78 ($1, €0.92) of new global wealth earned by a person in the bottom 90% of the wealth pyramid, while billionaire fortunes themselves increased by £2.1bn ($2.7bn, €2.5bn) a day. Yes, a day.

As Henley & Partners' Centi-Millionaires report also indicates, centi-millionaires, as in individuals with assets of over £79m ($100m, €92m), are also in the ascendent, with almost 26,000 of them making an appearance globally, with 9,730 in the US, followed by China (2,021), India (1,132) and the Middle East. The highest growth rates are expected to come from Asia over the coming decade.

But along with the growth of the centi-millionaires club, four out of 10 HNWIs – those with over £23.6m ($30m, €27.6m) in assets – continue to do well despite the ongoing permacrises swamping markets, while our New Modern Affluents – £785,000 ($1m, €922,000) in assets, and our HENRYs, or High-Earning, Not Rich Yet (£196,445, $250,000, €230,500+), now hold nearly £21.3 trillion ($27 trillion, €25 trillion) between them, while representing one of the largest population bases.

As Sanderson says: 'The rich aren't just different; their relative wealth and the position they inhabit within this wealth ladder mean that each wealth cohort need to be spoken to and dealt with differently.'

Surveying the wider landscape of which HENRYs and Modern Affluents are a part, we also need to take into account the changing fortunes of Gen Z, Millennials and middle-aged Gen Xers – yes, how we have forgotten about them. We need to understand that their current control of the world's wealth, which sits at a meagre 3%, is about to reach a significant 60%, while Gen Z and Millennials in the US alone will be handed a staggering £42 trillion ($53 trillion, €49 trillion) by 2045 , much of which will be spent on real estate, infrastructure (generative where available), equities, private equities, hedge funds, precious metals (an unexpected one here) and purposed-based assets. Indeed, the younger the investor, the higher the

£42tn

US Gen Z and millenials will be handed a staggering £42 trillion by 2045.

Source: Cerulli Associates

concern that money flows into funds that are traceable and transparent, all of which comes with its own tensions and preconceptions.

'And this isn't just a tension between parents and their children (regardless of age), between family and their sons and daughters,' says Jessica McGawley, founder of Dallington, a boutique consultancy that supports young adults from families of affluence in terms of their mental, emotional and cultural wellbeing, 'but between the latter and financial advisers whom they deem to be increasingly out of touch with where money needs to flow to, and why.'

'We think about financial advisers, chief finance officers, CEOs, asset managers and so on, but we don't actually think about how we support next-generation inheritors emotionally, in terms of their wellbeing and the ethical concerns they may have about the wealth that is being transferred, and how it will be used. And sometimes financial advisers are just not equipped to help them in these circumstances.' She isn't wrong, despite traditional banks, family advisers and asset managers heavily promoting their services as digital/AI/NFT-based (tick as you think appropriate to the next-gen beneficiary you want to woo). Only 18%, according to Capgemini, are satisfied with their current wealth management adviser.

As one UHNWI about to benefit from an influx of wealth from her parents' family office told The Future Laboratory recently: 'It isn't about using money as an instrument for profit – that was my parents' generation – it is about using it as a force of change, impact and unprecedented difference.' Another UHNWI we spoke to felt 'huge, crippling guilt' about the 'unearned' trust fund at his disposal – which he tried not to use – and the potentially damaging effect the extreme wealth he is due to inherit could have on his children. With great wealth comes great responsibility. And, as he put it, 'it can really fuck you up'.

Financial advisers tend to be stale, pale and male – often reflecting the rich clients whose wealth they are managing,' says Dan Rookwood, operating partner and head of brand at VGC, a next-generation growth fund. 'Think of the disdain Roman Roy had for the 'old guard' of Frank and Karl on Succession, for example, who he once referred to as 'Statler and Waldorf'.'

'But the next generation want a wealth manager who is more on their wavelength and more culturally attuned,' he continues. 'That's if they want to deal with a human being at all – online wealth management portals such as Fidelity, E-Trade, Schwab and Vanguard make it increasingly possible to cut out the middle man altogether. Financial advisers are facing an existential crisis as their clients age, which creates a new opportunity for the next generation of advisers to spring up.'

Or, if you are a patriotic millionaire, it's about using your influence and position to pay your taxes, and push for taxing the rich. A new poll from Patriotic Millionaires UK shows that 68% of people with over £1m ($1.3m, €1.1m) in assets are not just happy to pay their fair share of taxes, but want a 2% annual tax levy set against those who earn £10m ($13m, €11m) or more to close the wealth gap, and the widening breach in our public services, mobility and increased opportunities for the UK's struggling start-up community.

As Phil White, consultant, engineer and member of Patriotic Millionaires UK, puts it: 'Once again, this poll demonstrates what we, as investors and entrepreneurs know to be true – that we need the richest, like ourselves, to contribute more to build a fairer and more sustainable economy and to invest in a better Britain. No more political bluster or noise – politicians need to get on with taxing the super-rich to deliver British values of fairness and justice, while equipping entrepreneurs with the best environment for British creativity.'

This is backed by recent research from PwC, which highlights that 71% of next-gen family members recognise that their 'family' has a responsibility to fight climate change and its related consequences'. And this push-to-purpose, as we shall see, isn't just confined to the 'poor-rich' as one of our respondents referred to wealthy families with over £50m ($63.6m, €58.7m) plus in their portfolios, but to the 1% who have captured 54% of all wealth over the past decade, according to Oxfam, and indeed to our centi-millionaires, with £100m ($127m, €117m) in assets.

All see environmental, social, ethical, moral and philosophical issues growing in importance, both in terms of how and where they invest, as well as in those day-to-day conversations they have with their peers and, more tellingly, with their advisers. Ironically, environmental, social and corporate governance (ESG) data analysis and traceability – a key metric for our Modern Affluent groups – are not among the top priorities of wealth management firms, according to the latest World Report Series 2023.

Certainly, concerns vary across generations, and thus advisers may simply be responding to the core needs and requirements of family offices themselves, which still tend to be dominated by older, white Boomer males. But if this is true, then as the current flow of wealth down the generations gathers momentum, as UBS's Eric Landolt, head of family advisory, art and collecting says, financial advisers and family offices themselves must embrace a new language and a different mindset if they are to understand next-gen requirements at all.

'The next generation want a wealth manager who is more on their wavelength and more culturally attuned. That's if they want to deal with a human being at all'

Dan Rookwood, operating partner and head of brand, VGC

'We think about financial advisers, chief finance officers, CEOs, asset managers and so on, but we don't actually think about how we support next-generation inheritors emotionally'

Jessica McGawley, co-founder, Dallington

Photography by RF._studio, South Africa

10%

Millennials are prepared to give up 10% of their investments to see a company improve its environmental credentials.

Source: Stanford University

The Boomer mindset

Boomers, for instance – the progenitors of what we know today as lifestyle products – tend to overly invest their wealth in stocks – 30% of them do this, according to FeeX , in money markets, bonds, pension funds, property, cash and lifestyle heritage assets (LHAs) such as cars, watches, jewellery, wine and art.

But they tend to be pragmatic and hard-nosed about this – investments are there to fund their retirement, support their passions, and in the case of Asian HNWI Boomers especially, saving for their children and grandchildren, even if there is no clearly defined strategy on how that legacy should be managed. Even when you scale this up to family office level, similar metrics apply. According to Norton Trust and the Wharton Global Family Alliance, across 24 countries two thirds of family offices interviewed didn't have a succession plan in place, while only 37% of respondents were aware of that plan's existence.

And in keeping with Baby Boomer aspirations (the majority of family offices are controlled by 60+ heads, generally male) to get the best return on their investment, the same report shows that ESG investments account for less than 10% of the overall portfolio mix, which could explain why wealth advisers who deal with older family office members are less agile or caring when it comes to understanding what makes next-gen investors tick.

This generation's attitude to ESG-related products reflects how affluent Boomers generally react to ESG, as a recent survey by Stanford University indicates. Millennial investors, for example, were prepared to give up 10% of their investment to see a company improve its environmental practices, while Baby Boomers were only willing to sacrifice a trivial amount.

Even when it comes to how one generation defines such things as corporate and social responsibility, the response is telling, according to Landolt, as revealed by a next-gen investor in the UBS Voices of Next Gens report.

Here an ambitious next-gen Millennial is trying to redefine the corporate social responsibility (CSR) strategy in their family business by instilling in the company the notion that time should be given for delivering purpose-driven causes as much as capital. 'For example, if we give away 30% of the time of our employees, with 5,000 people working for us, this would be very impactful.'

Impactful, certainly, but it also indicates how next-generation inheritors are defining their assets and what they expect those assets to do – for the family, okay, but more relevantly, in legacy terms at least, for the planet, people and long-term investment profit.

Is this important? Foresight agencies like The Future Laboratory would say it isn't just important – it's a core pillar around which all insights about subsequent modern affluent generations revolve, and why, when you are speaking to Gens X, Y (Millennials) and Z, it is core to understanding how you target them, and what you target them with – whether this is an alternative asset vehicle or a lifestyle one.

The luxe Millennial outlook

For Millennials, ethics and investment are one and the same. They distrust stocks – too opaque – with only 25% investing in them, versus 55% of those aged over 43, according to Bank of America. They are more likely to invest in alternative investments than average investors, such as crypto (29%, versus 7% of the over-43s). More than 70% of the 21–42 age group hold sustainable investments in portfolios compared with just 21% of those aged 43 and over.

More relevantly, this desire to be ethical and sustainable extends into their relationship with everything from property investment to brands, especially when you are looking at HNWIs in the UK, Europe and the US.

Property still remains an enticing asset class for modern affluent Millennials, especially in the area of hybrid office space, precinct development, residential and mixed-use retail. But the aftermath of Covid, our ongoing commitment to hybrid working, and how our suburbs and so-called kombucha-villes - cities, or striking-distance towns, Margate and London, Beacon and New York, in Paris, Neukölln in Berlin, and Bushwick in New York that Millennial and Gen Z affluents are relocating to - are reshaping our sense of place, as well as what we expect from it in terms of an investment opportunity.

This is especially true when it comes to the area of regenerative architecture, according to the writer, regenerative architectural consultant and FT contributor, Yasmin Jones-Henry. As she explains, it isn't just a powerful investment vehicle or ESG asset class, it has a much higher purpose and an ability to affect and change what Millennial investors totally understand and appreciate.

'Regenerative place-shaping is an understated yet powerful and intersectional catalyst. It brings all the major stakeholders round a single table. You have the estate owners, family funds, sovereign funds, asset managers, architects, designers, fabricators, retailers, agents, creative entrepreneurs – and the tenants – be they residential or commercial or mixed-use.

'By applying regenerative principles to place-shaping you can scale the behavioural changes we all wish to see in our global economy at a much faster rate, when everybody who is sat around that table is singing from the same hymn sheet.'

She adds: 'Whether it's the architects applying circular economy design principles to their masterplan, whether it's the developers or estate owners ensuring co-creation and co-design are a part of their consultation process, whether it's the asset managers developing better leasing strategies that are more agile and in support of nurturing and retaining the most dynamic retailers within the sustainable luxury and lifestyle space, or whether it's the consumers – the tenants, the residents or members of the public being influenced to make better lifestyle choices and purchasing decisions – this is all informed and moulded within the practice of place-shaping. And at every level of engagement, this approach, when done well, leaves a lasting and positive social value legacy.'

AI Imagery by The Future Laboratory, UK

The Icon by BMW and Tyde, France and Germany

Purposeful luxury

If attitudes to investment in property are changing in that Millennials are seeking impact, sustainability, purpose and positive returns for the environment when parting with their money, similar attitudes and mindsets are emerging when they are focused on luxury, fashion or art. As luxury goods adviser Claire Kent, who boasts over 40 years' analyst experience at Merrill Lynch, Morgan Stanley and as a long term non-executive director at Prada SA, sees it, current luxurians aren't just buying a bag or a dress, they are 'buying into values and asking themselves: 'Do I agree with them?' And that's a massive change. That's a shift from the purely transactional to the transformational on the part of the client (in this case, the investor) and the brand itself.' But she does advise caution. 'As we know, Gen Z luxurians can be schizophrenic. They want to save the planet and be environmentally astute, but we're still seeing a lot of Gen Z travel, so we have to balance ideas out with realities and converse and collaborate accordingly.'

But she does believe they are different – and keen to demonstrate this, with their power of pocket. British and French HNWI Millennials, for example, are happy to pay more for a sustainable brand – 87% in the UK, 90% in France, 67% in the US, according to Agility, Research & Strategy. The pre-owned market – a place very few HNWI consumers were keen to venture into because of its negative associations with second-hand and worn five years ago – has now become a key way for Gen Z and Millennials to demonstrate their circular and environmental principles. Some 42% of HNWIs in the UK and 22% in the US now see this as lifestyle asset class, according to the Global Millionaires 2023 TrendLens report, while the pre-owned watch sector has grown by 20% since 2018, outpacing S&P's yearly 8% growth rate in the process.

We are witnessing similar shifts in the wider pre-owned luxury market, as shows like ReLuxury – launched by Fabienne Lupo, the former head of Geneva's trade show Watches & Wonder – target Millennials who are keen to extend their investments into the wider repair and regenerative accessories movement. Interestingly, despite the very tangible nature of these assets, the majority of products are promoted and sold on social media – with few ever reaching a real-life showroom.

Rachel Koffsky, international head of department for handbags and accessories – yes, there is such a department – at auction house Christie's, told us at a recent FT summit that 34% of its new buyers are Millennials: 'Contemporary art and luxury brought in this 34%. Millennial clients start by buying a handbag then maybe a sculpture, then maybe an artwork.'

Koffsky also notes how 89% of Millennial customers of Christie's engage with the digital platforms it utilises, including Instagram and TikTok. 'Our auctions also take place online. We meet our clients where they are. We have WeChat too – we're trying to infiltrate where our clients live and their hubs.'

Auctioneer and art dealer Simon de Pury agrees that auction houses have pushed for this digital change and that it will open the floodgates to new generations of buyers, driven by finding inspiration and a browsing mentality.

'The market used to be shaped by the art auctions in New York, Basel and Miami, and Frieze, but now it's moving away from seasonability. Covid has proved that the market is 24/7 and, thanks to Instagram, people love browsing, they love posting. Before, for people to speak to experts, they had to be privileged, but now the expertise is accessible to everyone, and that's the beauty of it all. We're at the beginning of the transformation.'

Collector Tobias Gombert highlighted the kind of education being offered by the art and collecting worlds that luxury brands can learn lessons from. 'You need a different way of getting in touch with younger generations,' he says. 'You need to educate them around collecting – the biggest gap between art market and collectors is breaking down the barriers. You need to invite them into your auction house and your galleries. For me, the art market has always been a privileged area, so all these online markets have really brought down the barriers.'

The proof of this newer, more egalitarian and sustainable world of collecting and pre-owned luxury among HNWI and UHNWI Millennials is in the Christie's sale of the NFT-linked digital artwork Everydays: The First 5000 Days, by Mike Winkelman, aka Beeple, for £54m ($69m, €63m).

'The sale started at £78 ($100, €91)' said Koffsky. 'So you can see the digital platform's role. We also launched Christie's 3.0 where you buy on the blockchain through Christie's directly. Some people want to buy handbags, some want to buy digital art, so we make sure our artwork is authenticated for everyone.'

This idea of dream fulfilment, sustainable purchasing and investing in what we have called Lifestyle Asset Classes (LACs) gives us a more nuanced glimpse into the psychology of purchase and the values of investment that set Millennials aside from their Boomer parents and grandparents.

'Yes, these purchases may be considered as securities for their future lives,' says Sanderson, 'but they are intrinsically linked to those values that govern their lifestyles, behaviours and attitudinal outlooks. Their sense of fairness should be considered here, the role mental and physical wellbeing plays in their lives, the strong sense of social justice they exhibit, and how they sometimes feel – especially when you talk to them about financial matters – that they are being overlooked in favour of younger groups.'

'Our ongoing research suggests that they don't believe that global organisations – investment banks, brokers and wealth advisers included –

87%

Millenials in the UK, are happy to pay more for a sustainable brand by a staggering 87%.

Source: Agility, Research & Strategy

Future Frequencies: Explorations in Generative Art and Fashion by Christie's 3.0 in collaboration with Gucci, UK

work hard enough at their ESG underpinning,' he continues, 'and thus are not worthy of their investment or support. And all of this at a time when one third of them use investment vehicles that proactively take ESG into account, while 86% of them are interested in sustainable, socially concerned investments.'

They also believe that their concerns are not fully understood by the family office advisers and asset managers they deal with daily, which in part explains why up to 90% of heirs switch financial advisers after they inherit.

Here's what another HNWI would-be Millennial UHNWI investor has to say on this subject: 'It's very frustrating to see how people in the financial industry make decisions, which is basically all past experience-based – and we're talking about markets that are fundamentally transforming. Just imagine, there is no one index on the stock market that doesn't have gas or oil in. All the ESG indices have at least one oil and gas product in them.'

Dallington's McGawley says she regularly encounters this frustration among Gen Z and Millennial affluents, vis a vis how their communication style, attitudes, insights and generational values are constantly dismissed and overlooked by wealth and trust managers who talk down to them, wrongly assuming that the investment and ethical values of their parents (how assets should be managed, categorised or defined in terms of value and values) reflect the values of those who will inherit the money.

'They just can't get into their mindset. They talk at them, rather than with them, fail to explain how trusts work, never meet face to face – essentially, they fail to understand the inner values that drive their outer motivations. No wonder many younger beneficiaries change their advisers.'

But if HNWI Millennials are different from you and me, to reflect back on Fitzgerald's quote, then Gen Z modern affluents may for many of us, be a completely foreign concept when it comes to understanding their needs, behaviours and mindsets in relation to investment and how they regard it.

Vestiaire Collective, France

Generation Z-uite set

Gen Z are probably the most pointed, polarising, pejorative and problematic generation if you believe media headlines. And yet, when you look into their values and sense of self-actualisation, they have many characteristics in common with their equally individual and self-actualised Boomer grandparents – especially, if you include being independent, competent, resourceful, entrepreneurial, and socially concerned and aware as part of these attributes. For Boomers it was gay rights, women's rights and civic rights, points out McGawley; for Gen Z, it is trans rights, environmental rights and wider gender inequalities.

But in essence, like older generations, they have a strong moral compass and fundamentally place the planet, people and the contribution profit can make to the former two at the heart of their philosophy.

Often described as the activist generation, they are among the most diverse, gender-fluid, digitally active and pro-protest yet, whether this is about challenging high-end luxury brands to commit to sustainable and transparent practices or researching brands to uncover their back story – greenwashing and questionable business practices included. In the US, Forrester Research found that 51% of Gen Z 'citizensumers' did this as a matter of routine.

51%

over half of gen Z research a brand's backstory to uncover their green credentials.

Source: Forrester Research

Harris Reed, a gender-fluid 26-year-old, is a lead Z-suite member and a self-styled ZEO. Z-suite is a play on C-suite, and Z-suiters are a rising group of activist influencers who advise brands, businesses and financial advisers on what Gen Z want, the role activism and climate concerns play in their lives, and how to collaborate with them.

Z-suites and ZEOs are now becoming a core part of the workplace or on the boards of luxury fashion brands themselves, as Gen Z (along with Millennials) become the largest group of luxury consumers ever, and the most vocal and challenging. According to Harris, his generation are all about change and being challenging. 'If businesses don't take notice,' he says, 'they will fail. Friends of mine will only purchase from companies where they know what their money is going towards. Once your older clientele die off, not to be rude, who's buying your product?'

So powerful is his voice – he began his activist career at 15 – that the V&A has exhibited his clothes, while fashion house Nina Ricci appointed him as creative director in 2022 to help catapult it into a Gen Z mindset and market – gender-fluidness, pronouns, MeToo, trans and BlackLivesMatter included.

And if you react to these phrases with terms like 'woke', as Harris and his generation point out, 'you're the very people they're coming after'. This is not because you're wrong, although you are, but because you're failing to get the point, which is that this is simply a matter of respect – for a person's colour, pronoun choices, gender decisions and capital investment, whether this is a brand that does good or a company that wants to get it right.

But even here, as a movement, Z-suite members are clear. Tokenism won't wash. This isn't about sticking 'a queer person on a billboard', he says of the current vogue to have a rainbow line-up of global Gen Z types of mixed heritage, gender and sexuality in the frame, but of giving back. As for doing it for the right or wrong reasons? 'Whether a company wants to be sustainable or open for the right reasons doesn't matter,' he says. 'They have to step up or they're not going to succeed.'

But those who do, are succeeding, which again demonstrates Gen Z's underlying 'side-hustle' spirit and sense of you do well by them and they will do well by you. Global PR firm Edelman Worldwide, for example, which established its own Z-suite to work directly with brands targeting Gen Z consumers, says it has added £11m ($14m, €13m) to its bottom-line revenue as a consequence of listening, collaborating and embedding a Z-suite in its organisation.

Little wonder, then, that with this kind of ingrained entrepreneurialism, Gen Z – like their Boomer forebears – are keen on investment. And even with the smaller amounts they have at their disposal, they are learning to cut their teeth on investment platforms with meme stocks, cryptocurrencies and NFTs leading the way.

On the Royal Mint's reckoning, despite their shortage of cash, Gen Z in the UK are set to invest £9.4bn ($11.9bn, €11bn) by the end of 2023 , with so-called 'fintox' influencers leading the way. Within this context, 23% of Gen Z say their investment advice comes from social media, with 17% saying it has encouraged them to adopt a get-rich-quick mentality, where returns are expected in less time. But Gen Z are not foolish, and just as Boomers and Millennials have learned to diversify their portfolios based on their generational tropes and technological abilities, so too have this generation.

Six in 10 Gen Z in the US, for instance, report that they have their own spread risk investments (think savings, pre-owned, fee-free platforms such as Robinhood), with a significant 19% investing in cryptocurrency and NFTs, while many of them taught themselves how to invest before turning 18, according to a report from the CFA Institute.

Unlike their Boomer and Millennial counterparts, they are very aware of the risks they take and mitigate accordingly – about 48% say they know more about investing than their parents (the figure is much higher in the UK), with 33% saying they are very confident in their ability to make investment decisions.

Surprisingly, despite their propensity to look to fintech, AI, crypto and NFTs for alternatives routes to wealth, as the Royal Mint's recent report reveals, many are also looking to old wealth and luxury symbols such as gold and silver to diversify risk.

According to Edith Reads, a senior editor at TradingPlatforms, an investment news website: 'The rise of digital investment platforms has made it easier for young investors to purchase gold and silver, even if they don't have large amounts of capital to start with.'

increasingly using the digital world to enrich them: be it through.But with a recent survey finding that 46% of Generation Z rate new experiences as one of the experience economy's superficiality is becoming palpable (source: Boiler Room). The advent of social media, contrived photo opportunities and cynical marketing have led the market to be saturated and experience fatigue to set in.

Driven by digitisation, a booming leisure market and low-cost travel, in the last two decades there has been a transition from materialism to experientialism, with experiences slowly superseding objects in consumers' minds.

Future consumers are swapping self-promotion for self-realisation, seeking experiences that help them understand who they are. With promises of limitless online identities, young people once used social media to claim their individuality. But a feedback loop of visual-first content has made people more promote and define their own identities, however, Gen Z are increasingly using the digital world to enrich them: be it through.

'The rise of digital investment platforms has made it easier for young investors to purchase gold and silver, even if they don't have large amounts of capital to start with'

Edith Reads, senior editor, TradingPlatforms

Mintus, UK

Lifestyle Asset Class (LAC) categories

But as The Future Laboratory's research into how HNWI Gen Z engage with the luxury, fashion and art markets indicates, they are increasingly using their digital-first skills, combined with their understanding of crypto, NFTs and the blockchain, to make investments that enhance their wardrobes and wrists as well as their bank accounts.

A Birkin bag has long been considered a sound investment, with its £19,700–27,600 ($25,000–35,000, €23,000–32,300) price tag, but the recessionary economic climate is only strengthening the perception of luxury goods as investments that appreciate over time, explains The Future Laboratory's senior foresight analyst Marta Indeka, author of Certified Luxury, a report that looks at how value and luxury are being altered by the tastes and buying behaviours of Gen Z modern affluent consumers. 'Once a fashion staple, they are now lifestyle asset classes (LACs) that blur fashion with art and investment.'

Gen Z are adding pre-loved or archival pieces to their portfolios in the same way that older Millennial collectors have done. According to The RealReal's 2023 annual Luxury Consignment Report, Gen Z are by far the most active investors on the platform, with sales and purchases of luxury items by them up 50% in 2022 alone. Cashing in on this desire among modern affluent Gen Z and Millennials to invest in fashion, Artnet has launched a new finance service that enables owners to use their collectable pieces as loan collateral.

In a bid to democratise access to art ownership in the way that high-end luxury has with fashion and the world of resale, fractional art platforms are similarly empowering Gen Z investors to buy important paintings without the hefty price tag.

Often using blockchain technology, these companies divide artworks into shares, which are subsequently sold to speculative investors. During the pandemic, for instance, online platform Masterworks purchased artworks by significant artists including Jean Michel-Basquiat, Andy Warhol and Yayoi Kusama, before dividing them into shares to sell on to its users. In 2021 it became the biggest spender on artworks in the world, with purchases worth nearly £316m ($400m, €370m) (source: Axios).

Particle, another online platform targeting Gen Z and early Millennials, uses blockchain technology to divide artworks into thousands of NFTs that make art accessible to people who wouldn't normally be represented in the art market. Each artwork is split into 10,000 'particles', each of which corresponds to a certain section of the painting, allowing investors to choose which square they want to buy. 'When I was a kid and I was looking at auctions and catalogues, I always felt it was impossible to participate financially and that I was by definition excluded,' says Loïc Gouzer, co-founder of Particle.

Seeking to support emerging talent – a key desire of Gen Z when spending and investing their hard earned cryptocurrency – Mintus aims to attract customers who might want to invest in up-and-coming artists. By the end of 2022, Mintus investors had access to painting and artworks worth more than £158m ($200m, €185m).

In the hospitality sector, a similar love-in with Gen Z and Millennial HNWI investors and consumers is taking place, as dining spaces are transformed by blockchain authentication and NFTs, augmenting access and providing rarefied experiences – a core fix for both generations who regard 'access' and 'experience' as the new collectables.

In New York, for example, technology start-up Front of House is partnering with restaurants to offer subscriptions to the city's most sought-after dining spots. Its most recent collaboration is with seafood restaurant Dame. The two companies launched the Affable Hospitality Club, which lets VICs book one dinner each week through an NFT subscription that costs £790 ($1,000, €925).

In San Francisco, hospitality platform SHŌGroup has opened an NFT-gated Japanese restaurant. There are 3,265 memberships in total, with the most expensive costing £235,700 ($300,000, €277,100). Beyond a members-only menu and access to a private lounge at the restaurant, top-tier members can also embark on a once-in-a-lifetime curated trip to Japan. 'We've always looked at, in terms of the pricing, making sure that we're creating exponential value for our members,' says Josh Sigel, CEO of SHŌGroup.

Meanwhile, in New York, where many of the world's centi-millionaires are located, Flyfish Club restaurant has opened, and describes itself as the first members-only dining club governed by the blockchain. To visit the restaurant, customers must own a Flyfish NFT, which will grant them access to a cocktail lounge and the dining room. Through a leasing mechanism, members can also rent their tokens to non-token-holders on a monthly basis, granting them the ability to generate passive income.

Conclusion

Investment, then, for Gen Z especially, comes with a completely different mindset than that found among older generations. It is digital, fractional, collaborative but, as with all Gen Z mindsets, it must come with sustainability, purpose and impact as part of the package. And luxury brands have been quick to spot this. Building on their heritage credentials – and owning up to past excesses and environmental damage – they are now actively acting as guardians of eco-systems at a time when scrutiny of sustainable claims and greenwashing continues to peak.

As Helen Brocklebank, CEO of Walpole put it recently about the industry: 'We must do business well by doing good. Younger consumers are far more engaged with issues of sustainability than their predecessors. For luxury brands, doing things not just the best way but the right way will be crucial to attract and retain them.'

As a result, just as we are witnessing HNWI investors putting the brakes on giving their money away to philanthropic causes in favour of environmental pursuits, luxury brands are also shifting donations to ESG initiatives. A pioneer in this field, Prada, first launched the Sea Beyond in 2020, a marine preservation action recently supplemented with a literacy programme striving to support scientific research. It is set to become an open-source platform with third-party input.

LVMH, meanwhile, has ramped up its sustainability commitments by promising to train all of its 200,000 employees in environmental fundamentals by 2026. To achieve this goal, the brand has established a partnership with Vallée de la Millière, a 75-acre wetlands reserve on the outskirts of Paris, where its team will be schooled in the fundamentals of biodiversity, agroforestry, permaculture and environmental land management. 'Each employee can be an actor of change, and providing expert training is key,' says Hélène Valade, LVMH's environmental development director. It is this approach to sustainability and practical brand activism that is winning plaudits – and profits – from both Millennial and Gen Z affluents.

AI Imagery by The Future Laboratory, UK

VIA Treasure Trunks by Louis Vuitton, France

All are approaches that family offices, and the financial services sector generally, can learn from and tap into. It's not just those practical lessons about always being available in the digital realm or on social media, where the majority of financial learning and transactions by Gen Z and Millennials take place. It is also about the positioning we need to adopt (collegiate, collaborative, culturally sensitive and aware) when targeting them, or the tone of voice that needs to be used when speaking with them – inclusive, informative, transparent, but also empathic, open, curious. For Jessica McGawley, this perhaps, is the most vital of all skills to be cultivated and deployed when spending time with Gen Z – being curious and never talking down to them – a key point this group keep raising about financial advisers again and again.

Understanding the latter, we believe, will be pivotal to your future success or failure when targeting them. For them, your views, cynicism or lack of respect for their model of the world is the reason that many use online fintech platforms for investment and advice, and why more, when they finally inherit or manage their family offices, will invariably switch financial advisers, choosing those 'who better reflect their beliefs or live their values', as one of them described to us when researching this paper.

Their activism, as we have seen, isn't just sincere and powerful – as brands like Pepsi, Balenciaga and Dolce & Gabbana have discovered to their cost – it is entrepreneurial, and lucrative. According to business and investment adviser Luisa Zhou, the side hustle market in the US is worth a hefty £2 trillion ($2.58 trillion, €2.38 trillion) – and therefore worth taking time to invest in with a carefully considered mission statement, marketing plan and executionary approach that understands and acknowledges that their sense of finance, and the language that accompanies it, is not your sense of finance or language. So to succeed you have to acquire theirs, not the other way around.

They know, for example, that you don't believe they are concerned about ESG at heart. Indeed, one adviser we interviewed for this paper visibly sneered on Zoom when the subject was broached. Yet, according to Eric Landolt, UBS's head of family, art and advisory, 'next-in-line inheritors push for an increase in sustainable investing in almost half of family offices', with the figure over-indexing in offices in Asia and the UAE. 'Cynicism isn't just disrespectful', as one HNWI interviewee told us, 'it's costly, and deservedly so.'

While watches, art, wine and furniture are described by old-generation advisers as 'alternative assets' for them, they are the ones they consider most – along with fashion, accessories, trainers, graphic novels, handbags – yes, there's even a Luxury Bags Index price tracker – vinyl, mid-century furniture and tableware (the latest investment gambit) when investing in commodities that are a vital and live part of who they are. Ditto meme stocks, blockchain, DAO brokerages, NFTs and crypto – all of which, to them, are less risky and problematic than the discovery that they have invested in a series of stocks, via a financial adviser, that have huge ethical, social and environmental questions hanging over them.

Finally, as to the future, they are currently looking to AI and quantum to provide them with the next entrepreneurial journeys, not to mention sentient financial service advisers.

Health, wellness, and wellbeing have also become part of their investment strategy. Referred to as their 'healthworth' rather than their network, it is a growing area for them to focus on, and invest in – think biotech, cellular and life sciences. While longevity is very much in keeping with the current preoccupations of Silicon Valley billionaires, it has also become a purpose-based preoccupation among older Millennials especially, who regard it as a righteous area for investment. Some £4bn ($5bn, €4.5bn) has been invested in age-related drug treatments since 2020, according to David Sinclair, director of Harvard Medical School's Paul F Glenn Center for Biology of Aging Research. This won't just profit them, which it is already doing, it will also ultimately profit humanity – the real end goal, ambition and motivating force of both generations.

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