

Private Wealth - Navigating Towards The New Normal

19th January 2021

Background

As we start 2021, the Covid-19 pandemic remains prevalent across most of the world. Measures are starting to be put in place, in particular the introduction of vaccination programmes, that will hopefully bring the pandemic under control.

Behaviours and lifestyles have had to be dramatically altered. This has impacted on private wealth management, as much as almost every other sector of our lives. Some of these changes are likely to remain with us post pandemic.

What are the New Wealth Management Trends?

o Modified Perception: What is Wealth?

We are witnessing a re-assessment of key priorities.

The importance of family and health have been elevated significantly as have self-fulfilment and happiness. Financial gain naturally remains an important goal for wealth management but this is being balanced against priorities, many of which have been elevated to much greater importance during the past year.

o Increased Importance of Business Continuity for Family Wealth Management Planning

Contingency plans for business continuity and wealth management now need to take into account widespread country and regional lockdowns and quarantines, travel disruptions, and significant general disruption to businesses and communities.

Continuity plans need to be assessed and strengthened, where necessary, to build capabilities now and in anticipation of recovery. These plans and contingencies need to be communicated to key internal and external stakeholders to enhance trust and transparency, and to help mitigate against potential damage to the preservation of family wealth in the future.

- **Investor Preference for Lower Cost and More Passive Strategies**

In general, there has been movement towards less risky and more 'steady' investment strategies. In a time of crisis, upheaval and volatility this is to be expected.

- **Client Preference for Less Risk and Additional Planning for the Future**

Clients generally have a reduced risk appetite.

Covid-19 has also emphasised people's mortality and there has been an increased emphasis on succession planning and the sharing or moving on of responsibilities to the next generation.

As part of this process, clients have been drafting wills and/or reviewing and amending current wills.

- **Increasing Moves Towards Holistic Financial Planning and Philanthropy as a Key Objective**

Dixcart has long believed in the advantages of holistic financial planning, by assisting with the management of our clients' assets as a whole. Increasingly this is being recognised as the most effective way for the future, with a trusted adviser knowing the family members and appreciating and understanding their goals and the nuances of their specific wealth management plan.

In the post-pandemic world it is likely that there may be an increased desire by individuals to spread wealth to those less fortunate than others.

Philanthropy is increasingly becoming an objective for private wealth clients. Individuals can give directly to charity ('chequebook philanthropy') or more formal structures can be put in place, to provide an organised platform for giving, as well as offering important tax-planning benefits. It is important that this topic area is discussed with clients and

accurately reflected in any wealth management plan.

- **Interaction with Clients Digitally – Rather than Face to Face**

In many cases the only way to ‘meet’ the majority of clients has been on-line. This requires a different approach and discipline and an investment in appropriate and secure technology by professionals working with wealthy individuals and family offices, to retain relationships and maintain required support levels.

Whilst previously the older generation had, at times, been reluctant to adopt new technology, Covid-19 has provided a real incentive to embrace change. The inter-generational divide, in terms of technology use, is generally not as great as it was pre-pandemic.

Key business workflows are being ‘digitalised’ to accommodate changes in both client behaviour and employees working remotely. This trend is likely to evolve further and lead to the use of more interactive planning and performance reporting tools, initially in a virtual setting and, in the future, for in-person meetings.

With the increasing reliance on technology, the importance of cyber-security has been elevated to a much higher level. The training of family members and of staff to identify potential breaches, is becoming even more critical.

- **Collaboration Software is Changing the Way People Work**

This trend is evident across a number of sectors, including private wealth.

Wealthy families, as well as the professionals providing wealth management services, have needed to develop new methods of sharing resources across; families, teams and markets.

The new imperative is to provide access to expertise through a variety of different means, other than solely through geographic proximity and physical interaction.

The use of ‘secure team software’ is likely to continue. This applies to wealthy families with individuals located in a number of counties/locations as much as to Family Offices and private wealth managers.

Summary and Additional Information

As we slowly emerge from the recent upheaval and we move to the next 'normal', as in the past, the success of wealth management will depend on the ability of professional advisers to listen to clients and adapt to their changing needs. Wealth management specialists will also need to ensure that they are digitally intelligent, in terms of embracing revised means of keeping in touch with contacts and adopting more flexible wealth management operational systems.

- Dixcart is well placed to meet these challenges. Getting to know our clients and really understanding their objectives, has consistently been our key priority. In addition, we embrace new technology and have our own IT department. The IT team works on projects across the Group, and has helped ensure that we have solutions in place, to communicate with each client in a meaningful manner, and in a way that is most appropriate to them.

If you would like to discuss any of the matters raised in this Information Note, or have any other questions, please contact John Nelson or Paul Harvey at: advice@dixcart.com