

UPDATE

3 Trends in 2019 Every Wealthy Family Should Know About

What Will 2019 Hold?

It's a big question with as many answers as there are people asking it. A new year offers an opportunity to reflect on the past 12 months and look toward the year to come. This planning isn't idle speculation. It's a critical exercise for wealthy families and the family offices that serve them. Maintaining positive wealth momentum – the interplay of family and financial forces that impact wealth and legacy – starts with a greater understanding of those forces and how they will shift over the next year.

These trends don't materialize out of thin air. Developments that have been building for decades will continue to shape 2019. When it comes to the family, dynamics are changing. There is no longer one dominant family form in the US, according to Pew research. Parents are waiting longer to have children, and many millennials are living at home or taking a less direct route to adulthood. These shifts will undoubtedly continue in 2019 and shape how affluent families tackle interpersonal issues.

When it comes to overarching financial trends in 2019, all eyes are on the longest-running bull market in history. Analysts are optimistic about market performance for the year to come. But they're also predicting a continued rise in volatility driven by interest rate changes (or lack thereof) at the Fed. At the same time, investors, advisors, and analysts will undoubtedly be watching closely for an inverted yield curve and other signs this bull market is starting to turn.

With this broad family and financial context in mind, it's worth taking a deeper dive

into developments poised to have a greater impact on affluent families. As wealthy families look to 2019, here are three trends they should keep a close eye on and discuss with their family office or other advisors.

1. Health Care & Longevity Planning

The Great Wealth Transfer is projected to shift \$68 trillion over the next quarter century, according to Cerulli Associates. Generation X will emerge as the wealthiest generation. Heading into 2019, this



long-promised transfer of wealth will continue to clash with another ongoing trend – Longevity. Americans, particularly affluent Americans, are living longer than ever. In the US, a quarter of 65-year-olds will live past age 90, and one in 10 will live past age 95.

While most family leaders aren't complaining about living longer, this longevity can be a source of uncertainty and conflict in many wealthy families. It's upending wealth transfer realities. Younger generations are shifting their expectations about when they'll receive inheritances

(sometimes not until they themselves are in their 70s or 80s). The older generation is rethinking how and when it leaves money to children and grandchildren and looking to advisors to shift their estate plans.

It's forcing family leaders and their children to rethink health care, too. More and more older family members are living with expensive chronic conditions. They're turning to their family office structure or other advisors to help select and manage health care options. In 2019, many wealthy families will be increasingly focused on tweaking their estate plan to reflect longer life expectancies. They'll also prioritize investing in tailored medical solutions like concierge health care services.

2. Evolving Investment Mindsets

While every investor is watching the long-running bull market and Fed Chair Powell's next steps, there are other more specific trends poised to impact ultra high net worth families in 2019. Armed with more data and analytics than ever before, wealthy families are rethinking their approach to investments and what constitutes a meaningful return.

Many families, particularly younger family members, are putting an increased focus on impact investing, which prioritizes measurable, beneficial social or environmental impact alongside a financial return. Nearly one third of family offices tackle impact investing, according to CampdenFB. This number will likely grow considerably in 2019 as millennials continue to expand their role and influence in their own families.

Meanwhile, wealthy families are increasingly looking outside traditional securities and hedge funds toward private equity and direct investing opportunities. In recent years, Family Office Exchange research found that nearly three quarters of wealthy families planned to increase direct investment allocations in the future. As FOX notes, these direct options are a strong fit for wealthy families thanks to higher financial returns and long-term investment opportunities. What's more, direct investments often offer a more hands-on approach, and family leaders may have a chance to influence business decisions to maximize revenue or drive greater societal impact.

Underlying all of these changes is the increasingly actionable power of big data to shape investment decisions. Advisors can play a critical role in helping families maintain perspective and stay true to an investment approach through access to data. Sitting tight through the anticipated market volatility and using expanded data and metrics to evaluate

a company's true impact and its return on investments across many factors will be hallmarks of the advisor/family relationship in 2019.

3. The Threats and Opportunities from New Technology

Big Data is just one of the tech trends poised to shape the next year and far into the future. Family offices are using big data to create more robust reporting solutions for the families they serve. Technology is creating new and better ways for families and advisors to interact. It's increasing the quality and quantity of information family members and family offices have to make better decisions and plan for the future. This influx of data will only ramp up over the next year.

These opportunities embedded in new tech are not without their risks. More than a quarter of ultra-high-net-worth families have suffered a cyberattack. It's a topic families should discuss and prioritize in 2019. Over the next year, cybersecurity and steps to

protect privacy will be more and more integrated into daily life for wealthy families. It will shape how they communicate, their social media presence and whom they trust with their data.

Identifying Trends in Your Own Family

Heading in to 2019, trends like longevity, shifting investment priorities, and the threat and promise of technology will undoubtedly shape how wealthy families approach the family and financial elements of protecting and growing their legacies. But these trends do not exist in a vacuum. Families must look to their own personalities and priorities to understand how these general developments will impact them specifically. The start of each year is an ideal time to review your family's goals, challenges, trusted relationships, and infrastructure when it comes to both family and financial considerations. **P**

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About Pitcairn

Pitcairn is a true family office and leader in helping families navigate the challenges and opportunities created by the interplay of family and financial dynamics. Wealth Momentum®, an experience-based family office model, helps families achieve a more effective and complete experience. Since its inception, Pitcairn has partnered with some of the world's wealthiest families to meet their needs and drive better outcomes – year to year, decade to decade, generation to generation. Today, Pitcairn is recognized as an innovator, guiding families through generational transitions and redefining the industry standard for family offices. The firm is located in Philadelphia, with offices in New York and Washington, DC and a network of resources around the world. You can learn more about our family office services as well as find additional articles, news, and events on our website at www.pitcairn.com.

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