

HELPING UHNW FAMILIES NAVIGATE THE TRANSFER OF WEALTH TO THE NEXT GENERATION



A GUIDE ON AVOIDING PITFALLS

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“Rags to riches to rags” has become an all too familiar saying within private client circles. We frequently encounter stories of (once) prosperous families whose wealth rapidly diminishes within a generation or two, often following its transfer to the Next Generation. Why does this happen? And, more importantly, how can it be prevented?

While each family’s circumstances are unique, common themes often underlie the intergenerational erosion of wealth. Understanding these pitfalls is the first step toward building a resilient strategy that supports wealth preservation across generations. Below, we explore some of the most frequent causes of wealth degradation and how to navigate them.

Pitfall 1: Lack of Awareness – No Seat at the Table

A common and recurring issue in wealth succession is the exclusion of younger family members from financial discussions or (if applicable) involvement within the family business. Without early exposure, the Next Generation often lacks awareness of the scale and structuring of the family’s wealth, the operations and decision-making within the business, and any responsibilities that may come with both. This absence of involvement can create a vacuum of understanding,

which may lead to poor or uninformed decisions once they assume control.

To mitigate this risk, they should be gradually and thoughtfully introduced to the responsibilities that accompany family wealth and business leadership.

Inclusion in appropriate conversations and exposure to the workings of the business can foster early awareness, build engagement, and cultivate a shared sense of purpose.



This proactive approach helps to prepare these future stewards with the knowledge, confidence, and awareness they need to lead effectively.

Pitfall 2: Lack of Wealth Education and Trust Literacy

It is often the case that the Next Generation lack sufficient understanding of key concepts such as the purpose and mechanics of trusts, the role of trustees, investment principles, and broader knowledge on wealth structuring. Without this foundational knowledge, even the most robust legal and financial structures may fail to achieve their intended purpose.

Education plays a central role in preparing them to engage meaningfully with family wealth. Structured learning can help build confidence, foster accountability, and promote informed decision-making. Ultimately, a solid educational foundation on key private wealth concepts supports the development of capable, responsible stakeholders who are well positioned to contribute to the long-term sustainability of the family’s legacy.

Pitfall 3: Absence of a Family Charter or Clear Value Framework

Families that are able to maintain wealth across generations typically implement a broader governance framework that includes a clearly articulated set of values, principles, and expectations.

A central component of this framework is often a Family Charter, a non-binding document that outlines the family's vision, purpose, values and approach to managing wealth. It serves as a reference point for values based decision-making and provides clarity around roles, responsibilities, and long-term objectives.

To remain effective, a Family Charter should be a living, evolving document, regularly reviewed to reflect shifting global influences, family dynamics and changing priorities. Actively involving the Next Generation in the drafting (or updating) process helps foster a sense of representation and belonging. It also provides for a fresh and enlightened perspective. A well-maintained governance framework promotes clarity, unity, and continuity, which are key ingredients for preserving both wealth and relationships across generations.

Pitfall 4: Lack of Personal Advisory Relationships

An oversight in multigenerational wealth planning is the failure to support the Next Generation in building their own trusted advisory relationships.

When senior advisors maintain exclusive ties to the patriarch or matriarch, the Next Generation often inherit complex structures without having independent professionals that they trust or can turn to for guidance. Identifying a trustworthy advisor can be challenging, especially when navigating the process alone. Without support, they may end up choosing advisors who lack the qualifications, independence, or ethical standards to best protect their interest.

They should be empowered to form meaningful connections with advisors with whom they can identify. Introducing younger professionals (from trusted firms) who can relate to them encourages deeper engagement with the family's wealth. These relationships instill a sense of ownership, provide ongoing support, and promote continuity, which ultimately results in the Next Generation becoming effective stewards of the family legacy.

Conclusion:

The successful transfer of wealth to the Next Generation is rarely just a matter of sound structuring or investment strategies. It requires ongoing education, meaningful engagement, and

trusted relationships. As this guide has highlighted the most common pitfalls are often preventable with the right planning and mindset.

Families that take a proactive approach by bringing the Next Generation into the conversation early, investing in their financial education, defining shared values, and helping them build trusted advisory networks are far more likely to preserve both their wealth and their legacy.

There is no single formula for generational success, but the families that succeed tend to treat succession as a shared journey rather than a future handoff.

With thoughtful guidance and the right support, the Next Generation can be prepared to lead with purpose.

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