

2023 - Conversations on Wealth Management

Trends and Dynamics Shaping the Lives and Legacies of Affluent and High Net-Worth Individuals (HNIs)

On the 26th of January 2023, Fiduciary Services Limited hosted a webinar on Conversations on Wealth Management. The webinar focused on the trends and dynamics that will shape the lives and legacies of affluent and high net-worth individuals (HNIs) in the year 2023. We have reviewed and summarized some of the key observations and advice from the panel of experts at the webinar to serve as a key guide to affluent and high net-worth individuals on trends and issues pertaining to wealth management going into 2023.

Speakers



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Setting the Tone

The background for the conversation was the import of trends and dynamics on wealth management especially post the 2020 corona virus pandemic. The focus was on trends across seven core areas: digital assets, asset protection, Islamic estate planning, citizenship and residency planning, family wealth advisory, corporate & governance advisory, private equity/venture capital.

Looking at the previous year 2022, several global events saw many affluent and high net-worth individuals losing a large portion of their wealth while others profited from the crisis to experience significant increase and preservation of their wealth. Some of the significant events that directly and indirectly shaped the lives of affluent and high net-worth individuals in 2022 highlighted in subsequent paragraph below.

The Russia-Ukraine war was perhaps the most significant event of 2022. Insecure over Ukraines growing closeness to NATO members, Russia launched a special military operation to force the dematerialization and denazification of Ukraine on February 24th, 2022. Thanks to the war, the world struggled with supply disruptions, price shocks and food shortages throughout the year. The shock affected the financial market with falls in stock markets on one hand and rises in the price of raw materials on the other hand. All these were accentuated by the increase in European Union and US sanctions on the

Russian economy. By the end of the first half of the year 2022, the worlds ultra-wealthy population fell by 6% with Russian HNIs taking the most hit having lost more than \$126 billion in wealth.

The world along with its affluent population have felt and are still feeling the impact of the ongoing US-China trade war. Global economic and technological dominance is the major cause of the conflict. The ongoing trade war has been characterized by increasing tariffs and other measures adopted since 2018 in order to retaliate.

Although it took 11 years, the worlds population finally touched 8 billion on November 15, 2022. However, with growth slowing down, it could take the world 15 years to add another billion and to reach 10 billion in 2080 according to the UN. More than half of the projected increase in the global population up to 2050 will be concentrated in eight countries: the Democratic Republic of Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, Philippines, and the United Republic of Tanzania. Among some advantages recognized by experts for these countries at the fore front are technological advancement, greater human capital development and greater cultural diversity. Another advantage will be the immense increase in the availability of cheap labor which could lead to the formation of vast markets attracting wealthy investors.

Other notable events in 2022 includes Elon Musk's takeover of Twitter and the great slump of his wealth that stripped him of his position as the worlds wealthiest person. Bernard Arnault, chairman of the French luxury goods giant, LVMH became the wealthiest man in the world in December 2022.

The introduction of the generative AI, ChatGPT also took the world by storm in 2022. The chatbot is trained on a massive amount of text data, allowing it to understand and respond to user queries in a conversational way.

The many uncertainties in 2022 left many favorable and unfavorable positions. It is therefore expedient to study and understand from experts the trends and dynamics that will shape the year 2023.

The objective of 2023- Conversations on Wealth Management was manifold- to provide

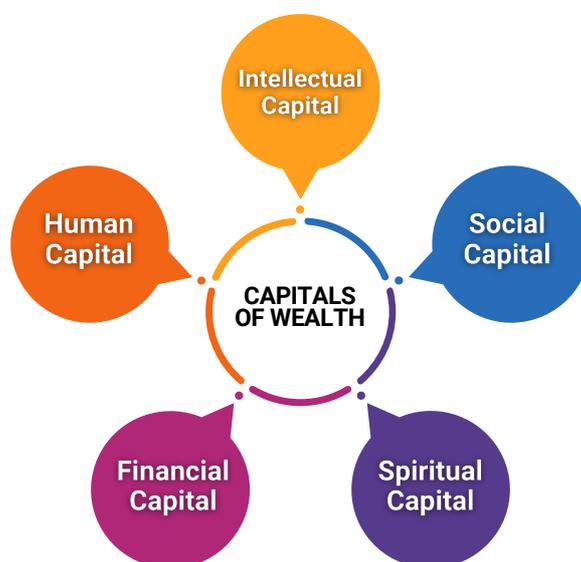


a platform to amalgamate ideas, thoughts, and insights as well as answer questions on the trends and dynamics that will shape the lives and legacies of affluent and high net-worth individuals in 2023 and years to come.

The webinar took a conversative model between a panel of experts who deliberated on how HNIs could ensure the continuous growth of their wealth during these uncertain times and ensure that they are better equipped to deal with such unforeseen occurrences should a repeat occur. The subsequent paragraphs represent a summary of the questions which the moderator asked the panelists and their answers.

What is Wealth?

From an Advisor's perspective, Wealth refers to the overall value of assets accumulated by individuals, families, businesses or nations excluding debts or liabilities. In the context of family wealth and intergenerational wealth planning, there are five capitals or fundamental compositions of wealth. They are: Human capital, Intellectual capital, Social capital, Spiritual capital and Financial capital. While financial capital is the most common form of wealth, family and intergenerational wealth thrives on the skillful management of all five fundamental compositions of wealth. Spiritual wealth refers to a common purpose where every member of the family by affinity seeks to enhance the other's journey of happiness. Social Capital refers to the ability to make good joint decisions over time and work amicably with one another. Intellectual Capital refers to strategic learning structures for all members and easy sharing of knowledge.



What would you say is the importance of Asset Protection and Wealth Management, especially with consideration to those who have assets across jurisdictions?

The importance of wealth management can be best explained with a scenario that is very common in Nigeria. In some instances, when wealthy individuals pass away without making preparations to manage their wealth, it leads to legal battles and struggles over family wealth. Wealth management helps avoid such ugly scenarios after the death of a wealthy person. Similarly, asset protection gives you the ability to protect your wealth and assets against lawsuits and prevent same from being accessible to fraudsters and creditors. Effective Asset Protection strategies helps you separate yourself from the ownership of an asset so that regardless of what happens to the individual or business owner, the business operations and daily lives goes on smoothly.

Overall, asset protection is a holistic and dynamic process that involves identifying all the potential risks to the individual and family and implementing the appropriate strategies to safeguard from these risks. Going into the year, experts have zeroed in on the word

"Recession" and its varying impacts on the portfolios of affluent and high net-worth individuals as one of the key trends to hedge/protect against in light of asset and portfolio value depreciation.

How has it been as an Adviser working with wealthy families that have been impacted by the US, EU and UK sanctions as a result of the Russian-Ukraine war?

The war between Russia and Ukraine has unsettled a lot of people. The most obvious people that have been adversely affected apart from the people in Ukraine are Russian oligarchs. Also, although Belarusians are not complicit in the activities occurring in the region, they have been indirectly impacted by the results of the conflict.



We as advisors have received reports of Russians and Belarussians who have been facing discrimination in several ways. For example, we know that just by virtue of being a Russian or Belarussian, many people have had their bank accounts closed in some countries. They have had their visas canceled, or are not considered for visas at all for global mobility. Most recently, the US has suspended almost half of the applications for the resident citizenship program from Russia and Belarus.

From our perspective, this is another lesson in diversification. This is diversifying not just the wealth but even the residence and citizenship of high-net-worth individuals because the key takeaway from these events is that no one is safe from their local governments being complicit in actions that are frowned upon by the international community. Thus, if the government of a country decides to commit an internationally wrongful act and the international community imposes sanctions on such country, the lives and businesses of the citizens can be adversely affected.



The Russia-Ukraine conflict has revealed how volatile and unpredictable jurisdictions can be. It has also shown us that with globalization, high net-worth individuals can be adversely affected by this unpredictability. How do you think high-net-worth individuals can deal with this reality?

I think globalization in itself is a very good thing; it allows us to have access to different jurisdictions. It also allows us to be global

citizens and move to regions that are favorable to us. Having multiple citizenships has, over the past few years, proven to be one of the greatest tools that high-net-worth individuals can have. When it comes to volatility however it is something that we cannot control. You find a lot of high net-worth individuals choosing to put their assets on offshore destinations. However, with globalization, we are quickly learning that even in foreign destinations, the risk is getting higher for all people, especially ultra-high-net-worth individuals.

The solution is thus for high-net-worth individuals to be vigilant about where they keep their assets. An additional piece of advice would be for HNIs to work towards diversifying their assets and citizenship as this would give them the advantage to maneuver in the instance that particular jurisdiction is unfavorable.



as well as the ability to think ahead and predict what might happen. Regarding the Russian-Ukraine conflict, for example, I think for most individuals associated with managing Russian wealth, it didn't come as an entire shock. Anybody who monitored the geo-political situation in Ukraine since 2012 had around a 10-year window to take adequate preparation to protect the capital or to diversify the wealth of their clients as far as necessary.

What are the trends and dynamics within the Venture Capital (VC) and Private Equity (PE) space that will shape 2023?

2023 would be heavily shaped by the movement of capital and expenditure which would heavily impact the VC and private equity space. Hence, Affluent and HNIs should look into diversification of their portfolios as a hedge against wealth loss and possibly achieve multiplication of their wealth while doing so.

How do you mitigate against the effect that comes with a change in government policy concerning investments made in private markets?

To mitigate against the effect that comes with a change in government policies, you have to plan rather than adapt to an event. This comes down to a good family advisor or a good fund manager



Why is Nigeria low on the Henley & Partners ranking of countries with the best passports?

Henley & Partners ranks the strength of a country's passport based on the number of countries a such passport holder can enter VISA-free or the number of countries where such a passport holder can be granted a VISA upon entry. It most times determines how globally mobile the holder of such a passport can be. Nigeria currently ranks 96 out of 186 countries, so it is not great at the moment.

The reason for this is that passport holders get VISA free opportunities via the agreement of their home country with other countries. So, if these visa-free agreements are stopped and ended by countries, maybe due to political or socio-economic reasons, such a country would fall down the ranks in the list of the most powerful passports. That is the case with Nigeria.

What destinations are Nigerian or Africans taking up citizenship right now? Are there other things that someone should consider when thinking about citizenship or residency planning?

There are two groups of people that we work with in Nigeria. The first group has plans to migrate and relocate usually in search of a better lifestyle. This category would most likely consider the US, Canada, and the United Kingdom. The second group is far more significant because they represent the larger percentage of people we deal with in our organization. This group of people prefers to live in Nigeria but do business and make strategic investments out of Nigeria. They usually request to have a plan B or second passport should in case something happens and there is a civil rest in Nigeria. Most of the people in this second category considers passports or passports of countries like Portugal, Spain, Malta, and Australia.



There are examples of countries that have revoked the citizenship of individuals that have earlier been granted such as Cyprus. How can I as a high-net-worth individual who wants to be globally mobile ensure that the passport I am getting is not going to be revoked?

Indeed, the European Union is not exactly happy with some of the residency programs embarked upon by most of its members. However, these countries have the right to determine their immigration laws since they are sovereign countries. The situation with Cyprus was quite unfortunate because the government found out that there was some impropriety in the process of obtaining the passport. However, in countries such as Malta, a lot of due diligence goes into the process so the country rarely takes such drastic measures.

What would you define as a modern family in the African context; because Africans are largely conservative?

I think within the African context, modern families depend on

which jurisdiction you are in. However, broadly speaking, the scope of what may now be referred to as a modern family in Africa may have shifted. This is especially true when one considers that there is a lot of global mobility going on now and instances like intermarriages, adoption, and same-sex marriages are no longer strange to come by in African families.

In light of this, a lot of due diligence needs to be done especially when you're working with high-net-worth families to understand the cultures that are coming together. You also have to consider the governance structure that might be necessary to accommodate these cultures and be able to recognize and work through the intricacies of relationships that make up the family putting in mind that factors like this affect how HNIs choose to invest and who they choose to be custodians of their wealth.

Where would you advise individuals to have their investments -offshore or onshore, and why would you recommend either of them or neither of them?

I think it is first important to disabuse people of the

mindset that "offshore" refers to something illegal. Offshore investment simply refers to investing outside the resident's jurisdiction. As regards where it is advisable to invest, it all depends on context. So, for example, a family that has no plans to migrate or has no USD (United States of America Dollars) expenses may not need to have its investments offshore. Notwithstanding, there are other reasons why people may want their investments offshore. Some of such reasons include confidentiality of financial assets, tax avoidance, asset protection, and so on. However, should a person decide to transfer his investments offshore, such a person should ensure that such process complies with the applicable regulations in that jurisdiction.

Can we future-proof venture capital investments?

Yes, absolutely. Venture-capital investments should be future-proofed because you're largely investing in technology that is largely pre-market adoption. For example, in the next decade, venture capital investments would be characterized by an

increased focus on technology and digital assets. such investments need to be future-proofed. Also, as technology continues to advance it opens a wide range of investment opportunities for investment entities, HNIs, or fund managers. In investing in these opportunities, fund managers need to ensure that they stay on top of trends and technology growth, remain aware of shifts, and seek out diversification even within the venture capital investment.

How do you think that going into the future, Africans can build intergenerational wealth?

To build intergenerational wealth, in Africa, intentionality is very important. When we intentionally plan and look at the options that are available to us in terms of next-gen leaders and start making the next-generation leaders responsible stewards from their tender ages, building generational wealth in Africa would become possible.



Is there a distinction between legacy and stewardship?

Yes, there is a difference between legacy and stewardship. While legacy refers to a heritage that transcends the current generation, stewards refer to the custodians of that heritage. So, these stewards are responsible for ensuring that they safeguard the legacy that has been built and on to the Legacy while simultaneously creating their legacies for the next generation of stewards to build upon.

Is philanthropy taken seriously on the African Continent?

Philanthropy on the African continent is very significant and expansive, contrary to what people would want to believe. However, because of poor documentation, philanthropy on the African continent is not seen for what it is. Most businesses take philanthropy seriously because it involves giving back to the societies that nurtured the business in the first place and gave it an environment to thrive. However, the philanthropic activities of families and business families is not seen to be alive because of low publicity around the philanthropic initiatives. As Africa continues to grow as a continent, many more of these philanthropic efforts would be documented, and then philanthropy would become a more popular concept in Africa.



Panel Session 2

What are the trends and dynamics that would likely shape the lives of HNIs this year and beyond?

2023 has been described as a year we should expect some global recession so one of the major trends that would impact the lives of HNIs is geopolitical and economic uncertainty. In light of the recession and Russian-Ukraine conflict, a lot of asset portfolios would likely move out of Europe. We are also unlikely to see a lot of Nigerian investments in Dubai and the UAE because of the ongoing diplomatic row between the Federal Government of Nigeria and the UAE government. There is also the threat of natural disasters and pandemics which would force many investors to diversify their portfolios. For Nigeria, 2023, being an election year, we may see a lot of Nigerian take second residency or passports in other countries.

Another trend that is most likely to characterize 2023 is that more people would seek access to financial planning and wealth management services. Several families would also take steps to solidify and formalize their generational businesses in a bid to maintain family generational wealth.

What are the trend and dynamics that are affecting affluent HNI families of the Muslim faith?

This 2023, Muslims of African descent and Muslims, in general, will likely become more cautious as regards their assets and wealth. They will be giving up some of the luxuries

that they think they do not need. This will be so because inflation would impact the price of luxury goods and many economies this year. Also, Islam already advises against wastage, so Muslims would try to cut their waste, and unnecessary expenses because the year is going to be very challenging.

What are the things that we could use from a governance perspective to ensure that we grow our families across generations?

There is a need for intentionality on the part of families and family leaders to ensure that generational wealth is passed not just to their children but down the generations. The starting point for this may just be by trying to have a family Constitution. This constitution would dictate what the core values of the family are, and it will also lay the governance structure for how to manage wealth and take decisions in that family. It will determine who the head of the family is and determine roles and responsibilities as well as education, training, and mentoring of younger ones.



Apart from the sentimental value of a digital asset, what are the other things one should be concerned about when trying to purchase one?

In purchasing digital assets, one has to consider international jurisdictions and the different laws that apply to them. For example, if a person purchases a cryptocurrency or NFT and stores them on an exchange based in the United States but is not aware of the terms of service then such a person may not be able to access the digital asset if he or she goes against any of the applicable Laws.

How do the Islamic concept of wealth and ownership influence asset acquisition and generational wealth planning for Muslims and Islamic clients?

Islamic law is a little different from common law because when you talk about wealth in Islam, it goes beyond just the physical or digital world and transcends even into the spiritual. However, more importantly, when you consider wealth acquisition for Muslims, several rules must be followed. These rules are non-negotiable, so when you're trying to acquire

your wealth under Islamic law, you do not go through usury that's Riba (interest) because it's prohibited. So, family businesses that revolve around gambling, and selling alcohol and pork to bring profit are prohibited. Muslims are not to engage in such means of wealth generation. Also, for Muslims when we talk about acquiring wealth through any means that you acquire it, it is also important that you put or keep such wealth in the right places, so you don't get involved in haram activities all in the name of acquiring wealth. Another important thing to take note of in the Islamic acquisition of wealth is that there is no co-ownership of wealth between husband and wife in a marriage. So, under Islamic law, the man has access to his wealth, but the woman does not have access to the man's wealth.

Is there a need for estate planning for Muslims? And if there are, what are the tools that Muslims can adopt to plan their estate towards ensuring generational wealth?

Islam has a system in place for dividing one's estate upon death. This system is provided for already in the Quran and it is non-negotiable. However, we understand that planning is important for everybody. Muslims also believe in planning and this is evident in the story of Prophet Yusuf in the Quran where he had a dream about a famine that was going to occur in the future and how he had to plan towards that. So, there's planning in Islam.

Furthermore, speaking from a legal perspective, we all know that having a Will is allowed under common law. In the same vein, there is also

Wassiyah under Islamic law which is similar to a Muslim preparing his own Will. However, this rule comes with very strict conditions. For example, before you can make Wassiyah as a Muslim, this wassiyah has to be within one-third of your entire estate. So, Will making is also allowed under Islam.



What are the basic measures anyone can take to preserve and protect their digital assets?

First, on the basic level, don't share passwords with someone because that will lead to two really big problems, the sharing of passwords is a violation of law in many jurisdictions, and it's also a violation of the content provider's terms of service agreements that you've signed. Many content providers have also implemented two-factor authentication. So, if you don't get the perfect response to the security questions, or if you do not have access to the phone to get the text code or the

email or have the biometrics, then you're not going to get access to the digital accounts.

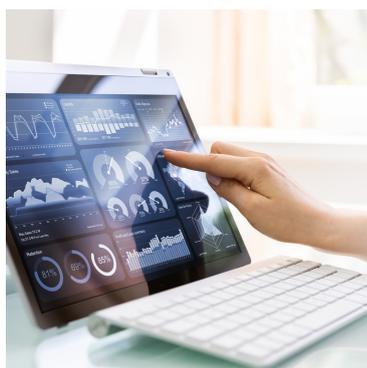
What are the platforms that wealthy families can use to help them walk through the process of digital asset management and how would you shed more light on what DCS does?

DCS which is Directive Communications

Systems (DCS) is one of only a few companies out there that would handle digital property succession management. Another such company is Legacy Concierge. When we say digital property management, we refer to a more holistic term than a digital asset. This is because digital property includes financial value, educational value governmental accounts as well as sentimental accounts. DCS helps to organize and catalog devices and online accounts and digital property in a manner that is compliant with terms of service and international jurisdictions.

Concerning wealth management, what would be your advice to affluent and high-net-worth individuals for 2023 and beyond?

The affluent should



concentrate much more effort towards formalizing their family businesses, they should think legacy and generational wealth and plan their wealth in that light.

Children should also be trained so that they understand the value of what is given as their Inheritance. From an Islamic perspective, Muslims



should also ensure that they only engage in businesses that are permissible for them. Concerning assets, HNIs are advised to take a proactive approach towards protecting their assets. They should also seek expert advice instead of attempting to navigate the unfamiliar terrain of digital assets investment by themselves. When thinking and having wishes regarding wealth management and preservation, it is important that affluent, asset-owning families and individuals do not see to do it themselves (DIY) rather they seek the services of firms such as Fiduciary Services Ltd to help them articulate the issues and concerns they have and proffer invaluable advice that engenders sustainable generational wealth and legacies.

You can watch the webinar video to catch up on the entire conversations and insights shared by the panelists via bit.ly/FSLrecording.

Fiduciary Services Limited provides contemporary bespoke and holistic Private Client Services to High Net-Worth Individuals (HNIs). We are set up to attend to all matters pertaining to the life of an affluent person – their personal, family, and business affairs. We work with our clients to develop bespoke solutions that effectively address their specific contemporary concerns on Wealth Management and Preservation, Estate and Legacy Planning, as well as the security of their family/dependents' future. Our services include Estate and Legacy Planning, Trusteeship/Asset Custodial, Family Business Advisory & Governance, Islamic Estate Planning, and Wealth Management.