FIDUCIARY SERVICES LIMITED

Conversations on Wealth Management:

Family Dynamics, Philanthropy, Sustainability, Mental (In)capacity, and Digital Assets.

The second edition of our *webinar series* with the theme: Conversations on Wealth Management: Trends and Dynamics Shaping the Lives and Legacies of the Affluent and High Net-worth Individuals (HNIs) was held on 10th August, 2023.

The discussions centered on issues arising with respect to Family Dynamics, Philanthropy, Sustainability, mental Incapacity, and Digital assets planning for affluent and wealthy families.

We have provided this report as a synthesis of insights and learnings from our panel of experts.

Speakers

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Key Questions the panel addressed included: Mental Incapacity/Diminished Mental Capacity/ Declining Mental Capacity of Patriarch/Matriarch of affluent and wealthy families.

1. What are the red flags to look out for as regards mental incapacity of a Patriarch or Matriarch of an affluent or wealthy family?

2. What are some compelling reasons why families should prioritise planning for incapacity related issues and how does it help alleviate stress and uncertainty during difficult times?

3. How can families initiate and foster conversations about incapacity planning with their loved ones that ensures family members concerns, values and preferences are taken into account?

5. What would you advise in a situation where in spite of diminished capacity, the Patriarch/Matriarch still insists or wants to take decisions that affects the families business and wealth?

7. What are the most common misconceptions about seeking professional help in incapacity planning and how can families be encouraged to overcome the misconceptions?

8. How can families benefit from a collaborative and multidisciplinary approach involving estate planning attorneys, financial advisors, healthcare professionals and other experts in addressing incapacity related challenges?

Family Dynamics and its impacts on affluent and wealthy families.

1. When we talk about family dynamics, what are the salient issues and concerns that arise?

2. How does family dynamics, both negative or positive, impact the long-term success of affluent and wealthy families. Could you share examples per your experience as an Advisor?

3. Wealth transfer (transition) across generations can be delicate process. How do families navigate potential conflicts or challenges that arise during this transition especially when it comes to balancing the emotional and financial wellbeing of family members?

4. What roles does communication play in ensuring a smooth and successful intergenerational wealth transfer? How do you encourage family members to openly discuss their aspirations and concerns during this process?

5. What is the concept of "Hats and Rooms" in respect of effective communications amongst family members?

6. Beyond financial assets, in the light of the 5 capitals of wealth (reference to Jay Hughes) how do you approach transferring family values and other non-financial capitals to the next generation? How do these intangibles positively impact long term wealth of families?

7. Family Governance – What challenges have you experienced when seeking to introduce or encourage governance structures to families? How do you manage resistance or hesitancy to adopt governance structures amongst family members?

8. Conflict is inevitable within families and most often the wealth of the family only amplifies such tensions and conflicts amongst family members. Could you provide insights into how to proactively identify potential sources of conflict and to address them before they escalate?

9. In multigenerational families, how do you address the differing priorities and aspirations of various family members especially the Rising Generation that ensures every family member is heard and respected in wealth management decision making of the family?

10. From your experience, what tools (physical or digital) facilitates communications and collaboration among family members especially when they are geographically dispersed?

Sustainability from an Islamic Wealth Management perspective.

1. Within an Islamic context and in the light of the Maqasid of Sharia, what are the salient concerns and issues that arise when we talk about the concept of sustainability from an Islamic Wealth management perspective?

2. There is an ever-increasing focus on sustainability and sustainable practices globally, what role does a Muslim Patriarch/Matriarch play in respect of achieving sustainable wealth management investments and portfolio?

3. In today's dynamic financial landscape, how do affluent or wealthy Muslim families strike a balance between short term financial performance and long terms sustainable impact in the management of their wealth?

4. Regarding Islamic Philanthropy/charity, how can affluent and wealth Muslims ensure that their philanthropic endeavours remain adaptable and responsive to changing environmental and social needs over time?

5. This is a time of severe hardship (albeit poverty across the sahel) with cost-of-living crisis, inflation and economic hardship, what charitable structures could an affluent or wealthy Muslim establish that could be sustainable over time?

6. To the Rising Generation, how does one communicate the importance of sustainable wealth management practices inspiring them to be active advocates for positive change in their communities?

Digital assets and wealth management

1. What are the trends and dynamics shaping the lives and legacies of affluent and HNIs within the digital assets landscape?
2. How do you execute Asset preservation with respect to digital assets?
3. What are the considerations that should be borne in mind to ensure that there's a smooth transfer of digital assets to beneficiaries?

Philanthropy for Affluent and Wealthy individuals/families - structures and benefits.

1. What are the structures, trends and dynamics that are shaping the lives and legacies of Affluent and wealthy individuals/families with respect to Philanthropy?
2. How do you involve younger family members in philanthropy and foster a culture of giving and social responsibility?
3. How do you measure the effectiveness and impact of philanthropic initiatives, and what challenges might arise in assessing social outcomes?
4. How do families decide between supporting local community projects and global initiatives when allocating their philanthropic resources?

Setting the Scene

Wealth management is a multifaceted discipline that requires a comprehensive understanding of various considerations influencing and impacting long-term wealth planning and preservation.

In this ever-evolving landscape of wealth management, it has become increasingly crucial to address the intricacies of family dynamics, sustainability, digital assets planning, philanthropy, and mental incapacity as they form part of the trends and dynamics that are currently at play within the wealth management space.

These interconnected elements play a pivotal role in shaping wealth management strategies, safeguarding wealth across generations, and ensuring the sustainability of affluent and wealthy individuals and family's assets and values.

Mental incapacity and wealth preservation

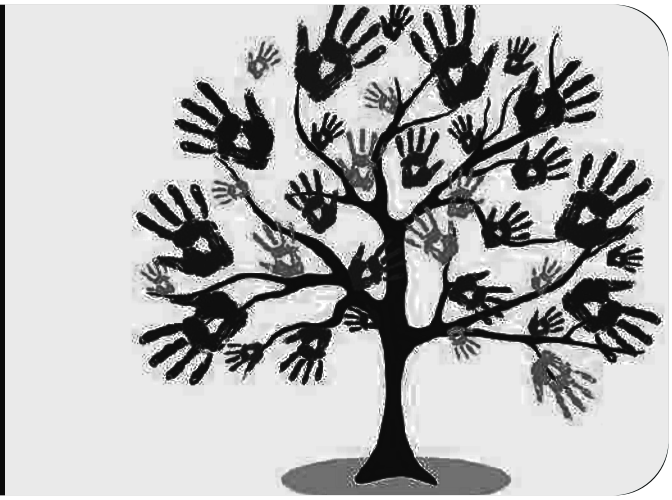
Mental incapacity is a difficult subject to discuss because it is taboo in many cultures. That is also why it is difficult for families to deal with because in order to begin dealing with something, they must first openly begin talking about it. Dealing with mental incapacity is extremely difficult. However, the panel in their opinion addressed it in the same way as succession planning because it can be viewed as a risk. Yes, you plan the succession because we are all mortal. There could also be a sudden succession, which means that someone dies unexpectedly, and you must prepare for all of these scenarios.

In terms of wealth preservation, family needs to be protected by understanding the red flags such as diseases that can impact business operations. Family members are able to pick up the signs very early because the traits are very silent, but they are very fundamental, and advisors need to have conversations around this and help the families when the conversation becomes a reality for them.

So generally mental capacity of the matriarch or patriarch is very important. It's not only about managing the current wealth, but it's also about the source of wealth and it's usually matriarch or patriarch who is in control of these businesses. And of course, in order to grow wealth, they have to operate the business successfully. And if they have mental incapacity, they may just make the wrong decisions. Mental incapacity should be part of succession planning, in which planning has to be done for a sudden succession or whatever other succession, because quite often, if not planned for, it may take years to solve the issue.

Case study:
The Patriarch of a second-generation family business died suddenly. He was the only signatory to the business during his lifetime and it took the family about nine months to go through the legal process of changing signatories. During this time, the business was in a vacuum. There was no way to pay suppliers, so they were turned away. There had no manufactured products to supply so they lost customers. As operations were on hold for nine months, the business went bankrupt. So, the family lost the source of the wealth.

Salient issues common in the family



There are basically about four of these salient issues.

1. **Generational gap (the generational gap between the now or the senior gen and the next generation, who may be a millennial or a Gen Z):** There is a difference in values, beliefs, and attitudes between one generation to the other and this difference results in conflicting interests, needs, and communication gaps. For example, the concept, as simple as the concept of hard work, can cause frustration stemming from this generation gap. Because for the senior generation typically hard work would mean coming to the office early, working late, and putting in the hours. But for the younger generation, hard work may look different. They may mean they're working smart.

2. **Integrating in-laws into the family:** Integration, means the process of an in-law imbibing and sharing the common values and beliefs of the family without losing their own. This can be a tricky process, especially at the beginning of the relationship, and there's around acceptance of a would-be spouse.

3. **Marital difficulties:** Having a highly conflicted marriage can greatly affect all members of the family and spill over to the business and the ownership systems.

4. **Rivalry:** Rivalry between siblings or even rivalry between parent and child can also become a challenging dynamic.

There is bound to be conflict between individuals especially when many people have interests in the same asset.

Assets preservation and digital assets

Everything is different every day, and a new product or protocol is launched every day in that regard. Many venture capitalists and family offices investing in new tech or fintech startups have lost a lot of money because they did not know exactly how it is to be done. Some advisers also do not understand digital assets and people who do not, and this has created a lot of problems in estate planning, asset protection planning and family succession. Before, it was a taboo in Africa to talk about dying but things changed post pandemic. Now, people are more open to talking about death and succession planning.

Family dynamics and wealth preservation

In family science, there are two types of family dynamics. The first one is the optimal family dynamics which means the family can meet the demands and tasks required for every life stage of the family. So, life stages mean from being a couple to building a family, raising children, raising teens, launching young adults in the family, being an empty nester, passing the baton, and the whole family life cycle. Diminished capacities of patriarch and matriarch might be one of the important family tasks in the family life stage of passing the baton, retirement of parents, and caring for aging parents. And it's important that families have the tools in order to navigate optimally the functioning of their family.

Another type of family dynamics would be the opposite of optimal functioning, which is unable to meet the demands and thus has problematic functioning.

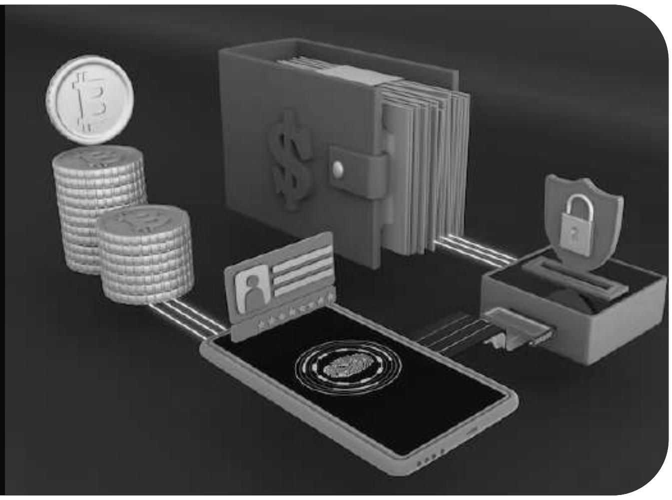
When it comes to family dynamics, there are two processes that are helpful in making discussions, conversations and leadership transition sessions more successful. The first is Guided Discovery of individual family members to understand their individual aspirations. So, the goal of this guided discovery of individual family members, which is usually a one-on-one conversation, is for the family and individual to come to an appreciation, or even an expression of what they have. And also express whatever dissatisfaction they'd like dealt with or need that they'd like in the family and at the same time to realize how they can, in their own ways, proactively become a solution to the problem to the perceived problem.

The second process is for a family process. It is a guided family process where there is a processing of the shared goals of the family and their purpose of working together. It involves a continual ownership and also a processing of their values. It is essential to get the help of a third-party professional for this because it helps when there is somebody who can facilitate the family in articulating why they want to stay together and why they want to work together.

In addition to the family, sport, and ideologies, which I mentioned including values, purpose, and vision, I have seen it work very well for families to have a shared learning environment where everyone, from grandparents to grandchildren to parents to cousins learn basic effective communication skills together.

"So really, the amplification of the discussion, where you have, for example, playing cards, so they don't play their own roles. They play a fictional family which gives them a very safe emotional environment. And then they will say in that family, there is that problem and by the way, this problem is also in our family, but we're not talking about our family. Let's talk about how we can solve it in that fictional family. So, there are different tricks that advisors could basically do or different ways to approach that very difficult, almost like a taboo subject, either by bringing other examples and connecting them with other families that have gone through a very similar process."

Transferring of digital assets to beneficiaries

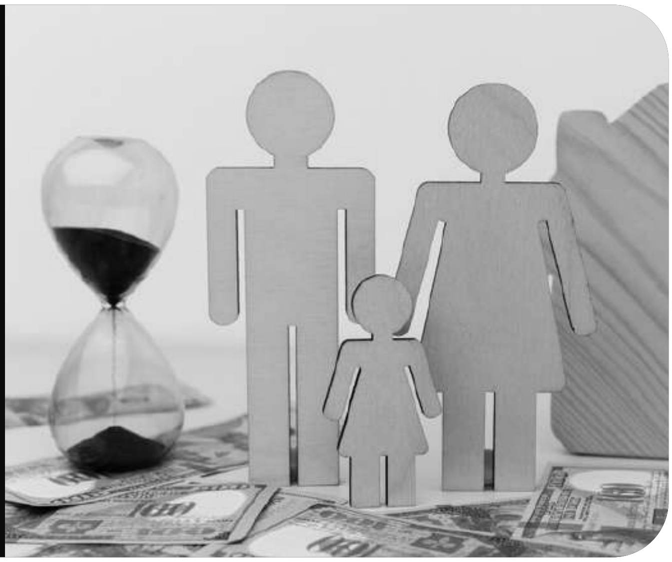


The difficulty with digital assets is the fact that the majority of those digital assets are decentralized. This means that there is no place where someone can go to like a bank and ask for bank accounts, and track and trace the documentation for the asset itself. There are also various types of digital assets. So, it could be anything from an NFTs (non-fungible tokens) to a utility token. It could be a governance token that runs a family business or family governance system. It could be a DeFi product, which is the lending or decentralized financial products. So, there's a whole lot of different ideas of a digital asset that we need to look at. Each one of those has different conditions that matter in terms of how we plan and put structures in place for them. And then not including even talking about the influences of the world at the moment in terms of YouTube channels and all the other stuff that comes into play. So, the digital real estate planning that comes into play at the moment is a totally different estate plan.

As a professional, in order to ensure that beneficiaries get digital assets, you must first understand the advisors, the executor, and the trustee. Then you need to understand what the beneficiaries will have to do to benefit from the digital assets. This is because digital assets could be a wide range of things. There could also be a situation where that specific digital asset was staked, which is basically given in exchange for an annual yield. And it could be fixed in terms of period of time. There could also be a smart contract in terms of lending in terms of the byproducts where there was a lending loan granted against crypto assets that you need to look at. So, it is a very complex scenario and one needs to ask the right questions. And not assume that people know what is supposed to happen at the title, date of death, or mental capacity.

"We live in a digital world that is evolving every day, we are getting more footprints, and all that is not going to go away. so, we just have to make sure that these are the salient issues that we continuously speak about, whether it's having the calls with the clients, whether it's webinars like this, whether it's conferences and just kind of getting that education out there."

Understanding family wealth and keys to sustaining family wealth

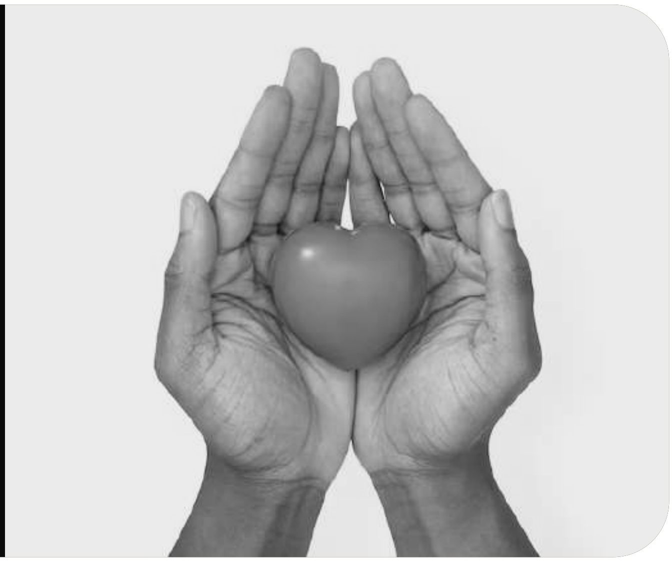


Being made up of multiple rooms or systems, such as the ownership room, the boardroom, the operating business room, and the family room, makes wealthy families or families in business unique. Each room or system has different stages and needs. For example, in the ownership room, the stages are that they have the founder of the spring partnership, which will transition soon to a sibling partnership, and that will also transition to a cousin consortium.

So, in every transition in the ownership room, there's a lot of negotiation in terms of relationships, what's fair, and how they move forward. In the family room, there is the stage of raising children, passing the baton stage. Initially, they have the dominant founder, and then they move on to starting a family business, where the younger generation starts to play a more significant role in managing the family's wealth or running the company. The third stage is the business room, which involves collaboration and typically involves three generations managing either the wealth or the business. So, in each stage, the family's capacity for effective communication would help each room or system transition successfully to the next age. Transparent communication opens communication and capacity for active listening.

In terms of the differing roles and systems in the family business, or the family's wealth, there is a need for a mechanism for governance for each room. So usually, during a journey with families, there is a need to look at what's already there. So that there is no need to deal with a lot of resistance, and that helps the family continue what they're already doing in finding some variations and identifying when they want to level up. One of the governance systems in the family would be to focus on family welfare, family goals, individual family members, and the family council. Many times, families will have an informal family council, although they may or may not call it the same way the consultant would. But informally, they already have a group that functions like a family council, and structures are put in place as well as policies, even before there is a need. The common kind of governance surrounding the business is the board of directors. Their responsibility is to ensure that they act in the shareholders' best interests and that the business is headed in the right direction. Another one would be the ownership group because not everybody in the ownership group has the chance or the interest to sit at the board level. So, these are typical governance structures, where each room has a governance structure to look at their welfare and ensure that the needs and intentions are met in the family of wealth or in a family business system. It is important to note that those are not the only governance structures; it depends on families.

Wealth and philanthropy in the African continent



Looking at Africa, it can be seen from two different dimensions when it comes to wealth and philanthropy. The first dimension is obviously the ultra-high-net-worth individuals who have become more prominent in terms of their giving. During the COVID pandemic, a lot of their giving strategies were towards helping those areas that were directly in need in terms of resources to be able to sustain themselves during the COVID pandemic. Some family offices also contributed to philanthropy by investing in and assisting smaller businesses in becoming sustainable and able to carry on with their operations. So, with the ultra-high net worth, more and more family offices that weren't visible prior to the current pandemic become more visible, as well as more vocal and towards the big giving on the continent. Ultimately, they're giving more to areas that need immediate relief, as well as to those areas that are personally applicable to them. Philanthropy depends on what the family or foundation really is interested in. For them personally, it might be a result of personal experience, something that has affected them throughout their lives, or something they see affecting others that they want to make right and contribute to.

The second dimension is wealthy families; that is, the upwardly mobile middle class coming into high net worth and slowly hoping to see themselves in the ultra-high net worth bracket. They started and have continued to give in a variety of philanthropic endeavors, but because they occasionally lack foundations and have not given large sums of money, they are not as frequently reported on and highlighted as those with ultra-high net worth. And as is popularly known, the media tends to gravitate towards the big figures. But that demographic has continuously invested in philanthropy, especially in the education and health sectors, as well as in crises. When there is a crisis, they start giving through crowdfunding, and they are now setting up a foundation. As a result, there is a sensitization of continuity to be present in terms of their giving; therefore, it is important to establish formal structures. It is crucial, especially for the continent of Africa, as it enables Africa to gradually document what this philanthropy looks like, where it originates, and how it affects the continent as we know it. There's been a shift in conversation on what the actual impact is when it comes to giving and philanthropy, and impact is looking at the long-term results of that giving, and more and more across the board, from the ultra-high net worth to the high net worth and to the upwardly mobile middle class, there is a need to be able to align with impactful giving, giving that goes beyond the immediate need but also goes towards the future of the continent and the future of philanthropy. Ultimately, when it comes to giving, if it's true giving and true philanthropy, which is outside of just trying to get tax breaks and advantages that will help us financially and is an outward search to help the communities you serve, it's mostly to support their businesses in the communities that their businesses are set up in, in the country where they operate. Sometimes it is people they know, sometimes their businesses have reached new heights, and they started out serving a lot of different communities. Ultimately, it was to solve a problem for profit, and they have managed to get excess profit, and in some way, there is an urgent need to give.

One of the reasons why there were issues with philanthropy, especially on continents like Africa, is that philanthropy initially, when engaged in Africa, was to soothe guilt. Whereas, in wanting to soothe the guilt of colonialism, they tried to soothe the guilt of slavery and the guilt of extraction. They threw as much money as they could into the areas that might be able to uplift the continent without considering the long term or the impact, and these philanthropic funds started getting abused. As a result, donors started to grow weary and realized they no longer wanted to donate because they felt they were giving but were unable to see where the money was going. That's where the whole impact conversation started. Because that conversation started around, what is really happening to the funds that are going? Where is this money going? Is it making a change? In the end, when families who have worked hard for their wealth say they are giving, they want to see that their generosity is having some kind of impact. They will not just throw money away or give because they have extra money; they want to see that their donations are having some kind of impact. Ultimately, it is bad judgment on anyone's part to use the justification that there is extra money. Because, yes, they have been successful in earning an amount that is enough for them to live comfortably. However, they're saying that with the excess money, they could do anything else; they could keep on building businesses; they could invest in something else that makes them more money. But they would like to then address issues in their community, society, and issues that are close to their hearts to be able to make a change in a positive way to create opportunities for others. That's ultimately what philanthropy is about, trying to solve problems that other people can't solve because they don't have the resources available to them. And ultimately, understanding where this money is going, was it useful? There has to be accountability. And so if we’re just speaking about giving without accountability, then it's not philanthropy; it is just giving away money, and it should get another name. But if giving in a way where changes are seen, then that means they are trying to be responsible enough to say we have the resources available to make a difference. And they want to see what the difference is, because that's ultimately why we're giving.

Trends and Dynamics in philanthropy

Talking about trends and dynamics, there are both similarities and differences around the world. Having to create foundations and donor-advised funds is almost exhausting. Donor-advised funds have, in a strange way, come to really take on a life of their own because people want to do this because they will gain name recognition, but they do not want to deal with the legal aspects of things. One can now sit on a panel about how to fundraise from donor-advised funds, but donor-advised funds are really only a charitable bank account, so people don't have to do all the charitable acts, activities, and regulatory things. It's one of those things that started in America for US tax purposes, and as it's come around the world, it's starting to change and mutate into what's appropriate, which it should do. There is a flaw in the donor-advised fund concept when it comes to dealing with families because some of these high net worth and ultra-high net worth families travel the globe, leaving behind assets and tax situations in numerous different countries. Setting up something that is beneficial in one country may not work for one's child or grandchild who wants to support the family trust in a different jurisdiction. How are all of those requirements for a very global family actually met? That is always crucial when deciding what kind of legal structure should exist. Tax is important, but it is not determinant, and some families have one global entity, which brings up the whole issue of how they work with very different generations and their needs, as opposed to other families who have really divided up their charitable giving and philanthropy into many different structures because they may have a Gen Z who is seriously considering impact investing, while there are grandparents who are still considering old styles. So, the real thing about structures is the donor-advised funds, and also that there are families who are starting to see multiple structures within one stream of philanthropy to take advantage of all the various opportunities that there are.

Islamic wealth management

According to how Islam views wealth, it is given to people by the Creator for use during their lifetime. So, wealth is to be used, utilized, and managed. As stewards and custodians, wealth is not inherited in the Islamic context. Humanity would use this wealth with respect to Islamic principles, judiciously, ethically, and in line with Islamic Sharia principles. There is a concept where Islam moves away and transcends from the three M models of me, mine and myself to we, us, and the community. There is a lot of emphasis on wealth, not just being created or used for individual benefit. Rather, the pursuit of creating wealth or wealth creation is for the judicious and ethically responsible benefit of the individual. However, the emphasis extends beyond one person but to the advantage of other people, the community, and even, in a more general sense, the environment and everything else. As far as philanthropy is concerned, it actually dates back to the time of the Prophet Muhammad. We can trace philanthropy back to him because, when he was trying to raise people into Islam, he practiced philanthropy. When considering reality, individual circumstances, the fact that the world is changing, and the needs of people are also changing, gone are the days when the needs of people were to pay to lay their hands on a bicycle or a mirror; instead, the needs are shifting from technological requirements to economic empowerment to education and other things of the like.

Muslim philanthropists would like to have a legacy that is suitable for reality, and one of the ways Muslim philanthropy can be achieved is through education. A lot of people, including Islam is a way of life that touches every part of human life so in-depth knowledge of the religion is paramount to Islamic philanthropy.

Another way Muslim philanthropy can be achieved is by knowing about the reality of what people need. One needs to be aware that what he or she is giving to people matches their actual needs. There are few ways to do this;

1. **Doing it personally:** Doing it on your own as an individual, if you are financially capable, you can set up a foundation that is to be run by yourself or your family, and all decisions making will be rallied around you. You can choose to do what you want and how you want to do it. If others are focusing on education, you can decide to focus on health.

2. **Calling on experts:** If it's not individually owned, one can call on expertise in the field, just like Fiduciary Services Limited, which is focused on these kinds of specialized services to help put them through how to have an impactful and successful foundation.

3. **Handing over to experts:** Setting aside a portion of your wealth and handing it over to experts who can help you run your wealth in a sustainable manner and generate income from time to time, and they also determine who is to benefit from what you are giving out. This way, you are not involved in the day-to-day operations.

Furthermore, it is important to talk about how to communicate with the rising generation about Islamic philanthropy, the things they do, and the structures and ideas brought to life. In the speaker's opinion, the best way to communicate with the rising generation about Islamic philanthropy is by being an exemplary leader, because the best way to change the world is by first changing your own world, and how to do this is by giving, spending, and reaching out to people out there. Aside from exemplary leadership, the second way is through mentorship. Show your achievements and mentor people on how to achieve theirs through your own experience.

Rising Generation and Philanthropy

The rising generation, without using a blanket statement, has different demographics, different interests, and different cultural inclinations across the continent, and the African continent is vast. But taking from the conversation that had been before around governance, philanthropy has become the cornerstone to building good family governance because it's a space where the current generation can engage the rising generation and the rising generation can engage the current generation and get to truly understand the issues that matter to each side of the conversation. So, when embarking on government structures, one must obviously focus on shared history, shared values, and a shared vision for the future. With most families, there's a reluctance to speak on governance because it's very complex. Families need to have a discussion concerning the philanthropic work that is already being done by the current generation, or the philanthropic work that the rising generation is interested in. They need to set up some structure of giving that money in a responsible and transformational way to make it impactful and meaningful to the givers themselves, which is usually family. They also need to consider what is influencing their giving. Why do they want to give? How much do they want to give? Where do they want to give? And what is the long-term foreseeable future of this giving? For current generations, it has become a space where they can truly understand the next generation because, when looking at the business system as the core focus of wealth, it is looking at how succession can be a contentious issue for all generations. But when looking at giving, it looks at how people can collaborate together to be able to make life better for communities, as well as to be able to create some sort of sustainable change or to help toward the combination of something that is plaguing communities and societies. So, it's a moment where everybody in the family looks beyond themselves and their personal needs and looks at the communities around them that the family serves, or that look up to the family and that space. That's when there is that ability to engage the next gens and the ability for the current gens to also see the viewpoint of the next Gens. And then ultimately, there is that ability to say that they have continuity, and the succession conversation becomes a lot easier. For families that haven't engaged in that process. From that viewpoint, they find that the issues are still contentious because they're inwardly focused; they're self-focused. And with the next gens, it also gives them the opportunity to prove to the current gens that they are able to handle projects and bring them to fruition; they're able to present things that truly matter to them, and then take them to a space where they are now able to allocate funds and get those funds to actually become meaningful and impactful going into the future. When looking at the rising generation, how are they able to fit in? And how are advisors communicating the importance of sustainable wealth management practices? Are they communicating that to them? And are they also given some sort of advocacy for positive change in the community?

The first piece of it is the fact that advisors need to lead by example. Because the best way to change people's behavior is easily communicated when they see other people doing it. So, the message to a lot of wealthy Muslims out there is that if they want the world to change in the future, they need to change their own world now, and how they need to change their own world now is by giving, spreading, and reaching out to people who are out there.

The second thing is that there is a need to mentor people. And that is just trying to build a replica of oneself. By mentoring, one is able to narrow the gap between people's achievements and give them experience so that they don't make the mistakes that others have made.

Understanding Donor-Advised Funds

One important thing to remember about donor-advised funds is that they are literally a bank account. They themselves do not create any good in the world, and it has been seen in the US context that as $10 billion of charitable money is sitting in them, they can be a force for ill because the money isn't being used for charitable purposes. So basically, the donor-advised fund is when someone gets a fund with another foundation. It simply means that people can concentrate on what they are trying to accomplish rather than worrying about having someone else take care of the accounts, tax returns, and other such tasks. Concerning donor-advised funds, the key objective moving forward is to guarantee that the money actually leaves the account for good and to make sure that people are not using them simply to receive a tax benefit and then leave them sitting there unutilized.

The next generation is a group with a wide range of interests and circumstances; they are those who come from wealthy families and want to get much more involved in their philanthropy than simply giving money away. Young people who are starting businesses, startups that want to incorporate philanthropy into their operations, and those startups that want to put money into donor-advised funds do so for a variety of reasons, including the fact that they do not have to establish a company foundation and the desire to engage in long-term giving without the ups and downs that come with a relatively new venture. They also want to involve their employees. it's a charitable way to get money from their employees and also from their stakeholders. So, the donor-advised fund in that situation works because it does allow a company, for example, to really embed philanthropy. Well, they can start philanthropy right away, worry-free, and they will not ever need their own foundation while they are particularly in startups and thinking about trying to get the business going. Therefore, I believe it to be a very useful tool when used properly, but definitely not when funding is simply provided and it is left to sit there.

Summary

Wealth management is a multifaceted discipline that requires a comprehensive understanding of the various considerations influencing and impacting long-term wealth planning and preservation.

It is now more important than ever to address the complexities of family dynamics, sustainability, digital asset planning, philanthropy, and mental incapacity because they are factors in the trends and dynamics that are currently at play in the wealth management landscape.

These interconnected elements play a pivotal role in shaping wealth management strategies, safeguarding wealth across generations, and ensuring the sustainability of affluent and wealthy individuals and families' assets and values.

Mental Incapacity and Wealth Preservation

Mental incapacity is a difficult subject to discuss because it is taboo in many cultures. Which is why it is difficult for families to deal with because, in order to begin dealing with something, they must first openly begin talking about it. Dealing with mental incapacity is extremely difficult. However, the panel, in their opinion, addressed it in the same way as succession planning because it can be viewed as a risk. There could also be a sudden succession, which means that someone dies unexpectedly. One has to be prepared for such scenarios.

In terms of wealth preservation, it is important that families pay attention to the matriarch and patriarch in order to discover early signs of incapacity, sudden death, or even diseases that could put family business in jeopardy. Advisors need to have conversations around this and help the families when the conversation becomes a reality for them. Mental incapacity should be part of succession planning in order to navigate smooth family wealth preservation.

Salient Issues Common in Families

There are basically four salient issues present in families the generational gap, integrating laws in the family, marital difficulties, and rivalry.

Between the present generation and the younger generation, there is a gap of differences in values, interests, needs, beliefs, etc.; all these may result in common conflicts that might make wealth management and succession difficult.

Asset Preservation and Digital Assets

Regarding digital assets, everything is different every day, and a new product or protocol is launched every day in that regard. Also, when it comes to venture capitalists and family offices investing in new tech or fintech startups, many of them have lost a lot of money because they didn't know the intricacies behind it. Most advisors don't have deep knowledge about digital asset preservation, so it is difficult to advise families on it. Lack of efficient knowledge has created a huge problem in terms of estate planning, asset protection planning, and then basically family succession. In Africa, it was taboo prior to the pandemic to talk about dying anyway, but post-pandemic there is a little openness about discussing succession planning.

Family Dynamics and Wealth Preservation

In family science, two types of family dynamics exist: optimal functional dynamics, where families meet the demands of various life stages; and problematic dynamics, where they struggle to do so. Passing the baton, retirement, and caring for aging parents are crucial tasks in family life stages. Families need tools to navigate these stages successfully. Two helpful processes are guided discovery, focusing on individual family members' aspirations with a third-party professional; and guided family process, involving shared goals, purpose, and values. A shared learning environment, spanning generations, to develop effective communication.

Transferring of Digital Assets to Beneficiaries

Digital assets pose challenges due to their decentralized nature, ranging from non-fungible tokens (NFTs) to utility tokens governing family systems. Under-

-standing the variety of digital assets, their conditions, and the current media landscape is crucial for effective planning. Executors and trustees need to comprehend the complexity of each digital asset, considering factors like staking, smart contracts, and loans against crypto assets. Estate planning for digital assets requires asking the right questions, especially in situations involving death or mental capacity, as it involves a distinct set of considerations compared to traditional estate planning.

Understanding Family Wealth and Keys to Sustaining Family Wealth

Families of wealth or those in business are complex, comprising multiple systems or rooms, including ownership, board, operating business, and family. Each room has different stages and needs, such as transitions in the ownership room from founder to sibling partnership to cousin consortium. Effective communication is crucial in every stage, involving transparency, openness, and active listening. Governance mechanisms are needed for each room, and families often have informal family councils or boards of directors to address welfare, goals, and individual family members' needs. These governance structures ensure the family's intentions are met in the wealth or business system, and variations may exist depending on the family's dynamics.

Wealth and Philanthropy in Africa

In Africa, wealth and philanthropy are observed through two dimensions; the ultra-high-net-worth individuals and the middle class coming into high net-worth. Ultra-high-net-worth individuals prominently contribute during crises, supporting immediate needs and smaller businesses. Their philanthropy often aligns with personal experiences. Another group, the upwardly mobile middle class, transitioning to high net worth, engages in diverse philanthropy, often focusing on education, health, and crisis response. Establishing formal structures for giving is emphasized to document and impact the continent positively. There's a growing shift towards impactful giving, considering long-term results. Philanthropy is seen as a responsibility to address issues in communities, aiming to make positive changes and create opportunities. The emphasis is placed on accountability, ensuring that giving leads to tangible results rather than mere charitable acts.

Trending Dynamics in Philanthropy

The trends in philanthropy worldwide involve a shift in preferences from setting up foundations to utilizing donor-advised funds (DAFs). DAFs offer a convenient charitable bank account, allowing individuals to maintain name recognition without dealing with legal complexities. DAFs originated in the United States for tax purposes; their global adoption has led to adaptations based on local contexts. Legal considerations and tax implications play a role in determining appropriate structures, with some families opting for a single global entity, while others diversify their philanthropic efforts across various structures to cater to the preferences of different generations within the family.

Islamic Wealth Management

Muslim philanthropists aiming for a legacy aligned with reality can achieve this through education, but many lack awareness of Islamic principles in philanthropy. Education ensures an understanding of religious guidelines, emphasizing that Islam touches every aspect of life. Knowing the actual needs of people is crucial to ensuring donations match the requirements, such as providing education instead of a monetary amount. There are three approaches to philanthropy:

1. **Personal Involvement:** Setting up a personal foundation where decisions are individual-centric, focusing on specific interests, distinct from other philanthropies.

2. **Expert Guidance:** Seeking specialized services, such as Fiduciary Services Limited, to guide in setting up sustainable and impactful foundations.

3. **Expert Management:** Entrusting a portion of wealth to experts who operate and sustain the foundation independently, generating income, and determining beneficiaries This approach allows for concern and monitoring without direct involvement, ensuring sustainability and relevance to on-the-ground realities.

Rising Generation and Philanthropy

The rising generation in Africa has diverse demographics and interests, making family governance challenging. Philanthropy serves as a cornerstone for building good family governance by facilitating dialogue between the current and rising generations. Governance structures should focus on shared history, values, and a vision for the future. Discussing philanthropy allows families to understand one another's motivations for giving and create a responsible and impactful giving strategy. It serves as a space for collaboration beyond personal needs, fostering understanding between generations and making succession conversations easier. Advisors play a crucial role by leading by example, emphasizing sustainable wealth management practices, and advocating for positive change in the community. Mentoring is highlighted as a means to narrow the achievement gap and share valuable experiences to prevent mistakes.

Understanding Donor-Advised funds

Donor-advised funds function as literal bank accounts and do not inherently create a positive impact. In the U.S., concerns arise when substantial charitable funds remain unused, potentially being a force for ill. Donor-advised funds allow individuals to focus on their philanthropic goals without dealing with administrative tasks such as tax. The key going forward is ensuring that the funds are actively used for charitable purposes and not merely for tax benefits. Donor-advised funds are valuable for startups seeking to engage employees and stakeholders in charitable activities while ensuring long-term giving without the fluctuations common in startup finances. When used appropriately, donor-advised funds serve as a useful tool, enabling immediate philanthropy without the need for establishing a dedicated foundation.