



PRIVATE CLIENT SERVICES
**WORLD OF
PRIVATE CLIENTS**

JANUARY 2021

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BDO'S OUTLOOK

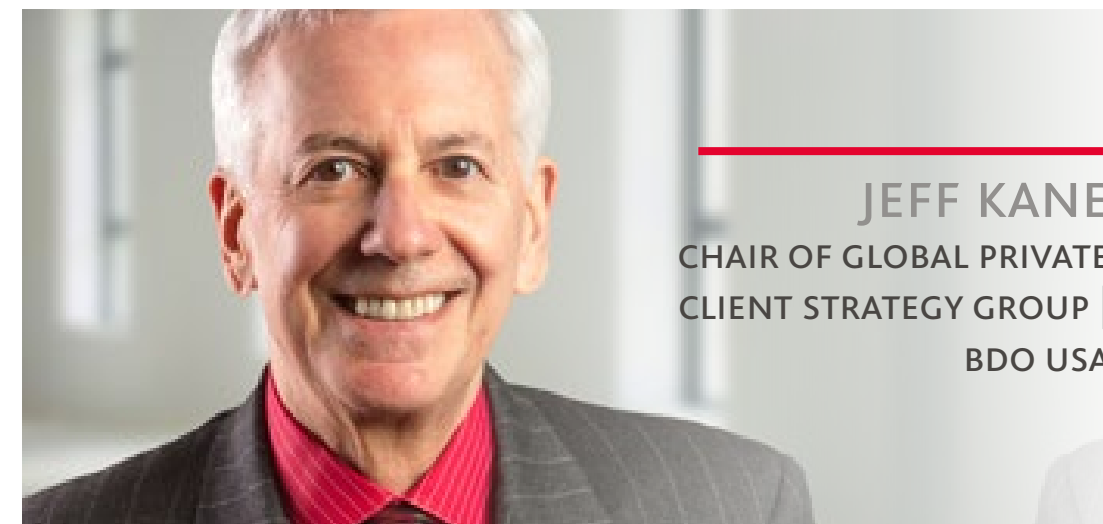
FOREWORD: THOUGHTFUL DECISION MAKING AMIDST CHANGE

January is typically a time for making plans and thinking about the year that lies ahead. With 2020 now firmly behind us, it is time to look back on our research undertaken in 2020 which should help us to carefully put plans in place for the future.

Private clients have always had to find a careful balance of risk and opportunity in the face of uncertainty and change. In 2020 this became more true than ever.

Thank you to all of you who contributed to our research either by completing our survey or undertaking an interview. This report is for both private clients and their advisers - we hope that it will assist in their planning over the coming years.

Wealthy individuals and their advisers face a new, more complex global landscape. Longstanding generational changes, huge economic upheaval, a global pandemic and a stronger emphasis on doing the right thing for society and the environment have collided to create an unprecedented global challenge. We are sure that almost every one of us has been personally affected by the events of last year.



In many respects, 2020 represented a perfect storm of short and long-term disruption. The seismic effects of COVID-19 continue to rock the global economy. Meanwhile, our research shows that generational change is driving new attitudes towards the role of private wealth and its part in delivering beneficial, social and environmental outcomes.

To succeed in our business and personal lives, we must understand and adapt to change, all the while retaining clarity around our purpose, principles and long-term objectives.

We feel that the need for thoughtful decision-making and being mindful of how best to adapt has never been greater.

UNDERSTANDING THE SHIFTING LANDSCAPE AROUND US

Against this backdrop, we carried out in-depth research in order to best understand how wealthy individuals and their advisers are meeting this myriad of challenges and preparing for what the next 12 months may bring.

The research, underpinned by quantitative and qualitative analysis in more than 25 jurisdictions, has given us invaluable insights that we are delighted to be able to share with you. These include:

- ▶ How an initial wait-and-see attitude to COVID-19 and trends is giving way to detailed and actionable plans
- ▶ The extent to which increases in international taxation are expected
- ▶ How wealth is seeking more diverse portfolios and new investment opportunities

- ▶ How the competing demands of transparency and privacy and reputation management are coming to a head
- ▶ How wealthy individuals are placing more weight on socio-political stability and lifestyle factors in relocation strategies
- ▶ How new generations are driving an increased focus on environmental, social and governance (ESG) issues and philanthropy despite some scepticism around rhetoric versus impact
- ▶ How wealth owners are frequently the barrier when it comes to succession planning
- ▶ Why the HNWI community expect themselves and their advisers to become more agile, more multi-skilled and more technologically-savvy.

This is the first instalment of an ongoing plan to provide intelligence that helps wealthy individuals and their advisers confidently plan and implement successful strategies. Our ongoing research will track how the challenges and opportunities they face evolve over time.

We hope that you find this report insightful and useful as you prepare for the future. We also hope that the next 12 to 18 months are more positive and bring us recovery, renewed growth and prosperity.

OUR RESEARCH

BDO's World of Private Clients research programme was launched to provide an understanding of sentiment among the global private client community. In particular, we sought to understand how private clients, next generation wealth holders and the professional advisory community are seeking to navigate the plethora of short-, medium- and long-term risks and opportunities that define the global economy.

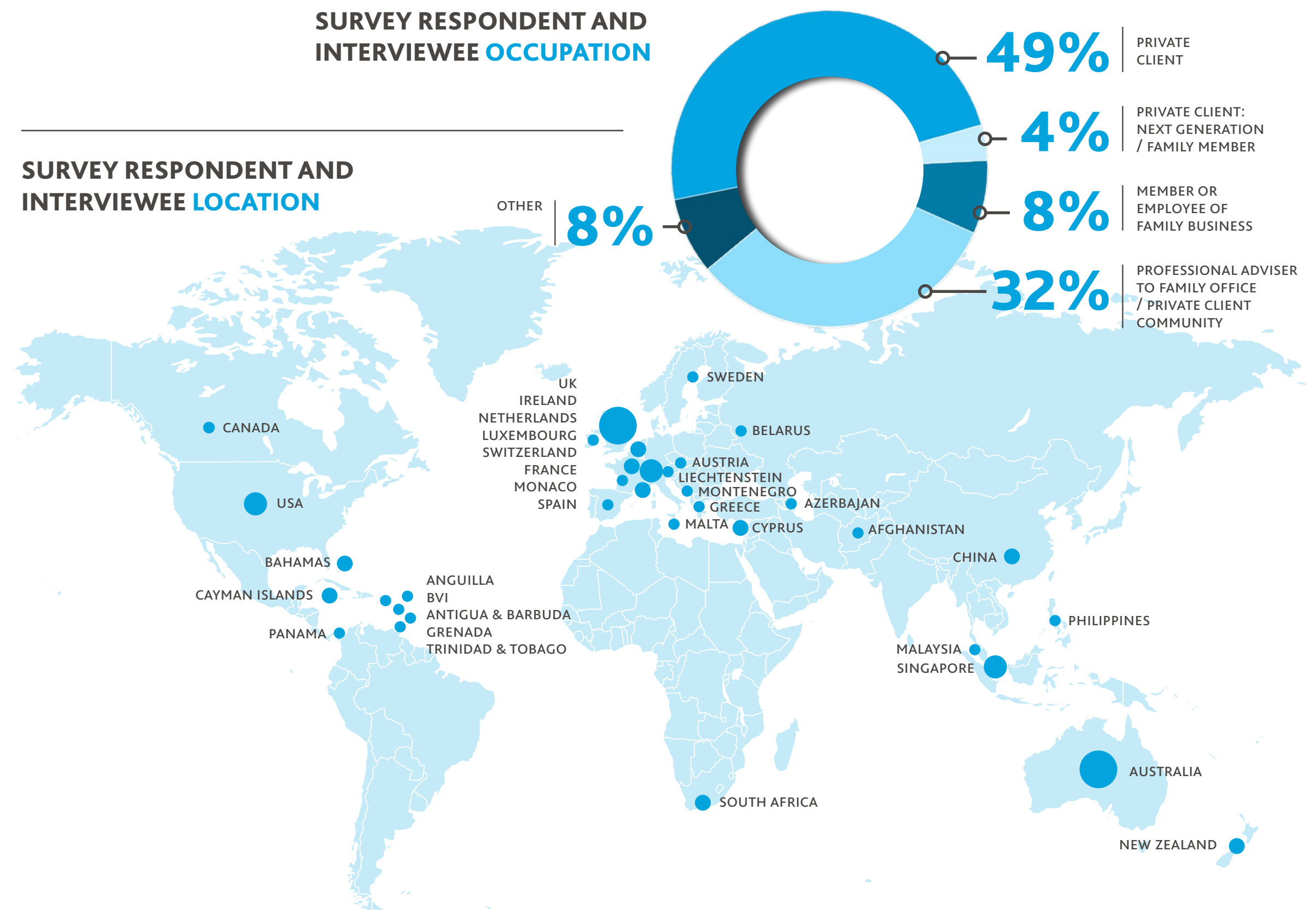
While initiatives aimed at better understanding the trends driving the private wealth landscape have come before, never has such research been conducted at a time that is so drastically defined by the radical upheaval and cultural and economic reset that we see today.

A huge amount of change is upon us, which is both impacting, and being impacted by, the wealthy. This level of change warrants a deeper exploration of both its underlying drivers and its future implications.

The actions that wealth owners take now will define the private client landscape for years to come and influence everything from regulation through to wider societal trends that develop in tandem with economic recovery. Through quantitative and qualitative inspection and analysis of where we are today, and what brought us here, we will be better equipped with the understanding and foresight to navigate the road ahead.

As part of our research, we conducted an online survey to gather the views of 350+ private clients and professional advisers across 16 jurisdictions globally.

We also undertook more than 25 in-depth qualitative interviews with wealth owners, the next generation and intermediaries from key private client hubs including Hong Kong, Singapore, Switzerland, the UK and US. To help encourage the open sharing of thoughts and insights, interviewees were informed that they would be quoted anonymously in this report.



OUR RESEARCH: KEY FINDINGS AT A GLANCE

OUR GLOBAL SURVEY OF MORE THAN 350 PRIVATE CLIENTS AND PROFESSIONAL ADVISERS YIELDED A NUMBER OF KEY TAKEAWAYS

FOLLOWING THE **IMPACT** OF COVID-19 **57%** OF SURVEY RESPONDENTS expect **significant or thoughtful** alterations to wealth strategies **LESS THAN 9%** EXPECT NO CHANGE

71% BELIEVE **WEALTHY INDIVIDUALS** ARE **moderately or very concerned** about the **privacy** and **safety risks** posed by **tax transparency** and reporting requirements **A MERELY 2%** ARE 'NOT AT ALL CONCERNED'

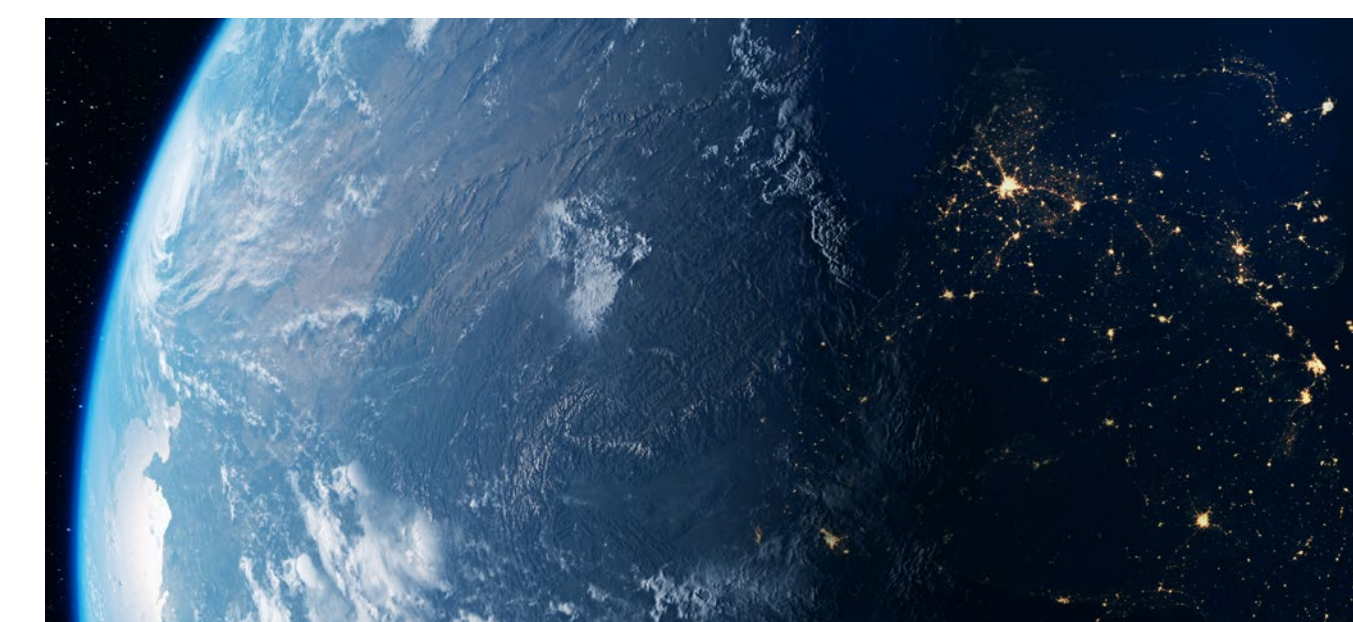
92% OF RESPONDENTS BELIEVE **CONCERN** for personal or family reputation **is critical** when making decisions around tax structuring and compliance **WITH 59%** SAYING IT EITHER "**MODERATELY**" OR "**VERY MUCH**" IMPACTS THEIR DECISION-MAKING

80% OF RESPONDENTS IDENTIFIED **political stability** as the primary criteria in relocation decision-making **AHEAD OF LIFESTYLE (72%)** AND TAX LANDSCAPE **(65%)**

63% OF RESPONDENTS SAID **ECONOMIC political and social instability** WILL VERY MUCH **(17%)** OR MODERATELY **(46%)** prompt a trend towards individuals relocating over the next **12 months**

RESPONDENTS **WERE SPLIT** over the extent to which rhetoric AROUND THE **IMPORTANCE OF ETHICAL INVESTING** is typically matched by concrete investment with **50% (moderately)** AND **41% (not particularly)** RESPECTIVELY

69% OF RESPONDENTS SAID THAT THE NEED TO **diversify investments** amidst **economic uncertainty** is the **principal factor** driving **changing attitudes** to legacy among wealthy families **AHEAD OF NEW NEXT GEN ATTITUDES TO SOCIAL RESPONSIBILITY AND PHILANTHROPY (48%)**



2020 AND COVID-19

DISRUPTION AND DECISION-MAKING

2020 delivered a radical shock to the global economy, described to us by one investment management professional as an “existential jolt” representing a “global heart attack”. The full effects of COVID-19 and the global lockdown recession are still to be understood by all of us, no matter which jurisdiction we are based in. It is nevertheless anticipated that the road to economic recovery will include tax policies built upon the expectation that those who can pay more, should pay more. Also, recent research in the UK on wealth tax evidenced that public attitudes show a clear desire for wealth to be taxed more relative to labour.

There is an acknowledgement, as one wealth management director told us, that “changes stemming from COVID-19 will be higher taxation and that there will be a drive for the wealthy to contribute more”. Non-compliance is being met increasingly with punitive measures, not least in the court of public opinion.

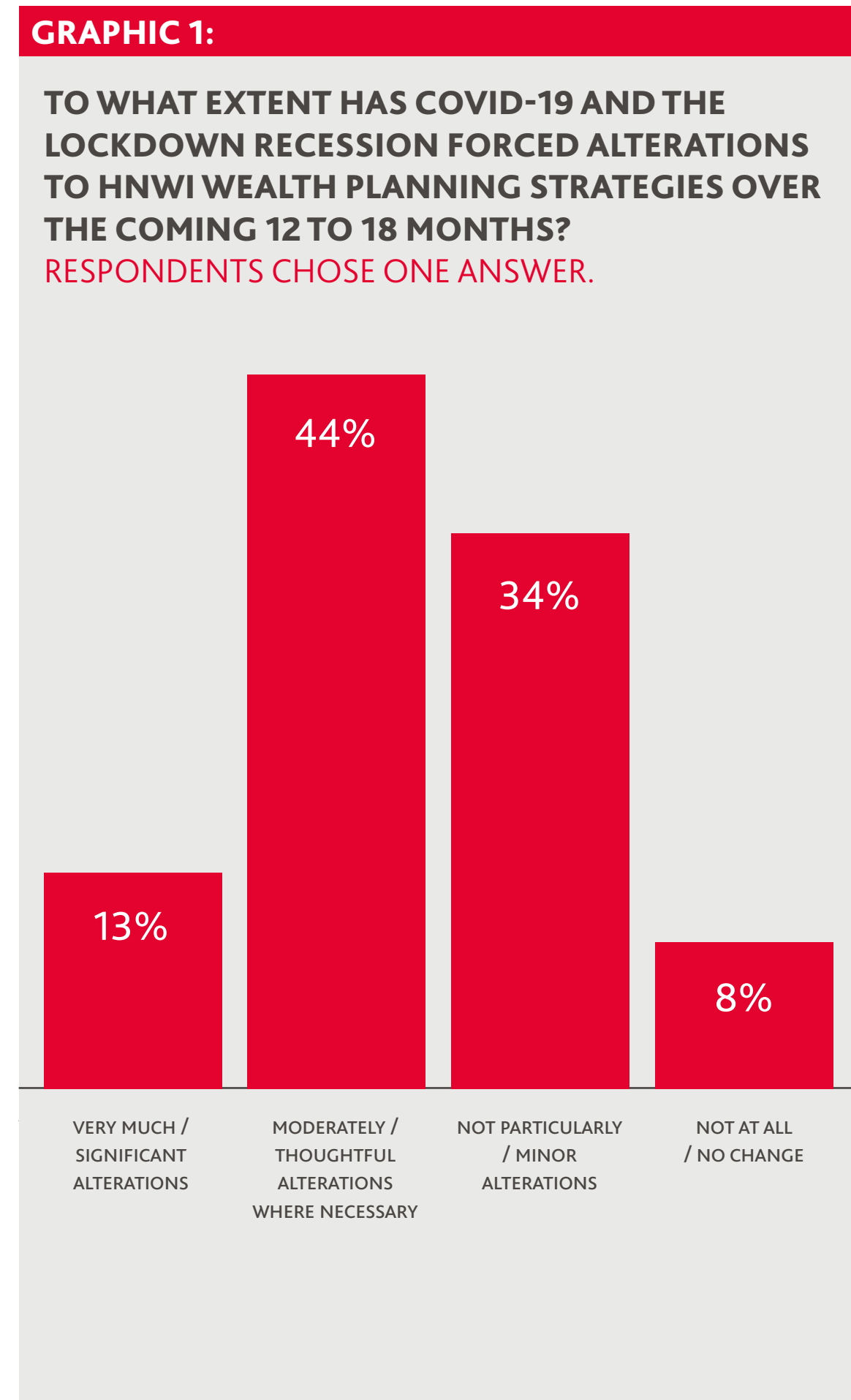
“Shifting attitudes to wealth are playing out at global, national, local, community and family level. Private clients must respond appropriately.”

One corporate services provider told us how they urge wealth owners to assess how high the risk of becoming “cannon fodder” is. “Ostentatious displays of wealth will not be well-received.”, they added.

Political and social unrest continues to develop, not least in relation to racial justice, gender equality and ethical capitalism, serving only to further heighten scrutiny of wealth holders. Indeed, shifting attitudes to wealth are playing out at a global, national, local, community and family

level. Private clients must respond appropriately. More than ever, careful decision-making is paramount.

Wealth owners should identify the threats and opportunities, establish their priorities in response to emerging concerns, and make sensible alterations to longer term thinking. Our survey reveals that COVID-19 is causing private individuals to rethink planning strategies in some way (Graphic 1). The majority of respondents (57%) are planning either significant or thoughtful alterations, while less than 8% plan to do ‘nothing at all’.



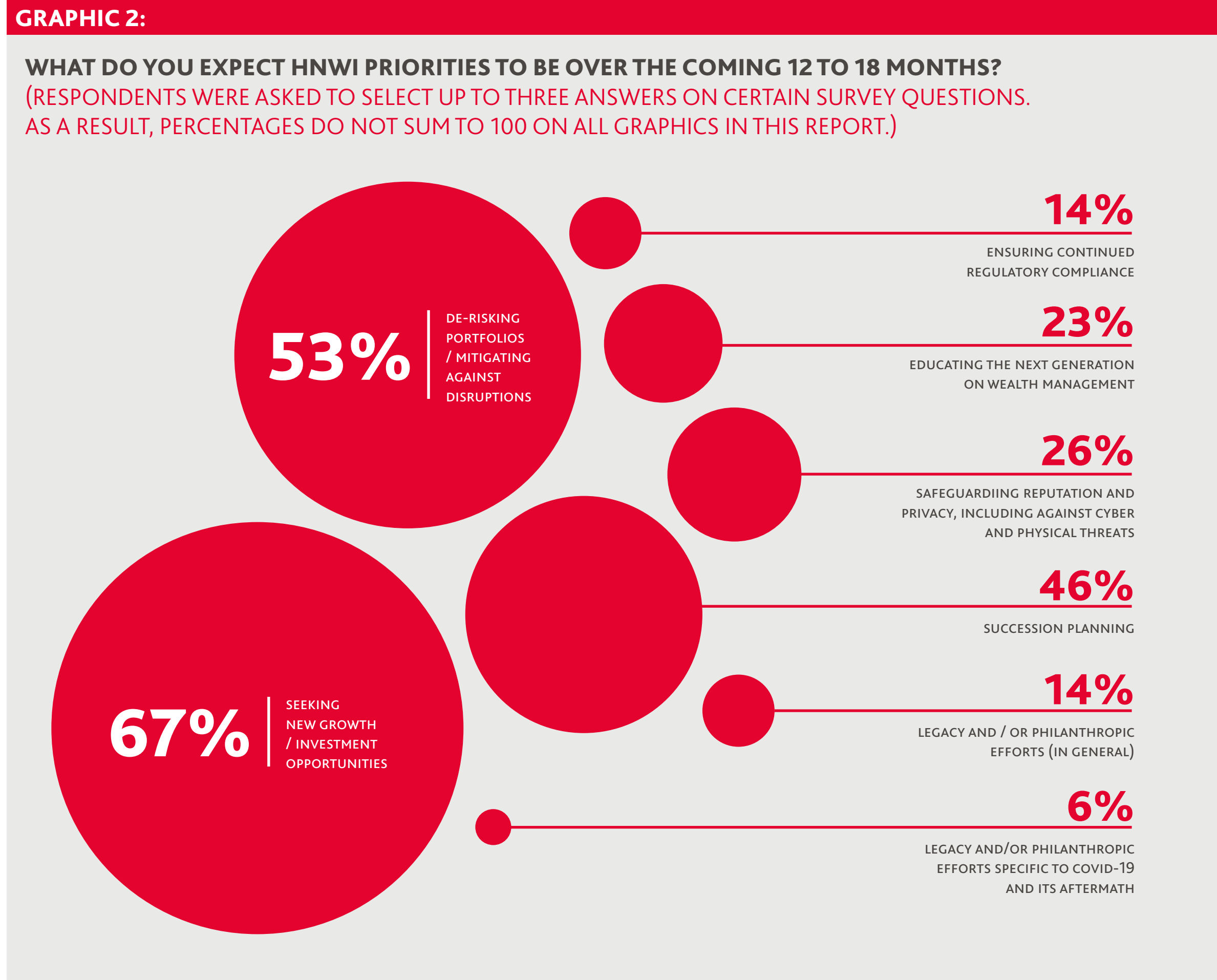
But what, specifically, was causing concern? Graphic 3, overleaf, highlights that the cooling investment climate is a worry for most (63.2%).

Stock market commentators were quick to caution against underestimating the impact of COVID-19. In March 2020, Standard Life Aberdeen Chief Executive Keith Skeoch told CityWire that while we had reached “peak panic” in relation to the pandemic, peak pessimism was still to come. Although the subsequent news of a vaccine caused global markets to rally.

The prospect of increasing tax burdens is also toward the top of the agenda (Graphic 3) and we are already seeing such concerns materialise, with proposals for the introduction, or raising, of wealth tax levies around the world. Canada and New Zealand are among those actively considering tax policy changes while, in the US, the 2020 election was underpinned by conversations around the correct and acceptable level of taxation for the nation. However, there is also a level of misinformation, rumours and speculation, so it is necessary to navigate through all of this when planning for the future.

2020 AND COVID-19

DISRUPTION AND DECISION-MAKING



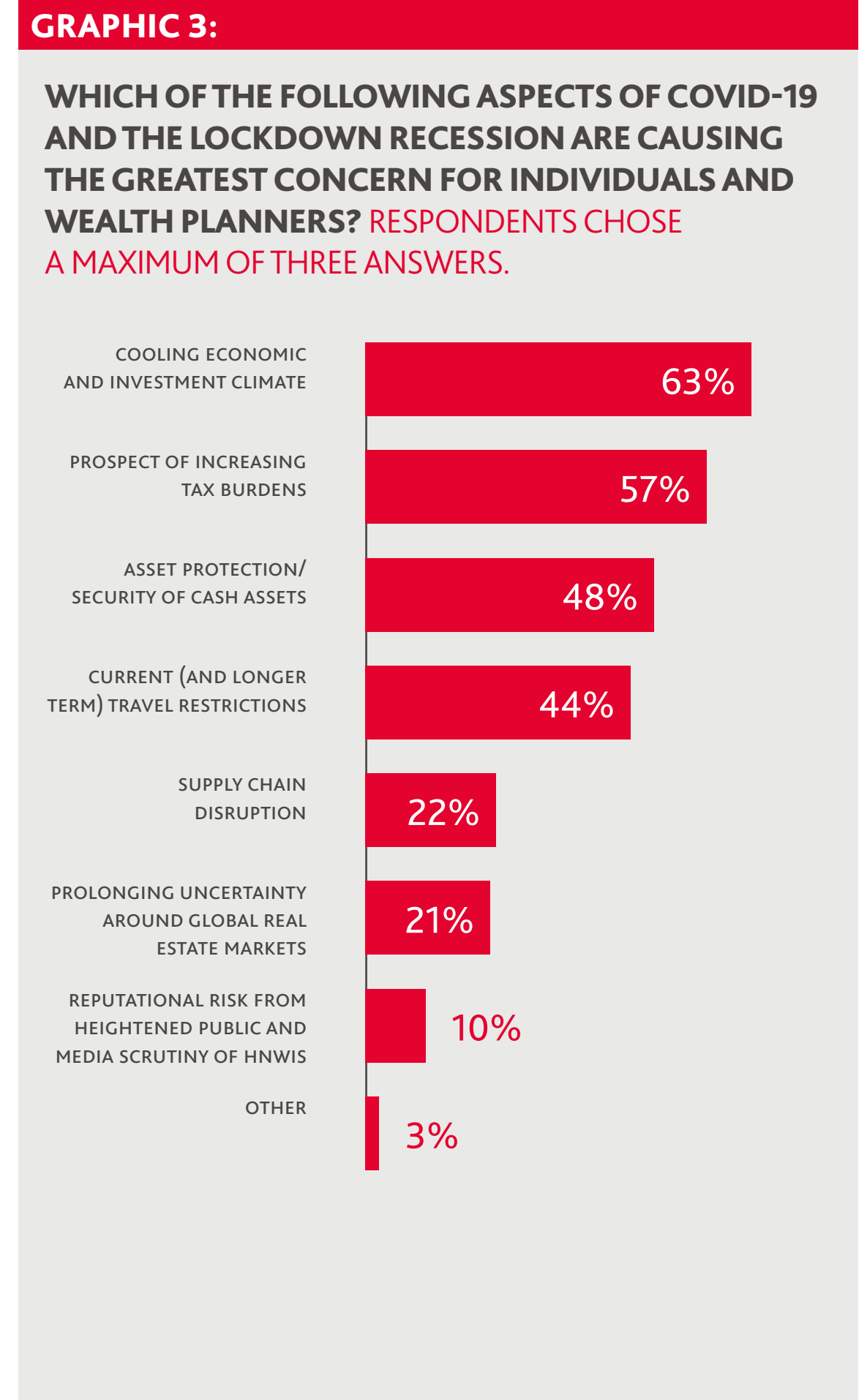
In response, and presumably in an attempt to mitigate these concerns, our survey data shows that private client priorities for the coming 12-18 months are dominated by seeking new growth and investment opportunities (cited in Graphic 2 as a top three priority by 66.8% of respondents) and by de-risking portfolios and mitigating against disruptions (53.2%).

These findings reveal two competing strategies: on the one hand wealth owners are actively looking for the positive growth opportunities that may emerge from uncertainty, while others are choosing a more defensive strategy, focused on de-risking and diversifying to protect existing assets.

Succession planning also scored highly, likely as a combined result of incumbent wealth owners being more aware of their own mortality, along with the time that lockdown afforded people to address administrative details around legacy and succession.

Some of us have spent far more time with our close families during 2020 than expected, and some of us were separated by extensive distance and differing time zones.

It is clear that there is no one road to follow, and individual circumstance and choice rules, but we chose to examine the environment through four broad areas of focus: Transparency, Relocation, Generational Wealth and The Adviser of the Future.



JANUARY 2021

PRIVATE CLIENT SERVICES

TRANSPARENCY

TRANSPARENCY

THE DEFAULT SETTING IS DISCLOSURE

The transparency agenda has been central to private client planning for some time. Our research reveals a clear understanding and acceptance that transparency requirements are not only here to stay, but set only to strengthen, broaden and deepen. The new reality for private individuals is that information sharing is more sophisticated, more thorough and more immediate than ever. 'Real time' has replaced 'on request' and the default setting is disclosure.

Globalisation and technology have created an increasingly borderless world for business and individuals. Despite a lag, authorities have gradually been catching up, creating frameworks for inter-jurisdictional cooperation and collaboration. International harmonisation ensures compliance is paramount, but this brings new complexities which wealth owners are expected to navigate and structure

"There is a clear understanding that transparency requirements are set only to strengthen, broaden and deepen"

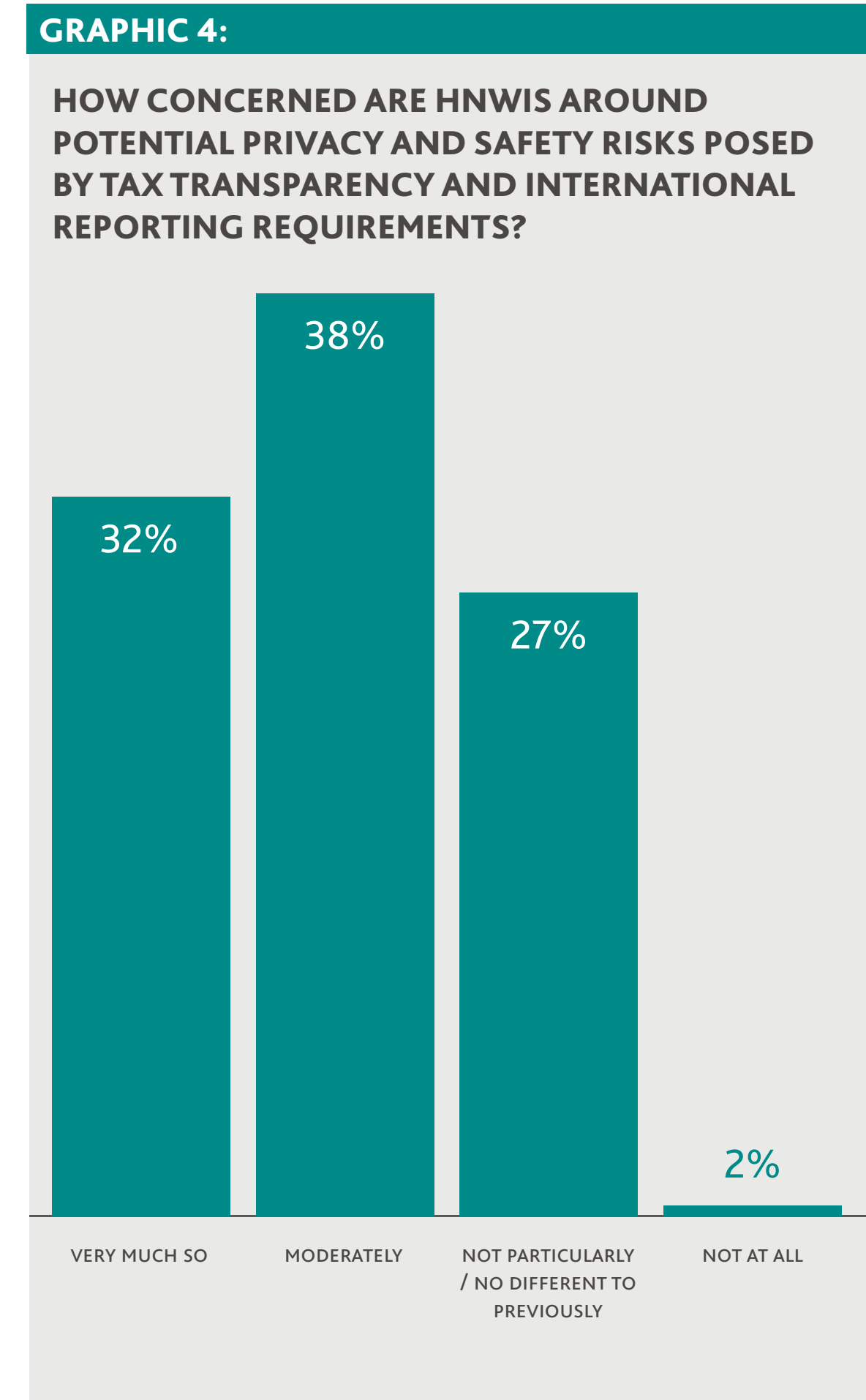
their affairs within. Linked to this is the fact that tax authorities are coming under increasing political pressure to raise taxes and we may see an increase in investigations across the globe, such enquiries can cause distress and add to the cost of investing or operating in that jurisdiction.

How, then, are private clients managing their tax strategies to guarantee compliance? Tax regulation is particularly complex and further complexity may arise

as wealth owners grapple with national tax policy reforms that are likely to be introduced post-pandemic. There is an overwhelming appetite for ensuring compliance to stave off unwelcome surprises later down the line. As one legal adviser points out "nobody wants another Panama Papers", and in some cases this has prompted a flight to conservatism. We are fast approaching the transparency horizon, beyond which regulation may become onerous, excessive and counterproductive. Wealth management professionals hope that regulation will speed up with time and technology, as there is a need to "remove the grit in the system and get past endless box-checking".

One UK adviser compares the approach to traffic in London: "you introduce all these regulations, but the result is that traffic is slower".

The tipping point may be closer than one might think. Specifically, concerns over the EU Directive DAC6 on mandatory reporting of cross-border arrangements persist, with one Swiss professional adviser observing that, while the need for tax transparency is well-understood, "there has to be a line in the sand and DAC6 is a huge burden". Although, DAC6 is not significantly mitigated, what is left cannot be ignored.



TRANSPARENCY

PRIVACY CONCERNS PERSIST AND DEEPEN

Hailed as an unequivocal good by authorities and regulators, the reality is that transparency is a double-edged sword. Our research reveals the extent to which private clients harbour concerns around information falling into unscrupulous – or merely untrained – hands.

Remaining compliant with tax and regulatory authorities is both expected and accepted. “Clearly, there is a need for authority access,” says one corporate lawyer in Cyprus. With the OECD-led Common Reporting Standard (CRS) overseeing information exchanges since 2017, individuals are accustomed to the automatic exchange of information between authorities in participating countries (those that are on the CRS’ ‘reportable jurisdictions’ list).

Such measures contributed to a reduction of deposits to offshore jurisdictions and estimates from the UK’s ‘No Safe Havens’ 2019 report suggest that automatic information exchange now covers 90% of global GDP. But despite signs of the initiative’s effectiveness, campaigners in some jurisdictions want transparency to go further still. The Panama papers, followed by subsequent leaks, have also had an influence.

However, there is a downside to transparency – and privacy is the main price that is paid. The CRS has mechanisms to safeguard the secure transfer of data, but these procedures continue to be tested and must keep pace with technological advances to ensure leaks do not occur. Another APAC-based fiduciary says the problem comes when information is publicly available, either by design or by virtue of leaks, which “creates a sense of unease when data is floating about in the open”.

This gives rise to associated concerns around physical safety, for example where information falls into the hands of criminals. Our research shows that 70.8% believe HNWIs are moderately or very concerned about the privacy and safety risks posed by tax transparency and reporting requirements (Graphic 4). A mere 2.4% are “not at all” concerned about such risks.

“When you consider personal safety, does the public really need to know?” asks one Hong Kong based trusts and family office services provider, who has also worked in North America. This is echoed by a European trusts and fiduciary structures specialist who asserts that “shaming in the press is wholly wrong”.

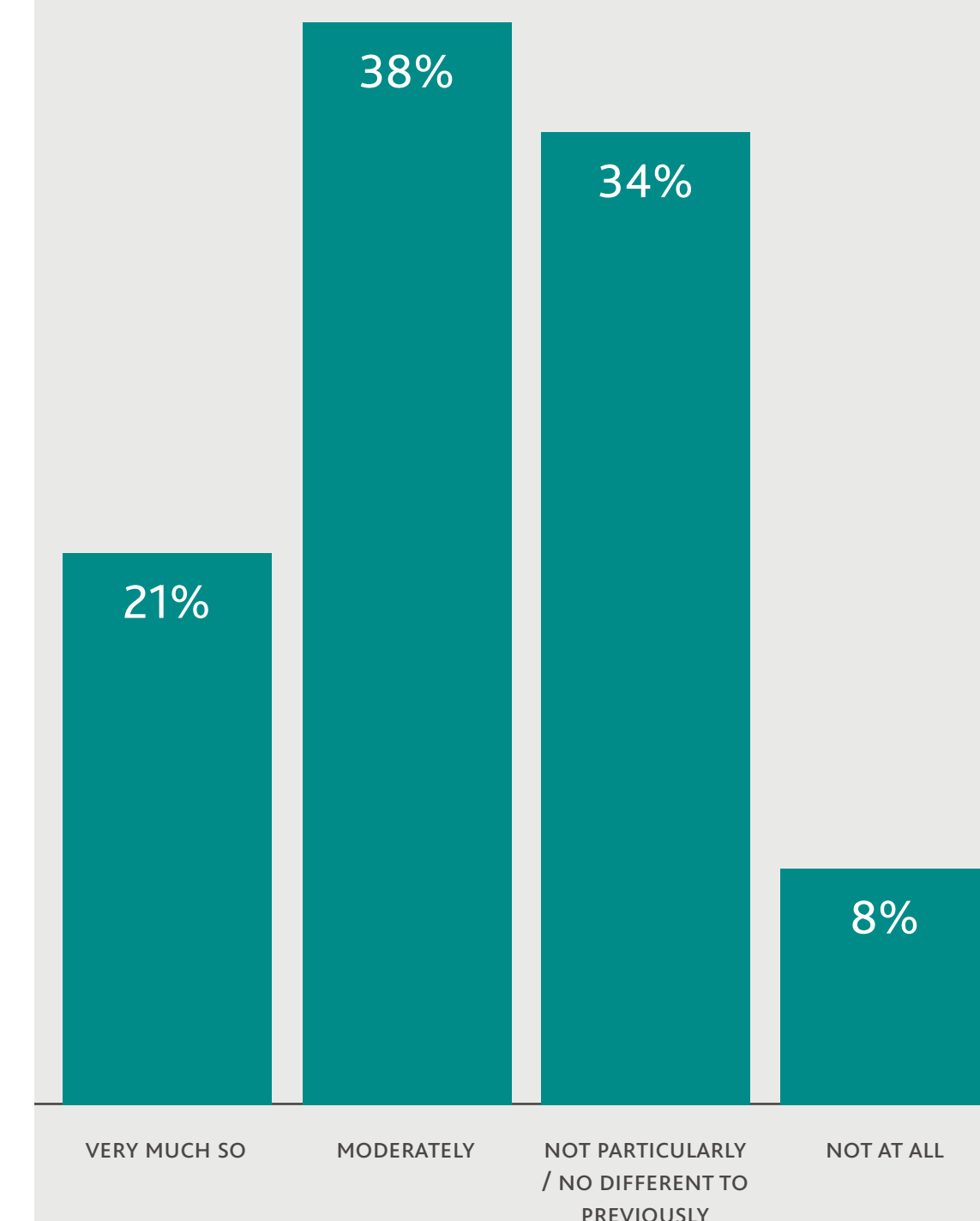
Nonetheless, public scrutiny and the reputational risks of being thrust into the media spotlight or court of public opinion must be considered.

A majority of private clients take issue with the public nature of certain transparency requirements, and the vast spectrum of new stakeholders that creates. Public beneficial ownership registers have questionable benefit, says one intermediary who believes such mechanisms are “fundamentally wrong” and may constitute a “breach of human rights”.

While matters of law should be cut and dry, private clients must also decide what level of explanation or justification they attach to their structures, in the face of public interest and access. This is reflected by 92.4% of respondents factoring in concern for personal or family reputation when making decisions around tax structuring and compliance, with 59.2% saying it either “moderately” or “very much” impacts their decision-making (Graphic 5). “There is no objection to disclosing information, per se, but there are objections depending on the audience,” summarises one lawyer. Reputational concerns, therefore, are now a defining factor in wealthy individuals decision-making.

GRAPHIC 5:

TO WHAT EXTENT HAS CONCERN FOR PROTECTING PERSONAL & FAMILY REPUTATION BECOME A DEFINING FACTOR IN DECISIONS AROUND TAX STRUCTURING AND COMPLIANCE?



PRIVATE CLIENT SERVICES

RELOCATION

JANUARY 2021

BDO

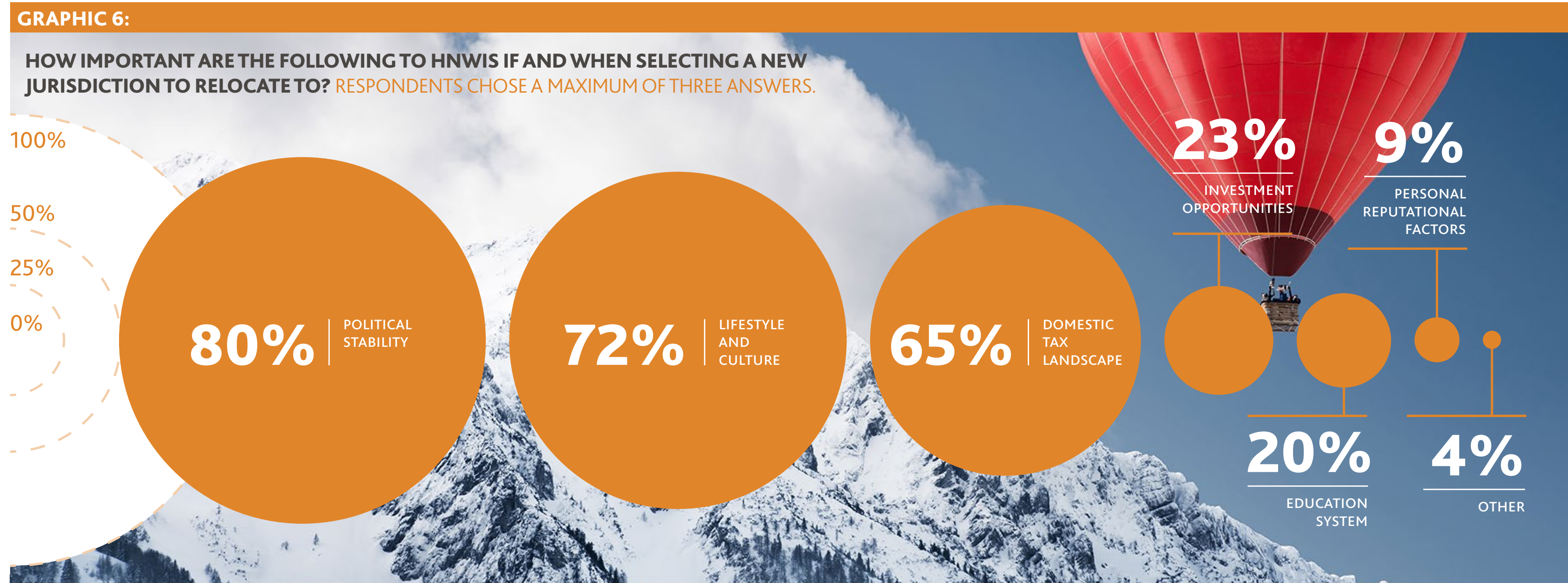
RELOCATION

COMPETING CONCERNS

The mix of decision-making drivers for physical and capital relocation has always been complex and contingent upon personal preference, cultural factors, risk appetite, and lifestyle priorities.

Acknowledging what is going on in the wider world is relevant now more than ever, and in the new wealth paradigm, our research identifies that stability remains the most influential of the many factors driving behaviour.

Local ties and national identity can dictate a lack of movement for some; lifestyle priorities may lie behind a single relocation; while those that choose to move for business opportunities or tax advantages which are less predictable and can change year-on-year, may be in a constant state of relocation.



The consensus view is that taxation is always one consideration, with 64.8% of survey respondents identifying the domestic tax landscape as an influencing factor (Graphic 6). But rarely, if ever, is it the main consideration.

“Stability trumps low rates,” explains one legal adviser, while another asset manager warns that “if you move purely for tax, you might well find yourself moving back again before long”.

Beyond broad agreement on stability (identified in Graphic 6 by 79.6% of respondents as a key factor to consider if selecting a new jurisdiction), context is king. Those with children will typically value strong education, with a stable socio-political environment.

RELOCATION

COMPETING CONCERNS

Those with business interests will value stability along with a reputation as a financial, technology or investment centre with a strong labour market.

The events of 2020 have potentially thrown new players into the mix of popular relocation destinations, as global crisis has shone a light on truly stable jurisdictions with strong leadership figures and well-coordinated crisis responses. One Singapore-based wealth management expert notes, for example, that “New Zealand or, Australia may grow in attraction as places to invest and locate”.

In many ways the travel restrictions imposed in 2020 have caused focus to shift back to family ties and local connections. Comfort, confidence, and security have joined 'stability' as watchwords.

Capital location may be less of an issue in a globalised world, while for human relocation, a Channel Islands-based relocation expert observes “more exotic destinations may be less attractive as the focus is on quality across infrastructure, healthcare, social, political and legal systems where people feel comfortable and confident”.



THE VIEW FROM SINGAPORE

KYLIE LUO | Head of Private Client Services, BDO Singapore

In the midst of every crisis lies great opportunity and by demonstrating resilience in the face of the pandemic, Singapore has shown itself to be an attractive jurisdiction for both individuals and corporates. Our teams here in Singapore have assisted more than 300 families from all around the world with the set-up of family offices and tax compliant structures, with a major increase in 2020 despite the circumstances.

As the idea of wealth management is fast gaining traction in Asia, Singapore has also been developing rapidly as a pro-business, progressive and well-regulated international financial hub for a number of years. With the Singapore fund tax incentives offered by the Monetary Authority of Singapore making structures such as family offices efficient from a tax and succession planning perspective, Singapore is an increasingly attractive location for families looking to hold and manage their wealth.

In a recent parliamentary session, it was stated that there are at least 200 single family offices in Singapore, a number that has grown significantly in recent years. Alongside a significant increase in the number of families from North Asia setting up family offices, we are also seeing more families from Europe and the Americas, including billionaire Ray Dalio (Founder of Bridgewater Associates).

We expect this demand to continue to grow in the coming years, especially as 2020 has given families an opportune time to take a step back, rethink, plan and put in place their succession arrangements. Further, families have been making the most of this down time to reposition their investment strategies as well as business strategies (where family businesses are concerned) to prepare for the next phase of growth.

Singapore also has the new Variable Capital Company (“VCC”) that was launched in January 2020, offering a more flexible vehicle for structuring investments, which has been a huge success in 2020. We are expecting the VCC to extend to single family offices in the future, which would increase the demand in these structures further, especially as it provides an attractive alternative to other overseas jurisdictions.

RELOCATION

NAVIGATING PUBLIC POLICY AND POLITICAL UNREST

From a wealth preservation perspective, how is tax policy changing wealth owner priorities when it comes to protecting capital and assets? Our research reveals expectations – but also scepticism around the effective functioning – of wealth taxes and shows how taxation can serve as both a push and a pull factor.

Public policy is a behaviour-influencing tool. Sometimes the influences are specific, direct and targeted; other times the influence and impact may be unintended or unforeseen. Regardless of the policy motivation, wealthy individuals are able to 'vote with their feet' and relocate in response to tax and public policy reforms. This can be relocation away from a given jurisdiction because of unfavourable policy changes, or relocation to a jurisdiction because of favourable incentives.

The imposition of various forms of wealth tax and high levels of income taxation have seen French wealth owners seek residency elsewhere over the years despite their homeland's lifestyle attractions.

Governments understandably need to recoup revenues in the face of recession, but "nobody has made a wealth tax work," observes one private office financial planning specialist.

With tax hikes expected in many jurisdictions as they seek to recoup funds invested in COVID-related support schemes, questions around relocation may once again rise to the fore. A Swiss adviser points out that in Europe, "Portugal, and to a lesser extent Italy, have grown in popularity". New tax systems for HNWIs in both jurisdictions, in tandem with the lifestyle choices offered in terms of climate, cuisine and leisure activity, could prove attractive as the global recession deepens. With lifestyle and culture identified by 72% as a dominant relocation determinant, and tax by 64.8% (Graphic 6), jurisdictions that marry both will likely entice.



RELOCATION

LONGER-TERM TRAJECTORY, SHORT-TERM DISRUPTION

Alongside tax policy-driven decisions, it is clear that recent socio-political events have had the potential to throw relocation priorities into the air, particularly given the premium placed on safety and stability by private clients. As one investment manager points out, “2008 was about money and financial security” whereas the COVID-19 pandemic “has been more profound, prompting questions like ‘are my family and I safe?’”. As some semblance of normality returns, the impact of health and social justice crises is becoming clearer.

While the ubiquitous nature of the coronavirus means that relocation destinations have not yet been too drastically influenced – “no country is immune to it,” says a European lawyer – the different approaches of leadership figures in both navigating the pandemic and subsequently bolstering the treasury may provide wealth owners food for thought.

In many ways, the core decision remains the same: what do you want and need from your physical base, versus those other things you are happy to travel for? Do you fly in and out – rather than relocate – for healthcare, golf courses and beaches, for example?



THE VIEW FROM NORTH AMERICA
JEFF KANE | Chair of Global Private Client Strategy Group, BDO USA

The world was a very different place when we started this study. However, the situation we have been thrust into on a global level has sharpened the thoughts of many respondents and perhaps even accelerated their plans.

While at this time there are still many restrictions on travel between countries, that does not necessarily impact the potential for future opportunity and growth.

Despite the unfortunate number of COVID-19 cases in the U.S., the country has historically been very resilient in the long term from a business perspective and we expect it to be able to remain on this trajectory.

There is certainly potential for taxes to increase in order to pay for some of the stimulus enacted and the changing political landscape will have its impact. However, our clients have continued to preserve and are, against a backdrop of change and uncertainty, very engaged in planning the future of their family wealth enterprise.

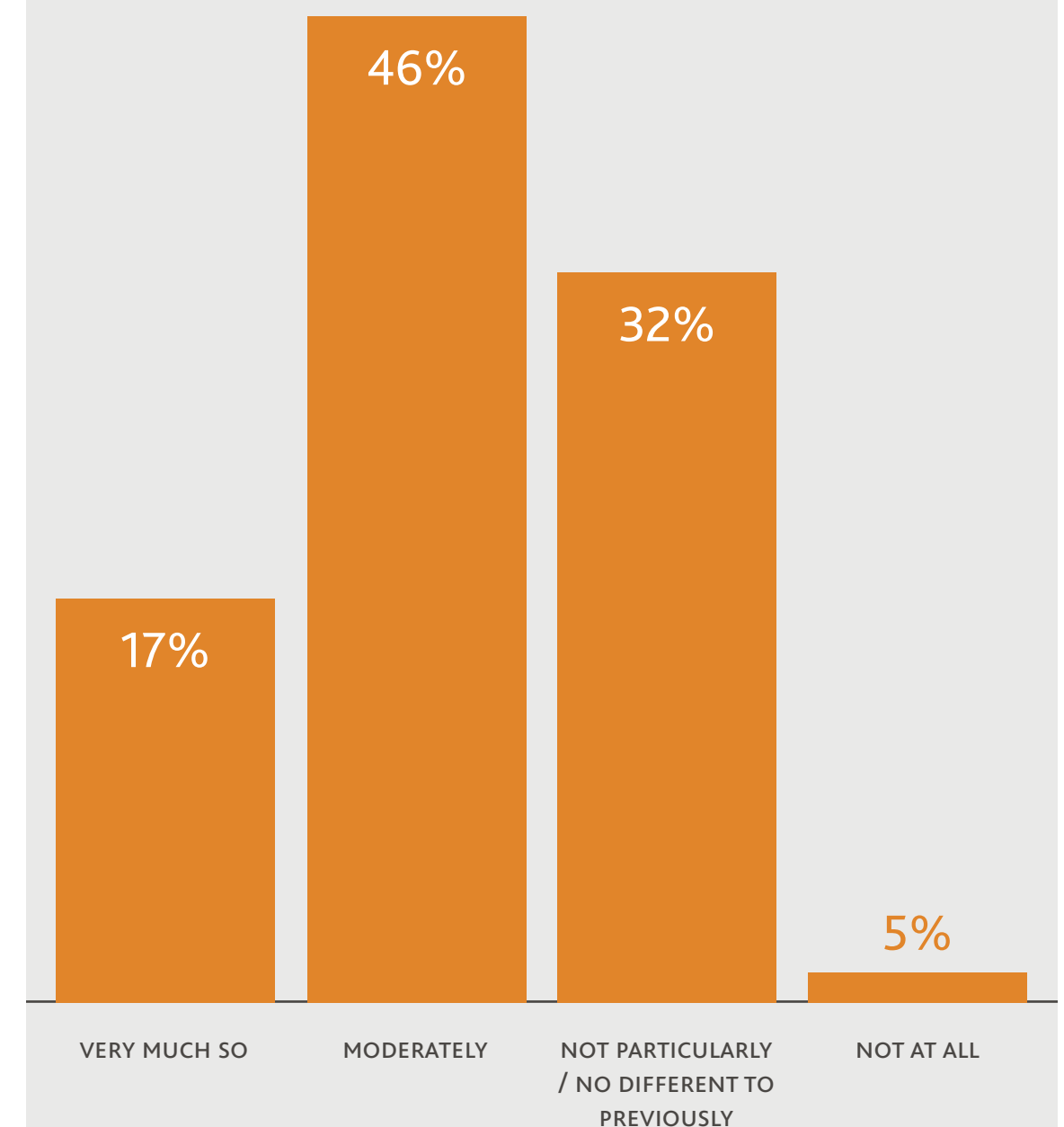
Social unrest is a more divisive issue and this varies significantly from country-to-country. Our data shows that on top of political stability being the dominant

relocation driver, only 4.8% of respondents said that economic, political and social instability is ‘not at all’ prompting a trend towards relocation (Graphic 7).

GRAPHIC 7:

WILL ECONOMIC, POLITICAL AND SOCIAL INSTABILITY IN KEY JURISDICTIONS PROMPT A TREND TOWARDS INDIVIDUALS RELOCATION (OF ASSETS AND / OR RESIDENCE) OVER THE NEXT 12 MONTHS?

RESPONDENTS CHOSE ONE ANSWER.



RELOCATION

LONGER-TERM TRAJECTORY, SHORT-TERM DISRUPTION

The result in some cases is a temporary flight of investment while investors wait to see how events unfold, before potentially returning to markets they know well. The Asia-Pacific region provides examples of this in action. "If you look at the flight of Chinese money, international investment left but is steadily returning; it has moved past 'wait-and-see'," says one APAC lawyer, while an asset manager points out that "Hong Kong may have lost some of its lustre, but the financial system remains strong".

Capital aside, physical relocation from Hong Kong to the UK, in particular, may increase under a new visa option that will allow holders of British national overseas (BNO) status and their immediate families to apply for entry visas from January 2021.

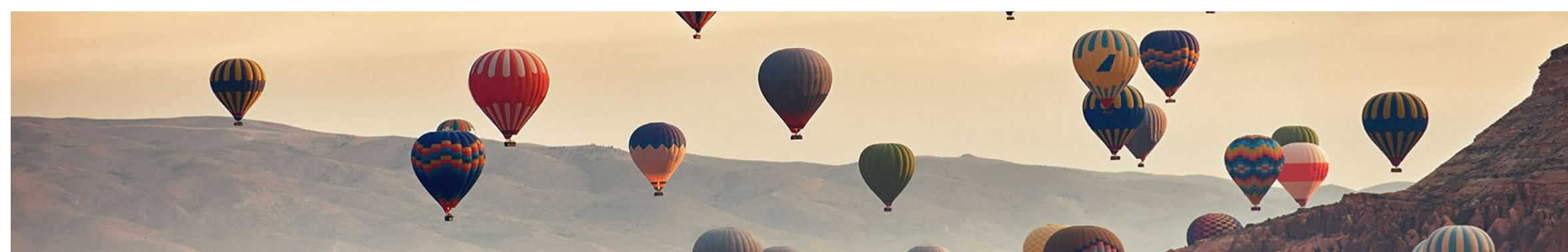
The figures in Graphic 7 suggest that, as initial responses turn into more concrete action plans, further relocation activity should be expected. One UK firm, specialising in residency and citizenship planning, said it saw an almost 50% increase in the number of applications for new nationality during the six months to June 2020.



THE VIEW FROM SWITZERLAND
STEFAN PILLER | Partner & Head of Tax, BDO Zurich

Switzerland demonstrates once again that even in difficult circumstances like COVID-19, the country remains stable and the economy remains strong.

With a very competitive tax system and special arrangements (lump-sum taxation) for High Net Worth Individuals, Switzerland remains an appealing relocation option for private individuals. The recently implemented Swiss corporate tax reform provides new tax planning opportunities for businesses, especially for innovative firms, with our new patent box and R&D super deduction.



The firm's chairman was quoted as saying that "investment migration has shifted from being about living the life you want in terms of holidays and business travel to a more holistic vision that includes healthcare and safety".

Meanwhile, passport application backlogs have piled up in many countries during the pandemic, indicating that individuals are at the very least assessing their options with a view to possible relocation.

"Investment migration has shifted to a more holistic vision that includes healthcare and safety."

The US State Department suffered "months of near-paralysis and a long climb from a deep backlog" according to the Los Angeles Times, to the extent that it could prioritise only "life or death" requests.

A similar story unfolded in the UK, which has seen a 172% increase in passport applications from last year, while Baroness Williams revealed in response to a parliamentary written question in July that the applications backlog had reached more than 400,000.

Conversely, the Australian Passport Office saw a 67% reduction in passports issued compared with 2018-2019. August 2020 saw 14,300 citizens depart Australia, while the number of departing travellers in August 2019 was 828,000. In the face of travel restrictions, many Australians are not seeking to renew their expired or expiring passports, indicating that future relocation activity involving Australia is more likely to be inbound, rather than outbound.

PRIVATE CLIENT SERVICES

FAMILY & GENERATIONAL WEALTH

JANUARY 2021

FAMILY & GENERATIONAL WEALTH

NEW VALUES, LEGACY AND RISK

With the economy under strain and social justice in the spotlight, social attitudes to wealth are changing. The next generation is also more socially conscious and values-driven, so wealth creation must be handled more delicately than ever before, while environmental, social and governance (ESG) considerations form a key pillar of private client investment strategies.

The traditional bar-bell approach, with philanthropy acting as a counterbalance for wealth creation activities, has evolved. The goal is now to align wealth creation with the same values that drive the family's philanthropy.

In many sectors we are seeing the onset of economic recession leading to the exacerbation of trends that were pre-existing. Economic ill-health simply serves to throw these issues into sharper contrast. So, too, with wealth.

"Millennials have an attitude to wealth that borders on the uncomfortable."

Culturally divergent approaches to wealth have always been visible, to greater or lesser degrees, with one philanthropy expert observing that, traditionally, there has been "an admiration of wealth creation in the US, where wealth is trumpeted more than in Europe, where things are more discreet". We must add to this cultural nuance an acknowledgement that new generations today view, and react to, wealth in different ways.

One social impact adviser describes millennial attitudes to wealth as "bordering on the uncomfortable" and there is increasingly a desire to engage with wealth in a different way. "Next gen wants to hold business and previous generations to a standard of embedding values into actions," they explain. Authenticity of approach is vital, and the next generation wants people to "walk the walk in their for-profit decision-making".

A huge, standardising force in this generational shift is the combined impact of globalisation, technology and social media.

The next generation of wealth owners may not know what an internet-less world looks like. The results are varied and numerous but include a greater awareness of what is going on elsewhere in the world.

For the wealthy, this can create both introspective thoughts about their own role in society as well as feelings of guilt about the wealth gap. "Next generation guilt draws them to beneficiary-led solutions," says the social impact adviser. "They take an entrepreneurial approach and see wealth as a tool, not an identity."

This sentiment shift creates challenges for both current and future wealth owners, and impacts everything from investment portfolios and reputation, through to legacy and succession planning.

"The wealthy are conscious of giving back and not just taking – they understand the social importance of that," adds a wealth manager. There is a key balance to be struck involving reputation and perception management.

"A good reputation can take years to build but can be lost overnight."

The media serves as a daily reminder of how quickly this can go off-kilter if it is not carefully managed.

"You don't want to be vilified by the press," says one UK lawyer, while a fintech data intelligence consultant identifies private clients' top two concerns as governance and reputational risk. "A good reputation can take years to build but can be lost overnight," they note.



FAMILY & GENERATIONAL WEALTH

QUESTIONS LINGER OVER ESG AND IMPACT

With wealth inequality now a routine part of public discourse amid economic, health and social crises, the question of whether there is an onus on the wealthy to 'do good' in the world is a common one. Philanthropy has been the primary vehicle for achieving this, but there is increasingly a view that social impact should be more directly tied to wealth creation and preservation itself.

Social impact comes in many forms, and the private client community is well-placed to deliver maximum impact, given the resources at its disposal and its dominance of investment markets. Rocket-boosters have been placed behind the ESG movement, with one wealth management professional noting that ESG offerings are now a staple part of the investment landscape, rather than a "small tributary off the main river". "It's like going to a restaurant these days and seeing vegan options appearing on menus where you wouldn't expect to see them."

Climate change and the environment, where the visible impact is clearer to see, have been joined by a renewed interest in governance issues, for instance in the wake of multinational fast-fashion retailers being found to fall short of ethical standards around working practices despite having positive ESG ratings.

Such instances of potential inconsistency have prompted initiatives to define disclosure standards (such as the Task Force on Climate Related Financial Disclosures). The surge in popularity of green finance has also led to the International Organisation of Securities Commissions formulating a framework to harmonise rules and guidance on disclosing sustainability risks. ESG as a focus area is here to stay.

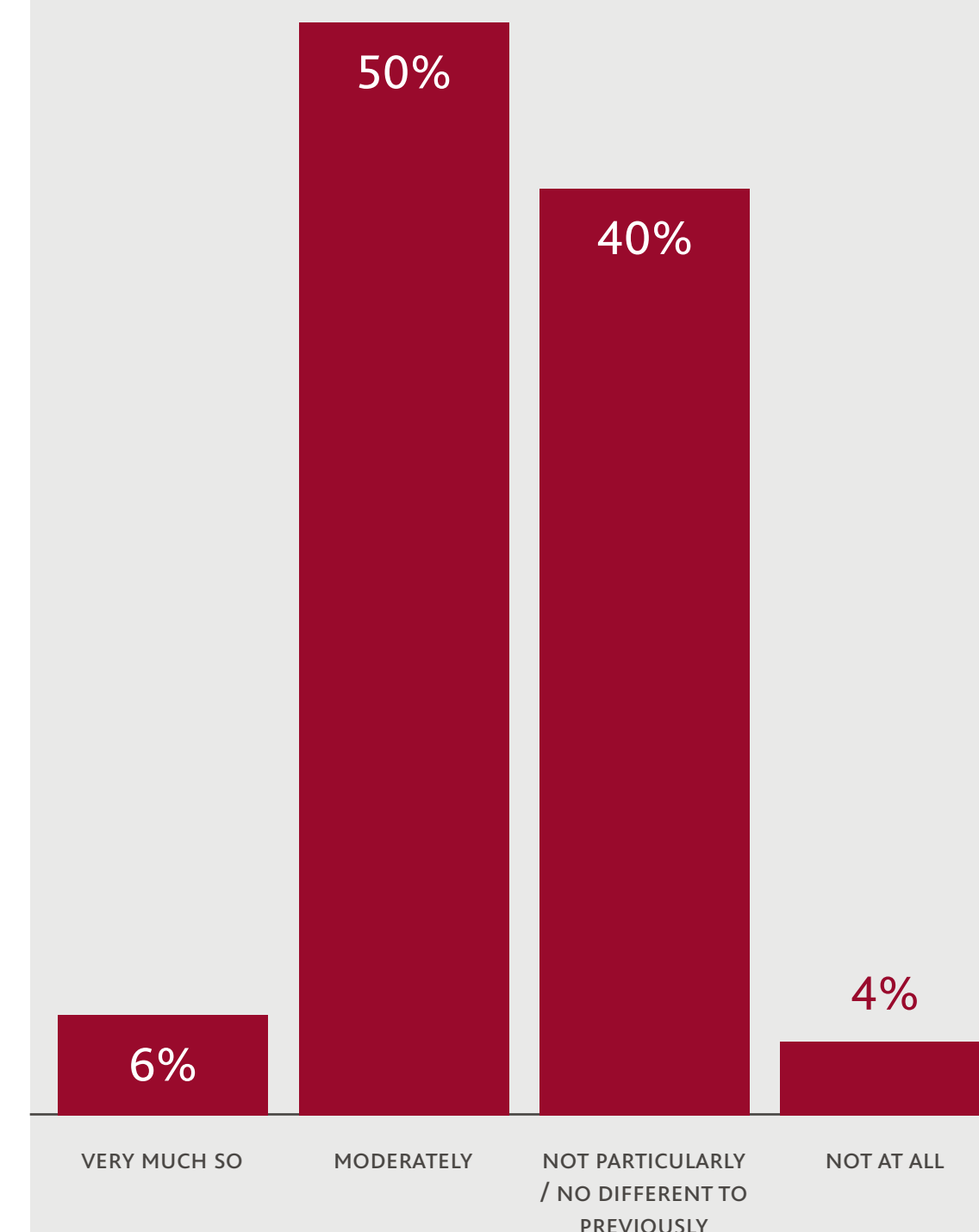
However, our data shows that scepticism remains among private clients, with 56% agreeing that ESG-related action matches rhetoric, while 44% believe a gap remains (Graphic 8).

The forward trajectory, though, is undeniable, as evidenced by providers continuing to launch and refine ESG funds. "It takes a great deal of effort and money to launch new funds," says one banking executive. "Firms don't do it for a laugh or because it's a passing trend."

Investor appetite may initially have been driven by next generation attitudes, but there is a growing realisation that this is not only a beneficial way of investing for 'good', but also a sensible part of portfolio diversification. "There's a place in any portfolio for sustainable and responsible investing," says a corporate administration and family office solutions specialist.

GRAPHIC 8:

TO WHAT EXTENT IS RHETORIC AROUND THE IMPORTANCE OF ETHICAL INVESTING TYPICALLY MATCHED BY CONCRETE ACTION AND INVESTMENT? RESPONDENTS CHOSE ONE ANSWER.



Beyond diversification, investment performance is also an attracting force. "Many are willing to see a sacrifice in financials for perceived social return," says a social impact adviser. But as the market for impact and social investment grows, returns "are at or near market levels".

As education around this area improves, the movement towards a values-driven existence, where social and financial return are linked to the same set of values, will continue apace.

As risk and reward become clearer – and performance is better tested over time – investors will not be able to ignore the opportunity. "It's a great investment option when you look at long-term performance, and does some good at the same time; that's a pretty compelling proposition," says one investment management professional.

FAMILY & GENERATIONAL WEALTH

PHILANTHROPY TRANSFORMED?

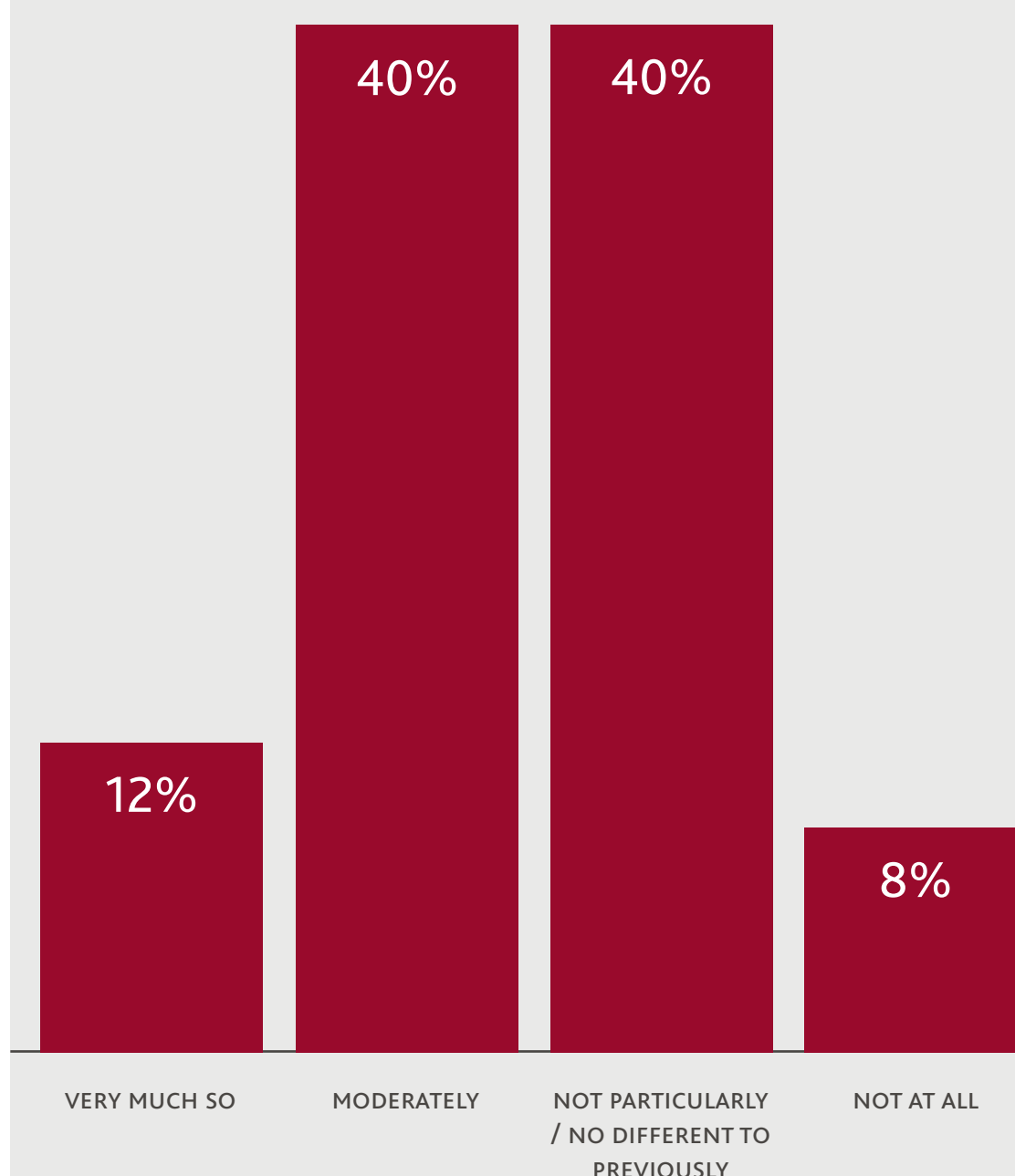
Alongside moves to better reconcile financial performance and social benefit through ESG investing, there remains a role for distinct philanthropic efforts. Whether through charitable giving, establishing foundations, or setting up donor advised funds that integrate with existing wealth management plans, wealth owners have a number of tools through which to pursue philanthropy. Again, inter-generational forces come into play.

If sceptics previously regarded charitable giving as a cathartic act, they now see a far more engaged approach motivated by not only the theoretical notion of 'doing good', but by achieving tangible impact. "It's no longer a once-a-year cheque to one particular organisation" says one financial planner who has worked in multiple jurisdictions including Switzerland and the UK. "The next generation is more hands-on, whether through fundraising, sitting on boards or being actively involved in the businesses themselves."

Next generation interest in philanthropy is unsurprising. It can be a good method for financial engagement and education, by putting the focus on people, rather than on money. Philanthropy can "bring humanity to wealth" notes one consultant.

GRAPHIC 9:

HAS COVID-19 HEIGHTENED SOCIAL PRESSURE ON WEALTHY INDIVIDUALS TO ENGAGE MORE IN ETHICAL AND PHILANTHROPIC INVESTMENT ACTIVITIES THAT DELIVER SOCIAL BENEFIT OUTCOMES? RESPONDENTS CHOSE ONE ANSWER.



As with transparency, however, philanthropy may be a double-edged sword. With a spotlight on the wealth gap, people are both aware of, and angry about, wealth inequality. In some instances, public opinion takes over and there can be "a negative perception that the uber-wealthy are dictating policy via philanthropy," says one philanthropy consultant. This may leave philanthropists in a "no-win situation" and is a reminder that while the focus is rightly on outcome and impact, not on optics, a role may remain for reputation management.

Crises often breed surges in philanthropy and this is evident on a worldwide scale with COVID-19. Philanthropy has already seen activity targeted at helping communities and health systems cope with the immediate threat of coronavirus, while the sector will also play a vital role in mitigating some of the longer-term economic fallout.

Our research shows no clear consensus on COVID-19 heightening social pressure on wealthy individuals to engage in philanthropy, with only 12.4% saying the virus 'very much' heightened pressure to give more (Graphic 9). A majority (80%) combined to say social pressure was 'moderately' heightened (39.6%) or 'no different to previously' (40%).

However, research from Candid and the Center for Disaster Philanthropy shows around \$12 billion worth of philanthropic giving in the first half of 2020, outstripping donations made for any other disaster on record, so it is happening regardless of any perceived 'pressure'. BDO UK's recent publication, [PrivateView on Philanthropy](#), takes a closer look at philanthropy in times of uncertainty, particularly this year.

Reassuringly, and as has been seen with the adoption of certain technological solutions mid-pandemic, crisis-mode administration and reduced bureaucracy has kicked in. This reduction in red tape means the lag time between pledge and impact is shortened. While some due diligence processes and governance frameworks will return, or be retrofitted, this streamlined approach should continue post-pandemic. The appetite is there; process must not serve as an off-putting factor.

FAMILY & GENERATIONAL WEALTH

THE IMPACT ON LEGACY

The values-driven investment approach as an accompaniment to distinct philanthropic giving is a prime example of how the character traits of the next generation tend to lead their approach when it comes to wealth management.

Our research shows this also has implications for legacy and succession planning discussions, with 48% saying that changing (next gen-driven) attitudes to social responsibility and philanthropy are driving new attitudes to legacy among wealthy families (Graphic 10).

Younger generations' desire to positively impact the world started the departure from status quo legacy thinking focused on accumulating and preserving wealth, and current socio-economic conditions have accelerated this trend.

Our research shows that, even where next generation is not the driving force for change, attitudes to legacy are still shifting. Graphic 10 indicates that more than two-thirds (69.2%) say this stems from the need to diversify investment portfolios amidst economic uncertainty.

Another intergenerational trend is that individuality is more frequently triumphing over traditionalism.

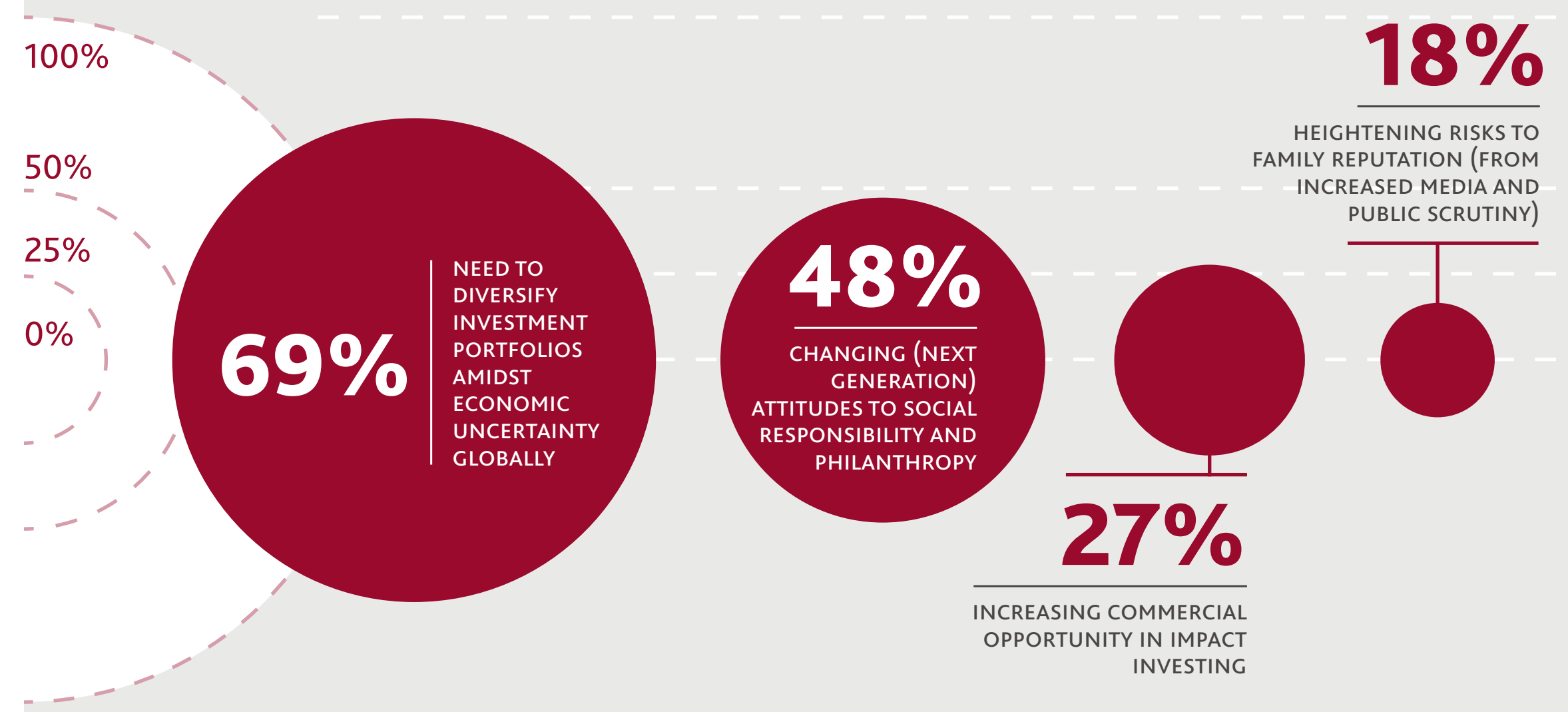
New values dictate the route forward that the next generation is forging, and diversification away from the inherited business or asset portfolio is far more common as a result. This is impacting the traditional structure of many family offices. "The current private client structure is siloed. Millennials hate hierarchy; they ask questions to challenge authority," says one impact investment specialist, who believes this is because "they have seen authorities let them down".

Fundamentally, the markers of success have changed. Impact sits alongside, and in some cases above, profit in the pecking order. Next generation often "see failure as an opportunity to learn, whereas the traditional private client landscape does not tolerate failure," adds an impact investment consultant. A 'succeed at all costs' mentality is no longer lauded and celebrated, instead being replaced by a willingness to learn through falling short.

Incumbent wealth owners should understand the motivations of the next generation, and acknowledge that passing on wealth may need to be done completely and alongside the relinquishment of strategy oversight, even if this means successors risk potentially undoing the work of the generation(s) before them.

GRAPHIC 10:

WHAT FACTORS ARE DRIVING NEW AND CHANGING ATTITUDES TO LEGACY AMONG HNWI FAMILIES?
RESPONDENTS CHOSE A MAXIMUM OF TWO ANSWERS.



As one family office adviser observes, "even if next gen hits the buffers, they will have learnt something along the way".

FAMILY & GENERATIONAL WEALTH

THE SUCCESSION PLANNING STRUGGLE

A vital element of private client considerations, succession planning frequently stalls due to intergenerational differences or administration anxiety. The reasons for this are complex, and often human and interpersonal in nature.

Our research reinforces conventional wisdom by showing that succession planning is a top three priority for wealth owners for the coming 12 months, but in spite of this it can still fall down. Family dynamics play a crucial role, and disputes can arise from anywhere – but more often than not, from a failure to communicate and manage expectations. People don't plan to fail, but they fail to plan.

Delaying decision-making is a tempting and easy default option, evidenced by 53.2% of respondents identifying 'lack of time and a tendency to put things off' as a common cause for failing to plan sufficiently (Graphic 11), but in some cases lack of planning itself creates disputes further down the track. Issues rarely resolve themselves and small differences now can become huge ones further down the line.



ED VAN DE VIJVER | Senior Manager, Family Business Services & Mediator
specialising in conflict mediation in Family Businesses | BDO Netherlands

From a psychological perspective – and as our research shows – it can often be difficult for family members to discuss themes that simultaneously impact business and personal. Restraint and conflict-avoiding behaviour are common.

Talking about sensitive issues that could lead to conflict risks upsetting the balance, and unconsciously people steer away from it. However, this can have the opposite effect. Avoiding the issue means that communication suffers, and most conflicts are founded on the fact that people do not understand each other.

Education systems rarely teach people to talk about feelings or emotions, and this can provide barriers to success among businesses. Those that are embedded in the family's complexity may find it difficult to extricate themselves from this tension in order to make sound decisions.

That's where an adviser who has intimate knowledge of the family and business, but who ultimately sits outside the core system, can add real value. Bringing perspective, focus and instilling a systemic approach is a task that requires not only technical know-how but, crucially, 'soft' social skills."

Highest ranked among the factors hindering succession planning was another issue of intergenerational tension: the reluctance of the wealth owner to relinquish control. Any parent-child relationship can be a tough one to manage, and wealth can be a complicating factor. "Regular people have kids; wealthy people have heirs," says one family office specialist. "It's worth remembering that distinction."

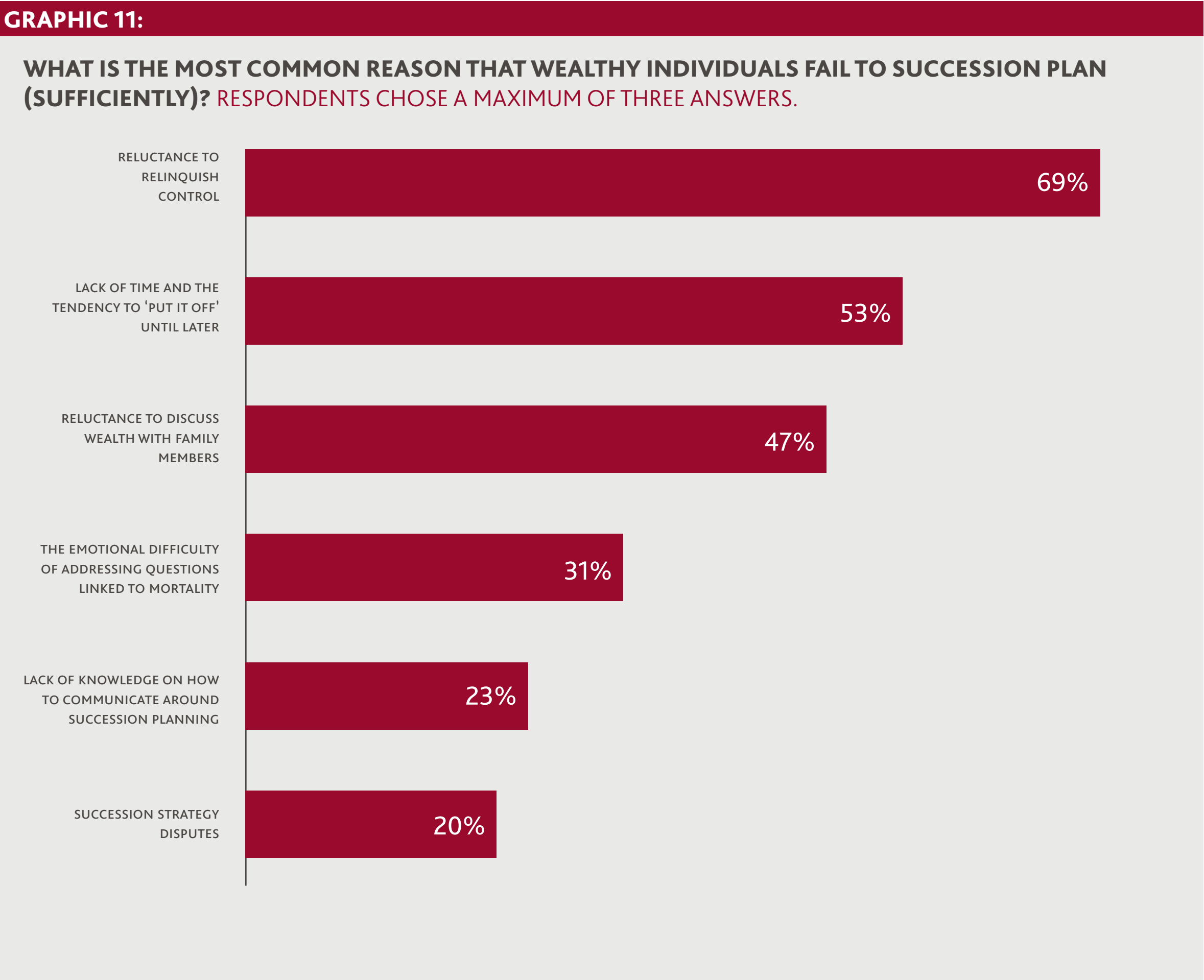
Timing is key and concerns are not unfounded, with one consultant acknowledging that wealth has the potential to "stymie hunger, kill a part of the soul and distract from education". Wealth owner desires to avoid impeding the personal development of the next generation must be balanced with an appreciation that there may never be a 'perfect moment' to have difficult conversations around finance – shown by 47.2% listing 'reluctance to discuss wealth with family members' as a key failing, with a further 23.2% pointing to 'lack of knowledge on how to communicate around succession planning' (Graphic 11).

FAMILY & GENERATIONAL WEALTH

THE SUCCESSION PLANNING STRUGGLE



"Regular people have kids; wealthy people have heirs – it's worth remembering that distinction."



FAMILY & GENERATIONAL WEALTH

THE SUCCESSION PLANNING STRUGGLE

This shows that the prospect of having tough conversations is exacerbated by uncertainty as to how those conversations should be executed, so the challenge lies both in principle and practicality. The best advisers will act as mediating – and sometimes therapeutic – forces in facilitating discussions and then implementing plans.

Families need to understand what concerns really relate to, and then how these can be addressed. Setting an age to inherit can be arbitrary and prescriptive. What suits your family? If concerns are understood as early as possible, there are a wide range of steps a family could take to address them, such as implementing an educational programme to prepare the heirs for their new roles.

While 'disputes around succession strategy' is listed by 20.4%, the transfer of wealth is still predominantly a personalities problem, not a process problem – as one lawyer says of disputes: "they tend to be driven by family dynamics and emotion, not by structures".

Generational shifts in society make planning even harder and disputes can be more common "because next gen doesn't obey without question anymore," notes one Singaporean legal adviser.



CATHERINE GRUM | Head of Family Office Services | BDO UK

The most significant generational transfer of wealth the world has ever seen is now underway and the next generation are not passive recipients. With technology, social media and a strong sense of purpose, they are more emboldened to ask questions. They want to understand what has gone before, their full range of options and then create their own path forward. We can then expect a generation who are much more connected to and empowered by their wealth and who take a more holistic approach to their legacy, one that is about values as much as it is about money. Succession is not instantaneous but typically happens over a period of years during which intergenerational cooperation will be critical to success. The landscape is increasingly complex and those families who have properly prepared their heirs for ownership will reap the rewards during this process. There are likely to be bumps in the road however as the rising generation's views and expectations are not the same as the current generation. Effective governance will therefore be increasingly important for those families who wish to continue in some form of shared enterprise. Understanding who makes decisions, how to access information and establishing effective channels of communication will be particularly key. Without these, they may simply vote with their feet and choose the path of independence.

"The prospect of having tough conversations is exacerbated by uncertainty as to how those conversations should be executed, so the challenge lies both in principle and practicality."

A lot of focus is directed at the next generation, but control rests with the seniors and they need to be ready to move on. Supporting their personal transition can help to unblock the process.

Ultimately, both parties must come together and engage. "If the patriarch or matriarch plans in a black box and then goes under the Number 9 bus – or the private jet equivalent – that leaves the next generation outside the loop," says a UK lawyer.

Successful families have a lot going on and complexity only increases over time. Family governance provides an organisational structure to collaborate and make decisions effectively.

"Nobody puts the roof on without building the foundations first," says a family office adviser and former banker who has worked in the US, Europe and the Middle East. The best advisers will be confident and trusted enough to facilitate such discussions and ensure that the next generation – the future decision-makers – are involved in foundation-building, even where their intentions and desires may depart from that of the current wealth owner.

PRIVATE CLIENT SERVICES

ADVISER OF THE FUTURE

JANUARY 2021

BDO

ADVISER OF THE FUTURE

UNDERSTANDING, TRUST AND A 360° PERSPECTIVE

Private clients are placing new expectations upon the advisory community.

The adviser of the future must respond to the challenges brought by new trends in transparency, relocation, individual and family needs, whilst battling with ongoing technological acceleration.

While a bedrock of technical expertise is expected, softer skills have risen in value. What an adviser knows, how they deliver it and who they know all matter.

The world is getting more complex and the repercussions of getting it wrong have changed with the internet and social media – advisers need to help clients see the big picture and enable them to make decisions with their eyes open.

If an adviser does not have 360 degree views, they won't be successful. "Non-technical advice is at least 50% of the game" says one professional services consultant".

Clients are becoming more purposeful and aligned

in their approach – nothing sits in a silo anymore and advisers need to be able to respond to this.

"A big mis-step is not seeing the woods for the trees."

The private client advisory mix involves different players and roles, depending on the circumstances and needs of the client. Alongside the traditional specialisms of each adviser – whether that is wealth management, investment management, tax law or

accounting – new expectations are being placed on the advisory community. Yesterday's point of difference may be today's minimum requirement. It could be argued that we are in fact returning to a historical model where clients had an adviser who knew how everything should fit together. Since then, complexity has increased in every sense of the word, and advisers began to specialise more and more. Have we forgotten the old art?

There remains a role for the specialists, of course, but the game has changed. One US attorney says that in the past, wealth owners may have treated some professional advisers "like the Oracle of Delphi" where "clients came in offering sacrifices of money and

listened to the cryptic words of a partner in a corner office before being ushered out by acolytes". Not anymore.

Emotional intelligence and the ability to build rapport and trust are now pre-requisites. As one wealth management professional says, the adviser of the future must "be a good listener", make the client comfortable and avoid focusing on "touting and selling their wares".

One consultant who provides guidance on engaging financial advisers agrees that "it's about psychology; people in the finance world are too often focused on selling," while another funds and family office solutions specialist summarises "trust is key and human interaction is central to that".

THE NETWORK REQUIREMENT

Wealth owners appreciate advisers that can take a more holistic approach which considers the big picture. "A big mis-step is not seeing the wood for the trees," says one investment manager.

Challenges come in all shapes and sizes and they do not respect qualifications, so thinking holistically does not mean that advisers must sacrifice their specialisms.

Clearly in such a complex, high-stakes environment, private clients do not expect one individual to have every solution to every problem.

Therefore, an appreciation for the bespoke nature of advice must also mean an adviser acknowledging their own limits. Maintaining a network of trusted associates with expertise in fields outside of their own is key. "Conducting the orchestra is a big part of it," says a UK-based lawyer. "Keep your political and emotional antennae waving. You don't want the trombone playing during the prelude."

If different advisers are too focused on their own area of expertise, says one trusts and estates attorney, they can "act as centrifugal forces and pull attention away from the centre". If your adviser lacks awareness and appreciation of your overall position, plans and ambitions, you need to seek counsel elsewhere.

"Trust is key and human interaction is central to that."

ADVISER OF THE FUTURE

TECHNOLOGICAL ACCELERATION

Integration and collaboration founded on trust, expertise and a solutions-based mindset combine to form an initial blueprint for the adviser of the future. In any discussion of the future, however, technology must also be considered. "The technology revolution has been microwaved," says one wealth management professional, and advisers must keep pace.

Times change, and technology drives change faster than anything else. In times of crisis, change accelerates yet further. If necessity is the mother of invention, then 2020 has shown us that crisis is the mother of adoption, with virtual and remote meetings becoming the norm, while video technology can now be used in the UK for witnessing will-signing. Further steps towards embracing greater use of technology will follow, as wealth owners expect advisers to maintain both their networks and their ability to provide counsel. If advisers embrace innovation and seek to continually improve their technological capabilities, the level of service wealth owners receive will be more crisis-proof.

"Conducting the orchestra is a big part of it. You don't want the trombone playing during the prelude."

Some advisers may therefore challenge, educate and encourage the use of technology, whilst balancing – and taking steps to counter – valid concerns about online security. First generation wealth holders that have built wealth through being tech-savvy innovators will want and expect advisers to keep pace and deliver efficiency on a scale that differs from more conventional wealth management. "The

sophistication of the new wealthy requires new service levels," notes one European lawyer.

Advisers will also have one eye on global tech giants who are well-positioned to enter the wealth management and advisory industry based on their scale and digital infrastructure capabilities. Some already offer financial products in one form or another, and their control of vast volumes of data may provide a competitive edge that will need to be monitored.

Advisers must treat technological adoption, therefore, not as a hygiene factor but as an imperative. Alongside efficiency, advisers should be observing the way that technology pushes the boundaries of how individuals work and the assets they own.

Good advisers will not be alarmed, but rather embrace change. Despite the pace of technological progression, caution must be exercised in how the demands placed on providers are 'ranked'. Trust and human connection should remain at the forefront of wealth owners' minds.



"Technological adoption is not a hygiene factor, but an existential imperative."

Computers may have the upper hand of efficiency when dealing with the routine or mundane, but when special circumstances arise, says one family office adviser, it is someone and not something, who "has to step up, take a decision and be accountable". Often, wealth owners will appreciate and benefit from nuanced interaction with a human sounding board, and not want to be led simply by what an algorithm dictates.

The best advisers will judiciously select the right technologies and educate themselves on how to use them. The private client-adviser relationship of the future will be centred on trust and soft, social skills combined with the harnessing of cutting-edge technologies.

2021 OUTLOOK:

FROM CAREFUL ADJUSTMENTS TO DECISIVE ACTION

While our research reveals the scale and extent of the change that 2020 has thrust upon the world of private clients, it also shows that the fundamental principles wealth owners live by are being adapted, rather than replaced.

Our findings indicate that the appropriate initial response to radical reset is careful adjustment, not knee-jerk reaction. This culture of adaptability and measured response is not new, but its application is. Diversification and opportunity-spotting in reaction to outside events and forces has always been part of sensible wealth management. It is now applied to all aspects of wealth owners' lives.

At the same time, the events of 2020 were unprecedented, so wealth owners remain alive to the need for further change. We have discussed how continued success will rely on thoughtful decision-making that is responsive to change while staying true to the principles that underpin a longer-term outlook.



2021 OUTLOOK:

FROM CAREFUL ADJUSTMENTS TO DECISIVE ACTION

We expect the demand for family offices to continue to grow, as 2020 has given families an opportune moment to take a step back, rethink, plan and start to put in place their succession arrangements. The family office completes the puzzle by providing the basic fundamentals required for this planning phase and set succession planning on a sustainable footing.

But as the themes we have tackled continue to flex throughout the coming year, re-evaluation of priorities will continue to occur. More radical alterations may be warranted as certain trends become permanently embedded while others are shown to be temporary and are duly swept aside.

So, how will our four pillars stack up in 2021?

Transparency will continue quickly. The resolve of national authorities will surely increase, and the tolerance of non-compliance will fall, as recession deepens and governments seek funds to pay for COVID-related policies that have supported the economy in the short-term. Policymakers will keep a watchful eye on the wealthy as they seek to strike a balance between the goal of stimulating the economy and the risk of driving investment away if the taxation 'stick' is wielded too forcefully.

COVID-related restrictions are already impacting **relocation** strategies, and will continue to do so, but at some point cross-border activity and movement will return more fully. We are seeing individuals wanting to return to their "home" country where that country has COVID-19 largely under control. This is in turn leading to a surge in demand for property rentals and purchases in some jurisdictions. Wealth owners should assess (and are already assessing) their priorities and options now in order to act swiftly when the time comes.

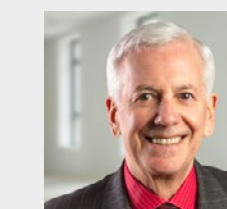
We should not ignore the potential for a global pandemic to accelerate **inter-generational change**, both due to modified mind-sets and the mortality implications of COVID-19. Right now, it is impossible to imagine a world without COVID-19 but, even in its absence, new social norms and a focus on ESG serve as accelerating forces. The role of the current wealth holders will increase as they actively plan to pass on their wealth and educate the next generation. The only constant is change – but what positive forces can we expect to see within wealthy families, as the 'react' phase ends and the 'resilience' and 'realise' phase begins?

So, too, for the **adviser of the future**. As wealth owners (and wealth itself) change, they bring with them new expectations. However, while everything else around us changes, client satisfaction must not. One thing that is certain is that business as usual no longer exists. Private client advisers must remain alive to shifting needs as the private client landscape and the wider world evolve.

For now, the pursuit of stability remains the order of the day. As the fallout from 2020 continues to crystallise, and with the aid of additional clarity, wealth owners will be able to turn measured responses into more meaningful, longer-term action plans.

This report is the first instalment of a multi-year initiative designed to track and monitor sentiment within, and directed towards, the private wealth community, as well as analysing wealth-holder attitudes and strategies year-on-year. If you would like to discuss this year's findings, or take part in next year's research, get in touch with us – just search '**BDO World of Private Clients**', or contact your local adviser opposite.

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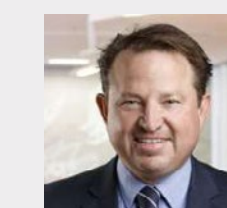
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