InCred Global Wealth

InCred Insights

June 2025

Our investment views: When the music stops

9 June 2025

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The US economic orchestra has been playing a peculiar tune lately, with President Trump wielding his conductor's baton in ways that have left both markets and overseas trading partners scrambling to keep time. As we head through June, the 90-day pause on "reciprocal" tariffs – that brief intermission following April's dramatic "Liberation Day" announcements – is approaching its expiration date. The question isn't whether the music will resume, but rather what melody we'll hear next.

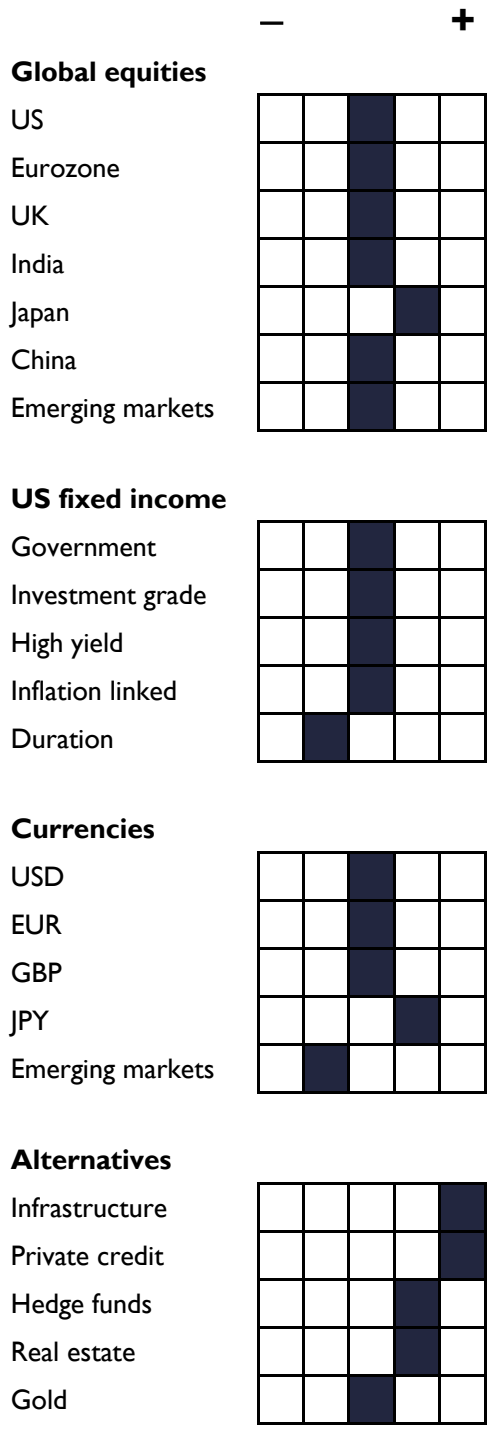
A political chess game?

Trump's trade strategy has evolved from the blunt instrument many feared into something more resembling three-dimensional chess. The administration's recent pivot suggests they've learned that threatening everyone simultaneously tends to create more problems than it solves. The legal challenges to tariff implementation have provided convenient breathing room, allowing for what appears to be a more surgical approach targeting sectors like pharmaceuticals, minerals and semiconductors.

What's particularly fascinating is how the market's reaction has seemingly moderated the administration's approach. When bond vigilantes started demanding higher yields and the dollar began weakening despite rising rates, it became clear that markets still hold considerable sway over policy. The administration's sensitivity to market feedback suggests we're more likely to see targeted trade measures rather than the comprehensive overhaul initially threatened.

Time for an economic reality check

The economic data tells a story of resilience meeting uncertainty head-on. American consumers – perhaps the eternal optimists of the global economy – do continue to spend despite growing caution. But the "consumer cash pile" according to JP Morgan including checking, savings and consumer money market funds, set a new record of USD21.6 trillion in Q4 2024, up from USD14.8 trillion five years earlier, and the evidence points to this already growing further. This tells us that the narrative is shifting from unbridled confidence to selective engagement – consumers are increasingly choosy about where they deploy their dollars. This behavioral shift matters enormously for the broader US economic trajectory. That said, with the effective tariff rate, now settling around current levels rather than the initially feared much higher level, this represents roughly a two-percentage point increase in sales taxes – significant but not catastrophic. Consequently, in our base case, a US recession will be averted – a view supported by economists at UBS, JP Morgan and Morgan Stanley. The fiscal elephant in the room, however, is growing increasingly difficult to ignore. The "Big Beautiful Bill" working its way through Congress promises to add USD3.1 trillion to the debt by 2034, pushing deficits above 7% of GDP in the coming years. This isn't just an accounting exercise – this will have a long-term economic impact.



A refreshing pause?

US equities have, however, displayed remarkable resilience recovering from April's tariff-induced sell-off to trade above pre-"Liberation Day" levels. For example, Nvidia has staged a more than USD1 trillion rebound in two months. Yet this recovery feels more like relief than euphoria. Corporate earnings have provided a solid foundation, with first-quarter results exceeding expectations and forward guidance remaining cautiously optimistic.

Nvidia has staged a more than USD1 trillion rebound in two months

The artificial intelligence narrative continues to drive significant capital allocation, with global AI capex expected to reach USD360 billion this year. Technology giants aren't just maintaining their spending outlooks – they're accelerating them, suggesting the structural growth story remains intact despite cyclical headwinds. However, the near-term risk-reward equation has shifted. With much of the positive tariff news now priced in and fiscal uncertainties looming, US equity markets face a more reserved outlook. The key question isn't whether markets will rise over the next 12 months – they likely will – but rather how much volatility investors will need to endure along the way.

US dollar – strength becomes weakness

Perhaps the most intriguing development has been the recent behaviour of the **US dollar**. The traditional relationship between rising yields and currency strength has broken down – with the dollar weakening even as bond yields climbed. This divergence signals something more fundamental. With recent events, some have questioned the US dollar's role as the world's reserve currency which provides it with considerable insulation. International investors are already signaling their intention to reduce allocations to US assets. For bond markets, there *could* be a greater reliance on domestic demand to support US Treasuries. We will continue to monitor the evolution of this phenomenon.

With recent events, some have questioned the US dollar's role as the world's reserve currency

Embracing Europe

We have favoured increasing exposure to **European equities** since the start of the year. The region stands at an inflection point where growth-orientated economic policies are beginning to bridge the gap that has in recent times separated Europe from the US. This has been driven by structural investments in critical infrastructure, defence capabilities and technological sovereignty – promising both immediate economic stimulus and the possibility of long-term competitive advantage. The European Central Bank's disciplined approach – with rates unlikely to fall below 2% given projected growth of approximately 1.5% over the next 12 months – provides a stable economic backdrop that supports both currency strength and investment confidence. Some even view German bonds as having safe-haven appeal amid global uncertainties.

It is true that European equities benefit from attractive valuations and the prospect of flows out of US denominated assets, but more significantly the EU looks increasingly well placed in the context of global trade dynamics. With closer EU-UK cooperation on defence procurement and migration, likely trade agreements with the US and supply chain localisation across several sectors, the region is likely to emerge as a relative beneficiary of the reshuffling of global economic relationships taking place. In this context, we have a positive stance on the **euro.**

Justifying Japan

We continue to see both **Japanese equities** and the **yen** as compelling opportunities. For equities, valuations remain at a discount to US peers with the Nikkei 225 trading at around 14 times forward earnings versus over 20 for US stocks. This is further underpinned by record share

buybacks of JPY17 trillion executed in 2024, equivalent to 30% of corporate profits, plus broader corporate governance reforms.

As for the yen, it benefits from a 15% undervaluation versus purchasing power parity and Japan's first sustained inflation in decades which enables pricing power without crushing demand. The gradual rate hikes of the Bank of Japan will attract yield-seeking capital.

Assessing alternatives

On a risk-adjusted basis, we continue to believe that **private credit** offers a strong opportunity – providing investors with a blend of income, the potential for downside protection and diversification in a portfolio context. As an asset class, it has displayed resilience during periods of market stress such as 2008, 2020 and 2021, and more consistent performance than high-yield bonds and leveraged loans in these periods. Unlike high-yield bonds, private credit enjoys a senior positioning in the capital structure in contrast to the unsecured and subordinated nature of high-yield. BlackRock estimates that the private credit market will double to USD4.5 trillion by 2030 and sees increasing opportunities.

Private credit as an asset class has displayed resilience during periods of market stress such as 2008, 2020 and 2021, and more consistent performance than high-yield bonds and leveraged loans in these periods

For many of the same reasons, we continue to like **private infrastructure** that offers exposure to digital infrastructure such as data centres, renewable energy and transportation networks – with BCG estimating that USD15 trillion of private capital is needed by 2030 to bridge the funding gap. It is our view that both private credit and private infrastructure are best accessed through top tier global managers with specialist expertise, deep resources and preferential access to deal flow. On **gold**, we favour its defensive qualities and recommend a weighting in portfolios. That said, we do not see significant upside from this level unless there is an exceptional economic shock.

Finally, consistent with our new investment theme from last month – "Invest in hedge fund strategies designed for market volatility" – we advocate for **hedge funds** that adopt *market-neutral* and *equity long-short* in the current market environment. Our analysis shows that such funds can act as portfolio diversifiers and improve the risk-return profile of a portfolio overall.

Looking ahead – navigating the uncertainty

As we progress through June, we believe the investment landscape requires a more nuanced approach than simple bull or bear positioning. The pause in US trade tensions has provided valuable breathing room, but it's temporary relief rather than permanent resolution. The US administration has demonstrated both willingness to use trade policy aggressively and sensitivity to market feedback – a combination that suggests continued volatility around policy announcements.

We believe the investment landscape requires a more nuanced approach than simple bull or bear positioning

The key insight for investors is that we're operating in an environment where policy uncertainty has become a permanent feature rather than a temporary disruption. Success will likely come from maintaining diversified exposures while remaining alert to both opportunities and risks as they emerge.

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Our top investment themes

Our top investment themes represent high conviction longer-term investment trends or shorter-term tactical opportunities.

Following the recovery in US equities and the ongoing tariff policy uncertainty, we have developed a new theme: "**Reassess the risk-return relationship in your portfolio"** where we encourage you to consider whether your portfolio is positioned with the appropriate level of risk for the current market environment. We merge two existing themes into this: **"Invest in hedge fund strategies designed for market volatility"** [May 2025] and **"Structured products offer efficient risk-return opportunities in current markets"** [March 2025]. We maintain **"Capture the breadth of technology opportunities, across the full value chain"** [May 2025].

New investment theme: Reassess the risk-return relationship in your portfolio

As set out above, we believe that the current environment requires a more nuanced approach than simple bull or bear positioning. The pause in US trade tensions has provided valuable breathing room, but it's temporary relief rather than permanent resolution. The US administration has demonstrated both willingness to use trade policy aggressively and sensitivity to market feedback – a combination that suggests continued volatility around policy announcements. This is all against a backdrop of rising US economic uncertainty, although many now view a full US recession as, on balance, unlikely. We continue to believe that there is upside in equities on a 12-month view, but it may not be a simple linear journey to this destination. Furthermore, beta – or simply holding the index – may not alone deliver the optimal risk-adjusted returns. There are also credible economic scenarios where traditional equity and bond only portfolios could face headwinds simultaneously.

In this context, we strongly feel that a reassessment of the risk-return relationship in portfolios is needed. This reassessment has several dimensions and leads to the following questions:

Winner of the Nobel Prize in Economics, Harry Markowitz reminded us that portfolio diversification is "the only free lunch in investing"

Concentrated or diversified?
A critical question for all investors. Winner of the Nobel Prize in Economics, Harry Markowitz reminded us that portfolio diversification is "the only free lunch in investing." Is your portfolio diversified across asset classes, geographies, sectors, investment characteristics such as growth versus value, and individual stocks?

Capital unprotected or protected?
Whilst certain asset classes have an inherent degree of capital protections (e.g. fixed income), it is possible to pursue strategies in typically unprotected asset classes, principally equities, that introduce a degree of capital protection at the expense of some upside. This could involve the use of structured products that make the most of market volatility, selected hedge fund strategies or hedging.

Exposure to growth opportunities in Europe and Japan?
Beyond the benefits of pure portfolio diversification, we see opportunities for attractive returns in Europe and Japan where equity valuations are generally less stretched and where there may be currency appreciation. These markets could be further supported by flows out of US markets. Does your portfolio include such exposure and may a small tactical overweighting to these regions be appropriate?

Exposure to other alternative investment strategies?
In addition to the portfolio diversification benefits and as above, we continue to believe that attractive returns are available from private credit and private infrastructure with potentially lower volatility than equities.

In the current uncertain market environment, we encourage you to consider these questions.

How to gain exposure
Across each of these different questions, different solutions may be required. In building diversified equity exposure, we would prefer **actively managed funds** in the current environment. If seeking an increased element of capital protection in a portfolio, **structured products** that take advantage of volatility introducing a degree of capital protection in return for a known coupon could be considered. Alternatively, **hedge funds** pursuing a market-neutral or equity long-short strategy would bring additional portfolio diversification. Finally, exposure to **private credit** and **private infrastructure** is best accessed through top tier global managers with specialist expertise, deep resources and preferential access to deal flow.

Existing investment theme: Capture the breadth of technology opportunities, across the full value chain [May 2025]

Whilst we continue to see considerable opportunity in artificial intelligence (AI) specifically, we extend this theme to technological advance more generally and across the full value chain. It is possible to examine the valuation of companies at each stage in the value chain and identify undervalued opportunities on a relative basis.

There are many factors to consider, here are a small selection: (1) Enterprise AI spending is projected to compound at over 80% annually over the next five years , (2) Investment in AI and machine learning startups rose more than 50% to $130bn in 2024, representing 36% of all venture funding globally , (3) With growth in AI and cloud computing, global data centre revenue is expected to more than double over the next five years with specific opportunities outside the USA and in major secondary cities, (4) In the US alone, the internet of things is projected to grow to $1.5tn annual revenue by 2029 with significant growth expected elsewhere in particular in emerging markets.

Investment in AI and machine learning startups rose more than 50% to $130bn in 2024, representing 36% of all venture funding globally

Across the value chain there are key opportunities: (1) In infrastructure – data centres, energy and semi-conductors, (2) In technology enablement – cloud computing, cybersecurity and AI tools and platforms, and (3) In applications – software as a service solutions and internet of things application as well as companies offering AI integration into businesses.

How to gain exposure
Baskets of stocks which give exposure across the theme, including via **structured products** that offer an optimised risk-return profile, **private infrastructure funds** for top quality managers. Avoid concentrated single stock positions or passive/index approaches which ignore the fundamentals of underlying companies.

How can your family wealth survive through generations?

Seneca, the Roman stoic philosopher and statesman, observed: "For many men, the acquisition of wealth does not end their troubles, it only changes them." Over the years, we've observed this to be true. For many, stewardship of hard-earned wealth across generations has been challenging. Everything from reckless spending to ill-thought through investment strategies, to relationship breakdown can dramatically destroy family wealth.

"For many men, the acquisition of wealth does not end their troubles, it only changes them."
Seneca, the Roman stoic philosopher and statesman

There have been examples, through history, of dynastic families who have been amongst the wealthiest in a nation, who have largely lost everything. The Vanderbilt family built the US railroads and amassed a huge fortune, but through excessive consumption and gambling were far from wealthy, just four generations later. For the Huntington Hartford family, who created America's first grocery chain – now referred to as "Walmart before Walmart" – it was a series of failed business transactions. For the Pulitzer family – famous for the Pulitzer Prize – it was the concentration of their wealth in an 800-acre citrus farm in Florida, that was then ruined by disease.

Proverbs and wisdom from different corners of the world encapsulate this phenomenon – for the Chinese, it is "rags to rags in three generations," for the Japanese, "rice paddies to rice paddies," and for Americans, "shirtsleeves to shirtsleeves."

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Supporting this age-old wisdom, a 20-year study of 3,000 families by the US wealth consultancy The Williams Group found that 70% of family fortunes are lost by the second generation, and 90% by the third.

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In this briefing, we explore strategies that can support your family in continuing to prosper over future generations.

Stages of wealth

Aside from the nobility and the aristocracy, the vast majority of family wealth has arisen from entrepreneurial activity. Typically, there has been a period of successful **wealth creation**, perhaps with the founding and growth of a business.

Generally, some years later, a period of **wealth consolidation** follows – with, perhaps, the partial divestment of a business (e.g. via a stock market listing, trade sale or with the investment of a private equity fund). Liquid family wealth outside the business will therefore grow significantly.

Finally, with the eventual disposal of the business and/or the existence of a larger group of family stakeholders, plus the investment of family wealth in liquid investments, a period of **wealth distribution** commences. By this stage, there will be a host of different family members with differing objectives.

Figure 1 illustrates and provides further detail on these different stages:

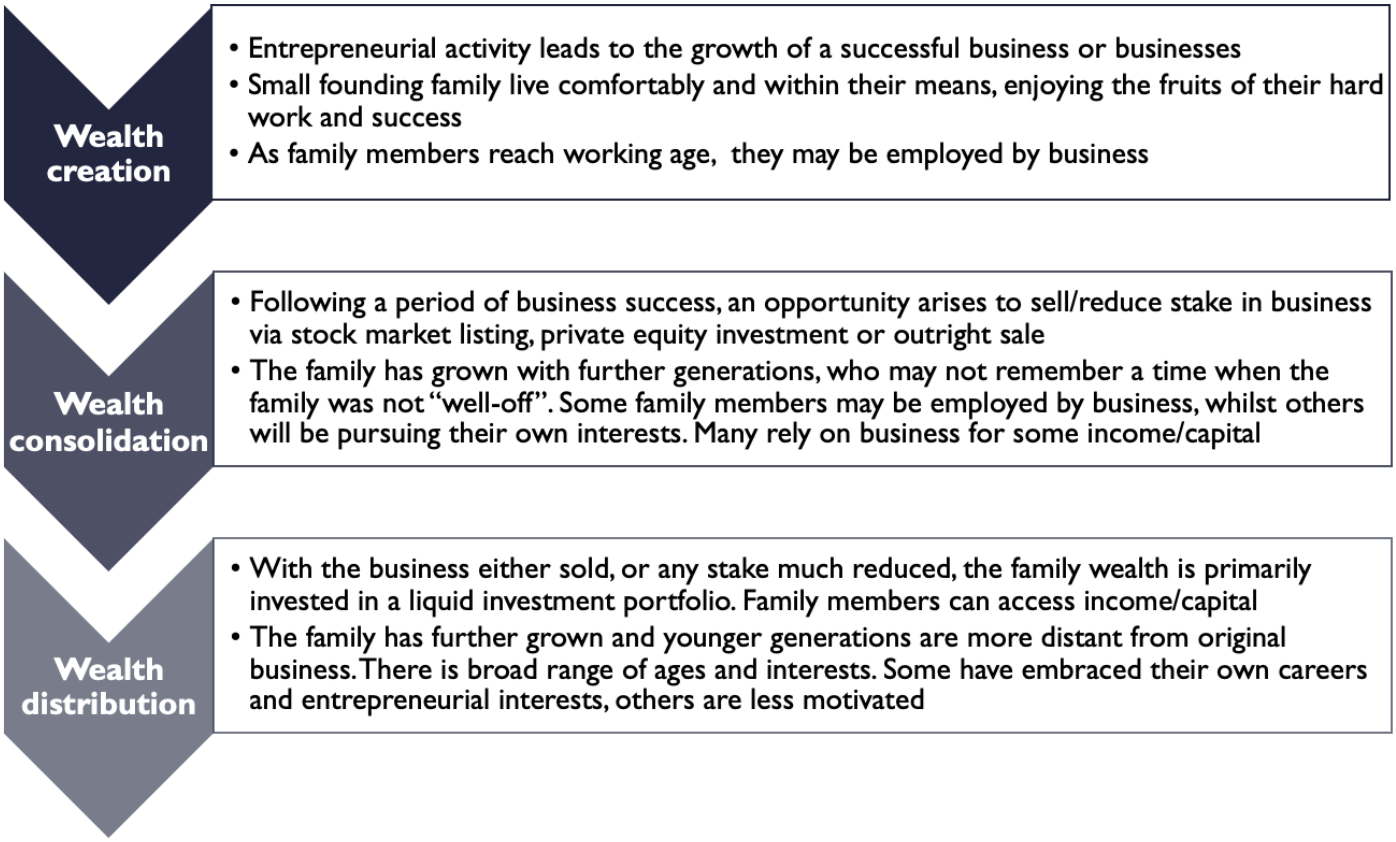


Figure 1: The stages of wealth from creation to distribution

For any family in the latter stages of wealth consolidation or in wealth distribution, there are three main challenges: (1) holding together a disparate range of family members, with different ages and interests, (2) ensuring that wealth is not misused or recklessly spent, and (3) ensuring that wealth is wisely invested for the future. We believe there are important strategies that will maximise the opportunity for success.

Core ingredients of intergenerational wealth transfer

A combination of our professional experience, and theoretical work in this area, demonstrates that there are four core ingredients to successful intergenerational wealth transfer:

- Work-orientated **family values** with a *stewardship* orientated mindset
- A clear **family governance** structure that governs family strategy, behaviour, communication and dispute resolution via a family charter
- A disciplined **investment strategy** that encourages appropriate risk-taking to deliver above-inflation returns, and
- An approach to **income and capital withdrawals** that is proportionate and not excessive

Figure 2 provides further information on these ingredients:

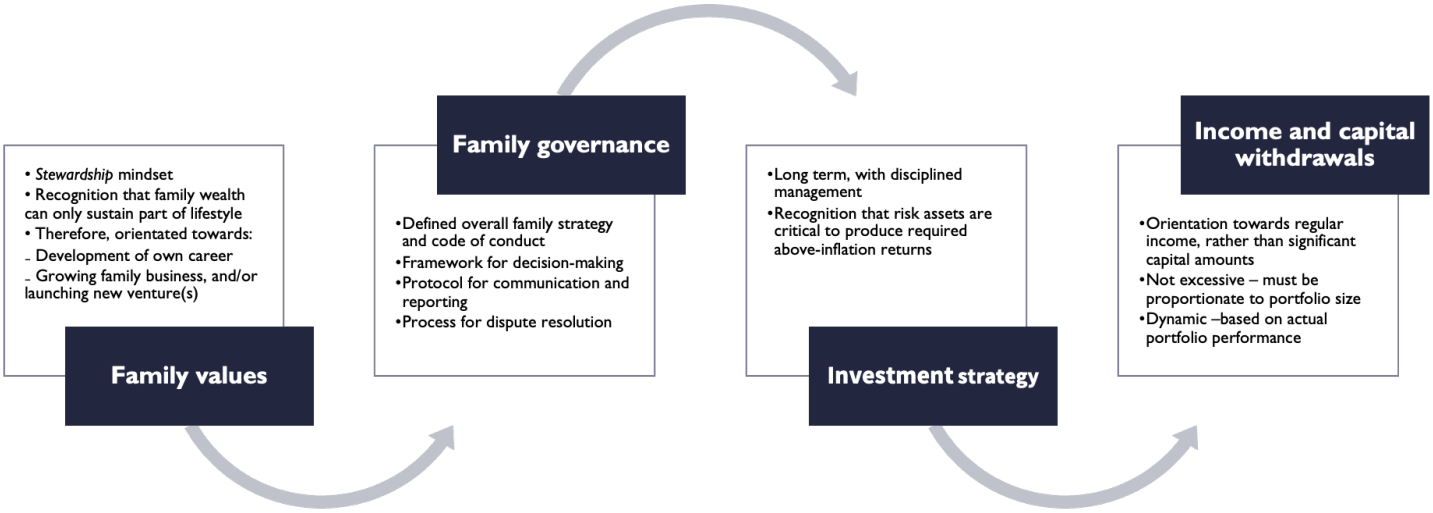


Figure 2: The four core ingredients of successful intergenerational wealth transfer

Family values

Two quotations sum-up the issues faced by wealthy families – the first from the entrepreneurial founder of a diversified business empire in Bahrain, the other from the dynastic Vanderbilt family:

"I think it is very difficult to motivate the third generation because they have lived a better life than we did. We spent a lot of money on them, and they have lots of money coming in. When they ask you for a huge salary it means nothing to them. Unless they can see that they are in power and are getting wealth quickly, they get really despondent and, it has to be said, not all of them want to work. Some, I would say about 50% are not really motivated. This is basically the problem we have, and I don't know what the solutions are."

Farouk Yousuf Almoayyed, founder of significant diversified Bahrain business empire

"My life was never destined to be quite happy. It was laid out along lines which I could not foresee, almost from earliest childhood. It has left me with nothing to hope for, with nothing definite to seek or strive for. Inherited wealth is a real handicap to happiness. It is as certain death to ambition as cocaine is to morality."

William Kissam Vanderbilt II, member of the dynastic family that founded the US railroads

Psychiatrists and sociologists have also studied the impact of wealth on families. The leading child psychiatrist, Professor Robert Coles at Harvard University identified the phenomena of "entitlement" and the sociologist Professor Paul Schervish at Boston College described "hyper-agency":

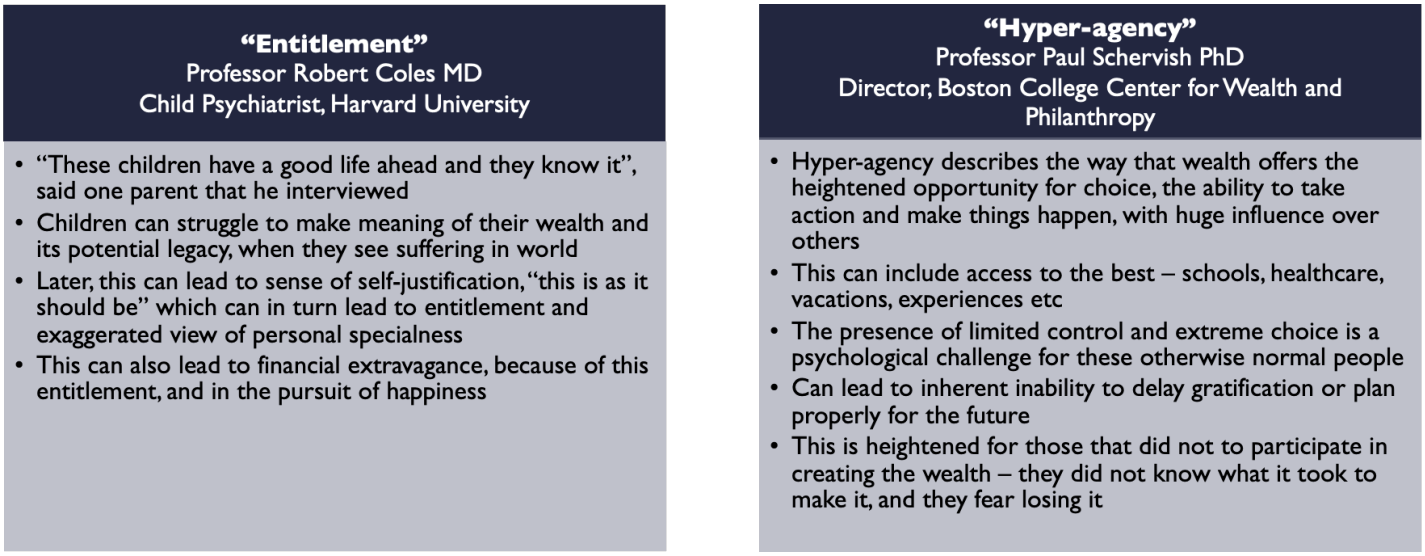


Figure 3: Entitlement and hyper-agency

At the heart of the two quotations – and these concepts of *entitlement* and *hyper-agency* – is the sense that family values are impacted by the freedom that significant financial wealth brings. For example, it becomes possible to make – sometimes reckless – choices without truly bearing the downside risk.

In their paper *From Entitlement to Stewardship: How a prosperous family can prepare the next generation*, Dennis Jaffe and Fredda Herz Brown advocate teaching a stewardship mindset to younger family members which demonstrates to them the value of wealth, instils the value of work and helps them to understand their good fortune. Their research shows that action is required across three areas: (1) **cross-generational engagement** from older to younger, (2) **financial and life skills development**, and (3) instilling of **citizenship**:

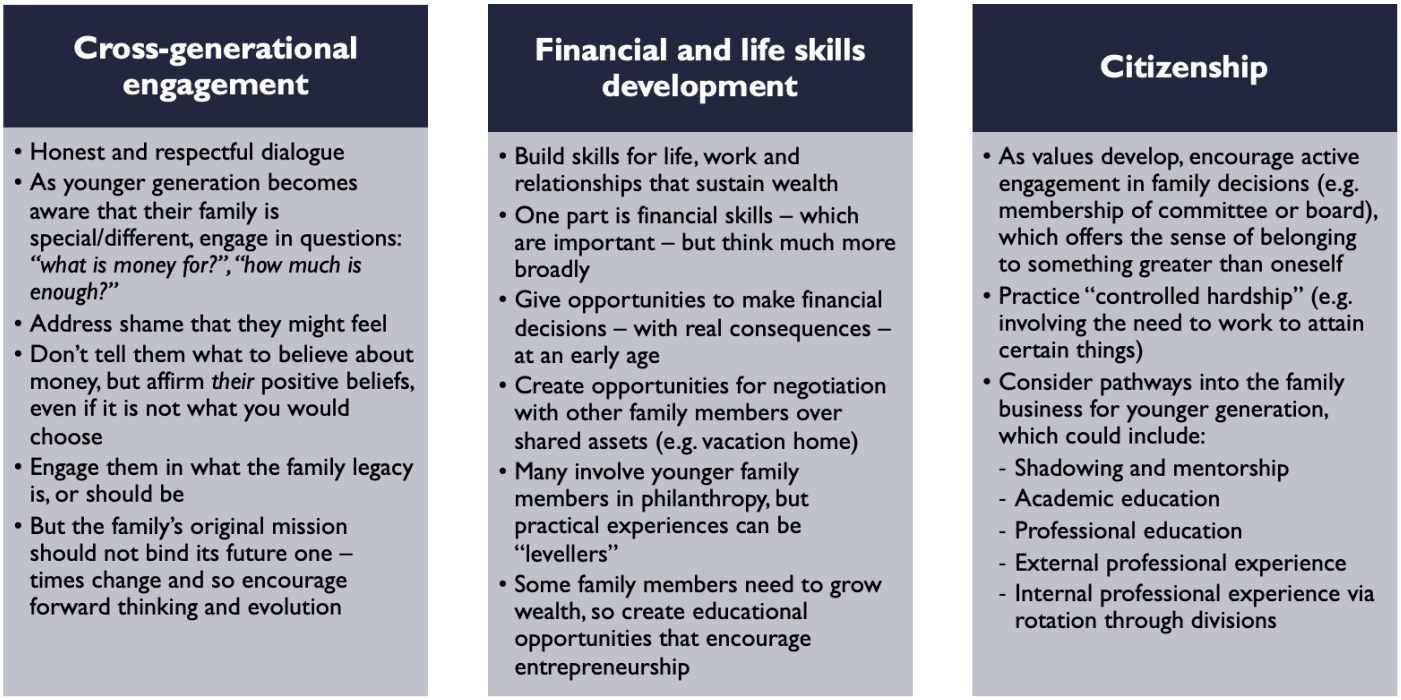


Figure 4: Key steps to prepare the next generation for wealth

It is with this type of approach that a family will prepare the next generation for the challenges of wealth and reduce the likelihood of misjudgement and recklessness.

Family governance

To put it simply, family governance refers to the structures and processes families use to organise themselves and guide their relationship with their family business or wealth. It has a number of different dimensions, including those in this diagram:

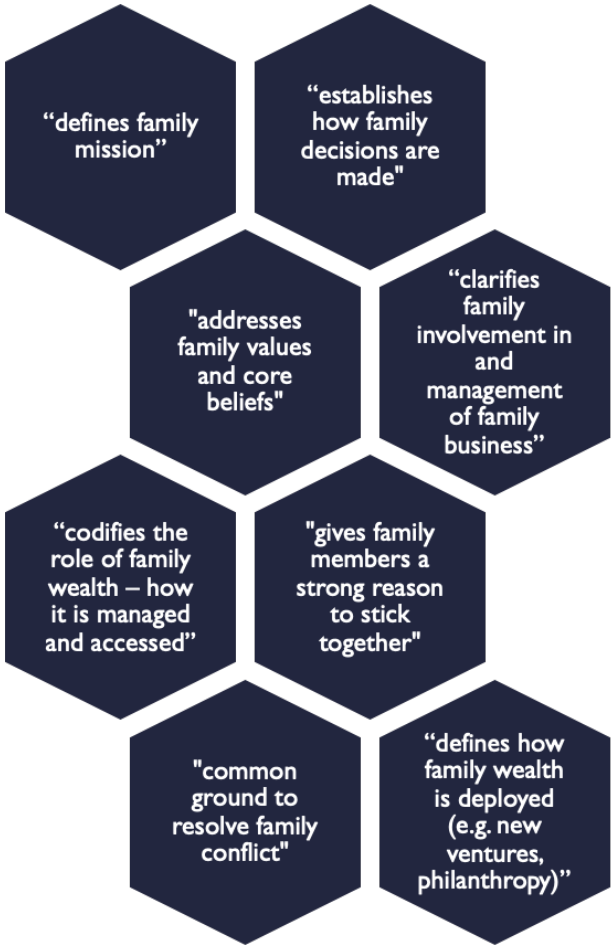


Figure 5: The role of family governance

Family governance becomes increasingly important as family wealth, size and complexity grow. For example, little governance would be required in a family unit of two adults and two young children where there were no claims on the family wealth outside this small unit. Typically, however, at the point where cousins share an interest in family wealth, family governance becomes critical – as the divergence in age and interests can be very great indeed, and also the room for things to go wrong. Instituting clear governance increases the opportunity for family harmony and unity, and strong communication. But each family will need to build a consensus around what is important – overall family goals and values, codes of conduct, how to resolve disputes and general rules around the management of wealth. These things are often included in an overall governing document for a family, called a **family charter**. As you would expect, each family charter is unique to a particular family, but typically, the contents will include the following topics:

Overall strategy / guiding principles	Ownership governance	Family governance	Corporate governance, where appropriate
• Who is part of the family charter and why? • Long term objectives of family • Family values • Family code of conduct - Principles for doing business together - Protection of reputation - How to communicate and make decisions appropriately and respectfully - Commitment to meet	• Voting rights • Transfer of rights • Inheritance of rights • Stalemates • Dispute / conflict resolution • How charter can be amended or dissolved, if at all • Appointment and role of family office	• Membership and operation of family meetings • Election and role of family council • Involvement in family business • Principles and procedures for family members to access family wealth - capital and income • Family involvement in new entrepreneurial activity and philanthropy • Reporting requirements	• Role and appointment of board of directors, including family representation • Role and appointment of senior management • Dividend policy • Philosophy and approach to mergers and acquisitions • Employment and progression of family members in business • Use of equity to incentivise non-family member employees

Figure 6: Typical components of a family charter

In arriving at a consensus around the contents in a family charter, it is important that healthy dialogue is facilitated *within a family*. An external coach or facilitator can play an important role in ensuring that this is a positive journey for a family where appropriate stakeholders get a say and familial bonds are renewed – rather than an occasion where argument and disagreement occurs.

Investment strategy

Let's start with an illustration. With entrepreneurship booming in the post-war era, several successful families in the US had amassed fortunes of USD75m or more, by 1960. For those that sold their family businesses and elected to live off their wealth, it is interesting to examine where they might be today. We decided to run a long term simulation.

At the heart of our approach is the view that families must invest in risk assets in order to maintain the long-term purchasing power of their wealth. It can be all too tempting to put safety first by retaining significant cash balances or by largely investing in bonds. Unfortunately, with such a strategy, there is little or no hope of long-term prosperity.
In order to demonstrate this, we constructed two sample portfolios of USD75m, examining the period between 1960 and 2020:

- Portfolio 1 was invested in a blend of US equities (50%) and US corporate bonds (50%)

- Portfolio 2 was simply invested in 3-month US Treasury Bills (T-Bills), which could also serve as a proxy for cash

Using actual market returns, and assuming that the family withdrew 5% p.a. to fund its lifestyle, we were able to compare the performance of the two portfolios:

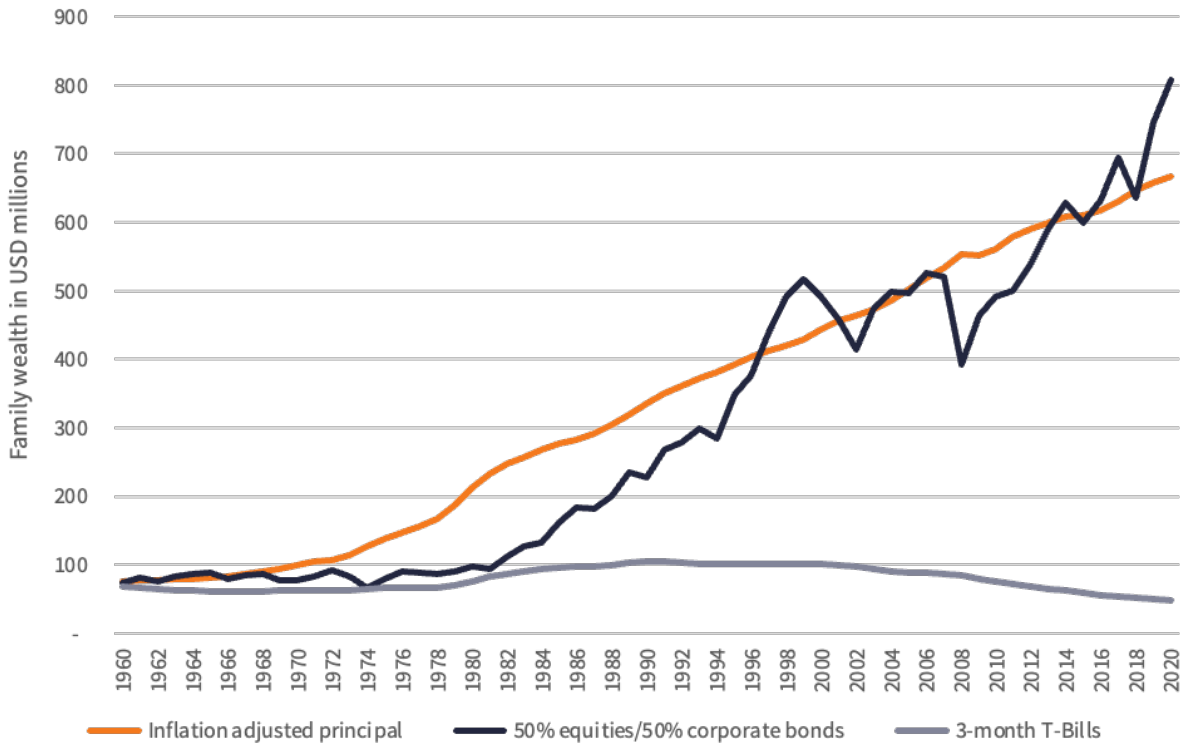


Figure 7: Long term performance of USD75m between 1960 and 2020 invested in blended portfolio of US equities and corporate bonds versus 3-month T-Bills

We adjusted the original USD75m capital for inflation to create a benchmark for the purchasing power of the original funds. By 2020, the original USD75m capital would need to be worth USD680m in order to maintain the same purchasing power (see dashed line on graph).

Portfolio 1 which invested in the blend of US equities and corporate bonds would be worth over USD800m, with family members enjoying an annual 5% withdrawal of USD40m p.a. by 2020 (see solid line on graph). In real terms, the family would be better off than they were in 1960.

Unfortunately, Portfolio 2 which invested in 3-month T-bills would be worth USD70m, with family members enjoying a withdrawal of just USD3.5m p.a. in 2020 (see dotted line on graph). In real terms, the family would only have a fraction of the purchasing power that they enjoyed in 1960.

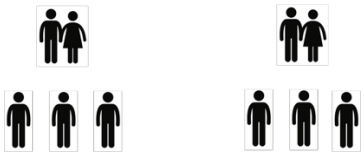
The difference in outcomes is stark and would be life-changing for the family concerned. This strongly demonstrates the need for a disciplined long-term strategy that includes risk assets, and in particular equities, in order to avoid the ravaging effects of inflation.

Income and capital withdrawals

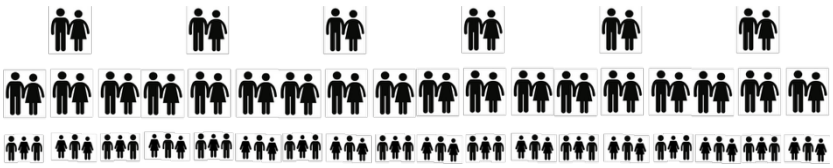
When a family *feels* wealthy, it is easy to spend liberally. There are expectations of being able to replicate the same – or even a superior – standard of living for future generations. Those outside the family may have expectations of how the family *should* be living, as they look-in. At the same time, the level of motivation, acumen and ingenuity that generated the wealth – in the first place – may no longer be present. Each time a grand residence, ski chalet, villa, Ferrari, or private jet is purchased, or with every trip to the casino or auction house, the family wealth is

diluted. It is therefore important that withdrawals of income and capital are planned and proportionate to the overall wealth.

In order to illustrate how quite small differences in investment returns and the income requirements of a family can drain family wealth, we imagined the development of a fictional family over a 70-year period. Initially, two brothers and their small families – 10 people in total – had amassed USD200m in 1990 from a business sale (equivalent to USD400m in 2020):



We made some – extremely crude – assumptions around how the family would grow. And please excuse the inherent discriminatory nature of this model – **it is purely illustrative**. Each person would get married at a predetermined age and have three children. Each person would die at a particular age. This would continue with future generations. There would not be any of the usual life events that could drain wealth, such as relationship breakdowns, illness or business failure. By 2060, the family would have grown from 10 members to 102 members:



We wondered whether capital of USD200m in 1990 could sustain a family, over generations, if everyone decided simply to live off the family wealth? From the 10 family members in 1990 to the 102 in 2060. In addition to the growing size of the family, there were two key dimensions that we decided to examine and vary:

Firstly, the **real returns of the investments**, which we set at four potential levels: inflation plus 0.75% p.a., 1.5% p.a., 3% p.a. and 4.5% p.a. Secondly, the **income requirements** of each family member, however many there were at any time. This started with 10 members in 1990 and ended with 102 members in 2060:

- We set this income as a multiple of the average US salary (USD34,000 p.a. in 2020), with a uniform multiple of salary set for each adult and child family member

- We assume that each member of the family who is living, at any point in time, requires an income, and that adults require double the income of children (i.e. under 18s)

- We allowed for different levels of income linked to the prevailing average US salary in the year concerned, with three different scenarios: (Scenario 1) Adult 2 times and Child 1 times [the prevailing average US salary], (Scenario 2) Adult 4 times and Child 2 times, (Scenario 3) Adult 6 times and Child 3 times

- To be explicit, in these different income scenarios for a family of two adults and three children in 2020, the family income would have been in each scenario: (Scenario 1) USD238,000 p.a., (Scenario 2) USD476,000 p.a. or (Scenario 3) USD714,000 p.a. Arguably, the difference between "comfortable" and "well-off".

- Finally, **capital withdrawals** were never permitted.

We have set out the outcomes grouped by the four different levels of investment return, then sub-divided for the three different income levels. Depending on the levels of investment return and income withdrawal, there were radically different results (all amounts are in USD):

Income drawn as multiple of prevailing US average salary for each adult or child #	Annual investment return of inflation + 0.75%			Annual investment return of inflation + 1.5%		
	Scenario 1 Each adult: 2x Each child: 1x	Scenario 2 Each adult: 4x Each child: 2x	Scenario 3 Each adult: 6x Each child: 3x	Scenario 1 Each adult: 2x Each child: 1x	Scenario 2 Each adult: 4x Each child: 2x	Scenario 3 Each adult: 6x Each child: 3x
1990*	$200m	$200m	$200m	$200m	$200m	$200m
2015	$213m	$186m	$159m	$261m	$232m	$202m
2040**	$161m	$31m	2035	$275m	$128m	2039
2060**	2057	2042		$105m	2047	

Income drawn as multiple of prevailing US average salary for each adult or child #	Annual investment return of inflation + 3%			Annual investment return of inflation + 4.5%		
	Scenario 1 Each adult: 2x Each child: 1x	Scenario 2 Each adult: 4x Each child: 2x	Scenario 3 Each adult: 6x Each child: 3x	Scenario 1 Each adult: 2x Each child: 1x	Scenario 2 Each adult: 4x Each child: 2x	Scenario 3 Each adult: 6x Each child: 3x
1990*	$200m	$200m	$200m	$200m	$200m	$200m
2015	$385m	$351m	$316m	$561m	$521m	$482m
2040**	$685m	$493m	$302m	$1.5bn	$1.3bn	$1bn
2060**	$936m	$289m	2052	$3.3bn	$2.4bn	$1.4bn

Key:
- income in each scenario as multiple of prevailing US salary for each living adult or child. Real salaries used to 2020, projected to grow by 2% p.a. in real terms from 2020.
* - Worth around USD200m today
** - Values in today's money
Year - Year capital was completely exhausted
Amount - Erosion of original purchasing power of capital

From observing the results, it is evident in the worst-case scenario that the family wealth would be extinguished by 2035 – family members spent at too high a level and failed to invest for a sufficiently high return to compensate. In the best case where family members lived more modestly and investment returns were higher, the family would be far wealthier, as multi-billionaires by 2060. Whilst this is far from the real world, the difference in outcome is striking and demonstrates that need for careful thought and modeling of returns versus withdrawals.

In response to these wide variations, it is possible to make important observations, across all the dimensions that we have been considering in this Briefing:

- **Family values**: In order to sustain wealth through generations, either a restrained approach to spending is required or the acumen/motivation to generate additional wealth for the family. Offspring should be raised with this in mind, rather than viewing themselves as *wealthy* and therefore set-up for life

- **Family governance**: In order to maintain the necessary discipline for wealth to be sustained through generations, family governance is critical. A clear and transparent code will ensure that wealth is not abused and will allow for disputes to be resolved. If a family business is retained, it will also ensure that nepotism does not exist, which can have all sorts of negative effects on a business

- **Investment strategy**: In order for sufficient growth in family wealth, ahead of inflation, to be achieved, disciplined investment in risk assets is critical. This will likely include investment in equities, real estate and private markets. This will allow the possibility of returns of inflation plus 3% p.a. or 4.5% p.a. An investment strategy focused on cash and bonds will not yield the required returns

- **Income and capital withdrawals**: In order to avoid depleting family wealth, income withdrawals need to be at a relatively low level. In the different scenarios, for the family unit of five, this means closer to the lowest scenario of USD238,000 p.a. ("comfortable"), rather than USD714,000 p.a. ("well-off"). Alternatively, there need to be other streams of income from professional activities that supplement the income from the family wealth portfolio

We believe that this illustrates the need for an integrated strategy, for any wealthy family, that takes account of each of these different dimensions. Professional advice across each of these areas will also be absolutely critical – just focusing on one area could have a detrimental impact on the others

Conclusion

Being wealthy brings many challenges – in particular, if you wish to sustain that wealth through future generations. To maximise the opportunity for success, it is critical that disciplined thinking takes place in the following areas: **(1) family values, (2) family governance, (3) investment strategy, and (4) income and capital withdrawals.**

At InCred, we can help you consider each of these topics, building a long-term and sustainable plan for the preservation of your family wealth. We take a strategic view, working closely with you to build an integrated and disciplined approach that is unique to your family.

Nick Perryman is Vice Chairman at InCred Global Wealth Limited and Chairman of its Investment Committee. He has over 25 years of investment and wealth management experience, holds advanced qualifications in investment management, financial planning and psychology, and was previously a managing director at UBS where he was head of its international business in London. He is co-author of the book, "Leadership in Wealth: Mastering the opportunities of wealth in your family, firm and society"

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