

A wave of FirstGen – assisting the creators of new wealth

Service area / [Trusts and Private Wealth](#)

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While the increased profiles and demands of the famed “Next Generation” (**NextGen**) of established high net worth families have been well traversed over recent times, little has been said to date about the growing and very different needs of a new group of first generation wealth creators (**FirstGen**) now filling the books of private client advisors. These newly-minted individuals and families are the recipients of a large portion of the huge wealth generated globally in the past 12 to 18 months, and require special attention from advisors and fiduciary service providers not only to manage and protect their newfound fortune but to deal with the inevitable pressures associated with it.

The FirstGen – who are they?

Broadly speaking, the FirstGen are original wealth creators who are predominantly from a younger age bracket. Unlike the NextGen, who are young adults emerging from a long line of established wealth made via family businesses that have evolved over generations, the FirstGen are the recipients of life-changing wealth for the first time in their family history. In many cases, that wealth comes from non-traditional avenues such as investments in new technology and digital assets or cryptocurrencies (**crypto**), and it has been accumulated in a relatively short space of time. By way of example, FirstGen settlors might be persons in the following situations:

- The founder of tech company which is about to undertake an initial public offering (**IPO**) or raise capital in a private setting resulting in the founder receiving significant sums as

part of the process. These clients often need assistance to establish pre-IPO or liquidity event structures to house their interests in the business before the listing or fundraising so that it can be appropriately managed and protected into the future.

- Investors in crypto that have seen a modest initial investment leading to generational wealth. For the crypto investor, as those familiar with the industry will know, these gains can arise in a matter of weeks and months and fluctuate significantly over time.
- The founder or founders of a new crypto project which issues a token as part of the launch of the project. These founders often do exceedingly well at the time the tokens hit the market, with any appreciation in the asset value post-launch being a bonus.

While the way in which the FirstGen have made their fortunes may differ from traditional private clients who have created family wealth over a long period of time or throughout a successful high profile career, the FirstGen also want the same from their wealth management and structuring advisors: a clear strategy for asset protection, succession planning, and privacy as a means of security for their families into the future.

NextGen vs FirstGen

As noted above, the NextGen typically will not have generated the family wealth themselves and will instead be beneficiaries of the foundational efforts of their parents who established

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investment management and private wealth structures in early course to ensure the longevity of the family business. Consequently, NextGen beneficiaries have often (but not always) grown up in a well-resourced environment and are familiar with the considerations and practicalities that come with significant wealth such dealing with legal and financial advisors and ensuring that tax and other obligations are met.

In contrast, the FirstGen, whilst similar to the NextGen to the extent they are often younger and tech savvy, are typically not as comfortable or familiar with great wealth and the considerations that come with it. Dealing with fiduciary and investment management service providers and legal advisors, and talking frankly about money, relationship, and security issues may also seem a foreign (and daunting) exercise. The FirstGen may not have considered the tax implications of their new wealth at all, and may feel particularly vulnerable to the demands not only of regulators but also family and friends who have more than a passing interest in the FirstGen's fortuitous change in circumstances.

Different challenges for advisors and trustees

When dealing with sophisticated clients, it is often not necessary to go over the basic principles of wealth structuring and succession planning in any great detail. However, that is unlikely to be true for FirstGen settlors, who may be unfamiliar with trust and estate structures and the associated implications and benefits. It is therefore important for both legal advisors and trustees to take the time to ascertain at an early stage what level of familiarity a FirstGen client has with these concepts, to ensure information is provided at the right level and the client builds a clear understanding of why structures are used and how they operate in practice.

Another key challenge for those working with the FirstGen concerns the technical expertise of the advisors and trustees themselves. FirstGen clients, particularly in the crypto space, will select advisors and trustees based on their knowledge and understanding of what are often complex assets and investments. By way of example, a client wanting to establish a trust to hold a particular cryptocurrency might ask about concepts, such as "staking rewards", with which the trustee or advisor is not familiar or in a position to provide good quality advice. A fundamental understanding of new technical concepts will likely become a competitive advantage for advisors and trustees who can engage in intelligent discussions around areas of interest for FirstGen clients. More generally, advisors who can embrace technological innovations and solutions when working with FirstGen clients, to whom simplicity and speed of delivery are big drivers, will likely see their client base grow significantly. For example, innovative ways of onboarding clients and obtaining KYC such as using Blockchain and other new tools will likely be appealing to younger tech savvy clients.

A trend likely to continue

Given the huge amount of activity in capital markets and the crypto industry, FirstGen clients will undoubtedly continue to comprise a large portion of the modern private client advisor's book. For those willing to embrace this new type of client, and geared to provide the more bespoke advice required, a great opportunity awaits.



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