

Succession Planning: How technology serves as an intergenerational mediator

Passing on family wealth is an intergenerational challenge.
Digital tools provide a secure way to manage the process inclusively.



By *Martin Stadler*



Single-person risk: Data could be lost forever if the person safeguarding the information dies.

“Succession planning might be an uncomfortable process, but the risk of losing what has taken a lifetime to build is much worse”

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A Spanish proverb says, “First generation, trader; second generation, gentleman; third generation, beggar.” That’s an overgeneralization, but as with most sayings, there is also some truth to it. Preserving wealth over centuries mainly comes down to proper succession planning. Families need a structured approach supported by complete documentation. That also presents a key challenge for wealth managers: How to support clients in structuring succession planning so that it considers each generation’s preferences and priorities?

The challenges of passing on wealth

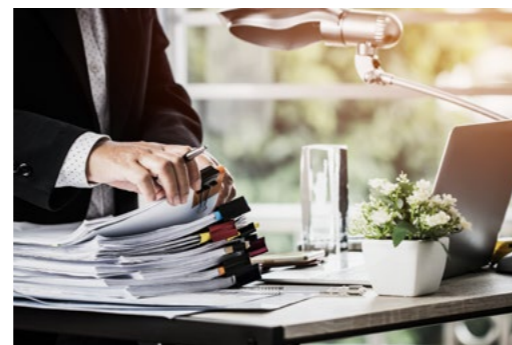
There is a natural psychological barrier to start preparing for the death of a beloved family member. But postponing the necessary steps can be a costly mistake, as tragic events often come as a surprise. Succession planning might be an uncomfortable process, but the risk of losing what has taken a lifetime to build is much worse.

The hand-over from one generation to another is a challenge that involves the whole family and their advisors: in principle, everyone should be on the same page. Those who pass on wealth are equally interested in proper succession planning as the generation taking over. However, the generation in charge may feel uncomfortable giving up control over their affairs – which is understandable. Besides, they may fear overburdening the following generation by handing over too much responsibility at once.

On the other hand, the incoming generation may be eager to take over that

responsibility and would prefer to speed up the process; yet, they are often blocked because they can’t access information. That can be particularly painful if the family wealth includes an operational business that needs one person to be fully in charge.

Besides the psychological barriers to succession planning, incomplete documentation adds to the struggle. Many families are still keeping their wealth data in a manual way, maintaining paper-based documents or excel files. Even worse: some data might not even be recorded anywhere. That creates a single-person risk: if the person safeguarding the information dies unexpectedly or suffers memory loss, data could be lost forever.



Drowning in documents? Many families still keep wealth data in a manual way

Technology as mediator

To avoid the pitfalls of improper succession planning, all involved parties seek an adequately managed process. The good news is that technology has made this process

significantly easier: Digital wealth management platforms provide comprehensive solutions for the challenges ahead.

In the old days, passing on wealth meant discussing account statements, paper folders, and excel sheets, explaining what the family owns, where information is stored, and how to access it. The bigger the wealth, the more complex the hand-over, and the more oversights typically happened. Information might be distributed or not sufficiently documented, increasing the risk that following generations will not even know about certain family assets or how to access them.

Technology can greatly reduce these risks: on modern wealth management platforms, users can store all information in a digital vault. Ownership documents, mortgage contracts, insurance policies or account statements; the digital vault provides a single data center where everything relevant is recorded. The account owners can decide which folders, assets, and documents they want to make accessible for other users at what moment. Thus, family heads might give their children access to parts of the family wealth without passing on too much information and overloading their successors. They can subsequently open up more information, giving the incoming generation time to grow into their new role.

As such, wealth management technology becomes a mediator between generations. For those who take over wealth, technology becomes a means to access information; for their predecessors, it provides a way to share responsibilities step-by-step. And for both parties, digital platforms provide insurance

against the sudden death of the person safekeeping all information. Data won’t be lost; instead, it will be easily accessible, organized, and up-to-date. Family knowledge and wealth remain protected.

More than just data aggregation

In most cases, the incoming generation will be more open to using digital technologies. At the same time, the current wealth holders might prioritize the paper-based filing systems they have used for a lifetime. Wealth management platforms need to address privacy and security concerns, provide a secure infrastructure and user-friendly interfaces. It’s also paramount that account owners can share information with their successors and involve external advisors such as tax or real estate consultants. That simplifies the hand-over and allows coming generations to start working with the experts chosen by their predecessors, who know and understand the family’s affairs.

That’s why the ideal wealth management platform is more than just a data aggregator. It is an interactive platform where all involved stakeholders can communicate and participate. It’s a single point of truth and a tool that makes passing the baton to the next generation easy. Succession planning doesn’t need to be complicated; it doesn’t need to make families subject to risks. Technology can provide solutions to one of the biggest intergenerational challenges of wealthy families.

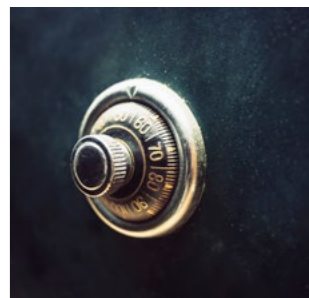
Martin Stadler is CEO of Altoo AG

altoo.io

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Above: Preserving wealth over centuries mainly comes down to proper succession planning.



Digital vault: Modern wealth management platforms provide a single data center where everything relevant is recorded