Protecting intergenerational wealth through times of change

As outlined in our paper Prosperity Investing | The Mutual Trust Wealth Story, focusing on wealth alone doesn't guarantee a family's long-term success.

While investment advice and market movements certainly influence outcomes, they only form part of the picture. In our experience working with families across generations, the erosion of wealth can occur subtly – particularly during periods of transition or disruption.

A disruptive event might be a business sale, significant inheritance, or something more personal such as death, divorce or declining capacity. These events often expose gaps in preparedness, governance and communication that can materially impact outcomes.

Below, we explore some of the common risks that can impact capital over time, along with practical steps to help families manage them successfully.

Robust governance supports better decision-making

Differences in priorities and attitudes to risk can create friction between family members – particularly during times of change.

Strong governance provides a shared framework for decision-making. It helps families to define clear investment objectives, agree on a shared risk profile and develop a coordinated strategy. It also reduces reliance on a single decision-maker, supporting continuity across generations.

Importantly, engaging family members early builds understanding and confidence, particularly for those who may one day need to step into decision-making roles.

A clear strategy to support periods of transition

A well-defined investment strategy acts as a roadmap, empowering families with discipline to stay the course. This is especially relevant following a liquidity event, such as a business sale. While these events create opportunity, they can also introduce complexity through:

- A sudden shift from operating assets to managing financial capital
- Diverging views across generations on how wealth should be used
- The loss of the business as a platform that once unified the family

Without a clear strategy, families can feel practically and emotionally unprepared.

At its core, an effective investment strategy should reflect the family's purpose, values and long-term objectives, while considering their full balance sheet. Just as importantly, it should be understood by current *and* future decision-makers.

Reframing reactions to volatility

Market volatility can understandably trigger concern, particularly alongside periods of uncertainty or personal change.

Emotional responses, such as panic selling or becoming overly conservative, can erode long-term value. This risk is heightened when individuals are required to make decisions without prior experience and during a difficult time, such as after the loss of a partner.

A clear investment strategy helps anchor decision-making, supporting a disciplined, long-term approach that protects wealth for generations. It also allows families to view volatility as an opportunity, whether through portfolio rebalancing or maintaining exposure to growth assets.

Preparing for major life events

Big life events, such as death, divorce or declining capacity can adversely impact family wealth if not planned for. For example, a family member may find themselves inheriting responsibility for significant wealth without any prior involvement or education. Under this scenario of heightened stress, they may find themselves also trying to navigate:

- Outdated or poorly understood structures
- Limited involvement of key family members
- Lack of clear communication
- No documented investment strategy

Coordinated, multi-disciplinary advice — combined with early engagement and education — is critical to navigate these transitions successfully and engage in effective decision-making.

Looking forward with confidence

True success is not measured by returns alone, but by the extent to which wealth supports a family's purpose and aspirations – particularly through periods of change.

With clear strategy, strong governance and a disciplined approach, families can navigate disruption with confidence and sustain wealth across generations.

At Mutual Trust, we work closely with families to bring these elements together through our Prosperity Investing approach — providing integrated advice, structure and support tailored to each family's circumstances.

If you would like to discuss how we can support your family's long-term objectives, we encourage you to speak with your Relationship Manager.

Michael Downes
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Interested in learning more?

Tune in to Episode 20 of the Mutual Trust Purpose of Wealth podcast, where Olympian and Partner at Mutual Trust, Peter Antonie OAM, explores the importance of teamwork, discipline and goal setting in achieving success.

Click here to listen.

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