FINANCIAL SERVICES

Estate planning stressing wealthy families: Bank of America

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Watches, cars, sneakers and other collectibles are becoming increasingly appealing to young investors. Image credit: Richard Mille

By EMILY IRIS DEGN

The 2024 Bank of America Private Bank Study of Wealthy Americans shows that young people are changing the investment game.

Of those surveyed between 21 and 43 years old, 72 percent do not believe that they can achieve above-average returns with traditional stocks and bonds alone 28 percent of individuals over 44 share the sentiment. Millennials and Gen Zers are looking elsewhere, and in the process, are driving demand for alternative capital-building strategies such as art and collectibles.

"We're living through a period of great social, economic and technological change alongside the greatest generational transfer of wealth in history," said Katy Knox, president of Bank of America Private Bank, in a statement.

"Our study shows that wealthy Americans are focused on diversification, long-term goals and making a lasting impact with their wealth."

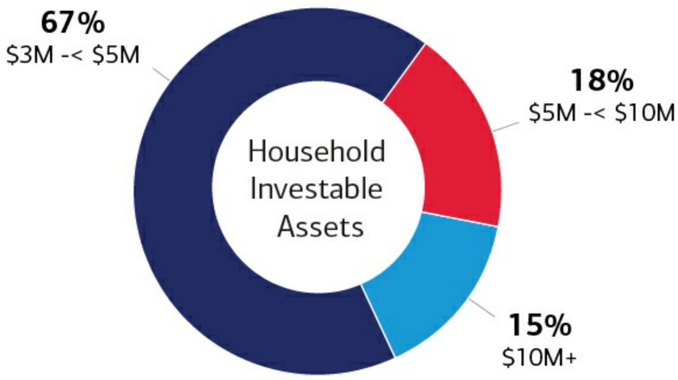
For the report, independent market research company Escalent carried out an online survey on behalf of Bank of America Private Bank. In total, 1,007 high-net-worth U.S. individuals (HNWIs) who are 21 years of age or older participated, each with $3 million or more in investable assets outside of a primary residence.

Stocking up

While HNWIs feel that U.S. stocks are the best way for them to grow their assets, younger investors are eyeing real estate, private equity, digital assets, gold and more.

In fact, 47 percent of this group's portfolios are in bonds and stocks. For those over 44 years old, that figure is 74 percent.

Of the surveyed Americans 43 years of age on down, 17 percent of their portfolios are allocated to alternative investments compared to 5 percent of older participants. Looking ahead, 93 percent of the younger demographic plans to put more toward these other avenues in the next couple of years.



The value of household investable assets varied between the survey's participants. Image credit: Bank of America Private Bank

Cryptocurrency is a popular pick, with 49 percent of those under 44 years old owning it and 38 percent interested in doing so. This category is ranked as the second-greatest opportunity for growth, with just real estate investments put above it.

In the physical world, gold is possessed by 45 percent of the young survey-takers, and another 45 percent are interested.

Forty percent of all respondents state that they own or would like to own an art collection. Particularly fond of this mode of investment are millennials and Gen Zers, with 83 percent answering this way.

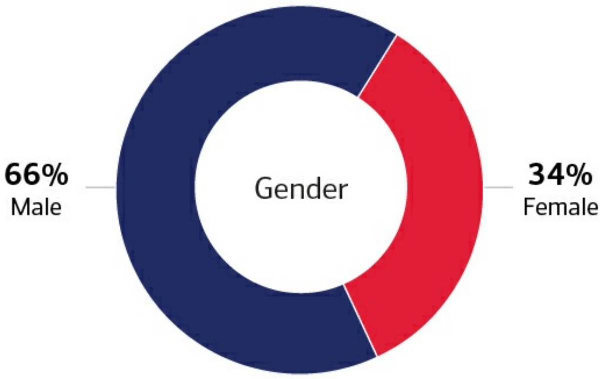
Collectibles are likewise capturing their attention, with 94 percent of those under the age of 44 saying that they are interested of all survey respondents, 65 percent share this view.

Compared to older generations, the younger crowd is at least two times more likely to acquire watches, wine and spirits, classic or rare cars, sneakers and antiques. These investments are owned by 46 percent, 36 percent, 32 percent, 30 percent and 30 percent of participants, respectively.

The great wealth transfer

The "Great Wealth Transfer" is expected to get more money into the hands of women than ever before.

According to the Bank of America Institute, this shift is unfolding over the next decade. In total, $30 million in U.S. wealth will be granted to female influencers of financial decision-making, philanthropic giving and much more.



The survey's participants are mostly male, but the world's female population is poised to receive the "Great Wealth Transfer." Image credit: Bank of America Private Bank

However, the report reveals there are gaps in generational wealth transfer planning, guidance and communication around it.

One in five respondents share that they have experienced strain over inheritances. This includes 54 percent of younger HNWIs.

For years, research has shown that these heirs are not prepared to receive what their families pass down to them (see story). Storytelling (see story) and proactive conversations are supposed to help (see story).

Sixty-nine percent of parents have spoken with their adult children about family wealth plans. On average, these talks do not begin until their child is 31 years old or older.

Meanwhile, 52 percent of wealthy Americans do not have a will, advanced healthcare directive and durable power of attorney included in their estate plan.

Forty-eight percent are not considering hard assets such as art, collectibles, real estate and other tangible assets. As outlined, these are especially of note for younger participants of the study.

Fifty-six of respondents do not have an established trust at all, and 27 percent say that they do not understand them or their benefits very well.

It is yet to be seen when these knowledge gaps will close.