Volume 18

Wealth Insights

The Rise of the Global Citizen?

Wealth and Investment Management

BARCLAYS

About Barclays

Barclays is a major global financial services provider engaged in personal banking, credit cards, corporate and investment banking, and wealth and investment management with an extensive international presence in Europe, the Americas, Africa and Asia. Barclays purpose is to help people achieve their ambitions — in the right way.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs approximately 140,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

For further information about Barclays, please visit our website www.barclays.com

About the research

This 18th volume of Barclays Wealth Insights explores the rise of the global high net worth citizen, exploring where wealthy individuals today choose to live, work, invest and retire. Its conclusions are drawn from two main strands of research.

First, Ledbury Research conducted a survey of more than 2,000 high net worth individuals, all of whom had more than USD$1.5 million/GBP£1 million* (or equivalent) in total net worth and 200 with more than USD$15 million/GBP£10 million. Respondents were drawn from 17 countries around the world, across Europe, North America, South America, the Middle East, Africa and Asia-Pacific. More than 750 of the respondents identified themselves as entrepreneurs.

Secondly, Rob Mitchell and Joe Dalton of Longitude Research conducted a series of interviews with academics, professionals and other experts around the world. Longitude Research then wrote the report in conjunction with the Wealth and Investment Management division of Barclays.

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* All currency conversions in this report are based on exchange rates as of September 1, 2014, and in some instances are rounded up or down.

Foreword

> "… throw off the bowlines. Sail away from the safe harbor.
> Catch the trade winds in your sails. Explore. Dream. Discover."
> **Mark Twain**

In the 1870s Twain saw the economic and personal growth potential of travel — even in an age where the traveller still required sail power to explore new geographies. Now over 140 years later, where conversations, information-sharing and even money transfers can happen instantly — and across international borders — it is no surprise to discover that the globe's wealthiest individuals are more mobile than ever before.

Whether moving to a different country for economic opportunity, career prospects or to give their children a better education, our research shows that over two in five high net worth individuals have lived in more than one country. While the opening out of markets has certainly given rise to this trend, technological advancement is undoubtedly accelerating it. Barclays is at the forefront of building the assets and capabilities to ensure this opportunity is realised by all — whether through piloting voice recognition tools to help fraud reduction or rolling out our mobile banking capabilities. The findings from Volume 18 of Barclays *Wealth Insights* underscore the growing need for these tools and services as each of us becomes an ever more global (and mobile) citizen.

This is a trend, at least in the medium term, which looks set to continue. The entrepreneurs among our respondents are twice as likely to be planning a move abroad in the next five years, compared to other high net worth individuals. Wherever these networks of highly-productive, highly-mobile entrepreneurs exist, there is both a need and an opportunity to deepen our understanding of these individuals and to better serve them.

The rise of a more mobile wealthy cohort has benefits that reach beyond self-improvement and financial reward. This report reveals that those who have lived in multiple countries are likely to have the broadest geographical engagement with causes and charities when it comes to philanthropic giving of both time and money.

Our customers and clients tell us that they want greater flexibility in their investments and to ensure that their wealth is as mobile as it is geographically diverse; so we at Barclays are striving to further explore and discover the answers that will get them there.

I hope that you will find Volume 18 of *Wealth Insights: The Rise of the Global Citizen?* as informative as it is thought-provoking.

Ashok Vaswani

Ashok Vaswani
CEO of Personal and Corporate Banking, Barclays

Our *Wealth Insights* Panel

Liam Bailey, Head of Residential Research, Knight Frank

Sebastian Dovey, Managing Partner, Scorpio Partnership

Micha Emmett, Managing Director, CS Global Partners

James Faulconbridge, Professor at Lancaster University

Faranak Foroughi, Founder and CEO, Tharwa Management Consultancy

Caroline Garnham, Founder and CEO, Family Bhive

Jean-Francois Harvey, Managing Partner, Harvey Law Group

Jamie Jackson, Founder and Executive Vice Chairman, MySale

Nicholas Rollason, Head of Business Immigration, Kingsley Napley

Greg B Davies, PhD, Managing Director, Head of of Behavioural-Quant Finance, Barclays

Francesco Grosoli, Managing Director, Market Head — Switzerland and Monaco & Chief Executive Officer — Monaco, Barclays

Emma Turner, Head of Client Philanthropy Service, Barclays

Didier von Daeniken, Head of Wealth Management for Asia Pacific, Middle East and Africa, Barclays

Introduction

Around the world, a growing number of high net worth individuals are becoming more international in their outlook and behaviour, and moving more frequently from country to country.

There are multiple factors driving this trend. Globalisation and the liberalisation of markets have made it easier for ambitious individuals to start and grow international businesses, as well as conduct and manage their affairs from almost any location.

The changing source of wealth is another factor. Today, a growing proportion of high net worth individuals are earning their wealth through entrepreneurship, rather than receiving it through inheritance. To grow their ventures, many of these entrepreneurs recognise that they need an international outlook and a willingness to follow the most promising business opportunities.

Technology has accelerated this trend by giving businesses a global outlook from the outset, enabling easy communication across borders and facilitating innovative new international business models. More broadly, the Internet has become a global source of shared information, connecting people all over the world and fuelling the desire to travel.

Another factor impacting the mobility of high net worth individuals is the shift of economic weight towards Asia, which is expected to become the largest regional market by the number of millionaires by the end of 2014, and by wealth in 2015[1]. The rise of these markets has created a new generation of wealthy individuals, keen to educate themselves and their offspring overseas, and experience other parts of the world. At the same time, continuing political uncertainty — notably in the Middle East and Africa following the Arab Spring — is also driving the wealthy to reassess where they live, work and invest.

The Rise of the Global Citizen? report aims to explore the mobility of today's wealthiest individuals, and to assess whether their choices of where to live, work, study, retire, invest and donate wealth are indicative of an increasingly international group. It also looks at key trends in the make-up of high net worth individuals, and how these are impacting mobility, financial planning, identity and philanthropic behaviour.

1 *World Wealth Report 2014 from Capgemini and RBC Wealth Management*
http://www.uk.capgemini.com/thought-leadership/world-wealth-report-2014-from-capgemini-and-rbc-wealth-management

Executive summary

Mobility among the wealthy is increasing. Today's high net worth individuals are more mobile than ever before, with nearly half (43%) of those we surveyed having lived in more than one country. The wealthy are increasingly being motivated to move between countries in order to fulfil their international career aspirations, seize financial opportunities and ensure a better quality education for their children.

Entrepreneurs value mobility more highly than other wealthy individuals. Our survey found that among high net worth individuals, entrepreneurs are twice as likely to be planning a move to a different country in the next five years. This underlines the increasing need for business owners to become more mobile in order to make their ventures successful in a globalised marketplace.

Today's wealthy individuals are paving the way for future generations of truly global citizens. The offspring of the current generation of wealthy are even more likely to lead international lives. The majority of our survey respondents expect their children to live in more countries than they have lived — with 78% of Latin American wealthy individuals, for example, believing this will be the case.

The global wealthy are becoming more multinational. Our survey found that, as high net worth individuals move around more, they feel a growing sense of becoming multinational — three quarters (74%) of respondents who have lived in five or more countries reported this. Their behaviour is becoming more closely aligned with the types of investments they make, the destinations in which they choose to live and the lifestyles they seek.

Today's high net worth individuals are more mobile than ever before, with nearly half (43%) of those we surveyed having lived in more than one country.

The choice of destinations for HNWIs remains relatively narrow. The migration of individuals and their wealth remains concentrated across a relatively small number of select destinations. Certain global cities, such as London, New York and Singapore, have become "wealth hotspots," where high net worth individuals can benefit from a wide variety of lifestyle choices and invest their assets in liquid, regulated and relatively stable markets.

Mobile individuals must manage complex financial planning issues to reap the benefits of holding global asset portfolios. In the wake of the global financial crisis, investors — including high net worth individuals — are seeking to diversify the geographic spread of their investments to achieve better returns and reduce their risk exposures. More than 70% of respondents to our survey said they invest in a geographically diversified portfolio of assets. At the same time, they also want the flexibility to move assets and wealth easily between countries to meet their needs.

Global living may increase global giving. According to our survey, those wealthy individuals who have lived in more than one country are more likely to donate both time and money globally, rather than locally. This suggests an increasing prevalence of philanthropy across borders among more mobile wealthy individuals.

In the wake of the global financial crisis, investors — including high net worth individuals — are seeking to diversify the geographic spread of their investments to achieve better returns and reduce their risk exposures.

Section 1

Mobility

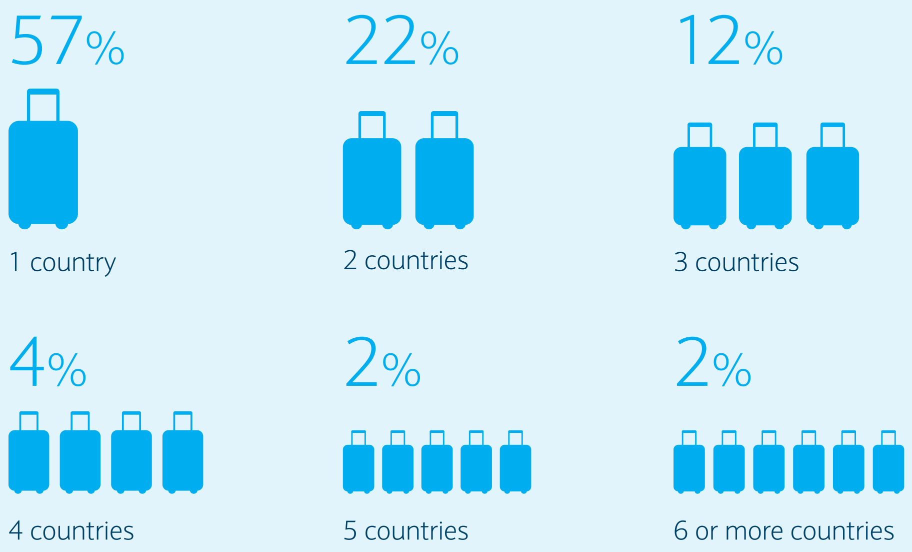
- There are fewer barriers to mobility than ever before. More high net worth individuals are seeking secondary citizenships to help them grow their businesses abroad and to take advantage of international career opportunities
- The wealthy are taking a pragmatic approach to mobility, with education and safeguarding wealth against economic instability both key priorities
- Wealthy individuals are gravitating towards just a small number of destinations within a given region, leading to high concentrations of wealth in certain cities.

Today's wealthy individuals are habitual country hoppers. According to our survey, just under half of them (43%) have lived in more than one country, and one in five (20%) have lived in three or more countries. Entrepreneurs, in particular, are showing signs of increased mobility. Among our survey respondents, those who describe themselves as entrepreneurs are twice as likely than other wealthy individuals to be planning a move to a different country in the next five years.

Moreover, wealthy individuals expect their offspring will be more mobile than they are. The majority of our survey respondents feel their children will live in a greater number of countries than they have lived. In Latin America, for instance, 78% expect this will happen, while 91% of Indian respondents say the same.

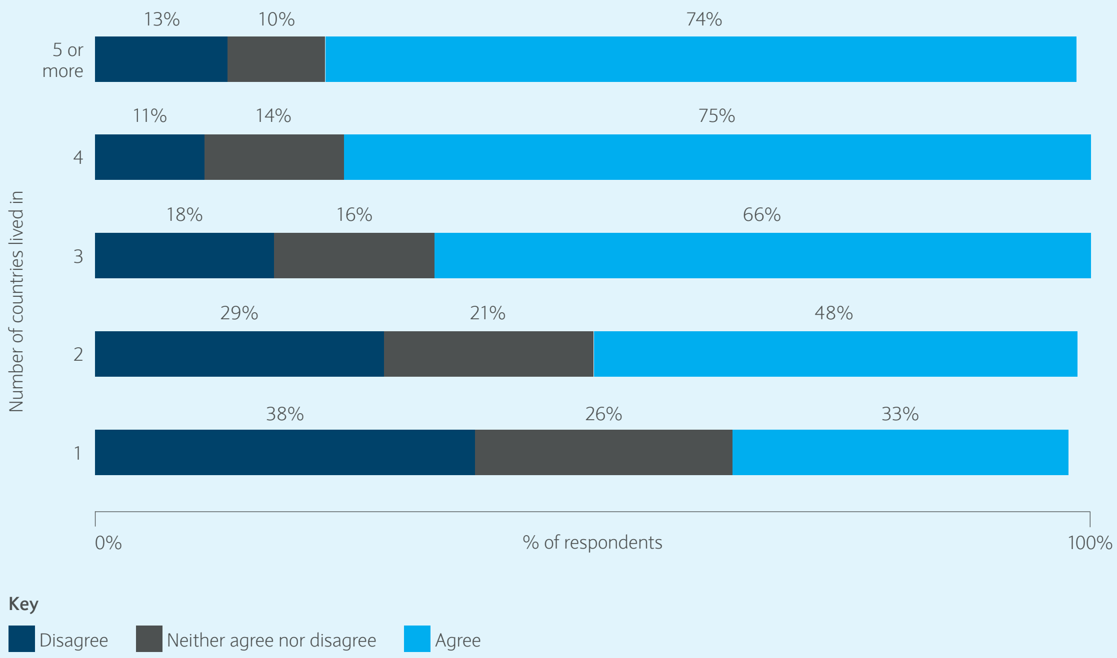
As high net worth individuals mould themselves into global citizens, there is much debate over the meaning of identity, and to what extent this is retained or lost as people become distanced from their state of origin and its culture. We have already seen a degree of homogenisation taking place among this group. Our survey results found that, as wealthy individuals move around more, they feel a growing sense of becoming multinational — three-quarters (74%) of respondents who have lived in five or more countries reported this.

Chart 1
In how many countries have you ever lived? (including for work/education purposes)?



Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

Chart 2
To what extent do you agree or disagree with the statement "I consider myself to be multinational"?



Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

Returning home to retire

While high net worth individuals from around the world are perhaps converging in some ways and feeling a growing sense of becoming multinational, our research suggests that the majority opt to return home for retirement. In our survey, the vast majority of respondents that have lived in multiple countries during their lifetime return to retire in the country where they were born. This ties in with the indication from the survey that wealthy individuals do tend to retain their sense of national identity despite living abroad at some stage in their lives.

This finding suggests that emotional and psychological factors play a greater role in the movement of high net worth individuals in the later stages of their lives as they return to settle, share and spend their wealth in their country of origin. "I think more and more people realise that if you take another citizenship to access the rest of the world, it doesn't mean that you are being unpatriotic or have abandoned your roots. Instead, individuals are merely reacting to the effect of globalisation," explains Micha Emmett, Managing Director of CS Global Partners, an international legal advisory group.

Attracting mobile high net worth individuals

Countries around the world are keen to attract this increasingly mobile population of wealthy individuals. In the wake of the global economic downturn, a host of countries, in regions including the EU, North America and the Caribbean, have begun offering citizenship programmes based on investment.

Many high net worth individuals are taking advantage of these opportunities. "There has been an explosion in second passports as a way for these high net worth individuals to achieve global mobility," explains Nicholas Rollason, Head of Business Immigration at London-based law firm Kingsley Napley. "If you look at the Russian and Chinese high net worth communities, having second passports and a residence that gives you access to a number of countries visa-free, it is very much seen as a badge of honour," explains Mr Rollason.

As their businesses become increasingly international, Asian business owners are acquiring second passports as a matter of necessity. In today's fast-paced markets, residents of Asian jurisdictions such as China, Thailand and Vietnam, cannot afford to wait weeks to acquire visas to important business jurisdictions, says Jean-Francois Harvey, Managing Partner at Harvey Law Group. "There is a need to acquire the right passports so they can travel freely to keep control over their business and to close deals," Mr Harvey explains.

Migration drivers

The movement of wealthy individuals is commonly ascribed to purely financial motivators, such as obtaining more favourable tax rates than those in their home countries. While this undoubtedly remains a factor for some[2], our survey suggests that, in many cases, other issues take precedence when determining migration choices.

In fact, 35% of respondents to our survey are planning a move to another country simply because they desire a better climate. Twenty percent are looking to move in order to experience another culture. For the younger high net worth individuals (under 45) in our survey, the top priorities when considering a move to another country are better education for their children (37%), economic opportunity (29%), and career development (29%). For older generations, however (over-65), retirement and economic security are of greater importance.

Mr Rollason says that wealthy individuals will typically adopt a pragmatic approach to migration. "It's not necessarily that they want to become citizens of that country because of a particularly strong attachment or connection; it comes from the head rather than the heart. They would look at what they need to achieve, which tends to be children's education, asset protection, freedom of travel and security," he argues.

Mr Harvey agrees that the practical needs of the wealthy will tend to outweigh the strength of emotional ties to a country when they are driven to migrate for the first time. He argues that, despite an initial reluctance to leave their home countries behind, most of his Asian clients are unaffected once the move has been made. "Once the process has started, they show no concern (about leaving) and they never talk about it anymore," he says.

2 *Expatriate Americans Break Up With Uncle Sam to Escape Tax Rules, The Wall Street Journal,* June 2014. http://online.wsj.com/articles/more-expatriate-americans-break-up-with-uncle-sam-to-escape-tax-rules-1402972439

Chart 3
What are your reasons for planning or considering a move to a different country?

Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

A recent research report by global real estate consultancy Knight Frank found that more than half (57%) of ultra-high net worth individuals (someone with US$30m or more in net assets excluding their principal residence) in the Middle East send their children overseas for university[3]. In this way, wealthy individuals are not only providing their children with the potential opportunity to gain second citizenships in their countries of study further down the line, but are also ensuring they receive an education that will broaden their outlook and give them greater insight to decide how and where they want to live in the future.

Many high net worth individuals will overcome what are often quite strict residency requirements to migrate to the location of their choice. The UK, which has seen the number of non-domiciled multimillionaires rising by 15.2% between 2011 and 2013[4], is one example of this trend. "To qualify for UK citizenship is a long process and it takes commitment, but many families are prepared to invest the time and money because London is a major global centre," argues Ms Emmett. "Not only is London a leading financial centre, it's cosmopolitan, it's an international hub and also has the world's leading education institutions. Education is a very important aspect therefore it ranks highly as a factor in the decision to move to the UK."

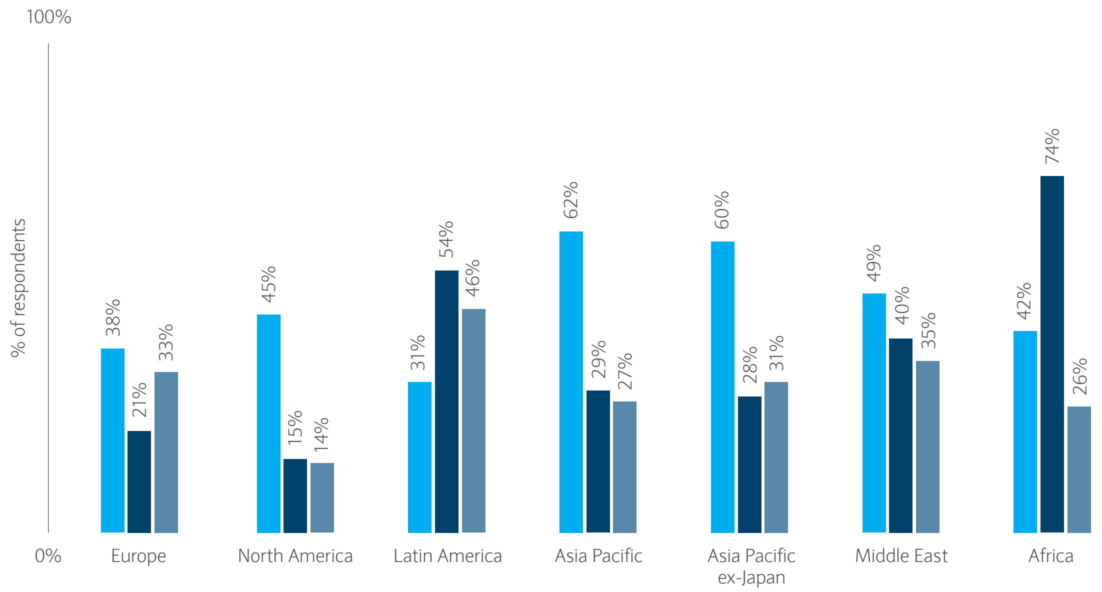
The provision of high quality education is even proving to be a competitive advantage for some jurisdictions. For instance, Monaco, a traditional hotspot for the wealthy, is seeing more high net worth individuals settle there for the longer term. "While there was once a perception that people stated their main residency as Monaco for tax reasons, and didn't really 'live' there, this is no longer the case," explains Francesco Grosoli, Managing Director, Market Head — Switzerland and Monaco & Chief Executive Officer — Monaco, Barclays Wealth & Investment Management, "People are choosing to move there for a variety of reasons including political and economic stability, infrastructure and education — the school system is over subscribed year-on-year and a new international school is being planned."

For wealthy individuals in more politically and economically volatile regions, the priority to migrate or simply move their money to other parts of the world is largely driven by a need for security. In our survey, while Asian, European and North American wealthy individuals prioritise higher returns and better interest rates when moving their money abroad, three-quarters (74%) of respondents in Africa, 54% in Latin America, and 40% in the Middle East, say that finding a safe haven from local economic instability is one of the main reasons for doing so.

Again, this demonstrates a pragmatic approach to mobility. As possibilities open up not only to travel to many different destinations, but also to obtain secondary passports through targeted citizenship investment programmes, wealthy individuals are moving to the places that can simultaneously help them to secure their wealth, educate their children and further their business development.

3 *The Wealth Report 2014,* Knight Frank. http://www.thewealthreport.net/resources/thewealthreport2014.pdf
4 *Singapore to Overtake London as the Multimillionaire Capital of the World*, WealthInsight, August 2013. http://www.wealthinsight.com/pressrelease/singapore-to-overtake-london-as-the-multimillionaire-capital-of-the-world

Chart 4
What are the reasons that you hold financial assets outside of the country in which you currently live?



Key

- It offers better opportunities for high returns/interest rates
- It offers me a safe haven from local economic instability
- I have business interests in this/these regions

Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

Migration patterns

While just under half (43%) of the high net worth individuals surveyed have lived in more than one country, there are some marked regional differences in migration patterns and wealth flows. According to our survey, wealthy individuals in India, Hong Kong and the U.S. are the least likely to have lived abroad. Over the next five years, those in China, Qatar and Latin America are most likely to be planning a move, while high net worth individuals in Switzerland, India, Saudi Arabia and the U.S. are most likely to remain where they are.

A recent report from international consultancy New World Wealth found that China had the largest proportion of high net worth individuals emigrating in the decade up to 2013. The majority of those emigrants went to Hong Kong, Singapore, Australia, the U.S. and the UK[5]. Liam Bailey, Head of Residential Research at global real estate consultancy Knight Frank, puts the Chinese preference for Hong Kong and Singapore down to convenience of doing business. "The reality is that most ultra-high net worth individuals in China are probably making money in China right now," he says. "So, for business reasons, they need to be relatively close — that might prevent some of them going further afield," he explains.

"The reality is that most ultra-high net worth individuals in China are probably making money in China right now. So, for business reasons, they need to be relatively close..."

Liam Bailey, Head of Residential Research at Knight Frank

5 *5 countries that gained the most millionaires,* CNBC, March 2014. http://www.cnbc.com/id/101531767#.

> "The wealthy have a choice of going anywhere in the world and they go where they can get professional services, and access to everything from property through to arts and entertainment."
>
> **James Faulconbridge,** Professor at Lancaster University

Concentrations of wealth

Developed markets remain the destinations of choice for most wealthy migrants. Chart 5 shows that among our survey respondents, North America has the greatest overall pulling power for high net worth individuals because while there is a strong migratory exchange between North America and Europe, North America also represents the destination of choice for individuals from Asia Pacific and Latin America who are leaving their region.

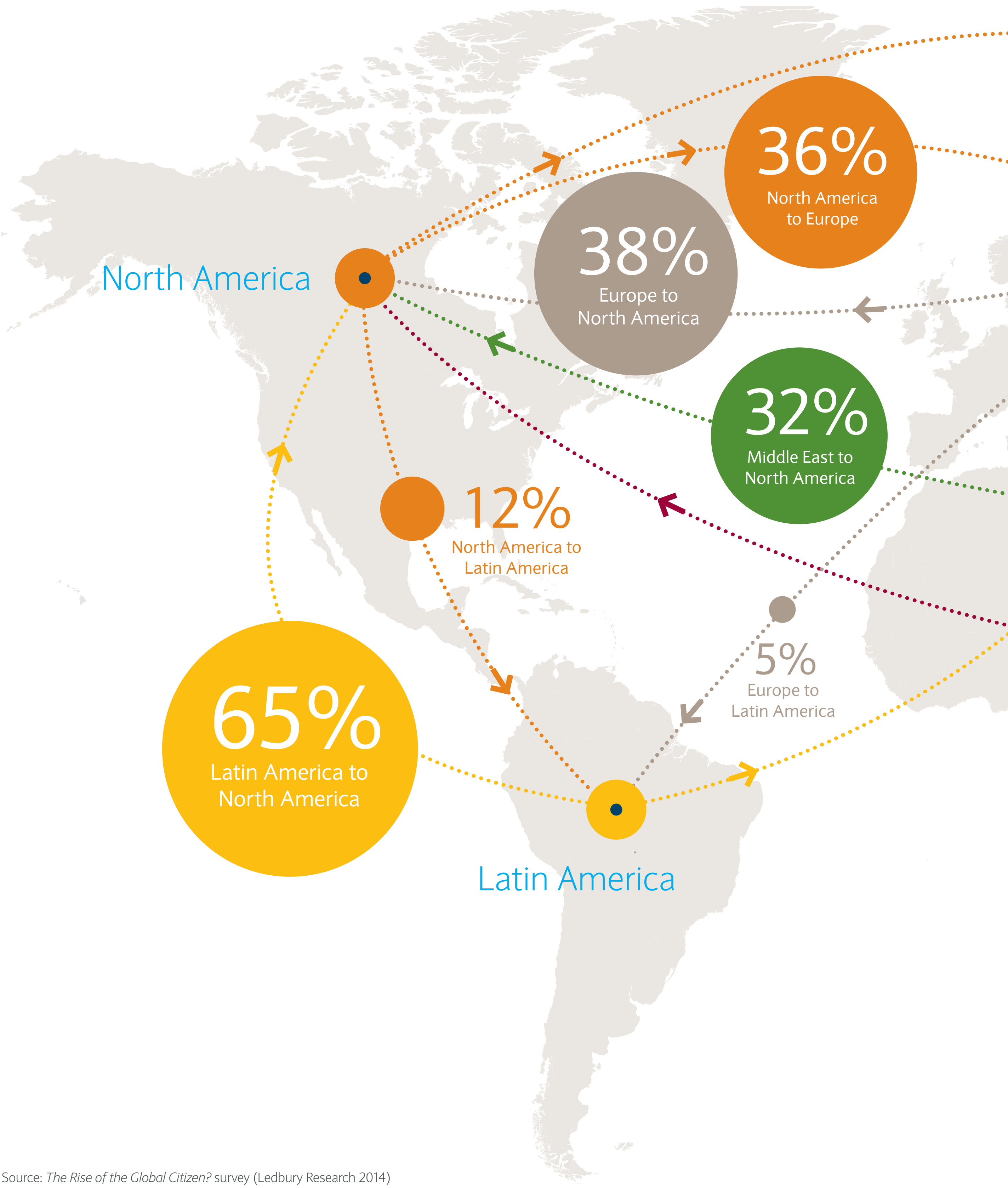
Overall, our research reveals that wealthy individuals are gravitating towards just a small number of destinations within a given region, leading to high concentrations of wealth in particular parts of the world. These wealth hotspots tend to have some common ingredients, including buoyant property markets; luxury hospitality and leisure offerings; an abundance of international wealth management advisers; and a relative degree of political stability.

"The wealthy have a choice of going anywhere in the world and they go where they can get professional services, and access to everything from property through to arts and entertainment," says globalisation and mobility expert James Faulconbridge, Professor at Lancaster University. "Certain cities have become parts of that circuit and the places to be seen in where the events and the lifestyle plays out."

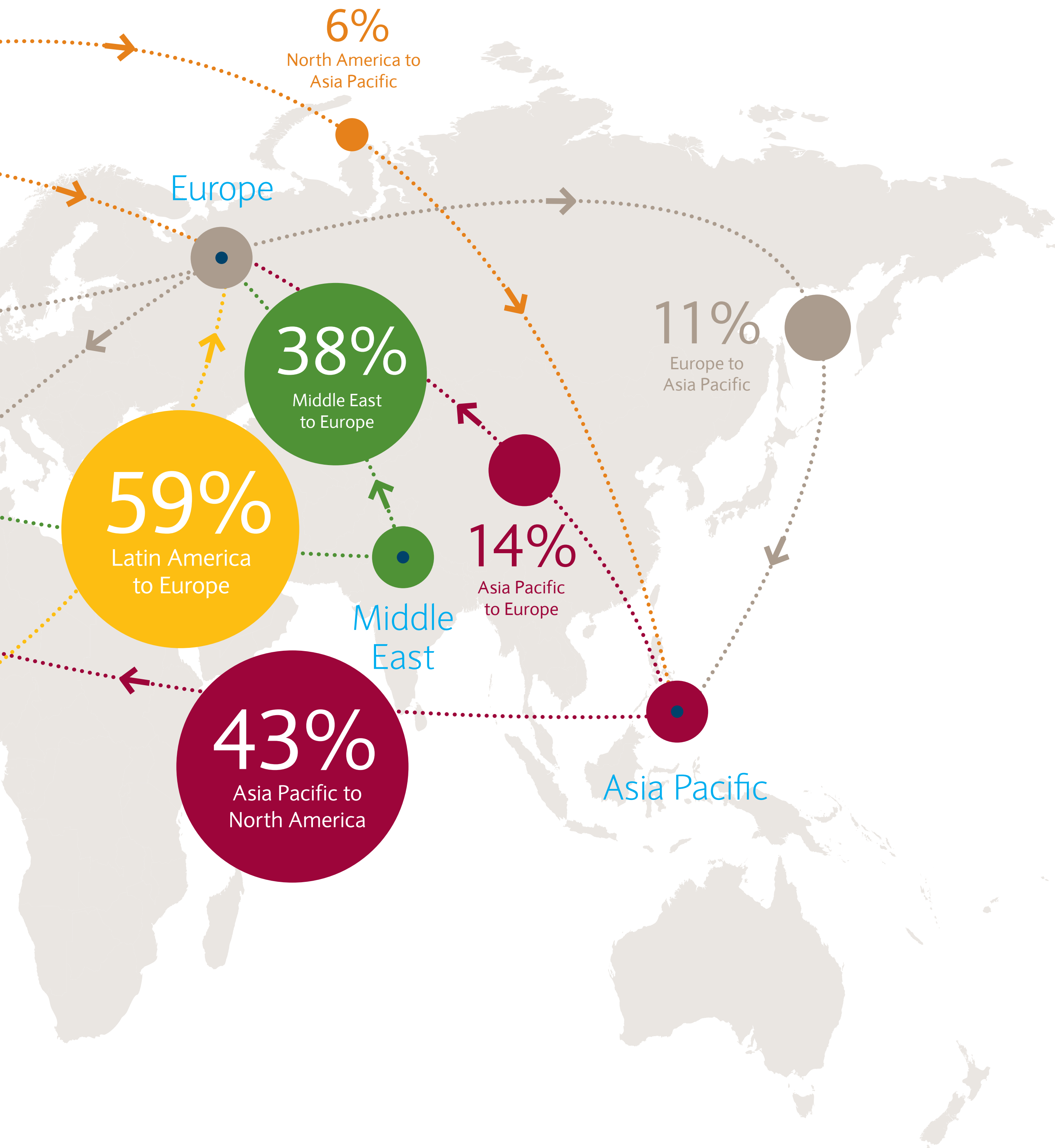
Mr Bailey at Knight Frank believes that Anglosphere locations are still especially attractive. "At the top of the tree when people look for second homes or citizenship, it tends to be the U.S., Canada, New Zealand, Australia, the UK, and then Singapore and Hong Kong," he says. "Whether the attraction is to do with the legal system, the English language or high quality professional services, the English-speaking world still dominates these patterns."

Chart 5

High net worth individual migration patterns



Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)


6%
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Asia Pacific to
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Asia Pacific

The digital needs of global citizens

For today's consumers, digital interaction with companies is the norm, and this is no different for wealthy individuals. Ultimately, the goal is convenience and making the consumer's life easier. "High net worth individuals now expect to be able to interact with their funds, and information on their money when they choose, and through a medium of their choice," says Sebastian Dovey, Managing Partner of Scorpio Partnership.

While banks, such as Barclays, are investing heavily to match the digital capabilities of high net worth clients, those doing business around the world are always looking for ways in which digital technology can do more to service their lifestyle. "They want to interact with their advisers remotely using tools such as video conferencing," says Mr Dovey. "But we're now heading towards some far more innovative offerings."

Such innovations will assist wealthy individuals in their business undertakings, such as enabling them to access detailed real-time information regarding the performance of asset portfolios, and allowing the execution of complex trades through mobile devices.

More broadly, digital technologies and social networking are bringing disparate groups of high net worth individuals together through online networks. Some financial institutions, including Barclays, have begun to offer specialisedcomplimentary services for wealthy individuals, providing access to events, luxury brands and novel experiences[6].

Caroline Garnham founded Family Bhive with the mission of connecting high net worth individuals virtually with one another, and with a community of trusted advisers. The site now boasts a membership of more than 800 wealthy individuals who have net wealth over US$5m, a proportion of whom meet on a regular basis. A number of firms have also sprung up that concentrate on providing high-end lifestyle services to these wealthy individuals, including everything from unique holiday experiences and accessing exclusive restaurants, to getting their names onto VIP guest lists.

6 *Little Book of Wonders,* Barclays Wealth and Investment Management. https://wealth.barclays.com/content/dam/bwpublic/global/documents/wealth_management/lbow-our-service.pdf

> “While banks are beginning to catch up with the advanced digital demands of high net worth clients, those doing business around the world are always looking for ways in which digital technology can do more to service their lifestyle.”

Sebastian Dovey, Managing Partner of Scorpio Partnership


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Section 2

Financial considerations

- High net worth individuals are looking for greater flexibility in their investments, and are seeking to make their wealth as mobile as possible so it can be readily accessed and moved
- More mobile wealthy individuals are investing in a geographically diverse portfolio of assets and holding money in financial institutions located in a greater number of countries
- High net worth individuals are putting their faith in property and acquiring prime real estate in some of the world's most prosperous cities.

As the wealthy become more international and expect their children to live in a larger number of countries than they have done themselves, decisions around wealth planning become more complex. The mobile wealthy will be looking for flexibility, ease of moving assets from one country to another and geographic diversification. "The more touch points an individual has with different countries, the more complex their planning becomes," says Didier von Daeniken, Head of Wealth Management for Asia Pacific, Middle East and Africa at Barclays. "Investors need access to proper advice and must take into consideration what is specific to each jurisdiction in which they have assets."

From an investment perspective, investors need to decide first and foremost what their reference currency should be. "When you invest in different places, you need to know which currency matters most for you and in which you want a return expressed," says Mr von Daeniken. "The more countries in which you have investments, the more complex this becomes. You may, for example, decide that you need to hedge some of those currency exposures."

Faranak Foroughi, Founder and CEO of Tharwa Management Consultancy, which specialises in wealth planning for residents of the Gulf Cooperation Council (GCC) member states, says that wealthy Middle Eastern families are seeking to diversify their investments and establish global portfolios. "If we look at the family offices in the region, a significant segment of their wealth is being deployed to new strategic businesses," she explains. "As the families grow, the need for generational planning and managing transitions in the business are difficult challenges to address. By adding new business lines, these families seek to involve the next generation of the family members. Expanding into new business lines and adding new dimensions to the business helps to avoid tension and intra-family conflicts."

Chart 6

Approximately what percentage of your investable assets are held in an institution/bank located abroad?

Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

> "It's not always easy to invest in markets that provide the flexibility you might want when it comes to exiting, particularly for those looking at some of the emerging markets."
>
> **Liam Bailey**, Head of Residential Research, Knight Frank

Geographical diversification

As the family unit of high net worth individuals becomes more globally spread, financial planning must account for the need to access funds and structure investments all around the world. Our survey results suggest that the mobile wealthy are more international in their investments than those who are less mobile. For example, 76% of those respondents who have lived in five or more countries say that they invest in a geographically diverse portfolio of assets, compared with 67% of those who have lived in only one country. In addition, those wealthy individuals who have lived in five or more countries estimate that nearly 29% of their investable assets are held in foreign banks and financial institutions, while the figure is just 11% for those who have lived in only one country.

This increasing international diversification of investments must also be looked at in the context of the 2008 financial crisis and subsequent global downturn. These converging forces have both had a profound impact on the type of assets that wealthy individuals hold and the location of those investments. "Prior to the crisis, the global investment portfolio was not a major focus for the traditional, local investor," says Ms Foroughi. "But my client base has now become much more disciplined in assessing their risks and exposures and adhering to their strategic asset allocation models."

Mr Bailey at Knight Frank points out that liquidity has become a significant consideration. "The ability to invest in markets where you can extract the funds has become far more valuable after the financial crisis," he says. "It's not always easy to invest in markets that provide the flexibility you might want when it comes to exiting, particularly for those looking at some of the emerging markets."

A convergence of financial behaviour

Greater mobility is likely to have an impact on investment behaviour. Greg Davies, PhD, Managing Director, Head of of Behavioural-Quant Finance at Barclays, observes that, on average, individuals in markets that have less developed financial systems are likely to have higher risk tolerance, and a shorter-term perspective than those in markets that are stable, functioning and liquid. This may be due to a number of reasons, including the inherently volatile nature of these markets, which requires the acceptance of greater risk, and the ability to rely on the extended family during times of crisis, which provides a "cushion" that can protect against greater levels of risk being taken.

"We have observed that differences in financial personality are, on average, less driven by the more idiosyncratic nature of the culture itself and more by the degree to which that culture has a functioning and sophisticated financial system," says Mr Davies. "If the wealthy population does become more global, then we should see a convergence between what was previously quite different emerging market and developed market financial personalities."

Another source of disparity between financial personalities relates to whether wealth is first or second generation. On average, the first-generation wealthy have higher risk tolerances and a shorter-term perspective than the second generation. As more family wealth gets passed to successive generations in regions such as Asia, we are likely to see further convergence between developed and emerging market financial personalities as risk tolerance is reduced and a longer-term perspective is taken.

From a financial markets perspective, this convergence is likely to lead to greater acceptance of a traditional, Western approach to portfolio construction. It may also lead to a reduction in what Mr Davies calls "home bias," whereby people over invest in domestic equities, despite the highly integrated nature of financial markets that nowadays offer widespread access to capital. "If people exhibit a bias to a particular country because they feel more comfortable investing in local assets, then we should expect that bias to diminish as people live in more countries and immerse themselves in different cultures," he says.

Mr von Daeniken argues that, from an Asian perspective, this home bias remains strong. "The fact that an individual lives in multiple countries should induce them to become more diversified but, in practice this is often not the case," he says. "In recent years, emerging market returns have been higher than those that they would have achieved from a more diversified portfolio, so many wealthy individuals in Asia continue to stick to their home markets to a large extent. Of course, this does mean that the volatility of their portfolio may be higher and, in the longer term, a more diversified portfolio would be better for them."

Putting faith in property

Continuing economic instability and slowing growth in emerging markets is also leading to a new population of high net worth individuals looking outwards, typically towards the West, for more secure and better performing international investment opportunities. One of these perceived safe havens is prime real estate in some of the world's most prosperous cities. A recent report by global real estate firm Savills found that, between 2008 and 2012, the amount of global private wealth invested in the large-deal (above US$10m) real estate market increased by 111% to US$308bn from US$146bn, while corporate investment in the same sector rose by only 43% to US$594bn over the same period[7]. In addition, research from Knight Frank has found that the second most important factor for high net worth individuals buying a second home is its function as a safe haven for capital[8].

The property market in London would be a very good example of this. "Much of what's behind London's property boom is mobile wealth, and most extremely wealthy people have a place in London that they may use for one month a year," explains Professor Faulconbridge. "So it's a means for them to deploy their wealth and use it as an investment, as well as a functional tool."

This investment trend is increasingly being driven by wealthy individuals in emerging markets. For instance, 28% of wealth held by Asian ultra-high net worth individuals is in the real estate industry, compared with just 8% of wealth held by ultra-high net worth Europeans, and 6% of wealth held by North American ultra-high net worth individuals. Also, while 64% of property owned by wealthy North Americans and Europeans is located in cities, 15% in towns and suburbs, and a combined 21% in waterside, rural leisure and ski locations, 95% of the property owned by wealthy Asians is located in cities[9]. "The favoured asset class for many Asian investors remains real estate," says Mr von Daeniken. "If they are fairly mobile, they often will end up with a number of properties in different countries."

Regulatory change is influencing the location of these residences. In some Asian markets, such as Hong Kong and Singapore, new taxes have been imposed on second and third properties. "As a consequence, investors are looking to divert this investment into real estate assets in other markets, like London and New York," says Mr von Daeniken.

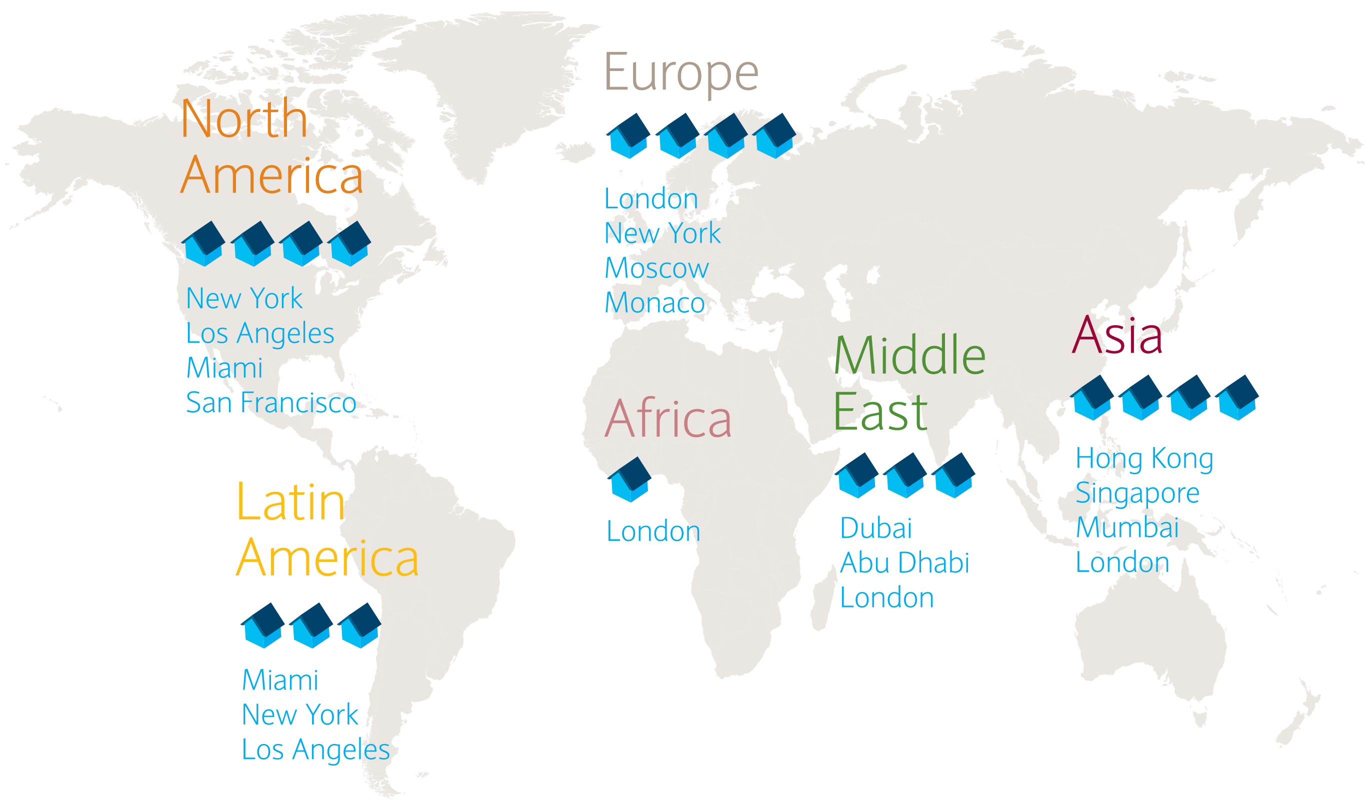
7 *Around the World in Dollars and Cents,* Savills World Research/Wealth-X, 2014. http://pdf.euro.savills.co.uk/residential---other/private-wealth.pdf

8 *The Wealth Report 2013,* Knight Frank. http://www.knightfrank.be/library/PDF/Wealth%20Report%202013.pdf

9 *Where (and why) the super-rich are investing in real estate, Financial Times,* January 2014. http://www.ft.com/cms/s/2/595c2656-791a-11e3-91ac-00144feabdc0.html#axzz34ylsRkhA

Chart 7

Key destinations for residential property investment by wealthy individuals from different global regions



Source: Savills World Research/Wealth-X

> A recent report by global real estate firm Savills found that, between 2008 and 2012, the amount of global private wealth invested in the large-deal (above US$10m) real estate market increased by 111% to US$308bn from US$146bn.

A global mindset at MySale

When Jamie Jackson founded MySale in 2007, he knew from the start that the business had international potential. Initially launched in Australia and New Zealand, MySale is an online discount retailer that sells excess stock from leading global fashion brands. Today, MySale operates in 11 countries across Asia, Europe and the U.S. In May 2014, the company secured backing from Sir Philip Green, owner of the Arcadia Group. The following month, the company made its debut on the London Stock Exchange.

The success of MySale depends on having an international presence. Its business model involves buying excess stock of clothing and accessories from fashion brands, and then transporting the goods overseas to be sold in different markets. For fashion brands, shifting the goods overseas is important, because selling them locally could potentially cannibalise sales of their own full-price range.

Building the necessary infrastructure to meet the needs of the fashion brands meant investing heavily in an international network of distribution centres and logistics. Today, MySale has distribution centres in Australia, the UK, China, the U.S. and Italy, with Eastern Europe planned to open soon. "It's really important for us to offer a global solution for our clients," says Mr Jackson. "If we don't have a global network and we're only focused on a small number of territories, then we can't offer them what they need, and we can't make them comfortable that they have control over where the goods get distributed and sold."

Although MySale's business model is inherently international, Mr Jackson believes that any entrepreneur needs to think global from the outset. "If you focus only on the local market, you will get left behind," he says. "Ten years ago, it would have been impossible for many entrepreneurs to create a global business in just seven years, as we have with MySale. But today, the Internet and constantly improving logistics mean that this is more possible than ever. It's also vital to think global because, if you don't, you can guarantee that your competitors will."

Having an international business also means that MySale is able to attract employees who share this global mindset. "We're giving our staff the opportunity to see the world," explains Mr Jackson. "People who come to work with us know we're global, and this enhances our ability to employ good people who want to develop a broader cultural understanding and experience different countries."

Section 3

Philanthropy across borders

- High net worth individuals who have lived in more than one country are more likely to donate their time and money globally
- Wealthy philanthropists increasingly want more targeted ways to give that provide a more direct view of what their money has achieved
- Younger generations of wealthy individuals are increasingly seeking hands-on involvement in the charitable programmes they support.

Many of the world's wealthiest people are actively engaged in philanthropy. There are a whole range of motivations for such giving, including a sense of duty and responsibility to family and society, personal fulfilment, and religious beliefs.

The rise of entrepreneurship as a source of wealth has also had an important impact on philanthropy. As we noted in the previous volume of the *Wealth Insights* series, *Origins and Legacy: The Changing Order of Wealth Creation,* entrepreneurs that are inclined to give away their wealth have a higher tendency to do so while they are still alive — 41% of entrepreneurs responding to the survey said this, compared with just 27% of those who acquired their wealth through earnings or savings[10].

Philanthropy itself has become more global in nature. "Fundraisers today are competing in a global marketplace," says Emma Turner, Head of Client Philanthropy Service at Barclays. "Even as a local charity, your competitors are global, and they are increasingly sophisticated in their fundraising approach."

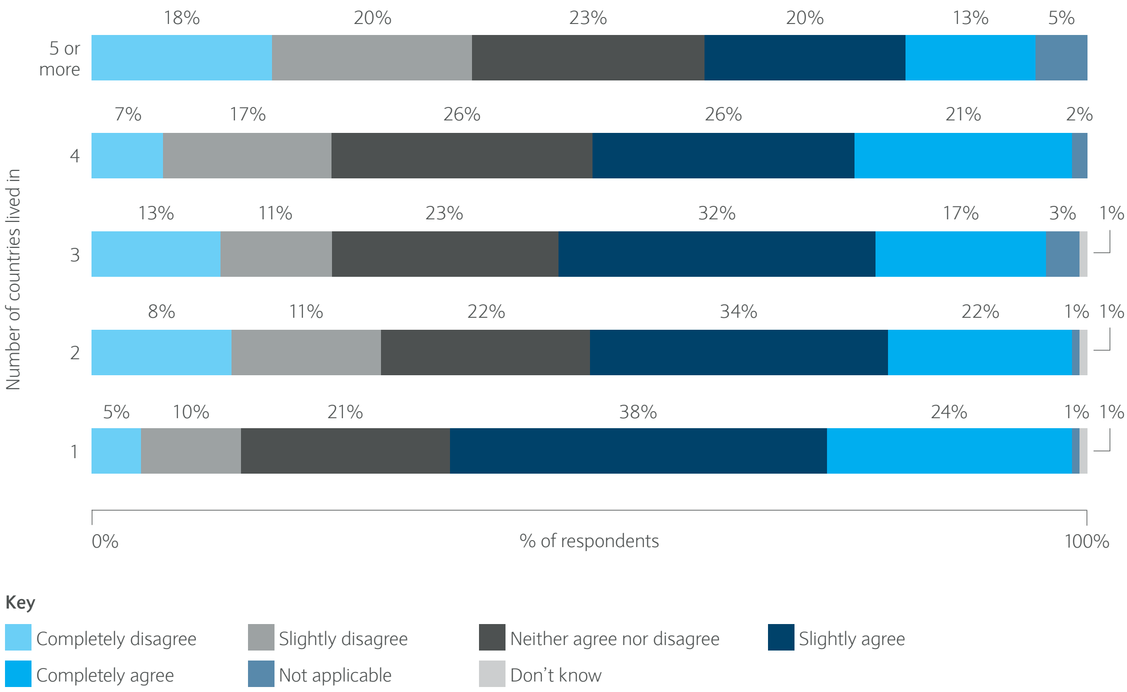
Our latest research tells us that, as high net worth individuals increasingly distribute their wealth across the globe, and more frequently emigrate within their lifetimes, there is a corresponding impact on philanthropic trends. Although it is important to note that the motives for philanthropy are highly individual, it does seem that, in line with greater migration, there is a more international outlook on philanthropy, and less emphasis on local giving in the countries where they live.

10 *Barclays Wealth Insights Volume 17: Origins and Legacy: The Changing Order of Wealth Creation,* June 2013. https://wealth.barclays.com/en_gb/home/research/research-centre/wealth-insights/volume-17.html

According to our survey, those wealthy individuals who have lived in more than one country are more likely to donate both time and money globally than those who have never emigrated. Mobile high net worth individuals are increasingly becoming global philanthropists, and are giving money across borders, rather than focusing exclusively on their local community, as was often the case in the past. Those in Hong Kong (99%) and Singapore (62%) are the most likely to donate money and/or time to charitable causes in other countries. Of those foreign donations, Hong Kong high net worth individuals give most heavily to China (64%), by a considerable margin.

> "Fundraisers today are competing in a global marketplace. Even as a local charity, your competitors are global, and they are increasingly sophisticated in their fundraising approach."
>
> **Emma Turner,** Head of Client Philanthropy Service at Barclays

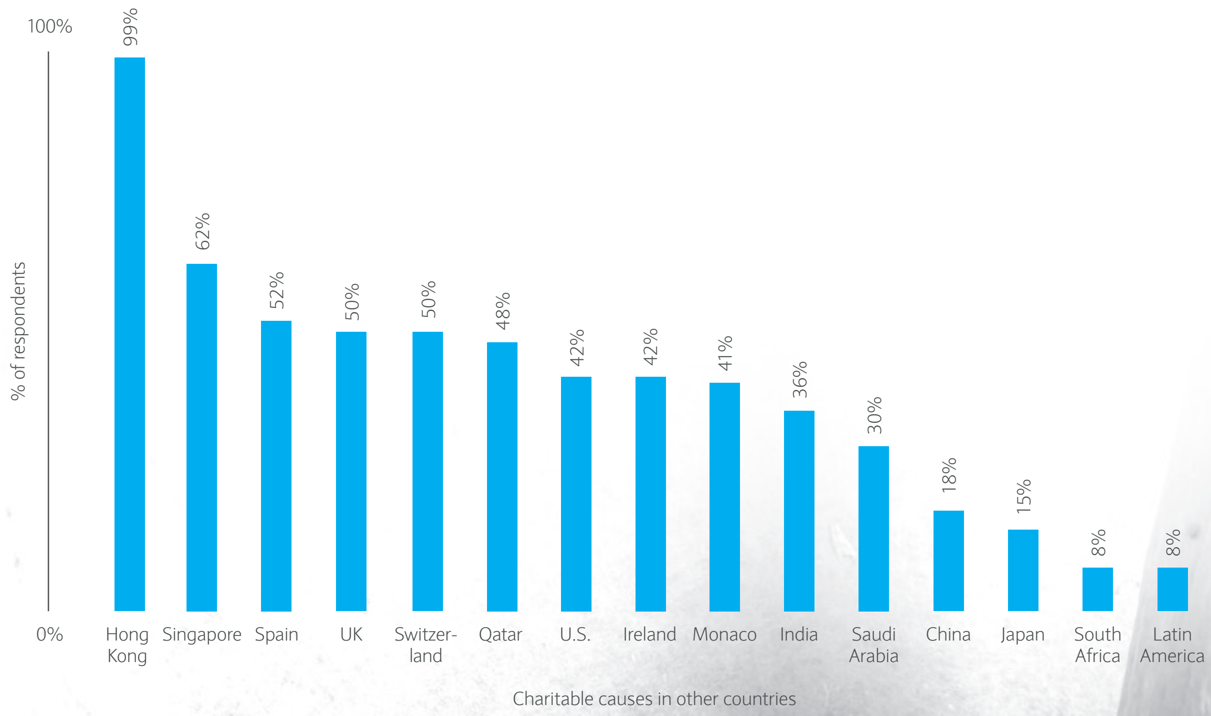
Chart 8
To what extent do you agree or disagree with the statement "I prefer to donate my time/money to my local community rather than global causes"?



Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

Chart 9

In which countries do you give money and/or time to charitable causes?



Source: *The Rise of the Global Citizen?* survey (Ledbury Research 2014)

Home matters with philanthropy

Ms Turner of Barclays notes, however, that home still plays an important part in philanthropic choices. "From the donor perspective, charity very often does begin at home," she says. "If people are doing some engaged giving, it's important that they feel attached."

For example, a wealthy family that originates from India, but divides its time between Switzerland and the UK may retain some parts of its philanthropic portfolio in India, to where it still feels a connection, but also allocate some proportion to charities based in the two countries where the family currently resides. This helps to build connections with those countries and increase the family's sense of belonging.

The maturity of the market for philanthropy in a particular jurisdiction is another important factor. "Increasingly, people are being drawn to countries where there is stricter regulation around giving," notes Ms Turner. "Donors are looking to give their money through countries where there is a central body keeping an eye on the sector to make sure that charities are being professional. For example, if you give your money through a UK charity, there is a comfort factor that the due diligence is being done, even if that money ends up supporting philanthropic projects in India or Africa."

When it comes to structuring a philanthropic portfolio, Ms Turner advises a relatively focused approach. "People often scatter their money without a lot of thought," she says. "It's better to be more targeted, and get to know a smaller number of organisations well, while still maintaining some flexibility to give spontaneously to support a particular cause, such as disaster relief. Equally, you don't want a charity to become too dependent on you as an individual, particularly if you are very mobile. It's better to say at the outset that you plan to have a relationship with a charity for three years, then review it at the end and either renew or move on."

> "Donors are looking to give their money through countries where there is a central body keeping an eye on the sector to make sure that charities are being professional."
>
> **Emma Turner,** Head of Client Philanthropy Service at Barclays

Impact investing

As well as taking a more outward-looking attitude towards philanthropy, it seems that many wealthy individuals are also looking for new, and more targeted ways to give.

According to the Global Impact Investing Network (GIIN): "Impact investments are investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances[11]."

A recent report from GIIN and JP Morgan suggested that the impact investment market is growing, with respondents committing US$10.6bn to impact investing in 2013, up from a total commitment of US$8bn in 2012[12]. This market expansion is also indicative of a more internationally focused form of philanthropy, because its intended mission is to support solutions to pressing global challenges, rather than local ones, focusing on sectors such as sustainable agriculture, affordable housing and healthcare, among others.

Ms Garnham, Founder and CEO of Family Bhive, says she has seen a shift in high net worth entrepreneurs, in particular, towards this form of philanthropy. "The primary focus behind it is that the entrepreneur wishes to remain in the loop in terms of getting feedback, and the main purpose may be to create real change on a project of their choice," she explains. "They want the investee to remain accountable to them as the investors."

Mr Dovey of Scorpio Partnership says that increasing mobility is another important reason that this form of philanthropy is becoming more popular among high net worth individuals. "In the past, wealthy people might have written a cheque to The Red Cross for example, and never seen where their money goes," he explains. "But now there's more desire to go on site and see your money at work by getting involved in these programmes, which is part of being mobile." This seems to be a particular draw for the younger generation of high net worth individuals. A key finding in a study by 21/64 and Grand Valley State University in Michigan was that younger philanthropists are motivated by a desire to be active and hands-on in their philanthropy[13].

In some instances, high net worth individuals are using philanthropy as a tool to help their children develop their financial skills in readiness for taking over the family fortune or business. There are personal gains to be made too. As wealthy individuals seek to establish themselves in new regions, furthering their business and personal reputation, philanthropy can be an excellent way of imprinting themselves on the public consciousness. "What they really want to do is to be able to give their expertise, knowledge, and possibly also their name to a project," says Ms Garnham.

11 *About Impact Investing,* Global Impact Investing Network. http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html

12 *Perspectives on Progress: The Impact Investor Survey,* Global Impact Investing Network, July 2013. http://www.thegiin.org/cgi-bin/iowa/resources/research/489.html

13 *#NextGenDonors: Respecting Legacy, Revolutionizing Philanthropy*, 21/64 and Grand Valley State University, July 2013. http://www.nextgendonors.org/wp-nextgendonors/wp-content/uploads/next-gen-donor-report-updated.pdf

Conclusion

The wealthy have always had the good fortune of being more mobile than the broader population, but today's high net worth individuals are living in a world where international mobility is easier than ever. Global transport has advanced and more countries are opening up their borders to foreign citizens, while developments in technology and the internationalisation of markets means that businesses can be grown and managed from almost any location.

This is bringing significant benefits to wealthy individuals who are able to be more selective about the lifestyle they lead, where they educate their children, and how they invest and grow their wealth.

As the proportion of high net worth individuals made up by entrepreneurs grows, we see these business owners as the people who are most likely to migrate. For entrepreneurs, the ease of moving between countries represents a huge opportunity to grow their businesses more quickly along international lines, as they tap into new markets. At the same time, for this resourceful group, a multinational lifestyle can open up increased possibilities for starting new ventures.

There is also a growing expectation that future generations will be more akin to global citizens than their parents. Many are already laying the foundations for this by sending their children overseas to be educated, where they can become multilingual, gain a more international outlook and even obtain secondary citizenships. To attain a multinational identity at a young age should position this generation to profit in both a business and a personal sense as the world becomes increasingly globalised in the future.

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