

From Heirs to Stewards: Why Succession Planning and Financial Literacy Must Converge in Family Offices

We are living through one of the largest transfers of private wealth in history. Cerulli Associates projects that approximately \$124 trillion will change hands through 2048, including \$105 trillion to heirs and \$18 trillion to charity. Altrata separately estimates that more than 1.2 million individuals with net worth above \$5 million will transfer approximately \$31 trillion over the next decade alone.ⁱ

For family offices, this is not merely an estate-planning event. It is a governance test, a leadership transition, a cultural handoff, and a financial-literacy challenge occurring simultaneously. Too often, succession planning is treated as a technical exercise: update the trust documents, optimize the tax strategy, clarify voting rights, restructure ownership, and prepare the legal machinery for transfer. Those steps are necessary. But they are not sufficient. The families most likely to preserve wealth – family offices, foundations and assets - across generations are not simply those with the best legal architecture. They are the families that convert beneficiaries into stewards before control changes hands. That requires two disciplines working together: succession planning and financial literacy.

Succession planning without financial literacy creates fragile governance

A succession plan can define who receives assets, who holds voting power, who sits on the family council, and who controls the business or investment entity. But it cannot, by itself, *ensure that the next generation has the judgment to exercise that authority well*. An heir may understand that they are a beneficiary but not understand risk-adjusted return. A family member may inherit voting rights without understanding an Investment Policy Statement. A next-generation principal may enter an investment committee without knowing how to evaluate manager fees, private-market illiquidity, leverage, tax drag, or conflicts of interest. In that environment, governance becomes performative. The documents exist, but the capacity to use them responsibly does not.ⁱⁱ

Financial literacy is therefore not a “nice to have.” It is the operating system that allows succession plans to function. For family offices, literacy must mean more than budgeting or basic investing. It should include asset allocation, behavioral finance, fiduciary duty, estate structures, tax awareness, philanthropy, liquidity, manager selection, fees, reporting, and the discipline to ask advisors better questions. At its highest level, financial literacy gives heirs the tools to move from dependence to oversight.ⁱⁱⁱ

Transparency must begin before the transfer

Many wealth creators default to secrecy. Money is protected from heirs, disclosed only in fragments, and often discussed seriously only after illness, death, conflict, or a forced liquidity event. The intention is usually protective. The effect is often destabilizing. Sudden disclosure can produce entitlement, anxiety, conflict, or paralysis. Next-generation family members who were never taught how wealth is governed may struggle to understand both the opportunity and the obligation. Worse, they may form their financial worldview from social media, peer comparison, or fragmented conversations with advisors.

A better model is structured transparency. That does not mean disclosing everything to everyone at once. It means creating age-appropriate, role-appropriate, and values-based conversations over time. Younger family members can begin with philanthropy, budgeting, delayed gratification, and family history. Adolescents can learn investment basics, entrepreneurship, and charitable due diligence. Emerging adults can study trusts,

governance rights, tax structures, and portfolio construction. Adults preparing for formal roles can join committees, shadow advisors, evaluate real decisions, and receive feedback. The goal is not information dumping, but readiness.

Julius Baer's Family Barometer 2025 highlights an important generational shift: some young ultra-high-net-worth heirs do not want to define themselves by the size of their inheritance. They are asking what wealth is for, not simply how much wealth there is. That should not be dismissed as disengagement. It is an invitation to connect capital to purpose.^{iv}

Governance should teach, not merely control

Family governance is often designed defensively: prevent imprudent spending, restrict access, manage voting rights, and protect assets from conflict. Those functions matter. But the strongest family governance systems also educate. A family council, investment committee, foundation board, or family assembly should not merely ratify decisions. It should create repeated opportunities for learning, participation, accountability, and shared language.

Effective governance-as-education often includes:

- Family mission statements that explain what the wealth is for.
- Family constitutions or charters that clarify decision rights, participation criteria, and conflict-resolution mechanisms.
- Investment Policy Statements that connect asset allocation to long-term purpose, liquidity needs, risk tolerance, and values.
- Junior advisory roles that give younger members a voice before they receive a vote.
- Philanthropy committees that allow heirs to conduct due diligence, evaluate impact, and report recommendations.
- Formal education tracks that tie completion to expanded participation.

Bank of America's 2025 Family Office Study notes that family offices are preparing for a significant leadership transition over the next decade. That transition will not be solved by documents alone. It will require onboarding, mentoring, reporting, and governance processes that are designed to build competence.^v And, critically, new members (next gen, spouses or others) must understand their fiduciary duties related to the assets being transferred.^{vi}

The next generation needs real decisions, not just lectures

Financial education fails when it is abstract. The next gen becomes investment-ready by applying concepts to decisions that matter, combined with seminars, reading and formal training. The key is activation. Stewardship is learned through responsible participation.

Philanthropy is often an effective entry point. A youth philanthropy fund, for example, can teach budgeting, mission alignment, due diligence, risk assessment, impact measurement, and board reporting. The downside risk is contained, but the learning is real.

Entrepreneurship can serve a similar purpose when properly structured. If a next-generation family member wants to launch a venture using family capital, the family office should not default to either automatic funding or reflexive rejection. It should create a governance framework: Is the capital a gift, loan, investment, or recoverable grant? What milestones apply? Who evaluates the proposal? What happens if the venture fails? How will the family protect both the capital and the relationship?

Impact investing can also become a bridge between values and investment discipline. UBS's 2025 philanthropy research notes that next-generation donors increasingly blur the line between philanthropy and investing, viewing risk, return, and impact on a single spectrum. Families do not need to abandon fiduciary discipline to engage this worldview but, rather, an Investment Policy Statement that defines where impact belongs, how it will be measured, and how trade-offs will be evaluated.^{vii}

Behavioral and governance readiness matter as much as technical readiness

Many family offices overestimate the need for technical literacy, and underestimate behavioral and governance readiness.^{viii} A new member may know the vocabulary of finance but still be unprepared for volatility, disagreement, peer pressure, or advisor persuasion. Behavioral finance should therefore be part of every family education program. Heirs and trustees alike are vulnerable to overconfidence, loss aversion, herding, anchoring, status competition, and short-termism. These biases can damage portfolios and relationships. A family member who panics during a drawdown, chases a fashionable private deal, or resists rebalancing because of emotional attachment may create more risk than one who simply lacks technical vocabulary.

Readiness should therefore be assessed across two dimensions. First, technical competence: Can the person read basic financial statements? Understand an asset allocation? Interpret a performance report? Explain the family's trust or entity structure? Identify fees and conflicts? Understand liquidity constraints? And second, behavioral competence: Does the person prepare for meetings? Ask thoughtful questions? Respect process? Handle disagreement constructively? Stay disciplined during adverse markets? Demonstrate humility around advisors and complexity? The second dimension may be harder to measure, but it is often more predictive.

When does the next generation get the keys?

This is the question many families avoid. Education programs can become a way to postpone authority indefinitely. A family may invite younger members to meetings, ask them to complete training, give them philanthropic assignments, and still never define when participation becomes power. That ambiguity creates frustration and disengagement. The better approach is to separate economic benefit from decision authority. Beneficial ownership may arise through inheritance or trust structures. Decision authority should be earned through defined criteria.^{ix}

Those criteria might include completion of core education modules, consistent attendance, service on a philanthropy or family council committee, written analysis of investment or business decisions, external assessment, and approval by an existing governance body. Age alone is a weak standard. Demonstrated judgment under real conditions is stronger. A useful test: if a 35-year-old family member has completed the

curriculum, served for several years on a committee, demonstrated sound judgment, and still has no defined path to authority, what is the family really waiting for?^x

Spouses and in-laws cannot be ignored

One of the most underweighted succession risks is the role of spouses and in-laws. They may have no formal authority, but they often shape spending patterns, risk tolerance, philanthropic interests, and the attitudes of family members who do hold authority.

Excluding them entirely may feel protective, but it can create information asymmetry and future conflict. Full integration into governance may not be appropriate for every family. A practical middle path is structured inclusion: invite spouses into education sessions, values conversations, family history discussions, and selected family meetings, while keeping formal decision rights clearly mapped.

This treats spouses as stakeholders in culture without automatically making them governors of capital.

What family offices should do now

Family offices should treat succession planning and financial literacy as one integrated system.^{xi}

1. Build a written education curriculum by life stage and governance role. It should include minimum competency requirements for all meaningful participants, plus specialized tracks for investment committees, philanthropy, operating businesses, real estate, venture investing, or impact portfolios;
2. Connect education to privileges and responsibilities. Completion should matter. It should affect committee participation, voting eligibility, access to specialized opportunities, or readiness for leadership roles;
3. Create real learning laboratories. Use philanthropy, managed accounts, board observation, investment memo reviews, family business projects, and scenario exercises;
4. Require transparent reporting. Next-generation members should see fully loaded performance: fees, taxes, operating costs, liquidity constraints, and benchmarks. They should learn to evaluate net outcomes, not just gross returns;
5. Institutionalize family dialogue. Annual meetings, family assemblies, values workshops, and facilitated succession conversations should become part of the operating rhythm; and lastly,
6. Define the handoff. Families should clarify what readiness means, who evaluates it, and when authority transfers.

The \$124 trillion wealth transfer is already underway. Assets **will** move, but the question is whether wisdom, discipline, values, and governance capacity will move with them. Succession planning determines who receives responsibility. Financial literacy determines whether they are prepared to carry it.

ⁱ Cerulli Associates, \$124 Trillion Wealth Transfer: <https://www.cerulli.com/press-releases/cerulli-anticipates-124-trillion-in-wealth-will-transfer-through-2048>; Altrata, Family Wealth Transfer 2024: <https://altrata.com/reports/family-wealth-transfer-2024>

ⁱⁱ HBK Wealth: Teaching Financial Literacy to the Next Generation - <https://hbkswealth.com/insights/teaching-financial-literacy-to-the-next-generation-a-family-approach/>; Family Office Advisory: Next-Gen Education & Leadership Programs - <https://family-office-advisory.com/wiki/next-gen-education-leadership-programs/>, Investments & Wealth Institute: Generational Wealth Transfer - <https://investmentsandwealth.org/advisor-publications/blog/generational-wealth-transfer>

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- iii ICI: Financial Literacy, The Global Wealth Gap No One Talks About: <https://www.ici.org/25-view-financial-literacy>; and Pew Charitable Trusts, Pension Fund Governance Transparency: <https://www.pew.org/en/research-and-analysis/articles/2024/03/25/how-to-ensure-transparency-in-public-employee-pension-fund-governance>
- iv Julius Baer, Family Barometer 2025 / Next-Gen Heirs: <https://www.juliusbaer.com/en/insights/wealth-insights/succession/how-are-next-gen-business-heirs-reshaping-legacy/>
- v Bank of America, 2025 Family Office Report: <https://www.privatebank.bankofamerica.com/articles/family-office-report.html>
- vi And Simple: Family Offices and Next-Gen Principals — The Trillion Dollar Shift - <https://andsimple.co/insights/family-offices-and-next-gen-principals-the-trillion-dollar-shift/>, Morgan Lewis: DOL Proposed Rule on Fiduciary Duties (2026) - <https://www.morganlewis.com/pubs/2026/04/dol-proposes-rule-on-fiduciary-duties-for-selecting-401k-plan-investment-options>
- vii UBS, Four Trends for Next Gen Philanthropists: <https://www.ubs.com/global/en/sustainability-impact/our-insights/viewpoints/2025/four-trends-for-next-gen-philanthropists.html>
- viii RBC / Campden Wealth, North America Family Office Report 2025: <https://www.rbcwealthmanagement.com/en-us/newsroom/2025-10-16/2025-rbc-and-campden-wealth-report-north-american-family-offices-adapt-to-uncertainty-and-embrace-ai-innovation>
- ix Wharton Executive Education, Family Office Program: <https://executiveeducation.wharton.upenn.edu/for-individuals/all-programs/wharton-family-office-program-balancing-family-harmony-and-financial-prosperity/> and Brown Brothers Harriman, Next Generation Experience: <https://www.bbh.com/us/en/what-we-do/capital-partners/multi-family-office/next-generation-experience.html>
- x InvestmentNews, Succession Planning Takes Center Stage (2025): <https://www.investmentnews.com/practice-management/succession-planning-takes-center-stage-for-family-offices-and-businesses/262628>
- xi BPM, Generational Wealth Transfer Tips for Family Offices: <https://www.bpm.com/insights/generational-wealth-transfer/> and Capital Group, Preparing Your Heirs for the Future: <https://www.capitalgroup.com/pcs/insights/articles/preparing-your-heirs-for-future.html>