Projecting Wealth Transfer Through 2045: HNW Practices Prioritize Engaging Next-Gen Clients

By Chayce Horton
Multigenerational wealth transfer is one of the most significant factors affecting the wealth management industry today, and its impact in the coming decades is set to increase substantially. The coinciding factors of a favorable tax and regulatory environment, significant capital market and real asset appreciation, and the concentration of wealth among fewer and older households have multiplied expectations for wealth transfer in the decades to come.

In 2010, Cerulli projected wealth transfer of $38.2 trillion for 2011–2035, then updated this figure in 2018 to project $68.5 trillion for 2018–2042. Accounting for the extensive appreciation in capital markets and real estate alongside continued wealth concentration in the years leading up to 2021, Cerulli projects overall wealth transferred between 2021 and 2045 will total $84.4 trillion. Overall, it is projected that $77.7 trillion will be transferred through bequests, or at the end of a household’s life, and the remaining $6.7 trillion will be gifted to heirs or charities inter vivos, i.e., while the heads of households are alive. Cerulli projects that $72.6 trillion in assets will be transferred directly to heirs, mainly children and grandchildren, and $11.9 trillion will be donated to charities.

Cerulli projects that between 2021 and 2025, transfers of wealth will average almost $2 trillion annually, $1.7 trillion of which will be passed on to households, with the remainder going to charities.

**KEY POINTS**

- Cerulli projects overall wealth transferred between 2021 and 2045 will total $84.4 trillion.
- Children of HNW and UHNW households already are inheriting more than $500 billion each year and likely will be inheriting more than $1 trillion annually as early as 2032.
- Those advisors who can remain on the cutting edge of complex planning and wealth structuring tactics will prove invaluable to clients as taxation becomes a more pressing worry.

**ANNUAL PERCENT OF WEALTH TRANSFER BY SOURCE GENERATION, 2021–2045**

**Figure 1**

*Analyst note: Ages as of 2020.
We expect these annual figures will increase considerably over the course of the next 25 years, with annual transfers expected to exceed $5 trillion in the early 2040s, more than $4 trillion of which will be going to households’ children and grandchildren.

**AFFLUENCE AND GENERATIONAL PERSPECTIVE**

Of the $84.4 trillion expected to change hands in the next 25 years, Cerulli expects $35.8 trillion, or 42 percent, to come from high-net-worth (HNW) and ultra-high-net-worth (UHNW) households, which together make up only 1.5 percent of all households. Overall, Cerulli finds that expected increases in financial burdens, e.g., medical care and housing costs, in later stages of life will prevent many households from transferring a significant portion of their wealth to heirs or charity. This is seen as being especially impactful for the 98.5 percent of households that are not HNW.

Over the course of the next 25 years, Cerulli projects that more than $53 trillion will be transferred from households in the baby boomer generation (ages 56–74 as of year-end 2020), representing a dominating 63 percent of all transfers during that period (see figure 1). By 2024, Cerulli projects baby boomer households will be passing on more wealth annually than any other generation, a lead that is expected to rise until the 2040s. Following them, silent generation households and older (age 75+ as of year-end 2020) stand to transfer $15.8 trillion, which will take place primarily over the next decade and will have made up more than half of all transfers in 2021. According to Cerulli’s projections, transfers from Generation X (ages 40–55 as of year-end 2020) will begin to accelerate into the late 2030s and early 2040s, reaching more than $1 trillion in transfers from these households, and becoming roughly net-neutral in terms of transfers, with outflows roughly matching inflows by the mid-2040s.

Between 2021 and 2045, Cerulli projects that $72.6 trillion in wealth will be passed on to heirs and younger generations. In total, Generation X stands to inherit the greatest portion of these assets (see figure 2), including $8.9 trillion during 2021-2030, and totaling $29.6 trillion during 2021-2045. Cerulli anticipates households in this generation will be receiving up to $1.5 trillion annually by the mid-2030s. Throughout the extent of the 25 years projected, Cerulli expects Generation X households to be the greatest demand opportunity for advisory services due to increases in both household financial complexity as well as gross gains in overall worth, which we expect to be accelerated by their projected receipt of nearly $30 trillion in transfers. This unique position means that households in Generation X will be on the receiving end of the most transfers of any generation, and they will find themselves in the 2040s at a point in life where they will be looking at securing retirement-income streams and eventually passing that wealth on to their heirs as well.

Additionally, Cerulli anticipates that millennial households will not be far behind Generation X in terms of overall transfers. Despite receiving only $5 trillion in the next decade, millennial households are expected to inherit more than $27 trillion by 2045 and will surpass Generation X in annual receipts before 2040. In fact, by 2045, millennial households are expected to be inheriting close to $2.5 trillion per year, likely the largest annual figure for any generation in U.S. history. Though millennials are currently on everyone’s mind, many of the households in this demographic will not be in significant demand of high-margin financial services in the next couple decades. It is always good to begin establishing relationships early, so firms targeting millennials now are certainly not misguided, but firms

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**ANNUAL ESTIMATED WEALTH INHERITED BY GENERATION, 2021–2045 ($ BILLIONS)**

[Graph showing annual estimated wealth inherited by generation, 2021–2045 ($ billions).]

should not expect widespread demand for complex financial services from these households as a whole in the near future.

**WEALTH PLANNING IMPLICATIONS**

As hefty transfers lead to changes in family dynamics, relationship preferences, and changing technology and product demand, financial services providers across the spectrum must adapt their business models in order to become winners of the wallet share of tomorrow.

For HNW–focused practices specifically, involving children and other heirs in the financial planning process has proven to be one of the most effective strategies for accessing next–gen wealth clients (see figure 3). Among surveyed practices, Cerulli has found a steady increase in recent years in the engagement of clients’ children as a part of the planning process. Since 2018, the percentage of HNW practices reported to have established clients’ children as clients, or at least actively involved in the planning process, has increased from 51 percent to 71 percent as of 2021.¹

This increase is understandable because, according to Cerulli’s wealth transfer projections, children of HNW and UHNW households already are inheriting more than $500 billion each year and likely will be inheriting more than $1 trillion annually as early as 2032. With these figures in mind, it is no surprise that engaging next–gen clients is a major priority for HNW practices.

**ASKING CLIENTS TO GET CHILDREN INVOLVED**

In surveying HNW practices, Cerulli found that the most effective strategy to strengthen relationships with clients’ children was first asking the parents to get their children involved (69 percent). Having a good relationship with the children of clients ultimately hinges on the relationships those clients already have with their children, because the parents are almost entirely the gateway to establishing a relationship with the children. As one family office advisor told Cerulli: “The firm’s relationship with the kids of our clients depends on the existing relationships between those generations. If that relationship is bad, then we usually don’t have a lot of optimism about keeping their business after the wealth is transferred.” In contrast, if the relationship is strong, then asking parents to involve those inheritors likely will yield a very positive long–term outcome for asset retention.

**HOLDING INFORMATION SESSIONS**

When involving the next–gen in planning sessions, simply providing information of gradual complexity, without any decision–making or specific financial review, is likely the necessary first stage of involvement—often a stage that can last years. In fact, holding information sessions (56 percent) is considered the second–most effective strategy for building a bond and interest with clients’ children. As one wealth advisor at a major private bank shared with Cerulli: “[The informational stage prompts] next gen to drive their influence in family mission statements and foundations, which later evolves into conversations about investment styles used to fund these foundations.” This style of gradual exposure is a major underlying theme that many HNW and UHNW wealth planners have implemented to create greater long–term engagement with the younger generations of their clients’ families.

**HIRING YOUNGER ADVISORS**

Another popular aspect of this engagement model is bringing in junior advisors to act as main points of contact with
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complex planning and wealth structuring tactics will prove to be invaluable to clients as taxation becomes a more pressing worry.

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