



Intra and Inter-Generational Wealth Transfer

The missing years

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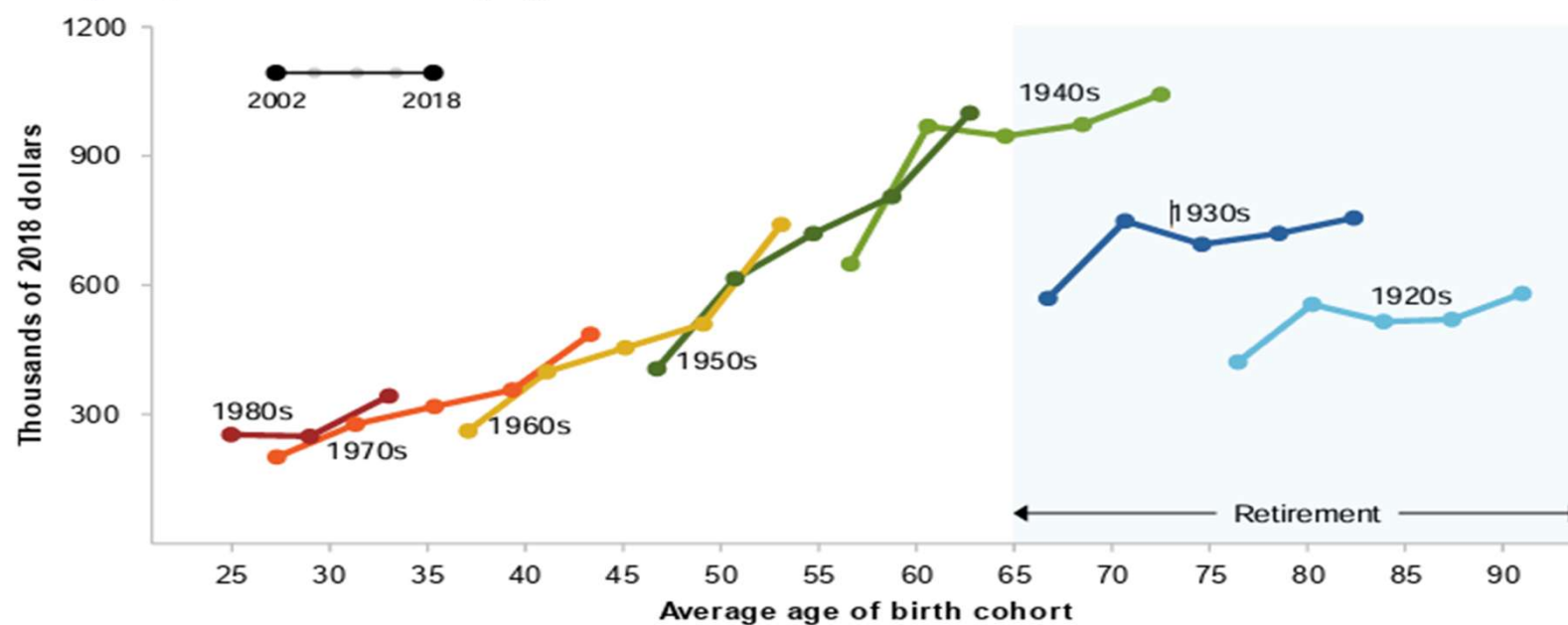
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Growing Wealth Accumulation

Figure 1 – Older Australians continue to build wealth in retirement^a

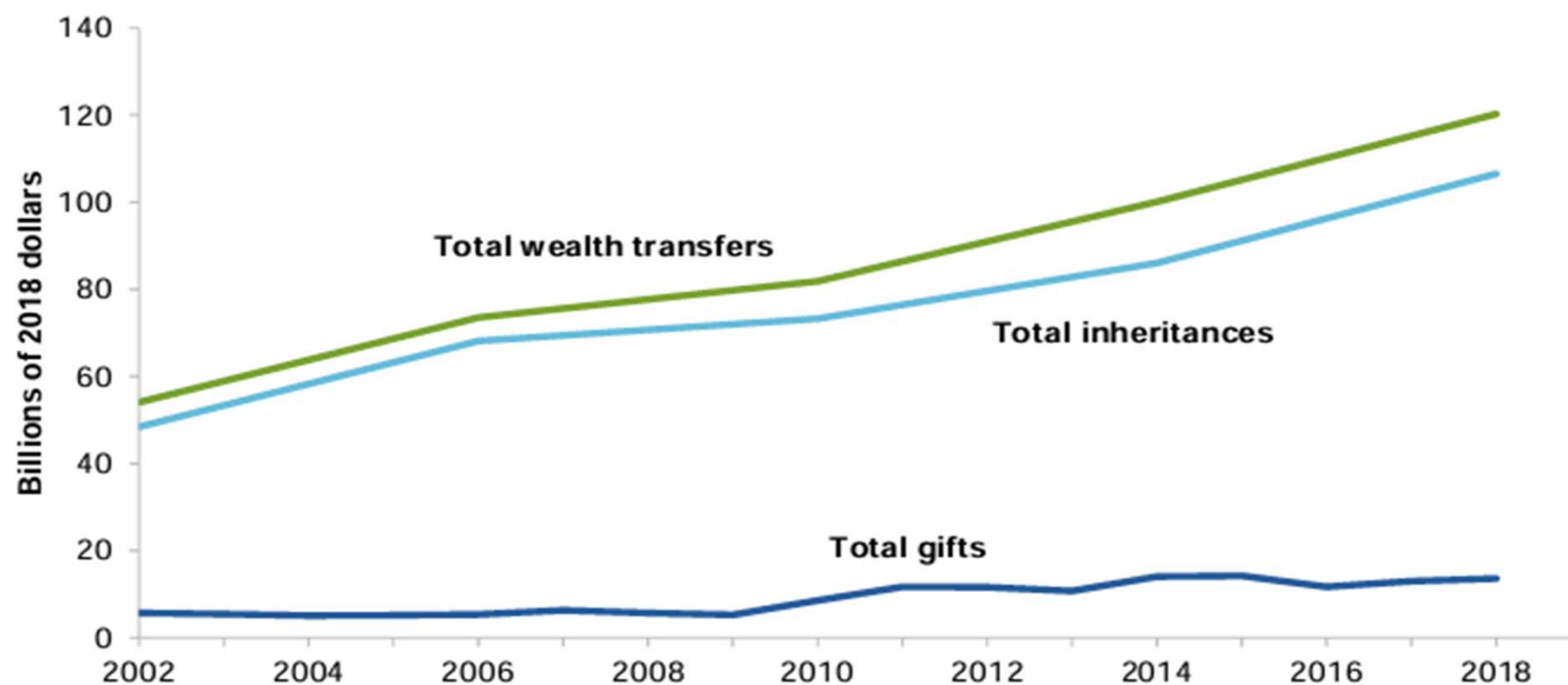
Average equivalised wealth by age and birth decade



a. Data points follow the same group of people at 4-year intervals between 2002 and 2018 based on their birth decade.

Wealth Transfer Values

Figure 2 – The annual value of wealth transfers has more than doubled since 2002



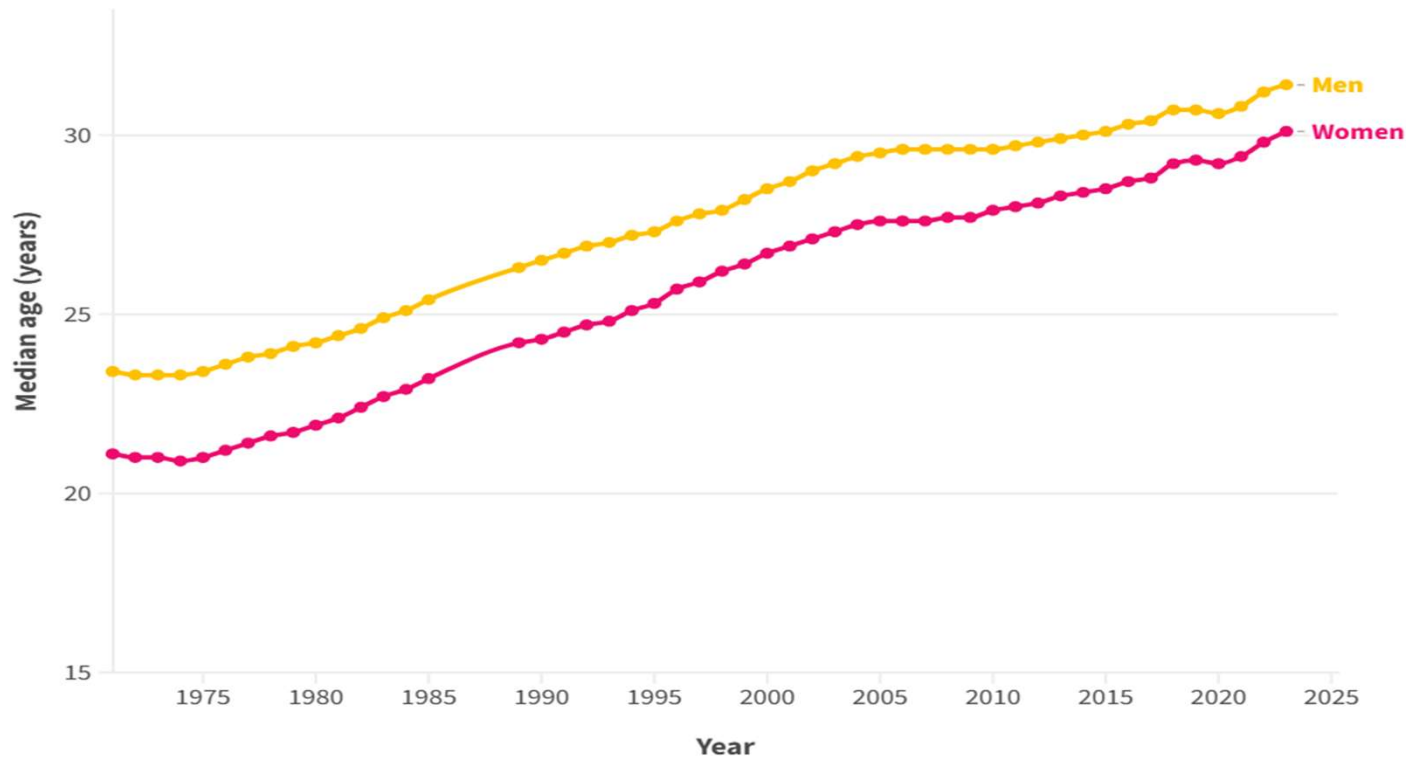
How are transfers made ?

- ▶ \$107 billion of transfers in 2018 were made by inheritance
- ▶ \$12 billion of transfers were made via gifts
- ▶ Recipients are 50 years plus
- ▶ \$52 billion was transferred to a younger generation

\$43 billion to surviving spouse

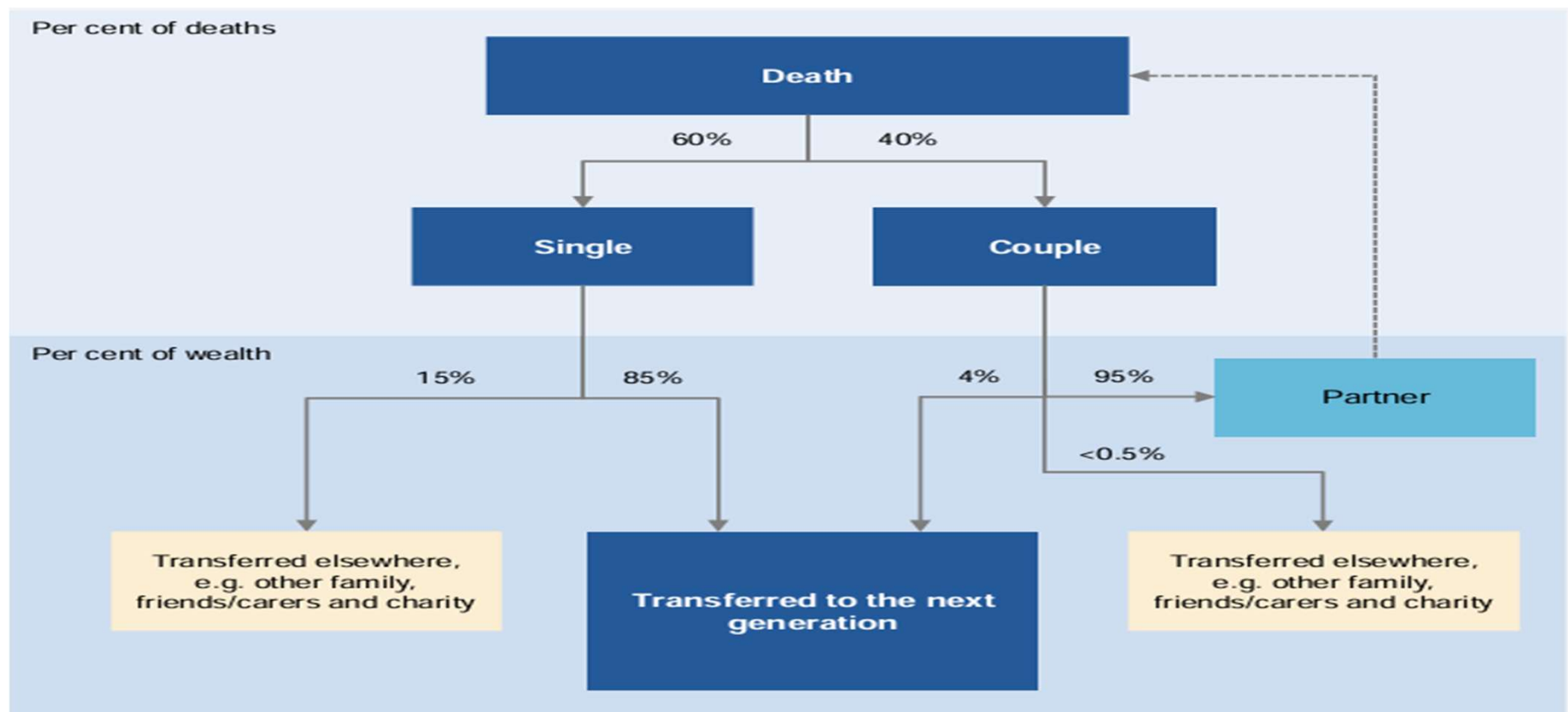
Marriage and Age Differences

Average age differences



Source: [ABS \(various years\), Marriages and Divorces Australia](#), ABS (1997), Australian Social Trends (Catalogue No. 4102.0), ABS customised data for 2022 and 2023

Transfer of Assets



a. Detail on how the flows have been calculated is provided in appendix A.

Source: Productivity Commission estimates using ABS (*Deaths, Australia, 2019*, Cat. no. 3302.0); Wood, Griffiths and Emslie (2019); SCRGSP (2021b).

What stops generational wealth transfer?

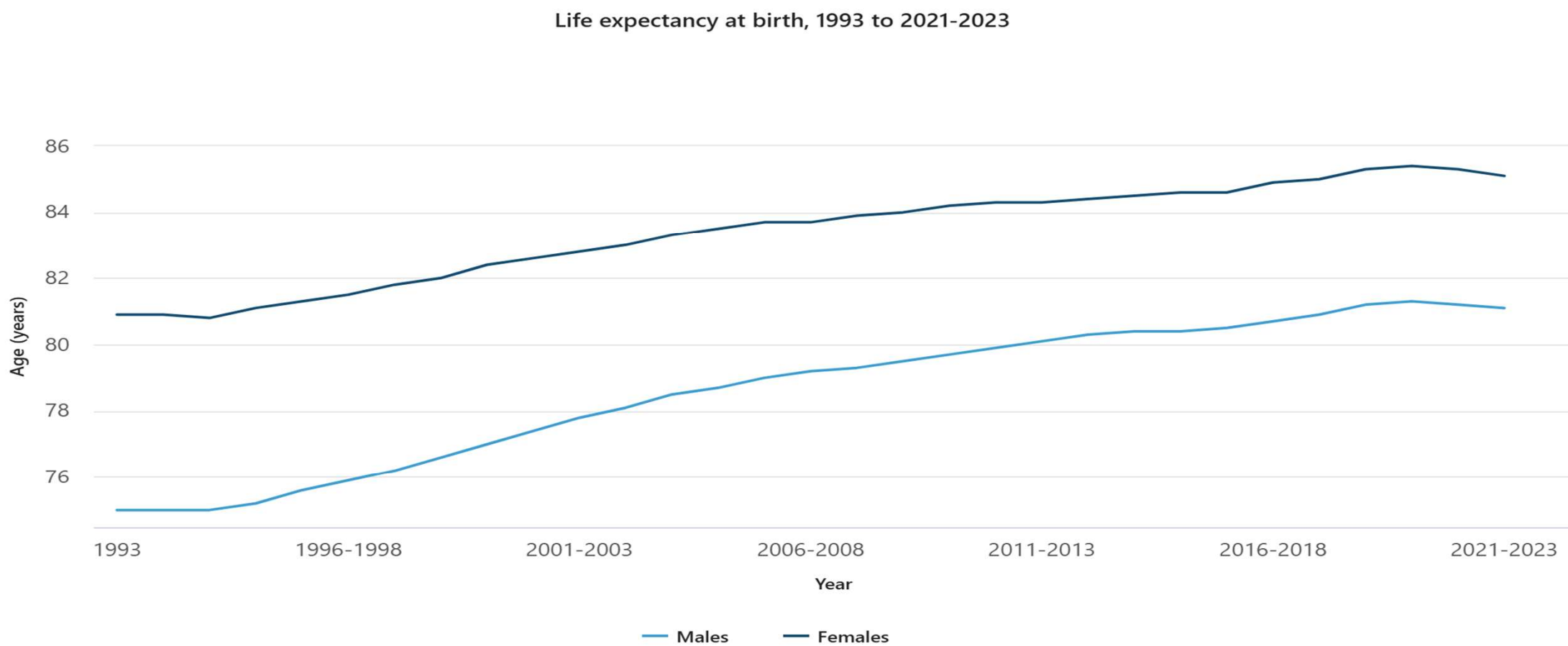
- ▶ Debt Reduction
- ▶ Sibling Privacy Issues
- ▶ Lack of generational match
- ▶ Lost ‘last look’ opportunities
- ▶ Mismatched strategies
- ▶ Late connection & missed milestones
- ▶ Not perceived as the “family advisor”

Lighting a fuse for inter-vivos transfers

- ▶ 15% - 30% for \$3m & above
- ▶ No indexation
- ▶ 80,000 captured now
- ▶ 3,000,000 within 30 years
- ▶ Tax on unrealised gains
- ▶ Defined benefits treatment



Australian Life Expectancies



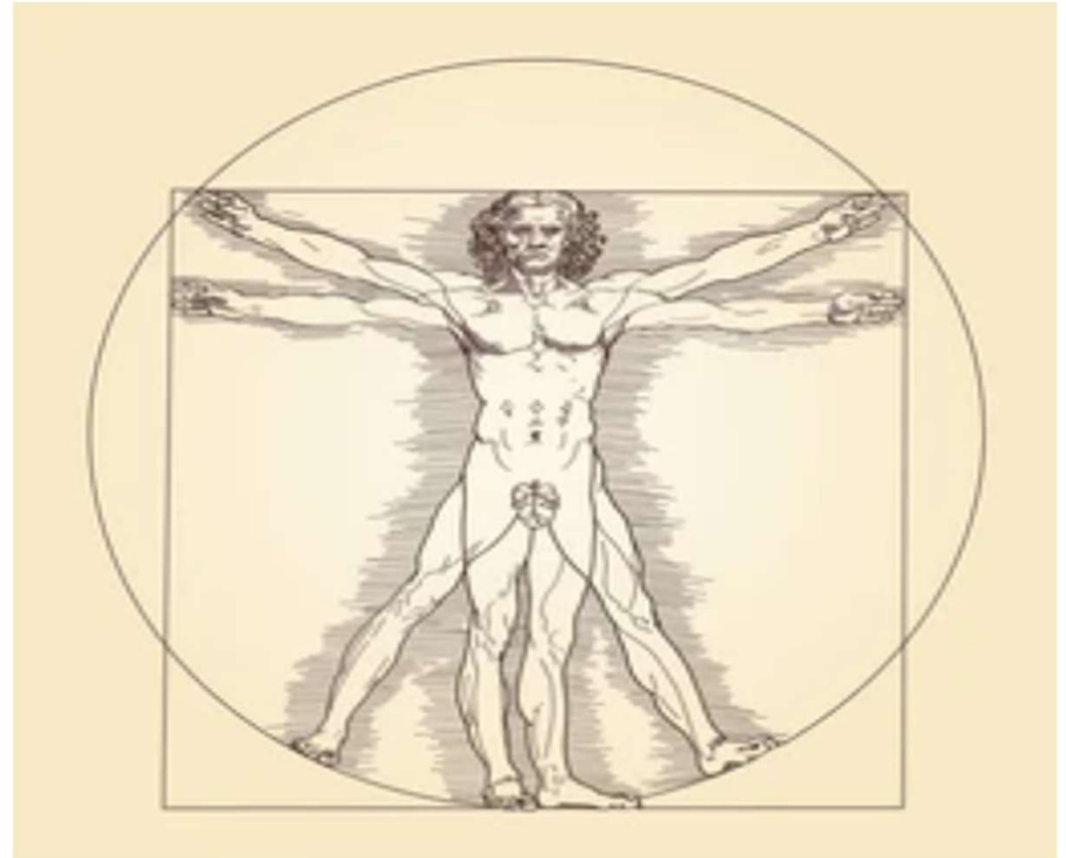
Source: Australian Bureau of Statistics, Life expectancy 2021 - 2023

The Rise of the Grey Divorce

Age	Male ^[2]	Female ^[2]
16–24	0.5%	1.3%
25–29	4.6%	7.2%
30–34	10.6%	13.5%
35–39	14.2%	16.0%
40–44	14.8%	15.8%
45–49	15.3%	15.0%
50–54	14.4%	13.1%
55–59	10.4%	8.3%
60–64	6.9%	5.0%
65 and over	7.9%	4.3%

Male and Female Differentiators- Physiological

- ▶ Testosterone levels
- ▶ Estrogen levels
- ▶ Oxytocin
- ▶ Grey matter
- ▶ White matter
- ▶ Eyesight
- ▶ Hearing
- ▶ Amygdalae



Male and Female – Process Differentiators

- ▶ Sourcing Information
- ▶ Level of detail
- ▶ Assessing reviews
- ▶ Information absorption
- ▶ Benchmarking Assessment
- ▶ Views on Investing
- ▶ Community Interaction
- ▶ Money Scripts and Confidence
- ▶ Event Planning



Female approach to investing

- ▶ Less confident due to lack of time to research options
- ▶ A higher propensity to save more on a regular basis
- ▶ More conservative with better age-based asset allocation
- ▶ The U.S. experience suggests women are more likely to invest with matching contributions
- ▶ Women are far more interested in face-to-face meetings
- ▶ Cultural conditioning

94% of women want to learn more about financial planning

63% prefer to learn via a meeting with a financial planner

31% of women would take advantage of advice if offered by their employer

29% would seek advice when entering a new life stage

Question : When were women first allowed to obtain finance without a male guarantor?

- (a) 2015
- (b) 1957
- (c) 1979
- (d) 1985

Over 50's Legacy Requirements

Legacy	Women	men
A desire to give back is a primary reason for working	22%	5%
A desire to give back is a key investment goal	58%	39%
Feel an obligation to give back	57%	45%

Estate Planning Discussions

- ✓ Drawdowns globally are typically 3-5%
- ✓ Planning for the big three scenarios
- ✓ Enough is more than enough (in most cases)
- ✓ Beneficiary designations shouldn't be defaults
- ✓ Equal isn't always fair
- ✓ Death and money are unpleasant topics
- ✓ Discuss effective altruism
- ✓ Consider a charitable gifting addendum to factfind
- ✓ www.changepath.com.au or www.guidestar.org

Encouraging clients to have estate planning conversations



Talk in percentages and use third party examples

Discussions now allow for alterations

Gifts and donations are more enjoyable when you see the impact

Beware the 'one more year' syndrome

Spending on experiences delivers more happiness

Spending on others brings a higher degree of happiness (with conditions)

Consider life coaching or mental health assistance entering retirement

Start the trust conversation early- particularly for mixed families

Consider a DAF with a successor advisor nominated

Create a gifting plan and dealing with illiquid assets

Baby Boomers – 1946-65 - 5.5million

Characteristics

- ▶ Optimism & ,Confidence, nostalgic
- ▶ Youth Movements / Counter-culture
- ▶ Competitive & workaholics
- ▶ Young at heart and a unified generation
- ▶ Mass affluence, delayed milestone
- ▶ Consumer mentality / team players
- ▶ Redefined the parent/ child relationship
- ▶ Lower tech adoption
- ▶ Largest wealth holding generation

Solutions

- ▶ Sell the sizzle, not the steak
- ▶ Demonstrate and detail every step
- ▶ Multiple face-to-face solutions
- ▶ Benchmark against peers
- ▶ Allow for trophy purchases in the plan
- ▶ Consider investment bonds
- ▶ Offer portal/online access to other family
- ▶ Events & education over lunch/dinner
- ▶ Consider dress code

Gen X – 1965-79 4.9 million

Characteristics

- ▶ Sceptical, Cynical and Sarcastic
- ▶ First tech savvy generation
- ▶ Guarded and Protective
- ▶ Use technology for practical reasons
- ▶ Self-reliant and independent
- ▶ Prepared to sacrifice the long-term for the short-term
- ▶ Considered as stalkers
- ▶ Disclosure and proof of claims is paramount

Solutions

- ▶ Disclose upfront / sell the steak
- ▶ Online reviews and digital content are important
- ▶ Prepare multiple strategy options and back-up plan for failure (outside super)
- ▶ Combine tech with face-to-face contact
- ▶ No response to pressure tactics
- ▶ Allow an avenue to buy on-line and self-service
- ▶ Provide research and proof – VAS/IP

Millennial's / Gen Y- 1981 - 96 5.4million

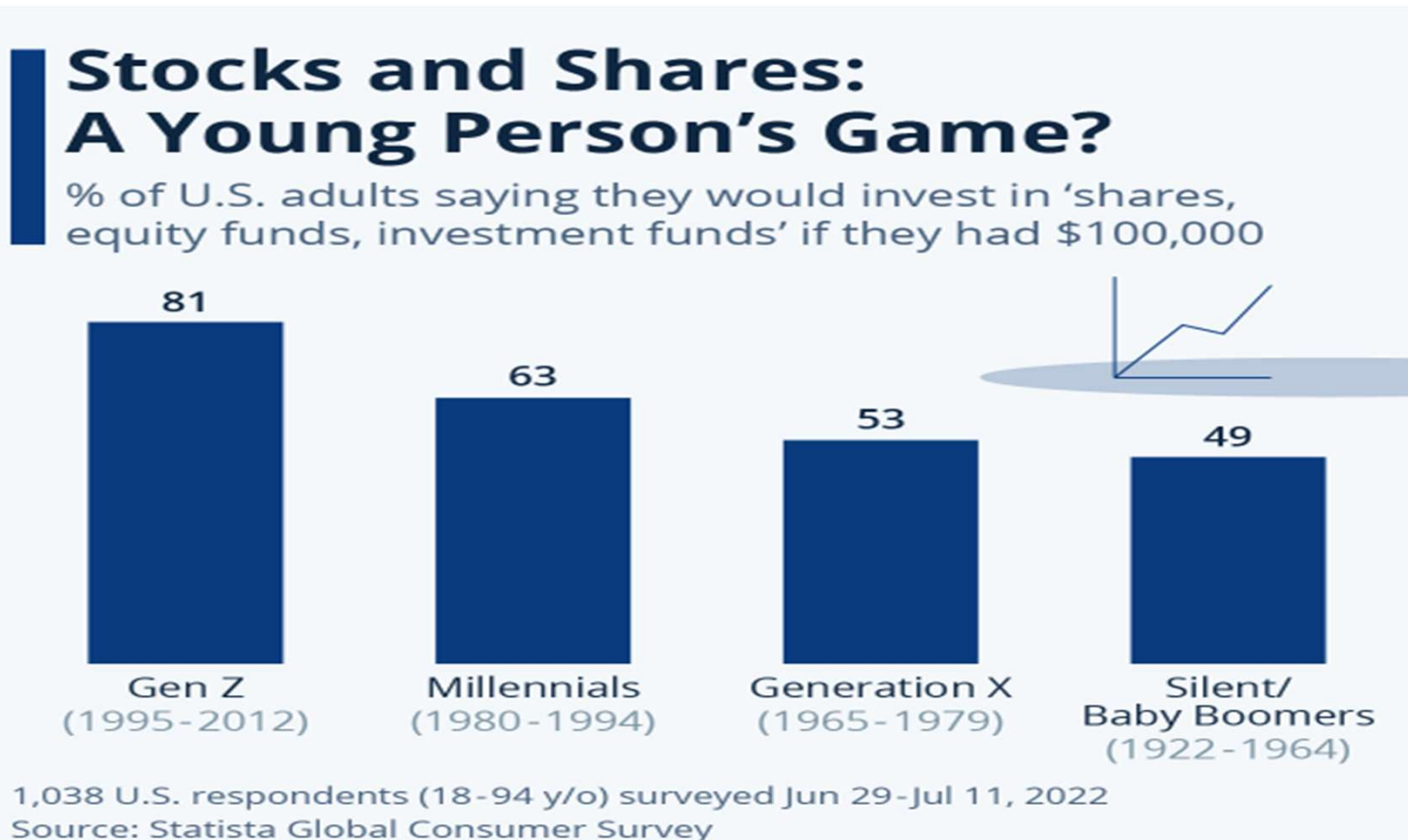
Characteristics

- ▶ Highly Familiar with technology & educated
- ▶ Low level formalities are expected
- ▶ High sense of entitlement
- ▶ Desensitised to media and marketing
- ▶ Highly influential over parental relationships
- ▶ Enjoy a connected world and marketplace
- ▶ Social currency/peer and group focused
- ▶ In a hurry and low levels of patience
- ▶ Lofty goals and high levels of ambition

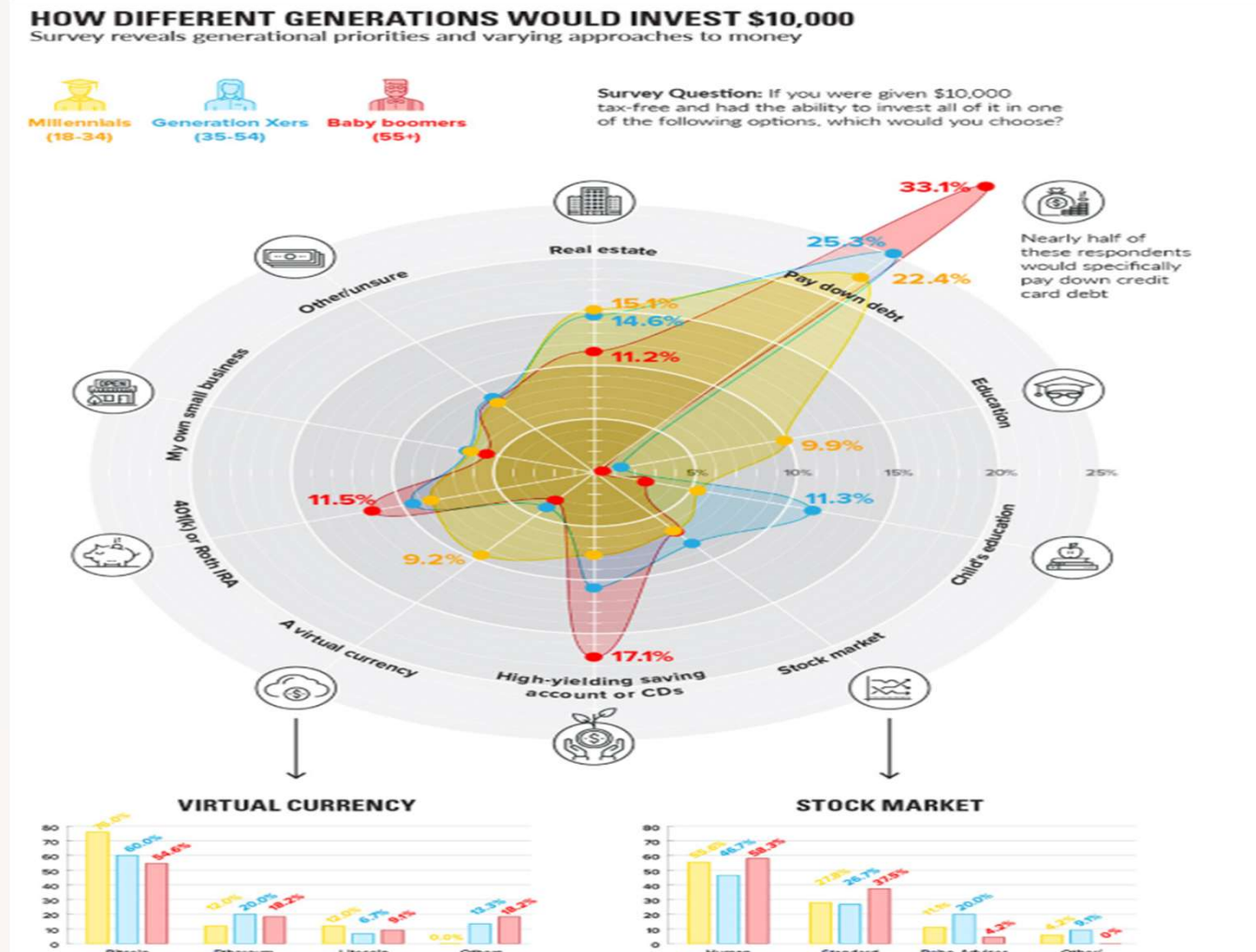
▶ Solutions

- ▶ Sell the steak and the sizzle
- ▶ Avoid channel switching
- ▶ Ensure FCR
- ▶ Consider Crypto in moderation
- ▶ Ensure you have a corporate halo
- ▶ Provide links and access to external resources
- ▶ Provide giveaways
- ▶ Enjoy the buzz factor – thematic/dynamic

Approach to Share Investing

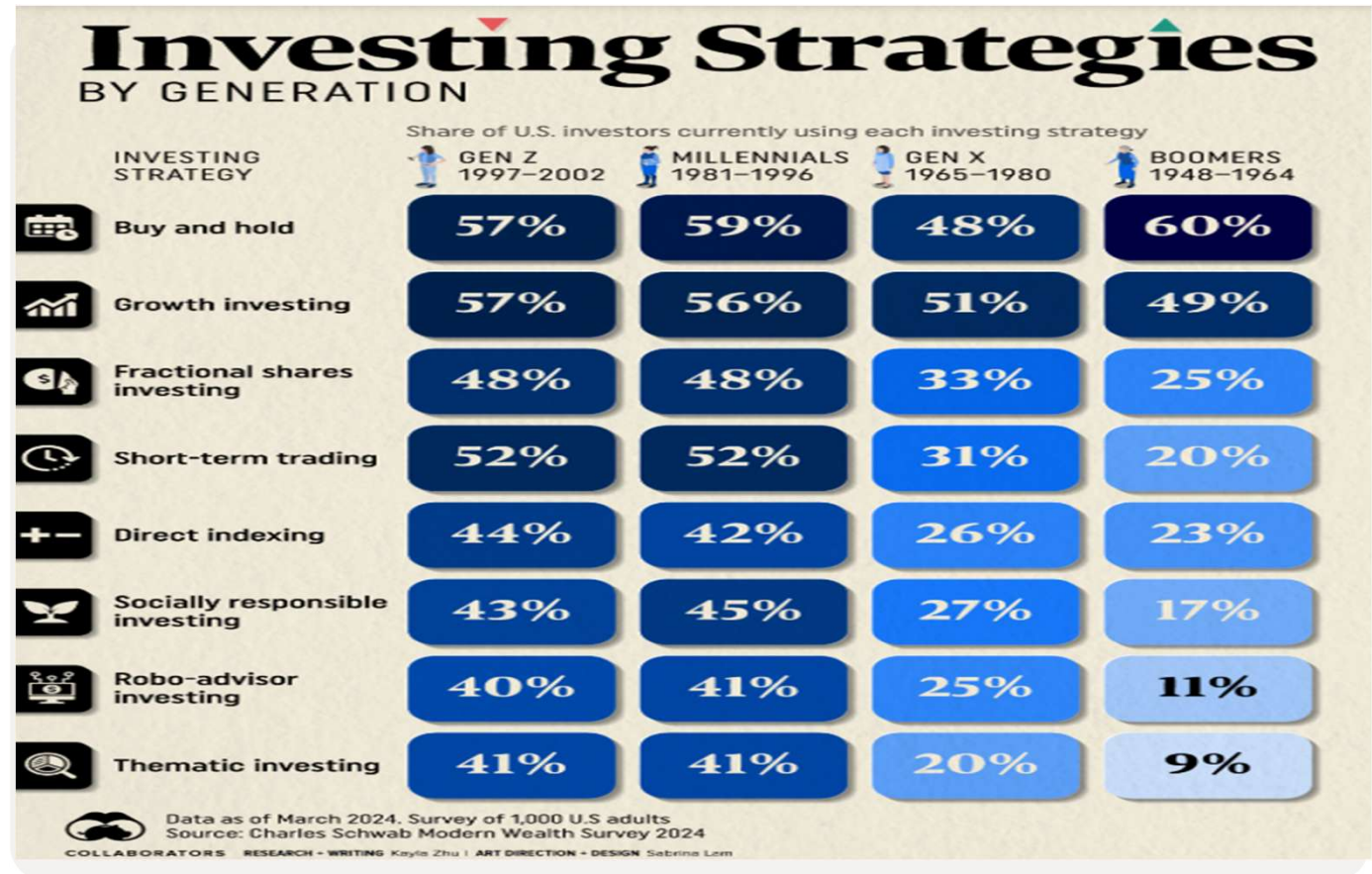


Generational Investment Preferences



Potential investment strategies and opportunities

- ▶ Direct Investing for small amounts
- ▶ Smart Beta and Index exposures to create portfolios and SMA's
- ▶ ESG overlays
- ▶ Establish 'play accounts'
- ▶ Fee conscious
- ▶ Core & Satellite with thematic





Tips for Connecting with the next generations

Retiree Spending



20 percent more on cars

29 percent more on meals eaten out

38 percent more on airfare

58 percent more on sports

100 percent more on coffee

113 percent more on wine at home

127 percent more on maintenance, repairs, and insurance

258 percent more on vacation homes

250 percent more on housekeeping and yard services

Consider implementing the following:

01

Life Coaching for future generations

02

Financial coaching for children and grand-children

03

Specialist Aged Care planning (external)

04

Use of family equity

05

Family Assistance measures (Credit Checks etc)



Thank you



Questions?

