THE $133 TRILLION BLIND SPOT

Modelling Intergenerational Wealth Transfer Risk in Private Banking

A Simulation-Based Framework for Client Retention Analytics

WHITEPAPER

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WEALTH INDUSTRY INSIGHTS

This paper introduces a practitioner framework for modelling intergenerational wealth transfer at the client-family level. It is based on an individual-based Monte Carlo simulation developed by swissQuant's quantitative research team, demonstrated first through a global view of the simulation framework and then through a deep-dive calibration for a fictitious German private bank. The findings are intended for risk professionals, strategy teams, and executive leadership at private banks and wealth management institutions.

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A NOTE FROM THE CEO

I first heard the phrase 'great wealth transfer' in 2008. I was sitting across the table from a private banker in Zurich who had just walked me through his book of three hundred families, most of them over sixty, nearly all of them first-generation wealth creators who had built something remarkable and had not yet seriously confronted what would happen to it next. He knew, intuitively, that the continuity of those relationships depended on answers he did not have. **So did I.**

That conversation stayed with me because it captured something that the industry has been circling for nearly two decades without fully resolving: we have known this transition was coming, and we have never had reliable tools to model it.

In the years since, I have worked closely with private banks, family offices, and wealth managers across regions. The clients at the centre of those relationships are people who have spent a lifetime accumulating, protecting, and stewarding significant wealth. But as I watched those relationships evolve, and as the first generation began to age into the second and third, I noticed a persistent gap. The industry was rich in intuition and experience, and almost entirely without quantitative infrastructure for what would come next. We could project portfolio returns. We could model market risk. What we could not do, with any rigour, was answer the question that mattered most to the long-term health of an institution: where does this wealth go, and does it stay with the current wealth manager?

Dr. Hassan Mouheb
Chief Executive Officer, swissQuant

The problem is not trivial. A family is not a portfolio. Mortality timing, spouse survival, heir count, generational mobility, tax friction, emigration, and behavioural switching interact in ways that no spreadsheet and no relationship manager's instinct can fully capture. The outcome for any single family is uncertain. The aggregate outcome for a book of three hundred families is a distribution, and that distribution has never been modelled with the specificity that the question deserves.

What makes this moment different from 2008 is that the transfer is no longer a forecast. It is happening. And the generation inheriting this wealth is not simply a younger version of the generation that created it. They carry different expectations of their advisers, different relationships to risk and investment preferences, different instincts about consolidation and fragmentation, and in many cases different geographic footprints. Institutions that assume continuity of relationship alongside continuity of assets will be surprised. Those that see the generational composition of their book shifting in advance, and act on it, will not.

At swissQuant, our purpose has always been to bring quantitative rigour to the questions that matter most to our industry. This paper is a direct expression of that purpose. It does not offer a simple answer to a complex problem. What it offers is a framework: one that replaces aggregate intuition with individual-level simulation and replaces single-point forecasts with probability distributions. It is, I believe, the kind of tool the private banker I met in 2008 was looking for, and that the industry has been waiting long enough to have.

EXECUTIVE SUMMARY

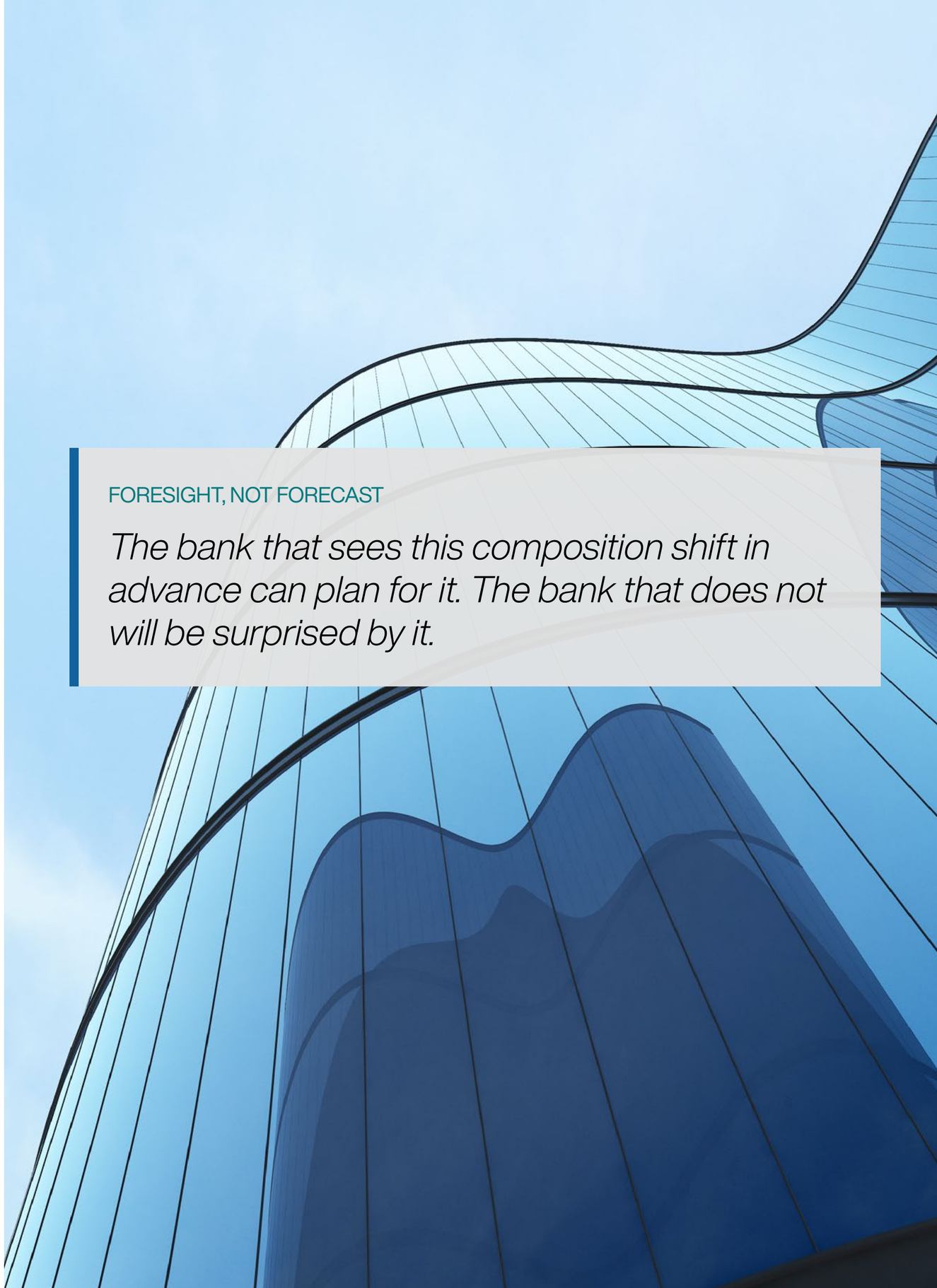
The largest intergenerational wealth transfer in modern history is already underway. For private banks, this is not a forecast or a long-horizon risk. It is a balance-sheet event in motion, and the only uncertainty is in its timing, magnitude, and geographic distribution.

Existing approaches do not scale to this problem: aggregate actuarial models, static client archetypes, and relationship-manager intuition cannot represent the compounding interactions between mortality, taxation, gifting, emigration, and behavioural switching that determine where inherited wealth goes next. Headline AuM stability masks an active reshaping of the underlying client book.

This paper introduces a two-model framework, developed by swissQuant, for projecting how intergenerational wealth transfer reshapes a private bank's book. A cohort-based global model projects the regional shape and scale of the transfer; an individual-based Monte Carlo simulation tracks every client, spouse, child, and descendant in a private bank's ecosystem. The two models share a common flow taxonomy and are calibrated against authoritative public data. They are demonstrated through two worked examples: a global view across six regions, and a full deep-dive calibration of the individual-based model for a fictitious German private bank with €9.6 billion in AuM.

The findings are concrete. Globally, HNWI wealth grows from $90 trillion in 2026 to $133 trillion by 2046, with the relationship base shifting towards younger HNWI as the 70-plus share falls from 45 percent to 40 percent and the 30-to-49 share rises from 10 percent to 18 percent. In the German deep dive, a private bank starting at €9.6 billion in AuM grows by approximately 12 percent on the surface, but, at year 20, 45 percent of those assets sit with relationships established a generation later than the current book. Industry survey data anchors the retention challenge: Capgemini's 2025 World Wealth Report finds that 81 percent of inheritors plan to switch wealth-management firms within one to two years of inheritance, and the median spouse-bridge in the simulation is six years.

The strategic implication is that retention work cannot wait for the first death. By the moment of inheritance, the heir cohort that will determine the next 15 years of book composition has already established its own financial relationships, potentially in other jurisdictions.



FORESIGHT, NOT FORECAST

The bank that sees this composition shift in advance can plan for it. The bank that does not will be surprised by it.

01. THE GREAT WEALTH TRANSFER IS A BALANCE-SHEET EVENT

The scale of the largest intergenerational wealth transfer in modern history should not be underestimated. Cerulli Associates estimates that USD 124 trillion will move between generations in the United States alone by 2048[1]. Knight Frank projects global transfers exceeding USD 90 trillion by 2045[2]. In Germany, the Bundesbank's Panel on Household Finances indicates that the majority of Germany's wealthiest one percent fall within the 55 to 75-plus age bracket[3]. In Asia-Pacific, UBS reports that 79 percent of billionaire wealth remains first-generation, meaning the primary succession wave has not yet begun[4].

For private banks, these numbers describe an existential shift in the client base. The clients who generate today's revenue are ageing faster than they are being replaced, and industry research consistently finds that over 70 percent of heirs change wealth manager within two years of inheriting[5]. A single client relationship representing €20 million can easily become three relationships of €5 million each (after taxes and distributions), each with different risk profiles, generational priorities, and degrees of loyalty to the original institution. When this happens in parallel across hundreds of client families, the effect on the book is structural, not incremental.

> *The question is not whether this transition will happen.*
> *It is whether the institution has the analytical tools to see it coming.*

Two dynamics compound the problem. The first is dilution. As wealth splits across multiple heirs, the average size of each downstream relationship falls, and surveyed wealth holders are spreading their assets across more institutions over time. The Capgemini Research Institute reports that ultra-high-net-worth individuals held an average of three wealth-management relationships in 2020, rising to seven by 2023[6]. The second is dispersion. Heirs reevaluate every existing financial relationship at the moment of transfer.

Capgemini's 2025 World Wealth Report finds that 81 percent of inheritors plan to switch wealth-management firms within one to two years of inheritance[7]. EY's 2023 Global Wealth Research Report surveys this churn directly: 44 percent of wealth-management clients plan to change provider relationships within three years, and the survey predicts a 12 percent rise in the average number of providers per client over that period, namely, a falling average wallet share for any single bank[8]. Emigration of heirs to other jurisdictions is part of this picture, but it is the smallest of the three forces. Even heirs who never leave their home country routinely move their inherited share to another bank.

Yet many private banks approach this challenge qualitatively. Relationship managers know which clients are ageing. Succession planning surfaces in client reviews. But there is rarely a systematic, data-driven projection of how the aggregate book will evolve, capturing the interplay of mortality timing, tax friction, emigration, dilution at inheritance, and portfolio dynamics across hundreds of families simultaneously. The gap between anecdotal awareness and quantitative planning is exactly where this paper operates.

AT A GLANCE

- USD 124 trillion in intergenerational wealth transfer in the US alone by 2048 (Cerulli).
- Over 70 percent of heirs switch wealth manager within 24 months of inheritance (Accenture).
- UHNWIs now hold seven wealth-management relationships on average, up from three in 2020 (Capgemini).
- 81 percent of inheritors plan to switch wealth management firms within 1 to 2 years of inheriting (Capgemini).
- Many private banks have no quantitative framework for projecting generational book evolution.
- An individual-based simulation can resolve the problem at the client-family level.

02. WHY EXISTING APPROACHES FALL SHORT

The industry has not lacked for discussion of generational transition. What it has lacked is rigour. Three methods dominate current practice. Each has limitations that have been documented repeatedly in industry research and, more uncomfortably, in the experience of institutions that relied on them.

Aggregate actuarial models

The simplest approach applies population mortality rates to a client age distribution and calls the result "attrition." This captures the broad tempo of turnover but misses everything that actually determines where the wealth goes next. Two 75-year-old clients with identical portfolios present very different retention profiles: one has a surviving spouse and three children aged 45, 50, and 55; the other has no spouse and a single child aged 30. The first client's estate passes through a spouse-bridge that could last a decade, then splits across three heirs who are each already well into their domestic lives. The second client's estate passes immediately to a single heir at peak career-mobility age. An aggregate model treats both as identical attrition events. Real outcomes will not be.

The evidence of this limitation is visible in the persistent gap between industry-level attrition forecasts and the actual retention experience of wealth managers through generational transitions. The Williams Group's 20-year study of more than 3,200 wealth-holding families found that 70 percent lost control of their assets by the end of the second generation, and 90 percent by the end of the third[9]. Aggregate models do not distinguish between the families who retain their advisers and the ones who do not.

Static scenario analysis

More sophisticated firms model representative archetypes, for example a €10M client aged 70 with two children under a joint spousal will. These archetypes are useful in advisory conversations but do not scale to book-level projection, and they are typically deterministic, which obscures the wide outcome ranges that stochastic dynamics produce over 20 years.

EY's 2024 Global Wealth Research Report found that only 14 percent of surveyed wealth managers employ any form of probabilistic multi-generational projection at the book level, even though 72 percent identified generational transition as a top-three strategic concern[10]. The tooling has not kept up with the stated priority.

Relationship manager intuition

In practice, most banks rely on the judgement of their RMs, who know their clients personally and often their families. This is invaluable at the individual level. It is also impossible to aggregate, stress-test, or audit. An RM's insight into a single family's succession plans cannot be combined into a book-level projection, stress-tested against alternative scenarios, or validated against empirical mortality and migration data.

Capgemini's 2025 World Wealth Report notes that RM turnover averages 13 percent annually across the industry, and that each departure takes a substantial portion of the RM's specific client-family knowledge with it[7]. A model cannot substitute for the trust and judgement of an experienced banker, but it can provide an institutional layer of family-level analytics that survives staff turnover and scales to the book as a whole.

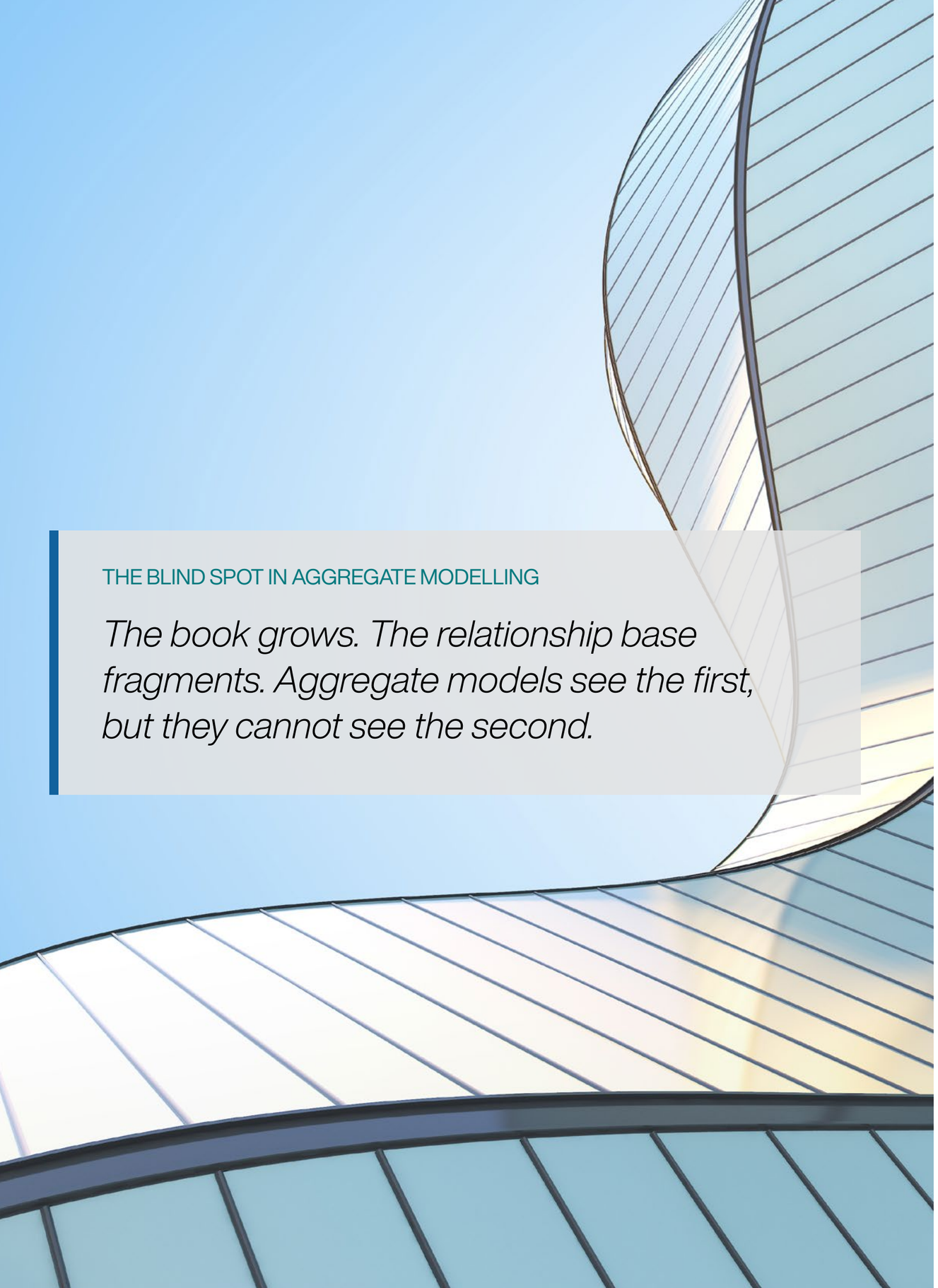
The compounding problem

The common failure of all three approaches is that they cannot represent the compounding, nonlinear interactions between demographic, financial, legal, and behavioural factors that shape outcomes over two decades. Consider a surviving spouse under a German Berliner Testament, the joint spousal will widely used in Germany. The spouse holds the estate for a median of six years before the second transfer occurs. Over those six years, the portfolio earns returns, is depleted by consumption, may be gifted in tranches to exploit the rolling 10-year Freibetrag cycle, and the eventual heirs age into different emigration hazard brackets. Each dependency changes the next.

An aggregate model collapses this chain into a single mortality event. A static scenario model freezes it at a point in time. Only a stochastic, individual-based simulation can carry the interactions forward year by year, across hundreds of families in parallel, and produce a distribution of outcomes rather than a single number.

AT A GLANCE

- Aggregate models miss family-level dynamics: heir count, ages, spouse status, and individual mobility risk.
- 70 percent of families lose control of assets by the second generation, 90 percent by the third (Williams Group).
- Only 14 percent of wealth managers use probabilistic book-level projection (EY).
- RM intuition does not scale or survive staff turnover; industry RM turnover averages 13 percent annually.
- Static projections collapse compounding interactions between mortality, gifting, emigration, and returns.
- The problem calls for stochastic individual-based modelling at the client-family level.



THE BLIND SPOT IN AGGREGATE MODELLING

The book grows. The relationship base fragments. Aggregate models see the first, but they cannot see the second.

03. THE SIMULATION FRAMEWORK

The framework is two complementary models that share a common flow taxonomy. Each model answers a different question, runs on a different unit of analysis, and is calibrated against different data. The two are designed to be read together: the global model establishes the regional shape and scale of the great wealth transfer, and the individual-based model resolves what that means inside a single institution's book.

The two models share five of six flow categories (Grown, Destroyed, Taxed, Donated, Emigrated) and are calibrated against overlapping data sources. They differ on the sixth. The cohort-based global model treats migration symmetrically (Emigrated and Immigrated), because at the global level, migration is redistribution between regions and zeroes out in aggregate. The individual-based model captures Emigrated only, by design: its question is what a given institution retains, not what it might acquire from inbound migrants. Modelling Immigrated would be prospection rather than retention. The two models do not share architecture. At the group level, the global model proxies several mechanics that the individual-based model resolves explicitly: lineage tracking, cascading inheritance, and family-tree construction.

The cohort-based global model

The global model is a stock-and-flow model. Wealth is aggregated by age tranche (5-year bands) and by region. Transitions between tranches, growth, leakage to consumption, taxation, and donation, and cross-border migration are calibrated as group-level probabilities and modelled through Monte Carlo simulations. The model carries no individuals: at any point in time, each cohort holds an aggregate amount of wealth, and the simulation projects how that aggregate evolves under the calibrated transition probabilities.

This design is well-suited to projecting the shape and scale of intergenerational wealth movement at the regional level. It is not designed for, and cannot answer, questions about specific client families, lineage retention, or institution-level book composition. Those questions are the domain of the individual-based model that follows.

The individual-based model

The individual-based model is the full Monte Carlo simulation used in the German deep dive in Section 5. Every client, spouse, child, and descendant is a tracked individual with their own attributes, family-tree relationships, and stochastic life events. It is well-suited to book-level decision-making for a single institution with full data resolution, and it is the basis for every quantitative claim made in Section 5.

In the individual-based model, every individual in a private bank's ecosystem is an autonomous unit. Clients, their spouses, children, children's spouses, grandchildren, and dynamically born descendants each hold a set of demographic, financial, and legal attributes. They interact through mortality, inheritance, taxation, gifting, emigration, and portfolio dynamics within a Monte Carlo simulation that produces probabilistic projections over a 20-year horizon.

Engine and annual loop

The individual-based model initialises from a bank's client data, or (as in the case study that follows) from a dynamically generated synthetic client book calibrated to public data. For each client, the system constructs a multi-generational family tree including spouse, children, children's spouses, and grandchildren. Each year, every individual is processed through a fixed sequence of ten steps covering portfolio growth, consumption, fertility, gifting, emigration, mortality, inheritance routing, taxation, non-transmissible loss, and cascading.

The order is deterministic; the outcomes are stochastic. Asset returns, mortality events, and emigration decisions are drawn from calibrated probability distributions. The full sequence runs across N=1,000 Monte Carlo iterations, producing confidence bands at P5, P25, P50, P75, and P95 rather than a single point estimate.

Family tree and generational tracking

The German calibration presented in the deep-dive case study tracks approximately 8,000 to 10,000 individuals at initialisation across three generations: 1,500 clients, their spouses, roughly 2,500 children and their spouses, and approximately 1,700 grandchildren. By year 20, the studied population has decreased by 6 percent, accounting for the death of older generations and emigration of young adults but also the birth of grandchildren and great-grandchildren during the simulation period, who may themselves become wealth recipients through cascading inheritance. Up to four generations of wealth holders are tracked within a single lineage, with full attribution of who transferred what to whom, when, under which tax regime, and with what leakage.

Jurisdiction-specific legal and tax mechanics

The tax and legal layer is fully parameterised. For the Germany calibration, this includes the progressive inheritance tax schedule under §19 of the Erbschaftsteuergesetz (ErbStG, the German Inheritance and Gift Tax Act), with seven rate brackets from 7 percent to 30 percent; per-heir tax-free allowances (Freibeträge) under §16 ErbStG of €500,000 for spouses, €400,000 for children, and €200,000 to €400,000 for grandchildren; the 10-year rolling gift allowance reset under §14 ErbStG; and Mehrfacherwerb (multiple acquisition) relief under §27 ErbStG, which reduces taxation on rapidly repeated transfers[11]. This level of specificity matters because tax code creates nonlinear incentive structures that aggregate models cannot represent.

Demographic calibration

All demographic inputs derive from authoritative statistical sources. Mortality is calibrated to the Destatis Sterbetafel 2020/22, the official German mortality table[12], adjusted with a 15 percent HNWI longevity premium based on the relationship between income and life expectancy documented by Chetty et al. in JAMA[13]. Gender-differentiated mortality is applied throughout; women in the German HNWI population outlive men by approximately 4.7 years, which directly affects spouse-bridge duration. Emigration hazard rates are calibrated to Destatis Wanderungsstatistik 2023 with an HNWI mobility premium, producing an age-dependent curve that peaks at ages 25 to 29 (first career abroad) and shows a secondary peak at 60 to 69 (retirement migration).

The architecture isolates German-specific rules in a dedicated layer. The core simulation itself, namely the demographics, family-tree construction, and Monte Carlo orchestration, requires no changes across jurisdictions. Adapting to a new jurisdiction requires only updating the parameters describing local tax schedules, allowances, mortality, and migration calibrations, and replacing the inheritance-routing functions that encode local succession law.

This jurisdiction-agnostic design allows the individual-based model to be recalibrated for any market by updating its parameter layer. The sections that follow first present results from the cohort-based global model across six regions (Section 4), and then a full deep-dive calibration of the individual-based model for a fictitious German private bank (Section 5). The two views are complementary: the global view establishes the scale and shape of the great wealth transfer across the markets most relevant to the audience for this paper, while the German deep dive demonstrates the framework's full mechanics on a single, fully parameterised institution. The research foundations that would underpin further jurisdiction-specific calibrations are summarised in Section 7.

> *The individual-based model separates its simulation engine from its parameter layer. The same demographic, family-tree, and Monte Carlo infrastructure serves any jurisdiction. Only the calibration parameters change.*

AT A GLANCE

- Two complementary models: a cohort-based global model and an individual-based model for the deep dive.
- A fixed 10-step annual loop advances the individual-based simulation deterministically but with stochastic outcomes.
- In the individual-based model, every client, spouse, heir, and descendant is a discrete individual with tracked attributes.
- Both models run N=1,000 Monte Carlo iterations, producing probabilistic projections with P5 to P95 confidence bands.

04. THE GLOBAL PICTURE

This section presents results from the cohort-based global model introduced in Section 3, run across six regions: North America, Asia-Pacific, Europe, Latin America, the Middle East, and Africa. Each region carries its own calibration for cohort growth, transitions between age tranches, leakage to consumption, taxation, and donation, and cross-border migration.

The model produces projections for the regional shape and scale of intergenerational wealth movement; it does not resolve individual clients or lineages. Those questions are addressed in Section 5 by the individual-based model. What this section presents is the shape and scale of intergenerational wealth movement at the regional level, sufficient to establish where HNWI wealth lives today, how the composition of that wealth shifts over the horizon, and how the shared flow taxonomy operates across regions.

4.1 The Global Wealth Pool, 2026 to 2046

HNWI Wealth Flow by Age Group, 4-Year Snapshots

Figure 4.1. Wealth flow by age group, full period 2026 to 2046 (median of 1,000 simulations).

The headline is the simultaneous expansion and rebalancing of the global HNWI wealth pool. Total HNWI wealth rises from $90 trillion in 2026 to $133 trillion by 2046, a 48 percent increase over 20 years. Beneath the aggregate, the composition shifts substantially across age cohorts. The 70-plus cohort grows in absolute terms from $40.7T to $53.3T, but its share of the total falls from 45 percent to 40 percent. The 50-to-69 cohort grows from $40.0T to $53.0T while its share drifts down from 44.2 percent to 39.8 percent.

The 30-to-49 cohort is the cohort with the most striking change: from $9.2T (10.2 percent of the pool) in 2026 to $23.8T (17.9 percent) in 2046, more than doubling in absolute terms and adding 7.7 percentage points of share. The under-30 cohort starts from a small base (around $0.1T in 2026) and grows to $3.3T by 2046, predominantly through inheritance and entrepreneurship in growth markets.

The pattern is consistent with what the German deep dive in Section 5 establishes at the level of a single bank's book: aggregate wealth rises, but the relationship base that holds it shifts a full generation younger. Banks that frame their book around the 70-plus cohort today are framing it around what will be a 40 percent share of the global pool by 2046, not 45 percent. The 30-to-49 cohort to whom incumbents are losing relative ground is also the cohort with the highest provider-switching rate (Section 1) and the lowest established loyalty to any single institution.

> *By 2046, the 30-to-49 cohort holds nearly 18 percent of global HNWI wealth, up from 10 percent today. The wealth pool is not just growing; it is rebalancing towards a generation with the lowest established loyalty to any single bank.*

4.2 Regional Profiles

Wealth Flow Waterfall

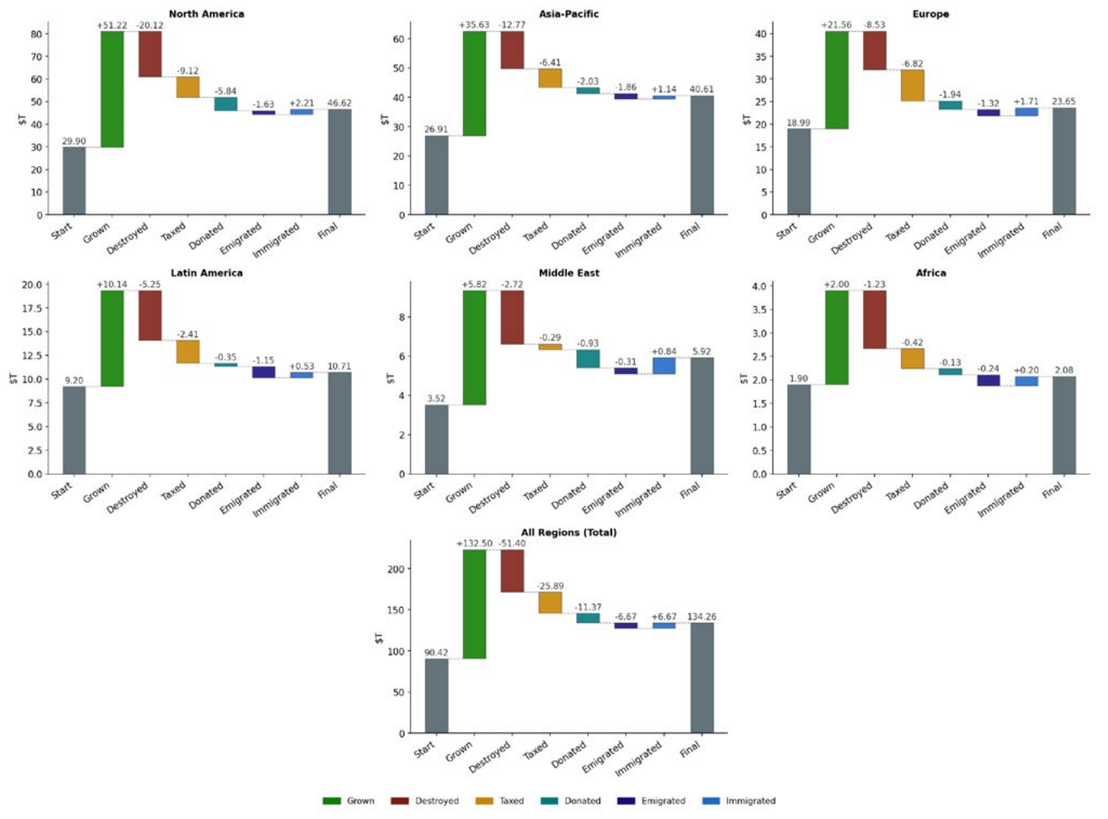


Figure 4.2. Wealth flow waterfall, full period 2026 to 2046, by region (cumulative, median of 1,000 simulations). Medians are not additive, so the regional panels do not sum to the "All Regions (Total)" aggregate; the $133T headline is the rounded global pool.

The framework also resolves the global pool into six regional pools, each with its own growth profile and leakage dynamics. North America starts as the largest pool at $29.9T and ends at $46.6T (+56 percent), retaining its position as the largest regional pool. Asia-Pacific grows from $26.9T to $40.6T (+51 percent), narrowing the gap with North America but not overtaking it. Europe grows +25 percent ($19.0T to $23.7T), from third largest base.

> *The regional aggregate masks substantial country-level variation; the German deep dive in Section 5 examines one national profile in detail.*

Latin America grows +16 percent ($9.2T to $10.7T). The Middle East is the fastest-growing pool in percentage terms (+68 percent, $3.5T to $5.9T) with the highest donation share of any region, reflecting the role of Zakat and family-foundation structures in the wealth-distribution profile. Africa is the slowest-growing major pool (+10 percent, from $1.90T to $2.08T), with the slowest growth as a share of starting wealth among the six regions.

Aggregated globally, the migration flows zero out at $6.6 trillion in each direction. Migration redistributes HNWI wealth between regions; it does not destroy it. Whether any single institution retains a migrating client is a question the institution itself answers, not the act of migration.

Regional HNWI Wealth Dashboard

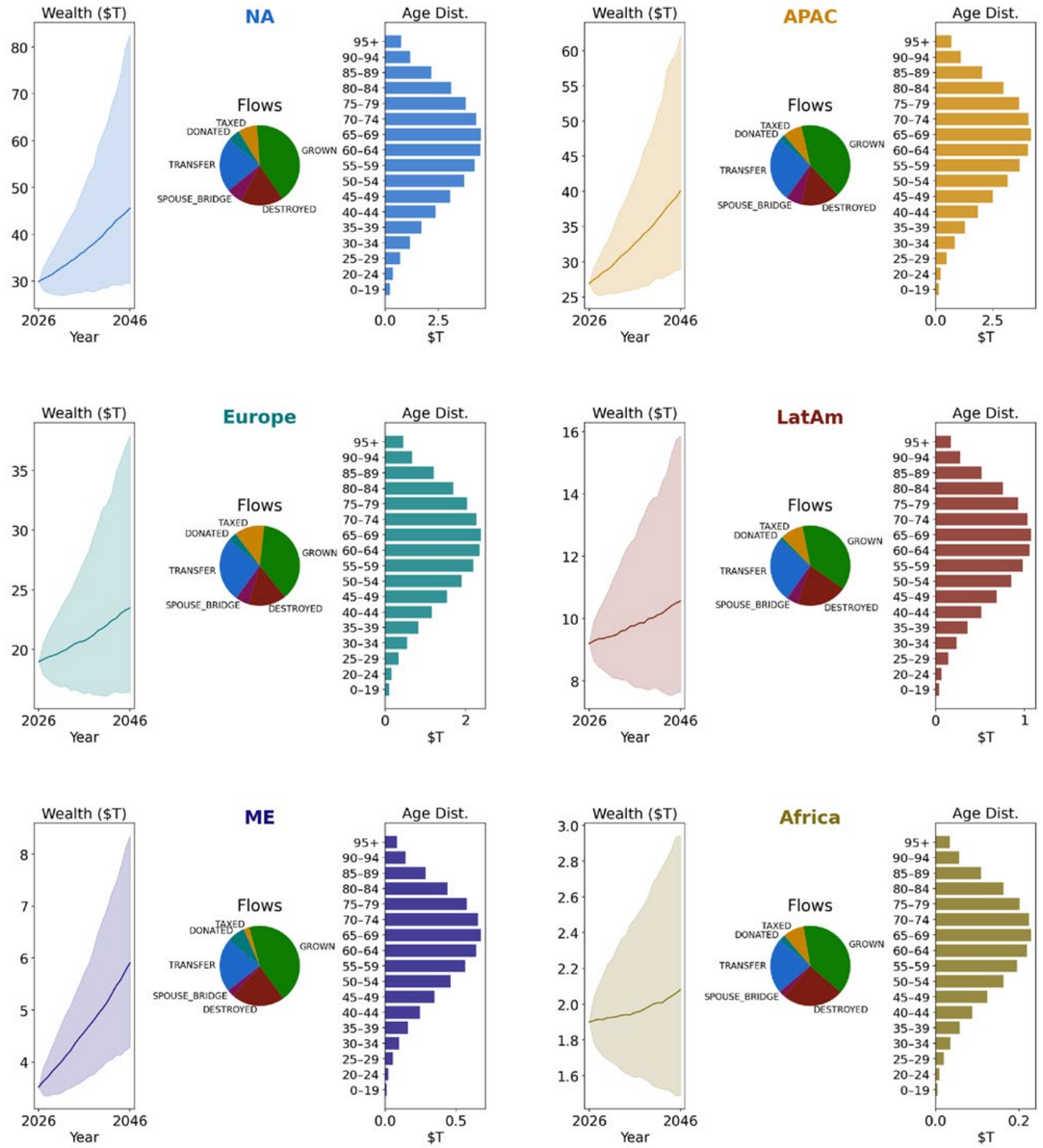


Figure 4.3. Regional HNWI wealth dashboard: trajectory (P5 to P95 fan), flow composition, and age distribution by region (2026 to 2046).

4.3 From Global to Deep Dive

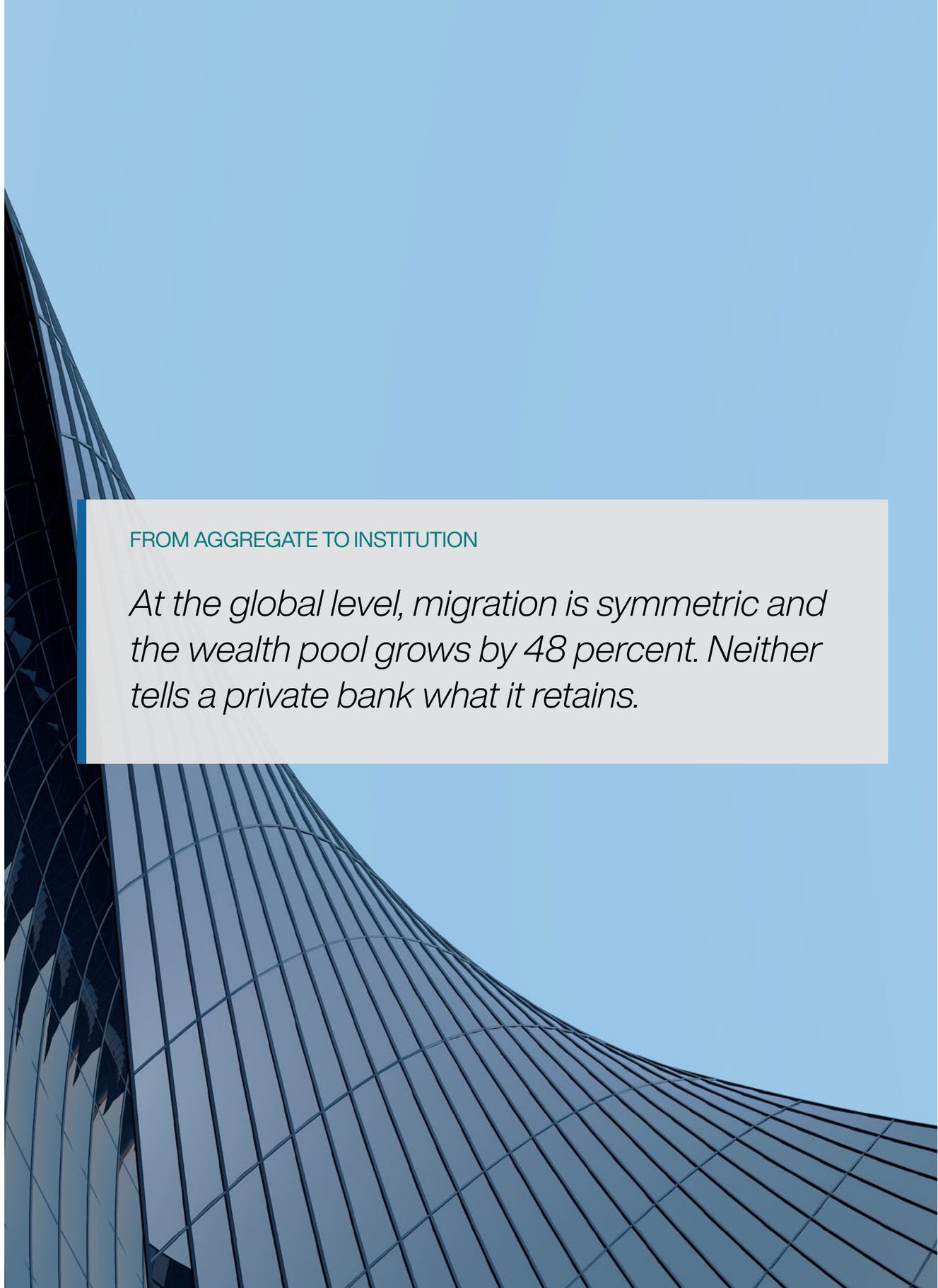
The cohort-based global model establishes the scale: $132.5 trillion of gross HNWI wealth is created and $88.7 trillion is permanently removed (consumed, taxed, or donated) over 20 years globally. A further $6.6 trillion redistributes between regions via migration but does not leave the global pool, with inbound and outbound flows symmetric and zero-sum at the aggregate level.

Section 5 switches to the individual-based model, calibrated for a fictitious German private bank with €9.6 billion in AuM, and shows the same flow taxonomy resolved at the level of individual client families and the bank's book. One asymmetry is worth flagging: the individual-based model captures emigration but not immigration, because the question it answers is what a given institution retains, not what it might acquire from inbound migrants. Modelling inbound migration would be prospection, which is a separate analytical exercise.

The two views are deliberately complementary: the cohort-based global model is wide and shallow; the individual-based deep dive is narrow and full-resolution. Read together, they show what the two-model architecture can do for an institution at both ends of the planning horizon, the regional outlook and the single relationship.

AT A GLANCE

- Global HNWI wealth grows from $90T in 2026 to $133T in 2046 (+48 percent).
- The 70+ cohort share falls from 45 percent to 40 percent; the 30-49 cohort share rises from 10 percent to 18 percent.
- North America (+56 percent) remains the largest regional pool by 2046; Middle East is the fastest-growing pool overall (+68 percent) from a smaller base.
- Europe is the third major pool (+25 percent) and carries the highest tax burden as a share of starting wealth.
- $6.6 trillion of HNWI wealth crosses borders over the horizon, a zero-sum total at the global level.



FROM AGGREGATE TO INSTITUTION

At the global level, migration is symmetric and the wealth pool grows by 48 percent. Neither tells a private bank what it retains.

05. DEEP DIVE: A GERMAN PRIVATE BANK WITH €9.6B AUM

Over 20 years, a fictitious German private bank's AuM moves from €9.6 billion to €10.8 billion. Beneath that headline, the relationship base holding it has been almost entirely replaced. This section presents the full deep-dive calibration of the individual-based model introduced in Section 3.

Deutsche Vermögensbank (DVB), the fictitious institution constructed for illustrative purposes throughout this paper, is the lens through which the section traces the model's full mechanics. The synthetic client book comprises 1,500 HNWI clients drawn from a truncated log-normal wealth distribution calibrated to the Bundesbank's PHF 2023 data[3], with median client wealth of €3.3M and mean of €6.4M. Total initial AuM is approximately €9.6 billion. The client population skews older (median age 65) and slightly male (59 percent), consistent with the known demographics of German HNWI households.

Where the cohort-based global model in Section 4 illustrates the regional shape and scale of intergenerational wealth movement, the individual-based model demonstrated here resolves the same flow taxonomy at full client-family detail: every parameter is specified against authoritative German sources, and every flow is traced through the family tree at the individual level. All results derive from N=1,000 Monte Carlo runs executed under two scenarios: a base scenario using empirically calibrated emigration rates, and a high-mobility scenario in which those rates are doubled to stress-test the book against accelerated international mobility among younger heirs.

5.1 The Generational Wealth Shift

HNWI Wealth by Generational Group

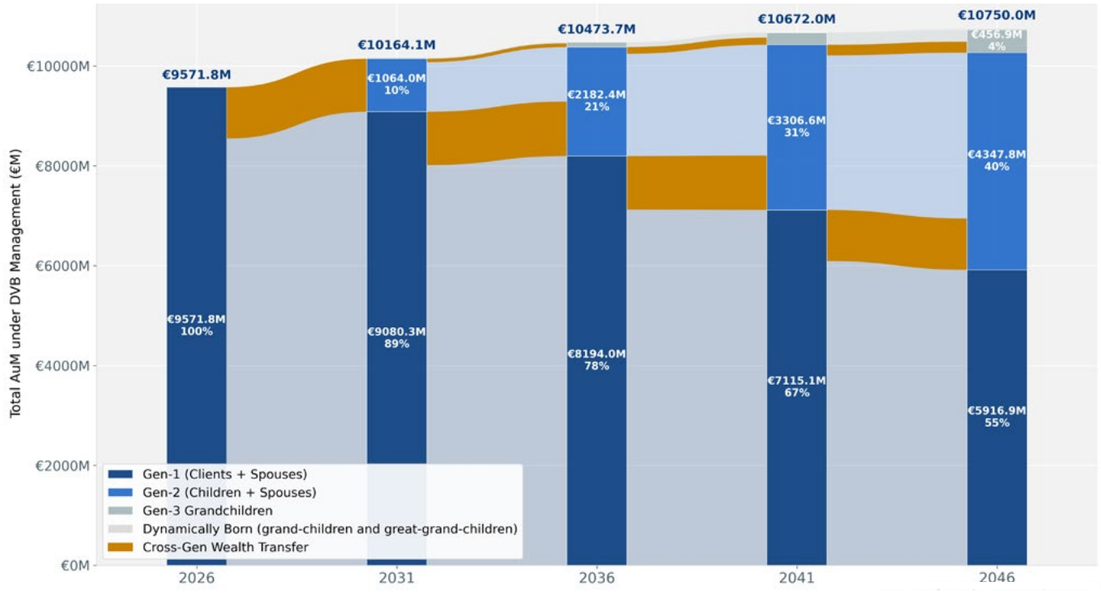


Figure 5.1. HNWI wealth by generation, 5-year snapshots (median, base scenario).

The headline finding is the scale of generational redistribution that occurs inside the simulation horizon. At initialisation, 100 percent of managed wealth sits with Gen-1 clients and their spouses. Ten years in, Gen-1's share has declined to 78 percent. By year 20, it has fallen to 55 percent. Gen-2 now holds 40 percent and Gen-3 appears as a distinct cohort at 4 percent.

The orange band in each column represents cross-generational transfer over the preceding five years. In aggregate, this transfer grows from approximately €1.1 billion over the first five years to a cumulative total of €4.8 billion over 20 years. The total AuM figure tells a different story: it grows from €9.6B to €10.8B over the same period. The bank's topline looks healthy even as its relationship foundation is being restructured beneath it.

> *The headline AuM figure is a misleading indicator of book health. A bank that grows total assets by approximately 12 percent over 20 years may still find that 45 percent of those assets sit with relationships established a generation later than its current book.*

5.2 AuM Trajectory and Scenario Divergence

AuM Trajectory - Base vs. High-Mobility Scenario

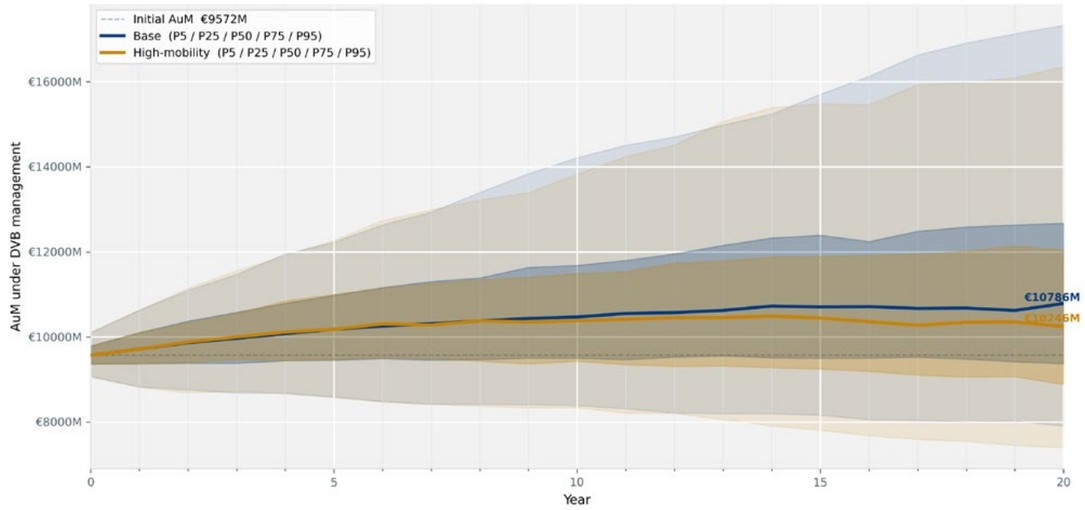


Figure 5.2. AuM trajectory: base vs. high-mobility scenarios (P5 to P95 fan chart).

Under base assumptions, median AuM reaches €10,786M by year 20, an approximate 12 percent increase. Under the high-mobility scenario, the median falls to €10,246M, a €540M gap driven entirely by emigration. All other parameters are fixed between the two runs. The P5 to P95 bands span from roughly €7.5 billion to €16 billion, reflecting the compounding uncertainty of two decades of stochastic returns, mortality events, and family dynamics. Any institution relying on a single-point AuM forecast is ignoring an outcome range that varies by a factor of more than two.

5.3 Capital Flight: Where the Wealth Goes Next

The headline outcomes from Sections 5.1 and 5.2 understate the retention challenge that a private bank faces. Total AuM holds up across the horizon, and emigration drives a clearly bounded €540M gap between scenarios. But the simulation captures only one of the three forces that move inherited wealth out of an institution's book. The other two are observable in the wider industry data and operate even when no one leaves the country.

Dilution

When wealth passes through a generational transition it splits across multiple heirs. A single €20M client relationship typically becomes three or four heir relationships of €3M to €6M each, after taxes and the redistributive effects of forced-heirship rules. Each downstream relationship is, by construction, smaller, less profitable on a per-relationship basis, and serviced by the same fixed cost base. Beyond the mechanical split, surveyed wealth holders are also spreading their assets across a growing number of institutions over time. The average number of wealth-management relationships per UHNWI tracked by Capgemini rose from three in 2020 to seven in 2023.[6]. The same forces operate one tier below: as Gen-2 and Gen-3 heirs receive their share, they tend to allocate it across the institutions with which they already have established relationships, rather than consolidating it into the institution that served their parents.

Dispersion

Inheritance is the moment at which existing financial relationships are reevaluated. Heirs do not inherit loyalty along with assets. The Capgemini World Wealth Report 2025 finds that 81 percent of inheritors plan to switch wealth-management firms within one to two years of inheritance[7]. EY's 2023 Global Wealth Research Report surveys this churn across the broader wealth-management client base: 44 percent of clients plan to change provider relationships within three years (14 percent adding a new provider, 21 percent moving money to another, 9 percent switching entirely), and the survey predicts a 12 percent increase in the average number of providers per client over the period, namely a falling average wallet share[8]. Escalent's 2026 Trajectory of Intergenerational Wealth Transfer report describes the underlying behaviour directly: the natural emotional and behavioural default for an heir is to reevaluate every existing financial relationship at the moment of transfer[14]. A retained heir is not the heir who inherits; it is the heir whose relationship survives the reevaluation.

Emigration

Emigration Leakage by Time Period

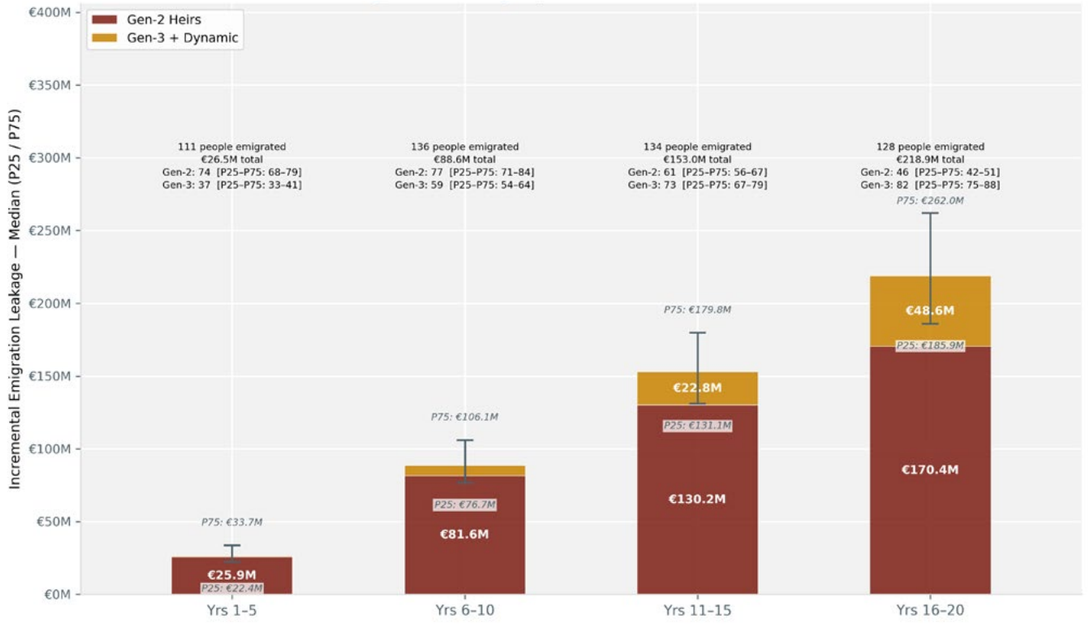


Figure 5.3. Emigration leakage by time period (base scenario, median with P25 and P75 bands).

Emigration is the smallest of the three forces, but it is the one the individual-based model captures explicitly. Mortality is biology. Tax rates are law. Emigration moves a wealth holder to another jurisdiction; the wealth only leaves the bank's book if the institution lacks the cross-border servicing capability, or the prior relationship, to retain the client after the move. In practice, most private banks treat emigration and account loss as synonymous. The model reflects this default: an emigrating heir's entire portfolio is classified as leakage. The strategic question is whether an institution is willing to accept that default.

The model does not include the corresponding inbound flow: immigration is not in the waterfall, because the question being asked here is what the bank retains, not what it might gain by acquiring inbound clients. Three patterns emerge from the data. First, emigration leakage accelerates markedly over the horizon, rising from a median of €27M in years 1 through 5 to €219M in years 16 through 20. Second, the generational composition of departures inverts. In the first five years, Gen-2 heirs account for roughly two-thirds of emigrating individuals; by years 16 through 20, Gen-3 and dynamically born descendants account for nearly two-thirds (82 of 128 emigrants).

Gen-2 heirs nonetheless continue to carry the larger share of emigration-linked AuM loss throughout the horizon, because they hold more inherited wealth per capita than their children. The bank faces a dual problem: a growing volume of departures among a generation it has in most cases never engaged (Gen-3), and a concentration of wealth at risk among a generation it has known but may not have retained (Gen-2). Third, the number of emigrating individuals stays relatively flat at roughly 110 to 135 per five-year period, but the per-capita wealth they carry grows as they accumulate inherited and gifted assets.

Cumulative emigration leakage at year 20 reaches a median of approximately €499M under base assumptions. The high-mobility scenario, in which migration hazard rates are doubled, produces a substantially higher cumulative figure consistent with the €540M base-versus-high-mobility AuM gap reported in Section 5.2.

Reading the simulation honestly

The model treats every resident heir as retained AuM. In reality, dilution and dispersion erode the share of any individual heir's wealth that the original bank manages, even when no one leaves Germany. The €499M base-case emigration leakage in this paper is therefore best understood as a lower bound on the true capital flight that a private bank should plan against.

The dilution and dispersion components of capital flight are not modelled here because the underlying behaviour, namely an heir's decision to consolidate or fragment a banking relationship, is not yet calibrated against bank-internal data. The framework is designed to accept those behaviours as additional parameter layers when the data become available. For now, the message is that quantified emigration is the visible part of a larger problem.

> *Capital flight is not just emigration. The individual-based model captures emigration as €499M of cumulative leakage by year 20. Dilution and dispersion together likely move a multiple of that figure, and they operate even when every heir stays in Germany.*

5.4 The Flow Decomposition: Where the Wealth Comes From and Where it Goes

Annual Flow Waterfall

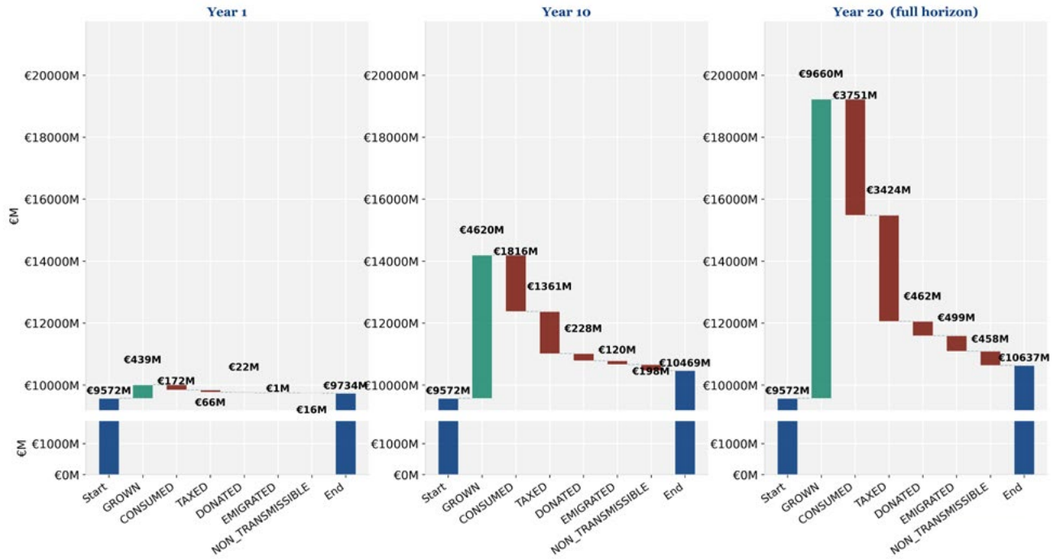


Figure 5.4. Annual flow waterfall, base scenario (median): snapshots at year 1, year 10, and year 20 full horizon. Medians are not additive; component bars do not sum exactly to period-end AuM (see Figure 5.2).

The waterfall in Figure 5.4 decomposes the change in book-level AuM at three points in the simulation horizon: year 1 (single year), year 10 (cumulative through year 10), and year 20 (cumulative full-horizon). Each panel begins with the opening AuM (the leftmost blue bar), then layers in the gross additions and subtractions applied by the individual-based model, and closes with the period-end AuM (the rightmost blue bar). The component bars are: portfolio growth (green, the only systematically positive contributor), consumption (depletion of wealth through household spending), tax leakage on inheritance and gift events, donations, emigration leakage, and non-transmissible loss arising when no eligible heir exists.

Two patterns are visible across the three snapshots. First, the absolute scale of every component grows substantially over the horizon: cumulative portfolio growth rises from €439M at year 1 to €4.6B by year 10 and €9.7B by year 20, while the offsetting drains grow in step. Tax leakage in particular accelerates disproportionately as the first major transfer wave moves through, with cumulative tax reaching €3.4B and cumulative emigration leakage of approximately €499M by year 20. Second, the composition of the drains shifts. In year 1 the book is essentially in steady state: growth comfortably outpaces consumption and there is almost no tax or emigration activity, because Gen-1 clients are still alive and few transfer events have occurred. By year 10 the inheritance machinery has engaged and tax leakage has emerged as a material drag, second only to consumption. By year 20 consumption (€3.8B) and tax (€3.4B) are the two largest drains, with emigration (€499M), non-transmissible loss (€458M), and donations (€462M) occupying a similar middle band.

The strategic reading is that headline AuM stability masks an increasingly active flow regime underneath. The bank that observes a 12 percent rise in total assets over the horizon (Section 5.2) is in fact reconciling a much larger gross inflow against a much larger gross outflow in every later year. Each of the negative bars is a separate point of intervention: emigration responds to cross-border servicing capacity, tax leakage to advisory-led planning around the rolling Freibetrag cycle, non-transmissible loss to early heir mapping.

The waterfall makes year 1 look manageable and year 20 look fixed. The truth is the reverse. Year 1 is when the levers are set; year 20 is when they have been pulled. By that point the bank has either built the cross-border servicing capacity, the next-generation engagement, the advisory-led tax planning, or it has not, and its retention of the final €10.8B follows from the early trigger of those levers rather than from anything done in the closing years of the horizon. Dilution and dispersion (Section 5.3) sit alongside these levers as additional, unmeasured drains on the bank's share of any given household's wealth.

5.5 Transfer Timing and the Spouse-Bridge

Transfer Timing - Source Decomposition

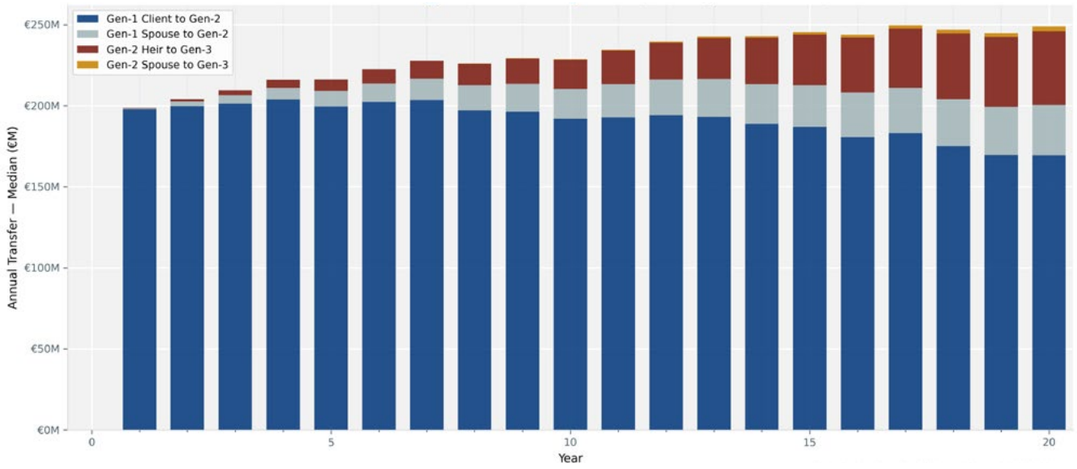


Figure 5.5. Annual transfer volume by source (median, base scenario).

Annual transfers rise from approximately €200M in year 1 to €250M by year 20. The compositional shift matters as much as the volume: Gen-2 to Gen-3 transfers (the red and yellow bars) grow from near zero to roughly 20 percent of annual volume by year 20. This is the second wave of transfer, with wealth cascading through to a generation that has no established advisory relationship with the bank that served its grandparents.

Spouse Survival After Partner's Death

(N = 648,857 simulated spouse-death events across 1,000 runs)

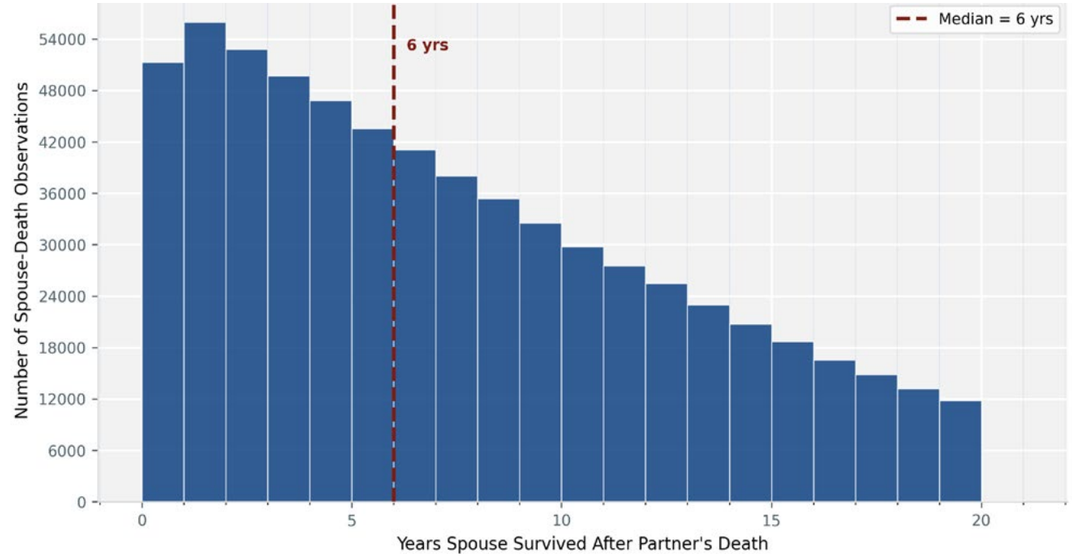
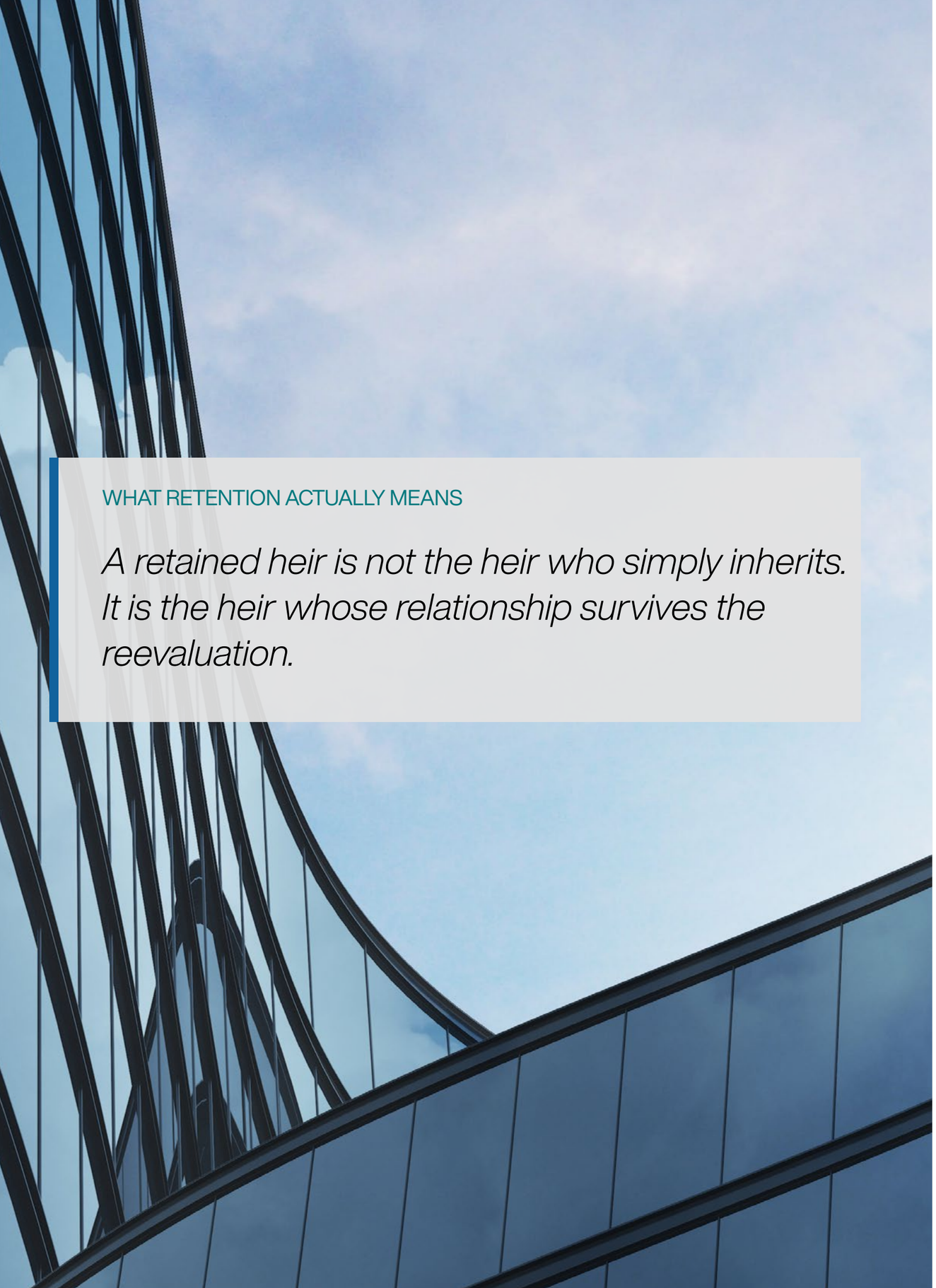


Figure 5.6. Spouse survival after partner's death, simulation-observed distribution.

Across the 20-year simulation horizon, the spouse-bridge has a median duration of six years. It is neither brief enough to ignore nor long enough to take for granted. It represents a defined window during which the bank must maintain a dedicated advisory relationship with the surviving spouse while cultivating engagement with the eventual heirs.



WHAT RETENTION ACTUALLY MEANS

A retained heir is not the heir who simply inherits. It is the heir whose relationship survives the reevaluation.

06. STRATEGIC IMPLICATIONS

Together, the cohort-based global model and the individual-based deep dive translate into a concrete set of implications for how private banks should think about client retention, advisory capacity, and strategic planning.

Heir engagement cannot wait for the first death

By the time a Gen-1 client dies and wealth formally transfers, the retention window has already begun to close. Heirs have established their own financial relationships, often in other jurisdictions. Across the simulation, the spouse-bridge provides at least six years of continuity in at least 50 percent of cases, but emigration risk is already running on Gen-2 and Gen-3 heirs from the moment they reach adulthood, and the dispersion documented in Section 5.3 begins the moment those heirs receive any meaningful share of family wealth. Banks that treat succession as an administrative event after death are systematically underinvesting in the relationships that will determine their book's composition 15 years from now.

Retention is the lever banks can actually pull

Tax rates are set by law. Mortality is set by biology. The bank's share of any given household's post-transfer wealth is set, at least in part, by the bank itself, through relationship quality, cross-border servicing capability, and the relevance of the advisory offering to a younger generation that is more willing to shop providers. The individual-based model quantifies the emigration component of this lever directly: a 20 percent reduction in effective emigration-linked attrition adds approximately €100M to retained AuM over 20 years. The dilution and dispersion components are larger and harder to size, but they respond to the same investments: cross-border servicing capacity, next-generation engagement programmes, integrated advisory across generations, and the institutional analytics infrastructure to monitor wallet share over time. These are among the highest-ROI investments a private bank can make in book preservation.

Inheritance is a retention crisis disguised as a transaction

Industry survey data places the moment of inheritance at the centre of share-of-wallet erosion. 81 percent of inheritors plan to switch wealth-management firms within one to two years of inheriting[7]. 44 percent of clients more broadly plan to change provider relationships within three years, with the survey predicting an average wallet-share decline of 12 percent[8]. The behavioural mechanism is observable: heirs reevaluate every existing financial relationship at the moment of transfer[14]. The strategic implication is that retention work needs to happen before the first death, embedded in the bank's relationship with the future heir cohort, not after, framed as account preservation. The first hour after probate is too late.

The Gen-3 blind spot is the defining long-horizon challenge

By year 20, grandchildren and dynamically born descendants represent the majority of emigrating individuals (82 of 128 in years 16 through 20), and they are the cohort with the highest emigration hazard rate, peaking at ages 25 to 29. They are also the cohort least likely to have an established relationship with the bank that serves their grandparents. Meanwhile, Gen-2 heirs who do emigrate continue to carry the largest per-capita wealth, making early relationship investment in both generations critical. The individual-based model quantifies the cost of continuing to ignore either.

Tax planning is a retention tool, not a compliance task

The German tax code's rolling 10-year Freibetrag cycle, the interaction between Schenkungsteuer (gift tax) and Erbschaftsteuer (inheritance tax), and the structural reliefs for business and agricultural assets create planning opportunities that proactive banks can execute on behalf of their clients. The individual-based model shows that tax optimisation contributes approximately €50M of retained AuM per 20 percent improvement in effectiveness. More importantly, the advisory relationship required to execute the planning creates the very client engagement that prevents attrition.

AT A GLANCE

- Heir engagement must begin before the first death, not after.
- Capital flight is dilution + dispersion + emigration.
- 81 percent of inheritors plan to switch firms within 1 to 2 years of inheritance (Capgemini).
- Retention investments respond to all three forces: cross-border servicing, next-gen engagement, integrated multi-generational advisory.
- Gen-2 is the fastest-growing cohort and the largest active planning priority: it concentrates inherited per-capita wealth and is where retention work has the most quantitative impact.
- Gen-3 accounts for the majority of emigrants in the later years of the horizon (82 of 128 in years 16-20) and is the cohort the bank has, in most cases, not yet engaged.

07. JURISDICTIONAL ADAPTABILITY

The individual-based model is built as a two-layer architecture: a jurisdiction-agnostic core engine (demographic simulation, family-tree mechanics, Monte Carlo infrastructure, individual lifecycle) and a parameter layer that would be recalibrated per market. Adapting the model to a new jurisdiction requires three categories of input: tax and succession law, demographic and migration data, and matrimonial property regimes.

The tables below summarise the research foundations that would inform calibration across the markets most relevant to the audience for this paper. The cohort-based global model in Section 4 and the individual-based deep dive in Section 5 are the two worked examples in this edition; the tables summarise what a full per-market calibration of the individual-based model would need to capture.

Jurisdiction	Top rate (direct heirs)	Per-heir allowance	Gift-cycle reset	Forced heirship	Calibration note
Germany[11]	30%	€500k spouse, €400k child, €200-€400k grandchild	10 years	Pflichtteil (BGB)	Berliner Testament; Zugewinngemeinschaft default; EU Succession Regulation 650/2012 governs cross-border.
France[15]	45% direct, 60% unrelated	€100k per parent per child	15 years	Réserve héréditaire (Code civil 912–917)	High-rate plus forced-heirship; mandatory distribution routing required.
Italy[16]	4% direct, 6% sibling, 8% unrelated	€1M direct, spouse	No general reset	Legittima (Codice civile 536–564)	Low rate but high allowance; 2024 reform clarified trust and gift-tax coordination.
Netherlands[17]	10–20% (direct); up to 40% others	€795k spouse, €25k child (2024)	Annual exemption	Legitieme portie	10-year extended IHT residence after emigration; continuing tail liability for mobile clients.
Spain[18]	Up to 34% federal, near-zero in some autonomies	Set per autonomous community	Set per autonomous community	Legítima (Código civil)	Inter-regional moves are domestic, not international, migration; regional-style variation.
Switzerland[19]	0% (direct heirs exempt, incl. ZH; SZ and OW levy no inheritance tax at all)	Cantonal	Cantonal	Pflichtteil (ZGB, halved 2023)	Inter-cantonal moves treated as domestic; cantonal differential is a natural parameter.

Jurisdiction	Top rate (direct heirs)	Per-heir allowance	Gift-cycle reset	Forced heirship	Calibration note
United Kingdom[20]	40% above £325k NRB (+£175k RNRB)	Nil-rate-band based	7-year PET rule	None	BPR/APR cap £1M from April 2026; April 2025 long-term residence regime replaces non-dom basis.
UAE & Gulf[21]	0%	n/a	n/a	Faraid (Sharia, compulsory shares)	DIFC and ADGM common-law wills available to non-Muslims; Faraid as mandatory distribution.
Singapore[22]	0%	n/a	n/a	Faraid for Muslims; testamentary freedom otherwise	Estate duty abolished 2008; VCC regime supports family-office formation.
Hong Kong SAR[23]	0%	n/a	n/a	None; family provision (Cap. 481)	Estate duty abolished 2006; zero-tax, testamentary freedom.
Japan[24]	55%	Per-heir basic deduction	Annual gift exemption	Iryūbun	Highest-rate global benchmarks; progressive layer handles natively.

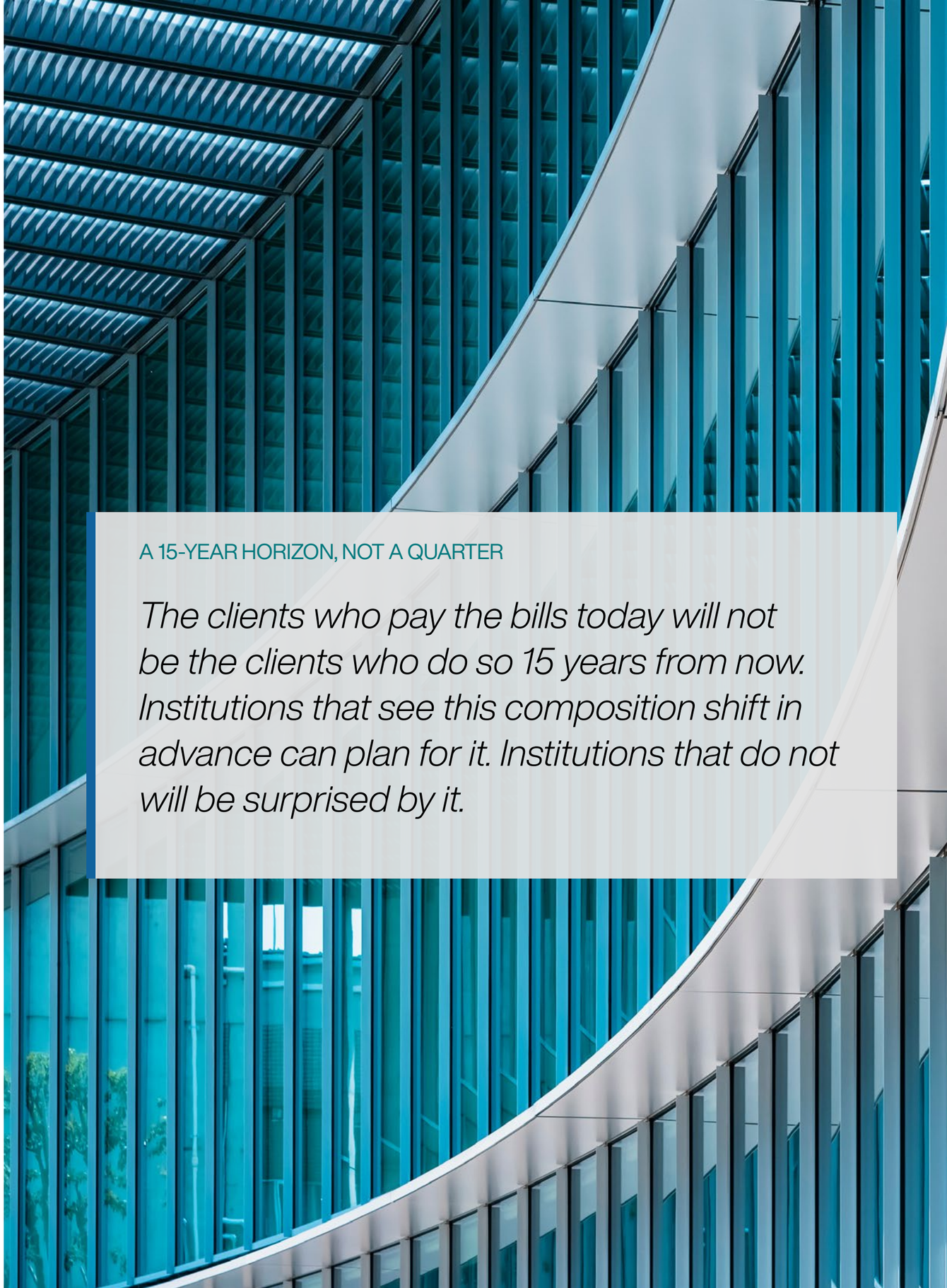
What the tables cannot capture

Three structural features sit beneath the cells and shape calibration in ways a comparison table cannot fully convey. First, matrimonial property regimes interact with inheritance tax in ways that materially alter Gen-1 to Gen-2 mechanics: the German Zugewinngemeinschaft, the French communauté légale, the Italian comunione dei beni, and the Swiss Errungenschaftsbeteiligung all redirect a portion of the estate before inheritance allowances apply, and any of them would need to be modelled as a pre-tax distribution layer.

Second, cross-border cases fall under different conflict-of-law frameworks: EU members operate under Succession Regulation 650/2012 with habitual residence as the default, the United Kingdom under common-law domicile rules now overlaid by the April 2025 long-term residence regime, and the Gulf jurisdictions under registered-will regimes that displace Sharia defaults at DIFC and ADGM.

Third, several jurisdictions are mid-transition: the United Kingdom is implementing BPR and APR caps from April 2026 under the 2024 Autumn Budget; Italy completed a 2024 reform of trust and gift-tax coordination; Switzerland reduced the Pflichtteil to half the statutory share under the 2023 ZGB reform. A live calibration would need to track these reforms against their effective dates.

> *An institution operating across Frankfurt, Paris, Zurich, London, Dubai, and Singapore could run jurisdiction-specific calibrations on a common analytical platform, enabling both local precision and group-level aggregation for strategic planning.*



A 15-YEAR HORIZON, NOT A QUARTER

The clients who pay the bills today will not be the clients who do so 15 years from now. Institutions that see this composition shift in advance can plan for it. Institutions that do not will be surprised by it.

08. CONCLUSION & NEXT STEPS

The great wealth transfer is not a forecast. It is a demographic certainty already in motion, and the only uncertainty is in its precise timing, magnitude, and geographic distribution. Private banks that approach this transition with aggregate models and qualitative intuition will be systematically surprised by the outcomes. Those that invest in client-level simulation capabilities will be positioned to anticipate, plan for, and ultimately influence the trajectory of their client book.

The two-model framework presented in this paper demonstrates that intergenerational wealth transfer can be modelled with a level of rigour and specificity that matches the complexity of the underlying dynamics. The cohort-based global model establishes the scale and shape of the transfer across major financial centres; the individual-based deep dive demonstrates the model's full mechanics on a single fully parameterised institution. The individual-based model is jurisdiction-agnostic by construction and is designed for multi-market deployment.

The commercial implications are direct: institutions that understand the generational composition of their book 10 and 20 years forward can make better decisions about where to invest in relationship building, which markets to serve, and how to structure their advisory capabilities.

Next Steps

swissQuant offers bespoke engagements for private banks and wealth managers seeking to deploy the individual-based model internally, with the cohort-based global model available as a complementary regional view. A typical engagement could include:

- **Calibration** to the institution's actual client demographics, portfolio data, and jurisdictional rules, validated against the bank's historical transfer experience where available.
- **Multi-scenario analysis** covering base, high-mobility, regulatory change, and market stress scenarios, with probabilistic AuM projections at P5 through P95 confidence levels.
- **Lineage-level analytics** identifying high-risk client families and optimal timing for heir engagement, tax planning, and relationship investment.
- **Board-ready deliverables** including strategic planning decks, risk committee reports, and regulatory documentation for internal model validation.

For enquiries, please contact the swissQuant Wealth Management Research team at info@swissquant.com

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