



SPECIAL REPORT: INVESTING

NEXT GEN INVESTING

YOUNG MONEY

HOW HOUSTON'S YOUNGER ULTRA RICH IMPACTS WEALTH MANAGEMENT

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The ultra rich are trending younger – the average age of U.S. investors with \$25 million or more is 47, compared to 58 in 2014, according to a 2019 Bloomberg survey. When it comes to managing and growing wealth for younger clients, some wealth management firms are taking different approaches than the slow, steady growth typically sought by more senior clients.

Like many of the city's largest wealth management firms, Houston Trust Co. does work for clients in all generations – including unborn beneficiaries. David Lummis, president and CEO of Houston Trust Co., said that their client's average age is 58 years old. But whether a young person makes their own fortune or has money passed down to them from their family, Houston Trust Co. is seeing the ultra rich age shift.



Kate Lummis

Kate Lummis, senior vice president of trust administration for Houston Trust Co., said that the firm launched a next-generation program around six years ago. The program initially focused on the younger generations of current clients, but Houston Trust has since expanded its scope to the 20-year-old to 40-year-old demographic.

"Whether it's through private equity or a liquidation event, or unfortunately the passing of an older generation, they have started to come to Houston Trust Co. for investment management – and also just to learn how to manage their wealth," Kate Lummis told the Houston Business Journal.

Matt Caire, senior vice president of investments for Houston Trust, said that



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younger investors are still seeking portfolio diversification through long-term investments like bonds. But he's noticed younger investors have increased familiarity and comfort in going after private equity deals, or investing in technology stocks.

"They grew up in the age of Facebook, social media, same-day delivery, all that type of stuff," Caire said. "There's a trend we've kind of picked up on with the FAANG stocks – Facebook, Apple, Amazon, Netflix and Google."

Lissa Gangjee, president and CEO of Houston-based Sentinel Trust Co. LBA, also said the firm works with clients across all generations. But people in the same age group can take vastly different paths to attaining wealth, she said.



Lissa Gangjee

"Because Sentinel Trust serves every generation within a family, we have clients who are young tech magnates and others who inherited large estates – clients who may be the same age but with very different paths to wealth," Gangjee said.

Gangjee has also noticed that the firm's younger ultra rich clients tend to be more comfortable investing in technology and tech-driven ventures. Another area where Sentinel Trust sees interest from younger clients is in environmental, social and governance (ESG) investing.

"Clients of the millennial generation tend to be more interested in investments having a sustainable, positive impact," Gangjee said.

Jeffrey Korzenik, chief investment strategist and senior vice president for Cincinnati-based Fifth Third Bank – which has a presence in Houston – has noticed that investor attitudes can depend on how the wealth was created in the first place. Traditionally, wealth was often cre-



Jeffrey Korzenik

ated through manufacturing over many generations, Korzenik told the Houston Business Journal. Now, people can have a liquidity event and become millionaires essentially overnight.

"I think the technology boom changed a lot. People have seen wealth come very, very quickly," Korzenik said. "It makes people very comfortable with taking risk, because they've seen high returns over a short period of time."

There are many differences between younger and older ultra rich investors, but both Houston Trust Co. and Sentinel Trust continue to see great interest in transitioning business from one generation to the next. Whether a client made their money in artificial intelligence or their ancestors

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made it a century ago at Spindletop, transitioning business interests will always be a focus for wealth management firms.

Allen Lyons, vice president of investments for Houston Trust, said that communication among all parties is key for successful transition planning.



Allen Lyons

“I have seen instances where parents and kids spend a considerable amount of time and financial resources negotiating back and forth through consultants and attorneys on the long-term vision for the family business,” Lyons said. “They were able to come to an agreement and pass down some ownership, but that communication is key.”

With \$3.6 billion in assets under management for its Houston-based clients as of Dec. 31, 2018, Sentinel Trust is the largest wealth management practice in Houston with investment minimums of more than \$1 million, according to Houston Business Journal research. With \$5.83 billion in assets under management for its Houston-based clients as of Dec. 31, 2018, Houston Trust Co. is the largest wealth management firm in Houston with investment minimums under \$1 million, per HBJ research.

▶ **WHAT'S TRENDING?**

HERE'S WHAT YOUNGER GENERATIONS LOOK FOR



Whether younger clients come into wealth passed down through their family or if they built their wealth on their own, Houston Trust Co. — one of the largest

wealth management firms in the Bayou City — has seen a trend of younger ultra rich clients seeking wealth management services. Young ultra rich clients are still seeking traditional, long-term portfolio investments, but they're also interested in new-age investments — like private equity deals and technology company stocks.

David Lummis, president and CEO of Houston Trust Co.; Matt Caire, senior vice president of investments; and Allen Lyons, vice president of investments told the Houston Business Journal a bit about how Houston Trust Co. manages wealth for younger ultra rich clients.

What is the age range of the clients Houston Trust Co. works with most? Do you see this trend of younger ultra rich clients?

David Lummis: We really do work with all generations of families. We work with great grandparents who are in their 90s, and we work for great grandchildren who aren't even a year old. In that regard, it's a true broad range of ages and life circumstances. We did a calculation that our average client is 58 years old.

“We really do work with all generations of families ... It's a true broad range of ages and life circumstances.”

DAVID LUMMIS,
president and CEO of Houston Trust Co.



On your second point, we do have an active practice working with people in their 20s to age 40.

Do younger ultra rich clients come to Houston Trust Co. for riskier investments in areas like private equity, or are they seeking more traditional fiduciary services?

Matt Caire: It's really a combination of both. We have one client that's of the younger generation, and he is a private equity manager. Given his background and understanding of having a large concentration of his wealth coming from that one particular place, he's more willing to look at liquid securities like stocks and bonds.

For other clients in the younger generation, there is that interest in some of the riskier deals out there. That's where we really try to bring that conversation back to looking at their long-term goals, their allocations and making that an open communication with them.

Transition planning is another area where Houston Trust Co. works with the younger generation. What is it like when the older client hands the family business down?

Allen Lyons: Obviously, it's a very emotional time and it can be very stressful. The wealth creator is giving up ownership, which can translate into stress and complication, but it can be rewarding to all parties involved.

I think communication among all parties is key in family transition planning. I have seen instances where parents and kids spend a considerable amount of time and financial resources negotiating back and forth through consultants and attorneys on the long-term vision for the family business. They were able to come to an agreement and pass down some ownership, but that communication is key.

This interview has been edited for length and clarity.

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