The Great Generational Wealth Transfer: Implications for Emerging Alternative Assets

Summary

Over the next two decades, an estimated $84 trillion in wealth is expected to pass from Baby Boomers to younger generations, primarily Millennials and Gen Z, in what is being termed the “Great Wealth Transfer.” This transition represents the largest intergenerational transfer of financial assets in history. It will significantly reshape investor preferences, risk appetites, and portfolio allocations.

While traditional asset classes like equities and real estate will remain foundational, emerging alternative assets—including private credit, venture capital, digital assets, collectible or cultural assets and impact-driven passion investments—are poised to capture a growing share of portfolios. High Net Worth, Family Offices as well as their asset managers must understand the evolving investor psyche and be prepared to develop products across a more diverse and values-driven investment landscape.

1. Overview of the Generational Wealth Transfer

According to Cerulli Associates in 2024, an estimated $84 trillion is to be transferred by 2045 through inheritance. In 2023 more billionaires inherited their wealth than made it. This trend is driven by demographics: predominantly from Baby Boomers (born 1946–1964) to Gen X, Millennials (1981–1996), and Gen Z (1997–2012). This process is already underway but will be accelerating from 2025–2035 as more Boomers reach late retirement and estate planning stages.

2. Shifting Investor Priorities

Younger generations demonstrate markedly different investment behaviours:

Preference	Baby Boomers	Millennials & Gen Z
Risk Profile	Conservative	Moderate–High
ESG/Impact	Low–Moderate	High
Tech Adoption	Low	High
Diversification into Alternatives	Limited	Strong Interest

Emerging trends include the increased preference for values-based investing (e.g., ESG, DEI-focused funds) and the developing appetite for passion, lifestyle or luxury assets classes. The new generation are motivated by experiences and engagement as opposed to passive trust in trad-fi asset investments they are increasingly demanding transparency, liquidity, and innovation alongside growing use of digital platforms and robo-advisors. The outcome is a rebalancing of asset allocation within Family Office and Trust investment portfolios.

3. Asset Class Implications

A. Traditional Asset Classes

Equities will remain central but face volatility from sectoral shifts (e.g., green energy, AI). Fixed Income may see lower appeal amid inflationary pressure and rising rates with a corresponding decline in relative allocation. Traditional 'Alternative assets' such as property and real estate will still be attractive, particularly for rental income, but may face ESG scrutiny.

B. Emerging Alternative Assets

Trends towards private credit & debt funds are already prominent and are attractive due to higher yield in rising rate environments. Millennials are more receptive to illiquid strategies if they offer risk-adjusted returns. A second sector has also seen significant growth in allocations is venture capital & private equity as younger investors are eager to back early-stage tech, biotech, and climate tech. As a result, direct and thematic VC platforms are gaining traction.

While digital wallets are viewed positively with Millennials and Gen Z, trad-fi products are also evolving. AMC, CLN and tracker products issued in Europe with an ISIN makes access to emerging alternative assets easy and efficient. These low-cost wrappers enable assetization of historically non-bankable assets. GenTwo in Zurich is a prime example.

3. Digital Assets & Blockchain-based Investments

While trad fi accounts and portfolio structures remain and continue to evolve, Millennial and Gen Z investors have increasing trust in blockchain and DLT platforms as acceptable solutions for holding emerging digital and crypto assets. Despite volatility, younger investors see crypto as a legitimate, long-term asset class. Looking forwards the rise of tokenized securities and fractional ownership models will accelerate making a wide range of alternative assets more easily accessible such as tokenized wine and fine art.

4. Collectibles, luxury & Cultural Assets

There are an increasing number of fine art products in the crypto and digital domain, real world assets (RWA) such as fine art, fine wine, classic cars and other luxury and passion assets see increased allocations among Gen Z within their traditional portfolios. Benefits such as the ability to kick the tyres helps affirm trust in the products and asset classes. Increasingly there is a blending of financial value with lifestyle, social identity and status. Next gen investors want the experience and social benefits of passion and lifestyle investments and are prepared to sacrifice some outright performance in favour of events and networking these luxury investments bring. Nobody ever got invited to a Treasury Bond party, but networking at a concours d'elegance sipping champagne while mingling with other HNW investors is viewed positively.

5. Impact & Sustainable Investing

ESG investing has been a victim of political change. The rapid rise of climate funds, green bonds, and social enterprises in the 2000s and 2010s, has seen a fairly precipitous decline, but Millennial and Gen Z remain attracted to the sector but mainly on longer term time horizons, with a correspondingly reduced allocation.

4. Strategic Considerations for Investment Managers and LPs

The investment management industry is dynamically adjusting to these generational led preferences. This advisory evolution is seeing a move from transactional advisory to holistic, mission-aligned wealth planning, taking into account the developing appetites of millennial and Gen Z investors. As a result product innovation is driving the development of customized vehicles (e.g., AMCs, CLNs and tracker funds, ESG funds, blockchain ETFs) that blend growth and values and explore exposure to emerging alternative asset classes.

Over time further digital enablement will leverage fintech tools and analytics to serve digitally native investors alongside enhanced financial education & communication to emphasize transparency and explain complex instruments like structured alternatives and crypto funds.

5. Risks and Challenges

This development in emerging alternative asset classes, products and allocation splits will see increased volatility in new asset classes, particularly in crypto, collectibles, and unregulated VC funds. This volatility will reduce as capital allocated, and experience of the products creates a larger more traditional liquid underlying market model.
The current regulatory uncertainty will diminish over time especially for digital assets and cross-border impact funds. Additional risk may include behavioural biases through overconfidence and lack of historical perspective among younger investors. Transparency, liquidity and correlation risks: as more digital platforms and market data sources develop these risk attributes will decline in significance

6. Conclusion

The generational wealth transfer is not just a shift in capital—it is a shift in culture, technology, and purpose. In most cases the next generation of investors will retain an allocation to traditional stocks and bonds, but we forecast an accelerated allocation to new emerging alternatives. The demand for emerging alternative assets will grow as Millennials and Gen Z seek portfolios that reflect personal values, technological fluency, lifestyle and impact ambitions. Asset Managers whose products engage with the goals, ambitions and interests of the next generation of investors will win engagement, trust and allocation.

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