

Generational Wealth

Preserve and grow your family's capital and legacy.

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Welcome to Generational Wealth!

This handbook will enable you to navigate the most important aspects of managing your personal and family capital while building on your family's legacy of entrepreneurship.



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FOREWORD



As an inheritor just starting to make sense of your family's assets and legacy, this handbook has got your back!

You might feel ill-prepared to tackle the complexities of finance, accounting, investments, and taxes, especially if you lack the experience or formal training. But that's okay. This handbook, 'Generational Wealth,' will serve as your compass in the intricate terrain of wealth management. It decodes financial jargon and will equip you with practical steps, empowering you to preserve and grow your family's capital and legacy.

In a dynamic financial landscape where markets are ever-evolving, mastering the complexities of wealth preservation becomes an essential pursuit. The ability to secure and pass on financial well-being to the next generation stands as a testament to the wisdom and foresight of those who trod the path before you.

The pages ahead unfold a simple, holistic, and step-by-step approach that delves into the art and science of preserving wealth for posterity. This approach originates from my personal journey as an inheritor and entrepreneur, shaped by many experiences and lessons learned in my investing career.

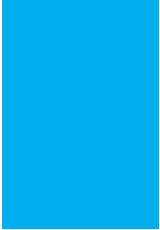
From prudent investment approaches to navigating the delicate balance between risk and reward, each chapter serves as a well-crafted roadmap. The principles shared within these pages not only serve as a guide for the present but also forge a lasting legacy for the future.

I trust that the insights you find in this exclusive handbook will empower you to build a personal legacy that withstands the test of time and helps you to leave your mark on your family's heritage.

Sunil K. Dalal

Founder & Chairman, UNIDEL

**The only thing money gives you is the
freedom of not worrying about money
and allowing you to build a legacy.**



Let the wind beneath
your wings guide you to
accomplish your dreams.

INTRODUCTION

Define what wealth means to you

Understand your notion of wealth and work towards it.

Wealth is not solely determined by the amount of financial assets one possesses but also encompasses aspects of experiences, knowledge, health, and family. Perspectives on wealth can vary across different individuals and stages of life.

The essentials of wealth.

We need wealth for:

- **Basic Needs:** Education, first home, worldly possessions, entertainment, and all that's required to fulfill your family's core needs.
- **Higher Needs:** Vacation homes, art, jewelry, and the ability to cover unplanned expenses like medical emergencies.
- **Financial Independence:** Self-reliance and not depending on family hand-outs.
- **Legacy:** Enabling future generations of your family and society to benefit from your capital and providing enough resources to your next generations to give them the freedom to pursue their life's goals.

Is wealth everything?

- Understand that wealth is a means to fulfill our life's ambitions; it's not the end goal.
- Take some time out to introspect what your life's goals are - talk to your parents and mentors and think deeply about this as it will set the course for all your future actions.

Takeaways

- Think about what being wealthy means to you. The "you" part is fundamental because no two persons will offer the same definition of wealth.
- Wealth is not limited to financial assets alone. It includes many intangibles.
- Wealth gives you the freedom to pursue your life goals. It cannot be the goal in itself.

The same wind blows on us all; the winds of disaster, opportunity, and change. It is not the blowing of the wind, but the setting of the sails that will determine our direction in life.

Create a solid financial plan

A goal is simply a dream with one's eyes open.

Having a dream is a must. It keeps you going and lets you manage and maybe even enjoy the challenges of the daily grind. It helps you face the curve balls life throws at you.



Split your financial goals into short, medium, and long-term goals.

Short-term goals*

1 to 2 years:

- Acquire your primary residence.
- Sustain your lifestyle.

Medium-term goals*

2 to 5 years:

- Acquire a family vacation home.
- Initiate your new venture.

Long-term goals*

More than 5 years:

- Establish your own Family Office for managing your investments.
- Pursue personal passions and philanthropic endeavors.

*The timeframes and goals are only illustrative examples and may vary based on individual circumstances.

Developing a comprehensive financial plan that is quantified to the best extent possible is crucial for turning your vision into a reality. Start by assessing your current financial situation, including your income, expenses, assets, and liabilities. Project your finances into the future, considering factors like inflation, investment returns, and potential life events. Set realistic timelines and milestones to track your progress. Your financial plan should outline specific strategies for managing your income, controlling your expenses, and investing your wealth wisely. Regularly review and update your plan as circumstances change.

Your articulated goals and aspirations should encompass clearly defined short and long-term objectives. This step serves as the foundation for your wealth-building journey, providing clarity and motivation for future steps. In order to achieve your goal faster, it helps to identify your “hustle” – a passion that could help you figure out where you can earn more and doesn’t feel like a chore.

Takeaways

- Quantify your goals.
- Classify your goals into short-term, medium-term, and long-term.
- Regularly identify areas where you can earn more or cut back.

Expenses nibble, taxes bite, and inflation gnaws. Arm yourself with financial wisdom to safeguard your wealth against the silent forces of erosion.

Manage inflation

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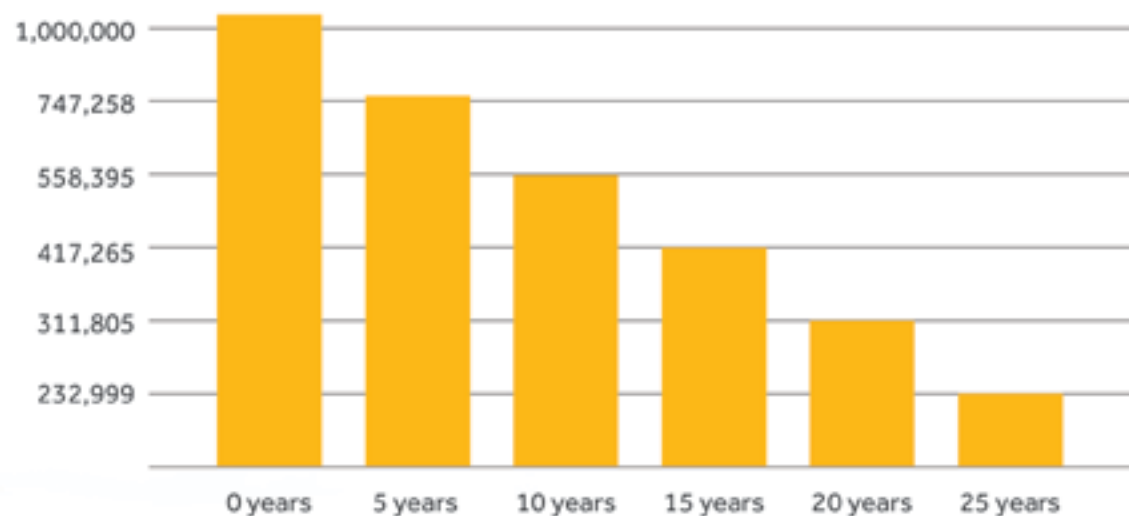


Everything gets more expensive over time.

Expenses only increase as we get older; not just because we consume more but also because what we consume progressively becomes more expensive. Your capital will get eroded if the pace of price rise is higher than your income.

See how USD 1M depreciates over 25 years at a 6% per annum inflation rate.

All amounts in USD.



Inflation poses a threat to the value of money and can significantly affect both daily expenses and future financial plans. Despite saving and investing diligently, the actual value of wealth is diluted by rising prices. Inflation cuts into returns, and, in some cases, even induces negative growth. Fixed-income asset classes provide liquidity for investment and generate stable income and cash flows. But, depending on a country's nominal inflation rate, they rarely outrun inflation. Only certain asset classes, such as equity, have consistently proven this capability. To accurately measure wealth growth, it is essential to consider real returns by accounting for inflation, taxes, and expenses or investment fees. Therefore, comprehending and implementing strategies to surpass inflation is crucial for ensuring financial well-being.

Takeaways

- Investment growth is achieved when after-tax returns are greater than inflation. Look into investment methods that can outlast inflation.
- Always consider the effect of inflation and taxes to calculate real returns, which are far lower than nominal returns.

**A budget is telling your money
where to go instead of wondering
where it went.**

Plan your expenditures

3



Thrifty, Wise, Prosperous.

Financial management involves planning and controlling expenses to achieve success. Frugality is a valuable trait that aids in accumulating wealth. Fostering financial discipline is vital for one's future well-being.

CHAPTER 3: Plan your expenditures

Keep your expenses in check. The growth or erosion of your investments is directly correlated to your spending habits.

All amounts in USD.

If your portfolio value in **Year 0** is **USD 1M** and it grows at the end of **Year 1 @ 10%** (also assume **inflation @ 6%**), the outperformance or **alpha** would be **4% (10% - 6%)**.

See the below 3 scenarios for final portfolio appreciation depending on your expenditure levels.

	Scenario 1	Scenario 2	Scenario 3
Investment Value @ Time Period Year 0	1,000,000	1,000,000	1,000,000
Rate of Return @ 10% per annum	100,000	100,000	100,000
Investment Value @ Time Period Year 1	1,100,000	1,100,000	1,100,000
Inflation @ 6% per annum	60,000	60,000	60,000
Alpha @ 4% (Rate of Return - Inflation)	40,000	40,000	40,000
Expenses %	4%	2%	6%
Expense Amount	-40,000	-20,000	-60,000
Real Wealth Growth/Erosion	1,000,000	1,020,000	980,000
Impact	If Expenses = Alpha Your wealth will remain stagnant	If Expenses < Alpha Your wealth will grow	If Expenses > Alpha Your wealth will erode

Why do many high-net worth individuals end up with poor liquidity? Because they don't pay attention to budgetary rigor. Aspire to the same fiscal discipline for personal expenditures as you would for business finances. Budgeting is a powerful tool for managing your finances effectively. Implement a budgeting system that allows you to track and control your spending and your investments. Treat your expenses like that of a company. Start by categorizing your expenses into essential (such as rent, utilities, food, etc.) and discretionary (such as travel, entertainment, and dining out) categories. Allocate funds based on your priorities, ensuring that you are saving and investing a portion of your income. Regularly review your budget to identify areas where you can cut back on unnecessary expenses and redirect those funds towards your financial goals. A well-executed budget provides a clear picture of your cash flow, helps you avoid debt, and maximizes your investible surpluses. Remember, you are the CEO of your life.

Takeaways

- Watch your bank account and live within your means.
- Budget all expenses.
- Don't eat into your inheritance for your personal lifestyle expenses.

**It's simple arithmetic,
your income can only grow to the
extent that you do.**

Maximize your income potential

4



**Keep your
sunny side up.**

"Side" activities can serve as a launching pad for an entrepreneurial journey.

Earn enough to sustain your lifestyle and make informed financial decisions.

Invest

Put your excess income or inheritance into investments that grow and beat inflation. Keep an eye open for what's happening around you. Generate a stream of passive income to fund your lifestyle.

Network

Your best venture ideas or investments could come from a stranger. Talk to as many people as you can at the next party or corporate event.

Think

Keep thinking about problems and/or opportunities that require solving. The world's best entrepreneurs and successful start-ups focus on just this.



Increasing your income is a crucial step towards building wealth. Look for opportunities to boost your earnings through various avenues. In your current role or venture, consider ways to advance your career, such as taking on additional responsibilities, pursuing professional development opportunities, or negotiating a raise. Invest in developing new skills or acquiring knowledge that will increase your earning potential in the long term. Diversifying your sources and creating passive income streams will not only accelerate your wealth-building journey but also provide a safety net during uncertain times.

Takeaways

- Explore opportunities to generate higher earnings through career advancement, side hustles, or entrepreneurship. Often, such “side” activities can be the stepping stone to an entrepreneurial career.
- Invest in your skills and knowledge to enhance your earning potential.
- Seek ways to create multiple income streams for financial investments.

**Someone's sitting in the shade
today because someone planted
a tree a long time ago.**

Harness the power of compounding

5



**Money is a great
servant but a
bad master.**

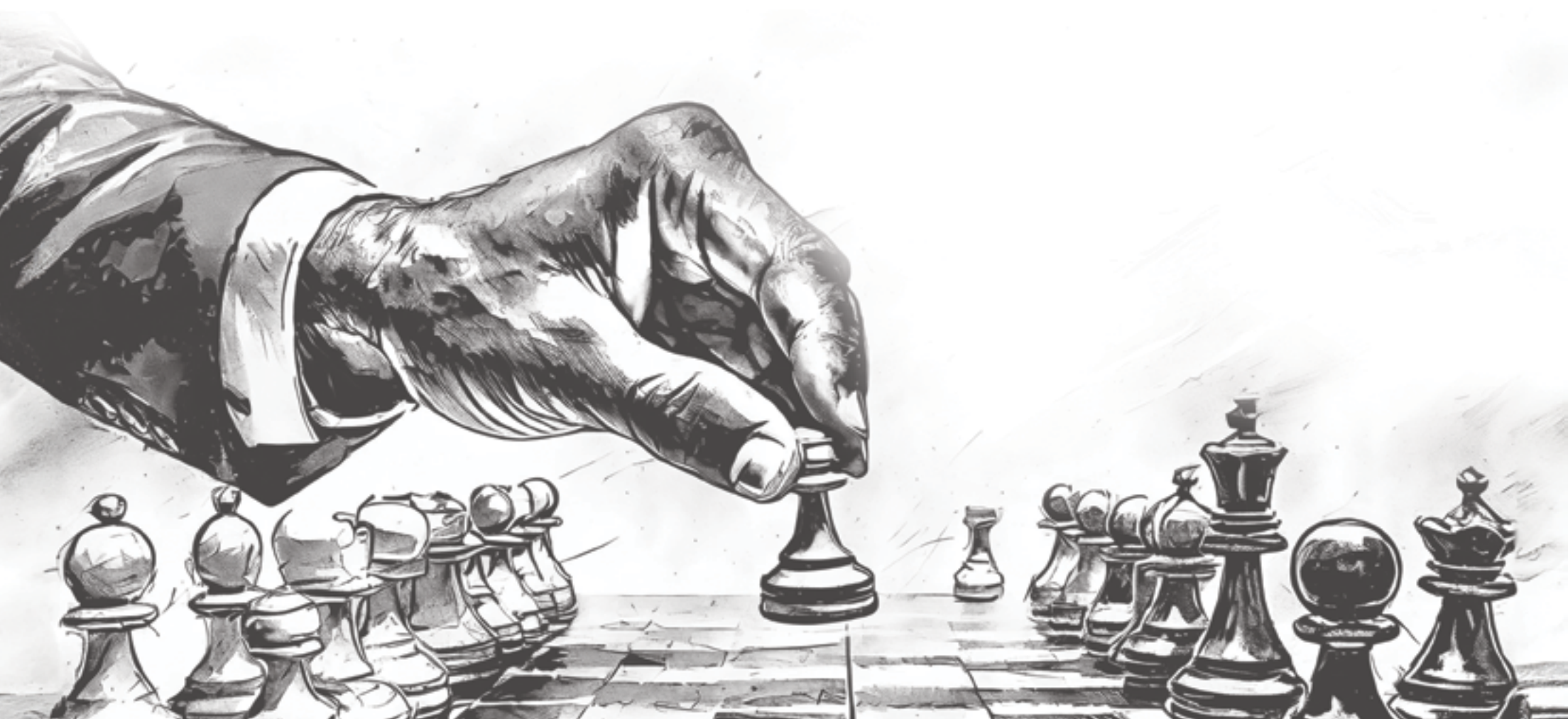
Money enables you to achieve your life's goals. But if it controls you, it will be at the cost of your happiness.

CHAPTER 5: Harness the power of compounding

Invest today, reap tomorrow; compounding turns financial seeds into a bountiful harvest.

All amounts in USD.

Period	Beginning Investment Value	Rate of Return	Ending Investment Value	Gain
Year 1	1.00M	12%	1.12M	120K
Year 3	1.25M	12%	1.40M	151K
Year 5	1.57M	12%	1.76M	189K



When you invest, you are earning for your future self. This gives you a chance at not only being more comfortable as life goes on but also having more liquidity to invest further. Warren Buffet had called compounding the eighth wonder of the world and the greatest force of nature. Compounding is the main trait of investing. Compounding lets you earn not only on the funds you are saving but also on the interest that your funds are earning.

Calculate how your investments
can grow over time:

$$FV = PV(1 + i)^n$$

FV = Future Value i = Annual rate of return
 PV = Present Value n = Number of years

All amounts in USD.

Scenarios	Rate of Return	Initial Investment Amount	Future Value after 10 Years
1	10%	1M	2.6M
2	12%	1M	3.1M
3	14%	1M	3.7M

You will see that just a 2% increase in the rate of return across the scenarios creates an outsized future value for your investments in 10 years. The power of compounding is truly astounding and shows that a well-thought through investment strategy and controlled expenses allows you to create the asset base for your future.

Takeaways

- It is only when you couple savings along with investing and stay the course that the power of compounding can work for you.
- Regularly review all your investments. Investments lagging in performance should be replaced with a suitable alternative to earn the best possible returns. The power of compounding means even a small reduction in returns can result in a massive lost financial opportunity.
- Seek professional advice or use reputable resources to make informed decisions.

**If you don't find a way to
make money while you sleep,
you will work until you die.**

Build assets and manage outflows

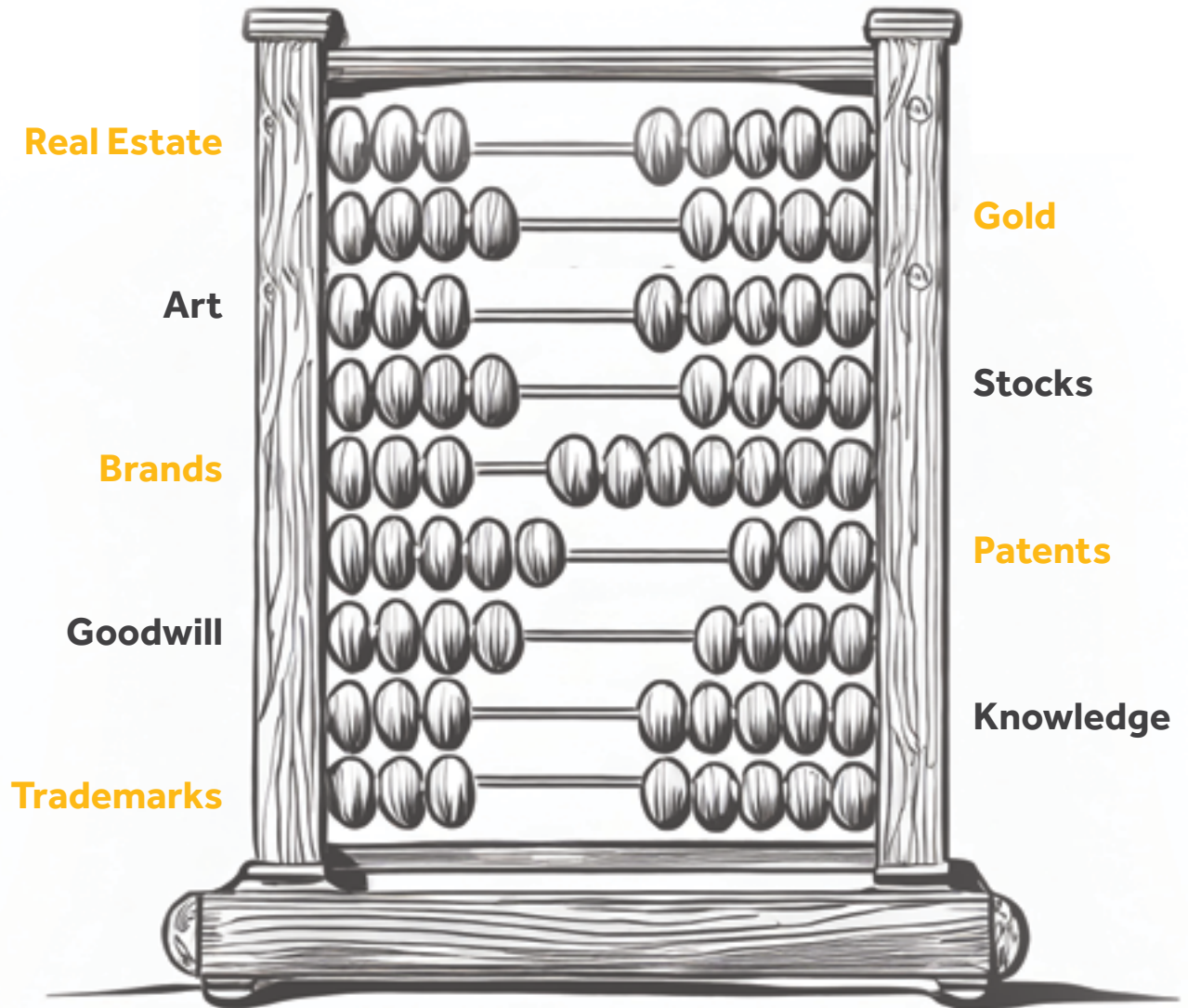
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Spot your asset.

An asset puts money in your pocket. A liability takes money from your pocket.

Assets feed you, liabilities eat you. Choose your assets wisely – risk comes from not knowing what you're doing.



Don't be fooled into accumulating liabilities that you think are assets. A true asset is anything that generates income now and has the potential to appreciate over time. Assets preserve and help grow your wealth. An easy way to separate assets from liabilities is to ask yourself this: 'If I were to lose my business/job today, what would bring me income and what would cost me money?' Your worldly possessions and even the house you live in will likely not. So, be careful in what you include in counting your financial assets. It's wise to think long-term, despite your current financial situation, and accumulate investments that generate enough to cover daily expenses in the future.

Takeaways

- Spend to acquire assets. Assets can help generate income, thus eventually allowing them to work for you.
- Anything that generates income now and has the potential to appreciate over time is an asset.
- Assets can't be managed, much less preserved, unless they are inventoried. Make sure to keep careful records of these assets — investments, cash, art, jewelry, cars, etc. — file them all in your wealth register and monitor their performance.

**Balance risk, respect time, and let returns
reveal their true worth over time.**

Understand the holy trinity of wealth



What is your risk-adjusted return over time?

The right investment mix will help you get the balance between risk and return over time.

Decode the sacred trio
of risk, return, and time;
the pillars upon which
wealth stands tall.

Risk

Return

Time



Risk

When comparing investment returns, don't just look at the absolute numbers, but also how much risk was involved in generating those returns. Risk is usually measured as the degree of uncertainty in an expected financial outcome. Go back to your basics to brush up fundamental concepts of:

- **Standard deviation (δ):** Used by investors as a gauge for the amount of expected volatility. It is simply a measure of how much an investment's returns vary in comparison to its mean. This is useful because it helps you gauge how steady a fund's returns have been over a period of time.
- **Beta (β):** Systemic risk of an investment in comparison to the market as a whole. The market is represented by a leading stock market index whose beta is always 1.0. A beta less than 1.0 means that the investment will be less volatile than the market, while a beta greater than 1.0 indicates that the investment's price will be more volatile than the market.
- **Alpha (α):** The measure of the performance on a risk-adjusted basis. The excess return of the investment or fund relative to the return of the benchmark index is a fund's alpha.

Return

It's easy to be fooled into believing that the return on a proposed investment is far higher than what it actually is. A large absolute return could be mistaken as a great return. For instance, a 2x return on an investment over a 10-year timeframe actually translates into only a 7% annualized return which may not even beat inflation in many markets. To make informed decisions, it is crucial to understand concepts such as annualized return, IRR, and CAGR.

- **Absolute Return:** Consider this: You invest USD 100, and six months later, it becomes USD 120. Your Absolute Return is USD 20, representing a 20% increase.
- **Annualized Return:** This metric adjusts the Absolute Return for a 12-month period. As per the example above, if the Absolute Return was 20% over six months, the Absolute Return over 12 months would be 44%.
- **Compounded Annual Growth Rate (CAGR):** Let's say you invested USD 100 and made USD 40 in the first year, USD 50 in the second, and USD 60 in the third. The rate of growth that your USD 100 will become USD 250 over three years is 35.72%.
- **Internal Rate of Return (IRR):** This calculates the annualized return over an extended period for a set of cash flows that could happen over varying time intervals. It is simply an easy way to compare two or more investments even though time periods and inflow-outflow patterns may vary.

Time

When investing, it may help to divide your time horizon into buckets:

- **Short-term time horizon (less than 2 years to invest):** Low-risk investments such as fixed-income instruments.
- **Medium-term time horizon (3 to 5 years to invest):** Mix of equities and fixed-income based on your risk appetite.
- **Long-term time horizon (more than 5 years):** Considerably higher proportion of equities and alternative asset classes like venture capital, private equity, etc.

Takeaways

- The wealth trinity consists of risk, return, and time.
- An effective Investment Policy Statement (IPS) could help you gauge your risk tolerance. Your wealth advisor can help you set up your IPS.
- There is no substitute for time and patience in the world of investing.

**Asset allocation is not about market timing.
It's about time in the market.**

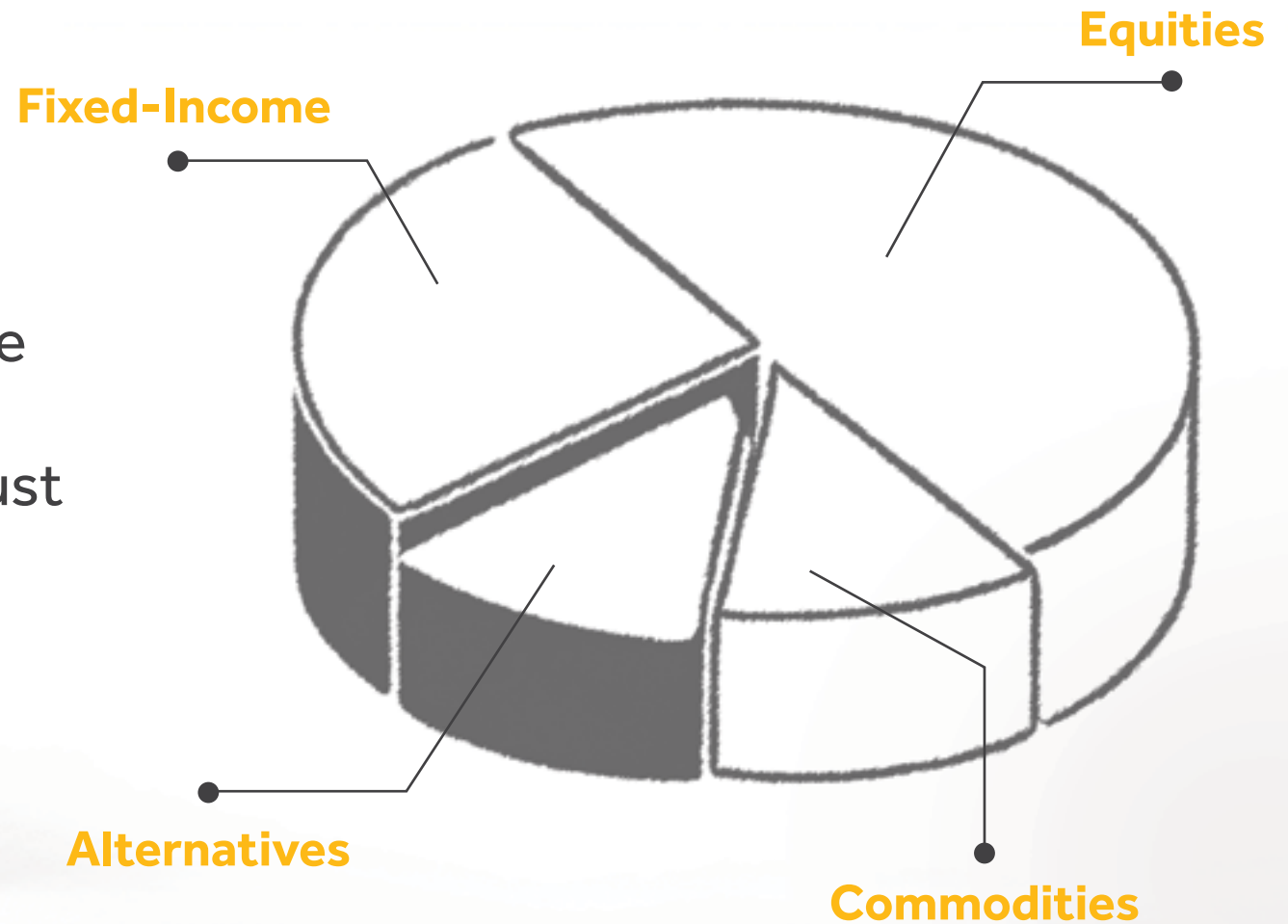
Have an asset allocation strategy



There's no magic formula.

It's up to you to find the right combination of investments for yourself. Asset allocation is a subjective mix, like your personality.

Align your risk tolerance with a blend of asset classes to create a robust portfolio return.



Investing is a powerful tool for building wealth over the long term. Combine traditional and newer asset classes to develop a diversified investment portfolio that aligns with your risk tolerance and financial goals. Traditionally, a classic rule of thumb was that the percentage of equity in your portfolio can be calculated by subtracting your age from 100, i.e., percentage of equity in your portfolio = $100 - \text{your age}$.

Educate yourself about newer investment options, such as venture capital, private equity, venture debt, etc. Understand the risks and potential returns associated with each investment. Consider seeking guidance from a financial advisor or utilizing online investment platforms to make informed investment decisions that work well for you. Your risk appetite is different from the next investor. A great way to gauge your tolerance for risk and losses is to test your portfolio to see how it would have performed through a number of scenarios. Regularly review and rebalance your portfolio to ensure it remains aligned with your objectives and market conditions.

Takeaways

- Asset allocation is simply putting your financial assets to work in a well-thought-out mix.
- A mix should allow for diversification thus reducing risk.
- Regularly rebalance and review your allocation.

Investing in an asset class requires a disciplined mind that weighs facts over feelings and strategy over sentiment.

Understanding asset classes

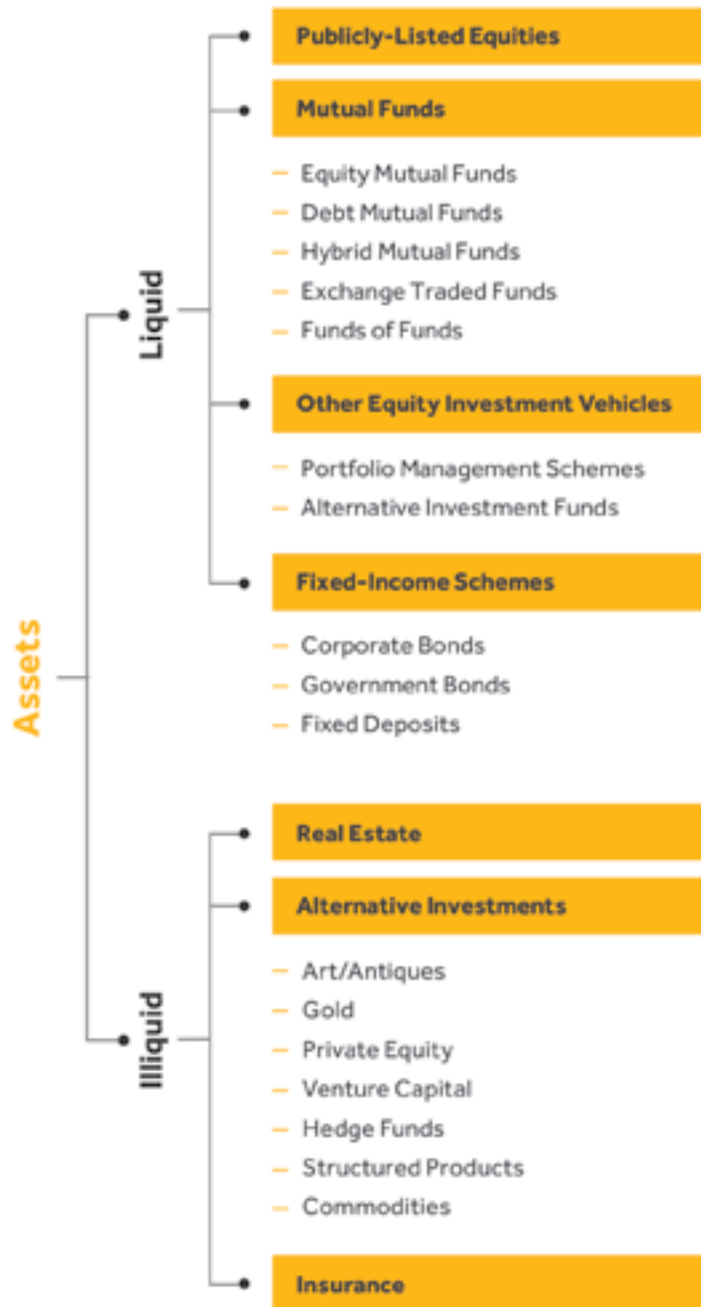
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Boring profits over wild gambles.

Investing should be more like watching paint dry or watching grass grow. If you want excitement, take USD 1000 and go to Las Vegas.

CHAPTER 9: Understanding asset classes



For the perfect financial cocktail, you need the perfect blend of equities, fixed-income, and alternative assets.



The concept of asset classes and the importance of understanding them in the context of investments made is crucial. Asset classes refer to different categories of assets, such as stocks, bonds, real estate, commodities, and alternative investments. Each asset class has its own characteristics, liquidity, performance patterns, and risks. By understanding the features and dynamics of each asset class, individuals can assess their risk tolerance and align their investment strategies accordingly. This knowledge also helps in creating a diversified portfolio, spreading investments across different asset classes to reduce risk and optimize potential returns. Importance must be placed on assessing historical performance, current market trends, and future prospects to make informed investment choices. Additionally, understanding metrics used for measuring returns, which vary according to the asset class and purpose, is key to accurately measuring portfolio performance.

Takeaways

- Equity investments like Mutual Funds, Exchange Traded Funds, and Portfolio Management Schemes (PMS) are excellent ways of investing for those who may not have direct professional expertise in the markets.
- Alternative investments should be considered if you have in-depth knowledge of the underlying markets. Keep in mind that these are difficult to liquidate in moments of urgent cash flow needs.
- Buying personal real estate is a huge financial and emotional investment and may be one of the biggest and most complicated things you will ever do – it makes sense to ensure you enlist the services of a financial planner/investment advisor to help you decide what percentage of your portfolio you should allocate to this asset class.

**Once you stop learning,
you start dying.**

Learn continuously

10



**Put your money
where your heart
and mind are.**

You should invest in things that
you absolutely believe in and
fully understand.

An investment advisor once joked that there are primarily three types of investors.

- Those who don't know anything. **They account for 10%.**
- Those who know a little. **They're around 10%.**
- Those who don't know that they don't know anything. **They are about 80%.**



Building wealth is an ongoing journey that requires continuous learning and adaptation. Stay informed about financial trends, investment strategies, and tax regulations. Read books, attend seminars or workshops, sign up for online courses, and follow reputable financial publications to enhance your financial knowledge. Seek advice from financial professionals when needed, ensuring that their expertise aligns with your goals and values. By staying educated, you can make informed decisions, identify new opportunities, and navigate financial challenges effectively.

Takeaways

- Stay up-to-date on financial trends, investment strategies, and tax regulations.
- Seek advice from professionals before making investment decisions.
- Define your values and beliefs and ensure that the people you work with align with them.

**Good debt is a tool.
Bad debt is a fool.**

Embrace good debt

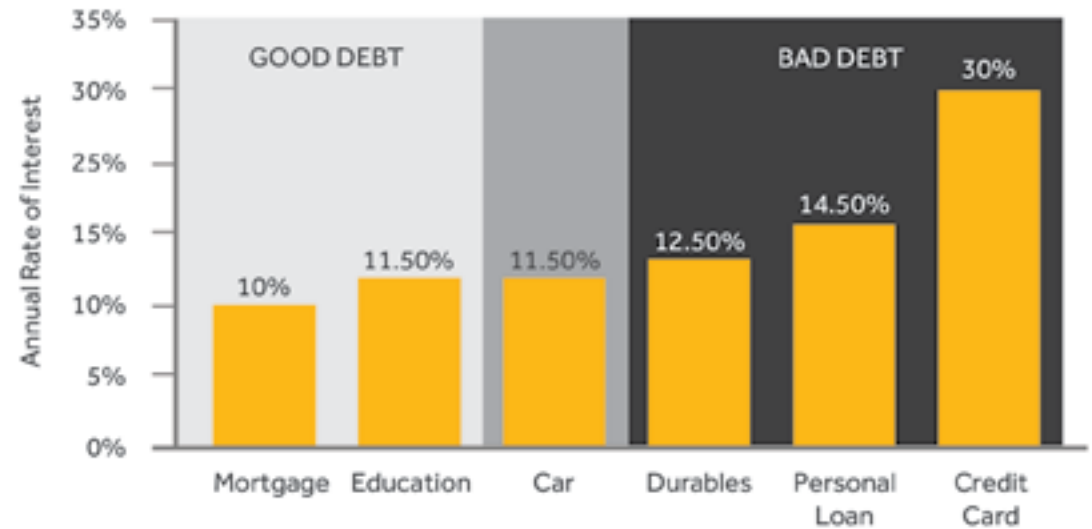
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Drowning in debt: Living on borrowed time.

If you live beyond your means on credit cards and personal loans, they will lead you into financial ruin.

Borrowing money mindlessly is a sure-shot way to rob your future self.



In general, debt can be a significant obstacle to building wealth as it incurs interest payments and restricts your financial freedom. There are cultural and societal factors too which make one suspicious about owing debt. But can there really be something called 'good debt'? Taking on debt is the easiest way of raising capital. What you choose to do with the capital has the power to make the debt good or bad:

- Debt for mindless consumption, like buying a car you want but don't need: Bad!
- Debt raised for investing in property, business, or something that will generate long-term income or higher education, for instance: Good!

When you strategize your debt repayments, start by prioritizing high-interest debts, such as credit card balances or loans with high interest rates. Consider debt consolidation options to simplify your repayment process and potentially lower your interest rates.

Takeaways

- Taking good debt is the strategy of using borrowed funds to increase return on an investment.
- Ensure that the investment return you generate clearly offsets the interest cost of the debt.
- Always have enough liquidity in your portfolio to pay off the debt in the event of rising interest cost and if your investment fails to generate adequate returns above the cost of interest.

**Nothing can be said to be certain,
except death and taxes.**

Optimize tax, maximize wealth

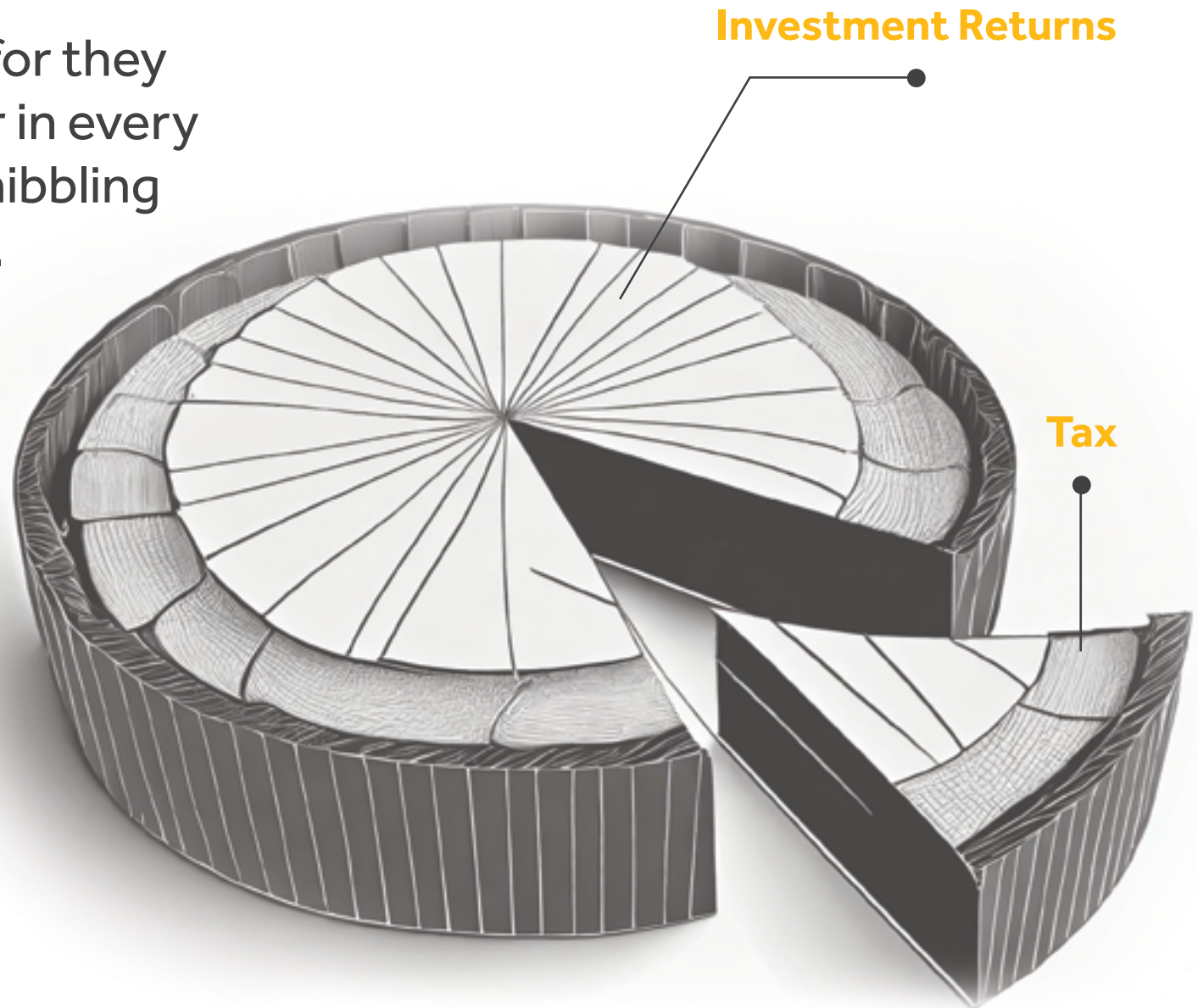
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**You can't avoid taxes.
But you can plan
for them.**

Taxes affect both our return on investments and cash flows. Badly planned, it can cause liabilities in the form of penalties and long-drawn expensive litigation with the authorities.

Be mindful of taxes, for they are the silent partner in every investment, quietly nibbling away at your returns.



Taxes are an essential aspect of financial management, and the world of taxation is a complex landscape. Understanding taxes is paramount for maximizing wealth and minimizing financial burdens. There are different types of taxes such as income tax, long and short-term capital gains tax, property tax, etc. Importance should be given to tax planning strategies, deductions, credits, and exemptions that can help individuals and businesses optimize their tax liabilities. Tax savings can be executed through insurance, provident funds, residential property deductions, tax-free investments, and philanthropy. Consult with estate planning professionals to develop a comprehensive estate plan that ensures your assets are distributed according to your wishes while minimizing tax implications. Staying updated with changing tax laws and regulations to make informed financial decisions is key.

Taxation affects investment returns and cash flows, and good tax decisions rely on good accounting data. Always consult a professional to prevent penalties or litigation.

Takeaways

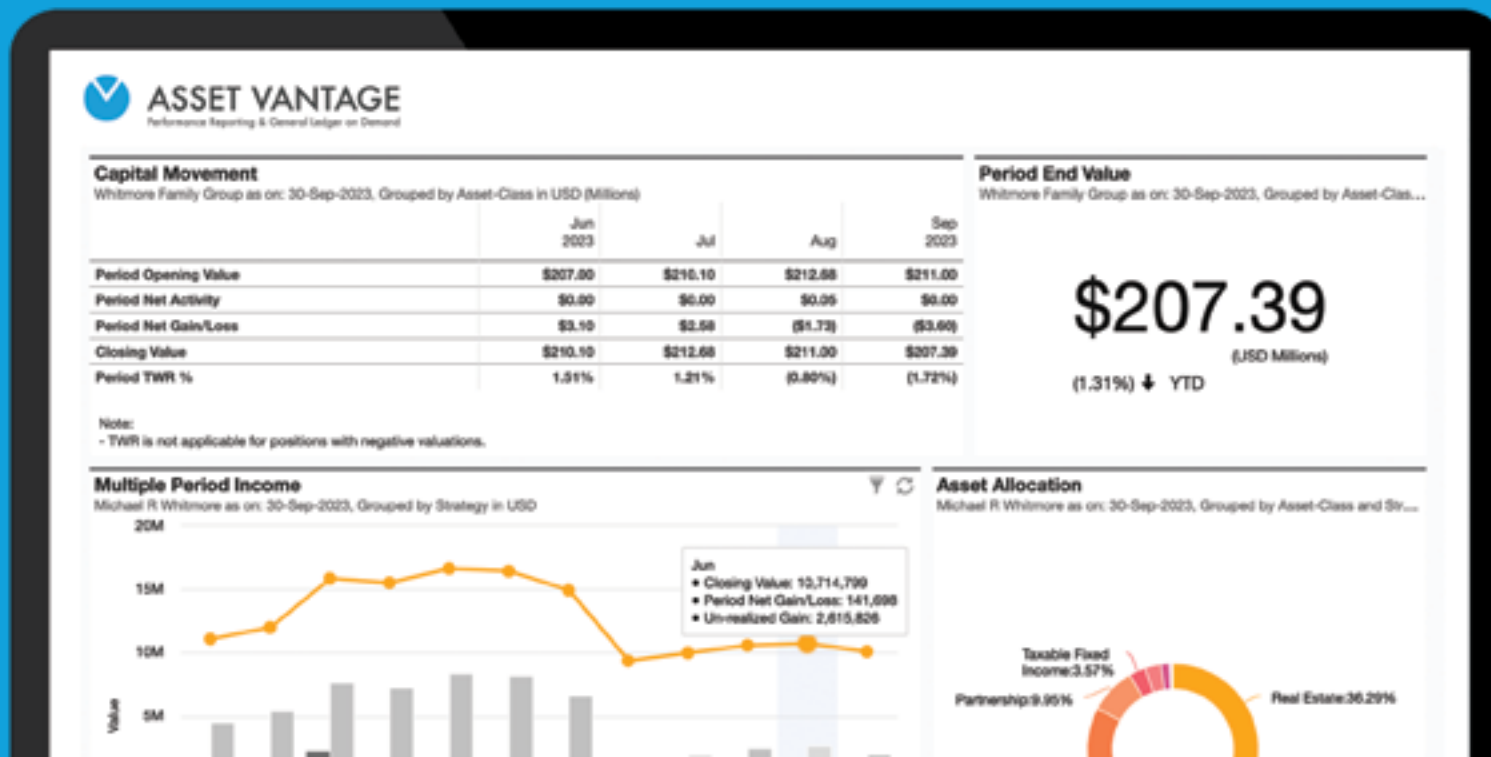
- Taxes are here to stay. Since you can't avoid it, it is best to plan it.
- Tax planning is as important to wealth creation as savings and investment planning. Saving taxes can come by way of exemptions or deductions. It is in your interest to know all the exemptions and deductions that are applicable to you.

**You've just learnt
why building assets
is important.**

Keep track of yours with Asset Vantage.

An award-winning integrated performance reporting and general ledger solution for global family offices.

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