This report has been prepared by Ahmadoff & Company for high net worth individuals, their heirs and families; the private wealth community, including family offices, private shareholders and other focused stakeholders. The report contains an analysis of profiles of those individuals contained in the 1996 Forbes magazine billionaires list. The material and conclusions contained in this report do not constitute financial or other professional advice, and specific advice should be sought concerning your specific circumstances.
A New Look at Old Wealth

RESEARCH REPORT

(based on Forbes 1996 Billionaires List)

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### Executive summary

- Most billionaires whose wealth came from technology, the financial sector and natural resources remained billionaires even after the twenty years of this study (Oppenheimer, Alberto Bailleres, Philip Frederick Anschutz - natural resources; Klaus Tschira and James Goodnight – technology; Teh Hong Piow and Johnson Abigail – financial sector)

- Diversified groups, agriculture, and the food industry were businesses found most conducive to the successful transfer of wealth through the generations (Anton Rupert to Johann Rupert, South Africa; from Andronico Luksic Abaroa to Andronico Luksic Craig, Chile)

- Heritors of Latin American and Middle Eastern families tended to remain in the Forbes Billionaires list in subsequent generations, (Emilio Azcarraga, Mexico; Paolo Rocco Argentina; Bahaa Hariri, Lebanon)

- Only one-third of the heritor descendants of Asian billionaires were in the Forbes Billionaires list of 2015. (Nina Wang, Hong Kong; Minoru Moru, Japan)

- Political involvement played an important role in billionaires whose wealth derived from natural resources, followed by those in diversified groups (for example, George W. Bush supporter Ray Lee Hunt, US).

- Self-made billionaires tended to marry more often than those whose wealth was inherited. (Bencharongkul Boonchai, Thailand, 7 marriages; Ho Stanley of Hong Kong, 4)

- Family size decreased from generation to generation; billionaires had four children on average.
Both small and large families had difficulties with wealth transfer and maintaining billionaire status: small families suffered from lack of choice among heritors (for example, if a sole heir wasn’t interested in business or was inept at handling wealth), while large families suffered from wealth dilution from one generation to the next.

Philanthropic engagement by family businesses tended to increase the likelihood of heritors remaining billionaires from one generation to the next.

Death from natural causes was the leading cause of death for billionaires from 1996-2016. Cancer was the second-highest cause.
Background

The last two decades have witnessed a significant increase in both the number of billionaires and in their wealth. Privatization in emerging countries, technological wealth creation, the growth of the financial industry and increased commodity prices have increased the wealth of existing billionaires, while also creating a new tier of wealth in emerging markets. Today, private capital in the hands of billionaires represents some 9% of global GDP, thus making billionaires significant players in the world economy.

In general, private investors have followed a different path to wealth creation and preservation from institutional investors both for themselves and for society as a whole. Private wealth holders tend to be bound to the source of their wealth: the emotions they feel during their lifetime; an entrepreneurial spirit; friends, networks, and family situations (including illnesses). Thus, there are many emotional and cultural factors which may influence the way they handle business transaction. One may argue that each billionaire has specific motivations - that they do not all act in the same way to create or retain or distribute wealth. However, our research finds interesting similarities in the long-run (i.e. two decades) regardless of personal situations.

We studied the individuals included in the Forbes Billionaires list of 1996, carefully tracking their wealth and lives up to 2016 – that is, for two decades, a period considered “generational.” Our research purpose was to define how billionaires’ wealth is sustained, used, and distributed over a 20-year period, both during their lifetime and after their death, both individually and within their families. Thus, we can determine what happened to the wealth of those people in the Forbes Billionaires list of 1996 by interpreting open source historical data in several dimensions such as generation, source of wealth, operating industry, family and heirs (family size, marriages, son vs daughter composition), political connections and cultural-geographic factors.

*The analysis covers the planet’s richest 252 people in 1996 according to the Forbes 1996 Billionaire’s list.*
Inherited or self-made wealth?

*Who were the billionaires twenty years ago?*

At the end of the last century, members of all generational categories - namely “The Greatest Generation” (1900-1924), “Silent Generation” (1925-1945), “Baby boomers” (1946-1965) and “Gen X” (1966-1984) – included in the billionaires list had an average age of 64. Interestingly, inherited and self-made billionaires each made up roughly 50% of the list in almost all of the generation groups in this research study... But most billionaires made or retained their wealth largely because the demographic boom during and after 1960s created a huge demand for food, electronic products, cars, and real estate, which also boosted demand within smaller trading and manufacturing companies operating within conglomerates.

*The Greatest Generation* billionaires grew wealthy from the production of consumer goods such as automobiles, pharmaceuticals, cosmetics, etc. These industries, typically founded by entrepreneurs, soon grew into their family business. Our research shows that the manufactured goods industry accounted for 16% of the Greatest Generation billionaires, followed by diversified groups and media (each 15%).

Owners of diversified conglomerates had inherited their ownership in Europe and North America, while in emerging countries almost all billionaires were self-made first-generation owners. Media industry billionaires in Europe and North America...
were both self-made and heritors within the **Greatest Generation**.

The largest representative generation – the **Silent Generation** - has benefited from post-WWII growth. Conglomerates were the top industry among the billionaires of this generation, accounting for 17% of the total and consisting mainly of billionaires from Korea and the Philippines. Food processing and agriculture was the second largest industry for the **Silent Generation** – 13% - and most of these were American families who had inherited their businesses. Asian billionaires benefitted from the growth in the financial industry both as heritors and as self-made billionaires (*Koo Jeffrey – Taiwan, Chinatrust, The Hong Piow- Malaysia*, and Public Bank Berhad).

Relatively speaking, a smaller proportion of billionaires was born in the second half of the twentieth century: “**Baby boomers**”. American and Asian tech-billionaires accounted for 70% of all self-made billionaires born after 1945, including Microsoft billionaires Bill Gates, Paul Allen and Steve Ballmer, Japan’s Son Masayoshi and the telecom billionaires of Thailand, etc. Europeans made up 30% of the Forbes billionaires of 1996 in this generation, mainly through inherited wealth.

**Business and Operations**

*How did they earn or inherit their wealth?*

We found that several industries were well-maintained by subsequent generations due to the market nature of that industry. In 1996, 54% of the richest people in the world derived their wealth from inheritance. Indeed, *heritor-***
friendly industries topped the list: namely 15% from diversified groups, 12% from agriculture and food, and 10% from manufactured goods. However, new billionaires from the technology sector were rising rapidly, even though technology was not the dominant industry in the 1996 Forbes Billionaires list or indeed in 1996 overall.

The largest proportion of inherited billionaire wealth was found in Europe - 69%; on the other hand, growth in Asian economies created several billionaires in consumer industries such as agriculture and food, financial services, real estate and retail-focused conglomerates.

Asia was the most entrepreneurial continent: 61% of Asian wealth was self-made, despite the absence of Chinese billionaires at that time. In virtually all Asian countries represented in the Forbes 1996 Billionaires list, the number of new, self-made billionaires was greater than the number of those who had inherited wealth. Asian billionaires from emerging countries were characterized by having greater political connections compared to their peers in other regions.

The role in wealth creation played by political involvement is not only characteristic of specific regions, but also of some industries. Several billionaires in the Asian entertainment industry (Ho Stanley of Macao in gaming, Henry Fok of Hong Kong in diversified leisure) were also active as politicians. Beneficiaries of businesses focusing on natural resources also appeared to be well-connected.

In Exhibit 3, the political connectivity matrix illustrates the active and passive political involvement of billionaires in various industries. The matrix shows how political involvement is not only characteristic of specific regions but also of some industries. The diagram includes categories such as natural resources, diversified, media, financials, real estate, retail, tech, agriculture, and IISTT (Industrial suppliers, trade, and transport).

*Active political involvement* refers to direct involvement in political positions such as government ministers, ambassadors, or candidates for political positions, and passive involvement includes those who have donated larger amounts to political causes. The exhibit highlights how the political connections of billionaires differ across regions and industries.

Source: Forbes.com, Ahmadoff & Company analysis
to the government, particularly in Anglo-Saxon countries.

Heritor owners of diversified business groups in virtually all parts of the world had significant access to government, i.e. by holding public posts themselves or by openly supporting individual politicians.

Interestingly, heritor billionaires were not active in the political scene in specialized consumer industries.

Only 47% of those in today’s Forbes Billionaires list are the heirs or descendants of billionaires listed in the 1996 list... However, 70% of the billionaires in the 1996 list are still alive today, and four in five are still in the current billionaires list. Loss of wealth during a billionaire’s lifetime was very infrequent, even during the 20-year period surveyed. These findings are a crucial part of our research which could be interpreted to mean that the death of the family leader is a critically important factor in wealth dissipation.

We found that wealth levels of billionaires followed different paths during the past twenty years, both during their lifetimes and after their deaths. European billionaires saw the highest proportion of family dilution during their lifetime, while in Asia most billionaires’ wealth decreased. Many of them were dropped from the billionaires list after Asian financial crisis in 1997. Only the USA maintained the highest percentage of billionaires over the 20 years surveyed: 88% of them are still listed as billionaires for 2015, through wealth accumulation or by maintaining the previous level of wealth.

**Family and culture**

* How do family affairs relate to capital strategy?

Regional stability and culture also seem to play an important role in the ability to reach the expected goals set by billionaires.

Most Latin American and Middle Eastern billionaires appear to have transferred their wealth to family members successfully (2/3 of these heritors are in the Forbes Billionaires list today). On the other hand, *Asian families often failed (only one in three is a Forbes billionaire today) to keep the wealth in the family, even though their purpose vehicle was a family business.*

Interestingly, balancing philanthropy and family business in the same family ensured that heirs were Forbes-listed in a higher proportion than those family businesses without a philanthropic interest. We saw that 61% of philanthropic billionaires at the head of a family business in 1996 could find their heirs in the
Forbes billionaires list after their death, while heritors of a family without a philanthropic interest had only a 45% chance of remaining in the list.

On the marital front, we found 24% of those billionaires on the Forbes 1996 list were divorced at least once. The highest divorce rates have been observed in North and Latin America - 39% and 34%, respectively.

In general, self-made billionaires married more frequently than those who had inherited their wealth.

The average billionaire family had four children. In Asia and Latin America, every second billionaire family had more than four children at home. However, the trend shows family size declining through the generations. “Greatest Generation” billionaire families had an average of five children; four children in the “Silent Generation,” and three children in the “Baby Boomers” generation.

One-child families had the highest proportion of dedication to philanthropy compared to larger families – 14%. On the other hand, very large families were found to be engaged in both philanthropy and family business.

The daughter-son composition, is nearly identical in both large and small families – an average of two daughters and two sons in each family. Family size and offspring gender also define the kind of vehicles created to transfer wealth and purpose to the next generation; for example, separating business and philanthropic activities or uniting them depending on the desire and capabilities of the individual heritor.

Smaller families preferred philanthropy as a core activity more than large
families. But billionaires with bigger families used philanthropy in tandem with the family business itself. These types of wealthy family activities were found most frequently in emerging markets - namely in Latin America, the Middle East, Africa and in Emerging Asia- making the family a multi-power business hub used for various purposes.

The average age of those on the 1996 list was 64. Life expectancy then was pegged at 82 years of age; 31% of those on the 1996 list died between then and 2016. Most died from natural causes – 60%; cancer was the second-highest cause of death - 15%. So-called “unnatural causes” such as aircraft crash, assassination, fire, etc. – 7%.

**Scene today…**

*Integrating financial achievements with life goals*

During the twenty years studied, only half of the billionaires kept their wealth in their hands; others faced business difficulties or family dilution and thus dropped off the list. Others died.

*The three most important industries – those that ensured individuals a place in the Forbes Billionaires list between 1996 and 2016 - were technology, financials and natural resources; respectively 81%, 63% and 60%. The demand for both innovation and optimization-led changes deriving from other industries made providers of technology services the best-performers over the past twenty years. The majority of the founder-owners in this new industry sector increased or preserved their wealth during the two decades surveyed.*

Another leading industry for billionaires was the financial sector. Increasing trade flows across countries and penetration of unbanked and under-served populations in emerging countries provided continuous demand and growth. Higher commodity prices during the first 15 years of the 21st century spawned billionaires in the fields of energy and mining, ensuring them a place in the Forbes Billionaires list of today as well.

We identified two industries in which wealth was eroded to the extent that individuals were dropped from the Forbes Billionaires list, independent of familial wealth dilution. These industries were: entertainment - due to the volatile nature of the industry - and real estate, due largely to the shock from Asian financial crisis of 1998 (but not, interestingly, from the 2008 sub-prime mortgage crisis). Difficulties in these industries plunged billionaires into financial straits, and
though several of those affected are still alive today, they are not in the current Forbes Billionaires list.

Wealth dilution among family members has been a common trend in Europe in diversified groups, retail, and manufacturing industries in multi-generational families. Hence, most of the 1996 Billionaires in these industries do not have heirs in the 2016 list.
CONCLUSION

This research finds that billionaires share social trends such as generational similarities, marriages, children, connections and network - all focal points in inheritance vs self-made wealth. They adapt to economic opportunities, taking advantage of booming industries and developing regions of the world in the long-term. Most billionaires maintained their wealth during their lifetime; some became philanthropists. Only a small number were dropped from the Forbes Billionaires during their lifetime.

Billionaires appear to face more challenges in maintaining wealth than those considered merely wealthy. Factors include such things as geographical and industrial concentration during their lifetime, a seemingly-mandated requirement for political involvement, a sense of philanthropy, family size and culture. Some of these challenges come into play during the post-mortem period as critical factors determining failure or success beyond the personality of the wealth-holder during his lifetime.

Billionaire families are becoming smaller and smaller with each succeeding generation. New entrants into the billionaire category can also be expected: Twenty years ago, there were no Chinese billionaires. The 2016 Forbes list contains 251. China’s former one-child policy has resulted in smaller families; therefore, family wealth may revert to heritors incapable of preserving or increasing it, and what wealth there is will almost certainly be concentrated in few hands. This illustrates how big a force family culture plays in today’s world.

In the future, the tightening control on overseas capital and capital flows by governments could lead to a higher regional concentration of billionaires’ in the coming decades. In addition, the fast-changing pace of industries “disrupted” by technologic transformation could decrease, both the numbers of businesses and market size. Traditional businesses owned by billionaires who fail to recognize the speed of technological diffusion and incorporate it into their strategies will lose. (For example, the match industry in China has been virtually killed off by the development of Chinese lighters)

Three main directions are observable in these wealthy families of the world in the coming periods

1. family businesses will become the focus in emerging markets;
2. a generation of philanthropists will emerge in developed markets, specifically among self-made tech entrepreneurs (such as Bill Gates);
3. a decrease in wealth dilution will occur, as decreasing family size means a smaller group of heritors and more wealth in fewer hands,
The influence of billionaires and their families on the future of the world will therefore be more than financial, but will also permeate the social and political realms perhaps more than ever before.
About the Authors

Fakhri Ahmadov, CIWM, TEP is managing director at Ahmadoff & Company and the Family Office leader of the firm. He is a topic leader for the research. You may contact him by e-mail at fakhri@ahmadoff.com.

Nadir Bakhishov is executive director and Head of the Eastern European client group at Ahmadoff & Company. You may contact him by e-mail at nadirb@ahmadoff.com.

Zulfiyya Valiyeva is a wealth analyst at Ahmadoff and the leading team member for research. You may contact her by e-mail at zulfiyya@ahmadoff.com.
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