Private Wealth Insights

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ALUKO & OYEBODE PARTNER, ADEOLU IDOWU, AND PANELISTS AT THE LAGOS PRIVATE WEALTH CONFERENCE

HNWI Wealth Strategies: 2024 Reflections & 2025 Growth Through Structures and Governance

The financial landscape of 2024 proved challenging for Nigerian high-net-worth individuals (HNWIs), being marked by rapidly evolving government policies that triggered significant market volatilities. These developments underscored the critical importance of adopting formal wealth preservation strategies and prompted many HNWIs to reconsider and restructure their wealth holdings and the vehicles through which their assets are managed. Now, in 2025, HNWIs must move to implement robust wealth preservation and growth strategies that prioritise structured planning and implement sound governance.

Notably, in 2024, Aluko & Oyebode co-hosted the inaugural Lagos Private Wealth Conference. The event brought together prominent professionals in the international private wealth industry, including advisors, intermediaries, family offices, and distinguished HNWIs, to engage in discussions and to offer expertise and solutions to discerning HNWIs in Nigeria.

Critical topics discussed related to strategies for wealth growth and preservation, global investment trends, digital transformation in wealth management, and tax-efficient considerations in optimising wealth structures. There were discussions centred on the convergence of private wealth management and philanthropy, emphasising impact investing, the integration of art and collectibles into diverse portfolios, and the use of global citizenship and residency-by-investment initiatives to augment wealth strategies.

The keynote address was delivered by the firm's founding partner, Mr. Gbenga Oyebode, MFR who highlighted that foreign portfolio investments in Nigeria were generally suffering due to foreign exchange and market volatilities as well as the economic downturn and this was reflected in the exit of some multinational companies and investors from the country. He noted, however, that there were many HNWIs and Nigerian businesses that were able to take advantage of the opportunities presented within the turmoil and by the exits.

In this newsletter you can expect:

- 2024 in Retrospect - A Year of Challenges and Opportunities
- Key Strategies for Wealth Preservation and Growth in 2025

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2024 in Retrospect - A Year of Challenges and Opportunities:

Challenges

Market Volatility

The deregulation of the Naira led to a progressive devaluation of the currency which compelled HNWIs to reassess their foreign currency exposures and to adopt hedging strategies for the Naira. This included seeking more hard currency income, finding refuge in foreign currency investments and prioritizing assets with global exposure to preserve their net worth amidst the local currency's depreciation.

The removal of the petrol subsidy in Nigeria intensified economic pressures and drove inflation up with higher transportation costs and operating expenditure for businesses which slowed growth in key sectors such as agriculture, construction and real estate, logistics and transportation, energy and power generation, retail, and manufacturing, which drastically reduced consumer purchasing power.

Domestic investments faced profitability challenges, prompting foreign investors to explore alternative destinations as inflation and currency instability reduced real returns on fixed-income instruments, while local equities also became less attractive. Real estate investments also took a hit, with rising construction and maintenance costs also affecting profitability.

Wealth preservation strategies explored included establishing trusts and holding companies to shield assets from local uncertainties and exploring investments and asset holding structures in other jurisdictions and residency-by-investment programs to access stable financial markets abroad.

Political Volatility

Over 70 countries held elections around the world in 2024, engaging nearly half of the global population and marking an unprecedented year of global political activity with heightened volatility and uncertainty. Fragile geopolitical landscapes were further burdened by ongoing crises such as the protracted war in Ukraine, a wave of military coups across West Africa, and labour unrest in Nigeria, where nationwide strikes over minimum wage disputes disrupted economic activities temporarily.

In West Africa, the coups destabilized governance structures, deterred foreign direct investment (FDI), and strained already fragile economies. Domestically, Nigeria's labour unrest exacerbated inflationary pressures, weakened consumer confidence, and destabilized key sectors including the public sector. Meanwhile, anti-incumbent sentiments and populist movements drove dramatic political shifts globally, with voter frustrations over economic stagnation and governance failures now evolving into the reshaping of major economies and affecting global trade and investment dynamics.

Changing Tax Laws and Policies

There were substantial modifications to the global and local tax regulations landscape and these reforms would reshape wealth management strategies. In the United Kingdom, the introduction and the levying of value-added tax in 2024 on school fees in private schools significantly increased the cost of putting a child through the highly sought-after British education. Prior to 2024 changes in tax laws, inheritance taxes, and beneficial ownership rules related to property ownership in England had also made the UK a less attractive option for real estate investments, including the second home that Nigerian HNWIs have traditionally sought.

In Nigeria, the Presidential Committee on Fiscal Policy and Tax Reforms proposed four bills aimed at overhauling the tax system, as follows:

1. Nigerian Tax Bill which seeks to streamline tax laws for clarity and compliance.
2. Nigerian Tax Administration Bill aimed at modernizing tax collection and enforcement.
3. Nigerian Revenue Service Establishment Bill which would establish a central revenue authority.
4. Joint Revenue Board Establishment Bill, which would promote collaboration among tax authorities.

The proposed reforms in Personal Income Tax (PIT), Companies Income Tax (CIT), and Value Added Tax (VAT)in Nigeria aim to address equity in income disparity by increasing the tax burden on HNWIs, closing loopholes, and tackling compliance challenges. These changes necessitate a strategic revaluation of tax-efficient structures to maintain wealth, optimize investments, align with evolving regulations, and also avoid double taxation and penalties.

The reforms may present opportunities to leverage global best practices in wealth management, such as exploring tax incentives within domestic and international frameworks or diversifying investments into sectors and jurisdictions with favourable tax treatments. By proactively seeking professional advice and adapting to these reforms, HNWIs can secure their portfolios against future regulatory shifts, ensuring long-term financial resilience and growth.

Complex Family Dynamics & Legacy Liabilities

The economic challenges put a spotlight on the impact of the failures in developing and executing effective succession strategies by many founder-led or family businesses within the Nigerian economy. This has been attributed to issues such as poorly planned distribution of assets among successors, generally through inadequate wills or intestacy, which have inadvertently led to the decline of many businesses in Nigeria resulting in many businesses not surviving beyond the second or third generation of owners. Many wealthy families started to consider putting in place more sophisticated succession planning structures, introducing family and corporate governance strategies, and establishing single family offices or engaging multi family offices.

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Opportunities

HNWIs in Nigeria identified and capitalized on significant opportunities to grow and preserve wealth driven by a combination of market volatility, asset divestments by multinationals, and shifts in key sectors of the economy.

1. Acquiring Assets from Multinational Divestments

Economic and regulatory pressures including global shifts prompted several multinationals to exit or revise their operations in Nigeria, particularly in the oil and gas sector, consumer goods and beverages sectors. Nigerian businesses leveraged this opportunity to acquire high-value assets, gaining control of critical infrastructure, oil blocks, FMCG businesses and other strategic investments. This allowed them to diversify portfolios and positioned them as key players in reshaping these industries with increased local ownership interests.

2. Increased Participation in the Financial Sector

- Government Securities: HNWIs turned to treasury bills and Federal Government of Nigeria (FGN) bonds for stable, low risk investment options.

- Bank Capitalization: The Central Bank of Nigeria issued a recapitalization mandate for Nigerian banks which presented opportunities for HNWIs to make or increase their equity investments in banks, enabling deeper capitalisation for growth to support the demands of Nigerian businesses and drive economic growth. If successful, this should support and lead to the rise of new HNWI and Ultra HNWI in sectors that benefit from the increased access to capital.

3. Purchasing Impaired or Bankrupt Assets

Several distressed companies and assets became available in the market and HNWIs, with liquidity and strategic foresight were able to acquire these impaired or bankrupt assets, particularly in real estate, manufacturing, and energy. By restructuring and reviving these investments, they positioned themselves for potential significant gains when market conditions stabilize or upon resale.

4. Navigating the Oil and Gas Sector

The oil and gas industry, the cornerstone of Nigeria's national revenue saw major divestments from international oil companies (IOCs) due to the global energy transition imperatives and regulatory changes. Nigerian HNWIs seized the moment to acquire operational assets, particularly onshore assets in the downstream and midstream segments, taking advantage of opportunities as the sector adjusted to domestic demands and international trends.

Key Strategies for Wealth Preservation and Growth in 2025

Wealth Protection Emphasis: The changes in economic and regulatory policies last year have underscored the importance of robust wealth protection strategies for HNWIs in Nigeria. A comprehensive asset protection plan will include:

- **Legal Structures:** establishing trusts, foundations, or holding companies to secure and ring fence assets in favourable jurisdictions that are fit for long term purpose, succession planning and legacy.
- **Estate Planning:** creating well-structured succession plans, wills and transition arrangements to ensure seamless asset transfer in line with personal wishes, mitigating estate taxes and liabilities.
- **Governance Structures:** separation of personal and family matters from the businesses, vision and mission, policies, advisory boards, family governance arrangements, conflict resolution mechanisms and communication methodologies.
- **Investment management:** identifying opportunities and assessing risk, ensuring diversification and enhancing security by spreading investments across asset classes and geographical locations, and managing portfolios.
- **Insurance Solutions:** using insurance as a powerful tool for wealth preservation and estate planning. Putting in place life Insurance payouts, health & disability, and asset protection
- **Exploring International Residency Programs:** Leveraging residency-by-investment programs to access stable financial markets abroad, ensuring both portfolio diversification and global mobility for families.

Every HNWI and every family is different, therefore several elements are to be considered to determine the optimal customised wealth growth and preservation structure for each, to ensure the sustainability of their businesses and that their legacy is preserved. The charge for professional advisors is to equip HNWIs with strategies and structures to protect and enhance their wealth for the future.

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