Very Rich Keep Home, Business Apart

By Howard Amos

July 07, 2011

Russia's richest are more focused on the opportunities generated by the financial crisis than its downside. They look to separate their personal wealth from their business interests and are largely opposed to involving their families in their business activities.

Nineteen businessmen domiciled in Russia, each with more than $50 million in personal assets and businesses with annual turnovers above $50 million, were surveyed for a new report that confirmed Russia remains broadly in line with many of the wealth-holding trends in emerging markets.

The survey pointed to a focus on wealth creation rather than preservation and internal cash flows as the primary drivers of business. Ninety percent of respondents said they did not have a succession plan for their business, and 74 percent said they would not want to involve an immediate family member.

Dominic Sanderson, a managing director at Campden Research, which conducted the survey in collaboration with UBS, said this differed sharply from mature capital markets in the

United States and Europe where a majority of the very wealthy wanted their children to carry on the family firm.

All of the people interviewed in detail for the survey said they separated their business assets from their private assets — a sharp increase from only 64 percent in 2009. Eighty-four percent said they had not developed long-term personal wealth plans.

Questions about uncertainty ahead of the 2011 State Duma and 2012 presidential elections were excluded, but worries over Russia's political future have already had an impact on the business climate, with $43 billion leaving the country in the six months during which the survey was conducted — October 2010 to March 2011.

However, the report confirmed that the attractiveness of international investments for Russia's wealthiest was growing. There was a burgeoning interest in real estate acquisition. Every respondent owned at least one international property, only one of which was in the United States, while the rest were in Europe. Twenty-one percent had invested in land.

The dollar, Swiss franc and pound sterling were the most favored currencies. Only 25 percent of respondents held liquid assets in rubles.

Sixty-three percent said Switzerland was their offshore destination of choice. London came in second with 53 percent, but Britain was overwhelmingly popular for rich Russians seeking a place to educate their children.

There are currently 101 billionaires in Russia, according Forbes magazine's annual ranking, including 15 of the world's 100 richest people. The 2011 BCG global wealth report released in May said there were 561 households in Russia with assets of more than $100 million.

The State Statistics Service said Monday that 23 million Russians earn less than $231 a month.