

# WEALTH DISPARITY

JOHN MOLSON CASE PREPARATION

An approach to an emerging global issue



Video recording:

<https://www.youtube.com/watch?v=xMpXMuHDt2M>

## 2022 GSB GROUP

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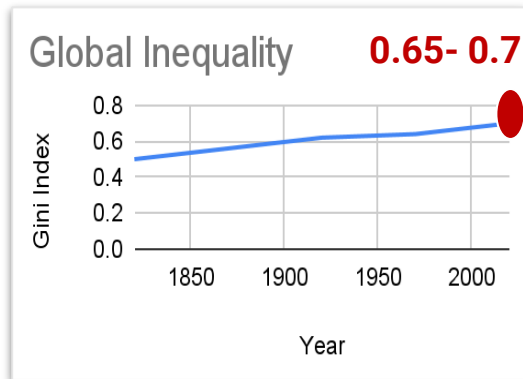
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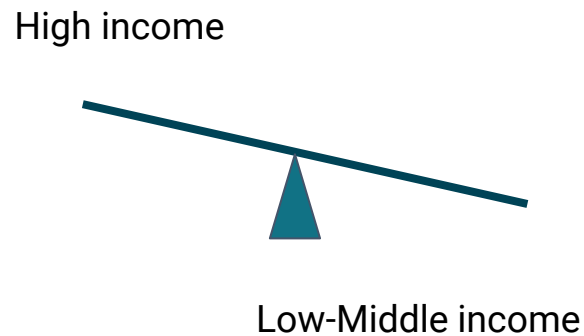
# SITUATIONAL ANALYSIS: "THE WEALTH GAP"



## Income vs Wealth



## Growth Tilt = Poverty



1. Increasing **income**
2. Adjusting **taxes**
3. Increasing assets: **education**



 HOW CAN WE LEVERAGE LESSONS TO BEGIN TO NARROW THE WEALTH GAP?

# APPROACH



**Aim: Asset redistribution**  
e.g Billionaire Tax, land reform policies



**PULL STRATEGY**

**PUSH STRATEGY**

**Aim: Access to capital to drive asset ownership**



# RECOMMENDATIONS

1

LOW INCOME GROUP

Target Market:

RECOMMENDATION 1:



**EDUCATE AND  
UPSKILL**

Rec:

Outcome: Short term: Employability

Long term: Asset ownership

2

MIDDLE INCOME GROUP

RECOMMENDATION 2:



**TAX POLICIES TO  
INCENTIVISE  
INVESTMENTS**

Short term: Household income

Long term: Asset ownership

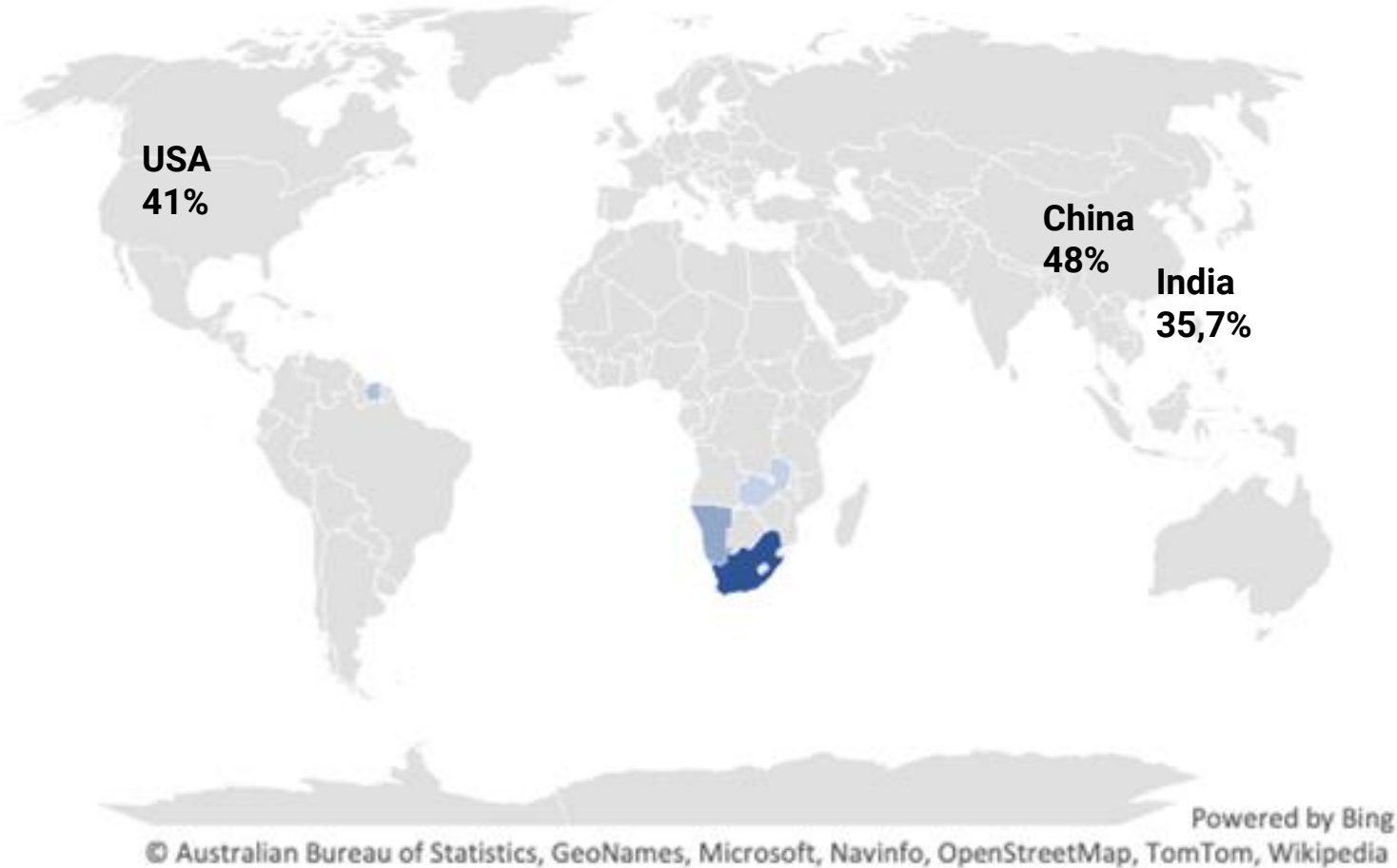


# BUSINESS ANALYSIS



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# TARGET COUNTRIES



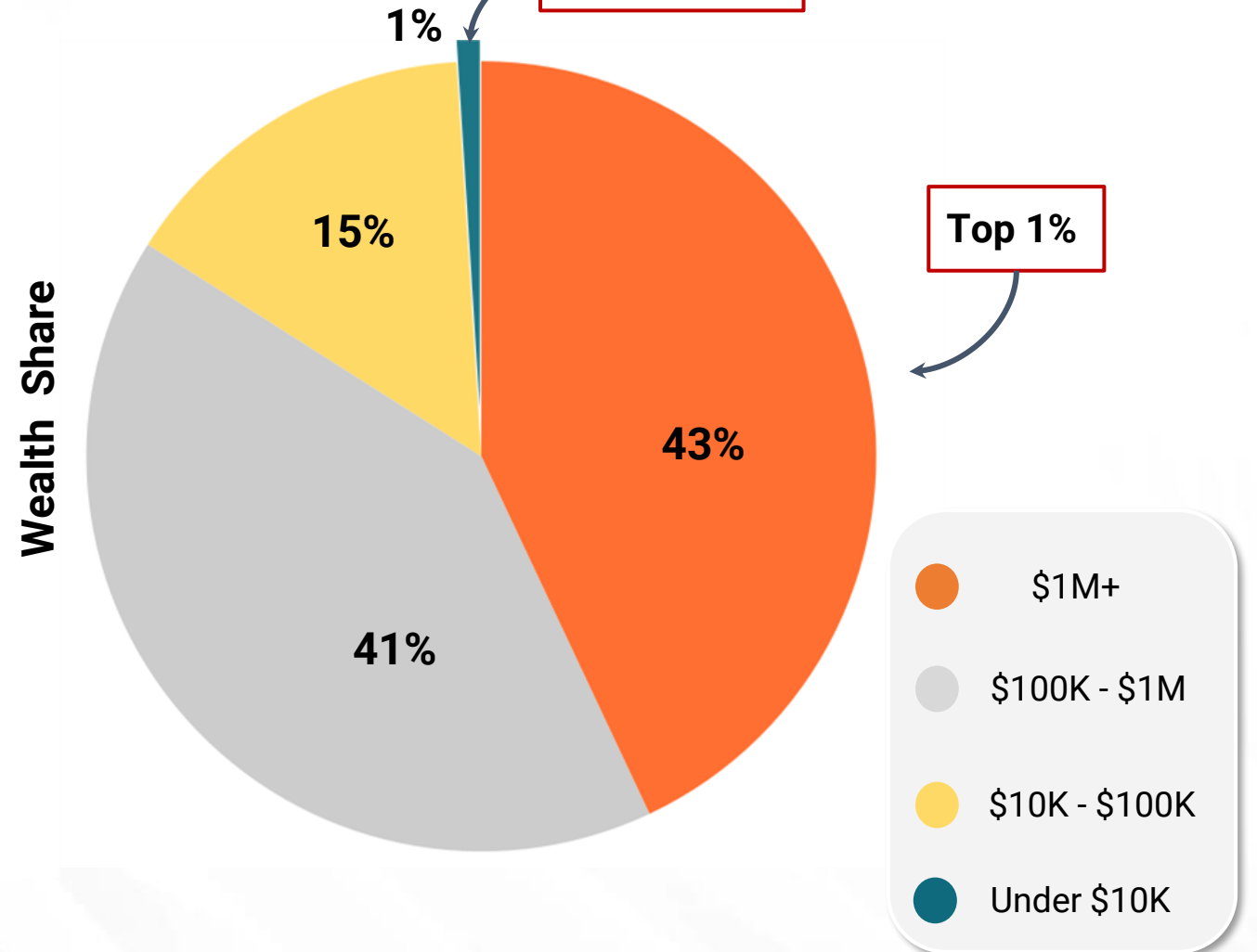
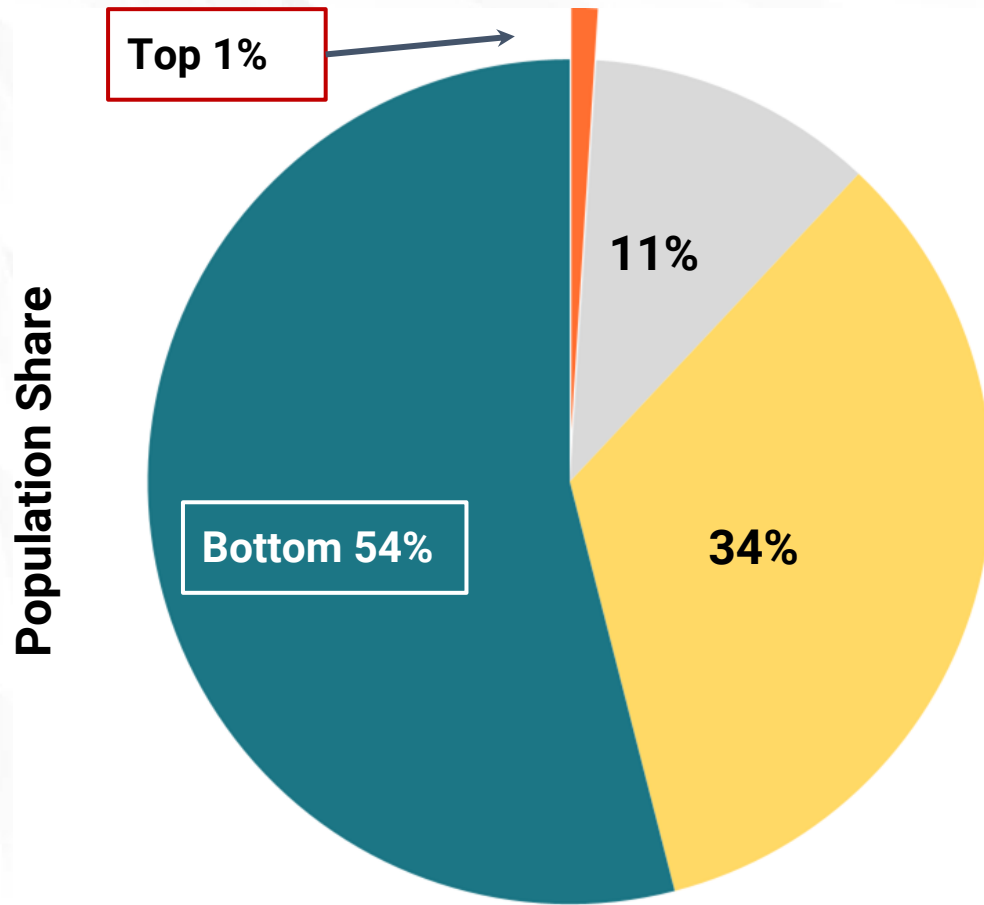
| COUNTRIES             | GINI COEFFICIENT (in %) |
|-----------------------|-------------------------|
| South Africa          | 63%                     |
| Namibia               | 59,1%                   |
| Suriname              | 57,9%                   |
| Zambia                | 57,1%                   |
| Sao Tome and Principe | 56,3%                   |

No. of Billionaires

|       |     |
|-------|-----|
| US    | 724 |
| China | 626 |
| India | 140 |

 COUNTRIES WITH HIGH WEALTH CONCENTRATION HAVE A BETTER GINI COEFFICIENT

# PROBLEM OVERVIEW



 **THE BOTTOM 54% OWN THE LEAST AMOUNT OF ASSETS GLOBALLY**

# ACCESS TO EDUCATION

**MAIN DRIVERS**

=

Exclusionary Policies

+

Access to Education



## IMPORTANT STATISTICS

- 1 additional school year can increase women's earnings by 10% to 20%
- Basic reading skills could reduce extreme poverty by 12%

Financial Literacy

Digital Literacy

Numeracy & Comprehension



**IMPROVING THE LEVEL OF EDUCATION CAN REDUCE EXTREME POVERTY LEVELS**



# BARRIERS TO ASSET OWNERSHIP

## IMPACT OF TAX

- CGT is the main investment consideration
- FDI is the proxy for investment trends

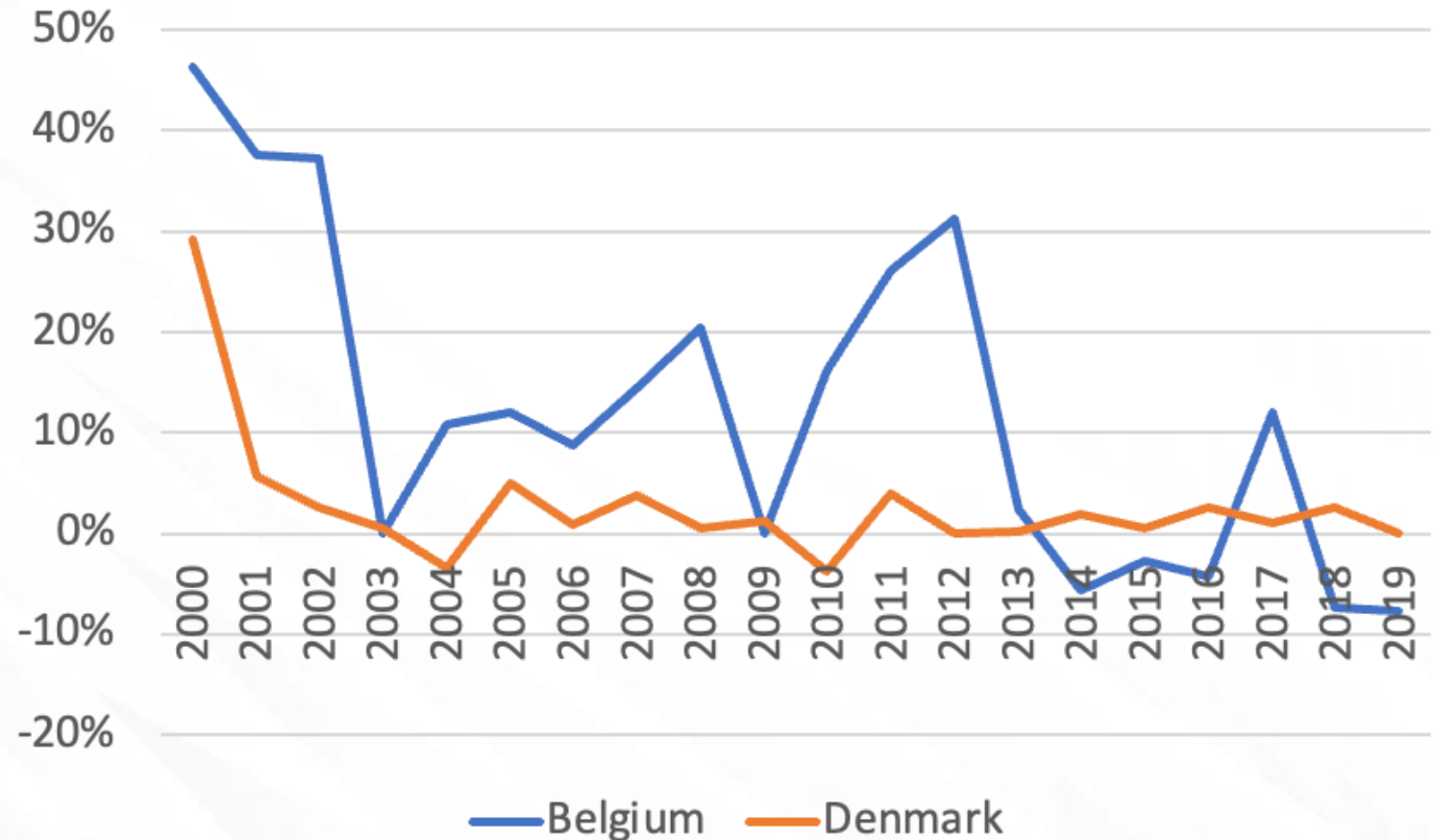
## DENMARK

- Highest CGT globally at 42%

## BELGIUM

- 0%
- CGT only taxed on professional income

Foreign Direct Investments (% of GDP)



REDUCING INEQUALITY OF ASSET OWNERSHIP MUST BE ROOTED IN SUPPORTIVE TAX POLICIES

# STAKEHOLDER ANALYSIS

|                  | Governments                   | High Networth Individuals | Corporations                 | NGOs               | Global Forums          |
|------------------|-------------------------------|---------------------------|------------------------------|--------------------|------------------------|
| Contribution     | Laws, policies and regulation | Providers of capital      | CSR policies and initiatives | Skills development | Policy recommendations |
| Reach            | H                             | L                         | M                            | M                  | H                      |
| Policy Influence | H                             | M                         | M                            | L                  | H                      |
| Resources        | H                             | L                         | L                            | L                  | M                      |
| Impact           | H                             | H                         | H                            | H                  | M                      |

KEY

High (H)

Medium (M)

Low (L)



**GOVERNMENTS HAVE THE HIGHEST REACH AND IMPACT TO IMPLEMENT CHANGES**



# RECOMMENDATIONS



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# RECOMMENDATIONS

1

LOW INCOME GROUP

2

MIDDLE INCOME GROUP

Target  
Market:

PUSH STRATEGY

RECOMMENDATION 1:



**EDUCATE AND  
UPSKILL**

RECOMMENDATION 2:



**POLICIES TO  
INCENTIVISE  
INVESTMENTS**

# RECOMMENDATIONS AND ALTERNATIVES

PUSH

1

2

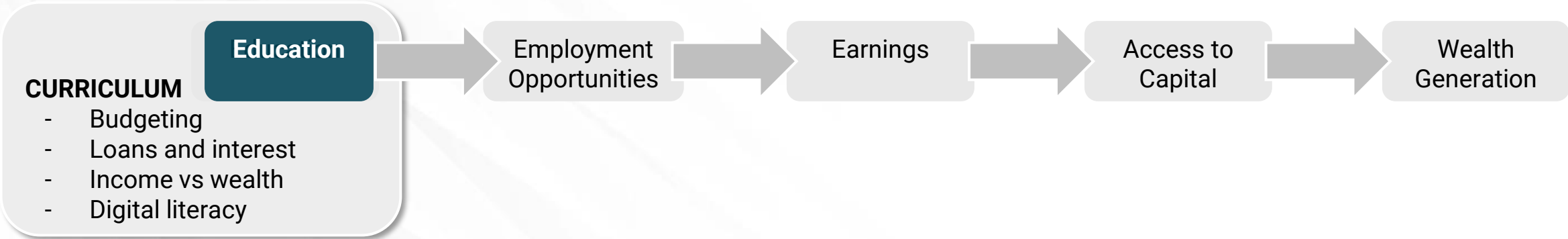
Alt 1


Alt 2

|   | ENABLES ECONOMIC GROWTH | INCENTIVISED STAKEHOLDERS | SCALE | FEASIBILITY WITHIN CAPITALIST STRUCTURE |
|---|-------------------------|---------------------------|-------|---|
| Financial literacy educational programme          | ✓                       | ✓ SDG #4                  | ✓     | ✓                                       |
| Policies to incentivise ownership                 | ✓                       | ✓                         | ✓     | ✓                                       |
| Billionaire tax                                   | X                       | X                         | X     | ✓                                       |
| Redistribution of high income individual's assets | ✓                       | X                         | X     | X                                       |

PULL

# 1 RECOMMENDATION 1: EDUCATION TO PROMOTE WEALTH GENERATION



 **FINANCIAL LITERACY IN PUBLIC SCHOOLS**


**AUDIENCE**

- Children 13 - 18yrs

**CONTRIBUTORS TO SUCCESS**

- Scale through established networks and curriculum
- Standardised quality
- Mandatory attendance

**GOVERNMENT ACTIONED**

 **WORKPLACE FINANCIAL AND DIGITAL LITERACY**


**AUDIENCE**

- Working blue-collar adults

**CONTRIBUTORS TO SUCCESS**

- Immediacy of impact on financially-active adults
- Access to infrastructure
- CSR incentivisation

**CORPORATE-LEAD**

 **SKILLS DEVELOPMENT PROGRAMMES**

**AUDIENCE**

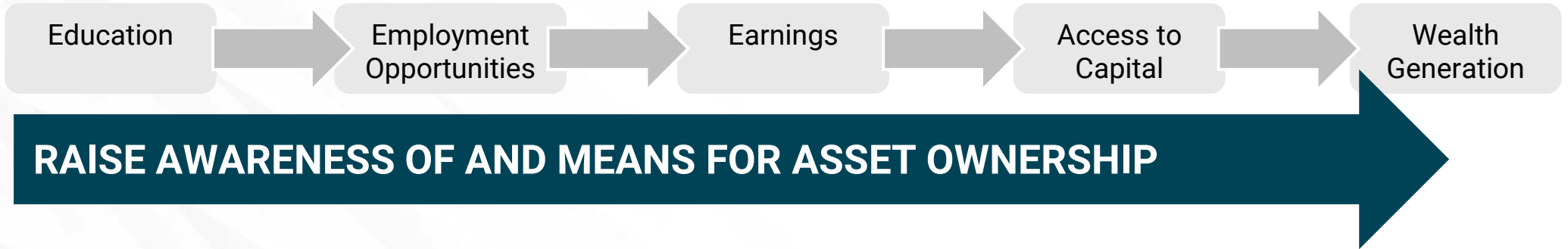
- Unemployed, underprivileged adults

**CONTRIBUTORS TO SUCCESS**

- Data industry identification
- Existing initiatives
- Skills-focused objectives

**NGO INVOLVEMENT**

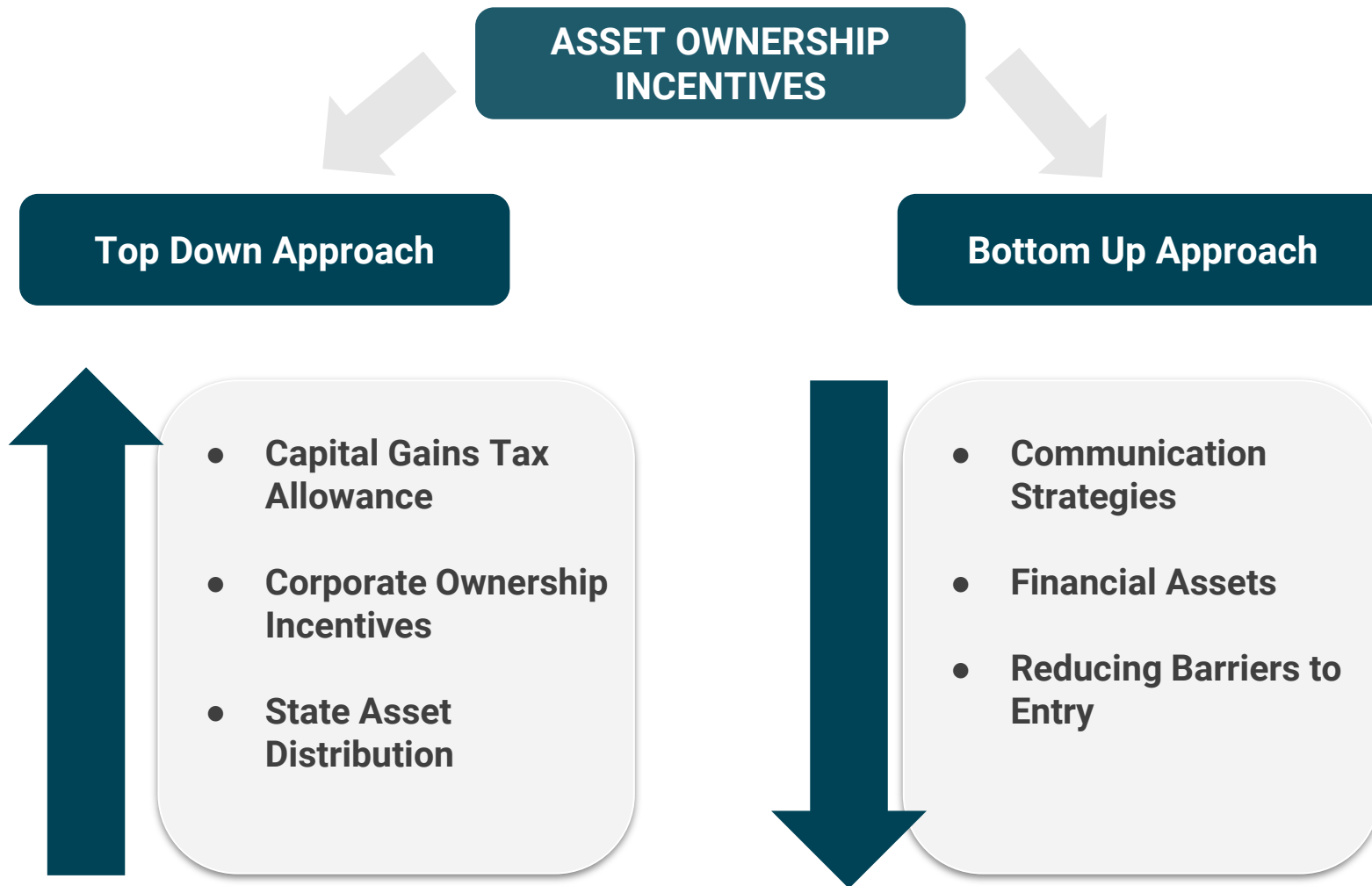
# 1 RECOMMENDATION 1: EDUCATION TO FOSTER ASSET OWNERSHIP



| MEASURES OF SUCCESS | ↑ financial literacy rates in adults | ↓ unemployment rates | ↑ average income | ↑ proportion of population that owns a home | ↓ Wealth Gini coefficient |
|---------------------|--------------------------------------|----------------------|------------------|---|---------------------------|
|                     | 2021 SOUTH AFRICAN EXAMPLE           | 51%                  | 34.9%            | \$1 058/month                               | 35%                       |

## 2

# RECOMMENDATION 2: POLICY TO INCENTIVIZE ASSET OWNERSHIP



### WHY

- Drive investment behaviour
- Increase ownership opportunities
- Improve economic growth



### TARGET AUDIENCE

- Global Audience
- Low to Middle Income
- Ability to invest

### KEY ROLE PLAYERS

- Global Organisations / Forums e.g. G-20
- Government
- Corporations



## 2

# RECOMMENDATION 2: POLICY TO INCENTIVIZE ASSET OWNERSHIP (TOP DOWN)

### REDUCTION IN CAPITAL GAINS TAX

Threshold for Low and Middle Income Households

**Incentivize long-term saving (individuals) and capital growth (individuals and corporations)**

Assess success via global and domestic savings and investment rates.

**GOVERNMENT**

### CORPORATE OWNERSHIP INCENTIVES

Incentivize corporations to provide ownership incentives via taxable deductions.

**Increased labour participation and economic growth**

Long term wealth creation

**GOVERNMENT & CORPORATE**

### STATE ASSET REDISTRIBUTION

Emerging market focus - redistribution of under performing assets

**Privatisation and efficiency in asset management**

Speed of process

**GOVERNMENT**



**MEASURES OF SUCCESS**



global savings and investment rates



employee ownership as a % of total



State asset redistribution rates

## 2

# RECOMMENDATION 2: POLICY TO INCENTIVIZE ASSET OWNERSHIP (BOTTOM UP)

### 1. Communication Strategies

#### Why?

- Create Awareness
- Drive investment Behaviour

### 2. Availability of Financial Assets

- Tax Free Savings Accounts

#### Why?

Provide mechanisms and products for investment

### 3. Reducing Barriers to Entry

- Fee Reductions, Fractional Ownership, Technology, Credit Ratings

#### Why?

Create equal and efficient access to instruments of wealth creation.

#### MAIN OUTCOME/IMPACT :

1. Increased investment participation (short - term)
2. Long-term wealth creation

# KEY RISKS AND MITIGATIONS

|   | POTENTIAL RISK   | RISK IMPACT LEVEL | CONTINGENCY PLAN  |
|---|--|-------------------|---|
| 1 | Failure to incentivise government policy                   | HIGH              | Leverage global forums & positive impact on economic growth |
| 2 | Inadequate availability of resources for educational needs | MEDIUM            | Align third party funding, NGO's HNW's and Corporations     |
| 3 | Failure to drive investment behaviour                      | LOW               | Increase incentive communications and policy strategies     |



**IN CLOSING**



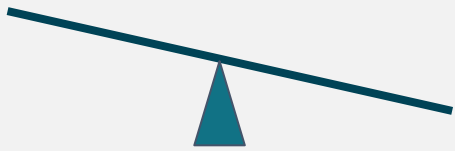
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# CONCLUSION



HOW CAN WE LEVERAGE LESSONS TO BEGIN TO NARROW THE WEALTH GAP?

High income



Low-Middle income



2

Incentives



1

Educate & Upskill



GENERATIONAL  
CHANGE  
THROUGH  
ASSET  
OWNERSHIP

PUSH  
STRATEGY



Thank you

## 2022 GSB GROUP

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# SOURCES FOR STATISTICS

## Situational Analysis

- <https://www.pewresearch.org/global/interactives/global-population-by-income/>
- <https://www.investopedia.com/terms/g/gini-index.asp>
- <https://www.oecd.org/statistics/wealth-inequalities-26-april-issues-note.pdf>
- [https://www.cbpp.org/sites/default/files/atoms/files/11-28-11pov\\_0.pdf](https://www.cbpp.org/sites/default/files/atoms/files/11-28-11pov_0.pdf)

## Business Analysis

- <https://www.indexmundi.com/facts/indicators/SI.POV.GINI/rankings>
- <https://www.businessinsider.com/these-20-countries-are-home-to-the-most-billionaires-forbes-2021-10?IR=T>
- <https://www.trtworld.com/magazine/top-1-percent-of-households-own-43-percent-of-global-wealth-42134>
- <https://www.care-international.org/home-page/our-focus-on-women-and-girls/education-2>
- <https://www.globalpartnership.org/blog/5-ways-education-can-help-end-extreme-poverty>
- <https://taxfoundation.org/capital-gains-tax-rates-in-europe-2021/>
- <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=DK>

## Recommendations

- <https://www.dailymaverick.co.za/article/2021-11-30-economic-horror-show-south-africas-unemployment-rate-hits-new-record-of-34-9/>
- <https://www.discovery.co.za/investments/financial-literacy-and-economic-empowerment>
- <https://briefly.co.za/30142-what-average-salary-south-africa-2021.html>
- [https://data.worldbank.org/indicator/SI.POV.GINI?locations=ZA&most\\_recent\\_value\\_desc=false](https://data.worldbank.org/indicator/SI.POV.GINI?locations=ZA&most_recent_value_desc=false)
- <https://www.businessinsider.co.za/general-household-survey-2018-statistics-south-africa-property-ownership-2019-5>