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Wealth transfer: Is your firm's share walking out the door?

Heir outreach, digitalization and diverse
advisor base are keys to success



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Baby Boomers will pass down as much as \$30 trillion in assets to heirs and family members, which should make wealth managers jump for joy.¹ Accenture's recent Voice of the Advisor survey, however, shows that only a fraction of these assets (as little as 20 percent) could remain with the existing wealth management firms.² Some figures suggest as many as six in 10 clients will leave their benefactor's advisors upon inheritance.³

If not handled correctly with immediate steps for retention, many firms could be facing their share of a \$30 trillion loss, which does not take into account the net new money that will be lost as investors defect. We see three key steps as the focus for motivated firms going forward to retain core client segments such as women and millennials.

Initiate or bolster heir outreach

Strong client relationships are no longer enough; involving heirs early on is key to client retention after wealth transfer. With each instance of wealth transfer, the total inheritance can erode due to charitable donations, debt, estate and real estate fees and other items. Advisors should be careful to understand the future opportunity across a multi-generational family, educating multiple generations on the long-term implications. A surprising 18 percent of advisors do not meet with clients' children ever.⁴ And 53 percent meet with future heirs less than once annually. Not surprisingly, when heirs inherit, their loyalty to the current firms is small to none. They are much more likely to self-invest or transfer large inheritances to advisors who have paid them more attention.

Focus groups have shown us that many advisors have difficulty relating to younger heirs, either not "speaking their language" or writing them off as unprofitable at present. We see a disconnect, as Accenture's survey showed 86 percent of advisors believe they understand the needs of their client's heirs, but only 32 percent say they currently work with those heirs. More than half of advisors we surveyed felt intergenerational wealth transfer required the support of an advisor close in age to the heir. Yet, many firms do not provide a teaming structure to bolster this move.

Surviving female spouses who gain control of funds when their husbands die more often include their children in decision making, even if this was not the norm prior to the death. Expect them to challenge advice and move to new advisors if a strong foundational relationship with the advisor does not already exist. Most make a switch within three years of a spouse's death.⁵

Incorporating family members into onboarding and regular meetings will be essential to making heirs feel they have a concerned team at their disposal. Heir outreach ideally begins even before a client signs with a firm, but it is never too late to rectify the situation with enhanced communication and relationship building. Getting ahead of the situation—having servicing ready to meet clients' clear expectations—is essential to a smooth transfer upon a benefactor's death. It is improbable and insensitive to expect clients to try to handle the multitude of decisions and copious details related to wealth transfer while their grief is new.

With 10 percent of total U.S. wealth changing hands every five years from 2031 through 2045, any wealth management firm needs a solid outreach plan now, one that gives heirs and surviving spouses breathing room during this difficult time.⁶ Additionally, wise firms will create strategies that capitalize on digitalization and a changing demographic.



Embrace digitalization

While the old guard investors may balk at robo-advice and other digital advancements, heirs do not; 51 percent express interest in a digital-only relationship.⁷ Advisors see this clearly, with 86 percent admitting they must improve their understanding of digital platforms and channels to connect with and serve young heirs.⁸ From 24/7 mobile access to less face-to-face and more digital touchpoints, advisors need to pivot to a new set of expectations. This is particularly so since 56 percent of millennials feel their advisor is only motivated to make money for themselves and their employer, and less than a third feel their advisor takes the time to get to know them.⁹

Social networks could help in that regard, and have become increasingly important in this client segment. So much so that advisors ignoring them could prove fatal for a majority of millennial client relationships. Accenture's Generation D research in 2014 found that 91 percent of millennials use social channels every day, while only 39 percent are connected to their advisor via a social site. The lines between family, friends and other social contacts tend to blur within this age group—and recommendations from trusted social sources matter. Fifty-six percent of millennials say it is important that family and friends share their financial advisor, according to the same research.

It is doubtful that most millennials will utilize today's version of full-service models, given their proclivities toward robo-advice, self-service and the immediacy of digital technology. Building toward their needs now, including a hybrid model, is essential to not being blindsided when this generation becomes the primary client.

Whether it is analytics to obtain a 360-degree view of the client and family members, or a better mix of products for self-directed younger investors, digitalization will be key to meeting the new breed of client on his or her terms.

Create an advisor base that works for women and young heirs

Globally, women account for 40 percent of the workforce but hold only one percent of the wealth.¹⁰ Over time, wealth ownership by women will grow dramatically as the imbalance between workforce composition and asset ownership corrects. Career-minded women want a new breed of wealth management—transparent, interactive and with frequent touchpoints.

Women sans careers will also increasingly be clients as non-working widows take over the family finances. Over the next 40 years, women will inherit 70 percent of the total intergenerational wealth transfer.¹¹ These women want advisors to understand their "life pictures" and "financial journeys" rather than just their investments.¹² Because most firms are still selling from a product stable rather than using an advice-led approach, a majority of surviving women are unsatisfied. Seven in 10 women using financial advisors considered dismissing them within the first three years of a spouse's death.¹³

Given the gaps in communication and satisfaction for women and young heirs, savvy firms should take a look into a team structure that addresses a multigenerational client base, focusing attention on family members of different age groups. Fidelity Investments has begun this process by using the Institute for Preparing Heirs, training advisors for a focus on relationships and life events.¹⁴ Saving for college, establishing trusts and the like are used as pivotal moments that can build trust and comfort around important life decisions, made with a trusted advisor's input. It is these touchpoint that foster relationship building, versus just hawking returns from a stable of financial products.

More and more firms will need to adapt to what savvy advisors are already doing—broadening their net in terms of client relations and matching younger advisors with peers on the client side. Wealth management now, in an age of unprecedented asset transfer, requires advice-led relationships and a tailor-made approach for clients' specific life circumstances.

Avoiding the exodus

While changing the outreach approach, digitalizing and looking at a new advisor demographic mix are not easy undertakings, they are necessary steps toward your firm's portion of \$30 trillion. The cost of resisting the change and not embracing the future now is high.

Savvy firm leaders will keep their teams as focused as possible on the future, swallowing the sometimes bitter pill of change for the promise of increased holdings during a seismic shift in the industry.

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