

# THE GREAT WEALTH TRANSFER:

## Strategies for Strengthening and Expanding Client Relationships



**CUNA MUTUAL GROUP**

**Over the course of the next 25 years, 45 million U.S. households will transfer a staggering \$68.4 trillion in assets from one generation to the next, specifically Baby Boomers to Generation X and Millennials.<sup>1</sup>**



Dubbed the Great Wealth Transfer (GWT), this financial phenomenon presents a number of opportunities for those who inherit the wealth. It also poses some potential challenges for financial advisors not focused on helping Boomers prepare for shifting money to the next generations.

**The GWT could be even more problematic for the high percentage of advisors – 45 percent and 49 percent respectively – who have limited, if any, contact with their Boomer clients’ children and grandchildren.<sup>1</sup>** Ignoring the people generally presumed to be the heirs of substantial GWT assets could significantly limit financial advisors’ future business growth.

**Understanding how Boomers, Gen X, and Millennials view finances and the attitudes that shaped those perceptions will help advisors break down barriers and build trust. Further, proactively connecting with the various generations demonstrates loyalty-generating value within the client-advisor relationship that helps ensure long-term multigenerational client continuity.**

## Divergent Financial Attitudes

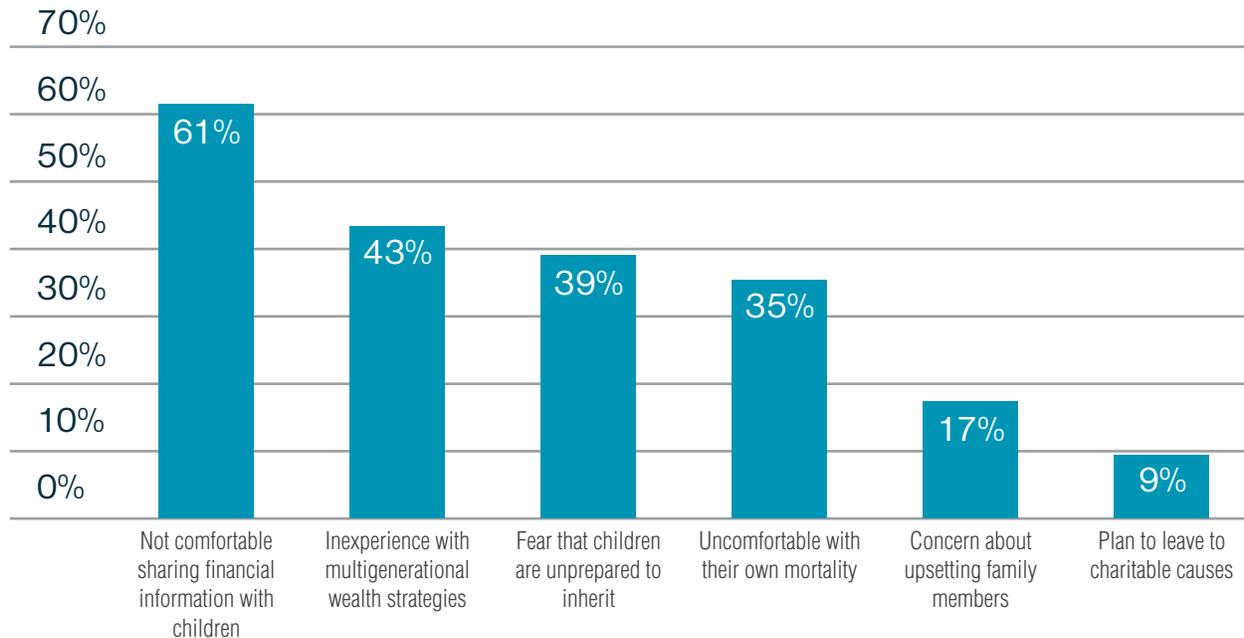
Whether gifting or inheriting money, each generation has certain financial attitudes that could impact if – or how well – they prepare for a transfer of assets.

**Baby Boomers** – the post-World War II generation born between 1946 and 1964 – are the wealth accumulators driving the GWT. It stands to reason that they have the most direct influence on how their wealth is distributed. The

challenge, however, is that **this generation was brought up believing money was a taboo topic.<sup>2</sup> Talking about money was rarely done, and it was not uncommon for Baby Boomers to believe that they didn’t have the level of wealth necessary to think ahead to – or even about – estate planning or wealth transfer considerations.<sup>2</sup>**

Even in high net worth/ultra-high net worth scenarios, this general avoidance likely fuels the reticence behind Boomers' wealth transfer planning. Uneasiness with talking about money is far and away the biggest stumbling block:

## PRIMARY FACTORS PREVENTING WEALTH TRANSFER PLANNING



Source: Financial Planning, *Stop Worrying About Millennials, the Opportunities Lie Elsewhere*, November 21, 2018<sup>3</sup>

## THE ADVISOR'S ROLE IN OVERCOMING BABY BOOMERS' FINANCIAL MODESTY

Moving Baby Boomer clients beyond the “mum’s the word” money behavior is no easy feat, especially if clients take the same approach to their mortality. Wealth transfer planning is sometimes perceived as something to be done closer to death.<sup>4</sup> Assumptions that there’s no need to discuss money matters or that there is always “plenty of time for that conversation” and related planning could be detrimental for Baby Boomer clients.

With about 10,000 Baby Boomers retiring each day<sup>5</sup> and the GWT taking hold, proactivity on the part of advisors is critical. To keep wealth transfer planning moving forward among Baby Boomer clients:



- » Emphasize the importance of not putting off financial decisions.<sup>4</sup>
- » Create a sense of urgency around next steps, but not so much that it alarms clients. Remember, this is probably a different way of thinking.<sup>4</sup>
- » Clarify your understanding of client objectives, and be sensitive to how your services need to align with their goals.<sup>4</sup>

# Changing Financial Perspectives



**The measured approach to wealth transfer planning that may be necessary for advisors to take with Baby Boomer clients may not be an appropriate approach when dealing with their heirs.** Comparatively, Generation X and Millennials have different perspectives on money:

**Gen Xers** mirror their Baby Boomer parents in that they are conservative with their funds. However, they depart from their parents in that Gen Xers believe in investing in the stock market and making a plan for their financial future.<sup>6</sup>

**Millennials** have defined their relationship with money based largely on what they experienced by coming of age in the Great Recession. They tend not to spend at the same level or on the same items as their Gen X parents, and they also tend to put more in savings. Millennials also are not as trusting in the stock market as the previous generation.<sup>6</sup>

Financial advisors who can dial into future generations may also gain a better understanding of how to show and add value in a client-advisor relationship that Gen Xers and Millennials arguably find lacking. **Once they begin collecting inheritances, around two-thirds of these generations fire their Baby Boomer parents' financial advisors.**<sup>7</sup>

Given these statistics, it's an uphill climb for advisors to maintain generational connections within a family, although only 13 percent of advisors identify generational wealth transfer as a business risk.<sup>7</sup>

**In light of the multi-trillion-dollar GWT, future generations choosing to leave relationships with established financial advisors could derail the perpetual financial success Boomers envisioned for their families – it's estimated that 70 percent of wealthy families will lose their wealth by the second generation, and about 90 percent will lose it by the third.**<sup>8</sup>

The need for financial advice across the generations is evident, thereby providing advisors with opportunities to serve existing Baby Boomer clients and retain relationships with their heirs. However, simply knowing how the respective generations view and handle money isn't necessarily enough.



## Serving, Maintaining, and Expanding Client Relationships

Acting as an objective facilitator, a financial advisor can steady nerves on both sides of the GWT discussion. Baby Boomer clients may look to you for a full-circle perspective on the wealth transfer in order to cover all bases — including things they may not consider (for example: how they envision retirement, funding expenses such as long-term healthcare, or living arrangements and the like). Gen X and Millennials may want you to address their concerns about how to approach “the money talk” with their parents and the appropriate questions to ask.<sup>9</sup>

**It boils down to communication — but it’s more than advisors acting as sounding boards in siloed dialogues with existing Baby Boomer clients and their heirs/the next generations of prospective clients.**

Be willing to moderate GWT conversations that happen with all interested parties in the room. Use these tips to make the interactions meaningful while maintaining your impartiality:

- » **CLARIFY WEALTH TRANSFER PRIORITIES AND READINESS.** Baby Boomers should kickstart this part of the exchange by clearly prioritizing their goals and objectives for retirement and what they want their post-working lives to look like. Sharing their plans and intentions is informative and also allows their Gen X and Millennial heirs to ask clarification questions and express any concerns. As the Baby Boomers’ advisor, this presents an opportunity for you to determine how their level of retirement readiness could reshape inheritance plans or wealth transfer strategies.<sup>9</sup>
- » **REVIEW AND VERIFY ESTATE PLAN INFORMATION.** Estate planning can be sensitive since it may suggest either death or some form of incapacitation on the part of the Baby Boomers. As uncomfortable as this can be for all parties, the reality is that future decisions will likely have to be made about care, expenses, and how they could impact wealth transfer. Understanding the mindset about how Baby Boomers want their estates handled — and by whom with regard to power of attorney, executor/trustee, and healthcare — clearly delineates expectations that will head off confusion. Work with all family members to reach mutually agreeable roles, and emphasize your willingness to work alongside them at any time to help.<sup>9</sup>

» **DOCUMENT.** It's not uncommon for those gifting money to be secretive about where their wills, estate plans, and other financially related paperwork are located. Encourage Baby Boomers to share the location and content of these documents with their proposed heirs. Of course, knowing where and how they can access the paperwork is advantageous, but Gen Xers and Millennials can also be quite helpful in reviewing which documents are in place, which may need updating, and reaching out to you for advice on which may need to be created to facilitate eventual wealth transfer.<sup>9</sup>

Expecting that one conversation among Baby Boomers, Gen Xers, and Millennials will resolve all issues or fully open lines of previously closed communication probably isn't realistic. However, it's a first step in helping your clients break down barriers and build trust — among each other and with you, now and for generations to come.



# CONTINUING THE CONVERSATION

As family members become more comfortable with intra-generational conversations about money, chances are they will have discussions without requiring you to be present as an impartial third party. Here are some tips from FINRA that you can share with Gen Xers and Millennials to successfully navigate “the money talk” with Baby Boomer family members:

## **Make their best interests your best interests.**

Convey that the goal of any discussion isn't to take away their power or question their decisions, but rather to support them in financial planning and eventual wealth transfer.<sup>10</sup>

**Frame your sentences carefully.** Using “I” statements (e.g., “I’m concerned you may need to...”) instead of “You need to...” will convey that you want to understand their financial concerns and fears and alleviate any suggestion of imposing mandates on them or their money.<sup>10</sup>

## **Know – and ask – the right questions.**

Be considerate but direct in asking about having a financial power of attorney in place, account information, beneficiary designations, financial firms and professionals they use, life insurance, relevant documentation, and so on. Relevant questions may bring to mind financial and wealth transfer information Baby Boomers overlooked, and you'll have the benefit of not having to guess about important information if and when the time comes for making decisions.<sup>10</sup>



The Great Wealth Transfer is rapidly gaining traction, putting nearly \$70 trillion in motion. Helping your Baby Boomer clients navigate the complexities and connecting with their next generations of heirs are paramount in order for advisors to demonstrate value and grow future business.

Learn more by using our snapshot infographic, [Building Relationships With The Next Generation](#), visiting [smarriskcontrol.com](http://smarriskcontrol.com), contacting your wholesaler, or calling the CUNA Mutual Annuity Solutions Desk at 877.345.GROW (4769).



## SOURCES

<sup>1</sup>ThinkAdvisor, *Generational Wealth Transfer to Hit \$68 Trillion Over 25 Years: Cerulli*, November 20, 2018

<sup>2</sup>Wealth Management, *Wealth, Legacy, and the Next Generation*, Undated

<sup>3</sup>Financial Planning, *Stop Worrying About Millennials, the Opportunities Lie Elsewhere*, November 21, 2018

<sup>4</sup>State Street Global Advisors SPDR, *Roadmap for a New Landscape: Managing the Transition of Wealth Across Generations*, Undated

<sup>5</sup>Investopedia, *Are We in a Baby Boomer Retirement Crisis?*, October 22, 2018

<sup>6</sup>Bankrate, *Here's Who Will Benefit Most from the \$59 Trillion 'Great Wealth Transfer'*, September 25, 2018

<sup>7</sup>Money Marketing, *Are Advisors at Risk of Losing Wealth Across Generations?*, July 27, 2018

<sup>8</sup>Nasdaq, *Generational Wealth: Why do 70% of Families Lose Their Wealth in the 2nd Generation?*, October 19, 2018

<sup>9</sup>Investopedia, *Tips for Family Wealth Transfers*, October 6, 2018

<sup>10</sup>FINRA, *How to Talk to Aging Parents About Money*, August 15, 2017

## IMPORTANT DISCLOSURES

CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Annuities are issued by CMFG Life Insurance Company (CMFG Life) and MEMBERS Life Insurance Company (MEMBERS Life) and distributed by their affiliate, CUNA Brokerage Services, Inc., member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, IA, 50677. CMFG Life and MEMBERS Life are stock insurance companies. MEMBERS is a registered trademark of CMFG Life Insurance Company. **Investment and insurance products are not federally insured, may involve investment risk, may lose value and are not obligations of or guaranteed by any depository or lending institution.** All contracts and forms may vary by state, and may not be available in all states or through all broker/dealers. These views are for informational purposes only and should not be relied upon as a recommendation to purchase any product or as a solicitation of investment advice from any financial advisor.

# CUNA MUTUAL GROUP