Starting the Post-Wealth Transfer Conversation

Why so few advisors are having the discussion that so many of their current (and prospective) HNW families want to have.

At the Institute for Preparing Heirs, we often hear from professional advisors about how difficult it can be to initiate a conversation with the affluent (potential) client. We know how sales-resistant they are and how guarded they become when they feel they are being chatted up by advisors who would like to do business with them. But the affluent are people with families just like our own. What they want to talk about today is not about how much money—but what effect the money will have on their heirs and their families. We define "family" as parents, children, spouses, grandparents and grandchildren.

Baby boomers are increasingly realizing just how much money they have made and are seriously wondering what effect their money will have on their children. When they see statistics indicating that 70 percent of heirs "lose it all" (money, assets and family harmony) after estate transitions, it's no wonder that parents are looking for advisors who can talk about "heir preparedness" as one of the new factors in managing wealth. Your current and prospective client families now want their advisors to not only be fully competent at working with their "traditional" financial picture, but also be capable of working with their entire families, including providing a financial education for the children.

Family leaders want to have the conversation that few are initiating these days—the "Missing Link" that will tell them how to prepare their heirs for wealth and responsibility.

Please don't misunderstand us. Professional advisors can converse smoothly with anyone and tend to have well-developed speaking, listening and communication skills. They all talk about investments, tax planning and estate planning, but how do they address the family's primary concern and the impact of those investments upon heir families? Without knowledge of the obstacles (and possible solutions) faced by advisors' heir families, those advisor conversations cannot be fully productive.

Look for a moment at the research. In addition to the **70 percent post-wealth transfer failure rate we mentioned earlier:**

- More than **90 percent of heir families reject their parental advisors** "promptly after receiving their inheritances." The scary part of this is that they start over with advisors who are frequently less capable and less experience than those who advised their parents. Why? Because they don't know their parental advisors and weren't involved in the wealth transfer planning process.

Key Takeaways

- Statistics show that 70 percent of heirs lose their money, assets and family harmony after estate transitions.
- More than 90 percent of heir families reject their parental advisors soon after receiving their inheritances. Frequently they replace the parental advisors with new advisors who are less capable and less experienced than those who advised their parents.
- Make yourself visible to family heirs by equipping yourself to talk about problems and solutions around the impact of money.

US Trust does a survey every couple of years asking affluent parents what worries them most about the impact of the family's wealth on their heirs. Take a look at the top five items from one of the surveys:

WHAT WORRIES AFFLUENT PARENTS MOST ABOUT THE EFFECT OF WEALTH ON THEIR CHILDREN	PERCENT WHO ARE WORRIED*
Too much emphasis on material things	60%
Naive about the value of money	55%
Spend beyond their means	52%
Have their initiative ruined by affluence	50%
Not do as well financially as parent would like	49%

Source: US Trust Survey XIX of Affluent Americans
* Response rates exceed 100 percent due to multiple responses

Every item on the above "Effect of Wealth" list is a potential doorway to a conversation with that affluent client family you're targeting:

- Get known to the family heirs by equipping yourself to talk about problems and solutions around the impact of money.
- Only if you actually work with the heir families will you have a good chance of retaining them as new clients.
- Know what the stats say about parental concerns, and communicate with parents about those primary concerns

The professional advisor sees an opportunity to connect existing and potential clients with these straightforward tools:

1. Why not host 45-minute-long "private briefings" for Centers of Influence in your area? Every accountant, estate planner and lawyer would love to have someone talk about the topic of Your Estate Plan Is Set, but Are Your Heirs Prepared? or Family Dynamics and Wealth Transfer.

2. Think about offering a "toolkit" of financial education materials, appropriately assembled for different age groups. Why not host a Saturday "hot dogs and lemonade" financial lunch where you give the kids play money to invest in fictitious companies? Why not hold a session on "banks, checkbooks, credit cards and overdrafts"? Parents would love you for the offer itself, whether or not their children (middle school to high school) were able to attend. You can co-host it with one of the banks in the community as a way for them to also connect with affluent families. Banks will have their own lists of people they'd like to invite.

Key Takeaways Cont.

- Preparing heirs for assets—as opposed to preparing assets for heirs—is the new differentiator for your practice: It is the conversation parents are seeking to initiate. Never exclude the spouse—no one has more influence on an heir than the person's spouse, including the heir's family members.

3. Send out seasonal gifts related to educating the parents on wealth transition planning along with your card or enclosed note. The book Preparing Heirs by Williams et al. is a lot more relevant to the conversations you wish to open than a high-end fruit basket. Clip and send articles that relate to the burden of wealth and how successful families plan to handle that burden for their heirs. Become a knowledge resource for heir preparation.

4. Use the tools now available that will enable you to predict, with 90 percent accuracy, whether a family's wealth transition is likely to be successful. You can go to the Web site www.preparingheirs.com to see a 10-question Wealth Transition Checklist that can give you a predictor for success or failure of heir families following their wealth transitions.

Finally, educate yourself and obtain some advanced credentials in the field. Equip yourself to have a conversation about the "missing link" in wealth transfer planning—the preparation of their heirs to receive and manage wealth. Begin with learning who your clients are (children, spouses, grandchildren) and creating a database of their names, ages, interests and skills. Obtaining their postal and email addresses and telephone numbers is foundational in your ability to communicate with them. Incidentally, for existing clients, you can begin by checking their beneficiary forms on file with your office and then sending a nicely crafted note asking them to "fill in the missing information" on family members. Your clients will likely respond.

Preparing heirs for assets (as opposed to preparing assets for heirs) is the new differentiator for your practice, and it is the conversation parents are seeking to initiate. And remember, excluding the spouses is a recipe for failure, because no one has more influence on an heir than the person's spouse. Not mom, dad or anyone. You owe it to yourself to become the "missing link" families turn to in integrating the process of connecting the preparation of assets with the preparation of heirs.

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This article was contributed by Vic Preisser and Roy Williams of The Institute for Preparing Heirs, located in Pasadena, California. The Institute, which trains advisors and provides support services to advisors and families, does no investment management, offers no tax or estate planning advice, and sells no insurance or financial products.