Dimensional

BUSINESS DEVELOPMENT STRATEGY

PRACTICE POINTS

Wealth Transfer

Cerulli[1] estimates that over the next 25 years, the wealth transfer between households to heirs and charities will total over $68 trillion. Further, research[2] indicates that 88% of heirs do not consider using their parents' financial advisor. Given this data, how do you better position your firm to preserve assets as they transfer between spouses and to subsequent generations and beneficiaries?

Reasons to focus on wealth transfer

Maintain the business: Continuing to manage assets as they pass to heirs can help sustain your firm and reduce the net asset outflows.

Build a pipeline of next generation referrals: Based on the 2018-2019 Dimensional Investor Survey, clients under the age of 44 are more likely to go to relatives and friends for investment advice than any other demographic. This may indicate an opportunity to establish a referral network of next generation clients and become a source of education for this younger demographic.

Differentiation: Having a strategy devoted to the transfer of assets between spouses and to heirs can help advisors differentiate themselves in a crowded marketplace. Communicating this strategy to target clients may increase the likelihood that existing assets remain with the advisor.

Top practices

Encourage wealth transfer conversations: Devote time in client meetings to discussing wealth transfer and addressing these specific needs. Simply asking, "is it your wish that your assets remain under my care upon transferring to your beneficiaries?" can allow an advisor to focus on the most important relationships in subsequent generations.

Lay the foundation for a relationship with the next generation: Based on conversations with your existing clients, determine if it would be appropriate to incorporate beneficiaries into a portion of the client meeting. This may also be an opportunity for junior advisors to build and cultivate these relationships early in the wealth transfer process. Embed a generational perspective into your long-term strategy and service offerings.

Reduce friction using technology: Many beneficiaries of assets develop a perception that advisory services can only be provided in person. Use and communicate your technology capabilities to engage and manage clients who are not in your immediate area.

Human capital planning: Consider what the next iteration of your organizational chart will look like. How does your future hiring address the needs of the next generation? Do you have a focus on age diversity among advisors?

Things to consider

Be a source of education/reference: Advisors can build trust with heirs by becoming a source of education and reference for various ad hoc requests.

Develop strategies specific to inheritors: The wealth transfer is not only from generation to generation, but also to surviving spouse. While data indicates than many spouses will leave after the death of the one partner, establishing a strategy to incorporate both spouses into financial decisions may allow advisors to retain these assets over time.

Reassess your value proposition: Consider reevaluating your value proposition to ensure that both clients and prospects understand how you can aid heirs, with an emphasis on servicing heirs across all geographies.

Survey clients: Gathering regular client feedback can help advisors assess the level of engagement by existing clients and reveal challenges and opportunities in creating relationships with subsequent generations.

Smaller-account solution: As part of an effort to engage the next generation of clients early in the advisory relationship, consider providing a small-account solution. This solution may provide scalability to the advisor and help develop relationships with heirs.

[1]Cerulli Associates, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets, 2018, Shifting Demographics of Private Wealth.
[2]Cerulli Associates, The Cerulli Edge – U.S Retail Investor Edition, 2Q 2019.

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