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The Advisor's Guide to Building Financial Planning Relationships Across Generations

The financial services industry is being reshaped by fundamental changes: Over the next 25 years, $60 trillion in assets is expected to pass on to future generations.[1]

And while advisors are aware of this impending shift, they're overlooking the opportunity to engage the next generation—the children of their current clients. When asked how often they meet with this group, 54 percent of advisors said less than once a year, and 18 percent said they do not meet with the children at all.[2]

By failing to connect with next-gen prospects, advisors may negatively impact their firms' bottom lines. Growth is already a concern for advisors: Sixty percent of them perceive that attracting new clients and assets will be a key challenge going forward.[3] By the time children inherit their parents' wealth, they may engage with a competitor, or worse, may not engage with an advisor at all. Replacing lost assets requires even more time and effort from an advisor—not to mention the frustration of watching carefully managed finances walk out the door.

Next-gen prospects represent an exciting opportunity for advisors: By 2030, Gen X/Y will surpass Baby Boomers in the amount of wealth they hold.[4] With the right approach, advisors can successfully connect with their primary clients' children.

Here are five steps advisors can take now to secure these relationships and retain assets for the long run.

1. Teach Good Habits at a Young Age

While a wealth transfer from current clients to their young children may seem far away, it is never too soon to start connecting with the heirs. In fact, there are many lessons in financial literacy that advisors can teach young children to create good money habits.

Lesley Brey, founder of **LJ Brey, Inc.**, offers her clients a guide that includes positive money behaviors that parents should teach their children. One of her lessons involves parents creating a grocery list with their children—and sticking to it, even if the parent realizes at the store that something was forgotten. This demonstrates to children the importance of creating and sticking to a budget.

> **"Children absorb what you do, they absorb zero of what you say," Brey says. "Parents should behave now how they intend their children to behave later."**

Once children enter the seventh grade, Brey focuses on the child's behavior, encouraging parents to open checking accounts for them with an annual allowance for all their spending, including their clothing, recreation, and gifts.

"Anything you can do to turn money into their money, and not their parents' money, will garner interest from a child at any age."

By giving children the opportunity to manage money at a younger age, parents can help them develop more responsible financial behaviors.

"It's about raising competent, confident, responsible adults," says Brey, who has interacted with nearly all her clients' children who are high school-aged and older.

Even if clients' family members are young, advisors can secure long-term business by teaching them to save, spend, and budget. When a wealth transfer does occur, the client is more likely to be informed and responsible—and will rely on the trusted relationship they have with an advisor who can provide guidance.

2. Offer Ways to Involve and Educate the Next Generation

Whether an advisor is working with a young child, a college student, or even an entire household, there are several ways they can build trust with family members:

Family-friendly outings

Get to know clients and their families beyond their finances through family-friendly outings, like a movie night or a baseball game. By engaging with family members outside the office, you can build relationships with the children and position your firm as one that serves entire families, not individual clients.

Educational workshops

Whether buying a car, taking out a mortgage, or setting up a retirement savings account, there are many situations where young adults can benefit from financial guidance. Advisors should consider offering topic-specific workshops or seminars to establish credibility and deepen relationships with this demographic. And for workshops that target younger children, advisors should incorporate hands-on exercises, like completing a budget or managing an allowance, to help children see the connection to real life.

Family discussions

From funding a college education to estate planning, advisors should hold family meetings to discuss the goals and strategies needed to achieve them. And while conversations on debt, aging, and long-term healthcare costs can sometimes be uncomfortable, they can also clarify parents' wishes, reduce stress, and prevent potential conflict among loved ones.

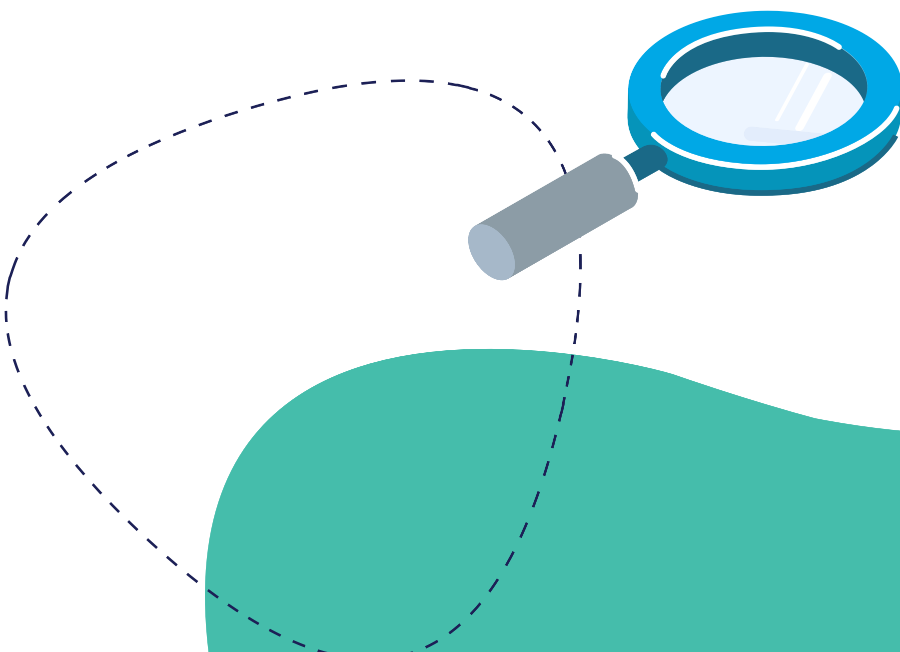
Kyle Brownlee, Chief Executive Officer and Senior Wealth Advisor at **Wymer Brownlee Wealth Strategies**, takes a consultative, big-picture approach to his business. His conversations with clients go beyond money management to focus on what he considers most important: protecting families. And as primary clients age, he holds more meetings that include their adult children.

"It's not uncommon now for us to have an annual family meeting with the primary client's permission and then invite the second generation," says Brownlee. "We've changed the word 'estate planning' to 'family leadership' because I really believe that's what it is: We all have responsibilities to take care of our families. If families don't have their estate planning done correctly, it's a huge gap in their planning."

"It's becoming a natural part of our relationship," he says. "We have a private discussion with the primary client as to how much disclosure and transparency they are comfortable sharing. But there's never a question of 'What do I do now?' It's always answered ahead of time."

For advisors who are unsure of how to hold family discussions and broach difficult topics, Brownlee suggests talking to industry peers. He regularly has conference calls with advisors nationwide to discuss ideas and ask questions.

"Network with other advisors that are willing to share," he says. "If you find the right advisors in this business who really help families make great decisions, they're also wanting to help advisors get better, too."



3. Add More Value Through Coaching

Clients who engage a financial advisor today expect more than just investment tips. This is especially true in younger generations: In a recent survey, Gen X/Y participants stated that they look to advisors to provide multiple types of value, including money management, peace of mind, and fulfillment—and they are willing to pay more for it.[4]

Life coaching and planning both add value for clients.

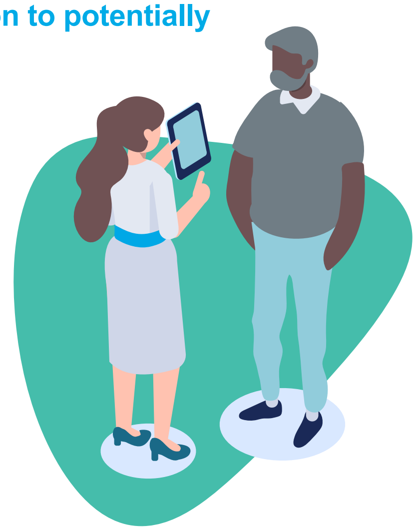
Abbey Henderson, Chief Executive Officer, Wealth Advisor, and Coach at **Abaris Financial Group**, a fee-only, financial planning firm in Concord, Mass., started gradually offering these services to her clients while pursuing Registered Life Planner® training in 2016. Now, she extends life coaching and planning to her clients' children—at no cost.

"Whether it's navigating a new career or helping them communicate with a partner about buying a home, coaching has been a fantastic way to provide value to my clients' children," says Henderson.

Henderson hopes that by building a relationship with clients' children now, they'll return to her as their planning needs grow. And her efforts are paying off: Henderson is already seeing referrals from children, and some prospects say they selected Abaris specifically for its life coaching services.

"When I start with a coaching relationship and move into planning, I don't have to build all of that knowledge," she says. "I already know them, their relationships, and their families. The more deeply you know and understand your client, their vision, and their values, the more you can tailor the financial plan. It also puts the advisor in a better position to potentially change some investor behavior."

And not only can these services deepen client relationships, but they also provide tangible results: The Vanguard Advisor Alpha study calculated that behavioral coaching may add one to two percent in net return to a client's portfolio.[5] And among clients where Henderson has provided life coaching or planning, she's seen 100 percent retention.



Incorporating these practices does not have to be overly complicated. To more fully understand a client's motivations, it can be as simple as asking better questions in an intake form.

4. Leverage Technology to Complement the Client Experience

Next-generation clients, especially those who grew up with the Internet at their fingertips, don't just value technology in their relationships with their advisors, they expect it. More than half of Gen X/Y survey participants reported they would find a new advisor if theirs didn't use technology to enhance services. And almost a quarter consider an advisor's use of technology as a top factor in their selection process.[4]

Integrating gamified experiences can help advisors attract younger generations to their practice. Twenty-seven percent of Millennials with taxable investment accounts cited investment games as a driver to start investing.[6] Apps that offer challenges for goal setting, budgeting, and paying off debt may also interest them.

As next-gen prospects become clients, they will expect immediate access to their financial information rather than wait for paper statements. Advisors should look for solutions that provide a client website, so clients can see their finances in real time from any device. And a solution that can aggregate data from multiple sources can be even more attractive.

Advisors should consider a platform that grows with their next-gen prospects' needs. As early accumulators, these clients are currently focused on paying down student loans or saving for a home or their child's education. But their financial plans will need to adapt over time, and a solution that goes from goals-based to cash flow planning can ensure a seamless client experience.

Instead of meeting with clients face to face, try hosting meetings online. Platforms with screen-sharing capabilities allow meetings to happen anywhere there is Internet access. Advisors no longer have to spend hours coordinating schedules: **They can hold family meetings with out-of-state children at a moment's notice—or even meet one on one.**

By reducing time-consuming processes, like collecting and reviewing paper statements or coordinating meeting availability, advisors can focus on what matters most: building strong family relationships and delivering personalized plans.

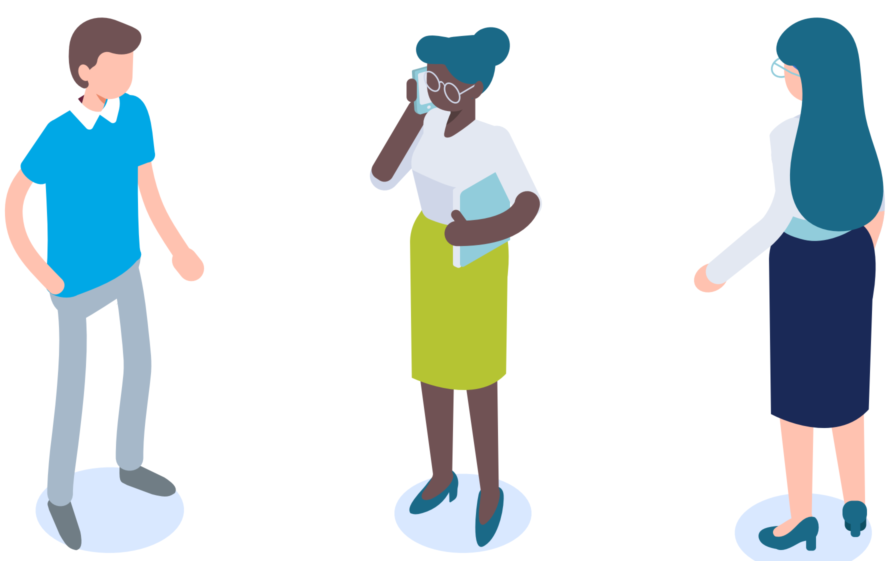
5. Hire for the Next Generation

In their 2018 Investor Insights Survey, Fidelity reported that diversity-focused firms enjoy higher compensation, experience better growth in their client base, have a more satisfied advisor workforce, and see greater success in connecting with next-gen clients. But progress toward diversification has been slow: **Fifty-two percent of advisors say their firm has remained unchanged over the past five years.**[7]

Advisors with different perspectives, life experiences, and backgrounds can help their firms attract and retain new clients. Firms that want to engage clients' children should consider hiring younger advisors. A potential client in their 30s may relate better to a peer, creating an opportunity for young advisors to build lasting relationships that grow with their clients' needs.

And not only can younger advisors attract next-generation clients, but they also contribute to a firm's succession plan. Fifty percent of advisors will retire in the next 14 years as the number of graduates entering the financial services industry is decreasing.[4] Advisors looking to secure their firm's future need a strategy to recruit and retain new employees.

At [Brandywine Oak Private Wealth](), an RIA firm where the majority of advisors are between 30 and 35 years old, advisors actively seek opportunities to engage clients' children. A portion of every client review is dedicated to discussing their family, opening a door for advisors to work with their children, even if it's only a simple review of 401(k) allocations.



“We find it’s important to start a relationship early on,” says Mark Jackson, Founding Partner and Private Wealth Advisor at Brandywine Oak Private Wealth. “Even if they don’t have accounts with us specifically, we’re helping with offering advice and guidance around different goals that they have, whether it’s to fund their child’s education, purchase or build a new home for themselves, or purchase a second home. We’re able to engage the next generation of potential clients, and it’s a value-add to our existing clients in that they know we’re taking care of their children as well.”

Jackson works exclusively with clients’ children, allowing discussions to be confidential and separate from their parents. Jackson, a young advisor himself, thinks his age makes him more relatable to adult children.

“A lot of our clients are near my parents’ age, so naturally their children are around the same age as me,” he says. “I have two kids for whom I’m planning and saving for college in a 529. So when I sit down with clients’ children and tell them about my situation and what I’m doing, it validates that they should be doing this as well. It makes them feel comfortable to know they’re working with someone who can relate to what’s going on in their lives.”

Of the children with whom he’s connected, Jackson estimates he’s developed a working relationship with about 30 percent so far. But even if he’s not managing their money, he sees a long-term value in being an available resource as they grow their career, plan for retirement, and ultimately inherit their parents’ assets.

A Significant Opportunity Within Reach

As the $60 trillion wealth transfer from Baby Boomers to Gen X/Y draws near, it is important for advisors to prioritize family financial planning. The opportunity to engage clients' children is significant: **When surveyed, 42 percent of Gen X/Y participants did not currently employ an advisor, and 49 percent said they are likely or very likely to meet their parents' advisor if asked.**[4]

Advisors should consider starting with an outreach plan to connect with their clients' children—offering a financial literacy program geared toward kids or a topical workshop for young professionals. Once that relationship is established—and the timing is right—advisors can deepen engagement by leveraging technology to connect on the fly or by offering value-added services like life coaching to better understand motivations.

Finally, advisors need to consider their firm's long-term plan. Not only can a multi-generational workforce help younger clients connect with their peers, but it also secures the future of a firm.

SOURCES

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