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Leveraging Technology to Engage the Family in Financial Planning

According to a Cerulli report, Baby Boomers will transfer. $48 trillion in wealth to their children over the next 25 years.[1]

Advisors can view this historic wealth transfer as either a threat or an opportunity. The statistics attest to the current state of disruption: At least 66 percent of next-generation investors parted ways with their parents' advisors after receiving an inheritance.[2] But this shouldn't come as too great a surprise as advisors aren't engaging their clients' children. More than half of advisors only meet with clients individually or with their spouses as a couple.[3]

eMoney research puts some context on these figures: **Eighty-seven percent of surveyed advisors are either actively engaged or would consider engaging with clients' children or grandchildren who are under the age of 18.**[4] While advisors are interested in developing relationships with the next generation, they need a strategy to help them get started.

With the right toolset, advisors can meet with extended family members to share and review client plans. The right tech can promote relationship building, problem solving, and engaging client experiences, while helping to automate the collection of client data.

Are Advisors and Clients Ready to Bridge Generations with Technology?

Technology plays a critical role in engaging the next generation of clients: **Fifty-three percent of Gen X/Y survey participants said they would find a new advisor if theirs weren't using technology to enhance services.**[5]

> ***By reducing the time-intensive work required to develop financial plans, advisors can focus on building relationships.***

Advisors at every stage of their careers can benefit from new planning technology. By automatically updating financial information and aggregating account data, advisors can eliminate a great deal of error-prone manual work, which can improve efficiency, create transparency, and help them engage clients on a regular basis.

Financial planning tech can also give advisors a jumpstart in the relationship building process: With just a few financial inputs, advisors can demonstrate their capabilities by generating default plans for prospects. Financial professionals can create prospective plans based on clients' data that they already possess, representing an easy but impressive conversation starter.

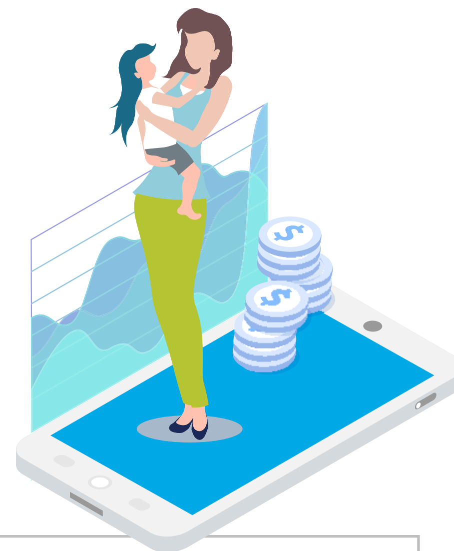
On a more fundamental level, static quarterly statements can be uninspiring for clients, and yet they're the default way that advisors provide updates outside of periodic reviews. On-demand access to vital financial information via an online portal can increase collaboration and engagement for clients and their families.

With aggregated account information, clients can monitor their progress toward their goals. For example, clients can review spending in real time to assess the impact of their decisions on their long-term financial wellbeing.

Clients are ready for an upgraded financial planning experience. Grandparents shop on Amazon, watch Netflix, and check emails on their smartphones. The first generation to use desktop computers at work understands the benefits of technology. And their digital-native children expect it.

Which Engagement Strategies Promote Financial Planning with Families?

Technology can be a savvy way to bring a whole family together: While an advisor may have a great relationship with their primary clients, they may only have minimal contact with the rest of the family. In the event of a life change, this dynamic may create unnecessary challenges. Family members and advisors both benefit when they establish a working relationship.



One way that advisors can add value to their client relationships is to coach parents on practices that establish good financial habits in young children. Once the children are teenagers working part-time jobs, advisors can offer to help them create a budget, save, and invest.

> ***Here, choosing the right medium can make a major difference. Teenagers and young adults are accustomed to gamified experiences. That is, they use smartphone and computer apps that overlay real-world challenges with digital games that can serve as a guide. Think about apps that provide driving directions as the simplest example, but there are also gamified apps for everything from dieting and physical fitness to meditation and general productivity at work and home.***

Fundamental financial planning is well-suited to gamification techniques given the fairly standard set of variables that define most goals. Some apps focus on saving for goals, while others help solve debt-reduction challenges. Because these apps can engage and educate the children of their clients, advisors should analyze, integrate, and formalize the role these tools have in their practices.

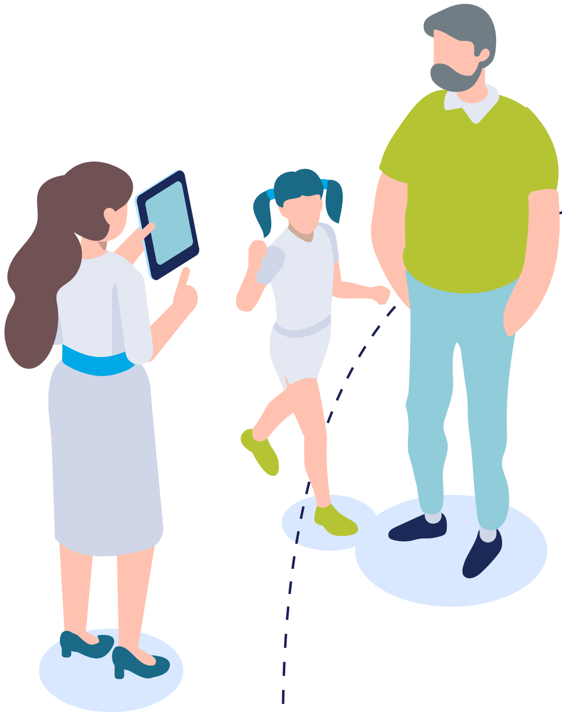
As children enter adulthood, advisors can provide actionable, step-by-step guidance that can improve their financial health. By defining and setting goals, developing plans, and following through, advisors can demonstrate the value they provide. Showing them your value has a much greater impact than trying to tell them about it.

Advisors should consider asking clients if they'd like to include their adult children in meetings. If the children are not local, they can participate via conference call or video conference. These types of meetings would be appropriate venues for higher-level planning reviews rather than deep dives into portfolio-level details.

Technology that supports dynamic display capabilities can clarify the client's planning process for extended family members. Combining teleconferences with screen-sharing of the advisor's planning interface maximizes the likelihood that clients' children will understand their parents' financial plans. And a sharable file repository where the client can save digital copies of wills, deeds, and trusts can be important for estate planning and continuity purposes.

Interactive planning solutions can facilitate meaningful conversations. When family members have different priorities or perspectives, advisors can change variables and create what-if scenarios in real time to demonstrate the impact on a plan. Some clients may be visual learners, so being able to show them graphs and charts can help them understand complex scenarios.

Success depends as much on advisors driving cross-generational engagement as it does on the technology to facilitate conversations between geographically dispersed family members. By providing collaborative planning experiences, advisors can better engage client families.



A client-service approach should reflect a multi-generational focus:

Advisors can afford to look further out as they plan their own practices. The average age of an advisor is 50 years old, not much younger than the average age of their clients.[6]

Clients' children have entered the workforce as members of Generation X or Millennials, or they will soon as members of Generation Z. Millennials are now the largest generation in the U.S. workforce, so any practice with a long-term future will need to address their planning needs.[7]

By creating a team that includes younger advisors, you can take advantage of the natural affinity your clients' younger family members might have for working with a peer. Younger team members will also help you better understand next-generation financial planning questions and technologies to consider investing in for the practice.

To successfully develop a multi-generational organization, you need to institute standard processes that support the growth of your team's capabilities by aligning everyone's efforts. Firms that already have these elements may need to realign or cross-train their younger employees.

Firms should consider a full-spectrum financial planning solution that can grow with employees. Using an integrated platform, younger advisors can work with clients on their goals and smoothly transition to advanced cash flow projections as they gain experience and their clients' needs become more complex.

Client information should also be shared seamlessly across the practice to create an effective multi-generational employee infrastructure. Advisors can harness client relationship management (CRM) systems to boost productivity. For example, segmenting the client base is the third most popular strategy for managing an aging clientele.[8]

CRM software needs to enable segmentation along different axes—by age, generation, geography, and others—and needs to integrate with the practice's system for distributing client and prospect communications. By integrating all of these systems, advisors can reduce error-prone, manual processes.

Crossover opportunity: More formal training opportunities in the community complement advisor efforts to increase financial literacy among their clients. eMoney surveys show 18 percent of advisors actively teach classes in personal finance. And fifty-five percent of advisors would consider doing so.

As **only 21 percent of Millennials have used an advisor[9],** teaching opportunities are a great way to build your brand and generate leads. Multi-generational engagement can actually work in reverse depending on the education channel—adult children may be willing to refer their parents to advisors who have provided advice.

Fidelity's latest report on industry trends notes that 20 percent of surveyed advisors are planning to build stronger relationships with centers of influence—attorneys and accountants—to gain new client referrals.[8] There may also be opportunities to partner with social media influencers to help promote financial literacy.

Addressing Sensitive Topics That Need to Be Considered as Clients Age

Clients with plans to manage long-term care or cognitive and physical decline may have already started talking with their children about their plans. For clients who have not yet started down this path, advisors should stress the importance of next-generation involvement in these areas.

FINRA's initiative to draft advisors into the fight against financial fraud, by formalizing trusted contacts for seniors, can help advisors start or revisit these conversations.[10]

As clients age, advisors must work with them to determine the following:

- **Who do they trust on financial matters among family, friends, and business partners?**
- **What information are they willing to let advisors share?**
- **Are they comfortable having trusted people make decisions on their behalf? Or do they need control?**

The answers to these questions can help advisors formulate plans to reach the next generation. To help a multi-generational practice, planning technology needs to support permissioned, third-party access to clients' financial information. Furthermore, if powers of attorney or other important legal and insurance documents need to be established, clients, family members, and their attorneys need technology that provides secure, controlled storage to serve as a shared point of access.

Taking this a step further, 27 percent of advisors are planning to use eSignature technology to better address the needs of an aging client base.[8] eSignature capabilities simply make it easier to do business, and clients are familiar with this approach if they work with accountants, real estate agents, and other professional service providers. Combining eSignature technology with secure, permissioned access to stored documents can reduce a common source of confusion and friction in the planning process.

Technology can help clients begin to think about these realities. Advisors can use survey-based actuarial software to help demystify questions on sensitive topics ranging from longevity, to cognitive deterioration, and the need for long-term care. Based on short questionnaires that clients answer, these programs calculate probabilities of potential outcomes and needs.

These projections can be used as more accurate assumptions in financial plans and to help break the ice on uncomfortable subjects. Beyond fine-tuning plans, these programs can support more efficient and compliance-friendly processes.

Case Study: BMO

BMO, an international bank that offers wealth management and investment services, takes an advice-led approach to help clients achieve their financial goals.

Working alongside a relationship manager, BMO wealth planners focus on building lasting relationships with high net worth clients and their families to deliver personalized financial plans. But generating plans often relies on a lot of assumptions, like investment returns and risk, so BMO leverages its technology stack to tailor projections and increase the precision of plans.

The team uses BMO Wealth Connection—a branded client website built on the eMoney platform—to aggregate clients' relevant financial information. Financial planners harness available data to run scenarios and make recommendations that build on, or enhance clients' existing plans. And with client permission, these can be shared with family members to deepen engagement and create new planning opportunities.

The enterprise's planning toolset also includes Genevity's HALO (Health Analysis and Longevity Optimizer). Through a survey that covers family health history, personal habits, and other questions, HALO is used to determine more accurate projections for healthcare, longevity, long-term care needs, and their associated costs. Because this is handled virtually, it helps clients answer personal questions more honestly.

On a person-to-person level, HALO can provide clarity around uncomfortable topics that advisors may not feel equipped to have. No other professional besides a physician will talk to clients about health and longevity. Any process that facilitates frank conversations between advisors and their clients can positively impact the quality of financial plans and overall outcomes. These conversations are valuable for the whole family and strengthen planning relationships across generations.

BMO Wealth Management

Making Planning Work with Families

There's no quick or easy solution to engaging multi-generation family members, but advisors owe it to clients and their families to offer guidance as they confront complex financial challenges.

Sensitive discussions on longevity, cognitive deterioration, and other health challenges can be contextualized with the right software. Admittedly, these conversations will never be as enjoyable as a dialogue with a client's child about managing their financial lives as they enter the workforce. But both of these scenarios are part of financial planning with families.

As advisors assemble their technology toolsets, they should seek to connect with clients, prospects, and their families—and reduce the hurdles that keep families from engaging in the planning process. It's time to let technology improve efficiency by aggregating and automating the collection of financial information, generating financial plans, and providing a versatile interface that can serve as the foundation for multi-generational collaboration. With the right financial planning technology, advisors can create efficiency, improve the quality of financial plans, and find more time to work with clients.

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