Are You Part of the 29 Percent?

Cetera®

A 2017 Cerulli Associates study found that only 29% of all financial advisors offer intergenerational wealth planning.[1] This means fewer than one-third of advisors are reaching out to the next generation of clients and treating families as multigenerational units. By not looking to the future, the vast majority of advisors are missing an invaluable opportunity.

As baby boomers enter their twilight years, an expected $30 trillion in assets will be transferring to gen X and millennial heirs within the next 10 years.[2] In many, if not most, cases, those assets end up scattering after a client's passing. Having no relationship with the financial advisor, beneficiaries take their share of the assets and leave, often without a plan in place to keep the wealth growing. In fact, based on current trends, it's estimated that 70% of those assets will fail by the second generation.[2]

Not only is this a daunting prospect for financial professionals, but it's also concerning for beneficiaries. This next generation of clients is underserved by the financial services industry and risks squandering their inheritances without that much-needed guidance.

If this concerns you, whether on behalf of your book of business or your clients' legacies, it's time to start taking your relationships with the next generation of clients seriously. That means getting to know your clients' children and grandchildren and gaining their confidence now so that when they receive their inheritances, they'll know they can rely on you for advice. If you wait until assets change hands to start reaching out, you're already too late.

In this white paper, we'll cover the four key areas you need to focus on to create a multigenerational practice: infrastructure, technology and communications, service model, and value-added resources. First, let's review a cautionary tale.

A (True) Tale of Missed Opportunity

Marcus is a 42-year-old financial professional who lives in California. His parents are teachers in New Jersey who are 70 and 75 years old. Their financial advisor is located in Florida and affiliated with a multinational financial services firm. They connected with her when they received an inheritance. While they didn't seek out her services, they felt comfortable leaving the assets under her management and have been working with her since.

Marcus has a wife, three children, a house, and around $500,000 to $600,000 in investable assets. When his parents pass, both he and his 55-year-old sister will receive a small inheritance. "The writing is on the wall," said Marcus.

As someone who works in practice management, Marcus knows he's a compelling prospective client for a financial advisor. He also knows his parents' advisor has never reached out to ask if he might need help. She's also never contacted his sister.

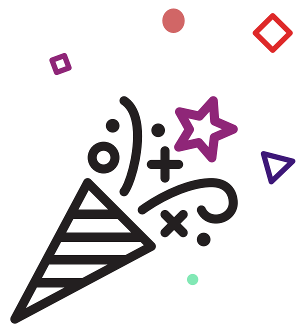
When Marcus married his wife, he received no congratulations. When his children were born, the advisor sent no tidings. When his wife started a business, the advisor offered no well-wishes nor offers to help. "I've passed through different life milestones, and she's never once reached out," said Marcus.

In fact, the advisor's first contact was last holiday season, when she sent an Alexa as a gift. "Know what would have been better?" said Marcus, "If when my kid was born, she had reached out and said, 'Hey, with this new milestone, do you need any help? Do you need to update your will?'"

Marcus knows he would qualify for an advisory relationship and that he's exactly the kind of client this advisor should want, but she's squandered the opportunity. "She hasn't done any harm, but she hasn't done a lot of good, either," he said. When he receives his inheritance from his parents, he will have no qualms about removing the assets from her management and taking his business elsewhere. "There's no chance I'm going to keep that money with her," he said.

Marcus may be somewhat exceptional due to his familiarity with the financial services industry, but the advisor's mistakes are common. If only 29% are engaging in any sort of intergenerational wealth planning, then 71% are making the same mistake she is. They're completely missing opportunities to develop meaningful relationships with clients' children, grandchildren, and other beneficiaries.

If you want to avoid the fate of Marcus's parents' advisor—watching inherited assets walk out the door—then you'll need an intentional strategy for building a multigenerational practice.



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Building a Multigenerational Practice

Your work in intergenerational wealth planning should focus on four key areas:

1. **Infrastructure—**Build up the human capital in your firm to be able to serve multigenerational households.
2. **Technology and communications strategy—** Use tools to reach all generations and geographically dispersed families.
3. **Service model—**Flex your service offerings and engage households as a unit.
4. **Value-added resources—**Find ways to bring extra value to the table to speak to all generations.

Let's explore each of these in depth.

Infrastructure

People want to work with financial professionals who understand their lives—people who look like them and communicate in the same ways they do. If you're like many advisors, your clients hover within 10 years of your own age. It's common for people to grow with their advisors, which can lead to the situation the financial services industry finds itself in now: an aging advisor population is primarily serving an aging client base. As boomers head toward retirement, there's a dearth of younger financial professionals ready to step in and grow with the next generations. In fact, 40% of financial advisors are set to retire in the next 10 years, and there are more advisors over 70 than there are under 30.[3]

In some ways, this is a pipeline problem. It's easy to suggest bringing younger people onto your team, but how can you be expected to hire talent that doesn't exist? Gone are the days of wirehouse training programs dumping batches of eager young hopefuls into the talent pool. In today's environment, you'll need to get creative in how you build your bench strength.

One option is to start an internship program. Work with a local college or high school to build connections with students who could help in your office during the summer or on a part-time basis. If you're able to design a program that offers course credit, you'll create an ideal incentive for students to learn more about your industry, and a great way to identify people with the potential to take on more responsibility over time. Help them along by carving out a career path within your practice. For example, someone could start in client services, move to paraplanner, then become a junior advisor, and eventually graduate to lead advisor.

You'll also be creating an opportunity to find and groom a successor, as well as building a diverse candidate pool. By working with schools to find new talent, you may be able to expand your demographic reach beyond what your own personal network can currently provide. While networks are powerful tools for connecting and advancing people, they can perpetuate homogeneity. People tend to gravitate toward—and thus build connections with—people who resemble themselves. As you look to build a new bench of incoming talent, make sure you're including people of diverse gender, race, and socioeconomic backgrounds.

Because your team communicates who you are to the outside world, bringing in younger and more diverse team members can help show a broader range of people that you're able to understand and connect with their needs. As you're looking to build relationships across generations, it will help to have people on staff who are prepared to be stewards of younger clients' wealth for the next 30 to 50 years.

Technology and communications strategy

Multigenerational families are often complex, so you'll need the right tools to keep track of relationships and build connections.

CRM

At a minimum, your customer relationship management system (CRM) should be able to create subaccounts and map relationships among clients and prospects.

In the example of Marcus, if his parents' advisor had effectively used a robust CRM, she would have been able to log important dates, like his, his wife's, and his children's birthdays. The CRM would have notified her when the time was appropriate to reach out, and a truly well-designed system would have been able to send a message on her behalf.

You can also view families as a unit, which is invaluable when it comes to managing multigenerational relationships. If you have a prospect whose wealth is below your normal threshold, that person might get overlooked in certain communications and outreach efforts—but what if they were connected to a high-net-worth client and set to inherit significant wealth? Wouldn't you want to make sure they were included in communications relevant to clients of that caliber? A robust CRM allows you to easily track those connections.

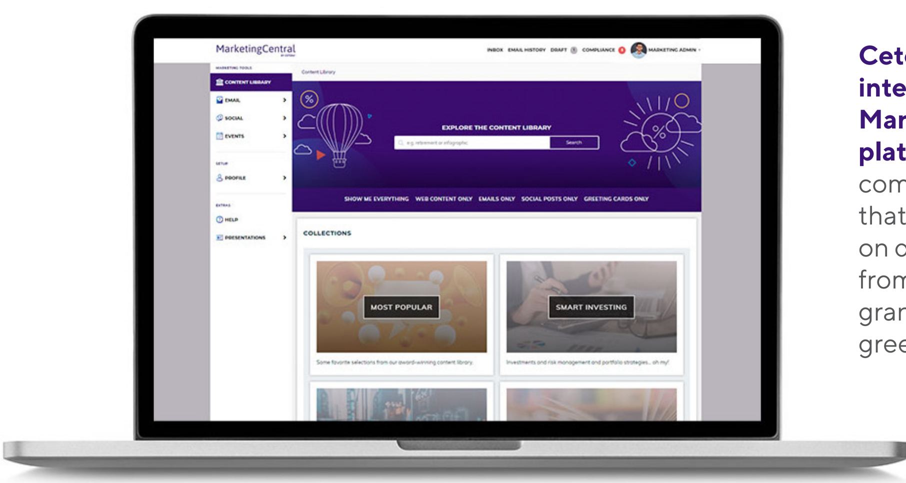
Virtual meetings

You'll also need communications tools to reach geographically dispersed families. People move around a lot more than they once did, and families no longer stay concentrated in single geographic areas. Fortunately, physical proximity is no longer a requirement for relationship building. With video platforms that facilitate virtual meetings, it's easy to build and maintain long-distance connections. These tools are increasingly a must-have for modern practices—especially if you're hoping to manage multigenerational relationships. Many millennials and gen Xers would rather jump on a quick video call from home than come into an office, even if they live only a few miles away.

Texting

Younger generations like to text. You'll likely have greater success reaching younger generations with quick texts than with almost any other communications medium. These can be periodic one-off text messages or ongoing campaigns. Whereas you might send newsletters with financial tips to older clients, the same effect can be generated for younger people via text. A short text message with a link to more information might be more welcome than an email chock-full of advice and tidbits. Plus, with the right tools, you can track when people click links from texts.

Just make sure you're texting compliantly. Your broker-dealer should offer tools to help you follow relevant regulations.



Cetera's approved CRM solution Redtail interfaces with proprietary tools like MarketingCentral, an automated marketing platform. It generates a variety of memorable communications—including greeting cards—that can be personalized and automatically sent on designated dates. If you collect information from your clients about their children's and grandchildren's birthdays, you can easily set up greetings to arrive at the appropriate time.

Social media
Another effective way to reach younger people is through social media. In our recent white paper, *You've Got a Website—Now What?*, we cover social media strategies at length. It's a great resource for creating an online presence that speaks to millennials.

Here's an excerpt covering a few popular channels that may be a good fit for you or your practice:

- **LinkedIn—**This professional networking site offers a host of features that can help you find prospects and attract people to you. You can join professional groups, publish articles, and directly reach out to people with shared interests. It's an ideal platform for financial professionals who prefer to keep a consistently professional voice throughout their communications as it requires little adaptation to fit community norms.
- **Zoom/live video broadcast—**Live video allows you to take the age-old marketing technique of educational events to a digital audience. Rather than renting a room and convincing people to show up in a physical location, you can host video events to educate prospective clients.
- **Videos—**Millennials spend a lot of time on YouTube, and they're accustomed to consuming short videos to learn about topics. Short, educational videos can be a great way to get your content shared and name spread around.
- **Podcasts—**If the camera isn't your thing but you'd like to produce and share educational content, a podcast may be a great fit. Requiring only audio, tolerant of low production values, and yet increasingly popular and highly sharable, podcasts offer an accessible forum to explore topics in depth.
- **Twitter—**If you have time, the ability to write succinctly, and a personality that fits the medium, Twitter can be a great way to get broad exposure to a millennial audience. You just have to learn the rules of the community you're trying to reach, which can be distinct and different than other social channels.

Many of your social media communications can be automated and incorporated into your regularly scheduled client touch points. Check out *You've Got a Website—Now What?* to review these strategies in greater depth.

Service model

Millennials and gen X are notoriously lacking in the wealth department. Their financial realities have been vastly different than those of their parents and grandparents. They've been impacted by recession and wage stagnation, and many formerly reliable career paths have become unavailable to them. Their wealth isn't growing in the same patterns and at the same pace as previous generations'. Still, they have income, and they need advice. Unfortunately, most of the financial service industry is based on commissions or ongoing, asset-based pricing that disqualifies them from entry.

Since it's clear financial professionals can't afford to wait for younger generations' wealth to catch up to their service models, it's time to revisit those offerings. If you want to bring younger generations into your service, start looking for ways you can bend to meet their actual needs. While someone juggling multiple jobs in the gig economy might not have a use for portfolio management at this stage of their life, they may benefit from financial consulting on an hourly basis.

Consider a service menu that creates flexibility and gives younger people an easier onramp to a relationship with you than a high-minimum asset-based arrangement. For instance, you could offer a budgeting session, guidance on retirement planning on a gig income, college savings advice for young parents, plans for getting out of credit card debt, and so forth.

You could also look into non-asset-based subscription services. Whereas your core clients might rely on you for comprehensive wealth planning and portfolio management, a client with less—but some—disposable income might be willing to pay a smaller fixed fee for a pared-down offering. For a certain amount per month, you could work together on a specific goal, focusing your services so the relationship is less labor-intensive than your comprehensive planning would be.

As an example, Cetera's new Fee for Service program uses AdvicePay technology to allow you to accept payment without taking a commission or asset-based fee. This helps you name your own price for financial services and lower the cost of entry to reach new clients.

Value-add resources

In addition to a flexible service model, think of ways you might be able to help or add value to your clients' children. If, for instance, you know they're struggling with student loans, you could offer to speak with them to come up with ideas for better managing that debt. As they approach college graduation, you could offer to help them budget and plan for their first apartment. During their early career, you could help them set up an investment app and offer tips for getting started with stocks. These small gestures can build trust over time. The more you become an established entity in your clients' beneficiaries' lives, the more likely it is your advice will be sought and trusted when assets change hands.

One idea for coming up with ways to add value is designating a younger person in your office as the head of intergenerational wealth management. It can be this person's job to monitor financial trends among millennials and gen Xers and find opportunities within your book to address them.

Mulligan

Let's revisit Marcus's parents' advisor. If she had the opportunity for a do-over, with an eye toward building a multigenerational practice, how could she have done things differently?

First, she might have a young associate who had reached out to Marcus and his sister shortly after the advisor's relationship with their parents had begun. This person might have offered to be a resource for any financial questions that come up.

Throughout the years, the advisor would have asked Marcus's parents about him and personally reached out with congratulations and tidings for major life milestones. The younger associate might then have followed up with more offers for assistance. When Marcus's first child had entered kindergarten, the associate would have offered assistance setting up a 529 plan. When his wife started her new business, the associate would have extended a recommendation for a CPA who could help her with tax strategies.

Periodically, the associate would have offered services relevant to Marcus's life situation. Maybe by the time he was in his mid-30s, the associate would have suggested debt management services, ongoing consulting for a fee, and 401(k) consolidation, noting several job changes.

Marcus might have taken advantage of one or two of these offers. By the time he reached his current age of 42, the advisor and her associate would have had a strong enough relationship with Marcus to know he was now an ideal candidate for comprehensive wealth planning. At this stage, her associate, who would have progressed to lead advisor throughout the years, would be actively pursuing Marcus as a client. Together, they could be embarking on a wealth management journey that had grown from one small greeting to the promise of wealth stewardship for the next 30 years and beyond.

Bonus Benefits

Even if you're planning to retire and sell your practice when you exit the business, you'll still benefit from establishing relationships with the next generation. According to valuation firm FP Transitions, financial advisory practices are valued higher when they have relationships with younger clients and prospects.[4] It demonstrates a level of security—a greater likelihood that assets will remain with the firm after the first generation of wealth passes.

Back Yourself with Teams and Resources

Cetera offers numerous ways to make it easier for you become a multigenerational practice. Our Fee for Service program simplifies billing younger clients with fewer assets on an ad-hoc or subscription basis, and MarketingCentral is designed to help you create or bolster your online and social media presence, even automating personalized client communications, such as holiday and birthday cards.

You're also supported by teams with focused skill sets that can help you implement strategies discussed in this paper. Our Business Consulting Group can assist with:

- Staffing strategies for finding and retaining younger talent
- Systems review and setup, including technology that tracks complex and geographically dispersed relationships
- Understanding your current practice valuation and ways you can improve it

In addition, the highly specialized Advanced Planning Group puts a team of experienced financial professionals that includes attorneys, CFPs, and MBAs at your disposal. Through one-on-one consulting, they can help you with a variety of client issues, including wealth transfer planning—specialization that can make it easier for you to bridge relationships between generations of wealthier clients.

Contact the Cetera Business Development team at **800.336.8842** to discuss your intergenerational wealth planning efforts and how we can help you be part of the 29%.

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