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RIAs Suggest Talk Therapy to Manage Family Wealth

Open dialogue with intergenerational perspectives from both clients and advisers can explore expectations on wealth management.

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As the calendar edges toward summer — in some locales with the weather three paces behind — awkward family discussions are largely on hiatus until the year-end holiday season kicks into gear in November. In the meantime, large families should jump on a recent trend and embark on a decidedly healthy topic for intergenerational discussion: how to manage and maintain the family's finances. Bit by bit, wealth management is increasingly changing from a one-on-one conversation between a client and an adviser into a team-to-family discussion involving advisers with a range of ages and skill backgrounds speaking to multiple generations of clients.

The stereotype of the helicopter parent persists in issues of family wealth, surveys show. UBS, for example, reported in its first-quarter 2014 *Investor Watch* that baby boomers are more deeply involved in their offspring's finances than were prior generations of parents. "What we see is parents of young adults who are really concerned about their kids, in particular their financial situation," says Jeff Scott, head of market research for UBS Wealth Management Americas in New York. "There's this belief that young adults need more help to succeed today than [their parents] did at that age, and there's concern that their kids will be less successful than they have been."

Also playing into the trend of baby boomers hovering over the finances of their Millennial children is the 2008–'09 financial crisis, during which many Millennials had the misfortune of graduating from college and many parents found themselves providing financial support — far beyond the occasional plane ticket home — to their 20-something children. According to Scott, findings in UBS's third-quarter 2013 edition of *Investor Watch* show that 2 out of 3 of the 4,450 U.S. investors that UBS polled June 23–July 1, 2013, are providing financial support to adult children; 1 in 5 has adult children living at home; and 4 out of 5 are providing support for another generation, which also includes baby boomers' own parents.

Signs of this began to appear a decade ago in studies of client needs, says Stacy Allred, director of Merrill Lynch Private Banking & Investment Group in Seattle. At that time, well into the denouement of the dot-com bust but before the 2008-'09 financial crisis, clients had identified educating children about money as one of the most important tasks for family wealth advisers, she says.

Since then, the trend of multiple generations coming together for family wealth management discussions has gained steam, with financial education a key component of the client-adviser experience. "This used to be much more of a niche field," says Allred. "Today we're seeing more and more that clients are demanding this." Nowadays, brokers are winning or losing business based on whether or not they take a more holistic approach. Adding to the challenge for advisers as part of this industry shift is that many working with high-net-worth clients find that 20- and 30-somethings have less of a grasp of basic finance and investing concepts — specifically because they have grown up in wealthy families. As Allred puts it, "It's hard for an acorn to grow in the shadow of an oak."

Which isn't to say that both older and younger family members could not benefit from financial planning and training. Allred helps advisers learn to put on facilitated investment retreats, where family members meet for a couple of highly structured days complete with questionnaires, a preset agenda and a written summary at the end. "It's very much putting a process around these topics," she says.

Conversations about wealth may also need some guidance when a spouse is from a nonwealthy family. Melissa Transier, a private wealth adviser with Merrill Lynch Private Banking & Investment Group in Dallas, says discussions with these spouses reveal that they have to be encouraged to participate in the investment process. "They're not entirely comfortable asking because it's not 'their' money," says Transier. Issues of comfort are a recurring theme during family wealth consultations. For instance, Transier says she sometimes gets resistance when encouraging family members to discuss personal values, rather than focusing on such objective topics as average returns and asset allocations. "Some family members are a little skeptical that this may be a little too touchy-feely," she says.

Along with the obstacles, this freer intergenerational discussion about family wealth has the potential to iron out misunderstandings before they become bigger problems later on. Waldemar Kohl, vice president of practice management for Fidelity Institutional Wealth Services in Merrimack, New Hampshire, cites the example of a client who planned to leave a small business to a family as an ongoing legacy. It turned out that the child who was expected to run the business wanted nothing to do with it. "They needed to have that knowledge earlier in the process," says Kohl. "It would have drastically altered the financial plan. When these discussions don't happen, the results can cause significant strain on the client and adviser." That strain carries the real threat of resulting in a break as clients. When parents die, according to Kohl, children change the family's wealth advisers 86 percent of the time.

Philanthropy has also been found to engage multiple generations. Closed-mouthed family members may open up when assets are placed in trust to support charitable causes, Transier says. "Once you give money away to a foundation, it's no longer yours. So you're able to talk about it," she says.

Transier also points out an example of family financial discourse that would have been unthinkable a few generations ago: family members videotaping themselves speaking on their experiences in accumulating wealth. Recordings like this can foster the family wealth discussion, specifically regarding goals and values among generations to come, including those who haven't yet been born. "These will be passed down through the generations," she says.

The overall theme of this approach to advising is to go far beyond conventional financial matters, as it can greatly strengthen adviser-client ties. It's not easy or quick, however, says Transier. "Working with multiple generations is not a sprint but a marathon."

It's seems likely that this is a course more advisers are going to run in the future as existing clients age and intergenerational wealth transfer becomes more important. "The question is, Do you want to be ahead of the curve or behind the curve?" muses Allred. In either instance, wealth has become entwined with familial banter.

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