



Closing the Generation Gap

Connecting with the next generation can benefit clients and advisers

BY NANCY OPIELA

Wealth advisers interested in reaching across the generation gap need to create a “beginners’ bridge,” says Barbara Culver, founder of Resonate, Inc., a Cincinnati, Ohio-based consulting firm that helps advisers build deeper, intergenerational relationships. “You might begin by noting, ‘We have been focusing on the financial aspect of your wealth, but there are other aspects as well—your relationships, talents, faith, health—and we’d be doing your family a disservice if we continue to focus only on finances.’”

With the door open for broader thinking, Culver says advisers can share with their clients three secrets that families have used for more than 100 years to preserve and grow their wealth and keep their families connected: purposeful communication, sustained philanthropy, and active preparation of heirs.

Communication

At Culver’s firm, purposeful communication generally begins with a client retreat to develop a mission statement that addresses each family’s values and goals. After the retreat, the entire family meets to discuss how they should move forward with legacy planning. “Creating these connections between generations is easy and natural, and it’s gratifying to watch families flourish instead of fracture as we plan for the gradual transition of power,” she notes.

Of course, you need not splurge on a retreat to generate a family mission statement. Susan Turnbull, a principal at Personal Legacy Advisors in Charleston, West Virginia, has authored a guidebook, *The Wealth of Your Life*, that provides a five-step path to creating an

ethical will—a document whereby parents can express their values, life lessons, and the kind of impact they’d like to have on society.

Turnbull offers webinars and seminars in a workshop format to help individuals write their ethical wills. “When advisers address legacy planning with an extended family, it’s often helpful to open up the discussion with something the client has written,” she says. “Not only are clients grateful to the adviser for introducing them to the ethical will, but the children appreciate having such a meaningful document from their parents.”

Purposeful communication is an especially helpful generation-connecting tool to use with clients who are small business owners, says Karl Bareither, founder of the Family & Business Renewal (FBR) System, Inc., an Avila Beach, California-based firm that helps family businesses with wealth transfer planning. “Most business owners make wealth transfer decisions based on tax, legal, and financial considerations rather than on family concerns,” he says. “Therefore, succession planning often proves inadequate, leading to the dissolution of the business, family wealth, and family harmony.”

In Bareither’s experience, business owners have difficulty surrendering managerial control and need help cultivating the more open attitude necessary to transfer the wealth they created. Accordingly, the FBR System used by Bareither’s firm draws all stakeholders into open communication via a two- to three-day retreat where family members share everything from what they admire about their family to what they would like to change about the family business.

Advisers need to listen for opportunities that create openings to reach out

KEY POINTS

- Advisers can use several approaches—such as family retreats, guidebooks, and seminars—to encourage purposeful communication among families.
- Discussing sustained philanthropy with families is one tactic advisers can use to develop a bond between all parties involved.
- Intergenerational work not only strengthens current client relationships but can help establish future dealings with younger members of the family.

to the next generation, says James Grubman, a nationally recognized psychologist and founder of FamilyWealth Consulting in Turners Falls, Massachusetts. Grubman explains, “A client in his 60s or 70s might say, ‘I’ve worked hard and had a good life, but I look at my kids who have everything and worry that they really don’t know the value of a dollar.’ The adviser can respond, ‘I know what you mean. How much have you talked to them about what it was like to build your business or what you’d like to see in the future? I have some materials that can help you get the conversation going so your family understands how you created your wealth and what the journey was like.’”

Philanthropy

In many cases, the mission statements that result from these retreats address joint philanthropy, Culver’s second secret of family success. While committing to a cause bigger than individual family members’ agendas strengthens the family, working on sustained philanthropy can result in deeper, more personal relationships between you and your clients, as well as their children, establishing you as a lifelong family adviser.

Family meetings or weekend-long retreats moderated by a wealth coach are a great way for parents to share their philanthropic interests with their children, according to Johnne Syverson of the West Des Moines, Iowa-based wealth management firm Syverson Strege & Company. “You may have the

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best intentions to talk about philanthropy over a holiday dinner, but the conversation never surfaces,” he says. “Advisers can help their clients to initiate philanthropic discussions in a formal way.”

To engage children in their parents’ charitable interests, Syverson advocates allowing young children to direct \$100–\$500 of the family’s donor-advised fund or forming a junior board comprising young adult family members to serve as an ad hoc charitable committee with responsibility for a larger pool of money.

Syverson says discussing philanthropy unites families because it’s a nonconfrontational, feel-good topic. “Philanthropy provides a basis for improved communication within the family because the charitable work leads to discussions that never would have been precipitated without the discussion of philanthropy,” he explains.

Preparation

A bonus of family philanthropy is that it teaches the next generation the skills and competencies necessary to be a good steward of inherited wealth. What Culver describes as the active preparation of heirs both strengthens the family and makes the children better long-term clients of the adviser’s firm. Your efforts to educate the next generation are likely to be especially appreciated by clients. *The New Retirement Mindscape* (2006), a comprehensive study of retirement attitudes published by Ameriprise Financial in conjunction with Age Wave, Ken Dychtwald, and Harris Interactive, found that for 61 percent of respondents with financially dependent children, the top financial priority was not high investment returns but helping their children become more financially savvy.

John Comer, founder of Comer Consulting, LLC, a Plymouth, Minnesota-based firm that helps financial advisers market to affluent clients, says the current recession creates a unique opportunity for advisers to offer to help clients’ children. “Formerly confident do-it-yourselfers may now be facing a layoff or worried about a dwindling 401(k) account,” he notes. “When

advisers seek to work with younger families, it helps to have a younger adviser on staff with whom the next generation can easily relate.”

Peg Eddy, president of Creative Capital Management in San Diego, has developed her own Financial Literacy Primer geared toward getting high school students to think about money in terms of choices and consequences so they can understand the difference between saving and investing. The firm also provides clients’ young adult children a First Step Financial Plan, which offers practical, tactical planning advice. Topics include managing debt, first-time home buying, planning for the costs of raising a family, making investment decisions for an employer-sponsored retirement plan, and looking down the road to financial independence.

If you balk at the time required to develop a program in-house, plenty of outside resources exist. For example, Grubman is working with State Street Global Advisors (SSgA) to develop a three-tier business model for advisers interested in establishing intergenerational relationships by providing financial education. “At the first level,” he explains, “advisers simply offer to serve as a resource for the client’s children. That’s relatively low touch and might involve providing some handouts or pointing to some resources—an ‘I’m here if you need me.’ Later, the adviser might meet with the client’s child to answer a more specific question, say, on refinancing a home. While steps one and two are offered free of charge, in step three, after already adding value, the adviser suggests a more formal relationship where he or she would charge an hourly rate or request a retainer.”

Putting It Together

Whether you choose to cultivate intergenerational expertise or put clients in touch with outside wealth counselors, it’s helpful to establish yourself as a resource rather than an authority, says Cindy Calderon, a principal at Intrinzia Family Office in Minneapolis.

“Let the client lead; empower them,” she advises. “It’s more gratifying for your clients to have you working

alongside them rather than leading.”

Calderon also stresses that children need to believe that the advisory relationship is confidential. “That’s often a tough road,” she explains, “especially with young adults, so I suggest advisers first speak with parents and grandparents to set the expectations and guidelines. At the same time, the young adults don’t want to be treated like children. Therefore, advisers might show them ways they can gain the confidence and trust of their parents. Although advisers might want to make the child dependent on them, the way to cultivate a long-term relationship is to help young adults along the road to financial independence. Give them tools to make their own decisions, and they will choose to come back with questions rather than feeling like the adviser has all the answers.”

Notably, if you provide enough financial education for the next generation, your clients may decide to initiate the wealth transfer before their death. Such a scenario has obvious benefits for the family as well as your practice.

“Statistics show that financial legacies are lost more often than not when wealth is passed on from generation to generation,” says Culver. “Advisers who serve this population have a duty to see that their clients’ families do not suffer this fate. Building intergenerational connections with families can ensure a successful transfer of values and financial resources—and that the advisory relationship endures, even after the original client passes on.”

Culver concludes, “From our profession’s perspective, what is our legacy if we just stay focused on the financial side without thinking about the children and grandchildren? We can do better. Our intergenerational work will benefit the families we work with and our practices—and advance the industry.”

Nancy Opiela also writes for the Journal of Financial Planning and Focus, Fidelity’s magazine.

RECOMMENDED RESOURCES

“Today’s Wealth-Owning Families”
Conference Proceedings Quarterly (Dec 2007)
(www.cfapubs.org)