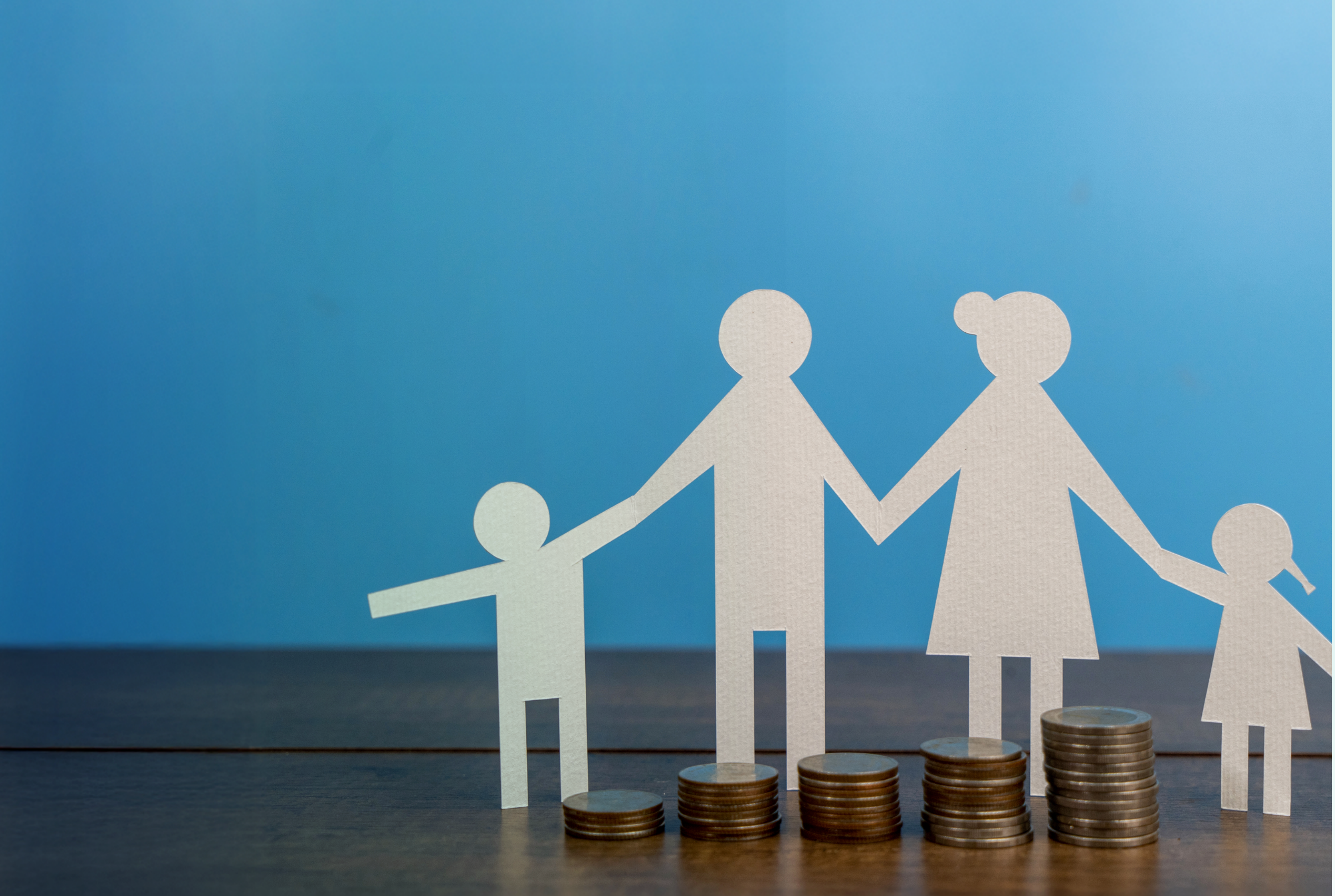

THOUGHT LEADERSHIP

The Great Wealth Transfer is Underway. Are You Onboard?

Three critical strategies to help advisors turn heirs into clients.

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The sons and daughters of your baby-boomer clients stand to inherit trillions. Will you be able to retain your share of those assets? This paper provides an update on the intergenerational wealth transfer and explores critical strategies for building relationships with the next generation.

Baby boomers—they witnessed the birth of rock and roll and broadcast television. They watched the first space shots and moon landings. They were there at the dawn of the civil rights and women's movements. They were hippies who turned into yuppies. They became, by most accounts, the wealthiest generation in US history. And now, over the next two decades, this giant demographic bulge known as the "baby boom" is poised to leave a stunning legacy: an estimated $84 trillion, most of which will go to its children and grandchildren.[1]

In fact, the "great wealth transfer" is well underway. Among living Americans born between 1946 and 1964, the oldest are now in their eighties, and the youngest are facing or already in retirement. In 2024, Americans turned 65 at a rate of 11,000 per day, the largest number ever to reach that milestone in a single year, which has now been nicknamed "Peak 65."[2]

It's no exaggeration to say that the wealth management industry as we know it today owes its growth over the past three decades to the baby boom generation. And while people live longer and still need help managing their assets, they will not live forever. That poses an urgent question for financial advisors: will you be able to manage those assets for your clients' heirs once their parents are gone?

According to a Cerulli report, the number one cause of client attrition for high net-worth financial advisory practices is death—after which the beneficiaries have the option of taking their newly inherited assets elsewhere.[3] If advisors don't have strong existing relationships with their clients' heirs, the chances of retaining assets are low. Studies show that over 70% of heirs don't stay with their parents' financial advisor after receiving an inheritance.[4]

So, how do advisors increase the odds in their favor? An understanding and appreciation of the significant differences between the generations is a good starting point.

What about the surviving spouse?

Before an intergenerational transfer takes place, advisors must make plans to accommodate the first heir: the surviving spouse. Estate plans typically call for assets held jointly in a marriage to go to the surviving spouse when the other dies—and in the majority of cases, that is likely to be the wife. Women tend to live on average nearly six years longer than men, studies find, and the life expectancy gap is widening.[5] Most widows will have to make financial decisions alone, and that poses a challenge for advisors: according to research from Vanguard, 70% of women change financial advisors after their partners pass away.[7] It is critical for advisors to build strong relationships with both spouses, not just the husband. Make sure both are included in all periodic portfolio reviews or calls. Be sure that you are part of the estate planning conversation so you know each spouse's wishes and desires for the other. Take time to understand each spouse's concerns and any differences they have. Your goal is to build trust and continuity at a time of uncertainty.

The next generation: raised on technology

The rise of interactive technology in virtually every aspect of life coincides with the aging of the baby boomer population. Boomers were into or entering middle age when the internet came into being. In contrast, many adult children of high net-worth clients are digital natives who have experienced the prevalence of technology most of their lives. Not only do they take to it intuitively, but they often prefer it to human interaction for obtaining information or conducting business. Today, these future clients are well accustomed to making airline reservations, transferring money, or buying concert tickets on their smartphones without talking to a live person. Online reviews, recommendations, and "likes" have replaced word-of-mouth. These propensities have significant implications for how a client's heirs gather and process information and make decisions around inherited wealth.

Indeed, today's tech-savvy generation of wealth builders and heirs to the baby boom fortune is one of the key drivers behind the rise of algorithm-driven, automated investment platforms. Wealth management evolved along with, and in response to, the baby boomer generation. It has traditionally been tightly tailored to that generation's needs, and will need to evolve yet again to serve GenXers, Millennials, and eventually GenZ. The emergence of robo-advisors in the mid 2010's was a new approach to serving investors, however the concept seemingly missed the mark. Technology needs to support people and service offerings, not stand alone as the sole end solution.

Technology's strategic use can be crucial in helping advisors connect with heirs. It's not too late to ensure your technology capabilities measure up to the standard to which emerging investors have become accustomed.

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Investing that reflects their values

The heirs to the baby boom fortune also have different ideas about money and investing. A Bank of America Private Bank study found that people under 43 are more open to diversification beyond traditional stocks and bonds.[6] They want to know about opportunities in private equity, private credit, direct investments, and other unlisted asset classes. Moreover, because of their affinity for technology, they have access to a broader variety of information on the financial markets, which helps to bolster their confidence in making investment decisions.

The next generation is also fueling the growth of environmental, social, and governance (ESG) criteria in investing. In fact, in that same Bank of America study, 72% of respondents aged 21 to 42 owned sustainable investments in their portfolios, compared to only 26% of respondents as a whole. To younger wealth accumulators, evaluating investments using ESG factors is not just about making an impact and rewarding good behavior but also a way to identify sound opportunities with the potential to deliver competitive returns and mitigate risks. As we stand on the precipice of this wealth transfer, advisors should keep an eye on what their next generation of clients will look for when choosing someone to manage their money.

Understanding Gen Y and Z perspectives and values will help advisors have meaningful conversations about their aspirations and what they want to do with their inherited wealth.

Three Key Strategies For Turning Heirs Into Clients

If financial advisors connect with beneficiaries early, provide relevant advice, and position themselves appropriately, they can significantly increase the likelihood of managing assets for families across multiple generations. Most of the work required can be grouped into three strategic buckets:

1 Get to know them now

While their parents are still active, advisors should be proactive in establishing relationships with their clients' heirs and making them feel important, appreciated, and understood. Here are some ways advisors can start cultivating the next generation early:

- Start with the parents. Be sure you are in tune with their wealth transfer desires and helping to shape their plans. Show that you care about their children by asking about them, seeking updates in review meetings, updating beneficiary information on insurance policies and retirement plans, and identifying opportunities for benefit reviews, 401k opportunities, and other initial savings and investing opportunities.
- Offer to provide estate planning services and integrate the client's children in the process. Document the client's wishes to ensure they are honored and to lay the foundation for a relationship with heirs.
- Offer to facilitate family meetings to help focus the family on how inter-generational wealth will be transferred and managed.
- Keep track of heirs' birthdays, anniversaries, graduation dates, contact information, and general interests in the firm's customer relationship management (CRM) database. Check and update these records regularly.
- If the heirs already have some savings or investible assets, suggest ways to engage them as clients now. Consider waiving any account minimums and setting up a separate fee structure for direct descendants of clients.
- Meet with heirs to discuss their financial and personal goals and the importance of financial planning.
- Assign firm associates who are closer in age to your clients' sons or daughters to own and manage the primary relationship with them. Encourage and support peer connection. Enable heirs to establish their relationship with the firm independently of their parents. Make it a priority to start recruiting next-generation advisor talent now.
- Host events for younger family members, such as networking cocktail hours, tickets to sporting events, golf trips, and other opportunities for the children of clients to meet one another.

Be sure to have meaningful conversations with the people set to inherit your clients' wealth. Sincerity is also essential. People can easily sense disingenuous behavior and makeshift conversation. Advisors should take a genuine interest in the lives of their clients' offspring.

Once you establish a relationship with younger clients, work to maintain it:

- Set proactive reminders in the CRM system to maintain a communication cadence for each individual and keep notes on preferred communication methods such as text, email, or phone calls.
- Gain a deep understanding of the inter-family relationship dynamic. Does everyone get along? Do any of them not get along? Go above and beyond financial advice to help family members navigate sensitive topics.
- Learn what is important to your clients' heirs as individuals, both financially and personally. Are they primarily interested in making a lot of money or more interested in doing something they love, regardless of pay? Would an heir rather live on the inherited assets and donate time or money to charities or use the assets to grow the estate? Would one person feel inclined to take care of other family members?

Most children do not follow in their parents' exact footsteps. Often, they choose different professions, industries, and definitions of success. The key is working with them to achieve their goals, which may be completely different from their parents' goals. One of the financial advisor's primary responsibilities when managing wealth transfer is also helping to transfer the knowledge and principles required to create, retain, and grow wealth. Advisors who truly listen to their future clients when rendering advice will be in a better position to have a multi-generation relationship with their clients.

> Firms must demonstrate that they can provide seamless, on-demand digital client experiences that are on par with online services that people interact with every day.

2 Make yourself invaluable

Once advisors create relationships with heirs and establish plans to have ongoing, meaningful communications, they must continually work to position themselves as invaluable to the client. Setting up contact reminders in the firm's CRM system and getting to know family dynamics are easy initial steps. The next step requires real creativity—understanding what clients value most. Is it on-demand availability? Is it pure investment performance? Is it frank and friendly coaching? Whatever it is, the advisor must pinpoint it and do everything to enhance and solidify it in the client's life.

If you specialize in a particular area, such as tax effectiveness or sustainable investments, make sure clients understand the value that specialty offers them. In many cases, that specialty was the reason the parents initially established the relationship. Heirs must understand how and why it is relevant in their lives.

What can you do for them now to make your firm integral to their financial lives and personal growth? Determine what decisions are most critical to heirs at this stage in their lives. Do they need help to pay off student loans? Do they need help saving for a down payment on a home? Are they maximizing their employers' retirement and benefit plans? Providing pro bono advice on issues like these could pay dividends in the future.

A few ways advisors can distinguish themselves include:

- Providing education and advice on financial literacy and skills such as budgeting, saving, credit, and more. Explain how you can help and offer to create personalized financial plans.
- Offering a portfolio mix that isn't readily available elsewhere, such as exposure to specific asset classes, alternative investments, or fund managers.
- Assembling a team of experts who can add value in different facets of the client's financial life, such as tax preparation, legal advice, insurance, and more.
- Serving as the conduit to valuable professional and social networks.

When clients view an advisor as irreplaceable, the likelihood of retaining their assets increases. Always prove to clients why your professional advice is worth whatever fees they pay. They are a potential flight risk if they ever feel like the advice isn't worth the price.

3 Elevate your technology game

Implementing innovative technology is critical to gain the next generation's confidence. Firms must demonstrate that they can provide seamless, on-demand digital client experiences that are on par with online services that people interact with every day. They must also be prepared to cater to each client's preferred interaction channel. With a view to the long term, your technology choices should ideally achieve two interrelated goals: enhancing the client experience (and thereby strengthening the relationship) while enabling you to serve these clients as efficiently as possible.

From the initial planning through ongoing reporting, technology can support virtually every aspect of the client relationship. An integrated, client-centric tech stack should address:

- **A comprehensive relationship view:** Advisors should have instant access to a complete picture of each client relationship, from contact information and meeting notes to trading activity and total portfolio value.
- **Customizable reporting:** Reporting capabilities should be highly customizable, so you can clearly explain your strategies and tell a compelling story demonstrating your value. You should also be able o refer very quickly to the information most interesting to each client.
- **Online and mobile access:** The next generation has become accustomed to instant information on demand. An online client portal and firm-branded mobile app have become essential for advisory businesses that want to stay competitive. Augment your high-touch service by allowing as much self-service capability as your clients want.
- **Financial planning:** Offering to create financial plans for clients' heirs is an excellent first step in establishing an intergenerational relationship. Choose an intuitive tool that allows you or your associates to create dynamic plans with clients in a collaborative manner. A flexible financial planning solution serves as an excellent way for associate advisors to show value and drive the conversation in creating plans for younger family members.
- **Portfolio analytics:** Understanding and balancing risk is critical to successful investing. Assigning a "risk number" to each client and their heirs makes it easier for advisors to discuss risk with each individual. Many clients overestimate their risk tolerance, while others underestimate the amount of risk in current portfolios. By going through a Risk Tolerance Questionnaire (RTQ) with younger clients, advisors demonstrate they are seeking to understand the client. The initial risk conversation becomes an educational opportunity that ultimately strengthens the relationship.
- **Robust CRM:** The CRM system is an essential tool in preparing for an impending transfer of wealth. Create profiles for each client's beneficiaries and keep them up to date so the CRM can serve as a strategic planning tool for advancing the relationship and tracking referral opportunities. Then, when the new generation receives the transferred assets, they are already well established among the existing client base. Besides allowing advisors to keep notes on every client, it should also enable team members to access the same information so the client experience is seamless anytime they interact with anyone at the firm.

- **Account aggregation:** If heirs already have investment accounts with their banks or an automated advisory platform, show them that you can report on and include those held-away assets within their complete wealth picture.
- **Model portfolio and alternative fund platforms:** Some advisors are very hands-on in portfolio management, while others focus on an overall wealth management strategy. If you add the most value by providing guidance, educating clients, and being available and responsive, then it may benefit your business to outsource the investment selection. Leverage platforms that offer access to model portfolios or alternative investments that suit the strategy for each client. Your ability to translate the client's goals into a plan of action is what sets you apart and positions your firm as genuinely irreplaceable.

About SS&C Black Diamond Wealth Solutions

With SS&C Black Diamond® Wealth Solutions as the hub of your advisory business, you are empowered to navigate the challenges associated with intergenerational wealth transfer. From new client onboarding to proposal generation, portfolio management and reporting, relationship tracking, and more, Black Diamond delivers essential capabilities that help strengthen client relationships and retention. Key client-centric features include:

Holistic Client Views: Gain a comprehensive view of each client's financial world and instantly access total portfolio value, contact details, quarterly reports, meeting notes, trade activity, rebalancing models, life events, and more.

Complete CRM Solutions: Streamline your operations by integrating a CRM designed to unify client relationships and portfolio data. The flexibility of multiple options empowers your firm to choose the right fit to suit your size, structure, and goals, giving you full control over your operations.

Customizable Online Portal: Empower your clients with a branded, interactive platform that offers real-time portfolio updates and a complete 360-degree wealth overview, providing secure, anytime access to their financial lives.

Detailed Relationship Timeline: Track every step of your client's financial journey, including meeting notes, key decisions, and progress milestones, with a detailed, always-up-to-date timeline.

By leveraging Black Diamond, your firm can seamlessly integrate these powerful tools and capabilities to elevate your practice, deepen client relationships, and achieve exceptional outcomes at scale.

The inescapable conclusion: You are their best option

The distribution of a family's estate is a highly personal and sensitive matter. An advisor who wants to sustain the family relationship should be involved with the heirs from the beginning, showing the right balance of pragmatic planning and thoughtful consideration. Properly cultivated, heirs should feel that the transition is seamless and natural. Ultimately, they will decide to stay with your firm not because of family loyalty or tradition but because you have demonstrated that you are, in fact, their best option.

For more information

To learn more about how Black Diamond can support your unique wealth management business, visit sscblackdiamond.com, call 1-800-727-0605, or email info@sscblackdiamond.com.

1. Estimates of the "great wealth transfer" vary and change over time. The $84 trillion, from a 2022 report by Cerulli Associates, is currently the most widely quoted estimate. Whether or not it is absolutely accurate, it is useful for conveying the magnitude of this change. "Cerulli Anticipates $84 Trillion in Wealth Transfers Through 2045," Cerulli Associates, January 2022 https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045
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6. "Will the 'Great Wealth Transfer' transform the markets?" Merrill Lynch, 2024 https://www.ml.com/articles/great-wealth-transfer-impact.html
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