The Whole Family Advisor

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Advisors to high-net-worth (HNW) and ultra-high-net-worth (UHNW) families know a tectonic shift is underway that is reshaping the landscape of the family wealth-advising and management business:

An estimated $30 trillion of wealth will be transferred to heirs over the next 30–40 years.[1]

Just as it does in nature, a shift of this magnitude undermines the long-term stability and viability of the foundation of family advisors' practices, which have to be built on relationships of trust. Unfortunately for many advisors, these relationships historically have been limited to one or two family members, usually the wealth holder/creator and his or her spouse.

When that is the case, the next-generation (or commonly referred to as the *rising generation*) adult children who will be the inheritors of the family's wealth and legacy often have no relationship at all with the advisor. As a result, those all-important next-generation family members have no basis to see the wealth advisor as a truly trusted family advisor—in other words, their advisor too.

That narrowly focused approach to advising wealthy families may prove problematic going forward. Consider:

- **70%** of widows leave their husband's financial advisor when their spouse dies.[2]
- At least **66%** of adult children leave their parents' advisor after receiving their inheritance.[3]
- Approximately **70%** of transferred wealth is lost by the second generation and 90% is lost by the third generation.[4]

While all of this may appear to indicate a bleak future for advisors following the passing of their primary wealth-holder clients, the outlook is potentially quite positive. For forward-looking advisors, the numbers, statistics and trends cited above are at the heart of one of the biggest potential business opportunities the wealth-management industry has ever seen.

Advisors not only have the opportunity to help their clients successfully transfer wealth to their children, they also have the opportunity to retain and grow their share of their client-families' wealth across generations.

By embracing the philosophy of *Whole Family Advising*—that is, transitioning from one-to-one advising to one-to-family advising—advisors may become the trusted advisor to all members and generations of a family and build a strong business that will flourish well into the future.

About Legacy Capitals

Legacy Capitals is a leading provider of training, coaching, and consulting services on topics such as wealth and values transfer, preparing the rising generation, family governance, legacy planning, and family philanthropy to financially successful families and family businesses, wealth advisors, family offices, and financial institutions.

Engaging with All Members and Generations of a Family

Whole Family Advising starts with establishing a genuine values-based relationship with both spouses or partners, not just the head of the family. Women today are equally powerful influencers and controllers of wealth as men. **Exhibit 1** ▼

Exhibit 1: Women and Wealth[5]

- The global income of women will grow from $13 trillion to $18 trillion in the next five years—more than the GDP growth of China and India combined during the same period.
- Women will control 75% of discretionary spending around the world by 2028.
- In the wealth-management arena, women are still largely an underserved segment.
- Most women do not have an advisor managing their financial needs.

A 2016 Ernst & Young study suggests that women have a different view of and approach to wealth management than men, and advisors are making a mistake if they assume the same for both.[5]

The importance of a strong personal relationship between advisors and the female heads of their wealthy family clients cannot be overstated. As noted above, 70% of widows leave their husbands' financial advisors. In some instances, it's simply a case of the widow wanting "her own advisor" as opposed to "her husband's advisor," especially if she has no personal relationship with an advisor who dealt only with her husband.

However, advisors are much more likely to retain the widow as a client if a relationship based on trust is already in place and she believes her advisor understands her and her needs, especially as she deals with the difficulties of losing her spouse.[6]

When adopting the whole family advising philosophy, advisors should take the time to develop personal relationships with the spouse of the family wealth creator (if he or she was not the source of the wealth themselves). In some families, both spouses may be wealth creators in their own right. Through these relationships, advisors will come to understand the unique perspectives these women have about wealth and family, and develop strategies and programs that address and appeal to their specific interests, needs and sensibilities.

Advisors who are able to develop these types of meaningful relationships with both spouses can also lay the groundwork for relationships with next-generation heirs. A parent's introduction or recommendation of an advisor to their children will open the door and provide advisors a strong competitive advantage in retaining those children—and their assets—as future clients. One Forbes Top 100 Wealth Advisor summed it up perfectly when she said this to me about working with her clients: "When we help their children, we have a client for life."

Despite research that shows the next-generation inheritors overwhelmingly leave their parents' advisors, the fact is that many may be receptive to the idea of working with them. In fact, in a study conducted by OppenheimerFunds and Campden Wealth, affluent Millennials say the number-one source they rely on to find an advisor is their parents.[7]

Here again, the key is proactively developing meaningful relationships of trust and mutual respect with your client families' heirs prior to the loss of a spouse or other wealth-transfer event. As advisors work with their clients, they should encourage parents to engage their children in conversations about topics such as family wealth planning, business, and philanthropy, to the extent appropriate to the family's situation.

Forward-looking advisors must have a more focused, proactive commitment to serving the whole family. That requires broad engagement across all generations of client families, from sometimes elderly matriarchs and patriarchs down through Generation X and Millennials, and the building of deep values-based relationships over time. The *Whole Family Advising* approach enables advisors to help all generations of their HNW and UHNW client-families live their legacies and find satisfaction and purpose in their lives and in their wealth.

Preparing Your Practice to Thrive Across Generations

Becoming the whole family's trusted advisor across generations is less about the age of the advisor and more about how the advisor thinks and operates. In our decades of experience consulting, training and coaching advisors, we have found that the top performers have what I call, "healthy paranoia." They are always asking themselves and others, "What don't I know?" They don't rest on their success.

The following steps will help a wealth advisor make the transition to a "whole family" trusted advisor.

1. Adopt the Mindset of a Trusted Whole Family Advisor

The one thing advisors have complete control over is their mindset, and the first thing they should do is adopt the mindset of a whole family advisor. Ask yourself the following:

- Do you see yourself as the trusted advisor to the family's patriarch and/or matriarch only?
- Or do you see yourself as the trusted advisor to the whole family?

To be the latter requires a proactive effort to engage with and develop an in-depth understanding of family members across all generations.

Make the decision for you, and your practice that the whole family is the client, not just the patriarch or matriarch.

2. Repurpose Business Development Efforts

The most successful advisors rarely have time for anything beyond serving their clients, leading their firms and looking for ways to grow their businesses. To that end, advisors should make the time to ask themselves:

- How much time do they spend in a given week working on business development (not just thinking about it but actually working on it)?

In our experience, advisors typically say 20% or less. Whatever the response is, we recommend advisors take a portion of that time and focus on the next generations of their client families.

Advisors should not be intimidated by the age or the generation gap between themselves their clients' next-generation heirs. Research shows that HNW and UHNW Millennials place high value on the type of advice seasoned advisors are equipped to provide. An overwhelming majority of wealthy Millennials want to work with an advisor but only a third do.[8]

The most important thing is to be sincere in efforts to nurture relationships with clients' family members.

Set aside time in your calendar to meet with the spouses and/or next-generation adult children of your clients with whom you do not yet have a values-based relationship.

3. Understand Traits and Characteristics of Rising Generations

The role of the wealth advisor is not to be an expert on the characteristics of every demographic group; however, it is in the advisor's best interests to have a baseline understanding of some of the core attributes of their clients' next-generation—especially for the Gen X and Millennial generations.

For example, OppenheimerFunds' *Proving Worth* research shows that UHNW Millennials see wealth as a vehicle for having a positive impact on the world, and many are conservative investors who are leery of taking on too much risk in their family's portfolio. Millennials also want a high-touch service from advisors who get to know them personally.[9]

This knowledge will provide advisors a broad overview of the respective generation's likes, dislikes, preferences, interests and worldview.

Of course, every individual an advisor may meet with is unique, and generational viewpoints are not shared unanimously; but armed with such information advisors may be able to adjust their actions, words, and attitudes to better align with and relate to their next-generation clients. We refer to this as living out the "platinum rule"—interact and communicate with your clients in their preferred way, don't assume your perspective and style is theirs.

Absorb all the information you can on the attitudes and concerns of HNW and UHNW Gen X and Millennials related to wealth and wealth management. OppenheimerFunds offers a valuable resource filled with relevant information and research that provides actionable intelligence in its research, "Insights on Affluent Millennials."[10]

4. Identify the Opportunity in Your Book

In our workshops, we ask advisors:

- How many of you have a relationship with both spouses?
- How many Millennials are in your existing client base?

Usually about 50% raise their hands in response to the first question, but less than 10% know how many Millennials are in their existing client base.

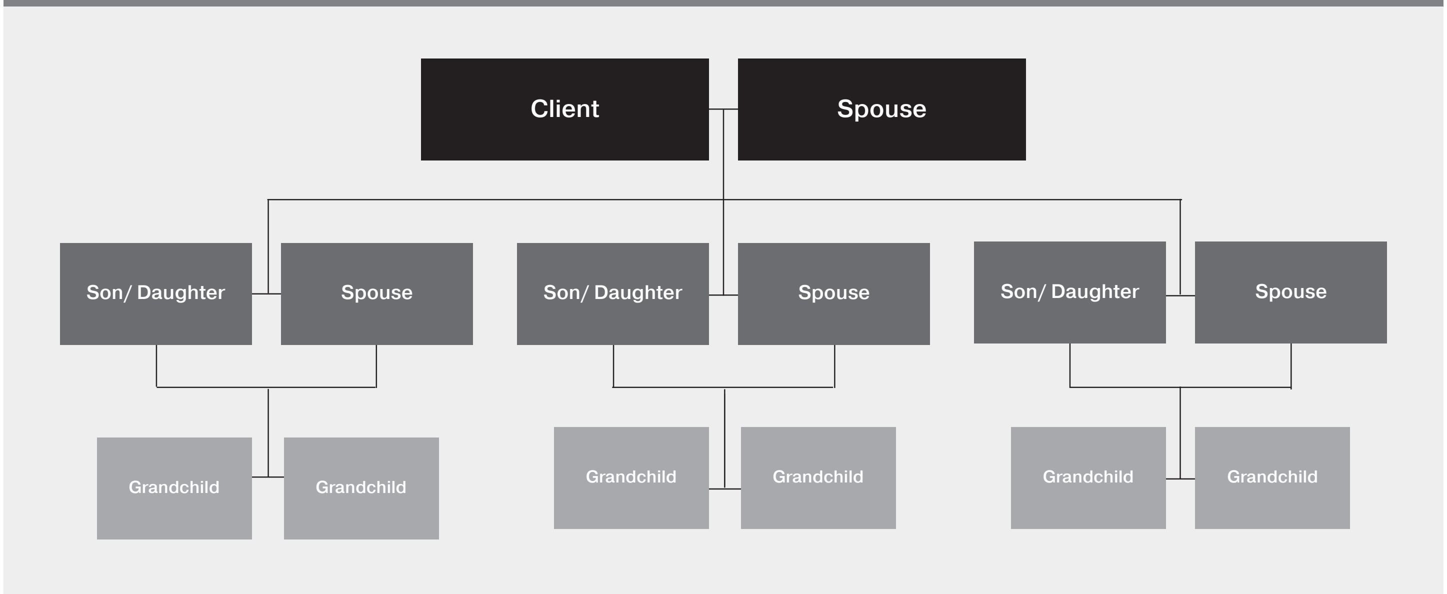
One of the best ways to identify the number of Millennials in your existing client base—and gain valuable insights as to the depth of your knowledge about them—is to create a diagram for each of your HNW and UHNW family clients and then use that diagram to make a realistic assessment of your relationship with each family member. **Exhibit 2** ▶

Create an org chart of the client family. First on the chart is your client, who happens to be the matriarch/patriarch, as well as his or her spouse. Next up might be your client's children and their spouses, as well as their grandchildren. In some families, it may not be so straight-forward because of divorce. Families are complex, and it's important to map them out on a piece of paper.

Next, make an honest assessment of where you stand with each family member. Rank each relationship on a scale of 1–10, with 10 being the strongest. As you go through this exercise, you'll see that there are family members with whom you have only a superficial relationship.

Ideally, your relationship with your client is a 10. However, maybe it's only a six with his or her spouse, and completely nonexistent with the children. Ask yourself: What can you do to make those relationships stronger? Maybe you simply haven't worked to build a relationship with the spouse or children. No matter, find a way to get to know family members with whom you have not yet connected.

Exhibit 2: Client-Family Diagram[11]



After creating the family diagram, identify your greatest opportunities, i.e., the number of Millennials in your client families, and begin there. Starting to build relationships with the Millennial generation is the first step in mitigating the long-term risk that might exist in your business. As noted above, Millennials are open to the possibility of working with their parents' advisors and want high-touch service from advisors who get to know them personally.

Conduct a client book review in conjunction with creating family diagrams to determine, for example, which spouses you do not yet have a value-based relationship with, and how many Millennials are in your existing client base. Based on those you identified, determine with whom you want to build a value-based relationship.

5. Proactively Develop Relationships

There are many ways for advisors to begin to develop relationships with the members of their client-families and add value to them. For example, advisors may:

- Plan a family meeting in which broad wealth and values topics are discussed collaboratively across generations.
- Leverage the existing programs and events your firm or bank offers to Millennials and hold an event focused on the financial issues of most interest to Millennials such as ESG (Environmental, Social, and Governance) investing strategies, philanthropy, and financial literacy.
- Include a spouse in an upcoming review.
- Host a "bring your adult child" event, such as a concert, sporting event, wine tasting or museum visit.

We offer our advisors positioning scripts to help them expand their relationships. Below is an example:

"Now that your children are approaching their young adult years, I would like to discuss how we can prepare them for the opportunities and responsibilities that come with wealth. Given your intentions to transfer your values and wealth to them, I would like to schedule a family meeting and begin the education process. Is that OK?"

Advisors should meet with their teams and staff and determine what activities they will schedule in the next quarter to build relationships with spouses and adult inheritors, including Millennial family members.

6. Know Your Client

The "know your client" rule is at the foundation of the work between advisors and their clients. However, as noted above, advisors don't always know all the family members of their clients, nor do they necessarily know the family's shared values, the goals of the next generation or what keeps their clients up at night pertaining to their children and money.

This is another opportunity for the advisor to expand his or her value across the family tree. Here are examples of open-ended questions we suggest to help advisors facilitate important conversations:

- What are the values you hold deeply that help guide your important decisions?
- What do you hope your wealth will allow you and your family to accomplish and experience in life?
- What do you want to be remembered for?
- What is the most important gift you can give your children?
- What is the best use of your family's time, talents and treasure?

Add these questions or others to your client review process and to your profiling of new clients and/or prospects.

7. Build a Multigenerational Team

In addition to taking the steps outlined above to prepare an advisor's firm or practice to thrive, and to ensure the advisor is the *whole family's* trusted advisor, it is important that the advisor also build a multigenerational team that spans two to three generations. This will help increase the long-term success of the advisor's business by aligning their team to the client-families they serve. No matter how much an advisor tries to understand and identify with a different generation, he or she can only go so far given the limitations of experience, time and energy *(see sidebar)*.

Make an assessment of the generations represented in your firm or practice and evaluate the alignments and gaps compared with the generations represented in your present client-families, as well as your future client-families. Establish a hiring plan that will, over time, fill in the generational gaps in your business.

The CEO Advisor Institute at OppenheimerFunds offers resources and tools to wealth advisors and teams that empower them to effectively manage the synergistic team whose skills are aligned to meet the needs of their clients.

Speaking the Same Language as Your Younger Clients

The importance of relating to younger generations and communicating with them in terms—and with references—you both understand was driven home for me in a recent conversation with my oldest daughter.

My daughter is away at college and needed a new laptop. My wife and I decided to purchase a new MacAir laptop for her and ship it to her at school.

In our conversation, which was "text-based," we "discussed" the required specs for the laptop:

Me: "Will you be able to download the software you need for the new MacAir when you receive it?"

Daughter: "What software?"

Me: "Word or PPT [PowerPoint] for MAC?"

Daughter: "I use Google Docs for 99% of my work."

While I consider myself fairly informed when it comes to generational topics and technology, the fact is that she and I truly do live in different worlds. This brief exchange reminded me of the fundamentally different starting points each generation brings to any conversation, and that includes the advisor-client relationship.

Strategic Partners in Your Success

OppenheimerFunds and Legacy Capitals have strategically joined resources, intellectual capital and shared passion to bring advisors across the financial wealth channels the training and solutions required to successfully serve the multigenerational needs of their high-net-worth and ultra-high-net-worth client families and thrive in the new competitive multi-generational marketplace.

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Contact Your OppenheimerFunds Consultant to learn more about the *Whole Family Advising* program.

1. Source: Accenture study via CNBC, 6/16/16.
2. Source: "How to Talk to Clients Who Have Just Been Widowed," *InvestmentNews,* May 2015.
3. Source: *InvestmentNews,* 7/13/15.
4. Source: For Love and Money: A Comprehensive Guide to the Successful Generational Transfer of Wealth, Roy O. Williams, Robert D. Reed Publishers, 1997.
5. Source: "Harnessing the power of women investors in wealth management: A look at the North American market," EY 2016.
6. "How to Talk to Clients Who Have Just Been Widowed," *InvestmentNews,* May 2015.
7. Source: OppenheimerFunds/Campden Wealth Proving Worth: The Values of Affluent Millennials Research Report (2015).
8. Source: UBS Investor Watch: "The Ties that Bind," April 26, 2016
9. Source: "What Ultra-High-Net-Worth Millennials Value Most," OppenheimerFunds and Campden Research, Dec. 8, 2015.
10. See "Insights on Affluent Millennials" online at www.oppenheimerfunds.com/private-client-groups/collection/millenials-research.
11. Family diagrams usually use circles to represent female family members and squares/rectangles to represent males. Advisors may wish to follow that format in creating client family diagrams.

OppenheimerFunds commissioned Legacy Capitals LLC, an organization unaffiliated with OppenheimerFunds, Inc., for the purposes of providing intellectual capital and *Whole Family Advising* Workshops.

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