



# PROTECTING YOUR BUSINESS FROM THE RISKS OF WEALTH TRANSFER

A step-by-step guide to protecting your most valuable relationships.

Over the next 25 years, approximately \$70 trillion will be in motion from one generation to the next.<sup>1</sup>

**Use the following steps to help protect your book of business and retain assets that could be at risk.**

## STEP 1

### Identify Key Clients at Risk and Create Engagement Targets



Narrow your focus by looking at your most valuable relationships, especially those clients who are likely to experience a wealth transfer in the next decade.

#### Write Down the Answers to These Questions:

1. Who are your “top” clients age 70 or older?
2. What are the total assets from your top clients age 70+?
3. Of these top clients, answer the following for each family:
  - How many times have you had an engagement with the spouse or partner in the last 12 months?
  - How many times have you had an engagement with their children?

**21%** of your clients will likely experience a wealth transfer in the next decade.<sup>2</sup>

**70%** of heirs plan to change their financial professional when they inherit the assets.<sup>3</sup>

◀ **This is what is at risk.**

◀ **What does “engagement” mean?**

*Engagement is a meeting or phone call where an individual actively talks with you about their financial needs or goals.*

<sup>1</sup>Cerulli Report, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2019.

<sup>2</sup>Cerulli Associates, 2018 Advisor Metrics.

<sup>3</sup>Cerulli Edge, U.S. Advisor Edition Q1 2020.

4. Based on your answers to questions 1–3, identify three to five clients you’d like to commit to strengthening relationships with their families over the next 12 months. Consider top clients with no/low engagements with the spouse or children.

<b>Primary Client</b>	<b>Additional Family Members With Whom You Intend to Strengthen Your Relationship</b>	<b>Target Engagements (Next 12 Months)</b>	<b>Potential Engagements <i>Review step 4 for ideas</i></b>
1.			
2.			
3.			
4.			
5.			

If the number becomes overwhelming, prioritize the spouse first, then the eldest child. They are most likely to be involved in the wealth transfer.

If you are unsure what your engagement targets should be, three annual engagements with the spouse and two with the children may be a good starting point.

Ensure that both the spouse and children are in your customer relationship management (CRM) system. Capture as many details as possible, which will help you identify opportunities to engage.

## STEP 2

# Chart Family Dynamics to Better Understand How to Connect



For the three to five clients you identified in step 1, complete the family dynamic chart below for each family.

### Understanding Your Family Dynamics

This chart can provide a snapshot of your client's unique family dynamic. You'll be able to better understand each member's individual money habits, values, and communication style as well as see where you can find opportunities to connect.

#### Family Members

Identify each member of your immediate family, including your spouse and children ages 16 and up, with an initial (for example, "D" for "Daniel").



\_\_\_\_\_



\_\_\_\_\_



\_\_\_\_\_



\_\_\_\_\_

Plot each family member on the four lines below, using their assigned initial to designate how you believe they would answer the questions on a scale of 1 to 10.



#### Money Habits

Are you a *spender*, a *saver*, or somewhere in the middle?

Saver ← 1 2 3 4 5 6 7 8 9 10 → Spender



#### Values

Do you value financial *security*, meaning you're more concerned with preserving the original value of your investments than maximizing growth? Or do you value *opportunity* and feel comfortable with the possibility of substantial decline in pursuit of higher levels of growth?

Security ← 1 2 3 4 5 6 7 8 9 10 → Opportunity



#### Communication Style

Do you value privacy when it comes to discussing financial matters? Or are you more *open* to talking about money?

Private ← 1 2 3 4 5 6 7 8 9 10 → Open



#### Financial Markets

Are you *fascinated* by the financial markets or do you feel discussing financial markets is a necessary obligation?

Fascinated ← 1 2 3 4 5 6 7 8 9 10 → Obligated

## STEP 3

# Uncover Ways to Engage Based on the Family Dynamics That Surfaced in Step 2



## Money Habits

● Daniel (primary client)

● Nora (spouse)

● Anna (child)

Saver

Spender

1 ← **D** ————— **N** → 10

If you have family members with a wide range between Saver and Spender, then try these best practices listed below.

### Best practices we've heard from financial professionals:

1. **Diffuse.** The first step in reducing financial conflict about spending is diffusing stressful situations. If you see tension in clients, suggest a break; perhaps get up and grab a coffee. Just taking a deep breath is scientifically proven to relieve stress.
2. **Be inclusive.** Having primary conversations with the “saver”—or not requiring both parties to be present—can result in an unbalanced commitment to the financial plan. When both partners are present, make sure to allow both to express their opinions and concerns, as this can help increase engagement and joint commitment to the plan. Ask direct questions of both partners.
3. **Encourage ongoing dialogue.** Encourage couples to set up a regular cadence where they meet and align on spending priorities.
4. **“My Monthly Wallet.”** Suggest a mutual agreement on a budget for each partner that the individual can spend without the other second-guessing or questioning. This helps the saver participate in setting the budget, and it helps the spender to be able to make a purchase without a backlash.

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## Values

Security

Opportunity

1 ← **N** ————— **D** → 10

If you have family members with a wide range between Security and Opportunity, then help your clients understand their unique risk tolerance.

### Best practices we've heard from financial professionals:

1. **Make sure you clearly identify secure assets when communicating about the plan. One way to accomplish this is to use buckets as a way to frame assets.** Regardless of the investment allocation, one approach is to adopt a framework of having three buckets for a client and include this framework in the client’s written financial plan or investment policy statement.
  - **“Me/Secure” bucket**—the minimal amount of assets that would need to be in low-volatility/easily accessible investments for your client to feel secure. This can include assets held outside of their portfolio, such as real estate.
  - **“We” bucket**—assets earmarked for long-term, common goals with a spouse or significant other (such as retirement or a second home).
  - **“Give” bucket**—assets earmarked for heirs or charities; this bucket has the longest time horizon.

- Engage in initial and ongoing dialogue about buckets, especially understanding what is required in “Me/Secure” bucket to provide your client with an acceptable level of security. Encourage the partner who is focused more on “opportunity” to understand the importance of ensuring that the other partner feels secure with the plan.
- Consider overlaying buckets on annual review materials, including separate performance reporting of each bucket.
- Proactively communicate with clients during times of market volatility, understanding that perceived risk may be quite different from actual risk. Refer back to the written financial plan or investment policy statement, as this has been shown to help investors.

Use open-ended questions to draw out any misgivings on the overall plan and individual decisions.

For example: “Nora, what concerns do you have with this...?”

This type of question is much more effective than a yes/no question such as “Daniel, do you have any concerns or questions?”

Pause after you ask the question and repeat it again if needed, providing ample time for everyone to respond.

- 2. Encourage a more equal involvement with both partners.** Often, one partner takes a dominant role in long-term financial planning; this is a natural division in duties that comes with any relationship. The unintended consequence is that the other partner feels unprepared to make decisions when the primary decision-maker passes away.

Use these few suggestions to ensure that the non-dominant partner is also fully committed to the plan.

- a. Have both clients review the plan or policy statement.** Use this commitment device to surface any concerns.
- b. Require both partners to agree on a decision,** with additional verification procedures for online requests.

## Communication Style



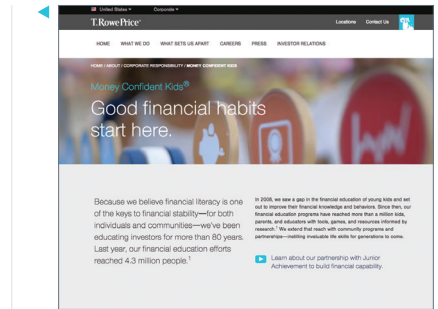
If you have families with a wide range between Private and Open, then help your clients understand their unique communication styles and facilitate conversations to eliminate any potential barriers.

### Best practices we’ve heard from financial professionals:

#### 1. Diffuse misconceptions about money conversations.

- a. Start by having each family member complete the family dynamics map using our “Talking to your family about money” piece.**
  - Identify common connections as well as misperceptions. Discuss how these dynamics have impacted past conversations. As their financial professional, you can offer suggestions for better connections based on the best practices listed here.
- b. You can control how much you reveal.**
  - Help clients determine how much information they want to share with their family, and provide an agenda for any family meeting so that everyone knows what to expect.
  - Make sure all adult family members know where to find essential documents.

- 2. Have a party!** One financial professional hosted a 70th birthday party for a longtime client. You can host and invite children, sons- and daughters-in-law, and grandchildren. This shows you care about the family and creates an engagement opportunity with the extended family.
- 3. Private individuals are usually open to general financial education. Offer resources for children and grandchildren to increase their financial literacy.** Our Money Confident Kids® program offers a wealth of tools and content for parents. Hesitancy about money can stem from conflict avoidance and a fear of dealing with a sense of entitlement. Enabling parents to teach self-reliance and financial responsibility to their children can help open them up and ease concerns.



## Financial Markets

Fascinated

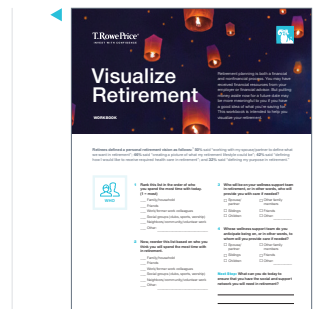
1 ← **D**

**A**

Obligated

**N** → 10

If you have family members with a wide range between Fascinated and Obligated, consider engaging those on the “obligated” side on their personal vision for their family. T. Rowe Price has a program titled “Visualize Retirement” that focuses on the nonfinancial aspects of retirement. Use these materials to engage with your clients on topics they are passionate about.



## STEP 4

### Learn More About Family Members to Identify Opportunities to Engage



Continue to work with the primary decision-maker in the family, but use your periodic annual reviews and contacts with them as opportunities to further profile inheritors.

- 1. Learn from your interactions with the primary decision-maker.** When the primary client mentions an event, such as a marriage or the birth of a grandchild, offer to have a conversation with the client’s child about the financial considerations around this life event. Assure them that you are not trying to push products but would like to share best practices.
- 2. Identify financial planning needs for spouse and children.** Capturing profile information on additional family members can help you identify life events that are opportunities to begin talking about wealth transfer and legacy planning. Use your CRM system to have life events trigger a task.
- 3. Use financial checklists to start a conversation.**

You can use our financial checklists for common life events as a basis for the conversation. These events are extremely important to your clients and require a minimal investment of your time to have a large impact.

- Marriage
- New Child (use with parents or grandparents)
- New Job/Job Change
- First-Time Home Purchase

If you would like a copy of the checklists, contact your regional sales consultant, call **800-564-6958**, or email **AdvisorServices@troweprice.com**.

#### 4. Strategic alliances can be another opportunity to engage.

- a. A recent survey found that 80% of millennials worry about their taxes (making a mistake, paying too much, etc.) versus 60% of adults age 55+.<sup>4</sup>
- b. Offering to refer a millennial to a trusted tax preparer is a potential way to engage, and it can strengthen your relationships with other professionals.

#### 5. Use technology to connect anywhere.

- Connect with children who aren't local via video conferencing or WebEx.
- Connect with children and spouses via LinkedIn.
  - Think of the LinkedIn platform as a way to stay top of mind by posting helpful content, rather than trying to interact/message directly via LinkedIn.
  - LinkedIn can also alert you to job changes or promotions that can be an opportunity to connect.

#### ◀ Investor Presentation: How Successful Families Approach Money



Use at a client event to help families become more aware of their family dynamics and help each other better connect.

#### 6. Adjust your client event strategy to be more appealing to the entire family.

When you're hosting an event, invite your primary client, their spouse, and/or their children. But also consider the following suggestions to boost the appeal of your event to other family members:

- Host a professional photographer, available to take family photos.
- Busy millennials and Gen Xers may skip your event because they don't want to hire a babysitter. Consider welcoming the entire family and provide activities for children.

**After reviewing the ways to connect in step 4, go back to step 1 and write down any additional ideas for potential engagements.**

## STEP 5

### Monitor Your Progress



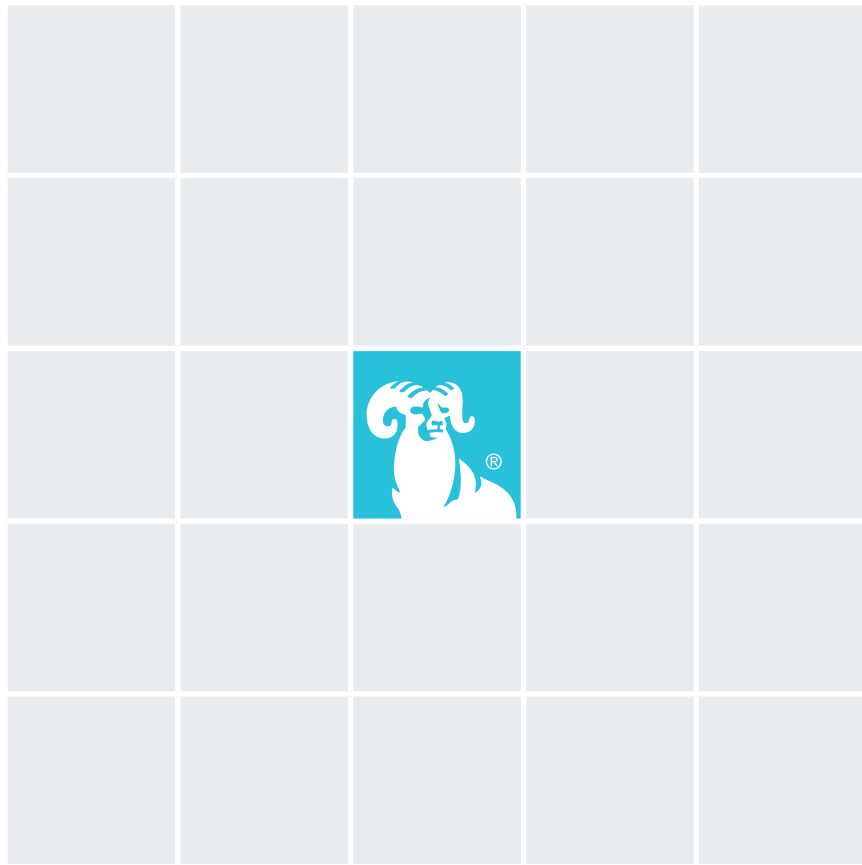
- Add a quarterly appointment to your calendar for 15 minutes to review your engagements with spouses and children to ensure that you are meeting your goal.
- Your T. Rowe Price regional sales consultant would be happy to set up and attend that check-in in order to brainstorm ideas and ensure that you are aware of new engagement resources as they become available.

#### INVEST WITH CONFIDENCE®

You can find additional resources at [troweprice.com/familydynamics](https://troweprice.com/familydynamics).

This piece is part of the T. Rowe Price Client Loyalty program, which has been designed to provide financial professionals with the tools they need to secure their business with families for generations to come.

<sup>4</sup>Harris Poll on behalf of NerdWallet, February 17, 2016.



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