

Winter 4 Series

Losing Legacies

Preparing for the generational wealth transfer



FIVE KEY TAKEAWAYS

1

Advisors in the UK could lose £13.9bn while those in the US are risking the loss of \$34.9bn in AUM should their older clients' heirs choose to go elsewhere once their relatives pass on.

2

There is a missing link between what advisors say they are doing and what they are actually putting into practice. Although almost three-quarters of advisors say they are actively building relationships with the heirs of their existing clients, the frequency of their meetings suggests otherwise.

3

Across the UK and the US, nearly half of advisors only meet their primary clients' heirs less than once a year. Overall, 12% say they never meet their clients' heirs. This figure is slightly higher in the UK where 19% never meet their clients' heirs, compared to 11% in the US.

4

In the US, 73% say they are actively building relationships with their clients' heirs. This figure drops to 56% in the UK. The data suggests advisors in the US are taking more decisive action in their effort to retain client assets after their primary client passes on.

5

Advisors in the UK are more likely to recommend clients put together an estate plan. Of them, 68% say they are doing so for the sake of business retention. A similar percentage of US advisors (63%) also advise the same.

BACKGROUND & METHODOLOGY

In the UK, wealth transfer is set to rise by 66% between 2017 and 2027, with nearly £1trn expected to pass to the next generation over the course of the decade. This is according to the Passing on the Pounds report issued by the Kings Court Trust in 2017. The report also claims individual financial advisors are unprepared to deal with this phenomenon and are likely to miss out on the opportunity.

“If IFAs fail to build relationships with the children of their clients, they could find the wealth, which they have helped to build over the years, simply moving to be managed by another advisors,” the Kings Court Trust says. The trust assists IFAs in retaining clients and handling estate administration.

Advisors face similar challenges in the US. For example, there are courses specifically tailored to help advisors retain their widowed and divorced female clients. According to Cannon Financial Institute: “There is a disconnect between the current generation of clients and future generations, with something lost in translation.” The training provider explains that being involved in family financial matters for years, makes transitioning from one generation to the next an easier proposition.

This CoreData Research report aims to identify whether financial advisors are still unprepared for the potential transfer of wealth or whether they have been making changes to ensure they benefit from the generational change ahead.

Industry commentators have noted how the wealth transfer wave can be expected to be a lot more fragmented than some believe. In an article, Gabriel Garcia, managing director and head of relationship management at BNY Mellon’s Pershing Advisor Solutions says: “The wealth transfer is coming, but it should not be expected to fall neatly. When the boomers pass on their inheritance, the sums are likely to be small, fragmented and drained.”

Although this is most likely to be the case, in order to set themselves up for future success, financial advisors need to address the future generations, especially as the bulk of their clients continue to age. Trying to retain a relationship after their primary client passes away is unlikely to reap results, given the stress the family will be under during these difficult times. Therefore, advisors need to work to build relationships with the whole family while their primary client is still alive.

Methodology: This report is based on the original views of 520 advisors based in the US and the UK. CoreData Research gathered the data via an online survey between October and December 2019.



CoreData

About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Colombia, Sweden, Malta, Singapore, South Africa and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



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