How to Not Ruin Your Clients' Kids with Money
The Advisor's Role in Fostering Financial Maturity

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I. Advisor Environment and Alignment of Client Concerns

This presentation is designed to extend the discussion and considerations in the book, *How to Not Ruin Your Kids with Money,* to the advisory space. In the short time that the book has been out, it seems clear that the subject matter is of high interest and concern to people of a wide range of wealth levels – and certainly with a heightened interest and concern rising (on average) with higher wealth amounts. So how do advisors engage in these matters responsibly and effectively when these topics are raised by clients? To follow along with the general framework in the book, let's start by understanding the challenges advisors face in this space.

A. Industry Focus

There is no question that majority of focus in the financial services industry broadly is focused on addressing the planning for discrete individual and married couple clients. Yet these individuals and couples are placed squarely within family and other interpersonal systems – and upon satisfactory accomplishment of their specific personal and financial goals, goals within those systems become more primary.

"Never, ever, think outside the box."

1. Industry focus leads to patterns, tools, and conditioning of client expectations that are more "single generation" than "multi-generation."

2. There are efficiencies that go along with that focus that can lead to enhanced client outcomes associated with those focuses and cost efficiencies. This is sensible and mostly beneficial, but probably also leads to an increased single generation focus for the advisor, too. In that sense, the multi-generational goals are a bit harder to bridge into.

B. Compensation Considerations

One of the challenges associated with serving clients well is the fact that most advisors are compensated for helpful and meaningful, but secondary level, goals – presuming that personal financial security and experience has been addressed.

C. Skill Level

Advisors will have their strengths and areas of emphasis, but also points of weakness and blind spots. When addressing multi-generational goals, advisors will naturally find themselves moving into conversations – but may not realize when they are unaware of the personal or technical issues that might come into play in certain contexts.

D. Interest in the Subject

In the author's experience, there is a significant variability that advisors have on the "soft and squishy stuff" – which may lead to a heightened focus on the advisor's assumptions regarding what a client might want or openness to hearing about it in any depth. Further, expanding the conversation from the individual and couple as the focus to the family as a focus necessarily creates additional layers of complexity in and of itself – let alone when factoring in higher wealth levels when present. This increased complexity, if unfamiliar or uncomfortable to the advisor can lead to avoidance behaviors and dismissiveness of client concerns.

E. Time Limitations

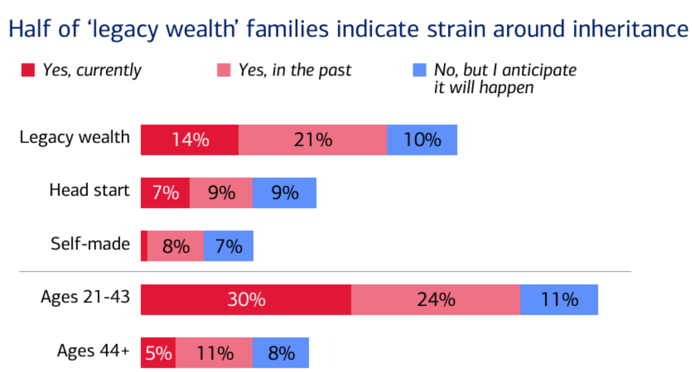
Perhaps complicated by the compensation structures in some (all?) disciplines, we have to acknowledge the impact of time available. The financial services industry is mostly under-humaned, with not a great deal of relief likely to coming any time soon. As an industry we are stretched thin – and therefore engaging in something as time consuming as addressing this type of topic is a significant barrier to engaging in it at all.

II. Consideration of Client Concerns

It is not especially difficult to conclude that many of our clients have significant concerns about the impact of wealth on their families, and on themselves as well. Consider the following – mostly sourced from an ongoing, annual survey previously undertaken by US Trust and now by Bank of America:

A. Impact of Wealth on Inheritors

Nearly half of those who have received, or will likely receive, legacy wealth report current or anticipated stress/strain, with difficult family dynamics considered the top source of such strain.[1]



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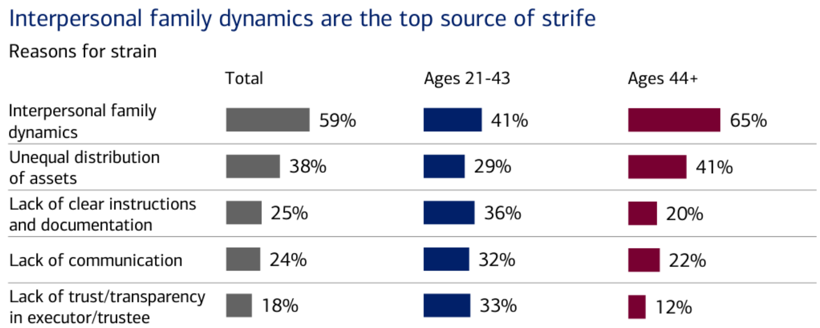
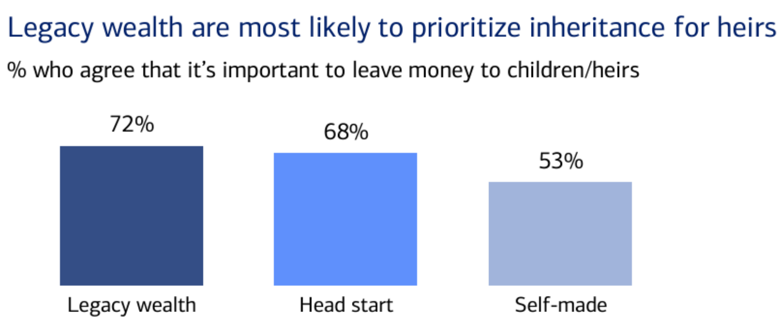
[1] Graphs/survey results in this section are from the 2024 Bank of America Private Bank Study of Wealthy Americans. This survey included a little over 1,000 responses from individuals 21 years of age or older who had at least $3 million in investable assets.



B. **<u>Goals of Those Who Will Be Passing Assets On</u>**

There is much discussion about the significant wealth transfer coming as both the "Silent Generation" and Baby Boomers will transition assets to their heirs - $84 Trillion by some estimations, which seems to be a rough "average" of predictions regarding the value of wealth transfers coming. Regardless of how accurate the numbers are, it's a big deal. So what do those making these transfers think about this event?

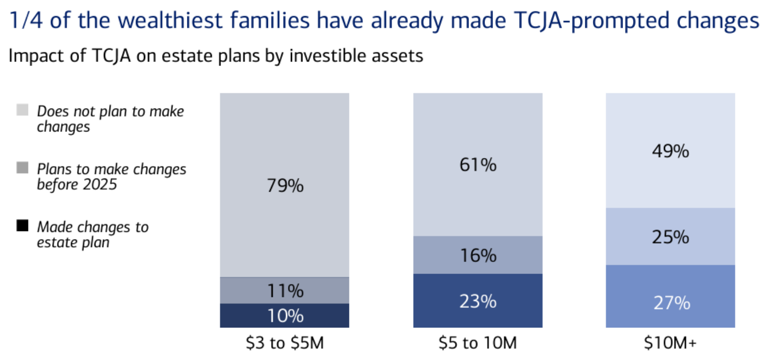


What level of priority is an interesting metric to consider and track – however there can be a fair amount of iceberg beneath the surface of these responses. How big of a role do fear, confusion and lack of knowledge impact what clients choose to do? Or choose to express as their goals and concerns? How risk averse are they regarding the impact of wealth on their families from one to the next?

In the limited time that the book has been out, it seems that many clients have a good sense of what their goals and concerns might be – but often have difficulty putting words to those goals and concerns. If that is so, part of the advisor's job may be to help draw out the client's goals and concerns so that they can lead to something actionable and positive for them and their families. Easier said than done.

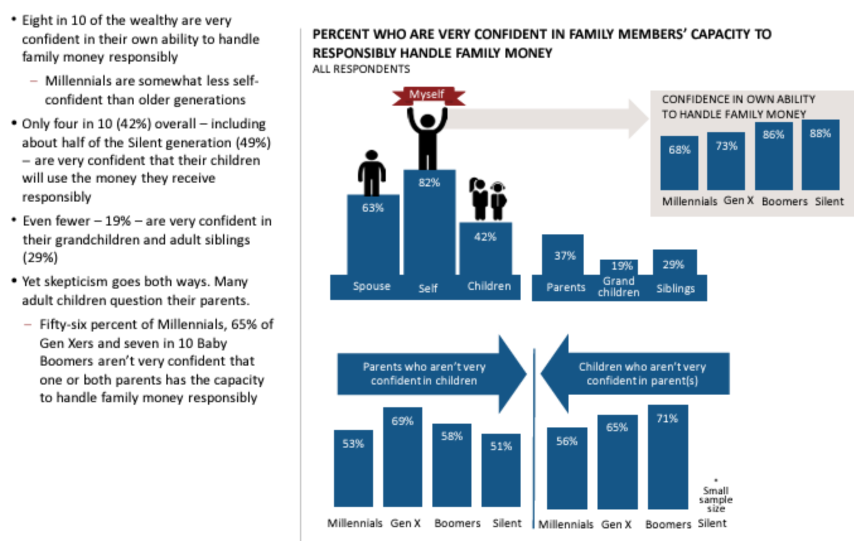
C. <u>Who Is Taking Action?</u>

With the caveat that saying you plan to take action and actually doing it may be very different, consider the below.



D. <u>Concerns Over Heirs</u>

Consider the below – which is taken from the 2017 US Trust survey report (predecessor to the Bank of America assumption of the study series):



III. <u>A Suggested Approach</u>

The book, *How to Not Ruin Your Kids with Money*, suggests a three-pronged approach:

Define/Understand the Problem
Define the Target and Responsibility
Get After It

This is not really a conversation about the details within the above plan – you can read the book if you'd like the details. But I do want to highlight what I think is a healthy and productive allocation of responsibility between clients and advisors to achieve better outcomes for families of wealth.

A. Prepare Yourself for the Conversations

You do not need to become a family dynamics expert to assist families in achieving successful multi-generational wealth transfers. But you should have some general familiarity with the subject if you're going to serve wealthy families. As an example, if you are going to serve an individual or couple worth more than $10 - $15 Million, you should have some sense that the federal generation-skipping transfer tax may come into play – and if you don't have a comfort level in that area, get some help from an advisor who has sufficient expertise in that arena.

B. Hold Your Clients Accountable

The author suggests that clients need to be the primary determiners and drivers of their primary goals – and should be able to identify them. Unfortunately, most do not seem to have that down with sufficient certainty and thoughtfulness. Get them appropriate resources to accomplish that task, encourage them to do the work, and use the results (once accomplished sufficiently) to guide what your work might be.

C. Facilitate the Process

In our discussion, we will consider the "quarterback" problem – something discussed a bit in the book. With an encouragement to engage in that topic and to be self-reflective on the point, be ready to step in to facilitate increased conversations within the generations and other advisors.

D. Treat Each Other Well

The Holy Grail of planning is for knowledgeable clients to be engaged in the process with skilled, compassionate, advisors who stay in their lanes and work well and collaboratively with each other. We don't play as well in the sandbox with each other as we could – but being mindful of the importance to clients that we do and the professional benefits and personal satisfaction that comes with working well with others should drive us to do better.

IV. <u>Resources</u>

You are invited to get and utilize the book, *How to Not Ruin Your Kids with Money*. You can find it pretty much everywhere online, including in eBook (Kindle, Nook, etc.) and audiobook versions (Audible, Spotify, etc.) – with print versions also available direct at www.markshiller.com or www.aevitaspress.com. There are "case discounts" available for those who wish to distribute 20 or more copies that are available with those direct options.

I have also recently released a "Values Card Deck" that can serve as a tool to help clients identify their core values and to facilitate discussions within families (or non-family teams, for that matter) to learn how they might come together on such matters. Those, too, are available at www.markshiller.com or www.aevitaspress.com.

If you are interested in knowing more about it and/or when an Advisor's Guide is released, please drop me an email at mshiller@certuslegalgroup.com and I'll make sure that you stay in the loop.

Lastly, what I've put together are just a few tools – and they might not be everyone's cup of tea. Thankfully, there are many resources out there – books, podcasts, blogs, articles, etc. – that you can draw from to educate yourself. Take advantage of them! Your clients will thank you.