Financial planning for the whole family

The opportunity

There is expected to be a significant transfer of wealth from the older to the younger generation in the UK over the next 30 years. Reports suggest that baby boomers in the UK, who are set to inherit from their own parents and have benefited from significant property price increases, are likely to pass on unprecedented levels of wealth to their children and grandchildren.

It is forecast that £5.5 trillion will be passed down as intergenerational transfers in the UK over the next 30 years.[1]

Yet research from the FCA found that those seeking support from financial advisers varies considerably by age, with adults aged 55-64 being the most likely to receive support (47% have received support in the last 12 months) and adults aged 18-24 the least likely (18% have received support in the last 12 months)[2].

Financial planners are the trusted partners of clients before, into and throughout retirement – so why are firms sometimes losing the opportunity to continue to work with the spouses and families of their clients, and what can they do to turn this around?

Financial planning and the next generation

Many advisers who use our platform tell us that being able to show a client that they can achieve their desired lifestyle and financial independence – in many cases far earlier than they had allowed themselves to dream – will always be one of the greatest privileges of being a financial planner.

Financial planning aims to assist families in accomplishing their objectives. However, advisers typically communicate with only one member of the family, usually the parents. After clients depart from the adviser's office, it becomes essential to consider how they share the details of their financial plan with their children. It is also crucial to anticipate any inquiries that the children may have and determine whether the parents have the necessary knowledge to address them effectively.

Discussing finances can pose a challenge for families. This deficiency in communication and possible disagreement on financial objectives may obstruct clients from achieving the strategic plans that you assisted them in creating. However, the positive aspect is that planners have an excellent chance to guide clients in managing family interactions regarding money and sticking to their plans for the future.

Financial planners would have held frank discussions around lifestyle goals and financial objectives with their existing, older clients for years already – approaching those discussions with others in the family and engaging the younger generations means approaching it from a different perspective.

Many younger potential clients may have successful careers, be on the property ladder and have good incomes. However, it doesn't mean they are keeping track of their cost of living, nor that they have considered whether they have adequate measures to protect themselves and their families.

Financial planning discussions and cash flow modelling can illustrate the need for protection as well as the effect of their inflows versus outflows over time.

A family affair

Natalie Wright – former PFS Chartered Financial Planner of the year and Director at Mazars – said: "In 95% of cases my initial meeting will invariably be with the main decision maker, but I will always involve their partner / spouse at the next planning stage … I don't come across many couples where one person decides everything and the other just agrees and I think this is often the presumption.

"We also need to work harder to give more women confidence around money, which will help with retention of clients over the longer term. No-one wants to be made to feel stupid, so we need to make sure women in particular feel like they can ask questions without being judged, and that they are open and honest with any anxieties they have. Getting to know people on a deeper level really helps discover what they want to achieve."

[1] The Centre for Economic and Business Research
Passing on the pounds: the rise of the UK's inheritance economy
Wealth Transfer in the UK: the continuing story of the inheritance economy

[2] Evaluation of the Retail Distribution Review and the Financial Advice Market Review

Four tips to engage families

So what can you do to ensure you retain clients and are managing the relationships behind the £5.5 trillion forecast transfers?

1. Grandparent days

Client days aren't a new concept, but I have heard of one firm that hires a cinema to show the latest release of a popular children's film. Grandparents (usually the clients) are invited to bring along their grandchildren for the film and a fun afternoon. Quality time spent with grandchildren and a bonus for the parents who get an afternoon to themselves!

2. Family updates

Although you might deal with one member of the family throughout the year, make sure a 'family update' is part of the annual review meeting agenda. Use it to find out more about the family's passions and upcoming events.

If you are only meeting with one member of the couple or family, then that could be an instant barrier to the others being able to pick up the phone when they might need you most.

3. Financial education

You can offer sessions to children on financial education and encourage them to engage with savings or 'round up' apps as well as any investment accounts held for their benefit.

You can encourage existing clients to invite their children/ grandchildren to discussions surrounding power of attorney and legacy planning.

4. Involve your team

Introduce the family to other members of your firm and team, for example paraplanners and planning assistants who will be heavily involved with looking after the family's affairs. This is equally rewarding for your staff.

These are just four suggestions. We hear lots of great ideas from planners all the time, so please don't be afraid to share them using #AJBellNextGen on Twitter or LinkedIn and contribute you own.

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