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DIVIDEND STRATEGY

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Practice Management Concepts

Navigating "Sudden Wealth?"

$84 Trillion in wealth is transferring hands in the next 2 decades. 85% of kids fire their parent's advisor and 1/3 of advisors may retire in the next 5 years. And there are actually more advisors over 80 than under 30. (Source: Natixis, Cerulli, SS&C, Carson Wealth Management)

Result: Perhaps the greatest money-in-motion opportunity in history… for those advisors ready to capitalize.

A subset of this 84 trillion? Inheritors of "sudden wealth" who require even more specialized guidance from you. Think back on your career… How many times have you seen G2 or G3 inherit significant sums of money only to blow through it in a matter of years? In fact -- 70% of Families Lose Their Wealth in the 2nd Generation. What's going wrong? Is it a lack of education? Why didn't they follow the plan? What can we do to prepare the next generation for their $84 Trillion inheritance?

Since 85% of the kids are going to fire you, before you do anything, it's imperative you get to know successor generations BEFORE death. You might ask the patriarch or matriarch of the family: "Who else should know what goes on with your accounts?" Or "Would it make sense to start going over your estate plan with your major beneficiaries." It's a great time to position yourself as the lead advisor, and subtly remind heirs you played a role that put them in this fortunate position.

But beyond financial acumen, a deeper understanding of behavioral finance aspects holds the key to retaining the assets, collecting new assets, and making sure these new clients don't "blow it". Here's how to enhance your "soft skills" as you help "G2" navigate their "sudden wealth" moment…

Recognize the Emotional Weight

They just lost a loved one and now they may feel unprepared to manage this new wave of responsibilities and decisions that comes with their inherited wealth. Advisors are "pitching them product", online articles are confusing, and CNBC is usually scaring the crap out of them about the markets.

Pause with them… Acknowledge the stress and emotion they are experiencing. Ask questions, understand, and empathize with their struggles. Ask your clients if they are feeling a mix of: loss, guilt, confusion, and stress. If they are, let them know it's normal. Build that foundation of trust and honesty out the gate. Reflexive listening skills vs lecturing go a long way here… "So you are feeling____ or "Is it safe to say that you want____" or "So you are worried that____" "Do I have this right?" This will go a long way in building trust, earning their business, and getting them to stick to a realistic financial plan.

"Cool Off"

Advise your client/prospect to take a "cooling-off" period before making any significant financial decisions. Encourage them to reflect on their values, goals, and aspirations that this wealth can facilitate. This isn't about delaying decisions unnecessarily but about making more thoughtful, aligned choices. Think about this one… Every other advisor is probably trying to "make the sale". This strategy explicitly shows you are acting in their best interest.

Emotional weight acknowledged… Cool Off period complete – Move on to the financial plan. **Share the hard truth** – The biggest goal, statistically, is to not run out of money and the greatest impact on their wealth over time will be spending. Share with them the huge gaps that exist between client expectations and reality. A Natixis Survey states clients expect 18% annual returns! If they think they'll get 18% and they want to spend 18%, a disaster is brewing!

Guiding a client/prospect through the maze of sudden wealth is no small task. Financial expertise is a minimum standard but expertise in behavioral finance is a differentiator. In fact, "sudden wealth" is a serviceable niche (albeit a narrow one).

Here's a couple more resources to help build your ''sudden wealth" playbook:
Four reasons intergenerational wealth is destroyed in 3 generations
Navigating the Great Wealth Transfer

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