Preparing for the Great Wealth Transfer

Why financial advisors must understand the needs of the investors who will control substantial assets in the coming years.

Nick Lane, President of Equitable

As Baby Boomers retire in record numbers, they are turning their attention to stewarding and transferring their wealth to their children, grandchildren and other beneficiaries. That process—known as the Great Wealth Transfer—is going to accelerate with the majority of the estimated 73 million Baby Boomers hitting the peak retirement age of 65 by 2025.[1] By 2030, trillions in assets are expected to change hands,[2] creating a tremendous growth opportunity for financial advisors (FAs) to build and strengthen their practices. To stay ahead of the substantial shift in ownership of that wealth, FAs need to understand who will eventually be controlling and managing these assets, as well as what they want—and need—from a financial advisor.

Equitable President Nick Lane leads the company's Retirement, Wealth Management and Protection Solutions businesses. He recently shared insights about what financial advisors can do to prepare for the coming wealth transfer, including how they can build durable client relationships with the individuals and families who expect to receive those assets.

Q: What does the coming wealth transfer imply for financial advisors?

Nick Lane: Financial advisors need to understand this wealth transfer will effectively come in two waves: The first will be to surviving spouses—and we know that women have historically outlived men. By the end of the decade, women will likely control much of this wealth. The second wave will be predominantly to Millennials building wealth or planning for retirement.

We know from recent Equitable research from WSJ Intelligence that 90% of women are looking for an advisor who can help talk to them about more than just the financial component of retirement. They also want emotional peace of mind. This requires holistic life planning. Good advisors talk about assets. Great advisors talk about family dynamics, aspirations, hopes, dreams and concerns. What is the individual's purpose? What are they saving for? What are they aspiring to achieve in the next chapter of their lives? Once you've established the answers to those questions, it's time to consider financial resources and strategies that can help the beneficiaries to secure a long and fulfilling life.

As for Millennials, while our research shows that many tend to be self-directed investors, 80% of Millennial respondents plan to rely on an FA to help them as they manage their new wealth. Further, nearly half (48%) are not currently working with the FA they plan to use after they receive that money. This presents a tremendous opportunity. FAs who are able to establish and build sustainable relationships with these investors now will set their practices up for growth in the coming years.

Q: How does Equitable's unique approach to wealth management support this type of holistic planning?

Lane: We believe there's a difference between looking to transfer assets and looking to transfer values—in other words, ensuring your assets hold meaning. To gain that level of insight, FAs need to engage in a holis-

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tic life-planning process that uncovers the purpose and values behind the money in order to understand what clients want to leave to the next generation.

Continuing, we help them to imagine that next stage of their life, whether five years from now or further in the future. Based on our understanding of where they are and where they're going, we come up with a well-designed strategy that can help them achieve those goals.

We can't stop there, though. The world is dynamic, and people's lives change. We have to keep coming back and reviewing not just where the client's assets stand, but also how their life goals have evolved. That gives clients comfort they are well-prepared and also helps differentiate financial advisors from many of their peers.

Q: How should financial advisors approach the groups expected to receive this wealth in the coming years?

Lane: It's tragic any time you lose a loved one. It's devastating when you lose a partner. From an emotional standpoint, that first wave of wealth transfer will be about helping surviving spouses rebuild lives that have been completely uprooted. They'll need to know they have a plan of action and ensure they are prepared for that eventuality.

For younger generations of investors like Millennials, it's crucial to involve parents or any other individuals who are transferring the wealth in the planning process. This approach helps ensure everyone understands the values they're trying to communicate, while at the same time helping to facilitate a harmonious transfer of wealth. For both waves, these wealth transfers will most likely be accompanied by the loss of a loved one. Emotional support, in addition to a thoughtful and well-communicated financial plan, is a critical component of truly helping them sort out their needs.

Q: How can financial advisors help investors navigate the growing variety of solutions available to them?

Lane: It's fundamentally different to think about living in retirement versus planning for retirement. When you're living in retirement, you're no longer receiving a paycheck. How do you think about the income you need to support the next chapter of your life? You want security regardless of what happens in an increasingly volatile world. When you are working with a client, you want to help them build an enduring portfolio. That typically means leveraging insurance as an asset class, so guaranteed income and protected equity are included as part of the plan.

Millennials are thinking about diversification in a much broader way. They look at defined benefit plans, like pensions, and Social Security and worry they may not exist when they approach retirement age. They feel responsible for their retirement security in ways Baby Boomers may not have experienced. So thoughts about diversification go beyond the traditional portfolio of equities and bonds. They are looking toward alternative asset classes, including annuity strategies, to provide forms of secure and protected income during their accumulation and retirement stages. However, they're not always aware of how the widening array of strategies can help them. This is one of the key reasons we see growing demand for financial advisors and wealth planners.

Among Millennial respondents we surveyed, 4 in 5 indicated they would invest in annuities if recommended by an FA or offered in a workplace retirement plan. These kinds of insights are why financial advisors need to understand their clients' long-term needs, and then provide the education necessary to help them fit the pieces together into a coherent strategy.

Sources:

1. *America Counts Staff, "2020 Census Will Help Policymakers Prepare for the Incoming Wave of Aging Boomers," United States Census Bureau, December 10, 2019; Ansberry, Clare, "America Has Never Had So Many 65-Year-Olds. They're Redefining the Milestone," The Wall Street Journal, February 6, 2024.*
2. *Eisen, Ben and Anne Tergesen, "Older Americans Stockpiled a Record $35 Trillion. The Time Has Come to Give It Away," The Wall Street Journal, July 2, 2021.*

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