A WHITE PAPER FOR FINANCIAL ADVISERS

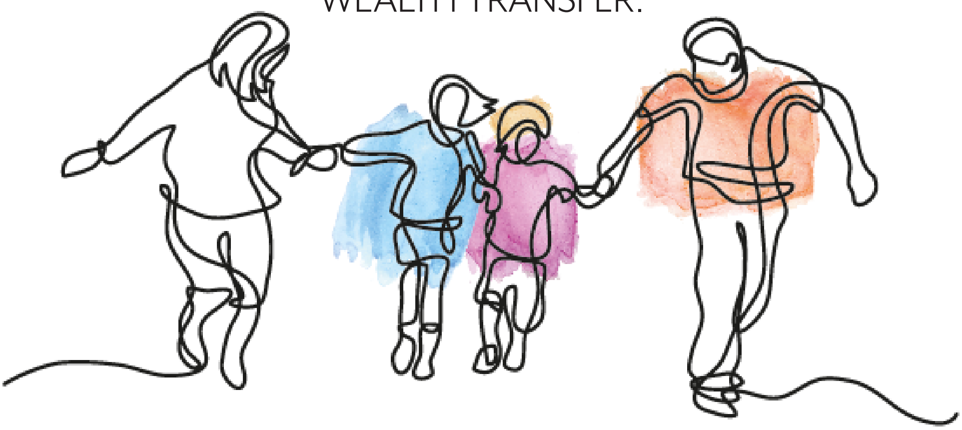
BOOK OF STORIES

WORKING WITH THE NEXT GENERATION OF CLIENTS

CHARLES STANLEY
Wealth Managers

Book of Stories, Charles Stanley's industry white paper, seeks to share know-how with financial advisers about retaining family wealth business.

SHARING OUR EXPERIENCES TO HELP YOU MAKE THE MOST OF THE GREAT WEALTH TRANSFER.



Charles Stanley is one of the UK's leading Wealth Management firms. Our investment services are designed to give you the time to look after the personal and professional relationships with your clients whilst we, operating within your agreed parameters, take over the responsibility of looking after your clients' investments. With more than 200 years' proven experience, we have created financial security for many tens of thousands of people.

Our Services

Depending on your requirements, we will work with you to implement an investment solution that is right for your client via our Bespoke Discretionary Investment Management service, Model Portfolios or Inheritance Tax Portfolio service.

A white paper for financial advisers

Book of Stories:

Working with the next generation of clients

CHARLES STANLEY

Wealth Managers

Important Information

The value of investments can fall as well as rise. Investors may get back less than invested. Past performance is not a reliable guide to the future.

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To our trusted partners, present and future, so that we can continue to build a successful and sustainable business together.

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PROLOGUE

INTRODUCTION FROM JOHN PORTEOUS

Group Head of Distribution, Charles Stanley

Welcome to this white paper about working with the next generation of clients. Our aim in publishing it now is to provide some practical help to financial advisers, financial planners and wealth managers with one of the great challenges facing the profession. That is: how to make sure that you continue to serve the offspring and families of the clients who are currently the bedrock of your business.

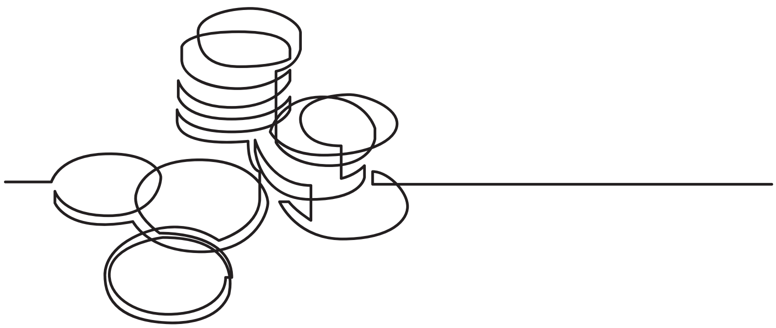
The aim of the research and the white paper is to go beyond the weighty demographics and business statistics that have characterised the recent slew of publications on intergenerational planning. I was keen to draw on the experiences of our investment managers and advisers to provide the themes and illustrate them with their stories and comments. We think the point is to provide practical assistance.

Some key points stand out from my reading of Platforum's researches with Charles Stanley investment managers and advisers:

- **Family money is crucial.** Successful advisers will increasingly look after the finances of entire families rather than just individual clients. The younger generation mostly face greater financial challenges than their parents and grandparents – especially in relation to buying homes, paying for education and providing for their retirement. The older generation want to help and they look to the financial advisory profession to advise them.

- **Lifetime gifts have become more important in many families.** The bank of mum and dad has become a central institution in many lives. The younger generation often cannot afford to wait to inherit – they need assistance in their 30s and 40s. Inheritance tax planning is important, but often more as a constraint on action rather than a key motivator.
- **Making outright gifts to the young can be risky** - for those who receive, as well as for those who give. Advisers will be increasingly called upon to help several generations with their investments and wider financial planning. And it will require tact and diplomacy to navigate the potential emotional upsets and conflicts of interest.

However, providing whole family advice opens up valuable opportunities to build even more sustainable businesses based on the strong foundations of long-term relationships with generation after generation.



THINGS THAT MAKE THE NEXT GENERATION OF CLIENTS DIFFERENT:

1. They will inherit later
2. Property is much more expensive in relation to their earnings
3. University education is much more expensive than it was 40 years ago
4. School fees have become much more expensive
5. They are the ‘sandwich generation’
6. Pensions will be less generous for most people under 50

WHY NOW FOR NEXT GENERATION PLANNING?

The next generation of clients is important for the value of your business as an adviser. They are the people who will future-proof your business. The value of an advisory firm will be increasingly linked to the family wealth of its clients.

This white paper is addressed to financial advisers and financial planners, but for the sake of brevity and readability we mainly use the all-purpose expressions 'advisers' or 'financial advisers' to cover all these roles.

As the current generation of baby boomers pass on more and more of their wealth, the rate of transfer will increase dramatically, with many billions expected to be transferred to beneficiaries over the next 10 years or more. This wealth transfer will drive your business over the next couple of decades and beyond.

Things that make the next generation of clients different

The lives of the under 50s – those starting to inherit over the next 10 years – are crucially different from those of their parents' in at least five key ways.

- **They will inherit later,** because their parents are living longer. Many will be in their 60s, which is some time after they themselves have set up homes and educated children.
- **Property is much more expensive** in relation to their earnings than it was for their parents. Back in the early 80s, average house prices were less than 4 times average incomes. Now house prices are over 7 times average incomes.[1]
- **University education is much more expensive** than it was 40 years ago, so student debt is a huge burden.

- **School fees have become much more expensive** in real terms with average rises of 6.6% a year between 2000 and 2010, and 3.9% a year since 2010.[2]
- **They are the 'sandwich generation'** with many caught between caring for elderly parents and still supporting student or young adult children.
- **Pensions will be less generous for most people under 50** with the rundown of DB pensions, lower funding of DC pensions and generally lower state pensions.

As a result of these factors, they will be much more dependent on inheritances and lifetime gifts. So planning for them will be different from the financial arrangements for previous generations.

Sharing know-how with financial advisers about retaining family wealth business

Successful financial planning will increasingly **focus on the needs of the whole family** – not just the older individuals. That's the formula of long-established wealth managers like Charles Stanley which have an enviable track record of looking after the family wealth of many generations of clients.

Charles Stanley investment managers and their teams have looked after the wealth of many families over four and even five generations or more. In contrast, anecdotal evidence strongly suggests that most advisers have found it challenging to achieve such results.

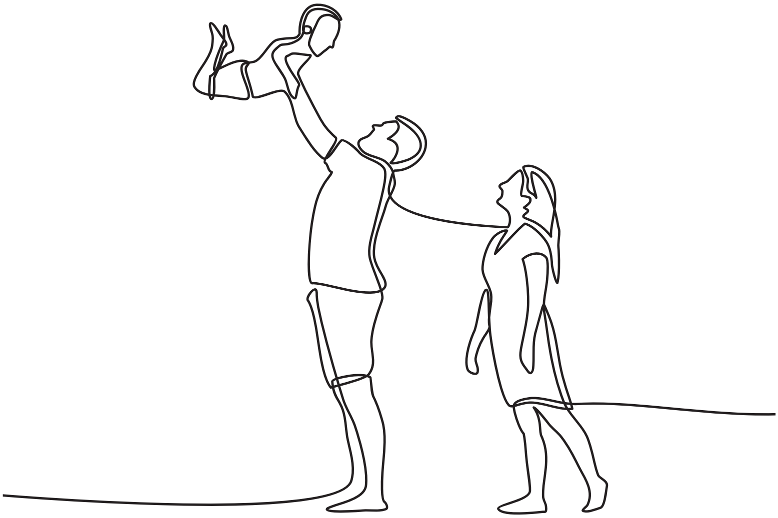
Charles Stanley has asked specialist researchers Platforum to distil the know-how and experience of retaining generation after generation of family wealth within the firm – and tell some of these stories in a white paper to share with the wider community of financial advisers. Charles Stanley holds a firm belief that families should make deliberate and well-informed decisions about their wealth for several generations - not just a single lifetime.

The aim of the white paper is to provide financial advisers with practical strategies and tips for continuing to advise families about their wealth, focusing on that most vulnerable point of passing from one generation to the next.

The recommendations in this report are derived from a research project conducted by Platforum, a specialist team that focuses on the retail investment market. The stories in this report are based

[1]Source: Hansard, Office for National Statistics, Vanguard
[2]Source: Independent Schools Council

on narratives from Charles Stanley investment managers that were conducted independently in individual and group interviews during August and September 2019. Platforum has also drawn on its wider research in the UK investment markets and elsewhere.



THE FOUR GOLDEN RULES FOR SUCCESS IN NEXT GENERATION PLANNING ARE:

1. Understand the main client's relationship with their family and with their money.
2. Ask about the wider family as well as the immediate core – and get to know them.
3. Make sure that the family knows about you and your firm.
4. Become the core trusted adviser of the principal client(s).

EXECUTIVE SUMMARY

Adviser firms are likely to lose assets under advice when clients die or distribute wealth to their families. The client relationship inevitably ceases and there may well be a gap, with the funds going elsewhere. This is common where the adviser hasn't established earlier links with the client's family or is seen to be out of sympathy with their needs and aspirations.

1. The aim is to establish the adviser and firm as the natural source of investment and financial advice for the next generation of the client's family.

   So the key is to focus on the family – as well as the individual client(s). The four golden rules for success in next generation planning are:

   - Understand the main client's relationship with their family and with their money.
   - Ask about the wider family as well as the immediate core – and get to know them.
   - Make sure that the family knows about you and your firm.
   - Become the core trusted adviser of the principal client(s).

2. Advisers should be able to raise sensitive life and death issues with clients. These issues have implications for family financial planning and could lead to more contact with the wider family. Advisers should be aware that:

   - They need to develop skills to be able to deal with sensitive issues, including confidence, knowledge, careful listening and sensitive use of language.
   - Almost any area of life can turn out to be sensitive, but the main ones are likely to be death, health, lifestyle and family relationships.

- Many of their clients could be in vulnerable situations and act accordingly.
- They have to be prepared to raise these issues when appropriate – not just at the initial and review meetings.
- Clients will need to draw on the expertise of a broader range of professionals at various points – not just the more traditional ones like accountants and solicitors.

3. Knowing other members of the family – and better still having them as clients – can ease the situation when major life events take place, such as a parent's death or serious illness.
   - There are lots of events in families – including births, deaths and marriages – that provide opportunities to get to know families better.
   - It makes sense to encourage younger members of families to become clients if possible or to become involved in other ways.
   - Advisers are in the best position to provide family members with financial education and should be prepared to do so.
   - Advisers should be prepared to recognise that people like to communicate and engage with them in a variety of ways. So they will need to adapt to these different needs and a 'one size fits all' approach is unlikely to be successful.

4. Firms that work in diverse teams are likely to be more successful in working for several generations of a family. It generally makes sense for an adviser firm or team within it to consist of a variety of ages of members – as well as having diverse characteristics in terms of background, gender and ethnicity.
   - Diversity increases the chances of developing and maintaining closer and better relationships with different families and family members.
   - Advisers need to be able to reassure clients about the ongoing longevity of their advice and services for the next generations.

Retaining wealth across multiple generations can be difficult, but wealth managers at Charles Stanley have proven that it can be achieved and shown how. Adviser firms should be able to draw on some of the lessons of their success.

THE CHALLENGE

How next generation planning can go wrong

Adviser firms are likely to lose assets under advice when clients die or distribute wealth to their families. The client relationship inevitably ceases and there may well be a gap, with the funds going elsewhere. It has been estimated that in the US, 90% - 95% of offspring leave their parents' financial adviser when they receive their inheritances, according to Fidelity and the Institute for Preparing Heirs (Source: thinkadvisor.com).

If an adviser's first contact with the beneficiaries of a client's estate is the letter informing them that the client had died, the chances of retaining the portfolio is likely to be low. Scenarios include:

- The new beneficiaries don't know their parents' advisers and feel they have no reason to deal with them.
- The parents dealt with a much older adviser who they or their beneficiaries felt would not be around long enough to meet their longer-term needs.
- The children want to break away from the way their parents did things and the people they associated with.
- Some parents don't want to help their children and feel they should go out into the world and rely on their own efforts.
- The new beneficiaries regard the adviser as being out of touch with their particular objectives and values, which they could consider rather different from their own. This might be a matter of style: the way the adviser uses or doesn't use technology, their approach to ESG investment issues or just personal style.
- The new beneficiaries have sought advice from their friends and family about advisers or are impressed with a big brand.
- The lawyers or other professional advisers administering the deceased client's estate could already have their own favoured investment advisers in other firms.

- Some of the deceased client's surviving family are likely to be considered 'vulnerable customers'. So the adviser might justifiably feel some inhibitions about approaching them about investment issues soon after the death, especially if they don't know them personally.
- Fortunes are sometimes dissipated among multiple beneficiaries who use the funds for a variety of purposes. For some beneficiaries, the most suitable use of their inheritance may be to cash out the investments in order to fund other financial priorities, such as their mortgage or clearing debts.
- Many people are reluctant to talk about money, and it can sometimes be difficult to make contact with younger members of a family without seeming pushy. Wealth transfer success needs tact, empathy and emotional intelligence, as well as the ability to communicate expertise and trustworthiness.

But the good news is…

Fortunately, by building a good relationship with the next generation, it should be possible to deal with most of these difficulties, as Platforum's research with Charles Stanley investment managers and advisers makes clear.

PART ONE

Focus on the family for next generation planning

The aim is that the adviser should be the person and firm to whom the next generation of the client's family would naturally turn for investment and financial advice.

So the key is to focus on the family – as well as the individual client(s). The four golden rules for success in next generation planning are:

- Understand the main client's relationship with their family and with their money and how their past experience has affected it.
- Ask about the wider family as well as the immediate core – and get to know them.
- Make sure that the family knows about you and your firm.
- Become the core trusted adviser of the principal client(s).

Knowing the family – not just the client

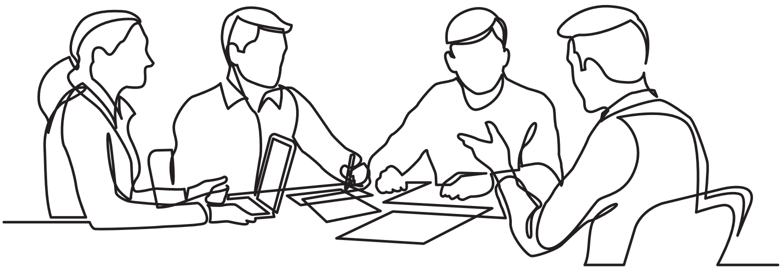
Understanding the dynamics of a family can be crucial for a successful professional relationship. For example, if you aren't aware that the client has a difficult relationship with a particular child and that is relevant for your proposed strategy, there's a danger that your advice could be ignored or even resented – however sound your recommendations are in theory.

PART ONE: CHAPTER ONE

Understanding the client's relationship with money – and their family

A client's relationship with money and attitude to wealth reflects their essential character and experience of life.

- Some clients are basically steadier, more numerate, more decisive and better at understanding financial issues than others.
- **Some clients are just not that interested in money** and financial issues, just as long as they have enough of it. But for others it may be a central and fascinating part of their lives.
- **Circumstances, relationships and attitudes change over time.** Children grow up, relationships mature and sometimes break up, clients' feelings about money and their family evolve with age, influences, use of technology, life experience, marriage and evolving interrelationships.
- **Minimising tax – and specifically inheritance tax – can be a strong motivator** and it tends to get more powerful as they grow older. But there are others who are more worried about leaving too much wealth to the next generations because it might lead them to waste it or it might dull their ambition, especially if it happens early on.



CHARLES STANLEY'S STORY

"Business owners or ex-business owners – I find them the most straightforward to deal with. They are used to making financial decisions. For example, I know that [client] will always be prepared to make decisions... But the second or third generation following a business founder are often very different. The problem I have with one third generation family is that they tend to see the risk of making changes to their investments rather than understand the risks of not changing."

CHARLES STANLEY'S STORY

"Some clients are very much on top of their finances. But there are others who have relatively little understanding of their position. So, I have one multi-millionaire client who says to me, 'Am I wealthy? Do I have enough?' He's the sort of person who should know what's going on – and he doesn't. And that's where we can make the suggestions, because we've seen it all before, and because we have got to know our clients well enough."

PART ONE: CHAPTER TWO

Knowing the client's family

Finding out about the key people in clients' lives should be a natural part of both your initial getting to 'know your client' process and your ongoing annual or other reviews. Fortunately, in some respects, regulation and the KYC requirement has helped deepen relationships with clients.

Knowing the family starts with identifying the key members. But it is not enough to know who is important to the client, you usually need to understand more about the relationships. That isn't possible without a good rapport with the client, and that could take time to establish.

> **Don't forget**
>
> There are often two clients – even where only one of them seems to take the lead in financial decision-making.
>
> - Lots of clients have partners or spouses, and they are probably (although not necessarily) part-owners of the investments you advise on.
> - They are separate clients. Their views are important, possibly even more crucial than those of the more vocal or conscientious spouse or partner. And they might not agree about family or other matters. There might even be issues, relationships and people about which one of the partners is not fully aware.

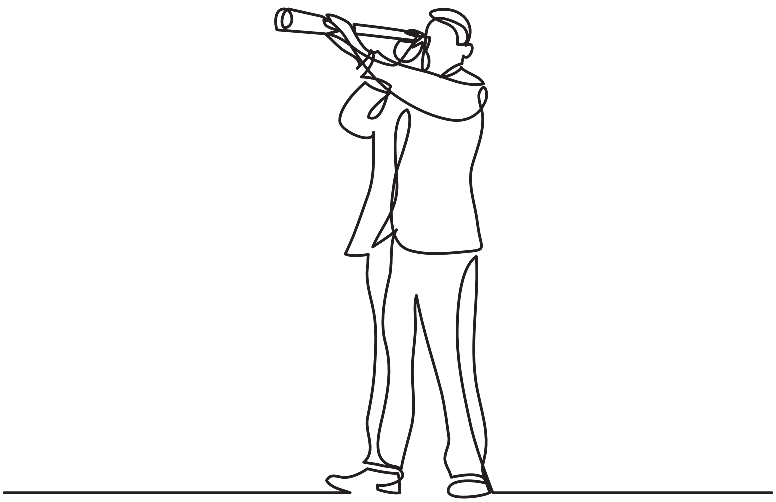
Your obvious starting point will be the questions in the fact-find about the client's family and who is important to them.

- **Find out who is in the family** – not just the most immediate family but also the wider net of relations and friends who might include actual or potential dependants. That means knowing who the clients' parents and grandparents are (if they are still alive), as well as the names and key information about siblings, children and possibly the children of siblings and other family members.

- **And ask what the clients' feelings are about,** for example, helping older children or other relatives who are just starting on their careers, trying to buy a home or pay school fees.
- **Families can be complicated** – especially nowadays with changes in relationships and increasing longevity. There may be children of previous or even parallel relationships. The people who are important to a client might not turn out to be the most obvious ones. A simple family tree can often turn out to be the best way to visualise the main relationships. But a simple list of the key people can also work well.
- **Get to know and record clients' key personal and professional connections**, as well as the main provisions and beneficiaries of wills and trusts, and the names of the trustees, executors and professional advisers. These could be key people at some point in the future – maybe trustees or executors.
- **All this knowledge is likely to be useless if you don't record it** – and then keep it up to date after every client meeting or call. All too frequently, the data are just held in an adviser's head rather than in the client's file.
- **Family wealth does get split up and used to pay off mortgages etc.** But even where there are several beneficiaries to an estate, they might still turn out to be valuable clients. Beneficiaries may near retirement and might well have built up significant wealth of their own from saving, investing, business success and other inheritances. **Sometimes you have to take the long view.**

CHARLES STANLEY'S STORY

"One of the benefits of regulation is that we now have to gather a lot more information about our clients. Whereas previously, we didn't really know a lot, or we thought it was rude to ask them about their other sources of wealth and so on. Now we have that information on file. We're much better placed to say to a client: 'I didn't realise you had this holiday cottage. Have you thought what you're going to do with that in the longer term?' You can have those kinds of conversations."



CHARLES STANLEY'S STORY

"We opened an account for a client with a small portfolio and they got to understand how we work. In due course, the funds grew and they inherited from their grandmother. The client used all the funds to buy a house and we lost them, but as so often, they later inherited money from somewhere else and came back to us."

PART ONE: CHAPTER THREE

How to ensure the family knows about you and your business

The key to retaining business over the generations is keeping in touch with the younger generation and showing that you care for the interests of the family. The more that clients' families know about you, and your business, the more natural it will be for the family to continue to use your services across the generations.

Keep in touch with key members of clients' families where possible. Personal contact is usually the most effective way, but this can be time-consuming and may not always be appropriate or feasible – so you may need to use other methods of maintaining some contact.

- **Consider holding attractive corporate events** from time to time that clients and their families as well as professional connections will want to attend. It is a soft and acceptable way of building relationships with clients' families – and it doesn't need to be very costly.

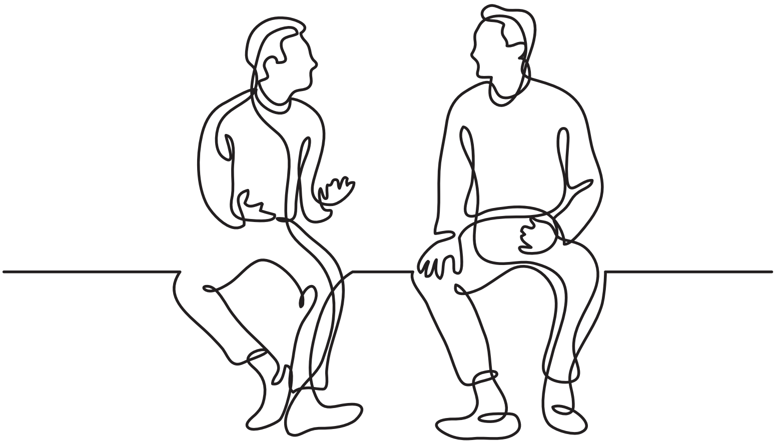
- **Building personal social relationships** with younger family members is likely to be easier where they live in the same area as the advisers and belong to much the same organisations, clubs and societies.

- **Get a good reputation in the family for providing a high-quality service**. Relatively small acts can make a big difference. Clients really appreciate it when their emails and phone calls are returned quickly, even if you can't answer all their questions immediately. Be prepared to go the extra mile for clients and their families.

- **Be prepared to recommend useful professionals in related fields** – lawyers, accountants, mortgage brokers. It's a great way to reinforce relationships and nurture a sense of competence and the message that you're looking after the family's interests. But make sure they really are efficient and competent and ask the clients for their feedback.

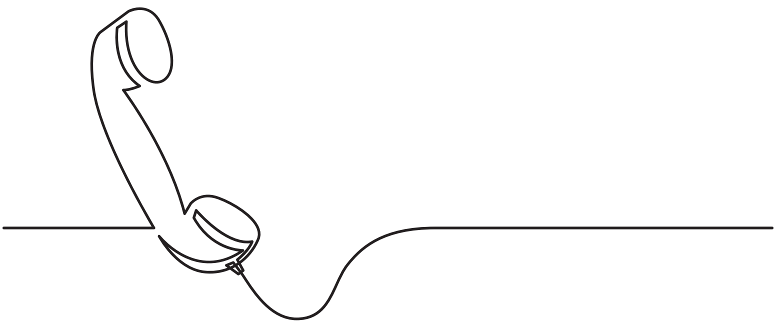
- **Make sure you have some marketing collateral**, such as a quarterly magazine, to help communicate your firm's services, approach to investment and values. You can also use it to assist with education about investment and general financial issues – about which many younger members of a family may well have relatively little knowledge.
- **Remember family details and dates** like names of children and grandchildren, anniversaries, birthdays, interests, careers and other important facts. Keep records of them.

Remember in all these marketing activities, abide by the data protection rules in general and GDPR in particular.



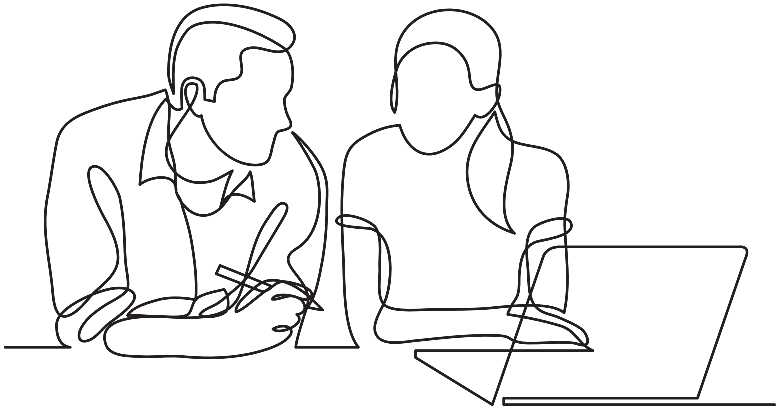
CHARLES STANLEY'S STORY

"I've been getting to know the son [of my client] over the last two or three years. He's mid-30s, and I've been inviting him to Charles Stanley events and just speaking with him – and also helping him with some smaller investments he does. It's not particularly profitable at this stage, but it's just getting him under the Charles Stanley roof and getting him to know me and building that relationship. When they do come to pass assets on, he'll be comfortable with continuing to use us."



CHARLES STANLEY'S STORY

"Over the last week, I've been having trouble tracking the money to a client. It's just being rejected by their bank. It's not us doing it: it's their bank. Yesterday I must have made about 20 phone calls to try to find out what was going on... We don't just say, 'It's not our end, you'll have to talk to your bank.' Because at the end of the day they don't care why they haven't got their money. They just want their money."



CHARLES STANLEY'S STORY

"Just being there for a personal service, able to help them when they need other assistance is one thing that can make a big difference. Sometimes people come and ask us to recommend a solicitor or an accountant or to advise them on some external matter. When they're going through vulnerable times, for example when they lose someone, being there and being supportive through that means that you become someone they trust."

PART ONE: CHAPTER FOUR

Become your clients' core trusted adviser

Aim to be the core trusted adviser – or at least one of them. Be the person that your clients consult about most financial and related family issues as a matter of course. Then your involvement with the wider family will become even more natural and more effective.

- **Building trust and rapport with clients is crucial.**
- **Financial advisers and investment managers are the natural people to perform the role of trusted adviser.** Helping clients look ahead and plan for the long term is central to advisers' role – especially where it concerns some of the most crucial aspects of clients' lives.
- Achieving the status of core trusted adviser requires you to **be prepared to discuss a much wider range of financial issues than just investments.** Retirement and estate planning, cash flow planning, financial insurance protection, business and career issues, and debt can all become matters on which the core trusted adviser can expect to be consulted and provide pathways to expert advice.
- **Clients often ask what people like them, in a similar financial situation, do about their family finances.** The answers can become a rough benchmark against which they can relate their situation and either gain some comfort or possibly decide to make some changes.
- **Nobody wants to become a burden to their families after they have died.** In theory, clients should be keen to ensure that there is a smooth hand-over and ongoing care of their financial affairs after they have gone. In practice, most people are unlikely to have considered this and may be receptive to nudges to make a will or undertake some IHT planning. They may also be prepared to introduce you or a colleague to the next generation of the family.

CHARLES STANLEY'S STORY

"I pitched for and won the investment business of a family who had been with three different investment managers in the last five years. Lack of any rapport and trust was their reason for leaving in each case. They told me, 'We couldn't build up a rapport with any individual or a level of trust.' When a client is entrusting us with their money, probably the two most important things are (a) that they have rapport with us and (b) that they trust us. Clients want their investment managers to stay put and not move around."

- **An issue can arise when only one spouse or partner looks after the couple's investments** and other financial decision-making.

Building trust and rapport with clients and their families is at the heart of a successful relationship. If the human relationship with the client is strong, there is a firm foundation for the investment advisory role to continue through all the inevitable changes of markets and circumstances. Success means developing the desire and skill to have constructive, progressive and sometimes challenging conversations with clients.

CHARLES STANLEY'S STORY

"One particular client came to me the other day and said, 'How much is too much? I'm looking to hand on money.' It is tempting to think that everyone with wealth wants to hand it all on and doesn't want to pay tax. But actually, many people are thinking, 'I don't want to ruin junior either.'"

CHARLES STANLEY'S STORY

"Just offering to help the next generation understand the technicalities of things can be a good starting point with the next generation. For example, there's one couple who are trying to sort out their estate planning, and one of them is trying to explain it to me. And because I know the background, I understand what the situation really is. But if she's explaining it to her son who's a teacher, he won't have a clue because she's not remembered it all properly – which isn't her fault because it's not the sort of thing she knows about. Because I am used to financial explanations, I can make it really simple and clear."

CHARLES STANLEY'S STORY

"A client who had been running his own investments on an execution-only platform explained his decision to switch to the advised service at Charles Stanley, despite his own enthusiasm for DIY investing: 'I'm worried that if I drop dead, my wife will find investing very difficult. I would rather develop a relationship now while I'm here and then, perhaps, all that will continue into the future.'"

CHARLES STANLEY'S STORY

"I've got clients where I know I am their linchpin – their trusted adviser. I've got other relationships where I'm on the periphery of things, but I'm involved – I can work alongside the trusted adviser and still add value. That's the crux of what it comes down to. People will typically have one point of contact which is their first port of call."

PART TWO

Bringing up important but sensitive issues

You should be able to raise sensitive life and death issues with clients. These issues have implications for family financial planning and could lead to more contact with the wider family.

Older advisers almost certainly know how to discuss sensitive issues with clients, even if they haven't thought about it consciously. They are more likely to have had similar conversations with clients in the past and are more likely to have had personal experience in many cases. Younger advisers are having to pick up the skills – these tips and strategies are primarily aimed at them.

PART TWO: CHAPTER ONE

Qualities and approaches needed for sensitive issues

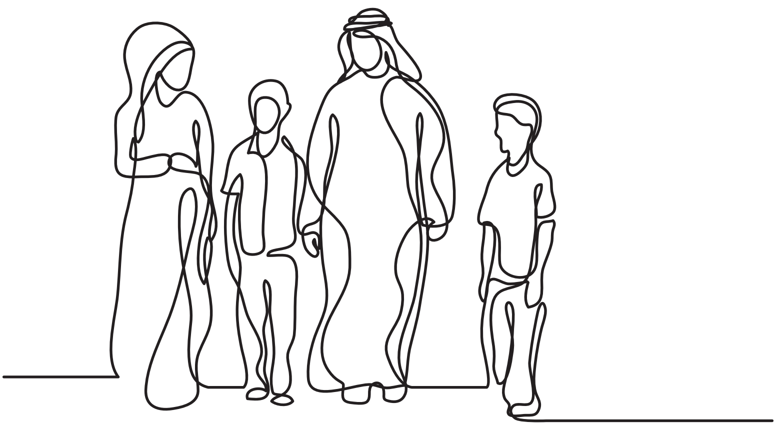
Dealing with sensitive issues requires a range of qualities and approaches:

- **Confidence.** Never be embarrassed about talking around subjects like death, illness and family relationships. Clients will detect it immediately and the discussion will stop – or at least switch to 'safe' topics. Some advisers find a set of actuarial tables or calculations is a good way to discuss the problem of longevity: 'Do you realise that there is a 25% chance that you will live to the age of 95?'
- **Knowledge**. Confidence comes from knowledge. Providing clients with facts and probabilities based on factual evidence is a very good way to present a case for a client to take some action or change their mind about something.

  Have a supply of examples – personal or from other advisers – that illustrate your points. They could be about clients who gave children outright gifts too early; lifetime gifts that allowed children or grandchildren to buy properties at a good time or set up successful businesses; the client who hung onto the shares in their employer company too long because they didn't want to pay the capital gains tax; the cost of being out of the market.

  Develop a broad understanding of the facts about life expectancy and how much it has increased, chances of illness or accidents, basic up-to-date tax issues, the likelihood of needing long-term care, the costs of school fees and the situation with student loans.

  When providing clients with information about investment, tax or other financial issues, the aim should be to keep it simple, straightforward and relevant. Clients often find technical explanations and complicated processes hard to understand and take in.

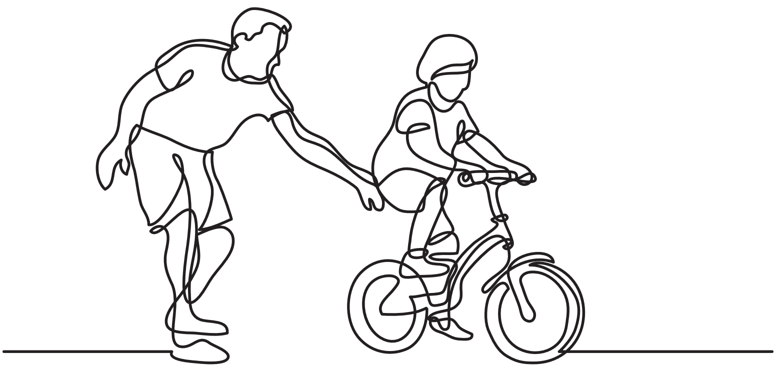


CHARLES STANLEY'S STORY

"People appreciate a bit of honesty in a difficult situation. But it's sometimes preferable to use generalities in explaining parents' plans to their children. It was easier to outline the situation to the client's daughter in general terms.

"'Oh, your dad and I have done this for this reason from a tax perspective.' It wasn't necessary to give her numbers or percentage shares of the estate. Talking about the planning principles was easier than saying to her: 'Oh, you know, they're going to give 20% to your sister, 20% to you, and 10% to your brother we don't talk to.' Those things can be really difficult. It was better to explain to them, 'A trust has been set up and you are beneficiaries of it.'"

- **Ability to talk about tax and other legal issues.** It is sometimes best to raise the issue of death indirectly with certain clients. Objective and impersonal ways of discussing difficult subjects can lead clients to air their worries and concerns.
- **Sensitivity.** Being sensitive with clients does not necessarily mean having to use euphemisms and excessive delicacy. It is possible to be clear and straightforward without being offensively abrupt. The most important action is to ask clear and straightforward questions and then listen to the client's answers carefully.
- **Use of language.** Sensitivity also means listening to the way the client talks about a subject and mirroring the language they use; some people are more comfortable talking about 'passing' or 'passing on', while others might regard such terms as slightly alien and prefer to talk about death and dying. A few use more informal and jokey expressions like 'dropping off the perch'. It is important to respect their cultural norms, although clients may also become suspicious of slavish imitation.
- **Understanding of the family relationships and showing sensitivity to them.** Modern families can be complicated and involve many permutations of human behaviour. If you understand the client's situation – the existence of an extra-curricular lover or the bad relationship between a brother and sister – it is easier to frame the right questions and put forward more acceptable proposals about the ownership of assets, for example. But beware of jumping to conclusions or making too many assumptions.
- **Calm reactions to revelations.** Some things that clients tell their professional advisers can be surprising. They might involve intimate revelations about their health, lifestyle or relationships. It is essential to take them in one's stride and not betray any shock or disapproval. Of course, an admission of a criminal act such as tax evasion, theft or money laundering would be a different matter.



CHARLES STANLEY'S STORY

"We suggested a junior ISA for the client's young child. What worried [the client] is that he gave his daughter from a previous relationship £1 million when she was 21, and she spent it in six months. When he asked what age [the young child] could get hold of the money, I told him 18. He immediately said: 'No, forget it.' So, we persuaded them to do a junior SIPP instead. 'They can't get hold of that until they're in their 50s,' I said."

PART TWO: CHAPTER TWO

The key areas for discussion

Aim to approach a sensitive area gently, sometimes tentatively – opening up a subject and then gradually probing a little further if the client feels comfortable with the line of questioning.

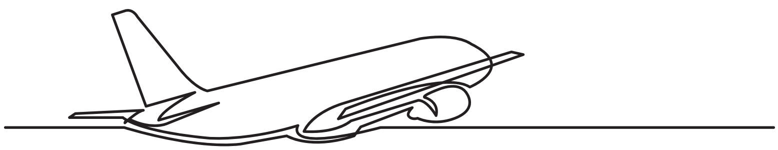
For example, you could start with a general question about how the children are getting on with their new family, before enquiring about plans for schools. Then out of this, you might mention the high cost of fees, which in turn could lead to the question of whether the parents are likely to need any help with paying them.

Almost any area could turn out to be sensitive, but the key ones for discussion are as follows:

- **Death and longevity.** You could open the issue of death obliquely by, for example, asking about their will or inheritance tax planning. Equally, it is common for clients to underestimate how long they are likely to live – a critical issue in long-term investment planning. A cheery statement can introduce the subject and get to its heart: 'The bad news is that you could live 30 or 40 more years.'
- **Health.** A person's state of health – especially bad health – can be a sensitive area, especially if the client has an obvious but largely unacknowledged health problem. It is usually best to ask a straightforward question: 'How is your health? Have you had any problems with it?'
- **Current lifestyle.** Spending habits can sometimes turn out to be a sensitive area – especially where clients are spending much less than they could – or if you discover that they are spending more than they can afford.
    - **Clients spending much less than they could** is a relatively common problem because many simply don't really know how much they are worth. Sometimes a modest lifestyle reflects a client's taste for the simple life.

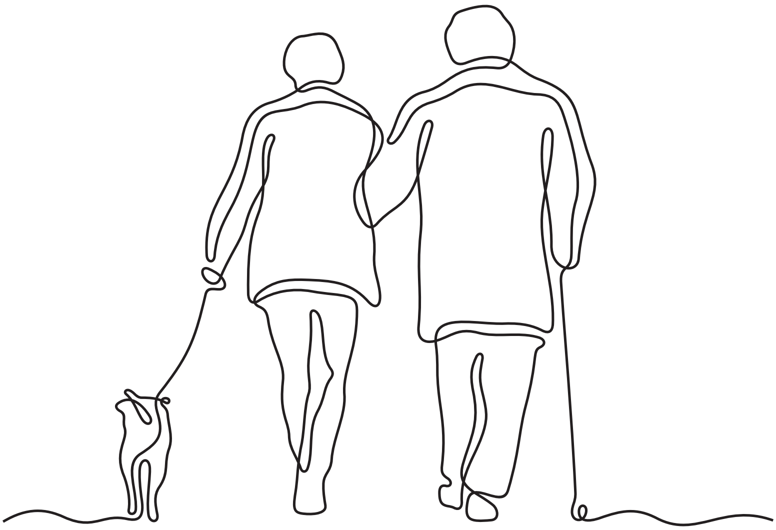
CHARLES STANLEY'S STORY

"I think generally the elderly are more organised, and they're quite aware that they are going to become ill or disappear at some point. I remember a client making a joke of it, saying, 'Well, that's the drawer that you need to find everything in for X, Y and Z.'"



CHARLES STANLEY'S STORY

"A relatively rich client in her 70s was unnecessarily worried about being able to afford things like staying in expensive hotels or travelling business or first class. The issue came out in conversations about budgeting, frequency and types of holiday. Part of the worry came from her concerns about not spending the children's inheritance. It was easy to provide reassurance about that, because we knew what the children and other beneficiaries wanted for her. So, she started spending rather more and was happier for it."



CHARLES STANLEY'S STORY

"I explained that it's common for people to be quite big spenders in their 60s and early 70s and then to slow down and spend a good deal less, although this is by no means a universal pattern."

    - **Overspending in relation to resources.** Sometimes this can turn out to be a problem and may need even more careful handling. Lecturing clients about extravagance is seldom an effective approach. But it can help if you present the facts about how much they own, how long it will last at the current rate of expenditure, when they are likely to run out of money and the possible consequences. Knowing the children – or other family on whom the client might eventually become dependent – can be helpful, but it is important to bear in mind the potential conflicts of interest.

- **Future lifestyle.** Clients generally find it hard to forecast how they are likely to live when they are older and have probably changed aspects of their lifestyle. You could help by talking about your general experience with many other clients and perhaps relate it to the client's own recollections of their friends' and families' lives.

- **Long-term care planning.** One in six people over 80 are affected by dementia, according to the Alzheimer's Society. So, there is a significant possibility of clients needing funds at some point to pay for the long-term care of themselves or their spouse/partner. It helps to be reasonably familiar with these statistics so that clients don't suffer from an exaggerated fear of this outcome or an unjustified confidence that it could never happen to them.

- **New relationship or marriage.** It is essential for you to know how this will affect their finances and the related issues – wills, LPAs, plans for gifting, provision for children and grandchildren.

- **Birth of children and/or grandchildren.** These events and similar ones should prompt you to question whether the client should review their estate planning.

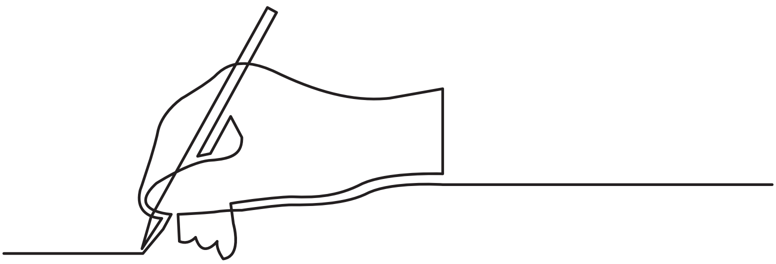
  Asking clients whether children or other close relatives have made wills can also be a good idea – the clients could be the ones who would have to sort out the estate under distressing circumstances.

- **Risk profile.** The process of finding out about a client's tolerance of risk and capacity to cope with losses can reveal many otherwise hidden concerns around longevity, family relationships and expenditure patterns.

- **Making a will.** Virtually everyone, regardless of their age, knows they should make a will – but lots haven't and need prompting. Sometimes a factual statement about the consequences of dying intestate or leaving a mess can be the right approach.

CHARLES STANLEY'S STORY

"A divorcee client found a new partner and introduced him to us. The upshot was that his sister brought her portfolio to us and so did his son. The client's partner sadly died, but now we still look after the investments of the original client, the deceased partner's sister and his son who has brought in his children as well."



CHARLES STANLEY'S STORY

"Even for young clients, we always ask, 'Do you have a power of attorney? Do you have wills?' And if they don't, we again gently educate them around why this is an important area to consider. We're not advising on these, but we do share our knowledge and we know the professionals the clients should speak to about this. When you have a relationship, it's gently introducing ideas, and that's important."

- **Setting up lasting powers of attorney.** People of all ages and levels of wealth should have LPAs, although few clients are well informed about them. Choosing the appropriate attorneys is an important decision and the selection will provide a valuable indication of the people they really trust and who might well be worth getting to know.

  Asking clients whether they have considered setting up an LPA is a good start, followed, if necessary, by a quick outline of what LPAs would achieve and why they are needed. You should probably recommend that every adult in the immediate family should have one.

- **Helping family members during the client's lifetime.** Making lifetime gifts is not just tax-efficient, it can also be a great pleasure to provide children and grandchildren with money for school fees, higher education costs, home-buying, business finance and other needs.

  Most people prefer making a major contribution to a relative's wellbeing while they are alive to see the beneficiaries enjoying the benefits. The gift can then arrive at a time that's early enough to make a real difference to where the beneficiaries live, how they run a business or educate their children. With many people only dying in the 90s, their children may not inherit until they reach their 50s or 60s – often long after the period of real need.

  But it is also important to spot the client who would not be moved by such considerations.

  Some clients might have their suspicions aroused if they thought you were taking the side of the younger generation. It is worth taking the subject gently and without excessive enthusiasm.

- **Making financial provision for dependent relatives.** Some clients have financial dependants – perhaps because of some physical or mental disability or perhaps arising from the breakdown of a relationship. Get to understand the nature and extent of the dependency on the client and any legal issues that might arise, such as a trust or other arrangements. In some cases, these matters can turn out to be highly confidential and only the most trusted professional advisers will be consulted about them.

- **Recommending that grandparents suggest and perhaps pay for insurance.** Find out whether there are any potential dependants and whether the possibility of their becoming dependent could be prevented, or at least reduced, by their parents or guardian having enough life and health protection. Where the parents do not have enough cover and would have difficulty paying the premiums, the client might consider it to be in their own interest to arrange and pay for at least some of the cover.

- **Inheritance tax planning.** Clients often need help with planning how much to give away during their lifetimes and how much to leave at death. Clients' anxiety will probably be focused on whether they can afford to make lifetime transfers. When you raise the issue of whether they have considered making lifetime transfers, you should be comfortable that they have sufficient resources to make such gifts without endangering their own financial security.

  The client's other concern might be whether the beneficiaries would use the money they have been given wisely. In some cases, a trust could be a more appropriate way to make a lifetime transfer. Knowing the individuals concerned will help make the advice and assistance much more useful.

  Clients need to be made aware of the current IHT privileges accorded to registered pensions and assets, like certain AIM shares that allow them to keep their assets in their estate but avoid the tax on death.

PART TWO: CHAPTER THREE

Vulnerable clients

Clients in vulnerable situations must be treated with sensitivity and care. Leaving aside any other considerations, this is a major focus for the regulator. It is by no means always obvious that a client is vulnerable; in many cases, you will need to have developed a relationship of quality and depth with a client in order to be able to identify the signs.

A client could be in a vulnerable situation as a result of many of the following events, or simply because of old age and general decline. Risk factors where a client may be in a vulnerable situation (according to the FCA) include:

- Low literacy, numeracy and financial capability skills.
- Physical disability.
- Severe or long-term illness.
- Mental health problems.
- Caring responsibilities (including operating a power of attorney).
- Being 'older old', for example over 80, although this is not absolute (may be associated with cognitive or dexterity impairment, sensory impairments such as hearing or sight, onset of ill-health, not being comfortable with new technology).
- Being young (associated with less experience).
- Change in circumstances (e.g. job loss, bereavement, divorce).
- Lack of English language skills.

Read the FCA's Practitioner's Guide to dealing with vulnerable clients. It contains valuable information that is directly relevant to investment issues. The link is: www.fca.org.uk/publication/occasional-papers/occasional-paper-8-practitioners-pack.pdf

PART TWO: CHAPTER FOUR

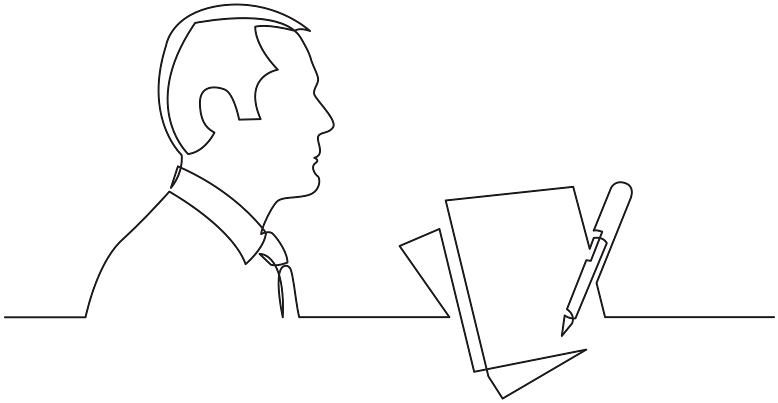
When to raise critical and sensitive issues

There are several points in the client relationship when it could be appropriate to raise issues that go beyond pure investment themes. While essential for understanding the client's current situation, these also present opportunities for increasing understanding of the client's family as a whole and deepening the relationship. These could include:

- **The initial meetings,** when discussing the client's aims, needs, lifestyle, risk profile and wishes.
- **Annual reviews,** when the key facts and issues in the client records need bringing up to date.
- **Major events in the client's life** such as job changes, a new relationship, marriage, break-up of a relationship, divorce, retirement, inheritances, illness or a death.
- **Major national or international events** such as the market crashes or general turbulence. Many clients will need to discuss the impact of such events on them and their families.
- **Joining or reviewing the pension scheme** where the client needs to nominate the beneficiaries of their death benefits.
- **Making a will or setting up a lasting power of attorney.**
- **Clients want protection from some of the consequences of relationship breakdown.** Discussing the possibility of a breakdown in a relationship in the family can be a sensitive topic. But the subject is unavoidable when discussing inheritances or gifts.

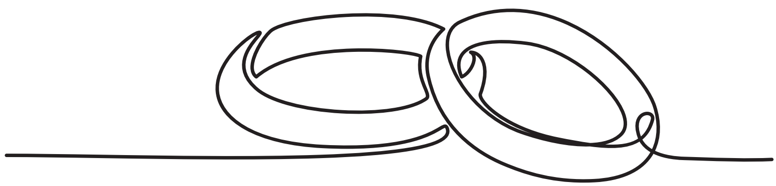
CHARLES STANLEY'S STORY

"Sometimes, if there's a family bereavement or someone is taken ill, that can really sharpen a client's mind. Then suddenly, something that they've been putting off for years, they think: 'Right. Okay. I just need to have this conversation now'."



CHARLES STANLEY'S STORY

"It's quite useful just to start off by subtly asking if the clients have made a will or updated it, or if they have made a power of attorney. And the good thing is that these issues are not really age-relevant because one never knows when one will go."



CHARLES STANLEY'S STORY

"The client's daughter was married to a man the client liked but didn't wholly trust and he suspected that the marriage might not last. The couple had three children. The client was keen to ensure that the significant gift he was thinking about making for school fees and other purposes would be in no danger of falling into the husband's hands. So, he set up a discretionary trust for his grandchildren, despite the extra expense and complexities of dealing with a trust."

PART THREE

Getting involved with the rest of the family

Knowing other members of the family – and better still having them as clients – can ease the situation when major life events take place, such as a parent's death or serious illness.

PART THREE: CHAPTER ONE

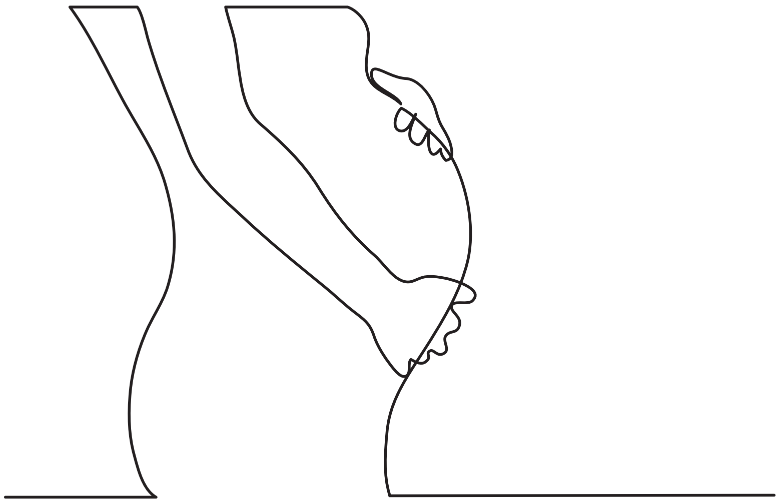
Getting to meet the next generation

Some clients are willing – and even keen – to introduce their financial advisers to their children and other key family members. Others are less enthusiastic about doing this. It is important to be both sensitive and flexible. At the very least, it makes sense to suggest that the client tells their children about them and make sure that there is enough contact information if something unexpected were to happen to the client.

Life events in the client's family could provide a suitable prompt for the investment professional to meet other members of a client's family:

- Marriages.
- Births.
- A child or grandchild starting school, university, or work.
- The start of a business – especially if the client is involved financially or in some other way.
- The exercise of a power of attorney.
- An illness or death in the family or circle of friends.

In general, it is easiest and simplest to engage with individual members of a family to discuss their particular circumstances and perspectives. But in some situations it might be appropriate to suggest a family meeting.



CHARLES STANLEY'S STORY

"I looked after the portfolio of an elderly lady for five or six years and worked with one of her daughters who held a power of attorney, which sort of endorsed my relationship with the family. The daughter, who was in her late 60s, opened an account with us and passed all her existing investments over to it.

"After the old lady died, her estate was divided between her three grown-up children – including the daughter who was already a client. Then one of the others opened an account with their third share of the estate and the last one passed their own third share in it to their children – the deceased old lady's grandchildren, who now each have a third of a third of the original estate. That is not a particularly large amount for each of them, but they are in thirties with children of their own – the old lady's great-grandchildren – for whom they will almost certainly now start JISAs.

"Now the surprising thing is that the daughter (who had the original power of attorney from her mother the old lady) doesn't speak to either of her two siblings. So, we were rather surprised that they wanted to stay with us. I think they chose to stay because her mother's investments were already with us, but I'm not sure. I don't think it was a particularly conscious decision. I know one of the sisters has an account elsewhere as well, so they could easily have transferred it there."

Family meetings

You may consider suggesting to clients that they should have family meetings in which other members of the family participate in one way or another. It can be helpful where it is important to get a joint decision about a property or business, or perhaps a joint initiative to help a particular relative. Whether this is feasible or even desirable will depend on a range of factors.

An essential requirement is that the client – or clients – consider that a family meeting is a good idea. Other crucial factors in dynamics of families include their individual views, characters and interactions. It will also need careful preparation.

In some families, such meetings would be very helpful in discussing what might need to be done when a lasting power of attorney is activated or the client dies. But in some families, such meetings might turn out to be deeply uncomfortable events.

The family meeting might be wholly inappropriate in some contexts because of differences of character, interests and attitudes. Old dislikes and irritations can re-emerge long after they have disappeared with time and distance. It is a good idea to check in advance that everyone is likely to behave well and share similar values and feelings.

PART THREE: CHAPTER TWO

Ways to engage with the next generation

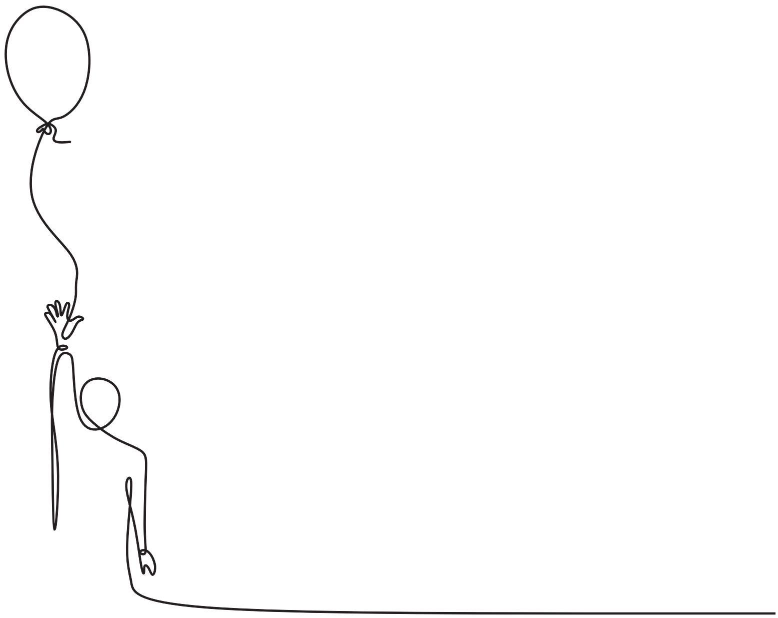
There are several practical ways to engage with the younger generations.

- **Encourage younger family members to be clients.** Some younger family members may have enough investible assets to make them viable investment clients, but others may not. Be careful, if you offend one member, you could end up losing them all; so you need to handle the situation with care. Short-term lower profitability may be worth accepting to provide a family-focused service.
- **Where a member of a client's family does not have enough investible assets** to justify the costs of taking them on as a full client, it might be worth suggesting that they use a direct platform like Charles Stanley Direct, assuming they are comfortable with making their own investment decisions. This helps them to become used to investing, but the relationship is likely to be more tenuous than where it is personal.
- **Get the younger members of the family involved where possible.** Ask the clients if they mind you copying the younger members of the family into some of the older relatives' valuations and other key documentation. Try to allocate a specific time of year to discuss general investment and family finances with younger members of the family – either individually or with more than one at a time where that's appropriate.
- **Recommend JISAs** and child's pensions for younger family members.

CHARLES STANLEY'S STORY

"You need to be careful about saying, 'Well, we'll take Uncle Joe, with £200,000, but we won't take little Johnny, with £20,000.' Then little Johnny goes to his mum and his mum talks to other family members, and, all of a sudden, you lose the lot. You offend one and like most families, they're likely to stick together and you could end up losing everyone."

- **Provide advice about or links to professionals** who can help with mortgages and other services of greater interest to younger people and reflecting a more modern lifestyle. It is worth creating a network of reliable and helpful experts and specialists whom you would be confident to recommend. Solicitors and accountants are obvious candidates to be in such a network, but it could also extend to such people as care home specialists, career advisers and even family therapists.
- **Provide help with family loans.** If clients are aiming to lend or gift money to the children, you could suggest how this should be best set up and documented or suggest a lawyer should draw up proper arrangements. The 'bank of mum and dad' has become one of the largest lenders in the country, but it can lead to complications.



CHARLES STANLEY'S STORY

"Sometimes letting a client go is the right thing to do. And as she said to me on a couple of occasions, 'Oh, but can I come back in the future?' And yes, of course she can."

CHARLES STANLEY'S STORY

"A couple I look after has three children. One is now 18, so she can have a proper ISA, but the two younger ones are still minors and can have JISAs. The clients want a full service for their large portfolios but for the £4k a year going into the JISAs, what they need is a cheap and cheerful solution to build up the value over the years. It is very efficient from a cost perspective."

PART THREE: CHAPTER THREE

Helping to educate the next generation about financial issues

Early access to money can sometimes be dangerous. Some clients are concerned that their children or other less mature relatives might go off the rails if they knew that they would inherit substantial wealth at some point. Your advice and participation at this juncture could be very valuable for the whole family.

The case for you as the investment professional to **help your clients with this important education process** is very strong. As an investment specialist you should:

- Have expert knowledge of investments and market.
- Know how to explain financial issues clearly and simply to non-specialists.
- Understand how to make the subject interesting.
- Be used to dealing with family-related financial issues.
- Bring no emotional baggage when dealing with the family members.

The most effective approach is generally to **educate the children gradually about the money that will eventually be theirs.** Your message about the value of the client's wealth might initially be vague, especially when the beneficiaries are young, and you could be more specific and perhaps more detailed with time. It is important to consult with the client about your intended approach.

CHARLES STANLEY’S STORY

“Our broader theme was to communicate the long-term nature of the family wealth: that each generation should act as trustees for the succeeding family members, so that the younger members of the family gain an understanding of the benefits and the responsibilities of having money.

“We framed it to the younger members as: ‘This is long-term family capital. So your parents are the current custodians of the money and then you’re going to be the custodians at some point in the future. The idea is that it will provide you with freedom, basically.’”

You can provide the next generation with answers to questions about general and specific financial issues about investments, markets, tax, risk and reward – with an emphasis on the benefits of long-term asset-based investing and power of compounding returns. But **you can also help with stories based on your experience of other family problems.**

Arranging seminars and other events could provide a suitable vehicle for financial education. You should include specialist financial speakers, but other topics could provide variety and attract a wider and perhaps younger audience. It could be worth drawing on your network of specialists, who might even be prepared to share the costs of the event.

CHARLES STANLEY'S STORY

"I have seen people set up a trust for a minor, who then got the money at 21 and burned through it. You can do financial education for a 21-year old, but it depends on the individual: some get it completely and some don't, especially if they are going through a rebellious stage. Your early 20s really isn't the best time to have a load of money land in your lap, although it varies. Dealing with the situation is a judgment call on people skills, as much as it is a financial issue."

PART FOUR

Teamwork and succession for adviser firms

The greatest success comes from maximising the benefits of teamwork within a firm. Individual advisers are less likely to be able to deal with all members of a family on their own to achieve the best outcomes.

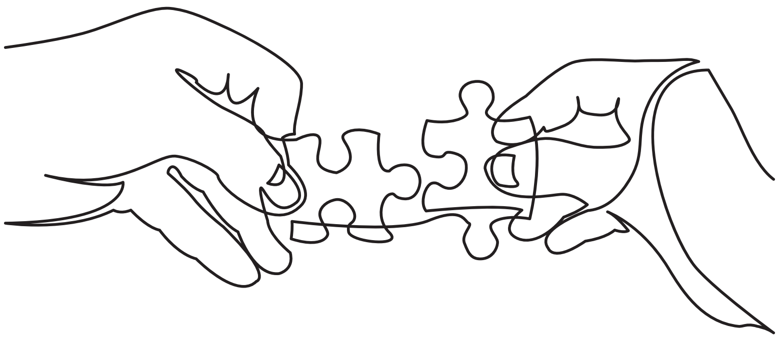
PART FOUR: CHAPTER ONE

Strengths from working as a team

Working as part of a team rather than as individuals can provide you with strength and depth for managing client relationships.

- **Some client personalities suit certain adviser characters** – but not others. If a client falls out with one adviser, there's always the chance that a colleague could rescue the situation and perhaps even take over dealing with the client.
- **There's room for specialisation** that makes the most of the various talents: specialists can focus on investment while most advisers can spend the bulk of their energies talking to clients.
- **The continuity** afforded by a team structure and the wider firm provides clients with considerable comfort. If the person they normally work with is away, they can trust the other team members to deal with their problem satisfactorily.
- Younger advisers can a**ttract the children of older and richer prospective clients.**

In the long term, clients know that the team and the firm will survive and continue to care for them and later their family, even after some of the individual members of the family have come and gone.



CHARLES STANLEY'S STORY

"I'm a woman adviser in my 30s and I have clients ranging from young females and young males to older men and women. My view is that characters need to get on. We can all admit that in the past we've had clients where there's been a personality clash and frankly, they're not the relationships you're going to keep. You should never be ashamed to turn away a client, because they'll find somebody else – perhaps there's a colleague who will be more suitable."

CHARLES STANLEY'S STORY

"I talk to friends of mine who might set up an account but are just under our threshold and then I might suggest they go online. If they have children, I might suggest junior ISAs; after that, I might ask whether they have thought about school fees. Then I might say: 'Have you thought about your parents paying your school fees?' And then you're into conversations about financial planning, and eventually perhaps the parents may become clients. Ultimately you might have a family group that's almost ready-made."

PART FOUR: CHAPTER TWO

Diversity in the team for better service

It generally makes sense for an adviser firm or team within it to consist of a variety of ages of members – as well as having diverse characteristics in terms of age, background, gender and ethnicity.

People tend to like dealing with people like them. This is particularly true in next generation planning. Families come in all kinds of shapes and sizes – especially nowadays when there are possibly more variations and greater complexity.

- **Women advisers.** Some female clients are more comfortable dealing with female investment managers and financial advisers. Some women clients can feel diminished or condescended to when talking to male financial professionals, while some others said that they didn't think about money in the same way as men do.[4]

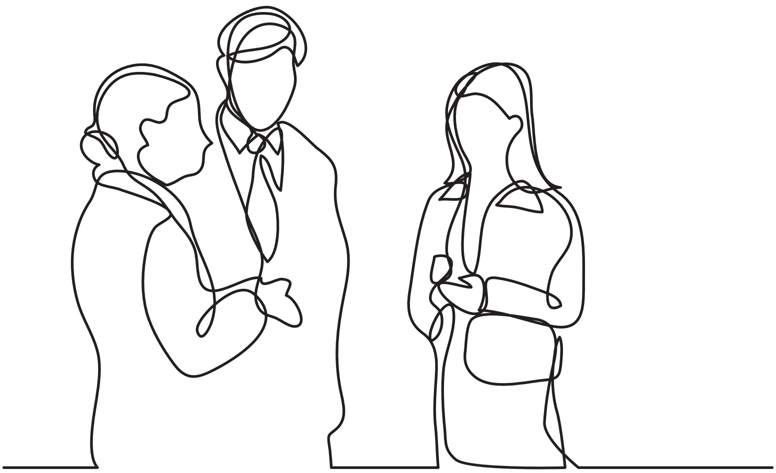
- **Age and life experience.** Clients may want to work with professionals who are roughly their age or possibly younger. Partly this would be to ensure longevity of advice, but it is also because people naturally tend to seek out people with whom they have things in common, such as relevant life experience, attitudes to different lifestyles and similar interests.

- **Age and different attitudes to money.** Different generations of clients may have different approaches to investment. As a very broad generalisation, for example, some younger clients might have more interest in ESG-based investing than most older clients would display.

- **Age and tech.** Younger clients might wish to be treated in a somewhat different way from their older relatives, particularly in relation to the use of technology.

- **The time-poor.** Many younger clients are time poor – although asset and income rich.

[4]Source: Interviews conducted by research firm Kantar of 30,000 British women in 2017.



CHARLES STANLEY'S STORY

“I have quite a few younger women clients in their 30s to 40s, who absolutely relish the fact that they're managed by a young female. They feel far more comfortable, they feel far happier to ask me questions.”

CHARLES STANLEY'S STORY

“We have found that it's helpful to have a wide age range on the team. For example, a more elderly client was happy to talk to me as an older person myself. But their son and daughter didn't seem to want that. The unspoken message was: ‘I don't want to use dad's investment adviser.’”

- **Age and types of advice needed.** Younger people often need different types of advice compared with most older clients – at least in the short term. The appropriate advice may typically be less about investment and more about mortgages, student debt, house purchase, financial protection, short-term saving and perhaps starting a business.

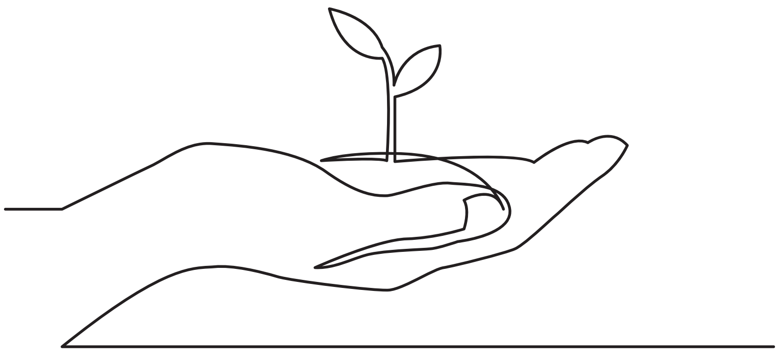
  Someone on the team needs to be informed about these areas, or at least be able to introduce the younger family member to competent and trustworthy professionals. That means cultivating such contacts – and perhaps getting reciprocal business in return.

- **Ethnicity**. Don't just hire young or middle-aged male advisers. When it comes to negotiating the family structures and practices of, say, Asian families, it really helps to be very familiar with their background and culture and how one apparently similar group may differ – sometimes radically – from others.

  In the last 40 years or so, the profile of rich and successful people in UK – the potential clients for financial advisers – has changed. Many come from Indian, Pakistani, Chinese, Arab or other heritages. Firms that aim to be successful in these growing markets should consider widening their adviser recruitment nets.

- **Sexual orientation** is another kind of diversity. Commentators have remarked on the strength and importance of the 'pink pound' for several decades. It is often – though by no means invariably the case – that LGBT+ people are more comfortable talking about intimate financial and family issues to other LGBT+ people.

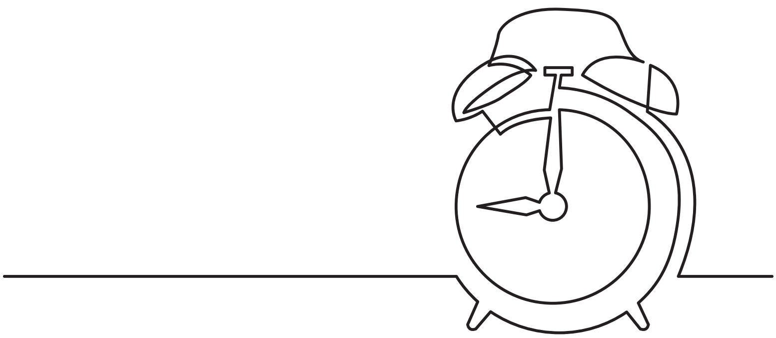
Nobody would suggest that people of different cultures, orientations and heritages can't reach across the boundaries. But it often helps to have advisers and other staff who may have a closer and better understanding of some kinds of families than the archetypal white middle-aged, middle-class man.



CHARLES STANLEY'S STORY

"I've got a portfolio which we're trying to change to an impact investment portfolio, because that's what the kids want. It's a judgement call: on the one hand you need to give them guidance, but at the end of the day, it is their money and they need to oversee it – or at least you need to oversee it in the way that they want.

"I asked them to tell me about the kind of impact investing they wanted, and what they wanted to have impact on. Eventually, we narrowed it down to carbon emissions, which was their real bugbear. So, now I've got that, I can go off and build something. And it turns out that they're really happy with the outcome. But you've got to be a bit careful. You can't just go and buy a load of ESG funds for client and leave it at that, because it is completely different for every person."



CHARLES STANLEY'S STORY

"With a discretionary portfolio set-up, clients can be as hands-on or not as they want. In many cases, the younger generation just don't have the time that older ones did. They're building a business, a career, a family and so on. Very often both partners are working, which is a big change from the old ways."

PART FOUR: CHAPTER THREE

Succession planning for the firm

One of the advantages enjoyed by firms with a strong history and heritage like Charles Stanley is their own longevity, which underpins the trust shown by successive generations of clients. This feeling of continuity and permanence also communicates itself to the people who work in the firm.

Most firms of advisers were set up relatively recently, which can sometimes be a strength in terms of innovation and other respects. But in terms of appealing to successive generations of families it could be something of a potential issue – even if clients do not articulate it as such.

Adviser business owners should think about the long-term plans for the organisations they have built up and how these will play out with clients and colleagues.

- In many firms, the plan is to pass over the business to the next generation of advisers and perhaps other staff. This needs long term planning for recruiting a stable and talented team.
- Other firms may contemplate a trade sale to another and perhaps larger business. Handled deftly and properly explained, this strategy can also go down well with clients and colleagues. But business owners will need to consider choosing appropriate potential purchasers with broadly the same values and approach to business.

Making no plans for the future of the firm is probably not a good option for adviser firms that want to succeed in next generation planning.

CHARLES STANLEY'S STORY

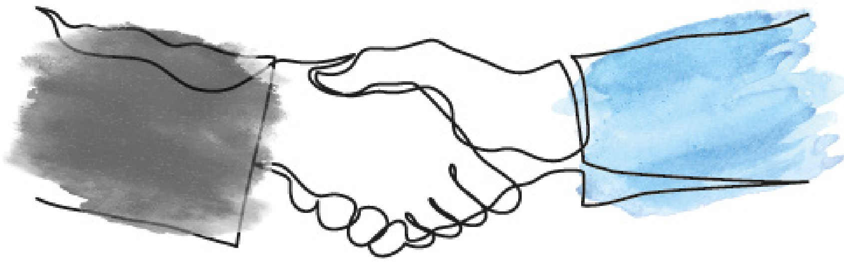
"We were aiming at bridging the gap between the older generation and the younger ones. One thing they wanted from us was some longevity and continuity. So, the fact is that I'm early-thirties and I'm not going anywhere else and I will be here for years. Very often, the recipients of inherited money are about the same age as me."

CONCLUSIONS

Retaining wealth across multiple generations can be difficult, but wealth manager Charles Stanley has proven that it can be achieved and shown how. Some of the stories and the research may be surprising; some may sound obvious. Adviser firms should be able to draw on some of the lessons of their success:

- **Become your clients' key point of contact** for money matters and ensuring a deep understanding of clients and their families.
- **Embed intergenerational financial planning** across all your processes, whether that's raising key questions in client meetings, involving family members in conversations or using life events to broaden engagement with clients.
- **Focus your planning on the family,** not just the individual client, across multiple generations to ensure that wealth transfer is achieved as smoothly as possible.
- **Build a diverse team of advisers and other colleagues,** so that they can be successful across the generations.
- **Create and refine your business succession plan** so that you can confidently promise to be able to look after the wealth of successive generations.

The financial advisory and wealth management market is growing more competitive. **Survival and growth will depend on advisers learning new skills and reinventing old ones.** The huge transfer of wealth between the generations is taking place at a time of unprecedented change. Adviser businesses cannot afford to rest on their laurels.



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