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The Great Wealth Transfer

Who will advise your clients' beneficiaries?

octopusinvestments
A brighter way

Introduction

You may have read about what some commentators are calling '**The Great Wealth Transfer**.'

Over the next **30 years**, an estimated **£5.5 trillion** is due to be passed between generations in the UK.¹ As things stand, the bulk of those transfers will involve beneficiaries who are not advised. This has profound implications, including for advice firms who will no longer advise on those assets.

This report draws on original research, commissioned by Octopus, that sheds much-needed light on the attitudes of advisers, retirees and beneficiaries to this important topic. As such, it gives advisers insight into the opportunity the upcoming wealth transfer represents, and the issues to keep in mind when preparing for it.



¹Passing on the Pounds report, Kings Court Trust, 2017.

Key findings from our research

- **The majority of those aged 30 to 60 say they do not have a financial adviser.**

This is true across the wealth spectrum, and includes those who expect to inherit large sums (more than **£250,000**).

- **Some advisers may be too pessimistic about their chances of retaining assets under advice when a client dies.**

There's a risk that they will just watch those assets walk, when they could instead engage with the beneficiaries and in some cases take them on as clients.

- **Far more retirees are open to involving beneficiaries in their financial planning than are opposed to it.**

Some have just not got round to it yet, which is where a good adviser can help.

- **Advice firms don't have beneficiary or solicitor details on file for many of their clients.**

This could become a problem when the client passes away, as solicitors and executors don't always think to involve the financial adviser.

Two questions every advice firm should be asking themselves

To state the obvious, the so-called Great Wealth Transfer won't be a single event. There won't be one moment when all those assets transfer from one generation to the next.

This will happen inheritance by inheritance, and will involve your clients and their beneficiaries.

Every advice firm needs to ask themselves two questions:

- Who will advise our clients' beneficiaries after they inherit?
- If we want it to be us, what are we doing **today** to make that happen?

As the findings in this report show, there is much left to play for.

Most people who expect to inherit don't yet have a financial adviser

Encouragingly, just over half of advisers (58%) say they're actively trying to grow the number of clients' beneficiaries they advise.

But that still leaves a large number who aren't. The most common barrier, cited by 49% of advisers, is that beneficiaries already have their own adviser.

However, the vast majority of working age adults we surveyed say the opposite.

Our results show that 86% of people aged 30 to 60 don't have a financial adviser.

While the figure is lower for those expecting to receive larger sums, it remains the case that the majority of people expecting to inherit do not currently have an adviser, regardless of how much they expect to receive.

Two thirds of those who expect to receive £250,000 or more say they do not at present have an adviser.

What do you believe is the total value of the inheritance that you yourself will receive from your parents?	Yes, I have a financial adviser	No, I don't have a financial adviser
Less than £100,000	13%	87%
£100,000 - £250,000	17%	83%
More than £250,000	33%	67%

The implication is clear. While there will undoubtedly be instances where a client's beneficiary is already advised, there will be many more where that's not the case.

For advisers who want to seize it, there really is a huge opportunity to advise the next generation

Advisers cite beneficiaries already having an adviser as a barrier to building a relationship with them.

However, the vast majority of those who expect to inherit are currently unadvised.

Two thirds of those expecting to inherit over £250,000 say they don't have a financial adviser.



The top five reasons advisers don't engage with beneficiaries

We asked advisers what barriers they face to developing an advisory relationship with clients' beneficiaries.

These were the top five responses:

- **The beneficiaries have their own financial adviser**

Cited by **49%** of respondents

- **It's simply not something that's discussed**

Cited by **39%** of respondents

- **The beneficiaries live too far away**

Cited by **37%** of respondents

- **Don't know who the beneficiaries are**

Cited by **22%** of respondents

- **The clients are opposed to the idea**

Cited by **12%** of respondents

These assumptions should be challenged

Our research shows there will be many instances where none of these barriers applies. Even where they do, that doesn't mean they are always insurmountable.

For example, advisers who don't know who the beneficiaries are could ask their client, especially where having those details could help any estate planning run more smoothly.

It's also easier than ever to communicate remotely. Just because a beneficiary lives far away, that won't necessarily mean they'll eschew an adviser who has done valuable work for their mother, father or someone else close to them.

As for the top two reasons given by advisers, our findings suggest that in the majority of instances, they simply won't apply.

Interestingly, only 12% of advisers say that clients are opposed to the idea of their adviser engaging with their beneficiaries.

Most retirees say they're open to involving their beneficiaries...

Far more retirees are open to the idea of involving their beneficiaries in their financial planning than are opposed to it.

Yet a perception exists that clients are reluctant to talk to their beneficiaries about their financial affairs. This perception may explain why the second most common barrier to engaging with beneficiaries was 'It's simply not something that's discussed' (cited by 39% of advisers).

That will undoubtedly be true in some cases. However, several of our research findings challenge the assumption that clients won't want their beneficiaries involved in decision making.

For example, 81% of retirees told us they have already spoken to their children about their will. A further 12% said that while they haven't yet, they do intend to at some point.

Only 7% said they did NOT intend to talk to their children about their will.

...but they may need some gentle nudging

Most retirees are also open to the idea of talking to their beneficiaries about the details of how much they'll inherit. Just over half (56%) said they've already had that conversation with their children. Another 20% say they haven't yet but intend to at some point.

And while it's usually the parent who instigates this conversation, most retirees (88%) say they would be happy to discuss their will with their children if they brought it up.

How financial advisers can help

We asked those who haven't yet spoken to their children about their inheritance why that's the case. The number one reason (cited by 45%) was simply that they haven't got round to it yet.

A significant number of retirees cited their next milestone birthday as the age they expect to be when they do finally speak to their children about their will. For example, 56% of those aged 60 to 69 said they'll do it when they're 70. Of those in their seventies, 30% said they'll do it when they're 80.

Advisers could help by asking clients whether there is in fact any reason to hold off having those conversations. Many clients say they do intend to have them, and may just need some gentle nudging.



One practical step advice firms can take

One simple action advice firms can take to help clients and beneficiaries is to make sure they have the right details on file.

In particular, having contact details for a client's beneficiaries and their solicitor could prove very useful when that client passes away and the probate process begins. Solicitors and executors won't always think to involve the financial adviser, even though advisers can add a lot of value by explaining why particular investments were made and what the beneficiaries' options are.

Advisers need to be proactive about making sure they're involved when their client passes away.

On average, advisers tell us they have a record of beneficiaries' details for about half their clients. For solicitors, the figure is a quarter.

Advice firms could do some valuable groundwork now by plugging some of these gaps in their records.

Conclusion

Our research findings suggest that advisers could benefit from challenging their assumptions about how difficult it is to engage with their clients' beneficiaries.

After all, if an adviser has done a good job for the client, they will often be in a strong position to take on their beneficiaries. They have proven their value in the most powerful way possible.

Many advisers who would be happy to take on beneficiaries won't get the chance if they don't act. As a result, they could lose assets under advice that they might have retained.

Where to find out more

Octopus has a dedicated Estates and Probate team who can share best practice when it comes to engaging with a client's beneficiaries.

This team deals with cases where a client has passed away, and so sees what works well and what can go wrong on a daily basis.

The team is happy to speak to advisers who have any questions about this topic. You can reach them on

0800 294 6826 or **estatesandprobate@octopusinvestments.com**.



Research conducted by Opinium in January 2019, from a sample of 200 financial advisers, 1,000 retirees aged 60 and over, plus another 1,000 adults aged 30-60 with at least one retired parent over 60.

Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: January 2019.

CAM07805B-1901