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Inheritance Advisory Services Boost Asset Retention

By Tina Orem July 17, 2016 •

Baby boomers will soon bequeath $30 trillion to their heirs, but many credit unions may see their asset bases dwindle as a result if they don't start taking a bigger interest in Gen Xers, according to industry experts.

Generation X – the 66 million Americans born between 1965 and 1980 – will inherit much of that $30 trillion, creating a sense of urgency that is quietly building among some advisers while much of the rest of the financial world focuses its attention on millennials.

For some credit unions, the massive wealth transfer will mean fighting to keep assets suddenly in the hands of younger, tech savvy, educated heirs – who may already have banking relationships somewhere else.

“I don't think credit unions yet understand how big of a deal it is,” Gary Weuve, vice president for CUNA Brokerage Services, Inc.'s Center for Advisor Excellence, said.

The oldest baby boomers are turning 70 in 2016, and life expectancy for a 65-year-old male is about 20 years, he said.

“The next 10 years here, this is going to start heating up. We’re just seeing the leading edge,” he said.

What can credit unions do to keep other financial institutions from inheriting their assets? Four experts shared their ideas.

Know your member and their spouse and kids

Advisers routinely lose at least half of the assets in an account when money passes to a surviving spouse and then on to the kids, Weuve said. Usually the loss occurs because the adviser never built a relationship with the client's spouse and children.

“The adviser never demonstrated, communicated or shared their value proposition with the kid,” he said. “Because there's no connection to the kid, they never had an opportunity.”

Meet heirs in person

Family meetings are more than just a way to discuss estate issues – they’re a way for advisers to make themselves known to Gen X heirs and build a rapport that can pay off down the road when those heirs have to make decisions about what to do with their inherited assets.

“Have the clients give an OK to reach out to these beneficiaries,” CUSO Financial Services Financial Advisor Vinh Do said.

Then sit down with them and the parents, and discuss everybody's priorities together.

“It gives them a clear idea of what the beneficiary would like to do, as well as the benefactor and what their wishes are for their children,” he explained.

Assets are more likely to move when heirs aren't aware of the services the credit union offers or believe those services are limited, Do added.

Advisers should also get face time with heirs when they come in to sign documents, CUSO Financial Services Investment Advisor Susan Peyret noted. Peyret has been advising for more than a decade and primarily works with clients over 60. She has about $65 million in assets under management via the Austin, Texas-based Amplify Wealth Management.

"Even if they're not adding them to a joint account, even if it's a power of attorney or beneficiary kind of situation, the key is promoting to the member. 'Hey, we want to get Joe Jr., in here so that he knows who I am. I can shake his hand and he knows that he has someone to come to,'" she said.

Try new marketing tactics

Many credit unions only promote advisory services to the demographics they have now rather than the demographics they'll have in five or 10 years. Targeting Gen X as well as baby boomers can yield huge dividends down the road, Peyret said.

"The baby boomer will appreciate that, but then the Generation Xer will say, 'Yeah, have my parents done that? Maybe I should talk to them about that. Maybe we need to have a family conversation about this,'" she explained. "Then once you have that Generation Xer that you kind of established some rapport with, and they've come in and they've met you, that opens up a wide door of marketing to that person."

Marketing goes beyond advertising, Peyret noted.

"A lot of it is making sure that our members who are of a certain age have beneficiaries listed on their account," she said. "It's managers and it's bankers reaching out to the depositors and engaging in the conversation and saying, 'If you have a power of attorney on file, do we know who your power of attorney is?' Not just do we have a piece of paper, but have we met that person?"

Partner up.

"The baby boomer adviser has built a relationship with dad and hopefully mom, advising them over the years. One of the issues as I think about my own situation is if I now try to work with the kids, the children of my best clients, I'm going to sound like their dad," Weuve said. "So maybe I partner with a millennial adviser or a Gen X adviser, and I introduce that adviser as my partner to the children of my best clients."

That has three effects, Weuve said: It forms a bond early on with the heirs, takes some of the pressure off of boomer advisers who can continue to focus on the parents, and it puts an adviser in the pipeline to step in when the more experienced adviser retires.

"It's kind of a double advantage for the credit union investment program," he said.

Up your tech game

Credit unions that want to have a shred of a chance of keeping Gen Xers should also make sure they meet that demographic's technological expectations.

"It's not a secret that Generation Xers are very comfortable transacting business via email," Peyret said, for example. "They're very comfortable really doing things with someone and never having met them … it's something they've learned to expect when they're dealing with a financial institution."

Get the timing right

Investment Advisor Matt Russell, who has been in the business about 15 years and has more than $90 million in assets under management at the Clackamas, Ore.-based Advantis Credit Union, which has $1.3 billion in assets and 64,000 members, hosts family-based events for clients who are between 62 and 65 years old. The objective at that age is to make initial contact with clients' children and families, he said. Then, as they near the 70 to 75 age range, clients need to make key legacy decisions and it becomes clearer which child will be the executor, he noted.

"At that point, we're really starting to press to say, 'You know what, let's get the kids involved.' Hopefully by that time we've at least met them so that we have some kind of a basic relationship. Then, going forward, we just try to keep inviting them to meetings and get them involved in more and more of the decision-making," he said.

And even though the asset transfer may still be a ways off, there's little time to waste, he noted.

"If you're getting a notice that the account is being closed and things are on the way out, it's done – they're pretty much gone," he warned.

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