The estimated tens of trillions in intergenerational wealth transfer has begun. An estimated $59 trillion—divided among heirs, charities, estate taxes, and estate closing costs—will be transferred from 93.6 million U.S. estates through the year 2061, according to the Center on Wealth and Philanthropy (CWP) at Boston College.

The bulk of the recipients will be millennials, also referred to as Generation Y, who were born from the 1980s through the early 2000s.

The new generation of high-net-worth individuals (HNWIs)—millennials, second- and third-generation heirs, and technology entrepreneurs among them—will face new responsibilities and opportunities requiring investment advisors’ services. If they manage their assets well, they will also be able to pursue meaningful endeavors—social impact is high on this generation’s list.

As a result of the largest wealth transfer in U.S. history, it’s estimated that the next generation will control between $20 trillion and $30 trillion in charitable giving.¹

How the younger HNWIs pursue social change and deploy those assets to charity has the potential to look vastly different than it has looked for earlier generations. Embedded in this change is vast opportunity for wealth and investment advisors, but it is not without challenges for many firms.

The most immediate is the possible change in firms and advisors.

Turning a Challenge into an Opportunity

Sixty-six percent of children fire their parents’ financial advisor after they inherit their parents’ wealth, according to an InvestmentNews survey of 544 advisors in April 2015.² Firms face this type of risk not only during wealth transfers. For instance, Capgemini reported that nearly 85 percent of HNWIs younger than age 40 are more likely to leave their wealth managers or wealth-management firms if their needs are not being met, compared with 76.6 percent for HNWIs older than age 40. Capgemini also found that younger HNWIs had much less trust and confidence in both their wealth managers (64.2 percent versus 75.7 percent for older HNWIs) and wealth-management firms (63.6 percent versus 76.3 percent for older HNWIs).³

Now consider that the InvestmentNews report also found that 54 percent of advisors meet with their clients’ children less than once a year and 18 percent never meet with them.

It’s time for advisors, especially advisors who are worried about their assets under management, to rethink or broaden their view of the traditional client relationship. Refocusing on clients’ children and family members can go a long way toward retaining both clients and assets. It’s probably not too late and never too early to build those relationships.

On the bright side, younger HNWIs are looking for your help, in particular with their social impact goals (see figure 1).

Younger U.S. HNWIs place greater importance on driving social impact, and not surprisingly they have high expectations that their wealth-management firms will support their social impact goals.

These considerations signal opportunity for advisors and firms. Consider the following with your existing clients:

- Start to form an intergenerational relationship.
  - Host beneficiary meetings.
  - Help your clients talk about finance and planning with their children and grandchildren.
  - With great wealth can come great problems and entitlement that parents seek to avoid with their family members.
  - Think beyond the traditional educational seminar or workshop and consider e.g., a pub quiz, a cooking class, a Jeffersonian dinner.
Consider the following:

The traditionalist generation, the youngest of whom would now be 91, experienced World War II, the atomic bomb, and the civil rights movement. Baby boomers grew up in a world of space exploration and IBM mainframes, and their children grew up as the MTV generation. The generations after have never known a world without smartphones, video on demand, or Facebook. The newest generation that some are calling the Alpha generation will have their life experiences informed by artificial intelligence, robotics, Apple Pay, and bitcoin (see figure 2).

The lenses through which the new generation experiences the world, communicates, and forms its values and expectations is vastly different from its elders’. As a result, the younger generations’ views on how to tackle issues and achieve results will evolve into something different as well.

Traditional grants, annual black-tie galas and fundraisers, boards of directors, “you buy a table at my event and I’ll buy one at your event,” all have less appeal for the younger generations.

The next stewards of philanthropy want to be actively engaged. They want to understand the issues and be on the ground in terms of designing solutions. They want to be architects of social change. They are driven by experiencing and witnessing the problems and interacting with the communities. They want to apply their monetary resources as well as their time. They are collaborative in nature and seek partners and expect to leverage their networks to solve problems.

Making an impact and sustainable investing are important to them. They will have tremendous influence on the global direction of and investment in efforts to improve issues related to poverty, health, education, conflict, etc.

Financial and wealth advisors are in a unique position to support their clients in the following ways:

- Connect the dots.
  > Connect services and products to things that matter to younger clients.
  > They seek current meaning and context in all things including financial planning and investments.
  > Provide services and products that help them become better philanthropic stewards.
- Multigenerational teams.
  > Is your business model equipped to manage and attract younger clients and the diversity they represent (e.g., women, minorities, entrepreneurs, etc.)?
  > What are your cross-team capabilities and firm-wide strengths?
  > How do you integrate services?
  > Are you proactively offering specialized advice and unique investment ideas?
- 24/7 news cycle generation.
  > Younger clients have lived through a couple market crashes, the Madoff scandal, and hits taken by their parents’ portfolios, so they can be conservative or leery as a result.
  > Proactively provide and post via social media information that they can’t get on their own.
  > This generation does its research and has up-to-date information, but your value-add is to provide context and greater insight.
- To quote a wise elder (my grandmother): “You’ve got to meet people where they’re at.”
  > Embrace technology and social media.
  > Millennials are online, so you must be online, too.
  > They make decisions and transact business with less in-person interaction.
  > Communicate often on a variety of platforms—text, tweet, blog, and use LinkedIn, Pinterest, etc.

Next Generation Philanthropy

Let’s talk a little about what matters to younger generations—impact, sustainable social change, and innovative investment to achieve impact. This is not your grandfather’s philanthropy.

Figure 2: Generations


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• Take a partnership approach. Younger clients want to know the details, research everything, and be hands-on.
• Make strategic introductions.
• Provide general advice on philanthropic strategy.
• Leverage your access to key policy makers and nonprofit leaders to help inform on issues and possible approaches.
• Aid in the planning, due diligence, and structuring.
• Be a source of knowledge on impact investing and philanthropic trends.
• Provide guidance on giving structures, products (i.e., product-related investments).
• Source potential board members.

If we truly wish to improve people’s lives, communities, and opportunities, then it behooves everyone that the newest generation of affluent individuals and families become the best philanthropic stewards that they can be—ones their grandparents would be proud of.

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Endnotes

CONTINUING EDUCATION
To take the CE quiz online, visit www.IMCA.org/IMCquiz

UNIVERSITY WAY OF NYC: REINVigorating Relevance and Results

In the development of this article, I had the pleasure of speaking to several industry experts for their insight. I’d like to spotlight one in particular.

United Way has enjoyed an esteemed 125-year history serving communities around the globe and addressing issues related to health, education, income, and food security. Working in more than 1,800 communities across more than 40 countries, United Way is able to impact and improve the lives of more than 50 million people each year. At a minimum, many of us have heard of United Way over the years; others have been involved via workplace fundraising campaigns, annual donation drives, or planned giving. I am pleased to report that United Way has become an organization for modern times by tackling modern problems and leveraging new leadership, vision, and innovation. Sheena Wright, president and chief executive officer of United Way of New York City, is a part of that new generation of dynamic leadership that is attracting new thinking, energy, talent, and young donors. I had the pleasure of sitting down with her to discuss her vision and approach, which is generating enthusiasm among the various stakeholders—families, communities, community partners, governments, and donors.

Q: How does a place like United Way stay relevant? Change with the times?
A: Short answer: Stay focused on the families and communities, the people behind the impact and the metrics.

But it is interesting that we are having this conversation, because people normally don’t think of large institutions as innovative, creative, entrepreneurial organizations. Yet, that is the very thing that I knew we had to focus on in order to be relevant. United Way means so many different things to so many, so it is important to me to have many voices represented. I had a real appreciation of the history and people of this place, as well as some clear ideas of things I wanted to accomplish when I stepped into the role. The biggest joy and sense of accomplishment is seeing how tasking the whole organization, including the board, with articulating a vision and plan has energized and empowered people.

Q: What’s an example of something that has come out the plan?
A: United Way of New York City has set a bold goal for itself to help 50,000 New Yorkers—in communities of concentrated poverty—make meaningful and measurable progress to self-sufficiency by 2025, meaning that they will have the income and access to resources to meet basic needs: housing, food, child care, etc. without relying on public assistance.

Q: What’s the attraction for young donors?
A: Problem solving. Young people—millennials—want to solve problems. They learn by experiencing situations and piloting new ideas. They have a comfort level with risk and collaboration that works well with the social challenges we are dealing with. We provide them not only an environment to engage in that way but also a community of other really smart, highly passionate people to work with. We talk about them wanting to be architects and being part of the design phase. It is so true. As an institution, we’ve got a lot of experience, deep expertise, and a broad network, but when you open the vaults so to speak or spread the blueprint on the table and let others add their talent, time, and treasure, it’s magical. And it draws people in and you get dynamic and unexpected results. And seeing results is addictive and contagious.

Q: Final thoughts on how and why people should get involved with United Way?
A: I’ll answer by paraphrasing a leading philanthropist we’ve been talking with about a major gift, and whose family has a variety of interest areas (homelessness, education, women and girls, etc.): “It’s the most efficient and impactful way for my family to deploy capital and time into the community.”

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