Intergenerational Wealth Transfer – Research highlights

Adviser support pack
Q4 2020

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Background

As part of our There for You campaign activity, consumer research was commissioned by Quilter on the topic of the intergenerational transfer of wealth. An online survey was undertaken by YouGov Plc*, an independent research agency, with 1,544 UK adults, during early July 2020.

Through this research we were able to target groups of advised investors that were representative of the core users of a UK platform, as well as having a high predisposition to intergenerational wealth transfer, be it as a donor or recipient of wealth. We achieved this by targeting Baby Boomers, Generation X and Millennials, and then within each of these groups targeting those from key consumer segments that we identified using a well-known UK segmentation model.

Alongside having this greater propensity to wealth transfer, consumers within these core segments tend to come from more affluent households, have higher levels of disposable income, and have reasonable (or significant) levels of savings, investments and pension pot(s) – or are individuals that are likely to demonstrate these attributes over time.

The results from this research have enabled us to identify ways in which advisers can potentially improve their intergenerational strategy. Through the remainder of this pack we share key research findings which help support each of the 'calls to action' that have been identified.

** The research was commissioned by Quilter and undertaken by YouGov Plc, an independent research agency. All figures, unless otherwise stated, are from YouGov Plc. The total sample size is 1,544 UK adults, comprised of 529 Baby Boomers, 501 Generation Xers and 514 Millennials. Fieldwork was undertaken between 07/07/2020 - 08/07/2020. The survey was carried out online.*

Note: Baby Boomers are individuals born between 1945 and 1965, Generation X were born between 1966 and 1980, Millennials were born between 1981 and 1996.

What an adviser can do to improve retention and achieve growth:

1. Target client referrals at other family members

2. Position yourself as an expert

3. Inheritance events are an opportunity to grow your business – it is key that you are the beneficiary's financial adviser at this point

4. Don't assume that your clients will tell you about receiving an inheritance – so ask the question

5. A gifting strategy can have positive benefits for all involved

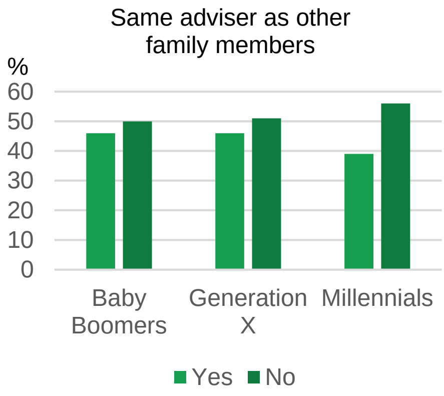
1) Target client referrals at other family members

Key take outs

- Family member referrals can be very powerful.
- Successful referrals for Baby Boomers and Generation X are most likely to be through the spouse, whilst for Millennials most success would be seen if the referral comes from their parents.
- The younger the generation, the more influential a family recommendation is.
- You can improve the chances of success of a referral if someone has already received, or expects to receive, a gift of wealth.
- The chances of success can be further improved if you are the adviser involved in the inheritance planning for a specific family member, and the wider family is aware of this. It is worth noting that individuals across all generations are more likely than not to be comfortable to be involved in the family's inheritance planning process.

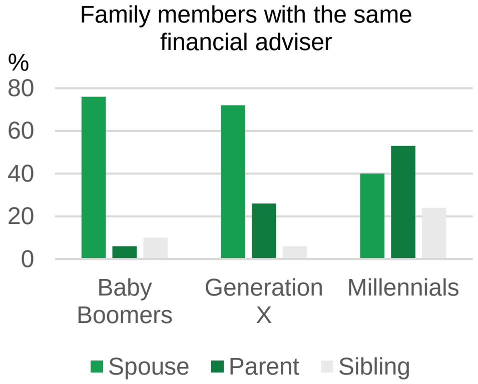
Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

Family members having the same financial adviser is common but not widespread



- **Nearly half** of Baby Boomers and Generation X use a financial adviser who is the same one as another family member.
- Millennials are **more likely** to use an adviser who isn't connected to the family.

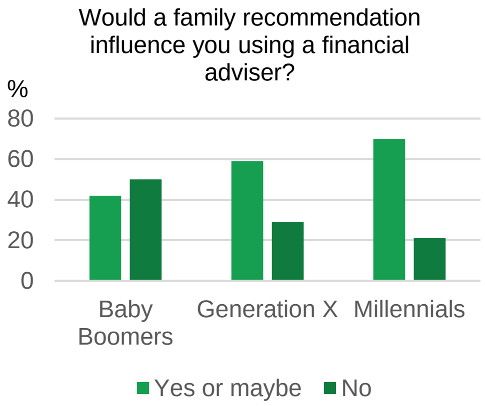
A family office approach is most common with spouses



- **Over 70%** of Baby Boomers and Generation X who have the same financial adviser as another family member, do so with their spouse.
- **Over 50%** of Millennials in a similar position are more likely to have the same financial adviser as their parents.

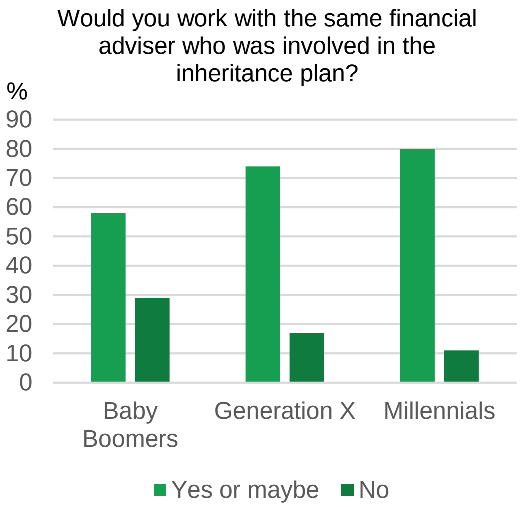
1) Target client referrals at other family members (continued)

A family recommendation is most influential amongst the younger generation



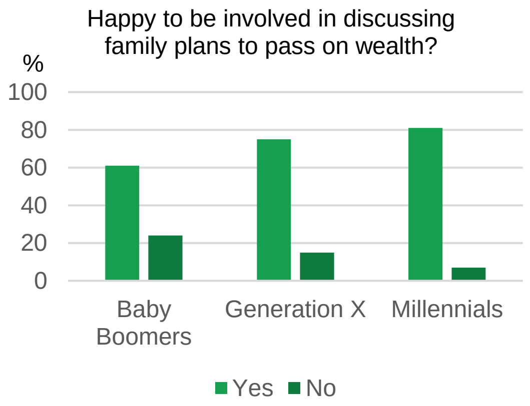
- **Over half** of Generation X and **more than two thirds** of Millennials would consider using a financial adviser if one was recommended to them by another family member.

Wealth transfer planning improves likelihood of beneficiaries working with the same financial adviser



- Having received or expecting to receiving a gift **improves the likelihood** of someone considering the recommendation.
- The younger the generation, the **more influential** the actions of another family member is.

All generations are happy to get involved with intergenerational wealth transfer planning



- **A quarter** (24%) of Baby Boomers would not want to have these discussions with the family, which may reflect the fact that it would most likely be their wealth, and their plans for passing this on to the family, that would be the topic of discussion.
- Again, having received, or expecting to receive, a gift of wealth **improves the likelihood** of someone being happy to be involved.

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Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

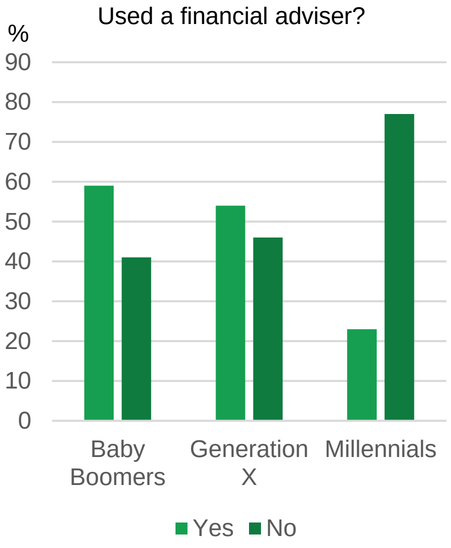
2) Position yourself as an expert

Key take outs

- Many individuals have never used a financial adviser – and so are unlikely to have seen the value and expertise an adviser can bring. This is particularly the case amongst younger individuals (i.e. Millennials).
- Older consumers will typically have had more opportunities to need a financial adviser – they have had more time within which to have potentially taken out one or more mortgages, or have accumulated some wealth to make investments, arranged a pension, and so on.
- Generation X and Millennials have far less experience in dealing with a family member who has died (80%+ haven't) and in receiving an inheritance (over 50% haven't).
- Helping them prepare for these types of life events will help demonstrate your expertise and in turn build trust.

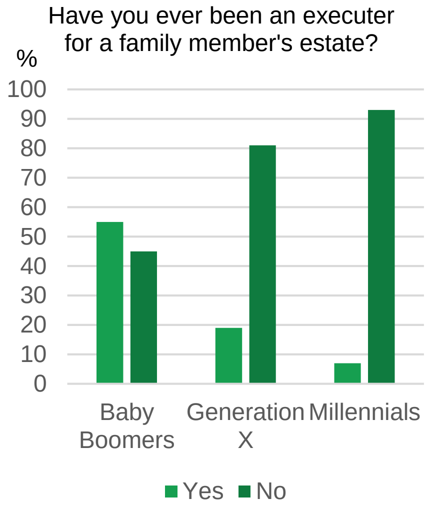
Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

Millennials more likely not to have used a financial adviser



- **Over half** of Baby Boomers and Generation X surveyed have used a financial adviser.
- **Less than 1 in 4** Millennials have used a financial adviser.

Younger generations lack experience with dealing with the financial situation of a family member who has died.



- **80%+** of Generation X and Millennials have not had to deal with the estate of a family member who have died.

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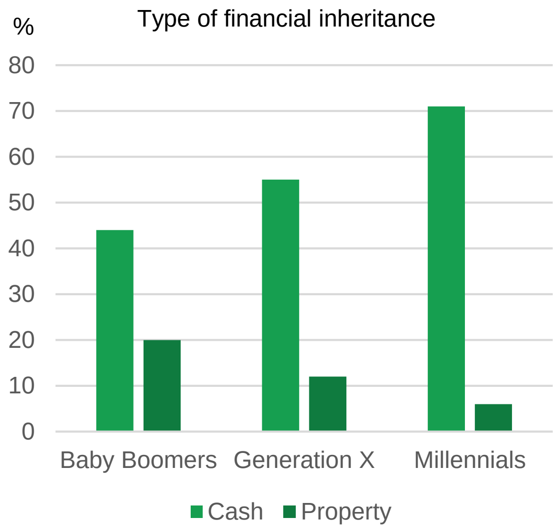
3) Inheritance events are an opportunity to grow your business – it's key that you are the beneficiary's financial adviser at this point

Key take outs

- On average, advised clients receive a cash inheritance of £90k.
- For those currently with a financial adviser the likelihood of them investing their cash inheritance increases from 9% to 35% compared to someone who has never had a financial adviser.
- Baby Boomers are most likely to receive property as an inheritance – although 63% of property that is inherited is sold.
- With the average property inheritance being £134K, this could indicate that more than one family member typically shares in the inheritance of a property (considering average UK house prices).
- In general, the biggest recipient of the proceeds of the property sale is someone's bank/building society.
- For those currently with a financial adviser the likelihood of them investing the proceeds from the property sale increases from 11% to 53% compared to someone who has never had a financial adviser.
- However, there is the risk that if the cash inheritance is substantial (i.e. £500K), across all generations, purchasing a property comes top of the list of what people would do with it.
- Whilst younger generations are less likely to have received a financial inheritance, many of these are likely to do so in future.

Younger generations are more likely to receive cash as an inheritance



- People are **most likely** to receive an inheritance in the form of cash – with this increasingly likely amongst younger generations.
- **1 in 5** Baby boomers receive property when they inherit.

£43k = the average cash inheritance overall

£90k = the average cash inheritance for someone with a financial adviser

63% of property that is inherited is sold

£143k = the average property inheritance

Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

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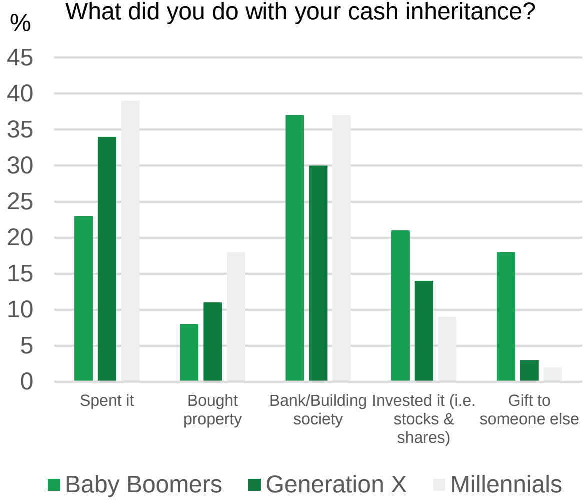
3) Inheritance events (continued)

Baby Boomers are more likely than other generations to invest a cash inheritance or gift it to someone else

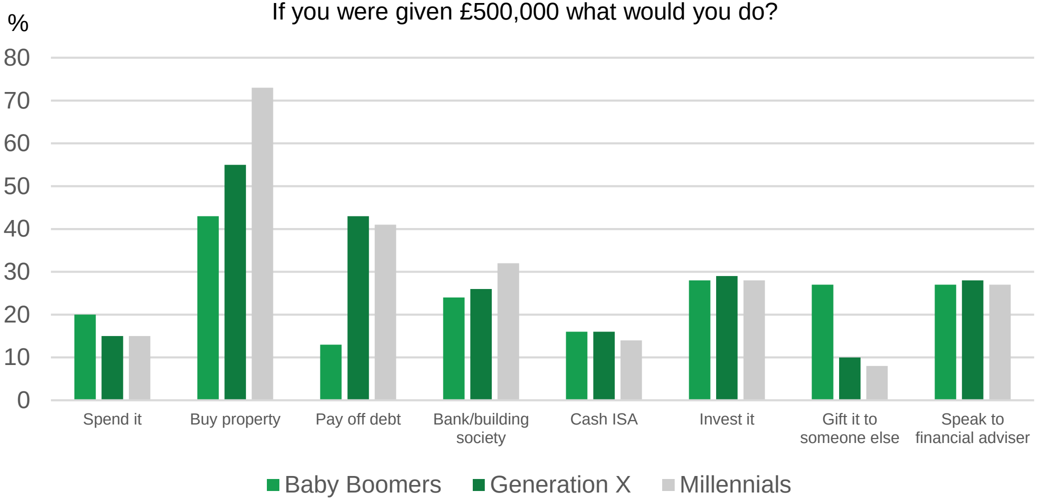
What did you do with your cash inheritance?



- Younger generations are **more likely** to spend a cash inheritance.
- Around **one third** of individuals would keep the money in the bank/building society.
- For those currently with a financial adviser the likelihood of them investing their cash inheritance increases from 9% to **35%,** compared to someone who has never had a financial adviser.

A £500k inheritance would most likely be used to purchase property – but wider opportunities exist

If you were given £500,000 what would you do?



- If given £500k as a lump sum, the **top 3 things** that consumers would do with it (overall) would be:
  - Buy a property (57%)
  - Pay off debt (32%)
  - Invest it [e.g. in a stocks & shares ISA or pension] (28%)
- Priorities do vary across the generations, with Baby Boomers having much less of a focus on property than Millennials, for example.
- Across all generations, **over 1 in 4** would speak with a financial adviser.

Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

4) Don't assume that your clients will tell you about receiving an inheritance – so ask the question

Key take outs

- In general, receiving an inheritance will only result in someone speaking to a financial adviser 11% of the time. However, this increases to 27% if the sum inherited was the more significant amount of £500K (rising to 58% of those that already have a financial adviser).
- Even after receiving an inheritance, a significant number of people that have a financial adviser won't approach them for help. However, in hindsight 1 in 4 of these individuals admitted regretting it (believing they would have benefitted from advice).
- The larger the amount of money someone receives, the more likely they are to ask a financial adviser for help. This reflects findings from research previously commissioned by Quilter amongst both advised and non-advised consumers in late 2018. This found that people often have a financial 'threshold', whereby the need to seek financial advice only kicks-in when an inheritance hits or exceeds that level. For many, it was £500k+.
- Proactively having conversations about potential future inheritances will increase the chance of advice being taken on what to do with that new wealth.

11%

Receiving an inheritance will only result in someone speaking to a financial adviser 11% of the time

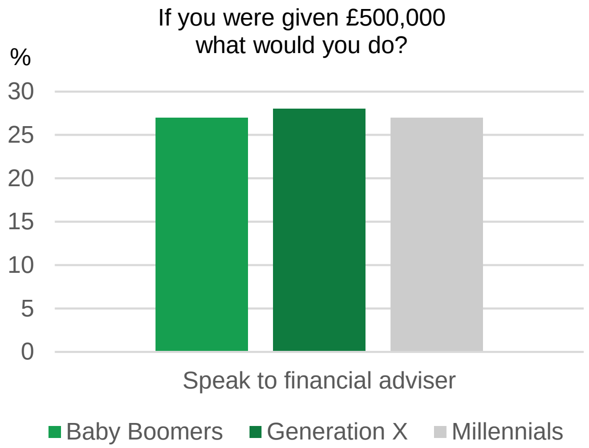
62%

of those with a financial adviser who received an inheritance did NOT ask their adviser for help

1/4

1 in 4 of these individuals admitted regretting not getting advice

Only 1 in 4 would speak to a financial adviser if they inherited £500k



- **Just over 1 in 4** would speak with a financial adviser if they were to receive £500k.
- Many would be looking to invest some or all of this money. Over 1 in 4 would look to make financial investments whilst a significant proportion of consumers would consider purchasing a property.

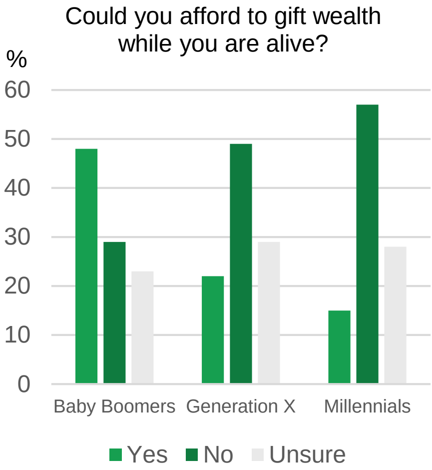
Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

5) A gifting strategy can have positive benefits for all involved

Key take outs

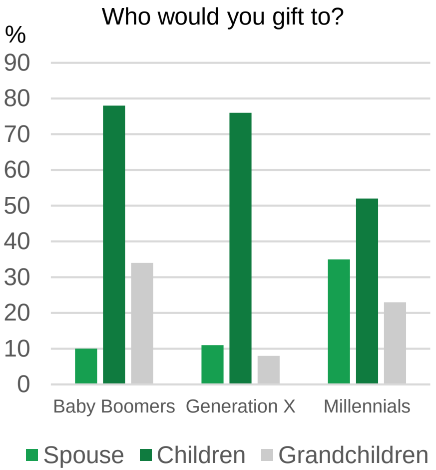
- Baby Boomers are most likely to be able to afford to pass on wealth as a gift whilst they are still alive.
- Cash is the most likely gift (7 out of 10) but younger generations are more willing to consider alternatives such as ISA or pension contributions.
- Current gifting behaviour appears to be unplanned with surprise one-off gifts. Whilst 40% of Millennials have received a gift, typically only half that (20%) expect to receive one.
- The most common gift type is a lump sum between £1,000 and £10,000. Although, 1 in 4 of Generation X and Millennials have received a one-off gift from a family member in excess of £10,000.
- An opportunity exists for a more structured gifting plan if the family understands the long term impact the gifting can have (i.e. small regular gifts become big lump sum amounts over time) and also the most efficient way of making these gifts (e.g. by making the gifts as pension contributions – when more than a quarter are unsure if this is a good idea or not).

Baby Boomers are best placed to make gifts out of their wealth



- **Nearly half** of Baby Boomers can afford to make gifts out of their wealth.
- **Around 1 in 4** Baby Boomers need help to understand whether or not they can afford to gift their wealth whilst they are alive.

Children are most likely to receive gifts – but highly likely to use a different adviser (if at all)



- **Over 3 in 4** Baby Boomers and Generation X would make gifts to their children whereas spouses would more than likely miss out.
- As their children are more likely not to have a financial adviser, a gifting strategy will improve your chances of those family members becoming your clients if it is clear you were involved.

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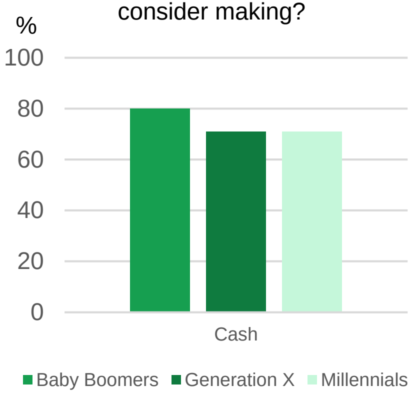
Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

5) A gifting strategy (continued)

Cash is the most likely gift of wealth

What type of gift would you consider making?

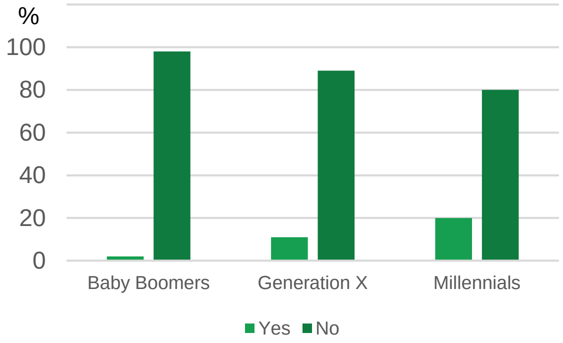


- Over 7 in 10 would make cash gifts.
- Whilst Millennials are least likely to be able to afford to pass on wealth, those that might be able to do so would be more willing to consider alternatives to cash.

1 in 4 of Generation X and Millennials have received a one-off gift of wealth from a family member in excess of £10,000.

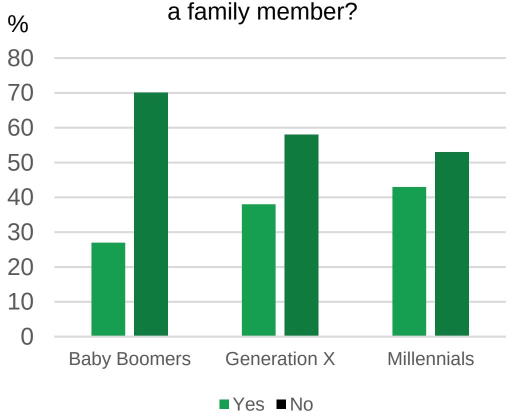
Expectation of receiving a gift is a lot lower than the reality of actually receiving one

Do you expect to receive a gift in the future?



- 20% of Millennials expect to receive a gift.

Have you received a gift of wealth from a family member?



- Over 40% of Millennials have received a gift of wealth from a living family member.

Source: Wealth transfer consumer research commissioned by Quilter via YouGov in July 2020 (Base: 1,544 UK adults, split: 529 Baby Boomers, 501 Generation X, 514 Millennials)

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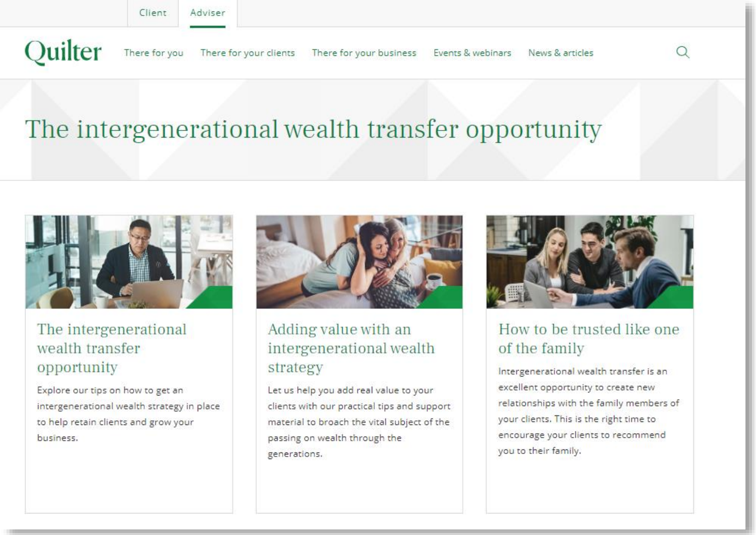
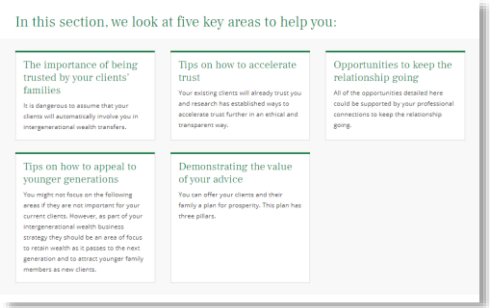
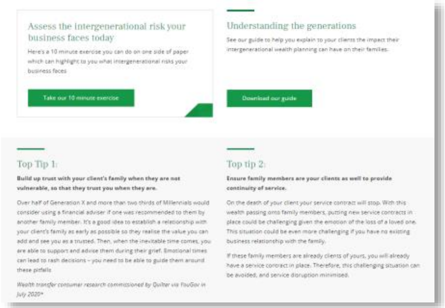
Dedicated support for you

For in-depth support on developing an intergenerational wealth strategy for your business, visit the ***dedicated pages*** on our ‘There for you’ support hub. You can find it under the ‘There for your business’ tab.

As well as tips on getting a strategy in place, there’s also practical material that you can download and use with your clients, plus links to webinars that we have run on this vital topic.







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