BNY Mellon | Pershing

Seize the Opportunity for Your Firm's Future - Driving Growth Through Multigenerational Relationships

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PRESENTATION

Janet Kelly

Good afternoon and thank you all for joining the Pershing Webcast Series. Today's webcast is Seize the Multi-Gen Opportunities for Your Firm's Future. My name is Janet Kelly, Head of Pershing's Practice Management team, and I'll be your host. As many of you know, the Pershing Webcast Series is designed to showcase Pershing's array of products, services, and industry expertise. Throughout the presentation, you may submit your questions using the Ask a Question tab located below the presentation. We will review them during the Q&A portion of today's webcast.

In order to maximize streaming efficiency, please close all open applications on your computer or smartphone while viewing this webcast. If you encounter any audio or video issues, please click the Help button also located below the presentation. Today's webcast features Katie Swain and Thomas Cademartori. Katie Swain is a Director in Global Strategy and Product Management for BNY Mellon Pershing, where she is Head of Wealth Solutions, Lending, and Investor Communications. With over 30 years' industry experience, her views on wealth management trends have been highlighted by various media outlets. Prior to her focus on strategy and solutions, Katie was a financial advisor who focused on financial and estate planning strategies for both individuals and business owners. Thomas Cademartori is the national Head of Wealth Alliances for BNY Mellon Wealth Management. Based in Texas, he provides direct leadership for the Wealth Alliance business, including strategy, new business development, and overall servicing of partner relationships. Thomas brings more than 15 years of experience in the financial services and investment management industry. I know you welcome both of these subject matter experts, and we're delighted to have them today.

There's never been a more lucrative time for advisors to rethink how they're connecting with longstanding clients. Assessing those relationships provides an opportunity to get the entire family involved in wealth discussions, to develop deeper relationships with existing clients and build relationships with their children. Those children stand to inherit the savings of your current clients, and they may likely, as the trends suggest, seek out a new advisor after that transfer of wealth takes place. Our focus today is on the opportunity for financial professionals to expand their existing client relationships today, across the generations to their clients' children or to their parents.

Let's focus on that opportunity. Katie, why would you say that today is a great time to expand relationships across the client's family?

Kathryn Swain

Well, thank you, Janet, and it's a pleasure to be here and chat with everyone. We're in an unprecedented time. I know we hear that a lot on the news and we're all, most of us, are working virtually, but the pandemic has actually given us an opportunity and made it a bit easier for advisors to reach out virtually. This can be both a timesaver and increase touchpoints that perhaps we didn't have before. Advisors are able to check in more frequently with clients, with the gyrations we've seen in the market as well, reaching out to talk about that, about portfolio changes, but it's also a great opportunity for them to connect more broadly with the clients, their family and talk about their goals and what's going on within their family across the country or globally. We can really help with some ways to capitalize on that, seizing the opportunity to meet with the whole family.

We had a scenario recently where we've been working… had one of our registered investment advisors has been working with a family for quite a while and their son lives in California, and in a situation where they're trying to get a particular loan approved to buy investment properties and we were able to help them set up the entire discussion and all of the planning that was involved virtually for one of the virtual meetings. They used Zoom, and it just became very streamlined, very efficient to have that full conversation about how to satisfy those needs. So, this time can present the ability for advisors to make an impact even more broadly than before with their clients.

Also, as we know, there's never been a stronger time in history, to my knowledge, where clients are really working to make the world a better place. So, oftentimes, especially now, this time of season, you'll have a lot of philanthropic endeavors and advisors who are reaching out to their clients to help with contributions toward different things that matter to them. That can be a great touchpoint as well. It feels strange to say this, but once upon a time, families might gather for an annual family picnic or get together to discuss philanthropy, but now what we're seeing are a lot of advisors able to host this gathering virtually. We're seeing new ways of fundraising, new ways of interacting with nonprofits, and we're able to help make suggestions on that and coordinate with different touchpoints. So, I think the time is now, Janet, to think creatively, and really, advisors can be very authentic. We have a lot of passion across the globe for the environment, a lot of causes around racial and justice, and I think the more that advisors can be true to themselves and help their clients tap into those passions, I think that just is a natural way to reach across the family, generationally, and Thomas, I know that you have some ideas around that, too, that we've discussed.

Thomas Cademartori

Yes. Thank you, Katie, and thank you all for allowing me to be on today. So, yes, as we were preparing for this, I was sharing a personal story with Katie, and she said that would be great to share with the broader audience if you're comfortable, so I'm more than happy to. On a personal level, the pandemic has created a catalyst, if you will, or is an opportunity. So, when the pandemic first hit, none of us really knew what was going to happen, what to expect, and my wife and I looked at each other, and she says, Thomas, I need to know everything, and not just having our basic documents in place for estate planning purposes, but literally, for the first time, you really have to think about, we had to think about, confronting our own mortality, and we had to revisit things that we thought we'd taken care of many years ago, such as guardians for our children who are not yet… we have one in college, but the other three are high school and elementary school, and things like, are those still the right guardians, and in one case that guardian is no longer with us. Things, little things, insurance context, what are the passwords that we have, and as my wife and I worked on that, it expanded much broader to my broader family and her broader family.

So, suddenly, we're having Zoom calls with each of our parents who are well up there in age and much more susceptible in a pandemic, to what are the wealth transfer plans in place, and who would be an executor, and, gee, I guess we can't leave X and Y of our children's responsibilities to grandparents, if we're going to potentially not have them, and then it went… in addition to going up a generation, it actually went broad as well, because it created conversations amongst siblings, my siblings and I, so plans, needs, who's going to take care of their kids, will they take care of my kids, all the things that go into this level of planning, just beyond the basic estate planning docs, which we all had in order. As we evolved, it took a couple of weeks, a month, but we're handling all these things over Zoom, and it just struck me that I spend my professional time working with financial advisors, and here I am with a story analogous to what I imagine all financial advisors have an opportunity to engage their own clients in these types of conversations, whether it's to facilitate, encourage, etc.

So, anyway, just Katie asked that I share that personal story, and I thought it was pretty relevant to her comments. Do you have anything to add, Katie?

Kathryn Swain

You know, Thomas, it was funny when you shared that because my husband looked at me and asked the exact same thing. I need to know where everything is. I need to know what all the passwords are. We have to have a document or something to reference, and admittedly, I have not done that yet, but it's a good idea. So, do as we say, not as we do.

Thomas Cademartori

There you go, there you go, and it underscores the point again that while I don't think any of us are... we certainly don't want to make light of the pandemic, but it does, in a certain way, create an opportunity for advisors to have these types of discussions or to prompt these types of discussions with their clients, and since I think all advisors are challenged by how do I do a standard review with my standard client that's been with me for years? The pandemic, in a funny way, may wind up facilitating this larger transition to comfort with technologies like Zoom and the other applications, but also open a door to have broader conversations across generations, across siblings, and then down generations as well. So, in a roundabout way, our business may be permanently changed by what the events of the last seven or eight months have been.

Janet Kelly

What you've both pointed out, ways that an advisor can add value, as a counselor, a coach, a business partner in helping their clients prepare for the future; as you said, Thomas, not just the estate plan, but all the considerations that do take into account the entire family or may, and open doors to have broader, richer conversations. Thank you both, great insights.

Thomas, you focus your efforts in wealth management. What's happening today in wealth management that advisors should consider?

Thomas Cademartori

Sure, sure, I'll offer some thoughts. So, just by way of background, so everybody knows, I oversee a program within BNY Mellon Wealth Management where we partner with financial advisors, whether it's in the independent broker-dealer channel, or the independent RIA channel. So, I spend most of my time working with financial advisors to common clients with BNY Mellon. So, there's some interesting trends going on out there, and I think we all understand them, or have certainly heard about them, read about them, etc. So, at a macro level, there's a bunch of literature out there around what's referred to as the great wealth transfer. So, as baby boomers are moving on in age, their wealth is being transferred, and the question is, does it wind up in Gen X, does it wind up in the millennial generation, but it is a massive macro trend. $2.3 trillion every few years being transferred from one generation to the other. I think we're all aware of that, but there are other dynamics that need to overlay that.

So, if you look at the wealth management business, or even just the broader financial advisory business today, the average financial advisor, I'm sorry, medium financial advisor is 55 years old. In fact, almost 20% of all registered financial advisors today are over the age of 65, so there's an interesting demographic in the financial advisor community, but in addition to that, if we think about the client model that has been in place for many decades, today the median client is 64 years old, and so what can we think about if we're looking at an average client of age 64? Well, they're probably largely done with the accumulation phase, and are either in retirement or in a position where they're ramping down the risk in their portfolio, and they're going to be spending and dipping into the portfolio for their lifestyle needs over the remainder of their life. So, at a macro level, that's let's call it the overlay of what's going on in the wealth management business.

But if we take it then down to the micro level, and how I would suggest financial advisors start thinking about these things, as these trends play out, it creates both risk and opportunity for financial advisors. The risk is that, as the research shows, 87% of clients will seek another financial advisor or try to do their own financial advising as, let's say, the generation one or the single client passes away. So, if you have a financial advisory business today, and you're focused on really a single client, as opposed to much broader family or multi-generational relationships, that business is at risk, whether it's... and it's at risk in two forms. There's a lateral wealth transfer, which is actually the greatest wealth transfer. So, you have to ask yourself the question, how well do I know the spouse of the clients that I'm working with, because let's just assume the husband, because the statistics show that will be the case, if the husband is your primary contact, and you've built the relationship around the husband and the husband passes away, a great deal of wealth will wind up transferring laterally to the surviving spouse, let's say the wife in this case, so you're at risk at that point, depending on the relationship and confidence that you have with the surviving spouse, or said another way, who has the surviving spouse been leaning on for decades themselves? It might not be a formal relationship, but somebody that they trust and building that trust over the decades.

Then, of course, there's the second level of risk, which is once the surviving spouse passes away, and the wealth actually transfers down to another generation, how connected are you and your practice to that next generation? And so when we think about this great wealth transfer, as I mentioned, it creates both risk, but it also creates opportunity, so the risk really is to those practices who have more senior clients, and your service model has been focused around a single decision maker or a single relationship within your client family. So, the opportunity then is the other side of that coin. The opportunity is being able to grow long-term value in your practice, through retention across generation, and then down across to multiple generations, and so when we look at this, I think there's a model out there that may be helpful, so I'll share a couple of thoughts.

I've spent much of my career working in the ultra-high-net-worth channel, and in some cases, the family office space, and when we think about our clients, it really is we think about the family, meaning the entire family, any family members across generations, and broad out through siblings, who is willing to engage us, and our service model there is we tend to… we try to counsel the family to think of the family wealth as a business. The reason for that is that there's a good likelihood that the wealth of the family was built through an operating business that was then sold. So, we actually encourage using a thinking of the resulting wealth to the family, even though it's in liquid form, as still a business that needs to be managed. So, we strongly encourage and implement in our ultra-high-net-worth practice broadening beyond the single client model.

So, then the question becomes, OK, well, what are some thoughts on how to do that? And I always start with, one needs to get the conversation to wealth transfer, because wealth transfer conversations are conversations around family values, as much as they're conversations around family wealth. So, said another way, if you're working with a large client, and once you've secured generation one, from a lifestyle perspective, they're confident they're never running out of money in their lifetime, and there's a resulting amount of wealth that will then be transferred, that's when you're on point for the conversation, and that's really where it begins, and the question I always ask, just to get the conversation started with them is, and again, you want to be broad, you want to have both spouses involved, is talk about transferring wealth versus transferring values, and you'll be… for those who have these conversations, you'll be very surprised, or perhaps unsurprised, that it does vary by gender, which is more important and where the emphasis is.

So, it's a very interesting conversation, but to me, that's the starting point for a conversation around broadening out wide, so you're at generation one, but you've got both spouses, and a conversation around what values do we want to instill? It's not just a matter of setting up a trust and sending money to the next generation. As Katie pointed out, what are our philanthropic values? What do we want to encourage in the subsequent generations versus discouraged in the subsequent generations? Do we run a reward versus not reward, and what does success look like for generation three and four well beyond our years? And so, it all starts with getting on point for a conversation around wealth transfer, be it philanthropy, or be it within the family, then you really want to have a conversation across goals. All family members need to have a voice, across all generations, around what are the goals and what are the expectations, get it all on the table, and then for me the key that unfortunately gets dropped a lot, but I think is the most important part, is defining a structure, almost even a family charter. So, put structure in there that defines when are we going to meet? How are we going to meet? How are we going to make decisions, who needs to be in what roles as we make these decisions? Again, think of it as an operating business, and you're putting together the management team, and you're going to put together your policies and your procedures for how you'd run an operating business. Think of it the same way as to how the family wealth will be run across generations.

So, a couple of closing points would be, there's a lot to be learned and borrowed from working in the ultra-high-net-worth channel or the family office space, that can then be brought down to the level of individual financial advisors, individual wealth managers working with the clients that you work with today. So, I just wanted to share a few thoughts for you there.

Katie, is there anything that you would also add to how to present a solution?

Kathryn Swain

Absolutely, and I would say, imagine a client's response to the offer, let me construct a financial education plan for your family. So, taking a page out of what you've just said, Thomas, when you think about family office constructs, whether it's single-family or multi-family office, when you think about very wealthy families, and how they approach their wealth and running their business, and their investment management needs, their estate planning and philanthropic needs, can you imagine helping them help all of their subsequent family members, kids, grandkids, in some cases great grandchildren? What if, as their advisor, you were able to help them really construct a way for them to reach out and make sure everybody has a similar starting point? So, that would truly open doors across generations, and we've seen that. We've seen that done, and I know, it's interesting, because many advisors I've spoken with have bristled at the idea of helping create an education plan but think about what we're doing now in the pandemic. A lot of us have children at home, and we're helping them online with their learning. A lot of kids, young adults, are doing virtual learning for their colleges, their MBAs. We're already in that space, and what better time to step into that role and really make the most of the virtual environment. So, advisors can be very proactive about offering financial education and helping the clients' young adult children begin their investment life and get that started.

I saw on LinkedIn just today, one of my colleagues that mentioned that her son, who I think is in college, turned to her and said, hey, I really want to get started with investing, where do I start? And so, I think those conversations are going on, and so help with a financial plan or helping a family member. You may have situations where a family member has lost their job due to COVID, and they're stressed out. Part of being an advisor is helping alleviate that stress, whether it's financial, or other, it may be medical, it may be something, maybe somebody needs some help with the business, maybe they need a bridge loan or some type of non-purpose loan. So, families, indeed, are thinking more about mortality and their estate plan and legacy, giving opportunities, but they're also thinking about just the day-to-day, and I think whether you're dealing with hundreds of millions of dollars under management or the middle class family, they all share the same thing, they want to be safe, they want to be provided for, they want to know that they're going in the right direction, and that's just a great opportunity for advisors to step into that role, help untangle the web that's been weaved out there right now.

It's also a great opportunity to develop your brand in the community, as well as with your clients and their family. So, I will say this, Janet, before I turn it back to you, the parents will not forget your assistance when it comes to you helping young adults. They'll know you, they'll trust you and they'll be much more apt to continue their legacy of working with you as the advisor in managing the family wealth.

So, Janet, I know you have some other tips for us.

Janet Kelly

Well, Katie, I appreciate your passion for this subject. It's one I share personally. Cerulli reported, now mind you, this was pre-pandemic, it was last year, but at that time, only four in 10 advisors reported that they are actively conducting financial literacy programs for their clients or prospects – four in 10. This is such an extraordinary opportunity to step into your clients, to their families in a way that, as you were saying, can truly help them deal with today and plan for tomorrow. It's not a commercial, but I'll say there are resources available. We can point you in the direction that might be helpful to you from Pershing, a number of organizations like the CFP Board and SIFMA, and I know many of Pershing's independent broker-dealer clients have resources available. So, for advisors, this doesn't have to be a heavy lift. It's, as you were saying, considering the age and stage, the needs of some of your clients, their concerns, do they have recent college graduates who need insight on managing debt? Have they experienced particular issues during the pandemic, like someone in the family has lost their job and they need consideration around managing their debt or extending financing? Do the young professionals in a family understand how to take advantage of their 401(k) or buy their first home to help plan for their futures? These are very real services that we believe will pay debit dividends.

Let's change gears a little bit and discuss how an advisor's business model can accommodate multi-generational families, the services and solutions that they may need to embrace as part of their business. Katie, that is squarely in your world, what suggestions or insights might you offer?

Kathryn Swain

Janet, we're really looking at disruption in our environment, as we all know, and I think advisors are looking differently at their businesses. They're looking at their practices, they're looking at who they partner with, they see… back when I was an advisor so many years ago, you build your center of influence, and I worked with a CPA and a state attorney, a financial planner, and now I think we need to consider needs across the family. So, I know that there's actually practices that are bringing in mediators, they're bringing in psychologists and specialists that focus on family dynamics, whether it be folks that can help, again, you form an education program, but you've also got the centers of influence around things like divorce attorneys, sports agents, so you've got a lot of spheres of influence, but you also need those specialists beyond the typical expertise that many advisors are used to working with.

I will say that, in terms of financial solutions, we have something that we look at, it's called a wealth ecosystem. So, if you get down to it, there's four key areas that clients are very often talking to you about, concerned about, and that's about growing their wealth, protecting their wealth. They want to leverage that wealth and then they want to transfer it. We've talked quite a bit today about the need to transfer and have that discussion, but also if you look at the trends across the globe right now, especially in the United States, we have something for each life stage. So, with rates as low as they are, it's a huge opportunity to help clients in the area of leveraging their wealth. So, what type of non-purpose loans? I mentioned mortgages earlier. People who are running small businesses, you may have clients that need to have a little bit of extra cash flow to keep their business going until things get back to normal, so there's a lot of opportunities and a lot of different ideas we can offer to help start the discussion, and as you filter in specialists, we have some suggestions there, too, on working with different trust companies, working with donor-advised funds, so there's a lot of help out there. Advisors don't have to be the expert in everything, so we can certainly help guide and make suggestions around the best way to approach a particular topic and introduce firms and advisors to the specialists that can help them in these areas.

And Thomas, I know that you deal quite a bit with these types of questions, and I think in the private wealth space you have some ideas as well.

Thomas Cademartori

Absolutely. Great comments, Katie. Yes, I think the question was around the advisor's business model, and I would separate it from where it is today, and where it's been historically, to what I think it's going to need to be going forward, and we talked about this great wealth transfer, and some of these macro dynamics that say good news, there's a great opportunity; bad news, it creates a great deal of risk in your practice today as well, and so what I encourage and have seen been successful as these business models evolve is really, I think the term is alignment. So, you want to understand how to align with your clients across their family broadly, and then down across generations as well, and alignment would include the services that you offer, the partners that you work with, in addition to the solutions that Katie mentioned.

So, if we think about it from a perspective of specialist or the team that's going to deliver these services for your clients, there's a couple of ways to think about it as a financial advisor or as an RIA, and you may think about it as, what do I want to offer in-house as part of my practice and my firm, and certainly there are people you can hire and specialists that you can bring in-house, and I think that's great. At the same time, if that's not an option, you have to think about whom do I partner with, other professionals in the community, Katie mentioned COIs; whom do I partner with, and do they bring value-added services to the table for my clients as well, and so it really becomes about putting that team together, whether it's an in-house team, whether it's a team of other professionals from other firms, or some combination thereof. It's putting the team together, so that you can offer the array of services across generations that are going to lead to you retaining your clients and growing your practice over the long-term.

I think one of the things that gets overlooked, perhaps, in this process, especially on the upper end, is this concept of family dynamics. Katie mentioned that, I think it's been mentioned once or twice here, but there really is a growing professional practice out there around family facilitation, being able to facilitate family meetings, helping families put structures in place, decision making processes in place, especially as the definition of a family evolves in our country, and so that type of professional… while yes, it is a softer skill, that type of professional and the type of service that they can bring, what I what I've seen with other financial advisors is, if you're having conversations with your clients at that level, the personal family dynamic level, you don't have risk anymore, you're not at risk, right? If you've taken the conversation to that intimate of a level on that personal of a level with your clients, you are right where you need to be for the future of retaining your clients and growing from the retention of your existing client base, and that just generates value for your practice over the long-term.

I think another area that sometimes gets overlooked is, as you put your team together, whether that's in-house or whether that's partnering with other professionals, being mindful of the generational alignment with your clients and their families as well. If you really want to do multi-generational, you want to have some younger members of this virtual team who are providing valuable services as well. A story I'll share with you that I've seen be very successful was a more early career, it's called a junior financial advisor or an associate financial advisor in a really robust RIA practice, and the management of the practice really put a lot of thought into how to develop this person. It's not a case of just sending the junior associate financial advisor out into the community and saying go find 30-something clients. That's prospecting, that's not service-based retention of an existing client base across generations, and so an idea I'll throw out is I saw a business model where this particular RIA team put junior associates into roles where they would get credibility and build trust with the next generation by doing little things. Like when a when a client family meeting happened, the junior associate would come in and provide performance and outlook for the 529s for example, as a way of getting started in delivering advice to the family. But that advice was far more important to the client's next generation than any sort of conversation around benchmark-relative performance on daddy's portfolio.

So, lots of ways to think about your evolving business model as a financial advisor, but I think if you think about the value of your practice, the key word is alignment. Aligning the services and your partners, partnerships and your resources to the needs of families across generations, and then down generations, and making sure that it aligns such that generation two and generation three don't even think about leaving your firm even after you're gone from your firm, because you've aligned the services and the values to the second generation and the third generation, and they're comfortable knowing that as they themselves age, they have advisors inside your firm that will age with them, and so they've got reliable professionals from age, whatever, 25, 30, all the way up through their own retirement. So, just some thoughts on how the business model will evolve.

Kathryn Swain

Yes, Thomas. So, my question to the audience, and those are some great points, is, are you bringing the next generation talent onboard? Are you aligning these younger advisors with your families in the next generation of clients? And I think Thomas pointed out some great examples. We had… many of those who may be listening today, that we every year hold our annual INSITE conference, and one of the years we had a father and son team, advisor team, that was on our panel, and they spoke very eloquently about how they set up their practice, how they focused, segmented and focused, on just doing exactly what Thomas just mentioned. So, there are some best practices out there, and I'm sure that, Janet, you've seen quite a bit of it in your Practice Management world.

Janet Kelly

Well, Katie, you're right, we have seen it, and we've also… in developing the white papers on this topic, that will be coming in a few weeks, we had the chance to meet with a number of clients who had very thoughtfully, as Thomas said, created models and development plans for junior members of their business to be future successors, to be future lead advisors. Though, Katie, when you and I were advisors, some years ago, it might have been just the next-gen advisor would build their book on the small accounts in your business, just to get their feet wet, but as Thomas said, it takes more than that to truly be a team and deploy yourselves aligned with your client families. So, I appreciate both of you provoking that topic, something that we will want to go deeper on because I know we're asked frequently, how can I accomplish that in my business?

So, let me begin to sum up here for our audience. Thank you both. You've mentioned the importance of alignment. Thomas, that was a huge emphasis in some of your conversation, about offering the rich array of services and solutions that would allow an advisory business to offer expertise and service, perhaps beyond their own staffing capabilities. Katie, you acknowledged the value of considering the Financial Solutions across that wealth ecosystem to serve clients at various ages and stages to ensure that you had an offering that really was also aligned with clients, and both of you have acknowledged how important or valuable it can be to use a team approach to serve clients families that will also benefit the advisor's future business.

So, let me ask you all to think for a moment. You've offered so many great ideas to our audience, but is there one recommendation, one next step, that you'd suggest that advisory businesses that are with us today should take advantage of to engage their clients and families?

Kathryn Swain

Janet, I have two suggestions, but I'll make it quick. I would say please go on the pershing.com site and explore all the resources at your fingertips so you can learn more about how to prepare for the deeper engagement with your key relationships. I can't tell you how many times I'm at conferences are on calls with our clients and advisors and they say, oh, I didn't know you had that, and they're referring to our trust companies that we work with to provide an array of different options and expertise, or philanthropic solutions or lending. There's so much out there, and I know we're all busy every day, but just carve out 30 minutes and 15 minutes and just take a quick look at it. And in addition to that, it is October going into November, part of my favorite time of the year, and my personal tip is, now is the time to discuss philanthropy and lending. I mean, rates are historically low. People are thinking about shoring up their legacy and their donations prior to year-end, this is the time you need to be having those conversations, because if you're not doing it, you can bet somebody else is at another institution. Janet?

Janet Kelly

Great tips. Thomas, how about you? What is one thing you'd suggest everyone address or begin to think about right away?

Thomas Cademartori

Yes, I had two thoughts. One is, again, just be mindful of the macro landscape that in which we're operating as financial advisors and wealth managers, and I would suggest to you that it's accelerating, and perhaps even the pandemic will accelerate the needs to make this transition from a single client model to a multi-generational model just that much quicker. So, just be aware that the value of your own practice and the longevity of your own practice, there's a good and the bad. The bad is that it will be increasingly at risk as your client ages and draw down on their portfolio, and then eventually, that'll transfer to a spouse and then down to the next generation. So, that's the risk side of the coin, but I don't know that I've ever seen a better opportunity to grow the value of practices simply by good client service and retention, attention to detail and being mindful of that. I think most financial advisors, myself included when I was a financial advisor, we all think about money, emotion, new clients, how do I network to get more prospects, more referrals, all top of the funnel, and we think new, new clients. I don't know that in my career I've ever seen any better growth opportunity simply by taking care of the clients I already have.

I'll share a share that one thought for something for everybody to take advantage of, and then I'll come back, and I'll just circle back to a comment Katie made earlier, that if nothing else, if you can help a child of one of your clients in any way, no matter how minor, even if it's just asking, that will never be forgotten and it will always be rewarded. That was something I learned very early in my career as a financial advisor, and so still to this day, I find myself being asked to write letters of recommendation for college or medical school on behalf of a child of a client, because I just was thoughtful enough to offer it to my best clients, or to my clients when I was a practicing financial advisor, and it never goes unrewarded. I think it's probably the single easiest thing you can do to both get to this conversation around multi-gen, but also mitigate any sort of retention risk that you might have as your clients pass on. So, I'll leave you with those thoughts.

Janet Kelly

Very helpful, and very actionable. Thank you both. We're eager to address all of your questions, which you can type into the Questions or our Q&A tab. I see several here already, and we have a few minutes, so let's see if we can address those for our listeners.

The first of them is, how do I initiate the conversation with clients that I'd like to work with their adult children or with the whole family? How do I get that started? Katie, what recommendations do you have?

Kathryn Swain

I think, Janet, we've touched, especially Thomas has touched on this earlier, but when I had a book of business and was working with many of my clients, I found that for me, the easiest way to get that started was to ask the client, when's the last time you updated your estate planning documents? Have you engaged your family in the flow and the intentions that you have for the future and the legacy of the family? A lot of times I would run going across scenarios where my clients would say, oh, well, yes, I have all that done, and I said, OK, you have trust? Yes, I have trust. OK. Have you funded the trust, living trust? No. Well, it doesn't work unless you unless you fund the living trust. They didn't know that. Or who have you named as a successor trustee, who have you named to settle the estate? And it's important to ask those types of questions to get them thinking about how things are going to flow when the time comes, because if they've named an institution as trustee, for example, where the advisor is not affiliated or can't continue to manage the assets, that's where assets are going to flow out, and so what can we do? We have great ideas on how to help with that, and all of the trust companies that we partner with are advisor-friendly, they simply provide administration, and the advisor continues to manage assets, even after the grantor passes. So, I would go… my vote is go with the question around estate plan documents.

Janet Kelly

Thomas, have you got anything to add?

Thomas Cademartori

Oh, sorry. Yes, I agree with Katie's points. I think how do we get to that conversation. One other tactic that I've seen used successfully by financial advisors, and I leaned on myself was, as I mentioned before, there's only three places wealth can go. You can either spend it, you can transfer it, or you can give it to the government. So, those are your three choices, and so opening a conversation, let's say you do work with a single client, and they're retired and your relationship really is with the patriarch, I'm just using this as an example, I always like to ask that provocative question around, why is the government your biggest beneficiary? Why are you leaving all your money, and that generally gets us on the topic of wealth transfer, because you get a pretty visceral reaction when you put it that way. Oh, you like the government as your beneficiary, and so once you get on that wealth transfer topic, and the assumption here is you've solved for the lifetime spending needs, great, then you run a Monte Carlo projection, you say over and above your lifetime spending needs, if you live to average life expectancy, there's going to be a pot of 5 million left, so it'll go to your kids, to charity, or the government, your call. That gets you on topic, then I think it's really important to draw in both spouses, and once you have that number, OK, it's 5 million, the Monte Carlo says that eventually 5 million will be transferred, let's talk about how we're going to transfer it and to whom we're going to transfer it, and that gets into that conversation we talked to before about, are we transferring values or are we transferring money?

This is our legacy, right? We're in the legacy conversation now, and those are the provocative ways I get into asking some uncomfortable questions to get into this topic of values and money transfer, and ultimately, it leads to where Katie was, which was, well, gosh, you're right, we want to leave X amount to charity, X amount of church, and X amount to each kid with these conditions. OK, great. Is that documented? Have we put that on paper? When was the last time you looked at that, etc, etc? And now you're down into the implementation phase.

Janet Kelly

Great ways to get those conversations started. Thank you. Each of you has talked about now being a good time, given where we are in this remote environment, but I wonder if you have any particular tips for the person who's asked this question, for advisors to connect with their clients and families, given that we're remote, taking into account safety concerns that stem from the pandemic, any best practices or suggestions you'd like to offer? Katie, I'll start with you first again.

Kathryn Swain

Yes, thank you, and we've touched on it a bit, but we've all gotten so much more comfortable with virtual meetings. So, whether you're using Skype, Zoom, Microsoft Teams, whatever it is, if an event needs to be in person, you can always pre-plan it with a restaurant or the business location, whatever the venue is, just to ensure proper precautions are being taken. But right now, I think there's a great opportunity to use the virtual meeting format, and maybe your family is comfortable and they're going to be renting a ski chalet over the holidays, or something else, but you want to be a part of that meeting. Virtually you can be part of it that way, do video conference, you can even offer to set it up for them in terms of the conferencing event. We've seen a lot of success with that with different advisory teams, and I think we're going to see a lot more of it, even after we get through this pandemic. So, I say go virtual, go digital, and you will absolutely thrive, especially multi-generationally.

Janet Kelly

Especially multi-generationally, I can imagine. Thomas, here's a question that I'd love to come back to you on, because you talked about the importance of integrating junior advisors, or younger members of the practice, into client engagement. How to do that? What suggestions do you have for an organization or a practice that's really looking to get started on that path?

Thomas Cademartori

Sure. As I mentioned, previously, I'm not suggesting this is wrong by any stretch, but what I've observed in the teams that I work with are, oftentimes, when somebody is asked about next-gen or integrating junior advisors, too often I see that the junior advisor is really formally or informally tasked with going out and prospecting younger prospects, next-gen prospects, so hire somebody in there, 10 years into their career, or five years into their career, and they're going out and talking to their own age cohort, and I think the results wind up being somewhat disappointing, because let's face it, most people don't have substantial investable assets that they're talking to, and it winds up… I think from the founder, let's say, of that RIA kind of is disappointing, but what I've seen be successful, on the other hand, is integrating that junior associate level financial advisor into more substantive servicing roles. And I mentioned earlier, really, the goal there is to… if we start with the premise that the big opportunity is retention and growth through multi-generational families, which are already your existing clients, why not give that junior financial advisor a role with your existing clients?

And so what I've seen be successful, really, the goal is to establish some credibility and some trust in the generation two, and even generation three with that junior advisor, so little things, like the most important thing to generation two may be their 529 plans. OK, well, when we have a family meeting, be it virtual or otherwise, let's have the junior financial advisor share with us how are the 529 plans going? Do we prefer age-based? Do we prefer calendar-based? Do we prefer risk-based? How are they performing, etc, etc? Give a servicing role for the family to that junior associate, and that gets back to the whole alignment strategy as well. So, subtly… intentionally, but subtly, you're aligning your junior associate with somebody of their own age cohorts in your client's family, and allow that junior advisor as well to answer questions, particularly questions that are coming from generation two or generation three in an overall client review, because then they're becoming reliable. So, if we think about trust being an equation that includes reliability and credibility, you have to be able to create a role for your junior staff members, such that they can be seen as credible and reliable and aligned to the generation that they're going to carry forward as they stay with your firm over the long-term.

So, just some thoughts on how I've seen younger associates used by successful RIAs.

Janet Kelly

Well, I'm sure that'll spark thinking among a number of the advisors and firm leaders that are with us today, thank you. And thank you all for joining us today. I'm sure you'll join me in thanking Katie Swain and Thomas Cademartori for sharing their expertise and experience.

For everyone, please take advantage of the resources we've created that might help you assess and measure the economic value of expanding your client relationships. We'll share several tools and a page on pershing.com, you're seeing a visual of that page, after today's meeting.

I'll also suggest please join us on November 17, which will be our second webcast in this series. We'll go deeper on cultivating relationships across a multi-generational family, with our guest speakers on that call, all of whom are practicing advisors.

Finally, I'll say, you may download a copy of this presentation by clicking on the Attachments tab. We would welcome your feedback on this webcast, please use the Rate This tab for that. We appreciate those responses, because as a team, we continuously strive to improve our Pershing Webcast Series.

So, finally, thank you all, have a wonderful afternoon.