



**Capitalizing on the Biggest Wealth Transfer in History:
Advantages for Financial Advisors**

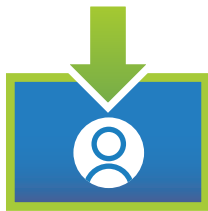
White Paper

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The world is witnessing the biggest wealth transfer in history. As aging generations pass on their accumulated wealth to the next, financial advisors have a unique opportunity to play a crucial role in ensuring a smooth transition.

The magnitude of the wealth transfer wave cannot be underestimated. About \$84 trillion¹ is expected to change hands as Baby Boomers and older generations transfer assets to their heirs. This immense transfer of wealth necessitates a proactive approach from financial advisors who recognize its tremendous impact on the financial landscape. The wealth transfer can stimulate the broader economy through increased consumption and investment as inheritors receive assets and look to either spend them or invest them for further growth. This may lead to shifting market dynamics, entrepreneurial opportunities, and innovation. The recipients of the great wealth transfer are primarily the next generation—typically Millennials and Generation Z.

ACCORDING TO A 2022 REPORT BY CERULLI ASSOCIATES:



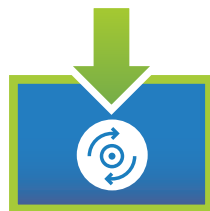
\$72 TRILLION
will be transferred
to heirs.



\$12 TRILLION
will be donated to
charities.



\$53 TRILLION
will be transferred
from Baby Boomers.



\$16 TRILLION
transferred from
generations older than
the Baby Boomers.



\$35 TRILLION
come from high-net-
worth households.

WHAT WILL THE SCOPE OF THE TRANSFER BE?

The wealth transfer process is expected to span several decades and be influenced by demographic trends, individual circumstances, and economic conditions. However, the exact duration of the wealth transfer wave is difficult to predict with certainty.

Wealth can be transferred through various means, including:



INHERITANCES: Wealth is passed down through legal mechanisms such as wills or intestate succession laws, designating beneficiaries who receive specific assets or a portion of the estate.



TRUSTS: Trusts can be established to hold and distribute wealth according to specific instructions set forth by the creators of the trusts, often providing flexibility, control, and asset protection.



LIFETIME GIFTS: Wealth-holders may choose to transfer assets during their lifetime through gifting strategies, allowing them to witness the impact of their wealth while potentially minimizing estate taxes.



PHILANTHROPIC GIVING: Some individuals allocate a portion of their wealth to charitable organizations or foundations as part of their estate planning, creating a lasting impact through philanthropy.

Individuals must work with financial advisors, estate attorneys, and tax specialists to determine the most suitable and efficient wealth transfer methods for their circumstances.

WHAT ARE THE OPPORTUNITIES FOR ADVISORS?

Wealth transfers offer opportunities for advisors in all areas of financial planning. Advisors can provide guidance, minimize taxes, protect assets, address family conflicts, facilitate charitable giving, educate the next generation, and manage investments to ensure successful wealth transfer. Wealth transfers create opportunities for advisors to offer additional services beyond their core offerings. This can lead to increased revenue streams and the potential for cross-selling other financial products or services.

Advisors benefit from wealth transfers in the following ways:

- **Increasing client retention**
- **Expanding services**
- **Acquiring new clients through referrals**
- **Demonstrating specialized expertise**
- **Earning fee-based compensation**
- **Establishing long-term relationships that lead to continued business growth**

Wealth transfers prompt discussions about family wealth, values, and financial goals. Advisors can use this opportunity to encourage broader conversations about financial wellness. They help clients understand the intricacies of wealth management, foster informed decision-making, and promote a holistic approach to financial well-being.

WHAT ARE THE CHALLENGES FOR ADVISORS?

Generational differences can be a major challenge when transferring wealth. An age difference of 30 or 40 years can mean big differences in the investment values and priorities of Boomers versus Millennials and Gen Z. For example, younger generations may be more into ESG and other sustainability practices, which can necessitate selling off non-ESG investments inherited from older generations and reconstructing a portfolio.

The younger generations also have different expectations from financial advisors: they want more accountability and interaction. Younger generations are also more tech-savvy. While a Boomer may have preferred to meet personally with their advisor, younger clients may prefer online meetings. Advisors are getting competition from robo-advisors and other tech-based solutions. An opportunity may exist for advisors to work in concert with fintech solutions.

Minimum investment threshold size is also a challenge. Many traditional advisors require a certain minimum portfolio size before serving a client. Younger clients, having had fewer years to build wealth and being strongly impacted by housing costs and student loan debt, may need lower investment thresholds.

CONCLUSION

Traditional tools such as trusts continue to have their place in advisory services. New tools such as fintech and online interaction are a welcome addition that Millennials and Generation Z will gravitate toward. And consideration of the values of younger heirs will help to keep advisors out in front of this huge wave of wealth transfer.

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Endnote

1. According to Cerulli Associates. <https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045>.