Forbes insights

# WEALTH TRANSFER:
## Managing Financial Well-Being From One Generation to the Next

IN ASSOCIATION WITH:

SUNTRUST
PRIVATE WEALTH

# TABLE OF CONTENTS

# FOREWORD

SunTrust Private Wealth and Forbes Insights conducted surveys of high-net-worth individuals and those who stand to benefit from a significant inheritance to learn their views on managing and transferring wealth. We were specifically interested in knowing what steps wealthy individuals and their heirs are taking to ensure the efficient transfer of wealth and how that wealth will be managed in the future.

We found that, for the most part, both generations have a lot of work to do. Too many begin planning too late, and too few seek out professional advice, often leading to costly mistakes. Communication between generations about wealth management issues could also be improved, and the wealthy generally need to start talking to their heirs much earlier in life to begin instilling a culture of wealth management and responsible stewardship.

First and foremost, high-net-worth individuals must have a vision of what they would like to accomplish with their wealth and then develop a plan to provide for themselves and future generations. "The worst thing you can do is not have a plan," says Joseph Sicchitano, senior vice president and head of wealth planning and advice delivery for SunTrust. "People often put off planning because they are waiting for a perfect time to start. There is no perfect time, and there is no perfect plan. But you need a basic road map that can be modified and adjusted as family and individual circumstances change. This is the key to successful wealth management and wealth transfer."

Sicchitano advises that high-net-worth individuals should begin by taking an inventory of not just assets and liabilities, but of what could go wrong and the family's preparedness to deal with the unexpected. "Life serves up heavy doses of change and uncertainty, even to the very wealthy. A well-designed, flexible wealth management plan is the best way to secure the family's financial well-being no matter what happens."

We hope this report will prompt you to start the wealth transfer conversations with your loved ones.

# METHODOLOGY

Forbes Insights conducted a survey of 351 Americans in September of 2017. Two hundred fifty-one of the respondents are high net worth individuals, all currently having at least $5 million in investable assets, with 23% having more than $10 million. An additional 100 respondents are heirs who expect to inherit at least $2 million in the future. Slightly more than half (54%) are male, while 46% are female. Study participants represent both self-made individuals and those who have inherited a significant amount of wealth.

# KEY FINDINGS

**Only 36%** high-net-worth individuals (HNWIs) report that they have had discussions with their advisor about wealth transfer, although 64% report working with a wealth manager.

**75%** of HNWIs say that either their heirs' preparedness or financial needs are the main factors in planning for wealth transfer.

**Nearly one-third (30%)** of HNWIs report their biggest investment mistake was waiting too long to develop a long-term wealth management plan, followed by making speculative or risky investments (29%), being too passive in managing investments, overreacting to market shifts and not sufficiently diversifying investments (all at 24%).

**HNWIs are more confident** about their own financial well-being than they are about their heirs' financial well-being, with 49% reporting they are very confident about their own financial situation, compared with just 41% reporting they are very confident that their heirs have a plan for improving their well-being.

**HNWIs are taking some steps** to help their heirs avoid investing mistakes and improve their financial well-being, but they could be doing much more. One-third—or less—report discussing mistakes and how to avoid them or encouraging beneficiaries to have a long-term wealth management plan, periodically reviewing investment strategies to reflect market shifts or hiring a professional wealth manager.

**73%** of those who stand to inherit wealth report that their interest in wealth management is high or very high, but just 54% rate their ability to manage wealth as high or very high.

**64%** of those who stand to inherit wealth report that they have not developed a long-term wealth management plan, saying no one told them they needed one.

**A majority of heirs** say their priorities are using wealth to support their family and lifestyle (59%) and preserving wealth with smart money management (53%), yet just 17% report that they have been advised by their benefactors on the importance of engaging an investment management professional.

**While 8 in 10 heirs view wealth as an advantage** and an opportunity to do great things, they need to take more of an interest in managing wealth and take action. Many of those who stand to inherit wealth are still sitting on the fence about hiring an advisor in the future, with less than 50% reporting they are likely to do so.

# BENEFACTORS' VIEW

## NEED FOR FOCUS ON WEALTH TRANSFER

Only 36% of high-net-worth individuals report that they have had discussions with their advisors about wealth transfer, even though 64% report working with a wealth manager. Further, when asked about the most important lessons they have learned about improving financial well-being that they would like to pass along to the next generation, legacy and estate planning, as well as tax planning, came in at the bottom half of the list. Similarly, intergenerational counseling is low on the list of sought-after attributes in a wealth manager. Wealth management experts agree, however, that lack of attention to wealth transfer is one of the fastest ways to shortchange your beneficiaries.

For Stewart Koesten, a former member of the board of directors of the Investments and Wealth Institute, it's all about stewardship. "My father emphasized the importance of stewardship. He'd always say that he wasn't worried about my brother and me, but his grandchildren and future generations. He wanted to make sure every successive generation would be in a better place. That's what high-net-worth families should be thinking about when they think of wealth transfer."

Koesten believes that discussions about a family's wealth and how it is being managed should begin as soon as the children are old enough to understand—he and his wife began when their children were 10—but no later than 10 years before wealth transfer is planned.

"The most successful families share their financial situation with their heirs when they are young and educate them about investing, goal setting, responsible spending and legacy planning—and that's the best approach to securing the financial future of generations to come."

**Figure 1. Most important lessons to pass along to the next generation for improving financial well-being**

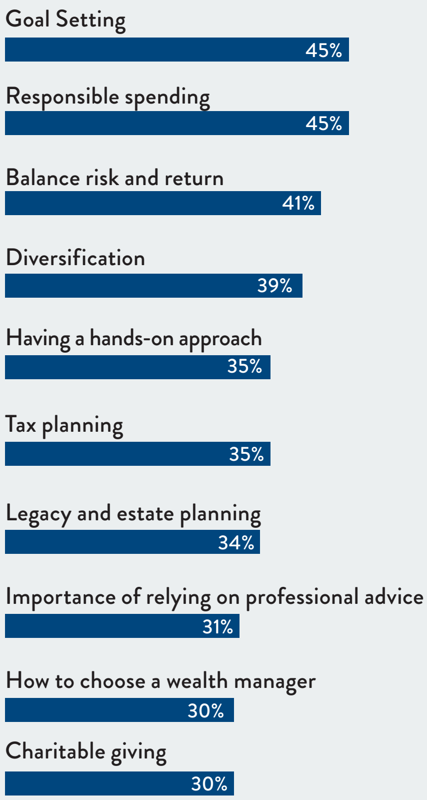
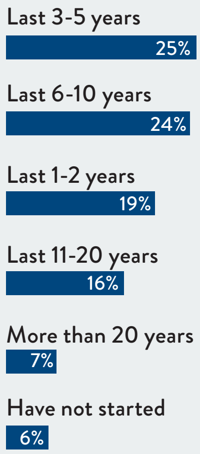



**Figure 2. What HNWIs value most in wealth managers**

## IT'S NEVER TOO EARLY TO START PLANNING

Nearly one-third of high-net-worth individuals report their biggest investment mistake was waiting too long to develop a long-term wealth management plan, with half saying that they started planning for wealth transfer in the last three to 10 years. Their beneficiaries may not be off to the best start either—only half report having discussed plans for wealth transfer with their benefactors. Experts say beneficiaries who have not had these discussions should initiate them without delay—and begin thinking about talking with their heirs much earlier than their parents or benefactors did.

**Figure 3. Fewer than one in 10 HNWIs started planning for wealth transfer in the last 20 years, while, at the other end of the spectrum, some have not started planning at all.**



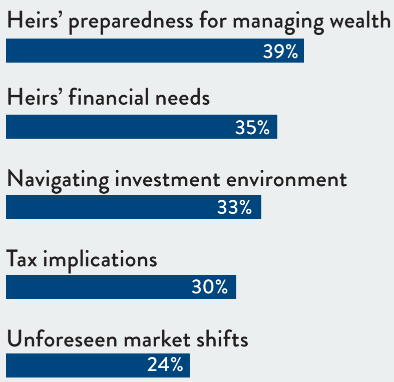

Julie Jason, syndicated columnist and author of Managing Retirement Wealth: An Expert Guide to Personal Portfolio Management in Good Times and Bad, believes wealth transfer planning should be part of the family culture.

"Planning for wealth transfer should start from the first day—when a person comes into wealth," Jason says. "High-net-worth individuals should create a family culture of wealth management and legacy planning. Family culture, values and goals for the future should drive every decision related to managing and transferring wealth."

## CONCERNS ABOUT HEIRS TRIGGER INTERGENERATIONAL WEALTH PLANNING

Heirs' ability to manage wealth leads the list of concerns for high-net-worth individuals. Three-quarters say that either their heirs' preparedness for managing wealth or their financial needs are the main factors in planning for wealth transfer. This finding raises the question of why wait for need, or anxiety, instead of planning calmly, without any concerns.

**Figure 4. Main factors affecting plans for intergenerational wealth transfer**



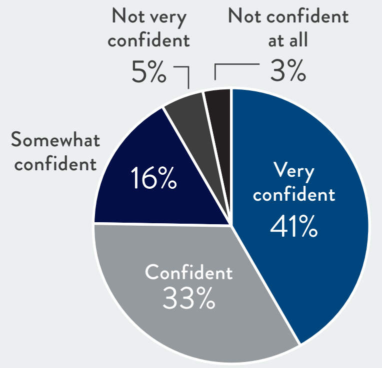

The Investments and Wealth Institute's Koesten agrees. "In most cases, there is a period of years from the time heirs know they will inherit money and the time they actually do," Koesten says. "Heirs should use this time to learn, grow and develop a partnership with the people who are going to be their advisors. I think it's a huge mistake to abdicate that responsibility. It takes time to develop a trusting relationship, and heirs should use that time to their advantage."

## BENEFACTORS' OUTLOOK FOR THEIR BENEFICIARIES IS NOT AS ROSY

High-net-worth individuals are more confident about their own financial well-being than they are about their heirs' financial well-being, with 49% reporting they are very confident about their own financial situation, compared with only 41% reporting they are very confident that their heirs have a plan for improving their well-being.

To Frank Goins, a wealth advisor with SunTrust Private Wealth Management, this disconnect could be a matter of perspective. "High-net-worth individuals often have conversations in their heads about their own situation, but many have not had this conversation with their heirs. This is especially true with first-generation high-net-worth individuals. They have spent the better part of their lives building a business and accumulating wealth, and they just haven't thought about wealth transfer because they didn't grow up with wealth. Another factor is that some first-generation wealthy don't want to share too much information with their children, because they don't want them to lose the motivation and drive to be successful on their own. They truly believe that a substantial inheritance can be a double-edged sword."

**Figure 5. Confidence in the next generation's ability to improve their financial well-being could be higher**




*Note: Some charts may not add to 100% due to rounding.*

**Figure 6. Steps HNWIs have taken to help heirs avoid investing mistakes and improve financial well-being**


Some wealthy benefactors are, in fact, taking steps to help their heirs avoid investing mistakes and improve their long-term financial security, but many appear to be doing little or nothing. Only one-third—or less—report discussing mistakes and how to avoid them, encouraging beneficiaries to have a long-term wealth management plan, periodically reviewing investment strategies to reflect market shifts or hiring a professional wealth manager.

It's clear from the experts we have spoken with that having a sound, goals-based wealth management plan is key to maintaining and managing wealth. And because high-net-worth individuals have more assets, they also have more choices to make and more pitfalls to avoid, which means they should really seek professional help that can assist them in navigating the investing environment over a lifetime.

When asked how confident they were that their heirs had a plan for improving their financial well-being, HNWIs' responses suggested that the next generation could be doing much better.

# BENEFICIARIES' VIEW

## INTEREST IN WEALTH MANAGEMENT HIGHER THAN ABILITY TO MANAGE

Wealth is seen as an advantage and an opportunity to do great things by a majority of beneficiaries, and they would be advised to secure capable management for their wealth. Seventy-three percent of those who stand to inherit wealth report that their interest in wealth management is high or very high, but only 54% rate their ability to manage wealth as high or very high.

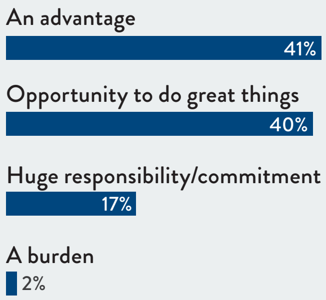



**Figure 7. How heirs view their inheritance**

While experts say advice from their benefactors—when it is forthcoming—is important, the less experienced younger generation needs to seek out advice, not only on managing wealth, but also on how to use it in ways that will be most satisfying to them and their families.

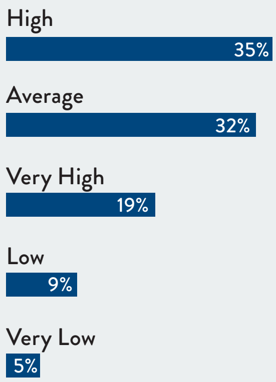



**Figure 8. How heirs assess their ability to manage wealth**

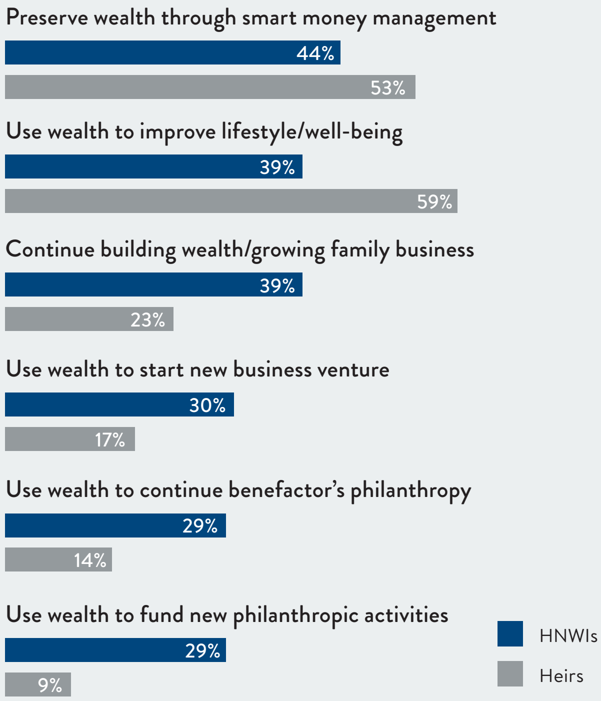
"I think a family has to pass on more than simply, 'we're rich, we have a good estate plan,' because that kind of thinking can lead to failure," says Angelo Robles, founder and chief executive officer of the Family Office Association. "Historically, great wealth is often created in the first generation, but there's a 90% chance the wealth will be greatly dissipated by the end of the third generation."

Robles explains that the wealth creator must instill in heirs what is valuable about the family besides money. "Higher education, lessons of entrepreneurship and self-sufficiency, being a good steward in society and making positive contributions are all part of one's value. If heirs understand that, they will do a better job of managing their wealth in the future and use some of it to benefit society."

Dr. Paul Schervish, director of the Center on Wealth and Philanthropy, Boston College, says, "Heirs must think about their experience—experience in the past, their experience now and what they want their experience to be in the future. What do you need to do to maintain your lifestyle and make a difference in society?"

He adds that wealth is a blessing and heirs should be taught early to be thankful for it and use it to help others. "According to all of our research, what mobilizes philanthropy is identification—the experience of other people like you, your family and your friends. If heirs have a strong sense that they can make a difference and be a shaper of the world, they will naturally gravitate toward philanthropy for the pure satisfaction of doing something that meets the needs of others."

**Figure 9. Not seeing eye-to-eye: how high-net-worth individuals want heirs to use their wealth—and how heirs plan to use it**




## DIFFERING VIEWS ON WEALTH MANAGEMENT TOOLS, TECHNIQUES AND ADVISORS

The conversation about intergenerational wealth management should come from a place of knowledge, but the survey shows that generations are not well aware of one another's views on wealth management. Heirs, for example, are not as open to advice from friends and family as benefactors might think. On the other hand, they are not as prone to revert to robo-advisors as the older generation imagines.

According to Julie Jason, high-net-worth individuals have more choices when it comes to wealth managers, and they can be more selective. "Ultra-high-net-worth families can set up a family office, and those with more modest wealth can work with a multifamily office. Either way, the office can manage all aspects of their financial lives—from investing and estate planning to paying bills and managing tax issues. For the wealthy, it's best to have a lead advisor who has the big picture and understands the family's values and goals."

On choosing a wealth manager, Jason says the first things to look for are skill, integrity and experience in working with high-net-worth families. Next, she says, look for someone with strong communications skills as well as the ability to understand the client's situation and develop, execute and track the progress of the wealth management plan. Finally, Jason says, "clients should develop a sense of healthy skepticism. Don't look for someone who says they can outperform the market. Ask questions that ensure that both the client and wealth manager are on the same page with regard to the overall consolidated plan."

When asked how confident they were that their heirs had a plan for improving their financial well-being, HNWIs' responses suggested that the next generation could be doing much better.

## OUTLOOK: HEIRS LACK LONG-TERM PLANS, PERPETUATE THE PATTERN

Sixty-four percent of those who stand to inherit wealth report that they have not developed a long-term wealth management plan, saying no one told them they needed one. Only 17% report that they have been advised by their benefactors on the importance of engaging an investment management professional.

Many of those who stand to inherit wealth are still sitting on the fence about hiring an advisor in the future, with less than 50% reporting they are likely to do so. This strongly suggests they need more guidance than their benefactors have provided and they should seek out professional advice. The past is prologue, as more than half (52%) of those who stand to inherit wealth have not started planning to transfer wealth to their heirs.

According to SunTrust's Goins, the best way to keep heirs from repeating past mistakes is by distributing inherited wealth over time. "Most of the clients we work with have set up trusts that make funds available in phases rather than all at once. This gives the beneficiary time to gain some real-life experience in managing wealth before they receive their full inheritance. They should use this time to educate themselves, build a trusting relationship with a wealth management advisor and develop a long-term plan of their own."

**Figure 10. Main differences in approaches to wealth management between HNWIs and heirs**


## STEPS FOR MOVING FORWARD

According to the experts we have spoken with, the most important step for moving forward is to start moving. Specifically, begin thinking about what you want to accomplish with your wealth for yourself and for future generations—and then act on your decisions.

As SunTrust's Sicchitano says, "Managing wealth with a 'Capital W' often seems complicated and daunting." But, he argues, it's often about executing the basics well. "You must know yourself, identify your goals and develop a long-term wealth management plan, no matter how 'imperfect' it may seem."

It's also about values and a sense of stewardship. If high-net-worth individuals want the next generation to succeed, they must share the lessons they have learned about their own financial well-being and their obligations to their family and society.

Sicchitano says it's simple—simple to do and simple to ignore. He believes those who choose to take action will do themselves, their family and society a world of good.

# ACKNOWLEDGMENTS

Forbes Insights and SunTrust would like to thank the following individuals for their time and expertise:

- **Frank Goins**, Wealth Advisor, SunTrust Private Wealth Management
- **Julie Jason,** syndicated columnist and author of Managing Retirement Wealth: An Expert Guide to Personal Portfolio Management in Good Times and Bad
- **Stewart Koesten,** Former Board Member, Investments and Wealth Institute
- **Angelo Robles,** Founder and Chief Executive Officer, Family Office Association
- **Dr. Paul Schervish,** Director, Center on Wealth and Philanthropy, Boston College
- **Joseph Sicchitano,** Senior Vice President and Head of Wealth Planning and Advice Delivery, SunTrust

*SunTrust Bank and its affiliates and the directors, officers, employees and agents of SunTrust Bank and its affiliates (collectively, "SunTrust") are not permitted to give legal or tax advice. Clients of SunTrust should consult with their legal and tax advisors prior to entering into any financial transaction.*

*Joe Sicchitano and Frank Goins are Registered Representatives, SunTrust Investment Services, Inc. and Investment Adviser Representatives, SunTrust Advisory Services, Inc.*

**Investment and Insurance Products:**

**•Are not FDIC or any other Government Agency Insured •Are not Bank Guaranteed •May Lose Value**

*SunTrust Private Wealth Management is a marketing name used by SunTrust Bank, SunTrust Banks Trust Company (Cayman) Limited, SunTrust Delaware Trust Company, SunTrust Investment Services, Inc., SunTrust Advisory Services, Inc., and GFO Advisory Services, LLC which are each affiliates of SunTrust Banks, Inc. Banking and trust products and services, including investment management products and services, are provided by SunTrust Bank and SunTrust Delaware Trust Company. Securities and insurance (including annuities) are offered by SunTrust Investment Services, Inc., a SEC registered broker-dealer, member FINRA, SIPC, and a licensed insurance agency. Investment advisory services are offered by SunTrust Advisory Services, Inc., a SEC registered investment adviser. GFO Advisory Services, LLC is a SEC registered investment adviser that provides investment advisory services to a group of private investment funds and other non-investment advisory services to affiliates.*

Forbes insights

## ABOUT FORBES INSIGHTS

Forbes Insights is the strategic research and thought leadership practice of Forbes Media, a global media, branding and technology company whose combined platforms reach nearly 94 million business decision makers worldwide on a monthly basis. By leveraging proprietary databases of senior-level executives in the *Forbes* community, Forbes Insights conducts research on a wide range of topics to position brands as thought leaders and drive stakeholder engagement. Research findings are delivered through a variety of digital, print and live executions, and amplified across *Forbes*' social and media platforms.

FORBES INSIGHTS

**Bruce Rogers**
CHIEF INSIGHTS OFFICER

**Casey Zonfrilli**
DIRECTOR, ACCOUNT MANAGEMENT

**Tori Kreher**
PROJECT MANAGER

**Todd Della Rocca**
PROJECT MANAGER

EDITORIAL

**Erika Maguire**
EXECUTIVE DIRECTOR

**Kasia Wandycz Moreno** DIRECTOR

**Hugo S. Moreno** DIRECTOR

**Steve Rose** REPORT AUTHOR

**Zehava Pasternak** DESIGNER

RESEARCH

**Ross Gagnon** DIRECTOR

**Scott McGrath** RESEARCH ANALYST

SALES

North America
**Brian McLeod** EXECUTIVE DIRECTOR
*bmcleod@forbes.com*

**Matthew Muszala** DIRECTOR
*mmuszala@forbes.com*

**William Thompson** MANAGER
*wthompson@forbes.com*

**Kimberly Kurata** SALES EXECUTIVE
*kkurata@forbes.com*

EMEA
**Tibor Fuchsel** MANAGER
*tfuchsel@forbes.com*

APAC
**Serene Lee** EXECUTIVE DIRECTOR
*slee@forbesasia.com.sg*

499 Washington Blvd. Jersey City, NJ 07310 | 212.367.2662 | **www.forbes.com/forbes-insights**