

00;00;08;07 - 00;00;24;16

Speaker 1

Welcome. My name is Peter McGraw. I'm a behavioral economist and business school professor at the University of Colorado Boulder. And we're here today to talk about the great wealth transfer and the implications for the people transferring the wealth and those receiving the wealth. And I'm joined by Kirsten Hollander.

00;00;24;19 - 00;00;26;16

Speaker 2

Thank you. Peter, it's nice to be here.

00;00;26;19 - 00;00;37;16

Speaker 1

As an advocate for singles. I host a podcast Solo The Single Person's Guide to a Remarkable Life, and have recently launched the book solo Building a Remarkable Life of Your Own.

00;00;37;21 - 00;00;50;25

Speaker 2

A little bit about my background is I am a certified financial planner with over 20 years of experience. I'm passionate about helping solos. In particular, women prepare to receive the great wealth transfer.

00;00;50;27 - 00;01;20;10

Speaker 1

It is a great wealth transfer. It is. 84 trillion is due to be passed on by 2045. 72.6 trillion going directly to heirs. Some of those people who will be transferring the wealth will be single. Correct. Whether it be divorced, widowed, or never married. And many more of those people receiving will also be single. The rise of single living is striking.

00;01;20;11 - 00;01;50;21

Speaker 1

Correct? Right. So we're looking at half of American adults are unmarried. Half of those American adults are not actively seeking a relationship, whereas only 11% of boomers have never married. The projections are that 25% of millennials will never marry, and 33% of Zoomers will never marry. And so we're seeing this major change, this major disruption in the way that heirs typically receive money.

00;01;50;22 - 00;02;01;21

Speaker 1

Their their financial situation, they were traditionally. Am I right? Married themselves with kids themselves when their parents pass on their wealth.

00;02;01;25 - 00;02;29;17

Speaker 2

Correct. I think the boomers were a much more traditional generation, married families with children, and although some of them may be single now passing on their wealth, we need to consider the range of options for our clients who are inheriting this wealth. And one of the statistics we talk about often is 33% of adults between 35 and 54 don't have an estate plan. So as an advisor, we want to help prepare our clients, whether they're married or solo's, be able to inherit the wealth.

00;02;50;23 - 00;03;16;28

Speaker 1

Right. So you're having conversations with two different groups of people. People who have accumulated wealth. They're older. They're boomers. They have a little bit more of a traditional view. And then you have this younger generation of people who are due to receive this wealth. Some of them. Right. That's correct. And they may have a bit of a less traditional view or maybe not on a traditional path.

00;03;17;01 - 00;03;20;16

Speaker 1

And this, I think, very quickly, can become complex.

00;03;20;19 - 00;03;38;19

Speaker 2

It presents challenges, I think, for the advisor. Yes. However, the solutions are the same. You have all sorts of different legal documents that apply to married couples or solos. The nice part about these documents is you can customize them based on the individual wishes.

00;03;38;20 - 00;04;06;18

Speaker 1

One way to just understand this marketplace is to look at the relationship status and the parental status of the people who are transferring the wealth. The benefactors. All right. So let's start with the traditional married with kids. Correct. Right. The nuclear family, that 1960s style kind of boomer family. Correct. What are the questions that you want to be asking them?

00;04;06;18 - 00;04;08;29

Speaker 1

What is the approach that you're taking with that group?

00;04;09;05 - 00;04;38;21

Speaker 2

I think the traditional married couple who has children, who have probably flown the coop by this point. When you sit down and work with a couple like that, it's important to involve both parties. Oftentimes, the male becomes the dominant, figure in a relationship, in a

financial relationship. I think it's very important to involve the wife or the woman as well, or the partner to make sure that you get the dominant and non-dominant partner in the room.

00;04;38;24 - 00;05;08;26

Speaker 2

Oftentimes that spouse or wife will be the second person's still remaining alive. And we want to make sure that her wishes are heard and that you develop a relationship with her as well. Then you need to consider kind of the next phase is what type of values does this couple have? You know, maybe they want to live last dollar last day because their children are successful and they plan on spending their inheritance.

00;05;08;28 - 00;05;27;10

Speaker 2

Maybe they have a goal to help their children buy a home or provide for grandchildren's educations. So it's important to get to know not only the relationship of your clients that their relationship as a married couple, but also their values, and what's important to them to leave as their legacy.

00;05;27;13 - 00;06;00;10

Speaker 1

Yeah, so I like this idea. Of course you have. You need both people, in part because the likely the wealth transfer is going to happen to one spouse, right? Just statistically and statistically that spouse is likely to be a woman. Correct. Right. Women outlive men. Just I mean, positive again. Women outlive men. And one of the things that happens in your business is, that widowed women will often change advisors.

00;06;00;11 - 00;06;18;18

Speaker 2

I think the statistic is north of 70% of those female single females will flee the advisor that had the relationship with her husband or partner. And so it's very important to involve both people as you are making a plan for the transfer of their wealth.

00;06;18;21 - 00;06;37;14

Speaker 1

Indeed. And then the the next question, it seems that you're asking and I this is a cheeky way to say it, which is do you want to give your wealth with a warm hand or a cold one, right, while you're still alive? While it can be appreciated in your presence or after you're gone?

00;06;37;16 - 00;07;12;26

Speaker 2

Correct. Working with an advisor and putting together a financial plan to determine how much you need now to meet your lifestyle goals and what could be left at the end is very important, because that will dictate how much you can afford to give while you're living and how much you leave at the end. We see a lot of married couples today, preferring to enjoy the time with their family, and instead of leaving the money, you know, in the will at the end of the day, after they've passed creating experiences.

00;07;12;28 - 00;07;32;24

Speaker 2

And instead of giving a gift or writing a check, maybe it's taking the family on a trip or helping a grandchild with their education. That's a lot more satisfying in the transfer of that wealth than leaving it at the end of the day. It doesn't mean you can't go without a plan. Those people still need a plan for the dollars that are left.

00;07;32;26 - 00;07;55;02

Speaker 1

Yeah, indeed. I mean, certainly with people living longer, you can imagine a scenario, where your heirs don't need the money anymore if they are high earners, for example, if they're

taking care of their own financial lives in this way, and that there are times in life buying a home, for example, new a new family where people are really stretched thin.

00;07;55;04 - 00;08;00;14

Speaker 1

And so understanding what people's values are, what their goals are, seems rather important.

00;08;00;21 - 00;08;20;08

Speaker 2

And I think it's also important for the boomer generation, since they've worked so hard to accumulate their wealth, to remember that they can take care of what's important to them. And maybe it's a charitable intention, or maybe it goes deeper than just their direct family. Maybe they want to help a brother or a sister or nieces and nephews.

00;08;20;11 - 00;08;33;27

Speaker 2

So we encourage I would encourage as an advisor to have that conversation with the client. It's important to have open communication and get to know what their values are and what's important to them with regard to their legacy.

00;08;34;02 - 00;09;00;14

Speaker 1

Yeah. So my next topic for you is relevant both to this group and the next group. And the next group is a married couple without children. Correct? Right. So, maybe they were dinks. You know, they were dual income. No kids. This group often has money to pass along because they haven't had the significant expense of children, whether it be having children or not having children in them making this decision.

00;09;00;17 - 00;09;18;04

Speaker 1

How do you help a couple get on the same page? Right. You know, like this. You're saying listen to both, talk to both. Do you find yourself having to be a mediator? How is it that you elicit and come to some consensus with these two people?

00;09;18;06 - 00;09;46;21

Speaker 2

One of the first clients I worked with was exactly this scenario. They had both just retired. They had no children. And I proposed the idea that they get a joint bank account. They had never combined their finances and they were getting ready to travel. And so we took a lot of communication, actually, one on one conversations with the husband and with the wife to get them to both understand the plan that we had to put in place.

00;09;46;23 - 00;10;11;02

Speaker 2

I think this group, more so than solo, is a unique planning opportunity and a place where advisors can really step in and help the married couple can rely on each other. They can be agents for each other. If one becomes incapacitated, they can make the health care decisions, but they also have the ability to spend a little bit more without the children to take care of.

00;10;11;05 - 00;10;30;20

Speaker 2

However, if you spend too much, will there be enough left for the surviving spouse? Yeah, so there's just different topics to consider when you're when you have a family or a couple with no children because nobody's going to step in and help the surviving spouse. So the dollars need to be left at the end of the day for that person.

00;10;30;23 - 00;10;50;23

Speaker 2

And we need you to also look at the solo factors for them. Do they have a team built? Do they have an advisor? Do they have somebody to help them with their health care decisions? And so this group actually is a combination of planning for more of the traditional married couples. And then you also need to plan for them to be single later in life.

00;10;50;23 - 00;10;51;03

Speaker 2

Yeah.

00;10;51;06 - 00;11;24;02

Speaker 1

There's there's really an interesting puzzle with this group of, a married couple with no kids because in all likelihood, one of them will become a single unmarried without kids. And then the question is, do you want whoever survives to make all those decisions? Do you want to honor the couples decision right prior to someone passing? And that has to be a very delicate conversation to have with both of them in that room.

00;11;24;04 - 00;11;52;13

Speaker 2

You know, the surviving spouse can change everything. You could be together as a married couple and come up with a plan. And the surviving spouse can change that plan. Luckily, today there's a lot of ways to give during your life or create documents that become irrevocable when you pass away. To ensure that your wishes are met. In addition to that, there's so many different investment vehicles out there that we can pick different investment funds based on the goals of each person in the couple.

00;11;52;16 - 00;12;06;19

Speaker 2

And I think, again, it goes back to that conversation of sitting down and communicating with them and making sure you understand their values. So we can put the right investments and policies in place to honor their wishes.

00;12;06;20 - 00;12;27;26

Speaker 1

So, Kirsten, what I hear you saying is these conversations you're having with a married couple with kids and a married couple without kids is quite distinct. If you were to boil it down to the essence, what's the most important difference? Top of mind that a financial advisor should be focused on with a married couple without kids. What is it.

00;12;27;26 - 00;12;51;29

Speaker 2

It? I think the major difference for the couple without children is making sure they build their team with enough depth to be able to handle the needs of the surviving spouse. Maybe that means relying on a sister or brother and if they're not available, other family, friends. But you can also hire professionals to step in and help manage the affairs of the surviving spouse as well.

00;12;52;02 - 00;12;59;07

Speaker 1

Yes. So simply just because what normally would be done by the children, you need to pick the people who will take that role.

00;12;59;07 - 00;13;03;20

Speaker 2

Correct. And luckily, in this day and age, we have the ability to do that.

00;13;03;22 - 00;13;26;10

Speaker 1

Right now, there are many fewer singles, in this, boomer range. But as we've already mentioned, even if you're married, is a boomer someone is likely to end up solo. And so the next distinction is the person who is unmarried with kids, and then the person who is unmarried without kids.

00;13;26;11 - 00;13;27;01

Speaker 2

Correct.

00;13;27;04 - 00;13;41;04

Speaker 1

And so those have to be different conversations. First of all, they're one on one that are there. But they also, I don't feel like have the same script always. There's not as much precedent for that group of people.

00;13;41;06 - 00;14;03;07

Speaker 2

I think the those people with the single person with children or the single person without children, they're really looking for a trusted advisor. They're looking to build that relationship and have somebody to rely on and bounce questions off of, so that they don't have to rely on their friends and family to answer their insurance questions, or their legal estate planning questions.

00;14;03;09 - 00;14;13;14

Speaker 2

So again, going back as an advisor, you want to make sure you're communicating with them and effectively developing a trusted relationship to help those clients.

00;14;13;18 - 00;14;14;01

Speaker 1

Yes.

00;14;14;03 - 00;14;37;09

Speaker 2

The, person inheriting money as a single parent with children probably needs more legal documents such as wills, possibly a trust to help manage the affairs or the inheritance that they're receiving from this great wealth transfer. Because you want to provide a layer of protection for that child of the single parent.

00;14;37;15 - 00;14;38;03

Speaker 1

Yes.

00;14;38;05 - 00;14;47;13

Speaker 2

And I think that's important to consider as an advisor, to make sure that you're bringing in the legal expert to build that estate plan for that single parent. Right.

00;14;47;14 - 00;15;19;02

Speaker 1

Okay. So, you have single clients. So what I hear you saying is that this financial advisor is a critical member of the team, especially because they're leaning on a team rather than a spouse, oftentimes. And then as we sort of turn our attention to, the people receiving the money, the beneficiaries, right, some of them are going to be married with kids, some of them are going to be married without kids, but a larger proportion than ever are going to be solo.

00;15;19;02 - 00;15;33;10

Speaker 1

Correct. Right. And so, what are some of the additional considerations, whether it be for the person giving or the person receiving when they are single, when they're unmarried or they're divorced or they're widowed?

00;15;33;11 - 00;15;33;20

Speaker 2

Sure.

00;15;33;25 - 00;15;34;17

Speaker 1

Yeah.

00;15;34;20 - 00;16;03;09

Speaker 2

I like your comment about turning to the advisor to be a trusted contact or a part of the team. Oftentimes, the advisor is considered the quarterback because they can help direct the play, whether it's for the member of the boomer generation who's looking to give the money. Yeah, I think that person who's passing on the wealth, in my experience, they want they want the confidence to live the life they imagine.

00;16;03;11 - 00;16;21;20

Speaker 2

They want to feel confident that they have enough, that they can meet their daily living goals. Whereas the person receiving the wealth, you can still be the quarterback for that team. But it's a little bit more of we want to make sure that we're ready to inherit it. We're not really sure what it's going to feel like yet.

00;16;21;23 - 00;16;39;05

Speaker 2

We're not really sure how we're going to use these assets. So is it an advisor or the quarterback on the team? We want the right investment strategy in place and the right types of accounts, so that they're prepared to handle or receive the wealth, receive the legacy from the boomer generation.

00;16;39;08 - 00;16;46;13

Speaker 1

And there might be a situation where the people who are giving have a different financial advisor than the people who are receiving. Correct. Right.

00;16;46;15 - 00;17;07;11

Speaker 2

You know, we all I as an advisor, I love working with other advisors. I think we all have a very, collegial relationship. So I would recommend it if, if they're willing to sit down in a room together, talk to mom's advisor or, you know, mom or dad from that boomer generation, invite your children to come meet their advisor.

00;17;07;13 - 00;17;19;18

Speaker 2

We host family meetings all the time where the parents really want their children to know who's involved and who can they call to help, ask questions, or help make decisions for them?

00;17;19;23 - 00;17;20;20

Speaker 1

Yes.

00;17;20;22 - 00;17;43;16

Speaker 2

I think the same thing can work on the other end. If the child or the person receiving the legacy has their own advisor, bring the parents in to meet them as well. There's enough, as you mentioned, trillions of dollars that are going to be received. There's enough business for all of these advisors to go around. There's no reason why we can't all work together for the benefit of our clients.

00;17;43;16 - 00;18;18;22

Speaker 1

Yeah. So as we talk about these beneficiaries, solo or not, this is a, delicate topic, I think. Right. Mom and dad or mom or dad, have done well in life. You know, they've they've benefited from their hard work, from their, investments. And, but they may not be on top of this. They may not have created a will, they may not have done estate planning and so on.

00;18;18;24 - 00;18;35;09

Speaker 1

And so how when you're working with those clients, those younger clients who have older parents, how do you work with them to get mom, dad, mom and dad to to do these things without it seeming self-interested?

00;18;35;11 - 00;19;01;06

Speaker 2

I think what's what's unique is oftentimes the clients that we're working with, they're doing their own estate planning, and so they're doing it for their first time. And it's a natural conversation to say, hey, do you know what your parents have done? Yes. And and if they say, well, I don't know. And you say, you know what? Not not getting in the middle of this family discussion or I don't need to be invited to the family dinner on Sunday, but it's worthwhile asking.

00;19;01;13 - 00;19;31;13

Speaker 2

Yeah, it's it's okay to ask. They might not want to share it with you, but maybe it prompts them to start thinking about, do I have the right documents in place? Have I added the right beneficiaries to all of the accounts? Have I made this as simple as possible? Most, in my experience, a handful of our clients before they receive their before they give their own legacy to the next generation, have probably already dealt with an estate plan from another family member.

00;19;31;15 - 00;19;42;20

Speaker 2

And they're going to learn from the lessons. Was that a state well done? Was it not put together well? And so really trying to build on the knowledge that they already have is also important.

00;19;42;22 - 00;20;11;26

Speaker 1

So one of the very interesting things about this demographic is the shocking number of people who built their wealth from scratch. That is, they did not inherit money. So 80% of millionaires in the United States are first generation wealth builders, and they're going to be passing their wealth on to children, to charities, to friends, to the community, wherever they decide, to do that.

00;20;11;28 - 00;20;26;21

Speaker 1

Is there anything special about this group? In part because they don't have family that they can ask about. They're often coming from places that are, less experienced with having, generational wealth.

00;20;26;22 - 00;20;49;12

Speaker 2

Sure. I think the term they don't have a blueprint to pass on this wealth. They don't know what to do now that they've accumulated it. I think that opens up the role for the advisor perfectly to educate them if they're willing to learn. I personally love to educate my clients and help them make decisions. It's a collaborative effort.

00;20;49;14 - 00;21;16;10

Speaker 2

Oftentimes, you know, they want to know. They want to be able to pick the right investment product or the right type of trust or estate planning document to be able to maintain their wealth. But I think spending time as an advisor to educate that generation, again, not all are going to be willing to listen, but if they are, that's an empowering fact to be able to teach them more about how they can pass on their wealth empowers them to live more confidently.

00;21;16;12 - 00;21;37;16

Speaker 1

Yes, I have a feeling these conversations are very question based. Correct. So what was this example of a question that you would ask? First generation? How I would say this wealth builder okay, I'll say it again. What's an example of a question that you would ask a first generation wealth builder who has not consider this doesn't have someone saying, hey, you need to be doing this.

00;21;37;16 - 00;21;59;05

Speaker 2

But we have quite a few clients that are first generation wealth builders. And when you start talking to them about their legacy, what they plan to pass on to the next generation, or what they plan to give, it is not a question they can answer overnight. So it's again, it's little bits and pieces. It's finding out about who they are and what's important to them.

00;21;59;07 - 00;22;23;11

Speaker 2

And how you can help them to make those decisions so that it's their wealth can serve their mission and purpose. Because those people that have built that wealth often have done it through hard work, and they feel like they have a strong purpose here in life. And so understanding that and how we can continue that purpose in the next generation with a legacy is important.

00;22;23;13 - 00;22;45;04

Speaker 2

It's not a question that is a one off or a one time question. I think it's spending a little bit of time learning about how they built their wealth. What was the business they have? How many employees? What's the mission of the company? And understanding how they got to where they are today will help you as an advisor, be able to guide them to pass that legacy on.

00;22;45;07 - 00;23;06;00

Speaker 1

As I reflect on this conversation. The one thing that really stands out to me is this you can't look at someone and know what their personal values are, to know what their lifestyle that they desire to, to know what legacy that they're going to want to have and whether they're married or solo, whether they have children or not.

00;23;06;03 - 00;23;18;13

Speaker 1

Really having these kind of conversations and doing a lot of listening. You know, it's funny because you're a financial advisor, but it's kind of like being a financial listener first and then advisor second.

00;23;18;16 - 00;23;30;20

Speaker 2

Agreed. I think listening is a very important skill for all advisors. This conversation is making me think about clients that I have specifically that I met about five years ago. Okay. Married, but no children.

00;23;30;23 - 00;23;31;21

Speaker 1

Okay.

00;23;31;23 - 00;23;57;16

Speaker 2

And no desire to leave any of their money to family, but also no charitable intentions. Over the last five years, as I've gotten to know them. I've learned that they love their dog. They love their state parks. They love, you know, the mountain biking trails behind their house. So we've developed a charitable plan that follow their passions. And although five years ago, when we met, they had no idea that that's what they wanted to do.

00;23;57;16 - 00;24;06;02

Speaker 2

We've spent the time to uncover what's important to them, and we've been able to build a plan so that they can pass on part of their legacy that follows their passions.

00;24;06;05 - 00;24;29;02

Speaker 1

And then thinking about these children, solo or not, right. Some married, some not married, having to prepare right for a potential windfall of money or to manage a relationship. In which parents aren't thinking about these things. It seems like this is also true, this process of discovery and understanding, this kind of complex situation.

00;24;29;08 - 00;24;59;04

Speaker 2

I think we we have a saying that we never count on inheritances when we're doing a financial plan for those people. However, if mom and dad have or if your parents have open communication with you and they've let you know that there's a potential for an inheritance. I think it's very important for the advisor to start thinking about the types of accounts that will receive that inheritance, and setting up the right estate planning documents so that that that inheritance can also be protected.

00;24;59;06 - 00;25;13;01

Speaker 2

As a single person, you need to rely on yourself. You know, you don't have that second income. And so you need to make sure that that inheritance is protected and serves your purpose and then your missions.

00;25;13;03 - 00;25;20;19

Speaker 1

Yeah. It's so interesting how much easier it is to talk about money with your financial advisor than it is to talk about it with your family.

00;25;20;22 - 00;25;28;19

Speaker 2

You're right, having a conversation with your financial advisor about money is much easier than maybe talking to a spouse or a parent. Money is personal.

00;25;28;23 - 00;25;32;15

Speaker 1

Well, we certainly agree. Thank you for your time, Kirsten. Really appreciate the advice.

00;25;32;21 - 00;25;36;16

Speaker 2

Oh, I'm grateful to spend the time with you, Peter. Thank you. Cheers. Cheers.

00;25;36;18 - 00;25;43;21

Speaker 1

Thank you for joining us. If you found this conversation useful, please go to the Shelton Capital Management website for additional resources.