

The Rich Help Their Relatives — With One Caveat

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Merrill Lynch's private banking division has followed up last month's study of how family members may get in the way of a secure retirement with a second installment focused on the wealthy. In many respects, high-net-worth clients perform the same juggling act as less affluent people, trying to balance their own long-term financial needs against their loved ones'. But in some ways, once again, the very rich are different.

To understand how, Merrill added a cohort of 300 survey participants with at least \$5 million in investable assets and compared their answers to those of the study's total population, which was more than 5,000 strong. Not surprisingly, the wealthier cohort were more likely to help out relatives: 81% of HNW respondents said they contributed to their adult children's financial support, compared with 68% of all survey respondents. And they gave much more.

Less intuitive, perhaps, was the finding that the more money clients have, the more anxious they are about making sure it doesn't get frittered away. When Merrill asked what would make survey participants stop supporting a relative financially, 75% of HNW respondents said they'd cut off the gravy train if they thought the money wasn't being put to good use, compared with 57% of the total population. And among those 50 and older, 39% of HNW respondents said they'd bequeath less money to a relative if they didn't think the person was financially responsible, compared with 31% of all participants.

That result hints at a pain point that advisors to HNW clients could potentially remove with sound intergenerational planning. Fortunately, Merrill found that wealthy clients are more likely to get the ball rolling themselves. Only about a third of HNW respondents aged 50 and above said they haven't talked about retirement-related issues like inheritance and long-term care with their adult children; among the broader survey population, more than half haven't had those discussions.

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