

3 Major Forces Create Family Retirement Planning “Tipping Point” – Merrill Lynch

By Eliane Chavagnon
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Retirement planning is no longer solely about the needs of an individual or couple, but should account for family complexities and related financial interdependencies, according to the High Net Worth Spotlight from Merrill Lynch’s Family & Retirement: The Elephant in the Room survey.

For the spotlight report, data was collected and analyzed from 303 HNW respondents with assets of at least \$5 million. The survey was conducted online in partnership with Age Wave in August by Harris Interactive.

“The confluence of three major forces: (1) economic troubles and career stalls among adult children and young relatives, (2) rising longevity—with the growing phenomenon of prolonged (and often expensive) healthcare needs—among boomers’ parents, and (3) the need to balance often pressing concerns for one’s own retirement needs with the needs of family members—have created a tipping point that makes it more important than ever to understand and create solutions for family challenges and interdependencies throughout retirement,” Ken Dychtwald, founder and chief executive of Age Wave, told Family Wealth Report.

Indeed, Merrill noted that many people share their worries surrounding family matters and retirement, regardless of how much money they have. However, in the firm’s Spotlight report, it found that HNW individuals over the age of 50 are more than twice as likely than the total population age 50+ to regard themselves as the “family bank” (47 per cent versus 21 per cent).

A big area of concern raised in the report is that, while many HNW individuals provide substantial financial support to family members, some aren't open about important issues such as net worth, plans for living arrangements in retirement, inheritance and long-term care. This, Merrill warned, could negatively impact their overall financial security.

Among the general population, over half of those age 50+ have not had these discussions with their adult children while 28 per cent haven't even done so with their spouses. But - worryingly -

even among the HNW, who, as Dychtwald said, often have a retinue of financial planners and accountants, there is a “surprising degree of silence.” A third of wealthy parents haven't discussed any of these topics with their adult children, and 12 per cent of wealthy couples haven't spoken with each other about them.

Avoiding negative outcomes

“We find lack of communication to be less about 'taboo' and more about wanting to avoid negative interactions or outcomes. For example, a wealth creator might fear providing their children with information about inheritances because knowing about that money could demotivate young people. On the flip-side, that same wealth creator might view discussions about family finances or issues related to long-term care overly burdensome for children to take on,” Stacy Allred, wealth strategist for Merrill Lynch’s Private Banking & Investment Group, told this publication.

“We find that the highest concern of wealthy parents is that money conversations will derail the motivation of their children. The irony is that by saying nothing, you are sending the message that we don't talk about money in our family,” Allred said.

“Considering the sometimes substantial impact helping family members can have on financial plans, very few proactively talk with family members about financial worries or how to prepare for them,” Dychtwald added. “Instead, most people wait for a crisis to surface and then there’s a lot of emotion-charged catching up that’s needed.”

He also noted that the financial services industry and related media haven’t been very focused on how family challenges and needs might impact clients’ financial priorities and worries later in life.

The insights come as Spectrem's Millionaire Corner recently wrote about the concept of "affluenza" - a condition impacting young people from wealthy families who are growing up without an appreciation for money or a sense of responsible money management, it said.

They also highlight an opportunity for those in the business of managing people's wealth to remind parents and families of how important it is to be - at least to some extent - open about family wealth, including how it is being used and why. Additionally, it is a great way to engage the next gen - one of the hottest wealth management topics at the moment and, crucially, something that is increasingly sought after by wealthy families.

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