

The Great Wealth Transfer:

Building trust and relationships across generations

Vanguard



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Agenda

- Coming soon: The Great UK Wealth Transfer
- Legacy: A very difficult topic
- The role of the adviser
- A call to action



Globally-built expertise in legacy and practice management

Asset management services for private and public pension funds, financial advisers and institutions, and government and charitable organisations

Advice, retirement, legacy



Adviser partner

- >\$3 Trillion of assets through advisers
- Active on 3 continents



Advice provider

- >400k US advised clients
- >\$300bn AUM in the US




Retirement provider

- ~5million DC retirement accounts



Our purpose: To take a stand for investors, to treat them fairly, and to give them the best chance for investment success

20+ Years of partnership




Vanguard Advisor's Alpha®

Vanguard Research July 2018

Donald G. Bennyhoff, CFA; Francis M. Kinniry Jr., CFA

- Since the creation of the Vanguard Advisor's Alpha concept in 2001, the value proposition of advice has continued to rapidly change—we believe for the better. And our work in support of the idea has continued.
- The Vanguard Advisor's Alpha concept outlines how advisors can add value, or alpha, by providing relationship-oriented services—such as cogent wealth management via financial planning, behavioral coaching, and guidance—as a primary objective of the value proposition.
- Paying a fee for advice and guidance to a professional who uses the framework described here can add meaningful value compared to the average investor experience, currently advised or not.
- We believe implementing the Vanguard Advisor's Alpha framework offers the opportunity to add net returns in excess of the standard fees charged for advisory services.

Acknowledgments: This paper is the most recent update of Vanguard research first published in 2010 under the same title. For additional information on the Vanguard Advisor's Alpha framework, see Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha® (2016) by Francis M. Kinniry Jr., Colleen M. Jaconetti, Michael A. DiJoseph, Yan Zilbering, and Donald G. Bennyhoff and The Evolution of Vanguard Advisor's Alpha®: From Portfolios to People (2018) by Donald G. Bennyhoff, Francis M. Kinniry Jr., and Michael A. DiJoseph.




The Vanguard Advisor's Alpha® guide to proactive behavioral coaching

Vanguard Research November 2018

Donald G. Bennyhoff, CFA

- Investing is an emotionally charged effort that challenges people to contend with uncertainty and doubt.
- With behavioral coaching, and by keeping the focus on the "3 Ps" discussed herein—planning, proactivity, and positivity—advisors can add considerable value to their client relationships.
- The future is uncertain for everyone. Often, it's how people—both clients and advisors—deal with this uncertainty that leads to better, mutually beneficial outcomes.

For institutional and sophisticated investors only. Not for public distribution.



Putting a value on your value: Quantifying Vanguard Advisor's Alpha®


ADVISOR'S ALPHA® PERSPECTIVES | JULY 2022

Summary

- The advice industry has changed tremendously over the last 15 years. As a result, investors are in a better position to reach their desired outcomes and the advisor's value proposition has never been stronger.
- In 2001, we outlined how advisors could add value, or alpha, through relationship-oriented services, rather than by trying to outperform the market. We have since expanded the Vanguard Advisor's Alpha concept to quantify the benefits that advisors can add by following wealth management best practices.
- We believe implementing the Vanguard Advisor's Alpha framework can add up to, or even exceed, 3% in net returns for your clients and help you differentiate your skills and practice. Like any approximation, the actual amount of value added may vary significantly, depending on clients' circumstances.
- While the data in this paper is directed toward U.S. advisors, we have estimated the benefits of implementing the framework for non-U.S. investors over multiple time periods with similar results. Additionally, the global advice markets have converged and the potential value-add of up to, or even beyond, 3% remains whether using U.S. or non-U.S. data. The specific value added by each individual best practice will vary by local tax laws, regulations, and the average advised experience in each market.

Authors
Francis M. Kinniry Jr., CFA
Colleen M. Jaconetti, CPA, CFP®
Michael A. DiJoseph, CFA
David J. Walker, CFA
Maria C. Quinn

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The evolution of Advisor's Alpha®: People with portfolios

ADVISOR'S ALPHA® PERSPECTIVES | SEPTEMBER 2022

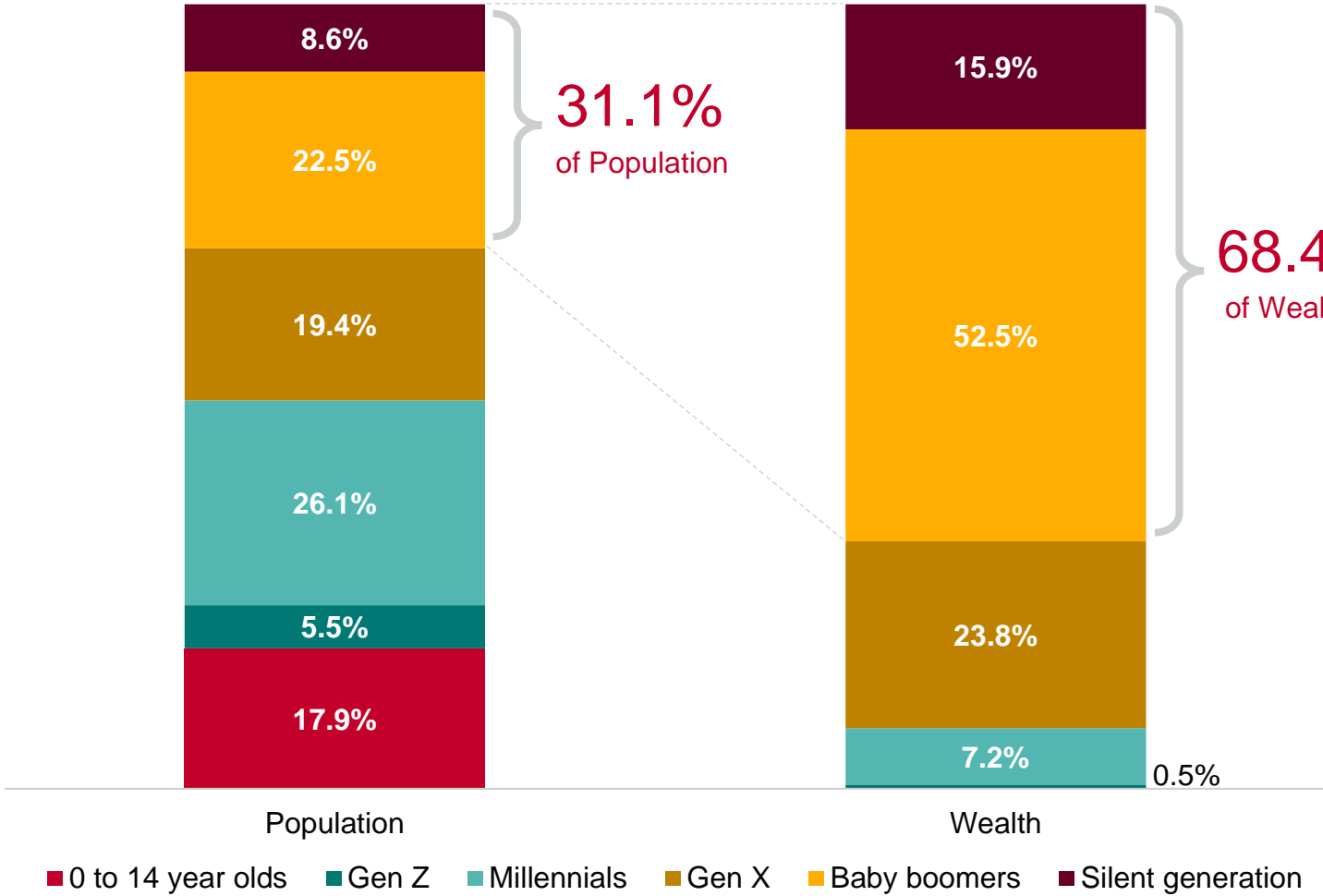
Summary

- Current trends in investment advice—including regulation, fees, and technology-enabled competition—likely will continue to shape the contours of the industry and mold client satisfaction.
- As Vanguard's Advisor's Alpha research has suggested, for the typical advisor, the path to greater client satisfaction and asset growth should lead to an underappreciated destination—relationship management.
- A focus on relationship management takes time and commitment and requires advisors to streamline some aspects of financial planning or wealth management and reallocate the time saved to the clients who increasingly demand and value it.
- Ultimately, clients determine the value of advice, and, as our Advised Investor Insights™ research reveals, they clearly value and reward an advisor they highly trust with referrals and loyalty.
- To differentiate themselves from their competitors—both robo and human—advisors should embrace the fact that relationship management is not "customer service" but, rather, the crucial element of peerless financial advice.

Authors
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Michael A. DiJoseph, CFA
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Maria C. Quinn

Coming soon: The Great UK Wealth Transfer

Population and wealth by generations in the UK - 2020



Total Wealth by Generation £

Silent generation b. 1928-1945	} ~£6.7tn
~£1.5tn	
Baby boomers b. 1946-1964	} ~£6.7tn
~£5.1tn	
Gen X b. 1965-1980	
~£2.3tn	
Millennials b. 1981-2000	
~£700bn	
Gen Z b. 2001-2020	
~£51.5bn	

A generational shift:

Over the next three decades,

~£7 trillion

in wealth will change hands

UK inheritances currently ~£100bn
annually, rising each year

Source: Vanguard Analysis based on ONS 2020 Wealth and Assets Survey, and 2020 National and Subnational Mid-year Population Estimates for the UK, Demos: A new age of inheritance (January 2023)

Vanguard



The global picture in the next few years

Wealth transfer to 2030 by region



North America
\$10.6 Trillion



Europe
\$3.5 Trillion



Asia Pacific
\$2.8 Trillion

Generational wealth challenges: spanning borders and cultures

70%

of wealthy families lose their wealth by the 2nd generation and 90% will lose it by the 3rd generation

“From shirtsleeves to shirtsleeves in three generations”

Often attributed to the Scottish-born American industrialist and philanthropist Andrew Carnegie (1835–1919) but is not found in his writing.



“From shirtsleeves to shirtsleeves in three generations”



“From clogs to clogs in three generations.”



“From the stables to the stars to the stables.”



“The first generation creates wealth, the second maintains it, the third studies history of art and the fourth degenerates.”



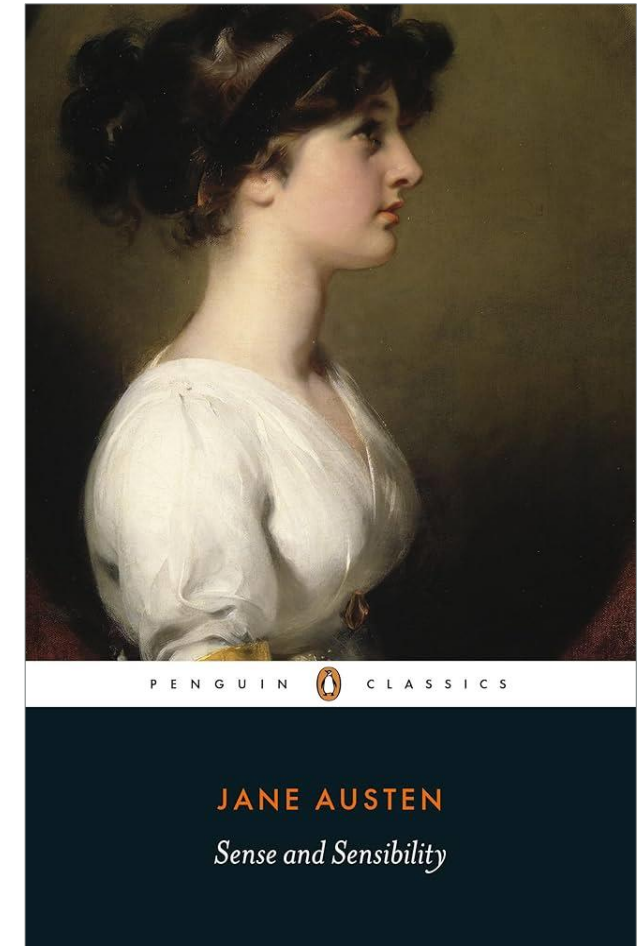
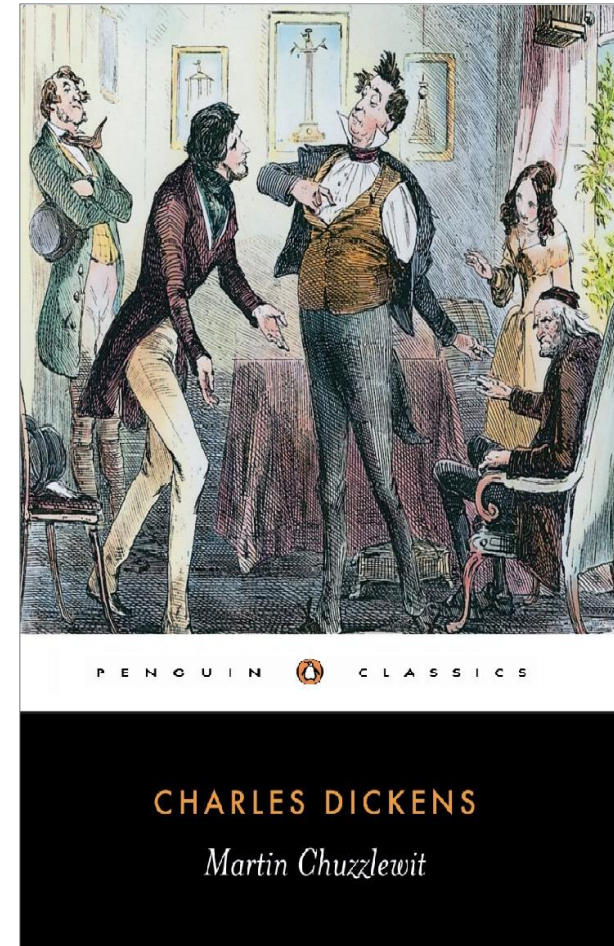
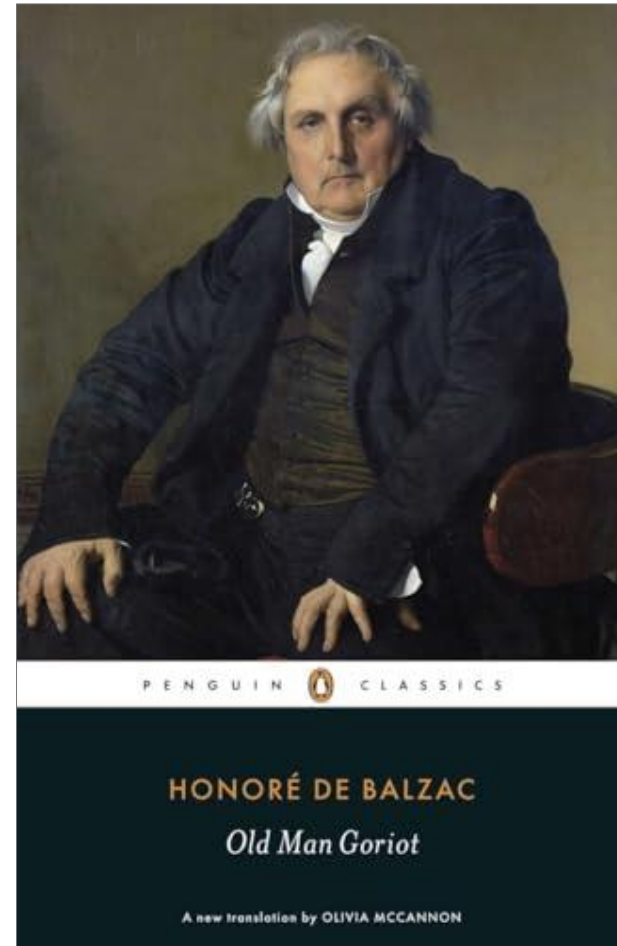
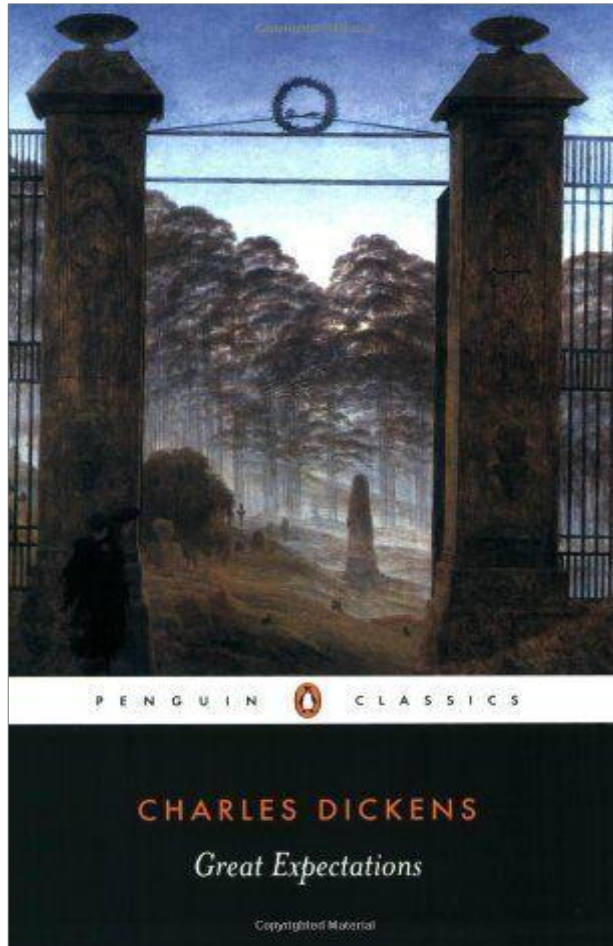
“Third generation ‘ruins the house.’”



“Wealth does not survive three generations.”

Sources: Wiktionary.org, www.gutzitiert.de/

Inheritance is everywhere



Inheritance is everywhere

Poor Legacy Planning:
A story by Guy Ritchie



Painting a picture of the UK landscape

10,000 wills disputed
in the UK annually¹

300,000 families apply
for probate each year. Process
takes more than 30 weeks²

36% of Gen Zers & **29%**
of Millennials (26-41) say they're not
focusing on saving for their retirement
because they're expecting to inherit³

13,000 failed
PETs in 2020-21⁴

More than **1m**
LPAs registered in 2023⁵

4 in 5 adults
do not have an LPA in place⁶

While **60%** of baby boomers
intended to leave money to the next
generation, only 17% had a formal
plan in place⁷

41% of Gen X and Millennials
found it "uncomfortable" to discuss
inheritance and wealth transfer with
their parents⁷

37% of wealthy individuals
reported family conflict around
inheritance⁸

Women and advice

Women are “Dual inheritors”

- Extra c2 years of Life expectancy on average¹
- Women c2 years younger than spouse on average¹

Later life care

- In the UK, women outnumber men 3:1 in nursing homes²

Investment gap

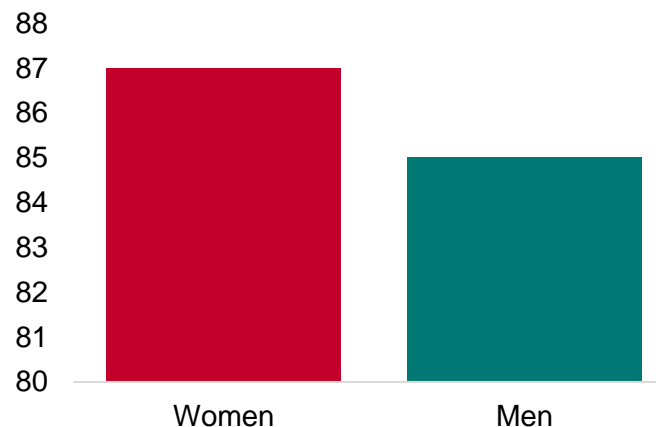
Research³ suggests women:

- Start saving later in life
- Are more likely to have annual gaps in saving
- Are more likely to have funds uninvested

Advice-seeking behaviour

- Female investors have a greater propensity to seek advice or an embedded investment solution.

Life expectancy at age 60¹



Women and advice

76%

76% of women say the gender of their financial adviser is not important and they are willing to work with either male or female advisers²

70%

Up to 70% of women will move away from the financial adviser after the death of their partner¹

90%

90% of advisers do not have a differentiated sales and marketing approach for female investors²

35%

35% of females said their adviser completely recognised and appreciated their different financial needs²

Your practice: Consider some illustrative numbers

87% of children intend to fire their parents' financial adviser after they receive an inheritance

70% of women leave their adviser following the death of a spouse

Your practice: Consider some illustrative numbers

87% of children intend to fire their parents' financial adviser after they receive an inheritance

70% of women leave their adviser following the death of a spouse

54%

×

70%

=

38%

Estimated Baby Boomer and older proportion¹

Advisers unappointed by client's survivors

Proportion of existing client bank not retained

Legacy: A very difficult topic

Why so difficult?



The subject

- Uncomfortable
- Morbid
- Secretive
- Full of uncertainty
- Age and vulnerabilities
- Cognitive decline



The partner

- Weak adviser relationship
- Previous relationships/complex family structure
- Non-communication between partners
- Different objectives between partners



The heirs

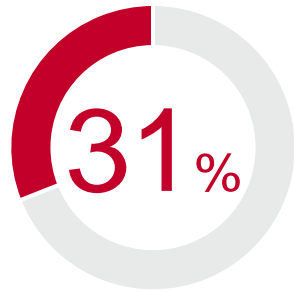
- Geographical distance, major differences in needs/values
- Protectiveness
- Their own partners
- Major differences between heirs



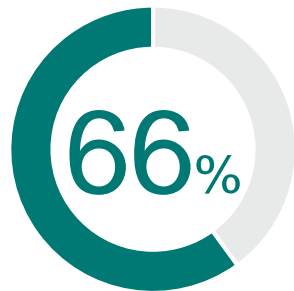
The adviser

- Generational mis-matches
- Cost/servicing mis-match
- Super-soft skills
- Legislation & the tax tail (on the legacy planning dog)

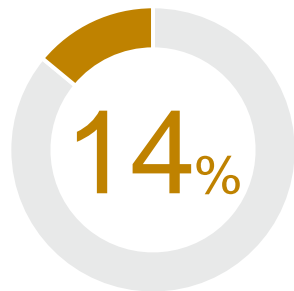
Cognitive decline is a real risk



The lifetime risk of dementia is about 31% (37% for women, 24% for men)



Two out of three people can expect to experience cognitive impairment (both with and without dementia) in their lifetime.



The perceived cost of mistiming (from the investor's perspective) is estimated to be equivalent to 14% of net worth.

The risk of cognitive decline: Investors' perception and preparation

Vanguard Research

August 2021

Anna Madamba, Ph.D.

- Cognitive decline is characterized by cognitive impairment with or without dementia. Estimates in the academic literature show that two out of three adults will experience cognitive decline, with about one in three suffering from its severe form, dementia. Our findings show that investors' estimates of their own cognitive decline risk are more in line with the risk for dementia than with the broader risk of cognitive decline.
- In our study, we assessed how investors would manage the possible onset of cognitive decline: who they would choose as agent to act on their behalf, any preparations they had made to mitigate this risk, and how they would handle the eventual transfer of financial control. We found that a family member, especially a child, was the main choice of agent in case of incapacity. In the absence of a child, other family members (such as siblings, nieces, or nephews) were often chosen, as were friends and institutions.
- Investors generally have some plans in place to address cognitive decline, such as having a power of attorney and a living will. But planning for more task-specific duties, such as identifying a person who will check mail or pay bills, prearranging care, and providing guidelines for the transfer of control of finances, is less common.
- In the event of cognitive decline, timing the transfer of control of finances correctly is key and can have significant implications for investor well-being. Our study measured the welfare cost of a mistimed transfer, which captures the value of being able to control when to hand over finances to an agent in case of cognitive decline. On average, we estimate that this cost is equivalent to 14% of net worth.

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The role of the adviser

The Source of Advice Value



Vanguard's 4 Pillar Framework for Advisers' Value

1

Financial value:

advisers help investors to meet their financial goals and overcome obstacles and challenges along the way.

2

Portfolio value:

building a well-diversified portfolio matched to the client's risk tolerance.

3

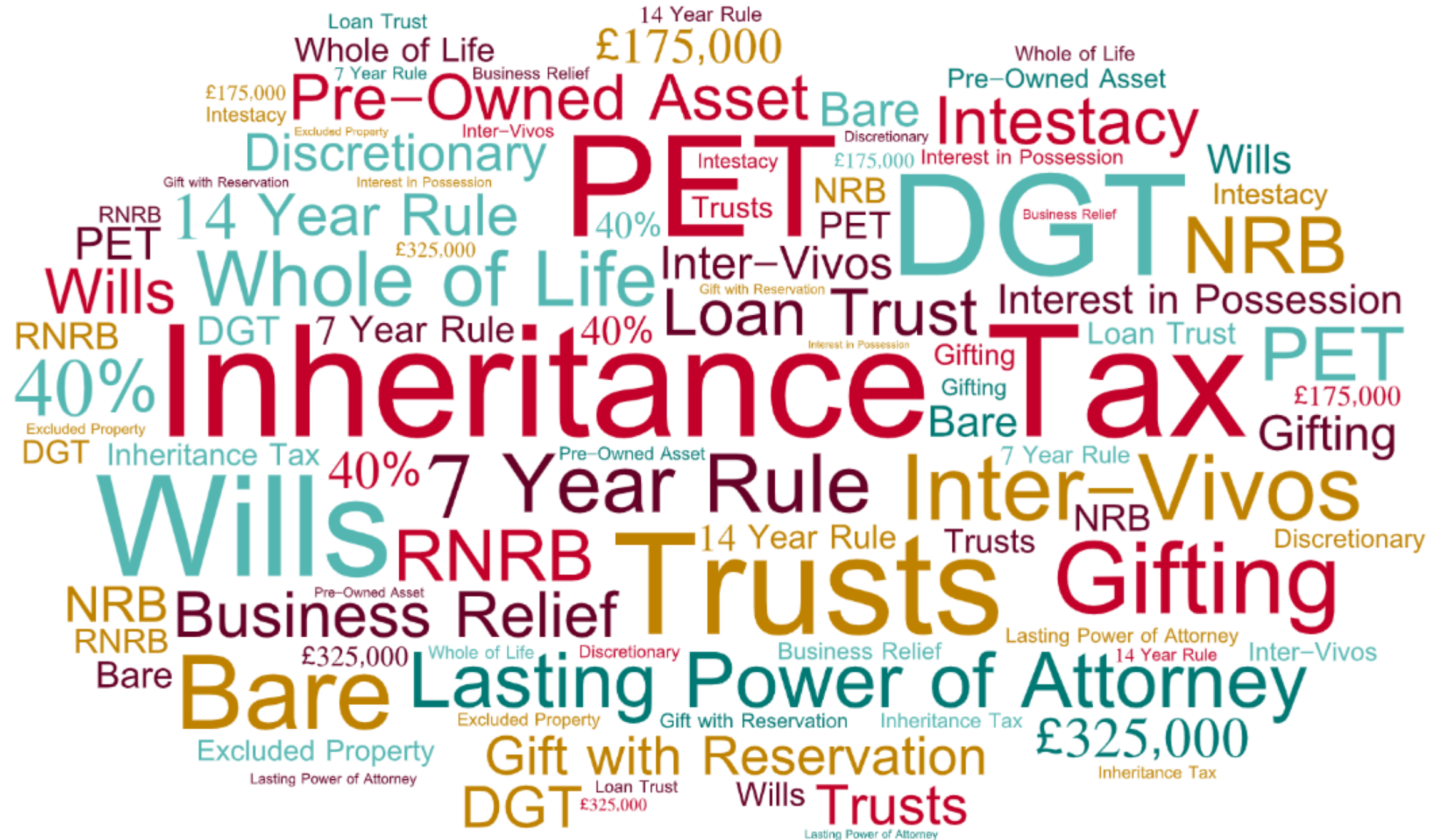
Emotional value:

helping investors achieve financial well-being or peace of mind and instilling confidence in them.

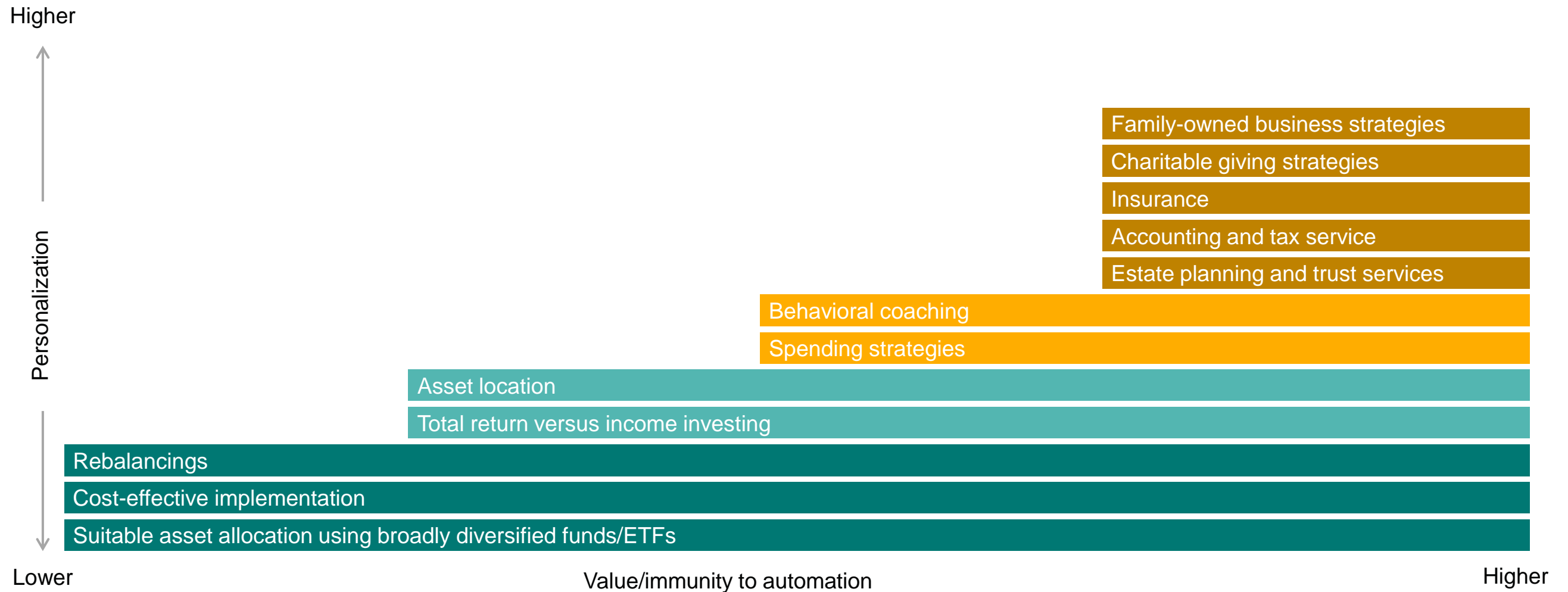
4

Time savings value:

performing tasks for your clients that they may not have the capacity or knowledge to undertake themselves.

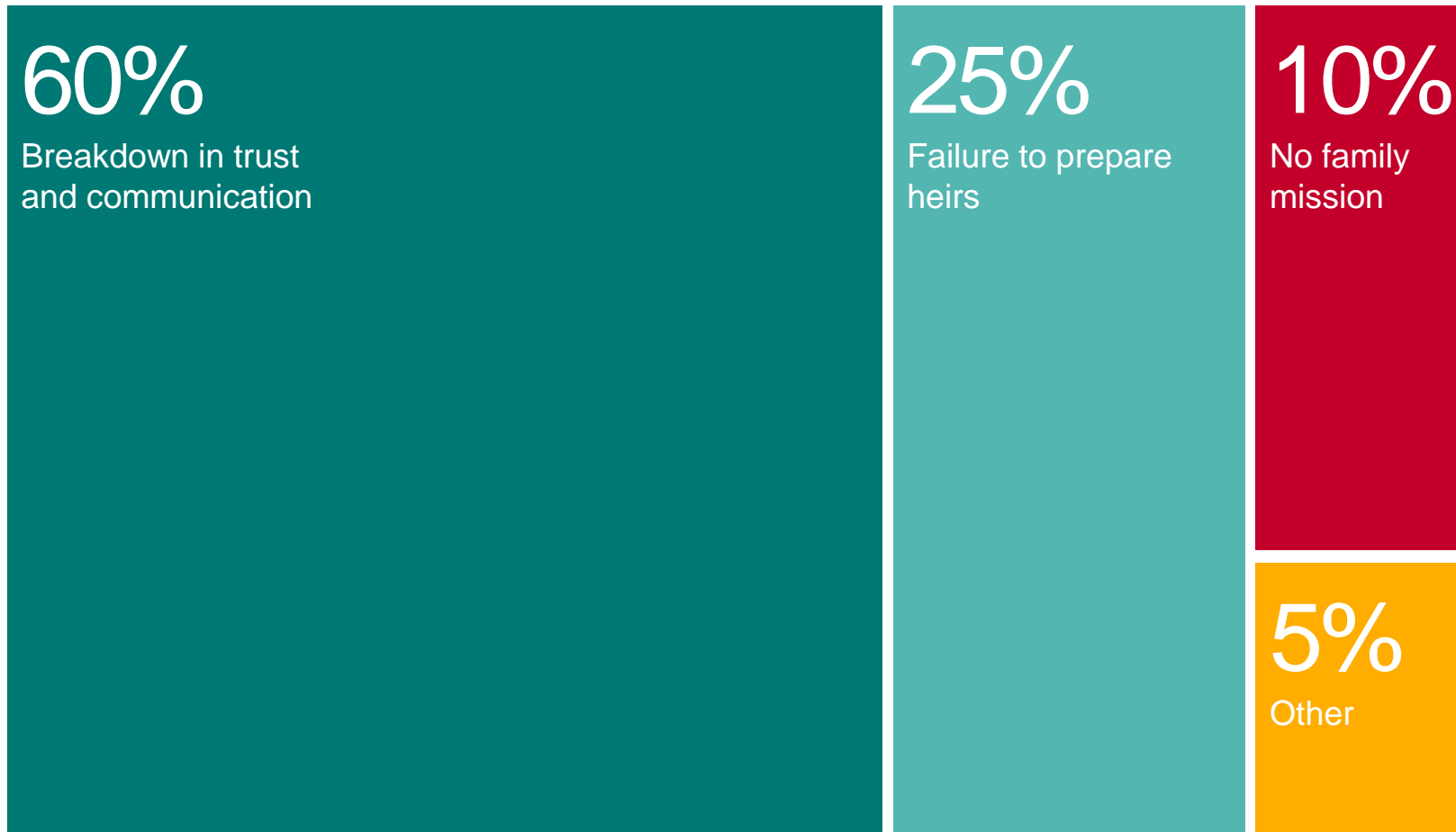


Helping families plan a financial legacy is a uniquely human activity



Communication and trust are crucial

Reasons family wealth is lost

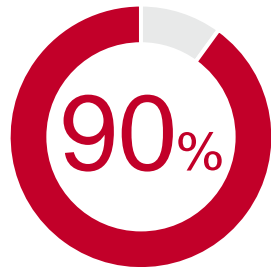


The components of trust



Human advice retains the advantage

Switching between human and digital advice



of human-advised clients say they would not consider switching to digital



of robo-advised clients would consider switching to a human adviser in the future

Perceived value of type of advice

5%

perceived value-add to annual performance for human advice

3%

perceived value-add to annual performance for digital-only advice

Vanguard
February 2022



Vanguard research

Quantifying the investor's view on the value of human and robo-advice

In this paper, we quantify how much investors value financial advice and where they believe advisors add value. Using a survey of more than 1,500 investors who reported having a human advisor, a digital service, or both, we found the following:

- **Advice adds value across the board.** Regardless of the method of delivery, investors believe advice provides higher incremental portfolio value than going it alone. The perceived value-add to annual performance was 5% for human advice and 3% for digital-only advice.
- **The loyalty to human advisors is enduring.** While more than 90% of human-advised clients say they would not consider switching to digital, 88% of robo-advised clients would consider switching to a human advisor in the future.
- **Clients prefer emotional support from human advisors.** Investors using human advisors estimate being \$160,000 closer to achieving their financial goals. Three times as many investors report having strong peace of mind when working with a human advisor as compared to going it alone.
- **Digital advice also serves a role.** Investors prefer digital advice for certain portfolio-management services such as diversification and tax optimization.
- **The preference for advice delivery type is not dictated by client age or wealth.** Across the board, clients suggest that human advisors should consider automating their portfolio management services, leveraging technology to scale their business while strengthening their uniquely human value.

Authors



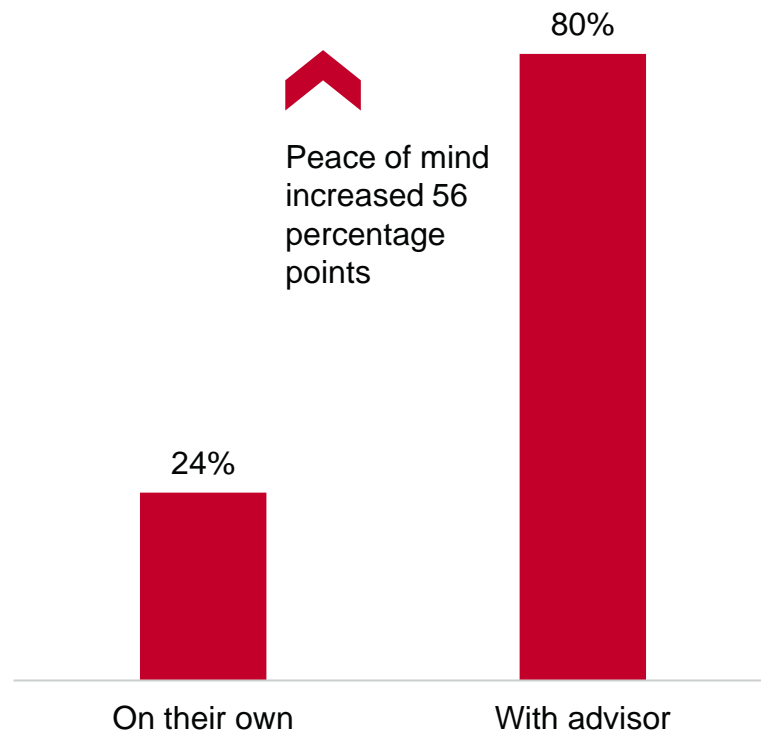
Paulo Costa, Ph.D. Jane E. Henshaw

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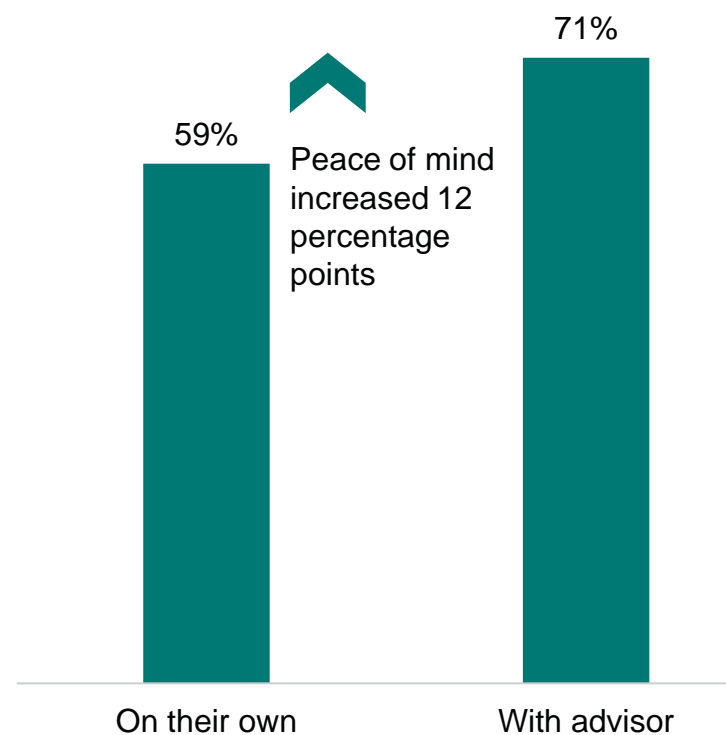
Human advice retains the advantage

Peace of mind added

Human-advised



Digital-advised



Vanguard


Vanguard research February 2022

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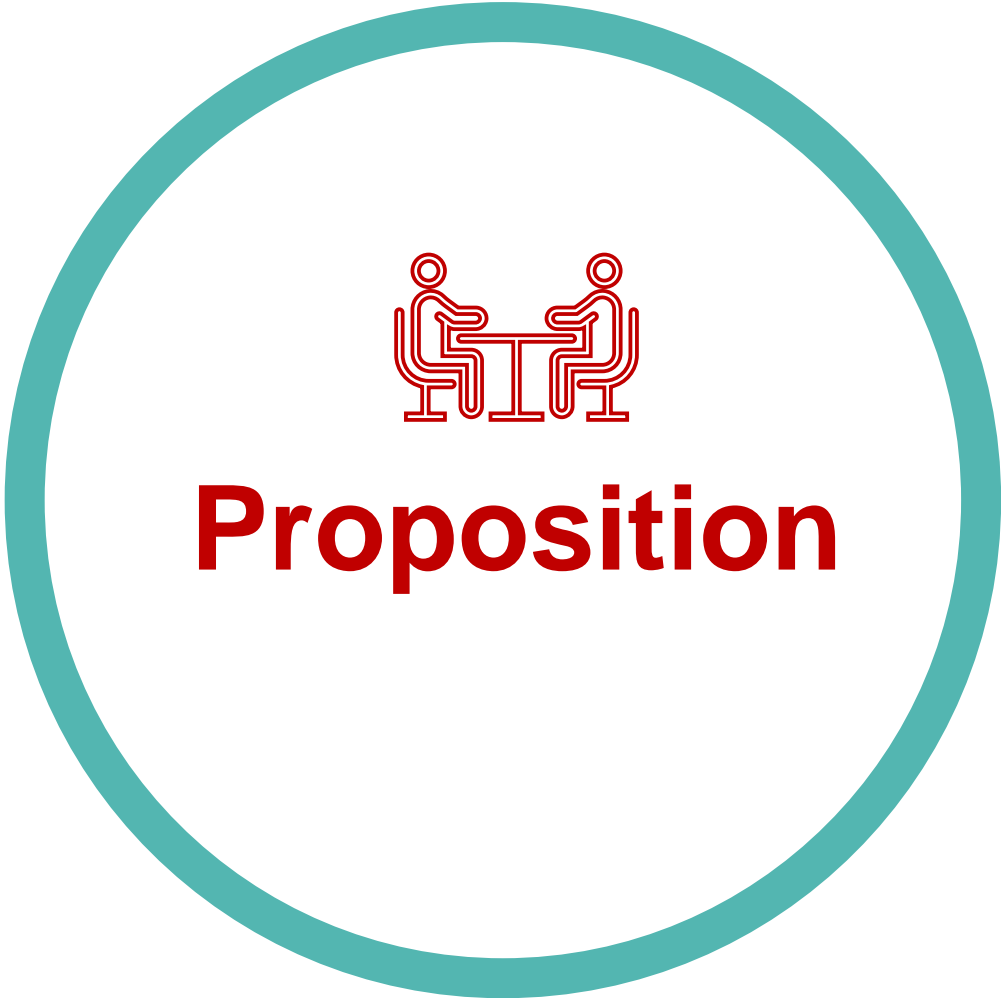


Jane E. Henshaw

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Steps to succeed

Elements of success



Elements of success



Engagement

- 1** Prepare and Identify opportunities
- 2** Engage primary clients
- 3** Bring the next generation into the conversation
- 4** Agree ongoing ways of working



Proposition

- 1** Hone your advice and service offers
- 2** Develop your business model
- 3** Embrace technology

Elements of success



Engagement

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Proposition

- 1** Hone your advice and service offers
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1 Prepare and identify opportunities

Explore and Identify Risks

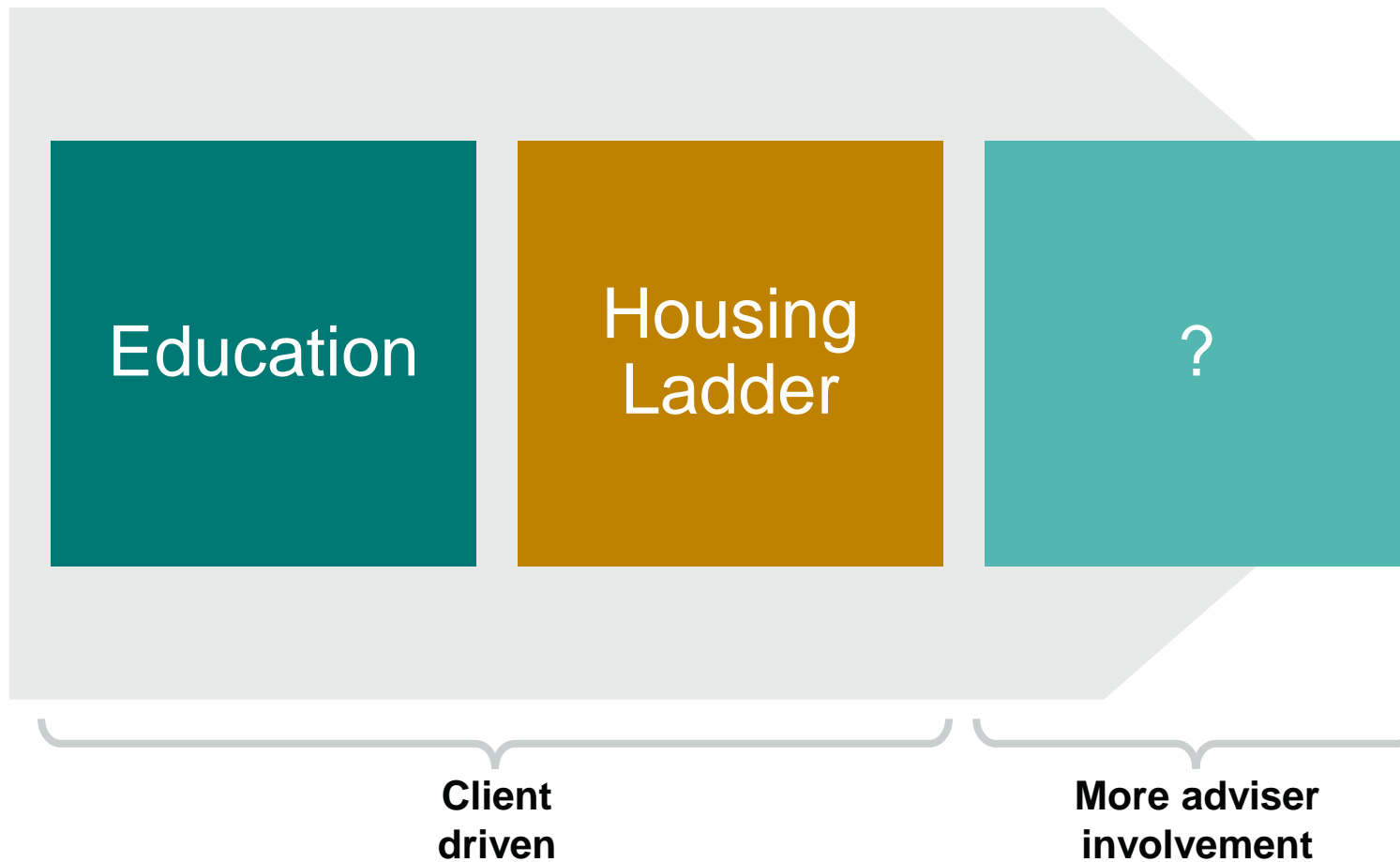
- How many of my “top” clients are married baby boomers?
- What is the total AUM of these clients?
- Of those top clients:
 - How many times in the past 12 months have I had an engagement with the spouse?
 - Have I ever spoken to the children (or other heirs as applicable)?

Classify and segment client base

- Supplement traditional segmentation approach (such as AUM, profession, accumulator/decumulator)
- Consider approaches relevant for legacy planning
- Don't overlook clients without children



1 Prepare and identify opportunities



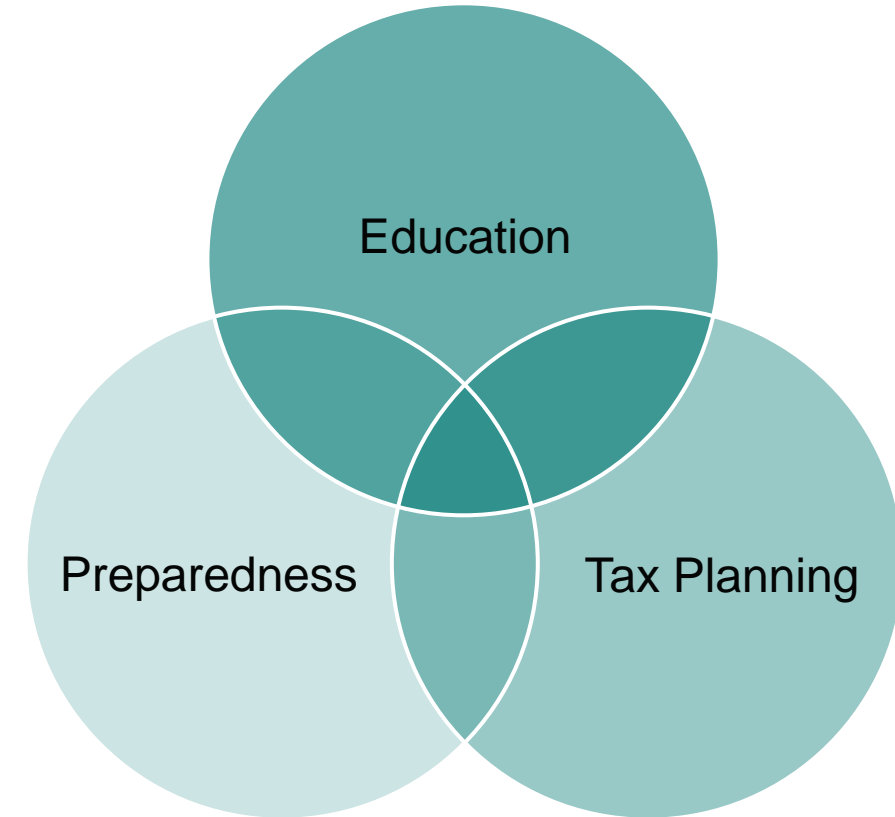
The “Bank of Mum and Dad” has likely been open for business already

2 Engage primary clients

Opportunity for the Conversation

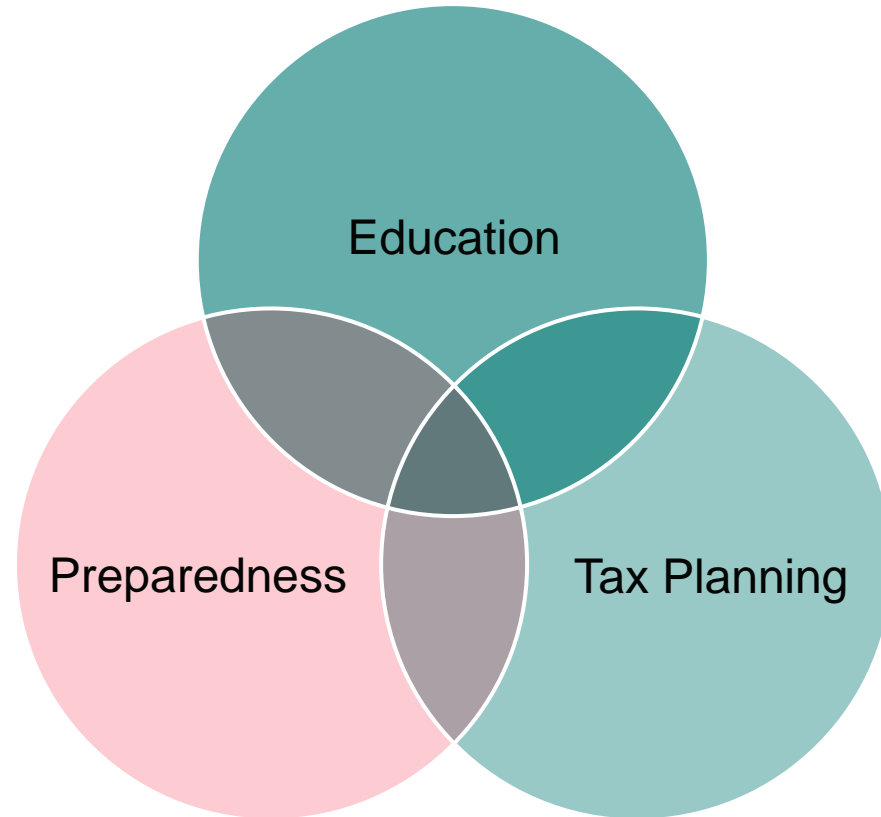
Initial Onboarding	Second stage of initial Financial Plan	Annual Review
Wills / LPA	Goal Change	Beneficiary Ages
Beneficiary events	Health Changes	Just because...

Positioning



2 Engage primary clients

Positioning



Focus on Preparedness



Discuss the benefits of preparedness as a component of wealth planning



Discuss the benefits of having a plan in place which allows for quick action in case of emergency



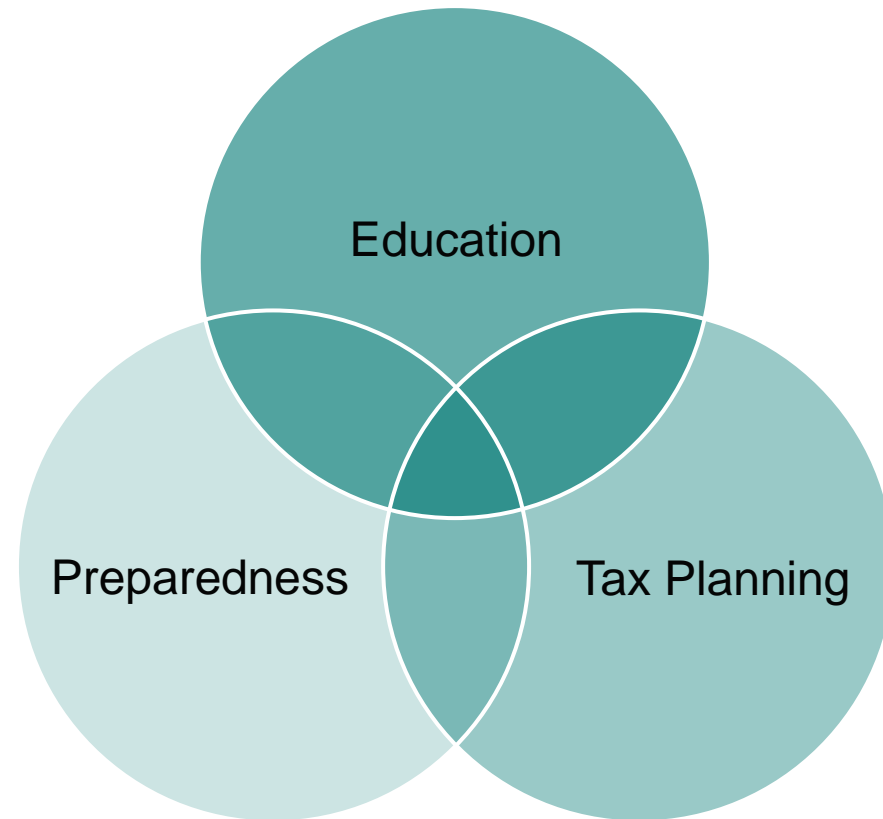
Focus on the importance for survivors to know what steps to take and how to take them



Focus on discussing the benefits of family members to be prepared for unforeseeable events: peace of mind, less stress

2 Engage primary clients

Positioning

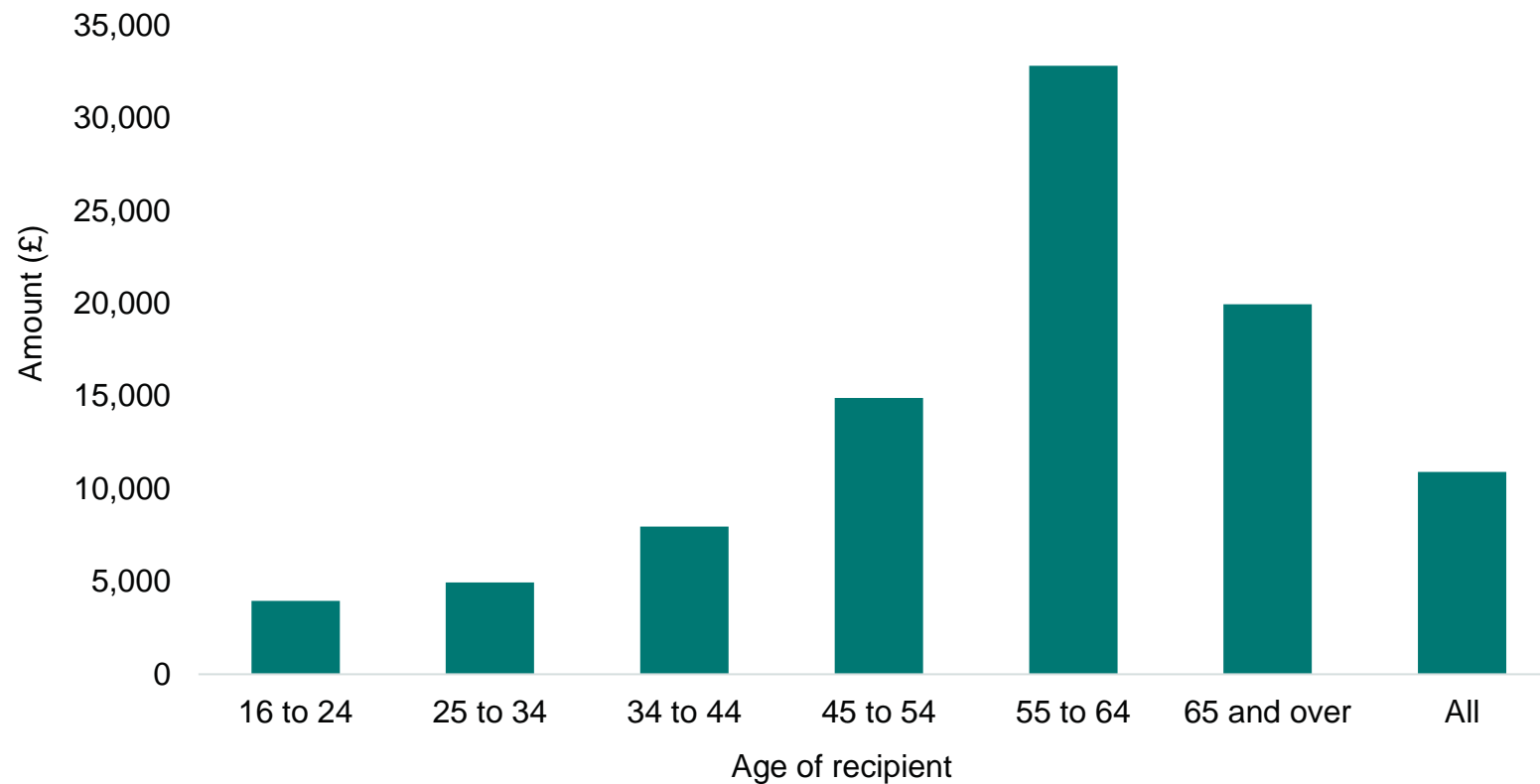


Background Questions

- Estate/Legacy planning done to date?
- How have you communicated it to family?
- How much awareness do they have of wealth levels?
- How prepared is your family to receive the wealth?
- If they aren't aware or prepared, is there a reason?

2 Engage primary clients

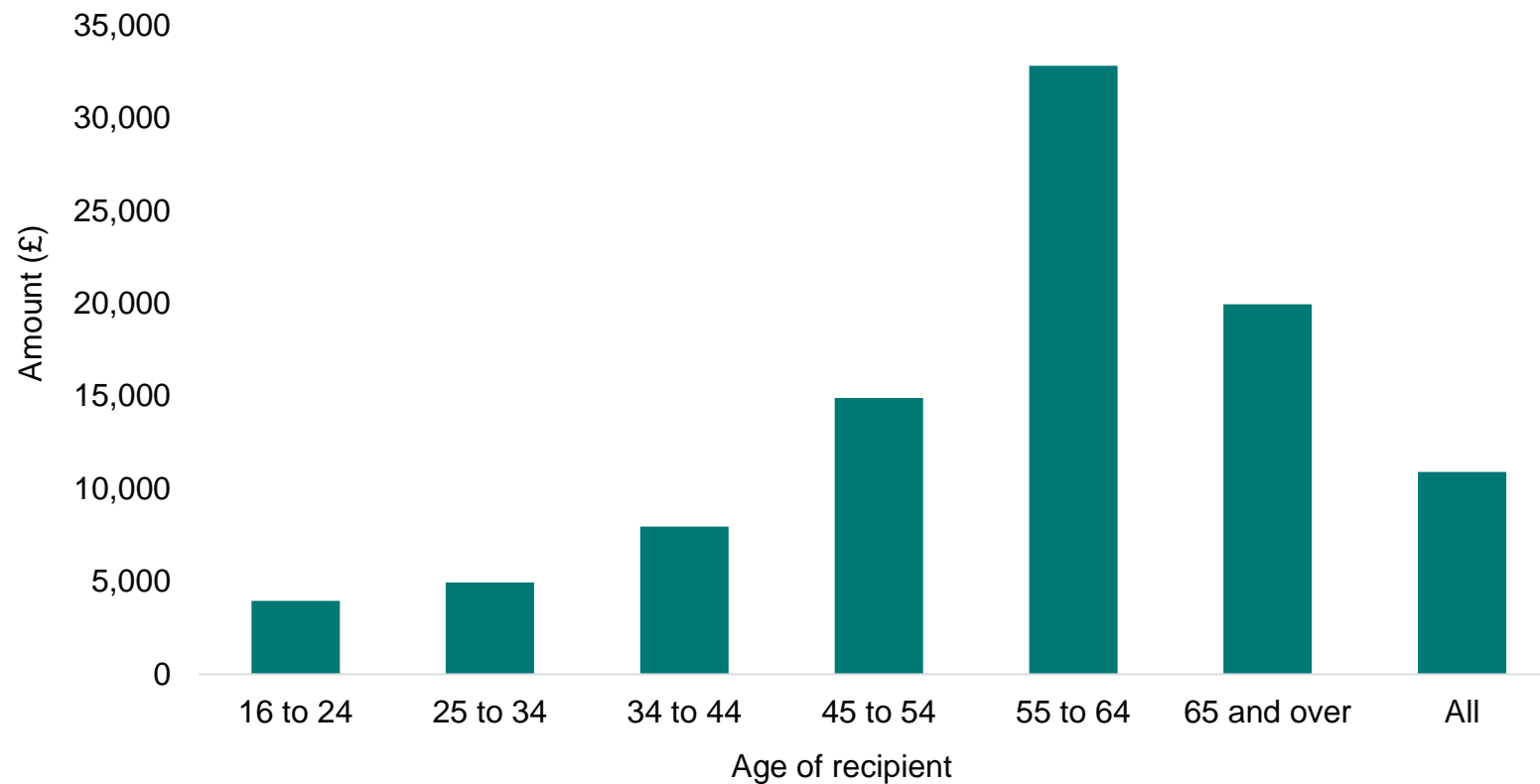
Median amount received in inheritances of the value of £1,000 or more



**Kids
are not
necessarily
kids**

2 Engage primary clients

Median amount received in inheritances of the value of £1,000 or more



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2 Engage primary clients

Dealing with objections



Common Objections

- Beneficiaries aren't mature enough
- "We don't want them to know how much we have"
 - Disincentivising
 - Change in expectations/behaviour
- Different situations of beneficiaries
- Discomfort around beneficiary's partner
- Beneficiaries are already "happily advised"*

3 Bring the next generation into the conversation

Plan with primary clients

Objectives and guardrails

- How far along the spectrum do we want to get
- **Agree level of disclosure around asset values**

Pre-work

- Assess existing level of preparedness
- Assess existing level of investment/financial acumen



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Financial education assessment

As you manage your own portfolio or assume additional roles and responsibilities related to your family's financial legacy, it's important to understand a few key financial and investment concepts. To assess your current level of understanding, please select the most appropriate number for each of the following statements.

STATEMENT	STRONGLY DISAGREE	DISAGREE	MODERATELY DISAGREE	MODERATELY AGREE	AGREE	STRONGLY AGREE
1. I feel confident in my ability to establish a monthly budget or budget for a special project and adhere to the plan.	1	2	3	4	5	
2. I understand the mechanics of credit and debt and how to manage them prudently.	1	2	3	4	5	
3. I understand the mechanics of saving, compound interest, and the importance of using them to meet long-term goals.	1	2	3	4	5	
4. I understand the importance of focusing on saving for retirement.	1	2	3	4	5	
5. I am clear on my investment goals.	1	2	3	4	5	
6. I understand investment concepts such as asset classes, asset allocation, diversification in a portfolio, and rebalancing.	1	2	3	4	5	
7. I understand stock and bond market concepts such as risk, return, and volatility.	1	2	3	4	5	
8. I have the time, willingness, and ability to manage my investment portfolio.	1	2	3	4	5	
9. I understand the purpose and structure of basic estate planning vehicles such as wills, trusts, and power of attorney.	1	2	3	4	5	
10. I understand the roles and responsibilities of trustees and beneficiaries.	1	2	3	4	5	
11. I understand the rules and tax impacts around making charitable gifts.	1	2	3	4	5	
12. I understand how different estate-planning approaches can be used to mitigate inheritance tax.	1	2	3	4	5	

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Couple preparedness assessment

We've all heard a story of an acquaintance or friend who suddenly lost their partner. Along with the pain of loss, the can create chaos, trauma, and confusion for the remaining partner and perhaps other survivors. Have you considered whether you're prepared to manage your finances independently? While going through this exercise can be challenging, it's an essential step in your overall planning.

Why should you discuss "being prepared" as part of your wealth planning?

- In an emergency, having a plan in place can help partners act quickly.
- If something unexpected happens, partners will know what steps they need to take and how to take them.
- Knowledge is power. When both partners in a couple have access to important information, it alleviates stress and anxiety.

Activity: How do I know if I'm prepared? The following assessment may help.

Step 1: Each partner should take this assessment independently and rate their level of agreement with each of the following statements.

STATEMENT	STRONGLY DISAGREE	DISAGREE	MODERATELY DISAGREE	MODERATELY AGREE	AGREE	STRONGLY AGREE
1. I know and understand our approximate net worth.	1	2	3	4	5	
2. I know how to make payments for our living expenses and how to access our financial accounts.	1	2	3	4	5	
3. I know where all our important documentation is located so I can access information quickly.	1	2	3	4	5	
4. I understand what steps I need to take in our plan and the order in which to take them if an emergency occurs and my spouse or partner can't help me.	1	2	3	4	5	
5. I know where our financial assets are located and when financial providers we use.	1	2	3	4	5	
6. I have relationships with our financial providers, so I feel comfortable calling them when needed.	1	2	3	4	5	
7. I understand the purpose and details of estate planning arrangements we have in place such as wills, trusts, powers of attorney.	1	2	3	4	5	

3 Bring the next generation into the conversation



Plan with primary clients

Agenda items

- General Investment/Financial
- Wills, LPAs (have beneficiaries?)
- Role of the adviser
- Other professional relationships
- Questions
- Next steps, how we can help

Meeting format

- Whole family meeting, individuals or split groups?
- Main adviser leads or do we bring in a generational match?
- Virtual or in-person?
- Home or away?
- Can we make out of hours work?



Have the engagement

- Personalise to family and individuals. Bring empathy
- Do it your way. Bring in your own brand and USPs
- Be relevant, interesting and modern
- Be succinct / flexible

4 Agree ongoing ways of working

Set aspiration

- Help clients move along the spectrum if they want to

Keep momentum

- Review as standing agenda point (at least annually)

Know it takes time

- Be patient. Be satisfied to have made some progress



Resources you can share with your clients

Vanguard

Financial education assessment

As you manage your own portfolio or assume additional roles and responsibilities related to your family's financial legacy, it's important to understand a few key financial and investment concepts. To assess your current level of understanding, please select the most appropriate number for each of the following statements.

STATEMENT	STRONGLY DISAGREE		MODERATELY AGREE		STRONGLY AGREE
1. I feel confident in my ability to establish a monthly budget or budget for a special project and adhere to the plan.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
2. I understand the mechanics of credit and debt and how to manage them prudently.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
3. I understand the mechanics of saving, compound interest, and the importance of using them to meet long-term goals.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
4. I understand the importance of focusing on saving for retirement.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
5. I am clear on my investment goals.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
6. I understand investment concepts such as asset classes, asset allocation, diversification in a portfolio, and rebalancing.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
7. I understand stock and bond market concepts such as risk, return, and volatility.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
8. I have the time, willingness, and ability to manage my investment portfolio.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
9. I understand the purpose and structure of basic estate planning vehicles such as wills, trusts, and power of attorney.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
10. I understand the roles and responsibilities of trustees, and beneficiaries.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
11. I understand the rules and tax impacts around making charitable gifts.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
12. I understand how different estate-planning approaches can be used to mitigate inheritance tax.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>

Vanguard

Couple preparedness assessment

We've all heard a story of an acquaintance or friend who suddenly lost their partner. Along with the pain of loss, this can create chaos, trauma, and confusion for the remaining partner and perhaps other survivors. Have you considered whether you're prepared to manage your finances independently? While going through this exercise can be challenging, it's an essential step in your overall planning.

Why should you discuss "being prepared" as part of your wealth planning?

- In an emergency, having a plan in place can help partners act quickly.
- If something unexpected happens, partners will know what steps they need to take and how to take them.
- Knowledge is power. When both partners in a couple have access to important information, it alleviates stress and anxiety.

Activity: How do I know if I'm prepared? The following assessment may help.

Step 1: Each partner should take this assessment independently and rate their level of agreement with each of the following statements.

STATEMENT	STRONGLY DISAGREE		MODERATELY AGREE		STRONGLY AGREE
1. I know and understand our approximate net worth.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
2. I know how to make payments for our living expenses and how to access our financial accounts.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
3. I know where all our important documentation is located so I can access information quickly.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
4. I understand what steps I need to take in our plan and the order in which to take them if an emergency occurs and my spouse or partner can't help me.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
5. I know where our financial assets are located and which financial providers we use.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
6. I have relationships with our financial providers, so I feel comfortable calling them when needed.	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>
7. I understand the purpose and details of estate planning arrangements we have in place such as wills, trusts, powers of attorney	1 <input type="radio"/>	2 <input type="radio"/>	3 <input type="radio"/>	4 <input type="radio"/>	5 <input type="radio"/>

Resources you can share with your clients

Vanguard

Family meetings

An important step in successful wealth planning

Few things are as important as your financial legacy and the well-being of your heirs. While traditional estate planning is a fundamental component of wealth planning, three often-overlooked factors actually have the greatest influence on a family's ability to successfully transition its wealth:¹

- Strong communication and a sense of trust among family members.
- Thorough preparation of heirs.
- A cohesive purpose for family wealth.

As you can see, communication and preparation are vital. That's why structured family meetings are an important part of wealth planning.

Paving the way for a smooth transition

Structured meetings can help you open a dialogue about important issues, strengthen family harmony and trust, and educate and prepare your heirs for future responsibilities.

A foundation of communication and cooperation will enable your family to more readily avoid common challenges during transition, such as family feuding, litigation, and poor investment decisions, all of which can lead to an unnecessary loss of assets.

What to expect

Typically, meetings provide a forum for collaborative discussion among all family members, with the goal of mutual understanding and consensus. However, each meeting should be shaped to meet the particular needs of your family.

Your advisor will help you develop an appropriate agenda. Meeting topics may include:

- Responsibilities and expectations.
- Education of heirs.
- Shared philanthropy.
- Family history and enduring values.
- Family mission statement.
- Preparation for wealth transition.

Talk to your advisor

In addition to helping you determine an agenda, your advisor can also facilitate your family meetings. This has two benefits. First, the meetings will be formally guided by an impartial moderator. Additionally, over time your advisor will get to know the unique preferences and personalities of each family member, which will strengthen the advisor's ability to provide support during the eventual transition of your wealth.

¹ Roy Williams and Vic Preisser, 2003. *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*, San Francisco, Robert D. Reed Publisher.

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FACILITATOR GUIDE

Family meetings

The purpose of a family meeting is to foster open communication, collaborative decision-making, and mutually understood expectations. It should also provide a space to identify and candidly examine any issues that may have been unrecognized or avoided in the past. Regardless of the subject matter, meetings should be highly participative and inclusive of all family members.

This document provides general guidelines that you can choose from and adapt to the needs of each family. It also provides exercises that may be helpful if a family has difficulty collaborating on a particular topic.

Work with your client to prepare

First, discuss with your client everything that will be covered in the meeting and address any concerns.

Potential topics for a premeeting discussion:

- The need for separate meetings in cases such as divorce/remarriage.
- The extent of the heirs' knowledge about family wealth.
- Potential points of conflict.
- Ground rules to establish at the meeting:
 - > **Inclusiveness.** Everyone's opinion counts.
 - > **Respect.** Any sticking points can be tabled until the next meeting.
 - > **Honesty/transparency.** Say what you really think. Silence is interpreted as agreement.
 - > **Client-specific rules.** For example, your client may have a son who won't put down his cell phone or a daughter who tends to interrupt when others are speaking.

Next, work with your client to draft an agenda by helping to choose topics from the list below. Plan for a 60- to 90-minute meeting, depending on family size. Once the agenda is established, be sure that all attendees receive a copy in advance.

Potential agenda items:

- Defining wealth and inheritance parameters (approximately 15 minutes).
- Assigning family roles and responsibilities (approximately 20 minutes).
- Identifying need for heir education (approximately 15 minutes).
- Discussing shared philanthropy (approximately 20 minutes).
- Documenting a brief family history (approximately 20 minutes).
- Crafting a family mission statement (approximately 20 to 30 minutes).

The following section will explore each of these in detail.

For financial advisors only. Not for public distribution.

Elements of success



Engagement

- 1 Prepare and Identify opportunities
- 2 Engage primary clients
- 3 Bring the next generation into the conversation
- 4 Agree ongoing ways of working

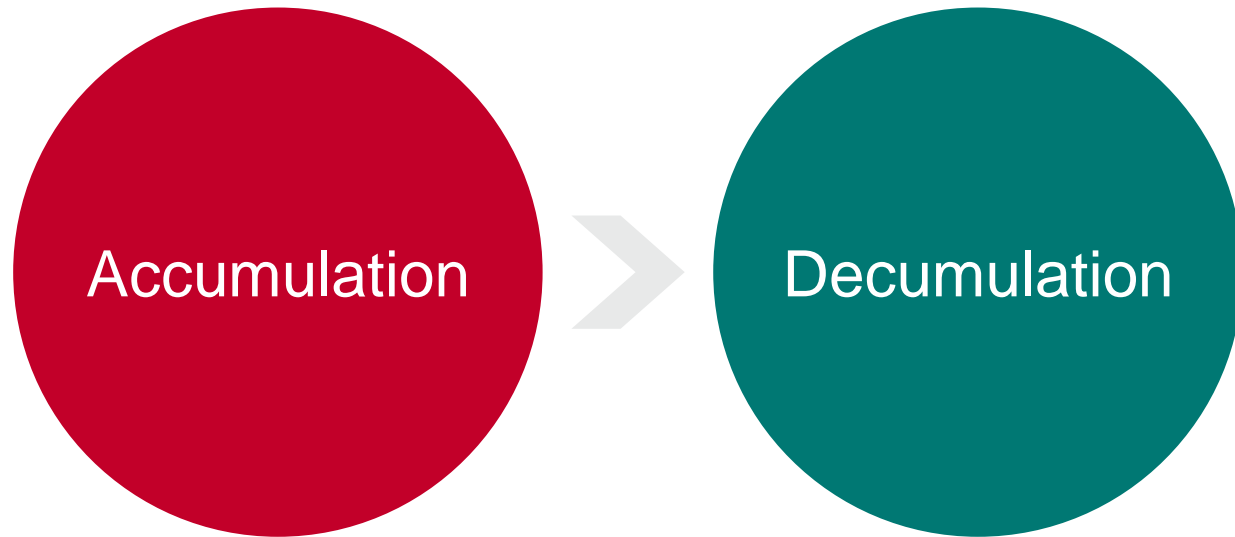


Proposition

- 1 Hone your advice and service offers
- 2 Develop your business model
- 3 Embrace technology

1 Hone your advice and service offers

Needs: Accumulators vs Decumulators



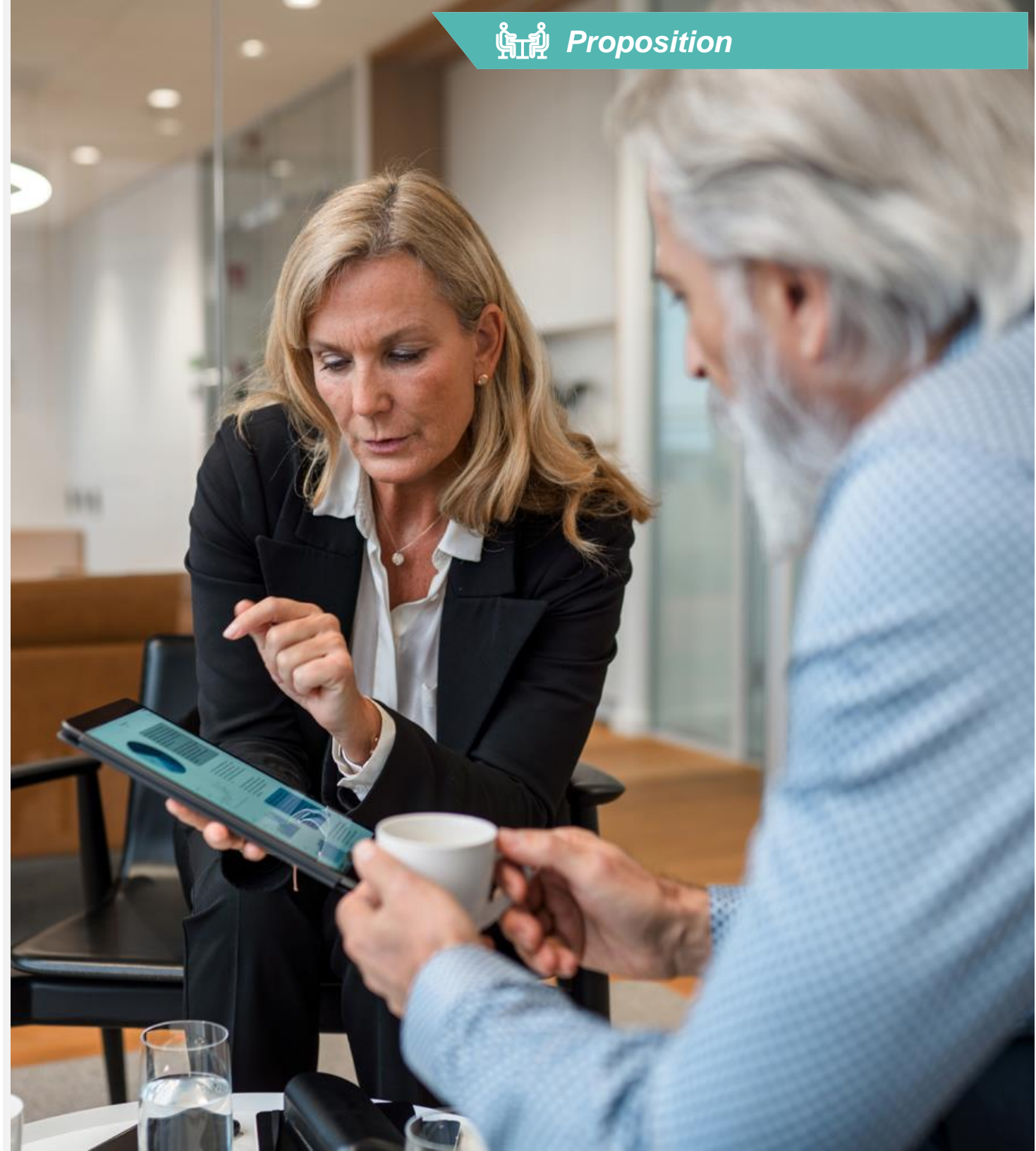
More Homogenous

- Low fees
- Acceptable returns
- Low effort and low touch

More Heterogenous

- Excellent Administration
- High interest and high trust
- Highly personalised

Source: Vanguard and CoreData collaboration 2024.



1 Hone your advice and service offers

Needs: Accumulators

More Homogenous Overall

- Low fees
- Acceptable returns
- Low effort and low touch

But with some different needs too

- Cashflow Planning (retirement focus)
- Deeper Protection needs
- Borrowing
- Servicing debt vs investing
- Dual generation dependence
- Educational expenses



Also consider

Consumer Duty Lens

- Client Segmentation
- Target Market
- Fair Value

1 Hone your advice and service offers

Service and Charges

- Value
 - Clients pay for what they need; they need what they pay for
- Competitive position
 - Consider competitive position on the services each client needs
- Fee collection
 - Family fees for family planning
- Time investment
 - Be pragmatic where necessary. This is business development



1 Hone your advice and service offers

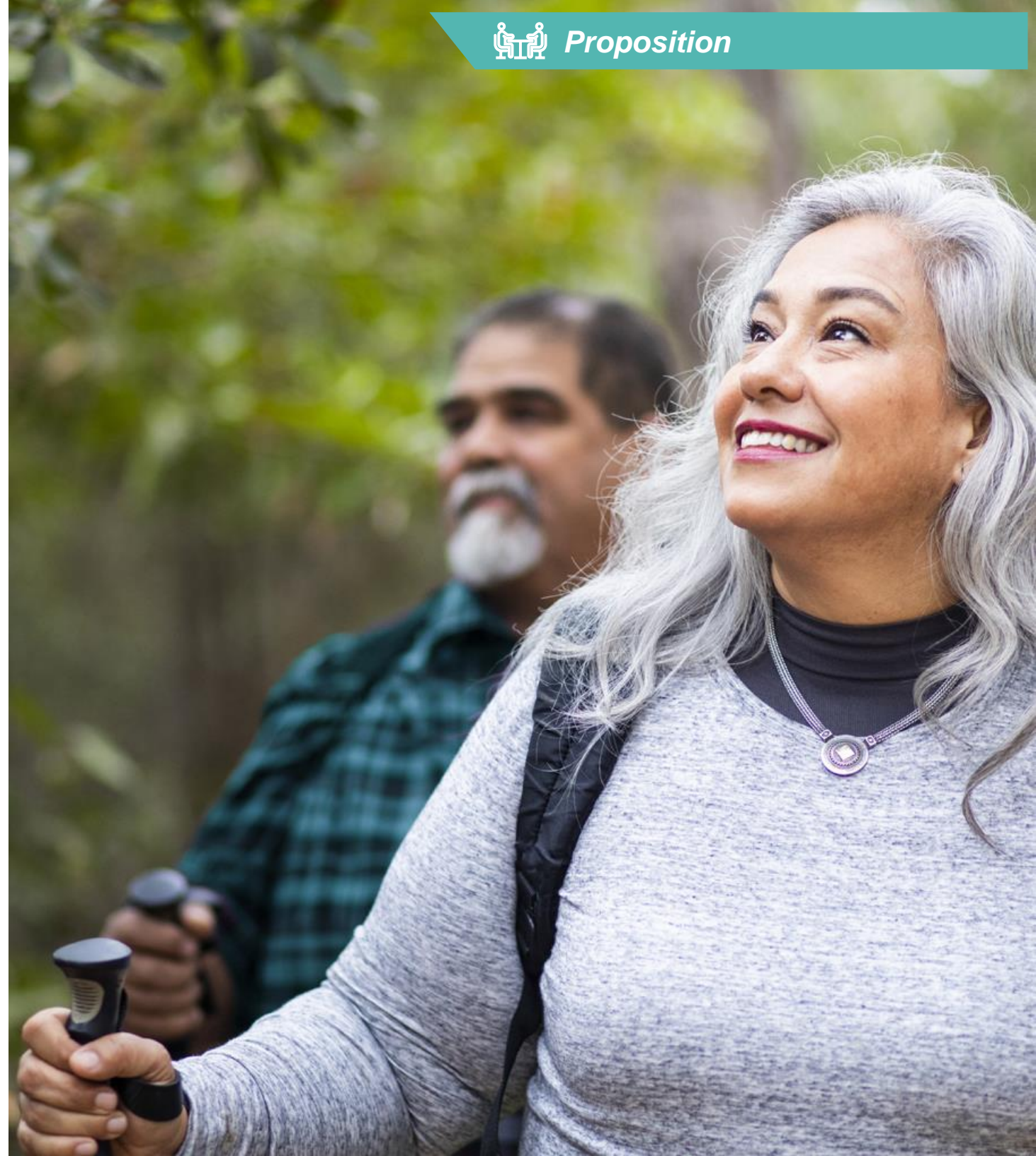
Articulating value: Baby Boomers

Client Needs:

- Financial Legacy, well-being of their children, cohesive purpose for family wealth.
- Need an adviser with excellent listening skills, with empathy around the delicate topics.

Positioning your value

- Maximise Financial Security (and preparing for retirement if not already there).
- Peace of Mind and Confidence in the future.
- Use of technology to show (not just tell).
- Solid plans to avoid them outliving wealth.
- Safe spending strategies.



1 Hone your advice and service offers

Articulating value: Millennials

Client Needs:

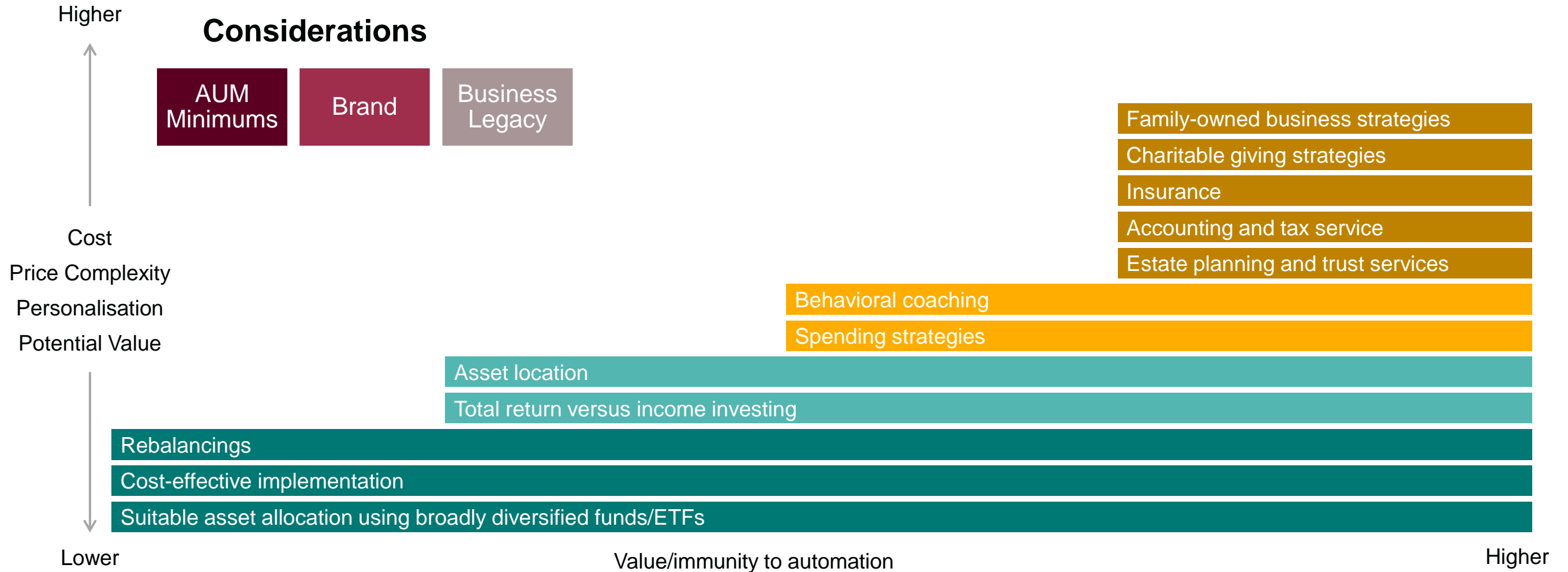
- Education, wealth accumulation, smooth & tech-driven solution.
- An adviser who is reliable, gets things done, and is low cost.

Positioning your value

- Financial Freedom is a key selling point.
- Focus on their top goals and how you can help them achieve them
Make their life easier; pull together relevant information for them
Coach them on markets, volatility, investment strategy.
- Offer your personal experience.
- Present a community feel; treat them more like 'members' than clients.



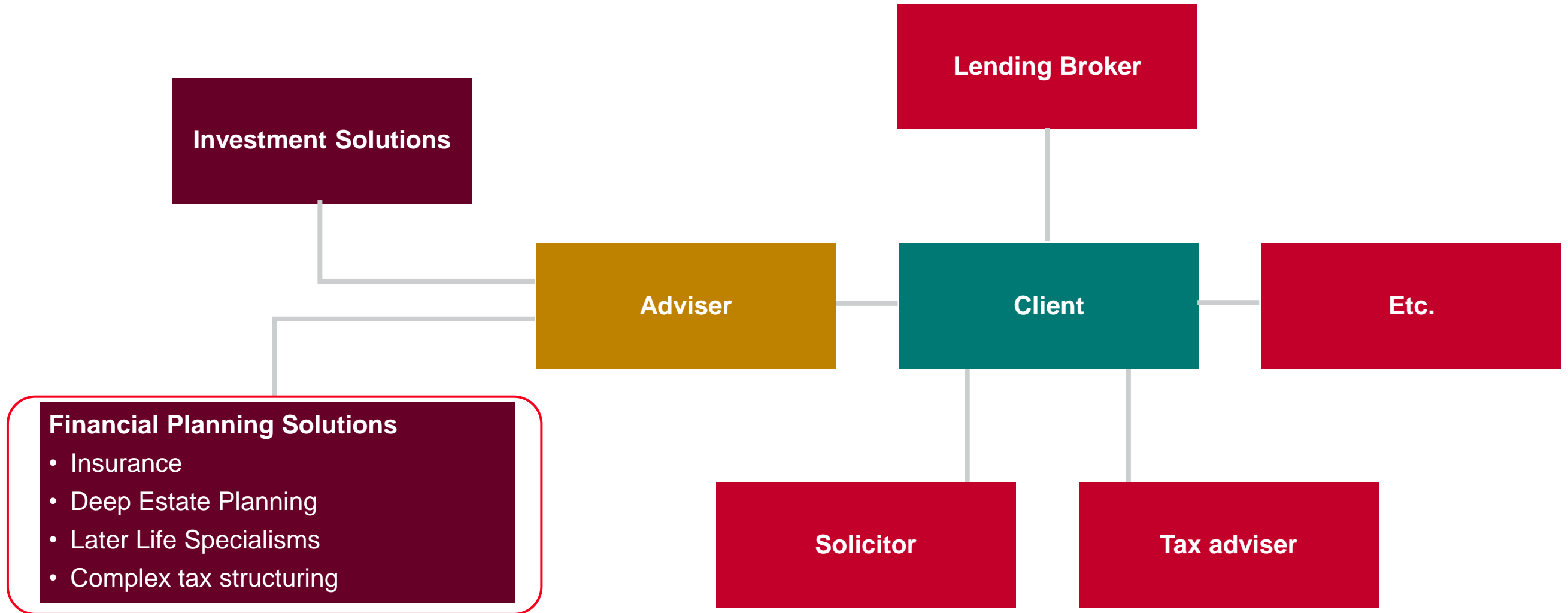
2 Develop your business model: where do you want to operate?



2 Develop your business model

Partnering and Specialisms

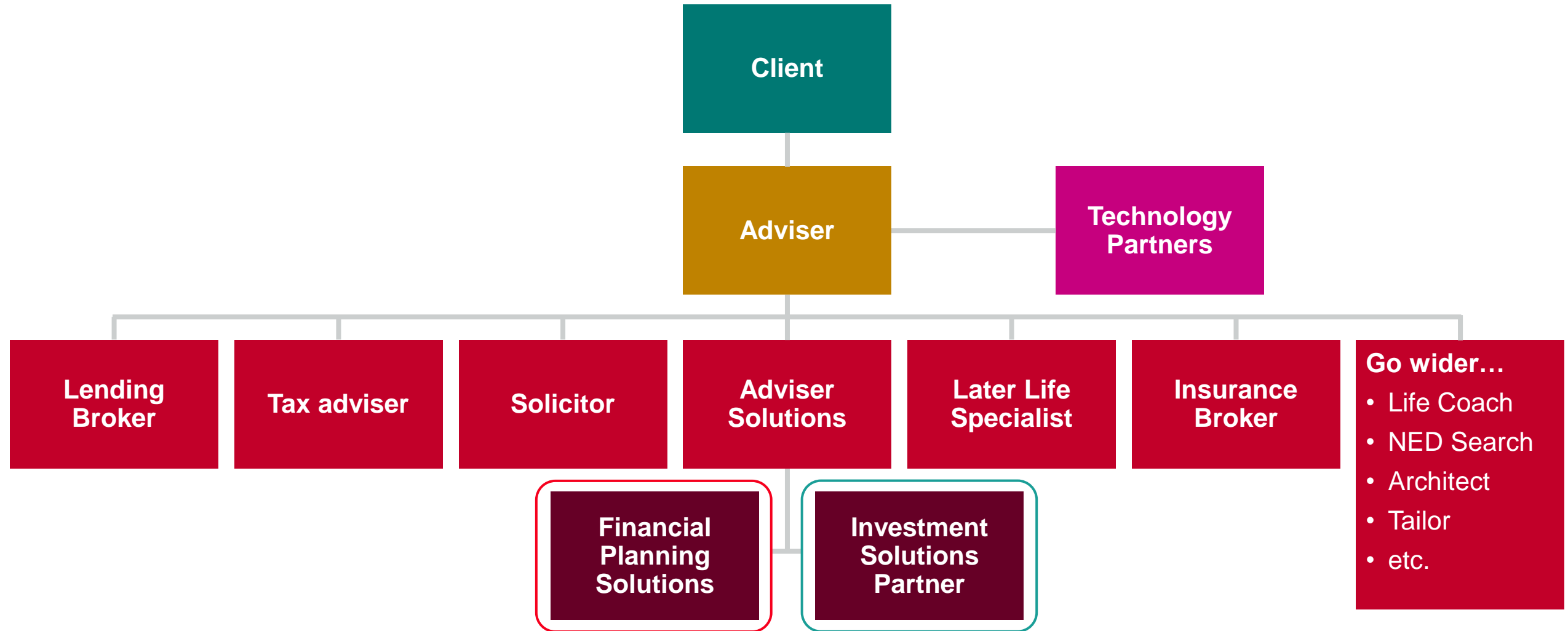
Traditional model



2 Develop your business model

Partnering and Specialisms

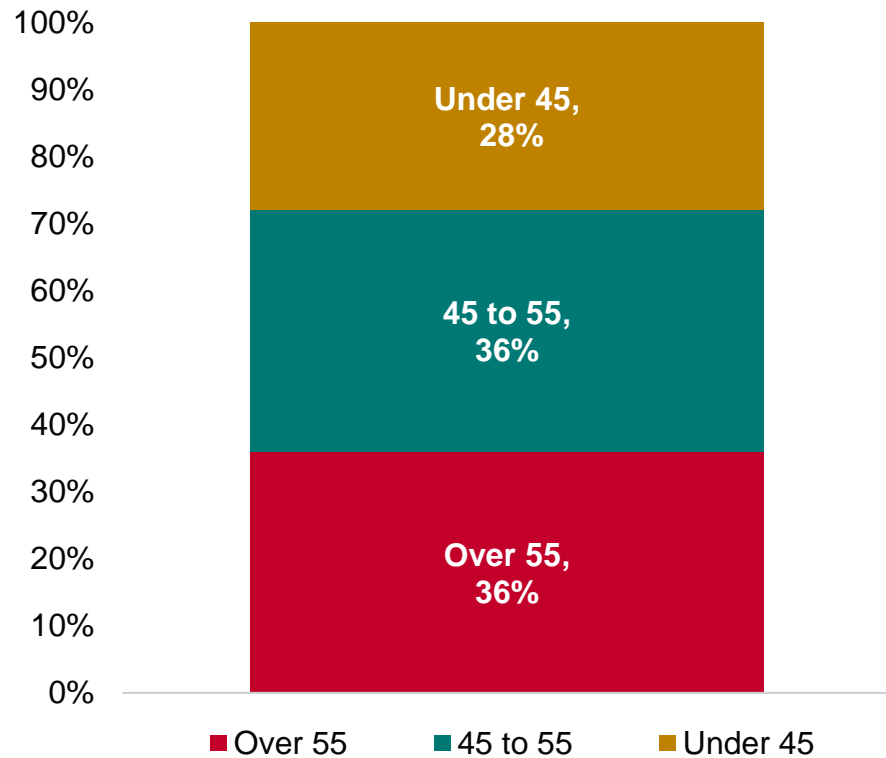
Specialism Model



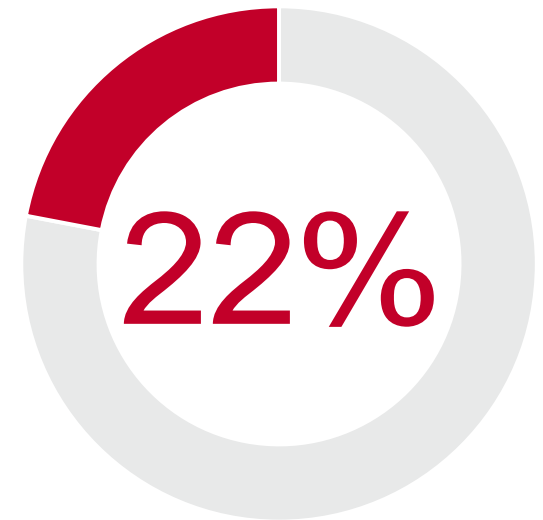
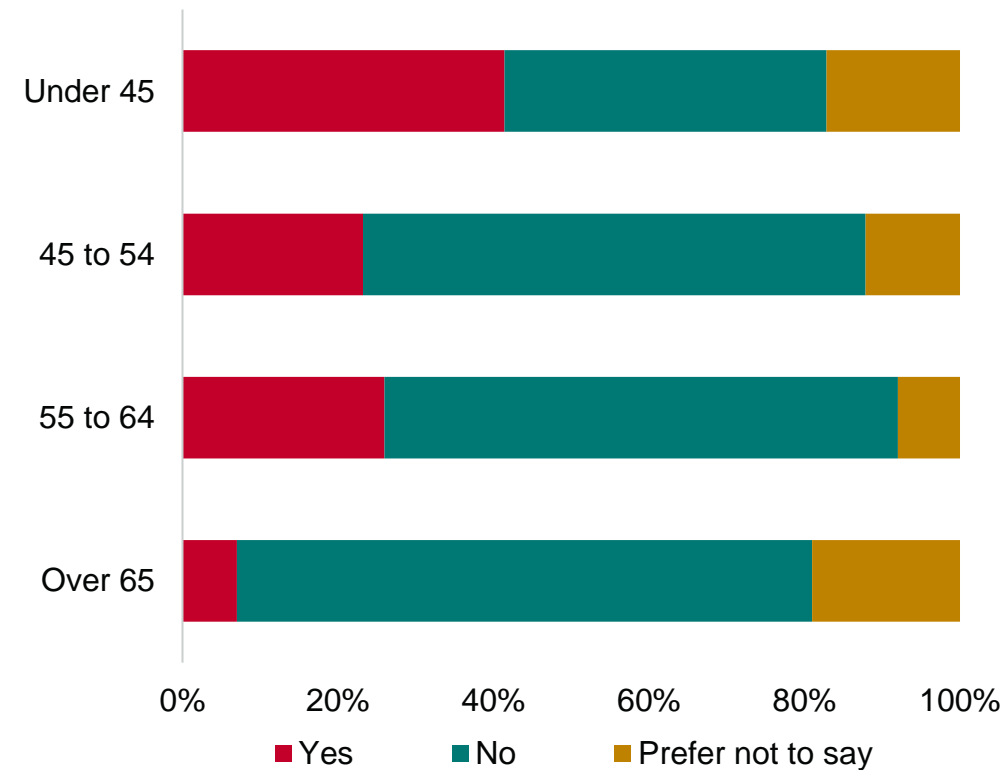
2 Develop your business model

A Diverse and Multi-Generational Practice

Age Profile: UK Financial Planners



Firms looking to attract younger clients by age of adviser



of Chartered Financial Planners are women

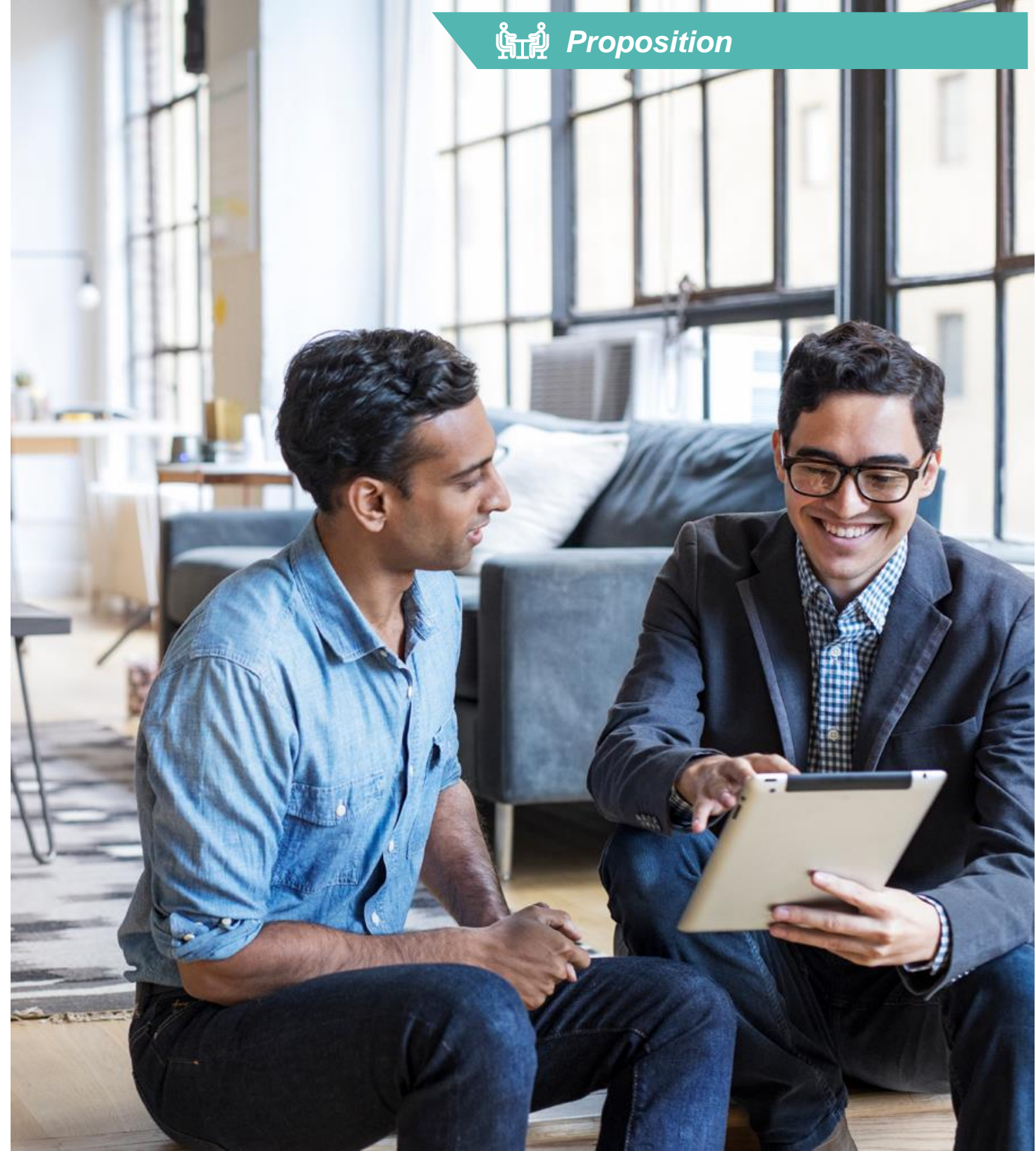
3 Embrace technology to your advantage

Expectations among younger generations

- Video Calls
- Online Portals
- Online Onboarding
- Apps
- Interactive tools

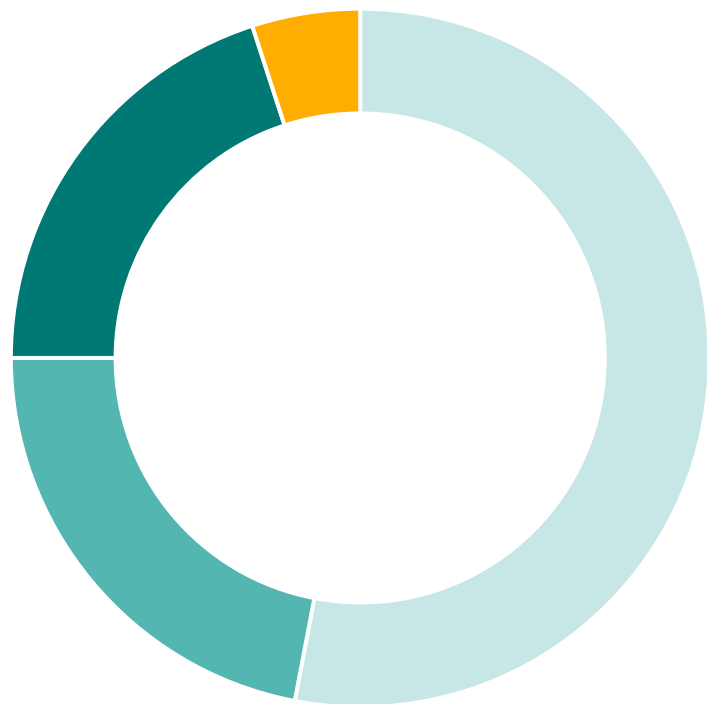
Scale

- Cost effective delivery for lower AUM clients
- More time spent at the top of the “value stack” for more complex clients



3 Embrace technology to your advantage

Scale: Adviser time allocation by activity

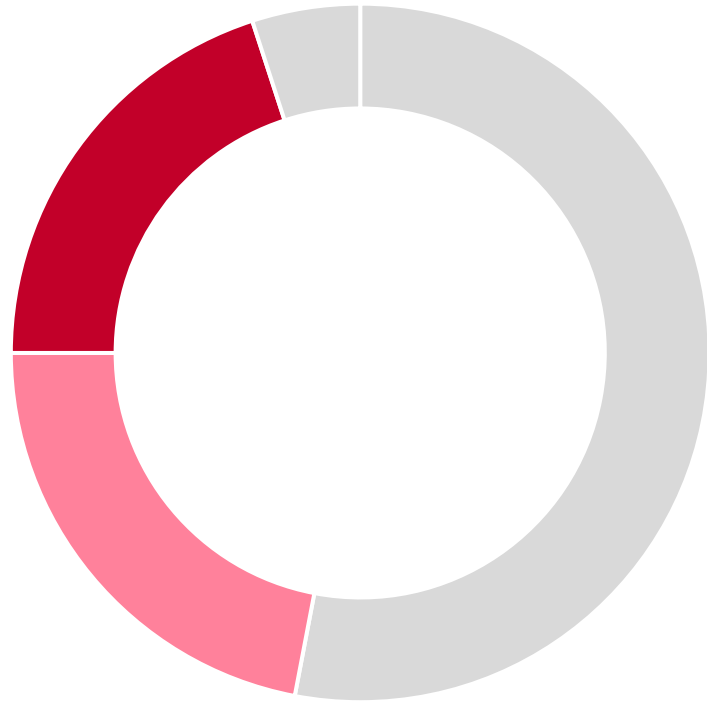


- 53.4% Client-facing activities
- 21.8% Administrative
- 20.0% Investment management
- 4.8% Training and professional development



3 Embrace technology to your advantage

Scale: Where this impacts



- 53.4% Client-facing activities
- 21.8% Administrative
- 20.0% Investment management
- 4.8% Training and professional development

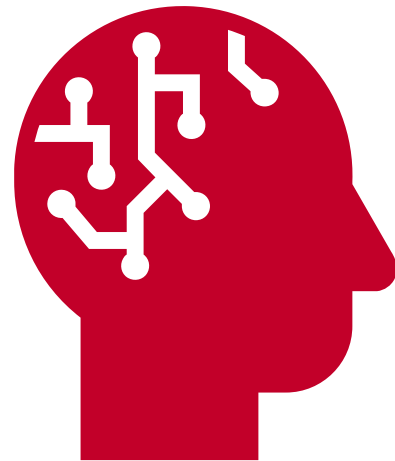


3 Embrace technology to your advantage

AI is here and it's working

Examples

- Meeting notes
- Suitability reports
- Workflows; next best action
- Identifying at risk clients



In summary

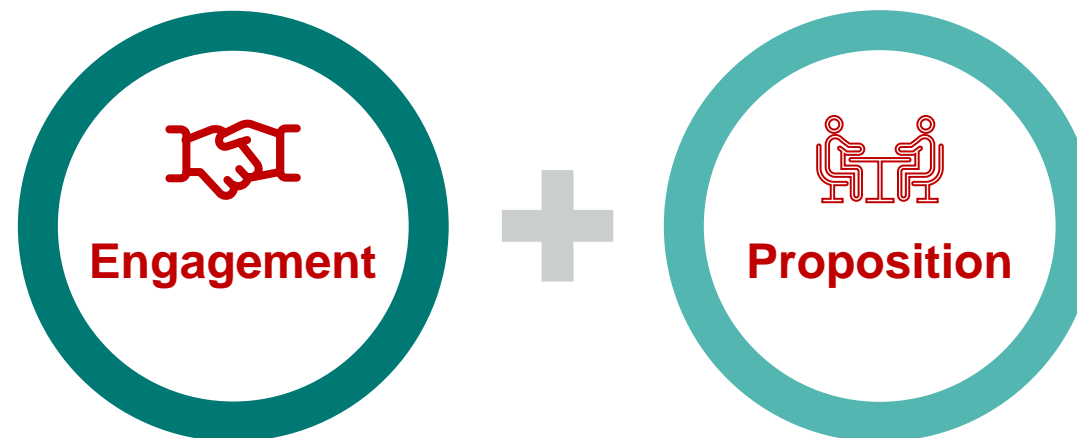
~£7 Trillion UK Wealth Transfer

over the next 3 decades

UK Inheritances currently ~£100bn annually, rising each year

- A threat for firms who do not adapt.
- An opportunity for firms who take appropriate measures.

We believe the key to success will be **engagement** and **proposition** development working hand in hand.



In summary



Engagement

- 1** Prepare and identify opportunities
- 2** Engaging Primary Clients
- 3** Bring the next generation into the conversation
- 4** Establish ongoing ways of working



Proposition

- 1** Hone your service and service offers
- 2** Develop your business model
- 3** Embrace technology

In summary

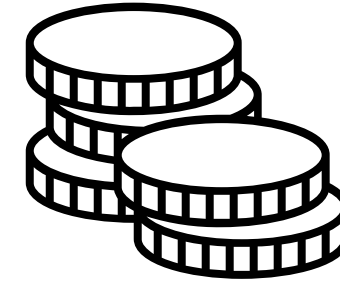
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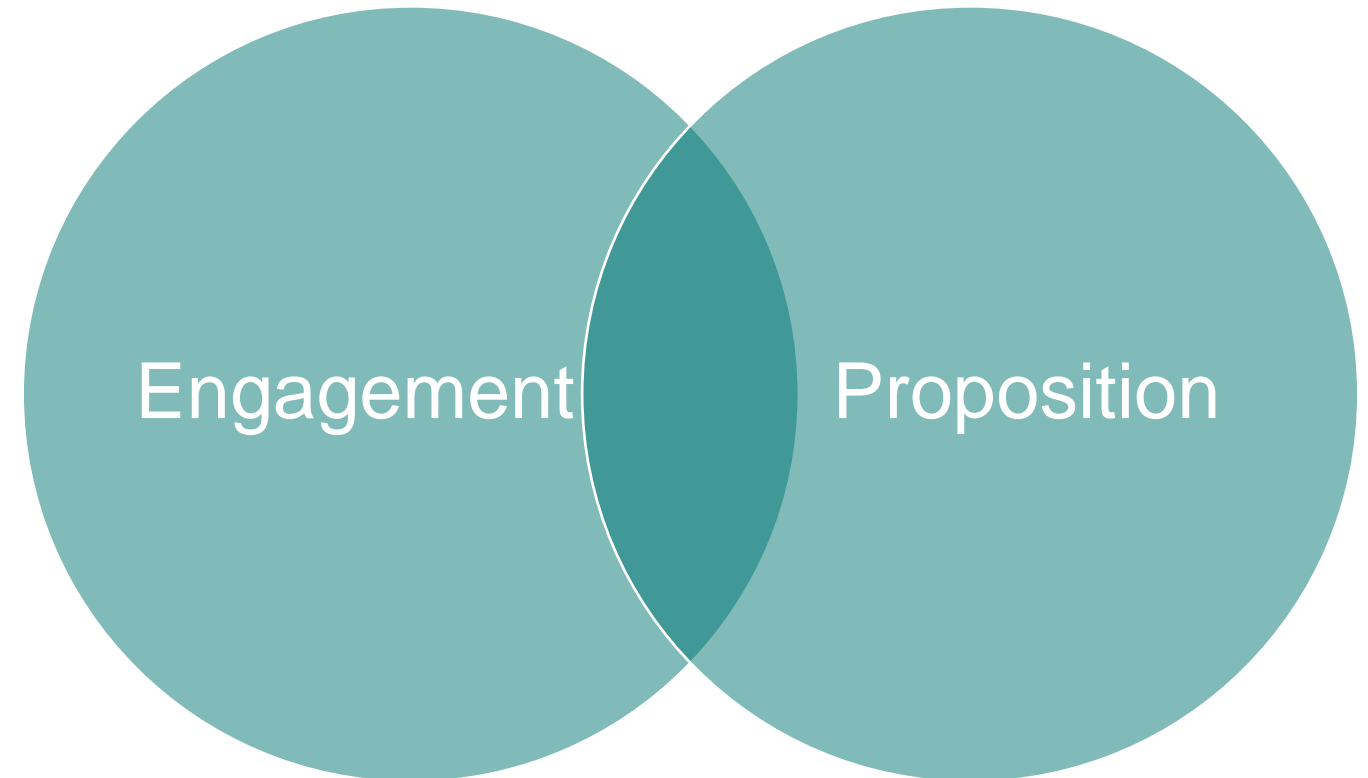
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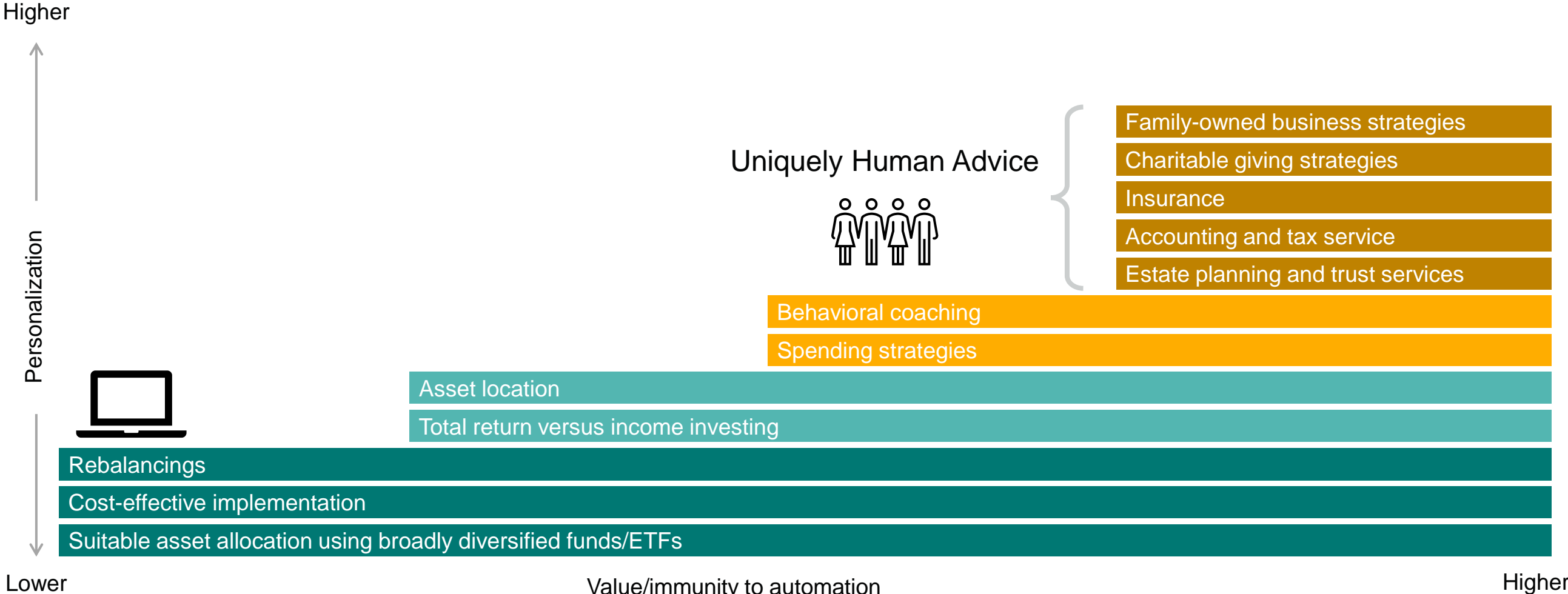
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We believe the key to success will be **engagement** and **proposition** development working hand in hand.



Focus on the uniquely human problems



Investment risk



The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results.

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