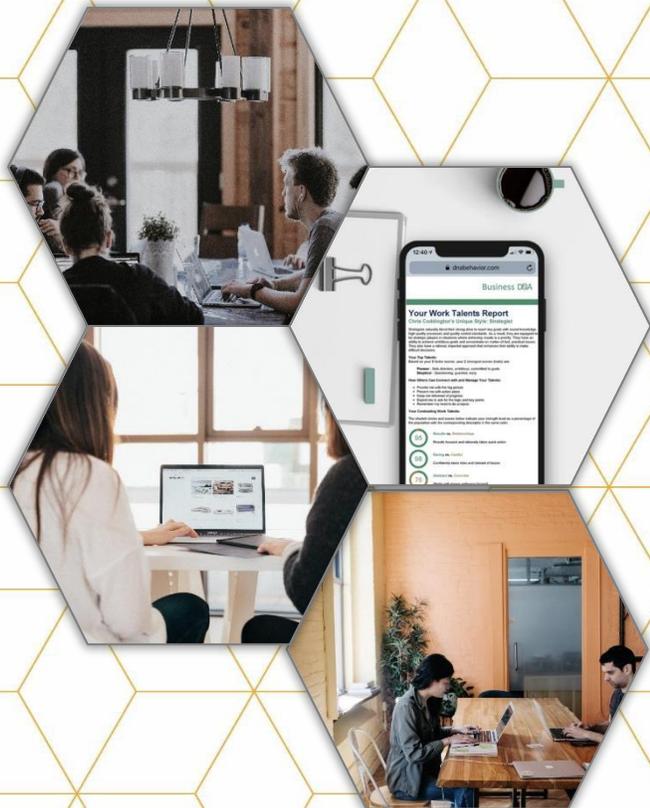


# The Money is Moving Are you Prepared?



DNA Behavior®

## Using Behavioral Analytics to Attract HNW Clients:

Ultra-high net worth (UHNW) global wealth is expected to reach \$46.2 trillion US by 2020.

The United States has some 240,575 high-net-worth individuals That's about four times more than China, the country with the second highest number (61,587), and more than all of Asia and Europe combined. Source: <https://www.knightfrank.com/wealthreport/global-wealth/2020-03-03-where-do-the-ultra-wealthy-live-in-the-world>

For financial advisors, there is no guarantee that as wealth passes from one generation to another that the same advisors will be retained and, perhaps even more interestingly that the approach to growing wealth will be the same as the former generation.

The Williams and Preisser study, in their book 'Preparing Heirs' shows:

1. The transfer of wealth within families is an emotive issue.
2. 60 percent of transition failures are caused by a breakdown of communication and trust in the family unit.
3. 25 percent of failures in family wealth transfer are caused by inadequately or ill-prepared heirs.

Clearly, advisors who have had an in-depth relationship with the entire family will be best placed to retain the family business, assuming of course that:

- They will have been part of family conversations.
- They will see the shift in the younger generations approach to wealth creation and have been working with the family to manage the shift.
- They have been able to advise the family in an objective and unbiased way.
- They have understood and worked with the family to close the generational gap.

Most importantly,

- They will have been a coach/facilitator guiding the family as they make their plans and helped them to build their money confidence.

To be able to manage this complex aspect of generational wealth, succession planning, whilst maintaining the family values and quality life the family desires takes an advisor who has a deep understanding of behavioral science.

## Flexing to Be Able to Work with All Family Members:

The first step for advisors is to understand their own behavior, bias, emotional reaction and total financial personality in order to be able to flex their approach to work with the different family members.

Beginning with communication – getting to know how each member wishes to be communicated with is the key to customizing the family continuity experience. But more than that, when an advisor has a sophisticated understanding of inherent behaviors they are more likely to be able to question family members to build a safe connection within which each member shares their personal approach to wealth.

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A simple rule of thumb is to understand that – for example: if the patriarch falls into the fast paced, results orientated quadrants below they may well have the last word in decision making if their family members fall into the relationship orientated, moves carefully quadrant.

Knowing this gives the advisor significant insight into how to work with the family as they make important decisions. Further, as all financial advisors tend to have a coaching/facilitator role in terms of family wealth, they are able to manage the more dominant behaviors, and encourage the less dominate, so every view and opinion is heard and valued.

Without this insight and bearing in mind that money causes intense conversations – family discussions will certainly be hi-jacked by the loudest voice and this does not help in financial/generational succession planning.



The DNA Behavior Natural Discovery approach behavioralizes life and money for family members. It reveals important behavioral insights such as talents, communication styles, biases, beliefs, values and standards. These insights can be used to build a strong family culture delivering intergenerational family continuity, enabling strong well thought through strategies to be implemented.

As an aside, this approach will also reveal potential outlier behavior that will need to be managed.

Discussions about money can be difficult and awkward for many people, families are no exception to this. However, it is important that conversations take place as early as possible so that any special requirements in terms of the transfer of wealth can be openly discussed. This is why understanding individual family members quality life goals, decision making approaches, communication preferences and confidence with money of is important for the advisor to be able to facilitate discussions.

## Building Family Continuity:

The transfer of family wealth discussions can raise various issues never before addressed by family members. Here are just a few that could challenge the smooth transfer of family wealth from one generation to another:

1. The emotional issue
  - a. Shame about wealth.
  - b. Fear of not being deserving of wealth.
  - c. Not being sufficiently skilled to manage wealth.
2. Failure of patriarchs to build purpose into benefactors' lives around wealth.
  - a. Children demonstrate the behavior of 'entitlement' and lack of life direction.
  - b. Family dynamics with no bonding and strained relationships and lacking closeness.
3. Patriarchs' approach to money is completely out of sync and misaligned with other family members.
  - a. Wills, structures, giving, and community approaches differ from family members' lives and needs.
  - b. Lack of communication and life approaches between generations.
4. An assumption is that each member of the family unit has the same life goals, values, and confidence with money.
  - a. No clear demonstration of closing the generational gap.
  - b. Succession planning has not been a conversation between multi-generations.
  - c. No clear attempt to facilitate conversations around family rather than individual, purpose and mission.

Add this to the individual personalities and any advisor/facilitator will face considerable challenges to get everyone to the same level of understanding and commitment to any transfer of wealth strategies.

The first level of dynamics to understand is the differences between the parents as a couple. It's not safe to assume they are in unison in terms of generational wealth transfer. For example – one could be dominant, and results focused the other cautious and focused only on family stability.

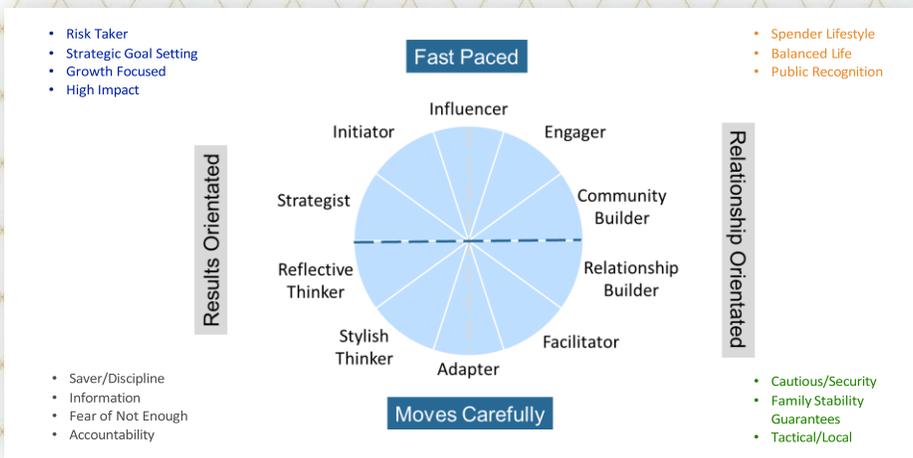
The next level is to consider the relationship and exchanges that take place between parents and siblings. It would be wrong to assume that the more cautious family stability focused parent has deeper conversations with the siblings than the dominant results focused parents.

This then requires the advisor to understand the individual financial personality, quality life values and goals of each benefactor.

Now it's clear to see that without an in-depth behavioral tool to reveal these issues the intergenerational wealth transfer can and will become chaotic risking the wealth itself and delivering poor stewardship into the hands of the next generation.

## Overall Unique Decision-Making Style Summary

Connected to Natural Behavior



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### An Objective and Unbiased Approach:

You may have been the family financial advisor for many years. Still, with a significant degree of scientifically based insight into all the parties involved in the generational movement of wealth, you will likely be able to strategize a smooth transfer plan.

This is a time for you to shift focus from advisor to facilitator/coach. More than ever, advisors recognize the need to become experts in behavioral finance.

They need to deepen family office relationships and elevate their role with families by using behavioral financial insight to effectively influence the decision-making required to implement a smooth and successful generational wealth movement.

Only through understanding each individual's key life drivers, biases, and money confidence will the advisor be able to plan and strategize a succession planning process that satisfies and includes the wants and needs of all involved.

Consider this:

1. What are your primary strengths and struggles in helping your family unit build a Quality Life together that informs the wealth transfer process?
2. Without behavioral insight, would you be able to identify the relationship dynamics between you and the family members?

3. How would your strengths and struggles impact or influence the way you worked with the family?
4. Based on your behavioral style, how would you adapt your communication style with them?
5. How would you identify and navigate your own and your family bias?
6. How will your decision-making pattern differ to theirs?

When the financial advisor becomes more behaviorally focused it means they are better positioned to adopt a role of facilitator to the family. Armed with a deep understanding of each person's relationship to money they can more effectively manage conversations, coach and mentor individuals, build money confidence in those who need it, and deal with attitudes that could work against the transfer of wealth.

## How an Independent Facilitator Can Guide Your Family?

**An Objective and Unbiased Approach**

- Provide human capital, life, financial and business insights for each family member
- Recognize the interplay of passing on wealth, values, virtues and memories
- Closing the generational gaps
- Succession planning
- Mentoring family members
- Facilitating family purpose and mission
- Family Governance Council and processes
- Aligned fee model and manage advisory team biases

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As many of these UHNW individuals reach their golden years, there will be family conversations focusing on the next generation and who will inherit what. Behaviorally smart family advisors will be highly sought after if they are astute enough to navigate the inevitable dynamics of these family conversations.

Rarely do we hear about or read articles that focus on wealth transfer conversations through the lens of children. More often, it's the parent's perspective; they make decisions for their children, believing they are setting them up for success. However, in many cases, the reading of the will is the first the kids hear of the parent's plans.

Conversely, families that talk openly about money and have built a safe environment around the dinner table to discuss wealth will have created a family dynamic within which succession planning is just one of many conversations.

Regardless of the family's wealth size, talking about dying, wills, and inheritance within families is an emotional subject. Some family members cope well, while others are not so much. We all respond differently under pressure, especially when emotions and close personal relationships are part of the scenario.

Families that have not made these topics part of everyday family life will have a more significant problem when estate planning becomes imminent. There will have been no discussion about preserving the inheritance. No consideration for the individual financial personalities of money confidence of the inheritors.

Families familiar with transferring generational wealth and facilitated by a savvy advisor will have focused on training the next generation, listening to their wants and needs, and preparing each recipient based on their financial personality.

When discussing money and inheritance have not been part of everyday family life, and heads of families believe they should be the primary decision-makers, the beneficiaries are left with no input. As a result, many parents become overprotective of the family wealth, mainly because they read worrying statistics about transferring family wealth from one generation to another and the resulting loss of control of assets through mismanagement and poor investments.

The transition of wealth is very complex and, in some cases, can reveal ugly behavior. Family members are all different, and so are their attitudes about money. However, no longer are the kids isolated from what is happening in the world; they understand far more than parents often give them credit for.

Advisors should promote and encourage healthy conversations about money and estate management to ensure children won't feel entitled to wealth or become lazy and count only on inheritance.

When families speak freely about estate planning, they can head off difficult situations, one being that the children don't want the inheritance. Instead, they may:

1. Build a successful financial life for themselves and don't need family money.
2. They do not want the family home as it would cost them a fortune to modernize it.
3. Not be interested in the family business as they are too busy running their own.
4. Teach their children values, requiring them to build wealth through hard work and diligent saving.

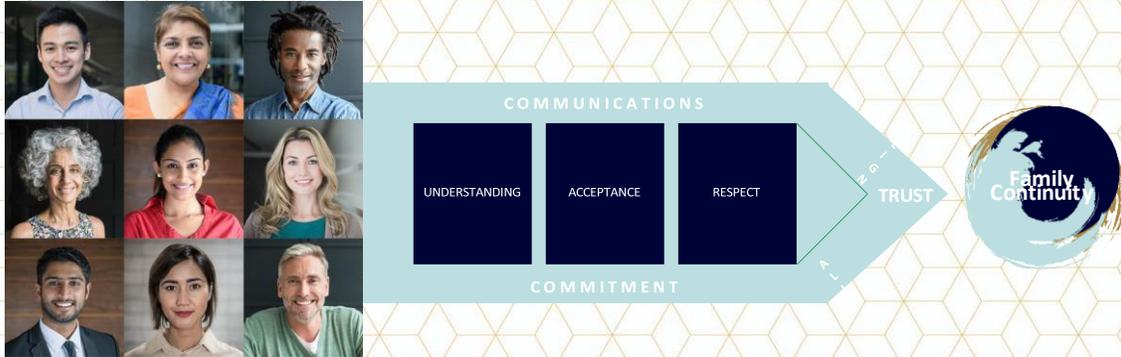
As lives become more mobile, some young people don't want to be tied down to possessions that don't fit in with a more disposable, digitized, transient lifestyle.

Beneficiaries have the right to know in advance what their financial future is likely to look like, as not everyone will be happy to receive an inheritance or be able to manage the responsibilities that come with it. In addition, family dynamics, values, the amount of wealth to be distributed, and the maturity level and financial personality of heirs can vary dramatically from family to family. Better to know this upfront so that plans can be made accordingly.

Family continuity should be the aim and standard of every financial advisor to UHNW families

## The Family Continuity Model

Starts With Understanding Differences



Family Cohesion:  
From Diversity to Unity to Continuity

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Rich dinner table conversations build sustainable relationships across generations, and it all begins with understanding one other's financial personality.

Head to Amazon to buy [Hugh Massie's latest book](#) – you will be glad you did.

To learn more about DNA Behavior International and the solutions we offer, please visit:

[www.dnabehavior.com](http://www.dnabehavior.com)

If you have any questions or would like to discuss this with an executive on our team, please email us at:

[inquiries@dnabehavior.com](mailto:inquiries@dnabehavior.com)

