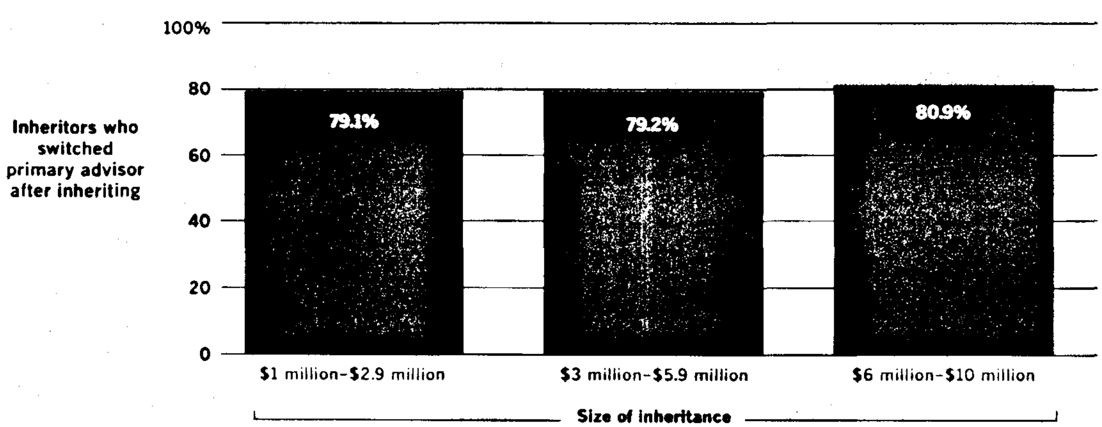
How Inheritors Find Their Advisors

WE TURN NOW TO A KEY ISSUE FOR ANY FINANCIAL ADVISOR who wants to work with inheritors: how these people find their advisors. To begin with, it's important to dispel two pieces of conventional wisdom that many advisors hold about their current clients.

The first assumption many advisors cling to is that their clients will remain their clients after inheriting money. As Exhibit 8 demonstrates, this is simply not true. Across the board, four out of five inheritors switched to new advisors after inheriting their money. Your efforts to build the client relationship prior to the inheritance will generally matter little after the inheritance. Most inheritors are convinced that their interests will be best served by moving to a new advisor, and we believe that there is little you can do that will effectively convince them otherwise.

EXHIBIT 8
After Inheritance, Inheritors Switch Advisors



N = 334 inheritors. Source: Merrill Lynch Investment Managers/Prince & Associates, 2003.

The second piece of conventional wisdom that many advisors would like to believe is that they will be able to work with the adult children of their clients once those clients pass on and leave their money to those children. Based on this belief, many advisors go to some lengths to cultivate relationships with their clients' children. Holding "family meetings" and having another advisor in the firm work with the children are just two of the more common approaches.

However, the data proves that the conventional wisdom that inheritors will work with their parents' advisors is unfounded. The Prince study found that just a tiny percentage of inheritors remained with their parents' primary advisors. Almost universally, inheritors go to a new advisor—someone they perceive will meet their unique needs.

The message here is to not expend your efforts on attempting to gain your clients' children as your clients after they inherit. The research unquestionably shows that your efforts are highly unlikely to succeed. This is not a viable business model for capturing a slice of the inheritor market, so don't spend time on it.

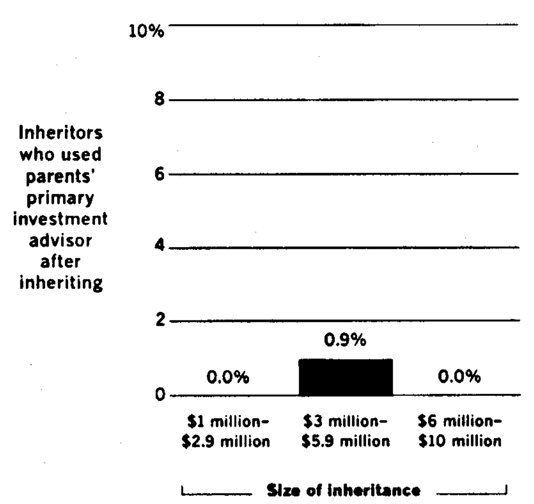
Given that inheritors don't use their parents' advisors, how then do they find their new advisors? The answer is simple, and is your key for tapping into this market: *Inheritors find their advisors through the professionals they need at the time they inherit.*

Primarily, this means the trusts and estates attorneys that inheritors use to settle their parents' estates. Almost without exception, any person inheriting a substantial sum will work closely with a trusts and estates attorney or a private client lawyer. Invariably, at some point during this time, most inheritors will ask their attorneys for referrals to advisors who can help them manage their money.

The CPAs who prepare estate tax returns and inheritors' income tax returns are also in close contact with inheritors. However, CPAs are substantially less important to inheritors than are trusts and estates attorneys—by the time the tax returns are prepared and filed, usually the inheritor has already made a decision about which advisor to use.

This makes trusts and estates attorneys your most important gatekeepers to inheritors. If you want to work with inheritors, you need relationships with these attorneys.

EXHIBIT 9
After Inheritance, Inheritors Steer Clear of Parents' Advisors



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