

# Wealth transfer: adviser industry at risk of neglecting future clients, warns Sanlam UK

- New research reveals advisers are missing chance to win inherited pots because they are neglecting under-45 segment of the market
- A quarter of IFAs say they are concerned about their ability to attract younger generations of clients in the future
- But two-thirds are not taking any steps to engage with these potential clients
- Report also suggests that young people (aged under 45) could collectively receive at least £1.2 trillion in inheritance over the next 30 years
- Over three quarters (76%) of under-45s who expect to receive substantial (£50k or over) inheritance say they will be looking to engage with financial advisers

The UK adviser industry is at risk of neglecting the under-45 segment of the market – and missing the chance to win inherited pots as a result – a report from Sanlam UK has warned.

Sanlam's **Generation Game report**, which looks at the generational wealth transfer expected to take place in the UK over the next 30 years, comprises research of three different cohorts: over-55s with investable assets of £100,000 who are leaving their children and grandchildren inheritance; people aged between 25-45 who are expecting to receive at least £50,000 in inheritance; and 200 UK-based independent financial advisers (IFAs).

The majority of financial advisers surveyed said they were acutely aware of the implications of wealth transfer to the advice industry – some four in five (81%) of advisers said they saw intergenerational transfer of wealth as the greatest opportunity for their sector, and three in five (61%) said they have witnessed a notable increase in their clients asking about intergenerational transfer of wealth in the last three years.

At the same time, two-thirds (66%) said they are not taking any steps to proactively engage with this younger segment of the market, and a further quarter (23%) of advisers are concerned about their ability to attract younger generations in the future. The vast majority (91%) of those surveyed said they didn't think that under-45s were getting adequate financial advice.

While it is perhaps understandable that financial advisers won't necessarily have a strategy for targeting this younger generation – they are, after all, much less likely to have accrued the level of wealth that warrants their business at this current stage – the report suggests this could be short-sighted. Nearly 11 million people aged between 25-45 are expecting some sort of inheritance over the next 20 years, with 5.1 million expecting to receive at least £50,000.

Nearly half (45%) of the financial advisers surveyed for the report said that they didn't engage with this younger generation because they believe they are more likely to trust science or model based advice than traditional (human) advisers. Additionally, 40% of those surveyed specifically cited robo advice as the single biggest threat to the future prosperity of their business. Despite this, over three quarters (76%) of those surveyed who are expecting inheritance said they would be looking to engage the services of a financial once they receive their inheritance.

John White, CEO of Sanlam UK's wealth business said : “Our research highlights that financial advisers are acutely aware of the challenges intergenerational wealth transfer will create for themselves, their clients and their families over the next few years. While already dealing with the benefactors or current asset holders, advisers can use their established relationships to help families start the conversation about how much will be left through inheritance and how to plan for its efficient transfer. It's a very British trait to avoid conversations about money and the

sensitive subject of when parents or grandparents will pass away. However, the absence of these discussions is leaving clients and their families in limbo.

“Notably, people aged between 25 and 45 are expecting to receive an inheritance without fully understanding how much and the impact it could have on their futures. Not only will these conversations help those receiving an inheritance to plan ahead, parents can also take comfort from knowing their children are seeking financial support from a trusted adviser.”