When Wounded Bird Returns to Empty Nest

Elixir Consulting's Stewart Bell reflects on the importance of intergenerational advice and the value it can deliver for consumers and advice practices over an extended period...

'Intergenerational advice' has long been an industry buzz-phrase, and yet many advisers have struggled to capture this lucrative value proposition. Estate planning has been seen as a challenging way to get into this area of strategic advice, however risk insurance provides an alternative entry method.

We all know that younger Australians will be expected to provide for their own retirement more so than previous generations. Paradoxically, they are far less likely to have done anything about it. We also know that Australians are significantly underinsured and in the future, the number of working age people supporting each retiree is expected to fall from 5 today, to 2.7 in 2049-50. Compare that to 7.5 in 1970.

Adult children are also less likely to have engaged an adviser

So, in that environment, what would be the impact on one of your pre-retiree or retiree clients if they were required to financially support their adult children or grandchildren? It's a significant strategic black-spot that most wouldn't be blamed for overlooking.

Many pre-retirees are motivated to seek financial advice for comfort and certainty. They wish to know that their future is being considered at an expert level at this critical time when mistakes have the potential to impact their quality of life well into the future. The scenario above represents a significant risk, both to clients with dependant or non-dependent children, and something not commonly discussed.

Adult children are not only less likely to be insured, but also asset poor and heavily dependent on income. They are also less likely to have engaged an adviser. In the event of serious illness or disability, it is their parents they are most likely to turn to. OnePath have released a very poignant video, sharing a real life scenario of a couple raising their granddaughter after the loss of their adult daughter.

The opportunity here is two-fold. For advisers seeking to add additional value and develop a more complete relationship with clients, this conversation alone demonstrates a deeper interest. A professional commitment to delving below the more obvious implications of personal injury, death or illness, to a level the majority will not consider.

The second opportunity comes in being able to engage their children as clients; beginning with protection needs, then perhaps leading into a discussion about further financial planning needs. In many cases, the parents themselves may choose to fund their children's insurance. Alternatively, the opportunity to discuss financing within superannuation opens a potential door to a deeper relationship with those children as individuals, and a deeper relationship with the family unit.

There are a variety of ways that advisers can integrate this conversation seamlessly into their engagement process. Advisers harnessing the power of mind-mapping tools during client engagement report particular success. With the family tree laid out pictorially in front of everyone, the impact of ignoring wider familial issues becomes especially obvious.

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It's an easier conversation than one might at first consider. It demonstrates an advanced depth of thinking, a commitment to ensuring certainty of retirement outcomes, and opens the door to an ongoing relationship spanning multiple generations. If ever there were an opportunity to provide value through strategic risk advice, this is one of them.

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