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THE WEALTH TRANSFER IS COMING: 5 TIPS TO KEEP THE WEALTH IN YOUR COMPANY

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A massive storm is brewing in the banking, financial services and insurance industries, and when it strikes, it will be devastating to the unprepared. That storm is the unprecedented transfer of wealth, $3.9 trillion worth, that will be passed from the hands of older generations to younger in the next ten years or so.

The rains have already started to trickle, but when they come in full force, if your organization hasn't already connected with younger generations, you'll see millions of dollars in wealth walk right out your door. If you don't have a plan in place, it's not too late to take action.

Consider that millennials (born circa 1981-1997, also called Gen Y), are now the largest generation, accounting for over 25% of the population. They are followed by Gen Z (born circa 2000-present), those born with digital devices in their hands, who comprise more than 20% of the population. The potential purchasing power of these generations combined is something that can make or break banks, wealth management firms and insurance companies. Yet most businesses in these industries still don't have a game plan to connect with an entire population. Will your company be different?

The problem is complex, but no matter where you stand, a solution is within your reach if you create a strategy informed by data and insights that has a clear road map to success.

An unprecedented transfer of wealth to younger generations has begun.

Banks, insurance companies and financial services organizations must have a game plan to connect with these young beneficiaries – or face the consequences when millions of dollars of wealth walk out the door.

Here are five tips on how to emerge strong as the wealth transfer process gains momentum.

#1 Understand your new audience, their behaviors and preferences

Recognize that this is a whole new audience you're dealing with. The old ways won't work in the new economy of connected consumerism.

A 360-degree view of your current customers will help you gain insights into what the older generation wants, but with an eye towards the future consumers of your brand. They're not like baby boomers (born 1946-1964) or Generation Xers (born 1965-1979). This newer generation sees things differently than their parents and grandparents did.

Get to know this younger audience on their terms and understand why they have different belief and value systems, why they view traditional institutions skeptically. Examine the world from their eyes. They know that industry giants who their elders once perceived as invincible (e.g., Lehman Brothers) are now gone. Or that others, like Wells Fargo, AIG and Countrywide had to be rescued by the government from the brink of bankruptcy, with taxpayers footing the bill.

They've seen the effects of parents being laid off after years of loyal service to a corporation. They know families who lost their homes when the housing bubble burst. Can you blame them for being leery of traditional institutions?

An Androit Digital survey examining millennials' brand loyalty reported that 77% said they use different criteria to evaluate brands than their parents do. Are you aware what criteria they are using to evaluate your brand? If not, you need to arm yourself with answers.

> The key is to simultaneously address the needs and behaviors of those who hold the wealth and the vastly different needs, behaviors and worldviews of those who are inheriting it.

> Success means you must think differently. Your first priority is understanding your customers.

Research shows that younger generations frequently turn to friends, independent online research, reviews and social media for decision making. For example, an astounding 93% of millennials read reviews before making purchases, and 89% "believe friends' comments more than company claims," according to an IBM Institute for Business Value survey. Your future hinges on understanding these behaviors.

A report by Gallup on the insurance sector revealed, "Millennials are more than twice as likely (27% vs. 11% respectively) as all other generations to purchase their [insurance] policies online rather than through an agent." Online purchasing is far from the mainstream among insurance consumers overall: "74% originally purchased with an agent vs. 14% online – but if this trend among millennials continues to grow, it could substantially change the way insurance companies interact with customers in the coming years," the report stated.

Likewise, "Banks are losing touch with an entire dominant generation," according to Joe Kessler, president of Cassandra Global. The Cassandra Report cited that 58% of young adults said they would rather borrow money from friends or family instead of a traditional institution. Two-thirds of the respondents said it is "hard to know where to learn about what financial services they might need." In other words, they don't know who to trust.

Begin the process of getting to know this younger clientele by conducting research that will help you gain insights into what they stand for, how and where they interact, and what their expectations are of your industry, your company and your brand.

By evaluating that data, you will be able to set the process for communicating with and building different ways to engage with these new young consumers. Your interactions and communications must be seamless and easy and reflect that you can talk in their terms.

You'll need to look at this emerging demographic with a "digital lens," because this is how millennials engage with brands. What are those channels, what are their preferences? What other services can you make available in a seamless and frictionless and customized way? If you don't take the time to get to know your audience, you won't be able to lay the foundation for a successful strategy to engage them.

#2 Build your business strategy around purpose or mission to retain the next generation

Younger generations, millennials especially, are driven by a different set of values. They want a work/life balance. They like to donate money, they don't want a lot of stuff. They like to travel. They want to experience life. They question long-standing rules that don't make sense to them. So develop your business strategy around a purpose or a mission – one that they will connect with.

Build upon the information you learned about your younger customers in tip # 1, then map this customer's journey with behavioral analytics. Evaluate the digital channels and content that your younger clients find compelling. Now you can create a strategy and roadmap to engage these customers.

#3 Build your customer experience for different audiences

A strong customer experience (CX), one that creates loyalty, is one that is personalized, timely, relevant, appropriate and built on trust. The more customizable the user experience, the better. According to Janrain, 74% of online users are frustrated with brands that provide content that doesn't reflect their personal interests.

You know users want to be recognized on their terms, but you have a problem. How do you build a single CX that addresses vastly different generations with different behaviors and interests? Is there a way to reconcile their differences via a single CX? The answer is no. For the time being, you need to develop both. If someone tells you differently, beware.

Think about it. In wealth management, banking and insurance, the older generation still holds the money and keeps the lights on for your business. The newer generation will get that money within 10 years, but if you go full-throttle and build a single, mobile-first CX, you're going to alienate the people holding the purse strings. You must address each audience on their own terms.

Older folks prefer offline channels, like walking into a branch, agency or brokerage firm. They like to do business face to face or via phone conversations with tellers, bankers, agents and wealth advisors. Online, they like having a "control panel" style experience on a desktop, such as you might find with financial trading platforms. This is how you build trust and timely, relevant, personalized experiences. Online, build a web portal to appeal to the interests, needs and communications preferences of the older generation. The younger generation will use the web portal now and then, but that is not going to be the experience they associate with your brand – because you'll give them their own.

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Similarly, give the younger generation mobile apps and SMS communications. With over 87% of millennials saying they are never without their phone, this is where you should reach them. They have no interest in stepping foot in a building that feels like an institution or talking to some random agent, broker or salesperson when they can do everything quickly and effortlessly on a mobile device.

Take the information you learned in tips #1 and #2 and build strong loyalty, providing timely, relevant, personalized and appropriate experiences on a digital dimension. As you build a CX for this younger generation, you'll find you can gain loyalty on their terms because you'll be able to interact in a more agile, nimble and personalized way. The older generation will probably use the mobile app for simple tasks like checking information and balances, but they're going to associate their comfort with your brand with the CX they use most – the desktop.

Two CXs could be the right solution for today's transitioning market, but keep in mind that there are additional channels through which you can build loyalty with these younger audiences across the digital landscape. For example, you can share educational, informative content through social media channels.

#4 Knowledge transfer to the younger generation

Everyone in wealth management, insurance and financial services already has a foot in the door with the younger generation. That connection is the strong relationship between existing older customers and their offspring. Leverage it.

First, understand that the older generation wants to take care of the younger ones by leaving money to them, but they are worried that the next generation doesn't have the knowledge or discipline to hold onto and grow that money. There are so many stories of young people, like athletes or celebrities, getting rich quickly, getting bad advice about money and then squandering it all away. What if their children make the same mistakes?

Help address that fear and protect those kids by arming your older customers with educational tools on how to prevent this from happening. For this CX, you'll need to develop portals and educational content, manage and market that content, and make it come to life in an updated website (geared to the older generation) that features whitepapers, articles or videos about "Talking to Your children About Money 101" and the like.

Educate this audience on how to talk about the benefits of insurance or long-term investment strategies, and provide them with incentives to set up meetings with themselves, their offspring and you.

The younger generation isn't interested in talking to an institution, but they will listen to the advice of the parent or grandparent giving them this money. Let the parents and grandparents have a meaningful conversation that holds much more weight that your business sending a bulk email to junior that says, "Invest in an IRA."

Now when members of the younger generation, the recipients of transferred wealth, decide to check out your company on the advice of their parents or grandparents, they will access your relevant app that speaks their language and addresses things of interest to them. They'll soon figure out that you're not some stodgy institution and will be much more open to a discussion when their parents suggest a conversation with your company's brokers, advisors or agents.

This is how the knowledge transfer will occur organically, and you'll have a foot in the door to build a relationship of loyalty and trust. You not only will give the benefactors peace of mind that their offspring will be good stewards of their fortune when the time comes, but you'll keep the money in house because you took time to connect with and earn the trust of the young beneficiaries.

#5 Build technology platforms, not just standalone tools, to satisfy the ever-changing landscape

At this point, you know you could benefit from two CXs. The web platform focuses on the needs and concerns of the older generation that holds the wealth today. The mobile platform addresses the younger person who will inherit the wealth, providing guidance, teaching the basics of how to invest or buy insurance, and will be chock full of quizzes, games, personalized spreadsheets, automated tools and more.

The challenge is that when the older generations pass on, the desktop experience will be moot. You don't want to have to rebuild all the technology infrastructure that you worked so hard to establish. The answer? Don't build applications or tools – build platforms for the future that can be adapted as the younger generation takes over and as mobile-first interactions become predominant 5 to 10 years from now.

Don't overlook the fact that more cost effective and flexible technology advancements, such as infrastructure in the cloud, will be a necessary ingredient for success. Banks and insurance companies are reluctant to get in the cloud, but if you understand that most applications are going to be in the cloud five years from now, you understand the critical nature of developing these capabilities today.

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The cloud enables rapid changes to meet market and customer demands. It is flexible and nimble. You pay for what you use, can pay for service or infrastructure, and simultaneously increase security and reliability. To those unfamiliar with the cloud, security can be a scary proposition.

However, with major cloud providers like Microsoft and Amazon employing an army of experts to ensure security and regulatory compliance, the cloud is safer from a security standpoint than most on-premises data storage.

While 85% of companies using the cloud report they are confident their providers are able to provide a secure environment, 90% of IT managers reported they are not confident in their own companies' ability to detect security problems internally.

If you're building a flexible technology platform with the right digital CXs, infrastructure that looks to the future and cloud capabilities, then your organization will be positioned for success when the wealth transfer hits in the next decade.

Final thoughts

There are more than 75 million millennials out there spending $600 billion every year, and that number is only going to increase. They are graduating from college with massive amounts of debt, face a precarious job market and are typically naïve about financial matters and insurance. The companies who aggressively work to cater to, educate and advise millennials are the ones who will outperform their competition in the future.

It's not too late, but you cannot wait to take action. If a business does not begin building the bridge between current wealth owners and soon-to-be wealth recipients until after the wealth-transfer process has begun, it will experience a devastating economic blow and get left behind by those who have embraced this shift.

The ball is in your court

Everyone has predicted that the landscape of the wealth management, banking and insurance markets will change dramatically due to the digital disruption and younger generations, but with the right strategy in place, your organization can emerge as a leader.

A digital strategy will be the key to your success. Don't look at digital as an application. Digital is the way all future generations will engage and interact. Leverage it today and do it well to tie the present with the future.

Your formula for success is to create an actionable plan that is both informed and driven by insights and data on what people buy, how, what they expect, how they feel, and whether the experience is personalized, relevant and timely. You need to understand your audience and use those insights to feed a strategy that ties into the mission and purpose of your customers.

Bring your strategy to life in a digital channel that sits on top of flexible technology. Measure your customers' experiences and level of engagement with your brand, and then make adjustments, continually working off of research and data.

Follow this formula, and ten years from now, you'll be the organization that is reaping the rewards because you understood how to keep millions of dollars from leaving your company.

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