The Allianz **American Legacies** Pulse Survey

Exploring the impact of the financial crisis on legacy strategies

Allianz Life Insurance Company of North America
Allianz Life Insurance Company of New York

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Now more than ever, the legacy that parents leave their children should include the value of financial preparedness and a trusted financial professional.

Methodology

An online "pulse" survey was conducted by Research Now during January 12 – 19, 2012, using a nationwide panel. The same (or similar) questions as those of the original study were asked of a sample of just over 2,000 respondents – 1,000 respondents age 47-66 (boomers), and 1,007 respondents age 72+ (elders).

How do parents today define leaving a legacy? How are families communicating about these sensitive issues?

These are the central questions of The Allianz American Legacies Study. Allianz Life Insurance Company of North America (Allianz) began this study in 2005, as a comprehensive examination of the hopes, fears, priorities, and motivations related to the intergenerational wealth transfer between baby boomers and their elders, the parents of the boomer generation.

A key discovery of the study was the four pillars that support a true and successful legacy strategy. Each of these pillars is critical for a comprehensive and constructive conversation with family members about legacy:

- Values and life lessons
- Instructions and wishes to be fulfilled
- Personal possessions of emotional value
- Financial assets and real estate

As noted, legacies are about more than just wealth. But in the aftermath of the financial crisis that was triggered by the bursting of bubbles in the housing and stock markets – the two principal sources of household wealth – there is an awareness of the need for both financial preparedness and guidance from a trusted financial professional.

To understand how past attitudes about legacy may have been similarly affected by the financial crisis, Allianz revisited key areas from the 2005 study. The findings of the 2012 Allianz American Legacies Pulse Survey offered further insight into how to approach these important legacy discussions.

Boomers were *still* behind in their legacy planning.

Though one of the greatest barriers to opening discussions about legacy issues remains personal discomfort with the topics of inheritance and death, there are signs this is changing. Almost half of boomers – 49% – agreed that talking about "legacy" made the prospect of death less scary. Their parents were even more at ease with the topic: 57% of elders said they agreed with this statement.

And even though more than half of boomers and elders reported higher levels of comfort with discussing "legacy," most of these conversations are not happening in a truly meaningful or productive way. Boomers, in particular, are lagging in this important area. Nearly half of boomers had not had an in-depth discussion with their children or heirs about any legacy topics (compared to about 20% of elders).

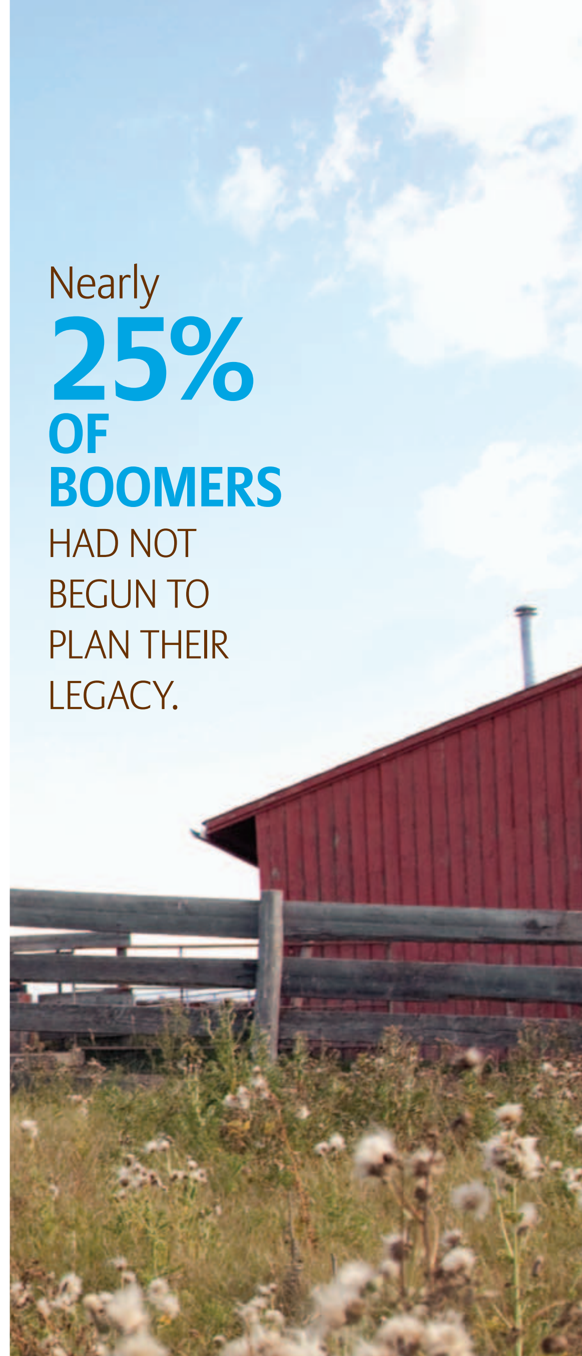
Nearly one-quarter of boomers (versus 5% of elders) had not yet begun to plan their legacy. Of those boomers who have had discussions with their children, about four in 10 had addressed one or more of these issues:

- Real estate and financial assets
- Personal possessions of emotional value
- Special instructions or wishes to be fulfilled

Elders were doing slightly better; over 60% said they've had in-depth discussions with their children on these topics.

Having a written will was the only type of legacy or inheritance planning that had been done by a majority of boomers. Far fewer were likely to have done any other legacy planning –such as creating a living will, creating a trust, or leaving instructions as to who will get specific possessions of emotional value. Here again, elders were significantly more likely than boomers to have done each of these types of legacy planning.

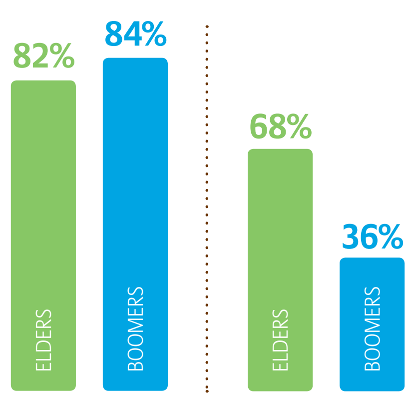
Given their higher percentages for legacy planning activities, it's perhaps not surprising that 78% of elders believed that it was their responsibility to initiate conversation with their children or heirs about their legacy. Among boomers, only about half that number – 43% – said they shared the belief that it was their own responsibility.



ONLY 48% of **BOOMERS** HAD OBTAINED PROFESSIONAL ASSISTANCE **IN PLANNING THEIR LEGACY.**

Elders and boomers understood the need for a living will …

… AND YET …



Those who said it's important to have a living will

Those who actually had a living will

Source: The Allianz American Legacies Pulse Survey, 2012.

More **help is needed** from financial professionals.

As would be expected, boomers and elders who had used a financial professional were further along in planning their legacy than those who had not used a financial professional, being much more likely to have:

- A written will
- A living will
- A trust
- Specific instructions regarding personal possessions
- Already begun to distribute possessions or assets

Additionally, those who had used a financial professional for planning their own legacy were more likely to have had an in-depth conversation with their children about the distribution of their legacy, as well as more likely to have discussed legacy matters with their own parents.

But significantly, only about half (48%) of boomers surveyed had obtained professional assistance in planning their legacy, whether a lawyer, financial professional, accountant, or estate planner. This is a significant drop from their parents' generation: more than three-quarters (76%) of elders had engaged professional assistance.

This is partially influenced by wealth: Affluent respondents (net worth of $500,000+) were more likely than less wealthy respondents to have obtained professional assistance when planning their legacy/inheritance.

Legacies were still about **life stories and values.**

A key finding of the 2005 study was that boomers were uncomfortable discussing the one-dimensional topic of leaving an "inheritance," but embraced the idea of leaving a "legacy," because it captures all facets of an individual's life, including family traditions and history, life stories, values, and wishes.

This didn't change: As reconfirmed in 2012, statements relating to keeping family history and memories alive received high ratings. Unlike their parents' generation, boomers were much more likely to agree that "It is extremely important to me that future generations remember my parents and what mattered to them" (75% of boomers vs. 53% of elders).

And while a majority of boomers and elders saw personal items as being very important for keeping family history alive, there was an understanding among both groups that a family legacy encompasses more than material possessions. The statement that family stories are very important for preserving family history and memories was agreed to by almost three-quarters of elders (74%) and by even more boomers (86%).

Gender has some influence on these beliefs. Women were more likely than men to agree with statements regarding keeping memories and family history alive. Accordingly, women were more likely than men to have talked to their children about personal possessions of emotional value.

Seeking more certainty:

Consumers involved in legacy strategies were generally reflecting these trends:

- Minimizing taxes
- Saving more and spending less
- Creating ***living*** wills (only 36% of boomers had a living will versus 57% with a will)

BOOMERS AND ELDERS AGREED: **INHERITANCE** IS NOT "OWED" TO CHILDREN – BUT FAMILY STORIES SHOULD BE PASSED DOWN.

About three-quarters of boomers and elders did not believe that parents have a duty to leave a monetary inheritance to their children.

THE IDEAL FINANCIAL PROFESSIONAL SHIFTED FROM SOMEONE LIKE A

COMPASSIONATE
OPRAH

TO A

RESULTS-DRIVEN
WARREN BUFFETT.

Trustworthiness and **financial acumen** were valued more than ever.

In the wake of the financial crisis, there was an even greater concern for honesty and integrity in a financial professional – about 90% of boomers and elders listed honesty and trustworthiness as key requirements.

But along with these traits came a greater appreciation for financial acumen. The shifts were significant:

- 78% of boomers/75% of elders felt it was key that the financial professional is able to explain things in a way that is easy to understand.
- 75% of boomers/70% of elders said the ideal financial professional would ensure the best interests of the person planning the legacy and help minimize taxes.[1]
- 60% of boomers/55% of elders said a key requirement was to help maximize the long-term value of the inheritance.
- 56% of boomers/59% of elders said it was key that the financial professional ensured the best interests of the heirs.

It's worth noting that these requirements were not linked to a specific age or gender. More than eight in 10 respondents said that it didn't matter whether their financial professional was male or female. And about seven in 10 said it didn't matter whether their financial professional was older, younger, or similar to their own age.

Of even less importance was whether the financial professional worked for a well-known company (15% of respondents) or was someone the respondent had known for a long time (7%).

When asked to choose from a list of famous people who their financial professional should be like, respondents in 2012 gravitated to someone who represented financial acumen (Warren Buffett).

This is a significant change from 2005, when respondents picked figures known for their compassion (Oprah) and faith (Billy Graham).

[1]Please note that Allianz Life Insurance Company of North America, Allianz Life Insurance Company of New York, their affiliated companies, and their representatives and employees do not give legal or tax advice. Encourage your clients to consult their tax advisor or attorney.

Legacy planning is about more than material possessions.
What ranked highest in importance?

FAMILY STORIES

86%

74%

PERSONAL POSSESSIONS

64%

58%

FINANCIAL INHERITANCE

9%

14%

BOOMERS AGE 47-66
ELDERS AGE 72+

Source: The Allianz American Legacies Pulse Survey, 2012.

AVOIDING CONFLICT and **RESPECTING WISHES** was **MOST IMPORTANT.**

Minimizing conflict in legacy transfer was still key.

Having minimal conflict between family members and carrying out legacy wishes as intended remained two of the most important issues to boomers and elders when transferring a legacy.

In many cases, it's a concern based in personal experience: the 2005 study noted that among people who had already lost their parents, fulfilling last wishes and distributing personal possessions were five times as likely to have been the greatest source of conflict during a legacy transfer as the distribution of finances.

In 2012, 45% of boomers and 53% of elders reconfirmed that minimal conflict between family members was one of the most important elements in a successful transfer of inheritance. Making certain that wishes were fully carried out ranked even higher for boomers (47%). Elders were somewhat less concerned (38%).

About a quarter of boomers listed as most important that the transfer of their parents' inheritance happened quickly and easily. Yet they were less likely than elders to feel "extremely confident" that the transfer would be managed successfully.

These concerns about avoiding conflict and respecting wishes took far more precedence over any other issue. About a quarter of boomers and less than one-fifth of elders worried about carrying forward core beliefs and values to succeeding generations. Elders, however, were more concerned than boomers about ensuring heirs receive possessions of emotional value to them and providing for the financial stability of heirs.

A greater need for **financial training.**

Financial professionals are now one of the fastest-growing occupations in the nation, projected to grow 27% from 2012 to 2022 – much faster than the average for all occupations in the U.S. economy (11%).[1]

The primary driver of this growth will be the baby boomers approaching retirement and seeking planning advice. At the same time, financial professionals are expected to face increased competition as the demand for investment services and commodity trading creates strong employment growth.[1]

To build more effective relationships with new and existing clients, financial professionals recognize the need to continue their education. According to a recent study, financial professionals recognize that they need more education:

- 93% believe most financial professionals/wealth managers need to know more about retirement income planning.[2]
- 68.1% of financial professionals confirm the importance of a professional designation for retirement income planning.[2]

Along with more education, financial professionals see a need for a more holistic financial planning approach. Though 94.9% of financial professionals say they provide services such as retirement income planning, medical and long term care planning, tax planning, and Social Security benefits decisions, they say defining a clear systematic approach is their biggest challenge when creating a retirement income plan.[2] This planning should take into account legacy decisions as well.

Top qualities for a legacy professional

- Honesty
- Trustworthiness
- Compassion
- Good listening skills
- Strong and clear communication

[1] Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook,* 2014-15 edition, Personal Financial Advisors, on the Internet at www.bls.gov/ooh/business-and-financial/personal-financial-advisors.htm, publish date: January 8, 2014.

[2] Joint Study by InvestmentNews and The American College Reveals Need for Stronger Advisor Education on Retirement Income Planning, The American College News Release, May 1, 2012.

Financial planning services may be offered only by financial professionals who are properly registered under the Investment Advisers Act of 1940 and are available at an additional cost.

$25
TRILLION
IN WEALTH
WILL BE HANDED DOWN BY THE ELDER GENERATION OF BOOMER PARENTS.[1]

Big opportunities for legacy planning in the near future:

Source: The Allianz American Legacies Pulse Survey, 2012.

For financial professionals, an opportunity to **work with multiple generations.**

During the next several decades, researchers expect roughly $25 trillion in wealth to be handed down by the elder generation of boomer parents – trillions of this could go directly to the boomers.

At the same time, boomers will be reaching the age when they begin coming to grips with the need to plan how to pass on their own legacies. With boomers as both recipients and sources of intergenerational wealth transfer, they have an enormous need for the services of financial professionals.

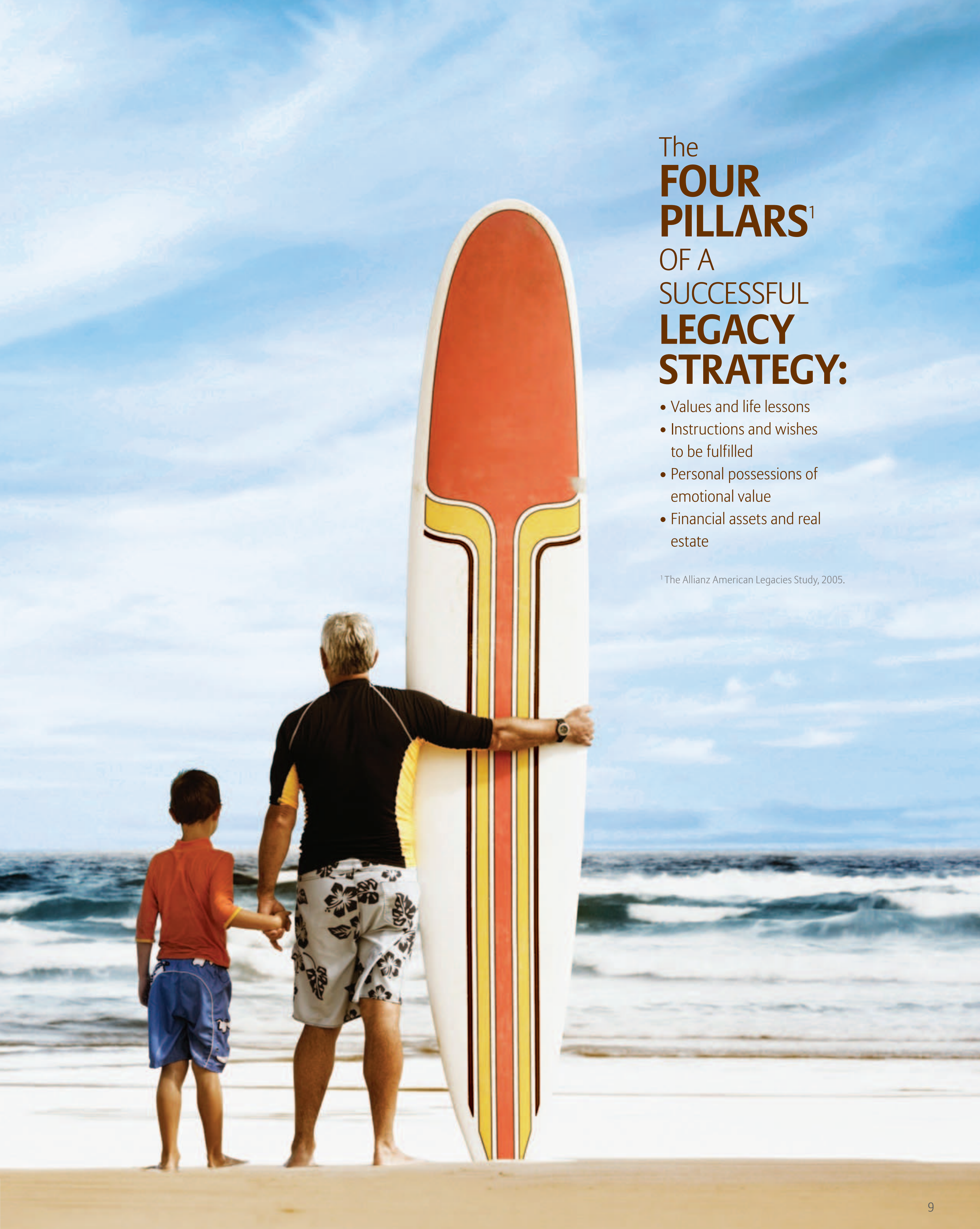
At the same time the boomer generation heads into retirement, their children are emerging as an important, largely untapped market for financial professionals who know how to serve them. A 2013 survey of 153 investors between the ages of 18 and 35 with investable assets of $1 million or greater, reported that a third of the young and affluent (30%) currently work with their parents' financial professional and almost half who don't (49%) would be willing to do so.[1]

For each of these groups, a financial professional can have a long-lasting impact on the transfer of legacy and inheritance:

- For both elder and boomer parents, part of the legacy they can leave their children is the value of financial preparedness and a trusted financial professional.
- Boomers who make sure their parents are well-prepared for the eventual transfer of their legacy can be helping them in a very valuable way.

Financial professionals who get to know the next generation of their clients now are taking the first step to a mutually beneficial long-term relationship.

[1] 2013 Young High Net Worth Insights Survey, Merrill Lynch Private Banking and Investment Group, February 2013.



The **FOUR PILLARS**[1] OF A SUCCESSFUL **LEGACY STRATEGY:**

- Values and life lessons
- Instructions and wishes to be fulfilled
- Personal possessions of emotional value
- Financial assets and real estate

[1] The Allianz American Legacies Study, 2005.

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