

Help your clients to prepare for children or grandchildren

Start the conversation now with this guide



The focus of families around the world is often their children. Taking this into account, most of your clients will be planning for their children's and grandchildren's futures alongside their own. They'll be thinking about school fees, setting up savings or investments, and passing on trusts and gifts. This is known as intergenerational planning.

Those with children of their own will understand it's an expensive business, and an emotional one too. It can be exhausting, frustrating, and rewarding. As an adviser you've probably already found yourself treading a delicate path between conflicting priorities and loyalties. You don't want to get in the middle of any family disputes regarding the distribution of assets. Nor do you want to be the 'voice of doom', scaring clients with tales of disastrous consequences thanks to insufficient life or critical illness protection.

In fact, it's because of your role as trusted adviser to your clients and their families that we've created this handy guide. It's designed to bring together some of the information around planning for future generations, structured around the different stages of a new client engagement, from the first steps to the final signature.

The five levers of emotional intelligence

As children and grandchildren are held close to a clients' hearts, an emotionally intelligent approach can make all the difference when navigating such cases. There are five key attributes emotionally intelligent people have that can prove especially useful when planning for your client. They focus on:

- Building trust and empathy
- Inspiring interest and engagement
- Simplifying complex issues and information
- Encouraging confidence and optimism
- Motivating others and prompting decisive action

You may well already use these techniques in your day-to-day role. But it's important to remember that every skill takes practice, and the more you use them, the better you become. With that in mind, using these techniques often should allow you to nurture lasting relationships with your clients.

Select a technique to find out more.



Create a connection

The key to building a positive rapport with your clients is to find some common ground. If you already have children or grandchildren, or have one on the way, this can be a rich source of shared experiences. Especially when it comes to intergenerational planning.

It's also a nice touch to congratulate your clients on the birth of a child or grandchild. A short note or simple email can go long way, and can create a real sense of empathy and companionship.



Top tips:



Involve their support network

It's worth considering your client's wider family too. Getting other important members involved can create more of a family atmosphere and they'll appreciate being invited to take part. Overall, this will increase the level of trust felt between all parties.

Help them settle in

Another way to reinforce trust is to provide statistics and personal stories from your own experiences where you can. This should help reassure your client and make them more comfortable knowing they're not alone on their journey.

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Show the bigger picture to inspire interest

When it comes to children or grandchildren, there's so much for a client to deal with day-to-day it can be hard finding time to consider the future at all. This makes considering the uncertainties ahead difficult, and long-term plans can easily be forgotten.

A way around this is to spark your client's curiosity – get them excited about possibilities for the future. Maybe start with how you yourself have arranged your finances. After all, if you've taken these steps, you'll have sound professional reasons for doing so. You're the expert and they're likely to trust your judgement.

It's advisable to be open with your clients around the fact that bringing up a child is an expensive business. And you can also provide them with good news to give them a balanced picture. For example, they may not be aware they can gift their children £5,000 and their grandchildren £2,500 towards their wedding or civil partnership, free of inheritance tax. Not to mention, by planning for school fees they can significantly reduce their tax liabilities. This can be welcome information, especially if they're feeling overwhelmed by stress and responsibility.



Top tips:



Give clients a reason to plan

As mentioned earlier, honesty is the best policy. According to the Child Poverty Action Group, the cost of raising a child (excluding housing, childcare and council tax) from birth to 18 is £75,436 for a 'couple family'. By showing your client the full picture, you can help them take a metaphoric deep breath and get started on their intergenerational planning.

Don't let them give too much away

Intergenerational planning, particularly if it involves setting sums aside as investments, gifts or trusts can affect a client's income in later life, so it's important to help your clients understand the financial impact on their lifestyle of whatever they've got in mind, especially if they want to be particularly generous. It may be as simple as helping them prioritise what they save for themselves and what they give away, but it's good to consider the best course of action now rather than later.



Make the complex more accessible

As you know, one of the main advantages of intergenerational planning is that it can distribute wealth across a family, minimising inheritance tax in the process. By showing how this process works in a series of simple steps and diagrams, you can help your client understand that intergenerational planning is not as complex as they might think. In fact, they'll see that much of it is common sense.

You can also help your clients to understand that financial vehicles they're unfamiliar with, such as investing for school fees and inheritance trusts, are actually based on concepts they already understand. This will help them feel that they are not stepping too far outside their comfort zone.



Top tips:



Create a pyramid of priorities

To help your clients get their affairs in order, you can create a pyramid of financial priorities with regard to their children and grandchildren. This involves listing the most important options, choices or goals at the top and the 'nice-to-haves' at the bottom.

Help clients to write a family love letter

Another way to help your client and their family have a clearer view of their financial position and priorities is to craft what's sometimes called a family love letter. This details everything a client's family needs to know about the provider (and the value) of any savings, pensions, investments, or assets. These could include property and liabilities such as loans, mortgages and other commitments that will impact their estate.



Turn planning into action

When a client is reluctant to make a decision, perhaps it's because they don't feel any sense of urgency while their children or grandchildren are still young, or they are waiting for a particular event, such as a wedding or new baby. A good way to encourage them is to show how the future might look, for instance by creating a chart, which can be done by using a modeling tool. This'll show how much they can save on inheritance tax if they give away money gradually through gifts and trusts, over a number of years, effectively creating a countdown from the IHT threshold and starting sooner or later to avoid the seven year deadline. By making positive outcomes seem more real, you can encourage them to finally make a move. You can find our Retirement Modeller on PruAdviser.

You can also reassure them that nothing has to be set in stone. In fact, plans can nearly always be adapted over time as things change. They should be reviewed as a matter of good financial housekeeping anyway to ensure the client's financial position and family circumstances are reflected in their planning.



Top tips:



Small steps to get started

One way you can get a client started on a journey to more serious planning with regard to their children or grandchildren is to alert them to some simple things they can do now. For example, parents of young children may not realise that childcare vouchers can save them tax, or that life insurance can be very quick and affordable. They're small steps every parent should take, and they provide a perfect segue into more advanced financial products and strategies.

The decision to reinvest

Another way to inspire a client to act could be to use their current financial products to better effect, rather than take out new ones. Depending on your clients own tax situation and circumstances one solution could be taking out their 25% lump sum from their pension, if they're over 55, and reinvesting it in investments that attract inheritance tax relief (e.g. AIM shares). These can also be gifted to beneficiaries later.

The five levers of emotional intelligence



Help them face the future with confidence

As previously mentioned, due to everyday pressures and priorities, it can be difficult to get clients to engage in this type of future planning. It means they have to set aside time to think about what they want to achieve in the future.

Instead of them seeing this as a chore, however, you can talk to them about the peace of mind it will bring. By sitting down briefly and laying out their direction for the future, they can enjoy the present a lot more. They can focus on watching their children grow up and feel safe in the fact they can share any wealth they have in the future, making their child's lives a lot more comfortable and secure.

So by taking the time to plan now, your client can help their child or children to avoid debt and get a good start in life.



Top tips:



Show them the way

For example: a grandparent can help with school fees by giving a gift up to £3,000, per grandparent per year, over the course of a child's primary education. It also represents tax saving of £43,000.

The calming effect of storytelling

If your client is still feeling jittery, examples of real life stories can help them see how others faced similar issues and challenges and how their decisions and plans positively affected the futures of many members of the family. If you can show how those plans meant a lot to someone in a similar position, it will be more likely to resonate. If your client is still feeling jittery, examples of real life stories can help them see how others faced similar issues and challenges and how their decisions and plans positively affected the futures of many members of the family. If you can show how those plans meant a lot to someone in a similar position, it will be more likely to resonate.



