

ALLIANZ
AMERICAN
LEGACIES

Discoveries of the American Legacies White Paper 2005

For all that's ahead.®

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Allianz Life Insurance Company of North America
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Methodology

Allianz Life Insurance Company of North America (Allianz) contracted Harris Interactive® to conduct a nationwide online and telephone survey of 2,627 U.S. adults. Of those surveyed, 1,282 were aged 40-59 (baby boomers) and 1,345 were aged 65 and over (the elder generation).

The telephone survey was conducted in the United States between April 21, 2005 and May 2, 2005. Among the 2,004 U.S. adults surveyed, 1,004 were baby boomers (aged 40-59) and 1,000 were of the elder generation (aged 65 and over). Figures for age by sex, education, race/ethnicity, household size, region, income, number of telephone lines, and net worth were weighted, where necessary, to align with actual proportions in the population.

The online survey was conducted in the United States between April 22, 2005 and April 27, 2005 among 278 baby boomers (aged 40-59) and 345 elders (aged 65 and over), both of whom have a net worth of over \$250,000. Figures for age by sex, education, race/ethnicity, region, income, and net worth were weighted to align with actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

Though the online sample was not a probability sample, Harris Interactive estimates with 95% certainty that the results for both the boomer (1,282) and elder (1,345) samples have a sampling error of +/- 3%. Sampling error for the following subsample results is higher and varies: elders who have children (1,247), elders who have more than one child (1,128), boomers who consider themselves to be the Alpha Child (498), boomers whose parents are alive and who have siblings (857), and boomers whose parents are not alive and who have siblings (315).

Harris Interactive conducted 200 additional telephone interviews on June 24, 2005 and June 25, 2005, with a random selection of the original 2,004 telephone respondents. This mini-survey was conducted to address the Four Pillars findings in more detail. Two sets of 100 additional interviews were conducted, one with adults aged 40-59, and one with adults aged 65 and over.

Introduction

There's more to legacy than just an inheritance.

**OVER \$25
TRILLION**

will be passed down
over the next
several decades.¹

This is a good time to be in the financial services and estate planning business. Today's elder generation – survivors of the Great Depression, hard workers, renowned savers, and beneficiaries of an unprecedented escalation of both stock market and real estate prices – are about to pass on the largest inheritance in the history of the world. By conservative estimates, over \$25 trillion will be passed down over the next several decades.¹ Financial professionals have an extraordinary opportunity and mission to facilitate this unique wealth transfer while ensuring the best interests of both the elder generation and their heirs. In fact, many would say this is the biggest opportunity in the financial services industry today.

At the same time, however, financial professionals are confronting a host of new challenges. Competition in the field has greatly intensified. CPAs, lawyers, insurance agents, financial planners, bankers, and other financial professionals are all contending for this lucrative space. Meanwhile, many clients are turning to the Internet and other alternative sources for guidance, information, and transactions. Legal and tax changes offer additional complications. The reduction or elimination of estate taxes could erase or diminish one of the biggest incentives for estate planning, and may convince many clients they don't need to plan ahead or engage estate planning services.

So what is next in this exciting but challenging industry? In the years ahead, the most successful financial professionals will develop a new set of best practices based on a new understanding of the market, their clients, and their needs. What are clients' deepest motivations and most important goals? What are the true priorities of people in later life as they contemplate their legacy? What messages and language best resonate with them and motivate them to plan and prepare? What key characteristics are they seeking in their financial professionals? What are the untapped opportunities to find and engage new clients?

In 2005, Allianz launched The Allianz American Legacies Study, a groundbreaking, comprehensive survey of the attitudes, hopes, worries, priorities, plans, and goals of both the elder generation and their heirs – the 78 million-strong baby boom generation.² Working with Age Wave and Ken Dychtwald, the nation's foremost expert on aging, and Harris Interactive, a leading market research firm, we conducted a national survey which included interviews with 1,345 elders and 1,282 baby boomers. In addition, we conducted in-depth interviews with some of the most successful financial professionals in the inheritance planning business. In this exclusive report we will tell you what we learned.

¹ Havens, John J., Schervish, Paul G., "Why the \$41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions," Boston College Social Welfare Research Institute, January 6, 2003.

² U.S. Census Bureau, "Age and Sex Composition: 2010," 2010 Census Briefs, May 2011.

Introduction (continued)

Some of what we tell you will confirm what you already know after years of helping clients meet their inheritance goals. However, much of what we uncovered may be surprising and enlightening. In fact, our findings reveal some major misunderstandings and misperceptions that keep clients from achieving their ultimate legacy goals – and, just as importantly, may prevent you from engaging with clients as productively as possible.

These misunderstandings – and our study’s findings – reveal seven key discoveries:

- **Discovery #1:** Today’s legacy is unlike any other generation’s.
- **Discovery #2:** Inheritance is not the name of the game.
- **Discovery #3:** Money is not the most important legacy.
- **Discovery #4:** Finances are not the biggest source of conflict.
- **Discovery #5:** Families don’t talk about their legacy plans.
- **Discovery #6:** All children are not equal.
- **Discovery #7:** Families want more than financial advice when planning their legacies.

In the pages that follow, we’ll describe and discuss each of these discoveries, and their implications. We will help you build a new base of knowledge by telling you exactly what boomers and elders told us about their legacy priorities, goals, and concerns.

We’ll also provide suggestions to help meet your clients’ needs more effectively, differentiate yourself from the competition, and grow an even more rewarding and successful legacy planning business.

Throughout this report, we will highlight some tips on how you might apply some of these research findings to your business practices.

Tip #1:

As you read the Discoveries of the American Legacies, think of ways you can use the ideas, knowledge, and tools in this report as ongoing resources to help build your business.

This report is one of many exclusive, innovative tools that Allianz has available to you to help you be even more competitive.

Discovery #1:

Today's inheritance is unlike any other generation's.

Inheritance transfers have been going on for thousands of years. You might think the legacy transfer from today's elders to the baby boomer generation will be pretty much like any other.

The reality is, it won't be. The legacy transfer we are about to witness will be unlike anything we have ever seen for four key reasons.

THE AGE 65+ POPULATION

– which was the poorest population segment a few decades ago – is now one of the wealthiest.

First, the sheer magnitude of this transfer is completely unprecedented. The amount of wealth that will be transferred between generations during the next several decades will dwarf the amount of money transferred by any prior generation. According to some studies, over \$25 trillion will be passed between generations in the coming decades. Over \$7 trillion of this amount will go directly to the boomer generation.¹

How did this happen? Today's elders have experienced a startling accumulation of wealth. They have seen both remarkable stock market growth and median house prices quintupling in value over the past thirty years.² At the same time, increasingly generous corporate pensions, Social Security benefits, and Medicare payments have enabled them to maintain or even increase their wealth throughout their later years. As a result, the age 65+ population – which was the poorest population segment a few decades ago – is now one of the wealthiest.^{3,4}

“It means a lot to the financial professional community just because of the magnitude of it. There is so much money that is going to be moving. If this is the business that you are in, you want to be part of the movement.”

“The wealth transfer opportunity is like you've been racing cars for a good part of your life and all of a sudden the Indy 500 comes to your backyard.”

“It might even be the last generation where you will have people with this kind of money. Because of future taxes and problems with Social Security ... it may not ever be like this again.”

– *Financial professional interviews*

¹ Havens, John J., Schervish, Paul G., “Why the \$41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions,” Boston College Social Welfare Research Institute, January 6, 2003.

² National Association of Realtors, *Real Estate Trends and Insights*, various monthly issues from 1980 through 2000.

³ Aizcorbe, Ann M. et al., “Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances,” *Federal Reserve Bulletin*, January 2003.

⁴ Dychtwald, Ken, *Age Power: How the 21st Century Will Be Ruled by the New Old*, 1999, pp. 19-22.

Discovery #1 (continued)

THE GROWING FAMILY COMPLEXITY

makes inheritances
more difficult to plan,
communicate, and execute.

Second, families are more complex, more varied, and more dispersed than ever. Because of the size of the boomer generation, today's elders will have more children to contend with as they attempt to equitably divide up their inheritance. But size isn't the only issue. In the past few decades, we have witnessed unparalleled divorce rates, remarriages, unconventional living arrangements, and a growing number of stepchildren, step-grandchildren, and children from multiple marriages. In addition, families are increasingly geographically dispersed. The growing family complexity makes inheritances more difficult to plan, communicate, and execute. For example, our study shows that elders with stepchildren are less confident their legacy will be successfully transferred and are also less likely to feel they should initiate a conversation about their legacy with their heirs. They are also twice as likely to think their heirs might accuse them of squandering their inheritance.

Third, the well-publicized rift between today's elder generation and the baby boomer generation – which had its origins in the heady days of the 1960s – continues to affect family relations and attitudes as they plan and prepare their legacies. Frugal elders are wary of their spendthrift boomer kids. Alternative lifestyles – especially drug use – remains a sore subject. In fact, our study revealed that drug use topped the list of reasons for disinheritance. (Elders are five times more likely to say they would disinherit a child for drug use than for bad money management, and are three times more likely to disinherit an heir for drug use than for being in prison!)

“With my own kids we have a blended family. I have one adopted son, I have one natural daughter and I have two stepsons. The relationships are already sort of fragile. Because of that I don't think I will discuss my legacy with any of them.” – *Elder focus group*

“I think my mother was getting to a point where she had everything written out but she worried about a good time to talk. There was always one kid who was somewhere else – we were not always at the same city, same place, same state. So she was waiting for stability.”
– *Boomer focus group*

“There's more and more complexity as our society becomes less and less homogeneous. There's more and more of the family dynamic – second marriages, second families, single families, single situations, divorce. We're less and less that traditional nuclear family. I think a lot of the planning inertia comes from that.”

– *Financial professional interview*

SURVEY QUESTION:

For what reason would you disinherit a child?



Base: Elders who would disinherit a child, N=51.
Source: The Allianz American Legacies Study.

Fourth, increasing longevity introduces new uncertainties and complications to the inheritance process. In the past, heirs might typically count on receiving their inheritance in their 30s or 40s, conveniently timed to fund their own home purchase, children’s education, or even help build up a nest egg for retirement. Today, however, heirs may be in their 60s, 70s, or even 80s before receiving their parents’ legacies. Length of life complicates not only the timing of inheritance, but it also introduces new financial needs and uncertainties to elders. Accumulated nest eggs must be used to fund the costs of lengthy retirements and sometimes financially catastrophic health events. Consequently, today’s elders must

Tip #2:

Successful legacy planning requires a comprehensive understanding of a client’s family structure, circumstances, values, and goals. By helping clients think about and explore these issues, you will more deeply engage your clients and be able to craft legacy strategies that best meet their unique needs.

carefully balance their legacy desires with their own uncertainty about their later-life financial needs. Communication and coordination between generations are more vital than ever to ensure that the needs and goals of elders and heirs – who are both confronting complex life circumstances and financial demands – are suitably aligned.

The size of the upcoming legacy transfer, the new complexity of today’s families, and our increasing lifespans will create both opportunities and challenges. The most successful financial professionals will understand the unique dynamics of each client’s family, the sentiments and interactions between clients and heirs, and the life circumstance and financial planning needs of both generations.

Discovery #2:

Inheritance is not the name of the game.

Language is powerful. Financial professionals should talk about being in the “legacy” business. Clients should think of themselves as passing on a legacy.

Death. Money. Greed. The financial advice and estate planning industries deal with some very difficult issues. The most skilled financial professionals speak a motivational language that overcomes these emotional barriers and connects with clients and their true hopes and concerns.

Extensive interviews with highly successful legacy planners, together with interviews and focus groups with both boomers and elders, revealed the power of language when talking about aspirations in later life and what people hope to leave behind. Words like “inheritance” and “estate planning” often meet with resistance, inertia, even anxiety and fear. Some described estate planning as “how to die most efficiently.” What language does motivate clients? In our study, we looked at different words, phrases, and concepts that best connected and resonated with those we interviewed. The most powerful word we uncovered is in our study’s title: the word legacy inspired, motivated, excited, and compelled almost everyone we talked to. Legacy speaks to a living connection with future generations. It opens up an opportunity for greatness. It is a language of hope and immortality. Moreover, legacy transcends balance sheets and tax forms, and empowers people to speak comprehensively of their true goals, both financial and nonfinancial.

Legacy is ...

“... the passing on facts, stories, unique works of your life to those that are important to you, and the tangible reminders to your family that may make them smile.”

“... what you leave behind when you’re gone and I don’t think of it as money or possessions, more like what you teach of your values and your morals to your children.”

“... memories and accomplishments and items you pass on and the emotional bonds that they hold for you.”

“... the rippling effect of possessions, money, children, beliefs, stories and deeds one leaves behind after death. I think it’s all those things, and I agree that it has to be continued through the generations, hopefully, as a rippling effect.”
– *Focus groups*

Tip #3:

When hosting seminars, developing marketing materials, or engaging clients for the first time, consider orienting your conversation around “legacy” rather than “inheritance” or “estate planning.” This topic may be far more motivating and attractive for potential clients.

Incorporating all
four Pillars into your
practice can be a
POWERFUL
DIFFERENTIATOR.

Our study went further to reveal the true meaning of legacy. By conducting thousands of interviews nationwide, we uncovered four distinct and important “Pillars of Legacy.” These four Pillars are:

1. Values & Life Lessons
2. Instructions & Wishes to be Fulfilled
3. Personal Possessions of Emotional Value
4. Financial Assets or Real Estate

The first Pillar, “Values & Life Lessons,” includes such things as a sense of ethics and morality, faith and religion, and family traditions and stories. Often, all of these are highly related. Stories from past generations encapsulate a family’s sense of what is right and wrong, or act as metaphors or guides to success and happiness. Family traditions, such as rituals during Thanksgiving dinners, reaffirm family bonds and the values they represent. Sometimes elders identify the key Values & Life Lessons they wish to pass on to their heirs in a written document (some refer to this as an “ethical will”). However, very often many elements of the first Pillar are passed along throughout a lifetime of conversations, interactions, and evolving relationships with an heir.

The second Pillar, “Instructions & Wishes to be Fulfilled,” includes such directives as taking care of a loved one, ensuring that someone finishes their education, funeral instructions, etc. A husband may want to guarantee that one of his children takes care of his wife after his death. A parent whose ultimate dream was for one of her children to go to college may leave this as a last wish. Such directives may be passed along verbally, or as part of a last will and testament, and may even be set as conditions for a financial inheritance.

The third Pillar, “Personal Possessions of Emotional Value,” includes possessions which may be of little or no financial worth, but carry the sentiments,

memories, and emotions of a lifetime. This might include dad’s baseball glove, which brings back childhood memories of playing catch together. The dishes that mom used to serve Thanksgiving dinner are redolent of the sense of family closeness. Grandma’s favorite sweater evokes her love long after she has passed on. Sometimes such items are mentioned in a will, but often they are ignored in the legacy planning process, which can lead to great problems and discord.

The fourth Pillar, “Financial Assets or Real Estate,” includes elements of financial value which are typically considered part of an estate plan or will: savings accounts, stocks, bonds, mutual funds, IRAs, and the value of real estate, residences, and other possessions. If a will is written, this is often the focus.

One of the key findings of The Allianz American Legacies Study was how re-orienting the conversation from “inheritance” to the “Four Pillars of Legacy” can be a powerful way to market to, engage, and motivate clients. Knowing the four Pillars of Legacy can be extremely useful to legacy planning. In fact, according to our respondents, a legacy strategy which did not address all four Pillars would be incomplete. Incorporating all four Pillars into your practice can be a powerful differentiator and lead to greater client engagement and satisfaction.

Tip #4:

When talking with clients, identify and address all four Pillars of Legacy. A clear framework will make the topic and process more understandable and engaging. And, by offering a unique context for comprehensive legacy planning, you will be able to clearly differentiate yourself from your competition.

Discovery #3:

Money is not the most important legacy.

The baby boomers are the “Me” generation. It would seem they care more about money, real estate, and financial assets than about old keepsakes and mementos from their parents’ lives. Surprisingly, as it turns out, money is the least important legacy to baby boomers.

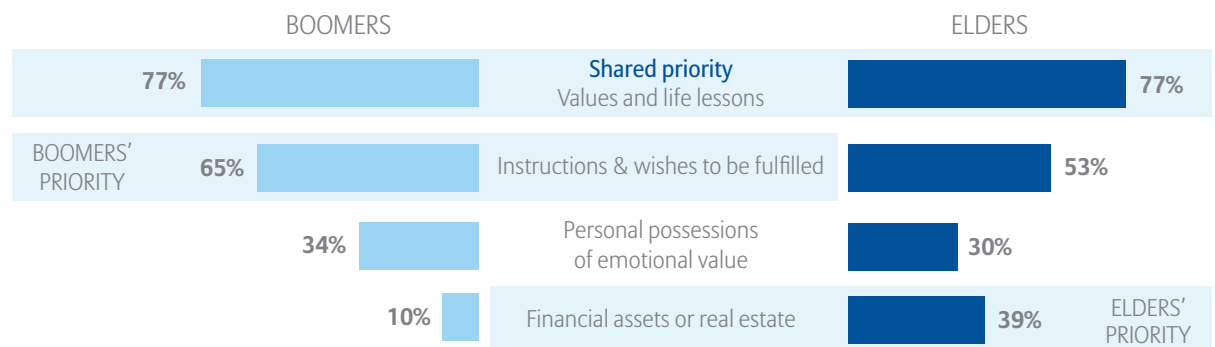
If you read articles or books about the legacies of today’s elder generation, you are likely to come across titles such as “The Coming Inheritance Boom,” “The Multi-Trillion Dollar Inheritance,” or “The Boomers’ Great Windfall.” Many people, after reading these articles and books, might conclude that all that is being passed on by today’s generation of elders is a pile of cash. Many elders seem to concur. “As far as possessions go, unless there’s a family heirloom that was passed down from your great-great-great-great-grandfather who was a relative of Henry the Eighth, nobody cares,” said one interviewed elder. “It’s just

being presumptuous to think that because something has sentimental value to you that all your children will feel the same way,” said another.

The misconception that boomers are all about money and materialism dies hard. In fact, it turns out that boomers are more likely than their parents to say that last wishes and possessions of emotional value are an important part of their family’s legacy, while elders are four times as likely as boomers to think they should focus on financial assets and real estate.

SURVEY QUESTION:

Please indicate how important it is for you personally that you receive/provide any of the following as an inheritance. (% very important)



Base: Elders who would disinherit a child, N=51.
Source: The Allianz American Legacies Study.

This deep misunderstanding between parents and children can at times have tragic results. Elders may be reluctant to broach important topics such as their last wishes because they may think they are less important to their heirs. And, because they are so focused on their financial legacy, elders we talked to often seemed all too eager to ignore, or even dispose of, family heirlooms that may, albeit unknown to them, be cherished by their children. "I'm telling you, this eBay is the best," said one elder. "As soon as I can find an antique appraiser, I will get rid of everything. It's certainly not important to my son, and my grandson doesn't want it." As we will describe next, these misperceived priorities between generations can lead to considerable problems later on.

And what about money being the most important legacy? Surprisingly, as it turns out, money is the *least* important legacy. In our national survey, we asked

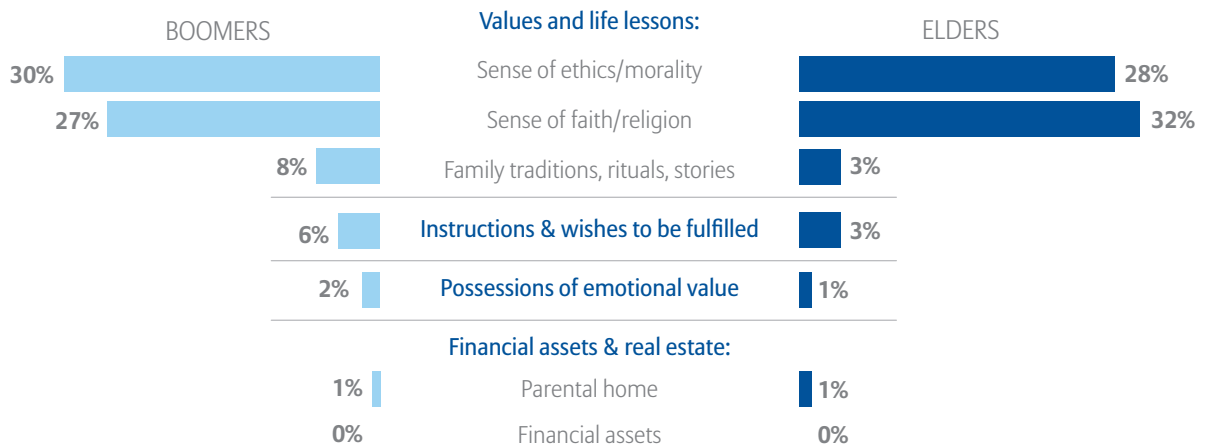
baby boomers and elders what they thought was the *most* important of the Four Pillars of Legacy to pass between generations. Surprisingly, according to both boomers and elders, money and real estate were not even close to making the top of the list. In fact, Values & life lessons was resoundingly considered the most important element of a legacy, followed by Instructions & wishes to be fulfilled and Personal possessions of emotional value.

Tip #5:

As a legacy coach, you can play a vital role in bridging misperceptions between generations. You can provide unique value to clients and their heirs by helping them develop a mutual understanding of legacy priorities.

SURVEY QUESTION:

If you could pick one, which of these is the most important to pass between generations?



Base: Boomers, N=1,256; Elders, N=1,279.
Source: The Allianz American Legacies Study.

Discovery #3 (continued)

It is clear from our study that not only do both elders and heirs consider a legacy to be far more than just money, but also that money is just a minor component. And yet many financial professionals approach their clients' needs and wishes only from a financial perspective: "What is your current net worth?" "How can we best allocate your assets to meet your current financial needs while maximizing your inheritance value?" "How much money do you want to give to your children?" and, with a team of professionals, "How can we minimize your estate taxes?"

These are obviously very important issues to address. However, according to our study, it is the other three Pillars that really engage and motivate clients. By understanding and leading with the values and wishes clients want to leave behind, you will not only be able to deeply engage and motivate them, but you will be able to develop more comprehensive legacy strategies that help meet their deepest needs.

Tip #6:

Your clients will need your financial guidance. However, the real draw and motivator for clients is the first Pillar: effectively passing on values and life lessons to their children and heirs. Consider incorporating these themes into your marketing strategy, promotional materials, and client interactions.

"I hope I've passed on to my children what I think are my high values – honesty, goodness, tolerance, self-reliance, education, and working for a better world as we think of it."

– *Elder focus group*

"My values that I have shown my children and grandchildren is the respect for others, the legacy of truth to one another, the legacy of being an honest citizen and help other people in need." – *Elder focus group*

"I wish I had gotten him to leave the legacy. Oral history ... I wish I had been pushier to get those stories out of him. And now I certainly would because stories are everything ... I think stories are our greatest legacy." – *Boomer focus group*

"Your possessions are really part of you. Your values are. Your memories. It all comes together to make you the person you are this day." – *Elder focus group*

"In the long run money isn't the most important thing." – *Elder focus group*

Discovery #4:

Money is not the biggest source of conflict.

When someone dies, the heirs often disagree about legacy transfer. Generally, it's the sentimental inheritance that really tears families apart.

All too often, the passing of a legacy can be an enormously destructive process. Time and again, elders and boomers we interviewed spoke of seeing families shattered by the discord, greed, misunderstandings, and miscommunications that emerge when a parent dies. "It's so amazing how families are so torn apart by this process that sometimes this process is the breaking point of a family," said one interviewed baby boomer. "It totally decimates families. They no longer see each other. Their children won't have anything to do with the other relatives. Somebody's passing should be uniting everybody together. Instead, the whole process is very, very harmful and destructive."

What is the cause of conflict in a legacy transfer? The media is filled with stories about families fighting over money in a will, from the infamous Anna Nicole Smith saga to infighting over the Pritzker family's Hyatt fortune to money battles that destroy even families

of more moderate wealth. People reading these stories might get the impression that money is the root of all conflict in a legacy transfer.

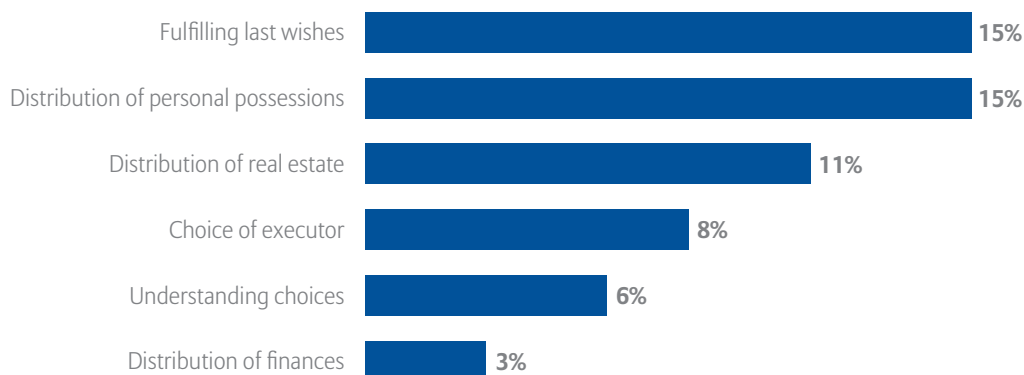
In fact, this is far from the case. In our national survey, fulfilling last wishes and distributing personal possessions are five times as likely to be the greatest source of conflict during a legacy transfer as the distribution of finances.

Tip #7:

Reducing family conflict is one of the top priorities for clients looking to engage a legacy coach. Demonstrating that you understand how to avoid conflict arising from legacy transfers will help you more effectively serve existing clients and attract new ones.

SURVEY QUESTION:

Which one of the following was the greatest resource of conflict in the transfer of your parents' inheritance and legacy?



Base: Boomers – Parents no longer alive, N=357.
Source: The Allianz American Legacies Study.

Discovery #4 (continued)

Some of the conflict about fulfilling last wishes and the distribution of personal possessions of emotional value may arise because elders did not think they were important enough to talk about.

But why should possessions which, though they may have sentimental value are financially worthless, be such a source of conflict? Part of the reason is that many adult children associate these possessions with their fondest childhood memories or parents' love.

Moreover, possessions of emotional value are by nature unique. Unlike stocks, bonds, and money, they're not easily divided among multiple heirs who may adamantly want them. Sometimes this can become an insoluble problem. "Those personal things can often be the biggest source of conflict," said one interviewed elder. "When a friend's grandparent died, his two daughters fought over a dining room table. It was just a terrible thing. So my friend's dad took the table, got out his saw and sawed it in half."

Understanding and fulfilling last wishes and instructions can be even more emotional – and controversial. Confusion, denial, and unclear messages can cause heirs to fight viciously over these highly sensitive issues. "My mom wants to be cremated and everybody's all mixed up about it," related one boomer. "She's told me for years she wants to do it. The rest of the family thinks it's ludicrous. That was [how we spent] Thanksgiving."

Tip #8:

Personal possessions can be even more problematic than money, yet they are often overlooked in inheritance planning. Help clients understand their importance and the potential conflicts that may arise, and facilitate discussions between clients and heirs for their fair distribution.

Tip #9:

Impress upon your clients the importance of clearly conveying their last wishes and instructions to their heirs. This might include taking care of a spouse, finishing education, caretaking certain property, funeral arrangements, etc. Clients may be surprised to hear these are some of the largest sources of family conflict.

Discovery #5:

Families don't talk about their legacy plans.

A legacy transfer is one of the most complex and important undertakings for any family. It is a process that requires discussion, understanding, and communication among all family members. Most families don't recognize this and avoid planning ahead for their legacies.

There are four key reasons why family legacy discussions are important. First, simply talking about legacy can be an emotionally satisfying experience that connects parents and children and overcomes longstanding divisions and misunderstandings. Although often a difficult topic to broach, a comprehensive legacy discussion gives elders and their adult children an opportunity to share their most important values, beliefs, wishes, directives, and lessons they have learned throughout their lifetime.

These issues may never be properly conveyed between generations if parents and children don't take the time to discuss them. Such discussions can strengthen family bonds and even empower elders to come to terms with their own mortality. In our study, half of elders said just talking about inheritance and legacy makes the prospect of death less scary.

Second, discussions between elders and their adult children can help clarify plans and intentions and avoid the trauma of misunderstandings and hurt feelings when the inheritance is not distributed as some of the heirs might expect. As one interviewed boomer pointed out, understanding parents' motivations can make otherwise contentious decisions understandable. "My mother explained her motives and her emotions. It was easier for me to understand where she was coming from." Another boomer explained that it was much less complicated to come to terms with

inheritance decisions during the parent's lifetime, rather than at the time of a parent's death when emotions and anxiety are at a fever pitch. "If you resolve inheritance issues earlier you get them out of the way and then you can let the grieving process be more authentic," he related. Discussing all the elements of a legacy now, before sickness and death cloud the judgment and aggravate everyone's emotions, can help reduce conflict and anger.

Third, heirs need opportunities to express their desire for possessions of emotional value that may otherwise be overlooked. Elders often have little idea how important such items can be, and how much conflict will ensue if their distribution is not equitably resolved in advance. "There was a picture that we had in the house," related one boomer. "One kid cared about it and one kid cared about another picture. It's possible that no one would really know [which kid cared about which picture] because that's not something you'd share." Just giving adult children a forum to express their interests and desires can help avert catastrophic family infighting down the road.

Finally, some boomers indicate that understanding their parents' intentions helps them develop more reliable financial plans. Many find even a small inheritance helpful as they struggle with debt, their children's education needs, and their own retirement preparation.

Half of elders said just
**TALKING
ABOUT
INHERITANCE**
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Discovery #5 (continued)

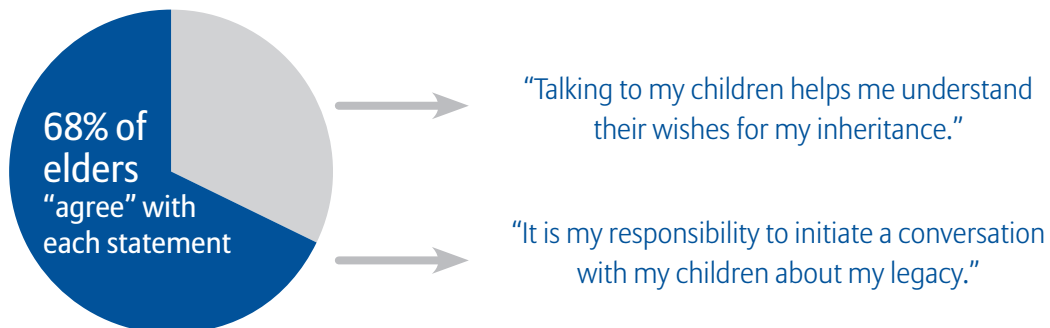
In our study, 40 percent of boomers said that knowing their parents' inheritance plans makes it much easier for them to plan their future. As one elder said, "Heirs should be involved in legacy planning because otherwise they won't be able to base their life on what they're going to expect and what they know they're getting."

In fact, our study found that elders firmly believe that children should be involved in discussing the legacy process. Two-thirds thought the conversations would be helpful to them and felt they ought to initiate a conversation about their legacies.

You might expect, therefore, that families are actively engaged in discussing their legacies. In reality, however, our study found that less than a third of elders and boomers have had a comprehensive discussion of all four Pillars of legacy.

SURVEY QUESTION:

Please indicate whether you agree or disagree with each of the following statements (% agree)

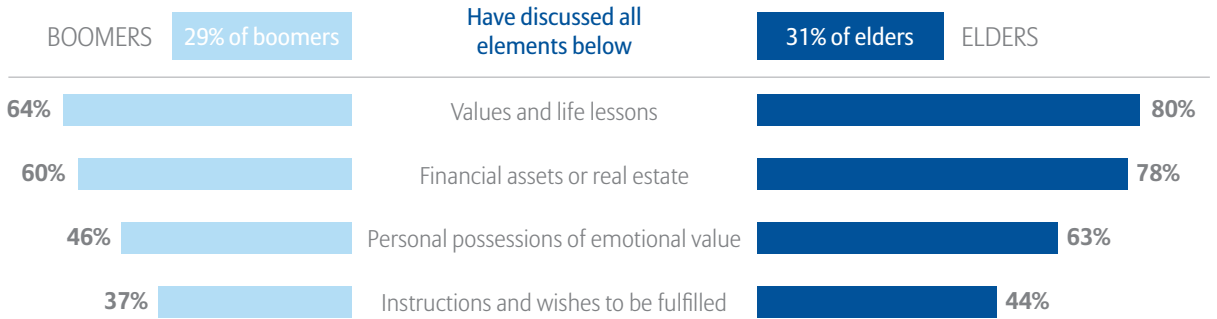


Base: Elders, n=1,345.

Source: The Allianz American Legacies Study.

SURVEY QUESTION:

Have you had an in-depth discussion with your parents/children or heirs about the distribution of the following? (% have discussed)

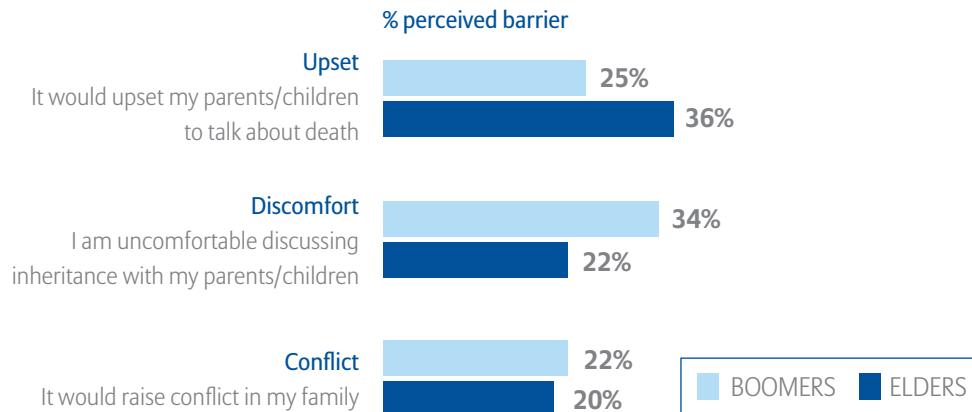


Base: Boomers, N=100; Elders, N=100.
Source: The Allianz American Legacies Study.

So why aren't more families talking about their legacies? Our study found that personal discomfort with the topics of inheritance and death are the biggest barriers to discussion. Boomers are more uncomfortable discussing inheritance, while elders fear that talking about death would upset their adult children.

SURVEY QUESTION:

For each statement, please indicate whether it has been or would likely be a barrier in discussing an inheritance.



Base: Boomers, N=1,282; Elders, N=1,345.
Source: The Allianz American Legacies Study.

Discovery #5 (continued)

Interestingly, both boomers and elders seem to agree that the biggest barrier to discussion is boomer discomfort around the topics of inheritance and death. Some elders infantilize their middle-aged offspring. Said one elder: “Young people can’t handle anything negative. It has to be positive. You have to think positive about things. Death is a negative.” Another said: “It could upset the children. Sometimes if you bring this thing up out of the clear blue they’ll think there’s something wrong medically with you or with your wife.”

The 78 million boomers are **THE FUTURE** of the financial services industry.

Others seem to think boomer discomfort on this topic is more complex. “Our kids are in denial because we’re in denial,” said one elder. Boomers often voiced a fear of being misunderstood by their parents. “Do you want me to die? Is this why you’re talking about this thing?” Asking the parent if the parent didn’t bring it up shows the kid’s point of view is, “Oh gee, I just care about your stuff,” explained one boomer. “It looks like you’re greedy. That’s the word. Greedy.”

Family conflict was another substantial barrier to discussing legacy. “Better sweep it under the rug now than raise issues that might cause problems,” was one elder’s sentiment. “Let them deal with it after I’m gone.”

We are all familiar with the “Generation Gap” that arose in the 1960s. Changing societal norms and differing political views dug a chasm between parents and their children. Families found it difficult, if not impossible, to understand each other’s point of view, let alone discuss an important issue. The result was often painful emotional distancing and lost opportunities to share wisdom and values between generations.

“My only security is that I know that my mother sees a financial professional. I’m hoping that at some point in time I’ll know what his name is.”
– *Boomer focus group*

As elders contemplate their legacies, we are confronting the “New Generation Gap.” Elders have a wealth of values, beliefs, wisdom, wishes, sentimental possessions – in addition to financial assets – to convey to their adult children. The legacy transfer is a great opportunity to rejoin the generations. By facilitating communication between generations, financial professionals can play a key role in bridging the “New Generation Gap” and helping families reconnect around their most important legacy goals and family financial planning needs.

There is another reason why financial professionals should play a pivotal role in bridging the gap between elders and the baby boom generation. The 78 million boomers are the future of the financial services industry. Many are now aggressively accumulating assets for their own retirement and are in need of financial guidance. By working with both elder clients and their adult children, financial professionals have a unique opportunity to demonstrate the value and expertise they can provide to both generations. Bridging the “New Generation Gap” not only adds a high level of differentiated value to existing clients, but can also provide an effective mechanism for meeting and engaging your next generation of clients.

Tip #10:

You can play a pivotal role in bridging the “New Generation Gap” by bringing together families to discuss their legacies. This will help families develop legacy and financial strategies that best meet the needs of both clients and heirs – and offers a unique opportunity for you to build relationships with your next generation of clients.

Discovery #6:

All children are not equal.

When it comes to talking about, planning, and leaving a legacy, all children aren't necessarily equal in the eyes of their parents.

Equality is often taken for granted. For example, according to one baby boomer we talked to: "Family is family. My mom has always taught me everything is equal across the board."

Equal distribution of inheritance is often seen as the best way to avoid conflict. An unequal distribution can easily inflame sibling rivalry or be interpreted to mean one child is loved more than another. Our survey showed that 84 percent of elders and 75 percent of boomers expect the family inheritance will be distributed equally among heirs. One might conclude, therefore, that families generally intend to distribute their assets with unconditional equality among their children.

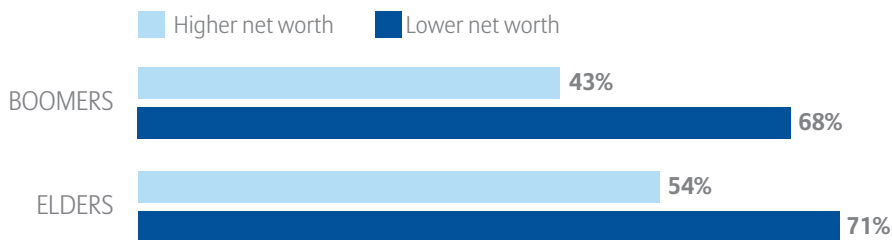
In reality, however, boomers who take unconditional equality for granted could be in for an unpleasant surprise. One-third of their parents say that making decisions about inheritance is an important source of power and control. (Just 15 percent of boomers would have guessed this was the case.) In fact, many parents view their ability to disinherit or distribute their inheritance unevenly among their heirs as their last significant lever of influence and parental impact.

A performance-based meritocracy is an increasing preference, especially among higher-net-worth families. Almost half of higher-net-worth elders would disagree that every child has a right to share equally in the inheritance of a parent – twice the rate of lower-net-worth families.

Boomers who take **UNCONDITIONAL EQUALITY** for granted could be in for an unpleasant surprise.

SURVEY QUESTION:

Every child has a right to share equally in the inheritance of a parent. (% agree)



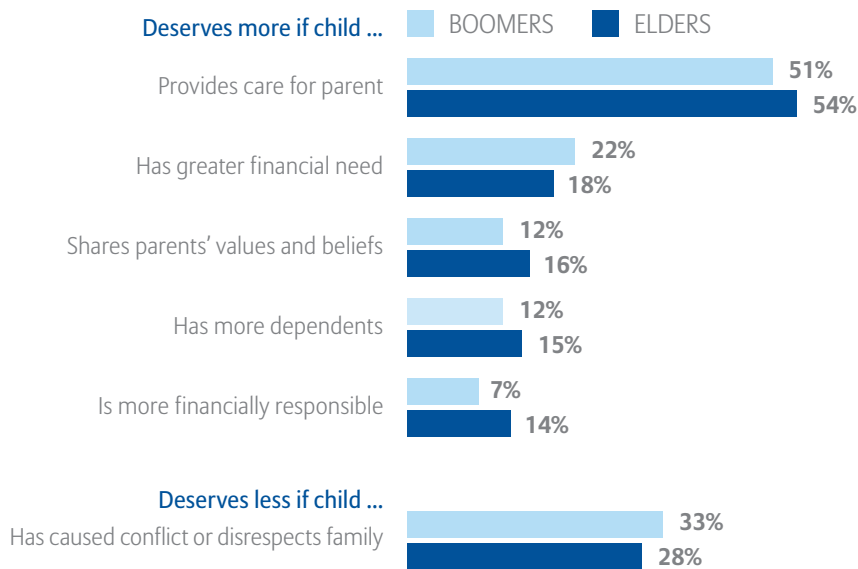
Base: Boomers – Higher net worth, N=574; Lower net worth, N=708 Elders – Higher net worth, N=554; Lower net worth, N=791. Source: The Allianz American Legacies Study.

Discovery #6 (continued)

What would prompt an unequal division of an inheritance? Most of our respondents say a child deserves a larger inheritance if he or she provides care for a parent. Another key factor: many think children deserve less if they cause conflict or disrespect the family.

SURVEY QUESTION:

% who agree



Base: Boomers, N=1,282; Elders, N=1,345.
Source: The Allianz American Legacies Study.

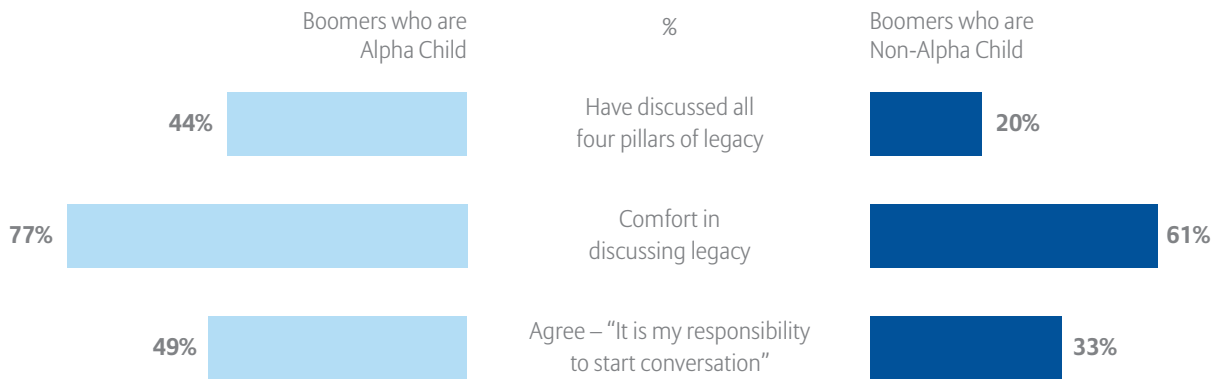
Tip #11:

Don't take equality for granted. A substantial number of elders view a "performance-based meritocracy" during their legacy transfer as a key source of power to influence and guide the lives of their families and heirs.

Inequality does not extend just to the distribution of inheritance. Parents will turn to some children more than others when discussing and deciding their legacy plans. The Allianz American Legacies Study revealed that two in five elders say they have an “Alpha Child,” defined as the child they turn to first. The Alpha Child is a leading resource for discussing legacy issues with their parents, and is twice as likely as his or her siblings to have discussed all four Legacy Pillars with their parents. One financial professional we interviewed explained, “For the most part, if there are two or three children there is one who is the leader of the group ... and the others are somewhat subservient to that one.”

SURVEY QUESTION:

Is the Alpha Child the leading resource for discussing legacy issues within the family?



Base: Boomers, Alpha Child N=498; non-Alpha Child N=598.
 *Alpha Child N=35, non-Alpha Child N=49.
 Source: The Allianz American Legacies Study.

Tip #12:

During family discussions, be keenly aware of family dynamics and personalities. Keep an eye out for the Alpha Child, who can be a key ally in facilitating and leading legacy conversations.

Discovery #7:

Families don't want only financial guidance when planning their legacies.

When looking for a financial professional, families want more than just guidance on how to minimize taxes or pass on as much money as safely and easily as possible. They need someone who can guide them through other problems and issues.

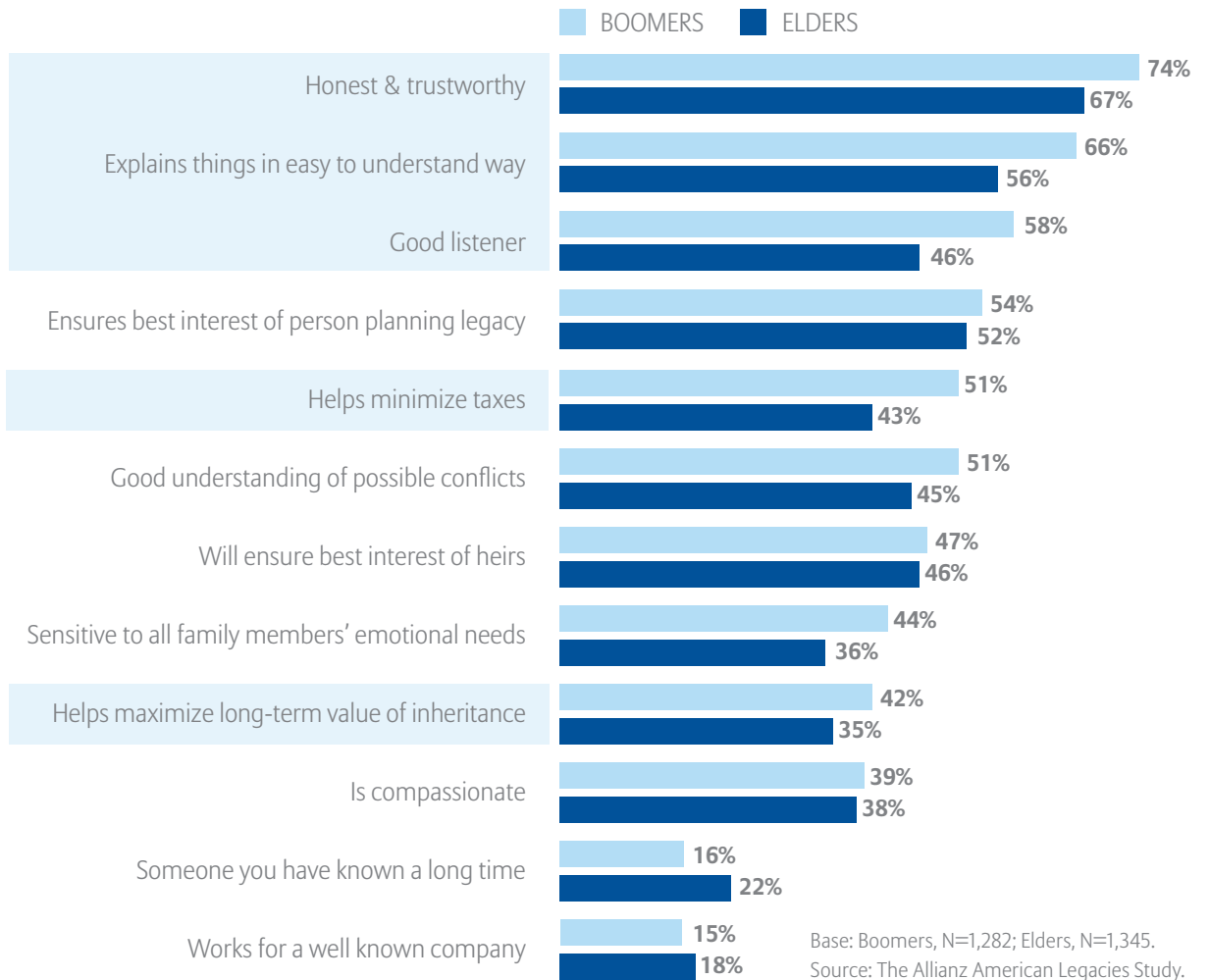
Legacy planning is a complicated affair. Today's families are frequently a complex web of marriages, remarriages, stepchildren, and step-siblings. Increasing longevity introduces multiple financial priorities and uncertainties as elders balance their own financial needs against those of their heirs. Families struggle with a host of misperceptions, fears, and communication barriers that prevent open discussion and that often lead to both financial and emotional tribulations and sometimes tragically avoidable family discord.

As families evaluate their legacies, our study shows they want far more than just financial guidance. They are looking for an expert guide whom they can trust with their most intimate problems and issues.

They are looking for someone who will listen to and understand the difficulties they face, and explain things in a human and understandable way. They want someone who can help steer the family through potential conflicts and who is sensitive to family emotional dynamics. Of course, they are also looking for a financial professional skilled in navigating complex tax laws and recommending products that will maximize their legacy's value. But, according to our survey, when families are selecting a professional to help plan their legacies, honesty and effective communication skills are far more important than maximizing the financial value of the inheritance.

SURVEY QUESTION:

If you were to use a professional to help plan a legacy, which of the following characteristics would be a key requirement in selecting the ideal financial professional?



As one financial professional we interviewed put it, “We are not selling them a product. What matters to them is often not the money. It is about establishing that you really care, truly care, and want to know the details of their life, their kids, where they went to college, how is their health right now, what they are worrying about.”

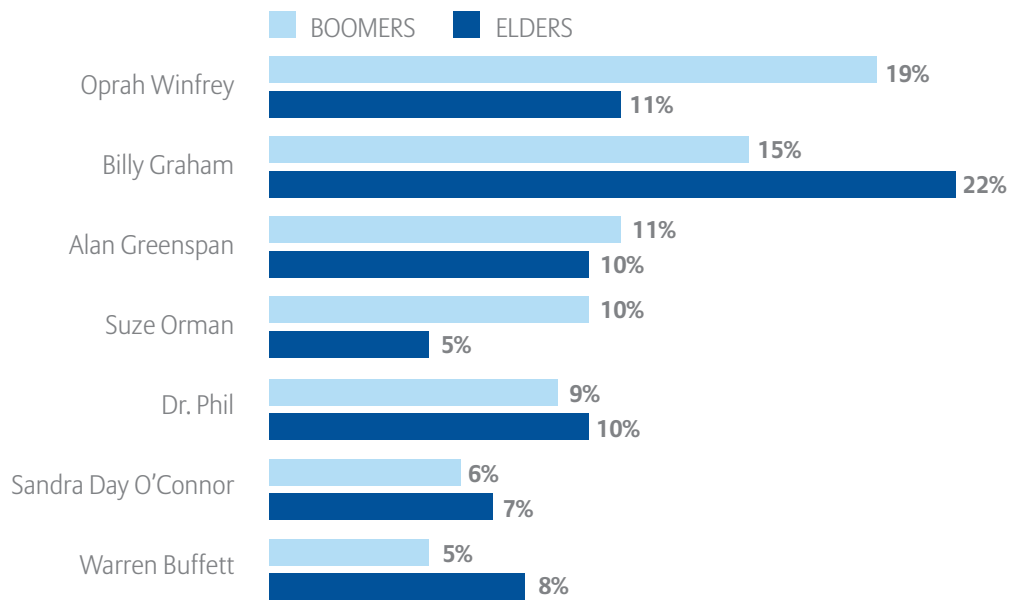
Discovery #7 (continued)

Just for fun, we also asked boomers and elders to tell us which famous person they would like their legacy coach to most closely resemble. For boomers, Oprah Winfrey topped the list. For elders, Billy Graham.

SURVEY QUESTION:

If you were to use a professional to help plan a legacy, which of the following famous people would you like the financial professional to be most like?

Being a
**LEGACY
COACH**
means blending a variety
of highly complex skills.



Base: Boomers, N=1,282; Elders, N=1,345.

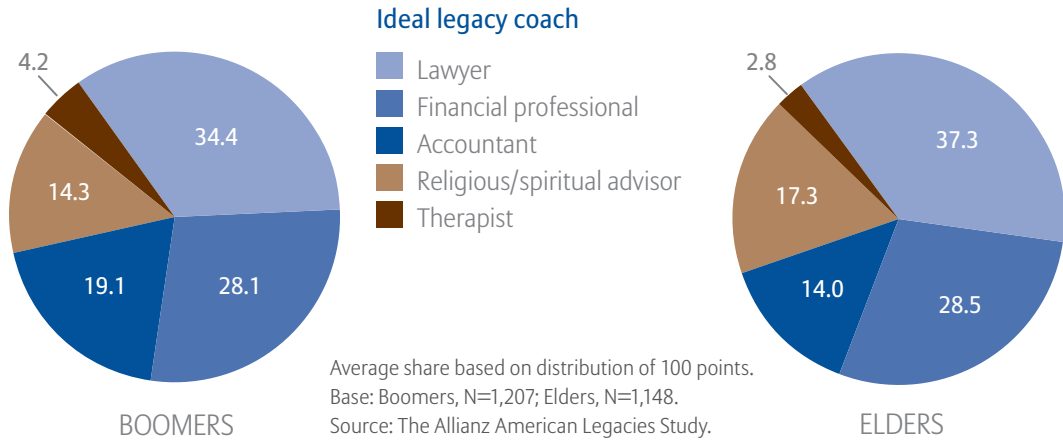
Source: The Allianz American Legacies Study.

Of course, when we asked the same question of higher-net-worth boomers and elders, Warren Buffett topped the list. But the fact remains, compassion and morality tend to edge out fiscal knowledge when personifying the ideal legacy coach characteristics.

The truth is, being a legacy coach means blending a variety of highly complex skills: financial, legal, spiritual, and therapist. (We even asked our respondents to describe their ideal legacy coach. The answer: 1/3 lawyer, 1/4 financial professional, 1/5 accountant, and 1/5 therapist/spiritual advisor).

SURVEY QUESTION:

Please distribute 100 points among the following types of people to create the ideal person who have the necessary skills and characteristics that you would want to talk to.



Clients are demanding a wide diversity of knowledge and talents to guide them through their legacy needs. A tall order? Yes. As a legacy coach, you have selected a highly challenging profession. But in the years ahead, you and your profession will play a vital role in helping families understand and achieve the true potential of their Legacies, and may even serve as the linchpin that brings the generations together.

Tip #13:

Mastering a variety of skills, tools, and a unique, in-depth knowledge about the aspirations, concerns, priorities, and plans of families planning their legacy will differentiate you from your competition, enable you to meet client goals more effectively, and help you build an even more successful business.

Conclusion

We hope you have found this report to be both interesting and useful. For your convenience, we have summarized all the key tips and suggestions that we have provided in this report:

Tip #1:

As you read the Discoveries of the American Legacy, think of ways you can use the ideas, knowledge, and tools in this report as ongoing resources to help build your business.

Tip #2:

Successful legacy planning requires a comprehensive understanding of a client's family structure, circumstances, values, and goals. By helping clients think about and explore these issues, you will more deeply engage your clients and be able to craft legacy strategies that best meet their unique needs.

Tip #3:

When hosting seminars, developing marketing materials, or engaging clients for the first time, consider orienting your conversation around "legacy" rather than inheritance or estate planning. You will likely find this topic to be far more motivating and attractive for potential clients.

Tip #4:

When talking with clients, identify and address all four Pillars of legacy. A clear framework will make the topic and process more understandable and engaging. And, by offering a unique context for comprehensive Legacy planning, you will be able to clearly differentiate yourself from your competition.

Tip #5:

As a legacy coach, you can play a vital role in bridging misperceptions between generations. You can provide unique value to clients and their heirs by helping them develop a mutual understanding of legacy priorities.

Tip #6:

Your clients will need your financial guidance. However, the real draw and motivator for clients is the first Pillar: effectively passing on values and life lessons to their children and heirs. Consider incorporating these themes into your marketing strategy, promotional materials, and client interactions.

Tip #7:

Reducing family conflict is one of the top priorities for clients looking to engage a legacy coach. Demonstrating that you understand how to avoid conflict arising from legacy transfers will help you more effectively serve existing clients and attract new ones.

Tip #8:

Personal possessions can be even more problematic than money, yet they are often overlooked in inheritance planning. Help clients understand their importance and the potential conflicts that may arise, and facilitate discussions between clients and heirs for their fair distribution.

Tip #9:

Impress upon your clients the importance of clearly conveying their last wishes and instructions to their heirs. This might include taking care of a spouse, finishing education, caretaking certain property, funeral arrangements, etc. Clients may be surprised to hear these are some of the largest sources of family conflict.

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To learn more about The Allianz American Legacies Study or our latest findings, visit www.allianzlife.com or www.allianzlife.com/new-york.



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