

Discovering The American Legacy

Findings From a Landmark Study on Boomer/Parent Relations and the \$25 Trillion Issue

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University of St. Thomas
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About Allianz

- Allianz Group is one of the world's leading insurance and asset management companies, with over \$1.4 trillion under management. Doing business in 70 countries and represented by over 162,000 employees
- Allianz Life offers individual insurance products through over 240,000 independent agents, registered representatives and financial planners nationwide.
- We are constantly thinking about what is on the mind of our clients and how we can help them

Background - Allianz Life

Who is Allianz Life?

- Largest Life/health entity in the Allianz Group (as measured by statutory gross premiums written - On schedule to write over \$15 Billion in 2005)
- Top 25 U.S. life insurance company - 1.9% market share based on 2004 statutory GPW
- Over \$60 Billion in Assets
- Allianz Life employs approximately 2,450 full-time and part-time individuals
 - Home office (Golden Valley) 1,925
 - Variable annuity service center 300
 - Wholly-owned field marketing organizations 225

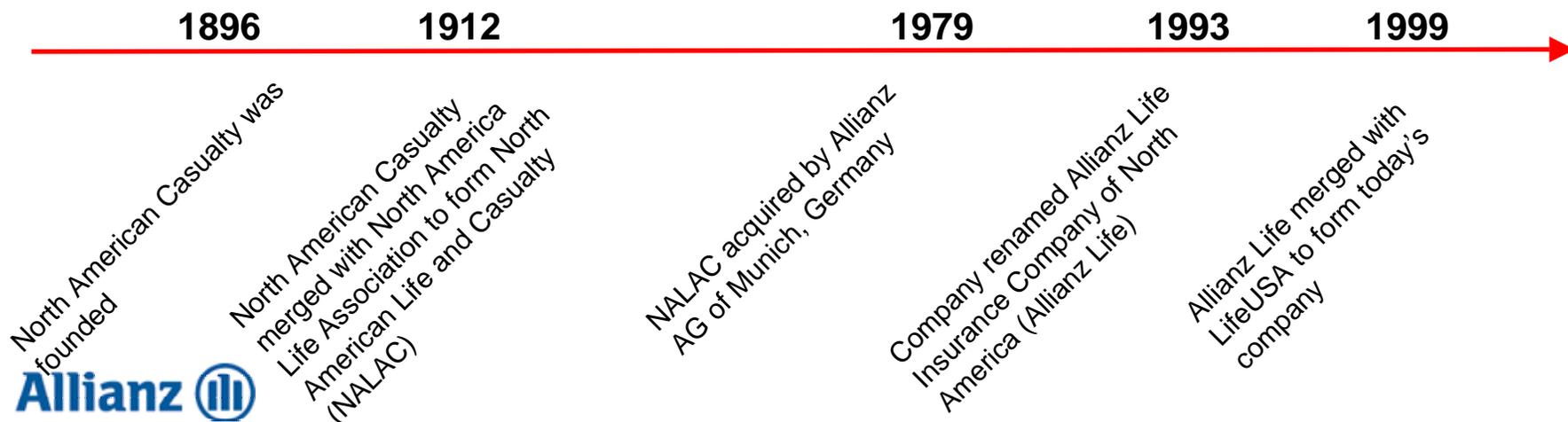
Current Ratings

A.M. Best A (Excellent)
S&P AA- (Very Strong)
Moody's A2 (Good)

Market Share (2005)

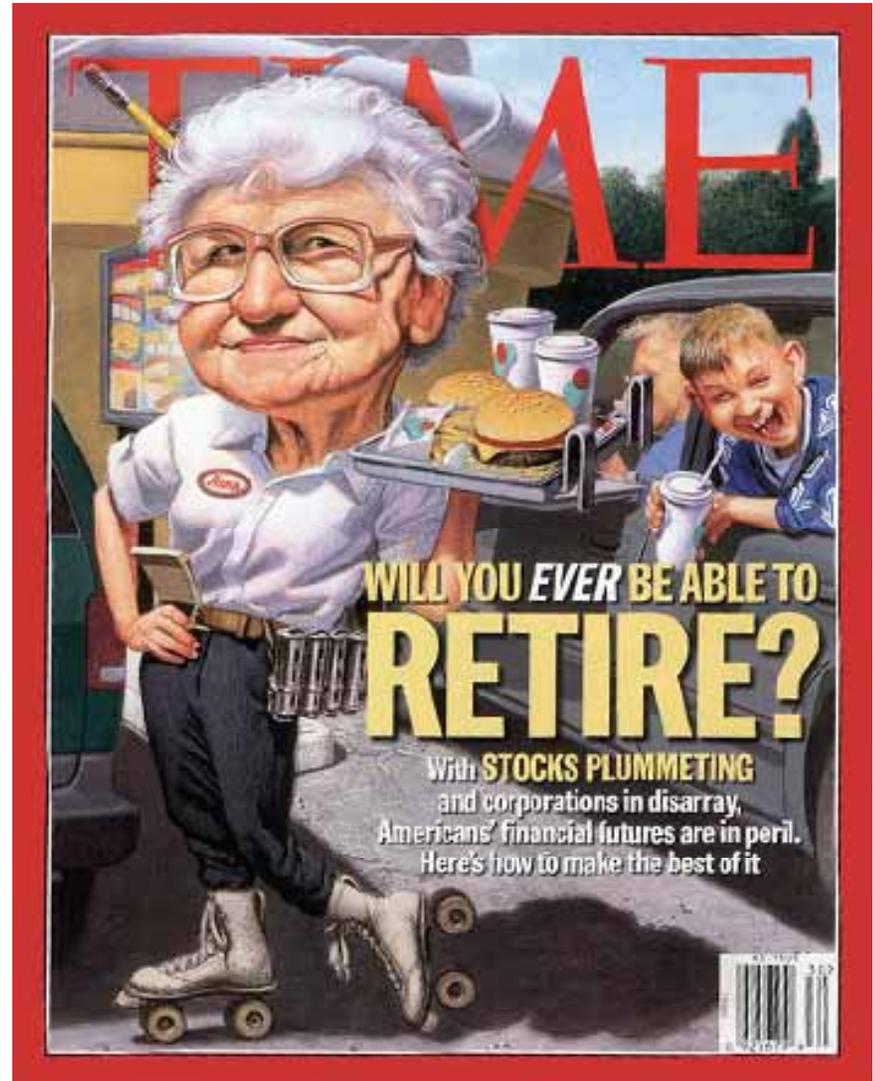
Fixed Annuities	10.0%
Equity Index Annuities	34.0%
Variable Annuities	3.1%

History of Allianz Life



The Aging Of America

- Allianz' clients are aging with the U.S. populace
- The elder generation has staggering cumulative assets
- \$25 trillion in wealth is to be handed down by the elder generation to their heirs
- \$7.2 trillion will go to the boomers
- Are they prepared for this unprecedented transition?



Adding to this complex issue....

- Blended and complex family structures and dynamics, mean inheritance is a challenging, complex and thorny subject
- The word “inheritance” conjures up images of death, greed, money and taxes
- Among most families, the subject of the passing of a legacy and inheritance is taboo and rarely discussed
- For many families, the process is rife with misunderstandings and conflict that are both emotionally and financially costly
- There is no precedent for what many of our clients and their families are heading into - a new generation gap is emerging



We Undertook A Landmark National Study

- Allianz engaged Age Wave, the nation's thought-leader on the aging of America, to conduct a landmark national study with Harris Interactive of over 2,500 Boomers (age 40-59) and Elders (age 65 plus).
- The purpose of this project was to create an unprecedented understanding of the hopes, fears and motivations related to the passing of values, assets and wealth between generations.

Methodology

- Harris Interactive conducted 2,004 telephone surveys between April 21st and May 2nd, 2005 among Boomers and Elders.
- In addition to the telephone surveys, an over-sample of 623 respondents who have a net worth of over \$250,000 were surveyed online using the Harris Poll Online (HPOL) database between April 22nd – 27th 2005.

We Discovered: It's Not About the Money



Americans Want To Leave a “Legacy”



“Legacy is a more compelling, comprehensive and hopeful concept than “Inheritance.”

“Legacy is possessions, money, beliefs, stories, and deeds from ones life.”

“The passing on of facts, stories, unique works of your life to those important to you.”

“Legacy is what you leave behind.”

“Memories, accomplishments and items you pass on and the emotional bonds that they hold for you and your lived ones.”



Will you?



Five Key Findings

- *Values, Not Valuables*
- *Negotiating the Legacy Gap*
- *Are You the Alpha Child?*
- *Performance-based Inheritances*
- *The Ideal Legacy Advisor: Personal Connection over Performance.*

Key Finding #1: Values Not Valuables

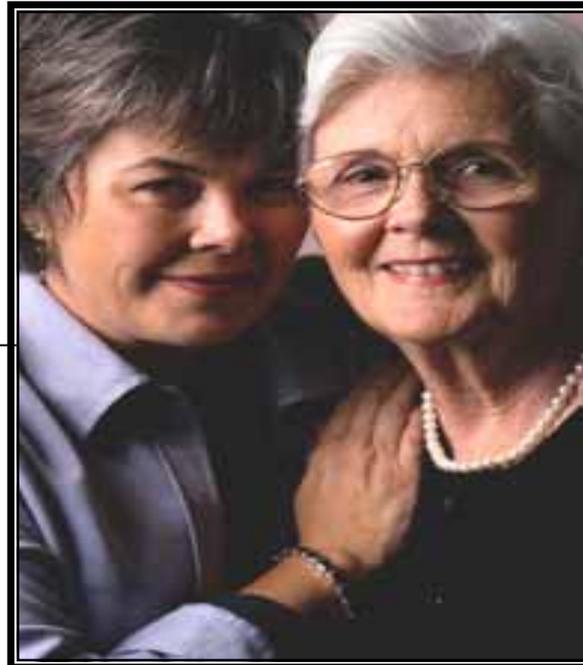
Elders are seven times more likely than Boomers to believe they owe their children an inheritance.

Survey Question ▶

Do you believe your parents owe you an inheritance?

3%

of Boomers say "Yes"



Survey Question ▶

Do you believe you owe your children an inheritance?

22%

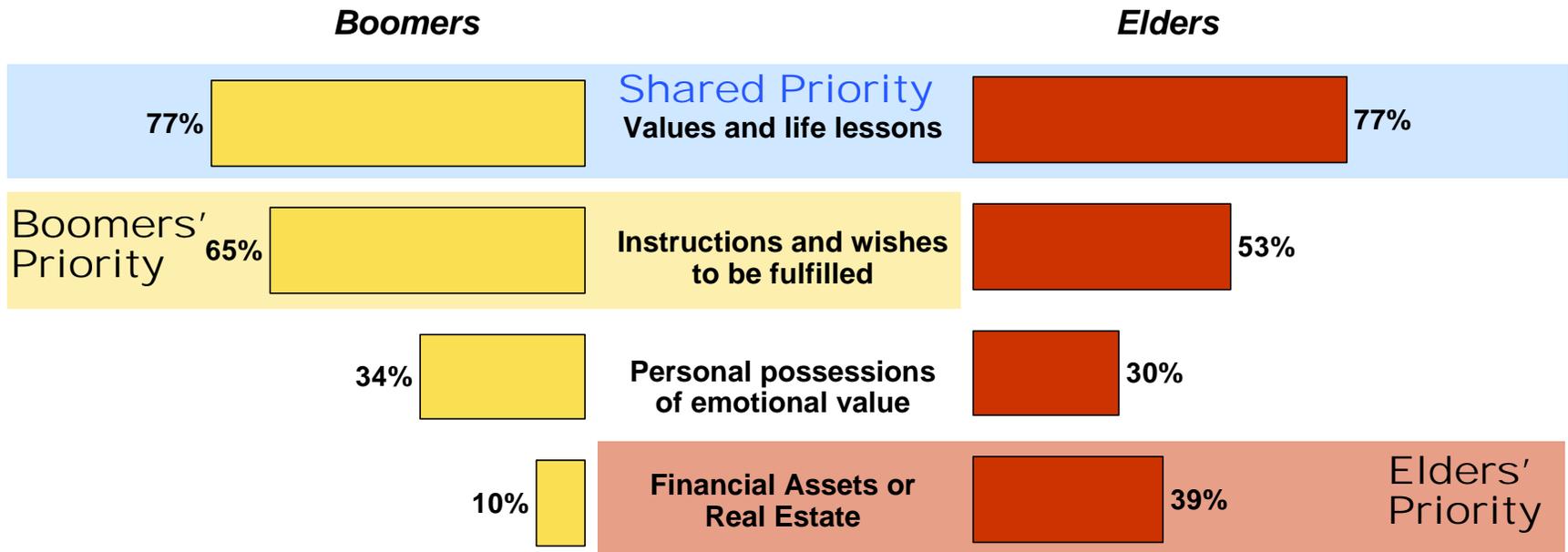
of Elders say "Yes"

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

Key Finding #1: Values Not Valuable

Elders are four times as likely as boomers to think their financial assets or real estate are a very important part of their Legacy, while underestimating the importance of their final instructions and wishes.

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: Boomers, N=100; Elders, N=100 (recontact survey)

Key Finding #1: Values Not Valuables

“Values and Life Lessons” are overwhelmingly considered the most important part of a Legacy.

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



Base: Boomers, N=1,256; Elders, N=1,279

Key Finding #1: Values Not Valuables

Fact: Money is the least important aspect of a Legacy transfer to both Boomers and Elders.

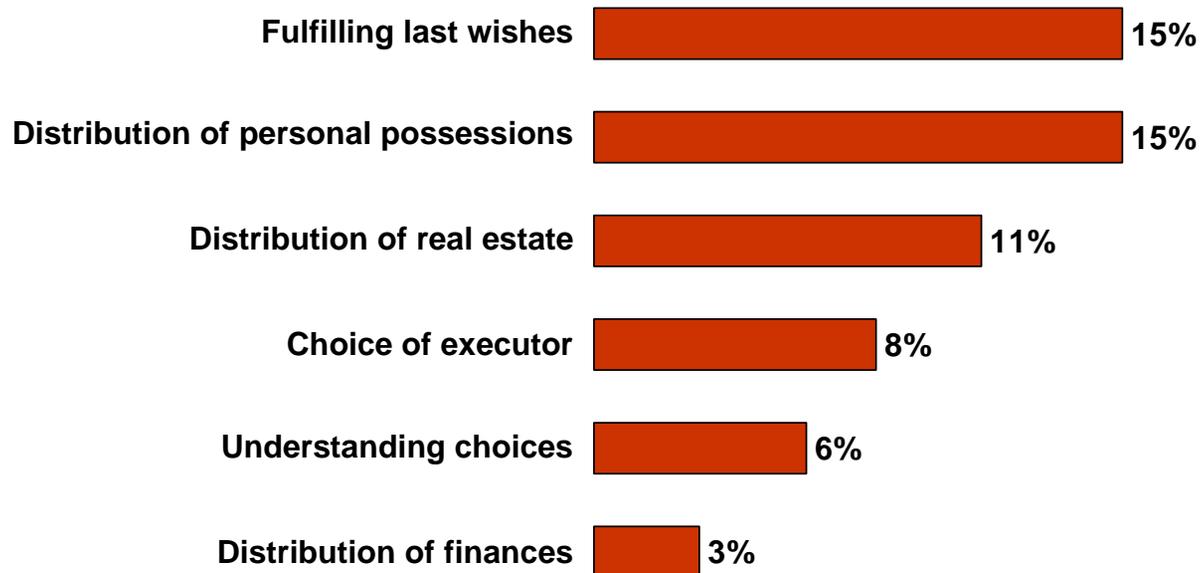
- Baby Boomers and their Parents (Elders) view the concepts of Legacy and inheritance differently.
- A true Legacy is a combination of emotional and financial elements, while an inheritance is purely financial.
- Boomers indicate that preserving their parents' Legacy is more important than receiving their inheritance, while Elders believe their Boomer children to be more interested in their finances.
- Elders are seven times more likely than boomers to believe they owe their children an inheritance.

Key Finding #1: Values Not Valuable

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 among those whose parents are no longer alive.

Survey Question ▶

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



Key Finding #2: Negotiating The Legacy Gap

Fact: Less than one-third of Boomers and Elders have had a comprehensive discussion about all aspects of inheritance and Legacy

- While the majority of Boomers and Elders say they feel highly confident discussing inheritance and legacy planning issues, only around one third have actually done so.
- There is a significant gap between what people are saying and really doing.

Key Finding #2: Negotiating The Legacy Gap

There are *Four Pillars* that are core to a family Legacy discussion

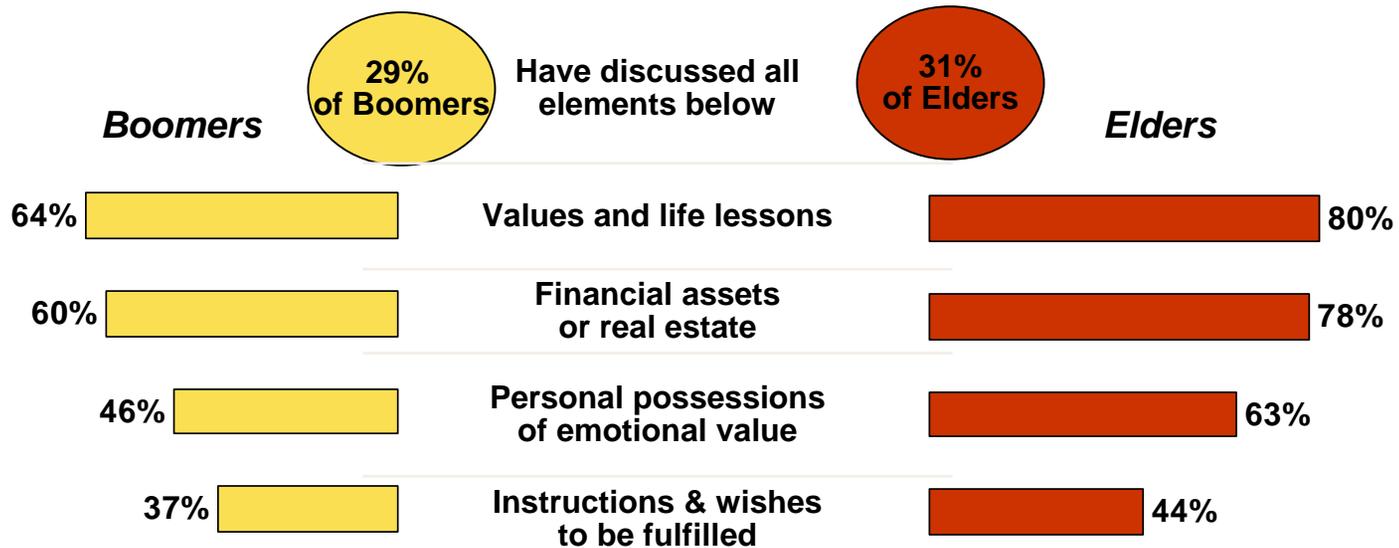
1. Values & Life Lessons
2. Instructions & Wishes to be Fulfilled
3. Personal Possessions of Emotional Value
4. Financial Assets or Real Estate

Key Finding #2: Negotiating The Legacy Gap

Less than one-third of Boomers and Elders have fully discussed the *Four Pillars of Legacy*.

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

Key Finding #2: Negotiating The Legacy Gap

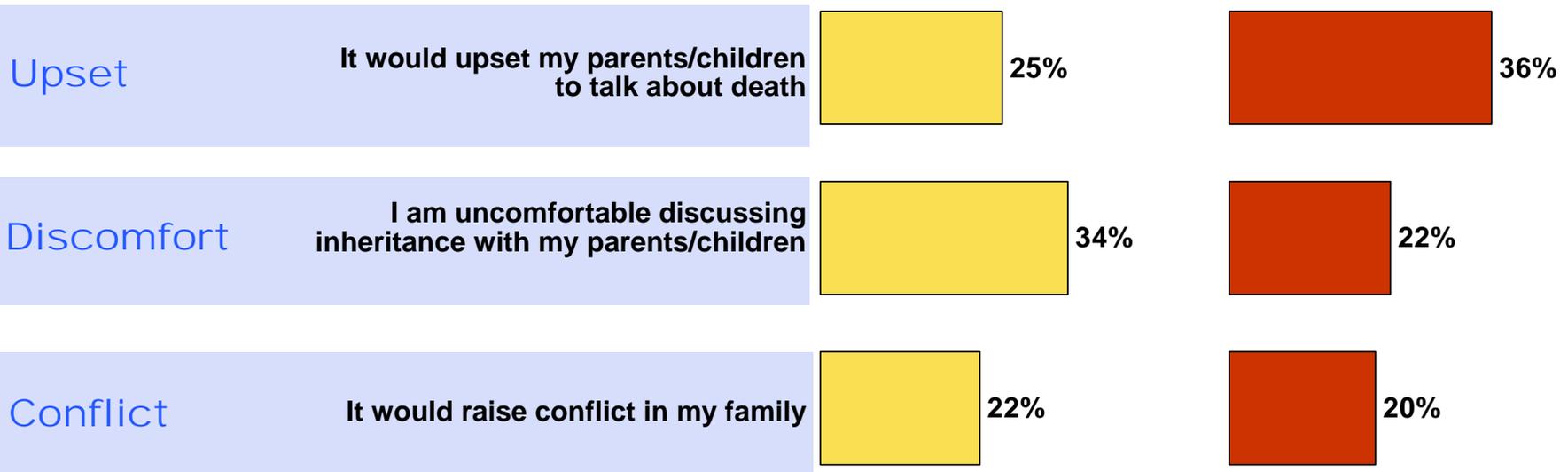
Personal discomfort with the topics of inheritance and death are the biggest barriers to discussion. Boomers are more uncomfortable discussing inheritance. Elders fear talk about death would upset children.

Survey Question ▶ For each statement, please indicate whether it has been or would likely be a barrier in discussing legacy and inheritance?

% Perceived barrier

■ Boomers

■ Elders



Key Finding #3: Performance-Based Inheritances

Fact: There is strong evidence that a performance-based meritocracy system is an increasing preference in many families

- Equal distribution is seen as the best way to avoid conflict.
- However, many Elders with children believe in an equal but not always equitable inheritance.

Key Finding #3: Performance-Based Inheritances

Elders are twice as likely as Boomers to view inheritance as a source of power over heirs.



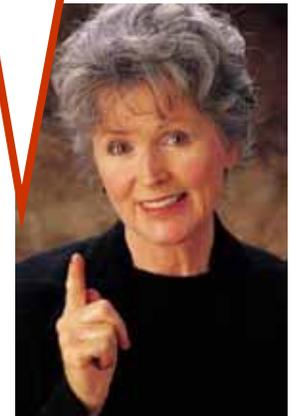
“My parents use their inheritance plans to exert control over heirs.”

15% of Boomers



34% of Elders

“Making decisions about inheritance is an important source of power and control.”



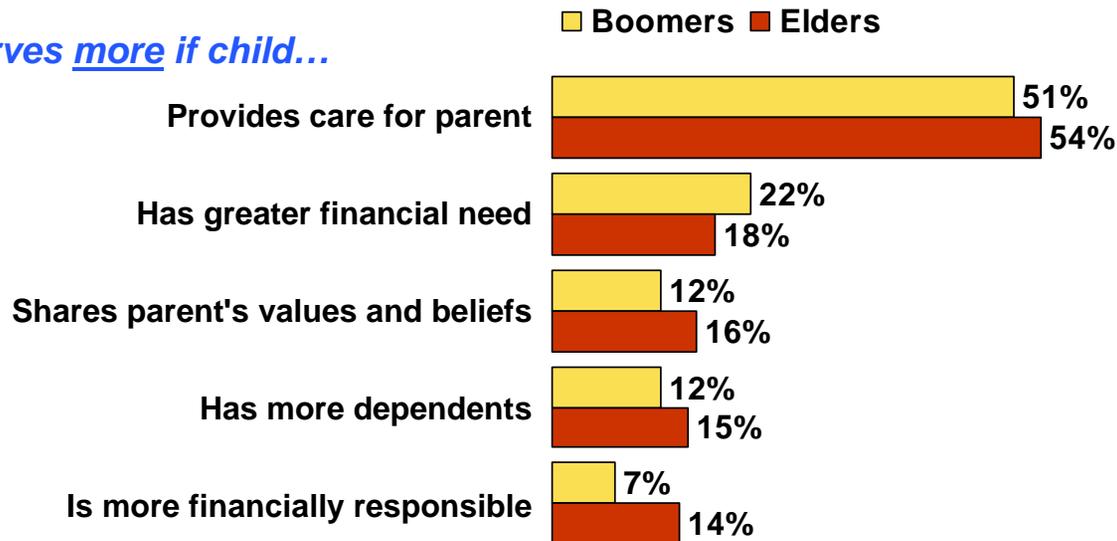
Base: Boomers, N=1,282; Elders, N=1,345

Key Finding #3: Performance-Based Inheritances

Most say a child deserves a larger inheritance if they provide care for a parent. Many think children deserve less if they cause conflict or disrespect the family.

Survey Question ► % agree

Deserves more if child...



Deserves less if child...

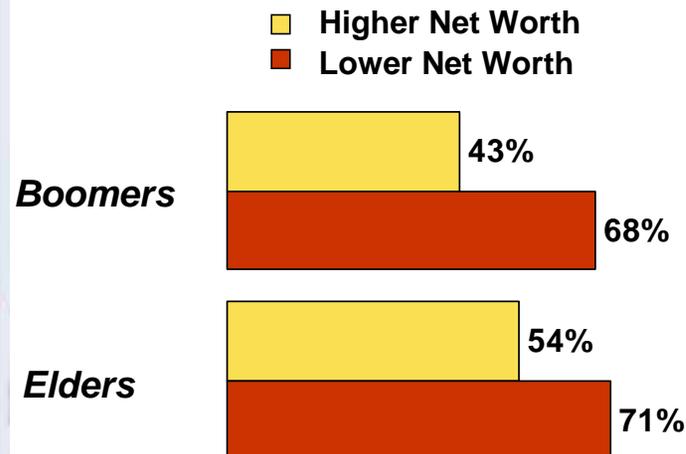
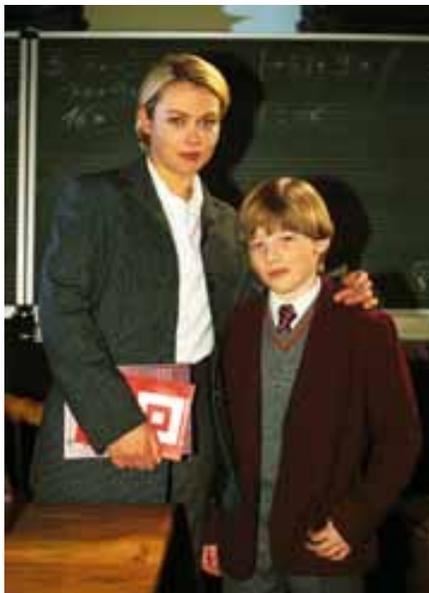


Key Finding #3: Performance-Based Inheritances

A performance-based inheritance plan is gaining favor in many families, especially among the higher net worth, who are less likely to agree that all children deserve an equal share.

Survey Question ▶

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



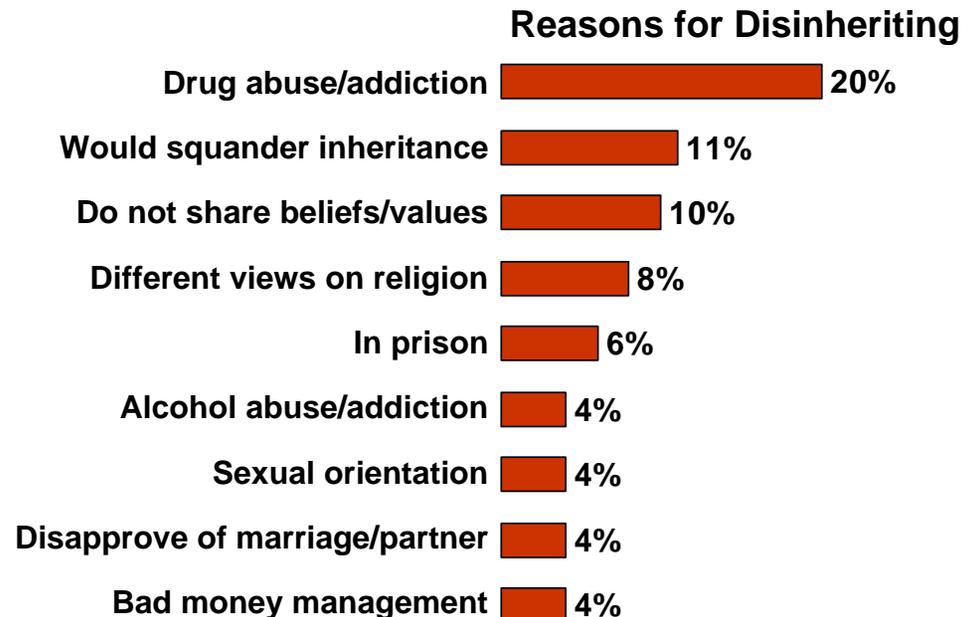
Key Finding #3: Performance-Based Inheritances

A small proportion of Elders would disinherit a child, but those with higher net worth are more than twice as likely to disinherit a child than those with lower net worth.

Survey Question ▶

**Have you ever, or do you plan on disinheriting a child?
For what reasons would you disinherit a child?**

3%
of Lower Net Worth
and
8%
of Higher Net Worth
Elders
would disinherit
a child



Base: Elders who would disinherit a child, N=51

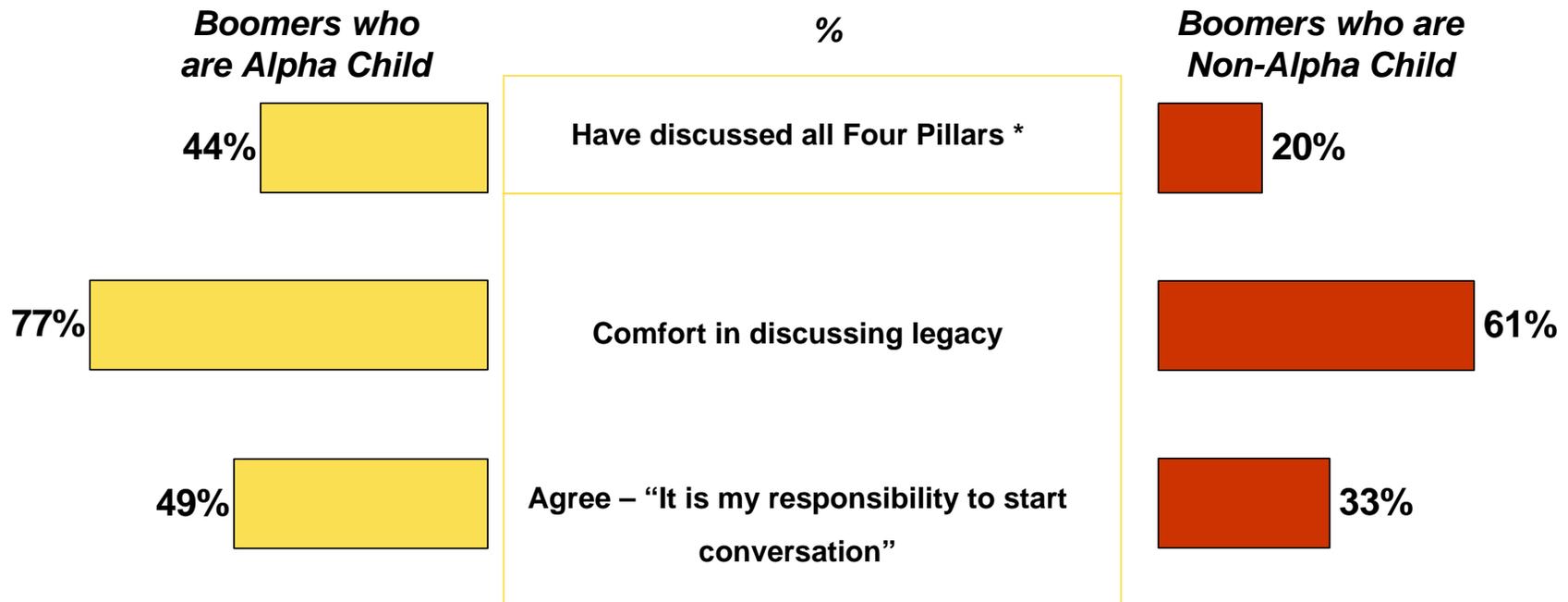
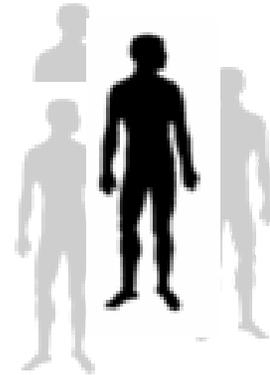
Key Finding #4: Are You The Alpha Child?

Fact: The Alpha Child will play a prominent role in upcoming Legacy transfers and family dynamics.

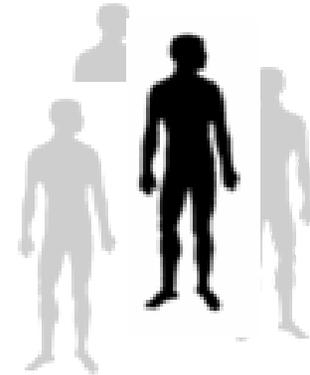
- The Alpha Child very often takes the lead in family discussions and decisions about legacy and inheritance.
- Significant numbers of both Elders and Boomers identified with the concept of an Alpha child in their family – defined as “the child parents turn to first.”
- The Alpha Child is most likely to be trusted, consulted, communicated with and involved with the process of Legacy planning.

Key Finding #4: Are You The Alpha Child?

Two in five Elders who have multiple children say they have an Alpha Child. The Alpha Child is a leading resource for discussing Legacy issues with their parents.



Boomers over-estimate by a factor of four that *they* are the Alpha child.



Out of 100 Boomers...

42 percent of Elders say there is an Alpha child in their family.

... 42 Boomers are in a family where the parents consider one of their children to be an Alpha child.

On average, today's Elder generation has 3.9 children. Only one of these will be the Alpha child.

...11 of these Boomers – one in about four - will be considered the Alpha child by their parents.

When asked, 38 percent of Boomers say they are the Alpha child.

... But 38 Boomers - almost four times as many - think *they* are the Alpha child.

Base: Boomers with siblings, N=1,208; Elders with 2+ children, N=1,128

Key Finding #5: The Ideal Legacy Advisor

Fact: Honesty and effective communication skills are far more important than fiscal knowledge

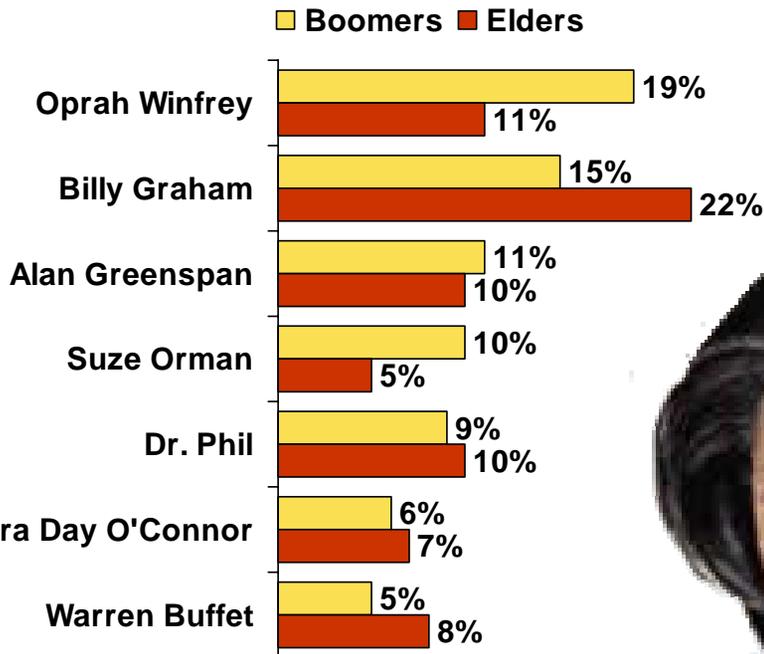
- The top qualities both generations look for in a legacy adviser are honesty, trustworthiness, compassion, a good listener and a strong and clear communicator.

Key Finding #5: The Ideal Legacy Advisor

Compassion and morality edge out fiscal knowledge when personifying advisor characteristics.

Survey Question

If you were to use a professional advisor to help plan an inheritance and Legacy, which of the following famous people would you like the advisor to be most like?



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



Top Pick by Boomers

Top Pick by Elders

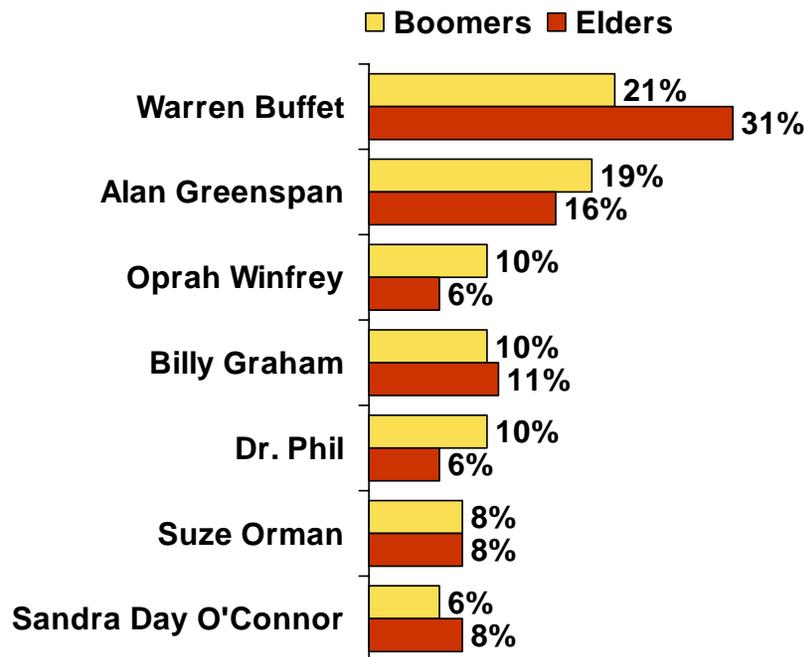


Key Finding #5: The Ideal Legacy Advisor

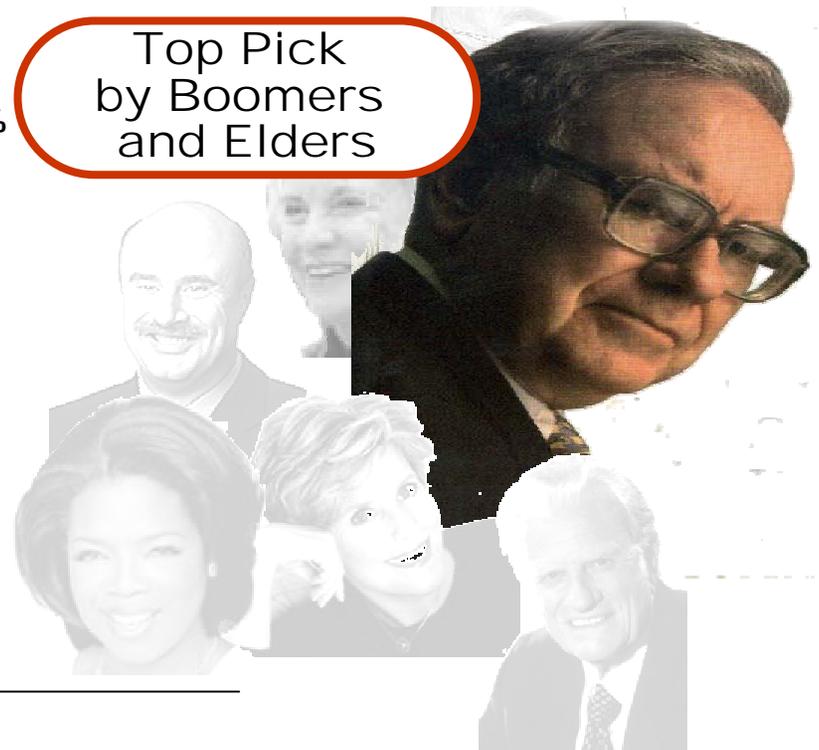
High net worth individuals – Boomers and Elders – favor Warren Buffet.

Survey Question

If you were to use a professional advisor to help plan an inheritance and Legacy, which of the following famous people would you like the advisor to be most like? (high net worth respondents)



Top Pick
by Boomers
and Elders



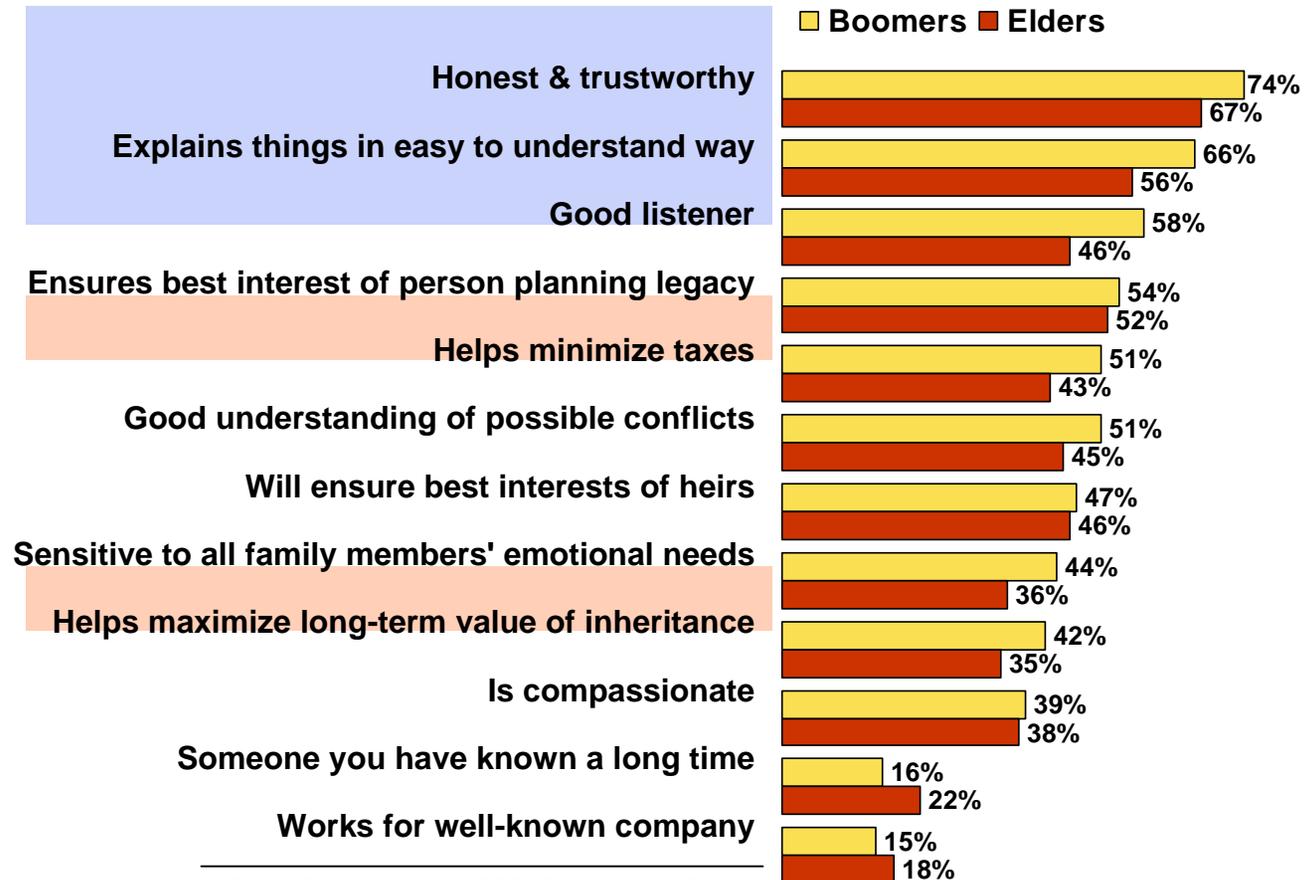
Base: Boomers, N=574; Elders, N=554

Key Finding #5: The Ideal Legacy Advisor

When selecting a Legacy Advisor, 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 advisor?



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

Summary of Key Findings

- Americans want to leave a Legacy
- A true Legacy conversation includes The *Four Pillars* of Legacy
- “Values and Life Lessons” is overwhelmingly considered the most important of the *Four Pillars*.
- Elders assume their financial assets are most important - Boomers feel last wishes and personal possessions of emotional value are most important.
- Understanding family dynamics—such as who is the “Alpha Child”—can help in the creation of a successful Legacy plan.
- The Ideal Legacy Advisor has effective communication skills and an ability to emotionally connect with his or her clients.
- The advantages of discussing Legacy are many – people feel better prepared, more confident and more in control of their decisions.

The Allianz American Legacies Study

We Think Our Study Hit A Nerve



Los Angeles Times

AP Associated Press



The Washington Post



CHICAGO SUN-TIMES
suntimes.com



THE GLOBE AND MAIL

theMatureMarket.com > Seniors & Baby boomers Markets World Wide by



The Allianz American Legacies Study

What Allianz Life is doing with the information

- Equipping our customers - over 240,000 independent agents, registered representatives and financial planners nationwide - with ways to help their clients begin the Legacy discussion
 - Monthly Webinars/conference calls
 - Advisor e-learning tools
 - Advisor Seminars
 - Workshops that advisors can offer their clients
 - Co-authoring a book with Ken Dychtwald for advisors, on: *'Leaving a Legacy: The Essential Guidebook for Financial Professionals'*

The Allianz American Legacies Study

What you can do to start the Legacy discussion

- Create a video of your parents in which they talk about their life experiences and Legacy.
- Write a journal about the Family Legacy describing what you think is most important to carry on from generation to generation.
- Create a scrapbook or photo album to bring to life all the memories they want to be carried on by future generations.
- Organize annual Family Legacy conversations on the day after Thanksgiving, or another occasion when all family members are together.
- Find a financial advisor who can help you bridge these important Legacy Gaps.