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Canada's aging millionaires

Michael Nairne, Serious Money

Canada's millionaires are turning from baby boomers to greying boomers. Based on research by Investor Economics, over 40% of Canada's millionaires -- those in households with financial assets in excess of $1,000,000 -- are aged 65 years and older. Comprising nearly a quarter of a million households, this has been the fastest growing segment of the high net worth market, having climbed over 20% in the past five years.

This wealthy demographic is expected to nearly double over the coming decade as boomers -- those born between 1947 and 1966 -- swell the ranks of the over 65 crowd. A massive wealth transfer is also underway as the boomers' parents pass on. Investor Economics estimates that over the next 10 years, inter-generational wealth transfers will total nearly $600-billion.

The aging of Canada's millionaires has many ramifications. Wealth accumulation is taking a back seat to wealth preservation as older, affluent investors wake up to the fact that they don't have decades to make up for losses. In fact, among the questions that we hear most frequently at our firm are: "Do we have the right investment strategy to fund our retirement? Are we being too aggressive now?"

Concerns about financial security are almost universal among the aging affluent. One survey of U.S. high net worth investors by PNC Advisors found that when asked how much they needed to be feel financially secure in the future, respondents expressed a desire to approximately double their current level of assets. Even pentamillionaires and decamillionaires worry about having enough -- those with $5-million or more felt they needed a median of $10.4-million to feel secure while those with $10-million or more needed $18.4-million.

Many high net worth Canadians are also re-evaluating how they handle their financial affairs. When they were busy building their professional or executive careers or businesses, they frequently dealt with a number of different brokers and money managers. The goal often was to seek high-octane returns; risk was frequently ignored.

Stunned by the ferocity of the market meltdown in 2008/09 and now facing the looming prospect of living for decades without the comfort of a regular paycheque, many affluent Canadians are dissatisfied with this fragmented approach. They want a consolidated picture o f all of their investments, a coordinated approach to managing portfolio risk and a long-term plan for funding their retirement.

Increasingly, multi-disciplinary wealth management that assists families in managing their financial affairs in an integrated fashion is becoming a preferred option. The banks have begun offering wealth planning to high net-worth Canadians while offices that specialize in managing and administering wealth for families of exceptional affluence are a growing alternative. Many investment advisors have upgraded their skills with financial planning credentials to offer a more comprehensive service to their clients.

Another need of aging millionaires is estate planning. A recent survey of Canadian millionaires by HNW, Inc. found that more than one-half want to preserve wealth for future generations. And this jumps to two-thirds for pentamillionaires. Yet, 39% of respondents did not have an estate plan in place.

Philanthropic planning, particularly for the ultra-affluent, also becomes more important as the years advance. In my experience, most high net-worth people recognize that good fortune played a role in their success and want to share the fruits of their labours in a meaningful way. Integrated planning helps them coordinate this with their retirement funding and other estate planning goals.

Canada's millionaires are getting older, but they are also wiser and they are demanding better advice from the investment industry.

-Michael Nairne, CFP, RFP, CFA, is the president of Tacita Capital Inc., a private family office and investment counselling firm in Toronto.