How Behavioral Finance Can Help You Become the Trusted Advisor for the Next Generation

Key Takeaways

An estimated $124 trillion is transferring from Baby Boomers to younger generations and women, and 70% of heirs change advisors after receiving an inheritance.

Behavioral finance principles like loss aversion, ambiguity aversion, and mental accounting explain why traditional pitches fall flat and how to reframe them.

The advisors who win this shift lead with relationships, not product, and communicate in terms of client values rather than product features.

The largest wealth transfer in history is already underway --and most advisors aren't prepared to serve who's receiving it. An estimated $124 trillion will move from Baby Boomers and older generations to women and younger generations over the next two decades.[1]

The clients inheriting this wealth don't respond to traditional product pitches. They make decisions differently, value different things, and choose advisors based on trust rather than illustrations. This article explores how behavioral finance principles can help you connect with the incoming generations of investors, and become the advisor they want to keep.

What the Great Wealth Transfer Means for Financial Advisors

The Great Wealth Transfer describes the historic movement of assets from Baby Boomers and the Silent Generation to Gen X, Millennials, Gen Z, and charitable organizations. Estimates from Cerulli Associates project that $124 trillion changing hands through 2048. Of that, roughly $100 trillion is expected to go directly to heirs, with another $18 trillion or more flowing to philanthropy.[1]

This transfer isn't happening all at once. It's unfolding gradually as older Americans live longer and continue spending on their own retirement. For advisors, the real question isn't whether this shift will occur. It's whether you'll be the advisor inheritors choose to keep.

Here's the challenge: studies consistently show that a little over 70% or more of heirs change advisors after receiving an inheritance.[2] The relationship belonged to their parents, not to them.

Winning the next generation takes a different approach to building trust. And that's where behavioral finance comes in.

Why Traditional Annuity Conversations Miss the Mark

The classic annuity pitch emphasizes accumulation rates, tax deferral, and product features. That approach worked reasonably well with clients who grew up in an era of pension plans and institutional trust.

Younger clients often respond differently. They're not necessarily opposed to guaranteed income, but they're skeptical of how it's being presented.

Behavioral finance research reveals several patterns worth noting:

- **Loss aversion:** People feel losses roughly twice as intensely as equivalent gains. For next-gen clients, "locking up" money feels like losing flexibility, even when the math favors guaranteed income.
- **Ambiguity aversion:** Uncertainty about how something works creates resistance. Complex features and unfamiliar terminology trigger this response almost automatically.
- **Mental accounting:** People naturally separate money into different "buckets" based on purpose. A product that doesn't fit neatly into their mental framework often gets rejected.

The product itself isn't the problem. The framing is.

How Women Experience Financial Decisions Differently Than Previous Generations

Women control or influence the vast majority of household financial decisions.[3] They're also set to inherit a disproportionate share of transferred wealth due to longer life expectancies. Yet many women report feeling talked at rather than listened to in financial conversations.

When an advisor leads with "this product offers a 5% roll-up rate," a client worried about outliving her money hears jargon, not reassurance. What works better is leading with the outcome: "This creates income you can never outlive, no matter what happens in the markets or how long you live."

Same product. Different frame. Different response.

What Younger Generation Clients Actually Want

Millennials and Gen X inheritors bring their own behavioral patterns to financial decisions. They watched their parents navigate the 2008 financial crisis. They've seen institutions fail. They're skeptical of anything that sounds too good to be true. They also use digital and mobile tools to manage money, and expect the same intuitive, on-demand experience from financial services that they get from every other app in their lives.

For younger clients, loss aversion often shows up as fear of illiquidity rather than fear of market loss. They want to know they can access their money if circumstances change. A surrender period—the time during which withdrawals may incur penalties—feels like a trap, even when penalty-free withdrawal provisions exist. Many younger investors also research options online and often evaluate companies independently before accepting a recommendation.

Gen X, Millennials, and even Gen Z value transparency and simplicity over jargon. Products with multiple riders, complex crediting methods, and pages of fine print trigger ambiguity aversion. They'd rather understand something completely than accept something that might be better but feels opaque, especially when social media and internet research shape how many millennials discuss financial services and form brand impressions.

The opportunity here is significant. Next-gen clients aren't opposed to structure—they appreciate guardrails that prevent emotional decisions. They just want to understand what they're agreeing to and why it makes sense for their situation. Many also want investment portfolios aligned with their values, including ESG-focused options.

Reframing Annuities Through Client Values

The same product feature can land completely differently depending on how it's presented. Here's how traditional frames compare to approaches that may resonate with next-gen clients:

Traditional Framing	Reframing for Younger Generations
"Guaranteed income stream"	"A "paycheck" that doesn't depend on market timing"
"Tax-deferred growth"	"Automated wealth-building without constant decisions"
"Penalty-free withdrawal provision"	"Access when life changes, without starting over"
"Death benefit rider"	"Legacy without the complexity of probate"
"Surrender period"	"A commitment that keeps short-term anxiety from derailing long-term goals"

Notice what's happening in each reframe. The product features remain identical. What changes is the connection to what the client cares about.

Building Trust Through Process, Not Product

Clients of any demographic or generation tend to choose advisors based on how they feel during the conversation, not the illustration on the page. Behavioral finance offers practical guidance for structuring client conversations.

1. **Ask about goals and concerns before presenting solutions.** This sounds obvious, but many advisors jump to product recommendations too quickly. Taking time to understand what keeps a client up at night builds trust and provides the information you'll use to frame solutions effectively.

2. **Use mental accounting to your advantage.** Bucket approaches—dividing assets into "now," "soon," and "later" categories—align with how people naturally think about money. An annuity positioned as "the bucket that guarantees your essential expenses are covered" makes intuitive sense. "A fixed indexed annuity with a GLWB rider" does not.
3. **Acknowledge uncertainty rather than dismissing it.** When a client expresses concern about locking up money, the instinct is often to counter with product features that address the concern. A more effective approach is to validate the concern first: "That's a reasonable thing to think about. Let me show you how this actually works in practice."

Frequently Asked Questions

How do I start a conversation about annuities with a skeptical next-gen client?

Begin by asking about their financial goals and concerns rather than introducing products. Understanding their priorities—whether flexibility, simplicity, or long-term security—provides the foundation for framing any recommendation in terms that matter to them.

What if a client's spouse or partner has different financial priorities?

This is common, and it's actually an opportunity. Exploring both perspectives openly often reveals shared underlying goals (like security or legacy) even when surface-level preferences differ. Bucket approaches can help by allocating different assets to different purposes.

How do I explain surrender periods without triggering loss aversion?

Frame the commitment in terms of what it accomplishes rather than what it restricts. A surrender period protects the client from making emotional decisions during market volatility. It's a feature designed to support long-term goals, not a limitation imposed on them.

Practical Approaches for Different Client Conversations

For next-gen clients, visual tools and clear explanations of flexibility features matter. Penalty-free withdrawal provisions directly address liquidity concerns—but only if the client knows they exist and understands how they work.

Positioning annuities as the "boring but brilliant" allocation alongside a growth portfolio often works well with younger clients. They're not looking for excitement from every dollar. These generations are looking for stability, diversification across alternative investments, and clarity on how the pieces of their investment portfolio work together. Stable income products can help diversify a broader mix of asset classes and industries rather than replace growth-oriented holdings. And starting with even small amounts matters because compounding can make them meaningful over time. They're looking for a foundation that lets them take appropriate risks elsewhere.

For any new client, replacing jargon with stories tends to work well. Inviting clients into the planning process—rather than presenting a finished recommendation—builds the kind of trust that survives generational transitions.

The Demographic Opportunity with Younger Generations Ahead

The advisor who learns to communicate through a behavioral lens is positioned to capture the wealth transfer already underway. This isn't about abandoning product knowledge. Traditional finance assumes that investors are completely rational actors who always maximize their wealth based on all available information. Behavioral finance instead centers on bounded rationality and cognitive and emotional biases. Investors face cognitive limits when processing information, which is why sequence and framing are important. Understanding crediting methods, rider options, and contract terms remains essential.

What changes is the sequence: relationship first, then education, then product recommendation.

The advisors who thrive during the Great Wealth Transfer will be the ones adult children keep after inheriting, the ones women refer to their friends, and the ones who build practices on trust rather than transactions.

At Delaware Life, we design products with this reality in mind—streamlined, transparent, and built to support the conversations that win clients.

Article Sources:

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- [3] CFP Board: Building Wealth: Insights On Women's Aspirations & Growing Financial Power

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