

The Modern Family 80/20 Rule

Should you look for clients in the 20% of traditional families or the remaining 80%?



Wealth is concentrated in the 20% of traditional families, but it's spreading to the 80%.

The traditional American family—households made up of parents with children from those parents only—now represents only 20% of today's population, and with each successive generation the percentage gets smaller. While some of us may like to look out at the world and imagine that cities like Mayberry and families like the Cleavers from "Leave It To Beaver" still exist, the reality is very different.

With wealth tending to be held disproportionately within the 20% of traditional families, I asked the CEO of a national financial services company what he would tell young advisors about prospecting since that 20% is

already heavily targeted. Would he encourage them to pile on the bandwagon and continue to target families like the Cleavers or learn how to prospect families like that of Jay Pritchett from "Modern Family"? His reply: "Both."

While most wealth may be concentrated in the 20%, it is increasingly spreading to the other 80%. Most people who sell a professional service are more comfortable selling it to people who are similar in their outlook, their attitudes and their family composition, but this limits opportunity. Below are some statistics reflecting today's society and how advisors should interpret it:

In 2014, over 37% of women have a bachelor's degree compared to under 31% of men.

The advisors I work with in my seminars and presentations are predominantly men. Most are baby boomers in their 50s. The Mayberry world was soon to end when they were born in the late '50s and early '60s, but it filled many of their formative memories. In that world, the father was the breadwinner and the family decision maker. That day is gone. Today, the woman is likely better educated and will have a greater say in all aspects of financial decisions. While she may defer to the man in a meeting, she'll let her opinions be known when they're alone and her opinions may outweigh his. In many cases, her education and earning power have made her the boss. Treat her gingerly. Treat her wisely. Treat her well.

In 2013, over 40% of births were to unmarried women.

Your assumption may be that these unmarried mothers won't be affluent enough to be worth your while, but look again. In many cases, women are choosing to be single mothers rather than marry men who won't pull their weight around the

home, with the kids or as breadwinners. Women tend to view the purpose of accumulating wealth as building a safety net for themselves and their loved ones, and that's where you come in. You can help them build that net through emergency savings, insurance and retirement planning.

Women tend to save more than men, and since they generally enter the workplace later, they are often behind in their retirement planning to the tune of over \$67,000 on average. They need you.

In 2013, nearly a quarter of all married couples included one partner who had been married at least once before.

A recent client said it this way: "Beware the heirs." His point was not that the heirs had ill intent, but that there may be more lurking in the background than an advisor realizes. In exploratory conversations with clients, advisors tend to focus on the person in front of them and his or her current financial state, instead of delving deeper by asking if there are other children from previous marriages or estranged family members who may show up with a claim to whatever affluence has been built. With so many second and third marriages, there may be more people than even the client realizes who need to be considered "in the picture."

To conclude, here's a fun fact: What year had the most teenage births since the data has been kept? You're probably thinking like I did: the years of sex, drugs, and rock and roll, somewhere in the 1960s. Wrong. It was 1957, when there were 96.3 births per 1,000 women ages 15-19. (In 2013, the last year the data was gathered, there were 26.6 per 1,000 for women the same age.) Incidentally, most of these teenage mothers in 1957 were married.