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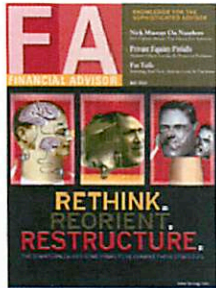


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FA NEWS

May 28, 2010

FINANCIAL ADVISORS SPENDING MORE TIME ON CLIENTS' KIDS

(Dow Jones) Advisors are dedicating more time to the spending and savings habits of clients' children, for parents more worried about the future—both their own and that of their offspring.

Advisors traditionally have counseled the children of the wealthy about issues such as investing and managing an inheritance. Since the latest recession hit, many parents want help in providing more basic advice about jobs, credit and managing money.

"The parents are more concerned themselves," says Rand Spero, a financial advisor in Lexington, Mass. "They have their own concerns about retirement and want their adult children to be knowledgeable."

In the past, Richard Rosso, a financial advisor with Charles Schwab Corp. in Houston, would suggest to clients that it was time for him to have a conversation with their teenage and young adult children. Since the recession, parents have been calling him first.

"There is a change in attitude about spending," says Rosso. "There's more focus on saving because of what happened in the economy."

Rosso likes to start the conversation with clients' children by simply asking, "What do you do with your money?" Sometimes, they spend very little. Other times they spend half their income clubbing, eating out or on pets even if they've opted out of health insurance, disability insurance and the company 401(k) match.

"I have to explain the repercussions of the decisions," says Rosso, who also focuses on basics like building an emergency cash fund, finding a mortgage and creating credit.

It's not unusual even for the children of wealthy families to have damaged their credit scores by paying bills late, he says, recalling the case of one client's daughter who was rejected for a job because of her low score.

He encourages the parents to talk about money with children about financial issues and tell them about mistakes they made as well as about successful practices.

"I know eventually some will inherit, and I want the kids to be good stewards of the inheritance," he says. "I want to encourage them to start on the right step."

Brian Kazanchy, a financial advisor in Morristown, N.J., has gotten more requests in the last year from parents asking him to speak with their children. They want their children to know everything from debt management and portfolio diversification to "what would make them appear attractive in terms of skill sets and education."

Kazanchy says a key time to talk with the younger generation is when they are starting to work, because they're typically unfamiliar with health insurance, 401(k) plans and other work benefits.

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