The vulnerable young adult

When legal control arrives before financial maturity.

In our series on advising vulnerable clients, this article turns to the young adult who has reached maturity and can act independently, but who may not yet have the financial literacy or experience to manage accumulated wealth responsibly. It is important to remember that financial maturity does not arrive automatically on a birthday.

Informed financial agency

At 18, the law draws a clear line. A guardian's formal role changes, and a tax-free savings account, unit trust portfolio, inheritance or policy benefit may move from protected accumulation to immediate personal control. Yet the young adult may understand ownership without understanding compounding, tax, risk, inflation or the long-term cost of an early withdrawal.

The advisor who simply processes the instruction may have followed the law but may not have discharged their professional duty. Under the FAIS General Code of Conduct and the Treating Customers Fairly (TCF) principles, advice must be appropriate to the client's circumstances and level of understanding. A parent-funded investment illustrates the point: money intended for education may be seen by the young adult as available for lifestyle spending. The danger lies in the absence of a transition plan and a conversation about purpose.

Practical guidance

Planning should begin before 18. An outright investment in a minor's name transfers to their unfettered control at majority. If that outcome is unsuitable, a trust or phased-access arrangement should be established while there is still time.

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Once the young adult is the client, the advisor must engage with them directly, not through parents, and treat them with dignity as the legal decision-maker, while adapting the process to their level of understanding. The key question is not only what they want to do, but what the money is still needed for. That shifts the conversation from entitlement to purpose.

A useful framework is to divide capital into three parts: immediate needs, medium-term goals and long-term wealth. A defined portion is for short-term use, a separate allocation for education or a deposit, and the balance is preserved for growth. This respects autonomy while protecting value.

Advisors should watch for red flags: repeated withdrawal requests, pressure from peers or partners, a sudden interest in speculative products or reluctance to engage in basic planning. If the client proceeds against guidance, the advice and the client's acknowledgement should be recorded. Visual tools help: showing the cost of a withdrawal over 20 years makes the consequences real before they become irreversible.

Example: A young woman's tax-free savings account was built up through annual parental contributions. After marriage, the advisor should help her preserve its long-term purpose and ensure that any withdrawal decision is made freely, not under ordinary household or relationship pressure.

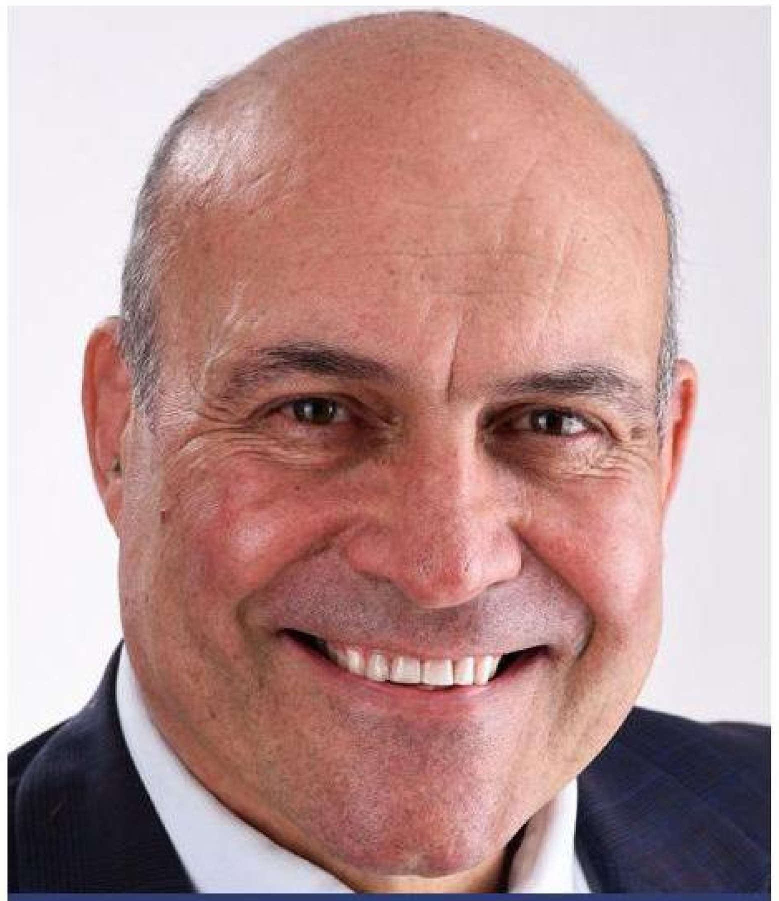
The professional obligation

When a young adult gives an instruction that the advisor believes may be harmful, it might still be lawful and administratively capable of implementation. That does not end the advisor's responsibility. TCF Outcome 3 requires clear information and appropriate ongoing communication, while TCF Outcome 4 requires suitable advice that takes account of the client's circumstances. Section 8(1) of the FAIS General Code of Conduct requires the advisor, before giving advice, to obtain and analyse relevant information about the client's needs and objectives, financial situation, risk profile and, for investment business, product knowledge and experience.

For a young adult who has never managed significant capital, these duties require more than recording an instruction; they require the advisor to test understanding and explain consequences in language the client can grasp.

Young adults should not be treated as incapable, but as emerging financial decision-makers. The advisor's role is to help them move from ownership to stewardship: understanding the purpose of the capital, the trade-offs of accessing it and the value of disciplined long-term planning.

The first years of adulthood are therefore more than an administrative transition: they are the moment to turn inherited or parent-funded capital into lasting financial capability. Done well, advice at this stage builds informed stewardship; done poorly, years of careful saving may disappear before the young adult understands what was lost. ■



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