The Millennial Mindset: Attracting the Next Generation

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Millennials: Who are they?

- Born early 1980s to early 2000s
- 1/3rd of the U.S. population (projected to overtake Boomers this year)
- Most educated generation in history (61% attending college)
- 42% are non-white

Source: Nielsen and The White House Council of Economic Advisors, 2014
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Millennials: Who are they?

- 15% were born in a foreign country (largest since 1920)
- 36% are homeowners (lowest level for <35 age since started recording)
- 30% live at home (compared to 22% in 1980)
- Much less likely to marry as compared to prior cohorts

Source: Census Bureau and The White House Council of Economic Advisors, 2014
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Impact of political and economic events

Source: S&P 500 - https://finance.yahoo.com/q/hp?s=%5EGSPC+Historical+Prices
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Employment instability
U.S. 10-year unemployment rate

- 20 to 24 years: 1,501,000
- 25 to 35 years: 1,905,000

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Impact of technology
Anything is possible

Perception is important
So what has this created?

Understanding millennials

• Question - How many phone numbers can you remember?

• They are excellent at researching data because that is the world they grew up in.
Understanding millennials

Values and purpose

- **Family-oriented**
  - Choose to live close to home — or at home
  - 30% live at home (compared to 22% in 1980)

- **Value work-life balance**
  - Much less likely to marry as compared to prior cohorts

- **More inclined to purchase experiences over assets**
  - 36% are homeowners (lowest level for <35 age since started recording)

Source: Census Bureau and The White House Council of Economic Advisors, 2014

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Whom do they trust for advice?

Source: UBS Investor Watch, Think You Know the Next Generation Of Investors? Think Again., 2014
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Millennial investment breakdown

Source: UBS Wealth Management, 2014

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Risk aversion

- Preference for financial guarantees
- Fear around Social Security stability
- Likely to support aging parent
- Led to earlier savings

<table>
<thead>
<tr>
<th>Average Age Began Saving</th>
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<tbody>
<tr>
<td>Millennials 22</td>
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<tr>
<td>Gen X 27</td>
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<tr>
<td>Baby Boomers 35</td>
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</tbody>
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Source: U.S. Chamber of Commerce Foundation, 2012 and Transamerica Center for Retirement Studies, 2014

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Why do you care?

Millennials currently represent a little over 1/3rd of the U.S. workforce.
By 2025 they will represent 44% of the workforce.

- 15% of those with net worth in excess of $2 million
- Estimated $30 to 40 million transferring to next generation
- 14.9 million millennials U.S. households have annual incomes exceeding $100,000
- Almost 1 in 3 entrepreneurs are between the ages of 20 and 35

Source: Department of Labor
Source: Ipsos Mendelsohn Affluent Survey, 2014
Source: Annual Survey of Affluence and Wealth in America, American Express Publishing and Harrison Group, 2012

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Current clients

Average client is 10yrs older than average Financial Advisor
- Average age of clients is rising by six to seven months a year, faster than the overall population of North America.
- Aging clients means less savings, more consumption, and reduced AUM

Almost 1/4th of clients are age 70 or older and hold approximately 25% of firm assets.

Source: The State of Retail Wealth Management, PriceMetrix, 2015
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What can you do?
Start with your current clients
- Attach your brand to something they are excited about.

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Importance of advice

• Multiple offerings--value proposition is evolving beyond product to include investment management and holistic planning

• Education and co-creation Environment

64%  Nearly two-thirds of Millionaire Millennials enjoy investing and would not want to give it up

55%  of Gen Xers, and just over half of Baby Boomers and members of the World War II generation respond similarly.

• Planning around technology

Source: The State of Retail Wealth Management, PriceMetrix, 2015

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Embrace Technology

Millennials are more likely than other generations to become critical circles of influence.

Easy access

• Website
  o Mobile friendly
• Social Media
• Interactive content

People say Social Security won’t last forever. How important is Social Security income to my future?

Myth Social Security was invented to provide all the income needed for retirement; this was never the intention. Social Security is a source of retire...
Innovative interaction

Millenials love innovative ideas that allow shared learning, social interaction, and on-demand information.

Communicate

Allow for informal communication channels
- Let your website answer questions
- Texting/FaceTime/WebEx

Be a teacher rather than a preacher
- Millennial clients don’t want to be talked down to or treated like children
- Statistics aren’t likely to create action
- Use emotive stories and visual narratives
Focus On The Now

Intertemporal choice – give now focused actions to solve future problems.
• Spend time assessing where they are rather than exclusively focusing on the future

Segmented planning is likely needed
• Cash flow management
• Investment management
• Employee benefits
• Goal development
• Budgeting

Service models

Offload transactional processes to the client
• Allow client to enter themselves into your CRM
• Co-creation of a plan
• Create brand interaction

Biggest competition is the robo-advisor
• Leverage to aggregate, provide passive management
• Changes should benefit all generations, not just Millennials
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Service model

Hire a Millennial

- Match a junior advisor with a senior to grow current business
- Together create a marketing plan for the next generation
  - Invest lower cost asset in long-term Millennial relationship

We understand diversification, but oftentimes don’t follow that model with our human capital.

Create internal succession and higher business valuation with stratified book of business

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Young advisor adds growth

There is value in adding nextgen Advisors to a team

![Graph showing Median Asset Growth and Median Revenue Growth vs Advisor Age]


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Young advisor adds synergy

- Firms that employed a nextgen advisor grew by almost double the rate of firms that did not between 2012 and 2014
- Having at least one nextgen advisor on your team causes higher income per owner


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Business model

Teams Based Approach Of Succession Plan

- Prospecting and leveraging external relationships
- Managing onboarding of clients and helping to follow through/close business
- Plan writing, managing business development initiatives, ongoing services

Source: Adapted from The New Challenge for the Next Generation of Financial Planners, ThinkAdvisor, 2014

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Undergraduate programs

Graduate programs
Graduate programs

Financial planning students have courses in:

- Fundamental of Financial Planning
- Investment Planning
- Tax Planning
- Retirement Planning
- Estate Planning
- Life Insurance Planning
- Plan Presentation and Design

- Sales and Marketing
- Entrepreneurship
- Philanthropy/Planned Giving
- Counseling

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References


