A call to advisors: Are you missing the boat with millennials?
Overview

The millennial generation is officially bigger and more diverse than the baby boomer generation.¹ In the next 25 years, $68 trillion in the United States is expected to change hands in one of the largest generational wealth transfers, and millennials are poised to receive a significant chunk.¹ Millennials are now 87 million strong and represent a largely untapped investment segment that can’t be ignored.²

Millennials are thinking about retirement (the oldest will be 39 in 2020), but lack the knowledge and financial guidance they need for success. The opportunity is there and it’s imperative financial advisors take notice.³

By expanding on your knowledge of millennials and their investment habits, the potential for growth in your firm could be tremendous. According to Broadridge’s Decoding the Millennial Mindset report, “Advisors and retirement experts have much to gain or lose based on their understanding of millennials, their mindset and their unique needs.”³ In addition, “with little retirement preparation happening outside of their employment setting, the opportunity to prospect millennials as first-time investors appears substantial.”³

Millennials are touted as the “job hopping” generation. In fact, “21% of millennials say they’ve changed jobs within the past year, which is more than three times the number of non-millennials,” according to Gallup. This in turn means that millennial 401k plans are often scattered and not fully vested. Helping millennials organize and properly manage these plans could prove valuable.⁴

At present, financial advisors are often not interacting with the millennial children of their existing clients nor seeking millennials as new clients. This may be due to a perceived lack of wealth in this generation, but the age range for millennials is now 24-39, the latter half often well established in their careers. A Bankrate study shows that millennials are prioritizing financial health and are actually saving larger portions of their income versus older generations.⁵

In this white paper, we will delve into the Top 5 things advisors need to know about millennials.
1. Student debt is an issue for millennials

*Millennials are the hardest hit by the student debt crisis.*

Many typical life milestones are out of reach or delayed because of the need to prioritize student debt. This, however, does not make millennials out of reach for financial advisors.

The opportunity is **two-fold**:

1. Clients who have children nearing college age need to be educated on college expenses and how it pertains to their financial health and their children’s. As the student debt crisis makes airwaves across the country this election season, there’s great opportunity in helping your clients and their children mitigate the problem... *before it starts.*

2. There’s an opportunity to help clients manage and repay their student loan debt. According to Student Loan Hero, there are a large group of millennials with student loans who are actually in “good financial shape.”¹⁵ That means they are saving for retirement and investing while managing their student loans along the way. There is great opportunity to help millennials in this situation balance goals with risk and return, managing their loans with their ultimate financial goals.
2. Millennials are interested in social and environmental causes when it comes to investing

According to Deloitte’s 2019 Investment Management Outlook, millennials have an increased interest in environmental, social and governance investment products (ESG). As reported in the US SIF Foundation’s biennial Report on US Sustainable, Responsible and Impact Investing Trends, sustainable investing assets reached $12 trillion in 2018, up 38% from 2016, and making up a quarter of total assets under professional management in the US.

As noted by an Aite report, Top 10 Trends in Financial Services (2019), “Millennials (and others) take sustainable investing seriously. Offering clients investment opportunities that not only make them money but also resonate with them personally due to their beliefs and interest through various forms of sustainable investing goes a long way toward creating a bond with customers and differentiating the investment offering. Wealth managers recognize this and are increasingly treating sustainable and impact investing as part of the mainstream, not as a sideshow.”

Financial institutions are meeting this need through ESG funds. Although they are now more prevalent, be warned that there is a lack of objective standards for classification.

The trend of sustainable investing is not likely to go away, so it might be time to learn more about these types of investments and how they can benefit your clients, young and old.
3. Millennials are slow to invest in the stock market and are open to alternative investments

While the baby boomer generation is very comfortable investing in the stock market, younger generations are more likely to consider options like private-equity investments or global markets.³

An analysis from NerdWallet “puts the potential cost of avoiding the stock market at over $3.3 million in lost retirement savings by the time today’s 25-year-old millennial retires at 65, assuming future economic and market conditions don’t veer sharply from historical averages.”¹¹ Witnessing the fallout from the 2007-2008 financial crisis, millennial viewpoints on stocks were directly affected, leaving them wary of the capital markets. According to Broadridge, 47 percent of baby boomers reported they are confident or very confident investing in the U.S. market whereas only 38 percent of millennials say the same.³ At this point, we don’t know how the pandemic that is reshaping global markets will affect millennials’ investing habits going forward. However, these generational differences are reversed for private equity and global markets.

In the graph above, millennials are more confident in purchasing shares in a private business or global market than other generations. This trend is likely to continue as more millennials become active in the investing world.

One of the main ways for financial advisors to mitigate risk of the stock market and show millennials they understand millennial needs, is through diversification. According to the Affiliated Managers Group, millennials are concerned about diversification. “48 percent of Millennials have some concern that their portfolio is not adequately diversified and would be open to advice. While this level has declined from the previous year’s survey result (66%), many Millennials still do not understand what it means to be adequately diversified; 70 percent believe that investing across a broad range of stocks achieves diversification. Over half of older investors (51%) also misunderstand adequate diversification, indicating that there is an opportunity for advisors to educate investors across all age cohorts.”¹²

Diversity is key when it comes to millennials and it may be time to touch up your knowledge on alternative investments.
4. Millennials like authenticity and transparency

*Millennials crave authenticity and transparency.*

This does mean time and effort for advisors, but the potential award is high. Coming of age during one financial crisis and now experiencing another one, millennials have a level of distrust in financial institutions and services. Popular media doesn’t help with movies such as “The Wolf of Wall Street” showcasing the greed of some financial advisors.

According to a report from Crossmark Global Investments, “Millennial men and women have witnessed the hardships of former generations through market crashes, world impact events, and recessions. They are educated and demand transparency from their advisors on fees, market information, and returns. Millennials also lean heavily towards brands that are authentic; they are less likely to trust traditional advertising and are skeptical of large corporations.”

What does this mean for the advisor?

*Authenticity.*

Millennials are more likely to trust advisors who are upfront about fees and offerings and have an open line of communication.

*Contrary to what might be expected, 73 percent of millennials say that in-person communication builds the greatest trust with a new financial advisor.*

However, once a relationship is established, millennials prefer email for ongoing communication about markets, taxes and financial education and overall, are more open to the robo-advisor model.
5. Millennials are early adopters of new technologies

*Millennials may be the most digitally savvy investor group, so it’s time to take notice. As the first generation to grow up with the internet, they’re used to relying on technology for their daily tasks.*

According to an Accenture’s Millennials & Money report, “It is not surprising, then, that investors in this age group are far more likely to feel that some of the most cutting-edge technology tools are basic requirements of a service offering, rather than “nice-to-have.” Their report shows:

- 67% of millennials want computer-generated recommendations (robo) as a basic component
- 66% of millennials want a self-directed investment portal with advisor services
- 65% of millennials want gamification that will help them learn more about investing, and keep them more engaged with their portfolio
- 63% of millennials want a mobile platform that connects directly to advisors
- 62% of millennials want a platform that incorporates social media and sentiment indices
- 67% of millennials want software that enables tracking of transactions, payments and other financial data in real-time to provide better recommendations

In order to appeal to the digital savvy, it’s time to be digital savvy.

That means using the right technology to meet all your clients’ needs.
Conclusion

**Millennials are ready to establish relationships with financial advisors.**

It is important that advisors take notice and reach out to clients with millennial children and seek to directly market to millennials themselves. According to Broadridge, “For many advisors over 40, millennials can seem at first like a demographic that is disengaged and years away from wealth accumulation. However, they are more ready than you might think for a serious discussion about their financial future”3.

As an advisor, there’s an opportunity to meet with this generation and explain your services in an authentic way, listening to their needs and providing diverse services that go beyond basic investments. These may include:

✓ Helping millennials address their student debt, mortgage needs and consolidation of their many accounts into a single log-in;

✓ Providing resources that allow them to evaluate if their investments are meeting their ethical and sustainability standards;

✓ Helping millennials understand alternative investments and showing them options beyond the standard mutual fund and stock portfolios and

✓ Allowing the millennial to have access to their accounts through a portal.

Even if you are not able to provide all the tech bells and whistles millennials expect, it’s important to understand their unique needs so you can overcome challenges and strategize a solution for their investment needs.

The common adage comes into play: “You can’t keep doing the same thing over and over again and expect different results,” and that’s exactly how the millennial generation should be approached. Treating them the same way you would a baby boomer is going to leave money on the table for your firm.

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