

A photograph of a person's arm and hand, heavily tattooed with colorful designs including flowers, leaves, and butterflies. The hand is clenched into a fist. A large, purple, outlined arrow graphic points from the upper right towards the fist. The background is plain white.

# MILLENNIALS & MONEY

**THE MILLENNIAL INVESTOR  
BECOMES A FORCE**

PART OF ACCENTURE'S  
NEW FACE OF WEALTH  
MANAGEMENT SERIES

# MILLENNIALS CHANGE INDUSTRIES.

Retailers now scramble to achieve fast fashion, moving clothes from runway to rack in a matter of days, not weeks or months. PC manufacturers watch their profits flow to smartphones and other mobile devices. And grocers fill shelves with prepared meals for a generation that thinks of cooking as a quaint pastime.

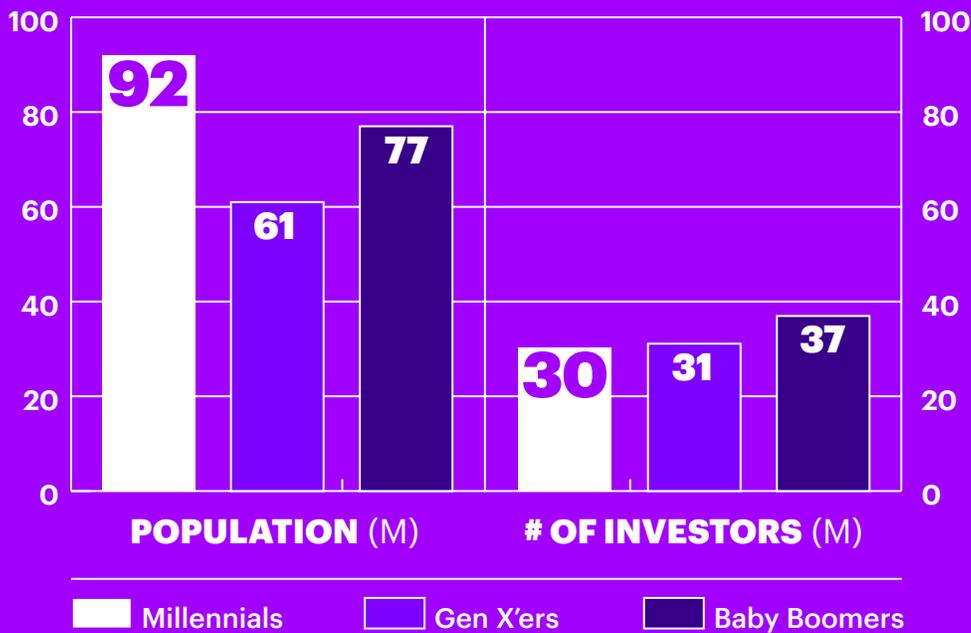
Fast, cheap and mobile are the new buzzwords. But Millennials will remind you not to forget quality and personalization.

Wealth managers are next up to feel the Millennial headwind. Born 1982 through 1995, this group is entering the investment scene in earnest. The good news is: This scenario brings opportunity for investment firms who can master the hybrid advice mix. Despite their love of all things digital, this tech-savvy group will still require the human touch and nuanced advice a human advisor can give—particularly in more complex investing situations. Combining that with the speed, low cost and mobility of robo-advice would allow firms to best serve Millennials moving forward.

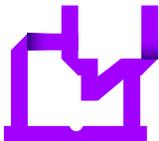
## THE MILLENNIAL INVESTOR BECOMES A FORCE

**FIGURE 1.**  
A Large  
Population  
Growing as  
Investors

Source: US Census



# WHAT MILLENNIALS WANT IN THE DIGITAL MIX:

**67%**<sup>1</sup> 

want computer-generated recommendations (robo) as a basic component

Gen X'ers and Baby Boomers: 30%

**66%** 

want a self-directed investment portal with advisor access

Gen X'ers and Baby Boomers: 25%

**65%** 

want gamification that will help them learn more about investing, and keep them more engaged with their portfolio

Gen X'ers and Baby Boomers: 39%

**63%** 

want a mobile platform that connects directly to advisors

Gen X'ers and Baby Boomers: 27%

**62%** 

want a platform that incorporates social media and sentiment indices to assist in financial recommendations

Gen X'ers and Baby Boomers: 30%

**67%** 

want software that enables tracking of transactions, payments and other financial data in real-time to provide better recommendations

Gen X'ers and Baby Boomers: 30%

Source: Accenture

# MILLENNIALS BRING DIGITAL TO THE PARTY...

## **Millennials are, by far, the most digitally savvy investor group overall, according to Accenture's Wealth in the Digital Age Investor survey.**

With their preference for technology-based interactions, they are bringing wealth management firms into a future rife with automation. This demographic sees traditional wealth management as a bureaucracy (which is not unlike how they see many large institutions and industries). While omni-channel service is touted as a boon, Millennials can view multiple channels as cumbersome—particularly when a company does not excel at communication between those channels. Three out of four customers expect to pick up where they left off when having to switch channels—not having to re-enter information or re-inform a human representative of their issue.<sup>2</sup> Millennials, more than any other age group, see anything other than a simple, straightforward customer experience as “friction.” They address this friction by taking charge of their own experience to drive their own outcomes.

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 a “nice-to-have.”

In addition to robust digital options, Millennials want control so they can create their own frictionless experience. According to Accenture's research, half of Millennials want the ability to customize the look and feel of their apps, versus just 16 percent of Baby Boomers. The desire to customize extends to investment research and education materials, which five out of 10 Millennials like to tailor per their goals, versus three out of 10 Gen X'ers.

Traditional wealth management firms should up their digital game not only because Millennials demand it, but also because non-traditional competitors offer more in the digital arena. Almost half of Millennials (45 percent) are open to using alternatives like Google's investment options, having grown up with tech brands at the center of their consumer lives.

# ...BUT HUMANS OFFER WHAT TECHNOLOGY CANNOT



## As Millennials age, life events become more complex.

Whether marriage, the birth of a business, inheritance or planning for children, the investing scenario becomes more nuanced. This is where a human advisor could really add value. Robo-advice, while efficient and cost-effective, cannot help clients sort through the maze of emotions when planning for a parent's long-term care or starting a business with savings.

There is an impetus to breaking down the thinking of "dismissing this segment at your own risk."

### TODAY...

Millennials are shifting the paradigm of the industry

### TOMORROW...

Millennials will want choice and will expect great service

Given only 20 percent of Millennials say they work with an advisor exclusively (and then generally only for four to five years), the chances of the traditional model alone working for them in the future is slim to none. Millennials also told us they do not believe advisors provide sufficient value for what they charge. And trust issues loom large. More than half (57 percent) of Millennials feel their advisor is only motivated to make money for themselves and their employer, and less than a third feel their advisor takes the time to get to know them.<sup>3</sup>

In a Millennial cohort where 51 percent agree or strongly agree with the statement, "I try to avoid situations where people tell me what to do," advisors have their work cut out for them. The Millennial bias toward large brands is distrust. They want a real relationship versus a brand relationship. Developing that real relationship is important for advisors being able to retain clients in this age group.

This generation should see the value in human advisors as their spending and saving situations become more complicated. But this value will be combined with the analytics and algorithms of robo-advice.





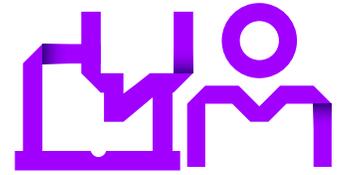
## Millennial women are taking a leading role

Seven out of 10 women are primarily responsible for the investments in their household.<sup>4</sup> And 40 percent of Millennial women agree that “investing is for people like me,” compared with just 28 percent of Baby Boomer women.<sup>5</sup> Millennial women are also more likely than their cohorts in other generations to consider investing more of their cash (54 percent versus 40 percent for all American women).<sup>5</sup>

Female Millennials’ retirement concerns should be a key focus for wealth advisors. When asked whether having robust health or enough money for a good retirement was of more concern, 70 percent of women versus 46 percent of men said having enough money concerned them more.<sup>6</sup> While Accenture’s study showed four out of 10 Millennials place a focus on retirement, women expect to be working longer. Thirty-one percent of Millennial women expect to still be working at age 70, compared with just 22 percent of Millennial men.<sup>6</sup> Millennial women feel they need more income over the years to ensure a comfortable retirement.

Given women overall are more interested in an advisor who can work with them based on life pictures versus product stables, wise wealth managers will change their approach to address the unique needs—and investing style—of Millennial women.<sup>7</sup>

# HYBRID WEALTH ADVICE FITS MILLENNIALS' GROWING NEEDS



## **Given their penchant for digital, but more complex needs as they age, hybrid is a great fit for the Millennial investor.**

Accenture's research uncovered that only 11 percent currently use a robo-advisor exclusively, leaving plenty of room for human advisors to show their value. Already, nearly two-thirds of Millennials use some form of hybrid model.

Currently, 64 percent of Millennials feel they understand their holdings and investments as well as a professional. Again, it is expected that they will realize the need for a wealth management pro as they age and take on additional financial commitments. When this scenario plays out, combining the ease and transparency of digital with the human support of an experienced wealth advisor should provide them with the best of both worlds.

Despite their confidence in their own knowledge of holdings and investments, 59 percent of Millennials desire education on cash flow and budgeting. Four out of 10 Millennials are currently more focused on short-term goals and want tangible advice to help them reach those targets. Conversely, four out of 10 are interested in planning for retirement, seeing that as a core long-term goal.

In the meantime, Millennials are more likely to invest in separate accounts (accounts that use pooled money to buy assets) and wrap accounts (investing with a money manager and paying a flat fee based on assets under management) by a two to one margin. These types of accounts are still the purview of professional advisors—and traditional firms should take the opportunity to deepen the existing relationship. They are better setting their clients up for the human advice required as their life pictures become more complex. Client experience matters more to Millennials than it does to Gen X'ers or Baby Boomers. Getting the right mix can be essential to retaining them.

# AS YOU OFFER MILLENNIALS HYBRID SERVICE, REMEMBER...

## **They want to learn.**

Despite feeling they have a good handle on their investments, 59 percent of Millennials show interest in becoming savvier with cash flow management and budgeting, as well as planning for specific events. Advisors who can offer one-on-one advice in these areas, supplemented by digital tutorials and/or in-person group events, would be well on their way to giving Millennials the right mix of knowledge tailored to their personal preferences for delivery of it.

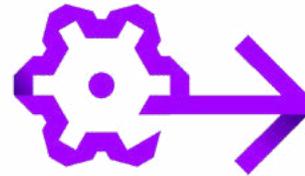
## **They are price conscious but will pay for quality and convenience.**

Millennials are far more likely to regularly discuss fees than other investors; 41 percent do so quarterly, versus just 14 percent of Baby Boomers. Four out of 10 are willing to pay for quality service and the assurance they can pay for important events in their lives. A flat fee seems fair to half of Millennial investors if it is based on the number of meetings. Millennials have little experience with a commission fee model like Baby Boomers do, so firms would be wise to offer alternative fee systems for the younger set—who are used to flat fees in other industries such as media (Netflix) and transportation (Uber).

## **They expect you to use technology where it fits.**

Millennials are more likely to invest in commodities and options. They are twice as likely as Baby Boomers to invest in Exchange-Traded Funds (ETFs), which are well-suited to a robo-advice solution. Self-investing is a given with Millennials. Providing them the technology that makes it simple, doing more with research and trade products, is a smart move.

# MILLENNIALS ARE LEADING OTHER GENERATIONS



## **Millennials, as digital natives, are leading other generations in forcing industries of all types to re-examine their client service models.**

With studies suggesting Baby Boomers are adopting new methods with money almost as rapidly as Millennials are,<sup>8</sup> the impact of these digital natives on your entire client base becomes clear. All demographic segments are changing their wealth management expectations due to Millennials providing them a different lens to view their own situations.

Yes, Millennials change industries. Even if your firm is not prioritizing Millennials today, or ready to quickly pivot to digital, be warned—the high adoption rate for other demographic segments (such as Baby Boomers) of anything designed for Millennials cannot be ignored. The industry expectations for all segments are being influenced by Millennials. The companies that listen early and often tend to be able to adjust their customer model to best serve this client segment. Those that don't—well, let's just say they make it easier for the Googles and Apples of the world to attract clients. The model has shifted already—is your firm leading in the new?

## **REFERENCES**

<sup>1</sup> Accenture Global Consumer Pulse Research, 2016.

<sup>2</sup> All data is from the Accenture Wealth in the Digital Age Investor Survey, 2017, unless otherwise noted.

<sup>3</sup> <https://www.accenture.com/us-en/insightgeneration-d-europe-investor-survey-wealthmanagement>

<sup>4</sup> <https://www.accenture.com/us-en/insight-reinventing-wealth-management-women>

<sup>5</sup> <https://seekingalpha.com/article/4080436-millennial-women-make-financial-future>

<sup>6</sup> <http://www.thinkadvisor.com/2016/11/15/how-millennial-women-men-view-retirement-different>

<sup>7</sup> <https://www.accenture.com/us-en/insight-reinventing-wealth-management-women>

<sup>8</sup> <https://www.pymnts.com/consumer-insights/boomers-vs-millennials/2016/millennials-baby-boomers-and-cashless-society/>



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