INSIGHTS.
IDEAS.
EXPERTS.

Broadridge®

Targeting the Digital Generation

To reach Millennials, rethink (almost) everything.

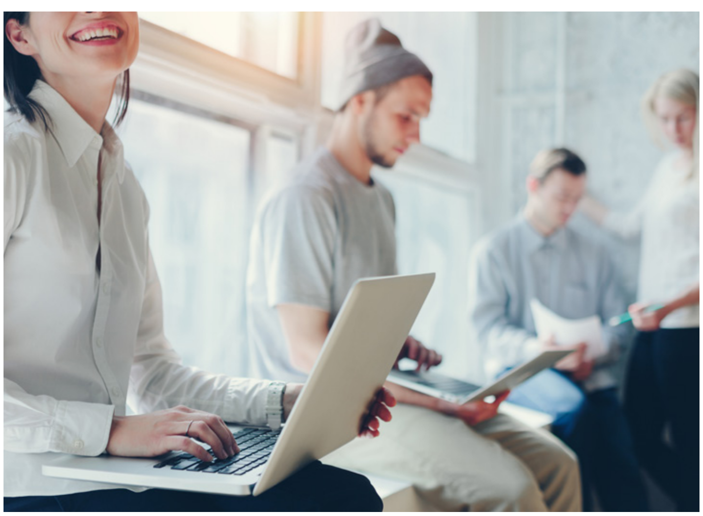
INTRODUCTION

As the demographics of wealth shift dramatically in North America and around the world, the wealth industry will see trillions of dollars of wealth transfer from Baby Boomers (born before 1965) to a new generation, Millennials (born 1981-1999). These are "digital natives" with very different investment behaviors.

$30 trillion of wealth in the US will be passed down between generations.[1]

The behaviors and attitudes of Millennials are intertwined with the ways in which technology is reinventing how investors communicate, interact, and make decisions. These include artificial intelligence, virtual reality, Blockchain, and real-time analytics. Over the next five years, the impact of these changes will be widely felt.

To help wealth executives understand the far-reaching implications, Broadridge teamed up with Roubini ThoughtLab, an independent thought-leadership consultancy, and a coalition of leading organizations from the wealth industry. Together, they conducted a rigorous study, Wealth and Asset Management 2021: Preparing for Transformative Change. This paper includes results from this study, together with insights derived from extensive interviews with top executives from Broadridge.



In this report, you'll discover:

- WHY MILLENNIALS ARE GAME-CHANGERS
- HOW THE INVESTMENT OUTLOOK OF MILLENNIALS IS DIFFERENT FROM PRIOR GENERATIONS
- WHAT MILLENNIALS REALLY THINK OF 'HUMANS VS. MACHINES' FOR ADVICE
- HOW TO DEVELOP A STRATEGY FOR MILLENNIALS
- STEPS FIRMS CAN TAKE NOW TO BETTER TARGET MILLENNIALS

[1]Accenture: "The 'Greater' Wealth Transfer – Capitalizing on the Intergenerational Shift in Wealth", 2012

CONTENTS

KEY FINDINGS

To truly win Millennials' business, investment providers **must go beyond** a few smartphone apps and instead, engage in a bottom-up rethink of most of their business – including product portfolios, advisory approaches, business models, and marketing plans.

Millennials know more about investing than other generations. They have a better handle on financial goals, risks, and costs and **are more open** to alternative investment options and ways to access them.

59% of Millennials say they **will not invest** in something they don't understand.

While high-tech is a given, **high-touch still matters.**

78% say they plan to use **face-to-face meetings** to communicate with an investment provider, beating out email and text at 71%, and online at 68%.

Millennials **do not believe** that providers are prepared to meet their expectations, and they are willing to switch providers to find what they need.

About the research

To provide a clear vision of the future, Roubini ThoughtLab conducted a rigorous study in the first half of 2016 on behalf of Broadridge and a coalition of sponsors. This ground-breaking research included four elements: (1) A survey of 2,000 investors around the world, including 411 responses in the US and 160 in Canada; (2) A survey of 500 investment providers around the world, including 102 headquartered in the US and 51 in Canada; (3) Advisory meetings and interviews with more than 40 industry leaders and experts; and (4) In-depth economic modeling of wealth trends conducted by Dr. Nouriel Roubini and his team of economists. We drew on this research for this paper.

EXECUTIVE SUMMARY

The Millennials are coming. Over the next ten years the wealth management industry in North America will see major disruption as Baby Boomers begin a multibillion-dollar generational wealth transfer to their children. This massive movement of assets is not the only reason wealth providers should be preparing for the game-changing Millennial generation: these "digital natives", raised in the Internet age, show firms a clear pathway to the future—in not only their own behaviors and attitudes, but in the way they are changing those of their elders, and of the overall marketplace.

To position themselves for success, not just over the next decade but also for decades to come, investment providers must learn to understand Millennials, their investment priorities, future life goals, and digital expectations. They must also use this understanding to make their firms "Millennial-proof" – an undertaking that may require a complete rethink of the products and advice they offer, and the way they offer them.

Our study reveals that Millennials are more diverse, better educated and more investment- and technology-savvy than older generations. They are looking to access a wider range of alternative and socially-responsible investment products. They want to do this through omni-channel, tech-assisted platforms, but they also seek "high-touch", personalized advice that considers their life goals. And they want to pay for this advice on a fee, not a commission, basis.

To win over Millennials, wealth firms will need to adapt not only their product ranges and advisory approaches, but also their marketing methods and business models. All of these will be far more rooted in the most advanced technology. **Here are five main steps firms can take now > > >**

1 Get the foundation right: Revamp systems to enable them to gather and analyze data and content from a wide variety of sources.

2 Go "bionic": Put that data and analytics into tools for the firm's wealth advisors, and train them in their use.

3 Put it in context: Use the data and analytics as a basis for all marketing and customer relationship efforts.

4 Put technology at the center: Build the most cutting-edge technology into every aspect of the business.

5 Make it omni: Ensure an omni-channel approach that is robust enough to accommodate the changes in attitudes and technology that are sure to come.

ARE YOU READY FOR THE GREAT WEALTH TRANSFER?

Over the next decade, the wealth management industry in North America will undergo a profound change as investment providers prepare for the onslaught of a highly disruptive force: the Millennial generation. The biggest generation ever in North America, Millennials (born 1981-1999) will see their wealth grow faster than other generations through accumulation and inheritance—much of an estimated $30 trillion[2] in generational wealth transfer in the US will eventually pass to them.

"We all know Millennials are on the radar," says Steve Scruton, President of Broadridge Advisor Solutions. "There is no question, it's one of the largest transfers of wealth in history. Wealth firms need to act now to get ahead of the Millennial curve."

However, this enormous asset transfer is not the only reason Millennials are critical to wealth providers. For wealth firms preparing for a changing marketplace, Millennials offer a valuable roadmap to the future. Unlike previous generations, Millennials are "digital natives"—born and raised in the Internet age, with very different behaviors and expectations. Even more significant, however, is their far-reaching influence over the attitudes of other generations, which has made them game-changers in all spheres of cultural and economic life.

Understanding Millennials will not only allow investment providers to build business with this fast-emerging segment, but it will also position their organizations for success across all generations in the coming decade. Learning how best to attract and retain Millennials, however, will require acute sensitivity to their investment priorities, future life goals, and digital expectations.

[2]Accenture: "The 'Greater' Wealth Transfer – Capitalizing on the Intergenerational Shift in Wealth", 2012

"We all know Millennials are on the radar. There is no question, it's one of the largest transfers of wealth in history. Wealth firms need to act now to get ahead of the Millennial curve."

– Steve Scruton, President of Broadridge Advisor Solutions

To preserve their place in tomorrow's wealth marketplace, forward-looking investment providers are aiming to make their enterprises "Millennial-proof". This requires more than a few smartphone apps and social media pages. Instead, it calls for a bottom-up rethink of most of their business: product portfolios, advisory approaches, business models, and marketing plans.

To some wealth providers, it may hardly seem worthwhile to conduct a business reboot to serve a group that currently has lower investible assets than other generations. But for Traci Mabrey, head of Wealth Solutions at Broadridge, this is short-term thinking: "Millennials will trigger a revolutionary change in a marketplace that typically acts in an evolutionary manner. Millennials are causing firms to make a step-change, and take a very forward-looking view of the wealth management industry, investing strategies, and technology. The velocity of change will be faster than some organizations can react."

Indeed, our research shows that the winners in the 2021 wealth marketplace will be those firms that reinvent themselves now and reach out to Millennials. Above all, they must put digital technology at the center of their business and offer a true omni-channel experience for their customers.

MILLENNIALS ARE GAME-CHANGERS

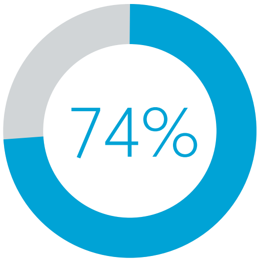
Millennials are the largest-ever generation in North America, and still growing through immigration. Currently at 92 million[3], they number 20 million more than Gen X. They make up more than one-quarter of the US population and about the same for Canada. The largest workforce demographic in the US, Millennials are quickly amassing wealth, and now represent 11% of high-net-worth households in the US, according to US Trust[4]. In the years ahead, Millennials' wealth will see the fastest growth—tripling over the next decade—while the assets of Boomers and the Silent Generation will steadily decline.

Canadian Millennials are doing even better than their US counterparts: they have more full-time jobs and own more homes, according to a report from TD Bank[5]. "One big difference is that the cost of higher education is substantially less in Canada than in the US, so Canadian Millennials' assets are not as weighed down by college loans," points out Carol Penhale, Managing Director in Professional Services for Broadridge in Canada.

Money is a key motivator for Millennials, more so than for any other generation, according to a recent Experian survey[6]. They are at the beginning of their careers and will be "an important engine of growth in the economy in the decades to come," according to the US Council of Economic Advisers to the President.

Even more pivotal than their growing economic clout are the distinct behaviors and outspoken passions that make them major influencers of others. Their immersion in technology, their embrace of social media and the sharing economy have already had a transformative effect—think smartphones and Uber, adopted first by Millennials, but soon after by older generations.

"When I started talking to companies two years ago about their digital strategy, every one of them started by saying, 'we have to do something about those Millennials,' " says Michelle Jackson, Vice President, Business Strategy & Development at Broadridge. "Now the majority of them have not only accepted the need to address Millennials, they've begun to recognize the power of Millennials' influence, which impacts Gen Xers to a large degree, Boomers to a substantial degree and even the Silent Generation a bit."



74% of Millennials believe they influence the actions of their elders.[7]

Numerous studies have noted this effect, including one by Edelman, which showed that 74% of Millennials believed they influence the actions of their elders.[8] "If we look at multi-generational communication and family units, you can almost predict the rate at which the grandparents will switch from a traditional device to a smart device so they can Skype or Facetime—it's as soon as someone in the family has grandchildren," adds Jackson.

[3]US Census Bureau https://www.census.gov/newsroom/press-releases/2015/cb15-113.html, Canadian Census
[4]U.S. Trust, "High-Net-Worth Millennials, 2014
[5]https://www.td.com/document/PDF/economics/special/Canadian_US_Millennials.pdf
[6]https://www.experian.com/assets/marketing-services/reports/ems-ci-millennials-come-of-age-wp.pdf
[7]http://www.edelman.com/insights/intellectual-property/8095-exchange/
[8]http://www.edelman.com/insights/intellectual-property/8095-exchange/

MILLENNIALS AND THEIR INVESTING VIEWPOINT

To prepare for the future, wealth advisors need to fully understand North America's Millennials, who are more diverse in background and lifestyle than older generations. According to the latest US Census figures, Millennials are the most racially diverse generation in US history: 44% are non-white. Moreover, 69% are single[9].

Similarly, the Broadridge/Roubini ThoughtLab study showed a majority of Millennials in North America are unmarried, living in urban areas, and without dependents. Millennials are also better educated than previous generations: fewer than 8% of those surveyed lacked a college degree and more than half hold an advanced degree.

While many Millennials will eventually marry and have children, wealth providers must tailor their outreach to the investment priorities that their diversity in backgrounds and lifestyles dictate. "The diversity of the Millennial generation," says Traci Mabrey, "will reinforce the diversity and flexibility of investment vehicles, as well as relationship models and advisors. For wealth advisors, this will mean having more investment options at their disposal."

Savvy but open

The Broadridge/Roubini ThoughtLab survey reveals that Millennials know more about investing than other generations. They came of age during the financial meltdown and many of its lessons have had a lasting effect. As a group, they have a stronger grasp of financial issues about risk, returns, diversification, and global markets. Their answers showed financial literacy on many levels: they realize that investment costs matter as much as returns, that index funds typically do as well as active funds, and that they can use derivatives to de-risk portfolios. 52% indicate that they will select providers for their global reach.

EXHIBIT 1: MILLENNIALS' ATTITUDE TOWARD PORTFOLIO MANAGEMENT

Attitude toward investment	I will not invest in something I do not understand.	Using more advanced techniques, such as options, can de-risk my portfolio.	I can improve my returns by decreasing my investment costs.	Index funds typically do as well as actively managed funds.	I do not feel knowledgeable enough to manage my own investments.
% of Millennials that agree	59%	59%	56%	47%	39%

[9] https://www.census.gov/hhes/families/data/cps2015A.html

"Plenty of studies show that investment decision-making is often rooted in what the economy was going through during a person's adolescence," says Erik DiGiacomo, head of Broadridge Professional Services. "Millennials were between nine and 23 years old in 2007-2008, and many of them saw their parents struggling: perhaps the family went through a life or budget change, and they had to move, or change schools, or couldn't get a bike at Christmas. As a result, they will be very, very cautious when it comes to their dollars and—at least in some ways—risk averse from an investing perspective."

Millennials are also clear-eyed about the reasons for investing. Rather than just measuring returns against a market benchmark, they are more focused on meeting a holistic set of life goals. They expect wealth providers and advisors to thoroughly understand these goals and personalize recommendations in light of them.

"For companies, Millennials demonstrate a way of looking at the world. This is the new reality," says Michelle Jackson. "Gone are the days where we say, 'This is what I'm selling. If you like it, great, here it is.' It's more about 'What do you want as the consumer?' We've set an expectation that things will be personalized, and the bar continues to be raised."

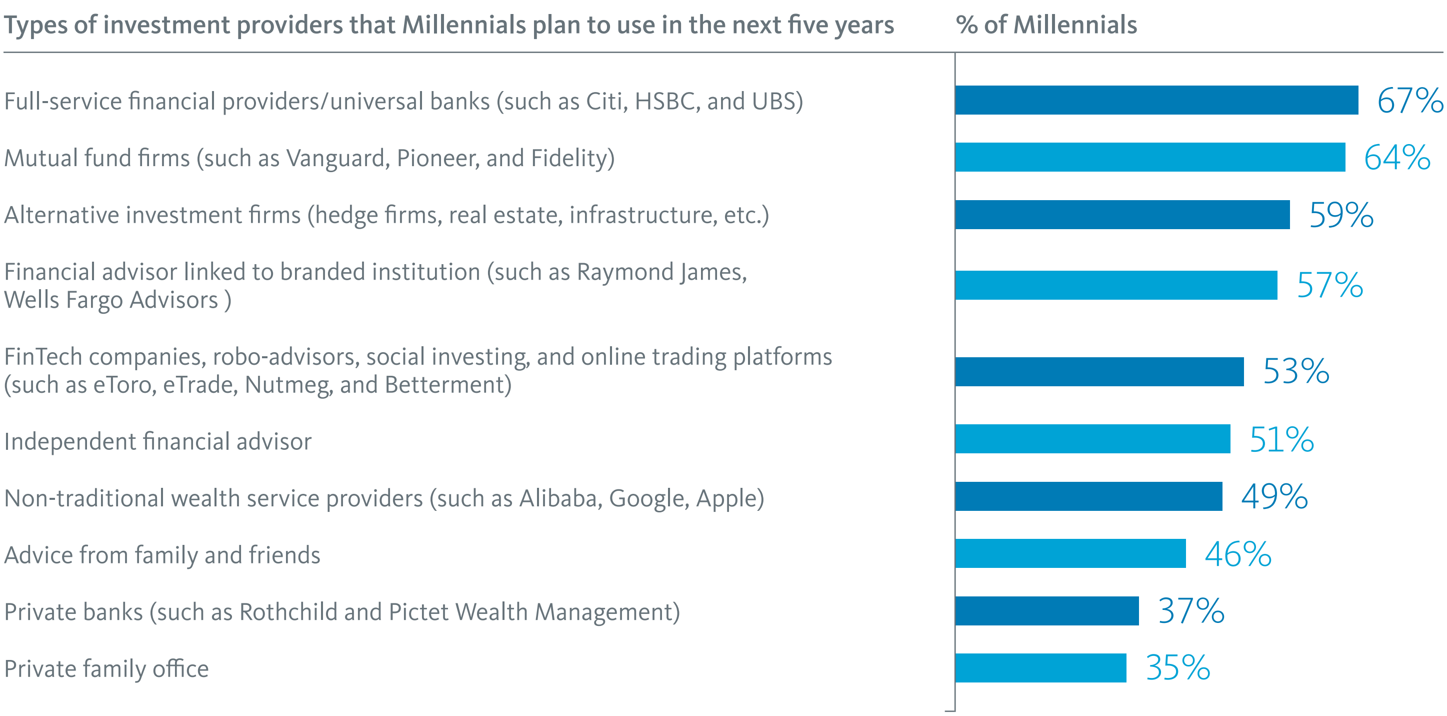
"We've set an expectation that things will be personalized and the bar continues to be raised."

– Michelle Jackson, Broadridge

Because of their greater financial literacy, Millennials are open to using a wider range of investment options and wealth service providers than other generations. This includes not only private banks, financial advisors, universal banks and mutual funds, but also alternative investment funds, financial technology (FinTech) firms, and non-traditional providers, such as Alibaba and Google.

When compared with Baby Boomers, the differences are glaring: over the next five years, for example, 59% of Millennials plan to use an alternative investment firm vs. 46% of Boomers, and 53% plan to use a FinTech vs. 23% of Boomers.

EXHIBIT 2:TYPES OF INVESTMENT PROVIDERS



Millennials are far more interested in socially-responsible investing than their parents are, and they are willing to sacrifice returns for social benefits. Over the next five years, our survey projects that 49% of Millennials plan to make socially- responsible investments vs. 27% of Baby Boomers. Wealth providers should pay particular attention to this interest as it runs throughout responses to the Broadridge/ Roubini ThoughtLab survey and may offer a good route toward attracting Millennial clients.

"Wealth managers should be gathering not only all types of demographic and credit data, but also data on interests and hobbies. Social awareness is a good example."

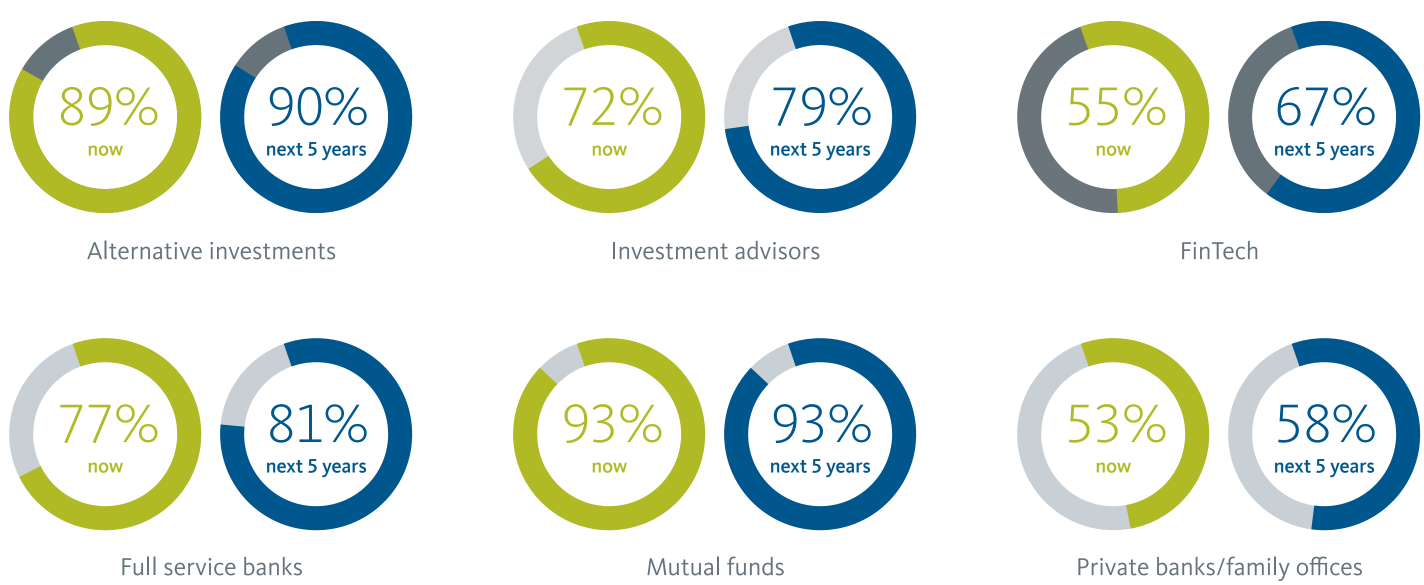
– Steve Scruton, Broadridge

"Wealth managers should be gathering not only all types of demographic and credit data, but also data on interests and hobbies," says Steve Scruton. "Social awareness is a good example of how they can use this data. If someone owns a Tesla, for instance, it might be a good idea to offer advice tailored for green or socially responsible investments."

Because of the importance of Millennials, and their openness to different investment opportunities, a cross-section of wealth firms will compete for their business—and that competition will be fierce. In fact, all types of investment providers surveyed for the Wealth 2021 study—from full-service banks, investment advisers, and mutual funds, to alternative investment firms, private banks, and family offices—plan to target Millennials to some extent over the next five years.

EXHIBIT 3: PERCENT OF PROVIDERS TARGETING MILLENNIALS NOW AND IN THE NEXT FIVE YEARS

Providers targeting Millennials



In many ways, however, Millennials are still forming their views about investment, as well as other personal matters. As a result, their views sometimes seem contradictory: investment advisors will need to be sensitive to this when developing relationships with them.

For example, 40% of Millennials in the Broadridge/Roubini ThoughtLab survey said they don't trust others with their money (vs. just 16% of Boomers). However, 64% said they trust established wealth management brands more than new players. Likewise, 38% of Millennials would rather spend money now than save it, while 63% plan to rely on their investments to meet financial commitments over the next five years.

EXHIBIT 4: MILLENNIALS' ATTITUDE TOWARD INVESTING

With the legacy of the financial crisis in mind, Millennials have a complex view toward risk. While 57% of Millennials surveyed are willing to take greater risks to get higher returns, nearly half also say they have a very low risk tolerance. Wealth providers will have to tread carefully to manage these somewhat unrealistic risk expectations.

Most interestingly, while Millennials generally love technology, almost two-thirds of those surveyed say they believe that people make the best investment decisions.

Embracing tech

Although high-touch matters to Millennials, technology is a given. As “digital natives” who grew up with the Internet and mobile tech, they comprehend the benefits and limitations of technology in wealth management better than their parents do. Their expectations are also considerably higher.

Over the next five years, more than half of Millennials expect to use digital technology for a wide range of investment activities, including connecting with advisors, receiving personalized advice, using analytics, getting a consolidated view of their financial situation, and tracking performance. Around half also anticipate using tech to gain access to non-traditional strategies and share ideas through social media.

A sizeable minority also expect to use the following:

EXHIBIT 5: TYPE OF TECH-ENABLED INVESTMENT SERVICES MILLENNIALS PLAN TO USE

Type of tech-enabled investment services/activities Millennials plan to use in the next five years	% of Millennials
Technology-enabled financial planning tools for managing personal finances and meeting life goals	41%
Customized products and investment services	39%
Portfolio risk management tools and stress testing models	38%
Improved analytics and tools for tracking performance and achievement against goals	38%
Automated trading and rebalancing tools	35%
Anywhere, anytime, any device access to information and investment services	33%
Low-cost online trading platforms/websites	33%
Tools for communicating with me (webcasts, video-conferencing, telepresence, and visual collaboration)	32%
Digitally-enabled client onboarding	32%
Integrated experience across all channels (digital, personal, office, etc.)	29%
Robo-advisors (providing automated investment advice)	28%
Social trading and investing services to follow trading strategies of others or pool investments	28%
Aggregation platforms giving a consolidated view of accounts across investment providers	27%
Personal identity from fingerprint or other unique biometric, rather than password	26%

Above all, Millennials expect a digitally driven, omni-channel experience when communicating with their investment advisor. They are interested in meeting face-to-face and speaking over the phone, but less so than Baby Boomers. But they have a greater preference for digital methods, such as texting, use of mobile devices, online portals, and social media platforms than their parents. They are also much more open to the idea of telepresence and web collaboration platforms.

“A firm needs to interact in the consumer channels that Millennials frequent,” says Michelle Jackson. “Social media presence is increasingly important – maybe even more important than a financial advisor website. It’s an ever-expanding digital ecosystem, with apps like Evernote, AmazonDrive and Dropbox, that companies need to be smart enough to master, or they risk missing out on engagement opportunities that help them win over, and keep, Millennials.”

EXHIBIT 6: COMMUNICATION CHANNELS MILLENNIALS PLAN TO USE

Types of communication channels Millennials plan to use in the next five years	% of Millennials
Face-to-face	78%
Email/texting	71%
Online/PC	68%
Telephone	66%
Smart phone/tablet	61%
Social media platforms	48%
Telepresence and web collaboration platforms	39%
Video	34%
Webinar or video conference	30%

THE ROLE OF FINTECHS: HUMAN VS. MACHINE

For the wealth industry, one key consequence of Millennials' high-tech propensity is their interest in the use of FinTechs. Although Millennials believe people know investing better than machines, the race is a much closer one for them than for their parents.

Unlike Boomers, more than half of Millennials surveyed would be open to using a FinTech and almost half would be willing to shift a large proportion of assets to one. Their reasons for doing so include convenience, transparency, and innovative products. Many also think that FinTechs may be able to provide them with better returns.

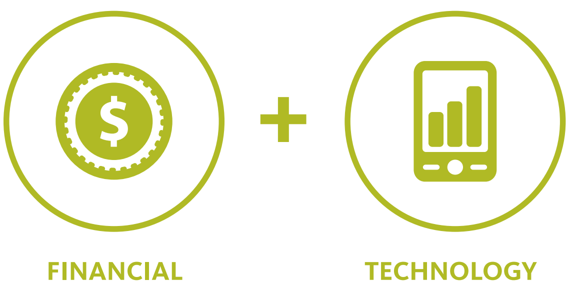


EXHIBIT 7: MAIN REASONS MILLENNIALS WOULD USE A FINTECH

Reasons	% of Millennials
Convenience, 24/7 availability	48%
Reduced cost	39%
Innovative solutions	37%
Technology can help achieve better returns	32%
Greater transparency	31%
Personalized service	27%
Greater access to a range of assets and investment alternatives	24%
Enthusiastic about using technology	24%
Self direct rather than have others invest	18%
Lack of trust in established investment providers	13%

However, Millennials also exhibit a healthy skepticism, with concerns about cybersecurity, under-regulation, and the maturity of startups. Millennials also worry about reputational risks: more than a third would not use a FinTech unless it was linked to a recognizable brand. This may prove to be a keen opportunity for established wealth providers that develop their own FinTech capabilities internally, or through partnerships and acquisitions.

EXHIBIT 8: MILLENNIALS' OPINIONS ON FINTECHS

Statements about FinTech services	% of Millennials that agree
I would shift a large proportion of my portfolio to a FinTech service if it improves my investment returns.	45%
FinTechs are used primarily by young investors who are technologically savvy.	43%
When used with traditional investment services, FinTech services can be very valuable.	42%
FinTechs will take away considerable business from traditional wealth providers.	36%
I would only use a FinTech service for a small proportion of my overall portfolio.	35%
It is too early in their development to trust investing through a FinTech.	35%
I know very little about FinTechs.	35%
I would not use a FinTech service unless it was affiliated with an established wealth brand.	34%
FinTechs will create a major disruption in the wealth industry.	32%
FinTechs are under-regulated and are not to be trusted.	31%
FinTechs are only useful for investors with a small amount of money to invest.	25%

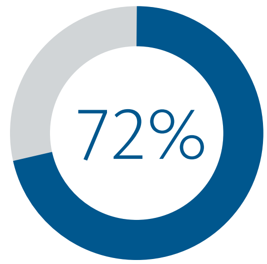
While Millennials are open to the convenience, transparency, and innovative products FinTechs provide, they also exhibit a healthy skepticism with concerns about cybersecurity, under-regulation, and the maturity of startups.

DEVELOPING A MILLENNIAL STRATEGY

To position themselves for success in the future, wealth providers need to start now to develop a “Millennial-proof” strategy. However, this will involve a fundamental shift in focus that will not be easy for providers who may need to revamp key aspects of their businesses—from product portfolios to advisory approaches, business models, technology use, and marketing plans.

For Michelle Jackson, this is a necessary step for investment providers if they want to win out. “Millennials are a good access point,” she says. “Using them as the tip of the spear is an effective way to think about your strategy overall.”

Unfortunately, Millennials are not entirely sure their providers are ready to give them what they need. Our survey shows a distinct disparity between Millennials’ expectations and how prepared wealth firms are to meet them.



Millennials are not entirely sure their providers are ready to give them what they need. If that is the case, 72% would consider moving to a different investment provider.

These rising expectations include understanding the customer’s financial goals and risk tolerance, adhering to ethical standards, offering competitive pricing and transparency, drawing on indexing and algorithms for investing, and ensuring cybersecurity. In the eyes of Millennials, providers are falling particularly behind on those last three expectations.

EXHIBIT 9: MILLENNIALS’ EXPECTATIONS OF PROVIDERS

Investor expectations of providers	% of Millennials who see this expectation as rising	% of Millennials who believe their provider is not well prepared
Ensure cybersecurity	51%	28%
Fully understand my goals and risk tolerance	50%	33%
Act with the highest ethical standards	49%	19%
Have deep knowledge of investment and tax issues	49%	24%
Be responsive to my changing needs	47%	23%
Offer competitive pricing and transparency	47%	41%
Draw on indexing and algorithms for investing	43%	39%
Offer innovative and customized solutions	39%	30%
Have proper wealth certification	39%	24%

Even more troubling for wealth firms is the willingness of Millennials to switch providers if their expectations are unmet. A number of studies suggest that Millennials demonstrate little loyalty to their current firms. The Broadridge/Roubini ThoughtLab survey, for example, shows that 72% of Millennials would consider moving to a different investment provider if they don’t get what they need. Meanwhile, 41% say they plan to consolidate assets with fewer firms to simplify investment management in the future, and 30% plan to move away from active managers toward passive funds and ETFs.

As Traci Mabrey points out, wealth firms will certainly lose out if they wait to reach Millennials until they accumulate more wealth. “Millennials’ loyalty to a singular provider is largely in question; 66% are just as likely to fire or add onto their parent’s financial advisor when they inherit,” she says. “The idea of latching on to Millennials to grow your business may not seem like the smartest prospect right now. However, $30 trillion is coming their way. Wealth managers need to start cultivating those relationships now, and testing out different strategies to keep them in the fold, because 10-15 years from now, it is going to be too late.”

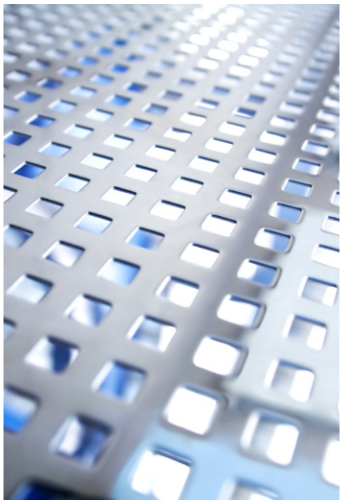
Rethinking products

To win Millennials over, wealth providers will need to offer them a wider range of products and services, without many restrictions. These include non-traditional and alternative investments, options-based hedging strategies, index-based and ETF products, and socially responsible investments.

EXHIBIT 10: INVESTMENT APPROACHES MILLENNIALS PLAN TO USE

Percent of Millennials planning to use the investment approach moderately or heavily over the next five years

Alternative investments (hedge funds, real estate, etc.) 73%	Pre-packaged active funds (mutual funds actively managed by professional portfolio managers) 71%	Goals-based investing (aligning your portfolio with your life goals and time horizons) 69%
Personalized advice (use of advisors to help you select investments) 69%	Do-it-yourself (use your own judgment to invest in stocks and bonds, mutual funds, etc.) 65%	Pre-packaged passive fund management (index-based mutual funds and ETFs) 58%
Tax-exempt investments 56%	Social communities for receiving advice, investing, and trading 52%	Socially responsible investments that generate a social benefit alongside a financial return 49%



Due to regulatory restrictions and operating costs, it may not be easy for providers to offer higher-end products to clients who do not have millions to invest. So, a creative approach will be necessary. “Millennials don’t want to hear that they can’t be in a hedge fund program unless they have $100,000 to invest,” says Erik Di Giacomo. “Firms have to offer them products that they have traditionally found more difficult to handle, including commodities, green and socially responsible options.”

73% of Millennials plan to use alternative investments in the next five years.

For Michelle Jackson, technology provides the solution. “The trend in the industry is to use technology to “democratize” what were traditionally tools for institutions and the über-rich, such as hedge funds and derivatives, and bring them to the individual consumer,” she says. “Millennials are aware that there are more options out there and are motivated to research them online. They expect that these products will be made available to them, even though they may not have much cash to invest.”

To win Millennials over, wealth providers will need to offer them a wider range of products and services, including non-traditional and alternative investments, options-based hedging strategies, index-based and ETF products, and socially responsible investments—without many restrictions.

Adapting advisory services

Wealth advisors looking to capture Millennials need to offer them not only a "high-tech" but also a "high-touch" experience. Millennials surveyed by Broadridge/Roubini ThoughtLab stressed that they are looking to wealth firms and advisors for specialized, personalized services, and holistic, goal-oriented advice.

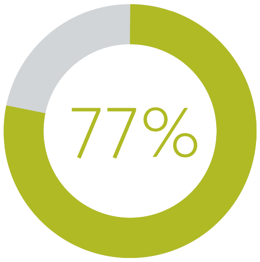
Some 69% of Millennials said they expect to moderately or heavily use personalized advice over the next five years, and 39% said they would pay extra for it. But to give them what they want, providers may have to use a hybrid strategy that enables advisors with sophisticated technology.

"The firms that will win are those that best arm their advisors with technology that provides a 360-degree view of the client. Technology will need to enable advisors to be agile and to customize—offering interesting asset classes at lower rates," says Erik DiGiacomo. "This is something most firms fail to do, even though the data is out there."

"The firms that will win are those that best arm their advisors with technology that provides a 360-degree view of the client."

– Erik DiGiacomo, Broadridge

Traci Mabrey concurs. "I am a big believer in the bionic advice model," she says. "The human and the machine both have a place in the investment lifecycle, including highly mechanized information and advice delivery. But as Millennials age and their assets under management grow, having a human acting in their best interests is what they will need. If firms can gather and transport data and leverage it through the channels that Millennials prefer, that will help cultivate the relationship—and not as their parents' or grandparents' financial advisor."



Some 77% of Millennials say that working with a customer service team will be important to them over the next five years.

To meet their needs for 24/7 service and wide-ranging advice, a team approach will be needed to serve Millennials, perhaps with members closer to their age. Some 77% of Millennials say that working with a customer service team will be important to them over the next five years.

"I have seen firms even with the most traditional investment culture have significant success in advisor teaming," says Mabrey. "They are bringing in younger, creative, more tech savvy, more deeply analytical junior financial advisors to partner with the senior, very highly relationship-based advisors."

Adjusting fees and business models

Millennials responding to the Broadridge/Roubini survey showed a distinct dislike of the traditional transaction-based commission business model—something that wealth firms may need to jettison if they want to acquire and keep their business. Millennials tend to scrutinize fees closely, realizing that fees can drastically cut returns.

Wealth firms need to move toward a more transparent pricing structure to accommodate cost-sensitive and skeptical Millennials.

EXHIBIT 11: MILLENNIALS' PREFERRED WAY TO PAY FOR INVESTMENT SERVICES

Preferred way to pay	Flat or project-based fees	Performance-based fees	Fees based on total assets under management	Fee per hour of support	Transaction-based fees
% of Millennials	29%	23%	21%	17%	11%

Millennials also know that low-cost passive strategies often outperform active management, and therefore feel that wealth managers must justify their higher fees. "Millennials are not into paying for services that Boomers will traditionally pay for," says Carol Penhale. "And because of their influence on one another in a Facebook world, where everything is shared, they will talk to each other more about fees, rates, and the value proposition on services. Fees will have to be low and very competitive."

Wealth firms need to move toward a more transparent pricing structure to accommodate cost-sensitive and skeptical Millennials. Providers should consider transitioning to fee-based advice, perhaps combined with a wider range of lower-cost, self-directed, and passive options.

Some 38% of Millennials surveyed said they expect to shift from commission- to fee-based services over the next five years. "Fees will require even more transparency than other parts of the investment relationship," says Traci Mabrey. "Because of the Millennial do-it-yourself philosophy, providers must not only offer the types of investments they want, but be able to justify the commissions and fees. And, while commission-based relationships are considered low-value, particularly by Millennials, advisors have an opportunity to enhance relationships in a collaborative fee-based model."

However, in today's environment, advisors may have trouble justifying their fees, particularly for Millennials who look to do more of their own online research, according to Carol Penhale. They may ultimately disintermediate and disrupt the current independent advisor/registered investment advisoer model, instead shopping around with FinTech or online providers for investments, just as they do for lodging or transportation using sites and apps like Airbnb or Uber. "Just as we've seen a shift of power from the sell-side to the buy-side over the past 15 years, the next generation will see a shift in power from the buy-side to the buyer," she says.

Penhale envisions Millennials using a mobile or online app to input answers to the same kinds of questions that RIAs currently ask about risk tolerance, investment knowledge, parameters, and goals, and looking to find the best value proposition for the money they have to invest at that moment. "Just like a hotel site or Airbnb cuts out the middleman, getting direct access to investments may cut out the RIA," she says.

Rethinking digital technology

A comprehensive rethink of technology is certainly the most important way in which wealth management firms need to accommodate Millennials. This includes 24/7 mobile access to their portfolios, plus digital tools that give them more control over their investments. "Millennials grew up in a different world than the Gen Xers, the Boomers, certainly the Silent Generation. For them, technology to access vast, diverse amounts of information has just always been at the ready—they've been born into it. Gaming, videos, driving directions—everything to them really takes place on the fly," says Traci Mabrey.

More than three-quarters of the Millennials surveyed say it will be important for providers to stay at the forefront of technology. A majority (56%) say direct digital access will be important to them over the next five years, and 58% say the same regarding an integrated customer experience across multiple channels. A significant minority want to see more tech-enabled investment capabilities and interactive analytical tools from their providers.

EXHIBIT 12: DIGITAL INVESTMENT TOOLS MILLENNIALS EXPECT TO USE

Digitally enabled investment tools Millennials expect to use over the next five years	% of Millennials planning to use
Low-cost online trading platforms	42%
Technology-enabled financial planning	41%
Customized products and investment services	39%
Portfolio risk management tools and stress testing	38%
Improved analytics for tracking performance against goals	38%
Automated trading and rebalancing	35%
Anytime, anywhere, any device access	33%
Webcasts, telepresence, and other collaboration tools	32%
Digitally enabled client onboarding	31%
Integrated experience across all channels	29%
Robo-advisors	28%
Social investing services	28%
Aggregation platforms	27%
Personal identify biometric	26%

The Broadridge/Roubini survey shows that investment providers will be harnessing technology to transform their business to meet the needs of Millennials and other customers in the future. The analysis indicates that the SMAC technologies (social, mobile, analytics, and cloud) will become "table stakes" for any providers hoping to appeal to Millennials.

EXHIBIT 13: TECHNOLOGIES IN USE BY INVESTMENT PROVIDERS

Technology | Percent of provider users

Technology	Percent of provider users
Big data analytics	70%
Cloud technology	69%
Mobile technology	68%
Analysis of customer behaviors	68%
Social media	66%
Blockchain	64%
Internet of things	56%
Detailed customer segmentation	51%
Predictive analysis	50%
Artificial intelligence	49%
Real-time tracking systems	47%
Telepresence and web collaborations	39%
Identification software (biometrics)	38%
Virtual reality	36%
Contextual marketing	34%
Customer "path to invest"	32%
Web analytics and sentiment analysis	32%
Micro-targeting capabilities	26%

"Whatever investment providers do, they will need to think about it in a mobile platform," says Erik DiGiacomo. "Whatever it is—an iPad or cell phone—it needs to be mobile first."

The most forward-thinking providers are already thinking beyond the SMAC stack to smarter technologies, such as artificial intelligence (AI) and virtual reality. These technologies can truly differentiate a firm's product offering and turbo boost their business with Millennials.

For Michelle Jackson, the trick will be balancing the high-tech and high-touch sides of the firm's strategy. "The biggest challenge is figuring out when to deploy technology vs. when to deploy the human," she says. "If you don't use tools to capture consumer preferences and optimize that over time, you can end up deploying technology when a consumer wants to speak to a person, creating a lot of frustration. Or, you can end up deploying a human when your client really just wants to interact with technology. That will not only cause frustration, but also unnecessarily increase your costs."

Rethinking the go-to-market approach

The data infrastructure foundation that Steve Scruton describes (see sidebar) is what wealth providers will need to reach Millennials using the highly contextualized consumer experience they have come to expect. Firms must be able to gather a vast array of customer data from a range of both internal and external sources and integrate it into every aspect of their marketing in order to provide this type of relevant, personalized interaction.

What does that really mean? As Steve Scruton explains it, "Every time the firm interacts with a client or potential client, it personalizes that interaction based on a fund of data about that client's demographic and financial characteristics, financial and life goals, hobbies, interests, preferences, recent purchases, and major life milestones. Has he just had a child? Has she recently changed jobs or gone back to school for an advanced degree? All those things will affect the marketing message, or dictate the timing and initiation of a "touchpoint," whether that is a direct mail or email message, social media post, text, phone call, or video conference."

Of these channels, social media is particularly important. "Artificial intelligence and data analytics together offer an opportunity to create the social media type of environment that Millennials are not just used to, but where they are almost more comfortable than in other aspects of their lives," says Traci Mabrey.

Steve Scruton talks about Artificial Intelligence

Broadridge's Steve Scruton believes that Artificial Intelligence (AI) will be a transformative technology for wealth firms. "AI is analytics that continues to learn though the constant feed of data," he says. "New data is introduced, the model is instantly updated. There are many, many uses." One key use is sourcing, managing, and analyzing vast amounts of online content.

"If you think about it, you have to go out there and get content to be relevant," says Scruton. "You've got to aggregate and bring back content from 10-12,000 sources on the web, because the social channel alone is incredibly thirsty—it never stops." The problem then, he explains, is that few firms have a big enough compliance staff to look at all this content, which makes it difficult to vet it and get it out to prospects and customers. "AI provides the perfect solution," he says.

Very few organizations currently have the kind of analytical capabilities they need. "Only 1% of our customers are using data now in a way that will succeed with Millennials, and only 10% have begun developing the necessary infrastructure," says Scruton. He explains it can take at least a year to build a system that essentially "collapses" together all the older channels and systems that gather and produce client data into a new one that operates independently.

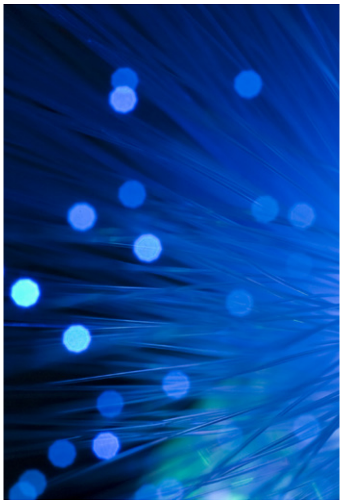
"Firms need to build an infrastructure that allows them to look across all channels in one system that will work for not only the Millennial class, but for the next class," says Scruton. "They need the ability to continuously add channels as they become relevant." He calls this single, channel-independent system the "solid foundation" that wealth providers require to market to Millennials.

Since social media is the natural habitat of Millennials, that is where providers must reach them, through business-to-consumer efforts and peer-to-peer marketing. “It’s going to be really important for firms to create tools, and find ways to connect with consumers and investors who are used to this type of interaction, in the places where they choose to live their daily digital lives,” says Michelle Jackson.

But Millennials will be a tough sell: all of these approaches are both valid and necessary, but no one of them is guaranteed to work with even half of this group, as the Broadridge/Roubini study shows. “You won’t see the loyalty to a brand or institution you may have seen in the past,” says Carol Penhale. “People don’t have that kind of relationship with a personal banker anymore, and the minute they don’t have a relationship at a detailed level, you lose the loyalty.”

EXHIBIT 14: BEST PRACTICES FOR STARTING RELATIONSHIPS WITH MILLENNIALS

Type	Best way for investment providers to attract interest and start a relationship	% of Millennials
Marketing and communication	Giving me special offers and incentives	48%
	Maintaining trust and brand reputation	47%
	Ensuring timely response to my questions and concerns	39%
	Being referred by family members and friends	37%
	Providing me with advice or product ideas fully targeted to my life goals and investment horizons	36%
	Advertising, PR and thought leadership communication	34%
	Reducing fees and costs	33%
	Becoming more socially and community conscious	30%
	Providing me with personal communication and regular interaction	29%
	Providing a seamless investment experience across channels and devices	29%
	Recommendations from opinion leaders in the investment community whom I respect	25%
	Participating in and holding investment events	22%
	Taking advantage of social media and social media communities	15%
Products and services	Offering a rich range of investment alternatives and asset classes	48%
	Creating more innovative and customized products and services	47%
	Offering interactive analytical tools, video, and gaming	44%
	Providing greater technology-enabled investment capabilities (FinTech)	43%
	Providing superior returns and advice during market downturns	38%
	Providing me with more specialized, holistic wealth advice	35%
	Adding passive and indexed-based products to their offering	25%



So how should wealth providers attract and keep Millennials? Low and competitive fees, transparency, granular access to account information in well-designed portals, and a certain amount of influence over securities picks, suggests Penhale.

"The presentation has to be sexy, rather than the usual pedestrian approach," she adds. And not only the presentation: "Millennials like to follow stocks that are sexy—things they can relate to, particularly companies and technologies they use."

Traci Mabrey argues that the way Millennials use the Internet to do everything on the fly actually makes the world a much more tangible, understandable, and manageable place for them. "Because of that, my advice to wealth managers is to give them access to a much more creative set of investment strategies," she says.

That will not only increase the firm's reach into new potential investment opportunities or growth vehicles for its higher net worth clients, but will also ensure that they retain Millennials even as they do their own research and take advice from different sources, says Mabrey.

"They will still come to you because you understand the totality of the world that they want available to them—not just a small universe of products, services or assets that you're designated to manage for them, but that your viewpoint of the world and your viewpoint of their investment strategy matches their own in the world in which they live."

"Millennials like to follow stocks that are sexy—things they can relate to, particularly companies and technologies they use."

– Carol Penhale, Broadridge

WHAT CAN WEALTH FIRMS DO NOW?

Broadridge believes that Millennials will not only be the heirs to massive wealth, but also represent a pathway to the future for the wealth management industry. Providers must firmly set their feet upon that path now if they hope to win the race. Here are five main steps firms can take now:

5 MAIN STEPS TOWARDS THE FUTURE OF THE WEALTH MANAGEMENT INDUSTRY

- Get the foundation right
- Go “bionic”
- Put it in context
- Put technology at the center
- Make it omni

Get the foundation right

Do what is needed to make the firm’s systems able to pull together data and content from internal and external sources and perform the analytics that will serve as a basis for both serving customers and marketing to prospects. This is a major project that may take more than a year to complete.

Go “bionic”

Put that data and analytics into tools instantly available to the firm’s wealth advisors and train them in how to use these tools to provide seamless, highly personalized support to customers in achieving their holistic goals. Consider using advisory teams that include members closer to their age to give Millennials the kind of instantly available service they want. Younger team members can also reach out to Millennial heirs of current client families.

Put it in context

Use your data and analytics as a basis for all your marketing and customer relationship efforts. This will help ensure that every “touchpoint” includes content and messaging relevant to the customer or prospect’s life and financial situation, and tailored to that person’s tastes and interests.

Put technology at the center

With analytics as a solid foundation, and the other “SMAC stack” basics of social, mobile and cloud in place—along with 24/7 customer portals designed to the highest standards—build the most cutting-edge technology into every aspect of the business. Look beyond the commonplace to find what’s new: artificial intelligence, virtual reality, and Blockchain are only a few of the ideas out there. If the firm is not a FinTech, consider partnering with one to ensure you keep up with developments and offer the services that Millennials want.

Make it omni

Millennials expect and depend upon the agility that technology provides. This requires an omni-channel approach that is strong enough to cater to the changes in attitudes and technology that are sure to come. Advisors should be planning for flexibility and not creating processes that are “locked down.” Instead they should be looking to unlock their technology to allow for quick and easy improvements to features, functionality and the overall client experience.

Remember that Millennials are only the first generation of digital natives: the next one is right behind.

Acknowledgments

We would like to acknowledge the contributions to this report from Broadridge executives, Erik DiGiacomo, Michelle Jackson, Traci Mabrey, Carol Penhale, and Steve Scruton, and from Roubini ThoughtLab, Lou Celi and Janet Lewis.

About Broadridge

Broadridge is the leading provider of investor communications, technology-driven solutions, and data and analytics for wealth management, asset management, and capital markets firms. We help clients drive operational excellence to manage risk, accelerate growth, and deliver real business value. Our technology-driven solutions power the entire investment lifecycle, enabling our clients to successfully manage the complexity and operational requirements of today's capital markets. Broadridge is at the forefront of multi-channel communications, strengthening our clients' capabilities to communicate with their clients and investors, and meet regulatory requirements.

About Roubini ThoughtLab

Roubini ThoughtLab is a thought leadership firm that conducts pioneering research to help business and government leaders cope with global change. The company specializes in creating 360° thought leadership that sits at the intersection of visionary thinking, analytical insights, and cross-media outreach. Roubini ThoughtLab draws on the multidisciplinary skills of its global network of economists, industry analysts, and thought leadership specialists to provide innovative, evidence-based analysis in engaging formats for executives. Roubini ThoughtLab is a joint venture with Econsult Solutions, a leading economic consultancy with strong links to academia. It was founded in 2015 by Dr. Nouriel Roubini, a noted economist, and Lou Celi, a pioneer in thought leadership and digital publishing. For more information on Roubini ThoughtLab, please visit www.RoubiniThoughtLab.com.

roubini THOUGHTLAB

broadridge.com

Broadridge

MKT-000-000