The Great Wealth Transfer is Coming

Millennials are set to inherit trillions. Is the wealth industry ready?

Over the next decade, the wealth management industry in North America will undergo a profound change as investment providers prepare for the transfer of $30 trillion in wealth to the Millennial generation[1]. Millennials (born 1981-1999) are "digital natives"—born and raised in the Internet age, with very distinctive behaviors and expectations. Their far-reaching influence over the attitudes of other generations has made them game-changers in all spheres of cultural and economic life.

Although Millennials currently hold lower investible assets than other generations, they will trigger revolutionary change in the market as their wealth grows faster than other generations through accumulation and inheritance.

To help wealth executives understand the far-reaching implications of this wealth transfer, 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 article includes results from this study, along with insights from top executives from Broadridge.

A game-changing generation

Currently numbering 92 million, Millennials make up more than one-quarter of the North American population[2]. The largest demographic in the US workforce, they're just beginning their careers and will be an important engine of economic growth in in the decades to come.

Millennials are Diverse — They are the most racially diverse generation in US history: 44% are non-white[3]. They're more culturally diverse due to immigration, and open to alternative lifestyle choices. Although many will eventually marry, 69% are single.

Millennials are Educated — Fewer than 8% of those surveyed lacked a college degree, and more than half hold an advanced degree.

Millennials are Influential — Their distinct behaviors and outspoken passions make Millennials major influencers of others. They've led the way in the adoption of technology, social media and the sharing economy.

A new investing outlook

Millennials came of age during the financial meltdown, and its lessons have had a lasting effect. They have a stronger grasp of financial issues about risk, returns, diversification, and global markets. 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.

As a group, Millennials contrast with Baby Boomers in significant ways. They are more likely to be:

- **Risk-averse** — Having seen their parents struggle, they can be very cautious about money and disinclined to take on risk.

[1] Accenture: "The 'Greater' Wealth Transfer – Capitalizing on the Intergenerational Shift in Wealth", 2012
[2] US Census Bureau https://www.census.gov/newsroom/press-releases/2015/cb15-113.html, Canadian Census
[3] Ibid.

- **Clear-eyed about goals** — Rather than passively benchmarking returns, they are focused on meeting a holistic set of life goals.
- **Socially conscious** — They are often willing to sacrifice returns for social benefits.
- **Open to a wider range of investment options** — They are more likely than their parents to consider alternative investment funds, financial technology (FinTech) firms, and non-traditional providers such as Alibaba or Google.

A major challenge, and a tremendous opportunity

The competition for the Millennial market is going to be fierce. All types of investment providers—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.

In many ways, however, Millennials are still forming their views about investment and 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 surveyed said they don't trust others with their money. 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.

Get ahead of the Millennial curve

Learning how best to attract and retain Millennials will require acute sensitivity to their investment priorities, future life goals, and digital expectations. It will take more than a few smartphone apps and social media pages. Instead, it calls for a bottom-up rethink by wealth management providers of product portfolios, advisory approaches, business models, and marketing plans.

Our research shows that the winners in the 2021 wealth marketplace will be those firms that reinvent themselves now, reaching out to Millennials with digital technology and a true omni-channel experience.

To learn more, download our whitepaper *Targeting the Digital Generation* at www.Broadridge.com/Digital-Generation.

MKT_170817