

Research presented by Broadridge and  
The Center for Generational Kinetics

# Decoding the Millennial Mindset

Surprising insights and opportunities focused on  
the wealth industry's next-generation client



From July 10 to July 16, 2018, Broadridge and The Center for Generational Kinetics (CGK) conducted a joint survey of 1,003 U.S. respondents, aged 22 to 59, weighted by age, gender and region. The study was designed to test assumptions about the wealth advice preferences of investors across generations with a close examination of today's most dominant cohort: Millennials.

This new national study unveils myths and facts about how financial advisors can connect with millennials by understanding their financial outlook, what's important to them and how they like to communicate. Its surprising insights will ultimately enable advisors to transform their practice and grow relationships by helping their next-generation wealth customer make better decisions about retirement, investing and life planning.

#### **A DOMINANT NEW GENERATION COMES INTO FOCUS**

Surpassing the baby boomer generation in size, power and scope, millennials – the cohort representing the 83 million born between 1977 and 1995 – are just now assuming their role in history.

#### **ACROSS THE GENERATIONS**

<b>Generation Z</b>	1996-Present
<b>Millennials</b>	1977-1995
<b>Generation X</b>	1965-1976
<b>Baby Boomers</b>	1946-1964

While the average age of millennials reached 30 in 2018, the oldest celebrated their 41st birthdays and are beginning to look 20 years down the road toward retirement.

Slated to inherit some \$30 trillion over the next decade, many millennials will also find themselves in proximity to the very financial professionals who contributed to the financial success of their baby boomer parents. The moment is right for advisors to ask clients for a different kind of referral – their own children – to retain and expand upon the family's successful fortunes.

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*However, while many studies have focused on the preferences of millennials, they remain an enigma. Having embraced the importance of planning and collaboration in their own lives – millennials were even the first generation of children to keep their own schedules – they have yet to apply similar sound principles to managing their money.*

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“There is an expectation that every generation differs from the one before, and that is true of millennials,” says Jason Dorsey, President of CGK. “By delineating what is specific to millennials and what rings true for Americans across generations, we’ve uncovered significant, immediate opportunities for financial advisors to grow their practices. The key is that financial advisors need to evolve their practices and adapt to technology and communication trends that build a bond of trust for the benefit of clients and prospects.”

#### **CHALLENGING TRADITIONAL ASSUMPTIONS**

For many belonging to the boomer generation or Generation X, serving this emergent financial market can seem confounding. An advisor might even ask: Do I really want someone the age of my child or younger siblings as my future financial planning client? The research provides an answer: Advisors and retirement experts have much to gain or lose based on their understanding of millennials, their mindset and their unique needs.

“The study showed millennials are saving for retirement and can benefit from education and financial advice – clearly an opportunity for financial advisors,” says Cindy Dash, Head of Broadridge’s Matrix Financial Solutions. “The good news is that advisors don’t need to reinvent the wheel to meaningfully engage their next generation of clients. By applying their qualifying process in a more personalized way, they will better the odds of taking actions on what millennials really need to plan for their future.”

“The study findings shine a light into what wealth advisors and financial planners can do to attract and engage millennials at a time when they are poised to make the key retirement and investing decisions of their lives,” says CGK’s Dorsey.

“By adding clarity to millennials’ financial outlook and communication preferences, we can uncover how to nurture and grow these relationships,” adds Broadridge’s Dash. “Armed with this knowledge, financial professionals can gain a clearer foothold on guiding this exciting, newly dominant generation as it gains wealth and influence across the decades ahead.”

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*To separate the myths from the facts about millennial preferences, Broadridge and The Center for Generational Kinetics set out to examine their views of retirement, investing, financial advice and communications.*

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# RETIREMENT

## **MOST MILLENNIALS SAVE FOR RETIREMENT, BUT FEW ADVISORS HELP**

Broadridge and CGK found that approximately 70 percent of millennials and Generation X have not yet established a formal relationship with a financial advisor. Generation X, at 72 percent, trends slightly ahead of millennials at 69 percent. That closely parallels women and men, who came in at 73 percent and 65 percent, respectively.

The study uncovered that 67 percent of millennials currently have some kind of a retirement savings plan: Almost half (49 percent) currently invest in a 401(k), 403(b), pension plan or similar program through their employer.

The study showed that only 8 percent of millennials use a non-workplace, tax-advantaged savings account such as an IRA, Roth IRA, annuity fund or similar plan. Roughly 9 percent have invested in both a workplace and non-workplace retirement plan or account.

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*Room for improvement: As many as one-third of millennials – more than 24 million people – do not currently have any kind of retirement savings plan.*

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*Growth market: With little retirement preparation happening outside of their employment setting, the opportunity to prospect millennials as first-time investors appears substantial.*

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## **SAVERS, NOT INVESTORS**

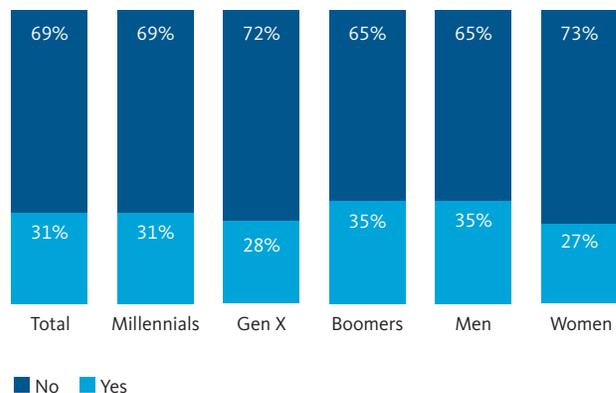
When it comes to retirement though, millennials and Generation X showed they are more confident investing in a savings account than in other investment options – which places them at odds with retiring baby boomers who rated other investment instruments higher than traditional savings plans.

Millennials said they have greater confidence in savings accounts than other types of retirement solutions. Sixty-six percent of millennials report they are confident or very confident in savings accounts, while 58 percent are confident in workplace retirement plans like a 401(k).

Just over half indicated the same levels of confidence in tax-advantaged plans such as Roth IRAs and annuities.

## **ACROSS THE GENERATIONS, MOST DO NOT USE A FINANCIAL ADVISOR**

Currently have or use a financial advisor



Source: Broadridge and The Center for Generational Kinetics, 2018

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*The “no risk” generation? Millennials are more confident about investing in a savings account than in more conventional retirement plan vehicles like stock mutual funds.*

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According to Broadridge’s Dash, “This mindset of seeing a savings account as an investment tool has the potential to really hurt millennials long term. In general, savings accounts currently do not earn enough of a return to be able to grow over time to a number that can subsidize retirement. Based on this study’s data, missing out on the compounding effect of being in the stock market over decades is a real risk facing this generation.”

On a parallel track, Generation X rated workplace retirement plans slightly ahead of savings accounts, 62 percent and 60 percent respectively, while tax-advantaged plans came in third at 57 percent.

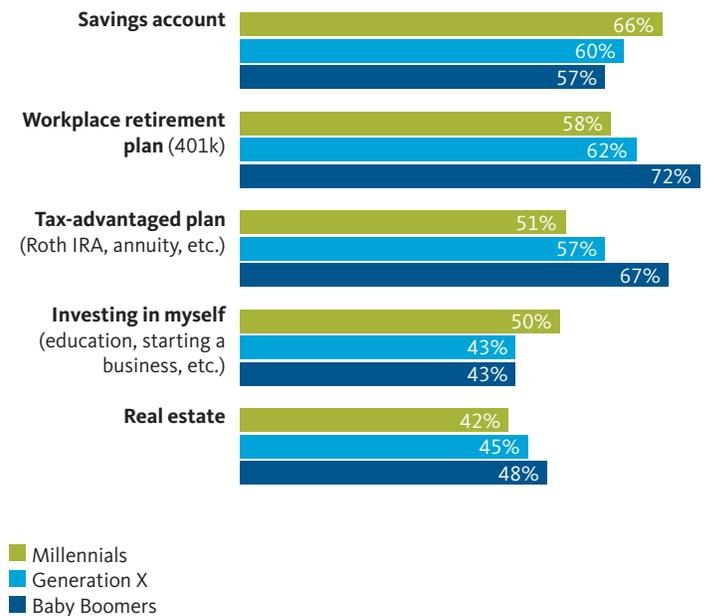
In sum, millennials comprise a large, untapped market of 83 million potential investment clients. This generation is thinking about retirement, and many are taking action toward retirement but lack the knowledge and financial guidance to set them up for success. This presents a long-term and largely untapped opportunity for financial advisors.

**KEY TAKEAWAY**

Millennials’ current financial state represents a significant opportunity for the financial services industry. A considerable percentage of millennials have no retirement savings plan in place, and half of them rely on a program provided by employers to save for retirement.

**GENERATIONAL SHOCKER: YOUTHFUL MILLENNIALS PREFER SAVINGS ACCOUNTS OVER OTHER INVESTMENT CHOICES**

Confidence in each method of investing



Source: Broadridge and The Center for Generational Kinetics, 2018

# INVESTING



## WILLING TO INVEST, BUT MILLENNIALS NEED GUIDANCE

The study also surveyed generational preferences when it comes to investing in markets and alternative investment strategies. While the baby boomer generation is most comfortable investing in the U.S. stock market, younger generations are more likely to consider riskier options like private-equity investments or global markets.

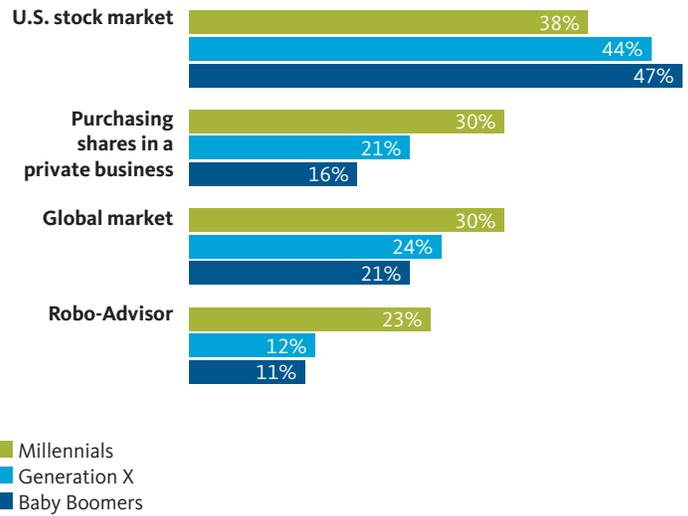
This is reflected in the fact that 47 percent of baby boomers reported they are confident or very confident investing in the U.S. market. This compares to 38 percent of millennials and 44 percent of Generation X.

Outside of retirement planning, when millennials are probed directly about their investment preferences, they seem less risk-averse. A closer look shows that a conventional risk/reward timeline is missing from the millennial equation.

The generational differences in the accompanying chart are reversed when it comes to private equity or the global markets. Thirty percent of millennials and 24 percent of Generation X said they are confident or very confident investing in the global market, compared to only 21 percent of boomers. Thirty percent of millennials and 21 percent of Generation X indicated they are confident or very confident with private-equity investments versus only 16 percent of boomers.

According to the study, there is less confidence investing with robo-advisors among millennials (23%), Generation X (12%) and baby boomers (11%).

## MILLENNIALS MORE CONFIDENT INVESTING IN PRIVATE EQUITY AND GLOBAL INVESTMENTS THAN OTHER GENERATIONS



Source: Broadridge and The Center for Generational Kinetics, 2018

## WANTED: FINANCIAL EDUCATION

These generational differences show the type of potential misperceptions in the risk/reward trade-offs between private-equity investments, the global markets and the better-known and closer-at-hand U.S. stock market that can be addressed by the education and advice offered by financial professionals.

## FINANCIAL ADVICE

### HEALTH SAVINGS ACCOUNTS: AN OPEN DOOR TO 30 MILLION CONVERSATIONS

A majority of millennials also expressed a strong interest in Health Savings Accounts (HSAs), even though 43 percent of millennials – well over 30 million people – are not familiar with HSAs and two-thirds are not currently investing in them. HSAs can be particularly attractive to today's health-conscious generation of millennials – and where they stand in their life cycle.

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*“Millennials urgently need to know about the benefits of HSAs as part of a holistic financial planning strategy,” says Broadridge’s Timothy Slavin, Senior Vice President of Retirement. “At this point, it is clear that the messenger – the advisor – needs to take some time to adapt the HSA message to their new millennial audience.”*

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### KEY TAKEAWAY

Studying how millennials view investment options over the next ten years is instrumental for identifying their individual, outcome-oriented investment trajectories. By framing this challenge in the kind of personalized terms millennials prefer, advisors have an opportunity to provide strategic, long-term financial guidance to the next big generation.

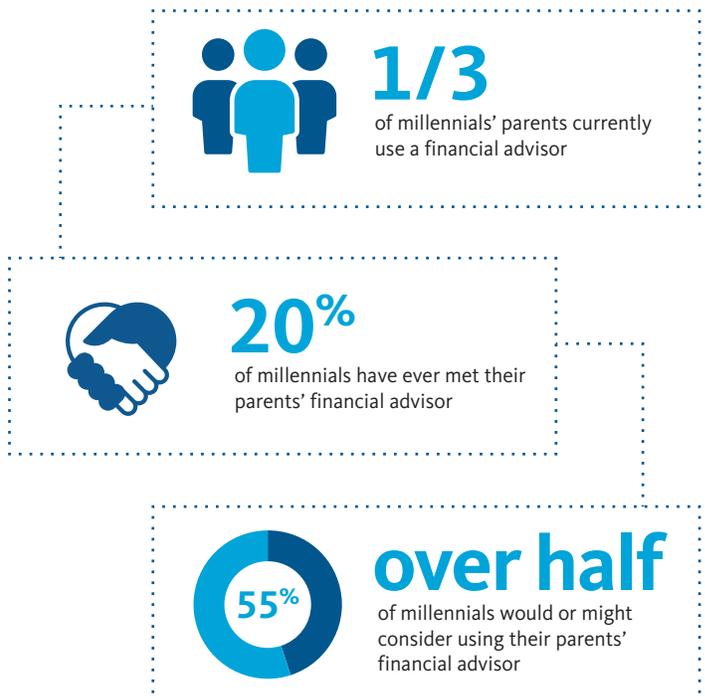
### MILLENNIALS TURN TO FAMILY AND FRIENDS FIRST, BUT VALUE EXPERIENCE MOST

The U.S. is facing a \$30 trillion wealth transfer from baby boomers to millennials that is predicted to transpire over the next few decades. With 83 million millennials currently in the U.S., a majority of whom do not have a financial advisor, this transfer represents a huge opportunity for advisors.

More than half of millennials would consider using their parents' advisor, but only one-third of millennials stated that their parents currently use a financial advisor.

And for millennials whose parents do use an advisor, only 20 percent of millennials have said they actually met the family's advisor. According to Broadridge's Dash, “The disconnect between advisors and the children of their boomer-age clients represents a massive gap that must be bridged if advisors are to effectively connect with and serve this generation. Bridging this gap presents a profound opportunity for advisors to connect and build relationships with millennials at a time when they are mapping out their financial futures.”

### FINANCIAL ADVISORS OF MILLENNIALS' PARENTS



Source: Broadridge and The Center for Generational Kinetics, 2018

**ADVISOR KNOW-HOW IS A KEY SELLING POINT**

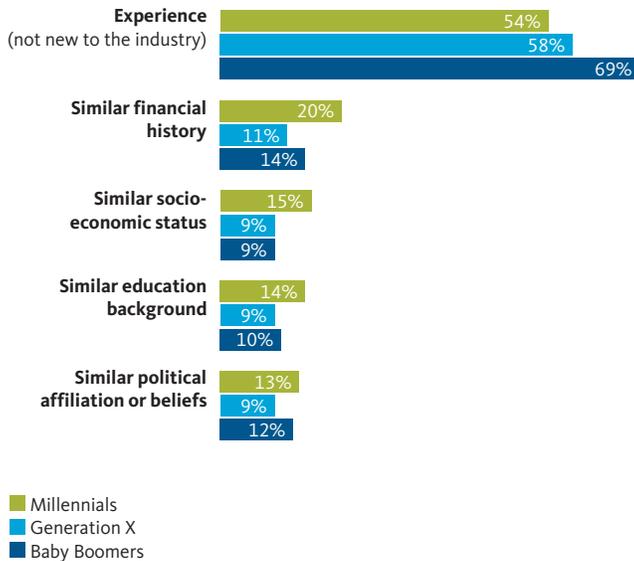
Unlike baby boomers, millennials never experienced a confrontational Generation Gap. Instead, they generally regard their parents, teachers and other mentors with respect and affection.

It's only natural that millennials should come to value the fact that so many experienced financial professionals have demonstrated their acumen across a range of volatile market cycles.

Among millennials, experience was the #1 quality they valued most in a financial advisor. While 54 percent of millennials rated experience most highly, Generation X proved to be even more enthusiastic at 58 percent.

**ACROSS GENERATIONS, EXPERIENCE IS THE #1 MOST IMPORTANT ATTRIBUTE OF A FINANCIAL ADVISOR**

Preferred financial advisor attributes



Source: Broadridge and The Center for Generational Kinetics, 2018

Millennials' desire for a financial advisor with experience is far more important than softer factors, such as sharing a similar financial history, socio-economic status or educational background.

The survey also revealed that millennials need and are ready to establish relationships with financial advisors. And when it comes to engaging with financial advisors, millennials indicated that they are strongly willing to consider using their parents' financial advisor.

**KEY TAKEAWAY**

The national survey reveals that millennials need and are ready to establish relationships with financial advisors. When it comes to engaging with advisors, millennials value experience most and are even willing to consider using their parents' financial advisor. It is the onus of advisors, however, to reach out to their clients' adult children.



# COMMUNICATIONS

## CAN WE TALK? MILLENNIALS READY TO ENGAGE

When it comes to financial advice, the most digital-minded younger generations show a surprising degree of warmth for personal communications over texting or tweeting.

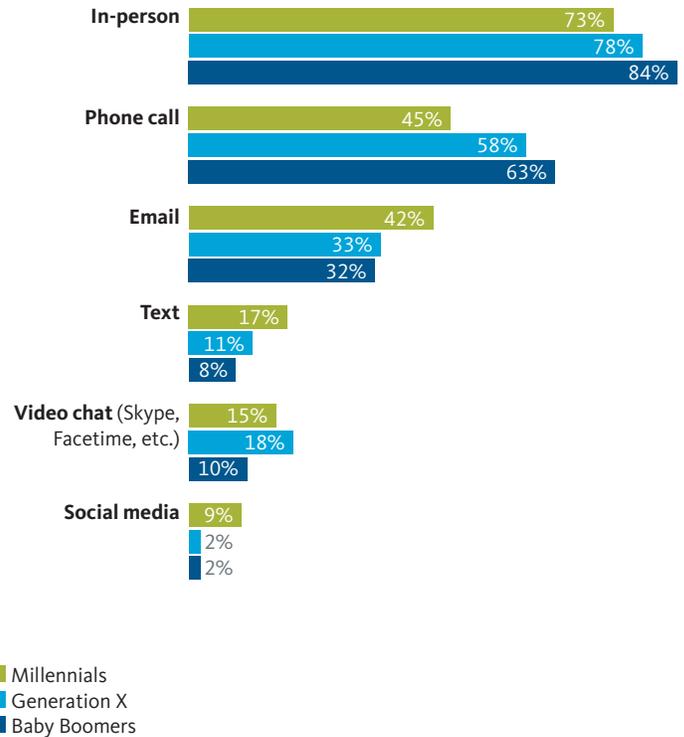
*“It is commonly assumed that millennials prefer digital communication for every type of interaction with a financial advisor. However, for certain behavioral outcomes, connecting by text, email or other digital means is not the best way to attract and retain millennials or Generation X clients. For first-time interactions especially, meeting in-person is the preferred method for millennials and their advisors.”*

– DONNA BRISTOW, MANAGING DIRECTOR,  
NORTH AMERICAN WEALTH FOR BROADRIDGE

The study showed that this is certainly true when it comes to building trust with a new financial advisor. In fact, 73 percent of millennials and 78 percent of Generation X report that in-person communication would build the greatest amount of trust with a new financial advisor. Phone calls and emails were ranked second and third in terms of preference, and only 17 percent of millennials view texting and 9 percent view social media as ways to build trust with a new financial advisor.

## TECH-SAVVY MILLENNIALS WOULD RATHER TALK TO AN ADVISOR THAN TEXT

Communication method that builds the most trust with a new financial advisor



Source: Broadridge and The Center for Generational Kinetics, 2018



## KEEP IT COMING: THE IMPORTANCE OF ONGOING COMMUNICATIONS

Once a relationship has been established between millennials and a financial advisor, the next vital component is regular and ongoing communication. The study found that across every single communication topic surveyed, millennials chose email as their preferred method of communication for subsequent interaction.

This strong preference for email includes communication to the millennial client about market performance updates, tax information and tips, financial education webinars, information about world events that affect the market and various financial tools.

The study showed that all generations prefer more ongoing communications with their financial advisors: millennials (69 percent), baby boomers (65 percent) and Generation X (62 percent) all prefer monthly or more frequent communication. Of the 69 percent of millennials, 28 percent would like to receive communications from their advisor weekly and 5 percent would like communications daily. That level of communication will be an adjustment for many financial advisors, but can be easy and not take much time if their strategy includes automated campaigns across multiple channels in addition to phone calls and in-person meetings.

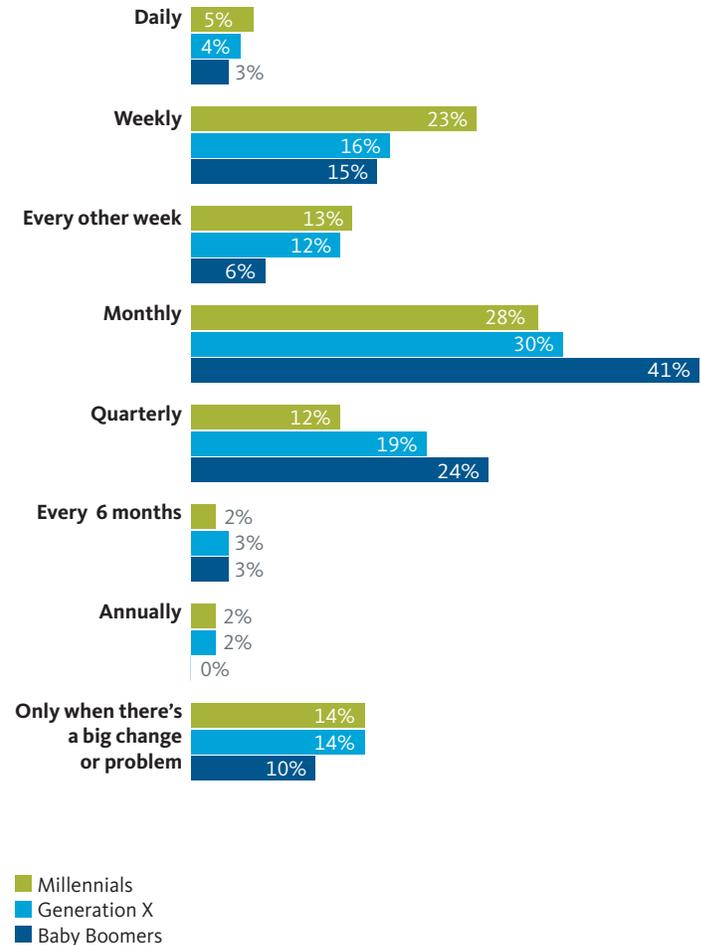
“The financial services professionals who understand the millennial mindset and adapt to reach this generation will have an immediate competitive advantage and significant market opportunity for referrals and long-term growth,” concludes Donna Bristow, Managing Director of North American Wealth at Broadridge.

### KEY TAKEAWAY

When it comes to communication, millennials value personal connection upfront to build trust and subsequent ongoing, periodic communication by email for portfolio updates, market analyses and solidifying an ongoing relationship.

## 69% OF MILLENNIALS PREFER TO RECEIVE UPDATES FROM THEIR FINANCIAL ADVISOR MONTHLY OR MORE OFTEN

Preferred frequency of communication from a financial advisor



Source: Broadridge and The Center for Generational Kinetics, 2018

# CALLS TO ACTION

Consider these seven calls to action toward building a new constituency with the generation that will dominate the financial markets ahead – an emerging prospect base that needs your expertise and advice the most: Millennials.

## 1. MOVE OUTSIDE YOUR COMFORT ZONE

Advisors and retirement experts have much to gain or a lot to lose, according to their understanding of millennials and their unique needs. 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:

- The average millennial is now age 30 – the time at which they shift (almost overnight) to adulthood and adult responsibilities;
- The oldest millennial just turned 41 and is now practically your peer; and
- \$30 trillion of wealth is coming their way over the next several years.

## 2. RECOGNIZE THAT MILLENNIALS VALUE THEIR UNIQUENESS

Millennials resist language concerning pre-packaged formulas like target-date funds, asset allocation, glide paths and the other valuable tools in the retirement planning toolbox. More interested in their personal outcomes, millennials tend to be responsive to advice discussions that focus first on their unique, one-of-a-kind personalities and circumstances. With the latest advancements in artificial intelligence, advisors now have access to technology that can automate personalized communications to save them time.

## 3. BECOME A B2B MILLENNIAL CONSULTANT

Consider working with employers in your area to reach more millennials and build more relationships. It's also clear that many of those millennials who do currently have a retirement plan have set one up through a previous employer, and their circumstances may have changed.

## 4. LEVERAGE HEALTH SAVINGS ACCOUNTS AS A DOOR OPENER

In light of their inherent “triple-tax advantages,” interest in HSAs among millennials may be high when communicated properly. This conversation can open a pathway to broader discussions about retirement, investing or financial planning.

## 5. EDUCATE MILLENNIALS

The survey repeatedly indicated that millennial attitudes toward retirement and investing are contradictory. While most invest for retirement, they favor low-return savings accounts that are out of sync with their much longer risk/reward exposure in the workforce. They have more confidence in investments with greater risk – like private equity and global exposures – when more suitable outcome-oriented investments in the U.S. may be preferable. Find a solution with compliance-friendly content that can easily be shared across multiple channels to make educating your millennial contacts easier.

## 6. “FRIEND” YOUR MILLENNIAL PROSPECTS THE RIGHT WAY

Update your LinkedIn profile to include personal interests and an approachable photo. Emphasizing skills as a sales person is a turnoff to this cohort. They prefer personal meetings in the beginning and plenty of periodic communications that keep the professional relationship personal and relevant. Invite the millennial children of your existing clients to meet you to establish your relationship and discuss their financial future.

## 7. PUT YOUR AGE AND EXPERIENCE TO WORK

Unlike baby boomers, millennials experience no generation gap with parents, teachers and mentors. The survey revealed that they value experience above all: The experience of professionals who look beyond the myths surrounding millennials and take the time to grasp this dominant generation's attitudes, expectations, behaviors and financial needs – one unique client at a time.

## ABOUT THE STUDY SPONSORS

### BROADRIDGE

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Learn more about Broadridge at [broadridge.com](http://broadridge.com).

### THE CENTER FOR GENERATIONAL KINETICS

The Center for Generational Kinetics is the leading research, speaking and consulting firm focused on millennials, Generation Z and generations. The Center's team of PhD researchers, consultants and keynote speakers help leaders around the world solve complex generational challenges. These challenges range from managing multiple generations across a global workforce to selling and marketing new products and services to millennials and Gen Z.

Each year, The Center works with over 180 clients around the world, from car manufacturers and global hoteliers to insurance companies, hospital groups and international software companies. The Center's team is frequently quoted in the media about the effect of generational differences on diverse topics from shopping and parenting to work habits, social media, communication and the emerging consumer.

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