MILLENNIALS: THEY NEED YOU, YOU NEED THEM

The Millennial Opportunity

Key Takeaways

- Bring clients' kids into the conversation
- Rollovers could be key to getting millennials in the door
- Embrace technology, focus on education
- You don't have to completely change your approach

Many financial professionals assume millennials are too young to need financial advice or that they don't have enough assets to be viable clients. If you find yourself nodding in agreement, consider this: Today's millennials, born between 1981 and 1996, are in the prime stage of life for getting savings and investment plans on track.

What's more, between 2007 and 2061, an estimated $59 trillion will transfer from 93.6 million American estates – the greatest wealth transfer in U.S. history.[1] Millennials are projected to represent roughly one-third of assets managed and clients served for most practices within five years – a 50% increase over current levels.[2]

Given that nearly two-thirds of children do not retain their parents' financial representative after one parent dies (or both die), including family members in wealth transfer conversations before they are triggered by a life event is vital. And yet, very few financial professionals are actively engaging with their adult clients' children – most of whom are now millennials.

If you're working to position your practice for the future, you simply cannot afford to ignore millennials. Just as they need your expert guidance, your business will soon depend on their assets.

Getting Millennial Clients in the Door

The great wealth transfer is a well-known and much-discussed idea in our industry. So, why are so few financial professionals positioning their practices to benefit from this opportunity? Many simply don't know how to get younger investors interested in their services. But if you have strong relationships with your adult clients, you have an ideal avenue through which to engage with their children.

Consider facilitating an annual family "money meeting" that includes not only parents but also children, grandparents and others. This meeting could serve to answer questions about current household finances, the family estate or important documents such as wills and trusts, as well as begin an ongoing conversation around the family's wealth. By establishing a relationship with clients' children early on, you can position yourself as a trusted and valuable resource and ultimately improve the likelihood that you will retain those younger generations as clients in the future.

Rollovers Could Be the Key

Because this generation tends to switch jobs more often than previous generations, many millennials have multiple 401(k)s from previous employers. And research shows they're actively thinking about what to do with those funds:

> Nearly eight in 10 millennials with assets in a former plan who are likely to consider an IRA expect to roll over funds in the next 12 months (79%).[3]

You may want to consider strategies to uncover these accounts for potential rollover opportunities. For example, promoting a one-time fee for a financial plan could help bring millennial clients in the door. And consider being as transparent as possible about those fees – ideally, post them on your website, which is exactly where younger clients will expect to find them. Millennials are also used to paying monthly subscription fees for services, so offering something similar could appeal to their preferences for convenience and automation.

Not So Different After All

Several financial professionals we've spoken with have expressed apprehension about working with millennial clients because they view them as a whole different breed of investor. While it's true that millennials' preferences and personality traits are heavily influenced by the fact that they grew up in the Digital Age, they have more in common with older generations than you may think. For example, just as millennials lived through two financial crises that led to debt, housing issues and unemployment, their grandparents (the Silent Generation) endured the same fallout after the Great Depression. As a result of those experiences, both groups are generally more frugal and conservative.

Favoring Cash, Shying Away from Stocks

While many millennials are saving, they tend to be hesitant about investing those assets. Coming of age during the 2007-2008 financial crisis left an indelible impression on this generation. A survey from Bankrate revealed that 30% of millennials see cash as their favorite investment, whereas all other generations surveyed prefer stocks. But shying away from stocks now could jeopardize their future retirement security. That's why it is critical to help millennials put market risk in perspective.

Behind the Curve … Or Ahead of the Game?

While millennials are often characterized as being overspent, under-saved and generally bad at managing their money, many of these criticisms are exaggerated – or just plain false.

At Janus Henderson, we've found that many millennials are ahead of the game when it comes to saving and that many are willing to pay a fee for financial planning Additional research backs up our view:

- **71% of millennials are saving for retirement,** with those participating in an employer-sponsored plan contributing an average of **10% of their annual salary.**[4]
- About one in six millennials have **saved $100,000 or more.**[5]
- From 2009 to 2019, the average 401(k) balance among millennials grew from $7,000 to just under $130,000 – **a gain of 1,762%.**[6]

Serving the Millennial Client

To effectively engage millennials and earn their trust as clients, it's crucial to understand this generation's background and mindset. While you shouldn't feel compelled to completely upend your approach – which could come across as disingenuous – you should be prepared to make subtle adjustments in the way you work with younger clients.

Generation Tech

Millennials grew up with technology – they've never known a world without smartphones, Google and social media. As a result, they're completely comfortable going online to research finance and investing. They're primed to become "DIY" investors or use robo-advisors.

To engage with this tech-savvy generation:

- Incorporate technology – such as apps, text reminders and gamification – to help millennial clients learn about finance, motivate themselves to save and monitor their investments.
- Move away from phone calls, which most millennials dislike. Be accessible and make touchpoints interactive by using online formats like Facetime and webinars.
- Don't underestimate the power of human interaction. While millennials are Internet "power users," many of them have concerns about privacy. They still value the intimacy of face-to-face meetings – particularly when they're talking about their financial situation.

The Advisor as Educator

Many of our millennial colleagues said they are interested in learning more about personal finance and investing, and nearly all of them agreed that they didn't receive enough formal financial education in school or from their parents. Additionally, millennials may want to take a more a collaborative approach to working with an advisor and be actively involved in the financial planning process.

Adopt this approach by:

- Focusing on education and guidance versus strictly asset management
- Framing your advice as coaching, not directives or "taking over" the client's money
- Promoting the financial plan as a collaborative effort that is personalized based on the individual's needs and goals

Different Goals and Values

Many millennials value experiences – travel, concerts, activities with family and friends – more than they value things. A Harris study found that 78% of millennials would rather spend money on an experience or event than buying a product.

Furthermore, their vision for retirement is much different from that of their parents. Most of the millennials we spoke with said they expect to continue working in some capacity beyond traditional retirement age, for example. Given this shift in mindset, you may want to consider how you will need to approach conversations about future goals.

Roughly 1 in 5 financial professionals define their greatest impact on millennials as an educator, followed by financial planner (20%), coach (18%) and comprehensive wealth manager (13%). Fewer than 8% believe the most impact on millennials comes as an asset or money manager.

Practical Perspectives, The Changing Role of Financial Advisors – Serving Millennials, 2019

Want to delve deeper into our research on millennials? Visit us online to explore our videos, podcasts and other content related to this topic.

How We Can Help

At Janus Henderson, we understand that experienced financial advice is crucial to helping investors at all stages of their lives make meaningful progress toward their goals. That's why we have dedicated specialists who can provide effective strategies to help you create exceptional client relationships and capture new opportunities to grow your business.

Some of our resources include:

- A dedicated Wealth Transfer program offering strategies to help you better prepare your clients and their loved ones for the future and establish yourself as the family's trusted advisor
- Investor education materials, including guides, checklists and presentations that can be used to engage with younger clients
- Professional development programs designed to help you build stronger bonds with clients
- Timely insights and perspectives from our team of experts published regularly on the Janus Henderson blog
- One-on-one consultations to help provide a focused framework for growth and team coaching to facilitate grassroots transformations in your business

[1] Holdman, Scott, Traynor, Pat and Hunnicutt, David. *US Wealth Transfer Summary,* Impact Institute, 2018.
[2] *The Changing Role of Financial Advisors - Serving Millennials,* Practical Perspectives, September 3, 2019.
[3] DC Participant Planscape™, Cogent Syndicated, a Division of Escalent, July 2019.
[4] *18th Annual Transamerica Retirement Survey of Workers,* Transamerica Center for Retirement Studies®, December 2017.
[5] *Bank of America 2018 Better Money Habits Millennial Report,* Bank of America, Winter 2018.
[6] *Fidelity® Q1 2019 Retirement Analysis,* Fidelity, May 2019.

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