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Envestnet Pulse

The New Playbook: Attracting and Servicing Gen Y & Z

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Executive Summary

- Over 3 decades, **economic changes have reshaped the financial lives and dreams of young Americans, impacting Millennials the hardest**. They have less wealth, less property, lower marriage rates & fewer children.
  - Millennials are better educated than preceding generations, but this comes at the **price of heavy student loan debt**.
  - The **cost of housing is also much higher**. Millennials look to rentals as a cheaper alternative to owning a home, driving the price and demand of rentals to soar.
  - **Millennials are now the largest generation in the U.S. workforce. Constituting just over 1/3 of the workforce**, a considerable number are working as independents rather than as employees.
  - Young households have lower incomes and fewer assets than previous generations did at the same age. Owing to a heavy debt burden, **Millennials are not saving sufficiently for retirement**. Just 18% of consistently max out their 401(k) plans.
  - Roughly 60% of Millennials have no exposure to the stock market, and **nearly 70% say they do not work with a financial advisor**. 39% cite lack of knowledge as a barrier to investing.
  - In contrast, **Gen Z is already thinking of ways to save for retirement**. Financial independence is very important to them, and 70% say that educating themselves about money is important to achieving their goals. They are determined not to end up like Millennials.
- The old rules for building wealth are becoming obsolete. Advisors should consider a new approach to landing younger generations.
  - **Dispel any myths they have about advisors**; e.g., the cost to work with an adviser.
  - **Understand their full financial picture**. A holistic client view and financial planning are now integral to wealth management.
  - **Consider offering alternate fee structures**; e.g., subscription models, quarterly fees, hourly fees, planning fees.
  - **Help educate them about money/investing.** Education is essential in helping debt-strapped Millennials.
  - **Communicate their way.** Millennials demand mobile and digital access. They are used to simple and quick interactions.
  - **Match client prospects with younger advisors,** who understand competing priorities. This creates a connection of peers**.**
  - **Demonstrate how advisors can help them achieve financial wellness** by managing debt and investing for the long term.

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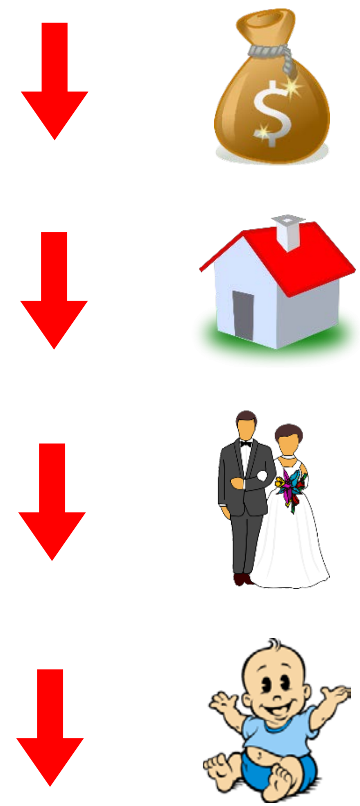
The Changing Economic Environment For Gen Y & Z

Over 3 Decades, Economic Changes Have Reshaped The Financial Lives And Dreams Of Young Americans, Impacting Millennials The Hardest

- **More than half the 72 million American Millennials are now in their 30s.** The oldest will turn 38 in 2019 when their generation is expected to surpass the number of baby boomers.
- Many Millennials have followed the playbook of past generations, but it hasn't quite worked out for them.
- Americans entering the workforce in the decade following the financial crisis face a starkly different landscape than their parents did at the same age.
- New data show that Millennials may never catch up with the generations of Americans that preceded them.
- **The troubles of Millennials have delayed traditional adult milestones**.
    - Millennials enter the workforce later, start families later, have more student loan debt, and are more wary of the risks of buying a house (having seen the housing crisis while they were in high school or their early working years).
    - Men and women in their 30s are marrying at rates below every other generation on record.
    - Millennials helped drive the number of US births to their lowest levels in 32 years.

Millennials Have Less Wealth, Less Property, Lower Marriage Rates & Fewer Children



Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; The Wall Street Journal, "'Playing Catch-Up in the Game of Life.' Millennials Approach Middle Age in Crisis ," May 19, 2019; Bloomberg, "The Old Rules For Building Wealth Are Obsolete, " 7/24/19

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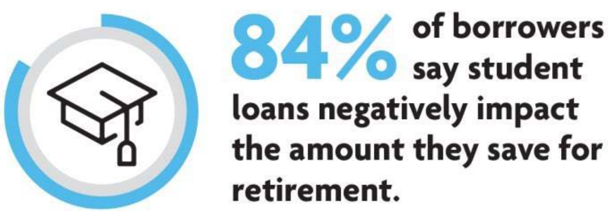
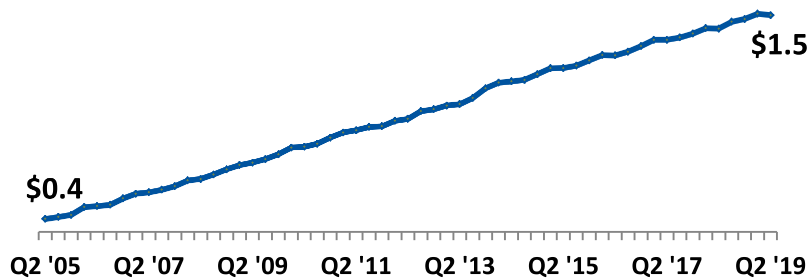
1A. Cost of College and Student Loan Debt: Millennials As A Group Are Better Educated Than Any Preceding Generation, But This Comes At A Price

- **About 4 in 10 hold at least a bachelor's degree** compared with about a quarter of baby boomers and 3 in 10 Gen Xers when they were the same age.
- The average student-loan balance for Millennials in 2017 was $10,600, more than twice the average owed by Gen X in 2004.
- **College tuition has soared 1,375% since 1978**, growing more than 4X the rate of overall inflation.
- **Student loan debt now stands at $1.5 trillion,** quadrupling since the start of 2005 and rising faster than any other form of household credit.
- **More than 2 million borrowers have defaulted on their loans** in the past 6 years.



TIAA and MIT AgeLab, "Student Loan Debt: The Multigenerational Effects on Relationships and Retirement " July 2019

Total Student Loan Debt: Q2 2005 to Q2 2019



SOURCE: Federal Reserve Bank of NY "Quarterly Report on Household Debt and Credit," 8/19

College: No Longer The Path to Success?

- *Colleges offer a wide variety of courses and* ***majors that don't lend themselves to a real job****; i.e., paying a reasonable living with advancement opportunities.*
- *Kids graduate with a* ***degree that is not marketable****.*
- *Employment opportunities and* ***compensation may fall far short*** *of what they expected.*
- *Half of U.S. colleges in 2018 left their* ***students earning under $28,000 a year****.*
- *When new graduates realize their slim job prospects, they're* ***encouraged to pursue even more expensive education (grad school) and add to their debt load****.*
- ***Graduates are saddled with enormous student debt*** *that may be impossible to ever pay back.*

Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; Forbes, "Why Some Say College Is No Longer The Sure Path To Success," October 3, 2019

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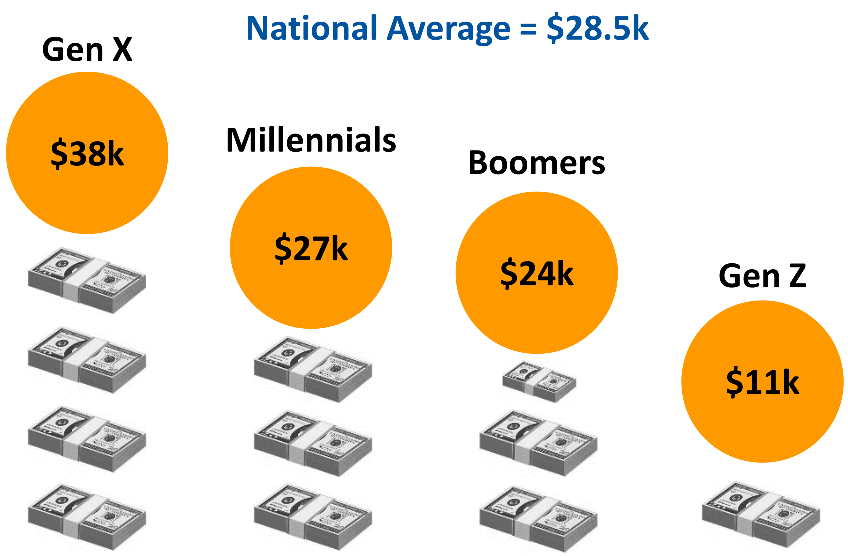
1B. Debt (Excluding Mortgages): Millennials Bear A Tremendous Debt Burden

- Excluding home mortgages, Americans are carrying an average of $28,500 in debt, with the typical amount, or median, $9,000.
  - Millennials carry $26,518 in debt while Gen Z has the least amount of average debt at $11,173.
- Despite having half as much debt as other generations, **Gen Z spends just as much or more as their older counterparts to pay down debt on a monthly basis.** This includes over $1,500 per month towards personal and student loans.

Average Amount Of Debt Across Generations in US



31% of Millennials say they have an "unmanageable amount of debt"[1]

Source: [1]Logica, Future of Money Study

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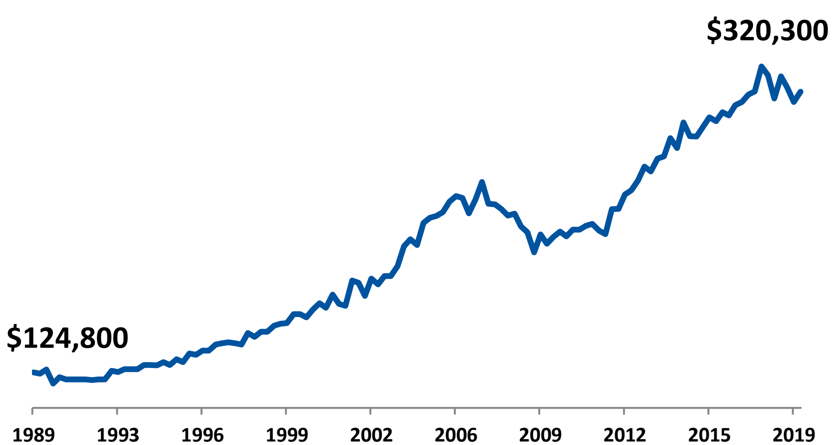
2A. High Cost Of Housing: A House Has Been An Integral Part Of The American Dream. Today, Housing Takes A Much Bigger Chunk From Each Paycheck

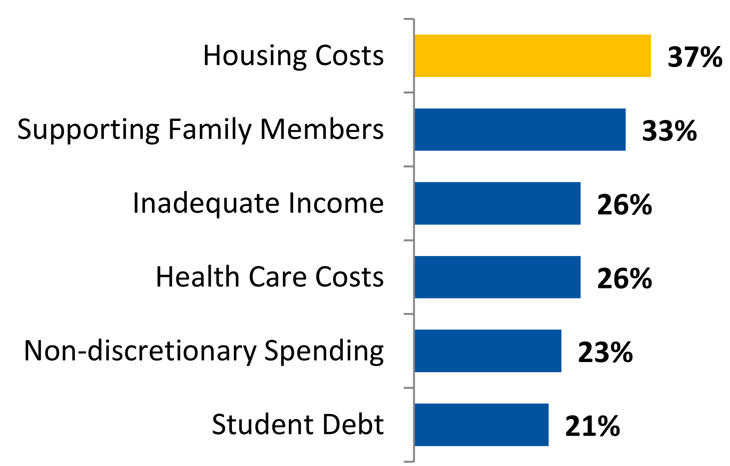
- **About 38% of Millennials owned homes in 2017,** compared with half of Gen Xers at similar ages in 2001, and just under half of baby boomers in 1989.
- Faced with higher prices and piles of student loan debt, **the median age of first-time home buyers has risen to 33.**
- Many Millennials couldn't afford to buy houses or invest in the stock market early enough to profit from the sharp escalation of prices over the past decade.
- The typical U.S. home now sells for more than 4X the median U.S. income. Between 1980 and 1999, home prices were closer to 3X household income.
- More than a third of Millennials are not adequately saving for retirement because of high housing costs.

Median Sales Price of Houses Sold: Q4 '89 – Q2 '19



SOURCE: Federal Reserve Bank of St. Louis, "Median Sales Price of Houses Sold for the United States," 2019.

Why Millennials Fall Behind on Retirement Savings



SOURCE: TD Ameritrade, "2019 Retirement Pulse Survey," September 2019.

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Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; The Wall Street Journal, "'Playing Catch-Up in the Game of Life.' Millennials Approach Middle Age in Crisis ," May 19, 2019; CNBC 9/25/19, and TD Ameritrade, 2019 Retirement Pulse Survey, September 2019; National Association of Realtors

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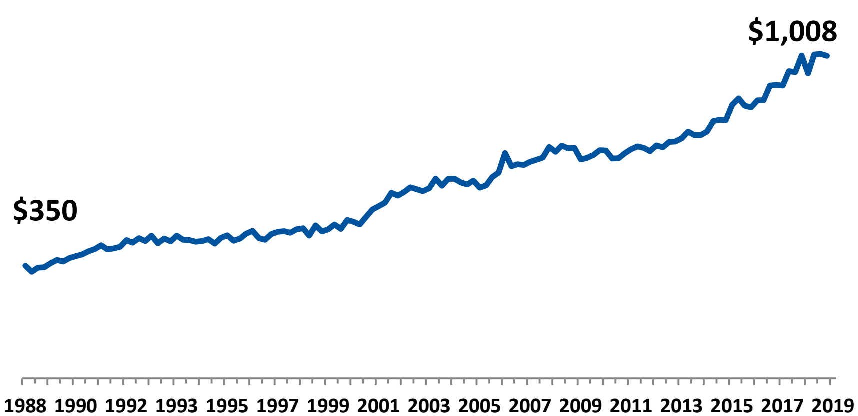
2B. High Cost Of Rentals: Millennials Look To Rentals As A Cheaper Alternative To Owning A Home, Driving The Price And Demand Of Rentals To Soar

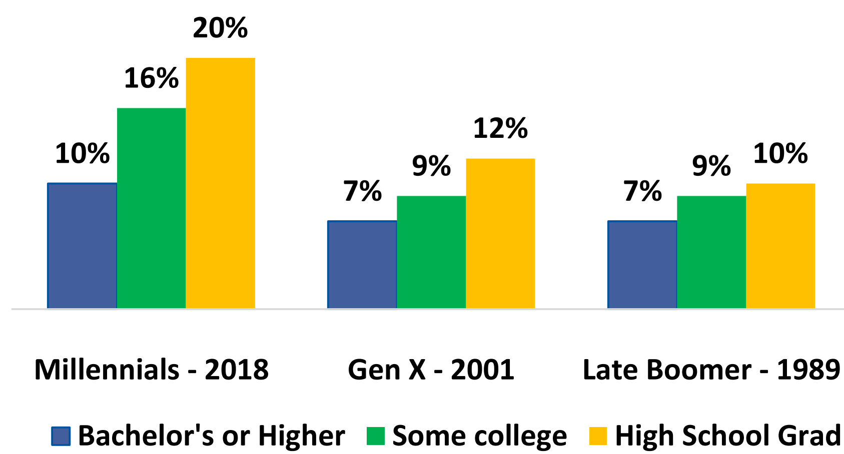
- Given the savings rates of the Millennial generation, **an estimated 2/3 of Millennial renters would require at least two decades to save enough for a 20% down payment on a median-priced condo** in their market. Just 11% would be able to amass a 20% down payment within the next 5 years.
- Median rent nationally hit an all-time high of $1,008 a month in Q2 2019, climbing 20% faster than the overall inflation rate from 1990 to 2016.
- Partly because of rising rental prices, young people are spending a large percentage of their income on housing: **1 in 5 Millennial parents reported spending 50% - 59% of their income on housing**; 8% said they're paying 60% - 74%. Many Millennials without a Bachelor's degree are more likely to still be living with their parents.

Median US Asking Rent Per Month: Q4 '88 – Q3 '19



SOURCE: Census Bureau, Current Population Survey/Housing Vacancy Survey, October 2019.

% of 25 – 37 Year Olds Living in Parents' Home



SOURCE: Pew Research Institute, "Millennial life: How young adulthood today compares with prior generations," 2/14/19

Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; The Wall Street Journal, "'Playing Catch-Up in the Game of Life.' Millennials Approach Middle Age in Crisis ," May 19, 2019;

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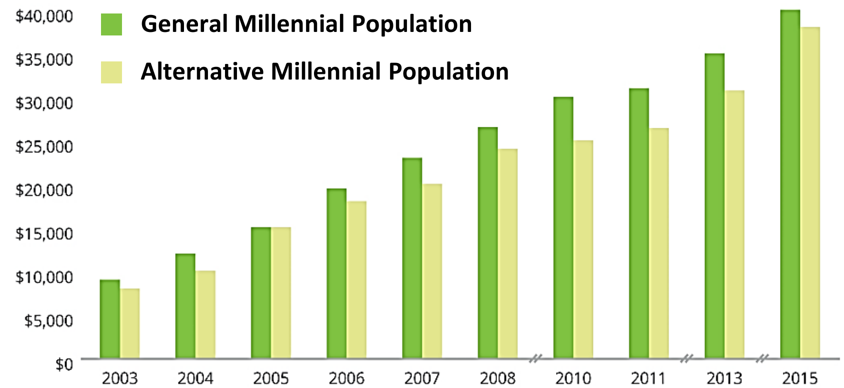
3. Finding Jobs: A Considerable Number Of Millennials Are Working As Independents Rather Than As Employees. They Are Part Of The Gig Economy

- **Millennials are now the largest generation in the U.S. workforce. Constituting just over 1/3 of the workforce**, a considerable number are working as independents rather than as employees.
- **4 in 10 recent college graduates are in jobs that don't require degrees**.
- Over the next decade and beyond, Millennials will drive a trend toward a new "gig economy" that is defined by the growing proportion of independent workers (e.g., self-employed, online platform workers like Uber drivers).
- Roughly 68 million workers (27% of the U.S. working age population) are performing independent work, with about 46% of them earning most of their income from it.
- Their work life is likely to leave them without a stable income stream, access to retirement plans and other benefits.

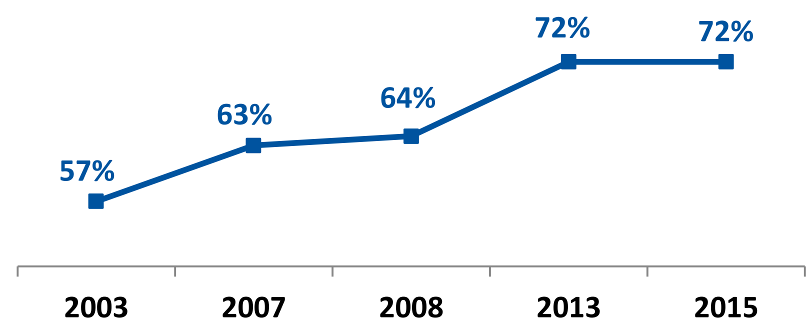
Self-employment is likely to triple to 42 million workers by 2020, with Millennials leading the way. By 2020, 42% of all self-employed individuals in the US are likely to be Millennials.

Median Individual Income Reported By The Alternative Worker



SOURCE: Deloitte, "Decoding millennials in the gig economy," May 2018, Deloitte analysis of NLYS97 data

% of Millennials' Income from Alternative Work



SOURCE: Deloitte, "Decoding millennials in the gig economy," May 2018, Deloitte analysis of NLYS97 data

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Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; InvestmentNews , "How financial advisers can serve the gig economy, September 25, 2019; Deloitte Insights, "Decoding millennials in the gig economy," 5/1/18

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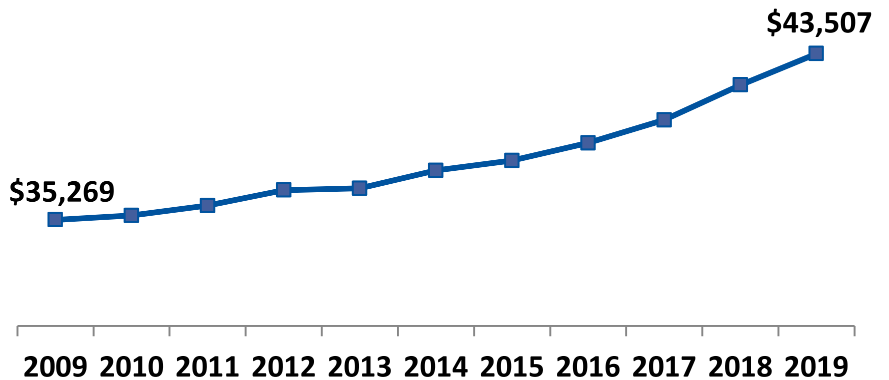
4. Incomes, Savings & Assets: Young Households Have Lower Incomes And Fewer Assets Than Previous Generations Did At The Same Age

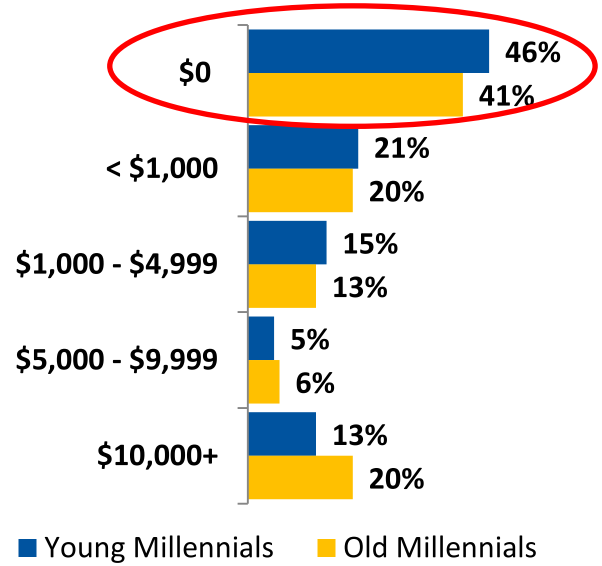
Less Powerful Paychecks: When adjusted for inflation, overall wage stagnation has decreased purchasing power for many young Americans.

Estimated Annual Median Earnings for 25 – 34 Year Olds



Source: Bureau of Labor Statistics, Based on median usual weekly earnings for each quarter

Money In A Savings Account: 2017



Source: GoBankingRates, "More Than Half of Americans Have Less Than $1,000 in Savings in 2017," 9/17

Distribution of Household Investable Assets by Generation: 2018E ($ Billions)

	Millennials	Gen X	Baby Boomers	Silent Generation	All Households
Total investable assets ($ billions)	$1,950	$8,625	$26,747	$11,308	$48,629
Average investable assets	$64,846	$241,391	$612,417	$618,572	$380,653
Total households (millions)	30.1	35.7	43.7	18.3	127.8

Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019; InvestmentNews, "Advisers have much to learn about next generation clients," September 12, 2019; Cerulli Associates, US Retail Investor Advice Relationships 2019

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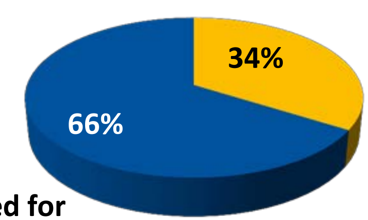
5. Retirement Preparedness: Absence Of Pensions, Paltry Participation In DC Plans, Stagnant Wages, Gig Employment & Ballooning Cost Of Living Hurt Millennials

- **2/3 of Millennials say they need to catch up on their retirement savings**.
- 37% of millennials said they would have started investing at a younger age if minimums had been lower.[4]
- One-third of independent, full-time contract workers cited planning for retirement as a top challenge. A survey found that 34% of independent contractors reported having no retirement savings.[2]
- Just 18% of Millennials consistently max out their 401(k) accounts, and 17% max out their IRA contributions; yet 62% of Millennials are confident that they will be able to retire by 65 or earlier.[1]
- Many financial experts recommend that Millennials should be saving at least 15% of their income for retirement over an expected 40-year working career. Yet only 14.2% of Millennials with employer-sponsored retirement accounts are doing so.

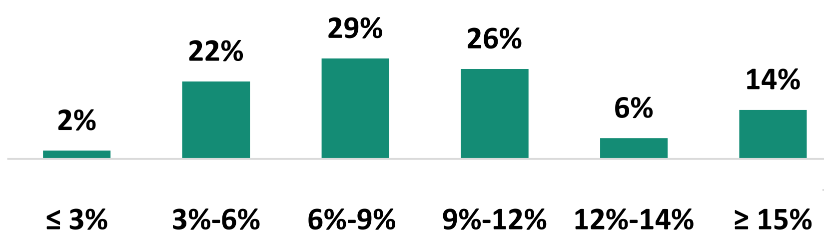
2/3 of Working Millennials Have $0 Saved for Retirement [3]



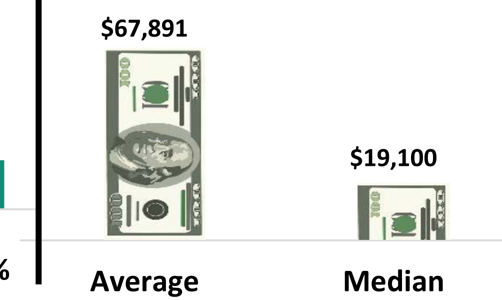
$0 saved for retirement

Total = 83 million

Of Working Millennials Who Are Saving, Only 14% Save Adequately For Retirement[3]



Assets: Millennials with Retirement Accounts[3]



SOURCE: National Institute on Retirement Security, author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
*Note: % represent combined employee and employer contributions.

[1]TD Ameritrade, 2019 Retirement Pulse Survey, September 2019; [2]InvestmentNews, "How financial advisers can serve the gig economy, September 25, 2019; [3]National Institute on Retirement Security "Millennials and Retirement: Already Falling Short," February 2018; [4]WealthManagement.com, "TD Ameritrade Lowers Account Minimums for Its Robo," 11/18/19

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Characteristics and Wealth Management Needs Of Gen Y & Z

Characteristics of Gen Y (Millennials) and Gen Z

Gen Y

AKA: Millennials
Born: 1981 – 1996
Age 2018: 22 - 37
72 million - ~ 22% of the population

Millennials are the first generation of digital natives. Their affinity for technology touches everything in their lives. They are better educated, marry later, buy homes later, and have children later than the boomers did.

- **85%** of Millennials have a conservative risk tolerance.
- Millennials are **more confident investing in savings accounts** than workplace retirement plans, tax-advantaged plans or real estate.
- They trust retirement advice more from family and friends than from a financial professional/advisor.
- **39% cite lack of knowledge as a barrier to investing.**

Gen Z

AKA: Centennials, Founders, & iGen
Born: 1997 – Current (no chronological endpoint set yet)
Age 2018: 6 - 21
90 million - ~ 28% of the population

Gen Z is a large, diverse, and digitally entrenched generation that behaves more like Baby Boomers than Millennials. Financial independence is very important to this generation. They plan to work during college, want to avoid personal debt at all costs, and save for retirement.

- **77% earn their own spending money** through freelance work, a part-time job, or earned allowance.
- **35% plan to start saving for retirement** when they are in their 20s; 12% are already saving for retirement.
- **29%** believe that personal debt should be reserved for a few select items and **23% believe personal debt should be avoided at *all* costs**.

Source: The Financial Brand, "Money Freaks Gen Z Out Creating Opportunity for Financial Marketers, " citing Schwab study April 2017 "The State of Gen Z 2017: Meet the Throwback Generation," and NAPA Net, "Millennials, Move Over – Gen Z Has Arrived," 5/31/17' Deloitte Insights, "The consumer is changing, but perhaps not how you think," 5/29/19   [2] Broadridge Financial , "Millennials Most Confident in Savings Accounts and Want More Personal Communication," August 2018, survey of 1,000+ U.S. respondents ages 22-59

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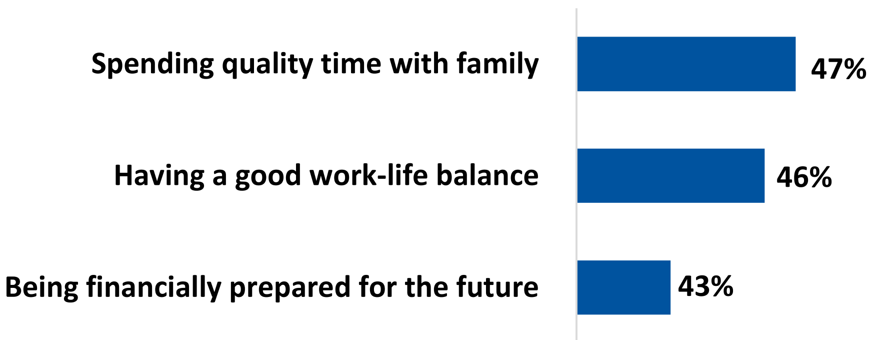
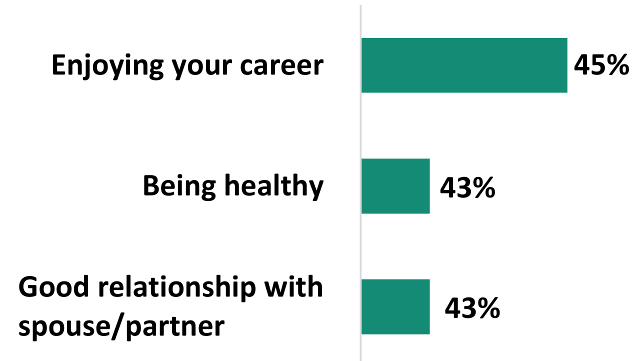
Millennials And Gen Z Have Different Definitions Of Success, But Both Generations Believe Having More Money Would Improve Their Lives The Most

Top 3 Attributes Defining Success

Millennials



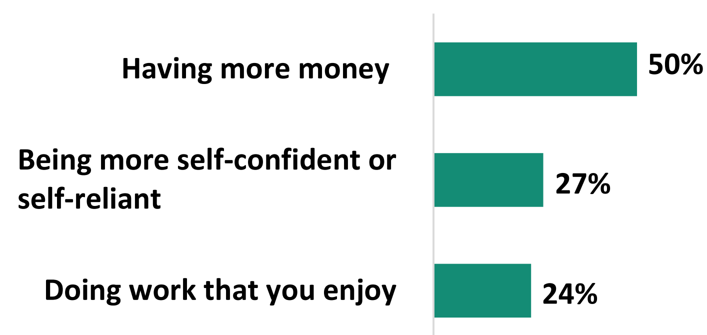
Gen Z



Top 3 Factors That Would Improve Their Lives Most

Millennials

Gen Z



Northwestern Mutual, 2019 Planning and Progress Study: Generation Z

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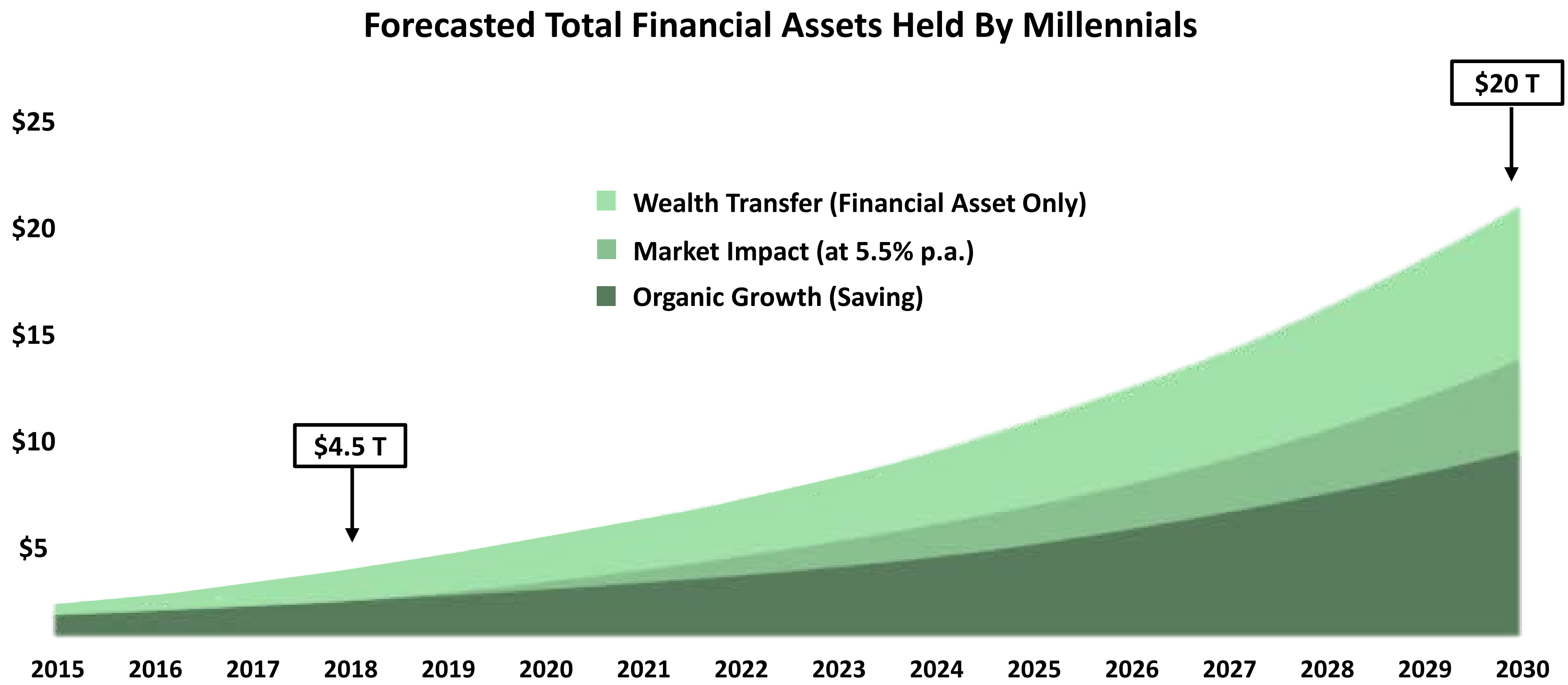
By 2030, Millennials Will Hold 5X As Much Wealth As They Do Today

Millennials stand to inherit $30 trillion in wealth.



Source: CB Insights, "How To Win The Next Generation Of Investors," June 2019; US Census; Ribbit Capital analysis.

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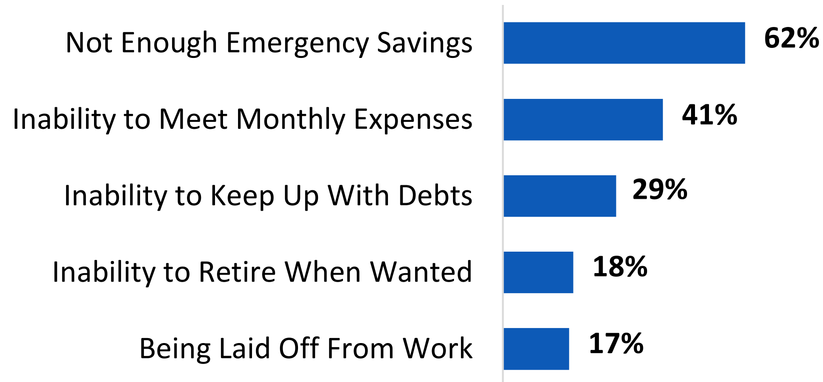
Roughly 60% of Millennials Have No Exposure To The Stock Market,[1] And Nearly 70% Say They Do Not Work With A Financial Advisor[2]

- **85%** of have a conservative risk tolerance.[3]
- **39%** cite lack of knowledge as a barrier to investing.[5]
- **2 out of 3** report they actively save for retirement.[2]
- **72%** working with a financial professional are very or extremely satisfied.[5]
- Only 16% express strong interest in using robo advisors.[5]

Top 5 Financial Concerns For Millennials

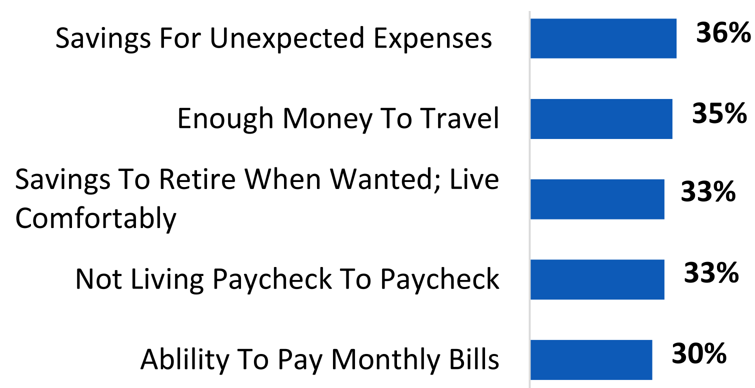


SOURCE: PwC, "8th Annual Employee Financial Wellness Survey, 2019; The Financial Brand, "Can Your Financial Wellness Program Solve Millennials' Money Stresses?," July 30, 2019.

Reasons Millennials Do Not Use An Advisor

SOURCE: FINRA Investor Education Foundation and CFA Institute, "Uncertain Futures: 7 Myths About Millennials and Investing," 2018, survey of 2,828 respondents (1,814 millennials).

Millennials' Top 5 Financial Goals



SOURCE: FINRA Investor Education Foundation and CFA Institute, "Uncertain Futures: 7 Myths About Millennials and Investing," 2018, survey of 2,828 respondents (1,814 millennials).

Source: 1 InvestmentNews, "What Millennials Really Want Out Of Fintech," February 2019
2 Broadridge Financial , "Millennials Most Confident in Savings Accounts and Want More Personal Communication," August 2018, survey of 1,000+ U.S. respondents ages 22-59
3 Financial Planning, "Why linking finance and wellness might attract millennial advisory clients," 3/13/18
4 Guardian, "From Smartphones To Smart Planning," 2018, online interviews with 3,061 Americans with household incomes of $50,000+
5 FINRA Investor Education Foundation and CFA Institute, "Uncertain Futures: 7 Myths About Millennials and Investing," 2018, survey of 2,828 respondents (1,814 millennials)

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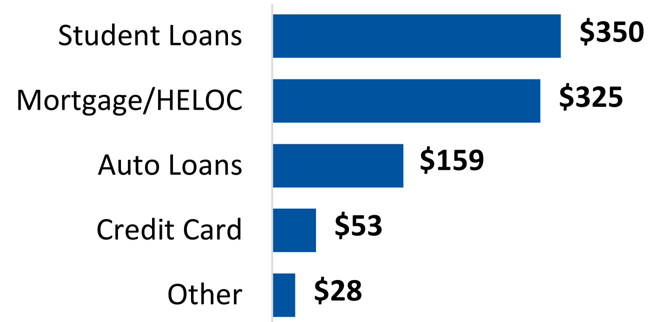
Generation Z Is Just Entering The World Of Student Loans, First Apartments And Financial Burdens — And They're Hungry For Help In Figuring It All Out

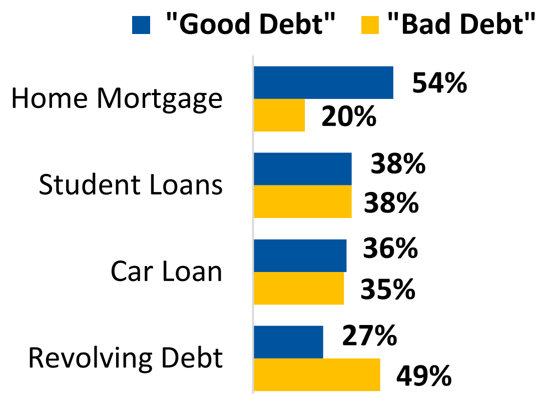
- Many young adults heading to college **do not feel prepared to handle their impending financial challenges** and are struggling more than older generations with basic money management and overall financial skills.
- Parents are the primary source of their financial education.[3]
- **64% have never taken a financial education class,[2]** but:
  - o 43% want to learn how to save money
  - o 38% want to learn how to manage their expenses
  - o 36% want to take a class that teaches them how to file their taxes.
- While Gen Z is fairly **inexperienced with credit**, they are eager to learn about personal finance and credit.
  - o 49% find personal finance interesting.[2]
  - o **They are typically debt averse with 1 in 5** saying that debt should be avoided at all costs.[3]

Debt of Americans Aged 18 - 29: Q2 2019 ($ Bns)



SOURCE: Bloomberg, "Young People Are Starving for Classes on Finance," 9/21/19 Tips on Taxes New York Fed Consumer Credit Panel/Equifax, data only for 18-29 year olds.

Generation Z's Attitudes About Types Of Debt



SOURCE: Charles Schwab, "Young adults lack basic money know-how for long-term financial success," 2019, survey of 2,000 Americans ages 16 to 25; The Financial Brand, "Money Freaks Gen Z Out, Creating Opportunity for Financial Marketers," February 2019.

[1] InvestmentNews, "Young people thirsty for personal finance know-how," September 23, 2019;
[2] Experian, "Survey: Generation Z Keen on Learning About Personal Finance and Credit, September 6, 2019
3 The Center for Generational Kinetics, "The State Of Gen Z 2017: Meet the Throwback Generation," survey of 2,004 US respondents (1,004 Gen Zers, ages 14-21)

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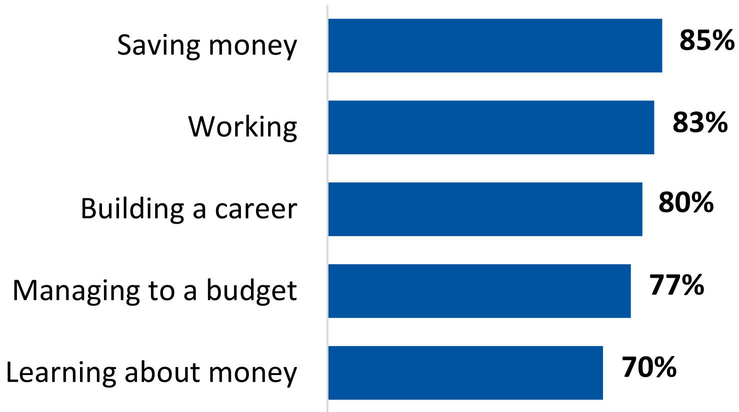
Financial Independence Is Very Important To Gen Z. 70% Say That Educating Themselves About Money Is Important To Achieving Their Goals[1]

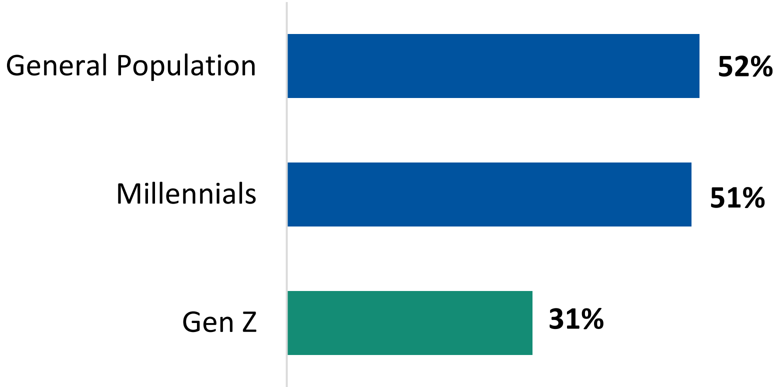
- Gen Z is more informed about investing than Millennials.[2]
- **81% of Gen Z consumers ages 18 - 21 say money matters are a leading source of stress.**[1]
- Gen Z is more unsure about their personal savings than other generations and lacks clarity on the balance between spending now vs. saving for later; so they tend to hold back on spending just to be safe.
- 51% said they were worried about not having enough money to do what they enjoy later in life; so it's likely that they will get a handle on their personal finances sooner than later.

Generation Z's Top 5 Financial Priorities



SOURCE: Charles Schwab, "Young adults lack basic money know-how for long-term financial success," 2019, survey of 2,000 Americans ages 16 to 25; The Financial Brand, "Money Freaks Gen Z Out, Creating Opportunity for Financial Marketers," February 2019.

Those Who Understand How Much They Could Afford To Spend Vs. How Much They Should Be Saving



SOURCE: Northwestern Mutual, "2019 Planning & Progress Study: Generation Z," August 2019, survey of 2,003 American adults aged 18+ and an oversample of 281 U.S. adults age 18-22.

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[1] The Financial Brand, "Money Freaks Gen Z Out Creating Opportunity for Financial Marketers, " citing Schwab study
[2] InvestmentNews, "With money on their minds, Generation Z is ready to invest," July 2018.

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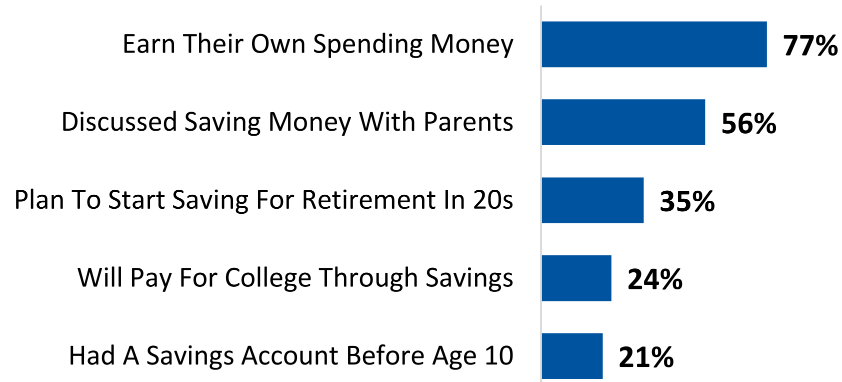
Gen Z Is Already Thinking Of Ways To Save For Retirement. They're Known For Their Frugality[1]

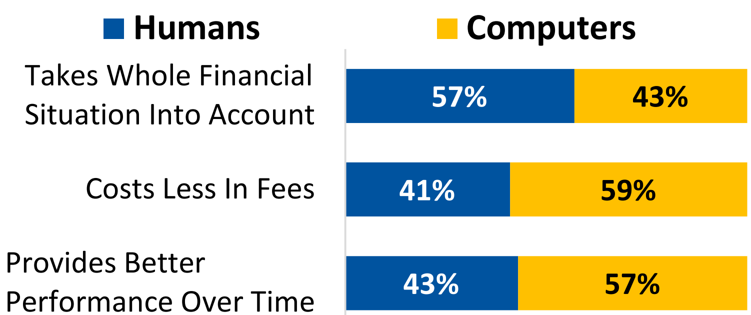
- Gen Z is already working, saving money, and determined not to end up like Millennials.[2]
  - **12% are already saving for retirement.**
- 89% feel empowered by planning for their financial future.[3]
  - **64% have begun researching/talking to others about financial planning.[3]**
- 31% would be willing to allocate ≥ 50% of their investment portfolio to impact investments.[4]

Characteristics Of Gen Z As Savers And Investors



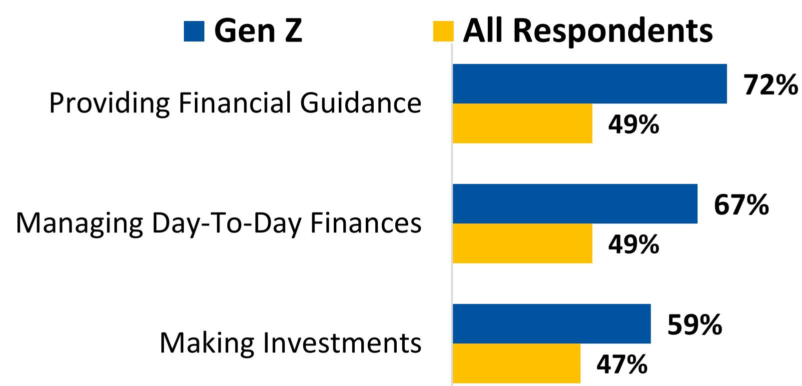
SOURCE: The Center for Generational Kinetics, "The State Of Gen Z 2017: Meet the Throwback Generation," survey of 2,004 US respondents (1,004 Gen Zers, ages 14-21)

Gen Z's View Of The Effectiveness Of Computers Vs. Humans In Relation To Investing



SOURCE: Logica Research, "The Future Of Money Report," 2018, survey of 1,000 U.S general population adults and an augment sample of 200 Gen Zers.

Comfort Level With Artificial Intelligence



SOURCE: Merrill Lynch, "Fall 2018 Merrill Edge® Report," November, 2018, survey of 1,034 mass affluent respondents.

Sources: 1 InvestmentNews, "With money on their minds, Generation Z is ready to invest," July 2018.
2 The Center for Generational Kinetics, "The State Of Gen Z 2017: Meet the Throwback Generation," survey of 2,004 US respondents (1,004 Gen Zers, ages 14-21)
3 Lincoln Financial Group, "Gen Z and the Challenges/Opportunities Driving Their Financial Mindsets," August 11th, 2016, survey of 400 Gen Z members (ages 15-19)
4 Swell Investing, "Money Meets Morals," September 27th 2018, survey of 2,000 US adults aged 18 and up, among whom 1,413 have investments.
5 Marketing To Gen. Z, "Stop Guessing About Gen Z," 2018

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The New Playbook for Advice: Working With Gens Y & Z

Millennials Are Largely Underserved By The Financial Advice Industry. Advisors May Be Underestimating The Opportunity & Misunderstanding Their Needs

The old rules for building wealth are becoming obsolete. Advisors should consider a new approach to landing the younger generations.

1. **Dispel any myths they have about advisors**; e.g., the cost to work with an adviser. About 77% of Millennial investors believe it would cost them 5% of their investible assets.
2. **Start by understanding their full financial picture**. A holistic client view and financial planning are now integral to wealth management. Data aggregation sheds light on the client's financial picture: assets, debt, spending, and saving. Financial planning uncovers their priorities and goals.
3. **Consider offering alternate fee structures**; e.g., subscription models, quarterly fees, hourly fees, planning fees.
4. **Help educate them about money/investing.** Education is essential in helping debt-strapped Millennials learn how to spend less when paying down loans.
5. **Communicate their way.** Millennials demand mobile and digital access. They are used to simple and quick interactions and will go elsewhere if they don't get such an experience with their financial advice provider.
6. **Match client prospects with younger advisors/planners, which helps create a connection of peers.** Younger advisors/planners are more likely to understand the competing priorities for Millennial cash flow and less likely to force them into prioritizing retirement saving over other goals. For Millennials, thoughts of saving for retirement pale next to what weighs heavily on their minds--school loans.
7. **Demonstrate how advisors can help them achieve financial wellness by managing debt and investing for the long term.** Conversations need to be about how they are allocating their money, their expectations for returns, and their understanding of risk.

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Source: The Wall Street Journal, "Your Parents' Financial Advice Is (Kind Of) Wrong," September 13, 2019, and InvestmentNews , "Advisers have much to learn about next generation clients," September 12, 2019; InvestmentNews, "Don't fear millennials," September 18, 2019

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What Advisors Need to Understand About Millennials And Gen Z in Order to Gain Their Trust And Work With Them

1. Acknowledge that this group is drowning in student load debt.
2. Understand they face extremely high housing costs.
3. Realize that many entered the work force at the height of the recession making it difficult to find a job; and when they did, many took starting salaries that were less than desirable.
4. These factors set this group back financially (not avocado toast).
5. Understand that it's not that this group does not want to invest, but many do not believe it is even an option for them financially.
6. An advisor will have to build out a budget that includes saving and investing.
7. An advisor will need to demonstrate that it's possible to invest by building a step-by-step-plan so they can visually see that it is possible to do it.

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Attracting Gen Y & Z: Have A Good Website; Be Transparent; Describe Your Value Proposition

- In a majority of cases, a client's first step to find an advisor will be to look at their website describing their offering. Studies indicate that the **decision to move forward (or not) is made in a matter of seconds**.
- There are a number of key areas that every financial advisor website should have:
  - An **"Our Team"** page that talks about the advisors at the firm themselves and their experience and credentials. It is important to have bios on the site for each financial advisor. Investors want to know who is going to be advising them and their years of experience, college degrees, and relevant certifications.
  - A "**Who We Serve**" page that describes their ideal types of clients: business owners, professionals, retirees, etc. This helps prospective clients know if they're a fit (or save their time if they're not).
  - A "**What We Do**" page that describes the services provided in enough detail that they can make a connection.
  - An **"Our Practices"** page that explains how the firm is compensated, how it interacts with clients, and how it protects client information, given consumer focus on cybersecurity and preventing identity theft.
- It's important that this information all be clearly accessible from the main menu of the advisor's website, because recent research finds that **the average time on a financial advisor's website is just 2 minutes and 33 seconds**. So, effectively, that's all the time an advisor has to deliver enough relevant information to connect with a prospective client online.
- All of the information on the website **must be delivered in a clear, intuitive manner** because surveys show investors will exit sites before they will look for information. Intuitive navigation should lead visitors to the information they are seeking.
- Financial advisors should assume investors are visiting several financial advisor websites. The information on the site will determine which advisors are contacted.

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Source: Michael Kitces.com 11/22/19 and Seeking Alpha, "What Do Investors Focus On When They Visit Financial Advisor Websites?" Jack Waymire)

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Attracting Gen Y & Z: Offer Payment Choices

- Having a **published pricing structure has two purposes**:
    1. It provides **fee transparency,** communicating that a firm has nothing to hide.
    2. It acts as a **screener for selecting clients** that are actually serious about their financial problems.
- Components of the fee structure should be described in precise, concrete terms, **perhaps presented in hard dollars instead of basis points**.

Example of One Wealth Manager's Website Description of Comprehensive Financial Services Offering

Think of this as a financial reorg. I will take a look at your whole financial picture, get you organized, make a plan and implement it. It'll help you determine what you want your money to do for you and set you on the path to achieving your goals. This includes:

- 30-minute assessment call
- 90-minute discovery call to discuss what money is needed and wanted for, and any pressing concerns
- Data gathering & analysis
- Your very own financial dashboard
- A full financial plan, documented and actionable
- 90-minute call to review the plan and strategy
- Quarterly meetings to check on progress and make any changes necessary
- A CFP professional you can reach via email at any time if your situation changes or you have questions

$1,500 - $2,500 flat fee + $149 - $175 monthly subscription

Source: Simon-Kucher & Partners, "Nothing to Lose: Pricing for the Next Generation of Wealth Management Clients," January 2019

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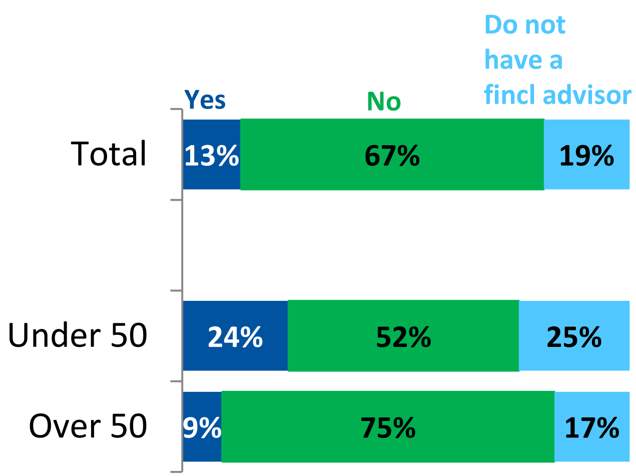
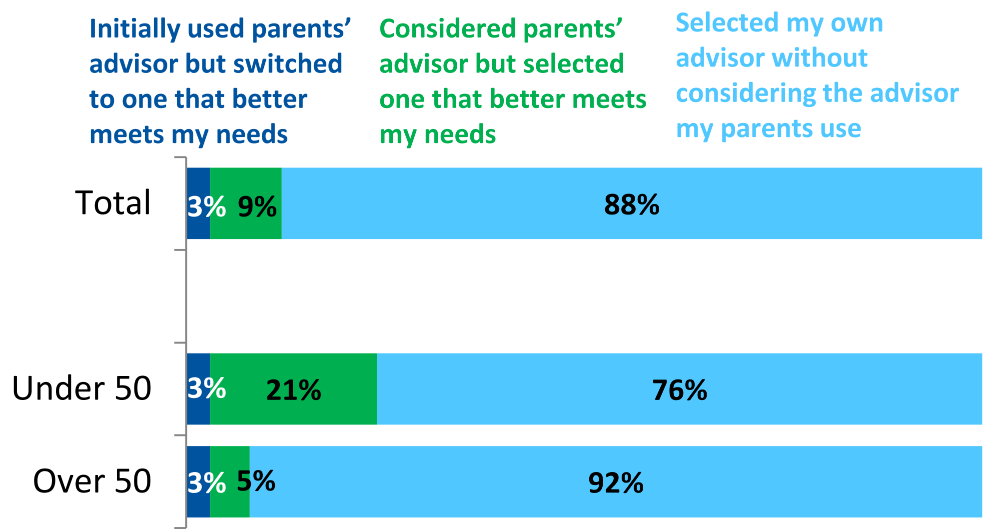
Attracting Gen Y & Z: Start By Targeting Children Of Clients (The Transfer of Wealth To Younger Generations Poses A Threat To Advisors' Asset Bases.)

- The importance of reaching out to potential inheritors early and often is critical if an advisory practice hopes to maintain assets through a wealth transition.
- View the client as the **whole family**. Have current clients **introduce their adult children** to their advisor. This will put the advisor in a great spot for when these clients start accumulating assets or inherit assets.
- 2/3 of advisors lose the account when a child inherits money from their parents.[1]
- **Just a quarter of heirs under 50 will choose to work with the same advisor that their parents used**.[2]
- **88% of heirs report not even considering their parents' advisor.**[2]

Retention of Parents' Advisor



Reason for Choosing a Different Advisor



[1]ThinkAdvisor, "5 Key Ways to Build Relationships With Millennials," 4/18/19
[2]Cerulli Associates, US Retail Edge, Q2 2019

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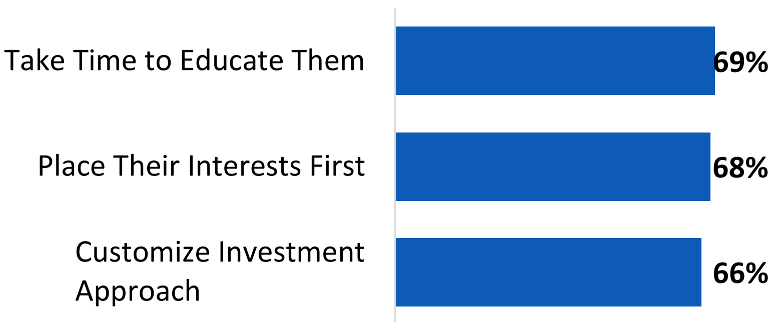
Attracting Gen Y & Z: Establish Trust; Encourage Participation In The Investment Process

- 41% of millennials trust their parents when it comes to financial advice, but **only 14% trust advisors**.
- The more advisors can help identify and address pressing client concerns, the more client trust they gain and the more confident clients become.
  - **Establishing Trust**: Younger generations often wait a long time to start a family because of financial uncertainty. Advisors who address such concerns help put their clients' minds at ease. This may go hand-in-hand with budgeting and goals-based planning, but talking about the "elephant in the room" helps build trust and instill confidence that it can all work with minimal financial stress

Ways A Financial Professional Can Build Trust With Millennials



SOURCE: FINRA Investor Education Foundation and CFA Institute, "Uncertain Futures: 7 Myths About Millennials and Investing," 2018, survey of 2,828 respondents (1,814 millennials)

5 Ways to Build Relationships With Millennials*

1. **Communicate with them on their own terms.** They prefer texting over talking, mobile over desktop, video over reading.
2. **Be an advisor, not a dictator.** Advisors will need to move from "just trust me" to "let me walk you through the logic, and I'd love to get your opinion." Millennials want to be part of the conversation and decisions.
3. **Create content around your products so that** people can learn about the value you provide without having to speak with you.
4. **Use video or podcasts to create rapport.** Comprehension is dramatically higher with video vs. just reading.
5. **Help them invest in solutions to meet their vision**. Millennials are a very socially conscious generation and want to know that the money they invest is going to improve the world. They want to know their investments are having an impact.

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*ThinkAdvisor, "5 Key Ways to Build Relationships With Millennials," 4/18/19

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Serving Gen Y & Z: Educate And Show Them How To Invest In Their Future; Enable Them To Be Part Of The Process. Financial Literacy Is Not Taught In School

- Advisors who **teach Gen Y and Z the basics** (e.g., balancing a checkbook, budgeting, saving, etc.) will go a long way to not only educating them but building trust too. This will pay dividends in terms of improving financial literacy, attracting talent to your firm, and building the practice.
- **Young people are keen to learn how to save, manage expenses and file taxes**, according to a survey of 18- and 19-year-olds by Experian.
  - Gen Z wants more knowledge on personal finance: 3 out of 4 high school graduates wish for mandatory personal finance classes.
  - Help them visualize savings & expenses. Show them how savings can impact the future portfolio value.
- Advisors increase their value by **becoming the gateway to knowledge and source for solutions**. Some of their most common questions center around life insurance, how much to contribute to a 401(k) and budgeting.
  - Advisors can increase their value by assuring Gen Y & Z they have the information to answer their questions.
  - Help them understand that money isn't just something on their phones. Introduce the concepts of investing.
- Perhaps **devote a sleeve of a portfolio to a client's discretion** and allow them to do some research and pick their own investments. It may require more of a time commitment, but it keeps them engaged.
- **Allowing Millennial clients to participate in the management of their finances is key** because they want to be a part of the process.

For many young investors, saving for the future takes a backseat to the here and now. By providing greater guidance on their terms, advisors can help the younger generation feel confident in their decisions and increase the value they perceive from advisor relationships.

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InvestmentNews, "Young people thirsty for personal finance know-how"
WealthManagement.com, "Diving into The Young Investor Mindset," 11/19/19
ThinkAdvisor, "5 Key Ways to Build Relationships With Millennials," 4/18/19

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Serving Gen Y & Z: Don't Be One Of Those Money Show Talking Heads. Adapt Your Approach To Education Consistent With Their Tech-Forward Lives

- Millennials are heavily influenced by market events of their youth. Most were old enough to watch their parents panic about their 401(k)s after the tech bubble burst, and those that weren't certainly were old enough to experience the 2008 market crash early in their investing lives.
- Millennials are particularly wary of used car salesmen tactics when it comes to financial vehicles. It's vitally important for advisors' credibility with Millennial clients to **strike a balance between being knowledgeable enough but not sounding like a talking head on those cable money shows**.
- Advisors can provide real value by educating younger generations on the best strategies for financial success. How to start:
    - **Volunteer at a local school or host a financial "open house"** at the local library. These are safe learning environments in which students can have their biggest questions around investing answered and start a financial dialogue with an expert advisor.
    - **Consider implementing an education component to the practice**; e.g., develop a blog or another form of digital communication. This creates the image of the advisor as a resource for questions about personal finance, investing, and saving.
    - One advisor took a client's daughter out for lunch prior to going away to college and started teaching her **basic personal finance lessons.**
    - Another advisor **helped a recent college grad make 401k/benefit selections**.

Millennials are highly educated and not afraid to ask for advice; but they are not in the sweet spot for advisors. They are, however, the future affluent.

WealthManagement.com, "Diving into The Young Investor Mindset," 11/19/19

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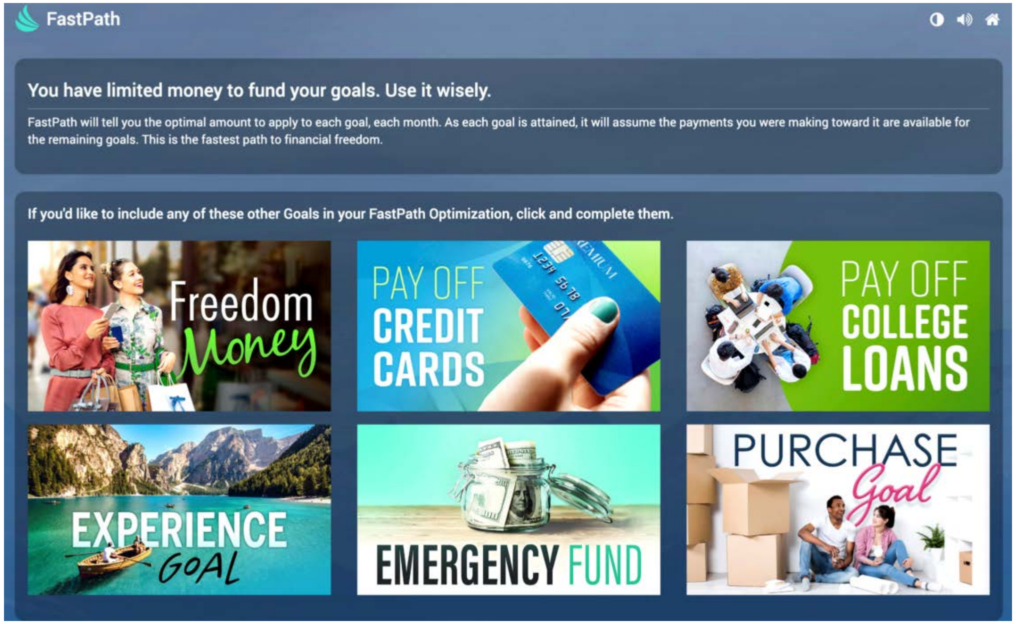
Serving Gen Y & Z: Build The Foundation. Make it Fun. Use Gamification.
Data Aggregation and Financial Planning Underpin Financial Wellness



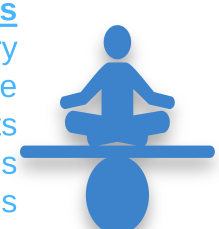
Example: MoneyGuide MyBlocks
(Green Font – Especially For Gen Y & Z)

Emergency Fund	Pay off Credit Cards
Experience Goal	Protect Your Family
FastPath to Free	Purchase Goal
Financial Concerns	Quiz: What Did it Cost?
Financial Goals	Quiz: What Will it Cost?
Freedom Money	Retirement Bliss
Health Care	Retirement Concerns
Inflation	Retirement Expectations
Life Expectancy	Risk Score
Long Term Care	Social Security
Pay off College Loans	Yodlee FinApps (10 blocks)

- MyBlocks, for example, helps younger generations learn about key elements of finance in a fun way. This will resonate.
- Budgeting is perhaps one of the most overlooked aspects of a young person's financial situation. It is never taught in school. Advisors rarely talk about it. Most young professionals have no clue how they're spending their money and the impact it has.

Financial Planning Solves a Core Challenge

The Daily Needs
Salary
Income
Bank Accounts
Bills
Loans
Cash Flow
Budgeting



Long-Term Goals
Home
College
Retirement
Health
Giving
Legacy

Source: Envestnet | MoneyGuide

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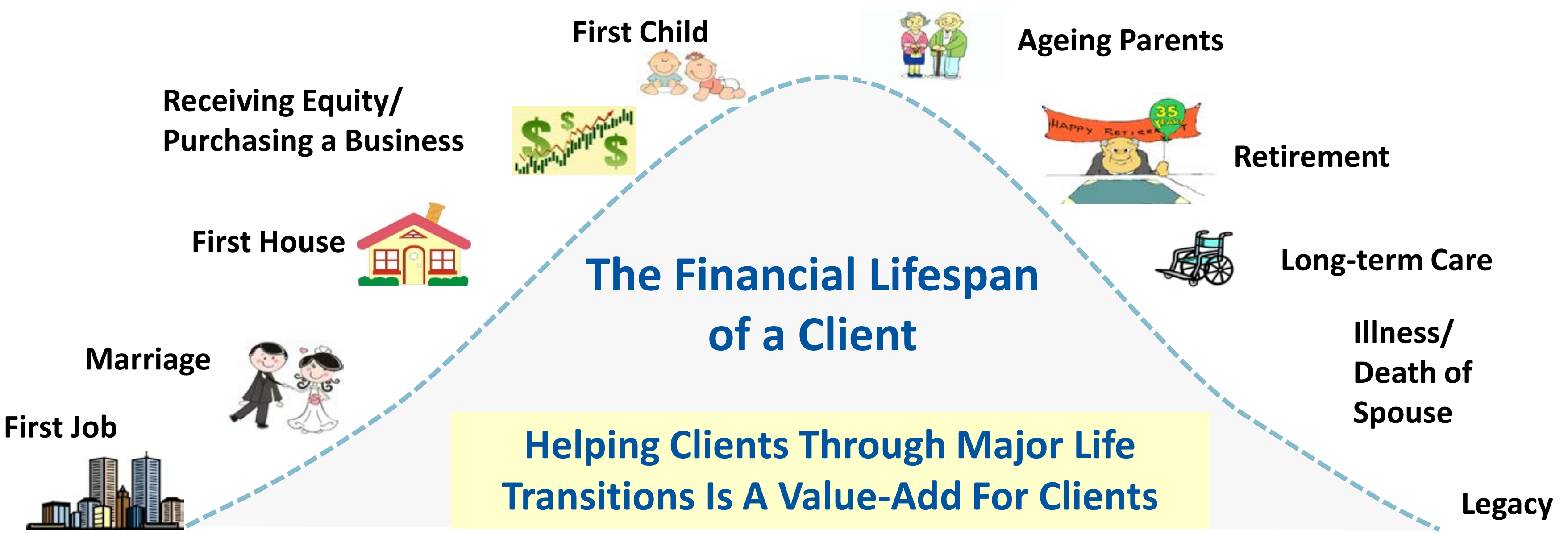
Serving Gen Y & Z: Respond To Their Challenges; Become Their Essential Advisor; Establish An “Expert Network”

- **Holistic advice starts at a very early life stage** (immediately post college). **The advisor becomes the one central point of contact** within an entire “Advice Network.”
  - **Example: First time home buying** – Advisors should have at least a couple realtor recommendations in their network whom they trust and to whom they can introduce their young clients looking to buy their first home. Along with that, perhaps a few good inspectors and appraisers to recommend.
- **Leverage account aggregation.** Managing multiple accounts can be overwhelming for a young investor, especially when they’re juggling both debt and assets. Bundling everything from a 401(k), to a traditional investment account and student loans can help advisors create a complete financial picture that’s easier for their clients to understand.



WealthManagement.com, “Diving into The Young Investor Mindset,” 11/19/19

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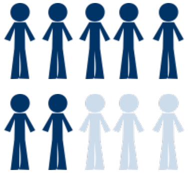
Serving Gen Y & Z: Understand Their Priorities; Take A Holistic Approach; Personalize Solutions; Use Stories To Illustrate A Point

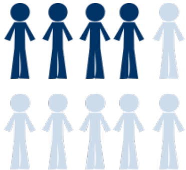
- Wealth managers will need to go beyond income and net worth. They will need to gain an **understanding of their clients' interests, causes, principles and passions.**
- **Understanding why Millennials save** is the first step to engaging them. Their priorities and wealth-building path are more complex than simply saving a percentage of income for retirement on autopilot.
- In fact, **saving for retirement often isn't high on the priority list** for younger clients who may be focused on near-term savings goals while still dealing with student loans that might not be paid off *until* retirement itself.
- **Personal preferences combined with data are essential to customizing investment ideas, alerts, and product recommendations.** Those advisors who are able to mine a big pool of data are better positioned to deliver.
- **Millennials want both high-tech and high-touch**. They are looking to wealth firms and advisors for specialized, personalized experiences and holistic, goal-oriented advice.

*Stories tend to resonate with clients. One study found that **people are 22X more likely to remember facts if they are delivered within a story**. When you tell a story – to illustrate a financial concept or planning strategy – it is more likely to engage the client, be memorable, and help to actually drive action or a decision.*

This is especially true when it comes to delivering financial plans to clients. Weaving the charts and numbers into a narrative story helps clients better understand how they can proceed to achieve their stated goals.



69% of Millennials said they expect to moderately or heavily use personalized advice.



39% said they would pay extra for personalized advice

Source: ThinkAdvisor, "How Storytelling Bolsters Financial Plans & Client Relationships," Angela Pecoraro, 11/21/19. Bloomberg, "The Old Rules For Building Wealth Are Obsolete," 7/24/19. Broadridge, "Develop a Millennial Strategy," 2016

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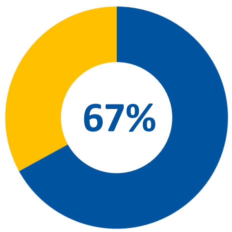
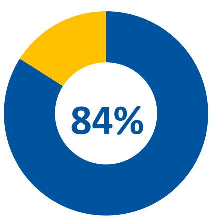
Serving Gen Y & Z: Empower Them To Invest Consistent With Their Values. Younger Investors Care As Much About Social Causes As Investment Growth

- Bank of America Merrill Lynch predicts that over the next 2 - 3 decades millennials could put $15 - $20 trillion into U.S.-domiciled ESG investments, which would roughly double the size of the entire U.S. equity market.

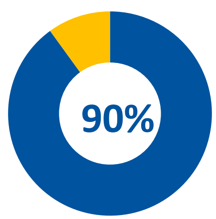
- Advisors who supply millennials with value-based investment options will be strongly positioned to attract new assets to the firm as well as retain beneficiary Millennial clients during wealth transfer situations.



67% of Millennials believe investments "are a way to express social, political & environmental value" (vs. 36% of baby boomers)



84% of Millennial investors expressed interest in sustainable investing.



90% of Millennials want to direct their allocations to responsible investments in the next 5 years

Wealth managers are building ESG capabilities in 5 key areas in response to growing demand for ESG

- **Screening on managed accounts**
- **Due diligence & manager research**
- **Portfolio Construction & Mgt**
- **Reporting & Transparency**
- **Marketing & Education**

Source: MSCI, "SWIPE RIGHT TO INVEST: MILLENNIALS AND ESG, THE PERFECT MATCH?," November 2017, citing recent studies examining whether ESG investing may help meet growing demand from millennials who want to do good with their investments and how wealth managers are responding to that trend

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Serving Gen Y & Z: Engage The Way They Want To Engage

Case Study: True Story with a CPA Twist And Analogous To Finding An Advisor

A Millennial couple moved from the city to the suburbs and needed to find a CPA to prepare their taxes--a search process akin to finding a financial advisor. They joined the local neighborhood ***Facebook group and searched for accountant recommendations*** *in the area.*

They found a name that came up frequently--a CPA in the area who had been in practice for 30 years, working with many families for a long time. They reached out to the CPA, discussed their needs and pricing, and decided to move forward.

The CPA asked: "So when are you coming in?" "Coming in??" the husband responded. ***"We don't need to come in. Give us a link to upload scanned copies of our W2s and statements, and let us know when it's ready."***

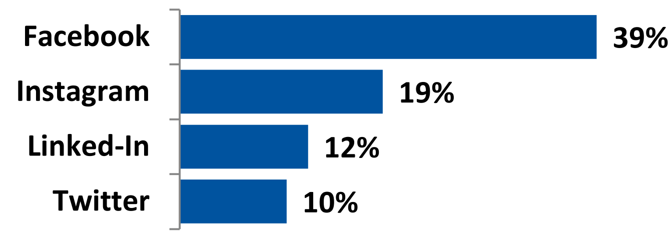
They uploaded everything to a secure portal, waited a week or two, had a 30 minute conference call to review the return, and e-signed for him to file.

That is how this couple has filed their taxes for the last 2-3 years and plans to continue doing so in the future.

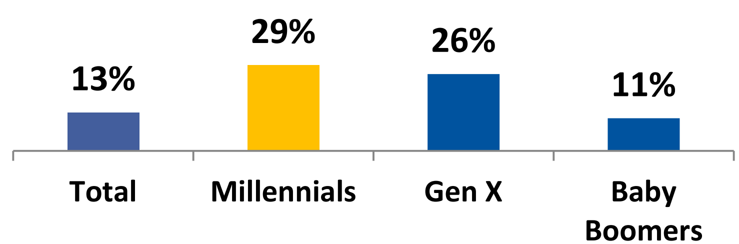
They never met the CPA in person, nor visited his office*. But they* ***wanted the human element as opposed to a purely digital solution*** *like Turbo Tax to make sure it was being done properly.*

To make a business professionally attractive to the Millennial generation, advisors need to accommodate the virtual nature of working with them and serve them how and where they want to be met.

How Millennials Communicate With Their Advisor



% of Investors Who Have A Financial Advisor They Never Met In Person



Source: Envestnet and Spectrem Group, "Wealthy Investors and the Use of Digital Tools Research Update," January 2019
Spectrem Group, "Communicating with Advisors and Providers, June 2019

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Serving Gen Y & Z: Leverage Technology For On-Demand Access And Data
"It's all about instantaneous requests and outcomes.“

- **Integrating technology will help advisors deliver financial wellness and work across generational lines** to include both parents and the kids. This is truly the way of the future with the younger generations.
- Technology integrations and platforms extend beyond digital portals or mobile devices. **Think Alexa**, where clients can simply ask about their portfolio from anywhere in their home, car, or office and get instant answers.
- **Technology enables quick, effective touchpoints** that can lead to stronger relationships over time.
- Both advisors and their clients should be able to leverage technology for planning, investments, budgeting, etc. It's especially powerful if the end client has access to that information on their phone.
- Use financial apps that give personalized feedback on the young investor's financial picture. Examples: Acorns, Mint, Wally, Robinhood.

Our world is moving towards "a picture is worth a thousand words."

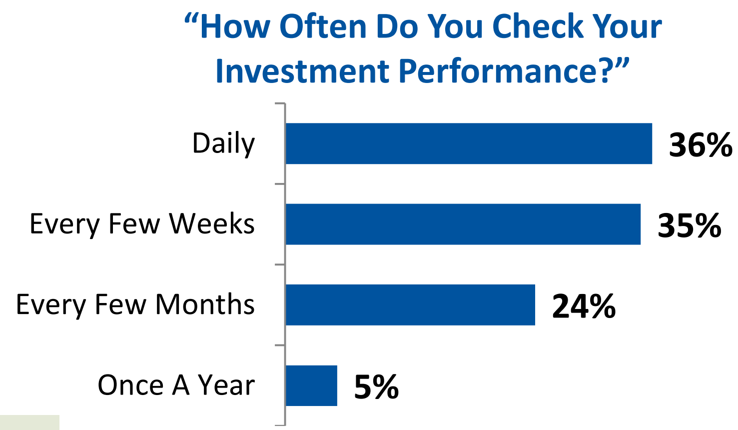
The cell phone is all about the camera.

Like it or not, we are all being led down the same road of technology dependence and efficiency. Advisors need to embrace this for all their clients.

Technology not only plays well with younger generations, it also is how older folks are engaging. Even grandma is using a tablet these days.

If you post an interesting photo or video, you attract a lot of eyeballs.

. . . It's all about photos and videos. . . . Advisors need to incorporate that into marketing.



YCharts, "Millennial Saving & Investing Habits"

Source: Envestnet

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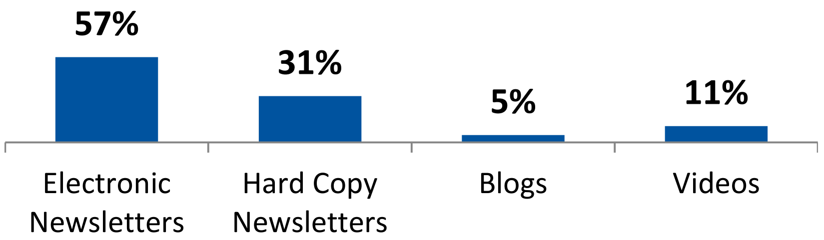
Serving Gen Y & Z: Stay In Touch And Keep Them Engaged. Digital Marketing Offers Advisors The Opportunity To Stay Top-of-Mind And Flex Their Expertise

- It is more important than ever **to connect with consumers across any and all digital platforms**. Email newsletters might seem a little old-fashioned, but clients and consumers find it comforting to hear their trusted advisors' take on trends and forecasting. That one-on-one connection is powerful.
- Millennials enjoy **on-demand access to information**. Make it easy for them through a portal or a daily e-mail with a portfolio update.
- Also effective are news articles that are relevant to their interests and their portfolios.

Advisor-Provided Educational Materials



Source: Wealth Spectrem: Communicating with Advisors and Providers, 2019

An email producing a 20% - 25% open rate is considered a success. ***The most successful emails, which include a personal tone, strong art, and multimedia like video, can produce open rates as high as 50%.***

Suggestions for Electronic Communications

- Make them more "scannable," including **clear titles and short article intros with links** to click through for those who want the longer read.
- Include **catchy headlines and clever introductions** to draw readers into the content.
- The e-mail needs to be **optimized for mobile** because at least 50% are viewed on mobile devices.
- Add **audio and video to boost engagement**, and ensure the player is mobile optimized.
- The **best day to send an e-mail is Saturday**. Sundays and Mondays produce the lowest engagement.
- The email **should come from a financial advisor or firm president** because it gives off a personal touch, and users will be more inclined to open it.

Source: Michael Kitces.com 11/22/19, and RIA Intel, "Why Nobody Is Reading Your RIA's Newsletter ," Alli Romano, 11/18/19

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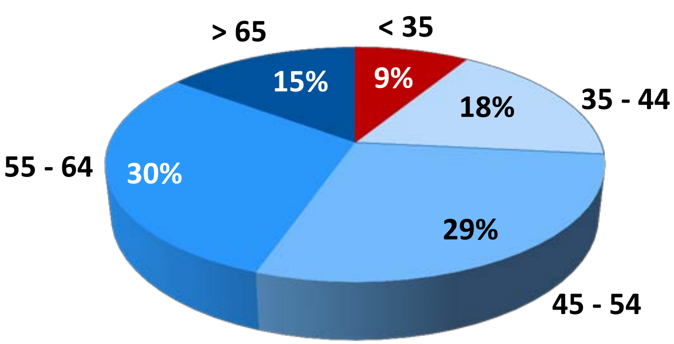
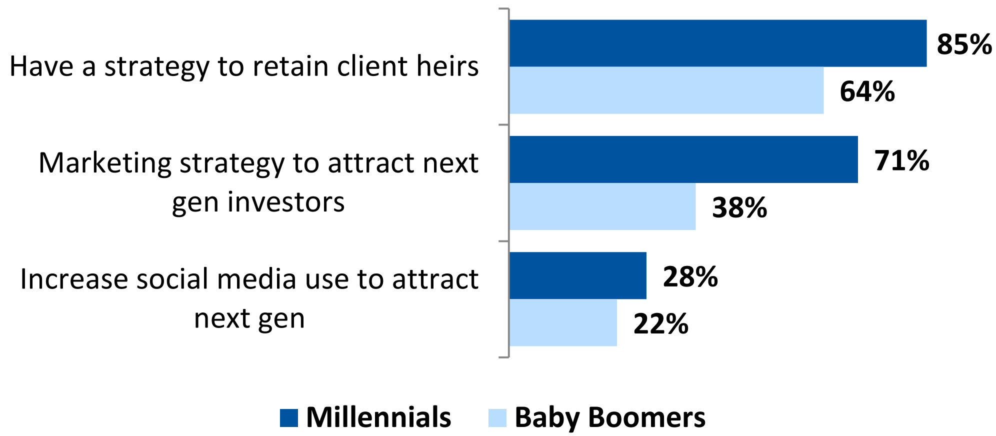
Serving Gen Y & Z: Advice Through Peers

- One of the fundamental challenges is that the average age of an advisor is on par with a Millennial's parents, such that the advisor may be out of touch with the realities of managing cash flow and competing priorities for today's 20- and 30-somethings who might be juggling households where both spouses work and commute, servicing 6-figure student loan debt, trying to start a family, and saving for a home all at the same time.
- **Adding to the team an intern as a junior team member who can do some of the more routine work would not only lighten the load for the real producers but add value through their technology savvy and their ability to communicate well with peers**.
- Chances are the average advisor (in their mid-50s) will not get up to speed with technology fast enough or well enough to satisfy Gen Y and Z. This is why a team approach works well.

Composition of Advisor Population by Age: 2017



What Millennial Advisors Bring To The Practice



Source: Cerulli Advisor Metrics 2018 and Nationwide, Fifth Annual Advisor Authority Study, 12/2/19

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Summary: The New Playbook for Advising Gens Y & Z

Attracting Gen Y & Z:

- Have a good website; be transparent; describe your value proposition
- Offer payment choices
- Start by targeting the children of clients
- Establish trust; encourage participation in the investment process

Serving Gen Y & Z:

- Educate and show them how to invest in their future; enable them to be part of the process
- Don’t be one of those money show talking heads. adapt your approach to education consistent with their tech-forward lives
- Build the foundation. Make it fun. Use gamification.
- Respond to their challenges; become their “essential advisor”; establish an “expert network”
- Understand their priorities; take a holistic approach; personalize solutions; use stories to illustrate a point
- Empower them to invest consistent with their values. Younger investors care as much about social causes as investment growth
- Engage the way they want to engage
- Leverage technology for on-demand access and data "It's all about instantaneous requests and outcomes.“
- Stay In touch and keep them engaged. Digital marketing offers advisors the opportunity to stay top-of-mind and flex their expertise
- Advice through peers

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