DECODING THE MILLENNIAL MYSTIQUE:
ADAPTING YOUR STRATEGY TOWARD
THE MILLENNIAL INVESTOR

By: Lana Calton & Bob Peterson   |   October 2017
Preparing for the Future: Adapting Your Strategy toward the Millennial Investor

During the next few years, we will see a $30 trillion wealth transfer from baby boomers to millennial investors. Outlined in the chart below, millennials represent the largest generation in U.S. history (~82 million) and not only will they be inheriting this vast wealth in the next few decades, they will also be reaching the age of their peak earning potential.

Conventional wisdom holds that millennials do not have enough investable assets to warrant financial advisors adapting their business models to serve the unique needs of this generation — it’s just not economical. Conventional wisdom is wrong.

There is a massive business opportunity for advisors who are willing to adapt their business to focus on millennials. By building relationships with this group now, advisors are investing in the future — their own and that of the younger generation.

Who Are Millennials?

- Born between the early 1980s and early 2000s
- “Generation Y” or “Next Generation”
- Twenty-five percent of U.S. population (as of 2015)
- $200 billion in buying power
- Largest generation in U.S. history
- Recipients of $30 trillion in wealth over the next few decades


THE GENERATIONS

<table>
<thead>
<tr>
<th>Born</th>
<th>Traditionalist</th>
<th>75 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946-1964</td>
<td>Baby Boomer</td>
<td>80 million</td>
</tr>
<tr>
<td>1965-1979</td>
<td>Generation X</td>
<td>60 million</td>
</tr>
<tr>
<td>1980-1995</td>
<td>Millennial</td>
<td>82 million</td>
</tr>
<tr>
<td>After 1996</td>
<td>Generation Edge</td>
<td>TBD</td>
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Overcoming Stereotypes

When we set out to write this article, we wanted to take a different angle on what has become a worn out topic. Millennials are often painted as spoiled, irresponsible, job-hoppers who live in their parents’ basements drowning in student debt. Is this true for some? Perhaps, but let’s face it, no generation has been made up solely of responsible, dedicated savers and investors.

Our advice is to forget what you think you know about this group. From our experience raising millennials, this generation has been driven to achieve all of their lives. While we spent countless hours of our high school years glued to MTV and actually hanging out with our friends, this group is worried about building their college resumes as early as middle school. They are used to working toward a goal, so consider that part of your job done.

From an advisor’s perspective, Millennials are not a viable prospect due to the above misconceptions, because they didn’t fit the mold of a typical client; and from a Millennial’s perspective, they have not been invited to the table. Because they are suspicious and cautious after growing up watching financial collapses during the bursting of the dot-com bubble and the ’08 Financial Crisis, many have turned to investment apps and robo solutions which may serve them just fine while in the early asset gathering phase. However, those options offer no expertise, counsel or personal connection. As their lives get more complex and their earning power grows, it will become clear that they will want and need more. Herein lies the opportunity.

Initially, advisors, wirehouses and investment firms expressed concern that they wouldn’t be able to communicate and work effectively with this younger generation given its reluctance to engage with them. Advisors in particular — specifically those of an older generation — didn’t feel equipped to meet their needs and weren’t always sure what those needs were.

Considering all of this, how would an experienced advisor begin to market to them? We wrote this article to illustrate how to get there.
How Can Financial Advisors Help Millennials?

Millennials aren’t looking for a formal or formulaic relationship, with meetings in fancy restaurants, buttoned up suits, long financial questionnaires, standardized portfolios and a hard sell. They are struggling to find a path to a personalized experience incorporating their ideas and goals into a unique financial plan. They want more from their advisor than an asset allocation strategy — the robots can do that — they want a life coach. They want “wealthcare.”

Be prepared to engage with them on a different level than with older clients. Expect a much more collaborative relationship. Let’s think back to just 25–30 years ago to a time when breaking financial news was consumed by the elite few with access to DJ News Wire or some other service for professionals. Today, countless vendors send news alerts to a smart phone in nearly real time. These clients will know what happened at the Fed’s meeting before Janet Yellen finishes her comments. This generation has spent their whole lives digesting massive quantities of instant information. Your job will most likely be to help decipher it and “steer the ship.” Information has become a commodity — filtering and applying it will be the value-add.

There is a growing contingency of millennial advisors who can naturally relate to their peers, but this dynamic is different for tenured advisors. We at HilltopSecurities would like to offer some help in managing the inevitable period of adjustment as millennials enter the financial advice market.

The following are a few things to keep in mind when working with these investors:

**Your audience is changing** — A quick glance at the marriage statistics below underscores this point. Liquidity for emergency funds, childcare expenses, even estate planning all take on a different level of concern for single people.

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### THE DECLINE IN MARRIAGE AMONG THE YOUNG

% married at age 18 to 32, by generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>% Married</th>
</tr>
</thead>
<tbody>
<tr>
<td>MILLENNIAL (2013)</td>
<td>26</td>
</tr>
<tr>
<td>GEN X (1997)</td>
<td>36</td>
</tr>
<tr>
<td>BOOMER (1980)</td>
<td>48</td>
</tr>
<tr>
<td>SILENT (1960)</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: Data from 1980, 1997 and 2013 are from the March Current Population Survey, 1960 Data are from the 1960 Census
PEW Research Center

**Transparency** — Younger investors expect straightforward advice, realistic expectations and collaborative conversations. Be transparent with fees and pricing. Forty-one percent say a lack of transparency in pricing causes them to lack confidence. Honesty is fundamental. No fluff, no filler, just the truth.

**Approach** — Millennial investors are turned off by a hard sell. Try a relaxed, casual approach. Come out from behind the big desk and talk with them about investor education and the planning process. Meet with them outside of your office where they would feel most comfortable, or find ways to meet with them as a group.
Goals — Millennials have different goals than older investors. They tend to be short-term goal oriented even when dealing with a larger task, so they need help defining, setting and tracking goals. Talk to them about what they want in the short-term and how to plan for it. Because they have grown up in a cause-and-effect environment and are used to instant recognition of their actions, look for tools that track and quantify progress towards life goals:

- Home ownership
- Childcare and Education
- Paying off Student loans and other debt
- Establishing & following a budget
- Non-profit interests

Communication — Use plain English and avoid financial jargon. Forty-two percent of Americans say industry jargon prevents them from investing with confidence. Maintain a (compliance approved!) presence on all the digital platforms (i.e., LinkedIn, Facebook, Twitter, etc.) your clients are on and make sure that you are open, upfront, transparent and consistent in your messaging.

Access — Be tech-savvy and make sure all digital communications are mobile optimized (i.e., make sure that everything you send them can be easily viewed on a phone). You cannot be successful with this group if you are not easily accessible through technology. They are going to want less face time and shorter, more targeted interaction. Embrace social media, According to a Forbes article, “Sixty-two percent of millennials say that if a brand engages with them on social networks, they are more likely to become a loyal customer. They expect brands to not only be on social networks but to engage with them.”

MILLENIALS, IN GENERAL, DO NOT WANT TO FOCUS ON RETIREMENT. ONLY 11 PERCENT OF MILLENNIALS SAY GROWING THEIR RETIREMENT NEST EGG IS THEIR TOP GOAL, COMPARED WITH 31 PERCENT WHO ARE PRIORITIZING TRAVEL AND 22 PERCENT WHO WANT TO BUY A HOME.
Where Do You Find Millennial Clients?

Spamming prospects with generic introductory notes and marketing materials won’t work.

Consider these solutions:

- Build a (compliance approved) social presence.
- Ask your clients to invite their children or grandchildren to stop by to talk with you about finances in general.
- Travel to tradeshows and expos.
- Host networking events for young professionals.
- Build relationships with local colleges. Hire interns, sponsor clubs or offer to speak.
- Build contacts in the media. Being quoted or asked to contribute builds your brand.
- Start a blog or a newsletter! Begin talking about millennials’ needs and how you can help when communicating with your existing clients. Creating relevance is a great way to get the information forwarded to people they know who might benefit from it.
- Cultivate relationships at places you frequent: restaurants, coffee shops, etc.

Respect — Younger investors are informed and more in control than ever. They do their own research and most have already begun saving in 401(k) accounts and 529 plans. Be prepared to answer their questions.

Cause Oriented — Millennials are not seeking wealth for wealth’s sake; they are invested in a sense of purpose. Sixty percent list social responsibility as one of the most important factors by which they select investments. Look for values-based investing and impact philanthropy opportunities.

Relevance — Younger investors want an advisor who makes appropriate recommendations and doesn’t rely on cookie-cutter saving scripts. A 20-something-year-old is going to give you serious side eye if you suggest an annuity or long-term care insurance.

Information — All your marketing and education initiatives must use technology. Ensure that you are providing personalized content that speaks to investing needs in all phases of millennials’ lives. Consider developing a content marketing program that addresses their questions and concerns. Infuse your advertising and other materials with humor, creativity and, most important, authenticity.
The Bottom Line

We believe that millennials are hardworking, deeply invested in social causes, planning for the future, financially conservative and well-educated. Advisors who crack the code will be wildly successful with this group.

As an advisor, the most important thing to consider if you are planning on gearing your practice toward serving next generation investors is that you have to want to work with them and be willing to adapt your business model to their needs. Unlike older clients, this relationship is incredibly personal to younger investors. It is not about accruing wealth just to have more, they are motivated by a sense of purpose and a strong feeling of social responsibility, and they will look to you as a trusted advisor.

SOURCES:


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About Robert W. Peterson

Bob Peterson is the President and Chief Operating Officer of Hilltop Securities Inc. and the proud father of two millennials.

Mr. Peterson was named President and Chief Operating Officer of Hilltop Securities Inc., following the firm’s merger with First Southwest Company in January 2016. He had previously served as President and Chief Executive Officer of HilltopSecurities (formerly Southwest Securities) since April 2015 following the firm’s acquisition by Hilltop Holdings Inc.

With more than two decades of experience in the financial services industry, Mr. Peterson has built a proven track record across a broad range of leadership roles combining operational, strategic, corporate governance, investing, risk management, and capital markets knowledge.

About Lana Calton

Lana Calton is the Managing Director, Head of Clearing for Hilltop Securities Inc. and lucky stepmom of three millennials.

After positions in operations and equity trading, Lana Calton joined the Clearing Services team in 1997 as a relationship manager. Since that time, she has gained a deep-seated knowledge of the needs and requirements of broker-dealers through her roles in sales and management. She has been a registered representative of HilltopSecurities since 1997, and she became the Managing Director, Head of Clearing for HilltopSecurities in October, 2013.

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