Millennial Saving & Investing Habits

What Today's Financial Advisors Need to Know About the Next Generation of Investors

YCHARTS

The Findings

The millennial generation can often be a mystery. Many industries are adjusting their strategies, products, and communications to appeal to millennials.

When evaluating the generation from a wealth management standpoint, several questions are commonly asked. Do millennials take investing seriously? Should we take them seriously? Are they savers, playing the long game, or spenders looking for near term gratification?

This survey and the analysis of its results aim to answer the questions the financial community is asking.

This survey garnered over 600 respondents, 478 (80%) of whom were classified as "millennials" (ages 22-37). Questions asked addressed saving and investing habits, sentiments toward traditional financial advisement, and confidence in individuals' financial well-being.

The results confirm the commonly-held belief that millennials are a confident bunch — they mostly aren't convinced that a financial advisor is worth it, and are confident in what they can achieve by themselves. On the other hand, the results dismantle the belief that millennials are financially irresponsible — in fact, it appears that millennials are exemplary savers with high financial aspirations; however, results show they tend to overestimate the size of their future nest eggs.

This analysis aims to paint a picture of the millennial generation and their financial well-being. For the wealth management community, the survey's results can provide insights into how to better serve the burgeoning millennial generation. For millennials themselves, it may serve as a benchmark for their own financial aspirations.

Who:

600 Respondents, 80% Millennials

When:

July 9 – September 3, 2018

Conducted By:

YCharts

About YCharts

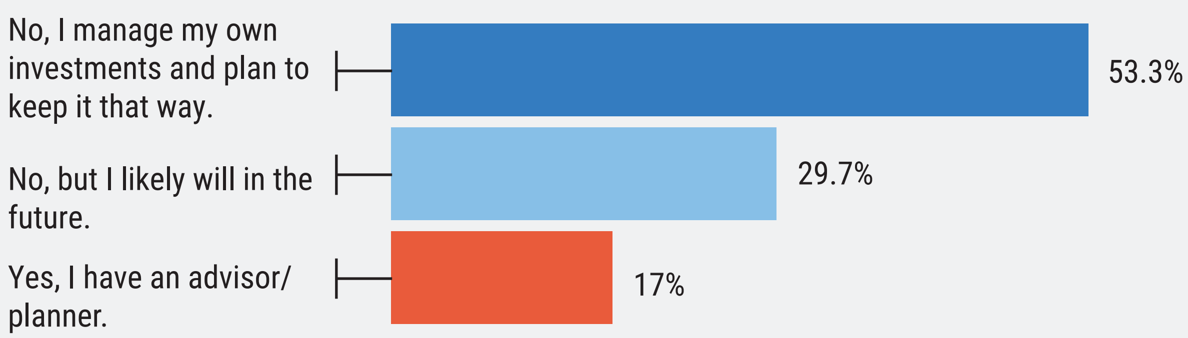
YCharts is a financial data and investment research platform that provides investors with comprehensive data, powerful visualization tools and advanced analytics. Institutional investors, wealth advisors and retail traders use YCharts for idea generation, analysis, alerts and updates from real-time news feeds to monitor the markets. YCharts has quickly become the go-to fast, intuitive, cost-effective financial research platform on the market. For more information, visit ycharts.com, contact hello@ycharts.com or follow us on Twitter @ycharts.

Millennials Are Not Sold on Advisors

Millennials are yet to be convinced that a financial advisor will be of value to them. In fact, when asked, “Do you invest with a financial advisor or planner?”, 53.3% of millennials responded that they manage their own investments, and plan to keep it that way.

“53.3% of millennials, regardless of their satisfaction with savings, have no interest in ever using a financial advisor.”

“Do You Invest with a Financial Advisor or Planner?”



Related to the future, only three in ten respondents answered that while they currently don’t use a financial advisor, they intend to use one in the future.

“Only 29.7% of millennials who don’t use an advisor say that they likely will in the future.”

Drawing conclusions, we are led to believe that millennials are either unaware of the typical advisor’s value proposition, or they’ve heard it and simply aren’t interested. Millennials are extremely self-sufficient; if advisors are going to win their business, they’ll need to first convince millennials of the value of their services.

The average millennial maintains four saving and/or investing vehicles. After checking accounts and savings accounts, company-sponsored 401(k)s are the most popular maintained by two thirds of respondents. Over half of respondents leverage IRAs or Roth IRAs, and two in five have self-directed brokerage accounts. Investing apps, often associated with the millennial generation, are surprisingly used by only about a third of respondents.

Of those millennial respondents with any type of brokerage account, three out of four are self-directed accounts while only 13.6% have advisor-directed accounts; 10.2% have both self- and advisor-directed brokerage accounts.

Percentage of Millennials Using the Following Account Types

Checking Account
85.6%

Savings Account
84.2%

67%
Company Sponsored 401(k)

52.1%
IRA or Roth IRA

Self-Directed Brokerage Account
41.1%

Advisor-Directed Brokerage account
11.4%

31.2% Investing Apps

“If You Have a Brokerage Account, Who Directs It?”

Self-Directed — **76.2%**

Advisor-Directed — **13.6%**

Both — **10.2%**

Aggressive Saving, Aggressive Goals

Millennials are saving early, and at an impressive clip.

"53.3% of millennials are saving more than 12% of their pre-tax income."

Over half of millennials report that they save 12% or more of their pre-tax income. In addition, two in five younger millennials, ages 22-29, say they save more than 15% of their pre-tax income, establishing very responsible habits early in their careers. According to the Deloitte 2017 Defined Contribution Benchmarking Survey the national average for 401(k) contributions was 6.0%.

The results of this survey show that millennials are setting themselves up for financial wellness. But are they viewing their future financial health and goals through rose-colored lenses?

"How Much of Your Pre-Tax Income Do You Save?"

0-3%	8.9%
4-6%	10.4%
7-11%	19.6%
12-15%	9.8%
More than 15%	43.5%
Not Sure	7.8%

If you thought millennials' saving habits were aggressive, their goals are even moreso. Nearly two thirds of millennials say they hope to achieve seven-figure wealth by age 45.

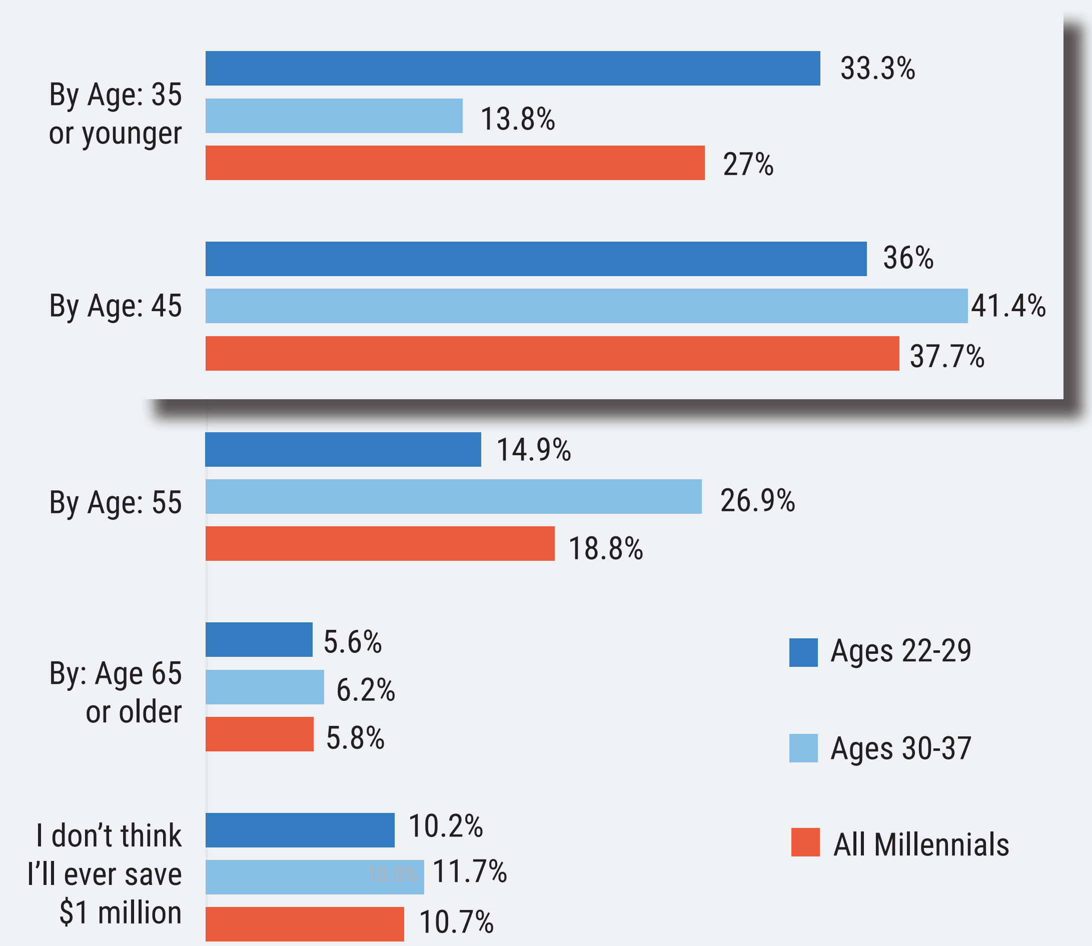
"Nearly 2/3 of millennials say they hope to achieve seven-figure wealth by age 45."

Younger millennials, ages 22-29, are even more optimistic. One third of this age group responded that they hope to have accumulated $1 million in wealth by age 35 or sooner.

Making a few optimistic assumptions, this goal does not seem achievable. Assuming a 22 year-old makes $50,000 per year, his/her salary grows by 5% per year, saving 12% of income per year, and 10% return on investments, that person would have only about $703,713 accumulated by age 45.

This back-of-the-napkin calculation doesn't account for significant future expenses such as children, purchasing a home, or other unexpected financial requirements such as caregiving for a parent. Given reality's shortfall from millennials' expectations, some financial guidance, goal-setting, and a realistic strategy to reach those goals could go a long way for millennials, and their portfolios.

"By What Age Do You Hope to Accumulate $1 Million?"



How Can Financial Professionals Appeal to Millennials?

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If you are a financial advisor, perhaps the results of this survey are a bit of a wake up call. Millennials either aren't aware of the value of a wealth advisor, or they simply don't think traditional wealth management is worth it.

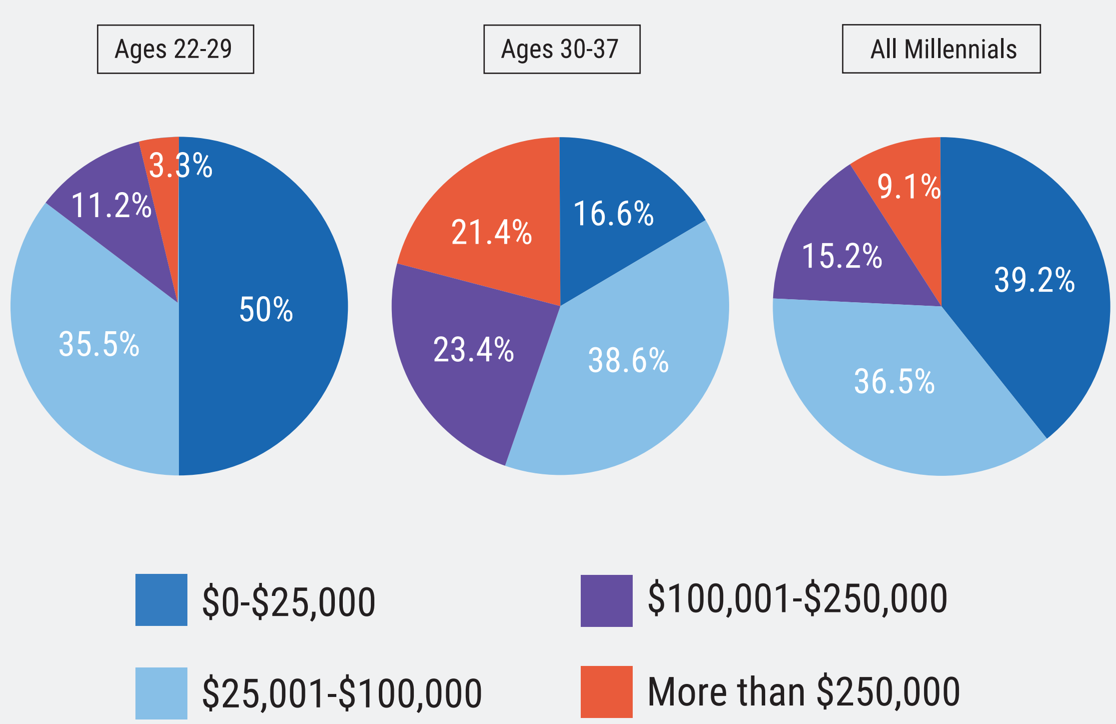
The silver lining: millennials are in need of a wake-up call, too — one that a financial professional might be able to provide.

Below are some recommendations and strategies that can help engage and win the business of millennial clients.

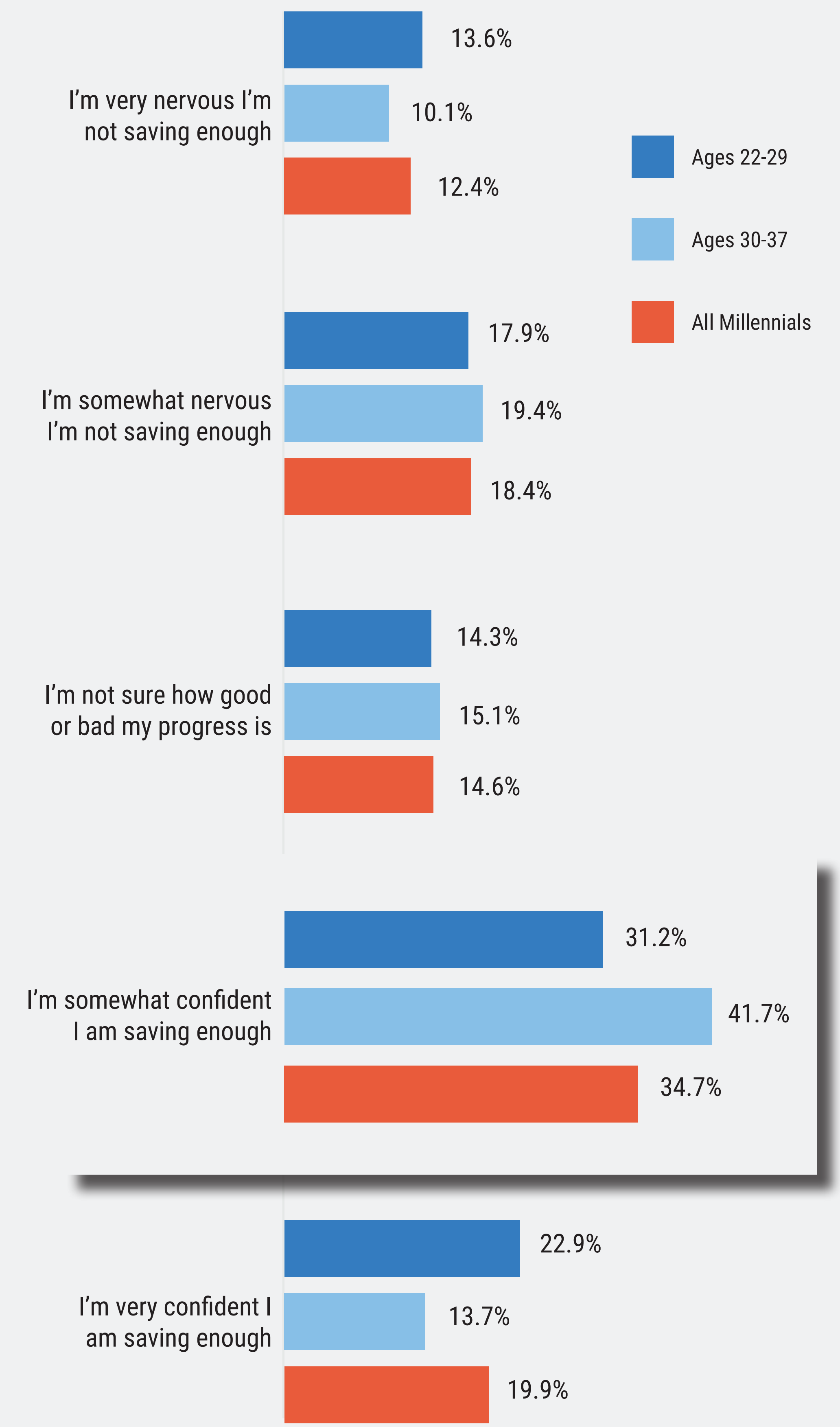
1. Give them a wake-up call

It makes sense that millennials, especially the younger ones, are slightly short-sighted. Make the value of an advisor more tangible by bringing planning for major life events, such as purchasing a home, preparing for children, or planning for emergencies, to the forefront of your value proposition. Millennials seem to be overly optimistic about how attainable wealth is. Representing large expenses visually, showing how drawing on savings impacts future portfolio value, may be especially effective.

"How Much Money Have You Saved up to This Point in Time?"



"Considering Your Age, How Do You Feel About Your Saving and Investing Habits?"



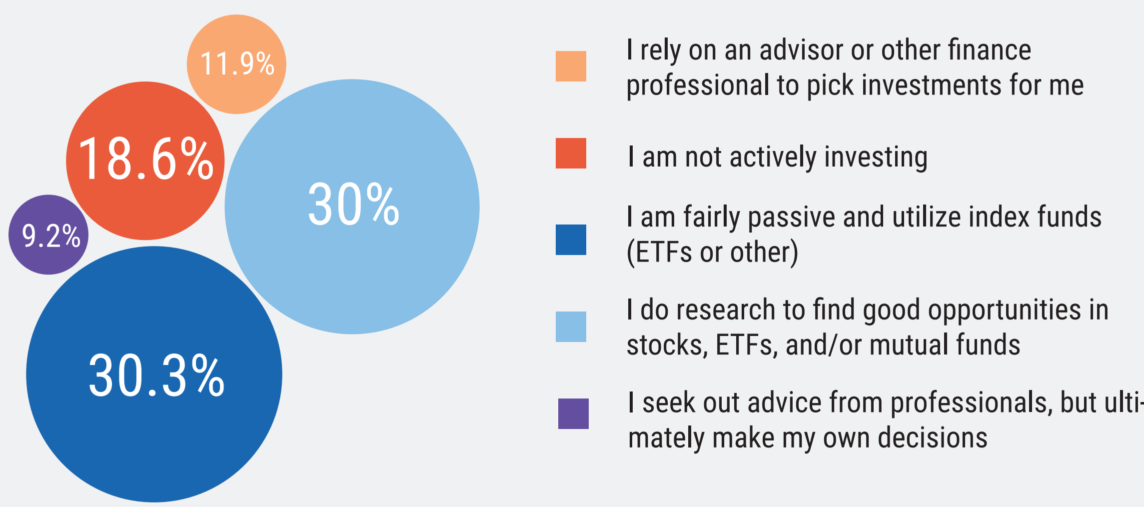
2. Play to the DIYers

Engage millennials early and often as they enjoy on-demand access to information. This may require more of a time commitment, like devoting a sleeve of a portfolio to a client's discretion, allowing them to do some research and pick their own investments. It could also be as simple as emailing them a daily update on their portfolio, or even an article that's relevant to their portfolio and asking for their thoughts, rather than giving them your conclusion.

"How Often Do You Check Your Investments' Performance?"

Daily	Every few weeks	Every few months	Once a year
35.8%	**34.7%**	**24.4%**	**5.1%**

"Which of the Following Best Describes Your Investing Process?"



3. Be resourceful & accessible

In the age of the internet, millennials can learn about any topic with a few Google searches; you can increase your perceived value by ensuring you're the one with the information that answers their questions. Consider implementing an education component to your practice. By developing a blog, or another form of digital communication, you can be relied upon as a resource for questions about personal finance, investing, and saving that someone early in their career may be asking.

4. Know their "why"

Understanding why millennials save is the first step in engaging them. Stay aware of emerging technology trends and devote resources to leveraging financial technology. Show the next generation of investors that you recognize their priorities, whatever they may be. Communicating on their preferred channels can be more successful than quarterly lunches and research binders. Technology enables quick, effective touchpoints that can lead to stronger relationships over time.

"What Is the Biggest Reason You Save?"

Retirement 57.8%

Big purchases & travel	"Rainy day" or "emergency fund"	I was told it's the smart thing to do	I don't save
17.8%	**14.2%**	**8.1%**	**2.2%**

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