



Delaware Funds®  
by MACQUARIE



# The millennial mindset

Working with the  
next generation

# Is this time different?

**~~3~~ 4** contractions  
(recessions) in the working  
life of senior financial  
planners today.

## Well-being



**Health**



**Finances**



**Family**



**Legacy  
(Meaning)**

# The millennial mindset

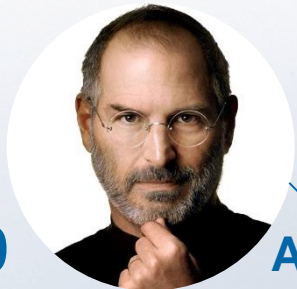
The “*Millennipreneur*” is the future of our economy

Almost **1 in 3** entrepreneurs are between the ages of **20** and **30**

Globally the average **Millennial** launched their first business at the age of **27** vs **35** for **Boomers**



Age **20**



Age **21**



Age **28**



Age **31**

Source: Investment News Data Center, 2015. 2016 BNP Paribas Global Entrepreneur Report, The Emergence of the Millennipreneur, 2016

# The millennial mindset



Why do you care?

## Millennial wealth



**15%** with net worth  
in excess of  
**\$20m**



**14.9** million  
millennial households have  
annual incomes in excess of  
**\$100,000**



Estimated to spend  
**\$1.4t**  
annually by  
**2020**

Source: Department of Labor

Source: Ipsos Mendelsohn Affluent Survey, 2014

Source: Annual Survey of Affluence and Wealth in America, American Express Publishing and Harrison Group, 2012  
Who are the millennial shoppers? And what do they really want?, Accenture, 2018.

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**Largest buying cohort today**

# The millennial mindset

Why do you care?

Millennials are slated to inherit



**\$30-40  
trillion**

from their predecessors – *but*

**66%** fire their parents' financial advisors

Between **2031** and **2045**,  
 **10%** of total wealth in the United States  
will be changing hands every five years.

Source: Investment News research, 2015. The “Greater” Wealth Transfer, Accenture, 2015.

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# The millennial mindset



**88%**

**of affluent investor  
children never even  
consider their parent's  
advisor**



**18%**

**of advisors strongly agree they  
regularly interact with their clients'  
children**

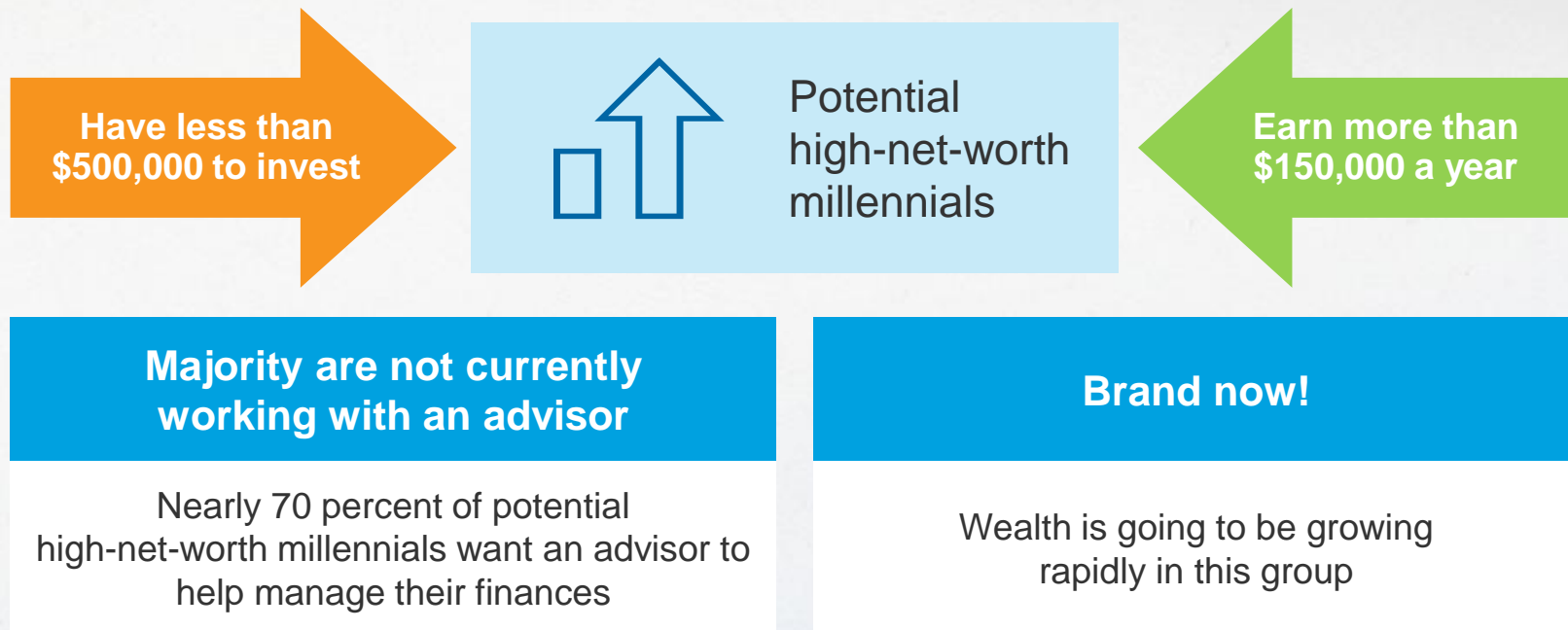


**20%**

**of millennials have met their  
parents' financial advisor**

Source: Investment News Data Center, 2015  
The Cerulli Edge-U.S. Retail Investor Edition, 2Q, 2019  
Decoding the Millennial Mindset, Broadridge and The Center for Generational Kinetics, 2019

# Untapped millennial potential



Source: TD Ameritrade Institutional Survey Finds Millionaires in the Making are a Promising - Yet Uncrowded - Market for Registered Investment Advisors, TD Ameritrade, 2015

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# Who are Millennials?





# Millennials are...



**The generation born in the  
1980s to early 2000s**

**One-third of the U.S.  
population (as of this year)**



**Most educated generation  
in history (61% attending college)**

**44% non-white;  
15% were born in a foreign country**



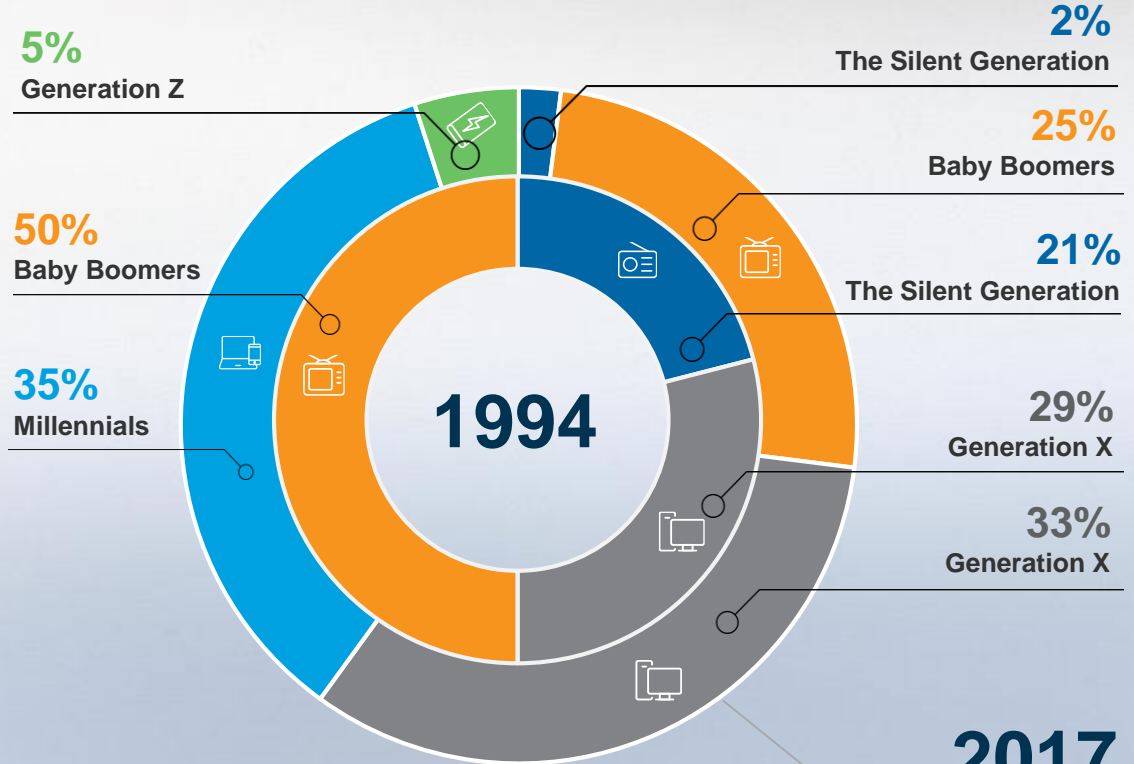
Source: Nielsen and The White House Council of Economic Advisors, 2014.  
The millennial generation: A demographic bridge to America's diverse future, Brookings, 2018.

# Generational representation in the workforce

## Percentage of the US Labor Force



More than a **third** of the current workforce are **millennials**



Source: Pew Research Center analysis of monthly 1994 and 2017 Current Population Survey (IPUMS).

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*So what has  
this created?*

# The millennial mindset

## Risk aversion?

- Preference for financial guarantees
- Fear around Social Security stability
- Likely to support aging parent
- Led to earlier savings

Average age began saving	
Millennials	24
Gen X	30
Baby Boomers	35

Source: U.S. Chamber of Commerce Foundation, 2012 and Transamerican Center for Retirement Studies, 2019 Blackrock, Global Investor Pulse, 2017

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# Millennial investment breakdown



## Self-reported asset allocation

- **28%** allocation to stock market<sup>1</sup>
- **30%** toward equity<sup>2</sup>
- Most likely generation to name cash as best investment<sup>3</sup>
- **82%** say the financial crisis still impacts investment decisions<sup>4</sup>



## Current asset allocation

- **55%** percent have a higher percentage of stock exposure than a typical age-appropriate target-date fund<sup>5</sup>
- **80%** of retirement allocation to equity and balanced funds<sup>5</sup>

Source:

1. UBS Wealth Management, 2014
2. AMG Funds, Wealth Management Trends in America, 2017
3. Bankrate Financial Security Index, 2017
4. Legg Mason Global Investment Survey, 2017
5. Employee Benefit Research Institute, Issue Brief No 436, 2017

**Almost 50% of Millennial retirement dollars are invested in target date funds**





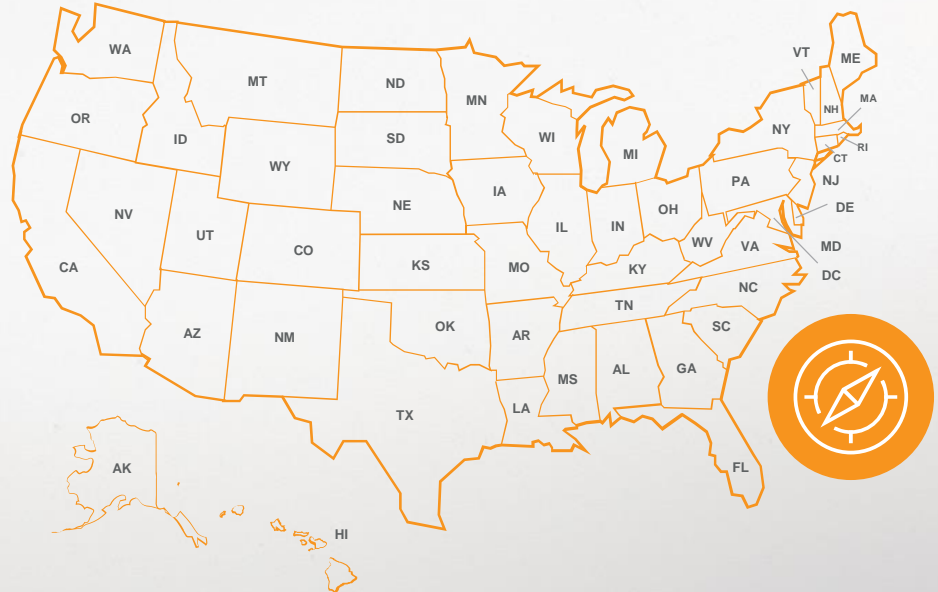
# Confidence vs. Trust



## When we're physically lost, what do we do? Go back to the map

Both center around expectations about future circumstances and are oftentimes used interchangeably

- Confidence is a discrete judgment based on extrapolation of prior probabilities.
- Trust is attributional assignment in an agent to achieve goals in an uncertain state.





# Clarity

## Reframing trust

### Dual Process Theory



#### Intuition (System 1)

- Reflexive heuristic
- Emotionally driven
- Prone to cognitive bias



#### Reasoning (System 2)

- Logical reduction
- Slow to process
- Outsourced verification

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Are there any parts of the plan we built together that I can provide clarity on to help you maintain focus on the other areas of importance in your life right now?

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**We have a plan in place**



*Where do we begin?*  
**Next steps**

# Use the financial planning process

1. Understanding the Client's Personal and Financial Circumstances
2. Identifying and Selecting Goals
3. Analyzing the Client's Current Course of Action and Potential Alternative Courses of Action
4. Developing the Financial Planning Recommendation(s)
5. Presenting the Financial Planning Recommendation(s)
6. Implementing the Financial Planning Recommendation(s)
7. Monitoring Progress and Updating



Results driven by  
progression towards  
goal achievement  
rather than returns

# The millennial model



## Invite

Attach your brand to something they are connected to



**46%** of promotor clients

vs.

**28%**

of detractor clients say advisor includes children in financial conversations



## Multi-generational planning

Brings in opportunity for complex planning for life insurance, estate, business succession, education funding

**Action Step:** Use *CRM* to inventory family relationships with millennial children  
Develop a family meeting strategy to transfer values with value.

Source: Advisor Advocates to Help Boost Referrals: The 2016 Fidelity® Millionaire Outlook Study, Fidelity, 2016



# The millennial model



## Involve



### This is a *EXPERIENCE* generation

- Walk through your own client experience to see what it feels like Is your office relatable and attuned to the millennial client?



### This is a *RELATIONAL* generation

- What is your story?
- Can you articulate your brand mission/vision in succinct manner?

Just **30%** of advisors strongly agree that their practice goes above and beyond to make clients feel special, and that it has a repeatable, consistent client experience.

## Action Steps:

- Inventory your client experience.
- Create a relatable vision that can easily be told.

Source: Cerulli Associates, US Advisor Metrics 2018: Reinventing the Client Experience.

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# The millennial model



## Involve

Relationship-builders manage

**40%** more  
AUM

than other advisors and earn

**14%** more

Life event	% of advisors who say they consult	% of millionaires who say advisors consult	Gap
Career or job changes	79%	20%	+59
Large purchases or expenses	91%	32%	+59
Raising financially responsible children	73%	25%	+48
Health events	68%	28%	+40
Changes in tax laws	85%	66%	+19

Source: Adapted from Advisor Advocates to Help Boost Referrals: The 2016 Fidelity® Millionaire Outlook Study, Fidelity, 2016

- Action Steps:**
- Utilize technology (CRM) to help know client life events.
  - Be a connector outside the financial realm.

Source: Cerulli Associates, US Advisor Metrics 2018: Reinventing the Client Experience.

# The millennial model



**Invite to Invest**



## Freemium Model

- Core solution is free but an upgrade is required for full service (newsletter, blog, seminars)
- If you wait to go after Millennial clients, they'll already have an advisor (XYPN)



**Action Step:** Determine what you are willing to give away to invest in future returns

Source: Eventbrite-Harris Poll, Millennials: Fueling the Experience Economy, 2014

# The millennial model



## Invest

### Teams-based approach of succession plan

Finding

Prospecting and leveraging  
external relationships

Binding

Managing onboarding of clients and helping  
to follow through / close business

Grinding

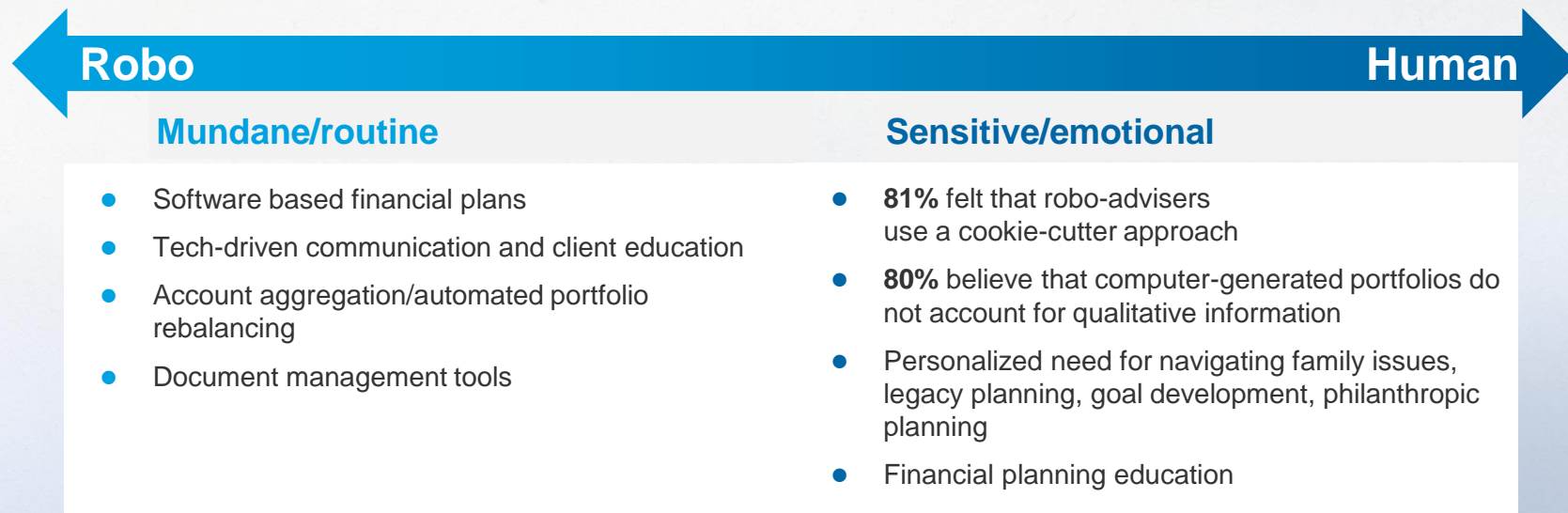
Plan writing, managing business development  
initiatives, ongoing services, firm procedure docs

Source: Adapted from Succession Planning for Financial Advisors, David Grau, (2014)c

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# Future of client relationships

## Segmenting the mundane, sensitive, and emotional



Source: FPA, Financial Planning In 2015: Today's Demands Tomorrow's Challenges, 2015 Reinventing Wealth Management with Technology-Enabled Video Services, Cisco, 2012 T3 Advisor Perspectives and Inside Information, 2017 Software Survey, 2017 Black Rock, Annual Global Investor Pulse Survey, 2017 AMG Funds, Wealth Management Trends in America, 2017  
Adopted from FPA, Financial Planning In 2015: Today's Demands Tomorrow's Challenges, 2015

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