

Financial Advising for the Next Generation

The NextGen worldview has numerous implications for the financial markets. Their unique perspective is already influencing the way they put assets to work. Millennials are demanding more integration of their money and values by seeking personal career fulfillment, applying a global consciousness to their purchases and investing in sustainable, impactful business models.

WEALTH TRANSFER TO THE MILLENNIAL GENERATION

Over the next several decades, it is estimated that \$30T in financial and non-financial assets will pass from Baby Boomers to their heirs in North America alone.

As Millennials transition into control of their wealth they will align their portfolios to their worldview. Being knowledgeable of and receptive to impact investing and other sustainable investment approaches can be a key differentiator for advisors looking to participate in the coming wealth transfer.

A UNIQUE WORLDVIEW

As a result of the tumultuous financial climate and information saturated environment they grew up in, Millennials often mistrust financial markets. Half (51%) of high net worth Millennials fear they will lose money by investing in traditional equity securities. Additionally, nearly two-thirds (64%) of high net worth Millennials are more comfortable investing in physical assets rather than stocks.¹

Despite their reservations and skepticism about stock markets, Millennials are actually willing to accept a higher risk profile or receive lower returns to invest in companies that create positive social or environmental impact. Furthermore, one study found that 45% of wealthy Millennials want to use their wealth to help others and consider social responsibility a factor when making investments.²

The unique attitudes and investment preferences of Millennials are not a fad, nor are they indicative of an immature approach to investing. They are the logical and engrained response to the global environment in which they came of age.

TIMELINE OF GLOBAL EVENTS (1980-2013)

The Millennial perspective has been shaped by consistent economic, geopolitical and environmental turmoil

1981	AIDS epidemic identified
1985	Hole in the ozone layer discovered
1989	Exxon Valdez spill
1989	Berlin Wall comes down
1989	World Wide Web invented
1990	Operation Desert Storm
1994	Nelson Mandela elected, ending apartheid
1997	Kyoto protocol proposed
1999	First U.S. hybrid car sales, Honda Insight
2000	Dot-com bubble burst
2001	9/11 World Trade Center attack
2001	Enron scandal revealed
2003	Iraq War launched
2004	Facebook launched
2005	Hurricane Katrina hits Gulf Coast, causing costliest natural disaster in U.S. History
2007	First generation iPhone is released
2008	First fully electric sports car, Tesla Roadster, produced with lithium ion battery
2008	Lehman Brothers files for bankruptcy
2008	Barack Obama, first black president of the United States, elected
2011	Arab spring, organized through social media, brings down regimes across the Arab world
2011	Occupy Wall Street movement protests income inequality and wealth distribution in the United States
2013	G8 convenes Social Impact Investing Forum
2014	Impact Investing Summit at the Vatican
2015	Impact initiatives announced by Bain Capital and BlackRock, joining Morgan Stanley, Goldman Sachs, Deutsche Bank and other major banks

¹ Source: U.S. Trust Insights on Wealth and Worth, U.S. Trust, p. 15, 19

² 2013 High Net Worth Millennials, Spectrem Group, May 2013

FINANCIAL ADVISING FOR THE NEXT GENERATION

Millennials consider social responsibility to be a major factor in evaluating investments. However, financial advisors have been slow to immerse themselves into the landscape of investments that provide both social and financial return.

WHAT NEXT GENERATION INVESTORS EXPECT FROM AN ADVISOR

- A collaborative partnership.
- High level of fee transparency.
- Expert guidance, not a patronizing parent.
- Expertise in philanthropy, social and values based trends and investing.

“In truth, I’m looking for the same thing from all my advisors: a robust analysis of the market and a simple investment hypothesis. The discussion of impact investing should start there and layer on a concise theory of change and a way to measure additionality.”

**— Matthew Palevsky,
29 year old investor,
Chairman, Ethical Electric**

Given the unprecedented wealth transfer that will take place over the coming decades, engaging Millennials is critical to the future business of financial advisors. Helping Millennials construct a portfolio that fully integrates their social and environmental objectives, as well as their financial goals, will create loyal clients for one’s practice and a more sustainable world for us all.

WHAT YOUNG PEOPLE WANT FROM WEALTH MANAGERS

Sound money management advice is only one item on a long menu of services that young investors are demanding from their advisors. Here are some of the others:



Source: Millennials and Money, Merrill Lynch, <http://www.pbig.ml.com/pwa/pages/Millennials-and-Money.aspx>

This is an adaptation of *The Millennial Perspective: Understanding Preferences of the New Asset Owners* authored by Lindsay Norcott, Strategic Initiatives Officer and Jed Emerson, Chief Impact Strategist

The full Issue Brief can be found at <http://www.ImpactAssets.org>



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