

INTERSECTIONS

Where **Financial Institutions** and the **Investment / Insurance** Industries meet

Seventh Edition

Wealth Management Product Development for Millennials by Millennials

Stage 1

That's right, we decided to go to the source and ask Millennials to help design the types of investment products they are looking for and have them tell us what elements the product(s) should possess. This is an "outside in" view.

We started by surveying 50 Millennials from the ages of 21 – 34. Fifty-five percent were between the ages of 21-29; and forty-five percent were between the ages of 30-34. Given this breakdown, not unexpectedly, the majority makes less than \$100,000 in annual income; however 15% are above the \$100,000 threshold, and 2% above \$200,000. This of course does not include the money they will be inheriting in the near future from grandparents and parents; estimated at a colossal \$30 trillion over the next 3 decades. A recent estimate by Forbes is that Millennials today "may control an estimated \$2 trillion in liquid assets.¹" Participants represented a cross-section of the USA; with nine regions contributing. The Pacific region dominates with 26% of the participants.



This initial survey is the first stage of our research, where we build a baseline of knowledge so we can help the Millennials craft products that answer their needs; not dictating to them, but rather gathering their ideas and crafting these into a specific set of wealth management products. We may use financial instruments that already exist, but the end result may also include totally new and unexpected services. Exactly like a microbrewery beer, this project is a tasting of the Millennials' appetite for not only risk but also how financial institutions' wealth management divisions can better respond to their needs. The ultimate stage of this process is to use crowdsourcing to have the GenY-participants design the product or products that most appeal to them.

¹ Forbes Magazine, 8/18/14; The Recession Generation; How Millennials are Changing Money Management Forever

Wealth Management Product Development for Millennials by Millennials

In our initial foray into the psyche of Millennials, we gave the participants a hypothetical \$10,000.00 from a generous aunt that had to be invested or it would be withdrawn. When asking the contributors who they would talk to determine what to do with this money, the good news is that 55% would be likely or most likely to listen a bank or credit union, 63% would trust their investment advisor and only 6% would be likely to use social media for advice. Not surprising, a whopping 67% would do research online.

The biggest issue with doing research online is that we found that the level of comfort with investment terms is not high for the Millennials surveyed. When asked, “How confident are you explaining investment terms such as the stock market, money market funds, certificates of deposit, life insurance etc.,” the older Millennials from age 30-34 showed more confidence in their ability. We included some terms such as portfolio diversification and Real Estate Investment Trusts and found that these less familiar terms created a wider confidence gap. In the next issue of *Intersections* will dig a bit deeper, to determine if the level of income correlates with understanding of investment terms and to what degree.

The chart below gives an indication of the respondents’ current views on their investment philosophy with 41% not yet developing a philosophy. This bodes well for banks and other financial institutions that want to provide support and guidance to this segment of the market today, so that trust in the institution develops over time.

If wealth management divisions are going to respond appropriately and attract Millennials, we need a better understanding of their needs, desires and attitudes towards saving and investing. We will continue this exploration in the next edition of *Intersections*.

Sponsorship Available:

If you are interested in working with us in the process of discovering the newest wealth management investment products designed for Millennials by Millennials, there is still room for sponsors. Email me your interest at carmen@ceffroncompany.com or call 203-226-2645.

Answer Choices	Responses
Ultra-conservative	5.36%
Moderately conservative	16.07%
Moderate risk taker	19.64%
Risk taker	10.71%
Aggressive	7.14%
Ultra-aggressive	0.00%
I do not have an investment philosophy	41.07%