



# *Beyond Baby Boomers:* The Investable Assets of Tomorrow

Getting to know Gen X and Millennial Investors

July 2016

## Introduction

Global X conducted a retail market survey with a third party vendor, ORC International, in late Q2 2016.

Our goal was to **shed light on behavioral differences among generations when it comes to investing.**



## A Common Financial Advisor (FA) Request

Many of our clients ask us for insights on how to appeal to younger investors, **specifically investors who are in the Millennial and Generation X generations.**

We believe that our clients are anticipating the greatest wealth transfer in U.S. history from the Baby Boomer generation to their children, mainly members of the Millennial generation.

Additionally, Gen X does not receive nearly as much media coverage or attention as the Millennials or Baby Boomers do.

However, as Gen X'ers enter their prime earning years, advisors are interested in learning more about what makes this "in between" generation tick.

Hearing these common questions and concerns, we too became even more curious about Gen X'er and Millennials.

When thinking about how to empower our clients, we are determined to provide

them with research and insights not only about the markets, but also about the macro environment in which we all operate.

**After analyzing our survey's data, four clear groups emerged,** and we believe that getting to know these easily identifiable different groups will help our clients serve *their clients and prospects* even better than our clients do today.

The following report may look and feel a lot like a consumer segmentation to some, and we recognize that consumer segmentations may not always have clear, actionable insights.

Therefore, **we have taken the tack of, "if a client or prospect walks into your office and he/she is AA years old and has \$BBB, BBB to invest," knowing a few of his/her preferences could lead to a richer, better conversation with him/her.** ✕

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### Fast Facts: The Survey & The People We Surveyed

# of survey respondents	2,250
Minimum level of investable assets to qualify for the survey	\$100,000
Birth Years of the Millennial Generation (only those 21+ years of age) <sup>1</sup>	1980-1995
# of Members in the 21+ Millennial Generation <sup>1</sup>	~70 Million
Birth Years of Generation X	1968-1979
# of Members in Generation X	~60 Million

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<sup>1</sup> Excludes Millennials aged 16-20, born between 1996-2000



	The Groups	Description				
Millennials (Aged 21-36)	 <p><b>The Builders</b></p> <table border="1"> <tr> <td>Individual's investable assets</td> <td>\$100-250K</td> </tr> <tr> <td>Approx. Market Size</td> <td>\$270bn<sup>1</sup></td> </tr> </table>	Individual's investable assets	\$100-250K	Approx. Market Size	\$270bn <sup>1</sup>	<p>The Builders have just begun to save and invest financial assets. Because of this, they:</p> <ul style="list-style-type: none"> <li>• Demonstrate a lack in education about some financial strategies like smart beta ETFs</li> <li>• Are extremely fee conscious, prioritizing low fees over other investment vehicle features</li> <li>• Do not yet seek out financial advisors' services</li> </ul> <p>While they continue to build their financial assets, education will be key so they can further increase their financial IQ.</p>
	Individual's investable assets	\$100-250K				
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 <p><b>Adrenaline Techies</b></p> <table border="1"> <tr> <td>Individual's investable assets</td> <td>&gt;\$250K</td> </tr> <tr> <td>Approx. Market Size</td> <td>\$980bn<sup>1</sup></td> </tr> </table>	Individual's investable assets	>\$250K	Approx. Market Size	\$980bn <sup>1</sup>	<p>Frequent trading and trading as a hobby imply that Adrenaline Techies may be short-sighted in their quest to quickly grow their nest eggs. Their high comfort level with investing in a variety of financial instruments could imply a degree of overconfidence, which can be addressed with education about financial solutions and the long-term costs associated with frequent trading.</p> <p>They prefer to consume information differently than others, and:</p> <ul style="list-style-type: none"> <li>• Choose often to interact with robo-advisors and apps rather than financial advisors</li> <li>• Consume much of their financial information via apps and podcasts</li> </ul> <p>They will likely be drawn to tech-enabled investment platforms that use new media communications to share insights</p>	
Individual's investable assets	>\$250K					
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Gen X (Aged 37-48)	 <p><b>Cautious Consulters</b></p> <table border="1"> <tr> <td>Individual's investable assets</td> <td>\$100-500K</td> </tr> <tr> <td>Approx. Market Size</td> <td>\$1,500bn<sup>2</sup></td> </tr> </table>	Individual's investable assets	\$100-500K	Approx. Market Size	\$1,500bn <sup>2</sup>	<p>The Cautious Consulters have a very high likelihood of wanting to rely on a financial advisor to achieve their financial goals. They:</p> <ul style="list-style-type: none"> <li>• Are the most likely to use brokers or advisors</li> <li>• Do not like to trade often</li> <li>• Are saving for retirement much more than investing for pleasure or short-term purchases</li> <li>• Have a low knowledge of and comfort level with specific investment types</li> </ul> <p>These characteristics suggest that they want to seek the advice of a financial advisor to guide their portfolios. Advisors can also move towards earning their trust by providing financial education.</p>
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 <p><b>Knowledgeable Xs</b></p> <table border="1"> <tr> <td>Individual's investable assets</td> <td>&gt;\$500K</td> </tr> <tr> <td>Approx. Market Size</td> <td>\$5,400bn<sup>2</sup></td> </tr> </table>	Individual's investable assets	>\$500K	Approx. Market Size	\$5,400bn <sup>2</sup>	<p>The Knowledgeable Xs use advisors/brokers rather than technology for their investments and depend on their advisor for financial information. Their higher net worth and longer experience with investing has likely led to much greater knowledge of different investment types. Despite preferring mutual funds over other investment types, they value a few things more (see below) than the other groups, indicating they could potentially benefit from a more ETF-centric portfolio.</p> <ul style="list-style-type: none"> <li>• Low management fees</li> <li>• Transparency</li> <li>• The ability to trade throughout the day</li> <li>• Tax efficiency</li> </ul>	
Individual's investable assets	>\$500K					
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1 Source: Equifax, based on estimates. 2 Source: Shullman, *Insights Into Luxury Affluence and Wealth* (2014), based on estimates



## The Builders

### Fast Facts

Ages	21-36
Individual's investable assets	\$100-250K
Approximate market size	~\$270 bn <sup>1</sup>

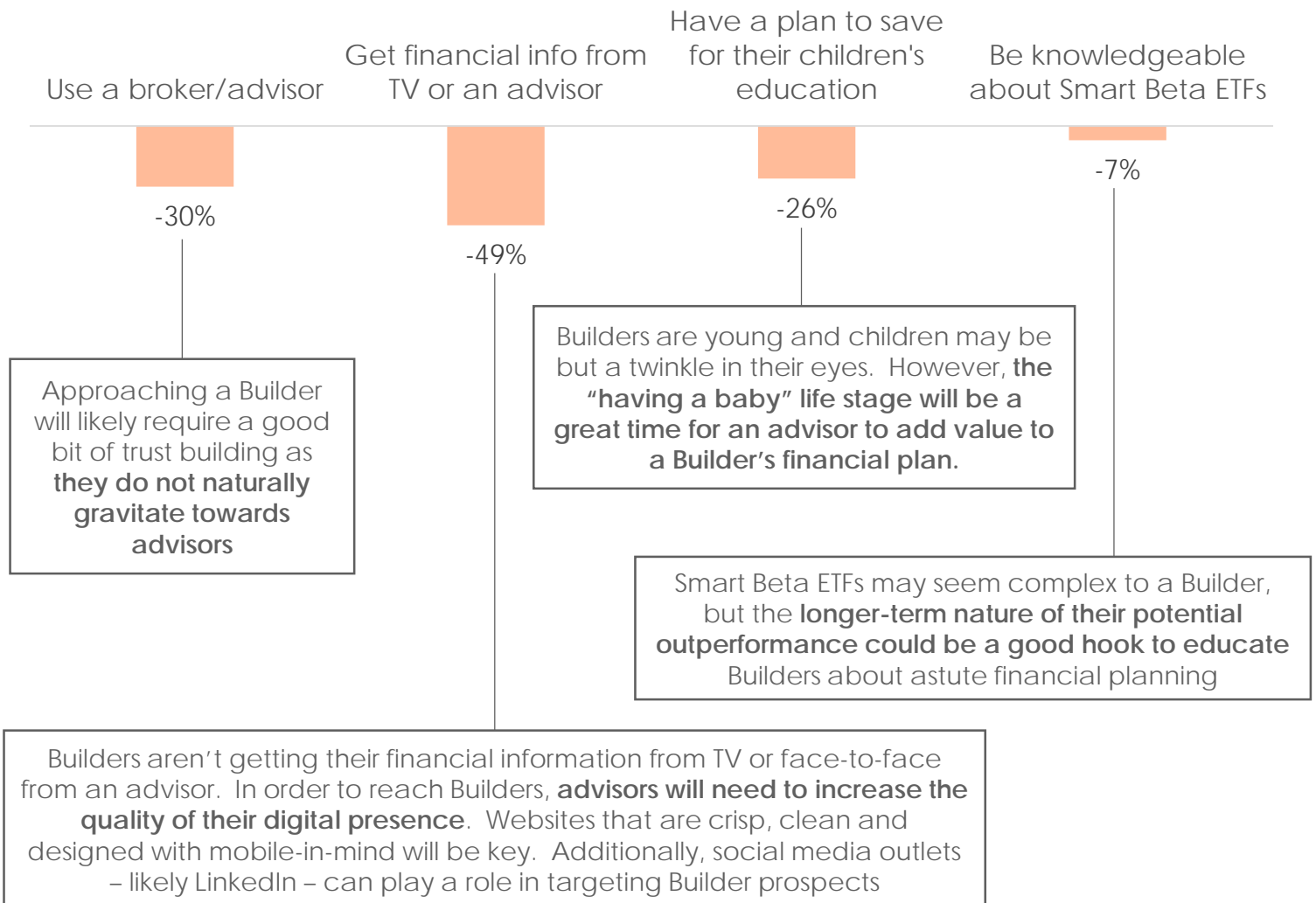
The Builders have just begun to save and invest financial assets. Because of this, they:

- Demonstrate a lack in education about some financial strategies like smart beta ETFs
- Are extremely fee conscious, prioritizing low fees over other investment vehicle features
- Do not yet seek out financial advisors' services

While they continue to build their financial assets, education will be key so they can further increase their financial IQ.

### How much more likely are The Builders to...?

(% more/less likely vs. other segments – Millennials & Gen Xers, >\$100K in investable assets)



<sup>1</sup> Source: Equifax (2015), based on estimates



## Fast Facts

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Individual's investable assets	>\$250K
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Frequent trading and trading as a hobby imply that Adrenaline Techies may be short-sighted in their quest to grow their nest eggs.

Their high comfort level with investing in a variety of financial instruments could imply a degree of overconfidence, which can be addressed with education about financial solutions and the long-term costs of frequent trading.

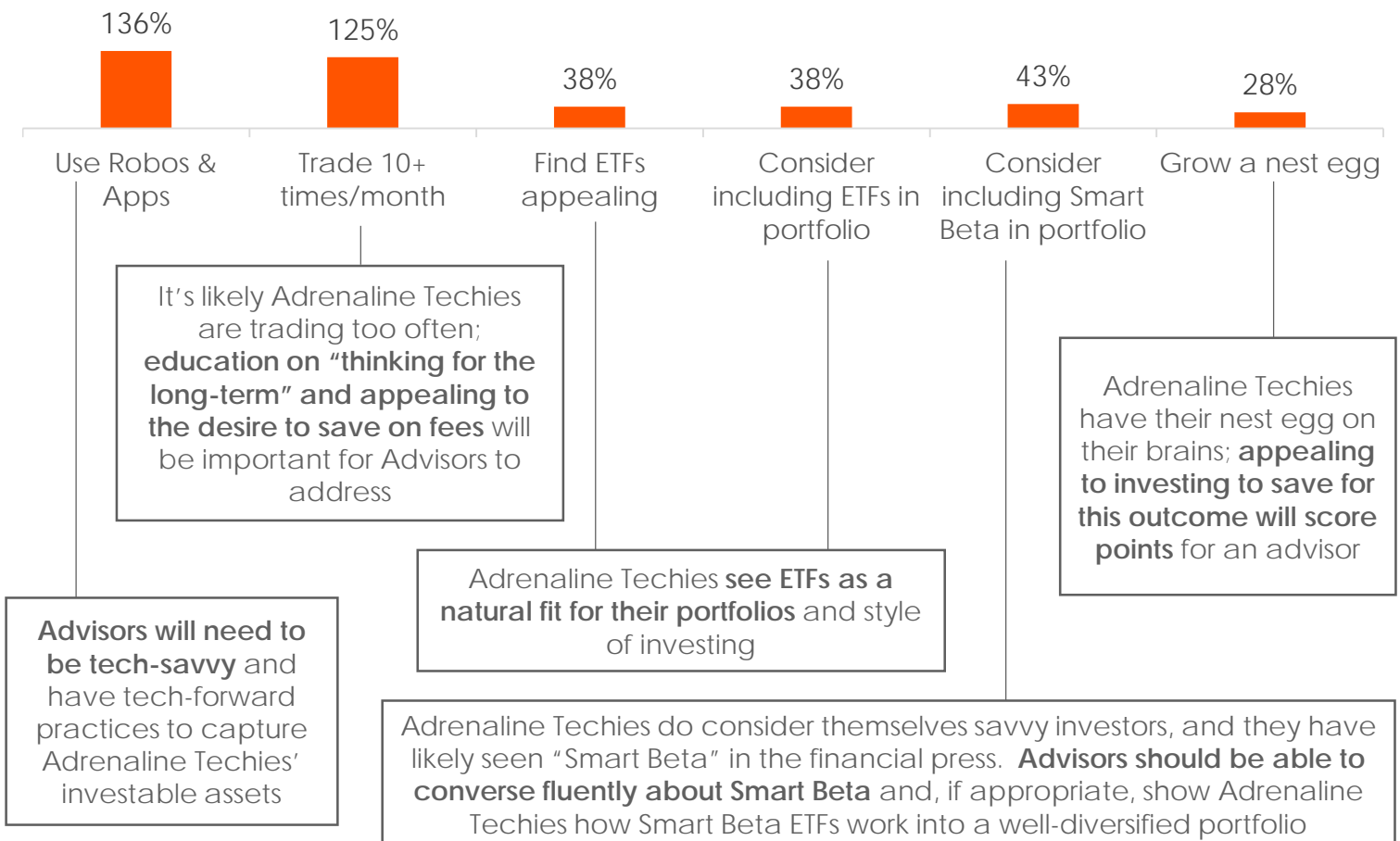
They prefer to consume information differently than others, and:

- Choose often to interact with roboadvisors and apps rather than financial advisors
- Consume much of their information via apps and podcasts

They will likely be drawn to tech-enabled investment platforms that use new media communications to share insights

## How much more likely are Adrenaline Techies to...?

(% more/less likely vs. other segments – Millennials & Gen Xers, >\$100K in investable assets)



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## Cautious Consulters

### Fast Facts

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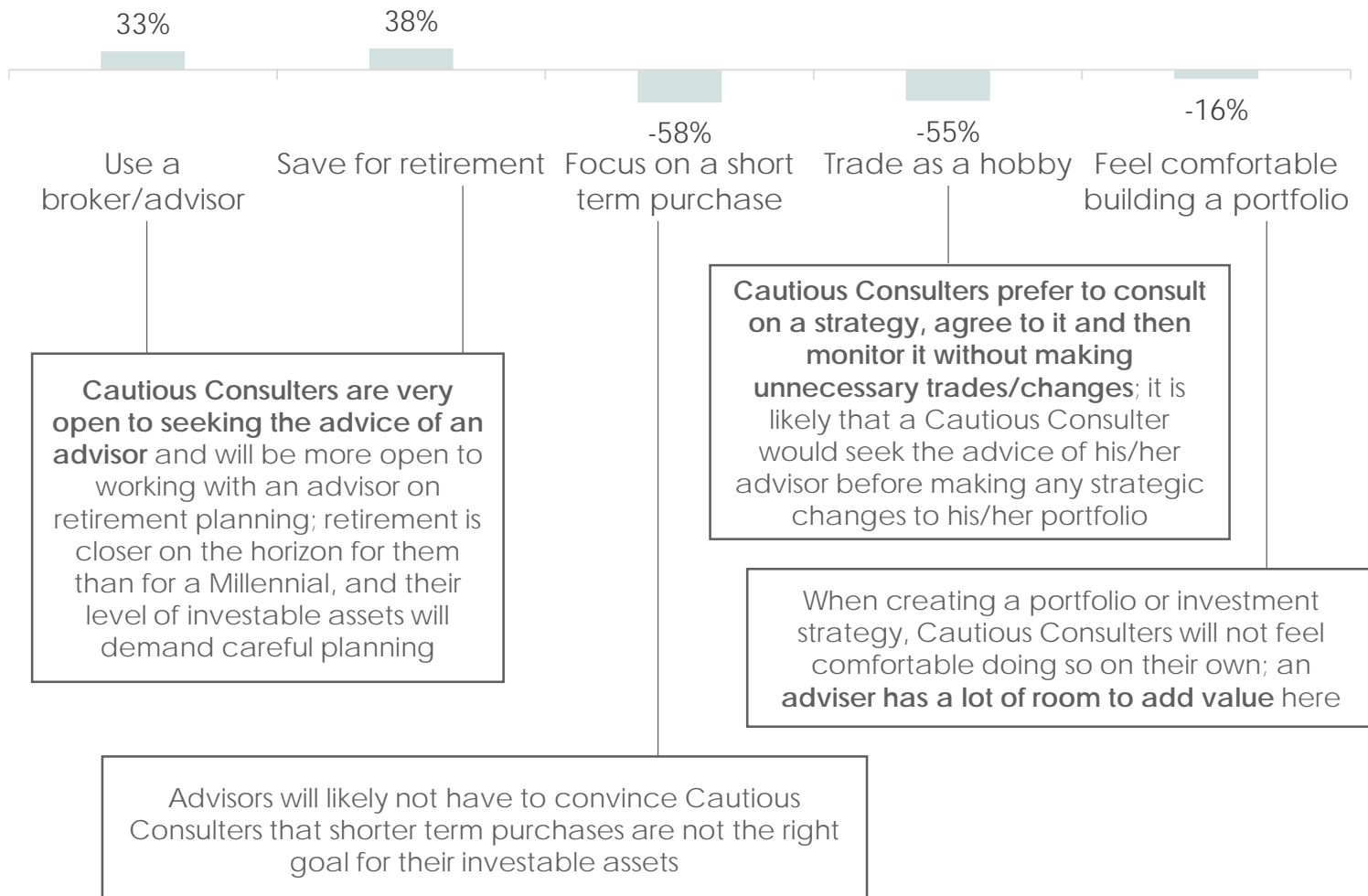
The Cautious Consulters have a very high likelihood of wanting to rely on a financial advisor to achieve their financial goals. They:

- Are the most likely to use brokers or advisors
- Do not like to trade often
- Are saving for retirement much more than investing for pleasure or short-term purchases
- Have a low knowledge of and comfort level with specific investment types

These characteristics suggest that they want to seek the advice of a financial advisor to guide their portfolios. Advisors can also move towards earning their trust by providing some financial education.

### How much more likely are Cautious Consulters to...?

(% more/less likely vs. other segments – Millennials/Gen Xers, >\$100K in investable assets)



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## Fast Facts

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The Knowledgeable Xs use advisors/brokers rather than technology for their investments and depend on their advisor for financial information.

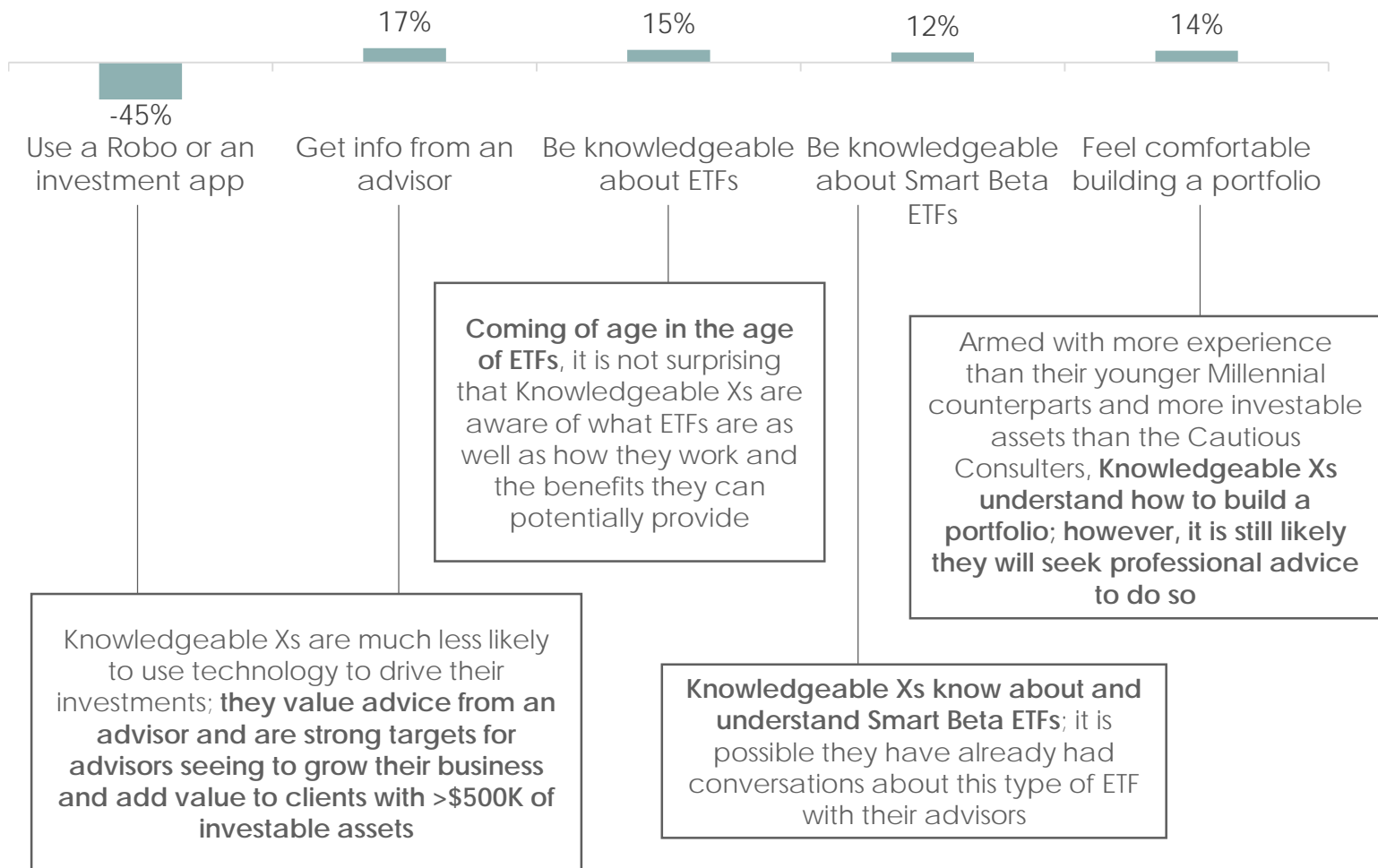
Their higher net worth and longer experience with investing has likely led to much greater knowledge of different investment types.

Despite preferring mutual funds over other investment types, they value a few things more (see below) than the other groups, indicating they could potentially benefit from a more ETF-centric portfolio.

- Low management fees
- The ability to trade throughout the day
- Transparency
- Tax efficiency

## How much more likely are Knowledgeable Xs to...?

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# Key Takeaways



## The Groups

## Key Opportunities & Challenges for FAs

## A Path to Establishing Trust...

Millennials (Aged 21-36)



Individual's investable assets	\$100-250K
Approx. Market Size	\$270bn <sup>1</sup>

Opportunities

- Need greater financial education
- Haven't planned for near term events like children's education

Challenges

- High sensitivity to fees
- Not accustomed to getting financial information from advisors/brokers

- Demonstrate a commitment to educating clients on financial concepts
- Can help this group plan for upcoming expenses like children's education
- Increase expertise in and utilize digital communication methods, such as social media, email, Skype, and apps



Individual's investable assets	>\$250K
Approx. Market Size	\$980bn <sup>1</sup>

Opportunities

- Need more disciplined investment approach
- Are focused on growing their nest eggs and need guidance

Challenges

- Have a do-it yourself mentality
- Highly likely to use roboadvisors and apps

- Educate investors on potential pitfalls of over-trading to quickly build nest egg
- Use smart beta ETFs to demonstrate potential advantages over plain vanilla roboadvisors and apps
- Build technology-enabled platform and communicate via new-media, such as podcasts and apps

Gen X (Aged 37-48)



Individual's investable assets	\$100-500K
Approx. Market Size	\$1,500bn <sup>2</sup>

Opportunities

- Are highly likely to use an advisor/broker
- Are focused on long term investment goals like saving for retirement

Challenges

- Will require extra "hand-holding" in explaining portfolio construction
- Will be hesitant to make changes to their portfolios

- Create long-term, low-turnover portfolio strategy for achieving retirement goals
- Educate investors to build their financial knowledge and comfort levels
- Avoid short-term, high-risk trade ideas



Individual's investable assets	>\$500K
Approx. Market Size	\$5,400bn <sup>2</sup>

Opportunities

- Are not drawn to roboadvisors or apps
- Rely on financial advisors/brokers for information

Challenges

- Prefer mutual funds, but want features common in ETFs
- Likely to be already entrenched with an advisor/broker

- Reinforce the benefits of ETFs and convert mutual fund portfolio to one based on ETFs
- Provide clients with high quality insights on a regular basis
- Demonstrate your firm's and your value add vs. other firms and other advisors/brokers

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