PROFESSIONAL FINANCIAL ADVICE

Talkin' 'bout that generation

Once described as the 'Me, Me, Me Generation', older millennials have more than come of age. Here, we examine their situation and highlight what action banks and Professional Financial Advisers should be taking to gain their trust – and custom.

Millennials – those born between 1981 and 1996 – were once accused of squandering all of their spare cash on avocado toast and overpriced coffee, hence struggling to make it onto the property ladder. But the truth is that this generation has had an adulthood marked by economic hardship.

The older members of this cohort, currently aged between 27 and 42, were most likely in the early stages of their careers during the Great Recession of 2008-2009 and now may have growing families during the cost-of-living crisis.

Margaret Doyle, Chief Insights Officer and Partner, Financial Services, Deloitte, says: "Millennials had to find their feet in turbulent times. They grew up during the [2008] financial crisis and then, of course, there was the pandemic. They've had a really tough couple of decades. They are a long way away from the baby boomers who were born in the aftermath of the [Second World] war and enjoyed a period of rising asset prices and full employment. But in terms of good news, a significant proportion of the millennial cohort are on the cusp of the largest-ever intergenerational wealth transfer."

Caught in the cross hairs of crises

Something else that makes millennials unique is the fact that those in the older age group within the cohort were raised in the pre-internet era but are now fully immersed in today's complex digital landscape.

Doyle says: "The vast majority of millennials are digitally capable, but unlike the next generation, Gen Z, they fondly remember the simpler, pre-digital world. This differentiates them from the youngsters."

Joseph George, CEO, Dufrain, is very much of the opinion that convenience is key for this generation. "If, when it comes to day-to-day banking, millennials can sort something out without having to speak to someone, that's what they will opt to do – and tech makes that possible.

"But when we get into specialist products, I think a lot of people would really appreciate service that goes above and beyond what an app or digital-banking experience can offer them. But I'm not sure the infrastructure in the UK allows that, and an expense of this is end-to-end service quality."

George points out that this isn't the case everywhere. "I was in Dubai in September and I was talking to the head of channels of one of the largest banks there. On the same day that it was in the news here that banks are reducing ATMs and branches, there was an announcement in Dubai that they are, in fact, investing in more of them.

"Some millennials, the older ones, know of a time when there were more face-to-face relationships," he continues. "When you could walk into a branch and get things done. I'm a millennial and I'm open to this, and I know other people would be open to it, too, especially when it comes to making important decisions on certain products. If you're looking at investments, for example, I think there are many people who would value that opportunity."

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> Joseph George,
> CEO, Dufrain

Speaking of important decisions, this group has, of course, been caught in the cross hairs of the latest mortgage and housing crisis. In the mid-Nineties, when many millennials were children, the average house cost around three times the average income. Now that ratio is closer to seven. In London, it is approaching 12. Many millennials, having bought houses at the peak of prices with substantial mortgages, are also likely to be most exposed to the recent interest-rate surges.

Doyle says: "Many boomers own homes, but many of them won't have a mortgage now. If they do, they will likely have built up significant equity. And they typically will have a lot lower ratio of loan to value left to pay off because they've held mortgages for so long.

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Millennials, meanwhile, are finding that they are having to budget in a way that they have never had to do before, to pay their mortgage interest."

Impartial and tailored advice

Because of this, George believes that when it comes to millennials and money, it's impartial, non-judgmental and tailored advice that cuts through. "For any company looking to advise them, they need to be aware that there's a degree of cynicism," he explains. "I also think millennials have varying levels of literacy and knowledge – and that there is a huge market opportunity gap there."

Doyle agrees: "Millennials are often – understandably – jaded and cynical because they've lived in major upheaval. As such, they do their own research, they question things, they expect more and are hesitant to listen until they know more about the motives behind a message."

For George, the missing piece of the puzzle is education. "I believe that stressing the importance of financial planning and literacy – and teaching people how to manage their wealth is even more important for this generation than it was for the previous ones. This will also be the case for the next generation. The banks that can nail that and hook people in when they are helping them will have an edge over the others. This will make them feel like they're being looked after in terms of supporting them with decisions from a planning and a wealth management point of view.

"Previous generations had more lucrative pension schemes and probably smaller mortgages than this generation," he continues "But for this generation, how to plan all of their finances is arguably a much more important topic. All of the apps can help people categorise their spending and see how much of their money goes on groceries etc, but I don't see anyone proactively coming and talking to them about how to plan and how to think about the future."

George is also of the view that because this generation is digitally savvy, many of them are willing to experiment. "If they're happy taking risk, they might look into crypto or digital asset investment," he says. "Others are exploring more traditional investing, which they can do from anywhere in the world and with just the tap of a button.

"All of this is a lot more accessible than it was for the previous generation. Some people are doing this off the cuff based on what they know, but I'm sure there's a large proportion of the market that would want to get involved if they were educated and guided on it."

Targeting the right people at the right time

Taking all of this into consideration, why should professional finance advisers (PFAs) engage millennials? Doyle stresses that while they may not be the most attractive age cohort in terms of their current wealth levels, over the next 10 to 30 years, many will be in a position where they are inheriting wealth.

She says: "Even though at the moment, as a group, they may have a lot less money than, say, the Gen Xers or certainly the baby boomers, we know that what we're about to experience is this huge intergenerational wealth transfer – the biggest ever."

George agrees: "It's just a law of economics, isn't it? It's about building up your customer base so you can be sustainable and profitable – and that means targeting the right people at the right time in their lives.

"Look at Coutts," he continues. "It became a B Corp [accreditation awarded to companies that meet stringent environmental, social inclusion standards set by the organisation] and had ESG credentials before anyone else. And they did that not to target the over-50s, but the people in their early 30s. They want them on their books now because they are going to carry the bank in the next 20 to 30 years. And for this generation, apart from being digital and offering the right service, purpose, ethics and values play a huge part. And Coutts has obtained the gold standard here."

Doyle, meanwhile, questions whether boomers should be engaging now and thinking about whether they should begin to hand over their wealth to the next generation.

"People are living longer," she says. "So perhaps financial advisers could be taking a more holistic family view and suggesting that wealth transfers actually take place at an earlier stage – especially given that for many people, the time that they need money is when they're borrowing to buy a house and when they have small children." CB

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