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Focus on NextGen Clients, Part I

"Culture, Communication, and the Next Generation of Investors"

"Why Financial Advisors Should Learn about Generations"

"AUM: Are U Millenially Minded?"

Culture, Communication, and the Next Generation of Investors

By Noel Pacarro Brown, CIMA®, CPWA®

When robo-advisors and the commoditization of investment management were first introduced a few years ago, many established financial professionals believed only a small minority of investors would opt for a purely technological investing experience. But recent reports appear to be rejecting this theory. One study has estimated that robo-advisors will manage $2 trillion by 2020, and that the fastest growth will be among assets that already are invested (Epperson et al. 2015). Indeed, it appears that the growth in the adoption of robo-advisors will occur among early adopters as well as investors who have existing accounts and existing relationships with financial advisors.

For veteran advisors, robo-advisors create a raft of concerns because of their extreme discounting, ease of use, low minimums, and comprehensive planning capabilities, all without ever having to meet someone face to face.

Other recent reports, however, dispel the myth that millennials prefer not to meet face to face with colleagues and professionals: "The responses of Millennials to the question of what channels of communication they preferred were surprising and run counter to much of what has been put forth in trade periodicals. Their most preferred channel is face-to-face followed by e-mail and texting" (Fenich et al. 2012).

Yet this group also represents the majority of robo-advisor early adopters. Therefore it seems clear that advisors are not connecting with the next generation of investors effectively.

> *"The reasons many in the next generation of wealth resist meeting financial advisors in person are worth examining for advisors who want to succeed in the future."*

The reasons many in the next generation of wealth resist meeting financial advisors in person are worth examining for advisors who want to succeed in the future. This article deconstructs several of the obstacles facing advisors as they try to connect with post-boomer clients. It presents a brief analysis of the financial-industry culture with a discussion about ways financial professionals communicate in an attempt to help advisors overcome certain challenges.

Be the Change You Wish to See in the World

Mahatma Gandhi's words are a helpful reminder that change begins within. In order for advisors to approach an issue that affects the entire group, advisors must be aware of their own history and biases. Advisors must know where they come from in order to understand where they are now, and how their profession must evolve to thrive in the future. The following provides a brief reflective retrospective.

The stockbroker. Advisors who began careers more than two decades ago began as stockbrokers. Back then the concept of a financial advisor was not customary; the focus of the business was transactional, and so was the interaction with every customer. In this era brokers were selling products to customers who could not buy those products on their own. Brokers were giving customers access, information, and pricing. A broker's ability to understand each product, describe what it was, and make it available to customers was all that was required to succeed in the business. This method of communication was, at that time, completely sufficient for normal business interaction with each customer. If advisors established their businesses during this era, this style of communication is a part of their culture, their language, and their identity.

The financial advisor in the ivory tower. Several years later brokers were renamed financial advisors. Titles changed and so did clients' expectations. Instead of calling for quick trades, posting trades in black books, and plotting technical charts, advisors were expected to meet face to face with people, talk about plans, discuss long-term strategies, and provide results. The relationship between the financial professional and the customer changed, and so did the required skills, tools, and language. But despite an enormous shift in the daily tasks and conversations between clients and advisors, there was never adequate education or training on how to shift methods of communication. Most clients got used to taking an advisor's word for it and so long as the advisor sounded smart, advisors were trusted. This dynamic allowed advisors to believe that the single most important trait for winning and keeping clients was to sound smart.

> *Even though the pendulum has swung quickly in the direction of fast-paced automated communication, arguably so has the desire for authentic interpersonal relationships.*

Madoff and Google. Lately advisors find themselves in a completely new era. They are still called financial advisors, but the term does not fit the profession. With criminals such as Bernie Madoff and headlines about identity theft and credit-card fraud, few investors remain content with taking an advisor's word for it. Indeed, people are more fearful than ever of losing their hard-earned assets to a person who sounds smart. Many post-boomer investors completely distrust financial professionals and the Wall Street establishment. It is not unusual for people to google data points in an advisor's presentation as the advisor is presenting. Building credibility and trust with investors no longer happens just by sounding smart, especially because so much information is widely available on the Internet.

Business in the digital world. As the relationship and dynamics between financial professionals and their clients evolved from transactional to consultative, so did the methods and pace of communication. Within a few years, advisors went from sending very important proposals, confirmations, and material through the mail to being expected to more rapidly respond via e-mail, or, depending on the nature of the conversation, via text. With the capability of personal devices, advisors must compete with automated communications and other services available around the clock. For example, a robo-advisor is open 24 hours of the day. However, advisors should fear not. Even though the pendulum has swung quickly in the direction of fast-paced automated communication, arguably so has the desire for authentic interpersonal relationships.

As advisors recognize the value of the human connection they can offer, they must also take into account the obstacles they face. To build trust, lead with authenticity, and support the interpersonal relationship established through the consultative process, advisors must first fully look inward, reflect on their history and traditions, and be aware of the culture they've been associated with. Acknowledging that no two advisors have had the same history or path, the following sections are meant to broadly address a few key components of communication that most advisors may find useful as they approach conversations with the next generation of investors.

Non-Verbal Communication and Surroundings

The most important thing in communication is hearing what isn't said.

—Peter Drucker

In her new book *Presence*, Harvard Business School Professor Amy Cuddy explores first impressions and concludes that the most important traits to exhibit are warmth and competence. "From an evolutionary perspective, it is more crucial to our survival to know whether a person deserves our trust. If someone you're trying to influence doesn't trust you, you're not going to get very far; in fact, you might even elicit suspicion because you come across as manipulative" (Cuddy 2015, 72, 74). Unfortunately, many investors already associate words such as "manipulative" with financial services professionals, therefore making it doubly difficult for advisors to establish trust from the start.

If trust often is established in the first moments of meeting someone, then what can advisors do to improve their first impressions? Knowing that the ivory tower reputation of the financial industry is one that turns off many would-be investors, how can advisors reduce this perception from the start? Think of the following analogy: Many people loathe going to the doctor and absolutely despise going to the hospital. In response, many healthcare providers have strategically located smaller, less intimidating outpatient clinics in communities where people live. Similarly, many post-boomer investors loathe the idea of stepping into the lobby of a financial services office. So the best bet for a positive first impression is to meet these clients where they are most comfortable—outside the office. If business must be done in the office on the first meeting or any subsequent meetings, advisors should take inventory of all the ways the office is meant to convey an ivory tower mentality. Or, on the flipside, ask the question, "How does the layout and feel of the office demonstrate to the client that the firm, the advisor, and all the support put the clients first?"

Here's a brief description of a few observations new millennial investors might make as they visit an office for the first time:

- Large offices: The same way people ask where their money is going when they donate to nonprofit organizations, investors are keenly aware of overhead costs. Investors may question if their fees are supporting pricey real estate when the same work could be done efficiently from a laptop in a smaller shared space.
- Plaques on the wall: Many investors already have researched the biographies and credentials of every team member online before accepting this meeting request. Instead, a white board or space for communicating digitally (because many clients travel or may prefer online conferencing) shows the wall space is for clients.
- CNBC and headlines playing on a TV: Some investors may question why an advisor would watch cable TV to get information. They may wonder: If this advisor has the same access to information that I do, why would I pay them?

For millennials, TV news is old news, like reading what happened two days ago in the paper.
- File cabinets: Most communication is done digitally, so file cabinets, to some investors, may seem like an inefficient and antiquated use of costly office real estate. To many millennial investors, the more important question would be: How much has the firm invested in the highest level of cyber security for client assets?

Verbal Communication

Think like a wise man but communicate in the language of the people.

—W. B. Yeats

Understanding non-verbal communication is paramount to the building of trust. The reality is that even if advisors are able to make a great first impression, most business is done via verbal and written communication. Before an advisor picks up the phone or writes that e-mail, another pause for reflection is imperative.

Listen first. Even though the name of the job is officially financial advisor, it is critical to remember that the best advice can only happen when a person actively listens, gathers as much information as possible, and then asks more questions. The way an advisor listens often builds more trust than any advice given. The next generation of investors has grown up in a very specialized world where people thrive in their very specific fields of expertise. Therefore, whether dealing with a doctor, a mechanic, a plumber, or a child's teacher, these investors seek out those professionals with whom they feel immediate trust, find to be credible, and who will listen to their values and intentions and be able to repeat them back with total clarity. They recognize that they might not understand 100 percent of the specialized tasks performed by these specially trained individuals, but they want full transparency and a setting that allows them to ask questions, engage in the process, and feel they've been heard. Post-boomer investors believe the best work and outcomes happen with collaboration, and that requires specialized professionals to listen well and communicate in a way that demonstrates equal exchange, respect, and shared desire of positive outcomes.

Avoid jargon. Jargon is the verbal method of portraying the ivory tower in conversation. It diminishes trust in conversation because jargon is language that (whether intentional or not) makes clients feel they have an inferior understanding of the situation. When an advisor uses industry-specific terminology, some investors completely shut off because they feel alienated and isolated in the conversation. Now, in all fairness, financial jargon has its purpose. There are certain situations, tools, methods, strategies, metrics, and analyses that have specific names that allow financial professionals to understand a complex concept

> "A successful physician is one who can convey specialized knowledge of a patient's condition to the patient in the patient's own vernacular."

with as little as a single word. To use the medical analogy again: Doctors discussing a patient's condition or performing a procedure will use all manner of necessary medical terminology. That does not make it any less scary or intimidating to the patient. A successful physician is one who can convey specialized knowledge of a patient's condition to the patient in the patient's own vernacular. The use of financial jargon with investors, particularly when attempting to create an inclusive environment that invites non-financial professionals into the conversation, is completely unnecessary and creates the ivory tower dynamic that eradicates trust, comfort, and engagement.

Where to Begin? Inward is Best

Meaningful change begins with a sincere assessment of self. First, a reflection on history, culture, and biases is imperative in order to take into account all the ways an advisor has been shaped. Second, look upon the non-verbal cues from the perspective of a new investor and ask, "Is the environment I am creating one that is inclusive, promotes partnership, and builds trust?" Third, recognize all the ways advisors can show clients they are listening by being 100-percent focused on what a client is saying. Lastly, advisors must use language that invites people into conversations instead of excluding them.

These concepts, put into practice, will give advisors the best opportunity to build trust and create a necessary bridge to the next generation of investors. If today's advisors can develop perpetual self-awareness and practice inclusive non-verbal and verbal communication, their expertise and passion for helping people will have the chance to shine through. When offered the choice of working with an advisor who demonstrates dedication to the profession and commitment to authentic human connection, few investors—regardless of age—will choose a robo-advisor over meeting face to face.

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Why Financial Advisors Should Learn about Generations

By Lori Dorsey

Financial advisors play critical roles in their clients' lives, often serving as money managers as well as life coaches. They see clients through marriage, child-raising, home-buying, new jobs and job loss, caring for aging parents, the loss of loved ones, and other high-emotion transitions. The relationship between an advisor and a client is personal, so it's vital for advisors to understand the person on the other side of the table.

According to one study, nearly 90 percent of prospective heirs say they will move assets to another firm once they inherit.[1] That is an ominous statistic for financial advisors. We believe, however, that understanding generational personalities can help advisors retain these assets and perhaps even gain market share during what may be the largest wealth transfer in U.S. history.

What Creates a Generational Personality?

When we look at generations, age is just a starting place. It's crucial to consider the events and conditions of each generation's formative years. During these years—roughly the teenage years—people are impressionable and coming to terms with the world around them. Consequently, what's happening during a generation's formative years has a profound and lasting impact on general views and behaviors. We explore the unique personality traits of the five generations listed in table 1 and what those traits mean for financial advisors as they build and maintain relationships.

Meet the Traditionalists

Traditionalists are also known as the greatest generation, the silent generation, the GI generation, and Depression babies.

Table 1: The Generations

Generation	Birthdate	U.S. Population
Traditionalists	Before 1946	75 million
Baby Boomers	1946–1964	80 million
Generation X	1965–1979	60 million
Millennial (aka Gen Y)	1980–1995	82 million
Gen Edge (aka Gen Z)	1996–present	TBD

Source: Lancaster, L., and D. Stillman. 2014. BridgeWorks BridgeBuilder Manual [Training Certification] BridgeWorks, Minneapolis, MN.

Who Are the Traditionalists?

Traditionalists are a generation of 75 million people born before 1946. They have experienced their fair share of hardship, enduring the aftermath of the Great Depression followed by World War II and the Korean War. No strangers to sacrifice, traditionalists know how to make do with what they have. They are fiercely loyal to family and country; their patriotism is a badge of honor. As their generation's name implies, they believe firmly in family values, organizational structure, and rules of formality.

Traditionalists are not new to financial advising. As a generation known for being frugal, traditionalists long have sought professional help to make sound financial decisions. As you continue to work and interact with traditionalist clients, keep the following defining traits in mind:

Loyalty. Traditionalists are loyal. They were loyal to their country during war efforts. They are steadfast in their devotion to family and family values. They are faithful to their favorite brands; for example, growing up as a traditionalist, there was no doubt about whether you belonged to a Ford family or a Chevy family. In adulthood, traditionalists have shown loyalty to employers, often spending whole careers with the same company.

Self-sacrifice. Helping their families recover from the Great Depression and supporting their country in World War II and the Korean War required near-constant self-sacrifice during traditionalists' formative years. When traditionalists were young, their families donated, rationed, and worked their fingers to the bone to support troops overseas and put food on the table at home. For traditionalists, putting collective needs above individual needs is second nature.

Respect for authority. Questioning authority was out of the question for young traditionalists. They grew up in a time of uncertainty, and they trusted their superiors' leadership. Traditionalists put their heads down, followed the rules, and reaped the fruits of their labors. A proper traditionalist remained polite yet strong-willed through tough times. For those who served in the military, falling out of line was an act of defiance that threatened everyone's safety.

Building Stronger Connections with Traditionalist Clients

- Take your time: Polite small talk is important when communicating with your traditionalist clients. They'll take the

Table 2: What Makes Each Generation Unique

Generation	Key Events + Conditions	Values
Traditionalists	radio the Great Depression Social Security World War II Walt Disney Jackie Robinson automobiles *Life* magazine Sputnik Korean War	integrity social tranquility tradition loyalty family work ethic discipline
Baby Boomers	booming birthrate television Watergate Vietnam war civil rights movement women's rights movement peace sign the Beatles moon landing stagflation	work ethic youthfulness luxury professionalism novelty individuality health
Generation X	latchkey kids video games Michael Jordan music videos 24-hour media Challenger explosion missing children on milk cartons personal computer dot-com boom and bust AIDS epidemic	trust transparency independence opportunities work/life balance family growth
Millennial (aka Gen Y)	participation awards reality TV The Simpsons computer games social media upgrade cycle homeland violence globalization the Great Recession self-esteem movement	integrity innovation collaboration entertainment customization choice speed
Gen Edge (aka Gen Z)	the Great Recession cyberbullying global competition Minecraft Netflix YouTube visual communication citizen journalism ISIS same-sex marriage	efficiency transparency security inclusivity personalization

time to get to know you, and you should do the same with them. Don't make them feel like a meeting is just checking a box off your list. Be fully present.

- Brush up on your etiquette: Traditionalists have followed the rules since they were young; formality and respect are integral parts of their social order. Don't eschew formality because it's passé with your younger clients. Show traditionalists respect by displaying proper etiquette in your interactions with them.
- Add a personal touch: When possible, go the extra mile to personalize your communications with traditionalist clients. Send a note congratulating them on a grandchild's graduation or ask about their hobbies during a meeting. As a generation that remembers how the corner grocer knew every customer's name, your traditionalist clients appreciate such gestures.

Meet the Baby Boomers

Baby boomers are also known as boomers, the me generation, and generation Jones.

Who Are the Baby Boomers?

Baby boomers, born between 1946 and 1964, are an influential generation. Because of their generation's large population—approximately 80 million—they have effected great change. They grew up in relative prosperity, which gave them time and space to reexamine the status quo. Unsatisfied with what they saw, they rebelled against their parents' deference to authority and questioned those in positions of power. Boomer youth culture helped fuel civil rights, women's rights, and anti-war movements. Later, when boomers flooded the workforce and faced steep competition among their peers, they sharpened their competitive edges to stand out from the crowd. Reinvention is a central boomer characteristic. As youth, they reinvented social structure and modern music; as adults they reinvented what it meant to be a competitive worker. They continue to reinvent every life stage they touch.

Baby boomers are an incredibly important segment of an advisor's client base. They control much of the country's wealth, and as they start to retire—whatever that means for them—they need advisors who can be flexible. When working with boomers, allow the following traits to guide your efforts:

Optimism. When a generation has accomplished as much as baby boomers have accomplished, optimism comes naturally. During boomers' youth and young adulthood, the country teemed with accomplishments—from the moon landing to economic prosperity. Boomers gravitate toward idealistic and optimistic communication that echoes their glass-half-full idealism.

Competitiveness. Suffice it to say, there are a lot of boomers. Because of their great numbers, they've had to compete with one another their entire lives. Younger boomers especially learned that to compete they needed to be the very best. That competitive edge filtered beyond the workplace as boomers jockeyed for the best house, the nicest car, and the most exotic vacations, leading to the phrase "keeping up with the Joneses."

Youthfulness. Unlike their traditionalist parents, who kept their heads down and did as they were told, boomers were rebellious in their youth and have maintained a "reinvent, reimagine, redefine" attitude.

Building Stronger Connections with Boomer Clients

- Keep it simple: Boomers are busy. They're supporting adult children, either financially or emotionally, and dealing with all the stress that comes with their leadership positions. Don't overcomplicate your communications with them or book extended meetings. Simplify. Highlight must-read information in e-mails, use sticky notes to flag important pages in documents, and send agendas before meetings.
- Don't make assumptions: Making assumptions is a surefire way to alienate your boomer clients. Don't assume they don't care about technology, because many of them are techies. Don't assume they'll retire, because many are considering second careers or working part-time. Focus on asking the right questions to discover a boomer client's next move.
- Be proactive about boomer heirs: Boomers can be nervous about talking about money with their kids. Be proactive about the option to invite children into both conversations and meetings. Your boomer clients will secretly—or not so secretly—be relieved that you're taking the lead.

Meet the Gen Xers

Gen Xers are also known as baby busters, the slacker generation, and post-boomers.

Who Are the Gen Xers?

Gen Xers, born between 1965 and 1979, experienced a very different upbringing than their boomer predecessors. As Xers came of age, the world seemed to be coming apart at the seams. They watched as media coverage showed government, religion, marriage, family, and other revered institutions getting called into question. Some Xers themselves feared becoming the missing kids on milk cartons. Because of the uptick in divorce, many Xers lived in single-parent households and became adept at organizing their own lives. They learned independence and found community in shared pop-culture affiliations ranging from Madonna to Michael Jordan. Upon entering adulthood, Xers have demanded work-life balance and workplace efficiency.

From a financial perspective, Xers have gotten the short end of the stick. They've been buffeted by multiple recessions and are the generation that has struggled most to recover from the Great Recession. They need advisors who can be strong allies as they continue on the road to recovery and begin planning for eventual retirement. The best way to communicate with this efficient, let's-get-down-to-business generation is to appeal to the following prevalent Xer traits:

Skepticism. During Xers' formative years, CNN's 24-hour news covered everything from Tonya Harding and Nancy Kerrigan to corrupt corporations and lying presidents. It was easy to get the idea that nothing was good and everything was bad, and Xers had every reason to believe no one would watch out for them except themselves. They responded by becoming a generation that leads with questions. Their default position is skepticism; trust comes later and must be earned.

Resourcefulness. Because of their skeptical natures, Xers have learned to be resourceful. They watched hours of infomercials selling products that didn't work. They grew up when the salesperson had access to all the information—not the buyer. Today roles are reversed and information is easily—and quickly—gathered online. Xers are taking full advantage and have become excellent researchers. They do their due diligence before buying a product, committing to a service, or picking the right financial advisor.

Independence. As Xers were growing up the divorce rate tripled. They grew comfortable returning to empty homes after school to organize their own time, which meant doing homework independently and microwaving frozen dinners. To spare their children similar experiences, many Xers value and prefer efficient, independent work so they can focus on family and other personal endeavors.

Building Stronger Connections with Xer Clients

- Lose the schmooze: If you schmooze your Xer clients or prospects, they will think you're hiding something. Are you a skilled, well-seasoned advisor who is going to help them grow their wealth? Lead with your value, not your cocktail-hour conversation skills.
- Be an asset, not an expert: Generally, Xers don't trust others to act in their best interests; whether at work or in an advisor's office, they depend on themselves. In short, be sure to work with your Xer clients, not for them. And don't forget to be transparent every step of the way.
- Focus on results: Xers are a cohort looking for proof. Avoid preamble or belabored explanations of your systems and processes. Instead, focus on proving yourself through results. For this generation more than any other, the proof is in the pudding.

Meet the Millennials

Millennials are also known as Gen Y, echo boomers, and nexters.

Who Are the Millennials?

Millennials are a diverse cohort of 82 million born between 1980 and 1995. They've experienced a lot of fast-paced change in their lifetimes, especially technological change. From Internet access to cell phones, computers, and social media, technology has been continuously improved, streamlined, and upgraded. For millennials, upgrade cycles have been a constant condition. They also lived through some watershed events during their teen years. September 11th left Americans questioning their safety, and growth in the number of school shootings contributed to uncertainty and fear. Parents and teachers did their best to make millennials feel secure, encouraging them to share feelings and lean on each other. Millennials today are acknowledged as being a hyper-collaborative generation that values access and authenticity and looks for meaning in their professional lives.

Millennials still may be a relatively small portion of your client base, but in the workforce they're no longer the new kids on the block. Many of them have been working for more than a decade and have ascended to leadership roles. Millennials will be recipients of the great wealth transfer, and the oldest millennials are entering their peak earning years. As more millennials join your client base, let the following traits inform your interactions with them:

Collaboration. From a young age, millennials learned the power of working with peers. Both inside and outside the classroom, they sought creative ways to connect. Whether through AOL Instant Messenger or Facebook, millennials have been able to stay constantly connected with peers since they were kids. They are comfortable with online community and frequently crowd-source the decision-making process. Millennials believe their ideas and conversations are stronger when all minds come together.

Tech-savvy. As technology has evolved faster and faster, millennials have had to adapt along with it. The Internet was treated as a rare or special resource during their formative years, but Wi-Fi is now a baseline expectation. Millennials have flexed and adapted to every new social-media platform, music-file sharing program, and operating system thrown their way. Their exposure to a constant barrage of new tools has made them especially tech-savvy.

Search for meaning. Millennials are closely connected to their families, especially their boomer parents. Raised during the self-esteem movement, they were encouraged to speak up and share their ideas. Millennials view their parents as allies and in adulthood continue to lean on them for advice, expertise, and even financial support. The message their parents told them over and over: Do something that matters. September 11th, Columbine, and the Oklahoma City bombings all reinforced that nothing in life is guaranteed—especially safety—and created a generation that looks for meaning in everything: jobs, downtime, even how they invest their money.

Building Stronger Connections with Millennial Clients

- Don't talk to them like they're kids: It is a common misconception that millennials are still kids. Most are well into adulthood and don't care for suggestions to the contrary. If they're not up to par in their financial literacy, help them catch up without making them self-conscious.
- Access to you, not your admin: Millennials are used to unprecedented access—to their parents, to people in positions of authority (think about the ability to tweet at the president), and to information. They want direct access to you, not your support staff. Give your millennial clients your direct line and return their calls promptly.
- Customize their experience: As advisors, you already do this; it's part of being a good advisor. Millennials will want you to take this to another level. Do you usually meet clients in an office? Why not try a local brewpub instead? Learn about your millennial clients' interests and preferences to better tailor the way you communicate and interact with them.

Meet the Gen Edgers

Gen edgers are also known as gen Z, iGen, the founders, digital natives, the selfie generation, and the YouTube generation.

Who Are Gen Edgers?

Gen edgers were born after 1996 and are still in their formative years. Though their generational identity is still developing, demographers have identified some significant events that are shaping edger attitudes and perceptions. Edgers already have experienced quite a bit of turbulence: terrorism, the Great Recession, cyberattacks. They've also seen amazing milestones for our country—the first African-American president, great strides in the LGBTQ community, and growing racial and ethnic diversity (edgers are the final U.S. generation to have a Caucasian majority[2]). They've never known the world without the Internet, social media, or touch-screens, and they are lightning-fast curators of information. Edgers are replicating their Xer parents' traits and showing themselves to be practical, straightforward thinkers with competitive spirits who strive to win.

It will be a while before edgers join the ranks of your client base, but forward-thinking advisors will start making connections now with Xer clients' children. Do not mistake edgers for millennials. Edgers exhibit many of their Xer parents' traits and will manage finances with a sobered, practical approach. Job security and financial security will be top priorities. Helping this generation will be appreciated by their parents. When interacting with edgers, remember that they show these core traits:

Pragmatism. Edgers are being raised by to-the-point, realistic Xer parents that aren't sugarcoating anything for their kids. Edgers are adopting the no-nonsense, practical attitudes of their parents and are showing themselves to be practical rather than aspirational thinkers. Why go to a fancy out-of-state college when you can have a fully funded education in your hometown?

Visual communication. Edgers have grown up on FaceTime, Instagram, and Snapchat. Every communication is peppered with imagery—emojis, GIFs, memes, photos. They've honed the art of communicating through imagery rather than words. FaceTime is their go-to for checking in with mom or dad. They document the day-to-day with selfies shared across platforms. Sometimes their texts rely more on emojis than the alphabet. "A picture is worth a thousand words" says it for this generation.

Self-reliance. Some demographers refer to edgers as the YouTube generation because they seem obsessed with video-sharing. To them, it's a valued learning tool. YouTube is one of their go-to online sources for practical information—they can watch a tutorial and immediately teach themselves a skill.

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LEARN ABOUT GENERATIONS

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Their Xer parents and teachers have emphasized the importance of self-reliance, and edgers have taken the lesson to heart.

Building Stronger Connections with Gen Edgers

- Boost their financial literacy: Though their penchant for visual communication and selfies makes them the butt of jokes, edgers are more than selfie machines. Don't underestimate their ambition or dismiss them as frivolous. Instead, tap into their practical and competitive nature by offering them a head start on financial literacy.
- Get to the point: You'll see edgers text or say "tl;dr"—too long; didn't read. If your e-mails read like novellas—even if they're only a few paragraphs long—edgers won't read them. Speaking, writing, or texting—shed the fluff and get to the point.
- Be yourself: Just like their Xer parents, edgers see through a front of any kind. They don't want you to use hashtags or emojis unless it's true to who you are. Friendliness and informality are valued, but authenticity is key.

Conclusion

Navigating generational differences can be tricky whether you're speaking to a younger client (or prospect), chatting with a long-time client who might be older than your parents, or working with someone your age. Each generation's unique perspective formulates expectations and interests when it comes to deciding who to trust with their finances. Adjusting your approach—based on your knowledge of generational tendencies—will be essential in serving your clients now and in the future.

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Endnotes

1. Pershing Advocates Focus on Attracting Gen X and Gen Y Investors to Support Future Success (June 6, 2012), https://www.pershing.com/news/press-releases/2012/pershing-advocates-focus-on-attracting-gen-x-and-gen-y-investors-to-support-future-success.
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CONTINUING EDUCATION
To take the CE quiz online, visit www.IMCA.org/IWMquiz

AUM: Are U Millennially Minded?

By April Rudin

Of all the metrics used to measure success in wealth management, none is cited more widely than AUM. We know AUM, of course, as assets under management. The greater a firm's assets, the thinking goes, the greater its ability to attract clients and build the kind of scale necessary to serve those clients efficiently. But let me suggest a new meaning for AUM: Are U Millennially minded? It's a perfect acronym for today's Internet-slang-obsessed world. Are you attuned to the needs, values, priorities, and preferences of today's linked-in, wired-up, and always-connected next generation?

It's no idle question. This is a generation that, according to analysis from Deloitte, is expected to control assets of up to $24 trillion by 2020 (Kobler et al. n.d.). These digital natives born in the late 80s and 90s are finally poised to do to financial services what they have already done to media, job recruiting, food delivery, and every other service that touches their lives: namely, antiquate providers who don't adapt to their needs for on-demand digital communication, convenience, transparency, and community.

So how do you win the trust of a millennial investor? This is a demographic that came of age just as many of the most esteemed financial institutions in the United States were imploding (Lehman Brothers, Countrywide, Bear Stearns) and others found themselves on the brink of failure. An iconic brand doesn't carry the weight with them that it did with prior generations (Scratch 2014). Counting on a slick brochure to get their attention won't work either, because millennials care little that you outperformed the S&P 500 over the past three years.

In fact, nearly a quarter of millennials say they are more focused on their money meeting their goals than on how the market is doing (UBS 2014). Their parents may have appreciated an afternoon at the club, but millennials want true connection, relationships that support their long-term financial goals, as well as their individual values and their communities. And yet millennials' interests, values, and the communities they belong to are more diverse than those of any generation before them. The combination makes it especially difficult to adopt a single approach to the generation as a whole (see figure 1).

All of which will require new marketing from registered investment advisors, wealth management firms, financial advisors, and especially family offices, which have long relied on quiet country-club courtship and wealth's dated iconography to engage prospects. Even today, these firms' brochures, reports, pitch books, and websites—even the walls of their well-appointed offices—bear stereotypical images of prosperity and vigilance: the charmingly weathered lighthouse, the perfectly manicured golf green, the nautical compass, the sleek yacht. Arrange an appointment and you'll find more of the same: There sits the wealth manager, holding court behind a mahogany desk, wearing a suit jacket, tie tightly knotted—straight out of central casting circa 1965.

What They Share

Here's what you need to know about what the millennials have in common.

They're digital: Some 90 percent of them check their smartphones within 15 minutes of waking (Kobler et al. n.d.). They go online for everything: finding restaurants and movies, chatting with friends through social media apps, watching TV and films, identifying new music, exchanging money with friends or business partners through PayPal, ApplePay, Venmo. This means they want equal ease of use and familiarity to apply to every service they access, including wealth management. And it means they know how to navigate the Internet to find the latest information about whatever they need to research, including you.

They're well-educated and independent: Nearly two-thirds have attended college versus nearly half of baby boomers, according to White House and Census data (Council of Economic Advisers 2014). Meanwhile, 27 percent are self-employed and 54 percent have started or plan to start their own businesses. They are independent and they know how to do their research. That means they consult all available sources, including friends, family, media, and the Internet, before making a decision. Fewer than 10 percent of investment decisions are made alone and recommendations significantly influence the buying decisions of about half of millennials, according to Deloitte (Kobler et al. n.d.).

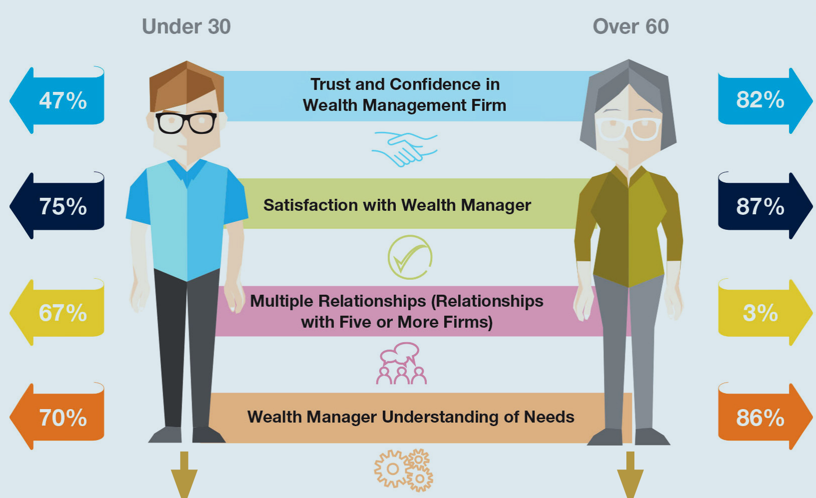
They are financially conservative: Millennials have 52 percent of their financial assets in cash compared to 23 percent for non-millennials, and they have less than one-third of their assets in equities (UBS 2014). Millennials are the generation least likely to invest new money, at 12 percent, versus 33 percent of investors from other generations (UBS 2014). Further, nearly 75 percent of millennials have said that having control of their finances is a prerequisite for marriage. (By comparison, 55 percent of Pew Research respondents felt this way [White 2015]). This may be in part because millennials are highly leveraged. The average class of 2015 graduate, for example, has more than $35k in student debt and the figure has been trending upward (Sparshott 2015).

They are socially conscious: Millennials are more widely aware of global inequalities and crises than earlier generations and are more sympathetic to them, having grown up amid great global financial insecurity and witnessed two major financial crises in their young lifetimes. As older generations' financial assets vanished into thin air, they learned to value experiences, positive change, and philanthropy. Leading meaningful lives takes precedence over amassing great fortunes. They want to use their money to make the world a better place.

They dress casual: The dress code associated with success for millennials is generally urban, iconic, tech-savvy. The sneakers, jeans, and Apple watches associated with Silicon Valley are more popular than the expensive suits and BMWs generally associated with Wall Street.

They value experience, authenticity, and diversity: 37 percent, according to UBS, value "living a full life with a wide range of experiences," and 29 percent value "enjoying the work I do" (UBS 2014, 8). Further, just a quarter of boomers come from mixed racial and cultural backgrounds, but nearly 40 percent of millennials do (CNN Money n.d.; U.S. Census Bureau 2015).

Figure 1: Key Differences of Under 30 HNWIs with Older (Over 60) HNWIs



	UNDER 30		OVER 60	
Top Concerns	Availability of quality education	83%	68%	Rising costs of health care
	Ensuring children's well-being	80%	68%	My and my family's health
	Rising education costs	73%	62%	Assets lasting through lifetime
Top Wealth Needs	Effective use of time through convenient and valuable meetings	80%	90%	Understanding of needs and concerns
	Strong investment performance	80%	90%	Strong investment performance
	Fee transparency	80%	90%	Understanding of risk tolerance
Asset Allocation	Allocation to alternative investments	16%	11%	Allocation to alternative investments
	Allocation to real estate	19%	10%	Allocation to real estate
	Allocation to equities	21%	37%	Allocation to equities
	International investments	51%	17%	International investments
Credit	Importance of availability of credit when beginning a relationship with a firm	47%	23%	Importance of availability of credit when beginning a relationship with a firm
	Usage for investments and returns	43%	42%	Usage for investments and returns
	Usage for business purposes	37%	13%	Usage for real estate investment
Digital	Current level of digitalization	85%	30%	Current level of digitalization
	Future level of digitalization	89%	34%	Future level of digitalization
	Propensity to leave due to lack of integrated channel experience	77%	40%	Propensity to leave due to lack of integrated channel experience
Social Impact (source of advice)	None	15%	51%	None
	Primary wealth manager	27%	16%	Primary wealth manager

Source: Capgemini and RBC Wealth Management Global HNW Insights Survey, 2015

One Size Does Not Fit All

Here's the lesson: Don't just bring legacy marketing online—the conventional content that swayed boomers. You must elevate the experience you'll create—the sweeping value of the relationship you'll build—over any single product, service, or other advantage you typically promote. And then you must deliver on that experience, and connect with the client on a level that really matters to him or her.

How to approach this work? Start by conducting a thorough audit of your marketing to evaluate your value proposition, supporting messages, and the ways you convey them—from the quality of your writing to the strength of your case studies to the relevance of your imagery. Ask yourself some questions:

Bigger is not better. Does my marketing default to the familiar "decades of experience," "billions in AUM," and a clientele of "elite families"? This could actually be a liability. Having lots of experience and lots of assets can be a turnoff for the new generation, who often prefer smaller scale, finely targeted firms. Brand is important, but it must be consistent and define a niche strategy.

Mobile approach. Am I using an integrated mobile approach that is available and optimized to devices of all kinds? Am I offering video and chat interactions, social-media functionality, advice-sharing forums?

Authenticity. Do I have social-media properties that are current, up-to-date, and compliant? Is my LinkedIn profile photo current? Does my profile reflect my personal interests and passions? Am I posting regular content? Do my social-media properties echo the value propositions and messages offered on my website? And are they built to create a community where clients and prospects can get to know me and get to know each other? Many millennials feel an out-of-date or insufficiently "social" online profile of any kind suggests a lack of authenticity and engagement.

Transparency. Have I addressed the millennial's need for transparency with clear language about fees, services, reporting, and conflicts?

Marketing plan. Do I have a marketing plan designed to orchestrate this project so that everything I create will work together? Most planners value the time and effort it takes to create asset allocations and investment strategy, but they lack a real marketing plan to build client and prospect engagement and visibility with centers of influence.

Help. Can I do all of this myself or shall I hire a qualified marketing firm for help?

Be aware that what awaits you on the other end is no welcoming committee. Notoriously skeptical of experts, and inclined to value digital advice platforms over the wealth-management divisions of banks, most millennials will take some time to warm up to you. So here are some tips for getting them to listen.

Your Value Propositions and Messaging

Because you're not going to win millennials by returns alone, make sure that your value propositions align with what matters to them. They want to invest in 21st-century opportunities they feel passionately about, such as biotech for fighting disease, new forms of sustainable energy, old-school investments made new with today's technologies. One millennial may want to hear about a promising new investment opportunity in cancer research, and another may be interested in a philanthropic venture that supports carbon credit projects in developing countries, and you need to know the difference.

But this shouldn't all be about investment advice. Millennials want advisors who'll get to know them as people, not clients. Your value propositions and messaging must convey that you'll do exactly that.

Your Website and Collateral

Don't even think about pulling out your old glossy brochure, or a 50-page investment report, and handing it (worse yet, mailing it) to a millennial. Invest in resources to create collateral dedicated to this market that is clear, rich with infographics, written expressly for millennials, downloadable, and optimized for mobile.

Too many advisors are determined to use what's on the shelf and grumble about this step. Don't do that. Put yourself in your prospect's shoes. Would you rather have an advisor send material that engages you, or a perfunctory piece that wastes your time?

The same applies to your website. Consider creating a microsite: a discrete entity within your existing website dedicated to millennials.

Social Media

The first thing to know about social media is that this is where millennials spend their time sharing, tweeting, liking, snapping, pinning, forwarding, and commenting. More than 80 percent of millennials are on social media, where they spend an average of four hours a day (eMarketer 2013; Corcapa 1031 Advisors 2015). The opportunity is clear: Use social media to meet millennials where they spend their time.

Start with LinkedIn, because no matter how many "Uncle Georges" and "Aunt Jills" have recommended you to them, millennials' first impressions will be formed—perhaps permanently—by your LinkedIn profile. Write a profile that doesn't just cover where you've worked and for how long but tells a concise story of who you are; the more you tell your prospects, the more opportunities you create to connect. For example, I once crafted a social profile for an ultra-high-net-worth advisor with an elite practice. He told me, off-handedly, that he earned his University of Chicago MBA at night while raising four kids. I turned this "reveal" into an element of his profile, because it said something compelling about his work ethic.

Again, the more you reveal what is germane to who you are, the more opportunities you create to connect. So go ahead, tell us where you went to school, what you studied, that you spent your junior year in Florence but then switched your major from art history to finance. Tell us that you've been a conservationist since taking a rainforest cruise up the Amazon on your honeymoon. Or that your proudest moment came watching your 19-year-old son beat Navy to earn his college tennis program its first NCAA Tournament berth. If there's a high-net-worth millennial out there who plays tennis you're sure to spark a conversation.

The most important thing about social media—LinkedIn, Twitter, and Facebook—is to use it to establish an authentic presence. Don't just post an investment report from your broker–dealer in the hope that it will impress, because it typically won't. Instead, offer content that is smart and topical: e-books, white papers, blog posts, and videos that prospects can use to further their own research.

And don't limit it to business; use social media to support causes that matter to millennials, and to which your firm can connect authentically. For some firms this will come easily, but for others it may require some rebranding. Best to take it just one step at a time. Start by posting compliant, approved content that is relevant, succinct, and eye-catching, even if it's just a clickable headline for Twitter. Share work from other thought leaders and engage in the occasional conversation online. Encourage followers and clients to tell their social networks what they like about you, without being pushy about it. Bottom line: Build an online community in which your millennials can take part. Remember offline and online compliance are the same. Neither guarantee nor promise returns.

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To sum up, consider a recent piece from *U.S. News & World Report* that quotes Connecticut Wealth Management Chief Executive Officer Kevin Leahy: "Thanks to the Internet," he says, "access to financial advice … is virtually unlimited. That's great for some, but the generalized approach to crunching numbers and outputting advice has caused many to believe there's a one-size-fits-all approach to investing. There is no such thing" (Stalter 2016).

The same must be said of marketing to the next generation of investors: One size does not fit all. So go bespoke—with messages, content, and imagery that shuns clichés, meets millennials where they live (online), and cultivates them as people and not simply clients.

Said differently, if you're to count on millennial money to grow assets under management, you had better come to terms with AUM's new meaning:

Are U Millennially minded?

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