AN AMERICAN PORTFOLIOS' GUIDE TO

Financial Advisors Working with and Employing Millennials

Text by Kimberly A. Branch, CFP®, Vice President of Marketing Strategy, American Portfolios Financial Services, Inc.

MILLENNIALS ARE NOT like Baby Boomer or Gen X clients. If you wish to successfully tap the Millennial market, you'll need to understand how they think, what they think and how to communicate with them.

FINANCIAL ADVISORS trying to capture the Millennial market as clients are having a challenge. Not only that, but employing Millennials requires financial advisors to have a different mind-set, and conform to the wants and needs of this younger generation. In this paper, we'll explore how to capture Millennial clients and why you should be thinking about hiring a Millennial to work with younger clients—hopefully gaining them as your succession plan.

The historical and socio-cultural location shared by a generation is what defines it and sets it apart from previous generations. Consider for a moment how children growing up at the dawn of television, man landing on the moon and the Vietnam War will differ from children raised with no knowledge of a world without the Internet, a life spent in "real time" and witness to 9/11. Today, working with Millennials has become difficult for financial advisors because Millennials are a different breed. These six events and technological advances crosses the Baby Boomers, Gen Xers and Millennials.

Millennials—generally defined as individuals between the ages of 18-34—recently passed Baby Boomers as the largest generation in American history.[1] They may not be as economically well off as Baby Boomers, but they are ascending the income earning curve and may be beneficiaries, along with Gen Xers, of a massive wealth transfer from their parents, estimated by some to be up to $30 trillion.[2]

In brief…Millennials are the future of your practice.

Understanding the Millennial from a Financial Advisor's Perspective

Millennials are not like Baby Boomer or Gen X clients. If you wish to successfully tap the Millennial market, you'll need to understand how they think, what they think and how to communicate with them.

Millennials are digitally savvy, socially connected, health conscious and socially responsible. From a financial perspective, they have a general distrust of financial advisors and Wall Street; they keep their money in cash; they carry a large debt balance; and they are unfamiliar with negotiating job offer perks, i.e. stock options, signing bonuses and non-compete agreements.

Working with Millennials as their Financial Advisor

Recognizing the Millennials' distrust of Wall Street and their disinclination to work with "their parent's broker," advisors will need to consider adapting how they work with this generation.

As you develop your strategy around capturing Millennials, consider:

» **Becoming actively engaged with social media; Millennials turn to their online networks when making purchasing decisions, and trust and rely on referrals**

» **Offering a flat-fee pricing option**

» **Packaging relevant advice services, such as:**

- Strategies to reduce college debt
- Assistance in structuring a plan to pay down credit card debt
- Guidance with career choices and negotiating a job offer
- Investing in a 401(k)
- Flexibility to meet via Skype

Such approaches may not only be relevant in obtaining new prospective clients, but also in recruiting and hiring those from the Millennial generation. Succession planning is a large push in the financial services industry at the moment; beyond that benefit, however, advisors may find that the best way to bring on younger clients is to have someone with their experiences and views working with them. The Millennial generation is a generation unlike any other. Senior advisors will have to remain flexible and keep an open mind, with an eye toward the future.

Financial Advisor's Employing Millennials as Employees or a Successor

The average age of financial advisors is 50.9, and 43 percent are over the age of 55, according to new research from Cerulli. "Nearly one-third of advisors fall into the 55 to 64 age range," reports Kenton Shirk, associate director at Cerulli.[3]

Cerulli suggests firms encourage advisor teams to bring in junior advisors and train them in a specific area of expertise in order to increase the success rate of these new recruits. To guard against asset attrition, the research firm says broker/dealers and custodians need to provide support and resources to help advisors tackle succession planning, and development of internal succession candidates.[3]

To effectively recruit and retain Millennials as employees and your succession plan, you might need to modify the language and approach of your recruiting and management style.

We Know They're Different

While every generation seeks to distance itself from the previous one (remember "Hope I die before I get old," Baby Boomers?), Millennials are set apart primarily by their experience with social media, how they consume information and what they want from work. While they share many of the same values held by previous generations, they do hold some distinct principles that need to be considered when a financial advisor employs a Millennial.

How to Recruit Millennials

When recruiting Millennials as employees or your succession plan, speak to their aspirations and values. For instance, one in three Millennials said "social media freedom" is a higher priority than salary,[4] while almost 70 percent said that giving back and being civically engaged are their highest priorities.[2]

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of Millenials said that giving back and being civically engaged are their highest priorities.[2]

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of Millennials said personal development was the most influential factor in their current job.[5]

80%

of Millennials prefer feedback in real time, rather than through traditional performance reviews.[6]

ADVISORS

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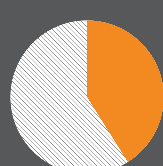

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THEREFORE IT'S IMPORTANT TO COMMUNICATE:

- The impact the job and your practice can have on helping individuals achieve important financial goals
- The community involvement of the business and your employees
- The input they will have on your social media and networking initiatives
- Their potential for career advancement; in a recent survey, 65 percent of Millennials said personal development was the most influential factor in their current job[5]

HOW TO RETAIN MILLENNIALS

To retain talented Millennial employees:

- Evaluate management style—Look to manage them in a way that fosters their own definition of achievement and reward.
- Listen to what they have to say—Millennials were raised by parents who listened to them, and they don't see why their boss shouldn't. Ignoring their input may lead to job dissatisfaction and employee turnover.
- Provide work/life balance—Millennials work hard, but are less defined by their job than previous generations, e.g., Baby Boomers. For Millennials, having a balanced life is of paramount importance. Promote a work environment that allows such balance.
- Leave room for fun—Millennials want to enjoy their job and place of work. They value friendships in the workplace. Promote opportunities for laughter and after-work socializing among co-workers.
- Be flexible—The worst thing any manager of a different generation can do is dismiss these differences with the attitude that Millennials will need "to get real" about workplace expectations. Inflexibility may be the quickest route to losing great employees. Stay flexible and retain this generation!
- Offer continuous feedback—Eighty percent of Millennials prefer feedback in real time, rather than through traditional performance reviews.[6]

While appealing to Millennials—as an advisor to a client, an employer or a business partner—may present challenges and force change, the benefits to such relationships can be invaluable. Financial advisors have proven their resilience time and again in the ever-evolving financial services industry; those who wish to remain relevant will do so again by rising to this challenge with an eye focused to the future, offering incoming advisors and clients the best of both generations: tech-savvy speak and innovation, along with proven experience and results.

SOURCES

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