

FIDELITY INSTITUTIONAL INSIGHTS

# It's Time to Change Your Mind about Young Investors

**How the next generations can help your firm grow, and what you can do to win their business**



Despite a global pandemic, market volatility, and a war in Ukraine, millions of Americans started investing in the last few years. In fact, 60% of young investors (ages 18–34) began to invest since 2020.<sup>1</sup> Along with this rise of Gen Y (Millennial) and Gen Z investors came a surge of social media influencers and fintech firms eager to help them save and invest. **This wave of financial engagement among young investors coupled with their auspicious demographics present a real opportunity for financial advisors**, who typically have preferred serving the already-affluent (and typically older) generations.

Although it may be difficult for some advisors to consider serving this not-yet-affluent group, these dynamics pose a potential threat to the future of advisory businesses that don't take steps to target young investors. Gen Y and Gen Z are seeking financial advice today, and may become entrenched with providers that meet their needs now.

**Only 14% of today's advisory clients are next generation (Gen Y/Gen Z).<sup>2</sup>**

**We also see slower growth rates and more assets at risk among wealth management firms with aging client bases**, which affect firm valuation. In the pages that follow, we will share:

**Why:** The ways that Gen Y and Gen Z can help grow your firm

**Who:** The insights that can make you indispensable to them

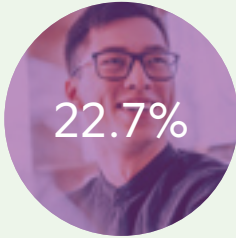


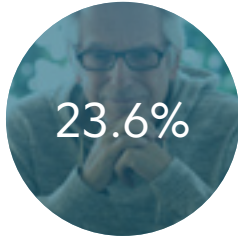
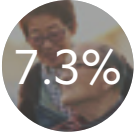
**How:** The steps you can take to start winning their business

Due to their sheer size and wealth potential, next generation clients will play a pivotal role in the value and long-term success of your firm. The opportunity for advisors is to get educated on their needs now and begin making strategic adjustments to serve them well and profitably. As is the case with long-term investing, the key is starting early to reap the benefits over time.

All statistics in this paper are from the Fidelity Investments 2022 Investor Insights Study unless otherwise noted. The study includes 2,490 investors that are 21 or above in age and have household investable assets of \$50K or more. In this paper, references to "Gen YZ" reflect the combined results for those born between 1981 and 2012, and references to "Baby Boomers+" reflect the combined results for those born in 1964 or before. For more information on the study, please refer to the disclosures.



# The generations at-a-glance

	Young Investors		Gen X	Baby Boomer	Silent Generation
	Gen Z	Gen Y			
<b>Birth Years</b>	1997–2012	1981–1996	1965–1980	1946–1964	1928–1945
<b>Approximate Percent of U.S. Population</b>	 22.7%	 24.5%	 21.9%	 23.6%	 7.3%
<b>U.S. Population (in millions)</b>	67.8	73.2	50.2	70.4	21.7
<b>Influential Events (late childhood to early adulthood)</b>	Digital Age COVID-19 Pandemic	School shootings 9/11 Great Recession	Berlin Wall dot-com bubble Y2K	Watergate Civil Rights movement 1987 market crash	Korean War Cold War Space race

## Summary of key insights

- The demographic tsunami is upon us—with population and wealth significantly shifting to Gen Y and Gen Z, who now collectively represent 47% of the U.S. population.<sup>3</sup> Due to their sheer size and wealth potential, **next gen investors will play a pivotal role in the growth, valuation, and long-term success of your firm.**
- Contrary to the beliefs of many advisors, **young investors can be attractive and profitable clients, especially over time.** They value and are willing to pay for the advice of professionals, are motivated to improve their finances, prefer to consolidate assets with a primary advisor, and are loyal clients. They also will inherit trillions of dollars in the years to come.
- Not all Millennials and Gen Zers are the same, however. **It's important to be deliberate about the attributes that you seek in a younger client** (e.g., profession, savings rate, service demand), so that you can attain revenue and profitability goals over time.
- **Given their lived experiences, next generation investors do not fit the same mold as their older counterparts at comparable ages.** They are following nontraditional life paths, driven by values, always connected to technology, motivated by FOMO (fear of missing out), focused on mental health and value diversity. Understanding the nuances of serving these generations will help you better tailor your approach and offering to help them.
- **Millennials and Gen Zers are leaning into their finances and redefining what is valued in an advice relationship.** They engage with their money, seek whole-life advice, value an accountability partner, want to achieve financial freedom and gain access to new investments. They don't necessarily want or need the more traditional advice model that many Baby Boomers prefer.
- Fortunately, **financial advisors have a track record of evolving to better meet client needs,** and can pivot once more to serve the needs of younger generations. To explore which steps to take, advisors may want to consider Fidelity's three-step approach:
  - **Foundation:** Develop and/or update your engagement model for next gen prospects and clients.
  - **Evolution:** Enhance and evolve your offering—including products, technology, and talent—to better meet the needs and preferences of young investors.
  - **Innovation:** Find new ways to stand apart and differentiate your firm for next gen investors.
- The undeniable truth is that young investors are seeking financial advice today. If an advisor can't serve their needs, Millennials and Gen Zers will find someone who can. **Will you be the advisor they turn to?**



# Contents

Click each section to find out more

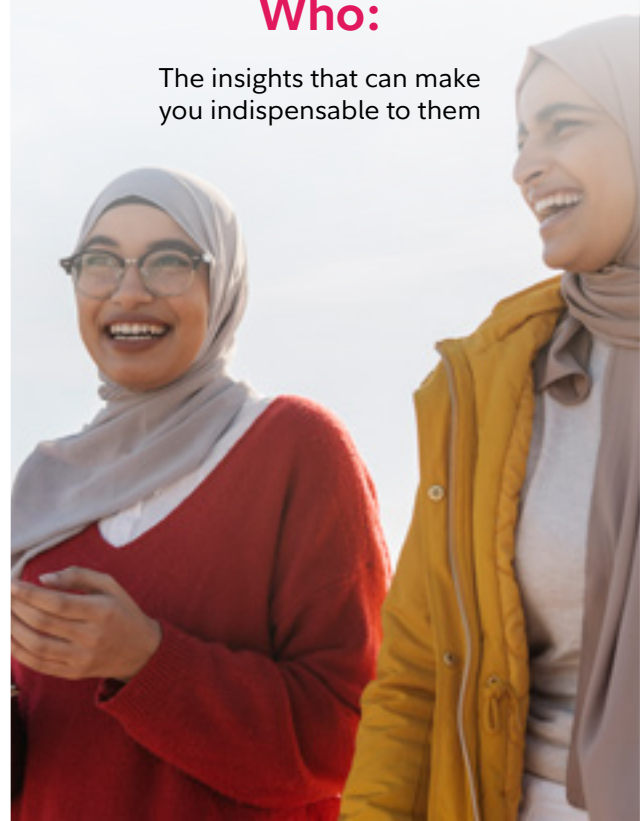
## Why:

The ways that young investors can help grow your firm



## Who:

The insights that can make you indispensable to them



## How:

The steps you can take to start winning their business



## Help:

Fidelity resources to help you serve young investors





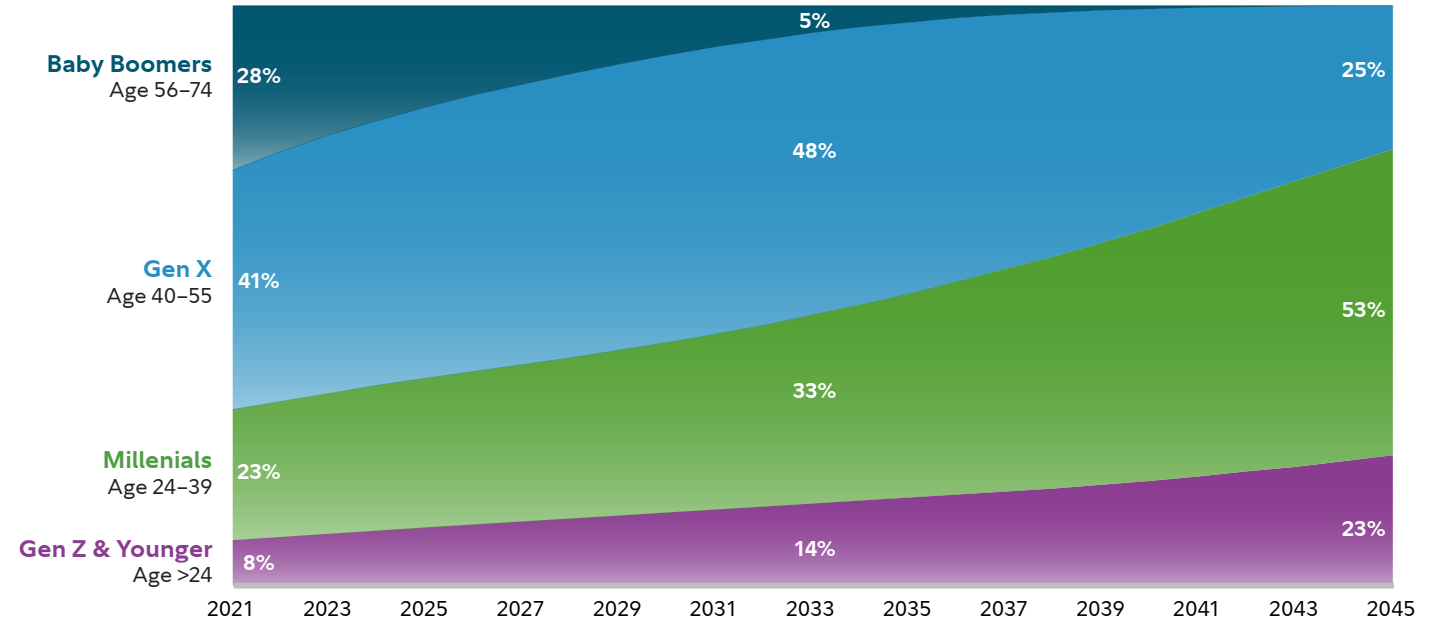
**Why**

The ways that Millennials and  
Gen Zers can help grow your firm

# Young investors will soon represent a preponderance of the population and wealth

The demographic tsunami is upon us—with population and wealth significantly shifting to the next generations. Gen Y and Gen Z now collectively represent 47% of the U.S. population, and Millennials surpass Baby Boomers as the largest generation.<sup>4</sup> Although still early in their lives and careers, Millennials had an average net worth of \$278,093 in 2021—with an average yearly increase of 23% since 2016.<sup>5</sup> Collectively, these generations are poised to inherit a significant share of the \$84 trillion in wealth transferring between now and the year 2045 (according to Cerulli).<sup>6</sup> In fact, **it's estimated that they already inherit \$541 billion each year** (which is 30% of the wealth transferred annually today—and that percentage is projected to only grow).

Annual Estimated Wealth Inherited by Generation, 2021–2045



Sources: Cerulli Associates, Federal Reserve Board, U.S. Census Bureau, Internal Revenue Service, Bureau of Labor Statistics, and the Social Security Administration. Sample data. For illustrative use only.

# Millennial and Gen Z clients can be an engine of growth

Contrary to the beliefs of many advisors, young investors can be attractive and profitable clients, especially over time. They value and are willing to pay for the advice of professionals, are motivated to improve their finances, prefer to consolidate assets with a primary advisor, and are loyal clients. They are also establishing their first financial advice relationships. In fact, 14% of Millennials are likely to start working with an advisor in the next 12 months.

## Next gen investors are attractive clients, because they are CLIPPers:

### They prefer to **C**onsolidate assets

71%

of Millennials (versus 51% of Baby Boomers) say: "I would prefer to do most of my financial business at one institution that can bring together the specialists and services I need."<sup>7</sup>

66%

of Gen YZ want to "consolidate more of my assets with my primary financial advisor" in contrast with 19% of Baby Boomers+

### They are **L**oyal

75%

of Gen YZ investors (with advisors) are likely to recommend their advisor to a friend, family member, or colleague (similar to 77% of Baby Boomers+)

3X

In the past year, Gen YZ referred their advisors 3X more than their Baby Boomers+ counterparts (an average of 3.1 referrals from Gen YZ clients versus an average of 0.9 referrals from Baby Boomers+ clients).

### They are motivated to **I**mprove their financial situation

73%

of Gen YZ agree: "I put pressure on myself to constantly improve my financial situation" versus 28% of Baby Boomers+

71%

of Gen YZ claim that "ambition is an extremely important personal value of mine" in contrast with 34% of Baby Boomers+

### They value **P**rofessional advice

63%

of Gen YZ believe a professional financial advisor is important to achieve financial and/or investment success versus 56% of Baby Boomers+

85%

of Gen YZ say "I trust my primary financial advisor to make decisions that are in my best interest" (as do 92% of Baby Boomers+)

### They are willing to **P**ay for advice

74%

of 30-39 year olds are willing to pay for financial advice versus 50% of those 70 or older<sup>8</sup>







## Two things to note:

- 1. Gen Y and Gen Z are more likely to hire multiple advisors today** (28% of Gen YZ versus 9% of Baby Boomers+). They are doing this primarily to gain access to the full suite of investments and services they seek.<sup>9</sup> If one advisor can meet their needs, however, that is the model they generally prefer.
- 2. Next gen investors show more price sensitivity than older investors.** Over 1 in 2 (56%) said that they “could be easily swayed to switch their primary financial advisor if another advisor had lower fees,” whereas only 9% of Baby Boomers+ said the same. Clearly and regularly reinforcing the value you provide can help dissuade younger clients from looking elsewhere.



# Select the right next gen clients to increase profitability

Generally speaking, next generation investors have the potential for significant wealth accumulation over time, and corresponding revenue generation for the financial advisors that serve them. But, not all young investors are the same. Fidelity analysis shows that **an individual's savings rate and service level are the two biggest factors in determining the long-term profitability of a client**—and sometimes clients with higher assets or incomes aren't the most valuable to your business over time (see example at right). That's why it's important to consider Customer Lifetime Value (CLV) when choosing with whom to work. As advisors, you have the opportunity to be deliberate about the attributes that you seek in a younger client (e.g., profession, savings rate, attitude), so that you can attain revenue and profitability goals. Establishing the right pricing and operating models is critical too.

## Picking the Right Client



Chris, 25

Young, college-educated professional is invested in ESG and Crypto through digital platforms



Jessica, 25

Young, college-educated professional is invested in ESG and Crypto through digital platforms

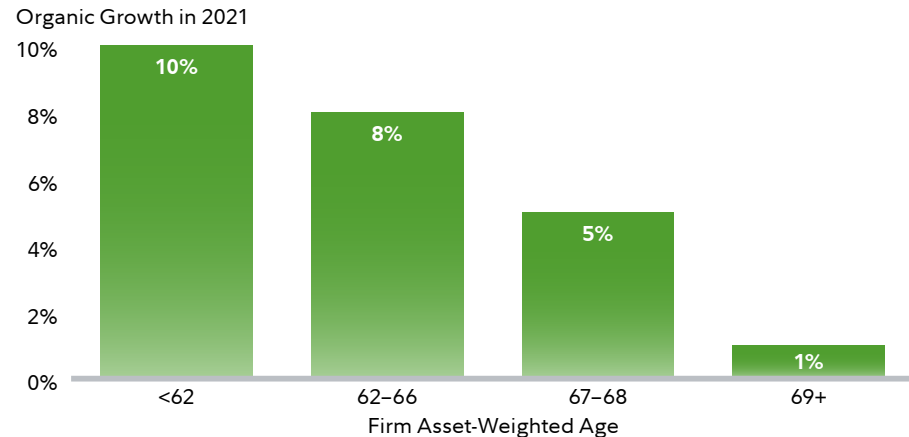
	Background	
\$110,000	Income	\$85,000
\$200,000	Investable Assets	\$100,000
High	Service Level	Low
7% of income	Saving	15% of income
\$579K CLV (-\$17,037 NPV, 7.1% IRR)	Economic Value	\$1.0M CLV (\$15,210 NPV, 13.5% IRR)
Chris becomes profitable by age 40, but the margin between RIA revenue and cost to serve is very slim		Jessica becomes profitable by age 34, and RIA revenue far outstrips cost to serve by retirement

Source: Fidelity Investments as of 9/9/2022. NPV (net present value) calculation assumes a discount rate of 10%. CLV (customer lifetime value) is defined here as cumulative operating profit over the client's lifetime. Both CLV models assume lifetime earnings growth at 80th percentile of U.S. college-educated population. IRR = internal rate of return.

# How ignoring young investors could put your firm's valuation and longevity at risk

Regardless of whether you plan to retire in 5 years or 25 years, prospective buyers will evaluate the health of your business—using client demographics as a key factor in the analysis. With all other factors being equal, **potential buyers are likely to pay a premium for firms with younger client bases** due to the potential for increased revenue growth and reduced revenue risk. Fidelity research clearly shows the negative impact to organic growth as a firm's set of clients ages (see chart below). In 2021, firms with an asset-weighted client age of <62 had an average organic growth rate of 10%, contrasted with a 1% average organic growth rate for firms with an asset-weighted client age of 69 or greater.

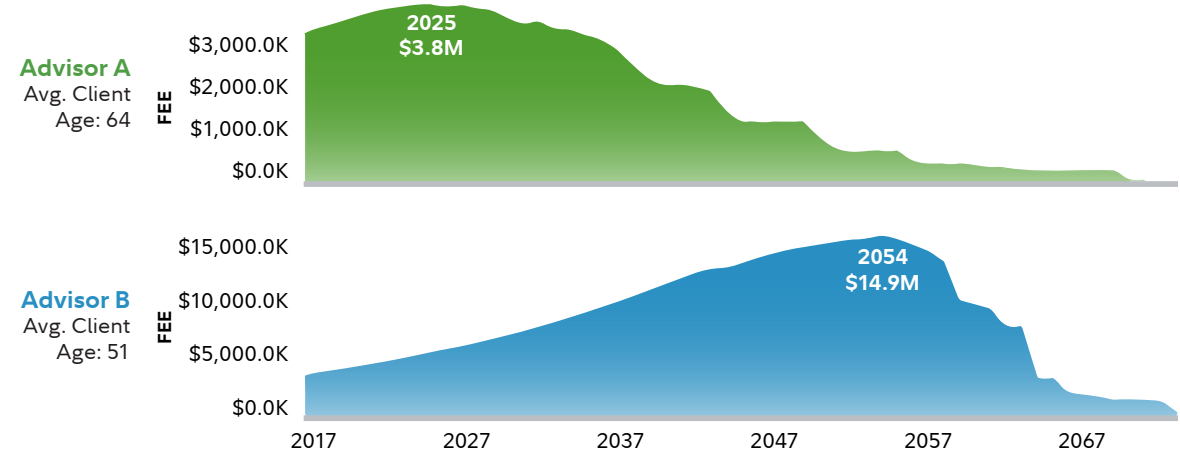
## Older Clients Contribute to Slower Organic Growth



Source: Fidelity analysis of 1,501 on-platform custody firms.

Not only is firm growth impacted by outflows from RMDs and living expenses of older clientele, but also by wealth transfer. **For the average firm, 57% of existing client assets are expected to pass to the next generation by 2045**, according to Fidelity analysis.<sup>10</sup> The below chart demonstrates the stark difference in revenue over time of two advisors—one that has a younger average client age, and one with an older average client age (where assets are declining due to withdrawals and wealth transfer).

## Older Clients May Put Revenue at Risk



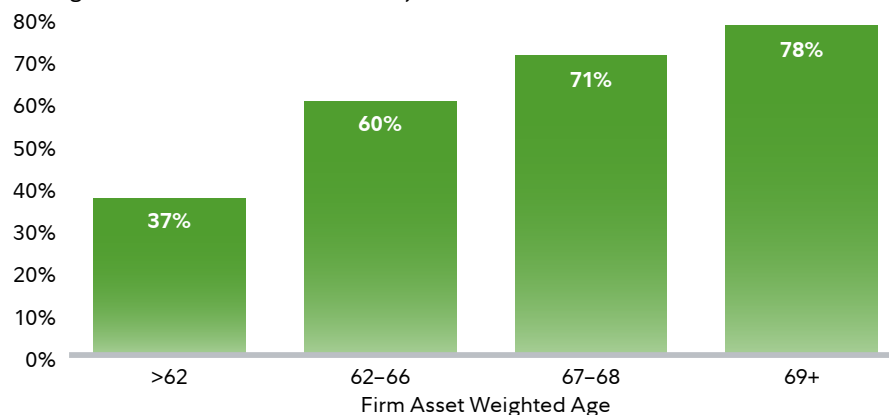
Source: FI Practice Management & Consulting Client Insight Tool. Sample data. For illustrative use only.



Furthermore, **the number of assets at risk of wealth transfer increases along with the average age of a firm's clients.** In fact, as much as 78% of assets are estimated to be at risk for firms with an average asset-weighted client age of 69 or greater versus just 37% of assets for those with an average asset-weighted client age of <62, according to Fidelity analysis.

### Older Clients Contribute to Greater Assets at Risk

Average Percent of Firm Assets at Risk by 2045



Source: Fidelity analysis of 1,501 on-platform custody firms.

**A consistent lack of engagement among advisors and their clients' families further compounds the risks of an aging client base.** Most advisors have not established relationships with the children of current clients, despite the significant potential benefits of doing so. In fact, Fidelity analysis shows that households in which the next generation is engaged generate 160% of the revenues and 270% of the profits of households without family engagement.

Additionally, **as parents age, family dynamics shift and adult children can start to play an outsized role in their parents' financial lives**—well before any wealth is officially transferred. Advisors have the opportunity to play both offense and defense by reaching out early to engage the children of current clients.

With fintechs and established firms vying to serve Gen Y and Gen Z investors today, these potential clients may become entrenched with other providers before you decide to reach out. More over, these firms are likely to morph their offerings to serve these customers as they age, thereby retaining their business over time. **Not engaging next gen investors now may preclude you from making inroads later.** Don't wait until it's too late to start diversifying your client base with younger clients.



Advisors have **reached out to only 13% of clients' children.**<sup>11</sup>

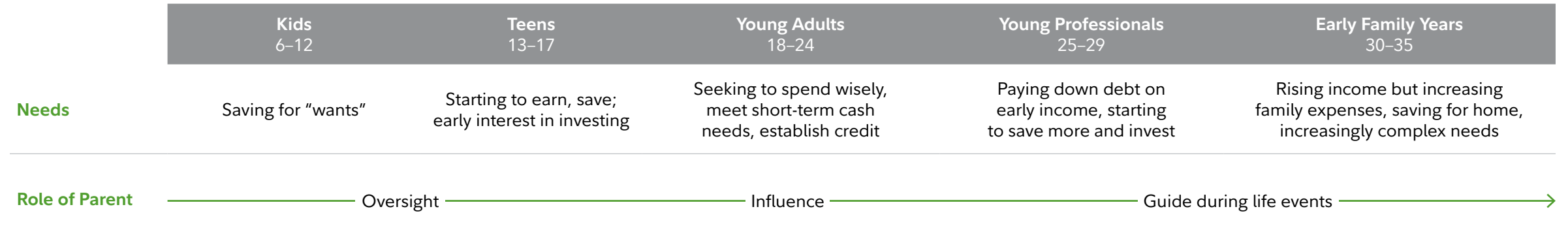


**Who**

The insights that can make you indispensable to them

## The spectrum of Gen Y and Gen Z investors

As with any cohort, **young investors are not a monolithic group**—and their individual needs and preferences differ due to a host of factors from life stage to upbringing to income. However, there are a number of attitudinal and cultural similarities across Gen Y and Gen Z investors that make them distinct from the generations that came before them—and influence how they make decisions about their lives, careers, and finances.



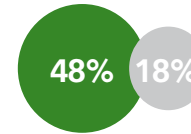
# Rebelling against convention or simply navigating a different time in our history?

The unique lived experiences of young investors inform how they view the world and make decisions. In many cases, they do not fit the same mold as older generations at comparable ages, which will impact how they plan for their finances both today and tomorrow. Below are six hallmarks of Gen Y and Gen Z.

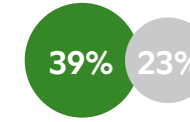
## Factors Shaping the Life Decisions of Young Investors

- 1 Diversity
- 2 Life Path
- 3 Values
- 4 FOMO (fear of missing out)
- 5 Mental Health
- 6 Technology

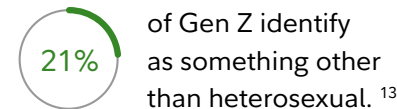
1 They are the **most diverse generations to date, and value diversity and inclusion in all aspects of their lives—including in a financial advisor.**



**Gen Z** is the most racially and ethnically diverse generation, with 48% of 7- to 22-year-olds identifying as non-white, versus 18% of **Baby Boomers** in 1969.<sup>12</sup>



39% of **Gen YZ** say they prefer to work with a financial advisor with "similar life experiences"—versus 23% of **Baby Boomers+**.



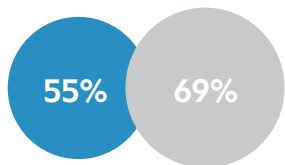
21% of Gen Z identify as something other than heterosexual.<sup>13</sup>

62% and 61% of Gen Z and Gen Y, respectively, **believe that increasing racial/ethnic diversity is good for society** (versus 48% of Baby Boomers).<sup>14</sup>

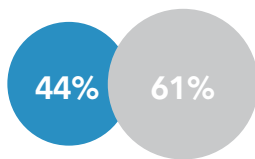
62% of Gen YZ feel it's "**important for financial advisors to visibly demonstrate a social equality and diversity commitment** (e.g., via their website, social media, or other online content)" versus just 16% of Baby Boomers+.

2 Whether you consider work or family, **young investors' life paths are more varied and not as linear as those of prior generations. This requires unique considerations for estate planning, insurance, taxes and more.**

Gen Y is getting married later and less often, having fewer children, and more likely to marry someone of a different race than prior generations.



Millennials are less likely to live with a family of their own—with 55% of **Millennials** doing this in 2019 versus 69% of **Baby Boomers** in 1987.<sup>15</sup>



Millennials are less likely to get married and more likely to live with a partner. Only 44% of **Millennials** were married in 2019 compared with 61% of **Boomers** at a comparable age.<sup>16</sup>

With their careers, they are seeking alternative ways to earn income and balance their life with their work.



In a recent study, Gen Zers **placed "making a lot of money" behind other priorities** including enjoying their work, being best at it, and making a difference in the world.<sup>17</sup>



**Millennials represent 42% of the Creator Economy** (people focused on creating and sharing content online) in the United States. By comparison, Gen Z represents 14%. With 60% of creators employed full-time, the remainder presumably rely on content creation for all or some of their income.<sup>19</sup>



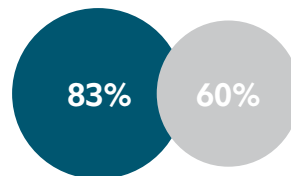
Gen Z is estimated to be the **most entrepreneurial generation yet**—with 45% reporting that they are very or extremely likely to start their own business one day.<sup>18</sup>



43% of Gen Zers and 33% of Millennials have **taken a part- or full-time paying job in addition to their primary job.**<sup>20</sup>

3 They are **more progressive, values-driven, and willing to take action on those values.** This may impact not only whom they choose to hire as a financial advisor, but also the investments they select—from sustainable investing to thematic investing.

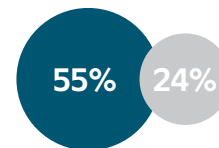
Whether the topic is climate change, social justice or interracial marriage, **younger generations are more likely to take a progressive view on them than prior generations.**<sup>21</sup> Although these views may change as Gen Y and Gen Z age, it is too soon to tell.



83% of **18- to 34-year-olds** say: "It is important to me that companies I buy from align with my values" versus 60% of those **55 and older.**<sup>23</sup>



Almost two-thirds of Gen Z feel it is very or **extremely important to work for an employer that shares their values.** Additionally, 2 in 5 declined a job or assignment because it did not align with their values.<sup>22</sup>

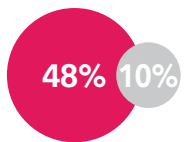


55% of **Gen YZ** believe "that aligning my investments to my values is more important than getting maximum returns on my investments" versus 24% of **Baby Boomers+.**

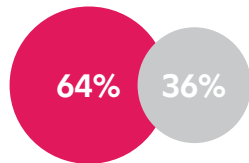


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**FOMO (fear of missing out)** is more than just a hashtag. **Raised with social media feeds of everything their friends and idols do, many Millennials and Gen Zers crave experiences and loathe being on the sidelines.** This has consequences for their spending and investing habits, as well as their priorities—financial and otherwise. As advisors, you can help them understand what might be driving some of their decisions, and give them tools and information to help them make informed choices.



Almost 1 in 2 (48%) **Millennials and Gen Zers** say: "When it comes to investing, I have a fear of missing out on the next big thing" (versus 10% of **Baby Boomers+**).



64% of **18- to 34-year-olds** say that they "often make impulse purchases" in contrast with 36% of those **55 and older**.<sup>24</sup>



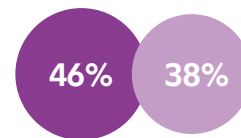
56% of **Gen YZ** agree with this statement: "I am a saver, not a spender" versus 69% of **Baby Boomers+**.



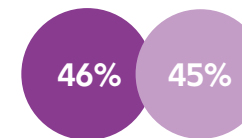
The vast majority of people switching jobs during the Great Resignation belonged to Gen Y and Gen Z—**motivated by desires for more appreciation, career progression, and flexibility**.<sup>25</sup>

5

**Mental health is a challenge and a priority.** Younger generations are experiencing more behavioral health issues than their older counterparts at comparable ages—from suicidal thoughts to depression to feelings of hopelessness. Although researchers saw higher rates among the young pre-pandemic, COVID-19 only accelerated the generational differences.<sup>26</sup> As financial advisors, you have the opportunity to help mitigate some of the stress and anxiety many young investors feel, as well as offer the right support when needed. Having goals-based conversations with clients to help create peace of mind, or establishing connections with third-party specialists, who can provide additional services, are two tactics that can help mitigate the stress that some young investors feel.



46% of **Gen Z** and 38% of **Gen Y** report being stressed or anxious all or most of the time—with finances both long- and short-term the top driver of that stress.<sup>27</sup>



Similarly, 46% of **Gen Z** and 45% of **Gen Y** report feeling burned out due to the demands of their jobs and workplaces.<sup>28</sup>

**Fortunately, Gen Y and Gen Z are also more apt to take action to improve their health.**



Younger generations are more likely to leave a job for mental health reasons. In fact, a recent study shows that 68% of Millennials and 81% of Gen Zers have left roles, both voluntarily and involuntarily, for this reason compared with 50% of respondents overall.<sup>29</sup>



Gen Y and Gen Z cite "good work/life balance" as the #1 factor in choosing a role—ahead of learning and development opportunities and high salary or other financial benefits.<sup>30</sup>



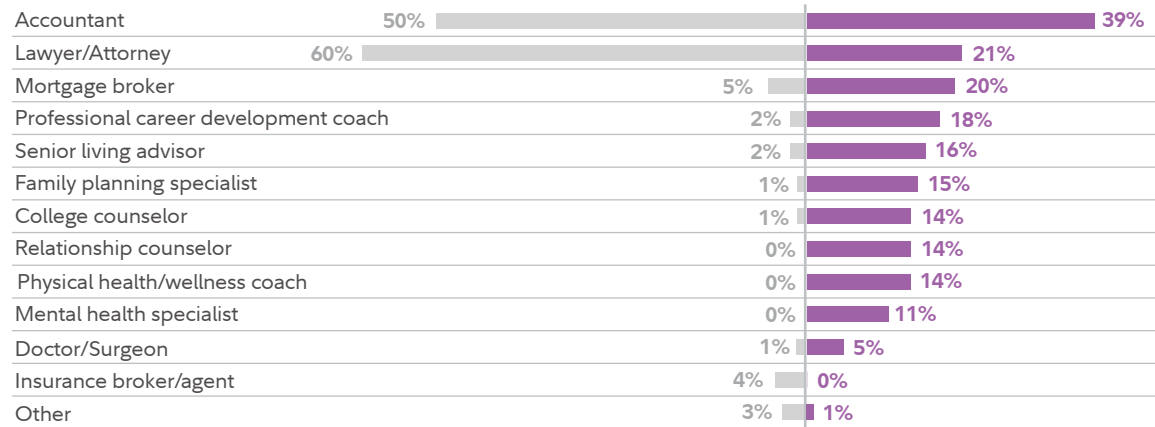


Next gen clients appear to be actively seeking referrals to third parties—including health and wellness providers—from their financial advisors, more so than their older counterparts. Of those receiving a recommendation from their advisor, 14% of Gen YZ received recommendations for a wellness coach, and 11% for a mental health specialist. Baby Boomers+ generally do not report these types of referrals.

### Did Your Advisor Recommend Other Professionals?

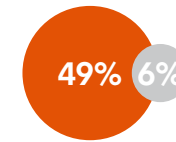


### Advisor Recommendations for Other Professionals



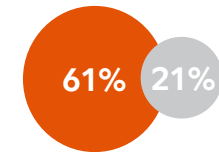
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Raised with smartphones, **they expect social media and technology to facilitate every aspect of their lives**—including their finances. Regardless of the stage in their relationship with your firm (whether they are researching advisors to hire or trying to access their accounts online), **they will demand frictionless technology that simplifies or enhances every aspect of working with you.** In addition, they will seek information online to make decisions—from multiple sources. As advisors, you have the opportunity to be a reliable provider of online information for them and help to guide them away from any poor advice they find online.



49% of **Gen YZ** are using a robo-advisor versus 6% of **Baby Boomers+**.

Almost 8 in 10 **Gen YZ** investors are more likely to consider an advisor that uses the latest technology versus 58% of **Baby Boomers+**.



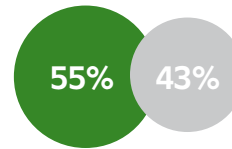
61% of **Gen YZ** “prefer to learn about financial topics via online tools, apps or interactive websites versus someone talking about those topics,” in contrast with 21% of **Baby Boomers+**.

# In search of a different model: How young investors are redefining advice relationships

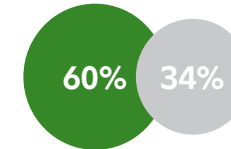
Gen Y and Gen Z, although still relatively young in their financial journeys, have different needs and preferences when it comes to their money and the advisors with whom they work. Establishing and keeping relationships with these young investors will require many financial advisors to flex how they engage clients. Rinsing and repeating what has worked with Baby Boomer clients won't cut it with young investors that:

## Engage and lean into their finances.

Perhaps due to their hunger for information (and ubiquitous access to it) or the fear of missing out, Millennials and Gen Zers often want to copilot their financial lives and be engaged in decisions—versus delegating to an advisor. **Offering them the timely education, transparency, and collaboration they seek can help you stand out as an advisor of choice**—particularly by engaging on social media and offering online events.



55% of **Gen YZ** rate themselves as knowledgeable about investing, in contrast with 43% of **Baby Boomers+**.



60% of **Gen YZ** find investing enjoyable versus 34% of **Baby Boomers+**.



Among those investing in stocks, 91% of **Gen Z** and 75% of **Gen Y** used social media to find investing information in the prior 30 days.<sup>31</sup>



1 in 2 (51%) **Gen YZ** “take an active interest in financial webinars/seminars where I get to network and learn about investing or other financial topics” versus only 15% of **Baby Boomers+**.

## Seek a partner for their whole life, not just their money.

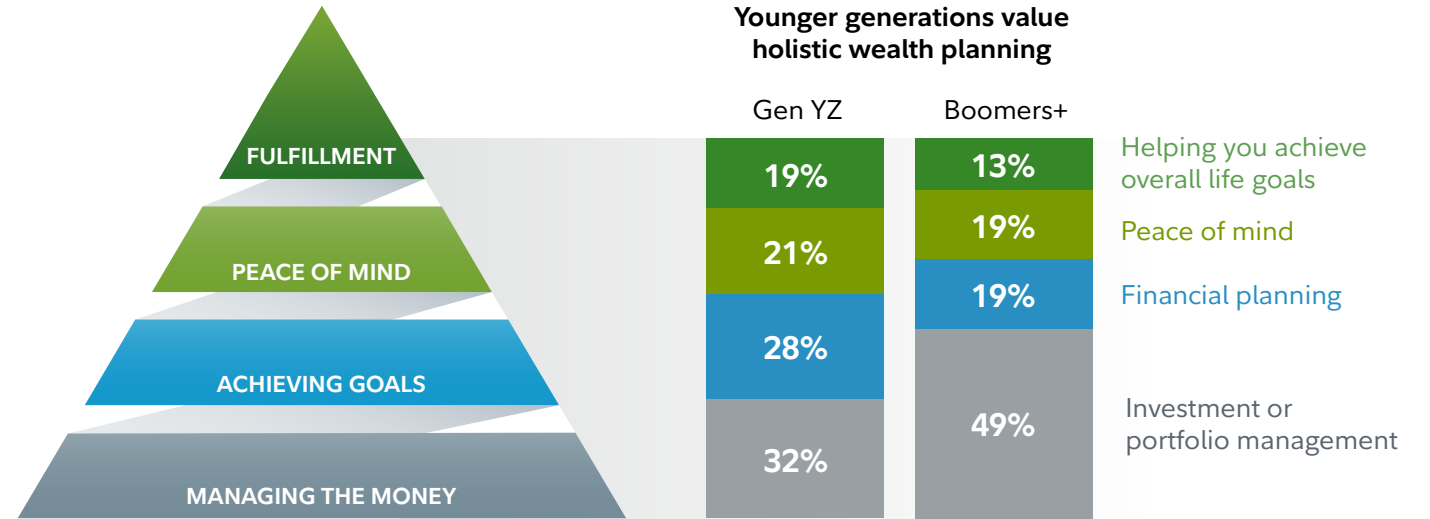
Challenged by managing student debt and other short-term concerns like buying a home, having children, or changing jobs, they look for a partner that can help them manage today's finances as well as prepare for goals far in the future. Consistent with Fidelity's Advice Value Stack®, **young investors appreciate a full spectrum of advice**, from investment management to financial planning to helping them achieve life goals.

When attributing the value of a financial advisor, young investors place more importance on financial planning, creating peace of mind, and helping achieve life goals than their older counterparts (see chart to the right).



Of those with an advisor, 2/3 (67%) of Gen YZ want one that **"provides services beyond financial advice and investment management"** versus 29% of Baby Boomers+.

### Advice Value Stack®



Survey question: "Please allocate 100 points across these areas, based on where you think you would get the most value from a paid financial advisor."

When they shop for financial advisors, **they will turn to those that take a comprehensive approach to serving clients and help them navigate multiple goals**—and look at your communications, website, and social media for these clues. Content that only addresses transitioning into retirement or investment management will not resonate with this group.

**Their top reasons for starting to work with an advisor are:**

- Wanted help with goal setting/financial planning in general
- To gain access to certain types of investments
- Wanted help with budgeting/debt/basic finances
- To discuss retirement savings and when/if I could retire
- Felt that I had accumulated enough assets to be managed

Top 10 Current Investment Goals	Gen YZ	Top 10 Current Investment Goals	Baby Boomers+
Saving for a vacation/other interests	56%	Saving for a vacation/other interests	40%
Saving or investing for retirement	51%	Estate planning/Effectively manage my trust and estate	38%
Buying a car	40%	Saving or investing for retirement	34%
Paying down my debt	35%	Saving for health care expenses	31%
Saving for health care expenses	33%	Minimizing my tax bill	28%
Saving or investing to achieve financial independence	33%	Home improvement/repairs	27%
Building an emergency fund	33%	Saving or investing to achieve financial independence	24%
Home improvement/repairs	31%	Having sufficient long-term care insurance	19%
Having sufficient life insurance	29%	Building an emergency fund	18%
Buying a house (primary residence)	29%	Buying a car	17%

Green indicates a top 10 goal unique to that cohort.  
 Survey question: “Which, if any, of the following are current investment goals or actions for you/your household?”



## Want an accountability partner or behavioral coach to keep them on track.

There is a **significant desire for more hands-on guidance among next gen investors**, thereby increasing the importance of behavioral finance and understanding the psychological underpinnings of money. Rather than viewing nudges or frequent check-ins as a nuisance, young clients see the value in those communications to help them achieve their goals.

### Their top 5 preferences for behavioral coaching are:

- Helping me establish routines and stick to them
- Using an app or software tool to monitor and send me reminders
- Participating in a competition with rewards
- Providing educational materials on the benefits of different goals
- Reward system (rewarding me for tasks completed/improved behavior)



of Gen YZ **would like some form of behavioral coaching from their advisors** to keep them from making mistakes, procrastinating, or making rash decisions (versus 25% of Baby Boomers+).



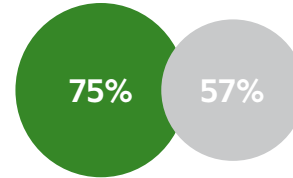
4 in 10 Gen YZers view **“a personalized road map that lays out the steps I need to take to achieve my financial goals”** as one of the most important ways an advisor delivers value (versus 25% of Baby Boomers+).



6 out of 10 (61%) Gen YZers **like “using financial apps that automatically put money away based on their goals without having to think about it”** versus 13% of Baby Boomers+.

## Focus on financial independence and optionality—more so than traditional retirement.

Although saving for retirement is a priority (and source of stress) for many young investors, more of them are focused on creating financial independence—to stop working entirely or pursue passions—than older generations. In turn, they need guidance (and a reality check) on how to save and invest for earlier retirement or shifting to lower-paying jobs later in life.



75% of **Gen YZ** say: “I plan to save as much as possible now so I can become financially independent as early as possible and focus on what I really want to do in life” versus 57% of **Baby Boomers+** (who are not retired).

1.5M

There are 1.5M members of the Financial Independence subreddit to **gain tips on not having to work for money.**<sup>32</sup>



Almost 1 in 5 Gen Zers and Millennials **are planning to retire by age 55.**

## Value access to new investment ideas and products.

In the pursuit of outsized gains or better alignment with their interests, younger generations are more likely to invest in new or alternative investments like cryptocurrencies and thematic products, as well as seek a sounding board for investing ideas.



70% of Gen YZ say they **look for an advisor that they could “talk to fairly frequently** (e.g., weekly) about investments or trades I'm considering” versus 49% of Baby Boomers+.



80% of Gen YZ would **“expect my primary advisor to be able to report on my digital assets/cryptocurrencies, along with other investment vehicles as part of a comprehensive report”** versus 43% of Baby Boomers+.



of Millennials say they are “always looking for new investment ideas.”<sup>33</sup>



## What's in Their Portfolios?

Investment Type	Percent of People with These Investments	
	Gen YZ	Baby Boomers+
ESG	37%	7%
Cryptocurrencies (directly held)	34%	3%
Thematic funds	34%	4%
Real estate	18%	15%
Illiquid alternatives	11%	3%
Liquid alternatives	8%	7%

ESG = environmental, social and governance



Perhaps due to their relative youth, the recent bull market, their investment selections, or all of the above, **Gen YZ have high expectations for the return on their assets.** They expect a 25% annual median rate of return from their advisor, whereas Baby Boomers+ expect a 6% rate of return.





# How

The steps you can take to start winning their business

It's widely recognized that the financial advisor community is predominantly older, male, and Caucasian. Although this doesn't preclude advisors from understanding or relating to young investors, **a real commitment may be required for some advisors to serve Gen Y and Gen Z well.** Fortunately, the advice industry has a track record of evolving to better meet client needs—whether pivoting during the pandemic to virtual interactions and paperless transactions, or switching from commission-based fees to asset-based fees.

For advisors interested in delving into this market and positioning their businesses for long-term success, there are a number of steps you can take.

To get started, consider following this three-step approach: foundation, evolution, and innovation.

1

Foundation



2

Evolution



3

Innovation



## ① Foundation: Get the basics right

**Create your ideal profile for young clients.** There are factors that make stronger candidates, such as savings habits, inheritance potential, future earning potential, and demand for service. As shown on page 10, individuals with a higher savings rate and lower demand for service can be more profitable clients than those earning higher incomes. Clearly define the characteristics of the Gen Y and Gen Z clients with whom you want to work, and then have the discipline to stick to that profile as you bring on new clients. You can use your IPQ and initial conversations to collect the information you need to make individual decisions.

**Engage with the adult (and teenage) children of current clients.** Warm introductions to the next generation of your existing clients can help you retain assets when wealth transfers and make inroads with younger clients poised to grow wealth over time. Despite the inherent opportunity here, advisors have reached out to the children in only 13% of households. Offering classes or online financial education for teens and helping them prepare for financial independence (e.g., credit cards, savings accounts, brokerage accounts, student debt) are ways to engage with the

younger members of a household. For older adult children, offering a second opinion on their financial situation or offering to be a resource as they navigate a particular life event may be door openers, even if they are advised by someone else today.



**60%** of Gen YZ investors **“feel more of a need for a financial advisor this year than in past years because of the market going down, increasing inflation, and unstable global environment”** (versus 30% of Baby Boomers+)

**Provide holistic financial planning to meet their financial and life-related needs.** To compete effectively for young investors, offer services to help them plan for the future, and navigate competing financial priorities and life events (e.g., weddings, buying a home, birth of a child)—as well as investment management. You can start by demonstrating your expertise by creating content and events around these topics to reach prospective clients as well as existing ones. Evaluate your storytelling to ensure that you clearly articulate the

value you provide beyond investment management—such as helping them to achieve peace of mind or life goals. As you explore how to effectively deliver these broader services to clients, consider tapping into third parties or technology providers that can help you enhance (and personalize) your overall offering without requiring additional resources. Making these investments may help you win not only young investors, but also Gen X and Baby Boomer clients seeking a holistic approach as well.



**Almost 7 in 10 Gen YZ** investors (without an advisor today) **“would like an advisor who provides customized marketing communications based on my personal needs and objectives”** (versus 45% of Baby Boomers+)

**Use technology throughout the client life cycle to engage and inform young investors.** Because next gen investors live on their smartphones, start by having a compelling website and active social media presence to let prospective clients get to know you online. Then use paperless onboarding to transition them to your firm seamlessly, compliant tools to send them text messages, a mobile app to help them access their money any time, and online planning tools to help them envision different scenarios and make decisions. Also, monitor your online presence regularly to react to negative reviews, because young clients are going to read them. Investments in technology and your online presence should engage both younger and older clients alike.

**71%** of Gen YZ investors think it's important for **financial advisors to have a good website** (versus 40% of Baby Boomers+)

**40%** of Gen YZ think it's important for **financial advisors to regularly post content on social media** (versus 4% of Baby Boomers+)

## 2 Evolution: Evolve your offering

**Expand your investment offering to incorporate new or alternative solutions.** Given the interest of young investors in nontraditional investments like ESG, thematic investing, or cryptocurrencies, develop points of view about the benefits (and risks) of these investments and evaluate which ones to include in client portfolios. Messaging around providing choice and the ability to personalize investments will likely resonate with next gen clients, in particular.

**Assess your operating model to serve the next generation in a scalable and profitable way.** To manage the lower assets that young investors are likely to have early in your relationship, you may want to offer an alternative fee structure (e.g., hourly fees or flat fees) or introduce a minimum fee to ensure a certain revenue level. Changes to your service model (e.g., pointing them to digitized solutions) and adopting a client segmentation strategy can also reduce the cost to serve young investors until they gain more assets.

Outsourcing investment management for these clients is another way to reduce the cost to serve—by tapping into model portfolios or digital advice platforms, as examples. As their assets grow, these clients can graduate to a different model that may better match the increased complexity of their financial situation.

**Build a bench of diverse talent to better reflect the clients you serve.** Start by assessing whether you have any gaps in the ages and diversity of your advisors, and whether you have an inclusive culture. From broadening the candidates that you interview to offering training programs on diversity and inclusion to working with organizations that help place diverse candidates in jobs, you can take steps to attract and retain young, diverse talent that may better relate to Gen Y and Gen Z clients.

### 3 Innovation: How to stand out

**Become a coach.** Given that next gen investors value an accountability partner or behavioral coach, consider how you can modify your approach to provide this. From more frequent check-ins to establishing and monitoring financial routines, consider what would work best to elevate your client experience. Investing in your own education in this area can help you better navigate the psychological and behavioral tendencies of all clients, particularly Millennials and Gen Zers. The CFP® Board recently added “the psychology of finance” as a required part of the curriculum to educate new advisors in this area. For a more elevated service, consider adding therapists or psychologists to your referral network, which can expand the breadth and sophistication of your firm offering without having to develop your own personal expertise.

**Create a niche offering.** Whether you want to focus on young dentists or social media influencers, consider building specialized expertise and a focused offering for the young clients you most want to serve. This will help you to stand apart from other advisors, and make it easier for these clients to find you in the first place—and refer you to their like-minded peers.

**Up your game on social media to capture their attention.** Knowing that young clients are turning to social media and the internet for financial content, think creatively about how you can show up online to meet this need—and do it regularly. What snackable content can you create on the topics they care about? Can you be their voice of reason and truth in the sea of financial information (and misinformation) that exists? Showing up on social media and providing educational content in a way that is easy to consume matters to next gen investors. Increasingly, it matters to older investors as well—with more members of the Gen X and Baby Boomer generations seeking quick-hitting content on platforms like TikTok. For some social media platforms, consider leveraging a content marketing solution to reduce the burden of having to create all the content yourself.

**Highlight how you give back.** Given that next gen investors value working with companies that align with their values and contribute to society, share what your firm does for the community and the causes you care about online and through your various client communications. You may want to involve clients in your philanthropic activities to expand the impact you have and engage with clients in a new way.



**56%** of Gen Z and Millennials intentionally go to social media to find financial advice, and over 1/3 admit that they would not fact-check that advice.<sup>34</sup>

## Conclusion

Most financial advisors are skeptical about serving young investors because they don't think they can afford financial advice or be served profitably—in the short term. However, a dearth of young clients will impact the growth and value of your firm, and the long-term sustainability of your business. Taking steps now to engage these clients will benefit not only your business, but the individual clients you serve. The undeniable truth is that young investors are seeking financial advice today. If an advisor can't serve their needs, Millennials and Gen Zers will find someone who can.

Will you be the advisor they turn to?



Between August 2021 and August 2022, 12% of financial advice users **hired an advisor for the first time or switched advisors. 39% of them were Gen Y or Gen Z.**





# Help

Fidelity resources to help  
you serve young investors

## Fidelity resources to help you serve young investors

- [Practice Management & Consulting](#)—Insights and tools to help your business attract and retain young investors.
- [Decade of Generational Wealth](#)—The next decade will bring profound change for many families. Stay prepared with our 8 Strategic Imperatives.
- [The Advisor's Guide to Digital Assets](#)—Understanding the reality and potential of digital assets.
- [Model Portfolios](#)—Consider outsourcing portfolio management and spend less time managing portfolios and more time with your clients.
- [Thematic Investing](#)—Explore the ways thematic investing can help clients enhance their portfolios and align their investments with what matters to them.
- [Sustainable Investing](#)—Sustainable investing gives investors the opportunity to find long-term potential for their money, while investing alongside their values for a positive global impact.
- [Fidelity Alliance Network](#)—Enables firms to access discounts and special offers from a curated list of providers experienced in the wealth management industry, as well as discounts and special offers for your clients (available to Fidelity Institutional clients only).





## Endnotes

<sup>1</sup> CNBC/Momentive Poll: “Invest in You,” August 2021.

<sup>2</sup> Fidelity Investments, Analysis of ~3,700 on-platform firms (as of December 2021).

<sup>3</sup> U.S. Census Bureau, 2021.

<sup>4</sup> Ibid.

<sup>5</sup> Cerulli Associates, U.S. Retail Investor Edition 3Q 2022, Issue #28.

<sup>6</sup> Cerulli Associates, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021.

<sup>7</sup> Cerulli Associates, U.S. Retail Investor Edition 3Q 2022, Issue #28.

<sup>8</sup> Cerulli Associates, U.S. Retail Investor Advice Relationships 2021.

<sup>9</sup> 2021 Fidelity Investor Insights Study.

<sup>10</sup> Fidelity Investments, Client Insight Tool and on-platform assets data.

<sup>11</sup> Fidelity Investments, Client Insights Tool data.

<sup>12</sup> Pew Research Center, “On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far,” May 14, 2020.

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<sup>14</sup> Pew Research Center, “Generation Z Looks a Lot Like Millennials on Key Social and Political Issues,” Jan. 17, 2019.

<sup>15</sup> Pew Research Center, “As Millennials Near 40, They’re Approaching Family Life Differently Than Previous Generations,” May 27, 2020. Definition of living with own family: living with a spouse, one’s own child (or children), or both a spouse and child.

<sup>16</sup> Ibid.

<sup>17</sup> Ernest & Young, EY Releases Gen Z Survey Revealing [Businesses Must Rethink Their ‘Plan Z.’](#) Nov. 4, 2021.

<sup>18</sup> Ibid.

<sup>19</sup> Adobe, “[Future of Creativity](#)” Study: 165M+ Creators Joined Creator Economy Since 2020, Aug. 25, 2022.

<sup>20</sup> The Deloitte Global 2022 Gen Z and Millennial Survey.

<sup>21</sup> Pew Research Center, “Generation Z Looks a Lot Like Millennials on Key Social and Political Issues,” Jan. 17, 2019.

<sup>22</sup> The Deloitte Global 2022 Gen Z and Millennial Survey.

<sup>23</sup> 5WPR, 2020 Consumer Culture Report.

<sup>24</sup> Ibid.

<sup>25</sup> Fortune, “Millennials, Not Gen Z, Are Fueling the Great Resignation,” June 10, 2022.

<sup>26</sup> Sapien Labs, “The Deteriorating Social Self in Young Generations,” May 2022.

<sup>27</sup> The Deloitte Global 2022 Gen Z and Millennial Survey.

<sup>28</sup> Ibid.

<sup>29</sup> Harvard Business Review, Kelly Greenwood and Julia Anas, “It’s a New Era for Health at Work,” Oct. 4, 2021.

<sup>30</sup> The Deloitte Global 2022 Gen Z and Millennial Survey.

<sup>31</sup> The Motley Fool, “[Gen Z and Millennial Investors: Ranking the Most Used, Trusted Investing Tools.](#)” Aug. 3, 2021.

<sup>32</sup> Reddit as of Oct. 13, 2022.

<sup>33</sup> Cerulli Associates, U.S. Retail Investor Edition 3Q 2022, Issue #28.

<sup>34</sup> Credit Karma/Qualtrics Study, “Gen Z Turns to TikTok and Instagram for Financial Advice and Actually Takes It, Study Finds,” July 31, 2021.

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