YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Millennials: The "Slow and Steady" Generation of Investors

With some $30 trillion poised to change hands over the next several decades from parents and grandparents to so-called Millennials -- those 90-million-plus Americans aged 18 to 33 -- the financial services industry will have its work cut out for it. Popular investing wisdom states that the younger you are, the more time you have to ride out market cycles and therefore the more aggressive and growth-oriented you may be in your investment choices. Yet Millennials are hearing none of it.

As Investors: Wary and Conservative

Indeed living through the Great Recession and watching their parents and other older family members suffer financial losses may have taken a toll on these young investors -- and made them wary of investing in general and conservative in their investment choices. For instance, according to Wealthfront, an online financial services start-up that caters to this demographic group, Millennials "have lived through two market crashes … " and … "value simple, transparent, low-cost services," typically favoring index-based fund options over more exotic investment fare.[1]

Elsewhere, research conducted by MFS Investment Management found that Baby Boomers take a more aggressive approach to retirement investing than the much younger Millennials. Further, each group's selected asset allocation is inconsistent with what financial professionals would consider to be their target asset allocation, given their age and investment time horizon.

For example, Baby Boomers, on average, reported holding retirement portfolio asset allocations of 40% stocks, 14% bonds, and 21% cash, while Millennials allocated less than 30% of their retirement assets to stocks, and had larger allocations to bonds and cash than their much older counterparts -- 17% and 23% respectively.[2,3]

Further, when asked about their retirement savings priorities, 32% of Baby Boomers cited "maximizing growth" as the most important objective, while two-thirds of Millennials cited conservative objectives for their retirement assets -- specifically, 31% said "generating income" was a top concern and 29% cited "protecting capital" as their main retirement savings goal.[3]

Perception Is Reality

The study's sponsors infer that the seemingly out-of-synch responses from survey participants reflect each group's reactions -- and perhaps overreactions -- to the recent financial crisis. For Baby Boomers, the loss of retirement assets brought on by the Great Recession has made them more aggressive in their attempts to earn back what they lost. Fully half of this group reported being concerned about being able to retire when they originally planned. For Millennials, the Great Recession was a wake-up call that investing presents real risks -- and their approach is to take steps to avoid falling foul of that risk even though they have decades of investing ahead of them.

Educating Investors: An Opportunity for Advisors

Cumulatively, recent research suggests that there is a considerable opportunity for advisors to dispel fears and misperceptions by educating investors of all ages about the importance of creating and maintaining an asset allocation and retirement planning philosophy that is appropriate for their investor profile.

[1]*Wealthfront.com, Wealthfront News, "$1 Billion in 2.5 Years," June 4, 2014.*

[2]*Investing in stocks involves risks, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. An investment in a money market fund is not insured or guaranteed by the Federal Deposit*

Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

[3]*Plansponsor, "Baby Boomers, Millennials Should Switch Retirement Investing Goals," October 2, 2014.*

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