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FINANCIAL SERVICES

Post-boomer HNW seek tech-savvy, transparent service

June 19, 2017

Gens X, Y and Z have been known to research while in advisor meetings. Image credit: Longchamp

By SARAH JONES

Despite the differences in behavior and preferences among Generations X, Y and Z, high-net-worth individuals who fall into these age groups have a number of similar desires.

According to a new report from BNY Mellon's Pershing, consumers in all three generations want their financial advisors to be honest and real with them. While only 18 percent of wealth advisors are currently targeting millennials and Gen Z clientele, these individuals will be tomorrow's affluent investors.

"If you look at the sheer numbers and the fact that the millennial generation is now larger than the baby boomer generation, just the movement and expected wealth transfer over the next 10, 20, 30 years is very large," said Katie Swain, director of financial solutions, BNY Mellon's Pershing.

"In the high net worth market, there is $72 trillion expected to grow to $120 trillion by the year 2030," she said. "That's a lot of wealth transfer, and that includes earnings as well as inheritance, so it behooves the marketfinancial services firms and the liketo take a look at the changes in buying habits, patterns, preferences and make note of that.

"You have a lot of changes in technology, means of communication preferences have changed through the generations and it makes sense to adapt and grow and be flexible with it."

For its "Gen Why? How to Succeed with Younger, HNW Clients Who Question Everything," Pershing worked with Beacon Strategies to conduct original research on the demographics and psychographics of those in Gens X, Y and Z with assets between $5 million and $25 million.

Up-and-coming UHNW

Gen X, defined by the report at having been born between 1965 and 1980, are expected to reach their peak earnings by 2030. While they only hold 14 percent of total wealth in the U.S., in just little over a decade, they will hold 31 percent.

This generation also lived through scandals in the 1970s and 80s early in their lives, making them skeptical and selfreliant.

Millennials, with birth dates between 1981 and 1997, tend to conduct a lot of research going into meetings with their advisor, and will even look up what advisors are saying as they are in a meeting. Because they walk in feeling knowledgeable, wealth managers should be wary of appearing condescending to members of this age group, but this predisposition to learning also opens the doors for more collaborative, deep discussions.

Wealth advisors are in the relationship business. Image credit: BNY Mellon's Pershing

Those born since 1998, classified as Gen Z, are even more digitally native than their predecessors. They are even more attuned and averse to overt sales pitches, and the ability to easily look things up has diminished the expertise pedestal that used to give advisors an authority.

Across all generations, wealth advisors are seen more as peers and sounding boards. Consumers want their client-manager relationship to reflect this, wanting transparency and all the information available.

Technology is also a major desire of these individuals. Having become accustomed to speedy ecommerce and social media, they expect rapid responses.

The psychographic inclinations for investing are also different for these generations than the ones that came before. They tend to want to be a part of something bigger or benevolent, and they also want financial options that are unique.

Growth category
Private financial wealth rose 5.3 percent in 2016 to $166.5 trillion, according to new research from Boston Consulting Group.

While the recession is behind affluent consumers, wealth managers are still grappling with heightened client expectations developed during the crisis, which force advisors to do more for their investors for less. While strained by the necessity to cut costs, BCG argues that increased digital investment is necessary to propel these firms into the future (see story).

Aside from needing to rethink digital strategy, firms also have to adjust to the fact that they are now serving more generations of investors.

The increasing longevity of human life is unsettling traditional notions of responsibility among high-net-worth families, according to a new report from Bank of America's U.S. Trust.

U.S. Trust surveyed 800 high-net-worth families and noted some stark changes and disagreements between young wealthy individuals and older ones. These conflicts mainly took the form of what kind of investments they are interested in, their attitudes toward charitable giving and the new problem of multiple generations competing for the same jobs (see story).

"It really does boil down to the relationship, the experience is very important," Ms. Swain said. "And it's not only the experience that firms create for their clients and families, but if you're looking to build those relationships down through the generations, depending on what type of family you're working with, there's a number of ways to do it, but it needs to be done in an authentic way.

"Take an interest in what the family is focused on. If it's something around philanthropy and you're looking at leaving a legacy, there's a lot of different ways that an advisor can get involved and help educate the younger generations," she said. "It's well worth it and it does promote that philanthropy through the family that is so important to so many high net worth families."