

ADVISOR AUTHORITY 2018

The Innovation and Issues that RIAs, Fee-Based Advisors
and Investors Care About Most

CHAPTER 4 LOOKING TO THE FUTURE— Reaching Millennial Investors

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ADVISOR AUTHORITY: The Innovation and Issues that RIAs, Fee-Based Advisors and Investors Care About Most

Letter from Craig Hawley, Head of Nationwide Advisory Solutions

Our commitment to RIAs and fee-based advisors inspired us to launch our annual *Advisor Authority* study, now in its fourth year. We explore the issues and innovative solutions that matter most, to help all advisors at every level tap into the tremendous potential of the independent fee-based channel.

In this latest *Advisor Authority* Special Report, we focus on Millennial investors—a generation that is vital for RIAs and fee-based advisors' future success. Millennials are a significant force in our economy — driving change and leading new trends. They are poised to grow more wealth and to inherit upwards of \$30 trillion in the Great Wealth Transfer. We will help you better understand the unique priorities, preferences and concerns of Millennial investors so you can attract new clients, enhance current profitability and build a foundation for the future growth of your firm.

Looking back, 2018 has been another year of opportunities and challenges. The second longest running bull market hit all-time highs, then started shifting course with historic volatility and a dramatic correction. Meanwhile, lawmakers continue to dominate the headlines, while gridlock in Washington and global instability continue to impact portfolios. As innovation accelerates, technology has proven to be a potential adversary and an important ally. All while consolidation is reshaping the advisor industry, fee compression is creating greater downward pressure and asset management is becoming increasingly commoditized.

As *Advisor Authority* has shown, advisors today must look to the future and adapt—or be left behind. The advisors poised to succeed in the face of these challenges are those who can differentiate themselves by focusing on holistic financial planning, harnessing the benefits of Artificial Intelligence (AI) and creating the competitive advantage of a unique customer experience. Overarching everything, it is clear that the client must come first—a commitment RIAs and fee-based advisors have been making from day one.

Nationwide Advisory Solutions started as Jefferson National, built from the ground up with a singular focus on serving RIAs and fee-based advisors. We believe in the tremendous potential of the fee-based channel to drive new innovation, disrupt the status quo and transform the future of our industry. We have never stopped in our efforts to develop a deeper understanding of the challenges you face and the solutions that you need to succeed. We will continue taking the pulse of RIAs, fee-based advisors and their clients to establish benchmarks and provide you with the actionable insights that are so important for your success.

We believe you'll find our research insightful. As always, we welcome your feedback about our findings and your suggestions for next year's study.



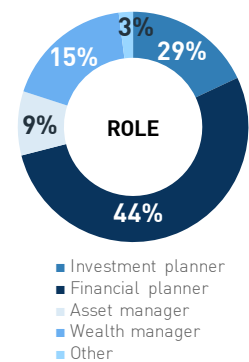
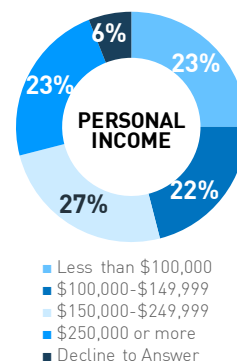
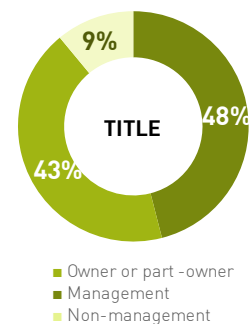
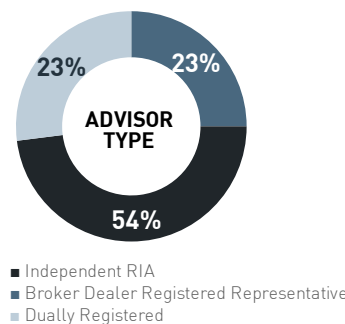
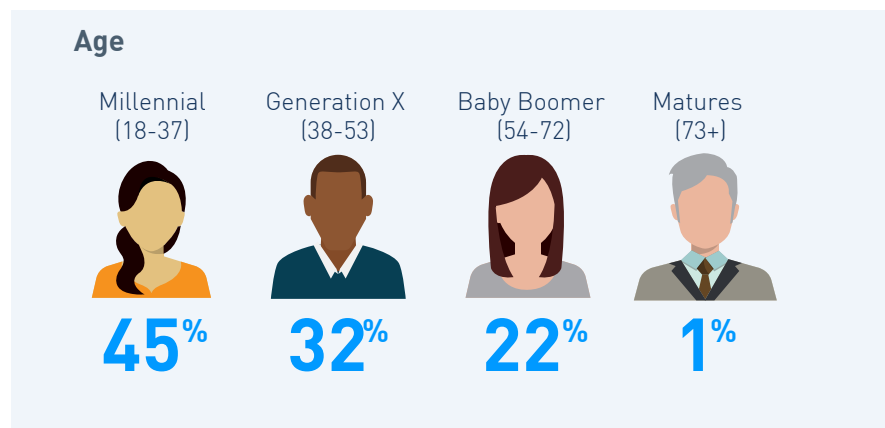
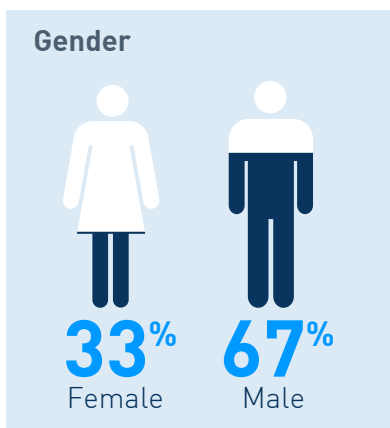
Sincerely,
Craig Hawley

Demographics & Methodology

This is the final Special Report of our fourth annual *Advisor Authority* study on the issues and innovative solutions that RIAs and fee-based advisors care about most. It was conceived as a tool that takes the pulse of RIAs and fee-based advisors of all sizes and at every level of experience, to establish benchmarks that you can use to measure your progress relative to your peers—as well as to learn from recognized leaders and industry innovators. As in previous years, we published a series of ongoing Special Reports released throughout 2018, concluding with this latest report.

Conducted on behalf of Nationwide Advisory Solutions by The Harris Poll, a leading independent market research firm, the online survey was fielded from January 3 – February 21, 2018 using a sample from The Harris Poll Panel of Financial Advisors and Investors and its partners. It reflects the viewpoints of more than 1,700 financial advisors and individual investors who reside in the U.S. Our 2018 study includes 972 advisors in total. Among these respondents, we surveyed a “trended group” of 760 RIAs and fee-based advisors, who meet the same qualification criteria as in prior years of our *Advisor Authority* research and served as the primary focus in the 2018 series of Special Reports.

“Trended” RIAs and Fee-Based Advisors



Among the **827 Investors**, we surveyed:



161
Millennial



151
Generation X



392
Baby Boomer



123
Matures

Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online in order to bring them in line with their actual proportions in the population.

Gender



47%
Female



53%
Male

Age

Millennial
(18-37)



25%

Generation X
(38-53)



21%

Baby Boomer
(54-72)



42%

Matures
(73+)



12%

Financial Decision Maker

59%
Primary Financial
Decision Maker



41%
Joint Financial
Decision Maker

Household Investable Assets



58%
Mass Affluent
\$100,000 to less
than \$500,000



18%
Emerging HNW
\$500,000 to less
than \$1 Million



14%
HNW
\$1 Million to less
than \$5 Million



10%
Ultra HNW
\$5 Million or more

Advisor Relationship Status

60%
Have a
financial advisor



40%
Do not have a
financial advisor

INTRODUCING OUR SUBJECT MATTER EXPERTS:

We interviewed leading subject matter experts to provide you with a deeper understanding of the innovation and issues that matter most for serving your clients and managing your practice. In this Special Report, our subject matter experts explain how you can look to the future of your firm by reaching Millennial investors.

These leading professionals discuss the unique priorities, preferences and top concerns of younger investors, examine what it means to put their best interests first, and explain how you can drive greater growth by helping your Millennial clients build more wealth.

You'll find their commentary throughout this Special Report, as well as more in-depth interviews with each subject matter expert in a dedicated section at the back of this report. Their innovative solutions and actionable insights will help you attract and retain Millennial clients to enhance the current profitability of your practice and build a foundation for the future of your firm.



Eileen O'Connor

MBA, CFP®

CEO and Co-Founder, Hemington Wealth Management

Eileen O'Connor is the CEO and Co-Founder of Hemington Wealth Management, a leading independent, fee-only RIA firm with \$750 million in assets under management. Eileen brings 25 years of financial services experience to her role as CEO and is responsible for the strategic direction of the firm and every aspect of the client experience. Under her leadership, Hemington Wealth Management was ranked as one of the top 50 fastest growing RIAs in the country for the past three years.



Steve Hengehold

CFP®

Partner and Wealth Advisor, Hengehold Capital Management

A Millennial himself, Steve leads The HCM Millennial Planning Service for successful young professionals who are in the accumulation stage of their journey to Financial Independence.

MILLENNIAL INVESTORS: ADAPTABLE AND RESILIENT

Millennials are skilled at keeping up with and even launching new trends. From the newest streaming service to the shiniest handheld devices, adapting to change and staying one step ahead with instant online access has been a part of their entire lives. In fact, these digital natives have even viralized a widely-used acronym to capture their need for constant connectivity and their ever-present “fear of missing out”—otherwise known as FOMO. What Millennials might, however, be missing out on is financial literacy.

Millennials, the generation between the ages of 18 to 37, are distinctly different from the cohorts of Gen-X, Boomers and Matures who precede them. For one, Millennials are the most diverse generation of adult Americans thus far. Millennials are also more educated than any generation before them. Committing the extra years and extra resources to their higher education, [Millennials are more than three times as likely to have never married](#) as the Matures (today’s 73+ year-olds) were in their 20’s and 30’s.

Millennials came of age at a time when the U.S. looked much different than it had for previous generations. In the wake of 9/11, Millennials watched public policy and military conflicts rapidly change the world around them. Perhaps more importantly, many Millennials came of age and entered the workforce at a time when the U.S. financial system began a downward spiral that would bring it to the brink of collapse, wiping out trillions of dollars in U.S. equity value and eroding investor confidence. Even a decade later, many of this generation’s financial concerns, investing habits and future earnings potential have been impacted by their proximity to the Market Crash of 2008 and the Great Recession.

As a result, this generation is not without their challenges. Millennials are much less likely than Gen-X and Boomers to have a mortgage, but much more likely to have student loans. In fact, the [total amount of student loans continues to top \\$1.4 trillion](#), according to the Federal Reserve Bank of New York. Likewise, with high levels of debt and delayed financial independence, Millennials exhibit very low levels of financial literacy, according to [research done by FINRA in 2014](#).

Now over a third of the U.S. population, [Millennials are a significant force shaping our digital age](#) and a driving force in our economy. They are poised to grow more wealth and to inherit a substantial portion of the \$30 trillion Great Wealth Transfer. They are a unique generation ripe for guidance and innovative engagement. Their adaptability and resilience make them a prime target for RIAs and fee-based advisors.

This Special Report will help you better understand the characteristics that make Millennial investors unique, including their priorities, preferences and top concerns, so you can build the trust necessary to effectively target this emerging generation of investors. Tap into the tremendous potential of this influential market to enhance profitability now—and position your firm for the future.

UNDERSTANDING MILLENNIAL INVESTORS: LIFE AND DEBT

While taxes are among the top three financial concerns for every generation, only Millennials (33%) say that taxes are their number-one concern. Managing debt, however, is a very close second for Millennials (31%). In comparison, managing debt is rated fourth for Gen-X (25%) and does not break the top five for Boomers (13%) or Matures (4%).

While they are the most educated generation, [Millennials are also saddled by more student loan debt](#) than their predecessors—and may be dealing with the repercussions for decades to come. Today, individual [Millennials are wrestling](#) with an average total debt of \$72,000, including average student loan debt of \$14,700. In fact, according to a [survey by NBC News](#), a majority of Millennials have hit pause on major life events like buying a home or saving for retirement because of what they owe. This appears to be reflected in our findings, which show that Millennials are far more concerned than other generations with financing a large expense (20% vs Gen-X 6%, Boomers 6%, Matures 4%), rating it fourth, and financing a home (19% vs Gen-X 8%, Boomers 1%, Matures 3%), rating it fifth.

A major source of financial strain for all generations is the cost of healthcare. But Millennials (23%), often referred to as the “Young Invincibles,” rate cost of healthcare as a more distant third on their list of top financial concerns, while it rates first for Boomers (40%) and second for Gen-X (30%) and Matures (36%). Given their younger age, it may be somewhat surprising that Millennial investors are already concerned with saving enough for retirement (20%), which is tied for fourth. Clearly, this generation is looking to the future.

“Debt is a ball on a chain that limits options. When you're young, the main things you have are your human capital and your time. Debt delays the time you have available to invest.”

Eileen O'Connor

MBA, CFP®

CEO and Co-Founder, Hemington Wealth Management

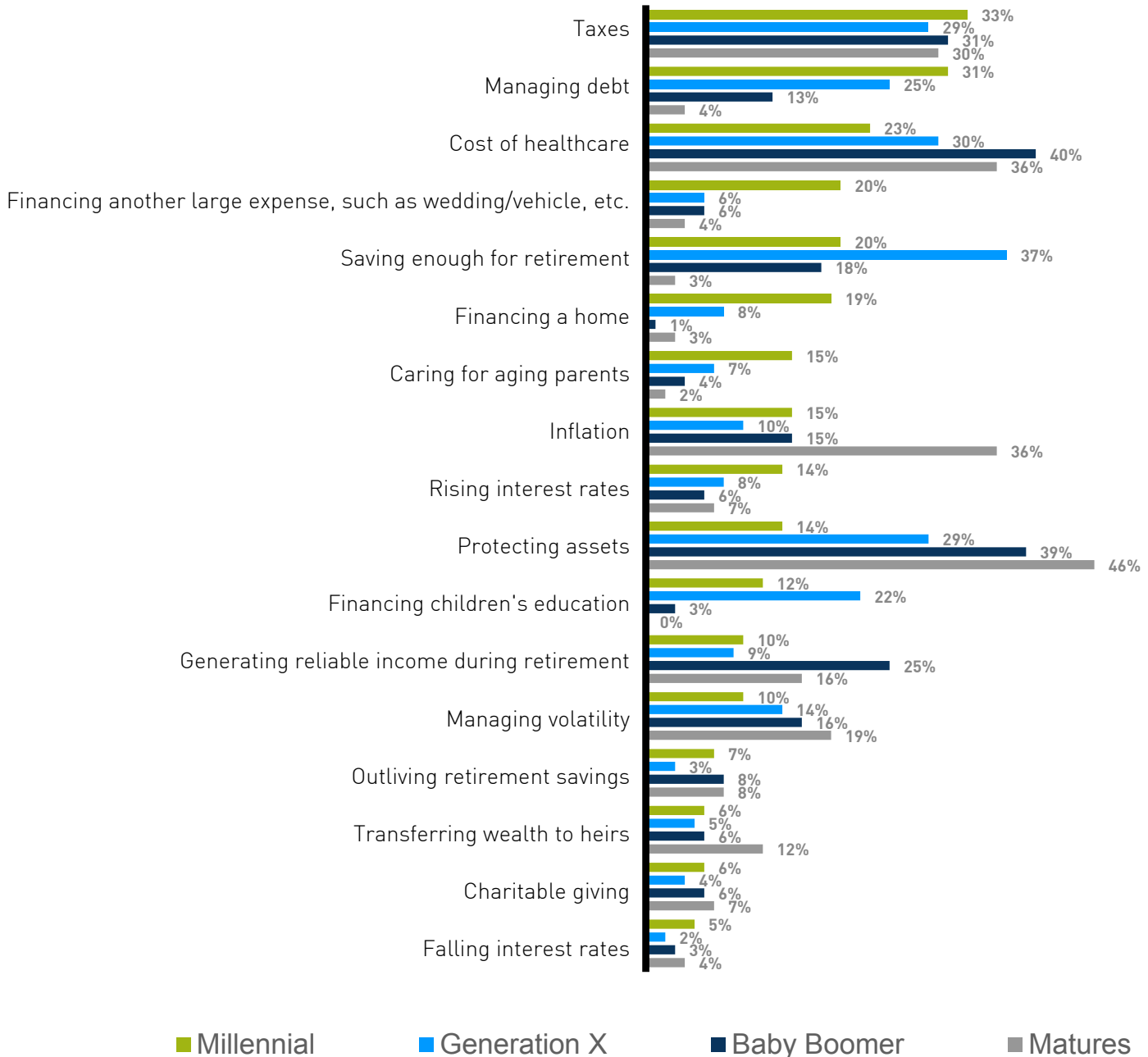
“One important thing to remember is that the rules of money do not change just because of age. Taxes matter, compounding works, living within your means and focusing on building your wealth is important for every investor – no matter what stage of life.”

Steve Hengehold

CFP®

Partner and Wealth Advisor, HCM Wealth Advisors

TOP FINANCIAL CONCERNS



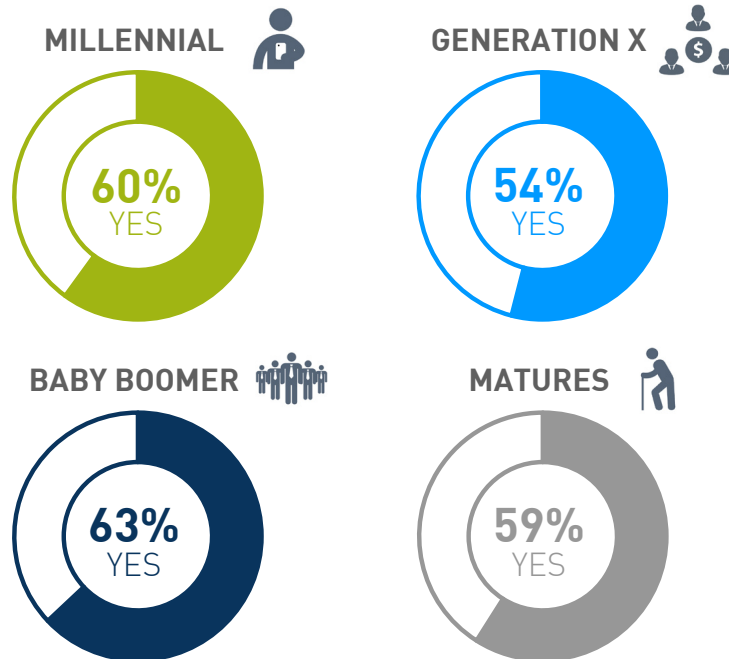
* All coded responses less than 2% are excluded from the table

TARGETING MILLENNIAL INVESTORS: PLANNING FOR EVERYTHING—EVEN RETIREMENT

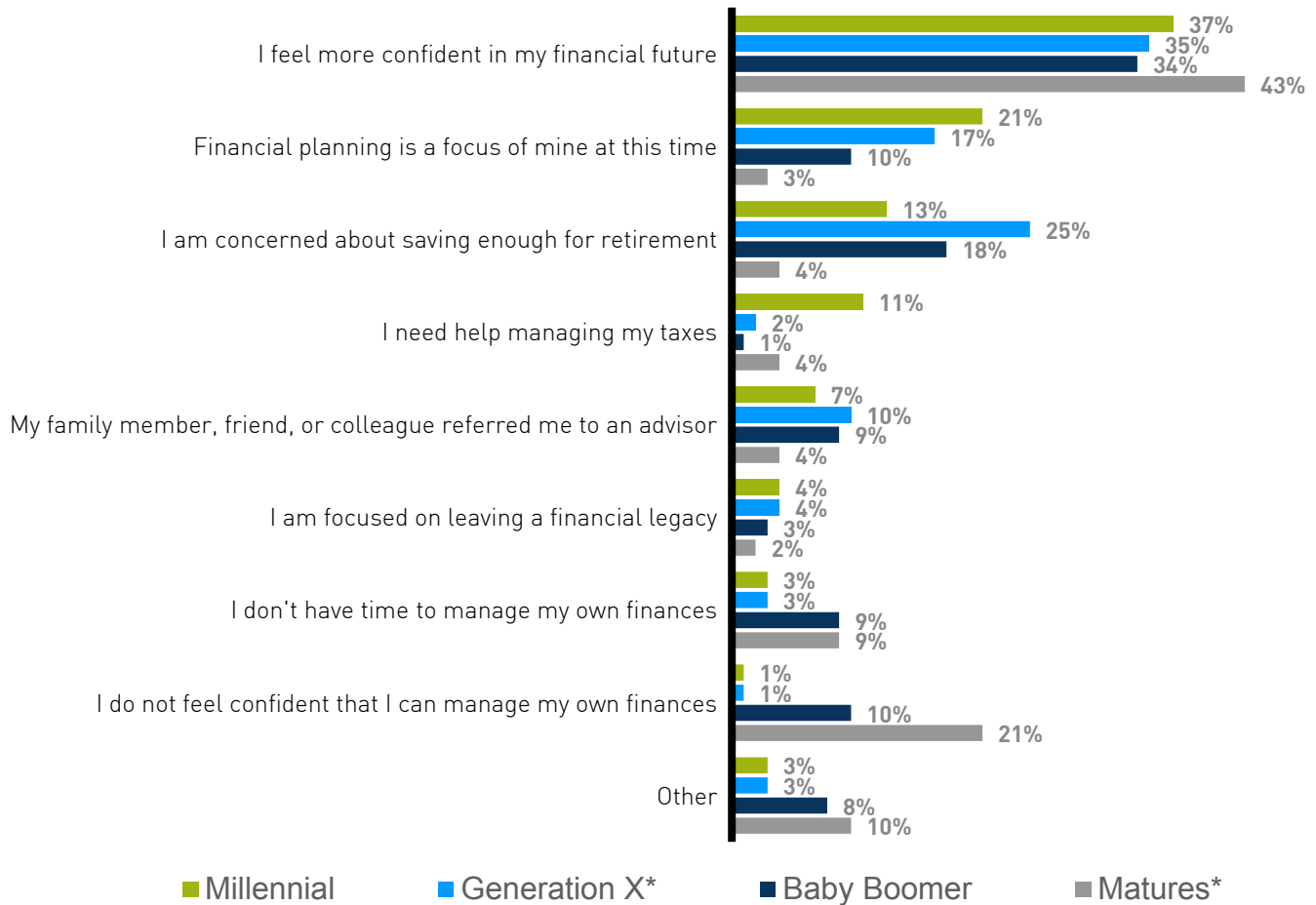
Millennials are just as likely as other generations of investors to have an advisor (60%). Like all generations, Millennials are most likely to say that the number-one reason they have a financial advisor is to make them feel more confident in their financial future (37%).

But Millennials (21%) are somewhat more likely than Gen-X (17%), Boomers (10%) and Matures (3%) to say that they have an advisor because they're currently focused on financial planning. Perhaps more surprisingly, Millennials rate concerns about saving enough for retirement the number-three reason they have an advisor (13%). They are also far more likely than Boomers to say that they have an advisor because they need help managing their taxes (11% vs Gen-X 2%, Boomers 1%, Matures 4%). These findings suggest that this generation is thinking ahead when it comes to their finances.

DO YOU HAVE AN ADVISOR?



MAIN REASON FOR HAVING AN ADVISOR



**Caution: Small base size (< 100). Interpret results with caution.*

"Working with younger clients who are just starting the wealth accumulation process can be very exciting, fun and fulfilling. Clients can see a lot of progress within the first few years. There are also challenges because younger accumulators have competing priorities. Prioritizing and staying focused is a challenge, but also a huge opportunity for younger investors."

Steve Hengehold

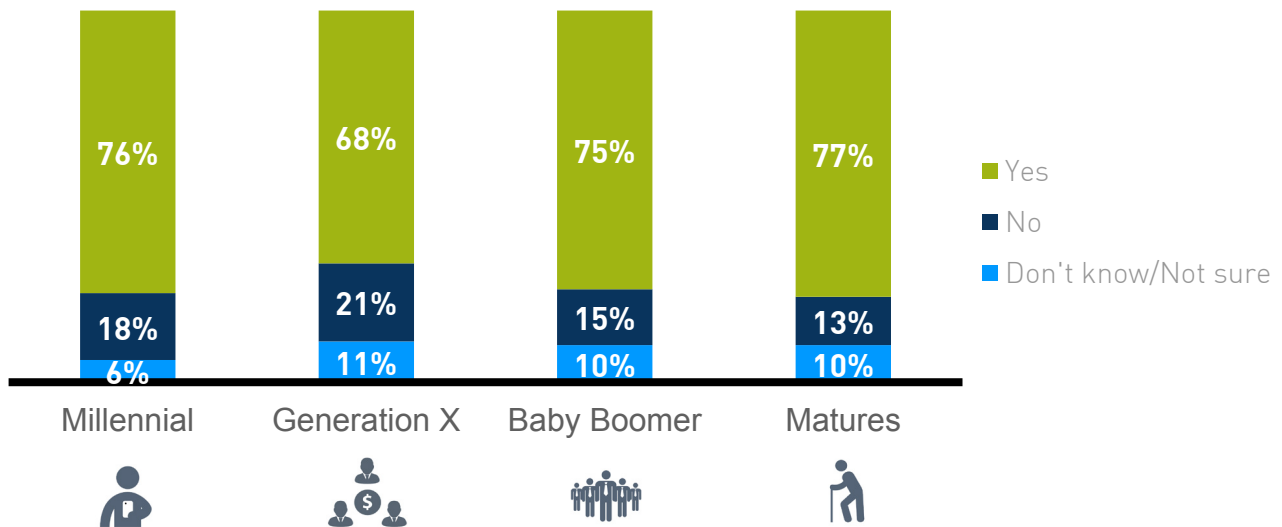
CFP®

Partner and Wealth Advisor, HCM Wealth Advisors

As previously noted, Millennials rate saving for retirement as their number-four financial concern, tied with financing a large expense. It might seem counterintuitive that retirement would be a top priority at such a young age. But for this generation, unprecedented events and factors have shaped their perception of investing for the future. Many Millennials came of age, graduated college and struggled to enter the workforce during the Market Crash of 2008 and the Great Recession. Afterwards, they endured a decade of volatility, witnessing the erosion of the social safety net and watching their parents' portfolios and retirement accounts decline as their pension plans disappeared.

Not only do Millennials rate saving for retirement their number-four financial concern and among their number-three reasons for having an advisor, but they are also as likely as Boomers and Matures, and somewhat more likely than Gen-X, to say that they have a strategy in place to help protect themselves against outliving their savings. And yet because they are risk averse and many are reluctant to invest in the stock market, [numerous studies show that they favor cash for long-term investing](#), ahead of stocks, bonds and other asset classes. Even more concerning, [two-thirds \(66.2%\) of working Millennials in the U.S. have nothing saved for retirement](#), according to new research by the [National Institute on Retirement Security \(NIRS\)](#). As this generation gets closer to retirement, there will be a tremendous opportunity for advisors to offer solutions to help them reach their goals.

STRATEGY TO PROTECT AGAINST OUTLIVING SAVINGS?



"Millennials have a lot of worry left from the Financial Crisis and the difficult job market. I really can't think of one Millennial I've worked with who was super optimistic about their future."

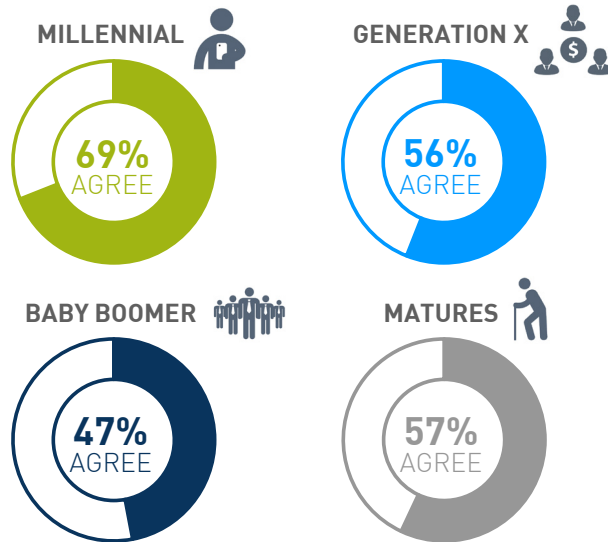
Eileen O'Connor

MBA, CFP®

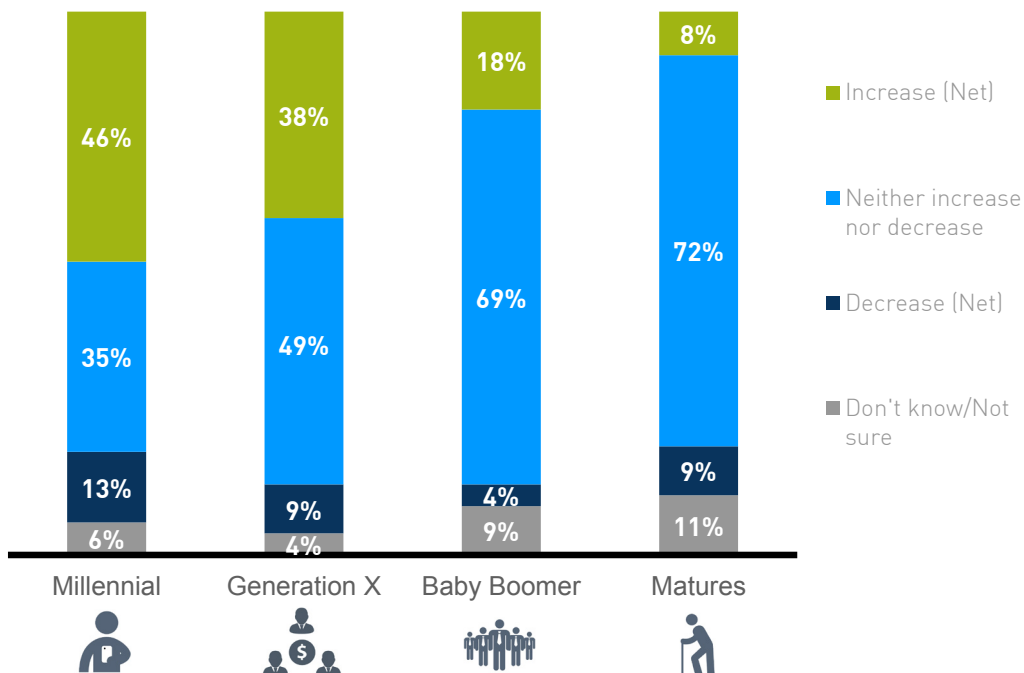
CEO and Co-Founder, Hemington Wealth Management

As noted, Millennials rate taxes as their number-one financial concern and their number-four reason for having an advisor. They are also the most likely, along with Gen-X, to say that tax reform will increase the likelihood that they will work with an advisor in the next 12 months, and they are the generation most likely to say they will benefit from tax reform.

WILL BENEFIT FROM TAX REFORM?



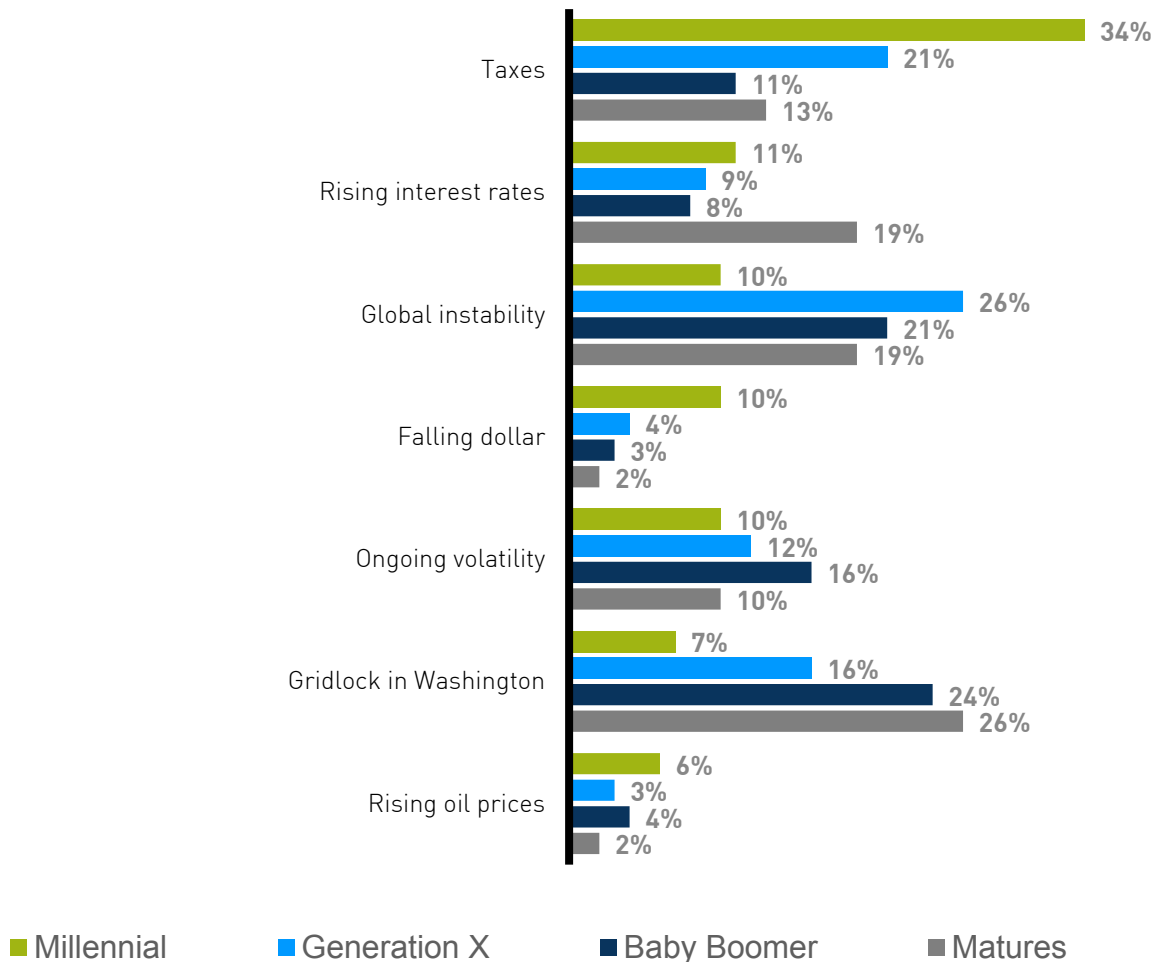
WILL TAX REFORM IMPACT LIKELIHOOD OF WORKING WITH AN ADVISOR?



GUIDING MILLENNIAL INVESTORS: UNDERSTANDING THEIR PERSPECTIVE ON INVESTING

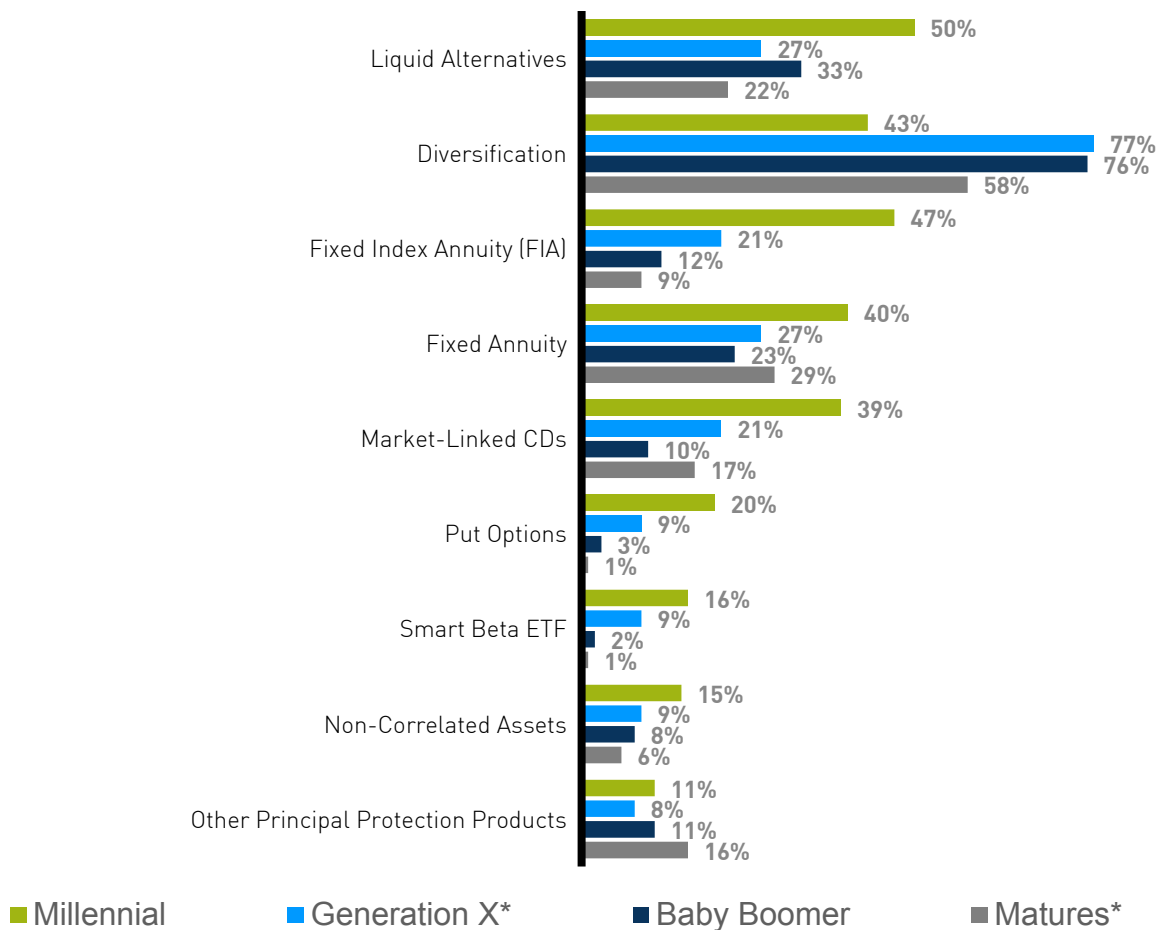
Millennials are somewhat more likely to say their financial outlook is very optimistic as compared to all other generations. But when it comes to investing, they do have clear concerns about their portfolio. Just as taxes are their number-one financial concern, Millennials are also far more likely to say that taxes are the number-one macro issue that will most adversely impact their portfolio over the next 12 months (34% vs Gen-X 21%, Boomers 11%, Matures 13%). In addition, Millennials are much less likely to be concerned with the impact of global instability and gridlock in Washington– a top concern year-over-year for Gen-X, Boomers and Matures.

TOP MACRO FACTORS THAT WILL ADVERSELY IMPACT PORTFOLIO



Impacted by their proximity to the Market Crash of 2008 and the Great Recession, Millennials are known to be risk averse, and a majority of Millennials say that they have a strategy in place to protect their portfolio against market risk. Among those who have a strategy, when compared to other generations, they are somewhat more likely to rely on liquid alternatives as their top solution (50% vs Gen-X 27%, Boomers 33%, Matures 22%) and less likely to rely on traditional diversification as the foundation for risk management (43% vs Gen-X 77%, Boomers 76%, Matures 58%). Millennials are generally more likely to use fixed index annuities, fixed annuities and market-linked CDs. They are also more likely to rely on more sophisticated instruments such as put options and smart beta ETFs.

SOLUTIONS TO PROTECT AGAINST MARKET RISK



*Caution: Small base size (< 100). Interpret results with caution.

**Other is excluded from the table

ATTRACTING MILLENNIAL INVESTORS: TUNING IN TO THEIR UNIQUE NEEDS

As noted, Millennial investors differ from other generations—especially when it comes to their top financial concerns, the factors impacting their portfolios and their approach to risk management. As our study shows, Millennials' decision to work with their financial advisor is also based on different values and priorities.

When choosing an advisor, Millennial investors, like all other generations, say experience matters most. Year-over-year, advisor experience is the number-one factor influencing every generations' decision to work with their financial advisor. However, Millennials are the only generation to say that socially responsible investing is rated a top two factor for choosing an advisor, suggesting that this generation cares deeply about where their money goes (26% vs Gen-X 9%, Boomers 10%, Matures 9%). Reducing fees for younger clients rounds out Millennials' top three (25% vs Gen-X 16%, Boomers 3%, Matures 6%).

Whereas Gen-X, Boomers and Matures say that personalized advice for a holistic financial picture is among their top three factors for choosing an advisor, Millennials rate it a close fourth. And while all other generations say that serving clients using a fee-based fiduciary standard is among their top four, Millennials rate it as less important than factors such as historical performance, mobile technology, social media and robust cyber security. A significant departure—and important opportunity—for advisors to provide more education.

But it is worth noting, more than three-fourths of Millennials (77%) agree that there should be one federal fiduciary standard across the industry, compared to two-thirds of Gen-X (67%) and Boomers (66%), and slightly more than half of Matures (57%). This suggests that younger investors do understand the importance of greater simplicity, transparency and service that is in the client's best interest.

"The qualities that make Millennials unique are the same ones that make them challenging. I don't know if it comes from having too much debt, but they seem to be more worried about investing."

Eileen O'Connor

MBA, CFP®

CEO and Co-Founder, Hemington Wealth Management

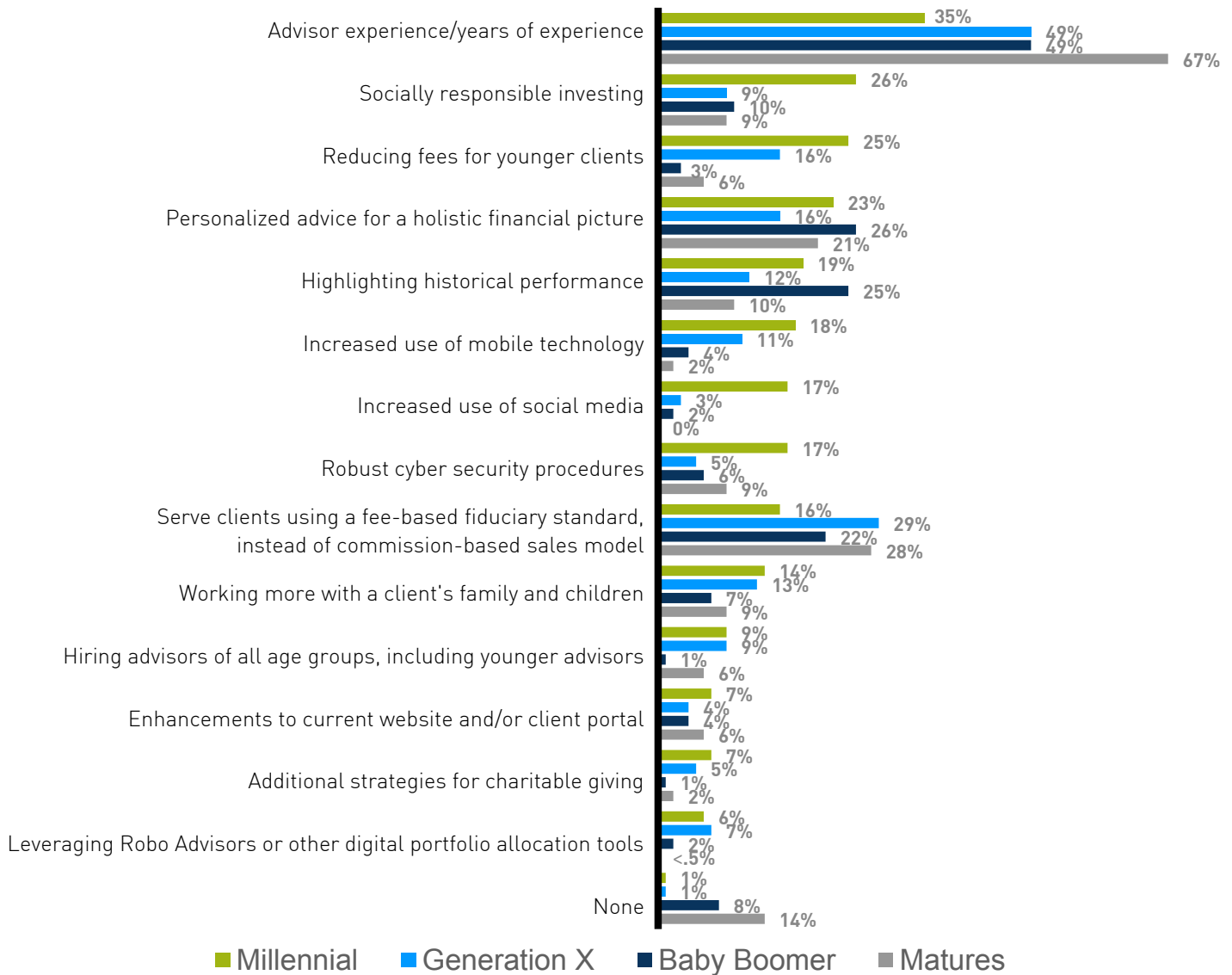
"Empathy certainly comes into play. When a client says they are trying to save for a down payment, pay off their own student loans, pay for daycare and still find a way to save some money for retirement, it can be helpful if their advisor is working on some of those same things too."

Steve Hengehold

CFP®

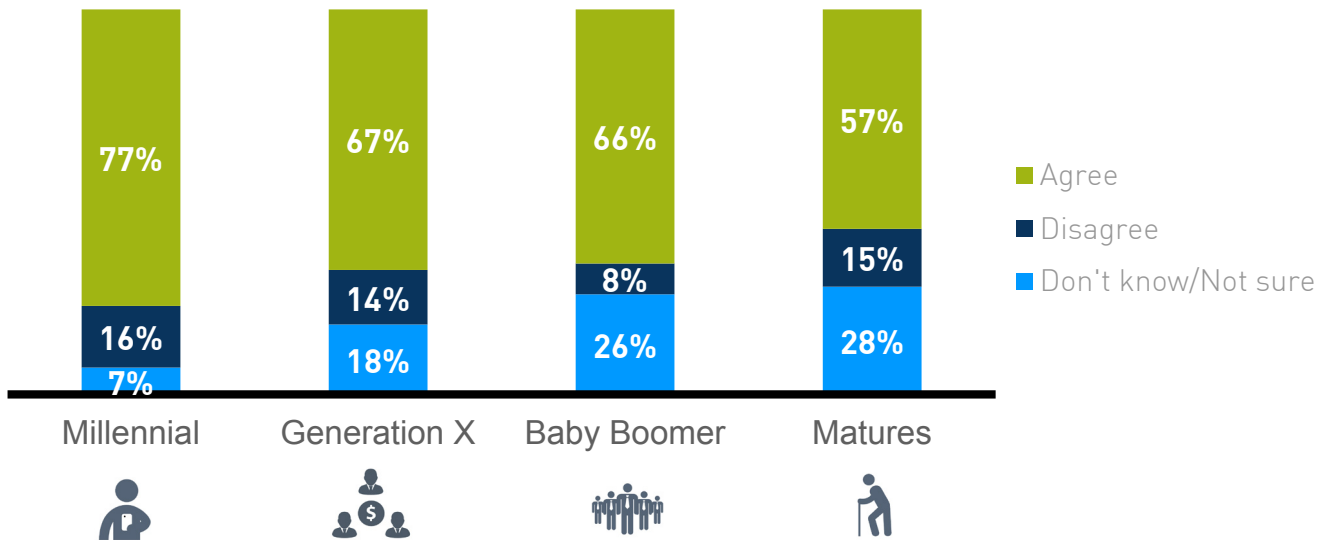
Partner and Wealth Advisor, HCM Wealth Advisors

TOP FACTORS FOR CHOOSING AN ADVISOR



* All coded responses less than 2% are excluded from the table

SHOULD THERE BE ONE FIDUCIARY STANDARD?



"Millennials, and other generations too, may not realize that most professionals in the financial world are not obligated to act in their best interest. It can be surprising to learn that an advisor who adheres to the fiduciary standard is something they need to seek out."

Steve Hengehold

CFP®

Partner and Wealth Advisor, HCM Wealth Advisors

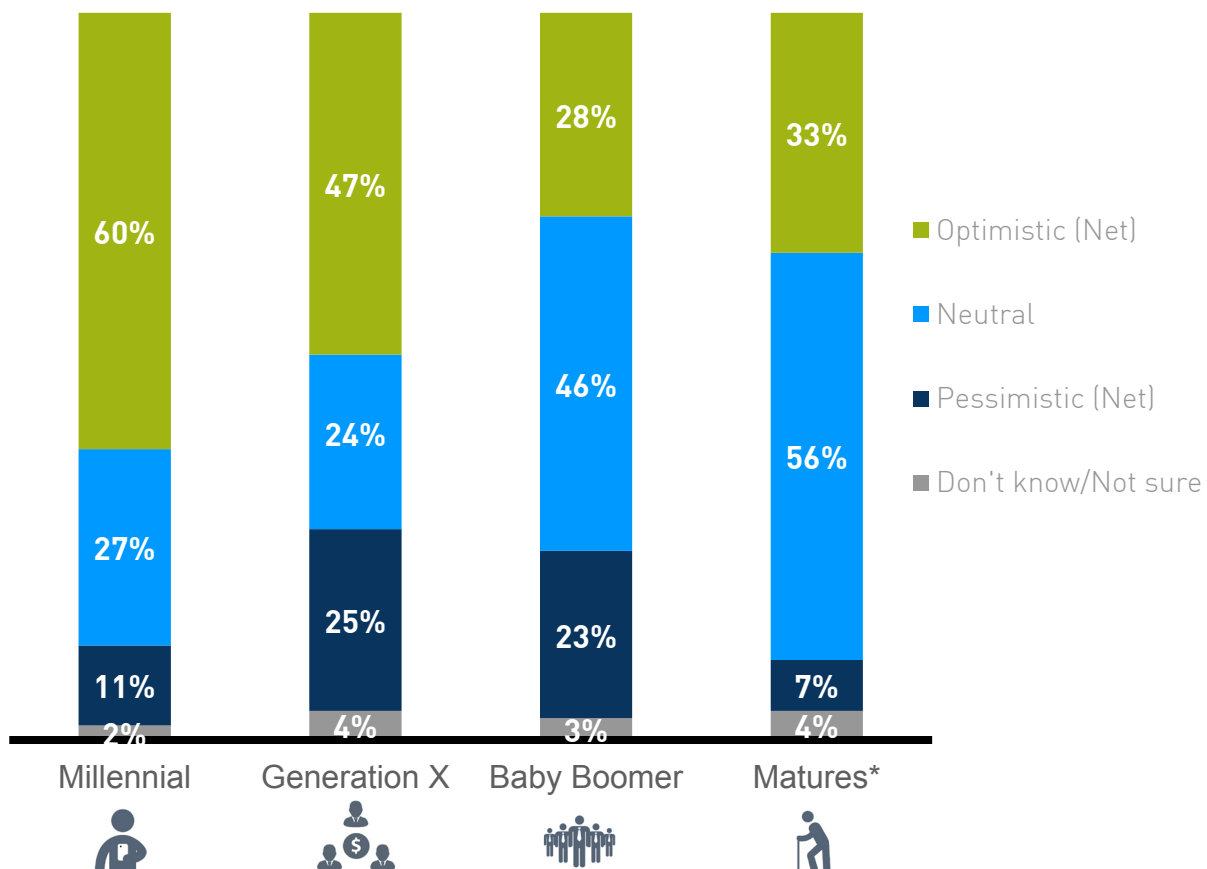
CONNECTING WITH MILLENNIALS: HARNESS THE BENEFITS OF ARTIFICIAL INTELLIGENCE (AI)

It's not surprising that Millennials are the most familiar with Artificial Intelligence (47% very/extremely familiar vs Gen-X 18%, Boomers 15%, Matures 9%). As the "selfie" generation, these digital natives were literally born and raised in the age of the Internet. They rely on social media and technology in almost every aspect of life, from communication, news and entertainment, to spending, saving and investing. Millennials consider technology use as the defining characteristic of their generation much more than their older counterparts [[Pew Research, 2010](#)].

Millennials are more likely to say that technology is a determining factor in their decision to work with an advisor, including increased use of mobile technology (18% vs Gen-X 11%, 4% Boomers, 2% Matures), increased use of social media (17% vs Gen-X 3%, Boomers 2%, Matures 0%) and robust cyber security procedures (17% vs Gen-X 5%, Boomers 6%, Matures 9%). When it comes to the impact of AI on financial planning, among investors who are at least somewhat familiar with AI, Millennials are significantly more optimistic as compared to other generations. In fact, nearly three-fourths of Millennials (71%) believe integrating AI with financial services will benefit them, as compared to roughly half of Gen-X (51%), less than one-fourth of Boomers (21%) and less than one-third of Matures (30%).

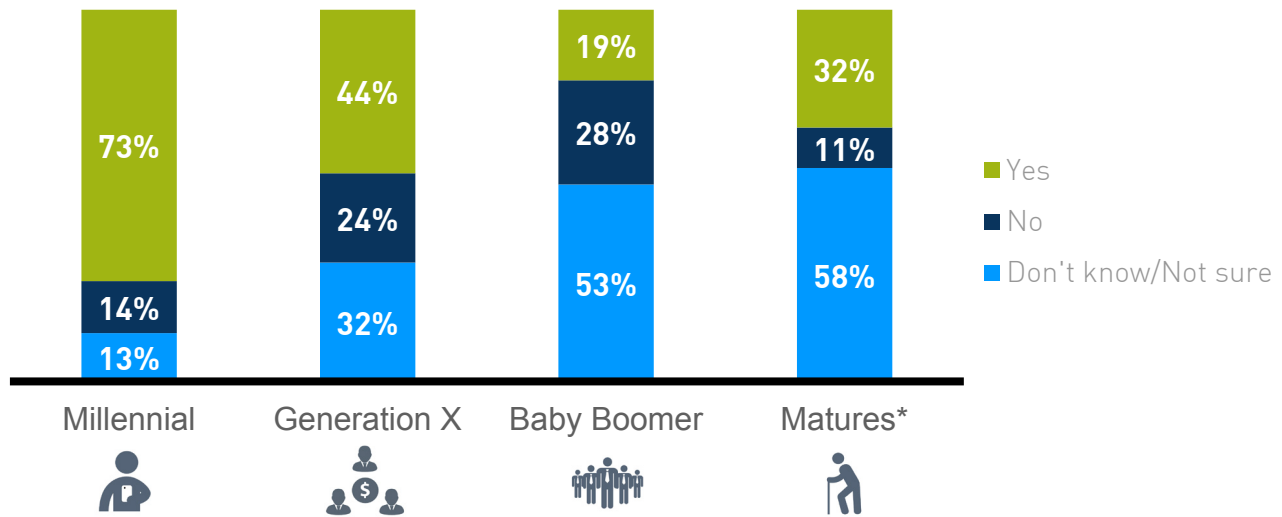
They're also significantly more likely to say they believe the integration of AI with financial planning will improve the advisor/investor relationship—from increasing the accessibility and affordability of financial planning (51%), to helping advisors make accurate predictions of clients' needs (44%), to engineering investing strategies for better returns (42%). These are reliable signals that AI will have an ongoing role in Millennials' financial future.

OUTLOOK ON THE IMPACT OF AI?



*Caution: Small base size (< 100). Interpret results with caution.

WILL AI IMPROVE THE ADVISOR/INVESTOR RELATIONSHIP?



**Caution: Small base size (<100). Interpret results with caution.*

"There are more options now than ever before. It's a challenge, because more access to information isn't always helpful for long-term investment discipline. You don't need more information—you need the right information."

Eileen O'Connor

MBA, CFP®

CEO and Co-Founder, Hemington Wealth Management

"One of the common themes among successful firms who are building for the future, like HCM, is that we embrace technology for all our clients. It's a tool to help better serve everyone, whatever their age or their stage of life."

Steve Hengehold

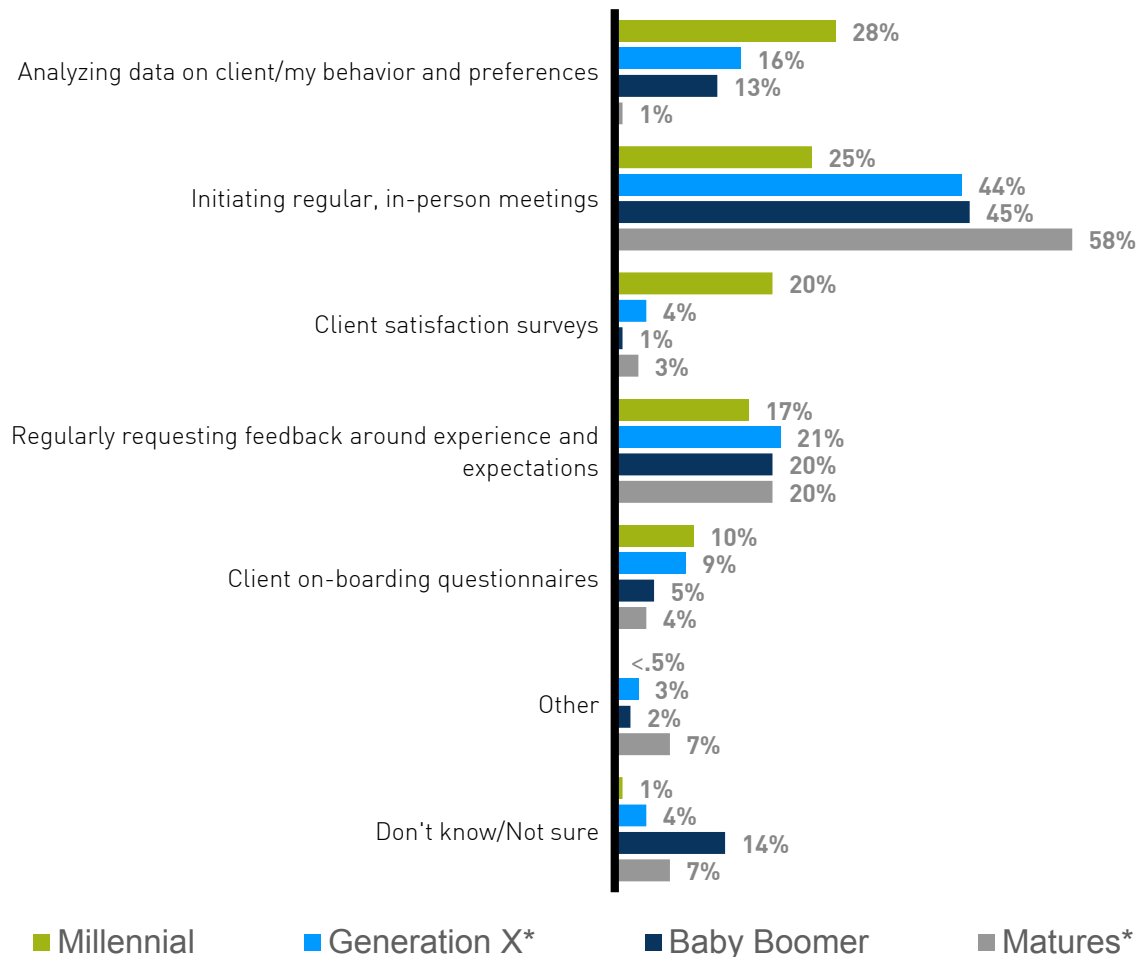
CFP®

Partner and Wealth Advisor, HCM Wealth Advisors

Millennials also trended differently regarding preferences for how their advisors learn more about them. They are more likely than other generations to prefer that advisors analyze data on their behavior and preferences (28% vs Gen-X 16%, Boomers 13%, Matures 1%) and use client satisfaction surveys (20% vs Gen-X 4%, Boomers 1%, Matures 3%), whereas other generations are more likely to prefer in-person meetings. Additionally, Millennials who are at least somewhat familiar with AI, are more likely to say that AI would help advisors conduct and analyze client surveys (37% vs Gen-X 19%, 12% Boomers, 16% Matures), showing greater confidence in the benefits of an approach using smart technology.

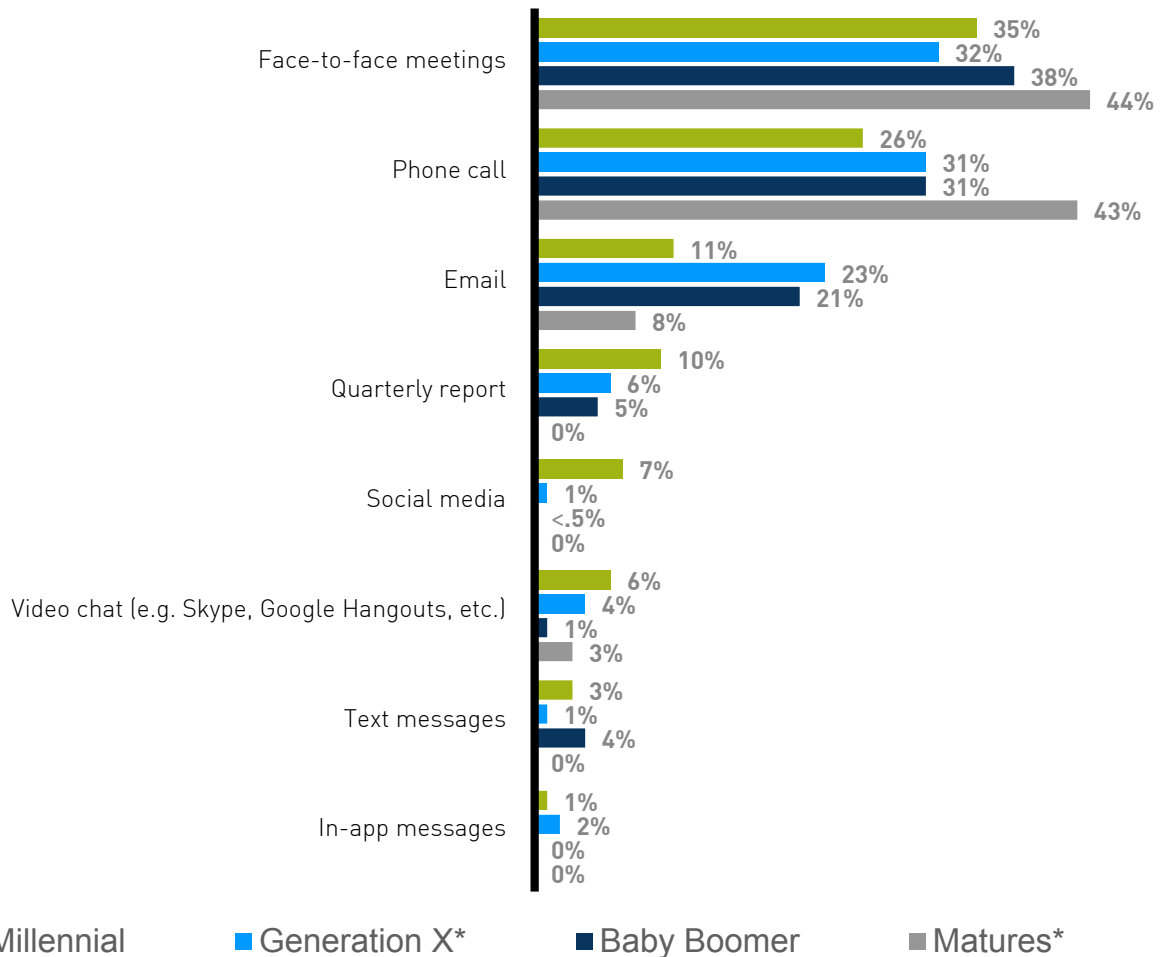
Yet, Millennials with a financial advisor still say that in-person meetings are among the top two ways for their advisor to learn about their expectations. Likewise, these younger tech-savvy investors with a financial advisor still say that their preferred form of communication is face-to-face (35%), surpassing phone calls (26%) and all other digital channels such as emails (11%), social media (7%), video chat (6%) and text messages (3%). For Millennials, the human touch still wins—hands down.

PREFERRED METHOD FOR ADVISOR TO LEARN MORE



**Caution: Small base size (< 100). Interpret results with caution.*

PREFERRED FORM OF COMMUNICATION



*Caution: Small base size (< 100). Interpret results with caution.

**Other is excluded from the table

"I certainly don't think Millennials prefer to avoid human contact. But I do think Millennials are busy. They are in the early stages of their careers, working hard towards professional and personal goals. A young family might have two working parents who are also coaching youth sports teams and helping with homework in the evenings. As an advisor, it's important to accommodate these needs, and technology can help."

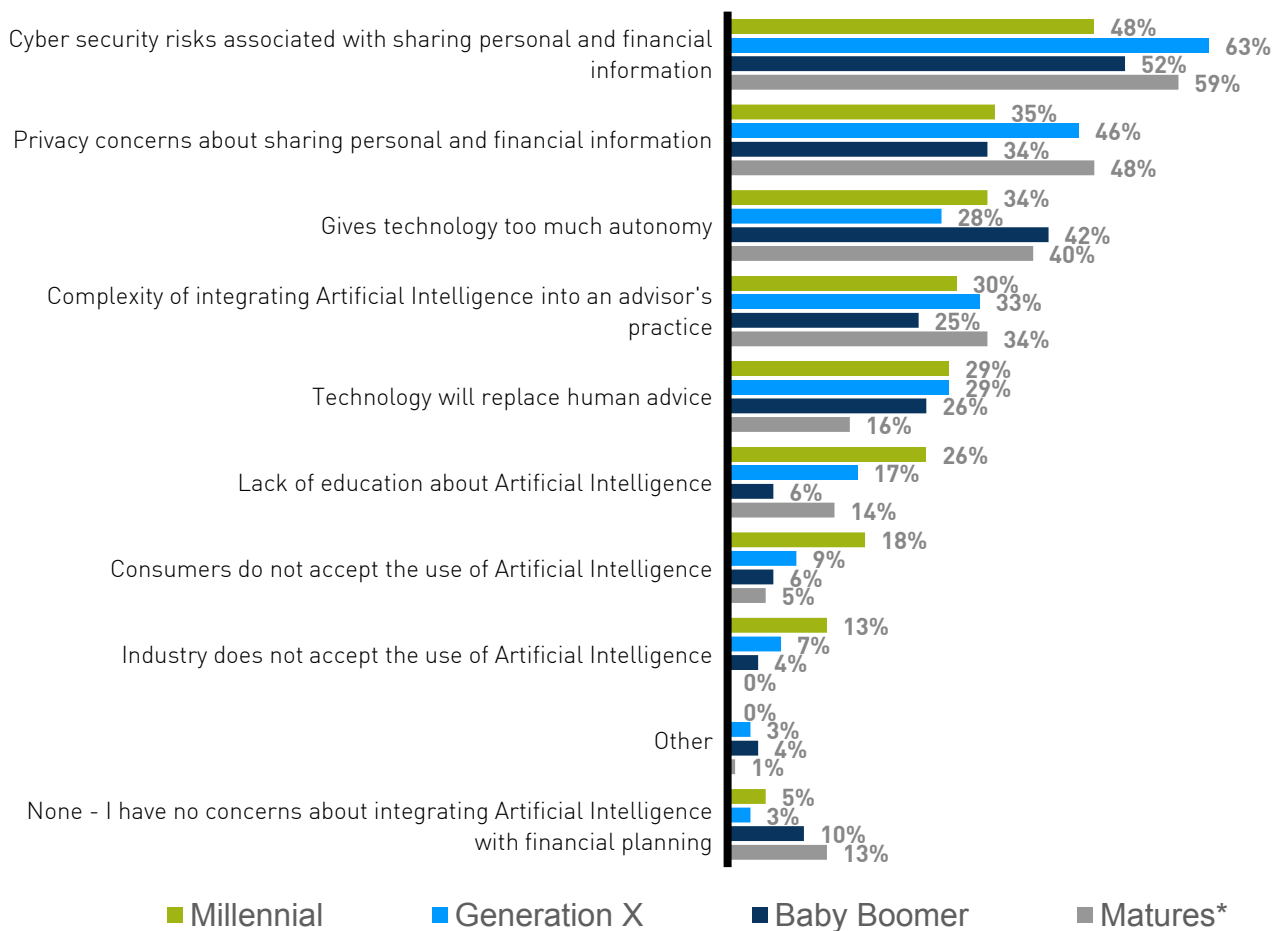
Steve Hengehold

CFP®

Partner and Wealth Advisor, HCM Wealth Advisors

When those at least somewhat familiar with AI were asked to identify their biggest concerns about integrating AI with financial planning, all generations cited cyber security risks as a top concern - although Millennials were somewhat less likely than other generations (Millennial 48%, Gen-X 63%, Boomers 52%, Matures 59%).

BIGGEST CONCERNS ABOUT AI



**Caution: Small base size (< 100). Interpret results with caution.*



Nationwide®
is on your side



LOOKING TO THE FUTURE— REACHING MILLENNIAL INVESTORS

SUBJECT MATTER EXPERT INTERVIEWS

We interviewed leading subject matter experts to provide you with a deeper understanding of the innovation and issues that matter most for serving your clients and managing your practice. In this Special Report, our subject matter experts explain how you can look to the future of your firm by reaching Millennial investors. These leading professionals discuss the unique priorities, preferences and top concerns of younger investors, examine what it means to put their best interests first, and explain how you can drive greater growth by helping your Millennial clients build more wealth. Their innovative solutions and actionable insights will help you attract and retain Millennial clients to enhance the current profitability of your practice and build a foundation for the future of your firm.



Eileen O'Connor, MBA, CFP®
CEO and Co-Founder, Hemington Wealth Management

Advisor Authority: While all the investors in our study are relatively optimistic about their financial outlook, Millennials are somewhat more likely to be “very” optimistic. Does this surprise you?

O'CONNOR: I would have never thought that. In fact, I would have said the opposite. Millennials have a lot of worry left from the Financial Crisis and the difficult job market. I really can't think of one Millennial I've worked with who was super optimistic about their future.

AA: Millennials rated managing debt as a top financial concern. How do you think that debt is impacting Millennials' outlook?

O'CONNOR: I think it's such a shame. I see so many young investors who've already had a job or two, they've gone back to school at one of the best universities in the country, they're starting their new career—and yet they have to ask: “How am I going to do this? Do I pay back my loans first, do I try to start saving, or what...?” Debt is a ball on a chain that limits options. When you're young, the main things you have are your human capital and your time. Debt delays the time you have available to invest.

AA: More advisors have started shifting fee models to accommodate younger investors. Can you speak to this trend?

O'CONNOR: We do it at our firm. We have target clients who we call our “Ideal Accumulators.” They may not have a million dollars, but we know they're going to have high incomes in the future. They don't hit any of our minimums and they are loss leaders in the beginning. But they are part of our ideal client base, without a doubt. It's been very successful for us. I can think of one client, a good saver who was engaged and committed to the process in his mid-thirties. He always reminds me that I told him he was under our minimum when we started working with him, because he had around \$700,000—and now he's worth \$8 million. The key is to be honest and have a rigorous process to determine who truly is high potential, not just a place to park unprofitable, low AUM clients in the hopes that they might make it one day.

AA: What factors differentiate Millennials from all other investors?

O'CONNOR: The qualities that make Millennials unique are the same ones that make them challenging. I don't know if it comes from having too much debt, but they seem to be more worried about investing. Millennials also want more technology solutions for everything. While you need to have a good technology platform to be competitive across the board, we created a mobile app for our client portal, largely for our Millennial clients. I'm curious about Millennials' access to information. Are they more knowledgeable because of their easy access to information? There are more options now than ever before. It's a challenge, because more access to information isn't always helpful for long-term investment discipline. You don't need more information—you need the right information. We've also noticed that Millennials are not interested in any kind of hierarchy. Our Millennial prospects often have no problem picking up the phone and calling me directly. Even some of the Millennial advisors I've interacted with are less confined by a traditional career path or traditional hierarchy - which is how we want it, as an employer.

AA: If you could ask 700 advisors one question, what would it be?

O'CONNOR: What keeps you up at night? I think there might be a huge difference in opinion, but I would love to know how advisors would answer that question.

AA: And if you could ask 700 investors one question, what would you want to know?

O'CONNOR: What do you think is a reasonable rate of return? I would expect a huge range – most of them being unrealistic. We do a lot of educating, but I think a lot of clients come in with unrealistic return expectations.



Steve Hengehold, CFP®
Partner and Wealth Advisor, Hengehold Capital Management

Advisor Authority: How would you describe your experience working with Millennial investors and what makes them unique?

HENGEHOLD: One important thing to remember is that the rules of money do not change just because of age. Taxes matter, compounding works, living within your means and focusing on building your wealth is important for every investor – no matter what stage of life. Working with younger clients who are just starting the wealth accumulation process can be very exciting, fun and fulfilling. Clients can see a lot of progress within the first few years. There are also challenges because younger accumulators have competing priorities. Prioritizing and staying focused is a challenge, but also a huge opportunity for younger investors.

AA: Millennials show a stronger preference for advisors to learn about them by analyzing data and using client satisfaction surveys and are also more likely to say that AI would help. Does that align with your experience serving Millennials?

HENGEHOLD: I certainly don't think Millennials prefer to avoid human contact. But I do think Millennials are busy. They are in the early stages of their careers, working hard towards professional and personal goals. A young family might have two working parents who are also coaching youth sports teams and helping with homework in the evenings. As an advisor, it's important to accommodate these needs, and technology can help. One of the common themes among successful firms who are building for the future, like HCM, is that we embrace technology for all our clients. It's a tool to help better serve everyone, whatever their age or their stage of life.

AA: To effectively serve younger clients, do you think it's important to have a multi-generational team? In other words, do you need to be a Millennial to serve a Millennial?

HENGEHOLD: First, it's important to have team members who are knowledgeable about planning for the challenges Millennials are facing. In addition, I think it's important to have team members within your firm who are deeply passionate about serving Millennials. The same could be said for any group of people your firm serves. Believe it or not, there are 23-year-old advisors who really enjoy Social Security planning. Likewise, there are senior advisors who love to help younger people start the wealth accumulation process. That said, empathy certainly comes into play. When a client says they are trying to save for a down payment, pay off their own student loans, pay for daycare and still find a way to save some money for retirement, it can be helpful if their advisor is working on some of those same things too.

Experience is important. Younger advisors may be able to empathize with younger clients, but I'm also very grateful for the ability to bring HCM's Senior Advisors, especially the CPAs from HCM's Tax Department, into complex tax and planning engagements.

AA: Millennials rated advisor use of mobile technology or social media as more important than a fiduciary standard. Does that surprise you?

HENGEHOLD: It may be possible that there is low awareness of what "fiduciary" means. Millennials, and other generations too, may not realize that most professionals in the financial world are not obligated to act in their best interest. It can be surprising to learn that an advisor who adheres to the fiduciary standard is something they need to seek out. The real goal should be finding a fiduciary who embraces technology.

AA: If you could ask 700 advisors one question, what would it be?

HENGEHOLD: I would ask more of a favor than a question. Always put your client's needs first. Always act as a fiduciary, even if you're not required to. Doing so will help your clients, and will help improve our profession.

AA: And if you could ask 700 investors one question, what would you want to know?

HENGEHOLD: Why not consult with a fee-only, fiduciary financial advisor?

Methodology

The fourth annual *Advisor Authority* Survey was conducted online within the United States by The Harris Poll on behalf of Nationwide Advisory Solutions from January 3 – February 21, 2018 among 972 financial advisors and 827 investors, ages 18+. Among the 972 financial advisors, there were 508 Registered Investment Advisors and 464 Broker/Dealers. Included in this group of financial advisors is a new segment of 212 Wirehouse Broker/Dealers that is excluded from trended data to allow for year-over-year comparisons. Among the 827 investors, there were 208 Mass Affluent, 206 Emerging High Net Worth, 208 High Net Worth and 205 Ultra High Net Worth. Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online to bring them in line with their actual proportions in the population.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. Because the sample is based on those who were invited to participate in The Harris Poll online research panel, no estimates of theoretical sampling error can be calculated.

Field Periods:

2018	January 3 – February 21
2017	March 13 – April 7
2016	March 3 – March 28
2015	April 13 – April 24

Reading the Data in this Report

Responses may not add up to 100% due to weighting, computer rounding, or the acceptance of multiple responses.

About The Harris Poll

The Harris Poll is one of the longest running surveys in the U.S. tracking public opinion, motivations and social sentiment since 1963 that is now part of Harris Insights & Analytics, a global consulting and market research firm that delivers social intelligence for transformational times. We work with clients in three primary areas; building twenty-first-century corporate reputation, crafting brand strategy and performance tracking, and earning organic media through public relations research. Our mission is to provide insights and advisory to help leaders make the best decisions possible. To learn more, please visit www.TheHarrisPoll.com.

About Nationwide Advisory Solutions

Nationwide Advisory Solutions, formerly known as Jefferson National, is a recognized innovator with a mission to help RIAs and fee-based advisors build their practice by helping their clients to potentially accumulate more wealth and reach their financial goals. Nationwide Advisory Solutions does this by developing and delivering value-added investment products, services and technologies built from the ground up to fit the fiduciary standard—with more simplicity, transparency, choice and consumer value wrapped in an industry-leading customer experience. To learn more, please visit www.nationwideadvisory.com.

About Nationwide

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