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Beyond the Typical Millennial Research

What every advisor needs to know about the next generation of investors

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What's inside

SECTION 01

Take a look at millennials in a new light

If you're like some advisors, you may be tempted to write off millennials as prospective clients.

You may think they're too young, too indebted and have too few assets. But the oldest millennials are now in their mid-30s and entering their peak earning years. They're getting married, buying homes, becoming parents and thinking about retirement—factors that trigger a need for professional advice.

> Thirty-three percent of 600 millennials we surveyed say they earn more than $100,000. Nearly half (47%) have more than $100,000 in assets (including savings, checking, investments, retirement, etc.).

At 83 million strong, millennials are also the largest generation in history.[1] Some advisors are getting ahead of the millennial tsunami, while many don't see a reason to shake up a business model that has worked well for them over the years. Still others are put off entirely by the stereotypes that millennials are lazy, entitled, and selfish, and have no desire to work with them. Regardless of whether you're disgusted by millennials, maybe a little curious about what it might look like to serve this generation, or completely committed to building a whole new service model geared toward them, it's important to understand the impact that this generation will have on the future of your practice.

Range of advisor sentiment toward millennials

Let us be clear up front: The goal here is not to convince every single advisor that they should change their practice to try to serve millennial investors. The objective is to help all advisors (no matter where in the spectrum you fall) understand millennials and the potential impact of this group.
This e-book is as much about helping you build sustainable and profitable businesses as it is about helping the industry develop a business model that serves the needs of this next generation of investors.

Four reasons why you need millennials—and they need you

01 Future-forward: Millennials are disruptors.

They are at the forefront of changes that will shape the future of financial services. Technology and millennials are already upending the industry in the same way Airbnb blew up the hotel industry or Amazon created a new retail model. Anticipating change and getting out ahead of it will not only help attract and retain millennials, it will benefit your entire client base and your practice overall.

02 Today's millennials are tomorrow's preferred clients.

MILLENNIALS ALREADY REPRESENT **11% OF HIGH-NET-WORTH** AND **18% OF EMERGING AFFLUENT HOUSEHOLDS**

Some of today's millennials will become tomorrow's emerging wealth clients, a desirable demographic for any practice. While traditional advisory firms continue to hyper-focus and saturate the mere 6.8 million households in the high-net-worth (HNW) space, there remains lots of open opportunity among the more than 14.1 million Emerging Wealth households out there.[2] Of course, not every millennial is a desirable client. One goal in writing this e-book is to help you be selective, identify the best prospects and adjust your marketing to reach them effectively.

03 An underserved market.

74% OF MILLENNIALS DO NOT HAVE A FINANCIAL ADVISOR

Most millennials have not used the services of professional advisors. But that doesn't mean they're not interested. A whopping 74% of millennials within our study do not have a financial advisor. Of those surveyed, only 10% said they would never seek out professional advice. The client pool is vast and largely untapped. Advisors just need to be attuned to when millennials are likely to seek their advice. For example, half of millennials say they're likely to seek out financial advice during a big life event, such as marriage or having their first child. Just 5% say they plan on waiting until retirement to seek out advice.

So if you plan on waiting until these millennials reach their pre-retiree or retiree years (the age of your typical prospects and clients), you could miss out on a huge opportunity. By the time you get to them, the majority of those millennials will have already sought out and be working with another financial professional.

04 All in the family.

The largest wealth transfer in history—$30 trillion—is coming.[3] Millennials will need professional advice to help manage their inheritances. Advisors with baby boomer clients are in a good position to serve the older generation's adult children and keep the family wealth in their practice, but only if they can show they understand the needs (and mindsets) of millennials.

The numbers and insights driving our findings

To help advisors understand this critical demographic, SEI Advisor Network surveyed more than 600 millennial investors, aged 21 to 35, with minimum investable assets of $10,000. To augment the data, we surveyed millennials about their lives, financial concerns, preferences and trigger points for seeking an advisor. We hope this report gives you a fresh look into today's millennials, the future of the advisory business and helpful advice for connecting with the millennial market.

SECTION 02

Targeting and marketing to your next-gen clients

A diverse market of 83 million

The U.S. Census Bureau reports that millennials are the most diverse generation in history.[1] So in order to be profitable and effective in engaging this demographic, the key will be having a fine-tuned marketing and lead generation process. Generic, mass-marketing approaches where you cast a wide net and hope for a bite will not work with this group. You want to narrow the scope of your focus on specific millennial segments and niches.

What makes a prime millennial client?

Our research identified some key factors that can help assess millennials' desirability as clients, including age, assets, debt, income and life events. The subset of millennials who have relatively high asset and income levels and who are experiencing significant life events hold the most possibility for advisors.

Profile of a promising prospect: Emerging Wealth, ages 26 to 35 with more than $100,000 in investable assets and high-earning potential ($80,000+ gross income)

Segment the market for better ROI

Most advisors know about HENRY (high-income-not-rich-yet). At SEI, we thought it would be helpful to segment millennials in yet another way—one that goes beyond just the financial factors. The HENRY classification, for example, is based solely on income. We created three personas that are more nuanced and go beyond income criteria to include milestones, such as marriage and parenthood, and the accrual of debt.

The goal is to help you better understand millennials' needs and preferences so you can more effectively deploy your time, efforts and marketing dollars, and set a strategy for the future.

Introducing

Mom-**A**ssisted **R**ecent **G**rad

Career-focused **H**as **I**ncome **P**otential

Debt-**R**idden **E**merging **W**ealth

Meet MARG, CHIP and DREW, your next generation of clients. Their names are old school, but they represent the millennial generation, from recent college graduates to established professionals in their mid-30s. Marg (**M**om-**A**ssisted **R**ecent **G**raduate), Chip (**C**areer-focused **H**as **I**ncome **P**otential) and Drew (**D**ebt-**R**idden **E**merging **W**ealth), like many of their millennial siblings, may follow predictable patterns as they mature: they earn more money, accrue more assets, take on more debt and become more likely to use a financial advisor. Marg, Chip and Drew are all good prospects; they just require different marketing, service and fee models.

Marketing to millennials means updating your strategy

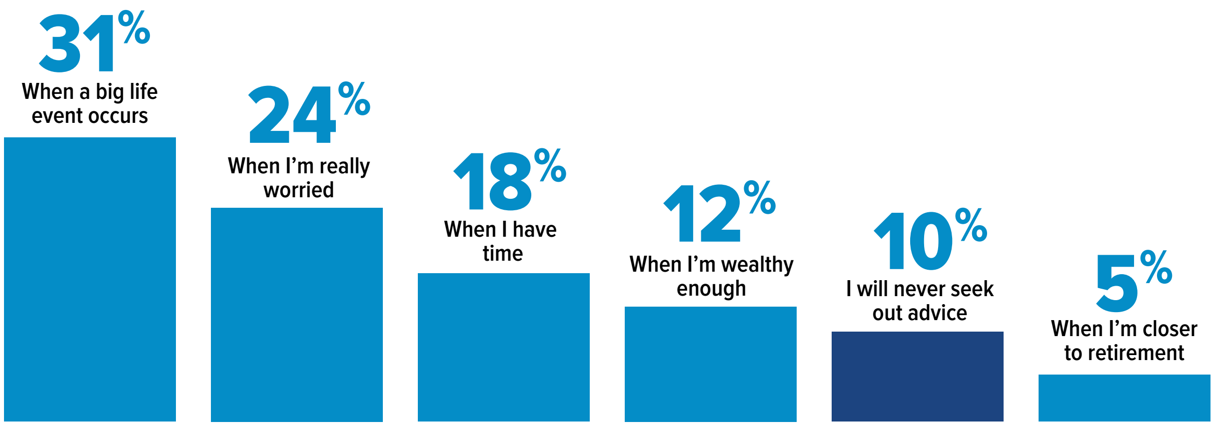
Reaching millennials requires moving beyond traditional marketing efforts, such as cultivating centers of influence to business networking and client events. These methods are not effective or profitable for the millennial market. Instead, you might want to consider a scalable approach that uses digital marketing to capture the attention of millennials and serve them profitably.

Do your website and marketing materials reflect your value to millennials?

If you want to engage millennials, your brand and website can't be hyper-focused on traditional themes tailored to your HNW boomer clients, like retirement and wealth management. Think instead about financial planning for life events. Our research found that big life events—marriage, home purchase, becoming a parent, career milestones—are key triggers for seeking financial planning advice. This doesn't exclude areas such as retirement planning, which millennials cite as their number one financial planning issue. Retirement is just one of their many financial planning concerns, and so it should be one of the many themes in your marketing (rather than the only theme).

With a focus on planning for life events, you can create topical messaging and content specific to each event, such as "Three Financial Musts After Your First Child Is Born" or "Getting Hitched? Tax Filing Options for Newlyweds." This type of tactical content is specific enough to grab the attention of a millennial going through one of these big life events. Focusing on specific planning topics like these also enables you to provide advice through tips, action steps and even downloadable guides. This way, you can demonstrate your value, develop trust and show that you truly understand their needs—all before you ever meet them in person.

When are you most likely to seek out professional advice?



Source: SEI Millennial Survey, December 2016.

Market your content where millennials are

Once you have the content, the next step is hyper-targeting to get it in front of the right audiences. For example, you could create and pay to promote social media posts, sponsored content or e-books that target millennials in their late 20s and early 30s, the average ages for millennial marriages. Consider The Knot to reach newlyweds or The Bump for new parents and think about cross-promotional opportunities with social influencers popular with millennials. The more targeted, useful and authentic your marketing and content are, the more likely you are to cut through the noise and capture millennial attention.

Zero in on target markets

There are virtually limitless niches within the millennial demographic, such as entrepreneurs, small business owners, doctors, dentists (or any other profession) and DINKs (double income no kids), to name just a few. For example, a 33-year-old dentist is much more likely to click on an article that's titled: "Do's and Don'ts of Tackling Debt from Dentistry School" than a generic title such as "Do's and Don'ts of Tackling Student Loans." You want millennials to feel your content is talking specifically to them—and that you're a resource who understands the needs and issues of people just like them.

Repurpose and recycle: Get maximum mileage from social content

Creating content can seem onerous. But blog posts, e-newsletters or sponsored content can be repurposed in nearly limitless ways. One blog post, for example, can become 8 to 15 social media posts across platforms such as Twitter, Facebook, LinkedIn and Instagram, and recycled for many months. Over time, the content accumulates and improves your website's ranking in search engines (that's search engine optimization) and drives traffic to your site.

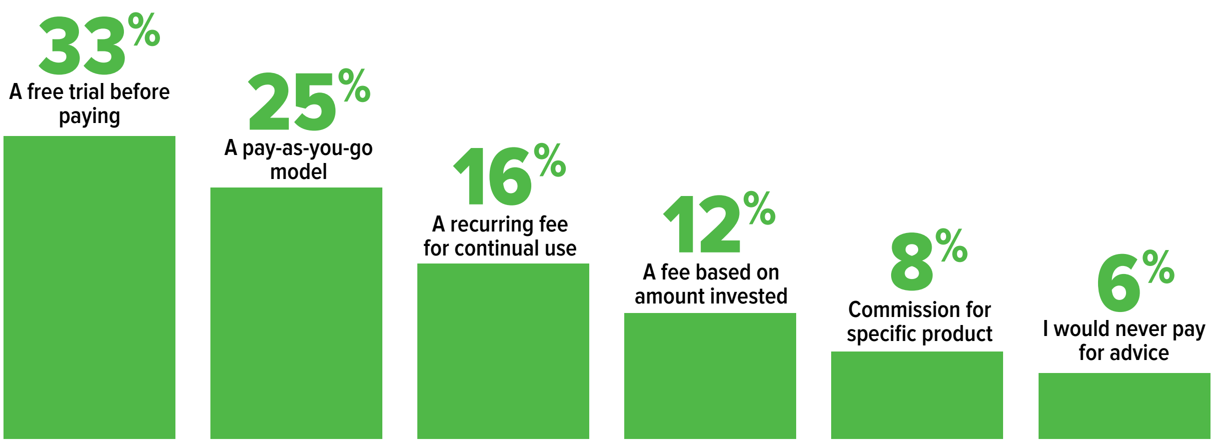
SECTION 03

Service models and fees

Millennials want different models

There has been an evolution in service and fee models over the years, with planning- and retainer-based fees becoming increasingly popular among your more traditional commission and AUM-based fee models. Advisors continue to look for the best models to profitably serve the mass affluent, some of whom will become your Emerging Wealth and potentially HNW clients over time.

How would you prefer to pay for financial advice?

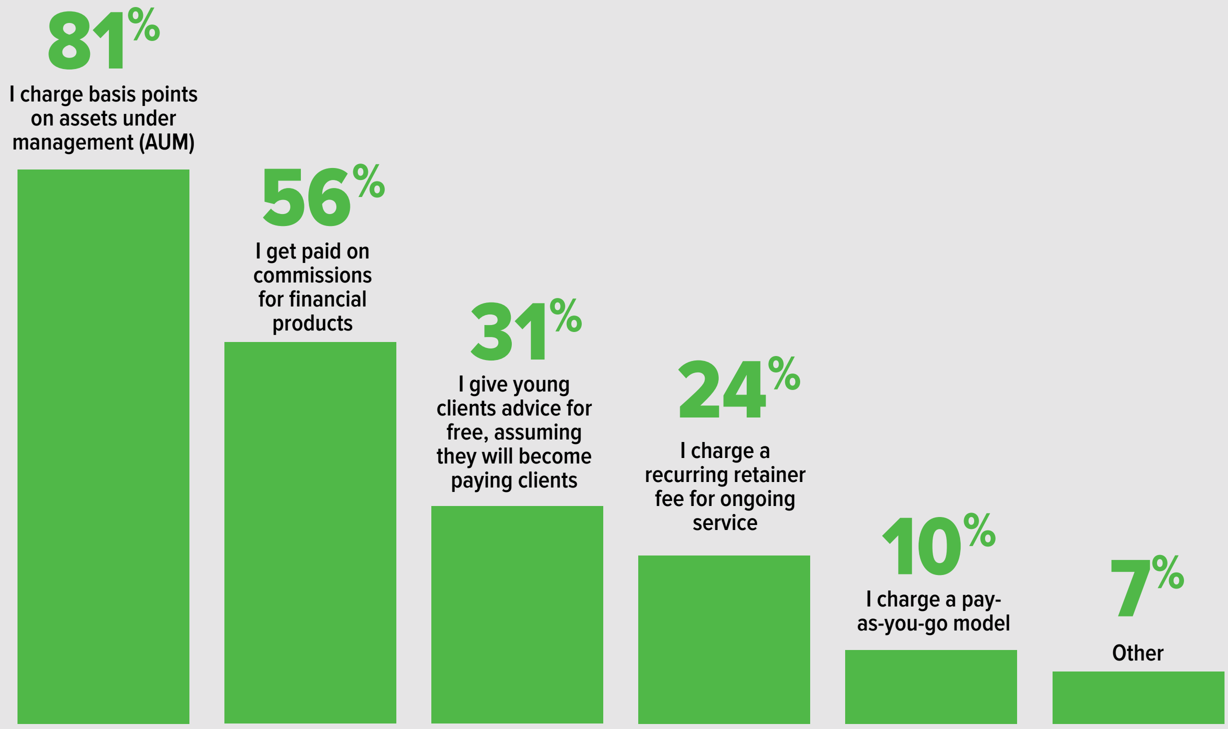


Source: SEI Millennial Survey, December 2016.

If you've tried a standard service model with mass affluent clients of any age, you know it's easy to overservice them. There are two problems with this. First, it becomes unprofitable very quickly. Second, many millennials don't want the same planning process and level of service that traditional HNW clients expect. The thick, printed financial plan and hours-long annual review meetings at your office can feel overwhelming and excessive to them.

While a mere 6% of millennials said they'd never pay for financial advice, that doesn't mean the rest are jumping in with both feet. Unsurprisingly, when millennials are asked how they want to pay for financial advice, 33% say their first choice is a free trial before paying. That's followed by 25% who favor a pay-as-you-go model, which presumably allows them to evaluate the advisor's value before committing to a long-term engagement. A recurring retainer, an AUM-based model (for those with higher net worth) or a hybrid model that combines the two may be most millennial-friendly. The least popular model among millennials, with just 8% favoring it, is one based on commissions.

How financial advisors charge for advice



Source: SEI Millennial Survey, December 2016.

Time to add Marg, Drew and Chip to your prospect list and client roster

Now that we have the foundation, let's look at our three segments and explore their primary characteristics, the issues that define them, and the service and fee models that might work best.

MARG

(**M**om-**A**ssisted **R**ecent **G**rad)

Age
21-25

Income
$74,881

Assets
$70,444

Debt
$47,381

NW
$23,063

Career stage
Young professional (3-5 years)

Number of life events
1 (Graduate)

Percentage who use advisor
17%

#1 way they manage finances
Manage myself

#2 way they manage finances
Friends and family

#1 reason to seek advice
When really worried

#2 reason to seek advice
Big life event occurs

Financial success means
Retire when I want

Top issues #1
Life event planning

Top issues #2
Managing debt

Marg is still finding her place in life. Typically, she's hit only one major milestone of early adulthood—finding a professional job—and is not actively seeking financial advice. Just 17% of the Margs out there use an advisor. Marg relies primarily on her own knowledge and on family and friends for help with financial issues.

Marg is among your top targets for "free" advice—digital content that addresses her early-stage financial needs. Relevant content might cover building and sticking to a budget, dealing with credit card debt, or boosting her credit score in anticipation of taking out a car loan or mortgage.

Over time, if Marg finds your content compelling and decides to "follow" or "like" you, you can build name recognition and a pipeline of prospects. Your growing audience will also boost your search-engine rankings, driving traffic to your website or other digital outlets.

In terms of fees, stick with "free" advice for now and wait until Marg advances in her career and life to the next financial stage that warrants the need for real professional advice.

CHIP

(**C**areer-focused **H**as **I**ncome **P**otential)

Age
26-30

Income
$80,916

Assets
$112,058

Debt
$81,207

NW
$30,851

Career stage
Mid-career 5-10 years

# of life events
2 (Marriage and first child)

Percentage that use advisor
24%

#1 way they manage finances
Manage myself

#2 way they manage finances
Financial advisor

#1 reason to seek advice
Big life event occurs

#2 reason to seek advice
When really worried

Financial success means
Retire when I want

Top issues #1
Retirement planning

Top issues #2
Investing

Chip has progressed in his career and has experienced some major milestones, such as getting married and becoming a father. While his income, assets and debt have all increased, Chip still manages his finances himself most of the time. Even though only a quarter of Chips use a financial advisor, this Emerging Wealth/ near-affluent segment (investable assets between $100,000 to $250,000) is definitely worth pursuing. Drew also falls into this category. In a decade or two, both Chip and Drew (see on the following page) could go from being your Emerging Wealth clients to becoming your next generation of HNW clients.

There are two things to keep in mind when pursuing Chip. The first is that the number one trigger for seeking advice is a major life event. To capture the opportunity, you can build a targeted marketing campaign focused on life events as well as early-stage retirement planning, which Chip named as his most important issue.

The second factor for engaging Chip involves offering the right service model and fee structure. Even though Chip has some assets, an AUM-based model isn't the best option. For one, it's likely that Chip's assets are tied up in his 401(k) plan. Second, a basis point fee model is unlikely to be profitable, given the relatively low AUM. One recommended approach is a recurring retainer fee model. Fees range, but the **XY Planning Network**, a community of advisors focused on serving Gen X and Gen Y, found that fees should total about 1% to 2% of the client's annual income. When it's within that range, it appears manageable to the client. Once you go over 2%, it starts to feel like a burden, which means the client looks for opportunities to leave. So if you apply this rule of thumb to Chip, he makes about $81,000 times 2%, which is $1,620 per year or $135 per month.

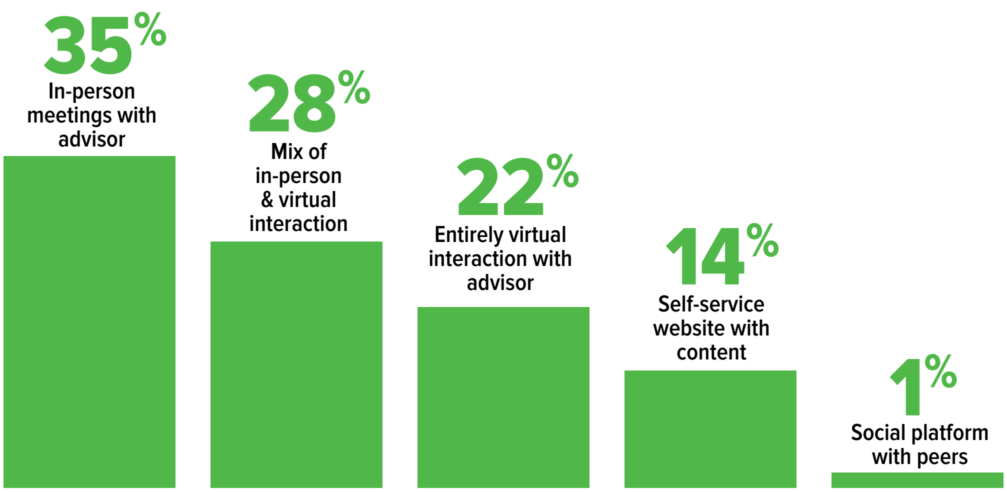
One service model that works well with someone like Chip is modular planning, which unbundles your planning services in bite-size pieces. Each component is offered individually. This approach dovetails nicely with the monthly retainer model, which allows you to demonstrate your value on an ongoing basis, and also offers a way to keep Chip engaged while not adding to the stress of his already busy schedule as he builds his career. Further, you can do modular planning virtually in shorter, focused sessions, such as four 30-minute meetings, via web conferencing or other technology, on a specific aspect of financial planning.

This model is not only time-efficient for you, but it also aligns with how Chip likes to access financial advice. While Marg, Chip and Drew all chose in-person meetings as their top preference, Chip's second choice was to interact virtually with his financial advisor.

Strategy for modular planning

- Present all planning modules early on to demonstrate how you'll continue to add value over time.
- Start with modules that meet clients' short-term priorities, like budgeting and debt management.
- Move on to modules you both value, such as investing and retirement planning.
- Then include modules that cover other long-term priorities, like saving for his child's college education.

How would you prefer to receive financial advice?



Source: SEI Millennial survey, December 2016.

DREW

(**D**ebt-**R**idden **E**merging **W**ealth)

Age
31-35

Income
$95,396

Assets
$156,149

Debt
$111,602

NW
$44,547

Career stage
Mid-career 5-10 years

# of life events
1 (First home)

Percentage that use advisor
29%

#1 way they manage finances
Manage myself

#2 way they manage finances
Financial advisor

#1 reason to seek advice
Big life event occurs

#2 reason to seek advice:
When I have time

Financial success means
Retire when I want

Top issues #1
Retirement planning

Top issues #2
Investing

Like Chip, Drew is motivated to seek financial advice when major life events occur, such as buying a house. Again, a targeted campaign focused on milestones could reach Drew. While he is still most likely to manage his finances on his own, 29% of this segment has a financial advisor, an increase of 12 percentage points over Marg and five percentage points higher than Chip.

Drew is typically in the Emerging Wealth/near-affluent group along with Chip. Given Drew's higher level of assets, an AUM-based fee model could make sense. However, Drew has expressed a preference for a recurring retainer over AUM-based fees. So a hybrid model that combines the two could work well now and also pave the way for an eventual transfer to an all-AUM model over time. That's because it's possible Drew will tire of paying the monthly or quarterly fee in the retainer model and will want the convenience of having an AUM-based fee deducted automatically from his investment account.

Is coplanning a good millennial approach?

For Drew and other millennials whose finances are becoming more complex, coplanning is the best approach. It allows Drew to be more actively involved and fosters more transparency into the planning process, which might be key for someone like Drew who is used to managing his own finances most of the time. Coplanning doesn't require overhauling your current approach. Rather, it's simply a more engaging way to work with and educate clients.

One benefit for you is that coplanning can help streamline the decision-making process. The graphic on the next page illustrates how coplanning could help make your typical review meeting more engaging for your client and more efficient for you.

Inside coplanning—the client review meeting

1. Notify your client to update their information in your planning tool before the meeting.
2. Analyze the information before the meeting to determine how it affects their plan.
3. Develop a few options for ways to update and improve the financial plan.
4. During the meeting, test the different alternatives live in the planning tool with your client.
5. Review each option and educate them on how it affects the plan.
6. Consider giving them control of the planning tool to further test the options.
7. Together, you and your client make a decision about the best option to pursue.

	MARG (**M**om-**A**ssisted **R**ecent **G**rad)	CHIP (**C**areer-focused **H**as **I**ncome **P**otential)	DREW (**D**ebt-**R**idden **E**merging **W**ealth)
Age	21-25	26-30	31-35
Income	$74,881	$80,916	$95,396
Assets	$70,444	$112,058	$156,149
Debt	$47,381	$81,207	$111,602
NW	$23,063	$30,851	$44,547
Career stage	Young professional (3-5 years)	Mid-career (5-10 years)	Mid-career (5-10 years)
# of life events	1 (Graduate)	2 (Marriage and first child)	1 (First home)
Percentage that use advisor	17%	24%	29%
#1 way they manage finances	Manage myself	Manage myself	Manage myself
#2 way they manage finances	Friends and family	Financial advisor	Financial advisor
#1 reason to seek advice	When really worried	Big life event occurs	Big life event occurs
#2 reason to seek advice	Big life event occurs	When really worried	When I have time
Financial well-being means	Budget I follow	Positive net worth	Positive net worth
Financial success means	Retire when I want	Retire when I want	Retire when I want
Top issues #1	Life event planning	Retirement planning	Retirement planning
Top issues #2	Managing debt	Investing	Investing

SECTION 04

4 steps to developing a millennial-friendly business model.

01 Focus on a specific millennial segment.

Since millennials are the largest generation we've ever seen, it'll be especially important to determine which millennials will make good prospective clients. The key to success means developing a finely tuned screen and a targeted lead generation process. Arrange the group into meaningful segments (like Marg, Chip and Drew). And within those segments, you can even separate them further into more niche-focused groups for effective targeting. Remember: identify your focus up front and build a marketing and business model geared toward that.

02 Develop relevant digital content.

Be where the millennials are—online. And to capture their attention, deliver content that recognizes their needs specifically and demonstrates your value. Traditional tactics for targeting HNW investors won't break through to the millennial crowd. Authenticity is what builds trust with millennials—and gets them to engage. Having well-developed digital content is also key to providing that "free" advice many millennials desire, so it feels like they had a free trial period before committing to a full financial planning engagement.

03 Tailor your service model to fit millennial needs.

Millennials don't want the same process you use with your HNW clients. The days of comprehensive planning, that paper-based, thick financial plan and hours-long annual review meeting at the office probably aren't going to cut it. It would be overwhelming and excessive for them and overkill for you. Technology is your friend. Think online account opening, client portals, online payments, and scheduling software with coplanning and virtual meetings instead. You'll be enabling the ease and flexibility that millennials desire (and expect). Eliminate all barriers to entry and make it easy for them to work with you.

04 Pick a fee model that enables you to be profitable.

The next generation is clearly looking for a different fee model—commission-based fees were the least popular among this group. However, changing your fee structure isn't something to take lightly or try to pull off overnight. Take a good look at your fee model and assess whether anything needs to change. But don't overthink or overanalyze. Our best suggestion is to start with some of the suggestions above, come up with an initial model to test, and refine it later. What millennials want from your fee model must still make you profitable as a business owner.

It’s not just about the millennials. It’s about building a sustainable business.

“Millennial” has become everyone’s favorite buzzword for all the wrong reasons. It’s important not to focus on millennials just because they’re the largest generation or most diverse or the most digitally savvy. Instead, you should focus on them because many (not all, but many) represent potential Emerging Wealth clients. While traditional advisors continue to saturate the mere 6.8 million HNW households, others have moved on to the open opportunity among the 14.1 million Emerging Wealth households, including robo-advisors and forward-thinking financial planners.[2]

So if your goal is to build a sustainable business that will still be here over the next 10 to 20 years, you will need to develop a model that successfully engages and serves investors like Marg, Chip and Drew who make up the emerging mass affluent. Even if you’re not excited about engaging with millennials, this e-book seeks to define a business model that allows you to successfully expand your business opportunities and effectively serve the Emerging Wealth market.

Stay up to date with the latest millennial news and trends, and read more about Marg, Chip and Drew on our blog, “Practically Speaking.”

How we help advisors like you

SEI Advisor Network Wealth and Advisor Services
SEI Advisor Network offers flexible services that help you save time, build long-term relationships and increase profitability. We offer a comprehensive flexible, outsourced, end-to-end business solution to help you save time, increase revenues and differentiate yourself in the market. Powered by the new SEI Wealth Platform℠, we bring together the services you need so you can spend more time with clients and less time managing operations and technology. We offer a fee-simple approach to investment solutions with no program fees and no account minimums (as of December 31, 2016).

For more information, contact an SEI practice consultant at 888-734-2679 or visit seic.com/advisors

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Sources

[1] Census.gov, "Millennials Outnumber Baby Boomers and Are Far More Diverse, Census Bureau Reports," June 25, 2015.

[2] SEI Analysis of Phoenix Marketing International, U.S. Wealth Management Market, 2015–2016 Cycle, Investable Assets $100,000 to $249,000, n=1,466.

[3] Accenture Consulting, "The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth," accenture.com/gb-en/insight-capitalizing-intergenerational-shift-wealth-capital-markets-summary, accessed on Aug. 18, 2017.

Survey methodology

In December of 2016, the SEI Advisor Network surveyed more than 600 millennial investors between the ages of 21 and 35 with minimum investable assets of $10,000, and nearly 300 millennial advisors.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice and is intended for educational purposes only.

Information provided by SEI Advisor Network, a strategic business unit of SEI Investments Company (SEI).

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