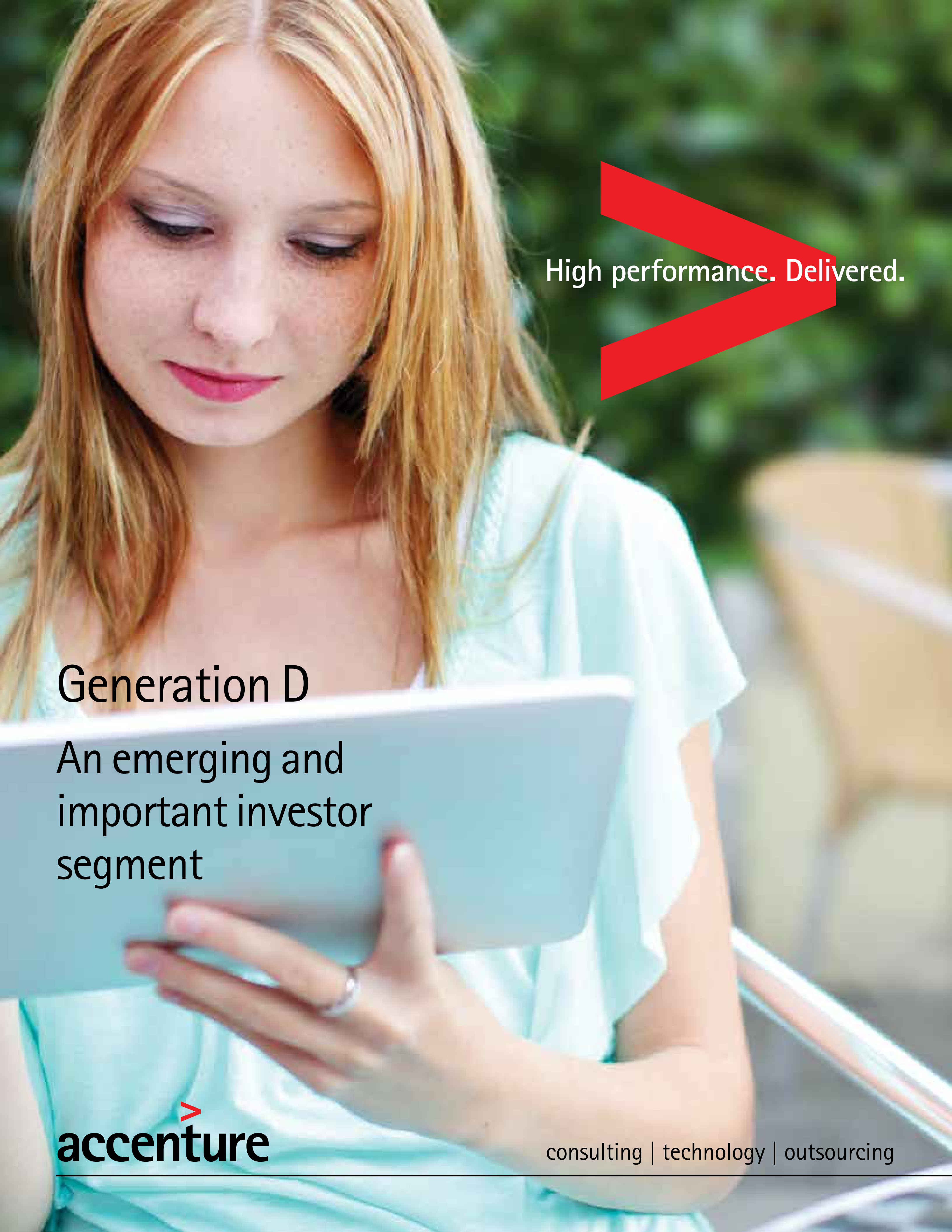

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# Generation D

## An emerging and important investor segment

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## Generation D

# An emerging—and important—investor segment

The financial crash has led to a sea change in consumer attitudes toward investing, creating—unsurprisingly—a state of general distrust towards the financial community, especially banks and financial advisors.[1] In a convergent trend, increased usage of digital/social channels in everyday life is spilling over into the relationships consumers have with financial institutions and those providing financial advice.

In late 2012, Accenture studied this shift and identified a significant investor segment that is defined not by traditional demographics, but instead by their behaviors. This segment, which we have termed Generation D (Gen D) represents more than 75 million people in the US, with nearly $27 trillion in assets.[2] While it is not a homogenous group, we believe their shared characteristics offer a path by which financial services providers can better grasp how to find, attract and retain these customers and their assets.

## Accenture Research

To gain a better understanding of these emerging trends, Accenture held focus groups in New York and Los Angeles, comprised of Boomers, Gen Xers and Millennials.[3] To substantiate the qualitative focus group findings and achieve deeper insight into how emerging digital and social channels influence relationships between investors and their financial advisors, Accenture conducted an online survey of 1,005 current and future investors. This quantitative research included individuals from across the age spectrum, including 501 Millennials, 251 members of Generation X, and 253 Boomers. The group contained an even mix of men and women.

Requirements for participation included at least weekly use of social media, input into household financial decisions, and either current investment in financial products, or the intent to invest within the next three years.

# Significant findings from our research are in three key areas:

## 1. Generation D is a Vitally Important Group of Investors

The more than 75 million members of Generation D represent approximately 44% of the US population. They also represent nearly $27 trillion in assets. Today, Generation D is comprised of 26% Millennials, 48% Gen Xers and 25% Boomers. They are active investors with higher levels of income, education and assets, combined with a deeply digital lifestyle. For these always-connected consumers, technology—online, mobile, and social—is deeply woven into the fabric of their lives as they strive to create, maintain and pass along wealth.

Gen D members typically use multiple devices in a given week to manage financial accounts, look up investment information, and pay bills. Almost all are on Facebook, and most use social media more than once a day. Those who actively seek investment information consult an average of four different investment-related websites.

Currently, Gen D Millennials have only a 5% share of the segment's overall assets—but that balance will certainly change over time. Some $30 trillion in assets will shift from Baby Boomers to their heirs over the next 20 to 30 years, and an improving economy will add to their investable assets as well.[4] Accordingly, 40% of Millennial respondents said they are "determined" to pass along wealth to their families, compared to 25% of Baby Boomers and Gen Xers. In the years ahead, wealth managers and their financial advisors will benefit most by developing strategies for working effectively with this group and the leading edge of change they represent.

## 2. Eroding Confidence in Financial Advisors (FAs)

Gen D members understand that investing is still a viable path toward creating, maintaining and passing along wealth. They also recognize their need for financial advice along the way. They are less and less likely to view financial advisors as trusted resources for the information they need to invest wisely. For example, 59% actively sought financial advice recently—but only 40% looked to their financial advisor for this advice.

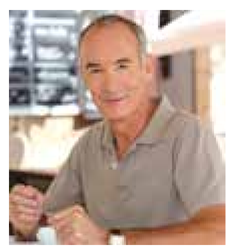
There are definable differences in the attitudes toward financial advisors between the three age cohorts of Generation D. Financial advisors who recognize this and adapt their own practices accordingly will likely have greater success in developing and maintaining relationships with members of each group.

### Skeptical Millennials

Skepticism toward financial advisors is most prevalent among the Gen D Millennials, who are also the most eager to learn about investing and the most determined to pass wealth on to their families. With a clear eye toward investment risks, they tend to seek investment information across multiple channels and to validate the information or advice given to them using multiple sources. While 71% are currently investing, only 22% do so through an advisor, and those relationships are largely transactional in nature.

### Jaded Gen-Xers

Gen-Xers within Gen D are the least confident, most jaded and least interested in learning about investing. They are as likely to be self-directed as they are to use a dedicated advisor, and nearly all are currently investing. Their use of social media—particularly LinkedIn—and technology in general is less than the Millennials, but greater than the Boomers.



### Trusting Boomers

Boomers still tend to enjoy a trusted and personal relationship with their financial advisors even while they have become cynical about the economy. They do not perceive the use of social/digital as critical, but they understand this is where things are headed and want to keep up. As might be expected, they have the highest incomes and net worth of the group, and 99% are current investors.

## 3. Seeking information to mitigate risk

Gen D investors, Millennials in particular, display an increased need to make better and safer choices by personally understanding the risks and benefits inherent in different investment vehicles.

43% of Millennial respondents described themselves as "conservative" investors, compared with 31% of Boomer respondents. Millennials were also significantly more likely than Baby Boomers to say they prefer "tried and true" investment options (27% vs. 19%, respectively). 33% of Millennials said they "seek comfort and predictability" in their investment options (Chart 1).

While the crash has eroded the investor/advisor relationship among all investors, the need to independently validate investment information rather than trust financial advisors increases as investor age decreases. As Chart 1 clearly shows, 28% of Millennials will not take an FA's advice without consulting another source first.

Boomers are least risk-averse and most likely to trust their advisors. Only 7% say they would never rely solely on their FA's advice.

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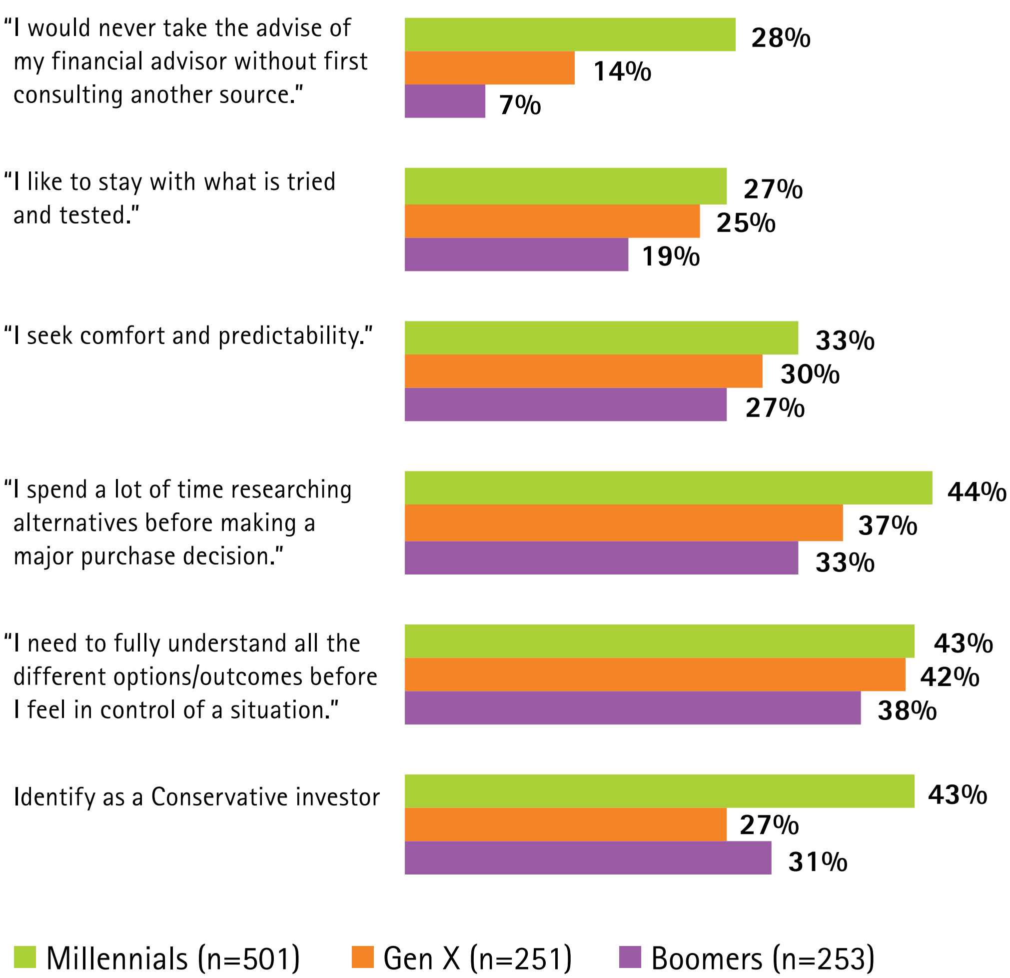
### Chart 1. Risk Avoidance issues

(Data represent % Top Box, except for Investment Style)



### 3. Seeking information to mitigate risk

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Over half of Gen D investors have sought financial advice from an outside source in the past two years, including family and friends, and social media contacts. They also utilize a range of online sources to help research financial decisions and keep abreast of financial news.

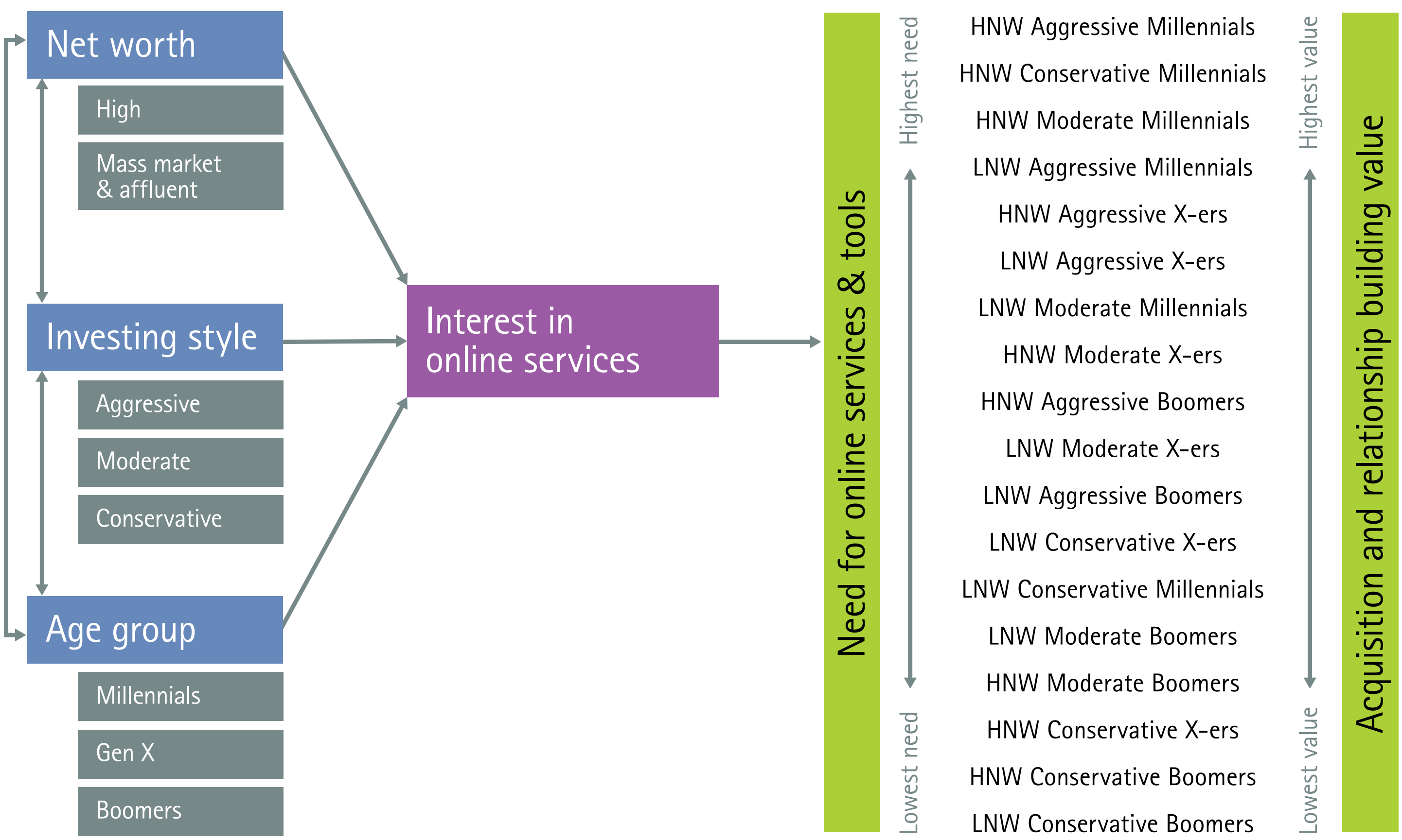
While Boomers are still likely to trust the advice they receive from their advisors, Gen Xers and Millennials are increasingly looking for alternative and complimentary sources of information to help them address their financial objectives. 44% of Millennials described themselves as "extremely" interested in improving their understanding of investing compared to 38% of older respondents. Digital resources will play a pivotal role that will only increase in the future. In our research, we tested a number of potential options to help understand the type of online resources that are most attractive.

These included:

- online communities where investors could interact with each other and financial professionals
- online video series and one-off videos
- online seminars or webinars
- virtual meetings with advisors
- investor-led online education
- connecting via social media, e.g. Facebook, Twitter, LinkedIn, Firm/Advisor Blogs, etc.

Core education services and virtual meetings—tools that drive trust and control—topped the list. As Chart 2 illustrates, we found that the younger and wealthier sub-segments of Generation D are most interested in utilizing digital tools—and that those interested in these tools would likely utilize multiple tools to serve their need for investment intelligence. Also, the more aggressive the investment style, the more interested they were in leveraging digital resources.

### Chart 2. Online Education and FA Interaction Needs




Taken together, online education and FA interaction needs are highest among younger Gen D present and future wealth clients.

## Gen D Represents a Real Opportunity for Wealth Managers

Clearly Gen D investors—particularly the Millennials—represent a large and viable market segment for financial services firms. However, a tandem Accenture study of the financial community pointed to serious gaps in the strength of their relationships with these Gen D investors. Additionally, financial advisors tend to overestimate investor knowledge, as well as misunderstand their clients' investment style, believing clients more aggressive and less risk averse than they really are.

The good news for financial services providers is that they can reach investors through online educational tools and resources. Those who are able to provide these resources can increase investor confidence and faith, fostering stronger, stickier and more trust-based relationships between advisors and investors. However, these online resources (including mobile) need to be seamlessly woven into the overall customer experience across all channels.

## What Can Wealth and Asset Managers Do to Cultivate Gen D

Accenture will share the findings from our research of the financial community in a report to be released soon, highlighting the need for realignment of advisor attitudes and behaviors in order to be responsive to the needs of Gen D investors.

In addition, our analysis shows there are three primary areas in which companies will need to evolve their businesses to address the needs and preferences of Gen D investors, including:

- Finding, attracting and retaining Generation D clients
- Evolving the customer experience to meet their expectations, behaviors and preferences
- Defining the new role of FAs and identifying new practices to help them remain relevant in the digital age

Look for our publications on these key topics early in 2013.

## Notes

[1] Focus Groups conducted as part of Accenture research project in New York City and Los Angeles in July 2012.

[2] Population estimates and projections are the product of publicly available population estimates from the US Census (2011 data), Pew Research Center data from the Pew Internet and American Life Project estimates of the online population (2011-12), and the conditional incidence rates observed in the quantitative study. US Census data were used to estimate the size of the population that falls within the Millennial, Gen X and Boomer age ranges. The resulting US population estimate was multiplied by the midpoint of the proportional estimates of online households from both the US Census and the Pew Research study to arrive at an estimate of the Online Millennial, Gen X and Boomer population. The resulting figure was, in turn, multiplied by the conditional qualifying incidence figures from Accenture's Gen D Investor survey, which required respondents to participate in or fully control financial decision-making their households (which disproportionately affected Millennials), required incomes of no less than $30k for Millennials and $75k for Boomers and X-ers, and either some form of current investment (including 401k, any stock or bond) without regard for amount, or (for Millennials) a stated intent to begin investing in the next 3 years.

Asset projections were the product of median self-reported total asset levels taken from the survey and the population estimates. Medians were used to mitigate the impact of the very small, but disproportionately wealthy respondents whose asset levels would have skewed the projections upwards.

[3] 21-30 years old - Millennial candidate,
31-45 years old - Gen X candidate,
46-70 years old - Boomer candidate

[4] Cerulli Associates: Cerulli Quantitative Update - Retail Investor Product Usage 2011 (based on data from Cerulli Associates, Federal Reserve, Center for Disease Prevention and Control, Current Population Study, Internal Revenue Service)

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