

A WEALTH OF OPPORTUNITY

PART. I GENERATION X & MILLENNIALS

GEN
X
Z

How to engage the next generation of
affluent clients before it's too late

EDITIONS
FINANCIAL

AUTHOR:
SIMON WALDEN,
GROUP CONTENT STRATEGIST

The demographics of wealth are set for a tectonic shift, financial services marketers in this space must be ready to follow the money to ensure their future success.

Take a moment to picture what a typical High Net Worth (HNW) client looks like. If the image that comes to mind is of a silver-haired, white-skinned male, here are some facts you might want to consider:

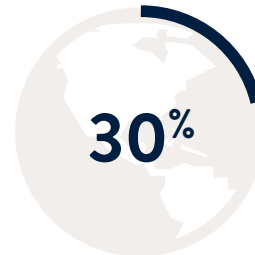
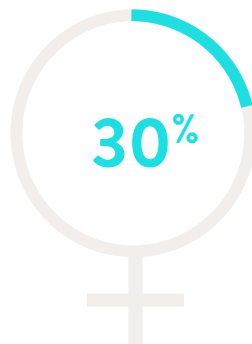
- The average age of US investors with \$25 million or more of assets is 47¹
- Women already control 51% of personal wealth in the US² and 30% of the world's wealth³
- By 2022, more than 30% of individuals in the world with a net worth over \$5 million will live in Asia⁴

While there are those in private banking and wealth management who cling to venerable tradition, there is a growing understanding that the sector is on the cusp of significant change. So, what are the forces at play and how can marketers position their offering to capture the opportunity? In this first of a two-part series exploring the opportunities presented by the changing wealth audience, we look at Generation X and Millennials.



THE AVERAGE AGE OF US INVESTORS WITH \$25 MILLION OR MORE OF ASSETS¹

WOMEN ALREADY CONTROL 30% OF THE WORLD'S WEALTH³



BY 2022, MORE THAN 30% OF INDIVIDUALS IN THE WORLD WITH A NET WORTH OVER \$5 MILLION WILL LIVE IN ASIA⁴

¹ <https://www.nbcnews.com/business/business-news/millennial-millionaires-just-want-get-rich-n66286>

² Women and wealth: The case for a customized approach, EY, April 2017: [https://www.ey.com/Publication/vwLUAssets/EY-women-investors/\\$FILE/EY-women-and-wealth.pdf](https://www.ey.com/Publication/vwLUAssets/EY-women-investors/$FILE/EY-women-and-wealth.pdf)

³ <http://money.com/money/4360112/womens-wealth-share-increase/>

⁴ <https://www.knightfrank.com/resources/wealthreport2018/the-wealth-report-2018.pdf>



GEN X
EXPECTED ASSET
VALUE, BY 2020,
IN **US ALONE**



MILLENNIALS
EXPECTED
ASSET VALUE,
BY 2020,
GLOBAL

\$317 TRN
TOTAL GLOBAL
PRIVATE WEALTH
IN 2018

A NEW AGE OF WEALTH

A 2017 UBS report estimated that Millennials (those born between 1981 and 1997) could hold \$24 trillion in assets globally by 2020⁵ (for context, total global private wealth in 2018 was around \$317 trillion⁶). But in wealth terms, Millennials are less than half the story – Deloitte has estimated that by the same date, Generation X (born 1965-1980) will be worth around \$40 trillion in the US alone.⁷

Perhaps more importantly, these generations stand to become far wealthier in the future as they reach their peak earning years and receive the wealth of older generation through inheritance. In fact, the same Deloitte report shows their combined share of wealth (47%) overtaking that of the Baby Boomers (45%) in the US by 2030.

⁵ <https://www.ubs.com/global/en/wealth-management/chief-investment-office/our-research/discover-more/2017/millennials.html>

⁶ <https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html>

⁷ <https://www2.deloitte.com/insights/us/en/industry/investment-management/us-generational-wealth-trends.html>

THE LOST GENERATION?

Sometimes described as the ‘difficult middle child’, Generation X has largely been ignored by marketers. The reasons for this are complex. One reason could be that as a group they are statistically smaller than Baby Boomers or Millennials. However, the aversion may result more from the difficulty in making black-and-white assumptions about a cohort that bridges the gulf between the analog and digital eras. Members of Generation X also tend to be more cynical and distrusting in outlook, and as a result like to maintain careful control of key aspects of their lives: a global study of Generation X cohorts found that 85% agreed it was hard to win their loyalty.⁸

Significantly, research suggests that members of Generation X are actually saving a lower proportion of their earnings than Millennials. For example, a recent global, intergenerational poll of new clients by financial consultancy deVere Group found that while Millennials are saving on average 19% of their earnings for retirement, the equivalent figure for Generation X was only 16%.⁹

On the other hand, according to Pew Research Center, Generation X has seven times the investable assets of Millennials¹⁰ – and it is the age group best placed to benefit both from earnings growth and inheritance over the next decade. So, while from a marketing perspective Generation X may be more difficult to reach, ignoring this audience is a mistake.

“Millennials are saving on average 19% of their earnings for retirement, the equivalent figure for Generation X was only 16%.”⁸

GEN

X

GENERATION X
HAS SEVEN
TIMES THE
INVESTABLE
ASSETS OF
MILLENNIALS⁹

GEN

Y

MILLENNIALS

⁸ <https://www.mediapost.com/publications/article/306597/why-the-affluent-gen-x-shouldnt-be-put-into-a-cor.html>

⁹ <https://www.devere-group.com/news/Which-generation-saves-most-for-retirement.aspx>

¹⁰ <https://www.americanfunds.com/ria/insights/high-net-worth-will-soon-look-very-different.html>

SO, WHAT DO THESE AUDIENCES WANT?

The first thing you should bear in mind is that these groups differ in behavior and preferences - not only from the traditional image of an investor - but to some extent from each other. It should also never be forgotten that each group comprises people rather than personas - and individuals will never align neatly with generalizations.

However, with data and technology making segmentation and focused targeting increasingly achievable, engaging these audiences more effectively need not mean abandoning your traditional client base. Given the potential rewards, it's worth taking the time and effort to understand the differences and commonalities, and considering how you can adapt or augment your marketing approach accordingly.

CUSTOMER CENTRICITY

Like many other industries, the wealth sector is experiencing a process of consumerization driven by both customer demand and legislation. In this more customer-focused environment, high levels of service and competitive pricing are pretty much non-negotiable. At the same time brands need to work much harder than in the past to demonstrate a laser-eyed focus on addressing customer need, not only to win new business but also to retain existing clients: Roubini ThoughtLab research found almost 50% of investors were willing to switch to another provider who better met their expectations, with Millennials among the readiest to jump ship.¹¹

This chimes with other research that suggests, for example, that only 7% of Millennials identify themselves as brand loyalists.¹² For this audience, growing up in a digital world providing previously unheard-of levels of flexibility and control, open banking, online investment platforms and a flourishing fintech sector threaten to sideline traditional private banks and asset managers as an unnecessary anachronism.

A DEEPER RELATIONSHIP

On the other hand, Fidelity research concluded that Millennials as a whole tend to seek relationships that help them achieve peace of mind - and even their life's purpose - as well as realize financial and investment-related objectives.¹³ Meanwhile, a European Financial Management Association report found Millennials' brand choices were influenced by relationships and social proof.¹⁴

As a cohort, Generation X shows some differences from Millennials in this respect, tending to be more distrustful and placing greater importance on self-sufficiency (they are more likely to own their own home and to focus their financial planning around it¹⁵). Clearly these differences have implications when it comes to designing and surfacing a proposition that meets their needs.

¹¹ Wealth and Asset Management 2021: Preparing for Transformative Change, Roubini ThoughtLab, P13, <http://www.statestreet.com/ideas/articles/wealth-asset-management-roubini.html>

¹² Brands Need to Step Up Their Game to Win Over Millennials, Forbes, Sep 26, 2017, <https://www.forbes.com/sites/forbesagencycouncil/2017/09/26/brands-need-to-step-up-their-game-to-win-over-millennials/>

¹³ Impact Investing: At a Tipping Point? Fidelity, 2018, <https://www.fidelitycharitable.org/docs/impact-investing-survey.pdf>

¹⁴ The Rise of Affluent Millennials: How to Stay Relevant, EFMA, June 2017, <https://www.efma.com/study/detail/26945>

¹⁵ Gen X rebounds as the only generation to recover the wealth lost after the housing crash, Pew Research Center, July 23, 2018, <https://www.pewresearch.org/fact-tank/2018/07/23/gen-x-rebounds-as-the-only-generation-to-recover-the-wealth-lost-after-the-housing-crash/>

TECHNOLOGY

There is a common misconception that the wealthy have a lower than average interest in digital services, which seems to derive from a belief in the primacy of personal service in delivering a high-end experience. In fact, research carried out in conjunction with businesses including Schroders, Bank of Montreal and State Street shows that the wealthiest clients are even more interested in technology than mass affluents, with 64% of very high net worth investors (those with \$5m+ of investable assets) and 54% of ultra high net worth investors (\$30m+ of investable assets) wanting their providers to use the latest digital technology, versus 39% for mass affluent and 38% for high net worth.¹⁶

The same research found that 51% of investors saw easy digital access to wealth firms as one of the top five external shifts set to impact the sector, while 47% cited increased competition, including that from fintechs.

SOCIAL IMPACT

In recent years socially responsible investing has evolved rapidly from minority interest to hot topic. Sofia Merlo, Co-Chief Executive at BNP Paribas Wealth Management, notes that appetite is skyrocketing: “Two years ago, 10% considered mission to be important, now that’s almost 40%.”¹⁷

That’s a huge jump, but among the younger generations social impact is even more important, with 77% of Millennials and 72% of Generation X indicating they had made some form of impact investment.¹⁸ And the aforementioned Fidelity research highlighting Millennials’ search for peace of mind and life purpose suggests this is a long-term trend rather than a fad.



54%

of investors with **\$30m+** of investable assets, want their providers to use the latest digital technology.



64%

of investors with **\$5m+** of investable assets, also want their providers to use the latest digital technology.

¹⁶ Wealth and Asset Management 2021: Preparing for Transformative Change, Roubini ThoughtLab, P17, <http://www.statestreet.com/ideas/articles/wealth-asset-management-roubini.html>

¹⁷ The Death of Private Banking, Euromoney, Feb 06, 2018, <https://www.euromoney.com/article/b16rhwwt9prp4z/the-death-of-private-banking>

¹⁸ Impact Investing: At a Tipping Point? Fidelity, 2018, <https://www.fidelitycharitable.org/docs/impact-investing-survey.pdf>

WHAT CAN YOU DO AS A MARKETER?

It will be evident from the range of attitudes and preferences highlighted in this report that no single magic bullet will deliver these underserved audiences to your business. However, there are a number of principles that will help to ensure your marketing initiatives have the best chance of successfully reaching and converting prospects across the HNW spectrum.

1. BE INCLUSIVE

Design your proposition (or propositions) to appeal beyond the traditional wealth audience. Feature a range of ethnicity, gender and ages in content to help the wider audience identify with your brand.

2. SEGMENT AND PERSONALIZE

Create a segmented content strategy that enables you to target audiences more effectively based on their needs and preferences.

3. EDUCATE

Provide tailored educational content to empower newer and less confident investors while positioning yourself as a trustworthy and credible source of valuable information and advice.

4. BE TRANSPARENT

Provide clear evidence of performance, explanation of processes and social proof, such as case studies and testimonials, to build trust. Demonstrating your environmental, social and governance (ESG) credentials is also fast becoming essential to a strong proposition.

5. GO MOBILE FIRST

(But not mobile only)

Mobile is rapidly gaining dominance for non-work tasks, particularly among the under-50s, so ensure your content is created from a mobile-first perspective – this isn't just about formatting, it's about understanding how users interact with mobile and ensuring accessibility and ease of use.

6. EXPERIMENT WITH FORMATS AND CHANNELS

Test different formats to present aspects of your proposition to different audience segments – written reports and long-form articles are valuable, but videos, infographics and podcasts can also have a place. Be prepared to distribute your content via multiple channels to reach these segments effectively.

7. BE HUMAN

Demonstrate authenticity and build trust by taking your audience 'under the hood' of your business. Foreground the human – from publishing client case studies to promoting internal thought leaders as influencers.

8. FOCUS ON GOALS AND ASPIRATIONS

(But don't ignore performance)

Evidencing performance is important, particularly for more sophisticated or cynical audiences, but building content around your audience's aspirations and goals is a far more powerful way to build a lasting relationship.

9. TEST, MEASURE, ITERATE

Establish key performance indicators and use analytics to find out how well they've been met. Employ A/B testing to finesse your approach and optimize based on your results.

10. LEVERAGE AUDIENCE INSIGHT AND ANALYTICS

By leveraging advanced analytics, it will be increasingly possible to identify the key characteristics of those from upcoming generations likely to become wealthy – and to target, track and engage them effectively.

WHO WE ARE

Editions Financial is a full-service strategic content marketing agency, specializing in financial services. For over 20 years, we've created content for the world's leading financial services organizations, helping marketers send the right messages to the right audiences at the right time. In the past four years alone, we've successfully delivered more than 3,000 content projects for leading global financial brands.

WE CAN HELP YOU

Brands that pay the closest attention to how varied audience segments think and feel about their finances and use content to address their needs effectively are in the best position to benefit from their value. If you're looking for insight-rich, purpose-led, high-impact content that gets results, please get in touch.

SHELLY DANSE

DIRECTOR, NORTH AMERICA

shelly@editionsfinancial.com

917-421-7224 EXT. 1001

FOLLOW US:

