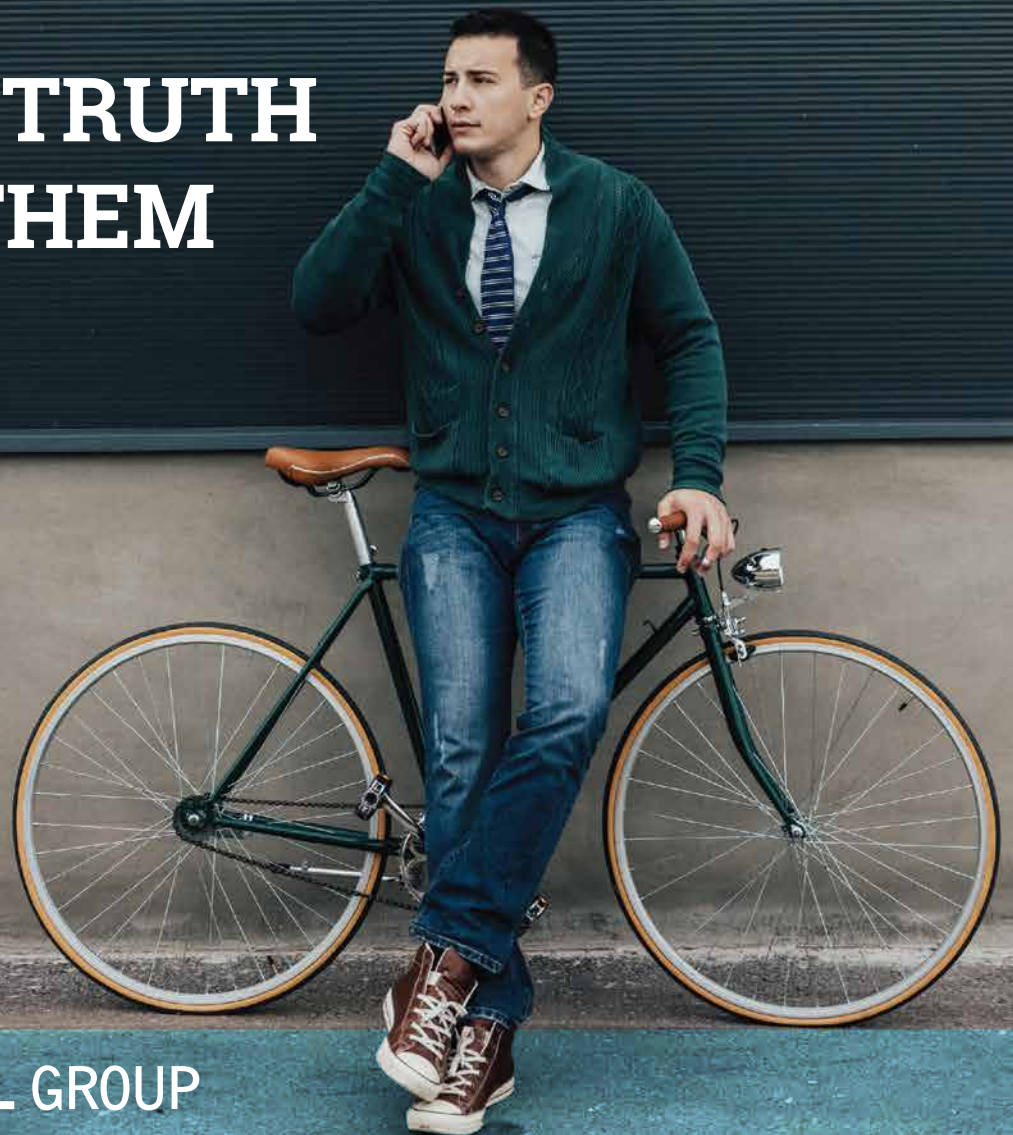


3 MYTHS ABOUT MILLENNIALS

**AND THE TRUTH
BEHIND THEM**



Millennials are a study in contrasts. They spend, but they save. They want connectedness but need autonomy. They are stereotyped as lazy and entitled, yet 52% report having some type of income-generating “side hustle” in addition to their full-time jobs¹.

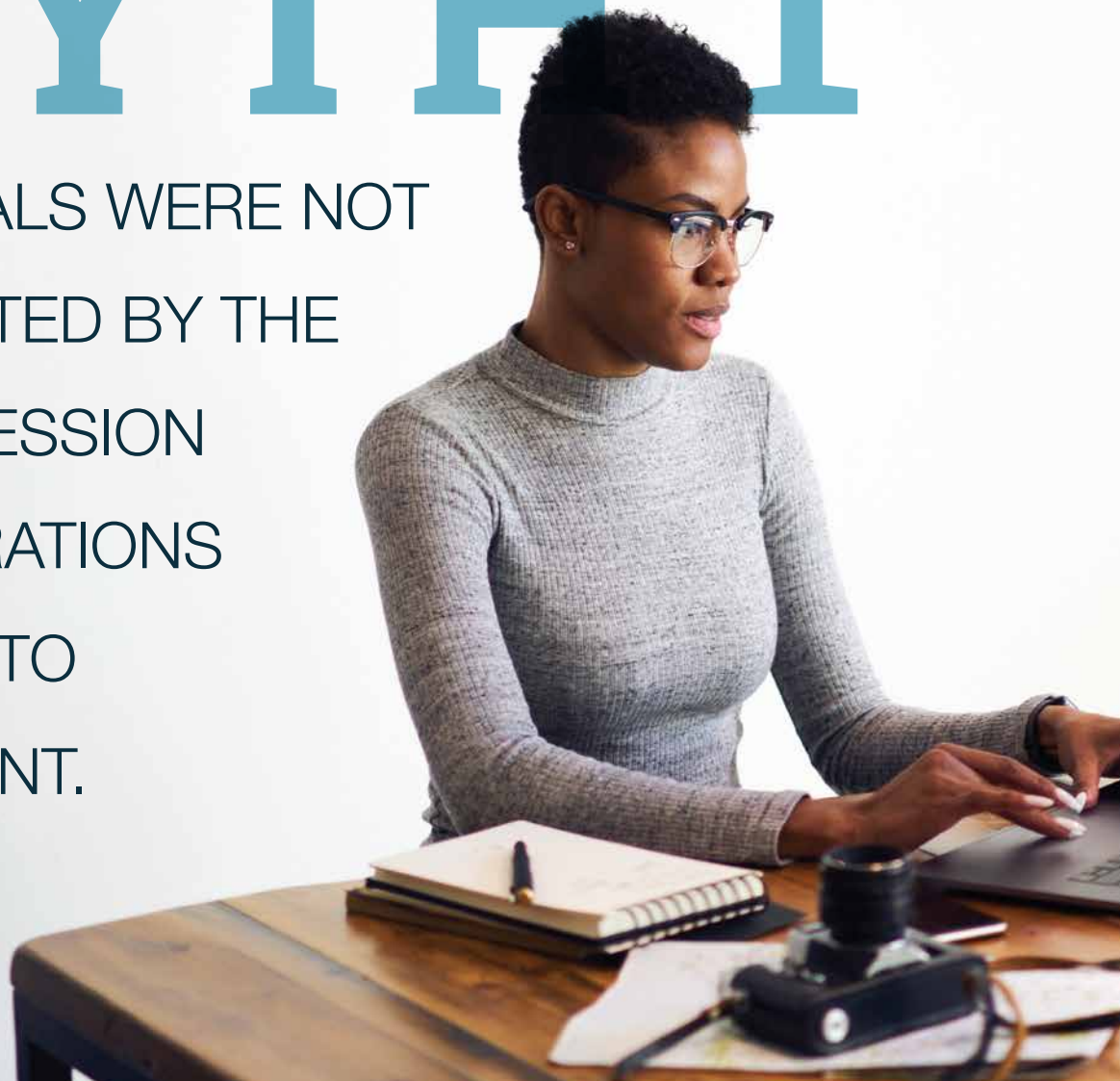
Now, on the cusp of The Great Wealth Transfer — the intergenerational transfer of an estimated \$30 trillion dollars in assets, primarily between Baby Boomers and their Gen X and Millennial heirs² — financial advisors are left to decode this seemingly conflicted generation in order to establish, build and maintain trusted relationships with its members.

Easier said than done, as the contradictions that partially define Millennials have also generated plenty of misinformation about them.

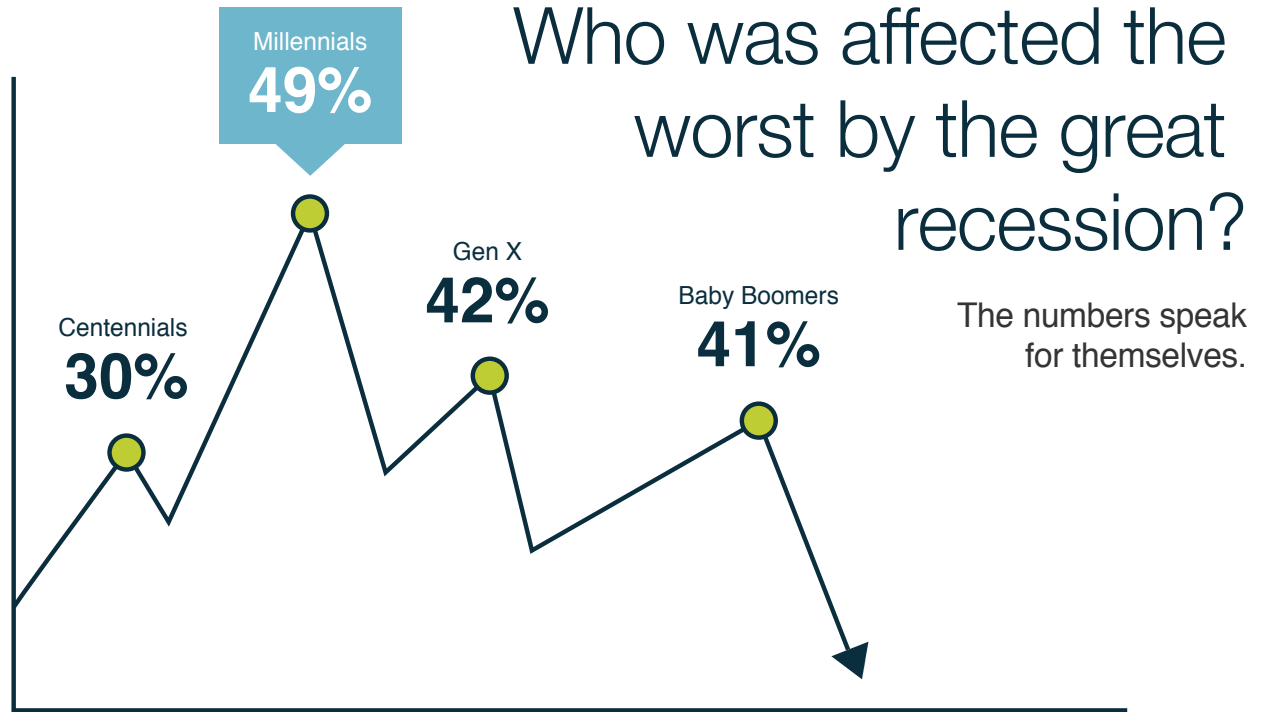
We’re debunking three popular myths about Millennials so you can better understand how to reach this generation, help them, and grow your business.

MYTH 1

MILLENNIALS WERE NOT
AS AFFECTED BY THE
2008 RECESSION
AS GENERATIONS
CLOSEST TO
RETIREMENT.



Who was affected the worst by the great recession?



Source: Kantar Consulting: Millennials vs. Centennials Webinar³

Millennials, who were just setting out on their career paths as the Great Recession hit, were fundamentally changed by it⁴:

- ▶ Median net worth of those under age 35 fell 37% between 2005 and 2010.
- ▶ In 2010, the 54% employment rate of 18- to 24-year-olds was the lowest since the government began collecting this data in 1948.
- ▶ Unemployment rates for 16- to 24-year-olds during 2013 and 2014 registered 15.2% and 14.2% respectively — nearly double that of overall unemployment.
- ▶ Record-setting student debt could not be offset by lower wages, and 35% chose to return to school — presumably accruing more debt — to pursue different degrees in light of the bad economy.
- ▶ 49% of 18- to 34-year-olds accepted jobs they didn't desire just to remain financially stable, and 24% opted for unpaid jobs solely to gain work experience.
- ▶ The social implications of economic hardships are also evident, as about 25% of Millennials have returned to live with their parents, and many are postponing marriage and raising children.

Roughly 82% say their parents' and grandparents' struggles indelibly shaped their investment attitudes and decisions, causing another potentially negative consequence — heightened risk aversion that lowers the total amount of money Millennials can ultimately save for retirement.⁵

The painful financial losses incurred and tough lessons learned by Gen Xers and Baby Boomers were not lost on Millennials.

Advisor Opportunity: Introduce risk control annuities and the importance of diversification

Millennials are understandably skittish⁵ about investing, but they don't have to think of it as an all-or-nothing proposition. Have a conversation surrounding how risk control annuities and portfolio diversification may give them a voice in how to manage risk, protect savings and increase growth potential in ways that align with their personal investment comfort and confidence levels.



Overall, **51%** of Millennials and **69%** of affluent Millennials (\$100,000+ in household income) still think the stock market is the best place to invest money.⁶

MYTH 2

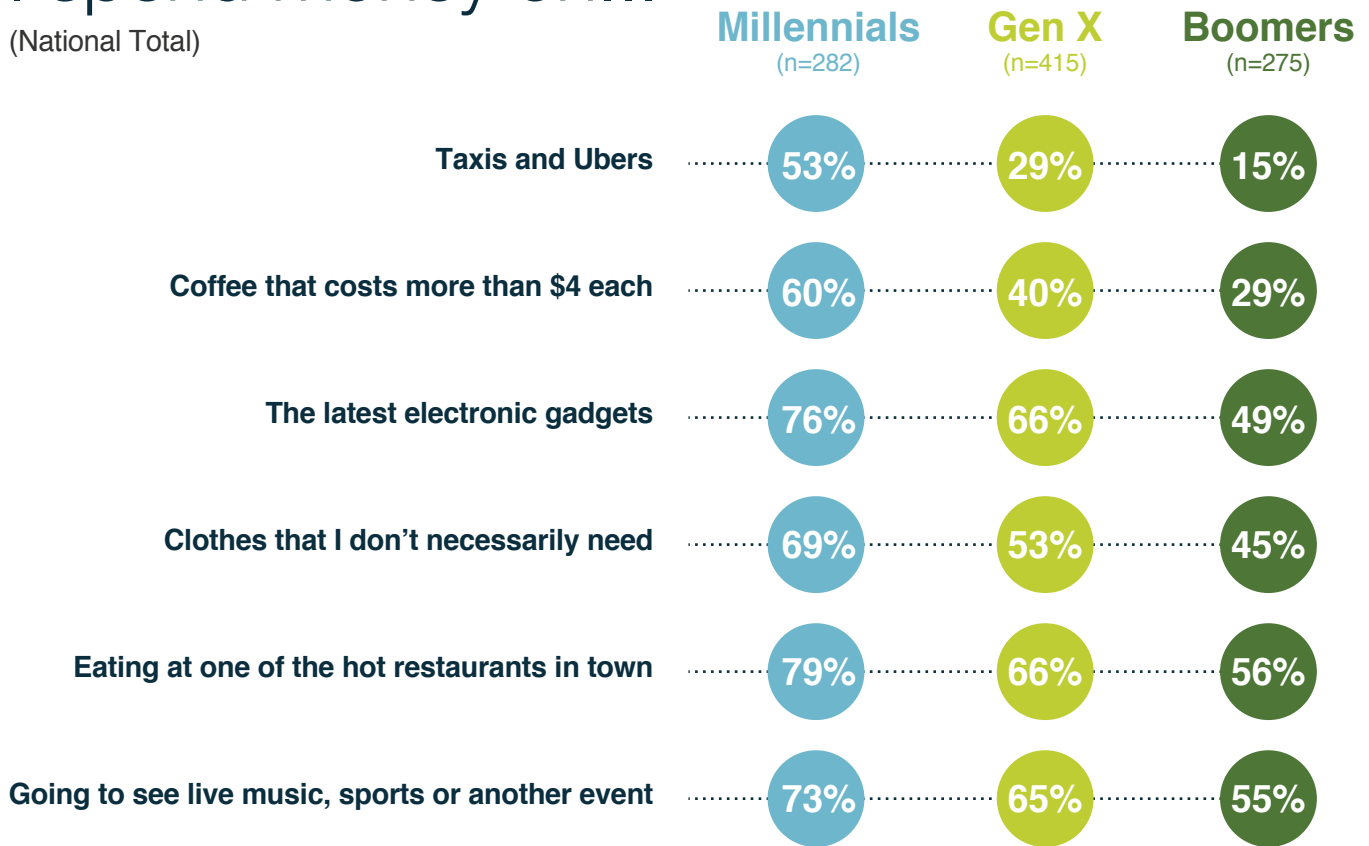
MILLENNIALS DON'T THINK ABOUT FINANCING THE FUTURE.



Looking at a snapshot of national short-term spending, it's logical to conclude that Millennials are willing to lay out more cash for "non-essentials" compared to other generations:

I spend money on...

(National Total)



Source: https://aboutschwab.com/images/uploads/inline/Charles_Schwab-Modern_Wealth_Index-findings_deck.pdf ⁷

This pattern appears in keeping with the popular "You Only Live Once (YOLO)" mindset of many Millennials, but it should not be misconstrued as an attitude they carry into the future. This generation is by far the most focused on saving money and building personal wealth.

Millennials are more future-focused than other generations



Centennials
64%



Millennials
84%



Gen X
67%



Baby Boomers
59%

Source: Kantar Consulting: Millennials vs. Centennials Webinar ⁹



This focus on saving money and building personal wealth doesn't necessarily translate to investing for Millennials, as **37%** are not currently doing so, **20%** are not planning to do so, and **41%** actively reduced investment amounts because of the Great Recession.⁶

However, they do appear to have a penchant for practically applying what they learn as they become older and more money-savvy.

As Millennials age, their financial habits tend to improve

20s

30s

35%

Have a household budget

47%

39%

Say their finances are better than 5 years ago

57%



Contrary to the “narcissist” label liberally foisted upon this group,⁹ Millennials generally think in terms of the greater good when it comes to finances.

They are passionate about making the world a better place, and 76% believe that socially responsible companies are the key to realizing their vision. However, they also believe that investing in the success of those socially responsible companies comes with certain tradeoffs that make some hesitant.



6 out of 10

Millennials believe they have to give up the possibility of higher returns to invest for social good or benefit.



6 out of 10

Millennials believe that “smart” investors choose investments solely on returns, without regard for social good.



5 out of 10

Millennials believe that investing in companies with positive global impact is just a trend.

Source: <https://www.wellsfargofunds.com/assets/edocs/marketing/sales-material/uniting-happiness-and-money.pdf>¹⁰

Even with their misgivings, Millennials are committed to letting their hearts guide their pocketbooks, to a degree, and social impact investing is a way for them to express themselves as much as support their convictions.

Advisor Opportunity: Recharacterizing Socially Responsible Investing

Help your Millennial clients define and refine what they care about, and introduce them to socially responsible investing (SRI) and social governance standards (ESG) companies they may not be familiar with, but warrant investment consideration. With your guidance, Millennials could end up with the best of both worlds — investments with social impact and solid returns.

Purposeful Percentages

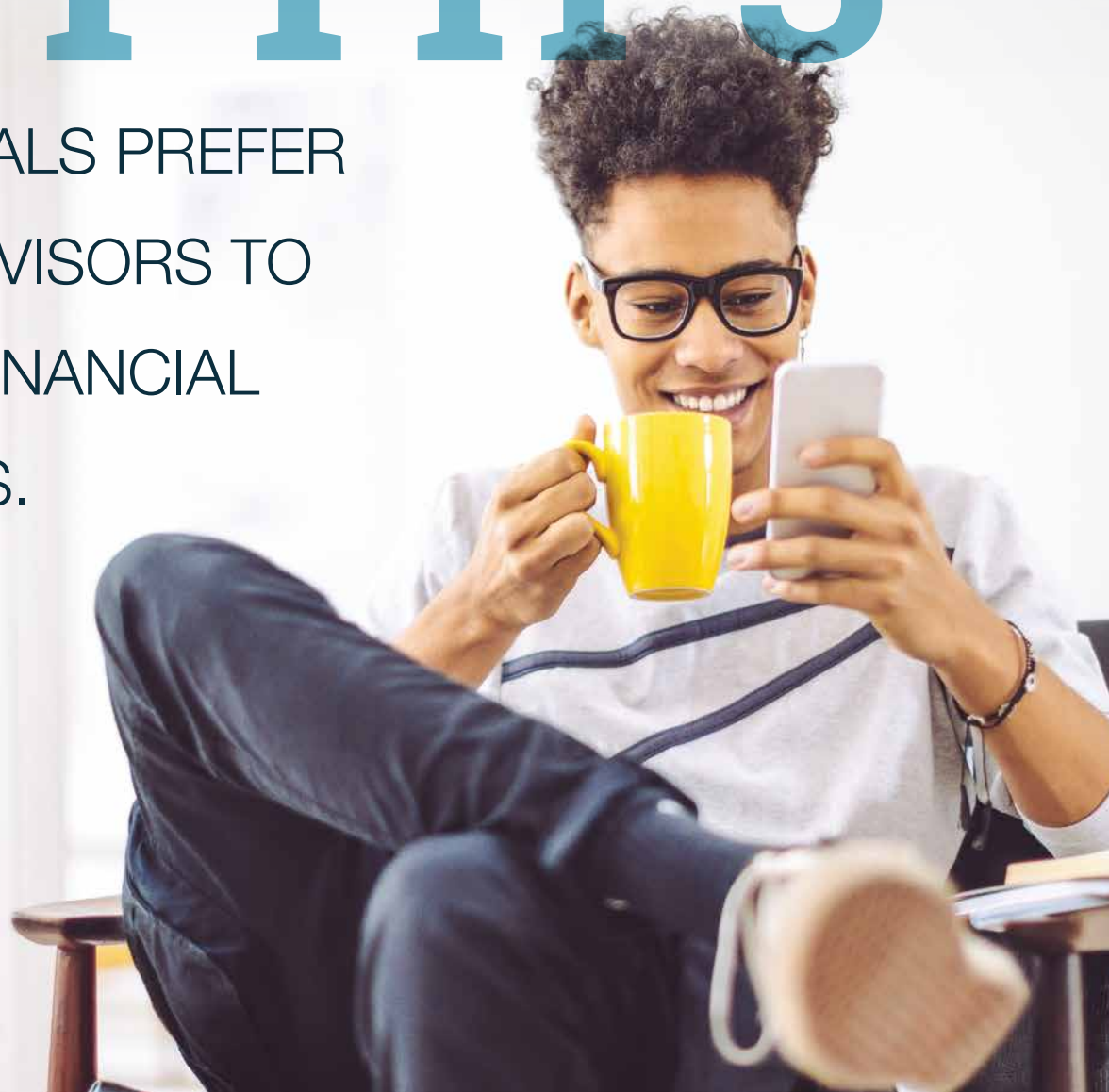
The vast majority of Millennials (94%) prioritize making a difference for the greater good, and back their convictions with cash¹⁰:

- ▶ 86% say that, if given \$1,000, they would invest it in a company that is committed to making the world a better place.
- ▶ 74% would better tolerate the ups-and-downs of investing if they knew their investments were having a positive impact on the world.
- ▶ 58% consciously use their money to make the world a better place
- ▶ 35% are specifically invested in stocks or funds that report having a positive impact on the world.

About **60%** of Millennials assume that they will sacrifice higher returns if they choose to invest in a business promoting the greater good¹⁰. However, with the variety of **SRI** and focused environmental and **ESG** options currently available, sacrificing returns for beliefs is not a foregone conclusion.

MYTH 3

MILLENNIALS PREFER
ROBO-ADVISORS TO
HUMAN FINANCIAL
ADVISORS.



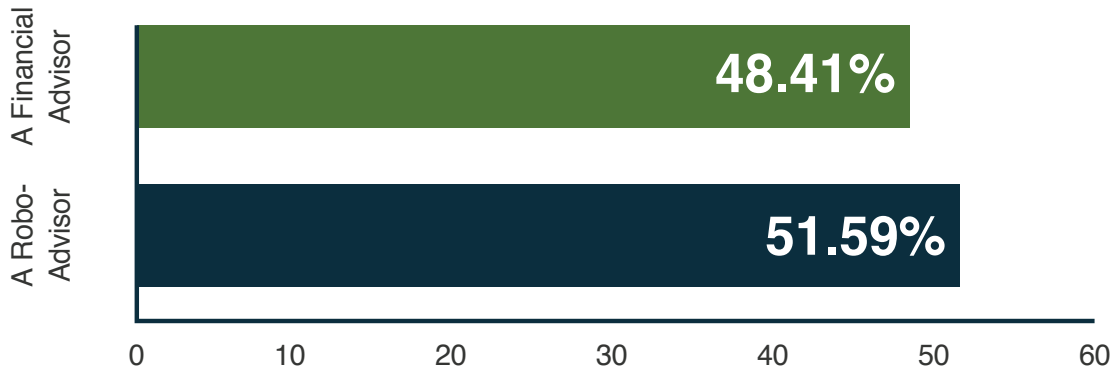
About 74% of Millennials admit to not being able to get by without their smartphones¹¹, which likely fuels the assumption that they are predisposed to favoring technology over human interaction when managing money.



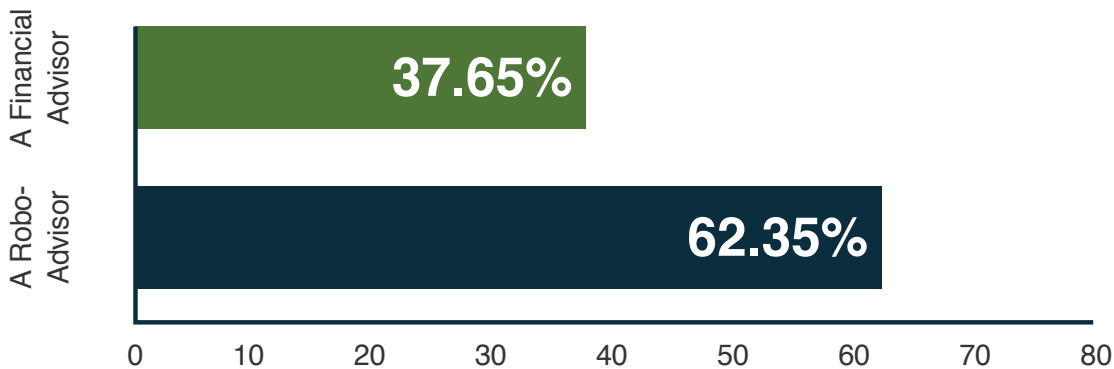
While they readily acknowledge uncertainty about the stock market and, by extension, financial professionals, based on the lessons of the Great Recession¹², Millennials are decidedly not sold on a robo-advisor solution.

Millennials were candid when answering LendEDU questions on the topic.

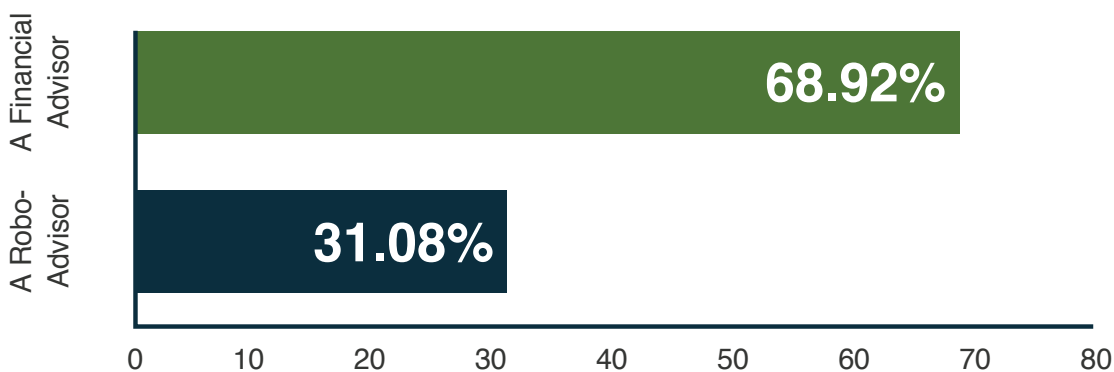
Who do you think would be most likely to make a mistake managing your money?



Who is more likely to lose your money?



Who will get you a better return on your investment?



Source: <https://lendedu.com/blog/robo-advisors-vs-financial-advisors> ¹³

Advisor Opportunity: Targeted Education

In their own words¹⁴, they want to:

- ▶ “Become educated on how to use, invest and save money”
- ▶ “Have more to invest and help those in need”
- ▶ “Have ways of always making some sort of money in the future”
- ▶ “Save more and budget better”


Meeting Millennials where they are in terms of financial education can only be accomplished within a traditional client-advisor relationship — and it can go a long way in overcoming mistrust.

Where’s the Disconnect?


Millennials’ preference for a traditional financial advisor-client relationship isn’t necessarily translating to them partnering with an advisor. The disconnect seems to stem from varying degrees of trepidation⁶:

- ▶ 32.71% are not sure how to get started, or where to find a financial advisor.
- ▶ 28.50% are afraid they will be scammed.
- ▶ 23.36% are concerned about being overcharged or paying high fees.
- ▶ 15.42% believe finances are a personal matter and desire complete privacy.

Source: <https://lendedu.com/blog/robo-advisors-vs-financial-advisors>¹³



Reinforce the positive opinions Millennials hold about financial advisors by providing targeted education to address “blind spots” that are keeping **68%** of them from being satisfied in their financial lives.¹⁰



Roughly **77%** of Millennials do not have a financial advisor, and **39%** are actively looking to establish an advisor relationship — substantial numbers when you consider there are **79.8 million** Millennials in America.

Understanding the realities of this group's needs, expectations and challenges and helping them embrace their financial power is a growing necessity for them, and for your business.

Learn more by visiting smartriskcontrol.com, contacting your wholesaler or calling the CUNA Mutual Annuity Solutions Desk at **877.345.GROW (4769)**.

SOURCES

- ¹ <https://nypost.com/2017/11/14/half-of-millennials-have-a-side-hustle>
- ² <https://www.cnbc.com/2018/05/22/that-30-trillion-great-wealth-transfer-is-a-myth.html>
- ³ Kantar Consulting: Millennials vs. Centennials Webinar
- ⁴ <https://publicpolicy.wharton.upenn.edu/live/news/883-millennials-generation-screwed>
- ⁵ <https://www.romper.com/p/millennials-arent-investing-as-much-thanks-to-the-recession-its-not-surprising-61693>
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- ⁷ https://aboutschwab.com/images/uploads/inline/Charles_Schwab-Modern_Wealth_Index-findings_deck.pdf
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- ⁹ <http://www.dailymail.co.uk/news/article-4093670/Millennials-entitled-narcissistic-lazy-s-not-fault-Expert-claims-child-wins-prize-social-media-left-Gen-Y-unable-deal-real-world.html>
- ¹⁰ <https://www.wellsfargofunds.com/assets/edocs/marketing/sales-material/uniting-happiness-and-money.pdf>
- ¹¹ Kantar Consulting: Millennials vs. Centennials Infographic
- ¹² <https://www.entrepreneur.com/article/286474>
- ¹³ <https://lendedu.com/blog/robo-advisors-vs-financial-advisors>
- ¹⁴ <https://www.wellsfargofunds.com/assets/edocs/marketing/sales-material/uniting-happiness-and-money.pdf>

IMPORTANT DISCLOSURES

Annuities are long-term insurance products designed for retirement purposes. Clients should consider a variable annuity's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information. Encourage clients to read it carefully.

All guarantees are backed by the claims-paying ability of the issuer and do not extend to the performance of the underlying accounts which can fluctuate with changes in market conditions.

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