THREE MYTHS ABOUT MILLENNIALS

AND THE TRUTH BEHIND THEM

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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 just before the latest recession, fully **72%** of Millennial women and 83% of men were employed, and research shows they tend to stay at work with their employers just as long as other generations did at the same age.[1]

At the same time, Millennials, now the largest living segment of the U.S. population,[2] may also be the generation hardest hit by the recent recessions.

By the end of the first half of 2020, Millennials controlled only a little over **5% of the wealth** in the United States —while baby boomers and the silent generation together controlled more than **78%**.[3]

Now, at the outset of The Great Wealth Transfer—the intergenerational shift over the next 25 years of as much as **$68 trillion dollars in assets**, primarily between Baby Boomers and their Gen X and Millennial heirs[4]—financial advisors are left to decode this seemingly self-contradictory generation in order to establish, build and maintain trusted relationships with its members, whose share of the population is expected to peak around 2033.[2]

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 recognize and address their needs, and grow your business.

MYTH 1

MILLENNIALS WERE NOT AS AFFECTED BY RECENT RECESSIONS AS GENERATIONS CLOSEST TO RETIREMENT.

46% of Millennials said they were still recovering from the Great Recession when the pandemic hit.[5] The net effect of two once-in-a-generation recessions hit Millennials even harder than other age groups in the span of little more than a decade—just as they were launching their careers.

- Millennials hold **less wealth** than previous generations did at the same age.[6]
- The added pandemic losses followed Millennial unemployment rates that, even after they peaked at **19.5%** in 2010 and began to fall, remained higher than older generations' unemployment rates.[7]
- **20%** of Millennials report their retirement plans were "severely impacted" by the Great Recession, and **19%** anticipate being severely impacted by the pandemic.[5]
- Millennials report, on average, **$27,900** in personal (non-mortgage) debt, with credit card bills cited as their leading source of debt (at 25%).[8]
- One in six Millennials owes **$50,000** or more in non home-loan debt.[9]
- In a 2019 study, **85%** of Millennials said they were so overwhelmed by financial anxiety that they were avoiding dealing with personal finances.[10]

After watching wild market swings, Millennials appear to be more confident putting their money into a savings account than into other investment vehicles —and over the longer term, that may hurt their investment growth potential. They stand to miss out on the compounding effects of participation in the stock market over the course of decades, as older generations have done.[11]

ADVISOR OPPORTUNITY: Introduce risk control annuities and the importance of diversification

Millennials' recession experiences may affect their investing habits, but they don't have to think of their investment decisions 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.

As many as 1/3 of Millennials (that's 24 million Americans) don't have any retirement savings plan.[11]

MYTH 2

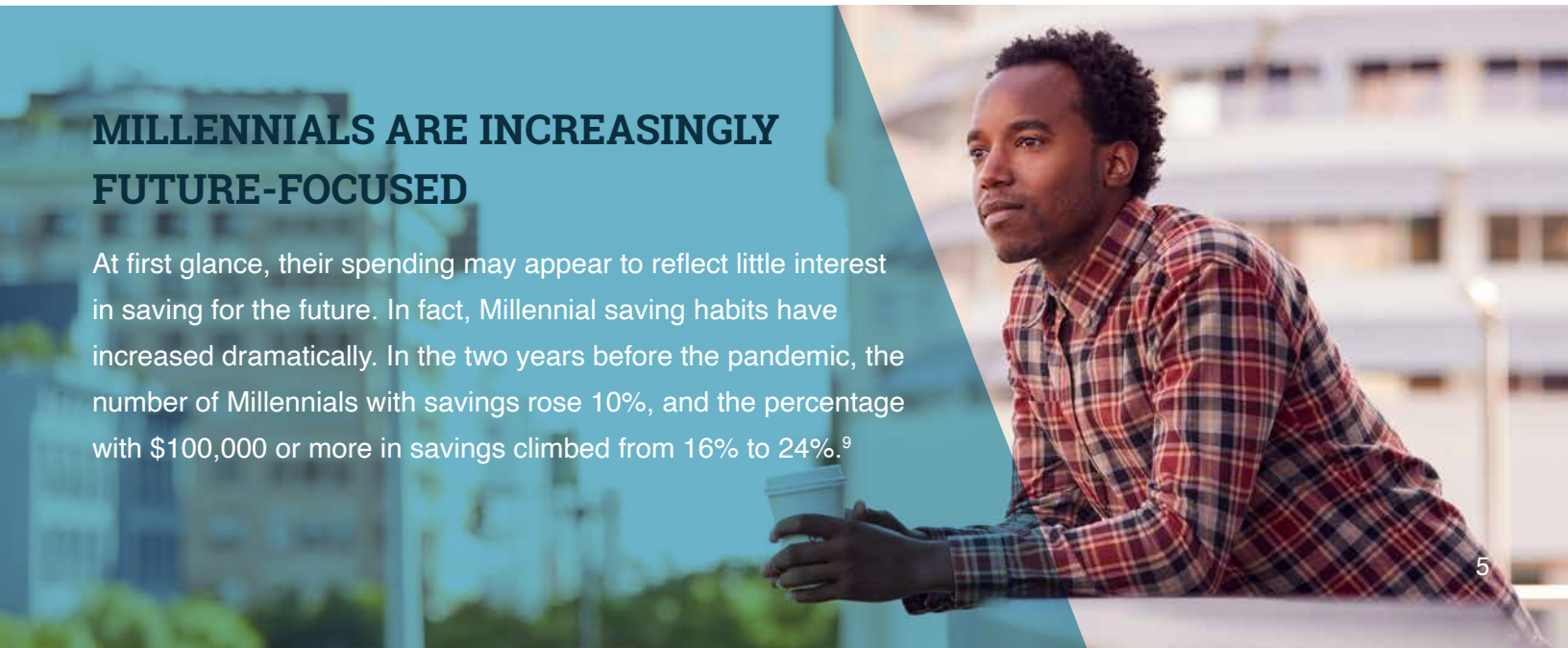
MILLENNIALS DON'T THINK ABOUT FINANCING THE FUTURE.

While the “You Only Live Once (YOLO)” mindset is a common stereotype applied to Millennials, the numbers point to lower incomes, high housing costs and student debt as major obstacles to investing.

Annually, I spend money on…

	Millennials[12]	Gen X[12]	Boomers[12]
Housing	21.6%	19%	17.6%
Food	13.4%	13.2%	12.5%
Transportation	17.8%	15.8%	15.9%
Entertainment	4.5%	5.3%	6%
Utilities and Housekeeping	13.1%	13.2%	14%
Healthcare	5.4%	6.4%	9.5%
Personal Insurance and Pensions	12%	14.2%	11.4%

In fact, **76%** of Millennials report that debt is keeping them from achieving their personal and financial goals.[9]



MILLENNIALS ARE INCREASINGLY FUTURE-FOCUSED

At first glance, their spending may appear to reflect little interest in saving for the future. In fact, Millennial saving habits have increased dramatically. In the two years before the pandemic, the number of Millennials with savings rose 10%, and the percentage with $100,000 or more in savings climbed from 16% to 24%.[9]

Regret over past habits is a common experience, with 37% reporting that they learned from **many mistakes** that harmed their financial well-being.[13]

Self-reported mistakes were made…

…by Millennials while attending college:[13]

84%
borrowed more than they needed

84%
amassed credit card debt

47%
didn't budget

…by full-time working Millennials early in their careers:[13]

88%
didn't save enough

86%
overestimated their expendable income

81%
didn't have a financial plan

77%
didn't contribute to a retirement fund

31% of Millennials have a budget. Of those, 34% stick to it.[9]

On the whole, Millennials have learned from their financial past, and want to build a solid future.

41% of Millennials cite their long-term financial future as a source of personal stress.[14]

Millennials started **saving at 24 years** old—6 years younger than Generation X, and 9 years younger than when Baby Boomers started saving.[9]

52% would rather work harder today and retire early, instead of working longer and having more free time now.[9]

80% PLAN TO RETIRE[15]

- **75%** of those expect to rely on personal or retirement savings
- **60%** expect to use social security
- **25%** expect to use an inheritance to help fund retirement
- **40%** report having a retirement account

AMONG MILLENNIALS WHO **ARE** SAVING:[9]

- **59%** have saved $15,000 or more
- **24%** have $100,000 or more set aside
- **48%** put money into savings every month

WHAT ARE THEY SAVING FOR?[9]

- Retirement **75%**
- Emergency fund **51%**
- Travel **42%**
- A first/next home **32%**
- Their child's education **27%**

72% of Millennials intend to prioritize saving for their retirement after the pandemic ends.[5]

More than half of millennials either have or have considered using emergency savings during the pandemic crisis—but many see a potential opportunity in the crisis, and want to open a new investing account or increase their retirement contributions.[5]

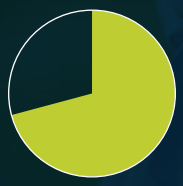
ADVISOR OPPORTUNITY: Recharacterizing Socially Responsible Investing

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.

Generally, Millennials are passionate about making the world a better place, and their demands have driven increases in socially responsible investment (SRI) and ESG options. They want a world in which financial gain and sustainable impact are not mutually exclusive.

28% of Millennials with savings are investing in the market[9]

Younger investor groups, including **84% of Millennials,** indicate greater interest in aligning their investment portfolios with anticipated trends[16]



71% of Millennials claim to embrace change, and 68% said they were optimistic about the opportunities that may be created by influential trends like smart technology and automation[16]

MYTH 3

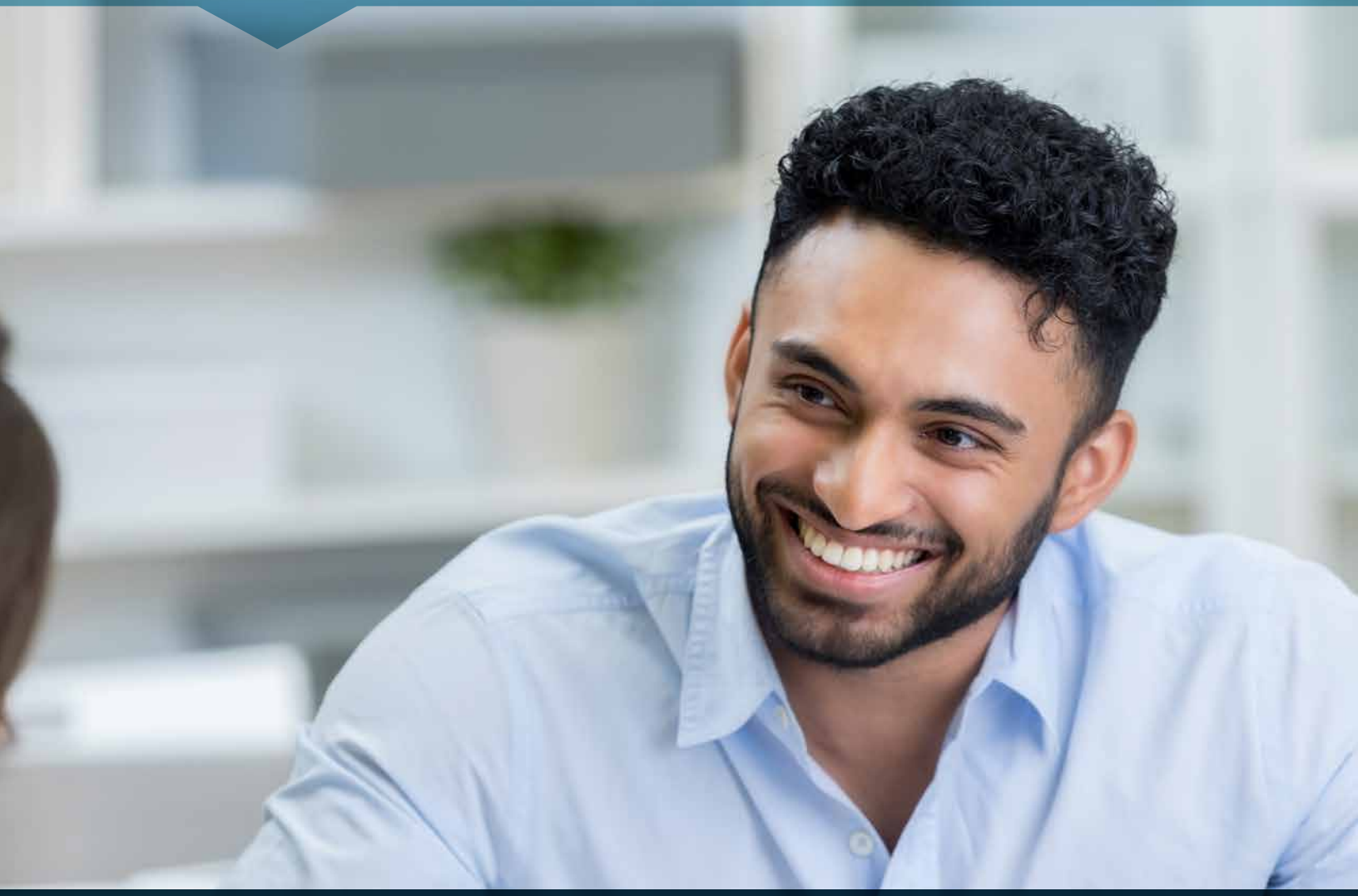
MILLENNIALS PREFER ROBO-ADVISORS TO HUMAN FINANCIAL ADVISORS.

Nearly all Millennials (99%) use the internet, and more than 9 out of 10 (93%) own smartphones.[17] There's little doubt these digital natives are more comfortable with technology than previous generations.

In fact, 79% sleep with their phones at their bedsides, and Millennials report checking their phones, on average 150 times per day,[18] perhaps fueling the assumption that they are predisposed to favoring technology, even when managing their money.

While they acknowledge the convenience and ease of digital apps for managing their money and investments, Millennials also recognize that as life's complexities expand beyond the limits of a robo-advisor, the need for an experienced, trusted advisor increases.

Even though 69% of Millennials report that they aren't working with a professional, as many as 55% say they would consider working with their parents' financial advisor,[11] suggesting an appreciation for the value of experience and expertise.



» **46% of Millennials** have already received or anticipate receiving inheritance money. Of them, **44%** intend to use it to fund retirement[15]

» **When they inherit money, Millennials are twice as likely** as other generations to turn to a professional for financial advice. They are also twice as likely as other generations to seek professional advice when they have children[19]

» Just **over a third** (34%) say they get financial advice from friends and family[19]

41% OF MILLENNIALS WITHOUT A FINANCIAL PLAN DON'T KNOW WHERE TO BEGIN[15]

- **31%** don't know whom to trust
- **42%** trust a parent
- **40%** trust a partner/spouse
- **32%** trust a friend
- **35%** claim they would turn to a professional, but only 16% report working with one

Millennials' unique income, debt and inheritance circumstances, together with their openness to new ideas and willingness to engage with innovative options like automation and fintech, make them well suited to a holistic, individual and educational approach to financial planning.

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.

To learn more about harnessing the power of risk control for your clients, visit smartriskcontrol.com, contact your Regional Sales Director or call the CUNA Mutual Annuity Solutions Desk at 877.345.GROW (4769), option 1.

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