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Institutional

# **Gen Y Investor Insights: Millennial Millionaires in the Making**

**Exploring the Mindset of Millennials  
With High Net Worth and Those With  
High Potential For Future Wealth**

January 2015

# Summary

Generation Y, also known as the Millennials, has typically been painted with a broad brush. TD Ameritrade research finds there are distinct differences within this group, depending on current wealth and level of income.

- *Mass Affluent Millennials* have very specific goals in mind when it comes to their financial planning. The best approach to connecting with this group is likely identifying their needs and being responsive.
- *Potential High Net Worth Millennials* have some investable assets but high incomes. They may represent the most promising target group for RIAs, because they're mostly overlooked by financial firms and may be looking an advisor to help them reach their goals.
- *High Net Worth Millennials* can be influenced by advisors, but they rely more on the attitudes and behaviors that made their parents successful. This group typically has an advisor and isn't looking to switch.

# Defining the Groups

The Mass Affluent Millennial group is defined as those respondents:

- *Between the ages of 18 and 39\**
- *Have investable assets between \$25,000 and \$500,000*
- *And an annual household income between \$50,000 and \$149,999.*

The Potential High Net Worth Millennial group is defined as those respondents:

- *Between the ages of 18 and 39*
- *Have investable assets between \$25,000 and \$500,000*
- *And an annual household income of \$150,000 or more.*

The High Net Worth Millennial group is defined as those respondents:

- *Between the ages of 18 and 39*
- *And have more than \$500,000 worth of investable assets.*

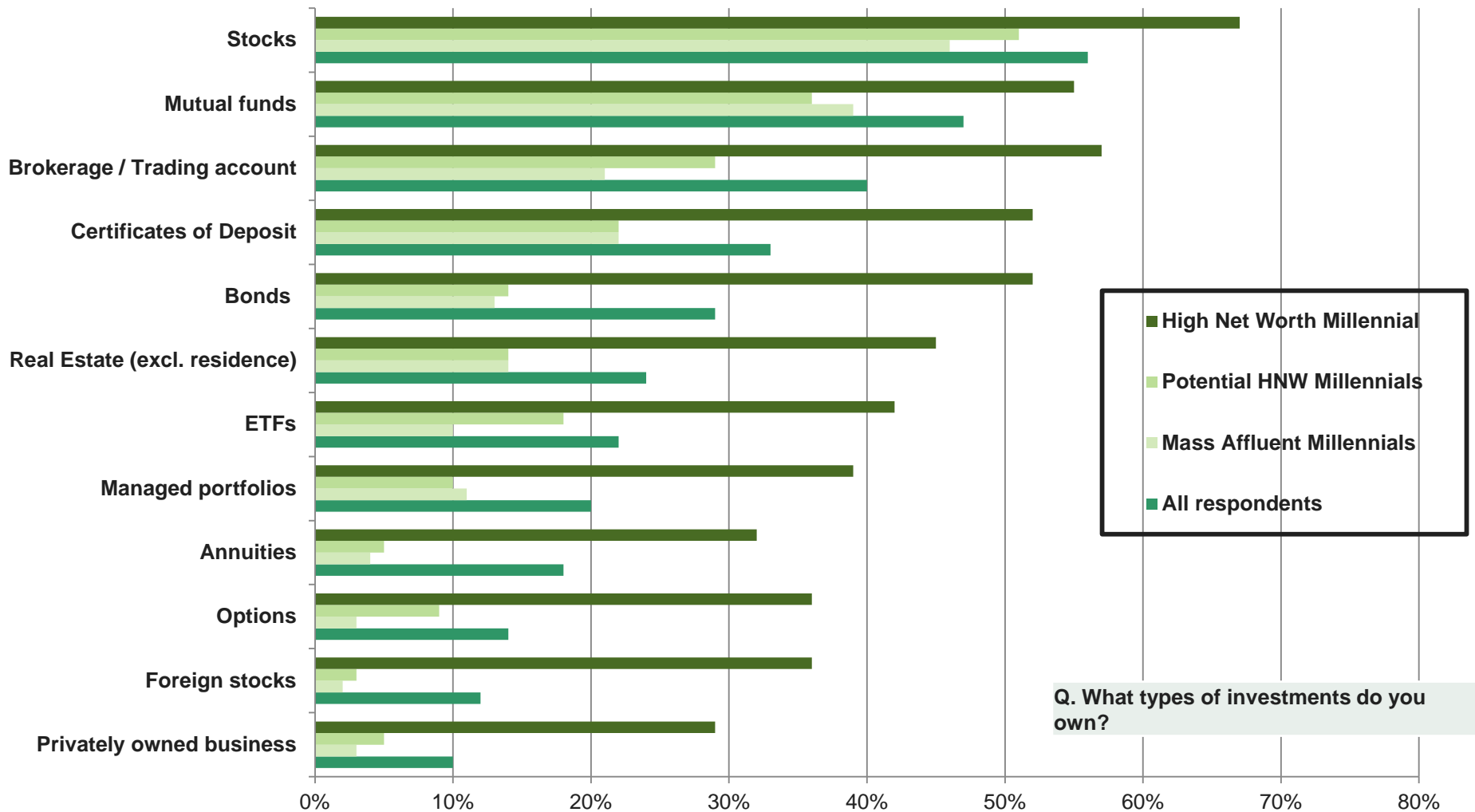
\* The Millennial generation is typically defined as those Americans born between 1980 and 1992. This survey included investors born as early as 1975.



# Getting to know the Millennials

# They have broad investment interests

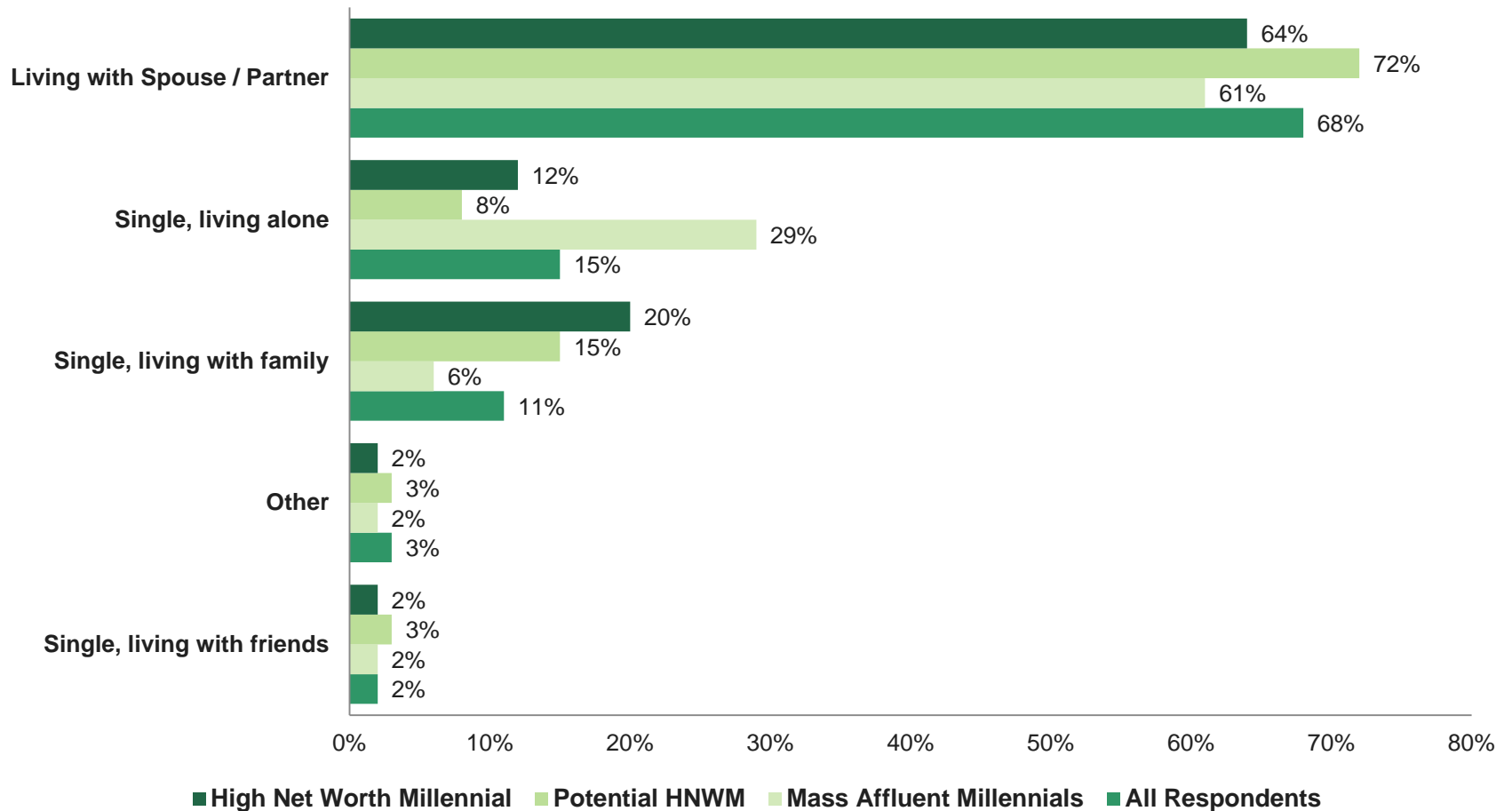
Millennials invest in a wide variety of assets. Wealthy millennials are also more likely to have managed accounts, options, foreign stocks and privately owned businesses



Q. What types of investments do you own?

# They've settled down

The vast majority of Millennials are out of their parents' house and living with a spouse or domestic partner

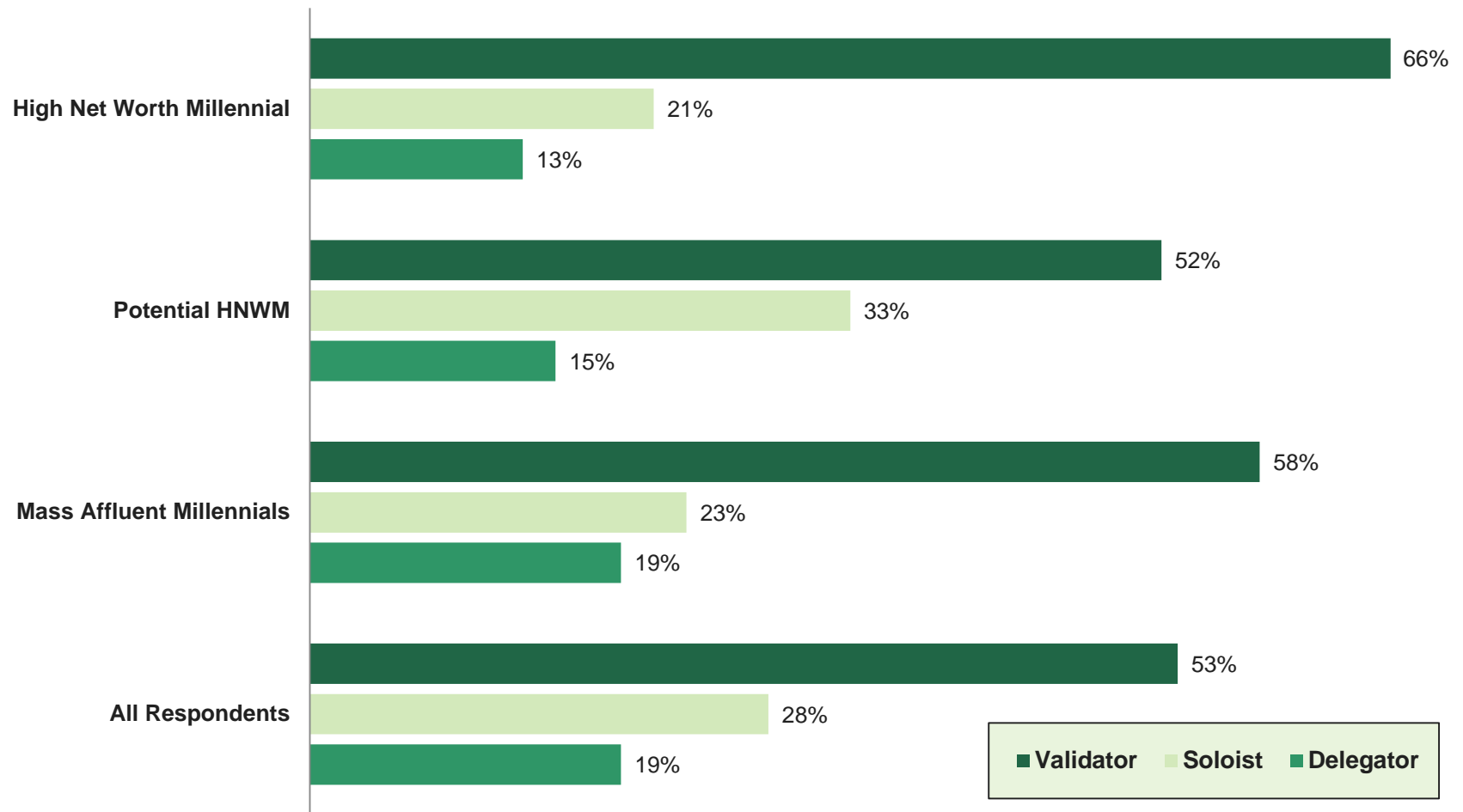


Q. What is your living situation?

\* Numbers may not add up to 100% due to rounding

# Trust, but verify

Millennials are predominantly “validators”: They may want an advisor to help manage their finances, but they expect to play a significant role making decisions



Q. Investor type based on questions about how respondents gather data and make investment decisions

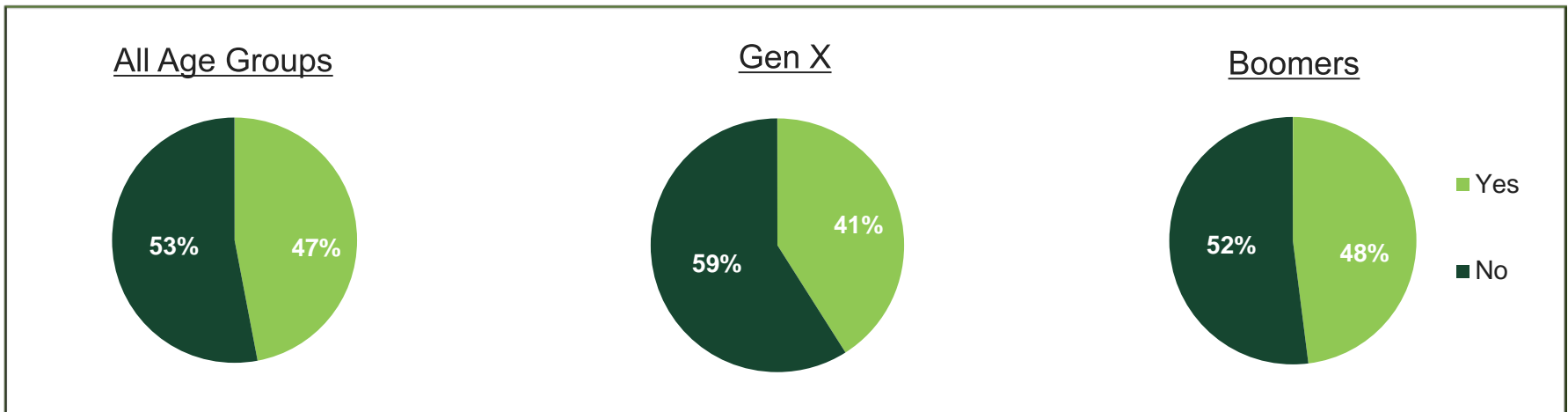
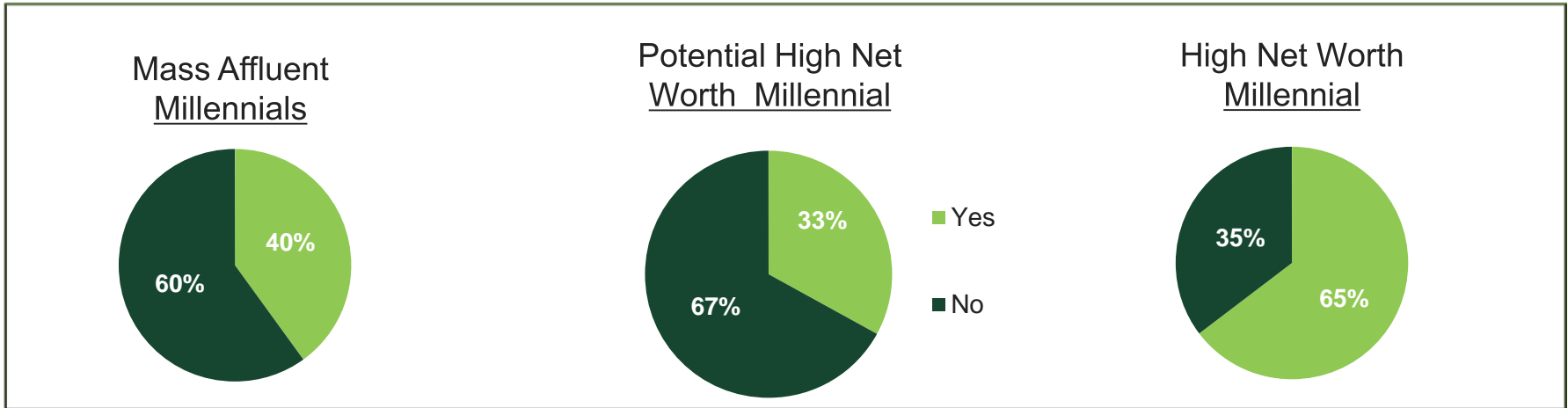


# Views on Investment Advisors



# Who Works with an Advisor and Who Doesn't?

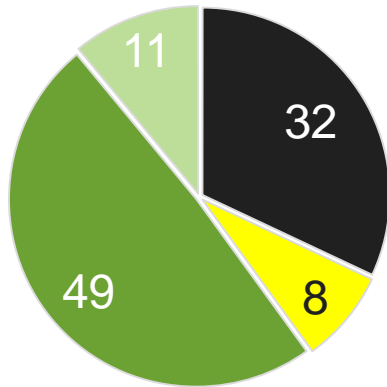
High Net Worth Millennials by a wide margin use an advisor, more than other generations. Potential High Net Worth Millennials represent an untapped market for advisors.



Q19 Do you use a professional financial advisor?

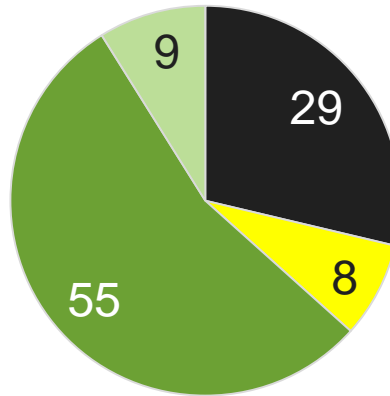
# Stay or Switch? Millennials & The Family Advisor

**Mass Affluent Millennial**



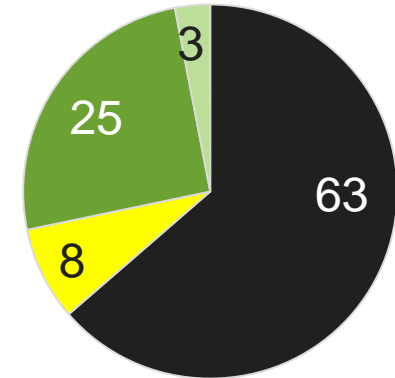
**More likely to seek a different advisor**

**Potential HNWM**



**More likely to choose their own advisor**

**High Net Worth**



**Tend to use their family's advisor and have no plans on changing**

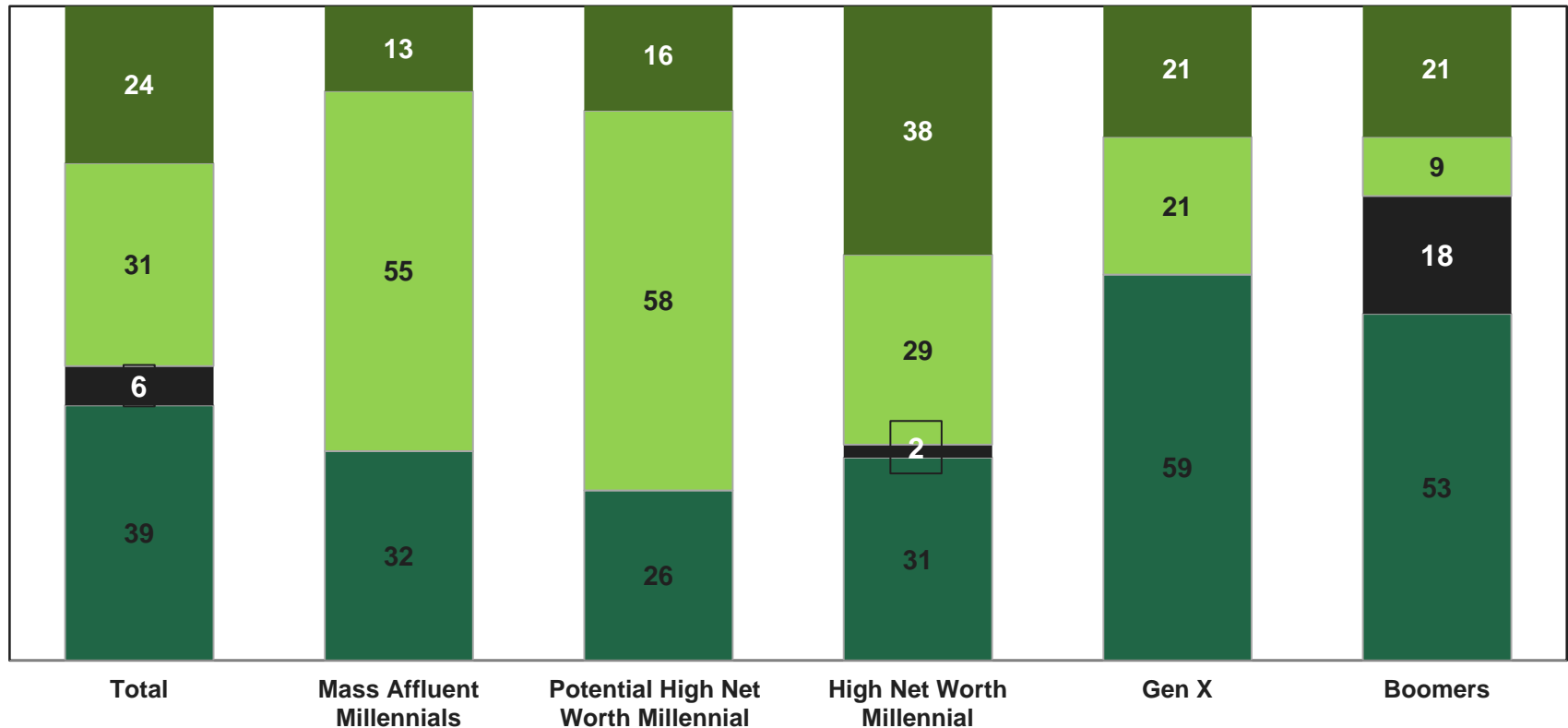
- Using the same financial advisor my family has always used and will stick with that advisor
- Using the same financial advisors that my family has always used and I plan on switching
- Using a different financial advisor than my family used
- None of these

Q25. Which of the following best applies to you?

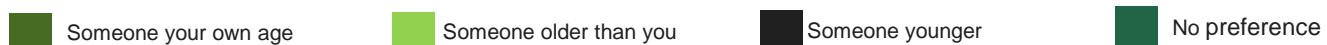
**\* Numbers may not equal 100% due to rounding**

# Should An Advisor Be Older, Younger or a Peer?

Potentials and Mass Affluents prefer advisors who are older. More High Net Worth Millennials want to work with someone their own age.

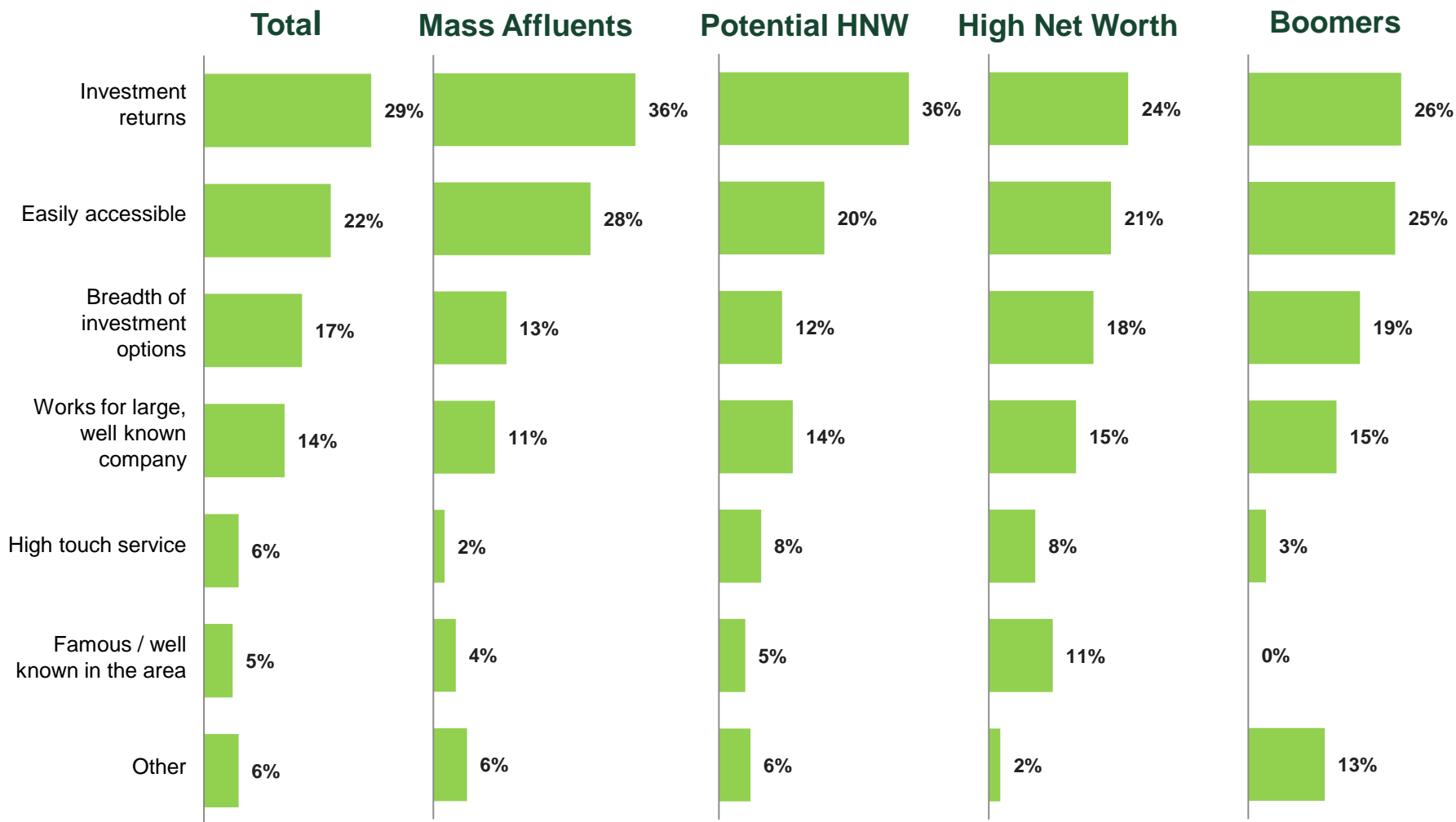


Q29 When it comes to the age of your advisor, would you prefer ...?



# What Millennials Value From their Advisors

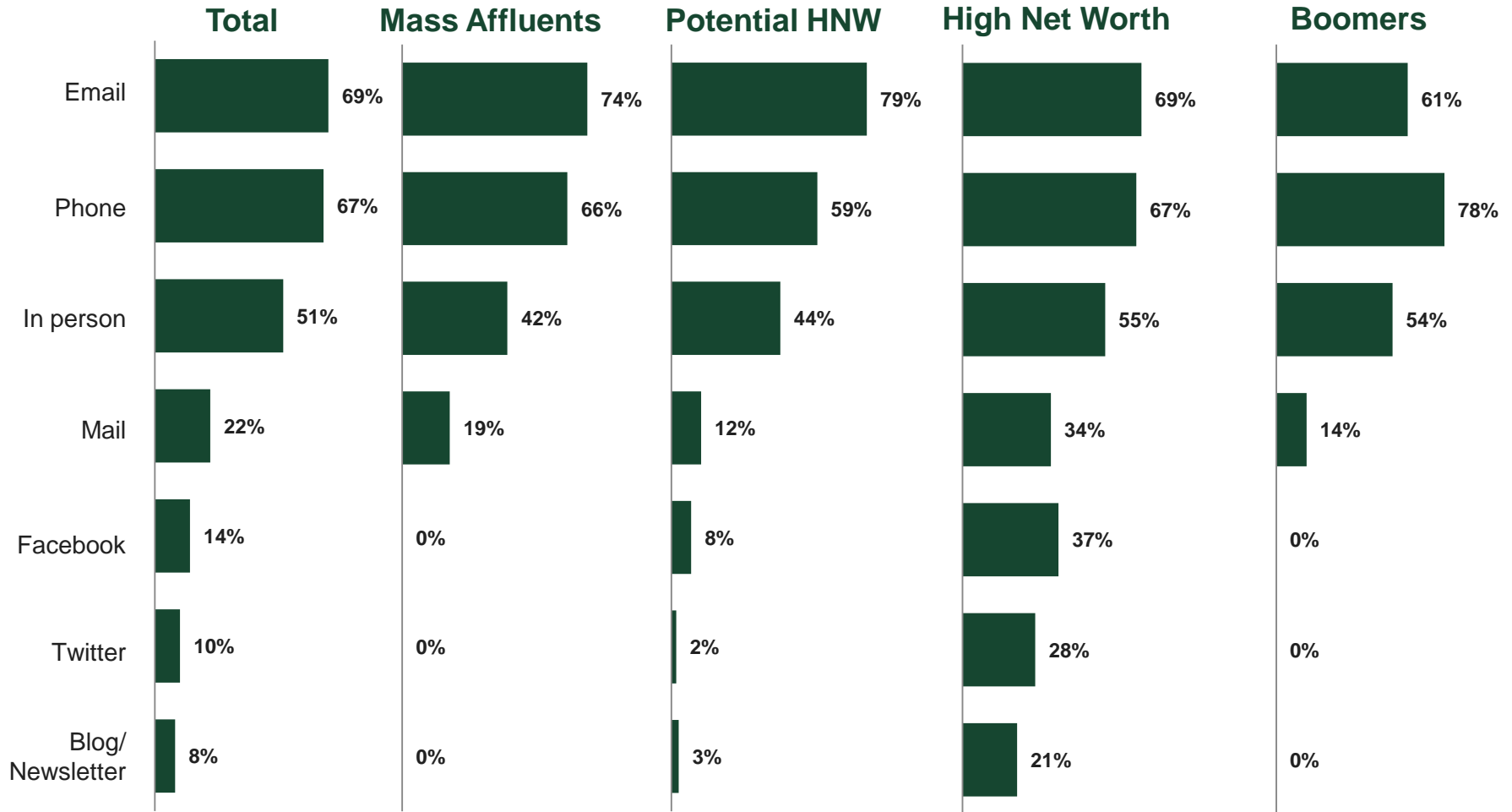
High Net Worth Millennials judge their advisor's value across many factors, including breadth of investment options. Mass Affluents want strong returns and access. Boomers want strong returns and access.



Q28 What is the most important factor when choosing a financial advisor? (Choose more than one answer)

# Communication Preferences

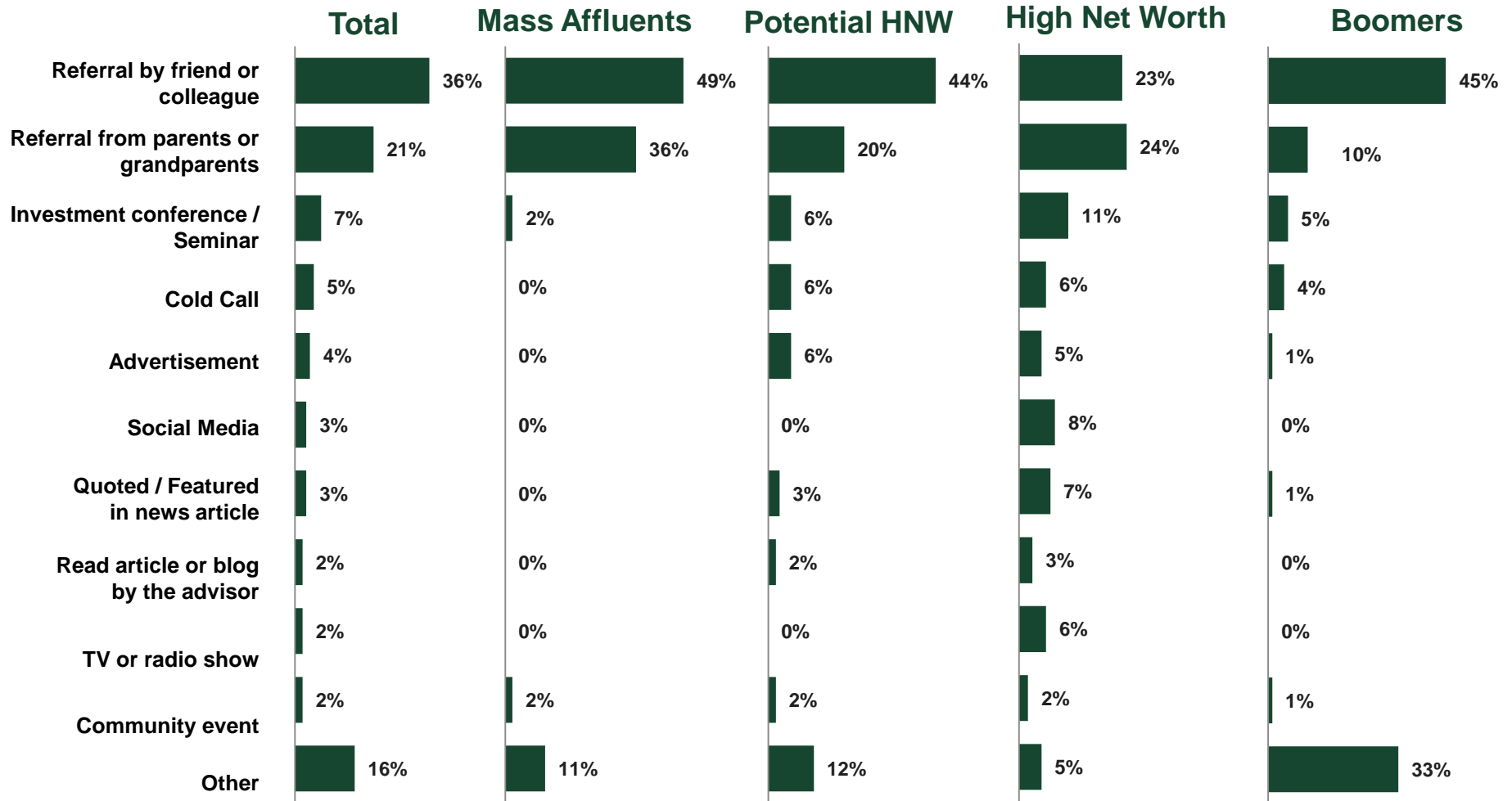
High Net Worth Millennials favor a range of methods for communicating with their advisor. Potentials and Mass Affluents prefer e-mail or telephone.



Q26 What are the best ways for your financial advisor to communicate with you?

# Preferred First Contact with an Advisor

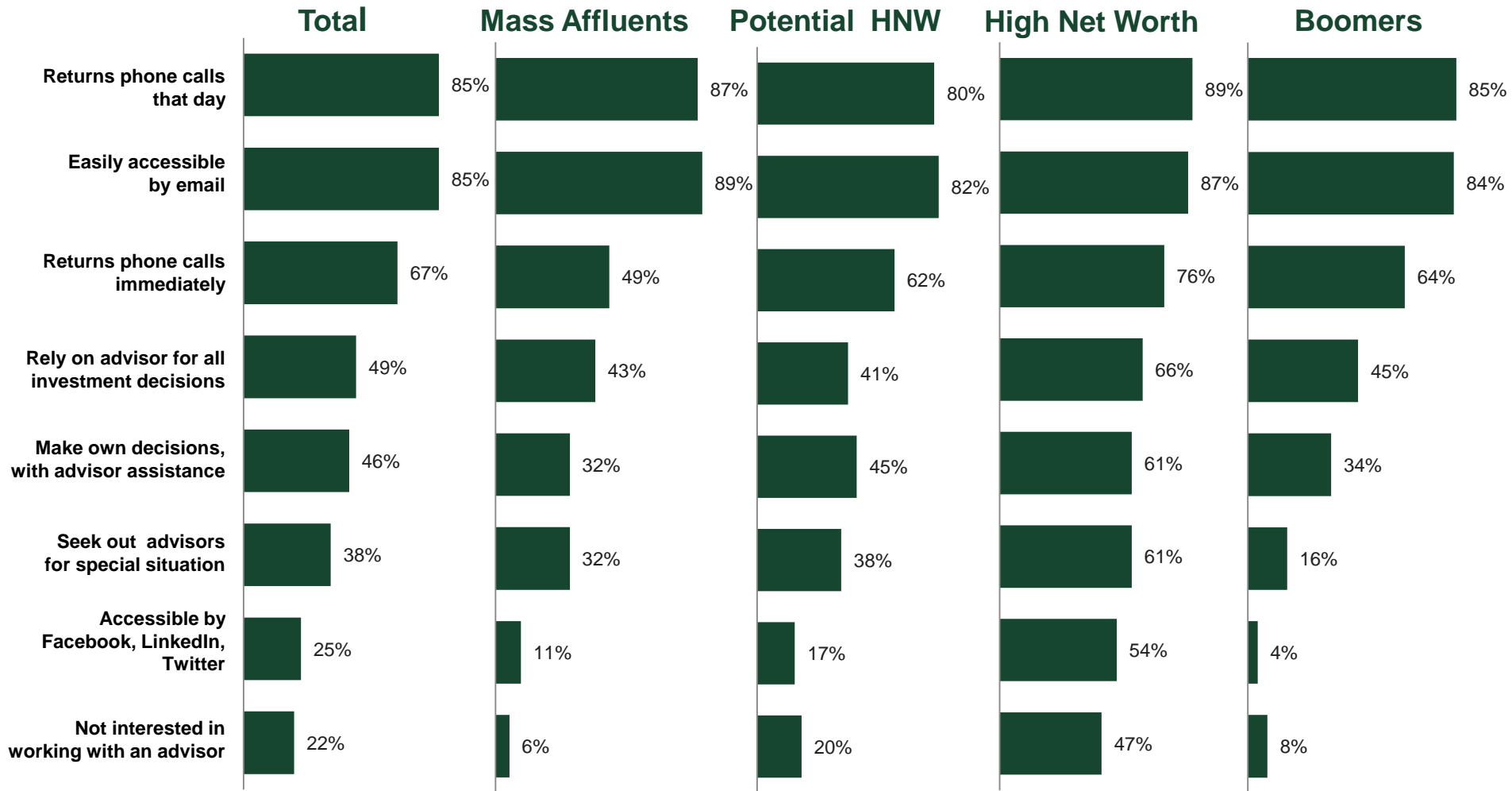
Potential high net worth Millennials prefer to be connected with an advisor through referrals. **Wealthy Millennials** will make first contact through a variety of methods.



Q27 How did you first learn about the financial advisor that you are currently using?

# What Millennials Expect From their Advisors

Mass Affluent and Potential HNW Millennials want advisors to be accessible and return calls quickly. High Net Worth Millennials seek more access and across more channels.



Q29b To what extent do you agree or disagree with the following...?

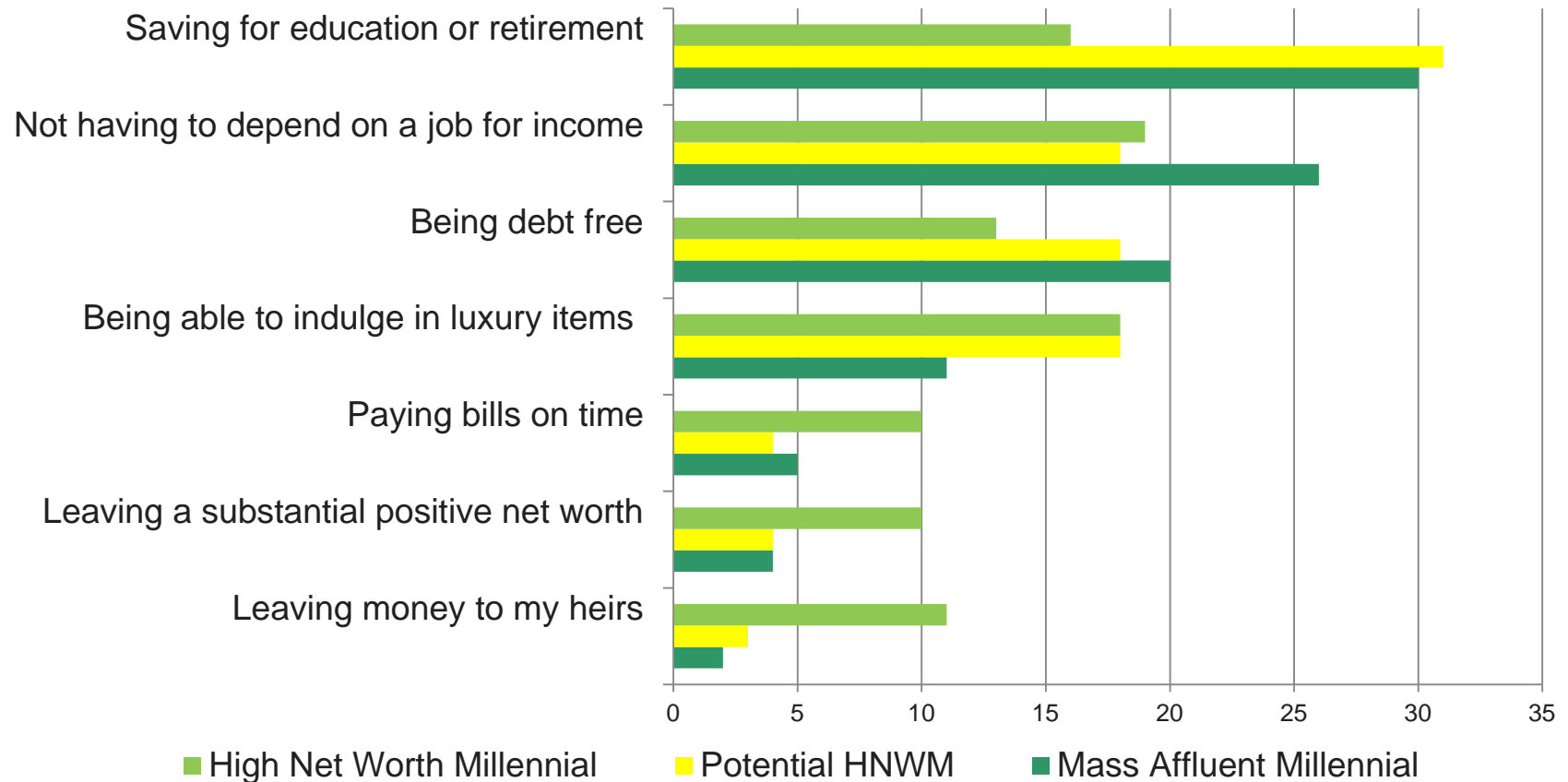


# Financial Goals



# The Definition of Financial Success

High Net Worth Millennials define financial success as leaving money to heirs and overall net worth. Other Millennials are focused on a comfortable retirement

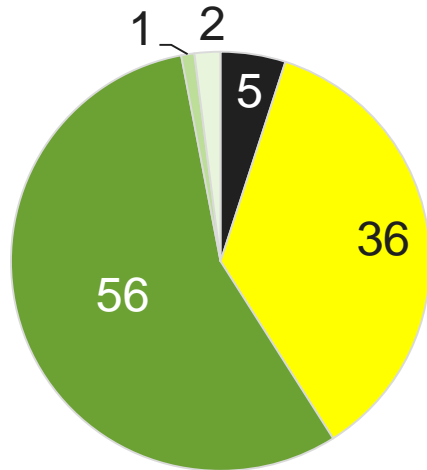


Q2. Which one of the following statements is closest to your definition of financial success?

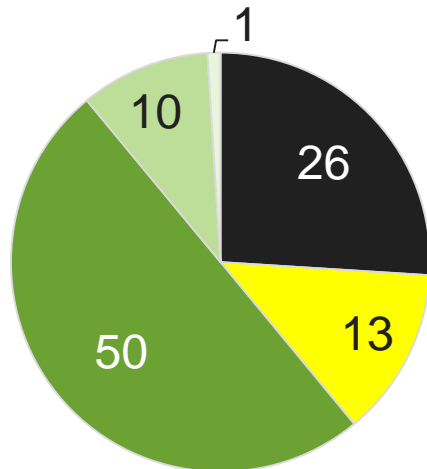
# Outlook for Achieving Financial Success

*Not-yet-wealthy Millennials are more optimistic than their Already-Wealthy peers*

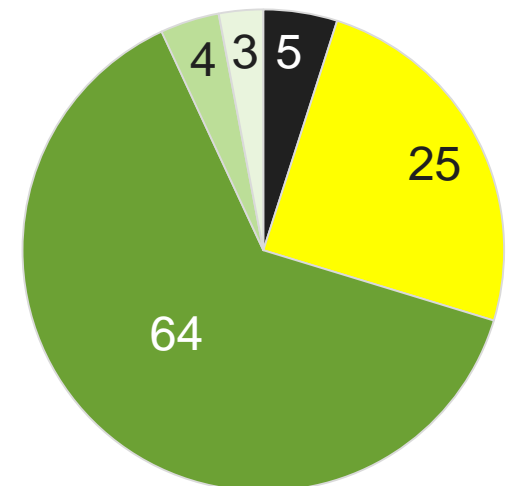
## Mass Affluent Millennial



## High Net Worth Millennial



## Potential High Net Worth Millennial

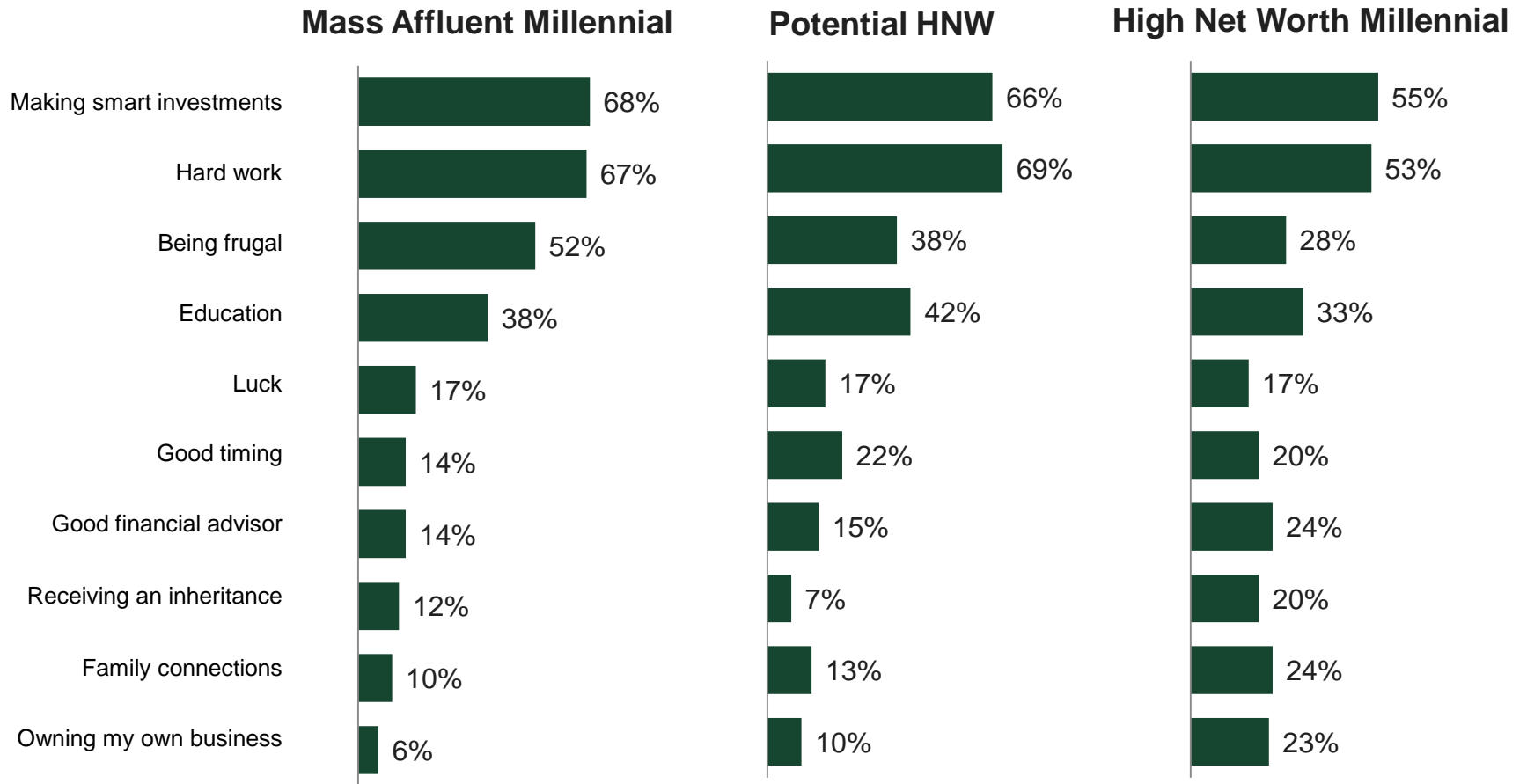


- I am far behind where I want to be and unlikely to achieve financial success
- I am working at becoming financially successful but may not succeed
- I am on my way to reaching financial success
- I am already there
- Don't know/ not sure

Q20. Which of the following best describes where you are on the path to your financial success?

# Biggest Factors Contributing to Wealth

All Millennials cite smart investments and hard work as keys to acquiring wealth. Mass Affluents and Potentials also see being frugal as top factors, while High Net Worth Millennials cite family connections and owning a business



Q30. What are the 3 biggest contributing factors to achieving wealth?

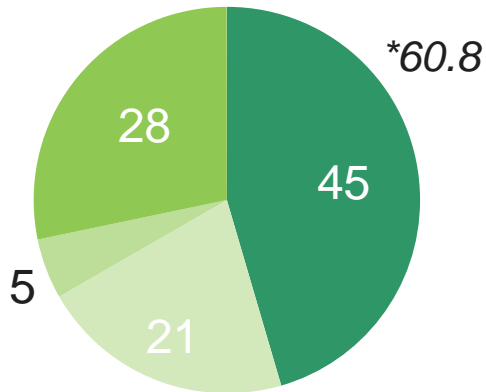


# Retirement Views

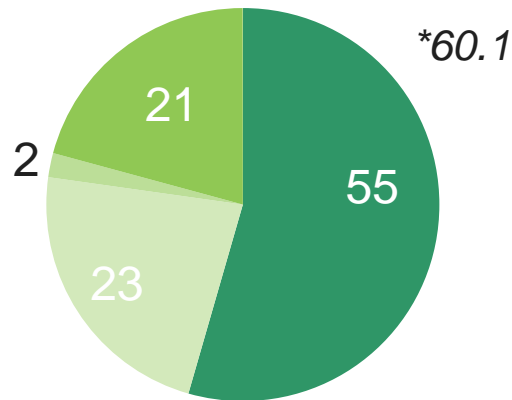
# Retirement outlook varies with current wealth

Projected Wealth Needed for a Comfortable Retirement (on average)	
Mass Affluent Millennial	\$2.92 million
Potential HNW Millennial	\$4.97 million
High Net Worth Millennial	\$4.58 million

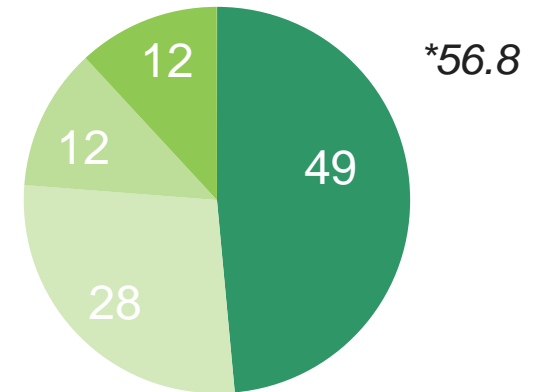
**Mass Affluent Millennial**



**Potential HNWM**



**High Net Worth Millennial**



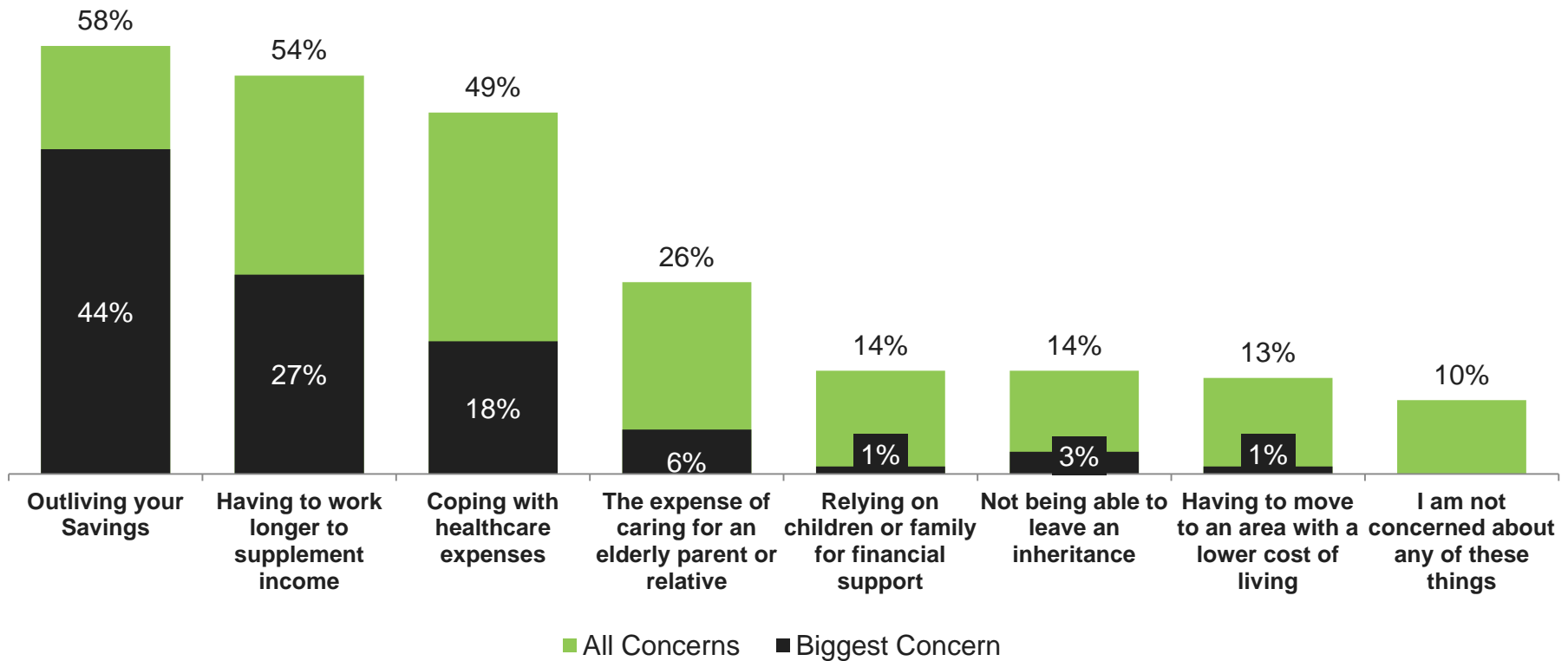
\*Mean Planned Retirement Age

- I plan on fully retiring when I'm...
- Do not want to retire, do not have need to
- Want to retire, have needs that prevent me from doing so
- Unsure

Q12. At what age do you plan to fully retire?

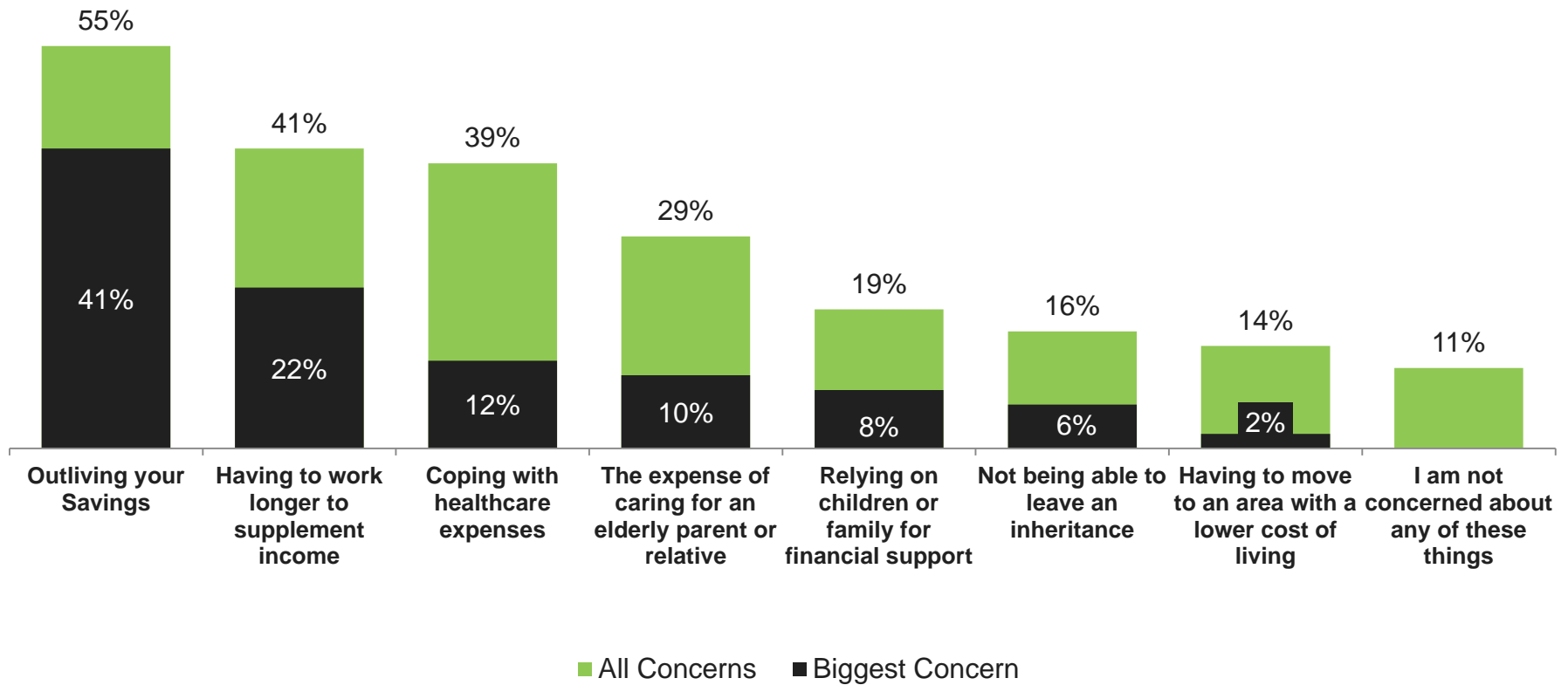
# Retirement Concerns - Mass Affluent Millennials

While the biggest concern for Mass Affluent Millennials is outliving their savings, there is also apprehension about having to work longer to supplement income and health care expenses.



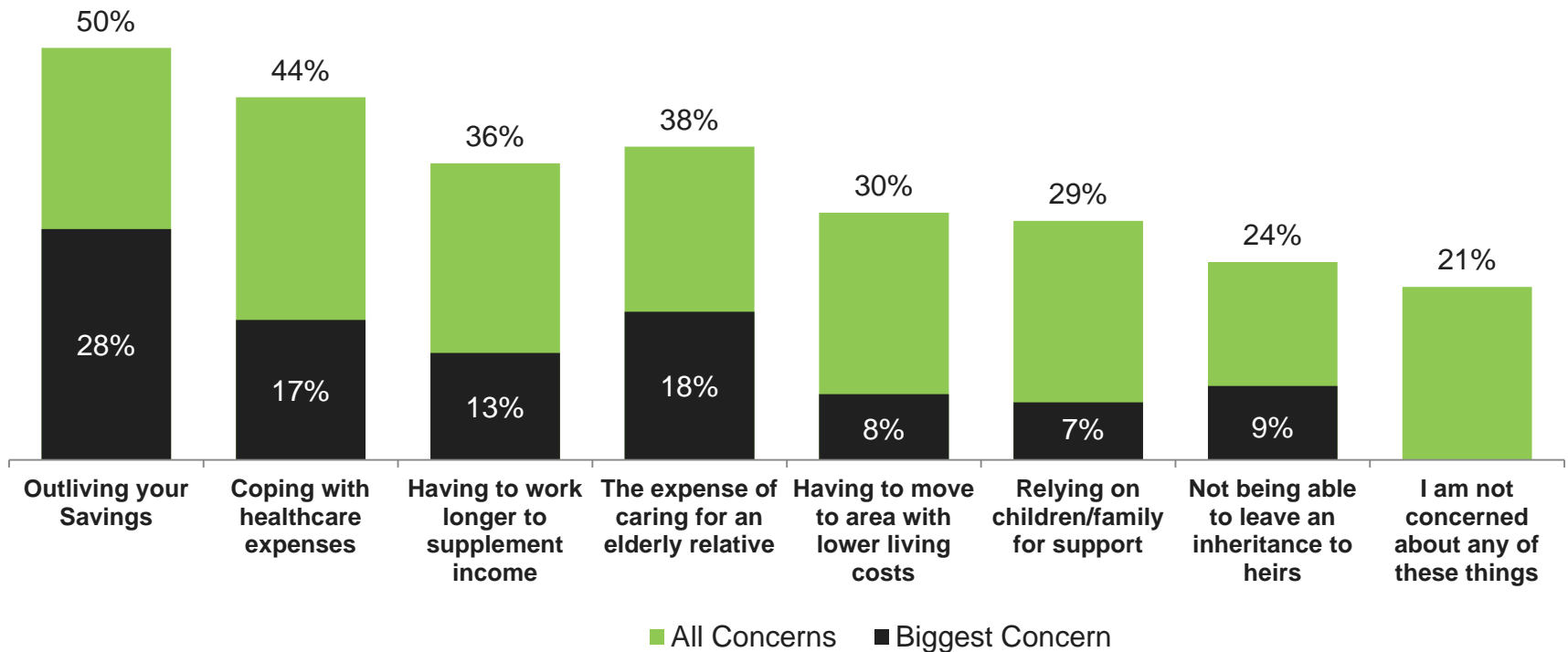
# Retirement Concerns of Potential HNW Millennials

Potentials mention outliving their savings as their top tier concern overall, while other issues are secondary.



# Retirement Concerns - High Net Worth Millennials

High Net Worth Millennials have lower levels of retirement concerns, overall, but “*caring for an elderly parent*” is rated higher than among other millennials.





# Financial Goals

Reducing personal debt is a major concern among Mass Affluent and Potential High Net Worth Millennials, but not so for High Net Worth Millennials. Saving for retirement is the only top concern ranked high by all three groups.

## Mass Affluent Millennial

1	Generating enough income from my investments to live comfortably during retirement	25%
2	Saving for retirement	21%
3	Managing income and expenses to live within my means	18%
3	Reducing personal debt	18%

## Potential High Net Worth

1	Saving for retirement	21%
2	Generating enough income from my investments to live comfortably during retirement	16%
3	Reducing personal debt	14%

## High Net Worth Millennial

1	Managing income and expenses to live within my means	17%
2	Saving for retirement	15%
3	Developing a financial plan or budget	12%

Q2. Please rank the top three financial goals that are most important to you at this stage in your life?



# Appendix

# Profile: Mass Affluent Millennials

## Top Factors For Attaining Wealth

Making smart investments	25%
Hard work	25%
Education	17%
Being frugal	14%
Receiving an inheritance	8%

Gather information about financial decisions on social media (LinkedIn, Twitter, etc.)

Gather information about financial decisions on a financial app

36% were referred to their advisor by their parents or grandparents

*More likely to receive financial advice from family and friends than any other group*

## Top 3 Concerns

Outliving your savings	58%
Having to work longer to supplement income	54%
Coping with healthcare expenses	49%

50% were 10 years or younger when they had their first discussion with their parents about saving money

14% of Mass Affluent Millennials are expecting to receive an inheritance of \$100,000 or more

## Interesting Demographics

Single	35%
Post-Graduate Degree	49%
Caucasian	79%
Female	73%
Trading done with a broker	29%

# Profile: Potential High Net Worth Millennials

## Top Factors for Attaining Wealth

<b>Hard work</b>	28%
<b>Making smart investments</b>	25%
<b>Education</b>	15%
<b>Being frugal</b>	12%
<b>Good timing</b>	6%

Gather information about financial decisions on social media (LinkedIn, Twitter, etc.)

## Information via Technology

Gather information about financial decisions on a financial app

44% were referred to their advisor by friends or colleagues



## Top Concerns

<b>Outliving your savings</b>	55%
<b>Having to work longer to supplement income</b>	41%
<b>Coping with healthcare expenses</b>	39%

26% were between 11 and 15 when they had their first discussion with their parents about saving money

19% of Potential HNWMs are expecting to receive an inheritance of \$100,000 or more

## Interesting Demographics

<b>Single</b>	24%
<b>Post-Graduate Degree</b>	46%
<b>Asian</b>	16%
<b>Female</b>	62%
<b>Trading done with a broker</b>	22%

# Profile: High Net Worth Millennials

## Top Factors For Attaining Wealth

Hard work	21%
Making smart investments	19%
Education	14%
Being frugal	10%
Family connections provide opportunity I wouldn't have otherwise	8%

Gather information about financial decisions on social media (LinkedIn, Twitter, etc.)

## Seek Information via Technology

Gather information about financial decisions on a financial app

10% met their advisor at a conference or seminar

*Significantly higher chance they will read full company financial statements than their cohorts*

## Top Concerns

Outliving your savings	50%
Coping with healthcare expenses	44%
The expense of caring for an elderly parent or relative	38%

17% were 16 years or older when they had their first discussion with their parents about saving money

39% of HNWMs are expecting to receive an inheritance of \$100,000 or more

## Interesting Demographics

Single	27%
Post-Graduate Degree	52%
Hispanic	11%
Male	53%
Trading done with a broker	34%

# About the Survey

Results of the *Millionaires in the Making Study* are based on a survey conducted by The Pert Group on behalf of TD Ameritrade, Inc. Five hundred thirty-six investors between the ages of 18 and 39 (“Millennials”) participated in a telephone survey from January 15 – February 28, 2014, where they were asked to share their views on attitudinal, behavioral and usage patterns of brands in the financial services industry. An additional 273 investors aged 40 years and older were surveyed for comparative purposes.

Baby Boomers are those born from 1945 to 1964, while “Generation X” is defined as those Americans born from 1965 to 1979.

The margin of error in this survey is  $\pm 5\%$ . This means that in just over one case out of 20, survey results based on the 809 total respondents will differ by no more than 5 percentage points in either direction from what would be obtained by seeking the opinions of all investors within an age group.

The Pert Group and TD Ameritrade, Inc. are separate, unaffiliated companies and are not responsible for each other's products and services.

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