CROSS-GENERATIONAL FINANCIAL PLANNING

Connecting with your Millennial Children

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OVERVIEW:

Millennials are poised to inherit approximately $30 trillion from their Baby Boomer parents over the next 40 years.[1] The result will be the single largest intergenerational wealth transfer in human history. Many older clients, however, are beginning to voice growing concerns over the financial preparedness of their Millennial children, fearing they may lack the wherewithal to deal responsibly with a sudden influx of wealth.

According to Dan Kindlon, Ph.D. and professor of child psychology at Harvard University, it's an anxiety that's understandable. He notes that today's privileged teens often have significant obstacles to overcome, not the least of which is looking beyond their own immediate needs. Kindlon not only points to a popular culture that celebrates the self-indulgent behavior of fame-hungry reality TV stars, but also the continued shrinking of the average American family unit as key challenges. ***"It was kind of hard to think that the world revolved around you when you had eight brothers and sisters,"*** he says in comparing current to past generations.[2] Not surprisingly, with fewer siblings and often sizeable age gaps between them, the Millennial generation turned to technology rather than the family unit as their primary method of socialization.

This is, after all, a generation raised on Facebook and Twitter – one accustomed to instantaneous acknowledgement of even their slightest achievements. So as many wealthy Baby Boomers transition into retirement, they're beginning to ask some tough questions about the overall wealth preparedness of their heirs, and turning to financial advisors to help impart strong financial values to Millennials.

THE MILLENNIAL MISPERCEPTION:

As is often the case, there's a great disparity between perception and reality, brought into sharp contrast by a recent research study conducted by Wells Fargo. The 2016 survey explored savings and investing attitudes and behaviors among a representative sampling of 22-35 year-old Millennials.[3]

As Millennials progress through the early years of their careers, 55% say they are in a strong financial position and 44% say they are not. Debt plays a major role, with 32% of Millennials citing paying down consumer debt as a top financial priority and approximately one-third reporting they have student debt.[3]

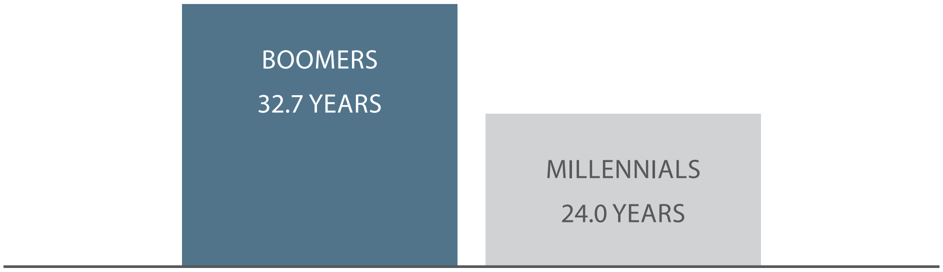
According to the study, Millennials are realistic, although somewhat wary, when it comes to saving and investing for retirement. Approximately two-thirds believe retirees should be responsible for their own financial support in retirement and nearly three quarters doubt that Social Security will be available when they are ready to retire. Accordingly, Millennials who have started to save believe that retirement saving should start at age 23 on average.

THE AMERICAN GENERATIONS

While researchers vary somewhat on precise date ranges, the following are commonly accepted key generational groupings that represent similar characteristics, attitudes and personality traits:

GROUPING	BORN
Traditionalists	pre–1945
Baby Boomers	1946–1964
Generation X	1965–1980
Millennials	1980–2000

Despite the challenges, Millennials are getting the message to start saving for retirement. Average age of initial contribution to workplace retirement account for:



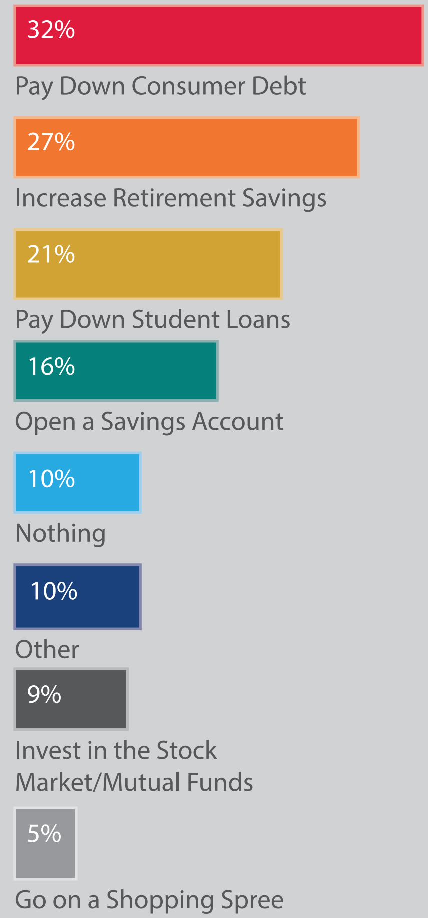
However, while Millennials say they understand the need for financial planning, many are not doing anything about it. Only 45% have a "routine" for reviewing their finances and just over half say they have a budget. Two additional findings offer insight into where Millennials' current attitudes about saving and investing may be at odds with their long-term goals:

- 52% of Millennials are wary of investing, saying they fear they will "lose their retirement savings in the market" due to volatility.
- At the same time, the average age Millennials say they would like to retire is 59.

Simply put, the common perception of Millennials is deeply flawed. While they are indeed a technology-driven generation of information sharers, they are far from the self-absorbed narcissists many believe them to be. Millennials are actually very much values-based investors with a heightened social awareness – exceedingly cause-driven and deeply charitable. Keep in mind, these young adults have come of age during the greatest economic crisis since the Great Depression. They've seen the devastation wrought by the negligence and excess of Enron, Worldcom and countless other firms and individuals. And as a result, they've become some of the loudest voices, calling on businesses to play a more active and responsible role in society. A recent Deloitte study of 8,000 Millennials across 30 countries, including the U.S., found that 76% of Millennials regard business as a force for positive social impact.[4]

Other studies have also shown that because of their deeply-rooted comfort with social networking, Millennials tend to be far less private than their parents' generation. They're considerably more open to discussing personal matters like finances and investments, but not in a structured, formal setting. Millennials generally prefer casual communication. They're scanners of information rather than readers, and as such, tend to prefer a steady stream of digestible nuggets. Unlike their parents, they're far more likely to absorb information through social media and online outlets rather than mainstream newspapers, radio and/or television.

FINANCIAL PRIORITIES
IF GIVEN A 10% RAISE:



Source: 2016 Wells Fargo Millennial Study

41% of Millennials would like to receive more retirement planning advice and 89% either want help from a professional in managing their retirement assets (58%) or prefer to let a professional manage their retirement savings (31%).

Source: Corporate Insight 2016 DC Plan Participant Survey

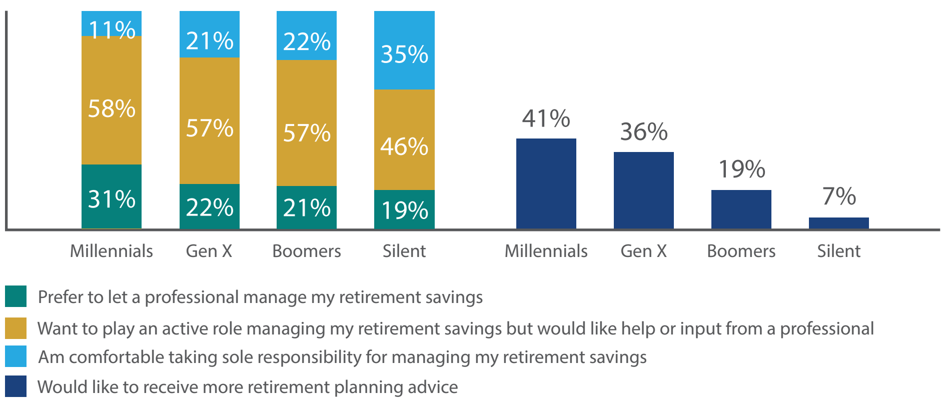
BRIDGING THE FINANCIAL COMMUNICATION GAP

As Wealth Advisors, we're deeply aware of the vital role we can play in helping to bridge the financial communication gap between our Boomer clients and their Millennial children. It's imperative we educate the next generation about the challenges that come with managing wealth, by utilizing the media they're most familiar and comfortable with:

- Facebook, Twitter and LinkedIn engagement
- Timely and topical blogs
- A host of financial awareness and market outlook videos
- Weekly online market commentary
- Monthly electronic newsletters

YOUNGER RETIREMENT PLAN PARTICIPANTS
WANT RETIREMENT PLANNING HELP

When you think about help planning for your retirement, which of the following best describes you?



Source: Corporate Insight 2016 DC Plan Participant Survey

By establishing a relationship with your future inheritors today, we're able to better prepare them for a tomorrow that will pose far different wealth challenges than either their parents or grandparents faced.

FAMILY PHILANTHROPY – THE GREAT UNITER

Members of the "Greatest Generation" often worked for the same company their entire life. For Boomers, that all changed. As pension plans gave way to self-funded 401(k)s, a more mobile and flexible global workforce paved the way for significantly increased job mobility. And Millennials are likely to experience even more tumult. Theirs will be a non-traditional work life with even more frequent job switching as telecommuting removes the last physical barriers.

But the biggest work-related generational change is that the vast majority of Millennials do not live to work – they work to live. They possess a burning desire for ***"meaning"*** in both their careers and in their personal lives. It's the reason why we encourage many of our clients to explore family philanthropy as a tremendous way to engage multiple generations in working cooperatively to help promote the true wealth of their shared values.

WHERE DO MILLENNIALS TURN FOR NEWS AND INFORMATION?

Older generations tend to set aside time to consume news, reading the local morning paper or watching the evening news. However, 60% of Millennials get their news from one or more of the following social media sites:

INSTAGRAM **58%**

TWITTER **38%**

YOUTUBE **38%**

FACEBOOK **31%**

LINKEDIN **20%**

Source: PEW Research Center, June 2016

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Some clients choose to establish a Family Foundation for a more structured approach to philanthropy, while others opt for the simplicity of using a donor-advised fund to manage their charitable gifts. And for a truly shared experience, some even actively participate as a family through volunteering.

Whatever your preferred approach, philanthropy doesn't have to be complex or require extensive financial knowledge. Conducted in a family setting, it can help set teen children on a path to values-based financial independence, and bring adult children together to strengthen family bonds. Generosity is a learned behavior. It doesn't happen on a whim. It does, however, require desire, commitment, a well thought-out strategy and trusted advice. Keep in mind, though, that in order to be truly ***effective,*** philanthropy requires an ongoing commitment over an extended period of time.

ENGAGE ADULT CHILDREN IN YOUR ESTATE PLANNING

Even with your greatest fears allayed, you still want to ask yourself: *Am I doing everything I can to ensure that my future inheritors will be prepared for the challenges that come with managing wealth?* Most parents seek to strike the perfect balance – making sure they leave their children enough so that they can pursue opportunities without financial worry, but not so much that they can simply avoid working for a living.

"Am I doing everything I can to ensure that my future inheritors will be prepared for the challenges that come with managing wealth?"

While you may be reluctant for your adult children to know the intimate details of your finances, remember that your estate plan will ultimately have a direct and likely profound impact on their plans. In order to avoid surprises and ensure any assets that will eventually be inherited are properly accounted for and integrated into your children's wealth plan, they need to become aware of your plans for their inheritance.

Knowing that certain assets are guaranteed to transition at some future point can help Millennial heirs make important life decisions regarding the here and now (e.g., the ability of one parent to stay at home and raise children, knowing that they can temporarily get by on a single income without worrying about how it will impact their retirement savings).

Regardless of ***how*** prepared you think your children are to inherit significant wealth, through the active use of various trust vehicles and the development of a structured game plan for wealth transfer, you can precisely control the when and how of asset distribution over a long period of time. Using third-party trustees with your children serving solely as beneficiaries can help to avoid conflict. And we'll work with your children to explain the specifics of your plan and how they will benefit during their life.

ALLEVIATE THE PRESSING CONCERNS OF DEBT

Approximately one-third of Millennials carry student loan debt, with a median balance of $20,000. Three-quarters of Millennials with student loan debt say their student loan is "unmanageable" and 71% say it is holding them back from saving as much as they would like[3] As previously discussed, it's a burden heavily weighing on their minds and is causing many Millennials to consider delaying major life events including marriage, buying a home and starting a family. We often find that by simply opening up a dialogue around this one issue, we're able to alleviate a host of pressing concerns about money, investing and finances.

Let us advise you on how to help your Millennial heirs in solving these and other important financial and life issues (including structuring student loan payoffs, borrowing for a first home purchase, auto leasing vs. buying considerations, and day-to-day cash flow management). The impact and guidance can truly be invaluable both today and for years to come.

ONE-THIRD OF MILLENNIALS HAVE AN AVERAGE OF $20,000 IN STUDENT LOAN DEBT

Source: 2016 Wells Fargo Millennial Study

SUMMARY/CONCLUSION

Despite numerous fears and concerns about the fiscal wherewithal of their Millennial children, research shows most of these common Baby Boomer worries to be deeply unfounded. There's no doubt that as the first Internet generation, Millennials have a unique approach to knowledge and information-gathering. But at their core, they share many of the same values as previous generations. In fact, often unbeknownst to their Boomer parents, Millennials tend to be extremely socially-conscious; driven as much, if not more, by a desire to ***do good*** as to ***do well.***

Many people leave their financial advisor confused about what's happening with their money.

Our advisors are just as good at explaining investments as they are at making them. Our clients fully understand what's happening with their money at every stage of their financial journey.

How we make the complex simple:

- Straightforward Fees
- Effective Game Plan
- Advice in Common Language

Our goal is to make your life easier. We exist to serve as your guide for life's big tradeoff decisions and by working with us, we want you to be confident you made the right decisions.

Wealth Designed.
Life Defined.®

[1] *CNBC.com, "Preparing for the $30 trillion great wealth transfer," November 2016.*
[2] *Dan Kindlon "Too Much of a Good Thing: Raising Children of Character in an Indulgent Age" 2003*
[3] *2016 Wells Fargo Millennial Study*
[4] *The 2017 Deloitte Millennial Survey*

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