

# The millennial mindset

Insights into the next generation's needs, wants, preferences, and their relationship with money management



## WEALTH INSIGHTS

Analysis and insights into the trends, forces and factors shaping the world and your wealth



Wealth  
Management

# How the next generation is forging ahead

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## A generation comes of age

Born between 1981 and 1996, and with the oldest now over age 40, millennials have surpassed baby boomers as the nation's largest living generation, according to Pew Research. This generation is moving into its prime investing years and is poised to reshape the economy. High-net-worth (HNW) millennials and HENRYs (High Earners, Not Yet Rich) are leading this change, representing the next big wave of wealth as they advance in their careers, buy first homes, start families and tackle the basics of managing their finances.

## About our survey

RBC Wealth Management–U.S. surveyed 1,000 Millennials, including 750 High-Net-Worth (HW) millennials<sup>1</sup> and 250 HENRY (High Earners, Not Rich Yet) millennials<sup>2</sup> to understand their pain points with managing their wealth and to gain a perspective into their needs, wants, preferences, and their relationship with money management.

# Defying generational stereotypes

“**Stereotypical**” millennials, at times thought to be indulgent and unprepared financially for the future, have in recent years outgrown that reputation and grown into their wealth. Today millennials are financially established and focused on their long-term security. They seek to align their investments with their values and seek guidance from a trusted financial advisor.

According to a survey conducted by RBC Wealth Management–U.S., high-earning and high-net-worth (HNW) millennials are in fact very concerned about their long-term financial security, contrary to those popular stereotypes. However, these millennials don’t feel that they have the knowledge, time or confidence to manage the complexity of their growing wealth.

Like many millennials, you may have been quietly advancing your career and building wealth while also starting a family and tackling the financial basics—and now have reached a point where you can’t do it by yourself any more.

## Our survey found HNW millennials share four common experiences when thinking about their relationship with money management:

1. **They are pragmatic and preoccupied with their financial security**
2. **They believe their lack of knowledge and lack of time to manage their finances are obstacles to achieving their financial goals**
3. **They are afraid of making financial missteps and feel the need for personalized (not robotic) advice**
4. **They seek to align their investments with their values, such as environmental, social and governance (ESG) principles**

Sound familiar? On the next four pages, we share our survey findings around these four common experiences with the goal that you might recognize some of the same pain points, and then get ready to face these responsibilities and ambitions—moving you toward building a wealth plan that will help you get a clear picture of where you are at today, and prepare for upcoming life goals.



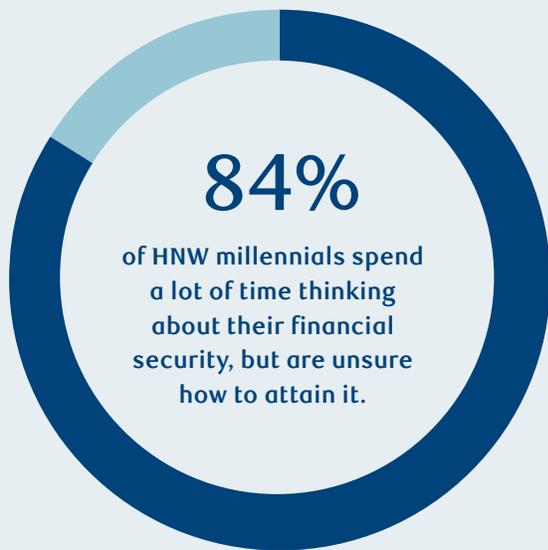
### A wealth plan creates a clear path to your financial future

It’s important for millennials to build a goals-based wealth plan that can provide a clear picture of where they are today and help them prepare for upcoming life goals. A personalized plan can be a guide to reaching goals over a lifetime and assist with important financial decisions.

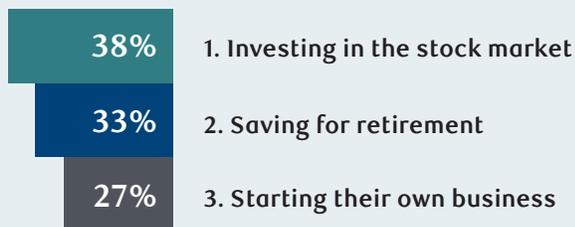
# 1. Pragmatic and preoccupied with financial security

Millennials are juggling multiple goals at once, like buying homes amid record real estate prices, paying off student debt, starting a family and saving for their children's education.

## A lot on their minds



## Top three goals



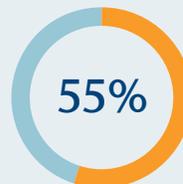
## An indulgent generation? Hardly.

**3 in 4**

want the same things as their parents, but feel these things are unaffordable



## Not their parents' retirement



More than half of millennials plan to retire before age 65.

55% plan to establish sources of passive income through side hustles to make this happen



80% of respondents say they can't depend solely on Social Security in retirement.

Despite these unique set of challenges, you have a real shot at financial independence in retirement, if not sooner. You'll need an actionable plan to help manage all the moving parts.

## 2. Lack of knowledge and time are obstacles to achieving financial goals

Millennials face different roadblocks on their path to meeting their financial goals, including a lack of knowledge and time. Discretionary spending is another obstacle, followed by the cost of health care, housing, education and child care.

### As life's complexity grows, so do financial questions

Looking ahead to their future, millennials will likely seek out personalized advice, even though they have more tools and resources available to them than previous generations.



71%

say their portfolios are too complicated to be trusted to a robo-advisor

80%

feel that reputable information is hard to come by and 55% don't know where to turn for advice

91%

of HNW millennials trust a financial advisor

72%

of millennials said that after paying off debt, saving for an emergency fund, and maxing out their 401(k), they are unsure what to do next financially

- ✓ Debt paid off
- ✓ Emergency fund established
- ✓ Maxed 401(k)
- ? What next?

Good news—you're not on your own. Let a financial advisor help you map out your financial future. A personalized plan can be a guide to reaching goals over a lifetime and help with important financial decisions.

### 3. Fear of making financial missteps highlight the need for personalized advice

For millennials, the fear of financial missteps is often the catalyst for seeking assistance from a professional, as are other life events such as reaching a certain point in one’s career or receiving a significant amount of money.

#### Managing a sudden windfall

Millennials are very self-reliant, and for that reason don’t always like to incorporate inheritance into their financial planning. However, once they receive this gift they become faithful stewards of their family legacy.

1 in 2



anticipate an inheritance and 1 in 3 anticipate a large sum from the sale of a business or equity compensation

#### What would you do with \$1 million, no strings attached?



An unexpected or anticipated windfall can pose a challenge in determining what to do with the newfound wealth. Working with a financial advisor offers the benefits of being able to review all of the options that may be available to you.

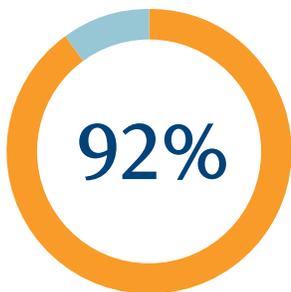
## 4. Seek to align their investments with values as integral part of investment strategy

Millennials seek a more sustainable type of capitalism and gravitate toward environmental, social, governance (ESG) and impact investing. They want to know that their money is being invested in companies that consider not just shareholders, but all stakeholders.

### More than 80% say:

- It's important to align their investments with their values
- ESG is an integral part of their investment strategy
- They are willing to sacrifice investment returns by holding ESG-rated investments

For some, it's a focus on human rights and social justice that drives their investment strategy, while for others it may be the diversity of a company's board of directors or a company's commitment to sustainability.



92% believe it's important for their financial advisor to be knowledgeable about ESG investing

To find the right advisor, consider the ESG focus that matters most to you, such as pollution or social issues. Next, ask a potential advisor if they can recommend those specific types of investments. If they come back with a meaningful response, they probably have a good understanding of the ESG landscape.

## Take charge of your financial life

**Millennials have come of age and started their careers in challenging times.**

Yet time is on your side. The following strategies can help you achieve financial security and make the most of your wealth.

- Define your short- and long-term financial goals. Having goals helps to clarify some of the abstractions that come with saving for major financial milestones.
- Build an emergency fund to weather uncertainty and remain on track toward your goals.
- Develop a monthly spending plan and stick to it. Spending plans are most effective when they align with your short- and long-term goals.
- Talk with a professional financial advisor about your needs, wants, concerns and goals.

With the help of your advisor, create a personalized wealth plan to provide a clear picture of where you are today and your future goals. As your wealth evolves, revisit your plan at least annually.

## About Wealth Insights

Your financial journey is informed by both a clear understanding of where you are today and the strategic options that can fuel your tomorrows.

At RBC Wealth Management, we are committed to delivering insights that educate, equip and engage you for that journey.

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<sup>1</sup> At least \$1m in investable assets, including 401(k)

<sup>2</sup> Between \$250k + HHI with between \$100k–\$999,999 in investable assets

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