GENERATIONAL SELLING TACTICS

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Millennials a lot like their parents

They share the same investment goals but have very different ideas on how to get there

Merrill Lynch's Private Banking and Investment Group recently released "Millennials and Money," a white paper based on its Young High Net Worth Insights Survey.

Their conclusions should bring hope to financial advisers who are anxious about attracting and retaining the next generation of affluence. The survey, which polled 153 investors between 18 and 35 who have $1 million or more in investible assets, suggests that, contrary to popular opinion, millennials may be more similar to their parents than previously thought.

Two highlights are that 65% of young affluent investors approach investing in a manner similar to their parents, and 69% of affluent millennial investors think that their parents have the right investing approach.

Many more statistics reported in the white paper reinforce the notion that these youth are in step with their parents' approach to investing. These data should give confidence to financial advisers seeking to engage them as clients in the near future.

It seems that this latest generation may not be as alien as once thought.

But let's not rush to judgment.

Although I agree that the millennials and their older counterparts, Generation Xers, want the same investment outcomes as their mostly baby boomer parents, I have to question if they want to work with advisers in the same way. A simple analogy helps explain.

We can accept as truth that all generations value the end result of transportation: the ability for a person to get from Point A to Point B in a safe and efficient manner. But will the method of transportation be valued similarly by all generations?

Are boomers just as comfortable in a Nissan Leaf as an SUV or Cadillac? Will millennials prefer a stately black Lincoln Town Car or a Ford Focus with customized dashboard display colors?

Does the Gen Xer need an SUV with a DVD player for the kids or will a bicycle suffice? The desire to reach Point B is the same, but the needs along the way may be different.

WHAT MILLENNIALS WANT

Merrill Lynch's survey confirms that wealth building as a destination hasn't changed; traditional methodologies will largely deliver results for many millennials just as they did for many boomers. However, when studied closely, the numbers hint at impending change around how they will get there.

Millennials (40%) expressed a strong desire for wealth management firms to understand the needs of investors at their age and life stage.

This may seem standard in a client service profession, but many advisers don't realize that life stages for millennials today have been delayed by seven years or more. This means that a millennial at 35 is more similar to a boomer at 28. During times of affluence, people transition into adulthood at older ages.

Another generational distinction is reflected by the 33% who recognize the importance of wealth management firms to communicate in a way that resonates with people in their 20s and 30s. We know that the millennials are more focused on their own unique future than a firm's storied past.

Further, they are typically more comfortable with electronic, versus face-to-face, communication, often relegating conflict to strictly electronic forms of communication. These biases originate from a general decline in the ability for youth to empathize with one another, a trend that began around 1970.

Advisers engaging this young generation will need to keep these communication preferences in mind. They are quite different from those of boomers.

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The millennials surveyed heaped skepticism on the financial services industry, many assuming that the client's best interests may not truly be top-of-mind.

Interestingly, the report showed that this isn't a result of the financial crisis. Instead, the crisis confirmed a pre-existing doubt.

Advisers likely have a good bit of trust building to do, both individually and on behalf of the industry. Consider viewing this as an opportunity rather than a concern.

To wit: How many millennials have been too suspicious to give us a chance? And how do we change our image with this generation?

All in all, advisers will be encouraged by the survey's conclusions. It provides comfort in knowing that once millennials are your clients, they will be interested in the same outcomes as their parents.

Your challenge will be in proving your value to a suspicious and skeptical buyer who will demand that you redefine how you engage with them.

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