By Keith Robinson

MILLENNIALS

The millennial investor's mindset

What differentiates millennials from other generations? What are their values and what traits do they look for when investing?

They say there is no better teacher than experience. When it comes to millennials, I think I have acquired some experience – five of my own kids, from one end of the millennial age range to the other, and two years teaching communication and leadership to master's level millennial students at a major university. What has all of this gotten me? A deeper appreciation for the millennial mindset and lots of grey hair.

In SA, millennials represent the largest generation (at 19.5m) to enter the workforce. They'll represent over 50% of the workforce by 2020 and 75% by 2030. They're "plugged in" like no other generation. Well over 50% use technology to interact with the world (a recent branding study in SA reported that 74% connect with companies via social media), 96% have a bank account, 62% are trying to save, and 31% expect to be promoted within two years of employment and want their work to have social impact.

Why care? Because millennials will influence how our industry works more than any previous generation. They are rapidly becoming the backbone of the workforce, accumulating wealth along the way. They are the most educated generation ever, but when it comes to saving and investing, uninformed.

Regardless of generational differences, how we think about investing is driven by the key social and financial influences that shaped our values and attitudes. In broad terms this is a reflection of how we grew up, especially in our adolescence or "wonder years" (ages 11 to 19). Social, financial and governmental issues like apartheid, employment regulations and access to education have had a major generational impact.

To understand what is coming (or here), let's consider a few key attributes for each of the key generations in the market today. While guarding against broad generalisations, these views of the world around us can help inform how we relate to different generations.

Baby boomers (born between 1950 and 1969 in SA): They are often accused of "living to work, rather than working to live". Identity comes from their level of success (defined by promotions and/or compensation), and a desire to be respected as a consequence of both. Core baby-boomer values: hard working, ambitious, status orientated, respect authority and team orientated.

Generation Xers (born 1970-1989 in SA): They were heavily influenced by several major changes in South African culture; notably apartheid and a sharp rise in unemployment. These two influences formed the core values for Gen X: independence, self-reliance, the need for balance, distrust of leadership and a strong desire to make a difference.

Millennials (born 1990-2000): Those whose "wonder years" were heavily influenced by immediate access to nearly every bit of information possible in our world today. They are the tech generation. Good technology isn't expected, it's required. Firms must be prepared to respond to this requirement, using technology that provides immediate, easy access to a millennial client's reporting, fund choice options and education. Expect heavy use of technology, especially mobile technology.

Millennials are comfortable with efficient communication; they are focused on maximum impact with the least amount of time. Technology can enable better millennial communication across a wider audience (think social media). Remember they are used to interacting with the world through social media. Results will trump effort, therefore communication needs to be meaningful, impactful and responsive.

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The differentiator isn't "robo-advisers", but a combination of technology and relationship. Despite their affinity for technology-enabled information, millennials enjoy and want interaction. They don't trust brands as much as they trust the individuals behind the brand. This gives them the desire to both *use* "face time" and *get* "face time" with a real person. The primary reason is no different than for baby boomers and Gen X. A 2014 study by the Pew Research Center (*Millennials in Adulthood*) showed that only 19% of millennials responded positively to the statement "Generally speaking, most people can be trusted", compared with 31% of Gen X and 40% of baby boomers.

Millennials have been painted with the "lazy" brush. But a recent study published in the *African Journal of Business Ethics* (Volume 10, № 1, 2016) found that millennials and Gen X have a very similar view of the value of hard work and only slightly less than their baby boomer colleagues. All three value morality/ethics highest with similar scores. More alike than different.

Social causes are in millennials' DNA, and translate into investing. In our recent book, *Money, Meaning and Mindsets: Radical Reform for the Investment Industry*, Jim Ware, Michael Falk and myself make the point about the importance of social investing for millennials. A successful response will go deeply into environmental, social and governance (ESG) investing. A recent study conducted by Morgan Stanley suggests that 22% (12% for baby boomers and Gen X) will want to invest in companies targeting social and environmental goals. They'll give up some return to ensure their investment dollars are used appropriately to make the world a better place. This will be a critical part of the product line-up.

A valuable best practice for the millennial generation is to meet them where they are. South African millennials are driven by passion for their profession, immediate gratification, a need for self-fulfilment and desire for ongoing development. Unlike their baby-boomer parents, they've had better access to higher levels of academic freedom and resources.

When working to educate keep in mind mobility. Mobility, tied to interesting forms of education (games and social messages), will increase your relevancy. In a world of 140-character communication and substantial digital noise, getting noticed and staying noticed is key. Move investment language from "alpha" to "impact in the world", from "long-term investing" to "improving your quality of life experiences by reducing debt", from boring to intriguing.

Why explore the baby boomers and Gen Xers? Because you can't determine where you're going until you know where you are. The paradigm shifts will need to happen from those currently running the business. Understanding our own biases, predispositions and the falsehoods about millennials will help us shift our thinking in approaching this new generation of investors and contributors. ■

Keith Robinson is the managing partner of Focus Consulting Group.