

Could Millennials be the downfall of Asset Management?

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A recent study concluded by the financial-advice website Bank rate, shows that [only one in three millennials is investing](#). According to the study, 33% of millennials claim to own stocks. However, when it comes to investing only 18% of those between 18-25 are currently investing. Youngsters between 18-25 are the future and from this point of view the future looks bleak for asset managers and financial institutions who depend on these investments.

Some of the reasons behind the drop in investment numbers can be tied back to low confidence in the Financial Markets “Someday Scaries” and shifts in priorities.

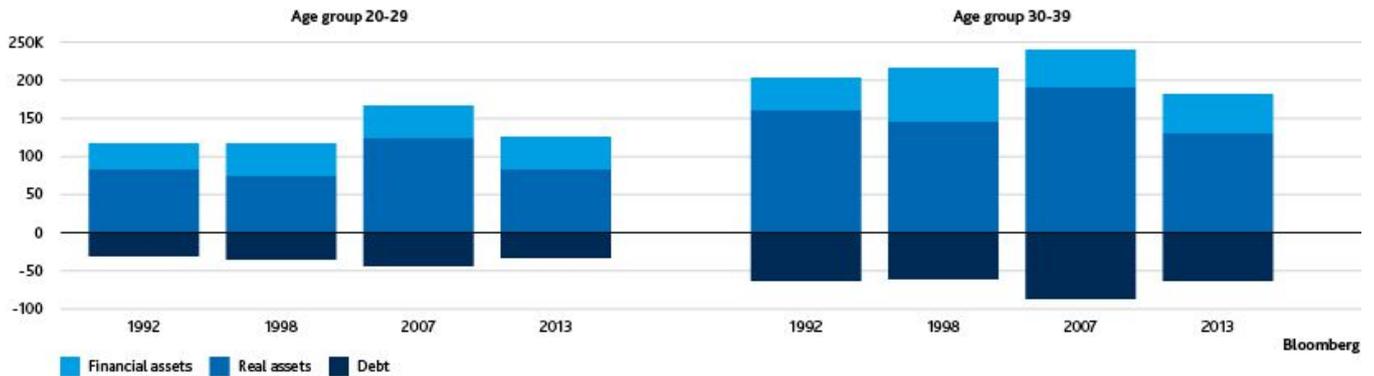
The 2008 financial crisis dealt a huge blow to the millennial’s confidence, and it goes without saying. However, the events of 2008 and various financial institutional scandals have the younger population questioning -“is it safe to invest my hard earned money or am I better off with savings instead of investments.”

A solution identified to potentially tackle the above scenario are Index Funds. Index funds are a good place to start for new investors since they move with the market. That can reduce the risk that comes with picking individual stocks. Also, they ditch the traditional methods of actively being managed - this also helps due to the fact that Millennials rely mostly on technology to get through their day to day activities. Index Fund coupled up with Robo Advisors could play a pivotal role when it comes to restoring lost confidence.

Someday Scaries, refers to the anxiety they feel that someday they will need to be more financially secure. Millennials are often written off as privileged or the older generation claims that millennials have life easy; this in reality is not true. As illustrated in the charts below a study conducted by Credit Suisse shows that young Americans aren’t getting wealthier anymore.

Young Americans aren't getting wealthier anymore

The financial crisis reversed 25 years of increasing wealth for the under-40s



Source: Credit Suisse Global Wealth Databook 2017

The [Credit Suisse's Global Wealth Report](#) further goes to state that millennials deserve sympathy.

“They faced the rigors of the financial crisis... and have also been widely hammered by high and rising house prices, rising student debt and increasing inequality. Millennials are not only likely to experience greater challenges in building their wealth over time, but also greater wealth inequality than previous generations.”

With decreasing wealth and ever rising expenses, millennials are faced with high levels of anxiety due to the financial burden which is upon them. A study conducted by the American Psychological Association 86% of millennials believe they are going through some form of a quarter life crisis, proving that the vast majority of them believe they are not successfully living life.

A survey conducted by Blackrock, BI and Federal Reserve shows that 65% of millennials feel confident about their financial future and 60% do not trust financial markets.

Millennials on Investing, Debt and Banking

Surveys reveal Millennials to have conflicting views on financial matters



Source: Visual Capitalist, November 2015

How could Asset Managers turn the 60% distrust into trust? They could actively start by creating a more diversified range of portfolios which appeal to millennials by ditching the traditional approach. The portfolios can be aimed at the current values and beliefs held by millennials. Asset Managers can create portfolios that focus heavily on Environmentally Friendly Companies, Start-Ups & Venture Capitalism aimed at supporting young entrepreneurs.

Rich Hagen the president of Ally Invest shared the following thoughts “The way to mitigate risk is through diversification. Investors should look at investing offers that provide a diversified portfolio with a balance based on their overall investing goals. In general, a portfolio that contains a variety of ETFs, bonds and cash is a great place to start.”

Another viable solution is taking brokerage and wealth management online at an affordable price. This may take a while but in my opinion would be more beneficial in the long run and will certainly gain the attention of millennials.

Looking back at what was mentioned above, it is clear that the Millennials can make or break the Asset Management industry at present. Asset Managers have to overcome the indifference shown by Millennials before they move to the future. The Generation Z, who will be the next biggest trend in the industry.

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