COMMITTEE REPORT:
HIGH-NET-WORTH FAMILIES & FAMILY OFFICES

By **Patricia M. Soldano** & **Lauren Benenati**

Millennials and the Family Office

This generation is about to take the reins of the future

Millennials. Millennials. Millennials.

Who is this powerful segment of the population that has researchers and marketers worldwide studying its every twitch?

Generally defined as individuals born between 1982 and 2004, Millennials have surpassed Baby Boomers as the nation's largest living generation, according to population estimates released this year by the U.S. Census Bureau.[1] They represent 27 percent of the adult population and are set to inherit $30 trillion from their Baby Boomer folks.[2]

This intergenerational wealth transfer will pose significant challenges for the family office, as this generation has beliefs and views independent of those of their parents. The family office that doesn't take a hard look at how to change its model to accommodate Millenials—from investing to communication—will falter.

Smart, confident and demanding, Millennials won't engage without trust, require personalized attention and embrace quite a different outlook from the Boomers for which the family office model was designed.

An Era of Failure

Millennials' skeptical attitudes and sharp opinions aren't without merit.

They grew up in an era of some significant failures: the tech bubble imploded in 2000, and a global financial crisis occurred in 2008. These events have sculpted them, leaving them wary. They don't, for instance, embrace the long-term, positive investment views held by their Boomer parents.[3]

In addition, they grew up with the world's accumulation of knowledge accessible to them in the palm of their hand.

These two factors alone are enough to make the Millennials' attitudes and opinions quite different from their predecessors. On the one hand, it colors the way they think about issues of trust, dependence and security …. on the other, it allows them to construct their own worldview quickly and emphatically, from a broad range of possibilities.[4]

Framework of Understanding

Millennials seek a framework of understanding that will allow them to run with their own ideas. They don't seek shrink-wrapped solutions.

Millennial clients appreciate it when their trusted advisors not only help them achieve their goals, but also help them develop life-long skills that can be applied in other situations. For goal-oriented, results-driven advisors, this type of client relationship and the shift in focus that it requires may feel uncomfortable. For Millennials, it feels natural.[5]

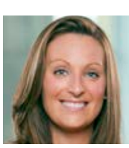
Significant Differences

There are some significant differences between Boomers and Millennials—including on the issues of trust, religion and politics.

Research shows:

- 40 percent of Boomers say that generally speaking, most people can be trusted. A mere 19 percent of millennials agree to that statement;[6]
- 50 percent of Millennials consider themselves political independents, compared to Boomers at

Patricia Soldano, far left, is a family office consultant at GenSpring Family Offices in Costa Mesa, Calif., and **Lauren Benenati** is director of family education, at GenSpring's office in Jupiter, Fla.



37 percent;[7]

- 29 percent of Millennials are religiously unaffiliated, compared with 16 percent of Boomers;[8] and
- 88 percent of Millennials are on Facebook, compared to 70 percent of Boomers.[9]

In addition, from a survey of 500 nominees for "*Forbes* 30 Under 30"[10]:

- 42 percent cited high quality as the most important attribute when buying a brand;
- 52 percent prefer to bank online;
- 66 percent will be involved in a charity or social cause; and
- 75 percent shop online (10 percent mobile; 65 percent laptop).

When deciding whether they want to retain their parents' advisors, Millennials will consider how those advisors engage with them on a personal level.

Ultra-high-net-worth Millennials want a high-touch service from advisors who take time to know them personally and understand their family's goals.[11]

As the intergenerational wealth transfer unfolds over the next decades, it presents both an opportunity and a risk for advisors. Thirty trillion dollars will change hands, yet 90 percent of children won't retain their parent's financial advisor.[12]

A personal touch will go a long way toward building the trust that's so important to this self-reliant generation. They can google" answers to their queries faster than many of their Boomer folks can find their phones.

Digital Interaction

This tech-savvy generation is likely to challenge the ways of the family office, such as meeting only face-to-face. Although a 2015 research report[13] by The Oppenheimer Funds/Campden Wealth Research found Millenials want to see advisors face-to-face quarterly or twice a year, they also want digital interaction more frequently. To Millennials, video contact such as Facetime and Skype are every bit as valid as person-to-person meetings.

They often see their online relationships as an extension of their "real life," and they communicate voraciously in digital media. Regardless of the vehicle, any engagement needs to be personalized and relevant.[14]

It will become increasingly important for the family office to take note of this voracious use of digital media because the Internet can eclipse many of the services offered by the family office.

> Traditional services—such as the local bank—seem to just not fit into the Millennials' lifestyle.

Millennials' attraction to the convenience technology provides may leave them wondering why they need a family office to pay their bills or prepare their taxes when fast-moving thumbs can easily address those services.

This generation, which turns to YouTube for everything from entertainment to how-to videos, is quickly leaving even television behind.[15] And, traditional services—such as the local bank—seem to just not fit into the Millennials' lifestyle.

According to a 3-year study by Scratch/Viacom Media Networks, 71 percent of Millennials would rather go to the dentist than listen to what banks say.[16] Another third (33 percent) believe they won't need a bank.[17]

Will the services of a family office be similarly viewed?

Investments and Philanthropy

Millennials aim to live a life with purpose. They want both their investments and philanthropic efforts to make long-lasting changes—to have impact. They don't invest

solely for return, they support impact investing and strategic and accountable philanthropy.

They embrace the power they have to use their wealth to generate good social and environmental results that align with their beliefs.

Millennials are more likely to embrace a philosophy that financial interests and social interests ought to directly overlap, thereby ostensibly benefitting both wallet and world.[18]

Millennials grew up with the Internet and a phone full of apps. These hand-held tools have made the world a much smaller place and provide instant access to global issues. These connections have introduced Millennials

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to global-minded charities that support civil rights and are stewards of healthy environmental practices.

Their philanthropic desires are in contrast to those of their Boomer parents, who are far more likely to keep their donations local—supporting the arts, alma maters and cultural organizations known to them through experience and proximity.[19]

Additionally, many Boomers support charitable causes in return for reduced taxes, which isn't a high priority for Millennials, says Ben Pierce, president of Vanguard Charitable.[20]

Communication

Going forward, social media is going to be the key to communication, says Robert Trinchet, chief information officer for GenSpring Family Offices.[21] Email is becoming a thing of the past—a dinosaur—and texting is right behind it, he says. A full voicemail box irritates only the caller; Millennials don't leave messages—nor retrieve them.

Millennials favor Snapchat, the multimedia messaging system that lasts only seconds before it disappears, which has shown impressive growth since it launched in 2011.[22]

Communication methods will continue to change. The family office industry should recognize that Millennials are used to immediate gratification and address this need. For instance, the industry must find ways to allow Millennials access to its professionals— – such as building some repository Millennials can search. Millennials demand transparency. It's one of the ways they build trust.

In response to Millennials' desire for information whenever they need it, some family offices, such as GenSpring, have begun to move from webinars to podcasts. Webinars, which require participants to be online at a certain time, don't engage the Millennial. Podcasts, which can be accessed from anywhere at anytime, fit the bill.

Millennials and technology go hand-in-hand—literally.

Take the robo-advisor, for instance. This online algorithm-based portfolio management appeals to this generation in love with convenience, but it's a very small sliver of what family offices do, and it's up to the family office to educate its younger clients about such distinctions.

The wealth management industry is going to have to find a way to get on board and integrate its services with social media if it hopes to remain in a relationship with Millennials who are wedded to their apps. Without this connection, the family office will be overlooked and viewed as yesterday's news. As a Millennial might say: "Sorry. Not sorry."

This powerful generation, labeled as it will be as entitled and distrustful, is about to take the reins of the future. It brings with it a hopeful, optimistic outlook:

- A stunning 97 percent remain optimistic about the future.[23]
- 80 percent believe in the American Dream.[24]

It would appear Millennials have faith that the best years are yet to come. Can the family office say the same?

Endnotes

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