THE PRACTICAL PORTFOLIO

Category Killers

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A few days ago, my attention was drawn to a fascinating blog post* about financial advisors and their appeal to different age cohorts. While it does seem to me as if everyone's become an expert on how people behave and why and how millennials are so distinct from Gen X and so forth, the findings in this essay were surprising.

Let me pose this question: Who would you think wants more help from a financial advisor (FA): a millennial or a baby boomer? The survey from Global X ETFs' 4th annual survey of high net worth investors, "Beyond Baby Boomers,"* pointed to millennials as being more likely to want help from an FA. Moreover, millennials were 3x as likely to seek a financial advisor in the event of a large purchase: 37% of millennials versus 13% and 10% for baby boomer (ages 55-73) and swing (74+) investors, respectively. Millennials were twice as likely as baby boomer and swing investors to seek an advisor in the event of marriage (32%, versus 16% and 14% respectively). Two-thirds (65%) of millennials said they would want to consult with an advisor to invest assets of any amount or for anything below $1 million.

While the information should provide guidance to the financial advisor community, it set me thinking about the challenges of stereotyping the social, demographic, and behavior profiles of the age groups we read about daily. As an example, any sentient soul knows that Gen Xers are cautious, savvy, and skeptical having been thrust into the maelstrom of the challenging economic environment of the 2000s. The baby boomers are optimists who want to retire but don't have the assets needed. Millennials are gadget crazy and online, socially mediated, but still as conservative as your grandmother's grandmother.

Is this nonsensical? I think so. There are behaviors that we understand but there are individual personalities that defy type-casting. Are all millennials gadget-obsessed video-gamers who crave experience over hard assets like a house, a car, clothing? Are all Gen Xers anxiously chauffeuring their children from soccer games to the dentist to quickly prepared meals at home, and then exhaustedly throwing themselves on the sofa? Are all baby boomers riding their bicycles to the beach or the golf course?

Consider the use of robo advisors. 19% of millennials reported being comfortable with a robo advisor managing their investments or money, compared to 11% of Gen X and 3% of baby boomer and swing respondents. But flip that around, and you realize 81% of millennials in the survey were NOT as comfortable with robo advisors as human ones. That is a very big group of this largest-of-all American generation ...

Instead of asking if you can afford a financial advisor **ask yourself instead—can you afford not to?** Advisors are not just for the rich and famous.

Categories are sloppy. They're not fair. While they may help us navigate certain complexities of society, they can unhinge the uniqueness of the individual. For investors, what matters most—despite the age cohorts—is the need and attitude of the individual.

The youthful investor may be more conservative than her grandmother. As the study cited above highlights, almost 80% of the millennials polled would prefer to work with an advisor and gain that advisor's advice on a myriad of topics that the boomers thought they could handle on their own.

A customized portfolio, a plan for retirement that reflects your unique financial condition and objectives, a game plan that suits you—not the generic age cohort to which you belong—these are the central elements in the right financial program.

*The study cited above and the language explicating some of its findings comes from the September 17th morning briefing from Jessica Rabe of DataTrek.

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