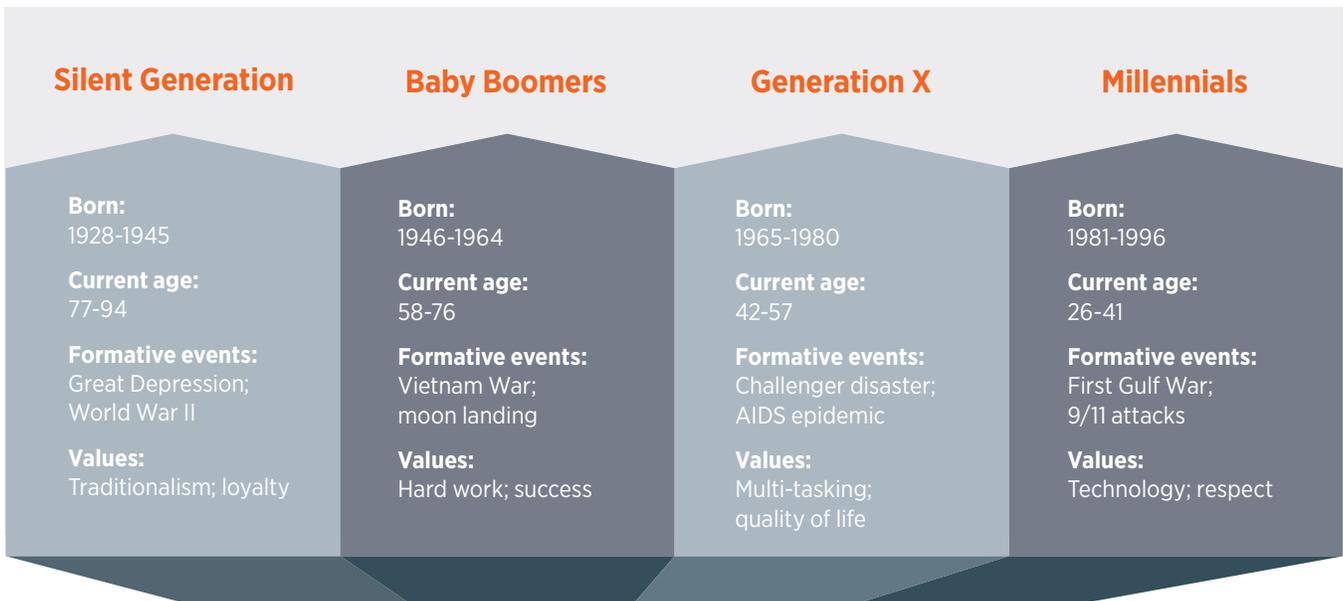


Millennial Investors

Determined to make an impact

Millennials have now surpassed the Baby Boomers as the nation’s largest demographic segment. At more than 83 million strong and comprising nearly one-third of the U.S. population,¹ those born between 1980 and 2004 are redefining society in profound ways. And with more than \$30 trillion passing to them through inheritance over the next 30 years,² Millennial investors will likely use their wealth to reshape not just markets, but the world.

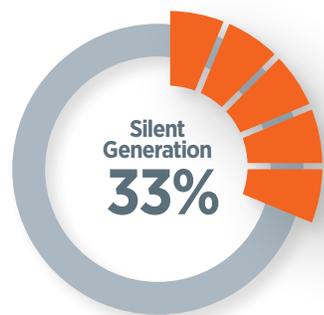
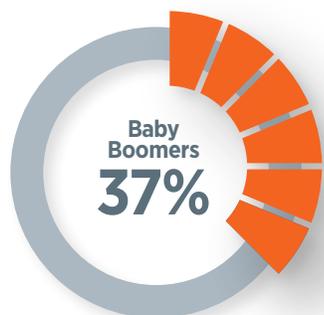
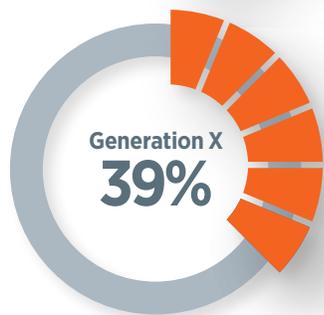
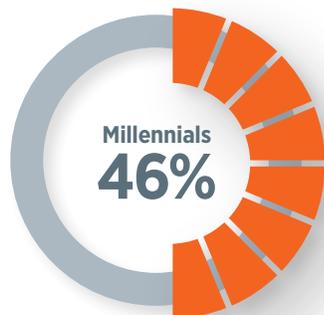
Millennials lead the way



Continued

Is investing too risky?

Nearly half of Millennials seem to think so⁵



The Millennial mindset

Think of how the world has changed during the Millennial lifetime. These are the children of astonishing advances in technology. They've come of age as the world has become a global community—in fact, with approximately 15% of U.S. Millennials of foreign birth, they're the nation's most diverse generation since the early 20th century.³

As a result, it's not uncommon for Millennials to have a uniquely fluid sense of the world and their place in it. Overall, they've developed a distinct passion for championing equality, social justice, and care for the environment. Indeed, in one recent survey 52.5% of Millennials agreed with the statement, "I am an activist (a person who behaves intentionally to bring about political or social change)."⁴ Millennial influence is already readily apparent, impacting other generations as people integrate technology more seamlessly into myriad facets of their personal and professional lives and see the world as a fully connected and interdependent global community.

Yet this is also a generation raised during a time of protracted international conflict and terrorism. They've watched their parents navigate two significant market downturns in 2000 and 2008-2009. And even though they're among the most educated of all U.S. generations, many mainstream Millennials enter adulthood with staggering amounts of student debt. Perhaps these are reasons why some researchers label them as today's most conservative investors.

This level of caution poses an interesting dilemma. While they're passionate about changing the world, many mainstream Millennials may not be willing or able at this time to invest in ways that can create meaningful change. Yet there is a subset of this younger generation beginning to impact the world through their investment decisions, and they are the focus of this paper: the Ultra High-Net-Worth (UHNW) Millennials.

Mainstream Millennials hold

70%

of their savings and investments in cash⁶

Continued

Millennial wealth— serving more than self



58%
ages 20-29

vs.

38%
ages 30-40
say

“My wealth
can help the
community”

UHNW Millennials: To the manor born—or built

According to one estimate, Millennials now comprise approximately 23% of the nation's total number of millionaires.⁷ Some are modern-day legends through successful tech start-ups and entrepreneurial ventures. A smaller percentage has inherited assets in the early stages of the greatest generational wealth transfer in U.S. history. In fact, Millennials in one study attributed 20% of their wealth from inheritance (the highest of any living U.S. generation).⁸

As for current wealth composition, UHNW Millennials currently hold more than half of their assets (83%) in traditional investment vehicles like domestic equities, real estate, and cash.⁹ But if emerging trends in UHNW Millennial behavior and attitudes continue, that may change rapidly.

The defiant ones: Will not be defined by their wealth

Whether they accumulated wealth by birth or by business, many UHNW Millennials have strong opinions on how they feel about their money—and what they generally hope to accomplish with it.

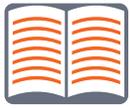
According to Marguerite C. Weese, who oversees Next Generation Initiatives at Wilmington Trust, “Many UHNW Millennials possess a heightened self-awareness and place an importance on staying authentic to who they are. As a result of these two factors, it is essential for them to not compromise on family and personal values when it comes to their investing or utilizing their wealth.”

Research bears this out. Forty-seven percent of current wealth holders and inheritors surveyed said they worry about others knowing they are wealthy.¹⁰ At the same time, however, 58% of those under 30 believe their wealth gave them the ability to help their communities (compared to just 38% of those between ages 30 and 40). Younger UHNW Millennials are also seemingly more optimistic and altruistic than their older counterparts. Seventy-four percent believe wealth will help them pursue what's important to them and 63% feel it can help them provide for future generations (compared to 54% and 46%, respectively, for the 30 to 40 age group).¹¹

Continued

Investing to make an impact

UHNW Millennial investment interests¹²



58% Education



39% Environment



39% Water



30% Gender equity

Proving worth through investment

The Millennial desire to help improve the lives of others should come as no surprise to anyone who has observed them growing up—a full 96% of UHNW Millennials are already involved in philanthropy through existing charitable activities, largely through their families. This early start has likely fed their desire to make a difference in the world through investment: 70% have expressed interest in socially responsible investing and 64% in impact investing.¹³

The latter of those two statistics is perhaps the more important. That's because unlike the more passive socially responsible model (where one essentially determines whether to include or exclude certain companies based on if holdings did or did not reflect certain values), impact investing actively seeks companies or projects that can create positive economic, social, and/or environmental outcomes that are measured and reported transparently. The focus is on dynamically creating change and delivering return.

Seeking investments that produce return while creating change elevates the UHNW Millennial investor mindset beyond the starry-eyed optimist to the results-driven realist. Says Wilmington Trust's Weese, "While the concept of socially responsible or impact investing isn't new, it appears to be of increasing interest to Millennials. They are looking to invest their money in a way that matches their lifestyles and beliefs, and that may produce long-term financial and social returns."

Charting their own course

Many UHNW Millennials are quite serious about how they intend to make their marks. When asked how they would spend their time after inheriting wealth, a full 63% plan to continue working, 45% would maintain their present job, and another 7% plan to commit themselves to full-time philanthropy.¹⁴ In fact, their passion to create meaningful change is impacting their career choices.

Some UHNW Millennials are taking up careers in social entrepreneurship, working with their family foundations, managing social investment funds, consulting on sustainability and social finance issues, and more. "This generation is both directly and indirectly influencing others with the help of technology, and as a result, having a global impact," notes Weese.

Continued

Millennial investors are serious investors...



Only
9%

consider “feeling good” as very important in impact investing¹⁵

...willing to follow their beliefs



2x

more likely to sell an investment due to corporate behavior than other investors¹⁶

Seeking return on investment—and connections with others

Yet for all of their determination to make a difference, some UHNW Millennials may find their relationships with wealth to be isolating.

In response, organizations like Nexus and its eponymous Global Youth Summit Series are curating collaborative experiences for UHNW Millennial inheritors, entrepreneurs, and investors that, in the words of its website, “catalyze new leadership and accelerate global solutions” through a culture of philanthropy.

During a recent Nexus summit—drawing more than 600 Millennials with almost \$750 billion in assets—participants shared and studied case studies of recent social investments. As the Harvard Business Review noted about the summit, “Some of the investments had the sophisticated deal structures of large corporate transactions, some showed private sector engagement driving infrastructure development and quality-of-life improvement, and all demonstrated growing connections between policy and profit at national and international levels.”¹⁷

Investing to make a sustainable impact

That idea of merging policy and profit is reflected in how UHNW Millennials allocate their investment assets. A 2018 study revealed that 87% of HNW Millennials consider a company’s ESG track record as an important consideration when making an investment, while 88% review the ESG impact of investment holdings.¹⁸ When you consider that at 26% of today’s investments under professional management are sustainable, responsible, and impact-based,¹⁹ all signs point to the idea that we are just in the opening act of this movement. And this is all in spite of the fact that 58% of Millennials feel this asset class is of moderate-to-high risk.²⁰

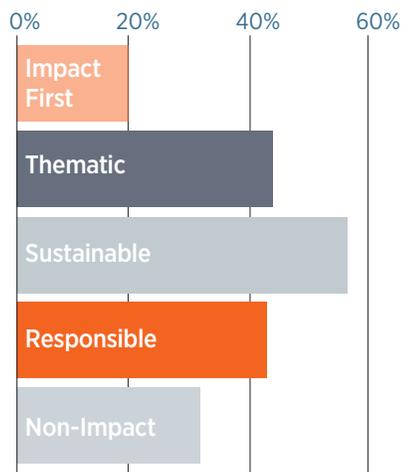
The rise of different environmental, social, and governance (ESG) investment vehicles are allowing UHNW Millennials to be more discerning in how they deploy their investment capital. When asked which of five impact categories they were currently investing in, more than half of respondents selected “Sustainable”—those investments integrating ESG attributes and broad-based macro trends to deliver both social influence and financial returns. This selection outpaced categories including “Thematic” and “Responsible” and far outpaced “Impact First” and “Non-Impact.”

How is this reflected in the asset classes they’re choosing? More than half of surveyed UHNW Millennials say they are invested in private equities—outpacing both public equities and fixed income.²² Yet less than 40% of respondents are satisfied with their level of access to any single asset class, indicating a sizable portion of investors are looking for more access to impact-based vehicles across all asset classes.²³

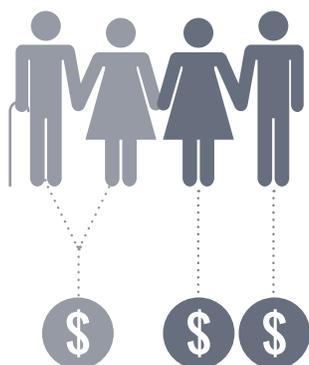
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Investing with purpose

UHNW Millennials seek out sustainable vehicles—and sustainable returns²¹



Millennials and parents sharing values—but not strategies?



Bridging the investment generation gap

During childhood, Millennials and their parents were generally well known for their closeness. Unlike the Baby Boomers, who made rebelling from their parents the battle cry of a generation, many Millennials actually grew up to mirror their parents' attitudes—including those about investing.

One study revealed that approximately two-thirds of Millennials agreed that they had similar investing approaches as their parents; that their parents had the right investing approach, and that their parents' approach to investing works just as well today. And when it came to viewing the role that investments can play in improving society, 73% of Millennial respondents indicated they and their parents share similar values.²⁴

But there's an area of potential conflict here. While the majority of Millennials align with their parents on investment styles and share beliefs in what their wealth can accomplish in the world, they also see a disconnect in how assets are allocated in the family portfolio. In fact, 45% of respondents in one survey say their families' investment strategies have no consideration for impact/ESG/values-based investing, while 80% wish there were a greater focus overall.²⁵

Opportunities for engagement and education

Millennials and their parents will be co-pilots as they navigate the next 30 years of wealth transfer and the many decisions to be made about investing family wealth. Yet if current attitudes persist, it may be a bumpy ride for many involved.

Only 47% of UHNW Millennials in one survey claimed they were either comfortable or extremely comfortable with their wealth, while 12% in the same survey characterized themselves as "uncomfortable."²⁶

This lack of comfort could come from a lasting culture of family secrecy. Sixty-seven percent of current wealth holders (the parents of Millennials) were not given complete details of their inheritance prior to receiving it. And nearly one-third of them do not plan on sharing details with their children prior to inheritance, primarily due to concerns of demotivation.²⁷ Most troubling for the purposes of this paper may be this: Of all wealth education topics that Millennials learned about from their families while growing up, lessons on investing were the least common.

This factor becomes particularly acute when discussing the UHNW Millennial desire to participate in impact investing. Only 32% rate their values-based investing knowledge highly. Meanwhile, 24% said it was poor or very poor, and 42% said they wanted to learn more.²⁹

Continued



Only
28%
of UHNW Millennials
aged 20-29 learned
about investing from
their families²⁸



66%
of children fire their
parents' wealth manager
after receiving their
inheritance

Inspiring generations to work together

UHNW Millennials have become increasingly involved in the investment decision process, with 71% receiving regular updates on investments, and 65% involved in the decision making related to family wealth management. A mere 3% of UHNW Millennials have no involvement at all.³⁰

Two other rather remarkable findings bubble to the surface when discussing wealth transfer to UHNW Millennials, and they could have a significant long-term impact:

- When asked what type of wealth transfer plan they had in place, 38% of parents said they relied only on a will³¹
- Sixty-six percent of children fire their parents' wealth manager after receiving their inheritance³²

Statistics like these lead us to believe that more must be done to help UHNW Millennials and their parents ease the transition of wealth, facilitate conversations across all generations, and navigate differences in support of a common goal—sustaining wealth for generations to come. We see at least two major strategies going forward that may help.

Creating a statement of family values: As research outlined in this paper suggests, improved communication can help UHNW Millennials and their parents go a long way toward achieving both short-term and long-term objectives.

An important first step can be the creation of a written family values statement that codifies what the family hopes to achieve for themselves, their community, and the world at large. And just as important is an investment policy statement—a carefully designed blueprint for diversifying investments across asset classes according to the family's risk and return profile. These documents should be periodically revisited and updated to reflect new thinking, as well as changes in life or business that shape family dynamics, markets, geopolitical events, and more.

Accessing personal advice: With their affinity for technology, much has been made of the Millennial embrace of robo-advisors. Significantly, 81% believe it is important to have access to their investments through smartphones and computers, and 82% like to be actively involved in the day-to-day management of their investments.³³



71%

of UHNW Millennial
investors seek professional
advice when making
an investment decision

But as their wealth increases, it appears that so too does the desire for the personalized attention and advice that only a financial advisor can provide. Fifty-nine percent of Millennials are looking for customized education from a wealth advisor based on their family's needs,³⁴ while 71% of UHNW Millennials seek professional advice when making investment decisions.³⁵

Families with complex portfolios or who need guidance on wealth management issues like estate planning, business succession, charitable planning, and more would also be wise to consult with tax and legal advisors who specialize in these areas. Investment advisors can't provide tax or legal advice, but they can refer clients to experienced professionals or work closely with outside counsel.

As an UHNW Millennial investor, your optimism, enthusiasm, and ingenuity is already changing our world in profound ways—and we know this is just the beginning. With greater success in life and increased assumption of responsibility for managing your family's wealth, consider having a conversation with an advisor. It can be a smart way to help achieve your personal financial goals and create the changes you wish to see in the world.

Continued

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