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Jenna McNamee

The generational wealth transfer will popularize new asset types and investment strategies

Article

The news: Attitudes toward investing vary markedly across generations, causing delays in the generational wealth transfer that's about to begin and posing new challenges for financial

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advisors, according to a Bank of America report.

The Private Bank Study of Wealthy Americans report surveyed 1,052 high-net-worth (HNW) individuals in the US over the age of 21 and with at least $3 million in investable assets. The survey was fielded between May and June 2022.

Between 2020 and 2030, more than $68 trillion in wealth will transfer from boomers to millennials and Gen Z. Here's how the younger generations will invest, and what financial advisors can do to prepare.

Younger investors want new asset types: After experiencing the Great Financial Crisis and living through the current volatile economic downturn, younger generations are questioning the transparency of big financial institutions and the integrity of traditional finance markets.

- 75% of investors between the ages of 21 and 42 don't think traditional stocks and bonds will provide them with above-average returns.
- 80% young investors are turning to different asset classes, such as private equity, commodities, and real estate.
- Millennials and Gen Z also favor the decentralized composition of the digital asset markets. Nearly half (47%) of young investors have cryptocurrency holdings.

Cryptocurrency Ownership Status of US Consumers, by Generation, May 2021

% of respondents in each group

	Have never owned	Have owned in the past, but not now	Currently owned
Gen Z	80.3%	4.1%	15.6%
Millennials	72.4%	8.5%	19.1%
Gen X	83.3%	3.5%	13.2%
Baby boomers/seniors	94.7%	2.0%	3.2%

Source: PYMNTS.com, "Cryptocurrency Payments Report: How Consumers Want to Use it to Shop and Pay" in collaboration with Bitpay, May 19, 2021

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Younger investors favor new investment strategies and goals: Younger investors are more likely to support and invest in companies that reflect their beliefs and values. Many prioritize their goals for sustainability, social justice, and other causes they deem important. This influences not only their investing strategies, but their philanthropic styles as well.

- Nearly three-quarters (73%) of millennials use sustainable investments. This compares to just 21% of older respondents.

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- When it comes to charitable giving, 76% of respondents said they direct their assets to efforts that differ from their family. Only half (51%) support the same causes as their parents.

Holding on as long as possible? The interest in new asset classes and prioritization of new investment strategies could be causing older generations to hesitate when it comes to passing the baton.

- According to the study, parents are holding off on having conversations about wealth transfer until their children reach at least the age of 27.
- Just 51% of parents believe their children are prepared to handle the family money.

But younger generations may agree with these assessments.

- Though 97% of Gen Z teens said financial literacy was important to them, 38% said they lacked the educational resources they needed to achieve financial independence.

What role should advisors play? Financial advisors have quite a bit of work to do to adjust toward the attitudes of younger investors, and it won't be easy.

- 44% of Gen Zers and 32% of millennials believe they won't need a financial advisor until they hit middle age.

Though younger generations are typically more digitally inclined and more likely to bank online, financial advisors can still provide value to these cohorts. Studies have shown that younger investors value in-person interactions in addition to technological solutions, especially when the experience is unique and provides an opportunity to improve financial literacy.

Advisors should embrace the differences in these younger generations and enhance their knowledge on different asset types and new investment strategies. But they should also demonstrate their value when it comes to traditional financial planning topics. Across all age groups, respondents said they wish their advisors spent more time discussing tax planning (88%), estate planning (81%), and investing in high inflationary and high interest rate environments (80%).

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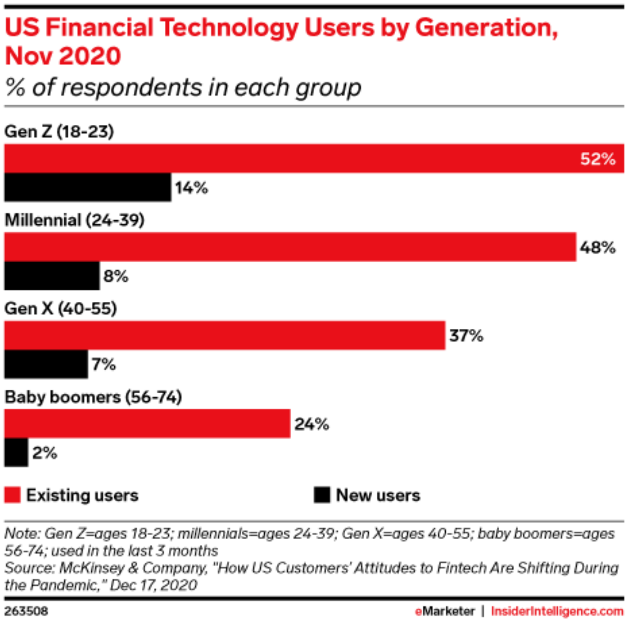

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