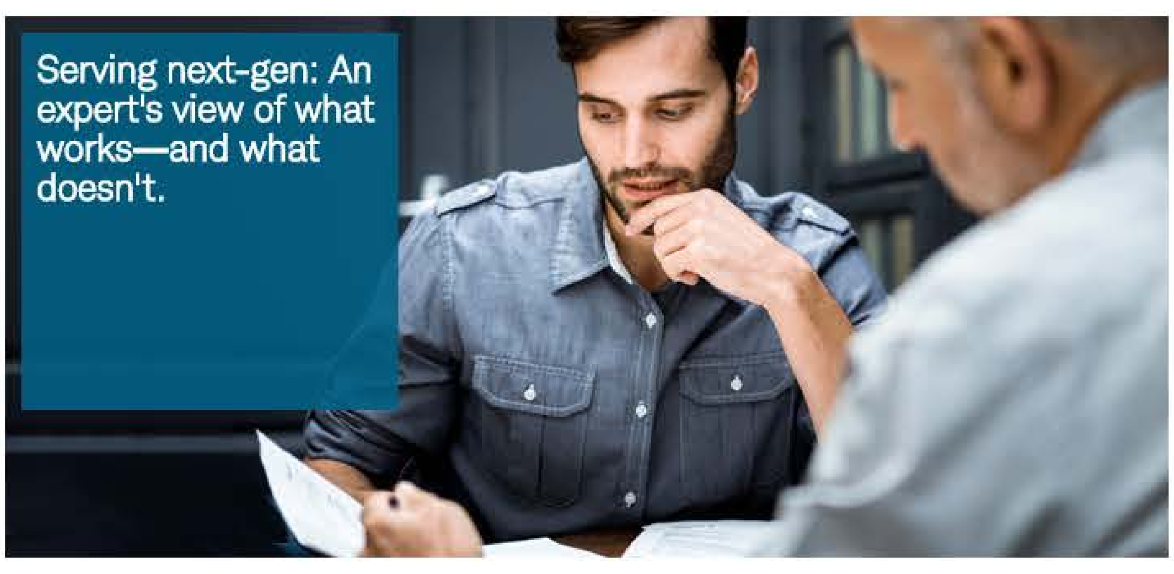


Are you interested in targeting younger investors? Consultant Alan Moore, an advisor and Millennial himself, explains what he thinks it will take to succeed.

Related resources

Gain insights from Schwab's Generation Now Study for RIAs:

Infographic: Who is Gen Now?
Study findings: What we learned
Action plan: How to get started

More on this topic

Find additional insights from Alan Moore's presentation, *Financial planning isn't just for boomers anymore:*

Quick highlights
Transcript

Gen Y—also known as Millennials—and Gen X have very different financial planning needs from the baby boomers and high-net-worth clients that many advisors are accustomed to serving, according to Alan Moore, co-founder of the XY Planning Network. For those advisors actively targeting younger clients, Moore believes a complete redesign of the firm's processes and approach will be required to successfully connect with and serve this group. Moore offers nine steps to help build a successful relationship with next-gen investors.

Not only is Alan Moore the president of an RIA firm and consultant for other firms looking to target Gen X and Gen Y investors, but he is also the quintessential next-gen investor himself. In only five years after he graduated with a master's degree in family financial planning, the 28-year-old entrepreneur's acceleration through what most would consider traditional life events mirrors what many of his peers have also experienced. He got married, moved across the country for his first job, bought investment property, left his job within a year to take a new position from which he was fired after six months, founded and sold a financial services firm, bought a house, had a baby, and got divorced.

"Welcome to life as a Millennial," Moore says. "Our lives move really fast. Technology has enabled us in ways that we never thought possible. When someone asks me what kind of financial planning I do for young people, I ask, 'What financial planning would you have done for me over the past five years and how terrified would you be of the next five years?'"

Moore says next-generation investors are accustomed to moving quickly, switching jobs, and using technology in everything they do. They want to build lives centered on generating life experiences today while balancing for the future, rather than working hard now and retiring at age 65 to enjoy life.

Collectively, Gen X and Gen Y encompass 140 million people and will inherit $30 trillion in wealth, according to Moore. He believes advisors who are committed to serving the next generation of investors must take several steps to attract and retain them.

"I do want to start pushing the boundaries a little bit of our cultural norms that we developed in financial planning," Moore says. While his approach may be considered a bit provocative, Moore is confident advisors committed to serving this demographic can effectively attract and retain this generation profitably.

Moore offers nine key steps for taking the plunge:

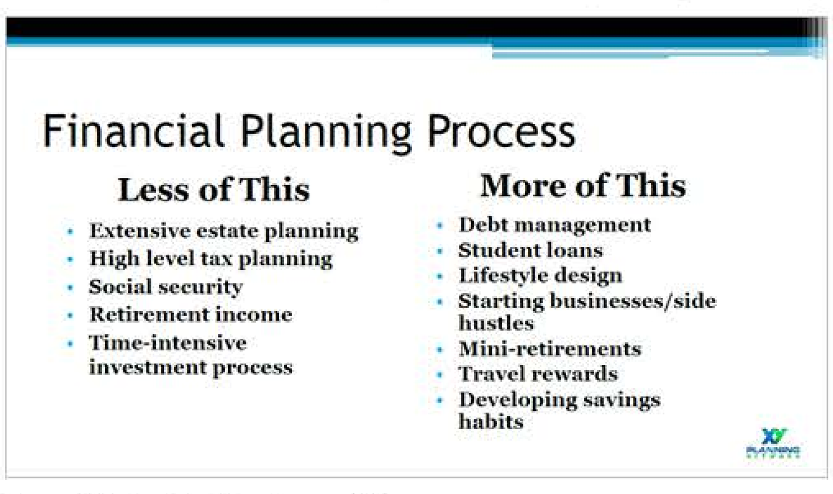
Be "all in" and ready to change the way you work

Firms need to restructure themselves to accommodate next-gen investors by offering new services, younger advisors, different fee structures, and flexible meetings, as well as adopting social media marketing strategies and harnessing technology.

"If you are not fully prepared to do it, stop," Moore cautions. "You don't have to do this. You can keep serving your clients in the amazing way that you've been serving them; but if you want to do this, it's going to require a full commitment."

Know what they don't want

Next-gen investors are not interested in the services advisors offer to baby boomer clients—estate planning, tax planning, Social Security analyses, retirement income, and time-intensive investment processes. Advisors may continue to offer these for older clients but should have a business model that incorporates services and approaches geared toward younger clients.



Source: Slide from Alan Moore's presentation.

Focus on what they do want, and have a service model that reflects their needs

Gen X and Gen Y clients worry about student loan repayment and debt management for car loans, mortgages, and college financing for their children. They are experiencing the life changes of marriage and starting families, which bring additional financial burdens. Many start their own businesses or work on the side in pursuit of financial independence. Their entrepreneurial mind-set reflects an understanding that Social Security will not suffice and that their lives may not divide neatly into work followed by retirement.

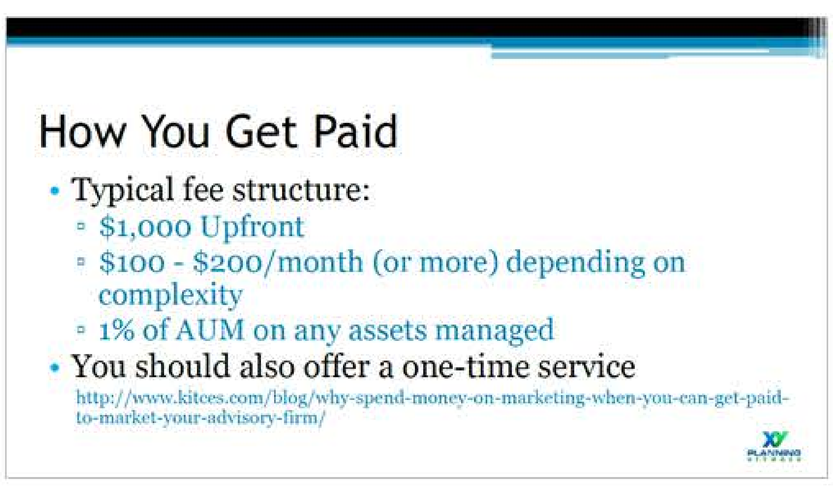
While finding ways to save money now is important to next-gen investors, they are focused on finding ways to increase income so that they can enjoy their lives now, rather than cutting back on expenditures. "My definition of financial planning is we help clients live great lives," Moore says. "If you want to help a 35-year-old recently married couple live a great life, what type of work would you be doing with them?" Shorter but more productive workweeks, mini retirements and sabbaticals, and travel are important, Moore says. Advisors who can have intelligent conversations on these topics will attract younger clients.

Offer specialized services around interest areas and needs

Moore recommends hiring or contracting with experts who offer specialized services, such as those around college loan repayment options, salary negotiations, lifestyle design, and travel rewards. Due to the intricacies of these topics, a single advisor can't provide comprehensive answers. These services can be onetime or ongoing services for clients, depending upon the need.

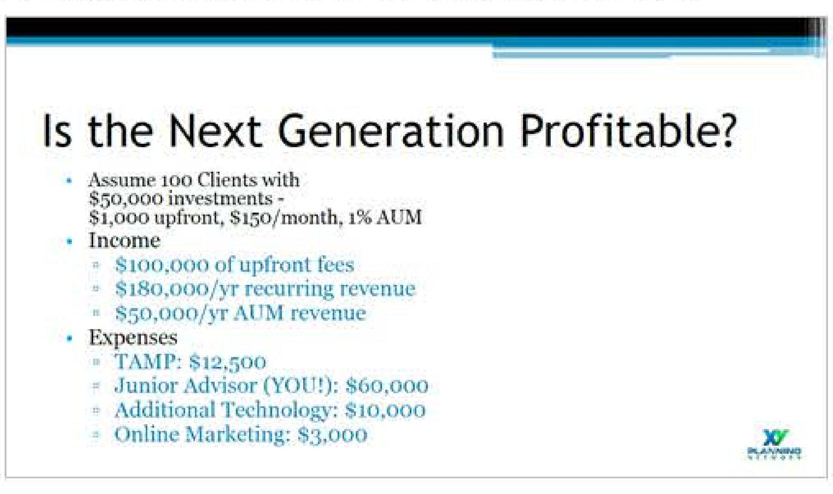
Adopt a monthly fee and fee-for-service model

Charging clients based on AUM is suitable for wealthy clients, but not younger or middle-income investors who have moderate, few, or no assets. While advisors may continue to keep an AUM-only model for high-net-worth clients, they can attract young and lower-net-worth clients by offering a combination of modest monthly fees, such as $100–$200; onetime service fees, such as $1,000 to $2,000 for a financial plan and $400 for college loan repayment plan, for example; and a charge of 1% of AUM with no asset-minimum requirement. Moore recommends using a turnkey asset management program or digital advice platform, like Institutional Intelligent Portfolios™, which is sponsored by Schwab Wealth Investment Advisory, Inc., that enables advisors to choose the investments and control allocations while leaving time-intensive tasks, such as trades and rebalancing, to the tool.



Source: Slide from Alan Moore's presentation.

When executed properly, the model works and is profitable because it is transparent and simple to manage, Moore says. Younger generations are accustomed to paying monthly fees and can see the tangible results of paying for onetime services. They are also more engaged with their advisors because they are paying up front for services.



Source: Slide from Alan Moore's presentation.

Hold 21st-century meetings.

Younger investors have busy schedules and often cannot meet during business hours, but what they do have is technology. Advisors can show flexibility by offering to meet with clients virtually via any number of video applications. They can also accommodate younger investors by scheduling in-person meetings during lunch hours, in the evenings, or on weekends.

Lose the paper. Use technology.

Gen X and Gen Y clients are accustomed to conducting business online. They don't want paper-based accounting processes and reports. Moore encourages advisors to use technology, including PDFs, digital signatures, cloud-based financial reporting tools, online document-sharing tools, and budgeting software.

Technology tools:

Moore suggests exploring the following technology tools to help streamline operational practices and better serve Gen X and Gen Y investors:

- Digital advice platforms, such as Institutional Intelligent Portfolios
- Budgeting: Mint.com[1] or a tool you can customize for your clients
- Cloud-based performance reporting available from Schwab and other leading providers
- Cloud document sharing, such as Box,[1] Dropbox,[1] or Google Drive[1]
- Paperless processing, such as Schwab's eAuthorization or eSignature capabilities
- Virtual meetings: Skype,[1] Google Hangouts,[1] or join.me[1]

Be a digital marketer

Many advisors have built their practices through word-of-mouth referrals. Younger clients will typically use referrals as a starting point and vet potential advisors via their favorite search engine. Reaching the next-generation investor, Moore says, requires expanding digital marketing efforts to include a search-engine-optimized website, blogs, social media, podcasts, and e-newsletters. He also suggests using website imagery that young investors can relate to, rather than overused elements, such as lighthouses and compasses.

"You've got to have a website that's engaging," he says. "This is your storefront."

Recruit and retain young advisors

The younger generation wants to work with advisors whom they can relate to because such advisors understand their life stage and reflect the same values. For these reasons, Moore says, 42% of younger clients prefer to work with someone who is within 10 years of their own age. The average age of financial advisors is 56 years, and less than 30% of CERTIFIED FINANCIAL PLANNER™ professionals are under 30.

According to Moore, not only do Gen X and Gen Y typically prefer working with younger financial planners, but the planners themselves want the opportunity to work with younger clients, too. He says firms need to recruit, retain, and develop these professionals in a way that breaks with the past.

How to recruit and retain next-gen talent

Moore believes competition for next-gen talent will be fierce and the barriers for these advisors to start their own firms will be low. "It is so easy to start your firm now, that they will leave if you ultimately don't develop them and give them the opportunities inside of your firm to work with their peers." Having a strong recruitment and retention strategy specifically targeted to this group will allow firms to have the right people in place to develop relationships with and serve Gen X and Gen Y investors.

Moore provides the following tips for recruiting and retaining next-gen talent for your firm:

- Recruit for the position needed today.
- Give young recruits client-facing responsibilities.
- Don't hire with the promise of making your recruit a partner in 10 years or selling them the firm. They can work hard and run their own firm in less time, and cashing out of your firm may not make financial sense for you. Offer partnership within five years. Young professionals are leaving the profession because they are getting "burned out on false promises," Moore says.
- Spend the time and money to mentor, and provide ongoing professional development and opportunities for meaningful interaction with clients.
- Offer business development responsibilities in year four.
- Don't worry that investment in young advisors may not lead to long-term employment. The average job length is less than three years. Make it worth their while to stay. At the very least, they'll do a great job for you in the time that they're with you.

Tech-savvy college graduates in financial planning are in high demand and want to hit the ground running. Firms must offer the right opportunities. The service model Moore suggests for reaching younger clients perfectly suits the ambitions of young planners who want positions in which they can help peers manage college loan debt, improve their credit, buy a house, and start their families.

Working with younger investors requires a complete redesign of a financial planning firm—every process, workflow, and idea. If you're ready for it, Moore says, the rewards of serving the next generation of investors can be both monetary and meaningful.

Read a transcript of Alan Moore's presentation to find additional insights. Learn how Schwab Business Consulting Services can help you define strategies that will help you serve this segment of clients. Our Insight to Action Program "Managing Client Profitability" explains how segmentation can increase productivity. Ask you relationship manager for more information.

PERSPECTIVES FROM IMPACT®

Schwab's IMPACT event is the industry's premier Registered Investment Advisor conference, providing access to deep insights on industry trends. IMPACT connects thousands of independent advisors from across the country with industry icons, entrepreneurs, leading academics, and analysts.

Own your tomorrow™

1. Please note that Schwab does not endorse these sites or the products and services you might find there.