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Millennials and Money: Evolving Your Business for the 21st Century

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Head of Intermediary Sales

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Together we'll go far



About our speaker



Wayne Badorf

Head of Intermediary Sales

Wayne Badorf is head of Intermediary Sales for Wells Fargo Asset Management and president of Wells Fargo Funds Distributor, LLC. In addition to his sales management responsibilities, Mr. Badorf is responsible for strategic and leadership initiatives across the organization. He earned a bachelor's degree in business administration from Millersville University of Pennsylvania and obtained the Certified Financial Planner™ (CFP®) designation and the Certified Fund Specialist® (CFS®) designation.

Advisors face two critical questions

1. Who will I transition my business to so that I can enjoy my own retirement?



Advisors face two critical questions

2. Is my business structured correctly while I'm still active?



The next generation of clients

Advisors need to attract and retain the next generation of clients.



The facts are powerful

51.5

Average age of a financial advisor²

41

Number of trillion that will pass from one generation to the next over the next 50 years¹

25%

Percentage of financial assets currently held by clients under the age of 50²

1. Source: Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy, John J. Havens and Paul G. Schervish, Boston College Social Welfare Research Institute, 1999 and subsequent validation in 2003

2. Source: Cerulli Quantitative Update, Advisor Metrics 2010

The generational timeline

Traditionalists

Born 1945 or earlier

Population: 75 million
Buying power: \$200 billion
Famous faces: Warren Buffet
Paul McCartney



Baby Boomers

Born 1946 to 1964

Population: 80 million
Buying power: \$1.6 trillion
Famous faces: Bill Gates
Madonna



Generation Xers

Born 1965 to 1980

Population: 46 million
Buying power: \$125 billion
Famous faces: Mark Zuckerberg
Tina Fey
Wayne Badorf



Millennials

Born 1980 to 2000

Population: 78 million
Buying power: \$172 billion
Celebrities: Kate Middleton
Justin Timberlake



While dates and age ranges that define the generations tend to vary from one research to another, each generation is more readily defined by personality and attitude attributes. In addition, there can be times when one may share characteristics of the generation that precede and follow them.

Source: *When Generations Collide*, Lynne C. Lancaster and David Stillman, U.S. Census Bureau

Five distinguishing Millennial characteristics

1

Always
connected

2

Expect more *value*

3

Fluid work
schedules

4

Seek
meaning

5

Multi-channel
communication

Millennial characteristic #1

1

Always
connected

2

Expect more *value*

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Fluid work
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Multi-channel
communication

Always connected: The Millennial experience

Progression of technology advancements



Always connected



- Grew up with technology
- Accustomed to immediate and accessible information
- Access to information is not perceived as valuable

Always connected



Recommendations for advisors:

- Create an online presence
- Develop website to educate, using video and multimedia
- Provide new ways to be contacted (text, email, etc.)
- Conduct web-based meetings via webcam
- Remember advisor *wisdom* is perceived as valuable

Millennial characteristic #2

1

Always
connected

2

Expect more *value*

3

Fluid work
schedules

4

Seek
meaning

5

Multi-channel
communication

Expect more value



- Evolution of technology affects what Millennials expect from advisors
- Technological advancements improve their lives
- Millennials want more for less
- Advisors need to adapt

Expect more value



Recommendations for advisors:

- Provide education for clients
- Be clear of fees and costs
- Research innovative ways to add value to your clients

Millennial characteristic #3

1

Always
connected

2

Expect more *value*

3

Fluid work
schedules

4

Seek
meaning

5

Multi-channel
communication

Fluid work schedules

46%

Percentage of U.S. workforce comprised by Millennials by 2020³

66%

Percentage of hiring managers in a recent study who said new college graduates are not prepared for the workplace.⁴



3. *Millennials & Money*, Highlights from the 2013 Wells Fargo Millennial Survey, February 2013

4. Employment Opportunities Look Bleak for Recent College Graduates, Vision Monday, May 2013

Fluid work schedules

2/3

Millennials who ask about social media policies during job interviews.
(56% will not accept job if social media is banned.)⁶

91%

Percentage of Millennials who anticipate staying in job less than three years.⁷



2/3

Millennials who believe they will achieve a greater standard of life than their parents.³



3. *Millennials & Money*, Highlights from the 2013 Wells Fargo Millennial Survey, February 2013
6. Gen Y Hub, *The New Workplace Currency*
7. Recruiter.com, *Job Tenure: A Millennial's Perspective*, January 2013

Fluid work schedules



- Seek balance
- Desire meaning
- Do not live to work
- Do not have 9-to-5 mentality
- Prefer to be measured by productivity

Fluid work schedules



Recommendations for advisors:

- Be accessible by email and text when outside your office
- Provide alternatives to traditional office hours
- Develop a page on your website that addresses frequently asked client questions

Millennial characteristic #4

1

Always
connected

2

Expect more *value*

3

Fluid work
schedules

4

Seek
meaning

5

Multi-channel
communication

TOMS Shoes



- Blake Thomas Mycoskie is the founder and chief shoe giver of TOMS Shoes.
- In 2006, Blake spent a day in Argentina delivering used shoes to children in need.
- He created the One for One business model, which provides a new pair of TOMS Shoes to a child in need for every pair purchased.

Seek meaning

64%

Percentage of Millennials who financed school through student loans.³

\$25k

Debt of average college graduate.⁴



3. *Millennials & Money*, Highlights from the 2013 Wells Fargo Millennial Survey, February 2013

4. Employment Opportunities Look Bleak for Recent College Graduates, Vision Monday, May 2013

Seek meaning



- Millennials value diversity
- They seek meaning in their contributions
- They attempt to find employers active in community involvement
- They tend to switch jobs more often than previous generations
- Their values transfer to their investing behavior

Seek meaning



Recommendations for advisors:

- Conduct workshops for clients and their children to teach them about money
- Host a college admissions event
- Don't assume the highest-performing investment is the most attractive
- Equip your office with drinks and magazines that appeal to X-ers and Millennials
- Create meeting space that facilitates open conversation (i.e.: Starbucks experience)

Millennial characteristic #5

1

Always
connected

2

Expect more *value*

3

Fluid work
schedules

4

Seek
meaning

5

Multi-channel
communication

Multi-channel communication

Desire a variety of communication options



Multi-channel communication



- Comfortable with texting, social media, and email, with a casual and open approach
- Have casual approach to authority
- Are scanners of information
- Are not comfortable with formal communication

Multi-channel communication



Recommendations for advisors:

- Master a variety of communication vehicles, (text, email, tweet, blog, IM, etc.)
- Communicate in short, concise, bulleted phrases Tweets=140 characters
- Provide immediate response to questions: ensure someone is managing these communications when you are not.

Why target Millennials?

Size of population



25%

Percentage of overall population that are Millennials.⁷

(75% of global workforce by 2025)⁸

200

Billions of dollars is the annual direct spending power of Millennials' loans.⁷

80

Millions of people in their 20s.⁷

7. *AMERICAN MILLENNIALS: Deciphering the Enigma Generation*, a joint partnership with Barkley conducted with Boston Consulting Group and SMG in 2011.
8. "Do Millennials Think Differently About Money And Career?" *Forbes*, September 2013

Why target Millennials?

Inheritors of Baby Boomer generation wealth



>2

Inheriting wealth faster than the two previous generations.⁹

1/3

Millennials aged 32 and under with up to \$1 million to invest who inherited their money.⁹

9. "Millennials Make Most of Massive Inheritance: Study"; CNBC; May 31, 2013

Why target Millennials?

American dream no longer a guarantee.
Result of the Great Recession



61%

Percentage of Millennials who label themselves as savers.³

55%

Percentage of Millennials who reported they hadn't started saving for retirement.¹⁰

64%

Percentage of Millennials who financed school through student loans.³

3. *Millennials & Money*, Highlights from the 2013 Wells Fargo Millennial Survey, February 2013
10. 2012 Generational Research Report: Financial Finesse, Inc.

Why target Millennials?

Millennials suffer from a relative lack of investment knowledge



29%

Percentage of Millennials who are confident their investments are allocated appropriately.¹¹

38%

Percentage of Millennials who have taken a risk tolerance assessment.¹¹

29%

Millennials who rebalance their investments.¹¹

11. 2012 Generational Research Report; Financial Finesse, Inc.

Questions and answers

I put a dollar in one of those change machines. Nothing changed.

~George Carlin

Learn more



To download a copy of the *Millennials and Money* white paper:

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