Millennial money: shaping a more meaningful retirement through engagement

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Intro – what are millennials and how are they different?

- Age range of millennials
- Motivations/traits
- What don’t they have in common
- Perceptions – generation snowflake, entitled

From the mouths of millennials....

A selection of comments from Generation Austerity contributors

"For a young person, it is really difficult to try and imagine how you might save a large enough amount to fund your retirement. Couple that with current low interest rates and the whole situation becomes rather complex." -Natanje Holt, Bravura

"Whilst the responsibility for pension saving has been placed squarely on the shoulders of individuals there has not been a corresponding effort to financially educate the young." -Freddie Ewer, Redington

"As a millennial myself, it is my belief that our saving and spending behaviours are also very different to older generations." -Charlie Goodman, Mattioli Woods

"To engage the younger generation, we need to find new ways of communicating the importance of getting to grips with saving and investing, and the freedom this can offer later on." -Charlotte Oates, MoneyBox

"Millennials do want to engage with the industry, but the financial crisis and subsequent market volatility have fostered a distrust." -Noelle Buckley, Wealth Management Association

The industry vs the young: the engagement factor

Millennials

- Appetite among young people for financial products… but not the means to invest.
- Understand the importance of saving, but don’t do it.
- Happy to use technology, but also value face to face contact more than any other group.
- Want to feel valued… but priced out of the human touch.

Industry

- Infrequent comms
- Saving is a long-term game
- Perception of being boring and out of touch.

MRM research

- Generation Austerity: Brexit and Beyond

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Key findings 2016/17

- Saving and spending
  - 48% expected to be worse off following the vote for Brexit
  - Top financial priorities include saving for a property (30%)
  - Half did not earn enough to save

- Investing and the economy
  - Men three times more likely than women to believe in power of stocks and shares
  - More likely to favour fixed income over other types of saving

- Pensions
  - Pensions top for priority for just 5% of those surveyed!
  - Underestimating pension requirements by £50,000
  - Thought they would mainly fund their retirement through the state pension

- Advice and access
  - 1/10 would be likely to use an adviser if it was targeted at millennials/had millennials working at the firm
  - 12% would choose an adviser who offered a young person's discount
  - Willing to pay just £28.50 an hour for an adviser. Nearly half wouldn't pay for an adviser at all.

Property vs pensions

GETTING ON THE HOUSING LADDER WAS RATED THE TOP FINANCIAL PRIORITY FOR THIS AGE GROUP, WITH

30%

EXPRESSING A DESIRE TO BUY A PROPERTY

18%

THOUGHT BUYING THEIR OWN HOUSE WOULD MAKE THEM THE MOST MONEY OVER THE LONG TERM

Property seen as more of a priority than a pension:

- An investment
- Place of one's own
- Cultural factors (strong in UK)
- Saving money on rent/boosting assets

But…

- growth projected to slow
- Tax advantages of saving into a pension

Key Challenges

Behavioural

Cultural

Individual

Economic

Industry

Key challenges (cont)

Behavioural

- paralysis caused by too much choice
- inertia/lack of interest
- Uncertainty
- confirmation bias

Cultural

- not saving enough
- FOMO/YOLO
- easy credit
- lack of trust in pensions

Industry

- Auto-enrolment
- Pension freedoms
- Loss of DB
- Constrained employer budgets
- Technology/threats to incumbents

Individual

- pressures on income
- rising living costs
- working in expensive cities
- other priorities on income (eg rent, paying off student loans)
- unwillingness to delay gratification
- saving is ‘boring’

Economic

- Low interest rates
- Rising cost of living
- High house prices
- Brexit worries
- Financial crisis legacy

Solutions

Overview

- Products
- Challenging mindset
- Learning from other industries
- Engagement and education
- Accountability
- Technology
- Reduce political tinkering

What can we learn from other industries?

- Be nimble (use of technology)
- Fit around your customers’ lives
- Listen to customers
- But be prepared to guide them
- Cost savings – leading to better outcomes for customers

Making education work

Where we are

- Financial education now on National Curriculum for ages 14+
- Too late (most habits formed aged 7)
- Part of PSHE (schools already overburdened)
- No tests/accountability

Where we need to be

- Compulsory saving
- Financial “driving test” before can use product
- Equipping young people with tools to help them make better decisions
- Real-life examples (MyBnk, budgeting workshops)
- Get people to understand benefits of saving, pensions

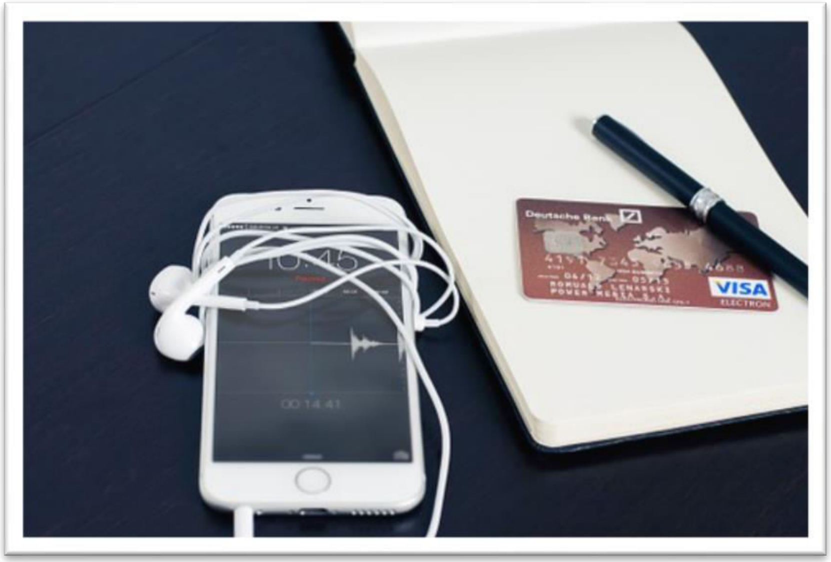
Challenging attitudes

- Victors not victims – in control of financial destiny
- Shaping the ‘retirement of your dreams’/ the ‘thirty year’ gap year
- Challenging perceptions of old age, Aviva campaign, Scottish Friendly grandparents campaign

Products

- Lisas/ISAs
- DC schemes – auto-enrolment

traditional



- Robo-advice
- Micro-saving apps

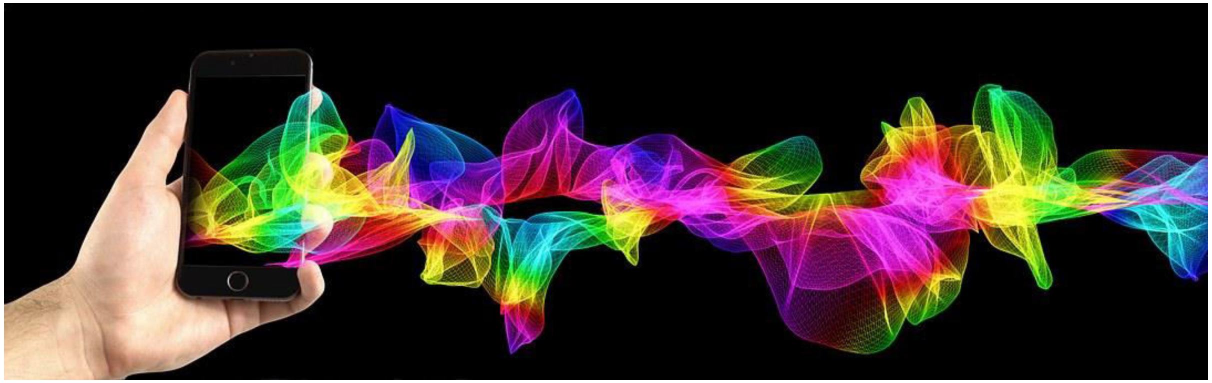
'new age'

Designing the perfect millennial pension…. The basics

- Simple
- Flexible – combines ‘impulse’ saving with regular, long-term
- Easy access
- Aspects of all products on the market
- Someone on hand to explain concepts
- Easy to use on the move
- Dashboard – aggregating tools. Easier to calculate how much you have/need
- Better returns

Designing the perfect millennial pension…. Taking it further!

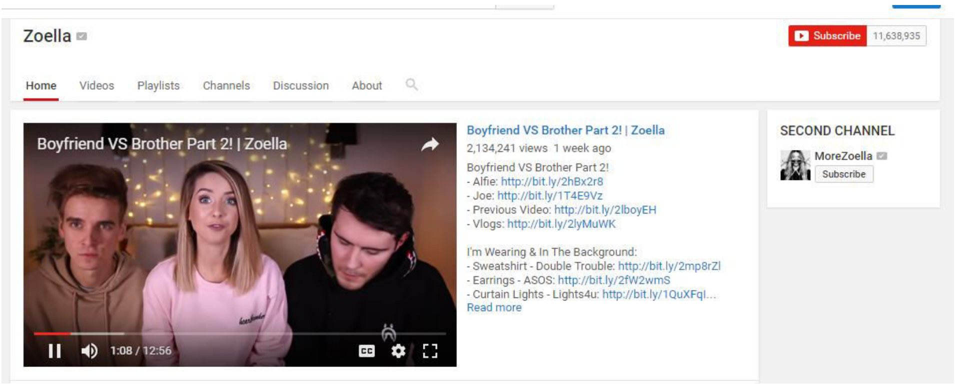
- Individualised savings goals
- Improving frequency of engagement touchpoints
- Behaviour aspects – ‘repetitive reinforcement’
- Ensuring these touchpoints are meaningful
- Gamification – making it fun, loyalty points
- Engaging earlier on – building trust on shot term saving products (incentives to save, travel info)
- Focus on impactful investing
- Gauging level of understanding throughout – tailored fin ed lessons
- The ‘human touch’



Holistic approach

- Complex problem
- No one solution works for everyone
- Combination of approaches key
- Long-term issue
- Work for government and industry
- Joining the dots… money affects every aspect of our lives so interweave it into other issues (food budgeting etc)

Engagement scenario 1: making financial services more immediate



https://youtu.be/k5peRAbtLsc

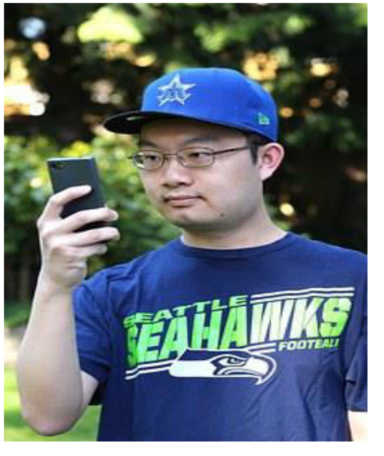
Zoella, Youtube star

-Current subscribers c.11.5 m
-Views – 850m + (as of November 2016)
-influence

Lessons for the industry
-banal, silly… but reflects daily life
-Trusted brand
-Room in the financial services industry for more vlogging – someone sorting out their finances
-Current videos chiefly explaining financial concepts (Pete Matthew and Martin Bamford)
-Podcasts – Beer & Bytes (MRM's own weekly podcast)
-Making finance part of daily lives
-Similar story for soaps

Engagement scenario 2: Emotional connection

- Emotional connection
- Disconnect between young people and the industry
- Young people want to engage…. Financial services want to work for them, but somewhere they are not connecting….
- Making the process less daunting



Contacts

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