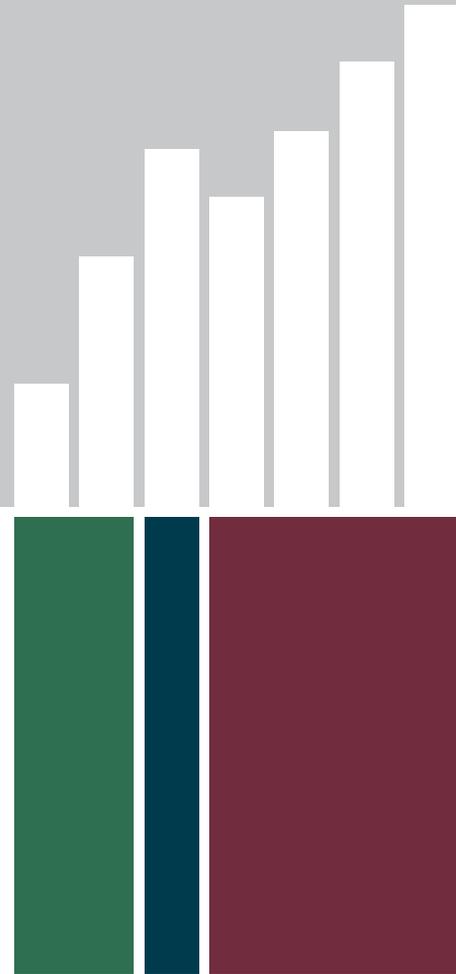


THE MILLENNIAL MARKET FOR FINANCIAL ADVISORS



Who are Millennials?

Millennials have quickly become a marketing buzzword for brands and services to target. But what defines the Millennial generation and why should Financial Advisors pay attention to this emerging market segment?

Millennials, often referred to as “the next generation”, are roughly defined as those born in the early 1980’s to the early 2000’s. As of 2015, Millennials represent about a fourth of the U.S. population with \$200 billion in annual buying power. ⁽¹⁾ Not only are Millennials the largest generation in the history of the U.S., but they will also receive the greatest transfer of inherited wealth (an estimated \$30 trillion will transfer from Baby Boomers to Millennials in the next few years). ⁽²⁾

The widely-held view on marketing to Millennials is that they lack the investable wealth to be additive to an advisor's business. Additionally, many advisors feel intimidated by the need to adapt their client conversations to effectively communicate with this generation. In reality, the opportunity with Millennials is substantial and warrants an advisor to adapt their business model to reach this audience. A study by Bankrate shows that Millennials are prioritizing financial health, and are actually saving larger portions of their paychecks versus older generations.⁽³⁾ Additionally, the largest 5-year subset of the Millennial Generation has now passed or is closely approaching the age of 25, which is meaningful as this is typically the age that overall and discretionary incomes begin to rise. As this age group grows older, and their salaries increase, there will be a plethora of opportunities for Financial Advisors to capitalize on their saving and retirement needs. It is important to understand, however, that this group's investing habits will look different from their parents and grandparents.

Businesses from all sectors are shifting their focus towards "the next generation" in order to capitalize on the growing spending power of this demographic, but only those who are tailoring their products and marketing efforts to satisfy the unique purchasing preferences of Millennials will be successful in reaching this market. "If companies have rested on doing business around the old baby boomer model, they're going to have to adjust," says Amir Eyal, CEO of Mylestone Plans.⁽⁴⁾ This age group's research and spending habits tend to be much different than previous generations.

How to Leverage Marketing to Capture the Opportunity Wave of Millennials

The future of Financial Services marketing will be more competitive, efficient, and transparent⁽⁵⁾ in order to adapt to the unique investment needs of the Millennial generation. Here's what this means for Financial Advisors:

Competitive

Millennials have shown that they are highly technologically savvy. While Baby Boomers and Gen X'ers tend to lean heavily on their advisors for information, Millennials are doing their own research, and expect their money managers to differentiate themselves.

Advisors should develop more targeted and personalized messages to better connect with this market. Most Millennials are still in the early stages of planning for retirement, purchasing homes, and starting families. They have different financial needs than Baby-Boomer clients. Advisors should focus on delivering personalized content and information that speaks to their investing needs at every phase of their life.

The future of Financial Services marketing will be more competitive, efficient, and transparent in order to adapt to the unique investment needs of the Millennial generation.

Efficient

The majority of Millennials use mobile apps to conduct financial transactions. They are looking for solutions that are quick, easy and user friendly. Unlike their parents, they prefer electronic communication and expect transactions to be executed in real time.

Advisors who leverage technology will be able to connect with the Millennial audience more quickly and on a broader scale. Leveraging social media, automated email messages, text alerts for appointment reminders,

and online account access, will not only customize the client's experience, but develop more efficient methods of communication, ultimately saving time for both the advisor and the client.

Transparent

Millennials thrive on transparency from brands and service providers. Millennial men and women have witnessed the hardships of former generations through market crashes, world impact events, and recessions. They are educated and demand transparency from their advisors on fees, market information, and returns. Millennials also lean heavily towards brands that are authentic; they are less likely to trust traditional advertising and are skeptical of large corporations.

Advisors who show authenticity throughout the advertising, customer service, and customer experience will have more chances of winning the Millennial business. They will be drawn to advisors who are upfront with fees and product offerings, and who keep their messages consistent and open.

Opportunities for Advisors to Capitalize on the Upcoming Millennial Market

Leverage Technology

Successful financial services firms have adopted social media in order to engage and communicate with Millennials. "62% of Millennials say that if a brand engages with them on social networks, they are more likely to become a loyal customer. They expect brands to not only be on social networks, but to engage with them." (6) Millennials want to trust their advisors and a great avenue to connect with them is on social media through customized and relevant content. 62% of Millennials say that their wealth manager's adoption and use of social media is important. (7)

Many successful advisors are also moving towards digital communication platforms such as automatic emails, text alerts for appointment reminders, and online account access. Millennials are looking for advisory services that are more automated and user-friendly.

Millennials and Socially Responsible Investing (SRI)

Studies show that Millennials strive to make an impact on the world, and Socially Responsible Investing has proven to be popular among younger investors who are concerned with the impacts their investments may have on society. Socially Responsible Investing is defined as investing with organizations that are either socially, environmentally or governance conscious. Millennials are looking for advisors who can provide products that not only produce positive returns, but that also align with their values. "It's clear this generation holds some influential keys to the future, and social responsibility is a top priority." Says Amir Eyal, CEO of Mylestone Plans. (4)

66% of Millennials are familiar with Socially Responsible Investing, while 82% of High Net Worth Millennials are currently expressing interest in socially responsible, sustainable and impact investing. (4) A recent online study conducted by Nielson found that Millennials are the most willing generation to pay extra fees for SRI offerings. (8) Socially Responsible Investing has quickly become a popular investing trend with this generation, and advisors who are able to educate and provide resources on investments that closely align with these values will be able to drive more interest from "the next generation" while also retaining their current client base.

Millennials are looking for advisors who can provide products that not only produce positive returns, but that also align with their values.

Overall, Millennials want a personalized investment experience that is quick, engaging and shows value. They look for transparency and authenticity when choosing their financial advisor, and will not be afraid to shop around until they find a good fit. According to a 2016 United States Wealth Management Research Study, two out of every 5 High Net Worth Millennials plan to change their wealth manager in the next 12 months. ⁽⁷⁾ In order to catch this wave of Millennial investors, advisors should consider all of the digital platforms their audience may be using, and develop customized and relevant content to deliver via these channels. Once the Millennial client has come through the door, advisors should make sure they are transparent and upfront with their business. Lastly, advisors who offer Values-Based or Socially Responsible investment products will have even better success in adding new Millennial clients to their books.

About Capstone's 30 Year History

Capstone is an independent investment advisor headquartered in Houston, Texas. Founded in 1987, Capstone manages approximately \$4.9 billion in equity, fixed income, and balanced accounts with clients nationwide. Capstone is also the exclusive manager for the Steward Funds, a family of values-based screened funds. Follow Capstone Asset Management on LinkedIn for provoking thought leadership and content that can be shared with your Millennial clients.

Sources:

- (1) <http://www.forbes.com/sites/danschawbel/2015/01/20/10-new-findings-about-the-millennial-consumer/#33b18da328a8>
- (2) <http://www.cnbc.com/2016/06/15/the-great-wealth-transfer-has-started.html>
- (3) <http://www.bankrate.com/finance/consumer-index/millennials-boost-savings-but-financial-security-slips.aspx>
- (4) <http://www.inc.com/molly-reynolds/millennials-could-be-shaping-the-future-of-socially-responsible-investing.html>
- (5) Forde, Jarlath (2016) "The New Asset Management Ecosystem: Drive Customer Loyalty & Grow AUM," Dreamforce Conference, Palace Hotel, San Francisco October 4, 2016.
- (6) <http://www.forbes.com/sites/danschawbel/2015/01/20/10-new-findings-about-the-millennial-consumer/2/#2a6f9ac642b8>
- (7) LinkedIn and Greenwich Associates, 2016 Study of 469 HNW Individuals focusing on Millennials and Generation X across the United States, United Kingdom, France and the Netherlands.
- (8) <http://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform.html>

Information and recommendations contained in Capstone Asset Management Company's market commentaries and writings are of a general nature and are provided solely for the use of Capstone Asset Management Company, its clients and prospective clients. This content is not to be reproduced, copied or made available to others without the expressed written consent of Capstone Asset Management Company. These materials reflect the opinion of Capstone Asset Management Company on the date of production and are subject to change at any time without notice, due to various factors, including opinions or positions. Where data is presented that is prepared by third parties, such information will be cited, and these sources have been deemed to be reliable. However, Capstone Asset Management Company does not warrant the accuracy of this information. The information provided herein is for information purposes only and does not constitute financial, investment, tax or legal advice. Investment advice can be provided only after the delivery of Capstone Assets Management Company's Brochure and Brochure Supplement (Form ADV Part 2A&B) and once a properly executed investment advisory agreement has been entered into by the client and Capstone Asset Management Company. All Investments are subject to risks.

Capstone Asset Management Company is an investment adviser registered with the SEC. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.