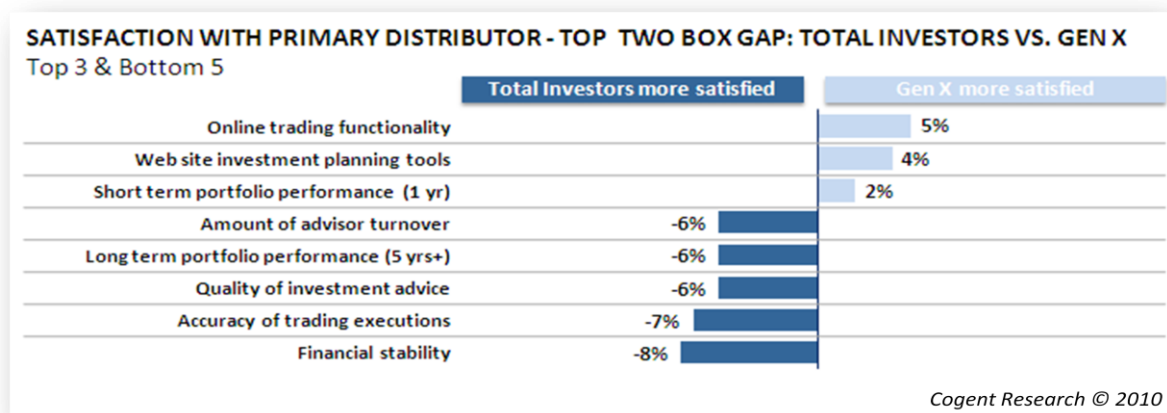


## Getting hip to The NeXt Generation of Millionaires™

*By Alan White*

While the financial services industry has been busy courting the in- or near- retirement Boomer generation, an emerging wave of younger, affluent investors has been silently growing, building wealth, and seeking financial services firms who will give them what they want. This group of Generation X thirty and forty somethings comprise about one-fifth of affluent investors in the United States and bring a unique perspective to the financial landscape. Asset managers, product manufacturers, and financial intermediaries alike should take note – the need to understand and adapt to the Generation X investor will be increasingly critical as the population ages and a new investor emerges. Generation X represents a significant opportunity in the current environment, and the smartest firms will realize that these investors bring the promise of wealthier and more profitable customers in the next decade.

Not surprisingly, the characteristically cynical group of Generation Xers is more than indifferent to the investment landscape ahead of them. For over a decade, they have been warned that they will not reap the benefit of Social Security as did their parents and grandparents. They’ve been exposed to the housing bubble and tech-bubble collapses of the nineties, the nightmare stories of day-traders, the economic upheavals that followed 9/11, the near historic collapse of the finance system, and the current global credit crisis that continues into this latest downturn. This cynicism certainly extends to the financial services arena. When compared to older generations, Generation X investors are consistently less satisfied and loyal – less than two-thirds are so-called “promoters” of the distributor that holds the lion’s share of their investable assets. Clearly, this does not bode well for the future as these affluent young investors are likely to be tomorrow’s millionaires.



### Where are Distributors Disconnecting with Generation X?

In general, distributors have done a good job of addressing one area where Generation X places more importance than older investors – online capabilities. As important to these younger investors as portfolio performance in driving distributor loyalty, Generation X investors tend to rate their primary distributor higher than other investors on attributes such as “online trading functionality” and “web site investment planning tools.” But online functionality is not the end-all of what drives this Generation’s loyalty. Beyond these attributes, Generation X tends to be less satisfied with their primary distributor on most other dimensions. In particular, perceptions regarding distributors’ financial stability, long-term portfolio performance, and quality service (including accuracy of executions, quality of advice,

service and support) garner the largest gaps in satisfaction from the younger set. No doubt influenced by the environment in which they've matured, it is clear that Generation X investors place more emphasis on, and want better evidence of, security and accuracy from their distributors.

Perhaps as important to Generation X investors as stability and quality is having a wide selection of investment products and services to choose from. Here again, younger investors generally indicate lower levels of satisfaction with their distributor than older generations. Distributor performance ratings for "range of investment products" and "range of investment services" tend to be rated much lower by younger investors.

### **A Convergence of Challenges?**

While it is certainly not surprising that Generation X investors, more skeptical and concerned with security and stability than generations before them, are more likely to work with online distributors that provide them control and access, it does present a major challenge. These investors are still not satisfied with the financial stability, breadth and quality of these offerings, leaving the industry with some difficult questions to address:

- What is an ideal messaging strategy that addresses younger investors' concerns and skepticism?
- What is the right balance to strike between empowering individual investors to take a more active role in their investment planning (through online tools and services), and offering competitive levels of personal service that grow brand loyalty – such as advice and guidance?
- How do the more online-advanced firms, such as e\*trade, Scottrade, and others, leverage their competitive advantage while also meeting investors' appetite for security, stability and long-term performance?

### **About Cogent Research's Syndicated Report: The NeXt Generation of Millionaires™**

For more information about the Generation X affluent investor mindset including behaviors, attitudes and perceptions, as well as how distributors, mutual fund, variable annuity, and ETF providers perform with this critical segment, check out Cogent Research's [The NeXt Generation of Millionaires™](#), available in June.

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