Advisor Authority

ADVISOR AUTHORITY 2019

The Future of Advice

The Innovation and Issues that RIAs, Fee-Based Advisors and Investors Care About Most

CHAPTER 3 – MILLENNIALS AND GENERATION X:

Targeting the Emerging Market of New Investors

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ADVISOR AUTHORITY:

The Innovation and Issues that RIAs, Fee-Based Advisors and Investors Care About Most

Letter from Craig Hawley, Head of Nationwide's Annuity Distribution

Our commitment to RIAs and fee-based advisors inspired us to launch our annual *Advisor Authority* study, now finishing its fifth year and preparing to launch its sixth. We continue to explore the issues and innovative solutions that matter most, to help all advisors at every level tap into the tremendous potential of the independent fee-based channel.

In this latest *Advisor Authority* Special Report, we focus on the emerging market of Millennial and Generation X investors—exploring the unique characteristics that differentiate them, both from each other and from their older counterparts. In this report, we'll help you better understand these two generations, including their priorities, preferences and top concerns, to help you attract them as new clients, enhance current profitability and build a foundation for the future growth of your firm.

As *Advisor Authority* has shown, advisors today must look to the future and adapt—or be left behind. The advisors poised to succeed in the face of these challenges are those who can differentiate themselves by focusing on holistic financial planning, harnessing the benefits of Artificial Intelligence (AI) and creating the competitive advantage of a unique customer experience. Overarching everything, it is clear that the client must come first—a commitment RIAs and fee-based advisors have been making from day one.

Nationwide Advisory Solutions was built from the ground up with a singular focus on serving RIAs and fee-based advisors. We believe in the tremendous potential of the fee-based channel to drive new innovation, disrupt the status quo and transform the future of our industry. We have never stopped in our efforts to develop a deeper understanding of the challenges you face and the solutions that you need to succeed.

We will continue taking the pulse of RIAs, fee-based advisors and their clients, to establish benchmarks and provide you with the actionable insights that are so important for your success. We believe you'll find our research insightful. As always, we welcome your feedback on our findings and your suggestions for next year's study.

Sincerely,
Craig Hawley
Head of Nationwide's Annuity Distribution

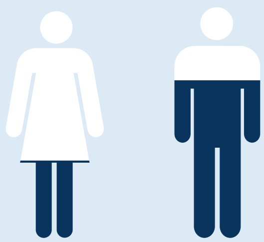
Demographics & Methodology

This is our fifth annual *Advisor Authority* study on the issues and innovative solutions that RIAs and fee-based advisors care about most. It was conceived as a tool that takes the pulse of RIAs and fee-based advisors of all sizes and at every level of experience to establish benchmarks that you can use to measure your progress relative to your peers—as well as to learn from recognized leaders and industry innovators. As in previous years, we published a series of Special Reports that were released throughout 2019 and into the first quarter of 2020.

Conducted on behalf of Nationwide Advisory Solutions by The Harris Poll, a leading independent market research firm, the online survey was fielded from February 15 – March 4, 2019 reflecting the viewpoints of more than 1,800 financial advisors and individual investors who reside in the U.S. This year's study includes 1,021 advisors in total, weighted where necessary by employment status and active management to bring them in line with previous years' profile. Among these respondents, we survey a "trended group" of 766 RIAs and fee-based advisors, who meet the same qualification criteria as in prior years of our *Advisor Authority* research and were the primary focus in this year's series of Special Reports.

Advisor Authority 2019: "Trended" RIAs and Fee-Based Advisors

Gender



36% Female

64% Male

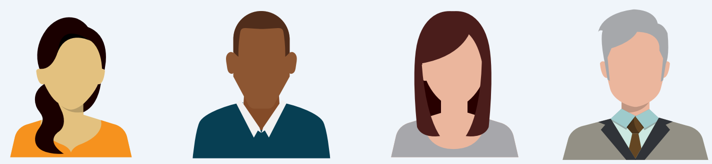
Age

Millennial (18-38) – 48%

Generation X (39-54) – 33%

Baby Boomer (55-73) – 18%

Matures (74+) – 2%



Total AUM Managed (Individually)

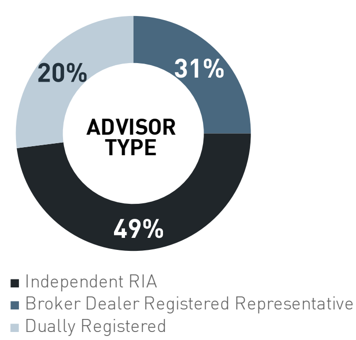
22% Less than $25 million

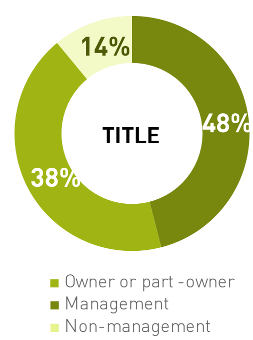
19% $25 to less than $50 million

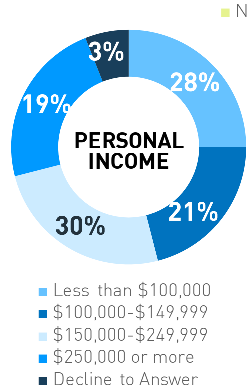
24% $50 to less than $100 million

21% $100 to less than $250 million

14% $250 million or more







Among the **824 Investors**, we surveyed:

205 Mass Affluent

205 Emerging High Net Worth (Emerging HNW)

207 High Net Worth (HNW)

207 Ultra High Net Worth (Ultra HNW)

Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online in order to bring them in line with their actual proportions in the population.

Gender

41% Female

59% Male

Age

Millennial (18-38)	Generation X (39-54)	Baby Boomer (55-73)	Matures (74+)
23%	25%	44%	8%

Financial Decision Maker

65% Primary Financial Decision Maker

35% Joint Financial Decision Maker

Advisor Relationship Status

62% Have a financial advisor

38% Do not have a financial advisor

Household Investable Assets

59% Mass Affluent
$100,000 to less than $500,000

18% Emerging HNW
$500,000 to less than $1 Million

14% HNW
$1 Million to less than $5 Million

9% Ultra HNW
$5 Million or more

INTRODUCING OUR SUBJECT MATTER EXPERTS:

We interview leading subject matter experts to provide you with a deeper understanding of the innovation and issues that matter most. In this *Advisor Authority* Special Report, our experts reveal insights on the unique needs of Millennial and Generation X investors, including their priorities, preferences and top concerns, to help you attract them as new clients, enhance current profitability and build a foundation for the future growth of your firm.

You'll find their expert commentary at various points throughout our Special Report, as well as a more in-depth interview with each expert in a dedicated section at the end of this report. Through their innovative solutions and actionable insights, you can adapt to change, stay a step ahead and define your own path to success.

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

Jen Dawson helps clients get crystal clear about what's most important in life, and then helps them feel confident and connected to the financial plan that supports their vision. She advises clients well beyond portfolio management, including a focus on financial freedom, college funding and tax reduction strategies. Jen graduated from University of South Carolina's Honors College Summa Cum Laude with a degree in Mathematics, was an Academic All-American and captain of USC's NCAA National Championship Track & Field team. She earned her CFP® designation through Northwestern University. She is a member of the Financial Planning Association, the Professional Women's Club of Chicago, and is a 3-time winner of the 5-Star Wealth Manager award.

Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

Alex Rupert, CFP® works closely with individuals, families, business owners and entrepreneurs to help them more effectively manage their wealth and better understand their personal financial landscapes. He creates, facilitates, educates and implements financial planning strategies with clients, with the objective of delivering the most efficient strategies for each client's goals and providing a strong understanding of their personal financial situation. He is a board member of FPA of Northeast Ohio and serves on the Membership Committee for the Estate Planning Council of Cleveland. In addition to his CFP and Series 65, Alex earned a Bachelors in Finance from the University of Akron.

EXECUTIVE SUMMARY

Millennial and Generation X: Targeting the Emerging Market of New Investors

To drive greater profitability, successful advisors say year over year that the push for new clients is a top priority. To build a foundation for the future, they say it's important to have a plan to target the next generation. And in this year's *Advisor Authority* study, we saw that successful advisors have pulled back on targeting Baby Boomers and are putting more effort into the emerging markets of Millennial and Generation X investors.

The trends are well known. While Baby Boomers continue to control the largest percentage of assets overall, they are shifting into retirement at a rate of 10,000 per day. Millennials have now grown to replace Boomers as the largest cohort—and both Millennials and Generation X (Gen Xers) will have more wealth in the coming decades.

More than one-third of Millennials (39%) and more than half of Gen Xers (52%) still don't have an advisor. The opportunity to tap into the market of emerging investors is huge. So, what do you need to know in order to tap into these emerging markets?

This Special Report will help you better understand the unique characteristics, priorities, preferences and top concerns of the next generations of investors so you can attract them as new clients, enhance current profitability and build a foundation for the future growth of your firm. We provide you with actionable insights so you can enhance profitability now—and position your firm for the future.

Generational Differences in Financial Decision Making

From choosing an advisor, to their financial outlook, these two generations often take a different approach and often have a different point of view.

Greater Optimism Does Not Mean Fewer Concerns

Despite their outsize debt and other financial challenges, Millennials are far more likely than Gen Xers to have an optimistic financial outlook.

Strategies for Protecting Assets—and Financial Futures

Despite their young age, long time horizon and current financial restraints, Millennials are already thinking about saving for retirement, protecting against outliving their savings and protecting assets against market risk.

Volatility Raising Concerns—and Creating Opportunity

Market volatility can raise concerns about protecting assets. But when it comes to the top factors driving volatility—and the benefits of having an advisor when market are volatile—Millennials differ from Gen Xers.

Comparing Top Financial Concerns

While they share similarities in their top financial concerns, Millennials identify a wider range of issues among their top three concerns than Gen Xers.

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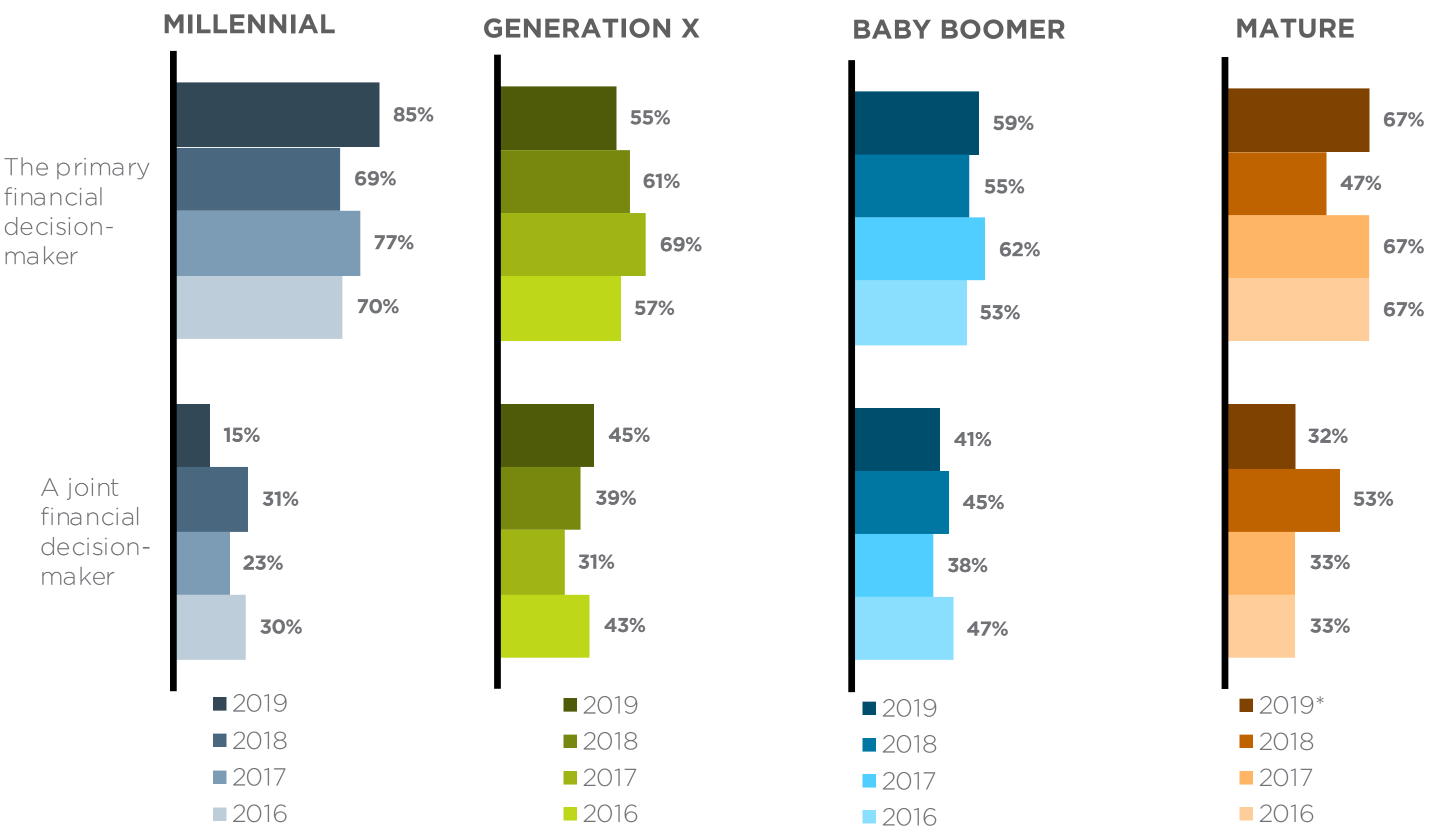
GENERATIONAL DIFFERENCES IN FINANCIAL DECISION MAKING

Our data shows clear differences between Millennials and Gen Xers when it comes to making financial decisions. From choosing an advisor, to their financial outlook, these two generations often take a different approach and often have a different point of view.

The majority of Millennials say they are the primary decision maker in their household (85%) compared to only 55% of Gen Xers, 59% of Boomers and 68% of Matures*. Studies show that many Millennials are going solo—delaying marriage, having children, home-buying and more—and an important reason why is their overwhelming debt.

While Millennials are the most educated generation, they are also saddled with more student loan debt than previous generations—and may be dealing with the repercussions for decades to come. Today, individual Millennials are wrestling with an average of $72,000 in total debt, including average of $14,700 in student loan debt. In fact, according to a survey by NBC News, a majority of Millennials have hit pause on major life events because of how much they owe.

PRIMARY DECISION MAKER?



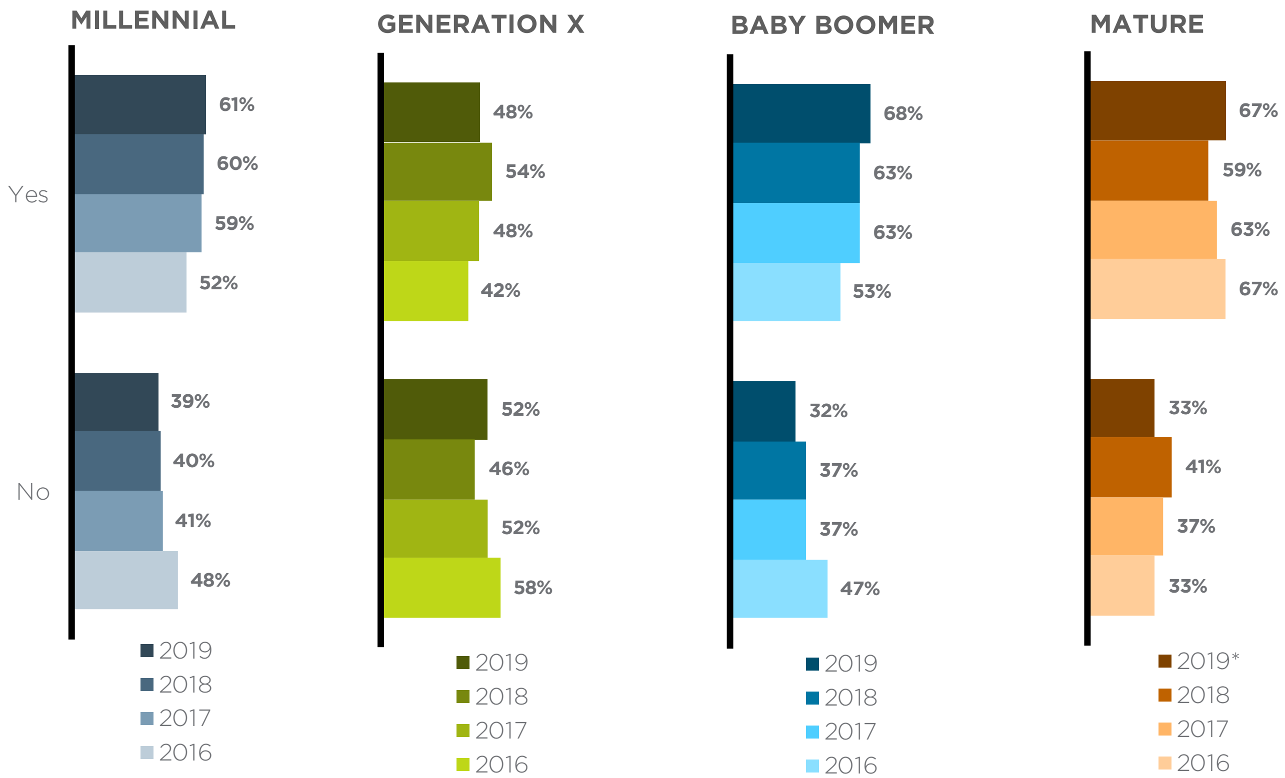
*Caution: small sample size (<100)

Base: Qualified Investors: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)

SQ9000. When it comes to financial decisions regarding long-term financial planning, such as investment decisions and retirement planning for yourself or your family, would you say that you are:

Another key difference between Millennials and Gen Xers is the likelihood of having an advisor. While nearly two-thirds of Millennials say they have a financial advisor (61%), slightly less than half of Gen Xers say they have an advisor (48%). Additionally, the percentage of Millennials with advisors has been steadily increasing—rising to 61% in 2019 from 52% in 2016.

DO YOU HAVE AN ADVISOR?



*Caution: small sample size (<100)

Base: Qualified Investors: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)

Q800. Do you have a financial advisor?

"Make sure you listen. It doesn't matter if you're a Millennial, a Gen Xer or a Baby Boomer—everybody wants to find somebody who gets them, who listens, who understands their issues, and can help them solve problems. And that's an art, not a science."

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

"I take a step back and ask, 'What attracts clients?' Clients expect you to provide a valuable service—way beyond the basics of managing their portfolio."

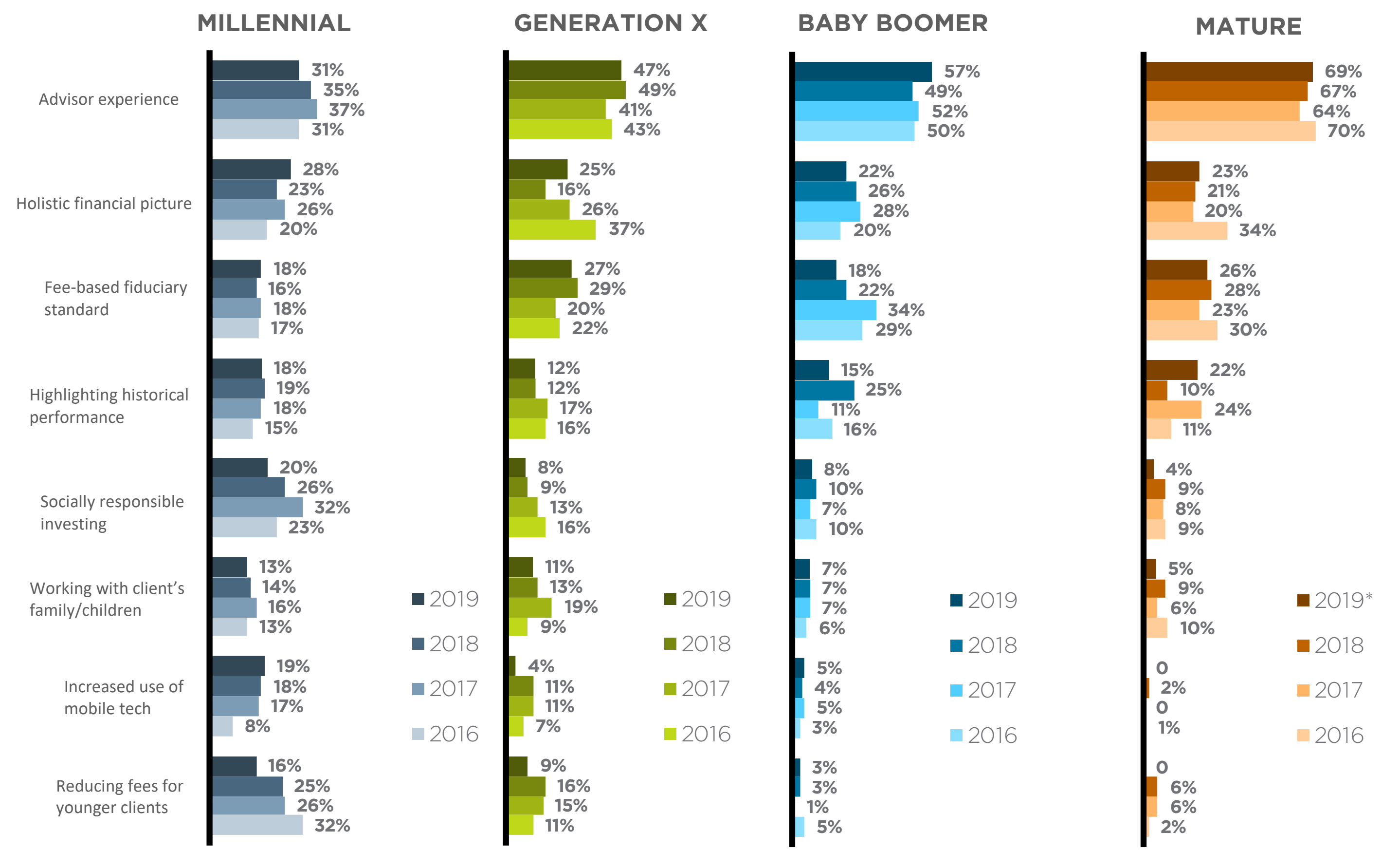
Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

More than one-third of Millennials (39%) and more than half of Gen Xers (52%) still don't have an advisor. The opportunity to tap into the market of emerging investors is huge. So, what do you need to know?

When choosing an advisor, year over year both Millennials and Gen Xers say experience matters most (31% and 47%) and both of these generations also include personalized advice for a holistic financial picture (28% and 25%) among their top two or three.

But the factors influencing their decision to work with a financial advisor also reflect strong differences in values and priorities. While more Millennials than Gen Xers cite socially responsible investing (20% vs 8%) and increased use of mobile technology (19% vs 4%), fewer cite a fiduciary standard (18% vs 27%). When targeting Millennial investors, this may reflect an important knowledge gap—and an important opportunity to educate them on the benefits of working with an advisor who puts their clients' best interest first.

TOP 8 FACTORS FOR CHOOSING AN ADVISOR



"**" = <.5%, "-" = 0%

*Caution: small sample size (<100

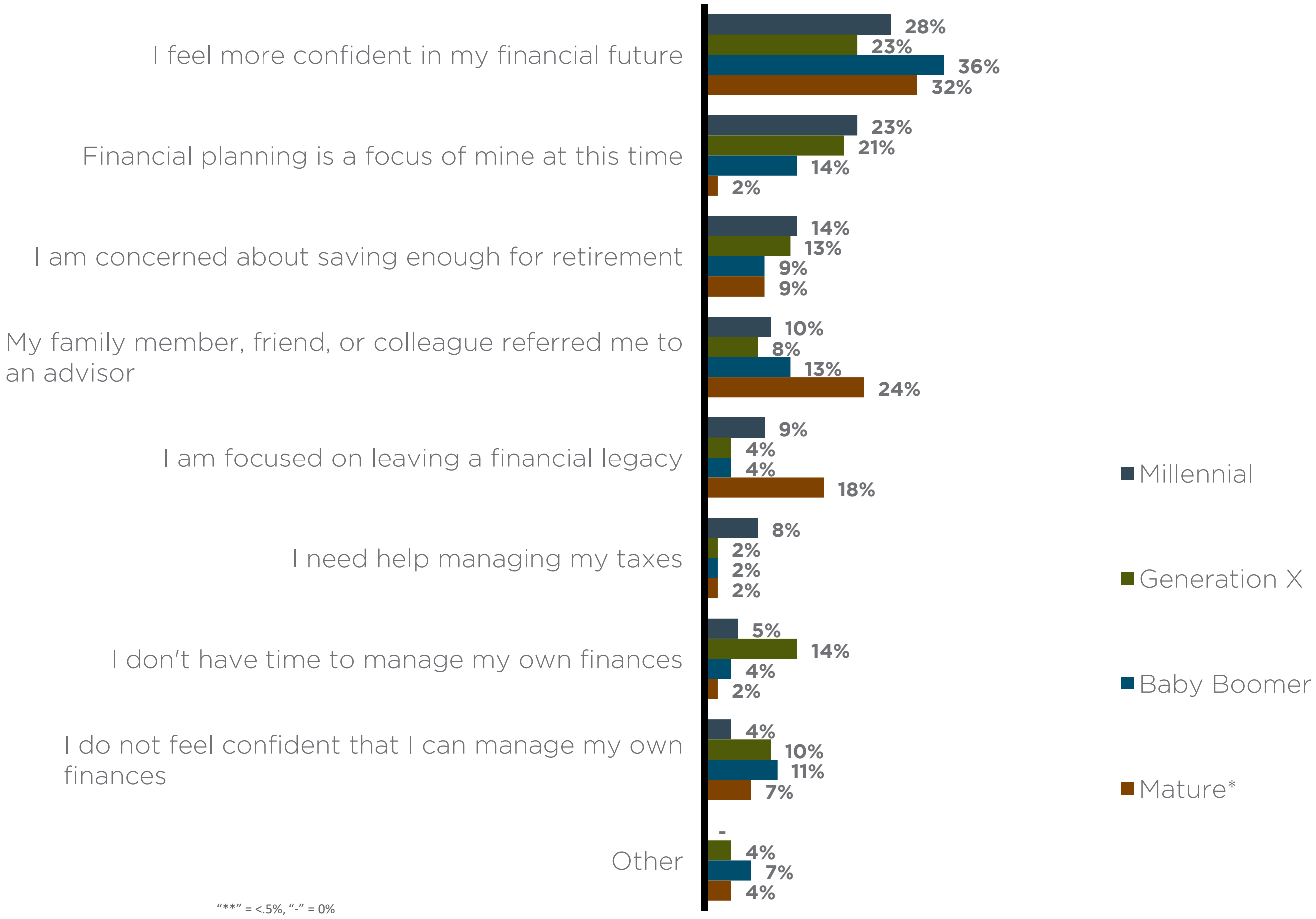
Base: Qualified Investors: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)

Q930. Which of the following would make you more likely/influenced you to work with a/your financial advisor? Please select up to three.

While face-to-face meetings are vitally important for building a relationship with clients, communication preferences among Millennials and Gen Xers are shifting. For the first time, Millennials show a very slight preference for a phone call (34%) over face-to-face meetings (33%), while their preference for emails is dramatically declining (8% in 2019 vs 21% in 2016). Meanwhile, Gen Xers show the strongest preference for email (36%) over face-to-face meetings (31%) while their preference for telephone declined somewhat (23% in 2019 vs 36% in 2016).

Despite their differences, these two generations do agree on one thing. Both Millennials and Gen Xers who have a financial advisor say the number-one reason they have an advisor is that it makes them feel more confident in their financial future (28% and 23%).

MAIN REASON FOR HAVING AN ADVISOR



"**" = <.5%, "-" = 0%

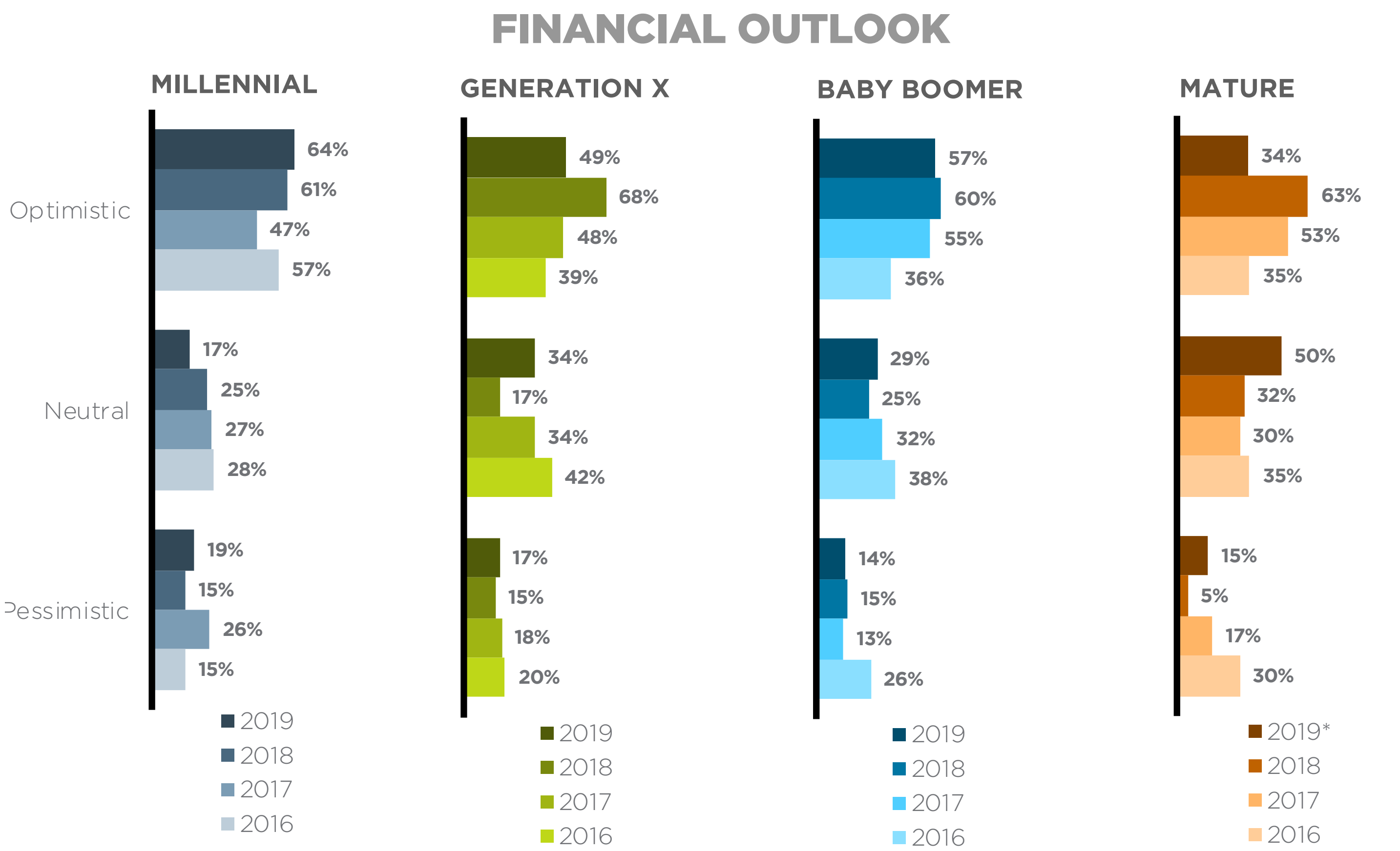
*Caution: small sample size (<100

Base: Qualified Investors With A Financial Advisor: Millennial (n=132); Generation X (n=131); Baby Boomer (n=268); Mature (n=43*)

Q802. What is the main reason you have a financial advisor? Please select one.

GREATER OPTIMISM DOES NOT MEAN FEWER CONCERNS

Despite their outsize debt and other financial challenges, more Millennials than Gen Xers have an optimistic financial outlook (64% vs 49%). Likewise, more Millennials than Boomers (57%) and Matures (34%) have an optimistic financial outlook.



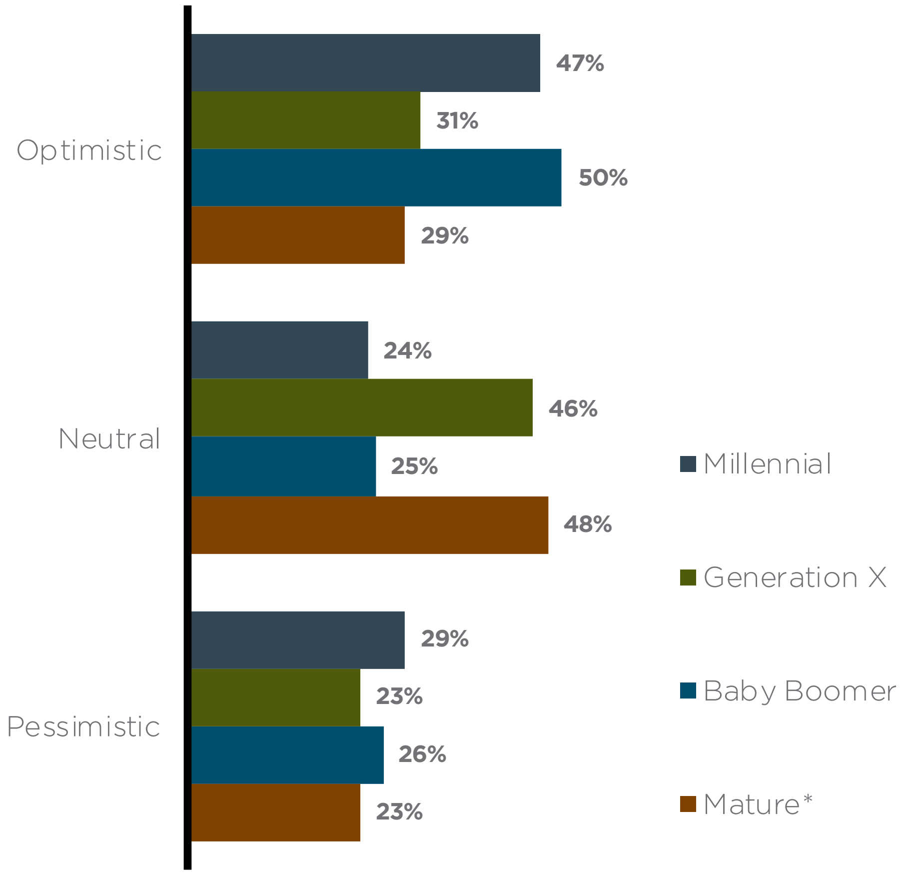
"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
<u>**Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)**</u>
Q1065. How would you describe your financial outlook for 2019?

> "My favorite question to ask people is, 'What makes you feel best about your finances?' I want to inspire them to develop a better relationship with their money and create a 'positive money mindset.'"

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

Likewise, more Millennials than Gen Xers have an optimistic outlook on the U.S. economy (47% vs 31%). While Millennials' outlook on the economy is more closely aligned with Boomers' (50%), surprisingly Gen Xers' outlook is more closely aligned with Matures (29%). Yet, both Millennials and Gen Xers are equally concerned about a U.S. economic recession over the next 12 months (61% each). More Millennials and Gen Xers are concerned than Boomers (53%), while fewer Millennials and Gen Xers are concerned than Matures (66%).

OUTLOOK ON U.S. ECONOMY

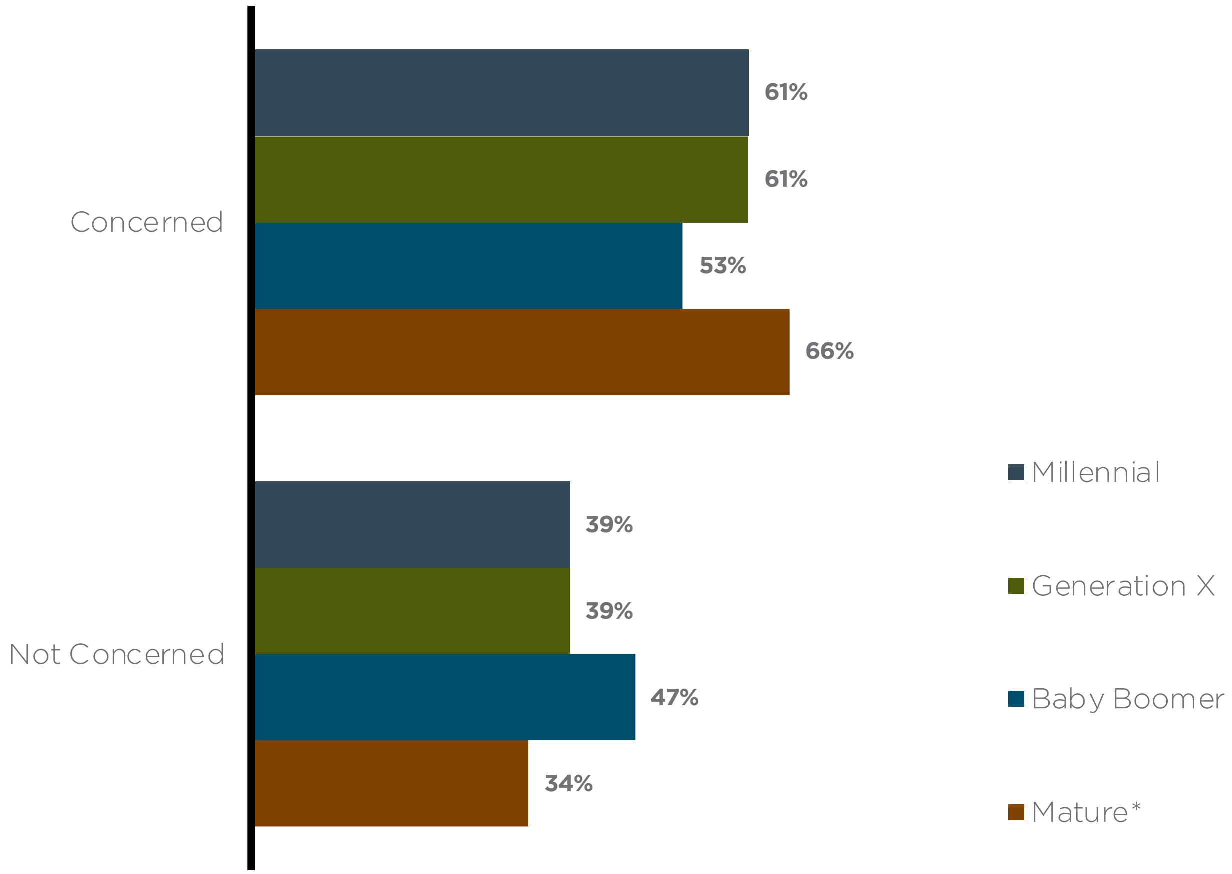


""**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)
Q1215. What is your outlook on the US economy over the next 12 months?

"I think comprehensive financial planning is the future of advice. I feel that is where the industry's headed. We're not operating in silos—not just thinking investments, not just thinking about your estate, not just thinking about your taxes. We're thinking about all of it comprehensively. And being the client's primary contact for anything related to their personal finances. Being the point person for the accountants, the estate attorneys, the insurance providers."

Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

CONCERN ABOUT RECESSION



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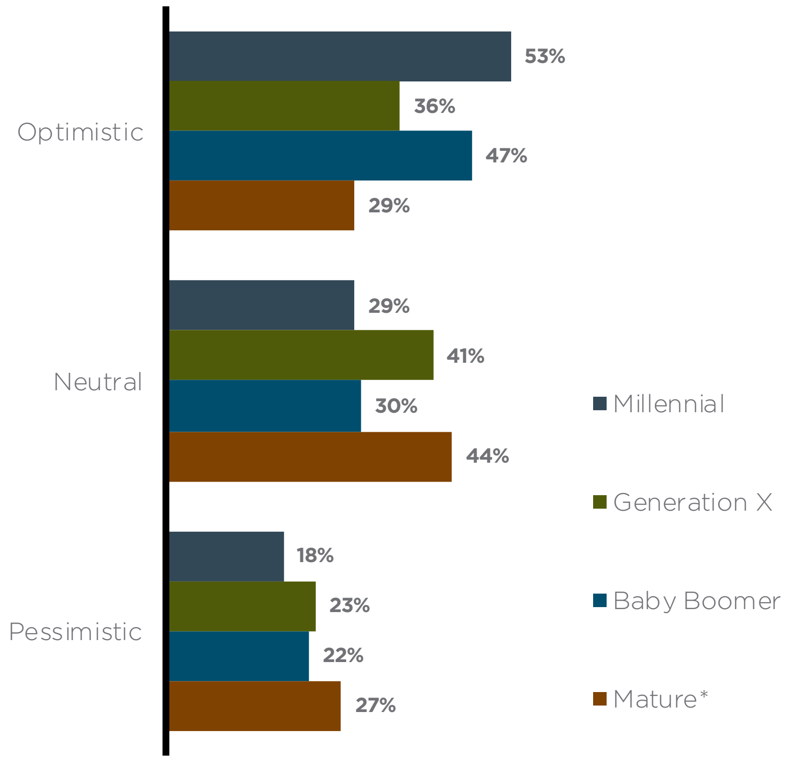
*Caution: small sample size (<100
Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)
Q1220. How concerned are you about a US economic recession (two successive quarters of decline in GDP) over the next 12 months?

> "Millennials who lived through 2008, they were just graduating, they couldn't find a job, they have these big student loans. They saw their parents getting laid off and losing money in their 401(k)s. Their fear of the market is controlled by emotion, versus looking at the data and making good decisions. So it's our job to educate them and help them get back on the right path."

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

More Millennials also have an optimistic outlook on the U.S. stock market (53%) than Gen Xers (36%), Boomers (47%) and Matures (29%). Yet Millennials are more concerned about a Bear Market (61%) than Gen Xers (57%), Boomers (47%) and Matures (57%).

OUTLOOK ON U.S. STOCK MARKET

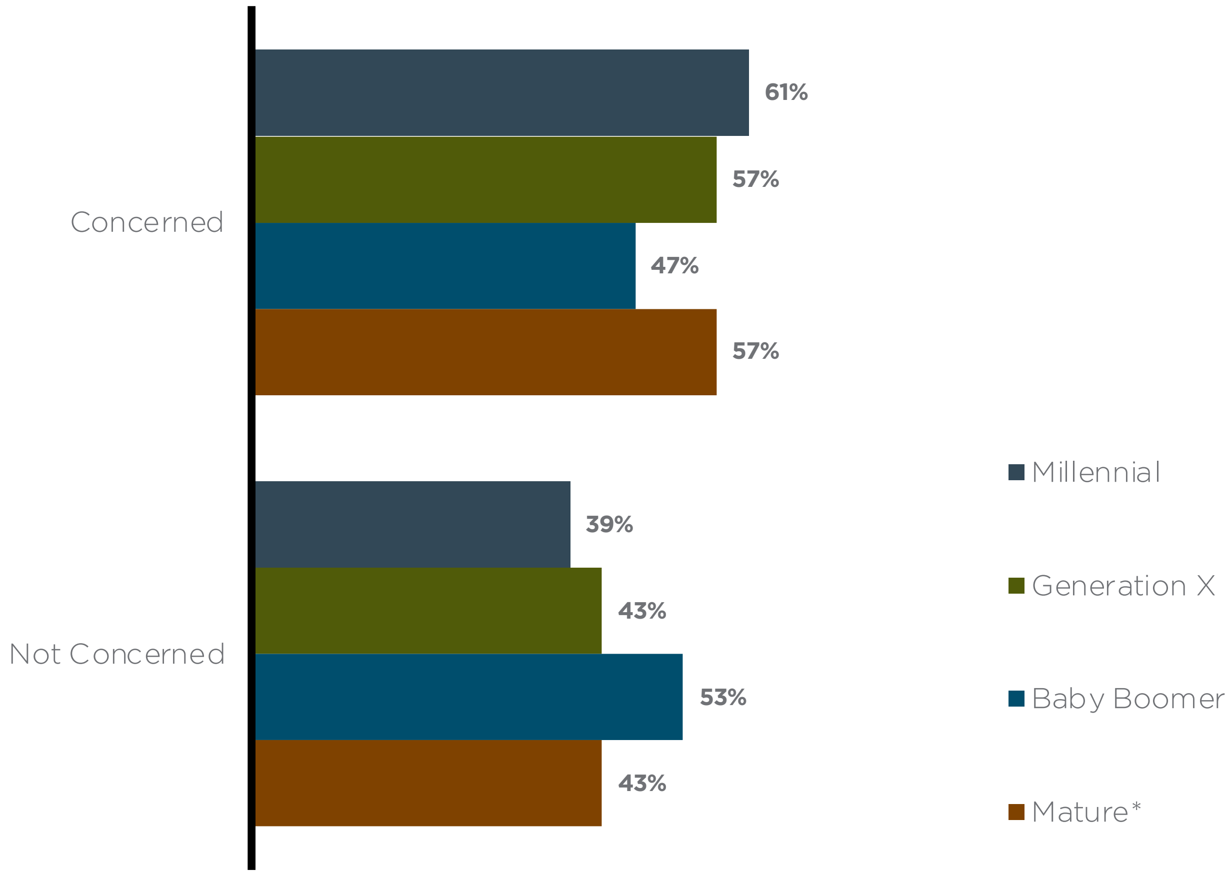


"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67)
Q1225. What is your outlook on the US stock market over the next 12 months?

> "I think that's our job as advisors. Having those conversations, providing context and education, especially to the younger people, and keeping time horizon in mind. We want them to help the understand the idea of compounding—and its value over time."

Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

CONCERN ABOUT BEAR MARKET



"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
<u>**Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)**</u>
Q1240. How concerned are you about a US Bear Market (20% decline) over the next 12 months?

> "The most important step is getting to know the younger generation of family and incorporating them into the comprehensive financial plan from the start. By having the children and the grandchildren be part of those conversations, they're part of the big picture at least to some degree."

Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

STRATEGIES FOR PROTECTING ASSETS—AND FINANCIAL FUTURES

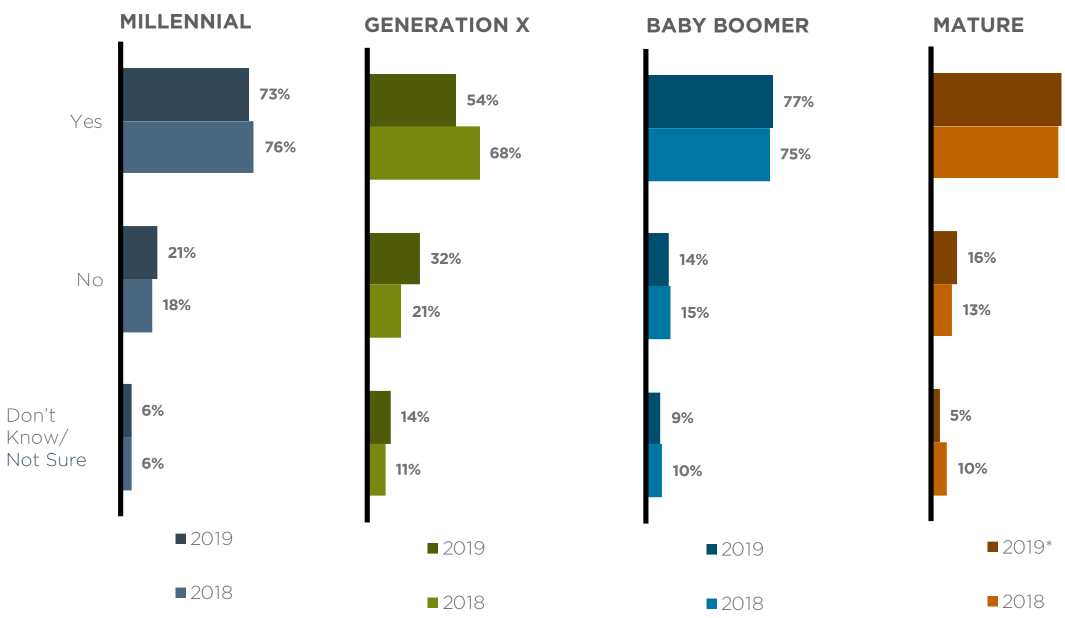
Despite their young age, long time horizon and current financial restraints, Millennials are already thinking about saving for retirement and protecting against outliving their savings. While it might seem counterintuitive for this youngest generation, unprecedented events and factors have shaped their perceptions about the reliability of markets and investing for the future.

Many Millennials came of age, graduated college and struggled to enter the workforce during the Market Crash of 2008 and the Great Recession. They endured a decade of volatility, witnessing the erosion of the social safety net, and watched their parents' portfolios and retirement accounts decline as their pension plans disappeared. Meanwhile, Gen Xers entered the workforce during the boom years between the mid-80s and the late-90s, when the workforce, market and economy were thriving.

Perhaps it is because of these different experiences that nearly three-quarters of Millennials (73%) say they have a strategy to protect against outliving their savings, as compared to roughly half of Gen Xers (54%). When it comes to protecting against outliving their savings, among those investors who have a strategy, more Millennials than Gen Xers use more sophisticated solutions like Variable Annuities with Living Benefits (36% vs 27%), Deferred Income Annuities (DIAs, 30% vs 8%), Single Premium Immediate Annuities (SPIAs, 20% vs 11%), Qualified Longevity Annuity Contracts (QLACs, 27% vs 9%), and Contingent Deferred Annuities (CDAs, 20% vs 9%).

Millennials most commonly expect to begin retiring roughly 30 years from now (25%), while Gen Xers most commonly expect to begin retiring roughly 20 years from now (16%). Only 16% of Millennials say they do not expect to retire, compared to a full quarter of Gen Xers (25%). Yet 65% of Millennials already say that concerns about the need for guaranteed income to supplement Social Security keeps them up at night, compared to only 45% of Gen Xers.

STRATEGY TO PROTECT AGAINST OUTLIVING SAVINGS?



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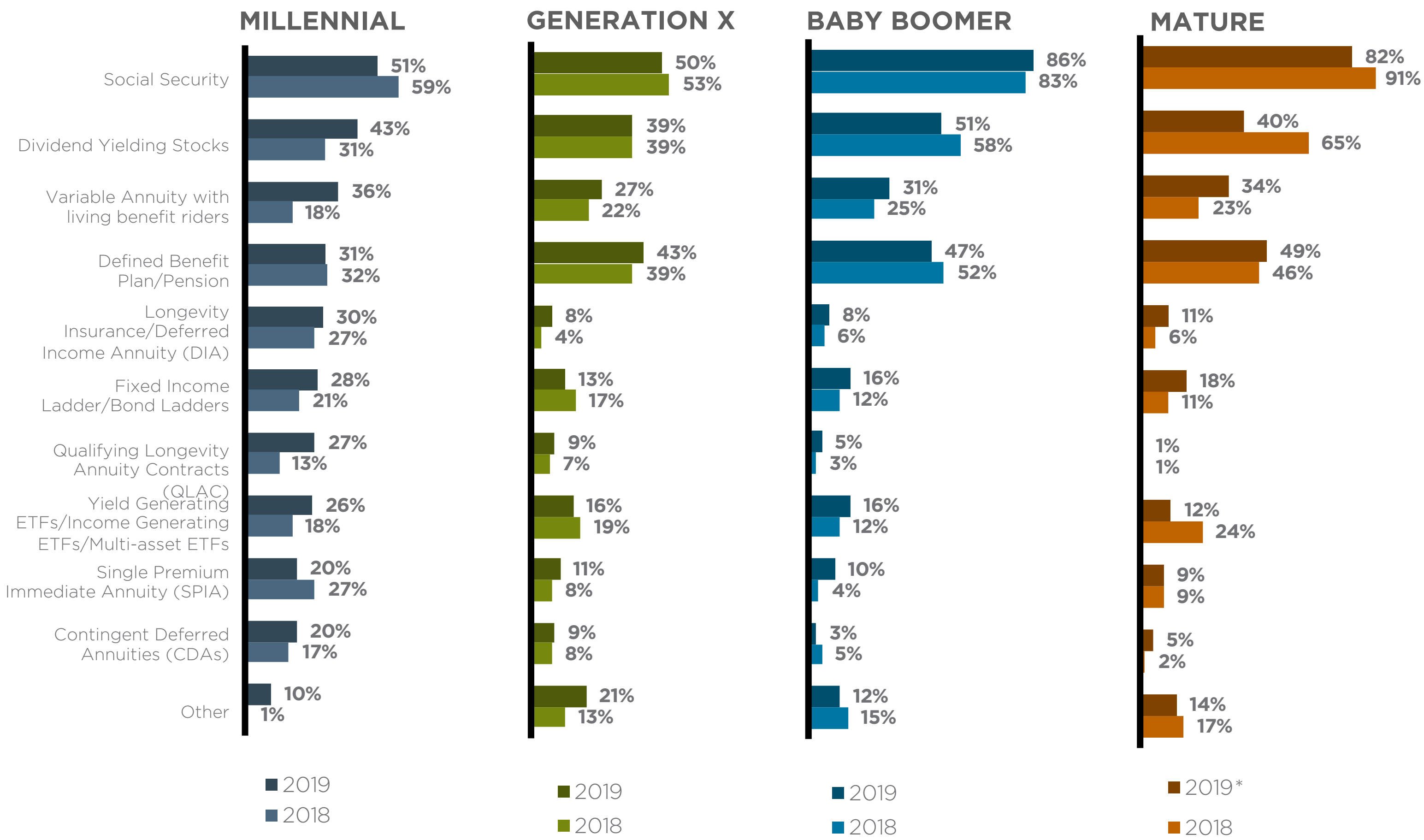
*Caution: small sample size (<100

Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67)

Q8006. Do you currently have a strategy in place to help protect your clients/yourself against outliving their/your savings?

SOLUTIONS TO PROTECT AGAINST OUTLIVING SAVINGS



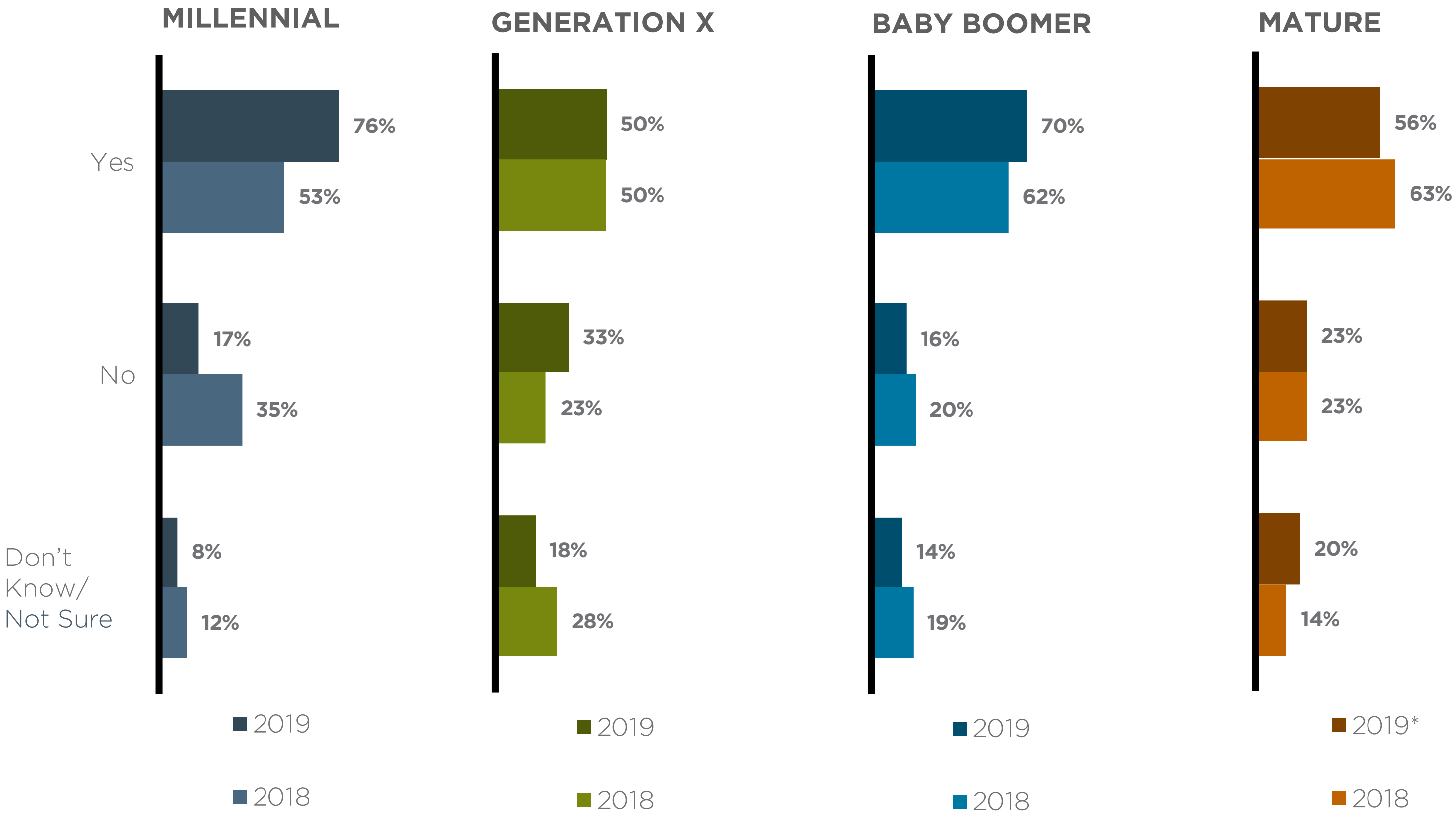
"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Have A Strategy In Place To Protect Against Outliving Savings: Millennial (n=145); Generation X (n=134); Baby Boomer (n=317); Mature (n=57*)
Q8007. Which of the following solutions do you use to help protect your clients/yourself against outliving their/your savings? Please select all that apply.

> "Your income is the engine of your future financial situation. But over time, your portfolio becomes the engine. And that's the whole idea, right? So that when you're 60, your portfolio has grown to the point where it's going to drive your income for the rest of your life."

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

Over three quarters of Millennials (76%) also say they have a strategy to protect assets against market risk, as compared to only half of Gen Xers (50%). When it comes to protecting assets against market risk, among those investors with a strategy, there are more Millennials than Gen Xers who use solutions like Liquid Alternatives (41% vs 15%), Fixed Indexed Annuities (FIAs, 34% vs 20%), Market-Linked CDs (33% vs 13%), and Smart Beta ETFs (28% vs 8%). Millennials are significantly less likely than Gen Xers and Baby Boomers, to rely on Diversification (40% vs 75% and 70%).

STRATEGY TO PROTECT AGAINST MARKET RISK?

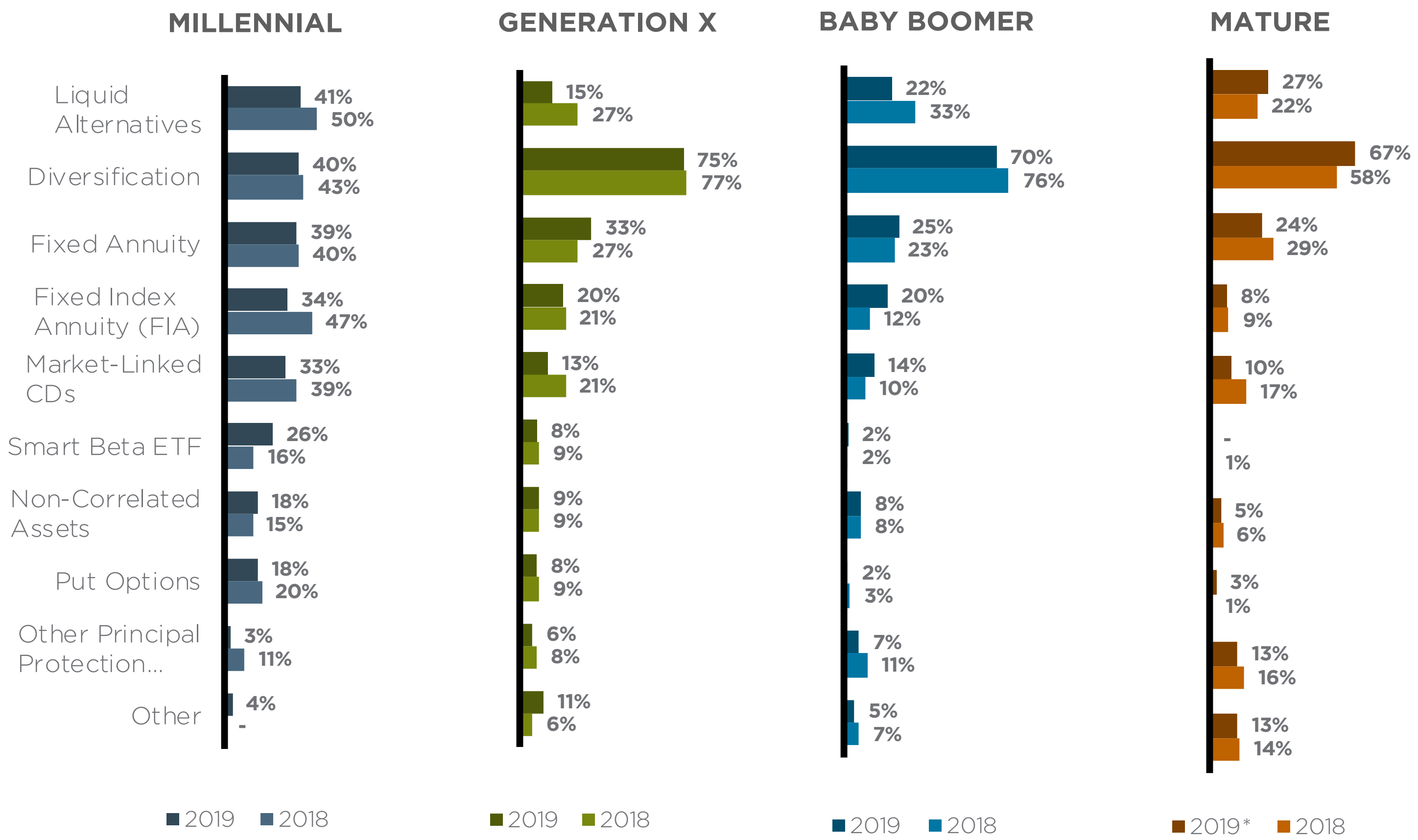


"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)
Q8010. Do you currently have a strategy in place to help your clients/you protect their/your assets against market risk?

> "They fear the downturns and the corrections. So to keep them growth-oriented I like to remind them, 'This is not your money today. It's your money for your future.'"

Alex Rupert, CFP®
Manager, Private Client Services,
Sequoia Financial Group

SOLUTIONS TO PROTECT AGAINST MARKET RISK



"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Have A Strategy To Protect Assets Against Market Risks: Millennial (n=135); Generation X (n=128); Baby Boomer (n=282); Mature (n=42*)
Q8015. Which of the following solutions do you use to help your clients/you protect their/your assets against market risks? Please select all that apply.

> "What does it look like when you're getting good advice? It's not just talking about investments, but also about their long-term plan, their savings target, tax planning, college planning, estate planning, passing on money values to your kids, and taking care of aging loved ones—all those different pieces of the puzzle."

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

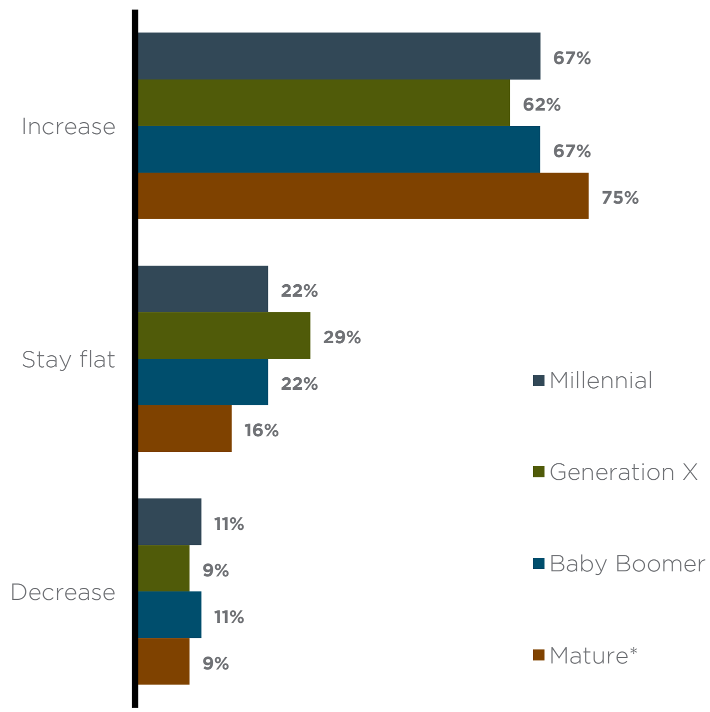
VOLATILITY RAISING CONCERNS—AND CREATING OPPORTUNITY

Market volatility can raise concerns about protecting assets. And roughly two-thirds of Millennials, Gen Xers, Boomers and Matures all agree that market volatility will increase over the next 12 months (67%, 62%, 67% and 75%). But when it comes to the top factors driving volatility, Millennials differ from Gen Xers, as well as older generations.

While Millennials cite U.S. economic performance (39%) as the number-one driver of volatility, Gen Xers, Boomers and Matures say gridlock in Washington (41%, 54% and 80%) is the number one driver. While Millennials cite interest rates (38%) as a very close second, Gen Xers and Boomers cite global instability second (38% and 45%) and Matures say U.S. economic performance is a very distant second (32%). Among the top three drivers of volatility, Millennials are more likely to cite taxes (32%) than Gen Xers, Boomers and Matures (10%, 13% and 15%). Likewise, fewer Millennials and Gen Xers cite China's economic performance (14% and 23%) than Boomers and Matures (33% and 31%).

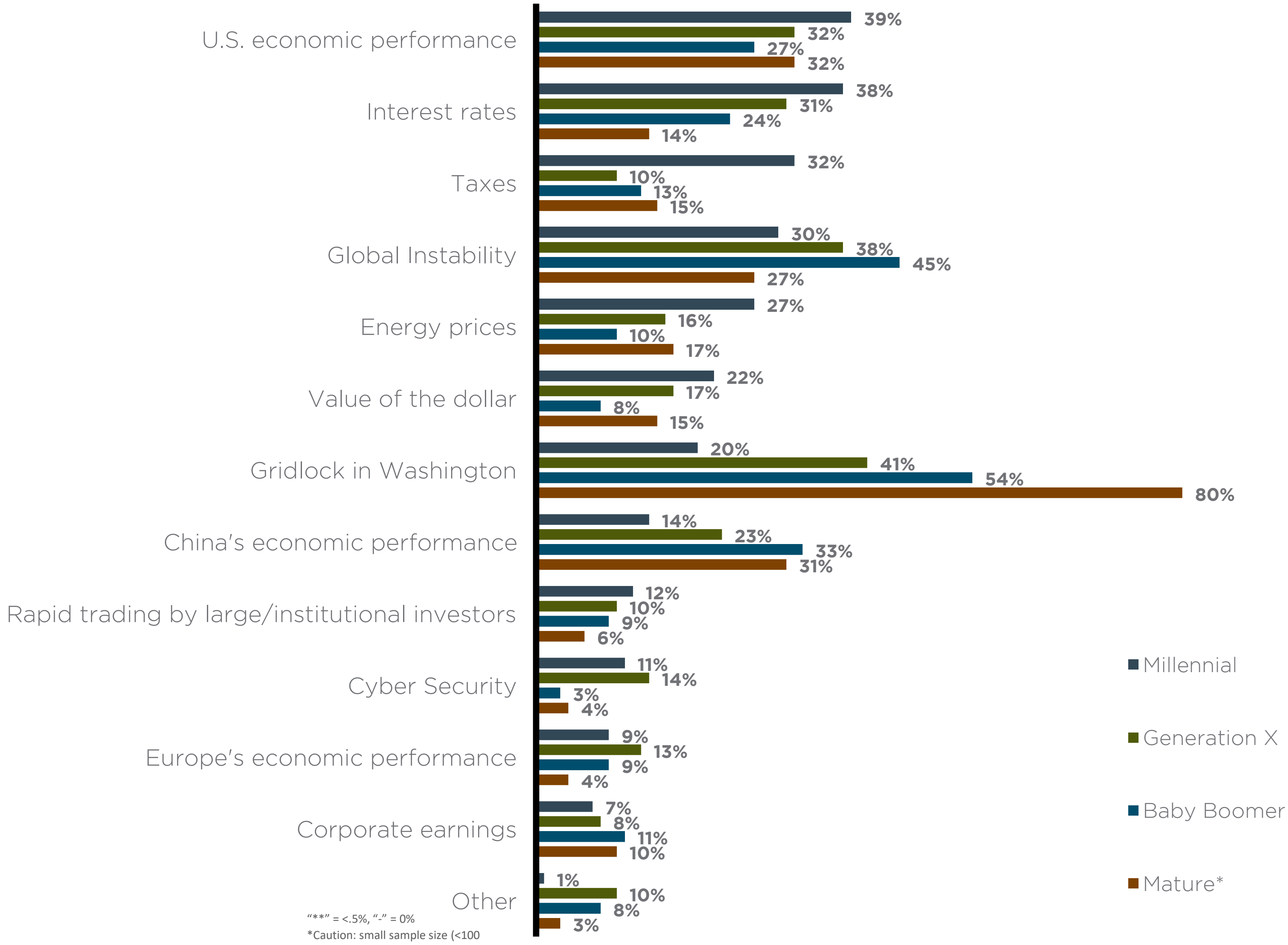
Millennials and Gen Xers with a financial advisor also differ on the number-one benefit of working with an advisor when markets are volatile. Among those with a financial advisor, more Millennials than Gen Xers most commonly say the most important benefit is protecting their assets against market risk (23% vs 20%) tied with helping them stay focused on long term goals (23% vs 15%). On the other hand, roughly one-third of Gen Xers (32%) say the most important benefit of working with an advisor when markets are volatile is to help them make more informed decisions, while only 15% of Millennials agree.

OUTLOOK ON VOLATILITY



"**" = <.5%, "-" = 0%
*Caution: small sample size (<100
Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67**)
Q1230. To what degree do you anticipate market volatility will fluctuate over the next 12 months? It will ...

FACTORS CAUSING VOLATILITY



"**" = <.5%, "-" = 0%

*Caution: small sample size (<100

Base: Qualified Respondents: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)

Q1235. What factors do you think are most likely to cause market volatility over the next 12 months? Please select up to three.

While all generations share concerns about volatility, a looming bear market and a potential recession, Millennials are most likely to feel pressure to change their investing strategy. In fact, 57% of Millennials say they feel pressure to revise their investing strategy over the next 12 months—as compared to only 17% of Gen Xers, 14% of Boomers and 17% of Matures.

Of those who feel pressure to revise their investing strategy, more than two-thirds of Millennials (69%) will invest more conservatively this year, compared to 72% of Gen Xers, 82% of Boomers and 69% of Matures. Despite their longer time horizon, Millennials tend to be very conservative when it comes to taking market risk, which is in line with our previous data and many other studies. Meanwhile, of those who feel pressure to revise their investing strategy, 74% of Millennials will change their investing strategy to be more actively managed, compared to 85% of Gen Xers, 68% of Boomers and 95% of Matures*.

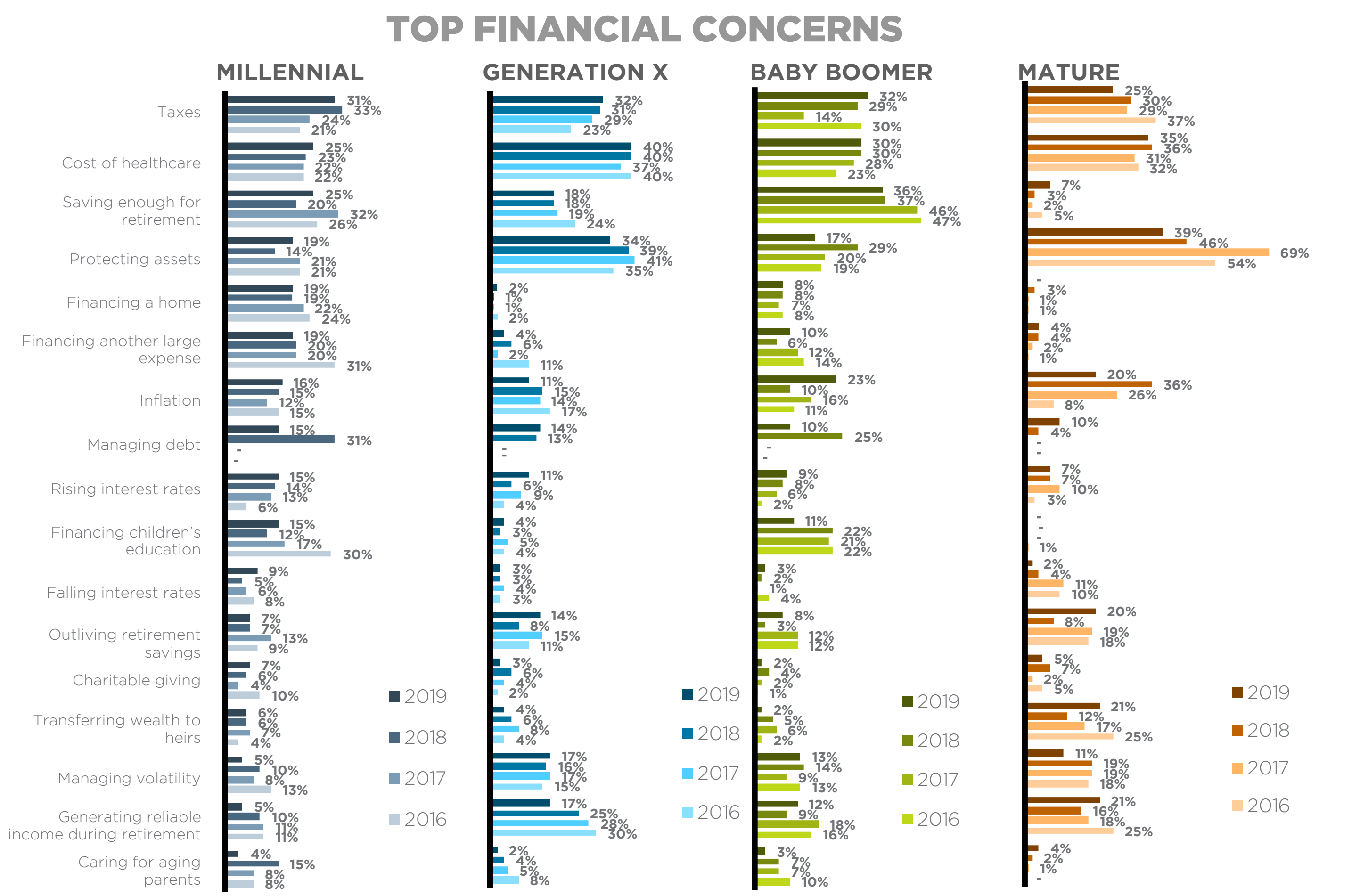
COMPARING TOP FINANCIAL CONCERNS

While Millennials and Gen Xers share similarities in their top financial concerns, Millennials identify a wider range of issues among their top three concerns—and there are differences in the order of importance.

Millennials say that taxes (31%) are the number one financial concern again this year. Despite their younger age, longer time horizon and reputation as “young invincibles,” Millennials say saving enough for retirement (25%) and cost of healthcare (25%) are tied for second.

Protecting assets (19%) moved up to Millennials’ number-three concern from number-seven last year. Perhaps due to their growing concerns about rising volatility and a looming bear market, this younger generation seems to be taking protection seriously. Given their outsize debt, it is no surprise that Millennials say financing a home (19%) moved up, to tie as one of their top three concerns this year and financing another large expense (19%) also tied among their top three.

Meanwhile, Gen Xers say that saving enough for retirement (36%) is their number-one concern again this year. Taxes (32%) are their number-two financial concern, moving up from number-three last year. The cost of healthcare (30%) moved to Gen Xers’ number-three financial concern, from number-two last year.



"**" = <.5%, "-" = 0%
"other," "none," and "don't know" not shown
*Caution: small sample size (<100

Base: Qualified Investors: Millennial (n=165); Generation X (n=213); Baby Boomer (n=379); Mature (n=67*)
Q810. In the next 12 months, what are your biggest financial concerns? Please select up to three.

MILLENNIALS AND GENERATION X: Targeting the Emerging Market of New Investors

PROFESSIONAL INSIGHTS FROM OUR SUBJECT MATTER EXPERTS

We interview leading subject matter experts to provide you with a deeper understanding of the innovation and issues that matter most. In this *Advisor Authority* Special Report, our experts reveal insights on the unique needs of Millennial and Gen X investors, including their priorities, preferences and top concerns, to help you attract them as new clients, enhance current profitability and build a foundation for the future growth of your firm.

You'll find their expert commentary at various points throughout our Special Report, as well as a more in-depth interview with each expert in a dedicated section at the end of this report. Through their innovative solutions and actionable insights, you can adapt to change, stay a step ahead and define your own path to success.

Jen Dawson, CFP®
Managing Director,
Hemington Wealth Management

Jen Dawson helps clients get crystal clear about what's most important in life, and then helps them feel confident and connected to the financial plan that supports their vision. She advises clients well beyond portfolio management, including a focus on financial freedom, college funding and tax reduction strategies. Jen graduated from University of South Carolina's Honors College Summa Cum Laude with a degree in Mathematics, was an Academic All-American and captain of USC's NCAA National Championship Track & Field team. She earned her CFP® designation through Northwestern University. She is a member of the Financial Planning Association, the Professional Women's Club of Chicago, and is a 3-time winner of the 5-Star Wealth Manager award.

Advisor Authority: Describe your strategy for targeting the emerging market of Millennials and Gen Xers?
DAWSON: At Hemington, we have two ways to establish inroads with younger investors. The majority of Millennials and Gen Xers that we work with have a connection to our other clients. Whether it's friends or family members, these are the people that our clients care most about, so they would like us to help them. I have a specific focus on helping lawyers and do a lot of speaking at law firms. While this includes all different age ranges and life stages, many firms want me to talk to their younger associates, who are so stressed about student loans and feeling overwhelmed with their finances at this early stage of their career. I have a lot of experience coaching them and giving them the education that they need to get on the right path.

AA: What does that look like, to coach them and educate them to get them on the right path?
DAWSON: Some people assume that means educating them on asset allocation, diversification and other specifics of investing, which is clearly very important. But that's just one component. We really try to teach them the holistic approach, the importance of comprehensive planning and starting early. My favorite question to ask people is, "What makes you feel best about your finances?" I want to inspire them to develop a better relationship with their money and create a "positive money mindset." Then I ask, "When it comes to your money, what gives you a stomach ache?" This helps us address and prioritize the top one to three things that we can tackle right now to improve their relationship with money.

AA: What are the top concerns of your Millennial clients?
DAWSON: In one-on-one conversations with our Millennial clients, I see cashflow being the biggest challenge. They've got these overwhelming student loans, combined with big life decisions like buying a first home, getting married, having kids. Making these decisions can be hard. Sometimes they get absolutely paralyzed and put every dollar to their student loans—and then miss the opportunity of investing while they're young and have a long time horizon. Some completely ignore things like refinancing their student loans, and other opportunities they could have uncovered, if only they had the right kind of planning in place.

AA: Are the top concerns of your Gen-X clients different?
DAWSON: The number one thing with Gen Xers is that they're so busy—building their career, taking care of children and aging parents—they don't have time to focus on their finances, and really struggle to prioritize themselves. I love working with them because in general, they are good decision makers, great delegators, and they appreciate how we can take care of the details to help them make better decisions. One big challenge for them is college planning for their children versus retirement savings for themselves. You need to have that discussion—because you can take out loans for college—but you cannot take out loans for retirement. I also tell them that having a financial plan in place before you get to age 50 is just a non-negotiable. It's not like there's an age where it's too late to do planning. But the longer you wait, there just are not as many levers that you can pull to make the plan work. I show them it's so much easier when you start earlier.

AA: Research shows 65% to as much as 90% of heirs do not stay with their parents' advisors. What drives such a dramatic transition?
DAWSON: These stats always baffle me. But it just speaks to how different our style is at Hemington, versus the general industry. It is very rare that we meet with only one member of the family. We don't just encourage a relationship with the whole family—we essentially require a relationship with the whole family. It's important for continuity and making sure that everybody's going to be okay if a worst case event happens. We also have a multi-generational team in place. It's great experience for a young advisor to run a meeting with a client and their family. I think the comfort level is huge, and is felt on both sides. It builds a connection with younger family members, it builds trust and it builds the young advisor skills. It's just a win, win, win. And it's smart business to hire a younger advisor who has great potential, then help them grow with the firm. These "homegrown" planners tend to be really productive and effective in the long run when you can retain them and support them in their career?

AA: If you could ask 1,000 investors one question, what would you want to know?
DAWSON: What do you feel best about when you think about your personal finances? There can be so much focus on the negative, but how can we help change your money mindset in a positive way.

AA: If you could ask 1,000 advisors one question, what would you want to know?
DAWSON: What makes you different? And how do you explain that to your clients?.

Alex Rupert, CFP®

Manager, Private Client Services,
Sequoia Financial Group

Alex Rupert, CFP® works closely with individuals, families, business owners and entrepreneurs to help them more effectively manage their wealth and better understand their personal financial landscapes. He creates, facilitates, educates and implements financial planning strategies with clients, with the objective of delivering the most efficient strategies for each client's goals and providing a strong understanding of their personal financial situation. He is a board member of FPA of Northeast Ohio and serves on the Membership Committee for the Estate Planning Council of Cleveland. In addition to his CFP and Series 65, Alex earned a Bachelor's in Finance from the University of Akron.

Advisor Authority: What is your strategy for targeting the emerging market of Millennial and Gen X investors?

RUPERT: I don't explicitly target them. As opposed to thinking about what attracts Millennials or Gen Xers, I take a step back and ask "What attracts clients?" Clients expect you to provide a valuable service—way beyond the basics of managing their portfolio. You need to understand who that person is and what is important to them.

It also has a lot to do with their stage of life. Millennials and Gen Xers might be in different stages. Millennials are younger, and sometimes less experienced. They think that they need financial assistance—but they don't know what they don't know. Gen Xers are at least 10 or so years ahead. They've had time to understand their personal cash flow, financial needs and life goals. They're a couple milestones ahead—getting married, having children, owning a home. They have more resources, but their life is also more complex.

AA: What is important for communicating effectively with Millennials and Gen Xers?

RUPERT: A big piece of your outreach and communication should always center on education—regardless of whether your client is a Millennial, a Gen Xer or older. But when it comes to Millennials, a big part is to make sure they understand things. They're likely to get online and do their research. And there is plenty of information out there. But is it valuable information? Is it the right information?

For that reason, you really need to "speak their language." What I mean by that is having your own presence online. Do things like blogs, podcasts, even YouTube videos. I always think about those whiteboards where people draw out pictures and tell a story. It really works.

AA: Our data shows that saving for retirement is one of Millennials' top thee financial concerns—is this surprising to you?

RUPERT: The biggest things I hear are, "Am I saving enough for retirement?" and anything regarding student loans. My theory behind why retirement might be such a big question that's on their minds is because their parents went through that massive shift—from guaranteed retirement income through a pension, to the funding their own retirement through defined contribution plans and 401Ks. Whether that was explicit, or implicit, I think that had a ripple effect. They got the message from their parents that "You need to be saving for retirement."

Another factor is the Great Recession. It's a little bit over 10 years. We're right now in the longest running bull market to date. But the impact of the recession on their outlook was significant. They fear the downturns and the corrections. So to keep them growth-oriented, I like to remind them, "This is not your money today. It's your money for your future." If a 10% dip were to occur today, you have potentially decades to make it back—and possibly more.

AA: Any insights on the importance of technology for your practice—and is it important to attracting younger investors?

RUPERT: Ask yourself, "What is this technology doing? What is it adding?" Technology should alleviate some sort of struggle and help refine your process—whether that process is onboarding, data gathering, opening a new account for a client, or sharing information. And this flows back to my point about younger generations—speaking their language and doing what they're attracted to. Making things paperless, making things easy to access, making the process seamless and flawless, so you can really focus your energy and time on the things that's going to be more valuable to the relationship, like giving them financial advice.

AA: What do you consider most important for enhancing profitability?

RUPERT: There are many factors driving profitability—and they're interconnected. As advisors, we should be focusing to some degree on technology, because we should always be refining our processes. The right technology and the right process is going to help you attract new clients—and a growing client base helps you attract new hires. When you attract new hires and have a multi-generation team in place, that attracts new clients. It all works together in a circle.

AA: If you could ask 1,000 investors one question, what would you want to know?

RUPERT: Why are you investing and do you know what you're investing for? Are you investing for retirement, for the down payment of your home, for a long-term legacy—or something else?

AA: If you could ask 1,000 advisors one question, what would you want to ask them?

RUPERT: Do you know what your client is looking for in their relationship with you? And if you do know what they're looking for, how are you providing that to them?

Advisory Services offered through Sequoia Financial Group are not affiliated with Nationwide Advisory Solutions.

Methodology

The fifth annual *Advisor Authority* Survey was conducted online within the United States by The Harris Poll on behalf of Nationwide Advisory Solutions from February 15 – March 4, 2019 among 1,021 financial advisors and 824 investors, ages 18+. Among the 1,021 financial advisors, there were 507 Registered Investment Advisors and 514 Broker/Dealers. Among these respondents, a "trended group" of 766 RIAs and fee-based advisors, who meet the same qualification criteria as in prior years of our *Advisor Authority* research, continue to be the primary focus in this year's series of Special Reports. Among the 824 investors, there were 205 Mass Affluent (Household Investable Assets of $100,000 to less than $500,000), 205 Emerging High Net Worth ($500,000 to less than $1 Million), 207 High Net Worth ($1 Million to less than $5 Million) and 207 Ultra High Net Worth ($5 Million or more). Advisors are weighted where necessary by employment status and active management to bring them in line with previous years' profile. Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online to bring them in line with their actual proportions in the population.

Field Periods:

2019	February 15 – March 4
2018	January 3 – February 21
2017	March 13 – April 7
2016	March 3 – March 28
2015	April 13 – April 24

Reading this Report

Responses may not add up to 100% due to weighting, computer rounding, or the acceptance of multiple responses. Please note that "-" in a chart stand for 0% and "*" in a chart stands for <.5%.

About Harris Poll

The Harris Poll is one of the longest running surveys in the U.S. tracking public opinion, motivations and social sentiment since 1963 that is now part of Harris Insights & Analytics, a global consulting and market research firm that delivers social intelligence for transformational times. We work with clients in three primary areas; building twenty-first-century corporate reputation, crafting brand strategy and performance tracking, and earning organic media through public relations research. Our mission is to provide insights and advisory to help leaders make the best decisions possible. To learn more, please visit **www.theharrispoll.com**.

About Nationwide Advisory Solutions

Nationwide Advisory Solutions is a recognized innovator with a mission to help RIAs and fee-based advisors build their practice by helping their clients to potentially accumulate more wealth and reach their financial goals. Nationwide Advisory Solutions does this by developing and delivering value-added investment products, services and technologies that dovetail with fiduciary obligations—wrapped in an industry-leading customer experience. To learn more, please visit **www.nationwideadvisory.com**

About Nationwide

Nationwide, a Fortune 100 company based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the United States. Nationwide is rated A+ by both A.M. Best and Standard & Poor's. An industry leader in driving customer-focused innovation, Nationwide provides a full range of insurance and financial services products including auto, business, homeowners, farm and life insurance; public and private sector retirement plans, annuities and mutual funds; excess & surplus, specialty and surety; pet, motorcycle and boat insurance. For more information, visit **www.nationwide.com**. Follow us on **Facebook** and **Twitter**.

Advisor Authority

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