



FIDELITY INSTITUTIONAL INSIGHTS

Are Younger Investors Redefining the Financial Advice Relationship?

Delivering value to Gen XYZ clients

Not FDIC Insured • May Lose Value • No Bank Guarantee

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What's inside?

- 1 Background information
- 2 How Gen XYZ feel about their finances
- 3 How Gen XYZ feel about financial advice
- 4 What are Gen XYZ looking for in an advice relationship?
- 5 What does this mean for financial advisors?

Fidelity conducts regular research about investor preferences, attitudes, and behaviors

The Fidelity Investor Insights Study is a quantitative, double-blind survey (Fidelity was not identified as the sponsor) among over 1,500 investors. The sample was provided by Brookmark, a third-party firm not affiliated with Fidelity.

The survey runs annually, focusing on understanding affluent investors' attitudes, goals, behaviors, and preferences related to investing, wealth management, and advice.

Respondents were from across affluence levels, from \$50,000 to more than \$10 million in total investable assets.

Unless otherwise noted, all information within is from the 2021 Fidelity Investor Insights Study.

Please see Important Information for complete information on this study.

To study the generations, we combined data from the Fidelity Investor Insights Study with data from the U.S. Census Bureau

	Gen YZ	Gen X	Boomers+
Current Age	40 or younger	41 to 56	Over 56
Birth Years	After 1980	Between 1965 and 1980	Before 1965
Approx. % of U.S. Population¹	27.1%	18.6%	29.1%
Influential Events	School shootings 9/11 Great Recession	Watergate Fall of the Berlin Wall Y2K	Civil Rights movement Space travel JFK/Nixon

How Gen XYZ feel about their finances

Gen XYZ investors have more financial goals than their older counterparts

RESPONDENTS WITH THIS GOAL:

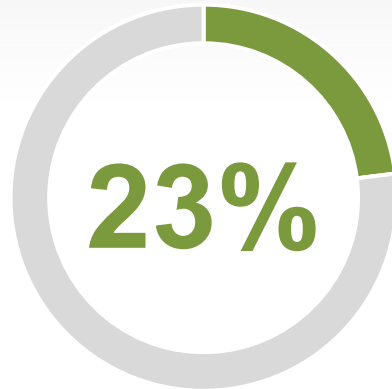
	Gen XYZ	Boomers+
Saving for retirement	59%	37%
Saving for a vacation	51%	40%
Buying a car	34%	15%
Saving for college	26%	5%
Building an emergency fund	23%	11%
Paying down debt	21%	6%
Buying a first home	13%	3%
Buying a second home	13%	3%
Saving for a charitable gift	8%	3%
None of the above	3%	12%

Gen XYZ was more likely to have many of the common financial goals.

Older investors were more likely to say they had none of the listed goals. This may be due to their stage in life.

Gen XYZ was hit hard by the events of 2020

The pandemic hit everyone hard, but for younger investors who typically have less wealth accumulated and may be less established in their careers, they felt considerable strife.



of Gen XYZ

feel more behind on their
goals than a year ago

compared to 2% of boomers+

**Nearly
1/2
of Gen XYZ**

feel that their family's financial
situation has been made more
complex due to the pandemic

compared to 4% of boomers+

Many Gen XYZ believe they have more obstacles in the way of their goals. This is especially true for personal fears and behaviors

85% of Gen XYZ believe that they have obstacles in the way of their financial goals, vs **58% of boomers+**

OBSTACLES INDICATED BY RESPONDENT (MULTIPLE OPTIONS ALLOWED)

Gen XYZ

Boomers+

Personal fears and behaviors:

- I'm afraid of making a mistake
- I'm procrastinating
- I'm not clear on what actions I should be taking
- I would rather spend money than put it toward my goals
- I don't have enough time in my day to take actions to follow my plan
- Lack of education on the benefits of the goal

48%

12%

Third-party role:

- My family and I disagree on our goals or approach
- Lack of advisor support
- Lack of community support
- Suboptimized asset allocation

22%

6%

External factors:

- Market performance
- Unforeseen expenses
- Unpredictable income

55%

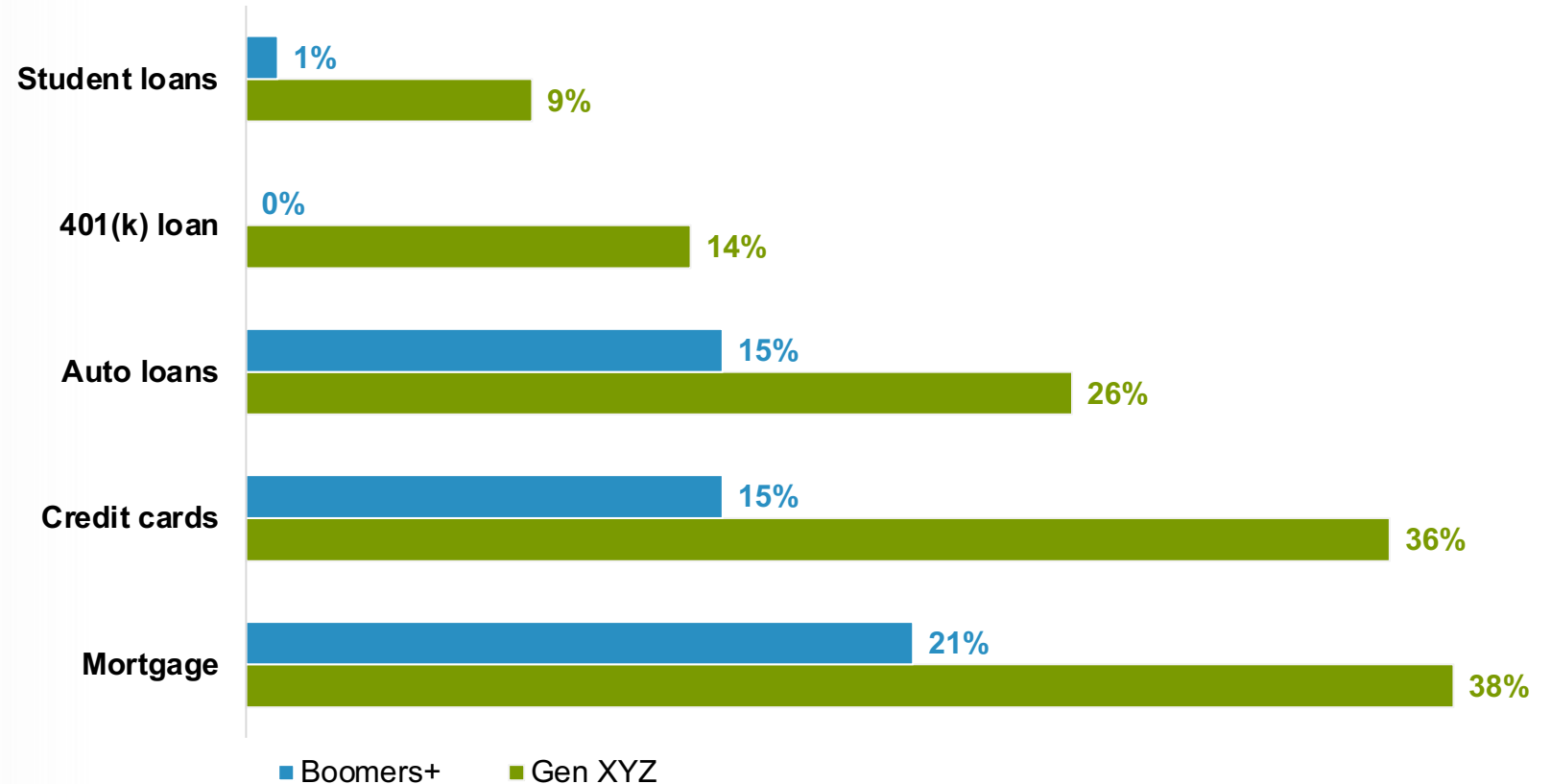
48%

One well-known obstacle that further stresses this generation is debt: more Gen XYZ investors have debt

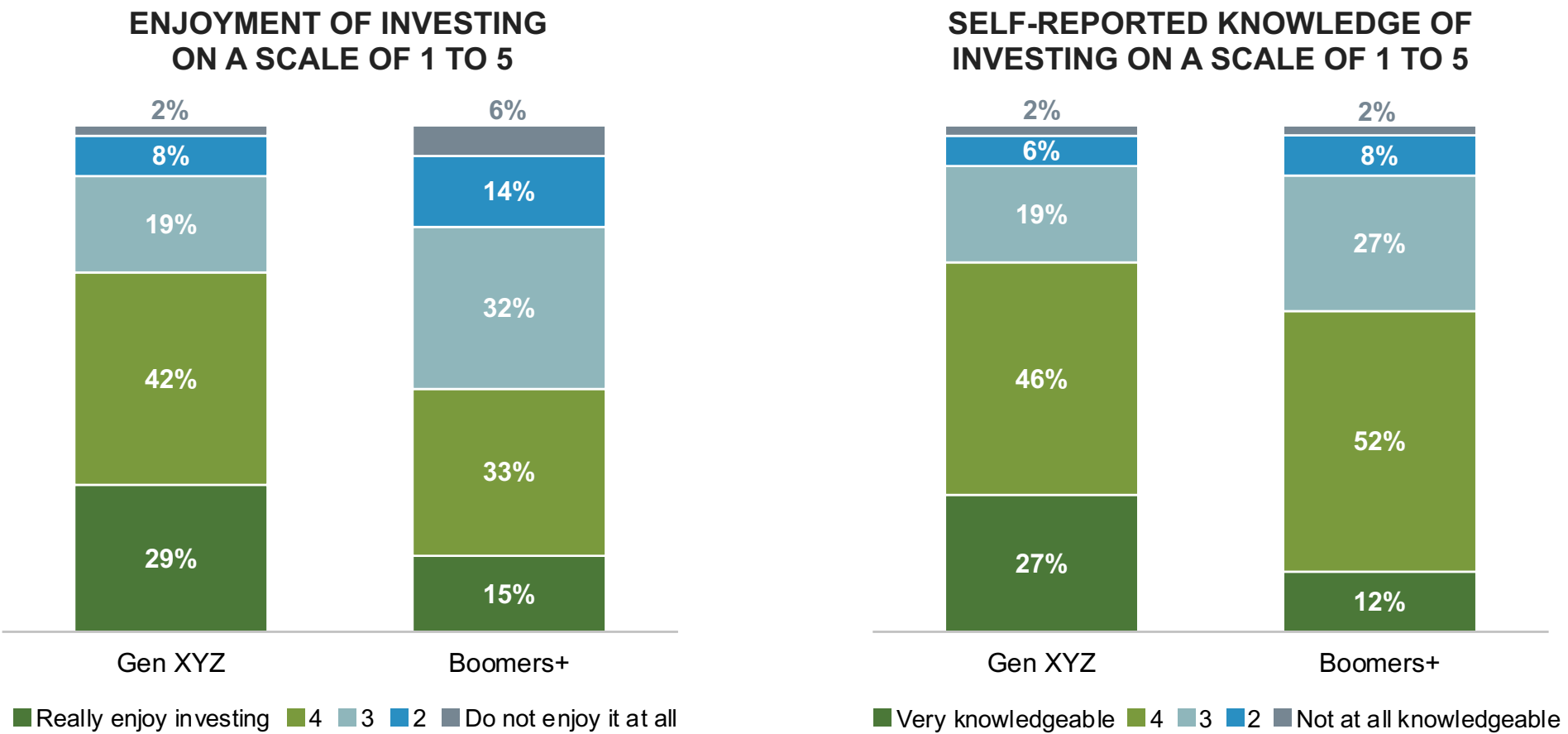


of Gen XYZ
have some form of debt,
more than twice the
number of boomers+

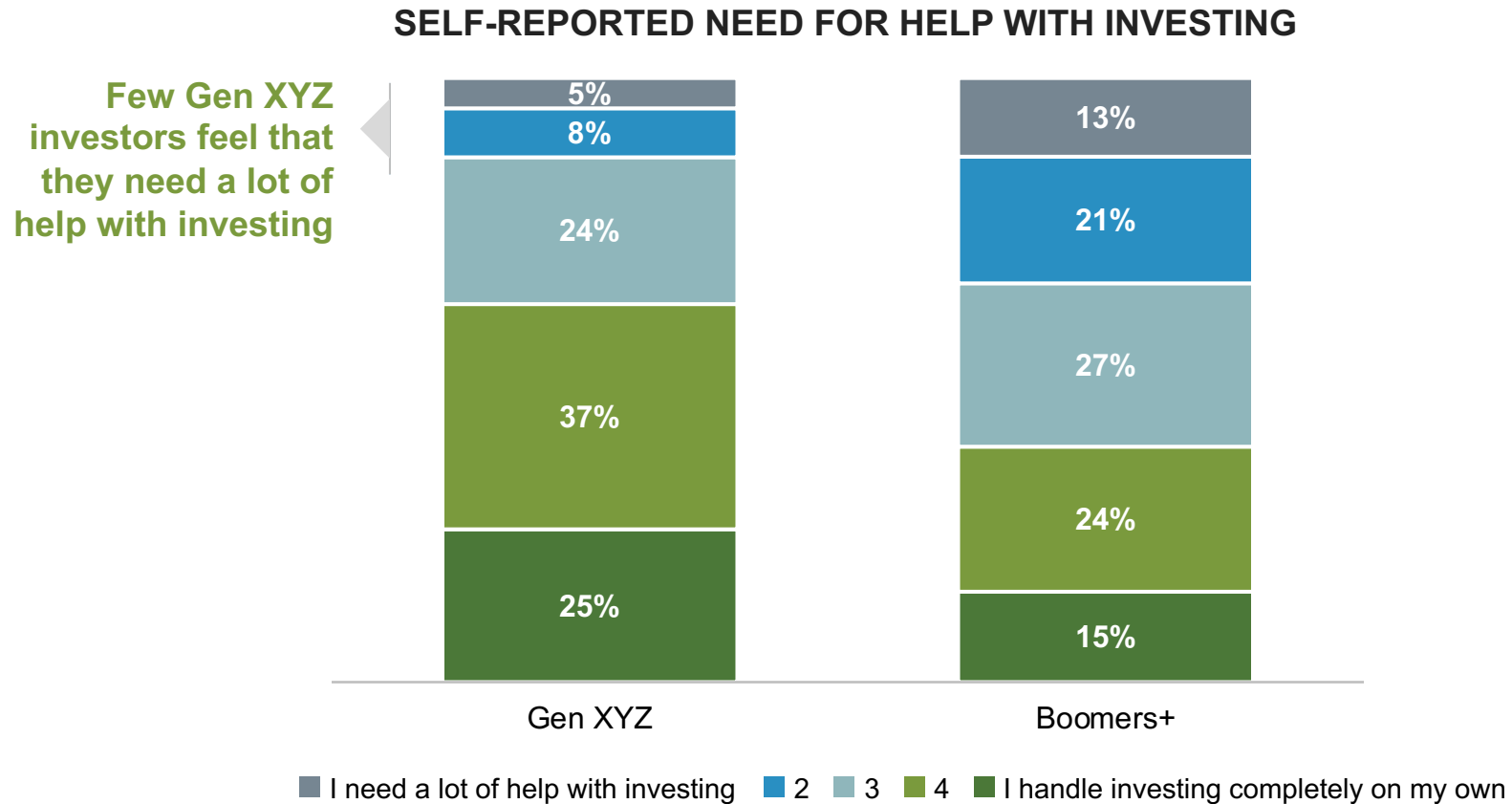
PERCENTAGE OF RESPONDENTS WITH DEBT, BY TYPE



Despite their fears and obstacles, Gen XYZ enjoy investing and feel highly knowledgeable about it—more so than older investors



Gen XYZ also don't feel like they need a lot of help with investing



As a result, just over 90% of Gen XYZ report that they are managing some of their investments themselves.

How Gen XYZ feel about financial advice

Gen XYZ are high users of financial advice

Percentage that work with a paid financial advisor



Combined, **75% of younger investors** have a paid financial advisor, which is comparable to **boomers+ at 74%.**

Like older investors, Gen XYZ have positive sentiments about their advisor

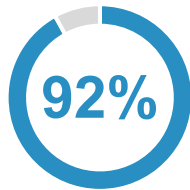
They trust their advisor.

Question: How much do you agree with this statement: “I trust my primary financial advisor to make decisions that are in my best interest”?



of Gen XYZ

compared to



of boomers+

Rated 4 or above on a scale of 1 to 5

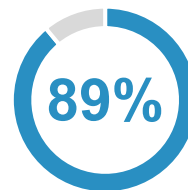
They are very loyal to their advisor.

Question: How likely are you to stay with your primary financial advisor?



of Gen XYZ

compared to

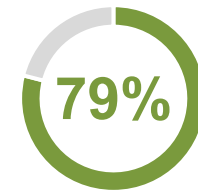


of boomers+

Rated 8 or above on a scale of 0 to 10

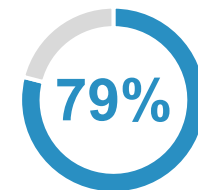
They are highly likely to recommend their advisor.

Question: How likely would you be to recommend your primary financial advisor to a family member, friend or colleague?



of Gen XYZ

compared to



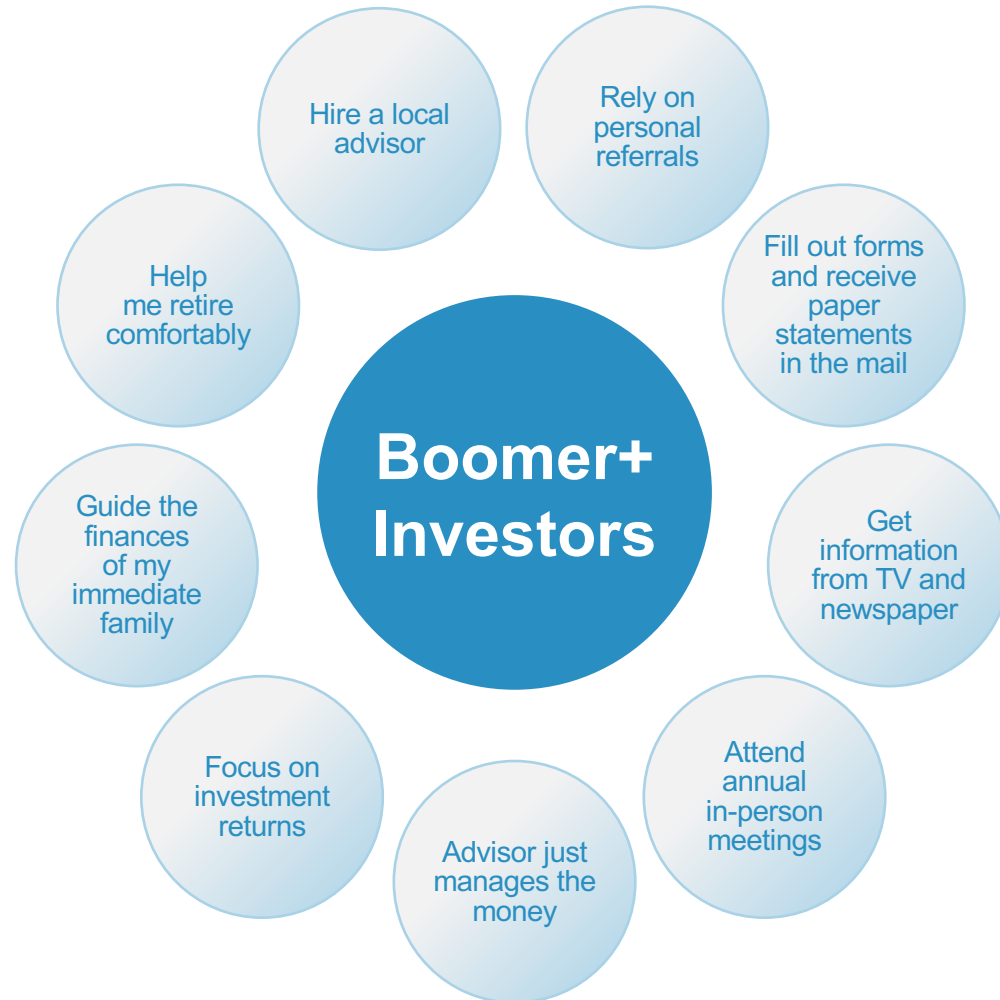
of boomers+

Rated 8 or above on a scale of 0 to 10

Gen XYZ don't want help with investing and yet they enjoy working with a financial advisor.

So what are they looking for in their advice relationship?

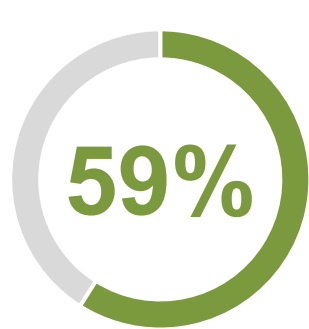
Boomer+ investors have set many of the traditional standards of the financial advice relationship



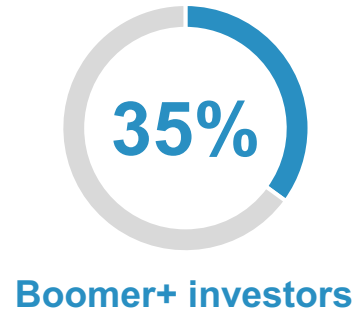
Are younger investors redefining the financial advice relationship?

Gen XYZ investors are less committed to working with just one advisor in a nearby office

During the earlier days of the pandemic, younger investors were more comfortable hiring an advisor outside their local area.¹



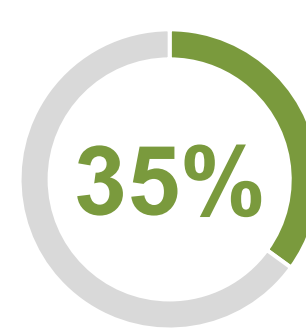
**Gen XYZ investors
who hired outside
their local area**



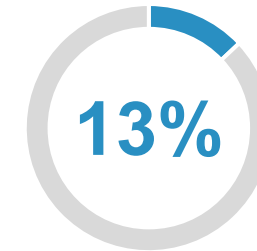
Boomer+ investors

Between March and October 2020.

Younger investors were more likely to have multiple advisors.



**Gen XYZ investors
working with more
than one advisor**



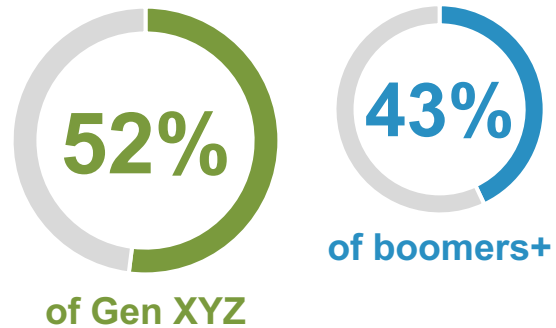
Boomer+ investors

**Top reasons Gen XYZ listed for
working with multiple advisors:**

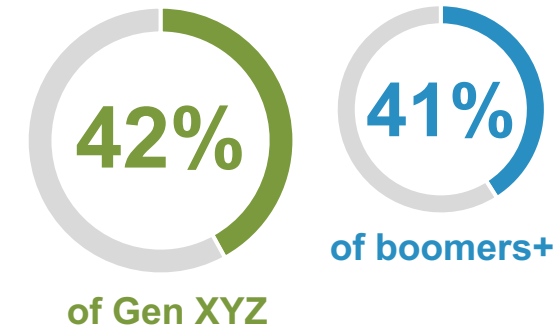
1. For specific products
2. To diversify assets
3. Tax/estate planning

Gen XYZ place more weight on anonymous or third-party information when hiring an advisor

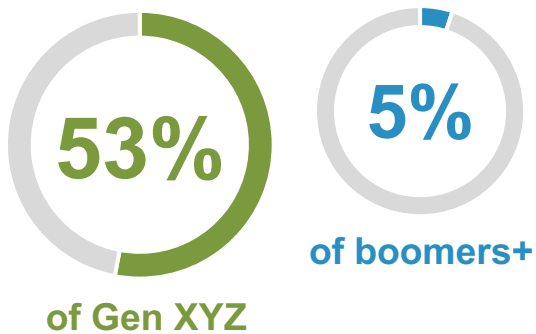
Personal word-of-mouth¹



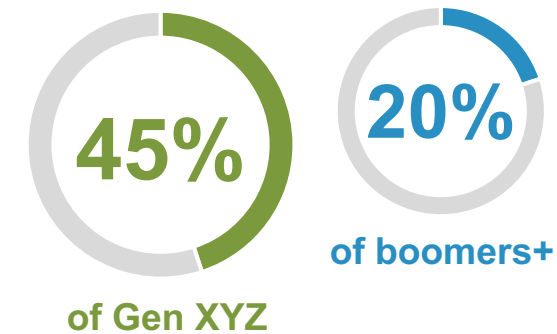
Professional word-of-mouth¹

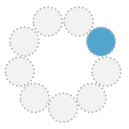


Online¹



Mail, advertising, other¹





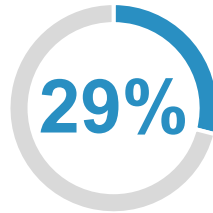
Boomer+:
Fill out forms and
receive paper
statements
in the mail

Gen XYZ aren't just comfortable with a digital experience—they expect it

Younger investors would prefer their advisor works at a paperless firm more often.



Younger investors who prefer a paperless firm



Older investors

Almost

2/3

of Gen XYZ investors

wish working with their primary advisor was as easy as working with Amazon or Uber.

Gen XYZ are much more comfortable working with robo advisors.

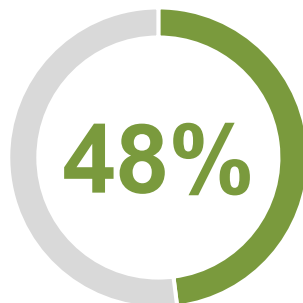


1% of boomers+

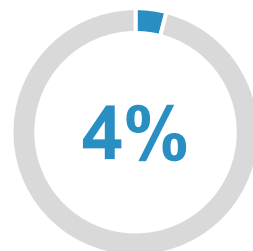
Have investments managed by robo advisor

Social media is needed to educate, engage, and capture the attention of Gen XYZ clients and prospects

Gen XYZ were more likely to relate to a financial advisor with a social media presence.



Younger investors who relate to an advisor with a social media presence



Older investors

Nearly 1/4 of Gen XYZ

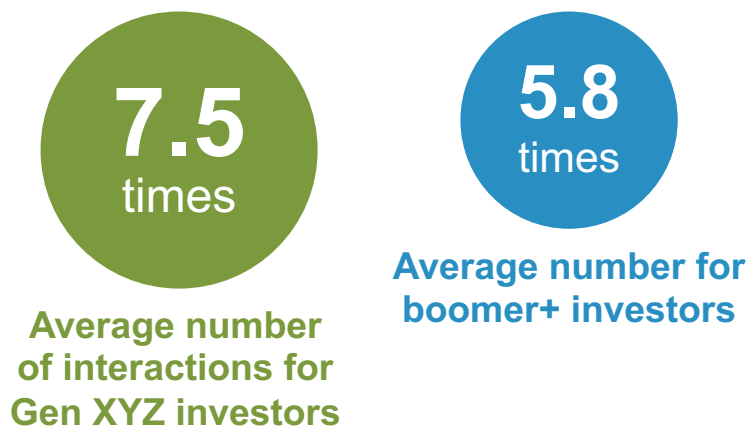
have interacted with their advisor over social media in the last year.

Nearly 60% of Gen XYZ

say they often leave online reviews about products and experiences.

Gen XYZ want to interact with their advisor more often

Younger investors interacted with their advisor more frequently than older generations.



Between May 2020 and May 2021

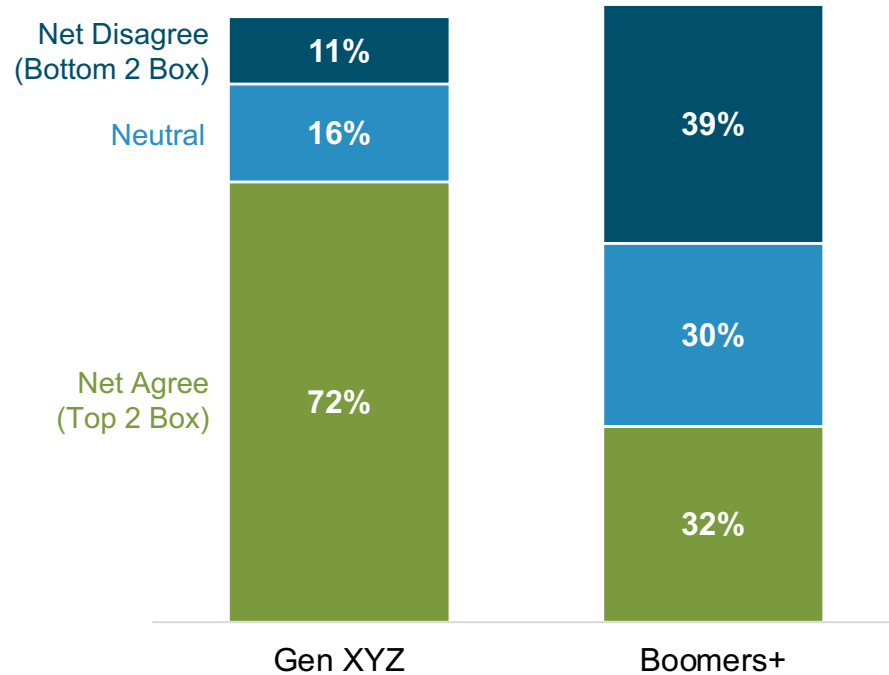
In fact, the number one reason that Gen XYZ investors indicated behind a lower likelihood to stay with their advisor was the **desire for an advisor who engaged with them more often.**



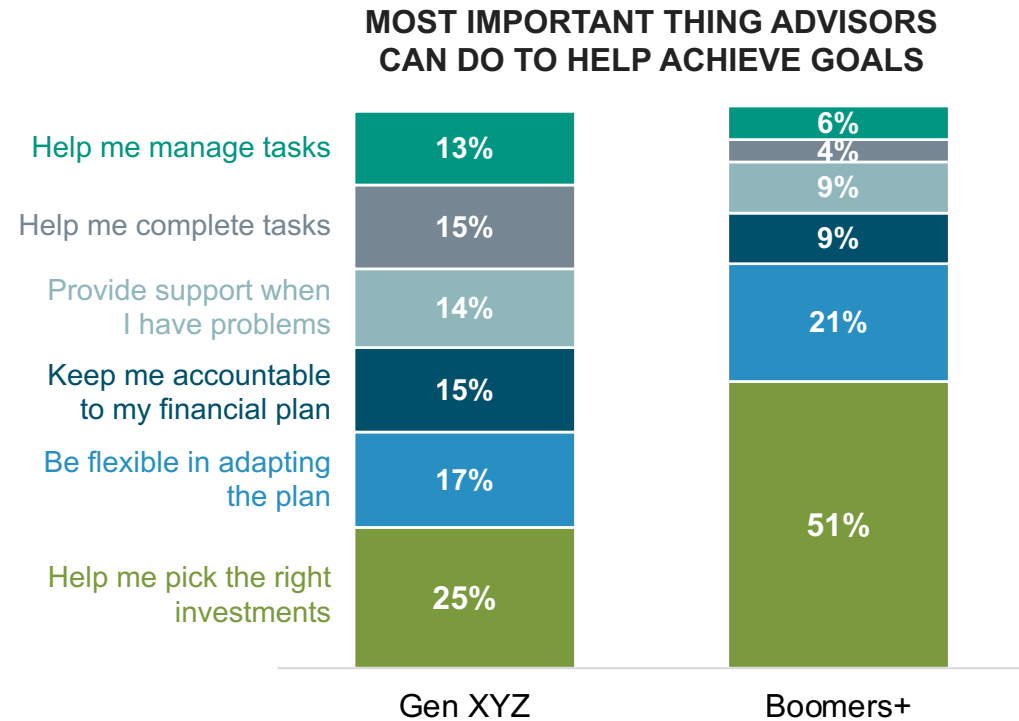
Boomer+:
Advisor just
manages the
money

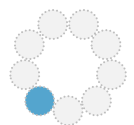
Gen XYZ are looking for services beyond investment management

Younger investors working with an advisor would prefer services beyond financial advice and investment management



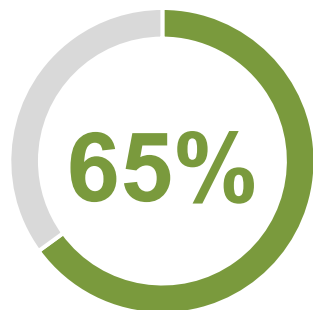
Younger investors want more support from their advisor with their financial plans





Boomer+:
Focus on
investment
returns

Gen XYZ investors want to put their money to work with their values in mind

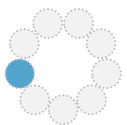


of Gen XYZ

agree that they want their financial investments to better align with their personal values.

Among Gen XYZ investors without an advisor, **nearly 1/4** would be more likely to work with an advisor if they had **environmental, social, and governance (ESG) investing strategies**.

More than half of Gen XYZ would be willing to pay more for an advisor who helps develop a **charitable giving strategy** that matches their priorities.



Boomer+:
Guide the finances
of my immediate
family

Gen XYZ seem to have more complex family needs

Members of Gen XYZ are sometimes referred to as the “sandwich generation.”

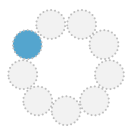
- According to Pew Research, 29% of U.S. adults have a child under the age of 18 at home, and 12% of these parents also provide unpaid care for an adult as well.¹
- Fidelity research indicates that 66% of Gen XYZ are **financially supporting** children or grandchildren, and 29% support parents or grandparents.

The intergenerational wealth transfer further complicates their financial situation.

- Cerulli projects that nearly \$70 trillion in wealth will be transferred to heirs and charities during the next 25 years. This wealth will largely move to Generation X and millennial households, who are estimated to inherit \$31 trillion and \$22 trillion respectively over that period.²
- Fidelity’s study indicated that the median amount for Gen XYZ investors **anticipating an inheritance** in the future is \$375,000.

¹ "More than one-in-ten U.S. parents are also caring for an adult." Pew Research Center, Washington, D.C. November 29, 2018.

² Cerulli: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2020.

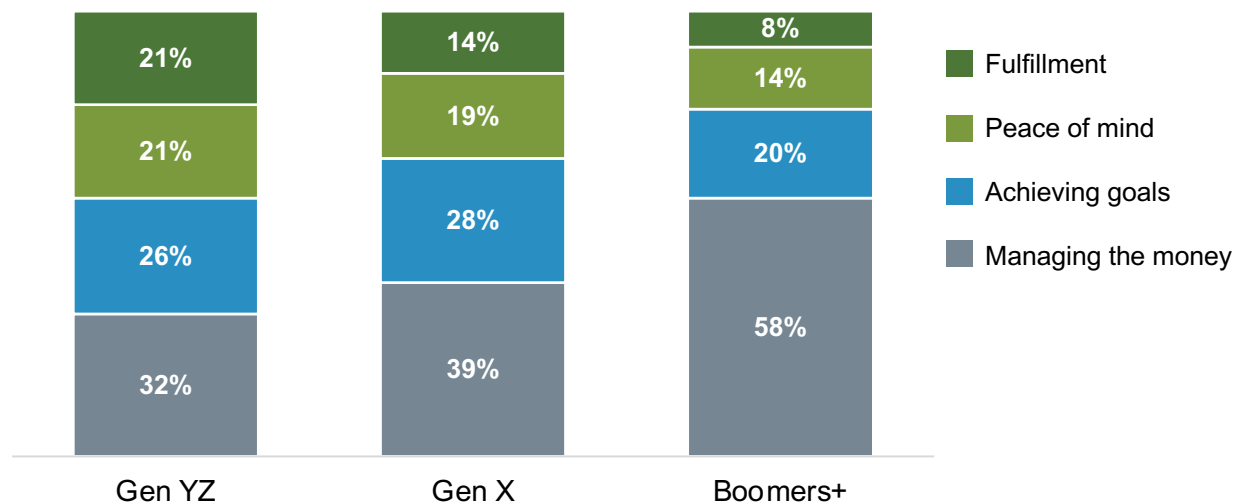


Boomer+
Help me retire
comfortably

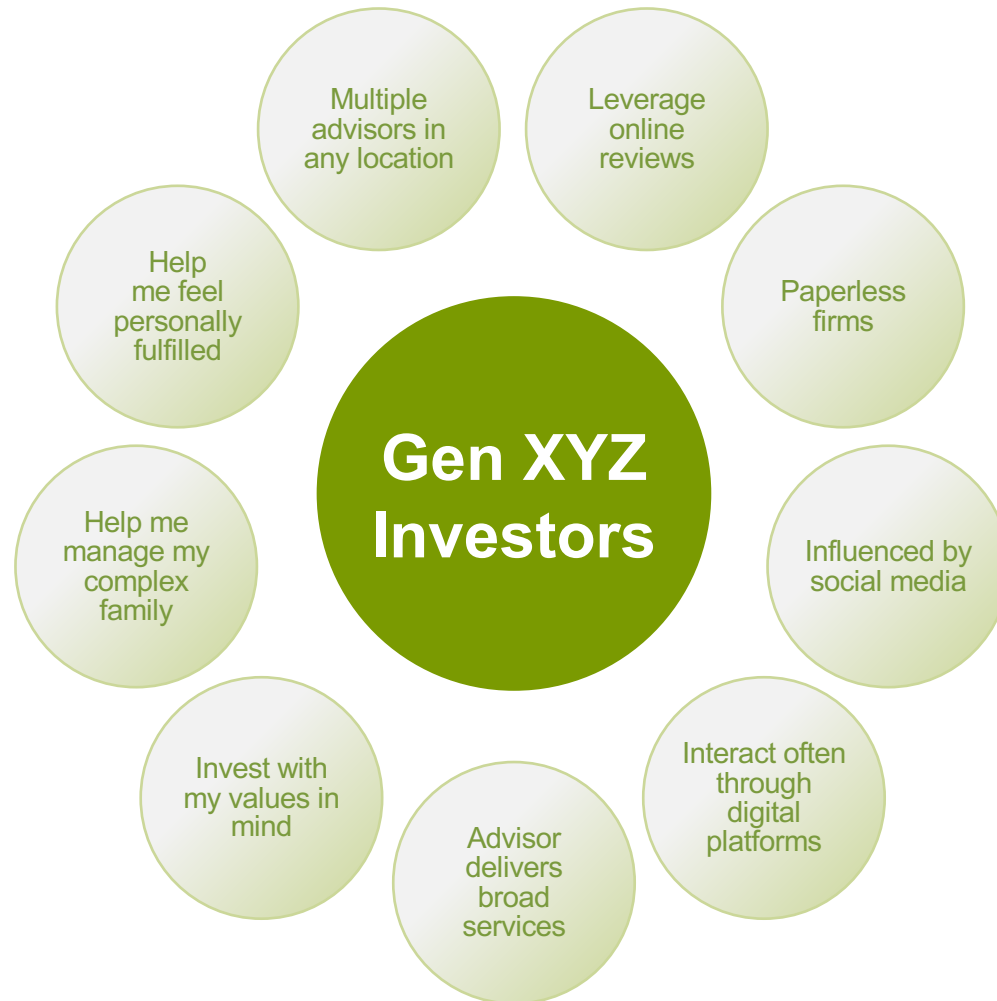
Gen XYZ investors expect more from their advisor



Fidelity introduced the Advice Value Stack® to capture shifting perceptions of investors. Our survey asked each respondent to assign a hypothetical 100 points across each of the services of the Advice Value Stack®. While managing the money remains foundational to the advisory relationship, younger investors are more concerned with elements of value higher on the Advice Value Stack® than their boomer+ counterparts.



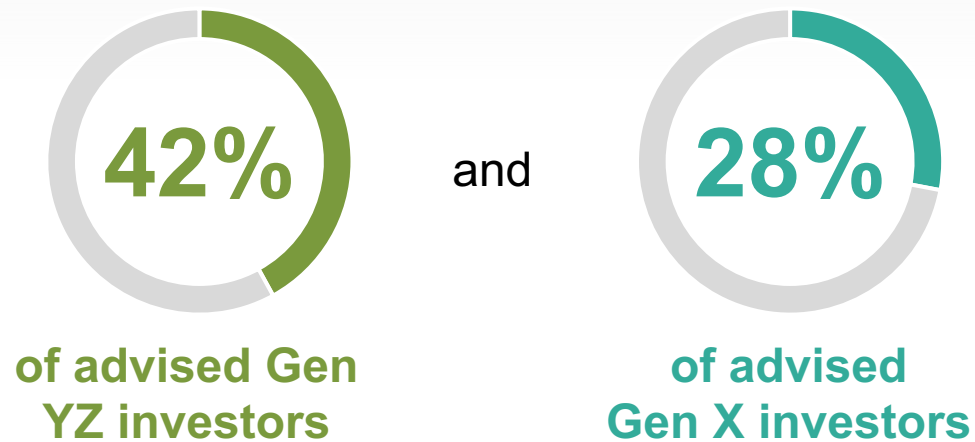
Younger investors are transforming the advice relationship



What does this mean for financial advisors?

Advisors may not get a second chance to impress younger investors

Between May 2020 and May 2021, many Gen XYZ investors started working with a new financial advisor



switched primary advisors
vs just **1% of boomers+**

Consider these questions to serve Gen XYZ clients



Important Information

Unless otherwise indicated, all data is from the 2021 Fidelity Investor Insights Study: The Investor Insights Study was conducted during the period May 15 through June 7, 2021. It surveyed a total of 1,974 investors, including 773 millionaires. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding employer-sponsored retirement assets and primary residence), age, and income levels.

The 2020 Investor Insights Study was conducted during the period October 15 through October 24, 2020. It surveyed a total of 1,181 investors, including 560 Millionaires. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding employer-sponsored retirement assets and primary residence), age, and income levels.

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