



Millennials, money & myths

September 2019



Introduction

There are perceptions held of each generation, and the millennial generation is no different. Their lifestyles and outlooks, their social and financial intentions and their attitudes to the modern world are often represented stereotypically in press, media and common culture.

In association with research consultancy ComRes, we have interviewed affluent millennials about their approach to their money. We asked participants a range of questions to establish their attitudes and approaches to their money, investing, work, lifestyle and future intentions.

Our research reveals trends that counter the age group's representation, challenging a number of commonly held myths around attitudes towards technology, investing, ethical imperatives and more.

At Michelmores, increasing our understanding of the millennial generation beyond the stereotypes, is key to enable us to recognise our current and future clients' priorities and to offer them seamless legal support, on their personal and business ventures alike.



I hope you find the insights from the research interesting. If you would like to discuss any of the findings, please do get in touch.

Tim Richards, Managing Partner
tim.richards@michelmores.com

About Michelmores

As a leading UK law firm, Michelmores works with individuals and international families, entrepreneurs, family and privately owned businesses and large corporates across a variety of sectors in the UK and internationally.

We also act for private banks, financial institutions and wealth managers to ensure that they are well-equipped to advise their clients.

ComRes interviewed 501 UK 'affluent millennials', defined as:

- Individuals born between 1981 and 1996
- Individuals who have investable assets of £25,000 or more.

Investable assets were defined as anything of financial value that could easily be used to invest, including cash, bank account balances, money in retirement accounts, mutual funds, stocks, bonds or anything similar but not including properties, vehicles, art jewellery or collectables.

Please note that due to rounding results may not always add up to a 100%. Where a NET is shown, this refers to when responses from multiple answer options have been combined to produce an overall figure.

Social grades referred to in the report

The most recent occupation of the highest earning parent is used as an indicator of their 'social grade', categorised as follows:

- Seg A: Higher managerial, administrative or professional roles
- Seg B: Intermediate managerial, administrative or professional
- Seg C: Supervisory, clerical and junior managerial, administrative or professional; skilled manual workers
- Seg D: Semi and unskilled manual workers
- Seg E: Casual or lowest trade workers; unemployed with state benefits only

Section One

Finance & investing



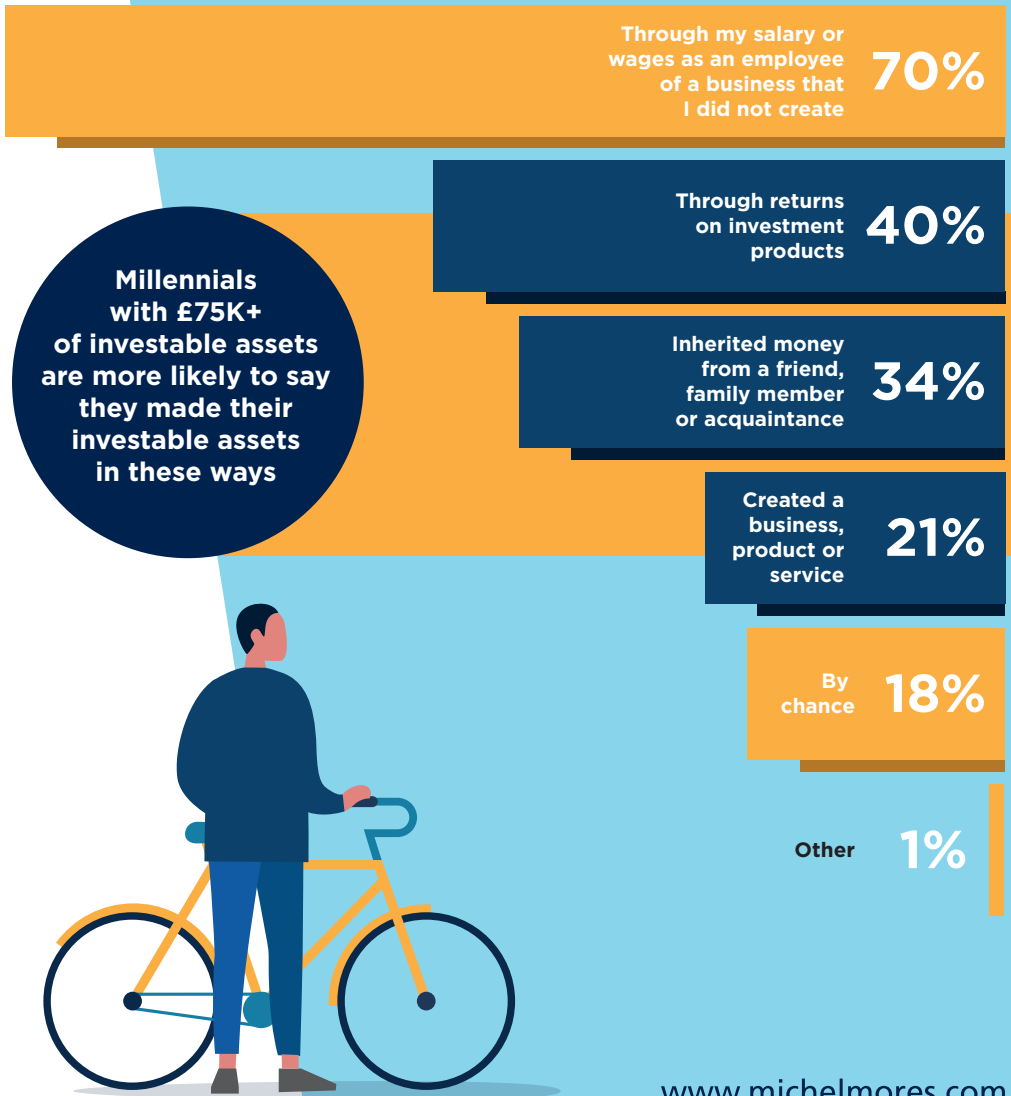
Affluent millennials tend to have saved their way to affluence

Perhaps contrary to the expectation that affluent millennials' investable assets are most likely to come from inherited wealth, or even through an innovative business venture, these findings indicate that many of those surveyed have most commonly saved their way to affluence.

70% say they generated these assets through their salary as an employee of a business they did not create. This is compared to two in five (40%) who say returns on investment products contributed these, and a third (34%) who say they received or inherited money.

This picture differs somewhat when comparing levels of affluence within this group.

For example, those with the highest amount of investable assets (£75,000 worth or more) are more likely than those with lower amounts (£25,000-74,999) to have gathered these through receiving or inheriting money (46% vs. 29% respectively). They are also considerably more likely to have profited from returns on investment products (56% vs. 34%) or from creating a business, product or service (36% vs. 15%).



Q4. And which of the following, if any, best describes where your 'investable assets' have come from?
Base: All respondents (n=501)

Personal stories about gathering investable assets



“All my investable assets came from my own salary... nobody gave me a single penny.”

“I have made them by working since I was 16 and regularly saving money. I’ve put this into ISAs and saving accounts ever since I began working.”

“I’ve worked hard since 18 and saved 20% of every pay cheque since which I have invested.”



“I worked hard through my monthly salary and I also invested in cryptocurrency”

“Buying stocks and shares via e-Toro and via banking options.”



“I won a nice amount on the National Lottery.”



“I was privileged to make my investable assets through some inheritance from my family, and through the savings I have made from work and other investments.”

“My dad’s career was in banking and accounting and so he’s got a good mentality towards this. He set up accounts for me and purchased stocks and shares in my name.”



“I created my own blog which is slowly growing to become a small business.”

Q14a. We are really interested in your own personal story of about where your investable assets came from. In your own words, how would you describe how you made your 'investable assets'?
Base: All respondents (n= 501 responses)

A desire for flexibility and risk-aversion is driving millennials' investment decision-making

Flexibility is a key consideration for affluent millennials when they are making their investment decisions.

Close to half (46%) say that the ease of withdrawing or liquidating investments is an important factor when considering how to invest their money in a venture. Overall, seven in ten (72%) selected factors relating to ease or simplicity.

Additionally, many affluent millennials are also sensitive to the level of risk (44%), and this ranks among the factors most likely to be considered important. Around nine in ten (87%) think that at least one factor relating to profit is important.

Only a quarter (25%) say that whether the venture is new or innovative is important to them.

Millennials with £75K+ of investable assets are more likely to say that fund management fees are, or would be important when considering investing



Q10. Which of the following, if any, are / would be important to you when considering how to invest your money in a venture?
Base: All respondents (n=501)



Stocks, shares, pensions and annuities are the most popular financial products among affluent millennials - yet investment in cryptocurrency is higher than expected

Investment in financial products or schemes (showing % saying the following)

Traditional forms of investment continue to be popular with affluent millennials, who most commonly invest in shares (37%), pensions or annuities (37%), or stocks (35%).

Similarly, at least a quarter say that they have invested in life insurance (30%), investment trusts (25%) or fixed income securities (23%).

Despite the widespread perception that affluent millennials have a preference for impact investments, millennial incidence of actually investing in sustainable or social investment funds is relatively low, with only 16% reporting that they have done so.

This is perhaps the result of a risk-averse investment attitude amongst this audience, and the perception of these investments as volatile.

Remarkably one in five (20%) say that they have invested in cryptocurrency. Meanwhile, one in ten (11%) have engaged in peer-to-peer lending.

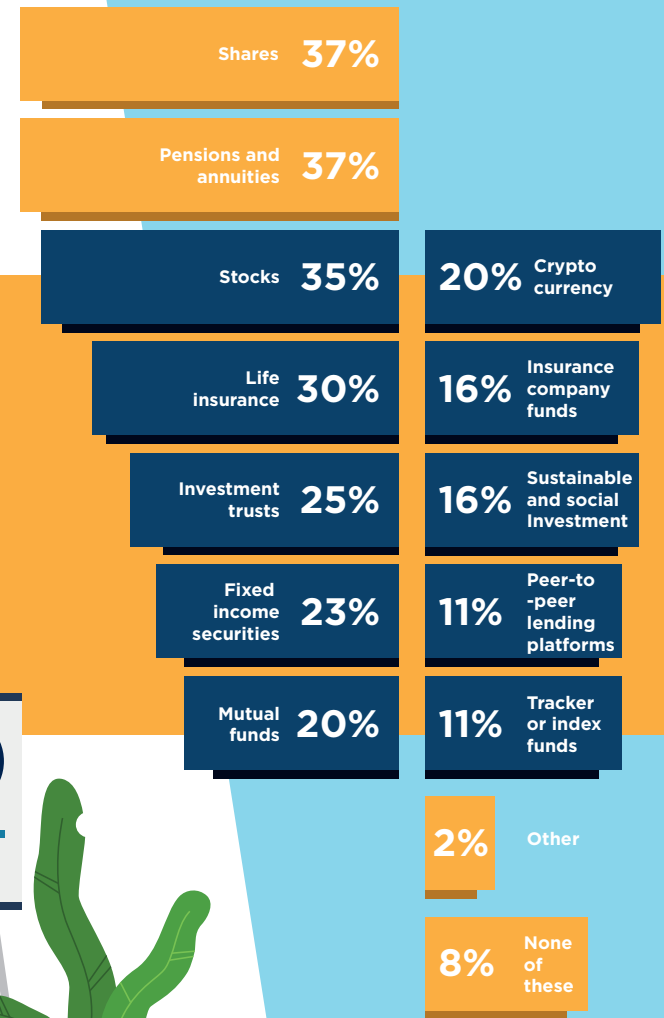
“The survey result that 20% of those interviewed have invested in cryptocurrencies contrasts with a recent survey by the FCA which suggested a figure of 3% across the general population.

This suggests a willingness amongst millennials to move away from traditional forms of investment and to embrace new technologies, almost regardless of the risks - perhaps part of a new identity for a new generation.”



**Andrew Oldland QC,
Senior Partner, Michelmores**

Millennials with £75K+ of investable assets are more likely to say they have invested in each of these products or schemes



Q8. In which of the following financial products or schemes, if any, have you invested your money?
Base: All respondents (n=501)
*FCA cryptoassets consumer research, 2019.

When considering impact investments, there is a disconnect between millennials' social values and their investment behaviour

Affluent millennials appear to be conflicted over the value of impact investments, with a considerable gap between their positive perceptions of them, and their actual levels of investment.

Although a clear majority agree that they feel a responsibility to use their money to have a positive impact on the world (73%), only 16% say that they have actually invested in sustainable or social impact funds.

This disconnect between perceptions and behaviour is underlined by the fact that three in five (62%) say that impact investments are less profitable than other types of investment, while 14% say they don't know how impact investments perform in this respect.

Levels of affluence impact millennial attitudes towards impact investments. For example, those who have acquired £75,000 or more investable assets are considerably more likely than those with fewer assets to agree that they feel a responsibility to use their money to have a positive impact

on the world (82% vs. 69% £25,000-74,999), with around two in five (43%) strongly agreeing with this.

“Whilst affluent millennials have positive views of impact investments, it is interesting to see that this is not yet reflected in their investment behaviour. Numerous studies show that returns from impact investments are comparable to conventional investments, yet confidence to invest in a sustainable way is relatively low. We do though expect this to change in the near future as impact investing becomes more mainstream and data evidencing its positive financial return is more accessible.”



Harry Trick, Senior Associate in the Impact Investing team

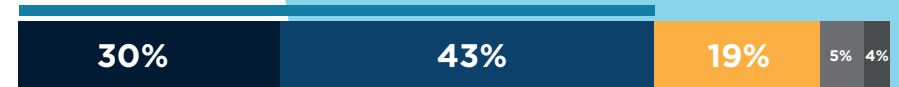
Perceptions of social investment (Showing % saying the following)

Strongly agree Tend to agree Tend to disagree Strongly disagree Don't know

It is important that how my money is managed reflects my values
79% NET: Agree



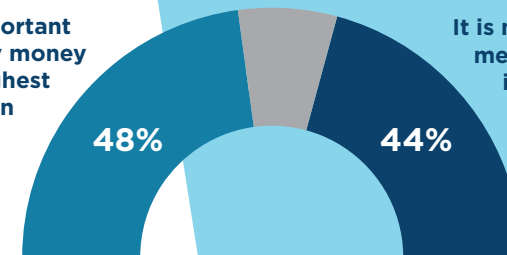
I feel responsibility to use my money to have a positive impact on the world
73% NET: Agree



Impact investment is less profitable than other types of investment
62% NET: Agree



It is more important to me that my money makes the highest possible return than it be invested in impact investments



It is more important to me that my money is invested in impact investments than make the highest possible return

Q14. 'Social' or 'impact' investments are investments made with the intention of having a positive impact on society; Q15. And to what extent do you agree or disagree with each of the following statements about social investment? Thinking about your own 'investable assets', which of the following best reflects your view on these impact investments? Base: All respondents (n=501)

Unknown levels of risk, lack of information and personal circumstance or experiences are cited as reasons for not making impact investments

Perceptions of impact ventures as risky or volatile are the most common reasons for not investing...

“...they do not make that much profit.”

“...I consider them fast to fluctuate and rise up and down, I have very little trust in them.”

“...I don't know much about any social impact investment and also as far as I know, the benefits of them are lower.”

...and many also say that they don't know enough about these investments, or are currently researching them...

“...I'm unaware of what they are, and worried about level of risk involved.”

“...I'm unfamiliar, I know a little bit but have a lack of knowledge about how this works, the risk, return and impact.”

“...I am in the process [of investing] as we speak and will in the next couple of months. I am in the research stage.”

...however, for some, personal experiences and circumstance mean that they are unlikely to invest in the near future.

“...I had a bad experience.”

“...I have my own saving goals at the moment and they're not in my life plan.”

“...I haven't had the opportunity to invest in them yet... however it is something that I plan to do once I have the money available.”

Q14a. You mentioned that you do not have social impact investments, but that it is important to you when you are considering investing money into a venture / but that it is more important to you than making the highest possible return / but that it is important to you when you are considering investing money into a venture, and that it is more important than making the highest possible return. Please can you provide some detail on why you currently do not have social impact investments? Base: All those who do not have impact investments, but say it is important to consider social and environmental impacts when investing (n=210 responses)

Affluent millennials are equally likely to research, use technology, and use financial advisors to manage their assets

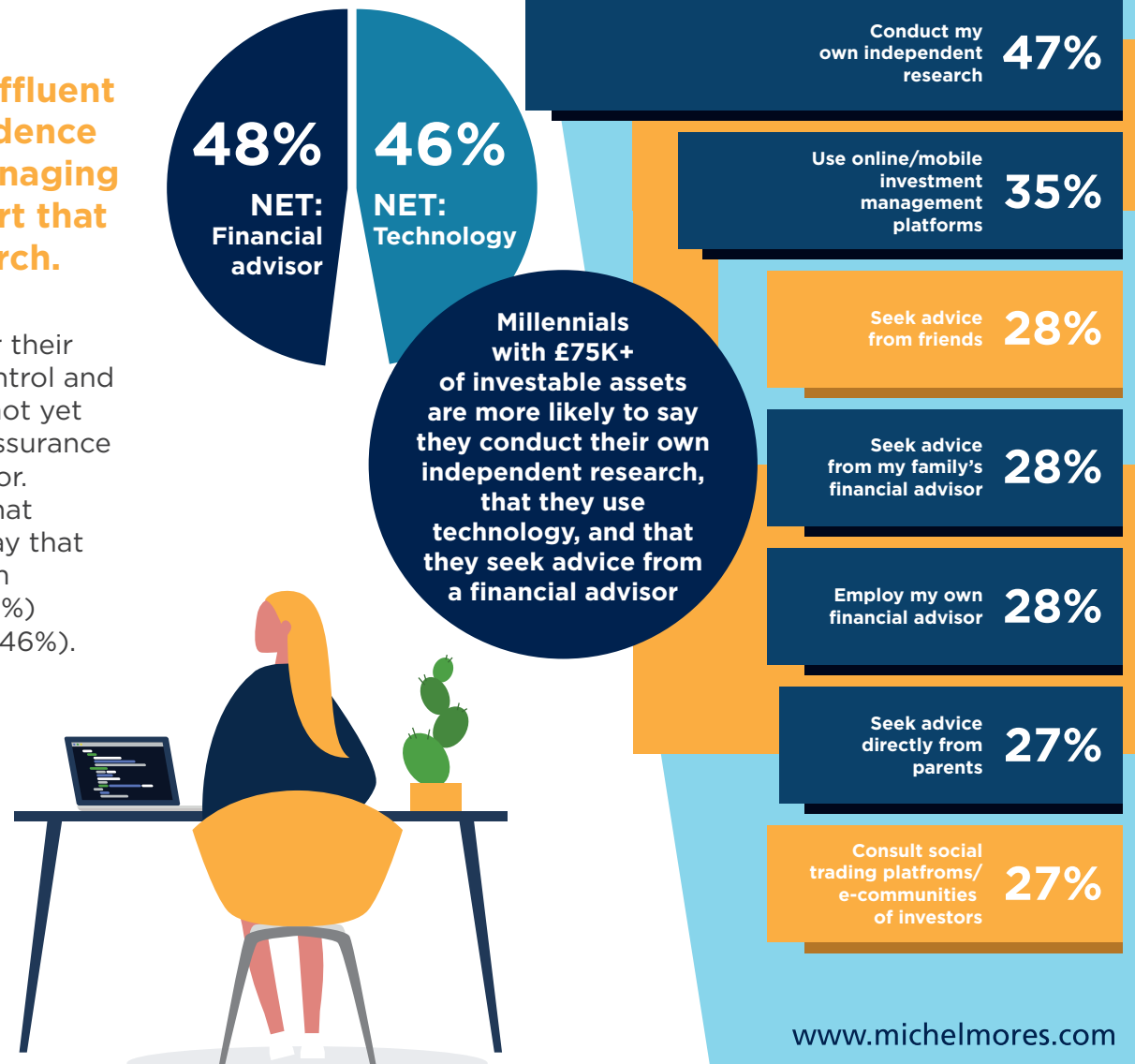
In line with how highly flexibility ranks in affluent millennials' investment decisions, independence is very important in how they go about managing their investments; close to half (47%) report that they conduct their own independent research.

Parents and family advisors are not relied on as strongly as other investment management methods, with only 27% and 28% reporting that they use these respectively. This suggests that affluent millennials are keen to explore investments independently, and to shift away from the financial behaviours of their parents.

These results reveal some insight into millennial relationships with technology and financial advisors; whilst millennials are likely

to use technology for their simplicity, level of control and objectiveness, it cannot yet replace the level of assurance provided by an advisor. This is illustrated in that similar proportions say that they seek advice from financial advisors (48%) and use technology (46%).

Managing investable assets
(Showing % saying the following)



Q11. How do you go about managing your investable assets?
Base: All respondents (n=501)

Affluent millennials tend to prefer to use their money to travel, but saving for their future is clearly a priority

When asked about how they prefer to use their money, affluent millennials are more likely to say they prefer to spend it on travel (49%).

Supporting the trend that many of those surveyed have built their investable assets through saving, how they use their money also reflects this. 40% use their money to build up savings to act as an 'emergency fund'.

Those with more investable assets have slightly different priorities in using their money. Buying or saving to buy property is more likely to be a priority for those with at least £75,000 in investable assets (49% £75,000+ vs. 36% £25,000-74,999), as is saving for their retirement (49% vs. 30% respectively).

They are also more likely to be focused on building up their savings to pass on to their family in the future (41% £75,000+ vs. 29% £25,000-74,999).



Using investable assets
(Showing % saying the following)



Q7. In general, how do you prefer to use your money?
Base: All respondents (n=501)

The majority of affluent millennials plan to keep working in some capacity throughout their lifetime

Two thirds of affluent millennials plan to keep working in some capacity throughout their lifetime, either as long as they are able to (21%) or in some capacity once they have retired (43%).

Nevertheless, a third (33%) say they plan to retire as soon as they have saved or invested enough to sustain their lifestyle without working.

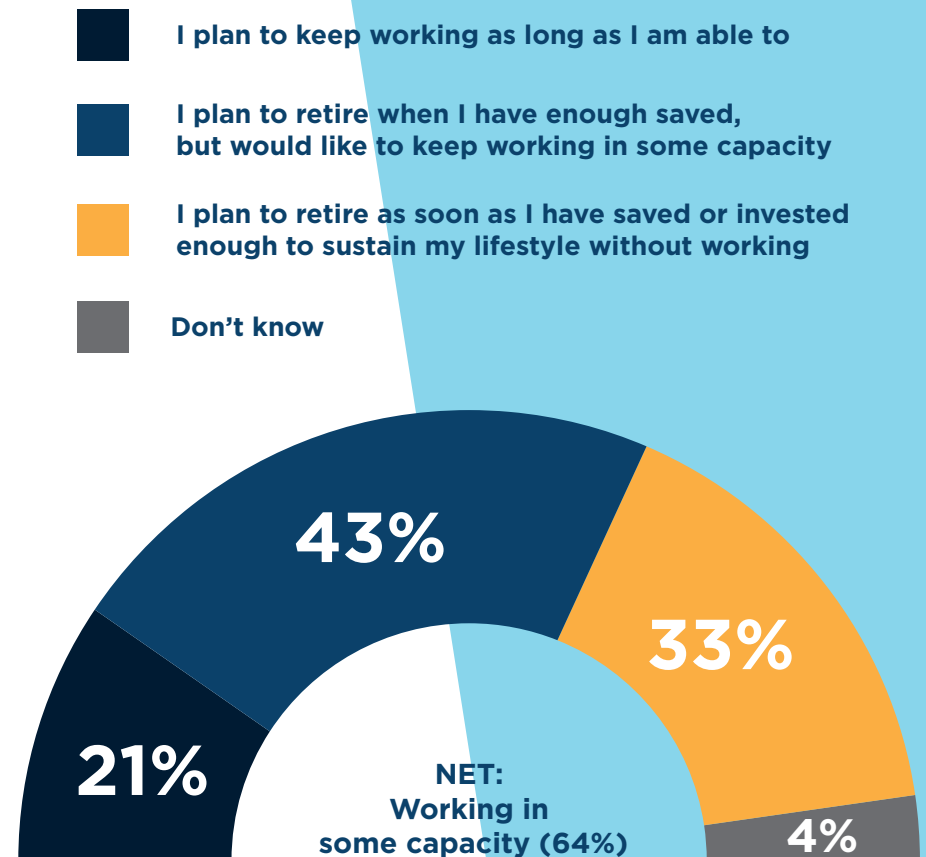
These attitudes are fairly consistent across different demographic groups. However, those from the most affluent background are more likely to say they plan to retire as soon as they are able to (39% SEG A vs. 27% SEG B-E).

“There has definitely been a shift in perception of working life, particularly from previous generations who tended to secure a job for the long-term. Now, people seem much more focused on flexibility and being able to balance work and home life. Many employers are prioritising retaining talent, whilst employees are more discerning about the work they do, and seem to move between jobs much more readily. These shifts in working practices may be a contributor to people choosing to work longer in some capacity”



Bethan Jones, Senior Associate in the Employment team

Plans to retire
(Showing % saying the following)



Q16. Which of the following best reflects your plans for working in the future?
Base: All respondents (n=501)

