

HOW MILLENNIALS ARE CHANGING THE FUTURE OF FINANCIAL SERVICES



Credit: Tom Barrett

Millennials - people between the ages of 18 and 35 - are not seeking different financial solutions compared to previous generations. This group of young adults is demanding better communication, higher levels of transparency and improved service from financial services providers.



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This was revealed in the 2017/2018 Old Mutual Millennial Survey, commissioned to get a better understanding of the unique challenges faced by South African millennials with regard to saving and investing their money.

This generation of curious and tech-savvy consumers - empowered with the bargaining power that has been created by their ability to network and mobilise - will shape the world according to their shared outlook. Millennials are driving the world order and the financial services sector will be no exception, as millennials view their money and investments as powerful tools for changing the world.

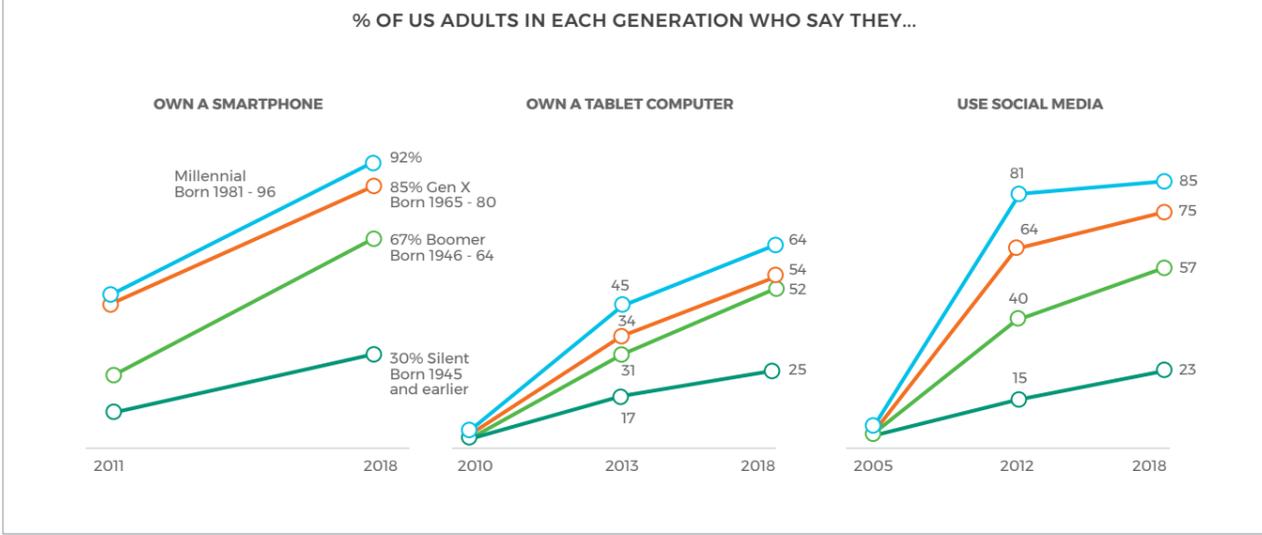
Financial services providers will have to shift their approach and mindset to tap into this rapidly emerging youth market and avoid disruption from non-

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traditional competitors that are willing to cater for millennials as well as older clients who are also changing their ways of thinking.

In addition, life expectancy has increased rapidly due to advancement in medical technology, and financial services will have to innovate ahead of the curve, as there will be a greater need for financial products over longer terms. Dutch scientists who released a paper on the subject, forecast that life expectancy would reach 125 by 2070. This will directly impact the current millennial population. The financial services industry - which defines "long term" as investing over five years, retirement age as 65 years and life in retirement as 30 years - will have to rethink its definitions and product structures. Millennials are already calling for increased flexibility in financial services products that cater for their

FIGURE 32: MILLENNIALS LEAD ON SOME TECHNOLOGY ADOPTION MEASURES, BUT BOOMERS AND GEN XERS ARE ALSO HEAVY ADOPTERS



Source: Survey conducted Jan. 3-10, 2018. Trend data from previous Pew Research Center surveys

needs, and life expectancy might be one of the key catalysts to this.

Millennials are also the drivers of sustainable living. They are making great strides in keeping the earth healthy for future generations. This generation prefers eco-tourism and their sustainable lifestyles - including reusable grocery bags, upcycled home décor and thrifted clothing - have a huge positive impact on the environment. Habits have a higher impact when a big group of people practise them and, seeing as they account for about a quarter of the world's population, this generation will definitely move sustainability forward. (See Figure 32.)

Their use of technology has led to an era of online social activism where they make their voices heard on issues ranging from fashion and entertainment to politics and economies. However, technology and sustainable investing are not only rising among millennials, as other generations are also changing their ways. By the time those born after 2000 become an

economic force, they will be living longer in a much more socially conscious world.

Research has shown that the move towards technology is greater among millennials but is also rising among people aged 45 years and older, the only difference being the type of gadgets used. (See Figure 33.)

The types of investments that the different age groups invest in are also similar, although the shifts are more emphasised in the millennial group. Therefore, financial

services companies should remember not to neglect their existing clients when servicing and attracting millennials. It may be wise to use the millennial themes more as an indicator of what your future business should look like for all clients.

In my opinion, without strong, diverse voices in the boardroom, the financial services industry will miss out on creative ideas, innovation and profitability that this group of people with their unique

world view could bring to the table. Therefore, it is important for management boards to reflect the diversity of the market to which they hope to relate in the future.

With millennials leading the current change, it's no longer about finding the right clients for your products, but rather about focusing on developing the right products and services to meet the needs of our market - regardless of which financial services company they prefer. 🌱

FIGURE 33: COMPARED TO FIVE YEARS AGO, HOW HAS YOUR INVESTMENT IN SUSTAINABLE INVESTMENT FUNDS CHANGED?

