FINRA Investor Education FOUNDATION | CFA Institute

Uncertain Futures: 7 Myths about Millennials and Investing

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What's Inside:

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Conventional wisdom paints a vivid picture of millennials and their attitudes on investing. Some of the common assumptions about millennials include:

1. Millennials have lofty goals (for example, start a business, retire at 40, etc.), which carry over to their financial goals and aspirations.
2. Income challenges and debt are key barriers to investing.
3. Millennials, being overconfident in general, are also overconfident in their financial lives.
4. Millennials are wary of the financial services industry and by extension skeptical of financial professionals.
5. Millennials likely overestimate the investable assets needed to work with a financial professional.
6. Being digital natives, millennials naturally gravitate toward robo-advisors.
7. Millennials as a group are homogenous and so likely have similar investing attitudes and behaviors across demographic subgroups.

To explore these assumptions, this issue brief examines attitudes on investing among three millennial segments — those with no investment accounts of any kind, those with retirement accounts only and those with taxable investment accounts (most also owned retirement accounts) — and compares them with their Gen X and baby boomer counterparts. Data from a 2018 online survey of 2,828 millennials, Gen Xers and baby boomers and a series of eight consumer focus groups are used for this analysis. This issue brief is based on *Uncertain Futures: 7 Myths about Millennials and Investing, Full Report*. The report can be found at www.finrafoundation.org or www.cfainstitute.org.

Millennial financial goals: Many are not on the "FIRE" track

Conventional wisdom often portrays millennial financial goals in terms of the "FIRE" type (Financial Independence, Retire Early). Contrary to this generalization, we find that among those who expect to retire at all, millennial investors and non-investors expect to retire at age 65. Just 3% of millennials with taxable accounts plan to retire before age 50. Notably, millennial non-investors are more likely than investors to say they will never retire because they cannot afford to (17% non-investing millennials, 10% millennials with retirement accounts only, 8% millennials with taxable accounts).

As Figure 1 shows, non-investing millennials have very modest financial goals and are focused on surviving month-to-month (for example, 40% cite "not living paycheck to paycheck" as a top goal). In contrast, the top financial goals of millennials with taxable accounts largely mirror the current goals of Gen Xers and baby boomers who have taxable accounts, for example, "saving enough to retire when I want and live comfortably" (46%).

Figure 1. Top Financial Goals

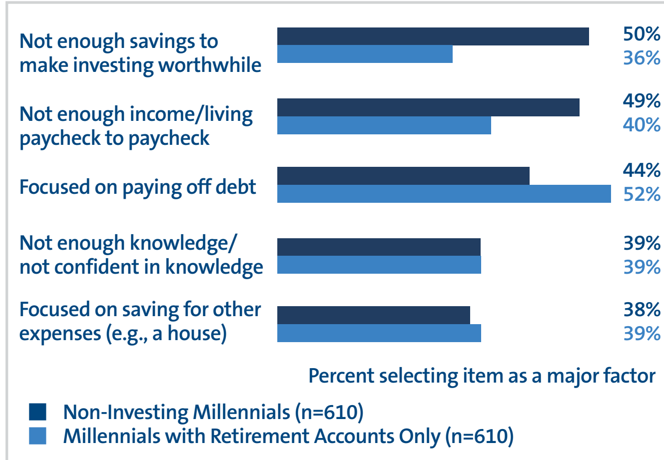
	Millennials			Gen Xers with Taxable Accounts (n=505)	Boomers with Taxable Accounts (n=509)
	Non-Investing (n=610)	Retirement Accounts Only (n=603)	Taxable Accounts (n=601)		
Not living paycheck to paycheck	40%	34%	21%	15%	17%
Having savings for unexpected expenses	33%	39%	37%	39%	57%
Saving enough to retire when I want & live comfortably	21%	39%	46%	63%	56%
Having enough to travel	31%	35%	39%	44%	59%

Q1. When thinking about your overall financial goals, please pick your top three financial goals.

Barriers to millennial investing: The role of knowledge and an employer-sponsored retirement account

Not surprisingly, debt and income are major barriers to investing. As Figure 2 shows, 50% of non-investing millennials cite insufficient savings as a major barrier, and 52% of millennials with only retirement accounts cite debt as a major barrier. However, a lack of knowledge is also a major hurdle. As Figure 2 shows, nearly four in 10 millennials (39%) cite lack of knowledge as a major barrier to investing.

Figure 2. Barriers to Millennial Investing in Taxable Accounts



Q24. How much of a factor is each of the following in why you do not currently invest? (Those with retirement accounts only: "outside of your retirement account")?

In addition, access to an employer-sponsored retirement plan is a key stepping stone to investing. As Figure 3 illustrates, an employer is among the top influences on the decision to start investing among millennials who do invest, particularly for those with retirement accounts only. An intrinsic driver like individual curiosity is also a major influence, as are external sources like parents or family members, particularly for millennials with taxable accounts.

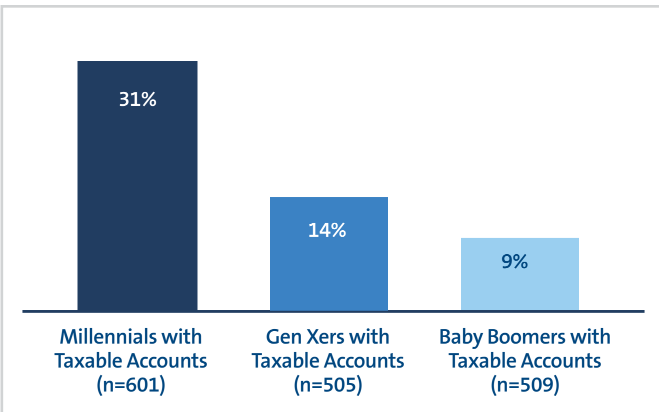
Figure 3. Key Factors Influencing Millennial Investors' Decision to Start Investing

Percent selecting item as a major factor	Millennials with Retirement Accounts Only (n=603)	Millennials with Taxable Accounts (n=601)
Individual curiosity/interest	41%	58%
Parent/family members	39%	54%
Employer	37%	29%
Friends/colleagues	26%	36%
Part of my college education	20%	29%
Media	17%	27%
Investment games	16%	26%
Advertising	14%	25%
Financial TV show	13%	24%

Q9. How much of a factor was each of the following in your decision to start investing?

Interestingly, almost a third of millennials with taxable accounts (31%) were under 21 years old when they started investing, a significantly higher percentage than their Gen X and baby boomer counterparts (*see Figure 4*).

Figure 4. Percentage Under 21 When Starting to Invest (among Those with Taxable Accounts)

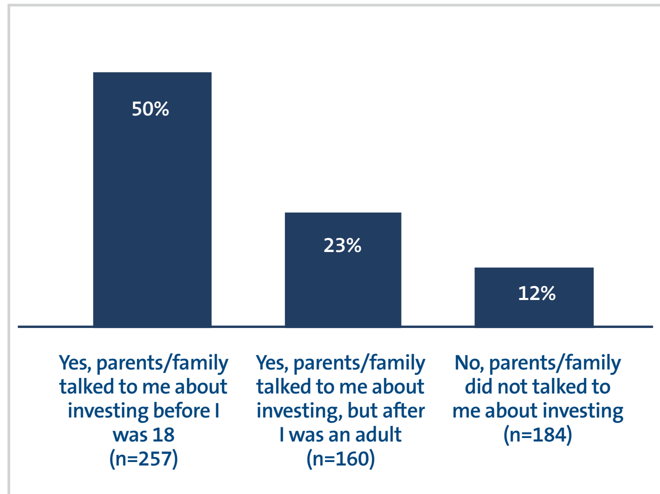


Q7. At about what age did you start investing (outside of a basic retirement account)? (BASE: millennials, Gen Xers and baby boomers with taxable accounts.)

While not necessarily causal, it is notable that millennials with taxable accounts are also more likely than Gen Xers or baby boomers with taxable accounts to report their parents talking to them about investing before 18 years old (42% versus 29% and 21%, respectively). This could be a recall difference, but it may also reflect the democratization of investing and parents' role in mediating it.

Indeed, the age at which parents talk with millennials about investing may play an important role in their decision to start investing. Again, while it may not be causal, millennials with taxable accounts whose parents or family members talked to them about investing before age 18 are even more likely to have invested at a young age (*see Figure 5*).

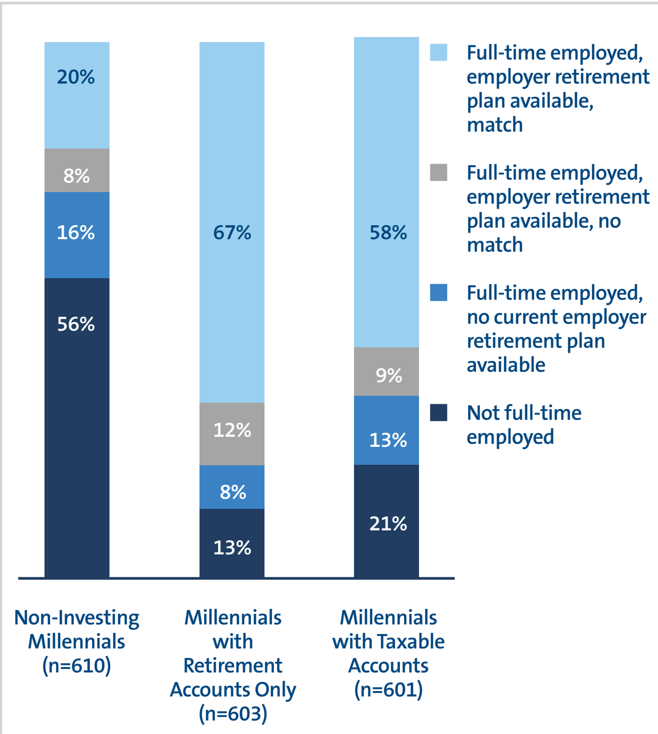
Figure 5. Percentage of Millennials with Taxable Accounts Who Started Investing Before Age 21 by Age When Parents/Family Discussed Investing



Q7. At about what age did you start investing (outside of a basic retirement account)? (BASE: millennials with taxable accounts.) Q5. Did your parents or other family members ever talk to you about investing?

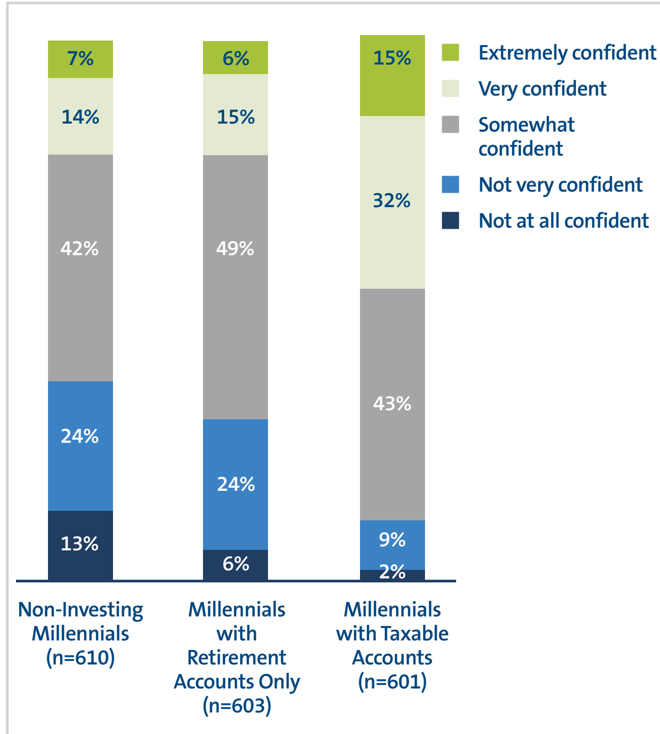
Another barrier to investing is lack of access to an employer-sponsored retirement plan. Non-investing millennials have limited access to an employer-sponsored retirement plan, which diminishes their exposure to investing. As Figure 6 shows, 56% of non-investing millennials are not employed full-time, reducing access to a retirement plan. Another 16% are employed but their employer does not sponsor a retirement plan. Only 20% are employed and have access to an employer-sponsored plan with a contribution match. This is a much lower rate than among millennials with retirement accounts only (67% with match) or those with taxable investment accounts (58% with match), and it represents a reduced incentive to participate.

Figure 6. Millennial Access to an Employer-Sponsored Retirement Account



D6. Which of the following best describes your current employment situation? Q16. Whether or not you participate, does your current employer offer a retirement plan? Q18a. Does your employer provide a contribution into your retirement plan?

Figure 7. Millennial Confidence in Investment Decision-Making



Q30. How confident are you in your ability to make decisions about investing?

Few millennials are confident in their ability to make investing decisions

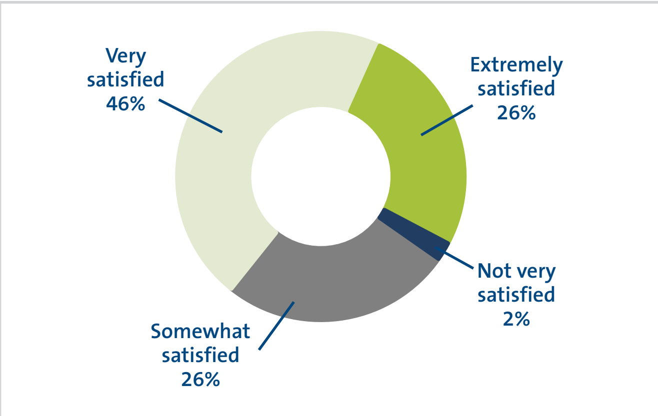
The millennial stereotype suggests they are generally overconfident, and according to prevailing wisdom, this spills over into their view of their own investment decision-making ability.

Contrary to this view, we find that millennials, regardless of segment, feel there is still a lot to learn when it comes to investing (*see Figure 7*). Interestingly, confidence levels in investment decision-making are roughly the same among millennial non-investors and millennial retirement-only investors.

Millennials across segments have largely positive views of financial professionals

In our sample, 41% of millennials with taxable and/or retirement accounts work with a financial professional. Millennials are often described as wary of the financial services industry and by extension skeptical of financial professionals. In contrast, as Figure 8 illustrates, we find that most millennial investors are satisfied with their current financial professionals.

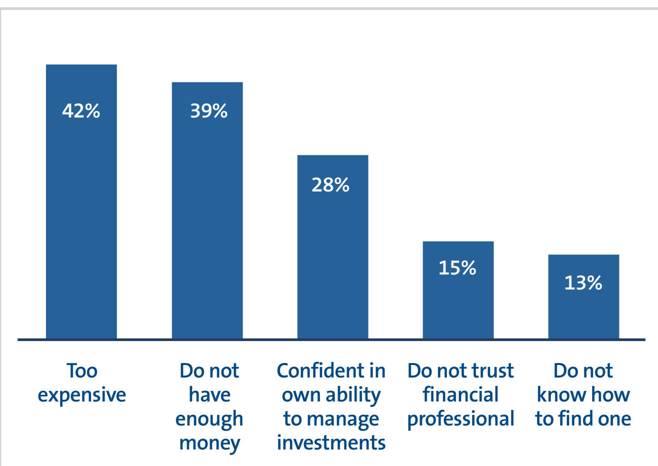
Figure 8. Millennial Satisfaction with Their Current Financial Professionals



Q15. How satisfied are you with your current financial professional? (BASE: millennials who work with a financial professional; n=494.)

In addition, millennials who are not currently using, or not likely to use, a financial professional rarely cite lack of trust as a reason for not using one (just 15% cite this reason). Instead, they mainly point to the perceived expense of working with a financial professional and their insufficient funds (*see Figure 9*).

Figure 9. Reasons Millennials Give for Not Using a Financial Professional

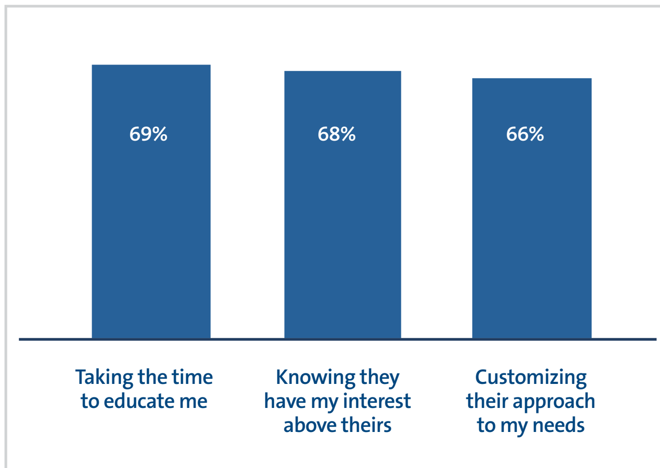


Q28. Why are you NOT likely to use a financial professional? Please select all that apply. (BASE: millennials not likely to work with a financial professional or not currently using one; n=937.)

Indeed, in our qualitative focus groups with millennial consumers, the most common words millennials associated with financial advisers were positive, for example, "knowledgeable," "savvy," "experienced," "expert," and "available." Views about financial advisers were more positive than those about Wall Street, perhaps suggesting more positive feelings for individuals than institutions.

Millennials want a financial professional who is more of a teacher than a friend. To build trust, millennials say they want a financial professional who will educate them, who will customize their approach to the client's needs and who can demonstrate that they place the client's interest above their own (*see Figure 10*).

Figure 10. Top Ways a Financial Professional Can Build Trust with Millennials



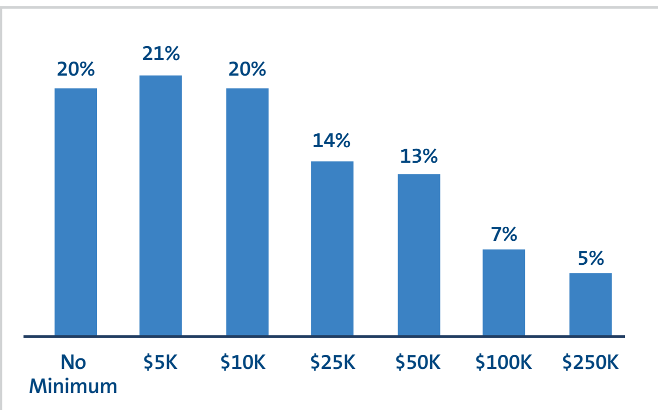
Q35. How much of a factor is each of the following in how a financial professional can build trust with you? Results shown for highest rated factors. (BASE: millennials; n=1,814.)

Contrary to their image as DIY-ers, millennial investors tend to look for collaboration with their financial professional. They are not looking for a friend per se. Indeed, "getting to know me as a person" was the lowest endorsed factor to build trust (54%).

Millennials underestimate the investable assets needed to work with a typical financial professional

A common assumption is that millennials overestimate the investable assets needed to work with a financial professional, which becomes a barrier to seeking out one. In contrast, we see that millennials underestimate the investable assets needed to work with a typical financial professional. As Figure 11 illustrates, approximately 6 in 10 believe a financial professional would work with them if they had $10K or less. Fully 20% believe that there is no minimum amount necessary to work with one.

Figure 11. Minimum Amount Needed to Make Working with a Financial Professional Worthwhile



Q33. What do you feel is the minimum amount of money available for investing that someone would need to have in order to make working with a financial professional worthwhile? (BASE: millennials; n=1,814.)

Investors with lower asset levels might benefit from learning about options potentially aligned with their resources, for example, robo-advisors or ways to find financial professionals who work with lower asset investors.

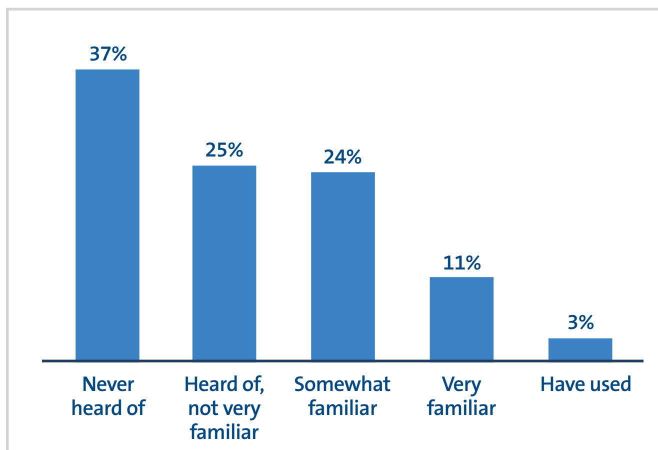
Likewise, millennials have little knowledge of the cost of using a financial professional. Forty-two percent of millennials say they do not know what type of fee they charge for their services. Of those who do estimate a fee, 77% believe it is 5% or more of invested assets (46% of Gen Xers and 31% of boomers believe this). Fee confusion is slightly lower among millennials with taxable investment accounts and those who work with a financial professional, but is still substantial.

Millennials have limited awareness of and interest in robo-advisors and certain other investing innovations

Because they have grown up in the digital age, we often assume that millennials would find the concept of robo-advisors appealing. In contrast, we see that millennials currently have limited awareness (and use) of robo-advisors. In addition, interest in robo-advisors is limited among millennials.

More than one-third of millennials say they have never heard of robo-advisors, even when a definition is provided along with examples of robo-advisor firms (*see Figure 12 and question wording below*). Another one-quarter say they have heard of robo-advising, but are not very familiar with it. Just 3% say they have used a robo-advisor.

Figure 12. Millennial Familiarity with Robo-Advisors

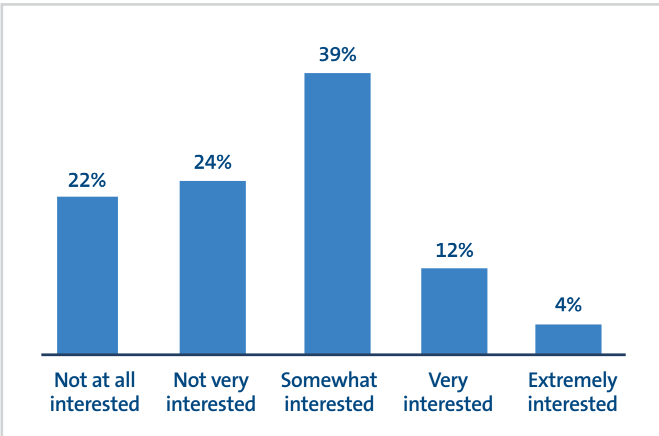


Q36a. How familiar are you with Digital Investment Advice Providers (aka Robo-advisors): automated financial planning services with little to no human supervision and lower fees (for example, Betterment, Wealthfront, Bloom)? (BASE: all millennials n=1,814.)

Millennials with taxable accounts have relatively greater familiarity with robo-advisors (22% say they are very familiar, versus 7% among both millennial non-investors and those with retirement accounts only).

As Figure 13 illustrates, among millennials who have not used a robo-advisor, interest is low, with just 16% very or extremely interested.

Figure 13. Millennial Interest in Robo-Advisors

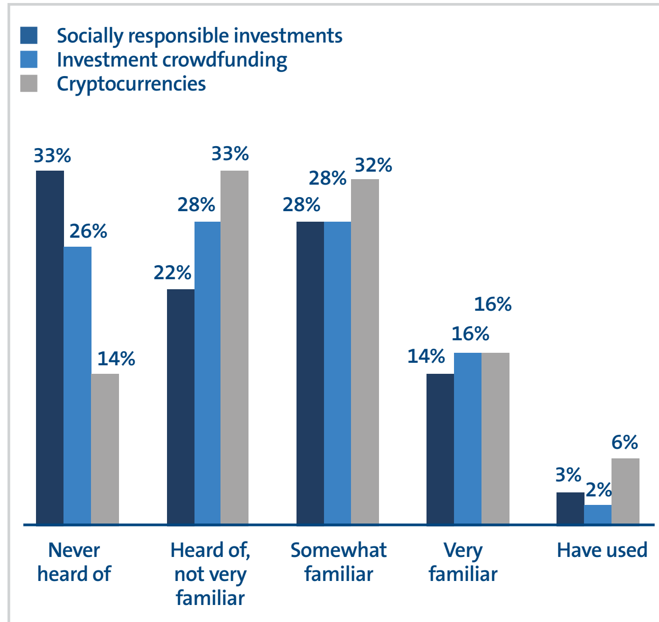


Q37a. How interested would you be in using Digital Investment Advice Providers (aka Robo-advisors): automated financial planning services with little to no human supervision and lower fees (for example, Betterment, Wealthfront, Bloom)? (BASE: millennials who have not used a robo-advisor; n=1,756.)

Again, interest is higher among millennials who have taxable accounts (23% very/extremely interested) than those with retirement accounts only (15%) or non-investors (11%).

Millennials also have relatively low familiarity with socially responsible investments and investment crowdfunding (again, the survey provided brief definitions of these concepts). As Figure 14 shows, 14% to 16% of millennials are very familiar with them and 2% to 3% have used/invested in them. Familiarity with cryptocurrencies is somewhat higher.

Figure 14. Millennial Familiarity with Investment Innovations

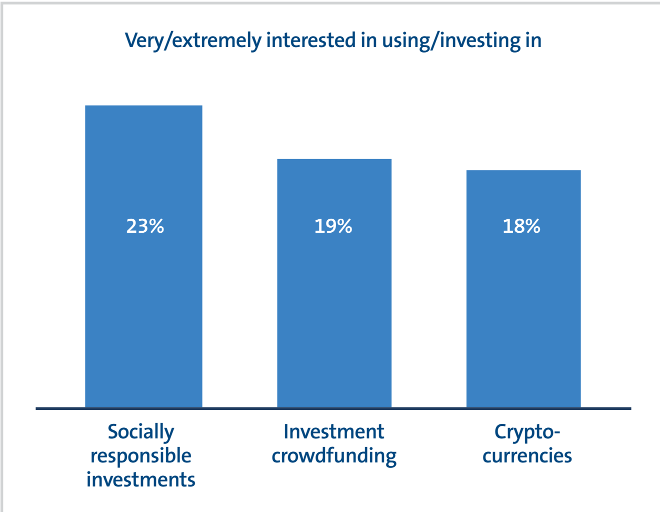


Q36b/c/d. How familiar are you with each of the following investment products and services? Socially Responsible Investing: an investment strategy that seeks to combine financial return and social/environmental good. Sometimes called values-based investing or ethical investing. Investment Crowdfunding: a way for a company to ask a large number of backers to each invest a relatively small amount. In return, backers receive equity shares of the company. Cryptocurrency: a digital or virtual currency that uses cryptography for security (for example, Bitcoin). (BASE: all millennials n=1,814.)

Millennial interest in cryptocurrencies is currently low, similar to low levels of interest in robo-advisors, socially responsible investments, or investment crowdfunding (*see Figure 15*).

The financial services industry has an opportunity to educate many millennials about emerging financial products and services, including robo-advisors.

Figure 15. Millennial Interest in Investment Innovations



Q37a. How interested would you be in using/investing in each of the following investment products and services? Socially Responsible Investing: an investment strategy that seeks to combine financial return and social/environmental good. Sometimes called values-based investing or ethical investing. Investment Crowdfunding: a way for a company to ask a large number of backers to each invest a relatively small amount. In return, backers receive equity shares of the company. Cryptocurrency: a digital or virtual currency that uses cryptography for security (for example, Bitcoin). (BASE: millennials who have not invested in specific product or service; n=1,716-1,773.)

Some millennial sub-segments have relatively greater interest in investment innovations (*see Figure 16*). But even among these sub-segments, interest is limited (not surpassing 30% very/extremely interested among millennials with taxable accounts or 40% among those confident in investment decisions).

Figure 16. Millennial Sub-Segments Significantly More Interested in Investment Innovations

	Robo-advisors	Socially responsible investments	Crypto-currencies	Investment crowd-funding
Taxable investors	✔	✔	✔	✔
Confident in investment decisions	✔	✔	✔	✔
Parents discussed investing	✔	✔		✔
Use a financial professional		✔	✔	✔
Have children	✔		✔	
Urban		✔		
Self-employed				✔
Risk tolerant			✔	

Certain millennial subgroups are being left behind when it comes to investing and are less optimistic than their counterparts

Millennials are generally thought of as a homogenous group, with similar attitudes and behaviors across demographic subgroups. We have addressed differences among selected millennial investment segments: those with no investments; with retirement accounts only; and with taxable accounts. We also see notable differences in three other millennial subgroups: rural/urban; male/female; and trailing (ages 22-29)/leading (ages 30-37).

Rural and Urban Millennials

Compared to their urban counterparts, millennials from rural areas are less likely to invest in the next five years, less confident in decision making about investing and less likely to be full-time employed (*see Figure 17*). They are also less optimistic about their financial future. Rural millennials differ most clearly from urban, with suburban closer to urban.

Figure 17. Rural versus Urban Millennials

	Rural	Urban
Taxable investor	18%	27%
Plan to invest in the next five years	24%	34%
Employed full-time	50%	70%
Extremely/very confident in decision making about investing	22%	32%
Extremely/very confident in reaching key financial goals...		
Be able to pay monthly bills	54%	64%
Pay off/reduce mortgage debt	45%	59%
Not live paycheck to paycheck	39%	49%
Strongly agree...		
I will be better off financially than my parents	21%	33%
My children will be better off than I am financially	25%	51%
I am optimistic about financial markets	13%	21%

D12. Which of the following best describes the location where you live? Urban, Suburban, Rural. (Base: varies depending on the question, from 457 to 687 urban millennials; 181 to 242 rural millennials.)

Differences between urban and rural millennials remain consistent even when controlling for education. In particular, urban millennials are more likely than rural millennials to hold a bachelor's or advanced degree (68% versus 51%). However, controlling for education does not eliminate the difference in investment planning or confidence. For example, among those holding a bachelor's or advanced degree, only 21% of rural millennials plan to invest in the next five years versus 38% of urban millennials. Likewise, only 26% have high confidence in their decision making about investing versus 35% among urban millennials.

Male and Female Millennials

Female millennials are less confident in their decision making about investing, more likely to say that having greater knowledge would prompt them to invest and less likely to be full-time employed (*see Figure 18*).

Figure 18. Male versus Female Millennials

	Male	Female
Taxable investor	34%	20%
Employed full-time	70%	63%
Extremely/very confident in decision making about investing	33%	23%
Extremely/very confident in reaching key financial goals...		
Have savings for unexpected expenses	48%	34%
Pay off/reduce mortgage debt	56%	48%
Not live paycheck to paycheck	50%	43%
Strongly agree...		
I am optimistic about the economy	22%	15%
I am optimistic about the financial markets	21%	14%
Cite lack of knowledge as a barrier to investing	35%	41%
Say more knowledge would make them more likely to invest	7%	14%

S1. Are you male or female? (Base: varies depending on the question, from 422 to 742 male millennials; 791 to 1,072 female millennials.)

Trailing and Leading Millennials

As Figure 19 shows, compared to leading millennials (ages 30-37), trailing millennials (ages 22-29) are less confident in their decision making about investing, less likely to be full-time employed, struggle with lower income and savings and are less optimistic about their financial situation.

Figure 19. Trailing versus Leading Millennials

	Trailing (22-29)	Leading (30-37)
Taxable investor	21%	32%
Employed full-time	62%	71%
Extremely/very confident in decision making about investing	24%	31%
Cite as a major barrier to investing...		
Not enough income	49%	41%
Not enough savings	47%	40%
Strongly agree...		
I am optimistic about the economy	15%	22%
I am optimistic about financial markets	15%	21%
I will be better off financially than my parents	26%	31%

S2. What is your current age? (Base: 755 trailing millennials; 1,059 leading millennials.)

Race/Ethnicity and Millennials

While there are some differences by race and ethnicity, they are inconsistent and relatively infrequent in this study. One clear difference is in the racial and ethnic makeup of the millennial investment segments. As Figure 20 illustrates, African-American millennials are more likely to be non-investors than Caucasian or Asian-American millennials are. Also, Hispanic millennials are more likely to be non-investors than non-Hispanic millennials are.

Figure 20. Race/Ethnicity and the Millennial Investing Segments

	Millennials				
	Caucasian/White* (n=1,395)	African-American/Black* (n=223)	Asian/Asian-American* (n=169)	Hispanic**	
				Yes (n=293)	No (n=1,521)
Non-Investing	42%	52%	38%	51%	41%
Retirement Accounts Only	30%	28%	33%	29%	31%
Taxable Accounts	28%	20%	29%	20%	28%

*S6. Which of the following best describes your race? Select all that apply. (Results not shown for American Indian and Alaska Native/Native Hawaiian and Other Pacific Islander, other, or multiple responses.) **S7. Are you Hispanic or Latino?

In addition, while participation in employer sponsored retirement plans is high across millennials whose employers offer retirement plans (93% overall), some gaps exist: Asian-Americans are most likely to participate, with a 99% participation rate; African-Americans are least likely to participate, with an 89% participation rate.

Hispanic millennials also have higher interest than non-Hispanic millennials in socially responsible investing (32% versus 21% extremely/very interested).

Conclusions

Debunking these myths has implications for millennials and investing:

Historically, retiring at 65 has not been seen as a lofty goal. However, for millennials, retiring at 65 may not be realistic in 2046 (when the oldest millennials turn 65) given trends in Social Security and life expectancy. Millennials' participation in the markets and investing behavior may be critical to reaching this goal.

Financial education should acknowledge income and debt as challenges, helping millennials recognize there are many people in the same boat and identifying a path to investing. Also, more opportunities for employer-based retirement plan education, even in part-time work, could help non-investing millennials begin to invest.

Millennial financial education may benefit by being tailored to the different mindsets of non-investors, retirement-only investors and taxable account investors. Each segment has an appetite to learn more but is at a different place in their education, resources and experience.

Financial professionals can expect to be an important resource for many millennials. Those opportunities and relationships can be strengthened by a collaborative approach that is customized to client needs and gives priority to client education.

Financial advisory outreach to millennial non-investors should address perceived expenses and resource needs. Millennials would benefit from education on industry averages for typical fees charged by financial professionals and investable assets needed to work with one. Likewise, investors with lower-asset levels would benefit from learning about options potentially aligned with their resources, for example, robo-advisors or ways to find financial professionals who work with lower-asset investors.

The financial services industry has an opportunity to educate many millennials about innovative financial products and services, including robo-advisors.

Education efforts should be targeted to specific sub-segments within the millennial population who may need more support in finding a path to investing, for example, rural millennials, women, trailing millennials, and African-American and Hispanic millennials. Additional research may be beneficial in understanding how best to support these subgroups.

About the Data

The sample size for this study is 2,828. Respondents were obtained from Research Now, a proprietary online panel of individuals who have agreed to participate in the panel and who are compensated for completing surveys. As in all survey research, there are possible sources of error, such as sampling, coverage, nonresponse and measurement error that could affect the results.

Millennials are defined as those born between 1981 and 1996 (ages 22 to 37 at the time of the survey). Gen X are those born between 1965 and 1980 (ages 38 to 53 at the time of the survey). Baby boomers are those born between 1946 and 1964 (ages 54 to 72 at the time of the survey).

Within generation, results are weighted on age, region, race/ethnicity and gender (based on the American Community Survey's 5-year rolling average). In addition, results among millennials are weighted on income.

The relative size of the millennial investment segments was estimated by permitting the first 1,000 millennial surveys to fall out naturally (balanced on age, region, race/ethnicity, gender and income). This estimate was used in weighting total millennial results (43% with no investment accounts, 30% with retirement accounts only and 26% with taxable investment accounts).

All statistics in this report are weighted, but the sample sizes are unweighted. Figures may not always sum to 100% due to rounding.

More information about the study, including the questionnaire, can be obtained by contacting the FINRA Investor Education Foundation (*Gary.Mottola@finra.org*) and CFA Institute (*Rebecca.Fender@cfainstitute.org*, *Robert.Stammers@cfainstitute.org*).

The research was sponsored by the FINRA Investor Education Foundation and CFA Institute. The research was executed in partnership with Zeldis Research Associates.

About the FINRA Investor Education Foundation

Established in 2003 by the Financial Industry Regulatory Authority, the FINRA Investor Education Foundation empowers underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life.

About CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 150,000 CFA® charterholders worldwide in 165+ countries and territories. CFA Institute has eight offices worldwide and there are 151 local member societies.