Why Financial Advisors Should Learn about Generations

By Lori Dorsey

Financial advisors play critical roles in their clients’ lives, often serving as money managers as well as life coaches. They see clients through marriage, child-raising, home-buying, new jobs and job loss, caring for aging parents, the loss of loved ones, and other high-emotion transitions. The relationship between an advisor and a client is personal, so it's vital for advisors to understand the person on the other side of the table.

According to one study, nearly 90 percent of prospective heirs say they will move assets to another firm once they inherit. That is an ominous statistic for financial advisors. We believe, however, that understanding generational personalities can help advisors retain these assets and perhaps even gain market share during what may be the largest wealth transfer in U.S. history.

What Creates a Generational Personality?
When we look at generations, age is just a starting place. It's crucial to consider the events and conditions of each generation’s formative years. During these years—roughly the teenage years—people are impressionable and coming to terms with the world around them. Consequently, what's happening during a generation's formative years has a profound and lasting impact on general views and behaviors. We explore the unique personality traits of the five generations listed in table 1 and what those traits mean for financial advisors as they build and maintain relationships.

Meet the Traditionalists
Traditionalists are also known as the greatest generation, the silent generation, the GI generation, and Depression babies. Who Are the Traditionalists?
Traditionalists are a generation of 75 million people born before 1946. They have experienced their fair share of hardship, enduring the aftermath of the Great Depression followed by World War II and the Korean War. No strangers to sacrifice, traditionalists know how to make do with what they have. They are fiercely loyal to family and country; their patriotism is a badge of honor. As their generation’s name implies, they believe firmly in family values, organizational structure, and rules of formality.

Traditionalists are not new to financial advising. As a generation known for being frugal, traditionalists long have sought professional help to make sound financial decisions. As you continue to work and interact with traditionalist clients, keep the following defining traits in mind:

Loyalty. Traditionalists are loyal. They were loyal to their country during war efforts. They are steadfast in their devotion to family and family values. They are faithful to their favorite brands; for example, growing up as a traditionalist, there was no doubt about whether you belonged to a Ford family or a Chevy family. In adulthood, traditionalists have shown loyalty to employers, often spending whole careers with the same company.

Self-sacrifice. Helping their families recover from the Great Depression and supporting their country in World War II and the Korean War required near-constant self-sacrifice during traditionalists’ formative years. When traditionalists were young, their families donated, rationed, and worked their fingers to the bone to support troops overseas and put food on the table at home. For traditionalists, putting collective needs above individual needs is second nature.

Respect for authority. Questioning authority was out of the question for young traditionalists. They grew up in a time of uncertainty, and they trusted their superiors’ leadership. Traditionalists put their heads down, followed the rules, and reaped the fruits of their labors. A proper traditionalist remained polite yet strong-willed through tough times. For those who served in the military, falling out of line was an act of defiance that threatened everyone’s safety.

Building Stronger Connections with Traditionalist Clients
• Take your time: Polite small talk is important when communicating with your traditionalist clients. They’ll take the

<table>
<thead>
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<th>Table 1: The Generations</th>
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<tr>
<td>Generation</td>
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<td>Traditionalists</td>
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<td>Baby Boomers</td>
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<td>Generation X</td>
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<td>Millennial (aka Gen Y)</td>
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<td>Gen Edge (aka Gen Z)</td>
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Meet the Baby Boomers
Baby boomers are also known as boomers, the me generation, and generation Jones.

Who Are the Baby Boomers?
Baby boomers, born between 1946 and 1964, are an influential generation. Because of their generation’s large population—approximately 80 million—they have effected great change. They grew up in relative prosperity, which gave them time and space to reexamine the status quo. Unsatisfied with what they saw, they rebelled against their parents’ deference to authority and questioned those in positions of power. Boomer youth culture helped fuel civil rights, women’s rights, and anti-war movements. Later, when boomers flooded the workforce and faced steep competition among their peers, they sharpened their competitive edges to stand out from the crowd. Reinvention is a central boomer characteristic. As youth, they reinvented social structure and modern music; as adults they reinvented what it meant to be a competitive worker. They continue to reinvent every life stage they touch.

Baby boomers are an incredibly important segment of an advisor’s client base. They control much of the country’s wealth, and as they start to retire—whatever that means for them—they need advisors who can be flexible. When working with boomers, allow the following traits to guide your efforts:

Optimism. When a generation has accomplished as much as baby boomers have accomplished, optimism comes naturally. During boomers’ youth and young adulthood, the country teemed with accomplishments—from the moon landing to economic prosperity. Boomers gravitate toward idealistic and optimistic communication that echoes their glass-half-full idealism.

Table 2: What Makes Each Generation Unique

<table>
<thead>
<tr>
<th>Generation</th>
<th>Key Events + Conditions</th>
<th>Values</th>
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<tbody>
<tr>
<td>Traditionalists</td>
<td>radio, the Great Depression, Social Security, World War II, Walt Disney, Jackie Robinson, automobiles, Life magazine, Sputnik, Korean War</td>
<td>integrity, social tranquility, tradition, loyalty, family, work ethic, discipline</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>booming birthrate, television, Watergate, Vietnam war, civil rights movement, women’s rights movement, peace sign, the Beatles, moon landing, stagflation</td>
<td>work ethic, youthfulness, luxury, professionalism, novelty, individuality, health</td>
</tr>
<tr>
<td>Generation X</td>
<td>latchkey kids, video games, Michael Jordan, music videos, 24-hour media, Challenger explosion, missing children on milk cartons, personal computer, dot-com boom and bust, AIDS epidemic</td>
<td>trust, transparency, independence, opportunities, work/life balance, family, growth</td>
</tr>
<tr>
<td>Millennial (aka Gen Y)</td>
<td>participation awards, reality TV, The Simpsons, computer games, social media, upgrade cycle, homeland violence, globalization, the Great Recession, self-esteem movement</td>
<td>integrity, innovation, collaboration, entertainment, customization, choice, speed</td>
</tr>
<tr>
<td>Gen Edge (aka Gen Z)</td>
<td>the Great Recession, cyberbullying, global competition, Minecraft, Netflix, YouTube, visual communication, citizen journalism, ISIS, same-sex marriage</td>
<td>efficiency, transparency, security, inclusivity, personalization</td>
</tr>
</tbody>
</table>
Competitiveness. Suffice it to say, there are a lot of boomers. Because of their great numbers, they’ve had to compete with one another their entire lives. Younger boomers especially learned that to compete they needed to be the very best. That competitive edge filtered beyond the workplace as boomers jockeyed for the best house, the nicest car, and the most exotic vacations, leading to the phrase “keeping up with the Joneses.”

Youthfulness. Unlike their traditionalist parents, who kept their heads down and did as they were told, boomers were rebellious in their youth and have maintained a “reinvent, reimagine, redefine” attitude.

Building Stronger Connections with Boomer Clients

• Keep it simple: Boomers are busy. They’re supporting adult children, either financially or emotionally, and dealing with all the stress that comes with their leadership positions. Don’t overcomplicate your communications with them or book extended meetings. Simplify. Highlight must-read information in e-mails, use sticky notes to flag important pages in documents, and send agendas before meetings.

• Don’t make assumptions: Making assumptions is a surefire way to alienate your boomer clients. Don’t assume they don’t care about technology, because many of them are techies. Don’t assume they’ll retire, because many are considering second careers or working part-time. Focus on asking the right questions to discover a boomer client’s next move.

• Be proactive about boomer heirs: Boomers can be nervous about talking about money with their kids. Be proactive about the option to invite children into both conversations and meetings. Your boomer clients will secretly—or not so secretly—be relieved that you’re taking the lead.

Meet the Gen Xers

Gen Xers are also known as baby busters, the slacker generation, and post-boomers.

Who Are the Gen Xers?

Gen Xers, born between 1965 and 1979, experienced a very different upbringing than their boomer predecessors. As Xers came of age, the world seemed to be coming apart at the seams. They watched as media coverage showed government, religion, marriage, family, and other revered institutions getting called into question. Some Xers themselves feared becoming the missing kids on milk cartons. Because of the uptick in divorce, many Xers lived in single-parent households and became adept at organizing their own lives. They learned independence and found community in shared pop-culture affiliations ranging from Madonna to Michael Jordan. Upon entering adulthood, Xers have demanded work-life balance and workplace efficiency.

From a financial perspective, Xers have gotten the short end of the stick. They’ve been buffeted by multiple recessions and are the generation that has struggled most to recover from the Great Recession. They need advisors who can be strong allies as they continue on the road to recovery and begin planning for eventual retirement. The best way to communicate with this efficient, let’s-get-down-to-business generation is to appeal to the following prevalent Xer traits:

Skepticism. During Xers’ formative years, CNN’s 24-hour news covered everything from Tonya Harding and Nancy Kerrigan to corrupt corporations and lying presidents. It was easy to get the idea that nothing was good and everything was bad, and Xers had every reason to believe no one would watch out for them except themselves. They responded by becoming a generation that leads with questions. Their default position is skepticism; trust comes later and must be earned.

Resourcefulness. Because of their skeptical natures, Xers have learned to be resourceful. They watched hours of infomercials selling products that didn’t work. They grew up when the salesperson had access to all the information—not the buyer. Today roles are reversed and information is easily—and quickly—gathered online. Xers are taking full advantage and have become excellent researchers. They do their due diligence before buying a product, committing to a service, or picking the right financial advisor.

Independence. As Xers were growing up the divorce rate tripled. They grew comfortable returning to empty homes after school to organize their own time, which meant doing homework independently and microwaving frozen dinners. To spare their children similar experiences, many Xers value and prefer efficient, independent work so they can focus on family and other personal endeavors.

Building Stronger Connections with Xer Clients

• Lose the schmooze: If you schmooze your Xer clients or prospects, they will think you’re hiding something. Are you a skilled, well-seasoned advisor who is going to help them grow their wealth? Lead with your value, not your cocktail-hour conversation skills.

• Be an asset, not an expert: Generally, Xers don’t trust others to act in their best interests; whether at work or in an advisor’s office, they depend on themselves. In short, be sure to work with your Xer clients, not for them. And don’t forget to be transparent every step of the way.

• Focus on results: Xers are a cohort looking for proof. Avoid preamble or belabored explanations of your systems and processes. Instead, focus on proving yourself through results. For this generation more than any other, the proof is in the pudding.

Meet the Millennials

Millennials are also known as Gen Y, echo boomers, and nexters.

Who Are the Millennials?

Millennials are a diverse cohort of 82 million born between 1980 and 1995. They’ve experienced a lot of fast-paced change in their lifetimes, especially technological change. From Internet access to cell phones, computers, and social media, technology has been continuously improved, streamlined, and upgraded. For millennials, upgrade cycles have been a constant condition. They also lived through some watershed events during their teen years. September 11th left Americans questioning their safety, and growth in the number of school shootings contributed to uncertainty
and fear. Parents and teachers did their best to make millennials feel secure, encouraging them to share feelings and lean on each other. Millennials today are acknowledged as being a hyper-collaborative generation that values access and authenticity and looks for meaning in their professional lives.

Millennials still may be a relatively small portion of your client base, but in the workforce they’re no longer the new kids on the block. Many of them have been working for more than a decade and have ascended to leadership roles. Millennials will be recipients of the great wealth transfer, and the oldest millennials are entering their peak earning years. As more millennials join your client base, let the following traits inform your interactions with them:

**Collaboration.** From a young age, millennials learned the power of working with peers. Both inside and outside the classroom, they sought creative ways to connect. Whether through AOL Instant Messenger or Facebook, millennials have been able to stay constantly connected with peers since they were kids. They are comfortable with online community and frequently crowd-source the decision-making process. Millennials believe their ideas and conversations are stronger when all minds come together.

**Tech-savvy.** As technology has evolved faster and faster, millennials have had to adapt along with it. The Internet was treated as a rare or special resource during their formative years, but Wi-Fi is now a baseline expectation. Millennials have flexed and adapted to every new social-media platform, music-file sharing program, and operating system thrown their way. Their exposure to a constant barrage of new tools has made them especially tech-savvy.

**Search for meaning.** Millennials are closely connected to their families, especially their boomer parents. Raised during the self-esteem movement, they were encouraged to speak up and share their ideas. Millennials view their parents as allies and in adulthood continue to lean on them for advice, expertise, and even financial support. The message their parents told them over and over:

Do something that matters. September 11th, Columbine, and the Oklahoma City bombings all reinforced that nothing in life is guaranteed—especially safety—and created a generation that looks for meaning in everything: jobs, downtime, even how they invest their money.

**Building Stronger Connections with Millennial Clients**

- Don’t talk to them like they’re kids: It is a common misconception that millennials are still kids. Most are well into adulthood and don’t care for suggestions to the contrary. If they’re not up to par in their financial literacy, help them catch up without making them self-conscious.
- Access to you, not your admin: Millennials are used to unprecedented access—to their parents, to people in positions of authority (think about the ability to tweet at the president), and to information. They want direct access to you, not your support staff. Give your millennial clients your direct line and return their calls promptly.
- Customize their experience: As advisors, you already do this; it’s part of being a good advisor. Millennials will want you to take this to another level. Do you usually meet clients in an office? Why not try a local brewpub instead? Learn about your millennial clients’ interests and preferences to better tailor the way you communicate and interact with them.

**Meet the Gen Edgers**

Gen edgers are also known as gen Z, iGen, the founders, digital natives, the selfie generation, and the YouTube generation.

**Who Are Gen Edgers?**

Gen edgers were born after 1996 and are still in their formative years. Though their generational identity is still developing, demographers have identified some significant events that are shaping edger attitudes and perceptions. Edgers already have experienced quite a bit of turbulence: terrorism, the Great Recession, cyberattacks. They’ve also seen amazing milestones for our country—the first African-American president, great strides in the LGBTQ community, and growing racial and ethnic diversity (edgers are the final U.S. generation to have a Caucasian majority).

They’ve never known the world without the Internet, social media, or touch-screens, and they are lightning-fast curators of information. Edgers are replicating their Xer parents’ traits and showing themselves to be practical, straightforward thinkers with competitive spirits who strive to win.

It will be a while before edgers join the ranks of your client base, but forward-thinking advisors will start making connections now with Xer clients’ children. Do not mistake edgers for millennials. Edgers exhibit many of their Xer parents’ traits and will manage finances with a sobered, practical approach. Job security and financial security will be top priorities. Helping this generation will be appreciated by their parents. When interacting with edgers, remember that they show these core traits:

**Pragmatism.** Edgers are being raised by to-the-point, realistic Xer parents that aren’t sugarcoating anything for their kids. Edgers are adopting the no-nonsense, practical attitudes of their parents and are showing themselves to be practical rather than aspirational thinkers. Why go to a fancy out-of-state college when you can have a fully funded education in your hometown?

**Visual communication.** Edgers have grown up on FaceTime, Instagram, and Snapchat. Every communication is peppered with imagery—emojis, GIFs, memes, photos. They’ve honed the art of communicating through imagery rather than words. FaceTime is their go-to for checking in with mom or dad. They document the day-to-day with selfies shared across platforms. Sometimes their texts rely more on emojis than the alphabet. “A picture is worth a thousand words” says it for this generation.

**Self-reliance.** Some demographers refer to edgers as the YouTube generation because they seem obsessed with video-sharing. To them, it’s a valued learning tool. YouTube is one of their go-to online sources for practical information—they can watch a tutorial and immediately teach themselves a skill.

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Their Xer parents and teachers have emphasized the importance of self-reliance, and edgers have taken the lesson to heart.

Building Stronger Connections with Gen Edgers

- Boost their financial literacy: Though their penchant for visual communication and selfies makes them the butt of jokes, edgers are more than selfie machines. Don’t underestimate their ambition or dismiss them as frivolous. Instead, tap into their practical and competitive nature by offering them a head start on financial literacy.
- Get to the point: You’ll see edgers text or say “tl;dr”—too long; didn’t read. If your e-mails read like novellas—even if they’re only a few paragraphs long—edgers won’t read them. Speaking, writing, or texting—shed the fluff and get to the point.
- Be yourself: Just like their Xer parents, edgers see through a front of any kind. They don’t want you to use hashtags or emojis unless it’s true to who you are. Friendliness and informality are valued, but authenticity is key.

Conclusion
Navigating generational differences can be tricky whether you’re speaking to a younger client (or prospect), chatting with a long-time client who might be older than your parents, or working with someone your age. Each generation’s unique perspective formulates expectations and interests when it comes to deciding who to trust with their finances. Adjusting your approach—based on your knowledge of generational tendencies—will be essential in serving your clients now and in the future.

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Endnotes

Ivy Investments offers the GenLink™ program to help financial advisors understand each generation, cement a loyal client base, and capture assets in motion.

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