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Why Millennials Are Changing The Wealth Management Game And How Financial Firms Can React

Millennials are redefining wealth management. According to CB Insights, millennials are predicted to control up to $20 trillion of assets worldwide by 2030. In response, wealth managers and fintech firms are taking notice, and amending their approach to target the upcoming generation including Asia's younger tech-savvy wealthy generation

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CONSIDERING THAT FACT THAT THIS GENERATION ACCOUNTED for around 40 percent of the world's population in 2015, the shift makes sense. As firms across the globe contemplate their next move, and wealth managers move to align with digitalization, we take a look at where exactly wealth management slots in a millennial's life, and how their approach may differing.

Millennials Are Opting For Cash And Real Estate

In 2017, Deloitte's Millennial Survey showed that not only were millennials in Asia (and Singapore specifically) more confident about their economic prospects, but they are also predicted to be better off financially than their parents i.e. the baby boomer market. What is interesting to note, is that while there will still be the occasional feature of wealthy young individuals in Asia, the real power will lie in Asia's millennial middle class. Similar to other markets such as India, younger consumers are already earning more than their ancestors. With millennial wealth slated to more than double by 2020, the question is where they will choose to invest their wealth. In Singapore, 39 percent of millennials say their priority is investing in the financial markets while 30 percent voted for the purchase of an investment property. In Singapore, 2 in 5 millennials want to purchase multiple homes, including an investment home, as revealed by HSBC Singapore research.

While older generations focus solely on building their wealth, millennials are making it a bit more selective when it comes to investing. They are confident in their ability to earn and therefore tend to spend more than save in the near future. When it comes to their long term goals, technology is the go-to and you can find their wealth spread heavily across several financial options, making them both vulnerable and financially savvy. A recent Bankrate survey showed that millennial preferences have shifted to cash instruments instead of the stock market favored by the parents.

A Balance Between Digital And Human Wealth Management

The combination of progressive technology and human touch has been a key takeaway by many firms looking to satisfy millennials' demands in the world of wealth management. In fact, Accenture's Millennials And Money report highlighted that over two-thirds of millennials already use some kind of hybrid wealth management model already. With almost 60 percent of millennials expected to use Robo advisors and automation by 2025, the financial advisory market in Asia is changing to reflect this.

Part of the shift stems from the increased need by millennials to be more in control of their funds. Around 60 percent of them feel they understand their

investments as well as professionals, which means that professionals are having to work a lot harder to gain the trust of a millennial. In addition, the generation is one that is fully entrenched in digitalization. With consumers being introduced to technology at younger ages, it follows that children's education in finance will be digital; giving companies and wealth managers even more reason to become digitally adept in the future. With their increasing need to be involved and knowledgeable about the investments their money are funding, and their need for situation-specific human touch, it is all about striking a balance. Millennials want a tech-savvy and automated route, with options for access to human advice for certain circumstances.

Customization Is Translating To Wealth Management

One aspect that has featured heavily in millennials' choices in wealth management is the demand for a personalized experience. While they are more prone to self-direct when managing their investments, they do want an individualized and unique experience when they do reach out for advice to wealth management firms. Efma's The Rise Of Affluent Millennials report showed that 84 percent of millennials will seek financial advice from an institution or professional but they are also likely to switch providers based on technological platforms and opt for those that they have built a relationship with before. A part of the reason for young investors flocking to robo advisors recently in Asia is the level of personalization it can offer based on their preferences such as risk, capital, and investment markets. This presents a great opportunity for wealth managers to capitalize on in the future.

Artificial intelligence and digitalization are not going anywhere soon, and the same can be said for the millennial generation. If anything, they will not only become a permanent fixture for the upcoming decades but will be the cornerstones that spark the redefinition of wealth management as we know it. For the industry and its professionals to survive, it must adapt to the changes that come with what is slated to be the largest generation in our population: millennials. The way they view money differs and so does the way they bank and manage financial assets. The sooner financial firms realize this, the more they will benefit from it. ■