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## How to court Gen X and Gen Y clients

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By Editor Test     Mon, Jun 24, 2013

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Most do-it-yourself, affluent 20- and 30-somethings are open to future relationships with financial advisors. But the technology savvy of young investors can create challenge for advisors, according to the Boston-area research firm, [Hearts & Wallets](#).

The firm’s latest report shows financial service providers and advisors how to connect with this market segment. It describes Gen X & Y’s financial goals, their reasons for seeking financial advice and the ways they use technology.

“Gen Y and the younger Gen X... can perform investment selection and retirement planning tasks that could only be done with an advisor just a few years ago,” said Chris Brown, Hearts & Wallets principal, in a release. As a result, they expect more from a financial advisor.

Eighty percent of investors ages 21-29 and 68% of investors ages 30-39 say they “make decisions and manage money on my own,” according to the Hearts & Wallets 2012/2013 Investor Quantitative Panel, an annual survey of more than 5,400 U.S. households.

The Hearts & Wallets report, “Generations X & Y Won’t Be DIY Forever: Managing the Intersection of Advice and Technology to Gain Favor with the Young Affluent,” includes the results of focus groups with investors ages 25-39 with “good savings habits and/or a minimum of \$100,000 in investable household assets.”

The focus groups included “Peak Accumulators,” who were defined as good savers who engage to varying degrees in six financially responsible behaviors. They represented 40% of households led by members of Generations X and Y.

Across all affluent young investors, three main financial goals repeatedly surfaced:

- The need for an emergency fund.
- The need to save for the costs of college educations
- Retirement

More affluent investors cited additional goals:

- Paying off a mortgage early
- Saving for specific situations, such as the arrival of a new baby

### Opportunities for advisors

Younger affluent investors (“Emerging Peak Accumulators”) look for unbiased advice, often from family, friends, co-workers and bloggers, the report said.

“They use information sources from workplace providers, online brokerages and media sources to friends and family. Only occasionally will they use professional advisors,” said Laura Varas, Hearts and Wallets principal. “[But] certain key moments open the door for the advisor relationship.”

While young investors often seek advice when buying a home or buying life insurance after the birth of a child, heavy-handed life insurance sales tactics can sour them on financial professionals. Banks don’t necessarily provide an optimal experience during the home-buying experience or may not offer investment or retirement products.

“To attract Gen Y and X clients, lead with a message of competence and credibility, and then deliver that competence and credibility,” Varas said.

## **12 best practices for web-based advice and apps**

The Hearts & Wallets’ 12 best practices for web-based advice and apps:

### **Strategy**

- Include your firm’s mission statement
- Explain what differentiates the firm’s offering
- Offer a score or report card to help users gauge their progress

### **Marketing**

- Consider offering different tools for users based on financial sophistication
- Use mobile technology (iPhones, tablets, etc.) in app/web imagery; have a professional look
- Include many categories of life events, not just the basic ones

### **Service model/pricing**

- Offer various support channels (online chat, phone assistance, email)
- State pricing clearly and explain how the firm offer differs from the competition; consider offering a fee comparison relative to competitors
- Offer new users a free trial

### **Technology functionality**

- Offer both app(s) and a web tool(s) and differentiate functionality appropriately (quick/on-the-run vs. work)
- Offer users the option to include other accounts in the firm’s app/tool to view their entire portfolio, but don’t require it
- Include an automatic withdrawal/savings option

