



# Charles Schwab Generation Now Study for Registered Investment Advisors (RIAs)

June 2014

Media contacts:

Susan Forman  
Charles Schwab  
415-699-1654

[Susan.Forman@schwab.com](mailto:Susan.Forman@schwab.com)

Sarah Gormley  
The Neibart Group  
718-875-2122

[sas@neibartgroup.com](mailto:sas@neibartgroup.com)

For informational purposes.

© 2014 Charles Schwab & Co., Inc. (Schwab). All rights reserved. Member [SIPC](#).

Schwab Advisor Services™ serves independent investment advisors and includes the custody, trading and support services of Schwab. (0614-3859)

# Contents

Background	2
Methodology	2
Executive Summary	3
Key Results	4

# Demographics

- Age 30-45
- 50% male / 50% female
- Investable assets of \$500K or more, including 401(k) assets, but excluding real estate and business holdings
- Investment accounts outside of work sponsored plans
- Primary/shared household (HH) financial decision maker
- High school or higher level of education

*Charles Schwab Generation Now Study for RIAs* was conducted for Schwab Advisor Services™ by Egg Strategy, a strategic research firm. The study, which was released in 2014, included 40 participants, men and women ages 30-45 with earned or inherited investable assets of \$500K (excluding real estate and business holdings), or a household income of at least \$150,000. The term Generation Now reflects the immediate opportunity that this incoming cohort of high-net-worth investors may represent for RIAs. All data was self-reported by participants and not validated or verified. Egg Strategy is not affiliated with nor employed by Charles Schwab & Co., Inc. Investors participated in this study between March, 24 2014 and April, 11, 2014.

Schwab named this group of investors Generation Now to reflect the immediate opportunity this group represents for independent advisors.

# Executive Summary - Survey Results

## A variety of influences are shaping Generation Now's world views.

- They are anxious about the economy
- Due to shaken confidence, they approach investing and advice with distrust
- They wish for financial freedom and stability

## Generation Now:

- **Are balancing work and life today as they shape their futures**
  - Life is much more than account balances
- **Voice concern over their financial futures and protecting their assets**
  - They hold large cash positions
- **Envision a worry-free financial future instead of a numeric goal**
  - They also express concern for future generations
- **Perceptions of financial advisors are often stereotypical and negative**
- **The ideal advisor relationship involves collaboration, partnering and accessibility**
  - Schwab feels Generation Now is a perfect match for RIAs, but they don't know it yet

# Generation Now: World Views

## **They are anxious about the economy.**

- Whether they were personally impacted, or witnessed the effects of the Great Recession on their friends and loved ones, the experience lives fresh in the minds of Generation Now investors.

## **Due to shaken confidence, they approach investing and advice with distrust.**

- While most agree things have improved over the last few years, Generation Now's views of and faith in the overall predictability of the market has been shaken.
- They most often approach finance and investing from a position of anxiety, not confidence, and though they know they need to grow their assets (and are in the life-stage to do so), they're preoccupied with protecting them.
- They have a desire to protect themselves and their families when the next economic downturn comes.

## **They wish for financial freedom and stability.**

- Most Generation Now respondents, even those with assets beyond \$4 or \$5 million, say budgeting and spending wisely are daily realities. The occasional large, unforeseen expense can quickly diminish their sense of financial security.
- Though some enjoy an intensive, hands-on approach to managing their investments, many long to be free from worry, and from the responsibility for their financial stability and success.
- These individuals are seeking financial freedom – the point where they have enough assets and security to no longer watch account balances, to know they have plenty to not just cover bills, but also unknown liabilities, and are able to live life spontaneously, without so much focus on planning, budgeting and saving.

# Balancing work and life today as they shape their futures

## Life is more than account balances

- Though financial success is important to Generation Now investors, they don't define themselves by income or net worth, but rather by the type of person they are, and the way they live their life.

## Return to timeless values

- Generation Now have found that wealth and status – as components of their self-identity- have been easily compromised by financial swings beyond their control. They have therefore reevaluated their priorities and are focusing on creating meaningful experiences with family and friends – that typically don't carry a high price tag – and drawing inspiration from their own parents, childhood and upbringing to find their way forward.

## Redefining luxury & success

- Along with a return to timeless values, Generation Now is reevaluating notions of luxury and outward displays of financial success. For some, outright material acquisition still holds appeal, but for many, they're content to redirect or delay what would have been spent on material items to instead have 'experiences'. Today's luxuries are more likely to be once in a lifetime trips than flashy cars, or memberships in exclusive country clubs.

## Family first

- In a marked difference from their parents, Generation Now investors are not as willing to put their career and financial goals ahead of their family.

# Concern over financial future and protecting assets

## Certain uncertainty

- Many Generation Now investors believe it's only a matter of time before the next Great Recession, and this time they want to be better prepared. They're not entirely sure what that means, or how to go about sheltering their assets, but they don't want to be caught off guard.

## Cash heavy

- This group tends to keep more funds in cash/liquidity than is typically recommended. For them, cash in hand is a tangible safety net and the surest bet against instability.

## Protecting their own

- Generation Now is currently squarely focused on protecting and providing for their own family today. Large expenditures such as college tuition, weddings, etc. take precedence (for the moment) over inheritance matters.

## Necessary risks

- Despite a degree of risk aversion, Generation Now Investors realize the path to true wealth requires some calculated risks. Incremental growth may be fine over a 30-40 year horizon, but in the New Economy they question whether wealth will be built the same way.

## A secure return

- While this group has its share of social consciousness, it still predominantly invests with its wallet, rather than its heart in mind. Generation Now respondents are focused on returns, particularly those that exceed the averages, or offer comparative returns with greater security.

# Envision a worry-free financial future not a numeric goal

## Torn between short and long-term

- A constant tension between short-term needs, expenses and investing, and longer-term, retirement related expenses.

## Freedom

- A sense of freedom and independence is the primary financial goal. In its most practical sense, this means not having to frequently monitor account balances.

## Spontaneity

- A key part of self-determination, independence and happiness, spontaneity is often seen as the benefit of financial freedom. It's the ability to do what they want, when they want, without having to seek approval (financial or otherwise) before doing so.

## Emotionally-based

- When describing retirement goals, most envision the lifestyle they'd like to lead instead of a definitive financial destination.

## Avoiding hardship

- For many Generation Now Investors, satisfying retirement basics like preserving socio-economic status are top of mind.

## Not a burden

- Conscious of and striving to avoid becoming a financial burden to their children. This is spurred to some degree by those experiencing the weight of this responsibility themselves with their parents.

## Hope to leave a legacy

- Leaving a legacy is important to many, however that aspiration comes after practical expenditures for college, a home, retirement and some adventure.

# Ideal advisor relationship involves collaboration, partnering and accessibility

## Understand their values & needs

- Ensure the investor feels in control of the decisions impacting their future
- Show empathy and understand the investor as a person
- Focus on more than just their financial goals
- Maintain transparency on both sides

## Knowledge & collaboration

- Convey expert knowledge of financial markets
- Collaboration with other financial and professional services providers when necessary, such as tax advice and insurance

## Be there when they call

- Generation Now investors want to communicate in a way that fits their preferences and schedule
- They want access when they feel they need it; annual / semi-annual face-to-face meetings alongside check-ins via voice, text and email.

## Schwab believes that Generation Now is a perfect match for RIAs, but Generation Now doesn't know it yet.

- Most Generation Now Investors are unaware of the key differences between financial advisors
- Generation Now investors believe great advisors exist, but they consider it is not that easy to find them; they are reluctant to cold call a new advisor based simply on a website, listing or advertisement

---

### How Generation Now investors find their advisor

1. References from 401k providers or bundled with the provider
2. Word of mouth referrals from friends, family and coworkers

# Appendix

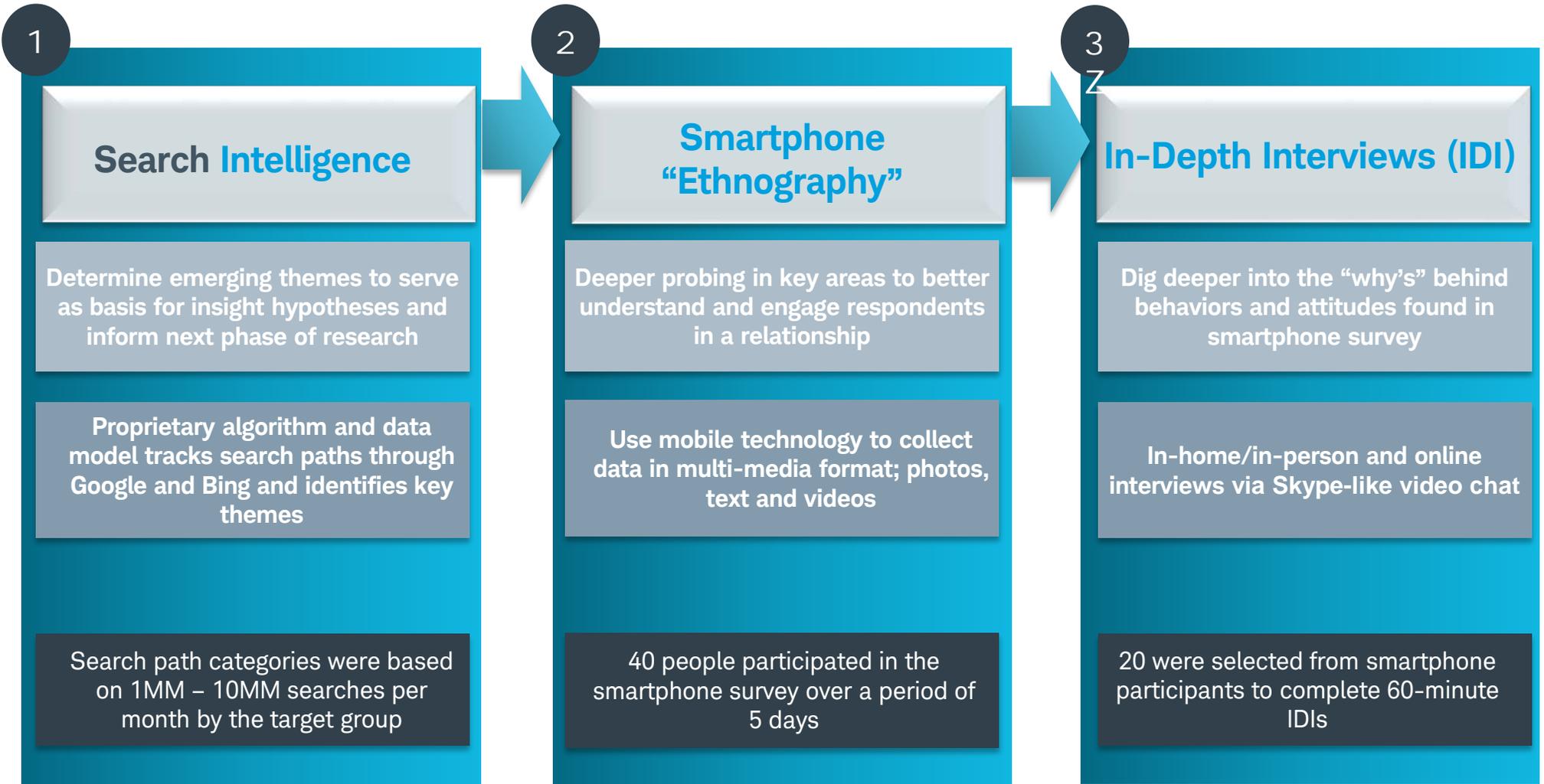
# Background

## About Charles Schwab Advisor Services

Charles Schwab Advisor Services is a leading provider of custodial, operational and trading support for independent registered investment advisors (RIAs). For twenty-five years, Schwab has been championing RIAs – advocating on their behalf, delivering forward-looking insights to help them navigate the future, and providing services and technology that support the continued growth and success of their businesses and help their clients reach their financial goals.

Schwab conducted the *Charles Schwab Generation Now Study for RIAs* to provide insights into the clients that are following on the heels of advisors' current pre-retired and retired clients.

# Three-phase qualitative, experiential research approach



*Schwab took a progressive approach to this research, engaging Generation Now through the channels they prefer. In the first phase, we used search data to identify this cohort's key behaviors and applied those learnings to the qualitative phase. In the second phase, participants shared their personal views via self-recorded videos, photos and responses to questions. In the final phase, a subset of participants completed in-depth, face-to-face interviews, allowing researchers to better understand the drivers behind Generation Now's views and behavior.*

# Life stage and age influences: views and values

## AGE 30-35

Establishing themselves

### Current reality

Focused on developing themselves at work and in their relationships, and beginning to make decisions that yield significant future responsibilities

### Milestones, views and values

Not yet fully “realized” at work – may have good careers, but haven’t attained senior positions

Significant life events like marriages, the purchase of a first home and the birth of children

Life is in a state of change and upheaval despite outward appearances to the contrary

## AGE 35-40

Extending their reach

### Current reality

Mastered the basics and the responsibilities of adult life and are now balancing increasingly significant work and life / family commitments

### Milestones, views and values

Often feel pulled in multiple directions as they advance in career and their family life expands

Increasingly feel real tension associated with tradeoffs that often come at the expense of their families or their career

## AGE 40-45

Rediscovery & rebalance

### Current reality

Maturing kids and greater security in marriages / relationships cause this group to prepare for emptier homes, and the opportunity for more personal and relational independence

### Milestones, views and values

Settled into working life and figuring out the right balance between work and pleasure

More confident of their personal preferences, desires and ambitions

As a fully independent person, feeling more pressure to have it all figured out

Qualitative research is based on a small group of consumers and provides a rich source of information in clarifying existing theories, creating hypotheses and giving direction to future research. Caution should be exercised when generalizing the results to the larger population.



*Own your tomorrow*™