Winning Younger Investors: Six Ways to Help Attract High-Potential Gen-X and Gen-Y Clients

Help get a jump on your competitors by focusing on this newly affluent population. Once considered less profitable, some Gen-X and Gen-Y investors demonstrate traits that financial advisors may find attractive when seeking to acquire new clients.

Research tells us that Gen-X and Gen-Y investors boasted the highest earning power among high-net-worth investors. More than 90% of high-net-worth Gen-X and Gen-Y Americans earned more than $150,000 annually, compared with only 80% of high-net-worth boomers and 53% of those older than 67.¹

Gen-X and Gen-Y investors also displayed a greater propensity than boomers to hire a financial advisor. Twenty-one percent (21%) of affluent Gen-X and Gen-Y investors planned to hire an advisor in the next 12 months, compared with just 10% of wealthy boomers.²

¹Source: Federal Reserve Board’s 2010 Survey of Consumer Finances. High net worth is defined as $1 million in assets.
²Fidelity Investments, “Fidelity Affluent Investors Study,” 2013. This online, blind study (Fidelity not identified) was conducted by Bellomy Research, an independent research firm not affiliated with Fidelity Investments, from May 16, 2013, to May 29, 2013. It was focused on understanding investors’ attitudes, behaviors, and preferences related to investing, wealth management, and advice usage. The study was held among a target sample of 813 respondents, and lasted approximately 30 minutes.
For years, you’ve been told that the baby boomer generation held the keys to your practice’s success—and for good reason: Every day for the next 16 years, 10,000 more baby boomers will reach the traditional retirement age of 65. Yet, in the past several years, another welcome development has occurred largely beneath the radar. The younger investors of Generations X (ages 38–48) and Y (ages 19–37) have grown up in front of our eyes, presenting exciting potential avenues for growth.

Today, you have a potentially significant opportunity to get a jump on your competitors by focusing on this newly affluent population. Successfully gaining traction in this marketplace, however, requires some thoughtful planning and consideration.

To help you plot the right path, Fidelity conducted interviews with more than 20 advisor clients with successful track records of cultivating relationships with Gen-X and Gen-Y clients. In the following pages, we will reveal their approaches for identifying and attracting younger prospects, and a series of targeted strategies you may want to consider to help you make the right moves with these younger investors.

Six Actions to Consider

1. Focus on proven saving habits.

One specific criterion that may help you identify the more profitable prospects among these younger generations is proven saving habits.

Keeping a sharp focus on that trait has been a growth catalyst for Shawn Meade, managing partner and cofounder of Redwood Wealth Management, LLC, in Alpharetta, Georgia, over the past 10 years. In fact, Meade has developed specific parameters for his definition of a “good saver.”

“If the investor’s entire savings is in a 401(k),” says Meade, “then he or she is not a good fit for us. We want to see a commitment to savings that goes beyond what is promoted in the workplace. Otherwise, it’s unlikely that person has the potential to grow with us over the long term in the way we want.”

How much does Meade want to see in nonretirement savings?

“We are comfortable taking on a Gen-X or Gen-Y prospect that has $250,000 in nonretirement investments,” says Meade. “To us, that level separates you from the pack, giving us an indication that we can grow with you.”

Better focus on client criteria = potentially better referrals

One potential benefit of maintaining and communicating clear criteria for new clients: more focused referrals. Shawn Meade of Redwood Wealth Management, LLC, has felt it firsthand.

“We started our firm with a younger client base, because we were relatively young then ourselves,” says Meade, “and, over the years, we added older clients. Today, 60% of the firm’s clients are Gen-X, while boomers round out the balance.”

So, how did Redwood add older clients after initially targeting younger ones?

“I’ve observed that good saving habits are learned at home,” says Meade. “Many of our younger clients have been with us for 10+ years and have made it easier for their like-minded parents to become clients.”

For Meade, that has set a circle of referrals into motion that potentially leads to new clients.

“Often, the parents then introduce us to their friends,” says Meade. “Subsequently, these new clients then introduce us to their children. The common link among all these clients is the belief in the need to save.”

Redwood Wealth Management: Circle of Introductions

Gen X clients work with Redwood
Some of these new clients then refer their children
Some Gen X clients refer their parents
Some parents then refer their friends

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4For the purposes of this paper, Fidelity defines successful firms as having acquired and developed relationships with affluent ($500,000 of investments) or high-net-worth ($1 million or more in investments) Gen-X and Gen-Y investors. The firms featured in this paper are clients of Fidelity Institutional Wealth Services (IWS) or National Financial. Their business needs and results may not reflect the experience of other Fidelity clients. Their input herein does not suggest a recommendation or endorsement by Fidelity. Executive interviews with these firms were conducted during the period of July 1, 2013–August 15, 2013, by Excella Consulting, Inc., an independent third-party marketing firm, on behalf of Fidelity Investments.
Brian Preston, founder and partner of Preston & Cleveland Wealth Management in McDonough, Georgia, employs a similar focus on savers.

“We need to see specific traits in younger investors in order to break our firm’s $750,000 minimum,” says Preston. “If a young professional has $300,000 in nonretirement funds and demonstrates that he or she can save 15% of gross wages, then we want that individual as a client. Right now, I have a young client making $250,000 a year and saving close to $100,000 annually. That’s ideal for us.”

Preston, though, cautions advisors to be careful not to confuse inheritance with good saving habits when accepting younger clients.

“If someone comes to us with $300,000 from an inheritance or insurance windfall,” says Preston, “we are not interested unless they can clearly demonstrate they are good savers.”

“We want to see a commitment to savings that goes beyond what is promoted in the workplace. Otherwise, it’s unlikely that person has the potential to grow with us over the long term in the way we want.”

—Shawn Meade Redwood Wealth Management

2. Eye entrepreneurs for potential future windfalls.

With some younger investors, current wealth or savings is not always a good sign of future profitability. Case in point: entrepreneurs, who may hold the potential for significant liquidity events that could help you propel your business.

Two advisors who have enjoyed success targeting these prospects are San Francisco’s Baker Ave Asset Management and Hightower Pagnato-Karp Group of Reston, Virginia. For both firms, location is key in this potentially lucrative market.

“We are based in Silicon Valley, with an office in New York City, making us well situated to serve this type of client,” says Simon Baker of Baker Ave. “There’s an abundance of potential advisors, investors, and entrepreneurs in our network. Plus, we have a strong network with capital markets when it comes for a potential IPO or exit.”

Likewise, Hightower Pagnato-Karp Group works in a location with entrepreneurs in the technology and intelligence fields. The firm reports that in their experience, these individuals are often former CIA, NSA, or military.

Both firms believe that waiving minimums for this brand of client may pay off in the long run.

“My firm has a minimum of $10 million for new clients,” says Paul Pagnato. “While I don’t expect these entrepreneurs to meet that threshold, I like to bring on a select few as clients because of the value we can add as they grow their businesses.”

Likewise, says Baker, “We like to partner with young entrepreneurs on their first start-up, where we can add value early on, build trust, and ultimately earn the right to manage their wealth longer term.”

What’s a key to help attract such budding entrepreneurs? Make them feel at home, according to Baker. To do so, his firm has created an office space with a start-up feel, with a unique open-door policy.

“I believe that the earlier an entrepreneur works with a trusted advisor, the better the potential outcome for the liquidity event. We can help them maximize that pot at the end of the rainbow they are chasing.”

—Paul Pagnato
Hightower Pagnato-Karp Group

“We are very much like a start-up or incubator space, with a yoga room, a ping-pong table, exposed beams and brick,” says Baker. “We give them free office space, help them with introductions in the Valley, and offer some guidance—all with the hope that, over the long term, they will be very large clients.”

If those liquidity events materialize, that’s when firms like Pagnato’s—which specializes in helping businesses before, during, and after a major transaction—can offer the most value.
“Liquidity events demand a tremendous amount of tax, investment, and legal advice during the early planning stages of a potential transaction,” says Pagnato. “I believe that the earlier an entrepreneur works with a trusted advisor, the better the potential outcome for the liquidity event. We can help them maximize that pot at the end of the rainbow they are chasing.”

3. Up the fun factor.

Tailoring your marketing efforts for different target markets is an important way to help get your services to resonate. To help attract Gen-X and Gen-Y investors, consider upping the fun factor, according to several advisors we interviewed.

“Generations X and Y like events that are in tune with what’s important to them. Making an impact and sustainable investing are two themes that consistently resonate with this audience. I believe that an event that is social and builds community is a must,” says Simon Baker of San Francisco’s Baker Ave Asset Management.

For instance, when Baker was recently presented with the opportunity to be introduced to a venture capitalist’s portfolio of company founders, he eschewed the old-school martini lunch. His alternative: meeting at the venture capitalist’s pig roast in Napa Valley, where 80 company founders attended.

Fun events are certainly not limited to Napa Valley. Just head southeast to the Atlanta area and meet Ted Jenkin, founder of oXYGen Financial. His firm regularly hosts events for potential clients, such as glassblowing, tamale rolling, and sushi making. He even has events targeting female investors, including a night at drybar®, a national chain of blow-drying salons.

“I believe that younger investors don’t want to come to a seminar to learn about the stock market,” says Jenkin. “They want something to tingle their senses. I pick up three to four new clients at our specialized events.”

Giving back still remains relevant

Fun and games aside, don’t overlook the power of giving back as a means of putting yourself in front of younger clients that could be a good fit for your firm.

“I serve on the board of an organization similar to a local chamber of commerce. Each year, we have community service awards for entrepreneurs,” says Paul Pagnato, of Hightower Pagnato-Karp Group. As a nominating committee member for the awards, he spends quite a bit of time getting to know the founders of as many as 10 to 12 companies each year.

“Not only do I get to meet entrepreneurs who are building successful companies, I have a chance to learn firsthand about their business goals and challenges.” He tells us that many of these young entrepreneurs welcome any mentoring he can offer. “I’m planting the seeds of my relationship with these entrepreneurs.”

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— Simon Baker
Baker Ave Asset Management

Consider providing unique value to entrepreneurs

Simon Baker and Paul Pagnato shared the following ways they distinguish themselves and add value to relationships with entrepreneur clients:

• Mentoring and sourcing other mentors for clients
• Identifying potential board members and helping the client form a board
• Making strategic introductions for additional capital, business expansion, or other opportunities that may help boost the client’s business
• Providing general advice on business strategy
• Guidance on structuring investments related to the entrepreneur’s business

To tap into this high-potential market, you may want to consider how your firm can support young entrepreneurs or business owners.

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4. Be online or risk irrelevance.

Make no mistake: You need to embrace technology and the Internet to help connect—and stay connected—with many young investors.

Social media, in particular, plays a big role for a number of advisors we interviewed who’ve succeeded with Gen-X and Gen-Y.

According to Preston & Cleveland Wealth Management, social media accounts for a large portion of the firm’s new business.

“Typically, the younger generations don’t operate with borders,” says cofounder Brian Preston. “They think nothing of buying your services without ever meeting you. I believe that you have to be online so that they can learn about you.”

In 2006, Preston started podcasting and blogging. At first, the show’s goal was to provide advice for those who could not afford his services—investors not big enough to be clients—with the hope that they’d grow into target clients. His twice-monthly podcasts now have 12,000 followers and 24,000 downloads per month.

Keep in mind, however, that building your online following—and clients—takes time and persistence.

“I started my efforts in 2006 and landed my first client in 2008,” says Preston. “Now, 75% of new business is from podcast listeners.”

Ted Jenkin, founder of oXYGen Financial, is another social media enthusiast, writing frequently on his blog and using Twitter, where he has more than 13,000 followers. To Jenkin, online success requires an appetite for testing and trying new things.

“Recently, I started using Pinterest, and I’ve seen that it’s been one of my best marketing tools for women,” says Jenkin.

“Typically, this audience evaluates your credibility online before reaching out to you. I believe that if they can’t know you online, you don’t exist to them.”

— Ted Jenkin
 oXYGen Financial

No matter what online medium you prefer—LinkedIn, Twitter, you name it—Jenkin believes that there is one golden rule with Gen-X and Gen-Y investors: Be online or be irrelevant.

“Typically, this audience evaluates your credibility online before reaching out to you,” says Jenkin. “I believe that if they can’t know you online, you don’t exist to them.”

Baker Ave Asset Management has honed what they believe to be a highly effective integrated social media strategy through many years of trial and error. Founder Simon Baker offers the following four tips he believes you may want to consider when building your social media presence:

1. Develop a plan. Says Baker, “You need to ask yourself what you can speak to with credibility that others want to hear. Use that information to map out your content strategy and places online where you want to be.”

2. Be deliberate and consistent about your communications. “You may want to consider creating a schedule so that you produce content regularly and your followers know when to watch for you,” says Baker. His firm, for example, has a schedule for blog posts, tweets, emails, and items that post to the firm’s Web site.

3. Appoint a community manager. Your community manager can be in charge of reviewing and publishing everything that goes out on all media. Says Baker, “Nothing is published by us unless it’s screened to meet our content and compliance standards.” For Baker Ave, the firm’s operations manager, who grew up with social media, assumes this part-time role in addition to her other duties.

4. Get your entire organization on board. Make sure everyone in your organization understands the plan and is trained on what can be published and where. “Everyone must fully understand compliance standards,” says Baker.

Baker’s final tip: “If you can’t do it well, don’t do it at all. Poor execution may damage your firm’s brand.”
**5. Be factual and transparent.**

When engaging with Gen-X and Gen-Y investors, you may want to forget any canned warm-up routine. Chances are—before you’ve even met face to face—they’ve looked you up on Google, read your background, and checked any client reviews. They know you before you’ve stepped in the door or spoken on the phone. So, be transparent and get to the point.

Take it from Rahul Shah, principal and cofounder of Peninsula Wealth, LLC, in San Francisco, who has a solid stable of clients in their late 20s and 30s, many emanating from a high-tech company’s initial public offering.

“Typically, younger clients will have done all their homework about you before your first meeting,” says Shah. “When they come in to meet with you, they want to dive into the details. They are not interested in chitchat about who you are, your background, or your life experiences.”

Shah says most younger clients don’t want a pushy sales pitch. Instead, they seek to understand the finer points of your strategy.

“As an advisor, you have to be prepared and patient with the questions asked by younger clients—because they dig right in,” says Shah.

Trust can also be a challenge with younger investors, because they have witnessed a lifetime’s worth of financial scandals.

“Past scandals and the financial crisis have made many younger investors cynical,” says Shah. “You need to proactively offer full transparency—not just about how you plan to manage their assets but also about your fees.”

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**How to “keep it real” in the sales process**

Eliminating emotion in the sales process with Gen-X and Gen-Y has been a staple of success for Rahul Shah of Peninsula Wealth, LLC. Shah offers the following three tips he believes that you may want to consider to help you effectively connect with a younger crowd during the sales process:

1. **Manage your online brand.** Because many younger investors are forming opinions about you before ever meeting you, it is important for advisors to manage the content that can be found through online searches.

2. **Keep your message factual and detailed.** According to Shah, you may want to proactively offer facts, including performance results in your discussions. Arm yourself with details about how you run your business and how you plan to manage their money.

3. **Demonstrate the value you provide for the fees you charge.** Because boomers and other older clients have been through financial ups and downs in their lives, Shah believes that they understand the value of a good financial advisor and are very willing to pay for those services. In his experience, younger clients are more likely to question fees because they don’t understand the value of what they will receive. You need to show them.
6. Be patient—they work on a different clock.

Don’t interpret a lack of immediate response from a Gen-X or Gen-Y client as a message that they are not interested in working with you.

Brian Preston of Preston & Cleveland Wealth Management has learned the benefits of being patient with this younger crowd.

“Initially, we thought that if someone did not become a client immediately,” says Preston, “they were not interested. In fact, it’s not true of many younger investors. We discovered that even if they are interested, they are often just too busy to focus and take the next step.”

In response, Preston and his firm adjusted their strategy for this audience.

“We set up a whiteboard of those who reached out to us but never became clients,” says Preston. “We identified their needs during the initial conversation, and then we began sending them periodic articles or podcasts that we believed could be relevant to them.”

This strategy is yielding positive results for Preston & Cleveland Wealth Management.

“We are bringing in several new clients each year with this approach. Over time, I believe this strategy will make a meaningful impact on our AUM,” says Preston.

And Preston isn’t alone in finding that prospects he spoke to in the past are suddenly turning up at his doorstep. According to Rahul Shah of Peninsula Wealth, LLC, many younger professionals who thought they could do everything themselves a few years back are now signing up with his firm after experiencing the financial downturn.

“I’m getting a number of calls and new clients who now realize that they need help—years after we initially spoke with them,” says Shah. “It’s gratifying to know the initial impression they formed of me and my firm was positive. I don’t believe they would have followed up otherwise.”

How to manage a longer sales process

Brian Preston of Preston & Cleveland Wealth Management and Rahul Shah of Peninsula Wealth, LLC, have learned how to take their time with younger investors, which they say has contributed to favorable closing ratios. They offer two firsthand tips that they believe you may want to consider:

1. Keep the dialogue open. A quick close is a rarity with younger investors in Preston’s experience. Continued dialogue is essential.

   “Most younger investors will continuously digest information you provide,” says Preston. “Keep sending relevant education and information. I believe that when they are ready, they’ll come back to you.”

2. Thoroughly prepare for first meetings. Shah credits the clarity and thoroughness of his initial presentation about stock options to employees of a high-tech company when it first went public. Years later, many of them contacted Shah when they were ready for assistance.

   “I believe that first impressions really count,” says Shah, “and can work in your favor when you focus your actions and conversation on something that’s important to them.”

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—Brian Preston
Preston & Cleveland Wealth Management

Conclusion

By now, we hope you’ve been inspired by the real-life examples of firms who have successfully secured new relationships with younger clients. As you seek to position your firm for future growth, we encourage you to consider the ways you can effectively identify the type of younger client that would be a good fit for your firm, as well as how you can reach them effectively through the channels that they rely on for making new connections.

The ideas in this brief are designed to help you get started in these efforts. As always, we invite you to contact your Home Office or Fidelity Sales or Relationship Manager for additional support.
For more information, please contact your Home Office or Fidelity Sales or Relationship Manager.