

Are You Ready to Serve the Next Generation of Investors?

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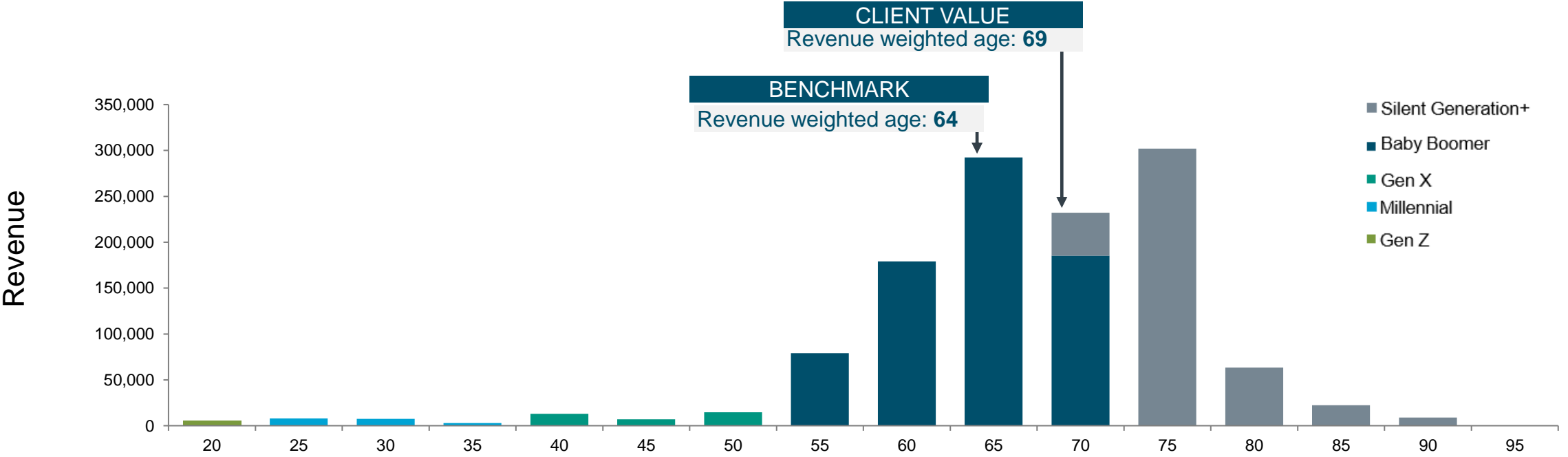


Agenda

1. Why Gen Y/Z are key to your firm's growth
2. Who are Gen Y/Z?
3. What and how to engage

Why Gen Y/Z Are Key to Your Firm's Growth

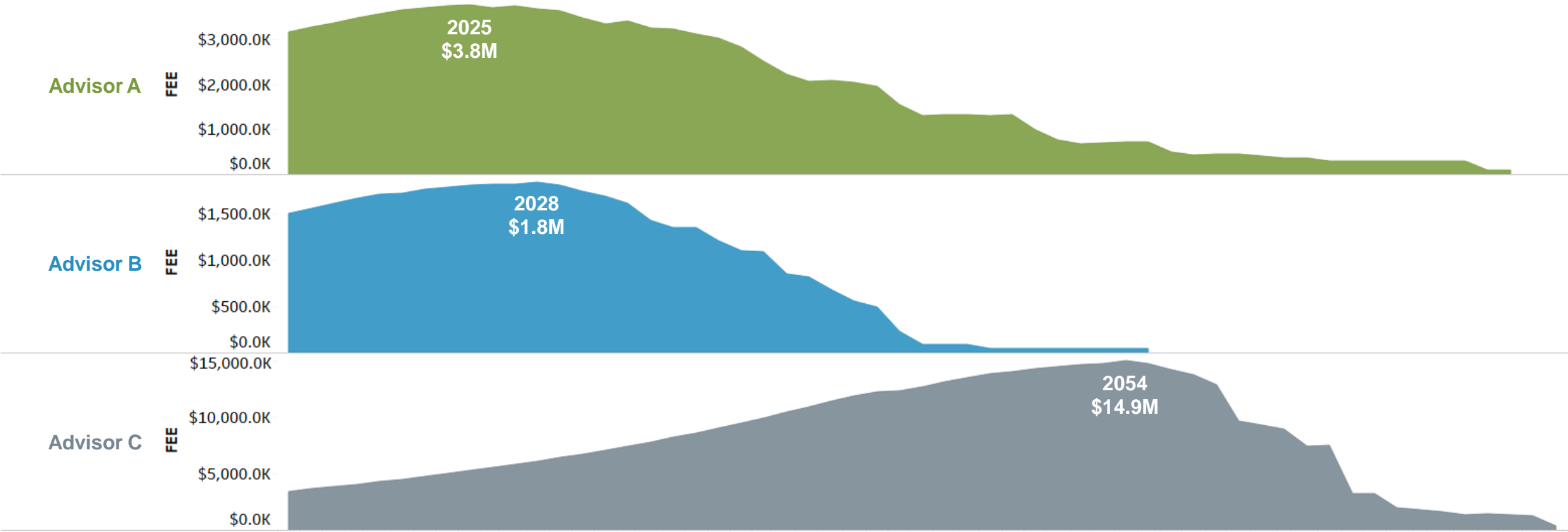
The Current Age Demographics at Your Firm



	Gen Z	Millennial	Gen X	Baby Boomer	Silent Generation+
% of HHs	1%	6%	6%	72%	15%
% of Revenue	0%	2%	2%	75%	20%
Median Yield	43	46	46	47	47
Benchmarks					
% of HHs	1%	8%	20%	50%	22%
% of Revenue	1%	3%	16%	56%	25%

Data as of October 7, 2021. Sources: Pew Research: <http://www.pewresearch.org/topics/generations-and-age/>. Notes: Gen Z: Born 1997–2012; Millennials: Born 1981–96; Gen X: Born 1965–1980; Boomers: Born 1946–1964; Silent Generation+: Born <1946; Sample firm analysis for illustrative purposes only. See Important Information section for complete information on the Client Insight Tool.

Older Clients Put Advisor's Revenue at Risk

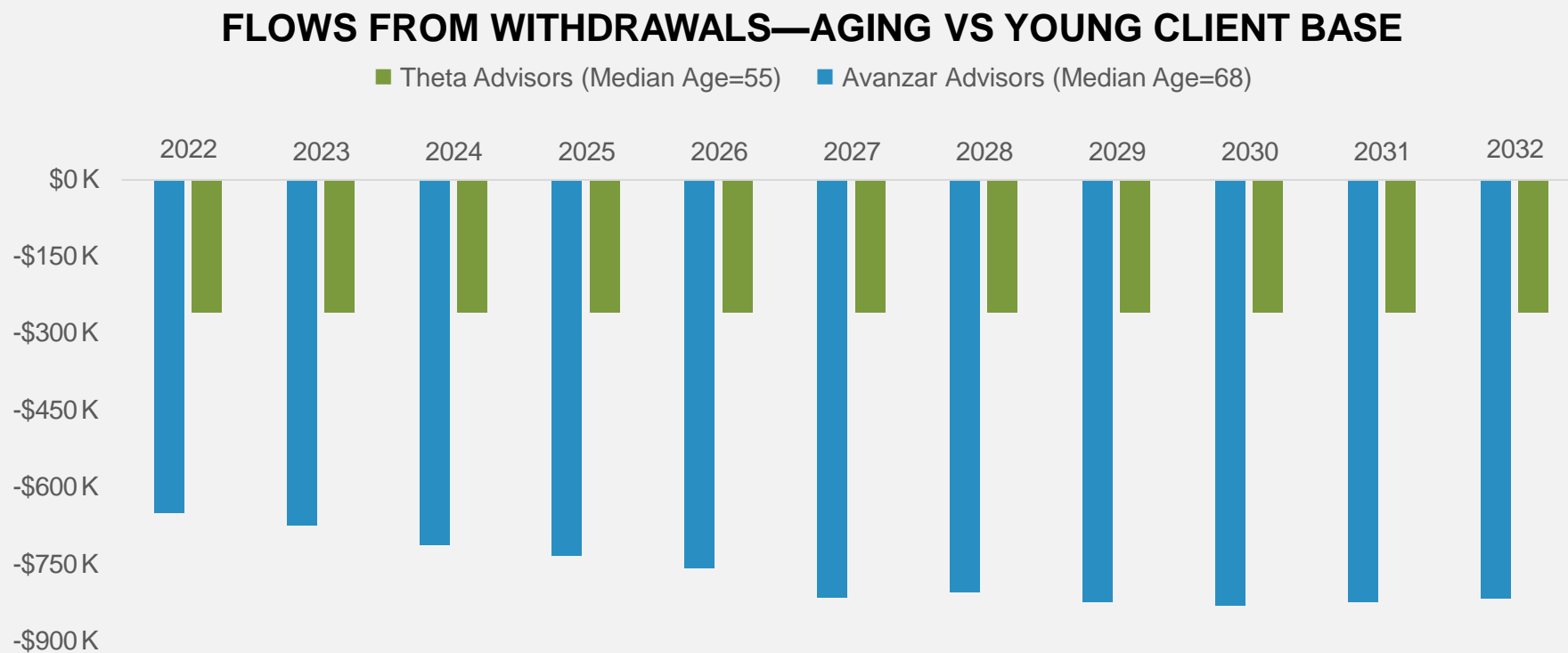


Sample data. For illustrative use only. FI Practice Management & Consulting Client Insight Tool.



Risk to Aging Client Base—RMDs

As your median client age goes up, so does your risk of losing AUM to RMDs

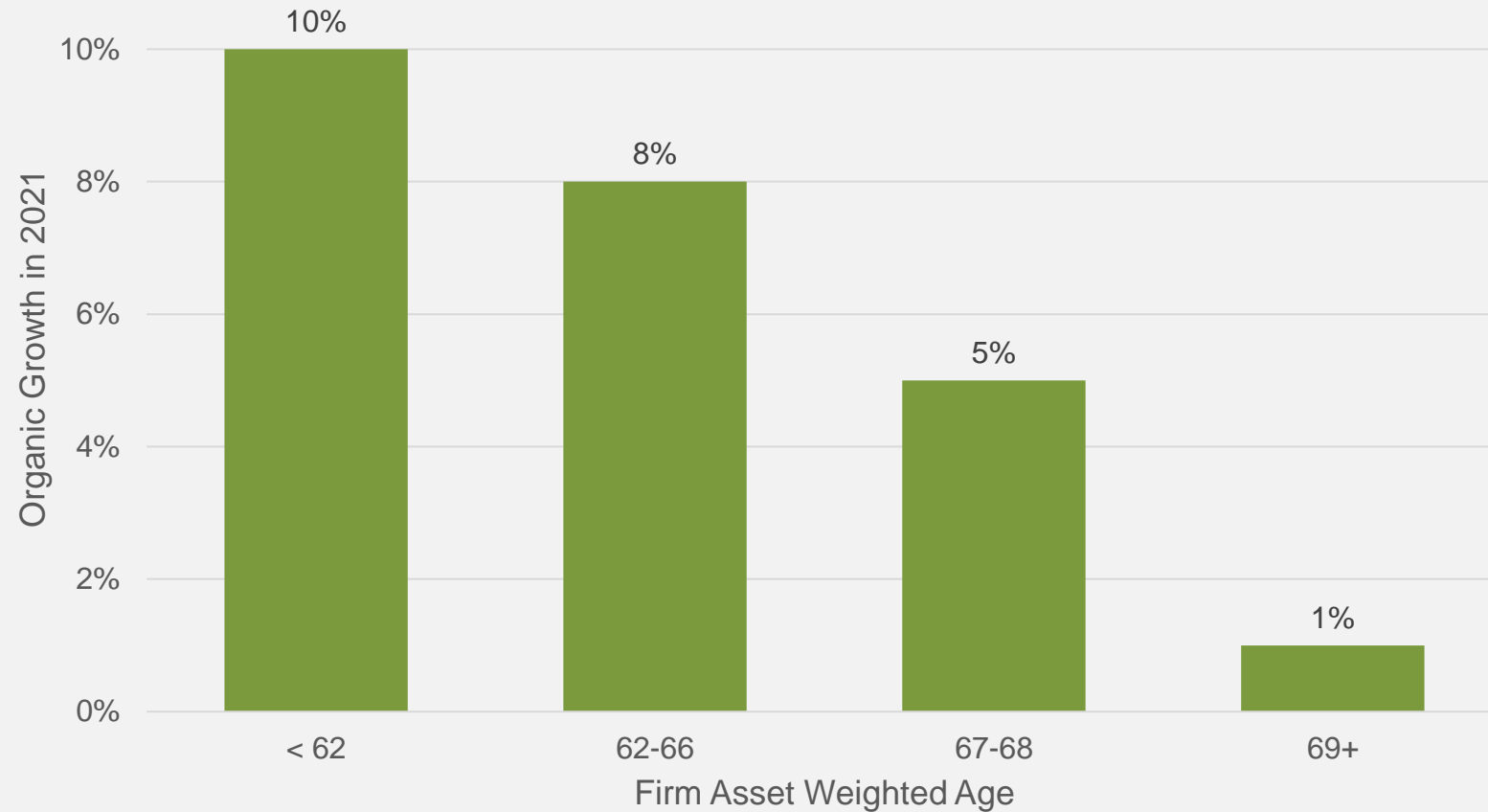


The **blue** firm's clients have of median age of 68 that increases over the next decade. The **green** firm maintains a median age of 55 by continuously bringing on younger clients.

Hypothetical example for illustrative purposes only. Assumptions: Both firms have total AUM of approx. \$500MM in 2022; 10% of AUM held by clients over 72 are subject to RMD at both firms.

Older Clients Put Advisor's Growth at Risk

Firm asset weighted age greater than 66 is associated with a severe drop off in organic growth



Source: Fidelity analysis of 1,501 on-platform custody firms.

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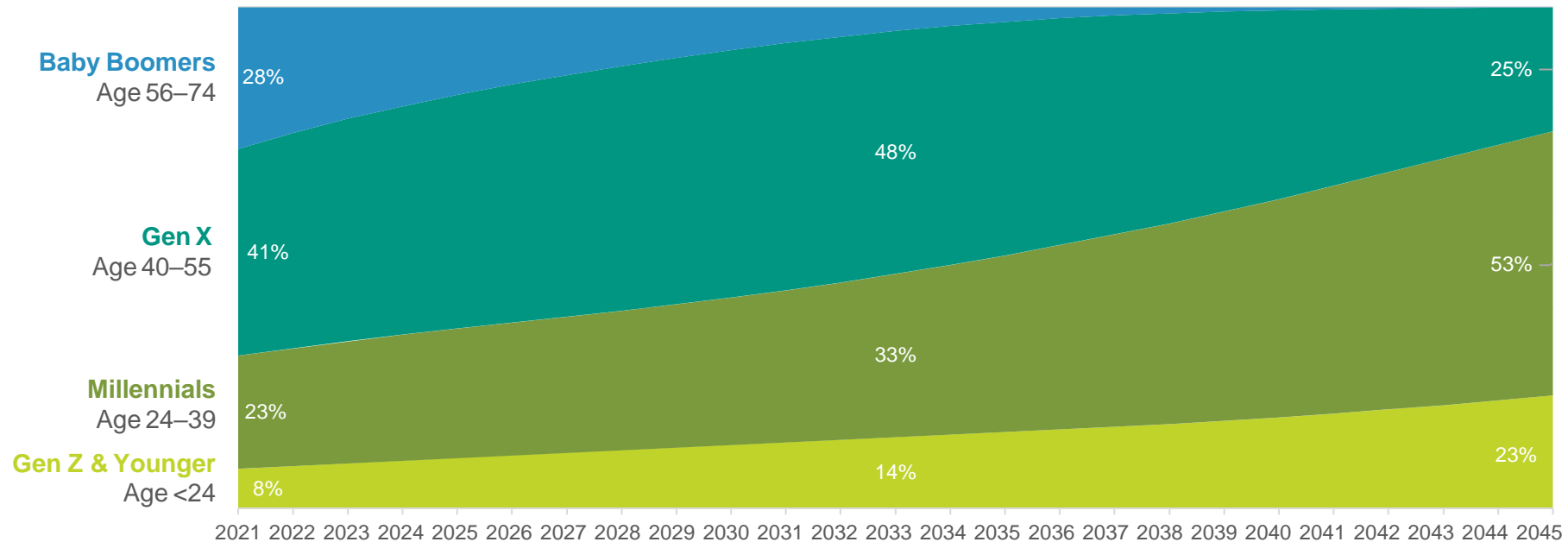


Annual Proportion of Estimated Wealth Inherited by Generation

Gen X will receive the greatest proportion of inherited wealth over the next 15–20 years

Gen Y and Gen Z together make up over 47% of the U.S. population. Cerulli projects wealth transferred between 2021 and 2045 will total \$84.4 trillion (roughly \$2T per year for 20 years).

ANNUAL ESTIMATED WEALTH INHERITED BY GENERATION, 2021–2045



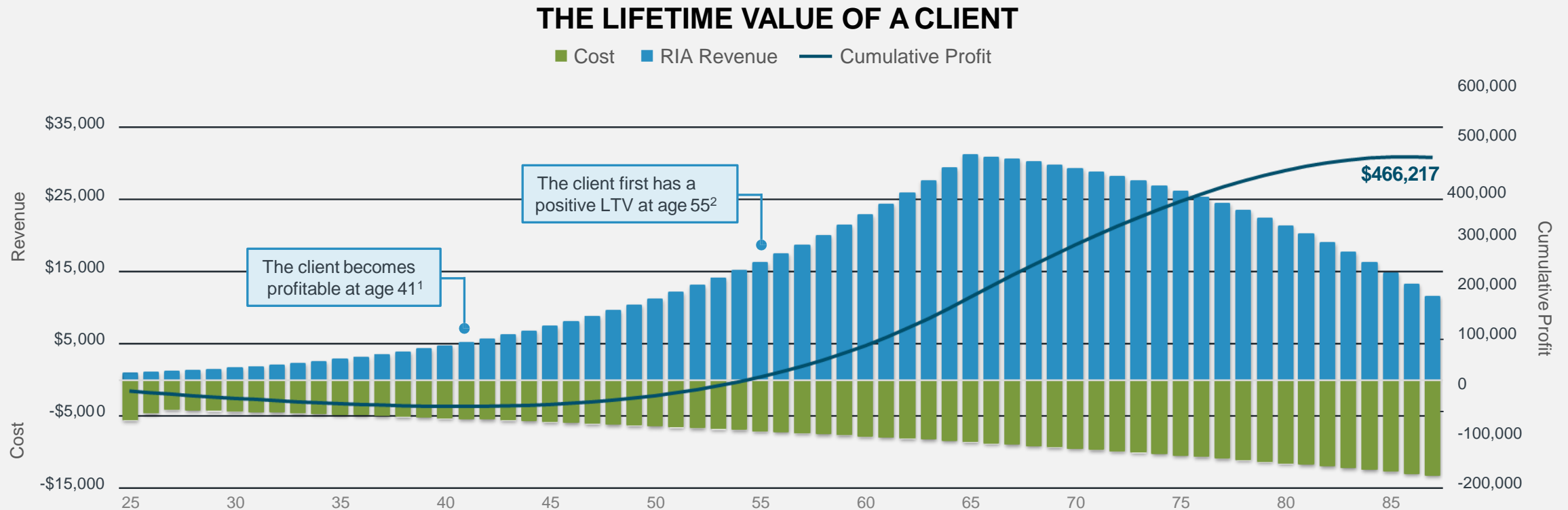
Sources: Cerulli Associates, Federal Reserve Board, U.S. Census Bureau, Internal Revenue Service, Bureau of Labor Statistics, and the Social Security Administration.

Sample data. For illustrative use only.

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It is Important to Understand the Lifetime Value of a Client



¹ Lifetime value calculation assumes a college educated individual with full-time employment and in the 80th percentile of income and investible assets by age.

² Profitability is reached when revenue exceeds cost to serve; Positive LTV is reached when cumulative profit is greater than \$0.

Model assumes the individual as the median U.S. savings rate (7.5%) and retirement age (65).

Model assumes long-term S&P 500 average return of 9%.

Source: Fidelity Client Insight Tool Survey, see important information slide for methodology. U.S. Census Bureau Current Population Survey, 2021, Federal Reserve Board Survey of Consumer Finances, 2019.

Picking the Right Client

Christopher and Jessica

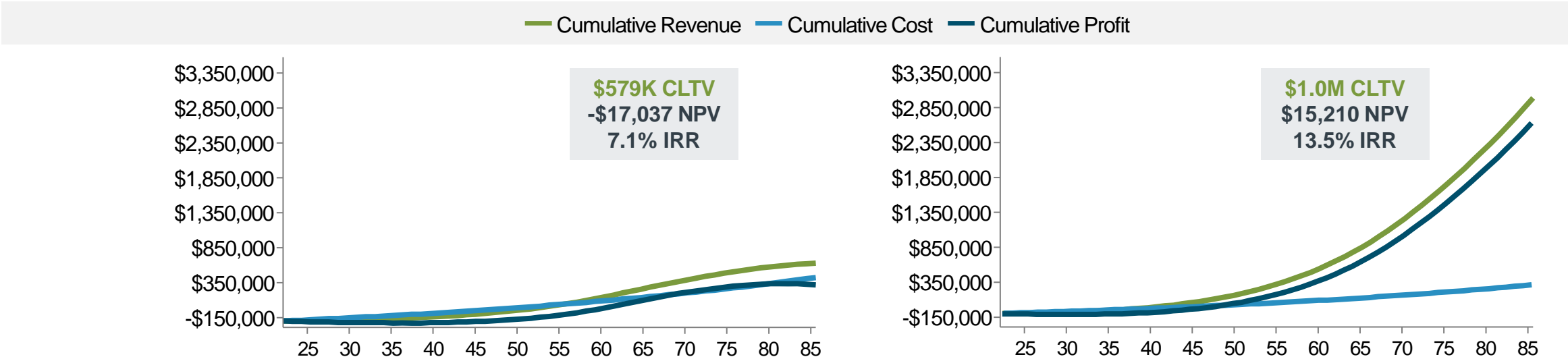


Both young, college-educated professionals,
invested in ESG and Crypto through digital platforms



	Christopher, age 25
Income	\$110,000
Investible Assets	\$200,000
Service Level	High
Saving	7% of income
Profitability	Christopher becomes profitable by age 40, but the margin between RIA revenue and cost to serve is very slim

	Jessica, age 25
Income	\$85,000
Investible Assets	\$100,000
Service Level	Low
Saving	15% of income
Profitability	Jessica becomes profitable by age 34, and by retirement RIA revenue far outstrips cost to serve



Source: Fidelity Investments as of 9/9/2022. NPV (net present value) calculation assumes a discount rate of 10%. CLV (customer lifetime value) is defined here as cumulative operating profit over the client's lifetime. Both CLV models assume lifetime earnings growth at 80th percentile of U.S. college-educated population. IRR = internal rate of return.



Diverse Earners Have Been Experiencing Faster Growth in Wealth

MEDIAN WEALTH BY RACE AND ETHNICITY

■ 2007–2010 ■ 2010–2013 ■ 2013–2016 ■ 2016–2019

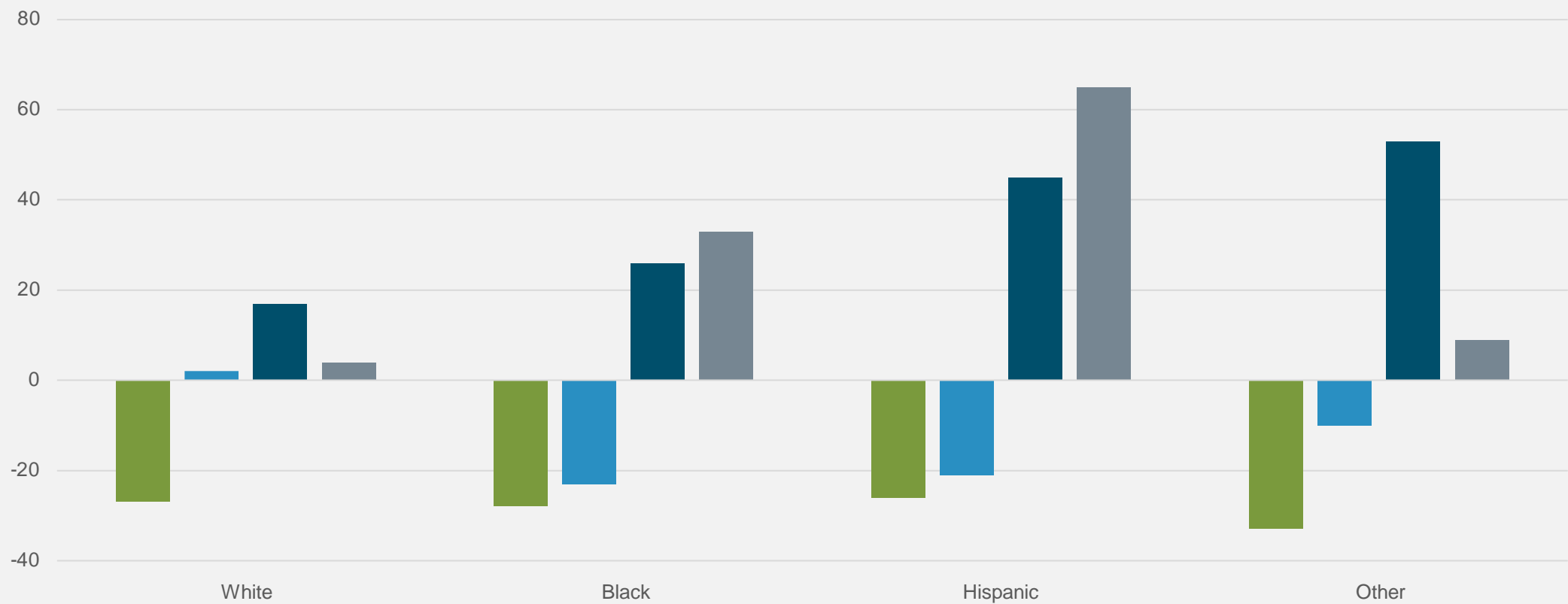


Figure displays percent changes in median wealth by race and ethnicity between the 2007 and 2019 Surveys. Survey years are displayed in order from left to right. Source: Federal Reserve Board, Survey of Consumer Finances.



Who Are Gen Y/Z?

Breaking down the generations

Who Are Gen Y/Z? Breaking Down the Generations

	Younger Investors				
	Gen Z	Gen Y	Gen X	Baby Boomer	Silent Generation
Birth Years	1997–2012	1981–1996	1965–1980	1946–1964	1928–1945
Approx. % of U.S. Population ¹	22.7%	24.5%	21.9%	23.6%	7.3%
U.S. Population (millions)	67.8	73.2	65.2	70.4	21.7
Influential Events (late childhood to early adulthood)	Digital Age COVID-19 pandemic	School shootings 9/11 Great Recession	Berlin Wall dot.com bubble Y2K	Watergate Civil Rights movement 1987 market crash	Korean War Cold War Space race

¹ Over 9 years of age. U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2019.

<https://www.insiderintelligence.com/charts/united-states-population-by-generation/#:~:text=How%20big%20is%20the%20Gen%20X%20population%20in%20the%20US,their%20working%20career%20proves%20otherwise.>

Gen Y/Z Are Different from Older Generations



More diverse

Gen Z is the most racially and ethnically diverse generation.



Evolving perspectives of “traditional life paths” and values

Purchasing homes and starting families later in life.



Digital natives

45% of teens say they are online “almost constantly.”



Seeking advice in different ways, with differing planning and investment needs

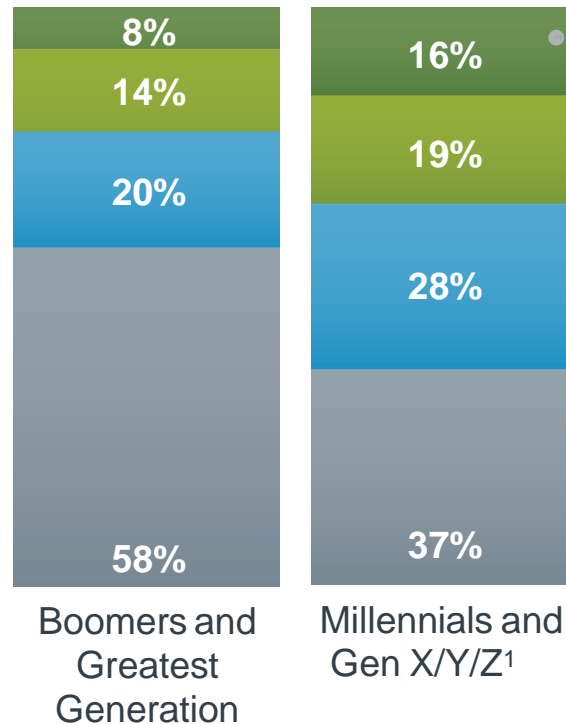
Expect more frequent interactions and options for mode of interaction.

The New Investor Landscape

The Advice Value Stack®



The New Investor Landscape



Gen X/Y/Z Investors: Did You Know?

73% would like their **financial professional² to provide comprehensive services** (vs. 30% of Boomers)

64% **consolidate assets with a primary financial professional** (vs. 21% of Boomers+)³

They are focused on **maximizing savings** so they can retire early and pursue passions

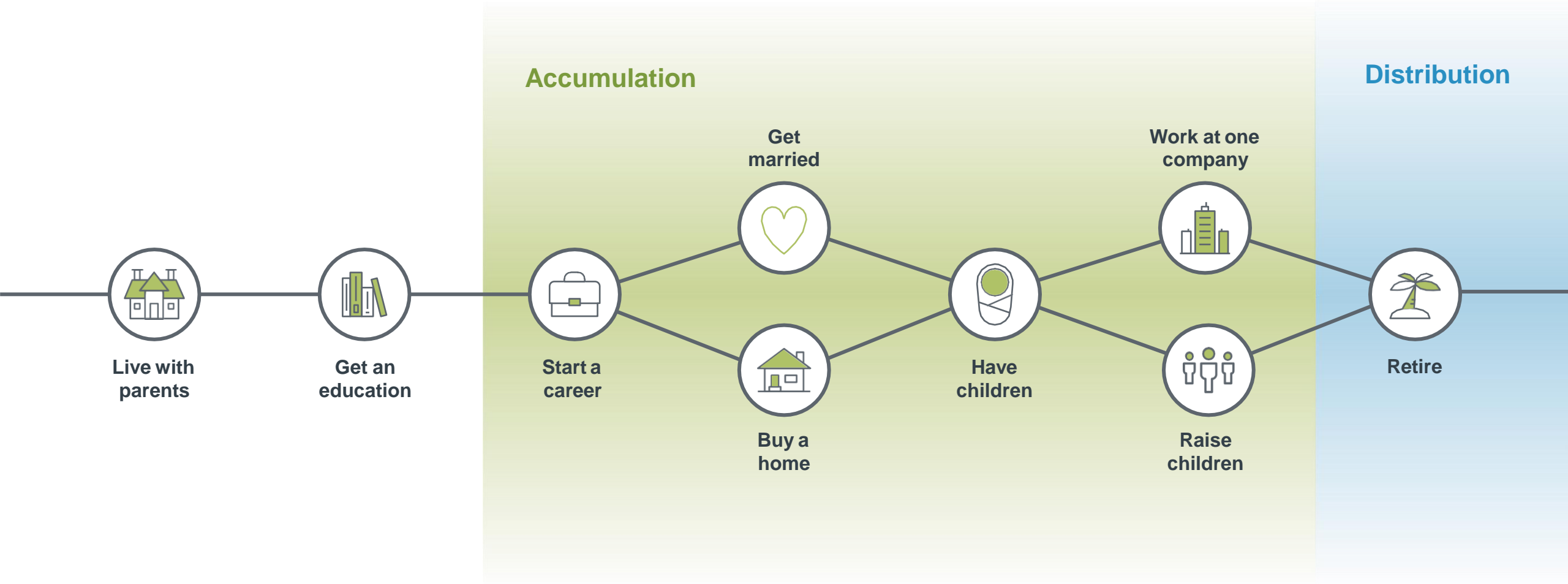
Source: 2021 Fidelity Investor Insights Study.

¹ Gen Z includes those born from 1997–2012. This study included only those born from 1997–2000 or those who were at least 21 in 2021. This group was included with Millennials and Gen X/Y for analysis.

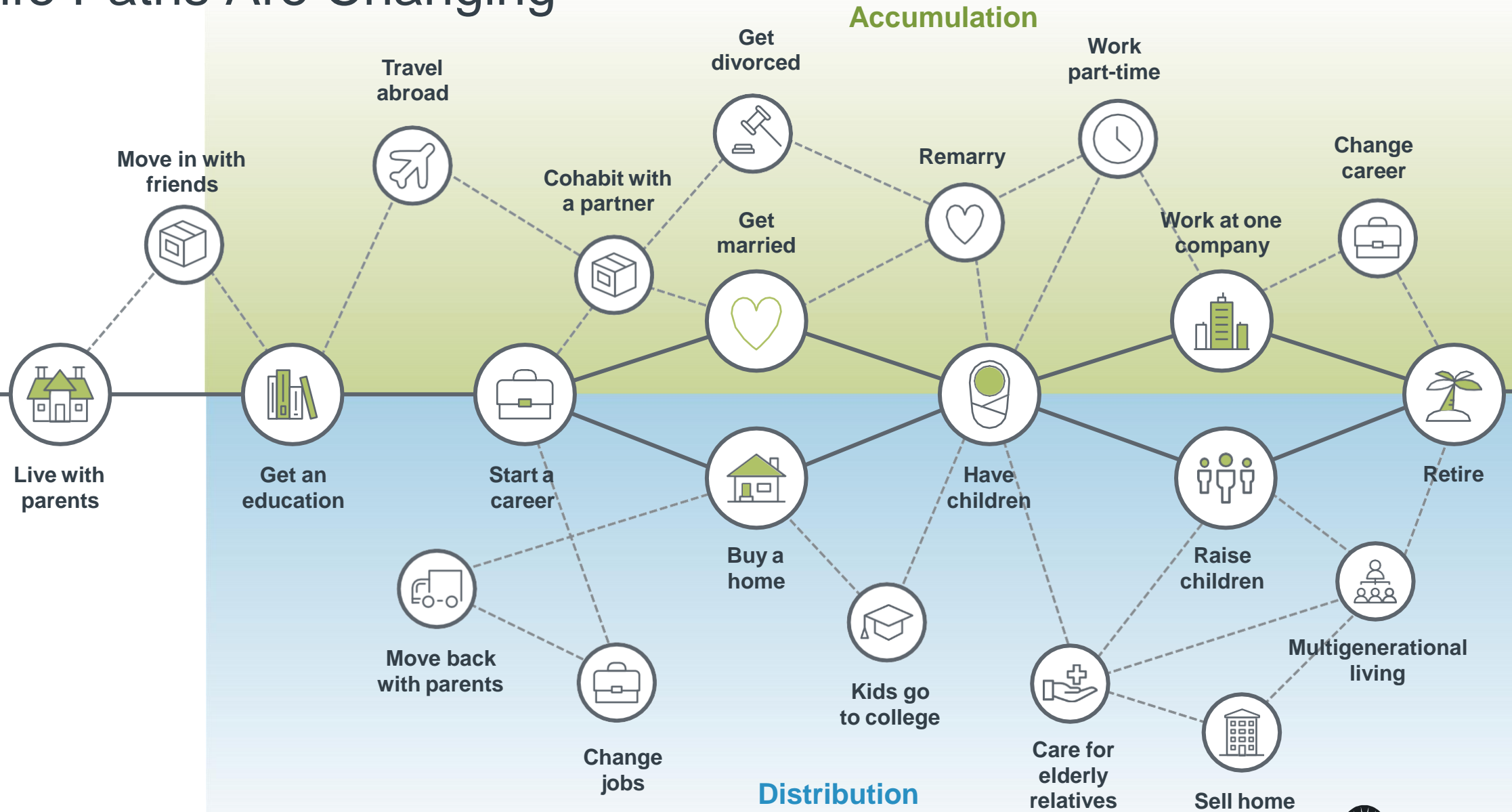
² Definition of financial professional: When we referred to the term “paid financial professional” in our questionnaire, we meant someone who is paid fees and/or commissions for providing financial and investment advice (for example, a broker at an investment firm or an advisor in the trust department at your bank).

³ “Boomers+” includes Boomers (55–73) and Greatest Generation (74+).

Life Paths Are Changing



Life Paths Are Changing



Boomer+ Investors Have Set Many of the Traditional Standards of the Financial Advice Relationship

Younger generations are **transforming the advice relationship**

Boomer+ Investors



VS

Gen XYZ Investors



Source: 2021 Fidelity Investor Insights Study.

Notes: Gen Z: born 1997–2012; Millennials: born 1981–96; Gen X: 1965–80; Boomers+: 1928–64.

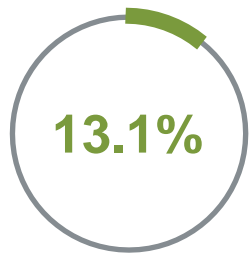
What Actions Can You Take?

Three-Tier Approach



Foundation

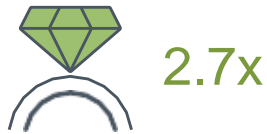
Why is it Important to Engage the Next Generation of Clients?



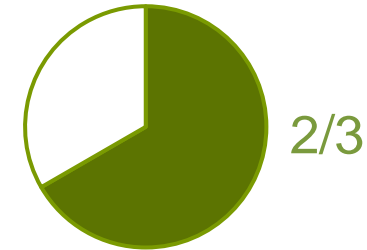
Of all households' next generation has been engaged



On average, engaged households produce 1.6x the revenue of unengaged households

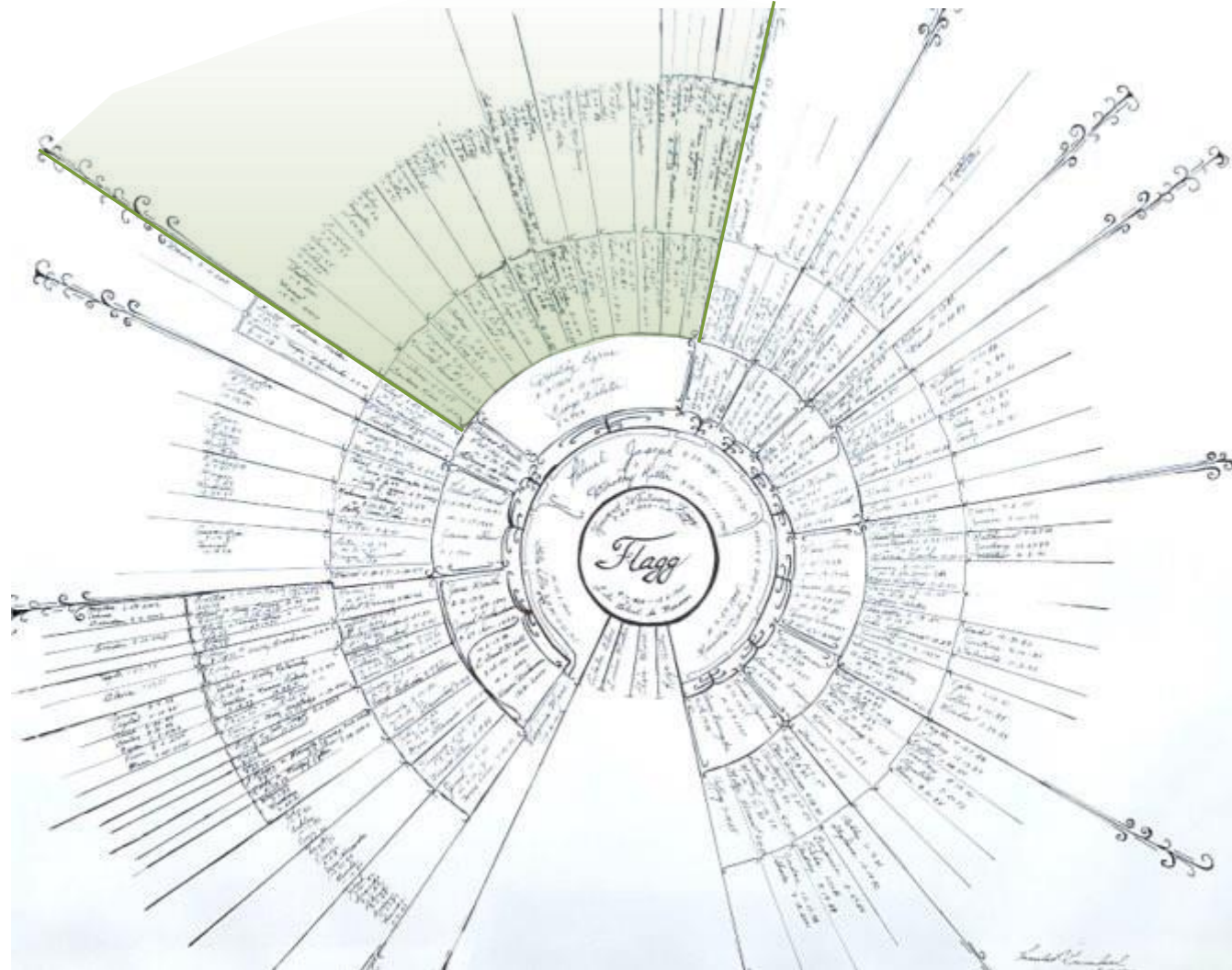


And engaged households produce 2.7x the profit of unengaged households

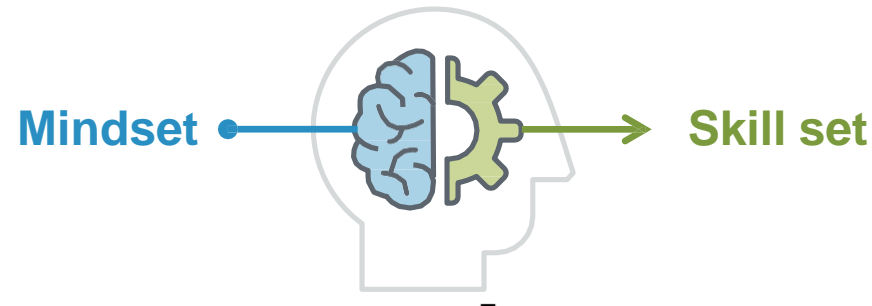


More than 2/3 of Gen Y/Z investors have already received an inheritance, or are set to receive an inheritance

Do You Know Your Client's Family Tree?



Rethinking The Multigenerational Family–Advisor Partnership Requires a New:



Parent–Child Hierarchy

Co-parenting trap: Coming alongside our clients and reinforcing parent-child hierarchy



Peership

Co-create solutions: Giving someone a voice is not the same as turning over decision-making authority.

Leverage Peership to Foster Healthy Family Dynamics and Family–Advisor Partnership

Peership: A Sense of Mutuality

Being in relationship with a sense of mutual love, respect, voice, opinion, feedback, understanding regardless of hierarchy, i.e., age, role, gender, protocol, topic, situation, or decision rights.

What does peership sound like?



“What activities would you like to do together on our family vacation?”



“How might we engage the next generation’s voice on this?”



“What are your wishes for the family property?”



“How do you think this decision will impact the family?”

Evolution

Evolving Your Firm Summary



1	Considering alternative fees
2	Evolving your planning approach and assumptions
3	Adapting your product offering
4	Developing a profitable, scalable model to serve clients

Change Is Happening

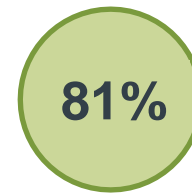


8 out of 10 advisors mention that firms **have either changed or are contemplating a change in pricing models**

Real-Life Fee Innovation

- ✓ Charging by the Hour
- ✓ 3-Part Fee Model (Manage, Plan, Support)
- ✓ Fixed-Fee Only
- ✓ Choice-Based (Client views options, selects needs)
- ✓ Net Worth + Income Based Fee
- ✓ Subscription Model
- ✓ Super-Retainer (Fee cap for UHNW)
- ✓ Modular AUM-Based

CHANGED PRICING MODEL WITHIN THE PAST 3 YEARS/PLAN TO CHANGE IN THE NEXT 1–2 YEARS



Have changed or are considering a change to their pricing model

Source: Simon Kucher & Partners, The Future of Fees, March 2018.

Source: Fidelity FAC Alternative Fees Study.Q1_A. Has your firm's current pricing / revenue-generation model changed within the past 3 years, or do you plan to change it in the next 1-2 years?

Alternate Fee Structures—Case Study



Who:

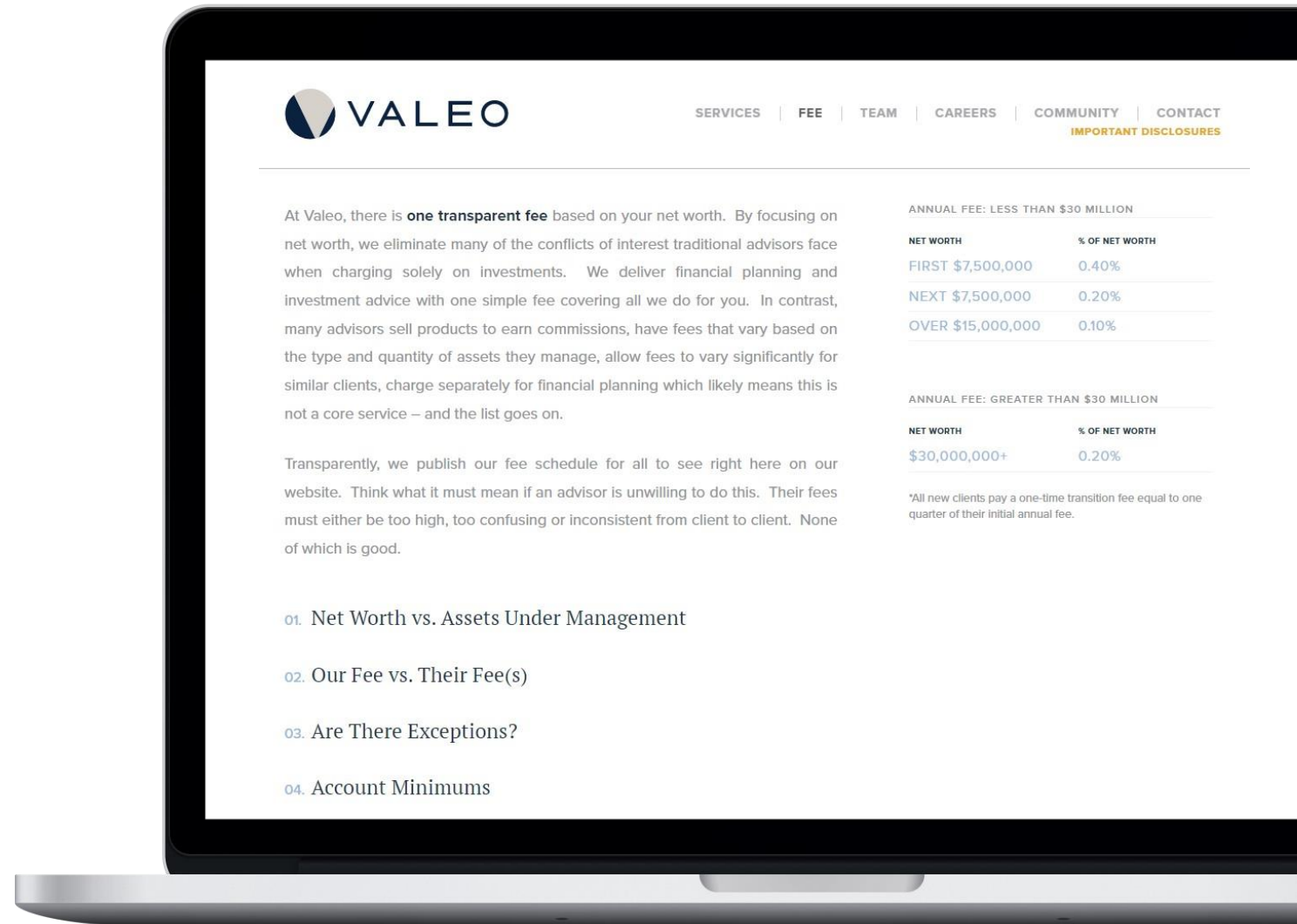
Valeo, an independent, fee-only financial advisory firm offering objective, independent guidance for one transparent fee.

What:

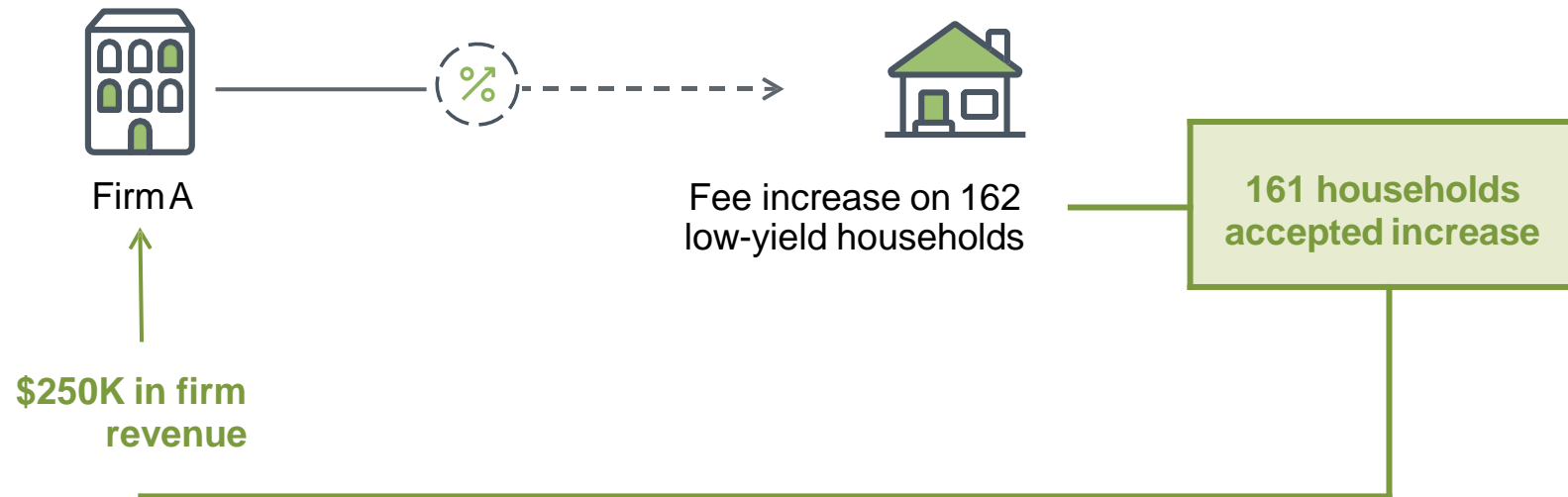
Charge on net worth versus AUM

Transparent fees

Minimum fee of \$7,500



Minimum Fee—Case Study



Impact of Gen YZ Longevity on Planning Assumptions



“...as many as half of 5-year-olds today can expect to live to the age of 100...”

Key considerations:

- ✓ Financial planners should consider modeling out scenarios— what if the clients live to 105?
- ✓ Calculate a “Confidence Age”—an age that a client can confidently meet their goals
- ✓ Understand trade-off decisions around withdrawing social security vs. continuing to work past 65 years old
- ✓ How can you advise your clients to be healthy, not just financially healthy?

Other Planning Considerations



Increasing
health care costs



Future of taxes/
social security/etc.



Shift from monitoring
health of assets to monitoring
health of income/cash flow



More ongoing planning
needs (vs. managing
retirees' assets)



Managing debt



Multigenerational living



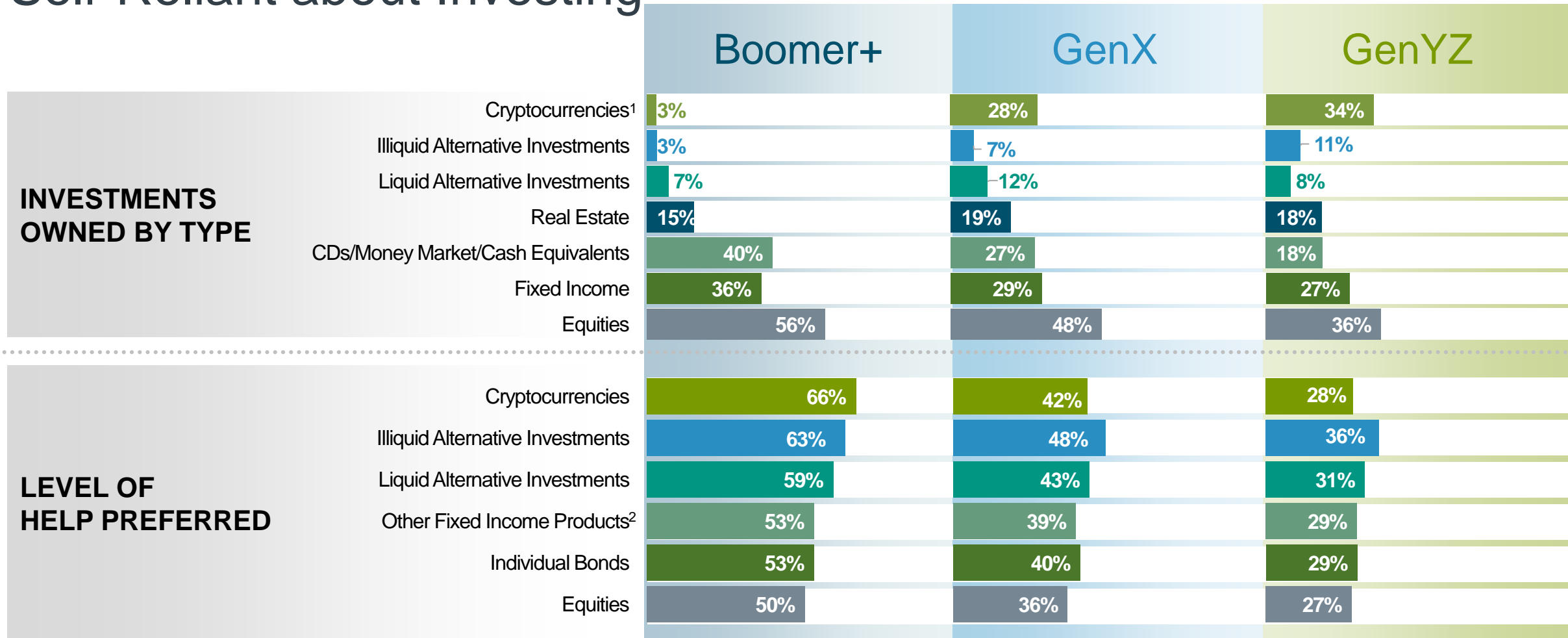
Life moments: kids'
college, divorce, starting
a business, etc.

Evolving Your Product Offering Considerations



1	Rising importance of ESG & value-based Investing
2	Can you answer the question: Should I have crypto in my portfolio?
3	Direct indexing: How will you leverage it to provide options for investors to customize?
4	Unified managed households

Next Generation Owns a More Diverse Portfolio and is More Self-Reliant about Investing



Source: 2022 Fidelity Investor Insights Study. Level of help preferred represented by responses in bottom 2 boxes.

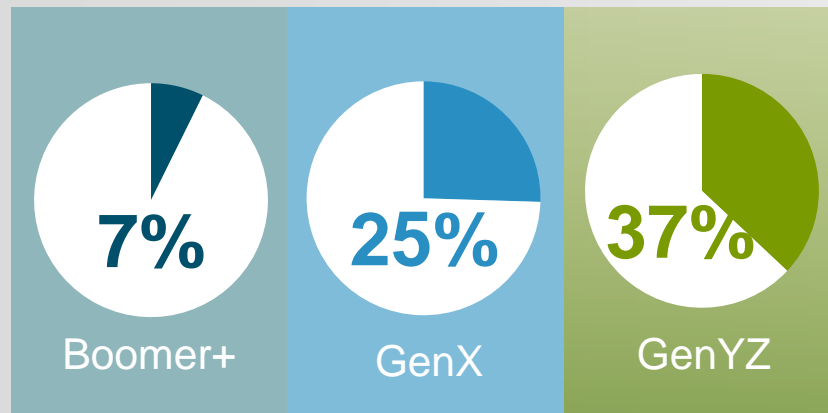
Liquid alts include non-traditional mutual funds/ETFs that seek exposure to alternative investments. Illiquid alts include private equity, hedge funds, venture capital, non-traded REITs.

¹ Cryptocurrencies directly held. ² Such as bond mutual funds or bond ETFs)

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More than a Third of Gen YZ Investors Say They Own ESG Investments Compared to Just 7% Among Boomer+

OWN ESG INVESTMENTS



WILLING TO CONSOLIDATE MORE ASSETS WITH PRIMARY ADVISOR

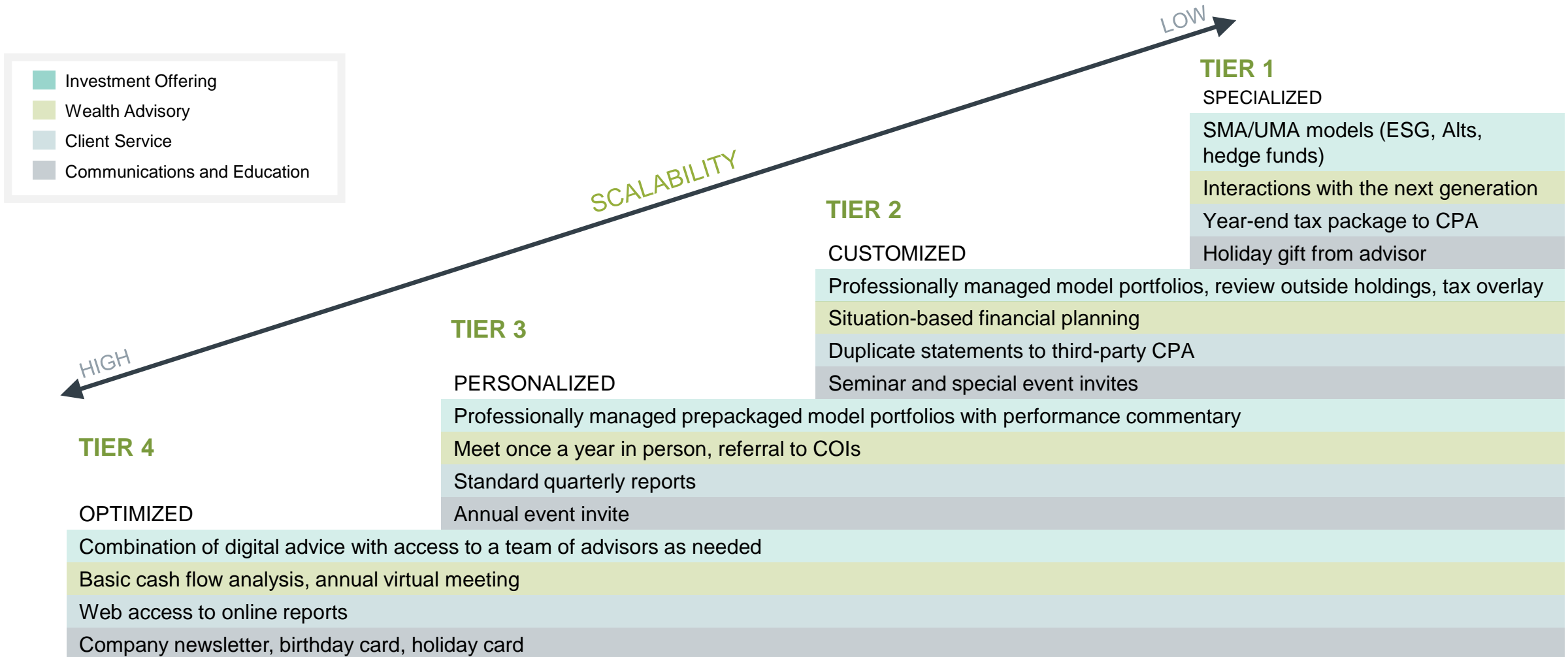
Overall, investors are nearly

2X

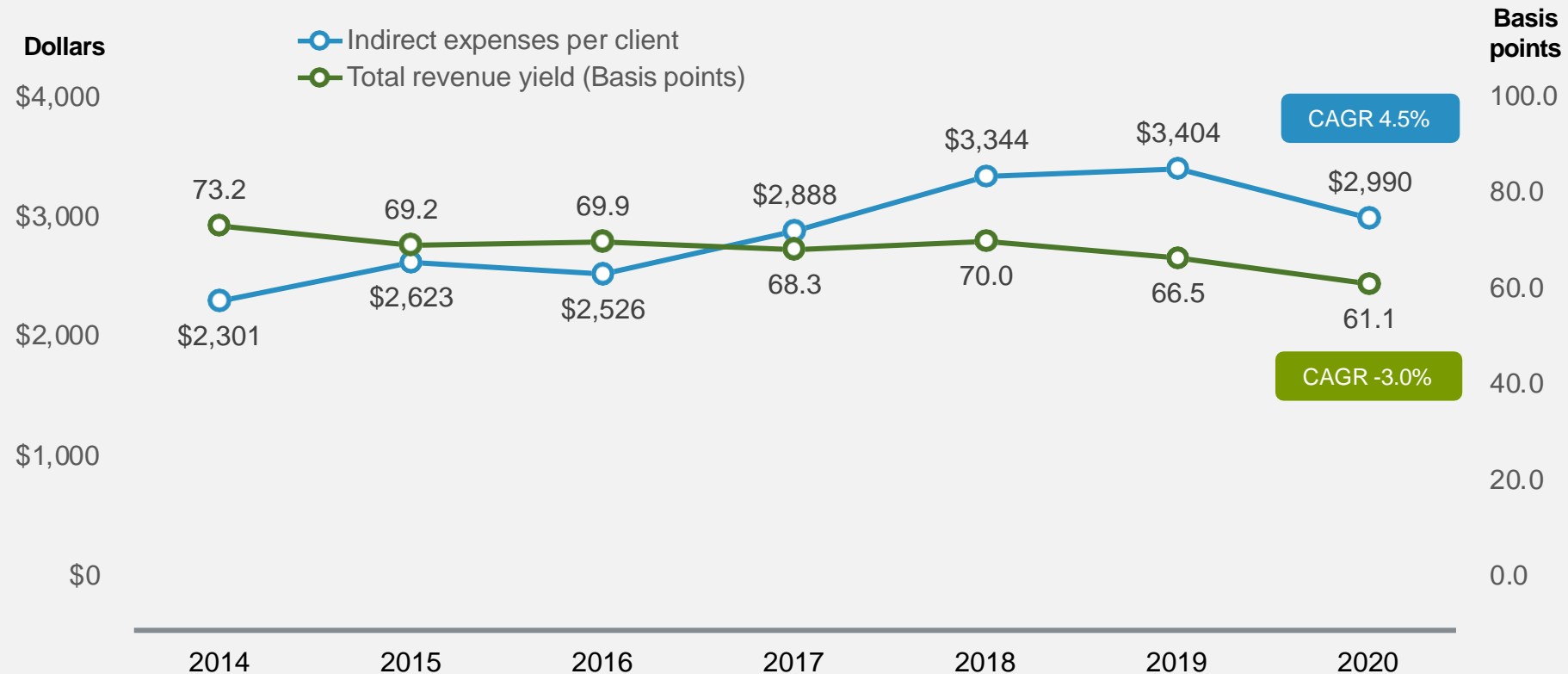
as likely to agree they **want to consolidate more of their assets with their primary advisor** if they've discussed ESG with them

(Among those with no ESG in portfolio currently or unsure, 45% of those who discussed agree vs. 24% all others)

Tiers Help You Deliver Tailored Service Based on Client Needs and Value to Your Firm



Fee Compression and Increasing Costs Are Driving Margin Pressure



Source: Fidelity Investments. Results are median calculations based on the 2020 Fidelity RIA Benchmarking Study. Indirect expenses include all expenses not directly tied to advisor production. Total revenue yield includes all revenue and assets. CAGR is six-year compound annual growth rates for each line.

Creating a Scalable Service Offering—Case Study

Who:

Legacy Financial

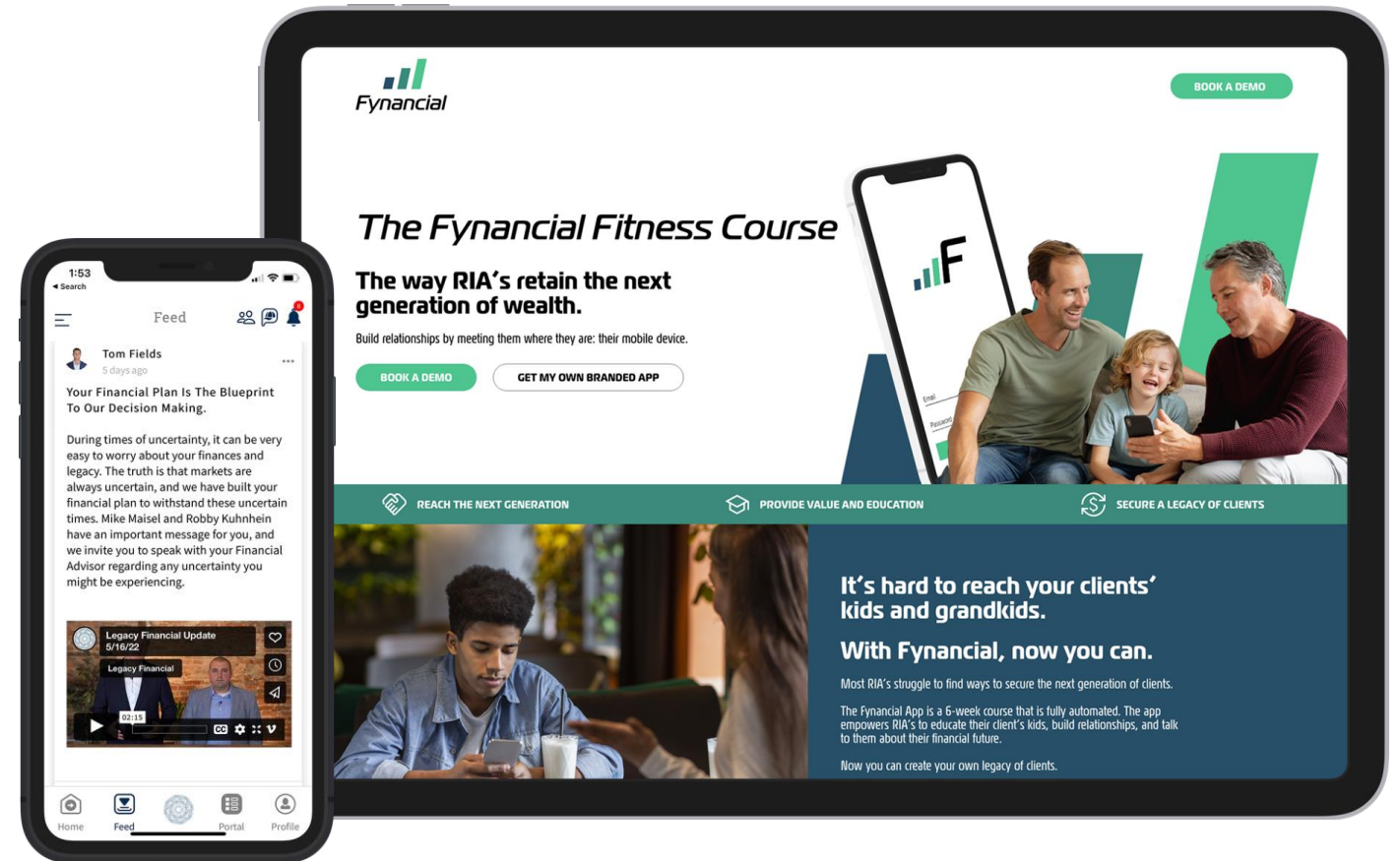
What:

Creating a scalable service offering

\$199 Fee

App that drives engagement with customers

Focus on media-centric approach

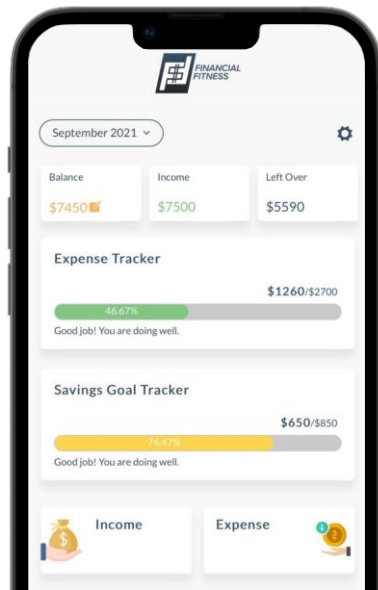


Source: Legacy Financial. Legacy Financial is a third party unaffiliated with Fidelity Investments.

Creating a Scalable Service Offering—Case Study

1 2 3 4

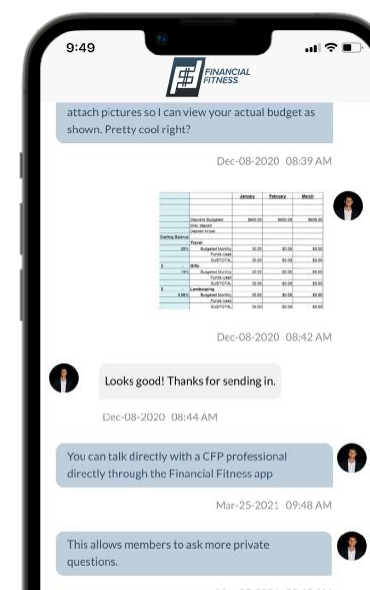
Awareness Budgeting App



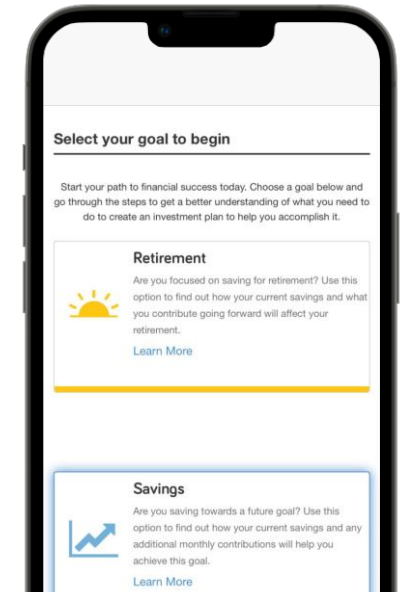
Education Six-Week Class via Financial Fitness App



Accountability Engaging Peers and Trusted Advisors



Action Driving the Right Activities for Families and the Advisor



Impact of leveraging
a scalable app

Reduced ongoing
maintenance of clients

Driving engagement with investors via
2-minute quarterly updates, 80% of
investors open these quarterly updates

Meeting the next generation of clients
where they are (on their devices)

Innovation

Media Mavens: Abound Wealth Case Study

Who:

Abound Wealth

What:

- Minimum revenue of \$7,500 (\$750K AUM)
- Focusing on the next generation (<40 years old) that has >\$750K and has a significant savings rate (>25%).

Podcasts

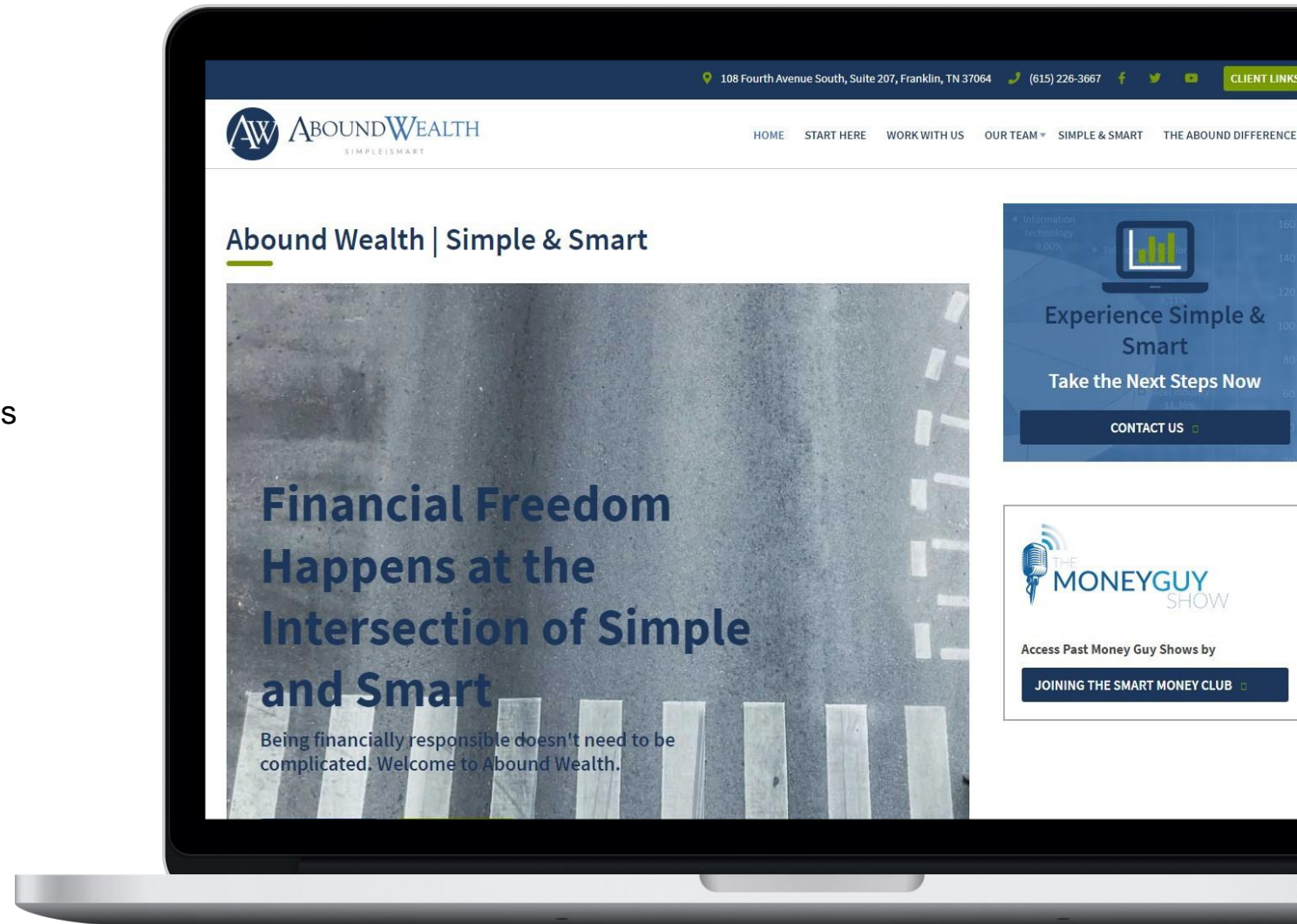
Weekly “Money Guy Show” podcast on personal finance

Videos

YouTube Channel videos with over 4.6 million views

Social Media

Facebook, YouTube, and Twitter

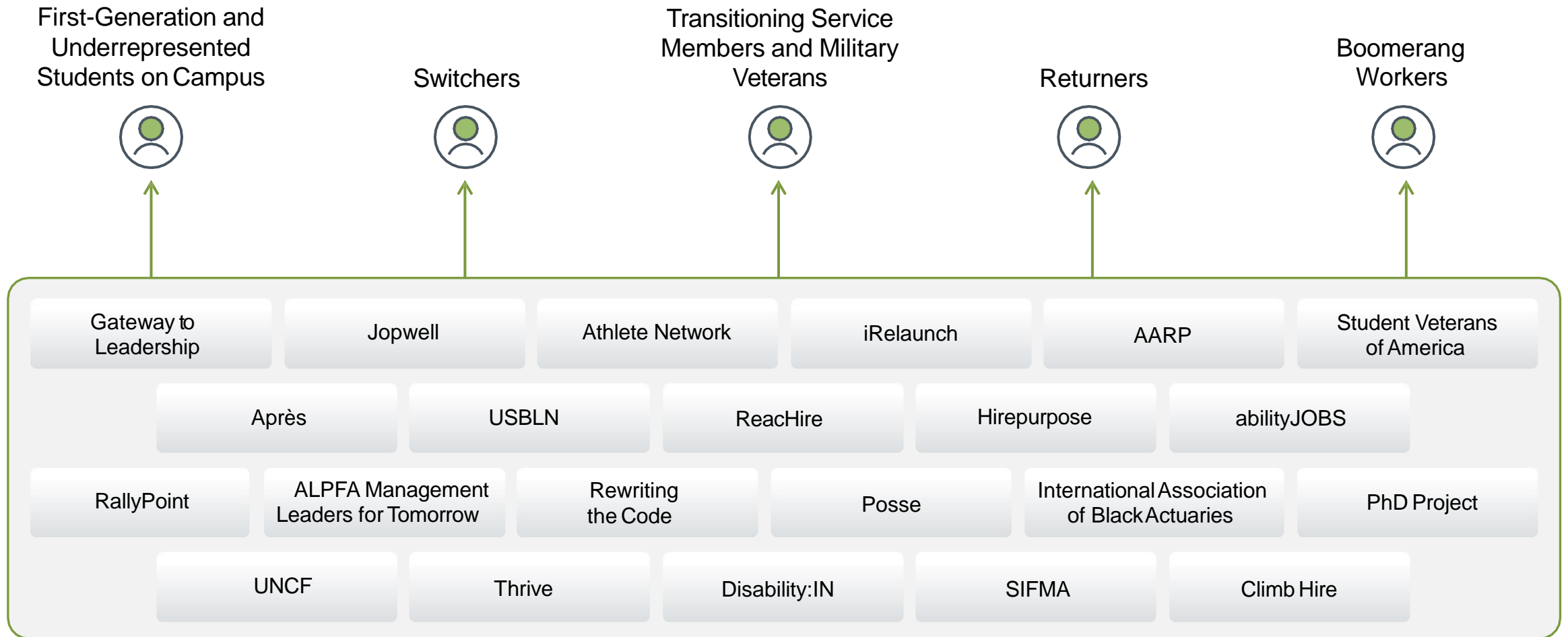


Source: Abound Wealth. Abound Wealth is a third party unaffiliated with Fidelity Investments.

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Rethink Your Talent Approach to Increase Diversity



Identify New Market Opportunities

New Market Opportunities Considerations: Similar to a Niche (targeting executives)

- Centers of influence that can drive scale to engage
- Ability to market to them
- Relate to the new markets
- Specific solutions that meet their needs

Example New Market Opportunities

- ✓ NIL
- ✓ Entertainers
- ✓ Influencers
- ✓ Entrepreneurs
- ✓ Gig Economy

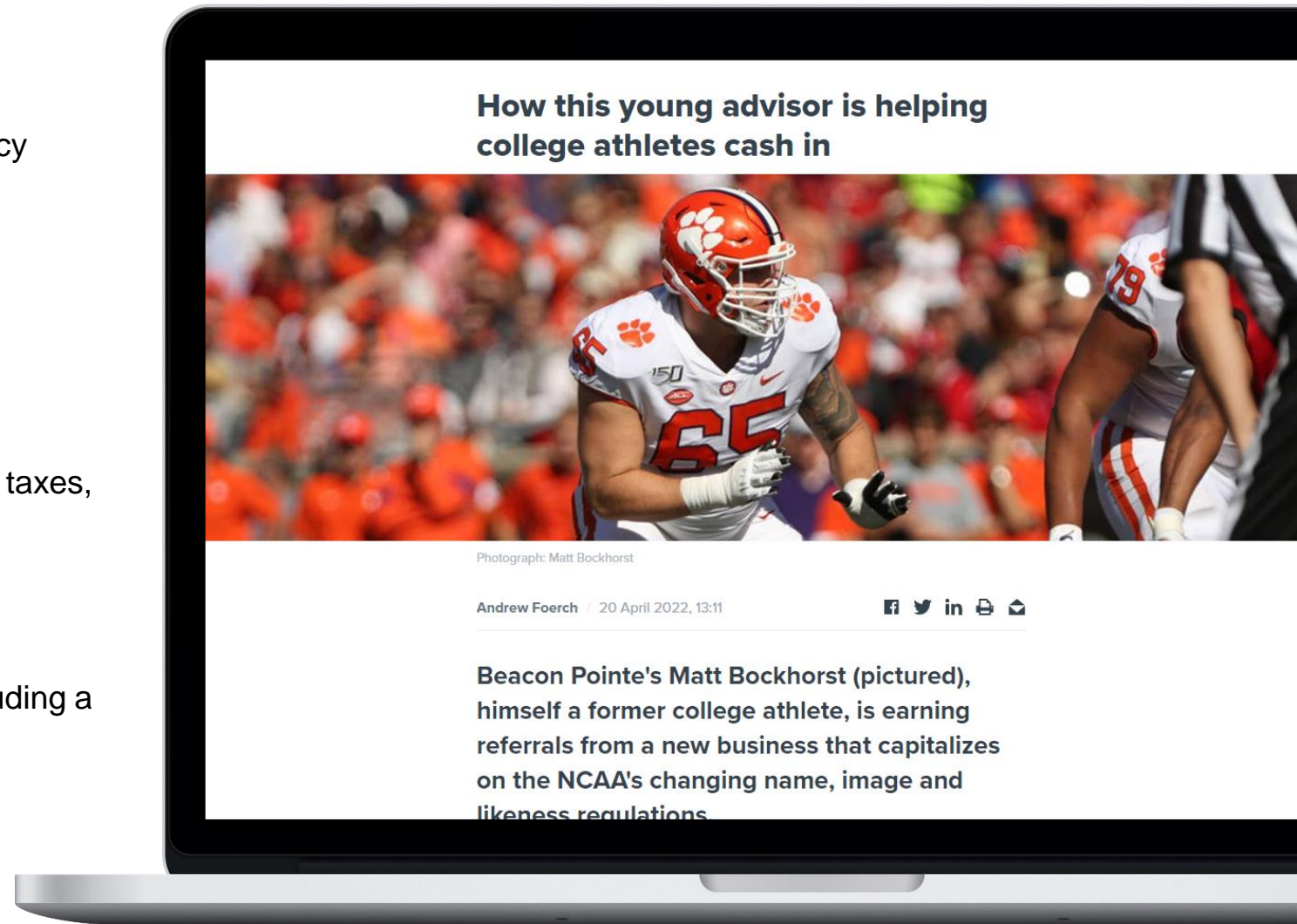
Beacon Pointe Advisors

- ✓ Beacon Pointe partnered with Limitless NIL (first agency to represent college athletes)
- ✓ Minimums are lowered (from \$500K to \$0) to allow for younger clients to grow with Beacon Pointe
- ✓ Help college athletes with financial literacy, budgeting, taxes, and avoiding predatory behavior in a new, not heavily regulated market
- ✓ 47 of 256 employees* are former college athletes including a former Clemson lineman

* As of August 2021.

Source: Beacon Pointe Advisors. Beacon Pointe Advisors is a third party unaffiliated with Fidelity Investments.

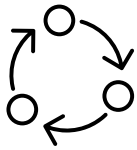
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Become a Coach



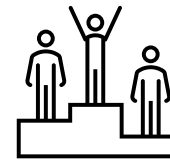
85% of Gen Y/Z would like **some form of behavioral coaching** to keep them from making mistakes, procrastinating, or making rash decisions.



Help **establishing routines** and sticking to them



Using an app/software tool to monitor and send reminders



Participating in a **competition with rewards**



Educational materials on the benefits of different goals



Reward system (for tasks completed/improved behavior)

Top Five Preferences for Behavioral Coaching

Key Takeaways

Valuation and Sustainability



Significant Future Opportunity



Leverage Client Lifetime Value



Innovation Is Critical



Contact Your Relationship Manager to Get Started

Resources

Additional Tools and Resources

NEXT GENERATION RESOURCES i.fidelity.com/nextgeneration

The screenshot shows the Fidelity Institutional website for 'Serving the Next Generation of Investors'. It features a navigation bar with links like 'Funds & Products', 'Defined Contribution', 'Investing', 'Planning', and 'Markets & Economy'. The main content area is titled 'Serving the Next Generation of Investors' and includes a sub-header 'Understanding the generational wealth transfer shift and how to evolve your engagement approach'. Below this is a section for 'Workshop Information and Resources' with 'Event Handouts' (including 'Are You Ready to Serve the Next Generation of Investors?') and 'Resources for Getting Started' (including 'Are Younger Investors Redefining the Financial Advice Relationship? White Paper', 'Preparing for Next-Gen Advisors and Investors White Paper', 'Drivers of a Successful Advisor-Investor Relationship White Paper', and 'Four Steps to Successful Client Segmentation White Paper').

CLIENT INSIGHT TOOL i.fidelity.com/clientinsighttool

The screenshot shows the Fidelity Institutional website for the 'Client Insight Tool'. It features a navigation bar with links like 'Working with Us', 'Technology & Products', 'Practice Management', and 'Insight and Outlook'. The main content area is titled 'Client Insight Tool' and includes a sub-header 'Powerful insights and ideas that help increase your firm's profitability'. Below this is a section for 'About the tool' which explains the tool's purpose and provides a list of insights: 'Demographics' (Revenue Weighted Age Concentration, Risk, Next-Gen Engagement), 'Segmentation/Profitability' (Household Segmentation, Cost-to-Serve, Profitability Benchmarks), and 'Pricing Discipline' (Revenue Yield Analysis, Impact of a Minimum Fee, Pricing Dispersion). A 'How it works' section follows, detailing four steps: 1. Engage with Us, 2. Collect Data, 3. Consultation, and 4. Implementation.

Assess Your Firm's Alignment to Younger Investor Priorities



Find Us Online



clearingcustody.fidelity.com



twitter.com/FidelityforWMs



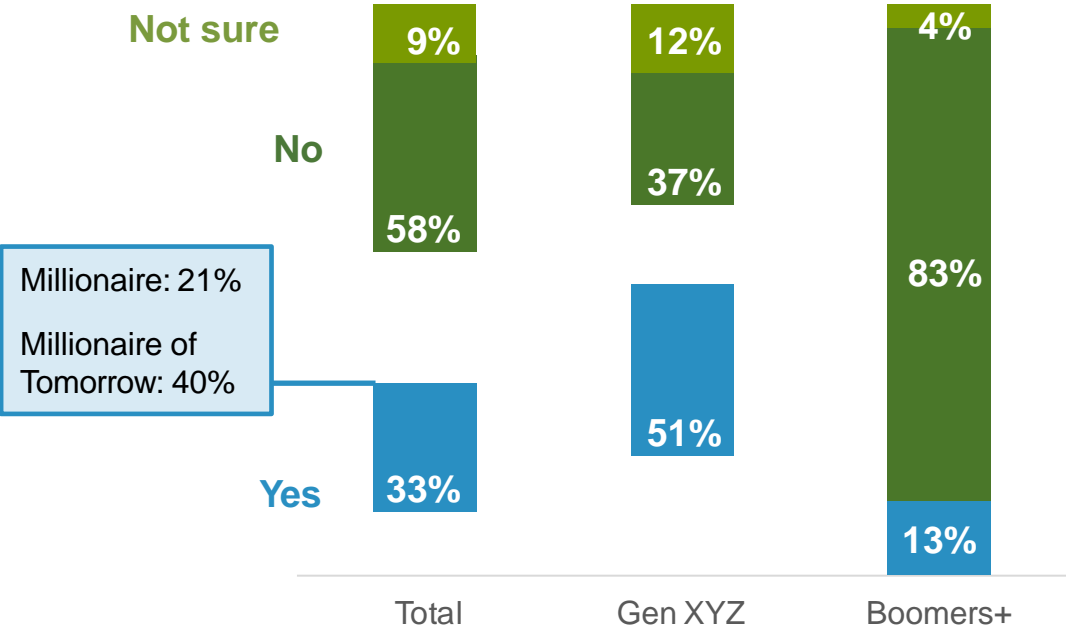
linkedin.com/showcase/fidelity-for-wealth-managers

Appendix

About a Third of Investors Expect to Inherit Assets in the Future, Often Amounts That Would Represent a Sizeable Addition To Their Current Assets

The expected inheritance amounts are often significant in relation to their current investable assets—making them an important aspect of their financial picture

EXPECT TO INHERIT ASSETS IN THE FUTURE



INVESTABLE ASSETS AND EXPECTED INHERITANCE ASSETS

	Investable Assets	Expected Inheritance
Total	\$625K	\$375K
Gen XYZ	\$175K	\$375K
Boomers+	\$1,750K	\$175K

Gen Y/Z Are Different from Older Generations



More diverse

The ratio of 7- to 22-year-olds who are not-white:

48%

Gen Z
in 2019

39%

Gen Y
in 2003

30%

Gen X
in 1987

18%

Boomer
in 1969



identify as something other than heterosexual. They eschew a one-size-fits-all approach and binary definitions.



Evolving perspectives of “traditional life paths” and values

✓ FIRE movement

✓ Multigenerational living

✓ Evolving values

✓ Moving back in with parents

✓ Gig economy

✓ Delaying traditional life moments



Digital natives

Investments managed by a robo advisor

34% vs 1%

Gen Y/Z Boomer

Seek advice online:

53% vs 5%

Gen Y/Z Boomer

Prefer a paperless firm:

65% vs 29%

Gen Y/Z Boomer

Likely to relate to someone with social media presence:

48% vs 4%

Gen Y/Z Boomer



Seeking advice in different ways, with differing planning and investment needs

Feel knowledgeable about investing

73% vs 64%

Gen Y/Z Boomer

Likely to have multiple advisors

35% vs 13%

Gen Y/Z Boomer

Would hire an advisor in a different area

59% vs 35%

Gen Y/Z Boomer

Want more than financial planning

72% vs 32%

Gen Y/Z Boomer

Important Information

The 2021 Fidelity RIA Benchmarking Study was conducted between March 26 and May 26, 2021; 211 firms participated. The 2020 Fidelity RIA Benchmarking study was conducted between March 10 and May 20, 2020; 188 firms participated. The 2018 Fidelity RIA Benchmarking Study was conducted between July 24 and September 24, 2018; 355 firms participated. The 2017 Fidelity RIA Benchmarking Study was conducted between April 19 and June 6, 2017; 408 firms participated. The 2016 Fidelity RIA Benchmarking Study was conducted between April 27 and June 16, 2016; 402 firms participated. The 2015 Fidelity RIA Benchmarking Study was conducted between April 21 and June 15, 2015; 441 firms participated. The 2014 Fidelity RIA Benchmarking Study was conducted between May 6 and June 30, 2014; 411 firms participated. The 2013 Fidelity RIA Benchmarking Study was conducted between May 1 and June 28, 2013; 325 firms participated. All benchmarking studies were conducted in collaboration with independent third-party research firms unaffiliated with Fidelity Investments. The experiences of the RIAs who responded to these studies may not be representative of the experiences of other RIAs and are not an indication of future success. Registering for, completing, and accessing these studies required access to and use of third-party websites, operated by independent third-party research firms unaffiliated with Fidelity Investments.

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2021 Fidelity Financial Advisor Community Outsourcing Survey was completed in April 2021; 451 total respondents comprised of 76 wirehouses, 111 RIAs, and 265 other BDs. The study provides insights into the experiences of these firms leveraging third parties.

The 2021 Fidelity Investor Insights Study was conducted during the period May 15th through June 7th, 2021. It surveyed a total of 1,974 investors, including 773 millionaires. The study was conducted via an online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of \$50K in investable assets (excluding retirement assets and primary residence), with additional quotas by age, decision-making status, income and affluence levels. Gen Z: born 1997-2012; Millennials: born 1981-96; Gen X: born 1965-1980, Baby Boomers: 1946-64; Silent Generation: born 1928-45.

The 2022 Fidelity Financial Advisor Community – Client Focus Study. The study was an online blind survey (Fidelity not identified) and was fielded during the period February 10 through February 22, 2022. Participants included 445 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

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