THE GLOBE AND MAIL

How advisors are engaging younger clients with fewer assets

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SPECIAL TO THE GLOBE AND MAIL

PUBLISHED NOVEMBER 8, 2023

Many younger investors are interested in receiving comprehensive financial advice as the complexity of their financial situations grows along with their careers and assets. But they may find themselves stuck in a tough spot with not enough assets to meet some advisors' minimums and being forced to consider other options such as robo-advisors to fill the void.

For some advisors, choosing to work with up-and-coming millennial, younger Gen X and even Gen Z clients – regardless of their assets – has meant implementing new business models and focusing on the short and long-term advantages of building these trusted relationships – both for clients and their practices.

Millennials' average net worth was estimated at more than US$278,000 in 2021, up 23 per cent a year on average since 2016, according to research from Cerulli Associates in 2022. Almost six of 10 millennials surveyed said they were seeking more financial advice than they currently receive, including a more personalized and comprehensive approach – and were willing to pay for that advice.

With a client base of almost entirely millennials and a millennial himself, Jarrett Holmes, certified financial planner (CFP) and founder of Unaffiliated Wealth in Winnipeg, has noticed a gap for individuals in his generation seeking advice. The assets under management (AUM) structure has led to his demographic being largely overlooked, he says. At the same time, some are also looking for a different approach than the retail investment model can offer.

"There are millennials and Gen Z who are professionally trained and educated, they're thriving in their careers, they have complexity in their affairs, but they don't have the assets to meet the AUM minimums," he says.

"They don't want to be sold a product that the advice is contingent on but are willing to pay an advisor a fee for advice to be able to get that personal touch."

Mr. Holmes' clients, which include professionals and business owners, are looking for a level of understanding that a robo-advisor can't provide – an advisor to partner with as they progress through significant life events and who can develop in-depth knowledge of their financial picture.

The risks these clients face in not being able to access holistic advice at this stage include making behavioural mistakes when investing, including chasing returns from "hot" stock tips on social media to not saving or investing enough, managing their debt improperly or being underinsured.

Meeting clients where they are
A retainer-based fee is Mr. Holmes' solution to working with millennial clients with fewer investible assets, while still earning a living as an advisor. For clients in the early stages of wealth accumulation with less than $250,000 to invest, he charges a monthly fee, an initial planning fee and a low, optional investment management fee.

"I'm still able to work with those clients because there's complexity that requires advice and guidance," he says.

For Heather Rogers, investment advisor with The Rogers Group at BMO Nesbitt Burns Inc. in Calgary, about 90 per cent of her new client households over the past three years are millennials or Gen X. She only sees that trend continuing.

Many of these clients, she says, are former do-it-yourself (DIY) investors who have accumulated some wealth either via an inheritance or by moving into a new career stage. With increasing work and family demands, they recognize they have outgrown the ability to manage their own finances.

At the same time, she also thinks there's an advice gap in this area of the market. While that's part of the reason Ms. Rogers chooses to work with younger clients, she also enjoys helping them.

"It's important for us to get to know each other and grow together," she says. "There are, of course, technical pieces that we can teach them in the early stages, but really, it's about us getting to know what's important to them."

Embracing the subscription model
Sam Lichtman, CFP with Portfolio Strategies Corp. in London, Ont., works almost exclusively with millennial clients. He says they're often former DIY investors or individuals who tried working with their parents' advisors but didn't receive the service they needed.

The need for advice in this demographic, he says, is significant – not just investment management but also tax and financial planning.

"They'll book a call for one specific thing, and then as we go through disclosure, it's like, 'Oh my goodness, there are four or five other areas that we can really work together on,'" he says.

To bridge the gap and help these clients obtain the advice they require, Mr. Lichtman offers a monthly subscription model that works with millennial clients' income levels as well as for his business, based on his time and commitment.

While their assets currently make up a smaller part of the market share, Mr. Lichtman also knows that millennials are in a position of long-term growth. From a practice standpoint, he says, these clients are likely to stay with the advisor they've worked with when they had limited assets as they inherit or earn substantial wealth.

Industry taking note
More broadly, Mr. Lichtman says he sees others in the industry starting to look for ways to work with younger clients who aren't currently considered high-net-worth.

"I've had so many good conversations with advisors across the country in the past year of just like, 'Hey, I want to do what you're doing. How did you get started? I want to work with the same clients you work with. Can you share with me how your firm is able to be profitable while still working with this demographic?'"

Ultimately, he says, millennials will likely need access to a better service model as they grow their assets.

“A subscription model is probably the answer to a lot of these firms, who are not sure how to work with millennials and still make money,” he adds.

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