

P E R S P E C T I V E

Wealth Management Gen Y
- A Blockbuster Idea!



YOUR INNOVATION PARTNER

Flashback

Over the past three decades the business of serving the wealthy has transformed from what started as personal banking services to private client services, then progressing to wealth management and finally, to high-end private banking. The business of wealth management has evolved to become one of the most critical avenues for revenue generation for a bank or a financial services firm. The greatest demographic shift, that is also affecting the way wealth management is evolving, is the movement from a generation of baby boomers to Gen X, then to Gen Y and moving further on to Gen Z.

Wealth management primarily consists of three steps - wealth creation, wealth accumulation and wealth transition. Earlier most wealth managers had channelized their energies and resources to assist the High Net Worth Individuals (HNWI) in the areas of accumulation and retirement planning. In such a scenario, the target audience would be someone in their peak earning years aiming to make a provision for their child's education or marriage or plan a holiday to an exotic location or else just save up for the golden years. This cohort would now be enjoying the fruits of their professionally managed investments. This depicts wealth management for the baby boomers.

The focus of wealth managers then shifted to Gen X, which is at the wealth creation and accumulation mode. The strategy was to be an ally and grow with their success. Moving on to Gen Y - in addition to wealth creation many of the Gen Y are also labeled as today's inheritors. They have come of age and are purchasing financial services and products. Wealth managers now have to strive towards building and cementing relationship with the Echo Boomers.

Protagonist - The Gen Y or the Millennial

Generation Y is also known as the Millennial Generation, Generation Next or Net Generation. Its members are often referred to as Millennial or Echo Boomers.

The Gen Y are often defined as those born between 1982-2000. This segment stands at approximately 80 million and is believed to be

more than thrice the size of their predecessors, Gen X, and almost equal to the Baby Boomers. This breed of youngsters can be set apart from the rest, on the basis of the following characteristics:

- Confident and optimistic
- Tech savvy
- Team player
- Determined and a go getter
- Demanding
- Family oriented
- Higher awareness quotient
- Independent
- Urge to make a difference
- Diverse
- Opinionated
- Fastidious
- Seeking the best
- Voicing their opinions

From a behavioral perspective, this generation spends a lot of their time online. Before buying they carry out sufficient research and compare similar products and services before the final decision is made. And, with the advent of the Web 2.0 technology this has become much easier.

Plot - Wealth Management for Gen Y

Financial institutions are now witnessing a paradigm shift from a product centric approach to customer centricity. And from a wealth management point of view, technology will also act as a catalyst in creating this differentiating experience for the customer. The key plot points which the wealth management firms would have to align with are:

- **Tech savvy:** This generation speaks the language of technology, from a very young age they have had access to Internet, mobile devices and are most comfortable with this medium
- **Informed decision making:** Access to information is implicit and since information is available in abundance and financial institutions would have to empower them and provide them with the necessary arsenal to take informed decisions. For example, various tools and calculators which will help them compare, calculate and simulate scenarios

- **Products and services innovation:** Members of this group have high expectations from themselves as well as others. They constantly strive to surpass levels of excellence in both the personal and the professional front. The insatiable demands of the Millennial can be addressed by enticing them with innovative products and pampering them with high standards of customer service. They would like to participate in the process of co-creation of products and services suiting their specific requirements rather than accepting what is offered to all
- **Ability to multitask:** In a normal day in the life of an echo boomer, he is bombarded with technology at all quarters and multitasking has become a way of life
- **Convenience:** Due to the paucity of time and slew of activities, it is imperative that there is a stress on convenience and ease of use. The concept of anytime, anywhere banking has almost become a hygiene factor. A member of the Gen Y should be able to get information or transact without waiting in queues through self service kiosks, Internet banking, mobile banking and even television banking

Preview to Gen Y's approach to Investments

Investment priorities

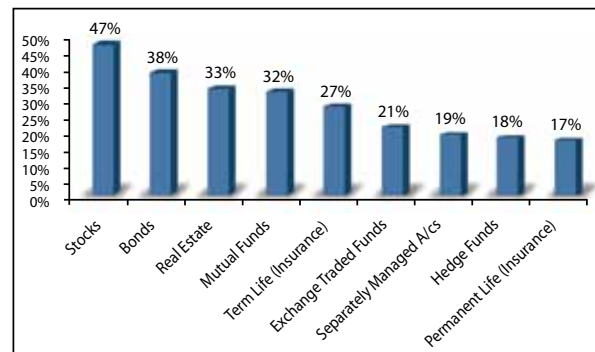
A recent report on net worth market indicates that with age and time on their side, Gen Y is likely to prioritize return. It was deduced that 58 percent of this generation prefers to return to safety.

Investments avenues

According to a 2009 survey, this group of consumers may be redefining what comprises a typical investment portfolio and it's not their father's or grandfather's investment mix.

Over two-thirds of Gen Y respondents say that real estate is a safer and better investment than the stock market — significantly higher than the other four generations. They are also significantly more likely to view their home equity playing a potential role in their retirement savings.

Finally, this is a generation of planners. 58 percent report of having a formal written financial plan — significantly higher than any of the other generations. And, of those with such a plan, 71 percent view the plan as either extremely or very important to their overall financial planning efforts. 69 percent also report of already having an estate plan in place. The below figure illustrates the findings of a survey with reference to Gen Y investments.



(Figure 1) Source: Phoenix Wealth Management survey 2009

Climax - The Verdict

If a wealth management technology is mapped to address the key plot points as stated earlier, it would definitely prove to be a win-win situation for all: the customers, the financial institution and the technology vendor.

A well integrated wealth management solution which allows the Millennials to devise and monitor financial plans, include innovative products and services in their portfolio mix with ease and convenience, and accessed through multiple channels is definitely the need of the hour.

Reference

1. Phoenix High-Net-Worth Market Insights- October 2009: https://www.phoenixwm.phl.com/servlet/DocDelivery?DocId=docu_publ_adv_i_insight_1009.pdf&DocType=0

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