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Campden Research
A division of Campden Wealth

# COMING OF AGE
## THE INVESTMENT BEHAVIORS OF ULTRA-HIGH NET WORTH MILLENNIALS IN NORTH AMERICA

**OppenheimerFunds/**
**Campden Wealth Research**
UHNW Millennials
Research Report 2017

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# Forewords

Dear Reader,

The Millennial generation is now the largest living generation on the planet, and they continue to make an ever-increasing impact on the world around them. Building upon our ***Proving Worth*** research last year, we are pleased to share part two of our collaboration with Campden Wealth which explores the attitudes, needs, and beliefs of ultra-high net worth (UHNW) Millennials. In this study, we set out to define the ***investing identity*** of UHNW Millennials, and gain insight into how they approach their individual wealth versus the family wealth they're now inheriting.

Our survey respondents are predominantly in their early-to-mid 30s, are well-educated, and profess an understanding of wealth management issues thanks to years of training in their family office, as well as professional financial services experience. They're taking a hands-on approach to managing their personal and family portfolios, and have different attitudes than their parents when it comes to investing and wealth management. They have a conservative mindset regarding investing, yet they're comfortable with taking measured, calculated risks with both their individual and family investments.

In addition, these Millennials want to use their resources to have a positive impact on the world, and are looking to their advisors to help them incorporate environmental, social, and governance (ESG) standards into their family portfolios. Impact investing is another area of keen interest, and they want advisors to provide them with investment ideas.

Here at OppenheimerFunds, we are continually working to remain a step ahead of change. Our goal is to educate the advisors who serve wealthy families on how to better prepare the rising generation to become effective stewards of their family wealth.

We would like to extend our sincere gratitude and thanks to the survey participants for providing us with an intimate look at how they approach one of the most important aspects of their lives.

Sincerely,

Ned Dane

**Ned Dane**
Senior Vice President
Head of Private Client Group
OppenheimerFunds

Dear Reader,

This occasion marks our second collaborative effort with OppenheimerFunds. Once again, it has been a revealing journey into the attitudes and investment behaviors of North American ultra-high net worth (UHNW) Millennials and the advisory community that surrounds them.

There is no shortage of opinion on this dynamic cohort, a generation that is already taking over and which will soon dominate leadership roles in corporate and family offices. Emboldened by their experience, UHNW Millennials are exerting greater influence on the management of their family fortunes and on how, longer term, key assets will be allocated.

In our ground-breaking report, *Proving Worth: The Values of Affluent Millennials* (2015), we concluded that UHNW Millennials were broadly conservative and focused on wealth preservation. This year, in ***Coming of Age***, more puzzle pieces fall into place and a portrait of values-minded, knowledge-seeking Millennials continues to emerge.

Deal-orientated Millennials are on the cusp of taking responsibility for family portfolios as they apply their investment acumen – usually in core knowledge areas, but with an eye to trying new ventures. When short on know-how, they show no compunction about their knowledge gaps or aim to acquire tactical advice.

Millennials' collective professional experience is deepening, and with it a clearer image of their own interests and attitudes towards risk is coming into focus. This has implications for how wealth advisors counsel Millennials. Do they favor capital appreciation over liquidity? Do their interest areas exceed their knowledge? What are the implications for family portfolios?

Indeed, how advisors themselves fit into the picture is one of numerous areas this study explores. This is an exclusive cohort. Painting a true portrait of today's affluent Millennial has its challenges. But when you consider the decisiveness of members of this group, and their stated desires to steer family wealth into new areas, there is scope for new risks.

One thing is clear: over time this shift will have significant implications for intergenerational wealth transfer and key players in the wealth management sector.

We would like to thank OppenheimerFunds for their ongoing support and hope our latest analysis provides new perspectives into the needs of UHNW Millennials and how best to advise them as they take the reins of intergenerational wealth.

Yours faithfully,

**Dominic Samuelson**
Chief Executive Officer
Campden Wealth

# Executive Summary

**"I've become a lot more comfortable underwriting deals. Today, with every single deal I risk-assess, the first thing I ask is: 'What happens if we have another 2008?'"**

West Coast, mid-30s, 3rd-gen

**Millennials, individuals born between 1980 and 1995, are the largest generation alive today. Yet, who are they? More precisely, who are affluent Millennials? And what are their investment intentions and capabilities?**

In our ground-breaking 2015 report, *Proving Worth: The Values of Affluent Millennials,* we discovered UHNW Millennials to be a unique cohort: conservative and focused on wealth preservation. In this year's study, *Coming of Age*, we delve deeper into the investment behaviors, capabilities, and motivations behind this highly-educated and wealthy group.

We define UHNW Millennials as individuals from families whose net worth exceeds $35 million. Most who participated in our study are in their 30s and have a strong understanding of wealth management thanks to top-notch education, training, and years of professional financial services experience.

Today's affluent Millennial, emboldened by ever-growing experience, looks poised to take on more risk. The questions are how, how much, in what areas, and why?

**Millennials enjoy a growing influence in the management of their family portfolios, but they plan to make significant changes in how the investments are managed when they assume control.**

- Most of the Millennials who participated in the study are trained and knowledgeable about their family wealth investments. A clear majority of the respondents are influential in decision-making for their family portfolios.
- They are likely to have different views on investments and wealth management than their parents.

**The next generation of wealthy investors are hungry for deals and have an appetite for calculated risks.**

- UHNW Millennials are personally invested in assets perceived to be of moderate risk, but they have an appetite for riskier, potentially less liquid investments like private equity or hedge funds with their families' portfolios.
- Although they're vigorous deal makers, Millennials are likely to turn to their families and primary advisors first for help with sourcing and assessing potential deals.
- They consider their understanding of a given sector, returns and due diligence as critical to choosing deals.
- Some advisors believe Millennials' interest in taking on additional risk may exceed their knowledge.



*Each time Millennials are referenced in this report, it refers specifically to the Millennials who took part in this survey.*

**Millennials want to make a positive change and are planning to incorporate ESG standards to their family portfolios, and increase allocations to impact investing.**

- Although a majority of the Millennials we interviewed said that they consider impact investing to be of “moderate-to-high” risk, they plan to move more assets into impact within the next five years.

**A clear majority of the Millennials we surveyed seek professional advice before making investment decisions. But an uneasy dynamic exists between advisors and Millennials.**

- Millennials who are experienced in managing investments have misgivings about the value advisors provide, as well as their motivations. Some even take a cynical view of fees and product recommendations.

- In terms of confidence, Millennials place a great deal of trust in their family office executives, accountants, and financial advisors when it comes to making investment-related decisions. A clear majority rank independent attorneys among their top three most trusted advisors.

**Most wealthy Millennials judge their family office executives as top sources of investment advice.**

- While family office executives, financial advisors, and accountants are considered to be the most trusted advisors, private banks, commercial banks and robo advisors are considered to be the least.

1

# Coming of Age as Investors

Millennials enjoy growing influence in the management of their family portfolios, but few are fully satisfied with their investment objectives.

UHNW Millennials are likely to have different views on investments and wealth management than their parents and grandparents.

Despite a professed knowledge gap when it comes to values-based investments, many Millennials intend to increase their allocations to impact and Socially Responsible Investments (SRI).

This generation of wealthy investors places a heavy emphasis on learning and due diligence, and they're looking to work with advisors who are close to the family.

## Taking the mantle

Most of the Millennials who participated in our survey (74%) are trained and knowledgeable about their family wealth and investments, and nearly two-thirds (65%) have a say in decision-making for their families' portfolios (Exhibit 1.1). This is consistent with last year's survey, *Proving Worth,* which revealed that 59% of UHNW Millennials are active on committees or boards for their families' overall wealth management.

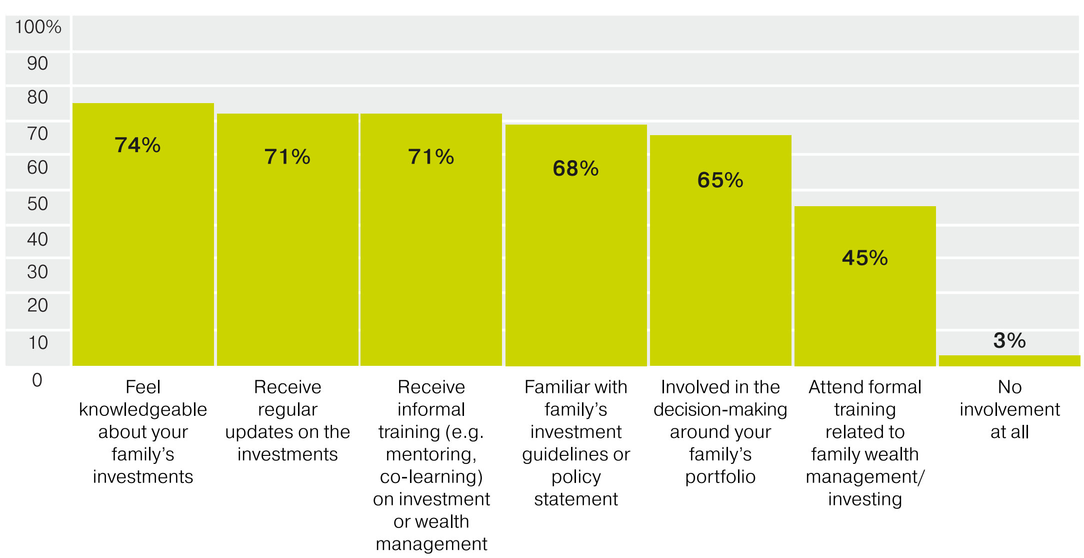
The breadth and depth of this generation's wealth management intelligence is indeed impressive.

As graduates of Harvard, Wharton, and other esteemed centers of higher learning, they continue to educate themselves well into their professional years. Many of those we interviewed hold advanced securities trading or Chartered Financial Analyst (CFA) designations and their years of professional experience in financial services has enhanced their wealth management capabilities.

Millennials are the most educated generation in history[1], but those who participated in the study say that experience trumps education. "I know enough about financial markets and investments not to get myself in trouble. I've done everything in asset management companies, but the only thing that's really been effective is pure life experience. I've run virtual portfolios for years – even one of the portfolios we have in the family. We ran it virtually for over a year just to figure out our strategy." (West Coast, mid-30s, 2nd-gen)

Exhibit 1.1

**Personal involvement in managing family wealth**




Source: OppenheimerFunds & Campden Wealth 2016

Now that they're established as professionals, Millennials are closing their knowledge gaps through real-world experience in the most fertile of training grounds – the family office, investment firms where they work, family businesses and their networks. They gain knowledge from parents, siblings, colleagues, and advisors.

As digital natives, participating in online investment forums and webinars comes naturally to them.[2] But they share one key characteristic with the generations that preceded them – an insatiable desire to find the best investment deals possible. One survey participant said, "Investing is not an exact science. There is no beautiful, digestible format or easy method. How people make asset allocation decisions – now that's really interesting to me." (East Coast, late-20s, 2nd-gen)

## The changes Millennials plan to make to family investments

UHNW Millennials are likely to have different views on investments and wealth management than their parents and grandparents. Although a majority of the Millennials we surveyed actively participate in decision-making for the family investments, only one-fifth (21%) are fully satisfied with the current objectives and guidelines of their families' portfolios.

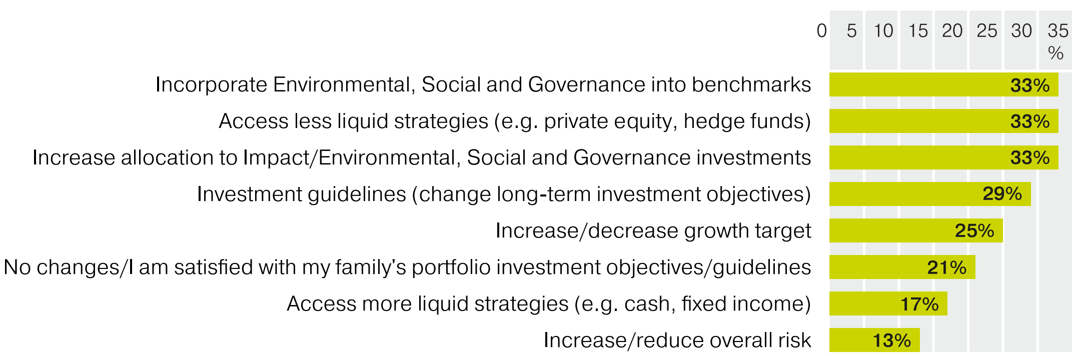
The direction in which they plan to steer the family investments, when they eventually take control, is one of the biggest unanswered questions to come out of the research. But this survey provides some tantalizing clues about the changes that could be in store.

For instance, one-third of the Millennials said that they would incorporate ESG standards into their family's benchmarks. Equally, one-third would increase their allocations to impact investments. Another third said they would delve into less liquid investments such as hedge funds and private equity (Exhibit 1.2).

"Our family wants to do a lot more in the private equity area. It's a natural evolution for us and I'm definitely interested in developing more formal avenues towards understanding private equity on a deeper level." (West Coast, mid-30s, 2nd-gen)

**Exhibit 1.2**

**What Millennials would change in their family portfolios**




Source: OppenheimerFunds & Campden Wealth 2016

Fifty-eight percent of respondents said they would like to gain a deeper understanding of private equity, the most popular area of learning in our findings (see Chapter 2).

This is somewhat in contrast to *Proving Worth,* which depicts Millennials as a risk-averse generation whose primary focus is on preserving family wealth. Anecdotal evidence from this year's report suggests that Millennials – given their broadening professional experience as they age – may be willing to pursue riskier investment strategies that do not necessarily dovetail with those of their family portfolios.

For example, one young Millennial, an investment analyst who describes himself as a moderate-to-aggressive investor, says his family's portfolio is exposed to moderate risks that meet their long-term objectives. The portfolio breaks into multiple segments, each of which is calibrated to different, yet exacting risk-aversion policies. By his own admission, his personal risk tolerance is higher, although measured. His personal portfolio objectives break down into a 30-year time horizon. From age 40, he intends to take a more "patient" approach, remove "sizable portions" of capital away from risky investments and focus on income strategies.

"About 15 years from now, I'll de-risk the portfolio and explore income generators over growth generators," he said. "I'm very long-term horizon and very willing to take on more risk now because I have less need for liquidity at this point in my life. I'd say putting more risk on the table is possible." Conversely, some of the Millennials interviewed for the study expressed an aversion to risk that is consistent with last year's research. "My goal is to sustain or better the family's standard of living, ensure we have liquidity, and not sacrifice income streams for growth. I want to pass on wealth to the next generation." (Midwest, 24, 2nd-gen)

## A coming increase in allocations to impact investments

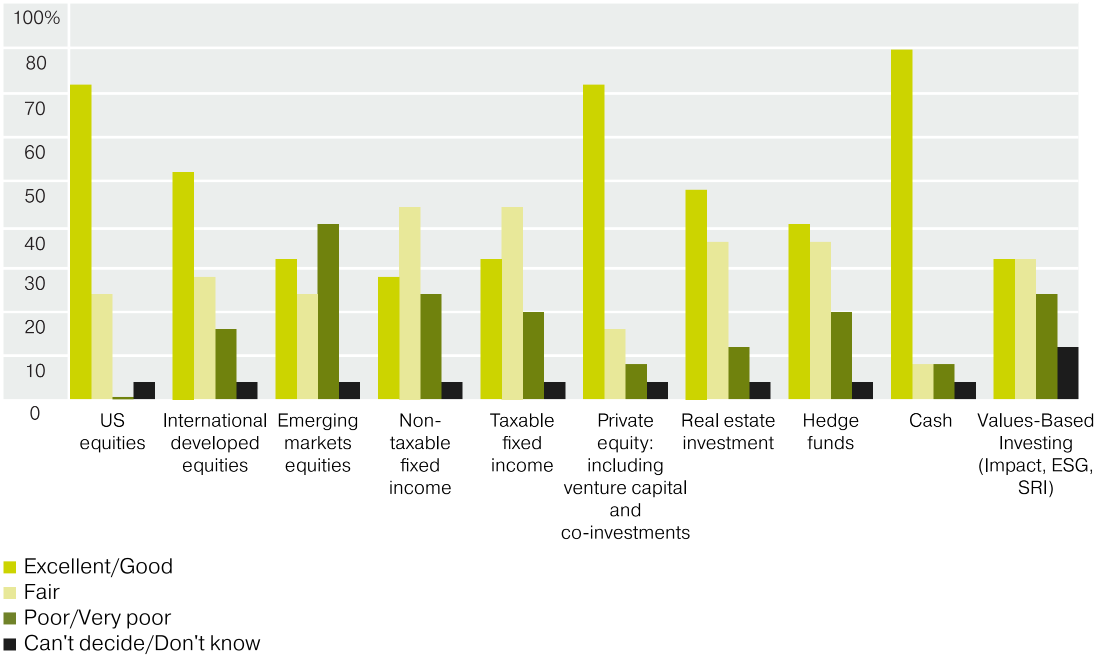
A 2016 study by Toniic, a global action community for impact investors, revealed that high net worth Millennials' allocations to impact investments account for a little less than 50% of their portfolios. While our study of the UHNW Millennial population finds that holdings of impact investments account for much smaller amounts, they are still likely to be higher than that of older generations' portfolios.

The Toniic study notes that 72% of UHNW Millennials have a stated intention to move more assets into impact within the next five years. In the course of our research, they also identified a lack of knowledge as the biggest hurdle they face in moving wealth to impact investments.[3]

In fact, fewer than one in three (32%) Millennials rate their values-based investment knowledge highly. Almost one in four (24%) perceive their knowledge to be either poor or very poor (Exhibit 1.3), with 42% claiming that they would like to learn more about this area (Exhibit 1.4). Nevertheless, we found that many Millennials are planning to increase their values-based investment allocations, which is consistent with *Proving Worth.* One UHNW Millennial we interviewed expressed a desire to take the necessary steps to ensure that the family wealth lasts in perpetuity while helping the world simultaneously through their investments. "I don't think the world can afford for high net worth investors to invest in things that aren't good for the planet." (Southwest, mid-30s, 2nd-gen)

## Exhibit 1.3

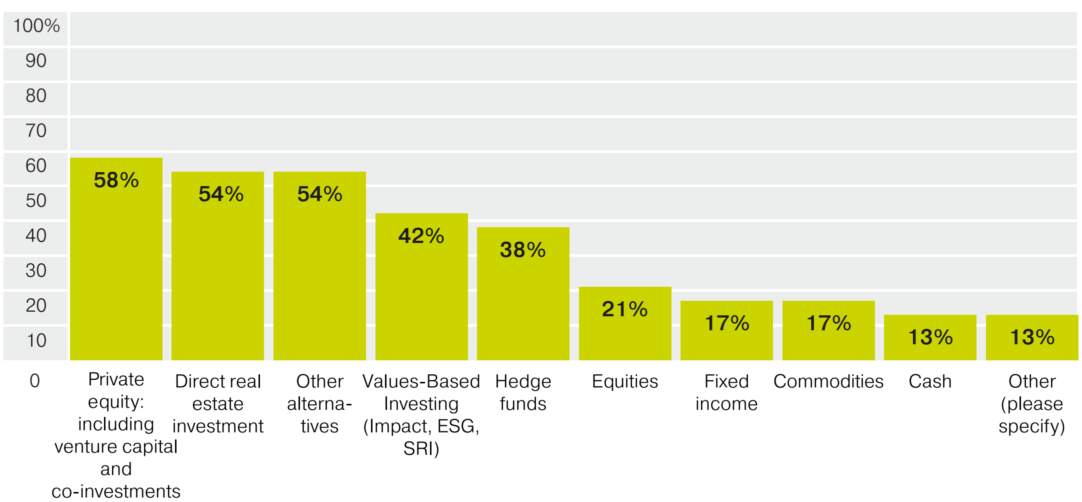
**How would you describe your knowledge on the following?**




Source: OppenheimerFunds & Campden Wealth 2016

## Exhibit 1.4

**Which areas would you like to learn more about?**




Source: OppenheimerFunds & Campden Wealth 2016

## How Millennials are pursuing returns – and impact

On average, UHNW Millennials allocate 14% of their personal portfolio to impact investments. Perhaps most notably, 58% of Millennials consider this asset class to be of moderate-to-high risk (Exhibit 2.4). Looking at the bigger picture, our findings show that Millennials are already moving into values-based investments, which includes impact.

Do-good investment orientations are not the exclusive domain of Millennials and they may even intensify among future generations. As one older Millennial said, “My personal goal for my family’s portfolio has always been impact investing. We’re never going to be 100% impact-oriented – that’s not realistic. But my goal is to get us more aligned with our family values and mission.” (West Coast, mid-30s, 2nd-gen)

His sentiment is echoed by a young Millennial, whose family foundation investments are skewed entirely towards impact investments. “We only do impact investing,” she explained. “Everything has a socially progressive goal. We invest in direct deals, in funds of funds and in the public markets, and run our investments through environmental, social, and governance screening processes.” (West Coast, mid-20s, 2nd-gen)

For many Millennials, ethical considerations will influence their decision-making within mainstream investments, although the degree will vary. Some will emphasize returns ahead of socially progressive considerations. One Millennial we spoke to ranks default threats above all other risk factors in his deal assessments. “The first thing I look at is how could a deal go to zero.” (West Coast, mid-30s, 3rd-gen)

Prudently, he insists on smaller values-based allocations within his family portfolio. Regardless of allocations, his due diligence is rigorous. “Our family is very oriented on health, but there are certain companies I’m not allowed to have in the portfolio. We won’t invest in anything related to GMOs or unethical food. Yet when I invest based on values, I do it purely on a return profile, not necessarily for making the world a better place. I won’t invest if I can’t figure out the return. It has to make sense, even if it’s a feel-good investment.”

However, ethical and social considerations reign supreme for some of the Millennials we interviewed. A Millennial whose background is in energy and agricultural sustainability said, “I only make investments in impact areas. I’d never make investments that are not aligned to my personal values.” She added, “My family built one of the biggest clean energy companies in the country and I was involved in that – entirely through investments and entrepreneurship. I couldn’t imagine investing in something that doesn’t have a beneficial global outcome.” (Southwest, mid-30s, 2nd-gen)

Another Millennial explained her blended investment approach in relation to her parents’ influence, “My mother’s focus is the economic empowerment of women. My father’s is social entrepreneurship. I complement both.” (West Coast, mid-20s, 2nd-gen)

## Millennials' due diligence on values-based investments

Throughout the course of this study, when questioned on values-based investments, our survey participants were acutely aware of the inherent risks and need to assess those risks relative to their family portfolios.

Many emphatically extolled the virtues of due diligence. One Millennial noted that his due diligence approach for values-based investments, relative to traditional asset classes, is virtually identical, save an important caveat. "There's an extra layer to it. The social value of the investment changes the weighting, so the higher the social score, the less the market return." (West Coast, mid-30s, 2nd-gen)

Another Millennial said impact investments have been his focus for nearly a decade. Despite his skills, he is surprised by the fluidity of the deal-making process, which often puts his due diligence capabilities to the test. "My big thing has been impact investing and I finally feel like I'm up to speed, but it's always changing. I'll work on a deal for several months, leave it and come back, and the mechanics have progressed. People are getting pretty creative with debt structures, grants, hybrid, and full profit investment instruments – vehicles that can drive positive investments with both social and financial benefits." As a risk taker, he is measured. "I definitely have an opportunistic outlook on these deals, but I want to spend more time researching and educating myself."
(West Coast, mid-30s, 2nd-gen)

# Case Study

**Evan** – Impact investor with a family mission

**Region/Age:** West Coast, mid-30s, 2nd-gen
**Primary Goal:** Strengthen asset allocation skills
**Preferred Style:** Prioritizes investment transparency

Evan is an older Millennial. He describes himself as a financial consultant in private equity who knows his way around markets. He's president of multiple companies and although he holds a Series 7 license, and has passed his FSA (Financial Statement Analysis) exams, sophisticated financial vehicles are a challenge for him, but he claims to have a basic understanding of them.

The asset management courses Evan pursued over six years while working for financial services firms laid his academic and professional foundation. However, he attributes his skill set and confidence to the culmination of both academic study and practical experience.

Evan's personal goal for his family's portfolio has long emphasized impact investing. Yet he concedes it will never be 100% impact due to the inherent risks. Still, his overarching objective is to align his investments to his family's values and mission.

Although he is comfortable with risk, Evan is not prepared to take on greater risk today to achieve stronger growth in his portfolio. As for his wider family, "It depends on whose wealth it is," says Evan. "We have different pots and each is managed for the different risk appetites depending on what is useful."

Evan believes his family's investment portfolio is exposed to the right amount of risk to achieve its long-term objectives.

**"It is so diversified," says Evan. "Some investments are a hell of a lot riskier than others, but the diversification gives us a strong chance to meet our long-term goals."**

Meeting those goals means taking chances – "measured chances," as Evan calls them. "If I'm going to lose money, I'm going to lose money in the right spot. I make investments in stuff I really believe in and that's difficult because there's not a lot out there. Socially Responsible Investing is much higher risk and I'm a little bit more cautious. I'm definitely less trusting so I insist on a high level of transparency with all of my investments. Liquidity is another thing that I really believe lowers my risk because I can react very quickly. If I see something happening, I can get out. That's what didn't happen in 2007-2008."

Given his professional experience, it stands to reason that Evan's risk appetite has grown over time. As a hedge fund manager – another hat he wears – he compares the relative illiquidity of hedge funds to his current portfolio choices. "I'll talk about it in the context of allocation. Right now, I think a 70% equity position and 6%-8% cash position, and the rest in fixed income is good for me. A bank will say that's high risk, but it's not the highest risk portfolio. So, that's my allocation right now. I don't think it is too risky. If I were 65, I'd probably have a different management position."

Hands-on and fiercely independent, Evan has mixed feelings about his advisors who execute his trades and provide him with research. "My values-based portfolio is managed pretty much strictly by me. I've been both satisfied and dissatisfied with advisors," says Evan.

**"If I want a really good impact investor, I know three firms right off the top of my head that I could walk to from my house. They'd gladly take my money. I don't have an impact investing specialist and I don't want one."**

2

# The Investing Identity of UHNW Millennials

Millennials' investment interests and knowledge are largely concentrated in U.S. equities. Their allocations tend to lean towards areas widely perceived as moderately risky.

This generation of wealthy investors has a considerable appetite for illiquid asset classes, such as private equity or hedge funds.

Vigorous deal-makers, Millennials turn to their families and primary advisors first for sourcing and assessing potential deals.

Millennials have considerable confidence in their wealth management skills, and most of the survey participants plan to increase their number of deals over the next three years.

## The typical UHNW Millennial investment portfolio

In terms of their personal investments, Millennials' allocations lean towards areas that are widely perceived to be moderately risky. U.S. equities, real estate, and cash – in that order – are the top three asset classes in their portfolios. Combined, these three also account for over half (57%) of the average UHNW Millennial portfolio.

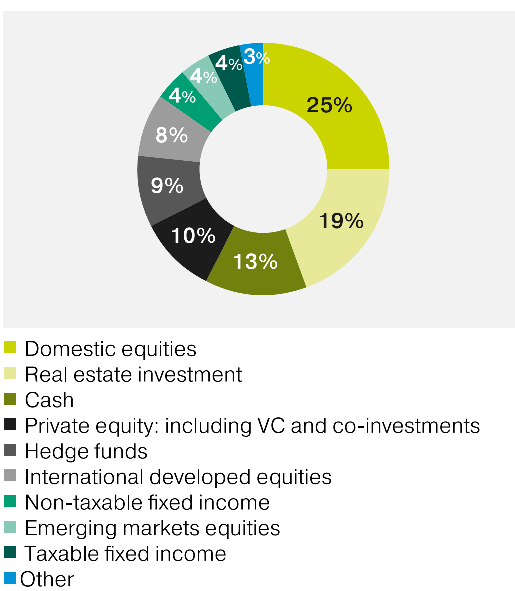
On average, 25% of their personal assets are invested in U.S. equities, where both their interest and knowledge are high. In fact, it appears this young cohort prefers traditional asset classes in their allocations and that their investments are geographically close to home.

This generation is drawn to bricks and mortar as well. On average, 19% of their investments are in real estate holdings, an area where their interest is high although fewer than half consider themselves to be experts. Meanwhile cash, which they deem to be a low-risk asset, ranks third at 13% in terms of average personal allocations (Exhibit 2.1).

Looking further out at Millennials' long-term investment objectives, at first blush it would appear that this generation is fairly conventional. Over 41% of respondents said balanced income and growth best describe their goals. However, 37% of respondents said their goals are to maximize capital appreciation by sacrificing liquidity and assuming a level of risk (Exhibit 2.2).

Exhibit 2.1

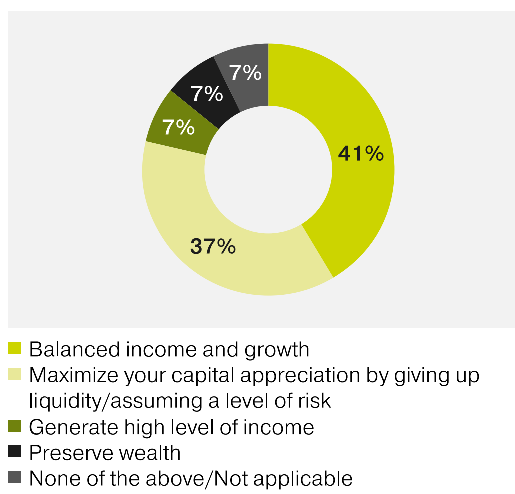
**What is your current allocation as part of your personal investment portfolio?**




Due to rounding, totals may not add up to 100%
Source: OppenheimerFunds & Campden Wealth 2016

Exhibit 2.2

**Which best describes your personal long-term investment objective?**




Due to rounding, totals may not add up to 100%
Source: OppenheimerFunds & Campden Wealth 2016

## "My goals are focused on capital appreciation, skewed towards equities rather than fixed income – what my parents call 'sleep-well' money."

(East Coast, late-20s, 2nd-gen)

### Interests vs. knowledge

Millennials' investment interests and knowledge are concentrated in U.S. equities, our research shows. The extended U.S. bull market, which emerged in 2009, may partially explain this posture. One Millennial we interviewed said, "Two years ago I was willing to take more risks because everything was on the up. Ask me the same question tomorrow and it would change. The fundamentals are the same and my family looks for liquidity and the relatively safe haven of U.S. markets, which we understand better. They are key in our investments."
(West Coast, mid-30s, 2nd-gen)

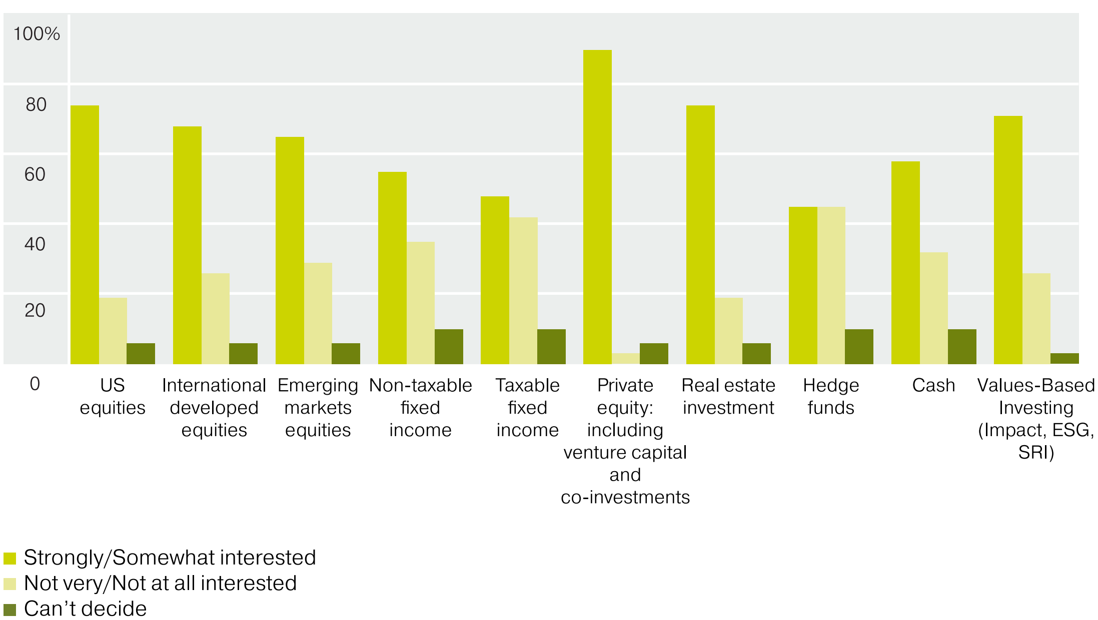
### A generation of calculated risk takers

For Millennials, it's all about measured risk. Although they are invested in assets perceived to be of moderate risk, there is an appetite for investments that are generally perceived as risky, such as private equity. This is reflected in the changes Millennials plan to make to their family portfolios, their personal interests, and the areas they're most willing to learn about.

A solid 68% of Millennials rate private equity as risky/highly risky (Exhibit 2.4). We were surprised to learn that a significant number are prepared to boost their access to this less liquid investment in their families' portfolios, which suggests that this young group may have a far more sophisticated knowledge of risk than previously believed.

**Exhibit 2.3**

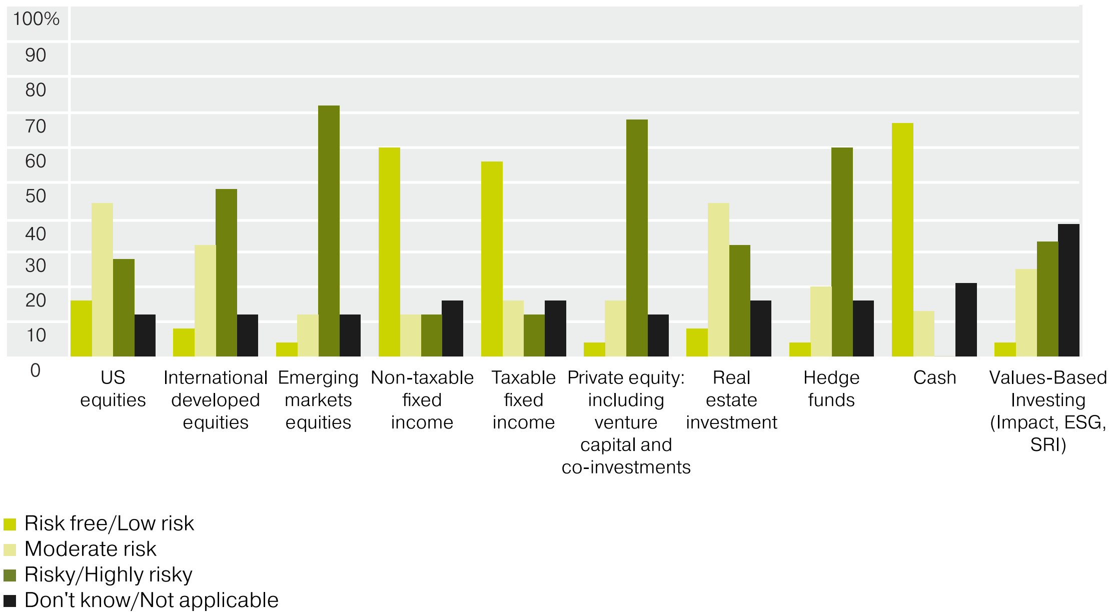
**How would you describe your interest in the following?**




Source: OppenheimerFunds & Campden Wealth 2016

Exhibit 2.4

**How would you describe the risk level for investing in the following asset classes?**




Source: OppenheimerFunds & Campden Wealth 2016

The advisors interviewed for the qualitative portion of this study recounted their experiences working with Millennials. Some view this cohort as increasingly capable investors who are willing to occasionally take on risks in areas where their interests may exceed their knowledge. Consequently, advisors view this as an opportunity to engage and educate Millennials.

One advisor we interviewed said, "Millennials don't quite fully understand risk. Their tolerance is high relative to the flexibility they have from within their parents' pool of capital. They need to focus on their own finite capital first. I often stress the merits of investing in foreign securities, which have less economic correlation to U.S. securities and can act as a hedge against domestic downturns."

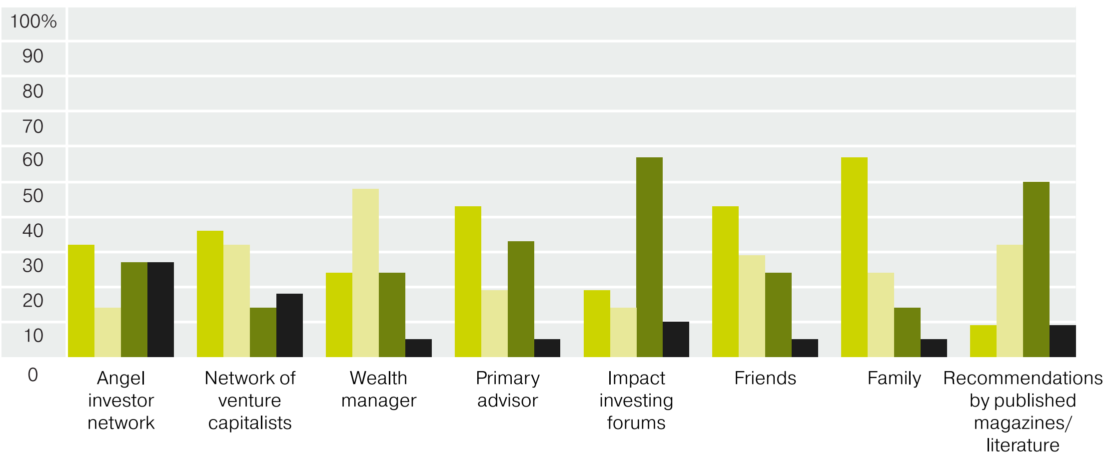
However, the Millennials we surveyed expressed considerable confidence in rationalizing the potential implications of riskier investments relative to their strengths, knowledge gaps, and future intentions. One survey participant, whose portfolio is 65% U.S. stocks, said, "For me it comes down to transparency. I know exactly what I own and how I own it. I know what the areas of risk are and where they'll pop up. In my mind, risk ties into the liquidity of a product. Is it an active fund where I can't get out for a year? Is it an Exchange Traded Fund (ETF) where I can get out the next day? My risk appetite changes depending on the liquidity of the product and my visibility as to exactly what the investment is doing for me."
(East Coast, late-20s, 2nd-gen)

## Millennials are a deal-hungry generation

The generation that came of age during the global financial crisis turns to its family first when identifying potential deals. Over half (57%) of Millennials consider family to be very/somewhat important to deal sourcing and about 43% rate their primary advisors as very important/somewhat important in this effort. About half (48%) identified their wealth manager as a moderately important player in helping them identify deals. This provides further confirmation that this cohort relies heavily on tightly knit professional and familial networks (Exhibit 2.5).

**Exhibit 2.5**

**How important/helpful are the following for you in identifying deals?**

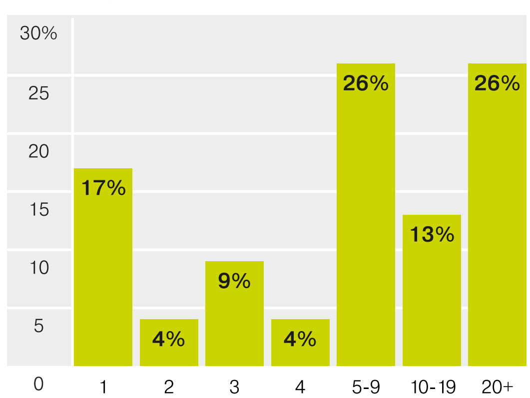



Source: OppenheimerFunds & Campden Wealth 2016

Astonishingly, one in four Millennials (26%) have been involved in more than 20 deals in the past five years. A solid 65% have played a role in more than five deals, which suggests Millennials are increasingly capable and driven to put their investment knowledge to the test (Exhibit 2.6).

**Exhibit 2.6**

**How many deals have you been involved in within the last 5 years?**




Due to rounding, totals may not add up to 100%
Source: OppenheimerFunds & Campden Wealth 2016

The adage that knowledge is power resonates with Millennials in how they select deals. More than half (52%) judge their personal understanding of an industry/ sector as critical to choosing deals.

Financial returns and a clear due diligence approach also received high scores, with a respective 43% and 35% saying they're crucial to the deal-making process (Exhibit 2.7).

**Exhibit 2.7**

**Which of the following are the most important to you when selecting a deal?**

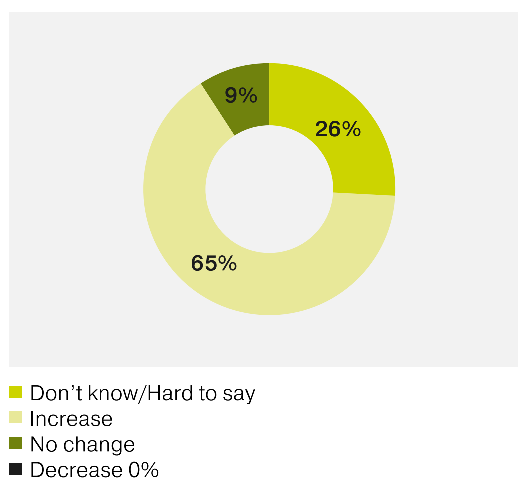

Source: OppenheimerFunds & Campden Wealth 2016

However, returns received a higher score than due diligence. We believe this points to a genuine opportunity for advisors to engage Millennials in the due diligence process.

When you consider that 65% of participating Millennials intend to increase their number of deals in the next three years, there's no denying that they have immense optimism about the future and confidence in their wealth management abilities (Exhibit 2.8).

**Exhibit 2.8**

**Is this likely to increase/decrease in the next 3 years?**




Source: OppenheimerFunds & Campden Wealth 2016

# Case Study

**Mark** – Family office executive who leverages his networks

**Region/Age:** West Coast, mid-30s, 3rd-gen
**Primary Goal:** Balance income and growth
**Preferred Style:** Deep due diligence

As head of his family office, Mark attributes his successes to a blend of real-life experience, formal training, and carefully groomed networks. Mark says the private wealth management program he pursued at Wharton gave him the tools to build a solid investment portfolio and the self-discipline to manage it. But it wasn't a be-all solution, "What I didn't learn was how to find quality managers and quality deals. That's been more art than science."

Confident in his abilities, Mark sources most of his deals through personal networks. He doesn't run with the pack and he questions the risks even his closest peers assume, "These days many people are taking on more risk in their portfolios to hit their baseline return target. I don't necessarily agree with that. A lot of family offices have taken on way too much risk to achieve the returns they're getting."

## Mark describes himself as a "smart" risk taker whose first question in any investment is: "How can this deal go to zero?"

His risk appetite has grown over the years by virtue of his experience and confidence in his due diligence approach. He launched his family office during the financial crisis in 2008, a year that influenced his approach to risk evaluation, "Many investors stress-test their deals to 2008 scenarios and say this time will be different. What's going to create the next market correction? We don't know. When I began my career, I had assumed more risk than necessary. I'd do deals without being able to effectively underwrite all the risk. I didn't understand the complexities and some deals had too much risk versus return."

**“Now I’m more effective at understanding risk both in the portfolio and the deal relative to probable returns. I’m comfortable with risk, but only as long as I can figure it out.”**

Mark’s approach to investing is rational, strategic, and bereft of emotion. His family owns multiple operating businesses so cash flow needs are insignificant. His family office has multiple real estate holdings, a trade-off he describes as illiquidity now for larger returns down the road. Yet, Mark craves a change in tack, “I’d like us to do a lot in real estate, but we could do more in private equity and venture capital too – it’s a natural evolution for our family.”

Despite his youth, what evolved long ago is Mark’s tenacious approach to exposing downside risks in deals. He says it is why his family opts for small and increasingly numerous allocations in private equity investments. Mark uses a baseball analogy, “We don’t like home-run or strike-out territory. We like a lot of singles.”

Sharp-minded, Mark marches to his own drum. Yet, he’ll take advice from quarters he deems credible, usually family office peers or mentors who are generous with their time and dispense unbiased advice with crystal-clear agendas. He remarks, “I am not a big fan of paying advisors. But when I engage an advisor, I want an effective game plan of what they’re doing and why they’re here. Our goals must align. Are they creating value? If not, I don’t need them.”

3

# Advice for Advisors

More than two-thirds of Millennials seek professional advice before making investment decisions.

They see fair fee levels, transparency, and close working relationships as key characteristics of a good advisor.

In terms of advice, Millennials trust their family office executives, accountants, and financial advisors the most.

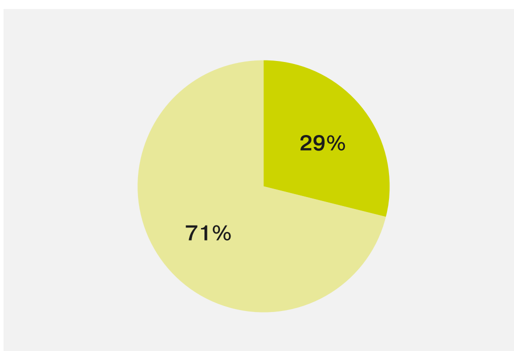
Millennials trust advice from commercial banks and robo advisors the least.

## Millennials value your input

More than two in three (71%) UHNW Millennials seek professional advice when making investment decisions. As for the 29% who don't, their reasons range from faith in their own professional abilities to lack of trust in advisors, and in other cases, ongoing parental control over investment decisions (Exhibit 3.1).

Exhibit 3.1

**Do you tend to seek professional advice while making decisions related to finance and wealth management?**




No, I make decisions on my own
Yes

Source: OppenheimerFunds & Campden Wealth 2016

An uneasy dynamic exists between the advisors and Millennials we interviewed. Advisors see knowledge and experiential gaps in their Millennial clients. However, older, more knowledgeable Millennials expressed misgivings over the value advisors provide, as well as their motivations. Some even take a cynical view of fees and product recommendations from advisors.

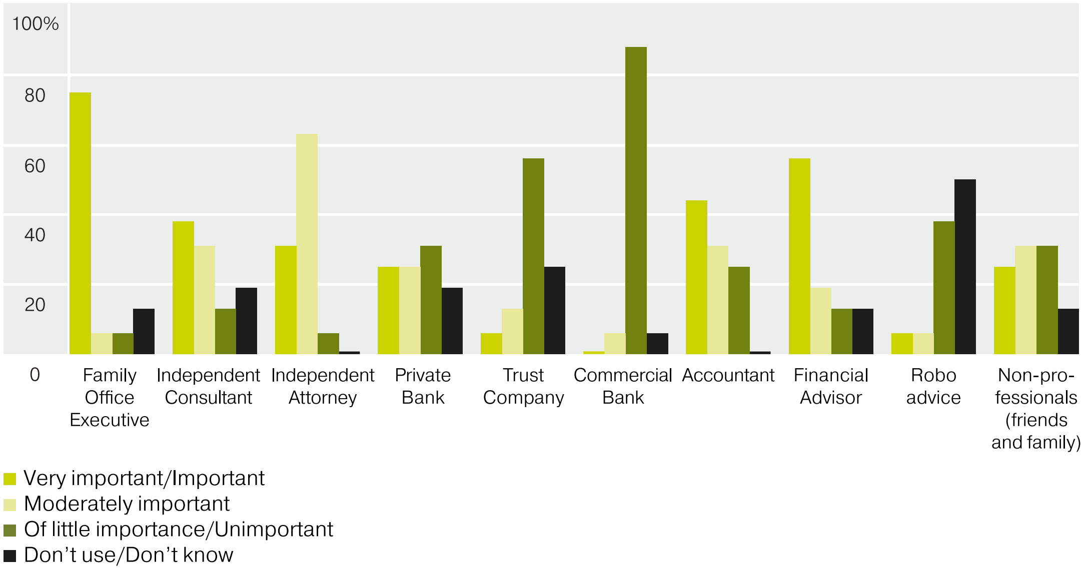
Such divergence may stem from more experienced and goal-oriented Millennials outpacing the advisory community in their knowledge and understanding of investing. This can put some advisors in catch-up mode, forcing them to realign their services to continually evolving client objectives and interests.

Three in four (75%) Millennials rank their family office executives as important or very important sources of advice for investment-related decisions. Just over half (56%) of Millennials judge their financial advisors the same way, whereas fewer than half (44%) consider their accountants vital to investment decisions (Exhibit 3.2).

There are other standout areas as well. A solid 63% of Millennials consider their attorneys to be moderately important in terms of investment advice. From there, however, Millennials' perceptions of their various sources of advice heads sharply south. Remarkably, 88% of Millennials deem commercial banks unimportant or of little importance in terms of advice. More than half (56%) feel the same way about trust companies.

Exhibit 3.2

**While making investment-related decisions, how important are the following sources of advice for you?**




Source: OppenheimerFunds & Campden Wealth 2016

## Quality of advice

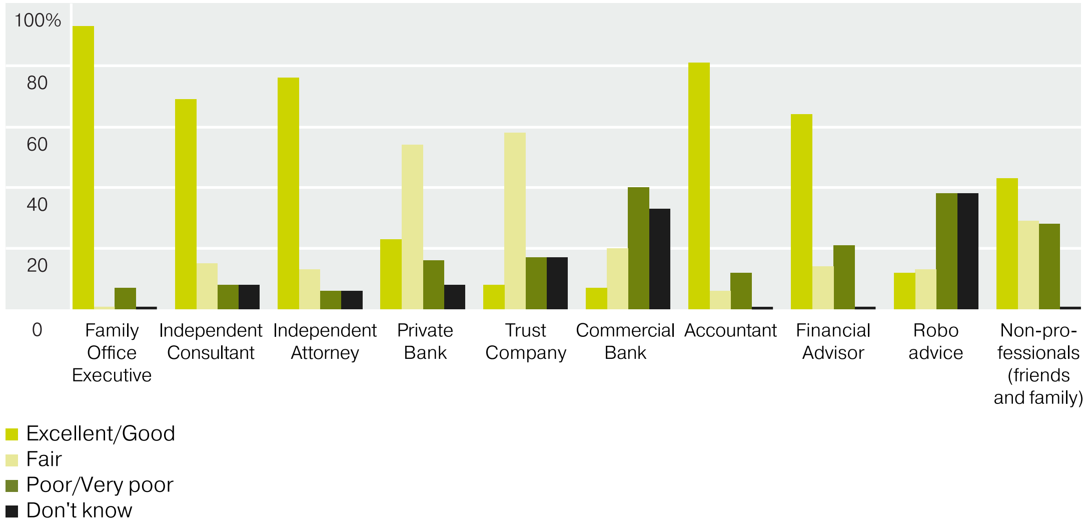
A resounding 93% of Millennials rate the quality of advice from their family office executives to be good or excellent, followed by 81% who judged their accountants' advice favorably. Independent consultants also come out looking good. More than two-thirds (69%) of Millennials consider their advice to be good or excellent, which may be attributable to their perceived impartiality (Exhibit 3.3).

As sources of investment advice, over half (56%) judge financial advisors to be either important or very important (Exhibit 3.2). Financial advisors also score very well against two other measures of success. The quality of their advice was rated as good or excellent by almost two-thirds (64%) of Millennials; and financial advisors are judged to be among the generation's top three most trusted service providers.

There are conspicuous quality-of-advice areas on the weak end of the scale for Millennials. This includes commercial banks, whose quality of advice 40% of Millennials judged to be either poor or very poor. Although 38% of the cohort considered robo advice to be poor or very poor, an equal number were uncertain of its value in terms of counsel. Private banks rated moderately better with 54% remarking that the quality was fair (Exhibit 3.3).

Exhibit 3.3

**How would you rate the quality of advice that you receive from the following sources?**




Source: OppenheimerFunds & Campden Wealth 2016

## Family offices are held in high regard

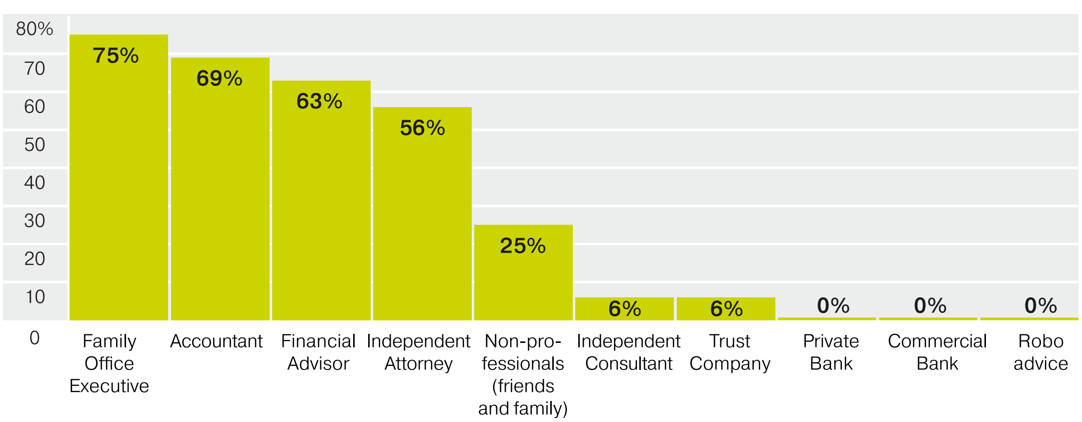
In terms of confidence, Millennials place a great deal of trust in their family office executives (mentioned by 75% of the segment), accountants (69%), and financial advisors (63%) when it comes to making investment-related decisions (Exhibit 3.4). These rankings build on our findings from the *Proving Worth* report regarding who Millennials' closest advisors are when it comes to investment advice. Our survey participants identified deal-flow generation and due diligence as key services.

"Sixty-five percent of my net worth is in my family office," said a West Coast, 2nd generation Millennial in his mid-30s. "The better the family office does, the better I do. My incentive is to grow the family office."

Over half (56%) of the Millennials we surveyed rank independent attorneys among their top three most trusted advisors. Three in four (75%) judge commercial banks among the three advisors they trust the least (Exhibit 3.5).

Exhibit 3.4

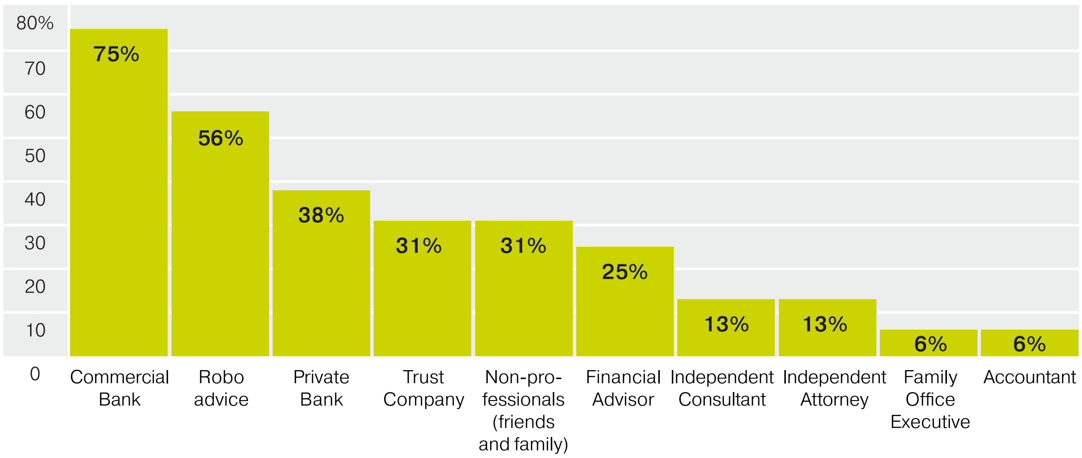
**Please select the three advisors that you trust the most**




Source: OppenheimerFunds & Campden Wealth 2016

Exhibit 3.5

**Please select the three advisors that you trust the least**




Source: OppenheimerFunds & Campden Wealth 2016

As we look beyond the data, Millennials are not without unvarnished opinions on the financial services sector. Although the global financial crisis is now consigned to history, some institutions continue to face image challenges. We believe Millennials' unique views can offer the advisory community a fast track to useful service enhancements.

One Millennial sees automation as a tool that can allow advisors to be more creative with the advice they provide.

**"My view is that the majority of the wealth advisors in the world should play more strategic roles as relationship managers over financial planners. Their clients will trust them more."**

The Millennial went on to say, "My generic investments can be automated, at least for a portion of my portfolio. If I want to do private equity or hedge fund stuff, sure, I'll seek unbiased advice from my wealth manager or family office. But for my core investments and diversifying assets, there are digital solutions that advisors can put in place and better focus on my big goals."
(West Coast, mid-30s, 2nd-gen)

Another Millennial says of his attorney, "He is a very trusted advisor and I seek him out for my real estate transactions. He personifies what I seek in all advisors, and that's unbiased guidance. That's important to me – receiving unbiased advice so I can make choices that are my own and not someone else's."
(West Coast, mid-30s, 3rd-gen)

One research participant recalled an adverse experience he had working with advisors outside the family office, from whom he normally seeks counsel on financial planning and wealth management needs. "I have a general distrust of advisors because of conflicts of interest," he said. "Whenever you work with a bank, an institution or anyone, they're either rewarded or benefit from promoting their own products. That's a huge red flag for me, even if it seems they have my interests at heart and are recommending good products. I just don't like that. I want someone who is not promoting their own products, who is not generating any commissions, who is totally aligned with me and growing my wealth."

Describing the ideal relationship, the Millennial added, "If I were to work with an advisor, my first and foremost goal would be for them to be 100% flat fee based. If my assets grow, their fee grows. If my assets shrink, their fees shrink. No commissions, no loads, no other types of fees embedded in that." (West Coast, mid-30s, 3rd-gen)

## Millennials are skeptical of robo advisors

A remarkable 88% of Millennials who participated in the survey do not rely on robo advisors and 56% consider them to be among their least trustworthy sources of advice (Exhibit 3.5).

One Millennial we spoke with acknowledged that robo advisors are having an impact on wealth management services, while expressing deep skepticism over their investment capabilities.

"It's the way of the future," he said. However, "a computer algorithm has just as much opportunity to make an investment decision as a monkey throwing a dart at a stock selection. At the end of the day, it's all gambling." (West Coast, mid-30s, 2nd-gen)

Another Millennial praised the emotional controls that robo advisors impose on investors, but took a cynical view towards the fees. "As far as staying in a lane, robo advisors are awesome because they just assess potential investments," he said. "There's no emotion and that's what gets you in trouble – emotional investment bankers who get a hunch." He believes robo advisors are the same as any other advisor insofar as they provide billable advice. "Advisors don't care. At the end of the day, their second priority is to help me. Their first priority is to make money for themselves and their firm. Is there a future for robo? If they make money for their firm, sure. If they don't, then no."
(West Coast, mid-30s, 3rd-gen)

## Millennials on what makes a good advisor

So what makes a good advisor? Millennials are unambiguous in their views. An emphatic 88% deem fee levels and transparency to be very important aspects of a good advisory service. Close personal relationships (81%) are also vital to this young group. Some 69% judge depth of services and track record/performance as very important (Exhibit 3.6).

## How advisors view Millennials

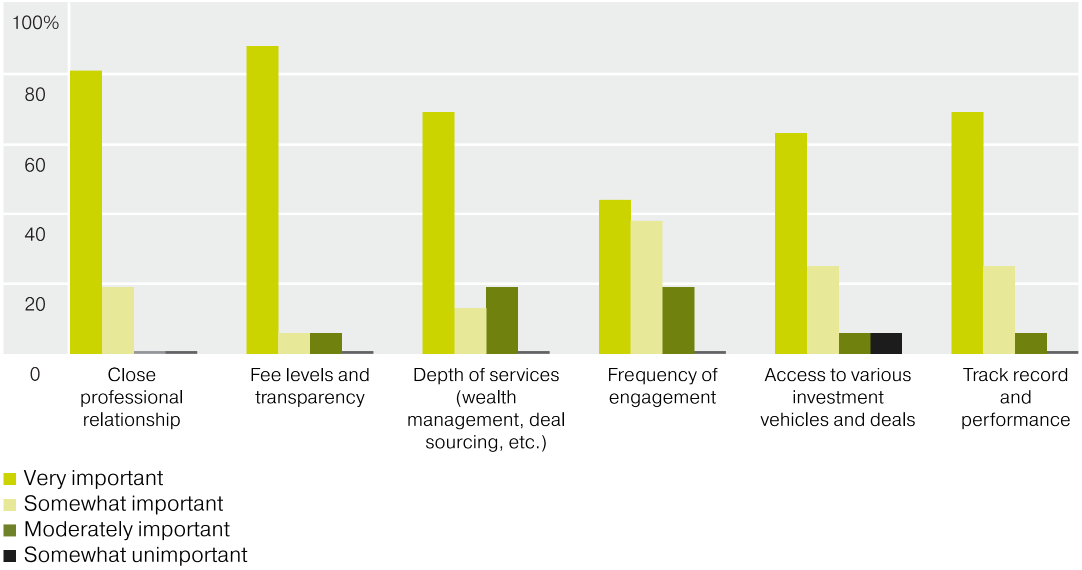
Advisors interviewed for the qualitative portion of this study acknowledge they have their work cut out for them in terms of aligning their services with Millennials' needs. As investment specialists facing Millennial clients who seek highly tailored advice, bridging knowledge gaps, and setting objectives often unfolds at an uneven pace.

One advisor said, "Millennials' knowledge is emerging. They recognize they have a need to understand financial markets and their investments. But they may not understand how much they need to understand." She added, "When I start educating my Millennial clients, I pull back the curtain on a portion of their assets, but not the whole picture."

But other advisors we spoke with feel a sense of urgency and wisdom from independent-minded Millennials who seek knowledge in the areas they're passionate about. They do not discount Millennials' cynicism over fickle economies, their risk attitudes, and steady approach towards entrepreneurial success.

**Exhibit 3.6**

**What, in your view, makes a good advisor?**




Source: OppenheimerFunds & Campden Wealth 2016

"Millennials are still pretty negative about the way the world looks and the economy," one advisor noted. "They're interested in specific areas. My Millennial clients tend to be very self-educated in the types of risk they take on. They're actually running companies or building them, or are involved in their management. They're more interested in risk that they control rather than investing in your or my start-up as a passive investor."

There is anecdotal evidence that advisors have divergent views on younger and older Millennials, both in terms of receptiveness to counsel and recalibrating investment objectives. "Younger Millennials are very open to hearing what we have to say because they haven't always fully formed their investment opinions," said one advisor who works at a major investment bank.

"There's still a negative perception of big banks and Wall Street firms. I've provided a lot of upfront education to earn their trust. But as they reach their mid-30s, they're further along in figuring out what they're doing and what they want their assets to do. They're less concerned about day-to-day, so it's an easier risk conversation."

Conversely, another advisor views Millennials as challenging as any cohort. "I spend a lot of time doing what-if scenarios around their investment goals. I make them set their own goals. That way, they begin to understand the implications of their strategies. They accept the scenarios if they've created their own risk analysis. I say, 'Here are the risks that I can identify. What risks can you identify?' Then we create a weighting system and set controls. It depends on their liquidity needs and is an iterative process, but not just for Millennials. I'd say this applies to any group."

# Case Study

**Judith** – Wealth Advisor

**Region/Age:** East Coast, early 50s
**Primary Goal:** Understanding Millennial client objectives
**Preferred Style:** Fully transparent

Judith advises billion-dollar multi-generational families on how to manage their wealth without conflict.

Judith says her Millennial clients are on the cusp of possessing sufficient wealth management knowledge, which will allow them to justify their risk appetites and acknowledge their shortcomings.

She describes her deal-seeking Millennial clients as independently minded risk takers who are keen to put their investment knowledge to the test as they step out of their parents' shadows.

Although her Millennial clients are, in certain wealth management areas, still formative relative to their parents' experience, Judith says they're hardly unsophisticated.

**"Millennials tend to be very comfortable with risk and be direct acquirers of risk," says Judith. "Yet they want risk that they control – to run their own businesses, to back their own ventures, to be active players in their own risk management process rather than passive investors outside their personal realms."**

When Judith's clients seek advice on impact investments and ESG allocations – a key area for her – she expresses caution over the costs and trades-offs of such ventures. "I do a lot in that space and Millennials are really interested in it. At the end of the day, they're willing to put their money where their mouths are and take lower returns, but only if they have concrete examples [of investments] that demonstrate probable returns. If it's more strategic to donate 2% of returns than pay 2% in fees, they will. Millennials are not naive – they're much more calculating."

With age comes wisdom? Judith says her Millennial clients are in a haste to learn, not necessarily to source blockbuster deals but to avoid bad ones. "I often get asked about due diligence, how to do deals or map out processes. These are hard things to explain in a relatively short period of time and there is a risk of providing overly simplistic answers. It's insufficient."

Judith concedes Millennials are unique, at least in the way they consume information. She recognizes Millennials' confidence and emerging investment acumen. She sees weak areas too, and questions Millennials' abilities to source, understand, and vet deals they so often covet. "If they source a deal, frankly by the time they see it, it's a crappy investment. It's not an investment that's part of their core portfolio; it's a satellite opportunistic investment."

Judith's Millennial clients are demanding. For this digital generation, knowledge is sought faster than the quickest WiFi connections permit. She says webinars, Skype calls, and live experiential learning with portfolio managers in which Millennials have a degree of control work best. Social media is in. Books are out.

**"The 'sit in a room with a notebook method' – what their parents loved – Millennials hate that. They're all on their phones, have their laptops out and are ready to work."**

A former developer of robo advisor investment platforms, Judith says digital-native Millennials can be overly impressed by technology. Judith best engages her UHNW clients through active-versus-passive investment strategies, carefully explaining how technology fits in – or doesn't – and pointing out associated costs.

"If we look at pure finance and active versus passive investing, cost is the key issue I try to get across to Millennials," Judith says. "What do trading platforms mean? Some Millennials get very excited about robo advisors. They're good for you, and me, but not for people who inherit $100 million or steward a foundation. It's a great starting point to consume information, but not the end-all. So, I ask them, 'Why are the banks selling you this and how much are you paying?'"

# Conclusion

**"I have strong knowledge of financial markets. I'm comfortable assuming risk when I know exactly what I own and how to get out."**

East Coast, late-20s, 2nd-gen

Every new generation eventually displaces the generation that came before. So the story goes for confident Millennials, a youthful cohort that's increasingly capable of pulling the key levers governing both their own and their families' wealth. They've been emboldened by their growing investment acumen and broadening professional experience.

The group of Millennials that we interviewed is highly informed, educated, and engaged. They are quietly taking on more responsibility for management of the family wealth as they age. Their personal investment goals are coming into focus, and they are deftly exploiting their multi-faceted knowledge channels, which include high-quality networks.

With regard to investment approaches, Millennials are energetic in areas they're passionate about, and will readily acknowledge their knowledge gaps. This admirable sense of humility somehow dovetails with their hands-on approach to wealth management and illustrates their reverence for deep due diligence in deal-making.

This study sought to examine Millennials through three lenses: their investment interests and allocations; their strengths and weaknesses in investment knowledge; and the roles the advisory community plays in helping them to define and meet their wealth management objectives.

## Family wealth changes are coming

Despite their youth, Millennials are entrusted with high-level advisory and administrative roles within their family offices, and are comfortable managing significant investments. They are narrowing their knowledge gaps through real-life experience in family offices, institutional settings, and personal business ventures.

Although they're highly educated, Millennials place more value on actual investment experience than formal training – an attitude that reflects their determined, hands-on nature and growing influence on how their family wealth is managed.

As their influence grows, so do the implications for changes to the family investments. Currently, their investments, interests, and knowledge are concentrated in U.S. equities. However, a significant number of Millennials are preparing to increase impact investment allocations in their family portfolios, as well as less liquid investments like private equity and hedge funds.

## Calculated risks: Restructured portfolios are on the horizon

Looking closely at Millennials' personal investments, it is difficult not to initially conclude that they are fairly conventional in their approach to wealth. On average, nearly half (44%) of their allocations are concentrated in areas that are widely perceived to be of moderate risk: U.S. equities and real estate.

**"Wealthy Millennials want risk that they control. They're skeptical about hiring advisors because they're adept at managing many, but not all, components of their wealth. We can address their unfocused and uncontrolled objectives."**
(East Coast advisor, early-50s)

But when you consider Millennials' long-term objectives, a different portrait emerges. Although four in 10 consider themselves conservative investors who prefer to balance income with growth, almost the same number takes a more aggressive – and riskier – stance in looking to maximize capital appreciation by sacrificing liquidity.

Given that a high proportion of Millennials consider private equity (including venture capital and co-investments) risky, one in three intends to increase access to this less liquid investment in their families' portfolios. Millennials claim decent knowledge and high interest in this asset class, but what's more striking, and will present opportunities for savvy advisors, is that private equity tops the list of investment areas Millennials want to learn more about.

Millennials are continuing their forays into values-based investments, ESG, and impact investing in particular, and hope to do more deals in the coming years.

## Advisors: Millennials seek your advice

Despite growing confidence in their wealth management capabilities, most Millennials will seek professional advice when making major financial decisions. However, some still shy away from advisors. This often boils down to a lack of trust, concerns over fees, transparency, and misaligned values and objectives.

Others cite lack of family structure and conflicting views as why they're not pursuing formal or specialized advisory services.

Millennials value advisors who are deal-flow enablers and who can work in very close partnerships that emphasize due diligence. They appreciate clear fee structures as well. Family office executives, financial advisors, and accountants are key sources when making investment decisions. Millennials rate this triumvirate's quality of advice highly.

Advisors who have access to quality deals, who engage frequently, and who possess strong track records are also favored by Millennials.

Few advisors can be all things to all Millennials, but given this young group's voracious appetite for deals and comfort with risk, those who can offer unbiased counsel will be in strong demand.

# Key Takeaways For…

## …Millennials

**Engage with your family about investment deals:** As a form of due diligence, compare notes with family members who have a critical view towards the various ways a deal can unravel or manifest into a promising opportunity. Treat family members' perspectives and agendas as trial runs for navigating and negotiating external, real-world situations.

**Don't just rely on your own networks, recognize and leverage other connections:** Knowledge acquisition comes in many forms. Referring only to usual networks might be comfortable and familiar, but it widens the scope for missed opportunities and can lead to tunnel vision. Learn to explore new advisory avenues and leverage the power of different sources of knowledge.

**Recognize the value of diversification:** Diversification is a fundamental investment tool. As a risk management technique, it blends multiple investments to offset the risks of individual portfolio investments. A lack of diversification poses significant risks to wealth. But it can also impede the breadth and depth of your knowledge as well. Those who are open to diversification can gain exposure to promising new investments, and deepen their knowledge through expert advice both within and beyond their family networks.

## …Families

**Actively discuss and debate the changes to the family wealth that Millennials are pushing for:** Millennials actively participate in the decisions that shape their family portfolios. This speaks volumes about their growing influence. However, few are fully satisfied with their families' investment objectives, which carries broad implications for how family wealth will eventually be restructured – given how Millennials' interests diverge from prior generations. Having debates and devising solutions sooner rather than later will best serve families in the long run.

**Encourage the more knowledgeable Millennials in your family to share what they've learned with siblings:** In families where Millennials have a voice in decisions about family investments, it's important for the current wealth holders to recognize the next generation's strengths. If you have heirs who have had years of financial services experience, encourage them to teach their siblings as part of a broader effort to grow the entire family's investment expertise.

**Consider adding ESG benchmarks to the family portfolio now:** Millennials are already increasing their allocations to values-based investments within their personal portfolios. As for the family investments, Millennials are ready to incorporate ESG benchmarks. Some are also looking to increase their family's allocation to impact investments. Consider adopting these changes to the family portfolio now in order to keep the Millennials in your family engaged.

## …Advisors

**Provide Millennials with a holistic view of potential investments and serve as a guiding voice:** Millennials are quick studies and capable investors. They're exerting a greater influence in their families' wealth management. Crucially, they acknowledge their shortcomings. If you approach those knowledge gaps from a holistic and educational perspective, there is a golden opportunity for you to provide value. Offer them a sober second opinion to compensate for knowledge gaps, and help them transition into the adept, hands-on investors they aspire to be.

**Recognize the skeptical views Millennials may harbor and teach them about the value you bring:** The Millennials we surveyed hold both positive and negative views of advisors. Savvy advisors will accept that poor perceptions are not necessarily the reality. False notions must be overcome through the patient dispelling of myths and education of a cohort that highly values knowledge and transparency. Millennials came of age during the financial crisis and now live in an era of "fake news". Recognize their cynicism, whether it's unfounded or not, and educate them on the steps you've taken to align investment strategies with their objectives in a way that best serves them in the long run.

**Teach Millennials the value of diversification:** This generation may be highly educated, but the research shows they still have room to learn more about how to properly diversify their investments. Help them to understand the considerable risks that a lack of diversification poses to both their wealth and personal development. Open their minds to the various ways that different asset classes may benefit their portfolios, and encourage them to continue seeking expert advice both inside and outside their family office.

**Help them to assess the quality of potential deals:** Older UHNW Millennials interviewed for this report astutely observed that deal sourcing is more art than science. Most expect to engage in a greater number of deals in the next three years, which presents an opportunity for you to exercise your skills in due diligence and deal-quality rating. It's critical that you articulate why the art of deal-making, and the science of due diligence, are best fortified by impartial third-parties who are able to see the bigger picture.

**Be transparent about fees and the nature of your offerings:** Unbiased advisors who demonstrate transparent, essential, and fairly priced services are sought after by Millennials. Those who create value while fully aligned to Millennials' investment objectives as quasi-partners are especially in demand.

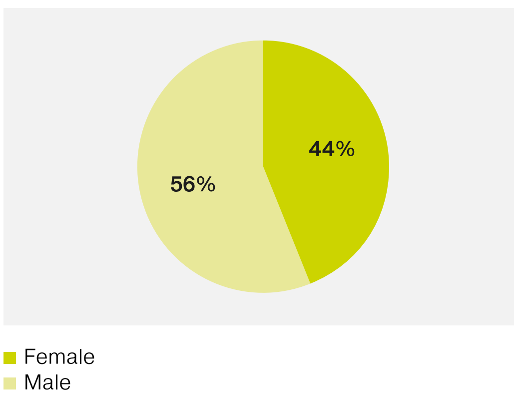
# Appendix

## I. Millennials in this study

- We surveyed Millennials born between 1980 and 1995.
- More than 60% of the respondents were born between 1980 and 1985.
- 56% of the respondents are male and 44% female.
- Thirty-two Millennial wealth holders engaged in the quantitative survey between June and September 2016
- Six Millennial wealth holders and three advisors engaged in qualitative interviews between June and September 2016 to provide additional context.

Exhibit 4.1

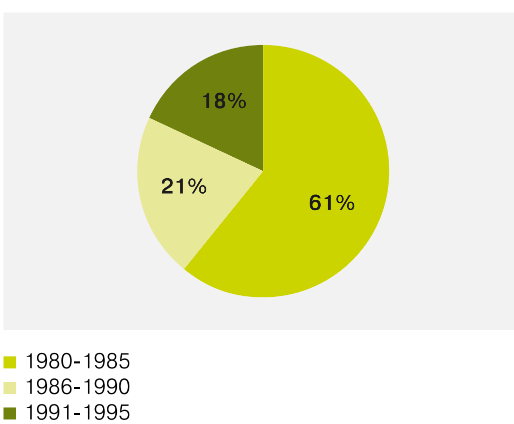
**Gender**




Source: OppenheimerFunds & Campden Wealth 2016

Exhibit 4.2

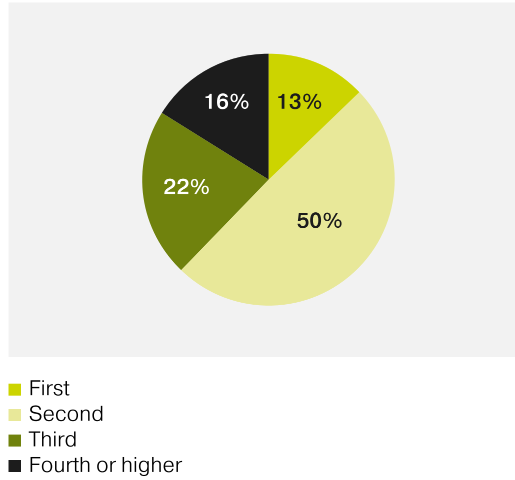
**Age**




Source: OppenheimerFunds & Campden Wealth 2016

Exhibit 4.3

**What generation are you in relation to the origin of your family wealth?**




Due to rounding, totals may not add up to 100%
Source: OppenheimerFunds & Campden Wealth 2016

## II. Methodology

The data examined in this study derives from a quantitative study conducted from June to September 2016. The survey was designed to elicit respondent attitudes and behaviors concerning investment decision-making, wealth management interests and knowledge, asset allocation, risk appetite, financial advice, and values-based investing.

The sample of respondents was derived from Campden Wealth's existing community of ultra-high net worth individuals in North America. A total of 32 Millennial wealth holders engaged in the quantitative survey, with analysis and aggregation taking place between October and November 2016. Additionally, six Millennial wealth holders and three advisors engaged in qualitative interviews from June to September 2016 to provide further context to the findings.

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