MILLENNIALS

ATTRACT, ENGAGE, RETAIN

HARLAND CLARKE®

TABLE OF CONTENTS

INTRODUCTION

Millennials... hold the most purchasing power

INTRODUCTION

At more than 80 million strong, Millennials are the largest generation ever. They're also the most diverse, most educated, comprise the largest segment of the American workforce, hold the most purchasing power, and are poised to inherit more wealth than any other generation. As such, they are a crucial market for financial institutions to attract, engage, and retain.

The size and diversity of this generation, however, make them the most challenging to pin down. Research reveals that their attitudes, behaviors, and preferences can vary, and even conflict. Born in the final two decades of the 20th century, they embody a diversity of race, ethnicity, life experiences, and upbringing.

This generation is also at a tipping point in its evolution, as older Millennials are well on their way to achieving important life milestones, such as homeownership, parenthood, and retirement planning, while younger Millennials are still on the cusp of launching into the world on their own.

Many brands and industries — including financial institutions — face a challenge in how best to market to this group. As an industry, banking faces its own particular test. Tagged as the industry most at risk of disruption by Millennials,[1] this hyper-connected and tech-savvy generation thinks of finance in terms of crowdfunding, virtual currencies, and online payment platforms just as much as the brick-and-mortar building with a drive-thru ATM on the corner. And living through the throes of the 2008-2009 financial crisis has made this group wary of traditional financial services providers, at least to some degree.

Millennials are also steering clear of banking as a career choice. In 2006, MIT's Sloan School saw 31 percent of its graduates go into banking; by 2016, that number had

[1] Solis, Brian, "Disrupt or Be Disrupted: The Endemic of Banking Out of Touchness," *The Financial Brand,* July 11, 2017

shrunk to 15 percent. Columbia reports a similar trend: 55 percent of its business graduates in 2006 chose banking as a career compared to 37 percent in 2016.[2]

On the other hand, Millennials are similar to older generations in that they use the standard products and services offered by their primary financial institution (PFI).[3] They also have a higher share of wallet with their PFI than any other generation, and it gets a boost when financial institutions actively engage them.[4]

Millennials aren't anti-establishment when it comes to their banking preferences, they just aren't fixated on traditional ways of doing things and are more likely than not to try new trends and alternatives in an effort to find what works best for them.

The good news is that by no means have banks and credit unions "lost" this generation. The bad news is that they haven't completely won it yet either. Although Millennials use more banking channels than any other generation, they have the fewest satisfying interactions.[5] They are the least likely generation to strongly agree that their financial institution knows them, looks out for them, or rewards them.[6]

So what can financial institutions do to better attract and retain Millennials?

There is not a one-size-fits-all answer. As with any large group, generalizations can be dangerous. Because of their size, the research can be contradictory, despite the fact that Millennials share some distinctive characteristics. Thus, one approach won't be sufficient for a population this large and diverse.

One insight stands out, however. Engagement and convenience are the keys. When financial institutions actively engage Millennials, their share of wallet goes up 25 percent or more.[7] And, in a recent study, 77 percent of Millennials said they would consider using financial institutions only if they offered online banking as well as in-branch options.[8] And 90 percent said convenient location is important when choosing a bank or credit union.[9]

As drivers of technological and societal change, Millennials have already altered the financial services landscape. They will continue to do so as they mature and enter their prime earning years. Financial institutions that want to sustain long-term relationships with Millennials must understand their unique needs, including the differences within this generation, in terms of the products, services, and experiences they seek.

2 "Banks are finding it harder to attract young recruits," The Economist, May 4, 2017
3 Gallup Business Journal, Millennial Banking Customers: Two Myths, One Fact, December 1, 2015
4 Ibid.
5 Ibid.
6 Marous, Jim, "Millennials Won't Wait for Banks to Understand Them," The Financial Brand, November 16, 2016
7 Ibid.
8 "Are Rewards a Switching Motivator for Millennials?" Kasasa, April 2016
9 Ibid.

CHAPTER 1

Who They Are, By the Numbers

The largest demographic since the Baby Boomers, the nation's 75 million Millennials (as of 2015)[10] comprise the largest living generation, heading 28 million households and representing 38 percent of the primary working age population.[11] By 2020, according to a Brookings Institution analysis, one in three adults will be a Millennial.[12]

This is the most diverse generation in history — ethnically and racially. Born between 1981 and 1997, according to the Pew Research Center[13] (there is no official designation), these 20-37 year-olds are rapidly maturing in terms of their economic strength, social influence, and political power.

By some measures, Millennials live very different lives than earlier generations did at this age. Compared to their parents, today's 25-year-olds are twice as likely to be students, half as likely to be married, and 50 percent more likely to be receiving financial assistance from their parents.[14]

Older Millennials may be married with children; younger Millennials may still be in college. One may be ready to start saving for retirement, while another is struggling with student loan repayments. Younger Millennials crowd urban areas and were early adopters of Uber and Zipcar,[15] while older Millennials are thriving in the suburbs and buying cars faster than any other demographic.[16]

For all their differences, Millennials may also be the most stereotyped generation ever. Popular culture is rife with anecdotes about Millennial entitlement and laziness, their participation trophies, helicopter parents, and reluctance to move out on their own. Yet they also are routinely described as optimistic, idealistic, the instigators of today's always connected world, and with an open, accepting, and inclusive worldview.

Diversity

It's impossible to separate the size of the Millennial generation from its diversity. Both are increasing as immigrants join the ranks at a faster rate than other generations. By 2036, the Millennial population is projected to peak

[10] Fry, Richard, "Millennials Overtake Baby Boomers as America's Largest Generation," Pew Research Center, April 25, 2016
[11] "Millennials Outnumber Baby Boomers and Are Far More Diverse, Census Bureau Reports," U.S. Census News Release, June 25, 2015
[12] Hais and Winograd, "How Millennials Could Upend Wall Street and Corporate America," The Brookings Institution, May 28, 2014
[13] "The Generations Defined," Pew Research Center, December 2015
[14] Steinberg, Laurence, "The Case for Delayed Adulthood," The New York Times, September, 29, 2014
[15] Cervero, Chan, Dai, Rayle, and Shaheen, "App-Based, On-Demand Ride Services: Comparing Taxi and Ridesourcing Trips and User Characteristics in San Francisco," University of California Transportation Center (UCTC), November 2014
[16] "Demographic Shifts: Shaping the Future of Car Ownership," Knowledge@Wharton, University of Pennsylvania, February 21, 2017

at 81.1 million.[17] At the same time, the previous largest generation, Baby Boomers, continues to age out of the population and is declining in size.[18]

Among racial minorities, Millennial numbers are unprecedented. As of 2015, Millennials make up 27 percent of the total minority population and 43 percent of primary working age minorities in the U.S.[19] As a generation, 44 percent are part of a racial or ethnic minority group.[20]

Minorities comprise more than half of the Millennial populations in 10 states, including Texas, Arizona, Florida, Georgia, and New Jersey.[21] Nearly six in 10 U.S. Hispanics are Millennials or younger. By comparison, half of the black population and 46 percent of the U.S. Asian population are Millennials or younger.[22] Among whites, only about four in 10 are Millennials or younger.[23]

Education

Millennials are the most educated generation to date: in 2016, 40 percent of workers ages 25-29 had at least a bachelor's degree, compared to 32 percent of Gen X, and smaller shares of Baby Boomers and Silent Generation workers, when they were in the same age range.[24]

Not surprisingly, Millennials have different attitudes about key milestones of adult life than their predecessors. A large majority of young adults believes education and economic accomplishments are extremely important, while more than half (55 percent) believes marrying and having children are not.[25]

By another measure, 34 percent of all Millennials have at least a bachelor's degree, and women are leading the way.[26] In 2016, women 25-29 were 7 percent more likely than their male counterparts to have at least a bachelor's degree.[27]

Work

The beginning of 2015 marked the point when Millennials became the dominant generation in the American workforce. They now number more than one in three workers. By 2020 they will comprise 50 percent of the workforce.[28]

Sixty-three percent of female Millennials are in the workforce; 68 percent of men are, a lower percentage than for previous generations, likely reflecting the impact of the Great Recession.[29]

In 1975, workers ages 25-34 had a median personal income of $37,000 in modern dollars, while in 2016 that number was down to $35,000.[30]

Thus, despite the fact they are better educated than previous generations, Millennials are also poorer.

[17] Fry, Richard, "Millennials Overtake Baby Boomers as America's Largest Generation," Pew Research Center, April 25, 2016
[18] Frey, William H., "Diversity Defines the Millennial Generation," The Brookings Institution, June 28, 2016
[19] Ibid.
[20] Ibid.
[21] Ibid.
[22] Patten, Eileen, "The Nation's Latino Population Is Defined by Its Youth," Pew Research Center, April 20, 2016
[23] Ibid.
[24] Graf, Nikki, "Today's Young Workers Are More Likely Than Ever To Have A Bachelor's Degree," Pew Research Center, May 16, 2017
[25] Caldas, Jennifer, "Millennials Want Jobs and Education, Not Marriage and Kids," Time magazine, April 20, 2017
[26] Bauman and Ryan, "Educational Attainment in the United States: 2015," U.S. Census Bureau, March 2016
[27] Graf, Nikki, "Today's Young Workers Are More Likely Than Ever To Have A Bachelor's Degree," Pew Research Center, May 16, 2017
[28] Fry, Richard, "Millennials Surpass Gen Xers as the Largest Generation in U.S. Labor Force," Pew Research Center, May 11, 2015
[29] Fry and Patten, "How Millennials Today Compare With Their Grandparents 50 Years Ago," Pew Research Center, March 19, 2015
[30] Ehrenfreund, Max, "The Average Millennial Worker Makes Less Than The Average Baby Boomer Did In 1975," *Washington Post,* April 20, 2017

But today's young women are doing better on the wage front than their Baby Boomer counterparts did. Incomes among young women have increased 28.5 percent since 1975, while young men's earnings have declined from an average of $46,000 (modern dollars) annually in 1975 to $40,000 in 2016.[31]

Home and Family

As mentioned above, Millennials are delaying marriage and children, taking time to "find themselves" in their 20s. In 2015 (the latest statistics from the U.S. Census Bureau), the average age of first marriage was 27 for U.S. women and 29 for men.[32] Since 1960, the average age of first marriage has increased seven years for women and six years for men.[33] (Interestingly, the average age difference between men and women when they marry has remained consistent at roughly two years.)

In 1976, 57 percent of women ages 20-24 were married; in 2014, this number had dwindled to 17 percent. Within the same age group, 31 percent had a child in 1976 and 25 percent in 2014.[34]

Thus, it is more common today for a 25-year-old woman to be a mother than a wife.

While marriage rates are plummeting, cohabitation has been on the rise. This is true among all age groups, not just Millennials. In fact, the biggest drivers of this trend have been Baby Boomers. From 2007-2016, the number of cohabiting adults ages 50-plus increased 75 percent. Young adults ages 18-34 saw a 24-percent increase in cohabitation rates during the same timespan.[35]

The most significant shift in living arrangements, however, is that

for the first time in more than 130 years, young adults are more likely to be living in their parents' home than any other living arrangement.[36]

Indeed, a larger share is living with their parents than with a spouse or partner — marking a significant historical shift.[37] And young men are the ones driving this trend.[38]

As of 2016, Millennials headed about 28 million households, far fewer than were headed by Gen X or Baby Boomers. At the same time, Millennials represented the largest group in some key categories, such as the number of households living in poverty and number of renters.[39]

[31] Ibid.
[32] "Historical Marital Status Tables," Census.gov, United States Census Bureau, November 2017
[33] Ibid.
[34] "The Changing Economics and Demographics of Young Adulthood: 1975-2016," U.S. Census Bureau, April 2017
[35] Stepler, Renee, "Number of U.S. Adults Cohabiting With a Partner Continues to Rise, Especially Among Those 50 and Older," Pew Research Center, April 6, 2017
[36] Fry, Richard, "It's Becoming More Common for Young Adults to Live at Home – And for Longer Stretches," Pew Research Center, May 5, 2017
[37] Ibid.
[38] Ibid.
[39] Ibid.

It's no surprise, then, that Millennials are significantly less likely to own their home than prior generations when they were the same age.[40]

The primary reason for this is debt from student loans. In a recent survey of Millennials:

- 85 percent said they were unable to save for a down payment on a home because of their student loans
- 75 percent said they were delaying purchasing a home because their student debt made them too financially insecure
- 52 percent said they couldn't qualify for a mortgage because their debt-to-income ratio was too high[41]

Total student debt in the U.S. is $1.4 trillion, accounting for 10 percent of all outstanding debt and 35 percent of non-housing debt.[42] Student loan debt impacts other life decisions than homeownership, including what states Millennials live in, whether or not they pursue a graduate or professional degree, whether they start a family, and their ability to start saving for retirement.

Social and Cultural

Given the diversity of the Millennial generation (only 59 percent identify as white[43]), as well as its education status, it's no surprise its members have a tolerant, informed, and culturally inclusive worldview.

In fact, Millennials are changing the definition of diversity and inclusion. They accept traditional diversity — race, religion, ethnicity, sexual orientation, gender identification, and age — as a given. They now consider the term "diversity" in a cognitive context, meaning people with different thoughts, ideas, philosophies, skill sets, etc. Thus, a diverse workplace or social setting isn't just one where people look differently, but where they think and act differently, as well.

It may be tempting to label Millennials as nonjudgmental, "anything goes," "live and let live" free spirits. It's more accurate to say they are skeptical of any custom or institution they consider outdated, socially regressive, or biased. About 50 percent claim no political affiliation and 33 percent claim no religious affiliation, both of which are at or near the highest levels of disaffiliation recorded for any generation.[44]

[40] Fry, Richard, "Five Facts About Millennial Households," Pew Research Center, September 6, 2017
[41] "Student Loan Debt and Housing Report 2017," National Association of Realtors® and American Student Assistance®, September 26, 2017
[42] Ibid.
[43] Reggie, Drew, "Millennials Are Changing What It Means to Have an Inclusive Workplace," Huffington Post, August 9, 2017
[44] Taylor, Paul, "Millennials In Adulthood," Pew Research Center, April 22, 2014

Millennials also claim lower levels of interpersonal trust, with only 19 percent saying that most people can be trusted (versus 31 percent of Generation X and 40 percent of Baby Boomers).[45]

But when it comes to the future, they are more upbeat than older adults. Almost 50 percent of Millennials say the country's best years are ahead, a view held by 42 percent of Gen X, 44 percent of Baby Boomers, and 39 percent of the Silent Generation.[46]

While 50 percent claim political independence, as a bloc they vote heavily Democratic, and hold liberal views on many sociopolitical issues, ranging from a belief in an activist government to support for same-sex marriage and marijuana legalization.[47]

Heightened social consciousness is a Millennial hallmark. Members of this generation don't just donate money; they also volunteer and recruit their social networks to become involved in social and charitable causes they believe in.[48] Issues like education, health care, and the environment are popular causes for this age group, while traditional giving to institutions such as churches and schools is less popular.[49]

Millennials view their donations, whether monetary or volunteering, as lifestyle choices that also inform where they work and purchase goods and services. They take corporate social responsibility very seriously, favoring companies (as both employees and customers) that advocate for issues they care about. Over 75 percent of Millennials will research companies to determine where they stand on social or environmental causes — and to see if they're being authentic — 10 percent more than the average American.[50]

Summing It Up

Millennials are leading the way to a minority-majority level of diversity in the U.S. population. While more members of this generation have a college education than any previous age group, a majority remains undereducated. They are taking their time to leave the nest and to marry. And while more women are employed than ever before, since they entered the workforce in the midst of a sluggish economy, many also remain underemployed.

Despite those hard realities, Millennials as a group are socially aware, involved, and optimistic about what their future holds.

[45] Ibid.
[46] Ibid.
[47] Ibid.
[48] Fandos, Nicholas, "Connections to a Cause: The Millennial Way of Charity," New York Times, November 3, 2016
[49] Ibid.
[50] "Brands & Social Activism: What Do You Stand Up For?," 2017 Cone Communications CSR Study, Cone Communications, 2017

CHAPTER 2

Technology Is the Foundation

For Millennials, technology is a lifestyle, not a toolbox. They trust it. As digital natives, it's in their DNA.

Most Millennials can't remember a time when the internet wasn't standing by, waiting to answer any question, fulfill any request, offer any opinion, order any consumer good, transfer funds, shuffle playlists, or download books. ***They're comfortable in the online world, where they feel in control. They would rather stay in that space than enter yours.***

Mobile First

Millennials aren't just digitally fluent; they're leading the way for mobile technology as well. They're the most engaged, adept, and opinionated users of mobile apps of any demographic.[51]

In their personal lives, when given the choice of texting or calling, nearly 75 percent of Millennials would choose to give up talk than text.

Another area where Millennials are skeptical is the Internet of Things (IoT). In one recent study, 85 percent of Millennials did not own an IoT device.[52] This was the highest percentage across generations. Furthermore, among survey respondents who did own an IoT device, Millennials were least likely to participate in utility programs, doing so at half the rate as Gen X and one-third as Baby Boomers.

The main reason for lower ownership of IoT devices is that Millennials are less likely to own their homes. But there appears to be another reason, as well. Nearly 75 percent of them say they would use more IoT devices if they had greater confidence in the security of such devices. This level of concern was more than Generation X (63 percent) and Baby Boomers (47 percent).[53]

The Social Generation

It's no surprise that Millennials are key drivers of social media. They invented it, after all. Many entrepreneurs in their ranks have

[51] Lipsman, Andrew, "Mobile App Usage from 'The 2017 U.S. Mobile App Report'," ComScore, August 24, 2017
[52] "Millennials Among Those Least Likely to Own IoT Devices and Participate in Utility-Sponsored Energy Management," *CISCION PR Newswire,* Association of Energy Services Professionals, February 15, 2017
[53] Ibid.

become household names, taking on celebrity status. They include:

- Mark Zuckerberg, Facebook
- Kevin Systrom, Instagram
- Ben Silbermann, Pinterest
- David Karp, Tumblr
- Adam D'Angelo, Quora
- Evan Spiegel, Snapchat
- Sean Rad, Tinder

Facebook, with more than 1 billion active users, is the No.1 social media platform in the world, across generations. A recent survey found it to be 29 percent more popular than the No. 2 platform, Instagram (which Facebook owns).[54]

Millennials' choice of Facebook isn't as overwhelming as it is with Generation X and Baby Boomers. Thirty-three percent of Millennials chose Facebook as their preferred social media platform, while 65 percent of Gen X and Baby Boomers chose it.[55]

Millennials also chose Instagram (22 percent) and Snapchat (16 percent) as favorite social media platforms. For younger Millennials (ages 18-24), Instagram (25 percent) edged out Facebook (24 percent) and Snapchat (23 percent).[56]

Twitter ranks only in single digits (8 percent) among Millennials' preferred social networks, while 12 percent chose YouTube.[57]

Need for Speed (& Convenience)

Technology supports a key behavior for Millennials: speed. Influenced by their always-available, multi-tasking, multi-device lifestyles, their attention span can be short. They want what they want and they want it now, on their terms. They have little patience (or tolerance) for experiences that aren't frictionless, clear, or fast, either online or in real life.

Digital and mobile technologies also offer convenience. Millennials have been conditioned to expect user-friendly customer experiences and the ability to purchase products and services on their mobile devices. They gravitate to platforms that help them accelerate the purchase decision.

Online retailers, travel brokers, hospitality providers, and tech companies have set the bar in terms of speed and convenience for Millennial consumers. And their influence goes beyond the online world. When it comes to retail purchases, 68 percent of Millennials demand an integrated, seamless experience regardless of the channel.[58] That means being able to transition effortlessly from smartphone to personal computer to physical store in their quest for the best products and services.

[54] "The Social Generations: Millennials Ask, Gen X Buys & Baby Boomers Observe," Q1 2017 Sprout Social Index, Sprout, February 2017
[55] Ibid.
[56] Ibid.
[57] Ibid.
[58] Donnelly and Scaff, "Who Are the Millennial Shoppers? And What Do They Really Want?" Accenture, 2017

CHAPTER 2

How Financial Institutions Can Respond

According to the Millennial Disruption Index, a three-year study that interviewed more than 10,000 Millennials:

- Banking is the industry at highest risk of disruption
- 73 percent would be more excited about new financial offerings from Google, Amazon, Apple, or PayPal than from their own financial institution
- 1 in 3 are open to switching financial institutions in the next 90 days
- 71 percent would rather go to the dentist than listen to what banks are saying[59]

It's no wonder industry disruptors like fintechs and peer-to-peer (P2P) lenders have enjoyed success in the years since the Great Recession of 2008-2009.

Given such stark numbers, how can legacy financial institutions compete for the Millennial market?

First, it's important to recognize that these digital disrupters offer the same products as banks and credit unions. They're not wooing Millennials with new offerings. What's unique is the *experience* they provide. By using data and technology, fintechs and P2Ps provide a seamless, personalized experience that most financial institutions can't match.

Second, Millennials will ultimately judge financial institutions on the basis of their digital capabilities. This makes perfect sense in the context of what Millennial consumers value most: speed and convenience. Mobile banking, in particular, will become increasingly critical to an institution's success.

Millennials use mobile banking apps frequently and for a variety of actions. They prefer the mobile channel to online banking by a significant margin. During a typical month, Millennials access their financial institution via mobile browse or app 8.6 times, compared to 3.1 times for non-Millennials.[60]

They most frequently use the banking app to receive alerts and notifications. Millennials are 2-3 times more likely than the general population to want mobile app notifications for credit limit warnings, suspicious charge alerts, and payment reminders. Sixty-five percent of young adults use mobile check deposit.[61]

Millennials prefer one app that can handle all their mobile banking needs. This means, in addition to mobile deposit, alerts, and notifications, an app that allows them to track and monitor their spending, compare loan options, etc. Like anyone else, the more information they have at their fingertips, the better they can set their financial objectives, and ultimately access more financial products and services.

[59] "The Millennial Disruption Index," Scratch, 2015
[60] Marous, Jim, "Millennials Like Mobile Banking … A Lot," *The Financial Brand,* March 23, 2017
[61] "The Digital Generation: Credit Unions," *FICO Decisions,* FICO®, October 9, 2017

It's no surprise that robust apps that include the latest technology in card management, digital wallet, P2P payments, remote deposit capture, alerts, and real-time transaction information that's compatible across devices will appeal to Millennials.

A big advantage for financial institutions that can offer multiple services via their mobile app is the data capture this enables, providing deep customer insight into purchase habits, budgets, brand preferences, and more — all of which can be used to provide the personalized customer experience that Millennials crave.

While Millennials flock to mobile apps, they also value other channels. In fact, 39 percent of them prefer computers to smartphones when carrying out banking transactions.[62] But here, too, speed and convenience are important.

There are several opportunities for banks and credit unions to improve the performance of their websites to appeal to Millennials (as well as other market segments). Minimize friction in the onboarding process by keeping paperwork to a minimum. Use short, interactive, online questionnaires instead of lengthy paper documents that require new account holders to print, sign, scan, or fax. Chatbots can develop relationships with account holders at scale and in real-time while improving the customer experience.

While mobile and digital channels aren't the only ways Millennials want to access their financial institution (90 percent say convenient branch location is important when choosing a bank or credit union for their everyday banking needs[63]), these channels are the most preferred, and they represent the biggest differences between Millennials and other generations.

Consistent innovation to improve the delivery of products and services is necessary to attract and retain Millennials before digital disrupters make permanent inroads. Financial institutions that develop mobile- and digital-first strategies will win the day.

[62] Marous, Jim, "Millennials Like Mobile Banking ... A Lot," *The Financial Brand,* March 23, 2017
[63] Brannan, Keith, "What Motivates Millennials to Switch Banks," *The Financial Brand,* March 15, 2017

CHAPTER 3

The Meaning of Life

For Millennials, the meaning of life lies in control. The more control they have of their finances, careers, and social lives, the more freedom they have to engage with the world in ways they find most meaningful and to create experiences they consider most valuable. This is a fundamentally different approach to achieving happiness compared to previous generations.

While Generation X pursued consumerist desires, and Baby Boomers focused on being "free spirits," Millennials would rather pursue:

- Health and wellbeing
- Financial security
- Career goals
- Formal education[64]

Once these "necessities" are in place, Millennials feel they have the freedom to pursue their passions, including the meaningful experiences, adventures, and social interactions that build on their "authentic self."[65]

Events Over Things

Millennials' preference for spending money on experiences — concerts, travel, sporting events, etc. — is driving the growth of the "experience economy."

Over 75 percent of Millennials choose to spend money on an experience or event rather than a materialistic possession.[66]

Compare this to Baby Boomers, 59 percent of whom feel that ownership equates to happiness.[67]

Millennials enjoy the "doing" aspect of (and will spend money on) fitness, wellness, music, and entertainment. They find relevance and meaning in events that match their lifestyle, providing an opportunity to create experiences that can also be shared.

It's also been observed that at least some of their experiential spending is driven by the "fear of missing out" (FOMO). This fear is exasperated by social media, which people use increasingly to curate their experiences, documenting their best moments (while hiding the rest), spurring the desire to one-up others in lifestyle and events.

[64] "Understanding Consumer Happiness Is Critical To Brand Engagement," Zenith Optimedia Group Limited, January 6, 2015
[65] Ibid.
[66] Rampton, John, "What Millennials Can Teach You About Being Happy," *Inc.,* July 31, 2017
[67] Ibid.

Delayed Milestones

Rightly or wrongly, Millennials have been dubbed the generation of "late bloomers," mostly because they've delayed achieving what previous generations considered milestone achievements. These include:

- Getting a driver's license
- Buying a car
- Getting married
- Having children
- Buying a home

About 60 percent of 18-year-olds have a driver's license, compared with 80 percent in the 1980s.[68] Is this because of their economic situation or because of a shift in values?

Evidence says both.

Cars aren't viewed by Millennials as a status symbol of freedom and maturity, as they were by previous generations. This can be chalked up to a number of factors: environmental concerns, automation, and ridesharing. For example, Millennials make up the largest market segment of rideshare companies Uber and Lyft. In one study, 26 percent of Millennials reported using Uber in the previous 60 days.[69]

And yet older Millennials (ages 21-34) have opened new auto loans at a 21 percent higher rate than Gen X borrowers did during the same age period.[70]

The data on homeownership is much more definitive. According to a Harvard study released in 2017, 31 percent of Americans under the age of 35 owned their home in 2015. This was an historic low. In 1995, that figure was 39 percent. In 2005, it was 43 percent.[71]

But, again, is this dip because of external factors such as the economy, student debt, and lack of "career" jobs, or is it because of a deeper shift in lifestyle, spurred by the "sharing economy" and an access-over-ownership mindset by Millennials? It appears to be the former. One indication is that among Millennials who don't have a mortgage, 74 percent plan to purchase a home in the future.[72]

Work-Life Balance

Long gone are the days of holding down a single career for 30-plus years then retiring with social security and a pension. While the loyalty (or lack thereof) of Millennials in the workforce has been subject to many myths and misinformation, the evidence clearly states they are not afraid to job-hop.

[68] LA Times, *Millennials and Car Ownership?* It's Complicated, December 23, 2016
[69] Marzilli, Ted, "Ride-Sharing Brands Top Biggest Millennial Customer Gains Over Last Year," *YouGov BrandIndex,* May 7, 2017
[70] "Generation Revealed, Decoding Millennial Financial Health," TransUnion, 2017
[71] "Improving America's Housing 2017, Demographic Change and the Remodeling Outlook," Joint Center for Housing Studies of Harvard University, 2017
[72] "Generation Revealed, Decoding Millennial Financial Health," TransUnion, 2017

The good news, or at least surprising news to some, is that they are no different than young people were 10, 20, even 30 years ago.

The average job tenure for Americans age 20-24 in 1983 was 1.5 years. In 2004, it was 1.3 years. In 2014, it was 1.3 years.[73] For older Millennials, the numbers are even more consistent with their Baby Boomer and Gen X predecessors.

It's not surprising, then, that the average Millennial is open to changing employers. Indeed:

- 25 percent would like to quit their current job within the next year
- 44 percent would like to quit their current job within the next two years
- 66 percent would like to quit their current job within the next four years
- 16 percent see themselves with their current employer a decade from now[74]

Given this isn't a new trend at all, and that for the past 30 years, young Americans have been quick to seek greener pastures, the valuable question to ask is: Have the reasons for switching jobs changed over this time span?

And the answer is: Yes.

In the past, higher pay and greater opportunity for career growth drove the majority of job changes. For Millennials, it's more likely to be value-driven. In fact,

76 percent claim they would take a pay cut to work for a socially responsible company.

Over 80 percent would be more loyal to a company that helps them contribute to social and environmental causes. And 64 percent claim they won't take a job with a company that doesn't have strong corporate social responsibility practices.[75]

On-the-job incentives have also changed. Rather than reserved parking or a better office, Millennials seek flexible schedules and the freedom to work remotely. These are more valuable even than higher pay if it means stricter schedules and eight straight hours tied to a desk or cubicle.

Clearly, Millennials have been affected by world events. Proximity to economic, political, and social disruption around the world (via their smartphones) has conditioned them to want to intercede. They've witnessed the power of everyday people to effect change, whether it's using Facebook to foment a rebellion in the Middle East or Twitter to

[73] "The 2016 Deloitte Millennial Survey," Deloitte, 2016
[74] Ibid.
[75] "2016 Cone Communications Millennial Employee Engagement Study," Cone Communications, November 2, 2016

compel a company to change its behavior. They have confidence and high expectations of their ability — and their responsibility — to influence opinion and events.

How Financial Institutions Can Respond

Advertisers and marketers have been speaking to the youth culture ever since it became a defined demographic. For Baby Boomers, it was anti-authority and anti-establishment slogans and campaigns. For Generation X, it was rebellion and being an individual, standing out in the crowd. Millennials aren't as confrontational or iconoclastic. Rather, they seek collaboration and solutions to problems.

Start a Conversation

Talking with Millennials about what matters to them is the beginning of capturing their interest. They want a conversation — they don't want to be "spoken to" or "talked at." Endorsements by celebrities they admire and trust will get their attention, but brands that can interact with them on a personal level will win their business.

Appealing to Millennials' love of experiences over possessions is a good place to start. Whether in-branch or virtually, via a mobile app or video, financial institutions that can turn experiences into conversations will have a head start toward creating a long-term relationship built on trust and mutual benefits.

Be Authentic and Transparent

While authenticity is a term that brands are eager to incorporate and communicate to customers, Millennials' conception of what is authentic is different from earlier generations. Among older generations, it translates to "genuine, timeless products." For Millennials, it means "honest values."[76] They want brands that are associated with causes that benefit all of society, not just their shareholders.

Financial institutions that bridge local concerns with being a global citizen and/or being socially responsible will speak more effectively to Millennials than competitors that don't.

Likewise, banks and credit unions that deliver relatable, genuine, and rewarding customer experiences will appeal to Millennials. This includes clear choices in products and services. Don't bury them

[76] Melton, Monica, "Just How Much of Millennial Behavior Is Really Unique?" eMarketer, August 29, 2017

in small print. Be upfront and honest in the value you're providing — and in the costs you're charging (hidden fees are often deal breakers with Millennials).

For example, having the ability to put a photo on their credit card or tailoring the layout of the mobile app's user interface will make them feel included in the decision-making process and co-creators of their own customer experience. Other examples include mortgage or credit cards that allow customers to make a monthly donation to a cause of their choosing, as well as the typical rewards programs offering travel or entertainment perks.

Be Helpful

Content marketing has become a catchall lately, meaning many things to many people. At its best, though, it provides both the consumer and the financial institution with valuable and actionable information.

Focusing on content that Millennials find valuable and actionable will attract more of them as potential customers. This should include content that appeals to their desire for control by providing:

- Financial how-tos
- Life hacks to optimize savings and budgeting
- Educational information about investing, compound interest, itemized vs. standard deductions on their tax returns, etc.

This information can and should go beyond money. Millennials value different "currencies" in their lives: health, fun, learning, family connections, and social networks. Financial institutions that can support the growth and balance of these "accounts" will go a long way toward earning the trust and loyalty of Millennial consumers.[77]

Banks and credit unions can also embrace the variability of work today. The gig economy appeals to many Millennials seeking a no-strings-attached work life, but it presents some financial complexities, especially during tax season. These workers experience more income volatility, thereby requiring more active financial management that banks and credit unions can offer.

[77] Ibid.

Another way to appeal to Millennials' interests and passions is to help them weigh investment opportunities by social impact, in addition to the traditional metric of financial return. Millennials are more likely to accept a lower return or a higher risk related to an investment if the company has a positive impact on society and the environment. For example, the largest funded campaign on Indiegogo, "An Hour of Code," ($5M) funds an introductory hour of coding to students worldwide.[78]

Be Relevant

Financial institutions can be relevant to Millennials by staying up to date and getting involved with new social-centric philanthropic campaigns. A perfect example of this is the Ice Bucket Challenge that raised money to find a cure for ALS.

Another example would be relevant social holidays such as International Women's Day. Getting involved in causes such as these show that the organization is aware of today's social climate, which can broaden its reach to potential account holders that may otherwise not give it a chance.

Banks and credit unions have a strong foundation of local philanthropic support. They should exploit this advantage in marketing to Millennials while looking for wider social issues and causes they can support as well.

Whatever the cause or social issue, it's important that financial institutions back up their public relations and marketing efforts with tangible results. Just putting out a few Tweets or Facebook posts won't suffice. Millennials are looking for metrics such as the number of volunteer hours a brand's staff committed or what dollar amount the brand contributed.

[78] Rockwell, Chris, "Do Millennials <3 Your Bank?" *The Financial Brand,* June 23, 2016

CHAPTER 4

The Role Of Money

CHAPTER 4

Perhaps more than any other generation, Millennials embody a slew of contradictions. They have been called "lazy," "entitled," and "narcissistic." At the same time, they have been called "entrepreneurial," "optimistic," and "idealistic." Nowhere are such contradictions more obvious than in their relationship to money and the role it plays in their lives.

The Recession Generation

Known also as the "recession generation" because of the prominence the Great Recession of 2008-2009 played in their formative years, Millennials have a different outlook on money than previous generations. They witnessed firsthand as their families and others struggled through financial losses, job losses, retirement losses, and foreclosures. Lives were turned upside down all around them, including, in many cases, their own.

As a result, they are more skeptical than their Gen X and Baby Boomer counterparts, and are more likely to keep their savings in a checking account or cash. They tend to avoid the stock market; they have an innate distrust of the government's fiscal direction as well as corporate America's profit-first ethos. They are more likely to spend their money on necessities, such as education and comprehensive healthcare.[79]

Necessities or Luxuries?

At the same time, most Millennials won't blink at splurging on things their parents view as luxuries. These include same-day delivery of items bought on Amazon and other online retailers, Ubers and taxis instead of buses and subways, and eating out in restaurants instead of cooking at home.

If considered carefully, however, all these indulgences have one thing in common: they save time.

This might be the most significant paradigm shift in generational spending habits. Millennials don't view money as a means for purchasing goods and services. They view money as a means for saving time.

They have little interest in status symbols and luxury brands, as did Generation X. They have little interest in living in the "right" neighborhood or belonging to the "right" country club, as did Baby Boomers.

[79] Landrum, Sarah, "How Millennials Are Doing Money Management Differently," *Forbes.com,* April 28, 2017

For Millennials, money is a tool to support the way they want to live their lives. Although a necessity, it is not the end-all be-all that defines them. Neither is it the Holy Grail for which they should dedicate their lives seeking.

Debt Is A Hindrance

The most educated generation in American history coincided with the most expensive era for earning a college education, which has led to skyrocketing student loan debt. For the 2017-2018 academic year, the average cost of tuition and fees for in-state public colleges was $9,970. For out-of-state residents attending public colleges, the average cost was $25,620. For private colleges, the average cost was $34,740.[80] Compare these figures to 1980, when the average private college tuition and fees cost $9,882 per year, and the average in-state public college cost $2,196.[81] In the same time period, while the dollar experienced an average inflation rate of 2.93 percent per year, college tuition has experienced an average inflation rate of 6.85 percent per year.[82]

The ballooning in the cost of a college education has not been met by a corresponding ballooning in state funds. In fact, in 2015, average state funding for higher education was 23 percent lower than it was before the Great Recession.[83] Thus, residents are forced to make up the difference. The result has been a skyrocketing of debt.

As of 2018, the total student loan debt in the U.S. was $1.48 trillion, spread out among roughly 44 million borrowers. This eclipses total credit card debt by $620 billion. A Class of 2016 graduate had an average of $37,172 in student loan debt, with an average monthly payment of $351.[85] (Compare this to 1980, when the average graduate carried just over $3,000 in student debt.[86])

Gloomy Financial Outlook

Saddled with debt, it's no wonder Millennials have a negative outlook on their financial futures. Their debt is keeping them from a slew of activities that could improve their outlook, including:

- Saving for emergencies (54 percent)
- Buying a home (42 percent)
- Saving for retirement (32 percent)
- Starting a company (8 percent)
- Getting married (6 percent)[87]

Indeed, 39 percent report debt as the No. 1 source of their stress. Even more distressing, nearly 70 percent report never having learned how to handle debt.[88] Additionally, 70 percent admit they need more financial security but don't know how to get there.[89]

On top of this, the recession-plagued economy in the late 2000s caused many

[80] "What's the Price Tag for a College Education?" CollegeData.com, 2018
[81] Jackson and Nudelman, "The Chart Shows How Quickly College Tuition Has Skyrocketed Since 1980," Business Insider, August 14, 2016
[82] United States Bureau of Labor Statistics, 2017
[83] Lopez, Linette, "America's Student Debt Nightmare Actually Started in the 1980s," Business Insider, October 13, 2015
[84] "A Look at the Shocking Student Loan Debt Statistics for 2018," Student Loan Hero, January 2, 2018
[85] Ibid.
[86] Williams, Jeffrey, "After College, A Life Without Debt?" Dissent Magazine, August 16, 2006
[87] Simon, Javier, "Student Loans Delaying Retirement Savings for Millennials," PlanAdviser.com, October 4, 2016
[88] Kirkham, Elyssa, "[Survey] No. 1 Source of Money Stress for Millennials Is Debt," Student Loan Hero, June 1, 2017
[89] "Only One in Three Millennials Are Investing in the Stock Market," Bankrate.com, July 6, 2016

older Millennials to experience sluggish hiring and stagnant wages in the first years of their careers. Research shows that these young adults are earning 20 percent less than Baby Boomers did at the same age.[90]

For most Millennials, their credit health is not what it should be, either because they're not using credit enough (lack of credit history) or they have an overreliance on it (multiple lines of credit and overutilization).

A 2016 study found that up to 43 percent of Millennials have credit scores that are considered subprime.[91] Other research shows that fewer than half have credit scores that would qualify them for credit accounts with most mainstream lenders, and are declined even at high rates.[92]

Savings and Retirement

Millennials seem to be doing a better job of saving their money than previous generations, but it depends on which Millennials you're talking about and what their savings goals are.

The affluent among this generation are focused long-term on financial freedom instead of retirement.[93] Sixty-three percent of these Millennials are saving to live their "desired lifestyle," as opposed to 45 percent of both Baby Boomers and Gen Xers.[94] Millennials' long-term horizon is 10 years or less, and the lifestyle they desire includes travel, fitness, and dining.[95]

While auto-enrollment in company-sponsored retirement accounts has boosted the number of Millennials saving for their long-term future, research also shows that 41 percent of them haven't started saving at all, with those surveyed attributing their delay to a lack of disposable income.[96]

As for emergency or short-term savings, surveys show this number is improving for the population as a whole, as the economy and job prospects improve. Millennials' strong showing in this area is attributed to their experience during the financial crisis, causing them to prioritize savings.[97]

HOW FINANCIAL INSTITUTIONS CAN RESPOND

Millennials' relationship with money and the attendant challenges it poses has led them to seek an open, transparent, and authentic relationship with their financial institutions.

Banks and credit unions that are able to mesh traditional, foundational brand attributes with the unique attitudes and behaviors of Millennials can be successful, despite this generation's noted lack of trust. They want financial security, and while they're open to new brands and fresh approaches, this

[90] "The Financial Health of Young America: Measuring Generational Declines Between Baby Boomers & Millennials," *Young Invincibles,* January 13, 2017
[91] "Low Credit Scores May Dash Millennials' Home-Buying Dreams," TransUnion, April 21, 2016
[92] "Why Millennials Are Often Denied Credit," CNBC, October 25, 2016
[93] "Millennials Outperform Everyone in Saving, but It's Not for What You'd Think," Merrill Edge Report, May 19, 2017
[94] Ibid
[95] Ibid
[96] "Nearly Half of Millennials Haven't Started Saving for Retirement: Wells Fargo," CNBC, August 30, 2017
[97] Dixon, Amanda, "More Americans Are Getting Better About Saving. No, Really!" Bankrate.com, June 20, 2017

leaves a lot of running room for traditional financial institutions.

Engagement Is Key

When banks and credit unions engage Millennials, they gain a boost in wallet share of 25 percent or more.[98]

One way to do this is to focus on the financial issues that Millennials struggle with and the financial goals they deem important. Then give them the tools they need to monitor and control their financial planning, budgeting, and spending. Empower them with advice and information to make smart financial decisions. Show them the tangible rewards that goal setting and follow through can achieve.

For example, knowing that many Millennials struggle with saving money, show them what an extra $100 in their savings account could mean after one year — that they can rent their own place or put a down payment on a vehicle, making their four roommates or reliance on public transportation more bearable. Help them track their goals via the web or a mobile app. And, when they reach their goals, congratulate them with a bonus.

Another way to engage Millennials is to focus on the channels they prefer to use. Some prefer to bank in-person, especially when it comes to receiving financial advice, but they also want access to do-it-yourself mobile or online financial management platforms, where they can monitor all of their finances (credit cards, loans, bank accounts) in one place.

Rewards and Incentives

Aligning rewards and incentives with Millennials' priorities is another way to capture their attention. Travel is a priority for this generation. They want to see the world and experience it firsthand. What financial products and services — a budgeting app or rewards credit card — can help get them to their next destination? What options are available for them to control when and where they accrue miles — and when and where they're used?

The importance of incentives can't be overstated since more than 8 in 10 Millennials (83 percent) would switch financial institutions for more or better rewards.[99]

Fees Are an Achilles Heel

Fees for ATM usage, overdraft, insufficient funds, account maintenance, and various other surcharges are definite turnoffs for Millennials. They use such "hidden costs" as reasons to disengage and find alternative financial services providers. This generation is looking for free checking, free rewards, and free cash-back options that fit their budgets

[98] Marous, Jim, "Millennials Won't Wait for Banks to Understand Them," *The Financial Brand,* November 15, 2016
[99] Brannan, Keith, "What Motivates Millennials to Switch Banks," *The Financial Brand,* March 15, 2017

and lifestyles. A whopping 94 percent say no-fees banking is important when choosing their primary financial institution.[100]

Don't Skip Big Ticket Items

As Millennials begin making major investments in homes, businesses, and retirement savings, there is no shortage of resources to help them plan and strategize.

Known as "crowdfunding," alternative lending sites such as GoFundMe, Kickstarter, and Indiegogo are helping Millennials (and others) pay for business and personal expenses that traditional financial institutions could be providing instead. In fact, the transaction value in this segment adds up to just over $1 billion for 2018, and is expected to rise with an annual growth rate of 10.4 percent resulting in a total of $1.5 billion in 2022.[101]

Banks and credit unions can use relationship-building and engagement to learn when the entrepreneurial Millennial is seeking funds, then follow up with competitive rates and customer service to prevent the need of crowdsourcing to begin with.

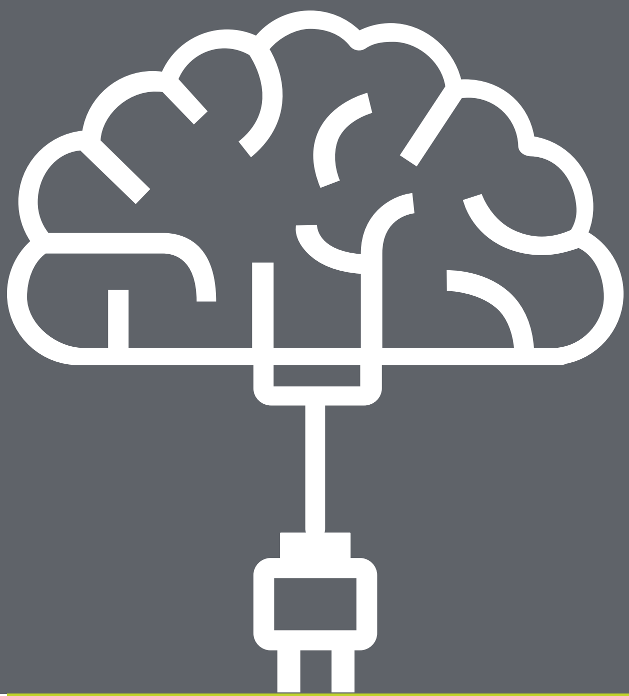
Talk With Them ... Not At Them

Focusing on formal or prestigious communications can backfire when trying to reach Millennials. Overly slick marketing materials are viewed as impersonal and old-fashioned, yesterday's way of doing things. Likewise, authoritative tones and overtures about experience, legacy achievements, and milestones are now considered self-centered and out of touch. They've been replaced by content that is more straightforward and colloquial, that stresses the human touch and personalizes the brand.

Banks and credit unions that speak to Millennials like a trusted peer instead of an authority figure and that help them navigate toward solutions in managing their finances will earn trust and respect over the long haul.

[100] Ibid.
[101] Statista, January 16, 2018

CHAPTER 5



Knowledge Is Power

CHAPTER 5

Despite being the most educated generation in history, and having seemingly endless sources of information at their fingertips, many experts believe Millennials are lagging behind their predecessors in basic financial literacy.

In one wide-ranging study, only 24 percent of Millennials demonstrated basic understanding of foundational financial products and services such as mortgages and investments.[102] Another study found that less than 25 percent of Millennials could correctly answer four out of five questions on a financial literacy quiz.[103]

A more recent survey found just 8 percent of Millennials had a high level of money knowledge, with about 25 percent demonstrating a basic understanding of how to manage their money. And yet, 69 percent of those surveyed gave themselves high marks for financial know-how.[104]

Ignorance Isn't Bliss

As many Millennials continue to face harsh economic headwinds — low or stagnant wages, student loan debt, etc. — their lack of understanding about money can exacerbate the financial pain they're already feeling. It can also impede their long-term and short-term goals, financial and otherwise.

If they don't understand where their money is going, how can they expect to save and invest for their futures?

To put this into a broader context, despite their academic achievements, U.S. Millennials score below their global peers in literacy, numeracy, and problem-solving in technology-rich environments.[105] Judged against their peers around the world, the numeracy scores of U.S. Millennials with a high school education or above have declined, while the percentage of those scoring below an international minimum standard increased at all levels of educational attainment.[106]

While most college finance courses are reserved for students who major in a related field, high schools aren't picking up the slack in providing the basics. As of 2016, only 20 states required high school students to take a course in economics and 17 states required high school students to take a course in personal finance.[107]

[102] Schuyler, Buckley, & Lusardi, "Millennials & Financial Literacy — The Struggle with Personal Finance," PwC, 2015
[103] Mottola, Gary, "The Financial Capability of Young Adults — A Generational View," FINRA, March 2014
[104] Dickler, Jessica, "Millennials Aren't As Smart About Money as They Think," CNBC, February 14, 2017
[105] Coley, Goodman, & Sands, "America's Skills Challenge: Millennials and the Future," ETS, February 17, 2015
[106] Ibid.
[107] "Survey of the States—Economic and Personal Finance Education in Our Nation's Schools," Council For Economic Education, February 2016

Lack of Trust

One could argue that the Great Recession, combined with the way Millennials use technology, has also limited their awareness, knowledge, and trust of traditional financial products and services.

The economic and market volatility during the Great Recession affected the job prospects and earning abilities of older Millennials, requiring an emphasis on simply making ends meet. Younger Millennials witnessed the impact on their siblings, parents, and grandparents.

It's no wonder that Millennials overall express distrust in financial institutions and financial advisors of all stripes, and that the advice they receive is colored by personal experience.

Parents Filling the Void

Millennials still living at home into their 20s and even 30s is so well documented it's become a stereotype. It's no surprise, then, that the main source of financial advice for this generation is their parents.

One survey found that more than 2 out of 3 Millennials are comfortable discussing the specifics of their finances with their parents.[108] This confidence goes hand-in-hand with financial support, as almost half of parents currently providing assistance to a Millennial child believe they will never stop providing at least some financial assistance.[109]

In addition to requesting advice, Millennials are observing the actions of older generations for cues on how they should make decisions. Forty percent say they have learned from their parents' financial successes or failures when making their own decisions — just 12 percent of Generation X and Baby Boomers have done the same.[110]

While parental influence on finances are a major factor,

approximately 53 percent of Millennials say they lack someone they trust for economic guidance, and only 8 percent trust traditional financial institutions to provide such guidance.[111]

Conservative Yet Reckless

Millennials have generally been conservative with their money, keeping up to 40 percent of their assets in cash (higher than any other generation), showing a lack of understanding of long-term saving and investment strategies.[112]

At the same time, they've exhibited reckless financial behaviors as well. Nearly 30 percent reported overdrawing their bank account in the last year. About 20 percent of those with a retirement account either took a loan or had

[108] "Year-End Millennial Snapshot," Bank of America, 2015
[109] Ibid.
[110] "2016 Fidelity Investments® Millennial Money Study: Facts, Figures and Findings," Fidelity Investments, 2016
[111] Whitten, Sara, "This Is The Biggest Financial Worry For Millennials," CNBC, January 25, 2016
[112] White, Martha, "Almost 40% of Millennials Are Making This Horrible Money Mistake," Money.com, July 19, 2016

made a hardship withdrawal in the past 12 months.[113] And 43 percent have used some form of alternative lending in the past five years, mostly pawnshops and payday lenders.[114]

Two-thirds of Millennials have at least one type of long-term debt, including a student loan, home mortgage or car loan, and 30 percent have more than one type of long-term debt. Debt is clearly their biggest financial worry, and almost 70 percent report never learning how to manage it.[115]

The good news/bad news is that while Millennials overwhelmingly state they wish they had learned more about basic money management in school, they also overwhelming believe they know a lot now.

While some of these inconsistencies can be chalked up to typical demographic differences within any generation, the fact remains that many Millennials don't know enough about money issues to grasp the consequences of their financial decisions.

HOW FINANCIAL INSTITUTIONS CAN RESPOND

Millennials are optimistic about their financial futures and their ability to achieve their financial goals. But it's unclear how realistic this optimism is. What is clear is that the majority of them need educational tools to improve their knowledge in order to achieve their goals. They won't get there on their own.

Banks and credit unions can attract Millennials by being their ally and helping them confront financial truths. Despite what they think they know, they lack a basic foundation in understanding the long-term and short-term implications of their money decisions. By blending real-life information with creative, responsive, and dynamic user experiences, financial institutions can tap into Millennials' digital inclinations to build lasting relationships.

Sub-Savings Accounts

For example, some financial institutions offer "sub-savings accounts," where account holders can assign funds to separate needs or goals (e.g., a trip to Europe, a wedding, a down payment for a car or house, etc.) instead of stashing it all into a single account. Funds can be added automatically from a checking account, and account holders can easily track progress via online banking or mobile app. And the bank or credit union can offer proactive advice, feedback and incentives for ways to improve or increase savings.

Some financial institutions go a step further by offering bonus rewards when account holders reach certain goals or milestones. Rewards can include additional cash in the account, gift cards to retailers like Target

[113] "Millennials Aren't As Smart About Money As They Think," CNBC, February 14, 2017
[114] "A Guide to Millennial Marketing in the Financial Services Industry," Data Mentors, March 25, 2016
[115] "No. 1 Source of Money Stress for Millennials Is Debt," Student Loan Hero, January 2, 2017

or Amazon, and a higher interest rate.

Of course, the same caveat applies: Fees are an Achilles Heel. If Millennials sniff out hidden fees or get the impression they're being taken advantage of, they will flee in droves, and not quietly. A well-thought-out approach is necessary and should include parameters such as limits on the number of accounts, minimum balances, annual percentage yields, fees, etc. It's important to remember, however, that competitors will include online institutions as well as traditional brick-and-mortar ones.[116] Whatever policies you implement, they should be transparent and communicated frequently to account holders.

Account Monitoring

Saving money is hard — for everyone. For Millennials struggling just to keep up with their daily living expenses, it can seem impossible. Here, too, financial institutions can offer a blend of digital and consumer-centric tools to help.

Mobile apps such as Digit analyze account spending on a daily basis and automatically move money from a checking to a savings account if the account holder can afford it that day.[117] Such apps also let users know how much of their money should be allotted to rent, entertainment, clothing, food, and other expenses based on their income. It's no wonder they've grown in popularity as Millennials have come of age: they provide just the type of basic information young adults need, on the platform (smartphones) they're most comfortable using.

Look at Their World — Not Just Your Own

It's not enough to monitor the accounts an account holder has with your financial institution. It may provide a 360-degree view of your world, but it may provide only a 180-degree (or less) view of theirs. In today's consumer-centric world, Millennials expect their financial institutions to track and monitor all of their spending and all of their saving, in real-time, no matter where and when it occurs.

Such expectations are perfectly natural for young adults who've grown up being followed around the internet by brands and retailers who want their attention (and dollars). They see the same banner ads on Facebook and Instagram as on Google and their local news sites.

Surely, if businesses have the ability to follow them in order to sell them something they have the ability to follow them in order to provide a service.

[116] Armstrong, Tony, "Need Multiple Savings Accounts? Here's Where to Bank," NerdWallet, Inc., January 11, 2018
[117] Berger, Sarah, "3 Apps That Simplify Millennials' Financial Lives," Bankrate.com, June 16, 2016

Today's tools go beyond monitoring checking and savings accounts. They track credit cards, 401k accounts, money market accounts, loans, and credit scores to provide a true 360-degree view of an account holder's financial life. Throw in budgeting and credit-building tools, and financial institutions can provide a valuable service while imparting confidence to Millennials about their financial future.

Taking Financial Education a Step Further

Research suggests that educational content that reinforces Millennials' desire to act as — and be seen as — responsible adults resonates much more than it would have with Baby Boomers or Generation Xers at the same age.[118] Focusing materials around life events is both natural for financial institutions (who are accustomed to marketing based on life-stage demographics) and widely accepted by Millennials: going to college, growing wealth, buying a home, saving for retirement, etc.

Real-world case studies support the research. The insurance firm MassMutual's "Society of Grownups®" campaign has been widely successful in engaging and educating Millennials on financial basics such as saving, budgeting, debt, and home-buying. It includes a suite of online courses, articles, calculators for home affordability and loan repayments, and even personal counseling from financial advisors. It offers e-newsletters sent via email and blog posts on everything from balancing charitable giving with debt, overcoming fears of investment, and starting a business.[119]

Financial institutions can take the initiative a step further by hosting on-site workshops and counseling sessions for members of their community. Classes can include navigating the beginning of a career, self-employment in the gig economy, taxes, and the best ways to build strong credit. Community-minded banks and credit unions can offer scholarships, sponsorships, grants and other competitive awards for local youth. They can host meet-ups for young entrepreneurs and offer financial tips for starting and growing a business. They can partner with career counselors at local high schools and colleges, provide pro bono coaching on career advancement and salary negotiations. There is no shortage of opportunities for financial institutions to impact young adults in their communities — improving lives and building lasting relationships at the same time.

Other successful initiatives used by financial institutions to engage Millennials include:

- **Partnerships** with educators (Khan Academy) or industry thought leaders (iShares, Investopedia, Forefield, Morningstar) to develop one-of-a-kind content

[118] Pike, Kelly, "How To Attract Millennial Customers to Your Bank," *Independent Banker,* March 29, 2017
[119] www.societyofgrownups.com

- **Gamification** that allows users to set goals and make decisions in a virtual environment where it's okay to fail and learn from mistakes without the long-term consequences of real life

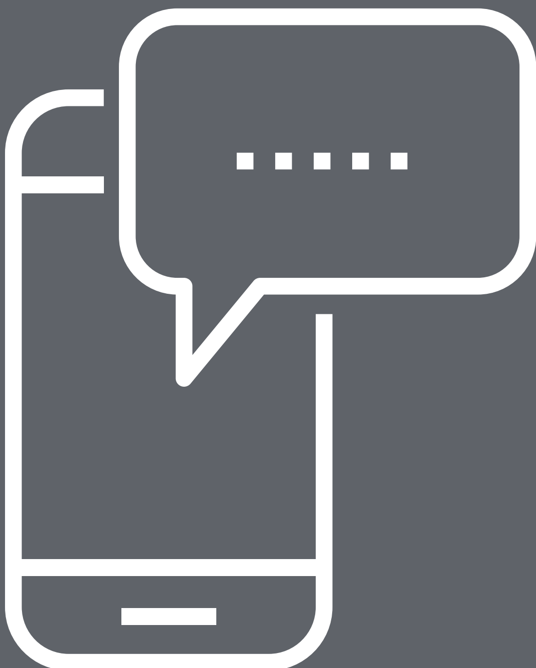
- **Connecting learning with marketing** to showcase the financial institution's products and services while teaching financial concepts[120]

How far financial institutions decide to go in this direction will vary, obviously. But whether it's something as basic as an educational area of the website, the content should be unique and relevant. It should seek to provide comfort in managing and investing one's money. Whether this is done via quirky, funny, or serious tones and messaging is up to the financial institution's brand.

Financial institutions have an opening — using traditional banking models of relationship-building, but updated for the digital age — to engage Millennials with timely and relevant content, targeted specifically at their life stages, interests, and values.

[120] Holly, Thomas, "The $30T Question That Financial Literacy Can Solve," PwC, April 27, 2017

CHAPTER 6



Communication

One of the most talked about topics relating to Millennials is their means of communication — or lack thereof. Depending on the source, Millennials are viewed as either self-absorbed narcissists who lack the interest and attention spans to have real-life conversations with other people or they're over-sharing neurotics who want to tell you their feelings about anything and everything, from what they ate for breakfast to why their ex-girlfriend broke up with them.

Proponents of the first view will cite studies like that by Frisch's Restaurants, in which 31 percent of Millennials said the reason they use drive-thrus isn't for speed or convenience, but because they require the least amount of interaction with other humans. This was double the rate of any other generation.[121]

Proponents of the second view will cite cultural shifts such as the proliferation of "participation awards" and "emotional intelligence" scores as cues that Millennials are too emotive and always looking to share their feelings with the world.

The truth, in fact, is neither — or both. As the largest generation in history, Millennials are an easy target for anyone looking to criticize them. It's easy to find significant numbers to embody just about any characteristic you can think of (see the beginning of Chapter 4).

So what can be said about them, collectively? And what can we learn about their means of communication?

Digital First

Millennials, unequivocally, are the first generation raised as "digital natives." When they think about communicating, they think internet,

unlike Gen Xers and Baby Boomers, who think telephone or television. As such, while they do want to engage personally and emotionally, they look to connect digitally first, and then face-to-face.

This is especially the case when shopping for products and services. They first seek information online, such as peer reviews and thought leadership from experts in their fields. They devour product reviews. They look for "social proof" on social media sites that the brand will meet their needs. Then they look for confirmation from family and friends.[122] Once this research is complete, Millennials are comfortable making their own decisions

[121] Ruggles, Ron, "Frisch's Survey Reveals Drive-Thru Trends," *Nation's Restaurant News,* August 24, 2016
[122] Chen, Lu, "How To Create Customer Loyalty With Millennials," Forbes, June 26, 2017

on what to buy and from whom.

As discussed in Chapter 3, the very meaning of life for Millennials lies in control. Using the internet to perform research prior to engaging with a brand gives Millennials control over what information they receive and how they receive it.

Friends Don't Let Friends Succumb to Sales Pitches

Another fact is that

Millennials grew up as the most marketed-to generation in history. They have heard it all and are extremely savvy about how products and services are being pitched to them. They have a well-earned disillusionment when it comes to sales pitches — even when those pitches take place in environments that Millennials frequent.

For example, talking to peers about a favorite brand has increased adoption of the brand at significantly greater rates than by advertising on television, Facebook and YouTube combined.[123]

Millennials want to receive information that is useful and relevant to their needs. They value transparency and access to this information via their channels of choice, including online, social, and mobile — places they can access whenever and wherever they want. It's no coincidence that the birth of "content marketing," which uses valuable information to engage prospects and earn their trust before pitching a sale, coincided with Millennials reaching adulthood.

What Social Means

Social media was invented by Millennials for Millennials. Older generations and advertisers are relative newcomers to Facebook, Snapchat, and YouTube. And, make no mistake, from Millennials' perspective they are unwelcome newcomers, intruders. One reason given for Facebook's loss in younger users is the influx of older users and advertisers.[124]

Facebook's loss has been Snapchat's gain. The primary reason is privacy. Users on Snapchat can communicate privately with one another without worrying about appearing on each other's "News Feeds" like on Facebook.[125]

Another noteworthy reason for fleeing Facebook (and Instagram) for Snapchat is authenticity. Facebook and Instagram users can edit photos using filters, which can alter their reality to make them look more polished. Snapchat, on the other hand, shows reality as it really is, making it a more authentic representation of the person using it.[126] (It's worth noting that Facebook offered to buy Snapchat in 2013 for a reported $3 billion, but the 23-year-old CEO turned the offer down.[127])

[123] Baar, Aaron, "Millennials Crave Consistency, Connection With Brands," *Marketing Daily,* August 16, 2017
[124] Walters, Natalie, "Facebook (FB) Continues to Lose Millennial Users to Snapchat," The Street, October 14, 2016
[125] Ibid.
[126] Ibid.
[127] Rusli, Evelyn and MacMillan, Douglas, "Messaging Service Snapchat Spurned $3 Billion Facebook Bid," *Wall Street Journal,* November 13, 2013

Given their preference for social sites that cater exclusively to other Millennials, brands that want to engage Millennials on these channels have their work cut out for them. Only reluctantly will Millennials accept the presence of brands in their social networks — and only if they behave socially. What this means, unfortunately, isn't what many brands think. It doesn't mean acting "cool" or being snarky about their competitors.

A recent report on consumer perceptions of brands on social media revealed what consumers don't like:

- Making fun of customers (88 percent)
- Discussing politics (71 percent)
- Using slang (69 percent)[128]

Attributes that consumers find appealing include:

- Responding to questions (83 percent)
- Joining conversations (68 percent)
- Talking about timely events (66 percent)[129]

The key is authenticity. The more authentic a brand can be on social media, the more effective it will be in attracting and engaging Millennials.

Self-Service is Preferable ...

Millennials overwhelmingly prefer self-service options, especially those that get them to their destination faster by cutting out the middleman. In fact, they may reject a business that doesn't provide enough opportunity for them to help themselves.[130] But it's not just about speed. It comes back to control. Millennials want to feel empowered to control their own experiences, including how, when, where, and why they interact with a brand.

... But They Don't Mind Proactive Communications

Something that may come as a surprise to those who have long heard that "email is dead": Email is the most engaging method for communicating among Millennials. Yes, this includes social media.[131]

When it comes to making a purchase based on an email, Millennials are more likely to do so than any other generation:

- Millennials: 51 percent
- Generation X: 29 percent
- Baby Boomers: 18 percent[132]

The caveat is that for email to be effective, it must be done "right." This means personalized and targeted messaging, content that is useful, and not overladen with too much information. Concise, relevant and timely win the day.

[128] "Consumers Aren't Looking to Buy From Brands That Are 'Cool' on Social," *The Q2 2017 Social Sprout Index,* sproutsocial.com, April 2017
[129] Ibid.
[130] Solomon, Micah, "Millennial Customers Will Dominate in 2017. Is Your Customer Service Experience Ready for Them?" *Forbes,* December 27, 2016
[131] "2017 Consumer Email Habits Report: What Do Your Customers Really Want?" Campaign Monitor, May 2017
[132] Ibid.

Customer Service

Millennials favor digital channels when communicating with a brand about customer service issues. A generation of multi-taskers, they will likely use multiple channels, including web, mobile app, and email. They prefer these forms of communicating over waiting in a queue on the customer service hotline or waiting for a response from the "Contact Us" form on a website.

Of course, social media is also a customer service channel for Millennials. Microsoft found that roughly 47 percent of Millennials have used social media to complain about a brand's service, and 25 percent expect to receive a personal response within 10 minutes after reaching out to a brand via social media.[133]

For stickier issues or when their problems aren't being resolved digitally, Millennials have no problem escalating to a phone call or in-person visit to the brick-and-mortar store. They rarely start with that option, however.[134]

HOW FINANCIAL INSTITUTIONS CAN RESPOND

As with other aspects of their lives, Millennials crave control over how and when they communicate with financial institutions. Begin with the simple fact that young consumers receive virtually all correspondence digitally. This means they are accustomed to real-time information on deposit and credit accounts, and receiving alerts based on their choice of frequency and type.

But all Millennials are not alike. For instance, younger Millennials, who have less experience with financial matters and banking, are more likely to want in-branch and telephone conversations, while older Millennials are more likely to stick to self-service channels on the website and mobile app.[135]

Omnichannel Is Key

Because of these differences, financial institutions can't devote one channel as their "Millennial channel," whether that be social media or their mobile app. Millennials are too idiosyncratic and diverse of a group for such an approach to work. Even individually, as perennial multi-taskers, Millennials prefer to engage via multiple channels.

The key is to ensure no matter what channel the account holder wishes to engage, the financial institution can offer a personalized and seamless experience. If a customer deposits a check via the mobile app, then goes to work and checks his balance on the website, the deposit should be apparent and accounted for. If a customer has an issue she is trying to resolve, each touchpoint should reflect all previous touchpoints, regardless of channel.

[133] "2017 Microsoft State of Global Customer Service," Microsoft, 2017
[134] Solomon, Micah, "Millennial Customers Will Dominate in 2017. Is Your Customer Service Experience Ready for Them?" *Forbes,* December 27, 2016
[135] McDade, Sean, "Millennials and Banking: What the Data Reveals About Delivering a Great Customer Experience," Salesforce.com, August 26, 2016

Determine Individual Preferences

Beyond being prepared to cater to Millennials and other account holders via all channels, financial institutions can determine individual preferences and use those channels to interact with customers for different types of communication (product notifications, account statements, alerts, sales messages, etc.).

This process should begin at the account opening stage and be updated continually throughout the lifetime of the customer. For example, consider adding a quick survey to the onboarding process asking how a new account holder prefers to be reached. Is it text? Email? Phone call? Update this information periodically just as with general contact information and other vital data.

Use Data to Hone In on Behaviors and Trends

Beyond subjective means for determining individual preferences, financial institutions can mine their account holder data to determine actual behaviors and cater to those.

Retailers (Amazon, Target, Barnes & Noble, Alibris®, etc.) have set a high bar for doing this, matching consumer needs to personalized offers. Banks and credit unions should follow their lead and match behavioral actions with channels and touchpoints over time. By doing so, they can learn which account holders prefer which channels for which types of communication. Who wants to be alerted via a phone call vs. a text? Who wants marketing content via email vs. snail mail? Who wants self-service only and needs all information available all the time via the mobile app and website?

The key, of course, is being able to meet these needs once they're identified. This goes back to the importance of an omnichannel approach and being able to deliver communications wherever and whenever account holders want them. By taking this a step further and identifying individual preferences, financial institutions will offer the kind of customer experience Millennials and other consumers are seeking.

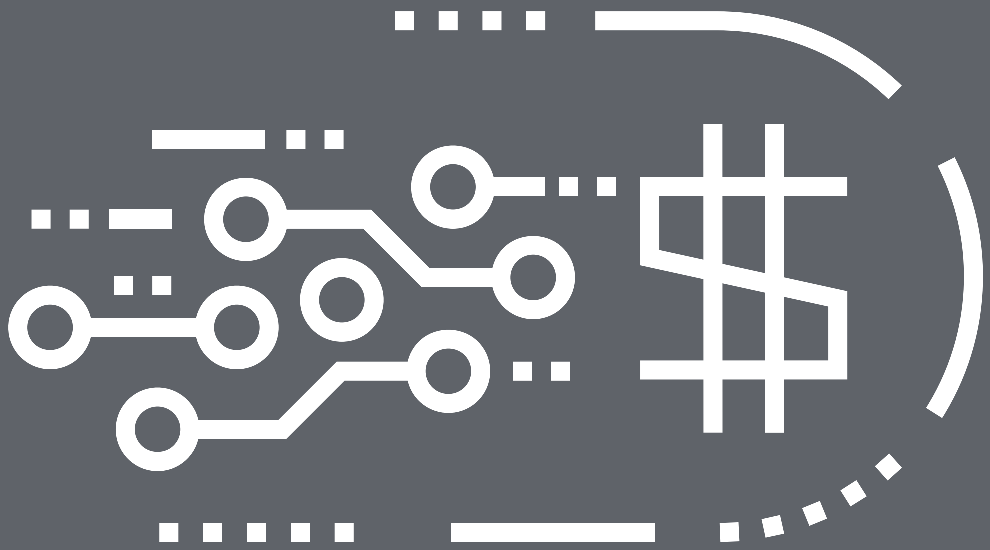
Watch Your Tone

Remembering that authenticity is king, financial institutions need to consider the messaging itself and not just the channels delivering it. Telling the brand's story in a way that is transparent and honest will show Millennials and others that the bank or credit union is trustworthy and sincere in wanting to understand its account holders.

Advice should be encouraging and empowering. Information should be personal and contextual. Language should be relatable and user-friendly.

Authenticity is more than a strong backstory. It is also the subtle ways the financial institution communicates to its account holders and prospects.

CONCLUSION



They're the largest, most diverse, most educated generation to date.

CONCLUSION

They're the largest, most diverse, most educated generation to date. They are the largest segment of the American workforce. They hold the most purchasing power, and they're poised to be the recipients of the greatest transfer of wealth in history.

These facts underscore why Millennials are a crucial market for financial institutions. And why they're also the most challenging to pin down. Generalizations are elusive and largely counterproductive. But the events that shaped their formative years have given Millennials some common characteristics that every bank and credit union needs to be aware of.

Like any other generation, their formative years included major societal (9/11, mass shootings, the Iraq War), economic (the Great Recession), and political (the election of the first African American president) events. But, unique to Millennials, these events coincided with a time of tremendous technological advancement.

Two of these factors have had the biggest influence on how Millennials approach money: technology and the Great Recession. Both have shaped Millennials' attitudes about the role that money plays in life, whom they trust to manage it, and how they want to interact with financial services providers.

Their comfort with digital technologies, their desire for experiences over material possessions, their need for control — these are values unique to Millennials. But they are not monolithic. They require more work by banks and credit unions to attract, engage, and retain as loyal account holders.

The balancing act lies in offering Millennials a compelling reason to engage — a mobile app with budgeting features, P2P capabilities, community-giving opportunities via a branded card, a sponsored music event — while retaining traditional values of trust and service. Financial institutions that can deliver both by tapping into big data and analytics, and by embracing a new era of customer engagement in which consumers control how brands do business with them, will succeed. Those that don't will fall behind and eventually die off.

CONCLUSION

New technologies are changing the way we live and work, impacting consumer expectations, and raising the bar on what best-in-class customer engagement means. Harland Clarke is helping to architect these changes in the world of financial services. Through the use of advanced analytics, personalization, and omnichannel capabilities, Harland Clarke delivers first-class customer experiences to more than 50 million consumers and 5 million businesses per year. Harland Clarke is a wholly owned subsidiary of Harland Clarke Holdings.

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please call **1.800.351.3843**,
email us at **contactHC@harlandclarke.com**
or visit **www.harlandclarke.com**.