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**Federated
Hermes** 



Respect

THE ASCENDANCY OF MILLENNIALS & HOW THE FUTURE OF FINANCE IS MORE FEMALE

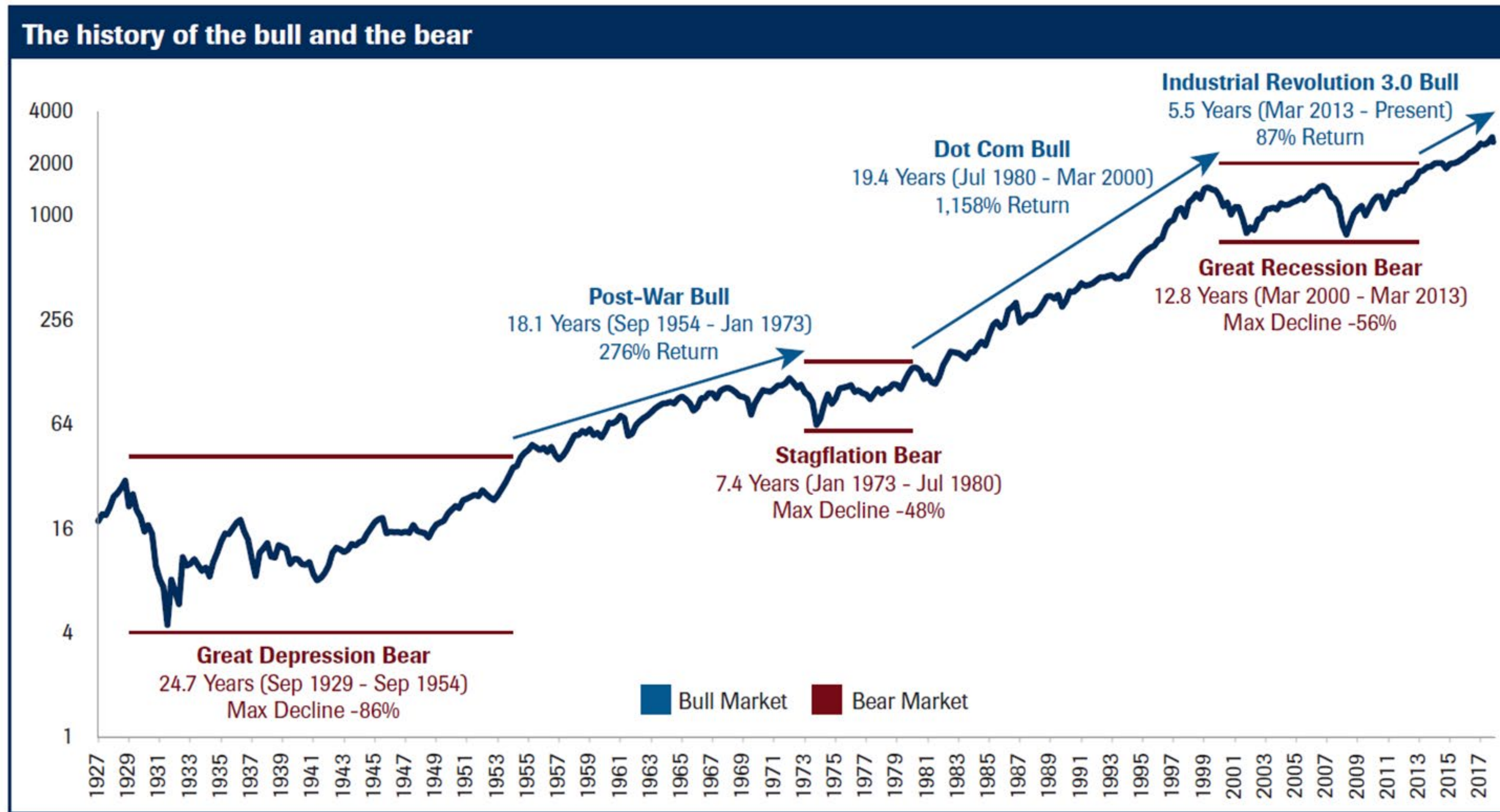
Presented by

Steven A. Chiavarone, CFA
Vice President, Portfolio Manager

December 2020

Federated Advisory Services Company

We have argued that the rise of the millennials is a key driver behind a secular bull market



Source: Federated Hermes and Morningstar Inc.

But who are the millennials?

Gen Z
Born: 2001 - 2020
Age in 2018: 0 to 17



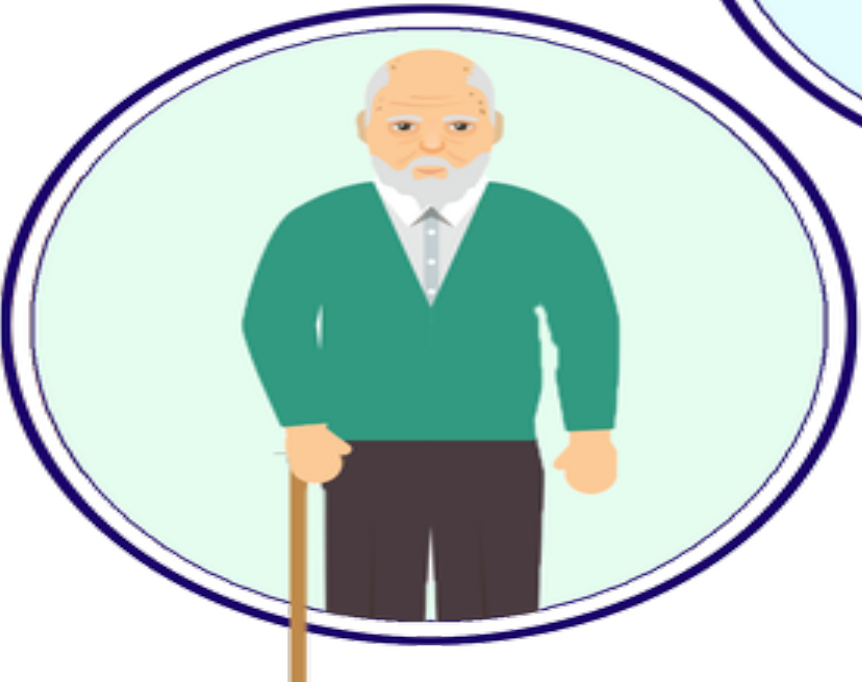
Millennials
Born: 1980 - 2000
Age in 2018: 18 to 38



Gen X
Born: 1965 - 1979
Age in 2018: 39 to 53



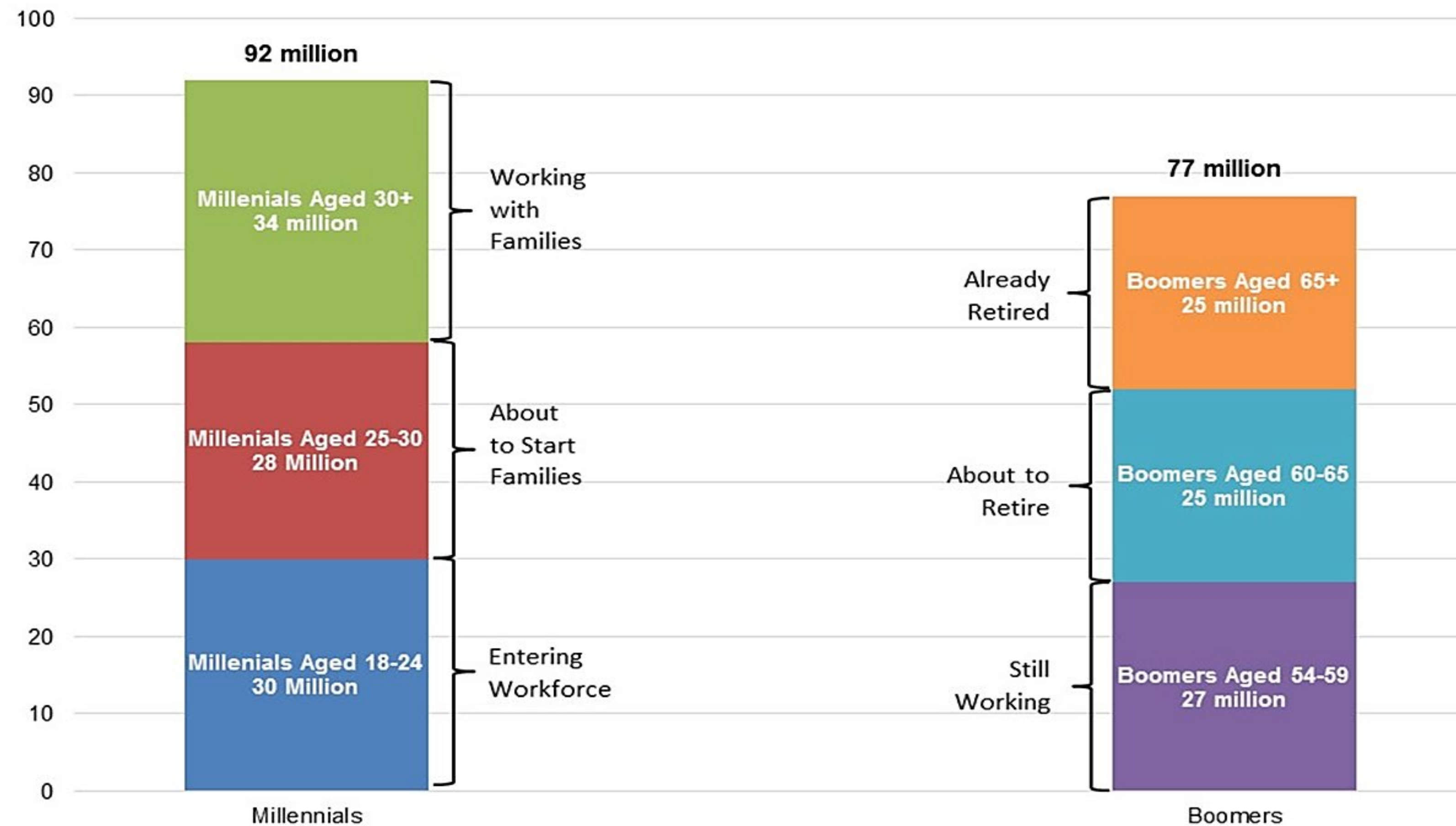
Baby Boomers
Born: 1944 - 1964
Age in 2018: 54 to 74



Silent Gen
Born: 1925 - 1943
Age in 2018: 75 to 93

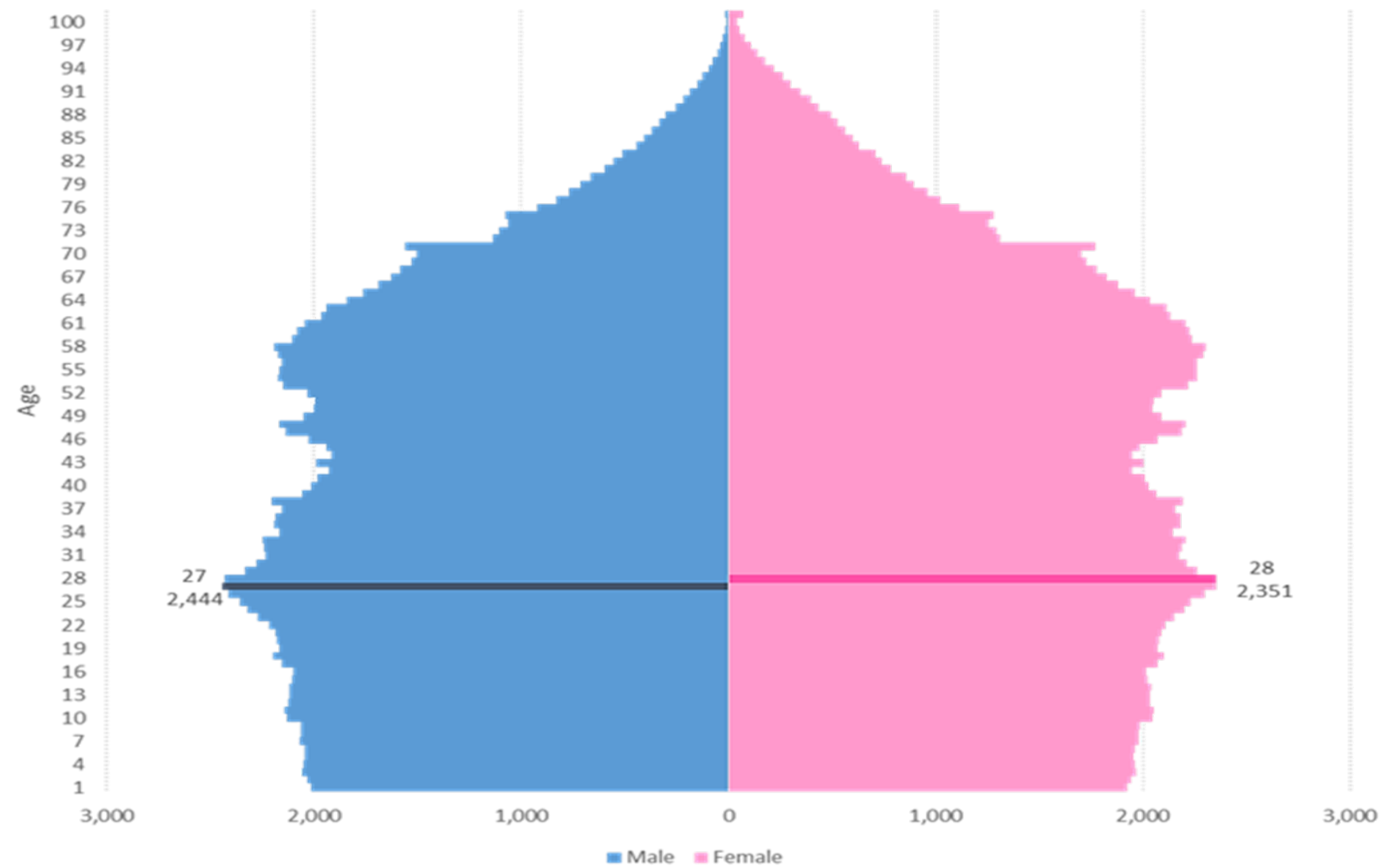
Source: Federated Hermes Consumer Expend Bureau of Labor Statistics.

They are the largest generation in our history...



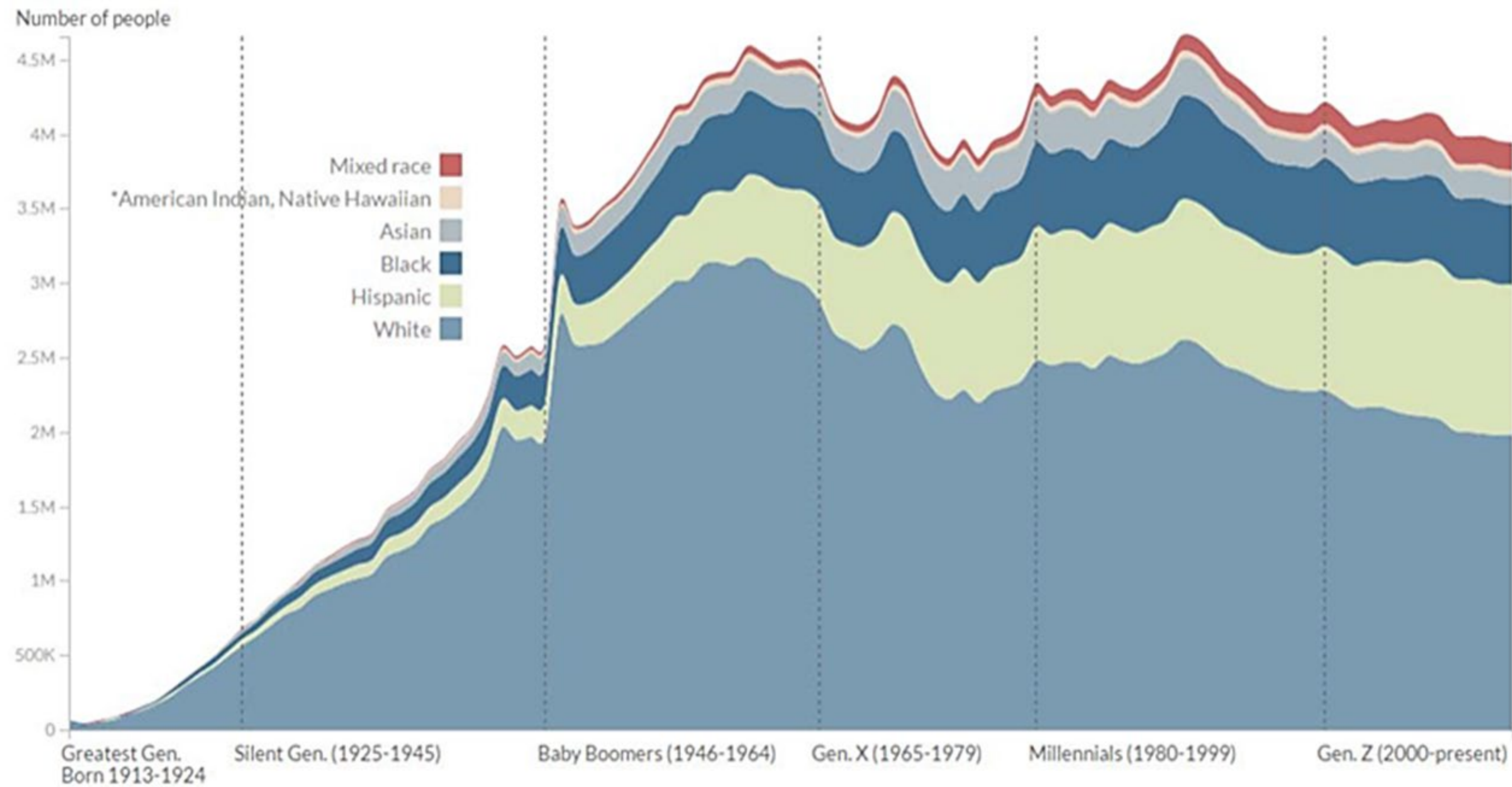
Source: Federated Hermes; Goldman Sachs

...and quite possibly our greatest natural resource



Federated Hermes; U.S. Consensus Bureau. Data as of 2017

They are the most diverse generation in history



When we think of Millennials, we often picture...

hipsters...

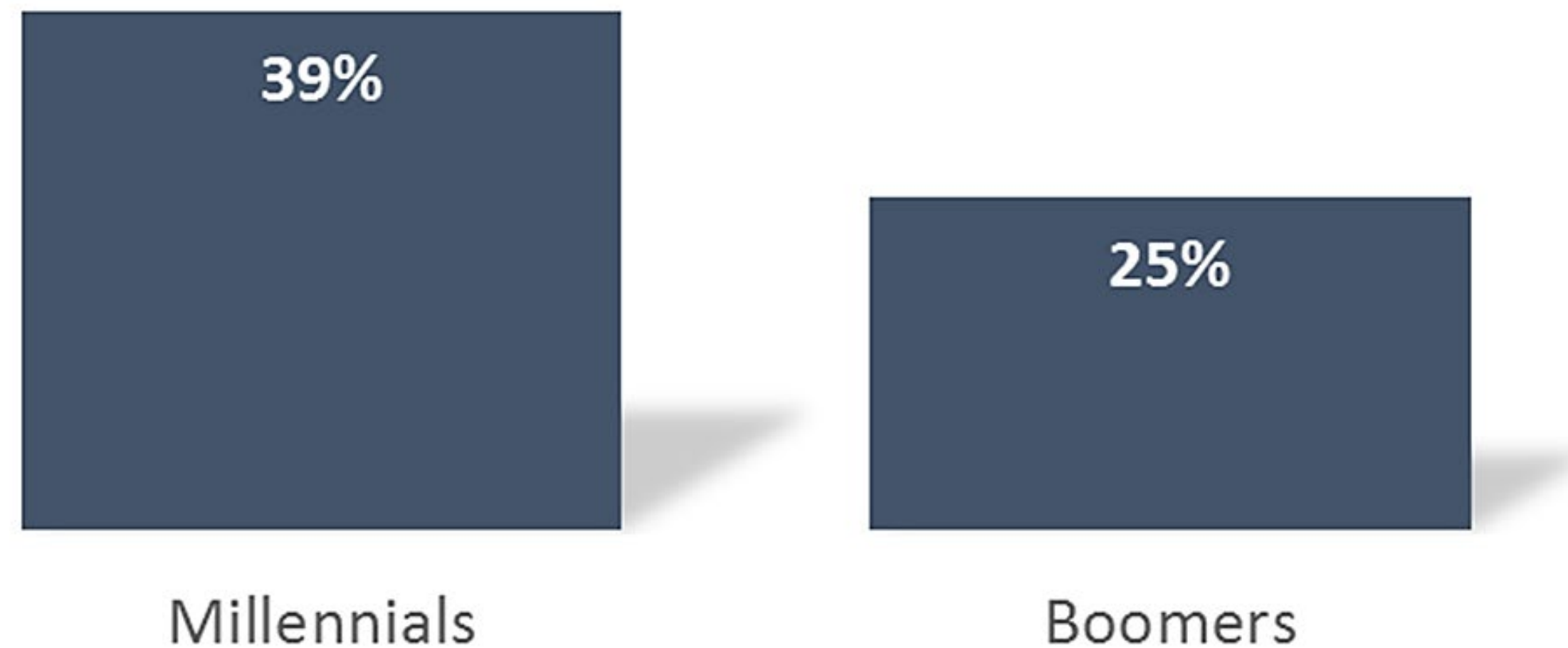


**...but we need
to think about
women.**



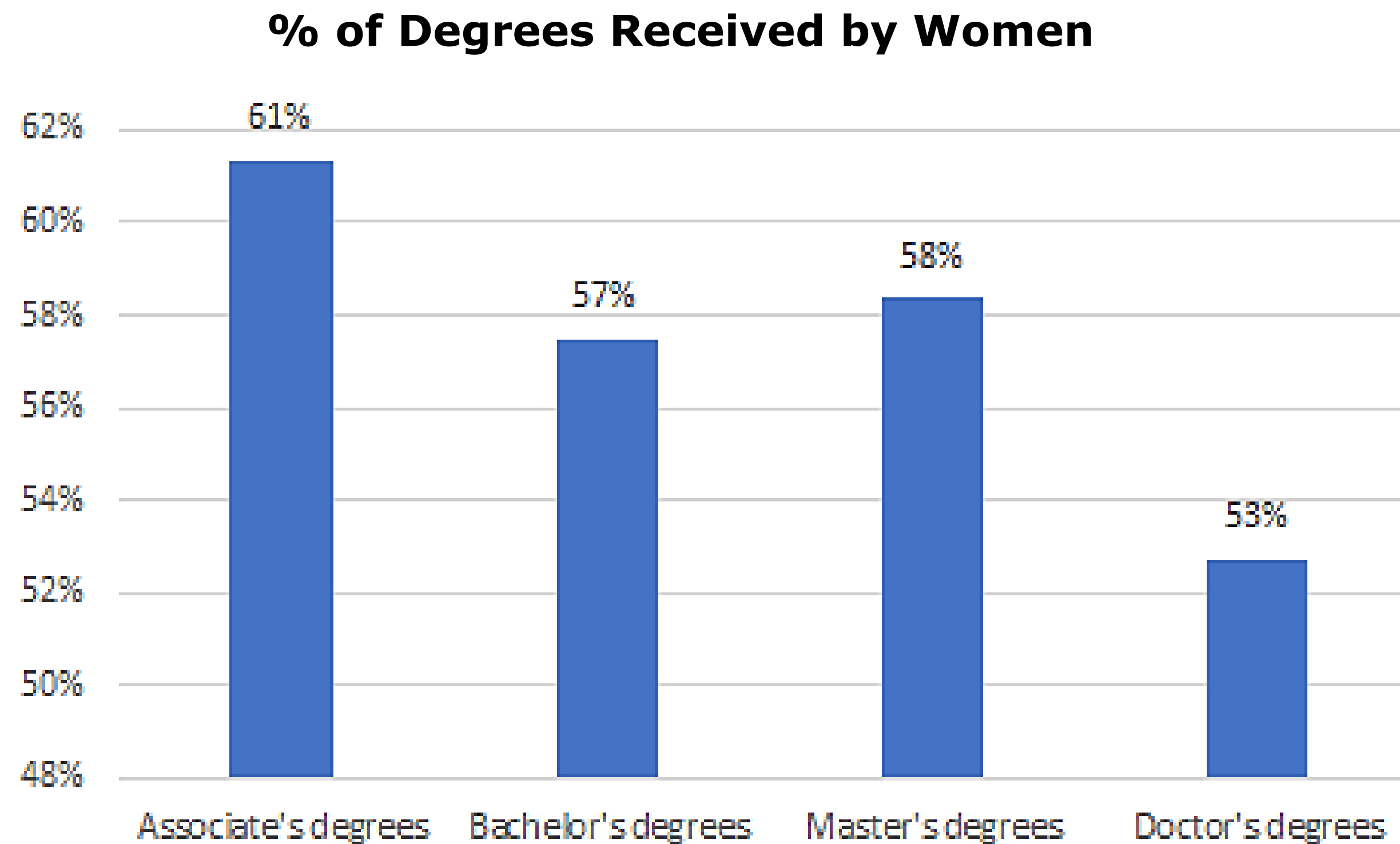
Millennials are the most educated generation in our history

Percentage That Has at Least a
Bachelor's Degree



Source: Bureau of Labor and Statistics, December 2018.

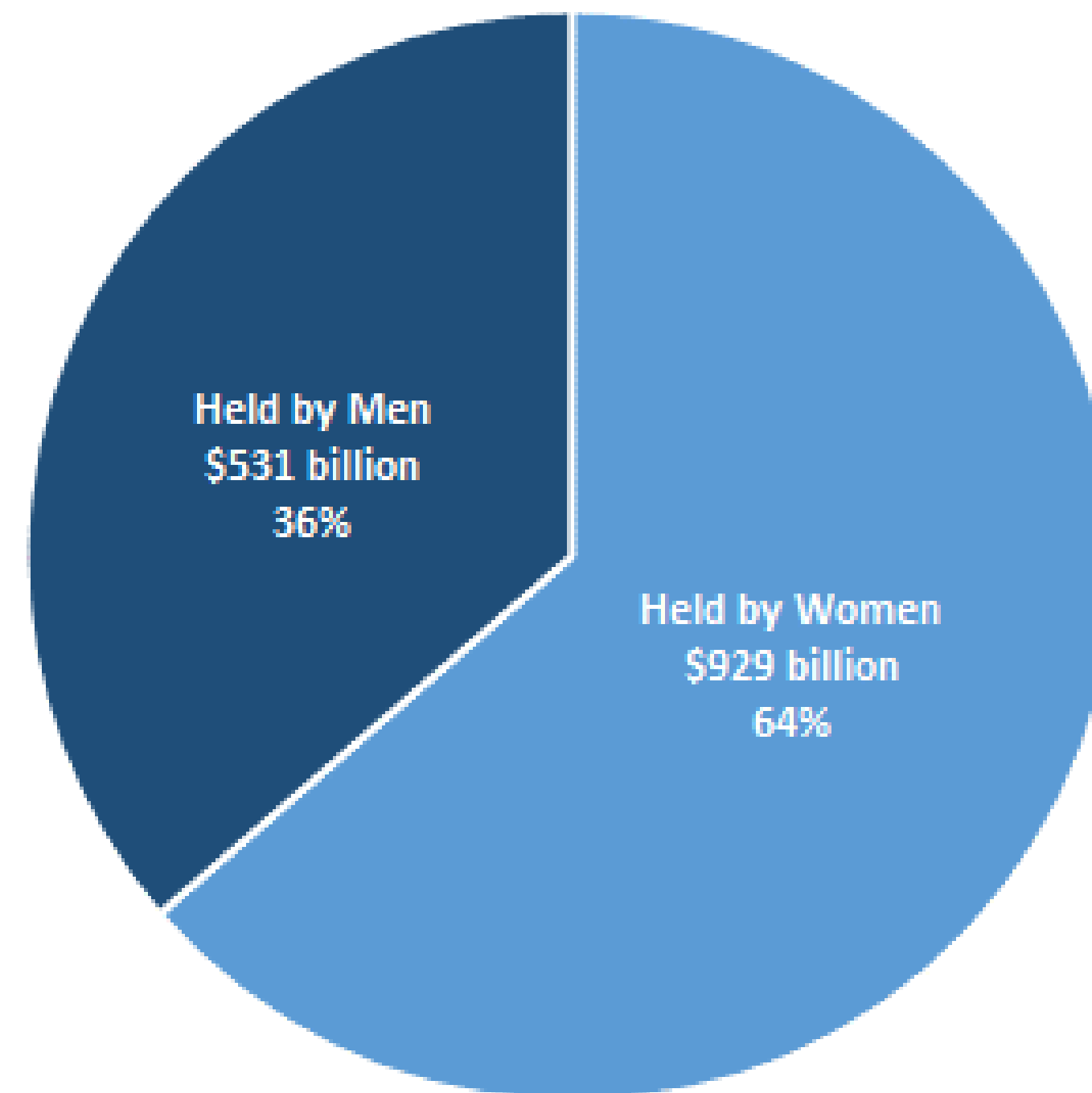
Largely due to the success of women, who now earn the majority of college degrees



A millennial woman is more likely to get a college degree than any human, anywhere in the world, at any time in the past.

That education has come at a cost

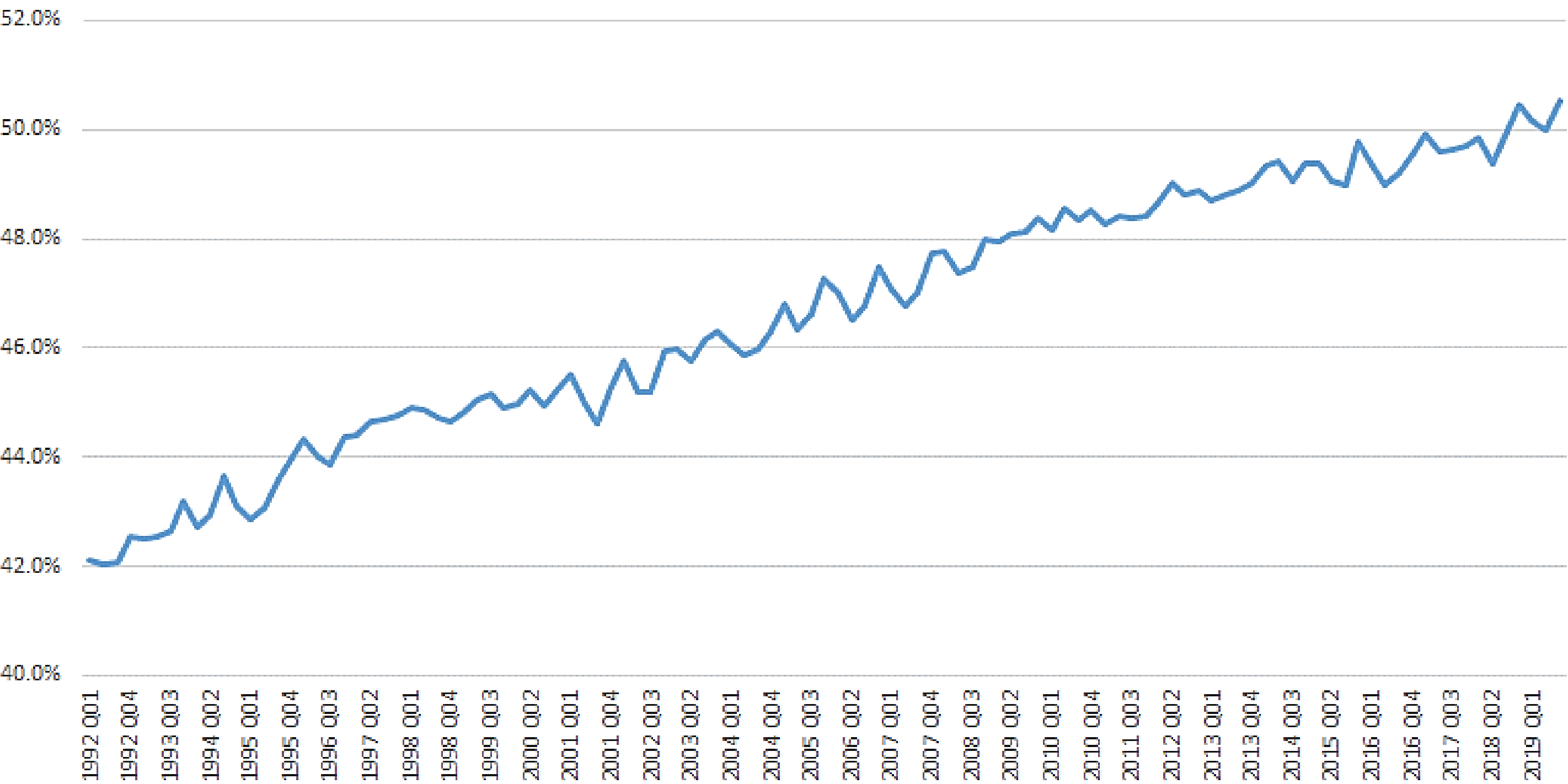
Student Debt Held by Gender



Source: American Association of University Women, as of Q1 2019

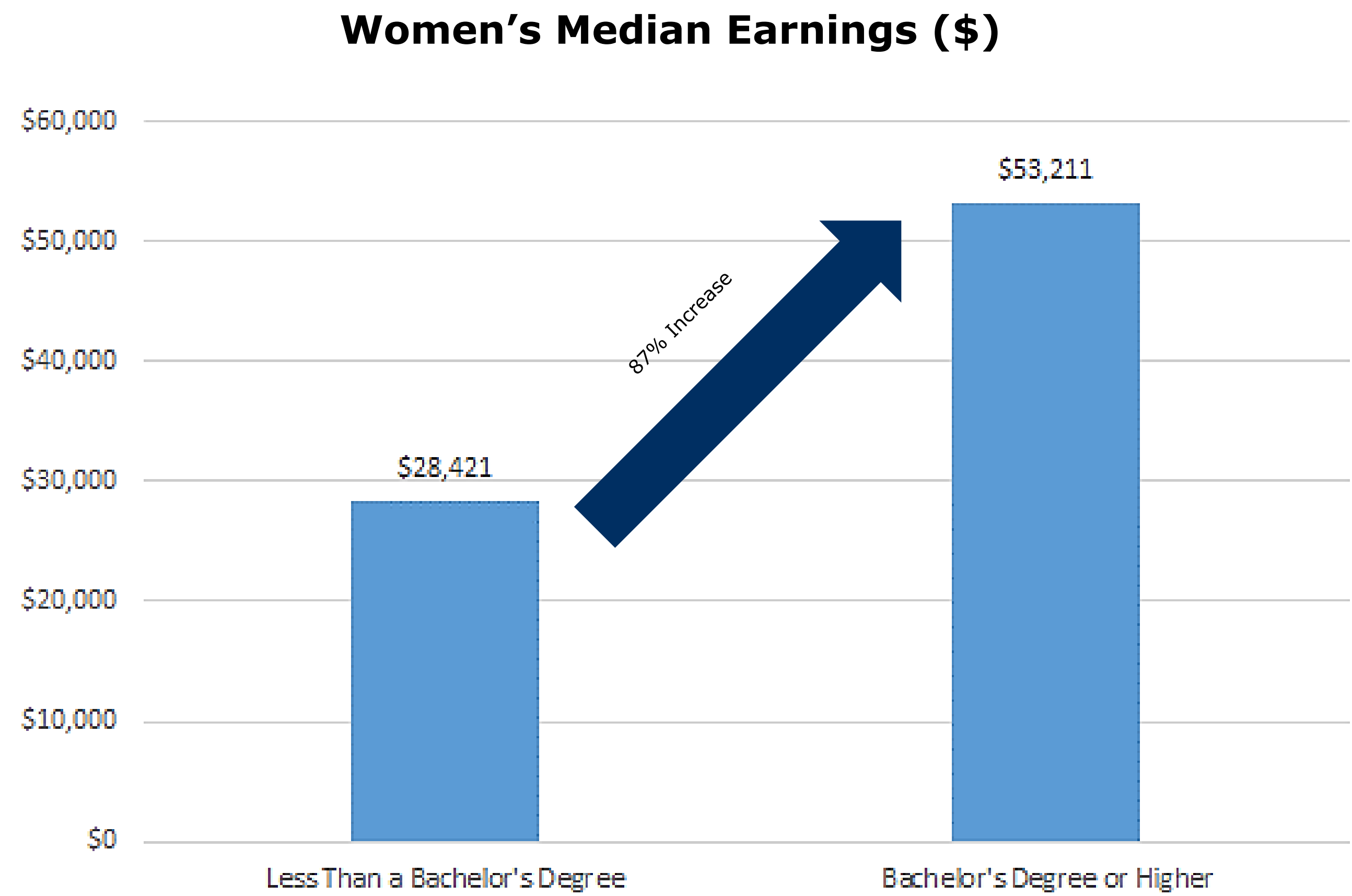
Women now make up a majority of the college-educated workforce...

Women as % of Civilian Labor Force with Bachelor's Degree or Higher



Source: Bureau of Labor Statistics, as of November 2019

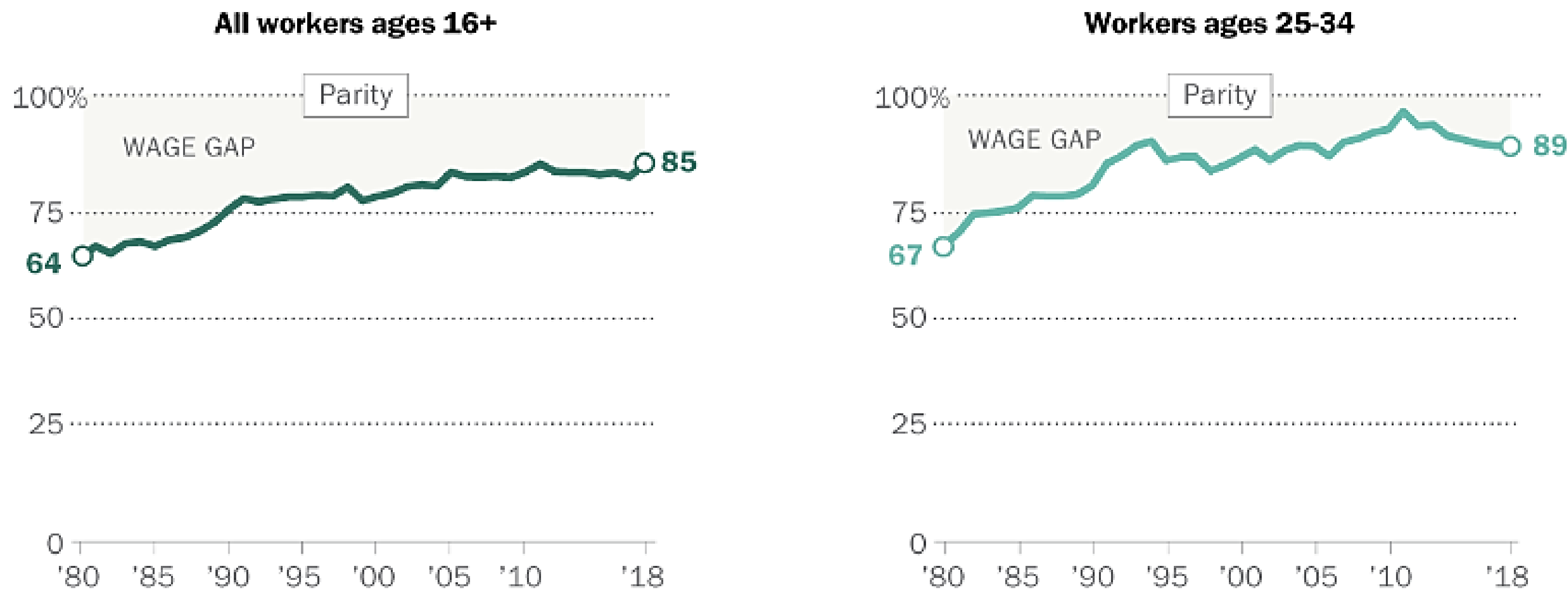
...which translates into higher paying jobs



Source: United States Census Bureau, April 17, 2019

While the wage gap persists...

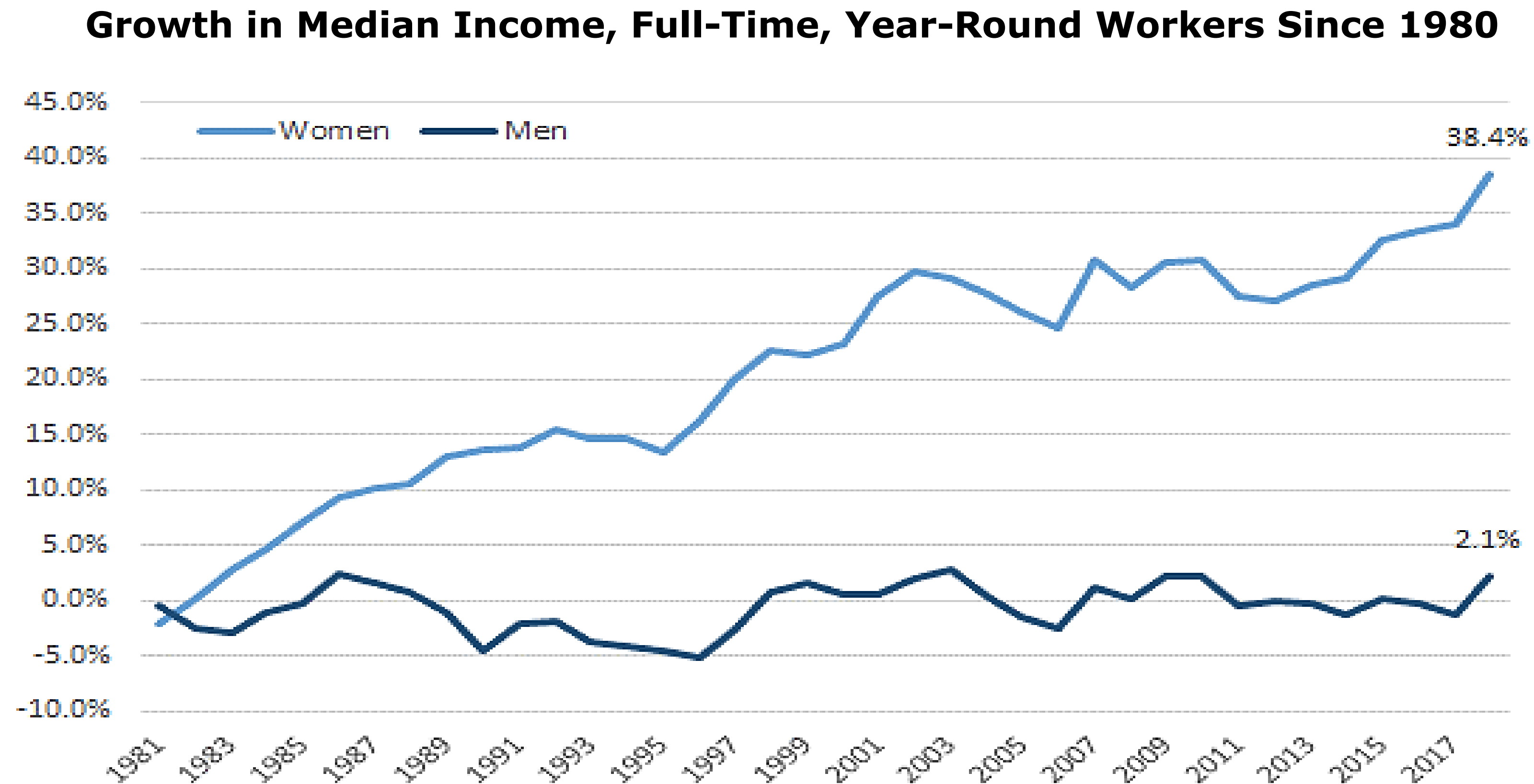
Median Hourly Earnings of U.S. Women as a Percentage of Men's Median Among...



...it is less severe for Millennial women.

Note: Estimates are for civilian, non-institutionalized, full or part time employed workers with positive earnings. Self employed workers are excluded.
Source: Bureau of Labor Statistics, based on 2000-2019 current population survey; Pew Research Center.

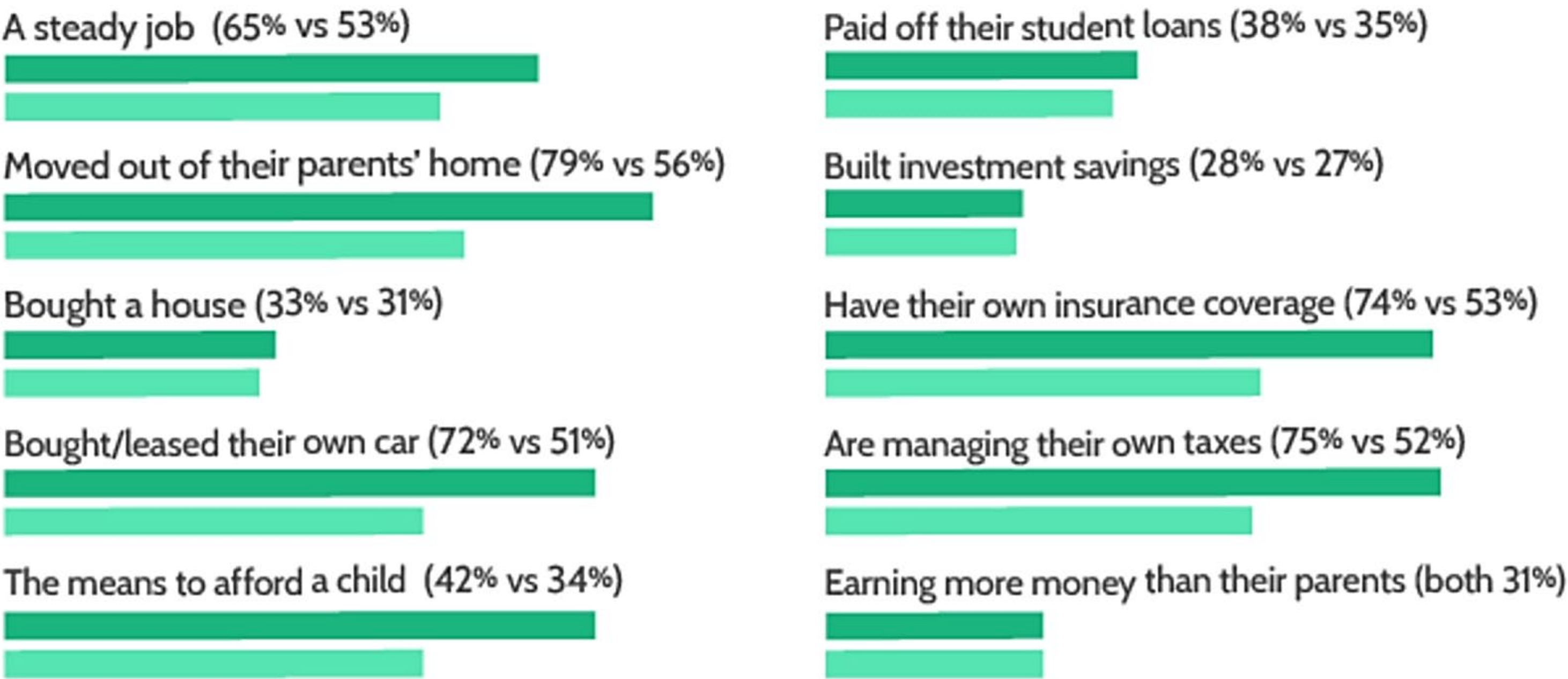
Since 1980, women's wage growth has far outpaced men's



Source: U.S. Census Bureau, Current Population Survey, 1961 to 2019 Annual Social and Economic Supplements (CPS ASEC).

Millennial women are more likely to have achieved key financial milestones

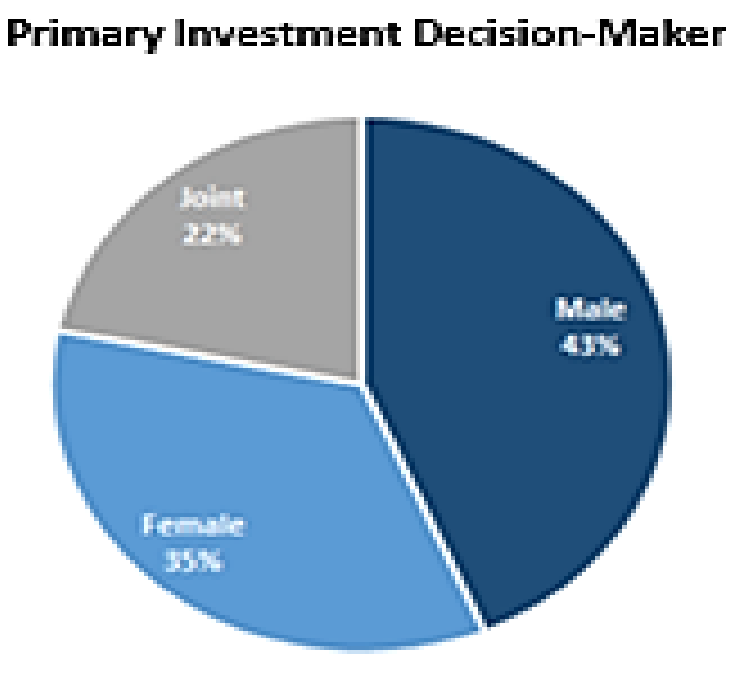
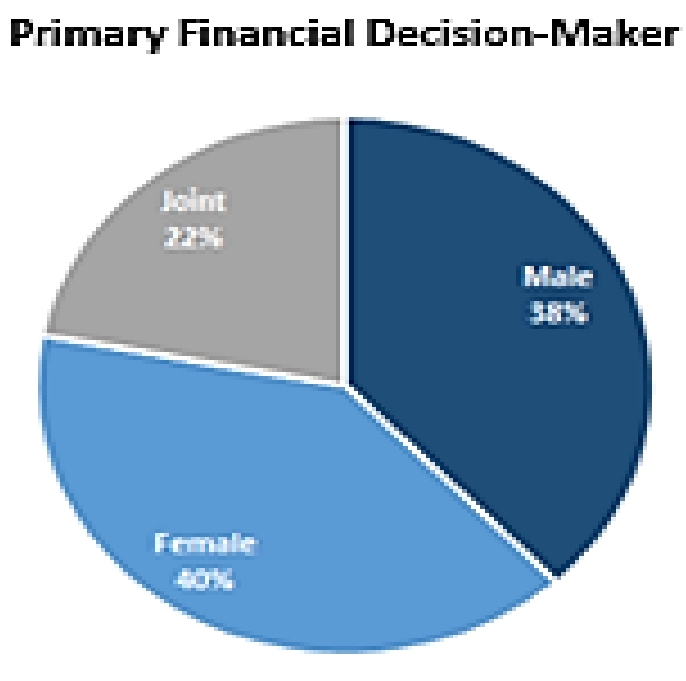
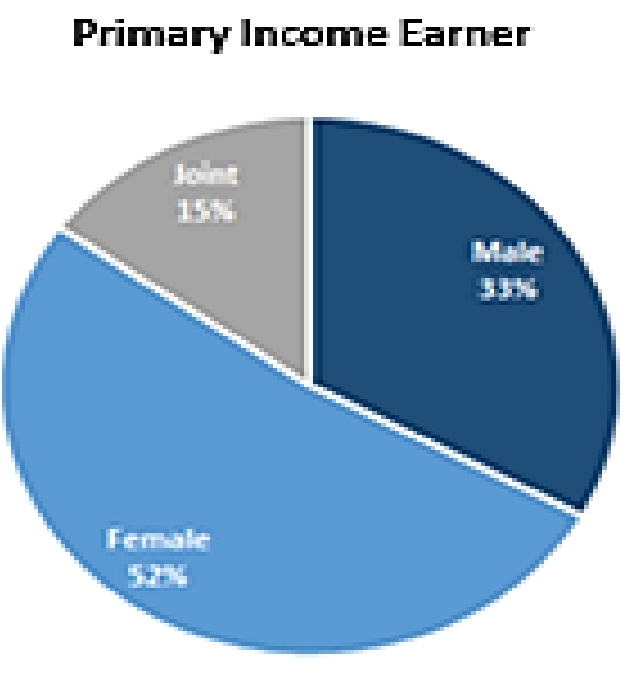
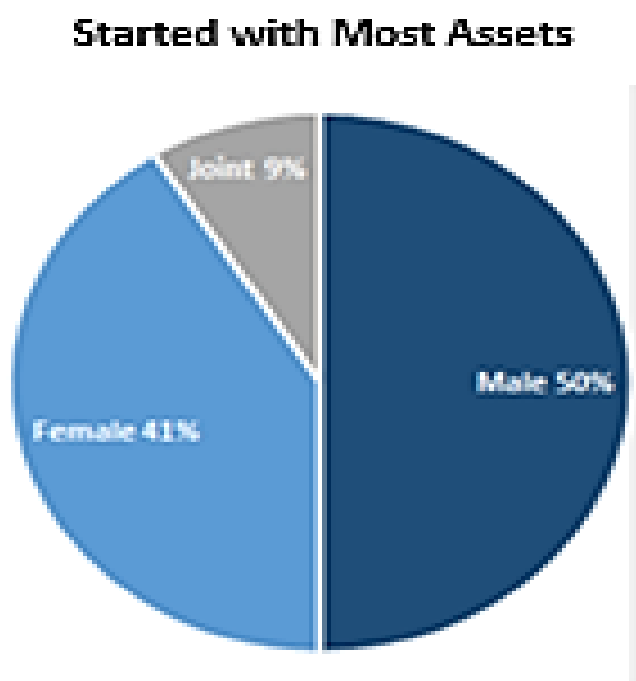
Compared to men, more millennial women have:



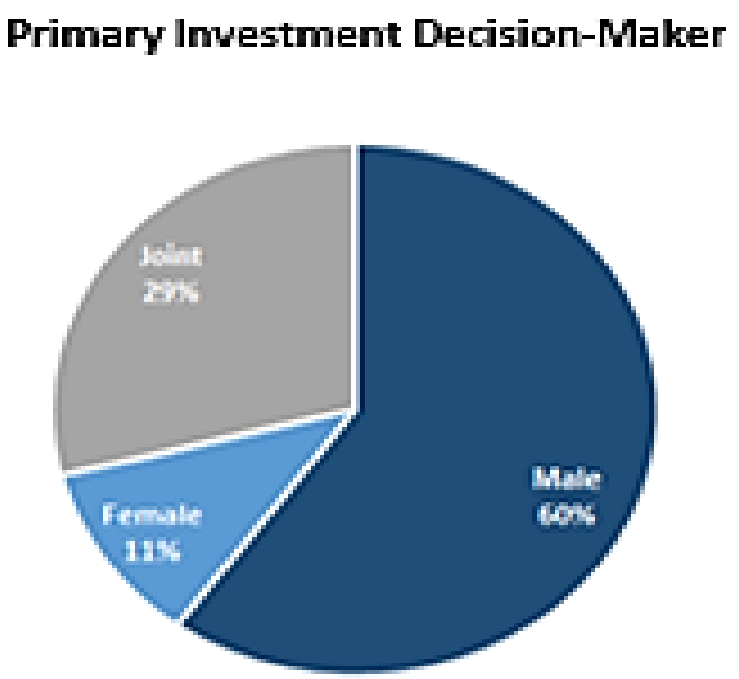
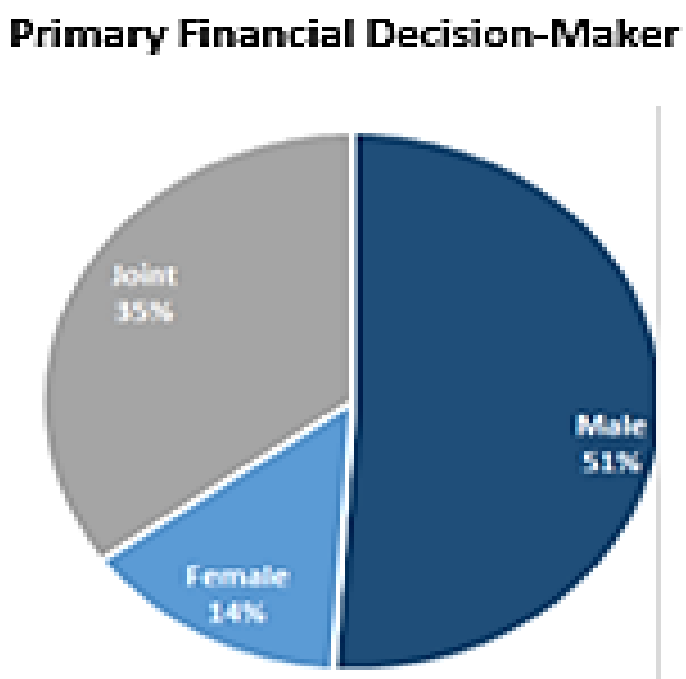
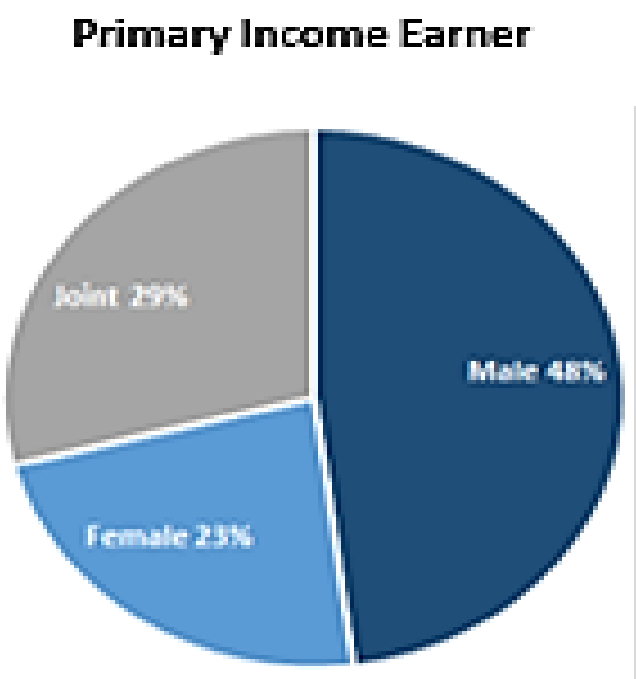
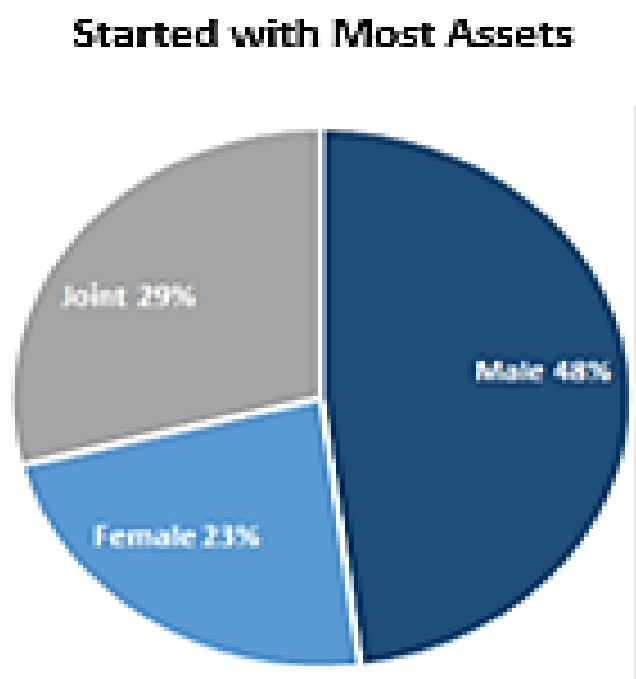
Source: Ipsos on behalf of Amino and Earnest, 2017

Economic independence translates into more decision-making power

Millennial Households...



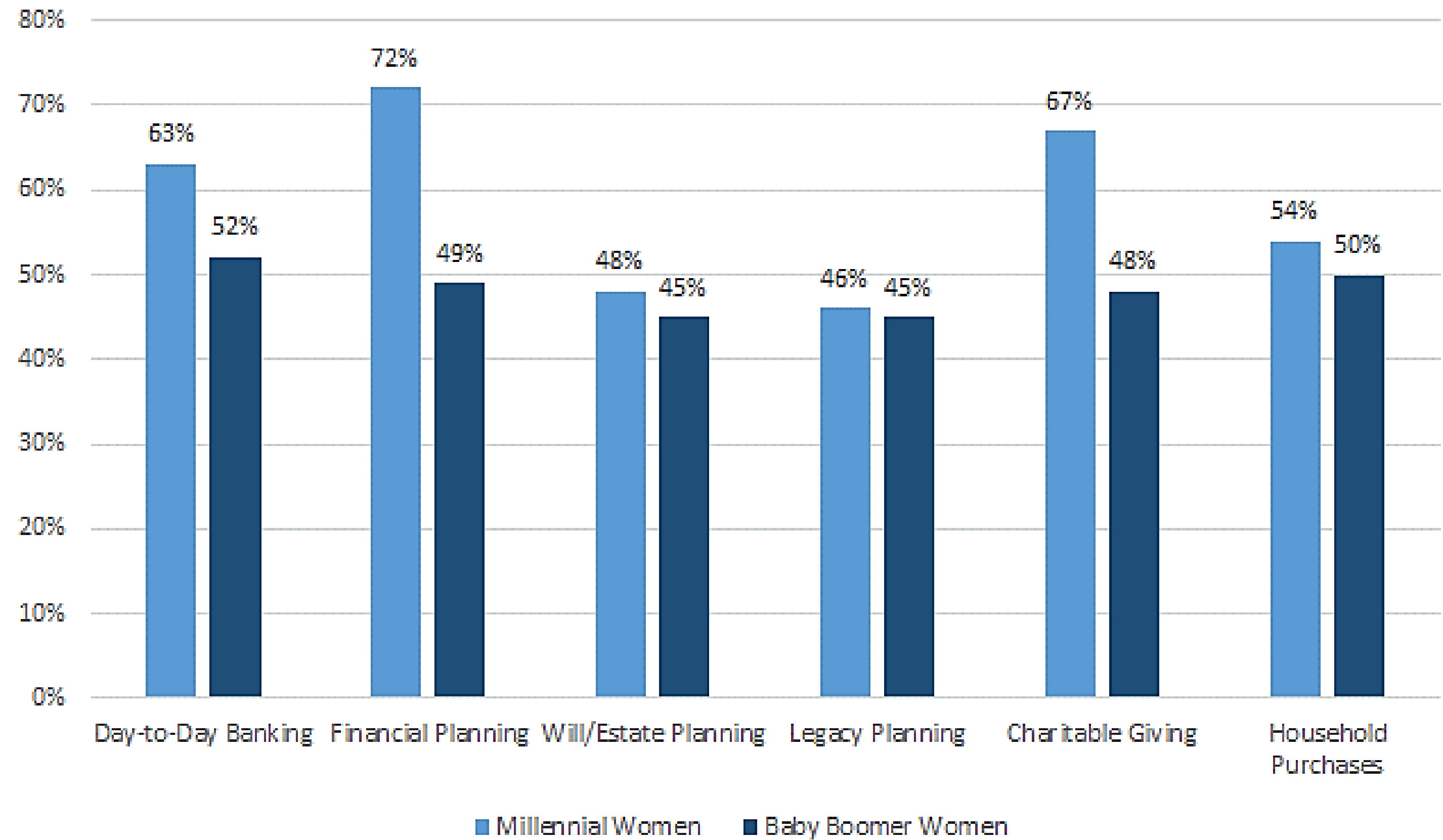
Baby Boomer Households...



Source: 2016 U.S. Trust Insights on Wealth and Worth Survey

Millennial women are driving a range of key decisions

Percentage of Each Group Who are the Primary Decision Maker in Each Category



Source: The Economist Intelligence Unit Limited 2018.

A millennial woman....



Was as likely as a boy to raise her hand in class.



On average, achieved better grades than her male peers.



Was more likely than her male peers to get a bachelor's degree or higher.



And, therefore, left school with more student loan debt.



Like many millennials, she delayed life and moved back with her parents to repair her finances.



She very likely entered a male-dominated workplace



Now she's in her late 30's with a family, has a successful career, and has saved a sizeable nest egg.



So, now that she's prepared to seek financial advice, what is she looking for?

So now what?



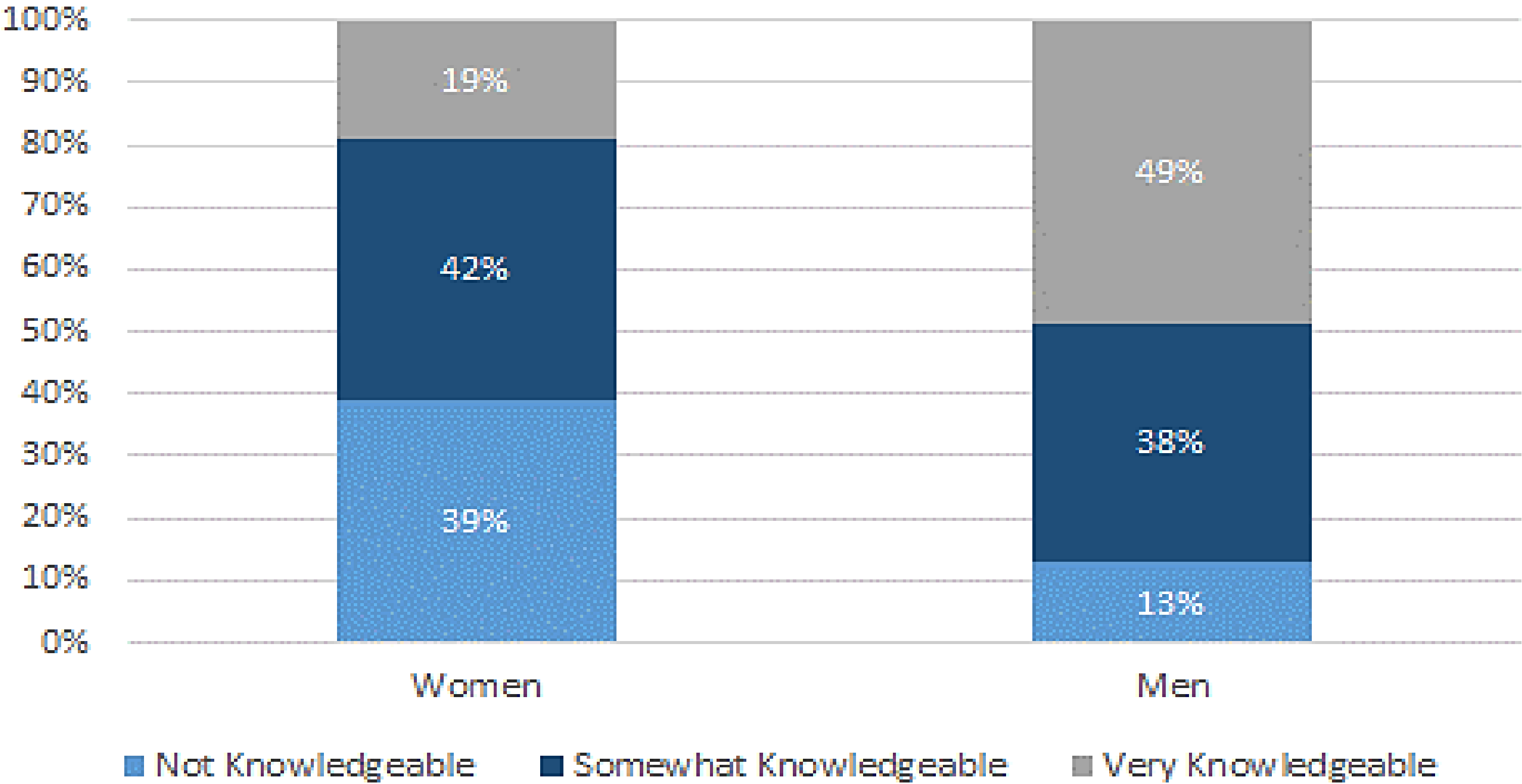
**She is unlikely to be looking for someone to
"tell her what to do".**



**She is absolutely looking for someone to
ask, "how can I help you achieve you
achieve your goals?"**

Millennial women are less confident in their investment knowledge

How Millennials Rate Their Investing Knowledge/Financial Acumen



Source: TD Ameritrade 2018 Millennials and Money Survey

As a result, they tend to do more research, trade less and earn higher returns



Source: UC-Davis, Professors Brad Barber & Terrance Odean, 1990's study.

Where do you find these clients?



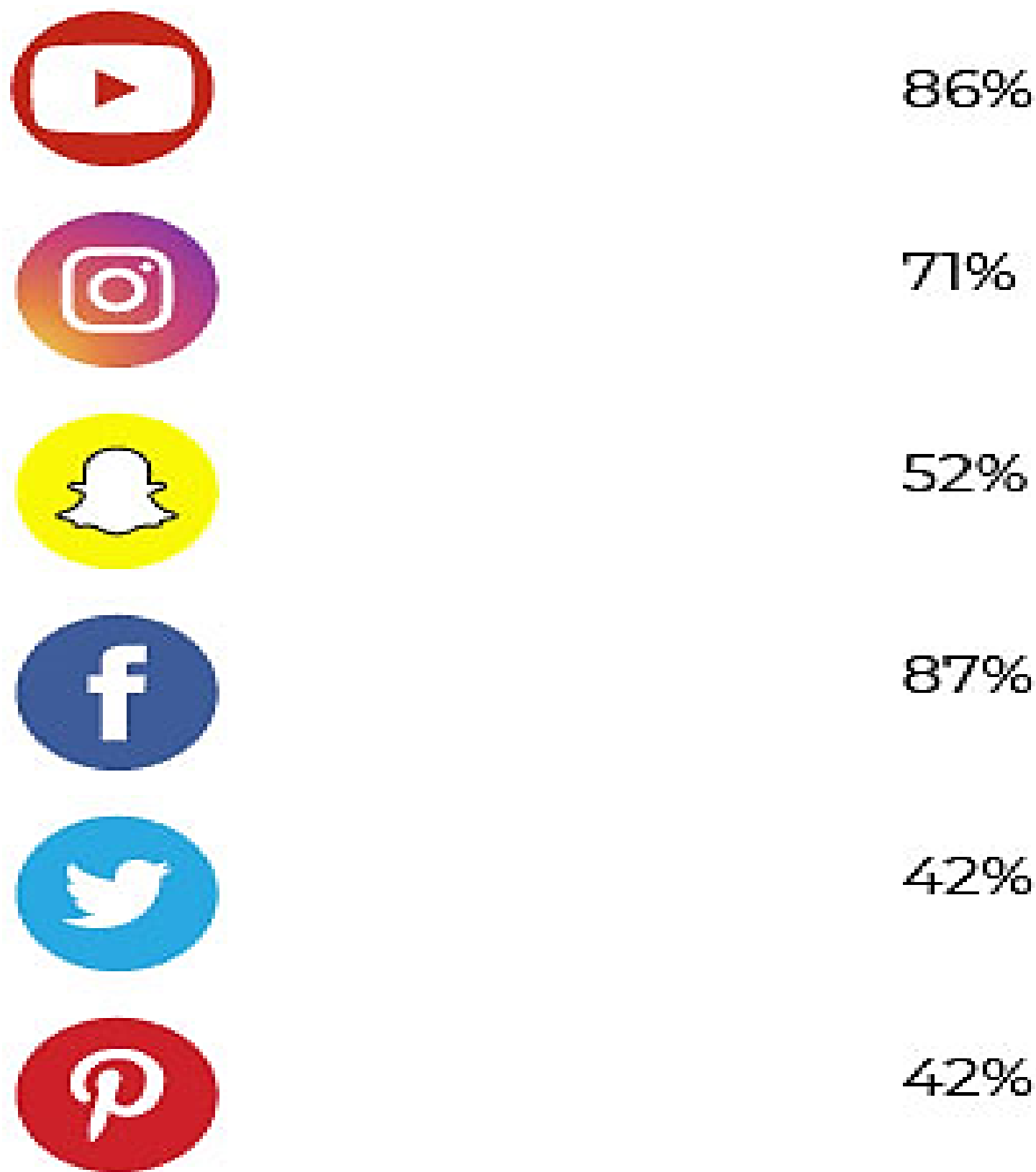
Millennial women represent only 9% of golfers in the U.S.

Source: National Golf Foundation, 2017.

A social media strategy will be increasingly important

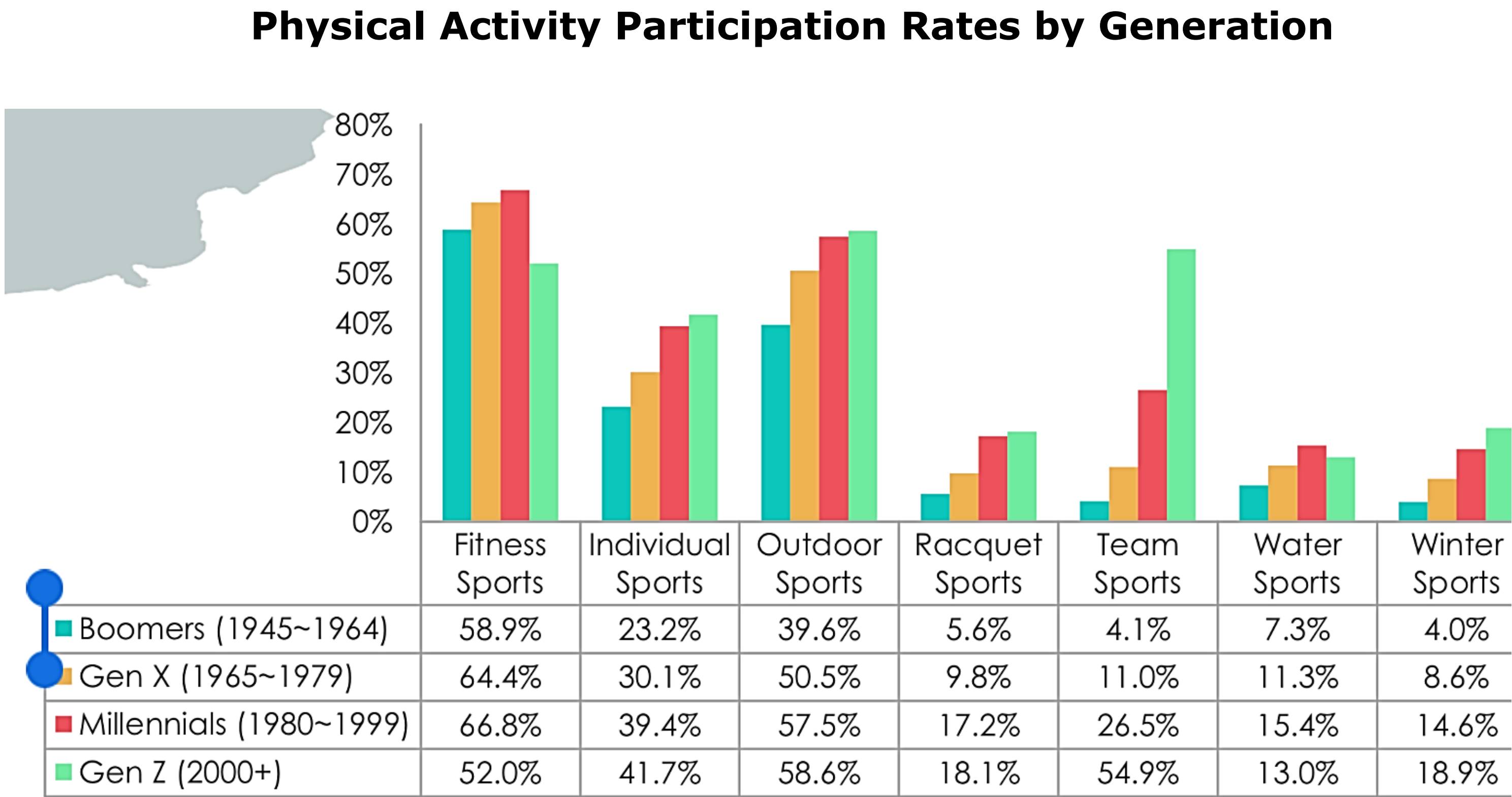
% Using Platform on a Weekly Basis

On average, millennials check their smartphones 43 times per day.



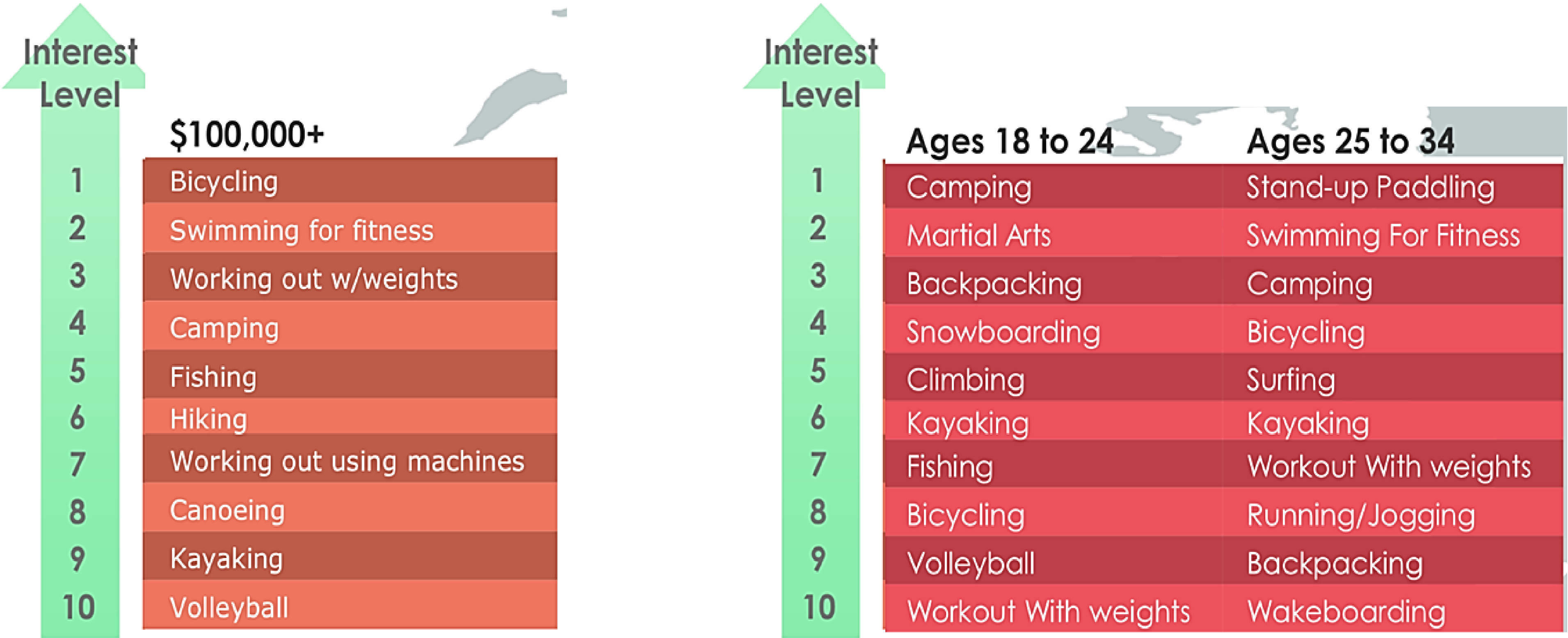
Source: 2019 The Manifest Consumer Social Media Survey.

But don't worry, it's not all digital



Source: 2019 Physical Activity Counsel Participation Report.

Popular physical activities for millennials and those with higher incomes include:



Source: 2019 Physical Activity Counsel Participation Report.

Consider the business meal

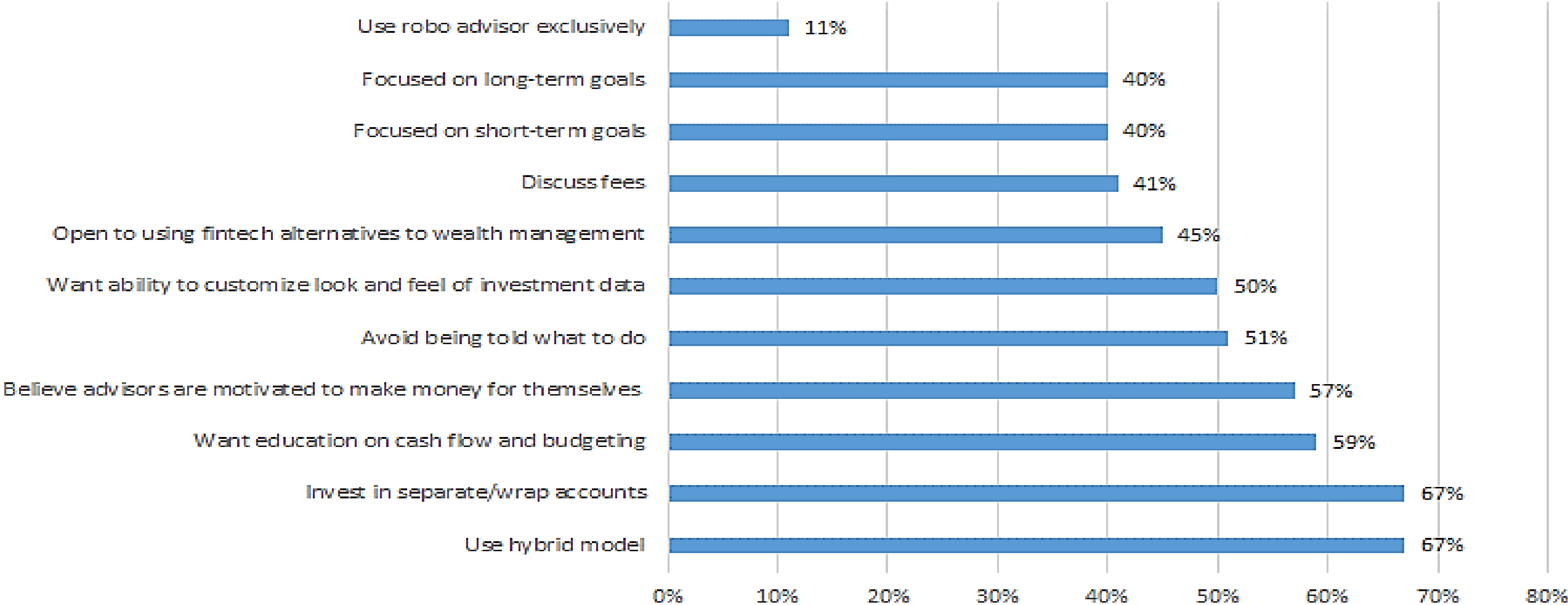


- **On average, millennials eat out 5x per week, with 54% of millennials saying they eat out at least 3x per week.**
- **51% of millennials report going to a bar at least 1x per week.**
- **Millennials spend, on average, \$2,088 per year on eating out compared to \$1848 for non-millennials.**

Source: 2019 Bank Rate and Food Network.

Educational events may prove to be an important bridge

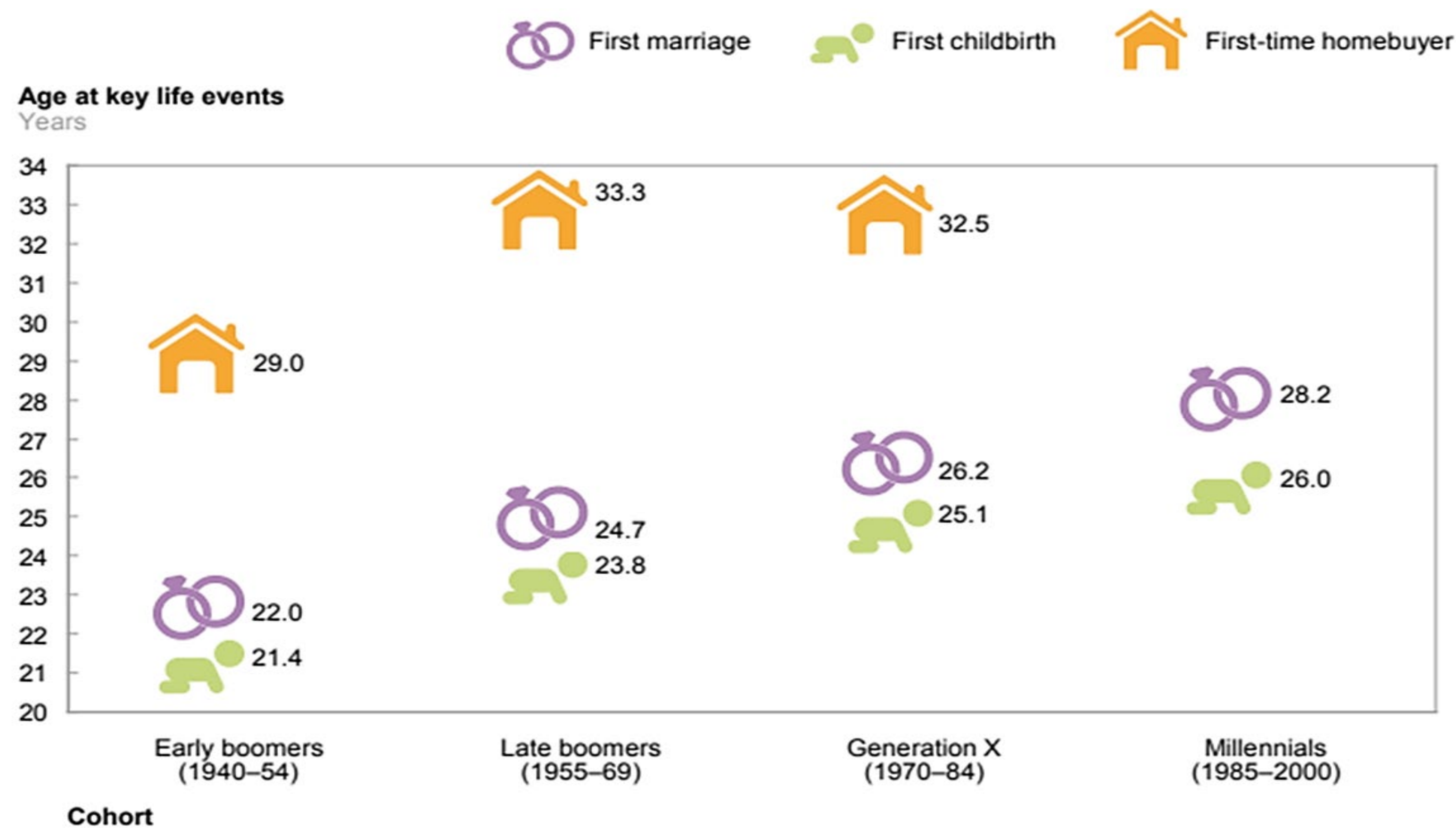
Millennial Attitudes Towards Wealth Management



Two-thirds of millennials report having ever been taught about financial planning.

Source: Accenture Consulting “Millennials & Money”, as of 2017

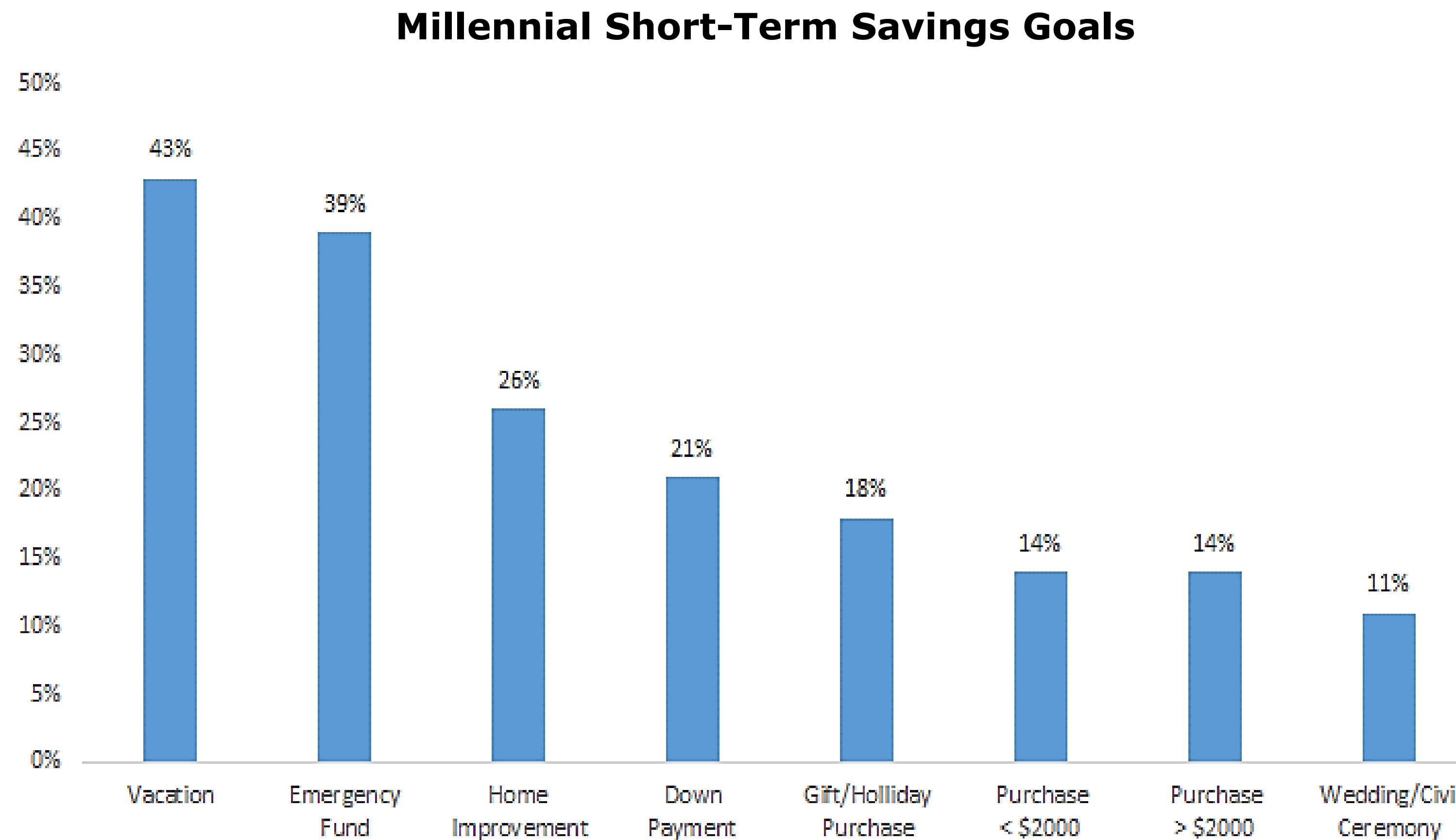
Millennials start life later...



61% of Millennials Are Still Under 30 years old.

Source: Federated Hermes; US Centers for Disease Control and Prevention; National Association of Realtors; US Census Bureau; McKinsey Global Institute analysis.

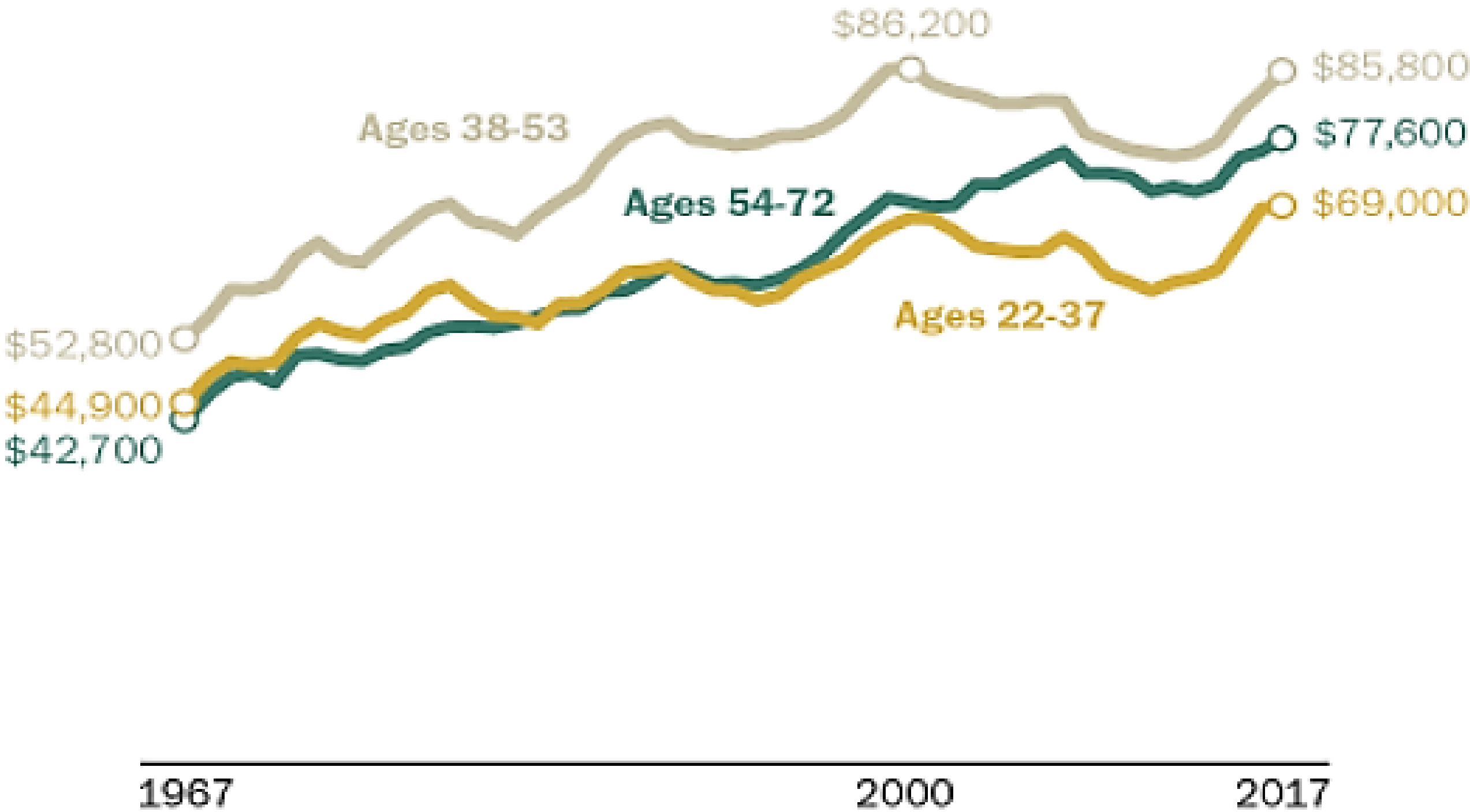
...and tend to prioritize short-term goals in their early adulthood



Source: TD Ameritrade 2018 Millennials and Money Survey.

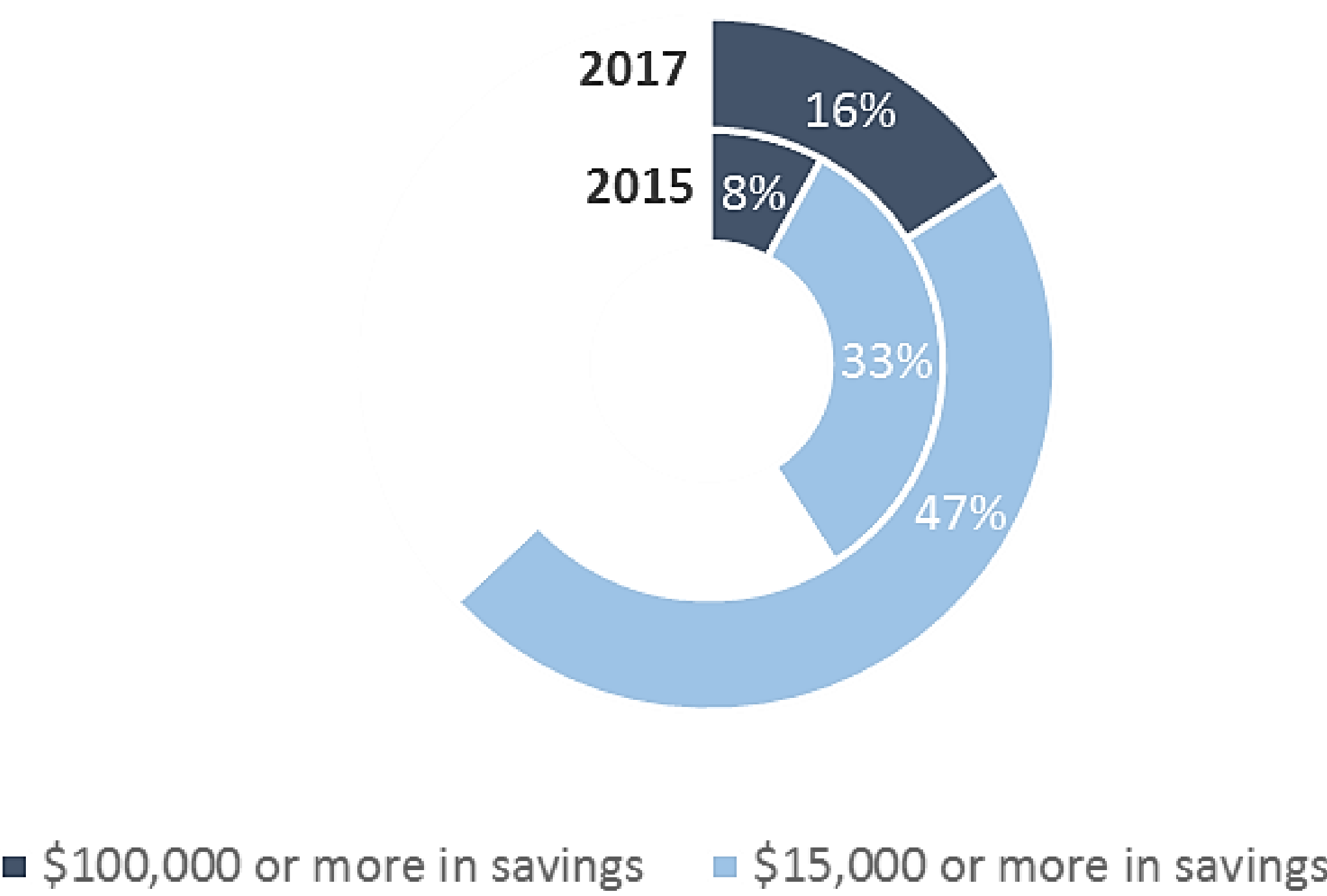
Despite a slow start, millennial household income is the highest on record for young adults

Median Adjusted Household Income, in 2017 Dollars and Scaled to Reflect a Three-Person Household



Note: Household incomes are adjusted for household size. The data for 2014 and beyond reflect the implementation of the redesigned income questions. Household incomes of the Silent Generation (currently ages 73-90) could not be accurately estimated due to the way those older than 79 are grouped in census data.
Source: Pew Research Center analysis of 1968-2018 current population survey, annual social and economic supplement (IPUMS).

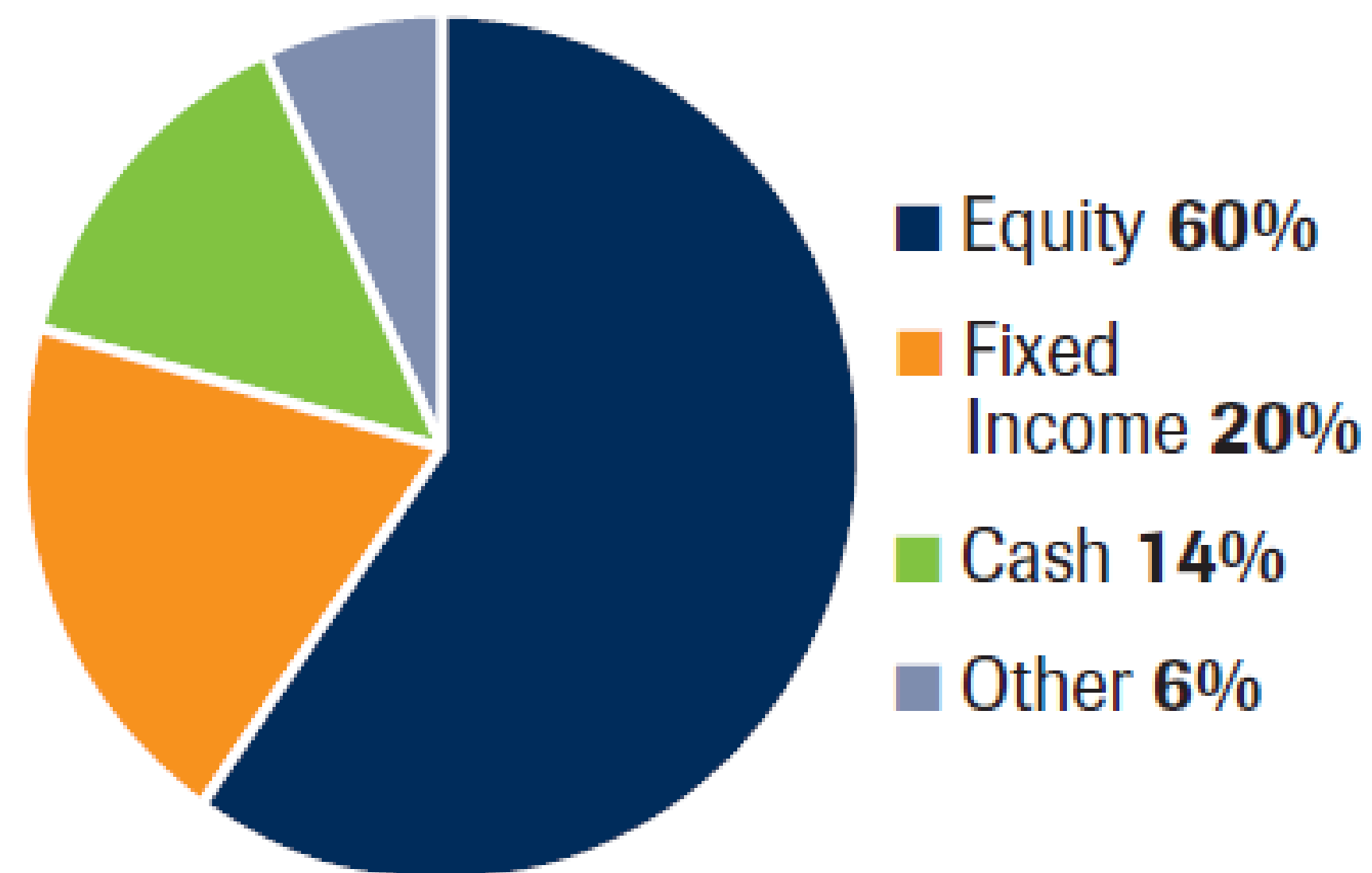
Millennials are a generation of savers



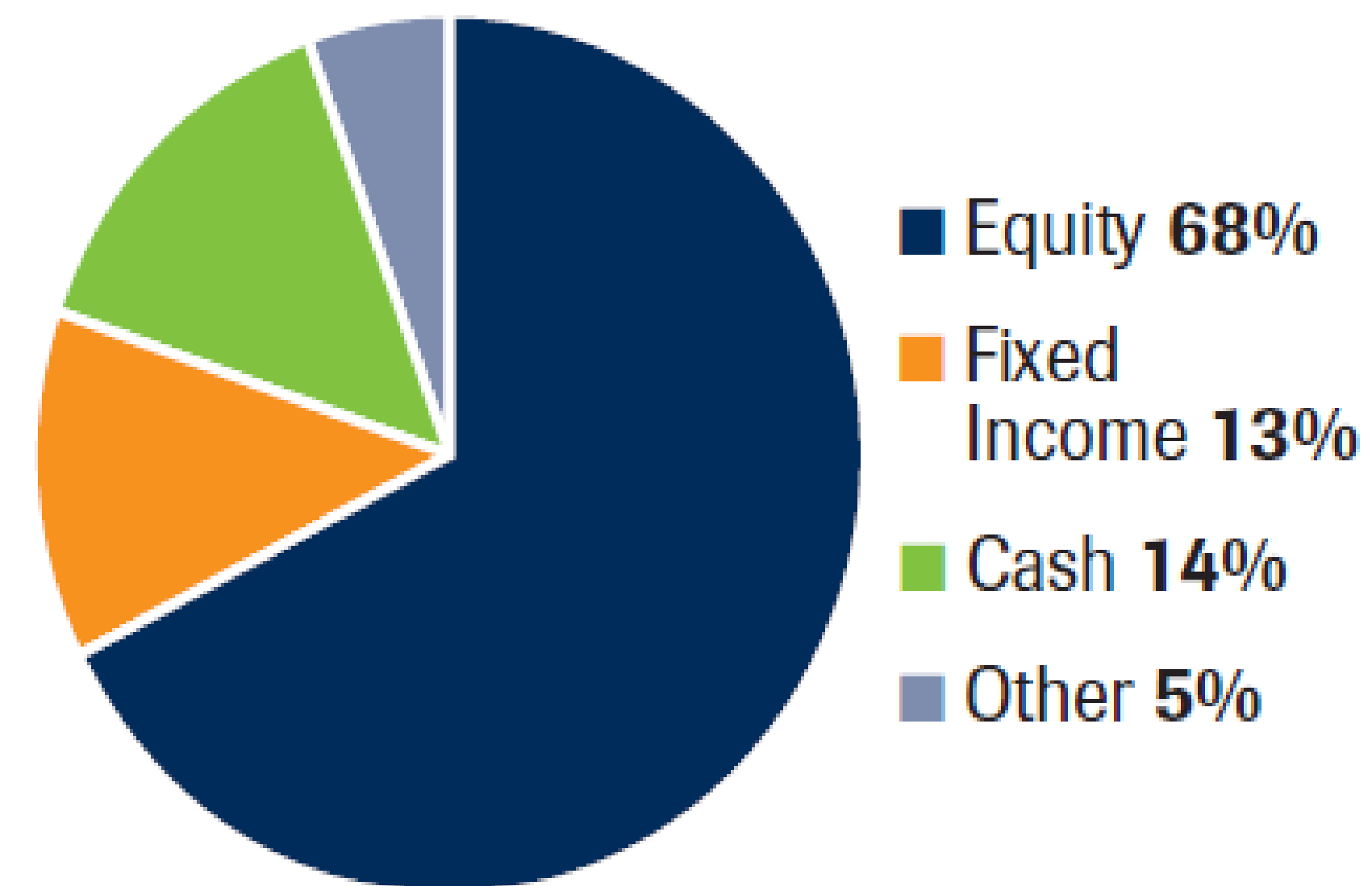
Source: Federated Hermes; Bank of America. Data as of Jan 2018.

Portfolio allocations have gotten more aggressive, as the generation comes of age

Average Baby Boomer Portfolio

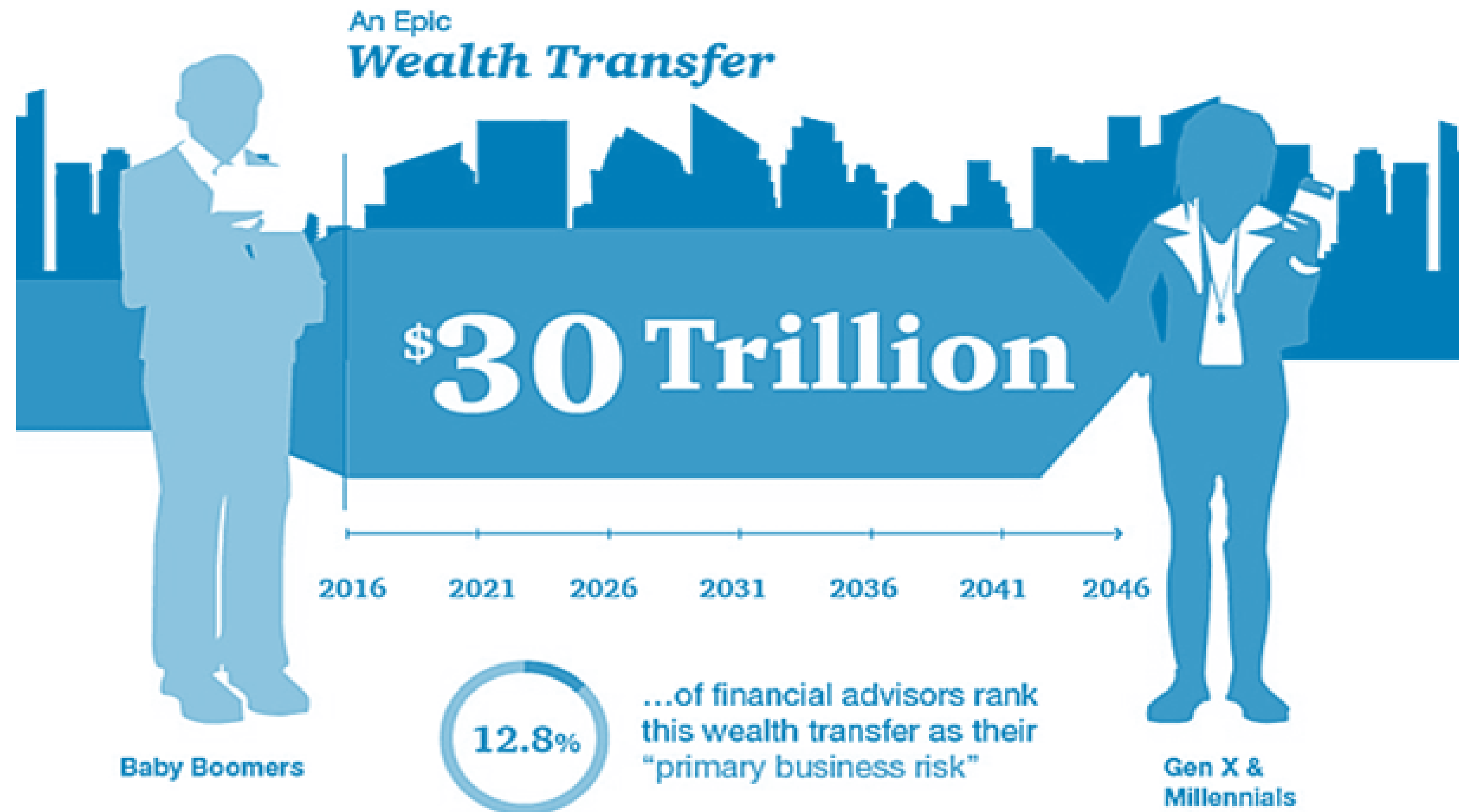


Average Millennial Portfolio



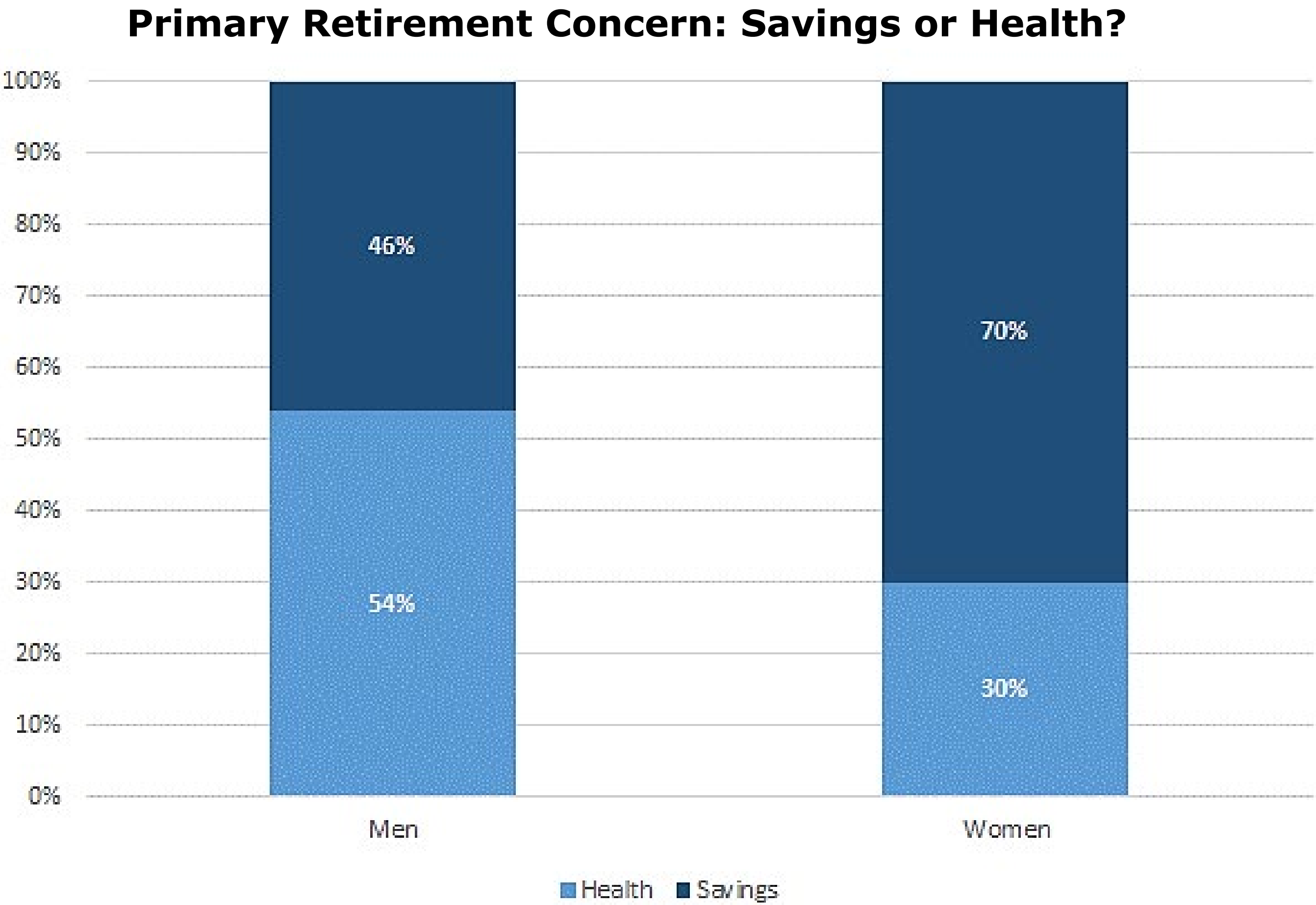
Source: Federated Hermes; Morningstar Inc.

In addition to their own economic gains, millennials inherit record wealth



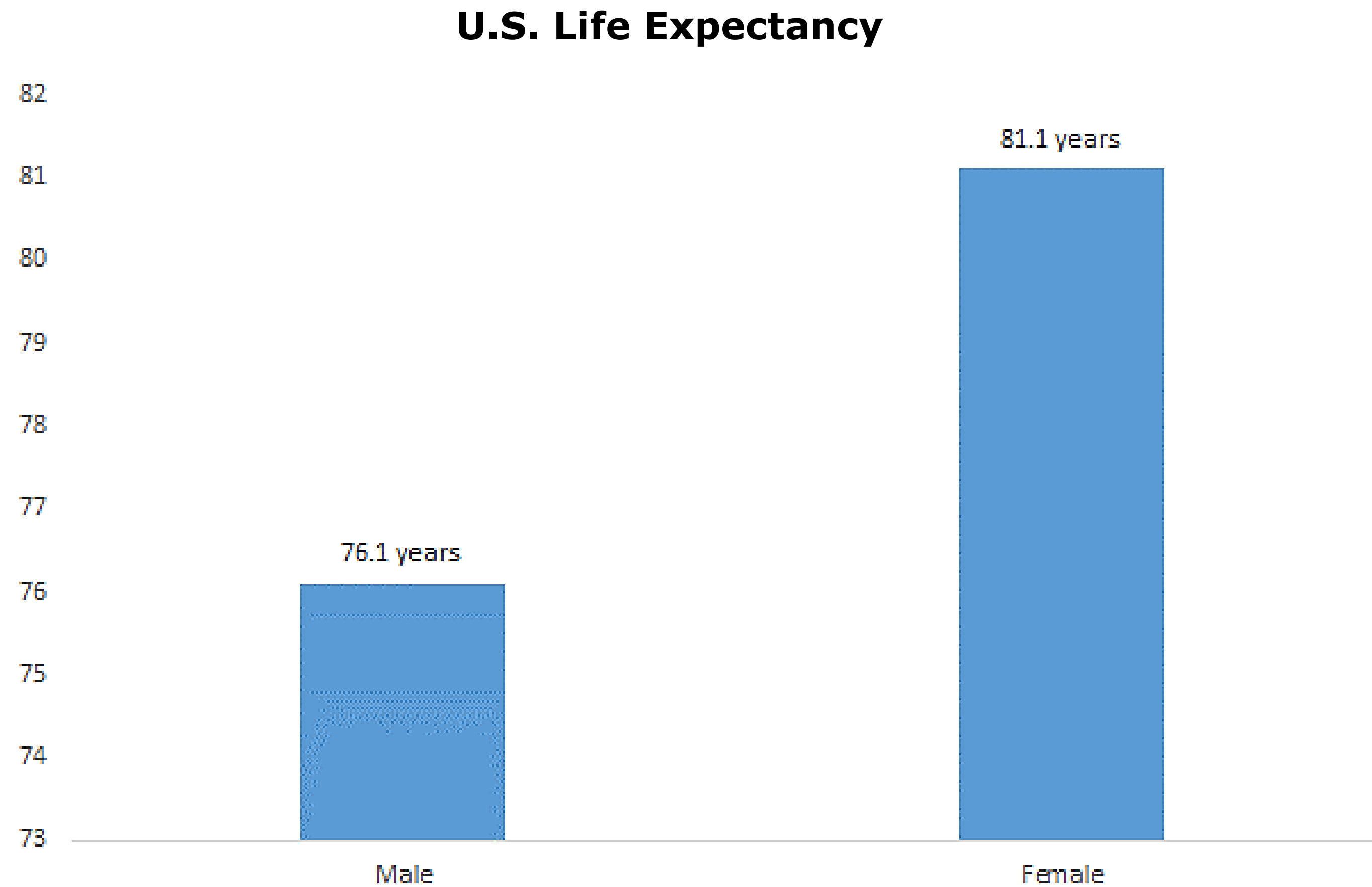
According to Ernst & Young, when assets change generations, firms typically lose 70-80% of those assets.

Retirement is an emerging focus for millennials, especially women...



Source: Schwab Retirement Plan Services, November 2016

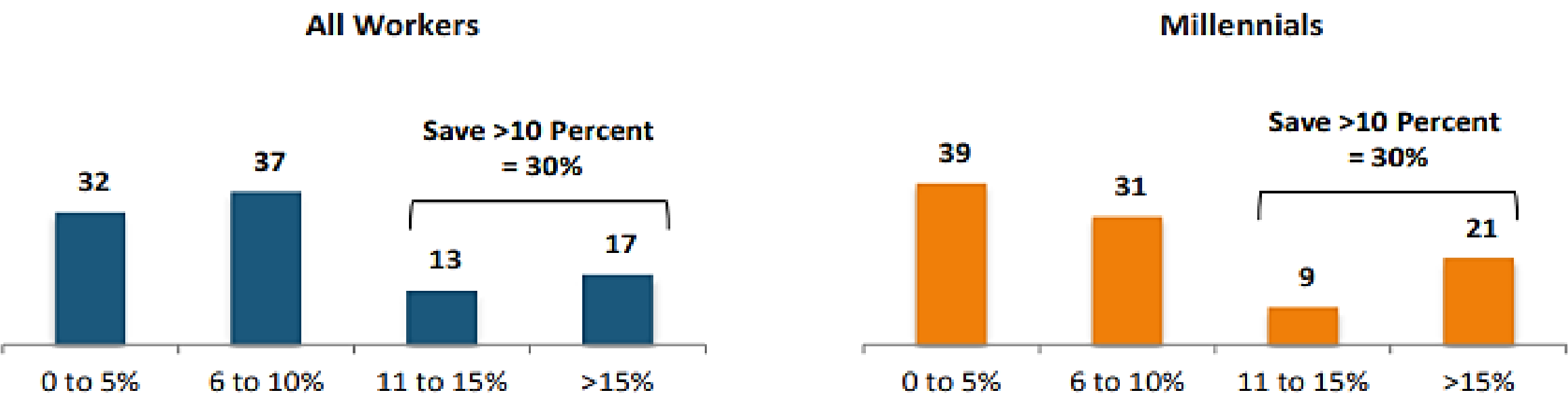
...which makes sense, given their longer life expectancy



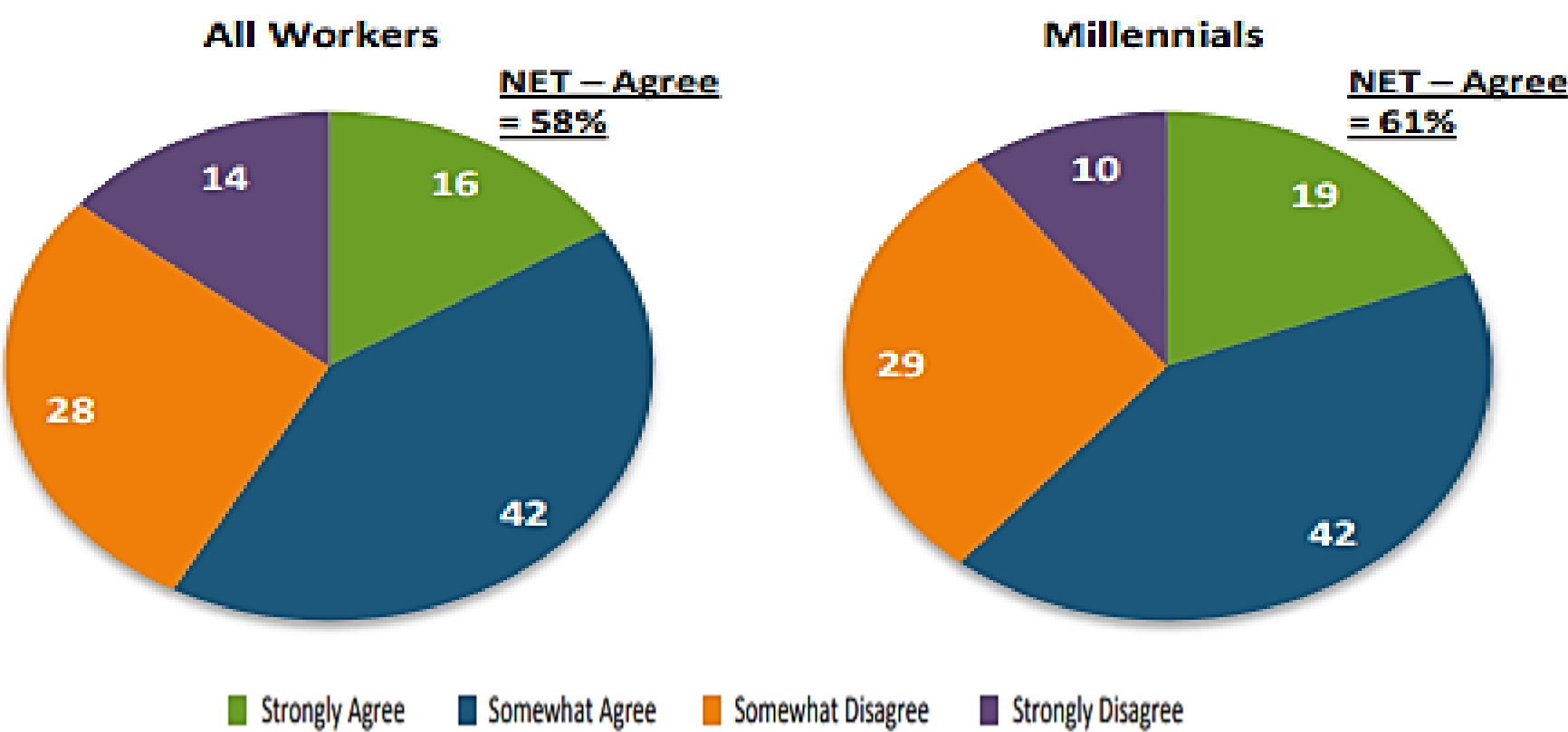
Source: OECD, 2017

Millennials want professional help with their retirement savings

What percentage of your salary are you contributing to your 401(k) or similar plan? (%)



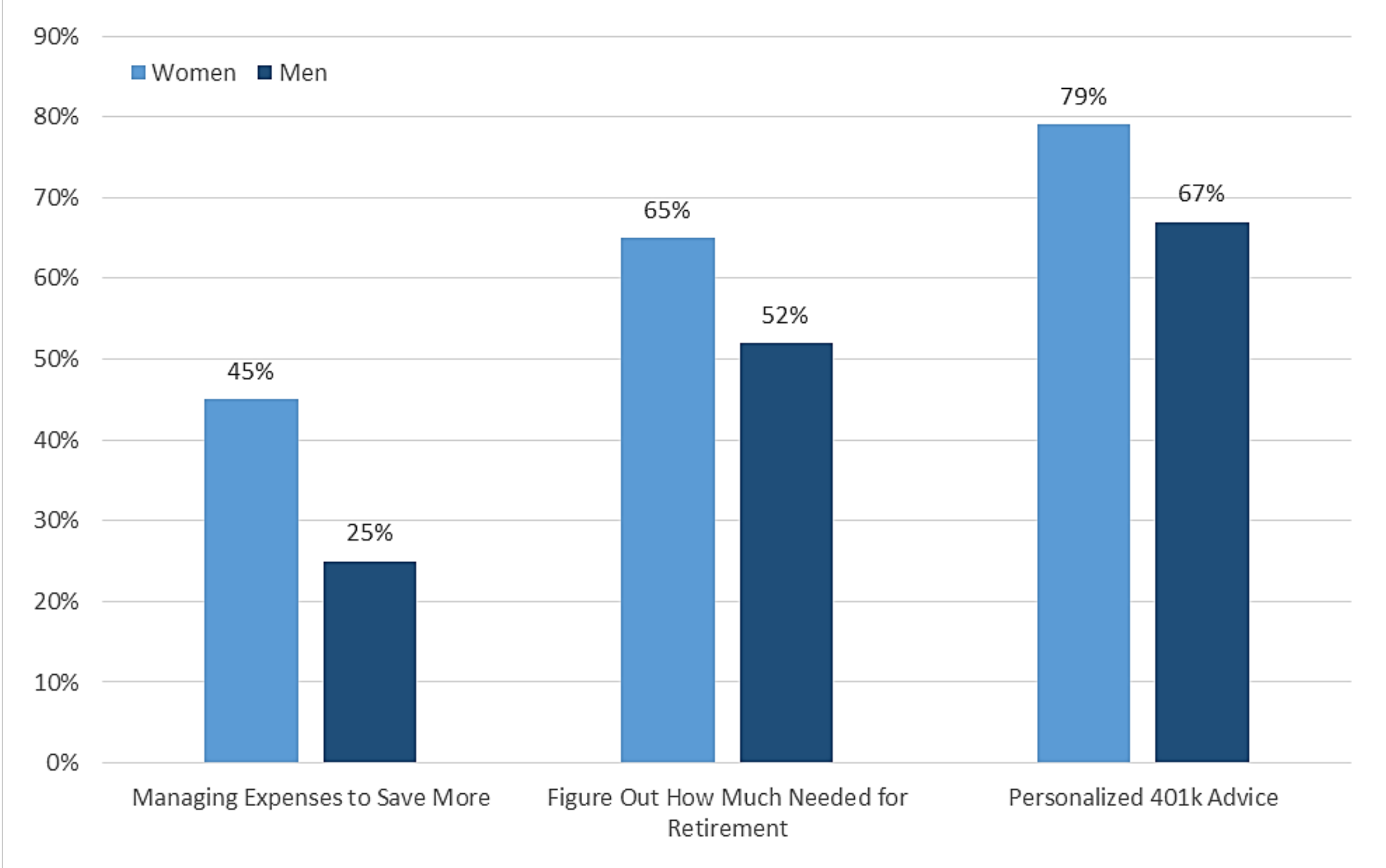
“I would prefer to rely on outside experts to monitor and manage my retirement savings plan.” (%)



Source: Transamerica Center for Retirement Studies, 2016

Retirement education is a bridge to building relationships with millennial women

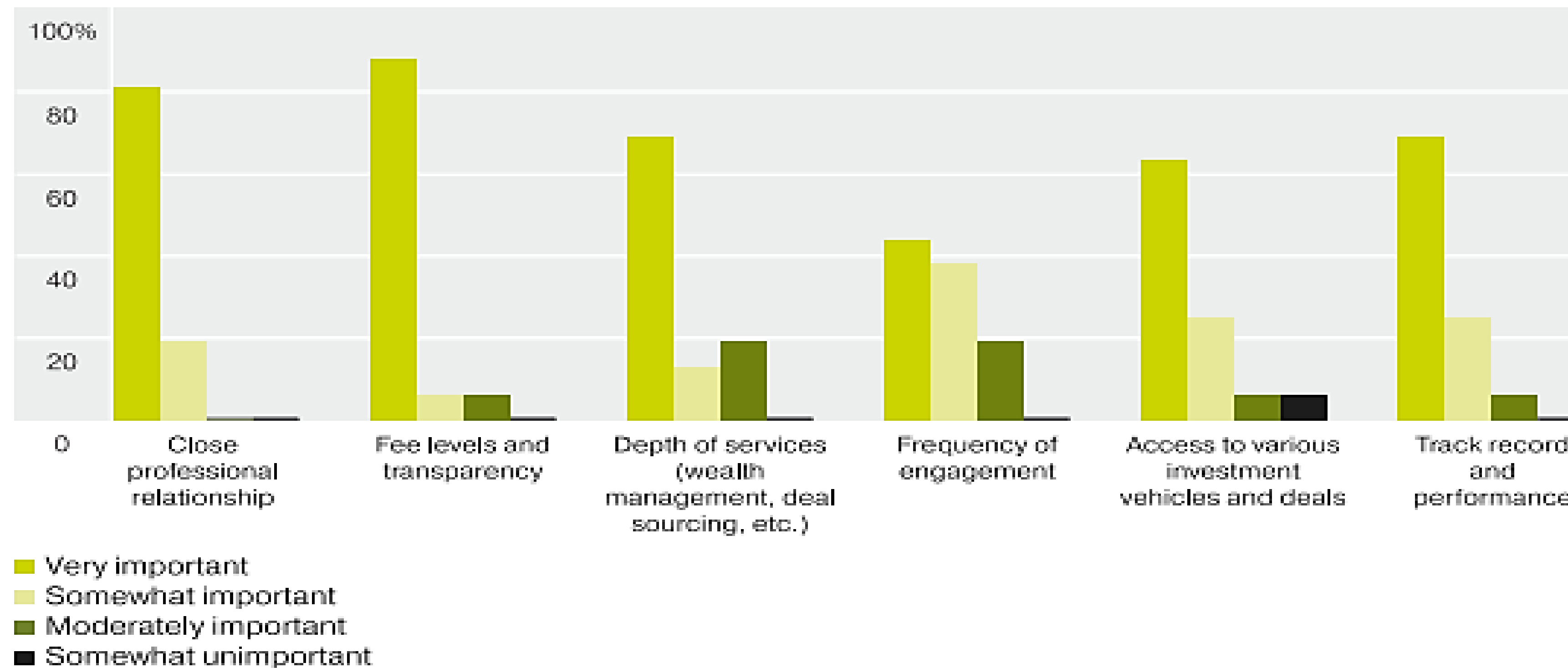
When it comes to retirement, female millennials are more likely to want help with...



Source: Schwab Retirement Plan Services, November 2016..

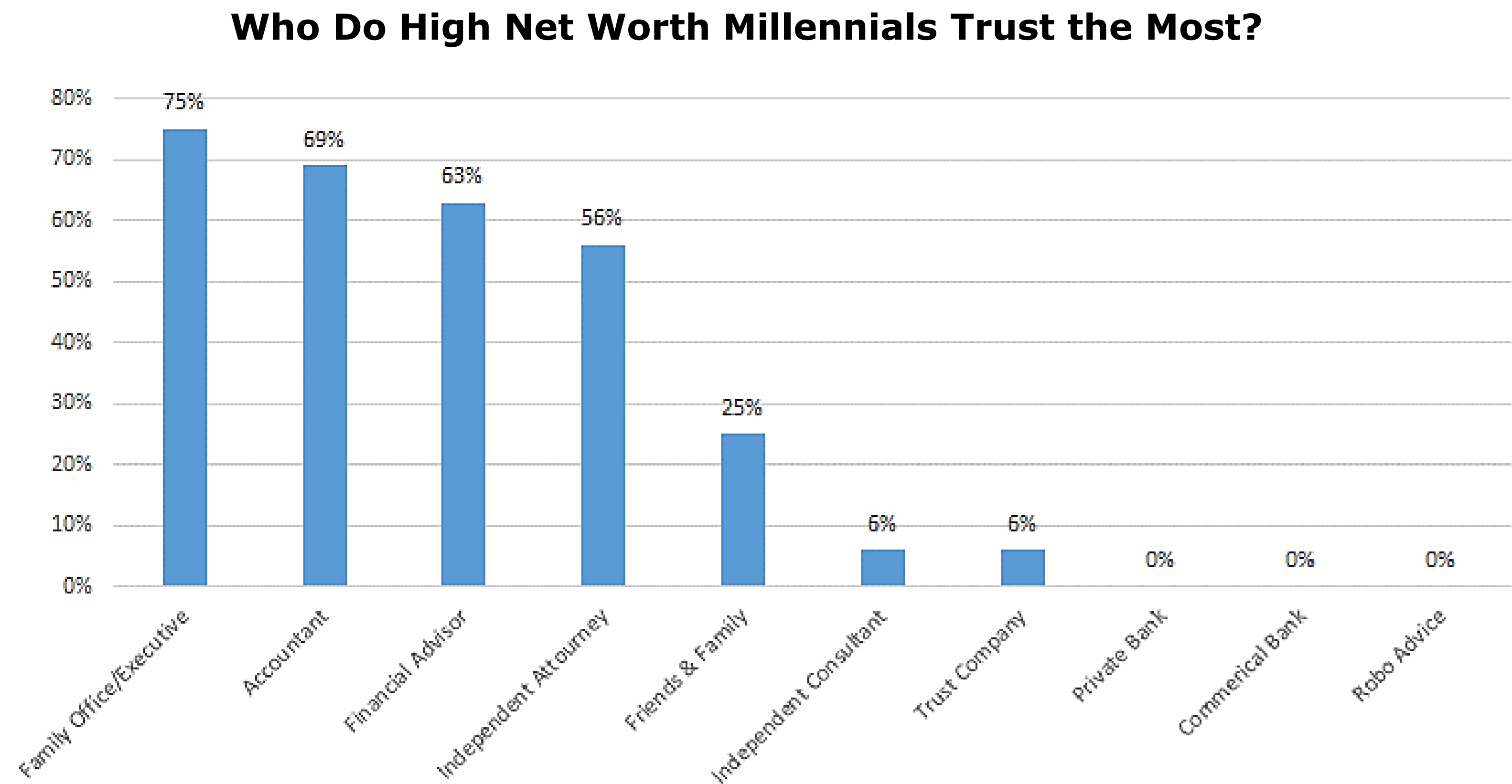
When it comes to wealth management, relationships and values still matter

What makes a good advisor?



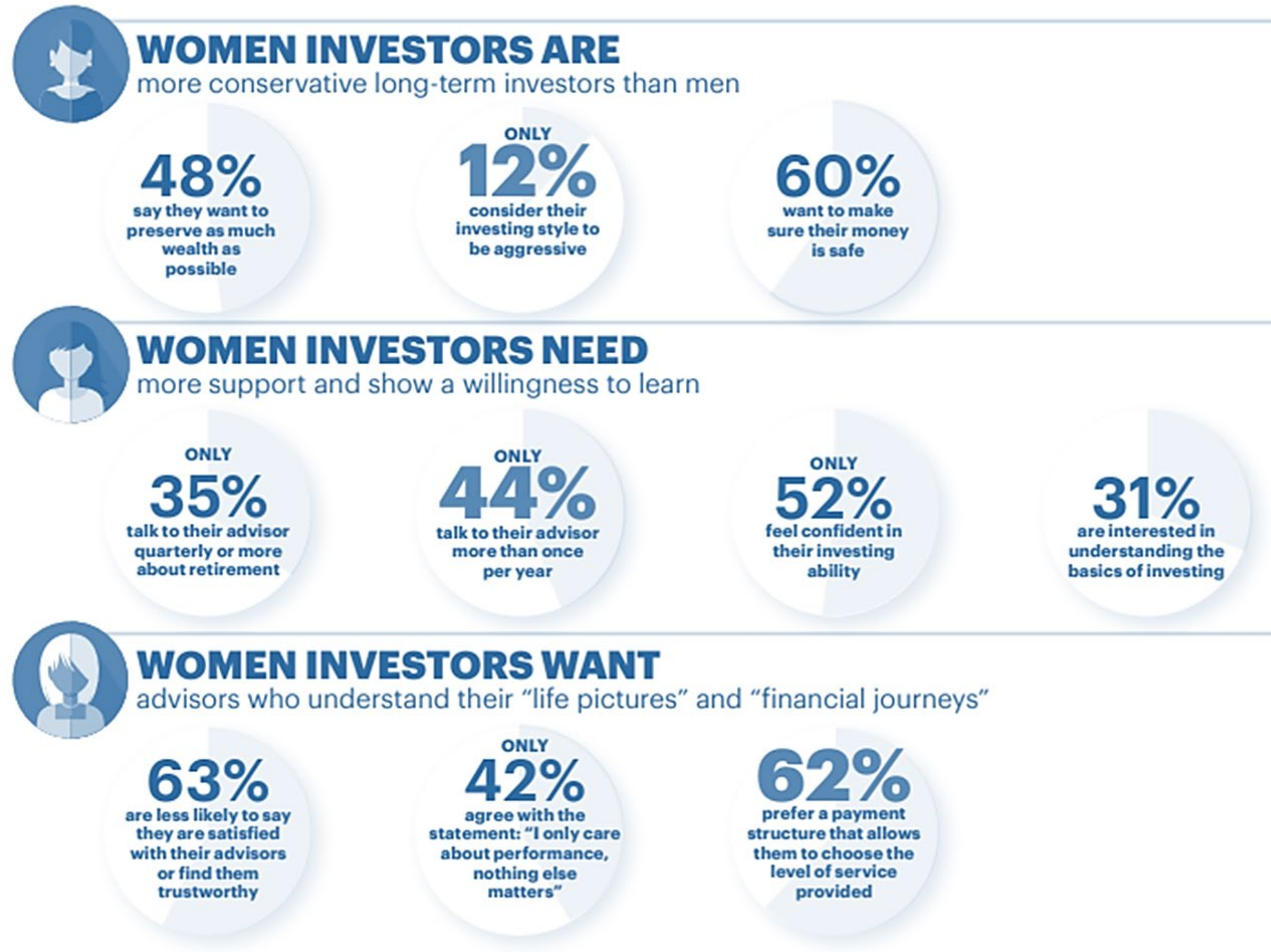
Source: Oppenheimer Funds * Campden Wealth: Coming of Age, 2016:

Millennials place a higher value on independent advice



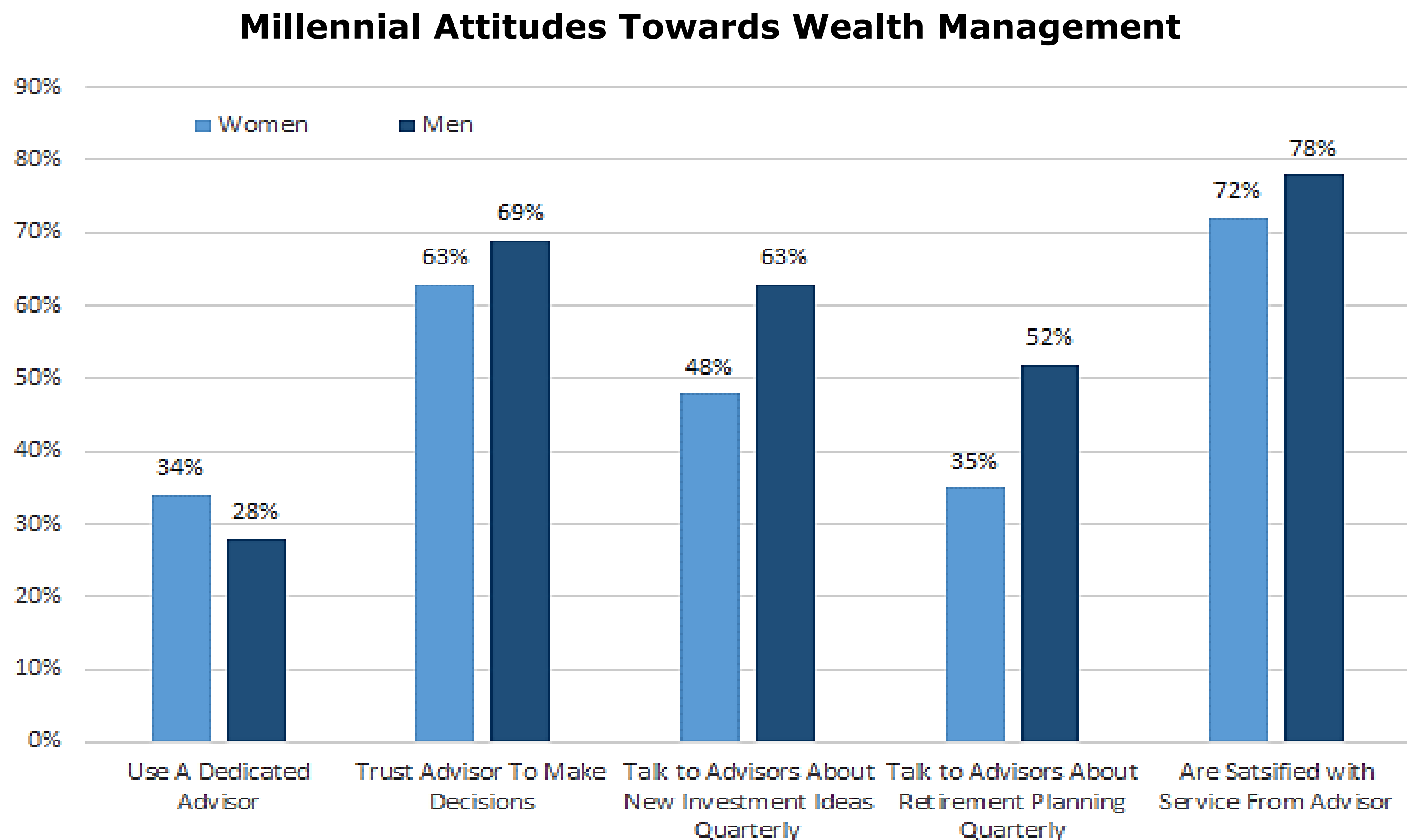
Source: Oppenheimer Funds * Campden Wealth: Coming of Age, 2016:

Millennial women have their own specific needs...



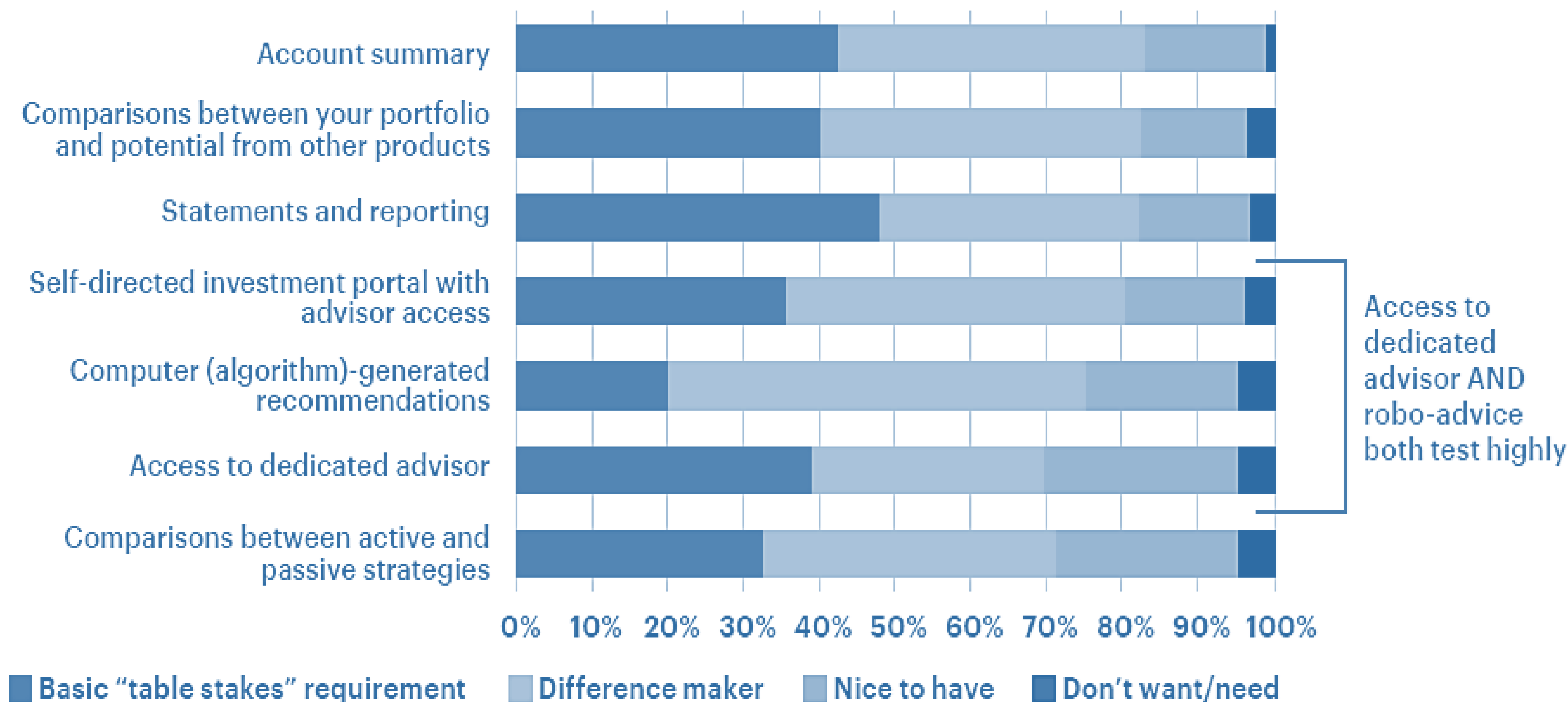
Source: Accenture Consulting “Reinventing Wealth Management for Women”, as of 2017.

...but often don't get the support they seek



Source: Accenture Consulting "Reinventing Wealth Management for Women", as of 2017.

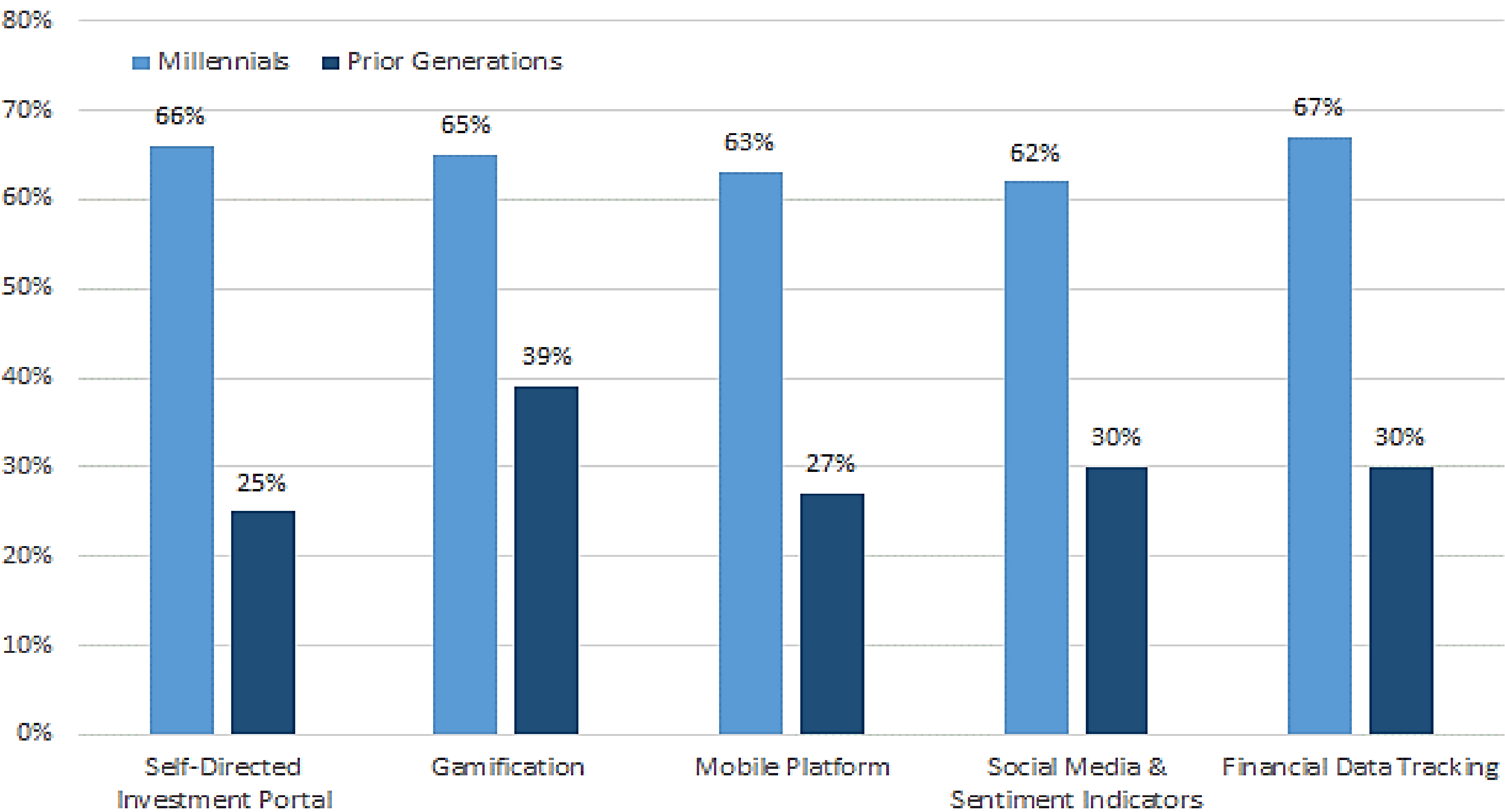
The importance of tools and services to today's investors



Source: Accenture Consulting "Reinventing Wealth Management for Women", as of 2017.

What do millennials want in the digital mix?

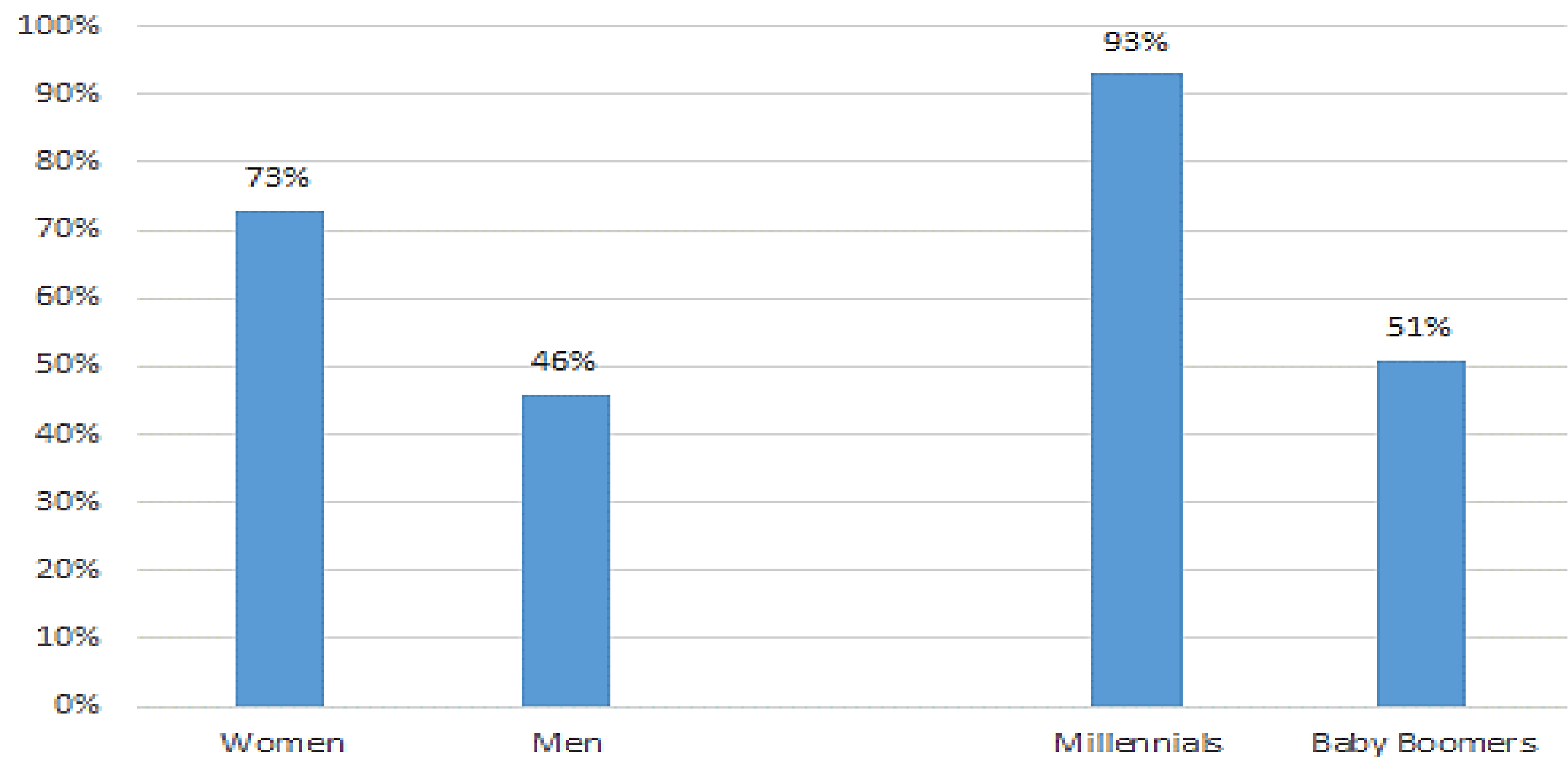
Millennials Want More Digital Access to Their Financial Data/Investments Via...



Source: Accenture Consulting "Millennials & Money", as of 2017.

Millennials and women are focused on sustainable investing...

Societal or Environmental Impact is Important to Investment Decisions

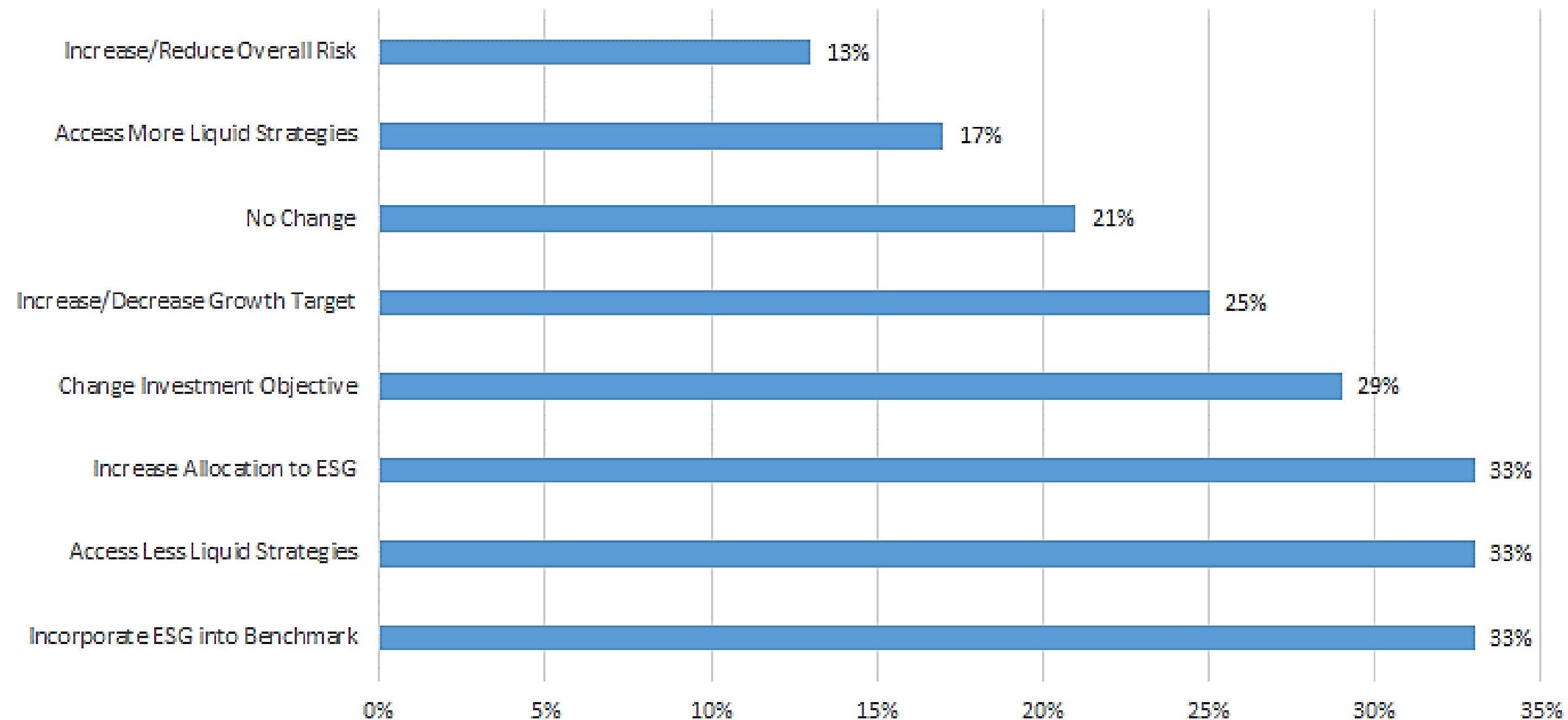


According to Morgan Stanley, 84% of millennials cite investing with a focus on ESG (environmental, social and governance) impact as a central goal.

Source: 2016 U.S. Trust Insights on Wealth and Worth Survey, Morgan Stanley

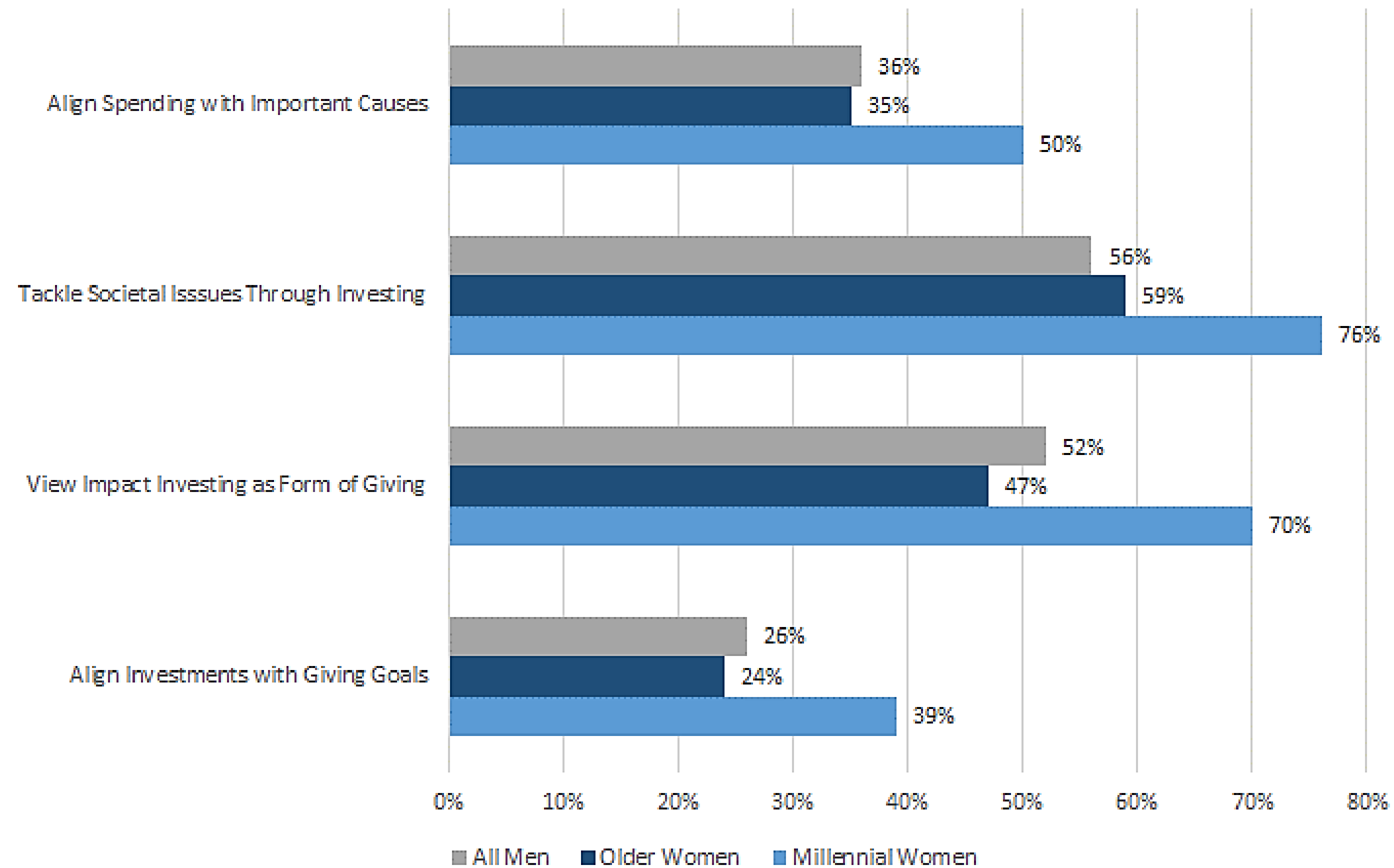
...especially among the high net worth crowd

How High Net Worth Millennials Would Change Their Family Portfolios



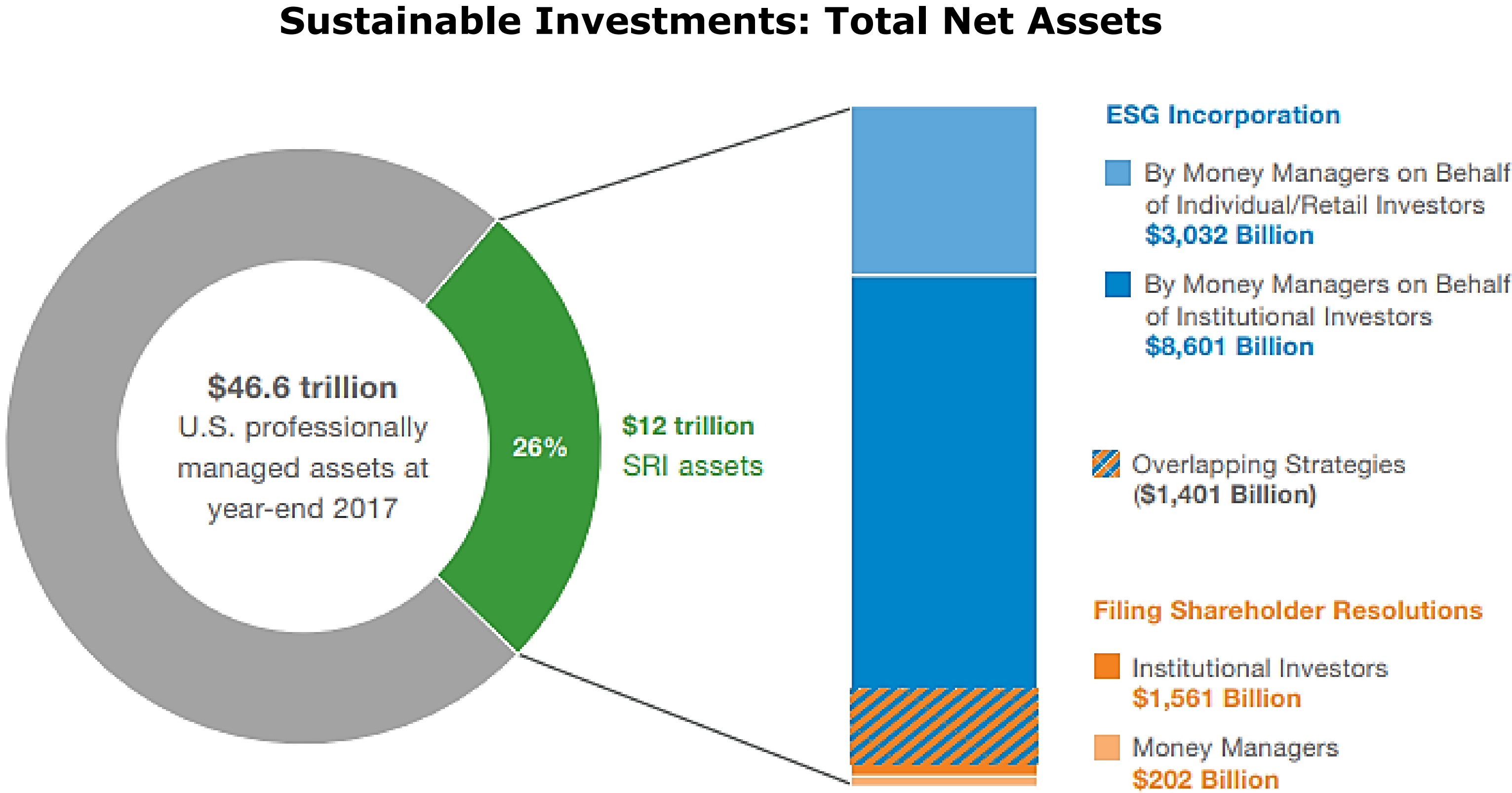
The line between wealth management and values is being redefined...

Attitudes Towards Wealth and Values



Source: RBC Wealth Management. December 2018

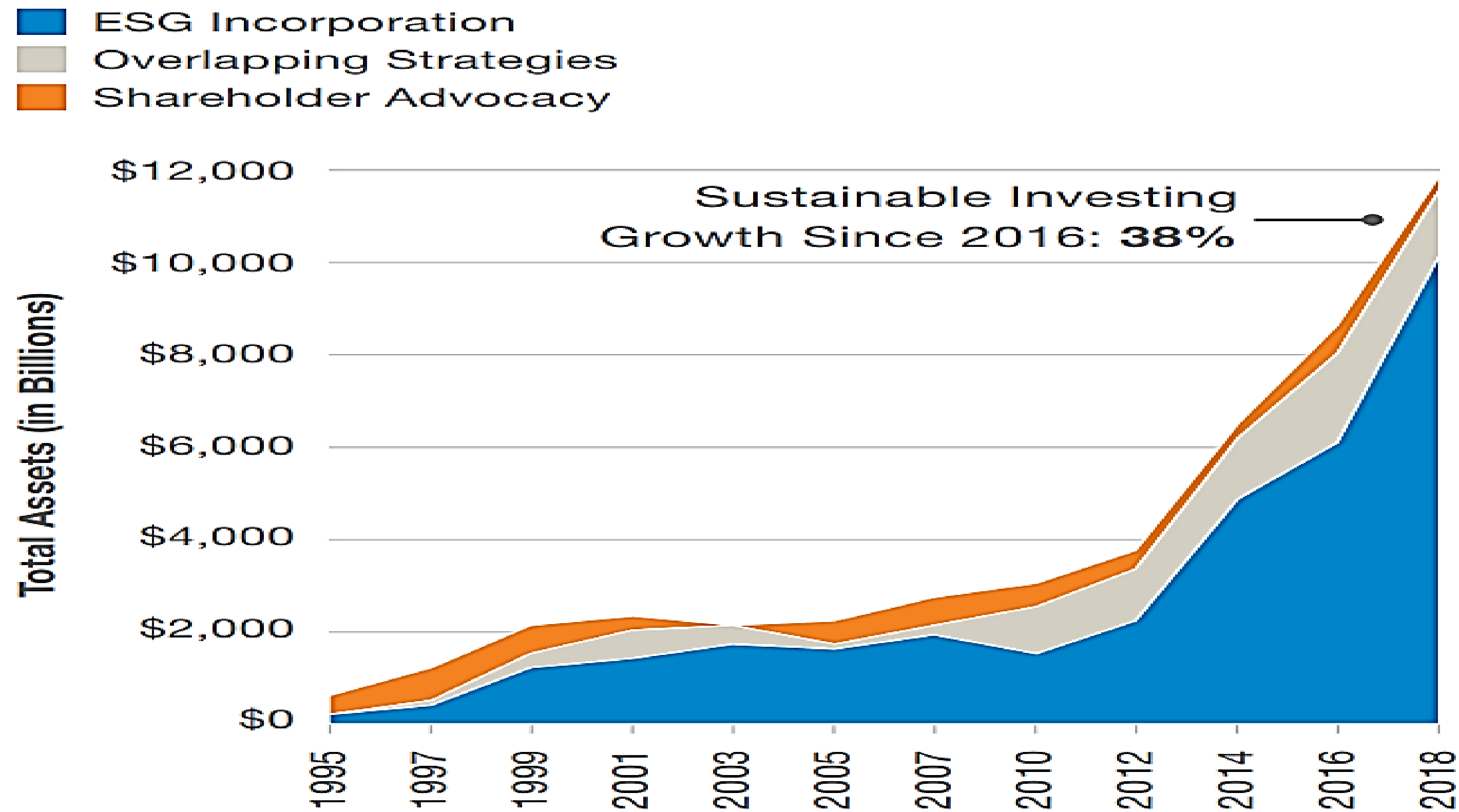
...fueling significant growth in sustainable investment assets



Source: The Forum for Sustainable and Responsible Investment, December 2018

And flows are accelerating

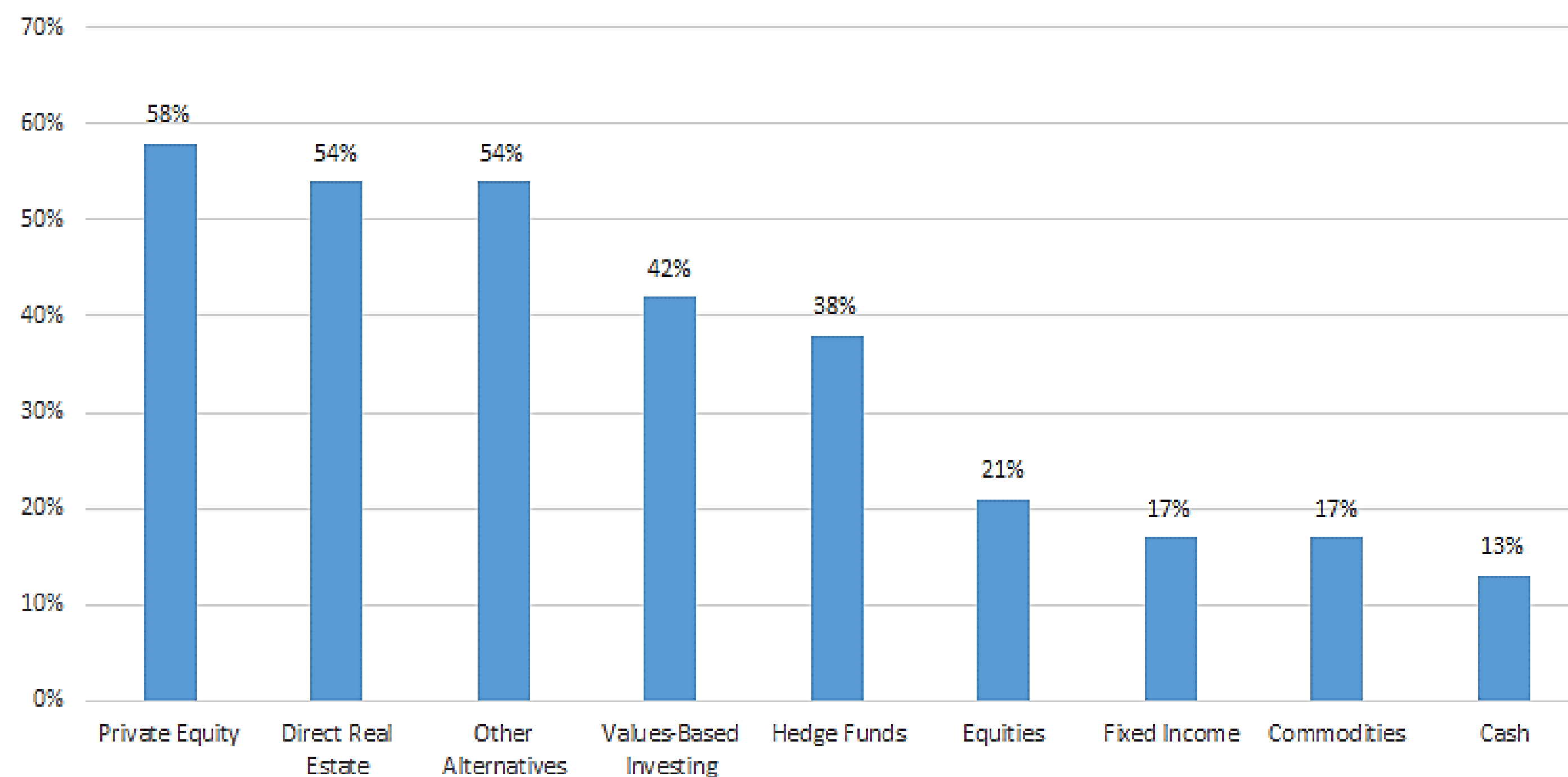
Sustainable Investing Growth in the United States (Billions) 1995-2018



Source: The Forum for Sustainable and Responsible Investment, December 2018

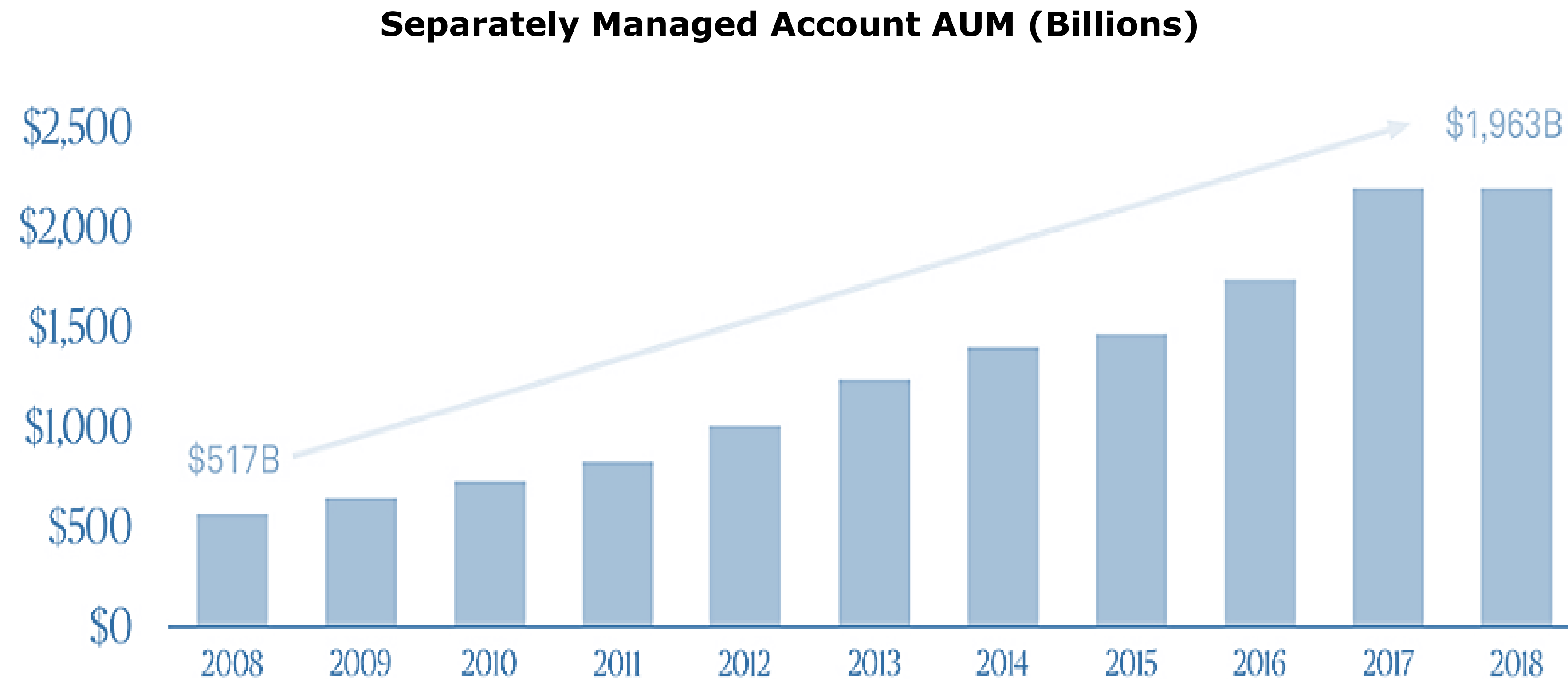
Millennials are also more inclined to want access to less liquid investments

Areas High Net Worth Millennials Would Like to Learn More About



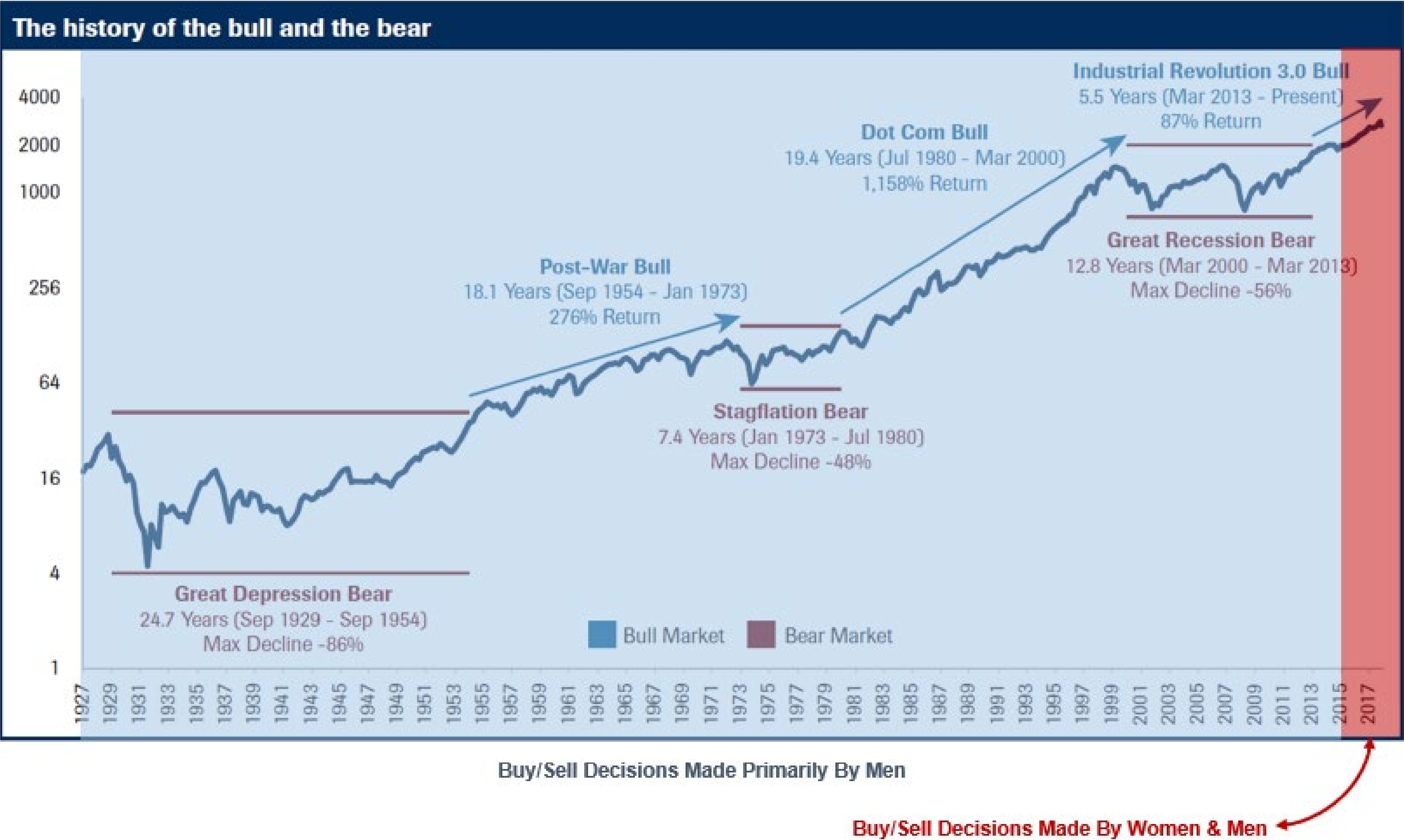
Source: Oppenheimer Funds & Campden Wealth: Coming of Age, 2016

SMAAs may be the investment vehicle of choice for millennials



Source: Money Management Institute, Ceruli Associates, BNY Mellon, MMI Advisory Solutions Quarterly- 4Q 2018

Prices are a function of fundamentals and the buy/sell decisions of market participants



Source: Federated Hermes; Morningstar Inc.

Biography

Steven Chiavarone, CFA

Equity Strategist
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Twitter: [@schiavarone](https://twitter.com/schiavarone)

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Steve Chiavarone is responsible for portfolio management and research in the global asset allocation area and is a portfolio manager of Federated Global Allocation Fund. Steve is responsible for the formulation of Federated Hermes' views on the economy, the financial markets, and the firm's investment positioning strategies as a member of both the Macro Economic Policy and the PRISM Asset Allocation committees. Steve is also responsible for bringing macroeconomic, investment strategy and product knowledge directly to clients in collaboration with the sales team.

He joined Federated Hermes in 2007 and has 15 years of industry experience. He previously worked at U.S. Trust/Bank of America Private Wealth Management as a project manager in the Office of the Investment Management COO.

Steve has been a regular contributor across the financial media, including CNBC's "Squawk Box," "Worldwide Exchange," "Power Lunch," "Trading Nation," "Nightly Business Report," and "Fast Money," Fox Business Network's "Mornings with Maria" and "Countdown to the Closing Bell," and Bloomberg's "Daybreak: Americas" and "The Open." Steve is also frequently quoted in publications such as Reuters, The Wall Street Journal, The Financial Times, The New York Times and CNN Money.

Steve earned his bachelor's degree from Drew University and is a CFA charterholder.