The 80-Year-Old Millennial: **How Financial Advisors Can Help Millennials Achieve a Financially Secure Future**

Executive Summary

For millennials—those Americans born between 1981 and 1995—the path to financial security promises to be rockier than it was for the generations that immediately preceded them.

- Many millennials incurred substantial amounts of student loan debt, only to enter the workforce during a difficult job market that made landing the position and optimal pay difficult.
- Millennials have seen employers freeze or eliminate the traditional pension plans, which many of their parents and grandparents counted on for retirement income and watched the Social Security system slide onto ever-less-stable footing.
- Hammered by the 2008 financial crisis, many millennials are already lagging their parents financially, having less wealth, on average, than their parents did at similar ages.

One big takeaway? For millennials, access to sound financial advice and solutions over the next several decades will be critical to achieving financial wellness. Millennials are expected to inherit significant wealth from their parents and grandparents. In the meantime, they are undergoing big changes in their personal lives—getting married, purchasing homes, having children—and paying increasing attention to their financial situation and what they need to do to improve it. Many will need careful, comprehensive financial planning—and that creates a significant opportunity for financial advisors.

However, studies suggest that old assumptions about work, personal finances, and retirement do not apply in many cases to millennials or subsequent generations. Financial advisors will need to change how they access, communicate with, and educate a younger clientele.

To help, Prudential commissioned Kantar Futures to survey millennials about their outlook on work and career, health and wellness, personal finance, and technology. Our findings supplement what we learned in our recent [2018 Financial Wellness Census™], in which we surveyed more than 3,000 U.S. adults, including millennials, about their current financial health. Here are some of the findings:

1. Millennials predict a rise in gig/freelancing work, which presents financial wellness challenges.

Tips for Financial Advisors – New Employment Models:

- Adopt a holistic approach to improving millennials' financial wellness by providing guidance on a variety of issues, including budgeting, expense and debt management, acquiring insurance coverage, and setting up a retirement savings plan.
- Impress upon millennial clients the importance of building an emergency savings fund to cushion the financial impact of job changes. Create new urgency around saving and investing, given the volatility of gig-worker income.
- Advise millennials who have job-hopped to consider consolidating their various retirement accounts in one place, perhaps by rolling old 401(k) accounts into an individual retirement account (IRA).

Almost
1 in 4
millennials
have **worked as an independent contractor/ freelancer** in the past year.

2. Millennials foresee a high-tech, high-touch future.

Tips for Financial Advisors – New Digital Technologies to Increase Engagement:

- Leverage new technologies to become more efficient and to accommodate millennials' preference for connected solutions. Examples include digital financial education tools such as interactive webinars; videos and other personalized educational materials distributed via email, newsletter or social media; financial wellness self-assessment tools, and online budgeting tools.
- Develop a strong social media and online presence to engage millennials. Supplement in-person and phone meetings with virtual meetings, video conferences, and webinars.

3. Millennials are nervous about rising educational expenses.

Tips for Financial Advisors – Education Planning/Student Loan Repayment Options:

- Provide college planning resources, such as [Paying for College: A Practical Guide for Families](), to help millennials understand the various options available for funding a child's post-secondary education—without jeopardizing long-term financial security.
- Guide millennials in the potential benefits of setting aside enough assets in tax-advantaged vehicles, such as 529 plans, to help minimize student loan debt once college is at hand for their children—or even for themselves, if they have a desire to go back to school.
- Provide education around [student loan repayment]() and loan consolidation programs. Mention that some employers are starting to directly match a portion of what their employees pay against their student loans, and that others provide that match in the form of employer contributions to a 401(k) plan.
- Recommend a review of their life insurance needs. Explain how the death benefit from a life insurance policy could help provide funding for college in the event of an untimely death in the family.

4. Millennials envision a long road to retirement, with little light at the end of the tunnel.

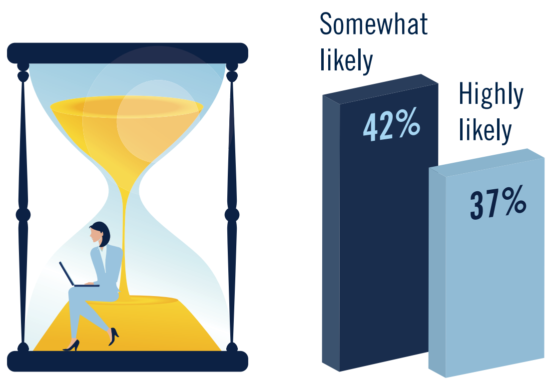
Tips for Financial Advisors – Retirement Planning Tools and Resources:

- Encourage millennials to start saving early for retirement. If they have access to a 401(k) plan at work, have them commit to automatic escalation of their contributions to that plan. And if their employer matches contributions, have them contribute at least enough to receive the maximum match.
- Provide education on how much income will be needed in retirement to cover expenses, and on identifying potential sources of income (e.g., Social Security, savings, retirement plans, and annuities).
- Assist millennials with tracking their retirement savings progress in terms of an income goal, rather than a savings goal, while targeting a realistic retirement age.

79%

of millennials

think it's likely **people will no longer be able to retire comfortably in the future.**



5. Millennials expect to live long lives—but are nervous about rising healthcare costs.

Tips for Financial Advisors – Planning for Future Healthcare Costs:

- Suggest they consider contributing to a Health Savings Account (HSA), if available through their workplace. HSAs can offer a unique triple tax benefit: tax-deductible contributions, tax-free earnings, and tax-free withdrawals if used for qualified healthcare expenses.
- Offer education on how to prioritize savings, and how to make decisions about appropriate investment choices for HSAs.
- Ensure clients are adequately protected against loss of income due to a health event during their working years. The aim is to minimize early withdrawals from retirement savings, which could unnecessarily jeopardize future financial security.
- Educate millennials about how most permanent life insurance policies offer the ability to build cash value, which could be accessed in the event of an illness.[1] Some life insurance policies offer an optional policy rider, which may allow individuals who become chronically or terminally ill to accelerate, or make available, a death benefit while still alive to cover chronic illness expenses.[2]

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[1] Using a policy's cash value could reduce the death benefit, shorten or cancel a guarantee, or cause the policy to lapse, and may have tax consequences.

[2] Accelerating the death benefit will reduce the death benefit dollar-for-dollar and may result in beneficiaries receiving less or zero proceeds at death, if the death benefit is fully exhausted due to benefits paid out under the rider while the insured is alive.

6. Millennials are concerned about declining government and employer benefits.

Tips for Financial Advisors – Declining Government and Employer Benefits:

- Review benefits available through the employer and identify any gaps in coverage. Where gaps exist, suggest supplementing workplace benefits with individual coverage.
- Encourage millennials to save more in retirement plans and personal investment accounts. For help with this, use retirement income calculators that can project future income.
- Educate millennials on other sources of guaranteed lifetime income, such as annuities.

7. Millennials question intergenerational progress and wealth transfer in an aging world.

Tips for Financial Advisors – Wealth Transfer:

- Review how life insurance can be a tax-efficient way for millennial parents to leave a financial asset to their children. Even a relatively modest amount of wealth left to the next generation can have a meaningful impact.

Given their broad range of concerns—about their future work prospects, rising education and healthcare costs, the availability of government and employee benefits, and their chances of retiring comfortably, and leaving a legacy—millennials will appreciate having someone to help them navigate the financial landscape. Financial advisors have an opportunity to grow their businesses by helping millennials overcome these financial challenges and improve their financial health in an increasingly complex and uncertain world.

To view the full paper and more tips for financial advisors, please visit prudential.com/insights

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