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Repeating the mistakes of our parents

Millennials haven't taken heed of the challenges the sandwich generation face

Millennials are loosely classified as those born between 1980 and 2000. They are a generation that present challenges to marketers and sales people because they are motivated by different triggers and desires to their predecessors. While consuming close to 50 per cent of marketing budgets in the US, they provide a small percentage of revenue turnover. They are tech savvy and connected, care about the environment and social issues, and are distrustful of institutions and advertising.

The vast majority of retirement age South Africans don't have the financial means to live independently in retirement. This has given rise to the 'sandwich generation': those supporting both their parents in retirement and their own children. They are sandwiched between two hugely expensive sets of dependants.

And yet millennials, who are witnessing first-hand the chaos that failing to plan renders on lives, are not investing.

Financially fit, or squeezed dry?

Millennials tend to start their economically active lives under the burden of student debt due to the rampant rising costs of tertiary education, and their parent's inability to help fund it.

Additionally, the culture of consumerism is pervasive, with many spending more than is rationally sound. This only serves to increase their debt burden, leaving less expendable income available at the start of each month to contribute to long-term savings and retirement.

Further compounding the matter is the fact that life expectancy has, in general, increased for millennials, which means their retirement savings now also have to stretch much further. Moreover, despite their shrewdness, millennials are extremely conservative. For the millennial, 'risk' is viewed as 'permanent loss', and as a result, if they put money away at all, they are savers rather than investors.

This leaves millennials in an extremely compromised position because they aren't saving enough, and what they do save isn't yielding the returns required to build meaningful wealth for their retirement. This is despite living in an age of unprecedented access to information, along with an abundance of tools and the ability to easily invest. It is somewhat of a dichotomous situation as the access to information has created data overload, which has led many to a state of 'paralysis by analysis'.

Remove complexity

In terms of addressing these issues, financial institutions need to find ways to provide simple, easy-to-access investment options.

Additionally, for those with less expendable income, more thought must be given to what life's necessities are in the current economic climate. The importance of a budget can't be stated strongly enough. Thankfully, there are numerous online tools for this, with advanced options that have the ability to integrate with bank accounts.

Similarly, having a savings or investment goal is also essential. Most people have no idea how much they need to save each month, or what the impact of compound interest will be. Financial advisors need to assist millennials by providing clear calculations, based on earnings and affordability.

How to engage?

While the financial advisor was a staple in the investment repertoire of the average baby boomer, many millennials have shunned this traditional model and have chosen to go it alone, for many reasons.

For starters, in the age of social media, millennials tend to value the collective wisdom of their peer networks more than that of individual advisers. However, this need not be a barrier to access prudent financial advice from a broker or planner.

The engagement model has simply changed, and the industry needs to find ways to change with it. In doing so, we can create an environment where potential investors are encouraged and are able to speak to someone who can help them make financially-astute decisions.

Advisers need to simplify and offer complete transparency in order to engage with millennials. Offer comparisons. Highlight fees. Give them the tools that will allow them to make their own comparisons, and do their own research. This way, we build trust and help create a sustainable investment environment with the hard to reach millennial investor.