

Millennials and retirement — give them #FOMO

Traditionally, financial advisers had a hard time trying to encourage Millennials to embrace traditional retirement planning. Then along came cryptocurrencies to entice an entire generation away from mainstream finance. This really spoilt the applecart.

A recent survey by US venture capital firm, Blockchain Capital, found that 30% of Millennials aged 18 to 34 would prefer to invest \$1,000 in bitcoins rather than investing the same amount in stocks or bonds.

Millennials are also twice as likely as the general population to have owned bitcoins, while 16% say they plan on buying cryptocurrency within the next five years.

While this data pertains to the US market, it is still a useful yardstick for the Millennial attitude towards money.

THE DANGERS OF CRYPTO

As a financial planner, your instinct might be to warn Millennials of the dangers of cryptocurrency. However, that might not be the best strategy.

Before you can start arguing about the merits of unit trusts over cryptocurrencies, you first have to convince Millennials about the relevance of speaking to a financial planner. To achieve that, you not only have to be adept at engaging them over the various social media platforms they tend to frequent, you also have to get to grips with cryptocurrency nomenclature and its underlying blockchain technology.

Adopting a combative, anti-crypto stance is probably not going to win you many Millennial friends, or clients. After all, Bitcoin's critics include the likes of Bill Gates, who has called it one of the crazier, speculative things he has seen. JP Morgan CEO Jamie Dimon labelled it a fraud. Billionaire investor Warren Buffet famously called Bitcoin rat poison only to see veteran financial broadcaster Max Keiser, a much-loved figure among crypto aficionados, respond by saying: He is right! And guess what, Warren is the rat!

MERITS OF TRADITIONAL STRATEGIES

None of the anti-crypto criticism has diminished interest in digital money. As a financial

planner, you are probably far better off trying to make Millennials see the merits of traditional retirement strategies than attacking cryptos.

A good start might be to try and get Millennials to understand their motivation for buying cryptocurrencies. If their motivation for doing so is not based on the very real benefits of blockchain technology (which ranges from immediate transaction settlement to preventing currency counterfeiting) then it stands to reason that it is speculative in nature. While there is nothing wrong with that per se, it should never form the basis of a retirement strategy.

DIGITAL GOLD

Another argument in favour of crypto is that it is an alternative store of value, a form of digital gold.

However, the comparison to gold is misleading in many ways. While gold does have the characteristics of a currency and is a traditional safeguard against inflation, it also has intrinsic value thanks to its many practical uses.

Its unique, non-corrosive properties and high conductivity mean it can be found in almost every electronic device. It is also used in the aerospace, dental and medical fields. While blockchain technology might be able to make similar claims the same cannot necessarily be said for cryptocurrencies.

AN AGE-OLD MANTRA

Then there is the age-old mantra of the diversification of assets. This still holds true no matter what demographic cohort or generation one belongs to. Putting everything you have into a single asset class, whether it is equity futures or cryptocurrencies, simply makes no sense.

So, by all means, let your Millennial clients speculate on crypto. However, try and get them see the merits of traditional retirement strategies.

Ignoring traditional products like unit trusts means they would be forfeiting the opportunity to invest in an array of assets like equities, bonds and derivatives.

Considering how much Millennials hate missing out on life events (FOMO), that should be enough to get them thinking.

Sources:

<https://www.bloomberg.com/news/articles/2017-11-08/Millennials-ready-to-ditch-stocks-to-keep-bitcoin-rally-alive>
Max Keiser: <https://www.youtube.com/watch?v=N5MillyaTsk>



Grant Field
CEO: Fedgroup

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