Insights

The intergenerational wealth report

July 2023

TIME INVESTMENTS

Contents

In the UK, over 80% of household wealth is currently held by the over-45s, but over the next 30 years, this is set to be transferred between generations as inheritance or gifts (according to the Office for National Statistics*).

Dubbed 'The Great Wealth Transfer', an estimated £327 billion is set to transfer to 300,000 younger people in the UK over the next decade alone, from 'baby boomers' (those born between the late 1940s and early 1960s) to younger generations.* This presents both an opportunity and a threat to financial advice. With client assets often transferring down the generations, those inheriting wealth may have different attitudes to spending and saving.

This report explores the impact of this huge intergenerational transfer of wealth and, using our unique research, takes a deep dive into the attitudes and expectations of the key beneficiaries, principally Millennials and Generation Z. The objective is to understand their financial priorities and views on seeking advice when it comes to managing their wealth.

* Are you ready for 'The Great Wealth Transfer'? - Barclays report, 27 May 2021

Unique consumer research

In January 2023 TIME Investments commissioned leading market research consultancy, Pure Profile, **to survey 500 people – 250 Millennials and 250 Generation Z – all with an income of above £50,000 per annum**. The consumer research referred to in this report relates to this unless otherwise stated.

Adviser research

To understand how advisers are serving younger clients, **TIME also conducted research with 125 financial advisers and wealth managers**. The adviser research referred to in this report relates to this unless otherwise stated.

Together this new research provides:

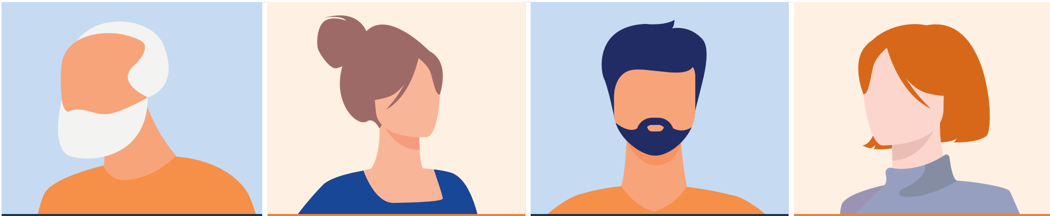
- invaluable insights into the propensity of younger generations to engage with financial advisers
- help to identify opportunities for advisers
- practical tips to help advisers grow their client base

Who are Millennials and Generation Z?

Millennials, born between 1981 and 1996, are aged between 27 and 42 and are the first generation to be exposed to a digital world, making them extremely self-sufficient, as they no longer have to rely on others to solve their problems or teach them things – they have the internet for that.

Aged between 11 and 26, Generation Z were born between 1997 - 2012. They are true digital natives, having been exposed to the internet, social networks and mobile phones for their entire lives. The Economist has described Generation Z as a more educated, well-behaved, stressed and depressed generation in comparison to previous generations*.

* Source: The Economist, 27 Feb 2019. Generation Z is stressed, depressed and exam obsessed?



	Baby Boomers	Generation X	Millennials	Generation Z
Born	**1945 - 1960** Aged 63 and over	**1961 - 1980** Aged 43 - 62	**1981 - 1996** Aged 27 - 42	**1997 - 2012** Aged 11 - 26
Formative experiences	▪ Cold War ▪ Swinging Sixties ▪ Moon landings ▪ Youth culture ▪ Woodstock	▪ Fall of the Berlin Wall ▪ Reagan/Gorbachev/Thatcher ▪ Live Aid ▪ Cheap travel ▪ Divorce rates rise ▪ Early mobile technology	▪ 9/11 and 7/7 terrorist attacks ▪ Social media ▪ Invasion of Iraq ▪ Reality TV ▪ Google Earth ▪ Mobile phones	▪ Economic downturn ▪ Global warming ▪ WikiLeaks ▪ Cloud computing ▪ Artificial intelligence ▪ Digital natives
% of UK workforce**	**31%**	**35%**	**29%**	**5%*****
Traits / Behaviours	▪ Productive ▪ Hard working ▪ Team players ▪ Mentors ▪ Family-orientated	▪ Managerial skills ▪ Revenue generating ▪ Problem solving ▪ Street smart and skeptical	▪ Tech savvy ▪ Entrepreneurial ▪ Opportunistic ▪ Book smart	▪ Global outlook ▪ Connected ▪ Fun and frugal ▪ Social natives ▪ Philanthropists
Median years with employer	7	5	2	-

** ONS - Jan 2021 *** Those over the age of 18

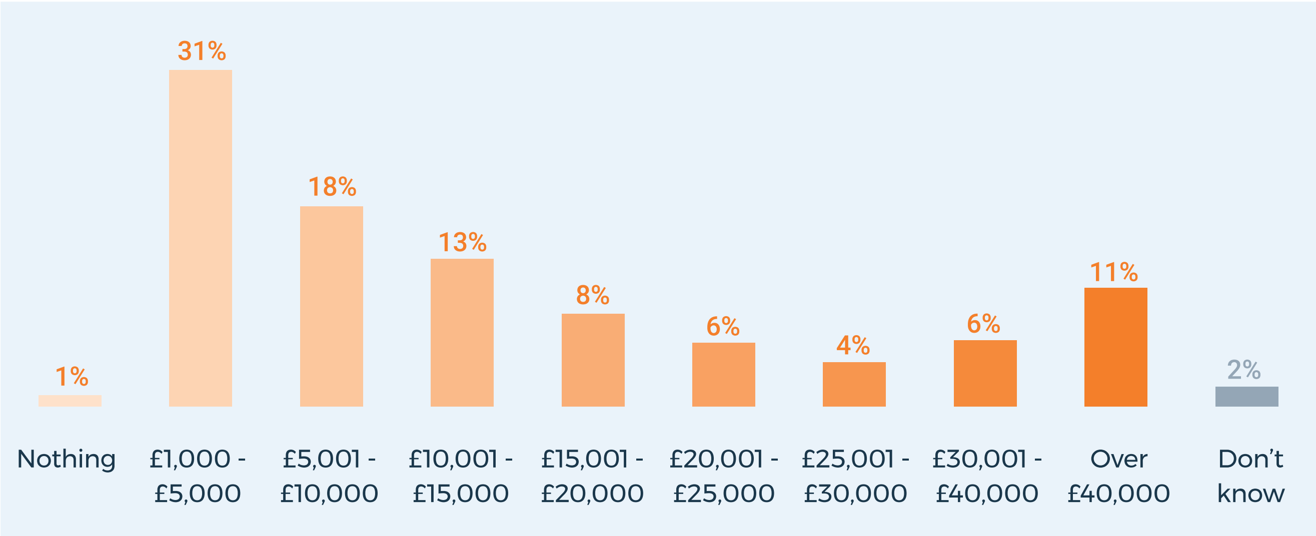
A positive savings culture

As with any client or potential client, savings provide the bedrock of investible assets, now and in the future. Our consumer research shows that Millennials and Generation Z with higher earning power have a very positive attitude to saving, with 94% saying they have cash savings or investments – and many already holding significant sums (Figure 1). Not only have they started building their savings portfolio, but they are also committed to doing so every year, with 27% targeting over £20,000 per annum (Figure 2).

Figure 1: Amount of savings held (cash and investments)

	Generation Z	Millennials
Under £10,000	22%	18%
£10,000 - £15,000	15%	15%
£16,000 - £25,000	6%	12%
£26,000 - £50,000	14%	15%
£51,000 - £100,000	13%	13%
£101,000 - £250,000	11%	9%
£251,000 - £300,000	6%	4%
£301,000 - £400,000	5%	4%
£401,000 - £500,000	5%	4%
Over £500,000	3%	5%

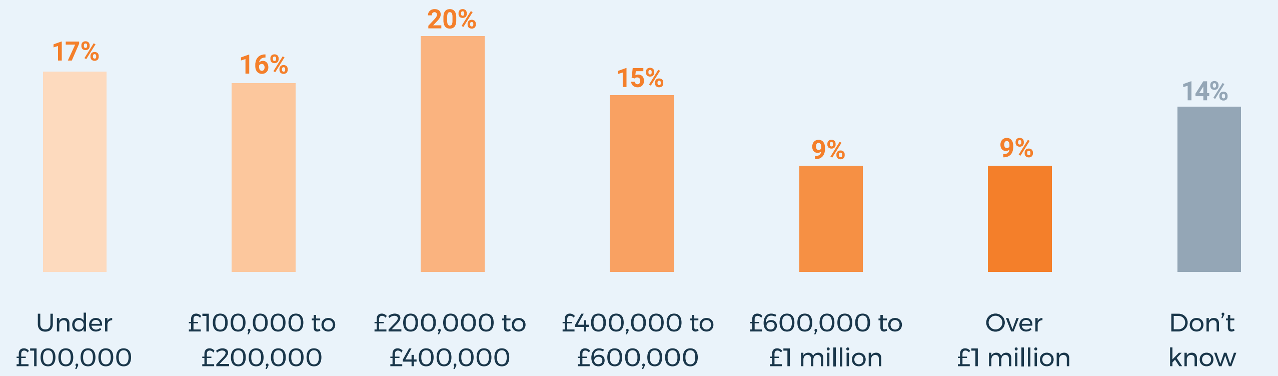
Figure 2: The amount respondents aim to save each year



A generation set to inherit

Our consumer research also shows that these are individuals with an eye to the future, with 60% expecting an inheritance from their parents or other family members. And the sums are significant:

Of those expecting an inheritance, Millennials and Generation Z expect to inherit



Who is advising these generations?

Despite their higher earning power and focus on saving, a significant number are turning to their parents, friends and the internet when they need advice about their finances. However, our consumer research shows that those already using a financial adviser is encouragingly high.

Figure 3: Who do Millennials and Generation Z ask when they need advice about their finances?

	Percent	Responses
Parents	47%	236
Financial adviser	39%	197
Internet search/background reading	22%	111
Friends	17%	87
Accountant	13%	65
Siblings	9%	44
Work colleagues	7%	37
Lawyer	4%	18
Others	4%	18
Social media contacts	3%	13

Over half have already used a financial adviser or wealth manager

Our consumer research showed that 56% of respondents have used a financial adviser or wealth manager and this is being driven by the need for help when it comes to choosing the best savings and investment vehicles, as well as retirement planning, as they embark on their long-term savings journey.

Figure 4: What do Millennials and Generation Z use an adviser for?

	Percent	Responses
To help choose the best savings and investment vehicles	68%	189
To help plan for my retirement	36%	100
Advice to support all aspects of finances, from running a business to planning for retirement	31%	87
To help with intergenerational planning i.e. wealth transfer between parents, spouse, children, etc	29%	81
To help invest windfalls from events such as the sale of a business or inheritance	26%	73
To help ensure investments being made are ethical	9%	24
Other	2%	5

The consumer research also highlighted other key reasons why Millennials and Generation Z are engaging with advisers, highlighting the importance of capitalising on existing client relationships but also the key financial triggers that are likely to prompt the need for professional advice.

Our adviser research show the top four services they provide Millennials and Generation Z are:

1. Financial review
2. Wealth planning
3. Long-term savings
4. Retirement planning and pensions

Has the pandemic heightened the need for professional advice?

Interestingly, for many Millennials and Generation Z, engaging with a financial adviser is a relatively recent occurrence, with our consumer research revealing over 65% using an adviser for the first time within the last two years. This coincides with the challenging period of lockdowns and post-pandemic life when perhaps many re-evaluated their work life balance and long-term futures, with finances holding the key to their aspirations?

Are advisers already working with Millennials and Generation Z?

As part of our research we were also interested to see what understanding financial advisers have of the wants and needs of Millennials and Generation Z, so we surveyed 125 financial advisers and wealth planners.

Despite many already taking professional advice, our research shows that annual fee income from clients aged 40 and under remains a relatively low portion of overall revenues. However, to protect future earnings and existing AUM, advisers must build relationships with all generations.

Figure 5: Percentage of income from clients aged 40 and under

	Percent	Responses
None	1%	1
1-10%	12%	15
11-20%	22%	27
21-30%	16%	20
31-40%	21%	26
41-50%	14%	17
51-60%	10%	13
61-70%	3%	4
Over 70%	2%	2

Figure 6: Services advisers provide clients under 40 ranked in order of frequency

	Overall rank	Score	No. of rankings
Financial review	1	758	116
Wealth planning advice	2	567	101
Long-term savings e.g. ISAs	3	562	104
Retirement planning and pensions	4	520	101
Mortgage solutions	5	468	102
Accountancy and personal tax services	6	431	102
Business advice	7	351	92
Intergenerational planning	8	328	88

A high propensity to seek professional financial advice in the future

Our consumer research also shows that just under half of those aged 40 and under have not yet used an adviser because they do not fully understand the benefits, perceiving them as too expensive, or they prefer to manage their own finances.

However, 47% percent said they were likely to use an adviser in the future and a further 34% said they were unsure. Just 16% said they were unlikely to use an adviser and only 3% said they would never use one.

These findings demonstrate the scale of the opportunity for advisers.

Figure 7: Reasons why Millennials and Generation Z are likely to start using a financial/wealth adviser

	Percent	Responses
Earning enough income to afford to save and invest	46%	231
Buying a property	36%	180
Retirement planning	28%	142
Starting a family	22%	111
Inheriting money	17%	84
Selling a business	12%	59
Intergenerational /IHT planning	7%	34
Other	4%	19

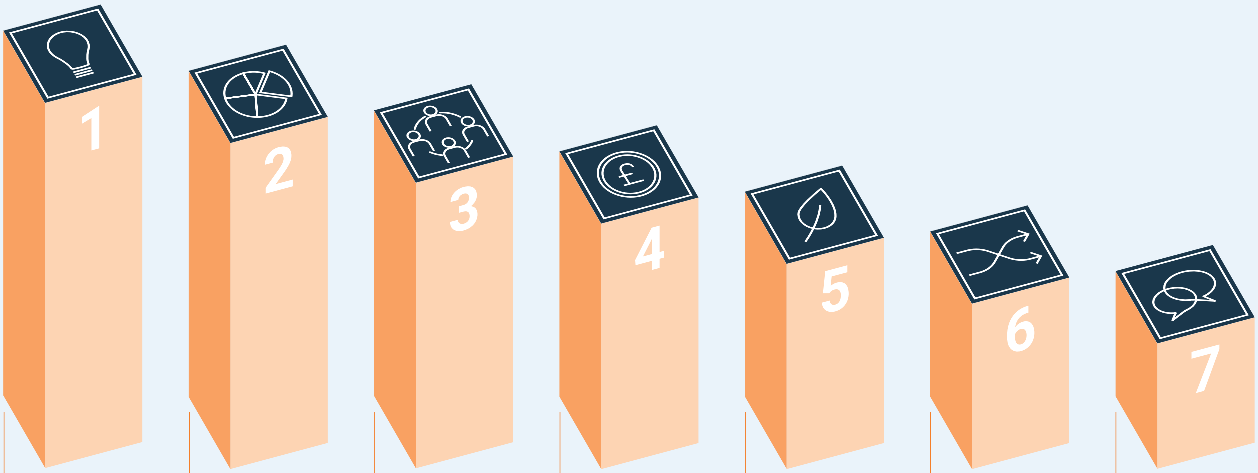
The optimum age for advice

When asked at what age they expected to engage with professional financial advice, there was an expectation across all respondents in our consumer research that this would happen sooner rather than later, with 28% of respondents starting to use an adviser when aged between 26 and 30 years old, 20% between 31 and 35 years old and 13% between 36 and 40. A minority of just 4% said that they would be over 50 by the time they sought advice.

Technology matters most when choosing an adviser

The consumer research highlights the importance of the role of technology when it comes to choosing an adviser. Younger generations want the accessibility and information it provides, but they also want an adviser with experience and someone they can contact as and when they need to.

Figure 8: How important are the following when choosing a financial adviser?



1. Use of technology to make services as accessible as possible
2. Tools to help analyse investment portfolios
3. Experience and accessibility of the adviser
4. Provision of a low-cost offer
5. Strong focus on ESG and ethical investments
6. Providing new services such as business advice
7. Use of communication channels such as WhatsApp and FaceTime, rather than face-to-face meetings

Are advisers doing enough to target Millennials and Generation Z to grow their client base?

Much has been written about the threat to advisers, as vast sums of client assets pass to younger generations who may have very different ideas about what to do with their inheritance or where to invest their money. The transfer of wealth from one generation to the next is a precarious time for advisers, who need to consider how to engage with these potential new clients for the first time, deepen their relationship with those they already know and ensure their services are seen as relevant and adding value.

The research findings show that advisers have already been proactive in this regard, with 69% of respondents saying their firm has a strategy for targeting Generation Z clients. Many are taking steps to make their services more relevant to younger audiences by embracing new technology and providing new services – this mirrors the findings on the previous page, which clearly show that the effective use of technology is an important factor for younger clients when choosing an adviser.

Our adviser research reveals the steps firms are already taking to make their business more relevant to younger age groups:

71%	are investing in new technologies
50%	have developed a low-cost offer
50%	are implementing a social media marketing strategy
45%	are providing new services such as business advice
45%	are making use of new communication channels, such as WhatsApp and FaceTime
41%	are improving their focus on ESG

Intergenerational wealth transfer – an opportunity or threat?

As seen earlier in the report, over 60% of the Generation Z and Millennial cohort surveyed expect to inherit money from their parents and family, and for many, these sums are significant. See chart on page four, ‘How much do Millennials and Generation Z expect to inherit’.

However, the findings also reveal a significant challenge, as many of those set to inherit do not have a relationship with the advisers currently managing the assets. Just under half have a relationship with the adviser used by the family members they are likely to receive an inheritance from. Interestingly, just under half of those that do not have a relationship said they would continue to use the same adviser when the wealth is transferred to them, compared to 28% who said they would not use the same adviser. A further 26% said they do not know who they will use, suggesting they are open-minded either way, presenting an opportunity for future client acquisition.

The second challenge is the proportion of inherited assets this age group is likely to leave with the same adviser – which is low. 20% said they would not leave any assets with the adviser and just 4% said they would leave all the assets with the adviser.

Figure 9: Proportion of inherited assets likely to be left with the adviser who has managed them to date

	Percent	Responses (500)
None	20%	100
1 - 10%	16%	81
11 - 20%	14%	71
21 - 30%	12%	58
31 - 40%	11%	57
41 - 50%	9%	45
51 - 60%	6%	28
61 - 70%	4%	18
71 - 80%	0%	0
81 - 90%	3%	14
91 - 99%	1%	7
100%	4%	21

Summary

The research findings in this report clearly demonstrate that Generation Z and Millennials earning over £50,000 per annum have an eye to the future and are actively engaged in saving and long-term financial planning. They are financially savvy but also open to advice.

How likely are Millennials and Generation Z to seek financial advice?

- Many are already using a financial adviser to help them on this journey, seeking guidance on different aspects of their finances.
- For those that are not, the door is very much open.
- Their propensity to use an adviser at some point in the future is high and will be driven by key events in their lives such as buying a house or selling a business.

Are you seizing the opportunity to engage with the next generation?

The adviser community needs to address the gaps to prevent losing significant assets under management in the intergenerational wealth transfer. Here, engagement is key and finding new ways of making advice accessible, relevant and that adds value is crucial.

Helping wealth pass through the generations

- There is a fear that many of the younger generations are turning to unregulated sources for financial advice, for example through social platforms like TikTok. This unregulated advice has the potential to cause long-term problems for younger generations who have much less experience managing their own finances.
- The need for regulated financial advice is huge for these younger generations but how can advisers ensure they are engaging with them in the right way? Advisers need to be prepared for the great wealth transfer and poised to help the younger generations create sound financial plans.

We have a range of resources and tools available to support financial advisers with intergenerational planning. More details can be found on page 13.

About TIME Investments

TIME Investments is a specialist investment manager focused on delivering long-term investments that seek consistent and predictable returns.

We take a deliberately defensive approach predominantly investing in asset-backed infrastructure, real estate and lending.

The TIME group has over £4.5 billion invested in high quality asset-backed and income generating investments across a number of asset types. Its dedicated in-house team of specialists focus on investing in UK infrastructure, renewable energy, and real estate.

Over the years we have built long-term relationships with our clients by keeping their interests at the heart of what we do and aim to provide our investors and their advisers with long lasting peace of mind. We want to enable you to focus on the important things in life. We work hard with your money so you don't have to.

We have an in-house team of around 30 dedicated investment professionals with specialist experience across the sectors in which we invest. This experience forms the foundation to our successful Inheritance Tax (IHT) services. We manage over £1 billion of tax efficient investments for more than 8,000 private investors and business owners who are seeking to maximise the financial legacy they leave for future generations.

Sustainability credentials

UKSIF UK Sustainable Investment and Finance Association

UN Global Compact Network UK

PRI Principles for Responsible Investment

Carbon Neutral Organisation

Industry recognition

Financial Adviser Service Awards 2022

Investment Week Tax Efficiency Awards 2019/20 Winner Best IHT Portfolio Service

Investment Week Tax Efficiency Awards 2019/20 Winner Tax-Efficient Group of the Year

Growth Investor 2022 Awards Winner Team of the Year

Winner Investment Life & Pensions Moneyfacts Awards 2020 Best Investment Service

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- Third party reviews and due diligence support
- IHT liability calculator
- Nationwide team of 30 available to support you
- Bespoke illustrations for clients
- Impact Investment report

We have a range of educational guides available.

For further information please reach out to your local Business Development Manager.

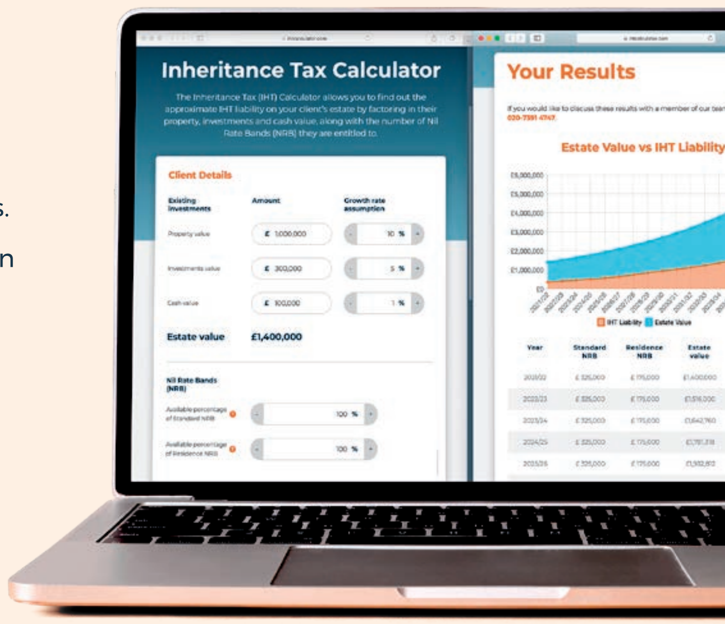
Find all our Inheritance Tax planning support in one place

The Inheritance Tax planning Hub is a dedicated area on our website for you to access a wide range of educational guides, resources and tools to support you and your clients.

The Hub is designed for both those seeking an introduction to IHT and those already familiar and experienced with IHT planning.

Our online resources will help you increase your knowledge around IHT and give you practical tips for researching and comparing different planning options.

To access the Hub, please scan the QR code.



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