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Executive Summary

Values & Priorities of Millennials in Canada

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Research conducted by:

THE DECISION LAB

This report provides an in-depth profile of the financial experiences of Canadian Millennials. A distilled summary of the most pertinent findings is presented here. This material is not presented to answer questions about Millennial clients, but rather to help financial planners understand which questions to ask in order to really get to know their Millennial clients.

In general, the increase in indebtedness and the increasingly precarious finances of many Millennials are important drivers that help to understand broad patterns. Many Millennials are attempting to follow the recipe for success handed to them by their parents and wider society: get a good education, get a stable job, get married, buy a house, start a family, save, retire. However, Millennials have been met with notable challenges.

This highly educated cohort graduated with higher levels of debt than previous generations, and emerged into one of the hardest job markets in a century. Trying to fill the gap, many Millennials have turned to part-time and contract work, as well as the gig economy. These forms of employment create much more erratic income streams, leave workers vulnerable to shocks, and make it hard to pay down accumulated debt. Additionally, with the chronically low interest rates since the Great Recession, debt has become socially normalized.

This group of Millennials live with their parents longer, start their careers later, and defer traditional life milestones such as marriage, home ownership and childrearing. They have little savings and their appetite for risk is low because they do not know if or when they might need those savings to bridge gaps in cashflow. Accordingly, their savings do not grow quickly either, leaving them further behind in saving towards big goals such as home ownership and retirement.

They are anxious about their money and feel that their finances control their lives, rather than the other way around. They feel alienated from the traditional arc of "the good life:" the middle class dream of the middle of the 20th century. Feeling that the material trappings of that life might be beyond their reach, and not just temporarily, many Millennials are defining new markers of success, charting a course for themselves that looks quite different from the ideals of previous generations.

The increasing elusiveness of the middle class dream is having wider effects, even on consumer segments for whom that narrative is still quite accessible. For example, Millennials have shifted their focus away from material possessions (more characteristic of Boomers and Gen X) and towards experiences, ephemeral moments. Millennials also have a strong sense of social responsibility, seeking to have their purchasing decisions, employment, and investments reflect their values of equality, justice, and ecological responsibility. These are all pathways towards self-actualization.

Along with questioning the traditional markers of success, Millennials are also questioning the institutions (both economic and social) that were once considered the bulwark of society. Millennials are disillusioned with banks and other financial institutions, which they view as at the root of the Great Recession. Misalignment between actions and words—any perceived inauthenticity—is very salient for this generation, which prefers smaller, local, more grassroots organizations and businesses.

Their trusted sources of information are primarily their friends and family. They are also very comfortable in a digital environment. Active on social media (where they will also gather information to reach decisions), they engage effortlessly with new mobile technologies. Their experiences with platforms such as Uber have helped them grow accustomed to very smooth, effortless digital interactions. They are used to a digital ecosystem in which they—the consumer—are placed at the centre. They see an important place for human-delivered services, but their expectations about smooth delivery carry over from the digital ecosystem. So, they expect human service to be effortless also, and integrated into the digital ecosystem.

Finally, this generation has already begun inheriting the largest inter-generational wealth transfer in history. Early activity in this transfer can already be seen in inter vivos gifts—namely, gifts from parents to their children around the time when the children buy their first home. This trend is expected to accelerate and will have a huge impact on the distribution of wealth (and the life outcomes) within the Millennial generation.

In terms of delivering high-quality service to this cohort, planners should first and foremost be aware of the unique challenges this generation is facing and the different set of objectives they're looking to achieve with their money. Practically speaking, this includes probing for markers of professional and financial precarity, along with the downstream effects these dynamics can have on financial confidence and perceived financial control. It's important to start from a solid foundation of financial confidence and stability, before building towards bigger, longer-term goals.

Many of the supports traditionally available to long-term, permanent employees are not available to gig workers (and other temporary contractors), and so custom solutions may be required to ensure that workers are protected by a robust safety net. These solutions for financial management and risk & insurance planning are typically not the major focus of financial planning for older cohorts and wealthier consumer segments. Previously normal expectations are also being challenged, and planners should be ready to build recommendations to support renting (in place of homeownership) as well as progressive retirement (instead of transitioning into full retirement overnight). Planners will also need to take inheritance into more serious consideration than they do with other clients.

Finally, in supporting implementation, planners can take advantage of digital tools to offer higher-value service to their clients. These tools represent valuable complementary components throughout the financial planning engagement. For example, digital tools can greatly improve a planner's service offering during the implementation phase. Beyond the operational support that makes implementation easier, there are many opportunities for planners to help their clients stay motivated during implementation, such as demonstrating improvements in the client's money mindset, helping them to feel confident in taking on bigger financial goals once the foundation is shored up, and demonstrating to them the social impact of their investments. There are many concrete suggestions throughout the report to help planners accomplish these objectives.

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