T. Rowe Price®
INVEST WITH CONFIDENCE

Next generation thinking.

OVERCOME RISK AVERSION TO OPTIMIZE MILLENNIAL INVESTMENT BEHAVIOR.

For 30 years, the attitudes and behaviors of baby boomers have shaped the services and innovations in DC plans. But now the time has come to broaden that perspective and consider how well these plans are serving younger investors. What is driving millennial investing behavior, and how can you adapt to meet their needs?

DEFINING THE GENERATIONS

MILLENNIALS:
Born between 1982 and 1995 and currently ages 22 to 35

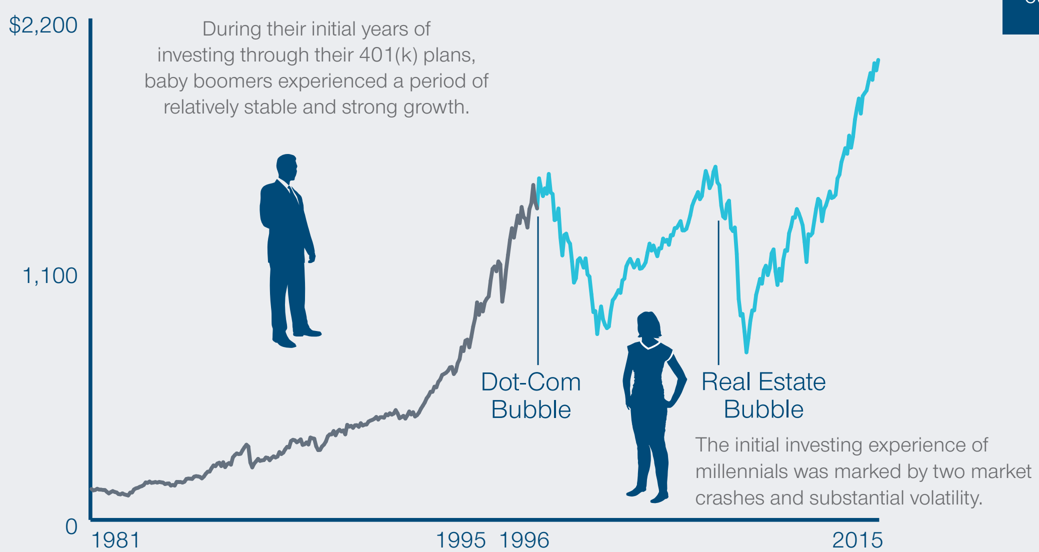
GEN X:
Born between 1965 and 1981 and currently ages 36 to 52

BABY BOOMERS:
Born between 1946 and 1964 and currently ages 53 to 71

SHIFT IN PERSPECTIVE:

A bumpy first impression for millennials

S&P 500 PERFORMANCE FROM 1981 TO 2015



Past performance cannot guarantee future results. It is not possible to invest directly in an index. Chart is for illustrative purposes only and is not intended to represent the returns of any specific security.

The first millennials reached age 18 in 2000, at the tail end of a period of relatively steady economic growth. But their first decade of market exposure was marked by substantial volatility. Consider that:

- From 2000 to the end of 2002, the S&P 500 Index was cut in half (from 1,550 to 770), but by October 2007, it had rebounded all the way back (to 1,570).
- From October 2007 to March 2009, the index fell even further (to 670) before making a comeback and finishing February 2015 at 2,104.

At the same time, an increasing debt burden among younger Americans created substantial barriers to saving and investing for retirement.

- 62% of millennials delayed saving for retirement because of their debt.[1]
- The class of 2016 graduated with average student loan debt of $37,173.[2]
- 70% of millennials believe that financial stability means being able to pay their monthly bills on time.[3]

DC IMPLICATIONS:

Risk averse but receptive to financial guidance

With their investment experience as a backdrop, it's not surprising that millennials have substantially different attitudes toward saving and investing than the baby boomer generation.

- On the one hand, some millennials appear to be inappropriately risk averse, particularly given their long-term investing time horizon.
- As of November 30, 2017, more than one in four self-directed participants between the ages of 20 and 34 had more than 80% of plan assets in cash.[4]
- On the other hand, millennials' early experiences with market volatility may have influenced their receptivity to seeking out professional guidance.
- 87% of millennials say that it's important to meet with their financial advisor in person.[5]

STRATEGIES AND TACTICS:

Fine-tune the message for the audience

Armed with a new perspective on millennials, it's time to turn your knowledge into action to improve your interactions with sponsors and participants.

SHORT-TERM TACTICS

1. **Help put millennials' initial investment experience into context.**
   Educate younger investors about the advantages of dollar cost averaging, the benefits of remaining invested through periods of volatility, and the risks of chasing returns.
2. **Put yourself in their shoes.**
   Recognize millennials' need to address high levels of debt. Providing guidance on budgeting and prioritizing financial goals will be highly valued.
3. **Allow younger investors to delegate and validate.**
   Incorporate automated services, target date investments, professional guidance, advice, or managed accounts into your plan.

LONGER-TERM CONSIDERATIONS

1. **How can you offer solutions that emphasize saving for retirement and address other financial goals?**
   Provide holistic planning guidance and tools that break out of the traditional 401(k) topic box: college savings, tax education, and debt management.
2. **In what ways can you address the more conservative investing attitudes of the millennial generation?**
   Focus on increasing savings rates—the most critical component to achieving long-term retirement security.
3. **How can you help put millennial investors in the best position to achieve their goals?**
   Encourage plan sponsors to adopt automatic plan features and establish increased default savings and escalation rates.

[1] American Student Assistance, "LIFE DELAYED: The Impact of Student Debt on the Daily Lives of Young Americans" Report, 2015.

[2] cbsnews.com/news/congrats-class-of-2016-youre-the-most-indebted-yet/

[3] American Institute of Certified Public Accountants.

[4] T. Rowe Price Retirement Plan Services 401(k) accounts that are currently active, have a positive balance, and do not include any assets invested in target date funds. Cash includes money market and stable value funds.

[5] Insured Retirement Institute and the Center for Generational Kinetics. "Will Millennials Ever Be Able to Retire?"

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