



Understanding The "Millennial Generation"

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The Millennial Generation - Who Are They?

As the father of two adult children who were born in the early 1990s, I have a particularly keen interest in the **"Millennial Generation"** – those 80 million or so people born in the US between 1980 and 2002, the largest generation ever – and who will be running the country before too long.

America is in the throes of a huge demographic shift, and a major factor in this sea-change is the Millennial Generation, which is forging its own distinct path toward the future and will precipitate many social changes in the years to come. As a result, we all need to understand them better.

Since most of my clients and readers are Baby Boomers, many of you also have adult children who are Millennials, and I thought it might be insightful to take a closer look at this unique generation that is actually larger than the Boomer generation.

I've gathered a lot of really interesting info and stats on Millennials, including the findings from a new Pew Research Center survey of this under-34 generation.

Before we get started, let's take a moment to define the generations we'll talk about today. Let's begin with the so-called "Baby Boomers," those roughly 76 million of us born between 1946 and 1964. Statistics vary widely but Boomers are thought to control around 80% of all personal financial assets and account for over half of consumer spending in the US.

Next there is the so-called "Generation X" (GenX), those roughly 50 million people born from the mid-1960s to 1980. GenXers are stereotyped in many different ways (positive and negative) and account for about half as much consumer spending as Boomers.

And that gets us to the Millennials, also known as "Generation Y." As noted above, this generation is comprised of those roughly 80 million people age 33 to 18. Earlier this month, the independent Pew Research Center released a major report on the attitudes of the Millennial Generation, and here are some of the highlights.

Millennials Are Very Different From Baby Boomers

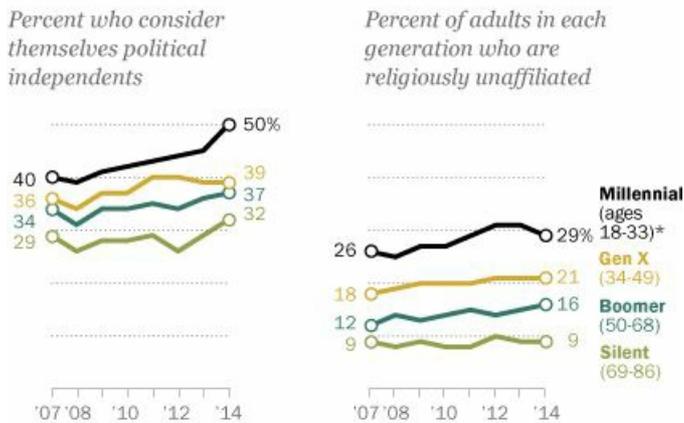
Millennials are the most racially diverse generation in American history. Some 43% of Millennials are non-white, the highest share of any generation. A major factor behind this trend is the large wave of Hispanic and Asian immigrants who have been coming to the US for the past half century, and whose American-born children are now aging into adulthood.

The under-34 generation breaks down as follows: 57% white, 21% Latino, 13% black, 6% Asian and 3% Other – as compared to Boomers who are 72% white. Millennials are a big part of the reason the American

electorate will lose its white majority later this century.

Less political and religious affiliation. According to the latest Pew survey, half of Millennials now describe themselves as political “independents,” and they don’t think particularly highly of Republicans or Democrats. Some 29% said they are not affiliated with any religion – that’s the largest level of religious disaffiliation for any generation in the last quarter-century.

Millennials: Unmoored from Institutions

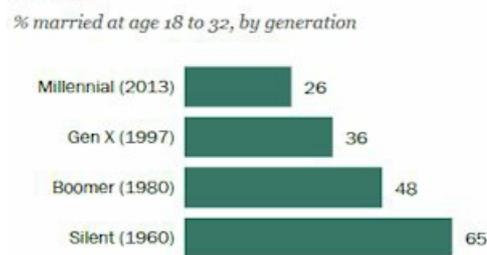


Source: Data points represent totals based on all Pew Research surveys of the general public conducted in that calendar year.
PEW RESEARCH CENTER

Most Democrats believe that Millennials are solidly in their camp, but that’s mainly because this group voted so strongly for Obama in 2012. Yet the chart above showing that 50% consider themselves to be independents suggests that the Dems had better not take them for granted.

Fewer are marrying. Just 26% of Millennials are married. When Baby Boomers were the age that Millennials are today, 48% of them were married and 36% of GenXers were married by this age. Most unmarried Millennials (69%) say they would like to marry, but many, especially those with lower levels of income and education, lack what they deem to be a necessary prerequisite—a solid economic foundation.

The Decline in Marriage Among the Young



Source: Data from 1980, 1997 and 2013 are from the March Current Population Survey; 1960 data are from the 1960 Census
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Part of the reason for this gap is that Americans in general are getting married later and later. The average age of first marriage in the United States is now 27 for women and 29 for men, up from 23 for women and 26 for men in 1990 and 20 and 22 in 1960.

Deep in debt but still optimistic. Millennials are the first in the modern era to have higher levels of student loan debt, poverty, unemployment and lower levels of wealth and personal income than their two immediate predecessor generations had at the same age. Yet, they are extremely confident about their financial future.

According to Pew, more than eight-in-10 Millennials said they currently have enough money to lead the lives they want or expect to in the near future. I question this finding, especially given the weak economic

recovery and all the stories we see about young people having to settle for jobs that don't pay well.

Less trusting of others. Pew asked a long-standing social science survey question, "Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?" Just 19% of Millennials said that most people can be trusted, compared with 31% of GenXers and 40% of Boomers.

Half of Millennials and Gen Xers Doubt They'll Receive Any Soc. Sec. Benefits

When you retire, Social Security will provide ...	Millennial %	Gen X %	Boomer* %
Benefits at current levels	6	9	26
Benefits at reduced levels	39	36	42
No benefits	51	50	28
Don't know/Ref. (Vol.)	4	5	4
	100	100	100

Note: *Includes only Boomers under age 65. Based on those ages 18 to 64. Figures may not add to 100% because of rounding.

Source: Pew Research survey, Feb. 14-23, 2014

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Social Security won't be there for them. Few Millennials believe that Social Security will provide them with full benefits when they are ready to retire, but most oppose cutting current benefits as a way to fix the system. Just over half (51%) of Millennials believe they will get no benefits from Social Security and 39% predict they will get benefits at reduced levels. This finding surprised some who read the latest Pew survey of Millennials, but not me.

Nor did it surprise me that, much like older adults, 61% of Millennials oppose benefit cuts as a way to address the long-term funding problems of Social Security.

More liberal than Boomers or GenXers. That's especially true when it comes to social issues such as immigration and same-sex marriage. That helps explain why Obama won their votes by a 16-point margin in 2012. In fact, if Millennials hadn't voted in large numbers for Obama, Mitt Romney would be in the White House.

While Millennials voted decidedly for Obama in 2012, the latest Pew survey found that self-declared liberals outnumber conservatives by only a small margin of 31% to 29%. While the margin is slim, that makes it the only generation with more liberals than conservatives. Among Baby Boomers, conservatives far outnumber liberals, 41% to 21%.

Millennials Definitely Lean Left on Social Issues

As noted above, when it comes to social issues, Millennials break decidedly to the liberal side. Here are some examples.

Amnesty for illegal immigrants. A majority of Millennials, 55%, believe illegal immigrants should be granted a pathway to citizenship (amnesty), and that's true of no other age group.

Same-sex marriage. According to Pew's latest survey, a massive 68% of Millennials support same-sex marriage, whereas among Baby Boomers and older voters, support for same-sex marriage is still below 50%.

Marijuana legalization. It's no surprise that the numbers are similar on legalizing pot – 69% of Millennials think it's a good idea. Among Baby Boomers and older voters, less than half think it ought to be legal.

Not always liberal. Pew found that almost half (49%) of Millennials say it's more important to protect gun rights than to control gun ownership, a figure that is roughly at par with the attitudes of older generations. And here's a really interesting one: Millennials are also much less likely to consider themselves "environmentalists" than any other generation.

Obamacare. Millennials' attitude toward the Affordable Care Act is just as negative as older generations. While a majority of respondents said they support some kind of universal healthcare, six out of 10 disapprove of Obamacare.

Not very patriotic. To me, this is one of the saddest findings of the Pew survey. Less than half of Millennials (49%) considered themselves to be “patriotic,” as compared to 64% of GenXers and 75% of Boomers who consider themselves to be patriots. Many Millennials said they feel alienated.

The Growing Racial Divide Among Millennials

In Pew’s polling, white and non-white Millennials held measurably different views on some subjects, including Obama’s performance as president. Most non-white Millennials approved of the president’s job performance, but among white Millennials, his approval rating was only 34% – about the same percentage Obama won among older whites in 2012.

Likewise, in the 2012 election Obama won among voters under 30, but 51% of young white voters went for Romney. That was not so in 2008 when 54% of young white voters went for Obama. Obviously, young white voters grew disillusioned with Obama and his 2008 promise of “hope and change.”

Bigger government, more services. The racial divide turned up on another key question, too – attitudes about the size of government. More than half of Millennials said they would favor a bigger government that provides more services over a small government that does less. But that masks a divide: About half of white Millennials prefer a smaller government, but 71% of non-white Millennials want a bigger one.

There are lessons in the survey numbers above from Pew for both political parties. Democrats must understand that while the next generation of voters may be open to their message, they can’t be taken for granted. Republicans have to be excited about the latest Pew findings that show half of Millennials consider themselves to be independents that the GOP can reach out to. The question is how.

How (Or If) Millennials Invest Their Money

Millennials face perhaps the most uncertain economic future of any generation in America since the Great Depression. A decade or more of stagnant wages were followed by the Great Recession, and we’ve had sub-par economic growth ever since. This has resulted in a challenging economic and investment dilemma for many Millennials.

In addition, paying off onerous student loan debt has become increasingly difficult for many who are struggling with unemployment and low-paying jobs. The recession left over 15% of Millennials in their twenties out of work, many of whom are still struggling to get their feet on the ground. So what are Millennials that have money doing with it?

Among Millennials who have money to invest, many of them are choosing to follow either their own instincts or go along with their peers when it comes to investment choices. Many have become distrustful of the financial advice given to them by their parents or financial professionals, who they often view as salesmen with only their own best interests at heart.

Yet at the end of the day, Millennials are most likely to make many of the same investment mistakes that their Boomer parents made along the financial learning curve. With their iPhone connections to the Internet and social media, they are likely to be approached by those touting get-rich-quick promotions that will almost certainly lose money.

As Millennials get older, many will seek Wall Street’s advice which, as always, is to “buy-and-hold” a portfolio of stocks, bonds and/or mutual funds through thick and thin. And like their parents before them, many will panic and bail out of the market during gut-wrenching bear markets. If so, they will fall behind in saving for their retirement. What else is new?

Yet some surveys show that most Millennials are also interested in having a “personal connection” with those who give them advice or manage their money, despite their comfort with the use of mobile and online technology to perform certain investing functions. A personal connection is always a good thing.

My Investing Advice To Millennials

Buy-and-hold strategies deserve a place in your investment plan. But don’t buy into Wall Street’s mantra that buy-and-hold is the only strategy that works long-term. If you do, you will almost certainly fail to reach your goals. Why?

Stocks and bonds are a big part of most investors’ portfolios, and both are subject to wild swings – up and down over time. Unfortunately, many investors panic during the down times and bail out of the market and miss the up periods.

So my advice to Millennials (or anyone) is this. Split your investment money among carefully-selected buy-and-hold strategies and so-called “alternative strategies” that have the ability to get out of the markets and move to cash (money market fund) during extended downward corrections and bear markets.

Trust me, most investors – no matter their age – don’t have the tolerance to endure 40-50% market losses in stocks and bonds without pulling the plug and bailing out at the worst time. In this regard, Millennials will likely be no different than previous generations. So buy-and-hold is not the ultimate solution, even though you are young.

The most encouraging thing I learned in doing this research on Millennials is that surveys show that most of you want a personal connection with those who give you investing advice. I could not agree more! But in this Internet Age, that personal connection does not need to be just down the street. It can be anywhere.

That’s where I come in. My company offers both actively-managed buy-and-hold investments and alternative investment strategies designed to get you out of the market during bear markets. Our specialty is designing custom portfolios that combine both strategies.

Best of all, we’ve been able to develop that personal connection with our clients regardless of where they live. And if you are a Millennial looking to invest, I have a younger professional on staff who is as “hip” as anyone I know, and can create an investment plan that you can be comfortable with.

Conclusions

Whichever way the Millennials shift, they are a major, 80 million-strong force to be reckoned with for years to come. Hopefully today’s discussion was helpful in understanding them better.

Finally, since most of you reading this are not Millennials, please pass it along to anyone you think would benefit from it.

Hoping you understand Millennials better,

Gary D. Halbert

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