Next generation

Rewriting the rules
of engagement

Fidelity
INTERNATIONAL

About this report

The information in this evidence-based report leverages a large quantitative research study undertaken in August 2024 for Fidelity International by independent research firm MYMAVINS.

The research involved an online survey of 1,011 Australian consumers in the following age demographics:

- **Generation Z:** 18 years – 28 years (n = 174)
- **Generation Y/Millennials:** 29 years – 43 years (n = 443)
- **Generation X:** 44 years – 59 years (n = 394)

There were 111 respondents with an active relationship with a financial planner.

Throughout this report, we reference next generation ('next gen') investors, a term we use which refers to the aggregate of Gen Z and Gen Y/Millennials cohorts.

Contents

Introduction

For the financial services industry at large, the evolving needs and behaviours of next-generation clients offer both challenges and opportunities.

Firms that can cater to these differences – through innovative products, engagement channels, personalised advisory services, and a deep understanding of the new investor mindset – will be well-positioned for growth in the years to come.

The need for support is being turbocharged by the great wealth transfer currently underway, along with greater financial engagement, information overload and increasing desire to seek financial advice earlier in life.

To help advisers unlock this exciting opportunity, Fidelity's 2024 study takes a deep dive into the unique needs and preferences of this next wave of investors.

We spoke to more than 1,000 investors, spanning from 18-to-59-year-old investors to understand specific preferences and behaviours, to draw out some interesting comparisons, and uncover just how advisers can tailor their approach to meet the needs of the next generation of investors.

Our research highlighted some striking differences between the generations. As the next generation of investors becomes more informed and empowered, the role of the adviser is evolving.

The next generation is starting to rewrite the rules of engagement in the financial services industry.

> Advisers who can demonstrate expertise in emerging investment vehicles, sustainable investing and digital engagement will be better positioned to serve this new generation of investors. And this is just the tip of the iceberg.

Indeed, it is an exciting time to be an adviser and we look forward to being on the journey with you. We trust you find these insights helpful.

Lauren Jackson
Head of Wholesale Sales
Fidelity International

Emerging financial perspectives

The cost of living is hitting hard

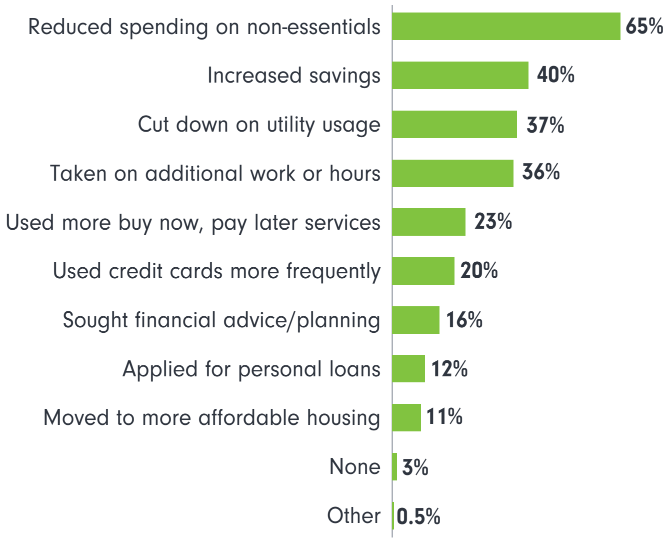
The rising cost of living has notably impacted household budgets, with over 1 in 4 feeling extremely impacted and close to 1 in 2 moderately impacted. However, the response to this changes with age.

The younger the consumer, the more likely they are to focus on earning more and less likely to cut discretionary spending to adapt.

This may reflect lifestyle priorities and their financial ambitions to get ahead.

In contrast, Generation X is more likely to reduce their spending on non-essential items and significantly less likely to take on additional work or hours.

Figure 1. Actions taken in response to rising cost of living



Which of the following actions have you taken in response to rising costs of living? Select all that apply.
n=617 next gen. Multiple answers allowed.

Financial confidence is high, but may be overestimated

Financial confidence among the next generations is generally high, with around 1 in 5 feeling very confident and a further 1 in 2 feeling somewhat confident in managing both day-to-day and broader financial matters. Only a small group, just under 1 in 10, report they lack confidence.

Three in 5 are confident in evaluating investment opportunities; however, only 1 in 5 consider diversification of their portfolio to a great degree.

Younger investors are more likely to have a higher risk tolerance, commensurate with their longer investment horizon, but also possibly reflecting a degree of overconfidence. Around 1 in 3 'next gens' have a high or very high risk tolerance compared to fewer than 1 in 5 Gen X.

This sense of financial confidence and aspiration to grow wealth, along with higher risk tolerance, will need to be accommodated by financial advisers looking to service emerging next generations. Younger clients may be more inclined to try to 'get rich quick' and less disciplined in reining in their spending habits.

Financial goals vary by generation

Paying off debt and buying a home or property are key top-of-mind goals for the next generation, while saving for retirement becomes increasingly more important as a longer-term financial goal.

Gen Z are most likely to focus on buying a home or property in the short term, along with growing their investments, funding travel and lifestyle, and paying off debt.

Gen Y tend to prioritise paying off debt, buying a home or property, building an emergency fund and achieving financial independence in the short term. In the longer term, paying off debt remains the top priority, but growing investments and saving for retirement become increasingly important.

Gen X are firmly focused on saving for retirement as their top short-term priority, followed by paying off debt and achieving financial independence, which are all sustained as their longer-term goals.

Around 1 in 5 next gens are very confident and 1 in 2 are somewhat confident of achieving their long-term financial goals.

Key takeaways

Gen Z (18 years – 28 years)

- Most likely to respond to rising cost of living pressures by seeking to increase work hours rather than reduce discretionary spending.
- Highest level of investing confidence across generations and feel confident about being able to achieve their long-term financial goals.
- Most likely to focus on buying a home, growing investments, funding travel and lifestyle, and paying off debt in the short term. Over the longer term, achieving financial independence becomes increasingly important.

Gen Y/Millennials (29 years – 43 years)

- Falling somewhere in between Gen Z and Gen X in terms of their earning and spending response to the rising cost of living, investing confidence and risk tolerance.
- Prioritise paying off debt, buying a home, building an emergency fund and achieving financial independence in the short term.
- In the longer term, growing investments and saving for retirement become increasingly important.

Gen X (44 years – 59 years)

- Most likely to respond to rising cost of living pressures by seeking to reduce discretionary spending.
- Least likely to be seeking financial tips and tricks by searching online compared to younger generations or be influenced by family in their financial decisions.
- Focused on saving for retirement as their top short- and long-term priority.

Big decisions on inheritance

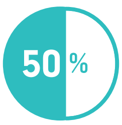
Many next gens have already received some form of financial support or inheritance, and many more expect significant windfalls in coming years. This requires navigating new financial decisions and is a clear opportunity for professional support.

Recipients can find themselves needing support to navigate the legal, financial and investment complexities of inheritance. At this time, there is a marked interest in seeking professional financial advice, particularly when recommended by family members.

Great expectations prevail among next gens

Close to 1 in 5 next gens have already received some form of inheritance, and 1 in 10 expect to receive even more. A further 2 in 5 believe it is likely that they will receive an inheritance in the future. Gen Z are much more likely to have already received an inheritance or major financial support compared with Gen Y and much more so than Gen X.

2 in 5 expect an inheritance



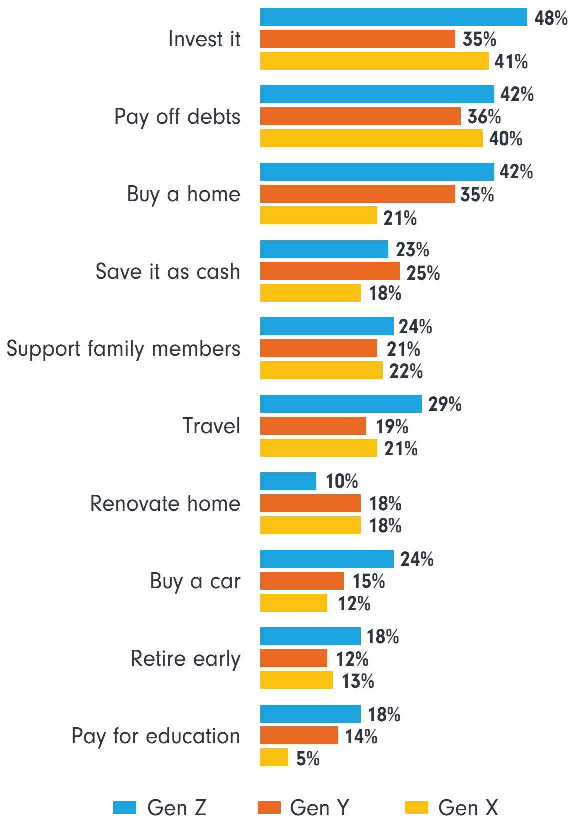
believe it will be **$200,000+**

For those who have already received an inheritance or are likely to receive one, close to 1 in 2 believe it to be $200,000 or more.

Where will the money go?

The most common uses for an inheritance include investing it, paying off debts, buying a home, saving it as cash, and supporting family members. Gen Z are notably more likely to want to invest their inheritance or windfall than any other generation.

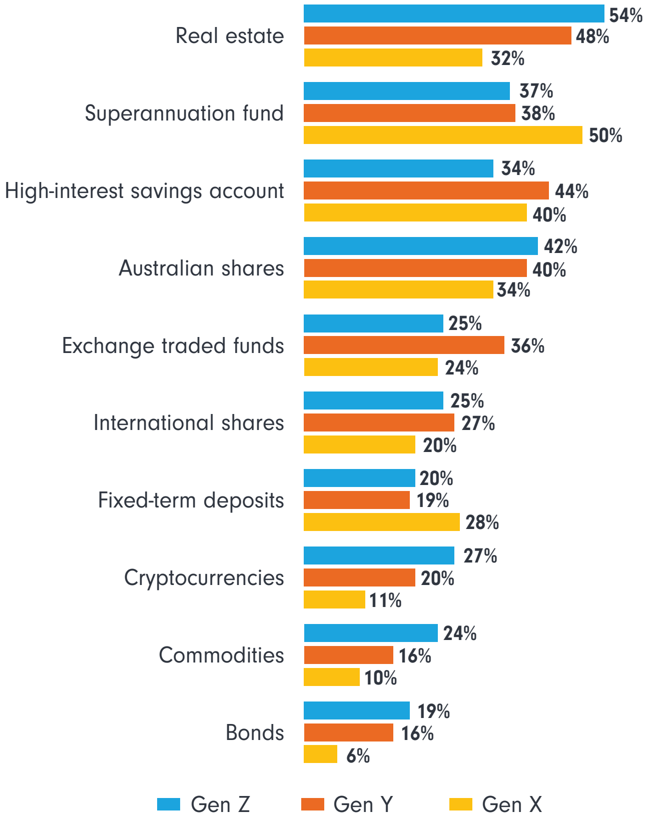
Figure 2. Top 10 plans for inheritance



- **What do you plan to do/have done with your inheritance?** n=123 Gen Z, 249 Gen Y, 200 Gen X who already have or are likely to receive an inheritance. Multiple answers allowed.

For those investing their inheritance, the most common preferences include real estate, superannuation, high-interest savings accounts, Australian shares and ETFs.

Figure 3. Top 10 investments for inheritance



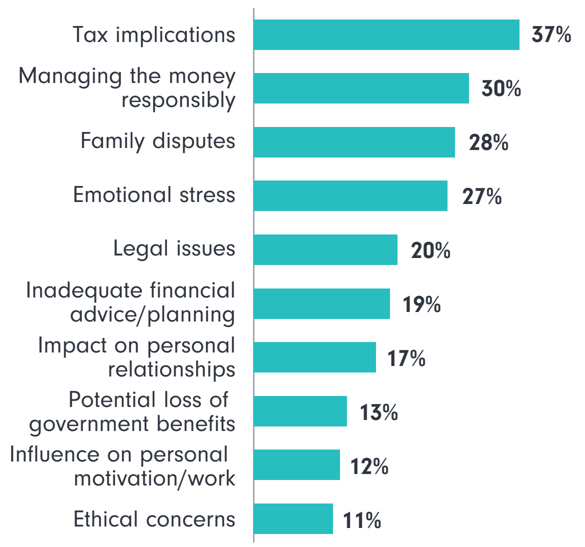
- **Which of the following assets do you currently or are you planning to invest your inheritance in?** n = 59 Gen Z, 88 Gen Y, 82 Gen X planning to invest or have invested their inheritance. Multiple answers allowed.

Inheritance concerns and challenges are common. The vast majority of next gens hold at least some concerns about dealing with their inheritance.

The main concerns of receiving an inheritance include tax implications, managing the money responsibly, family disputes and emotional stress.

An emerging theme is ethical concerns, which is a worry for 1 in 5 Gen Z compared to 1 in 10 Gen Y and only 1 in 20 Gen X.

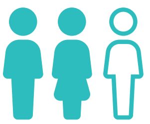
Figure 4. Top 10 concerns surrounding inheritance



- **What are your main concerns about receiving an inheritance?** n = 572 – Already have or likely to receive an inheritance. Multiple answers allowed.

Support is required to manage the windfall

More than 3 in 5 next gens say that they are likely to change their investment strategy upon receiving an inheritance, and 2 in 3 would be at least somewhat likely to seek financial advice or planning for this.



2 in 3 would consider a financial adviser

Big decisions on inheritance

Key takeaways

Gen Z (18 years – 28 years)

- Much more likely to have already received an inheritance or major financial support compared with Gen Y and much more so than Gen X and plan to invest their windfall.
- Most likely to turn to family members for decision support.

Gen Y/Millennials (29 years – 43 years)

- Half as likely to consider ethical concerns upon receiving an inheritance as Gen Z, but twice as likely as Gen X.
- Along with Gen Y, much more likely to change investment strategy after receiving an inheritance.
- Most likely to seek financial advice/planning after receiving an inheritance.

Gen X (44 years – 59 years)

- Significantly less likely to want to buy a home with their windfall compared with younger gens. Most likely to be concerned with tax implications.
- Less likely to consider using a financial adviser/planner that family has used and recommend than younger gens, and less importance placed on establishing formal family governance structures to manage wealth transfers.

Emerging investing preferences and behaviours

Asset preferences are shifting

There is a significantly greater use of super and Australian shares among Gen X, while they are less likely to hold crypto and passive ETFs than are younger generations. Conversely, next gens are less likely than Gen X to use super and more likely to invest in cryptocurrencies.

Active ETFs are increasingly appealing among younger gens

Gen Y are the most likely to find active ETFs appealing, followed by Gen Z, while Gen X are relatively the least likely. The most attractive features include ease of monitoring, simplicity of transactions, lower minimum investment, and transparency.

1 in 2 find active ETFs appealing

Alignment with personal values is becoming increasingly important

More than 4 in 5 next gens feel that it is important to align their investments with their personal values, and the younger the investos, the greater the importance.

4 in 5 next gens want their investments to align with their personal values

Around 1 in 5 Gen Z and Gen Y are likely to make social and ethical investment considerations, compared to about half as many Gen X. One in 2 Gen Z and Gen Y are likely to consider ESG factors in future investments compared to around 1 in 3 Gen X. Gen Z and Gen Y are more likely to feel that sustainability and impact investing is important, which means they are more likely to want their advisers to be knowledgeable in this space.

Around 3 in 4 next gens feel that it is important to have sustainability and impact investing that aligns with their values, compared to 3 in 5 Gen X.

However, when it comes to actual investing, around 2 in 5 of Gen Z and Gen Y have made an investment specifically for sustainability or social impacts, compared to 1 in 5 Gen X.

These preferences translate to required advisers' capabilities, as close to 4 in 5 Gen Z and 3 in 4 Gen Y think it's important for advisers to be knowledgeable in the ESG space, compared to 2 in 3 Gen X.

The rise of direct investing is apparent

Mobile trading apps are used by close to 2 in 5 of those with investments, and online brokerage accounts by 1 in 4.

50% of **Gen Z & Gen Y** use trading apps

Usage of mobile trading apps is significantly higher among the next generation, with close to 1 in 2 using them compared to half as many Gen X.

Investing through a stockbroker is more common among Gen Z compared with Gen Y and particularly Gen X. This, along with increased desire for self-improvement and financial education, suggests that they are increasingly likely to take a more hands-on approach.

This has strong implications for how advisers manage their client relationships and the needs they will need to meet. They may be more likely to want to play a greater role in the decision-making process and bring their own ideas to the table.

Emerging investing preferences and behaviours

Key takeaways

Gen Z (18 years – 28 years)

- More likely to invest in cryptocurrencies, passive ETFs and private equity than Gen X. Much more likely to make ESG and ethical investment considerations, feel sustainability and impact investing is important, and want their advisers to be knowledgeable in this space, than Gen X.
- Usage of mobile trading apps is significantly higher than Gen X. Investing through a stockbroker is also more common compared with Gen Y and particularly Gen X.

Gen Y/Millennials (29 years – 43 years)

- More likely to invest in cryptocurrencies, passive ETFs and private equity than Gen X. Much more likely to make ESG and ethical investment considerations, feel sustainability and impact investing is important, and want their advisers to be knowledgeable in this space, than Gen X.
- Usage of mobile trading apps is significantly higher than Gen X.

Gen X (44 years – 59 years)

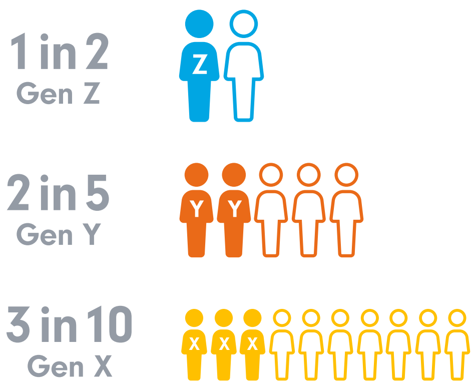
- Significantly greater use of super and Australian shares, while less likely to hold crypto and passive ETFs than younger generations, or be direct investors.

The appeal of financial advice

Increasing appetite for financial advice

Gen Z are most likely to find the prospect of seeking financial advice appealing, with 1 in 2 finding it very or extremely appealing, followed by 2 in 5 Gen Y and 3 in 10 Gen X – signalling increasing interest among younger generations.

Who finds financial advice **most appealing**?

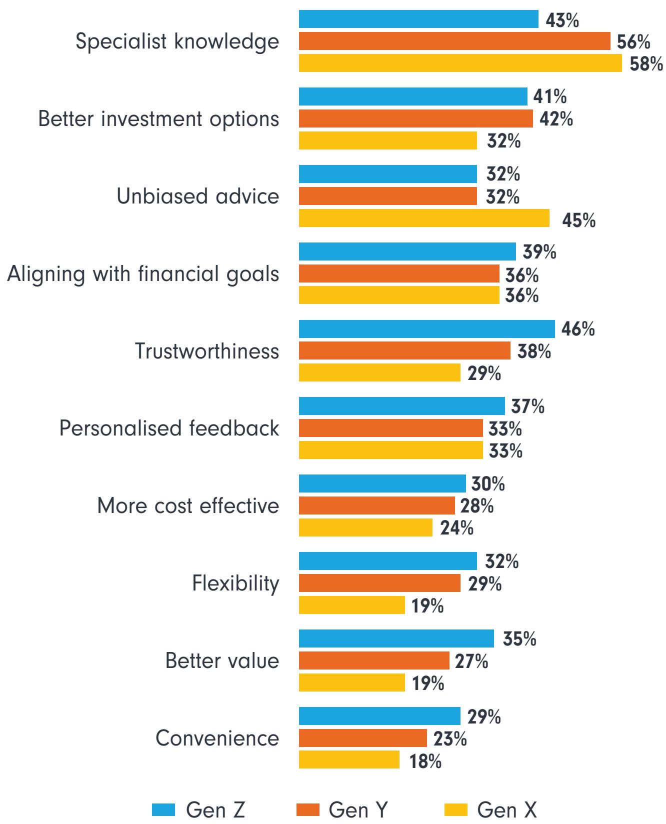


Seeking expertise with a trustworthy personalised touch

In terms of the perceived benefits of seeking advice, the next generations are looking for someone to bring new knowledge to the table, that is trustworthy and is able to personalise their offer.

The top benefits of financial advice according to those that are advised or would at least consider advice include specialist knowledge, better investment options, unbiased advice and alignment with financial goals. Younger generations are increasingly more likely to see flexibility and convenience as potential benefits to finding a financial planner.

Figure 5. Top 10 potential benefits of finding a financial planner



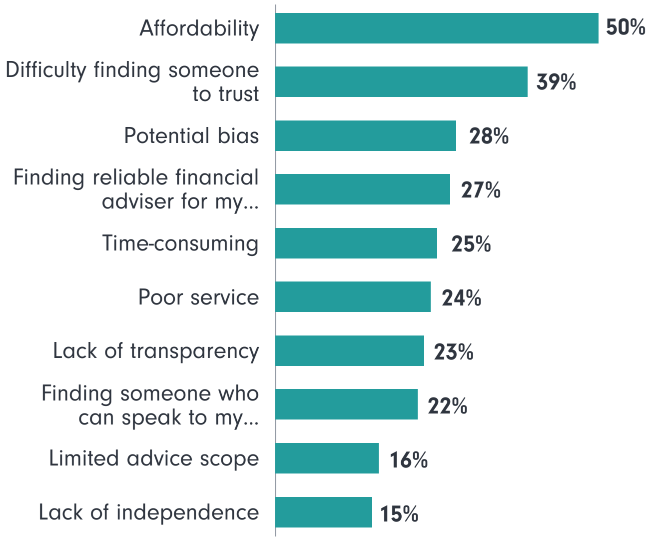
- **What do you see as the main potential benefits of finding your own financial adviser/planner?**
n = 158 Gen Z, 398 Gen Y, 328 Gen X who have used or would consider financial advice. Multiple answers allowed.Multiple answers allowed.

Affordability and trustworthiness are top concerns

Advice affordability is the main concern for all generations who have used or would consider using a financial planner. This is then followed by finding someone they can trust and avoiding potential bias, which suggests that independent positioning and trusted recommendations will resonate strongly.

Next gens are much more likely to have concerns about the time-consuming nature of looking for a financial planner, signalling they are less confident about where to look and how to go about this.

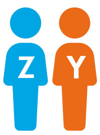
Figure 6. Top 10 potential concerns with finding a financial planner



- **What potential concerns do you have about finding your own financial adviser/planner?**
  n=884 – Those that have or would consider financial advice. Multiple answers allowed.

Getting the unadvised over the line

Lower fees, trustworthiness and understanding financial goals are the top enticements for those who are not currently advised, across the generations.

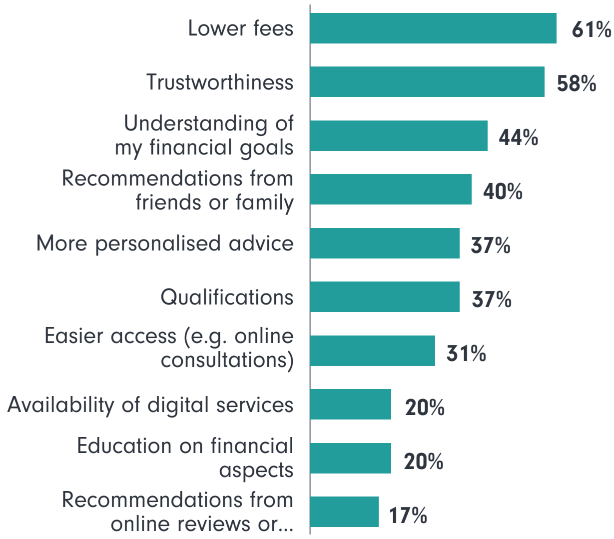


Gen Z & Gen Y
more likely to engage with an adviser online

Gen Z and Gen Y are more likely to engage if there was easier access, e.g. online consultations compared to Gen X and also if there is access to financial education.

Short summaries, educational material and video tutorials are the most likely content to resonate. Podcasts are notably much more popular among Gen Z and Gen Y compared to Gen X.

Figure 7. Top 10 things driving likelihood to engage a financial adviser



- **What would make you more likely to engage with a financial adviser/planner?**
  n=662 – Those not currently receiving financial advice. Multiple answers allowed.

Two in 5 would be much more likely to get financial advice if used or recommended by another family member, while over 2 in 5 would be somewhat more likely – representing a distinct opportunity for advisers to establish a path to client acquisition.

Key takeaways

Gen Z (18 years – 28 years)

- Most likely to see financial advice as very or extremely appealing and would consider this at 29 years of age, on average.
- More likely to see flexibility and convenience as potential benefits to finding a financial planner, and have concerns about the time-consuming nature of looking for a financial planner. More likely to engage if there was easier access, e.g. online consultations and also if there is access to financial education and engaging content, compared to Gen X.

Gen Y/Millennials (29 years – 43 years)

- Advice appeal lies somewhere in between Gen Z and Gen X and would consider this at 41 years of age, on average.
- More likely to see flexibility and convenience as potential benefits to finding a financial planner and have concerns about the time-consuming nature of looking for a financial planner. More likely to engage if there was easier access, e.g. online consultations and also if there is access to financial education, compared to Gen X.

Gen X (44 years – 59 years)

- Least likely to see financial advice as very or extremely appealing and would consider this at 59 years of age, on average.
- Podcasts are much less popular than among younger gens, as are the importance of technology integration like chatbots, AI and automation. Current digital usage when managing finances is also lower than younger gens.
- More likely to see one-on-one consultations and less likely to place importance on seamless digital experience compared to younger gens.

Emerging experience expectations

What a personalised, engaging advice experience looks like

The top-ranked personalised experiences sought by the next generation include personalised communication, interactive financial planning tools, customer-centric services, digital engagement platforms, as well as education resources.

Gen Z are significantly more likely to prioritise sustainability and ethical investing experiences compared to Gen Y and Gen X, while Gen X are significantly less likely to want technology integration like chatbots or authentic brand messaging than Gen Z or Gen Y.

Table 1. Next gens' top-ranked preferences for a personalised advice experience

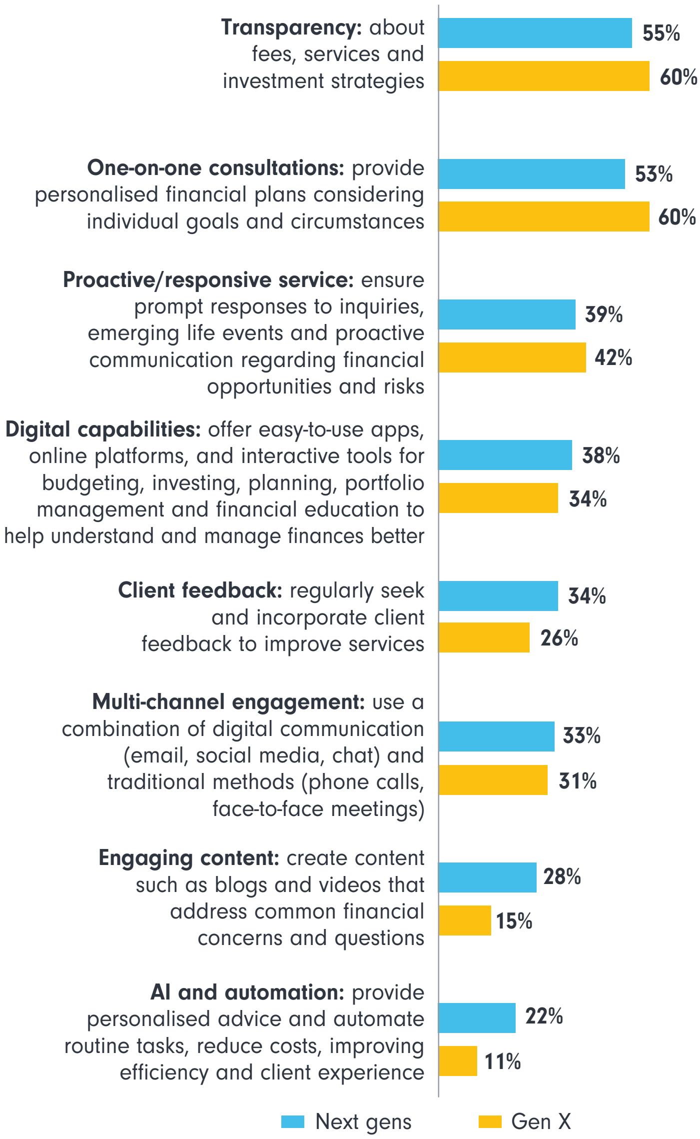
1	Personalised communication, e.g. tailored email campaigns, personalised investment recommendations, customised financial reports
2	Customer-centric services, e.g. 24/7 customer support, flexible investment plans, easy-to-use account management tools
3	Interactive financial planning tools, e.g. retirement planning calculators, budgeting and savings tools, risk assessment tools, value alignment tools
4	Education and resources, e.g. webinars and workshops, online courses and tutorials, financial literacy programs
5	Digital engagement platforms, e.g. mobile apps, interactive websites, social media presence
6	Tech integration, e.g. AI and machine learning, blockchain technology, automated customer service (chatbots)
7	Sustainability and ethical investing, e.g. ESG (environmental, social, governance) options, impact investing, transparency in investment practices
8	Authentic brand messaging, e.g. influencer partnerships, community engagement initiatives

- **How could financial advisers/planners best provide you with a personalised experience?**
  n=556 – Next gen investors who have used or would consider financial advice. Multiple answers allowed.

Top tips for how financial advisers/planners should engage with next-generation clients' personal needs include transparency, one-on-one consultations as well as proactive and responsive service.

While still important for many, Gen Z are less likely than older generations to seek one-on-one consultations and relatively more likely to seek engaging content. Gen X are also much less likely to identify AI and automation as important.

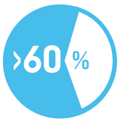
Figure 8. Top tips for engaging with next-generation advice clients compared with Gen X



- **How should financial advisers/planners engage with you to meet your personal needs?**
  n=556 Next gens; 328 Gen X – Those that have or would consider financial advice. Multiple answers allowed.

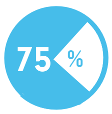
Importance of a digital experience

Current digital usage when managing finances is high, especially for next gens. Overall, more than 3 in 5 currently use apps or websites to help manage finances, including debts, spending, investing, monitoring or research. However, Gen Z and Gen Y are significantly more likely to use apps or websites when compared to Gen X.



use apps or website to manage finances

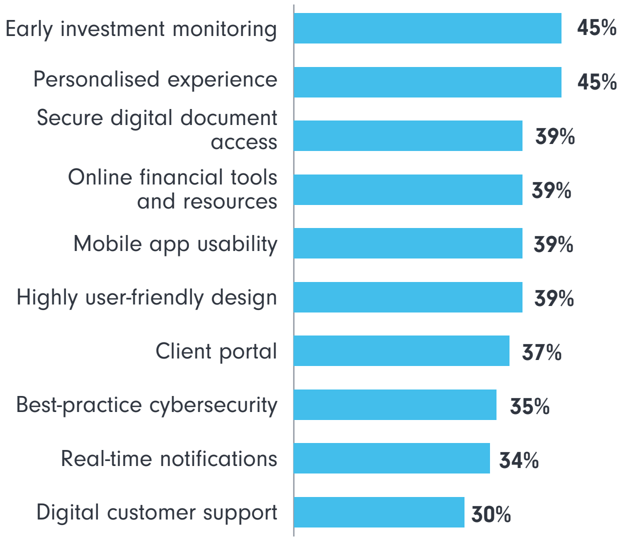
While more than 3 in 4 across all generations believe that a seamless digital experience is important when choosing a financial adviser or provider, the next gen is more likely to place importance on this compared to Gen X.



say a **seamless digital experience** impacts choice of adviser

Easy investment monitoring, personalised experience, secure digital document access, online financial tools and resources, mobile app usability and a highly user-friendly design are all key capabilities the next generation expect.

Figure 9. Top 10 key digital capabilities expected



- **What are the key digital capabilities you would expect from a financial advice/planning provider?**
  n = 1,011 – Total sample. Multiple answers allowed.

Fluid multi-channel experiences in demand

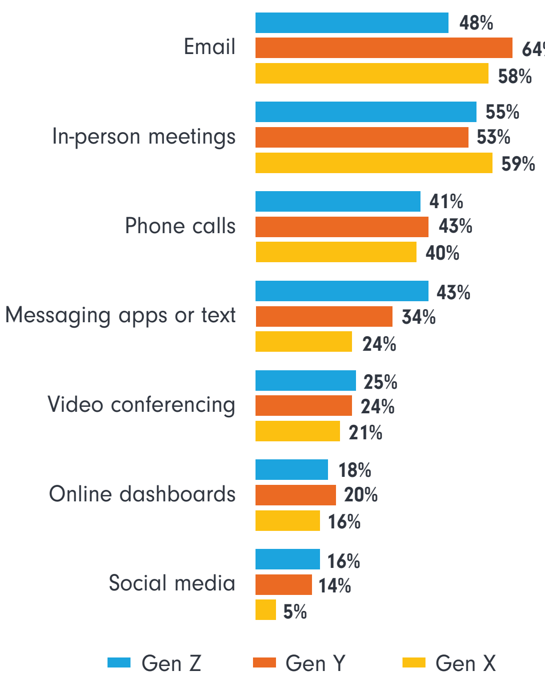
While digital communication is critical, the personal touch that comes with face-to-face interactions remains valued by all generations.

Messaging apps or texts are significantly more valued by Gen Z than any other generation.

When communicating with financial planners, email, closely followed by in-person meetings, are the most-preferred methods. Phone calls and messaging apps or texts are next most preferred. Flexibility in communication is important for 9 in 10, which highlights the need for financial planners to offer multiple channels of communication to meet client expectations.

Notably, more Gen Z & Y prefer messaging apps or text and social media compared to Gen X. Moreover, fewer Gen Z would like to communicate via email compared to Gen Y and X.

Figure 10. Preferred communications methods



- **How would you prefer to communicate with a financial planner? Select all that apply.**
  n = 174 Gen Z; 443 Gen Y; 3,394 Gen X. Multiple answers allowed.

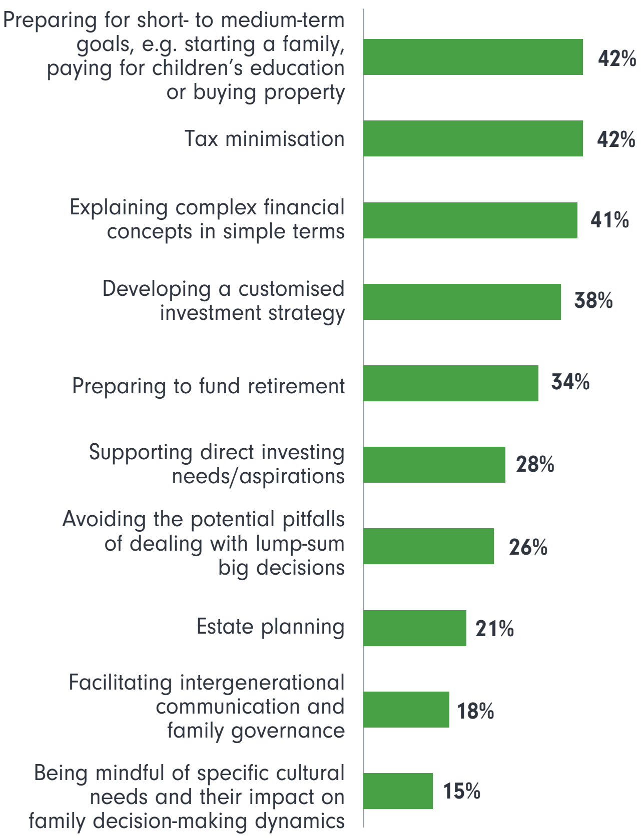
Emerging advice offer expectations

Key offer expectations from a financial planner

The top three expectations for financial advice differ somewhat across generations. While the top priority for Gen Z and Gen Y is preparing for short to medium-term goals, this expectation drops considerably among Gen X, whose top priority is preparing to fund retirement. Gen Z and Y are also more likely to expect explanation of complex financial concepts in simple terms, compared to Gen X.

Gen Z are more likely to have greater expectations of cultural needs and their impact on family dynamics, and are less likely to expect preparation to fund retirement.

Figure 11. Next gens' top 10 expectations of financial advice

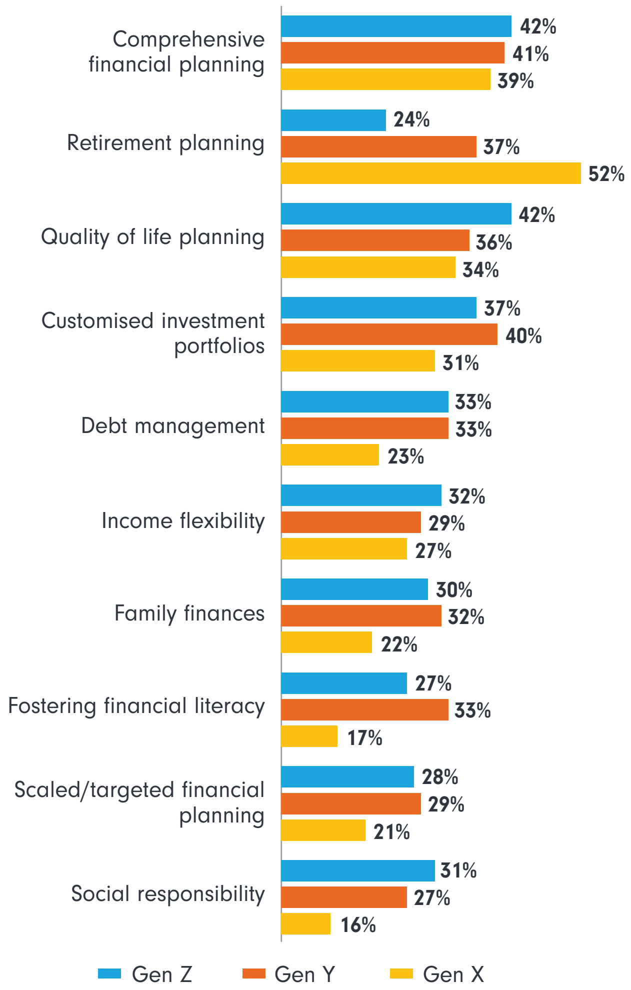


■ **What are your key expectations for professional financial advice/planning to assist you with?**
n=556 – Next gens who have used or would consider financial advice. Multiple answers allowed.

Comprehensive financial planning is the top requirement across the next generations for tailoring advice to meet their personal needs. This suggests that scaled advice may not always be an effective way to address affordability issues or to help build trust.

The younger generations also prefer to have advice tailored to help with financial literacy, social responsibility and debt management when compared to Gen X, who are much more focused on retirement planning.

Figure 12. Tailored advice strategies preferences



■ **How should financial advisers/planners best tailor the advice they offer to meet your personal needs?**
n=884 – Those that have or would consider financial advice. Multiple answers allowed.

Emerging experience and advice offer expectations

Key takeaways

Gen Z (18 years – 28 years)

- More likely to expect explanation of complex financial concepts in simple terms compared to Gen X.
- More likely to have greater expectations of cultural needs and their impact on family dynamics and are less likely to expect preparation to fund retirement.

Gen Y/Millennials (29 years – 43 years)

- More likely to expect explanation of complex financial concepts in simple terms compared to Gen X.

Gen X (44 years – 59 years)

- Less likely to prefer to have advice tailored to help with financial literacy social responsibility and debt management than younger gens and much more focused on retirement planning.

Influencing the next generation

Social media and investment apps key information sources

Financial news or publications and investment apps are the two most common method of staying up to date on investment opportunities, closely followed by friends or family, a financial adviser or planner and social media. Close to 7 in 10 are significantly influenced by their family when making financial decisions. Moreover, 2 in 3 feel comfortable with discussing financial matters with other generations of their family.

2 in 3 are open to discussing financial matters with other generations of their family

Gen Z are more likely to source information from social media compared with Gen X. Gen Y are more likely to source from investment apps compared with Gen X. The quality of information and independence of recommendations from these sources may vary greatly, which can potentially lead to poor financial decisions and outcomes.

The rise of the 'finfluencers'

One in 5 Gen Z are likely to consider information from 'finfluencers' or social media when making investment decisions, compared to just over 1 in 10 Gen Y and only 3% of Gen X.

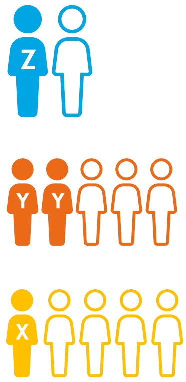
Content consumption from financial influencers varies greatly according to age. When broken down by generation, this includes close to 1 in 2 Gen Z, close to 2 in 5 Gen Y and fewer than 1 in 5 Gen X.

Who consumes content from **financial influencers**?

1 in 2 Gen Z

2 in 5 Gen Y

1 in 5 Gen X



The most popular types of content include saving strategies, wealth building strategies and investment tips.

The most common platforms overall to access financial influencers are YouTube, Instagram and TikTok. YouTube is more popular among Gen Y and Gen X, while Gen Z prefer TikTok or Instagram.

Influencing the next generation

Key takeaways

Gen Z (18 years – 28 years)

- Most likely to source information from social media (TikTok or Instagram most favoured), investment apps and 'finfluencers' when making investment decisions.
- Most likely to act on the tips often or always when consuming 'finfluencer' content increasing.

Gen Y/Millennials (29 years – 43 years)

- Most likely to source information from social media (YouTube most favoured), investment apps and 'finfluencers' when making investment decisions than Gen X.

Gen X (44 years – 59 years)

- Least likely to source information from social media and 'finfluencers'.

How advisers can help the next generations

This research reveals some clear indications for how advisers can best service the next generations. Investing behaviours, expectations of advice and financial needs are shifting from older generations. Next gens have a stronger appetite for financial advice and are likely to seek this at an earlier age. This not only provides advisers with more time horizon to make a real difference, it also represents greater client tenure and customer lifetime value. Next gens also have some big decisions to make navigating intergenerational wealth transfer. Opportunities to win over these cohorts and build future client bases are strong if advisers can get their offer right.

Addressing key financial needs

The cost of living is hitting hard, but younger generations are more inclined to want to earn their way around these challenges, signalling strong wealth growth ambitions. However, they may have less spending discipline, which requires deft handling by advisers.

While less so for Gen X, financial goals tend to be much more immediate, reflecting the life stage priorities.

Tax minimisation, paying off debt, buying a home or property and other short to medium-term priorities like starting a family, as well as funding education, travel and lifestyle, are key top-of-mind goals for the next generations.

Saving for retirement becomes increasingly important as a long-term goal. However, interestingly, younger generations tend to characterise their longer-term goals as achieving financial independence rather than just preparing for retirement, suggesting that advisers may need to reframe their offer messaging.

Asset preferences are also shifting, with greater interest in both passive and active ETFs in addition to cryptocurrencies gaining favourability. The latter represents significant risks for next-gen investors without sufficient diversification strategies in place. Could the next crypto crash see large swathes of inherited wealth disappear into thin air?

Alignment with personal values is also becoming increasingly important in investment decisions, including social and ethical investments, as well as sustainability and impact investing considerations. This brings stronger expectations for advisers to be knowledgeable in these spaces.

Coaching role for self-improvement

Gen Z and Gen Y report higher risk tolerances than Gen X. While this may be reflective of typical age-based risk tolerance adjustments, it may also signal a trend where younger gens are becoming more adventurous with investing choices and possibly even more focused on ‘getting rich quick’.

They have greater investment confidence, and are still hungry to improve their financial knowledge, but the fact they have less experience suggests there may be youthful ‘overconfidence’ in the mix. Combined with a greater propensity for direct investing, this has implications for advisers who may be more accustomed to more conservative investing attitudes and desire for delegation among older generational clients. This may also suggest strategies possibly traditionally reserved for wealthier clients, such as partitioning a portion of assets for the client to ‘play’ with, to feel they retain more control.

Younger generations want advisers to be able to explain complex financial concepts in simple terms, provide educational resources, and accommodate their preferences for more hands-on investing aspirations.

Seeking self-improvement amidst potential overconfidence suggests a key role for advisers to educate next-generation clients and influence them positively to make their best financial decisions. Next-generation clients are less experienced and more impressionable, and are becoming increasingly influenced by multiple information sources on social media and through finfluencers. Advisers need to act as a reliable counterpoint to potentially poor-quality financial information or dubious finfluencer advice to help avoid poor financial outcomes.

Accommodating emerging experience expectations

Younger generations are much more likely to be accustomed to sophisticated digital service experiences and expect advisers to be able to provide these. These include seamless multi-channel experiences, interactive financial planning tools, investment monitoring, customer support, digital engagement platforms and best-practice cybersecurity. However, the need for the human touch and customer-centric servicing is still alive and well, suggesting that advisers need to master both one-to-one and digital servicing offers.

Related to this is that flexibility and convenience become increasing important as gens get younger. They also demand more personalised experiences including communications, engaging content, access to digital tools and alignment with their personal values.

Managing inheritance

A significant number of next-generation individuals have already received financial assistance or inheritance, with many others anticipating substantial windfalls in the near future. This presents new and important financial decisions, highlighting the need for professional guidance.

Many beneficiaries find themselves requiring assistance to manage the legal, financial, and investment challenges associated with inheritance. They need to solve for tax implications, potential family disputes, accommodate cultural needs, facilitate intergenerational communication and family governance to ensure smooth wealth transfer. They need to decide how to allocate the money effectively and navigate the potential pitfalls of dealing with lump-sum big decisions.

There is a strong interest in seeking professional financial advice, especially when it comes highly recommended by family members.

Refining an offer for the next generation

Given the unique needs of next-generation clients, financial advisers have a number of areas of opportunity.

- Develop more sophisticated digital servicing capabilities to meet emerging expectations, while retaining the ability to provide one-on-one consultation.
- Winning trust by demonstrating transparency, independence and lack of bias. This can also be facilitated by leveraging existing client family relationships to extend their trusted offer to the next generation.
- Facilitating a more hands-on approach for clients who want to be more involved in decision making and retain direct investing aspirations.
- Supporting self-improvement through a coaching rather than outsourcing relationship and proactively offering educational support and resources.
- Tailoring advice to meet personal needs and providing greater personalisation of service offers.
- Improve accessibility and convenience for their clients.
- Provide planning for both short to medium goals and broader quality-of-life planning needs.
- Develop expertise in advising around ethical, sustainable and impact investing desires.

Conclusion

The evolving financial landscape presents a significant opportunity for financial advisers to refresh their service offerings and better serve younger generations. As the report highlights, younger clients—particularly Gen Z and Gen Y—are approaching financial management with different expectations and priorities compared to older generations. These emerging groups place greater emphasis on wealth growth, financial independence, and shorter-term financial goals, rather than focusing primarily on retirement savings. Advisers must adapt to meet these needs if they are to future-proof their business for continued growth.

One key area of opportunity is in digital service capabilities. Younger clients expect seamless digital experiences, ranging from mobile apps for investment monitoring to interactive financial planning tools. However, the personal touch remains essential, meaning advisers need to balance one-on-one consultations with the ability to deliver high-quality digital services. The younger generation's desire for convenience and flexibility offers an avenue for advisers to offer more personalised and adaptive services, ensuring they can meet clients where they are, whether digitally or in person.

Financial advisers also have an opportunity to act as educators and coaches, guiding younger clients through complex financial decisions. Many younger investors are increasingly being influenced by multiple sources of information and informal advice that varies in quality and independence. Advisers can help correct misconceptions and provide structured advice that helps clients avoid risky financial behaviour, such as overly speculative investments and lack of diversification. Tailoring advice to include financial education, especially in aligning with personal values, is likely to resonate with these clients, who increasingly prioritise ethical, sustainable and impact investing.

Finally, the impending transfer of wealth across generations opens the door for advisers to provide greater support around navigating inheritance they receive. Younger generations face legal, financial, and emotional complexities related to inheritance, and many are keen to turn to professional advice for help. Financial advisers who can effectively navigate these needs will not only attract a new client base, but will also strengthen relationships with existing family clients, ensuring continuity of service across generations. By addressing these areas, advisers can revitalise their offerings and position themselves for long-term growth in a changing financial environment.

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Fidelity International offers investment solutions and services and retirement expertise to more than 2.8 million customers globally. As a privately held, purpose-driven company with a 50-year heritage, we think generationally and invest for the long term. Operating in more than 25 locations, we invest A$651.5 billion globally on behalf of clients in the Asia-Pacific, Europe, the Middle East and South America. We are responsible for A$261.1 billion in assets under administration.*

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*Data as at 30 September 2024. Read more at fidelity.com.au