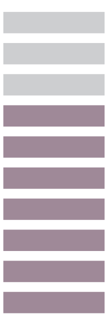
WELLS FARGO | ASSET MANAGEMENT

2017 Millennial Survey

Uniting Happiness and Money

To truly understand the Millennial experience, our 2017 survey asked what is in their hearts and minds, not just their wallets. The results revealed a simple but game-changing solution to Millennial engagement: Focus on the powerful connection between financial action and overall happiness.

Contents

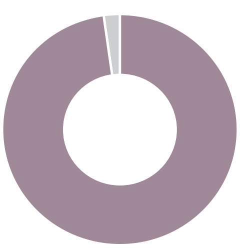


Nearly 7 in 10

Millennials want to conquer their anxiety about money.

6x

as many Millennials say love, not money, equals happiness.



98%

of Millennials prioritize financial security.

Only 32%

of Millennials are satisfied with their financial lives.

Over half of Millennials say they use money to make the world a better place.

What really matters to Millennials?

There's no shortage of insight into what they think, from their blogs on the trials of #adulting to the social media musings of the *Forbes* 30 under 30. We also know their technology habits—for example, the typical Millennial owns seven connected devices[1] and makes 54% of purchases online.[2] And we even know how much they stand to inherit: $30 trillion in the next 30 to 40 years.[3]

Of note ...

Basic facts about Millennials:

- Our survey defined Millennials as people born between 1980 and 1997.
- Millennials are 79.8 million strong and represent more than one quarter of the nation's population.[4]
- By 2025, the Millennial generation will make up 75% of the U.S. workforce.[5]

But as our industry has sought to understand this generation's relationship with money, we've been coming up short. That's why our 2017 Millennial Survey research went deeper to find out what's in Millennials' hearts and how that affects their financial experience.

The results revealed a disconnect: While most Millennials generally are happy and fulfilled, they are struggling with financial anxiety and don't recognize the powerful connection between financial control and overall happiness.

As this generation starts building careers and families, they must tackle their financial lives head-on, taking greater control one step at a time. And you can empower them to do so by connecting to what they care about, understanding what burdens them, and guiding them toward lasting happiness.

Millennials are struggling with financial anxiety and don't recognize the powerful connection between financial control and overall happiness.

Rejuvenating the financial lives of today’s Millennial

Our survey asked more than 1,700 Millennials ages 20 to 36 about love, happiness, purpose, and satisfaction. The results showed a relatively happy generation with a purpose—and relationship-driven mindset. Love and doing good, not power or money, are what they hold as the keys to happiness. Most Millennials prioritize relationships and believe success is more about happiness than material prosperity.

But belying this rosy picture are some concerns:

- Financial security is a top priority for nearly all Millennials, but only 32% are satisfied with their financial lives—making it their lowest point of satisfaction.
- Nearly 7 in 10 Millennials want to conquer their anxiety about money.
- 42% rely on others (friends, family, or spouse) for financial support.
- Following the Great Recession, 53% say they will never be comfortable investing in the stock market.
- Less than 40% can define the function of the stock market and half don't understand compound interest, which can significantly hamper decision-making and happiness (as detailed in Lusardi and Mitchell's noted research on financial literacy and well-being[6,7]).
- More than half say they use their money to make the world a better place—but they are unclear on how to do that more effectively.

These dissonant points highlight the gap between money and happiness for Millennials. They also indicate that Millennials need empathetic and motivating solutions—not industry jargon and formulaic scenarios.

Millennials have the power to be their own heroes of happiness, but they need the right support and guidance from you. They need you to:

Listen and uncover their happiness drivers before going to the numbers and the portfolios.	Illustrate and provide experiences to help them connect what they care about with smart, actionable behaviors.
Be sensitive to their impressions and level of understanding around saving and investing.	Keep it simple, achievable, and affirming—never overwhelming.

Millennials need empathetic and motivating solutions—not industry jargon and formulaic scenarios.

When asked what's the one thing they most closely associate with happiness, 85% chose love or doing good and only 10% chose money.

Start with happiness, not numbers

Most Millennials surveyed (more than three out of five) consider themselves happy and their lives meaningful. When asked to select one thing they most closely associate with happiness, 85% chose love or doing good and only 10% chose money. More than 70% say they seek happiness by spending time with family and also find happiness in spending time with friends, helping others, and setting and achieving goals.

Millennials report a well-balanced set of priorities, with financial security at the top. While five in 10 Millennials say being connected on social media is important, more than nine out of 10 say the following are important to their lives:

- Financial security
- Mental and physical health
- Fulfilling work
- Ability to help the greater good
- Close personal relationships

It is here that our data starts to highlight Millennials' greater need to understand the connection between managing money and cultivating happiness. Many suffer the following financial trouble spots:

Financial illiteracy

Only half say they know everything they need to know to use their money, and many do not possess an understanding of investment basics like risk, inflation, and how the stock market works.

Debt and expenses

Some 46% say they have a significant amount of debt, and 43% can't afford to pay for health care expenses.

Lack of support

Only 23% have an advisor, and only 38% participate in their workplace retirement plan.

Millennials need to stop compartmentalizing their money woes and start understanding how tackling them has the potential to improve everything from their relationships to their health to their ability to help the greater good. Focusing on this connection can motivate Millennials to act decisively and purposefully in their financial lives.

Implications

Let go of stereotypes and work to really understand the drivers behind Millennials' happiness and financial anxiety. Then use those insights to reorient your messaging to focus on what matters to them. Introduce this generation to taking action and the PFI behaviors (see next page) and show them how their joy may be amplified in the near and long term if they take easy, incremental steps toward financial wellness.

The Power of the PFI

36% of Millennials who affirm all five points of the PFI are happier than those who do not.

One of the most significant takeaways we found from the survey is that most Millennials are missing out on a cluster of specific behaviors around financial engagement and financial activism. These behaviors are defined as the Positive Financial Indicator (PFI)—five specific actions Millennials can take with their money and steps toward financial wellness that may equate to greater happiness.

The five steps

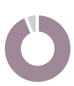
1. **I am able to pay for my monthly expenses.**
2. **I have enough money to save for future needs.**
3. **I am saving enough for retirement.**
4. **I take an active role in setting and achieving goals for my financial life.**
5. **I feel in control of my financial life.**

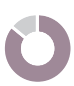
Focusing on the power of the PFI—the direct connection between financial action and happiness—can revolutionize Millennial engagement.

Connect with purpose

The Millennial generation is known to focus on collaboration and connections; it's a sharing generation fueling a sharing economy. Not surprisingly, our survey found that Millennials prioritize the greater good and are eager to support social and environmental causes.

74% say it would be easier to stomach the ups and downs of investing if the investments made are having a positive impact on the world.


94% of Millennials say making a difference for the greater good is important to them.


86% say that, if given $1,000, they would invest in a company that makes the world a better place with their product.


74% say it would be easier to stomach the ups and downs of investing if the investments made are having a positive impact on the world.


58% say they use their money to make the world a better place.


35% of Millennials who are invested in the stock market say they have specifically invested in stocks or funds that report to have a positive impact on the world.

Clearly, social impact investing can be a highly influential factor in investment decision-making among Millennials. Furthermore, this generation has unprecedented access to investment options that allow them to connect their beliefs to their return objectives.

While 76% of Millennials believe that socially responsible companies will be more successful in the long run, many still are conflicted.

However, the misconception that one must give up returns to be socially responsible continues to prevail—despite growing evidence that certain environmental, social, and governance (ESG) factors may deliver returns that are at or above benchmark. Thus, while 76% of Millennials believe socially responsible companies will be more successful in the long run, many still are conflicted:

6 out of 10

Millennials believe that if they invest for social good or benefit, they give up potentially higher returns.

6 out of 10

Millennials agree that smart investors choose only investments based on returns, not other factors such as social good or positive social impact.

5 out of 10

Millennials think that investing in companies that have a positive impact on the world is just a trend.

It is important to educate Millennials about the misperception regarding the lower performance of socially responsible investments and that social impact investing does not equate to performance concession. Proving to Millennials that investing for the greater good does not mean sacrificing returns can revolutionize the conversation.

Implications

Work closely with Millennials to understand what matters to them when it comes to money and purpose. By focusing investment conversations on demonstrating the many benefits of ESG—not having to compromise on return objectives, helping society, and increasing one's sense of meaningfulness and purpose—you have the opportunity to earn Millennials' trust, dispel myths, and compel them to take action.

Get the nuances

While Millennials often are lumped into one group, many nuances must be considered when engaging individuals. Certain differences greatly affect each Millennial's ability or readiness to take a hands-on approach to improving their financial lives.

This generation has faced the Great Recession, broader access to higher education, ballooning student loan debt, rising health care costs, and rapid technological advancement.

About 7 in 10 Millennials say the Great Recession curbed their spending and made them skeptical of financial experts ...

... Plus 2 in 5 say they have reduced their investments in the market.

Nearly half report that debt and health care costs drag on their financial lives.

78% believe they have to work harder than anyone else to get what they want ...

... And 36% fear technology will threaten their jobs.

Affluent Millennial is not an oxymoron

Our survey included a population of affluent Millennials,[8] revealing that:

- Affluent Millennials are more optimistic than nonaffluent Millennials about their career goals but more concerned about technology displacing them.
- Twice as many affluent Millennials versus nonaffluent Millennials are satisfied with their financial life, but it's still their lowest point of satisfaction.
- While 63% of affluent Millennials say they know how to use money successfully, 59% still report wanting to get over their anxiety about money.
- More than two-thirds of affluent Millennials believe that the stock market is the best place to invest money.

Of note ...

Affluent Millennials are more likely to affirm the PFI:

- 85% of affluent Millennials (versus 68% of all Millennials) say they feel in control of their financial life.
- 91% of affluent Millennials (versus 83% of all Millennials) say they take an active role in setting and achieving financial goals.
- 93% of affluent Millennials (versus 85% of all Millennials) report they are able to pay for their monthly expenses.

Of note …

If you could change one thing about your financial life, what would it be?

"I would become educated on how to use, invest, and save my money."

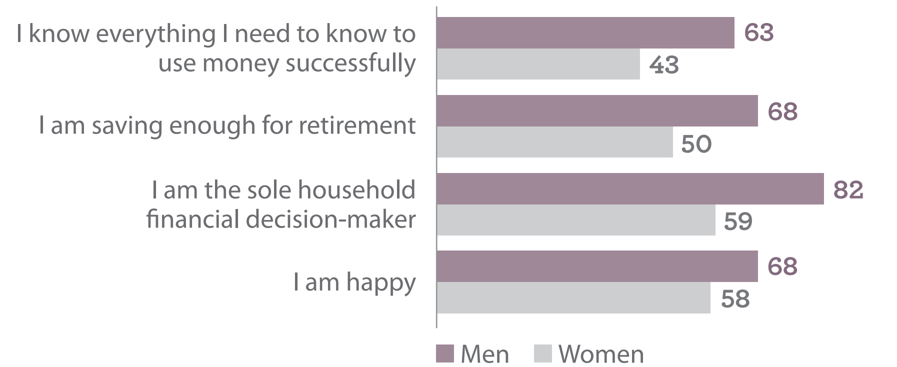
"I would have more to invest and help those in need."

"I would secure having ways of always making some sort of money for the future."

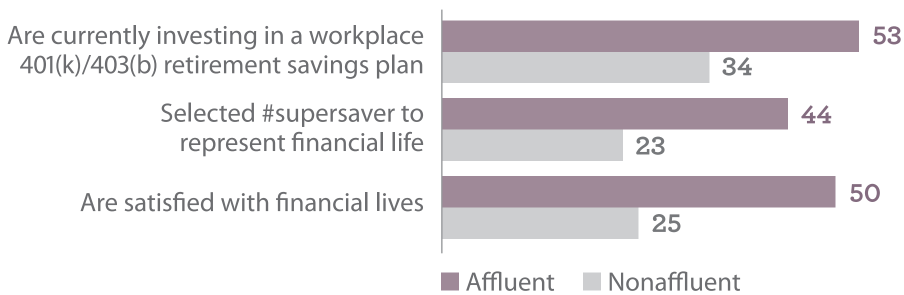
"I wish that I was able to save more and budget better."

There also are notable economic and emotional differences between male and female Millennials and between affluent and nonaffluent Millennials.

Men express more economic and emotional confidence than women (% agreeing)



Affluent Millennials express more economic and emotional confidence than nonaffluent Millennials (% agreeing)



Proving the power of the PFI, the small difference in happiness between Millennial men and women disappears when financial wellness is equalized. Women who set financial goals and take action with their money—those who affirm the PFI—also are more likely to consider themselves the primary household financial decision-maker. Of the Millennial women with affirmative PFI, 76% see themselves as the primary household financial decision-maker. However, only 59% of PFI-negative women do.

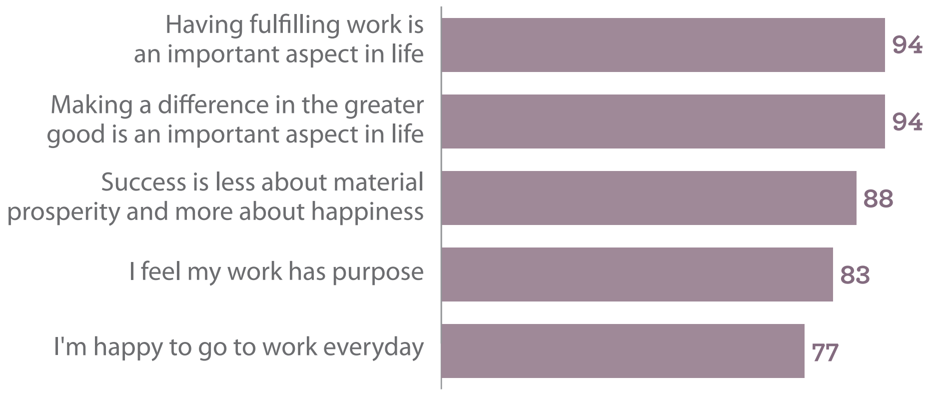
Implications

There is no one-size-fits-all solution, and it's important to pay close attention to the factors that shape individual Millennials. Ask questions and listen carefully to understand each Millennial's unique misconceptions, challenges, aspirations, and communication and engagement preferences before tailoring your approach.

Heed the career

According to our survey, Millennials don't deserve their slacker reputation—77% say they like to go to work every day. And despite potential challenges, such as lower salary, less savings, and more debt, 82% say they're confident that their career will provide financial security.

Millennials gain satisfaction from their work but believe success is more about happiness



Millennials cite day-to-day happiness and financial success as their top work priorities, which reveals another opportunity to unite happiness and money. Millennials need to see how taking steps to raise financial success at work—negotiating a higher salary, contributing to a retirement plan, and taking advantage of company benefits—also has the potential to increase immediate- and long-term happiness.

Notably, this generation appears to be more mobile in the workforce (that is, they tend to change jobs more frequently) than previous generations. Mobility may have its perks, such as potential salary increases and higher job satisfaction, but it also has its challenges. For example, it can be costly if money is left on the table or vesting in retirement plans is lost upon leaving a company. Our survey found that only 51% of Millennials are fully employed in their preferred career, which may inspire more job hopping—something for our industry to look out for and factor into our guidance.

Implications

It is important to not overlook their career as the linchpin in the financial health of Millennials. The workplace is, for most Millennials, their primary source of income, and we believe it is a critical area where Millennials must take greater control. Help them explore and understand their workplace benefits, career choices, and opportunities for advancement. Ask Millennials how they define career success and put their goals at the center of wealth-building conversations.

Of note ...

Millennials say they would give an A+ rating to a financial professional who:

- Provides them with a clear outline of the fees and services
- Meets with them at least twice a year
- Finds a way to engage them without lots of financial lingo
- Gets to know about all aspects of their life, not just their money

Encourage, coach, make it experiential

The average Millennial mindset may be burdened by financial anxiety, low financial literacy, and intimidations, but it also is buoyed by optimism and a desire to change. Millennials are ready for your help:

69% of Millennials say they want to shed anxiety about money.	61% could not correctly answer the basic function of the stock market.
60% cite basic financial skills as intimidating.	53% say they will never be comfortable investing in the stock market.
49% don't understand or aren't sure if a single stock is riskier than a mutual fund.	23% of Millennials have an advisor; of those who don't, 39% say they want one.

These findings highlight the need for a modernized approach to engaging today's Millennials. Advisors and employers alike should address Millennials' emotional and practical needs, coaching them toward PFI behaviors and celebrating the potential increase in happiness and decrease in anxiety.

Implications

Learning about Millennials' happiness drivers and what keeps them up at night should allow you to build trust and frame your messages effectively. Millennials value your expertise but may be more receptive when you take the tone of a coach, gently empowering and encouraging them to make incremental improvements. Together you can determine the ideal mix of communications—balancing the use of technology with hands-on experiences and one-on-one connections.

Empower Millennials to take hands-on control

Use these insights as you coach Millennials on taking control and closing the gap between their financial lives and their experiences of happiness, purpose, and satisfaction. Millennials are the next generation of wealth accumulators and investors, and many are already there—so the time to start engaging them is now.

For more resources that help you build valuable Millennial relationships, including a client-ready questionnaire and a step-by-step action guide, please call 1-888-877-9275 *or visit* wellsfargofunds.com/generations.

Of note ...

The key to financial happiness?

Taking action.

You can help get Millennials engaged and on the right path toward their financial well-being.

The PFI represents the five financial behaviors that have the highest correlation to long-term financial health and happiness. Encouraging Millennials to begin adopting the PFI behaviors can cultivate a sense of control and empowerment, building a solid foundation of financial confidence.

Use our PFI Action Plan to frame this discussion and prioritize steps that can have the greatest impact on each Millennial's individual and financial life goals.

About the survey

On behalf of Wells Fargo, Harris Poll conducted 1,771 online interviews with American Millennials age 20 to 36 who identify as either the primary or joint financial decision-maker for their household. The survey was conducted from June 16–29, 2017. Data were weighted as needed to represent the population of those meeting the qualification criteria. Figures for education, age, gender, race, ethnicity, region, household income, investable assets, marital status, employment status, and number of adults in the household were weighted where necessary to bring them in line with their actual proportions in the population.

About Wells Fargo Asset Management

Wells Fargo Asset Management, a division of Wells Fargo Wealth and Investment Management, strives to help clients achieve their financial goals through top-tier investment options managed by specialized investment teams that are supported by independent risk management and backed by superior, collaborative service. With more than $487 billion in assets under management (as of June 30, 2017), Wells Fargo Asset Management has 29 autonomous investment teams with specialized expertise and proven processes, more than 500 investment professionals, and a global reach with offices and clients around the world.

1. Source: Abramovich, Giselle. "15 Mind-Blowing Stats About Millennials." Adobe Digital Insights, July 1, 2016.

2. Source: "UPS Pulse of the Online Shopper: Tech-Savvy Shoppers Transforming Retail." June 2016.

3. Source: "The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth." Accenture Consulting, 2015.

4. Source: Pew Research Center, April 2017.

5. Source: The Brookings Institution, May 2014.

6. Source: Lusardi, Annamaria, and Mitchell, Olivia S. "Financial Literacy and Planning: Implications for Retirement Wellbeing." National Bureau of Economic Research Working Paper No. 17078, May 2011.

7. Source: Lusardi, Annamaria, and Mitchell, Olivia S. "The Economic Importance of Financial Literacy: Theory and Evidence." National Bureau of Economic Research Working Paper No. 18952, April 2013.

8. For the purposes of this survey, affluent Millennials are those with more than $100,000 in investable household assets.