Pigeonholing

Millennials: the coming of an age

Some say they are the modern-day dreamers or the ‘Lost Generation’. But, when it comes to The Millennials, is it possible that the critics got it wrong? "Between 1980 and 2000 one of history’s most dynamic generations was born," says Jordan Weir, Junior Trader at Citadel.

"The Millennials (otherwise known as Generation Y) opened their eyes to and embraced the birth of the Information Age. Now the Millennials have come of age."

With disposable information at their fingertips, Millennials are well versed on the history of investing: from Tulip Mania in Holland (1636 to 1637), to the Great Depression (1929-1932), Black Monday (19th October 1987) and more recently the infamous 2008 credit crisis. The insatiable Millennials are now more informed than ever.

In 1929, an investor caught up in the Great Depression would have experienced an average drawdown of 83% on his portfolio over the preceding three years. High dividend yielding portfolios took, on average, three-and-a-half years to recoup all losses from the crash. Portfolios carrying zero to low dividend yields took up to 12 years to recoup drawdowns from the market downturn.

"Fortunately," says Weir, "the Millennials bring to the table a new way of thinking, one which is not far removed from senior generations but which builds on the priceless knowledge handed down and adds a different angle of thought. As a result, the Millennials are increasingly seeking role models and mentors from within their own peer and age groups. The days of solely looking to older generations for guidance has shifted."

With old ways of thinking continuing to affect how corporates and governments around the world operate, and, in the process, draining reserves from the remuneration and job pools, a storm is on the horizon. A flood of new blood and businesses are rising ever closer and very few people seem to have seen it coming. The likes of Google, Yahoo and Paypal, founded by members of Generation X (born between 1961 and 1979), are the forbearers of a resurgence to a new era of millennial entrepreneurs such as Facebook, Instagram, AirBnB and Snapchat, to name but a few.

On the local front, he says more and more opportunities continue to present themselves like low lying fruit to the ambitious South African Millennial. As South Africa’s manufacturing numbers trend south, consumption numbers seem to be rising among the country’s population. "With this in mind, Millennials have now begun to embrace the contrarian mind-set of what makes me happy? Sports cars and mansions are slowly becoming a thing of the past and materiality seems to be taking a back seat."

The wealth habits of this group are key to understanding the future of investing. According to two recent research reports, by bankrate.com and UBS, only 26% of Millennials are currently investing in equities. Of the portfolios surveyed, the average portfolio held a 52% weighting in cash. This may sound extremely risk averse to the modern-day investor, but it actually reflects a very similar mind-set to that of the Baby Boomer generation (individuals born between 1945 and 1964). The Baby Boomers mainly invested in Certificates of Deposits, bonds and property, rather than stock market equities. "Although Millennials have mostly shown signs of fearing the stock market, they have also shown an overwhelming trend towards investing in projects and businesses aligned with personal lives and belief systems," says Weir. One could call this ‘impact investing’. 

So, what is it? Well, The Global Impact Investing Network definition puts it this way: "Impact investments are those made into companies, organisations and funds with the intention of generating a measurable, beneficial social or environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below-market to above-market rates, depending upon the circumstances."

As a result, crowd funding, private equity and venture capital firms have silently started moving money away from the traditional banking institutions that have for many years been the lifeline to corporates and entrepreneurs.

"This does raise questions about whether this healthy and active, emotionally conscious and cash flush new Millennial generation is really a financier’s pot of gold? Rather, the attitude of the Millennials may actually represent the beginning of the end for the bankers, wealth managers, asset managers and hedge funds of today. That is, unless they adapt."

"As technology advances, ..."
the existing financial industry will have to embrace continual change, innovation and potential downsizing; in fact we are already starting to see this impact in global unemployment numbers and high staff turnover rates."

Although Millennials have seemed to disrupt the norm with their technological advances, there is still one entity that they cannot disrupt: The investor. The modern-day investor has more opportunities today than they have ever had before if they welcome the ever-changing business climate.

With entrepreneurial projects like AltSchool in Silicon Valley, California, education is finally heading in a direction of growth and sustainability through the teaching of skills such as budgeting, tax, profits vs losses and debt vs equity. Integrated within the Internet giant called eBay, online payment capabilities are becoming more accessible and user friendly through companies like Paypal, founded by South African-born Elon Musk of SpaceX and Tesla Motors fame. Due to be spun-off during 2015, Paypal could represent a great investment opportunity to all investors.

South Africa

Focusing on South Africa, in an environment where the traditional hold of the mining sector seems to be losing traction, various entrepreneurs seem to be making the news more frequently. Mobile payment applications like Snapscan (Standard Bank) and Zapper, formed in Stellenbosch's technology startup hub, are gems worth watching in the future. A step away from payments, one of the most unique business models can be found in the FinTech industry with DifferentLife.co.za moving into a space, which aligns financial wellbeing with impact investing. This is truly a model which embraces the current generation's thinking.

Weir says that in the advertising industry, we have Gauteng-based The Creative Counsel, formed by two Millennials, Gil Oved and Ran Neu-Ner. The Creative Counsel is now South Africa's largest ad agency with an annual turnover in excess of R750 million per annum.

In the business solutions and intelligence sector, Nick Bell's 'Decision Inc.' is a great example of how a humble business can blossom into an unstoppable force with the driven mind-set he carries.

These examples again cause us to stop and ponder: "What is a Millennials?" 'Is Millennial' just a string of letters used to define a generation that is yet to be fully understood? Or is Millennial a word that bears the fruit of a generation to be invested in? Until now, the prevalent view is one that Millennials are still finding their feet in this rapidly changing environment. What the world needs to embrace is that this generation isn't in the starting blocks, its members are already stepping confidently into a new era of opportunity with expectant hearts and open minds.

"Citadel Online Securities is made up of individuals from the likes of Generation X and the Millennials," says Weir. "The mix of these generational mind-sets allows us to create new visions that were not so easily seen before. Maybe it is through unique and creative collaborations such as these that the modern day investor might more easily unlock tomorrow's wealth."

Editorial Comment

Pigeonholing individuals into so-called 'generation' categories might seem a fanciful exercise in stereotyping. However, one cannot deny its value in defining cultural and social attitudes, as influenced by historical events, technological development and economic conditions of the time. There is bound to be overlap when setting a specific year (see table), and which pretends a scientific approach to something that is more in the lines of crowd control and mass marketing.

As William Lever famously said of advertising: 'I know half my advertising isn't working. I just don't know which half.' That must go for categorisation of generations as well. We should realise that half the individuals pigeonholed in a marketing generation don't think or behave along the stereotype; we just don't know which half.