Millennials & wealth transfer

A generation poised for responsible wealth transfer

HNW Millennials believe it's up to them to prepare for wealth transfer

69%
conduct their own research to improve their wealth knowledge

80% feel responsible for understanding their own financial affairs

They are well prepared despite their age: 38% of HNW Millennials have a full wealth transfer plan

Millennials start early
They begin learning about wealth at age 20 — a full 12 years earlier than Baby Boomers

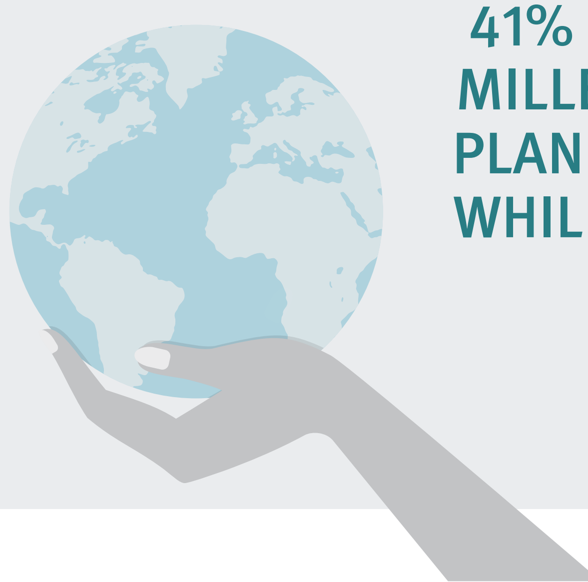
"Let's talk"

Millennials initiate wealth transfer discussions with family and advisors

They think ahead
53% intend to give their children more inheritance support than they received

51%
receive guidance from family when inheriting

41% OF HNW MILLENNIALS PLAN TO GIVE WHILE LIVING



RBC Wealth Management

Millennials are often perceived as disengaged and irresponsible, so how will they handle the responsibilities of inheriting and preserving family wealth? Working with Scorpio Partnership, we undertook an extensive study of wealth transfer and published our research in the Wealth Transfer Report 2017. As part of our continuing series, we examine four key groups: women, business owners, Millennials and families. This report takes an in-depth look at 479 individuals under the age of 35, worth US$5.7 million on average, across Canada, the United Kingdom and the United States. It summarizes how high net worth Millennials acquire financial knowledge, handle the inheritance process, plan their financial affairs, and intend to prepare their own children to carry on the family legacy.

Misunderstood Millennials

"I had an asset manager in my early 20s. That was good for teaching me the ropes. Now that I've spent time in a family office, completed an MBA, and am working in private equity, I feel up to speed on everything that's going on. I'm looking to start a business advisory practice with some colleagues."

You would be forgiven for thinking that this ambitious self-starter is a Baby Boomer who learned the ropes of money management decades ago. In fact, James is a 27-year-old who inherited a significant amount of money several years prior, and his motivated attitude typifies the high net worth Millennial's approach to learning about wealth that we uncovered in our research. It is a profile that stands in sharp contrast to common misperceptions of this generation as spoiled, irresponsible, disengaged and overly reliant on family.

Our research provides some myth-busting evidence on the ways that high net worth Millennials view and manage wealth. Irresponsible? Actually, they feel a deep sense of responsibility about managing inherited wealth, and they actively prepare themselves to manage it wisely. Spoiled? We see no evidence of that. In fact, high net worth Millennials are actively engaged with their wealth, eager to build their financial literacy, and bold enough to initiate conversations with their benefactors. In addition, they are determined that their future heirs be capable of preserving the family legacy, and they believe in managing their wealth in ways that reflect their values.

A thirst for knowledge

Millennials have grown up with instant access to information, making them the first truly hyper-connected generation. As a result, they have an insatiable appetite for knowledge: 80% of high net worth Millennials surveyed feel responsible for understanding their own financial affairs, and a significant proportion believes it's up to them to acquire financial acumen and build their confidence in wealth matters.

Moreover, Millennials tend to follow through on their good intentions. More than two-thirds, or 69%, regularly conduct their own research to improve their knowledge of wealth and money—the highest proportion out of all the groups surveyed: Generation Xers, Baby Boomers, business owners, employed professionals, retirees, and those not working by choice [Figure 1, p.7]. More than half

Self-education 101

Millennials proactively seek to improve their financial knowledge

* Results do not equal 100%, as respondents could choose more than one answer

** For comparative data, please see Figure 1 in Appendix, p. 7

Nabil is a 29-year-old inheritor and entrepreneur who is confident in his knowledge of wealth matters:

"A combination of professional guidance, as well as personal education and help from family members, is essential. It always comes back to ensuring that inheritors are ready to properly engage with wealth."

of Millennials surveyed, 53%, seek out knowledgeable individuals for guidance and assistance in improving their knowledge, and almost half, 49%, read the financial press to further their learning. These young heirs and heirs-to-be are self-reliant, curious and proactive in building their financial knowledge.

Millennials actively take steps to improve their knowledge of wealth and money matters, in part because they expect to inherit significant wealth. Of the 479 high net worth Millennials surveyed, 44% have not yet received an inheritance, but the majority expect to in the future. The likelihood of them inheriting is higher than the 35-to-55 Generation X group or the over-55 Baby Boomers, as many of their older benefactors are self-made millionaires. Instead of waiting passively, however, Millennials are increasingly involved in all stages of preparing for wealth transfer.

A head start

Millennials believe in starting their wealth education earlier than other generations

20 YRS when **Millennials** started learning

25 YRS when **Gen-Xers** started learning

32 YRS when **Baby Boomers** started learning

*For comparative data, please see Figure 2 in Appendix, p. 7

Despite their preference for self-directed learning, high net worth Millennials seem to recognize the value of formal guidance. Many are open-minded to more structured forms of learning, such as financial literacy programs. Just over half have received some financial instruction from their private banker or financial advisor, while 38% have benefited from advice from knowledgeable family members.

Nabil, a 29-year-old inheritor and entrepreneur who cofounded a beverage business, acquired his financial knowledge from a variety of sources: "I studied economics at university, but I also knew there was an inheritance coming my way, so I did occasionally ask myself what I planned to do with the money and if I knew enough. I did a lot of research, and I also taught myself a lot. I had a natural interest in finance so, over time, I became comfortable with the language and the environment."

The Millennial generation is eager to learn and open to a financial education that blends formal and self-directed learning. "A combination of professional guidance, as well as personal education and help from family members, is essential," he says. "It always comes back to ensuring that inheritors are ready to properly engage with wealth." His self-starter attitude typifies the Millennials we surveyed, who appear to be acutely aware of the responsibilities of wealth.

Millennials also exhibit a strong tendency to start their

James is a self-motivated Millennial heir with a sense of duty toward his inherited wealth:

"My father did a fantastic job of putting in place the right measures to protect the family wealth for generations to come. It was positioned to me as, there are certain responsibilities coming your way. You will have to step up, responsibility-wise."

wealth education earlier than older generations. They typically start at age 20, compared to an average age of 25 among Generation-X respondents and 32 for Baby Boomers [Figure 2, p.7]. As a result, the Millennial generation is the most confident in its understanding of wealth matters: they start their structured learning in early adulthood, they learn through a blend of informal and formal educational activities, and they are proactive about improving their financial knowledge.

Perhaps this confidence reflects their high degree of preparedness compared to others. Of the high net worth Millennials surveyed, 38% have already developed a comprehensive wealth transfer strategy, despite their relative youth. Remarkably, this is a higher proportion than most other groups in our survey, and markedly higher than that of all respondents (including Millennials), 26% of whom have a full wealth transfer plan. Millennials clearly recognize the importance of advance planning in ensuring that their family legacy endures.

However, while a sizeable proportion of high net worth Millennials is taking the lead, not all of them have attained the same degree of wealth transfer preparedness. More than a third have a comprehensive plan in place, but an almost equal proportion, 35%, have only taken the initial step of drafting a will. And 36% have done nothing yet to plan for wealth transfer, leaving a considerable number wholly unprepared. Perhaps this is a reflection of the age of some younger respondents; nonetheless, it underscores the need for the less prepared among them to start thinking ahead.

Taking initiative

Millennials have a distinct perspective on wealth and money. As the generation that came of age during the global financial crisis, they are aware of the volatility of wealth and its impermanence. They recognize their good fortune, and they don't take it lightly. They feel the weight of responsibility that comes with receiving the wealth their families have worked hard to create. As Nabil recalls, "When I inherited, there were elements of pressure and expectation. A huge pressure for me was based on my ability to preserve the wealth I had been given, and then, ideally, to grow it."

Our research reveals that Millennials often initiate discussions about wealth transfer with both family members and external advisors. They're confident about asking questions, seeking help and continuing the dialogue. Many of these families began having the 'inheritance talk' with their children at an early age; as a result, the Millennial generation is accustomed to having conversations about wealth and is motivated to acquire the financial knowledge necessary to preserve and grow the family legacy.

Ian is a Millennial and heir in a fifth-generation high net worth family. He recently received a substantial inheritance, but his family has been preparing him for years, and he seems ready to shoulder the responsibility. "It's important to get comfortable with the idea of inheriting and to understand where the inheritance comes from. In my situation, it was handed down through the sale of a family business. I'm a steward of that wealth, rather than the owner."

He highlights a theme that's common to Millennial inheritors we surveyed: the importance of establishing a comfort level with inheritance and wealth management. He credits his family with giving him a strong foundation in financial values. "My parents weren't particularly knowledgeable about finance, but I'd speak to them about the philosophy of stewardship. The responsibility element came from family members on my mom's side, who became my mentors."

Millennials like Ian often cite their family's financial values as guiding principles for managing wealth, and are quick to credit parents, mentors and advisors for their part in preparing them. As James, the ambitious 27-year-old about to start a business advisory practice, recalls: "My father did a fantastic job of putting in place the right measures for the family wealth to be protected for many generations to come. It was positioned to me as, there are certain responsibilities coming your way that you need to be ready for. You will have to step up, responsibility-wise."

The Millennial generation acknowledges the critical role that family, friends and advisors play in creating an environment where they can ask questions, initiate discussions, improve their financial knowledge, and prepare themselves for the responsibilities of preserving wealth for future generations. Without this foundational knowledge and broad support network, Millennials would likely be far less advanced in their preparedness for wealth transfer.

The importance of family

Millennials have an important advantage: when receiving an inheritance, they benefit from a wider support network than their parents' generation had. They lean primarily on family members for guidance, with 51% turning to extended family members during the inheritance process [Figure 3, p.8]. It's also highly unlikely that they go through the inheritance process alone: only one in 10 say they received no guidance on wealth transfer, in sharp contrast to nearly one-third of Generation X-ers and roughly one-half of Baby Boomers who reported the same. It appears that older generations, reflecting on their own experiences, are taking steps to ease the inheritance process and provide more support to the Millennial generation.

Family ties

Millennial inheritors receive the most guidance from family

51% get help from other family members

25% get help from their lawyer or accountant

23% get help from their benefactor's financial advisor

* Results do not equal 100%, as respondents could choose more than one answer

** For comparative data, please see Figure 3 in Appendix, p. 8

While older generations have loosely defined notions of how they want their beneficiaries to learn about and use their wealth, Millennials appear to be more decisive and forward-looking. Those who have inherited with the support of family and advisors appreciate the help they've received—yet they also see room for improvement. The vast majority of Millennials surveyed believe they can either replicate or improve upon the inheritance process for their own children: 53% intend to provide a greater level of support to beneficiaries than they received, and 39% would provide the same level of support [Figure 4, p.8].

In addition to initiating discussions with the older generation and professional advisors, Millennials appear poised to establish an open dialogue with the next generation. Those surveyed are already outlining their plans and, where possible, preparing their future heirs. They are learning from their peers and reflecting on their own experiences to inform their wealth transfer strategies. When asked how they intend to transfer wealth, 41% of

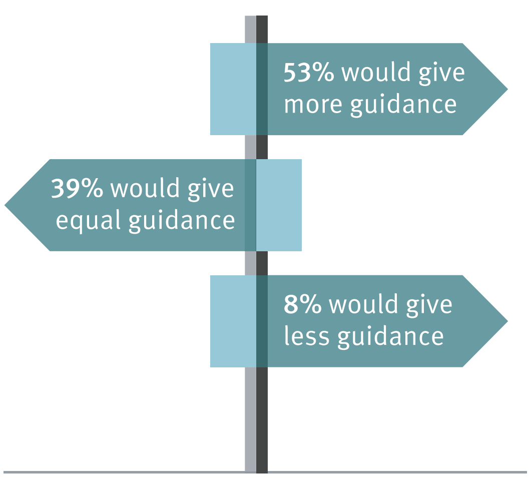
Ian is a Millennial fifth-generation heir with a strong sense of social responsibility:

"I look at how my wealth is being managed and whether that's in accordance with my values. There's more awareness and accountability in the way people invest now. Inheritors like me feel we have an obligation to invest in a way that's consistent with our values."

Millennials said they plan to pass on assets gradually over their lifetimes, rather that transferring all their assets upon death.

Support for future generations

Millennials plan to give their children at least as much support as they received



* For comparative data, please see Figure 4 in Appendix, p. 8

Their motivation? It appears that Millennials want to be fully involved in preparing their inheritors and shaping their financial journey. Take Ian, the fifth-generation heir, as an example. Though he doesn't have children, he echoes a sentiment shared among high net worth Millennials: "I can make investments with the inheritance I receive, of course, but I am already thinking of the next generation." He seems committed to replicating the training and education that his own family provided in preparing him to inherit wealth. Like Ian, Millennials recognize the valuable guidance that they received and are thinking ahead about how to prepare their next generation for managing and preserving the family legacy.

A sense of social responsibility

Millennials hold a strong conviction that the assets they inherit should be used in accordance with their personal philosophies of wealth, as well as with their family legacy. Our survey respondents describe a dual pressure to simultaneously respect family values about how assets should be managed, and to use those assets in a manner that they consider socially responsible.

For Ian, having a sense of civic duty is central to responsible stewardship of his family legacy. "I look at how my wealth is being managed and whether that's in accordance with my values. There's more awareness and accountability in the way people invest now. They are more aware of the world's problems. Inheritors like me see ourselves as the 1%. We feel we have an obligation to invest in a way that's consistent with our values."

While Ian's awareness of social responsibility is commendable, some Millennials go a step further by engaging in social entrepreneurship. Take the example of Nabil, who knew early on that he wanted to be a social entrepreneur, creating or investing in startup companies that develop solutions to pressing social issues. Nabil's family passed on his inheritance using a staggered approach over several years, giving him a chance to ponder how he wanted to use his wealth.

"I decided to take a portion of the capital and invest in the startup world. I wanted to start my own company, and I knew I wanted to run a business operating on social enterprise. I wanted to move into social impact companies." Nabil founded a business with a focus on social responsibility and followed through on his convictions—a decision he is happy to have made.

Like Nabil, the Millennial generation is eager to demonstrate its commitment to social issues. Those surveyed display a keen sense of social responsibility; they recognize their good fortune and commit to using a portion of their wealth to help others. As Ian notes, social responsibility is increasingly widespread as individuals like him and Nabil are finding new ways to achieve their philanthropic goals. "It's a common request now. Instead of people having a managed portfolio and a charity on the side, they are now bringing their interests into their portfolios."

Conclusion: Looking toward a brighter future

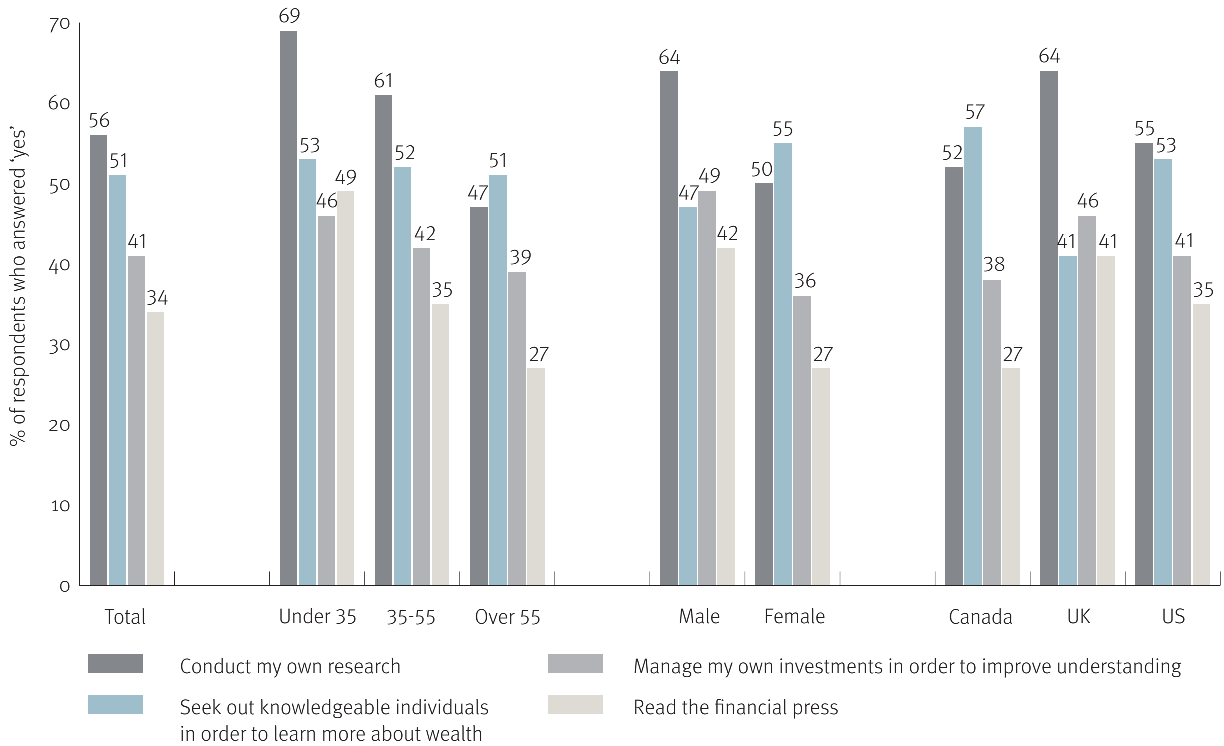
Though Millennials are not cut from an entirely different cloth than their parents and grandparents, they are perhaps a more mindful generation. Like previous generations, they take a blended approach to acquiring financial knowledge and managing the inheritance process. But they also reflect on their experiences and take conscious steps to reinforce the strengths and improve upon the weaknesses. They are proactive, innately curious, and driven to attain high levels of financial literacy to provide strong stewardship for their family wealth.

Many Millennials are years or even decades away from receiving their inheritance. Yet they are conscious of the transformative effect it will have on their own lives, the lives of those around them, and broader society. They live in a world with a unique set of problems and circumstances—and yet they are keenly aware of the opportunities to make the world a better place. In fact, they feel a deep sense of responsibility about managing inherited wealth, and appear determined to use their wealth in a socially responsible way.

The Millennial generation's awareness of social responsibility and financial stewardship suggests that, as society prepares for the largest wealth transfer in history, the future of wealth transfer planning will be markedly different. Conversations between Millennials and their benefactors, as well as those between Millennials and their future beneficiaries, are likely to be more transparent, to begin at an earlier age, and to be more informed by a diversity of views from internal and external sources. Both Millennials and their next generation are likely to attain a higher degree of financial knowledge and preparation to better manage inherited wealth. In so doing, Millennials are poised to set a new standard when it comes to stewarding family wealth for future generations.

Appendix

FIG. 1 | *Wealth and money can be complex areas and sometimes difficult to understand. Which of the following do you personally undertake to improve your knowledge of wealth and money?*



Results do not equal 100% as respondents could choose more than one answer.

FIG. 2 | *At what age did your formal education or guidance on wealth and money begin?*

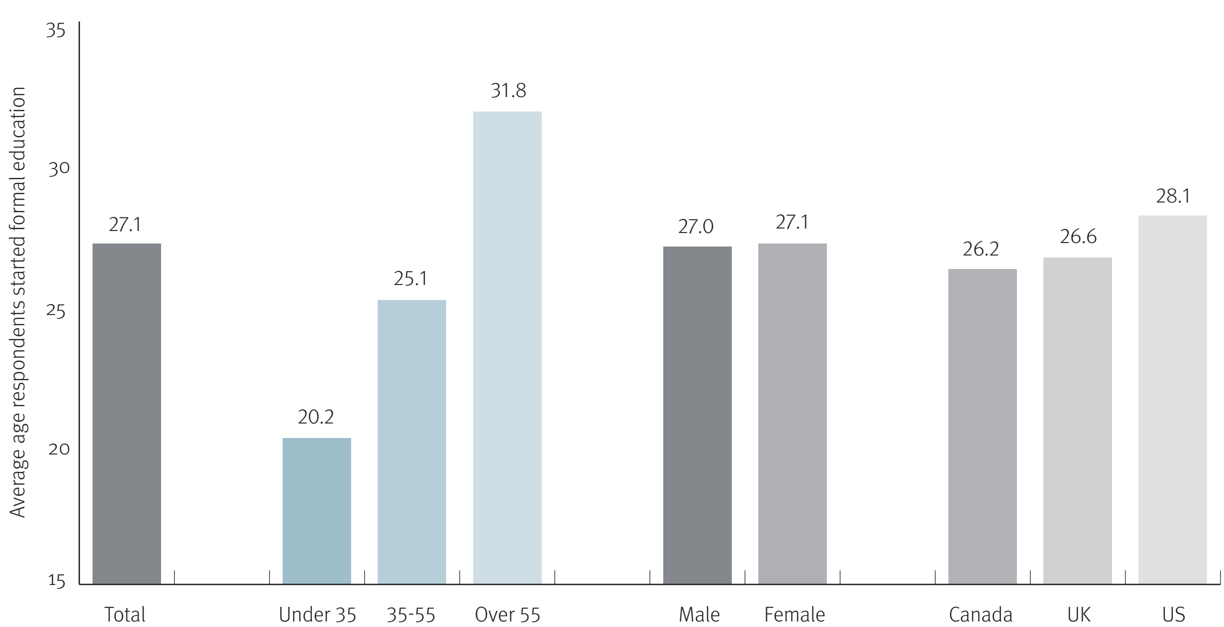
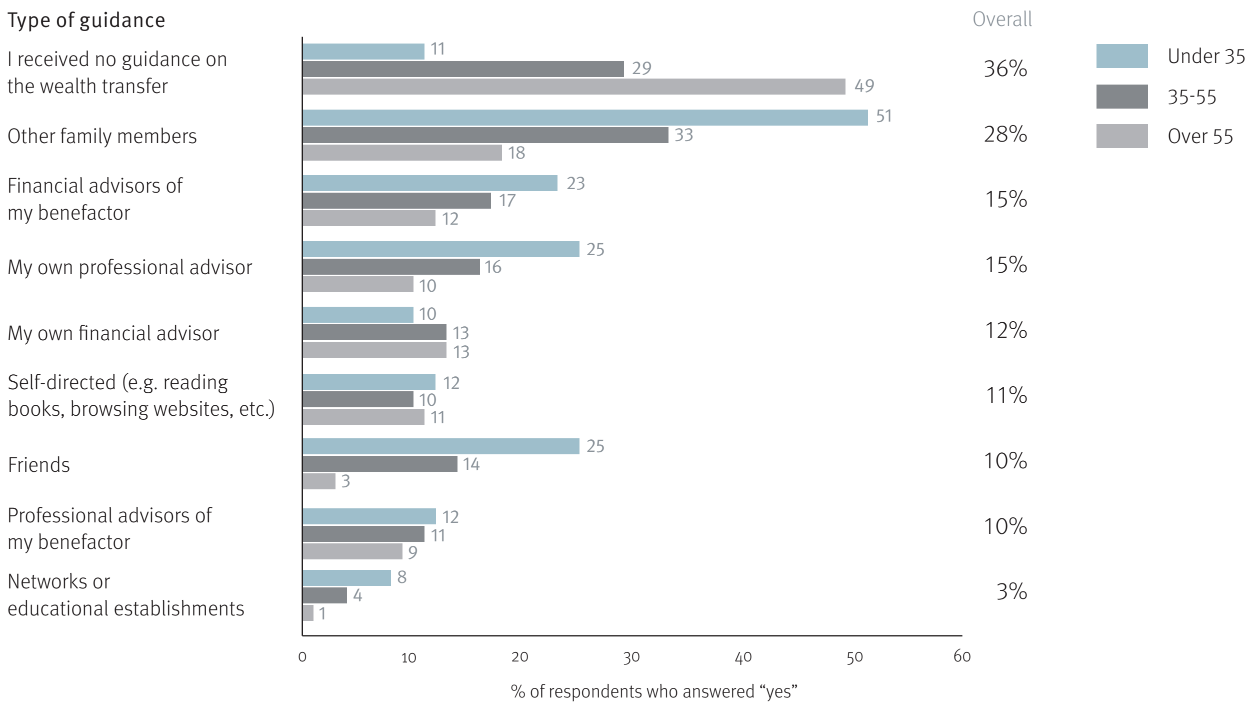
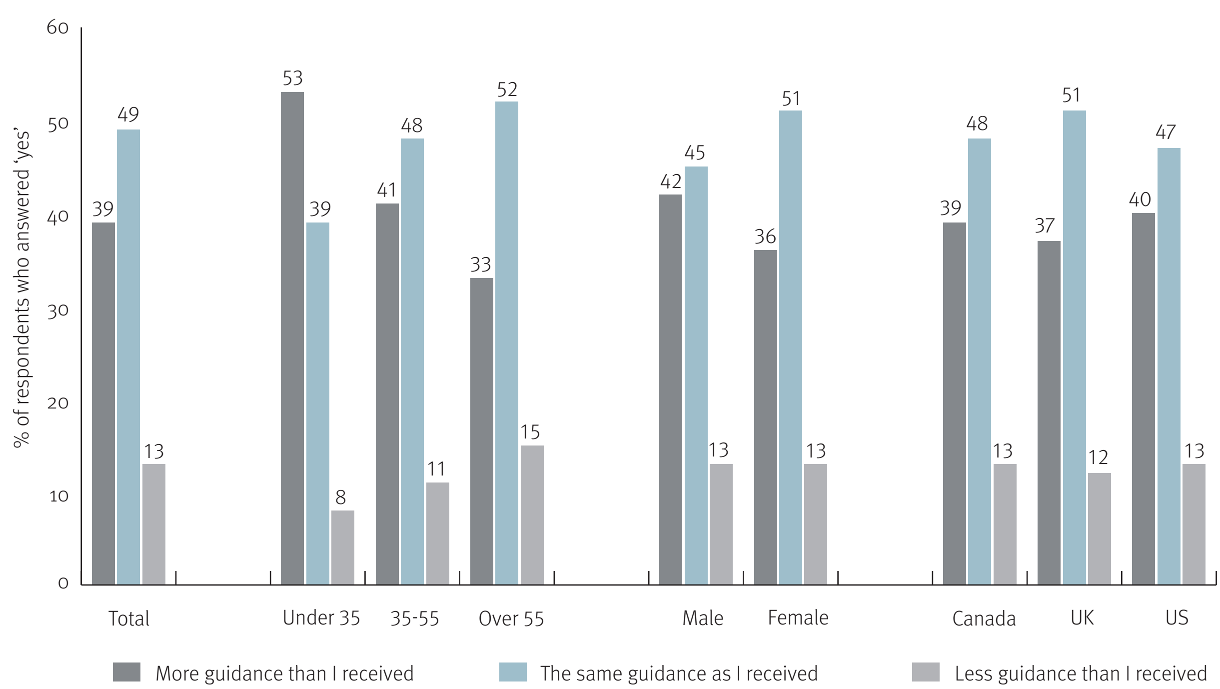


FIG. 3 *Upon receiving your inheritance, did you receive guidance on the wealth transfer from any of the following individuals or institutions?*



Results do not equal 100% as respondents could choose more than one answer.

FIG. 4 *Thinking about the support you were given when you received your inheritance, what level of support do you intend to provide to your own beneficiaries in understanding the wealth transfer process?*



Methodology

This research, designed by RBC Wealth Management and Scorpio Partnership, was undertaken from June to August 2016. Participants were independently sourced high net worth and ultra high net worth individuals living in Canada, the United States and the United Kingdom.

The methodology comprised both quantitative and qualitative sections. During the quantitative phase, 3,105 respondents answered a 15-minute online survey.

Average investable wealth was US$4.5 million across the respondent sample. This was supplemented by 30 in-depth interviews in the qualitative phase.

This report is based on data from 479 individuals under age 35 with average investable assets of US$5.7 million. The regional breakdown consists of 172 Canadian respondents, 137 UK respondents, and 170 US respondents.

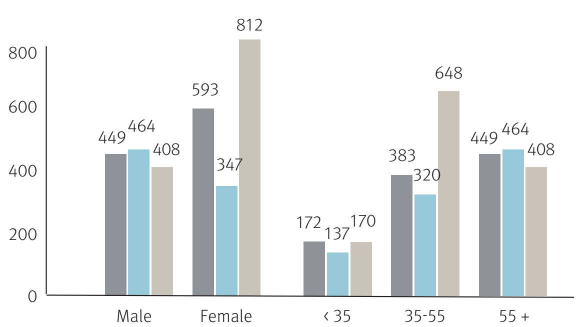
3,105 RESPONDENTS SURVEYED

1,054 CANADA

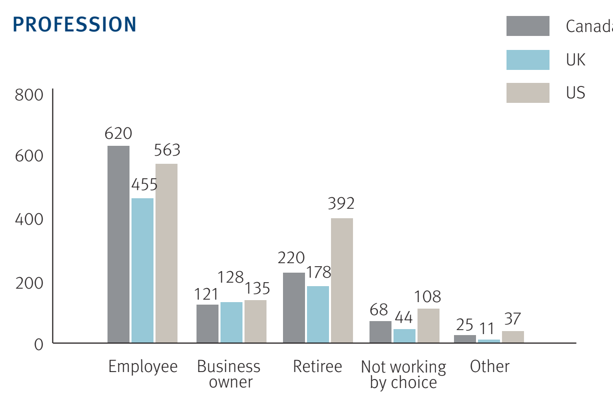
816 UNITED KINGDOM

1,235 UNITED STATES

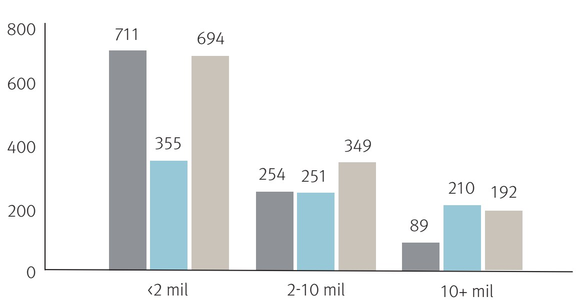
AGE AND GENDER



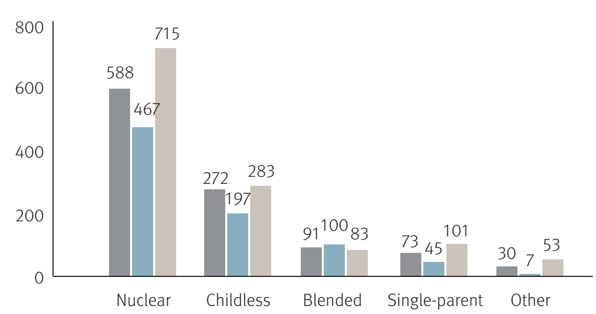
PROFESSION



ASSET LEVEL



FAMILY UNIT



RBC Wealth Management

RBC Wealth Management is one of the world's top five largest wealth managers*. RBC Wealth Management directly serves affluent, high net worth and ultra high net worth clients globally with a full suite of banking, investment, trust and other wealth management solutions, from our key operational hubs in Canada, the United States, the British Isles, and Asia. The business also provides asset management products and services directly and through RBC and third party distributors to institutional and individual clients, through its RBC Global Asset Management business (which includes BlueBay Asset Management). RBC Wealth Management has more than C$879 billion of assets under administration, C$579 billion of assets under management and 4,797 financial consultants, advisors, private bankers, and trust officers.

For more information, please visit **rbcwealthmanagement.com**

*Scorpio Partnership Global Private Banking KPI Benchmark 2016. In the United States, securities are offered through RBC Wealth Management, a division of RBC Capital Markets, LLC, a wholly owned subsidiary of Royal Bank of Canada. Member NYSE/FINRA/SIPC.

This report is one of four in-depth papers based on research from the Wealth Transfer Report 2017. The other three papers in the series focus on women, business owners and families, and will be released in May and June 2017.

Visit **rbcwealthmanagement.com/wealthtransfer** for more information

Scorpio Partnership

Scorpio Partnership is a leading insight and strategy consultancy to the global wealth industry. The firm specializes in understanding high net worth and ultra high net worth individuals and the financial institutions they interact with. We have developed four transformational disciplines—SEEK, THINK, SHAPE and CREATE—each designed to enable business leaders to strategically assess, plan and drive growth. These include market research initiatives, client engagement programs, value proposition and brand assessments and strategic business intelligence initiatives.

Scorpio Partnership has conducted more than 450 global assignments across wealth for institutions in the banking, fund management, family offices, law, trusts, regulation, IT and technology, insurance and charity sectors. In the course of these assignments, the firm has interviewed over 60,000 private investors and advisors.

For more information go to **scorpiopartnership.com**

©Royal Bank of Canada and Scorpio Partnership 2017. All Rights Reserved.

Royal Bank of Canada, the Scorpio Partnership, and their respective marks and logos used herein, are trademarks or registered trademarks of their respective companies. No part of this document may be reproduced or copied in any form or by any means without written permission from Royal Bank of Canada and Scorpio Partnership.

RBC Wealth Management, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC.

Disclaimer

The material herein is for informational purposes only and is not directed at, nor intended for distribution to or use by, any person or entity in any country where such distribution or use would be contrary to law or regulation or which would subject Royal Bank of Canada or its subsidiaries or constituent business units (including RBC Wealth Management) to any licensing or registration requirement within such country.

This is not intended to be either a specific offer by any Royal Bank of Canada entity to sell or provide, or a specific invitation to apply for, any particular financial account, product or service. Royal Bank of Canada does not offer accounts, products or services in jurisdictions where it is not permitted to do so, and therefore the RBC Wealth Management business is not available in all countries or markets.

The information contained herein is general in nature and is not intended, and should not be construed, as professional advice or opinion provided to the user, nor as a recommendation of any particular approach. This document does not purport to be a complete statement of the approaches or steps that may be appropriate for the user, does not take into account the user's specific investment objectives or risk tolerance and is not intended to be an invitation to effect a securities transaction or to otherwise participate in any investment service.

The text of this document was originally written in English. Translations to languages other than English are provided as a convenience to our users. Royal Bank of Canada disclaims any responsibility for translation inaccuracies. The information provided herein is on an as-is basis. Royal Bank of Canada disclaims any and all warranties of any kind concerning any information provided in this report.

For more information, please visit **rbcwealthmanagement.com/wealthtransfer**
For RBC Wealth Management press inquiries, please contact Lisa Hutniak at +1 (416) 974-2239