

THE NEW TRADITIONALISTS

As Generation Z enters the workforce, how can advisors 'connect'?



BY JUDY WARD



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hen advisor James Moyes goes on-site to his plan sponsor clients, he's starting to see members of Generation Z show up to group and one-on-one meetings. And these youngest members of the workforce turn out to be pretty receptive to saving for retirement.

"I actually think that they are more willing to participate than other generations," says Moyes, managing partner at

Lehi, Utah-based RedStone Advisors, LLC, and one of NAPA's 2017 Top Retirement Plan Advisors Under 40. He adds, "They have seen a few things, like the 2008 financial crisis, at a young and impressionable age. They know that they need to save."

The Center for Generational Kinetics defines Gen Z — also known as "Centennials" and "iGen" — as individuals born from 1996 to the present. Gen Z currently numbers more than 23 million people in the United States, and within five years will become the fastest-growing generation in the workplace, the Austin, Texas-based research and consulting firm says.

The leading edge of this generation just started graduating college and entering the workforce this past spring, says David Stillman, co-author (with his Gen Z son Jonah) of the book *Gen Z @ Work: How the Next Generation is Transforming the Workplace*, and co-founder of the Minneapolis-based consulting firm GenZGuru. Some advisors may think providing the right mobile apps and other technology as the primary way to bridge the gap with Gen Z, he says. That's important, he believes, but not the real key.

Gen Z both differs distinctly from Millennials and resembles previous generations in some important ways — while also having some unique characteristics, Stillman says. "Rather than technology, I actually think the bigger gap is that if you want to prove your value to them as an advisor, you'll need to show them that you understand their generation," he says. "Then they'll think, 'This man or woman gets me, so okay, I'll talk to them.'"

Free Agents at Work

Jason Dorsey, president and co-founder of The Center for Generational Kinetics, thinks of Gen Z as the Throwback Generation. "Their behavior and their outlook appears to be more representative of their grandparents than of Millennials," he

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says. He sees a couple of explanations. "One is the Great Recession. Millennials experienced the Great Recession personally: They came into the workforce at a terrible time to get a job," he says. "Gen Z was old enough to see the recession, and their parents strongly encouraged them to learn from it. But they were young enough to not actually be in the workforce during it, so they avoided the career drag it created."

Gen Z members also saw plenty of media portrayals of Millennials as laggards, Dorsey says. "So Gen Z says, 'We don't want to be known as the Entitled Generation,'" he says. "They can see how that didn't work out for Millennials. They also can see the large amount of college debt that many Millennials had, and how they were forced to delay marriage, having kids, and buying a home as a result." Gen Z craves the sort of stability that generations prior to Millennials did, he says.

While many Millennials struggled to get a career foothold, Gen Zers tend to have a very realistic view of working, says Ryan Jenkins, president of Atlanta-based consultancy Next Generation Catalyst. "To understand them, you need to understand their parents. Their parents are Gen Xers: the 'latchkey kids' who are very independent, and skeptical in many regards," he says. "You better believe that they're instilling in this generation that there are winners and losers out there, and you have to work hard if you want to get where you want to be."

Gen Zers want stability, but they also have an independent streak. "They want to be part of a traditional organization as an employee, but at the same time, they want to be a sort of free agent," says Steve Coco, New York-based global consulting leader at Conduent Human Resources Services. Many envision changing jobs — though not necessarily employers — every couple of years, and feel drawn to doing a variety of proj-

ect-oriented work, with defined deliverables and end points for each project. “They are looking to have much more control over their career path,” he says, “and organizations that hire them are going to be tasked with how to be more fluid with that.”

Gen Zers’ desire to forge their own unique career path doesn’t surprise Stillman. “This is a generation that, since birth, has been building their own customized ‘brand’ for themselves on social media. As teenagers, the goal used to be to fit in: Now the goal for teenagers is to stand out,” he says. And hyper-customization has been the norm for their whole lives in the consumer world, he says, pointing as an example to Amazon’s personalized shopping recommendations. “They are entering the workforce now,” he adds, “and why shouldn’t they assume that they can customize this area of their lives, too?”

Methodical About Money

As their careers begin, Gen Zers already have seen older relatives struggle with job setbacks and financial burdens in the Great Recession’s wake, so they have realistic beliefs about money. “They’re very aware that the rug can be pulled out from under you at any moment, and they are very dialed into the need to save money,” Stillman says. “When they do spend money, they’re more likely to spend it on an experience than on things. I don’t think they want to be judged on their status by things: For them, it is more about fulfilling their needs with experiences.”

Gen Z’s level-headed views on money also may have been influenced by their front-row seat to see the impact of Millennials’ student debt and credit card debt burdens, Jenkins says. “Gen Z members say, ‘I don’t want to take on that much debt, I want to be smarter with my finances,’” he says. “I think that they’re going to be much more methodical and strategic about money.”

That realism about money has helped make Gen Z more optimistic about what the future holds than any other generation, according to the “Measuring Optimism: Outlook and Direction of America” survey released by Lincoln

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Financial Group in August 2016. Among Gen Zers, 89% feel optimistic about the future, compared to 83% of Millennials and Gen Xers, and 78% of Baby Boomers. “Their youth is part of the reason for their optimism,” says Jamie Ohl, president of Radnor, Pennsylvania-based Lincoln’s retirement plan services division. “But I think a second reason they are optimistic about the future is that they understand the importance of saving, and they already are saving.” Sixty percent already have a savings account, Lincoln’s survey found.

Since Gen Z has only started to enter the workforce, it’s not clear how they’ll think about the retirement phase of their lives, Stillman says. “But here’s a generation that sees its life expectancy inching toward 100. This is not a generation that’s saying, ‘I’d like to work until I’m 55, then retire early,’” he says. “They know that they’re going to be in it for the long term.”

The idea of saving for a day when they don’t work at all may not resonate much with Gen Z. “They are not even thinking about retirement in the ways that our parents thought about it,” Coco says. “They may never actually ‘retire,’ in the traditional sense of the word. They might have several ‘retirement jobs,’ in this shifting, nimble, free-agent world.”

Stillman thinks Gen Zers may want to customize the retirement phase of their lives, too. “I’m not sure that they will see retirement as an end date to earning,” he says. “They may see that phase of their lives as a time when they will work and spend as they go.”

This generation likely will also have a realistic view of their financial needs in retirement, Dorsey thinks. “This is the first generation where, as very young adults, the majority already believe that they won’t have Social Security, or any other type of social safety net, in retirement,” he says. “They recognize that they are going to have to take care of themselves financially in retirement. Even now, they understand the idea of, ‘If I’m going to be in a position to do the things I want to do later, I need to start saving now.’”

There is a lot of pragmatism about the future in Generation Z, Coco says. “There is kind of an ‘innocence lost,’” he says, “compared to other generations that grew up in good times.”

Preparing for Gen Z

How can plan advisors prepare for Gen Z? Think about these issues:

Talk the Same Language

“For advisors trying to convince Gen Z to save for retirement, I think they need to start at a fundamental, 101 level: Are we on the same page with what ‘retirement’ even means?” Stillman says. “An advisor might think that just means work, work, work, then stop. To a Gen Z, that might mean working and then taking sabbaticals — periodic breaks from work — throughout their lives. Show them that you understand the definition of ‘retirement,’ as they see it, so that you’re talking the same language.”

Gen Zers may see “retirement” as starting a business down the road, or working part time and traveling part time, Dorsey says. “It is not really about ‘retirement,’ in the traditional sense,” he says. “They want to have self-reliance and freedom, so saving money is about acting now to give themselves more stability and freedom later,” he says.

Asked for his advice on how to frame the retirement-saving issue for Gen Z so that it resonates, Moyes suggests selling the sizzle. “The sizzle, in this case, is the lifestyle they can have down the road, if they start saving now,” he says. “Make it tangible for them, so they can visualize it. Show them, ‘You can build your future however you want.’”

Use FOMO to Motivate

FOMO is the “Fear of Missing Out,” and Gen Z feels that intensely. “FOMO is this idea that they’re constantly ‘in the loop.’ They’re so used to, if they want to know something, they just pull out their phone and find out,” Stillman says. “So they have an insane level of fear of missing out on something.” For an advisor who wants to convince Gen Z to save, he says, “I think it would be smart to tap into FOMO, to tell them, ‘You might be missing out if you don’t save.’”

Gen Z’s interest in life experiences — and not missing out on them — may help motivate them to save, Jenkins says. “Maybe show them, ‘If you are smart with your finances early, here are some of the experiences that you can have later on in your life,’” he suggests.

The idea that they’re missing out on free match money if they don’t contribute up to their employer’s full match level also may resonate especially well with Gen Z, Ohl thinks. “There is an opportunity with this group to auto-enroll them at a rate high enough for them to get the full match, from the very beginning of their participation in a plan,” she says.

And Moyes has seen that some Gen Zers starting to participate in plans already like using tools that allow them to benchmark where they stand on retirement savings, compared to their peers. “They like to compare themselves to data on other folks their age, to see where they rank,” he says.

Take Communications Cues from the Online World

Gen Z grew up using smartphones, and reaching them requires giving them information by mobile apps and text. For example, in September, Lincoln launched a version of its mobile app that works on Apple Watch, and allows participants with the device to check their account balance and see their retirement income projection, among other things.

But Stillman’s market research has found that Gen Zers also value face-to-face connection a lot — although they expect their in-person experience to have a similar feel to their digital experience. “Where other generations struggle with

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the line between the physical world and the digital world, they see no line,” he says. “To them, it needs to feel one and the same.”

Doing on-site education, advisor Neil Plein already has experienced how advisors need to approach communicating with Gen Z differently. “Every time, you have to perform like you’re an app with a five-star rating,” says Plein, retirement plan consultant at Aldrich Wealth in Lake Oswego, Oregon, and one of NAPA’s 2017 Top Retirement Plan Advisors Under 40. He does concise presentations light on text and heavy on visuals, and he tries to convey information by telling stories as much as possible. “You really have to trim the fat. It’s got to kind of dazzle,” he says. “You have to try to put on a show, in a sense. I know it’s hard when the topic is 401(k) plans, but if you can make a joke, or maybe give away prizes, that can help.”

To get Gen Z’s attention, the industry needs to ramp up its creativity on communications and education to make them more targeted and fun, Moyes says. “It can’t be cheesy and boring, like a video of a guy lecturing on the need to save for retirement,” he says. “It has to grab them right upfront, because this is a generation that has been able to get the information they want, right at their fingertips, for most of their lives.”

Show Them an Instant-Gratification Tool

Gen Z needs to see the payoff of putting money aside for retirement today, and

a tool illustrating that needs to be immediately accessible rather than something they have to take time to find, Moyes says. “They want a tool that lets them see, ‘If I put a dollar in today, what is it going to purchase me down the road?’” he says. “That tool should not be a separate part of the website, but integrated right into a participant’s home page.”

During on-site meetings, Gen Zers like to see a demonstration of how their recordkeeper’s income replacement projection tool works, Plein says. “That’s when their eyes light up, when you show them that,” he says. “They can instantly see that they can have a huge impact, with minimal effort, on saving for retirement,” he says. Encourage them to play with the slidebars and see how that changes their projected income replacement in retirement, he recommends. “At that age, they can see how a tiny, tiny slide of the sidebar on their contribution rate can have a huge impact on their ultimate goal,” he says. “It’s a group of people who like instant gratification. And they don’t want their (income-replacement) number at 91%: They want it at 100%.”

Help them Figure out Financial Priorities

As Gen Z joins the workforce, their finances will get more complex. They’ll have monthly living expenses to pay, plus more options for what to do with their discretionary income. “Try to focus on things that are relevant to them, financial challenges that they face,” Plein recommends. “Try to help them understand how to balance decisions like contributing to the plan versus building up their emergency savings.”

Members of Gen Z — the generation that’s coming of age already understanding the value of saving — soon will have a lot of needs and wishes competing for their dollars, Ohl says. “We’ll need to provide them with tools to budget and prioritize those competing needs,” she says. “For us as an industry, the challenge is helping them maintain the same savings discipline that they had when they were 15 or 19 years old.” **N**

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