

# UBS Investor Watch

Analyzing investor sentiment and behavior/2Q 2016

## The ties that bind

How Boomers and their Millennial children  
are **redefining family and finances**



It's been said that from the time parents have children, they must learn to let go. But many Baby Boomers have defied this notion when raising their own children. The result is a generation of Millennials far less compelled to leave the nest—emotionally, financially and often physically.

**In this issue of *UBS Investor Watch*, we found that Boomers and Millennials have redefined the ties that bind parents and children.** Boomers viewed their parents as authority figures. In contrast, Millennials see their parents as peers, friends and mentors. Nearly three quarters talked with their parents more than once a week during college.

In return, Boomers happily provide financial support well into adulthood, helping to fund everything from Millennials' Netflix subscriptions to their health insurance. In fact, 74% of Millennials receive some kind of financial assistance from their parents after college. Unlike Boomers, however, Millennials have bucked many core financial principles, such as "buy and hold" and investing for the long run, instead preferring the safety of cash.

The ties that bind Millennials to Boomers are emotional, financial and, above all, close knit. Together, they are redefining old notions of independence and creating a new model for how families support each other. Letting go may not be what either generation wants.

# 1

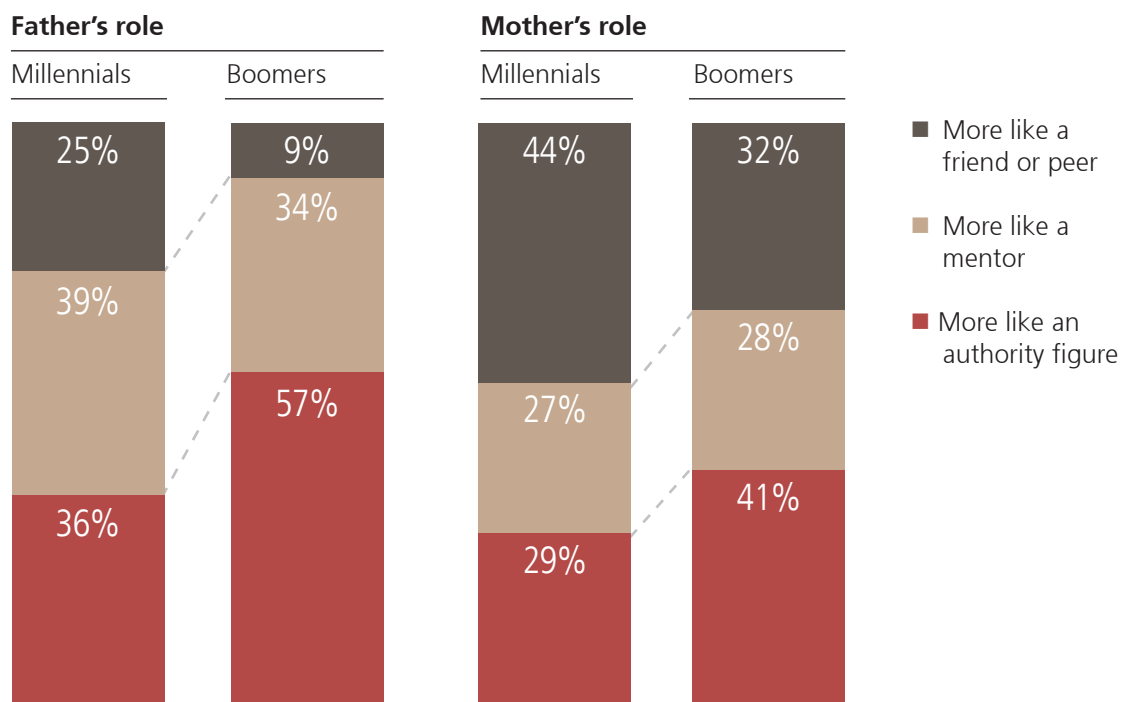
## Together, Boomers and Millennials have redefined the traditional view of parenting...

In many ways, Boomers and Millennials have upended the traditional parent/child relationship. Though Boomers viewed their parents as authority figures, many have taken a different approach to raising their own children. As a result, Millennials see their parents as friends, peers and mentors.

In particular, the view of fathers has changed dramatically. Nearly 60% of Boomers saw their father as an authority figure, compared to only 36% of Millennials today.

### Millennials view parents more as friends than authority figures

**Question:** "How would you describe your parents' role?"



“My parents made sure there were rules, but they had fun with me. We had a great relationship as I was growing up and still have one now.”

– Female, 34

“I was independent at 18 as a freshman in college. I wish my parents had been more involved in my choices because I made typical 18 year old decisions that could have been improved with input from them.”

– Male, 63

## ...which has enabled Millennials to make different choices

By choosing a radically different parenting approach, Boomers have shaped a generation unlike their own in many ways.

### Millennials remain in close contact with parents as adults

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Millennials connected with their parents during college far more frequently than Boomers did with their own parents.

**I interacted with my parents during college more than once a week**

Millennials **73%** vs. **34%** Boomers

### Millennials see the world as their oyster

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Many Boomers put off marriage and family as young adults, but their children are delaying even longer. Opting for adventure before settling down, Millennials are more likely to have studied abroad and traveled extensively.

**I have taken six months or more to travel the world**

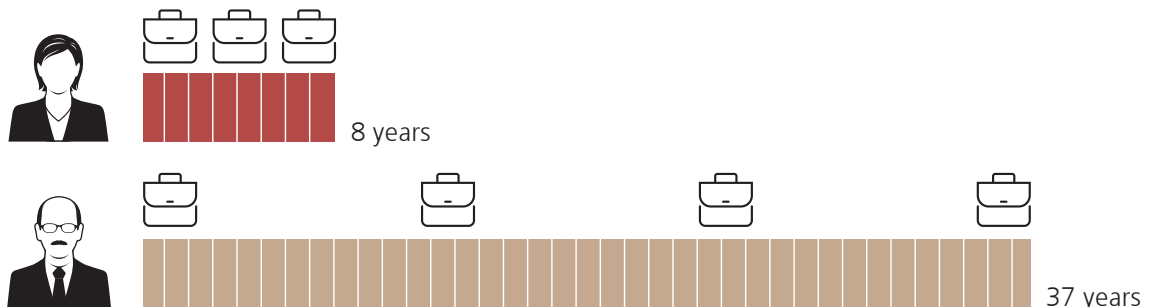
Millennials **28%** vs. **12%** Boomers

### Millennials have more fluid careers

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Unlike Boomers, Millennials are less willing to gradually work their way up the career ladder at one company. They prefer to try several jobs before pursuing one path, and many have experimented with jobs overseas as well. Two thirds of Millennials would take a position intending to stay for two years or less, compared to only 34% of Boomers who did so when they were young adults.

On average, Millennials have worked at three companies during an eight-year career, while Boomers have worked at four companies over 37 years.



# 2

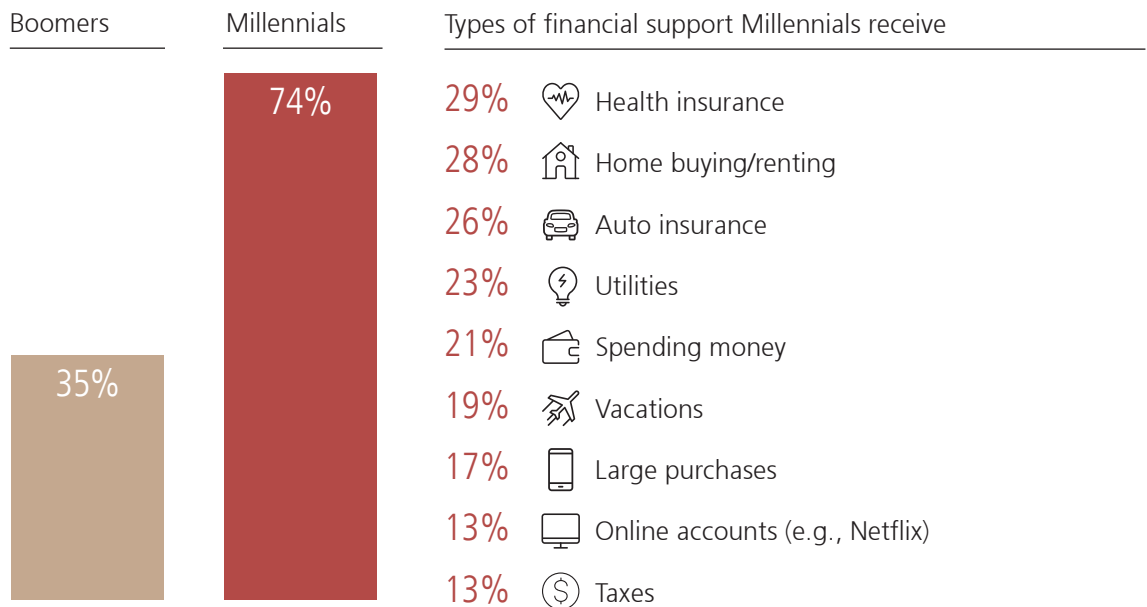
## Boomers eagerly provide financial support to their children...

While most Boomers were “on their own” after they finished college, they have chosen a different approach to supporting their own children. Three in four Millennials receive financial assistance after college, ranging from health and car insurance to monthly housing costs and even spending money.

Rather than viewing their support as a burden, the vast majority (80%) of Boomers feel good about being able to help their adult children. Only 10% withhold support to teach their children financial independence.

### Boomers provide more support than they received

**Question:** “Did you receive financial support from your parents after finishing school?”



“When I graduated from college, my parents waved goodbye. I never would have dreamed of asking them to support me or loan me money.”

– Female, 68

“We are glad to be able to provide financial support. Our children are getting the benefit of money they would inherit later, and it allows them to reduce stress and start saving for retirement now.”

– Male, 63

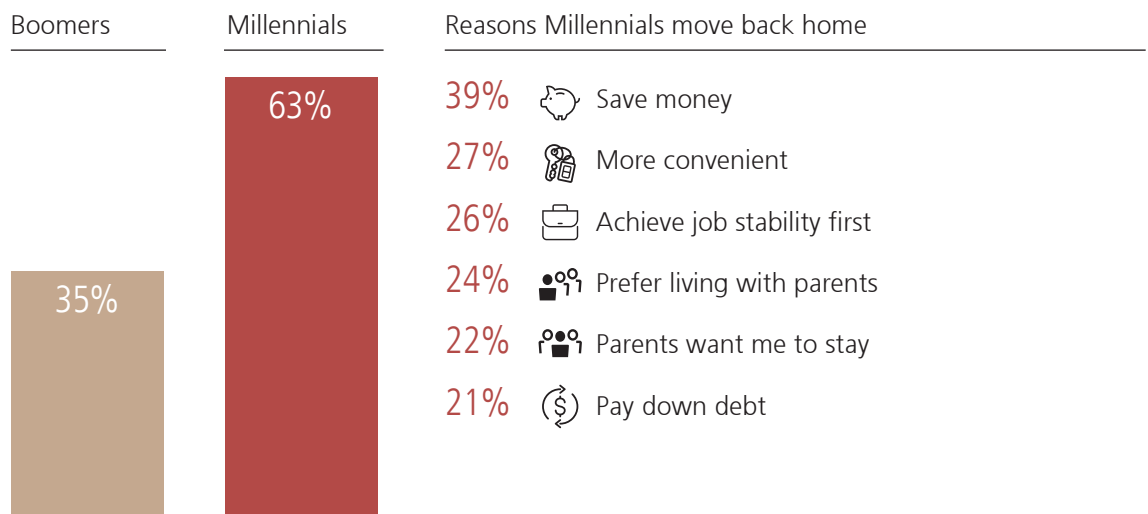
## ...and Millennials move back home to find their financial footing

In addition to getting financial support from their parents, Millennials are much more likely than Boomers to have moved back home after college. Millennials move back primarily to save money, and in many cases both generations prefer living together.

However, Millennial children are ambivalent about receiving financial help. Most consider themselves fortunate, but half feel shame, frustration or guilt for accepting assistance.

### Millennials moved back home after college for a variety of reasons

**Question:** "Did you move back home after finishing school?"



“My parents expected me to be independent when I graduated from college. I don’t think they would have approved of me moving home. Times are different today.”

– Male, 64

“I have no problem helping my adult son and daughter-in-law financially, especially for large purchases such as a home or car. I know they’re very grateful for the help but I can sense their guilt, even though I assure them I enjoy helping.”

– Male, 61

“I lived at home with my parents much longer than I wanted to. I feel like I’ve had to rely on them a lot more than if I didn’t have debt.”

– Female, 25

# 3

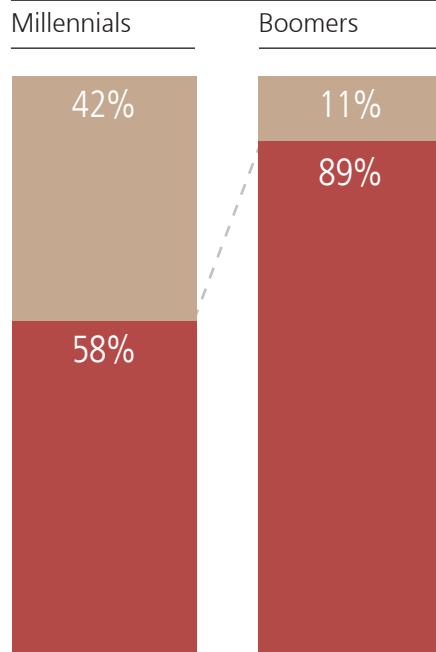
## Boomers have stayed true to traditional investing principles...

When it comes to money, Millennials have not followed their parents' investment behaviors. Boomers typically believe in "buy and hold," following a financial plan and other traditional investment principles. On the other hand, almost half of Millennials would rather time the market.

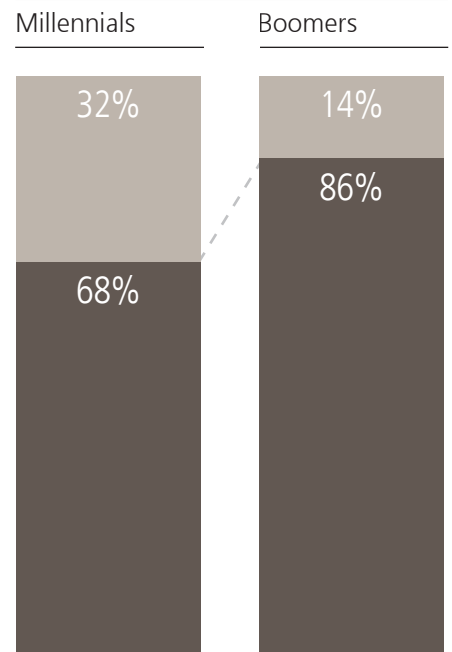
### Millennials are more inclined to follow their instincts

**Question:** "Which comes closer to your philosophy for investing in the stock market?"

#### Buy and hold vs. time the market



#### Follow a plan vs. trust your gut



"I believe in stock market investments, but I do not believe now is the right time to invest with the current world events as they are."

– Male, 24

"We are staying the course with continued investments of 20% of our salaries per year. We review our investments with our financial planner, and so far, so good."

– Female, 59



## ...while Millennials are charting their own financial course

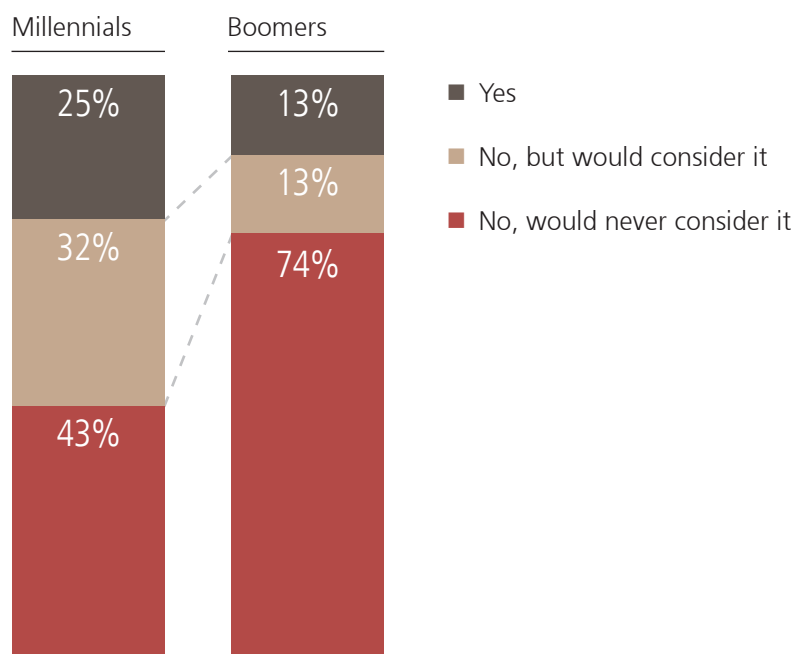
Most Millennials feel retirement is too far off to worry about and focus instead on short-term needs, such as travel. Among Millennials who do have retirement accounts, one quarter have already dipped into them—something most Boomers would never have dreamed of.

Despite having a longer time horizon, Millennials tend to default to lower risk investments. They hold more than twice as much cash in their portfolios as Boomers (47% vs. 20%).

### Millennials are more willing to dip into retirement accounts

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**Question:** “Have you ever dipped into your retirement account to help with large purchases?”



“I know I’m doing the right thing by having a 401(k), but I’m worried I should be putting more into it, instead of dining out, buying new clothes, etc. I brush it off though by telling myself that I have years and years to save.”

– Female, 25

“I spend too much time and resources on vacations and things I want to do today over planning for the long term.”

– Male, 27

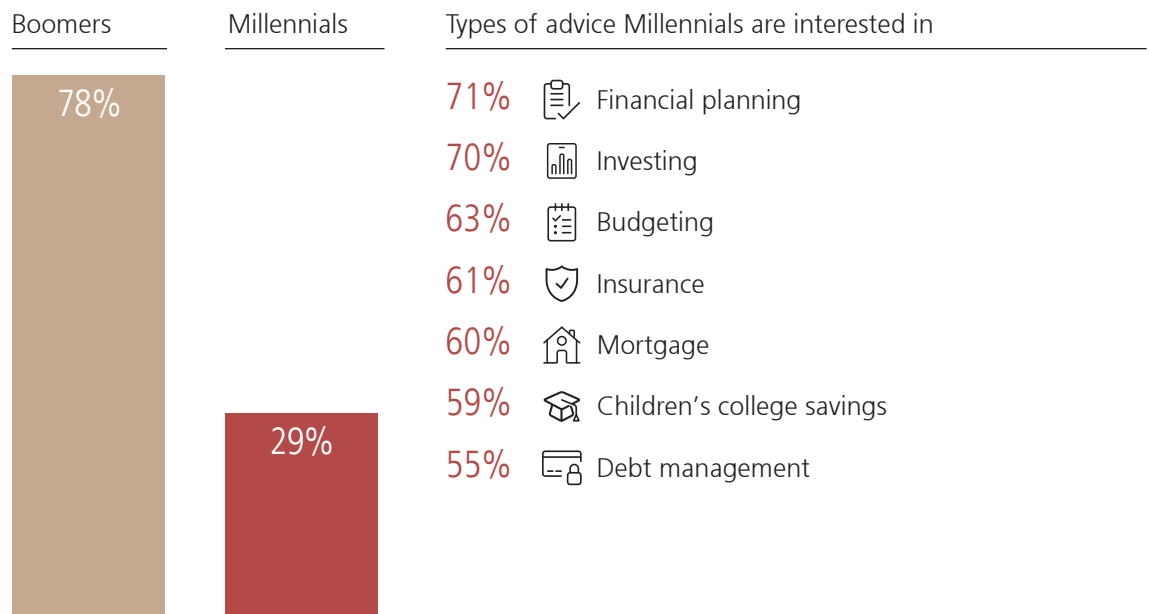
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## Millennials are interested in advice to better position their portfolios...

Millennials are far more likely than Boomers to have sold investments during the financial crisis, and many regret sitting on the sidelines during the recovery. As a result, less than a third of Millennials are content with their portfolios today, compared to 78% of Boomers. But most Millennials are unsure of what to do next, or are waiting for economic conditions to improve before investing further.

### Millennials want advice on a wide range of topics

*Percentage who are very happy with the way their portfolio is positioned.*



“Long-term investing is on our minds, but we don’t know what to do. In the meantime, we are holding on to more cash than necessary. We need to learn how to invest to achieve our goals.”

– Female, 30

“I don’t want to make the wrong decision, and the general future is fairly uncertain right now. The kind of stability my parents started their lives in is different than what I’m dealing with, and I don’t feel like I have a good resource for advice and guidance.”

– Female, 26

## ...but may not be looking in the right places

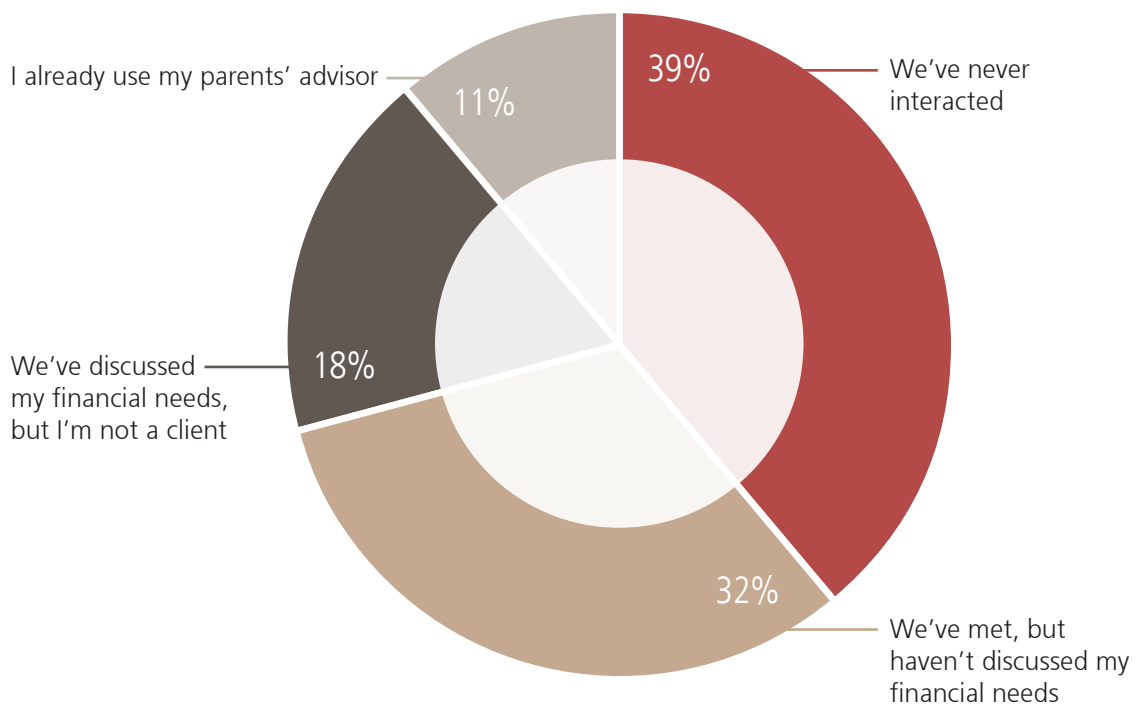
Boomers typically work with a professional financial advisor. The vast majority of Millennials are interested in working with one as well, but only one third currently do so, relying instead on family and friends.

Given their close ties with Boomers, three quarters of Millennials would consider using their parents' advisor. But few are working with one yet.

### Millennials have limited interaction with their parents' advisors

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**Question:** "How much have you interacted with your parents' financial advisor?"



**"My parents have a very strong financial situation and I value their advice. But my partner and I have started discussing getting a financial advisor because we feel like we need professional advice to get the most out of our money and invest properly in our future."**

– Female, 27

**About the survey:** UBS Wealth Management Americas surveys US investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiments of affluent and high net worth investors.

*UBS Investor Watch* surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this fifteenth edition of *UBS Investor Watch*, 2,971 affluent and high net worth investors responded to our survey from March 10 – 22, 2016. The core sample of 2,050 investors have at least \$1 million in investable assets, including 479 with at least \$5 million. With 93 survey respondents, we conducted qualitative follow-up interviews. This *UBS Investor Watch* also includes an oversample of 1,131 Millennials:

- Respondents ages 21 – 29 who have at least \$100,000 in household income or \$100,000 in investable assets,
- Respondents ages 30 – 36 who have at least \$250,000 in investable assets.

The sample was weighted by gender within each generation to match the US population.

For more investor insights, visit [ubs.com/investorwatch](https://ubs.com/investorwatch)

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