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FIDELITY® RESEARCH SPOTLIGHTS SIGNIFICANT GROWTH OPPORTUNITY FOR ADVISORS WITH YOUNG INVESTORS

- *Nearly Two-Thirds of Millennial and Gen Z Investors Believe Working with an Advisor is Key for Financial Success*[i]
- *Next Generation Set to Inherit 57% of Advisors' Existing Client Assets by 2045*[ii]
- *New Toolkit Helps Advisors Attract and Engage Young Investors*

BOSTON, January 24, 2023 -- Contrary to industry stereotypes, young investors can be attractive clients for wealth management firms. New research from Fidelity Investments® shows that 63% of Gen YZ[iii] investors believe working with an advisor is key to achieving financial success and 60% feel a heightened need to engage a financial advisor this year due to economic uncertainty. With 57% of existing client assets expected to pass to the next generation by 2045, this presents a significant growth opportunity for financial advisors – and potential looming business vulnerability for those who do not prioritize engaging with this group, as firms with a younger client base are growing nearly 10 times faster than their peers[iv].

To help wealth management firms and independent advisors better understand and engage this client segment, Fidelity created a Young Investor Toolkit that includes a mix of self-serve and consultative resources. This is the latest example of Fidelity's commitment to meeting the financial needs of the next generation of investors, while also offering wealth management firms the products, insights, and technology they to attract young investors.

"Our industry is approaching a transfer of wealth tipping point as younger investors look for an advice model that is different from what worked for their parents and grandparents," said Anand Sekhar, vice president of Practice Management & Consulting at Fidelity Institutional. "Advisors who don't adapt to this shift also risk the overall longevity and valuation of their firm. We want to help firms evolve their practices and empower them to embrace the growth opportunity that these next generation investors provide."

The Business Imperative for Young Investors

Young investors' lived experiences, including the Great Recession and COVID-19 pandemic, motivate them to improve their financial standing. Nearly three-quarters (73%) of Gen YZ investors say they put a lot of pressure on themselves to constantly improve their financial situation and, in Q3 2022, young investors between the ages of 18-35 opened nearly half (45%) of all new Fidelity retail accounts – the highest percentage from this group since Q1 2021[v].

Despite young investors' interest in their finances, advisors are not capitalizing on opportunities to engage them. Eighty-five percent would like some form of behavioral coaching from their advisors to help them avoid making mistakes, procrastinating, or making rash decisions, yet advisors have reached out to only 13% of clients' children, and only one in five advisors have an asset-weighted client age under 60 years old[vi].

A firm's overall health and valuation can also be put at risk by not engaging younger investors. Fidelity research shows that organic growth is negatively impacted as a firm's set of clients ages, and potential buyers are likely to pay a premium for firms with younger client bases. Firms with an asset-weighted client age less than 62 had an average organic growth rate of 10% compared to a 1% average organic growth rate for firms with an asset-weighted client age of 69 or older. The number of assets at risk of wealth transfer also increases with the average age of a firm's clients. As much as 78% of assets are estimated to be at risk for firms with an average asset-weighted age of 69 or older versus just 37% of assets for those with an asset-weighted client age of less than 62[vii].

A Redefined Advice Model, But Still Not "One-Size-Fits-All"

Generations Y and Z follow nontraditional life paths and are more focused on creating financial independence than older generations, increasing the importance of offering product choices, education, and support that meet their changing interests. In addition, 74% of Gen Y consider themselves a philanthropist compared to only 35% of Baby Boomers, making them more interested in understanding how to apply their time, talents, and money to make a world a better place[viii].

Roughly 67% of young investors expect their advisor to provide services beyond financial advice and investment management. And while 63% agree that advisors should play an important role in providing access to sophisticated investment strategies like alternatives, more than half (55%) of young investors believe that aligning investments to their values is more important than getting maximum returns.

However, this doesn't mean firms can take a "one-size-fits-all" approach to young investors. "Advisors have an opportunity to be deliberate about the attributes they seek in a younger client, whether it be profession, savings rate, risk tolerance, or other traits," said Sekhar. "This will help establish the right product and service offerings, pricing, and operating models."

A Toolkit for Success

Fidelity drew from the unique insights of its diverse businesses to develop a suite of resources wealth management firms and advisors can leverage to help evolve their practice and attract young investors:

- **Young Investor Readiness Assessment**, which helps firms gauge how well they are addressing five key areas to evaluate for young investor growth and uncover opportunities to further strengthen their business. These areas include creating a sustainable approach, new technologies and digital presence, diverse talent and culture, modern product offerings, and evolving client engagement models.
- **Client Insight Tool**, an evaluation led by Fidelity's Practice Management & Consulting team that provides a scalable, deep analysis of an advisory firm's household data to drive sustainability and profitability. The tool provides a holistic view of a firm's relationship with clients — including engagement with the next generation — to identify business opportunities.
- **Client Lifetime Value Tool**, which leverages a proprietary data model to help firms determine the long-term value of young investors. This aims to aid advisors in determining which young investors might be on the trajectory to become an ideal long-term client based on specific attributes, including their income, savings habits, and demand for service. This is currently offered through meetings with Fidelity's Practice Management & Consulting team and a self-service, online tool will be available in Q2 2023.
- **New thought leadership**, It's Time to Change Your Mind about Young Investors, which takes a deeper dive into Fidelity's research and three-step approach to better serve the needs of next generation investors.

- **Access to the Fidelity Alliance Network**, a network of experienced providers offering discounts and special offers to help firms add more value to their service model. This includes financial literacy tools and applications such as Zogo, Fynancial, and Centsables, making it easier for advisors to engage in a scalable way with young investors on topics most relevant to their life stage.

"If I could offer advisors one key takeaway, it's to not let the fear of short-term profitability overshadow the long-term value of engaging this client segment," said Sekhar. "Younger investors are actively seeking financial advice, and if you cannot meet their diverse and unique needs today, they will find someone who can — and take the transfer of wealth with them."

To learn more, explore the Young Investor Toolkit at i.fidelity.com/nextgeneration.

About Fidelity Investments

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of $9.6 trillion, including discretionary assets of $3.6 trillion as of September 30, 2022, we focus on meeting the unique needs of a diverse set of customers. Privately held for over 75 years, Fidelity employs more than 60,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit https://www.fidelity.com/about-fidelity/our-company.

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The 2022 Fidelity Investor Insights Study was conducted during the period August 8th through September 2nd, 2022. It surveyed a total of 2,490 investors, including 673 Millionaires and 1,520 investors with advisors. The study was conducted via an online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of $50K in investable assets (excluding retirement assets and primary residence), with additional quotas by age and affluence levels.

All statistics in this news release are from the Fidelity Investments 2022 Investor Insights Study unless otherwise noted. The study includes 2,490 investors that are 21 or above in age and have household investable assets of $50K or more. In this release, references to "Gen YZ" reflect the combined results for those born between 1981 and 2012, and references to "Baby Boomers+" reflect the combined results for those born in 1964 or before.

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[i] The 2022 Fidelity Investor Insights Study
[ii] Fidelity Investments, Client Insight Tool and on-platform assets data
[iii] References to “Gen YZ” reflect the combined results for those born between 1981 and 2012, and references to “Baby Boomers+” reflect the combined results for those born in 1964 or before.
[iv] Fidelity analysis of 1,501 on-platform custody firms
[v] Fidelity Investments Q3 business results as of September 30, 2022
[vi] Fidelity Investments, Client Insight Tool
[vii] Fidelity analysis of 1,501 on-platform custody firms
[viii] Fidelity Charitable: 2021 Future of Philanthropy report