Fresh Invest S4E3 Transcript
Episode Title: Investing trends by generation
Episode Description: Every generation approaches their money differently. We dive into the current generational investing trends and examine each generation's strategies for short-term and long-term wealth building.

Transcript:

Alex Lieberman:

Hey everyone. I'm Alex Lieberman, co-founder and executive chairman of Morning Brew. Welcome to season four of Fresh Invest, the podcast where we explore all things investing sponsored by Fidelity Investments and powered by Morning Brew. This time around, we are exploring strategies and tips to help you invest wisely wherever you are in life. With help from our friends at Fidelity, we'll dive into the investing lifecycle in the context of today's market landscape, emerging trends, and long-term wealth building strategies. Let's get into it.

Last week we did a deep dive into women's financial wellness. We discussed why men and women have such different experiences when it comes to money and what strategies are well suited to support women's long-term financial planning. This week, we're exploring investing trends by generation. If you've ever brought up money at a family gathering, one thing becomes very clear, perceptions of money can vary a ton from one generation to the next. Today we're looking at generational investing habits from baby boomers all the way to Gen Z. We'll dive into emerging trends and examine the pros and cons of these different strategies. And Ryan Viktorin, VP and financial consultant at Fidelity is joining us as we explore these generational trends. Ryan, great to have you on the show.

Ryan Viktorin:

Thank you so much. I'm excited to be here.

Alex Lieberman:

Let's do this thing. So quickly, can you just introduce yourself for the Fresh Invest audience?

Ryan Viktorin:

Yeah, absolutely. So I am a financial advisor and certified financial planner for Fidelity Investments, obviously. So what that means is that I sit with clients every day and help them build out comprehensive financial plans, get organized, understand what they're on track for so that they can ensure that the people they care about and what they're hoping to accomplish actually gets accomplished. So I'm really excited to be here for this topic because there are a lot of differences with the different generations and different concerns and priorities. So I'm excited to get into it.

Alex Lieberman:

Totally, and I'm excited for it because I don't think I've ever had a conversation like this one where we basically go generation by generation talking about the differences in habits and behaviors financially of these folks. So let's start with baby boomers. These are people in their late 50s to 70s, so my parents, or grandparents' generation, depending on the age. Most boomers are now in the workforce, but nearing the age of retirement. And so obviously they're at a time where they're starting to think about how are they saving retirement, how are they going to have enough of a nest egg to live off of retirement. So can you talk about how this impacts their investing habits as well as where inflation is at right now, how boomers are reacting to this?

Ryan Viktorin:

Yes. So two parts to that for sure. And I think it's important to understand the context of where they are and what they've really gone through. So they're going from saving their money and growing their money to having to mentally shift away from a paycheck coming in every other week or every month, and actually using their assets to recreate that income. It's a huge mental shift.

Alex Lieberman:

Yeah, I'd have to think that's a difficult shift.

Ryan Viktorin:

Oh, yeah. I mean, they have decades of muscle memory of really investing in a particular way that's usually growth oriented. But the other thing too is that they have the financial crisis of 2008, the tech bubble of the 2000s still kind of fresh on their mind, but they were 40s or 50s at the time. So they said, "Oh, that wasn't fun, but I have 10, 15, 20 years to go." But now they say, "Ooh, I can't afford to go through that right this minute." But again, it's a huge mental shift.

So I usually talk about this in the context of a framework of three broad categories, particularly for the boomers. First is emergency, second is protection, and the third is growth. So emergency, pretty much anybody needs it. You need an emergency fund just to take care of if something really goes wrong or the emergency trip to Italy, whatever the emergency is. But we see boomers lean pretty hard on that protection category. And what that usually means is they want more fixed investments like CDs or bonds or I see annuities come in here because they're income generating and they may not have the same type of fluctuation as traditional growth-oriented investments. It's not that they are guaranteed, but of course they can potentially be a little bit more stable. And they often generate some pretty decent interest now.

So I know we'll get into how interest rates are affecting other generations, and it's tough if you're going to buy a house, but for the boomers, I say, finally, we can actually generate some income off of these less rocky type of investments, and it's more than we've seen in about 20 years. So for this category, it's a good thing. But at the same time, the second part of your question was about inflation. So they still need to have some sort of portfolio that is positioned for growth to try to keep pace or out pace inflation. And so you still want to have that disciplined, diversified portfolio that does have potential to keep up with this over the long term because it's been a part of our lives for a while, but it's part of any planning that we build in that kind of context.

Alex Lieberman:

Totally. Well, the first part of the answer that you spoke about was CDs and different fixed income instruments, and we cover that next episode of Fresh Invest, so make sure to check out that episode. Now I want to talk about Gen X, and Gen X is kind of what you were saying about baby boomers, but 10 or 20 years ago where it's a group of folks that has some time until retirement, they're in their early 40s or late 50s, let's call it at their peak years in terms of income and earning potential within their career. So how would you think about their investing circumstances differently than boomers?

Ryan Viktorin:

Yeah, absolutely. Because they're in those high income earning years, they actually have the ability to save more and put those savings towards something that does have some growth. In addition, for the Gen Xers that are over 50, they have the ability to participate in what's called catch up contributions, which is more money that can go into a 401K more money that can go into an IRA. And again, with that extra savings that can go in there, they can position that for growth because they do have that time until retirement. It could be 10, 15 years still for that generation.

At the same time, they're often called the sandwich generation because they're dealing with aging parents and children at the same time, children that could potentially still be in the house. And so they're pulled in a lot of different directions, and so they got very little time and have felt a little unsupported in the years past. So they want to be able to do things efficiently, and because they have very little time, they can embrace digital types of modalities of investing, but also very much value human interaction. And where they need help, with more assets come a little bit more complexities they haven't come across. So I see some requests for planning come in, and also professional management can start to come in. Some of our clients really love doing this on their own, and they're great at it, and they love using fidelity.com to do it, but they do need a little bit of help, and I see that start to creep in for this generation.

Alex Lieberman:

Interesting. So for boomers and for Gen X, these are very defined generations. And this next one we're about to talk about, I'm going to coin the term the forgotten generation. I literally forgot about this generation up until five minutes ago when we had this conversation. So there's this generation that I've been informed, it's called Xennials. And the funny part is I think you're part of this generation.

Ryan Viktorin:

Me, yeah.

Alex Lieberman:

And I wonder... For Xennials, it's people who were born in the late 70s or early 80s, and it's people who have had experience now with technology, but they didn't necessarily adopt it until their teens or their early 20s. So it's different from Gen Z who literally was born with an iPhone in their hand.

Ryan Viktorin:

Correct.

Alex Lieberman:

How do you think about this generation's behaviors and habits? How would you think about how they should be navigating their financial life from an investing perspective? And also do they have a distinct behavior of a generation or do they kind of slide on a scale into other generations we've talked about?

Ryan Viktorin:

Good question. And I think this was often referred to as the Oregon Trail Generation. And any of us out there, power to my people here, they'll know what I mean when I said I tried to forge that river every time with Oregon Trail and it failed and I just wiped out generations for years to come. So this is me.

Alex Lieberman:

I must be an old soul because I played that game and I'm definitely not a Xennial.

Ryan Viktorin:

So you're on the end of it. And again, this generation is elder millennials, which is fun to be called. But at the same time, you're absolutely right. We have kind of similar stories with the Gen X where we have very little time and we might have younger kids and we're into our mortgages and a lot of time until retirement, so we can position things in more growth oriented vehicles. But the evolution of technology in real time that we have lived through, I think makes us easy to adapt to new things. And so some digital thing that moves faster, we say, "Ooh, that's our favorite." Because we remember what a fax machine is, at the time it was cool. Now we're like, "What?" It's just archaic at this point. And so again, we see a lot of people wanting to do this themselves. They embrace the digital for everything on, again, fidelity.com in this case, or just any sort of investing platform that is online.

Alex Lieberman:

So it sounds like there's an open-mindedness to technology, whereas maybe the generations we were talking about previously because they were experiencing technological innovation at a later point in life, being open-minded to making those adjustments is more daunting, whereas you're saying for your generation, it's actually something that you embrace.

Ryan Viktorin:

Yes. I mean, every one of us has been on the phone with a boomer in a FaceTime where you only see their eyes because they don't get it, but they adapt to it eventually. And so this generation, I find, people like me, we're looking for it. We're looking for the efficiencies because we had a time when it was wildly inefficient. But similar to Gen X, because we don't have time, we can again position it for growth. We can really take those extra savings that we might have and really position them for the retirement and the goals down the road and try to have portfolios that are more growth oriented.

Alex Lieberman:

Totally. Also shout out to Nan and Poppy. You guys are great on FaceTime and I see your entire face the whole time.

Ryan Viktorin:

Nice.

Alex Lieberman:

So let's talk about my generation. I was born in 1993. I'm considered a millennial, and we are at some point in our late 20s into our 30s. And we've been influenced by a number of things in life. Obviously, just the acceleration of technology, but also large macroeconomic events globally as well as within the US, things like the student debt crisis, things like the great recession, things like the pandemic. As we are, let's call it, rising the ranks within our careers and we're reaching key life moments, things like marriage, home buying, children, et cetera, how should we be orienting ourselves to think about investing in the context of our lives right now?

Ryan Viktorin:

Yeah, and I'm so glad you asked the question in that way because I want to phrase my answer in what I wish millennials would do, because there's some really good trends that we're seeing that they're saving a lot more than they have in the past but because the stuff that they've seen, like you were mentioning, the pandemic, fresh on their minds, not that it isn't for everybody, but they feel like they've only lived through historical events in real time. They're way too conservative, and so they're much more cautious than other generations. And so they're saving money, which is excellent, but they're not doing the second part of a two-step process, which is investing the money for growth because you're so young. And so you have so many years until you're actually going to need it.

And so I'm encouraging the listeners out there, keep going. I love that you're saving, I encourage you to try to invest with more of a growth mindset, knowing that over time it should pay off better than just sitting in cash. And don't be afraid to talk to somebody about it, first of all.

And then there's also a common misconception that I actually think goes through every generation, but this one in particular that there's a misconception that you have to be wealthy to invest or you have to be wealthy to get help, and it's just not true. I feel you can have a dollar and start to invest. There is something called fractional shares. So you can take a dollar and buy really teeny tiny pieces of stocks you know and well, and you've done research on, but even if it's just getting some assistance or buying anything else, you don't have to have oodles of money to be able to get help and to actually invest. But again, at the same time, a lot of do it yourselfers, do it online, very little time. So they like to automate things, make it easy, make it simple.

Alex Lieberman:

It's so interesting because I feel like there's this interesting dichotomy where we live in a time professionally where millennials are changing jobs more than people have ever changed jobs before, and I would actually argue that's a more risk on behavior than previous generations. But to your point, it's been found that millennials are saving more, they're being almost in some ways too conservative to grow their wealth over time to be set up properly for retirement. Do you think the thing that's driving that is largely just a lot of these risk on events that over the last 20 years of millennials lives that have just made them feel a need to be protective?

Ryan Viktorin:

Yes. And I get it. I get that they've worked so hard, every generation has this to a degree, where they've worked so hard that they just want to keep it. And in the conversation you had last week about women, it's even worse. It's just, "I want to hang on to it. I worked so hard for this." But they don't quite realize, and I would encourage them to realize that by not investing, you're creating this gap that really should be there from having these investments start to work so hard for you. You've worked your you know what off for this money, have it work for you too, and position it better for growth. And so it's absolutely because they've seen some heavy stuff.

Alex Lieberman:

Totally. Now, I am so excited for you to educate me on my dear cousin Jordana. Jordana is a junior in high school. She is Gen Z. How does Gen Z interact with investing and are they even at an age where they should be thinking about it actively?

Ryan Viktorin:

So I love the energy of this generation, because they move at a clip. And what's really interesting about Gen Z is there's a huge focus on being financially independent from having to work a traditional corporate job. And they know that it could mean working for themselves. It doesn't mean, "I just want to float through life. I want to work for myself. I want to be a business owner. I want to have this passive income coming in." But they also totally understand it means you got to save a lot of money. And we see a lot of, if you've heard of the FIRE generation, Financially Independent Retire Early. But retire doesn't mean never work again, it just doesn't mean maybe work for the man again, I guess.

And so positioning the portfolios that they've saved and worked so hard to save for, they get that it has to be growth oriented, and they get that it has to actually recreate their paycheck. It's weird because it's kind of like boomers, but they have a lot of time until they actually need this for traditional retirement. So they know that they can take on and they have to take on more risks to try to grow it over time. And again, when it comes to technology, they want it fast, they want it now, what is a fax machine? They don't even have a concept of something that's happening slow, and they want it consolidated and they want it easy. And so they're interacting very, very heavily digitally. And again, they love doing it and being independent for themselves.

Alex Lieberman:

Yeah, it's very interesting. It's so interesting how, obviously it's like the generation that sits next to millennials, but because of their desire to work in say something that wouldn't traditionally be thought of as a nine to five, there's more of a sense of urgency or motivation to grow their pot of money in order to work for themselves or work in a way that better integrates with the way they want to live their lives.

Ryan Viktorin:

A hundred percent. There's more of an appetite to it. Now, the one thing that I would caution for the Gen Z listeners out there is they haven't... I mean, the pandemic was a quick blip extreme, but historically speaking fast in terms of the market volatility, but they have to be able to stick to it. So they haven't really lived through the financial crisis or the tech bubble where some of the older generations hopefully can say, "Well, it'll come back," from that point of view. So as long as they don't bail on the strategy, then I think it could really pay off. And so stick to it, get to a portfolio that you're comfortable with no matter what and it'll be interesting to see how they change things down the road.

Alex Lieberman:

So we've talked about now the nuances of several different generations from some being more risk on some being more risk averse, some having more of a need to invest in income generating instruments, others that should be thinking in a more growth oriented way because they have a longer time horizon. Can you now talk about generation agnostic strategy? So whether you're a boomer, a Zillennial, a millennial, a Gen Zer, things you should be thinking about regardless of your age or generation?

Ryan Viktorin:

Yeah, absolutely. I always answer this question the same way, which is, everybody needs to plan. And the portfolios are going to look different. Like we just talked about, everybody needs to come up with a plan. And the framework I always use that people find helpful is you want to think about the who, the what, and the when, who are the important people in your life that you're planning for, what are the goals you're hoping to accomplish and when will they happen? And then once you have that framework, you can assign the accounts and the portfolios to those different time periods and to those different goals given your appetite for risk and it gets a lot easier to organize. So every generation at any time, if you've never done it, go do it. Create a plan. It's easy to do.

Alex Lieberman:

Sounds boring, but the boring stuff is the stuff that works.

Ryan Viktorin:

Crucial, it's crucial.

Alex Lieberman:

Love it. Ryan, thank you so much for joining the conversation and coming on to Fresh Invest.

Ryan Viktorin:

Thanks for having me. It was fun.

Alex Lieberman:

This has been great. Thank you for tuning into Fresh Invest today. I hope this episode gave you insightful doses of investing perspective. It's fascinating to think about how changing economic conditions and events impact each generation's approach to money in different ways. Sharing perspectives across generations can really help us think about our investments in different ways, consider different points of view, and understand how different priorities impact our long-term financial planning.

Thanks again for listening, and join us again next week when we talk about a classic investing strategy that is seeing a big comeback, fixed income. We will explore instruments like bonds, stocks, and fractional CDs. And for the second time this season, we will be joined by a special guest, the one the only, Katie Gatti Tassin from Money with Katie. She'll share ideas about practical tools that can help you navigate the fixed income landscape. So stay tuned, I'll see you then.

Thanks for tuning into Fresh Invest, sponsored by Fidelity Investments and powered by Morning Brew. Check out fidelity.com/freshinvest to open a Fidelity account and learn more about the topics we covered in this week's episode. See you on the next one.

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