



OppenheimerFunds®

The Right Way
to Invest

The Generations Project

Our research reveals how high-net-worth investors are rewriting the wealth advisory rules. Will advisors be prepared?

Ned Dane

SVP and Head of
OppenheimerFunds'
Private Client Group

July 18, 2018

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Agenda

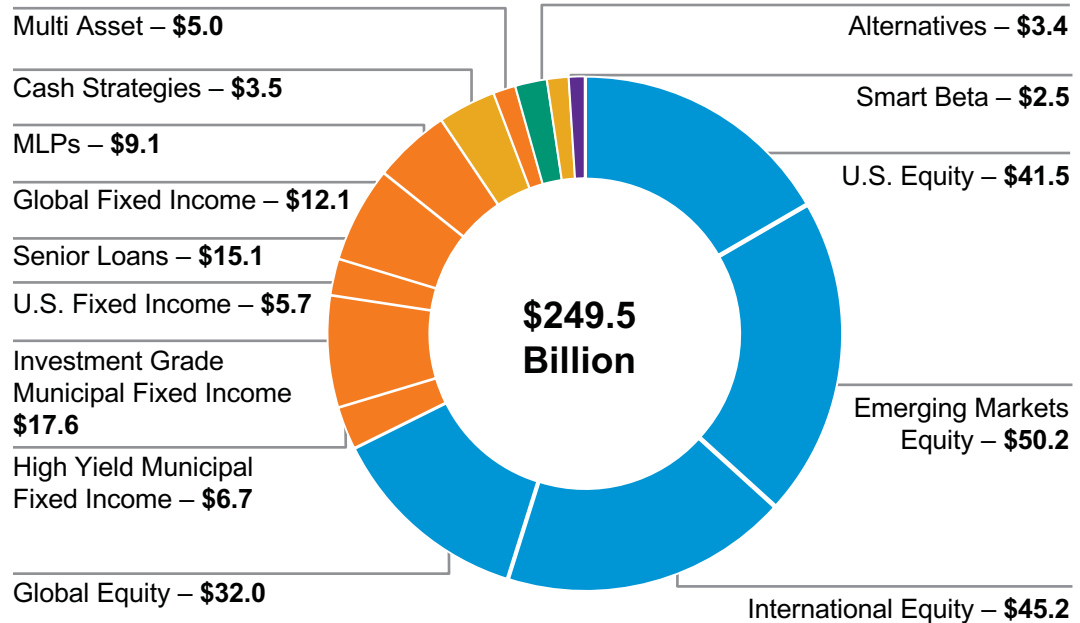
- Introduction and Background on Research
- Key Findings
- Resources & Practical Applications



OppenheimerFunds, Inc. Firm Overview

- OppenheimerFunds is built on a heritage of over five decades of global investing
- \$249.5 billion in assets under management¹
- 1,967 employees, including 175 investment professionals
- Majority owned by MassMutual with ownership equity allocated to key investment and management personnel
- 100 Investment Strategies managed by 16 Independent Investment Teams
- Pioneer and industry leader in Global and Emerging Markets Equity, Global Debt, Energy Infrastructure and Senior Loans

Breakdown of AUM by Strategy Type (\$, billions)¹



1. As of March 31, 2018. Assets under Management represents the total assets managed and advised by OppenheimerFunds, Inc., and certain of its investment advisory subsidiaries, including OFI Global Asset Management, Inc., OFI Global Institutional, OFI SteelPath, Inc., OFI Global Trust Company, SNW Asset Management, LLC, and OFI Advisors, LLC (collectively, the "OFI Enterprise"). The investment strategies listed may be offered through investment vehicles that are managed or advised by one or more entities in the OFI Enterprise including mutual funds, variable insurance trusts, collective investment trusts, limited liability companies and separate accounts. OppenheimerFunds, Inc. personnel that provide advisory, trading and other services may be dually employed by other subsidiaries in the OFI Enterprise to provide similar services. Each investment vehicle has its own investor qualifications, investment minimums and fee schedule. Certain investment vehicles may not be appropriate for all investors.

The chart may not add up to the total assets under management above due to rounding.



About This Research

- For the past two years, we have conducted primary research on wealthy Millennials, with a focus on:
 - their attitudes toward their wealth
 - who they are as investors
 - their attitudes and approaches toward investment advice
- This year, we've broadened our lens with The Generations Project, a deeper dive into multi-generational perspectives. The study captures insight from:
 - older and younger Millennials, Gen X, Baby Boomers, and members of the Silent Generation
 - advisors, also along the generational spectrum
 - nearly 2,000 investors and advisors in the U.S. and U.K.
- Here is some context on the shift...



Money in Motion

Intergenerational Transfer of Wealth

\$59 trillion

expected to flow to heirs, charities and taxes¹

Baby Boomers



\$30 trillion wealth transfer²



Millennials

\$4 trillion

ultra-high-net-worth investor assets changing hands in the next decade³

1. Boston College Center study via CNBC, May 28, 2014

2. Source: Accenture study via CNBC, June 16, 2016

3. FundFire.com, September 15, 2016



What Have We Learned?

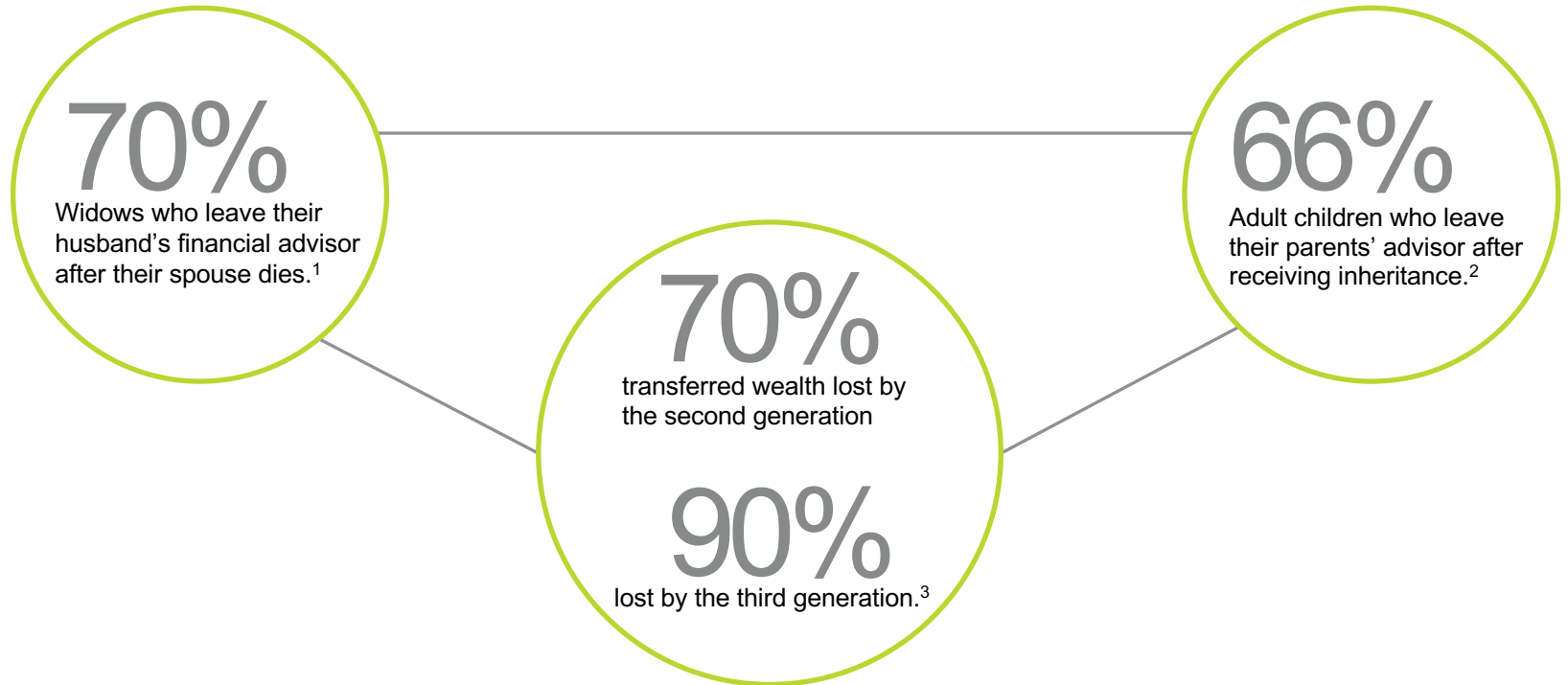
Changing Wealth Management Landscape

- Against the backdrop of massive wealth transfer, multi generational relationships are essential.
- Yet, many Advisors aren't engaging with Whole Families. They communicate well with the primary client but often overlook the needs of other family members who could benefit from their advice.
- Family members want it all—a life coach who will get to know them, understand their needs, and help them work towards specific goals. And an advisor who can deliver financial performance.
- That's a tall order...and an opportunity to build lasting relationships.



The Stakes Are High

Advisors Are Losing Relationships



1. Source: "How to Talk to Clients Who Have Just Been Widowed," *InvestmentNews*, May 2015.

2. Source: *InvestmentNews*, 7/13/15.

3. Source: *For Love and Money: A Comprehensive Guide to the Successful Generational Transfer of Wealth*, Roy O. Williams, Robert D. Reed Publishers, 1997.



Research Goals & Objectives

- 1 Help advisors better understand HNW investor behavior across generations
- 2 Capture how investors and advisors relate to each other when it comes to investing, financial education and wealth planning
- 3 Give advisors a roadmap and provide resources to help them meet the changing needs of their priority clients



Defining The Generations



	Younger Millennials	Older Millennials	Generation X (Gen X)	Baby Boomers (Boomers)	The Silent Generation (Silents)
Birthdate	1988-1996	1981-1987	1965-1980	1946-1964	1928-1945
Age Range	22-30	31-37	38-53	54-72	73-90
U.S. Population	82M	60M	80M	75M	
Global Population	2B	1.5B	1.1B	300M	

1. Chart Source: Lancaster, L., and D. Stillman, 2014. BridgeWorks BridgeBuilder Manual (Training Certification) BridgeWorks, Minneapolis, MN. via IMCA research Why Financial Advisors Should Learn about Generations

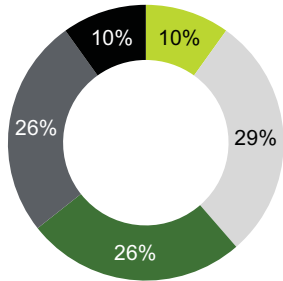
2. Source: New Kids On The Block - Millennials & Centennials Primer August 30, 2016 (Sarbjit Nahal of Bank of America Merrill Lynch)



Research Methodology

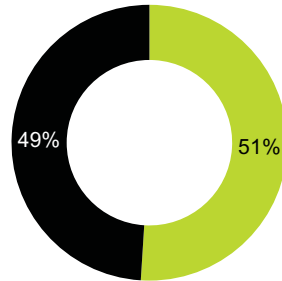
Investor Profile – 500 US respondents

Age



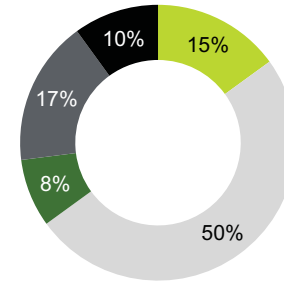
- Young Millennials
- Older Millennials
- Gen X
- Baby Boomers
- Silents

Gender



- Males
- Female

Investable Assets



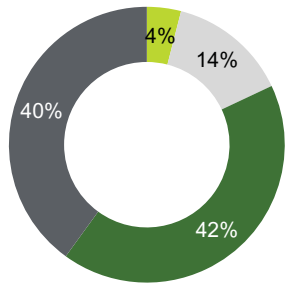
- \$500K-\$999K
- \$1M-\$4.99M
- \$5M-\$9.99M
- \$10M-\$24.99M
- \$25M+



Research Methodology

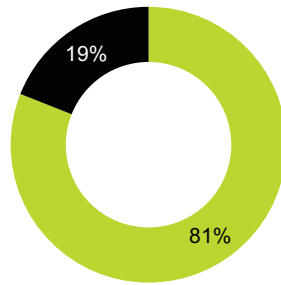
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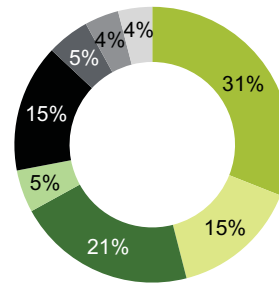
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- Older Millennials
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Gender



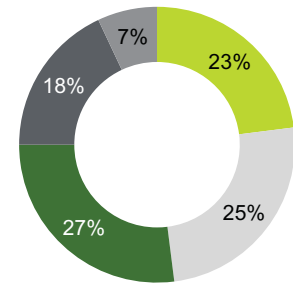
- Males
- Female

Type of Advisor/ Channel



- National Broker/Dealer Wirehouse
- Regional Broker/Dealer
- Independent Broker/Dealer
- Bank Broker/Dealer
- Registered Investment Advisory (RIA) Firm
- Private Bank/Bank Trust
- Single or Multi-Family Office
- Insurance Broker/Dealer

Investable Assets



- \$100M-\$149.99M
- \$150M-\$249.99M
- \$250M-\$499.99M
- \$500M-\$999.99M
- \$1B+



Findings



Finding #1: Investor Expectations

Advisors Risk Falling Short of Client Expectations

- Clients today want more than just investment guidance from their advisors, and today advisors wear many hats: advisor, life coach, CFO.
- Most surveyed advisors (94%) say they act as advisors—more than half say they serve as a life coach and psychologist.
- Yet advisors risk disappointing clients if they assume that clients, in their desire for life advice, no longer prioritize returns.
- Here's what we found when we asked HNW investors and advisors about the top qualities investors seek when selecting an advisor....



Finding #1: Investor Expectations

Perception vs. Reality

Top qualities advisors *think* HNW Millennial investors seek:

1. Transparency
2. Competitive fees / commissions
3. Personalized solutions / good communication
4. Clear understanding of their financial goals and plans
5. Access to digital services

6. Good investment performance

Top qualities HNW Millennial investors actually seek:

1. Good investment performance

2. Clear understanding of my financial goals and plans
3. Advisor's experience
4. Reputation of the firm
5. Transparency
6. Good communication



Finding #1: Investor Expectations

Top Three Qualities Investors Seek in Advisors, by Generation



Younger Millennials

1. Clear understanding of goals and plans
2. Advisor's experience
3. **Good investment performance/good communication**



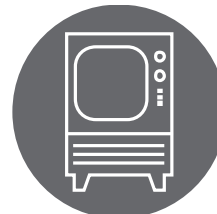
Older Millennials

1. **Good investment performance**
2. Clear understanding of goals and plans / competitive fees and commissions
3. Advisor's experience



Gen X

1. **Good investment performance**
2. Good communication
3. Clear understanding of goals and plans



Boomers

1. Clear understanding of goals and plans
2. **Good investment performance**
3. Good communication



Silents

1. **Good investment performance / clear understanding of goals and plans**
2. Good communication
3. Advisor's professional qualifications



Finding #1: Investor Expectations

Key Advisor Takeaways

- Clients want a personalized and holistic approach from advisors.
- But long-term investment performance remains a top priority.
- Therefore, the demands on advisors will only grow. But so will the opportunities.



Finding #2: Money Talks

Investors Save Some Conversations for Advisors, Others for Family

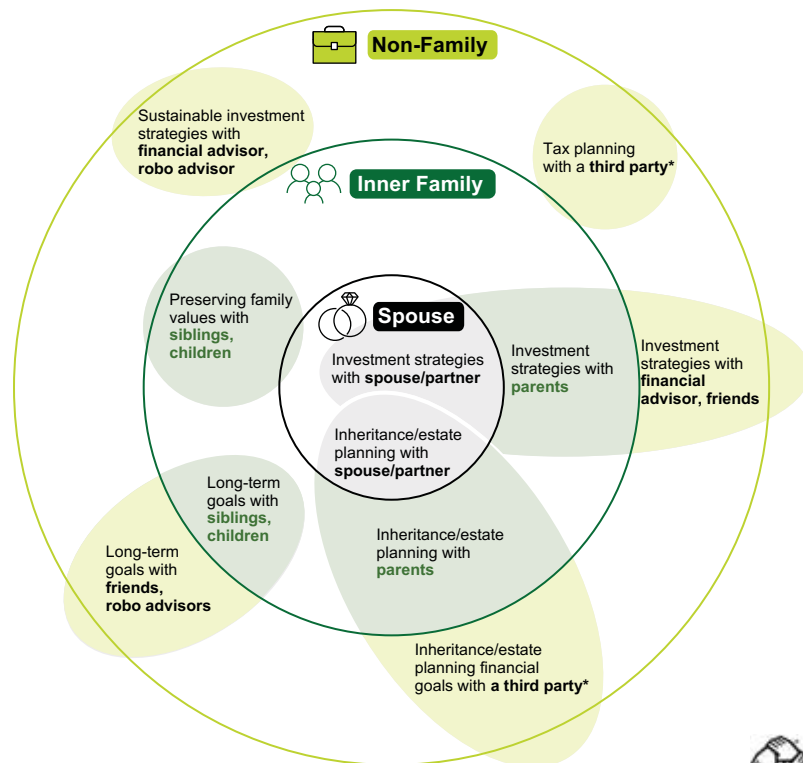
- Advisors are clearly a vital source of financial information.
- Nearly 75% of the investors discuss issues such as investment strategy and taxes with advisors.
- Younger investors may be more likely to discuss investing with a spouse or parent before turning to an advisor.
- Investors also share thoughts on money and receive guidance from a diffuse network of mentors and confidants that shifts from generation to generation.



Finding #2: Money Talks

Primary Financial Topics Investors are Discussing with Their Networks

- Clients often reserve discussions about inheritance and estate planning and family values with family.
- They turn to third-party experts rather than an advisor for certain topics, even though such issues play a major role in one's financial life.



Finding #2: Money Talks

Look Who's Talking – How Generations Communicate on Wealth



Millennials

- Are less likely to discuss investment strategies with an advisor
- Are more likely to discuss personal finances with personal networks
- Have more money conflicts with family members than other generations



Gen X

- Like to discuss investment strategies and tax planning with spouse or partner
- More likely to discuss investment strategies with friends or a robo advisor
- More likely to engage a third party about philanthropic activities



Boomers

- Are more likely than other generations to discuss long-term goals with an advisor
- Are more likely to discuss family cohesion with grandchildren
- Prefer to say their family is not having money conflicts



Silents

- Are more likely than other generations to engage in conversations with an advisor
- Less likely to talk to their spouse or partner about investment strategies
- Discuss finances with their children more than other age groups



Finding #2: Money Talks

Key Advisor Takeaways

- Compartmentalizing their financial conversations may put investors at risk.
- Advisors can add value to families reluctant to discuss financial conflict resolution.
- And they can bridge gaps and strengthen their practices by serving the Whole Family.



Finding #3: Family Feuds

Advisors and Investors Disagree About Family Conflict

- Advisors have a clear opportunity to help families bridge communication gaps across generations.
- First, though, advisors must bridge gaps in their own understanding of their clients' money conflicts.
- Here's what we found when we asked advisors and investors about the nature of their financial conflicts...



Finding #3: Family Feuds

Disconnects Between Frequency and Source of Conflict



94%

of advisors report financial conflicts among families

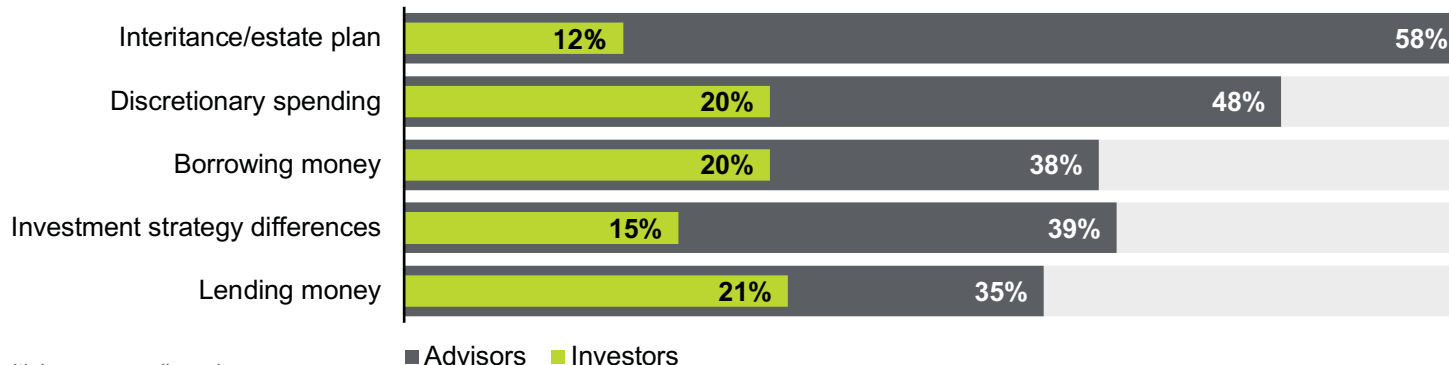
VS.



64%

of families report having financial conflicts.

Top Sources of Conflict



Multiple answers allowed.



Finding #3: Family Feuds

Top Areas of Family Conflict, by the Generation



Younger Millennials

1. Borrowing money
2. Buying property
3. Charitable giving



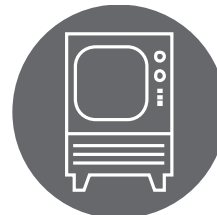
Older Millennials

1. Budgeting differences
2. Buying property
3. Lending money



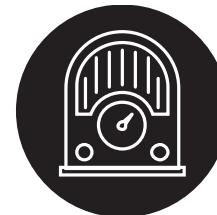
Gen X

1. Discretionary spending
2. Lending money
3. Selling property



Boomers

1. Lending money
2. Discretionary spending
3. Budgeting differences



Silents

1. Discretionary spending
2. Borrowing and lending money
3. Budgeting differences



Finding #3: Family Feuds

Key Advisor Takeaways

- Wealthy investors of all ages may need help navigating family conflicts.
- Hot-button issues include inheritance and discretionary spending.
- Advisors should recognize potential pitfalls, even if clients aren't thinking ahead.
- The “know your client” rule is key to serving the Whole Family.



Finding #4: Financial Literacy

Wealthy U.S. families Are Not Prioritizing Financial Education

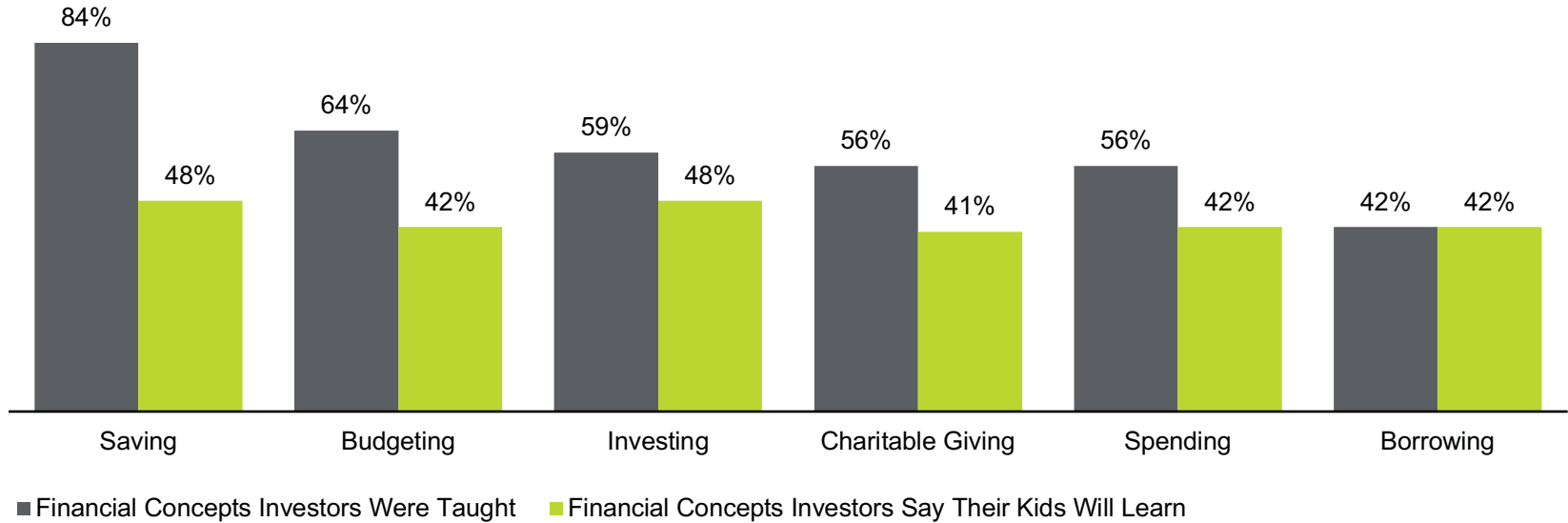
- 84% of investors learned about saving from parents, grandparents or third-parties, including financial advisors.
- Yet just 48% of respondents plan to give their kids a similar financial education.
- Investors are also falling short on planning to teach kids other key financial topics, such as budgeting, spending and charitable giving.



Finding #4: Financial Literacy

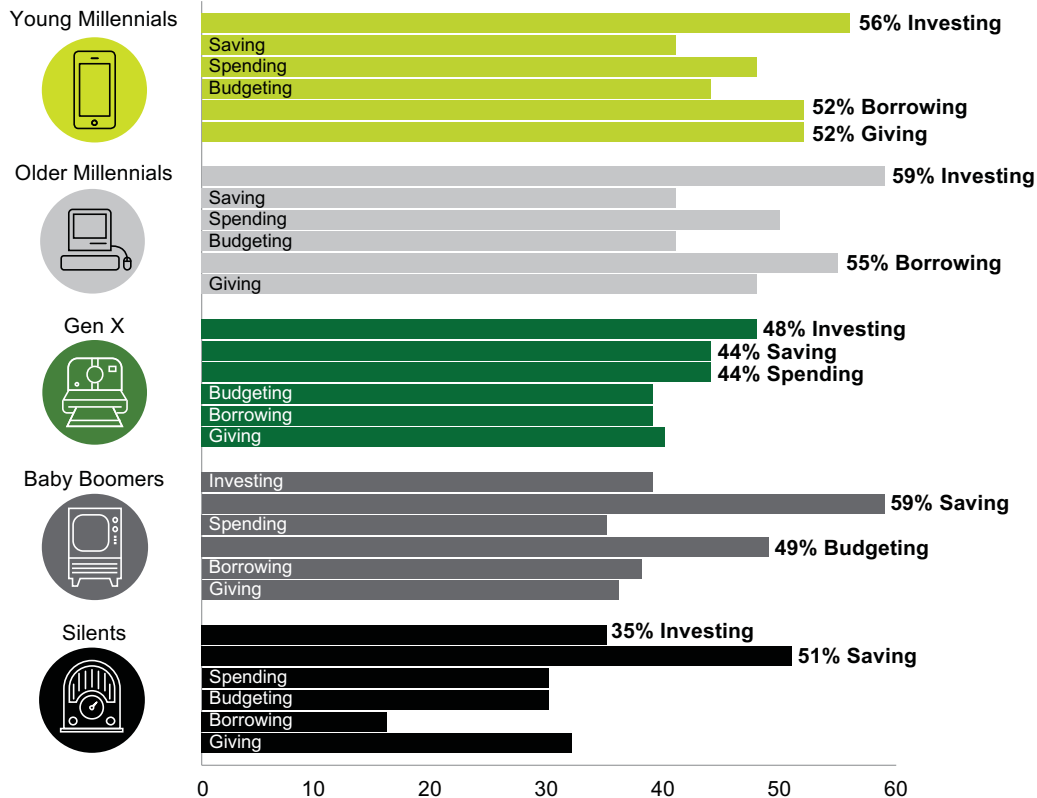
Investors Less Likely to Pass Along Lessons Learned

Financial Concepts Investors Were Taught vs. What Their Kids Will Learn



Finding #4: Financial Literacy

Top Concepts Investors Plan to Teach Their Children, by the Generation



Multiple answers allowed.



Finding #4: Financial Literacy

Key Advisor Takeaways

- Younger family members face a financial literacy gap.
- This challenge presents an opportunity for advisors to step in.
- All family members benefit from such conversations.
- Advisors can help families think of their wealth and legacy like a business, with parents playing a leadership role.



Finding #5: Home Bias

Wealthy Americans Across Generations Prefer U.S. Investments

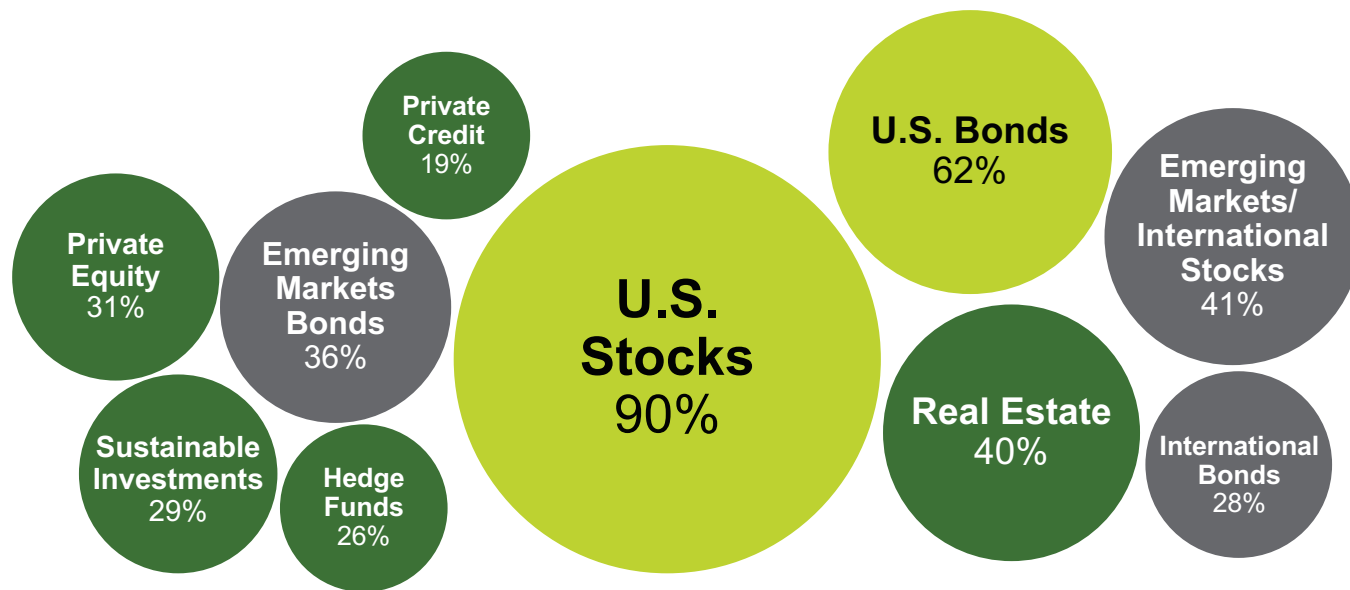
- For wealthy U.S. investors there's no place like home.
- The vast majority (90%) say they are invested in U.S. stocks, with nearly two-thirds (62%) owning U.S. bonds.
- By contrast, just 41% own international and emerging markets stocks, and even fewer own emerging markets or other international bonds.



Finding #5: Home Bias

There's No Place Like Home

Top 10 Investment Categories Among All Investors*



■ Domestic Investments ■ International Investments ■ Non-Traditional Investments

*Percentage of investors who indicated they are currently invested in these assets; multiple answers allowed.



Finding #5: Home Bias

Top Portfolio Holdings Beyond U.S. Stocks and Bonds, by the Generation



Younger Millennials

- International stocks
- Private equity
- Emerging markets stocks and bonds



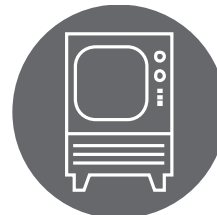
Older Millennials

- Real estate / emerging markets bonds
- Emerging markets stocks
- International stocks



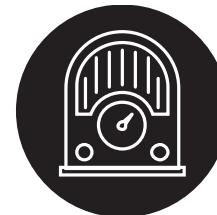
Gen X

- Real estate / emerging markets stocks
- International stocks
- Emerging markets stocks/private equity



Boomers

- International stocks / emerging markets stocks
- Real estate
- Emerging markets bonds



Silents

- International stocks
- International bonds / emerging markets stocks
- Private equity



Finding #5: Home Bias

Key Advisor Takeaways

- Advisors can educate investors about international diversification.
- Advisors can encourage a more balanced perspective by appealing to:
 - investors' strong interest in investment performance.
 - their commitment to staying diversified with their investments.



Finding #6: Sustainable Investing

Investors Seek Sustainability, But Won't Sacrifice Performance

- Sustainable investing was once regarded mostly as a niche segment, but it's no passing trend.
- Of the 500 investors we surveyed, 29% own sustainable investments—these investors are more likely to be younger.
- Yet there's still some uncertainty about the segment.
 - Nearly a third of surveyed investors are unsure how much of their portfolios contain sustainable investments.
- Plus, we saw a disconnect between investors and advisors about investors' expectations of their sustainable investments.



Finding #6: Sustainable Investing

Investors Seek Sustainability, But Won't Sacrifice Returns

“Long-Term Returns Are My Top Priority”



25%

vs.



10%

of investors say this about
sustainable investing

of advisors believe
clients feel this way



Finding #6: Sustainable Investing

Top Sustainable Investments Holdings, by the Generation



Younger Millennials

- Banking and finance
- Housing
- Water preservation



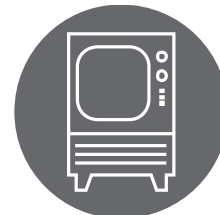
Older Millennials

- Clean technology
- Education
- Agriculture



Gen X

- Pharmaceuticals
- Education
- Agriculture / clean technology / clean energy



Boomers

- Clean technology
- Healthcare
- Pharmaceuticals / education / housing



Silents

- Water preservation / agriculture / pharmaceuticals / housing



Finding #6: Sustainable Investing

Key Advisor Takeaways

- Sustainable investors want good things for the world—and for their portfolios.
- Advisors who help their clients pursue both can solidify relationships.
- They can also help educate investors unsure what sustainable investing means and how the space has evolved.



Practical Applications for Advisors



For Your Practice

Programs To Help Put Study's Findings To Work

CEO Advisor InstituteSM

- Helps top tier financial advisory teams run their businesses like world-class CEOs and engage clients as a trusted advisor
- Includes a comprehensive suite of content and tools to help advisors and teams meet the needs of sophisticated clientele (segments cover client conversations, how to build a practice, and constructing a synergistic team)
- oppfunds.com/ceoapp



Whole Family Advising

- Give advisors the training and solutions required to serve the multigenerational needs of their HNW and UHNW client families
- Resources outlines specific steps advisors can take to prepare their practice and make the transition to a “whole family” trusted advisor
- openheimerfunds.com/wholefamily



For Your Practice

Programs To Help Put Study's Findings To Work

Financial Literacy

- Provides insight about how to acquire, protect, and distribute wealth along the spectrum and accounts
- Describes in detail choices and key recommendations around education, debt, life events and retirement.
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Compelling Wealth Management Conversations

- Gives broad philosophical and historical perspective that investors need to defuse their fears and misperceptions.
- Helps clients understand fundamental principles that illuminate and guide investment decisions and illustrate where some of the tactical opportunities lie.
- [oppfunds.com/cwmc](https://www.oppfunds.com/cwmc)



For Your Portfolios

Programs To Help Put Study's Findings To Work

Global Investing

- We're committed to educating investors about the limitations of home-country bias.
- We've launched a major communications effort across multiple media channels to encourage investors to challenge borders.
- By drawing investors in with engaging stories about the wealth of opportunities emerging across the globe, the campaign makes a compelling case for the benefits of investing without geographic boundaries.
- openheimerfunds.com/global



Sustainable Investments

- Thought leadership about the state of sustainable investing today, and information about our ESG and impact investment solutions.
- *Drivers & Detours on the Road to a Sustainable Future*: How investors can engage with sustainability, and important nuances to consider.
- openheimerfunds.com/sustainability



For More Information

- Download the full report at [oppenheimerfunds.com/generations](https://www.oppenheimerfunds.com/generations)
- Reach out to a local OppenheimerFunds consultant or call the consulting desk at 1 800 255 2750



Q&A



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