An Analytical Study on Wealth Management Predispositions - With Special Reference to Millennial

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Abstract

There is a fierce race into grabbing the largest pie of cake by all but most of us want to grab that pie and store it. It is not easy to earn and rather more difficult is to save. With MNCs coming to India the dream of becoming rich is not far-fetched now. With the zeal and passion to earn and accumulate wealth, the upcoming professionals want to be independent in taking decisions to manage their wealth. Generation Y is tech savvy and agile in extracting information and making decisions. With the 4G networks, Facebook and other social media platforms, they are leveraging opportunities to shape their fortunes. They are careful investors as they have seen upheavals in the society and appreciate saving money for rainy days to reign across their lifestyle. The understanding of the hard work in amassing wealth had been passed on to them in the form of short stories by their ancestors.

Findings: Millennial have been found to be well-informed with a high propensity to save. It had also been recognized that the 'Stand-up and Start-up India' drives have been knocking on their entrepreneurial instincts.

Keywords: Wealth management, Millennial, Strategy, Marketing, Savings

Introduction

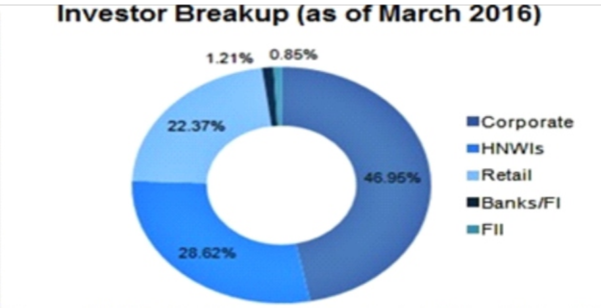
There had been a paradigm shift in the approach towards customers. Industries of all shapes and sizes have started to look upon customers as partners and contributors of value. They are now not only the revenue providers but also product-designers, brand-builders and resonant market leaders, who command the brand-awareness in the market. It maps their evolution through three stages and along several key dimensions. It is the customers who are affected with the product and service purchase, thus it is much anticipated that they provide with the much needed key insights in the product and services improvement.

The marketers need to acknowledge this as a fact that customers are not mere buyers now; once they buy, they become brand-ambassadors to it. Due to facilitation of instant technology and legal forces of the organization, being accessible to customers and that too round the clock, 24x7, has lent vulnerability to the managers. Customers due to their perceptions would like to create their own experiences and define and refine their experiences with the brands. With their imaginations at work they would like to instill their own mechanisms of feedback and filter the criteria of relevance and appreciation.

Indian banking system, the most significant and vivacious arm of the financial sector of the nation has been an integral part of the monetary system. It is one of those sectors, which have witnessed copious vicissitudes since its inception and throughout its progress. While this is a bedrock to many industries into supplying them support in the form of credits: overdraft, debt, etc. which acts as oxygen in their business organizations, its sole source of viability withstands its credentials in its facilitation of providing the legal and more secure form of carrying out business transactions, and its pure characteristic of adapting to dynamism and volatility of the share and capital markets.

The industry has experienced many vicissitudes through its crestandtrough. Banking industry in its very existential form had been meeting challenges in multi-faceted dimensions of status: public and private; strata of clientele: premium lending to financial inclusion, protection: statutory administration bodies and a host of competitive forces, operations: regulated interest rate regime or open market mechanism, modus operandi: ledger and manual processes or the comfort of online banking- this sector has phenomenally upgraded itself. With the LPG (Liberalization, Privatization and Globalization) sweeping in the nation during 1991, the industry was found tight-fisted to open up to this new change coming in. Endorsing hedonism was not in the memo of the banks. Perhaps, dearth of resources was an assisting factor for banks that prompted the banks. In the post-nationalization era, the focal point was on social banking.

Top 5 AMCs in India	AUM (US$ billion)
ICICI Prudential Asset Management Co. Ltd.	26.87
HDFC Asset Management Co. Ltd.	26.85
Reliance Capital Asset Management Ltd.	24.20
Birla Sun Life Asset Management Co. Ltd.	20.85
SBI Funds Management Private Limited	16.31
UTI Asset Management Company Ltd	16.24



Source: AMFI, TechSci Research, Money Control ; Notes: HNWI - High Net Worth Individuals, AMC - Asset Management Company

Players in the Wealth Management Space

Business Models	Market Position	Examples	Main Characteristics
Universal Banks	Strong	Kotak, HDFC, ICICI, HSBC, Axis	• Developed lending offering. • Good reach. • Large players, relatively low entry levels for wealth management services. • Cross-sell potential with retail/corporate network.
Wealth Management Specialists	Medium	Deutsche, BNP Paribas	• Primarily foreign players with focus on advisory and offering of managed/structured products. • Wide range of wealth management entry levels; typically high entry barriers.
Global Investment Banks	Weak	Morgan Stanley	• Focus on the ultra high net worth segment. • Institutional approach to serve clients with investment banking products.
Brokers/Dealers [Online, Retail]	Strong	DSP Merrill Lynch, ICICI Direct	• Wide range of brokers targeting mass affluent market without focused approach for the HNWI segment. • Domestic equity/mutual funds focus. • Limited research recommendations.
Family Office	Weak	Client Associates	• Holistic advisory services for specific client segments such as entrepreneurs, professionals.
Others	Medium	Independent Fund/ Insurance Advisors	• Very low entry levels • Serve clients across segments • No dedicated wealth management offering • Commission-driven model.

Source: Cognizant Research Center analysis

According to research reports, the wealthy households comprise only 8%, but they account for 45% of the total wealth. There is a lot of scope for wealth management sector to grow as only 20-25% from the HNWI population takes advice from the wealth managers.

As per demographic criteria, the HNWI population falls in the age-group of 30-55 years. They are looking for wealth management services, which may lead them to wealth accumulation, risk mitigation and product portfolio for yielding high returns.India is considered as an attractive economy for prospective new participants in the wealth management area as it has been predicted that it is going to be the largest economy by 2030.Another fact, which favors the growth of wealth management in India is the decrease in the share of unorganized players in the market. By unorganized players,it means the small brokers, agents and advisers. This happened because the organized players have an increased presence and also income and profitability burdens have resulted in consolidation.

As a resultant effect of this the liquid assets accessible for the organized players has increased which added to their growth in assets under management.Also it has been observed that there has been an inclination of wealth management firms in India to offer custom made services to the non-resident Indian clients. This could be a rewarding segment for wealth management in India since the number of NRI people is estimated to be huge at around 29 million all over the world.

Challenges to Wealth Management in India

Regulatory Authorities

The regulatory environment of the Indian economy is still evolving, because of which, there still is substantial vagueness in the jurisdiction of numerous regulators. And one of the reasons of wealth managers not experimenting with innovative products is because of the vigilant measures of the Indian regulators. Also looking at the various products, the commodities, derivative and bond market is not as mature as the equity market in India.

Entry mode Roadblocks

Another important challenge for potential wealth managers is setting up locations for which they have to pay a heavy property price. The increase in the real estate prices in the last decade or so has acted as a deterrent. Moreover this factor of having physical locations cannot be avoided as wealth management as a service requires that physical presence to build client relationships.

Product and Service portfolio

Though there has been great improvement in the product portfolio being offered to investors the standards do not match with that of other mature market players. In order to succeed the wealth management service providers will have to innovate in terms of meeting the diverse customer needs. Even innovating could pose a challenge in the obstructive regulatory environment coupled with preserving the product structure and pricing transparency.

Way Forward

Wealth management services are attracting more and more attention as the economy is moving towards higher income levels and saving patterns. Looking at the trends, it indicates that there are opportunities that lay ahead of the wealth management sector to boom. But this could happen when they invest significantly in brand building to build trust, quality advisory, translucent and compliant wealth management system for the investors. Wealth management has great opportunities to expand, with the increasing number of market players. In order to avail the benefits of the potential this market possess, taking into consideration the specific features of the Indian market will be helpful for the financial service organizations.Wealth management in India is still blossoming and a promising profession for the new age India. This could be just the beginning of the best, which this industry has not yet seen.

Objectives of the study

1. To study the attitude of the millennial generation towards savings and investments,
2. To find out the type of investments thatare the most popular among the millennial generation,
3. To find out as to whether the millennial generation relies on wealth management firms to manage their investments,
4. To find out the purpose for which the millennial population generally saves and invests its money and
5. To study the relationship between a person's income and his or her choice of investment.

Millennial and Wealth Management

The reasons are more than one, when one plans to invest. Those reasons are ambitions and goals driven than just tax evasion and compliance to legal structure. The return requirements, risk tolerance and liquidity needs are affected by investment portfolio and products designs.Integration of needs and aspirations and priorities rarely coincide but finding such choices that match is rare.Dan Apfel of the Network for Sustainable Financial Markets, asserted that people in the millennial generation have a mindset that goes beyond not investing in things, like gambling or weapons, they want to create positive change, not just stop investing in bad things. They want the ability to invest in solution oriented alternatives that will improve the world. For example, they're not just saying, 'I don't want to use plastic bags'. They want to create an alternative to them. This is what is driving their investment approach.

In the UK, for example, property has always been the great wealth creator. But housing has become extremely expensive and as people live longer, they'll be selling their houses to finance their retirement and care. In many cases, Boomers won't be leaving the family home to the next generation.It's not about investing for the long term anymore. It's about making money work for society. It's a whole different pitch. Boomers have always saved for retirement, putting off things like travel until they finished working, millennial want it now, not because they're entitled but for them life is about experiences.

Who's going to pay someone a 1% fee when they think they have all the same information at their fingertips? The industry is going to have to offer ideas and real direction rather than just asset allocation and stock picking." It is worth mentioning Pomares,who is quoted as: 'They gravitate towards environmental and social justice issues as well as viable investment solutions to challenges that were overlooked by previous generations. We all live in this world and we can't ignore what's happening elsewhere — it affects us all. The investment industry will need to evolve and recognize that reality.'

Research Methodology

By using survey method, 50 respondents were selected conveniently from the millennial age group (18-30 years). An interview guide was prepared and used for conducting online and offline interviews. In addition to primary data, secondary data from online journals, webpages and books were used. For analysis, various tools such as, Microsoft excel, SPSS, pie diagrams, percentages and tables have been used in the project.

Analysis and Interpretation

Respondents' Demography

Age

Table-1: Age of Respondents

Age Groups	No. of Respondents	Percentage
18 to 21	0	0
21 to 24	35	70
24 to 27	12	24
27 or above	3	6
Total	**50**	**100**

A major chunk of the respondents belong to the age bracket of 21 to 24 while the next sizeable group consists of age bracket of 24 to 27 years. The reason for the strategic selection of the sample in this age groups are that the answers had to be gauged from the millennial and their investment discipline also needs to be observed.

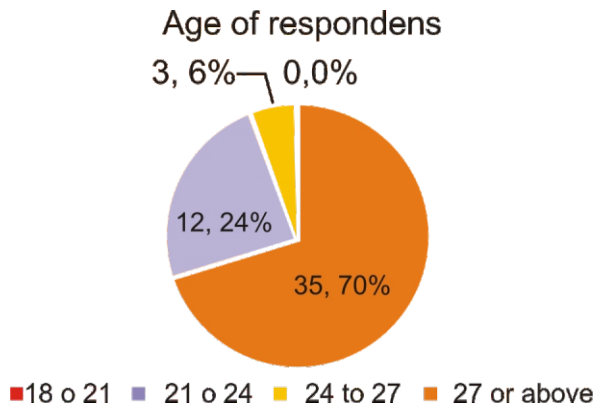


Fig-1: Respondents' Age Groups

Gender

Out of 50 respondents, 17 were females and 33 were males.

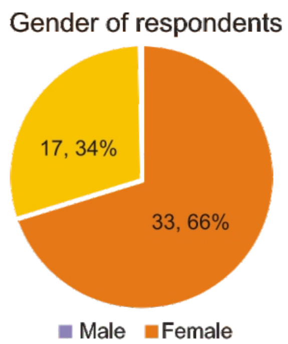


Fig-2: Gender of Respondents

Respondents' Profession / Occupation

Out of the sample of 50 surveyed, 9 were business owner and 41 were employed.

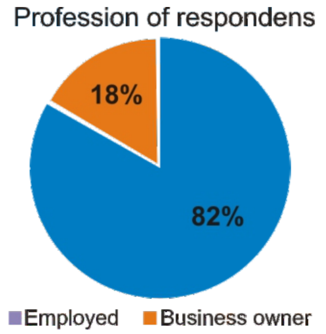


Fig-3: Respondents' Professions/Occupations

Income

The income bracket of more than 50%of the sample had been average as INR 3-6 laths while 16 respondents had low income in the range of INR 1-3 laths and a 7 respondents had income above 6 laths

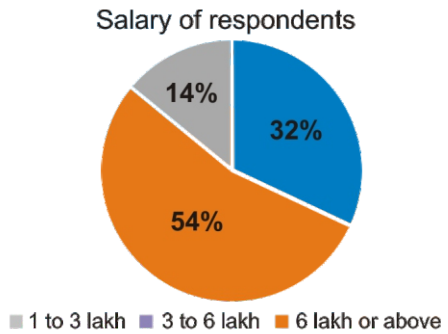


Fig-4: Income from Salary

Investments

Less than 50% of the respondents declined that they have investments of their own. This is primarily due to the fact as they had just begun to earn and most of their financial needs are supported by family. Secondly, the sample size with a reasonably good income had little plans to save.

Table-2: Respondents' Investments

Response	No of Respondents	Percentage
Yes	23	46
No	27	54
Total	50	100

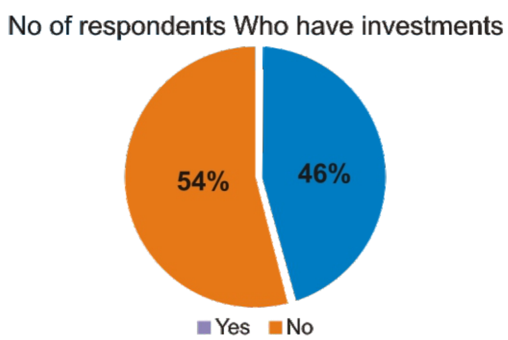


Fig-5: Respondents with Investments

Savings

Table-3: Respondents Inclined to Save

Response	No of respondents	Percentage
Yes	41	82
No	2	4
Maybe	7	14
Total	50	100

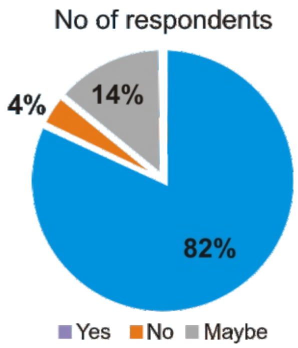


Fig-6: Respondents' Saving Habit

When asked whether they had any inclination to save, more than 80% affirmed their propensity to save but the other 18% did not. The analysis indicates that the respondents with less income too have savingmotivation.

Why do you invest?

Table-4: Factors Drive Respondents to Invest

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Reasons	No of Respondents	Percentage
Insecurities	9	18
Expert advice	14	28
Peer pressure	3	6
None of the above	24	48
Total	50	100

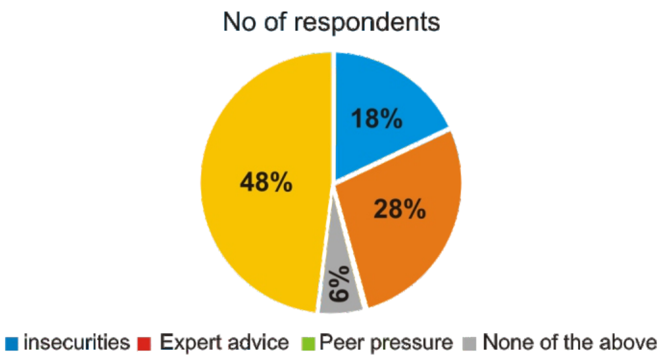

Fig-7: Factors Drive Respondents to Invest

The curiosity propelled the researcher to know what entices them to make an investment: is it because of personal insecurities, peer pressure or expert advice? Answers were interesting as about 48% said none of the above. It was observed that 28 % respondents are guided by an expert advice while insecurities and peer pressure instigate the millennial to save but more than 50% of the respondents reported to save due to parental guidance and family advisors. As they are ambitious and are entrepreneurial in nature, they had their plans to set up a venture of their own and thus the plans to save.

Which type of investments do you have?

Table-5: Respondents' Types of Investments

Investment	Frequency	Percentage
Fixed Deposit	14	28
Recurring Deposit	12	24
Mutual Funds	20	40
Derivatives	1	2
Real Estate	6	12
None of the Above	17	34

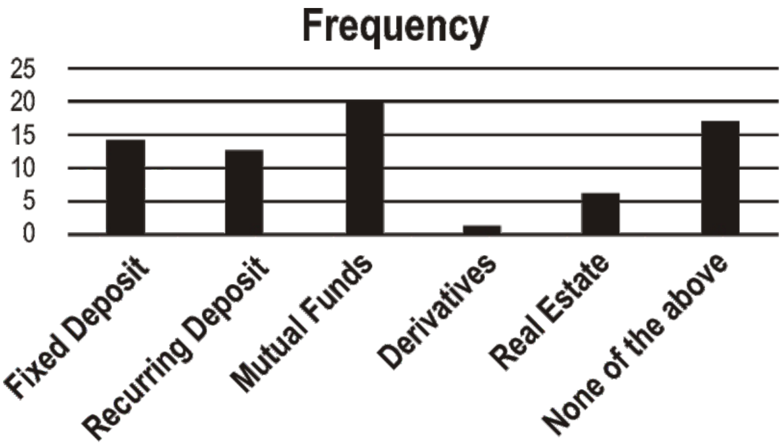

Fig-8: Respondents' Types of Investments

When asked about the types of investment, 40% of the respondents invest in mutual funds as they offer higher returns. While majority would like not to risk their avenue of investment and would like to invest in the forms of FDs and RDs as there are more respondents who are professional and would like to have regular and easily liquidifiable investments too. But 34 % respondents did not mark to invest in any of the given options as they would consider to invest in jewellery because they can use this investment and satiate social esteem factors too

What is your Purpose of investing?

Table-6: Purpose of Investments

Perpose	No. of respondents	Percentage
Reinvest	20	40
Start your own business	7	14
Take a Vacation	13	26
None of the above	10	20
Total	50	100

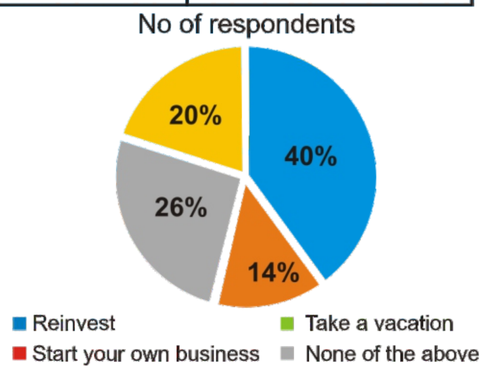

Fig-9: Purpose of Investments

With all amenities being provided by parents and realizing the significance an inclination to save and reinvest had been voted by majority. Also, that this generation had seen quite a few volatility in the economic structure and government policies. While entrepreneurial instincts spark had been held by just a few but due to stress of over-buzzing tasks promotes the idea of taking vacation.

Have you hired a wealth management firm?

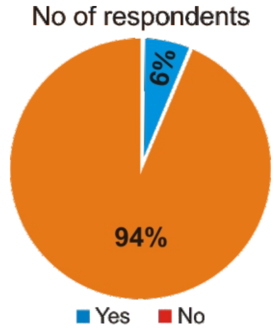

Fig-10: Respondents Using Advisory for Investment Decisions

Since the financial literacy among the respondents had been found to be fairly low and not many of them ranked them as neither competent nor confident into parking their investments so an obvious decision to hire a wealth advisory firm.

Rate your investment management skills where(1= Poor and 5= Excellent)

Table-7: Respondents' Rating of their Investment Skill

Perpose	No. of respondents	Percentage
1	9	18
2	6	12
3	20	40
4	11	22
5	4	8
Total	50	100

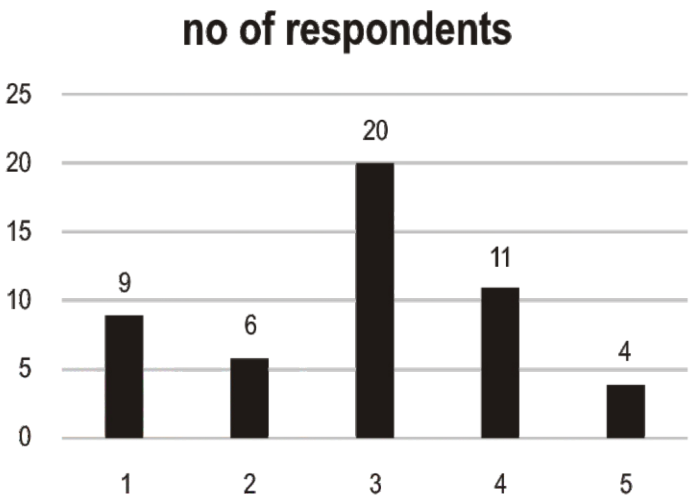

Fig-11: Respondents Rating their Investment Skills

Managing investments is both an art and science which requires an acumen that few only are blissful to own. While about 35 respondents ranked themselves high on their investment management skills but 15 respondents did not. This makes room for financial planners and advisors to hold workshops and guide this cohort of population.

Do you really intend to invest or you are simply trying to save tax?

Table-8: Respondents' Motive behind Investments

Perpose	No. of respondents	Percentage
Plan to invest	32	64
To save tax	11	22
Don't indulge into savings	07	14
Total	50	100

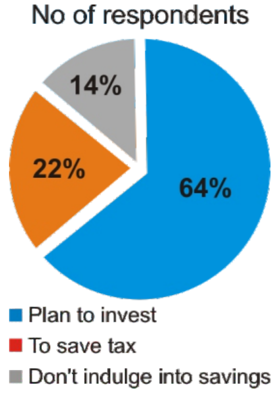

Fig-12: Respondents' Motive behind Investments

When asked about the reasons to save, only 22 % are found investing to avoid tax, but majority (64 %) do it to ensure better future.

Main Findings

- Most of the respondents have expressed their inclination and interest in saving their money.
- Fixed deposits and mutual funds seem to be the most popular type of investments among millennial, while derivatives are the most unpopular ones.
- A small percentage of respondents have hired a wealth management firm to handle their investments.
- An average millennial do not want anyone else to manage their investments.
- Even if they do hire a firm, they are looking for advice only. They do not want to hand over full control of their investments to someone else.
- They are extremely cautious and aware. Many millennial prefer filing their own tax returns.
- The millennial who are earning more than 6 lakhs per year prefer investing in mutual funds, as they can afford to be adventurous.
- On the other hand, the millennial who earn between 1 to 5 lakhs per year, are more cautious and prefer to invest in fixed deposits and recurring deposits as it promises security and a guaranteed rate of return.
- Most of the millennial who have an interest or inclination towards saving, are motivated by 'Expert advice'.
- The study corroborates the predisposition of millennial as discussed in literature review of this fast-forward generation to be experimental and risk averse.
- The generation as a cohort had been found to be confident even in the complex dynamic financial domain as this and the conventional marketing tactics had a thumb down from this very active minded generation.

Limitations of the Study

Lack of disclosure

Many respondents who were approached, were hesitant to disclose their incomes, savings and investments. This might align with individual's need to keep their finances private.

Few Business owners

Only a small number of business-owning millennial could be contacted for the study.

Recommendations

- Wealth management firms need to understand that millennial are extremely different from the previous generations, such as the baby boomers and generation X.
- Millennial are highly brand conscious. They want to be connected with only those organizations that have a strong and visible brand personality. Wealth management firms must understand this, and work on creating a better market presence.
- Service organizations need to work on their blog marketing skills.
- Digital branding is the way forward for this generation to garner business and assent to business proposals.
- Millennial are well-informed, well-aware and extremely cautious about the business environment. They appreciate full disclosure of information while making any business deals. In case a wealth manager is not fully honest with a millennial client, things can go south very easily.
- Millennial are a spontaneous and risk-taking bunch. They are much more open to changes than the previous generations. Wealth managers must come up with high-end and lucrative investment plans in order to retain millennial clients.

Conclusion

Wealth management is a growing industry, not just in India, but globally. New players are entering every day, catering each and every investment need of the populace. Millennial are an important part of the equation. These are a diverse and unpredictable bunch on individuals. They are extremely aware, brand conscious and independent. They do not want to be dictated as to how they should manage their investments. They are looking for advice only and are not willing to give up control. Wealth management firms need to buckle up, if they intend to retain millennial clients. They must come up with better customer service techniques, better investment schemes and a much more open mind when it comes to dealing with millennial.Although a large number of millennial are simply saving up for their next adventure, next vacation or a new gadget, there are many who genuinely want to invest and have their future secured.

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