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Millennials: Building Their Legacy

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When you finally had the courage to remove those training wheels and take the illustrious dive into riding a two-wheeled bike – how many times did you fall off before finally getting the hang of it? Being the father of four growing kids, I've seen a decent amount of spills during my time. I am amazed at their shortened memory and unwavering ability to keep practicing to improve. The same philosophy can be embraced for every generation of investor who has taken the initial plunge into planning their financial legacy, and Millennials are no exception. Individual investors are accustomed to reacting irrationally to extreme volatility or poor performance, and their emotions are often commandeered by their recent memories. Whether it's Millennials, or any other generation of investors, we must eliminate the in-the-moment emotional decision making, and remain focused on our plan to stay on track to building a legacy.

With the beginning of their careers, and the $30 trillion potentially being inherited from an aging Baby Boomer generation, Millennials are in need of resources and education to properly manage their finances. So what can be done to help this generation prepare?

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Step One: Building Your Knowledge Base

First, before completing that Google search or utilizing a YouTube video to influence your decision making, consider reaching out to your family and their team of trusted advisors who have established relationships with, and understand your family values - accountant, attorney, and wealth manager. It is important to utilize the strengths of your professional advisors, whether to develop your own personal relationship, plan for retirement, or discuss the implications of transitioning wealth to future generations. Through years of having the privilege to work with excellent clients and successful families, we've learned the importance of helping to educate our clients and the next generation. This not only provides the next generation with a means of a general education, but offers insight to what the planning process looks like. It also allows the next generation to capture the importance of understanding family goals, values, and philanthropic intentions. The weight of carrying the family legacy can be heavy at times, so don't be afraid to lean on your professional advisors to help carry the load.

Step Two: Defining Your Legacy

The second step in defining your legacy is developing and implementing a wealth management plan. This is an important part of planning for your financial future, as a plan allows a Millennial or any generation to visualize their goals becoming a reality. Our philosophy emphasizes the importance of listening to our clients and their goals, and constructing a custom, diversified portfolio to meet their needs. Whether these strategies incorporate long-term planning for retirement or the development of a budget, a plan provides a roadmap on how to get there. A financial plan is also meant to be fluid and ever-changing, as this document is simply a guideline for financial success. While it's important to stay disciplined in your approach, we understand that change takes place. Our role is to listen and provide sound investment recommendations that get you back on track to building your financial legacy.

Step Three: Power Of Compounding

Millennials, right now you have one very significant advantage over those generations before you – TIME! Regardless of your income level or outstanding debts, the power of compounding cannot be overmatched. Albert Einstein once said that "compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it." Establishing healthy savings habits and remaining disciplined in your approach will prove worthwhile to growing and protecting your wealth and legacy over the long-term. For example, an individual, age 21, and retiring at age 67, with an 8% annual return, saving $1,000 monthly, would generate retirement savings of approximately $5,400,000. Assuming the same monthly contribution, but beginning at age 30, the estimated retirement savings decreases to $2,600,000. While each client's situation is unique, it's important to understand the impact of investing early, and often, and the long-term effect of accumulating wealth. Whether these savings are through an employer sponsored retirement plan or a taxable investment account, the general rule of thumb is that 15-20% of your monthly income should go to savings vehicles.

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Step Four: Shaping Your Investments

Socially responsible and impact investing are important conversations for some investors; however, these styles are particularly appealing to the Millennial generation. With a heightened interest from Ultra High Net Worth Millennials, a recent survey by Campden Wealth revealed that 69% are very interested in socially responsible and impact investing and are more concerned with how their investments provide meaningful and purposeful growth to impact societal change. Greenleaf Trust is able to screen appropriate companies, mutual funds, and exchange traded funds to specifically include (or exclude) investments that are important to you (or what you prefer to avoid) and your family. Listening is one of the strengths of Greenleaf Trust, so please don't hesitate to discuss your preferences with us.

Defining your legacy can be a difficult challenge, but as a client of Greenleaf Trust, we're here to help with the heavy lifting. Whether you're just beginning your journey or are well down the road on building your family legacy, we're here to help fine tune your financial plan for success.