INVESTMENT MANAGEMENT & FUNDS

Beyond the baby boomers: the rise of Generation Y

Opportunities and challenges for the funds management industry

FINANCIAL SERVICES

by Bernard Salt

AUDIT ▪ TAX ▪ ADVISORY

KPMG steering committee

This report is the culmination of seven months work for a global steering committee including:

Ms Jacinta Munro (Steering committee chair)
Partner
Investment Management and Funds
KPMG in Australia

Mr Wm. David Seymour
Partner and Global Head
Investment Management and Funds
KPMG LLP (U.S.)

Mr Tom Brown
Partner and Deputy Global Head
Investment Management and Funds
KPMG LLP U.K.

Mr Gerold Hornschu
Partner and Head
Managed Investment Services
KPMG in Germany

Mr Seiji Kamiya (Editorial sub-committee member)
Partner
Financial Markets Group
KPMG in Japan

Mr Bernard Salt
Partner & Author
National Markets
KPMG in Australia

Ms Katie Bayley
Senior Advisor & Principal Researcher
Risk Advisory Services
KPMG in Australia

Ms Shiana Saverimuttu
Investment Management Executive
Investment Management and Funds
KPMG in U.K.

Ms Christine Buchanan
Partner
Investment Management and Funds
KPMG LLP (U.S.)

The steering committee would like to recognise the involvement of Neil Fatharly, former KPMG LLP U.K. Director, Nicola Hassan, KPMG in Australia Manager, Nicole Sia and Sally Mikkelsen, Advisors at KPMG in Australia. The steering committee would also like to thank the KPMG personnel who disseminated and followed up on the completion of the surveys in 17 countries. The individuals responsible for this task are listed in the schedule of contacts.

If you have any queries regarding access to further copies of the report please contact the nominated KPMG member firm representative in the relevant country. A translation of the report will be made available in German. Please contact Gerold Hornschu.

Report author and KPMG Partner Bernard Salt is based in Melbourne. He is the author of two popular and best-selling books on demographic trends. He is a weekly columnist with *The Australian* newspaper, a regular on the corporate speaking circuit, and manages a dedicated group of advisors within the Melbourne office specialising in commercial demographic research. See **www.bernardsalt.com**

Principal researcher Katie Bayley works as a Senior Adviser at KPMG in Australia. She is a demographer with a keen interest in consumer market trends and the impacts of demographic change upon strategic workforce planning.

For comment regarding the content or the conduct of the research report, contact Bernard Salt in the Melbourne office of KPMG in Australia +61 3 9288 5000.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Contents

1 Introduction – what is the proposition? 2

2 Summary 4

3 Demographics: the big shift from baby boomers to Gen Y 8

4 Survey responses: what the industry says about Gen Y 21

5 Focus groups – what does Gen Y say? 38

6 Interviews – what does the industry say? 45

7 Selected bibliography 51

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

1 Introduction – what is the proposition?

This report comprises original research completed on the global funds management (FM) industry by KPMG International. The research looks at the way in which the FM industry engages what is known as Generation Y, both as customers and as employees.

It is this segment of the market and of the workforce that will shape the future success of the global economy. This study looks at how well the FM industry is addressing the needs and is meeting the expectations of those who lie "beyond the baby boomers".

Generation Y, or less formally Gen Y, is broadly defined as comprising those born over the 15 years from June 1976 to June 1991; they are the children of the baby boomers and are today's 20-somethings. This is a time of establishing a career and of forming relationships, households and families. Here is a generation that will develop into tomorrow's accumulators of wealth.

The FM industry has boomed over the last 15 years; it has been propelled forward by a wave of economic prosperity in most developed nations. But also important to the rise of this industry has been the impact of what might be termed the "middle-age-isation" of baby boomers. The core of the boomer generation can be defined as those born over the 15 years following the end of WWII to 1961.

By the middle of the first decade of the 21st century the boomers, then aged 45-60, had spanned middle age. Many had been preparing for retirement for more than a decade leading to extraordinary growth in demand for the services of the FM industry.

But the boomers are now on the cusp of retirement. The demographic momentum that underpinned the rising pool of retirement funds will decelerate next decade as boomers increasingly leave the

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

workforce. The strategic response by the FM industry to a shift in demand is mixed: some will continue to ride the boomer wave by managing this generation's diminishing pool of wealth; others will establish a dialogue with Gen Y this decade.

But Gen Y has an even greater role to play in ensuring the long-term success of the FM industry. It is this pool of skilled employees from which will be drawn the next generation of senior management.

One of the strategic imperatives for the FM industry this decade is to establish a relationship with the future accumulators of wealth and to attract and retain the best employees from this generation.

And this is precisely the focus of our research.

This report examines demographic factors underpinning the rise and fall of different generations. It considers the results of a survey of FM businesses across 17 nations. We document and consider the views of Gen Y in focus groups commissioned in London, New York, Tokyo, Frankfurt and Sydney. And we summarise the output of one-on-one interviews held with senior executives from the FM industry in the U.S., the U.K. and Germany.

Here is a unique perspective of the FM industry. The results are at times challenging and confronting as is to be expected when dealing with inter-generational issues. Nevertheless the views and the thinking in this definitive study of the interplay between Gen Y and the FM industry cannot and should not be ignored.

Box 1: *Beyond the baby boomers* report by numbers

Countries participating in survey	17
Survey responses	125
Funds under management (FUM) of survey respondents	U.S. $3,800 billion
Percent global FUM by survey respondents	18%
Total staff employed by survey respondents	78,700
Total Gen Y employees in survey respondents	15,500
Percent Gen Y employees in respondent firms	20%
Total population of participating countries	846 million
Percent world population in survey nations	13%
Percent world GDP in survey nations	48%
Cities in which focus groups conducted	5
Focus group attendees	46
Age-range of focus group attendees	22-28
One-on-one industry interviews	28
Estimated age range of interviewees	34-60

Source: KPMG International, 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

2 Summary

There are a number of key points and findings that flow from this research. These are summarized below together with thought lines and suggested actions.

1 **FM Industry is focused on baby boomers:** Much of the FM industry deals with the management of wealth accumulated by individuals preparing for retirement. The industry has especially focussed on servicing those in the "wealth accumulation" stage of the lifecycle which fits between the ages of 40 and 59. During this decade the baby boomer generation, aged 45-59 in 2006, falls within wealth accumulation. As a consequence it is this generation that is the focus of the FM industry at the current time. And largely to the exclusion of emerging market segments such as Gen Y.

Consider new market segments, new products, new distribution channels.

2 **Growth in wealth accumulation pumps FM:** The number of people pushing into the 40-59 "wealth accumulation" stage of the lifecycle over the 15 years to 2005 in the U.S. increased by 51 percent to 83 million. It is this demographic shift that underpinned much of the growth in the demand for FM services in the 1990s and early this decade: there was rapid growth in the number of people in the "wealth accumulation" stage of the lifecycle. Indeed the cynical view of one London interviewee is perhaps prescient: "This industry has a lot of mediocre people that look good in a rising market."

Consider the world without boomers. To what extent is your business dependent upon the continued flow of ageing baby boomers? Has the FM industry passed the point of Peak Boomer?

3 **Demographic tap turn-off:** However over the 15 years to 2020, growth in the 40-59 age group in the U.S. will drop to one percent, in total. Indeed, the decline will be especially dramatic early next decade as indicated in Figure 2.1. The industry's response to the "turning off of the demographic tap" next decade is to continue to focus on the boomers by managing the drawdown of their asset base. However there is another strategy that many in the FM industry appear reluctant to embrace: engagement with the generation that will evolve into "wealth accumulators" and indeed "wealth inheritors" of the future, Generation Y.

What is the cost and what is the risk associated with scoping new markets, products and marketing opportunities in readiness for life AB, after boomers?

4 **Power shift from the employer to the employee:** Growth in the labour market population (aged 15-64) is slowing down and in some nations, such as Japan, it is contracting. The diminution in the birth rate a generation ago is having the effect of reducing the population pool from which the workforce is drawn.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

This process underpins a skills shortage in the developed world and supports a transfer in the balance of power from the employer to the employee.

Businesses in the FM industry must understand that the labor market dynamics have changed and that 20-somethings today have multiple options in the workplace. Employers must refine recruitment and retention strategies and embrace concepts like becoming an Employer of Choice.

5 **Half of surveyed businesses will be looking at Gen Y in five years:** But only some in the FM industry are interested in Gen Y. At best this proportion in the recent past has been one-fifth (22 percent) although the survey suggests this will grow to 50 percent within five years. This means that 28 percent of surveyed businesses are "switching to Gen Y". It also means that half the surveyed businesses are not interested in Gen Y as customers.

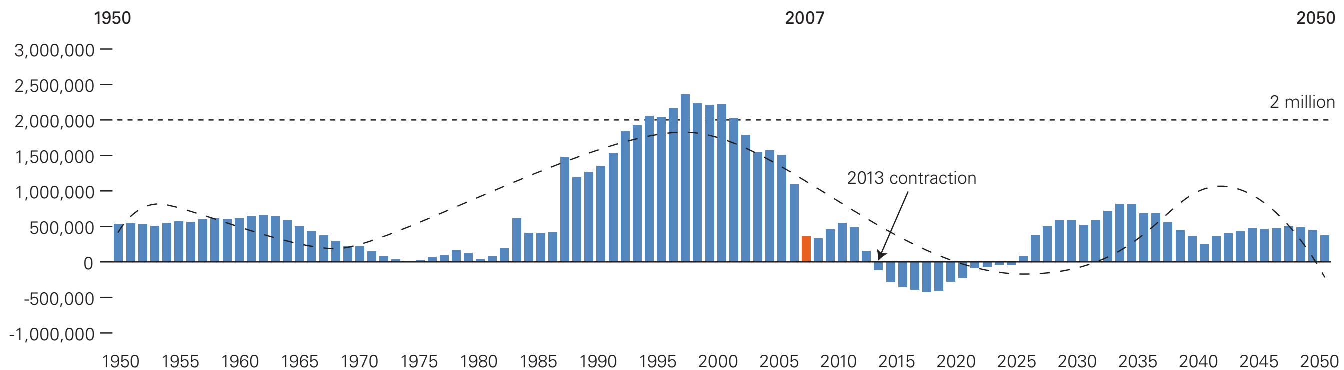
Establish which businesses are switching onto Gen Y and benchmark with your organisation. Why do they think Gen Y will work for them?

6 **No consensus on how to engage Gen Y:** This industry is quite sure about products and asset classes that it considers attractive to Gen Y, but it is decidedly scattered in its thinking about how to engage Gen Y as customers. Responses were split across nine different strategies. This is an industry that knows its products far better than it knows its future customers. Focus group participants confirm this view: they say they need financial education and elimination of financial "mumbo jumbo" and "gobbledygook".

Return to first principles and question deeply held views. Not all FM businesses can be right on this issue; someone has to be wrong. Why is 28 percent of FM businesses switching on to Gen Y?

7 **No consensus on what makes FM products attractive:** When survey respondents from the FM industry were asked this question they rallied behind concepts like "easy to start" (23 percent) and "top-tier performance" (19 percent) as factors they consider make FM products attractive to Gen Y. They entirely dismissed concepts like low-risk (two percent) and self-management (two percent). And yet these very factors were cited in the focus groups as being important to Gen Y. Gen Y appear risk averse: "if we want to risk our money we go to Bad Homburg (casino)."—Frankfurt. One Sydney focus group attendee explained:

Figure 2.1 Net annual growth in 40-59 population for the United States, 1950-2050



Source: KPMG International 2007; US Census Bureau, 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

"with the online stuff, you know the money is actually there, and you can monitor it online any time you want." A New Yorker commented: "people … want to look at their portfolio every day." The conclusion is that the FM industry is unaware of the needs of Gen Y.

Here is further evidence that the FM industry does not understand Gen Y. One response is to commission research and to keep an open mind. As this study shows, there is a disconnect between what the FM industry thinks it knows about Gen Y and what Gen Y says it really needs and wants.

8 **"It's not our fault it's their fault":** On the matter of why Gen Y does not engage with FM products, industry respondents offered two types of answer. The "it's their fault" answer which included responses such as "unconcerned-with-future" and "rely-on-parents" that accounted for 53 percent of responses. Then there was the "it's our fault" answer which included responses such as "not-target-of-fund-managers" and "poor-customer-service", which accounted for 31 percent. The FM industry prefers to lean towards the "it's-not-our-problem" interpretation of why Generation Y is not engaging with FM products.

There is a risk here: has this industry had such success that it is now incapable of viewing issues objectively? Or is this industry simply focussed on short-term results?

9 **A quarter of businesses have over 30 percent churn in Gen Y staff:** Some respondent firms have implemented dedicated Gen Y recruitment and retention strategies. However, when results were cross-tabulated with staff turnover, it was found that recruitment and retention strategies had no discernible impact on the retention of Gen Y staff. In fact one-quarter of respondent businesses had a Gen Y turnover of more than 30 percent. Whatever the FM industry thinks it's doing to recruit and retain Gen Y staff, it isn't working by the measure of staff turnover.

Is the FM industry merely doing something for the sake of being seen to be doing something? Perhaps the response should be to investigate the reason for the high rate of Gen Y churn. Conduct in-depth exit interviews. Establish the basis to staff dissatisfaction and take action.

10 **"We're doing a great job … even if we can't hang-on to staff":** Only two percent of surveyed businesses thought they were unsuccessful in recruiting and retaining Gen Y staff. And yet 25 percent of businesses have a Gen Y turnover of more than 30 percent. It is tempting to conclude that the FM industry simply cannot see the connection between the success and/or failure of its people-management policies and staff losses. The fact that Gen Y is leaving one-in-four surveyed businesses in large numbers is seen as no reflection on the great job those businesses are doing in recruiting and retaining staff.

How successful are recruitment and retention strategies if one-quarter of FM businesses are losing more than 30 percent of Gen Y staff? Benchmark staff churn with best practise within FM businesses and elsewhere in financial services. Perhaps the greatest concern is that some in the FM industry are in denial about the lack of success in retaining young staff.

11 **At last something everyone agrees on:** The focus groups, the interviewees and even survey respondents agreed that what Gen Y need is education and information about financial planning. As one London interviewee put it: "we need Finance 101 to be put on the school curriculum." A Tokyo focus group participant expressed a similar thought: "it would be great if someone like a financial planner

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

explained it to me in a way that is easy to understand." A Sydney attendee put the idea succinctly: "I think they should educate people … know the tax advantages." The FM industry should consider programs to introduce finance education into schools and possibly into workplaces.

Lobby governments to introduce education about finance into the school curriculum. Develop education initiatives targeting Gen Y in the workplace. The industry needs to communicate with the wider community to explain the importance of early saving for old age.

12 **We don't need to think beyond three years:** The FM industry has a culture of thinking short term. Remuneration is based on immediate results as opposed to long-term strategic positioning. This factor is driving the focus on boomers as they move beyond the workforce and into retirement. But the success of this industry in the past owes as much to the notion of demographic uplift as it does to the nimbleness of its players. With the boomer bandwagon slowing down it is appropriate to consider establishing a dialogue with the next generation of wealth accumulators, Gen Y. The industry hasn't had to think medium term because of the momentum of the boomers; it's now time to think longer, and harder, and more strategically about market issues like positioning for the next decade.

It is important to consider the longer term even if your stewardship at the helm is short term. This thinking may bring you closer to the Gen Y market segment or it may lead you to another space altogether such as other market segments.

The FM industry needs to shift ground over the balance of this decade in order to manage the escalating impact of generational and demographic change. The industry is confident that it can respond, and that it is responding, with agility to changes in the market and in the workforce. However there is a "disconnect" between the industry's confidence about the future and the fact of diminishing growth in the wealth accumulation segment, and the fact that one-quarter of surveyed firms are now reporting a Gen-Y churn rate in excess of 30 percent. The FM industry's characteristic self-confidence perhaps results from its history of extraordinary growth as the boomers funnelled into wealth accumulation. However this study suggests that the FM industry should now take stock, examine its position, and recalibrate its trajectory to align with impending generational and demographic change.

The FM industry has been catapulted forward on a rising demographic tide. That tide is receding; the industry should hedge its position by building and improving its relationship with Gen Y customers and employees.

The FM industry must understand that today's 20-somethings are tomorrow's wealth accumulators and inheritors. Prudent thinking should lead the FM industry into a greater dialogue with Generation Y. This generation moves in tribes; it values relationships; it thinks globally. It is different to previous generations. FM businesses must establish credibility with this generation so as to become a "trusted advisor" as well as an Employer of Choice. These are not responses that can be credibly manufactured and delivered quickly by an industry.

The solution to demographic and generational change is not a matter of market agility; it is a matter of strategic positioning. And that is why the FM industry must act on these matters now rather than later.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

3 Demographics: the big shift from baby boomers to Gen Y

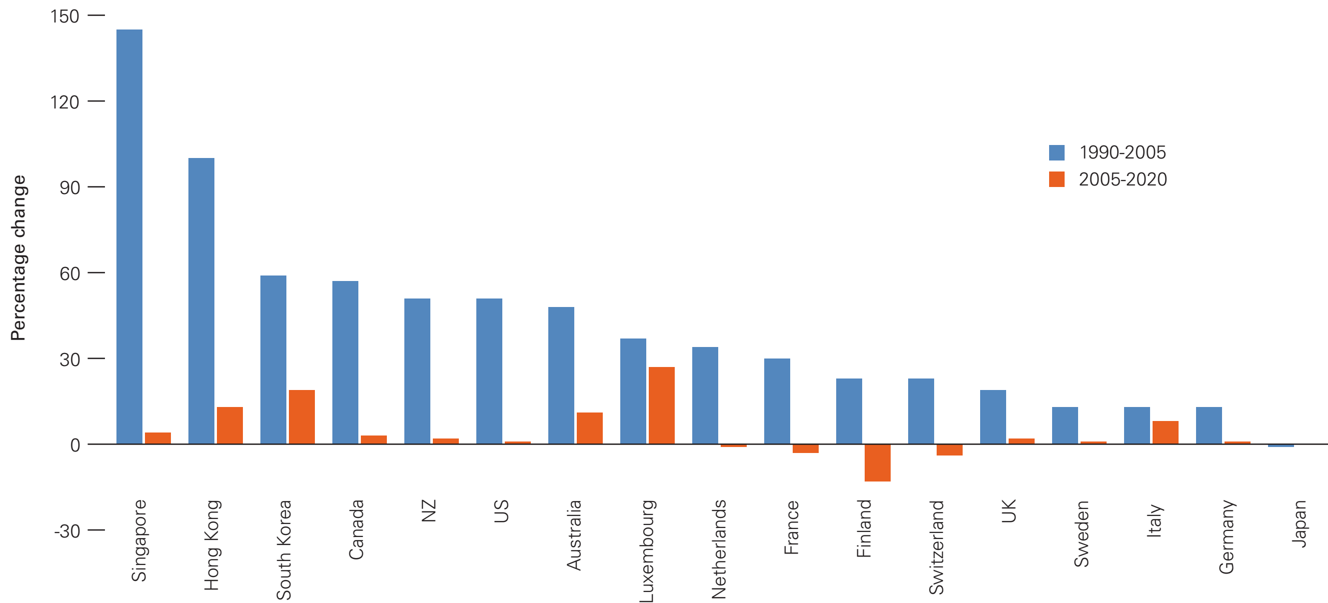
Life expectancy in the developed world is around 80 years. From the point of view of the funds management (FM) industry the average lifespan can be divided into quarters. The 0-19 year phase is dominated by childhood and education. It is characterised by dependence upon the family unit. The 20-39 year phase is dominated by the formation of relationships and the establishment of careers. Income accumulated at this time in life is largely directed to household formation and development.

The third quarter of the lifespan is where wealth is accumulated and stored in preparation for retirement. The pool of funds available to the FM industry is not affected just by the number of people in the 40-59 year phase in life, but more especially by the rate of growth in the number of people entering this age group over time.

In the 15 years to 2005 the number of people aged 40-59 in the “wealth accumulation” phase of the lifespan in the U.S. increased from 55 million to 83 million, or 51 percent. Other quarters of the U.S. lifespan grew less rapidly over

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 3.1 Percentage change in 40-59 population for selected countries, past and present



Source: UN Population Database, 2007

this time: in fact the population aged 20-39 contracted by three percent. There were fewer people in this "household formation" stage of the lifespan in 2005 (82 million) than there were in 1990 (83 million).

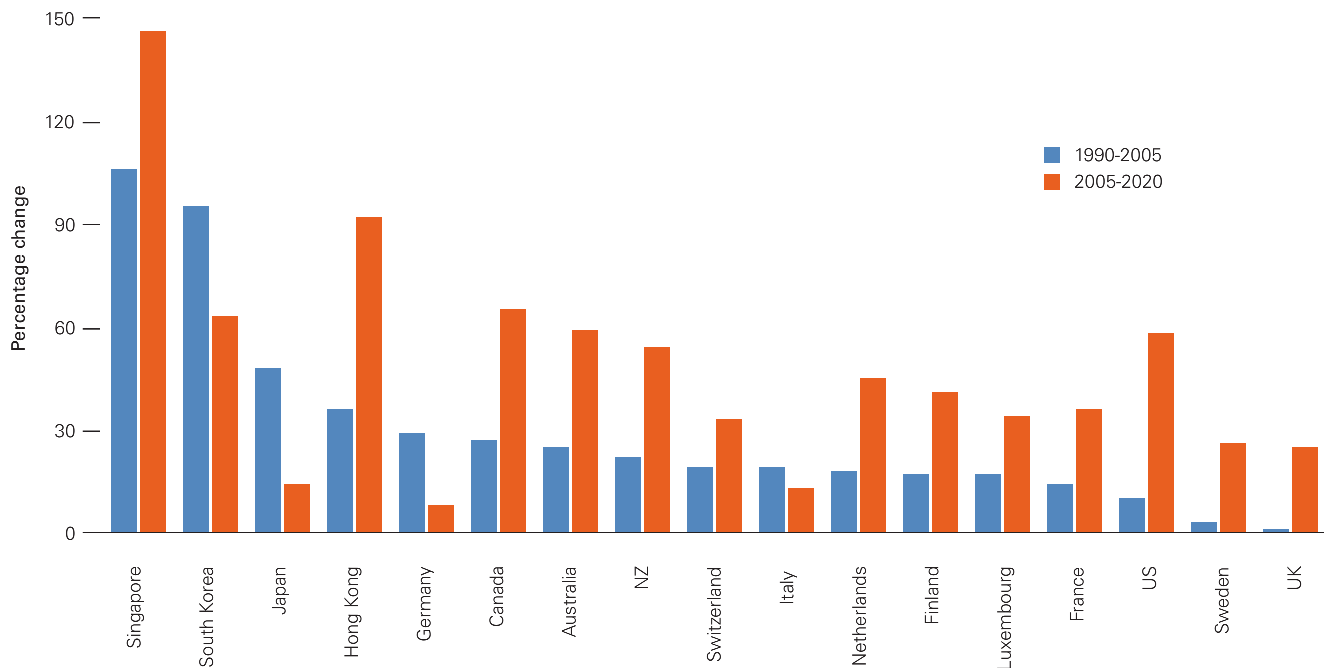
The place to have been in business in the U.S. during the 1990s and in the first-half of the current decade was in the delivery of products and services to people aged 40-59. But this experience of targeted demographic change was not limited to the U.S. Population growth in the "wealth accumulation" phase of the lifespan across study-group nations over the 15 years to 2005 ranged up to 145 percent in Singapore (see **Figure 3.1**).

Only in Japan was there a contraction in the wealth accumulation population over the last decade and a half. This resulted from the fact that the baby boom that so marked Western nations in the post-war period was less marked in Japan: there are simply fewer boomers in that nation. At the other end of the scale the number of people in the "wealth accumulation" phase of the lifecycle in Singapore more than doubled over this period due to advances having been made in life expectancy. In previous eras Singaporeans passed away during middle age. Not so today, leading to rapid growth of a demographic segment that is now focussed on preparing for a long and prosperous retirement.

The last 20-year quarter of the average lifespan is dominated by retirement. Most people in developed nations draw down on individual or state savings to support their lifestyle beyond the working years. If 40-59 is defined as the "wealth accumulation" phase in life, then 60-79 might be described as the "draw down" phase.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 3.2 Percentage change in 60-79 population for selected countries, past and present



Source: UN Population Database, 2007

There is a role for the FM industry in all three of the adult phases in the average lifespan. However it is in the "wealth accumulation" phase where most funds are gathered and managed. In the "draw down" phase the role of this industry is to manage the transition from a service that accumulates wealth to a service that distributes wealth. The FM industry also has a role in potentially assisting in the transfer of wealth from one generation to another.

If the last 15 years or so have been about garnering and managing the wealth of the pool of people pushing into the 40-59 year age group, then the next 15 years must be about managing the transition into the "draw down" phase. Between 2005 and 2020 the number of people in the U.S. aged 60-79 will increase from 40 million to 62 million or 58 percent.

Growth in the "wealth accumulation" phase at this time will drop to barely one percent, down from 51 percent over the preceding 15 years.

The crest of the demographic wave underpinning the FM industry will carry forward to the "draw down" phase over the next decade-and-a-half. Whatever products and services are required by people aged 60-79 will be demanded in increasing volume in the U.S. in the short- to medium-term. This includes the funds-transition services of the FM industry, as well as products and services in health care, pharmacy, travel, and retirement or lifestyle housing.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

The impending big shift into the "draw down" phase of the lifespan is not limited to the U.S. (see **Figure 3.2**). In the study-group nations, growth in the 60-79 year segment of the population over the 15 years to 2020 will range between eight percent for Germany and 146 percent for Singapore. The modest expansion expected of this segment in Germany, Italy (13 percent) and Japan (14 percent) ultimately derives from equally modest birth rates in the post-war period. Singapore, on the other hand, is now delivering its first ever generation to live to, and beyond, middle age.

If the outlook for the FM industry is fundamentally linked to a demographic bedrock then it can only be concluded that the next 15 years will be very different to the last 15 years. There is simply not the volume of people pressing into middle age, and therefore focussed on wealth accumulation for retirement, over the next decade-and-a-half, than there has since 1990. This means that the FM industry must change its focus because the fast flow of funds from the "wealth accumulation" phase will begin to decelerate during the next decade. This point is illustrated in **Figure 2.1** (see page 5) which shows the net growth in the "wealth accumulation" phase of the lifecycle in the U.S. over a 100-year timeframe.

Extraordinary growth has been experienced in this specific demographic segment over the 15 years to 2006. The chart also shows that the number of people in the "wealth accumulation" phase in the U.S. will begin to contract in 2013. This large demographic shift will have a direct and compelling impact on the FM industry within a decade. The overwhelming response to this issue of demographic decline from the one-on-one interviews conducted with senior management in Europe and in the U.S., is that the FM industry is indeed anticipating a shift in its strategic focus. However most, though notably not all, see this shift as involving the continued servicing of the baby boomer generation as they move into retirement. The rate of funds growth may decelerate but this wealth still needs to be managed into and throughout retirement.

Traits of Gen Ys

Not all interviewees were wedded to the strategy of exclusively servicing the boomers. Some saw merit in establishing relationships with Gen Y 20-somethings that could be expected to yield a rich harvest at a later date, and especially at a time when the industry's boomer obsession subsides. Or indeed as boomer wealth transfers to their Gen Y children.

But who is, or what is, Gen Y? What are their characteristics and what are their prospects? How does the FM industry establish a relationship with these children of the baby boomers? (see **Box 1**)

Gen Y tend to be the children of rich, guilty and indulgent baby boomer parents. ("Guilty" because in many countries both parents worked.) In nations such as China, the U.K. and Australia, Gen Y has only ever known a world of gently ascendant prosperity. They have no recollection of the excesses of the late 80s or of the stock market crash of October 1987. This, together with the fact they are supported either directly or indirectly by a parental safety net, makes them fearless of the future: "why won't the future be just like the past?"

Gen Y are also often single children in a family whereas baby boomers were likely to be one of four, five or six kids. If you are one of six kids in a family you understand concepts like deference, hierarchy, "waiting-your-turn" and "hand-me-down clothes". If you are a single child raised by rich parents in prosperous times then you wait for nothing: "I want it. And I want it now". Single children also have well-developed skills of negotiation; they are used to dealing one-on-one with figures of authority from a young age; these are skills they would take into the office later in life.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Box 1: Generation Definition

There is no single authority on the start and end dates to each of the generational categories. Indeed there is variation between authors on the naming of some generations. Until the turn of this century the group we now know as Gen Y was sometimes referred to as the Dotcom Generation. And even between countries there is variation in the metrics typically used to define the birth years of generations. Nevertheless the centre-of-gravity of each generation is generally accepted as being positioned within the timeframes set out below:

Baby Boomers: this generation was mostly born during the 15 years to June 30, 1961. The impact of WWII was profound in that it stifled birth rates in participating nations over the six years to 1945. The birth rate ratcheted almost immediately following the demobilization of troops: in Australia troops were first demobilized in September 1945; the birth rate jumped nine months later in June 1946. The parents of baby boomers were young adults during the war; they also "touched" the Great Depression of the early 1930s. These experiences shaped the households of young baby boomers. Unlike their frugal parents the boomers are proven consumerists; they have also enjoyed generally prosperous economic times throughout the second-half of the 20th century in participating nations. Boomers now hold senior management positions in the workforce and over the last decade many have been accumulating and storing wealth in preparation for their retirement. It is this generation that has largely underpinned the rise of the FM industry over the last 15 years.

Generation X: this generation was born over the 15 years to June 30, 1976. Generation X was named by Canadian author Douglas Coupland with the release of his book of the same name in 1992. Xers struggled throughout their youth to establish an identity that was separate from the preceding boomer generation. The focus had always been on boomers and on their cultural causes. Xers have been labelled cynical largely because they matured to adulthood in the wake of the 1987 stock market crash. They entered the job market amid an era of economic rationalism in the early 1990s. Xers struggled to enter the housing market in many nations where property prices were leveraged up by the preceding generation of household-forming boomers. Xers are now transitioning into senior management positions in the office.

Generation Y: this generation was born over the 15 years to June 30, 1991. Generation Y, or Gen Y, are the children of the baby boomers. Some see the Ys as the children of rich and indulgent baby boomer parents. The boomers were the first generation to deliver two incomes to the household and have been inclined to indulge their children as a consequence. In many nations, such as the U.K., China and Australia, Ys have only ever experienced a world of rising economic prosperity. Generation Y are less likely to make commitments to marriage, to mortgage, to children or to career until late in their 20s. This generation is more likely to live at home or, in the case of the U.S., to continue to draw upon parental income support after leaving home. Some have labelled this phenomenon as Gen Y having access to the "Bank of Mom & Dad". This generation is highly educated, generally entrepreneurial (in comparison with previous generations) and global in their thinking. All of this makes Generation Y focussed on the here and now and, from an employer s perspective, it also makes this generation especially difficult to retain in the office.

Perhaps because of their family circumstances, boomers were hierarchical, even deferential towards authority. They were prepared to invest early and make long-term commitments to a relationship, to a mortgage, to children and even to a career. "Work long and steady over a lifetime and you too can make it to the top" was, and remains, boomer thinking.

Gen Ys are less inclined to make long-term commitments in their 20s which makes this generation particularly difficult to engage by the FM industry. A generation that is early committed to marriage, mortgage, career and children is far more likely to make plans for the future that require a financial commitment. These factors make some within Gen Y an especially difficult segment to engage in long-term financial planning. And yet it is this generation that will be the wealth accumulators from next decade when the world's first Gen Ys turn 40 in 2016 (see **Box 2**).

Gen Ys at work

But why is it all about the Gen Ys? And especially in the workplace. Even the term "Generation Y" was not in common currency, anywhere, until early this decade. The reason why business is now focussed on Gen Y is because of a perceived skills and labor shortage in the developed world. But the skills shortage reflects broader demographic issues that

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

impact on the FM and other industries such as the transition of the baby boom generation beyond work and into retirement.

The chart in **Figure 3.4a** shows the number of people added to the population of Australia, Japan and the U.S., over 100 years to 2050. But this is not the number added to the total population, it is the number added to the population aged 15-64. Here is the annual level of growth in the working-age population over a century.

It is the 15-64 segment of the population that reproduces, that provides support and care, that buys consumer goods, that forms households, that accumulates wealth, and that pays tax. Here is growth in the "demographic engine" of three nations over the course of a century. Also included in each chart is the era in which different generations entered the labour market. The boomers may have been born in the 1950s but they entered the labour market in the 1970s when the working-age population was rising: "if that baby-boomer did not do exactly as they were asked in 1978 then "dump them" … reach into the workforce bucket and get another".

Gen X entered the workforce during the 1980s when growth in the working-age population was plateauing.

Gen Y entered the office workforce early in this decade and in a different paradigm altogether. The working-age population is still expanding in the U.S. and in Australia, but it is expanding at a reducing rate: "if that Gen Y worker does not measure up, you can't reach into the workforce bucket to get a replacement, because the bucket is shallower".

This is an important development: it signals a transfer in the balance of economic power from the employer to the employee.

And of course the issue in Japan is not that the working-age population is now increasing at a reducing rate, as is the case in the U.S. and Australia, it is that

The charts in Box 2 show the rate of unemployment and the price index (or equity index) of the Australian, German and Japanese stock markets from 1979 onwards. This index is a measure of stock market performance and reflects investor sentiment on the state of the economy.

The charts have been divided into three phases, each of which represents the period in which a generation has entered the office workforce, generally from about the age of 24. Baby boomers born over the 15 years to 1961 entered the office workforce between 1970 and 1985. Gen Xers arrived in the office during the late 1980s and throughout the 1990s. Gen Y first entered the office workforce at the turn of this century.

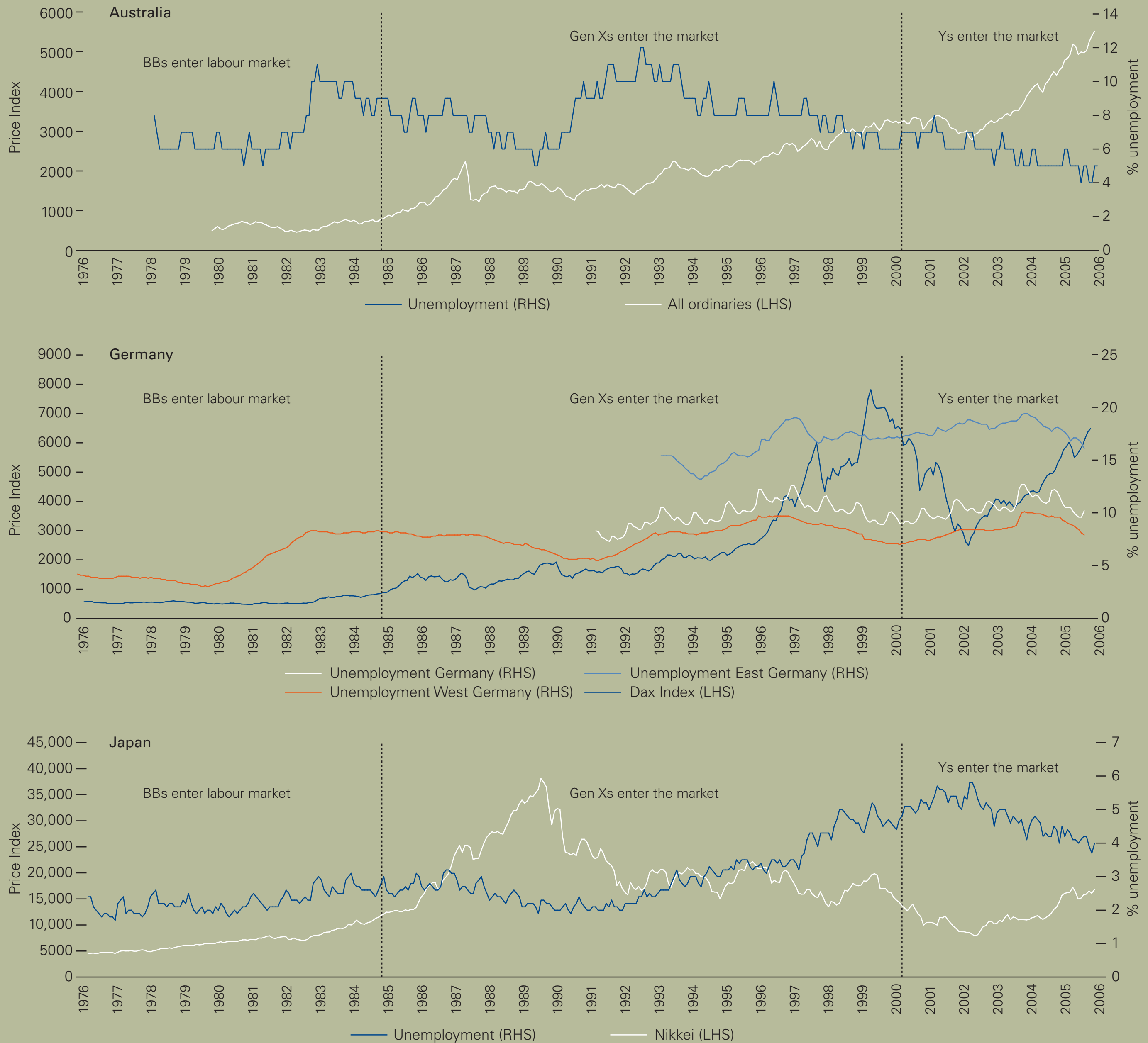
Throughout their careers both the boomers and Gen X have experienced the full range of economic ups and downs such as the oil crisis of the early 1970s, the stock market crash of 1987, and various rises and falls in the rate of employment. There were also shocks specific to each nation: the German market dropped at the turn of the century; the Japanese market collapsed in the early 1990s. These shocks had the effect of tempering the views of older, but debatably wiser, boomers and Xers.

Gen Y on the other hand has had less time in the workforce. This generation s experience with the broader economy and therefore with the world of work also varies between countries. The last decade has delivered turbulent times in Germany and Japan whereas in Australia economic circumstances improved every year.

While there are consistent demographic metrics that unify Gen Y across developed nations such as the postponement of marriage and children, locally prevailing economic conditions can shape the generational perspective. The focus groups and the interviews that senior management suggest that Gen Y in Germany and in Japan is not as fearless about the future as are Australians in this generation.

For example, as one of the German focus group attendees said, *"I think the times are over when people could say, well "I don t mind if I am jobless for a month". We simply can t afford this anymore today.* Whereas in Australia the view is that *everyone knows a job is a job and in the end you will leave.*

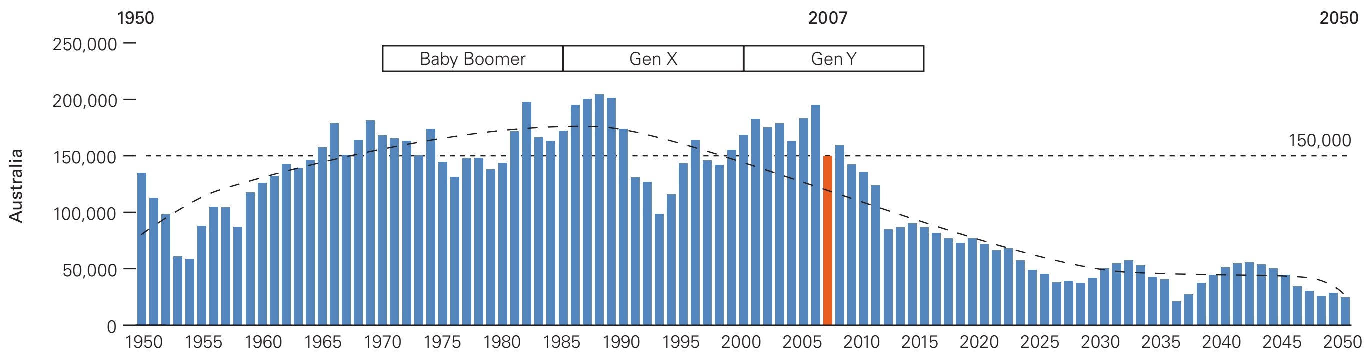
© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.



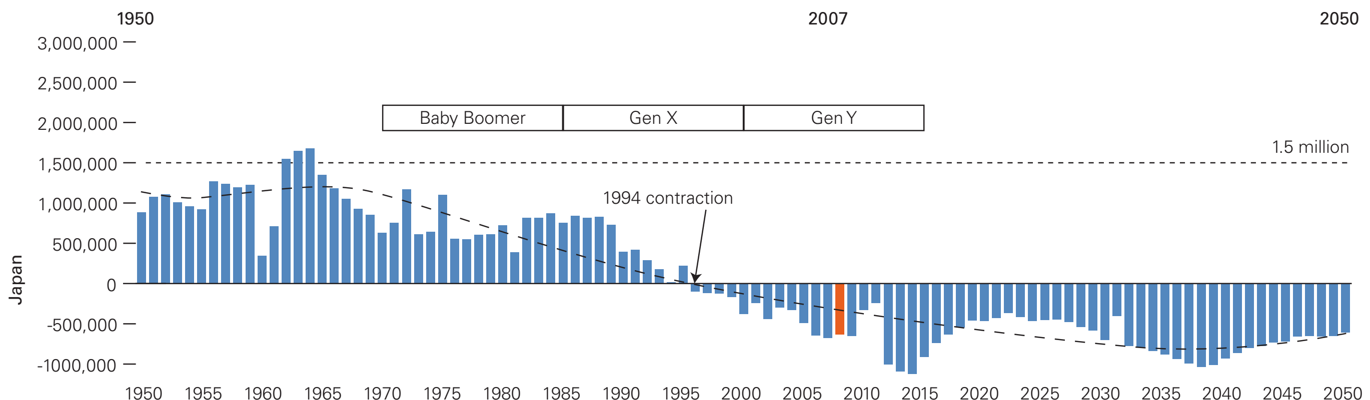
Source: Bloomberg, Australian Bureau of Statistics, UN Statistics Bureau, 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

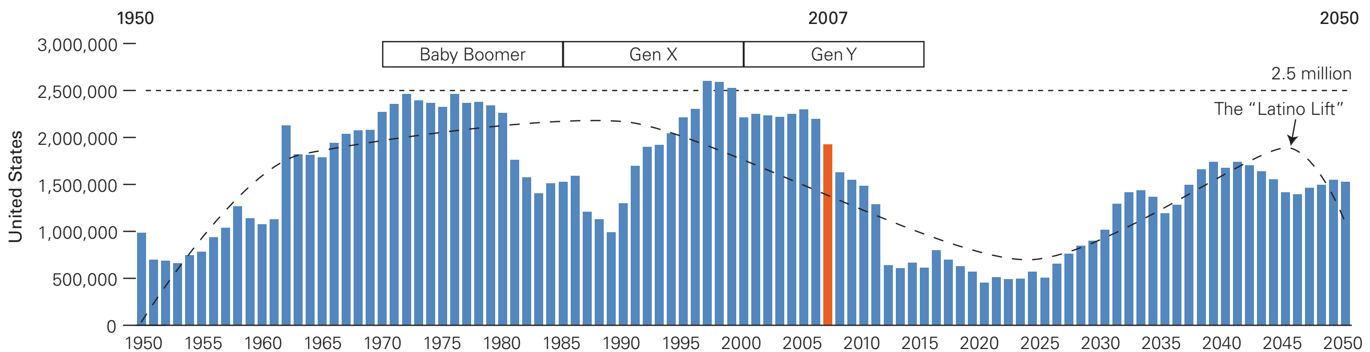
Figure 3.4a Net annual change in 15-64 population for selected countries, 1950-2050



Source: KPMG International, 2007; Australian Historical Population Statistics, ABS 2004; Population Projections, Australia, 2004 to 2101, 2006



Source: KPMG International, 2007; Statistics Bureau of Japan, 2006



Source: KPMG International, 2007; US Census Bureau, 2006

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

the working-age population in Japan began contracting from 1994 onwards.

This is an important issue.

There is a shrinking population base in Japan in that segment of the lifespan that buys consumer goods, that reproduces, that accumulates wealth, and that pays tax. And if you consider the outlook for Japan, and to a lesser extent for the U.S. and Australia, the trend is projected to remain unchanged over the short- to medium-term.

If it is accepted that there was a diminution in the birth rate from the mid-1960s onwards, then it must also be accepted that in the early decades of the 21st century there will be a commensurate slow-down (and perhaps even a contraction) in the working-age population that drives the consumer and the savings market. Or at least this is the case in nations where immigration flows are negligible, such as Japan.

This big-picture view of the demographic outlook for Japan is also reflected in that of Germany (see **Figure 3.4b**), although in this nation the working-age population does not actually begin to contract until next decade. The working age population in China will also contract next decade due to the imposition of the One-Child policy in the late 1970s. The outlook for India, however, is quite different; this county is at a 100-year peak in the number of people pushing into the working age population thereby stimulating both consumer and workforce growth.

Nations that appear insulated (though not immune) from the slow-down in the rate of growth in the working-age population have a strong culture of immigration such as the U.S. and Australia, or retain a birth rate that has not diminished significantly over recent decades, such as India as well as Latino Christian and many Islamic nations. The lift in the working-age population projected for the U.S. in the 2030s is attributed to the higher birth rate for the Latino as compared with the Anglo population in that nation.

These demographic shifts across the developed world have the effect of elevating the value of skilled labor. The fact is that skilled Gen Y labor, in both the FM and in other industries, is in high demand due in part to the demographic imperatives outlined above. This broader environment provides today's 20-somethings with a leverage in the office that was simply not possible for preceding generations. And this is why the FM industry must focus on issues surrounding the recruitment and retention of Gen Y.

The new life stages–where Gen Ys fit

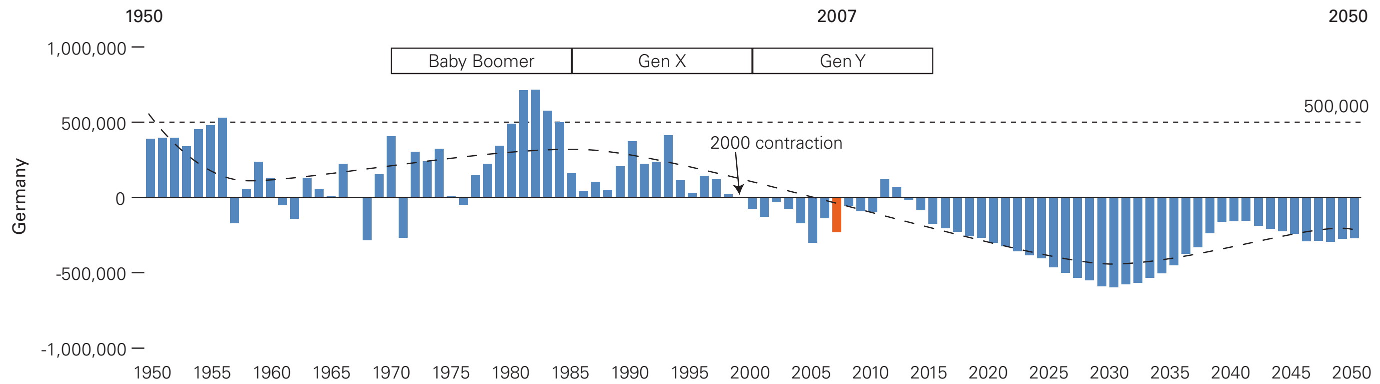
In 1928 life expectancy for the average American was 59 years. The average Briton lived for 60 years and the average German 56. In America an age pension was introduced soon after this date for people aged 65 and over. Indeed it was common in the developed world at this time for the age pension to post-date life expectancy. By the early 1930s the average American passed away six years prior to reaching the cut-in year for an age pension (see **Figure 3.5**).

The other important feature of life in the U.S., and elsewhere, at this time was that individuals were considered to be children for 14 years and then, on their 15th birthday, they were an adult. The life-form we now know as the "teenager" was not in common use anywhere prior to WWII. At this time, and in most nations, there was childhood, adulthood, old age and death. That's the way it was 80 years ago.

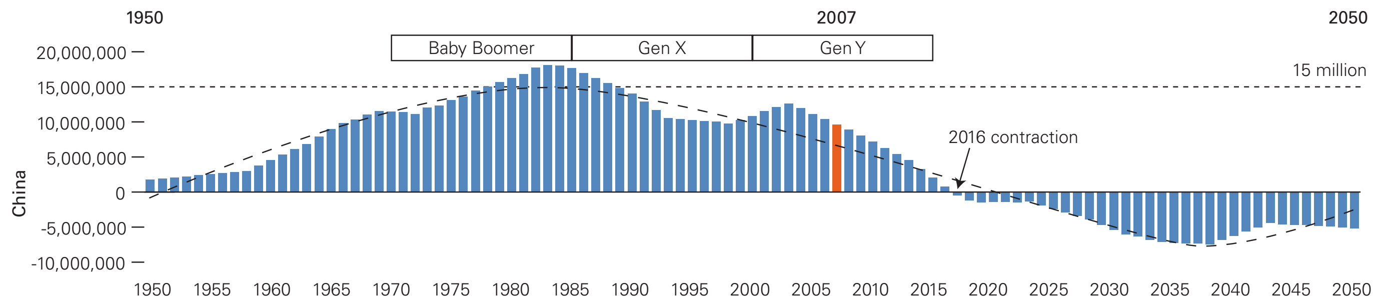
Today life expectancy for the average American is 78 years: a little more for women, a little less for men. Life expectancy in the study-group nations ranges from 77 years in Korea and the U.S. to 82 years in Japan. What has not been affected by this variation in life expectancy is that childhood is still regarded as lasting until puberty, or the

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

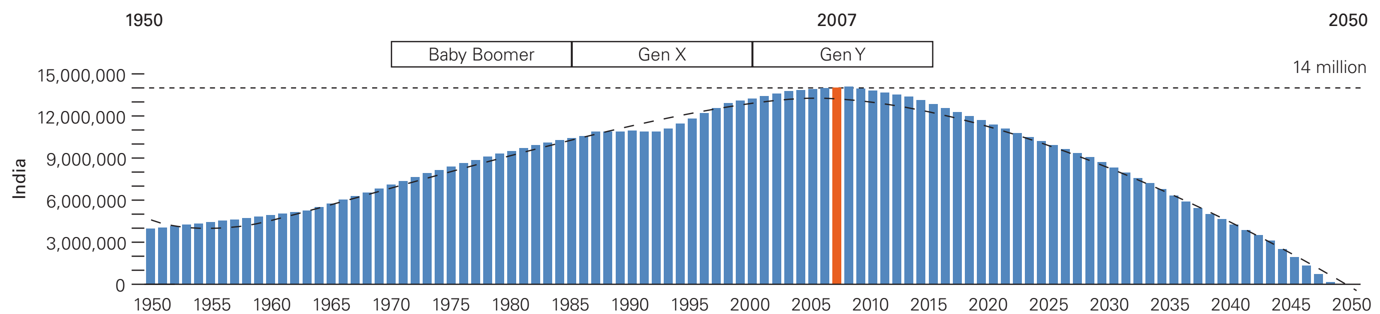
Figure 3.4b Net annual change in 15-64 population for selected countries, 1950-2050



Source: KPMG International, 2007; Eurostat, 2006



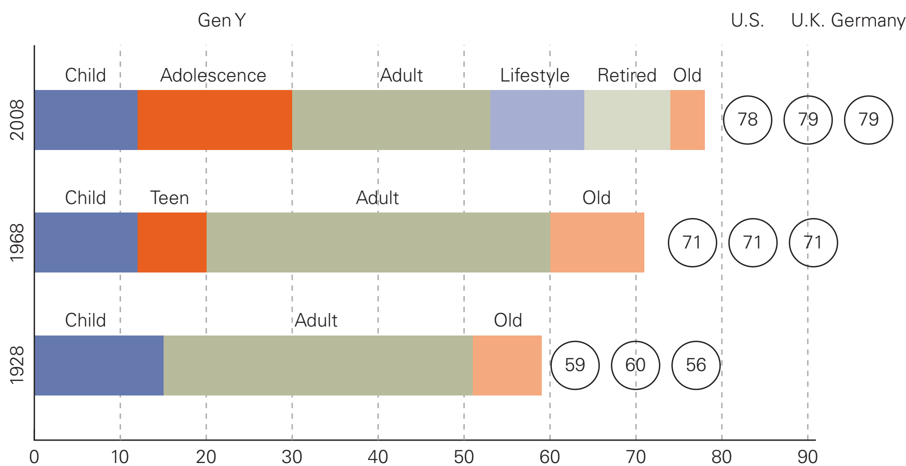
Source: KPMG International, 2007; UN Statistics Division, 2007



Source: KPMG International, 2007; UN Statistics Division, 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 3.5 Change in the lifecycle



Change in life expectancy over 80 years in the U.S., the U.K. and Germany

Source: US Census Bureau; National Statistics; UN Statistics Division

	Years
Japan	81.9
Hong Kong	81.5
Switzerland	80.5
Australia	80.2
Sweden	80.1

Source: UN Population Database, 2007

Residents of Japan have the highest life expectancy at birth of all countries participating in this study. A Japanese child born in 2005 can expect (ceteris paribus) a lifespan of 81.9 years: 78 for men and 85 for women. Across the globe, female life expectancy exceeds that of males.

In second place is Hong Kong followed by Switzerland, Australia and Sweden. Life expectancy leveraged up in the second-half of the 20th century due to medical advances and especially in the field of preventative health care. The U.S. has the lowest life expectancy of all participating countries at 77.3 years in 2006. Ethnic and health outcomes throughout the U.S.

Over the last 30 years life expectancy in Japan has extended by nine years. Almost a decade was also added to the Australian lifespan over the 30 years to 2005. In Germany life expectancy has ratcheted 23 years in the last 80. Increases in life expectancy deliver time into that stage in the lifespan that must be supported by savings accumulated in a previous phase. Most developed nations' official retirement age of 65 requires a lifestyle to be supported for at least 15 years.

As life expectancy continues to increase so too does the demand for a funded retirement. A pension plan developed from youth and nurtured throughout middle age must support a lifestyle for up to 20 years beyond retirement. It is this demographic principle, together with the ageing of the baby boomers, that has underpinned a demand for the services delivered by the FM industry.

age of about 12. Thereafter a new phase in the lifecycle was developed soon after the war as a transition between childhood and adulthood, called the "teenage years" stretching between 13 and 19 (see **Box 3**).

However in recent years, and again in most nations, Gen Y perhaps taking their cue from Xers in the 1990s have stretched the teenage years. The postponement of marriage, mortgage, children and commitment to careers has resulted in Gen Y extending the teenage years: there is an argument to say that the teenage phase in the lifecycle now extends between 13 and 29. But the extension of the teenage years doesn't end there.

Over the last decade ageing baby boomers have reinvigorated the teenage phase in life by reinserting it in the 50-something time in life. This new teenage phase also acts as a transition between peak-income earning capacity in the late 40s and true retirement at 65.

Whereas once we only saw old age extending beyond 50 we now see a finer granularity. The 50-something decade is the new lifestyle phase, the new teenage phase, in the average lifespan. Between 65 and 74 there is the traditional-retirement phase. In the U.S. and Australia this is what is known as the "grey nomad" phase in life, or the "Winnebago" phase, where retirees

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

travel the world. Beyond 74 lies the frail elderly, although with advances in health care this stage in life is being pushed back. Baby boomers will not breach this stage in life until the 2020s.

Lifestyle trends are being reshaped by demographic change: life expectancy has delivered the baby boomers 20 extra years of life when compared with their middle-aged counterparts from the early 20th century. These gains are even more profound in nations like Singapore and China where up to 40 years have been added to the average life over the last 80. Other metrics changed more recently: 20-somethings no longer marry early in the decade. This leaves time for other pursuits: travel, education, the trialling of relationships, volunteering (see **Box 4**).

Box 4: Top five shift in age at first marriage

	1980	2005	Change
United Kingdom	22.9	29.5	6.6
New Zealand	21.7	28.1	6.4
Germany	23.2	29.6	6.4
Australia	21.9	28.0	6.1
France	23.0	29.1	6.1

Source: Australian Bureau of Statistics, U.K. Statistics; Statistics New Zealand; National Institute for Statistics & Economics Studies France; Statistics Germany

The average age at first marriage for both women and men has been increasing since the mid 1970s throughout the developed world. In 1980 the average age at first marriage for women in participating countries was around 24. This varied from 22-year old brides in Australia to 25-year old brides in Japan. However by 2006 the average bride had aged five years to 29. The average Japanese bride is now 28; the average Swedish bride is now 32.

Brides have remained relatively young in the U.S., up just four years over the last 25 to an average age of 25. In all cases grooms too have aged at precisely the same rate as brides. These are important indicators of generational change. Baby boomer women marrying in the 1970s were frequently aged less than 25. Gen Y women marrying in this decade are closer to 30. The generational shift between boomers, through Xers and now to Gen Ys has changed the age of commitment.

This postponement of marriage is matched by a similar postponement of, and a scaling back in the number of, children. These demographic shifts result from social changes such as young women s rising preference for the pursuit of further education and career development.

Marriage, mortgage and children are now being postponed to the late 20s or early 30s in many developed nations. This has the effect of delaying the transition into the type of financial responsibilities associated with asset and family protection such as the purchase and insurance of property and focusing on a pension plan.

This makes engagement with today's 20-somethings, or Gen Y, by the FM industry especially challenging. Indeed many in the FM industry believe that this segment is genuinely disinterested in financial security. Or at least that's some in the industry's view of Gen Y at this time in their lives.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Across the developed world Gen Y have tended to come from smaller families and, for the most part, they have avoided the calamities that marked preceding generations such as world wars and the Great Depression. It is this combination of changes in social mores (such as the postponement of marriage) and a broadly benign global economic environment during their lives thus far, that has forged a generation of 20-somethings that is unlike those of any previous era (see Box 5).

Is the FM industry ready to engage Gen Y as employees? And how well does the FM industry really understand the generation that will deliver wealth in the years that lie beyond the boomers? These questions are addressed in the next chapter which considers the results of a global industry survey that examines these issues.

Box 5: Top five fall in fertility rate (number of children per woman)

	1975	2005
Singapore	2.6	1.4
Italy	2.3	1.3
New Zealand	2.8	2.0
Japan	2.1	1.3
Australia	2.5	1.8

Source: United Nations Statistics Division, 2007

In the latter decades of the 20th century fertility rates (number of children per woman) declined in most participating countries. In Italy, for example, the total fertility rate (TFR) has dropped from 2.3 children per women in 1975 to 1.3 in 2005.

However, in the U.S. fertility is on the rise due in part to the values of the Latino population. Indeed the fertility rate in the U.S. at 2.0 births per woman is among the highest of any country in the developed world. The fertility rate is also holding up in France (1.9) and in Australia (1.8), whereas in Germany, Japan as well as in Italy, the TFR is now 1.3. Note that a fertility rate of 2.1 is the replacement rate: one for each male and female and one-tenth to allow for cases of infertility.

In the last three decades of the 20th century, women and men began marrying later and had fewer children in most developed nations. This shift changed the experience of 20-something youth between the boomers and Gen Y. The boomers required commitment to support relationships and households; Gen Y are freed of these commitments in their youth.

The social shifts that brought about this change in the use of time in the 20-something age group was not universal. Oddly it is the U.S. that lags on this measure. However while there has been no diminution in average fertility in the U.S. this measure would have dropped substantially in urban and Anglo America. Women s pursuit of education, training and career opportunities, ultimately linked to the women s movement of the late 1960s, has had a profound impact on the social change. The freedoms and the spending capacity of Gen Y in many nations is substantially based on social changes that were put into effect three decades earlier.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

4 Survey responses: what the industry says about Gen Y

The review of demographic trends shows that the rate of growth in the "wealth accumulation" phase of the lifespan will decelerate next decade. It also shows that a diminution in the birth rate in many developed nations a generation ago is having the effect of reducing the rate of growth in the labour market population. These demographic shifts deliver leverage to Generation Y as employees in an increasingly tight labour market, and as the next generation of wealth accumulators and inheritors.

In order to assess the industry's knowledge of and engagement with Generation Y as both employees and as customers or as potential customers, a survey has been conducted that canvasses the views of the global funds management (FM) industry. A questionnaire was distributed globally by KPMG member firm offices eliciting 125 valid responses from 17 countries. Survey respondents control total funds under management (at December 31, 2006) of U.S. $3,800 billion or 18 percent of the world total. The questionnaire was based around two key issues: Gen Y as potential customers of the FM industry, and Gen Y as employees.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Box 6: Survey methodology and participant countries

This report contains demographic and survey data relating to 17 developed nations. The combined population of these nations is 846 million or 13 percent of the world total. The combined GDP of this group of countries is US$28,000 billion in 2005 or 48 percent of global output. The countries that participated in the survey are Australia, Canada, Finland, France, Germany, Hong Kong, Italy, Japan, Luxembourg, Korea, Netherlands, New Zealand, Singapore, Sweden, Switzerland, U.K. and the U.S.

The survey comprised three sections: business operation; Gen Y as investors in FM products; and Gen Y as staff in FM organisations. A total of 125 valid responses were received; each comprised 20 multiple choice questions. The survey was sent by local member firm offices of KPMG to each country's leading FM businesses over the period March-May 2007. All financial reporting was originally expressed in U.S. dollars. Care was taken to ensure that FUM and staff numbers related only to each entity's operation within the nation completing the survey.

Total FUM by the 125 respondents was U.S. $3,800 billion or 18 percent of world total. This survey elicits the views of businesses that manage close to one-fifth of global FUM.

Gen Y as customers of the funds management industry

A series of questions were designed to establish the industry's understanding of, and engagement with, Gen Y as customers (see **Box 6**).

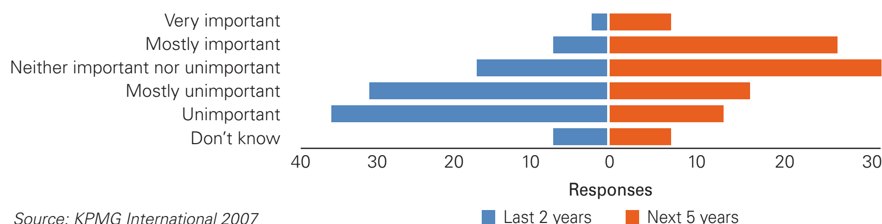
Importance of Gen Y customers

The FM industry's view on the importance of Gen Y as customers is shifting. Some 67 percent of respondents thought Gen Y had been "unimportant" as customers over the last two years. However, over the next five years those holding this negative view drops to 29 percent. In fact more than one-third of funds managers see the role of Gen Y as customers becoming "important" in the future (see **Figure 4.1**).

Product offerings considered attractive to Gen Y customers

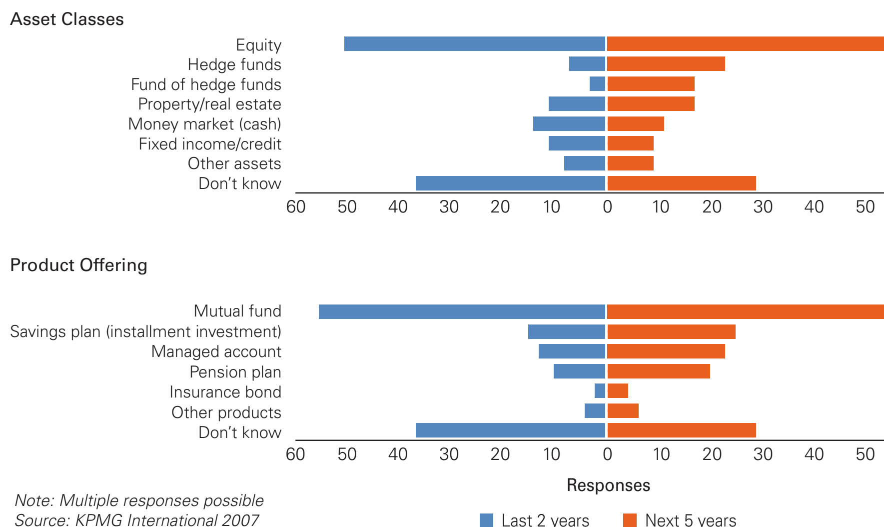
Mutual funds and equities stand out as the product offering and the asset class that have been, and are expected to remain, the most attractive offerings delivered by the FM industry to Gen Y customers.

Figure 4.1 Importance of Gen Y customers



Source: KPMG International 2007

Figure 4.2 Asset classes and product offerings considered attractive to Gen Y customers



Note: Multiple responses possible
Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

However the role of hedge funds is expected to be increasingly important to this segment in the future. Only seven respondents saw hedge funds as being attractive to young people over the last two years whereas this proportion rises to 24 when considering the next five years.

The industry also sees savings-plan (or instalment investment) becoming more attractive: up from 15 responses in the last two years to 25 responses in the next five. And the same logic applies to pension plans: the perception of this product being attractive to Gen Y is shifting from 10 responses in the recent past to 20 responses in the future. The industry seems to be increasingly focussing on Gen Y: some 37 respondents could not cite product offerings considered attractive to Gen Y over the last two years. But when considering the next five years the number of "don't know" respondents drops to 29 (see **Figure 4.2**).

Better understanding of Gen Y customers

Perhaps because between 29 and 37 respondents could not cite a single product that they considered attractive to Gen Y in the past or in the future, it is not surprising that 62 percent said they believe they need a better understanding of this market segment (70 percent in Asia-Pacific). This response suggests that while many respondents were prepared to nominate products they thought attractive to Gen Y customers, some may have been unsure about their responses. Nevertheless there seems to be a core of between one-quarter and one-half of businesses that do believe they need a better understanding of Gen Y (See **Figure 4.3**).

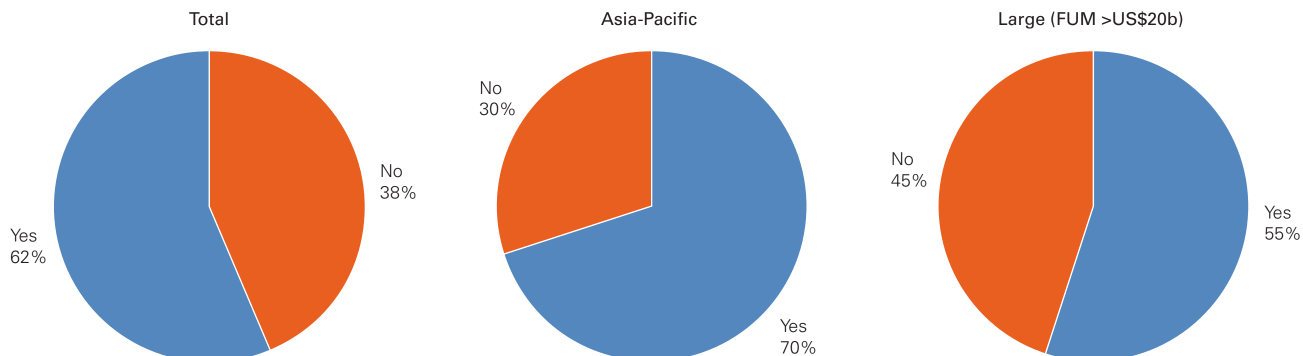
Methods of engagement with Gen Y customers

It appears that the concept of Gen Y as customers simply did not register with many FM businesses in the recent past. Only 22 percent of respondents had made any attempt to enhance or improve their engagement with Gen Y over the last two years. However this is expected to change profoundly to 50 percent over the next five years.

This means that 28 percent of FM businesses had not engaged Gen Y but believe that they should now begin to focus on this segment.

The FM industry is very clear on the matter of how it expects to engage Gen Y. In the past, the one-in-five (22 percent) FM businesses that did engage with Gen Y did so via market research (15 responses), advertising (15 responses) and product development (13 responses). The half of FM businesses that intend engaging with Gen Y in the future plan to do so via a range of initiatives such as advertising (33 responses), distribution (27 responses) and

Figure 4.3 Better understanding of Gen Y customers



Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

market research (26 responses). Interestingly the use of celebrities was poorly regarded as a way of engaging the interest of Gen Y (4 responses).

What is especially relevant from **Figure 4.4** is the breadth of intended approaches to engaging Gen Y. There are nine engagement strategies that attract more than 10 responses. (Note that this question allows for multiple responses which means that components will not sum to 125.) This multiplicity of responses is reflective of an industry that seems prepared to try a number of approaches to engage this segment. Another interpretation is that there is no consensus within the FM industry on the best method of engaging Gen Y.

Factors that make funds management products attractive to Gen Y customers

Respondents were then asked to prioritize factors that they believed would make FM products attractive to Gen Y. There were four significant responses each capturing more than 10 percent.

About one-quarter of respondents thought that the Gen Y product must be "easy to start and easy to maintain." Almost one-fifth thought this segment would demand top-tier performance. Also highly ranked was the need for the product to be easily understood. And finally many respondents thought products needed to be flexible to attract Gen Y (see **Figure 4.5**).

Perhaps of equal relevance is that several factors were perceived as having little relevance to making products attractive to Gen Y. For example, only two percent of respondents thought Gen Y products had to be "low-risk".

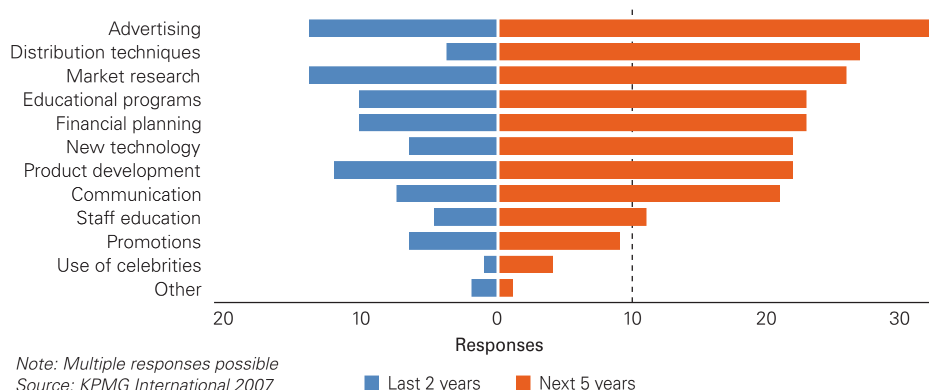
Somewhat surprising is that only two percent of respondents saw the need for an element of self-management in developing products to appeal to Gen Y. And the reason why this is surprising is because the focus group research suggests this feature is important to this generation.

The impression that can be gleaned from these responses is of an industry that sees Gen Y as being highly mobile, is demanding in terms of returns, is either time poor or has a short attention span, and has an appetite for risk. Here is a generation with time to recover if investments go awry. The industry does not see Gen Y as especially requiring the capacity to control, tailor and monitor its investments. And if this truly is the industry view then later focus group results combined with a brief summation of the broader literature suggests that on this issue, the industry has got it wrong with Gen Y. To some extent the FM industry is sceptical about Gen Y's capacity to invest, although the point is that engagement of this generation is not necessarily a strategy designed for short-term results. Rather the strategy is to establish a dialogue with the future generation of wealth creators and wealth inheritors.

Reasons why Gen Y does not engage with FM products

Some 41 percent of respondents believe that the reason why Gen Y are not large consumers of FM products is because

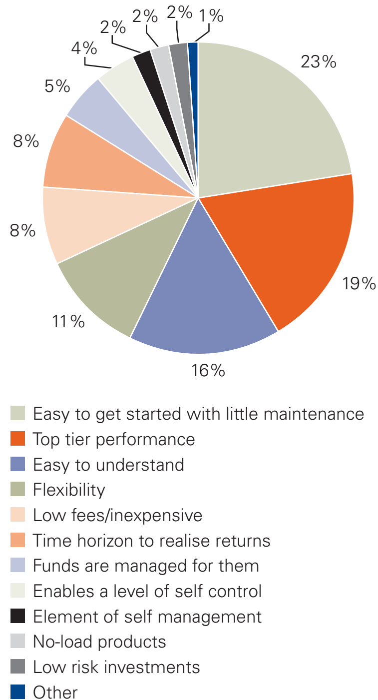
Figure 4.4 Methods of engagement with Gen Y customers



Note: Multiple responses possible
Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 4.5 Factors that make FM products attractive to Gen Y customers

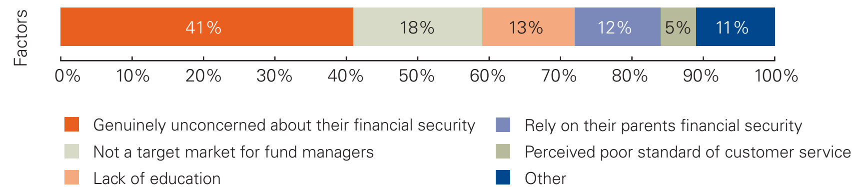


Note: Ranked responses weighted
Source: KPMG International 2007

they are genuinely unconcerned about their financial security. A further 12 percent of respondents think that Gen Y mostly rely on their parents for financial security (see **Figure 4.6**).

These two issues are linked: the reason why Gen Y does not engage with the FM industry is because they live with, or are dependent upon, their parents. As a consequence there is little incentive for this segment to focus on the long-term financial security.

Figure 4.6 Reasons why Gen Y does not engage with FM products



Source: KPMG International 2007

On the other hand 18 percent of respondents believe that non-engagement with the industry by Gen Y is because they have not been a target for funds managers. Another 13 percent think this non-engagement in long-term financial planning flows from a lack of education.

This question has brought out divergent views. Gen Y are disinterested in matters relating to financial security because:

- They are still dependent on their parents; or
- The FM industry has not targeted this segment with product or advertising.

The former view is stronger among fund managers (53 percent) than the latter (31 percent). Interestingly the former proposition is the result of inaction by Gen Y; the latter is the result of inaction by FM businesses. In other words it's their fault not ours.

Respondents also offered a series of non-standard responses to this question. These comments can be summarised as follows:

- No spare cash; no financial assets; insufficient disposable income; focus on superannuation and on buying a residence rather than investment in other FM products
- Lack of time/understanding of financial products; not top priority; not savers but are consumers
- Short-term focus on career and property; focus on other investments (real estate)
- They place high value on viral marketing or peer-to-peer recommendations.

The latter point is particularly relevant in that Gen Y have a clear preference for tribal social structures. Their friends, peers, workmates are important points of reference and sources of information. This issue was especially evident from the focus groups.

Strategies considered most successful in attracting Gen Y customers

Exactly one-half (or 50 percent) of respondents see the need to engage Gen Y as customers over the next half-decade.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

London

"If I received £5,000 I'd put it in a box under my bed." *Male*

"I live for today." *Female*

"I'd quite happily leave a job because I was bored with it, go on the Dole and wait until I found another job." *Male*

"I had a meeting, I went to see the bank to ask them about something and I was asking about investing and saving and the guy, he was the bank manager, spent the whole time trying to get me to get a credit card, to do this that and the other and I came out of it, after spending an hour in there and I was just like "what was that?", he didn't give me any advice." *Female*

"My company is good at keeping people because of the way they are involved in the company strategy, the way we were communicated to, we have regular training, regular meetings, it's just very transparent." *Female*

Tokyo

"I don't have much knowledge on finance, I'd use 500,000 JPY for something which would make a good topic for conversation, such as using full amount for buying lottery tickets." *Female*

"I want to make money besides my current salary, but the interest rate is low, I have no time to invest in stocks and I don't want to suffer a loss." *Female*

"I trust word-of-mouth… I can see the face of the person who is telling me the information, so it is more trustworthy." *Male*

"My company is conservative, it has a history of more than 100 years and the president wants to keep things as they were in the past. The company doesn't try to expand. Those who want to do something else or different leave the company." *Male*

"Talented people leave the company if another company offers them a better salary. As is the same case with baseball player, even if the team tries to retain him by paying 300 million JPY, he will leave the team if the other team offered him 500 million JPY." *Male*

Frankfurt

"Given 5,000 EURO, I'd place 4,000 EURO on a day-to-day money account. I like the idea that the money is available at any time. Then I'd invest 1,000 EURO in funds … I want complete accessibility to the money I am saving, just in case I decide to buy a house tomorrow. I don't like the idea of investing money for an eternity, 3 years for instance is sufficient." *Male*

"Rent, travelling, dining-out, having fun and if something is left, you can save it." *Male*

"I went to the bank and wanted to invest money, and the guy just spoke financial mumble-jumble to me." *Female*

"If you don't want to do the job, 100 others would be queuing up in front of the door. This concerns esteem and security as well. Playing the fool for a while for decent money might be interesting but…" *Male*

"Good at recruiting but a disaster when it comes to keeping people." *Female*

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Sydney

"I'd use $5,000 to pay out debts, get the interest paid off, you don't want to pay 16 or 17 percent on a credit card…" *Female*

"Super [pension] is too far away, I will probably be 75 by the time I have it… I'd rather have a dollar now than a dollar then." *Male*

"Sometimes they aren't readable. With my super [pension] stuff for example, I don't know if I've made money or not – it's just a whole bunch of stuff." *Male*

"Everyone knows a job is a job and in the end you will leave." *Male*

"I like work to be fun. I enjoy the people I work with and I enjoy the kind of work that I do. It provides a sense of community, we all get along, and we all do things, maybe at the weekend, and meet other people through work." *Female*

New York

"I'd put $5,000 in a CD or just put it in my, I have a [brand name removed] account, I get a pretty good interest rate on that, so I'd put it in there." *Female*

"People just don't really care [about investing]. They would rather do their thing that they enjoy doing than deal with finances." *Male*

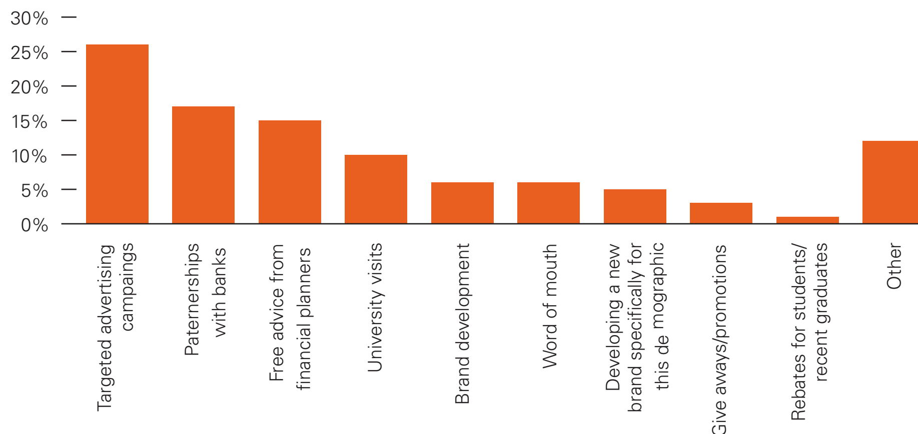
"We need to learn more about it basically, I personally feel I do, I don't know too much about it. So if we had more information, something in plain English, nice and simple, maybe a couple of numbers thrown in there." *Female*

"You are only young once. Why waste time going to work if you are unhappy for eight hours of the day?" *Male*

"I was recruited by a very very large financial company when I left college, and worked there for six months and every day wanted to eat the barrel of a shotgun. It was very very high pace environment, beautiful work environment, brand new building, amazing facilities, but just every day was the same exactly. Once you had been there a few months you had seen it all." *Male*

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 4.7 Strategies considered most successful in attracting Gen Y customers



Note: Ranked responses weighted
Source: KPMG International 2007

However only 13 percent currently have specific strategies to sell product to this generation. This means that one-third (37 percent) of FM businesses must be intending to develop strategies to sell product to Gen Y.

There are a wide range of strategies that the FM industry considers successful in reaching Gen Y customers. However those attracting a significant response include targeted advertising campaigns (26 percent), the development of a permanent relationship with banks (17 percent), free advice from financial planners (15 percent) and university visits (10 percent). Interestingly, "give-aways and promotions" were thought to be almost entirely useless (only 3 percent). Respondents were similarly dismissive of using celebrities to engage Gen Y. The FM industry prefers proven approaches such as advertising rather than relying on "favorable association" and the notion of reciprocity that flows from gifts and giveaways (see **Figure 4.7**).

The range of responses to this issue is further evidence of an industry that is either unsure how to attract Gen Y customers or where different approaches are considered appropriate for different products.

Respondents also offered the following suggestions to attract Gen Y customers: discounts for children of clients; partner with affinity groups; specific product for children's packages; student packages; product development targeting Gen Y.

Gen Y as employees

The survey was completed by 125 businesses in 17 nations with 79,000 staff including 15,500 within Gen Y. These businesses controlled FUM of U.S. $3,800 billion or 18 percent of global FUM. The survey shows that half of these businesses have not traditionally regarded Gen Y as an important market for FM product. One-fifth (22 percent) of businesses have always regarded Gen Y as an important market. However there is another 28 percent of businesses that intend focussing on this segment in the future.

The survey also asked questions regarding the experience of the FM businesses with regard to Gen Y as employees. Note that one-in-five workers in respondent firms were from this generation (see **Box 7**).

Proportion Gen Y employees in funds management businesses in survey countries

The office workforce is currently comprised of three generations: baby boomers aged in their late 40s and 50s and generally in management positions; Generation X in their 30s and early 40s and mostly in middle management; and Gen Y in their 20s. The survey found that the proportion of Gen Y employees in respondent businesses ranged between nine percent in New Zealand (small sample) and 32 percent in Singapore (see **Figure 4.8**).

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Box 7: Gen Y Diversity: Japan and Germany and other nations

There seems to be a difference between the Generation Y life-form in English-speaking nations (U.S., U.K. and Australia) and those in Japan and Germany. This is especially evident in matters relating to job security. The recent prosperity of Australia and also of the U.K. and to some extent the U.S., has evoked a confidence in Gen Y in these nations that is either less developed or non-existent in Germany and Japan.

There is greater concern among Gen Y in Germany and Japan with job security than there is in London, New York and Sydney. In the London focus group the carefree attitude to job opportunity was all too evident:

"Some of the people that I work with in my team have been there for seven or eight years and they're doing the same thing.

This theme of easy access to the job market littered the English-speaking focus groups. Again in London one participant admitted moving jobs for money:

"… and I'd do it again, just through boredom … I'd quite happily leave a job because I was bored with it, go on the Dole and wait until I found another job.

No-one is left in doubt as to the motivation behind Gen Y changing jobs in Australia. As one Sydney participant noted:

"Even if I didn t receive more money in my immediate role in the company, or in the next one, if I saw more opportunity somewhere else I would jump ship.

The broader job market is very different in Germany where unemployment in March 2007 was close to 10 percent; the equivalent figure in Australia at this time was closer to four percent. These circumstances weigh heavily on the minds of German Gen Ys, as is illustrated in this comment from the Frankfurt focus group:

"If you don t want to do the job, 100 others would be queuing up in front of the door. This concerns esteem and security as well. Playing the fool for a while for decent money might be interesting, but …

Another participant in the Frankfurt focus group offered the following:

"I certainly won t change my workplace every other year just to climb up the career ladder.

A high level of unemployment is not the issue in Japan since it is about half the German rate. The issue in Japan is the matter of cultural expectations and which are often implied rather than expressed. One participant in the Tokyo focus group explained that "there is some kind of unspoken agreement within the company" about remaining at work once you have had a child. Another in the Tokyo focus group was more exuberant about an unusually hands-off employer:

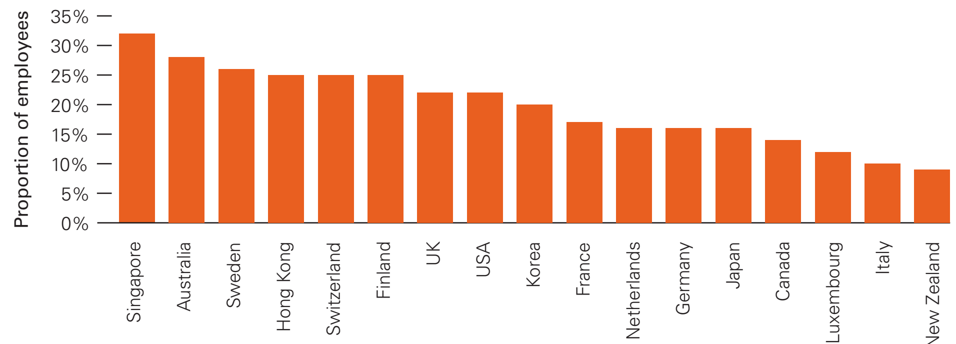
"The president of the company is freak of nature … I like his stance… he lets us do what we want to do … he leaves matters to us.

Gen Y may well have more time and discretionary spending in their 20s, almost universally throughout participant nations, but there are important cultural factors that make the "being of Gen Y" different in non-English speaking nations as compared with English-speaking nations. These factors are as much cultural as they are economic.

Relevance of Gen Y employees

Undoubtedly because one-in-five employees in FM businesses are drawn from Gen Y, more than half (56 percent) of respondents thought this generation would be important to business success in the near future. In fact only five percent thought Gen Y employees have been and would remain unimportant to business success. Indeed Gen Y is almost universally considered to be important as employees by the FM industry, however

Figure 4.8 Proportion Gen Y employees in FM businesses in participating countries

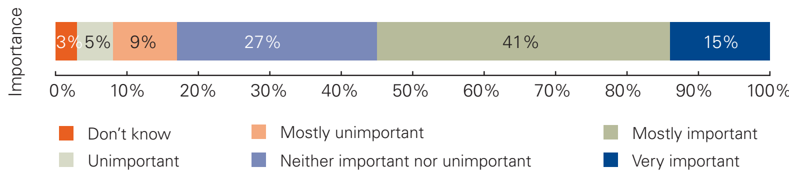


Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 4.9 Relevance of Gen Y employees



Source: KPMG International 2007

there is less consensus within the industry when it comes to this generation's role as customers. At this stage the FM industry's interest in Gen Y is more to do with their talent as employees than it is with their wealth as customers, even allowing for the fact that their role as customers is expected to grow (see **Figure 4.9**).

Better understanding of Gen Y employees

Not only did 56 percent of respondents believe that Gen Y employees are important to business success, but in a separate question over two-thirds (69 percent) thought they needed an even better understanding of this group. Significantly, while only 14 percent of respondents did not think Gen Y employees were important to business success, almost one-third (31 percent) were sufficiently comfortable with their knowledge of Gen Y staff that they did not believe they needed a better understanding of this group. Some 13 percent of FM businesses say they need a better understanding of Gen Y employees, but do not believe them to be relevant to business success (see **Figure 4.10**).

Staff turnover for Gen Y employees in funds management businesses

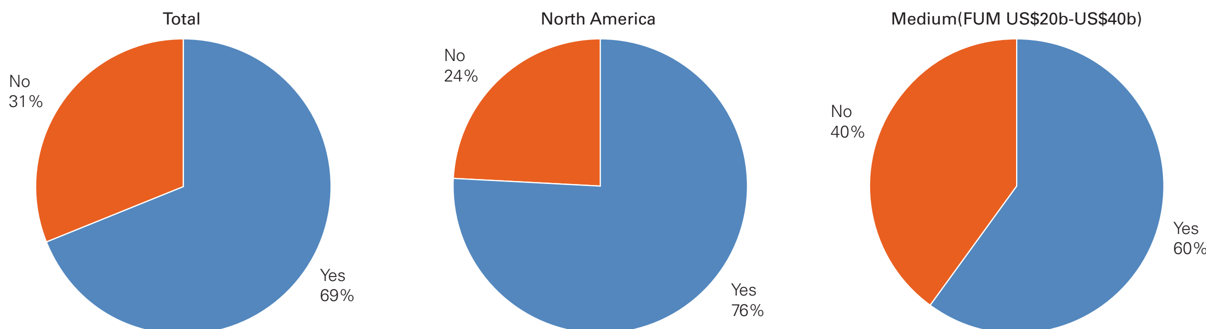
The question on staff turnover was carefully posed; the responses show an industry polarised on the issue. More than one-third (40 percent) of businesses report a Gen Y staff turnover within 12 months of recruitment of less than 10 percent. However one-quarter (25 percent) report a Gen Y turnover of more than 30 percent (see **Figure 4.11**).

In a linked question respondents were asked whether they had implemented specific strategies to retain Gen Y staff. Retention strategies were both implemented and not implemented in equal measure in businesses where the Gen Y turnover rate ranged from less than 10 percent to more than 30 percent. In other words whatever retention strategies were being implemented they were having no discernible effect in lowering the Gen Y churn rate (see **Figure 4.12**).

Strategies to recruit Gen Y employees

Just over one-third (35 percent) of respondents stated that they had developed specific strategies to recruit Gen Y staff.

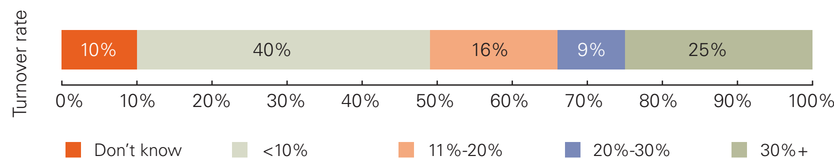
Figure 4.10 Better understanding of Gen Y employees



Source: KPMG International 2007

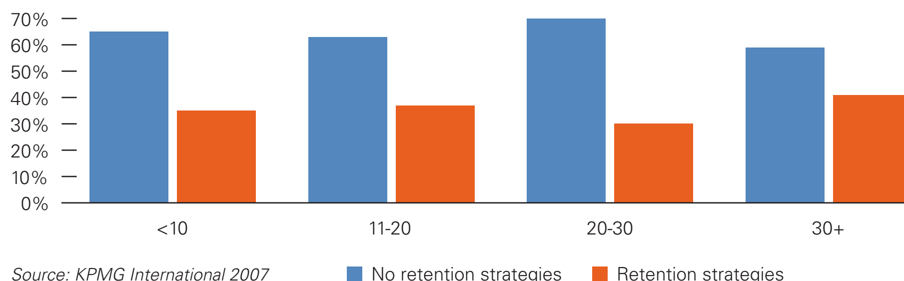
© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 4.11 Estimated annual turnover rate of Gen Y employees



Source: KPMG International 2007

Figure 4.12 Gen Y staff turnover in firms employing/not employing retention strategies



Source: KPMG International 2007

The most successful strategy in recruiting Gen Y staff was considered to be university visits (35 percent) followed by an emphasis on working conditions (13 percent), and a presence at career and trade shows (13 percent). Other strategies identified included targeted advertising, brand improvement campaigns, corporate philanthropy and scholarships (see **Figure 4.13**).

Other ideas offered by respondents to assist in recruiting Gen Y staff included the following:

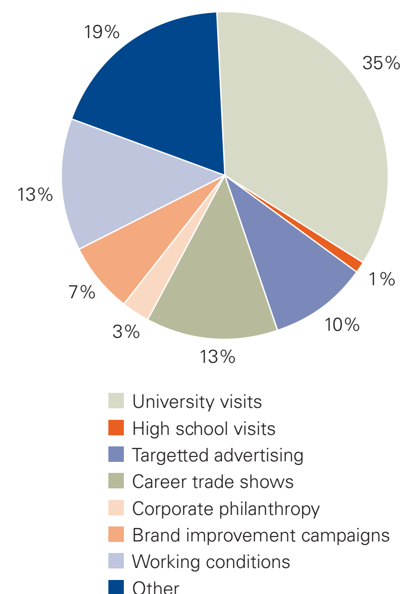
- Graduate leadership/recruitment programs; students identified through professors; scholarships; graduate training
- Word of mouth contacts; Web site advertising
- Summer internships; in-house days (where potential recruits visit the office for a day)
- Select managers where Gen Y are prevalent e.g. call centres.

The issue is not so much the recruitment of staff as it is the retention of staff. Or at least this is the view of Gen Y emanating from the focus groups. This precise point was made several times in the Frankfurt sessions:

"Good at recruiting, but a disaster when it comes to keeping people"—Female

"I think that they throw their money out of the window in order to recruit and place people in new jobs. But they don't work so much on the existing staff who are the ones who are really producing. They need to be motivated, not only in terms of finance but also regarding esteem."—Female

Figure 4.13 Strategies to recruit Gen Y employees



Note: Ranked responses weighted
Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Strategies to retain Gen Y employees

About the same proportion of respondents that had developed specific Gen Y recruitment strategies had also developed specific retention strategies (36 percent).

However there was less consensus in the responses in the identification of successful retention strategies. The two leading approaches on this measure are merit-based compensation (20 percent) and paying for further education (17 percent). Also considered important was the provision of opportunities for career progression (14 percent) and rotation between departments (14 percent).

In some respects merit-based remuneration and opportunities for career progression reflect the same approach: Gen Y staff want the scope to rise and fall on the basis of their ability. Other retention-based strategies appear to be based around lifestyle: opportunities for travel, quality of work environment and flexible hours (see **Figure 4.14**).

Respondents also offered the following ideas on how to retain Gen Y staff:

- Share or equity ownership
- Young Talent Program (career development)
- Young professional events for the under 35s.

Success in recruiting and retaining Gen Y employees

Despite the fact that there was no discernible improvement in the rate of Gen Y churn across businesses that had, and that had not, implemented retention strategies, the industry nevertheless rates itself as "successful" on this very measure.

Indeed only one percent of respondents thought that their recruitment and retention strategies in relation to Gen Y were unsuccessful. And this is despite the fact that one-in-four businesses are losing no less than 30 percent of their Gen Y staff each year (see **Figure 4.15**).

Overview of survey responses

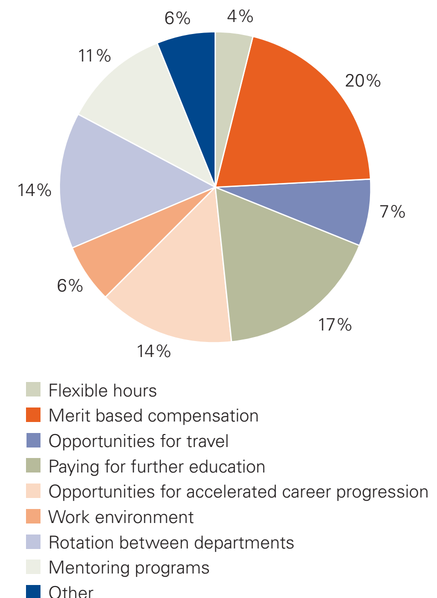
There are a number of issues flowing from the survey responses. Clearly the FM industry is more inclined to engage with Gen Y as employees rather than as customers. However there is a critical mass of "believers" who now regard Gen Y as an important market for the future.

Gen Ys as customers

Most in the FM industry have not regarded Gen Y as significant customers in the past. About one-fifth (22 percent) have always seen this as an important segment. However 28 percent of businesses that had regarded Gen Y as unimportant now view this segment as important. In other words more than a quarter of FM businesses are changing their view on the issue of Gen Y as customers of the industry.

The industry's perception of Gen Y is dominated by the view that they are simply not interested in matters relating to financial security, partly perhaps because many are thought to still rely on their parents. To some extent this view is borne out by quite separate research. A 2005 study published by U.S. academics Robert F. Schoeni and Karen E. Ross in *On the Frontier of Adulthood* concluded that American parents provide a progressively diminishing level of financial support for children up to the age of 34.

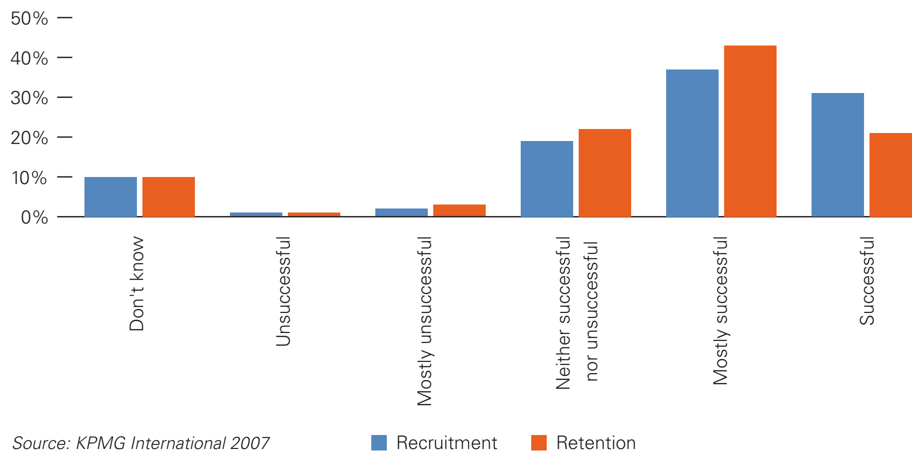
Figure 4.14 Strategies to retain Gen Y employees



Note: Ranked responses weighted
Source: KPMG International 2007

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Figure 4.15 Success in recruiting and retaining Gen Y employees



Source: KPMG International 2007

This support comprises direct financial contributions as well as an imputed value of rent and food for adult children living at home. The study concludes that U.S. parents spend an average of $U.S. 170,000 on each child until the age of 17 and a further $U.S. 35,000 until age 34.

There is also the issue that respondents appear unsure on the matter of how to engage Gen Y. There was consensus among respondents on the issue of what successful Gen Y products are likely to look like: they must be "easy to start and maintain". However when it comes to how to engage Gen Y the industry's thinking is scattered: multiple responses were offered, each garnering some support. The FM industry is confident that it knows what is likely to appeal to Gen Y but it is less sure about how to make a connection with this generation.

The survey responses suggest that about one-quarter (28 percent) of respondents will change their view and embrace Gen Y as an important market segment over the next five years. A more cautious interpretation is that respondents can see the logic of engagement with a future generation of wealth accumulators and therefore responded positively to this aspect of the survey.

However the consensus view of this generation in the recent past is that they are:

- Not interested in financial security
- Reliant on parents for financial support
- Have not been targeted previously.

But why will more than one-quarter of the industry suddenly "switch on" to Gen Y as a new customer segment over the next five years? Is the directional shift flagged by this survey real or are respondents merely saying what they think they should be saying?

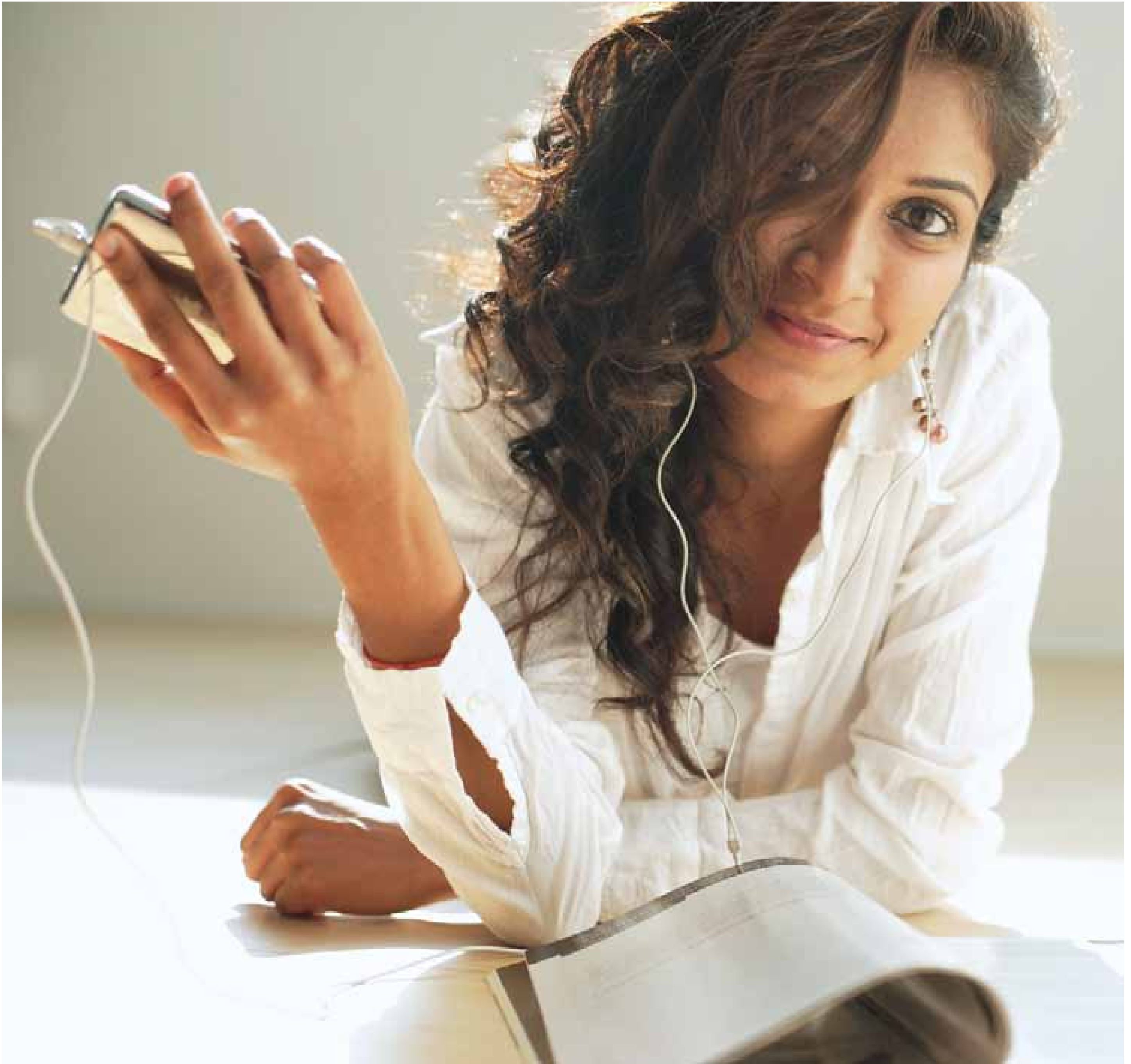
The impression flowing from the first part of the survey is of an industry whose attention is focussed elsewhere. Some seem to know that they should be interested in Gen Y and respond accordingly. However the evidence of what has been done or not done in the past, and the divergent views on how to engage this segment in the future, suggests an industry that is still wholly, or at least largely, focussed on servicing the baby boomers and older Xers.

Indeed the survey results suggest an industry that is to some extent "blinded by the boomers" and that has been unable or unwilling to look seriously at engagement with future generations of wealth accumulators and wealth inheritors.

Gen Ys as employees

Gen Y underpins the employee base of the FM industry and now accounts for one-in-five workers. Not surprisingly most respondents (56 percent) regard this segment as being important to future success. However there are real issues confronting some businesses in the FM industry. One-quarter of businesses have a Gen Y turnover (or churn) rate of more than 30 percent (see Box 8).

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.



© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Box 8: Strategies for retaining Gen Y

There are seven key strategies that can be implemented to improve the retention of Gen Y. These strategies have been derived from the mix of survey responses, from consideration of the broader literature, and from discussions with senior management in various FM businesses.

1 Careers within careers: Gen Y is mobile, aspirational and tribal. If their friends are moving on to other jobs then they will feel left behind if they too do not change employers. This can be countered by shifting staff between departments or projects and to different office locations. Allowing staff exposure to different reporting lines also allows them to explain to their tribe (or friendship group) that while they haven t moved on they're doing a completely different job.

2 Work-life balance: this is an issue that applies to all generations in the office. The business community has switched from the mind-set of the late 1980s when *Wall Street's* (1987) Gordon Gekko explained that "lunch is for wimps". Employees today simply demand a more balanced mix between work, family and outside interests.

3 Engage with staff: in the past it was possible for a manager to demand "copy this report and have it on my desk in 15 minutes". And in the past employees would have accepted interactions such as this. Not so today. The approach now should be "copy this report and have it on my desk in 15 minutes *because we are pushing a client deadline*. The latter instruction achieves the same result but it is accompanied by context: Gen Y will work hard; they simply need to see why they are doing it.

4 Corporate Social Responsibility: Gen Y has the discretionary time in the 20s to reflect on greater issues than was the case with previous generations, weighed down with children and mortgage. As a consequence Gen Y has a social conscience: "think global, act local" and "make poverty history" as well as notions like "volunteering" appeal to Gen Y's sense of making a contribution to the greater good.

5 Culture of positive relationships: the argument is that Gen Y are mostly single children and as such they are predisposed to recreating the family through their tribe or friendship group. Gen Y might not exhibit loyalty to the corporation but they will to their friendship group. Present opportunities for Gen Y to build and develop workplace social relationships. For example this can be done by including a 16-seat dining room table within the office kitchen, allowing the "new family" the work-group to bond over the morning coffee break.

6 Transmit consistent messages: there should be no disconnect between the corporation s mission statement and the behaviour of the CEO and his or her direct reports. Gen Y expects management to "walk the talk"; if that's the mission statement then all behaviour should reflect that statement, at all times.

7 Employer of Choice: if the developed world is moving into an era where there is a global shortage of skilled labor then business needs to adopt a culture of becoming an Employer of Choice. Make sure bright young Gen Ys want to work within your business.

However the remarkable fact is that the Gen Y churn rate is unaffected by whether the business has, or has not, implemented retention strategies. Gen Y staff turnover is operating independently of strategies designed to lower turnover. Whatever it is that these businesses are doing to retain Gen Y, it is having no effect.

But what is even more surprising is the fact that despite one-in-four businesses losing at least 30 percent of its Gen Y staff each year, only one percent of businesses thought their recruitment and retention strategies were unsuccessful. The logic seems to be, if Gen Y staff are leaving then it is for reasons external to the firm.

On the issue of what it is that Gen Y workers want, the industry is clear, or at least it is clearer than it is on how to engage Gen Y as customers. The best way to recruit and retain Gen Y workers, according to respondents, is to:

- Access candidates via university visits
- Offer good working conditions
- Remunerate on the basis of merit
- Pay for training and education.

And if they should leave within a year then this is not a reflection on the validity of the recruitment and retention strategy.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

The survey highlights aspects of the FM industry that have tunnel vision. For example there is survey evidence of a popularly held view that Gen Y would not like to tailor and control financial products. However this is at odds with the focus group views of this generation. There is also the fact that survey respondents do not equate high levels of staff turnover with measures of success in the recruitment and retention of Gen Y staff.

It may be that the heady success of the FM industry over the last decade has led to a degree of misplaced self-confidence in dealing with emerging markets and with staff. Perhaps this research will provide the necessary feedback for the FM industry to recalibrate its strategic direction and to reassess its approach to important aspects of staff management.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

5 Focus groups – what does Gen Y say?

The views presented by the funds management (FM) industry through the survey results are clear. For most businesses Gen Y has not been seriously considered as a target for products. Although it must be said that this view is changing. Nevertheless this response by the industry prompts the question: what does Gen Y think on these matters? Is wealth accumulation a priority? Are they responsive to or even aware of the FM industry?

In addition to surveying the FM industry we canvassed the views of Gen Y through a series of focus groups. These were completed by international market research firm Ipsos in five cities: London, New York, Tokyo, Sydney and Frankfurt. The focus groups typically involved about eight to 10 attendees drawn from a profile of Gen Y (see **Box 9**). A consistent methodology was applied to all sessions and was based around attitudes to FM products and employment matters. Each focus group discussion was facilitated and was completed within 90 minutes.

Gen Y as customers

The first half of the focus group sessions focussed on Gen Y's understanding of the FM industry and their attitudes towards financial services products more generally.

Importance of financial services to Gen Y

Gen Y is quite unique in their embrace of the family home and often were beyond the teenage years. In Australia today's 20-somethings are twice as likely to live with their parents as were preceding generations. As a consequence they have been tagged KIPPERS: "kids in parents pockets eroding retirement savings". To some extent it could be said that Gen Y's boomer parents have been indulging their children:

"There was always a car available for me … I could go on holiday once a year …

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

I find it extremely difficult to maintain this standard" Male—Frankfurt

Despite the fact that many still live at home, saving is not a high priority for Gen Y. They are not committed to marriage or a mortgage; in many cases they earn a professional income; they are consumerist by nature. Indeed it might be said that they shop, they travel, they live for today, or at least that's the conclusion that can be drawn from comments in the focus groups:

"Saving is something that is at the bottom of my list of important things … I only save money if something is left." Male—Frankfurt

"I'm thinking of saving but at the same time I'm trying to get out of my overdraft … so it's thinking about how to do both and I don't know that you can." Male—London

The combination of student loans, ready access to credit and in some cases excessive expenditure has left many Gen Ys in arrears. Branded by U.S. author Anya Kamenetz as "Generation Debt" Gen Y have a real (or a perceived) lack of income. Credit cards and lines-of-credit were particularly common points of discussion amongst focus group participants in London and Sydney where some participants had four cards!

"I'm in a bad financial way. Bad, bad, bad. But I think it's the nature of my work because I can sometimes be freelance and when you write, you can take up a contract with a company. I've been doing this last one for a couple of years but sometimes there's a lot of work, sometimes there's none. Also, I'm a kind of binge spender, so I don't know... I've only once since leaving uni gone above zero and I celebrated it by … going back into overdraft." Male—London

In contrast the German participants were more cautious; they were reluctant to meet their immediate needs by going into debt.

"My way of life is, well I don't want to call it down-to-earth, but I don't like taking out credit and getting into debt." Male—Frankfurt

In the Tokyo session, the concept of accessing credit, apart from a mortgage on a property, was not mentioned by participants. Given their poor capacity to save, Gen Ys appear to engage with financial services products haphazardly, almost based around their short-term needs rather than on the basis of any long-term strategic planning. As one Gen Y living in London put it "to be honest with you, I don't actually think about investing."

Box 9: Focus group approach

KPMG engaged a leading international market research firm (Ipsos) to conduct focus group sessions in five financial hubs across the globe: London, New York, Tokyo, Sydney and Frankfurt. These sessions took place in late February and early March 2007. Each focus group contained between eight and 10 participants screened and selected by Ipsos.

Participants were aged 22-28 and tertiary educated with at least a four-year college degree. Each participant was required to be currently employed; a diverse range of industries were represented within the groups including the civil service, pharmaceutical, teaching, law, business, the protective services and recruitment. It was also ensured that each group represented an even gender balance and an even split between single, de facto and married persons.

A consistent methodology was applied across all focus group countries. Discussions were held over 90 minutes and KPMG representatives were able to observe the process through a viewing facility. Facilitators led the groups through a series of questions around four themes:

1. Perception of the FM industry
2. Consumer involvement with the FM industry
3. Communicating with the FM industry
4. Employment experiences including recruitment, retention and resignation.

Participants were given a nominal incentive payment upon completion of the focus group discussions.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Importance of the funds management industry to Gen Y

As a general principle the Gen Y participants had a low level of engagement with the FM industry. The focus groups confirmed that they know little about FM products and did not fully understand how the industry worked. Gen Y considers that investment in FM products is not for them as it requires a high minimum deposit:

"I think you need a lot of money to invest in managed funds. I have the image that one needs several million JPY to start with … that the minimum amount required is high." Female—Tokyo

This lack of knowledge was particularly apparent in the focus groups in Tokyo, Sydney and London, while those in New York and Frankfurt seemed more financially aware.

Ignorance around FM products drives apathy: many Gen Ys are content with five percent interest from a high-street savings account.

Some simply do not realize that there are greater gains to be made, whereas others prefer to use conventional products with which they are familiar:

"A savings book is simply secure, something I know from my childhood … I know that the amount shall not be reduced in any way, but not significantly increased either, but under no circumstances decreased." Female—Frankfurt

Gen Y participants favored the accessibility of savings accounts. In fact their reluctance to "settle down" also extends to their financial decision-making: they are reluctant to "tie up" their money in case their life circumstances change:

"I don't like committing to something … I might change my mind later on." Male—Sydney

Despite their footloose and fancy-free lifestyle, the Gen Y participants are surprisingly risk averse. This view is at odds with the survey results; the industry thinks Gen Y has an appetite for risk. In order to give up their big-spender habits today they want guaranteed returns and assurance that their savings will not be lost. Focus group participants appeared cynical in regard to FM products and indeed about the advice of financial services professionals.

"I don't like the fact they will continue to charge you their fees and things, no matter how you perform, whether you are going backwards or not, and they still take their stake, and I just can't get around that – if it's not going to perform well, you accept you have done that yourself and they can charge me a fee, but the fund is going down and they are still charging you fees, so I didn't want to accept that." Male—Sydney

"They flog you the products they receive the highest commission for." Female—Germany

"City AM is written by journalists but all the bankers hear so much more and you only hear about a merger after it's done, and the share prices have already hit the roof. So if you buy them, all it's going to do is go down in value. I'm ridiculously pessimistic about it." Male—London

Common concerns involved a general lack of transparency including hidden fees and commissions and the perception of arrogant financial service professionals who speak "financial mumble-jumble" and "always paint the nice side of things." Unlike their baby boomer parents who were conditioned not to discuss money as teenagers,

Gen Y actively seek out and place significant value on the financial advice of friends and family.

Factors that would make financial services products attractive to Gen Y

Despite this picture of debt-ridden and financially cynical and disinterested Gen

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Ys, all is not lost. There was some real interest expressed in the concepts of saving and investing:

"Certainly for myself and my immediate group of friends, now is the time" Female—Sydney

However there are barriers that are preventing Gen Y from becoming more fully engaged by the FM industry:

1. The first issue to be addressed is education. Across focus groups, Gen Ys were quite receptive to the concept of being "coached" about their finances. (A better and more Gen Y friendly term is "mentored".) It was noted that formal education programs were lacking from school curricula and there were suggestions that targeted seminars within the workplace may bridge this gap.

   "Japanese consumers don't have much knowledge about money, as we don't learn about it in school. ... I think that it's good if they taught how to manage money at schools, if there were places where we could learn this." Female—Tokyo

2. Gen Y wants instant gratification. To put this bluntly: funds need to make them as happy as a new pair of Manolo Blahniks. Account information needs to be accessible at the click of a mouse or on a cell phone (no waiting around for a quarterly statement) and flexible enough to change with the needs of mobile and non-committal Gen Ys. (This again is at odds with the survey results. While the FM industry thinks Gen Y doesn't want to manage their accounts the focus group participants say they want do want to access and manage their accounts.)

3. Product offerings must be relevant to Gen Y. For example, the acquisition of property is often the financial priority with this generation. This presents an opportunity to the FM industry to develop a product offering that helps Gen Y save for this specific purpose.

4. The FM industry needs to change the way it communicates with potential Gen Y customers. Gen Y listens to their

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

friends (otherwise known as their "tribe"). As such, peer-to-peer marketing needs to be harnessed. One global financial institution has been among the first to move into this sphere, undertaking viral marketing campaigns that connect with Gen Y through popular Web sites such as YouTube. Existing relationships with Gen Y's baby boomer parents are also untapped opportunities. For example, one FM business in the survey cited the fact that they offer discounts to the children of their existing clients. This is in fact a good way of servicing the preferred baby boomer clientele and of also building a relationship with next decade's wealth accumulation generation.

5. Finally the FM industry needs to differentiate brands and address Gen Y's negative perception of advisors.

Gen Y as employees

In the second-half of the focus group sessions participants were encouraged to discuss their experiences in the workplace.

What Gen Y looks for in an employer

The focus groups revealed that Gen Y in all cities were remarkably similar in their attitudes towards work. This is quite unusual because there was variation in attitudes towards job and financial security. In the workplace Gen Y is universally "looking for self-satisfaction." One of the drivers of satisfaction is a sense of independence and respect and the feeling of being valued:

"Trust and autonomy and not being micro-managed – so I feel I'm running my own show and nobody is looking over my shoulder. They are looking at the end result, rather than how I get to that." Male—Sydney

Despite their desire to work independently, Gen Y also places value on collaboration with colleagues. Declining fertility rates have resulted in Gen Y growing up in small families of one or maybe two kids. The absence of an extended family has resulted in this generation forming relationships with peers rather than with siblings. Their friends and therefore their workmates are their "extended family". Gen Y values the opportunity to work in a team and to meet informally with colleagues:

"I like work to be fun. I enjoy the people I work with and I enjoy the kind of work that I do. It provides a sense of community … we all get along, and we all do things, maybe at the weekend, and we meet other people through work." Female—Sydney

Gen Y also desires work-life balance and flexibility of working hours. They want employers who respect their time outside work and who allow them to combine the demands of their personal lives with their careers. This is particularly true of women who intend to have children (See **Box 10**).

"My private life gives me personal well-being and satisfaction … not the workplace." Male—Frankfurt

"Flexibility in hours is number one with me… the ability to come and go … if I'm expected to work a 40-hour week, then I'd like to do that 40 hours whenever I want. Get in at six at night if I want and go home at midnight. Hard to achieve, but that is of primary importance to me." Female—Sydney

"The reason I stayed on is because of the flexibility … my company is very flexible. If I had an emergency right now I would work at home, and I have been at home for three years so it is kind of cool, in that sense." Male—New York

"I think work-life balance has changed … we're money rich, time poor basically and we are, I mean, I will work to half seven, I'll get in the office at ten to eight, I'll work until 7.30 or 7.45 and not even think twice about it. When I told my Dad the hours I do, he nearly collapsed." Male—London

The demand for flexibility was less apparent in Japan; the Tokyo Gen Ys

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Box 10: Women at work

Top 5		Bottom 5	
2000		2000	
Country	Proportion of 30-39 years old women in workforce	Country	Proportion of 30-39 years old women in workforce
Singapore	34%	Japan	19%
Italy	32%	Sweden	25%
Netherlands	31%	Finland	25%
Germany	31%	New Zealand	26%
Luxembourg	30%	U.S.	26%

Source: United Nations Population Database, 2007

The propensity for women in any country to remain in the workforce is one factor behind the postponement of children. It is the establishment of a family that drives most couples to build an asset base and to consider matters relating to their long-term financial security. This table shows the leading countries of those participating in the study with high and low levels of female participation in the workforce, for women of childbearing age.

Almost one-third of 30-something women in Italy remain in the workforce. This has resulted in a drop in the average level of fertility over 30 years from 2.5 to 1.3 births per woman. The reason for the decline is thought to be the absence of family-friendly policies in the workplace at the state level. Without financial support for non-working mothers, and a lack of family-friendly policies in the workplace, Italian women simply remain in the workforce.

In an effort to counteract the effects of an aging population base both Sweden and Finland are encouraging women to re-enter the workplace. However the generosity of workplace retention schemes is regarded as a disincentive by some employers who subsequently avoid employing women of childbearing age.

In Japan, on the other hand, it is difficult for women aged 30-39 to remain in the workforce because of cultural expectations. Women in Japan are commonly expected to leave the workforce upon either marriage or the birth of their first child even if they do not wish to. This precise view was expressed by one young woman in the Tokyo Focus group:

"Women leave the company when they get pregnant, because it seems impossible to take maternity leave. There s some kind of unspoken agreement within the company. I want to keep on working after I have a child, but so far, everybody who got pregnant left the company. I don t go so far as to think to be a pioneer on this issue, the company isn t so attractive to deserve such efforts.

Not all Generation Y has the same cultural outlook and exposure to job opportunities. In some nations more traditional perspectives still prevail. The cultural expectation that women will leave the workplace upon pregnancy is undoubtedly a factor behind the diminution of the fertility rate in Japan.

respond to the hierarchical nature of their corporate culture:

"In this company you have to do what the president wants" Male—Tokyo

In each city Gen Y was also looking for transparency, for two-way communication, and for face-to-face interaction. They want their career progression laid out for them. They want the opportunity to have a say in decisions that affect them. Another common denominator between all participants was salary. Gen Ys believe that the amount they are paid is reflective of how they are valued by their employer; it is a form of recognition and a symbol of the employer's appreciation for the long hours worked:

"I'm not that altruistic but, yeah … obviously when I'm looking for a job, I look for the job that's got better money." Female—London

However one way in which participants differed was in their attitude toward job security. Gen Y in Australia, the U.K. and in the U.S. present as demanding, even fickle, employees. If their job isn't rewarding, engaging, entertaining, they will toss it in:

"I'd quite happily leave a job because I was bored with it, go on the Dole and wait until I found another job." Male—London

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

For Gen Ys in these countries it has become accepted practice to "job hop". Unlike their parents who valued job security, often remaining with one company for their entire career, Gen Y feels stale after four years:

"I have made a lot of really good friends at my current work, but I notice there is a high turnover rate, all my friends are leaving as well, and they are getting new people … I will probably leave if I'm the only one sticking around … " Male—Sydney

The focus groups show that participants in Frankfurt and Tokyo place a far higher value on job security than did participants in London, New York and Sydney"

"I feel worried whether the company is able to guarantee my livelihood for the future. If yes, I would stick with the same company all my life." Male—Tokyo

Overview of focus groups

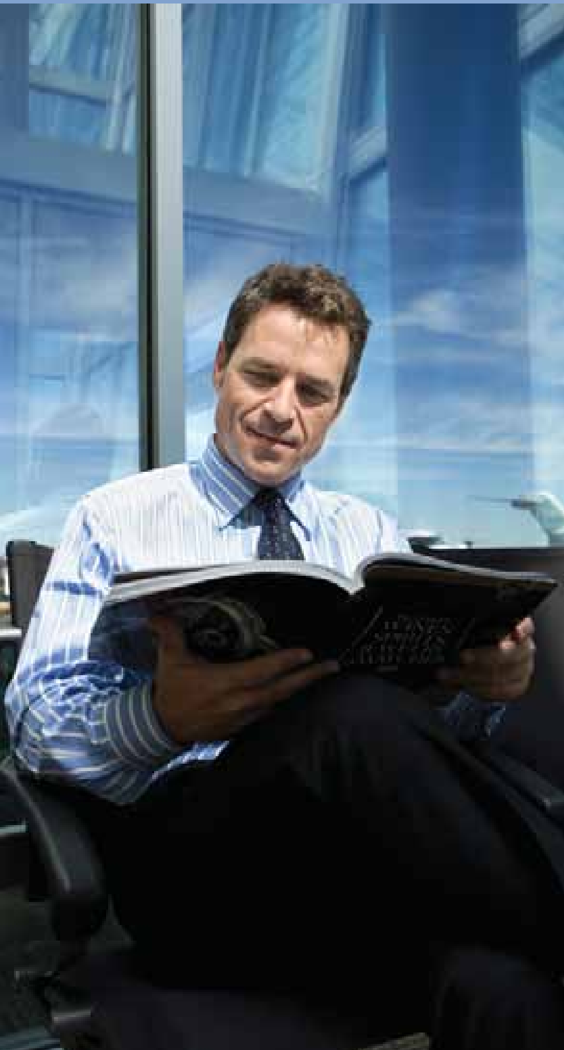
The focus groups provide a Gen Y perspective on matters relating to financial planning and job security. This generation mostly presents as being disinterested in the services of the FM industry. In fact, most have been disinclined to save and appear more concerned with consumerism, travel and the maintenance of a lifestyle.

The focus groups participants also present as being cynical and at times naïve. They say they would value a trusting, straight-up-and-down relationship with a financial services professional. They require on-the-spot or immediate access to account information, as well as the ability to take a hands-on approach to their investment. They also expect to share their thoughts and experiences in matters of financial planning and investment with their friends. As a consequence the FM industry has an opportunity to leverage exposure through peer-to-peer marketing. Lastly, common ground exists between this generation and the FM industry. Gen Y wants, and would appreciate, basic as well as further education on matters relating to financial planning.

Gen Y in all focus group cities are looking for the same opportunities as employees: appropriate remuneration, flexibility, autonomy, a sense of inclusion and a feeling of self-satisfaction. The key difference is that Gen Y in London, New York, and Sydney are more likely to "job-hop" than are their counterparts in Frankfurt and Tokyo.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

6 Interviews – what does the industry say?



One-on-one interviews were completed with 28 senior executives of funds management (FM) and asset management groups in London, Frankfurt, New York and Boston in March and April 2007. The tenor of the discussions was mixed: some, perhaps even the majority, of interviewees were sceptical of the relevance of Gen Y as near-term customers for FM products. Others were receptive to this notion; few were enthusiastic. On the matter of Gen Y as employees the interviewees were united in their perception: this is a highly mobile and an extraordinarily demanding generation.

To some extent aspects of the interviews were reflective; these were after all discussions with mostly middle-aged men who seemed to enjoy the opportunity to contrast their experience in youth with the lifestyles of their Gen Y employees. This was best encapsulated by the comment from a senior executive in a London-based global FM business:

"When I started in this office 30 years ago I bought a suit in a smart Prince of Wales check. Or at least I thought it looked smart. The first day I wore it to the office one of the directors came up to me and said "are you just off to the country or have you just returned?" Needless to say it was never worn again. And I could immediately see why everyone wore pin-stripe suits. Not like today. They turn up in tee-shirts, jeans and baseball caps. And everyone just accepts it. The office hierarchy was so oppressive back then."—London

The interviewee's lament was not about the demise of dress standards; it was about how deferential he was as a graduate in comparison with today's Gen Ys. Later in the same discussion he went further:

One young 20-something came into my office and had the temerity to say that he thought his six-figure bonus should have had seven figures! I was so angry I went to the CEO to suggest we get rid of him. But the CEO said we needed him … I was shocked … I started with nothing in this business and worked my way up."—London

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

Attitudes to Gen Y ranged from incredulity at their demands, as evidenced in the comment above, to judgement. In New York one funds manager explained, with some glee, that "there is a day of reckoning coming for Gen Y when they get to the age of 32 and someone tells them that they ain't that good!" This was in fact a common theme: the fickleness of youth. Interviewees frequently cited evidence from their indulgence of their children:

"I bought my youngest daughter a new car. She's 26. It cost $19,000. She drove it for a few weeks and then traded it. She didn't like the color!"—New York

This comment was soon contrasted with his own work ethic: "I'm old school. I get into the office at 7 and don't leave until well after 6. And nobody "out there" beats me in or is still here when I go". The gesture to "out there" was a reference to his Gen Y staff although this was immediately followed by his observation that "they've got real lives outside the office."

On the one hand, senior management in both London and New York in these examples, are contemptuous of Gen Y with their cavalier attitude to money and to standards, but on the other hand they are envious, perhaps even regretful, that they didn't challenge authority or develop lives outside the office. This is the generational paradox: the boomer's derision of Gen Ys is in part a lament for their loss of youth.

Interviewees reinforced the short-term focus of the FM industry. When the discussion turned to strategic planning they cited business plans going out over 18 months to three years. One London interviewee cited a five-year horizon: "your career depends on your performance this year and next … it leads

Box 11: The strategic vision of other industries

The results of both the survey and interviews with fund managers indicate that long-term strategic planning is not a common feature of the FM industry. Indeed the evidence is that the strategic planning process for FM businesses mostly extends no further than a three-year horizon.

How far into the future do businesses typically look when considering a strategic vision? We canvassed literature as well as in-house expertise to determine the typical timeframe of strategic planning for various businesses and to also establish what might drive long-term thinking in business.

Energy company Shell, for example, has adopted a structured "scenario planning" process since 1976, and is considered to be an industry leader in this regard. The most recent scenario plan produced by Shell looks out 20 years to 2025. These plans are updated or are at least reviewed every three to four years. This 20-year vision is vital in an industry that requires large-scale and long-term capital investment in plant and exploration.

Published evidence suggests that the motor vehicle manufacturing industry tends to plan on a 10 to 15-year horizon when looking at consumer and personal transportation trends. This timeframe more or less aligns with the lifespan of the average motor vehicle in the developed world. In addition, as with the oil industry, motor vehicle production requires large-scale and long-term commitment to plant and equipment.

The pharmaceutical industry can plan up to 25 years into the future when assessing the viability of undeveloped products. This timeframe is largely driven by the compulsory patent period of pharmaceuticals which is 20 years under the World Trade Organisation s Agreement on Trade Related Aspects of Intellectual Property Rights. The development of a new pharmaceutical product often requires a long-term commitment to research and development prior to yielding a marketable result.

The FM industry's three to perhaps five year perspective is shorter than is the thinking in the oil, motor vehicle and pharmaceutical industries. However it must be said that other industries again have an equally short term outlook. This is the case with software development, with the music and film industries, and with fashion. The common denominator between these short-term visioning industries, and the FM industry, is that they all depend on an element of creativity.

The surveys and especially the one-on-one interviews confirm the FM industry's belief that it has the skills, the creativity, the remuneration structure, and the ability to attract the best and brightest to meet whatever demographic challenges lie "beyond the boomers".

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

to a three to five year focus." This compares with other industries that take a 20- to 30-year view (see Box 11).

But interviewees were quick to point out that the FM industry does not require the long-term capital investment required in say oil exploration or in the development of new pharmaceutical products. This business is young, agile and very confident in its ability to develop product that is responsive to market demand. As one New York interviewee explained, "this is an incredibly arrogant industry … it has the skills, the incentive and the energy to manufacture whatever products are required by the market at any given time."

The accumulation of wealth by Gen Y was a matter of some speculation. They will inherit baby boomer wealth starting next decade but how will they be advised? Interviewees well understood the "tribalness" of Gen Y; in fact there were several comments around this theme. They will rely on friends and parents. But they may not rely on traditional advisers because parents may live in one place and their Gen Y children might live in another part of the nation, or in another country. Who will advise Gen Ys on matters of inheritance in such circumstances?

The interviews in Frankfurt confirmed the reason behind the FM industry's focus on baby boomers:

"All the industry is focussed on the over-50s [industry says over 40s] because they have the money … independent financial advisers are driven by commission … for them it's simple, the baby boomers are more valuable customers. Generation Y is still seen as an investment."—Frankfurt

The discussion continued. German interviewees say that Gen Y is not regarded as a separate segment to the youth market. The view from Frankfurt is that there is no need to develop new or tailored product for Gen Y but there is a requirement to develop new methods of communication. However this needs to go beyond merely advertising because "advertising is a conservative method of marketing".

The German interviewees were at times critical of Gen Y as employees. This is a generation with different standards of education and behaviour. They tend to be less polite:

"… and they don't accept the rules … they don't know the German language … they don't talk proper German … when we die the language will drop in standard … for us, we know how to write properly …"

"It is difficult to attract Generation Y as employees because this is an established and non-creative industry."—Frankfurt

The experience of German youth is different to the experience of youth in say Australia or in the U.K.. The interviewees believed that over the last 20 years there has been a shift towards single-parent families. This has resulted in German Gen Ys especially seeking the organization, the safety and the straightforward environment of the corporation: "the company becomes the new family". And as life expectancy increases the office must accommodate a wide range of age groups although this too will present challenges: "someone aged 70 will have the brain (or "attitude") of someone aged 45."

Interviewees canvassed all age groups including Gen X. Indeed one London interviewee seemed to feel sorry for the Xers whom she regarded as:

"… the damaged generation now in their mid- to late-30s … being very demanding and probably changed jobs two or three times but are only now becoming aware of the need to maximise benefits … they now have a family and are resentful of Gen Ys and the attentions they receive … the immediate manager of Gen Y is an Xer."—London

A consistent theme across the interviews was the method of engagement by the FM industry with the market. Most were resigned to the notion of dealing via intermediaries such as advisors, banks

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

"We need Finance 101 on the school curriculum."*—London*

"I read somewhere that Gen Y have a greater belief in the existence of UFOs than that the government will provide them with a pension."*—London*

"We tried giving our staff sabbaticals but they never came back … the people who want six months off to discover themselves are not the sort of people we want."*—London*

"This industry can create financial products fairly quickly … it is very flexible … very agile."*—New York*

"CEOs of today have no interest in products and markets in 20 years time."*—London*

"CEOs must deliver against analyst's expectations … that's why they don't do strategy."*—London*

"Gen Y need constant stimulation … they have no sense of anything other than themselves."*—London*

"Five years ago who the hell had heard of EFTs?"*—New York*

"This industry is prepared to pay a lot of lip service to Corporate Social Responsibility but the fact is that people with social convictions don't have any money as yet."*—London*

"Financial Planners could recruit baby boomers by promising a Ferrari. Today's generation is more keen on a family feeling and other emotional benefits."*—Frankfurt*

"The reason why Gen Y are not a market for investment products is because people prefer to push off pain … they want instant gratification of the senses today."*—New York*

"Business must get the right balance between what it does and pain. As the demographics develop the pain factor increases and companies do more to retain Gen Y … at the moment the pain factor isn't bad enough."*—Frankfurt*

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

and other institutions. However some thought more broadly and linked Gen Y's penchant for the internet with a rising and net-savvy group of wealth accumulators.

Back in the U.S. the interviews returned to a familiar theme, the near obsession of the FM industry with the baby boomers. One interviewee explained the logic succinctly: "this industry is focused on the boomers because there is a tsunami of assets that must be rolled over into retirement vehicles." However this view did not preclude interest in Gen Y:

"Generation Y is far more advanced than baby boomers at the same time in life … they have learned from their parents and schools the benefits of long-term investing … they are a more educated and knowledgeable generation … there is a greater proportion of Gen Ys working in the financial services industry so they appreciate the concept of wealth accumulation."—New York

But for every glowing assessment of Gen Y there were far more critical reviews: "they (Gen Y) have been raised in comfortable environments and so they lack the motivation to secure their future." Or, "there is no need for them to worry about a pension because they think 'my parents will leave me a nice big house'". This latter comment, said half in jest, by a London interviewee was followed by a quirky observation about the degree of "market connectedness" of funds managers:

"Funds managers don't talk to anyone, not even their wives, let alone the people who work with them … on the matter of new products or markets."—London

The interviews uncovered considerable angst over the issue of Gen Y as employees. And much of what was said was undoubtedly a factor impinging upon business success. However there is another aspect to the comments: criticism of Gen Y as poor savers and fickle workers might also bear out the point made by one London interviewee: "middle aged people are jealous and resentful of Gen Y".

The interview process together with the surveys and the focus group results, when placed within the context of impending demographic change, reflect an industry that is unprepared for change. To some extent this is deliberate: the industry believes it can respond to whatever changes the market presents. But here is, or here could well be, the problem: this industry has enjoyed such success over the last 20 years that it attributed this success to its corporate agility. The FM industry develops products in response to market demand and opportunity. However it could be that years of positive financial results has led the FM industry into a false sense of security about its ability to respond to pressures for change.

Financial success in the FM industry has been supported by boomers pressing into the wealth accumulation phase of the lifecycle. This demographic underpinning diminishes early next decade; it will prompt a shift in direction by the FM industry. This might involve transitioning the boomers into retirement; it might also involve engaging new market segments, such as the next generation of wealth accumulators and wealth inheritors. What the FM industry perhaps does not appreciate, however, is that Gen Y values relationships and is already cynical about the financial services industry.

In such an environment the FM industry would do well to consider its strategic position by establishing a relationship with the next generation of wealth creators and inheritors. The industry should also consider matters relating to Gen Y staff retention. The issue of high staff churn rates may not be significant in times of prosperity but it will be critical next decade when the rate of growth in the wealth accumulation segment begins to contract. One strategic response to this outlook is for FM as an industry to pursue the principles embraced within the widely acclaimed notion of Employer of Choice.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

7 Selected bibliography

Fitzpatrick, N.	"Investments up in 2006 say EFAMA & FERI," *Funds Europe*, Union Press Limited, Vol. 51, March, 2007
Huntley, R.	*The world according to Y: Inside the new adult generation*, Crows Nest, Allen & Unwin, 2006
Kamentez, A	*Generation Debt: Why now is a terrible time to be young*, New York, Riverhead Books, 2005
Levitz, J.	"Pitching 401(k)s to Generation Y is a tough sell," *Wall Street Journal*, 27 September, 2006
Morgan, P.	*"Family Policy, Family Changes: Sweden, Italy and Britain Compared"*, London, Civitas, 2006
Salt, B.	*The Big Picture: Life, work and relationships in the 21st century*, Prahran, Hardie Grant Books, 2006
Schoeni & Ross	"Material Assistance received from families during the transition to adulthood," in Settersten, R.A, Furstenberg, J., and Rumbaut, R., *On the Frontier of Adulthood: Theory, Research & Public Policy*, Chicago, University of Chicago Press, 2005
Zaslow, J.	"The most changed generation goes to work," *The Wall Street Journal*, April 20, 2007

United Nations data reproduced with permission.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

KPMG firms' Investment Management contacts

Australia
Jacinta Munro
Partner
+61 (3) 9288 5877
jacintamunro@kpmg.com.au

Canada
James Loewen
Partner
+1 416 777 8472
jlowoen@kpmg.ca

Finland
Liisa K. Smay
Manager
+358 (0) 50 300 7597
Liisa.smay@kpmg.fi

France
Gerard Gaultry
Partner
+33 1 5568 7030
ggaultry@kpmg.com

Germany
Gerold Hornschu
Partner
+49 69 9587 2504
ghornschu@kpmg.de

Hong Kong
Bonn Liu
Partner
+853 2826 7241
bonn.liu@kpmg.com.hk

Italy
Paolo Valsecchi
Partner
+39 02 676 31
pvalsecchi@kpmg.com

Japan
Seiji Kamiya
Partner
+81 (3) 3266 7025
seiji.kamiya@jp.kpmg.com

Luxembourg
Nathalie Dogniez
Partner
+35 (2) 22 51 51 6253
nathalie.dogniez@kpmg.lu

Netherlands
Martijn Huiskers
Partner
+31 20 656 7468
huiskers.martijn@kpmg.nl

New Zealand
Bill Wilkinson
Partner
+ 64 (9) 367 5997
bwilkinson1@kpmg.com

Singapore
Kok Keong Leung
Partner
+ 65 6213 2008
kokkeongleong@kpmg.com.sg

South Korea
Sean Park
Partner
+ 82 (2) 2112 0488
spark4@kr.kpmg.com

Sweden
Jan Forsell
Partner
+00 46 70 265 9705 (mob)
Jan.Forsell@kpmg.se

Switzerland
Markus Schunk
Partner
+41 (1) 249 33 36
markusschunk@kpmg.com

United Kingdom
Tom Brown
Partner
+44 (0) 20 7694 2011
Tom.brown@kpmg.co.uk

United States
Wm. David Seymour
Partner
+1 212 872 5988
dseymour@kpmg.com

© 2007 KPMG International. KPMG International provides no client services and is a Swiss cooperative with which the independent member firms of the KPMG network are affiliated.

kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2007 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis a vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. VIC11106RAS.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

Designed and produced by KPMG Australia's Design Services.

Publication Name: Beyond the baby boomers: the rise of Generation Y. Opportunities and challenges for the funds management industry.

Publication number: 307872

Publication date: June 2007

Printed on recycled paper