The Fund Marketer's Guide to reaching SOUTH AFRICAN MILLENNIAL INVESTORS

KURTOSYS
your investors matter

SETTING THE SCENE

Millennials are not investing as much as they should to build wealth for a comfortable future. In fact, according to the Old Mutual Millennial Survey, only 44% of millennials are investing in a pension or provident fund and only 24% are currently invested in a unit trust. Alarmingly, 47% of South African millennials surveyed did not know what a unit trust was.

But just because millennials aren't investing doesn't mean they're not saving at all. Most millennials (69%) do have savings accounts. The problem is however, that while putting money away in a bank account is certainly better than not saving at all, bank accounts are seldom able to deliver the real growth required to beat inflation.

This means that many South African millennials won't be able to afford a comfortable retirement.

WHY AREN'T THEY INVESTING?

While each individual will likely have their own reasons for saving money in a bank account as opposed to investing, these can usually be traced back to one of three overarching reasons.

- The changing world of work
- A lack of education
- Trust issues

1. THE CHANGING WORLD OF WORK

Research has shown that many millennials prefer not to be formally employed, rather following a more flexible lifestyle. While this is great for work-life balance, it also means that these individuals aren't automatically opted-in to traditional retirement products, like older generations were through their employers.

Instead it's up to millennials to find and manage their own investments, which often means they start investing later than they technically should. Therefore, the low millennial investment figures reflected might very well pick up in a few years, but unfortunately by then, these individuals will already be on the back foot.

2. A LACK OF EDUCATION

Many millennials don't invest because they simply don't know enough about the investment space to realise the importance of investing and to make informed decisions. This is confirmed by the 47% who do not know what a unit trust is.

Another misconception amongst millennials is that you need a lot of money to start investing. This is simply not the case, and points to a lack of education, or a lack of information available in a format that millennials can relate to and understand.

3. TRUST ISSUES

Furthermore, millennials also tend to distrust financial institutions and the economy as a whole. This is not altogether surprising as many of them started their careers in the economic slump of the Zuma presidency, the Sanlam Benchmark 2018 Empowering Insights Research Summary notes.

Further compounding this situation is the fact that while millennials often don't trust financial advisors many financial advisors aren't too fond of millennials either.

WHERE TO NEXT?

Now that we've established that most millennials do in fact have the money to put into investment products, and that they definitely should be investing, what can you, as a fund marketer, or asset manager do to attract more millennials to your funds and help set them up for a sustainable future?

HOW TO ATTRACT MILLENNIAL INVESTORS

1. **EDUCATE**
2. **PROJECT TRUST**
3. **EMBRACE TECHNOLOGY**
4. **INVEST RESPONSIBLY**

1. EDUCATE

To reach millennials and help them make the most of the investment products you offer, you need to produce informative content. However, caution against being condescending.

The Sanlam Benchmark 2018 Empowering Insights Research Summary notes that while millennials aren't very clued up about their investment options, they are highly confident in their own abilities and believe they can craft their own investment plans. This means that, to reach them, you need to provide educational content, that will empower them - not simply tell them what to do.

When looking to educate millennials on your investment products, it's also important to do so in a format that they can relate to.

The Sanlam Research Summary makes the point that the retirement funding industry does not currently support the buying process of millennials. The report argues that it is not about product complexity but rather about relatability. Many millennials are able to explain and engage on topics like blockchain and bitcoin, which are far more complex, but their knowledge of traditional investment products is limited.

This is because, while information is available, it's not available in the format that is relatable to millennials. Focus on information that can empower them to make their own decisions, like performance comparisons and information about the company's social responsibility.

"Since the results of the Old Mutual Millennial Survey came in, we've been speaking to the media a lot to educate millennials and help them understand how inflation works. It's not wrong to invest in a bank account, but medium to long-term if you want to outpace inflation it's not necessarily the best strategy. We are also trying to show millennials that you don't need a lot of money to start investing."

– Elize Botha, MD, Old Mutual Unit Trusts

Read our interview with Elize

2. PROJECT TRUST

Many millennials don't trust financial advisors or big business in general. You can work around this and build trust with your millennial investors by projecting trust in all your communications.

A big part of this is reassuring investors that their personal information is being kept safe and used responsibly.

The Facebook-Cambridge Analytica data scandal of early 2018 has made many people even more skittish. After the scandal one in ten Americans deleted their Facebook accounts and 35% said they were using Facebook less due to concerns around their privacy.

Meanwhile, a UK study showed that 67% of Brits are either somewhat or extremely worried about the misuse of their personal data online, and 54% of respondents took a closer look at their privacy settings after the scandal.

All of this points to a growing awareness around data security globally, and fund managers would do well to ensure they protect consumer data as much as possible.

In South Africa specifically, the collection and use of personal information will be more closely watched once POPI comes into effect later this year. As a fund marketer, however, you certainly shouldn't wait for POPI to start following responsible personal information collection practices and communicating to your investors exactly how their data is being used.

Be as open as possible about how you plan to use investors' personal data and you'll likely attract more millennial investors.

3. EMBRACE TECHNOLOGY

Millennials are used to immediate gratification – if they need information about something they can access it on their mobiles within seconds. Hungry? Order a meal using an app. Need directions? Launch Google Maps. Don't feel like driving yourself? Get an Uber.

Everything they need is available to them at the click of a button or a swipe on their smartphone screens. This means that they're immediately put off by an investment process that is tedious and requires a lot of manual paperwork.

Many asset managers are already working to make investing as easy as possible using online tools and roboadvisors.

Nedgroup Investments, for example, has the Extraordinary Life™ platform, that uses powerful algorithms to optimise the experience for each individual investor.

To attract more millennial investors, make sure your investement process is easy technologically advanced. Give them the information they need and make it easy for them to get in touch with you - think chatbots and self-service platforms.

Once these tools are in place, make sure to focus on them when you develop marketing materials aimed at the younger generation. Let them know how effortless it will be to invest in your funds and you'll be headed for success!

"Roboadvisors are perfect for the large portion of the younger generation, that are as yet, unadvised. People who are intimidated by the wealth management space, who don't trust the traditional system, who simply don't know where to start – and in most cases have not accumulated enough savings to be attractive to a financial advisor."

– Nic Andrew, MD, Nedgroup Investments

Read our interview with Nic

4. INVEST RESPONSIBLY

Research has shown that 75% of millennials want to know that their investment is doing social good, do not want to invest in companies known to be doing social or environmental harm and will only invest in companies that have policies that are aligned with their personal values.

This means that, to attract millennial investors you need to show them that your company is socially responsible. There are many ways of doing this, from publishing information on your community initiatives to sharing information on the companies your funds invest in and what these companies are doing to protect the environment.

Environmental concerns are growing and millennials want to see the asset managers they support investing in a sustainable future.

CONCLUSION

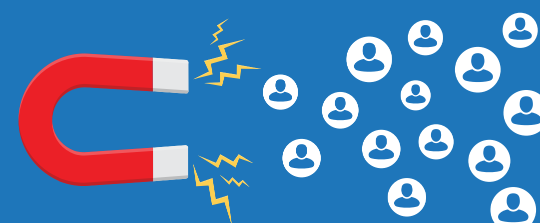
No matter how you look at it, millennials are the future, and to remain relevant you have to attract these investors to your funds.

But what's more, in doing so you'll also help secure the financial wellbeing of the country as a whole by assisting this generation in building collective wealth.

Millennials need to start investing (rather than just saving) as soon as possible to give them a decent shot at a comfortable retirement, and it's up to you, as a fund marketer to help them realise the importance of this.

So don't delay, tweak your fund marketing strategy to make it more millennial-friendly: make the information you share educational but not condescending. Make sure it is easily accessible and interactive, and remeber to focus on personal data protection and sustainable investment practices.

If you manage do to all of this you'll be well on your way to building a large millennial investor base.



ABOUT KURTOSYS

Kurtosys provides a unique Enterprise Content Management system for financial services firms. The Kurtosys platform enables marketing, sales, client service and operational departments to orchestrate all of their financial data, documents, websites and content in a secure environment. Trusted by the world's leading investment brands, our platform enables financial institutions to automate manual processes, mitigate risks and reduce costs.

Kurtosys solutions include secure websites, interactive data tools, automated factsheets, secure portals and document libraries.

Our infrastructure and technology are underpinned by our global ISO-27001 certification in information security management; and we have a deep understanding of working at scale with data, information design, industry regulations and compliance issues.

Founded in 2002, Kurtosys was funded from Silicon Valley investment and now operates across three global offices and employs over 200 talented people. We work with some of the world's largest financial brands that include banks, wealth managers, mutual fund providers and alternative investments.

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