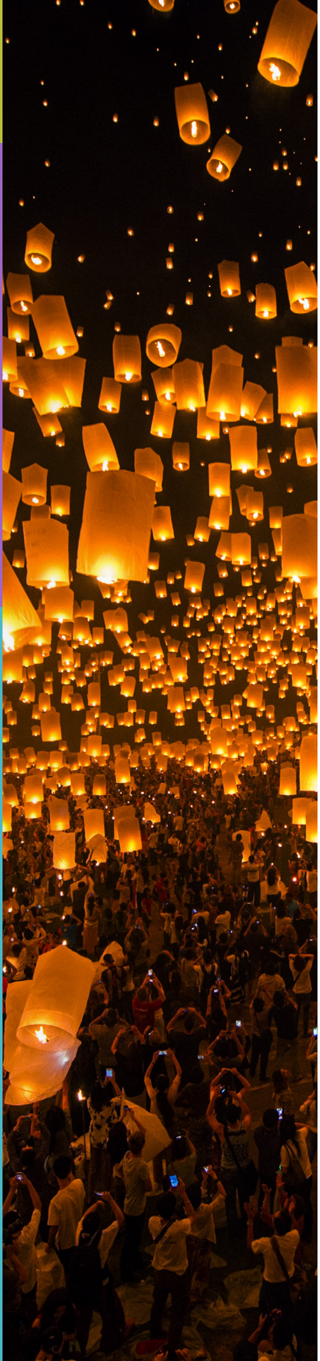

Dunstan Thomas

The Dunstan Thomas

‘ENGAGING WITH MILLENNIALS’ Consumer Study

Management Report of Findings from a nationwide study of millennials

Customer Engagement is a necessity, not an option long-term

It is our view that one of the industry's largest challenges over the next few years is to engage the next generation in improving its financial wellbeing - helping millennials develop the longer-term savings and investment habits that will enable them to climb onto the housing ladder and save for their eventual retirement.

The reality is that for many millennials today, access to independent financial advice is a pipe dream. They are much more likely to use their banks' online platforms and tools to self-educate and encourage themselves to reach short-term and even longer-term savings goals.

Some of them are already avid users of micro-investing platforms, while others use financial apps which support their daily money management issues – like splitting shopping and utility bills between housemates. In the future, if not already, they are going to be avid users of Direct to Consumer (D2C) platforms and robo-advice offerings.

They are going to engage with providers that encourage and stimulate them to save for all their financial goals. In short, those with the best customer engagement strategies for this demographic will command their loyalty. Those that don't build digital offerings with them in mind could be out of business within a generation.

The time to start testing, learning and building financial guidance and planning applications for customers is now. It's also critical for providers to build effective online administration portals for administrators and advisers so that can serve their customers more efficiently.

Insight from the interaction data from these new apps and portals must be put to work to help you understand and engage with customers better. It's about building an iterative loop which builds better mutual understanding.

Millennials need to understand the value of new products like the Lifetime ISA (LISA). Providers need to understand how much new customers are looking to save each month and when they want to have achieved their goal which makes their product(s) relevant. In this way, they can assist and encourage them to reach these goals and command their loyalty in return. I sincerely hope that this study of 1,000 millennials provides some insight to support your company's customer engagement journey. Enjoy the read!

Yours sincerely,

Christopher Read

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Introduction

Defining the Millennial Generation

Dunstan Thomas recognises that one of the major challenges which retirement product providers and life assurers need to face up to, is finding ways of engaging and serving their customers better.

One of the keys to serving any customer better is understanding their circumstances and responding effectively to them. It is important to know their hopes, desires, ambitions, preferences, and behaviours, addressing them in a language they understand, via channels they are comfortable using.

For many providers, customer engagement was previously left to their distributors, hundreds or even thousands of financial advisers, who were gathering much of this intelligence and then using it to advise and sell providers' products. They kept close to their customers, providing new options and products as their personal circumstances changed.

However, the playing field on which providers compete has changed dramatically. The spotlight on the elevated cost of financial advice, enforced by the Retail Distribution Review, the impact of the Great Recession, the inexorable rise of wrap and D2C platforms and the arrival into adulthood of the first generation in over 150 years that cannot expect to be better off than their parents are all factors in this change. Many are now struggling to adjust to a digital age in which customer loyalty will have to be continually earned. A reliance on inertia to hold pension and protection customers no longer looks like a sound premise in a world where customers can easily compare pricing and performance, consolidating savings pots at the click of a mouse.

This millennial generation, defined as those born between 1982 and 2004 (Source: Howard and Strauss), are 13 to 35 years old today. This generation has grown up during a time when simultaneously empowering and disruptive technology has shaped how they live and work. It has changed how they consume goods and services and what they do in their leisure time. There are multiple millennial-focused consumer trends which are widely reported. For example, they are much more likely to rent rather than buy a home. This is not just about lack of funds (although that is part of the picture as we explore in this research). Many of them prefer to rent everything they can, as the pride in ownership of former generations holds less sway for them.

In addition, as avid digital consumers, a much higher percentage of millennials' purchases are completed online rather than in a physical place like a high-street shop or bank. They like subscription models where small monthly payments are taken for tapping into an array of digital services from Spotify to Netflix and Amazon Prime. And they are big users of social media channels - over three-quarters of them (77%) spend more than two hours on their smartphone each day, much of it catching up with peers and posting updates on multiple social media channels.

At Dunstan Thomas, we took the view that there was likely to be enough difference in this generation's behaviour and savings habits to warrant further investigation as part of our current Customer Engagement-themed market research project.

To remain rooted in the provider world – the market we serve - we decided to go beyond asking millennials for information about their personal circumstances and savings and investment habits, to finding out what they knew about the new Lifetime ISA (LISA). This made sense because the tranche of millennials we chose to focus on – 23-36 year olds – make up the core target market for the LISA.

We commissioned the financial services-focused market research agency, Opinium, to help us execute a quantitatively and qualitatively-sound nationwide study of millennials. 1,000 millennials completed the resulting 24-question online survey during December 2016. This report contains some of the key findings of this research.

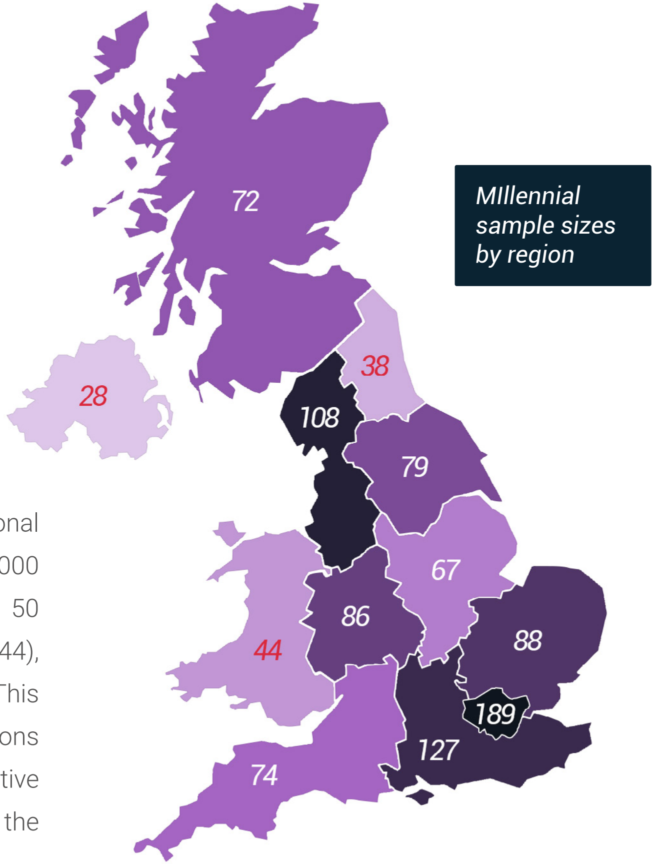
We tested and validated some of the key findings during January by going onto the streets of Liverpool, London and Bristol to ask millennials for more in-depth views. You can view the video summarising key results from these interviews, alongside shorter video vignettes which show millennial types including the Financial App Earlier Adopters, the Dual Income No Kids Millennials and Young Entrepreneurial Business Owners, and listen to commentary from our Director of Retirement Strategy, Adrian Boulding, via our website: http://www.dthomas.co.uk/content/fs/videos.shtml

Sample size

The survey started by qualifying the age, gender and living arrangements of millennials. 509 of the 1,000 surveyed, were what we came to call 'younger' millennials aged 23-29 years old, with the balance (491) being 'older' millennials aged 30-36 years.

Regional view

In order to provide a statistically-valid regional view, Opinium divided the UK into 12 regional areas, aiming to gather at least 50 respondents per region to give each regional finding full authority. However, a sample of 1,000 was not quite enough to give us more than 50 respondents in three of the 12 regions: Wales (44), Northern Ireland (28) and the Northeast (38). This means that where results linked to these regions are reported they must be considered 'indicative findings' only, as shown in the red numbers on the map of the United Kingdom here.



Employment prospects

In terms of work status, nearly two-thirds (66.4%) were working full-time (i.e. more than 30 hours per week), while 12% were working part-time (8-29 hours per week), with three-quarters of part-time workers being women. Nearly 5% of the sample are still students; while just over 15% of the sample were unemployed or not working (for another unspecified reason) when this survey was conducted.

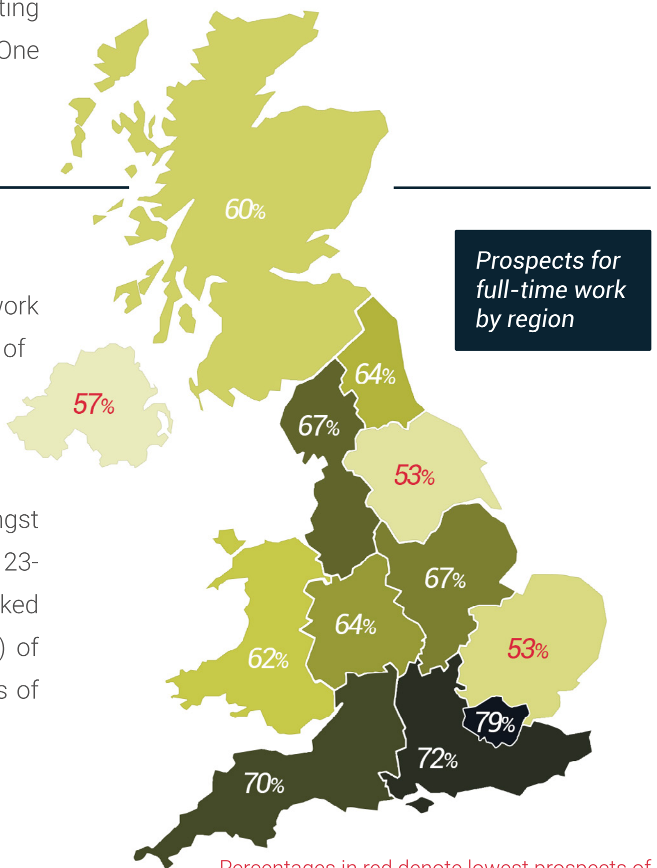
We also looked at the employment status by age, as this provided some insight into the likely buying power and earnings levels of millennials as they age. The most interesting finding here was that after the age of 23 years, the percentage of millennials in full-time work rose quickly to 60% at 24 years old and then kept on rising so that, on average across the 13 years in this research's scope, i.e. from 24 to 36-years old, just over two-thirds (69%) of the sample were in full-time work. This means that 31% of them are not operating at their full income-earning potential. Some of this might be linked to deliberate reduction of workload to provide time to start a new venture, retrain or do a post-graduate degree. Still more could be linked to starting or raising a family.

However, undoubtedly some of this group of non-earners and lower earners will be seeking full-time positions but struggling to find them. The reasons for people not being in full-time work is a question for another survey but the fact that a third of 23-36 year olds are not working full-time obviously has an impact on their buying and saving power. By way of comparison, it's worth acknowledging that the UK's official employment rate for 16 to 64-year olds as a whole is higher at 74.6% (Source: Office of National Statistics October to December 2016 from The UK Labour Market report – February 2017).

Even in the small number of people we filmed on the street we found evidence of what we believe is an increasing employment trend – people with two (or more) part-time jobs. These multiple part-timers can miss out on pensions auto-enrolment as each job tests them against the earnings thresholds independently of other income sources. In this now common working scenario, each part-time job deducts the first £5,876 (for 2017/18) from their projected annual salary, before calculating the statutory minimum pension contribution. One or more of their part-time jobs may be zero hours contracts, so they may welcome the flexibility of LISA over the long-term commitment of a pension.

Regional variations

Millennials' prospects for finding full-time work vary quite considerably according to which part of the country they settle. Yorkshire & Humberside and East of England-based millennials are least likely to find full-time work. Both regions showed only 53% full-time employment amongst millennials, whilst in Northern Ireland 57% of 23-36-year olds were in full-time work when we asked them. By contrast, in London four-fifths (79%) of millennials were putting in more than 30 hours of paid work each week.



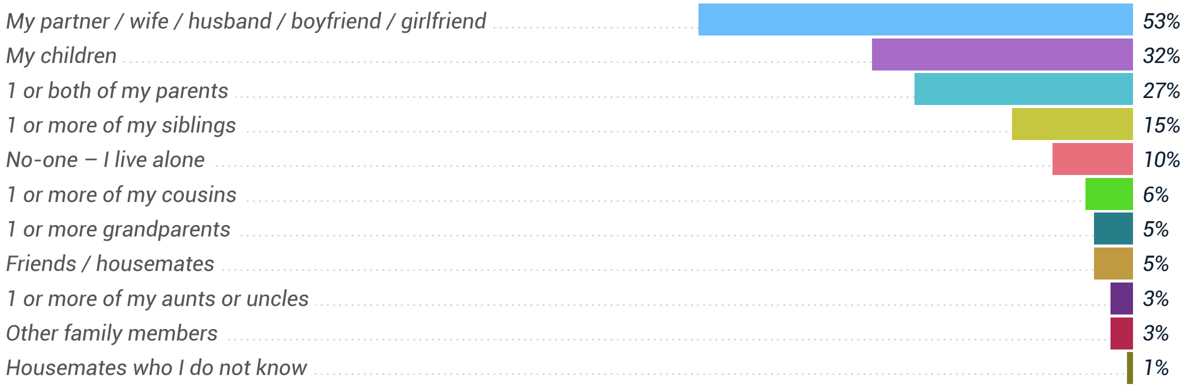
Percentages in red denote lowest prospects of full-time employment for millennials aged 23-36.

Flying the nest later

Millennials, as we know, are moving out and achieving economic independence a little later than previous generations. We looked at their living arrangements in this survey and found over a quarter of them (27%) still living with one or both parents; 6% live with cousins, the same percentage live with aunts or uncles, 5% are staying with grandparents, whilst a further 15% live with another sibling, and 3% live with some other member of their family. As such, the long-term reduction in average household size, which had been a steady trend since the end of the Victorian era, might be starting to reverse.

The majority (53%) were however already living with a partner or spouse and 32% said they were themselves living with their children. Only 5% were still living with friends and housemates and 10% were living alone. These figures suggest cross-over so that perhaps half of people in a relationship are living under the same roof as other members of their family, or even with flat mates.

Millennials are living with:



In terms of plans for building a family of their own, the third largest group of millennials surveyed were single with no children (23%), while over a quarter (28%) were already in a stable relationship with no children yet. The largest single group - around a third or 32% - had moved to their next stage by being in a relationship and having young children. Only 2% were single parents and 6% had older children. A total of 8% were still students and not yet working.

Millennials life stage overview

1. *Student/not yet in full-time work* *8%*
2. *Single – no children yet* *23%*
3. *Young couple – no children yet* *28%*
4. *Couple with young children* *32%*
5. *Couple with older children* *6%*
6. *Single parent* *2%*
7. *None of these fit me* *1%*

LISA awareness and education low

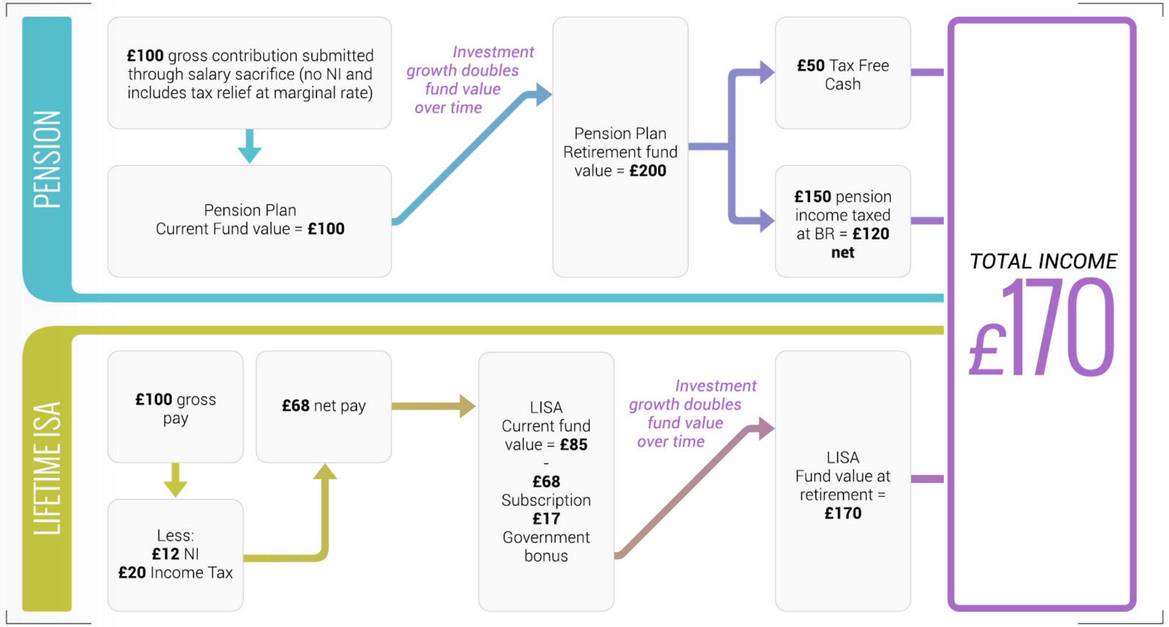
Moving directly to awareness of the Lifetime ISA. Half (50%) of 23-36 year olds had no awareness of the LISA or 'had heard of it but did not know what it was for'. Less than one in five (18%) said that they knew exactly what the LISA was. This suggests that providers and Government alike have much more work to do to get their message out to the key audience for this Treasury-inspired innovation designed to support millennials in their quest to get on the housing ladder.

Providers will always caution customers not to a buy a product just for its attractive tax reliefs. But that Government incentive is still a key factor so we asked millennials what they knew about it. 27% of those we questioned indicated that the LISA looked like a more tax efficient retirement savings vehicle than an Auto-Enrolled workplace pension. Against that, 34% thought the pension would be more tax efficient, while 38% were unsure.

To try and see which group was correct, we've produced the infographic displayed on the next page, which shows how much money you might end up with in retirement if you put aside £100 from your pre-tax earnings for saving in either a pension or LISA each month. To our amazement, the answer came out exactly the same!

> "50% of millennials had no awareness of the LISA or had 'heard of it but did know what it was for' prior to being questioned."

Which is more tax efficient - Pension or LISA?



Assumptions used in both scenarios:

1. *Individual is a Basic Rate (BR) tax payer*
2. *£100 from gross salary is invested*
3. *Investment growth doubles original investment at retirement*

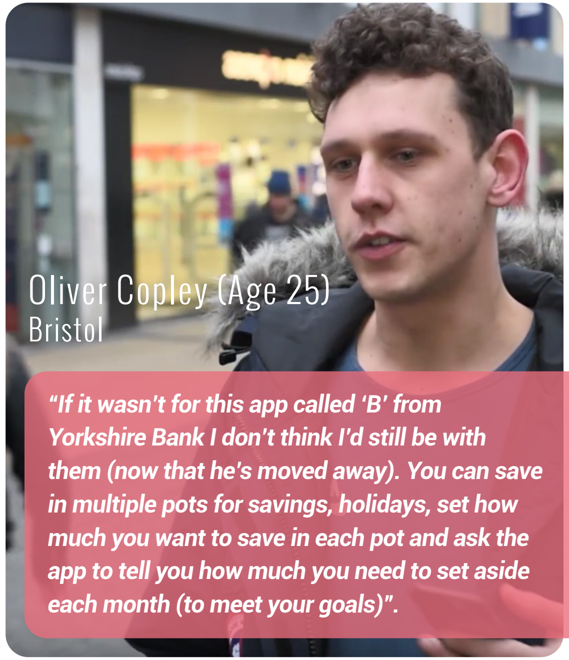
CONCLUSION: For a basic rate taxpayer, both a Pension and a LISA are equally tax efficient!

LISA market prospects

Some 39% of older millennials (aged 30-36) and 27% of younger millennials (aged 23-29), said that they were unlikely to buy a LISA. The net LISA-rejection rate across all millennials questioned stood at a third (33%); while nearly the same number (32%) said that they were definitely in the market to take out a LISA come April. If that's right, then we could see around two million LISAs sold. But it's probably over-optimistic.

It is worth looking at what the Treasury predicts for LISA take-up in the coming tax year. A reading of the Impact Assessment, which sits at the back of the Savings (Government Contributions) Bill 2016 which passed through Parliament late last year, finds that the Chancellor has had to make provision in tax year 2017/2018 alone, for 200,000 bonus payments. LISA numbers by 2020/21 are set to quadruple to 800,000. He anticipates average annual contributions to these LISAs of £3,500, only £500 short of the maximum allowable.

Some of this optimism is linked to the success of its predecessor, the Help to Buy ISA, which was a roaring success. To calculate the prospects for this market you also need to understand the likely impact of the 'Bank of Mum and Dad' which may well be contributing to their children's LISAs – more of which later in this report.



Oliver Copley (Age 25)
Bristol

"If it wasn't for this app called 'B' from Yorkshire Bank I don't think I'd still be with them (now that he's moved away). You can save in multiple pots for savings, holidays, set how much you want to save in each pot and ask the app to tell you how much you need to set aside each month (to meet your goals)".

LISA inflexibility a major concern

As providers know, the LISA is in fact designed to incentivise millennials to save up for their first home deposits. There is a recognition that, particularly in the Southeast, young people are facing increasing difficulties in saving enough to afford the deposit to get on the housing ladder.

First-time buyers in London put down a 25% deposit on average in 2016, amounting to £100,445. Average deposits nationwide are now up to £32,321, more than doubling in under 10 years. This is a now a great deal of money to save at a time when wages are barely keeping pace with inflation.

Reacting to a falling percentage of people in their 30s (and younger) being able to get on the housing ladder, the Government stepped in to offer a 25% annual bonus on any saving accrued in a LISA, up to £4,000 per year, provided the savings are used to fund a deposit on a first home, or reserved until the age of 60 for income provision in retirement, with just one exception for cases of terminal illness.

However, if LISA savings are taken out for any purpose after the first-year anniversary of holding the product, there is a 25% exit charge which in reality means that LISA savers actually lose out to the tune of 6.25% of the value of their savings, in addition to any exit charges which providers might choose to levy.

In short, if they need greater flexibility, and many in our study indicated they do, then they may well be penalised for getting it, unless they are prepared to wait for the money until the age of 60.

Risk of derailing AE's success as SMEs and microbusiness stage

A total of 20% of millennials in this study said they were quite or very likely to opt out of an Auto Enrolment (AE) workplace pension scheme when they are offered the opportunity to do so, suggesting a near doubling of opt out rates this year, as employees of SMEs and micro businesses reach their staging date.

One can only speculate whether AE opt out rates may spike because of the introduction of the LISA this year, especially as the study also uncovered some misunderstanding about the tax efficiency of the LISA for retirement saving. It's certainly a risk which providers should consider in their communications, and the risk warnings accompanying a LISA will certainly need to alert buyers to the risk of missing out on a matching employer pension contribution.

Financial ambitions rosy

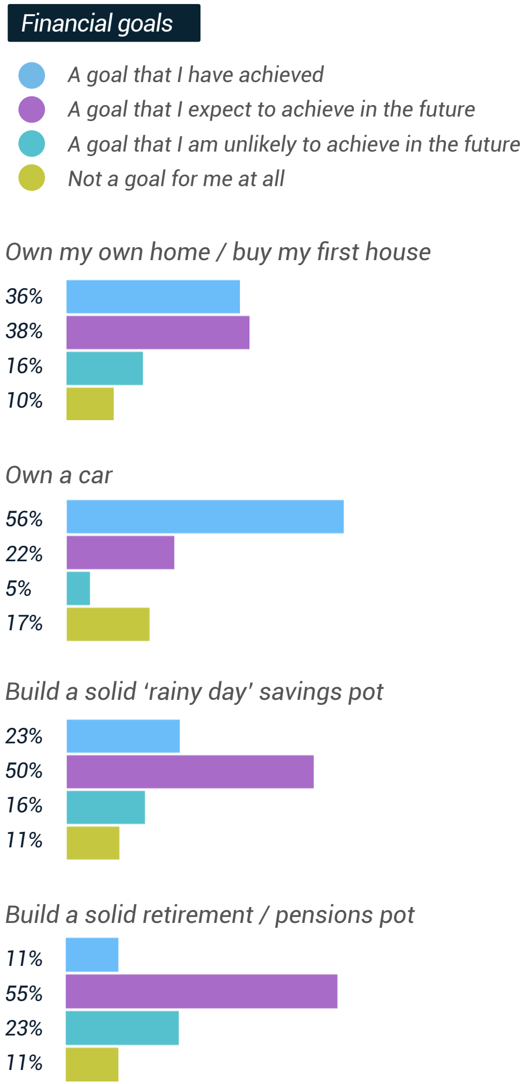
We decided to have a look at what millennials' saving ambitions really are and whether they expect to achieve them. Positively, from the point of view of the LISA, well over a third (38%) have 'owning their own home' as a financial goal which they expect to achieve. However, higher numbers – 55% - are expecting to achieve the goal of 'building a retirement savings pot' and 50% are simply planning to build an adequate 'rainy day savings pot'.

Admittedly, their financial ambitions are coloured by the numbers that have already achieved financial goals: 36% of millennials questioned had already purchased their first home for example, whereas just 11% had managed to build a significant retirement savings pot and under a quarter (23%) had put aside a substantial rainy day savings pot, perhaps designed to cover a period of ill health or unemployment.

More interestingly, over a quarter of millennials have already opted out of home ownership altogether – either labelling it 'a goal that I am unlikely to achieve in the future' (16%) or 'Not a goal for me at all' (10%).

"With the guys that I live with in a shared house, we use an app called Splitwise for managing bills much more easily. It enables you to understand what you are spending things on and how much I owe each of my flatmates (if they are paying collective bills)."

James Prescott (Age 26)
London



Home ownership prospects regionally

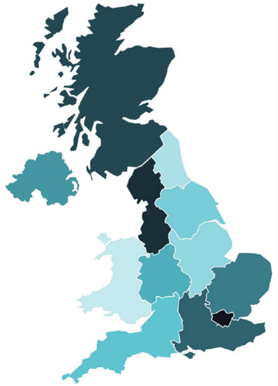
Home ownership levels vary quite a bit by region. For example, 49% of millennials living in London have already got themselves onto the property ladder, whilst in Wales just 20% of millennials aged 23-36 years have purchased their first home. Yorkshire and Humberside's millennials fare little better with 26% home ownership. Free marketeers will tell you that prices are a function of supply and demand, and our evidence supports the idea that high London house prices are indeed underpinned by a real keenness for Londoners to be home owners.

In some less affluent parts of the UK, we noted that more than a third of millennials were completely opting out of the ambition to own their own home. Wales came at the top of this particular league table with 44% of young people not expecting to achieve, or failing to set the financial goal of, owning their own home.

Millennials' home ownership levels:

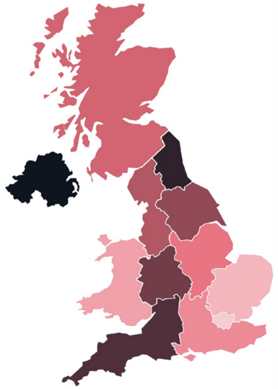
On the housing ladder already

London	49%
North West	40%
Scotland	40%
South East	37%
East of England	36%
Northern Ireland	35%
West Midlands	33%
South West	29%
Yorkshire / Humberside	26%
East Midlands	26%
North East	24%
Wales	20%



Expecting to be on housing ladder in the future

Northern Ireland	60%
North East	46%
South West	45%
West Midlands	44%
Yorkshire / Humberside	40%
North West	38%
Scotland	38%
East Midlands	37%
South East	36%
Wales	36%
East of England	34%
London	33%

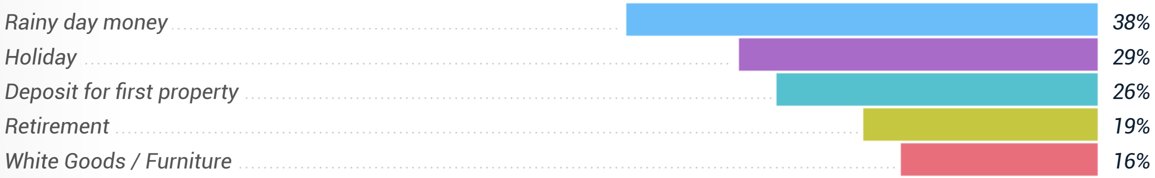


Getting on the housing ladder is not the top savings priority

Top of the list of reasons to set money aside, cited by 38% of millennials we questioned, was 'to build a rainy-day savings fund'. Their second priority is saving for a holiday, highlighted by 29% of young people, while saving for a deposit on their first home comes in third place - rated top by just over a quarter of millennials (26%). 16% are saving for large household items and 12%, a new car. Just under a fifth (19%) of millennials are saving additional monies for their retirement saving pot.

This chart demonstrates the danger that the LISA's 6.25% withdrawal penalty poses to customers, and also to providers that don't communicate this potential penalty clearly enough. Millennials are saving for a range of things, and some will qualify for the Government bonus whilst others will lose it and instead be hit with a withdrawal penalty. We sense a danger of mis-selling, or indeed mis-buying here.

Top 5 items millennials are saving for:



Saving levels

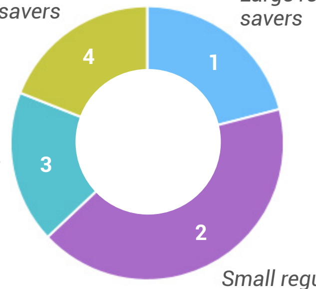
Millennials who are working full-time save on average £191.33 per month each, compared to a monthly average of £161.65 set aside by all respondents. Those working part-time (up to 29 hours per week) set aside an average of £87.42 each month.

Regularity of saving far from universal

Although four in every five millennials (81%) are doing some regular saving, only 21% of those that we questioned said they save 'large amounts' each month whenever they get paid.

A more encouraging 42% are setting aside a small amount each month as soon as they get paid while 18% only put money aside when they secure a work bonus or windfall. Men are nearly twice as likely to regularly save a large amount each month according to our study: 27% of men are putting large amounts aside, whereas only 14% of women reported setting aside substantial chunks of their earnings each month.

Saving profile types



1. *I save a large amount regularly each month / whenever I get paid* *21%*
2. *I save a small amount regularly each month / whenever I get paid* *42%*
3. *I tend not to save regularly and only put money away when I come into a sum of money (e.g. a bonus from work, inheritance, gifts)* *18%*
4. *I tend not to save at all* *19%*

Regional savings variations

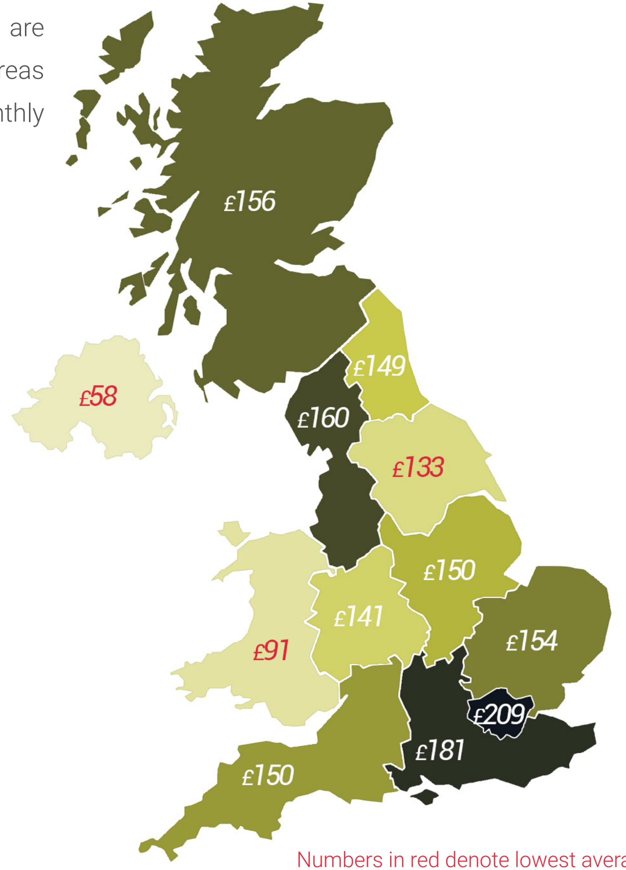
Of the majority that are saving regularly, the amounts saved vary a good deal as you move around the country. In London millennials are saving, on average over £200 per month, whereas in Northern Ireland they are making monthly savings of only £58.24 each month.

Amount saved each month

By the 81% of Millennials which are saving anything at all:

London	*£209*
South East	*£181*
North West	*£160*
Scotland	*£156*
East of England	*£154*
South West	*£150*
East Midlands	*£150*
North East	*£149*
West Midlands	*£141*
Yorkshire / Humberside	*£133*
Wales	*£91*
Northern Ireland	*£58*

* Average saved £161.65 per month



Numbers in red denote lowest average monthly savings levels by UK region

30-somethings struggling most to save

Older millennials are struggling with their savings habits as 'wallet pressure' increases in their 30s: 40% of 30-36 year olds are either saving irregularly or not at all; while 35% of 23-29 year olds are failing to put some cash away regularly or at all.

Reliance on 'Bank of Mum & Dad' for first home is a myth outside Southeast

The reliance on the 'Bank of Mum and Dad' to get on the housing ladder looks like a myth for most millennials based north of the Watford Gap, according to the Dunstan Thomas study. When asked where they think they will get the money from to pay the deposit on their first home, millennials think half (47.5%) will come from their own personal savings; 16% from their partner's savings; whilst just 14% of the deposit is expected to come from handouts from their parents or partner's parents; 9.6% from an inheritance-linked to either partner; and 3.6% from a bonus or windfall of some kind. Millennials recognise that they are more on their own with this massive, and still growing, cost than is commonly thought.

Further south, as property prices rise, reliance on the 'Bank of Mum and Dad' increases. So that in London, millennials rely on parents' savings and family inheritances as well as partner's parents' savings and family inheritances for 30.23% of first home deposits. In the Southeast that figure is 28.39%. By contrast in the Northwest just 15.7% of first home deposits comes from the Bank of Mum and Dad and in the West Midlands millennials have a 21.1% dependency on family savings and inheritances.

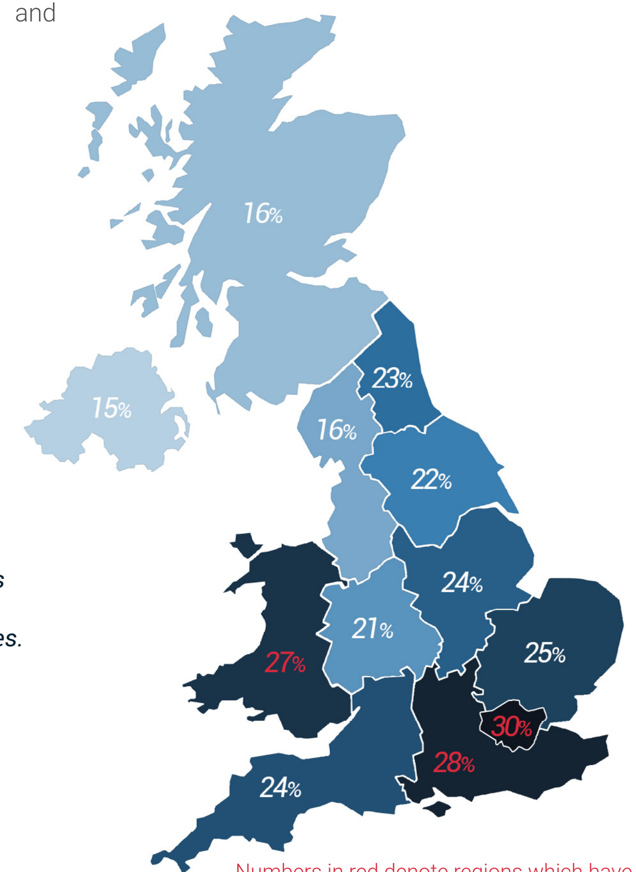
Regional reliance on the 'Bank of Mum & Dad' to pay for deposit on first home purchase

The average across all regions is 23.66% and London is top of the 'dependency pile':

London	*30%*
South East	*28%*
*Wales **	*27%*
East of England	*25%*
South West	*24%*
East Midlands	*24%*
*North East **	*23%*
Yorkshire / Humberside	*22%*
West Midlands	*21%*
North West	*16%*
Scotland	*16%*
*Northern Ireland **	*15%*

Numbers above reflect dependency on parent's savings and family inheritances and partner's parent savings and partner's family inheritances.

* Less than 50 people in these samples renders these percentages indicative only



Numbers in red denote regions which have the highest dependency on the 'Bank of Mum & Dad' for climbing onto the housing ladder.

Over half of younger millennials are unrealistic about when they will be able to afford first home

Nearly nine in every 10 (86%) 23-29 year olds, who don't already own a home but plan to, think they will be collecting the keys to their first home by the age of 40. More realistically, 64% of older millennials (aged 30-36 year) think they will be able to afford their first home by age 40.

> "36% of millennials (up to the age of 36) own their own home"

Unfortunately all millennials questioned seem over-optimistic. According to the Institute of Fiscal Studies (IFS) study of the economic circumstances of different generations only 40% of young people born in the 1980s (aged 28-37 today) actually own their own place today. Our survey found that 36% of this total sample (up to age 36) were home owners, putting home ownership by this sample in line with the IFS' findings.

The success of the Government's house building programme – or lack thereof – will be an important factor in helping millennials to achieve the ambitions of saving enough for first home deposits. For without additional supply, and with inexorably rising demand, particularly in London and the Southeast, home buying is looking like an increasingly unobtainable goal for younger millennials as average deposits in these regions reach and in London already exceed £100,000.

> "Most young people are saving quite large amounts regularly, averaging even more than £200 per month in London. The average being saved by full-time working millennials nationwide is £191 per month."

Millennials are first digital-savvy generation

As we have mentioned earlier in the report, millennials have grown up with internet-connected devices all around them and probably don't remember a time when only City brokers had brick-like Motorola phones. The youngest in our sample are 23 today which means that they were born in 1994. So by the time they were 13, they would have seen the first Apple iPhones hitting the streets.

> "We found a distinct group of millennials that were early adopters of a wide variety of financial apps - helping them with monthly budgeting, saving towards a variety of goals including climbing onto the housing ladder, managing their workplace pension and even micro-investing to make their savings work harder."

They've grown up in a world where everyone became glued to their smartphones and jobs for life became a myth. They may well have seen their parents go freelance or start 'job-hopping' with alarming regularity. The digital media revolution for them is unlikely to feel like a revolution as it is all they really know in adulthood. Activities like managing their social media presence is likely to be built into their day naturally. With this in mind, we decided to ask a few questions about how millennials access a mix of online financial services offerings.

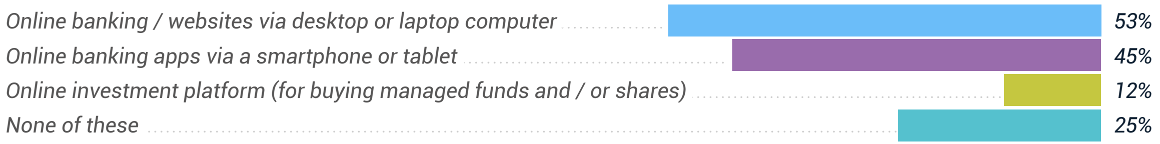
Early adopters are already doing savings and investment management on mobile devices

Nearly half (45%) of our sample were already regularly using banking apps on their smartphone and tablets, rather than – helping them to manage their finances. And a small but active 'early adopter' minority (12%) are using investment platforms for trading and watching the performance of funds and shareholdings.

When we followed up the results of our online survey by going onto the streets of Liverpool, London and Bristol, we found millennials already using an array of apps to encourage them to save and to help manage investment processes.

In fact, they were very proud of their apps, and readily whipped out a smartphone to give us a demonstration of their functionality.

Millennials' online financial tool usage:



Micro-saving and investing given big thumbs up

We asked which future digital fintech innovations were of most interest to millennials. Out of the four detailed on the next page, the concept of micro-saving via your contactless payment card so that 'virtual loose change' that you receive from a regular morning coffee purchase or sandwich, might instead be routed straight to a savings plan, appealed most. Nearly two-thirds of millennials (64%) liked that idea. We found positive reaction to micro-saving and micro-investing apps like Moneybox and 'B' virtually universal amongst millennials we talked to on the street following the survey.

> "Getting investments and savings pots viewable in one place, much like high streets banks offer for all your current and savings accounts, gets a big 'thumbs up' from millennials but most don't understand why the Pensions Dashboard hasn't already been created."

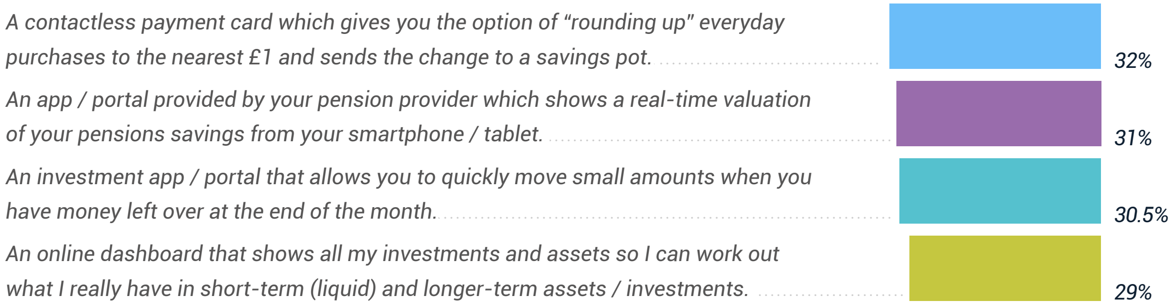
App-accessed customer portals favoured

Not far behind was the idea of a pension provider app offering a portal view of their retirement pot for a real-time valuation and more detail on where their monies are invested: 62% thought this very or quite useful. The Government appears to be onto a winner with its Pensions Dashboard development. A total of 61% favoured a micro-investing platform in which different types of investment can be selected and small amounts of savings swept into funds, according to a self-stipulated risk profile.

In addition, 58% of respondents liked the idea of an 'online dashboard' which shows the values of 'all my investments and assets so I can work out what I really have in short-term (liquid) and longer-term assets / investments'.

Interestingly, regional variations in demand for digital financial apps and portals were not that significant outside London. However, in London there was a clear digital-demand spike in which nearly 80% of London-based millennials were seeing real value in all four innovations outlined in the study.

Fintech-led innovations finding favour with millennials:



Customisable push notifications welcomed

Finally, we asked millennials about some of the online features that providers might offer to keep customers up to speed with the progress of their policies. It was clear that many of the options which are still pipe dreams for many providers are rapidly becoming the norm in customer communications in other markets and must be offered as soon as possible.

For example, we posited the idea that providers might offer an online tool 'which sends me notifications when my personal savings situation has changed markedly/or is about to change for any reason, such as because of a compulsory increase in auto-enrolment pension contributions, a buy-to-let investment gaining value or a shareholding going up by over 5%'. Push notifications of this sort are not even offered by the most innovative D2C platform providers yet but should they be? More than one in six millennials (17%) think this feature is 'something that every provider should offer as standard', and a further 27% that this would be 'an extra feature which would make this stand out against competitors'.

When we went onto the street to ask millennials what online tools and platforms they were using, it became clear that there was a significant early adopter group already using these tools to keep track of their money, make transactions, keep tabs on their pension savings and even to micro-invest in relatively sophisticated investments like commodities.

We discovered a hunger for these sorts of tools amongst many we interviewed and some providers that had invested in platforms were already reaping rewards in terms of additional monies being held with them and greater desire to stay with them. When a millennial says things like: "I decided to stay with X provider (despite a change of circumstances) because they offer this great app", it's surely time for all providers to sit up and pay attention. Customer Engagement tools will be vital in attracting and, more importantly, retaining the next generation of savers.

> "Millennials expect greater transparency, lower costs to switch accounts (and funds) and ease of access to their money if their circumstances change. They expect to sort themselves out more than previous generations but need a panoply of online tools to make this possible. If you give them what they are looking for they will remain loyal. We also found them very willing to champion some of the better apps, and their providers, to their peers."

The challenge is therefore to deliver the right information at the right time, as millennials left us in no doubt they want to feel that when they spend time on finance, it's time well spent! Otherwise you're just a click and a swipe away from the digital dustbin.

Providers fail to engage millennials at their peril

We have come away from this exercise feeling genuinely uplifted. It's been a hugely welcome relief from the classic messages we hear talking to older people about millennials, such as "they all rely on the Bank of Mum and Dad" and "the baby boomers have stolen their kids' inheritance".

It turns out that millennials are actually sensible, responsible and dependable human beings. Better than that, they are doing many of the things that their parents probably did at the same age, except millennnials are doing it in their own language with their own tech.

It is clear from our study that millennials are not tolerant of financial institutions that fail to engage with them appropriately and effectively online. They want more information, intelligence and insight delivered in bite size and even customisable chunks, calculated in near real-time and delivered direct to their mobile devices.

Arguably, they have less to invest for longer-term goals and need their investments to work harder for them than previous generations. They demand total transparency around charges and performance and want providers to evidence value for money every step of the way. Regulator-enforced disclosure demands much of this already of course.

However, this is about much more than delivering regulatory-required documentation via a platform or portal. There is much more to play for in this new digital playground. In short, if providers get their platforms, portals, and mobile apps right, they stand to administer larger shares of millennials' wealth – assisting them with judicious saving in pensions, savings and investment products. Better than this, they could even command their long-term loyalty.

About Dunstan Thomas Group

Dunstan Thomas develops technology solutions for wealth managers, platforms, and product providers with Integro CX and Imago. Integro CX delivers client portals that deliver exceptional user experience. Imago delivers innovative technology solutions to meet the unique needs of the retirement and savings market.

Imago

Imago has been providing highly-customisable illustrations, disclosure, and reporting solutions to many of the leading retirement and savings providers and platforms market leaders for more than 20 years. Its Imago family of products together provide innovative solutions to meet the unique needs of the retirement and savings market.

- Imago Illustrations is widely used to provide illustrations across many product providers and platforms. It provides the user with an easy means of understanding illustrations at a glance. Its new modular design, makes it even easier to re-style to better blend-in with your systems.

- Imago Administration is a highly configurable and automated solution for pension's policy administration. Imago Administration has been designed for the personal pension, SIPP, and group markets, providing an enhanced administration platform for income drawdown, annuities, and scheme pensions.

- Imago Auto Engage enables providers and advisers to deliver personalised financial information directly to clients. Once the information is delivered, Imago Auto Engage encourages the user to model and interrogate the data in an engaging way to stimulate the making of informed choices.

- Imago Self Direct is set of web tools for consumers and advisers alike that helps users understand choices available in investing or saving and planning for retirement. It can be used to help educate and build understanding of the choices and consequences of the flexibility with pensions and other income - to ensure better outcomes in retirement.

Integro CX

Integro CX became part of Dunstan Thomas Group in 2015. Its flagship financial services portal and workflow solution is designed to deliver state-of-the-art digital user experience. Its ability to offer role-based customisations, designed to optimise and share information and insight from underlying and legacy systems, enhances Dunstan Thomas Group's status as a leading financial technology player in building the next generation of online policy, administration and customer engagement offerings.

You can download a copy of this management report free by going to our website at:
www.dthomas.co.uk/content/fs/brochures.shtml

For a copy of the raw data, please make contact with Miles Clayton of Agility PR on 01992 587 439.

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