Don't Write Off Gen Y Millennials

by Steve Brown

We recently came across a comedic video circulating on the Internet. It's called the "Millennials in The Workplace Training Video" and it pokes fun at the work ethic of Generation Y (18 to 34Ys old). The video narrator quips in deadpan, "A new type of workers has entered the workforce--Millennials--and they're terrible." Then, several clips follow where young workers are depicted as lazy, clueless and over-indulged. For anyone who isn't Gen Y this is probably humorous, but for those who are, know that every generation has those in it who could fit the stereotype so don't sweat it.

As for us, we are sure there are many false notions about Gen Y and note such misperceptions relate not only to work attitudes, but also to behaviors with respect to money.

Banks have been known to write off Gen Y for a host of reasons, including that they typically have less money to invest and need fewer products and services. Simply put, Gen Y isn't as profitable now as other customer segments, but that will change.

Recall that we wrote recently that Baby Boomers are a good source of business for retirement planning and that holds true. The key though is not to get generationally locked down so much you forget about Gen Y and Gen X.. Indeed, studies suggest that Gen Y (Millennials) are particularly lacking when it comes to retirement planning advice. A new survey from TIAA-CREF finds 43% of respondents between the ages of 18 and 34 don't feel informed about retirement planning. By contrast, only 15% of those polled between the ages of 35 and 44 feel that way.

It is true that those in Gen Y still have many years before retirement, but it's all about tailoring your message to fit the audience. So while many 20-somethings may turn a deaf ear when it comes to retirement issues, you'll have a more willing audience if you discuss savings and budgeting. Indeed, a recent PNC survey of more than 3,000 in this age group found savings and budgeting to be the biggest financial issues. A full 56% found it difficult to stick to a budget & 65% couldn't consistently save.

These are important points, so we suggest bankers get a foot in the door with young customers early on to build profitable relationships in the future. Studies find people in their 20s today aren't as likely be entrepreneurs as are their Baby Boomer counterparts, but the percentage who run their own businesses typically goes up with age so get involved early. Create strong relationships over time and your bank is more likely to be on the short list of companies today's 20-somethings turn to down the road for business loans and small business services.

To attract Millennials, you have to understand what they are looking for. Mobile access is a given, so if you don't yet offer it, start moving or they may go to a competitor who does. You also must have online tools and resources they can use to help them figure out their finances. Understand that Gen Y has grown up in the Internet world, so they are very comfortable online and find enjoyment communicating digitally. This is an on-demand and do it yourself (DIY) generation, so technology is important. The key for community bankers, however, is also to understand that technology alone isn't enough. There is no substitute for one-on-one attention, so don't forget your roots because your bank is already well positioned at its core - just add more tools.

People can make jokes about Millennials, but many are seriously trying to be better savers, and this provides ample opportunity for banks that are willing to get involved. You may not reap the benefits initially, but over time you could end up with great relationships and a steady stream of customers.

BANK NEWS

FOMC Chair

As expected, Janet Yellen was confirmed by the Senate as Fed Chair, becoming the first woman to hold that post since its formation 100Ys ago. Ben Bernanke's last policy meeting is Jan 29 and his last day as Chair is Jan 31, so she is expected to assume the office on Feb 1.

Branch Sale

RBS Citizens Financial (), a subsidiary of Royal Bank of Scotland (UK) has agreed to sell 94 Chicago-area branches (operating as Charter One Bank) to US Bank for $315mm (a 6% deposit premium). US Bank captures $5.3B in deposits and $1.1B in loans. Royal took the action as it seeks to raise capital and cut costs (it is 80% owned by British taxpayers).

Settlement

JPMorgan will pay $2.6B to settle civil and criminal allegations around it lack of effective AML controls that allowed its customer Bernard Madoff to conduct the largest Ponzi scheme in history. In total, $1.7B will to go compensate victims through the DOJ (becoming the largest penalty in history for a BSA violation), $543mm will go to the bankruptcy trustee, $350mm will go the OCC and $461mm will go to the Treasury.

More Mobility

A survey by FICO (formerly Fair Isaac) of smartphone consumers globally finds they want to do more on mobile banking. Requested functionalities include: the ability to check account balances (75%), receive notifications of potential fraudulent activity (59%), make payments from their account (53%), transfer money between their accounts (50%) and receive information about new products and services (39%).

Industry

IBISWorld projects banking industry revenue will increase at an annualized rate of 7.4% through 2018.

Wealth

Bloomberg reports household wealth has jumped $8T in the last 12 months, boosted by rising equities & home prices.