Why Gen Xers are shying away from seeking financial advice

BARBARA BALFOUR
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Having been told since they were children that they would be taken care of, Gen Xers have now found themselves responsible for providing for their own future while also being exposed to more conflicting media about the correct thing to do, says one advisor.ISTOCKPHOTO / GETTY IMAGES

Generation Xers were raised in the shadow of Reaganomics, began their careers in the thick of the 1990s recession and dot-com bubble, and witnessed the near collapse of U.S financial institutions less than a decade later.

No one could ever fault this generation, born between 1965 to 1980, for being reticent to seek financial advice, says Jen Lawrence, a certified divorce financial analyst and managing director of Process Design Consultants Inc. in Toronto.

“While our parents trusted financial institutions for guidance and advice, we witnessed their incompetence and need for bailouts,” adds Ms. Lawrence, a Gen Xer who advises other midlife women on their finances and wealth mindset. “As a result, we’re a fairly cynical bunch and don’t receive financial advice the same way.”

Despite this generation’s misgivings, they represent an important cohort to which financial advisors should pay more attention. Members of Gen X have not grown up with modern financial options such as online banking and trading, robo-advisors, and cryptocurrency – all of which can be overwhelming to navigate without guidance, Ms. Lawrence says.

“Advisors have a big opportunity to earn our respect by offering non-patronizing financial education and advice,” she says. “The key is earned respect, as respect cannot be assumed.”

Ms. Lawrence often encounters female clients who manage significant amounts of money after divorce and who almost always change advisors because they feel they’re not being treated well.

There’s a particularly big opportunity for advisors who can meet the needs of Gen X women to manage their wealth while demonstrating respect and understanding, she says.

“There continues to be a wage gap. Many of us experienced harassment on the job and few financial mentors. Now that we are in midlife and have money, we do not want to be patronized,” she says.

As Gen Xers are primed to receive trillions of dollars in inheritance, they will also be looking increasingly for advisors who can provide a roadmap for balancing social good with financial returns.

“Advisors who offer education on [environmental, social and governance]-focused investing, ethical funds, micro-lending, angel investing and more can provide tremendous value to Gen X clients,” she adds.

Over the course of Gen Xers’ lifetimes, a fundamental shift has occurred in advisors’ value proposition, says Galen Nuttall, certified financial planner with Caldwell Wealth and Estate Advisory Ltd. in Belleville, Ont.

“Decades ago, advisors ran on the platform of, ‘I’m going to make accurate predictions about the market and that’s why you should hire me.’ This was also pervasive in all the Wall Street movies we saw in the ‘80s,” he says.

As such, if any advisor even implies they can predict the markets, they aren’t going to increase the trust factor with Gen Xers, Mr. Nuttall says.

Rather, advisors must define and communicate clearly what they bring to the table, he says. In his case, it’s understanding what his clients want out of life, their investments, and ensuring they will understand him when he explains the value of various financial planning strategies.

What's changed from the past

It's also critical for advisors to understand the historical context for some of the angst and confusion among Gen Xers, says Naoshad Pochkhanawala, chartered life underwriter and financial planner at Amiko Benefits Inc. in Markham, Ont.

"Baby boomers, the parents of Gen X, taught their children that if you go to school, get a job, and work, you will get ahead. [But Gen Xers] were lied to," he says, noting three paradigm shifts that have taken place over their lifespan.

The first was the aging population combined with the exponential rise in the cost of health care. "It just won't be feasible for governments to provide the same level of services comprehensively as they did in the past," he says.

The second was work mobility.

"At its root, institutions and employers no longer believe they're solely responsible for an employee's well-being for life," Mr. Pochkhanawala says. "Most employers expect the vast majority of people to move on within a few years."

The third was the broader societal move to shift risks to individuals.

"Products and plans ranging from universal life insurance and defined-contribution pension plans to self-directed investing accounts have all proliferated over the past 40 years," he says.

"It's easy to sell an uneducated consumer on the idea of taking risks, an already commonly misunderstood concept, in exchange for higher returns."

Having been told since they were children that they would be taken care of, Gen Xers have now found themselves largely responsible for providing for their own future while also being exposed to more conflicting media about the correct thing to do, he adds.

Between navigating a post-pandemic world, doing their jobs, and taking care of aging parents and children, most Gen Xers are also incredibly busy.

"They don't have time to sift through the myriad information that's available. And so one reason many Gen Xers don't go to financial professionals is due to general confusion about what they do," Mr. Pochkhanawala says.

Waiting too long to seek advice

As a result, the mistake Gen Xers make all too often is waiting until it's too late to ask for advice – or not asking at all, says Saskia Vermeulen, principal and senior advisor at Southlands Financial Services in Vancouver.

“Gen Xers are in a particularly vulnerable position when it comes to finances and retirement planning,” she says. “Their health is better and they’re living longer so they need more retirement savings than their predecessors.”

They’re often the sandwich generation that’s taking care of their kids and their parents, which creates a significant draw on their finances and their time, Ms. Vermeulen adds.

“Having someone come to us for insurance and investment advice when they’re in their 50s is tough because we have such a short time to accumulate the wealth they need for retirement and the insurance premiums are much higher at that age,” she says.

“This may lead to someone being uninsured and/or unable to retire when they would like to.”

Her biggest piece of advice for clients in this situation is that something is better than nothing.

“If they aren’t able to fully fund the retirement they would like to have, they should still do what they can to close the gap,” she says. “And if they’re only starting to save for retirement in their mid-50s, that’s still better than not saving at all.”