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Millennials

CARSON INSTITUTIONAL ALLIANCE

Congratulations! As a Millennial, your generation recently surpassed Baby Boomers as the largest generation on the planet. You're not only the most technologically savvy, but also the most educated generation, and as a group, you continue to make rapid strides in your careers and financial circumstances. However, as you've probably figured out by now, managing your life and finances is not without its challenges, especially where balancing college debt with home ownership and other important goals like saving for retirement are concerned. So why isn't there's an app for that? There is, sort of, but we'll get into that in more detail below. First, let's take a look at how your generation differs from past generations, what your peers are thinking and doing relative to their finances and how you can get started on the path to the confident financial future you seek.

MILLENNIALS (GENERATION Y)

Demographic following Generation X. While the range of ages varies, generally includes individuals born between 1981 and 1997.

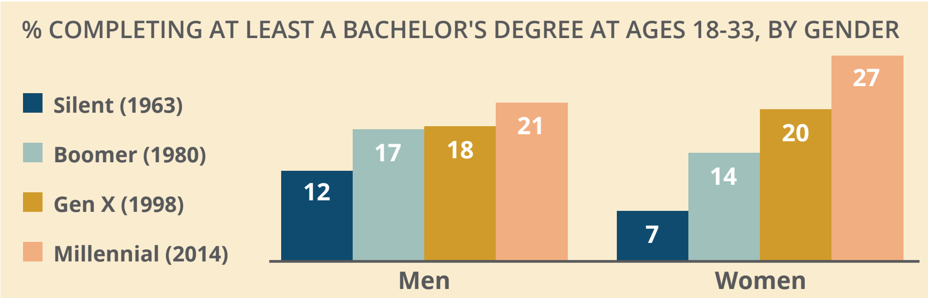
TALKING ABOUT MY GENERATION

Prior to 2015, Baby Boomers made up the largest portion of the U.S. population, and Generation X (those born in the 1960s to early 80s) represented the biggest share of the workforce. Now Millennials lead in both categories, holding approximately 20 percent of all management jobs, up from 3 percent in 2005.[1] Millennials are also inheriting their wealth at a greater rate than the two previous generations. An anticipated $30 trillion will flow in their direction over the next few decades, primarily through inheritance.[2]

The good news is that the Millennials may also be the generation most suited to their sizable inheritance. That's because the youngest generation of U.S. adults believe that the American Dream is no longer a guarantee, making them more risk averse and worried about their long-term financial security—especially relative to life in retirement—than previous generations.[3]

Concerns about future financial security may be driven in part by a lack of financial education. While Millennials are on track to be the most highly educated generation to date, for many, this distinction doesn't carry over to a working knowledge of financial concepts or financial management skills. The vast majority of colleges and universities still don't offer courses in basic money management skills and most students entering college did not benefit from financial literacy courses while in high school.[4] For a generation saddled with unprecedented levels of student debt upon graduation, and one that is anticipated to benefit from what will historically be the largest wealth transfer ever, understanding how to serve as stewards of great wealth is critical. But how do you get started?

MILLENNIALS ON TRACK TO BE THE MOST EDUCATED GENERATION TO DATE



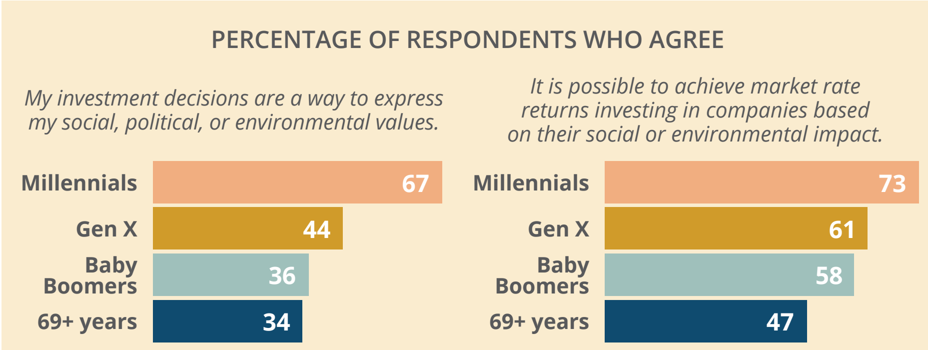
Note: The educational attainment question was changed in 1992. So for Boomers and Silents, this refers to those who completed at least four years of college. Educational attainment was not available for the 1963 Current Populations Survey. The education of Silents was approximated using 18-33 year-olds from the 1962 Current Population Survey.

Source: Pew Research Center tabulations of the March Current Population Surveys (1963, 1980, 1998 and 2014) from the Integrated Public Use Microdata Series (IPUMS).

There's no question that the better educated you are about your wealth and finances, the better equipped you'll be to meet the future with confidence. However, it's equally critical for those advising you in your wealth journey to understand how your attitudes about wealth may differ from previous generations. While many higher net worth Millennials want an advisor to help manage their finances, they expect to play a significant role in making decisions. And when it comes to communication, they expect advisors to be accessible and immediately responsive. Millennials also prefer a variety of options when communicating with their advisors, ranging from email and phone calls, to in-person meetings and social media.

Millennials also want to use their wealth to affect change. As the graph indicates, 67% of Millennials believe in the power of money to drive change and to express their social, political and environmental values. And 73% believe it's possible to make an impact while achieving market rate returns.

MILLENNIALS WANT TO HAVE AN IMPACT
Different generations have dramatically different investment priorities



Source: 2014 U.S. Trust Insights on Wealth and Worth

WHAT WEALTH IS AND ISN'T

Each of us defines wealth differently, based on our unique experiences, exposure to and concept of what constitutes wealth. People often make the mistake of using money to gauge self-worth or their perceived value to society, resulting in an unending quest to accumulate more and more with no clear end-goal

FIRST THINGS FIRST

Before you can be a great steward of significant wealth, you have to master the basics from budgeting to paying down debt, managing credit and developing an investment strategy aligned with your personal goals and values. While that may initially sound complicated or even overwhelming, remember that you don't have to go it alone. By working with a trusted advisor and taking advantage of the broad array of online financial education apps, videos and tools available—you can quickly put yourself on a path to taking control of your finances.

*Want to learn more? Ask your Wealth Advisor for a complimentary copy of **Back 2 Basics,** a guide to improving financial well-being, reducing debt and increasing net worth.*

or sense of fulfillment. A healthier approach is to view money as a purpose-driven tool for fulfilling the lifestyle experiences you desire for yourself, family members and the causes and organizations you support.

When you view wealth in terms of what it can help you achieve during, and even after your lifetime, it's becomes clear that the term "rich" is not something that can be quantified. Instead, richness is a state of well-being. One family may experience abundance with a net worth of $500,000 while another may require far more to fulfill a sense of abundance, based on their individual goals and desires.

While there's no magic number people should aspire to, it's important to develop and maintain a healthy respect for what money, in any amount, can do to further your life goals. It can't buy health or happiness, but it can help you live a purpose-driven life, provide for your family, share your good fortune with the causes and organizations you support and leave a meaningful and lasting legacy. However, to do so requires thoughtful and careful stewardship of your assets.

EMBRACING PHILANTHROPY

Charitable giving is an important part of wealth stewardship, enabling individuals to not only leave meaningful legacies, but witness the impact of their support during their lifetimes. Millennials are no strangers to this concept. In 2014, 84% of Millennials made a charitable donation and 70% spent at least one hour volunteering, according to the Millennial Impact Report by research group Achieve. On average, Millennials give an annual gift of $481, according to Blackbaud's Next Generation of American Giving report. As a group, Millennials prefer donating to children's charities more than any other cause, followed by places of worship and health-related causes.

Philanthropy, at any level, can have positive affects across multiple aspects of your life and your finances.

- Research conducted by the National Institutes of Health found that donating money activates pleasure centers in the brain.
- Donations of property and cash to qualified organizations is a great way to reduce your debt to Uncle Sam while supporting a good cause.
- Knowing that your contributions are being used to make an impact on the people and causes you support can deepen a sense of connection and meaning in your own life.
- People who donate or tithe on a regular or systematic basis tend to be more disciplined about financial management and budgeting.

Yet, to be effective, charitable giving has to be part of a comprehensive wealth strategy. While giving is good, it shouldn't be done in a haphazard manner that could put you at risk for falling short where long-term goals like retirement are concerned. Through comprehensive planning, an effective charitable giving strategy can be developed using these and other sophisticated tools to help invest and manage your wealth in a tax-efficient manner.

- **Private foundation -** A private, non-operating foundation (PF) is a charity set up as either a corporation or a charitable trust. A PF applies for its own tax-exempt status and is typically administered directly by one or more people.
- **Donor advised fund -** A donor advised fund (DAF) is a public charity that allows an individual to donate money to a public charity (i.e., the

BLESSING OR BURDEN?

Significant wealth can be a blessing—providing the financial means to pursue your goals—and a bit of a burden, due to the time and attention it demands, and the unwanted attention it brings. One of the chief laments among athletes and celebrities with great wealth is the difficulty they experience in determining other people's motives and which friends, advisors and even family members they can trust. That's among many reasons why it's so important to maintain confidentiality where your wealth is concerned. The less other people know about your financial situation, the better. You don't want to be in a position of questioning whether friends like you for you or for your money. Keeping your net worth to yourself also helps eliminate awkward situations where friends may ask for a loan or assume you'll pick up the dinner tab. Remember, the more money you have, the more you stand to lose, so guard it and your own best interests wisely.

TAX-DEDUCTIBLE CASH GIFTS

In order to deduct contributions, charitable gifts must be made to IRS-qualified organizations only. These usually include religious, charitable, educational, scientific or social welfare groups, including, in certain limited circumstances, foreign charities. Make sure any organizations you're considering qualify by looking them up on www.irs.gov.

donor-advised fund) and receive an immediate charitable tax deduction for the entire amount donated (subject to certain income tax limitations), even if those funds are not given to a charitable organization.

- **Charitable lead trusts -** A charitable lead trust (CLT) is an irrevocable trust that the donor establishes by transferring assets into the trust and donating an income stream from the assets to a charitable organization for a period of years. The donor designates the remaining assets in the trust to be distributed to the beneficiaries upon his or her death.
- **Charitable gift annuities -** An option for giving to a college or university, this is a contract whereby a donor, in exchange for a lump sum of cash, marketable securities or other assets, receives a tax deduction and a fixed payment from the charity for life.

MANAGING WEALTH

One of the reasons Millennials embrace philanthropy is the opportunity it offers to impact change—an important distinction many Millennials also feel strongly about when it comes to their investments. "Impact investing" enables individuals to invest their money according to their values without having to forgo financial opportunities. While impact investments may currently represent a small portion of many investors' portfolios, forecasts point to a significant increase in these types of investments as money changes hands on a generational scale in the coming years.

Whether you've accumulated assets on your own, or are the beneficiary of an inheritance, it's important to understand both the basics and responsibilities of managing wealth. Investing—whether it's in the financial markets, real estate or a business—provides an opportunity to put your money to work to earn more money over time. When investing in a business or real estate, your money may be tied up for decades, during which time you may or may not receive a return on your investment in the form of income. That's because these assets are illiquid, meaning it can be difficult to sell your investment if you need immediate cash, or you may risk selling at an inopportune time, resulting in a loss.

The financial markets, on the other hand, offer greater liquidity through investment in stocks, bonds, funds, real estate investment trusts and other financial instruments. Whether you prefer to create and manage your own investment portfolio, use an online advisory service or work with a financial advisor, it's important to have a repeatable process in place for selecting, adjusting and monitoring your investments over time.

IMPORTANCE OF AN INVESTMENT PROCESS

Smart investing is a long-term process that involves adhering to a consistent and disciplined approach that seeks to remove emotion from the investment decision-making process. In fact, according to DALBAR, a financial services market research firm, investment results are more dependent on investor behavior than on investment performance. The company's 2014 study of investor behaviors stated that mutual fund investors who hold onto their investments have been more successful than those who try to time the market.[5] That's because emotional decision-making can lead to selling when the markets experience a downturn, and buying back at higher prices as the markets begin to rise again, which can be costly for investors and easily derail your overall investment strategy.

A proven investment process helps eliminate emotional decision-making. It provides an orderly way to create and maintain a portfolio aligned with your specific goals and objectives while seeking to manage investment risk. At a high level, the investment process consists of four primary steps:

GOAL SETTING	Your blueprint: a formal assessment of your needs, goals, tolerance for risk and timeframe
PORTFOLIO CONSTRUCTION	Developing the foundation and framework for your portfolio
IMPLEMENTATION	Executing your plan
PORTFOLIO MONITORING & EVALUATION	The care and maintenance of your portfolio over time

SETTING EXPECTATIONS

When evaluating portfolio performance, it's critical to measure performance within the context of your investment strategy. It's not practical to expect returns on par with the market if a portion of your portfolio is invested through a capital preservation strategy that seeks to provide risk-adjusted returns. Determining your Family Index Number can help to evaluate your portfolio performance. The Family Index Number is the rate of return necessary for an investor to pursue their goals.

For example, if you have a goal of buying your first home in the next 5 years you have a specific rate of return necessary to pursue those goals. Say you want to purchase a $200,000 home and put 20% down to avoid paying private mortgage insurance. Today you have $6,000 saved for the house but need an additional $34,000 for the down payment. If you continued to put $6,000 per year you would need a 4.20% annual rate of return to purchase a house in 5 years*. If you go a higher rate of return that would only speed up your ability to purchase a house, but a lower rate of return would alter your timeline considerably. Setting expectations to pursue your goals rather than beating the market over the long term will put you in a much better position to succeed.

Similar to a manager's buy/sell discipline, your investment manager's overall investment process should be clearly laid out, consistent and repeatable. When choosing a financial advisor or firm to assist in managing your assets, it's important that they are able to articulate their investment process in a manner that's easy to understand and makes sense to you.

IS AN AUTOMATED ADVICE SOLUTION RIGHT FOR YOU?

Until recently, investors had two choices when it came to managing their finances: work with an advisor or do it yourself. With the advent of online, automated investment platforms—commonly referred to as robo-advisors—investors now have a viable third choice for pursuing important investment and life goals such as saving for retirement. Robo-advisors are automated online services that use software programs to determine your investment style and recommend a suitable investment allocation, based on your answers to a set of questions about your risk tolerance, investment timeframe and investment goals. Computer algorithms are utilized to manage and rebalance investment portfolios.

While robo-advisor platforms offer a low-cost alternative to working with a full-service Wealth Advisor, like most things in life—you get what you pay for. That doesn't mean that automated investment platforms are a bad choice. In fact, for many investors, especially those just starting out, they can offer some advantages. However, it's important to understand that in exchange for the robo's lower investment management fees, on most platforms, many of the services investors rely on from independent financial advisors are either not provided at all, or are provided for an additional fee, such as active portfolio management, fiduciary guidance, personalized financial education and comprehensive financial, tax, insurance, estate and retirement income planning, among others.

As a result, robo-advice platforms often fall short for higher net worth and affluent investors, as well as those receiving or anticipating a financial windfall in the form of an inheritance, divorce settlement or proceeds from the sale of a business that require sophisticated planning from a tax, estate, retirement income and cash flow perspective. Many platforms limit the type of investments available to subscribers, limiting access to products and strategies that utilize broader investment categories such as real estate and alternative investments. In addition, certain providers include proprietary investments in their models that are managed and distributed by the provider of the robo-advice platform which many investors view as a conflict of interest.

DO AUTOMATED PLATFORMS OFFER A "HUMAN" ADVICE COMPONENT?

While some automated advice platforms offer access to human advisors, fees for these services, as well as the experience level and expertise of the advisors employed to provide advice can vary greatly from one platform to the next. If you like to ask questions or prefer emotional support when making financial decisions, you may be more comfortable working with a full-service Wealth Advisor. This relationship can prove particularly valuable during periods of increased market volatility or uncertainty, helping you stay the course and avoid derailing your long-term strategy by selling at an inopportune time.

PARTNERING WITH AN INDEPENDENT WEALTH ADVISOR

While process is essential to the ongoing implementation and execution of an investment strategy customized to your needs and goals, communication is equally critical. Automated investment platforms, prospectuses, annual reports and call centers can't adequately answer questions like "Am I still on track?" or "How will current market trends impact my overall strategy?" However, your dedicated Wealth Advisor can provide detailed answers to these questions and more.

You should expect your Wealth Advisor to meet with you at regular intervals, based on your needs and preferences, and to work closely with the Investment Committee to manage and continually evaluate your portfolio to help ensure you remain on track toward your goals. And because your Wealth Advisor takes the time to get to know you and serves as your personal advocate and guide, you can rely on your Wealth Advisor to recommend adjustments to your financial strategy as market conditions or circumstances in your life change.

** This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.*

Our team acts as your trusted, fiduciary partner. You can expect proactive and transparent communications such as trade notifications whenever activity takes place in your portfolio. You're also invited to attend our morning meetings with your Wealth Advisor for behind-the-scenes discussions with the Investment Committee and Research Department:

- **Macro Monday**
- **Technical Tuesday**
- **Wealth Enhancement Wednesday**
- **Thorough Thursday**

Between scheduled meetings, your Wealth Advisor will keep you informed through a series of proactive communications, including our weekly market commentary, monthly newsletters and blogs. Your Wealth Advisor will:

- Take the time to get to know you and your family, understand your current situation and short and long-term goals and aspirations in an effort to help you develop a flexible plan of action to pursue your goals.
- Help to determine your goals and objectives for cash flow, investments, insurance and estate planning.
- Assist you in determining your personal Family Index Number—the individual rate or return you need to pursue your goals and objectives with confidence.
- Provide access to other financial professionals including estate planning attorneys, CPAs, mortgage bankers and more.
- Serve as a coach and mentor, teaching the skills you need to move forward with financial planning.
- Focus on managing risk versus timing or outperforming the markets.
- Place your best interests first by providing fiduciary guidance and full fee transparency as an independent advisor unencumbered by proprietary investment product offering or product and sales quotas.

We're available to provide the information, education and resources you seek to be a prudent steward of your wealth. We can assist you in developing a comprehensive wealth strategy aligned with your values, designed to protect and grow your wealth and deliver on your philanthropic goals. Contact us to learn more about our repeatable, research-driven process that focuses on constructing customized wealth strategies aligned with individual client needs, goals and risk parameters.

Contact your Wealth Advisor today to learn how we can help you pursue your financial goals with confidence.

IMPORTANCE OF WORKING WITH A FIDUCIARY ADVISOR

Most people, regardless of age, don't understand what the term "fiduciary" really means, or that their financial advisor may not be a fiduciary advisor. Working with a fiduciary advisor helps to minimize conflict of interests and ensure your best interests always come first. For example, he or she can't simply recommend a high-cost investment product that pays the advisor a hefty commission—that's not in your best interest. A fiduciary is obligated by law to place your interests first and must be able to demonstrate how specific investment recommendations serve your interests and are aligned with your goals.

[1] *U.S. Department of Labor Statistics*
[2] *Bloomberg; March 2015*
[3] *Gen Y Investor Insights: Millennial Millionaires in the Making*
[4] *Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction, by Britt and Dottie Durband*
[5] *DALBAR 20th Annual Quantitative Analysis of Investor Behavior (QAIB) 2014. Past performance is no guarantee of future results. Indexes cannot be invested into directly.*

CARSON INSTITUTIONAL ALLIANCE

ABOUT CARSON INSTITUTIONAL ALLIANCE

Our goal at Carson Institutional Alliance is to work with clients throughout the Wealth Designed. Life Defined.™ process to identify each of their financial and non-financial concerns, and to address those concerns. Putting a plan in place to pursue your goals will not only assist you in your quest to attain True Wealth, but help provide the balance and control you seek across all aspects of your financial life. Our job is to manage your finances so you can be confident. We want you to get to the end of your life and say, "I'm glad I did," not "I wish I had."

Wealth Designed.
Life Defined.®