**Worries Shared at the Breakfast Table**

July 2019

Your customers share some important overarching characteristics: They are conservative, male, white, middle to upper-middle class and middle-aged. And they live in the suburbs.

We can focus on that demographic for this list, but in the future, it might be an interesting exercise to look at the concerns of some your other up-and-coming customer groups, namely younger GenXers, Millennials (as they age, they actually do become their parents) and Asians.

But for now, let’s look at what is keeping your folks up at night.

* **A need for order**: (Please note: this is drawn from academic research on the conservative v. liberal mind) The conservative mind seeks order and the need for order is reinforced by a proclivity to see not just the negative, but to actually seek it out.[[1]](#footnote-1)

One of numerous experiments on the psychology and physiology of perspective, is principally based on research that asked a group of self-identified liberals and conservatives to look at a collage of images. Eye tracking showed that while liberals lingered out images of laughing children and dogs, conservatives quickly sought out and lingered on images of car wrecks and excrement. If one seeks out the negative, confirmation/reification of those dark fears encourages one to then search for solutions and many of those solutions can be found in law and order, clean houses and more rigid (black and white) perspectives.

Another note of importance here is that when an actual and real threat is perceived, conservatives and liberals have exactly the same responses of hunkering down, protecting loved ones, suspecting strangers/outsiders and showing a deep intolerance of differing opinions, plans and proposed solutions.

This need for order may help inform the communication strategy around any sort of automatic investing program you may have.

* **In a world full of the negative, protect yourself:** One of the things seen in your customer demographics is just how suburban your customers are. Once they are sited in their suburbs or elite suburbs with their family and friends and local schools and churches, conservatives are far happier than liberals. This ties to the previous item in that the insulation of a highly curated environment created to protect those who see the negative is powerful, and yet also a bit fragile or vulnerable.

But as in any insular environment, there are always threats just beyond the boundaries of safety. So here we have safety and ever alertness to the things that can threaten one’s castle.

* **The kids.** **Love ‘em, don’t trust ‘em and worry about them constantly.** Yes, all parents assume their children are dead on the highway when they miss curfew by five minutes, but your clients have older children. Almost all of their kids are either in high school or older and out of the house.

Middle-aged parents have a different set of concerns about their kids than parents of younger children. The older parents worry about things like: Do their children know how to handle their own money? (this is a huge area of parental concern) If they inherit money, will they use if wisely? [[2]](#footnote-2) Two thirds of very affluent Americans think the young people in their lives place too much emphasis on material possessions. And over half think their kids are naïve about the value of money. [[3]](#footnote-3)

* **What’s our plan?** Your customers want to leave money to their children. Among older Gen Xers and Boomers and the Silent Generation, 81% of mass affluent parents want to leave their children an inheritance and 39% are actually making sacrifices so that golden goose egg is as large as possible. What are they giving up so they leave a larger inheritance?

31% Limiting spending on luxuries like eating out and entertainment

26% Skimping on travel and vacations

18% Delaying retirement

15% Taking on a second job or working overtime[[4]](#footnote-4)

The newest Merrill Lynch survey of the mass affluent found that 92% of all respondents want to leave money and other assets behind, but 64% do not have a formal estate plan in place, including almost half of seniors (46%) and over half of baby boomers (59%).

* **Why am I worried sick about finances?** That same Merrill Lynch survey found that 59% of its mass affluent respondents say managing their finances impacts their mental health. Those numbers heavily skew to Gen Z and millennials, but 58% of Gen X and 40% of baby boomers say their mental health is affected by finances. And it’s not just mental health, 56% of respondents say their physical health is affected by their finances. For both mental and physical health, women are far more likely than men to admit the toll worrying about finances takes on them. 5
* **What if there’s another Recession?** This is a challenging topic for your client households. If they are reading the minutes of the quarterly meetings of the Federal Reserve Board of Governors or looking at Forbes’ monthly economic consensus for trends of the major indicators, they will think we are not heading into another global recession in 2019 or 2020. However, if they are following the emerging economic consensus around the recessionary impact Brexit will have on the British economy (which will act as a decelerate on the EU’s economy) or if they worry about the longer term consequences of the trade war with China, then they may be alert to the falling of additional dominoes.

But don’t forget that consumer confidence remains very strong even as there is a slowing of the rate of growth in the economy.

* **What if a Democrat wins the next Presidential election**? Importantly for your clients is that they are mostly Republicans. During a Republican presidency (as was the case under the Bushes, Reagan and now Trump), Republicans are most optimistic about the economy. When a Democrat is in the White House (as with Obama and Clinton), democrats are the optimists.

So currently, your clients are feeling strong.[[5]](#footnote-5) But know that their confidence levels will invert should the resident of the White House change in 2020.

* **Have I done enough? Am I ready to be old?** With your clients being 50+ years old, mortality is setting in. So it’s no longer about paying for the kids’ colleges or taking care of their own parents, it’s looking at the cost of retiring and the costs of getting truly old. Do they have a plan to protect their assets and their children’s inheritances when they go to assisted living? Or to a nursing home? Easily running over $100,000/year, those next levels of care can be personally terrifying and devastating to asset gathering/retention strategies.
* **Healthcare:** T.Rowe Price finds that the leading financial concern of seniors is healthcare. Remember, medical expenses are the leading cause cited for bankruptcy filing in the U.S. and healthcare is the single greatest expense seniors must address in their retirement. In addition to long-term care (which will be needed by 70% of today’s seniors), seniors worry about the future costs of health insurance premiums andoOut-of-pocket healthcare expenses.
* **Social Security** As you think about your next group of clients and begin to target consumers who are now Millennials, social security is a topic that should be addressed. Currently, your stable of clients are old enough that many were in the labor market when they could participate in pension plans. If their employers/former employers haven’t liquidated their pension holdings, many of your clients have that sturdy source of retirement income. But younger consumers know they are pushing a Sisyphusian boulder and according to a Transamerican Retirement Survey, 80% of Millennials are concerned that Social Security won’t still be around when they hit retirement age.
1. ###  “Differences in negativity bias underlie variations in political ideology, University of Nebraska-Lincoln, 2014, <https://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1069&context=poliscifacpub>

 [↑](#footnote-ref-1)
2. **Boston College** Center for **Wealth** and **Philanthropy** [↑](#footnote-ref-2)
3. “What’s Keeping the Affluent Up at Night? Their Kids,” Diversified Asset Management, 1 May 2019 <https://www.diversifiedassetmanagement.com/blog/whats-keeping-the-affluent-up-at-night-their-kids> [↑](#footnote-ref-3)
4. Merrill Lynch Edge Report, Spring 2019, <https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/Merrill_Edge_Report_Spring_2019.pdf> [↑](#footnote-ref-4)
5. “Consumer Economic Expectations: Persistent Partisan Differences,” University of Michigan, September 2018, <http://www.sca.isr.umich.edu/files/ciret2018_curtin.pdf> [↑](#footnote-ref-5)