ADVISER CONTEXT

Frozen: How millennials can jump-start their investing life

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Ever since she landed her first job out of university, Desirae Odjick planned to start investing. But she kept putting it off, owing to what she calls "inertia."

"Every year, I was like, 'Yeah, I should be investing, I shouldn't have my money sitting in cash, not earning anything.' But it was just one of those things – you know you should do it, but getting started was a really big hurdle for me," says the Ottawa-based, 25-year-old marketing manager.

Ms. Odjick says she spoke to a bank adviser about investing some of her money, but was told she didn't have enough to invest. "At the time I probably had just under $10,000 sitting in savings," she says. After some intense online research, she decided to invest with Wealthsimple Financial Inc., an online investment manager, or robo-adviser.

"It seemed like a really good option, and I liked that they have lower fees than traditional banks would for investment management," says Ms. Odjick. "And I could do it from my house, I could do it online and it made it feel like a much smaller step to start investing."

That was about six months ago. Now she has invested just under $20,000 in a diverse mix of U.S., Canadian and foreign exchange-traded funds (ETFs). She also keeps high-interest savings accounts for her house fund and an emergency fund.

"My investments [with Wealthsimple] are truly long-term," she says. "I don't plan on touching any of that until I retire."

As millennials continue to populate the Canadian work force, more and more are becoming interested in investing. But, like Ms. Odjick, the children of the boomers – born in the eighties and nineties – often don't know where to start.

Alexandra Boland, a certified financial planner at Caring for Clients in Toronto (and a 30-year-old millennial herself), says that millennials often find the jump into investing difficult because they are usually juggling a lot of goals.

"They are often looking to purchase a house or a condo, a vehicle, planning for a family, all while saving for retirement," says Ms. Boland. "Sometimes clients may have a lot of student debt and they don't know how to take a balanced approach with saving and paying off debt."

Millennials also put off investing because they think they have a lot of time before they need to worry about retirement, says Ms. Boland. "They certainly do, but the power of compounding is very effective when clients get started investing sooner rather than later."

Shannon Lee Simmons, 30, is a fee-only, Toronto-based certified financial planner and founder of the New School of Finance. She says some millennials may have been spooked by recent market volatility.

"Many of us graduated right into the 2008-2009 recession," she says. "The stock market crash and doom and gloom has scared some of us. We've seen some scary bear markets in our adult life and I think it's making us more risk-averse."

Because of this unease, Ms. Simmons says millennials are looking for an adviser who is "totally transparent with their fees and not trying to take advantage of them."

To attract millennial clients, Ms. Simmons says financial advisers have to think outside the box. "Many millennials don't even want to own a home, or they want to pack it all in and move to Costa Rica. Flexibility in the plan is important. In addition, many of us have variable incomes," she says. "Traditional advice doesn't always apply. More creative and flexible solutions is key."

David Nugent, a 30-year-old portfolio manager and chief compliance officer at Wealthsimple, says the millennials investing with his company are responding to the fact that they can invest quickly and without a lot of face-to-face interaction.

"The traditional way of working with someone is to go to their office and meet them in person. Millennials have no interest in that. They want to text you, phone you, live-chat you, video-conference you," says Mr. Nugent.

At Wealthsimple, prospective clients fill out an online form answering questions about their financial goals and risk tolerance, then advisers at Wealthsimple create an asset mix using ETFs and invest their money according to their profile. All of this can be done without an in-person meeting.

"Anything that takes more than 10 to 20 minutes is too long [for millennials]," says Mr. Nugent. "They have very short attention spans because they have grown up in an environment where everything is at the tap of a button. You can rent a house in South America on your phone. You can hail a cab on your phone, get lunch on your phone. Why is it that you have to go into a bank branch, sign a bunch of papers, speak to someone to invest your money?"

Brandon Silbermann is a 25-year-old financial adviser at Manulife Securities Investment Services and an insurance agent at Don Stockman Financial Services in Waterloo, Ont. Mr. Silbermann says that, although he prefers to work with clients in person, many millennial clients initially connect with him online.

"I've had millennials contact me through LinkedIn. It's been an excellent source of new clients for us," he says. "If you search anyone in Google, one of the top results is always LinkedIn. It's a powerful network, so it's going to appear on the top of Google searches."

Mr. Silbermann says a good website is also crucial to attracting millennial clients. "The website has to be mobile-friendly. The majority of searches are done by phone or tablet, so it's important that, however the website is designed, it appears correctly on different phones, different browsers. Whether it's in-person or online, it's still the first impression."

For millennial investors unsure of how to get started, Ms. Simmons recommends they do some online research first (something millennials tend to be quite good at). There are a wealth of resources available, from articles to personal finance blogs, from Reddit to online financial courses.

“Start by learning all of the options, from active management to passive to robo,” she says. “Knowing the pros and cons of the different types of services and products out there is so important. Understanding risk tolerance, time horizon and how the industry works and how you pay for services is so empowering.”

Although robo-advising or “going DIY” can be a good choice for some people, Ms. Simmons points out that because “planning is holistic,” an independent planner can come in handy to help you with an overall financial plan that goes beyond just investing advice.

Ms. Boland says that the first step she recommends for millennials is cash flow management – getting a handle on what’s coming in and what’s going out. One of the next big questions she often gets is: registered retirement savings plan (RRSP) or tax-free savings account (TFSA)?

TFSAs are a better choice for shorter-term goals because of their liquidity, advises Ms. Boland. RRSPs can be great for investors in a higher tax bracket or for those saving for a first home because of the federal government’s Home Buyers’ Plan (which allows investors to borrow up to $25,000 from their RRSP and pay it back over 15 years).

Ms. Boland points out that although some young investors may feel they can afford to have a high-risk portfolio loaded with equities, they really don’t need to, because time is on their side.

“They don’t need to chase those big returns, because they have the power of compounding. They also need to keep in mind their risk tolerance – we don’t see too many people who come in to our office who can handle the downside of an all-equity portfolio,” says Ms. Boland.

“It’s one thing to say, ‘Look at that 40-per-cent return!’ But on the flip side [when stocks are down], it doesn’t feel so good.”