Trading Places: Baby Boomers More Aggressive Than Millennials In Retirement Goals

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Popular investing wisdom states that the younger you are, the more time you have to ride out market cycles and therefore the more aggressive and growth-oriented you can be in your investment choices. But that is not how individuals surveyed recently are thinking or behaving with regard to their retirement investments.

In fact, the new study sponsored by MFS Investment Management suggests that Baby Boomers take a more aggressive approach to retirement investing than the much younger Millennials -- those who are 18 to 33 years old. Further, each group's selected asset allocation is inconsistent with what financial professionals would consider to be their target asset allocation, given their age and investment time horizon.

For example, Baby Boomers, on average, reported holding retirement portfolio asset allocations of 40% equities, 14% bonds, and 21% cash, while Millennials allocated less than 30% of their retirement assets to equities, and had larger allocations to bonds and cash than their much older counterparts -- 17% and 23% respectively.

Further, when asked about their retirement savings priorities, 32% of Baby Boomers cited "maximizing growth" as the most important objective, while two-thirds of Millennials cited conservative objectives for their retirement assets -- specifically, 31% said "generating income" was a top concern and 29% cited "protecting capital" as their main retirement savings goal.

Perception Is Reality

The study's sponsors infer that the seemingly out-of-synch responses from survey participants reflect each group's reactions -- and perhaps overreactions -- to the recent financial crisis. For Baby Boomers, the loss of retirement assets brought on by the Great Recession has made them more aggressive in their attempts to earn back what they lost. Fully half of this group reported being concerned about being able to retire when they originally planned. For Millennials, the Great Recession was a wake-up call that investing presents real risks -- and their approach is to take steps to avoid falling foul to that risk even though they have decades of investing ahead of them.

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Educating Investors: An Opportunity for Advisors

The study's findings suggest that there is a considerable opportunity for advisors to dispel fears and misperceptions by educating investors of all ages about the importance of creating and maintaining an asset allocation and retirement planning philosophy that is appropriate for their investor profile.

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Source/Disclaimer:

[1]*Plansponsor*, "Baby Boomers, Millennials Should Switch Retirement Investing Goals," October 2, 2014.

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