Comment w/c 26th March

Investing in the next generation – are we?

“The best time to invest is when you have money. This is because history suggests it is not timing which matters, but time.”

Sir John Templeton

Last Wednesday I had the pleasure of attending the 150 anniversary celebration of the Foreign & Colonial Investment Trust at the Guildhall in the City of London: a great occasion attended by all generations, and by people from all walks of life. It was in particular a celebration of the power of investing in equity markets, particularly with income reinvested. £100 invested into the fund in 1868 would now be worth c. £12 million!

Investing in equities is the most direct surrogate we have for investing in human enterprise and ingenuity, and the past 150 years have featured both in abundance: alongside, it must be said, more than our fair share of conflict and suffering.

One of the speakers was Eliza Filby, an adviser on Generation Z and Millennials, and on how to engage the next generation of investors. For those - like me - who struggle with these generational definitions, she helpfully provided this key:

Her particular focus was on the Millennials, of which she is one, and she described the financial squeeze on ‘Under 30s’ as being ‘as bad as Greece’. It is a generation where experience hugely exceeds assets and, perhaps by necessity, they have become the inventors of the ‘Sharing Economy’. As a result she said that they are delaying economic adulthood by ten years, compared to their Baby Boomer ancestors.

However age is on their side: their anticipated average life expectancy is 95, and they are likely to maintain an active working life to age 80 in a ‘portfolio career’.

It was an interesting coincidence, therefore, that the following day the Department for Work and Pensions published its **Family Resources Survey 2016/17** , bearing out dramatically what Eliza Filby had said the day before. Its statistics on household tenure were particularly graphic. Over the ten-year period since 2006/7, ‘buying with a mortgage’ has declined from 37% to 28% - in other words by 25% - while the percentage ‘privately renting’ has increased from 13% to 20%.

However the figures for younger households are much more stark: the percentage of those aged 25-34 ‘buying with a mortgage’ declined from 52% to 33%, a fall of nearly 40%, with the percentage privately renting rising from 28% to 46%.

These are deeply troubling statistics, because it means that a whole generation is growing up through adulthood with no experience of investing, and the economic freedom that comes with having an independent source of reserves. And because of the close link between ownership and responsibility, it raises questions there too.

The causes are much discussed: high house prices caused by an insufficient supply and ultra-low interest rates being key culprits. In my view, the imposition of substantial student debt bears a heavy responsibility too: the psychological scar imposed on early working and family life by shouldering a £50,000 burden of debt from day one in the workplace places a heavy barrier which blots out any thought of investing. Perhaps that’s why early results of Lifetime ISA take-up are disappointing, notwithstanding their considerable attractions.

But the worst aspect is that we - and I refer particularly to the Baby Boomer generation, of which I am part - seem to be accepting this as a ‘fait accompli’, as if nothing can be done about it.

Eliza Filby ended her talk by pointing out that Millennials will be the biggest inheritors of assets in history because, of course, the Baby Boomers can’t take their wealth with them when they die. God doesn’t want us in the next world with our spiritual pockets stuffed with cash.

But I would suggest that's little consolation to the Millennials, who will be pushing retirement before they see that inheritance come through. We need to do something now.

It's fair to say that my focus in **The Share Foundation** is on the disadvantaged young people of Generation Z, where I strongly advocate the use of 'Incentivised Learning' to empower very large numbers of young people in their teens to take control of their lives and prospects for the future.

But Eliza Filby points out that financial education also has a big role to play for the Millennials. She helpfully set out the characteristics which are key to making it effective:

- that it must be impartial
- that it must chime with their values
- that it must be digital, visual and communal

As readers of this commentary from last August may recall, I am very concerned that **financial education** is not included within the examination results listed by the Joint Council for Qualifications (JCQ). I carried out a full analysis of these results showing the numbers of exams taken in each subject.

So another meeting for me last week was with the **London Institute of Banking and Finance** , who produce the best generally suitable GCSE in Financial Education. It's currently being taken by 20,000 young people, which would place it 30 in the list even now, but it's not listed in the JCQ schedule. So I am now making enquiries to see what can be done to remedy this situation.

Financial Education is an important step on the road to investing, and it's never too late: so perhaps, for those of us in the Baby Boomer generation, we could envisage the early release of some inheritance to our Millennial children and grandchildren on an incentivised learning basis? The assets are there, and as we get older they become more of a comfort blanket and less of a resource for enterprise: so why don't we invest in the enterprise of our 22 to 37 year olds?

Gavin Oldham

Share Radio