

ALTO'S 2022 ALTERNATIVE INVESTING REPORT:

How Millennials see their financial future



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At What Age Do You Want to Retire?

For millennials, the answer shows an evolving expectation. Not content to settle for the traditional retirement age of 67, millennials are hoping to slow things down a little earlier. A likely ambition or a pipe dream? Our research shows that a lack of confidence in the stock market and lack of understanding the financial industry means we might have to lean toward the latter. Millennials recognize this too and worry if they'll be able to retire at all.

Investing in a financial world that has been transformed by market volatility becoming the norm, a growing number of investment choices and platforms, and FOMO over these options, particularly crypto, can be a daunting and confusing ordeal. Alto, a self-directed IRA solution that enables individuals to diversify their retirement investments, surveyed the investor community to understand millennial attitudes toward retirement, crypto, and the stock market—as well as their goals for the future—compared to those of Gen Xers and baby boomers.

Could alternative assets be part of the solution?

Alternative assets, or alts for short, are investments that fall outside of the traditional investment sphere (e.g., stocks, bonds, etc.). Because they vary in their degree of correlation to traditional investments, alternatives provide an avenue for true portfolio diversification, which can not only help reduce risk but also offer the potential for higher returns. Alts are projected to continue gaining capital over the coming decade. This report explores how the rise of alternative investments and millennials' uncertainty around investing in the future may make for an attractive combination to drive better retirement outcomes.

Methodology:

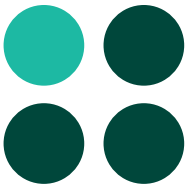
Alto worked with 8 Acre Perspective, an independent research firm, to conduct a quantitative online survey of 2,000 U.S. consumers. Of the participants, **1,200 were millennials (ages 25–40), 400 were Gen X (ages 41–56), and 400 were baby boomers (ages 57–64)**. All participants had at least \$2,500 in investable assets and a minimum household income of \$35,000, and had yet to retire.

Lofty Ambitions Among an Uncertain Future



53%

of millennials worry about ever being able to afford retirement.



1 in 4

millennials are very confident that they'll be able to retire comfortably and at their desired age.



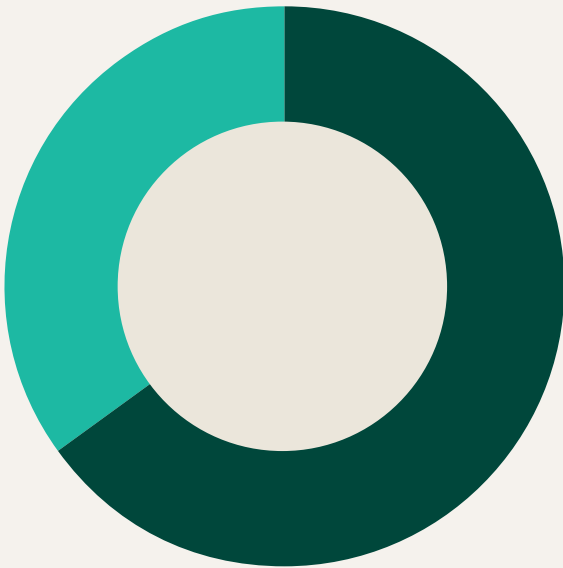
In a world of conspicuous consumption, soaring living costs, and mounting student loan debt, millennials are finding it difficult to invest for the future because they are struggling to afford the present.

Despite the uncertainty, our research shows a surprising degree of optimism, with millennials on average hoping to retire at 59 — significantly younger than the traditional retirement age of 67. One can dream!

However, doubts over whether they will get there are challenging these aspirations, with 53% of millennials stating that they worry about ever being able to afford retirement. In fact, only one out of four millennials are very confident they'll be able to retire comfortably at their desired age.

Times Are Changing

Millennials' worries about not reaching a comfortable and timely retirement also come from uncertainty over how to actually reach their retirement goals. There is also a perception that it is harder than it was for previous generations.



65%

of millennials believe that the journey to retirement is less clear than it was for their parents.

The Stock Market Faces a Crisis in Confidence

For millennials, the prevailing attitudes toward retirement are those of stress, fear, and confusion. There is a clear concern about the riskiness of stock market investing. The main concerns for millennials revolve around the 'gamble' of investing, a lack of faith in the current market, and the belief you need to be a professional investor to be successful.

76%

of millennials worry a market crash could wipe out their savings/ investments.

74%

of millennials believe investing in the stock market is like gambling.

70%

of millennials believe it is too risky to put most of their retirement money in the stock market.

65%

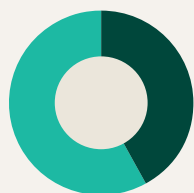
of millennials believe they can't count on the stock market to deliver the level of annual returns it has in the past.

60%

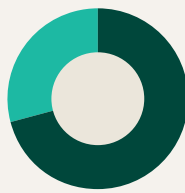
of millennials believe that unless you are a professional investor, it's hard to be successful with stock market investing.

Predictably, less than half (42%) of millennials are very open to investing in the stock market. Of those who have invested in the stock market, 71% feel that their investment portfolio could be better diversified.

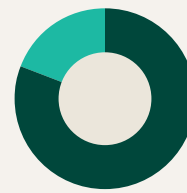
It may be that experiences such as the dotcom bubble, Great Recession, and COVID crash of March 2020 have spooked even older generations, with 81% of Gen Xers afraid that their savings could evaporate in a crash, as well.



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If Alternative Investments Are the Answer, Then Education Is Key

The number of investment choices available to Americans is overwhelming, even without including alternatives in the conversation.

Our findings show that alternative assets such as cryptocurrency, real estate, and venture capital are viewed as attractive because of their potential for high returns. However, knowledge surrounding alternative investments is limited across all generations surveyed, with only one in five individuals confident they understand what alts are.

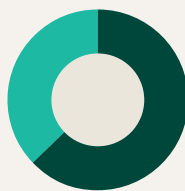
Lack of familiarity has led to a perception that alternative assets are exclusive to wealthy and institutional investors. As a result, many assume fees and investment minimums would be prohibitive, with 49% of millennials believing you have to be “very wealthy to invest in alternative investments” and another 63% believing that “alternative investments would likely have high fees.”

In addition, consumers are likely to associate alternatives with equal or greater risk than stock market investing. For example, 51% of millennials hold the view that alternative investments are riskier than investing in the stock market.



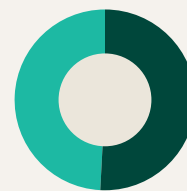
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63%

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Optimism in Alternatives: The Kids Might Be Alright



85%

of millennials expressed interest in learning more about alts.



89%

of millennials cited a likelihood of investing in alts.



81%

of Gen Xers expressed interest in learning more about alts.



70%

of baby boomers surveyed said the same.



If millennials are worried about retirement and struggling to understand and trust investment opportunities, is a comfortable future at risk of falling further and further out of reach?

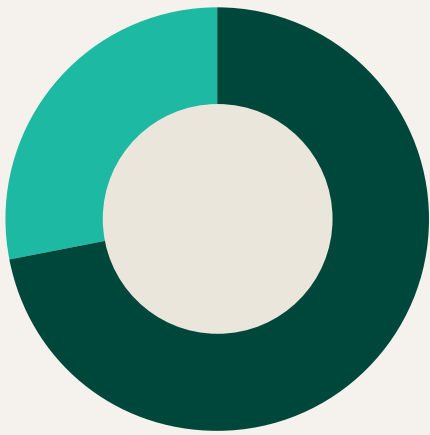
Optimistic attitudes toward learning more about alternatives suggest that this is not necessarily the case. Despite previous numbers showing that the current understanding of alts is low for millennials, there are still hopes to understand alternative assets in the future.

Millennials in particular are paying attention to alternatives, with 85% expressing interest in learning more and 89% citing a likelihood of investing in alts. 81% of Gen Xers and 70% of baby boomers are also interested in learning more about alternative investments.

As for the reasons behind this interest, participants across all age groups say that the ability to invest in areas that they care about is almost as motivating as the opportunity for larger gains over time.

The New Solution: Alternative Investments and IRAs

Alts are emerging as a promising investment choice and may hold the answer to helping millennials reach their financial goals. Millennials continue to show eagerness to invest in alternatives, with 72% saying that they would contribute more to their IRA each year if they could invest in alts. Additionally, 52% of millennials without an IRA expressed some interest in opening one if they are able to hold alts in their IRA.



72%

said that they would contribute more to their IRA each year if they could invest in alts.



52%

of millennials without an IRA expressed some interest in opening one if they are able to hold alts in their IRA.

Millennials Are Enthusiastic About Crypto



39%

of millennials own crypto.



70%

of millennials who own crypto and an IRA, hold crypto in an IRA.



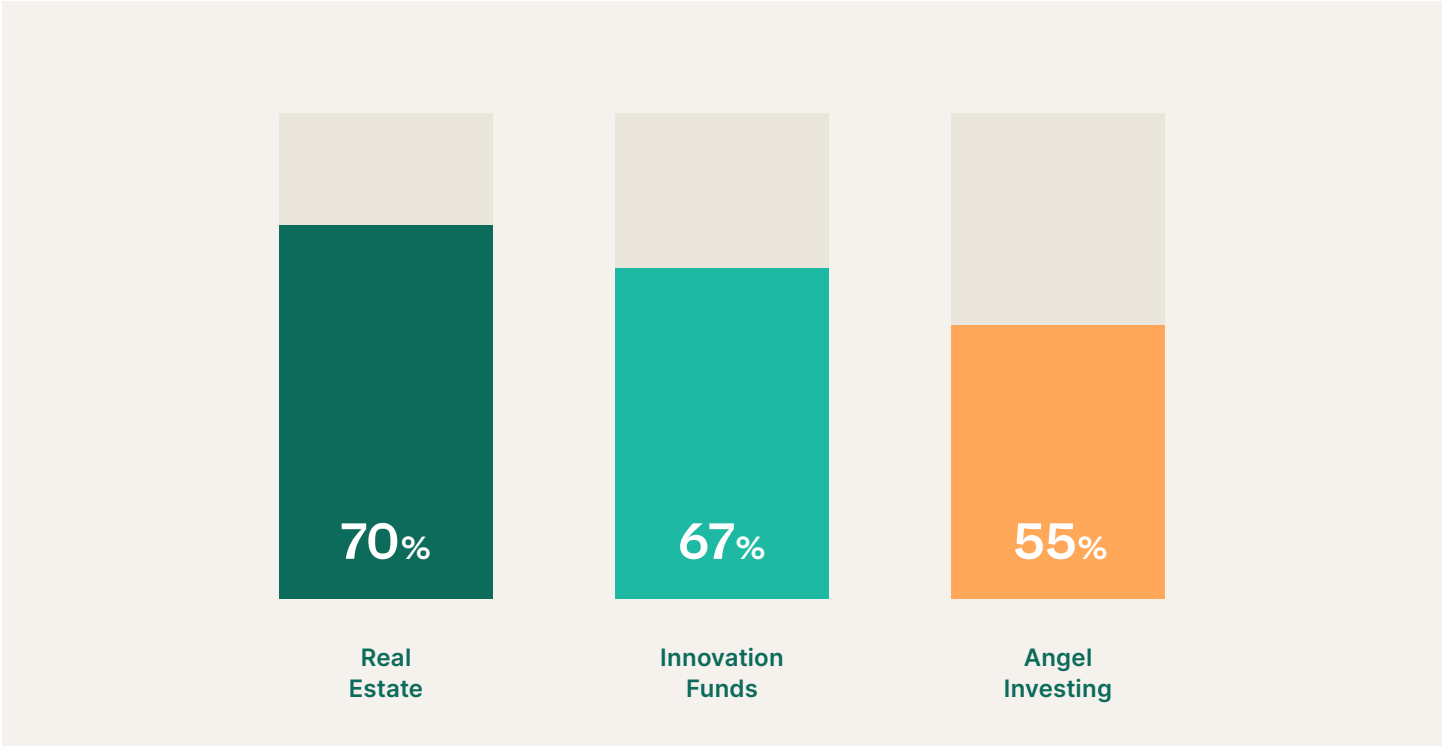
When it comes to interest in digital assets, the vast majority of millennials either own crypto or are considering it. **Almost 40% of millennials own crypto, which is greater than the percentage of millennials who own mutual funds and about equal to the number of millennials who own individual stocks.**

Those who own cryptocurrency are likely to include it in their retirement portfolio. Over 70% of millennials who own crypto and an IRA, hold crypto in an IRA.

What Other Alternative Assets Are Gaining Attention?

It might be in the news more often, but that doesn't mean crypto is the only alternative that's interesting to millennials.

The alternative investment most appealing to millennials is real estate, with 77% of millennials showing interest. Innovation funds also have millennials' attention, with 67% saying they would be interested in investing. Venture capital and angel investing also capture interest among 55% of millennials.



Knowledge + Access = Opportunity



56%

of millennials reporting to have no idea how to access alternative investments.



8%

of millennials who work with a financial advisor say they have no interest in discussing alternative investments.



Although interest is clear, the majority of consumers are still unsure about how to get started with alternative investments, with 56% of millennials reporting to have no idea how to access alternative investments. There is, however, an eagerness to learn, as only a minority (8%) of millennials who work with a financial advisor say they have no interest in discussing alternative investments.

The desire is present but for this to turn into action, there is a real need to make alternative investments a more accessible and understandable topic.

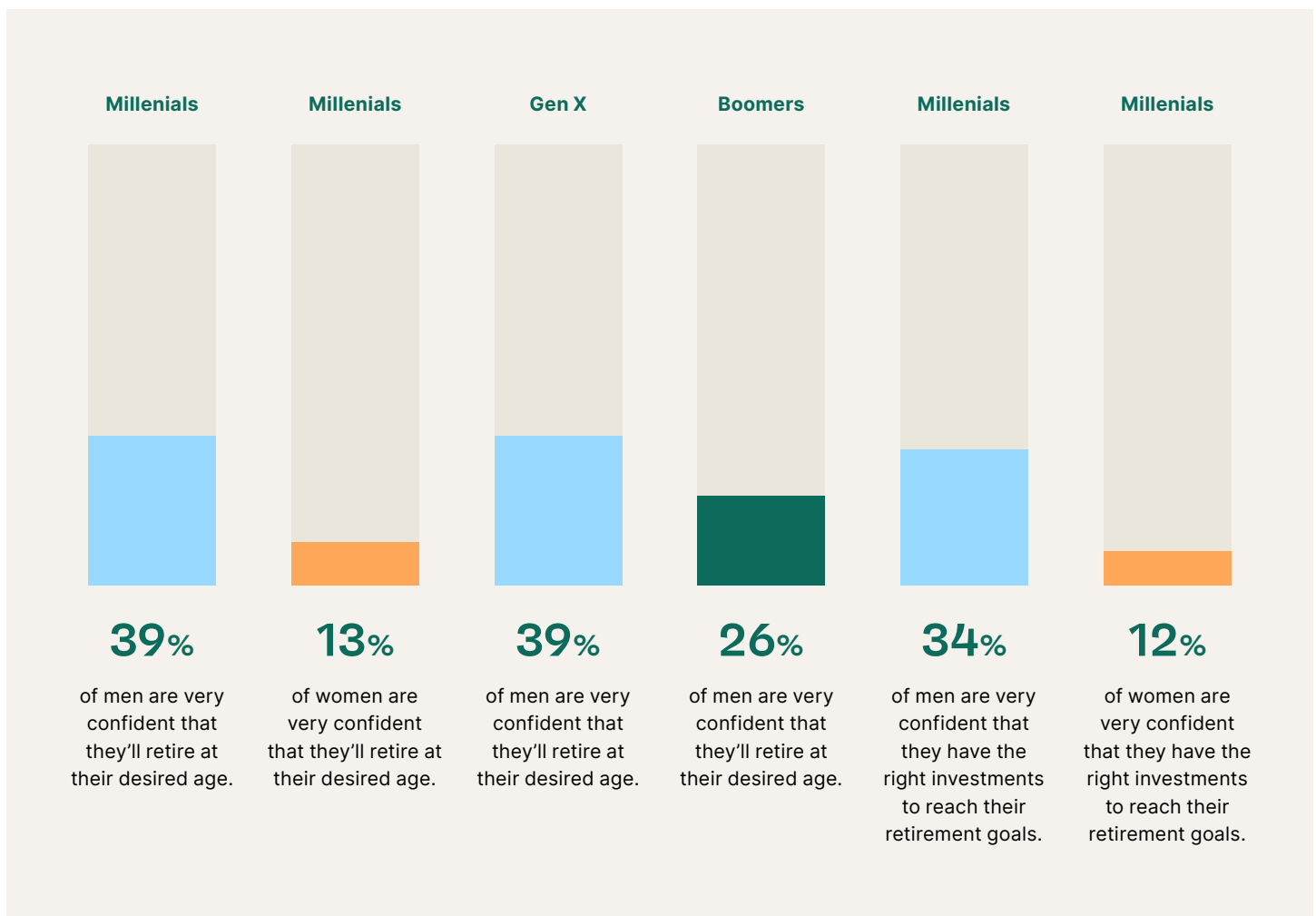
Retirement Investing and the Gender Gap

Even among younger generations, the gender gap remains a pervasive problem, and that certainly applies to investing for retirement. Men are broadly more confident than women that they'll achieve comfortable retirements—whether that confidence is warranted is up for debate.

Across generations, there are significant differences in the perceptions of what their prospective retirements will look like and whether they are doing enough to prepare for this season of life.

Though 39% of millennial men report feeling very confident that they'll retire at their desired age, just 13% of millennial women report the same. However, as men near retirement age, this gap shrinks, with those stating they are very confident waning from 39% of Gen X to only 26% of baby boomers.

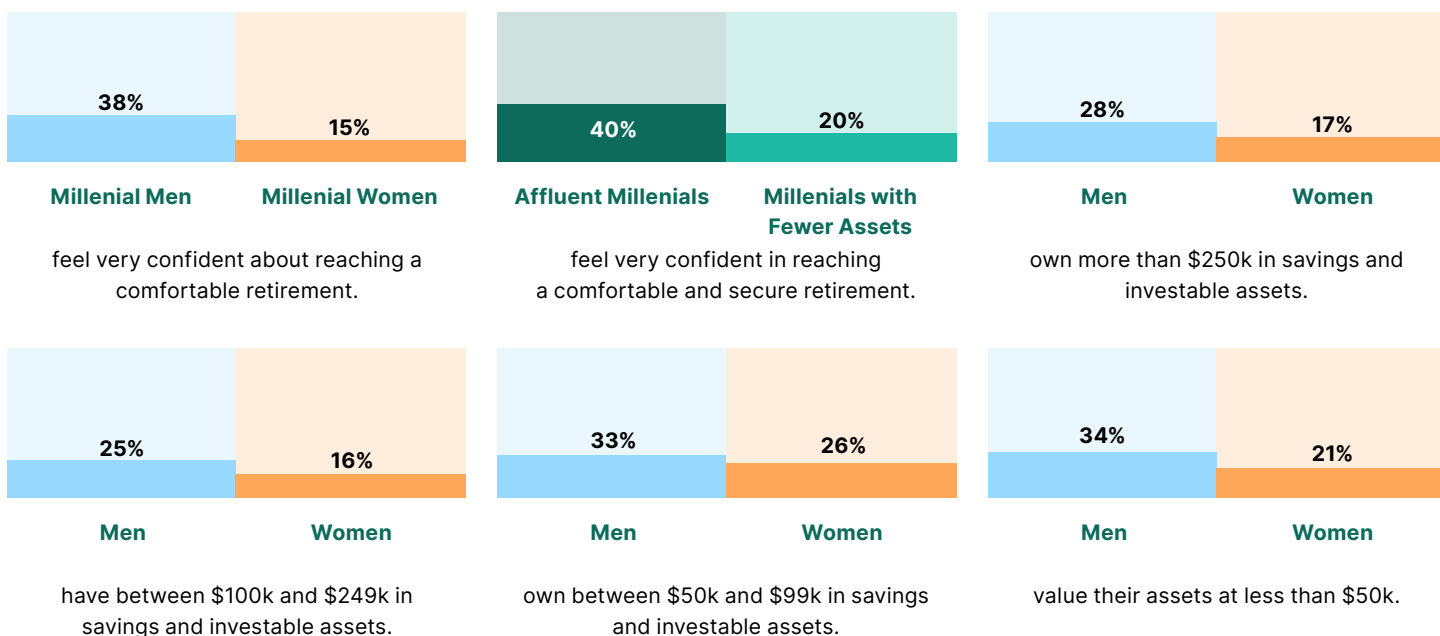
In terms of their retirement investment approach, men are more confident than women, with 34% of millennial men feeling very confident that they have the right investments to reach their retirement goals compared to just 12% of women. However, women are slightly more interested in the most popular investment category, real estate.



Can We Explain the Gender Gap?

Confidence about being able to retire is very much connected to wealth level and gender, female consumers and those with fewer assets in each generation express less confidence. Millennial women are less likely to feel very confident about reaching a comfortable retirement, with 38% of millennial men feeling secure compared to 15% of millennial women.

A disparity also exists across wealth levels, with 40% of affluent millennials very confident in reaching a comfortable and secure retirement, compared to 20% of those with fewer assets. Less affluent consumers are also more than 50% more likely to associate stress with investing.



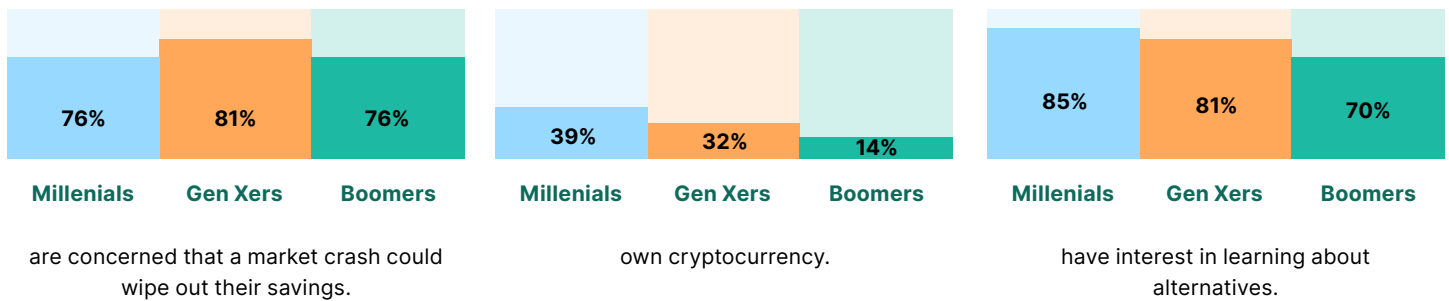
When it comes to household savings and investable assets, men are more likely to have more savings, with 28% of men owning more than \$250k, compared to 17% of women. Likewise, 25% of men have between \$100k and \$249k in savings and investable assets, while 16% of women fall within this bracket. Women's investable assets are more likely to fall within the two lower brackets, with 33% of women and 26% of men owning between \$50k and \$99k, and 34% of women valuing their assets at less than \$50k, compared to 21% of men.

Women are also significantly less likely to own crypto, individual stocks, mutual funds, and ETFs, with the greatest ownership gap of all generations being between millennial men and women. This may be due to the fact that the majority of investment products are owned by those with higher investable assets and incomes, which as already pointed out, are more likely to be men.

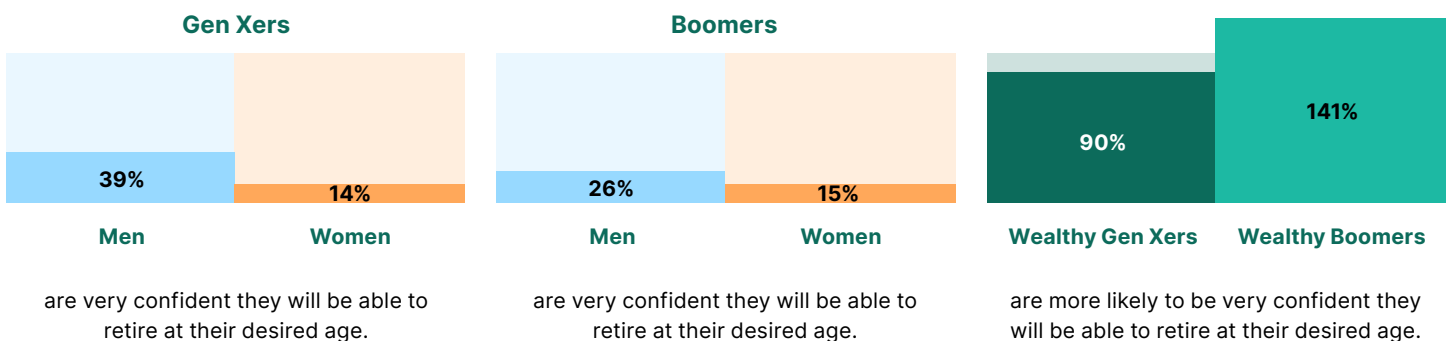
How Millennials Stack Up

Millennials aren't the only ones concerned about their financial futures. Gen Xers hope to retire at age 62, but 52% are concerned about getting there. Baby boomers are slightly less concerned, with 46% worried that a secure retirement may be beyond their reach.

All generations remain almost equally concerned that a market crash could wipe out their savings. 81% of Gen Xers and 76% of boomers are concerned. When it comes to crypto, millennials lead ownership at 39%, with only 32% of Gen X and merely 14% of boomers owning cryptocurrency. All generations express overwhelming interest in learning about alternatives, with 85% of millennials, 81% of Gen Xers, and 70% of boomers saying they'd like to learn more.



And all generations still feel the same gender and wealth gaps that we saw among millennials. 39% of male Gen Xers are very confident they will be able to retire at their desired age, yet only 14% of female Gen Xers feel the same. Boomers also see a gap with 26% of men expressing a high level of confidence compared to 15% of women. Wealthy Gen Xers are 90% more likely to be very confident than less wealthy, and wealthy boomers are 141% more likely to be very confident than less wealthy.



Final Thoughts



85%

of millennials are interested in alternatives.



22%

of millennials are familiar with alternatives.



88%

of millennials use online platforms as a source of information about investments.



With public market volatility appearing to be the new norm and more “traditional” methods of retirement investing looking increasingly likely to falter, investors are right to seek out new ways of securing their financial futures. This is where alternative assets emerge as offering hope and a way to better control retirement goals. Fortunately, portfolio diversification through alternative investing has never been easier, and can even be done within a tax-advantaged IRA.

Although interest in alternatives is strong (85% of millennials), knowledge is still limited; only 22% of millennials are familiar with alternatives. This presents a considerable opportunity for alternative investing platforms.

In order to fully realize the benefits of true portfolio diversification, education is essential, and alternative investing platforms must do more to help inform investors about the opportunities available to them. The vast majority of millennials use online platforms as a source of information about investments (88%), and it’s up to these providers to harness this potential through education and change the trajectory of a generation’s financial future.



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