THE YOUNG AFFLUENT:

6 ways for financial services firms to capture their potential

Less than **20%** of young households control more than **80%** of the generation's wealth. **These 20% are the young affluent.**

Younger consumers are a valuable segment for financial services marketers — they offer significant opportunity for future growth, customer lifetime value, and long-term ROI.

But when it comes to their financial needs, younger consumers are less loyal than previous generations. Plus, they don't hesitate to tap into a wide variety of sources for their investment, savings, and lending needs.

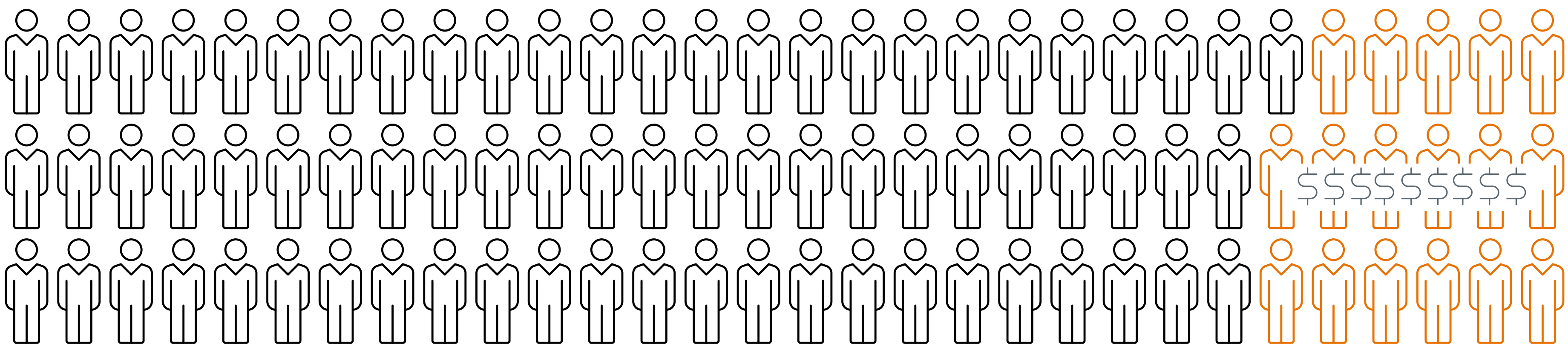
However, not all young consumers are the same.

In fact, **young affluent consumers have significantly higher assets, higher income, and higher discretionary funds** compared to young non-affluent consumers.

That's why financial services firms need to continuously refine their strategy to identify, attract, and build relationships with young affluent consumers.

Who are young affluent consumers?

Young consumers include Gen Z + Young Millennials (20-29) and Older Millennials (30-39)



Young affluent households Hold **$250,000+** in total investable assets

19% of all young households

With over $250,000 in estimated total assets, **young affluent households stand out from the general population of young consumers.**

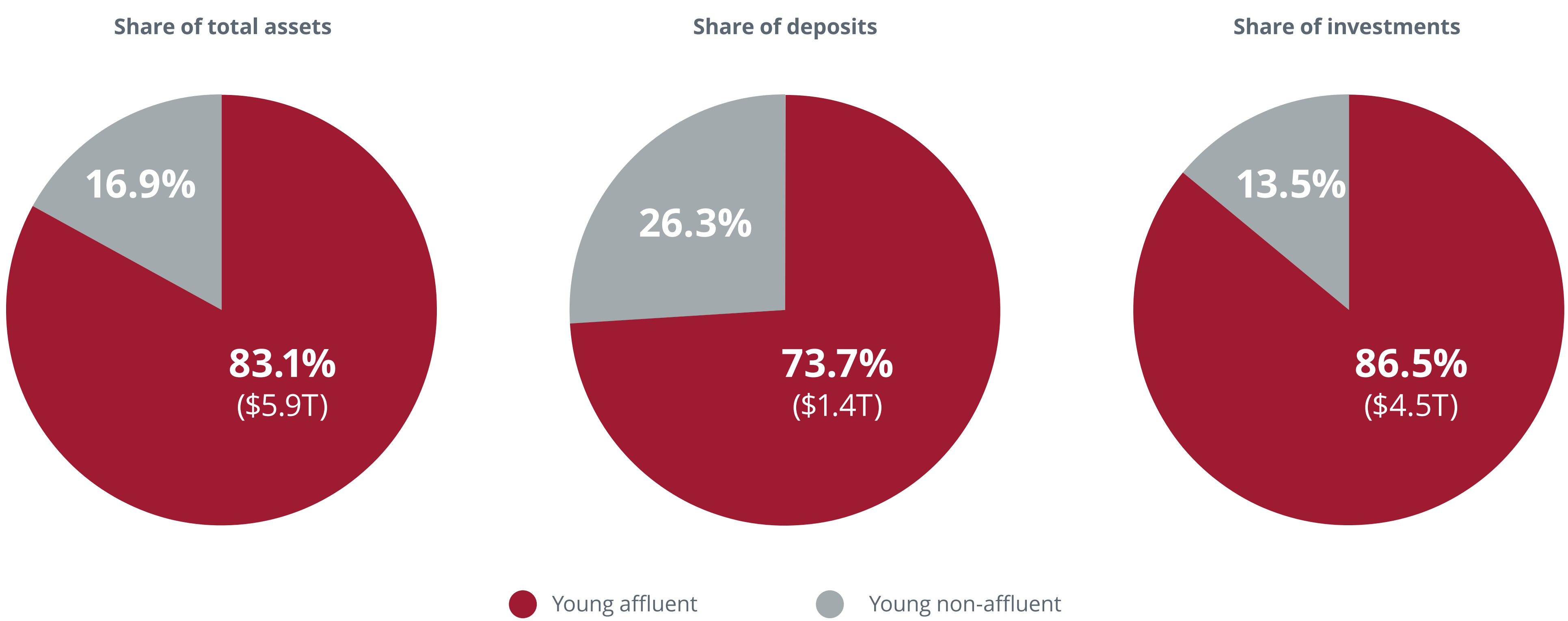
	Young non-affluent consumers	Young affluent consumers
Number of households	24.2 million	5.8 million
Percent of all U.S. households	18.9%	4.5%
Attended college/grad school	19%	55%
Percent with children	42%	51%

Equifax data

How much wealth does the young affluent segment control?

Among young consumers, the young affluent hold the vast majority of investable assets, deposits, and investments*.

Share held by young affluent consumers compared to young non-affluent consumers

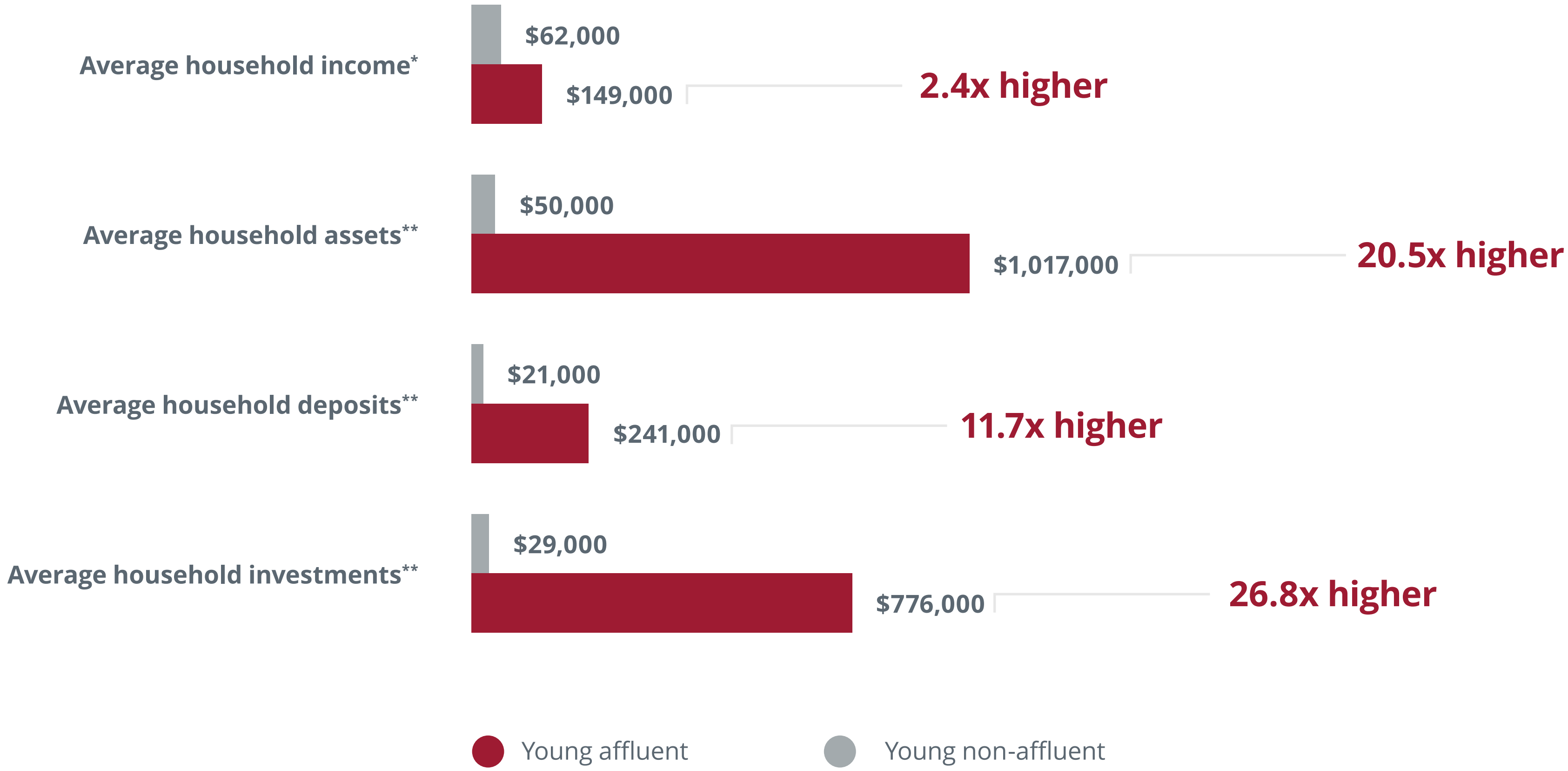


*WealthComplete® Total Assets measures estimated household total assets, deposits, and investments excluding housing and real estate.

How do income and assets compare?

With a solid foundation of investable assets and high estimated income, young affluent households offer significantly higher investment and spending potential than young non-affluent consumers.

Young affluent consumers have **2.4x higher** income, **11.7x higher** deposits, and **over 26x higher** investments.



*Income360® measures gross household income from wages and salaries, investments, social security and retirement, and small business income. On average, approximately 21% above the national Adjusted Gross Income as measured by the IRS.

**WealthComplete measures estimated household total assets, deposits, and investments excluding housing and real estate. Total assets are the sum of deposits and investments.

What's the spending opportunity?

Young affluent consumers have over 3x the amount of discretionary funds available for spending, saving, or investing.

While many young consumers are focused on paying their bills and may even be living paycheck to paycheck, the young affluent are likely to have extra funds to use as they please or to save for the future.

$55,000
Young non-affluent households

$173,000
Young affluent households

Average annual discretionary funds*

Don't miss out on future opportunities: About 9 million young non-affluent households (37% of all young non-affluents) are expected to increase their wealth in the next 3 years.**

Young millennials are more likely than older generations to spend on***:

- **Travel and food experiences**
- **Casual attire**
- **Health and wellness**
- **Cryptocurrencies**

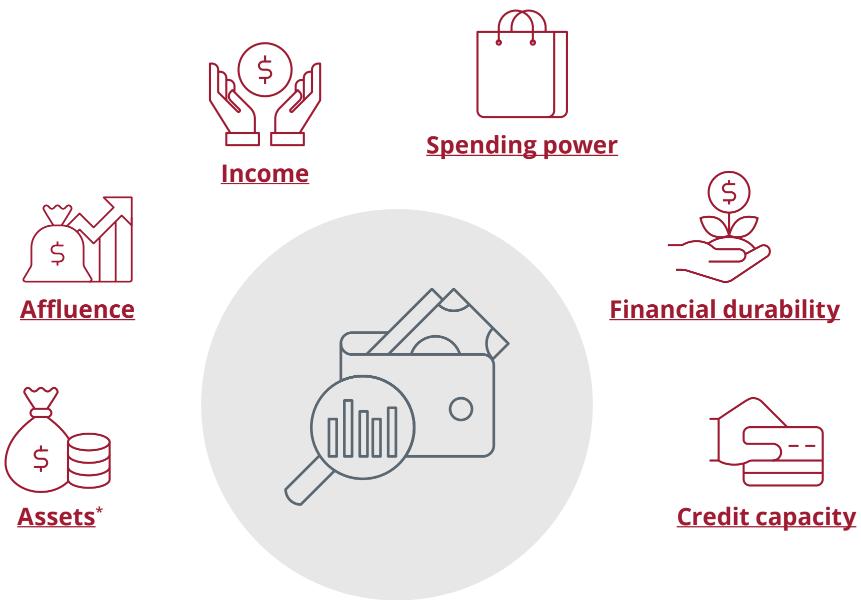
*Based on Spending Power™ which measures the amount of household discretionary funds after accounting for fixed household expenses.
**Based on Wealth Growth Indicator™ which measures the expected relative growth in investable assets in the next 3 years.
***Business Insider

Young affluent consumers offer tremendous opportunity for financial marketers.

By using consumer financial insights — such as estimated assets, household income, and financial durability — along with alternative data and Prescreen, financial services marketers can better identify and market to this valuable audience of young investors, borrowers, and spenders.

What are consumer financial insights?
Consumer financial insights are key ingredients that marketers can use to better understand consumers' financial health and ability to save, invest, or spend.

They include anonymous, aggregated, non-FCRA measures that can be used alone for asset gathering efforts or used before Prescreen to enhance segmentation for acquisition or cross-sell lending campaigns. And, they exclude the use of protected-class variables or demographics (such as age) in their models, thus providing a compliance-friendly solution for regulated financial institutions. Sample consumer financial insights measures include:



*For IXI™ Network members only

Here are **6 ways that financial marketers can use consumer financial insights to identify, attract, and build relationships** with young affluent consumers.

1 Target

young affluent consumers for new investment and banking relationships

With so many cash and investment management options available today, it can be difficult to attract the attention of any consumer — most especially young affluents.

To help, **financial marketers can boost their investment and bank prospecting targeting efforts to better identify, reach, and develop new relationships** with young affluent consumers.

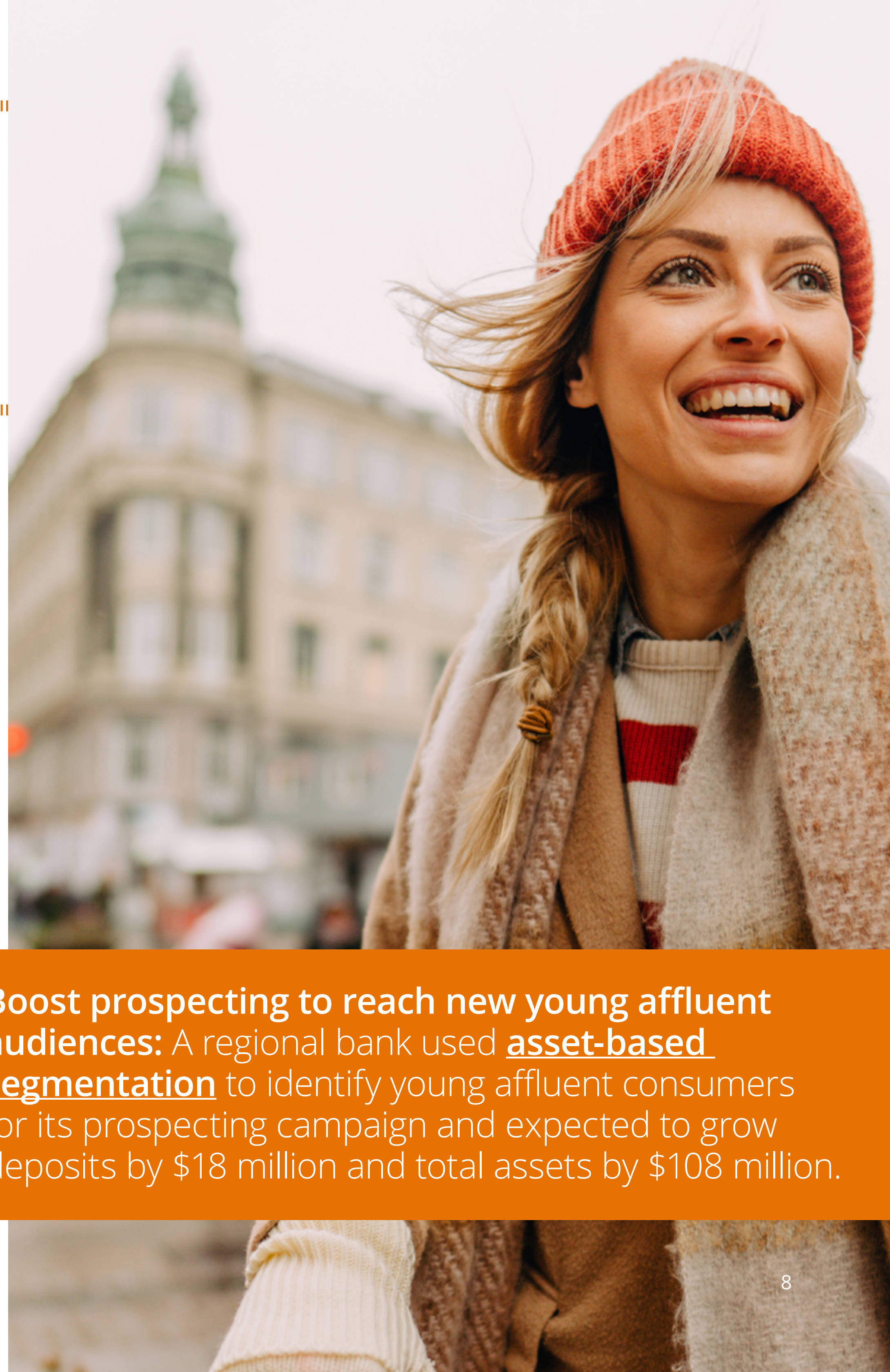
We can help you find the opportunity:

- **Target by assets:** Differentiate young, prospective households that are likely to hold significant assets.

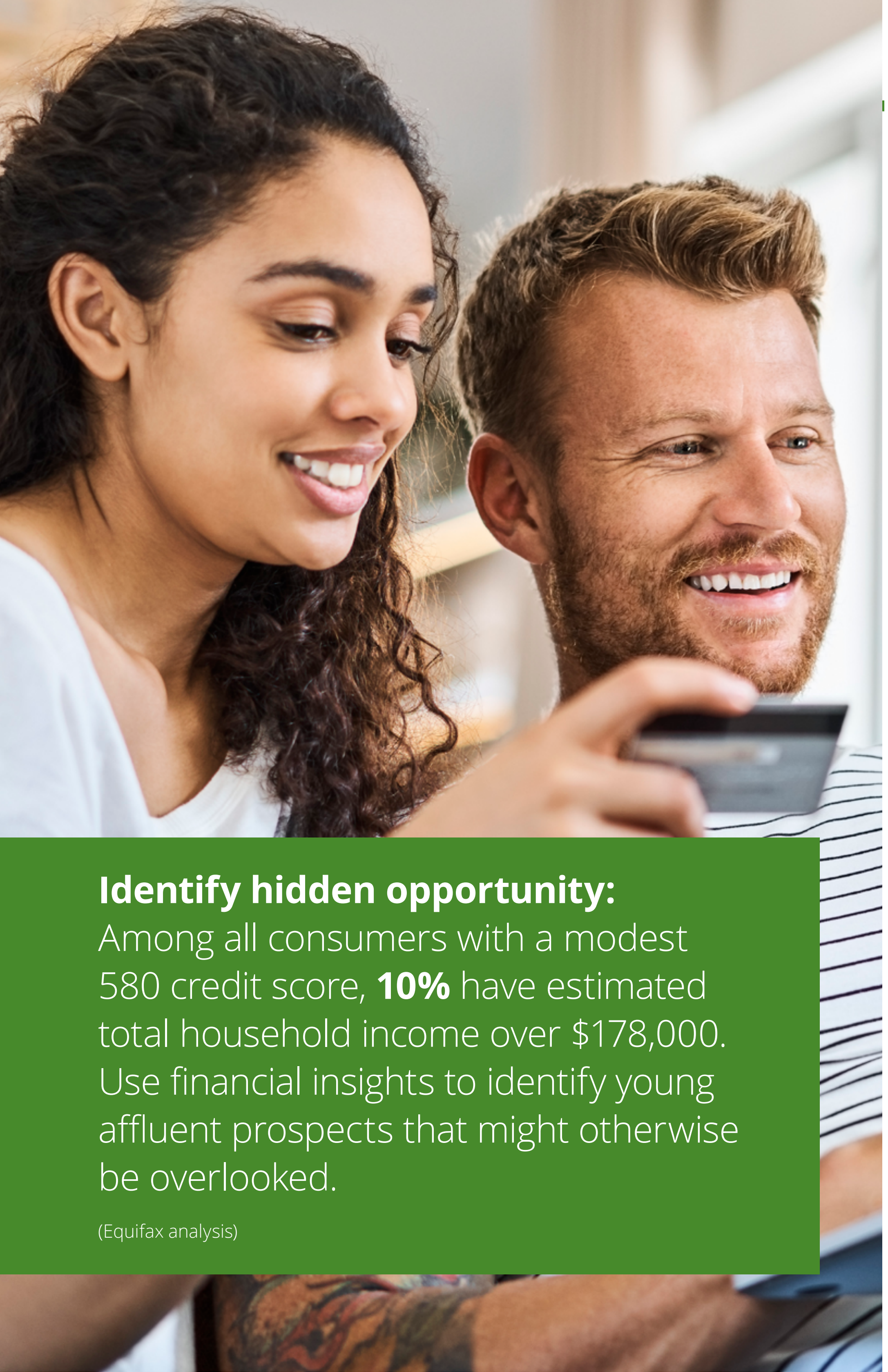
  For example, target young prospects that are likely to hold:

over $1,000,000 in assets, or	over $250,000 in deposits, or	over $750,000 in investments

- **Target by growth in assets:** Go further by leveraging data that can segment young households by their expected growth in assets in the next three years.



Boost prospecting to reach new young affluent audiences: A regional bank used **asset-based segmentation** to identify young affluent consumers for its prospecting campaign and expected to grow deposits by $18 million and total assets by $108 million.



Identify hidden opportunity:
Among all consumers with a modest 580 credit score, **10%** have estimated total household income over $178,000. Use financial insights to identify young affluent prospects that might otherwise be overlooked.

(Equifax analysis)

2 Identify
young affluent consumers to expand Prescreen audiences

It's no secret that many younger consumers have damaged, thin, or non-existent credit file — even if they are affluent.

To overcome the limitations of credit scores, financial marketers can use consumer financial insights to identify younger, affluent prospects that are likely to have the traits that will result in a profitable lending relationship.

Boost segmentation for young audiences before Prescreen with estimated consumer financial insight measures, such as likely:

Plus, explore additional capabilities to boost your Prescreen efforts across younger audiences:

- Alternative financial data such as employment and income data as well as payment data for telecom, Pay TV, and utilities accounts
- Credit risk scores optimized for credit cards, personal loans, or insurance
- Scores to target in-market credit seekers

3 Connect
with young affluent consumers through their devices

Young consumers are digitally focused. Their eyes are on their screens — so your acquisition messages and offers need to be delivered where they are likely to see them.

Here are a few ways to incorporate digital into your acquisition campaigns:

- **Use email:** Deliver your deposit and investment promotions, as well as firm offers of credit via email
- **Reach young audiences on their devices:** Onboard young affluent audiences to deliver your messages and offers via display, mobile, and social
- **Boost targeting:** Enhance targeting for mobile, display, and social campaigns by marketing to these online Millennial audiences:

19.6% of households are likely to have Millennial **investors**

5.7% of households are likely to be Millennials that are **on the road to wealth**

6.5% of households are likely to be Millennials that are **likely to respond to a credit card offer**

12.0% of households are likely to be Millennials with **income > $100,000**

4 Match
your offers to the right young affluent consumers

Younger consumers are all about perks, rewards, and special offers.

By analyzing your current young affluent segments by consumer financial insights — such as estimated **spending power** and **financial durability** — you can identify the likely financial profile of each segment. Then, you can use those insights to find more like your best.

For example:

- **Analyze** your current young affluent cardholders that prefer cash-back awards for grocery, dining, and entertainment expenses.
- **Discover** that their likely spending power is greater than $200,000.
- **Use this knowledge** to target prospects with the same spending power and promote the same card benefits.

Personalized messaging counts. Use financial insights to find the right audience that will be attracted to the benefits for each of your offers.

For example: Many young affluents carry a credit card balance, but are likely to have sufficient income to pay it off. Target **young credit card transactors** online to grow balances and profitability from this lower risk segment.

5 Grow
the relationship, uncover hidden opportunity, and gain share

Many young consumers have several financial relationships, allowing for significant assets or credit balances to be held at other companies.

How can financial managers and lenders discover which of their current young consumers hold the most opportunity for asset capture or growth, as well as low-risk credit balance transfers?

Find hidden assets and grow share of wallet: Use **asset-based measures** to better segment current young clients that hold high balances at other firms and thus offer the most potential for asset growth and LTV.

You know	We know	Your opportunity
$100,000 at your firm	$900,000 held at other firms*	Target for asset transfer

Find credit opportunities: Identify young customer segments to grow lending balances without changing risk.

Start with...	Identify audience to capture incremental credit	Your opportunity
A segment of your current young borrowers	Apply **financial durability** before Prescreen and then use credit scores to refine a cross-sell audience	Promote balance transfer or debt consolidation offers, without impacting risk**

Grow asset and credit share: If a financial marketer captures just 1% of held-away assets or credit balances from young affluent customers, that could translate into millions of dollars.

(Equifax analysis)

*For IXI Network members only.

**Consumers with very high financial durability scores are 5x less likely to go 60+ days past due than those with low durability scores. (Equifax analysis)

Young affluent households have **over $173,000 in spending power,** over 3x the level as compared to young non-affluent households. Incent them to charge more on your card.

(Equifax analysis)

6 Encourage spending
by young affluent cardholders

Young affluent consumers have over 3x the spending power as young non-affluent consumers — so you need to ensure that your card marketing promotions are reaching that affluent audience and that they can take advantage of your offers.

Here's how:

Identify young affluent cardholders that can spend more:

Use consumer financial insights such as likely assets, spending power, or estimated household income to better identify your current young affluent cardholders. This is the audience that can likely charge more and take advantage of your offers.

Consider a credit line increase for young affluents:

When is the last time you proactively identified young cardholders for a credit line increase? Use financial durability measures (before Prescreen) to better identify young affluent segments that might be a good fit for a credit increase offer.

Pursue the opportunity

Despite their significant wealth, Affluent Millennials are not all that confident about investing. A survey* of Affluent Millennials revealed:

Only 1/3
feel knowledgeable about investing.

Those that *do* feel knowledgeable are
5x more likely
to associate investing with positive emotions, and less likely to be intimidated by it, or risk averse to it.

The survey also noted financial experts and advice — including one-on-one engagement and customized strategies — **can lower Affluent Millennials' anxiety and risk aversion when it comes to reaching their retirement goals.**

64%
named retirement their number one investing priority.

But,
46%
say they are not saving enough,

and
12%
don't contribute toward retirement at all.

The young affluent hold high assets and income, yet overall are not confident about their investing — offering financial advisors the opportunity to target young affluent investors, share their expertise, and capture high-value new customers.

*Investopedia Survey, 2019

Find more young affluent consumers and incent them to invest, save, and borrow with your firm.

Contact us to learn more about growing your relationship with young affluents.

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Results for scenarios may vary based on actual data and situation.