

July 1, 2015

When the word ‘millennials’ is searched on Google Scholar¹ it returns about 21,600 results. This next generation of people currently making their mark on history is far from anonymous with their characteristics and preferences well documented and analyzed, from Facebook posts to shopping patterns. The internet is littered with adjectives to describe generation Y, spanning the spectrum from ‘lazy’ or ‘entitled’ to ‘entrepreneurial’ or ‘innovative’. Regardless of the opinion of America’s largest generation yet²ⁱ, the next executives and leaders of the nation will belong to this cohort. The generation’s elders have already created Facebook and Uber, both of which are bigger than Disney and Delta³ respectively, and are at the core of innovation at tech giants like Google⁴. Their spending habits, drive for efficiency, and core beliefs have the potential to transform the American economy over the next 50 years, just as they have over the past 10.

Millennials were born between 1980 and 2000⁵, making up a generation of 92 million people, nearly a third of the US population.ⁱⁱ Their childhood was marked by a time of constant change, defined by the internet and iPhones, and continued by a consistent need for information at speeds faster than the year before. Through all the endless articles that compare this generation to prior ones and forecast how the world will change in twenty years, many forget that every generation over time sets out to accomplish the same thing: leave a ‘world changing’ mark on history.

The word generation by definition is ‘a collective group of people born and living around the same time’ and their impact can be similar to waves in an ocean. After a wave hits the beach, water retreats back into the ocean, meeting resistance from another wave trying to form. Water molecules are moving in every which direction, causing a result that is mediocre at best. Yet, when a strong current can overcome other forces, all the water molecules start moving in the same direction and a huge wave is created. The prior generation is similar to the wave retreating from a beach, resisting the new current, or the millennials, trying to form a new wave. As time goes on and the millennials are able to overcome the barriers to entry into positions in government and executive offices, the generation can collectively move as a whole, where all the water molecules move in one direction to create an enormous impact. While the desire to change the



¹ Google Scholar is a database of credible research papers and books in academia.

² Compared to 77 million Baby Boomer

³ Facebook is bigger than Disney and Uber bigger than Delta, both by market capitalization, June 2015.

⁴ In 2013, the median age of Google's workforce was 29.

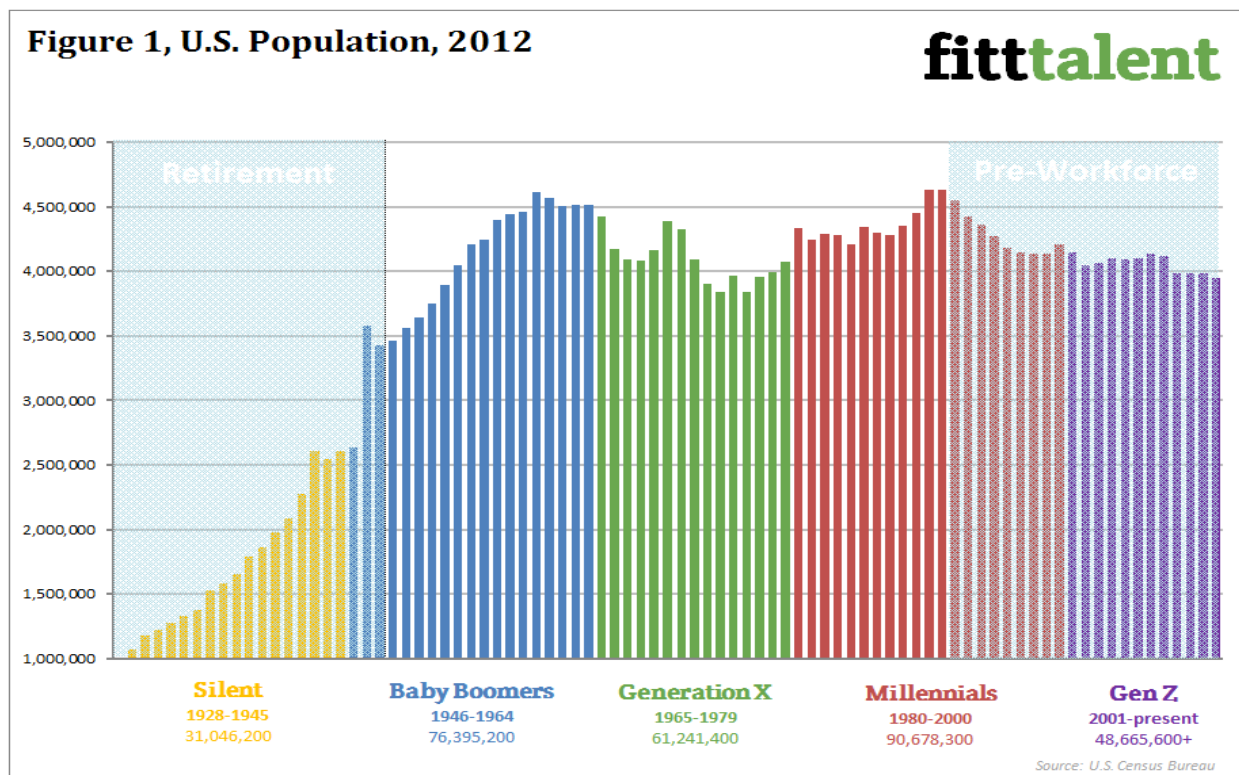
⁵ The years 1980-2000 are commonly defined as the time of birth for millennials, but it is source preference.

world is undeniable, understanding how this generation effects the short and long term outlooks is imperative.

THE SHORT TERM

For the majority of millennials, the 2008 recession has had a lasting influence. Gen Y represented the largest number of people unemployed during the crisis and today they remain encumbered with a record one trillion dollars⁶ in student debt.ⁱⁱⁱ The generation will assuredly have the most to gain in the current expansion (see “[2015 US Outlook](#)”), as most are just entering the work force, but will never overlook the economic pain they endured during their 20’s.

During the 2008 recession, many long term unemployed workers from the boomer generation decided to never go back to work or to work part time in their elder years. Millennials, fresh out of undergraduate colleges, decided to go to graduate schools to put off a job search in a weak labor market.^{iv} Just as these factors lowered the labor force participation rate during the recession, having more boomers retire year over year than millennials joining the workforce will keep the participation rate suppressed for some time⁷. As seen in Figure 1⁸, millennial births between 1980 and 2000 have more of a bell curve shape, with the peak currently at 25 years old (entering the work force). In contrast, the large majority of boomers were born in the later years of their generation, increasing the rate of retirement for the next ten years (assuming a retirement age of 68). Additionally, the number of millennials entering the workforce out of college (22 years old) should decrease from the 1990 peak birth year, while the boomer generation will continue to see an increase in retirements. The combination of these two events should keep the participation rate, which is



⁶ As estimated by the Federal Reserve Board, 2013.

⁷ Estimated by Doxa Research based on US age demographics and the average retirement age.

⁸ Figure 1 is as of 2012 from FittTalent; therefore, data referenced is two years old.

currently at 63%, low for some time.^v As shown in “[Raise ‘Em Up](#)”, a lower participation rate means a lower unemployment rate → a lower unemployment rate means higher nominal wages⁹ → higher nominal wages means higher inflation. In the current cycle, generation Y will benefit greatly from higher wages, possibly allowing them to embark on the big life purchases¹⁰ they have seemed to leave behind thus far.

THE LONG TERM

Millennials came to age during a time of rapid change and uncertainty, making them very entrepreneurial and fiscally conservative as a whole, much like many of their grandparents in the ‘Great Generation’ who came to age during the depression of 1929. The average investor from 21 to 36 has 52% of their savings in cash, compared with 23% in all other age groups.^{vi} This generation is also the most educated in history, with 62% attending a 4 year university compared with 46% of Boomers,^{vii} but this accomplishment has not come without a cost. The average 25 year old millennial has a student debt balance of \$20,926¹¹ and the whole generation has nearly \$1 trillion in loans outstanding.^{viii} Loan payments are directly eroding post-graduate incomes, but as those debts mature over time, generation Y will be providing America with a multi-hundred billion stimulus package in the form of consumer spending.¹²

In 1968, the percentage of 18-31 year olds who were married and living on their own was 56%. In 2012 that number has halved to 23%. The average age of marriage in the 70’s was 23, compared with 30 in 2010 - 30% of 18-34 year olds are living at home, the highest in decades - the majority of woman having children in the 70’s were around 25, whereas now the majority is between 30 and 35 years old.^{ix} As it appears, millennials = delayed, but of the 18-34 year olds who currently rent a living space, 93% say they plan to purchase a home before 40. More than 70% of millennials under 30 say they want marriage and children in the future.^x Huge tailwinds can be felt in the economy as the largest generation continues towards their ‘big purchasing years’, as evidenced by the housing market. The National Association of Realtors reported that in 2014, millennials now make up the largest buying segment at nearly 32% of the market, up 4% from two years ago.



Figure 2

Source: RYMAX Marketing Services, Inc.

Although spending has been concentrated and the emergence of a ‘sharing economy’¹³ implies that millennials are not spending money on big items, they are not ‘cheap’ per se. Generation Y undoubtedly cares about price, but also will pay for consistent quality and an added benefit of ease of social responsibility.^{xi} Nevertheless, millennials will still spend on big life expenses, but at an older age compared to generations prior.

One of the biggest influences on our nation’s younger generation is their exposure to the technological frontier. Computational power has nearly doubled

⁹ Nominal wages refer to a worker’s pay without factoring in inflation.

¹⁰ Life purchases being a home, cars, marriage, and children.

¹¹ Average student loan debt as estimated by the FRB in 2013.

¹² Assuming half of all loans are paid and a .85 MPC ratio equals \$425 billion.

¹³ A ‘Sharing Economy’ is where service access is paid for only when needed, instead of owning the asset outright.

every two years since 1980,^{xii} influencing millennials' decisions to seek efficiency and immediacy. Clearly, the internet and connectivity has changed the way we interact and do business across the world. Globalization has given emerging economies the chance to grow and developed economies access to new resources. The development of steel in the 1870's, the production line of the 1920's, and the cell phone of the 1990's are all classified as technology in an economic sense. Most long-run economic models show growth of a nation in two ways: population growth and technological efficiency¹⁴, making technology the 'x-factor' in the equation. The millennials have an enormous benefit by 1) intricately understanding existing technology and 2) continually creating new, better technology. Driverless cars, new biotechnology, energy efficiency....the list could go on and on, with all of the advances, known and unknown, propelling economies around the world.

These characteristics carryover to consumer behavior, where 57% of millennials compare prices while in a store – and their obsession with health and active lifestyles. 40% of non-millennials define 'healthy' as not being sick, whereas nearly 50% of millennials define 'healthy' as eating right and exercising.^{xiii} Companies such as Whole Foods and Under Armour¹⁵ have capitalized on this ideology and have identified that it is not a trend, but instead an entire generation. Whole Foods has created an entire new standard in organic foods and Under Armour, along with every one of their industry peers, has seen at least double revenue growth than that of non-athletic clothing competitors over the past five years.^{xiv}

Events such as the boom of the 90's, the 9/11 tragedy, and the recession of 2008 have all shaped millennials and their perspectives. As a collective group, their definition of success has changed: 88% of millennials disagreed with the statement 'money is the best measure of success' compared with 78% of the total population – 64% would rather make \$40k at a job they love than \$100k at a job they believe is boring.^{xv} Lifestyle over money now defines success, changing priorities from the generation before them to wellness, activity, social awareness, and price over brand. As the population of generation Y gathers more wealth and assumes larger roles in corporate America, the economy and corporate strategy is sure to align with the generation's values and beliefs.

¹⁴ $Y = f(N, K, A, E)$, where Y is GDP, N is labor, K is capital, A is technology, and E is entrepreneurship.

¹⁵ Many companies have shifted strategy toward the millennial consumer along with the two listed. They are not seen as favorable in any way compared to their competitors.

Endnotes & Appendix

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- ⁱ Goldman Sachs Global Investment Research, Millennials - Coming of Age – March 30, 2015
 - ⁱⁱ US Census Bureau, 2014
 - ⁱⁱⁱ Goldman Sachs Global Investment Research, Millennials - Coming of Age – March 30, 2015
 - ^{iv} Bureau of Labor Statistics/FRED, US Census Bureau
 - ^v Bureau of Labor Statistics Non-farm Employment Report, May 2015
 - ^{vi} Fred Drews, [11 Facts about Millennials](#), Brookings Now – June 2, 2014
 - ^{vii} Council of Economic Advisors, 15 Facts about Millennials – October 2014
 - ^{viii} Federal Reserve Board Research
 - ^{ix} Pew Research Center – 2013
 - ^x Pew Research Center – 2013
 - ^{xi} Goldman Sachs Global Investment Research, Millennials - Coming of Age – March 30, 2015
 - ^{xii} Council of Economic Advisors, 15 Facts about Millennials – October 2014
 - ^{xiii} Goldman Sachs Global Investment Research, Millennials - Coming of Age – March 30, 2015
 - ^{xiv} Goldman Sachs Global Investment Research, Millennials - Coming of Age – March 30, 2015
 - ^{xv} Council of Economic Advisors, 15 Facts about Millennials – October 2014

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ECONOMIC INDICATORS

INFLATION – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

UNEMPLOYMENT – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

RECESSION - A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

MPC – The proportion of an aggregate raise in pay that a consumer spends on the consumption of goods and services, as opposed to saving it. The marginal propensity to consume (MPC) is equal to $\Delta C / \Delta Y$, where ΔC is change in consumption, and ΔY is change in income. If consumption increases by 80 cents for each additional dollar of income, then MPC is equal to $0.8 / 1 = 0.8$.

BABY BOOMERS - Baby boomers are people born during the demographic Post-World War II baby boom between the years 1946 and 1964.