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Millennials have an entirely different approach to investing than their parents

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24H

We've all heard of the #YOLO lifestyle. But when it comes to investing, millennials aren't ready to take on you-only-live-once kind of risk.

Lucy Nicholson/ Reuters

They focus on short-term needs and tend to stick with lower-risk investments, according to a recent report by Sameer Aurora, the head of client strategy for UBS Wealth Management Americas, which defined millennials as those between 21 and 36 years old.

"Even though they have a longer investment window, millennials hold almost twice as much cash in their portfolios as baby boomers," Aurora told Business Insider in a phone interview. "The inference we can draw is that they're more focused on the short term and present time as opposed to building wealth in the long run."

Unlike boomers, millennials have bucked many traditional investing principles, such as "buy and hold" and following a financial plan. Among those who have retirement accounts, one-quarter have already dipped into them, according to UBS' report.

That's something the boomer generation would have never dreamed of. Plus, these young investors are going against the typical advice of putting money into riskier investments earlier and then moving into safer investments as they inch toward retirement.

'I'm not a whole lot concerned about how the market's doing'

Take 29-year-old engineer Justin Schulte, one of the millennials surveyed by UBS. Schulte, who is married with two kids, said he wasn't too worried about returns.

"As long as I'm outpacing inflation and on track in achieving my personal goals, I'm not a whole lot concerned about how the market's doing," Schulte told Business Insider.

Even though Schulte and his wife are expecting a third child soon, they are staying the course financially.

"Obviously we have a bigger car and home, but overall our saving goals and investing goals haven't changed drastically," he said.

David Dunn, chief investment officer at Kingsbridge Wealth Management, told Business Insider that he saw a clear generational shift in priorities while discussing investment goals with the eight ultra-high-net-worth US families that make up his firm's clientele.

He noticed that millennials were not as driven to get returns at all cost but were instead more concerned with the ancillary effects of investing. "There's much more of a social consciousness," Dunn said. "It's like in a classroom and almost everyone gave to whatever fund, and they want to check that box. They're also very much averse to borrowing money."

Frazer Harrison/Getty Images

Millennial revelers at the 2016 Coachella Valley Music And Arts Festival.

Dunn cites his younger clients, who show little interest in taking on debt to buy an apartment in New York: "They just want to live in a nice place and they're just fine with paying rent."

A few factors are in play. First, the majority of boomers are eager to provide ongoing financial support even as millennials move into their adult years, and both generations are happy with this situation, according to the UBS report.

Second, the global economic crisis continues to cast a long shadow, influencing millennials to invest more conservatively. Some of that conservatism is due to trauma from past financial crises, volatile markets, the difficulty of finding jobs after graduation, and expensive city life.

A generational wealth transfer

The behavior of younger investors will have huge consequences in the near future. By 2020, Gen X and millennials will control more than half of all investable assets — about $30 trillion, according to a recent survey by PricewaterhouseCoopers.

That generational shift is leading a crop of robo-advisers and financial-planning startups to challenge and sometimes work together with their more traditional counterparts to attract younger investors.

Like some of the wealth managers out there, Dunn is worried about robo-advisers' ability to capture a nuanced understanding of people's motivations and goals, since these platforms, which use automation to manage portfolios, operate under the assumption that investors act rationally. In reality, people have social and emotional biases that don't fit the model of an ideal decision maker, he said.

Robo-advisers or not, this crop of young investors will make noise in the wealth-management industry.