continued from page 23 ticking. Wouldn't it be smart to extend an olive branch to Gen X now, if only for the sake of that young advisor you're grooming to take over?

Rob Kelland, director and associate portfolio manager at the Kelland Group with ScotiaMcLeod in London, Ont., points out the investment needs of X-ers aren't "significantly different from those of any other generation."

While some may be asset-lean now, over the long haul—say the next three decades—their goals and needs will be substantially similar to those of their predecessors. Provided they live within their means, save, and invest for the long term rather than chasing fads, they'll eventually become good clients.

And, keep in mind many X-ers are the children, or younger siblings, of existing clients. Taking them on will help keep your practice in the picture when wealth transfers take place. Further, as a group, they're always looking for the next cool thing and once they build up financial cushions, they'll make good candidates for investments your more traditional clients reject.

Lastly, never forget not every X-er is broke—and as the labour market tightens up in the wake of boomer retirements, Gen X will move into management and up the salary curve.

DIG THE NEW BREED

Due to the sheer number of boomers in the marketplace, a lot of advisor practices haven't focused on X-ers.

Those wishing to accommodate the generation will need to make modifications, perhaps including adoption of a fee model for low-asset clients to ensure the firm receives adequate compensation for work performed.

Expect the transition from boomers to X-ers to be rocky. Client meetings won't be as relaxed. "There is no deference. They're not saying, continued on page 27

MEET MR. X

BY HEIDI STASESON

SOME of the best ideas are born in the shower—hence our decision to put Kenny Hotz on *AE*'s October cover. Better known as one-half of the prime-time pranksters Kenny and Spenny, who could argue Hotz's positioning as the quintessential Canadian Gen X-er? He's best friends with "South Park" creators Trey Parker and Matt Stone, and, along with sidekick Spencer "Spenny" Rice, Hotz co-creates, executive-produces and directs the hit Showcase series "Kenny vs. Spenny," heading into season four next month.

Hotz (who says he's 35) sat down with associate editor Heidi Staseson to wax philosophical on money, media and the mayhem he generally creates wherever he sets foot.

HS: *Are you more money-motivated than Spenny, or are you really just a slacker?*

KH: Spenny is way more money-motivated than I am. I don't know what happened to him; he snapped. I think he realized there was potential to make cash and actually turned.

HS: *Are you thrifty or is your spending as obnoxious as your personality?*

KH: I'm into compiling cash. I've been living out of hotels and furnished apartments since '99, so all I have to spend my money on is food. I think material goods are useless.

HS: *Any lessons learned from Hollywood?*

KH: When I first moved to L.A., I was about 25, and some famous friends told me, "Whatever you do, don't buy a car; don't buy anything, because you're going to be out there for so many years before you actually have the potential to make it. Just save up all your cash." I was poor for so long that I was just used to not spending money. I ate ketchup sandwiches; I lived in Venice Beach, rode my bicycle, and I dated girls with cars—lots of cars.

HS: *Do you have an advisor?*

KH: I have two amazing accountants at Baskin Financial in Toronto. They're friends of my family. I wanted to be with somebody for who my money was personal.

HS: *How often do you see them?*

KH: Rarely. I trust them so I don't even need continued on page 27

continued from page 25 'You are clearly the expert,' " says Alexandra Macqueen, a fee-only financial advisor at The MoneyPower Group at Raymond James in Mississauga, Ont. "I have one client who in a perfect world would be doing his own investing, but he doesn't have time. He will say, 'I want you to put me in this and that.' He's not coming in and saying, 'What do you recommend?' "

Out the window goes the explanation about how you're holding a specific stock because it fills a hole in the client's portfolio; that it's part of a larger, long-term strategy. The client just says, 'I don't care. It's my money.'

But sometimes that bravado masks insecurity, notes Scott Plaskett, CEO of Ironshield Financial Planning in Etobicoke, Ont. Unlike boomers, who saw steady increases in income after embarking on careers, X-ers did a lot of job-jumping post-university—and some persist in that pattern. That often translates into a lack of confidence about being on a success track; they see people just slightly older with far fancier toys and want them too, consequences be damned.

"It looks like they're doing well but they're spending everything; there's a BMW in the driveway, but it's leased," says Plaskett.

But hey, unreasonable debt levels are a way of life for a generation that entered housing markets in the wake of a 1980s real estate boom that saw average resale prices double, and even triple in some urban areas. Young couples planning families, who had less income to draw on in the first place, were forced to borrow more—or commit to a lifetime of renting.

Thank goodness interest rates are low, except that's made it difficult for X-ers to realize returns on what little money is left after the bills are paid. Low salaries. High housing costs. No return on savings. Sweet!

INVISIBLE INVESTORS

For some advisors, Generation X isn't even on the radar, or is viewed as a second-tier client base. Sheldon Gray, an investment advisor with Dundee Securities in Vancouver says about 40% of his clients were born between 1966 and 1975.

The group accounts for a smaller percentage of the money he manages with an average of $80,000 invested, and a good portion of X-ers he runs money for are there as part of group RRSPs, or are related to older clients.

Says Gray: "A lot of these people have young families, which puts a squeeze on them—95% of them have cash-flow issues. I only have a handful where cash flow is not a concern. That even goes for my most successful clients who are partners at accounting and law firms—those people are maximizing their RRSPs and whatnot but still don't have a lot of extra money."

Assets or no, Kathleen Clough, a wealth manager at PWL Advisors in Toronto says this group still needs planning help—otherwise they'll never make the first steps toward being able to hang up work. "They're a bit early in the cycle but the foundations need to be set. So the Gen X-ers have to be willing to pay for some of the planning advice as opposed to getting it as a subset of their investments," she explains. "These aren't yet high-net-worth individuals but they have the potential to be."

Clough urges her planning peers to start coaching X-er clients on asset accumulation so they can invest later, but stresses her colleagues consider offering services on a fee basis until enough assets are amassed to begin serious investment. In some cases, she notes, clients may choose to take advisor-prepared plans and execute transactions on their own through online or discount brokerages.

Or, clients may simply move to another advisor once the cash is saved up. Plaskett agrees a structure continued on page 29

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to see them. They just kind of take care of me—like even with that little market dip they pulled half my cash out before that happened. I could just save cash without their assistance but they've actually been making me a lot of money. I've got things spread out. When I was a kid I would usually just invest in mutual funds.

HS: *Who taught you how to do that?*

KH: When my uncle died he left me five grand, and my dad said "why don't you put some money into Templeton Growth?" I was 15. I put $800 in there 20 years ago, now it's $16,000—from $800 as a kid.

HS: *So the trust factor is really important to you—does that mean you wouldn't seek out an advisor you didn't know already?*

KH: Well, I would need a personal friend then that I truly trusted to steer me off to somebody. I think there's been a history in the market—especially now with Enron and the like—people have their own corporate motivation; people get paid to invest in companies; they get cuts. Our generation believes people are slime; we're very cynical. We watched our parents lose all their cash, we lived through Bernardo and AIDS and all these things. We understand the world; we've been introduced to the media; we've watched the space shuttle blow up and the World Trade Center collapse. Everything for us is like we're on the brink of Armageddon. So yeah, I'm very protective of my cash and who gets it and what I do with it.

HS: *Your parents are depression-era people—how did that shape growing up?*

KH: We were really poor. We lived in Forest Hill. You could back then. We had this façade of being like everybody else. I just learned that you don't really need certain things. But we had an amazingly functional family.

HS: *Are kids in the picture?*

KH: Most of my kids are at the city dump. The other half is sprinkled around Europe and I haven't met them. I have four nieces, I don't know if I really want a kid. I'm immature and don't like responsibility. Anyways, I'm living my dream now. AE