

TRANSITIONS

THE IMPACT OF THE HIPPIES AND GEN Zs ON INVESTING

In spite of what is reported as economic news headlines, the fact remains that consumer spending continues to drive a large part of the U.S. economy. When investing, it is important to observe broad social movements, as they will impact consumer spending.

In the 1950's the change agent was the Beatniks, an anti-conformist group of influential poets and authors. They were anti-materialistic and edgy. The Beatniks I knew were great fun to be with, as their carefree, vagabond lifestyle was in sharp contrast to society norms. To see this Beatnik show up in a black turtleneck, while my father was taking out the trash in a white shirt and tie, shows the change that was taking place in consumer behavior.

A decade later the Hippie movement took over. Beyond drugs and promiscuity, the Hippie mantra was pure: peace & love. Anti-establishment was in full force as they questioned authority with their youthful chant of "never trust anyone over 30". Wearing tank tops and cutoff shorts, the Hippies change agent was opening society to a freer lifestyle. This is seen in the more casual dress code of today. More importantly, almost everyone who lived through the Hippie era was impacted by it, and every American's purchasing decisions throughout life were in part molded from this social movement.

What's next? The new generation, from Millennials to Generation Z, seems more focused on securing and building their career. For many, this takes precedence over getting married, starting a family, and becoming a family unit. As important, they relish "experiences", whether it is in travel, entertainment, or technology. As these goals are different than prior generations, we expect and look for long-term changes in consumer behavior.

One change will be fewer first-time buyers of homes, as their lifestyle dictates a rental home or apartment. This may harm the home improvement businesses, as a renter will not be taking on the building projects that a



Herb Diamant

PRESIDENT & SENIOR
PORTFOLIO MANAGER

DIAMANT
ASSET MANAGEMENT

170 Mason Street
Greenwich, CT 06830
(203) 661-6410

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homeowner would. These improvements will be handled through landlords that likely will exercise their buying power from the rental units they manage. With greater time spent traveling, vacation rental units will need to be maintained and overseen in a similar manner as rental units.

Another change is the delay in creating a family will change U.S. demographics, creating distortions of an older population, that will increase the demand for healthcare without the contribution of a younger population in terms of emotional and financial support. Companies that sell products to young families will see an erosion in sales.

As one ages, one can appreciate there is some wisdom to enjoying life to its fullest at a younger age. To accommodate the consumer spending patterns of Millennials and Generation Z, the travel industry will have to provide more destination vacations at higher end locations. Living through this current social movement will impact everyone. More Baby Boomers will begin to “ski” (spending their kids’ inheritance). This type of skiing will increase “experiences”, whether it is from actual travel or the use of at home technology like virtual reality.

The new generation, whether they are the Beatnicks, those Hippies, the Millennials, or Gen Z, all have something in common; they are triggering long-term changes in consumer spending. As investors with a long-term horizon, we have to be aware of these altered spending patterns and how they will impact the U.S. economy. We fully expect to see more products that were as life changing as the iPhone was a decade ago. Our focus remains on being observant and identifying macro changes as it relates to securities selection, so our clients can capitalize on these important social movements.

Written by: **Herb Diamant**, President and Senior Portfolio Manager
Please feel free to contact us with any questions or comments at
(203) 661-6410 or email Herb directly at **herb@portfolioadvisor.com**



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