

# DISRUPTION'

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## #UNPOPULAR OPINION

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### THE WEALTH ISSUE

+ Redefining Wealth + The Future of Insurance  
+ Digital Assets + Human Capital



# What is Wealth?

## Wealth, Values, and Society Have Transformed

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BY JIM HARRIS

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ealth. Millennials have a far different view of it than their boomer parents.

While young adults generally do not have much accumulated wealth, millennials have about half of what their boomer parents did at this point in their lives. The median net worth of millennial households is \$12,500, while boomers had \$20,700 at the same age in 1983. Young people are graduating from college and university with more debt than ever before. This is one of the key factors contributing to millennials' lower net worth. Half of Canadian students graduate with an average of \$28,000 in debt. According to the Ontario Student Assistance Program, it takes the average new graduate typically nine-and-a-half years to repay their loans. As a result, a staggering 51% of millennials hold a second job to make ends meet.



It takes millennials an average of 29 years to save enough to afford a home in Canada's biggest cities. The Generation Squeeze Report calls the affordability gap between baby boomers and their children an "emergency."

#### RAPID RISE OF THE SHARING ECONOMY

Millennials have innovative approaches to lowering their cost of living and defining wealth. The most expensive asset that Canadian families own is their home, but millennials are living at home longer than ever before to save money. In Canada, 35% of millennials are living with their parents.

Canadians' second largest asset is a car. When I was a teenager, having your own car made you the envy of all your friends. Today, many millennials don't bother to

get a driver's license. They can use rideshare services. Not only is it cheaper than car ownership, it's more convenient. You don't have to put on winter tires, or make appointments for oil changes, or worry about finding parking spots—which can be difficult in big cities—or worry about getting parking tickets.

But the biggest expense of car ownership? It's the value of our time spent driving. Here's a staggering stat: the average North American wastes 273 minutes a week commuting (228 hours/year or 5.7 work weeks a year!). The average wage in Canada is \$26.83 an hour. So the cost of spending time in traffic is about \$6,104 per employee per year.

By taking rideshare services like Uber and Lyft, millennials are having that portion of their life returned to them. While being driven they can work on a laptop, talk to friends on the phone, or have conference calls for work. Uber and Lyft – and eventually autonomous vehicles – free up the most precious of all commodities: time.

**FUTURE****DISRUPTION**

Micro mobility (defined as shared bikes, e-bikes, and e-scooters) has the potential to further disrupt urban transportation and deliver substantial benefits by lowering travel costs, reducing traffic congestion, and decreasing the need for parking.

By analyzing more than 50 million car trips, INRIX Research found that 48% of all car trips in the most congested North American cities are less than three miles long. If a fraction of these trips were replaced with scooter and bike trips, cities could reap significant benefits. Many millennials do not equate physical assets, like cars, with wealth. What is valued is being able to quickly get to where you want, and over short distances micro mobility services certainly are faster than cars.

**SHARING****ECONOMY;****THE EXPERIENCE****ECONOMY**

I interviewed the CEO of a start up who was staying with his extended family in a luxury property on the coast of Florida for \$500 a night. It had five bedrooms, was right on the beach, and was worth \$3 million. He thought, "this is crazy! A \$3 million asset that I get to use for \$500 a night. I could never put my entire family up in a luxury hotel for this little. It would be three times more expensive. And we wouldn't all be together as we are here."

I stay in a lot of hotel rooms because of my work. And a hotel room is a hotel room is a hotel room – even if it's the Four Seasons. The average hotel room in North America is 325 square feet.

Which would you rather stay in when you're staying in Amsterdam: a 325 square foot hotel, or a \$1 million houseboat tied up in a canal? Which are you more likely to talk about to your friends and family when you are back home?

**THE SEVEN Ds OF DISRUPTION**

The music industry is a great example for exploring the seven Ds of disruptive innovation: Digitized, Deceptive, Disruptive, Dematerialized, Demonetized, Democratized and Deflationary.

When I grew up, I bought vinyl records to listen to music. And then 8-tracks. Then cassettes. Then CDs. When I went through that age where you really start to get into music, we owned the physical media

Today we stream music. And because of smartphones and bandwidth, you can have all the music you want with you at all times.

Once music was digitized, it dematerialized, democratized, and was demonetized. All of that has been hugely disruptive to the music industry.

The trend was initially deceptive. None of the major record labels were able to transform fast enough, leaving it to Apple, and later Spotify, to redefine the business model for music. While it's true that some millennials are now collecting vinyl, which has seen a resurgence, for the majority of listeners it's important to have access to all music whenever, wherever.

**Millennials have different sets of values. You can't have financial wealth on a dead planet. The climate crisis is providing an opportunity to redefine what is important in life: Redefine wealth. Redefine success. Here's a story to drive home the point. Do we live to work? Or do we work to live?**



**Many millennials  
are re-defining  
wealth as wealth  
of experience.  
Living a life of rich  
experience. A life  
of joy. Of love.**

#### D E M O N E T I Z A T I O N

Up until the 1990s, you were forced to buy an entire album even if you only wanted one song. Today you can buy a single song for 99 cents from iTunes, or listen to it as often as you want as part of your Spotify streaming service. The cost of music has dramatically decreased and demonetized. (I won't speak to the impact on arts and artists – that's for another column).

Because of demonetization, music is more affordable than ever before which means it's been democratized—more people can afford it and you can listen to any music anywhere, any time. (And you don't have to lug around 2,000 lbs of vinyl records).

#### D E F L A T I O N A R Y

More importantly, music is deflationary. The percentage of my disposable income that was spent on music when I was growing up was MUCH greater than what people of the same age spend today. While millennials have less disposable income, some important items are significantly less expensive on a relative basis because of disruptive innovation like what we are seeing in music. Similarly, with Skype and Zoom and Facetime, long distance calls are now inexpensive or free.

#### WEALTH IN THE ERA OF CLIMATE CRISIS

We are living in a time of the greatest crisis humanity has ever faced. Scientist have repeatedly warned us that unless we dramatically change business as usual and radically decrease our carbon emissions, we will continue with irreversible climate change.

Millennials stand to inherit \$68 trillion of wealth as their baby boomer parents pass away between now and 2030, according to Coldwell Banker. But the future value of that "wealth" will be irrelevant if planetary eco systems are no longer sustainable.

Millennials have different sets of value because you can't have financial wealth on a dead planet. The climate crisis is providing an opportunity to redefine what is important in life: Redefine wealth. Redefine success. Here's a story to drive home the point. Do we live to work? Or do we work to live?

#### THE MEXICAN FISHERMAN

There's a powerful story about a burned-out Wall Street trader, who decided to take some holidays. He traveled to Mexico and was staying at a five-star resort right on the beach. As was his pattern, every morning he would get up at 4 am, even though he was on holiday, and walk on the beach. Every morning as the sun was rising, he saw a fisherman come to the beach and begin fishing. After a few days the Wall Street broker went up to the fisherman and asked him, "What are you doing?"

The fisherman replied, "I come here to fish, to catch a fish and feed my family."

"What is your life like?" Asked the broker.

"Well, I catch a fish and go home. We have the fish for lunch. Then, in the afternoon, I play with the children. We have dinner. We put the kids to bed. I make love to my wife and we go to sleep. Then, the next morning, I get up early and come and fish."

"Ah," said the broker, "I can help you."

"How is that?" asked the fisherman.

"Well, you should get another fishing rod and catch two fish every day."

"Why?"

"So that you can sell one fish in the market."

"And why is that?"

"So that you can save your money and eventually buy a boat."

"And what do I need a boat for?"

"So that you can fish initially with fishing lines, but eventually with nets."

"And why is that?"

"So that you can buy more boats and hire people to do the fishing for you."

"Why?"

"Well this is where it gets interesting. So that you can build a canning plant right here on the island and become a vertically integrated international fish canning company."

"And why would I want to spend all the time away from my family to do that?"

"Well, this is where I can help you. We do an IPO and you become filthy rich, which allows you to retire and fish on the beach every day . . . "

#### W H A T     I S     R E A L     W E A L T H ?

There is a saying: "When the last tree has been cut down, the last fish caught, the last river poisoned, only then will we realize that one cannot eat money."

Many millennials are re-defining wealth as wealth of experience. Living a life of rich experience. A life of joy. Of love.

Whether this shift is because of the financial restrictions that have been imposed on them as a generation, or because they have actively chosen it, many millennials are choosing to redefine wealth as experience, rather than material possessions.