

Preparing for Their Future

A Look at the Financial State of Gen X and Gen Y

Sponsored by

The American Savings Education Council and AARP/Divided We Fail

Conducted by

Mathew Greenwald & Associates

Presentation for

NEFE's Symposium on the *Financial Realities of Young Adults*

November 2008



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Methodology

- On behalf of the American Savings Education Council (ASEC) and AARP/ Divided We Fail, Greenwald & Associates conducted an online survey with young adults ages 19 to 39 about their financial attitudes and behaviors.
- In total, 1,752 respondents completed the online study, which fielded in January 2008.
- The data was weighted by age, gender, race and education.



Generations

- Generally speaking, the line between the older Generation X and younger Generation Y is drawn anywhere between 1978 and 1982.

“A generation is composed of people whose common location in history lends them a **collective persona.**”

– Neil Howe, noted author, historian, economist and demographer

- For the purposes of this study, the line was drawn at 1980, such that Gen X includes those born 1968 to 1979 and Gen Y includes those born from 1980 to 1988.
 - In this study, some older Gen Xers and some younger Gen Yers were excluded.



Topics for Today

- Financial Maturity
- Savings Habits and Challenges
- Generational Differences
- Financial Knowledge and Sources of Information
- Retirement and Retirement Income



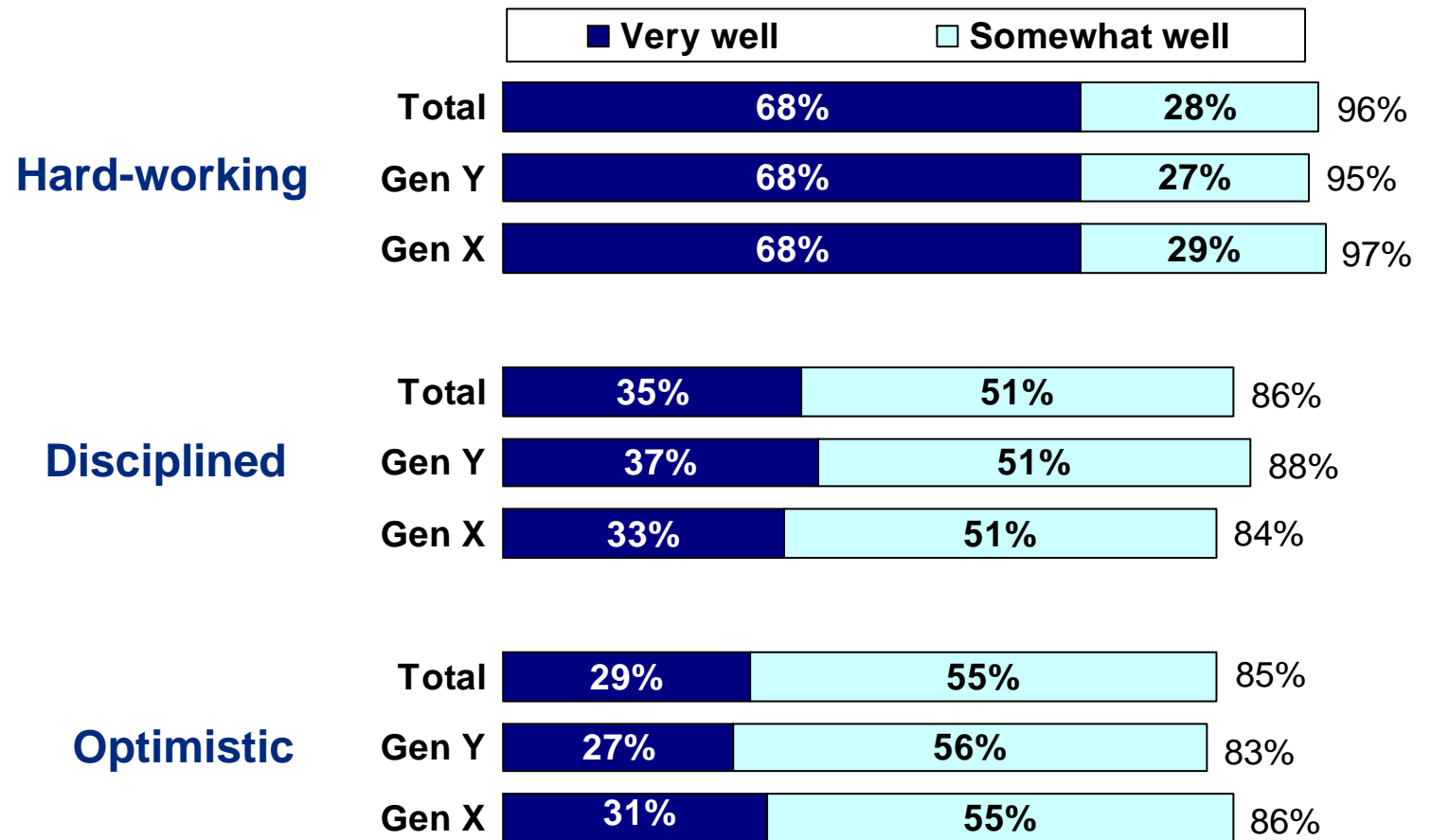
Financial Maturity



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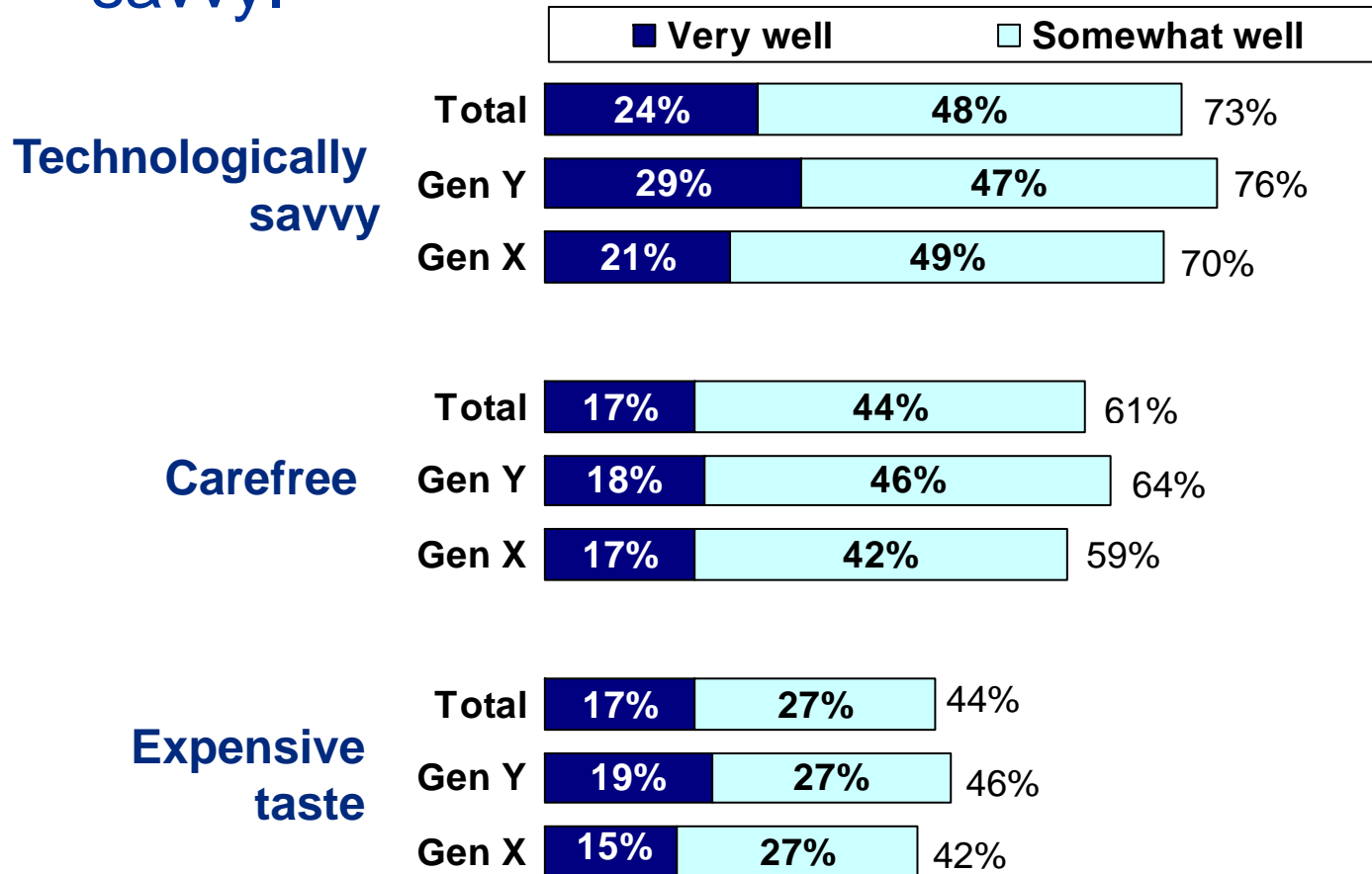
Most describe themselves as hard-working and optimistic.

- The vast majority also say they are disciplined.



Fewer feel they are carefree or have expensive taste.

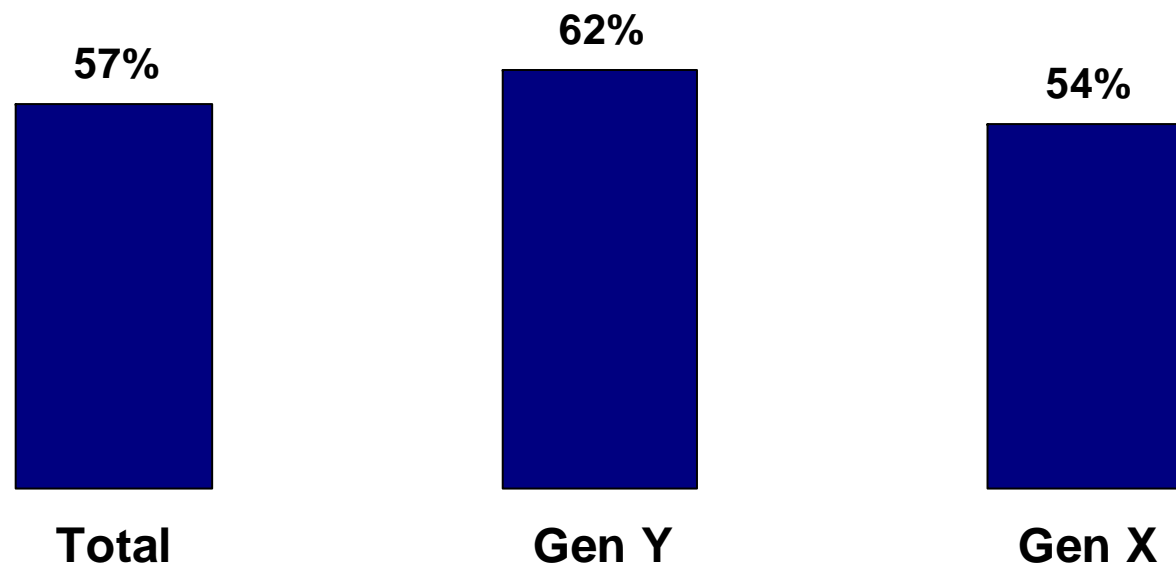
- Gen Yers are apt to say they are very tech-savvy.



More Gen Yers consider themselves financially independent.

- The survey data strongly suggests that financial independence is perceived differently by people in different life stages.

Do you consider yourself "financially independent"?



The most cited milestones for financial independence are graduation or first jobs.

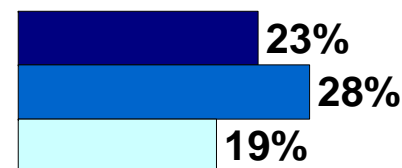
- Citing high school versus college graduation correlates strongly to level of education attained.

■ Total ■ Gen Y ■ Gen X

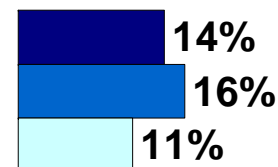
When you got your first job



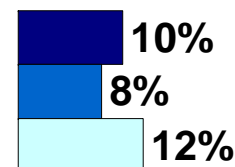
High school graduation



Start of college



College graduation

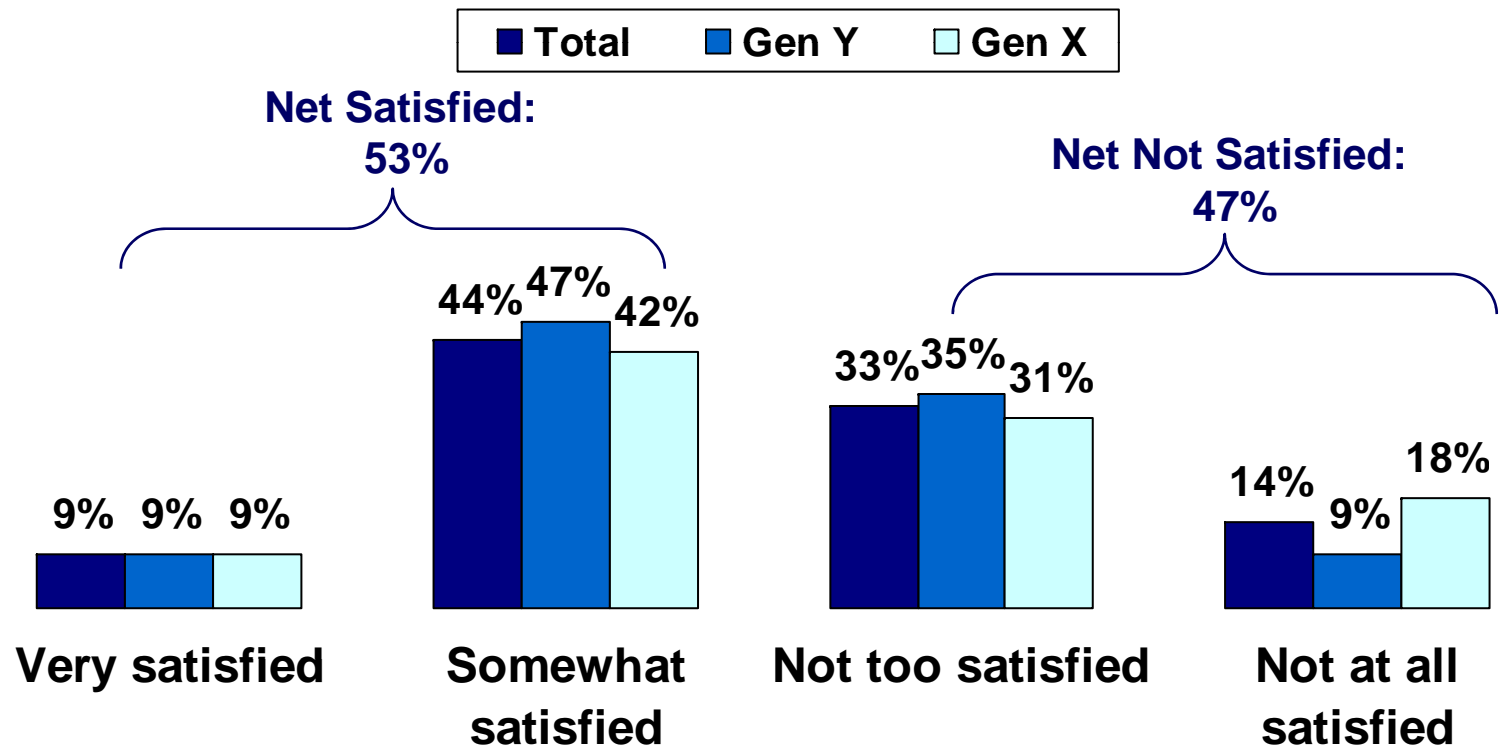


<u>Median Age at Start of Financial Independence</u>	
Total	20
Gen Y	19
Gen X	21



Independent or not, just half suggest they are satisfied with their financial situation.

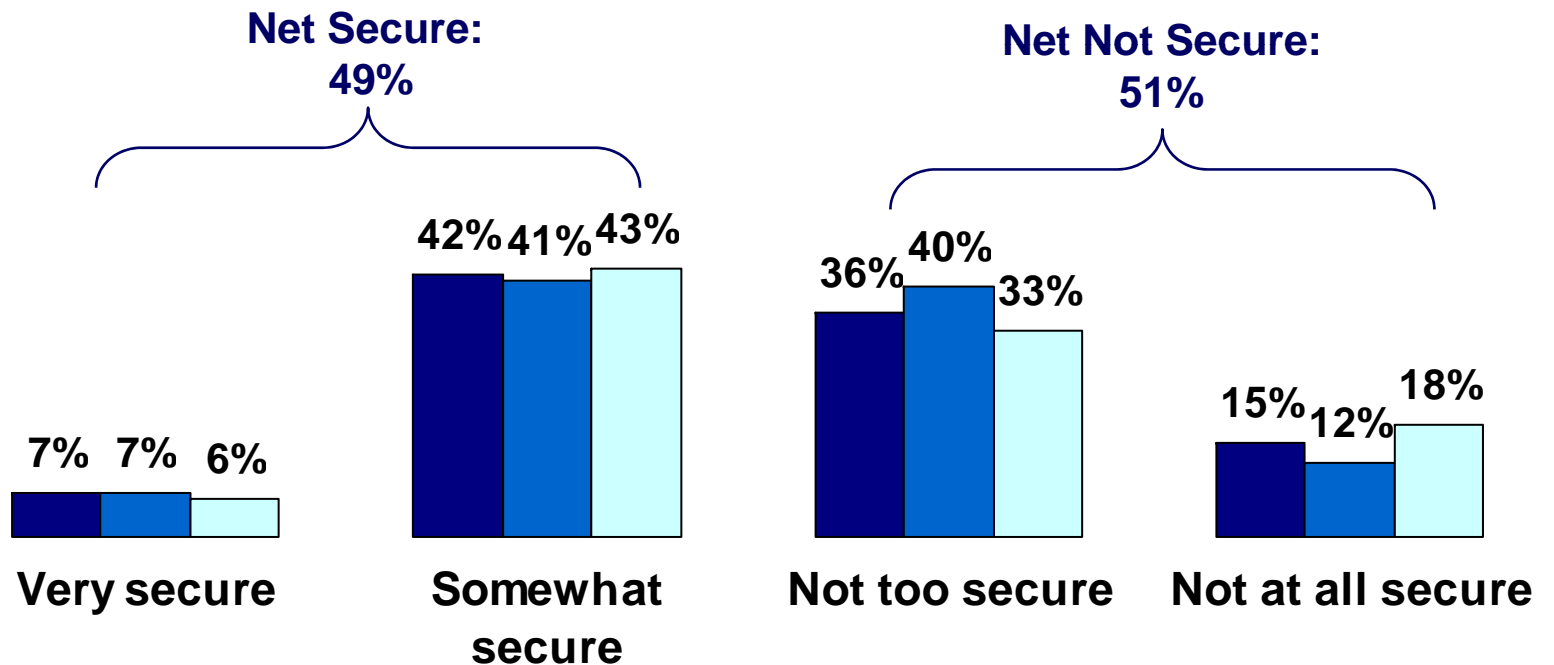
- Fewer than one in ten describe themselves as very satisfied.



Even fewer feel they are financially secure.

Overall, how financially secure do you feel you are right now?

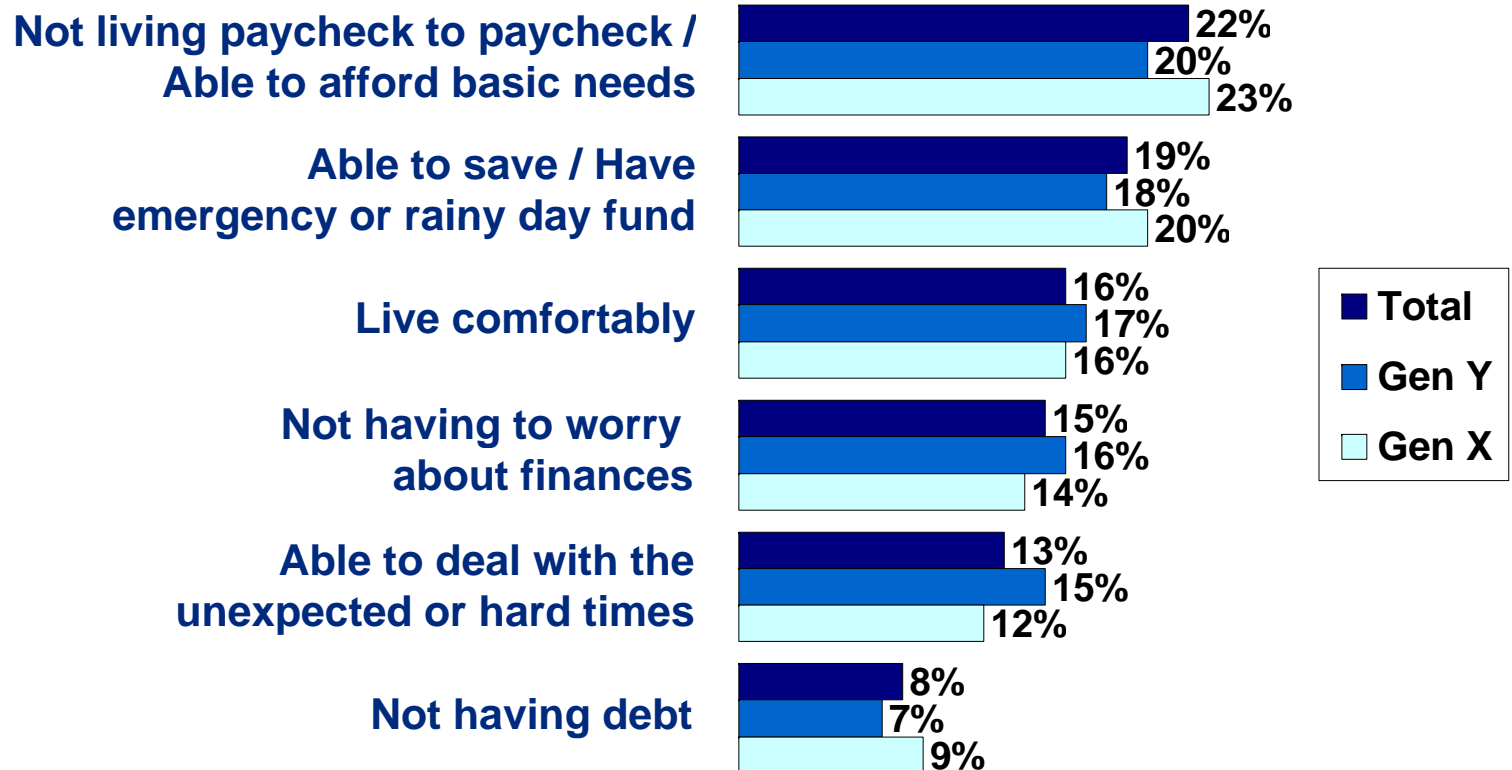
■ Total ■ Gen Y ■ Gen X



Definitions of “financial security” are far from outlandish.

- Two in ten include affording basic needs and the ability to pay bills in their definition. Nearly as many just want some money leftover for a rainy day.

How would you define “financial security”?



Savings Habits and Challenges

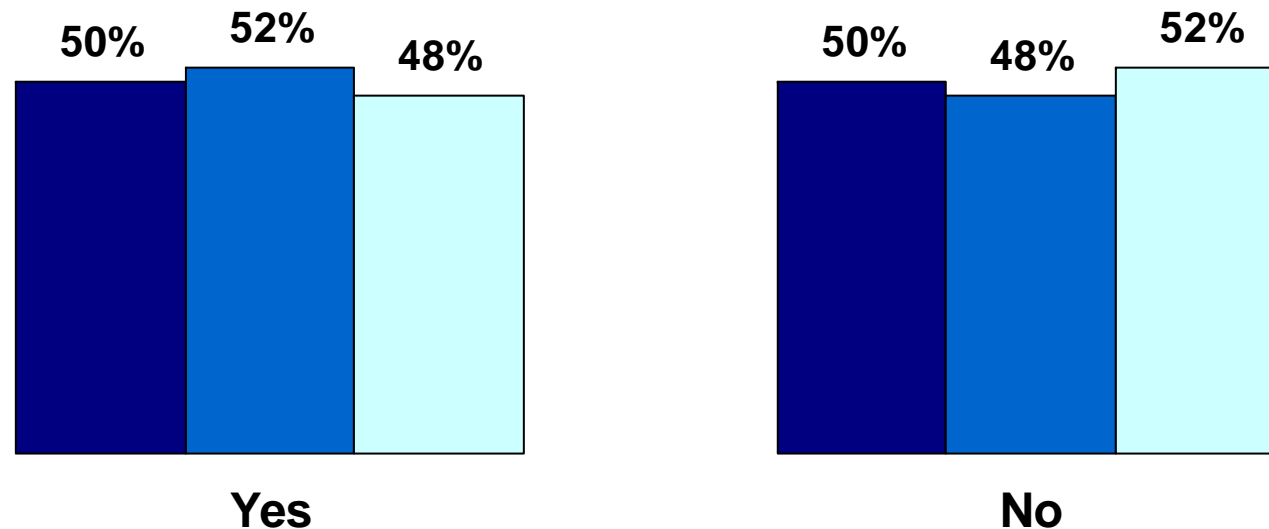


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Just half of members of these younger generations report saving on a regular basis.

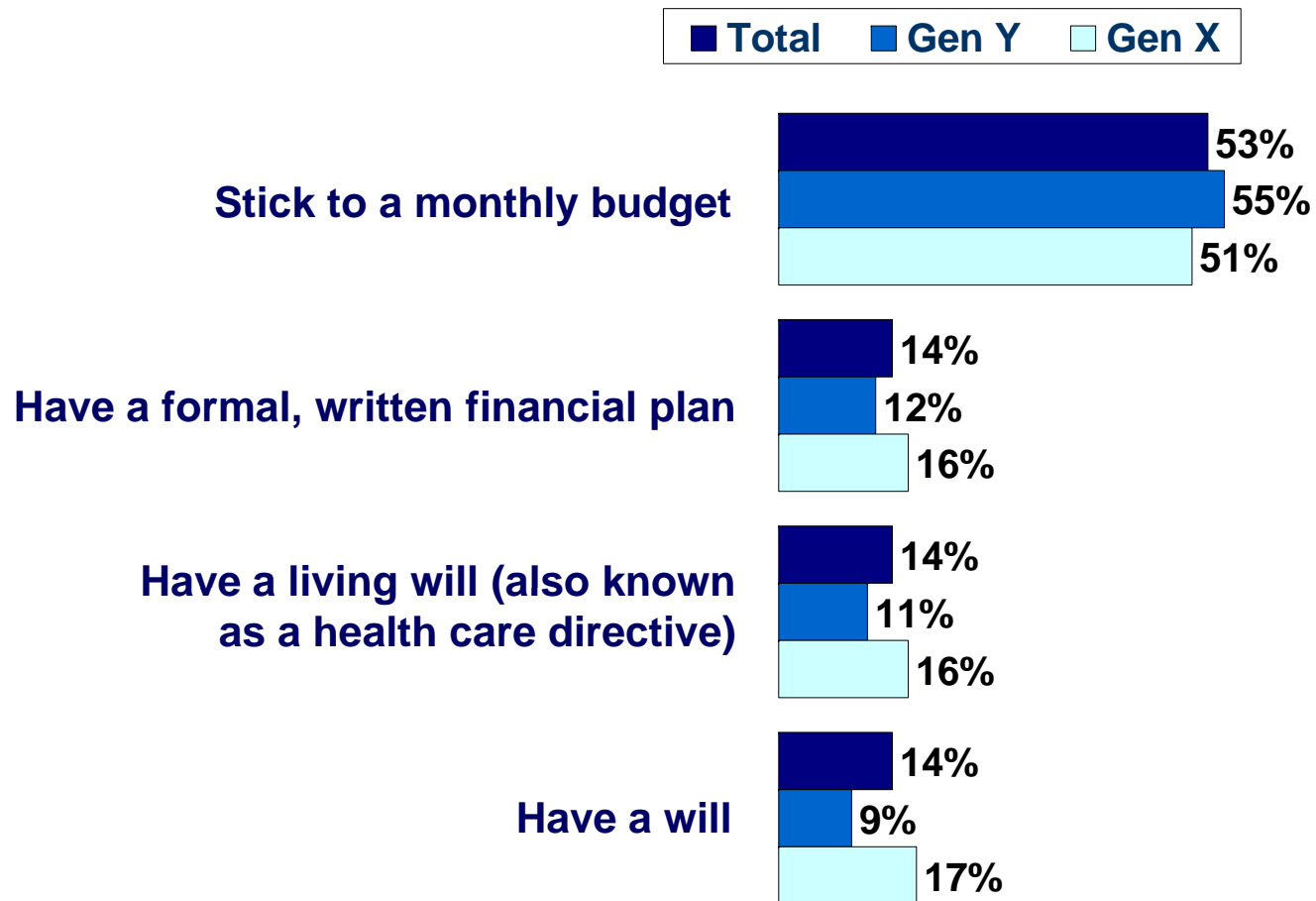
Do you currently save money on a regular basis?

■ Total ■ Gen Y ■ Gen X



Likewise, about half say they stick to a monthly budget.

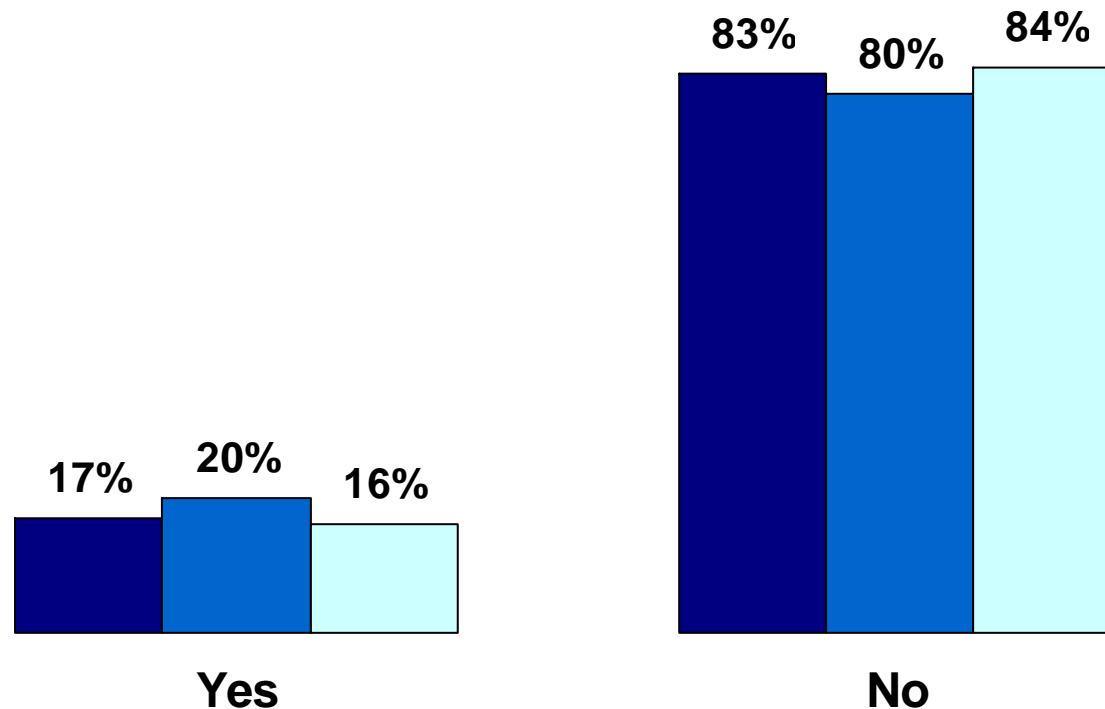
- However, far fewer have taken other key financial planning steps.



The vast majority know and admit they are not saving enough.

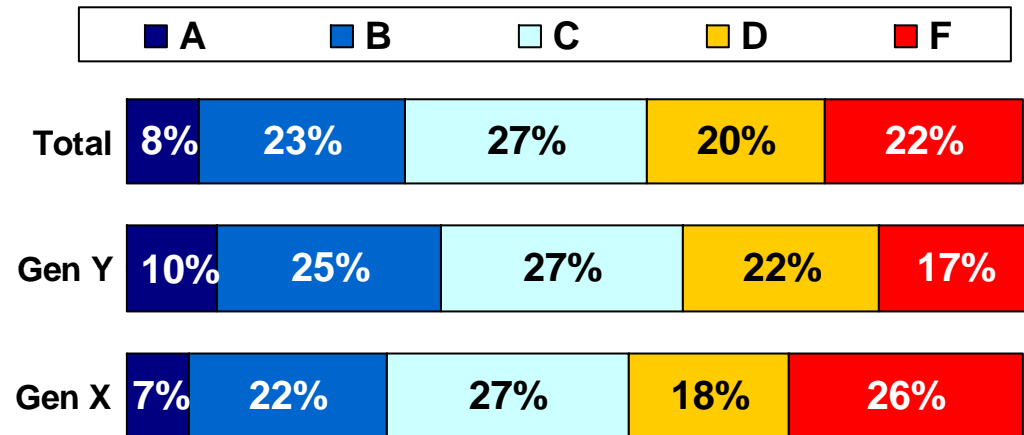
Given your current income and living situation, do you feel you are saving enough money for the future?

■ Total ■ Gen Y ■ Gen X

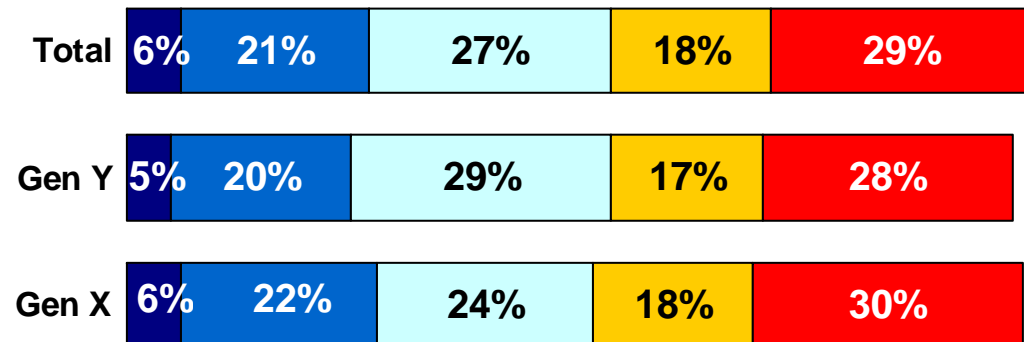


Few give themselves an “A” for saving and investing. Failing grades are more common.

How well you are saving money

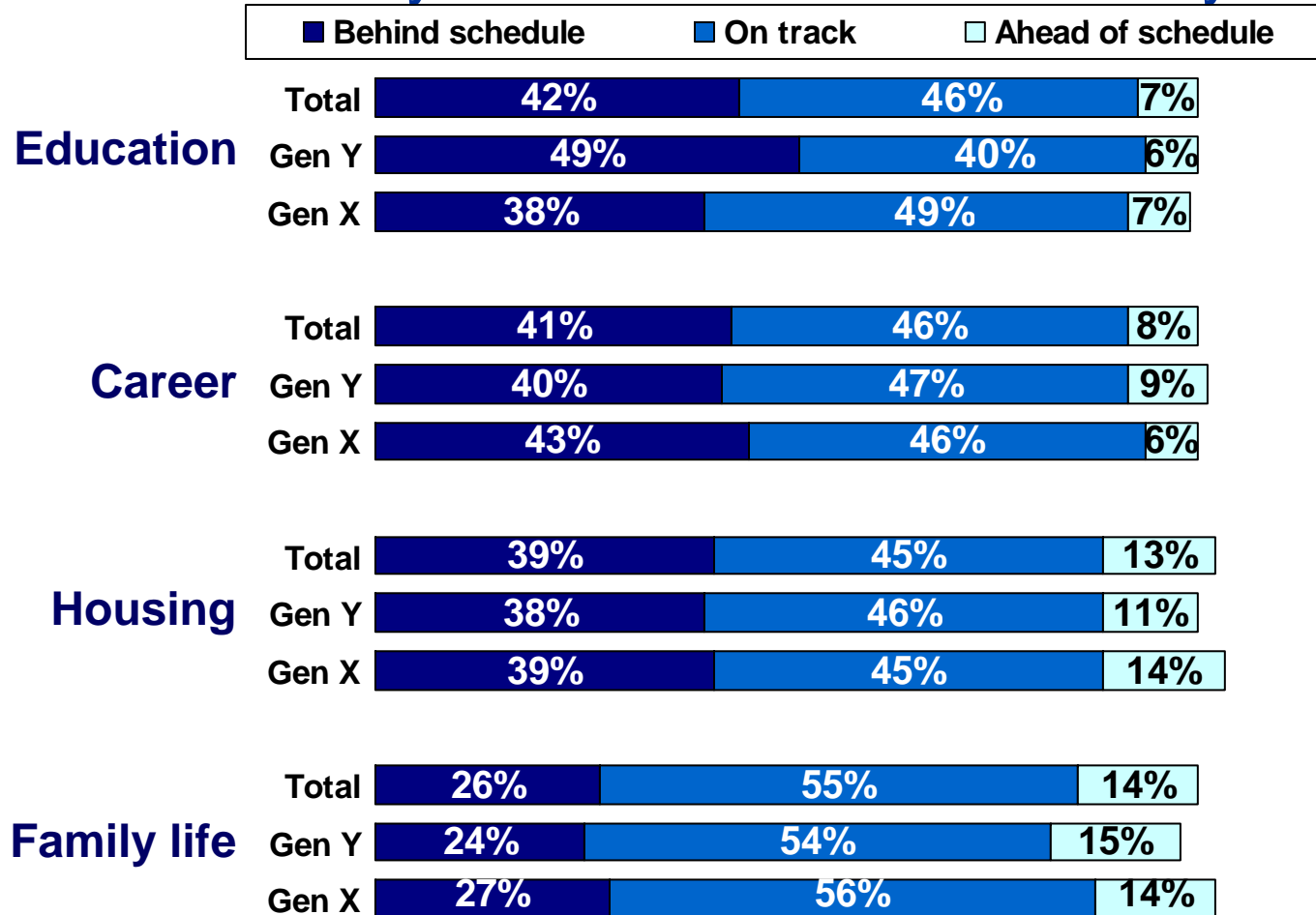


How well you are investing money

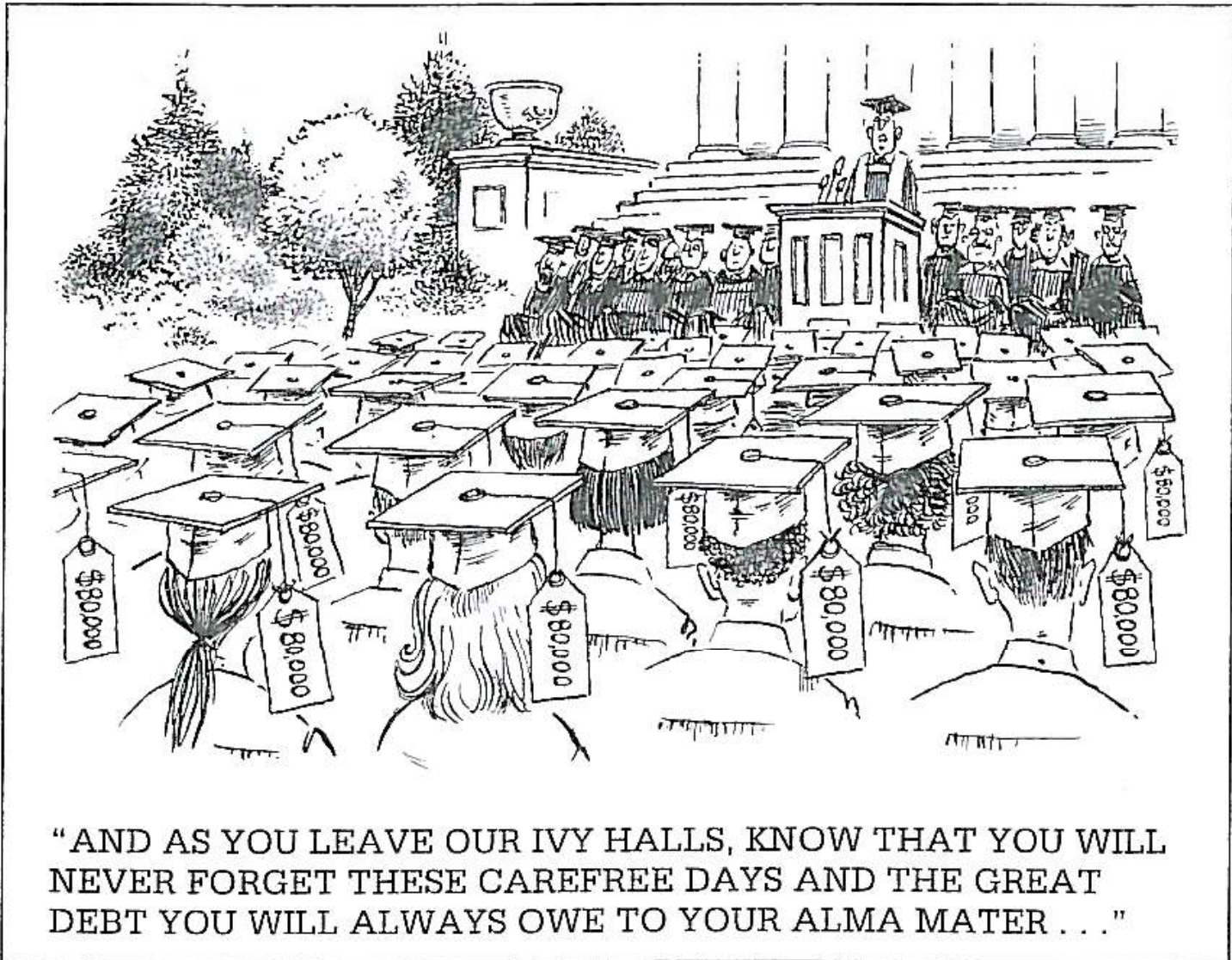


Many also feel behind in their education, careers, and housing situations.

- Most feel they are “on track” in the family life.

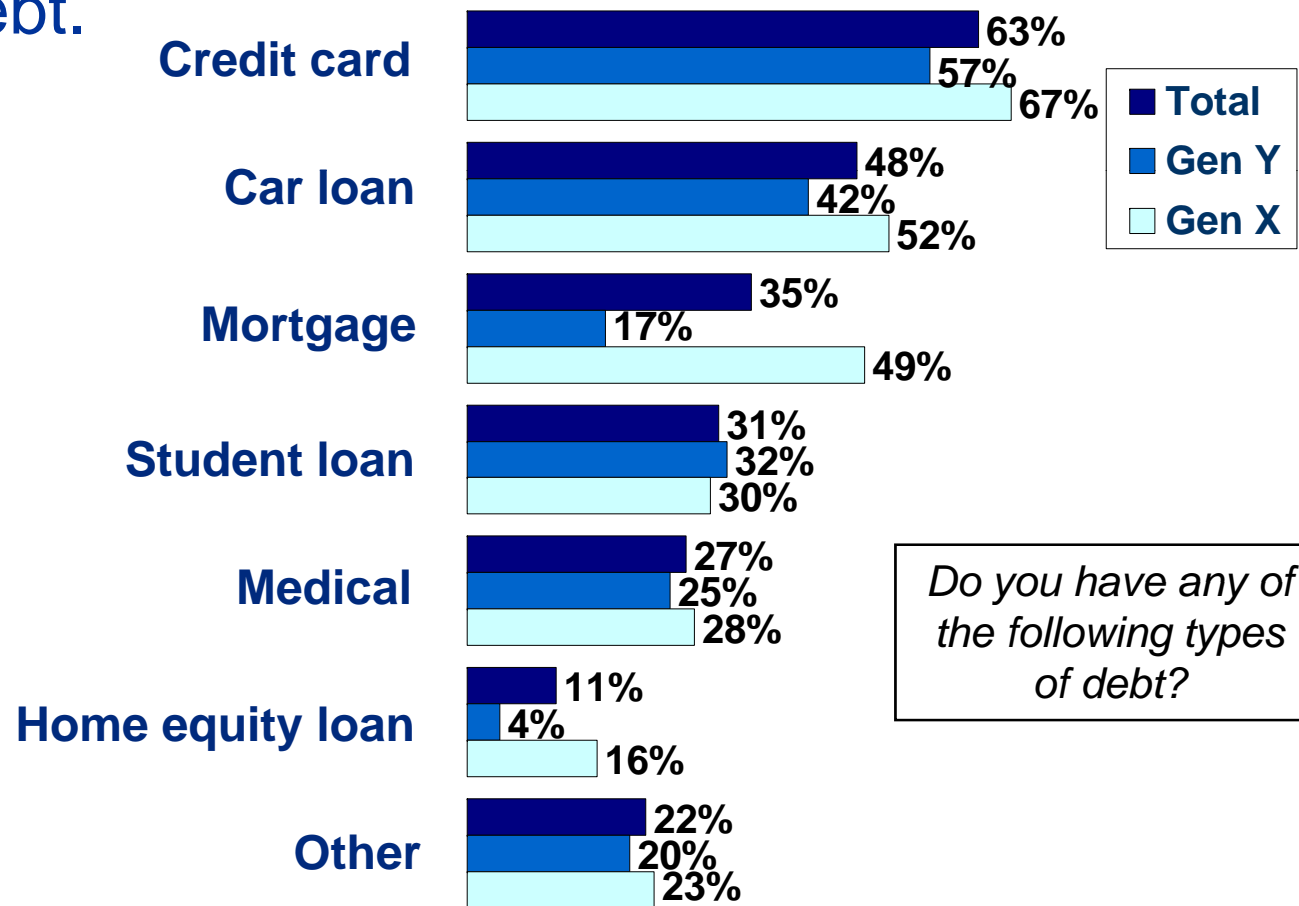


Why do young people feel they are behind schedule?



Large shares report having credit card and car loan debt. Three in ten have student loans.

- Just over one-third say they have mortgage debt.



Do you have any of the following types of debt?

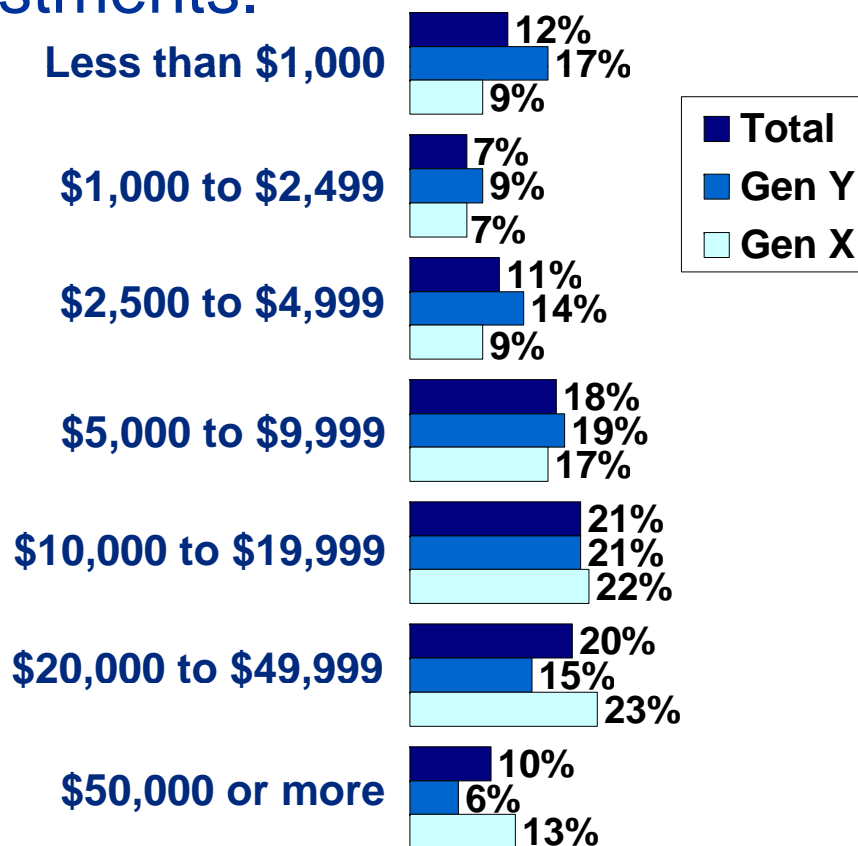


Three in ten young adults are \$20,000 or more in debt, excluding mortgages.

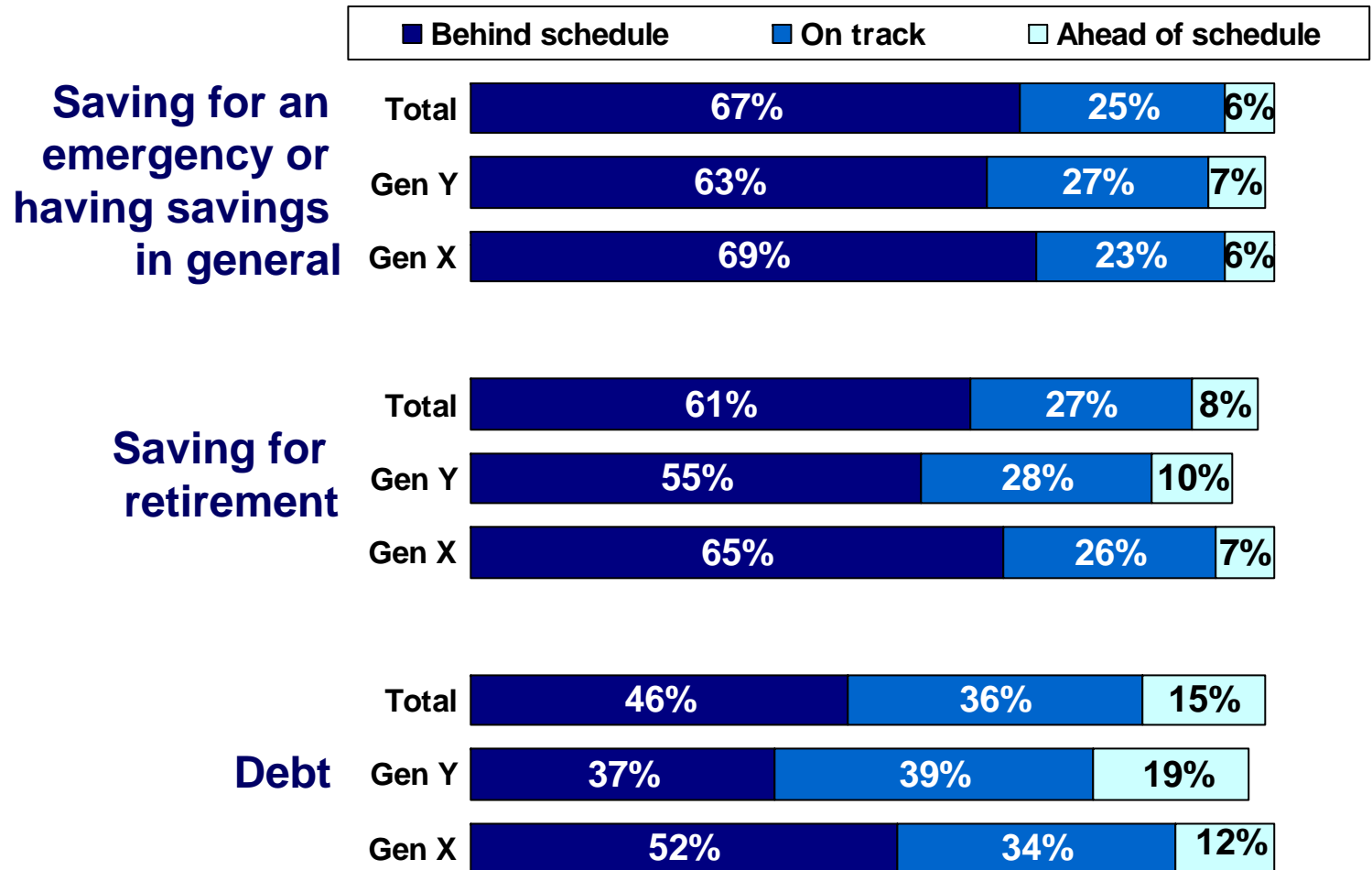
- Debt levels seem especially high given that the majority (57%) have less than \$10,000 in savings and investments.
- Gen Xers are more likely to describe their level of non-mortgage debt as a major problem.

Approximately, how much non-mortgage debt do you currently have?

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Debt is one of many reasons why young people may feel they are behind.

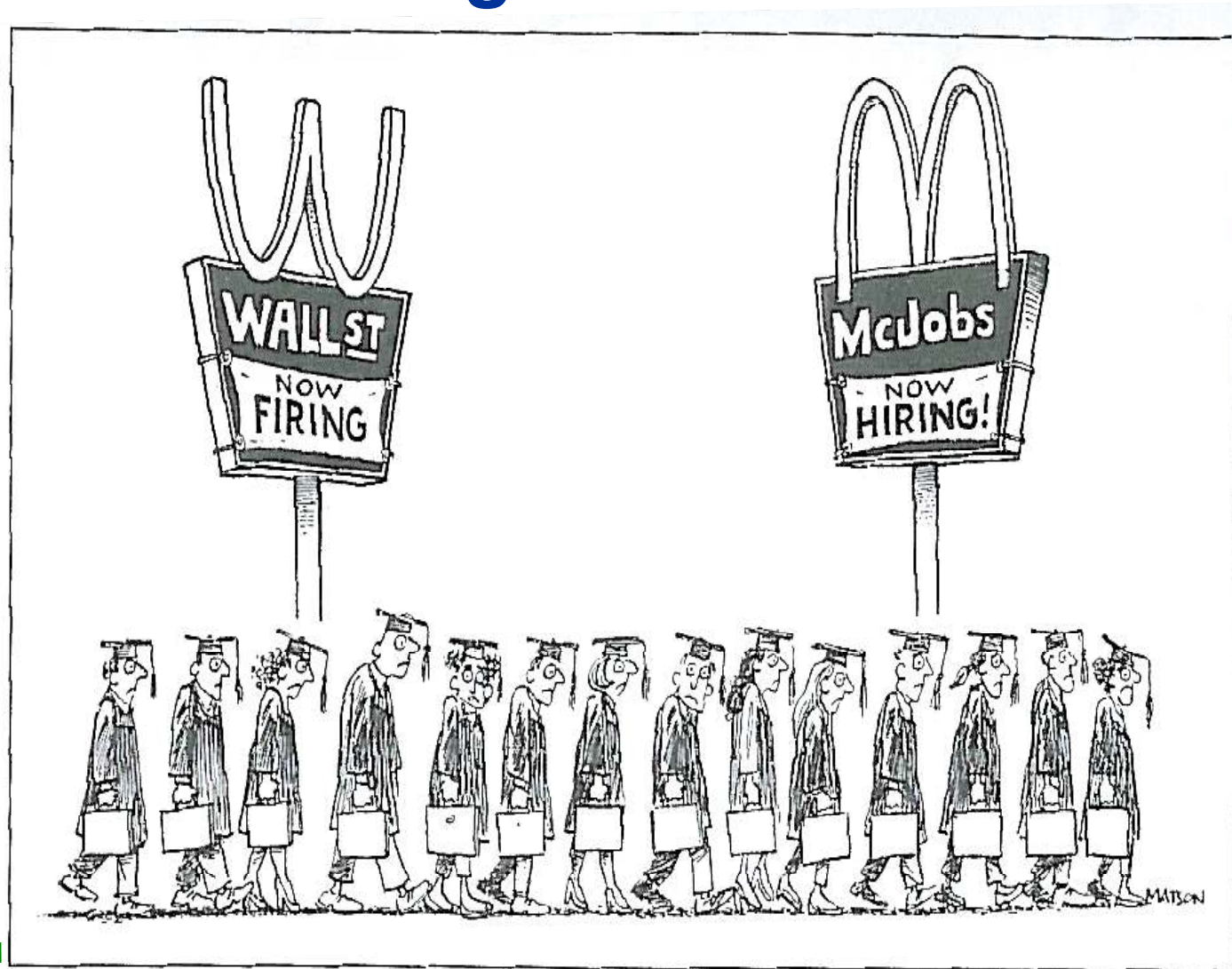


Generational Differences



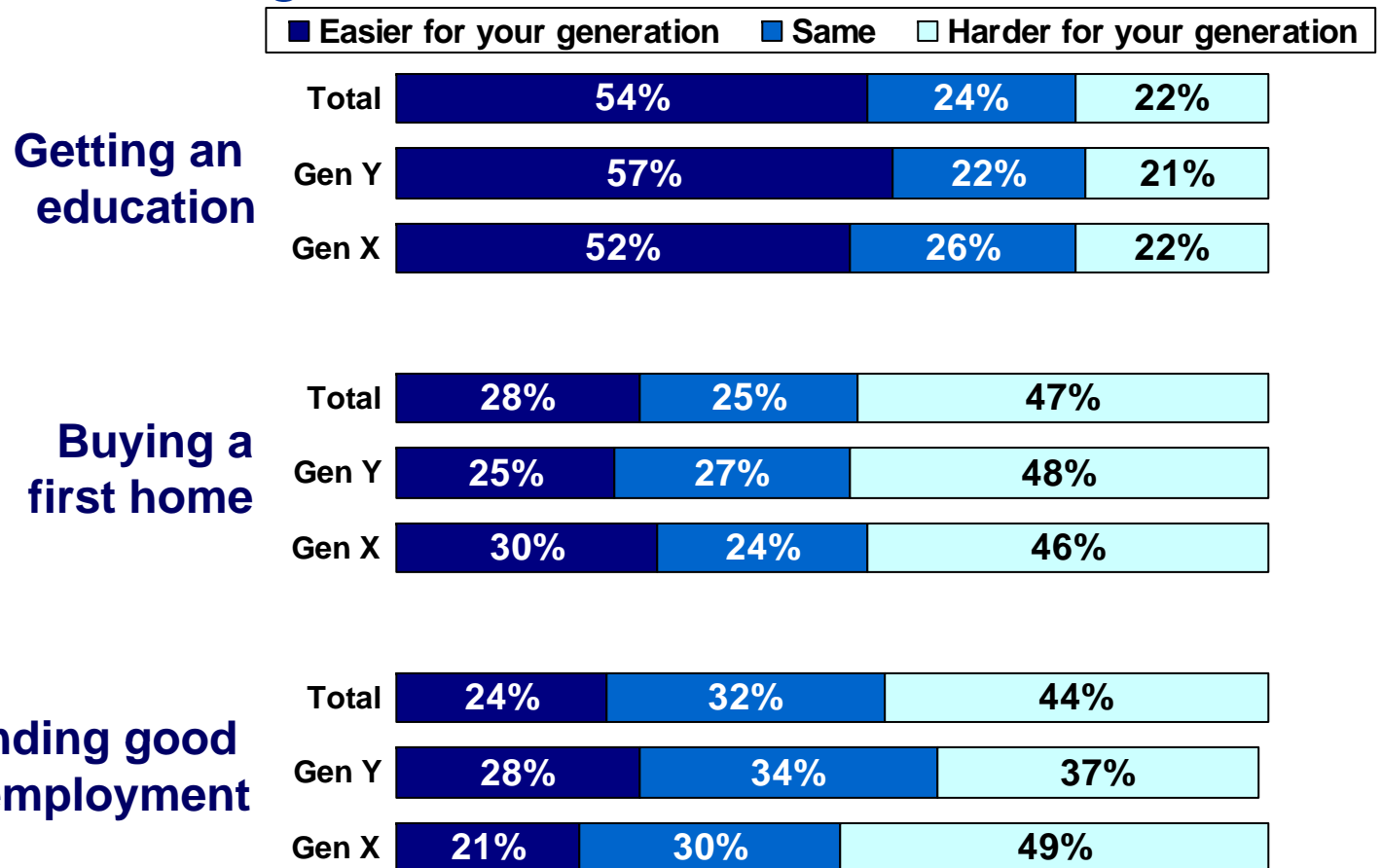
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A large share say “finding good employment” is harder for their generation.



Many believe simple financial goals are harder for their generation to reach.

- Getting an education is the only thing most feel has gotten easier.

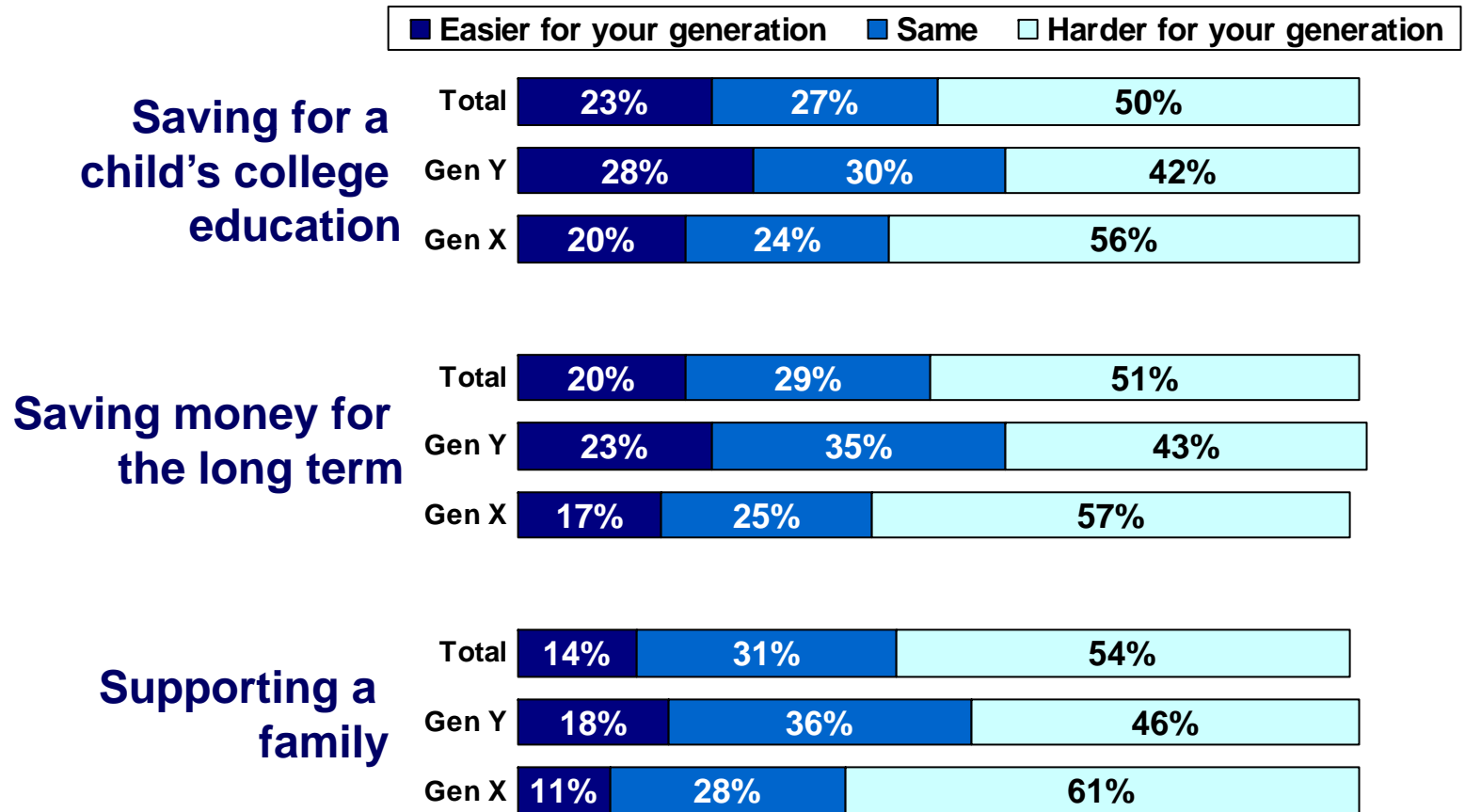


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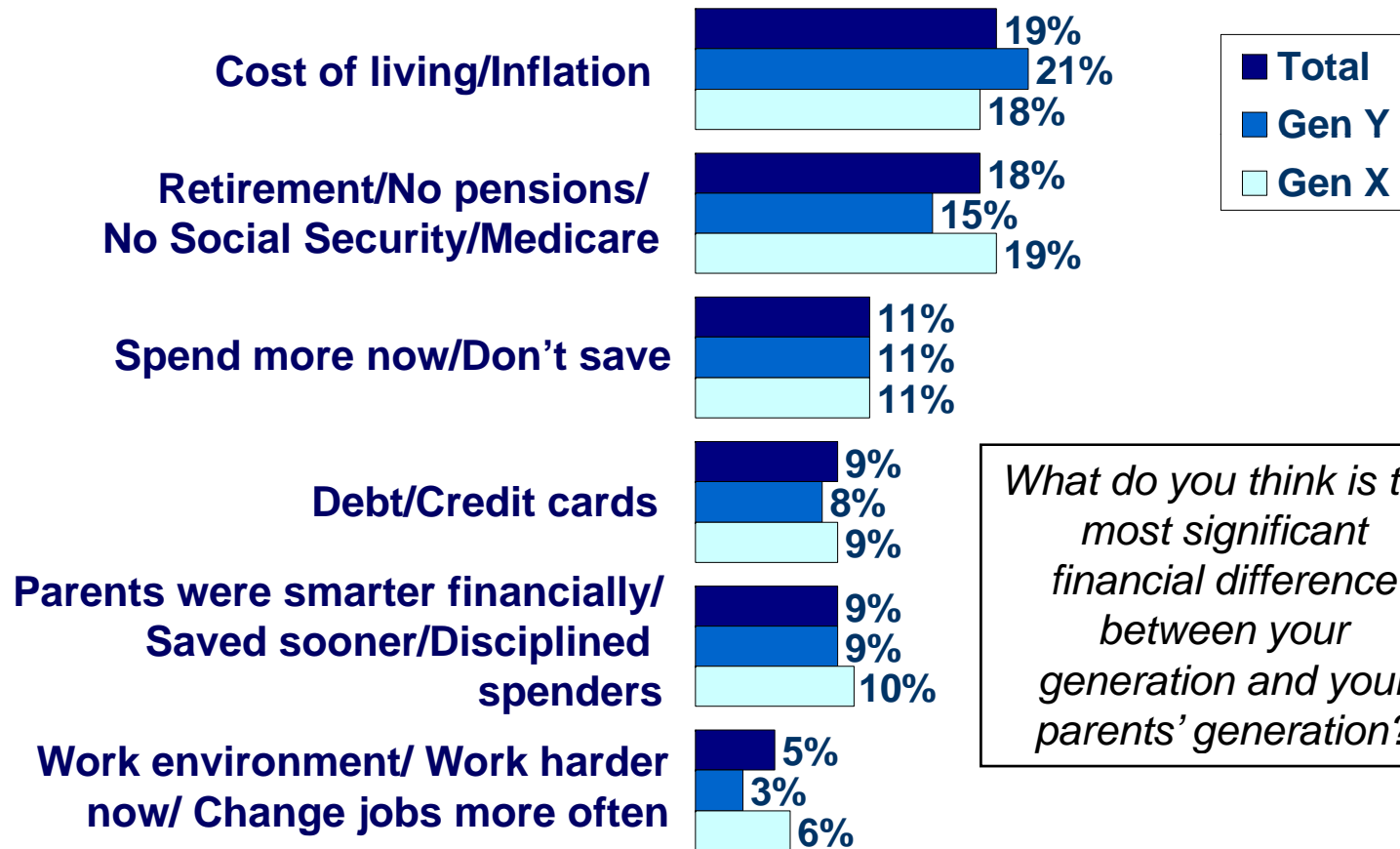
Over half say saving money and supporting a family is harder for them than their parents.

- Though getting an education may be easier, saving for one is seen as harder.



Cost of living and retirement-related issues are cited as key differences between the generations.

- Some also feel that their generation saves less and has more problems with debt.



What do you think is the most significant financial difference between your generation and your parents' generation?



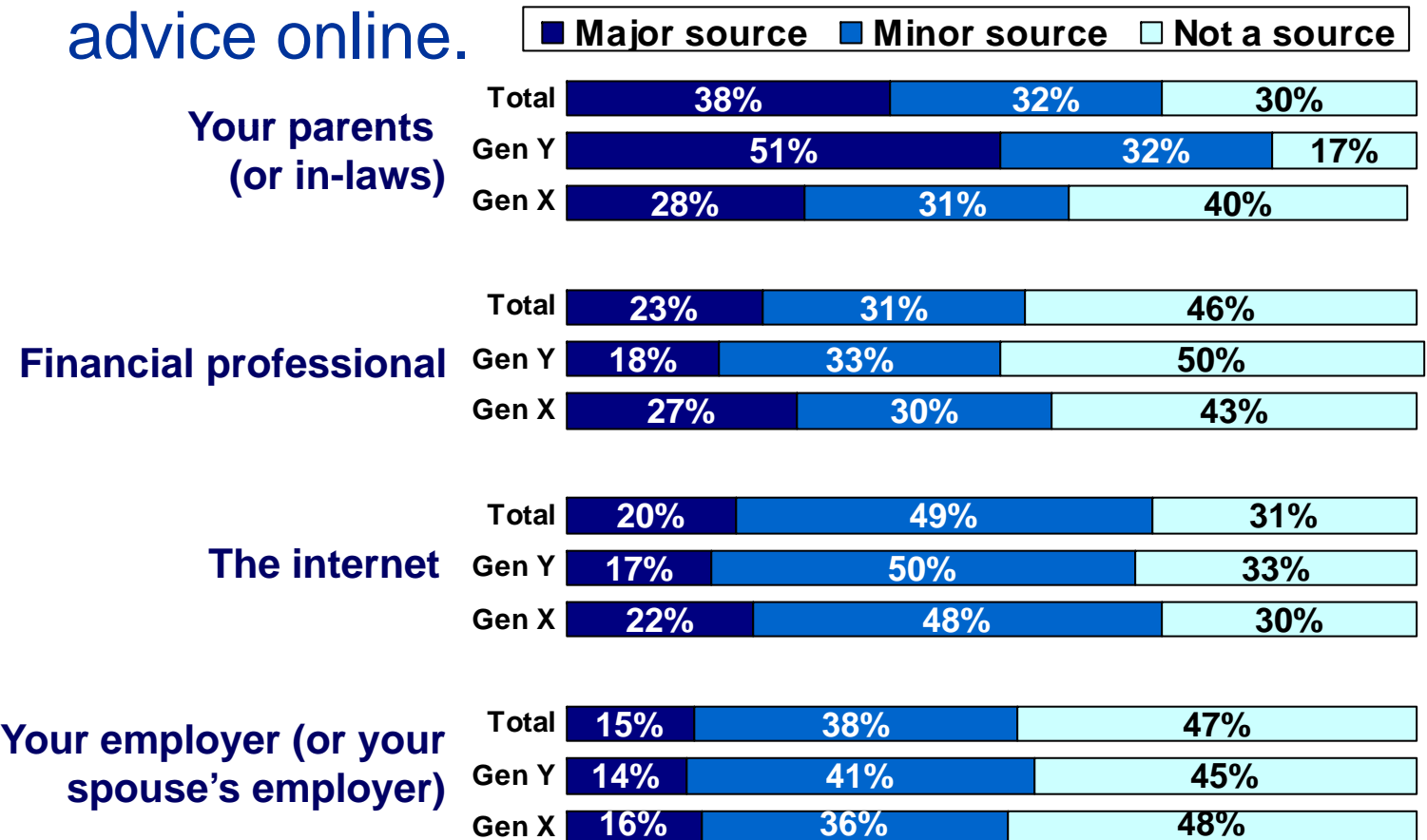
Sources of Advice and Financial Knowledge



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Despite generational differences, parents are the top source of financial advice.

- A quarter say financial professionals are a major source of advice. Just as many seek advice online.



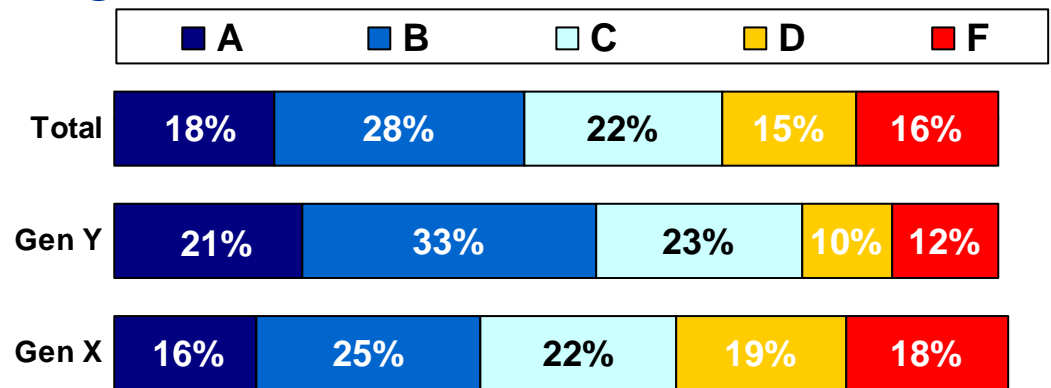
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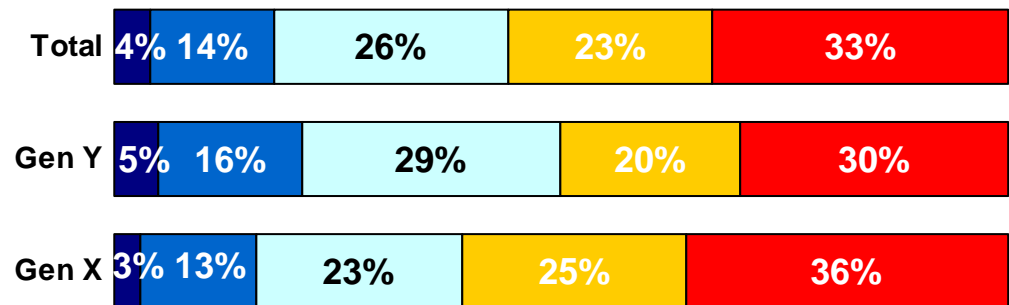
Most feel their parents have taught them well, while schools receive a failing grade.

- Nearly half grade their parents an A or B, while a similar share give their schools a D or F.

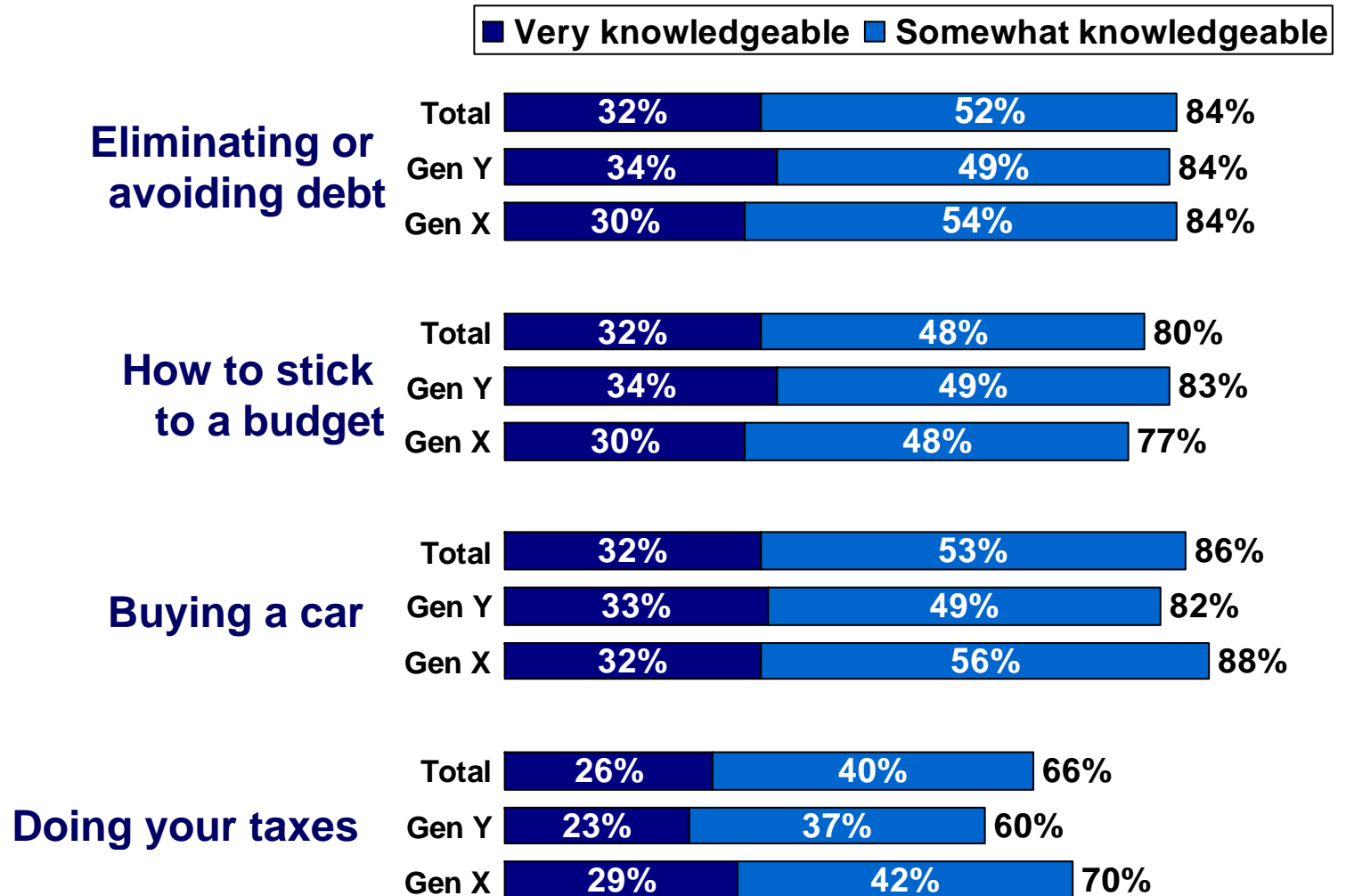
The job your parents did teaching you about saving and investing



The job your schools did teaching you about saving and investing



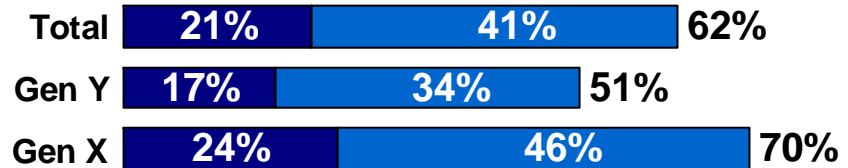
Most feel just “somewhat” knowledgeable about key financial tasks.



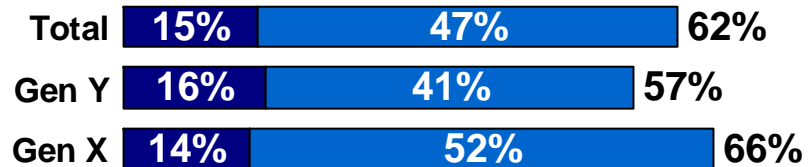
Far fewer feel they know how to save for retirement or invest their money.

■ Very knowledgeable ■ Somewhat knowledgeable

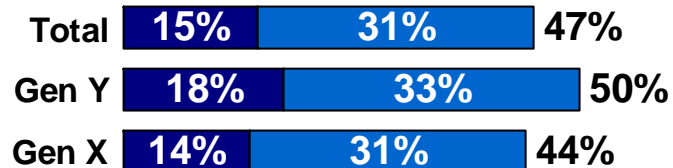
Buying a home



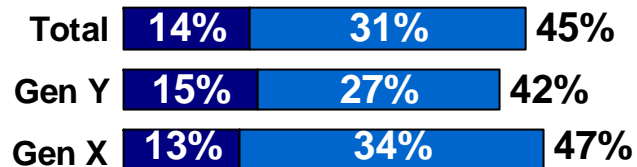
Saving for retirement



How to invest your money outside of the workplace



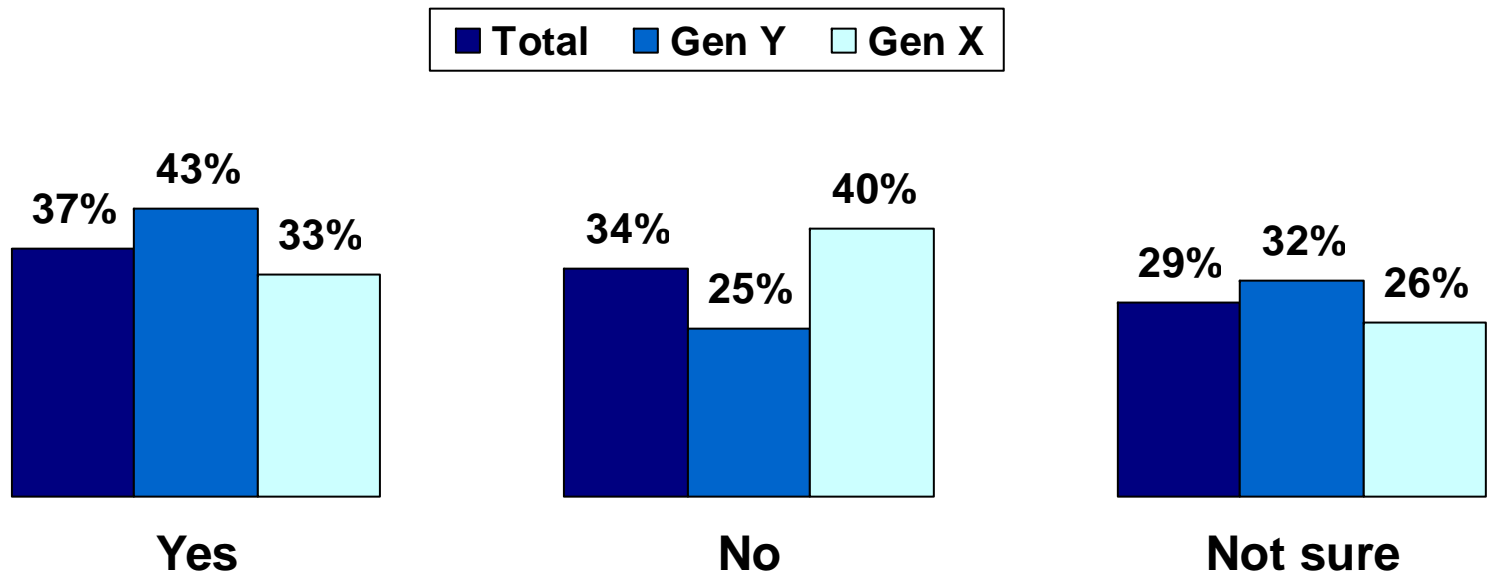
How the Social Security system works



Nearly four in ten expect they will have to help their retired parents financially.

- The younger Gen Yers are significantly more likely than Gen Xers to believe they will provide some support to their parents.

Do you expect to provide some sort of financial support to your parents during their retirement?



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Retirement and Retirement Income

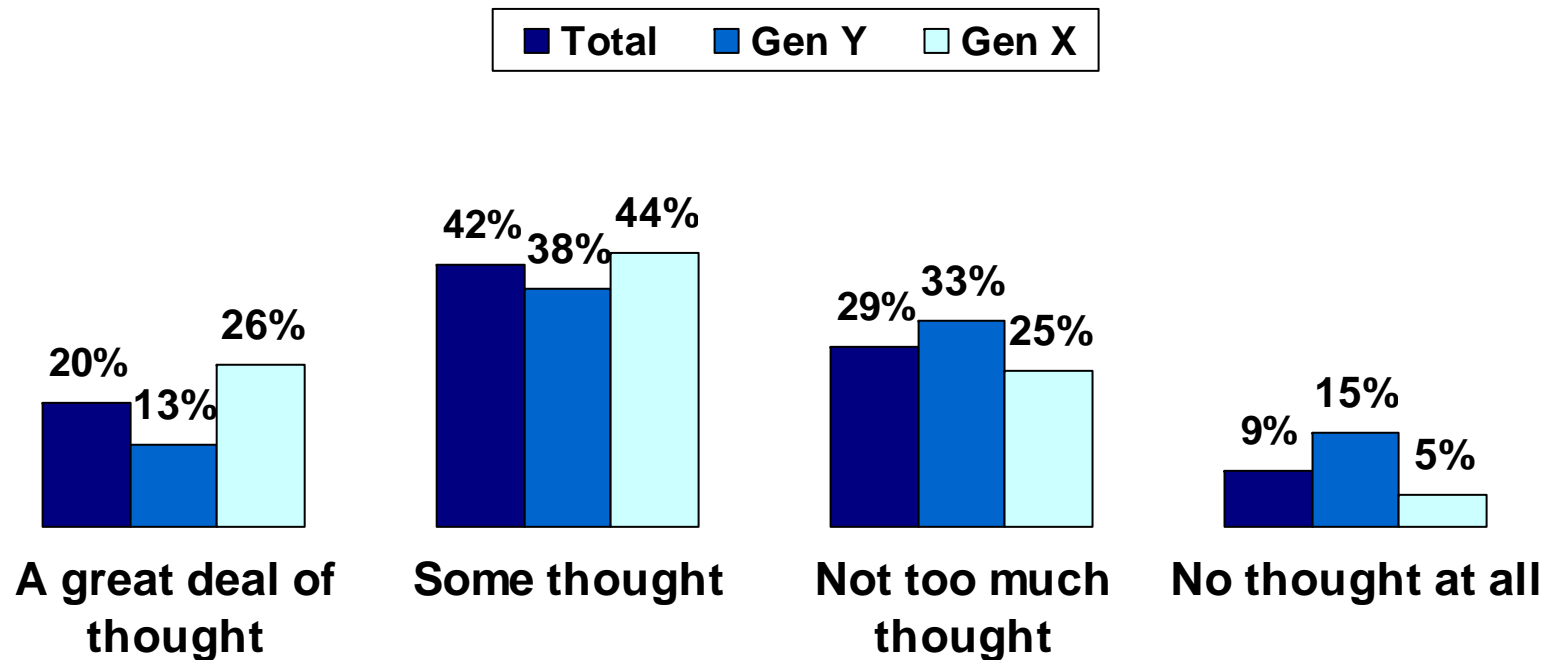


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Young people are already thinking about their own retirement.

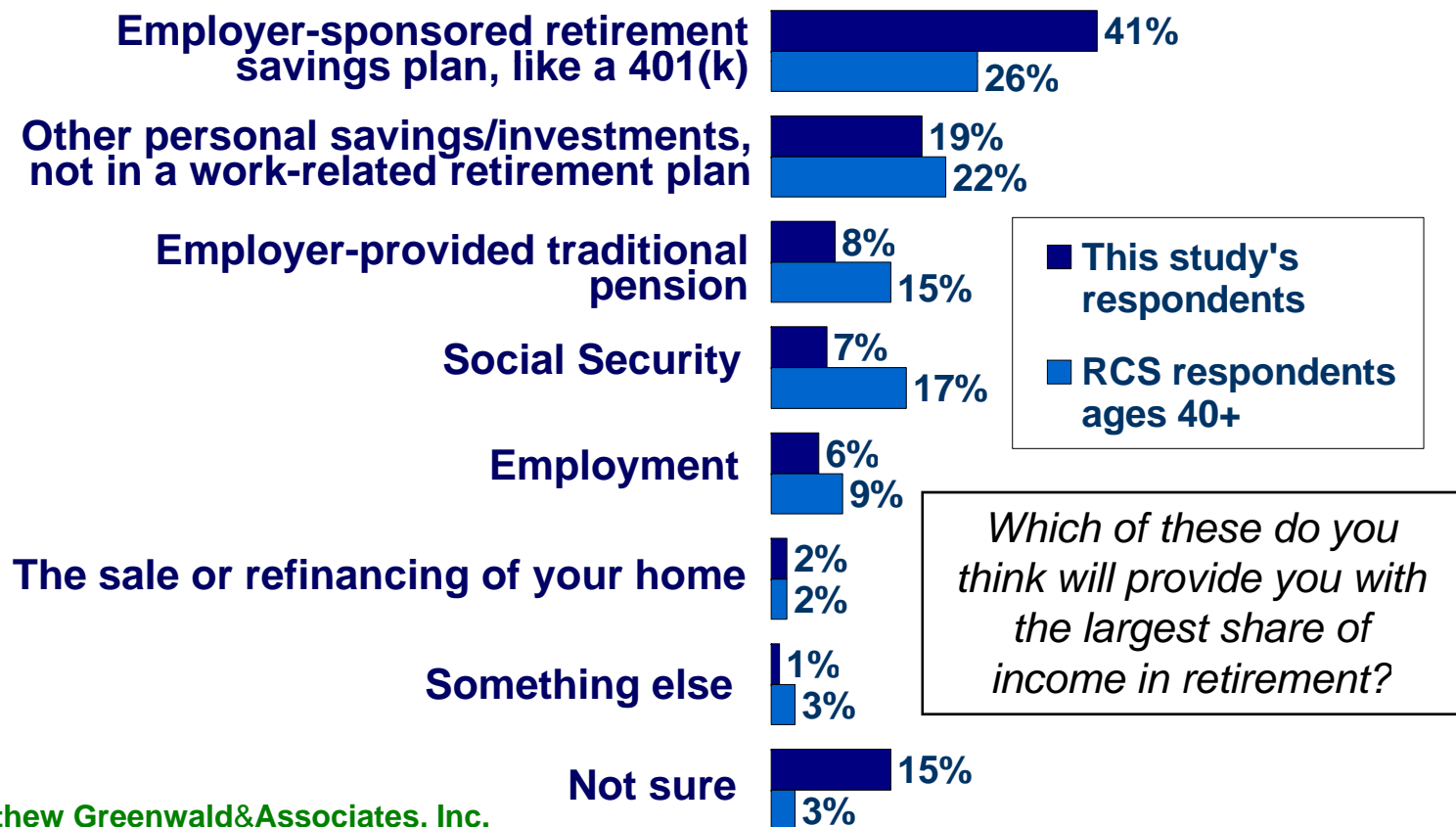
- Six in ten have thought about their retirement to some extent. Gen Xers have given it a bit more thought.

In general, how much thought have you given to your own retirement?



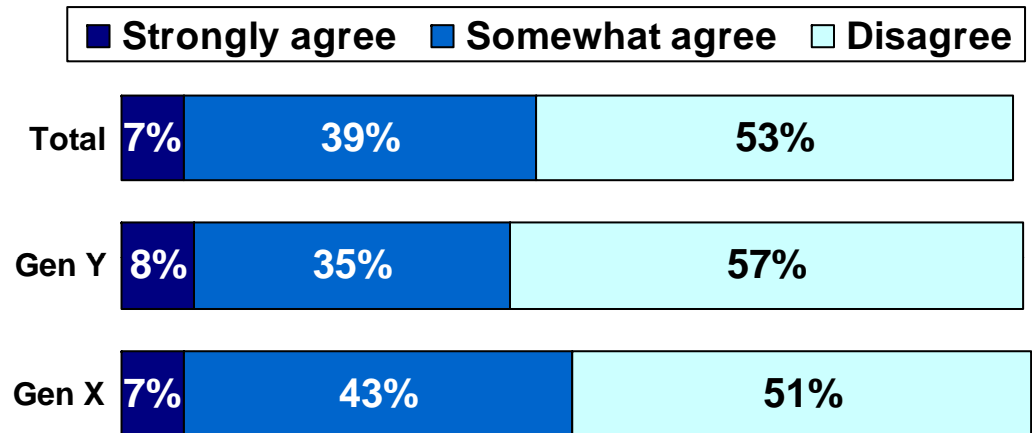
Young adults expect their retirement income will come from 401(k)s and personal savings.

- They are much less likely than those 40+ to say Social Security will be the largest source of their retirement income.

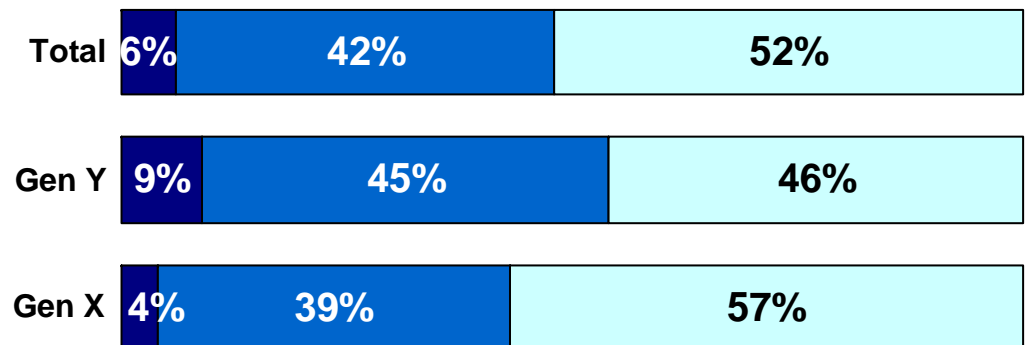


Half say people their age aren't loyal to their employers, but feel employers aren't loyal either.

People your age feel loyal to their employers



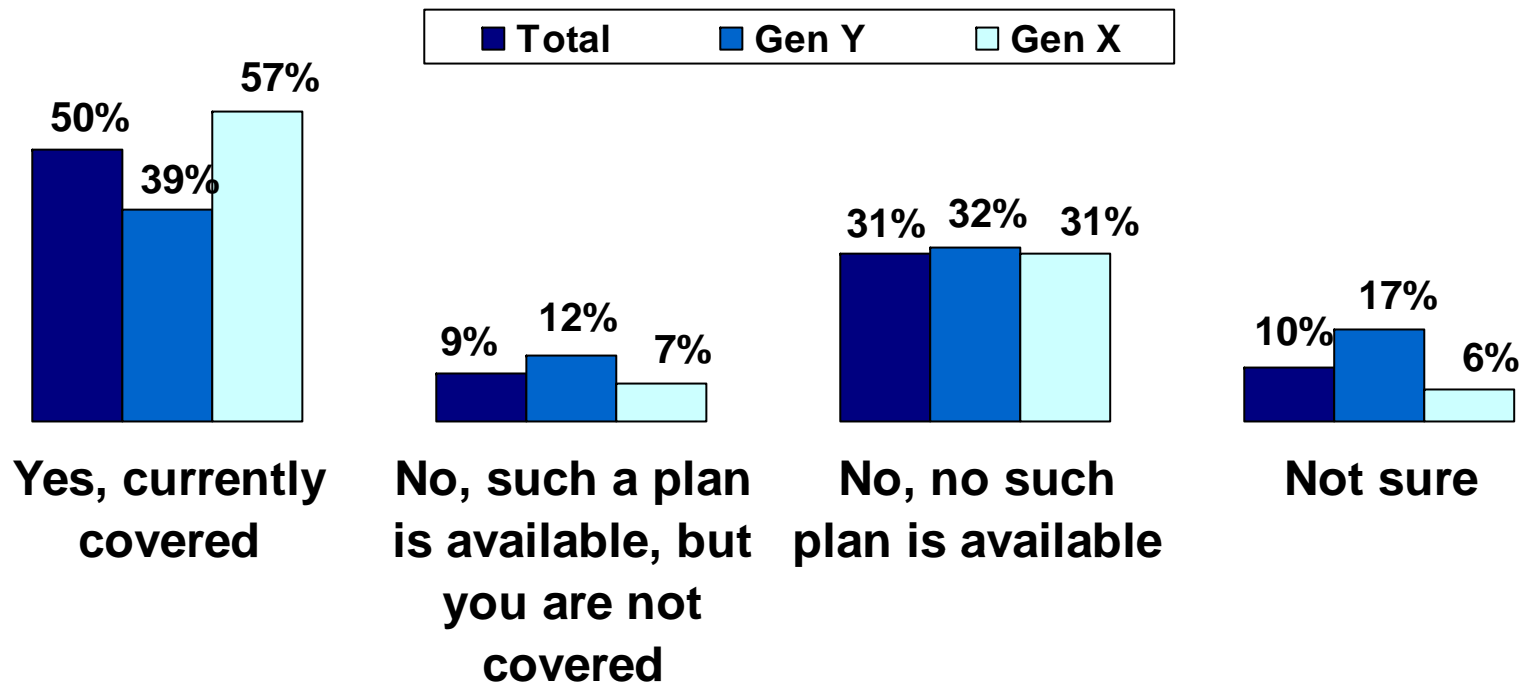
Employers generally have their employees' best interest at heart



Half of employed young adults say they have a 401(k)-type plan available to them at work.

- And 71% of those who have such a plan contribute to it.

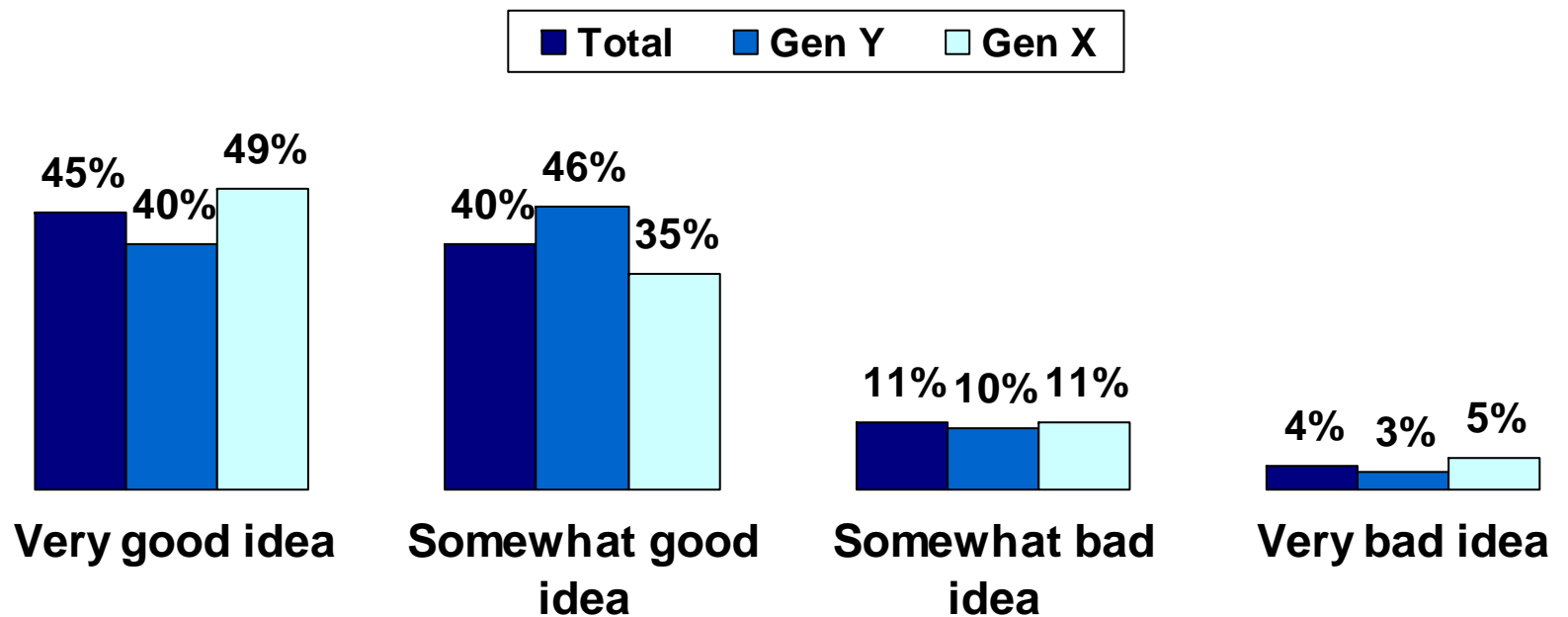
Are you eligible for your employer's defined contribution retirement savings plan, such as a 401(k) or 403(b)?



The vast majority of young adults support automatic enrollment in DC retirement plans.

- More than four out of five believe automatic enrollment is at least a somewhat good idea.

Generally, do you feel it is a good idea or a bad idea for employers to voluntarily enroll workers automatically in a retirement savings plan and set up automatic contributions from the worker's paycheck?



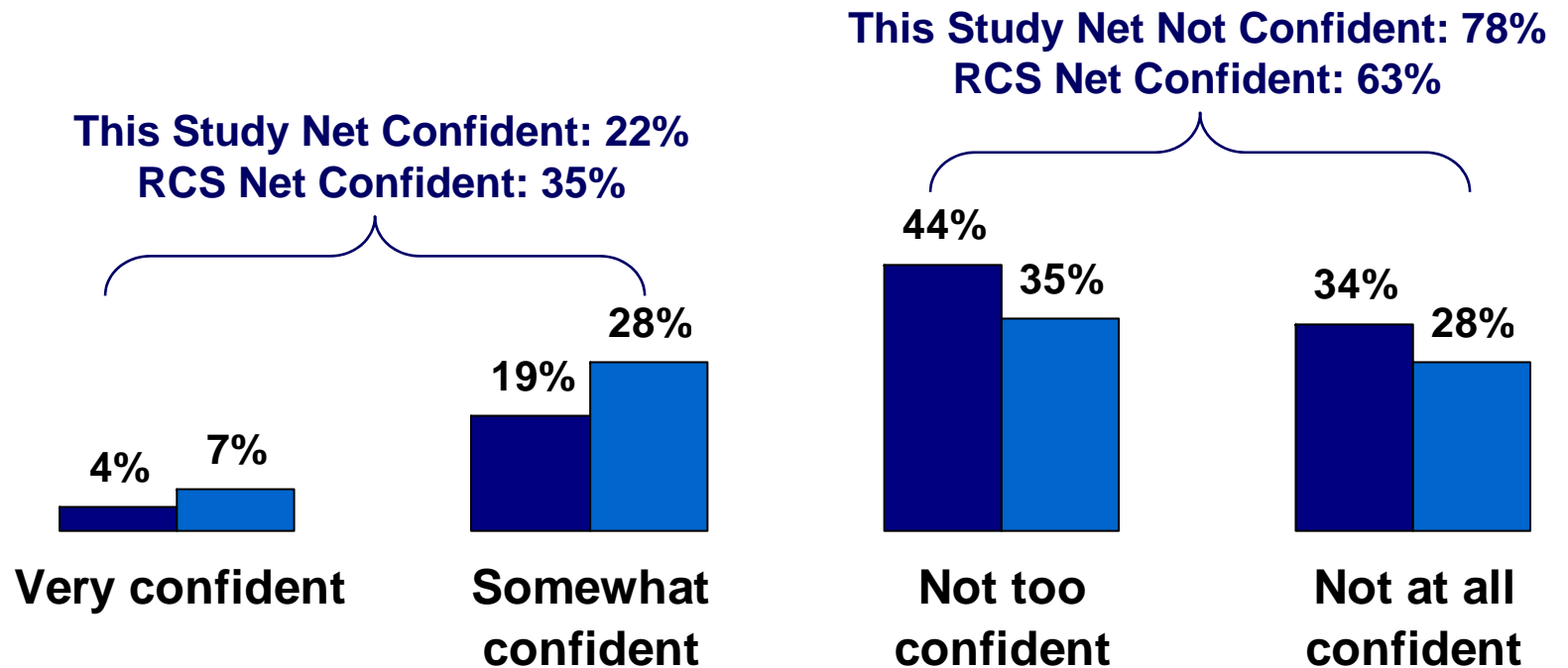
Young adults have little faith that Social Security will be there for them.

- Gen Xers and Yers are less confident than those 40+.

How confident are you that, when you retire, the Social Security system will provide you with benefits of at least equal value to the benefits received by retirees today?

■ This study's respondents

■ RCS respondents ages 40+



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Key Points

- Financial independence may be more of a state-of-mind than a concrete event.
- Many Gen Xers and Yers are trying to save, but they also know they are falling short.
- Young people see many financially aspects of life as harder for their generation.
- Debt is pervasive.
- Parents are a major source of financial advice.
- Although there is some distrust of employers, employer-provided savings plans are seen as critical.

QUESTIONS?

