

Statistics About the Financial Realities of Young Adults

In 1979, when the oldest Gen Xers were teenagers, the sole retirement plan for 62 percent of the workers was a traditional pension, according to Employee Benefit Research Institute (EBRI). By 2005, when most of the Gen Xers had joined the workforce, that number had flipped: 63 percent of employees found themselves covered only by voluntary 401(k) plans. So much for the corporate safety net.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

...Gen Xers' life expectancies, and thus their retirements, will likely exceed even the boomers'. They'll need to save more aggressively. Yet, burdened by high housing costs, stifling college debt, stagnating wages and outsize health insurance and gas prices, Gen Xers are saving too little for retirement, just as workplace benefits have shrunk.

According to the EBRI [Employee Benefit Research Institute], more than one in three workers ages 35 to 44 aren't setting aside any money for retirement. Among those ages 25 to 34, 45 percent aren't saving.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

The Center for Retirement Research at Boston College has calculated that 48 percent of Gen Xers are at risk of being unable to maintain their standard of living in retirement, says Andrew Eschtruth, the center's communication's director. Compared with the boomers, Eschtruth adds, the Gen Xers "always have the highest at-risk scores. The changing retirement landscape is gradually becoming more challenging."

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

"One of the biggest issues facing the Gen Xers," observes Pam Hess, director of retirement research at Hewitt Associates and a Gen Xer herself, "is lots of competing priorities, juggling lots of different costs and financial priorities. It will continue to be a struggle."

Consumer debt is one of the main reasons. Nine out of 10 consumers in their 30s are in debt, compared with 76 percent of those in their 20s, according to the Federal Reserve's Survey of Consumer Finances. In a recent Charles Schwab study of more than 2,000 Gen Xers nationwide, 45 percent of respondents said they had too much debt to think about saving.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

Gen Xers also are the first generation to graduate from college with significant student loan debt. About 20 percent of adults in their 30s are still paying college loans, according to the Federal Reserve study; the median balance exceeds \$13,000. Yet, even as Gen Xers continue to grapple with college debt, experts tell them they need to be putting aside money for retirement, as well as for college savings for their children.

"This generation is in the ironic position of paying for their own student loans and feeling the pressure to put away for their own kids for college," says Tamara Draut, a Gen Xer herself, a new mom and author of *Strapped: Why America's 20- and 30-Somethings Can't Get Ahead*.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

Gen Xers also face this harsh reality: The standard of living that most of them have so far managed to achieve falls short of their own parents' standard at the same age. The median income for men now in their 30s, when adjusted for inflation,

Statistics About the Financial Realities of Young Adults

is 12 percent lower than what their dads earned three decades earlier, a report by the Economic Mobility Project, an initiative of The Pew Charitable Trusts, concluded.

Why did income decline just as Gen Xers began their careers? A key reason is that pay had risen so steadily while many of them were children—thanks to women entering the workforce in greater numbers—that pressure for wage growth had declined by the time the Gen Xers began working.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

Gen Xers also had the unfortunate timing of becoming adults in a period when the share of income that Americans spend on what most people see as essential needs, such as a home, health insurance and cars, has soared. Elizabeth Warren, a Harvard law professor and expert on middle-class finances, has concluded that the soaring inflation-adjusted price of such necessities has negated the extra spending power that female workers provided.

Relying on government figures, Warren found that health insurance soared 74 percent, in inflation-adjusted dollars, since 1970 and that the mortgage payment that a median-income family is paying for a three-bedroom, one-bath house jumped 76 percent.

On an inflation-adjusted basis, the average cost of owning a car has declined from a generation ago. But auto-related expenses jumped 52 percent because the typical family now owns at least two vehicles.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

If you look at Gen X-related research conducted by Charles Schwab, it's easy to appreciate why making the act of investing as simple as possible is necessary.

Robert O'Neill, a senior vice president at Charles Schwab who oversees the firm's Gen X initiative, said Schwab found that Gen Xers often don't understand investment basics. Many, for instance, don't realize that an investor can contribute to both a 401(k) plan and an IRA. This might help explain why 82 percent of Gen Xers have no IRA, according to a Schwab survey.

Schwab also found that many Gen Xers are more comfortable initially investing beyond their workplace retirement plan through checking and savings accounts. Consequently, Schwab launched a high-yield checking account aimed at Gen Xers, and a website (www.schwabmoneyandmore.com) tailored for them.

For now, most Gen Xers, according to Schwab, are receiving their investment advice from the very people who used to nag them to clean their room and take out the garbage: their parents.

Lynn O'Shaughnessy, *USA TODAY*, May 19, 2008

Some Gen Xers say they hold fewer illusions than previous generations did about the stability of whatever job they hold—or might hold in the future.

Some specialists suggest that Gen Xers, faced with escalating financial obligations and shakier job situations, have developed a wary, skeptical stance toward the corporate world.

"They want to make the most of their opportunities," says Rebecca Schreiber, a financial planner in Silver Spring, Md., who specializes in counseling Gen X clients. "They've got the dot-com boom and Enron behind them, which makes them skeptical about relying on any corporation entities."

Statistics About the Financial Realities of Young Adults

“The previous generation is panicked about retirement, and this fear has wormed its way into the hearts of Gen X,” she says. “Gen Xers are constantly reminded of the mounting cost to retire.”

Lynn O’Shaughnessy, *USA TODAY*, May 19, 2008

When it comes to their finances, today’s twentysomethings are hardly carefree. But most haven’t turned that concern into positive action.

- 60 percent feel they face more financial pressure than past generations.
- 30 percent worry frequently about their debts.
- 55 percent don’t have an IRA or a 401(k) account.

Jean Chatzky, *Money*, September 2007

At least 1 in every 3 new households created during the 1990s was a single person. As a result [single persons account for] 26 percent of U.S. households—more than 1 in every 4—up from less than 10 percent in 1950.

Peter Francese, *American Demographics*, Nov. 1, 2003

During the 1990s the number of people who live alone increased by 4.6 million to 27 million households—a 21 percent increase. While the number of married couples with children edged up 1.3 million to 24.8 million—a 6 percent increase. Considering the magnitude of the group and high growth rate, single-person households deserve more respect and attention.

Peter Francese, *American Demographics*, Nov. 1, 2003

At first glance it doesn’t look like one-person households have much money to spend. But they often have more than other households on a per person basis. The average annual income of a single-person household is \$31,700, which is about \$1,400 more than the average income of two-person households divided by two.

Peter Francese, *American Demographics*, Nov. 1, 2003

We need to...Care for vulnerable populations and subcultures by being relevant and ready to work “with” them and offer them benefits. The payback is that adopters in those segments of the population (the “delighted” customers among them) will become the social marketing department within their own ranks.

Francois Lagarde, et al., *Innovations in Social Marketing Conference*, Fall 2007

The target marketing of goods and services using demographic data has assumed a relatively static set of household types. But the rapid increase in the number of more affluent and mobile single-person households suggests that we may have to

Statistics About the Financial Realities of Young Adults

rethink household typologies. The rise in the number of people who live alone suggests that income and lifestyle may become as important as predictors of consumer spending as household size.

Peter Francese, *American Demographics*, Nov. 1, 2003

The average college graduate has tens of thousands in student loan debt. Paychecks are not a match for the college debt even as rents are spiraling in metro areas.

Marriage, child and homeownership costs create debt much higher than baby boomers had at the same age. This generation is unable to build a cushion if a car breaks down or a new suit is needed for an interview—so they buy on credit.

Tamara Draut, *Business Week Online*, Feb. 27, 2006

Parents are taking out mortgages to help pay for our college. They're supporting us longer than their parents had to support them. Scaling back on their retirement for us. But a lot of baby boomer parents need to understand that the landscape has changed since they were young adults. It's harder for us to find good quality jobs and buy our first homes.

Tamara Draut, *Business Week Online*, Feb. 27, 2006

Young adults ages 25 to 34 are between 4 percent and 10 percent more likely to research and purchase their financial products online than overall online users.

Wall Street & Technology Online, July 2006

While some 56 percent of taxpayers are contributing to a company-sponsored retirement plan, just 28 percent of young taxpayers say they're doing so. A mere 4 percent of adults ages 18 to 24 are contributing the maximum allowed (compared to 14 percent of taxpayers overall), and barely one in six is putting in enough to get the company match.

Dennis Murray, *Medical Economics*, April 6, 2007

In a little-noticed but steadily growing trend, the American extended family is making a comeback. According to the most recent Census, the number of households with three generations under one roof has doubled in the past 20 years, while the number of young adults moving back home is up 6 percent.

June Fletcher, *Wall Street Journal*, Dec. 20, 2002

Demographic factors are feeding the "new togetherness."...In tougher times, boomers are helping out aging parents...Almost 15 percent of people now work from home at least part-time. That gives people more choice where they live, says Kenneth Johnson, Sociologist at Loyola University-Chicago.

June Fletcher, *Wall Street Journal*, Dec. 20, 2002

Statistics About the Financial Realities of Young Adults

Taking on new responsibilities of worker, spouse, or parent can be challenging. Negotiating this transition successfully has positive consequences. The conditions and characteristics that put people on a positive trajectory early in life can help them negotiate later transitions...Transition periods also can function as turning points, providing opportunities for change from negative to more positive development pathways in subsequent developmental periods. Helping...young adults negotiate transitions successfully is a fundamental societal task.

Peter L. Benson et al., Report to the Bill & Melinda Gates Foundation,
Dec. 10, 2004

An emerging line of theory and research also suggests that successful development during adolescence and the transition into adulthood includes the arena of thriving. Thriving can be understood as the active process by which individuals shape and engage with their developmental contexts in order to develop competencies, skills, and behavioral repertoires that are simultaneously beneficial to self and to society.

Peter L. Benson et al., Report to the Bill & Melinda Gates Foundation,
Dec. 10, 2004

Ultimately, healthy adults have an array of skills for negotiating their environment successfully. Arnett (2000) noted that rather than gauging by status markers such as marriage or parenthood, people generally say being an adult is more about taking responsibility for oneself and making independent decisions. Successful emerging adults increasingly can take care of themselves, make decisions independent of their parents (including decisions about residence, finance, romance, and parenting), coordinate multiple life roles, and adapt flexibly and with reasonable emotional self-control to life's opportunities and challenges...They show evidence of increasing financial responsibility, which includes not squandering or wasting money needed to make ends meet, paying bills, and saving.

Peter L. Benson et al., Report to the Bill & Melinda Gates Foundation,
Dec. 10, 2004

Financial responsibility is a final measure of life skills important for successful adult functioning. These skills include being able to manage finances, to make essential purchases (e.g., food, clothes, health insurance), pay bills, and assure safe and healthy living conditions (e.g., having a place to stay, being able to pay for heat) (Arnett, 2000; Cohen, Kasen, et al., 2003). SDRG has created a measure of financial responsibility by asking young adults questions about the occurrence of "spending sprees" that caused financial trouble or a period of "foolish decisions about money" and about squandering or wasting money that was "needed to make ends meet" (Kosterman, Hawkins, et al., in press; Oesterle, Hill, et al. Unpublished).

Peter L. Benson et al., Report to the Bill & Melinda Gates Foundation,
Dec. 10, 2004

Statistics About the Financial Realities of Young Adults

Endnotes

Benson, P.L.; Scales, P.C.; Hawkins, J.D.; Oesterle, S.; Hill, K.G. (2004, Dec. 10). Successful Young Adult Development. Report submitted to: The Bill & Melinda Gates Foundation.

Chatzky, J. (2007, Aug. 28). A Gift That Will Help Your Kids Grow Rich. *Money*, 36(9), 32–34. Retrieved from http://money.cnn.com/2007/08/23/pf/money_life_september/index.htm

Draut, T. (2006, Feb. 27). The Debt-for-Diploma Crunch: The author of *Strapped* (Tamara Draut) says “today’s young people emerge from college deep in hock, so it’s harder for them to achieve the American dream.” *Business Week Online*. Retrieved from http://www.businessweek.com/investor/content/feb2006/pi20060224_185263.htm

Fletcher, J. (2002, Dec. 20). Family: Your New Neighbor: Mom. *Wall Street Journal*, Eastern edition, W-1.

Francese, P. (2003, Nov. 1). Well Enough Alone. *American Demographics*, Media Central., Inc.

Lagarde, F.; Loenberg, L.D.; Albion, M.; Hastings, G. (2007, Fall). It’s all about the customer...and the context. Synthesis of a panel discussion at the 2007 Innovations in Social Marketing Conference. *SMQ: Social Marketing Quarterly*, III(XIII), 51–57.

Murray D. (2007, April 6). Retirement: Young savers are starting very slowly. *Medical Economics*, 22.

O’Shaughnessy, L. (2008, May 19). Debt-squeezed Gen X saves little. *USA TODAY*. Retrieved from http://www.usatoday.com/money/perfi/retirement/2008-05-19-generation-x-retirement_N.htm?POE=click-refer

WS&T Staff (2006, July 13). The Online Generation: Harris Interactive Poll Results. *Wall Street & Technology Online*. Retrieved from <http://www.wallstreetandtech.com/electronic-trading/showArticle.jhtml;jsessionid=QMX5QW5UV5BIQQSNDLPSKH0CJUNN2JVN?articleID=189400590&requestid=314639>