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

March 2008

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Preparing for Their Future

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

March 2008

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American Savings Education Council (ASEC), is a program of the Employee Benefit Research Institute (EBRI) Education and Research Fund, a 501 (c) (3) non-profit organization (www.ebri.org and www.choosetosave.org). The ASEC mission: To make saving and retirement planning a priority for all americans. ASEC is a convenor and connector that brings together public- and private-sector partners to share information on best practices and to collaborate on financial security initiatives. For more information visit www.choosetosave.org/asec

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AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We produce AARP The Magazine, published bimonthly; AARP Bulletin, our monthly newspaper; AARP Segunda Juventud, our bimonthly magazine in Spanish and English; NRTA Live & Learn, our quarterly newsletter for 50+ educators; and our website, <http://www.aarp.org>. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Mathew Greenwald & Associates of Washington, D.C. conducted the survey on behalf of the American Savings Education Council (ASEC) and Divided We Fail. Subject matter expertise was provided by Divided We Fail and the Employee Benefits Research Institute. All media inquiries about this report should be direct to EBRI's John MacDonald at (202) 775-6349 or AARP's Jim Dau or Alejandra Owens at (202) 434-2560. All other inquiries should be directed to AARP's Colette Thayer at (202) 434-6294.

Divided We Fail

Divided We Fail, launched nationally in January 2007, has worked to engage the American people, elected officials and the business community to find broad-based, bi-partisan solutions to the most compelling domestic issues facing the nation: health care and the long-term financial security of Americans. AARP, Business Roundtable, Service Employees Union (SEIU), and National Federation of Independent Business (NFIB) are engaging the American people, businesses, non-profit organizations, and elected officials in finding bi-partisan solutions to ensure affordable, quality health care and long-term financial security – for all of us. More information about Divided We Fail efforts can be found at www.dividedwefail.org.

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Executive Summary

There is no doubt that in today's political, social and economic climate, young Americans are faced with new challenges. Among the key issues are earlier access to credit, rising costs of higher education, upward inflationary pressures, raising health care costs, increasing life expectancies, movement away from defined benefit to defined contribution retirement plans, and rapidly changing technology. These twenty- and thirty-somethings, encompassing both Generation X and Generation Y, are employing a myriad of new approaches to their professional, financial, and family lives that will inevitably have far-reaching consequences for how they manage their finances and prepare for their long-term financial security.

In recognition of these issues, American Savings Education Council (ASEC) and AARP (on behalf of Divided We Fail) commissioned Mathew Greenwald & Associates to conduct a survey with members of these younger generations to profile and better understand their current and future financial state. This base line understanding can be instrumental in helping these generations attain greater financial security as they age.

One striking finding of this research is that many young adults have yet to align their actions with their financial values and goals. These young adults feel that they should be saving more, both in general and specifically for retirement. For example, they place high importance on workplace benefits, especially health insurance and retirement savings plans. Overwhelmingly, however, the majority believe they are not currently saving as much as they should. People in these younger generations tend to feel that assuming adult responsibilities, like purchasing a home and supporting a family, is more difficult for them than it was for prior generations. Nevertheless, there is a strong positive outlook, with a tendency to believe, especially among the younger Generation Y, that they will eventually achieve financial security. Their optimism is not unfounded: The data suggest that likelihood of saving for retirement increases with age and financial literacy improves with experience. Clearly, these young people recognize what they should be doing; the challenge ahead of them is putting these values into action.

Following are key findings.

The young adults who participated in this study represent two of America's younger generations.

This study surveyed 1,752 individuals ages 19 to 39 years old. The line between the older Generation X (Gen X) and the younger Generation Y (Gen Y) was drawn at 1980: Gen X is defined to include those born between 1968 and 1979 and Gen Y includes those born between 1980 and 1988.

Virtually all young adults believe that they are “hard-working” (96% say this describes them at least somewhat well) and “family-oriented” (91%). Given the topics addressed in this study, it is important to note that more than four out of five young Americans also describe themselves as “optimistic” (85%).

Financial independence appears to be more a state of mind, than a strict financial assessment of one's self-sufficiency.

Just shy of three out of five respondents describe themselves as “financially independent” (57%). Interestingly, those in the younger Gen Y (62% of those ages 19 to 27) are significantly more likely than those in the older Gen X cohort (54% of those ages 28 to 39) to feel financially independent. In seeming contradiction to that, however, Gen Yers (45%) are significantly more likely than Gen Xers (25%) to say that they have received financial support from family or friends in the past year or financial assistance from government programs (23% of Gen Yers, 14% of Gen Xers). The disconnect between considering oneself independent and receiving outside financial support appears to be evidence that, at different stages of life, being financially independent has different definitions.

Among those who consider themselves financially independent, the largest share of young adults seem to agree that the start of their financial independence occurred either at the time of college graduation or when they got their first job (34%). Another one-quarter indicate that the milestone was their high school graduation (23%).

Fewer than one in ten are highly satisfied with their current financial situations; even fewer feel they are financially secure.

Overall, half of younger adult Americans say they are at least somewhat satisfied with their current financial situations (53%); however, this includes only 9% who describe themselves as very satisfied. Perhaps at the root of the issue, the majority state that

they struggle to make ends meet (59% agree). Young people's perceived struggles are clearly impacting their overall feelings of financial security. Similar to satisfaction with their current circumstances, only 7% feel very secure. When those who feel somewhat secure are added to this figure, that proportion rises to just under half (49%).

While only half of today's Gen Yers and Gen Xers are managing to save money on a regular basis, the vast majority admit there's room for improvement.

In each generation, half of respondents report that they currently save money on a regular basis, not including employer-sponsored retirement plans (50% of total, 52% of Gen Yers and 48% of Gen Xers). Still, a far larger share somewhat or strongly agree they should be more prepared for a "rainy day" (86%). In fact, half strongly agree with this (50%). Perhaps this explains why these young adults grade themselves poorly on their savings and investment habits. Four in ten give themselves a failing or nearly failing grade of D or F when describing how well they are saving (42%); three in ten give themselves an A or B (31%). Even more give themselves a poor grade when it comes to how well they are investing their money (47% grade themselves a D or F).

Young people are clearly facing challenges with regard to debt.

More than eight in ten younger Americans report having some type of non-mortgage debt (83%). Specifically, nearly two-thirds say they have credit card debt (63%), about half have a car loan (48%), 31% have student loans, 27% have medical debt, and 22% say they have some other type of non-mortgage debt. Additionally, just over one-third report that they have a mortgage (35%) and one in ten say they have a home equity loan (11%).

Still, roughly two-thirds of those with any kind of debt (63%) and a similar share of those with non-mortgage debt only (62%) describe their debt obligations as either a minor problem or not a problem at all. This leaves just one-third of debtors overall who believe their debt is a major problem (35%); Gen Xers with debt (38%) are more likely than the younger Gen Yers (30%) to feel their debt is a major problem.

Whatever their current financial circumstances, young Americans are looking ahead and maintain a positive outlook for their financial futures.

Nine out of ten young adults at least somewhat agree that they have financial goals for themselves (91%), including just over half who strongly agree (52%). Asked to identify

goals from a list of potential objectives, advancing one's career and earning more money rise to the top, with three-fourths of young adults reporting this as a goal (76%). Following very closely behind on the list of life priorities are putting money away for retirement (75%), minimizing stress (74%), and paying off debt (73%).

In keeping with their overall optimism, more than four out of five young adults who identified goals for the future feel at least somewhat confident that they can achieve their most important goals within the next ten years (92%). In fact, most young people believe that they are already on track or even ahead of schedule when it comes to their family life (70%) and housing situations (58%). Likewise, more than half feel that they are on track or ahead with regards to their career (54%) and education (52%).

Additionally, half of those surveyed are optimistic that by the time they are their parents' age, they will have accumulated more money than their parents (54%); just two in ten feel they will accumulate less (19%). Interestingly, African-Americans (68%) and Hispanics (66%) are especially apt to say they think they will accumulate more money than their parents (compared to 47% of non-Hispanic Whites and 52% of Asians and Pacific Islanders).

At the same time, many see the world as a tougher place than it was for their parents' generation, and feel they are lagging behind as a result.

With one distinct exception, about half of young adults believe that it is harder for people in their generation than it was for people in their parents' generation (many of whom are likely to be boomers or in the Silent Generation) to support a family (54%), save for the long-term (51%), save for a child's college education (50%), and buy a first home (47%). More than four in ten think that it is harder for those in their generation to "find good employment" (44%). The one exception is views toward getting an education; more than half feel that it is easier for people their age to "get an education" than it was for their parents' generation (54%).

These young people's perception that certain financial responsibilities are harder for them than it was for prior generations are, to some extent, real concerns. Today's young adults face new pressures, including increasing education and health care costs, as well as a volatile housing market. A February 2008 article in *The Washington Post* states that the "median family income in the United States has decreased about \$1,000 since peaking in 2000. The income decline came after more than a quarter-century of

slow growth. Between 1973 and 2000, incomes increased at just a third the rate of worker productivity, a sharp break from the previous generation when family incomes and productivity both doubled.” Such social trends may contribute to Gen Yers’ and Gen Xers’ impression that assuming adult financial responsibilities has become more difficult.

In keeping with this more skeptical view of the world, two-thirds of young Americans feel they are behind schedule in having general savings or in saving for an emergency (67%) and nearly as many say their retirement savings are behind schedule (61%). More than four in ten suggest they are behind when it comes to their debt level (46%).

Young adults most often identify the cost of living and the changing manner in which retirement benefits are provided by employers and the government as the largest financial difference between their generation and their parents’ generation.

In an open-ended question, young adults were asked “what do you think is the most significant financial difference between your generation and your parents’ generation?” Topping the list of perceived differences between the generations is the cost of living, with two in ten young people (19%) saying it is the most significant differentiator. Just as many (18%) state that the biggest difference relates to retirement, including fewer pensions and less reliance on government entitlement programs. Comments regarding retirement are slightly more common among Gen Xers (19% compared to 15% of Gen Yers). Those with higher education (28% of those with a college degree or more) are also more likely to cite this as the greatest difference between the generations (14% of those with less than a college degree).

Although many remark that their parents’ generation saved more and spent less, roughly two out of five young Americans (37%) expect they will provide financial support to their parents during their retirement. Perhaps evidence of cultural differences, African-American respondents (55%) and Asian and Pacific Islander respondents (55%) are more apt than their White counterparts (30%) to say they expect to provide financial support to their retired parents.

Young people are divided in their view of employers. Yet, young adults place a high value on having workplace benefits.

About half of young adults agree (48%) and about half disagree (52%) with the statement, “employers generally have their employees’ best interest at heart.” Members of these younger generations are also split on the extent to which they feel their respective generation is committed to employers. Overall, just under half (47%) agree that “people your age feel loyal to employers,” while the remainder disagree (53%).

Young Americans seem to appreciate workplace benefits and opportunities to save. When it comes to the importance of certain workplace benefits, the leading priority for young adults is health insurance, with 94% saying it is important for their employer to offer it, and 64% indicating it is their top priority among the five benefits evaluated in the survey. Nearly as many report that having a retirement plan, as well as company matches or company contributions to that plan, are important (88% and 89%, respectively). Although few identify them as a top priority, many appreciate wellness programs and retirement planning education in the workplace, as more than three-fourths rate them as important (78% and 77%, respectively).

Defined contribution retirement savings plans far outnumber defined benefits plans.

Young adults who are employed are twice as likely to be eligible for their employer’s defined contribution retirement savings plan, such as a 401(k) or 403(b) (50%), compared to being covered by a defined benefit program (23%).

It appears that messages about the importance of retirement savings, especially in the workplace, are reaching these young employees. Overall, seven in ten of those eligible to participate contribute money to their employer-sponsored defined contribution plan (71%). The older Gen Xers (57%) are more likely than Gen Yers (39%) to be eligible for a defined contribution plan; they are also more apt to be active contributors (76% of eligible Gen X workers contribute money compared to 62% of Gen Y workers). However, compared to non-retirees age 40 and up surveyed in the 2007 Retirement Confidence Survey (RCS) (83% of those eligible contribute to their plan), Gen Yers and Gen Xers are less likely to be contributing to their retirement savings plan (71% of eligible young adults contribute to their plan). Clearly, likelihood of making contributions to one’s retirement savings plan increases with age.

In fact, most young people welcome having employers take an even more active role in facilitating employee contributions to employer-sponsored retirement savings plans. Overall, 85% of respondents think it is a good idea for employers to voluntarily enroll workers automatically in a retirement savings plan and set up automatic contributions from workers' paychecks.

For many young adults, thinking about their own retirement does not translate into taking action to fund it, though retirement savings behavior improves sharply with age.

The majority of young adults report they have given at least some thought to their own retirement (62%), including 20% who say they have given the matter a great deal of thought. Only 9% report they have not thought about it at all. Gen Xers (70%) are considerably more likely than younger Gen Yers (51%) to have given some thought to their post-work situation.

These young Americans estimate that they will spend about 20 years in retirement. Factoring into this, a majority of young adults think they will retire between the ages of 60 to 69 (58%). Gen Xers are slightly more inclined than members of Gen Y to estimate an older retirement age; 21% of Gen Xers estimate they will retire between the ages of 70 to 79, whereas just 13% of Gen Yers believe they will retire in their seventies.

In total, nearly four in ten members of these younger generations report that they or their spouse have personally saved money for retirement, not including Social Security taxes or employer-provided money (38%). Gen Xers (45%) are far more likely than Gen Yers (27%) to have started saving for retirement.

Perhaps expectedly, young adults are far less likely to report that they (or their spouse) are personally saving money for retirement compared to the older generations surveyed in the 2007 Retirement Confidence Survey (RCS). The 38% of respondents in this study who report having saved is only about half of that found among the non-retirees age 40 or older surveyed in RCS (71%).

More so than those in older generations, many young adults expect to rely on a defined contribution retirement savings plan for income once they retire.

Once they retire, most young adults (41%) expect that employer-sponsored defined contribution retirement savings plans will be their largest source of retirement income,

followed by other personal savings or investments not in a work-related retirement plan (19%). Few anticipate relying on Social Security (7%).

Compared to those in prior generations, Gen Yers and Gen Xers are far more likely to rely on employer-sponsored defined contribution (DC) retirement savings plans. The 2007 Retirement Confidence Survey (RCS) data revealed that one-quarter of non-retirees age 40 or older (26%) anticipate that a DC plan will provide them with the largest share of their retirement income, which is significantly lower than the four in ten young adults in this study (41%) who identify this as their largest source of income.

Conversely, those in older generations (15% of RCS non-retirees age 40 or older) are nearly twice as likely as young Americans in this survey (8%) to expect that an employer-provided traditional pension or defined benefit plan will generate the largest portion of their retirement income. Likewise, members of Gen Y and Gen X (7%) are far less likely than their older RCS counterparts (17%) to anticipate that Social Security will provide them with the largest share of income once they retire.

Young Americans express low levels of confidence that Social Security and Medicare will maintain current benefit levels.

Overall, only 22% say they are very or somewhat confident that, when they retire, they will receive Social Security benefits comparable to what retirees receive today. The percentage breakdown is similar for confidence in Medicare benefits: just 28% are confident that Medicare will be able to deliver comparable benefits, while 72% are not. Gen Yers tend to be more optimistic than Gen X respondents about both of these government entitlement programs providing comparable benefits to future retirees.

Comparatively, just over one-third of the non-retirees age 40 or older surveyed in the 2007 Retirement Confidence Survey (35%) describe themselves as at least somewhat confident that the Social Security system will provide them with benefits of at least equal value to those received by retirees today. This is notably more than the 22% of younger respondents in this study who are optimistic. A similar difference is observed with regard to outlooks for receiving comparable Medicare benefits.

Interestingly, however, relatively few young adults say they feel knowledgeable about how the Social Security system works. Four out of five say they feel at least somewhat knowledgeable (45%), yet only 14% describe themselves as very knowledgeable.

Regardless of their outlook on government programs, young Americans believe that they, as individuals, can pick up the slack and save enough for their own retirement.

Six in ten young Americans are confident that, when they retire, they will have saved enough to afford a comfortable lifestyle in retirement (59%), including 11% who are very confident in their ability to do this. Even though Gen Xers are more likely to have already started saving, the Gen Y cohort (64%) expresses more confidence in being able to accumulate enough for a comfortable retirement than members of the older Gen X (54%).

More broadly, however, young Americans are generally more cynical than older generations about their ability to save enough for a comfortable retirement. Although six in ten young adults (59%) feel either somewhat or very confident that they can save enough for retirement, this is a significantly smaller share than the seven in ten Retirement Confidence Survey respondents age 40 and older (69%) who express the same degree of confidence.

Young Americans attribute their financial knowledge to their parents, not their schools.

Many young adults admit their financial know-how is lacking. In fact, young Americans are more likely to say they know more about their iPod (40% very knowledgeable) than about how to file their taxes (26%), buy a home (21%), invest outside of the workplace (15%), and save for retirement (15%).

Young adults credit their parents with teaching them about saving and investing, not their schools. Nearly half of young Americans grade their parents an A or B in terms of how well they taught them about saving and investing (47%). These young adults are not as generous when grading schools (18% receive an A or B).

When asked about several basic investment concepts, significantly large percentages of young Americans do not know the answers.

Relatively few young adult Americans provide incorrect answers when asked about several basic investment concepts, although many are unwilling even to venture a guess. For example, when asked to estimate a reasonable rate of return that can be

expected from a diversified U.S. stock mutual fund over the long run, one-quarter (25%) accurately estimate 10%. By comparison, four in ten (41%) say they are uncertain.

Interestingly, most understand the tax implications of certain financial actions. Specifically, two-thirds of both generations understand that interest earned in a bank savings account is subject to federal income taxes (66%), that interest paid on credit cards is not tax deductible (68%), and that interest paid on a mortgage is tax deductible (67%). Fewer, though still a majority, know that money withdrawn from a traditional 401(k) plan upon retirement is subject to federal income taxes (59%).

To gauge financial literacy, this survey repeated some questions from the Financial Industry Regulatory Authority's (FINRA's) 2003 survey of investment decision-makers ages 21 to 69 who had recently completed at least one stock, bond, or mutual fund transaction. When comparing FINRA's results to the findings of this study, it becomes clear that financial literacy increases with experience. The investors in FINRA's study are more likely than the young adults in this study to offer the correct answer, though similar shares of respondents in both studies answer incorrectly. However, FINRA's more experienced investors are significantly less likely to say they are uncertain of the answer, indicating that with more experience comes greater knowledge.

Parents serve as the main financial advisors.

Seven in ten young adults say they turn to their parents or in-laws for financial advice (70% say parents are a major or minor source of advice), and more than one-third say their parents are their primary source of such advice (36%). Just as many cite the internet as a major or minor source of financial guidance (69%), but significantly fewer cite it as their primary source (16%).

More than half indicate that they use a financial professional to obtain advice about their finances (54% say this is a major or minor source of advice), among those who mention financial professional, 20% cite this as their primary source. A similar share name their (or their spouse's) employer as at least a minor source of financial advice (53%), though employers are much further down the list of primary sources (just 7% say primary).

Detailed Findings

Profile of Younger People & Households

The young adults in Generations X and Y who range in age from 19 to 39 years, represent roughly 40% of the adult American population. Some have limited income and have not yet begun to form households, but others control substantial income and have established families. The young adults surveyed as part of this study are as likely to have income of \$50,000 or more (36%) as they are to have income under \$30,000, and two-thirds report they are employed full time (65%). Four in ten respondents indicate that they are currently married (41%), one in ten say they are unmarried, but are currently living with a partner (11%), and nearly half report they have at least one child under the age of 18 (45%).

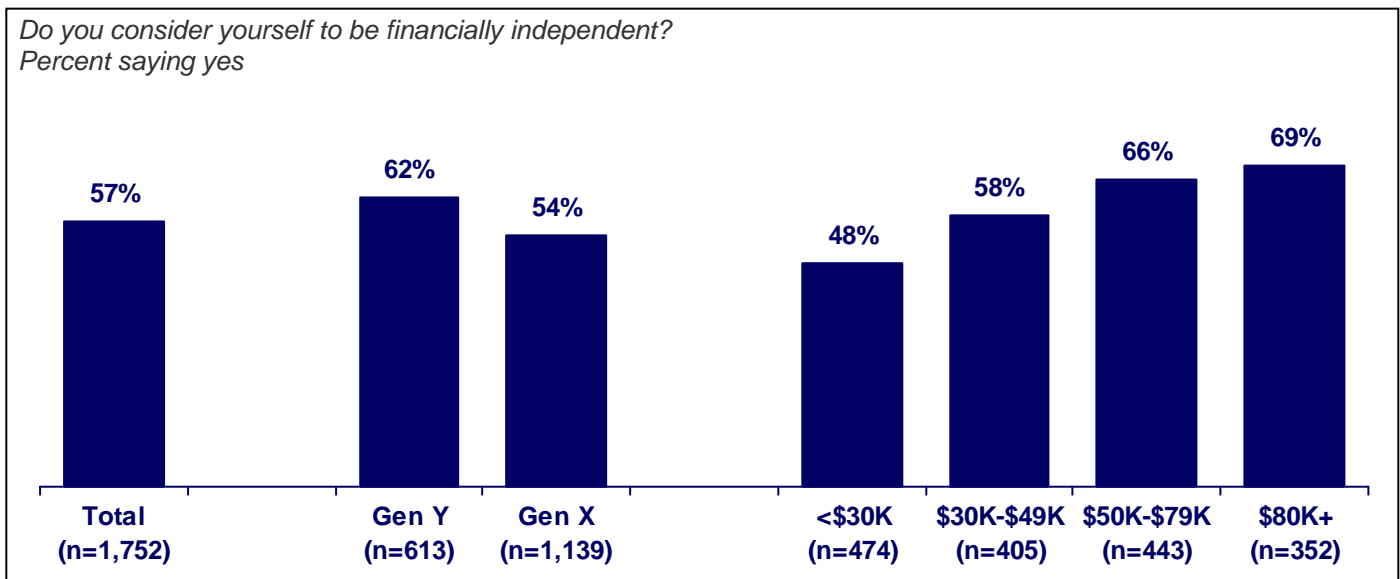
How these young Americans view themselves can be an important clue to understanding their financial behaviors, and on the whole, these young people see themselves as having a number of positive characteristics. Virtually all believe that they are “hard-working” (96% say this describes them at least somewhat well) and “family-oriented” (91%). Young adults are more apt to say they are “disciplined” (86%) than “carefree” (61%), and only a minority feel that they have “expensive taste” (44%). Just shy of three-quarters believe that they are “technologically savvy” (73%), and a similar share feel that the word “charitable” describes them at least somewhat well (72%). Most interestingly, given the topics addressed in this study, more than four out of five young Americans describe themselves as “optimistic” (85%).

Additionally, among those who are married or living with a partner, half indicate that household financial decisions are made in total partnership (51%). Three out of ten state they are the primary decision-maker (30%), but that their spouse or partner provides input. Half as many identify themselves as the sole decision-maker (15%). Men (60%) are nearly twice as likely as women (33%) in these younger households to say they are either the sole or primary decision-maker. Women (62%), in contrast, are more inclined to report that decisions are shared (compared to 37% of men).

Financial Independence

Overall, six out of ten respondents believe themselves to be “financially independent” (57%). However, the survey data strongly suggest that “financial independence is perceived differently by people in different life stages, as those in the younger Gen Y (62% of those ages 19 to 27) are more likely than those in the older Gen X cohort (54% of those ages 28 to 39) to describe themselves as financially independent (Figure 1).

Figure 1: Financial Independence, by Generation and by Income



*Income is calculated using personal income for unmarried respondents who do not live with a partner and household income for those who are either married or live with a partner.

More intuitively, likelihood of reporting financial independence increases with education and income. Numbers of hours worked per week is also related to respondents' inclination to say they are financially independent, as those who work full time (66% of those who work 35 hours or more per week) are significantly more likely than those who work part time (43% of those who work less than 35 hours per week) or are unemployed (36%) to call themselves financially independent.

In total, just one-third report that they received financial support from friends or family (33%), while fewer than two in ten say they received government assistance (18%). Despite the fact that Gen Yers are more likely to consider themselves financially independent, they are more apt than Gen Xers to say that they have received financial support from family or friends in the past year (45% of Gen Yers, 25% of Gen Xers) or assistance from government programs (23% of Gen Yers, 14% of Gen Xers). Also of

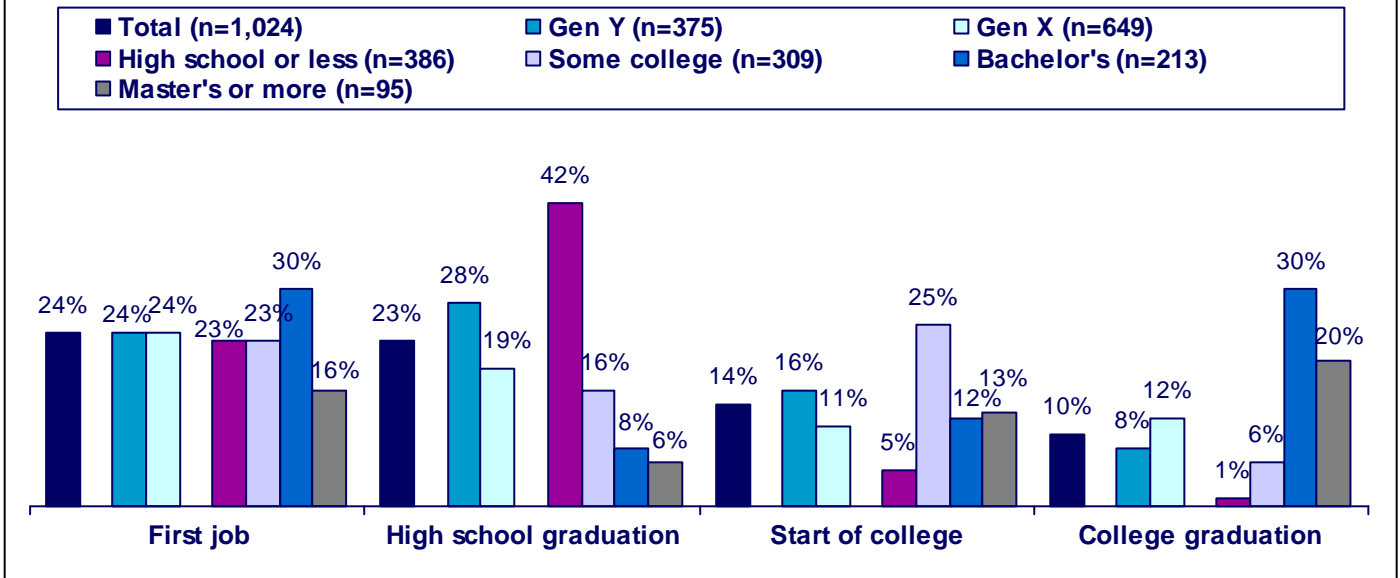
note, as income and education increase, the share of respondents reporting they received family or government support in the past year decreases.

The vast majority of young people who say they received financial support from their family or friends over the past year report that the amount they were given totaled less than \$2,500 (71%). One group does stand out, however; Asian and Pacific Islander respondents are especially likely to say they received \$10,000 or more from their family or friends (20% compared with 4% of non-Hispanic Whites, 1% of non-Hispanic African-Americans, and 1% of Hispanics). Among the few young adults who report that they received government assistance, the annual amount they report getting skews slightly higher; six in ten indicate they received less than \$5,000 (61%), including one-quarter who say it was between \$2,500 and \$4,999 (25%).

Young Americans report becoming financially independent at a median age of 20 years old. Among members of Gen Y who believe they are financially independent, the median is 19 years, while Gen Xers suggest their financial independence came a couple of years later (median of 21 years). One possible explanation of this is that, with the benefit of hindsight, Gen Xers realize that they were not truly financially independent until slightly later in life or, more likely, that the perceived meaning of “financially independent” is a moving target that varies by age and stage of life. Nevertheless, the largest share of respondents seem to agree that the start of their financial independence occurred either at the time of college graduation or when they got their first job (34%). Another one-quarter indicate that the milestone was their high school graduation (23%). Expectedly, those who have less than a bachelor’s degree (31%) are significantly more likely than those with a college degree or more education (8%) to say their financial independence coincided with their high school graduation (Figure 2).

Figure 2: Milestone at which Financial Independence Occurred, by Generation and by Education

*What, if any, event or life stage would you say marked the start of your financial independence?
Among financially independent individuals*



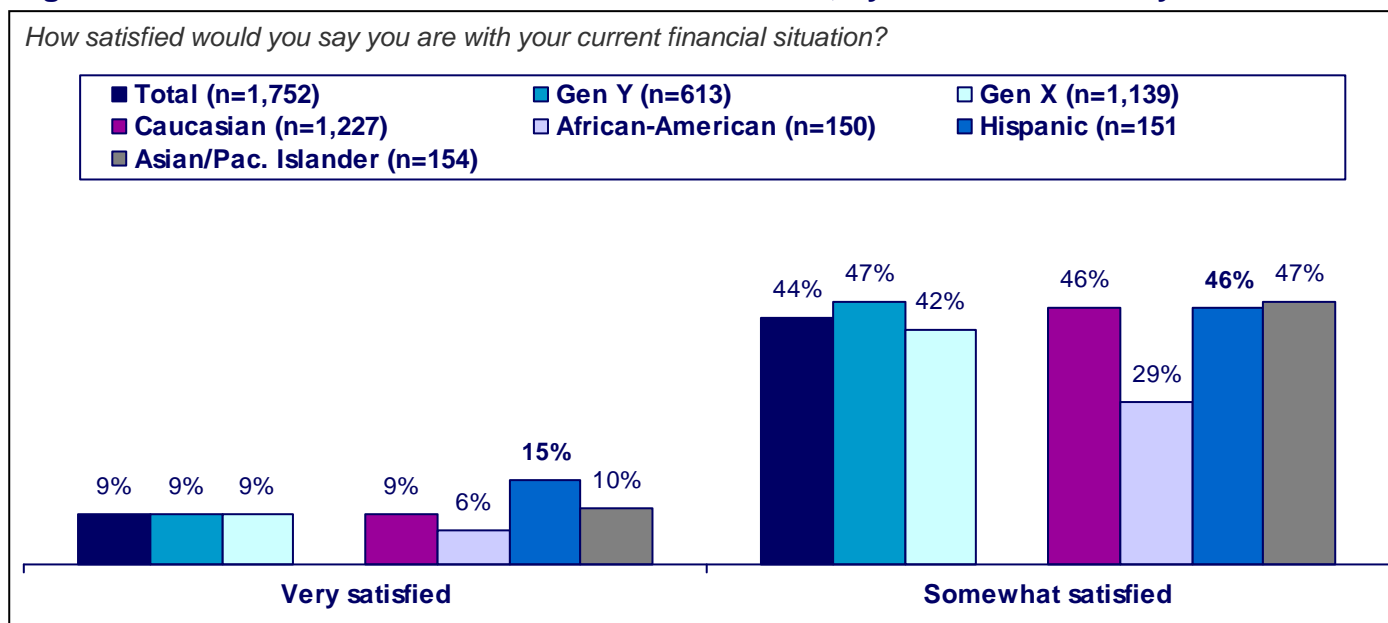
Regardless of whether or not they view themselves as “independent,” more than two-thirds overall agree that they can rely on friends and family to help them financially if they are in a tough situation (67%). In keeping with the amount of outside financial support received by these younger generations, Gen Y respondents (77%) are significantly more likely than Gen Xers (60%) to at least somewhat agree with this sentiment. In contrast to the above findings regarding support currently received, level of income and education do not appear to be correlated with whether or not these young people feel they can rely on friends and family.

Current Financial Situations

On the whole, just over half of younger Americans say they are at least somewhat satisfied with their current financial situations (53%). Yet, this includes only 9% who describe themselves as very satisfied; the largest share are only somewhat satisfied (44%). Not surprisingly, young people who have higher incomes (77% of those with incomes of \$80,000 or more, 66% of those with incomes between \$50,000 and \$79,999) are more likely to express at least some satisfaction with their current situation than those with lower incomes (49% of those with incomes between \$30,000 and \$49,999, 40% of those with incomes of \$30,000 or less). Perhaps part of the same trend, those who are employed full time (61% of those working 35 hours or more per

week) are more likely than those who work fewer hours (39%) to say they are at least somewhat satisfied with their financial situation. African-Americans are among the least likely to feel satisfied with their current financial situation (35% are satisfied, compared to 61% of Hispanics, 57% of Asian/Pacific Islanders, and 54% of Whites) (Figure 3). Feeling financially independent is also related to the likelihood of expressing satisfaction with one's current financial circumstances, as 71% of those who describe themselves as financially independent report being satisfied with their situations compared to less than half as many who do not consider themselves financially independent (29%).

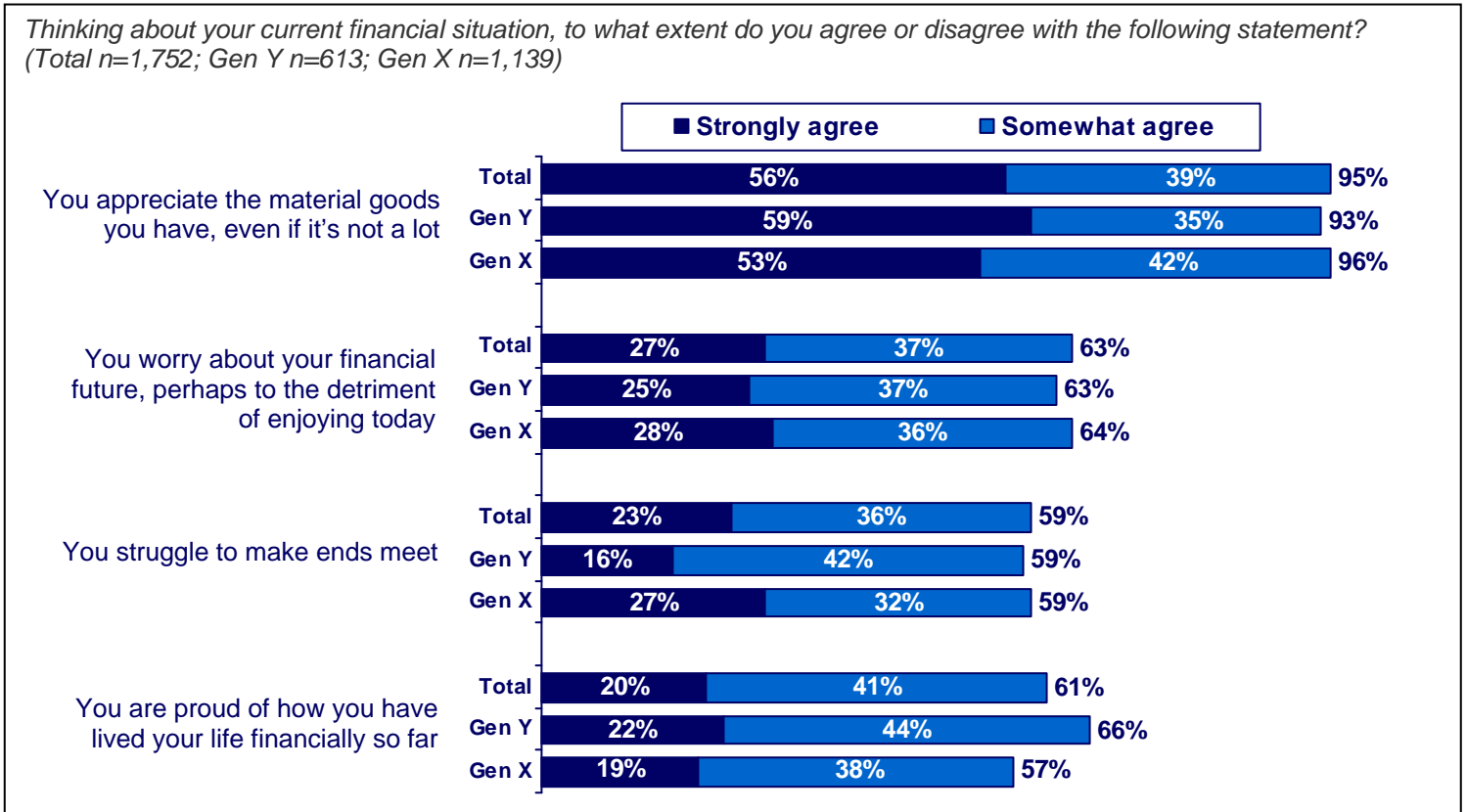
Figure 3: Satisfaction with Current Financial Situation, by Generation and by Race



Being financially independent also increases the likelihood of agreeing with the statement: “You are proud of how you have lived your life financially so far.” Overall, three out of five respondents at least somewhat agree with this statement (61%). However, three-quarters of financially independent young people (76%) agree, more so than those who do not feel they are independent (41%). Similarly, higher levels of education and income also increase the probability of being proud of one's financial life to date. By comparison, young Americans with lower income levels (69% of those with incomes below \$50,000) and less education (67% of those with less than a 4-year college degree) are more apt to agree that they worry about their financial futures, perhaps to the detriment of enjoying today (compared to 53% of those with incomes of \$50,000 or more and 53% of those with a bachelor's degree or more). Overall, nearly two-thirds of young people surveyed agree that they worry about their financial futures,

even to the detriment of enjoying the here and now; more than one-quarter strongly agree with this sentiment (27%) (Figure 4).

Figure 4: Agreement with Statements about Financial Attitudes, by Generation



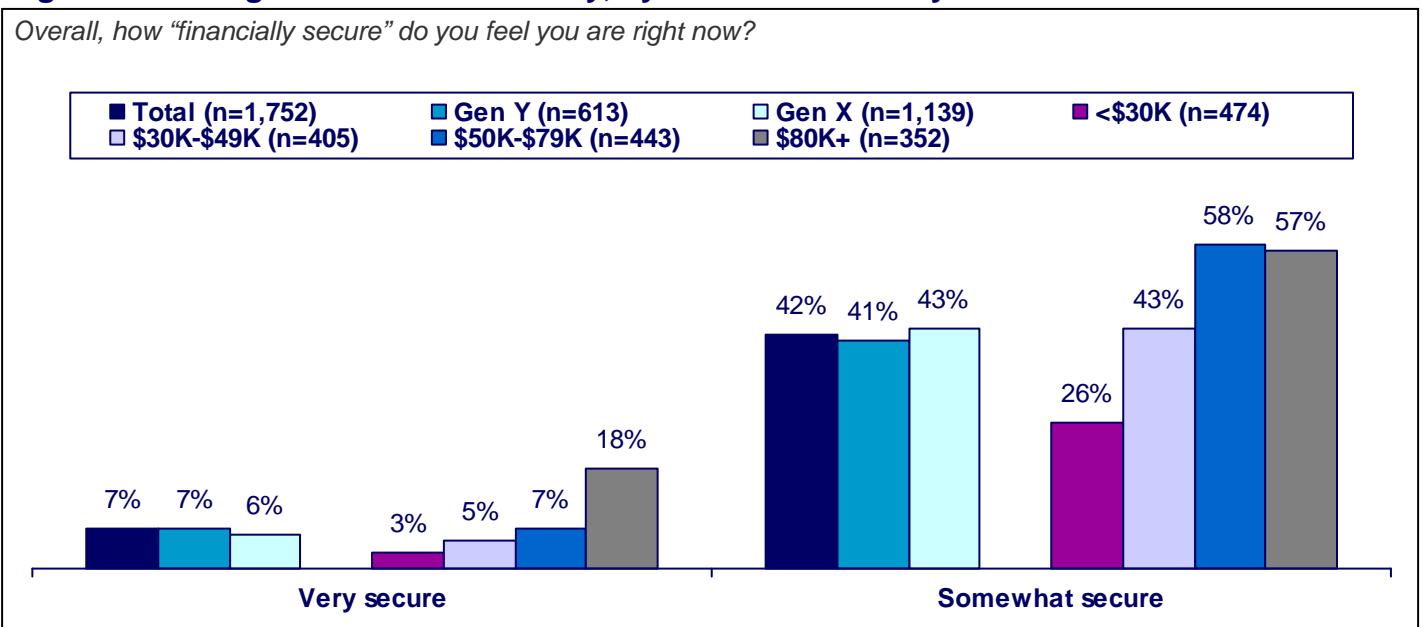
Six out of ten members of these younger generations say that they struggle to make ends meet (59%), a larger share than say they are satisfied with their current financial circumstances (53%). As might be expected, however, agreement with this statement decreases as education and income increase. On a more positive note, nearly all respondents, regardless of their income or education, indicate that they appreciate the material goods they have, even if it's not a lot (95%).

Asked to define “financial security,” many provide a rudimentary response, saying their definition includes being able to make ends meet and not living paycheck to paycheck (22%); nearly as many say that financial security means being able to simply live comfortably (16%), and one in twenty equate being able to provide for one’s family with financial security (6%). Beyond meeting basic needs, two in ten feel that financial security means having enough money leftover to save for emergencies or for a rainy day (19%), while others define financial security as being able to weather hard times

and deal with the unexpected (13%). In addition, one in ten young adults include being able to save for retirement, afford retirement, or maintain one's lifestyle in retirement (9%) as part of their definition. Several provide a definition of financial security that is more emotional; 15% suggest that being financially secure means not having to worry about their finances. Just 5% indicate that their definition includes leisure, entertainment or "fun."

Although clearly appreciative of whatever they have, their struggles – whether perceived or real – may be having an impact on their overall feelings of financial security. Just under half state that they feel "financially secure" (49%), which includes only 7% who feel very secure. In keeping with the trends observed, young people who have higher incomes, higher education, who work full time, and who consider themselves to be financially independent are more likely than their counterparts to feel they are currently secure financially (Figure 5).

Figure 5: Feelings of Financial Security, by Generation and by Income

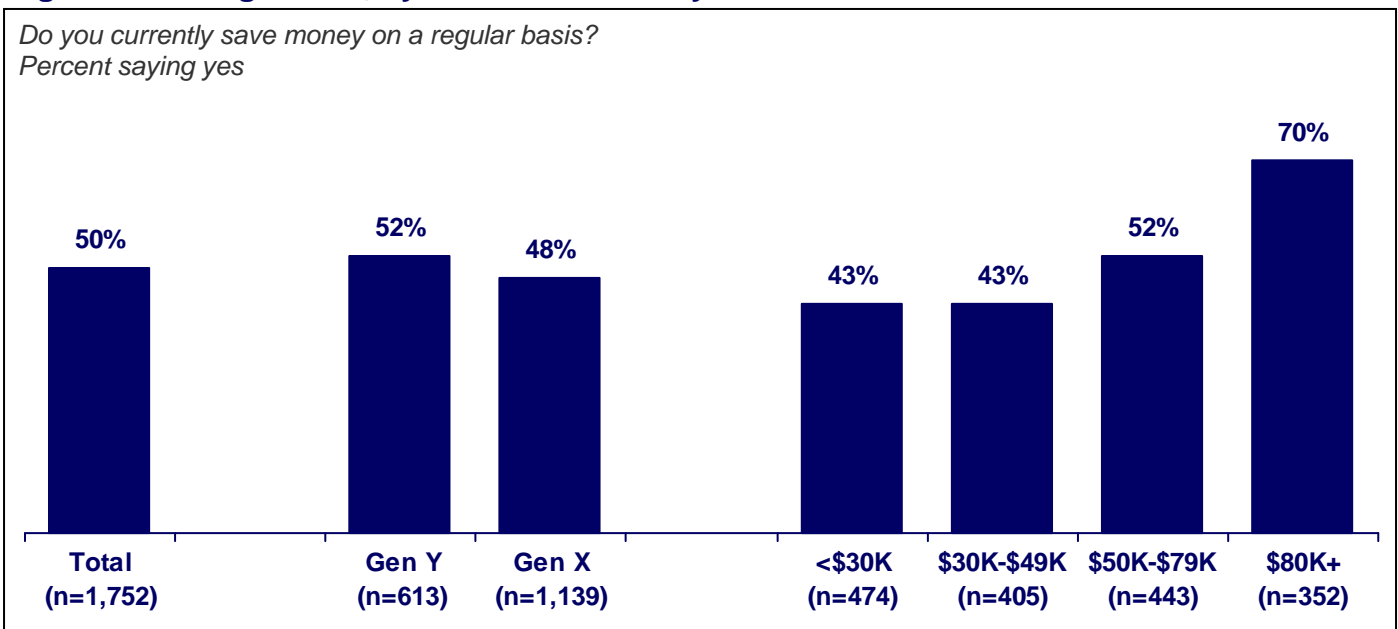


*Income is calculated using personal income for unmarried respondents who do not live with a partner and household income for those who are either married or live with a partner.

Savings and Debt

Among both Gen Yers and Gen Xers, half report that they currently save money on a regular basis, not including employer-sponsored retirement plans (50% of total, 52% of Gen Yers and 48% of Gen Xers). Homeowners (57%), those with higher incomes (59% of those with \$50,000 or more) and higher educational attainment (66% of those with a college degree or more) are among those who are especially likely to be savers (Figure 6).

Figure 6: Saving Habits, by Generation and by Income

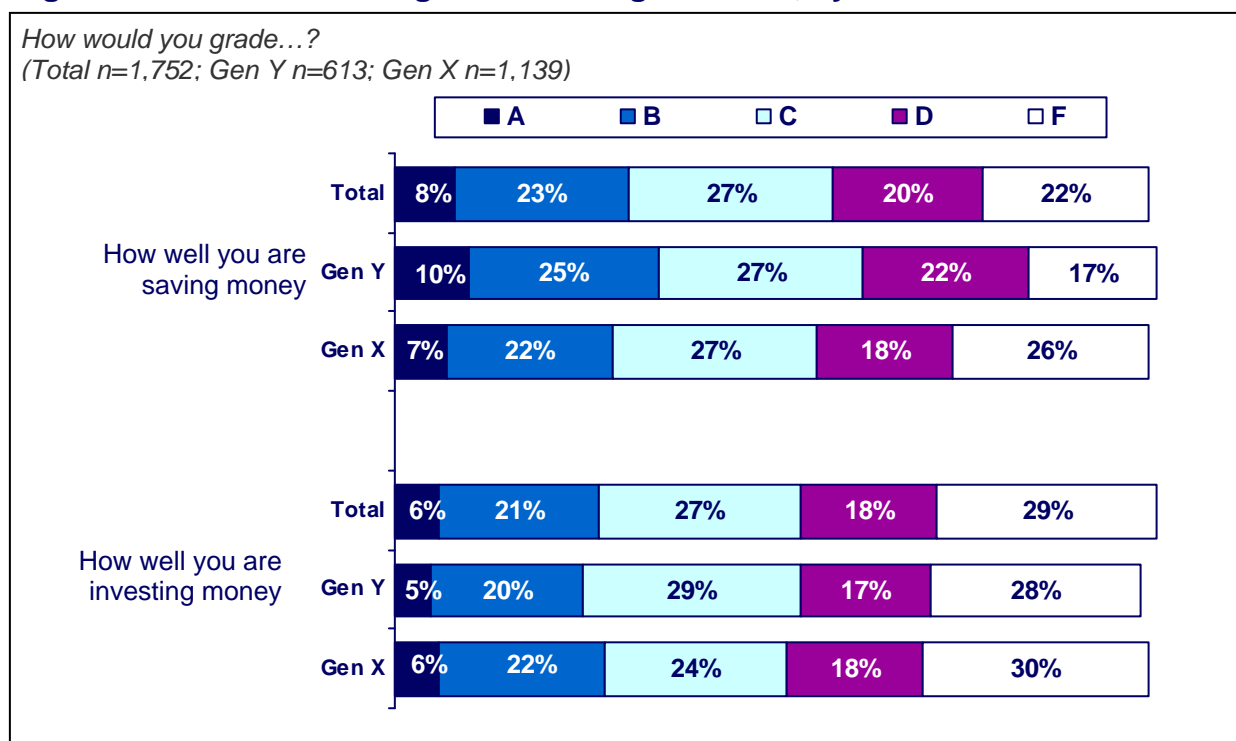


*Income is calculated using personal income for unmarried respondents who do not live with a partner and household income for those who are either married or live with a partner.

Still, more than four out of five assert that they feel they should be more prepared for a “rainy day” (86%); half strongly agree with this (50%). Interestingly, likelihood of feeling that one needs to be more prepared is constant across all incomes and remains high regardless of education. It follows, then, that more than eight out of ten respondents state that, given their current income and living situation, they do not feel they are saving enough for the future (83%). In fact, 42% of young Americans grade themselves a D or F when it comes to how well they are saving; three in ten give an A or B (31%). The older Gen Xers (26%) are more likely than Gen Yers (17%) to give themselves a poor grade, whereas those with no non-mortgage debt (24% grade an A compared to 6% of those with debt) and those with either a defined benefit or defined contribution plan or both (11% compared to 5% of those with no employer-sponsored retirement plan) are particularly inclined to grade themselves at the top of the class. An even

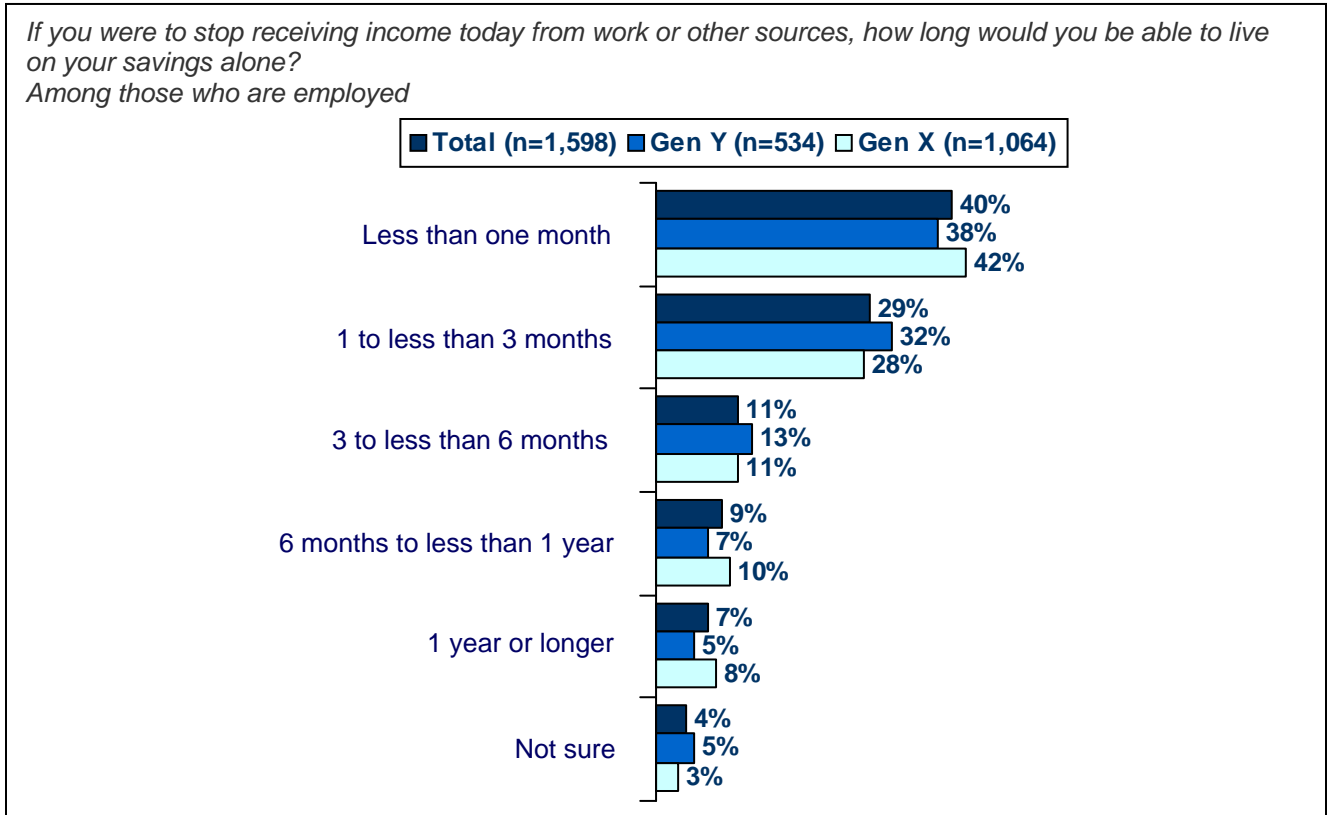
larger share give themselves a failing grade when it comes to how well they are investing their money (47% grade themselves a D or F) (Figure 7). Of note, Asian respondents are especially likely to assign themselves an A for both the job they are doing saving and the job they do in investing their money (19% give an A for saving, 13% give an A for investing).

Figure 7: Grades for Saving and Investing Behavior, by Generation



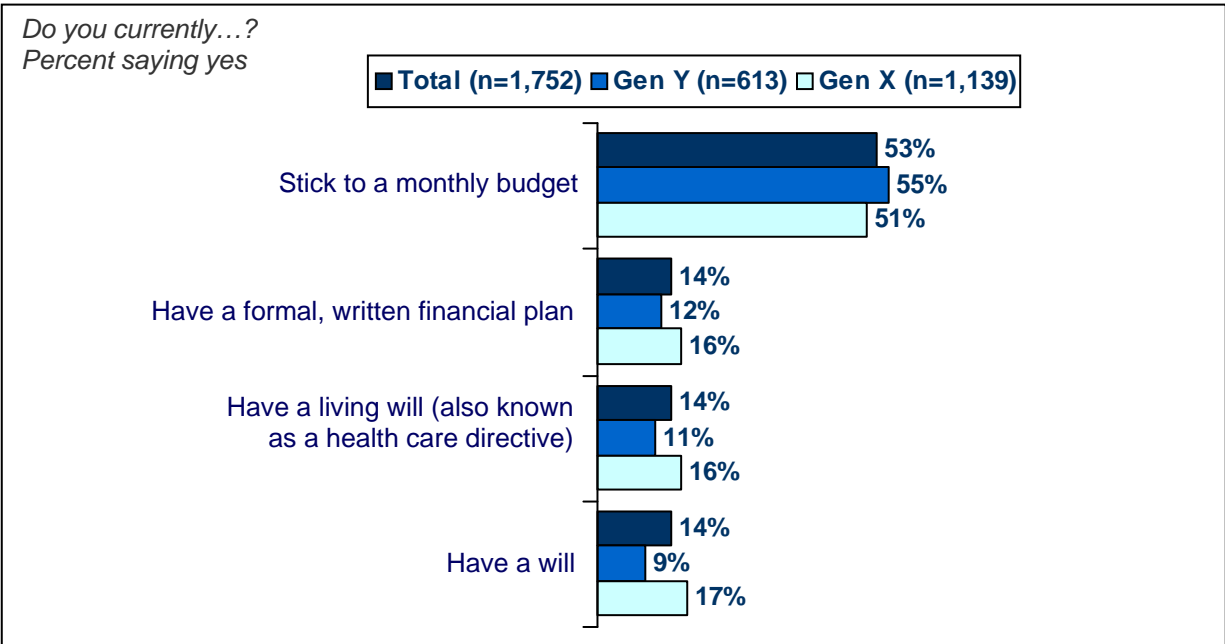
Slightly more than one-third of those in the younger generations report that they have savings designated as an “emergency savings fund” for unexpected expenses or in case of a job loss (38%). Among those who are employed and presumably have an income, four in ten say their savings would last them only one month, if they had to live off of their savings because their income stopped (40%); an additional three in ten believe they would be able to live off of their savings for only one to less than three months (30%). Of note, women (48%) are more likely than men (33%) to feel their savings would last them less than one month. Longevity of savings in the event of ceased income increases as income and education increases (Figure 8).

Figure 8: Longevity of Savings, by Generation



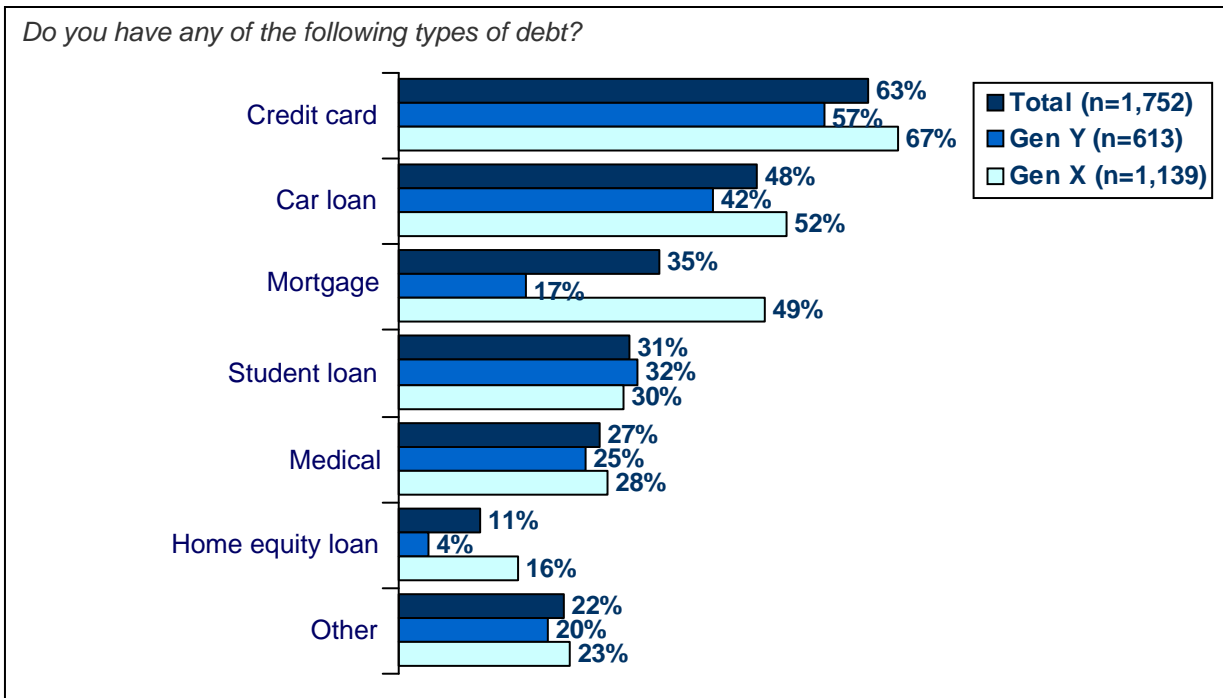
Even though they feel they should be saving more, just over half of the young people surveyed report that they stick to a monthly budget (53%). Those who consider themselves to be financially independent (64%) are far more likely than those who do not (39%) to say they stick to a budget (Figure 9). However, likelihood of having a budget does not vary by income or education. Perhaps not surprising given their age, far fewer report that they have other financial planning tools in place. Fourteen percent each report having a formal financial plan, a will, or a living will (also known as a health care directive). Though still a minority, Gen Xers (17%) and married respondents (19%) are more likely to have a will (compared to 9% of Gen Yers and 10% of unmarried respondents) (Figure 9).

Figure 9: Use of Specific Financial Tools, by Generation



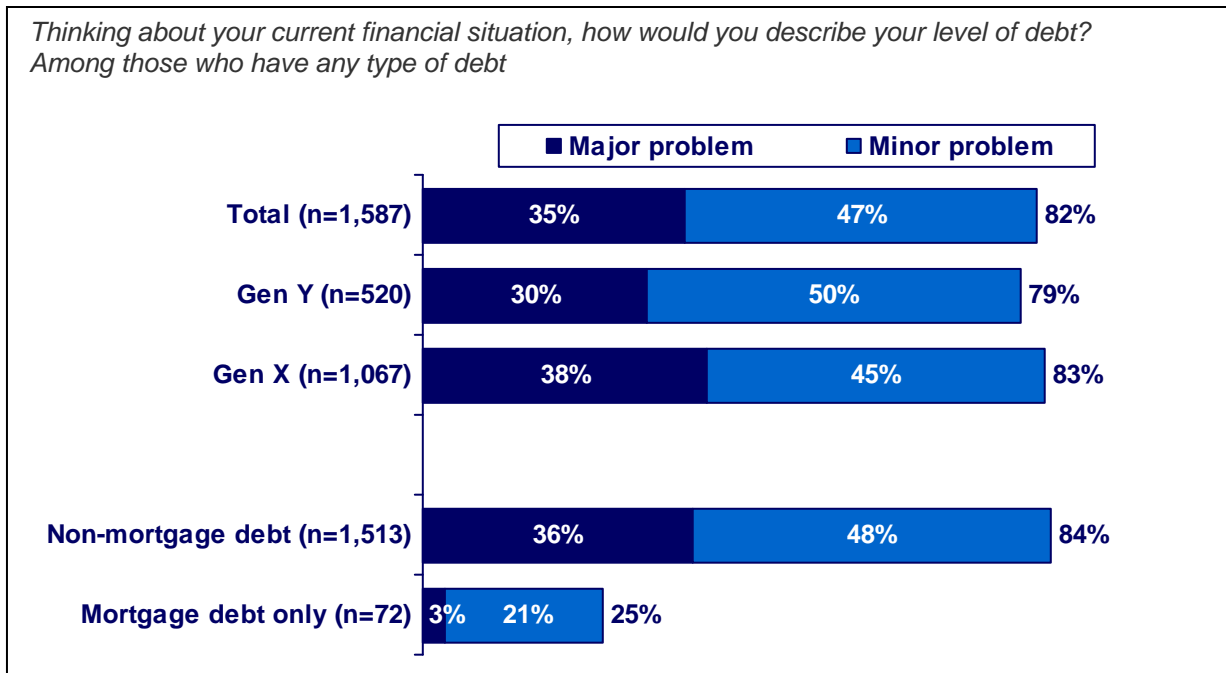
Four out of five younger Americans report having some type of non-mortgage debt (83%). More explicitly, nearly two-thirds say they have credit card debt (63%), about half have a car loan (48%), 31% have student loans, 27% have medical debt, and 22% say they have some other type of non-mortgage debt. Additionally, just over one-third report that they have a mortgage (35%) and one in ten say they have a home equity loan (11%). Not too surprisingly given their age (ages 28 to 39) members of the older Gen X cohort are more likely than Gen Yers to report having a mortgage or home equity loan (Gen X: 49% have a mortgage, 16% have a home equity loan; Gen Y: 17% have a mortgage, 4% have a home equity loan). However, Gen Xers are also more likely than their younger counterparts to have credit card debt and car loans (Gen X: 67% have credit card debt, 52% have a car loan; Gen Y: 57% have credit card debt, 42% have a car loan). Likelihood of having car loans, mortgages, and home equity loans increases with income; likelihood of having medical debt appears to decrease as income increases (Figure 10).

Figure 10: Types of Debt, by Generation



Among young people who report having some type of non-mortgage debt, the largest proportion indicate that their amount of debt ranges between \$2,500 to less than \$14,999 (42%); nearly two in ten fall in the middle of that range (18% say they have between \$5,000 and \$9,999 in debt). To put this in perspective, nearly six in ten report that their total savings and investments are less than \$10,000 (57%, including defined contribution plan savings, but excluding defined benefit plan assets and the value of their primary residence). Still, roughly two-thirds of those with any kind of debt (63%) and a like share of those with non-mortgage debt only (62%) describe their debt obligations as either a minor problem or not a problem at all. This leaves just one-third of debtors overall who believe their debt is a major problem (35%); Gen Xers with debt (38%) are more likely than the younger Gen Yers (30%) to feel their debt is a major problem (Figure 11).

Figure 11: Assessment of Level of Debt, by Generation and by Amount of Non-Mortgage Debt



Furthermore, when asked openly what their largest fear or concern was regarding their finances, issues involving being able to pay bills, making ends meet, and avoiding debt rise to the top of the list (20%). Women (23%) are somewhat more likely than men (18%) to voice this as a concern, as are those who say they do not save on a regular basis (24% of non-savers, 17% of savers). Fear of a job loss (13%), not saving enough for the future or for emergencies (12%), and not having enough resources to support one’s self and family (11%) follow closely behind on the list of top financial fears. One in ten also mention that their biggest fear is not being able to afford retirement (11%). Retirement is a bigger concern among Gen Xers (15%) than the younger Gen Yers (5%).

Financial Goals

Whatever their current financial circumstances, young Americans are looking ahead toward their financial futures. Nine out of ten at least somewhat agree that they have financial goals for themselves (91%), including just over half who strongly agree (52%). Respondents in the younger Gen Y cohort (57%) are more likely than their older counterparts (48% of Gen Xers) to strongly agree that they have financial goals. Additionally, young people who save on a regular basis (93% at least somewhat agree)

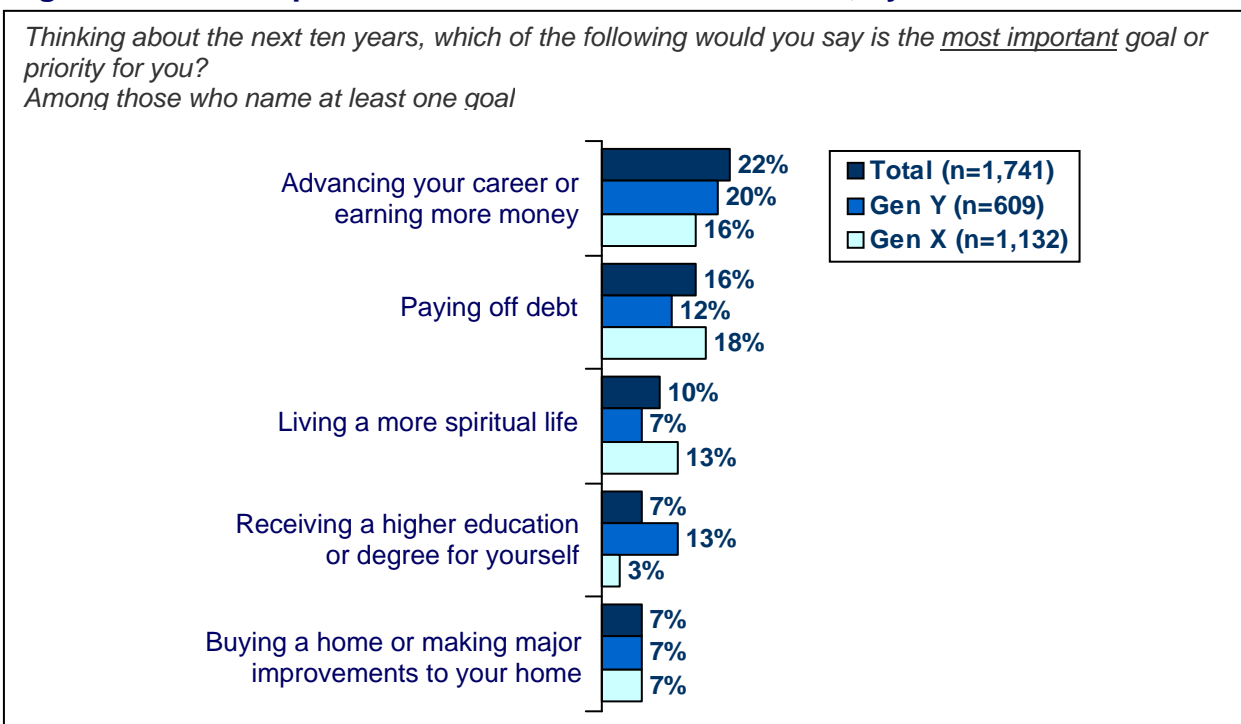
are more inclined than non-savers (89%) to say they have goals for their financial futures.

When respondents are asked to identify some of their goals from a list of 15 potential objectives, advancing one's career and earning more money rise to the top, with three-quarters of young adults saying this is a goal of theirs (76%). Also at the top of the list are putting money away for retirement (75%), minimizing stress (74%), and paying off debt (73%). Perhaps a sign of how priorities shift with age, the younger Gen Y respondents are significantly more likely to identify career advancement and higher earnings as a goal (84% of Gen Yers compared with 71% of Gen Xers), while those in the slightly older Gen X cohort are far more likely to cite putting money away for retirement as one of their goals (80% of Gen Xers compared with 69% of Gen Yers). Paying off debt is also mentioned more often by Gen Xers (76%) than Gen Yers (69%) (Figure 12).

When asked to identify which of these goals is the most important to them, in total, career and earnings growth remains at the top of the list as the most important goal (22%), followed by paying off debt (16%) and living a more spiritual life (10%). Interestingly, the most commonly mentioned goals vary slightly by generation. Among the younger Gen Y, the three most important objectives are comprised of career advancement (30%), receiving a higher education (13%), and paying off debt (12%). Gen Xers rank their goals differently, as paying off debt rises to the top (18%), followed very closely by career advancement (16%) and living a more spiritual life (13%). By comparison, just 3% of Gen Xers cite receiving a higher education as their most important goal, and similarly few Gen Yers mention living a more spiritual life as their top priority (7%).

More than four out of five young adults who identified goals for the future (n=1,741) feel at least somewhat confident that they can achieve these goals within the next ten years (92%). Four in ten feel very confident (39%). This confidence is slightly higher among the younger Gen Yers (94%) than among Gen Xers (90%). Additionally, those who are financially independent (96%) and debt-free (96%, excluding mortgages) are somewhat more likely to describe themselves as at least somewhat confident that they can meet their goals (87% of those who are not financially independent, 91% of those with non-mortgage debt).

Figure 12: Most Important Goals for the Next Ten Years, by Generation



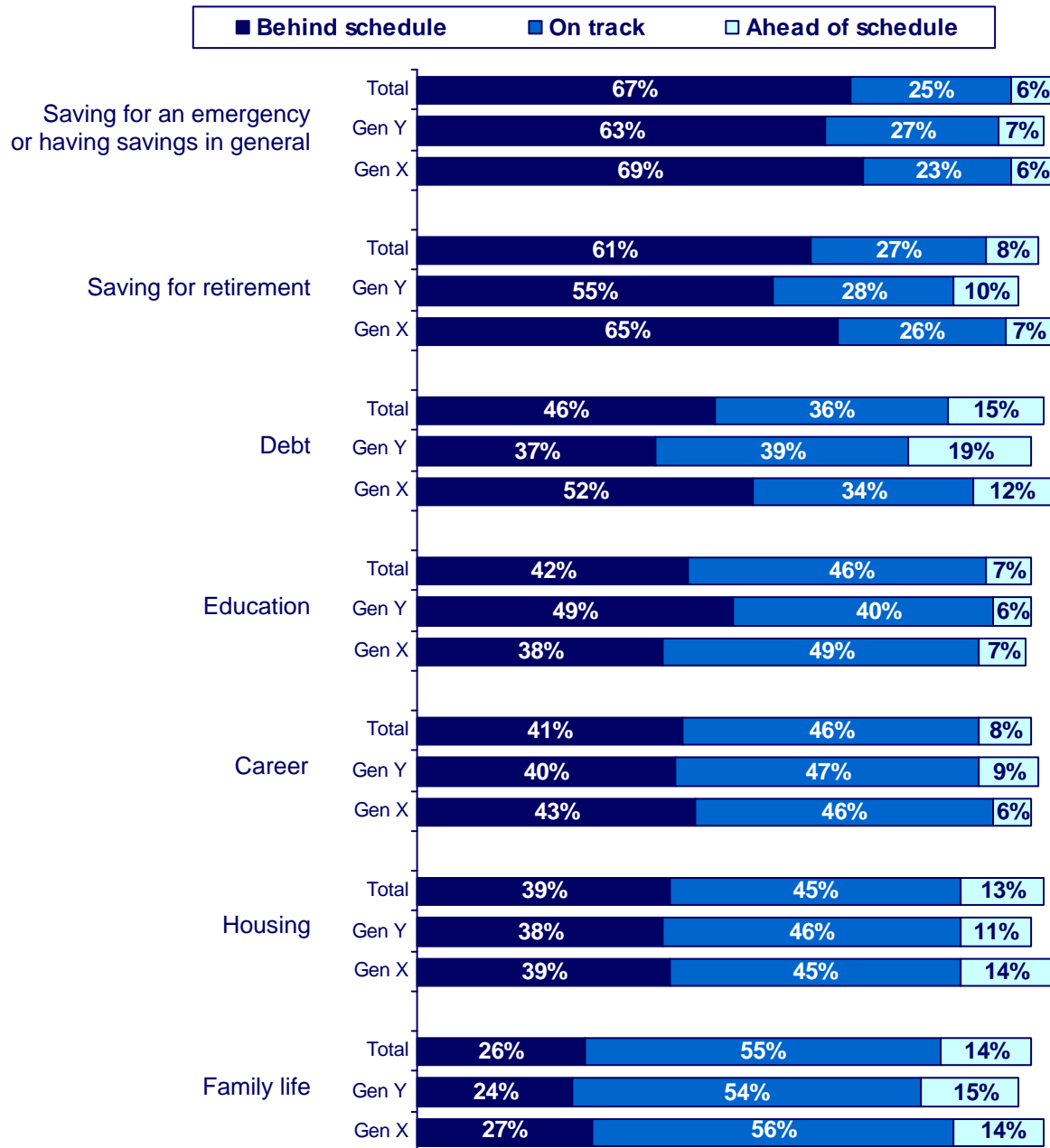
When evaluating where they stand with certain aspects of their lives, a large majority of young people believe that they are either on track or ahead of schedule when it comes to their family life (70%) and housing situations (58%). Likewise, more than half feel that they are on track or ahead with regards to their career (54%) and education (52%). Understandably, those with higher incomes and more education are more likely than those with less to say both their careers and education are on track or better.

When it comes to certain aspects of their finances, however, large shares believe that they are lagging behind. Two-thirds of young Americans feel they are behind schedule in having general savings or in saving for an emergency (67%). Another three in five say their retirement savings are behind schedule (61%), and nearly half believe they are behind when it comes to their level of debt (46%) (Figure 13). Obviously, having non-mortgage debt impacts where they feel they are with regard to debt in general; those with debt (53%, excluding mortgages) are more than eight times more likely than those without (6%) to feel behind in this aspect of their life. Yet, having debt also appears to impact their evaluations of where they are with their savings accumulation, both general and for retirement. Young people who have some type of non-mortgage debt are significantly more likely than those without to feel behind with regard to general savings (72% of those with non-mortgage debt, 38% without) and saving for retirement (64% of

those with non-mortgage debt, 45% without). Overall, Gen Xers (52% feel behind) continue to be more concerned with debt than Gen Yers (37%). Members of Gen X (65%) are also more likely than those younger than them (55%) to say their retirement savings are behind schedule. Feeling that one is behind schedule with both general and retirement savings decreases as income and education increase (Figure 13).

Figure 13: Progress regarding Key Life Milestones, by Generation

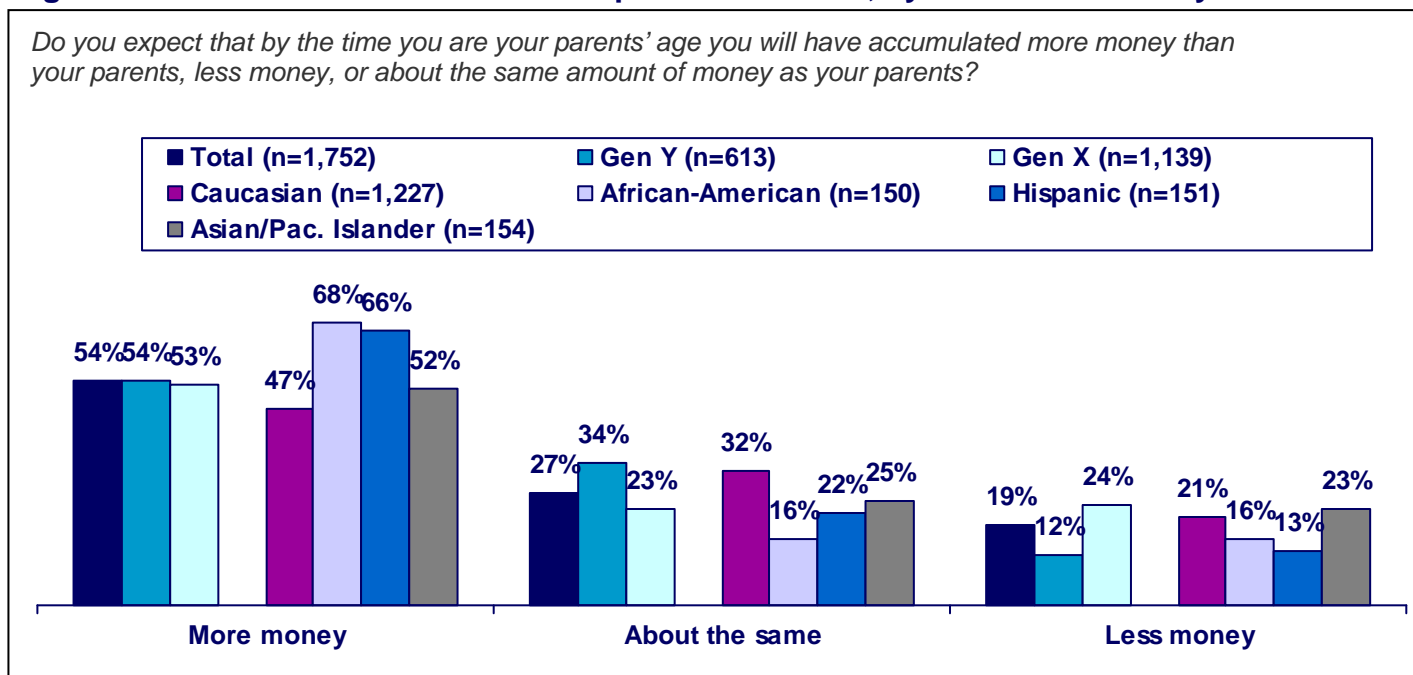
For the following, do you think you are behind schedule, ahead of schedule, or on track compared to others your age? (Total n=1,752; Gen Y n=613; Gen X n=1,139)



Generational Differences

More than half of the young Americans surveyed believe that, by the time they are their parents' age, they will have accumulated more money than their parents (54%); just two in ten feel they will accumulate less (19%). African-Americans (68%) and Hispanics (66%) are especially apt to say they think they will accumulate more money than their parents (compared to 47% of non-Hispanic Whites and 52% of Asians and Pacific Islanders). Those who indicate that they save on a regular basis (60%) are also likely to expect to amass more than their parents (48% of non-savers). Compared to those in the youngest generation (12% of Gen Yers), Gen Xers are less optimistic, as one-quarter say they think they will accumulate less than their parents did (24%) (Figure 14).

Figure 14: Financial Accumulation Compared to Parents, by Generation and by Race



Overall, most young adults believe they currently belong in the “middle class” (52%); another four in ten describe their current lifestyle as either “lower middle class” or “lower class” (38%). Appropriately, respondents who have higher incomes tend to place themselves in a higher socioeconomic class. For example, one-third of those with incomes of \$80,000 or more say they are “upper class” or “upper middle class” (32%, compared to 6% of those with less). Taken as a whole, more than half feel they are currently in the same socioeconomic class as they were when they were growing up (54%). Gen Xers (25%) are more likely than Gen Yers (21%) to say that their class

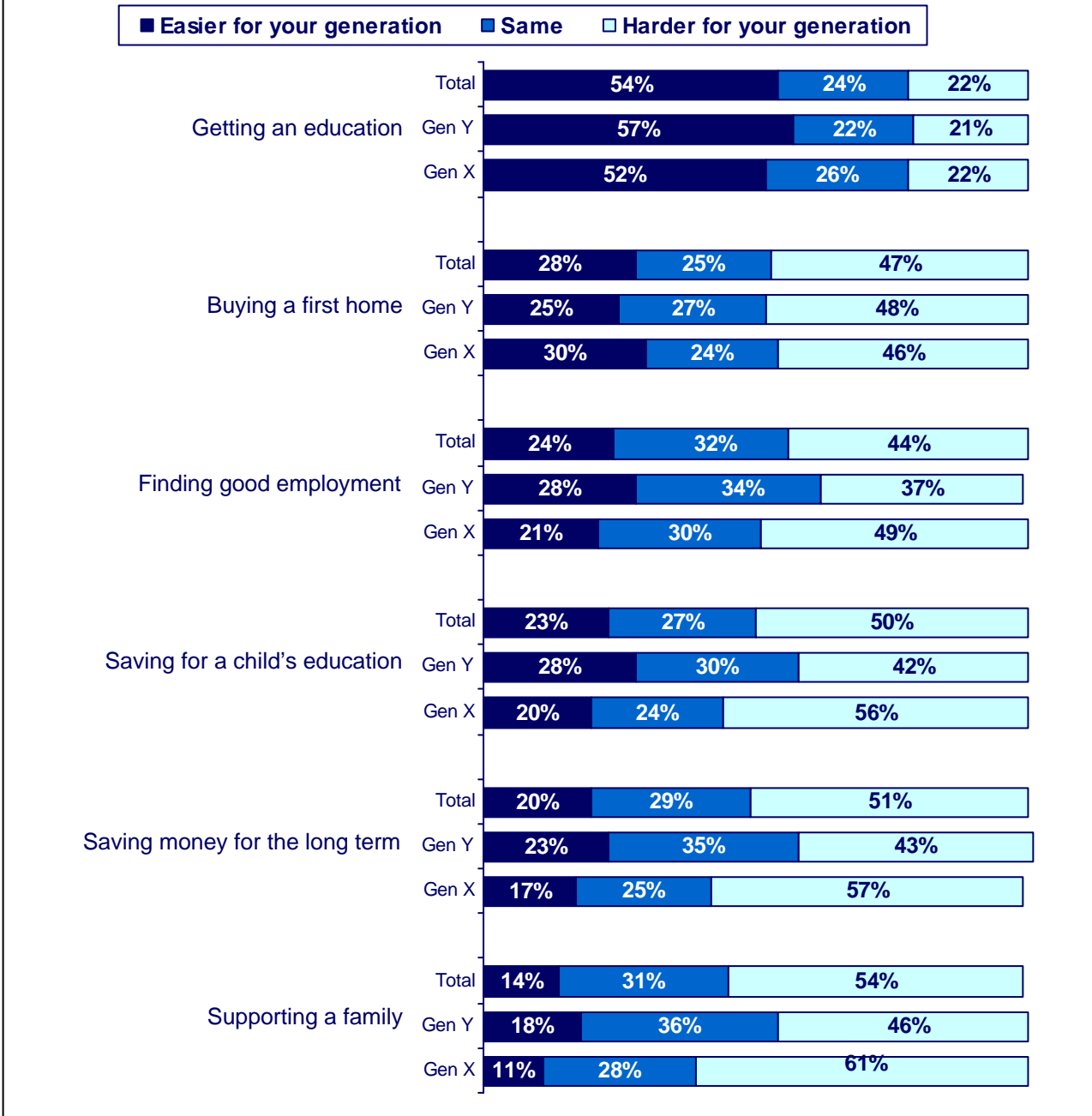
status has improved compared to the class they were in when they were growing up. On the other hand, Gen Yers (27%) are more likely to indicate that their class status has declined (compared to 20% of Gen Xers).

Even though they expect to accrue more assets and some have already improved their lifestyles, young adults suggest that many financial responsibilities and milestones are harder for them to accomplish than for their parents. With one clear exception, roughly half of respondents believe that it is harder for people in their generation (either Gen Y or Gen X) than it was for people in their parents' generation (likely boomers or Silent generation) to support a family (54%), save for the long-term (51%), save for a child's college education (50%), and buy a first home (47%). Slightly fewer feel it is harder for those in their generation to "find good employment" (44%). At the same time, more than half feel that it is easier for people their age to "get an education" than it was for their parents' generation (54%). While those who currently own their primary residence (35%) are more inclined than non-homeowners (23%) to feel that buying a first home is easier for their generation than it was for their parents, being employed appears to have no bearing on whether or not one feels that finding good employment is easier or harder for their generation (25% of those who work 35 or more hours per week feel this is easier compared to 24% who work fewer hours or are unemployed) (Figure 15).

As with other trends observed, members of Gen X tend to be slightly more pessimistic. They are significantly more likely than Gen Yers to say it is harder for their generation to meet most of these financial goals and milestones, including supporting a family (61% of Gen Xers, 46% of Gen Yers), saving for the long-term (57% of Gen Xers, 43% of Gen Yers), saving for a child's education (56% of Gen Xers, 42% of Gen Yers) and finding good employment (49% of Gen Xers, 37% of Gen Yers). However, when respondents were asked the extent to which they agree or disagree with the statement "I feel taken advantage of by the system," Gen Xers (42%) are actually less likely than Gen Yers (51%) to agree.

Figure 15: Beliefs about whether it is Easier or Harder to Achieve Certain Financial Milestones, by Generation

To the best of your knowledge, do you think it is easier or harder for people in your generation to do the following than it was for your parents' generation? (Total n=1,752; Gen Y n=613; Gen X n=1,139)



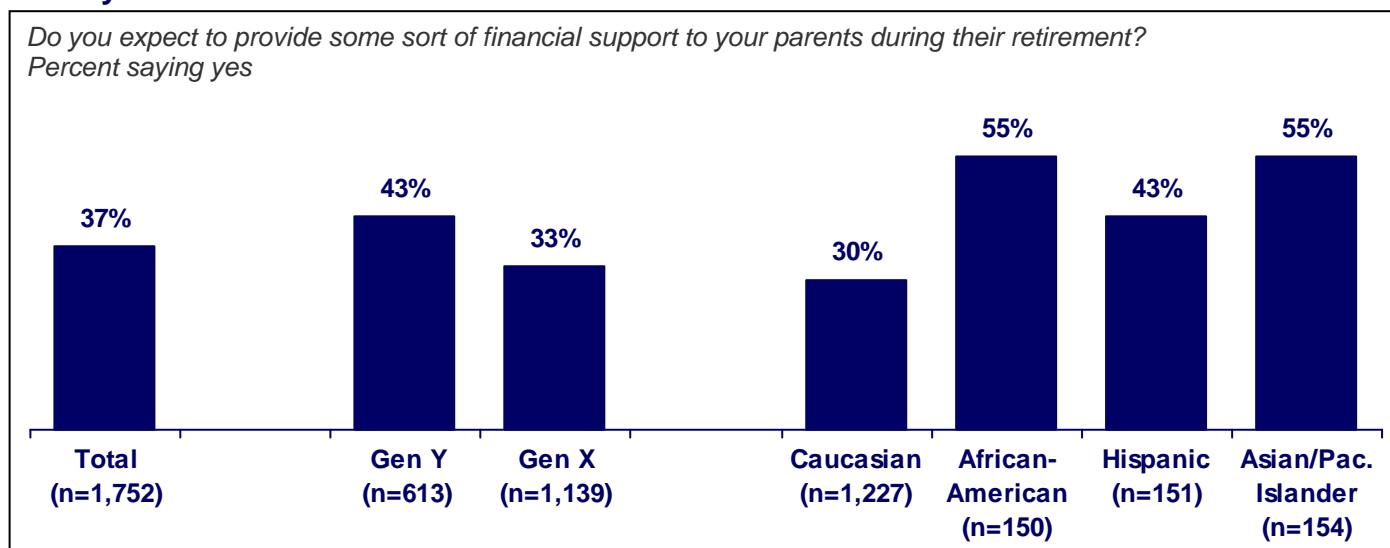
So why do they feel these objectives are harder to meet? Roughly two in ten young people say that the most significant difference between their generation and their parents' generation is the cost of living, including inflation (19%). Just as many mention that the biggest difference lies in retirement issues, including that there are fewer companies offering pensions and that they can not rely on Social Security and Medicare as their parents did (18%). Mentions of retirement-related issues as the largest generational difference, including fewer pensions and less reliance on government entitlement programs, are slightly more common among Gen Xers (19% compared to 15% of Gen Yers). Those with higher education (28% of those with a college degree or more) also more frequently cite this as the greatest difference between the generations (14% of those with less than a college degree).

Others believe that the primary difference is that their generation spends more and saves less (11%) and generally has more debt (9%). In addition, one out of ten feel that their parents' generation was more disciplined, saved more, started saving sooner and was simply smarter with their money (9%). This is especially interesting given that virtually all of these young people say they are "hard-working" (96%), more than four out of five respondents in this study describe themselves as "disciplined" (86%), and the majority say they do not have "expensive taste" (56%). Clearly, there is a disconnect between how these respondents describe themselves and the characteristics they ascribe to "their generation."

Moreover, even though many feel that their parents' generation is more disciplined when it comes to saving and spending, nearly four in ten young adults (37%) anticipate providing financial support to their parents during their retirement. However, a nearly equal share (34%) does not feel they will do this and 29% are understandably uncertain (Figure 16). Expectations that they will help their retired parents financially runs higher among Gen Yers (43%) than Gen Xers (33%), despite the fact that the older cohort would have parents further along in their retirement years. Perhaps indicative of key cultural differences, African-American respondents (55%) and Asian and Pacific Islander respondents (55%) are more apt than their White counterparts (30%) to say they will likely provide financial support to their retired parents. Expectations of providing financial support to retired parents are twice as likely among those who feel they will do better than their parents financially (47%) compared to those who feel they will not accumulate as much as their parents (22%). Interestingly, those who say they have gotten financial support from their families over the past year (43%) are more

inclined to say they will return the favor and help support their parents in retirement (compared to 35% who did not get family support within the year).

Figure 16: Expectations for Providing Financial Support to Retired Parents, by Generation and by Race



Views toward the Workplace & Benefits

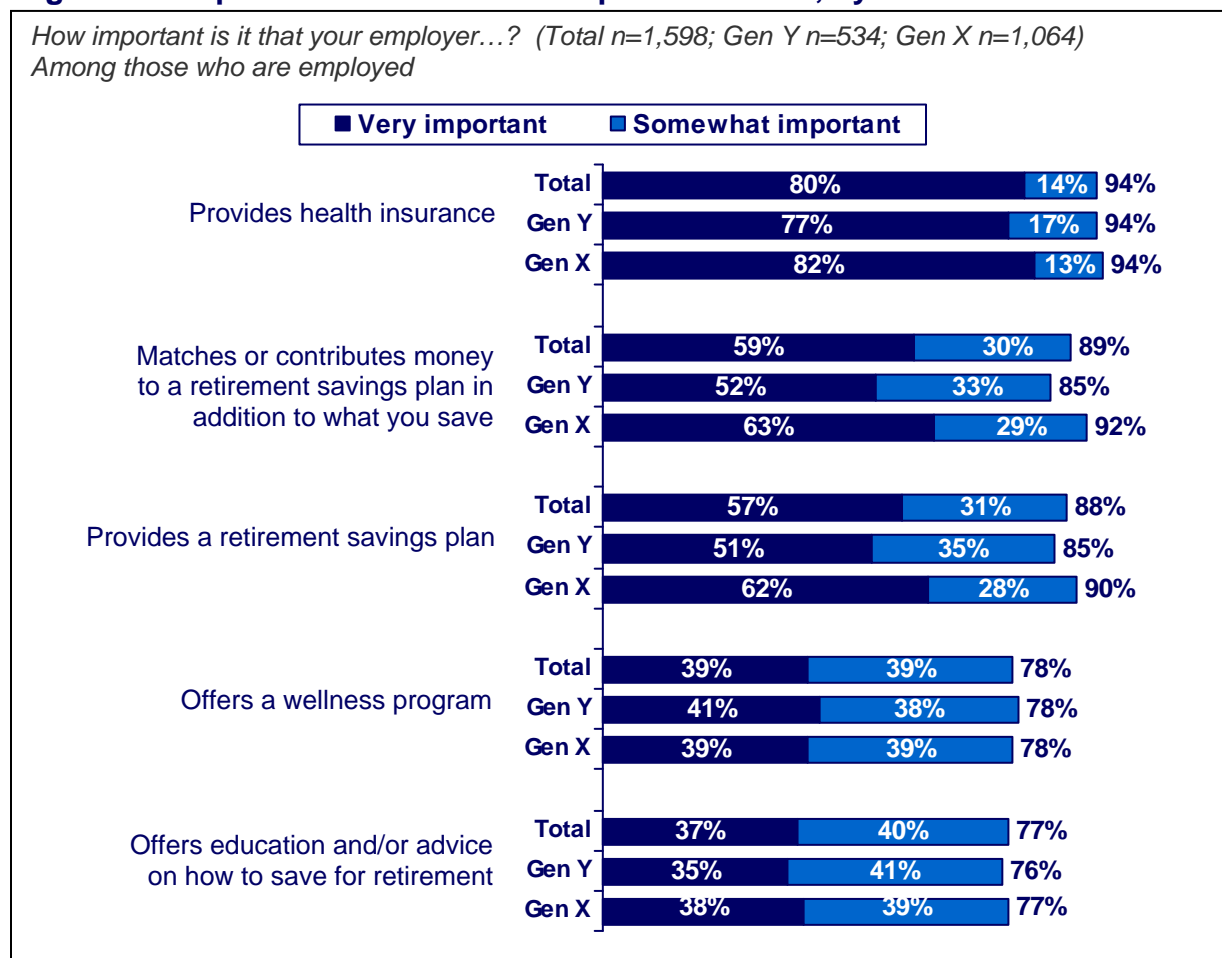
Young adults are not of one mind about whether employers “generally have their employees’ best interests at heart.” Overall, similar shares of respondents tend to agree (48%) and disagree (52%) with the statement, although relatively few hold extreme opinions (6% strongly agree, 14% strongly disagree). The younger Gen Y cohort (54%) is more likely than the older Gen X cohort (43%) to assume employers act with good intentions toward employees, perhaps indicating greater idealism among this younger group and in keeping with greater pessimism among Gen Xers.

Perhaps not surprisingly, young Americans are also split on the extent they feel their respective generation is committed to employers. Just under half (47%) agree that “people your age feel loyal to employers,” while a slightly larger share (53%) disagrees with this statement. There appears to be no difference between the generations on these views. However, compared to those in the oldest age group the youngest Americans are less apt to think their generation is loyal to employers (42% of those age 19-24 agree compared to 53% of those age 35-39), despite their greater propensity to ascribe good intentions to employers. Perceived loyalty to employers is higher among those without a college degree (55% for those with high school or less, 46% of those

with some college) compared to those with higher levels of education (36% of those with a bachelor's degree, 39% of those with a masters or higher degree).

Large majorities of employed young adults place a high value on having workplace benefits; at least three-fourths say it is important for their employer to offer each of the five benefits tested. The leading priority is health insurance, with 94% saying it is important for their employer to offer it, and 64% indicating it is their top priority among the five benefits evaluated in the survey (Figure 17).

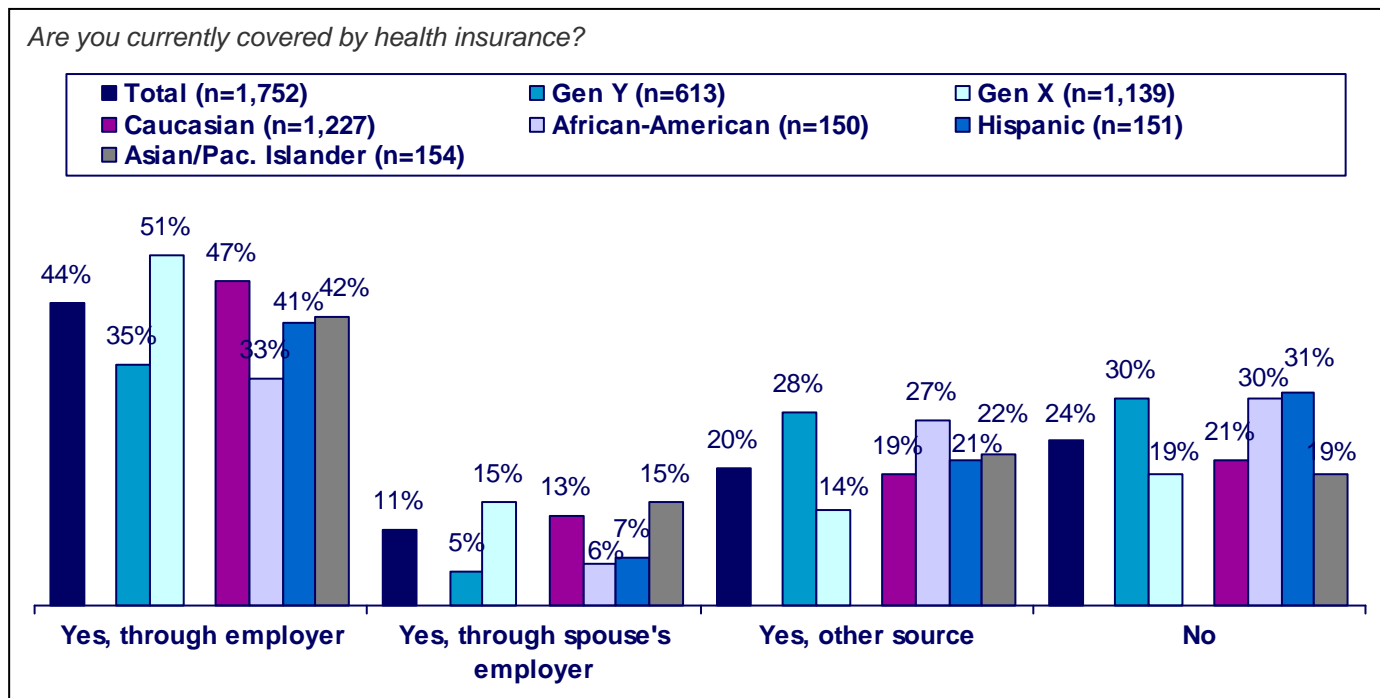
Figure 17: Importance of Certain Workplace Benefits, by Generation



Overall, about three-quarters of young Americans report they are currently covered by health insurance (75%), including 44% who are covered through their own employer's plan, 11% by that of their spouse's employer, and 20% through another source. Gen Xers are more likely than members of Gen Y to report being covered, especially through employer-provided medical plans; for example, coverage through their own employer (not through a spouse's employer) is at 51% among Gen Xers compared to 35% among

Gen Yers. White young adults (47%) are more apt than their African-American counterparts (33%) to report having health coverage through their job. Not surprisingly, likelihood of being covered by some type of health insurance increases with age, education, and income (Figure 18).

Figure 18: Health Insurance Coverage, by Generation and by Race

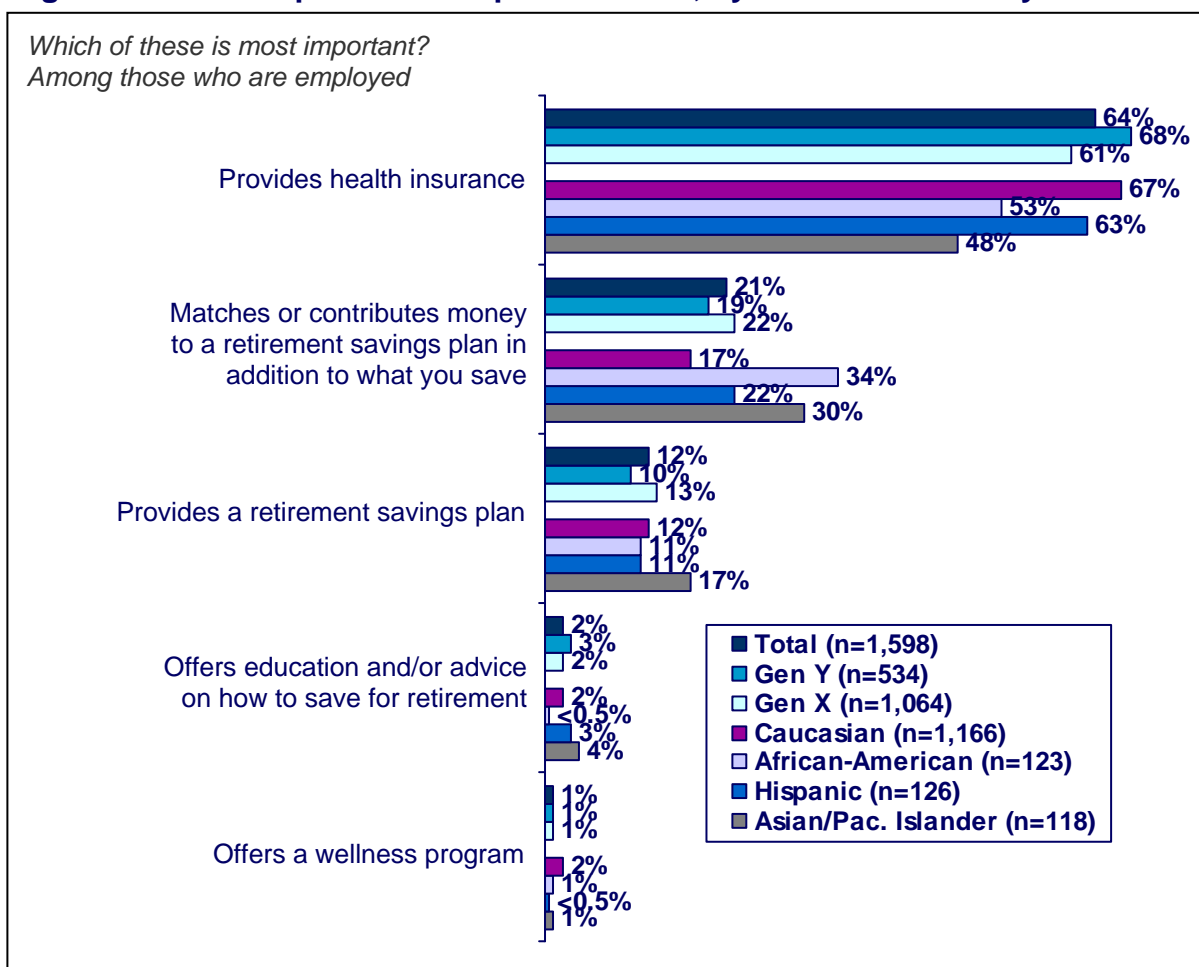


Nearly nine in ten report that having a retirement plan, as well as company matches or contributions to that plan, are important (88% and 89%, respectively). Gen Xers place a higher importance on company matches (92%) than do younger Gen Yers (85%). Similarly, those working 35 or more hours are more apt to value company matches (92%) than are those working fewer hours (80%). Overall, about one in five (21%) view company matches or contributions as the most important workplace benefit to offer, while 12% say providing the retirement plan itself is most important (Figure 19).

Although very few identify wellness programs or retirement planning education to be of top importance, there is substantial appreciation of these employer-provided benefits. Wellness programs and providing education and/or advice about saving for retirement are rated as important by 78% and 77%, respectively, though only one-third to 40% think they are very important (Figure 17).

Asian young adults are more apt than their White counterparts to rate each of the five workplace benefits as important. This difference is largest when it comes to offering education or advice on saving for retirement (90% important for Asian respondents, 74% important for White respondents). Compared to White young adults, Asian respondents (30%) are also more apt to identify company matches or contributions as most important (compared to 17% of White respondents), while they are less inclined to say health insurance is the most important employer-provided benefit (48% of Asian respondents, 67% of White respondents) (Figure 19).

Figure 19: Most Important Workplace Benefit, by Generation and by Race

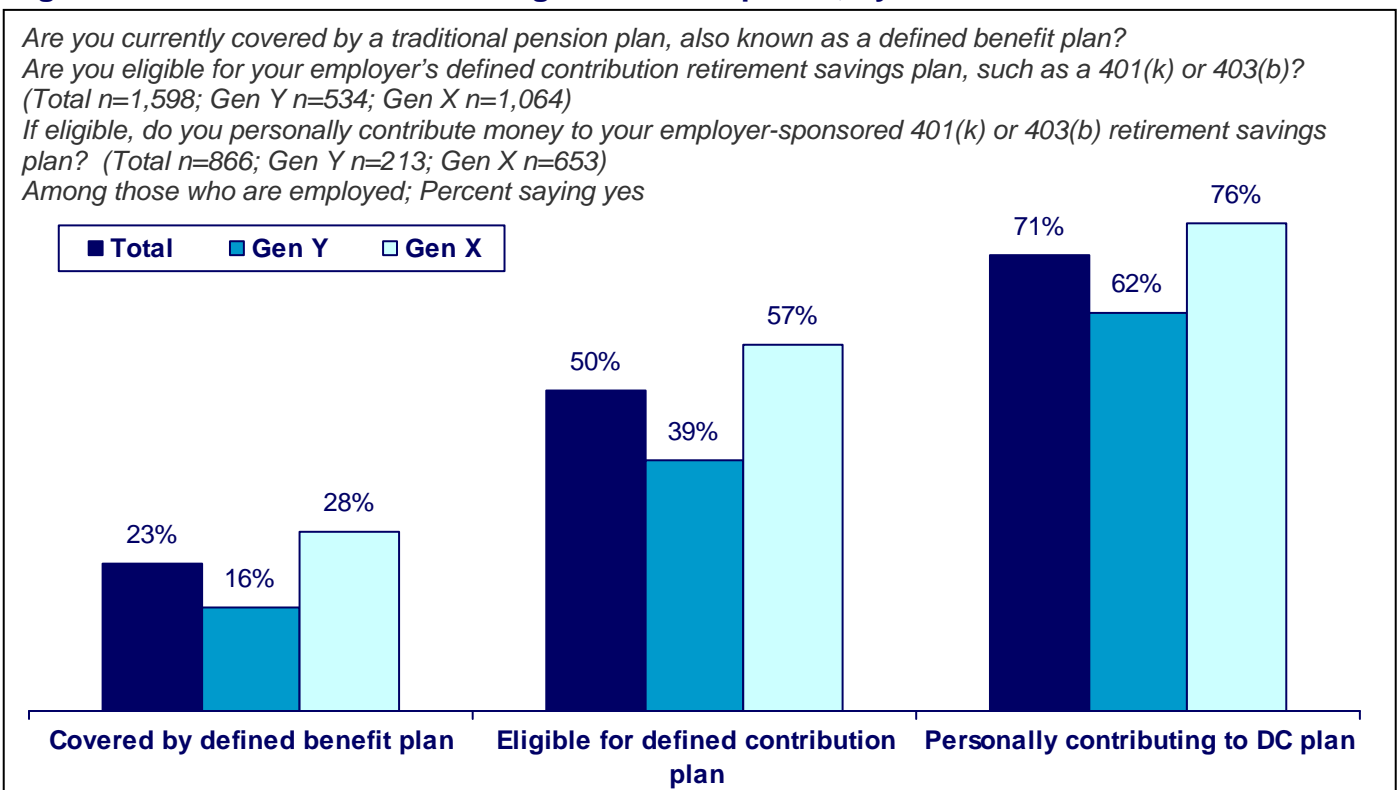


Workplace Opportunities to Save

Just under one-quarter of employed young adults believe that they are currently covered by a traditional or defined benefit pension plan (23%). About one in ten (10%) report that their employer has a defined benefit plan available, but they are not covered. Coverage by a defined benefit plan generally goes up with age and income. Among the segments with higher-than-average coverage by a defined benefit plan are those with incomes of \$80,000 or more (42%) and those with higher educational levels (32% for those with a bachelor's degree, 37% for those with a masters or higher) (Figure 20).

Young adults in the workplace are twice as likely to be eligible for their employer's defined contribution retirement savings plan, such as a 401(k) or 403(b) (50%) compared to being covered by a defined benefit program (23%). A small share (9%) reports that a defined contribution plan is available at their job, but they are not eligible. Overall, seven in ten (71%) of those eligible to participate report they contribute money to their employer-sponsored defined contribution plan.

Figure 20: Retirement Plan Coverage and Participation, by Generation



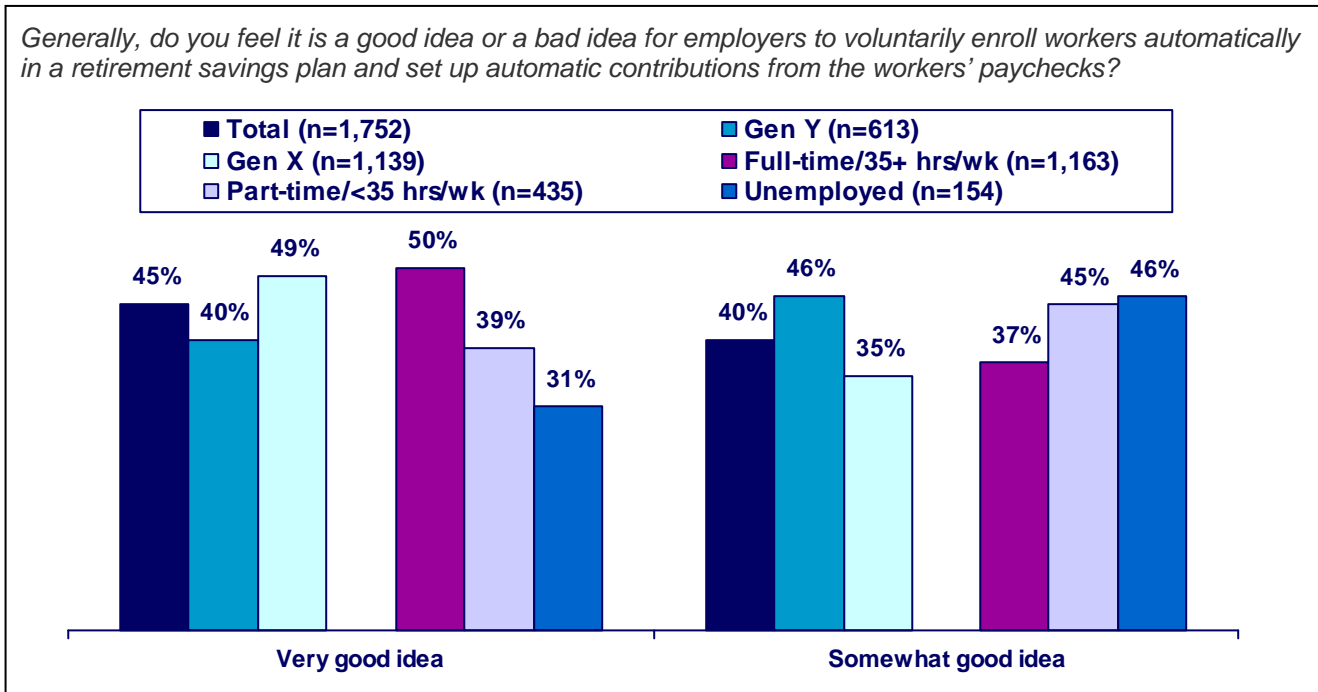
Gen Xers (57%) are more likely than the younger Gen Yers (39%) to be eligible for a defined contribution plan, and when eligible, they are also more apt to be active participants (76% of eligible Gen X workers contribute money compared to 62% of Gen Y workers). Moreover, plan participation is higher among those in older generations. Among those eligible, Gen Yers and Gen Xers (71%) are less likely than Retirement Confidence Survey (RCS) respondents age 40 or older (83% of non-retirees) to report contributing money to their 401(k)-type plans.

Both eligibility and participation in a 401(k) or 403(b) plan generally increases with education and income. Among those eligible to contribute to a defined contribution savings plan, participation rates are especially high among the following segments: those age 35 to 39 (80%); those with an educational level of Master's degree or higher (88%); and those with incomes of \$80,000 or more (89%). Interestingly, young African-Americans in the workforce (63%) are more apt than their White (49%) or Hispanic counterparts (43%) to report being eligible for a defined contribution plan.

It should be noted there is a small, but not insignificant minority of young workers who are unfamiliar with their employer-provided retirement benefits. For example, 13% overall (19% of Gen Yers) are not sure whether they are covered by a traditional pension plan. On the defined contribution side, 10% overall (17% of Gen Yers) do not know whether or not they are eligible for their company's 401(k) or 403(b).

With less than optimal participation rates and evidence of some unfamiliarity with their retirement benefits, most young people welcome having employers take a more active role to encourage employees to contribute to employer-sponsored retirement savings plans. Overall, 85% of respondents think it is a good idea for employers to voluntarily enroll workers automatically in a retirement savings plan and set up automatic contributions from workers' paychecks. Half of Gen Xers are strong supporters (49% think this is a very good idea), significantly more than the 40% of Gen Yers who strongly favor this approach. Those working full time are more apt to say it is a very good idea (50% of those working 35 or more hours per week) compared to those working fewer hours (39%) or not at all (31%) (Figure 21).

Figure 21: Favor or Oppose Automatic-Enrollment into Retirement Savings Plans, by Generation and by Number of Hours Worked Per Week

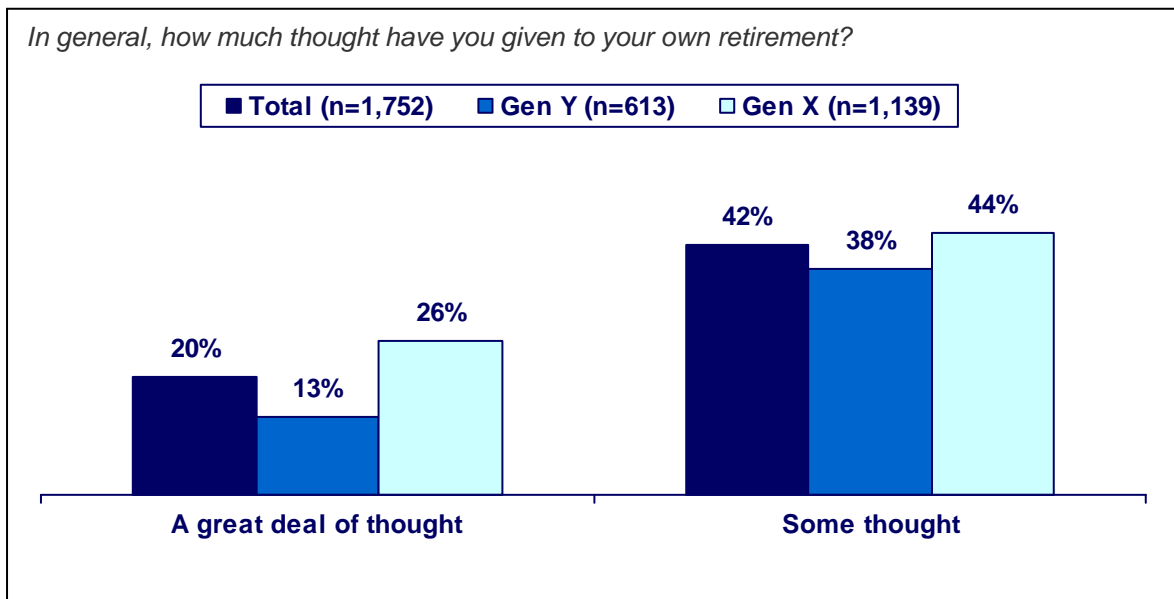


Retirement Mindset

A majority of young Americans have begun to think about what retirement will mean for them. Over six in ten report they have given at least some thought to their own retirement (62%), including 20% who say they have given the matter a great deal of thought. Only 9% report they have not thought about it at all. Gen Xers (70%) are considerably more likely than younger Gen Yers (51%) to have given some thought to their retirement situation. As income and education increases, so does respondents' propensity to think about their own retirement (Figure 22).

In addition, young people who are covered by an employer-provided retirement plan (77%) or who have health coverage at their job (71%) are more likely than those without these benefits (49% among those without a retirement plan; 58% among those without health coverage) to have given some thought to their own retirement. It may be that these workplace benefits promote more long-term thinking about their retirement future or that young workers who have that mindset already are more apt to seek jobs with these benefits.

Figure 22: Thought Given to Own Retirement, by Generation



A majority of young adults expect that they will retire between the ages of 60 to 69 (58%). Much smaller shares expect to keep working at their primary occupation until they are in their seventies (18%) or eighties (3%). About 17% overall envision early retirement in their fifties (17%) or at an earlier age (5%). Gen Xers are slightly more inclined than members of Gen Y to anticipate an older retirement age; 21% of Gen Xers estimate they will retire between the ages of 70 to 79, whereas just 13% of Gen Yers believe they will retire in their seventies. In particular, expectations of postponing retirement until they are in their seventies are greater than average among those age 35 to 39 (26%). In contrast, African-American young adults are more likely than average to anticipate retiring quite young, that is, before age 50 (21% compared to 5% for the total).

The Gen Yers and Gen Xers in this study (ages 19 to 39) offer estimates of their expected retirement age that are similar to those in older generations. The 2007 Retirement Confidence Study (RCS) found that six in ten non-retirees age 40 or older (59%) anticipate retiring between the ages of 60 and 69, which is nearly identical to the 58% of Gen Yers and Gen Xers in this study who estimate their retirement age will fall within that range. Although this study's younger adults (22%) are more inclined to anticipate that their retirement will come before age 60 (compared with 13% of RCS's non-retirees age 40 or older), relatively equal shares of younger (20%) and older respondents (17%) plan to retire at age 70 or older.

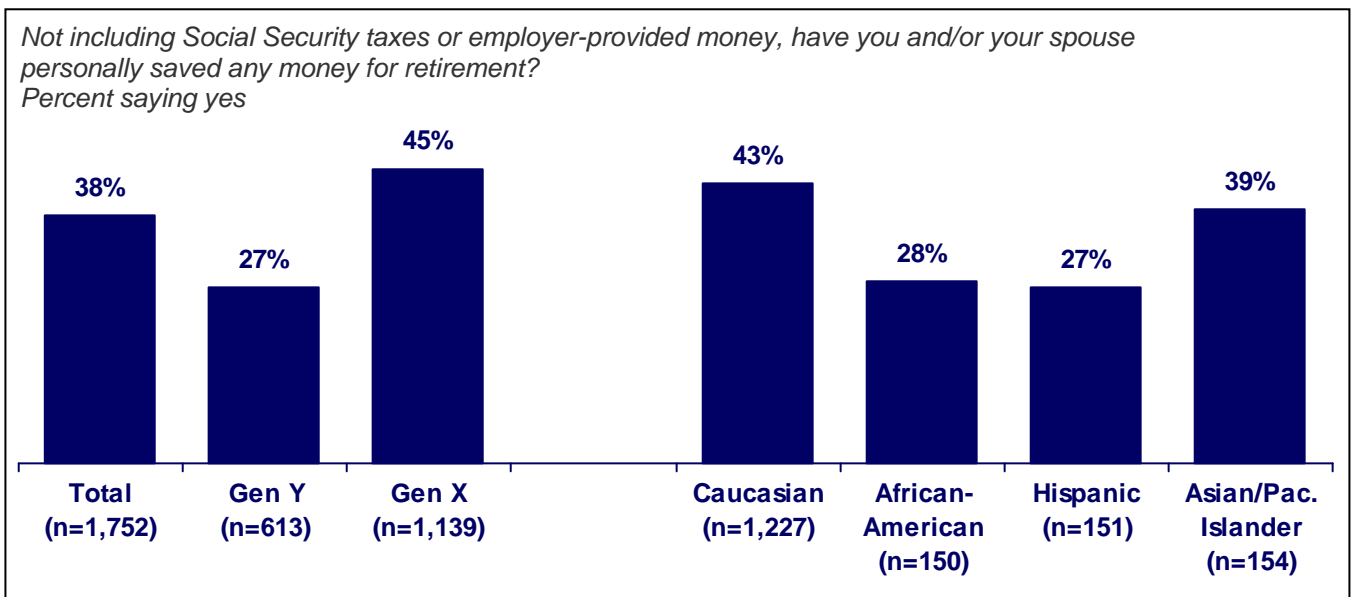
There are no differences in Gen Yers' and Gen Xers' estimates of how long they expect to live – seven in ten (70%) think they will live eighty plus years, including 26% who anticipate living beyond ninety years of age. Twenty-one percent expect to live into their seventies and only 8% think they will die before reaching their seventh decade. Interestingly, African-American respondents are less likely than average to feel they will live into their eighties (25% compared to 44% of the total), yet the share of African-American respondents who expect to reach their 100th birthday (14%) exceeds the comparable shares for White (5%) and Hispanic (4%) respondents.

With a median estimated retirement age of 65 and median estimated life expectancy of 80, these young Americans estimate that they will spend approximately 15 years in retirement.

Retirement Saving and Expectations

For many young adults, thinking about their own retirement does not translate into taking action to fund it. Nearly four in ten report that they or their spouse have personally saved any money for retirement, not including Social Security taxes or employer-provided money (38%). Gen Xers (45%) are more likely than Gen Yers (27%) to have started saving for retirement. As age, education or income increase, so does likelihood of saving for retirement. White young adults (43%) are more likely than African-Americans (28%) or Hispanics (27%) to have started saving for retirement (Figure 23).

Figure 23: Retirement Savings, by Generation and by Race



It is important to note that Figure 23 reflects all respondents, whereas Figure 20 shows only employed respondents. One possible reason for the difference in results is the interpretation of “employer-provided money.” Another possibility is that the unemployed respondents may have brought down the share reporting they have saved for retirement.

Not surprisingly, young people who are working full time (43%) are more likely to have started saving than those who are working less than 35 hours per week (30%) or who are unemployed (23%). One would think that all who say they are contributing to a 401(k) or 403(b) plan are saving for retirement, but in fact only 67% of this group report they have saved money for retirement, suggesting that some may not view this money as retirement savings, perhaps planning to divert money they are accumulating in their employer-sponsored retirement plan to other more immediate financial goals, such as buying a house or college funding.

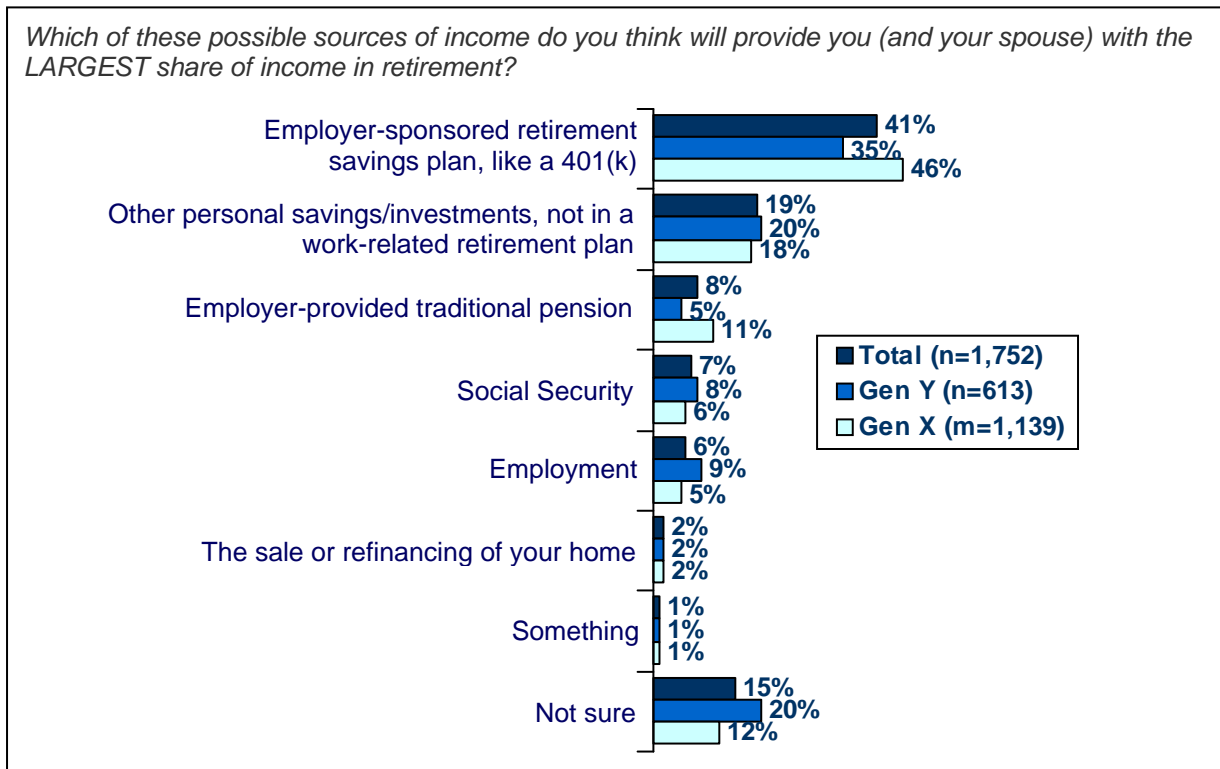
Compared to the older generations surveyed in the 2007 Retirement Confidence Survey (RCS), young adults are, perhaps expectedly, far less likely to report that they (or their spouse) are personally saving money for retirement, excluding Social Security taxes and employer-provided money. The 38% of respondents in this study who report having saved is only about half of that found among the non-retirees age 40 or older surveyed in RCS (71%).

When asked to identify what they expect to be the largest source of their income in retirement, young adults most often point to employer-sponsored defined contribution retirement savings plans (41%), followed by other personal savings or investments not in a work-related retirement plan (19%). Few expect to rely primarily on an employer-provided traditional pension plan (8%), Social Security (7%), or continuing to work (6%). An even smaller share (2%) plans on selling or refinancing their home to produce a major source of income in retirement. Members of the Gen X cohort are more apt than Gen Yers to anticipate depending primarily on employer-based funding sources, both defined contribution plans (46% of Gen Xers, 35% of Gen Yers) and defined benefit plans (11% of Gen Xers, 5% of Gen Yers). As might be expected, those who have incomes of \$80,000 or more (57%) and college graduates (53%) are more likely than others to expect that defined contribution plans will be the biggest source of their income in retirement (Figure 24).

Young adults in this study are far more likely than those in older generations to expect that an employer-sponsored defined contribution retirement savings plan will serve as their largest source of income in retirement. The 2007 Retirement Confidence Survey data revealed that one-quarter of non-retirees age 40 or older (26%) anticipate that a 401(k)-type plan will provide them with the largest share of income in retirement, whereas four in ten young adults in this study (41%) predict that such a plan will provide them with the most retirement income. By comparison, employer-provided traditional pension or defined benefit plans are mentioned nearly twice as often by those in older generations (15% of RCS non-retirees age 40 or older) as by young adults in this study (8%) as the largest share of their retirement income.

Similarly, the younger Gen Yers and Gen Xers (7%) are far less likely than their older RCS counterparts (17%) to indicate that Social Security will provide them with the largest share of income once they retire. Still, younger adults are just as likely (19%) as the older non-retirees surveyed in the 2007 RCS (22% age 40 or older) to anticipate that other personal savings, such as individual IRAs, mutual funds, or annuities, will serve as the largest source of income for them in retirement.

Figure 24: Expected Largest Source of Income Once Retired, by Generation



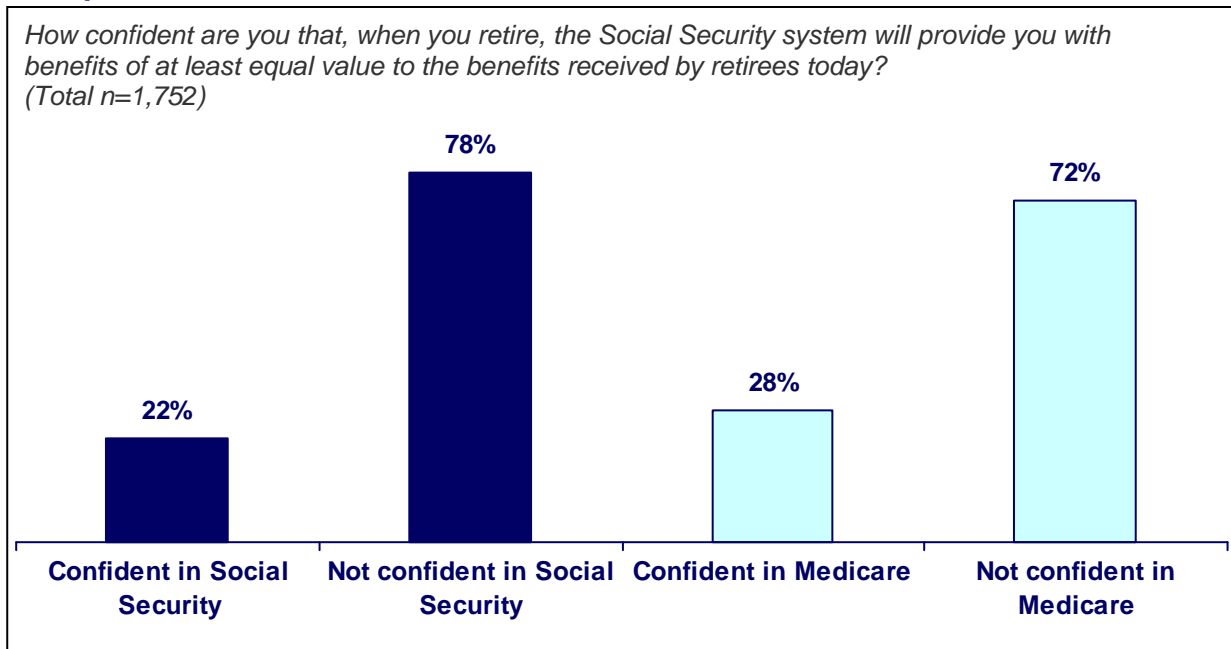
In general, young Americans express low levels of confidence in the ability of both the Social Security and Medicare systems to deliver to them benefits of at least equal value to the benefits that retirees receive today. Only 22% say they are very or somewhat confident that they will receive comparable Social Security benefits when they retire; 44% are not too confident and 34% report being not at all confident. The percentage breakdown is similar for confidence in Medicare benefits: 28% are confident that Medicare will be able to deliver comparable benefits, while 72% are not, including 28% who are not at all confident (Figure 25).

Interestingly, members of the younger Gen Y tend to be more optimistic than Gen X respondents about both of these government programs. Twenty-seven percent of Gen Yers feel Social Security will come through for them with comparable benefits compared to 19% of Gen Xers. Similarly, 35% of Gen Yers expresses this level of confidence in Medicare's ability to deliver comparable benefits compared to 23% of Gen Xers.

In general, young adults express more skepticism about receiving Social Security and Medicare benefits than those who are older. Just over one-third of the non-retirees age 40 or older surveyed in the 2007 Retirement Confidence Survey (RCS) (35%) describe themselves as at least somewhat confident that the Social Security system will provide them with benefits of at least equal value to the those received by retirees today. This is notably more than the 22% of younger respondents in this study who are optimistic.

The same trend holds true when examining outlooks for receiving Medicare benefits. Those in the older generations (41% of RCS's non-retirees age 40 or older) are significantly more likely than those in the younger generations (28% of respondents in this study) to feel either somewhat or very confident that they will receive Medicare benefits equal to what is provided to retirees today.

Figure 25: Confidence in Social Security's and Medicare's Ability to Provide Comparable Benefits

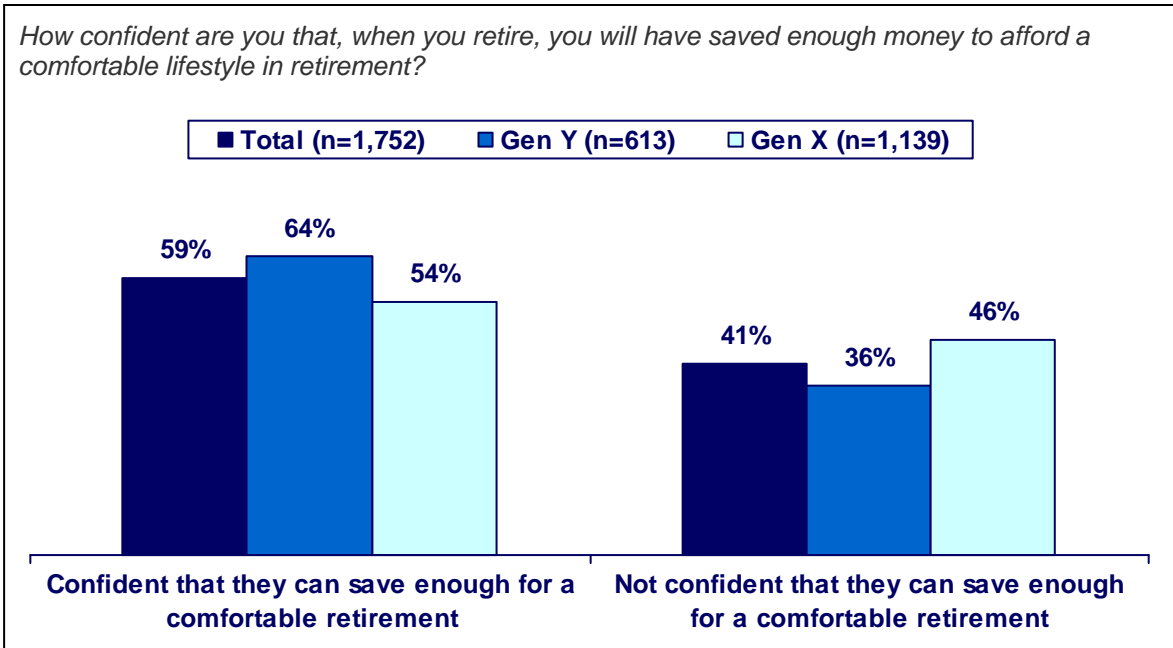


In contrast to their skepticism about being able to count on key government programs to provide them with benefits, young Americans are more sanguine about their own ability to step up and save enough for retirement. Nearly six in ten (59%) feel confident that, when they retire, they will have saved enough to afford a comfortable lifestyle in retirement. This includes 11% who are very confident in their ability to do this. Again, the Gen Y cohort (64%) expresses a higher level of confidence than Gen X (54%). Appropriately, confidence runs higher among those who have started saving for retirement (68%) compared to those who have not (53%). Other segments with higher-than-average confidence in their own ability to save enough for retirement include respondents with incomes of \$80,000 or more (75%) and those with higher levels of education (67% of those with a bachelor's degree, 72% of those with post-graduate education) (Figure 26).

Still, younger people are generally less optimistic than older generations about their ability to save enough for a comfortable retirement. Although six in ten young adults (59%) feel either somewhat or very confident that they can save enough for retirement, this is a significantly smaller share than the seven in ten Retirement Confidence Survey (RCS) respondents age 40 and older (69%) who express the same degree of confidence.

In fact, RCS's respondents (26% of non-retirees age 40 or older) are especially likely to say they feel "very" confident in their ability to save enough for a comfortable retirement compared to young adults in this study (11% of whom feel "very" confident).

Figure 26: Confidence in Ability to Save Enough for a Comfortable Retirement, by Generation



Financial Education and Literacy

Young Americans do not feel very knowledgeable about several critical financial tasks. In fact, young Americans are likely to admit they know more about their iPod (40% very knowledgeable) than how to file their taxes (26%), buy a home (21%), invest outside of the workplace (15%), and save for retirement (15%). As might be expected, higher levels of education increase propensity for feeling knowledgeable about these matters (Figure 27).

A strikingly low proportion of young Americans (15%) feel very knowledgeable about saving for retirement. Men (18%) are slightly more inclined than women (11%) to report higher degrees of retirement saving knowledge. Others who are especially likely to feel knowledgeable about retirement saving include higher income individuals (29% of those with incomes of \$80,000 or more), those with at least a master's degree (25%), and full time employees (17%). Predictably, young adults who have any type of retirement plan coverage (19%) are more apt than those without a retirement savings plan (12%) to express a higher degree of retirement saving knowledge. Financial independence may also contribute to retirement saving know-how, as nearly two in ten financially independent young adults (18%) report being very knowledgeable about saving for retirement, compared to one in ten among those who do not consider themselves independent (10%). Within the population of younger Americans, Gen Xers (66%) are more likely to say they have at least some knowledge regarding retirement savings (compared to 57% of Gen Yers).

Although many young Americans express a lack of faith in the Social Security system's ability to provide them with benefits comparable to what retirees receive today, few feel they are knowledgeable about how it truly functions. A stark 14% claim to be very knowledgeable about how the Social Security system works, with no differences between the generations. Of note, African-Americans (21%) are more apt to say this than Asians or Pacific Islanders (9%). Again, the higher educated claim a better grasp of the Social Security system, as two in ten young adults with at least a master's degree (21%) say they are very knowledgeable, in contrast to one in ten with less education (13%).

Overall, just one-quarter in this population say they feel very knowledgeable about how to file their taxes (26%). In keeping with the other tasks examined, education influences one's tax filing knowledge, as young adults who have obtained at least a master's

degree (35%) are more knowledgeable about filing taxes than are bachelor's degree recipients (26%) or individuals who have a high school education or less (23%). Additionally, those who say they are saving for retirement report a higher degree of tax filing knowledge (32%) than their counterparts who are not saving for retirement (23%).

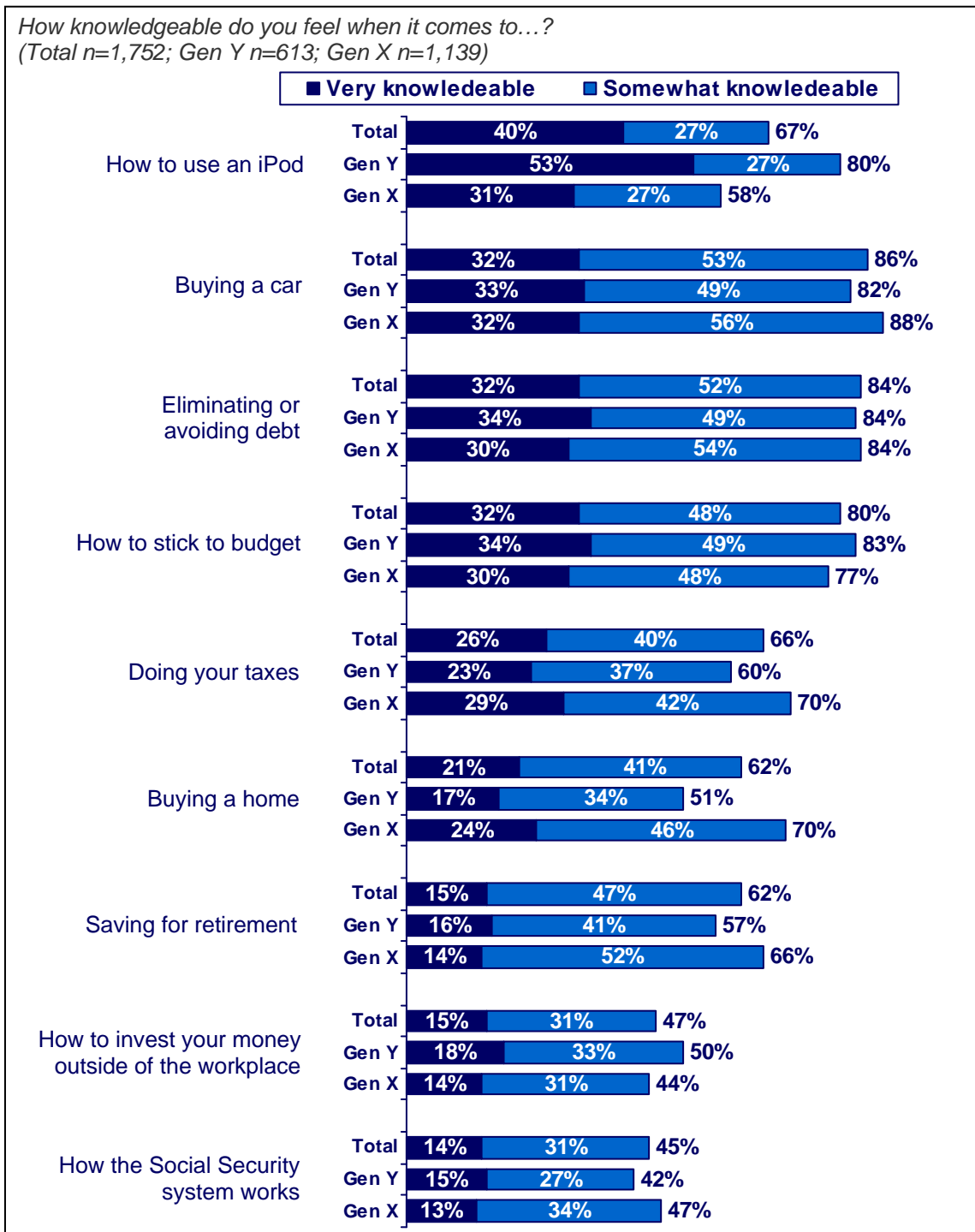
A low percentage of young Americans in both generations – about one in seven – describe themselves as very knowledgeable when it comes to investing outside the workplace (15%). Men (20%) are significantly more likely to say this than women (11%). Expectedly, individuals who are debt-free (26% of those without non-mortgage debt) report higher levels of investing know-how than those with non-mortgage debt (14%), as do those who say they save on a regular basis (22% of savers, 9% of non-savers). Young people with incomes of \$80,000 or more are particularly inclined to feel knowledgeable about investing, although even within this higher income population, only 27% call themselves very knowledgeable.

Only three in ten young adults describe themselves as very knowledgeable about eliminating or avoiding debt or sticking to a budget (32% each). Young adults who earn at least \$80,000 are among the most knowledgeable when it comes to avoiding or eliminating debt. Furthermore, financially independent individuals (38%) are more likely than those who are not (23%) to claim that they are very knowledgeable concerning sticking to a budget. This also rings true for savers (41%), who are almost twice as likely as their counterparts who do not save (22%) to state they are very knowledgeable regarding budgeting.

Although four in ten of all young people surveyed report owning their primary residence (42%), only 21% describe themselves as very knowledgeable about buying a home. Significantly more so than Gen Yers, half of Gen Xers report owning a home (54% of Gen Xers, 26% of Gen Yers). As such, members of this older generation tend to report higher home buying expertise than Gen Yers (24% of Gen Xers, 17% of Gen Yers). Not surprisingly, reported home-purchasing acumen increases with income.

Possibly resulting from this lack of financial knowledge, most young Americans feel anxious about their finances. Making decisions about money creates anxiety among two-thirds of these young cohorts (65%). Women (69%) are more apt than men (61%) to express anxiety about financial decision-making, as are young adults who are not financially independent (70% compared to 61% of financially independent respondents).

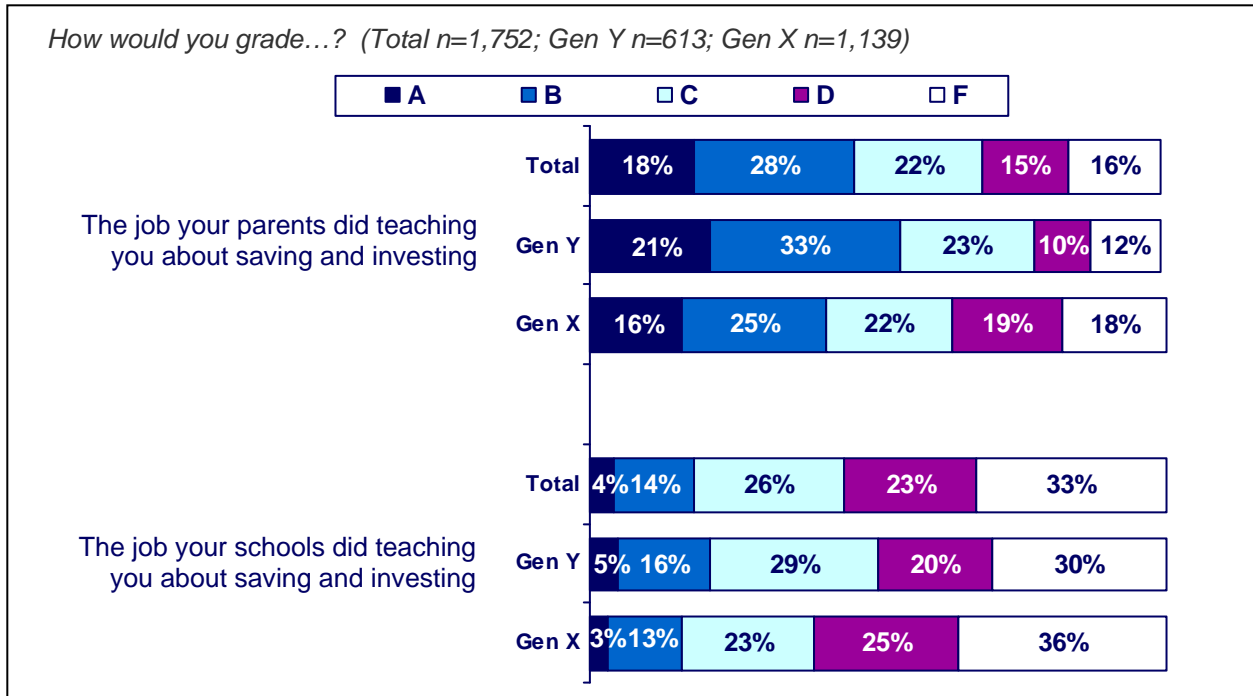
Figure 27: Knowledge about Specific Financial Tasks, by Generation



What young adults do know about saving and investing is clearly attributed more to parents, than to schools. Nearly half of young Americans grade their parents an A or B in terms of how well they taught them about saving and investing (47%). These young adults are not so generous when grading schools (18% receive an A or B). Evidently,

young people do not feel their schools prepared them for the financial world, as 56% assign a grade of D or F to their school system. Gen Yers (55%) are significantly more likely than Gen Xers (41%) to award their parents an A or B grade. Interestingly, those who are saving in general (54% of savers) and saving for retirement (54% of retirement savers) are especially likely to give their parents high marks for the financial education they provided (compared to 39% and 41% of non-savers, respectively) (Figure 28).

Figure 28: Grades for Parents and Schools, by Generation



When quizzed on actual investment concepts, sizable shares of young Americans demonstrate accurate knowledge of the principles tested and relatively few provide incorrect answers. What is surprising, however, is that many are unwilling even to venture a guess, acknowledging that they are “not sure” of the correct response.

If you buy a company’s stock, you own part of the company. Most young adults surveyed understand this basic concept (57%). However, regardless of generation, two in ten young Americans are unsure what it means to purchase a company’s stock (22%) and a like share answer incorrectly (20%). As education level rises, so does knowledge of this concept, although income appears to have no affect on the ability to answer this question correctly. For this question, and all but one other financial literacy question, men are more likely than women to provide the correct answer.

When asked which investment vehicle has historically generated the best annual returns, just over one-quarter of young Americans correctly identify stocks (28%). By comparison, nearly four in ten say they are unsure (38%). Knowledge of which vehicle produces the most favorable returns increases as income and education level increase.

At the same time, two-thirds understand that riskier investments tend to provide higher returns than investments with less risk (65% answer correctly). Still, two in ten overall refuse to even guess (19%). Unlike the other literacy questions, men and women are equally likely to provide the correct response to this.

Even though most understand that riskier vehicles tend to lead to higher returns, the majority demonstrate that they do not know what sort of return to expect. Asked what is a reasonable rate of return that can be expected from a diversified U.S. stock mutual fund over the long run, one-quarter of the young adults correctly estimate 10% (25%). One in twelve are more conservative in their guess and estimate the average return is 5% (12%). In these circumstances, underestimation is safer than guessing too high, as was the case for the 22% who would expect a return of 15%, 20% or even 25%. Those with higher incomes (44% of those with incomes of \$80,000 or more) are more likely to accurately benchmark the average return at 10% (compared to 18% of those with incomes under \$30,000). Most notable, however, is that four in ten overall enter a response of “not sure” (41%). Gen Xers (28%) are more likely to answer correctly (compared to 20% of Gen Yers), while nearly half of Gen Yers are uncertain (46%, compared to 36% of Gen Xers).

A similar share understands the relationship between interest rates and bond prices. One-quarter (24%) know that when interest rates are lowered, bond prices rise. Yet, another four in ten are unsure (40%). Again, women demonstrate less investment know-how than men on this question. Degree of education obtained also signifies a better grasp of this concept, with understanding increasing as education level rises. Interestingly, understanding of bonds and interest rates does not appear to be influenced by income. Those who are employed are more apt to know that bond prices go up when interest rates decrease, as are those who save generally or who have any type of retirement plan.

Although many feel less than knowledgeable when it comes to filing their own taxes, most understand the tax implications of certain financial actions, although sizable portions remain uncertain. Specifically, two-thirds of both generations understand that

interest earned in a bank savings account is subject to federal income taxes (66%), that interest paid on credit cards is not tax deductible (68%), and that interest paid on a mortgage is tax deductible (67%). Fewer young Americans know that money withdrawn from a traditional 401(k) plan upon retirement is subject to federal income taxes (59%).

Knowledge of these tax implications rises with income and educational attainment. Other groups that emerge as more likely to know about the tax treatment of interest earned in or paid on bank savings accounts, credit cards, mortgages, and 401(k) accounts include: Gen Xers, men, full-time workers, retirement savers, and homeowners. Also, of note, Caucasians (71%) and Asians or Pacific Islanders (74%) express higher knowledge of the tax treatment of interest earned in bank savings accounts compared to African-Americans (55%) and Hispanics (58%). Not surprisingly, given their current experience with the issues, young people who have non-mortgage debt are more likely than those without debt to be aware that credit card interest is not tax deductible.

Some of the questions designed to gauge financial literacy replicated questions used in the 2003 Financial Industry Regulatory Authority's (FINRA's) Investor Literacy survey, conducted among 1,086 investment decision-makers ages 21 to 69 who had completed at least one stock, bond, or mutual fund transaction within six months of participating in the survey. When comparing FINRA's results to the findings of this study, it becomes clear that financial literacy increases with experience. The investors in FINRA's study are significantly more likely than the young adults in this study to provide the correct response to each of these questions. In both studies, similar shares of respondents offer incorrect answers. However, for each of the five investment concepts tested, experienced investors are significantly less likely to say they are uncertain of the answer. This suggests that with more experience (i.e., having made a recent transaction and/or being the household investment decision-maker) comes greater investment knowledge. For the respondents in this study, theoretically, that means that with more experience their responses should change from "not sure" to correct.

Despite their admitted lack of knowledge about key aspects of personal finance and relatively low scores on financial literacy questions, six in ten young people say that they sometimes offer financial advice to others (60% at least somewhat agree). Those with incomes of \$50,000 or more (67%) and those with their master's degree or higher education (75%) are especially likely to agree that they occasionally offer advice to

others (compared to 55% of those with incomes under \$50,000 and 59% of those with less than a master's degree).

Sources of Financial Advice

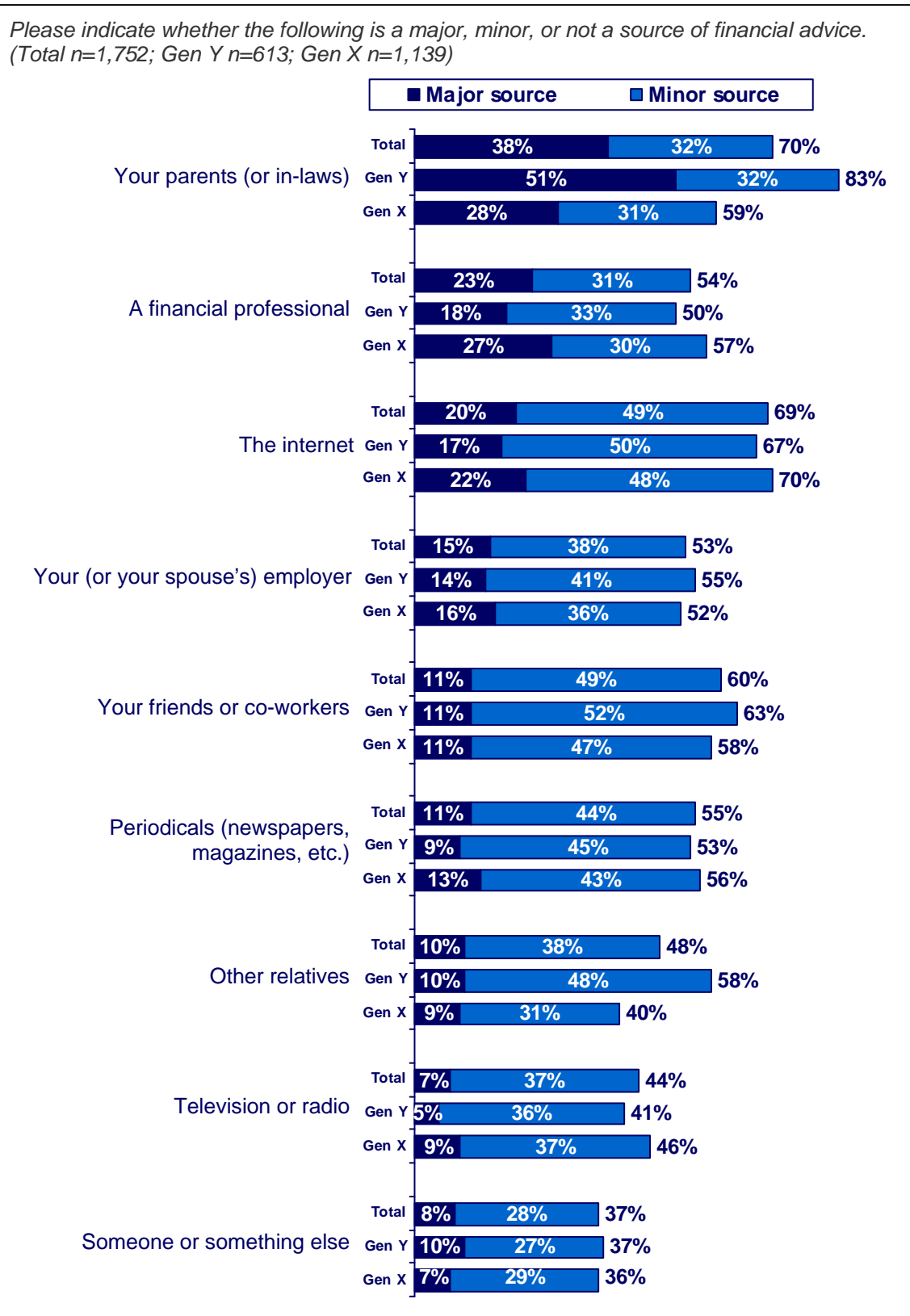
Given that many of these young people express feelings that their parents' generation is more financially savvy than their generation, it's not surprising that seven in ten young adults say they turn to their parents or in-laws for financial advice (70% say parents are a major or minor source of advice), and more than one-third say their parents are their primary source of such advice (36%). Nearly half say they turn to other relatives as well (48%). Younger respondents, those in Gen Y (50%), are nearly twice as likely as those older than them (26%) to cite their parents as their primary source. By comparison, six in ten suggest that their friends or co-workers are at least a minor source of financial advice (60%), though far fewer cite their peers as their primary source (5%) (Figure 29).

These young Americans also get financial advice from the internet and the media. Just as many say they search the internet for financial guidance (69% cite the internet as a major or minor source) as say they consider their parents a source of advice. However, far fewer indicate that the internet is their primary source of financial advice (16%). Likewise, although sizeable shares identify periodicals, including newspapers and magazines (55%), and television and radio (44%) as at least a minor source of financial advice (55%), few turn to broadcast or print media as a primary source of financial guidance (5% say periodicals are primary source, 2% say TV or radio).

Slightly more than half report that they use a financial professional to obtain advice about their finances (54% say this is a major or minor source of advice). One-quarter say a financial professional serves as a major source of advice for them (23%), and two in ten say a professional is their primary source of financial guidance (20%), second only to parents. Members of Gen X (27%) are considerably more inclined than Gen Yers (18%) to report that a financial professional is a major source of advice for them. Accordingly, they are also more likely to say a professional serves as their primary advisor (23% of Gen Xers, 15% of Gen Yers). Predictably, likelihood of citing a financial professional as one's primary source of advice is especially high among those with higher income and education. Homeowners (25%) are also more apt to name a professional as their primary source of financial advice (15% of non-homeowners). A like share cite their (or their spouse's) employer as at least a minor source of financial

advice (53%), though employers are much further down the list of primary sources (just 7% cite employers as their primary source of financial advice).

Figure 28: Sources of Financial Advice, by Generation



Demographic Profile of Respondents

Figure 30 describes selected demographic characteristics of the survey respondents. Half of the respondents are male (50%).

The young adults who comprise the respondents of this study range in age from 19 years old to 39 years old and represent two generations of younger Americans. In total, three in ten respondents are ages 19 to 24 (29%), and 13% are ages 25 to 27. Roughly one-third range in age between 28 and 34 (34%) and one-quarter are 35 years old to 39 years old (25%). The median age of the respondents is 29.

The majority of respondents are White or Caucasian (60%). Two in ten are of Hispanic, Spanish, or Latino heritage (19%) and twelve percent are Black or African-American. One in twenty respondents are Asian or Pacific Islander (5%). Two percent report that they are of some other race or ethnicity.

About four in ten respondents (38%) have a high school education or less. One-quarter have some college or technical training beyond high school but have not completed either an associate's or bachelor's degree (25%). One in ten have an associate's degree (10%), and nearly twice as many have a bachelor's degree (19%). Eight percent of the young people who participated have a master's degree or further education. Not surprisingly given their ages, those in the older Gen X cohort are more likely to have achieved higher education. For example, Gen Xers are more likely to have their bachelor's degree (22% of Gen Xers, 15% of Gen Yers) and are more likely to have their master's or another post-graduate degree (12% of Gen Xers, 3% of Gen Yers).

Four in ten respondents (41%) are currently married and an identical share are single, never married (41%). One in ten report that they are unmarried, but currently live with a partner (11%). Four percent are divorced and 1% of respondents are currently separated. Additionally, just shy of half of the young adults surveyed say that they have at least one child under the age of 18 (45%); Gen Xers (60%) are more than twice as likely as the younger Gen Yers (25%) to have children.

Two-thirds of respondents indicate that they are currently employed full time (65%); sixteen percent say they are employed part time. One in twenty are self-employed, either full or part time (6%). Slightly more than one in ten young people surveyed are

currently unemployed (13%). Among those employed, half report that they work between 40 and 49 hours per week (53%), 13% work 35 to 39 hours and eight percent say they work 50 hours or more per week. About one in six employed respondents report working between 15 and 34 hours (16%), while one in ten say they work less than 15 hours each week (9%).

Among those who are married or currently live with a partner, seven in ten report that their spouse or partner is employed full time (70%). One out of six indicate that their spouse or partner is not currently employed (16%). Far fewer, less than one in ten, report that their spouse is either employed part time (7%), is self-employed full or part time (5%), or has both a full- and a part-time job (2%). The vast majority of those who are either married or living with a partner report that both they and their spouse or partner work full-time (68%).

Three in ten respondents (30%), including nearly half of those in the younger Gen Y cohort (45%), report that their personal income in 2007 was under \$20,000. Four in ten have personal incomes between \$20,000 and \$49,999 (43%). One-quarter report annual personal incomes of \$50,000 or more (24%), though those in the older Gen X cohort are three times as likely to report incomes of \$50,000 or higher (33% of Gen Xers, 11% of Gen Yers). Similarly, among those who are married or living with a partner, four in ten report that their annual household income in 2007 was under \$50,000 (41%). A like share report that their household income in 2007 ranged from \$50,000 to less than \$100,000 (42%). Twelve percent report household incomes of \$100,000 or more.

These young respondents split fairly evenly between homeowners (42%) and renters (44%). Older Gen Xers (54%) are two times more likely than young Gen Yers (26%) to report home ownership. Overall, fourteen percent report that they have some other type of living arrangement, neither renting nor owning their primary residence.

The majority of respondents indicate that they have less than \$10,000 in savings and investments (57%, including defined contribution plan assets, but excluding the value of their primary residence and defined benefit plan accumulations). Not surprisingly, younger Gen Yers (66%) are significantly more likely to report this low level of assets than Gen Xers (50%). Sixteen percent indicate their savings and investments total between \$10,000 and \$29,999, six percent say it is between \$30,000 and \$49,999, and just 13% have amassed \$50,000 or more in savings and investments.

Figure 30: Demographic Characteristics of Respondents

	Total (n=1,752)	Gen Y (n=613)	Gen X (n=1,139)
Gender			
Male	50%	50%	50%
Female	50	50	50
Age			
19 to 21 years old	14%	33%	--
22 to 24 years old	15	35	--
25 to 27 years old	13	32	--
28 to 31 years old	19	--	33%
32 to 34 years old	14	--	25%
35 to 37 years old	15	--	26%
38 to 39 years old	9	--	16%
Mean	29.1	23.1	33.5
Median	29.0	23.0	33.0
Race/Ethnicity			
White/Caucasian	60%	60%	60%
Hispanic/Spanish/Latino	19	17	20
Black/African-American	12	15	11
Asian	5	4	6
Pacific Islander	*	*	*
Other	2	2	2
Prefer not to answer	1	1	1
Education			
Some high school or less	4%	6%	3%
High school graduate or equivalent	34	39	30
Some college (no associate's or 4-year degree)	25	30	22
Associate's degree	10	7	12
Bachelor's degree	19	15	22
Master's degree	6	2	9
Professional degree (such as DDS or JD)	1	*	2
Doctorate (such as PhD or EdH)	1	*	1

	Total (n=1,752)	Gen Y (n=613)	Gen X (n=1,139)
Marital Status			
Married	41%	25%	53%
Single, never married	41	59	28
Unmarried, living with partner	11	13	10
Divorced	4	1	7
Separated	1	*	2
Widowed	*	--	*
Other	1	1	*
Children Under 18			
Yes	45%	25%	60%
No	55	75	40
Employment Status			
Employed full time	65%	58%	69%
Employed part time	16	22	12
Self-employed, either full or part time	6	3	7
Have both a full-time and part-time job	1	1	1
Not employed	13	16	10
Weekly Hours Worked <i>(Among those who are employed)</i>			
	(n=1,598)	(n=534)	(n=1,064)
Less than 15 hours	9%	12%	7%
15 to 34 hours	16	18	15
35 to 39 hours	13	15	12
40 to 44 hours	42	39	45
45 to 49 hours	11	10	12
50 hours or more	8	6	10
Spouse/Partner Employment Status <i>(Among those who are married or live with a partner)</i>			
	(n=991)	(n=236)	(n=755)
Employed full time	70%	74%	69%
Employed part time	7	8	7
Self-employed, either full or part time	5	3	6
Have both a full-time and part-time job	2	2	2
Not employed	16	14	17

	Total (n=1,752)	Gen Y (n=613)	Gen X (n=1,139)
2007 Personal Income			
Less than \$20,000	30%	45%	19%
\$20,000 to \$29,999	18	23	14
\$30,000 to \$49,999	24	18	29
\$50,000 to \$79,999	16	9	22
\$80,000 or more	8	2	12
Prefer not to answer	4	3	4
2007 Household Income <i>(Among those who are married or live with a partner)</i>			
	(n=991)	(n=236)	(n=755)
Less than \$30,000	14%	24%	9%
\$30,000 to \$49,999	27	30	27
\$50,000 to \$79,999	30	34	29
\$80,000 to \$99,999	11	6	14
\$100,000 or more	12	5	16
Prefer not to answer	5	2	6
Home Ownership			
Own	42%	26%	54%
Rent	44	56	35
Some other arrangement	14	18	11
Savings and Investments <i>(Including defined contribution assets, but excluding defined benefit accumulations and value of primary residence)</i>			
Less than \$10,000	57%	66%	50%
\$10,000 to \$29,999	16	17	16
\$30,000 to \$49,999	6	3	7
\$50,000 to \$79,999	5	3	6
\$80,000 or more	9	3	13
Prefer not to answer	8	8	8

* Less than 0.5%

Methodology and Weighting

This study, *Preparing for Their Future: A Look at the Financial State of Gen X and Gen Y*, was an online survey conducted by Mathew Greenwald & Associates, on behalf of Divided We Fail and the American Savings Education Council (ASEC). The study fielded between January 9 and 24, 2008. A total of 1,752 young people participated in the study. On average, the survey took approximately 25 minutes to complete.

Study participants were selected from among the members of Survey Sampling International's SurveySpot™ Internet Survey Panel. Potential respondents had to be between the ages of 19 and 39 to qualify for the survey. For the purposes of this study, the line between the older Generation X (Gen X) and the younger Generation Y (Gen Y) was drawn at 1980, such that Gen X includes those respondents ages 28 to 39 years old (born 1968 to 1979) and Gen Y includes those between the ages of 19 and 27 (born 1980 to 1988). It should be noted that Gen X is typically considered to include those born between 1965 and 1979, and Gen Y includes those born in 1980 or later. For the purpose of this study, some older Gen Xers and some younger Gen Yers were excluded.

In order to establish sufficient representation in the data, a quota of 250 completes was established for those who are unemployed or work less than 15 hours per week and oversamples of 150 each were established for African-American, Hispanic, and Asian/Pacific Islander respondents.

The survey data are weighted to reflect the makeup of the U.S. population ages 19 to 39 by age, sex, education, and race/ethnicity. Population statistics were obtained from the Employee Benefit Research Institute (EBRI) and are based on the 2007 Current Population Survey. A detailed description of the weighting methodology is available on request. Additionally, throughout this report, income is calculated using personal income for unmarried respondents who do not live with a partner and household income for those respondents who are either married or live with a partner.

In theory, the weighted sample of 1,752 yields a statistical precision of plus or minus 3.6 percentage points (with 95% confidence) of what the results would be if the entire population of adults ages 19 to 39 were surveyed with complete accuracy. When examining the Generation Y cohort, the margin of error is plus or minus 6.1 percentage

points, while the larger Generation X cohort yields a statistical precision of plus or minus 4.4 percentage points. However, there are other possible sources of error in all surveys that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, interviewer bias, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.