Comparing the Financial Status of Baby Boom, Generation X, and Millennial Families: How Do the Generations Stack Up?

EBRI Webinar
January 19, 2022
Speakers

Craig Copeland, Senior Research Associate, EBRI

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Rodney Bolden, Field Engagement Specialist, Financial Wellness, Morgan Stanley

Moderator: Jason Jagatic, Head of Global and Workplace Thought Leadership, Fidelity Investments
Data Definitions

Data Source: Survey of Consumer Finances (SCF)-triannual survey from the Federal Reserve-considered the best source for wealth of American families — 2019 (latest) and every 3 years before that 2016, 2013, 2010, ....

• Generations (birth years)
  • Baby Boom (1946-1964)
    • Ages in 2001 37-55
  • Generation X (1965-1980)
    • Ages in 2019 39-54
    • Ages in 2001 21-36
  • Millennials (1981-1996)
    • Ages in 2019 23-38

• For nonoverlapping Baby Boom and Generation X families, the closet SCF year is 2001, so ages 39-54 are used.
• Due to unequal generation birth years, the same clean separation does not work between Generation X and Millennials, so the ages are 25-36 for this comparison. Age 25 is used because family formation is most likely by that age.
• The racial/ethnicity categories from SCF are self-identified and include White, non-Hispanic; Black/African American; Hispanic; and other, which consists of those races/ethnicities not defined in the three prior categories, such as Asian Americans and those who identify as multiracial. SCF is at the family level, so the characteristics of the family head (or the reference person) are used to categorize the families.
Presentation Overview

- **Retirement plans**
  - Ownership including defined contribution plans
  - Median defined contribution plan balances

- **Net worth**

- **Student loans**
  - Incidence
  - Median balance
  - Distribution of debt sources

- **Income and race/ethnicity**
  - Breakouts for these financial measures as relevant
Comparison of Baby Boom and Generation X's Ownership of Various Assets and Debt When They Were Ages 39-54

- Any Retirement Plan:
  - Baby Boom: 74.2%
  - Generation X: 65.3%

- Defined Contribution Plan:
  - Baby Boom: 47.9%
  - Generation X: 50.0%
Comparison of Baby Boom and Generation X's Median Defined Contribution Plan Balances When They Were Ages 39-54, by Income Quartile

Note: All estimates in 2019 dollars.
Comparison of Generation X and Millennials' Ownership of Various Assets and Debt When They Were Ages 25-36

- Any Retirement Plan: 59.1% (Generation X) vs. 59.5% (Millennials)
- Defined Contribution Plan: 41.7% (Generation X) vs. 46.4% (Millennials)
Comparison of Generation X and Millennials' Median Defined Contribution Plan Balances When They Were Ages 25-36, by Income Quartile

Note: All estimates in 2019 dollars.
NET WORTH
Comparison of Baby Boom and Generation X's Median Net Worth When They Were Ages 39-54, by Income Quartile

Note: All estimates in 2019 dollars.
Comparison of Generation X and Millennials’ Median Net Worth When They Were Ages 25-36, by Race/Ethnicity of the Family Head

Note: All estimates in 2019 dollars.
STUDENT LOAN DEBT
Comparison of Baby Boom and Generation X's Student Loan Incidence When They Were Ages 39-54, by Income Quartile
Comparison of Baby Boom and Generation X's Median Student Loan Balances When They Were Ages 39-54, by Income Quartile

Note: All estimates in 2019 dollars.
Comparison of Generation X and Millennials' Student Loan Incidence When They Were Ages 25-36, by Race/Ethnicity of the Family Head

- **All**: 23.9% (Generation X), 42.4% (Millennials)
- **White, non-Hispanic**: 24.1% (Generation X), 44.9% (Millennials)
- **Black/African American**: 27.1% (Generation X), 50.3% (Millennials)
- **Hispanic**: 18.9% (Generation X), 25.3% (Millennials)
- **Other**: 23.4% (Generation X), 38.6% (Millennials)
Comparison of Generation X and Millennials' Median Student Loan Balances When They Were Ages 25-36, by Race/Ethnicity of the Family Head

Note: All estimates in 2019 dollars.
Comparison of Generation X and Millennials' Distribution of Debt Sources When They Were Ages 25-36, by Race/Ethnicity of the Family Head

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Generation X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>74.1%</td>
<td>69.1%</td>
</tr>
<tr>
<td>Credit Card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>17.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>17.0%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>7.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.8%</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td>17.0%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>2.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.1%</td>
<td>9.7%</td>
<td></td>
</tr>
</tbody>
</table>

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Impact of COVID-19

Stress about finances has had an outsized impact on the ability of Gen Z and Millennials to do their jobs during the pandemic.

Stress’ impact on ability to do job

55% No, stress has not impacted

24% Yes, stress has impacted

21% Have not been under financial stress

Has stress about your financial situation impacted your ability to do your job over the last 12 months? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)
Impact of COVID-19

About one third of younger 401(k) plan participants predict that their retirement will be delayed because of COVID-19.

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Gen Z 21-24</th>
<th>Millennials 25-40</th>
<th>Gen X 41-56</th>
<th>Boomers 57-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will retire later than originally planned</td>
<td>23%</td>
<td>32%</td>
<td>35%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Is this later than you originally planned as a result of the coronavirus pandemic? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)
Impact of COVID-19

About one quarter of Gen Z workers and one third of Millennials say their loyalty to their employer has increased because of how their employer managed COVID-19.

Based on how your employer handled the COVID-19 pandemic, has your loyalty to your employer...? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)
Advice

Almost two thirds of Gen Z participants say their financial situation warrants advice from a professional.

Believe financial situation does not warrant advice

- Gen Z: 62%
- Millennials: 62%
- Gen X: 61%
- Boomers: 59%

39% Believe financial situation does warrant advice

Do you think your current financial situation warrants financial advice from a professional? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)
Advice

Compared to older generations, Gen Z is more willing to follow computer generated and human advice.

Professional vs. computer-generated advice

- Very Likely to follow computer-generated recommendations for financial advice:
  - Gen Z: 33%
  - All others: 25%

- Very Likely to follow human professional recommendations for financial advice:
  - Gen Z: 60%
  - All others: 54%

If you received the following types of financial advice, how likely are you to follow it? (Base: Gen Z = 140; All others = 960)
Advice
Gen Z workers are looking for help to manage their financial lives today

Help wanted for...

Managing current expenses so they can save more money for retirement

<table>
<thead>
<tr>
<th></th>
<th>Gen Z</th>
<th>All others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Managing debt

<table>
<thead>
<tr>
<th></th>
<th>Gen Z</th>
<th>All others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing</td>
<td>29%</td>
<td>15%</td>
</tr>
</tbody>
</table>

If you could get help with retirement planning, what would you like help with? (Base: Gen Z = 140; All others = 960)
Advice

About half of Gen Z participants welcome online assessment tools that can give them an overall financial picture and action plan.

Use an online tool to give overall financial picture and action plan

- **Gen Z**: 50% Very Likely
- **All others**: 41% Very Likely

How likely would you be to use the following financial wellness tools or resources, if offered to you by your employer? (Base: Gen Z = 140; All others = 960)
Savings and debt behaviors

Looking ahead to a post-pandemic world, Gen Z is more optimistic than other generations about adopting positive financial behaviors.

Top behaviors going forward: Will more likely...

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Gen Z</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Save more in general</td>
<td>62%</td>
<td>47%</td>
</tr>
<tr>
<td>Pay off debt</td>
<td>48%</td>
<td>33%</td>
</tr>
<tr>
<td>Increase my 401(k) contributions</td>
<td>47%</td>
<td>36%</td>
</tr>
<tr>
<td>Invest more outside my 401(k)</td>
<td>44%</td>
<td>34%</td>
</tr>
<tr>
<td>Rebalance my 401(k)</td>
<td>40%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Now please think about how your behaviors have changed, if at all, due to COVID-19. Going forward are you more or less likely to...? (Base: Gen Z = 140; All others = 960)
Retirement
Gen Z is less optimistic about reaching their retirement goals

How likely do you think you are to achieve your retirement savings goals? (Base: Gen Z = 140; All others = 960)
## Retirement

Gen Z workers expect more of their retirement income to come from 401(k) savings and less from Social Security than other generations.

<table>
<thead>
<tr>
<th>Retirement Income Sources</th>
<th>Gen Z</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>401(k)</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Savings and investments (IRAs, stocks, bonds, CDs, ...)</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Pension / Defined Benefit Plan</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Social Security benefits</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Income from working part time</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Annuities or insurance</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Inheritance</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Real estate income</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Thinking about the different sources of income for your retirement, what percentage do you expect to come from each source listed? (Base: Gen Z = 140; All others = 960)
401(k) behaviors

More Gen Z participants feel they are not on top of their 401(k) and agree they don’t know what investments to choose for their 401(k).

For each of the statements below, please indicate whether you agree or disagree. (Base: Gen Z = 140; All others = 960)
401(k) behaviors
Many Gen Z participants do know they want more investment options in their retirement plans, a desire they share with Millennials.

<table>
<thead>
<tr>
<th>Investments wishlist</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annuities which offer guaranteed income after you retire</td>
<td>45%</td>
<td>52%</td>
<td>39%</td>
<td>26%</td>
</tr>
<tr>
<td>Environmental/Social/Governance (ESG) or socially responsible investments (SRI)</td>
<td>41%</td>
<td>43%</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>Fractional shares (part of one individual share)</td>
<td>41%</td>
<td>39%</td>
<td>25%</td>
<td>13%</td>
</tr>
</tbody>
</table>

When looking at your current 401(k) investment choices, do you wish you could invest in any of the following? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)
Must-have benefits

Gen Z and their Millennial colleagues have a higher degree of interest than Gen X or Boomers in benefits beyond the 401(k).

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency savings accounts</td>
<td>28%</td>
<td>31%</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Financial wellness program</td>
<td>22%</td>
<td>28%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Tuition reimbursement for education while employed by your company</td>
<td>22%</td>
<td>27%</td>
<td>16%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Considered a Must Have Benefit When Looking for New Job (Selected Items)

*If you were looking for a new job, which benefits or work options would you see as "must haves," "nice to haves" and which don’t you care about? (Base: Gen Z = 140; Millennials = 299; Gen X = 375; Boomers = 286)*
Methodology

- The 401(k) Participant study is an online study conducted for Schwab Retirement Plan Services, Inc. by Logica Research.
- Logica Research is neither affiliated with, nor employed by, Schwab Retirement Plan Services, Inc.
- The study was conducted from April 1 through April 15, 2021.
- 1,000 401(k) plan participants completed the survey.
  - Ages 21-70
  - Work for companies with 25+ employees that have 401(k) plans
  - Currently contribute to their companies’ 401(k) plans
- 100 additional Gen Z plan participants completed the survey.
- Generational definitions:
  - Gen X: 1965-1980 (41-56)
  - Boomers: 1951-1964 (57-70)
- Survey respondents were not asked to indicate whether they had 401(k) accounts with Schwab Retirement Plan Services, Inc.
- The typical (median) survey length was 11 minutes.
Disclosures

Schwab Retirement Plan Services, Inc. provides recordkeeping and related services with respect to retirement plans.

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Unlocking the Full Potential of Financial Wellness Benefits for Every Generation in the Workforce

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% of Working Americans Reporting Finance-Related Anxiety or Depression During COVID*

Only 9% of working Americans say they have talked to a health practitioner (medical doctor, therapist, psychologist) about the health impacts they have experienced due to financial stress

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
% of Working Americans Reporting Finance-Related Anxiety or Depression During COVID (by Generation)*

Anxiety

- Gen Z: 49%
- Millennials: 31%
- Gen X: 28%
- Boomers: 27%

Depression

- Gen Z: 29%
- Millennials: 20%
- Gen X: 16%
- Boomers: 15%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
Boomers are Most Likely to Feel Financially Confident and on Track to Meet Their Goals

% of Working Americans that agree with the following statements*

<table>
<thead>
<tr>
<th>Statement</th>
<th>TOTAL</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am confident in my ability to manage my finances.</td>
<td>75%</td>
<td>71%</td>
<td>70%</td>
<td>76%</td>
<td>89%</td>
</tr>
<tr>
<td>I am confident in my ability to make financial decisions.</td>
<td>73%</td>
<td>63%</td>
<td>68%</td>
<td>78%</td>
<td>84%</td>
</tr>
<tr>
<td>I can comfortably manage my debt payments</td>
<td>68%</td>
<td>51%</td>
<td>65%</td>
<td>74%</td>
<td>78%</td>
</tr>
<tr>
<td>I am on track to meet my short-term (6 - 12 months) financial goals.</td>
<td>60%</td>
<td>47%</td>
<td>59%</td>
<td>62%</td>
<td>66%</td>
</tr>
<tr>
<td>I am confident in my financial knowledge.</td>
<td>59%</td>
<td>51%</td>
<td>58%</td>
<td>61%</td>
<td>63%</td>
</tr>
<tr>
<td>I am on track to meet my long-term (more than 3 years) financial goals.</td>
<td>51%</td>
<td>22%</td>
<td>56%</td>
<td>53%</td>
<td>57%</td>
</tr>
</tbody>
</table>

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
The Great Resignation

Over 40 percent of U.S. workers are actively searching for a new job right now, or plan to soon*

% of Working Americans Who Want Personalized Financial Wellness Benefits*

- Financial Education: 51%
- Financial Coaching: 54%
- Financial Planning: 60%
- Education Finance: 45%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
% of Working Americans Who Want Personalized Financial Education Benefits (by Generation)*

- Gen Z: 65%
- Millennials: 56%
- Gen X: 47%
- Boomers: 41%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
% of Working Americans Who Want Personalized Financial Coaching Benefits (by Generation)*

- Gen Z: 67%
- Millennials: 59%
- Gen X: 51%
- Boomers: 39%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
% of Working Americans Who Want Personalized Financial Planning Benefits (by Generation)*

- Gen Z: 71%
- Millennials: 59%
- Gen X: 63%
- Boomers: 48%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
% of Working Americans Who Want Personalized Education Finance Benefits (by Generation)*

- Gen Z: 75%
- Millennials: 51%
- Gen X: 42%
- Boomers: 17%

* 2021 SHRM-Morgan Stanley: Unlocking the full potential of financial wellness benefits report
How to Build an Effective Financial Wellness Program

Checklist for employers who want to attract, retain, and motivate a healthy, productive workforce by focusing on financial well-being benefits that support not just their own employees, but their potential talent pool.
Q&A
Upcoming Events

**February 2** — Wellness in the Workplace: Findings From the 2021 WWS

**February 23** — Making Workplace Wellness Programs Fit the Needs of Black and Hispanic Workers: Findings From the 2021 WWS

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