



Financial and Retirement Planning Implications of Financial Perspectives Across Generations

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The Society of Actuaries (SOA) recently completed a major survey, *Financial Perspectives on Aging and Retirement Across the Generations*. The study included survey results from respondents of the following generations: Millennials, Generation X, Late Boomers, Early Boomers and Silents. The SOA also completed multifaceted research on individuals age 85 and over. These studies offer insights into the differences and similarities across generations on a number of key financial issues and behaviors, including financial priorities, retirement savings and planning, and obligations to family (both within and beyond the nuclear family). As part of this research, SOA examined financial fragility across the generations.

To Access the Research

The SOA study *Financial Perspectives on Aging and Retirement Across the Generations* can be accessed at www.soa.org/research-reports/2018/financial-perspectives-aging-retirement. The website includes an overall report and several more focused issue reports. The research on individuals age 85 and over is at www.soa.org/research-reports/2017/2017-post-retire-exp-85-years-old.

This article reviews key findings from the research and offers employers ideas about how these insights could affect financial and retirement planning. It also offers ideas about how clusters of employees have similar issues. The research findings are helpful for the design of financial wellness and education programs as well as employee benefit structures. It is important to recognize the realities and perceptions of employees and to provide programs that fit their current needs and situations while also addressing long-term issues.

Environment and Context

As we focus on this research and what it means to employee benefit plans and personal financial planning, we should consider some key factors in the environment.

- Financial literacy is a problem, and many Americans lack basic math and financial literacy skills.
- There has been a major decline in defined benefit plans. While significant numbers of today's retirees have these benefits, very few among future generations will have them.
- Many middle-income and lower income Americans have no source of unbiased financial advice beyond what is provided through employer benefit programs.

- With increases in college costs, student loan amounts have grown over the years.
- Each generation is affected by economic and market conditions as they advance through life. The Great Recession affected many Americans and had a big impact on the careers of some Millennials who were starting at that time and on some individuals who lost jobs and had trouble replacing them. These effects may last their entire lives.
- There have been massive changes in technology in recent years, with the Millennials having grown up with different technology than those before them. There are large differences in the way that different generations are comfortable communicating.
- Demographics are changing. Life spans are increasing, and people are having fewer children. Families are often more geographically separated, and family structures also are changing.

The survey examined financial management priorities, behaviors and perceptions by generation. Individuals in different generations have somewhat different priorities. Some of the differences by generation may reflect lifecycle factors as much as generational factors.

AT A GLANCE

- The Society of Actuaries surveyed more than 2,000 individuals on financial issues and behaviors in order to analyze similarities and differences among generations, including Millennials, Generation Xers, Late Boomers, Early Boomers and Silents. Employers can use these findings for ideas on building their financial wellness and education programs.
- Paying bills and saving for retirement are important financial priorities across all generations. Comfort with technology and preferences for how they interact vary among the generational cohorts. Issues like planning needs and financial literacy vary greatly even within generations.
- Financial wellness programs should include information on basic financial concepts as well as retirement planning. Other areas of focus include debt management, personal emergency funds, and retirement-saving horizons and strategies.

The study also separated people in groups by level of financial fragility. In some respects, the financially fragile have more in common on these issues than do the generations.

Major Findings

The SOA *Generations* study provides perspectives in understanding how Americans adapt to financial challenges over the course of their lives. SOA research with Americans age 85 and over looks at how people are actually doing in retirement and how things change late in life.

Following are some highlights of the overall findings from the SOA research.

- There is a wide variety of priorities and feelings about financial matters.
- The generations have important similarities and differences with regard to financial issues. Overall, there are more similarities than differences.
- All generations recognize the importance of retirement saving, and those who have access to a retirement plan at work are likely to participate.
- Many people across the generations do not have an adequate emergency fund.
- The most financially fragile have common concerns across the generations.
- All of the generations feel a strong connection to family and believe that family members should help each other. Less obligation is felt in the case of a blended family—that is, a family consisting of a couple or an individual and children from the current and all previous relationships. The SOA research with individuals age 85 and over confirms that family can be a major source of help when it is needed.
- The financial planning time horizon of each generation lengthens as they advance in their work lives and then contracts as they draw closer and enter retirement.
- Millennials face greater challenges than the groups before them. All generations seem to agree on this. Although it is apparent that all generations struggle to get started in adulthood and their financial lives, it seems clear that Millennials are facing a slower path to financial independence and retirement savings because of the educational costs, housing costs and job

conditions they faced during their life course. The Great Recession was particularly impactful to the Millennials because it affected their early career opportunities.

Retirement Planning Major Findings

The following are among the major findings with regard to retirement planning and saving.

- Among a number of saving and financial priorities, saving for retirement was the second-highest priority. The top priority was being able to afford everyday bills. Sixty percent of respondents said that saving for retirement was the highest or a high priority, compared with 69% who said being able to afford everyday bills was the highest or high priority.
- The importance of saving for retirement was shared across 60% to 70% of the younger generations.
- The respondents reported behavior that showed a strong interest in retirement savings. Most who had a plan with a match saved for retirement. About three-fourths of the employed respondents said that their employer offered a 401(k), and about three-fourths of those employers offered a match. Of the respondents who were offered a match, 83% said they contributed enough to qualify for the maximum match.
- Very few of the respondents felt knowledgeable about investments. When asked to rank themselves between investment pros and investment novices, most chose responses closer to investment novice.
- Of the total respondents, 26% think ahead ten years or more when planning, while 52% think 12 months ahead or less. The older generations are more likely to think longer term. Clearly most of the respondents are not thinking long-term in their financial planning.
- About six in ten say they are on track with planning and saving for retirement.
- At the median, the respondents did not indicate any expectation that retirement ages will increase in the future. However, one-fourth of the Millennial respondents do not know when they expect to retire.

It is encouraging for employers to know that employees in different generations put a high priority on retirement planning

and that those who have access to a 401(k) plan with matching are likely to save. The comments about investment expertise, when combined with other information about financial literacy, reinforce the importance of offering default options and automatic features that do not require investment expertise.

Major Financial Priorities and Feelings

The biggest financial priority is being able to afford everyday bills, with 69% saying this is the highest or a high priority for them. The next three priorities are saving for retirement (60%), building up an emergency fund (53%) and paying off credit card debts (45%). These priorities are important across the generations.

The research queried respondents on their feelings about their financial situations. On the positive side, about 45% are optimistic, with little difference between the generations. Overall, 40% say they are in control, and 34% are satisfied with their finances. There are big variations by generation. Almost six in ten Silents feel in control, while only one in three Millennials feels in control. On the negative side, 28% feel overwhelmed, with very large variations by generation. Forty percent of Millennials feel overwhelmed, grading down to 12% of Silents.

These priorities and feelings about finances offer insight into what might be addressed in financial wellness and education programs. It would be particularly helpful to learn more about why people are feeling overwhelmed. This likely reflects a variety of different reasons—For people with little money, the reality is they are more likely to find it very difficult to meet expenses and cover substantial obligations; for others, a lack of knowledge and confidence may be major factors in these feelings.

Financial Issues for Each Generation

Each generation is in a different life stage and position with regard to financial planning and management.

- Millennials (age 20 to 38) are struggling to establish themselves financially. They have the highest level of financial fragility, with 26% identified as having high financial fragility and 35% moderate financial fragility. Millennials express a lack of confidence in making financial decisions, with 64% reporting that their planning

horizon is 12 months or less. They face a unique set of financial pressures including building up an emergency fund, saving for a home, and paying off their credit card debts and student loans. The majority have yet to form families, are not married and do not have children.

- Gen Xers (age 39 to 53) exhibit significantly more confidence and are focused on saving for retirement. Few report student loans, enabling them to shift their focus to the longer term. They are at a different stage in family formation, with 59% married and 66% reporting that they have one or more children. The research finds that 24% of this group have moderate financial fragility and 24% have high financial fragility. Eleven percent of this group are unemployed, laid off or disabled.
- Late Boomers (age 54 to 63) are the most focused on planning, with the majority of this generation gearing up for retirement and 51% reporting their planning horizon is three or more years. They are targeting investments to grow their money and produce income both now and in retirement. They are similar to the Gen Xers with regard to family status in that 66% are married and 74% report having children. They are less fragile than the younger groups, with 26% reporting being moderately financially fragile and 13% having high financial fragility.
- Early Boomers (age 64 to 72) are the most likely to be working with a financial advisor and are the most financially stable of these groups, with six in ten being able to afford an unexpected expense of \$10,000. Approximately three-quarters of Early Boomers report being retired. They are the least fragile of any generation. Nearly 90% of this group are married or have been married: 63% are currently married, 14% are separated or divorced, and 9% are widowed.
- The Silent Generation (age 73 to 83) has fewer savings priorities. Almost all are already retired. Many more of this group are no longer married: 52% are currently married, 17% are separated or divorced, and 27% are widowed. Only 3% say they were never married. This group is 55% female, and the widowed group is likely to be heavily female.

Characteristics of the Generations

The five generations have very different characteristics, as shown in the table. The mostly retired generations have lower incomes, include more widows and females, and have more children than the later generations. Millennials have lower income, are less likely to be married, and have fewer children than Gen Xers and Late Boomers. Millennials are also the first generation to have grown up with cell phones and touch technology, which has major implications for how they interact with work and financial security systems, manage their finances and employee benefits, and interact with others.

Family Obligations

Family is a common source of help when help is needed. It is a real-world safety net for many. There is a strong sense of family obligations across the generations and at different life stages. For example, most respondents agree that parents should fund or contribute what they can afford to their children's college costs and allow their adult children to move back into their homes if needed, with Millennials more likely than older generations to agree. However, there are limits to what most people think parents should do financially, with less than three in ten thinking that parents should put themselves in financial jeopardy to help their adult children.

The SOA research with individuals age 85 and over provides an interesting contrast to the *Generations* research. The *Generations* research provides a picture of expectations. The research on those age 85 and over provides insights into what people have actually done. This research shows that when people have problems as they age, family are the first people they turn to. And families usually try to help. In many situations where extensive care is needed, they must supplement or replace family help with paid help.

Blended families are part of the picture today. While two-thirds of respondents believe that parents should not differentiate between stepchildren and natural-born children in the help they offer to adult children, only half agree that stepchildren have the same obligation to their stepparents as natural-born children. Those who currently have at least one stepchild are more likely to agree that parents should not differentiate between their stepchildren and natural-born children but, at the same time, they do not feel any stronger

TABLE**Facts About Respondents by Generation**

	Millennials	Gen X	Late Boomer	Early Boomer	Silent
Household Income	32% Less than \$50,000	27% Less than \$50,000	32% Less than \$50,000	43% Less than \$50,000	58% Less than \$50,000
	34% \$50,000 to \$99,999	31% \$50,000 to \$99,999	30% \$50,000 to \$99,999	29% \$50,000 to \$99,999	27% \$50,000 to \$99,999
	34% \$100,000 +	42% \$100,000 +	37% \$100,000 +	28% \$100,000 +	16% \$100,000 +
Gender	50% Male	49% Male	48% Male	47% Male	45% Male
	50% Female	51% Female	52% Female	53% Female	55% Female
Marital Status	47% Married	59% Married	66% Married	63% Married	52% Married
	15% Partner*	11% Partner*	4% Partner*	4% Partner*	1% Partner*
	2% Divorced**	10% Divorced**	16% Divorced**	14% Divorced**	17% Divorced**
	0% Widowed	2% Widowed	3% Widowed	9% Widowed	27% Widowed
	36% Never married	19% Never married	10% Never married	10% Never married	3% Never married
Financial Fragility Rating	39% Low	52% Low	57% Low	68% Low	67% Low
	36% Moderate	24% Moderate	26% Moderate	21% Moderate	20% Moderate
	26% High	24% High	13% High	11% High	14% High
Children	58% None	34% None	26% None	28% None	10% None
	20% One	19% One	19% One	16% One	17% One
	22% Two or more	46% Two or more	55% Two or more	56% Two or more	74% Two or more
Stepchildren	90% None	82% None	86% None	80% None	86% None
	7% One	8% One	4% One	10% One	5% One
	4% Two or more	10% Two or more	11% Two or more	11% Two or more	10% Two or more

Note: Totals may not add due to rounding.

*Unmarried and living with a partner in a permanent relationship.

**Separated or divorced.

than other respondents that their stepchildren have the same obligations to them as do natural-born children.

Housing issues are sometimes intertwined with family issues. Millennials are least likely to own their home and more likely to rent or live with others without contributing to the cost of housing. The Silents are more likely than others to live alone.

Financial Well-Being and Fragility

The survey shows that individual situations with regard to financial well-being and fragility are very mixed. Some peo-

ple are very well off, some are managing well within their financial constraints and others are living in poverty. The context is set for differences in financial fragility by a combination of some people with low assets and/or income and people with poor financial literacy. While some people are able to and do make well-thought-out and longer term financial decisions, others do virtually no planning and may live paycheck to paycheck.

The research provides insights into financial fragility and who is most likely to be fragile. For example, Millennials are the generation most likely to be very financially fragile.

Using an index based on a combination of an individual's feelings about financial management and responses to some financial questions, the population is divided into three groups with regard to fragility. This data shows us that:

- People with assets under \$10,000 are far more likely to be financially fragile.
- People with lower income, the unemployed and disabled are much more likely to be fragile.
- Single people are more likely to be fragile.

Those in the high financially fragile group have dramatically different behaviors when it comes to planning behavior. About 60% plan paycheck to paycheck, and more than 75% plan for three months or less. In contrast, in the low fragility group only about 5% plan paycheck to paycheck, and about 18% plan for three months or less.

In some areas, financial priorities vary between low, moderate and high financially fragile individuals, but in others they are quite similar. Retirement savings is much more likely by those with low financial fragility.

There are a number of messages for employers when we think about fragility. Financial wellness and education programs need to be able to address people in a range of different situations. Information that is relevant and extremely useful for one group may not currently be interesting for another. Programs need to be designed so that people can connect to what is useful and important for them. For example:

- Managing debt and avoiding high-cost debt are very important to many in the low and moderate financially fragile groups. Debt can be a huge barrier to other financial management. Another important issue is prudent use of debt. Twenty-five percent of the respondents in the *Generations* research indicated that debt is complicating their ability to manage their finances.
- Emergency funds are important across the board, and the survey responses would indicate that there is not enough recognition of this issue.
- Increasing planning and planning horizons are huge issues, and they appear to be the biggest problem for the very financially fragile. There are a whole series of issues to be considered, such as moving beyond paycheck to

paycheck to longer term management and moving beyond cash flow planning to broader planning, including risks and long-term retirement planning. These issues likely need to be addressed in smaller steps and will be different for different individuals.

- For people who have shorter term paycheck-to-paycheck issues under control, it is important to focus on how much to save for retirement and encourage savings. Saving for college is important for some people.
- As savings are built, it is important to focus on how to invest such savings.

People who are very financially fragile are much less likely to succeed in retirement planning and to build retirement security. Reducing levels of financial fragility is an important step in helping these people plan for retirement.

Differences and Similarities Between the Generations

Focusing on the differences and similarities is a good approach for summarizing these results. The SOA research indicated many similarities as well as substantial differences between the generations and the way they addressed financial issues. The following are some of the key similarities.

- Paying bills is an important financial priority across the generations. The percentage of individuals who are having problems paycheck to paycheck varies by generation.
- About three in five survey respondents believe they are on track to a financially secure retirement.¹
- Most respondents agree that adult children should help their parents financially and with regular tasks. All recognize the importance of family responsibilities.
- Few believe parents should help adult children if it means they will harm their own financial future.
- All of the generations believe that the Millennial generation has it harder than the groups before them.
- Individuals in all of the generations are more likely to describe themselves as “savers,” “thrifty” and “investment novices.”
- About 45% feel optimistic when focused on their finances.
- All generations say they are concerned with paying for long-term care. But concern does not mean action.

Methodology

The *Generations* study analyzes financial priorities across generations. Using results from an online survey of 2,001 individuals, including 398 Millennials, 399 Gen Xers, 403 Late Boomers, 401 Early Boomers and 400 members of the younger portion of the Silent Generation, key financial issues around financial goals, concerns and retirement preparedness are examined. A full report with detailed data by generation can be found at www.soa.org/research-reports/2018/financial-perspectives-aging-retirement. The online survey was conducted from July 17 through July 27, 2018.

The financial fragility analysis is based on an index. The index is based on responses to the following questions.

- “What are your feelings when you are reviewing your financial situation and looking ahead for planning purposes?” *Zero to 20 points were allotted based on the respondent’s net score of ten possible answer choices, with five positive and five negative answer choices.*
- “Please check the box that best describes where you stand in the continuum between each of the following pairs of opposing words: Confident in making financial decisions; not confident in making financial decisions.” *Zero to ten points were allotted based on the respondent’s confidence level in making financial decisions, with those with the most confidence receiving zero points and those with the least confidence receiving 20 points.*
- “If you had an unexpected expense of \$10,000 that had to be paid immediately, how would you cover it?” *Five points were allotted if the respondent was not able to cover an unexpected expense of \$10,000 with only emergency savings, general savings and, for those retired, retirement savings.*
- “If you had an unexpected expense of \$1,000 that had to be paid immediately, how would you cover it?” *Five points were allotted if the respondent was not able to cover an unexpected expense of \$1,000 with only emergency savings, general savings and, for those retired, retirement savings.*
- “Please indicate the extent to which you agree or disagree with the following statements: You are on track in planning for a financially secure retirement; your level of debt is complicating your ability to manage your finances.” *Zero to five points were allotted for each statement based on the respondent’s level of agreement or disagreement. The most on track received zero points, and the least on track received five points. Those with no debt complications received zero points, and those with the most received five points.*

In total, the index ranges from zero, indicating the least financially fragile, to 60, the most financially fragile. The final index has the following distribution: Very low, index score of 0 to 11, n=472; Low, index score of 12 to 23, n=678; Moderate, index score of 24 to 35, n=484; High, index score of 36 to 47, n=277; Very high, index score of 48 to 60, n=90.

Other SOA research indicates that relatively few people actually take steps to provide for long-term care costs.

In addition to the issues focused on in the SOA study, the generations are similar in that many of the employed individuals do not have access to financial advice beyond what is provided through employers and their benefit programs.

The following are some of the key differences.

- Millennials are most likely to have a high level of financial fragility.
- Younger generations have shorter financial planning time frames.
- Younger generations are most likely to have debt, with Gen Xers most likely to have mortgage debt and Millennials most likely to have student loan debt.
- Confidence in making financial decisions increases with age.
- Older generations are more likely to feel in control and satisfied, while Millennials are more likely to feel overwhelmed.

- Late Boomers are the most likely to be planners.
- Retirement concerns are higher with younger generations.

The generations are very different with regard to the technologies that they grew up with and the technologies they are most comfortable with.

Implications for Employers

As we consider implications for employers, it is important to also focus on context.

Financial and math literacy are intertwined with issues related to financial planning and management, and there are major gaps in literacy. Employers are focused primarily on employees and their families, and issues will be very different for different companies. In addition, different groups of employees communicate with their employers in different ways.

The first big finding from this study is that there are many variations in the situations of different employees and their needs. One could segment the workforce by generation, by marital status, by length of service, by financial fragility rating, etc. The employer that is trying to understand and deal with diverse employee situations needs a relatively simple way to define segments so that solutions can be tested against diverse needs.

Here are some observations and ideas.

- Planning needs differ greatly by person. It is important to meet people where they are today. Getting people to pay attention to longer term issues is often very difficult until shorter term issues are addressed.
- Tools that support retirement planning are important but often will not help the most fragile people. Which tools fit well with people's comfort levels will likely vary by generation.
- There is a lot of commonality in financial concerns across generations, but there also are some key differences. Level of fragility also shows signs of commonality. While there is commonality of concern across generations, the preferred method of interaction often varies across the generations.

Content for financial wellness programs should include some basic financial wellness as well as retirement planning. The study points to gaps in investment knowledge and short

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of change on retirement systems and workforce issues.

Rappaport chairs the Society of Actuaries Aging and Retirement Research Initiative Steering Committee, which is the group that sponsored the study described in this article. She also chairs the Society of Actuaries Committee on Post-Retirement Needs and Risks and serves on the Advisory Board of the Pension Research Council and the Board of the Women's Institute for a Secure Retirement. Rappaport has received the Lifetime Achievement Award by the Plan Sponsor Council of America. For more information, see www.annarappaport.com.

planning horizons, both of which impact retirement planning. There are several additional issues beyond retirement planning that should be addressed in developing content, including the following.


- Increase planning horizons, and focus on how and for how long people plan.
- Emergency funds are a big problem. The people most likely to be distracted are those who are overwhelmed and are unable to pay an unexpected expense. Strongly promoting and providing information about emergency funds can be a valuable part of a financial wellness program.
- Debt is a big issue for some households. There are great variations in the size and type of debt as well as the management of repayments. Helping employees who find debt to be a major problem means helping them find their way out of the debt.
- Provide information to help employees understand different types of debt. Comparing the terms of different loans would be helpful to some.

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- Even a modest amount of assets seems to make a big difference.
- Respondents of all generations recognize the importance of helping family and family obligations. Family leave is one component of support for family issues.

Employees have differing levels of financial literacy. For many, employer offerings are their main source of unbiased information and approaches to financial security. The SOA research offers insights that enable employers to better meet the needs of diverse employee groups. 

Conclusions

There are major differences in financial priorities, areas of attention and levels of financial fragility by generation.

Endnote

1. It should be noted that the survey responses show that survey respondents indicated they are better off than is generally shown by research on retirement adequacy.

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