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Nefe Digest

January/February 2015

"A generation is a group of people who are 'programmed' at the same time in history."

– Arleen Arnsparger, GenerationsatWork.com

My Generation

The transition to adulthood in the 20th century followed a predictable path: Education, job, marriage, homeownership, children. But cultural shifts in recent decades have complicated this picture. Today's emerging adults are less likely to marry, start a family or take on a mortgage in the same order or at the same time as their forebears. The question for financial educators is: *What's in a generation?* And more importantly: *Why does it matter?*

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National Endowment for Financial Education

What's in a Generational Label?

The borders between generations are blurry. There is no agreed-upon definition of exactly when each generation begins and ends. In addition to your birth year, your generation is shaped by what happens in your lifetime. But events don't happen to just one age group. The Silent Generation was too young to work during the Great Depression, but they certainly felt its effects. The youngest Millennials didn't comprehend 9/11 when it happened, but their world undeniably was altered by what transpired that day.

Generations are defined by:

Age: The age(s) at which life events and transitions take place
Cohort: Who also was born in your generation
Period: What happens within your lifetime

	Silent Generation (b. 1930-1945)	**Baby Boomers** (b. 1946-1964)	**Gen X** (b. 1965-1981)	**Millennials** (b. 1982-2000)
When they were children	Great Depression World War II	Economic prosperity Explosion of suburban middle class	Vietnam War Changing social attitudes	9/11 Globalism Internet Age
Age 25 in Year	1955-1970	1971-1989	1990-2006	2007-2025

Cohort and Period Influences

Silent Generation

Atomic threat

Cold War

Beginning of television era

Political assassinations

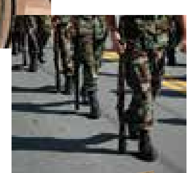
Civil Rights Act

Space race

Baby Boomers

Vietnam War/ Youth activism

Energy crisis



End of military draft

Nixon resignation

Inflation

AIDS crisis

Fall of the Berlin Wall

Gen X

POLITICAL CORRECTNESS

Home computers

First cellphones

9/11

Iraq and Afghanistan Wars

Tech bubble

Facebook

Millennials

Multiculturalism/ Majority minority

Gay rights

Dependence on technology

Housing bubble

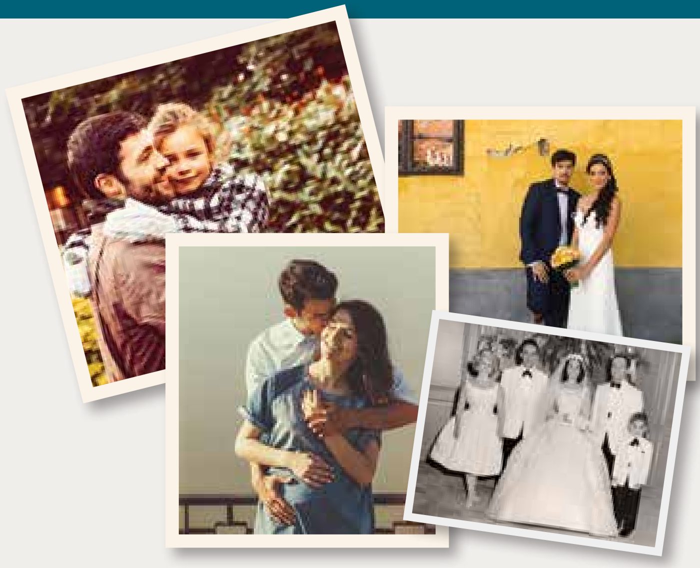
Great Recession

War on terror

King photo: Library of Congress Prints and Photographs Division

Unless otherwise noted, all data in this issue was taken from the NEFE-funded research project *Financial Behavior, Debt and Early Life Transitions: Insights from the National Longitudinal Survey of Youth, 1997 Cohort* conducted by researchers at The Ohio State University. For more on this research project, visit www.nefe.org/MoneyAndMilestones

What Does Your Generation Mean For…

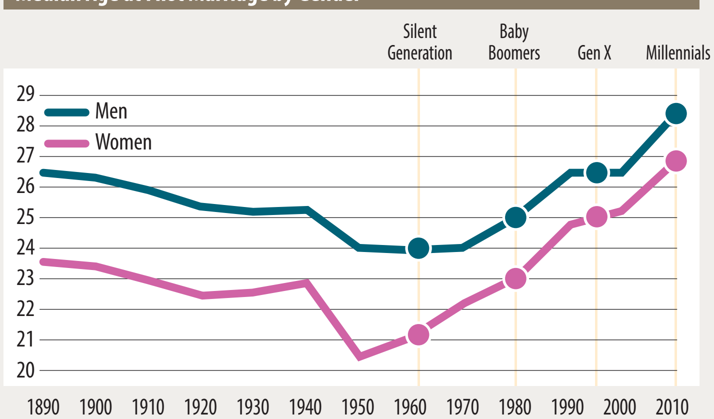


Marriage and Family

At the turn of the 20th century, men and women typically married in their mid-twenties. During the 1940s and 50s, the marriage age dropped significantly, and has been rising ever since. Today's emerging adult once again is delaying marriage. Research shows that having noncollateralized debt such as student loans and consumer debt in early adulthood is a potential cause for this delay.

- Student loans lower the likelihood that an individual will transition to marriage for both men and women. Student loans also strongly decrease the likelihood that an individual will become a parent. This finding holds for all racial and ethnic groups.
- Among individuals who do marry, marriage brings more debt. A married person has three times more debt than a single person of the same age. This primarily is because married couples are much more likely to have a home mortgage, more car debt and higher levels of consumer debt.

Median Age at First Marriage by Gender



Source: U.S. Decennial Census (1890-2000); American Community Survey (2010). For more information on ACS, see http://www.census.gov/acs

Homeownership

Despite the headlines, Millennials' rate of homeownership is not all that different from prior generations. According to U.S. Census data, the incidence of homeownership among Americans 35 years old and younger has been fairly consistent since 1940. (See below). However, the Great Recession and housing collapse hit hard. Fifty percent of Millennial mortgage holders were underwater on their mortgages in 2009. And Generation X was hit even harder.

- In the 2000s, easy access to credit and a booming housing market combined to give Millennials a historically high homeownership rate. However, by 2010 Millennials were less likely than their counterparts in prior generations to own a home.
- The housing bubble affected Generation X more than any other cohort. A smaller cohort than Boomers or Millennials, Gen X also was at prime homebuying age in 2008. When the bubble burst, Gen-Xers were more likely to be in an overpriced home they couldn't afford, and therefore more susceptible to foreclosure.

1970

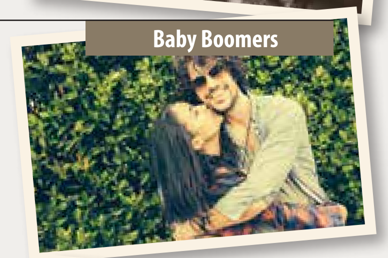
41.2% of young adults owned homes

Silent Generation

1980

43.8% of young adults owned homes

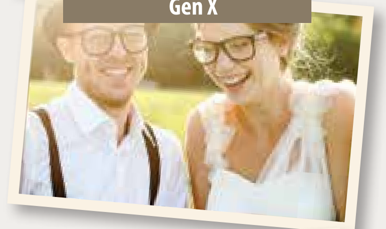
Baby Boomers



2000

39.1% of young adults owned homes

Gen X



2010

39.2% of young adults owned homes

Millennials

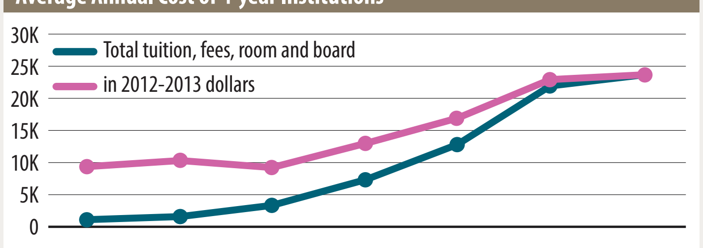
Homeownership data for Americans aged 35 and younger. Source: U.S. Census Bureau.

Credit and Debt

"The transition to adulthood in America is a transition to debt," says Rachel Dwyer, Ph.D., co-lead investigator on NEFE-funded research at The Ohio State University that examined how debt is impacting financial behavior and life transitions among young Americans. Not surprisingly, young adults tend to have more noncollateralized debt such as consumer debt and student loans, while older adults tend to have more collateralized debt such as mortgages and auto loans.

- All cohorts became more skeptical of credit following the Great Recession. Between 1992 and 2010, fewer than 60 percent of Gen-Xers and Millennials had credit cards. However, those who did have consumer debt had more of it and held it longer compared to earlier generations.
- Although Millennials accumulated debt at about the same rate as Gen-Xers — with total debt growing at about $2,000 a year — Millennials were deeper in debt at a younger age. Gen-Xers had an average debt of about $60,000 by their late 20s; Millennials reached the same level of debt by their mid-20s. One potential factor is the rising cost of higher education.
- Following World War II, the GI Bill dramatically increased the number of people attending college, and changed how many students funded their higher education. In the 1960s the most common form of college aid was federal grants. By the 2000s, loans had become the most common form of aid, followed by federal and institutional grants.

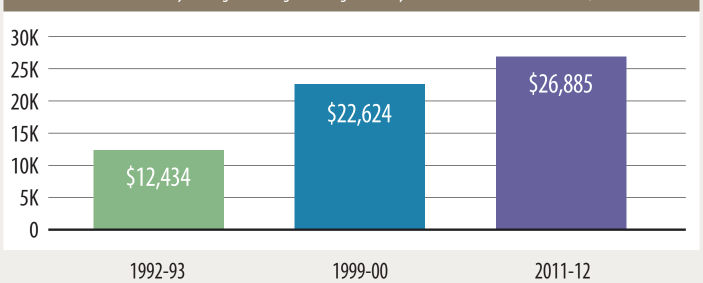
Average Annual Cost of 4-year Institutions



Source: National Center for Education Statistics

The Amount a Typical Student Loan Borrower Owes has More than Doubled

Median amount borrowed by undergraduates graduating in these years who had student loan debt, in 2013 dollars.



Source: Pew Research Center
http://www.pewsocialtrends.org/2014/10/07/the-changing-profile-of-student-borrowers/st-2014-10-07-student-debtors-04/

Well-Being

Millennials across all income levels reported financial strain and trouble making ends meet during the Great Recession — most likely because it hit many of them at the key transition from college to career. Millennials who got financial advice from their parents reported less financial strain than peers who received no advice — and even than peers who received advice from financial professionals.

- Having credit card debt is strongly associated with higher levels of depression and anxiety, especially in low-income households.
- Before the Great Recession, carrying a mortgage lowered anxiety among white homeowners. The same homeowners experienced increased anxiety over their mortgages post-Recession. Black and Latino homeowners did not see reduced anxiety effects from carrying a mortgage either before or after the Recession.
- Students who drop out of college carrying student loan debt report higher incidences of financial problems and depression than those who graduate with or without loans, and those who drop out but have no loans.

Why Do Generational Differences Matter?

Generational differences can provide insight into a learner's frame of reference, beyond what might be indicated by his age, gender, marital status, education or employment. Does a Millennial shy away from the stock market because she is too young to have investable assets — or because she was spooked by the Great Recession? An astute financial educator will craft the approach accordingly.

Silents and Boomers were advised during the high-inflation 1970s and 1980s to pay bills as close to the due date as possible because the erosion of monetary value made those dollars "cheaper." Consumers today are advised to get more money in each paycheck rather than "give the government an interest-free loan" by getting a larger tax refund. Both rules of thumb make little sense in a .01 percent interest rate environment, and research shows that more people make better decisions with the lump-sum refund than with a few extra dollars each pay period. And yet these practices linger in the financial habits of four generations.

Continued on page 6.

Faces of NEFE: **Cara Hopkins** Writer/Editor

Before joining NEFE in the winter of 2013, Cara Hopkins worked as a technical writer in Austin, Texas. Ready to change gears and reconnect with her roots, Hopkins returned to her home state of Colorado. Hopkins' prior experience as a journalist and magazine editor guides her in shaping and managing content for various NEFE websites and corporate communications.

Hopkins, seated in red, with participants in a video discussion for On Your Own in November 2014.

Why did you initially pursue a position at NEFE?

Hopkins: I was drawn to NEFE's mission. I truly believe in empowering individuals to make better financial decisions, because that is something I struggled with when I was younger. I was a first-generation college student, so I really felt as though I was a trailblazer in my family. I had to figure out a lot of things on my own, and therefore made a lot of financial mistakes. It took me almost 10 years to unravel the damage that I had done. I love that I am able to offer guidance to younger people, particularly in my work with On Your Own. (www.OnYourOwn.org) I get to use all of my skills in a setting that is completely altruistic; we are just trying to do something good for the world.

What is the best part of working for a nonprofit like NEFE?

Hopkins: One of the best things about NEFE is that we are not beholden to outside funders. We can essentially forge our own path, which allows us to be very creative. I also appreciate that here at NEFE we never have to charge for anything we provide; what we are doing truly is free and unbiased. It's unbelievable.

What is the most inspiring NEFE project that you've worked on?

Hopkins: On Your Own. As I said before, I had my own issues with money when I was younger so this blog really resonates with me. In the past year I've been doing a lot of boots-on-the-ground interviews with young adults in different cities, and am continuously amazed at their resilience, optimism and strength. Almost every person I have interviewed has been willing to talk about money and be open about his or her experiences. They are hungry for information. I feel privileged to work at a place where we can start to guide them towards more informed financial decisions.

How has working at NEFE changed your perspective on personal finance/money?

Hopkins: I now pay a lot more attention to my retirement and spending. I'm much more conscious about paying off my student loans more aggressively, and considering what that might free me up to do in the future. I want to get to a place where my wealth is growing, instead of just sustaining a paycheck-to-paycheck lifestyle. I feel much more educated and empowered in my personal life.

What is your proudest achievement at NEFE thus far?

Hopkins: In November, I shot a video discussion with Millennials in New York (See picture above). I was standing behind the cameraman watching it all unfold, watching these young people talk to each other about money honestly and openly. I had chills the whole time. It's so amazing to see how much can happen just by getting people in a room and having them talk.

How have you grown since you started working at NEFE?

Hopkins: I'm learning a lot more about how to reach an audience. Specifically, how to use data and research to meet people where they're at, rather than where we think they should be. Professionally and personally I am learning how to put myself in someone else's shoes.

To learn more about On Your Own, NEFE's blog for young adults, visit www.OnYourOwn.org.

HOLIDAY CLOSINGS

NEFE will be closed Jan. 1 for New Year's Day and Feb. 16 for President's Day

Why Do Generational Differences Matter? Continued from page 4.

"My mother, a child of the Great Depression, is extremely conservative with her money, and by that I mean FDIC-insured-savings-and-CDs conservative," says Patricia Seaman, AFC®, a senior director at NEFE. "We had to fire her financial advisors because they scoffed at her preference for certificates of deposit and belittled their puny returns. They were Gen-Xers who did not respect the profound effect the Depression had on my mother's need for guaranteed financial safety."

"Be aware, however, that generational differences are just one contributor to financial beliefs, easily overshadowed by more powerful influencers such as family values and specific financial experiences that shape people's attitudes," says Billy Hensley, NEFE's director of education.

"Understanding a generation does not automatically make you understand a particular client or learner," says Seaman. "But not understanding can make you appear less credible, less trustworthy and less effective."

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Colorado Jump$tart Coalition Fiscal Fitness Workshop	Jan. 29 - Feb. 1	Denver
National Resource Center First-Year Experience (FYE) Annual Conference	Feb. 7 – 11	Dallas
National Association of Secondary School Principals (NASSP) Conference	Feb. 19-21	San Diego

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