

# **Millennials in Today's Financial Services Landscape**

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# Who are millennials?

- ❖ Adults born between 1981-1999.
- ❖ Largest generation in US history:
  - ❖ 79.8 million people in 2016;
  - ❖ Expected to continue growing until 2036 as a result of young adult immigration to US.
- ❖ “Old millennials” – born in the 1980s – entered adulthood during the most challenging economic era since Great Depression.

# Money habits + millennials

- ❖ Asked to describe what money means to them
  - ❖ 42% of millennials chose “security”
  - ❖ 22% chose “stress”
- ❖ 64% of millennials say they’re more inclined to save than to spend.
- ❖ Thrifty behavior: Over 50% have set financial goals, compared with 38% of Americans aged 38+.
  - ❖ Spend 4 hours each week on personal finances  
(2x amount spent by Gen Xers; 4x time spent by baby boomers).

# Money stress + millennials

- ❖ One in four millennials worry often about their finances, citing not having enough money saved as the top stressor.
- ❖ 23% say financial anxiety makes them physically ill weekly or monthly, compared to just 12% in the general population.
- ❖ 69% worry about their income, versus less than half (48%) of the general adult population.
  
- ❖ Impact: 67% report that financial stress interferes with their ability to focus and be productive at work – a rate 2x that of baby boomers (32%).

# Debt + millennials

- ❖ College debt load increased 400% in 15 years between 1987 – 2002.
- ❖ For Americans under 30, average student debt has increased from \$13,340 to \$24,897 from 2005 to 2012.
- ❖ Today, Americans have \$1.2 trillion in student loan debt; more than credit card debt and auto debt combined.
- ❖ Cause: Since 1980s, college tuition rates have grown faster than inflation, while cost of living has increased and benefits have been reduced.

# Millennials as consumers

- ❖ As retail consumers, spend \$600 billion annually.
- ❖ Account for 28% of daily consumer spending.
- ❖ In 2016, oldest millennials turned 35 and entered peak spending age.
  
- ❖ Long game: Generation's spending expected to increase by 25% as they begin to buy homes and make longer term financial investments.

# Cash flow + millennials

- ❖ 47% anticipate needing a second income source of income or side job.
- ❖ 42% rely on others for financial support, including their spouse, family, and friends.
- ❖ In context: Today, young adult workers make 20% less than their 1989 counterparts;
  - ❖ Equivalent to \$10,000 wage difference (in today's dollars).

# Banks + millennials

- ❖ 71% would rather go to the dentist than listen to a banker.
- ❖ 73% would be more excited about new financial services from Google, Amazon, Apple, PayPal, or Square, than from their own nationwide bank.
- ❖ 53% don't think their bank offers anything different than other banks.
- ❖ 33% believe in the future they won't need a bank at all.
  
- ❖ Opinions: All four of the largest banks made the list of most disliked brands.



# Banking services + millennials

- ❖ 97% of those who are bank customers use online banking interfaces
  - ❖ 38% use apps and mobile tools to make bill payments
- ❖ 83% says fees matter when choosing a financial services provider.
- ❖ 62% use peer to peer (p2p) payment platforms, compared with 36% of overall adult population.
- ❖ 41% have downloaded a money management app.
  
- ❖ Take: Crucial for financial services to adapt to this emerging set of practices.

# Trust in banks + millennials

- ❖ 78 to 92% (depends who's asking!) don't trust banks, compared with 45% of the general population.
- ❖ 2 in 3 feel banks don't understand their needs.
- ❖ 83% take an active role in their financial lives, but only 68% feel they are in control.
- ❖ 1 in 3 would be open to switching banks in the next 30 days.
- ❖ 7 in 10 say the Great Recession made them skeptical of stock market experts.

# Kendra

- ❖ 32- year-old Kendra served in the army for 4 years before returning to school.
- ❖ Her house was foreclosed on in the wake of the financial crisis – her mortgage payments were higher than her earnings.

“I never want to buy another house. I’m buying my next car with cash. So yeah, my parents had the American Dream. Good for them. Never going to be for me, and I don’t want it anymore.”

# Dina

- ❖ Master's student in her early 30s.

“I’m graduating this semester. I almost had a heart attack when I looked at my student loan calculator.

I just got this new job, and it’s a good job. It’s a job in my field. It’s the job that I wanted to get with this degree.

But I’m still looking at these payments, and looking at my salary, and looking at other stuff I might want to do in the next 10 years – like maybe go on a vacation or buy some shoes, take a bubble bath, you know what I mean?

Even looking at the income-based repayment, it’s like \$750 a month. That’s huge.”

# Jackie

- ❖ Graduate student in her late 20s.
- ❖ Worried about her own future, as well as her mother.

“I’m very overwhelmed and scared. I didn’t have any support system. Undergrad and grad, I put myself through school. I had to do everything, between loans to pay for this crazy-expensive education, and then just the cost of living.

Then, also, my mom, she has no type of retirement, no type of savings. She gets paid really bad now. She’s always struggled.

So, looking back, maybe 5 years ago, I was always like, oh, I’ll be able to take care of her. Now I’m looking at where I am. I can’t see a clear path, moving ahead.”