

# Financial Security an Elusive Concept

A study from the American Savings Education Council (ASEC) and AARP shows that 91 percent of young adults report having financial goals for themselves, but only 53 percent report sticking to a monthly budget. And while 62 percent have given at least some thought to their own retirement, 61 percent feel their retirement savings is behind schedule. Forty-two percent of these young adults give themselves a grade of D or F to describe how well they are saving.

In total, nearly 4 in 10 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 percent). Gen Xers (45 percent) are far more likely than Gen Yers (27 percent) to have started saving for retirement.

Asked to define "financial security," the definitions include:

- 22 percent define financial security as being able to make ends meet and not living paycheck to paycheck;
- 16 percent say that financial security means being able to simply live comfortably;
- 6 percent equate being able to provide for one's family with financial security;
- 19 percent feel that financial security means having enough money left over to save for emergencies or for a rainy day;
- 13 percent define financial security as being able to weather hard times and deal with the unexpected;
- 9 percent of young adults include being able to save for retirement, afford retirement, or maintain one's lifestyle in retirement as part of their definition;
- 15 percent suggest that being financially secure means not having to worry about their finances;
- 5 percent indicate that their definition

includes leisure, entertainment, or "fun."

Fifty-seven percent of the respondents describe themselves as "financially independent." While 62 percent of the Gen Yers (ages 19 to 27) and 54 percent of Gen Xers (28-39) feel financially independent, Gen Yers (45 percent) are significantly more likely than Gen Xers (25 percent) to say that they have received financial support from family or friends in the past year. Apparently, concludes the report, at different stages of life, being financially independent has different definitions.

Four out of five young adults report having some type of non-mortgage debt. This includes 63 percent with credit card debt, 48 percent with car loans, 31 percent with student loans, and 27 percent with medical debt. However, more than 3 out of 5 describe their debt obligation as either a minor problem or not a problem at all.

### Additional key findings in the study:

- 62 percent of young adults report they have given at least some thought to their own retirement. Only 9 percent report they have not thought about it at all;
- These young Americans estimate that they will spend about 20 years in retirement;
- 58 percent of young adults think they will retire between the ages of 60 to 69;

- 21 percent of Gen Xers estimate they will retire between the ages of 70 to 79, whereas just 13 percent of Gen Yers believe they will retire in their 70s;
- 38 percent of respondents in this study report that they (or their spouse) are personally saving money for retirement;
- Overall, only 22 percent say they are very or somewhat confident that, when they retire, they will receive Social Security benefits comparable to what retirees receive today;
- 28 percent are confident that Medicare will be able to deliver comparable benefits, while 72 percent are not;
- 59 percent of young Americans are confident that, when they retire, they will have saved enough to afford a comfortable lifestyle in retirement, including 11 percent who are very confident in their ability to do this;
- Gen Y's (64 percent) express more confidence in being able to accumulate enough for a comfortable retirement than members of the older Gen X (54 percent);
- Young Americans, says the report, are more likely to say they know more about their iPod (40 percent very knowledgeable) than about how to file their taxes (26 percent), buy a home (21 percent), invest outside of the workplace (15 percent), and save for retirement (15 percent);
- 70 percent of young adults say parents are a major or minor source of financial advice, and 36 percent say their parents are their primary source of such advice;
- 69 percent cite the Internet as a major or minor source of financial guidance, but only 16 percent cite it as their primary source.

The report concludes that "although clearly appreciative of whatever they have, their struggles... may be having an impact on their overall feelings of financial security." Just under half state that they feel "financially secure" (49 percent), which includes only 7 percent 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.

### Event or Life Stage Marking the Start of Financial Independence Among Financially Independent Individuals (share of respondents in each segment)

Segment	High School			
	First Job	Grad	Start of College	College Grad
Total	24%	23%	14%	10%
Gen Y	24	28	16	8
Gen X	24	19	11	12
High School	23	42	5	1
Some College	23	16	25	6
Bachelor's degree	30	8	12	30
Master's degree	16	6	13	20

Sources: ASEC and AARP, March 2008