Attitudes about Financial Wealth: Generational Comparisons of Gen-Xers vs. Millennials

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Abstract

The purpose of this paper is to assess the relative attitudes toward financial wealth between Generation X and Millennials. This is a follow up to a study that assessed attitudes toward financial wealth by members of Generation X (those born between 1961 and 1981). This study compares those attitudes with ones held by members of the Millennial Generation (those born between1982 – 2004). First, Generation X and Millennials are compared to determine similarities and differences that might impact their attitudes toward financial wealth. Second, the study methodology and the results are presented. Finally, the results are interpreted to determine if there has been a shift in attitudes between the two generations.

Keywords: Generation XMillennials Savings Investing

Section 1: Introduction

Because life expectancy continues to increase – from 68 in 1950 to 78 in 2009 (National Center for Health Statistics 2012) – the success of financial management decisions has become increasingly important. This fact, coupled with the trend toward individual responsibility for retirement planning, suggests that each generation should be more knowledgeable and more concerned regarding management of their financial resources. Thus, it is important to analyze shifts in attitudes across generations.

The purpose of this study is to assess possible changes in attitudes about financial wealth between Generation X (those born between 1961 – 1981) and the Millennial Generation (those born between 1982 – 2004). This is a follow up to a previous study that assessed attitudes toward financial wealth by Generation X (Bauer, etal 2000). That study examined Generation X's views on the importance of financial independence, risk taking, and reliance on others to take care of their financial planning/needs. This study examined the same characteristics for the Millennial Generation and compared the results across the generations.

Section 2: Who is Generation X?

Following on the heels of the Baby Boomers, some demographers define Generation X (Gen-X) as those born between 1961 – 1981 (Strauss and Howe 1991). Most Gen-Xers have a pragmatic approach to life and view their role as renovators of the American Dream. They are willing to forego material possessions in favor of less material items: family, spiritual development, a rewarding job, volunteerism, or intellectual enrichment (Mitchell and Orwig 1998). Gen-X is the best-educated generation in United States history (when compared to previous generations) and seems to pursue education for pragmatic marketplace returns rather that for the intrinsic value of education itself (Time 1990). Borrowing the name from the title of a Douglas Coupland novel (1991), Gen-X has been witness to and participants in a great deal of change within United States society. They came of age during a period of increasing diversity and blurring of gender roles (Dunn 1992) and grew up in the era of the Pill and legalized abortion, liberalized divorce, and the influx of women into the labor force. Gen-Xers are the first generation to grow up with VCRs and video games and are technologically savvy, having experienced the advent of home computing (Ratan 1993), and the growth of interactive media (Ritchie 1995). Being the first generation to extensively experience dual-income (with all its advantages and disadvantages), Gen-Xers learned independence at day-care and are used to being on their own.

While many Gen-Xers believe that earlier generations, particularly Baby Boomers, are getting a "better deal" from society in terms of resources, because of the wealth flow from those earlier generations, Gen-Xers control or will control a large amount of financial resources. The amount of financial resources makes it critical to understand Gen-X attitudes on investing and saving.

Section 3: Who are the Millennials?

Following a bit of linguistic logic, the generation after Generation X has been called Generation Y (Ad Age 1993). Growing up with computers and the internet, they also are called the Net Generation (Cheese 2008). The Millennial Generation, those born between 1982 and 2004, refers to the fact that the earliest members of the generation came of age at the beginning of the new millennium, and that the generation itself spans the millennium. Strauss and Howe (1991) maintain that generation members preferred Millennials, rather than Generation Y, to distance them from Generation X.

Millennials Go To College (Strauss and Howe 2003) describes characteristics of the Millennial generation. This generation of children has been the most wanted by their parents and always has been treated as special and important; every milestone marked with celebrations and praise. They grew up in a time of increasing safety measures (car seats, baby on board signs, school lockdowns), highly protected as children, and rarely left unsupervised. Millennials are motivated, goal-oriented, confident in themselves, and may brag about their generation's power and potential. They are not individualists but are group oriented and may sacrifice their own identity to be part of the team. They prefer egalitarian leadership, dislike selfishness, and are oriented toward service learning and volunteerism. Being achievers, Millennials focus on getting good grades, hard work, and extracurricular activities. They see college as the key to a high paying job and success, though they may miss the bigger picture of what a college education is all about. Tightly scheduled and used to having every hour of their day filled with structured activity, Millennials may have lost a sense of spontaneous play and may struggle with time management in general. Respectful to the point of not questioning authority, they fear being considered non-conformist and they believe the government knows what is best and will take care of them.

Given their characteristics, and with spending power of $172 billion a year (Cudmore, etal 2010), Millennial attitudes about financial wealth, and financial planning, are important to understand. This is particularly true given the Millennials attitude about government and the public debate about the solvency of Social Security and Medicare (Johnson and Larson 2009). Further, differences in attitudes between Generation X and Millennials will help inform decisions about meeting the financial needs of the two generations.

Section 4: Financial Attitudes of Gen-X vs. Millennials

The original study (Bauer, etal 2000) investigated the attitudes of Gen-Xers toward investing and saving. A study of the Investment Company Institute (1996) found that 53 percent of Gen-Xers were willing to assume above average risk for above average gain, compared to 41 percent of Baby Boomers. A study published by America's Community Banker (1997) showed that 61 percent of Gen-Xers were very concerned about saving for retirement, 90 percent were thinking about their financial future, but only 6 percent had sought out retirement advice.Comparing Millennials with Gen-Xers it has been noted that Millennials have less financial literacy – 48% did not have or did not know what an interest bearing account is (Cudmore, etal 2010). This lack of financial knowledge is perhaps taking its toll. Dugas (2010) reports that 70% are not building up a cash reserve, 60% have cashed out their 401(k) plans, and 43% are amassing excessive credit card debt. Clearly, many of them do not manage money very well. When Millennials do search out financial advice, while they initially use technology, they rely heavily on word-of-mouth recommendations from peers (Johnson and Larson 2009).

The above suggests the following conclusions regarding the financial attitudes of Gen-Xers vs. Millennials:

- Financial independence is more important to Generation X than to Millennials.
- Generation X is less risk-averse than Millennials.
- Generation X relies more heavily on outsiders for financial advice than Millennials.

Base on those conclusions, this study tested the following hypotheses:

H_1: Gen-X = Millennials (Financial Independence)
H_2: Gen-X = Millennials (Risk Taking)
H_3: Gen-X = Millennials (Trust of Outsiders)

Expectations of the study are that the results will reject all three hypotheses.

Section 4.1: Methodology

The Bauer, et al (2000) study was conducted in four separate metropolitan statistical areas (MSAs) and a total of 731 usable responses were collected. Similar Millennial data was collected from one metropolitan statistical area (MSA) and a total of 258 usable responses were obtained. A profile of sample respondents is provided in Table One.

Table One: Profile of Sample Respondents

		Generation X		Millennials	
Total Responses (n)		731		258	
Gender	Males	334	46%	101	39%
	Females	397	54%	157	61%
Ethnicity	Caucasian	518	71%	216	84%
	African American	87	12%	19	7%
	Asian American	15	2%	3	1%
	Latin American	10	1%	11	4%
	Native American	86	12%	5	2%
	Other	4	1%	4	2%
Marital Status	Never Married	564	77%	189	73%
	Married	129	18%	50	19%
	Divorced	37	5%	15	6%
Parenthood	No	610	83%	205	79%
	Yes	111	15%	53	21%
Education Completed	Some High School	8	1%	0	0%
	High School	135	18%	0	0%
	Some Technical School	16	2%	0	0%
	Technical School	11	2%	3	1%
	Some 2-year College	25	3%	0	0%
	2-year College	42	6%	10	4%
	Some 4-year College	321	44%	245	95%
	4-year College	146	20%	0	0%
	Some Graduate School	16	2%	0	0%
	Graduate School	9	1%	0	0%

The survey instrument completed by respondents consisted of attitudinal statements were the respondent provided a relative level of agreement or disagreement using the following scale:

Strongly Disagree	1
Disagree	2
Neutral or Indifferent	3
Agree	4
Strongly Agree	5
Not Applicable	

The survey instruments contained nine questions that were designed to capture respondent attitudes across the three dimensions of the study: Financial Independence, Risk Taking, and Trust of Outsiders for Financial Needs. The relationship of the questions to the three dimensions is as follows:

I. Financial Independence

a. Personal financial security should be an important goal for everyone.
b. I will reach financial independence before I reach age 65.
c. I am taking steps now to plan for my future well-being.
d. I will be wealthier than my parents.

II. Risk Taking
a. My generation is less fearful of debt than our parents and grandparents.
b. My generation is more willing to make risky investments than is/was or parents or grandparents.
III. Trust of Outsiders for Financial Needs.
a. I trust others to make financial decisions that affect my future well-being.
b. I expect social security and company retirement plans to adequately meet my retirement needs.
c. I can manage my own financial affairs (e.g., taxes, investments, savings).

Table Two reports the mean and standard deviation for each of the questions for both Generation X and for Millennials. Based on a cursory examination of the reported results, there may be a difference between the generations on Financial Independence; very little, if any, difference on Risk Taking; and a difference on Trust of Outsiders for Financial Needs. Additional analysis will be necessary to verify these results.

Table Two: Aggregated Research Results

	Generation X		**Millennials**	
	Mean	**Std. Dev.**	**Mean**	**Std. Dev.**
IV. Financial Independence				
Personal financial security should be an important goal for everyone.	4.4	0.8	3.8	0.8
I will reach financial independence before I reach age 65.	4.2	0.9	4.0	1.1
I am taking steps now to plan for my future well being.	4.2	1.0	4.5	0.7
I will be wealthier than my parents.	3.8	1.2	3.8	0.9
V. Risk Taking				
My generation is less fearful of debt than our parents and grandparents.	3.5	1.3	3.4	1.2
My generation is more willing to make risky investments than is/was or parents or grandparents.	3.8	1.0	3.5	1.0
VI. Trust of Outsiders for Financial Needs.				
I trust others to make financial decisions that affect my future well being.	2.5	1.2	3.4	1.3
I expect social security and a company retirement plans to adequately meet my retirement needs.	2.7	1.4	2.8	1.1
I can manage my own financial affairs (e.g., taxes, investments, savings).	3.8	1.1	2.9	1.2

Section 4.2: Reliability Assessment

Reliability (the degree to which successive measures of the same phenomenon yield similar results) is a concern when conducting social research. Chronbach's alpha coefficient is a commonly used measure of reliability with values ranging from 0.00 to 1.00. According to Nunnally (1978), Chronbach's alpha values should be at least 0.70 or greater for levels of reliability to be acceptable. For this study, Chronbach's alpha coefficients for the attitudinal scale were 0.83 for the Gen-X data and 0.86 for the Millennial data. This indicates an acceptable level of reliability for both sets of responses.

Section 4.3: Research Results

The purpose of this paper is to compare the views of Generation X and Millennials on the importance of financial independence, risk taking, and trust of outsiders to assist with personal financial planning needs. Analysis of Variance was used to determine if there were differences in attitudes between Gen-Xers and Millennials. The ANOVA results are reported in Table Three.Hypothesis 1 states that there is no difference between the generations on their views that financial independence is important. As Table Three shows, there is a significant difference between the groups on three of the four questions. This suggests that Hypothesis 1 is rejected and there is a difference between the generations on their views about financial independence.

On the individual questions, the mean values reported in Table Two combined with the ANOVA results reported in Table Three suggest the views held by the two different generations. On the first two questions, Gen-Xers believe that financial security is a more important goal and that they will reach financial independence before age 65; unlike Millennials who have lower expectations on both of these issues. On the third question, Millennials feel more positive about their plans for future well-being.

The two generations only agreed on their views about being wealthier than their parents (and with a mean value of 3.8, neither generation is feeling very positive that they will match the wealth of their parents).

Hypothesis 2 states that there is no difference between the generations on their views about risk taking. Table Three shows mixed results on this dimension. On the first question, neither generation sees themselves less fearful of debt than their parents or grandparents. There is a significant difference on the second question, and Gen-Xers are more willing to make risky investments than Millennials. Given that Hypothesis 2 is principally concerned with risk taking, this result suggests that Hypothesis 2 should be rejected and that there is a difference between the generations on risk taking.

Hypothesis 3 states that there is no difference between the generations on their views about trusting outsiders to assist with their personal financial planning/needs. Table Three shows a significant difference between the groups on two of the three questions. Gen-Xers are less willing to trust others than are Millennials (question one), which is compatible with the Gen-X view that they are more able to manage their own financial affairs (question three). These results would suggest that Hypothesis 3 should be rejected and that there is a difference between the generations on trust of outsiders for financial needs. Somewhat less important to the trust dimension, but still quite interesting, the results for question three indicate that neither generation expects social security or company retirement plans to meet their retirement needs..Therefore, they will be required either to meet their own needs or trust outsiders to do so.

Table Three: Analysis of Variance Results

	Generation X vs. Millennial	
	F-Value	**P-Value**
VII. Financial Independence		
Personal financial security should be an important goal for everyone.	10.78	0.000*
I will reach financial independence before I reach age 65.	3.22	0.001*
I am taking steps now to plan for my future well-being.	-4.60	0.000*
I will be wealthier than my parents.	-0.35	0.728
VIII. Risk Taking		
My generation is less fearful of debt than our parents and grandparents.	1.28	0.200
My generation is more willing to make risky investments than is/was or parents or grandparents.	4.22	0.000*
IX. Trust of Outsiders for Financial Needs.		
I trust others to make financial decisions that affect my future well-being.	-9.30	0.000*
I expect social security and a company retirement plans to adequately meet my retirement needs.	-0.98	0.325
I can manage my own financial affairs (e.g., taxes, investments, savings).	10.33	0.000*

*Statistically Significant Differences Between Generation X and Millennials.

Section 5: Summary and Conclusions

This study compared the attitudes toward investing and saving of Generation X and Millennials by examining their views on financial independence, risk taking, and trust of outsiders for financial needs. The results establish that there are significant differences between the two generations on all three of those dimensions. On the issue of financial independence, while neither generation feels like they will be wealthier than their parents, unlike Millennials, Gen-Xers believe that financial security is a more important goal and that they will reach financial independence before age 65. On the other hand, Millennials – not Gen-Xers – are taking steps to plan for their future well-being.

On the issue of risk taking, neither generation sees themselves as less fearful of debt than their parents or grandparents, but Gen-Xers are more willing to make risky investments than Millennials. On trusting outsiders for financial needs, Gen-Xers are less willing the trust others than are Millennials, but they feel more able to manage their own financial affairs. Further, neither generation expects social security or company retirement plans to meet their retirement needs. These results have several implications for the financial community.

Given that consumer views and expectations are closely related to demographic status, the financial community could use these results to design better products and marketing campaigns, relevant to each of these different generations. The financial marketplace must praise Generation X for their views on the importance of financial independence while emphasizing the role of professional financial planners and concerns about taking on too much risk. Conversely, they must praise Millennials for taking on less risk and for trusting professional financial planners, but they must stress the importance of reaching financial independence.

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