Financial Action Steps and Milestones for Different Ages and Stages of Life

Barbara O’Neill, Ph.D., CFP
Extension Specialist in Financial Resource Management
boneill@njaes.Rutgers.edu
@moneytalk1
NJCFE Has Members at Many Ages and Stages of Life


The Influence of Early Environments

“What imprints on younger people impacts them for the rest of their lives”

Cam Marston, Generational Insights

https://generationalinsights.com/about/

EXPERT ON THE GENERATIONS

Cam Marston is the leading expert on generational change and its impact on the workplace and marketplace. As an author, columnist, training and development designer, and lecturer, he imparts a clear understanding of how generational demographics are changing the landscape of business. Marston and his firm, Generational Insights, have provided research and consultation on generational issues to hundreds of companies and professional groups, ranging from small businesses to multinational corporations, as well as major professional associations, for over 20 years.

Marston’s books, articles, columns, and blog describe and analyze the major generations of our time: Matures (born before 1946), Baby Boomers, (born 1946-64), Generation X (born 1965-79), and Millennials (born 1980-2000). He explains how their generational characteristics and differences affect every aspect of business, including recruiting and retention, management and motivation, and sales and marketing.
# Generational Differences

## Summarizing Generations

<table>
<thead>
<tr>
<th></th>
<th>Traditionalists</th>
<th>Baby Boomers</th>
<th>Generation X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Focus</strong></td>
<td>Quality</td>
<td>Long hours</td>
<td>Productivity</td>
<td>Contribution</td>
</tr>
<tr>
<td><strong>Motivator</strong></td>
<td>Security</td>
<td>Money</td>
<td>Time off</td>
<td>Time off</td>
</tr>
<tr>
<td><strong>Company Loyalty</strong></td>
<td>Highest</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Money is</strong></td>
<td>Livelihood</td>
<td>Status symbol</td>
<td>Means to an end</td>
<td>Today's payoff</td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>Family/Community</td>
<td>Success</td>
<td>Time</td>
<td>Individuality</td>
</tr>
</tbody>
</table>

**Source:** Dr. Ethel G. Jones, Louisiana Tech University, School of Human Ecology
Generational Touchstones

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When they were children</strong></td>
<td>Great Depression</td>
<td>Economic prosperity</td>
<td>Vietnam War</td>
<td>9/11</td>
</tr>
<tr>
<td></td>
<td>World War II</td>
<td>Explosion of suburban middle class</td>
<td>Changing social attitudes</td>
<td>Globalism Internet Age</td>
</tr>
</tbody>
</table>

**Political Correctness**

- Atomic threat
- Cold War
- Vietnam War / Youth activism
- End of military draft
- First cellphones
- Gay rights
- Multiculturalism / Majority minority
- Dependence on technology
- Housing bubble
- Great Recession
- Facebook
- War on terror

**Cohort and Period Influences**

- Silent Generation Influences: Atomic threat, Cold War, Vietnam War / Youth activism, End of military draft
- Baby Boomers Influences: Great Depression, Economic prosperity, Explosion of suburban middle class
- Gen X Influences: Vietnam War, Changing social attitudes
- Millennials Influences: 9/11, Globalism Internet Age

Source: National Endowment for Financial Education
The Financial Life Cycle

Source: *Take Charge Today*, formerly known as *Family Economics and Financial Education* (FEFE)
Generational Personal Finance Practices
Millennials outperform everyone in saving, but it’s not for what you’d think

Comfortably cashless

- Percent of Americans comfortable not carrying any cash
- Median amount they like to have on them when out

<table>
<thead>
<tr>
<th>Age</th>
<th>Comfortable</th>
<th>Median Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 18-29</td>
<td>56%</td>
<td>$0</td>
</tr>
<tr>
<td>Age 30-49</td>
<td>42%</td>
<td>$20</td>
</tr>
<tr>
<td>Age 50-64</td>
<td>39%</td>
<td>$20</td>
</tr>
<tr>
<td>Age 65+</td>
<td>32%</td>
<td>$25</td>
</tr>
</tbody>
</table>

Source: Gallup, July 2016

Source: Next Gen Personal Finance:
https://docs.google.com/presentation/d/1-2R_jszVMwIvW2mUvrnPM-EFo6GqhIpRIK9z1LfuinE/edit#slide=id.g1821408edd_0_0
Spending Behavior

Source: Dr. Ethel G. Jones, Louisiana Tech University, School of Human Ecology

Take-aways: Millennials spend the most on eating out, Gen X spends the most on housing, Baby Boomers spend the most on furniture/building, and Traditionalists spend the most on groceries.

Source: Bank of America/Merrill Lynch
New Federal Reserve of San Francisco report is chock-full of graphs about payment preferences gathered from their 2015 Diary of Consumer Payment Choice. With so many graphs to choose from, I thought this one could kick-start a great discussion:

Figure 15: Payment Instrument Use by Age

Source: Next Gen Personal Finance: https://docs.google.com/presentation/d/1e6qcFBx6K-UNpXmzllpGalXKgU4t4XoNspucTFeUJ24/edit#slide=id.g18210699ce_1_6
Credit Cards By Age

Who Has Credit Cards (by Age Range)?
Data Crunch
Types of Credit #2

Source: Next Gen Personal Finance:
https://docs.google.com/document/d/170znpclFVahk3H7O4GqBS1u124ABMvuxsvc4DD3X0kM/edit
How Much Does Credit Card Debt Vary by Age?

Data Crunch
Types of Credit #7

A Lifelong Pile of Debt
U.S. median credit card debt by age

Source: Next Gen Personal Finance:
https://docs.google.com/document/d/1LcYwZIXZf1AC0i7v3I6sJEmCt9xZBsAXu8OSAYbx7Y/edit
How Much Do Auto Insurance Rates Vary By Age?

Source: Value Penguin via Next Gen Personal Finance:
https://docs.google.com/document/d/1sgTUFbCvNyUbEyAiliUNsXIAxX9PD4OSoACjt0xzczE/edit
How Does the Cost of Health Insurance Premiums Vary By Age?

Monthly Health Insurance Premium - Silver Tier Plan

Source: Value Penguin via Next Gen Personal Finance:
https://docs.google.com/document/d/13kyHDBg91oCZUzmWip7PRCi9CUmFDmg89d1kXHBkuLM/edit
# Income Tax Filing By Generation

Young Taxpayers Use Tax Software, Older Filers Hire a Professional

## Age Insights: How Do Americans File Their Taxes?

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Digital tax prep tool (e.g., Turbo Tax)</th>
<th>I have an accountant file my taxes</th>
<th>A friend or family member does it for me</th>
<th>I use the IRS forms and calculate myself</th>
<th>Brick-and-mortar company (e.g., H&amp;R Block)</th>
<th>I do not file my taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>25.4%</td>
<td>16.3%</td>
<td>19.7%</td>
<td>10.3%</td>
<td>7.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>25-34</td>
<td>45.5%</td>
<td>21.3%</td>
<td>11.0%</td>
<td>7.3%</td>
<td>8.3%</td>
<td>6.6%</td>
</tr>
<tr>
<td>35-44</td>
<td>40.5%</td>
<td>29.0%</td>
<td>9.7%</td>
<td>6.6%</td>
<td>8.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>45-54</td>
<td>34.6%</td>
<td>29.4%</td>
<td>10.3%</td>
<td>9.3%</td>
<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>55-64</td>
<td>27.6%</td>
<td>34.9%</td>
<td>10.8%</td>
<td>9.1%</td>
<td>5.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>65+</td>
<td>26.2%</td>
<td>42.5%</td>
<td>6.8%</td>
<td>9.1%</td>
<td>5.8%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: GOBankingRates.com

Multi-Generational Housing Arrangements

Source: Next Gen Personal Finance: https://docs.google.com/presentation/d/1RgiqeOwXdA6_HsyjhTyKhq1S51tB3GOj0kInQsItLh4/edit#slide=id.g99918596f_0_129
Young Adults Living With Parents

Share living with spouse or partner continues to fall

BY RICHARD FRY

Broad demographic shifts in marital status, educational attainment and employment have transformed the way young adults in the U.S. are living, and a new Pew Research Center analysis of census data highlights the implications of these changes for the most basic element of their lives — where they call home. In 2014, for the first time in more than 130 years, adults ages 18 to 34 were slightly more likely to be living in their parents’ home than they were to be living with a spouse or partner in their own household. ¹

This turn of events is fueled primarily by the dramatic drop in the share of young Americans who are choosing to settle down romantically before age 35. Dating back to 1880, the most common living arrangement among young adults has been living with a romantic partner, whether a spouse or a significant other. This type of arrangement peaked around 1960, when 62% of the nation’s 18- to 34-year-olds were living with a spouse or partner in their own household, and only one-in-five were living with their parents. ²

Source: Pew Research Center:
Generational Personal Finance Action Steps
Financial Tasks in Your 20s

- Learn to invest
- Learn to budget
- Start a 403(b) retirement savings plan
- Pay back student loans
- Build a good credit history
- Build an emergency fund
Financial Tasks in Your 30s

- Save as much as possible in retirement plans
- Buy a house, if desired and not done already
- Build your investing expertise
- Diversify your investments
- Boost your job skills
- Prepare basic estate planning documents
- Start an investment account for children
Financial Tasks in Your 40s

- Max out retirement savings, if possible
- Consult with financial advisors, if needed
- Maintain adequate insurance and emergency savings
- Review and/or update estate planning documents
- Talk to your aging parents about their finances
Financial Tasks in Your 50s

• Ramp up savings in peak earning years

• Rough out how much money you’ll need to live on after you leave your job

• Pay off all of your debts except a low-rate mortgage

• Consider buying a retirement or vacation home

• Educate yourself about Social Security, your retirement savings plan, and long-term care costs

• Start preparing for your “next act”
Financial Tasks in Your 60s

• Start collecting Social Security

• Cash in on senior discounts

• Purchase LTC insurance or earmark a portion of savings for LTC insurance

• Educate yourself about Medicare and required minimum distributions at age 70 ½

• Get more strategic about charitable gifting

• Prepare yourself psychologically for the “withdraw and spend” phase of life
Financial Milestones by Age

The purpose of Money Talk is to improve readers’ financial capability with research-based personal finance information.

Personal Finance Tasks by the Decade

Although actual timing will vary from person to person (e.g., I completed a Ph.D. program in my 40s), below are some suggested financial milestones to achieve during each decade of adult life. Milestones achieved at an earlier age (e.g., a good credit score and an adequate emergency fund) should continue during subsequent years.

Age 30
- Financial independence from parents (e.g., independent living arrangements and no “subsidies” to pay household expenses such as insurance premiums and cell phone bills)
- Student loan debt completely repaid or close to repayment (e.g., standard 10-year repayment plan)
- A year’s worth of salary (1x) saved for retirement
- A good credit history established with a credit score in the low-to-mid-700s or higher
- Regular saving invested and at least three to six months of income set aside for emergencies
- Educational credentials earned or near completion (e.g., certifications and graduate professional degrees)
- Have current estate planning documents and life insurance to protect dependents or co-signers, if applicable

Age 40
- Three times annual salary (3x) saved for retirement, saving at least 15% of gross income
- College savings established for children, if applicable
- Increased investing expertise and diversification of investment portfolio assets
- Increased human capital (i.e., job skills and knowledge) to remain employable and earn promotions/raises

Age 50
- Six times annual salary (6x) saved for retirement, making catch-up retirement savings plan contributions
- Increased knowledge about the specifics of Social Security, Medicare, and employer retirement benefits
- Increased knowledge of aging parents’ finances and communication about caregiving related issues
- Use of financial advisers, as needed, as net worth increases and finances become more complex

Age 60
- Eight times annual salary (8x) saved for retirement
- Paid off mortgage, home equity loan, and credit card debt prior to retirement
- Catch-up retirement strategies used, if needed (e.g., downsizing, moving, working longer, and selling assets)
- Learning new skills and or making other preparations to transition to a “second act” job or volunteer role

To learn more about age-based financial planning milestones from age 0-10 through 90-100, read “Money Milestones for Each Decade” (Reuters).
Age 30

- Financial independence from parents (e.g., independent living arrangements and no “subsidies”)
- Student loan debt completely repaid or close to repayment (e.g., standard 10-year repayment plan)
- A half-year’s worth of salary saved for retirement
- A good credit history established with a credit score in the low- to mid-700s or higher
- Regular saving/investing and at least three to six months of income set aside for emergencies
- Educational credentials earned or near completion (e.g., certifications and graduate/professional degrees)
- Have current estate planning documents and life insurance to protect dependents or co-signers, if applicable
Age 40

- Two times annual salary saved for retirement; saving at least 10% of gross income (15%+ is better!)
- College savings established for children, if applicable
- Increased investing expertise and diversification of investment portfolio assets
- Increased human capital (i.e., job skills and knowledge) to remain employable and earn promotions/raises
- Continued adequate insurance (life, property, disability)
- Career advancement
Age 50

- At least 4 to 6 times annual salary saved for retirement
- Making catch-up retirement savings plan contributions
- Increased knowledge about the specifics of Social Security, Medicare, and employer retirement benefits
- Increased knowledge of aging parents’ finances and communication about caregiving-related issues
- Use of financial advisers, as needed, as net worth increases and finances become more complex
- Continued adequate insurance (life, property, disability)
- Career advancement
Age 60

• At least 6 to 10 times annual salary saved for retirement

• Paid off mortgage, home equity loan, and credit card debt prior to retirement

• Catch-up retirement strategies used, if needed (e.g., downsizing, moving, working longer, and selling assets)

• Learning new skills and/or making other preparations to transition to a “second act” job or volunteer role

• Use of financial advisers, as needed, as net worth increases and finances become more complex

• Continued adequate insurance (life, property, LTC)
Recommended Benchmarks

Take 30 Seconds to Measure Your Progress

Compare your current savings with the T. Rowe Price benchmark for your age. You should aim to have saved a multiple of your current salary based on your age. (You also can look at your household view.)

![Graph showing recommended benchmarks](image)

**Fidelity Age-Based Savings Guidelines**

The average worker may replace 85% of his or her pre-retirement income by saving at least 8 times, or 8x, their ending salary. Here's how much an average worker should have saved at milestone ages to reach 8x:

<table>
<thead>
<tr>
<th>Age</th>
<th>X Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>0x</td>
</tr>
<tr>
<td>30</td>
<td>0.5x</td>
</tr>
<tr>
<td>35</td>
<td>1x</td>
</tr>
<tr>
<td>40</td>
<td>2x</td>
</tr>
<tr>
<td>45</td>
<td>3x</td>
</tr>
<tr>
<td>50</td>
<td>4x</td>
</tr>
<tr>
<td>55</td>
<td>5x</td>
</tr>
<tr>
<td>60</td>
<td>6x</td>
</tr>
<tr>
<td>65</td>
<td>8x</td>
</tr>
</tbody>
</table>

**ASSUMPTIONS**

- Saving 6% beginning at age 25 and increasing by 1% a year to 12%
- 3% annual employer contribution
- No breaks in service or contributions: no loans or withdrawals
- Retirement age of 67
- 5.5% average annual hypothetical portfolio growth rate
- 1.5% annual salary increase
- Receives full Social Security benefit
- Living to age 92


**Recommended  Benchmarks**

**Source:** T. Rowe Price Investor, Spring 2017, p. 9
Don’t Forget Generation Z!

by 2020, Gen Z will make up 10% of the workforce

Born 1994-2010 (approx.); next cohort of future employees

Video:
https://www.youtube.com/watch?v=K1HyDn7dZ1o

Video:
https://www.youtube.com/watch?v=l7N1JJLo6eFg
Gen Z Take-Aways

- Make up 25 percent of U.S. population
- Realistic thanks to skeptical Gen X parents, recession
- Competitive with “do it yourself” mentality
- 74% prefer to communicate face-to-face
- 75% say there are other ways to get a good education than going to college

https://www.inc.com/ryan-jenkins/generation-z-vs-millennials-the-8-differences-you-.html
The 1% More Savings Calculator

Increasing your savings by one more percentage point – or even better, another percentage point a year – can add up to big additional savings over time.

You could save an extra $14,422 to $60,741 after 10 years.

Source:
http://www.nytimes.com/interactive/2010/03/24/your-money/one-pct-more-calculator.html?_r=0
Be A Gen Savvy Planner: Take Off Your Generational Lenses
June 27, 2017 by fpapractice | Leave a comment

Our early environments shape us for the rest of our lives.

That's why there is so much difference between the generations, said Cam Marston, an expert on generational change and founder of Generational Insights.

Marston told FPA Retreat attendees in April that baby boomers are tough and were never told they were unique or special, so they overcompensated by telling their kids—who are Gen-Xers and millennials—that they were extra special. Therefore, those two generations were raised to think they were unique and that their needs were very important.

“What imprints on younger people impacts them for the rest of their lives,” Marston said. “Millennials and Gen-X have been brought up to say, ‘What’s going to make me happy?’
Key Take-Away: Don’t Impose YOUR “Social Clock” on Other People!

Social Clock- “a cultural timeline of expectations of what people should do at a certain age” (William Doherty, U of Minnesota)

- **Late 20s/30s:** “So when are you two going to have a baby?”
- **Late 50s/60s:** “So when are you going to retire?”
- **Late 60s/70s+:** “Are you still working? Why?”

https://www.wsj.com/articles/its-ok-to-party-when-you-turn-60-1500914273
Questions and Comments?

boneill@njaes.Rutgers.edu

@moneytalk1 on Twitter