Bank of America

Year-End Millennial Snapshot

Financial Attitudes of Millennials Still Influenced by Great Recession and Parental Experiences, a Grouping of Bank of America® Research Shows

Executive Summary

As millennials move into their prime spending years and settle into family life, this much-talked-about generation – notable for its tech savvy and cultural diversity – will leave an imprint on communities, businesses and organizations as it comes of age.

At Bank of America, we believe that a deeper understanding of this generation's attitudes toward finances provides important insights into the broader economy. To that end, Bank of America has provided its first year-end snapshot, combining data from seven of our consumer research reports that were published throughout 2015.

Millennials' constant connections to technology and to their parents – and their goals for parenting and settling down – will shape our businesses and communities in the years to come. So far, many in this group believe that it will be harder for them financially, compared to their parents at the same age, to buy a house (43 percent), save for retirement (42 percent), and earn enough to support their desired lifestyle (39 percent).[1]

Despite their financial challenges, millennials are not putting their lives on hold. Many who are now in their late 20s to mid-30s are starting families, running small businesses and planning for future expenses.[8]

This report[8] explores how these attitudes are playing out, such as millennials' attitudes toward the lessons they received about finances and their intentions on how to teach their kids about money. Similarly, this report[8] provides further data on how the lingering effects of the Great Recession are impacting this generation. The report details how millennials:

- Are still managing through the effects of the Great Recession, which continues to shape their vision of their future.
- Have learned what to do – and what not to do – from their parents.
- Are conscious of the need to pass along good financial information to their children – and plan to be proactive to do so.
- Are seeking a balance between saving for the future and living comfortably now, so as to better pursue long-term goals.
- Use technology as a strong driver in managing money, which is consistent with the role of technology in all facets of their lives.

Effects of Great Recession Still Lingering for Millennials

The Great Recession continues to affect the financial behaviors of this generation. Almost a third report that the Great Recession affected them personally; of this group, 46 percent say it made it difficult to find a job, and one out of five (21 percent) report it made it impossible.[1]

Millennials have also noticed different behaviors from their parents following this period of time. Among the 51 percent of millennials reporting that the Great Recession had a direct impact on their family's overall finances, 67 percent note that their parents had to cut back on spending or saving, while 27 percent observed their parents experience a drop in retirement savings.[1]

- It follows that almost half (48 percent) of millennials report that the economy most impacts their saving habits, as opposed to their spending or investing behaviors. Further, most millennials aren't comfortable with the idea of going into debt (94 percent), making risky investments (88 percent), or dipping into their savings (79 percent) at this point in their lives.[2]
- At the same time, a strong majority of this group is watching their finances: Four in five (81 percent) said they recently decided not to make a purchase simply to protect their finances, while 60 percent also said it's very challenging for their generation to live within their means and not overspend.[3] Additionally, almost half (49 percent) report they are spending less money now to ensure a stress-free retirement.[4]

Perhaps because of the challenges during the Great Recession, this generation is keeping today's needs top of mind: Millennials who have savings are more likely to be saving to have emergency funds on hand (61 percent) than for retirement (35 percent).[3]

- Fifty-five percent say that being prepared for financial changes is a priority for them right now.[3]
- Similarly, 57 percent report that having an emergency savings fund is a priority for them right now.[3]

Seeking Balance

Millennials are all about balance – thinking of today and tomorrow and not letting goals for one take precedence over the other. So while they are preparing for the future and saving early for retirement, some are also willing to selectively take on debt for higher education and for experiences. In fact, as they consider their retirement, they want an emphasis on experiences, such as travel, and an enhanced quality of life.

- Three out of five millennials say having enough money to live comfortably today is a priority for them, so it is not surprising that some have taken on debt for vacations (17 percent), moving to a new area (8 percent) or financing an education (16 percent).[2]

- Many of this generation are pleased with their choices. A clear majority say the debt they took on for these experiences or items was worth it: homes (89 percent), education (84 percent), vehicles (69 percent), a move to a new area (62 percent), home improvements or renovations (52 percent).[2]
- Millennials care about managing their money and are actively trying to stay in control of their finances each week. Three-quarters (74 percent) say they pay their bills on time, and majorities say they spend less than they earn (58 percent) and regularly set money aside for savings (56 percent).[5]
- Millennials are also just as likely to balance saving for a dream vacation as getting the most out of their investments (32 percent and 37 percent, respectively).[4]

Looking Ahead to 2016 and Beyond

There are reports and surveys Bank of America has engaged with and by association we can highlight a number of ways that this generation plans to make changes that will advance their financial health, and that of their families.

Importantly, this generation is optimistic: According to the Bank of America research, most millennials believe they'll be more likely to save more money (88 percent) and invest more money (82 percent) in 2016.[2]

While only 21 percent of millennial small business owners reported six months ago that their company had completely recovered from the Great Recession, optimism has stayed strong throughout the year in spite of the slow recovery.[6]

Our data proves that optimism is not only strong, but showing major growth – with 88 percent of millennial entrepreneurs expecting their business to grow over the next five years (compared to just 56 percent of baby boomers who expect the same), and 80 percent expecting a revenue increase (compared to 60 percent of boomers). Confidence in the economy is also up – 74 percent think their local economies will improve in the next 12 months.[7]

But looking toward retirement, experiences and people take priority, which suggests they will continue to seek a goal of achieving balance throughout their lives. When it comes to retirement:

- More millennials prioritize being able to travel often (66 percent) and live near loved ones (54 percent) than more fiscally focused factors like having disposable income (38 percent) in their ideal retirement.[4]
- Additionally, more than half (55 percent) of millennials saving for retirement today are doing so to improve their standard of living down the road, and not just to afford the basics when they reach their golden years.[2]
- At the same time, they expect continued financial support in retirement: More than two in five millennials intend to lean on their loved ones for financial help in retirement.[4] Less than one in 10 (9 percent) members of older generations share this plan.[4]

Technology Continues to Influence Financial Behaviors

Millennials are called the first digital generation for good reason. They have grown up with technology at their fingertips, and they have become increasingly dependent on mobile devices over time, especially when it comes to managing their finances.

- Almost three in five (59 percent) of millennials (vs. 48 percent of total respondents) use their bank's mobile banking app, the highest users of any generation.[5]
- Most (72 percent) millennials access the app at least a few times a week, if not more often, including nearly one-quarter (24 percent) who access at least once a day or more[5]

The millennial generation appears to be using the technology most for real-time information and transactions. Of those using mobile banking, nearly three-quarters (74 percent) receive mobile banking alerts and notifications, and more than three in five (65 percent) use mobile check deposit.[5]

The research also shows that going forward, this generation is likely to expand the use of mobile devices for payment:

- Currently, more than two in five (41 percent) millennials would consider or have already used their smartphone to make a purchase at checkout.[5]
- Nearly three-quarters (68 percent) of millennials would consider paying someone using person-to-person payments via a mobile banking app, specifically family (54 percent), friends (33 percent), and household helpers (23 percent).[5]

The Role of Family

Millennials and Their Parents

One defining characteristic of the millennial generation is their ongoing closeness with their parents. According to Bank of America research, this closeness includes conversations about money: More than two in three (67 percent) of millennials today are comfortable discussing the specifics of their finances with their parents.[3] Fewer are as comfortable talking about financial specifics with siblings (54 percent), significant others (54 percent), or even financial professionals (34 percent).[3]

This closeness goes hand in hand with financial support:

- Almost half (46 percent) of parents of millennials who currently provide assistance to their adult children think they'll never stop providing at least some financial assistance. However, only 28 percent of millennials who currently receive financial assistance from their parents believe the financial support will always continue.[1]

- Looking ahead, more than three in five millennials don't think that caring for an aging parent (67 percent) or their parents' financial situation in general (62 percent) would put stress on their own finances.[4]
- Just 18 percent of millennials' parents believe that their adult children will need to provide them at least some support as they age themselves.[1]

At the same time, this generation is critical of some of the financial advice they received – or did not receive – from their parents, and they are watching the older generations closely for cues on how they should make decisions.

- Forty percent of millennials say they have learned from the experience of their parents' successes or failures to make a positive financial decision. Fewer Gen-Xers, boomers and seniors (12 percent) have had the same experience.[4]
- In another example, about a quarter (26 percent) of parents of millennials say that their biggest financial mistake was not saving for retirement early enough. In contrast, 78 percent of millennials have already started putting money away for their retirement.[4]
- Millennials also believe their parents should have talked about money with them sooner: Just one in four (25 percent) of millennials' parents started talking to their children about good financial habits before the age of 10, while 43 percent of millennials believe that parents should have this discussion with their child before that age.[1]

One area that shows considerable concern is student debt. Forty-four percent of millennials say their parents did not discuss with them the impact that paying for college might have on their future finances. For their part, only a quarter (24 percent) of parents of millennials said they felt very prepared to make smart financial decisions about their child's college education.[1]

Now that student debt is affecting this generation and their parents:

- More than half (56 percent) of parents with a millennial child who is going or went to college didn't save for their child's college education at all.[1]
- Forty-three percent of parents of millennials who pay for their child's student loan report that those student loans are having at least some impact on their own ability to spend or save.[1]

Millennials and Their Children

Millennials who have children are committed to effectively managing their family finances and teaching their kids about money, Bank of America research shows. In particular, millennial parents show a more proactive financial approach than the previous generation to shore up their finances and teach their kids:

- Almost three in 10 (29 percent) millennials with children started saving for their children's college education before the child was born. In contrast, just 10 percent of the millennials' parents who have children that are going or went to college said they began saving for their child's college before their child was born.[1]

- A large majority (82 percent) of millennials who are parents say that having kids made them more responsible about spending money.[1]
    - Of that figure, more millennial mothers than fathers (43 percent vs. 27 percent) completely agree that becoming a parent made them more fiscally responsible.[1]
    - Among parents of millennials, 76 percent say that having children made them more responsible with their spending.[1]

Methodology

Year-end Millennial Snapshot Methodology

Kelton Global, a strategic research and consulting company, analyzed studies commissioned by Bank of America in 2015 to create the Year-end Millennial Snapshot. The data includes information from the Better Money Habits Millennial Reports, Consumer Mobility Report, Merrill Edge Reports and Small Business Owner Reports. Research was gathered throughout 2015 and analyzed in totality through August and September 2015 and focused solely on millennial-facing data. This research was intended to help understand millennials and their approach to personal finance.

About the Bank of America/USA TODAY Better Money Habits Millennial Report

Bank of America and USA TODAY commissioned two surveys in 2015 to explore millennials' financial challenges, behaviors and attitudes. The Spring 2015 survey examining the parental influence on the money habits and views of today's young adults was conducted online March 4–11, 2015 (1,000 millennials and 1,005 parents of millennial children were surveyed). The Fall 2015 survey focusing on aspects of financial wellness was conducted online August 6–24, 2015 (1,320 millennials were surveyed). Both surveys were conducted by GfK Public Affairs and Corporate Communication, using GfK's KnowledgePanel®, a statistically representative sample source used to yield results that are projectable to the American population. To qualify, millennial respondents had to be 18 to 34 years old. The margin of sampling error for national data is +/- 3.4 percentage points for the Spring 2015 survey, and +/- 3.2 percentage points for the Fall 2015 survey at the 95 percent confidence level.

About the Bank of America Trends in Consumer Mobility Report

Braun Research, Inc. (an independent market research company) conducted a nationally representative telephone survey on behalf of Bank of America April 13-26, 2015. Braun surveyed 1,000 respondents throughout the U.S., comprised of adults 18+ with a current banking relationship (checking or savings) and who own a smartphone. The survey was conducted by phone to a dual-frame landline and cell. In addition, 300 adults were also surveyed in nine target markets: California, Florida, Texas, Atlanta, Boston, Charlotte, Chicago, Denver and New York. The margin of error for the national quota (where n=1,011) is +/- 3.1 percent with a 95 percent confidence level; the margin of error for the oversampled markets (where n=301-307) is +/- 5.6 percent; and the margin of error for the oversampled markets (where n=300) is +/- 5.7 percent, with each reported at a 95 percent confidence level.

About the Merrill Edge Report

Braun Research, Inc. conducted a nationally-representative telephone survey on behalf of Merrill Edge. The survey was conducted March 12–24, 2015, and consisted of 1,000 mass affluent respondents throughout the U.S., defined as individuals with investable assets (value of all cash, savings, mutual funds, CDs, IRAs, stock, bonds and all other types of investments excluding primary home and other real estate investments). Respondents in the study were defined as aged 18 to 34 (millennials) with investable assets between $50,000 and $250,000 or those aged

18 to 34 who have investable assets between $20,000 and $50,000 with an annual income of at least $50,000; or aged 35-plus with investable assets between $50,000 and $250,000. We conducted an oversampling of 300 mass affluents in the following markets: San Francisco; Los Angeles; Orange County, California; Dallas; New Jersey; South Florida; Chicago; and Phoenix. The markets of Chicago and Phoenix were newly surveyed this wave. The margin of error is +/- 3.0 percent for the national sample; and about +/- 5.7 percent for the oversample markets, all reported at a 95 percent confidence level.

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

About the Bank of America Small Business Owner Report

Braun Research conducted the Bank of America Small Business Owner Report survey by phone March 4–27, 2015, on behalf of Bank of America. Braun contacted a nationally representative sample of 1,000 small business owners in the United States with annual revenue between $100,000 and $4,999,999 and employing between 2 and 99 employees. In addition, 300 small business owners were also surveyed in each of nine target markets: Los Angeles, Dallas, Miami, New York, Boston, Chicago, San Francisco, Atlanta and Washington, D.C. The margin of error for the national sample is +/- 3.1 percent; the margin of error for the oversampled markets is +/ 5.7 percent, reported at a 95 percent confidence level. The Braun Research survey results conducted on behalf of Bank of America and interpretations in this release are not intended, nor implied, to be a substitute for the professional advice received from a qualified accountant, attorney or financial advisor. Always seek the advice of an accountant, attorney or financial advisor with any questions you may have regarding the decisions you undertake as a result of reviewing the information contained herein. Nothing in this report should be construed as either advice or legal opinion.

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[1] Bank of America/USA TODAY Better Money Habits Millennial Spring 2015 Report
[2] Merrill Edge Fall 2015 Report
[3] Bank of America/USA TODAY Better Money Habits Millennial Fall 2015 Report
[4] Merrill Edge Spring 2015 Report
[5] Consumer Mobility Report (2015)
[6] Spring 2015 Small Business Owner Report
[7] Fall 2015 Small Business Owner Report
[8] Statement is based on a thorough review and summary of findings and trends from all research included in this comprehensive reprt