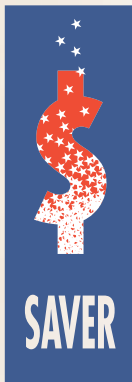


Delegate Resources



THE
2002
NATIONAL
SUMMIT ON
RETIREMENT
SAVINGS



February 27-March 1, 2002
Capital Hilton • Washington, D.C.

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SECTION 1

The SAVER Summit Challenge

To educate, to persuade

Congress enacted the Savings Are Vital to Everyone's Retirement (SAVER) Act of 1997 to advance the public's knowledge and understanding of the importance of retirement savings. The act requires the U.S. Department of Labor (DOL) to maintain a public outreach program and hold three bipartisan national retirement savings summits.

The objectives of the national summits are to

- ◆ Advance the public's knowledge and understanding of retirement savings and its critical importance to the future well-being of American workers and their families
- ◆ Facilitate the development of a broad-based, public education program to encourage and enhance individual commitment to a personal retirement savings strategy
- ◆ Develop recommendations for additional research, reforms and actions in the field of private pensions and individual retirement savings.

The first National Summit on Retirement Savings convened for two days on June 4 and 5, 1998 in Washington, D.C. Delegates identified barriers individuals face in saving for retirement and employers encounter in helping workers save. The central theme that emerged from the delegates' work was the strategic importance of retirement savings education, which will be the focus of the 2002 Summit.

The 2002 National Summit on Retirement Savings will be held in Washington, D.C. February 27 through March 1, 2002 at the Capital Hilton. President Bush, the Speaker and Minority Leader of the House of Representatives, and the Majority Leader and Minority Leader of the Senate are co-hosts.

Approximately 250 statutory and appointed delegates will participate in the Summit. The statutory delegates include the Congressional leadership and officials of the executive branch. The 200 appointed delegates, half appointed by President Bush and the Republican leaders in Congress and half appointed by the Democratic leaders in Congress, are a diverse group representing state and local governments, professionals and other individuals working in the fields of employee benefits and retirement savings, private sector institutions including employers, the general public and members of Congress.

The common goal of the 2002 Summit delegates is to help all Americans retire with security and dignity. To help accomplish this goal, the Summit challenges delegates to produce action plans that specify the most important and compelling messages and to explore the best approaches and partners for delivering those messages to their intended audiences.

Action Plans

The most successful approaches must both inform and persuade in order to change ideas, attitudes and behaviors. Public education informs, but social marketing persuades. The distinction recognizes the difference between what a person *knows* and what a person *does*.

Awareness and understanding that come from education can and often do influence behavior, but sometimes knowledge alone is insufficient. Many people, for example, fail to regularly exercise although fully aware of the health benefits. In the same way, financial literacy does not guarantee commitment to a personal retirement savings strategy. The American Savings Education Council (ASEC), for example, determined through a survey in 1999 that although youth who had taken a financial education course felt more knowledgeable, their behavior and habits were basically the same as those who had not taken such a course.

To be persuasive, the action plans should borrow the successful techniques used by commercial marketers to sell products and services—a practice already used widely to address public health issues. One of the most successful techniques is segmenting the audience so campaigns can be directed to and tailored for specific groups, based on the demographics and psychographics (values, life styles, etc.) of the group.

Understanding the different attitudes, behaviors and concerns that are shaped by generation and life stage is a good starting point for designing and improving retirement savings campaigns. Summit delegates will target four groups, called *cohorts*, identified below by their generation, life stage and approximate age.

	Generation	Life Stage	Approximate Age
A	Millennial Generation	Youth	Under 20
B	Generation X	Rising Adulthood	20s and 30s
C	Baby Boom Generation	Midlife	40s and 50s
D	Silent Generation	Elderhood	60s and 70s

This segmentation by generation and life stage was adapted from the work of William Strauss and Neil Howe.¹ The age boundaries between generations and between life stages, and their labels, do vary from expert to expert, but the underlying principles are the same.

A *generation* is a group of people who are born over the same time span and who share a collective personality. The personality of each generation—those common beliefs and behaviors forged in youth—shape attitudes toward work, family, life style, money, retirement and the future. For example, members of the Silent Generation were influenced directly or indirectly by the Great Depression and share a collective approach to money that is cautious.

“We must do a better job . . .

of educating the public—
employers and individuals alike—
about the importance of saving
and about the tools available
to ensure that we can afford
to retire and remain financially
independent.”

Final Report, 1998 National Summit
on Retirement Savings.

Recognizing that different generations have different collective personalities can improve action plans by reaching out in ways that appeal to each generation. The generations are briefly described below with their birth years and some key characteristics.

- ◆ **The Millennial Generation** (1982 to approximately present day) grew up sheltered by parents during America's longest economic boom. Millennials are group-oriented, pressured and conventional.
- ◆ **Generation X** (1961 to 1981) grew up criticized and on their own. Xers are politically disengaged, in debt, economic populists and family-oriented.
- ◆ **The Baby Boom Generation** (1943 to 1960) grew up indulged in a period of optimism and opportunity. Boomers are activists, youth-oriented, informal and a dominant market force.
- ◆ **The Silent Generation** (1925 to 1942) grew up overprotected and suffocated during world depression and war. The Silents are self-reliant, frugal, adaptive and patriotic.

A *life stage* is a phase in the human life cycle that is correlated with age and defined by a central social role with its concomitant pursuits and concerns. Each life stage brings new opportunities and challenges for retirement savings campaigns. The life stages are described below with their approximate ages.

- ◆ **Youth** (under age 20) is about learning and preparing—for work, for citizenship and for life.
- ◆ **Rising Adulthood** (20s and 30s) is about building—relationships, families and careers.
- ◆ **Midlife** (40s and 50s) is about leading—raising children and guiding institutions.
- ◆ **Elderhood** (60s, 70s and beyond) is about reflecting and stewarding—passing on values and channeling endowments.

Generations move through each life stage. The close alignment in 2002 of the four generations with the four life stages is a powerful combination that Summit delegates will use in creating their action plans.

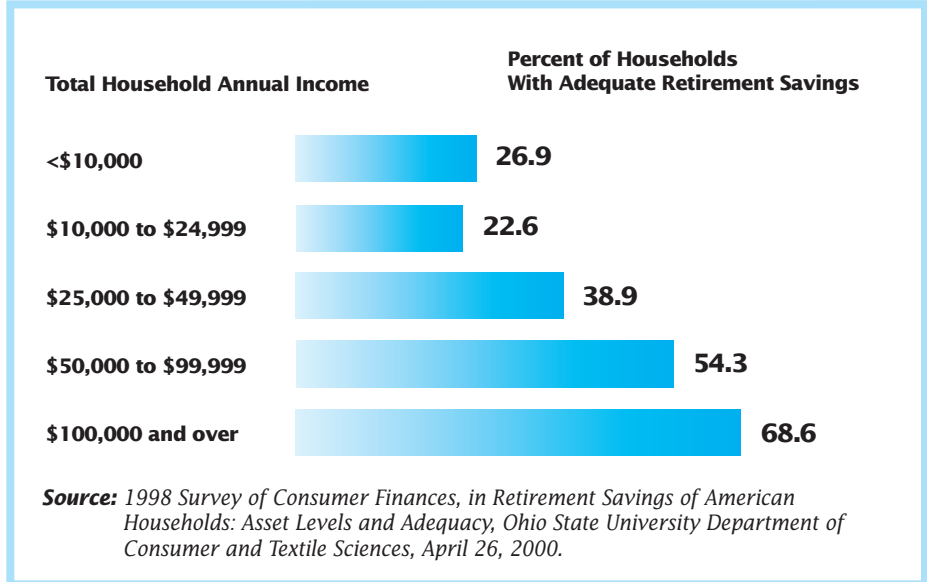
The intended audiences for the action plans are moving targets. The needs of each generation will change as they move through successive life stages, and the characteristics of life stages themselves will change with each new generation. For example, the needs of the Baby Boomers will change as they enter elderhood and at the same time they will redefine what it means to be an elder.

Americans could be segmented in many other ways, including gender, race, ethnicity, education or income. However, surveys have found that attitudes toward retirement savings are generally comparable across gender, racial and ethnic lines at comparable income levels. The more conservative investment style of women is one of the more notable exceptions.

Any approach that attempts to categorize people must recognize the diversity that exists within any segment. Using generations and life stages to help create action plans does not presuppose uniformity, only meaningful similarities among people based on generation and life stage; nor does this approach intend to dismiss real differences in income and wealth that directly affect retirement savings.

In fact, a study conducted by Ohio State University found income is the demographic variable most correlated with adequate household retirement savings. (See Illustration 1.)

Illustration 1: PERCENTAGE OF HOUSEHOLDS WITH ADEQUATE RETIREMENT SAVINGS, 1998



How to Prepare

The Summit is structured as one and a half days of working sessions, including plenary sessions and breakout sessions. Delegates will be divided into four teams during the breakout sessions, one team for each targeted cohort:

- ◆ The Millennial Generation in Youth (Under 20)
- ◆ Generation X in Rising Adulthood (20s and 30s)
- ◆ The Baby Boom Generation in Midlife (40s and 50s)
- ◆ The Silent Generation in Elderhood (60s and 70s).

To prepare for the Summit, delegates should read more about each targeted cohort in the pages that follow. Following a discussion of general retirement security trends, each cohort is briefly described in terms of its retirement savings history and key characteristics of its collective personality.

In addition, a vignette of three fictional characters is provided for each cohort that integrates and personifies some of the key trends in retirement savings, the collective personality of the generation, and the concerns and pursuits of the life stage. The vignettes help put a “face” to each generation and illustrate the diversity of personal situations within each generation.

To build upon rather than to repeat the success of the 1998 National Summit on Retirement Savings, delegates are also encouraged to learn more about the progress that was made in 1998. The agenda background materials and final report from the 1998 Summit are available at www.saversummit.dol.gov.

SECTION 2

Retirement Security

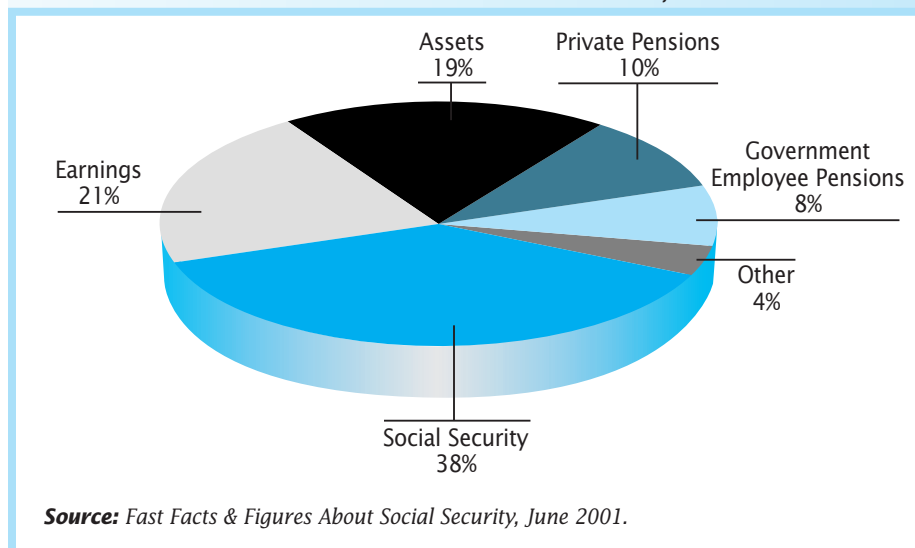
A national priority, a personal responsibility

Retirement security has become a national priority. The following statements help explain why.

- ◆ Overall, 64% of private and public employees work for an employer that sponsors a retirement plan. Half of private and 85% of public full-time workers participate in employment-based retirement plans.
- ◆ The shift from defined benefit plans to defined contribution plans means employees are bearing more risk and responsibility for their retirement savings.
- ◆ Many individuals are not saving enough for retirement to maintain their preretirement standard of living.
- ◆ People depend to a large extent on Social Security as a source of retirement income. However, the program's financial status is under study and eligibility for unreduced benefits is increasing from age 65 to age 67.

The changing nature of retirement and retirement income (see Illustration 2 for sources of income of the aged in 1999) calls for every American, with the help of government, employers and policy makers, to assume responsibility for developing a personal retirement savings strategy. Individuals need to increasingly rely on personal savings, earnings and their own contributions to employment-based plans to maintain a reasonable standard of living in retirement.

Illustration 2: AGGREGATE INCOME OF THE AGED BY SOURCE, 1999



Retirement Security and Income Legislation

- **The Revenue Act of 1921** initiated preferential tax treatment of pensions.
- **The Social Security Act of 1935** devised a nationwide system of social insurance to protect wage earners and their families.
- **The Labor-Management Relations (Taft-Hartley) Act of 1947** provided guidelines for the establishment and operation of retirement plans administered jointly by employers and unions.
- **The Self-Employed Individual Retirement (Keogh) Act of 1962** allowed self-employed persons, unincorporated small businesses, farmers and professionals to implement qualified retirement plans.
- **The Employee Retirement Income Security Act of 1974 (ERISA)** established individual retirement accounts (IRAs), the Pension Benefit Guaranty Corporation (PBGC) and standards for employment-based benefit plans.
- **The Revenue Act of 1978** authorized Section 401(k) and Section 457 plans, and simplified employee pensions (SEPs).
- **The Retirement Equity Act of 1984** amended minimum vesting, minimum participation, and joint and survivor annuity provisions, and created QDROs.
- **The Tax Reform Act of 1986** simplified employment-based retirement plan administration.
- **The Taxpayer Relief Act of 1997** created new types of IRAs, including the Roth IRA.
- **The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)** increased contribution and benefit limits for tax-qualified plans, added salary reduction "catch-up" contributions for workers aged 50 and over, shortened vesting requirements for employer matching contributions and increased portability of retirement plan assets.

Retirement Savings Vehicles*

Employment-Based

Defined benefit plans

(including cash balance plans)

Defined contribution plans

- Money purchase pension plans
- Thrift/savings plans
- Profit-sharing/stock bonus plans
- ESOPs
- 401(k) plans (\$11,000 in 2002, up to \$15,000 in 2006, catch-up of \$1,000 in 2002 to \$5,000 in 2006 for those 50 and older)
- 403(b) tax-deferred annuities of tax-exempt organizations (\$11,000 in 2002, up to \$15,000 in 2006, catch-up of \$1,000 in 2002 to \$5,000 in 2006 for those 50 and older)
- 457 plans of state and local governments, and tax-exempt organizations (\$11,000 in 2002, up to \$15,000 in 2006, catch-up of \$1,000 in 2002 to \$5,000 in 2006 for those 50 and older)
- SIMPLE plans for small businesses (\$7,000 in 2002, up to \$10,000 in 2005, catch-up of \$500 in 2002 up to \$2,500 in 2006 for those 50 and older)
- Keoghs for the self-employed (\$40,000 in 2002)
- SEP-IRAs for the self-employed (\$40,000 in 2002)

Individual-Based

- Traditional IRAs (\$3,000 in 2002, up to \$4,000 in 2006, catch-up of \$500 per year for those 50 and older)
- Roth IRAs (not tax deductible) (\$3,000 in 2002, up to \$4,000 in 2006, catch-up of \$500 per year for those 50 and older)
- Saver's tax credit for lower income workers depending on income (10% to 50% of up to \$2,000 in employee contributions to employer plan or IRA)

*Amounts in parentheses are maximum employee/individual contributions.

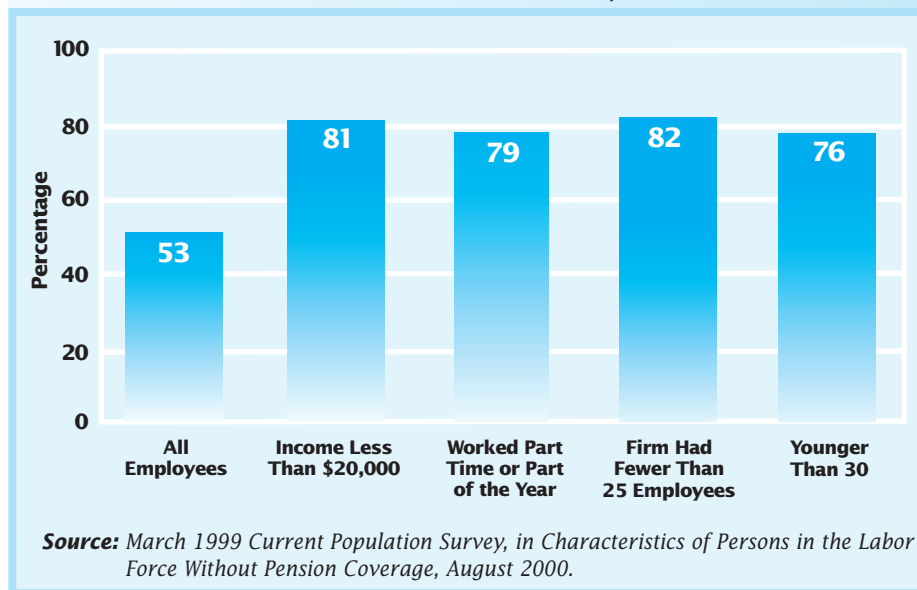
Employment-Based Retirement Plans

Half of private full-time workers and 14% of private part-time workers participate in employment-based retirement plans

In 1999, 64% of private and public employees worked for an employer that sponsored a retirement plan. This represents 90% of public workers but only 58% of private workers. Breaking private sector coverage rates down by worker classification, 51% of full-time workers and 14% of part-time workers participated in a retirement plan. In a similar breakdown of public worker coverage, 85% of full-time workers and 32% of part-time workers participated in a retirement plan. These coverage rates, reported by the DOL, have not changed substantially over the past 30 years.

Low-income, part-time, temporary, small business, nonunionized and younger employees are more likely to lack retirement plan coverage. (See Illustration 3.) The coverage rate is higher for whites than for other races and ethnicities.

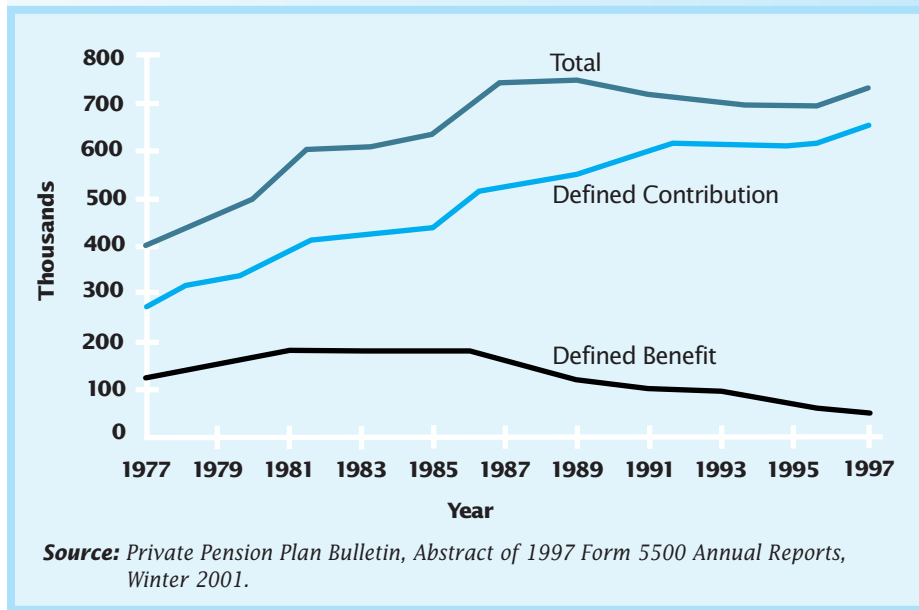
Illustration 3: PROPORTION OF EMPLOYEES WITH SELECTED CHARACTERISTICS WHO DID NOT HAVE A RETIREMENT PLAN, 1998



Defined contribution plans have outpaced defined benefit plans

Defined contribution plans have proliferated over the past 20 years.² Defined contribution plans more than doubled in number from 1978 to 1998, from 315,000 plans covering 16 million people to 674,000 plans covering 58 million people. At the same time, the number of defined benefit plans decreased by more than 50%, from 128,000 plans with 36 million participants to 56,000 plans with 42 million participants. (See Illustration 4 for a depiction of this trend in two-year increments.) The popularity of 401(k) plans has been largely responsible for the shift from defined benefit plans to defined contribution plans.

Illustration 4: NUMBER OF RETIREMENT PLANS, 1977-1997



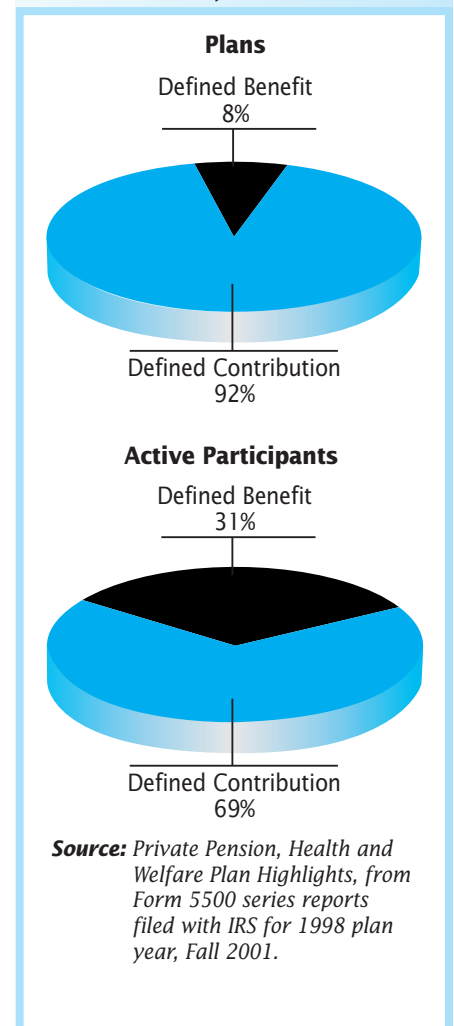
Of 730,000 total retirement plans, 92% are defined contribution plans covering 69% of total active participants. (See Illustration 5.)

Employees bear more risk and responsibility for accumulating adequate retirement income in their retirement plans

The shift toward defined contribution plans has major implications for retirement security. Unlike defined benefit plans that most employers solely fund and manage, employees contribute to defined contribution plans and generally direct where and how their account balances are invested and allocated.³ Employees can also tap their vested accounts before retirement, for example, by taking a loan or leaving an employer. The Employee Benefit Research Institute (EBRI) found only about half (48%) of retirement distributions to job-changers in 1998 were rolled over into an IRA or another qualified plan. The remaining distributions were spent.

For most covered workers, a defined contribution plan is their only workplace retirement benefit. In 1997, according to the DOL, 54% of covered workers had only defined contribution plans, 14% had only defined benefit plans, and 32% had both defined benefit and defined contribution plans.

Illustration 5:
DISTRIBUTION OF RETIREMENT PLANS
AND ACTIVE PARTICIPANTS
BY TYPE OF PLAN, 1998



“The trend has been toward greater use of defined contribution plans and IRAs . . .

which sever the link between long-term attachment to a single employer and retirement income that is inherent in a defined benefit plan.”

Monthly Labor Review, April 2001.

Financial planning education is imperative

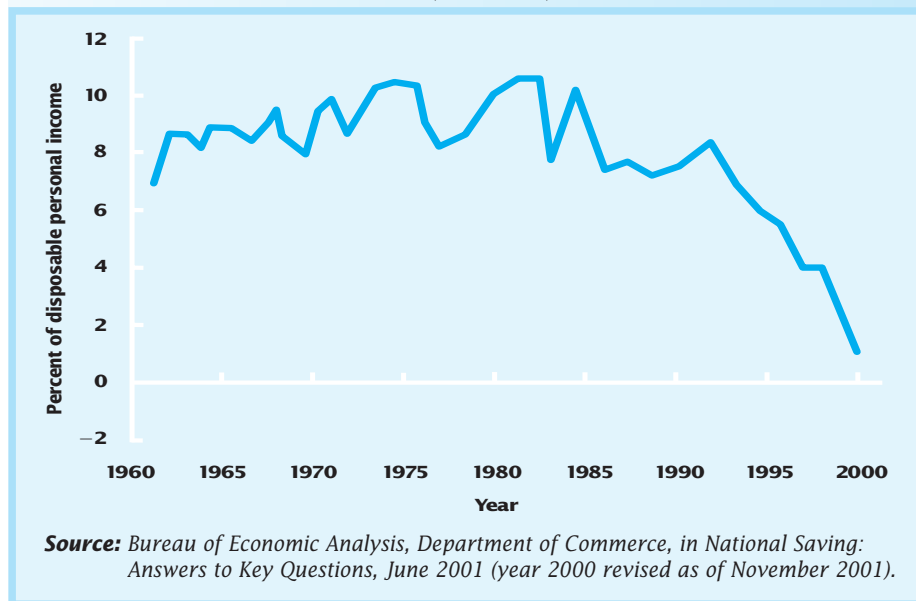
The popularity of self-directed defined contribution plans has brought with it a concomitant need for financial literacy. Do employees know the specifics of the plans for which they are eligible? Do they understand the importance of participating and contributing to those plans? How do employees choose appropriate investments and diversify investments wisely? When are distributions allowed, in what form and what are the tax consequences? How this information is communicated, and from whom, significantly impacts retirement security.

Personal Savings

The personal savings rate is very low

For the first time since 1933, the personal savings rate⁴ is almost zero. After holding fairly steady through the 1960s and 1970s, the personal savings rate declined in the 1980s and fell in the last few years to levels not seen since the Great Depression. (See Illustration 6.) In 2000, American households, in the aggregate, saved only 1% of their disposable personal income.

Illustration 6: PERSONAL SAVING RATE (1960-2000)



“The low rate of personal saving in the United States . . .

and the lack of any retirement savings accounts among nearly two-thirds of American workers indicate that there is a need for greater awareness among the public about the importance of setting aside funds to prepare for life after they have stopped working.”

Retirement Savings and Household Wealth in 1998: Analysis of Census Bureau Data, May 8, 2001.

Two-fifths (42%) of U.S. households tracked by the Investment Company Institute in 2001, however, own IRAs. (See Illustration 7 on page 9.) Further, IRA assets are growing substantially. In 1999, for the first time, EBRI found assets in IRAs (\$2.47 trillion) exceeded those in defined contribution plans (\$2.45 trillion) and defined benefit plans (\$2.21 trillion).

Most IRA growth, though, is not from new contributions but from rollovers of employment-based plan distributions and investment gains. “Today,” EBRI explains, “IRAs are used primarily as a vehicle to store retirement wealth that has been accumulated elsewhere in the

retirement system, and not as a vehicle through which current retirement savings occur.”

Overall, many people are not saving enough for retirement

Employees voluntarily contribute to several types of retirement savings plans including individually owned IRA and Keogh accounts as well as employment-based 401(k), 403(b) and 457 thrift plans. The Congressional Research Service reports that 39% of all workers between ages 25 and 64 owned such a contributory retirement savings account in 1998. (Defined benefit plans and noncontributory defined contribution plans are excluded from this measure.) Of those people who contribute to retirement savings accounts, the average retirement account balance was \$34,700 and the median was \$14,000—hardly enough to adequately fund retirement even when supplemented with other sources of income and wealth.

There is little evidence Americans are saving enough to preserve their preretirement life styles in retirement. Retirement income replacement ratio benchmarks run from 74% to 83%, depending on income and family situation, according to a 2001 study by Aon Consulting and Georgia State University. Workers in all age groups saved 5% or less of preretirement income in 2001, with rates improving for the youngest workers but deteriorating for those in the higher age group at the lower income levels. In each age group, those at higher income levels saved a greater percentage of preretirement income than those at lower income levels.⁵ (See Illustration 8.)

Illustration 7: OWNERSHIP OF TYPES OF IRAs, 2001

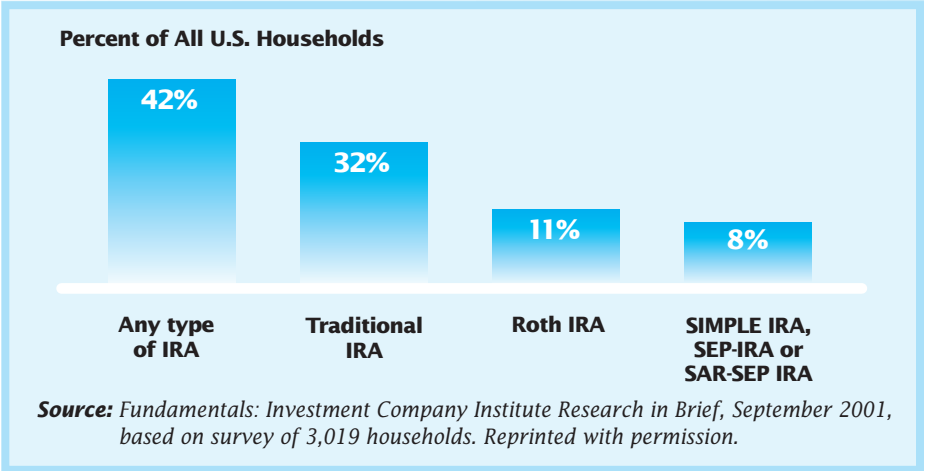


Illustration 8: SAVINGS RATES, 2001 AND 1997

PRERETIREMENT INCOME (\$)	AGES 50 THROUGH 64		AGES 40 THROUGH 49		AGES 30 THROUGH 39	
	2001 (%)	1997 (%)	2001 (%)	1997 (%)	2001 (%)	1997 (%)
20,000	1.4	4.4	0.8	1.0	1.7	1.4
30,000	2.3	4.8	1.7	2.1	2.5	1.9
40,000	3.0	5.0	2.5	2.6	3.1	2.4
50,000	3.7	5.1	3.1	2.9	3.7	3.0
60,000	4.2	5.1	3.6	3.0	4.1	3.5
70,000	4.5	5.0	3.8	3.1	4.3	3.9
80,000	4.7	5.0	3.9	3.2	4.4	4.4
90,000	5.0	5.0	4.0	3.3	4.5	4.8

Source: Replacement Ratio Study™: A Measurement Tool for Retirement Planning, Aon Consulting/Georgia State University, 2001. Reprinted with permission.

Misperceptions about retirement and investments may be contributing to the low savings rates. Common mistakes include overestimating investment returns, and consequently overwithdrawing funds in retirement; underestimating the needed income to preserve an active lifestyle; expecting too much from Social Security; depending on an inheritance or a spouse's pension; and underestimating longevity.

Social Security

Retirees count on Social Security

Social Security is the mainstay of most people's retirement income: 38% of total income of the aged is from Social Security. (See Illustration 2 on page 5.) The dependency on Social Security is much higher for those in the lowest quintile of total income, where Social Security benefits supply 82% of income. On the other end of the spectrum, Social Security contributes only 18% of income for those in the highest quintile of income.

The future of Social Security and Medicare is under study

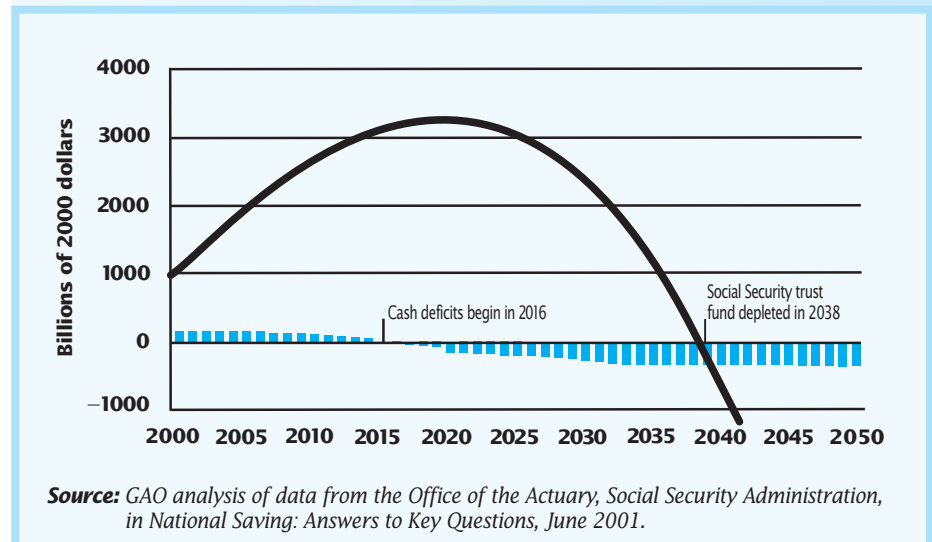
The future of the current Social Security program of contributions and payments is the subject of much public policy debate. Increased longevity and the size of the aging Baby Boom generation, combined with lower fertility rates for generations that follow, will strain the Social Security system. The Social Security Board of Trustees expects the number of people aged 65 and older to double by 2075, to 23% of the population. The ratio of workers to beneficiaries will decrease from 3.4 today to 2.1 in 2030. Social Security faces cash deficits in 2016, when payments are projected to be larger than revenue. The Social Security Trust Fund is projected to be exhausted in 2038, absent reform; projected tax revenue would cover 73% of projected benefits beyond 2038. (See Illustration 9.)

Social Security Statistics

- Nine in ten people aged 65 and older receive Social Security benefits.
- Social Security supplies 50% or more of the income for two-thirds of people aged 65 and older; it is the only source of income for 18% of beneficiaries.

Source: *Fast Facts & Figures About Social Security, June 2001.*

Illustration 9: SOCIAL SECURITY TRUST FUND FACES INSOLVENCY IN 2038 (2000-2050)



There are proposals under consideration to ensure Social Security's financial viability. Proposed changes in the investment of the fund's assets include investing some or all of the fund in equities (rather than Treasury bonds) or allowing individuals to manage a portion of their contributions.

For similar reasons, Medicare is also expected to face cash deficits beginning in 2016. The Medicare trust fund is projected to be depleted in 2029, absent reform. The need for programmatic reform is under consideration.

Normal retirement age has increased

The eligibility age for unreduced Social Security benefits has increased from 65 to 67, a fact few people realize. Over a period of 22 years, beginning in 2000, the normal retirement age increases from age 65 to age 67 for people born in 1938 and after. For those born in 1960 and after, normal retirement age is 67.

The later normal retirement age of 67 further reduces early Social Security benefits and will perhaps influence a reversal of the decline in the average age at retirement experienced in the 1990s. Some workers may even choose to work beyond the normal retirement age because delayed retirement increases Social Security benefits for each year after normal retirement age, reaching 8% per year of delay in 2010. Also, an unprecedented labor shortage, which Secretary of Labor Elaine L. Chao has described as an "incredible shrinking workforce," could also encourage people to retire later.

Earnings

Retirees are working!

People are not employed one day and retired the next. They are transitioning to retirement through bridge jobs or phased retirement. A 1998 AARP survey confirmed that most Baby Boomers (80%) plan to work at least part time in retirement.

While most retirees work today because they want to, future retirees might have to work because they have no choice. A child born in 1998 can expect to live to almost 77; a 65-year-old female retiree in 1998 can expect to live until 84. With people living longer and retiring earlier, earnings could become a more significant source of retirement income.

Medicare beneficiaries aged 65 and older spend 19% of their income on health care.

Source: *Out-of-Pocket Spending on Health Care by Medicare Beneficiaries Age 65 and Older: 1999 Projections*, AARP Public Policy Institute, December 1999.

Health care coverage is a driver

A significant reason people transition to or delay retirement is to maintain or pay for health care coverage. Not only do retirees have to bridge gaps between early retirement and the Medicare eligibility age of 65, but most want to supplement Medicare coverage. The percent of employers with retiree health benefits, once a more common benefit, is declining. A Mercer/Foster Higgins survey found the percent of larger employers (with 500 or more employees) with early retiree health benefits fell from 46% in 1993 to 31% in 2000; the percent of employers covering Medicare-eligible retirees fell from 40% to 24% over the same period.

With sharply increasing medical costs, particularly prescription drug costs, the cost of retiree health care threatens retirement security.

SECTION 3

The Millennial Generation in Youth

Living up to expectations of greatness

Millennials and Money

How Millennials are doing

Studies indicate teens spend more than \$150 billion a year, with much more spent on their behalf or influenced by them. According to Teenage Research Unlimited (TRU), the average teen consumer in 2000 spent \$84 per week, \$57 of which was their own money and \$27 from their parents. The major sources of teen income were parents on an as-needed basis (47%); odd jobs (41%); gifts (41%); part-time jobs (28%); regular allowance (25%); and full-time jobs (11%).

According to TRU, more than two-thirds of teens have savings accounts, 22% have checking accounts, 18% own stocks or bonds and 8% have mutual funds. Of teens aged 18 and 19, 42% have a credit card in their own name.

However, spending money and having financial accounts do not guarantee financial literacy. Only 52% of the questions were answered correctly in a nationwide survey of 12th graders sponsored by the Jump\$tart Coalition for Personal Financial Literacy. For example, less than half knew retirement income paid by a company is called a pension.

According to the *1999 Youth and Money Survey* of the American Savings Education Council (ASEC), 94% of teens look to parents as their primary source of financial guidance. Unfortunately, parents are not always the best source for financial information or emulation.

Reaching Millennials

There is no shortage of financial education curriculums for students. For example, the National Endowment for Financial Education program is a free, seven-unit course covering basic financial planning in a context relevant to teenagers. The curriculum now reaches 250,000 students and has been used by 1.3 million students over the program's 13 years of distribution.

A newer campaign for high school students is Financial Literacy 2010, a coalition effort of the Investment Protection Trust, National Association of Securities Dealers, North American Securities Administrators and the National Institute for Consumer Education. The materials are customized to provide local and statewide information. In addition to the guides, training workshops are conducted at state and local National Teachers Association conferences and have reached 6,000 teachers in two years.

Birth Years

1982-present day

Approximate Age

Less than 20

Population

76 million

27% of population

Other Labels

Generation Y

Echo Boomers

Generation Next

Generation Net

Internet Generation

Nintendo Generation

Financial Status

ASEC *1999 Youth and Money Survey*

Ages 16 to 24:

Have taken personal finance course at school: 26%

Could use more lessons in money management: 66%

Roll over credit card debt each month: 9%

Make a budget and stick to it: 23%

Say it is important to save money on a regular basis: 54%

Always save some money when receive allowance or get paid: 49%

Approach to Money

Spend your parents' money as fast as you can

Life Stage Concerns

School

Extracurricular activities

Social life

Part-time or summer work

Barriers to

Retirement Savings

Saving for a car

Saving for college

Time until retirement

Source: Adapted from *Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace*, AMACOM Books, 2000 (all rights reserved) and from *Generations: The History of America's Future, 1584 to 2069*, Quill, 1991 (all rights reserved).

Common Messages

- Start early
- Save systematically
- Establish an investment time horizon

Learning Preferences

- Teamwork
- Technology
- Lively and varied materials
- Edutainment
- Structure and attention
- Willing to read

Defining Events and Trends

- Computers
- Internet
- Cute-baby movies
- U.S. as debtor nation
- Rescue of Jessica McClure
- Schoolyard violence
- School uniforms
- Oklahoma City bombing
- It Takes a Village*
- TV talk shows
- Multiculturalism
- Girls' Movement
- September 11th

Common Descriptors

- Sheltered
- Group-oriented
- Pressured
- Conventional
- Media savvy
- Socially conscious
- Environmentally conscious
- Globally conscious
- Doers, initiators
- Confident
- Respectful of authority
- Rule followers
- Multitaskers

Core Values

- Optimism
- Civic duty
- Confidence
- Achievement
- Sociability
- Morality
- Diversity
- Family
- Integrity
- Religious faith
- Fairness

Source: Some parts adapted from *Generations at Work*, AMACOM, 2000, and from *Generations*, Quill, 1991 (all rights reserved).

Teachers are also creating their own programs. NASDAQ and the National Council on Economic Education held a contest to find the best ideas in financial education, offering \$85,000 in prize money as an incentive. The winning approach was simulating economic briefings of the President in the Oval Office, with the teacher wearing masks to portray Roosevelt, Nixon and Reagan and the students making economic policy recommendations based on what they believe is wrong with the economy. Some of the other winners included using Homer's *Odyssey* to teach students about shopping for cars and running a bake sale like a corporation with a board of directors.

Of all the programs for the Millennials, one of the most successful is the Stock Market Game, developed by the Securities Industry Association and sponsored by the nonprofit Economics America. Over the last 20 years, this real-world simulation has helped more than six million students nationwide and in 15 other countries learn about investing and managing their financial future. In the Jump\$tart financial literacy survey cited previously, students who participated in the high school Stock Market Game scored better on the survey (55.1%) than did students who completed an entire course in money management (51.4%) or an entire course in economics (51%).

Perhaps the program is as effective and popular as it is because it matches the learning preferences of Millennials. Over the course of ten weeks, participants invest a hypothetical \$100,000 in NASDAQ, AMEX and NYSE-listed common stocks. Students make budgets, research stocks, choose and manage their portfolio, and follow the news. Students collaborate to make their investment decisions and can check their rankings weekly against all state teams in their division. The game uses teamwork, technology, structure, reading, lots of entertainment and excitement, and the game resonates with the strong desire of Millennials for wealth accumulation.

Even if the supply of financial literacy materials for schools is adequate, the problem of demand remains. According to the Jump\$tart Coalition, only 17 states require some kind of personal finance training, ten of which have local agency options that determine what is actually taught.

History and Characteristics

The Millennial Generation includes children born from 1982 up to the present day. Millennials are the "Babies on Board" of the early Reagan years, the "Have You Hugged Your Child Today" sixth-graders of the early Clinton years, the teens of Columbine and, most recently, the high school Class of 2000. The oldest Millennials are just now beginning to make their presence felt on college campuses.

Millennials have been held to high standards and strict accountability while growing up. Their experiences of youth include rigid, zero-tolerance policies that can lead to Draconian punishments for minor infractions. In the classroom, their performance is measured by

the new wave of higher school standards and standardized tests. Millennials have grown accustomed to achieving their goals, ever mindful of the harsh consequences of failing to meet the high standards set for them.

Diversity is the norm for Millennials. In 1999, minority groups represented 38% of public school students, an increase of 16 percentage points from 1972 that was driven primarily by the increase in the proportion of Hispanic students. The have/have-not gap, reflected especially in the distribution of information technology, is widest among this generation.

Millennials on the whole show an easy confidence and optimism reminiscent of the GI generation (named for those born between 1901 and 1924 because of their dominant role in WWII). They grew up during America's longest boom. With the exception of the minor recession in the early '90s and the post-September 11, 2001 downturn, the U.S. economy has expanded continuously ever since the first Millennials were born. They remember a decaying Russia, not a menacing Soviet Union, and are growing up in a world where the United States is the only superpower.

The last decade has given rise to the emergence of *kinderpolitics*—the idea that the fundamental goal of social policy is to improve life for children. The rising political prominence of “soccer mom” symbolizes the power of an adult-organized infrastructure put in place for children nationwide. Proposals like the V-chip, the Family and Medical Leave Act, and child tax credits all were enacted into law on the premise that they would be good “for the children.” Millennials have been influenced by the constant concern for their welfare and, as a result, they have come to believe on some level that they will play a special role in the future.

Describing the Millennial Generation

Sheltered

Millennials grew up in the era of childproof cabinets, tamper-resistant packaging, safety features on every device and constant supervision from adults. At every step of the way, protective Boomer and Xer parents have ensured their children would grow up with a minimal chance of being harmed. This sheltering process may have enhanced their basic idealism about the world.

Group-Oriented

Millennials were educated using new group-teaching formats, dressed in identical uniforms for school, and socialized by chatting online with friends on their AOL Buddy Lists. It is no coincidence that “soccer moms” came upon the scene while ferrying their Millennial kids to soccer practices. Millennials tend to develop strong team instincts and deep peer bonds, and a cooperative sport like soccer is a perfect match for the Millennial mentality.

Markings

Polyester
Pagers
Retro

Visible Members

McCauley Culkin
Chelsea Clinton
Tara Lipinski
LeAnn Rimes

Heroes

Michael Jordan
Princess Diana
Mark McGwire
Sammy Sosa
Mother Teresa
Bill Gates
Michael Dell
Kerri Strugg
Tiger Woods
Christopher Reeves

Humor

Calvin and Hobbes

What They Read

Goosebumps
Baby Sitters Club
Matt Christopher
American Girl
Chat room conversation
Harry Potter

Source: *Some parts adapted from Generations at Work, AMACOM, 2000, and from Generations, Quill, 1991 (all rights reserved).*

Pressured

Millennials have grown up facing time pressures that have traditionally been faced by adults. Millennials juggle the demands that homework, enrichment activities, hobbies, friends and jobs place on their time. This kind of pressure and time constraint is perfectly normal for Millennials. They have a lifelong acceptance of not only working hard together but accepting organizations that set the rules and define success.

Conventional

Millennials find it natural to uphold social rules and standards they feel are for the greater good. Millennial children nag their parents to quit smoking and pester their families to begin recycling. Millennials generally accept the basic values of their parents and are willing to work to uphold and even extend these basic standards.

Meet the Millennials

The following vignettes put a “face” to the generation. The vignettes also help illustrate the diversity and commonalities that exist among members of the same generation and life stage.

Emma McIntyre: Achieving the Basics

Emma’s friend Anita finally signed on to AOL and they immediately began chatting about their group project from their Girl Scout meeting. They were asked what they would do if they won \$500 in a contest—a question the troop leader created to supplement the Price-Wise assignment for the Family Living Skills badge.

Anita quickly types, “Let’s get front row seats for the N’Sync concert.” Emma realizes that Anita missed the whole point of the project. Emma suggests that they put the whole \$500 into the ATM and save it. Anita quickly responds that they could spend half now and save the rest . . . or maybe even give some away to the Red Cross, like her mom and stepdad recently did, or maybe to Greenpeace or the church.

Emma comments that it’s a shame Sarah doesn’t have a computer at home so that she could join the chat. Sarah volunteers a lot with her mom and would know exactly where they should donate money. Anita responds, “I didn’t think that her family had enough money to give any away.”

Emma picks out the words “mom” and “money” from the background noise of her television, which triggered her to suggest that they set up a budget for the \$500 just like her parents make her do for her allowance.

Anita responds, “GTG, it’s 8:00. :-(-”



Emma McIntyre

Age: 10

Location: Columbus, Ohio

Family Status: Only child, two parents at home

Financial Status:
Upper middle class

Occupation: Student

Gerald Jackson: Promises Kept

Gerald's father used the arrival of the quarterly statements from his son's investments to prompt discussions about Gerald's financial future with him. Trying to speed the conversation along, Gerald took each statement from his father's hands and quickly recited the lessons that typically accompanied each. For his IRA—started with money from his dad when Gerald began working a couple of years ago—the lesson was the value of tax-deferred savings and, with the recent market downturn, investing for the long term. For his Coverdell Education Savings Account (his education IRA), the lesson was about investing in himself and the importance of education for getting a good job. His dad stopped him before he could finish.

Gerald's dad announced that his employer was starting a Section 529 plan that would allow him to save pretax dollars for his son's education. Gerald had earned money shoveling sidewalks in the winter and teaching computer at the community center and was planning to buy a car. His dad had promised to match Gerald's savings for a car but was now considering putting the money into the Section 529 college fund instead.

"Dad, that's so unfair. You promised." "I know son," he replied. "I also promised to send you to college, but I don't think we're going to have enough to do both." Gerald could sense the concern in his father's voice. Gerald knew the money that had been saved for him and his sisters didn't come easily—and probably came at the expense of his father's own savings.

In the end, the choice would be Gerald's, they decided—it was his future after all.

Blaine Gartman: Symptoms of Affluenza

"Rejected? How can my card be rejected?" Blaine quickly dialed his father on his cell phone. "Use another card and I will put a check in the mail to you today," was his father's curt response.

"Man, you are out of control. What do you need the Xbox for, anyway? You just got your Playstation 2 last year," said Fred, Blaine's best friend. "You have got to get your spending under control. Have you ever saved a dime in your whole life?"

The two had gone down this path before. Blaine defended himself by saying he didn't need to save. His parents provided plenty of guilt money following their divorce. He was on scholarship and would be making "the big bucks" after law school. He would literally laugh at Fred at the mere mention of putting money into an IRA to save for retirement that was 50 years away!

Fred couldn't help but realize that he was asking Blaine to behave like a responsible adult at the same time the two of them were rushing back to the dorm room to play Kabuki Warriors on the new Xbox.



Gerald Jackson

Age: 15

Location: Baltimore, Maryland

Family Status: Two siblings,
two parents at home

Financial Status: Lower
middle class

Occupation: Student, part-
time entrepreneur (shovels
sidewalks in winter, tutors
at community center)



Blaine Gartman

Age: 18

Location: San Diego, California

Family Status: One of two
children, divorced parents

Financial Status: Upper
middle class

Occupation: Full-time student

SECTION 4

Generation X in Rising Adulthood

It's a matter of survival

Generation X and Money

How Xers are doing

Since hitting the job market during layoffs and declining real wages, Generation X has been struggling. Their young age, diverse ethnic makeup and relatively lower educational attainment lower the likelihood of working for a company that offers a retirement plan. Of those who can participate, only 36% under the age of 25 do, compared to 68% of workers ages 25-29 and 88% for workers ages 50-54. Of those who do participate, only a third of workers in their 20s and 30s max out their 401(k) plans.

Those with money often invest aggressively, willing to take substantial risk. They have a fascination with the market and unabashedly hold heavy interests in the technology sectors. Technology is not only *where* they invest their money but *how* they manage their money. Xers want and expect direct electronic access to their financial accounts.

Reaching Generation X

The magic ingredient of successful programs targeted at Xers within organizations seems to be fun—and appropriateness for the corporate culture.

A campaign by T. Rowe Price for EMI Music, a New York City recording giant with a young workforce, used a 1970s “retro” fashion theme. Meetings were designed around the nostalgic theme and ’70s imagery, color and humor in education brochures. The campaign needed to appeal to its young workforce but, more importantly, it needed to appeal to the corporate culture.

Circuit City rolled out a new 401(k) plan with the help of American Express Retirement Services. The employee population was 70% young male. The campaign used space-age imagery, using themes like “You need to plan for that vacation in 2020, for that trip to the moon.” The tag line was “You can’t predict the future, but you can plan for it.”

Peet’s Coffee and Tea, Inc. is a national chain with employees that are largely young, mobile and laid back. The company added access to socially responsible funds, more funds in the growth area to reflect the longer investing horizon of younger workers, and a fund that re-allocates assets automatically over a 30-year period.

Donna Karan International’s approach was not working with the young and diverse workforce with varying degrees of financial expertise. A new approach keeps things simple, using short, easy-to-use summaries. To simplify choices, the participants are offered life style

Birth Years

1961-1981

Approximate Age

20s and 30s

Population

85 million
30% of the population

Other Labels

Baby Busters
Gen Xers
Post-Boomers
Thirteener
Twenty-somethings

Financial Status

Survey of Consumer Finances, 1998

Less than 35 years old:

Any retirement asset (excluding Social Security): 47.6%
Nonemployer retirement plan or employer-sponsored defined contribution plan: 40.4%, \$6,800 median
Nonemployer retirement plan (IRA, Keogh): 14.5%
Employer-sponsored retirement plan: 43%

Approach to Money

Cautious and conservative

Life Stage Concerns

Establishing financial independence
Starting a career
Paying off school loans, debt
Saving for big purchases and emergency funds
Getting married, divorced
Starting a family
Buying a house

Source: Adapted from *Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace*, AMACOM Books, 2000 (all rights reserved) and from *Generations: The History of America’s Future, 1584 to 2069*, Quill, 1991 (all rights reserved).

Barriers to Retirement Savings

- Low salary, wages
- No retirement plan at work or not eligible for plan
- The distance of retirement in the future
- Life style creep

Common Messages

- Time is your most valuable asset
- Eliminate debt, student loans
- Contribute at least the highest amount the company will match
- Pay yourself first
- Save something, no matter how small
- Invest aggressively with such a long time horizon
- Allocate assets
- Don't cash out 401(k) plans
- Prepare for the unexpected

Learning Preferences

- Self-directed, including video and CD-ROM
- Avoidance of routine meetings
- Mixing in fun
- Learning by doing, role-play and experimentation
- Visual stimulation in headlines, subheads, graphics, lists
- Straightforward language

Defining Events and Trends

- Women's Liberation protests and demonstrations
- Bad-child film trend
- Arab terrorists at Munich Olympics
- Watergate scandal
- Energy crisis
- Personal computers
- Jonestown suicides
- Massive layoffs
- Iran hostage crisis
- Shooting of John Lennon
- Election of Ronald Reagan
- A Nation at Risk*
- Challenger disaster
- Stock market plummet
- PanAm Flight 103
- Exxon Valdez
- Fall of Berlin Wall
- Operation Desert Storm
- Rodney King videotapes

Source: *Some parts adapted from Generations at Work, AMACOM, 2000, and from Generations, Quill, 1991 (all rights reserved).*

funds that match risk tolerance. Information can be accessed over the Internet, through a customer service representative, or using the speech-enabled interactive voice response (IVR) system, which allows spoken commands such as “fund information.” For these employees, the IVR system is used five times more than the Internet.

Costco Wholesale is a retailer with a young workforce. Their campaign features a hippie motif, but the interesting component is posters with a button for the reader to push. One poster is a graying but rugged man in a leather jacket and T-shirt, which has an “early bird special” logo in a circle with a slash through it. Push the button and a voice says, “I don't have to eat early bird specials. I eat when I want.” Costco also uses employee advocates who were respected by the peer group and they relied heavily on oral rather than written communication.

History and Characteristics

Generation Xers comprise the last wave of the Silents' offspring and the first wave of the Boomer offspring. They are a highly diverse generation, with one in three belonging to an ethnic minority, compared to one in four in the total population. The number of Xers born each year generally trailed the number of Boomer births, as reflected in another term used to describe them, the Baby Bust generation. The sheer numbers and cultural dominance of Boomers can be disheartening to a generation trying to stake out its own identity.

Since the world did not present to Xers what they initially expected, when given the chance, they are reluctant to commit. Skepticism is their defense mechanism and, as a result, they have become a self-reliant, flexible cohort.

Seeing themselves as marketable commodities, Xers adroitly navigate the job market. Some of their ranks are emerging as the hard-driving entrepreneurs behind the development of new high-tech companies. But having experienced many of the consequences of their Boomer parents' hectic work lives, many Xers intentionally seek balance, looking for flexible jobs with tangible outcomes that leave them time to have a life. They are unimpressed by titles, do not look for approval, and so are what other generations might refer to as too comfortable with authority. This capacity frees them to voice fresh ideas without pretense.

Not bound by their external environment, Xers are adaptable and feedback-oriented, and have a pragmatic survival mentality. Xers do not expect that institutions like Social Security and Medicare will support them in their old age.

Describing Generation X

Family-Oriented

The reaction to growing up as latchkey kids of two-income parents and children of the highest divorce rates in U.S. history has been to create a family focus in their adult lives. An increasing number of young Generation X women are voluntarily leaving the job force to take on the challenge of full-time parenting. Many religious organizations are reporting a dramatic increase in participation from this generation.

Politically Inactive

Generation X is cynical of the political process. Unlike Baby Boomers, who in their youth were highly politically active, Generation Xers have a low voter turnout rate, and rarely communicate with their elected officials, attend political rallies or work on political campaigns.

A Legacy of Debt

Xers believe taxes will continue to rise to service the national debt and fund entitlement programs such as Social Security. They believe society has overborrowed from social capital and natural resources, and social and environmental structures are under duress. At the personal level, Xers are in debt. Sixty percent of Generation Xers have credit card balances that are carried over month after month and are paying just the minimum payments. Their median student loan debt is \$15,000, compared to just \$2,000 for the Baby Boomers when they were in their 20s.

Economic Populists

Generation Xers are for the most part fiscally conservative, believing in balanced budgets and a pay-as-you-go philosophy. However, issues of income and economic opportunity inequality also rank high as areas of concern.

Common Descriptors

Adaptable
Independent
Loyal to self
Creative
Technoliterate
Ambitious
Pushing boundaries
Alienated
Skeptical
Cynical
Entrepreneurial
Comfortable with change
Poor people skills
Media savvy
Straightforward

Core Values

Work/life balance
Technoliteracy
Fun
Self-reliance
Pragmatism
Informal
Diversity
Thinking globally

Markings

Nose rings
Naval rings
Functional clothing
Tattoos
Japanese cars

Visible Members

George Stephanopoulos
Douglas Coupland
Kurt Cobain
Jewel
Brad Pitt
Michael Jordan
Matt Groening
Neil Stephenson
Michael Dell
Adam Werback
Merideth Bagby

Heroes

None

Humor

Dilbert

What They Read

Spin
Wired
Chat room dialogue

Source: *Some parts adapted from Generations at Work, AMACOM, 2000, and from Generations, Quill, 1991 (all rights reserved).*



Lena (Lienxu) Chang

Age: 24

Location: Houston, Texas

Family Status: Single

Financial Status: \$32,000

Occupation: First job; market analyst with a large fashion designer



Christina Morales

Age: 30

Location: Miami, Florida

Family Status: Married, pregnant with first child

Financial Status: \$52,000 household income

Occupation: Claims adjuster, soon-to-be mother

Meet the Xers

The following vignettes put a “face” to the generation. The vignettes also help illustrate the diversity and commonalities that exist among members of the same generation and life stage.

Lena (Lienxu) Chang: Fashioning Your Future

Lena pushes “play” on her VCR remote and the blank screen gives way to the pulsating images of young fashion models working the runways in Paris. The throbbing techno beat reminds Lena of her recent college days. The announcer’s voice states boldly, “Congratulations for joining one of the fastest growing companies in the fashion world.”

Lena thinks the video is a bit overdone and would have preferred a more straightforward CD-ROM to learn more about the benefits of her new employer, but she’s grateful that she’s not sitting in some boring two-day employee orientation meeting. Still, at least that would have been on the company’s time instead of her own.

Lena was interested in the 401(k) plan—especially the match on the first 6% of salary—but she was planning on paying off her school loans as quickly as possible. Without bothering to hit “pause,” she logs on to the Internet in search of a site that will help her determine her best move. A few minutes later the answer is clear to Lena: contribute up to the company’s match and, for her own peace of mind, apply any extra money to paying off the school loans.

Lena finds some good news in the company welcome packet. The vesting schedule has been changed and it looks like she’ll be able to keep the company match if she goes back to school in a few years—or if they have to let her go.

Christina Morales: Good Intentions

As she pulled into her driveway, Christina’s smile grew bigger. Her husband was waiting for her on their front porch. They had planned a quiet evening together at home—probably one of the last before their baby was to arrive in a month. The porch was one of the features that sold them on this house last year, and they loved sitting on the bench swing her parents gave them as a housewarming gift.

The couple wanted to make sure they were making the right choices. Christina planned on quitting her job at the end of her maternity leave and working for her friend part time from home. There won’t be any benefits because she’s not working full time, but at least she could spend more time with her new baby. She would love not to have to work at all, but they really did stretch themselves when they bought the house.

Christina and her husband have always intended to be financially responsible. They used coupons, kept their credit card balances low and drove older cars. That’s why they felt a little guilty for planning to take out Christina’s \$9,000 in 401(k) money instead of rolling it over into an IRA. They read the cost of early withdrawal in English and Spanish—10% penalty and taxes due—but whatever was left would cer-

tainly help them make the adjustment to Christina's part-time wages. After all, they thought, the money was really being invested in their child's future by allowing mom to stay home.

The baby kicked in agreement.

Jeffrey Thomas: On the Starting Line

As the black-on-black Lincoln Navigator halted for a red light, the BOSE speakers thumped with a ferocious beat, and then went silent. Jeffrey (or JT as his friends and co-workers called him) hit the SCAN button on the radio. The electronic search paused on a talk show interview with some sort of financial planning guru.

"Too many people are waiting until the right time to save for the future, but the right time is now. It's never too early—and it's never too late—to start saving for retirement."

JT found himself nodding in agreement. He knew when he got married and had kids, he would want to start saving—but that looked like it was a long way off, he thought disappointedly. Besides, he figured his company stock options would be his ticket. Then again, a bunch of his friends from business school went from nothing to millionaires to less than nothing as their companies came and went. He began to wonder if he was wasting an opportunity to secure his future.

"It doesn't matter what you've done in the past. What matters is what you do today. Get started now. . . ." The radio SCAN moved to the next station and the light turned green.



Jeffrey Thomas

Age: 36

Location: Seattle, Washington

Family Status: Single

Financial Status: \$124,000

Occupation: Project manager
for a small software
company

SECTION 5

The Baby Boom Generation in Midlife

Who are you calling middle-aged?

Boomers and Money

The sheer size of the Boomers affects their financial fortunes, and society's. The large number of Boomers intensifies competition for jobs. The movement of Baby Boomers into higher pay levels, where coverage for retirement plans is more common, could be partly responsible for the modest increase in coverage rates over the past five years. There is already speculation about the negative downturn in stocks as Baby Boomers begin to pull money out for retirement.

Baby Boomers as a whole are financially doing better than preceding generations in midlife, although they have the reputation of not naturally being budget minded. For example, the Congressional Budget Office estimates Boomers' wealth is up by 50% over their parents at the same age. Much of the increase can be attributed to two-income households. In 2000, 80% of Boomer women worked.

When Baby Boomers retire, they will likely be doing better financially than their parents did at the same age. There is much greater uncertainty as to whether or not the generation will have enough money to maintain their preretirement standard of living. The median age for Boomers beginning to save for retirement is 32 and about half with access to 401(k) plans max out contributions. One windfall for Boomers will be the expected \$9 trillion in inheritances between 1990 and 2030.

Boomers are economically diverse. Income inequality that began widening in the 1970s and continues today during peak earning years exacerbates the differences. Some Boomers are clearly not financially prepared for retirement.

The economic squeeze for some Boomers now is saving or paying for college for their kids and looking after their aging parents. Just looking at the demand on time, in 1997, according to a survey by the National Council on Aging and the Pew Charitable Trust, 3.3 million boomers were providing care to a relative or friend aged 55 or older who lived at least one hour away. This number will double by 2012.

Reaching Boomers

Boomers love self-help—especially with one or more partners. The partner may be an expert accessible through a popular book. Boomers fueled the growth in the self-help book market over the last two decades.

One of the best outreach efforts of the Boomers may be themselves—in the form of investment clubs. In an investment club, people pool

Birth Years

1943-1960

Approximate Age

40s and 50s

Population

70 million

25% of population

Other Labels

Boomers

Financial Status

Survey of Consumer Finances, 1998

Ages 35-44, Ages 45-54:

Any retirement asset (excluding Social Security): 67.1%, 71%

Nonemployer retirement plan or employer-sponsored defined contribution plan: 60.7%, \$22,000 median; 59.8%, \$35,000 median

Nonemployer retirement plan (IRA, Keogh): 27.9%, 34.7%

Employer-sponsored retirement plan: 60.3%, 61.6%

Approach to Money

Buy now with plastic—pay later

Life Stage Concerns

Raising children

Caring for elderly parents

Staying healthy, youthful

Money management

Paying the mortgage

Barriers to Retirement Savings

Saving for kids' college

Caring for elderly parents

Paying the large mortgage

Source: Adapted from Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace, AMACOM Books, 2000 (all rights reserved) and from Generations: The History of America's Future, 1584 to 2069, Quill, 1991 (all rights reserved).

Common Messages

- Know your risk tolerance
- Diversify your investments
- Develop postretirement strategy
- It's never too late
- Update your goals if you alter your financial status by divorce or other life changes
- Start thinking about estate planning
- Think LTC insurance
- Calculate how much you'll need in retirement
- Check portfolio allocation

Learning Preferences

- Interactive environment
- Nonauthoritarian styles
- Dedicated learners
- Internet style—overview information in an easy-to-read format with easy access to more detailed information

Defining Events and Trends

- McCarthy hearings
- Testing of Salk vaccine on public
- Rosa Parks' refusal to move to the back of the bus in Montgomery, Alabama
- First nuclear power plant
- Civil Rights Act
- Introduction of birth control pills
- Election of John F. Kennedy
- Peace Corps
- Cuban Missile Crisis
- John Glenn circling the earth
- Martin Luther King Jr. leading march on Washington
- Assassination of JFK
- Vietnam
- Founding of National Organization for Women
- Cultural Revolution in China
- American Indian Movement
- Assassination of Martin Luther King Jr. and Robert F. Kennedy
- First lunar landing
- Woodstock
- Kent State shootings

Source: Some parts adapted from *Generations at Work*, AMACOM, 2000, and from *Generations*, Quill, 1991 (all rights reserved).

their money and invest it based on collective research and decisions. Club meetings are often educational, and members actively participate in the decisions. This plays well with Boomer desires for participation and team play. The membership of the nonprofit National Association of Investors Corporation (NAIC) includes 34,700 clubs nationwide. Interestingly, more than half (54%) of the members are all-female clubs (with 38% mixed, 8% all-male).

An approach used by employers to reach Boomers, as well as other generations, is to base educational offerings not by benefit type but by life stage. AT&T has a "Life Tracks" program that provides educational materials based on life events such as marriage, divorce, illness, death and retirement. Southwest Airlines offers each of its employees aged 50 and over a preretirement education session that includes estate planning, tax issues, setting personal retirement goals and asset allocation.

History and Characteristics

The baby boom after World War II gave rise to a generation destined to be influential, if for no other reason than its size. Boomers grew up during a time of tremendous prosperity, liberated from financial instability or the other major threats that characterized their parents' lives. Buffered by this freedom throughout their childhood, Boomers looked for and lived out their ideals in a world of opportunity.

The social movements for civil rights, women's rights, ecology and other causes that took place in many Boomers' most formative years created a sense of idealism that placed individuals over the institutions built by the GI Generation. Other Boomers went in a very different direction, toward evangelical religion and the political Right, but they too had a sense of idealism.

In their youth, Boomers took on college authorities; and, while divided over the Vietnam War, the conflict led many to distrust the previous generations' belief that large institutions could solve problems. This pattern of challenging institutions from youth makes it likely that the coming decades of Boomer political dominance will be an era of reform. Coupled with their quest for material comfort, the reform efforts of Boomers are often cloaked with an attitude of entitlement.

The coming-of-age passions of the Boomer Generation calmed as its members took on jobs and families and pursued the material comforts of an affluent society. Now many Boomers are dealing with both their aging parents and kids of all ages, from older Generation Xers to budding Millennials. Boomers are likely asking themselves two questions. For their aging parents, the question is, "How will I take care of them?" For their (often Xer) kids, the question is, "When will I no longer have to take care of them?"

Boomers are now facing midlife issues and, within their organizations, leadership issues. Older boomers are moving toward their career peaks. People who in their youth flaunted their individualism

and challenged the alleged moral vacuity of America's institutions now find themselves spending much of their time in consensus-oriented meetings, managing the types of institutions against which they once rebelled.

Describing the Baby Boom Generation

Activists

From the Civil Rights movement in the 1960s to the Vietnam War protests in the early 1970s to the AIDS walks of the 1980s to the Race for the Cure in the 1990s, Baby Boomers have utilized their numbers to mobilize support for an awareness of causes they believe in. As Boomers age and move toward their retirement years, no doubt this activist mindset will manifest itself in issues of aging, health and wellness, and elderhood.

Youth-Oriented

Sixties, counterculture music, rock and roll, and disco epitomize the desire of the Baby Boomer generation to stay young forever. Today, that focus of their youth translates into a multi-billion-dollar fitness and wellness industry that is forecasted to grow rapidly as Boomers look to hold on to their youth over the next ten years.

Informal

Baby Boomers have always been less trustful of so-called authority figures. Consider the formality of J.P. Morgan versus the informality of Bill Gates. Morgan was an elusive figure ensconced behind the walls of multiple corporate conglomerates. Gates is a visible presence and is known to reply to e-mail messages sent from his employees. The increased popularity of business casual dress is another example of Baby Boomer informality.

Dominant Market Force

The minivan and the SUV are examples of new market segments created for and by Baby Boomers. Their size, economic clout and willingness to spend make Boomers a dominant market force. Consider that young Boomers drove retail commerce from traditional downtowns to suburban shopping malls, and now busy midlife Boomers are driving commerce to the online world because its convenient home delivery fits into their busy life styles.

Common Descriptors

- Activists
- Youth-oriented
- Informal
- Dominant market force
- Idealistic
- Confident
- Self-centered
- Independent
- Optimistic
- Self-involved
- Feminism
- Driven
- Good at relationships
- Not naturally budget-minded

Core Values

- Optimism
- Team orientation
- Partnership
- Personal gratification
- Health and wellness
- Personal growth
- Youth
- Work
- Involvement

Markings

- Designer glasses
- Cellular phones
- Whatever's trendy
- BMWs
- Designer suits
- Designer bodies
- Vintage wines

Visible Members

- David Letterman
- Hillary Clinton
- Oprah Winfrey
- Jane Pauley
- Bill Gates
- Rush Limbaugh
- P.J. Rourke
- Mick Jagger

Heroes

- Gandhi
- Martin Luther King Jr.
- John and Jacqueline Kennedy
- John Glenn

Humor

- Doonesbury*

What They Read

- Business Week*
- People*

Source: *Some parts adapted from Generations at Work, AMACOM, 2000, and from Generations, Quill, 1991 (all rights reserved).*

Meet the Boomers

The following vignettes put a “face” to the generation. The vignettes also help illustrate the diversity and commonalities that exist among members of the same generation and life stage.

Judy Essex: Starting Over

The phone finally stopped ringing. It had taken a little time, but Judy felt like she was settling into her new job as a receptionist where she once worked as a nurse. She lost her certification while out of the workforce for nearly 12 years but needed to start working again after her divorce. She felt like she was starting her whole life over again.

Judy had run up a bit of credit card debt while she was getting on her feet. Her husband had always handled the family finances so she was outside her comfort zone in dealing with financial issues. She was learning fast, however—setting up a budget, tightening her spending, even tracking her finances with a money manager software program.

One of the good things about Judy’s job was being able to read the new magazines before they were put out for the patients. She especially liked reading articles about money management and investing. Unfortunately, most of the articles with advice for people her age were about what to do with money—of which she had none. In her divorce her husband kept the dog, the bank accounts and the pension. She got the house and the kids. Judy knew she had to take care of herself now and was anxious to get started.

Judy was a little disheartened to read that she might qualify for an Individual Development Account. She didn’t feel poor. But the matching contributions might help her save enough to go back to school for recertification a year earlier than she otherwise could.

The phone started ringing again.

Esperanza Lopez: Happy 50th

“Happy Birthday!” the chorus of Esperanza’s co-workers cried out. Birthdays have always been a big deal at her work, but a 50th birthday was especially so. Esperanza looked out at the sea of faces and saw many who were not just co-workers but close friends. Some had come to the United States about the same time as she did. They had started work together, seen each other get married, raise children and buy homes; and now some were talking about retiring.

Esperanza certainly wasn’t though. As she learned more about her government pension, she realized that it wasn’t enough money to enable her to do all that she wanted to do after she quit—romantic trips with her husband, starting a pottery studio and redecorating her home.

Esperanza only recently started saving her own money for retirement and would definitely be a prime candidate for using the new Roth IRA catch-up provisions—if she could come up with the money.

Over the past couple of years, both of Esperanza’s parents had taken ill. She was helping out with expenses and traveling two hours each



Judy Essex

Age: 43

Location: South Bend, Indiana

Family Status: Newly divorced, two children

Financial Status: \$22,000

Occupation: Receptionist at a doctor’s office



Esperanza Lopez

Age: 50

Location: Pueblo, Colorado

Family Status: Married, with one child in college and two aging parents

Financial Status: \$84,000

Occupation: Shift supervisor at a government facility

Saturday to help care for them. Adding to her financial concerns was her son's choice of an expensive private college.

Esperanza started to worry again, but it was time to cut the cake.

John Carpenter: Just a Phase

John Carpenter stared out from the airport terminal at a plane that was not there as the snow continued to fall. This was not the idea of retirement that he had envisioned in his youth. He may be far from the beaches of Florida, he thought, but at least he was close to his grandkids.

The last year had been quite an adjustment for John as he began phasing in his retirement. He had given up some of his clients and starting working part time, but things were not going according to plan. He has a defined benefit and a defined contribution plan. He thought he was going to be able to access the money in the defined contribution plan if needed, but the company says he cannot as long as he is an employee, even if only part time. Even if he could, his investment choices are doing so poorly right now that he wouldn't want to sell.

John could quit and work for a competitor part time, but he wouldn't be able to get health insurance—and Medicare doesn't kick in for another seven years. With his wife becoming ill, he may actually have to continue working until they both turn 65 and are eligible for Medicare.

John looked up at the monitor and saw that his flight's status had changed from DELAYED to CANCELED. He picked up the cell phone to call his office and his wife.



John Carpenter

Age: 58

Location: Buffalo, New York

Family Status: Married, non-working spouse, with three adult children

Financial Status: \$44,000 household income

Occupation: Phased retirement as an industrial salesman

SECTION 6

The Silent Generation in Elderhood

From rags to riches

Silents and Money

The Silent Generation is a rags-to-riches story. Their youth was affected by the Great Depression and World War II. Their rising adulthood took place during the booming post-war economy. By the time they reached elderhood, poverty was at a historical low for the age group. The median income level of the retired population was \$13,588 in 1999.

The Silent Generation is frequently the harbinger of social change expected from the Boomers. And Silents are redefining *retirement*. Some remain in the workforce beyond 65 for financial reasons, but many work because they are bothered by inactivity. About a quarter of the 65-to-69-year-old age group works. Even at 70-74, it is 13.5% and one in 20 for age 75 and older.

Because women marry younger and outlive men, many Silent women will spend their last years alone. This time will be made more difficult by traditional gender roles that some Silent couples followed in which the man controlled and managed the money. Silent women may find themselves ill-prepared to take the reins of their financial future.

Reaching Silents

Lawyers, accountants and financial planners have all found a model that works for this generation—the free seminar. It is formal. It matches Silent’s frugal tendencies. And it usually comes with background material.

Another model is the Pension Counseling Program, a demonstration project of the Administration on Aging (AoA), that assists older Americans in accessing information about their retirement benefits and negotiating with former employers for due compensation. The AoA retirement counseling projects are designed to reach out, educate and promote retirement awareness and protection among older Americans and to encourage better financial planning.

Since the beginning of the Pension Counseling Program, the program has helped about 5,000 people and recovered an estimated \$10 million for claimants. Even more people have become better educated about retirement rights, the documentation needed to establish claims, the legal loopholes created by divorce and widowhood, the advantages and disadvantages of lump-sum payments and annuities, and other issues.

AARP is a great example for targeting generations. It provides information and education, advocacy and community services for its 34 mil-

Birth Years

1925-1942

Approximate Age

60s and 70s

Population

37 million

13% of population

Other Labels

The Veterans

Traditionalists

GI Matures

WW II Generation

Seniors

Financial Status

*Survey of Consumer
Finances, 1998*

Agers 55-64, Ages 65+:

Any retirement asset (excluding
Social Security): 71.4%, 60.4%

Nonemployer retirement plan
or employer-sponsored
defined contribution plan:

58.1%, \$43,000 median;

32.7%, \$35,000 median

Nonemployer retirement plan
(IRA, Keogh): 29.9%, 42.1%

Employer-sponsored retirement
plan: 59.6%, 48.4%

Approach to Money

Save and pay cash

Life Stage Concerns

Health

Financial security

Grandchildren

Leisure

Barriers to Retirement

Savings

Little time left

Lack money management skills

Source: Adapted from *Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace*, AMACOM Books, 2000 (all rights reserved) and from *Generations: The History of America's Future, 1584 to 2069*, Quill, 1991 (all rights reserved).

Common Messages

- Understand distribution options and tax implications
- Watch out for inflation
- Check on Social Security benefits
- Consider staying in the workforce longer
- Know about your health insurance coverage, especially if retiring early
- Plan for the transition
- Get your records in order
- Contact previous employers
- Know your assets
- Plan for a long life
- Leave tax-deferred savings alone as long as you can

Learning Preferences

- Stable, orderly
- Background, lots of detail
- Risk-free
- Formal
- Consistency, logic
- Impersonal
- Traditional classroom

Defining Events and Trends

- Lindbergh's completion of first transatlantic flight
- Stock market crash
- Great Depression
- Star Spangled Banner*
- Lindbergh baby kidnapping
- Election of FDR
- The Dust Bowl
- The New Deal
- Establishment of Social Security system
- Hindenburg tragedy
- Hitler's invasion of Austria
- World War II
- D-Day in Normandy
- FDR's death
- Victory in Europe, in Japan
- Korean War

Common Descriptors

- Self-reliant
- Frugal
- Adaptive
- Patriotic
- Stable
- Loyal
- Thorough
- Detail-oriented

Source: Some parts adapted from *Generations at Work*, AMACOM, 2000, and from *Generations*, Quill, 1991 (all rights reserved).

lion members aged 50 and older. AARP focuses on four areas: health and wellness; economic security and work; long-term care and independent living; and personal enrichment.

AARP is a model program, not because of its size and scope but because of its targeted approach toward its publications. *Modern Maturity*, AARP's flagship publication, has the largest circulation of any magazine in the nation. Many readers may not know that *Modern Maturity* comes in two versions with content more relevant to readers—one for the 56-65 age group and the other for the 65 and older group. Recognizing the different collective personality of Baby Boomers, AARP also created *My Generation*, a title that conjures up the popular song by The Who that has become a de facto theme song for the generation. *My Generation* enjoyed the single largest launch (3.1 million subscribers) in magazine publishing. Boomers will not move to *Modern Maturity* when they get older. *My Generation* will follow them all the way through elderhood.

History and Characteristics

Sandwiched between the two dominant generations of Boomers and GIs, Silents developed strong negotiation skills. The Silent Generation produced many of the 20th century's greatest legislators. Their distinctive leadership role has often involved fine-tuning the institutional order and negotiating between the more powerful generations around them. They excel at bringing people together and modifying the extremes on either side of divisive controversies. The flexible, consensus-building leadership of Silents opened many of the paths that Boomers then went down, providing leaders ranging from Martin Luther King Jr. and Gloria Steinem to Colin Powell.

This generation grew up as the overprotected children of the Great Depression and World War II. They came of age just too late to be World War II heroes and just too early to be youthful free spirits, and found themselves lost between the 30-something returning war heroes, and the coddled post-war Boomer babies. Instead, in early young adulthood, the early-marrying Silents became risk-averse technicians and professionals.

Silents are entering elderhood with unprecedented affluence, a "hip" style, and a reputation for indecision. However, they shun the GI "old-boys club" collegiality approach to elderhood, and rather look for ways of staying connected to the younger generations. Sixty-five may mark the start of Silents' Social Security payments, but it is no longer synonymous with retirement as it was once known.

Describing the Silent Generation

Self-Reliant

Growing up in the midst of failed banks and businesses, Silents learned not to trust others for their security, and to this day are self-reliant (they view it as a virtue) and find it very difficult to spend money, especially to take a “step of faith” in financing large projects. They also believe it is “good” and “normal” to work hard. By sheer hard work one can achieve anything. They also learned early it is not good to complain or moan about one’s lot in life. The “right” thing to do is to knuckle down and get on and do the job.

Frugal

The specter of the Great Depression is permanently etched on the minds of the Silent Generation. As a result, this generation is fiscally conservative in its financial decision making. Owning over 80% of the holdings in U.S. savings and loans, Silents have chosen to live below their means, pay with cash and “save for a rainy day.”

Adaptive

Having lived through times of both economic hardships and global conflict and prosperity and peace, Silents have had to learn to be adaptive. Often called upon to “negotiate” differences between the GI and Boomer generations, Silents are flexible “go-betweens.”

Patriotic

After World War II, a spirit of camaraderie pervaded the American spirit. The generation that grew up during this period responded to these times with values of commitment and duty. Civic groups began to emerge, pulling the community together. Many longstanding organizations like Kiwanis mark their birthdays somewhere in this time period. These groups strive for the common good.

Core Values

- Dedication/sacrifice
- Hard work
- Conformity
- Law and order
- Respect for authority
- Patience
- Delayed reward
- Duty before pleasure
- Adherence to rules
- Honor

Markings

- Conservative, somewhat “dressy” clothing
- Coats and ties or nylons
- Neatly trimmed hair
- American cars
- Golf clubs
- Mixed drinks

Visible Members

- William F. Buckley Jr.
- Marilyn Monroe
- Martin Luther King Jr.
- Clint Eastwood
- James Dean
- Woody Allen
- Phil Donahue
- Sidney Poitier
- Lee Iacocca
- Gloria Steinem
- Barbra Streisand

Heroes

- Superman
- Franklin Delano Roosevelt
- MacArthur, Patton, Montgomery, Halsey and Eisenhower
- Winston Churchill
- Audie Murphy
- Joe Foss
- Babe Ruth
- Joe DiMaggio

Humor

- The Better Half*

What They Read

- Reader’s Digest*
- USA Today*
- Time*
- Wall Street Journal*

Source: *Some parts adapted from Generations at Work, AMACOM, 2000, and from Generations, Quill, 1991 (all rights reserved).*

Meet the Silents

The following vignettes put a “face” to the generation. The vignettes also help illustrate the diversity and commonalities that exist among members of the same generation and life stage.

Esther Franklin: First Day of School

Esther was excited about the first day of school. She hoped she would get along with the teacher and that she would be able to make some friends. Her counselor at the seniors job matching service was sure this was the right thing for her. On one hand, she was sad to leave her gardening, knitting and husband behind at home. On the other hand, going back into the classroom as a teacher’s aide did sound like fun.

Esther’s husband had worked hard over the years to support her and their children. She had been a full-time mother and wife for so long she had almost forgotten what an outside job felt like. Her husband had taken early retirement, and they thought they would be able to get along financially just fine. But their Social Security and a union pension didn’t seem to go as far as they had hoped, and their personal savings were running out.

Esther’s job earnings would come in handy. They could travel to visit their grandchildren more often and they wouldn’t have to scrimp to buy presents during the holidays. And they could start saving again. Esther hopes to save enough in two years to at least afford a small annuity.

Esther was dreaming about her garden when the school bell rang.

Betty Schuchat: Asking the Right Questions

It had only been a couple of months since Betty’s beloved Norman passed away. It seemed like her life stopped when the surgeon told her the news at the hospital, but the pile of bills and unopened mail made her realize that life, in fact, did go on. And for her, according to her family physician, it might continue going on for another 25 years. She did have an aunt who lived to the age of 95, so anything was possible.

The probate attorney suggested Betty attend a special financial planning workshop for widows, especially before deciding how to take her husband’s life insurance distribution. She knew that Norman had always been good about money and she would be taken care of, but she also knew she had a lot to learn. She hadn’t balanced a checkbook since getting married, and now she was going to manage more than \$100,000 in personal savings.

Betty did have a few concerns she wanted to make sure to get answers to at the seminar: Was she too old to get the long-term care insurance she had read about? What if the doctor was right and she lives for another 25 years—would she run out of money? How could she make sure what was left was passed on to her kids?

Armed with her questions and a fresh notepad, Betty walked into the seminar . . . and the rest of her life.



Esther Franklin

Age: 65

Location: Greenville,
South Carolina

Family Status: Married, retired
husband

Financial Status: \$24,000

Occupation: Returning to
workforce (part time)



Betty Schuchat

Age: 72

Location: Shreveport,
Louisiana

Family Status: Widow

Financial Status: \$40,000

Occupation: Not working

Rudy Valentine: A Rags-to-Riches Story

“Great-grandfather, when I come to visit you during Spring Break, can you tell me about your whole life? I want to write it up for a class project.”

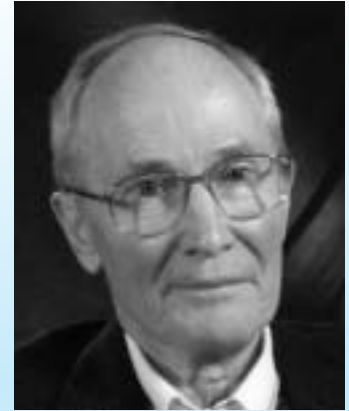
The request was simple enough and yet it brought back a flood of complex memories for Rudy. In a couple of hours, his great-granddaughter would arrive. He had spent the past couple of weeks digging up old photo albums and mementos. He found his military uniform and his first pay stub from his employer of 25 years. He came across an old family photo taken during the Great Depression and countless others from graduations, dances, weddings and funerals.

Rudy had lived his life by the book. He kept his nose clean in high school, enlisted in the U.S. Army, served for 20 years and retired to enlist in corporate America as a salesman. He always kept an early memory of childhood by carrying in his wallet the first dollar he ever earned, helping old man Channing haul firewood. Rudy taught his children to save for a rainy day, to live below their means, and to always pay cash for everything. He had never had a credit card and was proud of it.

Rudy looked out the window to see the minivan pulling into the driveway. His great-granddaughter hopped out the side—Boy, had she grown since he last saw her.

“Great-grandpa!” she screamed.

“Emma!” he shouted back as they embraced. “Have I got a lot to tell you.”



Rudy Valentine

Age: 77

Location: Covington, Kentucky

Family Status: Married, two adult kids, four adult grandchildren, one great-grandchild

Financial Status: \$88,000

Occupation: Retired U.S. Army, retired vice president, consumer products company

Endnotes

1. William Strauss and Neil Howe, *Generations: The History of America's Future, 1584-2069*. New York: William Morrow, 1991. The authors' life cycle framework uses 22-year lengths. Youth lasts from age 0 to 21, rising adulthood from 22 to 43, midlife from 44 to 65, and elderhood from 66 to 87.

2. Both employers and employees usually contribute to *defined contribution plans*. The risk that contributions and earnings will fall short of an income replacement target rests with the employee. Participation is elective and distributions are commonly lump sums. A sponsor of a *defined benefit plan* assumes the risk that employer contributions and earnings will equal retirement benefits (commonly based on length of service and salary) promised an employee. Defined benefit plan participation is nonelective and the common distribution at retirement age is a life annuity. Some *hybrid plans* contain features of both defined contribution and defined benefit plans.

3. Employee contributions to private retirement plans are also considered personal savings, making it more difficult to analyze these two streams of retirement income as separate sources.

4. The *personal savings rate* is the percent of current income that is saved and not consumed, as distinguished from *savings*, which is the amount of assets or wealth individuals build up over time.

5. While the study found a 74% replacement ratio appropriate for a wage earner age 65 with \$50,000 and a spouse age 62, higher replacement ratios were needed for those at lower and higher incomes in similar situations because of the tax structure.

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About the International Foundation

Established in 1954, the International Foundation of Employee Benefit Plans is a leading educational organization in the employee benefits and compensation field. The International Foundation provides a full spectrum of educational and information services such as books, periodicals, online resources, research reports and a benefits peer network, and houses the largest employee benefits library in North America. Over 100 educational programs on various benefits and compensation topics are held each year, including the Annual Employee Benefits Conference, which typically draws over 6,500 attendees. The International Foundation also offers the Certified Employee Benefit Specialist® (CEBS®) program, which is cosponsored by the Wharton School of Business of the University of Pennsylvania in the United States, and Dalhousie University in Canada. Total membership includes 35,000 individuals representing 8,700 trust funds, corporations, public employee groups and professional advisory firms throughout the United States and Canada.

