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# "Remarks and Summary of The 1999 Youth and Money Survey"

According to the 1999 Mutual Fund Fact Book, the average mutual fund investor is middle-class, middle-aged, likely to be married and employed, has financial assets of some $80,000, and is part of the baby boom generation. The next generation, "X," is also keen on investing in mutual funds. Although they have fewer financial assets, they have the second highest portion of their financial assets in mutual funds – second only to the parents of boomers who grew up during the depression and who really know how to save. But what lies ahead for the next generation of savers and investors, the so-called "Millennium Generation?"

When the American Savings Education Council (ASEC), and the Employee Benefit Research Institute (EBRI), asked the TIAA-CREF Institute to underwrite a telephone survey in January and February of 1,000 high school and college students, aged 16-22, on their financial attitudes and behaviors we were quick to agree.

It interested us because the mission of our Institute is to broaden and strengthen TIAA-CREF's long-standing leadership role in supporting lifelong financial security for individuals and their families. Through research and education we also strive to foster better understanding, decision making, and innovation by policymakers, researchers, financial advisors, and leaders in higher education.

Financial education and literacy have long been important to TIAA-CREF and when our Chairman, John Biggs, established the Institute he specifically asked us to explore ways to deepen that commitment.

We believe that financial well-being begins with healthy money management habits and positive attitudes about personal finance. We also believe the earlier in life these habits are established, the more likely it is that they will persist. *The 1999 Youth and Money Survey* provided us with an opportunity to check in on our country's next generation of savers and investors. Do they see value in regular savings? How do they use credit? What do they think of their future economic prospects? Where do they turn for help on financial matters? When do they think is the right age to begin for retirement?

The survey findings provide answers to these questions and many others that can help all of us to better understand this generation. As Dallas Salisbury, the Chairman of EBRI and ASEC said, "the survey contains some encouraging results but, at the same time, also raises some red flags. The good news is that most students recognize that they should know more about money management. The issue then is to effectively provide them with the information they need."

Let's take a closer look at what the survey shows.

**POSITIVE SELF-APPRAISALS ON FINANCIAL MATTERS**

- 15 % understand very well
- 67%  fairly well
- 18% not well

The survey found that most students feel confident about their understanding of financial matters such as saving, investing, credit, and budgeting.  College students were more likely to feel that they understand financial matters well.  There are no significant differences by gender.

**MANAGING THEIR OWN MONEY**

- 18% think they do a very good job
- 38% a good job
- 37% an average job
- 7% a poor job

Those who think they have the best understanding of financial matters also think they do the best job of managing their money.  However, when we probed further we found that 64 percent say they do not know *as much* about money management *as they should.*

**TODAY'S STUDENTS ARE MAKING MONEY**

- 41% worked full-time last summer
- 22% worked part-time last summer
- 6% did not work

Many students have significant work experience.  As you can see from these results, most of them worked last summer.  The older the student the more likely he or she was to have worked in a given year.  And male students tended to earn more on an annual basis than female students. There were no notable differences in typical earnings based on the student's economic background.

Students who did not work in the summer were more likely to report receiving regular money from their parents.  Of this group, high school students were more likely to have their "allowances" tied to performance in grades and chores.

**SAVING SOME OF THEIR INCOME**

- 49% always save some money
- 41% save some of the time
- 7% save only until they can spend it
- 2% never save money

Half of the group surveyed save money – no matter what.  The others are not as conscientious. Those who save tend to come from middle- and upper-income backgrounds.  Otherwise, there are no great differences in actual savings behavior by age, school level, gender, or earnings.

### HOW THEY MANAGE THEIR MONEY

- 23% stick to a budget
- 30% don't always stick to it
- 47% do not budget at all

Alarmingly, some 77 percent of those surveyed do not stick to a budget. Even among those who said that they do a very good job managing their money, only 39% follow a budget.

### SAVINGS GOALS

- 34% save for education
- 30% save for car-related expenses

High school students and females were more likely to save for education. High school students were also more likely to save for a car. College students were more likely to save for books, room and board, and unforeseen expenses. And males were more likely to save for entertainment equipment.

### THE FINANCIAL EDUCATION GAP

- 66% say they should know more
- 21% have actually taken a course

Although two out of three students say they should know more about money management, only one out of five have taken a personal finance course in school. This lack of financial education is not due to lack of opportunity. Sixty-two percent of those surveyed were offered a personal finance or financial education course at school. Those courses tended to be in college and they usually covered banking, money management, savings and investing, types of investments, and budgeting.

However, financial education courses did not necessarily improve the financial behavior of the students who took them. Students who took a personal finance course said they felt more knowledgeable, but the survey found they were no more likely than non-attendees to think it is important to save money on a regular basis, or to actually save money that they receive from jobs and/or allowances. Course-takers also were no more likely to budget their income and expenditures or to compare prices before making a purchase.

### FINANCIAL PRODUCTS STUDENTS USE

- 80% savings accounts
- 57% checking accounts
- 38% U.S. Savings Bonds
- 28% a major credit card
- 23% auto insurance
- 18% a mutual fund
- 18% stocks
- 16% CDs
- 15% a gasoline or department store credit card
- 8% a car loan

Many of you will be interested in knowing what financial products students use. Let's take a minute and examine these numbers. By far, checking and savings accounts are the most popular financial vehicles and they are used by students who worked last summer. The big earners, those who earned $5,000 or more, were likely to save through a mutual fund, stocks, and CDs.

Seven percent of high school students have a major credit card, for which they are responsible, versus 55% of college students. Females are also more likely than males to have a credit card and the same holds true for gasoline or department store cards. Some 28 percent of those surveyed roll over credit card debt each month.

**WHERE DO THEY GO FOR INFORMATION?**

- 94% go to their parents

Survey respondents were read a list of resources for financial information and asked whether or not they would be likely to use each. As you can see, the most-often-cited source for financial information was their parents. One notable demographic difference is that females were even more likely than males to say that they would turn to their parents for information. In addition, students who earned $5,000 or more were less likely to seek advice from their parents.

Interestingly enough, the subjects that parents discussed with their children were future job prospects and paying for college. The subjects least discussed were setting financial goals, saving and investing, making major purchases, and budgeting. One might conclude from this that parents might not feel equipped to teach their children the fundamentals of personal finance.

We could help parents to better understand the critical role they play and provide them with tools and other resources to use with their children.

**WHERE ELSE DO THEY GO FOR INFORMATION?**

- 72% other relatives
- 71% written materials from financial services companies
- 70% a financial professional
- 65% books and periodicals
- 62% teacher or professor
- 52% software package
- 51% internet
- 50% friends
- 37% television and radio

Besides parents, students seek financial information from multiple sources. College students utilized newspapers, magazines, and books while high school students were more likely to utilize computer software. College students were also more likely to seek the counsel of friends versus high school students.

**THEIR "EMPLOYEE BENEFITS" WISH LIST**

- 1ST Health Insurance
- 2nd Retirement Savings Plan
- 3rd Vacation Time

The Millennium Generation is optimistic about their financial future – once they finish school. 74% think that attending college and the choice of a major will have a great impact on their future earnings potential. When asked how hard they would push for certain employee benefits when they enter the full-time work force, they indicated they would push hardest for health insurance, followed by a retirement savings plan, with vacation time coming in third.

**THEY WANT TO START SAVING FOR RETIREMENT *BEFORE* THEIR 30TH BIRTHDAY.**

They believe that financial activities and decisions should be undertaken jointly in the household and they know that they will need to begin saving early for retirement. Surprisingly, 74% want to start before their 30th birthday.

**OUR CHALLENGE IS TO DELIVER MEANINGFUL FINANCIAL INFORMATION TO THEM…NOW.**

In conclusion, the *1999 Youth and Money Survey* contains some encouraging results but also some areas for concern. While most students are earning money, *only one-half* of them view saving some of that money as being important right now. The good news is that most students recognize that they should know more about money management. The challenge we face in this room is how to deliver meaningful information to this age group. We can do this directly, through their parents and other family members, in conjunction with their academic curricula, together with their future employers, on the Web, and in other media. They need to know that saving and investing will empower them and that financial well-being is a discipline just like exercise and diet. If they get that message, we are likely to develop another generation of savers and investors.

We at the TIAA-CREF Institute are promoting the findings of this survey to help raise awareness of the importance of financial literacy for our youth. We are making presentations like this to various groups and we have published these findings on our Web Site as well as in our newsletters which include the *Participant,* which is distributed to over one million of our customers, *Teachers Talk,* a newsletter we send to teachers in K-12, and in the *TIAA-CREF Institute Report* delivered to benefit plan administrators, economists, and financial advisors.

In addition to the Institute's activities, TIAA-CREF is working with public television to develop a family financial education program that will present solutions to financial challenges in a positive and entertaining way. TIAA-CREF consultants continue to conduct financial education seminars for our individual participants and will incorporate this information. We have also been working with a large research university which has a project underway to develop model financial education programs for college students. And we make a real effort, overall, to deliver meaningful messages to parents, women, and various other targeted groups with special needs.

In April, we were pleased when the SEC used this survey as a cornerstone for their *Facts on Saving and Investing* campaign which, this year, has a special focus on younger Americans. Arthur Levit, Chairman of the SEC, told the press that "considering that teenagers spend more than $100 billion a year, the results of this survey come not a moment too soon." He goes on to say, "We need to make sure that Americans of all ages and income levels get the facts they need to plan for their financial futures. Let's not graduate another generation of students who've never learned the financial facts of life."

Thank you for the opportunity to share this survey with you and I hope it is helpful in your shareholder communications.