Generations Apart®

How boomers and Generation Xers are facing their financial futures

For all that's ahead.®

Allianz Life Insurance Company of North America
Allianz Life Insurance Company of New York

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Americans continue to feel doubt and uncertainty as they face their financial futures

Today, few can count on pensions and similar sources of once-reliable retirement income. At the same time, increasing life expectancies can mean longer retirements, plus the risk of outliving retirement savings. With increased personal responsibility for their retirement funding as well as day-to-day finances, no wonder people are feeling more vulnerable to market downturns.

How are Americans responding to these challenges – and are there generational differences in their responses? To answer these questions, Allianz Life Insurance Company of North America (Allianz) commissioned the Allianz Generations Apart® Study.

Methodology

Allianz contracted Larson Research and Strategy Consulting to field a nationwide online quantitative survey of 2,000 U.S. adults ages 35-67 with a minimum household income of $30,000. The sample was designed to achieve a 50/50 balance of men and women, and a 50/50 balance of 1,000 boomers[1] and Generation Xers.[2]

Along with age and gender breakouts, the audience surveyed included four subgroups:

- Higher income
- Lower income
- Working with financial professional
- Not working with financial professional

[1] Boomers were defined as ages 49-67.
[2] Generation Xers were defined as ages 35-48.

Boomers and Gen Xers agree there is a retirement crisis – but there are generational differences in their how they're responding

An overwhelming number of boomers and Gen Xers agree there is a retirement crisis (84% and 92%, respectively), and both groups reported being heavily impacted financially by the 2008 recession.

And although both groups see themselves as being hit harder by the recent recession, both generations agree that in general, it's been much harder for Gen Xers to keep a job or plan for retirement.

Given that, it's not surprising that more Gen Xers (29%) feel less optimistic about their financial future, compared to boomers (23%). And Gen Xers' confidence about their retirement lifestyle is far worse, with 45% saying they weren't sure they'd be able to live as they'd like to in retirement (versus just 32% of boomers).

Although these results may be disheartening, the good news is that both generations do believe it's critically important for them to build their own financial security in retirement (94% of Gen Xers and 95% of boomers).

Also encouraging: nearly 50% of all respondents from both generations believe that working with a financial professional can have a significant positive impact on their finances and retirement readiness.

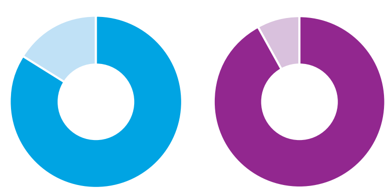
Generational worldviews are similar, but ...

Though there are many differences between boomers and Generation Xers, when it comes to the overall topic of retirement, they share similar outlook and concerns.

The vast majority of those surveyed feel there is a retirement crisis in America (92% of Gen Xers and 84% of boomers).

More significantly, 84% of both generations also agreed that a traditional retirement is a romantic fantasy of the past. Perhaps, in part, because social safety nets are largely gone, they feel individuals must now fend for themselves.

And although both generations reported facing difficult financial circumstances, the Gen Xers seemed to have a bleaker overall view. Notably higher percentages of Gen Xers reported that employment circumstances were more uncertain for them than for previous generations, and that the job market was more competitive.



*The vast majority of those surveyed feel **there is a retirement crisis** in America.*

DISCOVERY 2

Aftershocks of the 2008 market crash continue to reverberate

More than six years after the market crash of 2008, a significant portion of the respondents – 65% of boomers and 68% of Gen Xers – said they still feel the impact today.

But although both generations say they've been affected by the economic recession, they differ sharply in their opinion of how hard it hit the Gen Xers – 27% of Gen Xers say they suffered most, but just 12% of boomers agree.

Approximately half of boomers and Gen Xers alike reported retirement plan losses; more than a third of each generation said they felt a loss of confidence in financial institutions.

Perhaps that's why, as a result of the crash, the study's respondents said that having guarantees in a financial product was more than twice as important as receiving high returns.

Who's been most affected by the economic recession?	Gen Xers	Boomers
STILL FEEL THE IMPACT AFTER THE MARKET CRASH OF 2008	68%	65%
SAY THEY SUFFERED MOST	27%	44%
REPORTED RETIREMENT PLAN LOSSES	44%	56%
FELT A LOSS OF CONFIDENCE IN FINANCIAL INSTITUTIONS	37%	39%

DISCOVERY 3

The emergence of "post-crash skeptics"

Based on our study respondents, a distinct segment of the population emerged from the 2008 recession heavily affected financially and in their attitudes and behaviors. These Gen Xers and boomers showed greater skepticism, more persistent worries, and lower confidence about their financial future. We call this group post-crash skeptics.

The psychological impact on this group was profound. While solid majorities of boomers (61%) and Gen Xers (54%) said the crash had fundamentally made them more cautious and altered their thinking about risk and investments, the impact on post-crash skeptics was even greater – a whopping 83% said it had made them more cautious.

The effects of the crash have been more long-lasting for post-crash skeptics as well: While 65% of boomers and 68% of Gen Xers say how they are still affected today, an overwhelming 93% of post-crash skeptics said they still feel impacts of the crash.

As a result, we saw significant reported behavioral differences in post-crash skeptics, compared to the other groups the study identified. 50% of this group reported taking on more debt after the crash (compared to 19% of boomers and 27% of Gen Xers), and 41% reported that they or a partner had lost a job (over three times that of boomers and over twice that of Gen Xers).

Of even greater concern, 41% of post-crash skeptics said they'd stopped saving for retirement since the crash – again, over three times that of boomers and Gen Xers as a group.

DISCOVERY 4

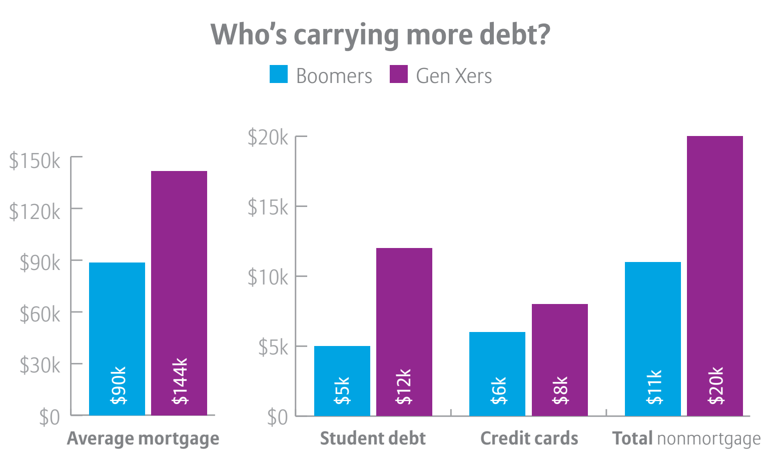
The albatross of debt hangs heavy

When it comes to debt – and their comfort with debt – boomers and Generation Xers seem worlds apart. Our study found that Gen Xers generally are carrying higher debt, and appear to be remarkably complacent about its implications for their financial future.

Gen Xers reported carrying about 60% more mortgage debt than their boomer counterparts. For nonmortgage debt (student loans and credit cards), Generation Xers have an alarming 82% more debt than boomers. Even worse, nearly half of Gen Xers carry revolving (open-ended) credit card debt, which can exacerbate long-term debt problems.

Yet despite these greater debt burdens, 59% of Gen Xers say they're comfortable with their debt; in fact, 49% see credit cards as a survival tool for most people.

This debt problem is already impacting their retirement preparedness, with 23% saying they couldn't save for retirement until they paid off their credit cards. Another obstacle to getting their financial house in order: 24% say they would be embarrassed to tell a financial professional about their credit card debt.



DISCOVERY 5

Pessimism, fear, and naiveté about retirement funding

In 2010, The Allianz ***Reclaiming the Future*** Study asked boomers a revealing question – "Which do you fear the most – death or outliving your money in retirement?" – and found that nearly two-thirds of those surveyed (61%) were more afraid of being penniless.

The Allianz Generations Apart® Study revisited that same question. Even six-plus years after the economic crisis, that number remains the same: 61% of boomers still say that they fear outliving their assets more than death.

No doubt adding to their concern is their underlying awareness that the traditional retirement income sources are diminishing. High majorities of both boomers (77%) and Gen Xers (87%) believe that they can no longer count on pensions, Social Security, and Medicare.

So it's clear that consumers still believe there's a retirement crisis; however, how to plan for their retirement remains a mystery.

"It's almost impossible to figure out what your expenses are going to be in retirement," agreed 72% of Gen Xers and 60% of boomers. When asked how they were planning for retirement, 46% of Gen Xers responded that they would "just figure it out when I get there."

Even more naively, an astounding percentage of boomers (65%) said they "just have this feeling that everything's going to work out."

A NAIVE OPTIMISM THAT **"EVERYTHING'S GOING TO WORK OUT."**

65% of boomers
53% of Gen Xers

DISCOVERY 6

Living for today, not saving for tomorrow

As may be expected of a generation who feels overwhelmed and already carrying a lot of debt, fully half of the Gen Xers we surveyed described themselves as being “live for today” people.

Only 39% of boomers held this view – rather, greater numbers of boomers described themselves as being more “save and plan for tomorrow” personalities.

Consistent with these attitudes, 23% of Gen Xers reported making investment decisions based on their gut feelings (vs. 16% of boomers).

In spending behavior, 44% of Gen Xers say they would splurge on something they wanted (vs. only 36% of boomers). Perhaps because of this, Gen Xers reported that their spouses are overspending; 25% say their spouse overspends, compared to just 17% of boomers.

But interestingly, while both generations agreed that kids over 18 should support themselves, when it comes to leaving an inheritance, Gen Xers seemed more concerned about their legacy than boomers (65% vs. 53%).

Who’s more concerned about their financial future?

“LIVE FOR TODAY” PEOPLE

39% of boomers

50% of Gen Xers

THEY **WOULD SPLURGE** ON SOMETHING THEY WANTED

36% of boomers

44% of Gen Xers

DISCOVERY 7

The use of online financial information grows

As digital services have expanded, it would seem logical that Gen Xers would rely more than boomers on the Internet for financial information.

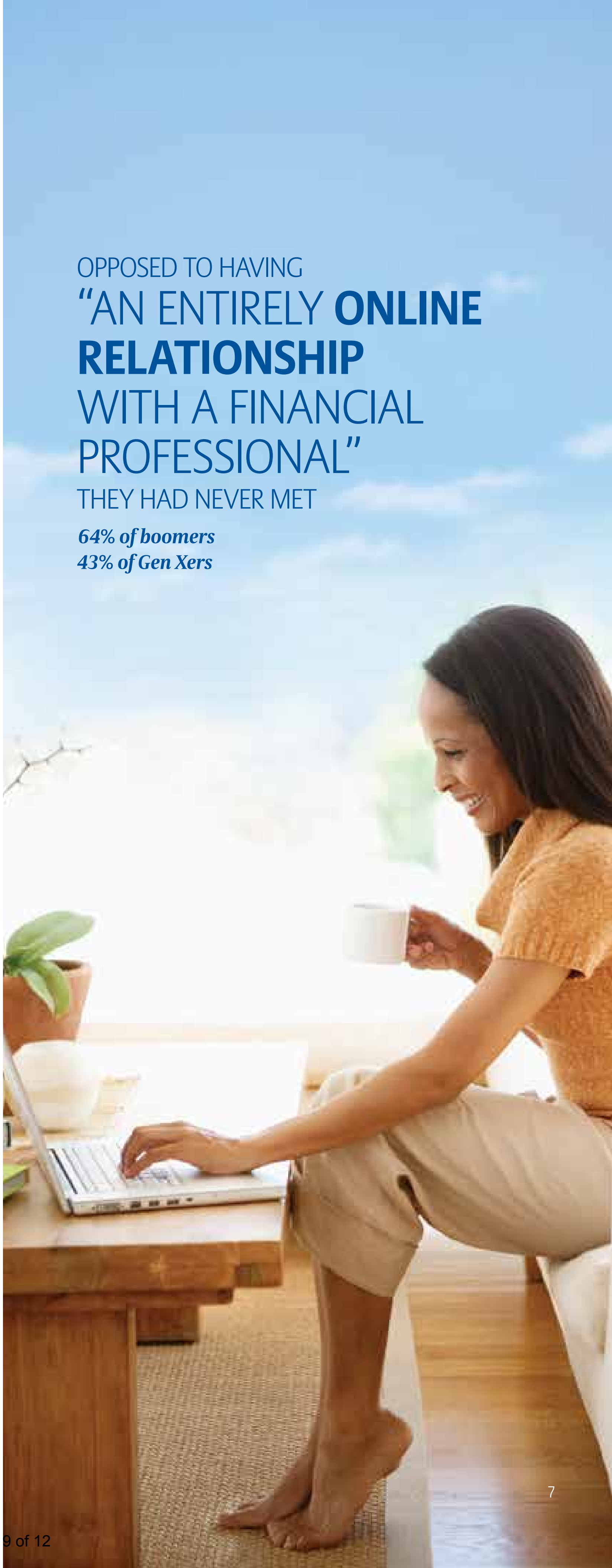
But the Allianz Generations Apart® Study found that basic digital behaviors and the amount of time spent online were in fact strikingly similar across both groups.

However, when asked about what they would "never do online," there are pronounced generational differences. For example, 69% of boomers said they would "never ask friends on Facebook to recommend a financial professional," compared to 49% of Gen Xers.

Likewise, 64% of boomers said they were opposed to having "an entirely online relationship with a financial professional" they had never met, compared to 43% of Gen Xers.

Surprisingly, boomers also reported using financial websites more often than their Gen X counterparts. In fact, 75% of boomers reported tracking investments online and 15% of boomers said they visited financial websites daily.

Among Gen Xers, 53% used online tracking of their investments, and only 11% were daily visitors to financial websites.



OPPOSED TO HAVING
"AN ENTIRELY **ONLINE RELATIONSHIP** WITH A FINANCIAL PROFESSIONAL"
THEY HAD NEVER MET

64% of boomers
43% of Gen Xers

DISCOVERY 8

People still want the human factor for financial guidance …

As noted, the Internet is giving boomers and Gen Xers unprecedented access to financial information. Perhaps it's not surprising that over two-thirds of Gen Xers (and nearly as many boomers) think the Internet makes it possible to "do financial planning entirely on your own."

But that's not the whole story.

Among both generations, there is a healthy skepticism about the quality of online information, with about two-thirds of boomers and Gen Xers (78% and 74%, respectively) agreeing that "there's so much selling online that it's hard to trust financial advice."

In this way, the Internet may actually be working in financial professionals' favor. Because of their level of distrust of online sources, both boomers (72%) and Gen Xers (67%) feel that, for financial help, personal relationships have become even more important. Nearly half of both generations also agreed a good financial professional could help solve their retirement planning uncertainties.

This suggests a clear opportunity for financial professionals who can provide "recommendations that reflect my actual life and desires, not some financial ideal" – a desire voiced by about 65% of boomers and Gen Xers.

*For financial help, **personal relationships** have become even more important.*

DISCOVERY 9

… however, trust in financial professionals continues to be an issue

The Allianz Generations Apart® Study found a worrisome disconnect between what consumers say they want and what financial professionals are providing them.

About one-third of boomers and Gen Xers said their financial professional was primarily focused on increasing their investment returns, when they would actually prefer more help in planning, setting, and achieving long-term goals.

Worse, there is a widely held belief that "most financial professionals just want to sell you something," shared by 70% of boomers and 74% of Gen Xers. No wonder both generations show more interest in a yearly retainer or performance-based fee than in paying commissions.

One possible solution to overcoming this trust issue: 59% of boomers and 66% of Gen Xers said they would find an employer-provided financial professional more trustworthy.

Gen Xers are particularly open to using employer-provided financial professionals: While only 26% said they currently work with a financial professional, nearly three times as many (72%) said they would likely use an employer-provided financial advisor.

Conclusion

Boomers and Gen Xers are facing different financial challenges.

Every client is unique regardless of the generation they come from. That said, by understanding each generation's widely held financial goals and concerns, the financial services industry can be better prepared to help boomers and Gen Xers plan for the future.

At the same time, it's important for financial professionals to adapt their way of doing business to become more aligned with the expectations of both today's and tomorrow's clients.

The bottom line is that, no matter what their financial footing is today, members of both generations can benefit from working with a financial professional to develop better financial habits today – and to work toward a more successful retirement tomorrow.

For more insights on how boomers and Gen Xers differ in their approach to their financial futures, go to www.GenerationsApart.com.

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Through a line of innovative products and a network of trusted financial professionals, Allianz and Allianz Life of NY together help people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz, together with Allianz Life of NY, is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

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