

# 2016 Wells Fargo Millennial Study



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## Overview

The 2016 Wells Fargo Millennial Study was designed to gain a deeper understanding of Millennials and the financial challenges they face related to debt, saving, and planning for retirement. Survey respondents included over 1,000 U.S. adults between the ages of 22 and 35 (Millennials). In addition, for comparison purposes, we surveyed approximately 500 Hispanic Millennials and 500 Baby Boomers (ages 52-65). All respondents were employed full- or part-time, or self-employed.

As Millennials progress through the early years of their careers and begin their lives as financial adults, we asked about their current financial standing. The answer is not clear cut – with 55% saying they are in a strong financial position and 44% saying they are not. Debt plays a major role, with Millennials citing paying down consumer debt as a top financial priority and approximately one-third reporting they have student debt. Hispanic Millennials have additional concerns surrounding providing support for extended generations of their families.

In the workplace, Millennials have idealistic views of their career – they value a career they enjoy over money and benefits. They also say they prefer a higher salary over a stronger retirement plan, yet still expect employer-provided medical and retirement plans. In reality, fewer than half of Millennials are fully employed in their preferred career and less than two-thirds have the benefits they desire.

Across the generations, there is agreement between both Millennials and Baby Boomers that Millennials have had a tougher time purchasing a home and finding a good job in their field. Not surprisingly, Boomers use the benefit of hindsight to rate retirement plans as being of higher value and consider the most important advice for someone entering the workforce is to “start saving for your retirement now.”

We found in our survey that most Millennials recognize retirement saving should begin in early adulthood – but about 41% have not yet started. For most, paying off debt or simply not making enough money to save are the major obstacles to getting started. For women especially, lower income results in greater difficulty in saving for the future and nearly three-quarters do not believe they will ever reach the million-dollar mark.

Overall, though, Millennials are aware of the importance of saving for retirement but struggle to find ways to set money aside. They are open to working with financial advisors to help clarify their goals and take appropriate steps for their future. Given this frame of mind, the outlook for the Millennial generation could improve with the appropriate tools, education, and assistance to adopt behaviors that lead to life-long saving and investing for retirement.

Together we'll go far



## Key findings

### The financial state of Millennials

#### A cloudy picture

Despite what many older adults may think about the Millennial generation, 94% of Millennials consider themselves financial adults. This group — falling between the ages of 22 and 35 — most often defines being a financial adult as paying their own bills and getting a job. While 55% of Millennials consider themselves to be financially successful, a significant portion — 44% — do not feel they are in a good position, and 48% state they are living from paycheck to paycheck.

#### Student loans

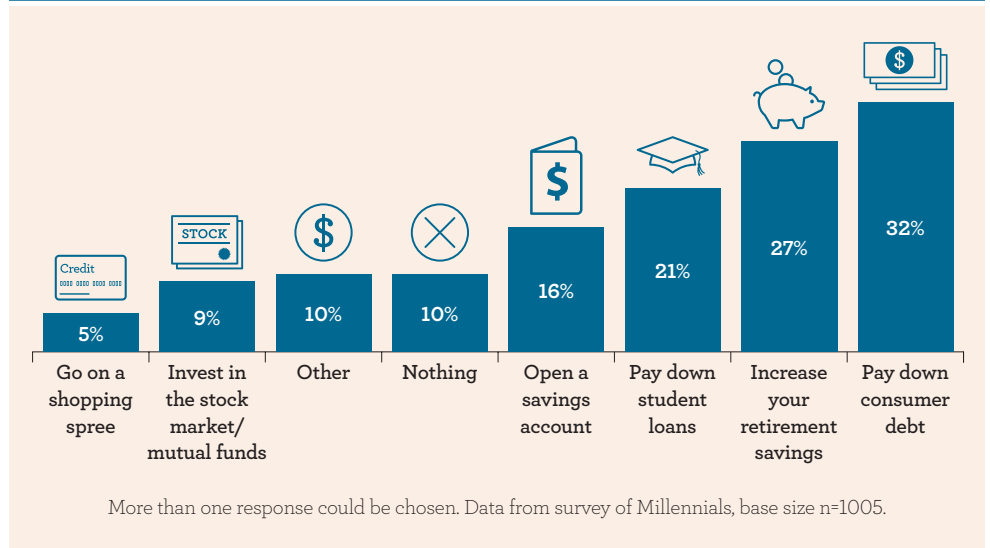
A significant part of the problem could be student debt. Approximately one-third (34%) of Millennials carry student loan debt, with a median balance of \$19,978. Three-quarters of Millennials with student loan debt say their student loan is “unmanageable” and 71% say it is holding them back from saving as much as they would like.

#### Implications

Appealing to the Millennial generation and truly having an impact on behavior change means more than lecturing about the importance of saving. It can be more helpful to offer assistance with broader financial planning topics, such as budgeting to help them break the paycheck to paycheck cycle.

In addition, addressing student loan options as early as possible can help minimize the impact on finances later. Students (and their parents) need to understand the cost/benefit analysis of obtaining loans and the earnings potential for chosen careers. Expanding the discussion to include payment options and risks of excessive use of credit can help young adults prepare for the long-term implications of student loans and their financial standing.

Chart 1: Financial priorities if given a 10% raise



### The Hispanic Millennial

Our study also took a closer look at a growing portion of the overall Millennial population: Hispanic Millennials. How does this group view their financial future? What are their concerns and challenges?

One of the starkest differences between Hispanic Millennials and Millennials overall revolves around support for extended families. Nearly a third (30%) of Hispanic Millennials said they are currently providing financial support to two or more generations of their family versus 14% of general population Millennials. Similarly, a solid two-thirds (67%) expect their parents will need financial help in retirement while 51% of the general population expects to provide help.

Overall, 51% of Hispanics believe that caring for their children or aging parents has made their own long-range financial planning more difficult. Despite the challenges, however, Hispanic Millennials are more optimistic about surpassing the lifestyle of their parents, with 63% saying they will “do better than their parents” in comparison to 49% of Millennials overall.

Nearly a **third (30%)** of Hispanic Millennials said they are currently providing financial support to two or more generations of their family vs. **14%** of general population Millennials. Similarly, a solid **two-thirds (67%)** expect their parents will need financial help in retirement while **51%** of the general population expects to provide help.



## Comparing Millennials to Baby Boomers

### The generations agree: Millennials face financial challenges

We asked Millennials and Baby Boomers which generation faced a tougher time with these milestones:



#### Purchasing a home

52% of Millennials say Millennials  
52% of Boomers say Millennials



#### Finding a good job in their field

51% of Millennials say Millennials  
51% of Boomers say Millennials

### Financial help to older generation



50%

About half of Millennials expect to help their parents in retirement, while only a quarter of Boomers have helped their parents.

### Pay today vs. retirement benefits for tomorrow

#### Millennials prefer:

- ↑ higher salary
- ↓ weaker retirement benefits

#### Boomers prefer:

- ↑ lower salary
- ↓ stronger retirement benefits

### Despite the challenges, Millennials are getting the message to start saving for retirement

Average age of initial contribution to workplace retirement account

Millennials  
**24.0**  
years

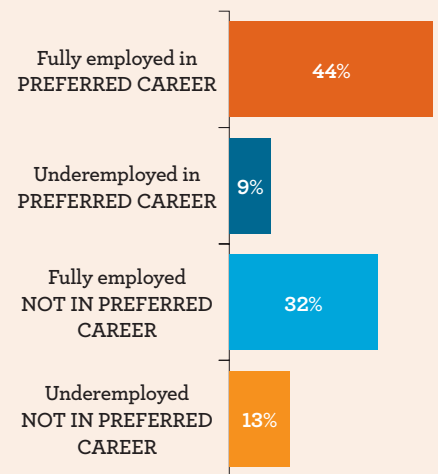
Boomers  
**32.7**  
years

## Millennials in the workplace

### Job satisfaction

A majority of Millennials — 63% — say that having a job “they love” is more important than high income and comprehensive benefits. Their career goals are, for the most part, not currently being met. Only 44% say they are fully employed in their preferred career, while the majority (54%) are either underemployed in their preferred career or not employed in their preferred career at all. Of course, the older segment of Millennials (30-35 year olds) are more commonly fully employed in their preferred career (54%). It may just take time for younger Millennials to land a full-time job in their preferred field.

### Chart 2: Current career status



Data from survey of Millennials, base size n=1005.

**63% of Millennials believe having a job they love and pursuing their passions is more important than high income and comprehensive benefits.**



**What they want vs. what they have**

Millennials have preferences for what they want from their careers but more often than not they haven't found it yet in the early stages of their careers. For example:

- 40% of Millennials would like to work for just one employer for their whole career, but on average Millennials have already worked for five different employers.
- Many Millennials recognize the importance of employer-provided benefits, but fewer actually *have* them.
  - Medical coverage: 80% would like to have employer-provided medical coverage while only 61% have it.
  - Retirement plan: 69% would like to have a retirement plan offered by their employer but only 52% do.
- Related to 401(k) plans, 73% of Millennials support auto enrollment to help them get started, but less than a third (29%) are offered that option.

**Implications**

Millennials are looking for a career that is fulfilling and allows them to pursue their passions. Money is not the driver and neither is a rich list of benefits. However, they do expect the basics — primarily medical and retirement plans. Millennials will be attracted to opportunities that

put them on solid financial footing and offer opportunities over the course of a long career. Items such as a basic medical plan along with a Health Savings Account to build over time or retirement plan matching contributions that are structured to encourage a higher savings rate, could attract and retain members of the Millennial generation.

Flexibility in work schedule is also important to 57% of this group (after medical and retirement benefits). Exploring what this means in a business can help structure a work schedule that appeals and rewards Millennials and keeps them satisfied and loyal employees.

**Millennials and retirement**

**Millennial view on saving for retirement**

Millennials are realistic — and slightly wary — when it comes to saving and investing for retirement. Approximately two-thirds believe retirees should be responsible for their own financial support in retirement and nearly three-quarters doubt that Social Security will be available when they are ready to retire. Accordingly, Millennials who have started to save believe that retirement saving should start at age 23 on average. Millennials understand the need for financial planning but many are not doing anything about it. Less than half (45%) have a routine for reviewing their finances and only about half (54%) say they have a budget.

Two other findings offer insights into the Millennial mindset:

- More than half (52%) of today's Millennials are wary of investing, saying they fear they will "lose their retirement savings in the market" due to volatility. Millennials have 30-40 years until retirement... time enough to ride out the volatile patches of the market.

- The average age Millennials say they would like to retire is 59. Again, some quick calculations could help a Millennial understand what that would truly mean in terms of savings needed given life expectancies.

**74% of Millennials do not believe Social Security will be available for them when they retire.**



**Some Millennials off to a good start**

A majority of Millennials (59%) have started to save for retirement. Of these, 50% are saving 6% or more. Of the 41% of Millennials who are not saving for retirement, the overwhelming majority (64%) say they are "not earning enough money to save for retirement." The next highest response (22%) was "I don't know where to begin." For those that aren't saving, they say they will start at age 32 (average of responses).

**The cost of waiting**

Salary: \$32,000  
 Annual pay increase: 2%  
 Initial contribution rate: 5%  
 Annual contribution rate increase: 2% up to a 13% contribution rate  
 Target retirement age: 65

<b>Start at 23</b>	<b>Start at 32</b>
<b>\$1,217,206</b>	<b>\$602,096</b>
<b>in retirement savings by age 65</b>	<b>in retirement savings by age 65</b>

**51% less in retirement savings, if you wait**

Calculation source: Wells Fargo Retirement and Trust. Estimate is based on a retirement age of 65, 5% initial deferral rate with a 2% annual increase (up to 13% annual contribution rate) and a 7% annual return on investments prior to retirement. Estimates include employee contributions only. This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific investments, nor is it indicative of future results.

### The million-dollar mark

Nearly two-thirds of Millennials (64%) say they will never accumulate \$1 million in savings over their lifetimes. This group of Millennials reports a median personal income of \$27,900. However, nearly four in ten (37%) are putting away more than 5% and 7% are putting more than 10%. Some are on track to reach \$1 million and might not even know it.

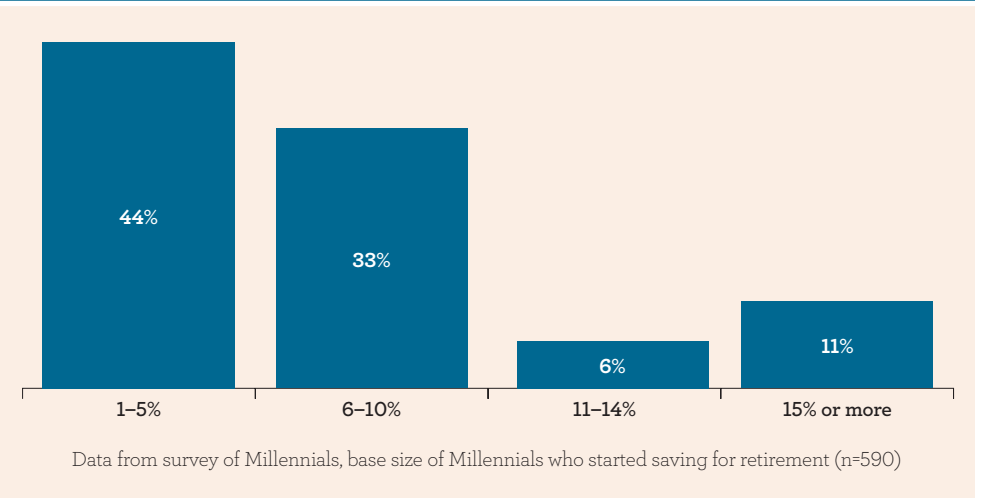
### Implications

How can we appeal to the Millennial generation to save for retirement and, even more importantly, take an active interest in planning and working toward a realistic retirement goal? Our findings provide helpful guidance. Adding automatic enrollment to employer-sponsored retirement plans is a good place to start, along with an automatic increase program to boost savings over time.

Millennials are open to coaching and education. Information specifically geared to this age group will have a greater impact, especially as it relates to how savings can grow over time and how a long timeframe to retirement can overcome shorter-term volatility. Tools to help Millennials adjust variables (contributions, retirement date, etc.) to see what it takes to meet their retirement goals would be valuable for these young employees who lack investment knowledge or are unrealistic about their goals.

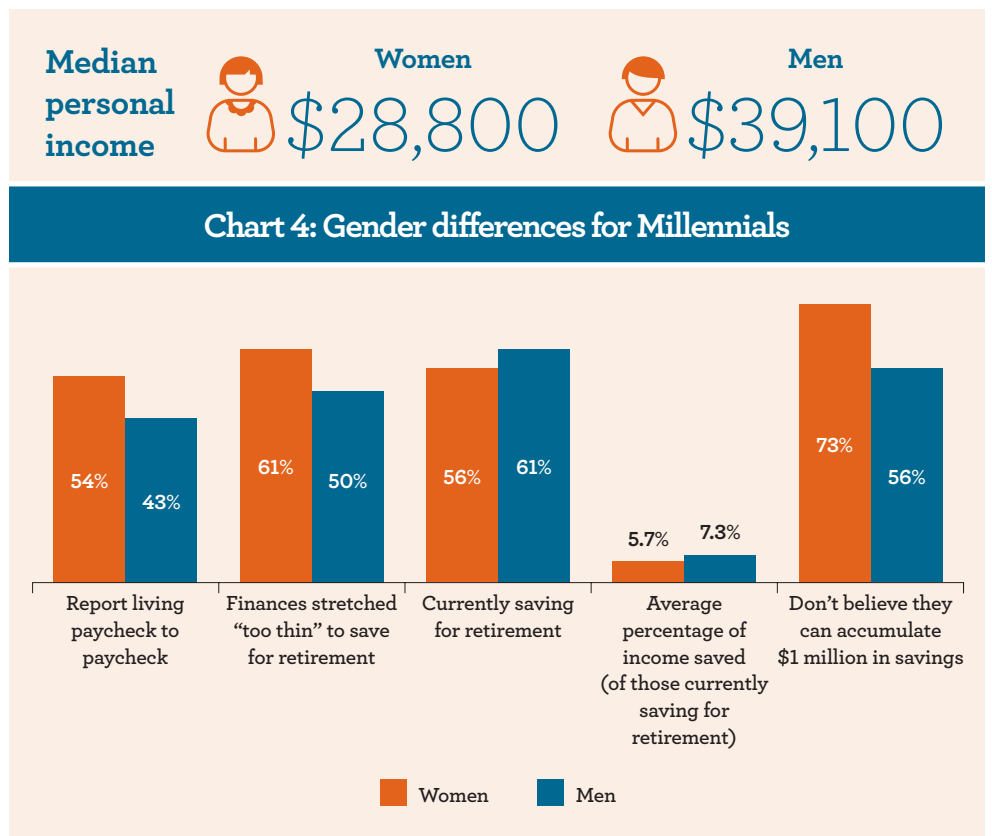
Our results also showed 71% of Millennials would find value in having a financial coach to help them understand retirement plans. Offering one-on-one opportunities to discuss retirement plans would be appealing for this group.

**Chart 3: Percent of income contributed to retirement savings plan**



### Gender differences

There are significant differences in the earnings of Millennial men and women resulting in financial challenges for women that start with living paycheck to paycheck, spill over to having less money to save for retirement, and, ultimately, cause doubts about whether they will ever be able to accumulate \$1 million in savings.



## How to reach \$1 million



**Age:** 25

**Salary:** \$32,000

**Annual pay increase:** 2%

**Initial contribution rate:** 5%

**Annual contribution rate increase:** 2% up to a 13% contribution rate

### Year 1

Contribution rate:	Weekly reduction in take home pay:
5%	\$26.15

### Year 5

Contribution rate:	Weekly reduction in take home pay:
13%	\$75.04

### Year 10

Contribution rate:	Weekly reduction in take home pay:
13%	\$82.89

### Results in



**\$1,045,056**

in retirement savings at age 65

## Background and methodology

### About the survey

The 2016 Millennial Study was conducted online between April 11 and April 26, 2016 by GfK on behalf of Wells Fargo Wealth and Investment Management (WIM) Market Research Center. Survey respondents included 1,005 “general population” Millennials ages 22-35. Participants needed to be employed (not in the financial services/banking industry) and a U.S. resident for at least three years. For comparison purposes, 504 Hispanic Millennials (in addition to general population Hispanic Millennials) and 501 Baby Boomers ages 52-65 were also surveyed. Data were weighted based on a variety of demographic and other factors to ensure accurate representation of the sample.

### About Wells Fargo

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with \$1.8 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 8,800 locations, 13,000 ATMs, and the internet ([wellsfargo.com](http://wellsfargo.com)), and has offices in 36 countries to support customers who conduct business in the global economy. With more than 269,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo ranked third in assets among U.S. banks and was the world’s most valuable bank by market capitalization. In 2015, Wells Fargo was named “Most Respected Bank” by *Barron’s* magazine, “Most Admired” among the world’s largest banks by *Fortune* magazine, and “Best U.S. Bank” by *The Banker* magazine. Wells Fargo’s vision is to satisfy all our customers’ financial needs and help them succeed financially. Wells Fargo perspectives and stories are also available at [wellsfargo.com/stories](http://wellsfargo.com/stories).

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Calculation source: Wells Fargo Retirement and Trust. Estimate is based on a retirement age of 65, 5% initial deferral rate with a 2% annual increase (up to 13% annual contribution rate) and a 7% annual return on investments prior to retirement. Estimates include employee contributions only. This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific investments, nor is it indicative of future results.

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