NAPFA ADVISOR

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Planning Perspectives: Generation X

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It's easy to forget how the approach of adulthood has become more complicated, and so to assume that members of Generation X will easily follow in the footsteps of their baby boomer parents. In fact, today's twentysomethings confront circumstances quite different from those prior generations faced: a new and heavy saturation from the media, a dramatic expansion of knowledge, changing patterns of family and work life, and greatly increased longevity. Ideally, consideration of these societal changes would influence the high school curriculum, parental strategies, and advisor sensitivity about how to teach financial responsibility to the next generation. But the impact of all these forces on young people, while powerful, is not always obvious.

Consider, for example, the effect of the boom in personal credit. Before credit cards and home equity loans, it was much harder for people to live beyond their income. Appearances were not so deceiving and the game of keeping up with the Joneses was played on level turf. Today, many people, especially many baby boomers, appear to be living the good life but are actually drowning in debt. Unfortunately, none of this debt is visible to young people who look around for clues about what they might expect in life.

Surveys of high school students show that while their parents are the most important source of information about money issues, only a fraction of students talk about money issues with their parents. So, where are young people getting information about finances?

The media are important sources of information, but most televised entertainment presents a fantasy-land of financial opulence second only to advertising in its lack of realism. Advertisements for financial products used to be sparse and fairly informative. For example, Merrill Lynch several decades ago ran an ad titled, *What Everybody Ought to Know About the Stock and Bond Business.* The ad, a long textbook kind of essay, triggered more than a million requests for reprints. In contrast, today we are inundated by a constant, surround sound wash of advertisements with little or no content. In 1996, Merrill Lynch estimated that an astounding 53 percent of American adults between the ages of 35 and 64 would see more than four of its advertisements during the various 1996 college bowl games. Unfortunately, despite intense saturation, the advertisements that bombard us aim not to inform, but to develop a sense of trust in the sponsoring financial institution. Is it any wonder that young people often conclude that great investment success is the norm?

A second societal change affecting young people is the dramatic shift in gender roles. In the 1960s, almost all men, but less than half of American women, worked outside of the home. Since 1970 the labor force participation rate of women has risen from 43 percent to about 60 percent, and women are now assuming top corporate, professional, and governmental positions. The trend is likely to continue as barriers to women in various fields continue to fall.

The U.S. Labor Department also predicts that between now and 2002, the five fastest growing jobs will be in areas where female workers are in the majority: residential care, computer and data processing, health services, child care, and business services. For men, in contrast, participation in the work force is not getting easier. The five most drastically declining job sectors are forecast to be footwear ammunition making, shipbuilding, leather working, and photo graphic supplies. All are fields typically dominated by male workers. What makes these forecasts especially troubling is that men have not moved into traditional female careers to the same extent that women have moved into traditionally male careers.

As Generations Xers are aware, job opportunities and labor participation rates have a big impact on family life, and especially on marriage. For men, work and family responsibilities tend to reinforce each other, while for women, work and family responsibilities are more often in conflict. As men experience declining job opportunities and women find new fields Opening to them, the fabric of family life is stretched. Traditional roles, for better or worse, have been tossed aside, but have not yet been replaced with a stable or generally accepted new model In 1991, just 51 percent of children lived in a traditional nuclear family, where both biological parents are present.

Consequently, Generation Xers have grown up in a society of women's rights,. ~Million Man marches,. blended families, and broken traditions. They are familiar with both the good and the unfortunate aspects of changing gender roles, and have had ringside seats to layoffs. divorces. and the erosion of the nuclear family model. In this context. proceeding with caution and a healthy dose of ambivalence in forming one's own family only makes sense.

Choosing careers is also not what it used to be. In earlier times. children grew up taking for granted that they would adopt the occupations of their parents. A few generations back, children began adopting their parents aspirations instead of their occupations. Along with the development of large firms, they enjoyed increasing prosperity. They built careers different from their parents. but typically with one company. Currently, neither of these models apply. For Generation Xers, it is not even clear that they will be able to maintain the economic status achieved by their parents.

Instead, Generation Xers will likely compete for jobs that did not exist a generation ago and may not exist for the length of their own careers. Job opportunities tend to change along with advances in knowledge. In prior generations, knowledge, or at least the knowledge required for one's job, was conquerable, and getting a certain set of knowledge formed the cornerstone for a stable life. Today, however, knowledge is not stable but instead is constantly shifting and advancing. Knowledge has become a new currency of exchange; the extent to which a person's knowledge grows has become the harsh divider between those who thrive and those who get left behind.

Finally, Generation Xers will likely live longer than any generation so far in history. During this century, longevity in the developed Western world has nearly doubled. This is a bigger increase in longevity than occurred from year one until 1900. For Generation Xers, this increase in longevity is likely to continue, but Generation Xers do not expect the societal safety nets of Social Security and private pensions to be available for them in old age.

Generation Xers have understandably had a variety of reactions to these societal changes. On one end of the spectrum are a group of mostly male, twenty-and-something year olds who, frozen in time, are not even trying to connect with a traditional career. They convey a sense of drift, of "swallowed grief," and of a lack of hope or purpose. Usually, significant long-term personal relationships haven't worked and there is a profound sense of loneliness. It's not hard to imagine this group being happy in former times when roles were more clearly defined and knowledge was conquerable.

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At the other end of the spectrum are the intently self-reliant Generation Xers. Along with a poignant expression of somewhat bitter awareness, they tend to display an implacable drive "to put this all together so that it will work for me." Sometimes, there is an almost warriorlike sense of pride and energy. They are not expecting or asking for a paternalistic, long-term relationship with employers, but instead feel protected by their own readily marketable knowledge base, which they expect to continually update throughout their working lives. This group often has a variety of personal interests that complement and sometimes compete with work interests. With respect to personal relationships, this group tends to proceed cautiously, not along traditional patterns. Preliminary statistics show that this group pays careful attention to personal finances and often saves aggressively, much to the puzzlement and confusion of their freerspending, baby boomer parents.

Employers rarely see the first group and have been somewhat perplexed by the latter group. After all, it's fairly new in the business world to have interviewees indicate a readiness to engage in challenging work and at the same time to grill the interviewer about whether the job will allow full pursuit of personal interests, protection from meaningless, deadend jobs, and reliable opportunities to expand personal knowledge.

While Generations Xers vary in their reactions to current culture, they all still struggle with the immaturity and inexperience of youth and so need whatever teachers, parents, and advisors can usefully convey to them about how the world, and especially how the financial world, works. Here are specific ideas for schools, for parents, and for advisors.

Schools have been charged with the task of teaching financial responsibility, but the curriculum will fall on deaf ears unless it is somehow connected to reality. To make the real world visible, credible, and applicable to students, it would be helpful to bring in to the classroom people in their twenties to talk frankly and in detail about what they are discovering as they become responsible for their own finances, how they think they compare with their peers, what they wished had been different, and how they feel about any financial hardship they have lived through. These conversations might help prepare students for one of the most powerful current experiences of college freshman. the onslaught of unsolicited credit card offers.

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Few families want to discuss the specifics of their finances with children. But there are questions that most people are willing to discuss that can help fill in some of the possibly missing links in young people's ideas, namely, that people struggle for what they have, that self-reliance, personal freedom, and self-esteem are related to personal finances, that family patterns vary from generation to generation, and that the task of each generation is to adapt to its own reality.

Advisors and the culture at large can offer a hand to the next generation by counteracting the confusion stemming from advertising and other deceptive appearances. For example, we can highlight the real importance of saving early and regularly by going beyond the numbers and talking about the power of savings in ordinary lives. For the risktaker, adequate savings allow more risktaking. For the riskaverse, adequate saving provides security. For the drifting, adequate savings can be a first step toward feeling empowered, incontrol, even hopeful.

These are the essential messages that young people are not getting from advertisements or from looking around their neighborhoods for clues about what kind of life to expect. Delivering this information generously and forthrightly, with some understanding of the relevant societal forces at work, is what one generation can do for another – to benefit us all.

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FAMILY DISCUSSION QUESTIONS

1. When the (grand) parents were growing up, how much financial help did they get from their parents in, for example, going to school or setting up an apartment? When are the children in our family expected to become independent?

2. So far, for each person in our family, what has been the most educational experience with respect to money?

3. What do employees and employers owe to each other?

4. Is the institution of marriage changing?

5. What are the pros and cons of the women's movement?

6. What is the role of work in a person's life? How are self-esteem and work related? How important is it that you like your job? How important is it that you are paid for your job?

7. Who is responsible for a family's financial security?

8. If you were among the super rich and had money to give away, how and to whom would you give the money? If you lacked money, how would you feel about others helping you if you were not in a position to reciprocate? What would the world be like if each person had about the same amount of money? Should the government be involved in these issues?