Young Adult Financial Literacy Study

August 2018
Purpose

As part of a long-standing commitment to financial education, Charles Schwab periodically conducts research to better understand people’s attitudes and behaviors about money. The current study among young adults was designed to:

- Understand the financial behaviors and attitudes of young adults.
- Provide insights to help young adults make smart financial decisions.
- Gauge the financial literacy of young adults and identify opportunities for Schwab to enhance financial education for this group.
Approach

How? 12 minute online survey fielded between June 12 and June 20, 2018 by independent research firm Logica Research (formerly Koski Research)

Who? 2,000 U.S. young adults ages 16-25
1,000 between 16 and 20 and 1,000 between ages 21-25. balanced on age, geography and ethnicity
High financial optimism despite experiential and tangible barriers

- 76% believe they will have a better financial future than their parents
- 81% watched parents experience financial hardship
- 69% believe their parents are good financial role models
- 53% believe their parents will leave an inheritance
- Young adults expect to retire, on average, at age 60

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Young Adults are Optimistic
Young adults are optimistic about their financial futures

76% agree that their financial futures will be better than their parents’

53% believe their parents will leave them an inheritance

On average young adults expect to retire at 60 years of age

Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)
Financial independence is important

75% have the goal of becoming financially independent

Financial independence is the definition of success for nearly half of people

63% Defined financial independence as not relying on others for money

“Not having to rely on others to help you pay for things.”

“Someone who can handle money on their own and doesn't need help.”

“That you don't have to rely on family and friends for constant financial support.”

Q27. Do you have any of the following financial goals? (Base: Total=2,000)
Q22. Which of the following comes closest to your personal definition of financial success? (Base: Total=2,000)
Q25. What does it mean for someone to be financially independent? Please define “financial independence” in your own words. (Base: Total=2,000)
Young adults have many financial goals—including being financially independent

- Owning a home: 81%
- Money to travel: 76%
- Being financially independent: 75%
- Buying a car: 64%
- Moving out on own: 63%
- Saving money for school: 55%
- Paying off student loans: 44%
- Paying off credit card debt: 36%
For many, financial independence is several years into the future

20% Are already financially independent

5 years If not financially independent, young adults anticipate financial independence is 5 years from now

The age 16-20 year olds expect to become financially independent

The age 21-25 year olds expect to become financially independent

12% Expect to be supported by parents indefinitely

53% Expect an inheritance from their parents

Q26. At what age do you think you will be financially independent? When we say financially independent in this question, we mean no longer receiving any money from your parents to help pay for things you need. (Base: Total=2,000)

Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)
Young adults also understand they need to be disciplined and work to achieve their goals

What young adults say is important to achieving goals...

85% Saving money
83% Working
80% Building a career
77% Managing to a budget
70% Educating themselves about money
70% Putting together a financial plan
66% Studying to have a career
51% Investing

Q29. How important are each of the following things in order to reach your goals? (Base: Total=2,000)
They take steps to manage and save their money

67% Two-thirds are working

64% Decided to hold off on buying something I wanted so I could save money

48% Chose to work more so I could make more money

31% Chose not to go on vacation or travel to save money

26% Took on extra or side job in order to make ends meet

21% Sold possessions to cover a bill or because I have no money

Q1. How do you get the money you have today? (Base: Total=2,000)
Q12. In the past year, have you done any of the following? (Base: Total=2,000)
Young adults monitor their money

66% Say they track their money

49% check their bank account balances

20% have an app on their phone that they use to track money
Challenges for Optimistic Future
Young adults are having trouble making ends meet.

- **43%** have borrowed money from parents in the past year to pay for necessities.
- **3 in 10** have had to skip a meal due to low or no money.
- **25%** have borrowed money from friends.

Q11. In the past year, have you done any of the following? (Base: Total=2,000)
They may need help saving money

85% identify saving money as important to achieving goals

49% of young adults have saved less than $250; on average, young adults have $1,628 saved

37% say they would put an extra $1,000 in savings

Q29. How important are each of the following things in order to reach your goals? (Base: Total=2,000)
Q14. How much money do you currently have saved (this can be at home, in a bank, or elsewhere)? (Base: Total=2,000)
Q10. If you instantly had an extra $1,000 that you could do whatever you want with, what would you do with it? (Base: Total=2,000)
Half of young adults have substantial debt

51% have some type of debt

Average amount of debt: $8,000

Only 3% would pay down debt if given an extra $1,000

Q15. How much debt do you currently owe? (Base: Total=2,000)
Q10. If you instantly had an extra $1,000 that you could do whatever you want with, what would you do with it? (Base: Total=2,000)
They may not know when to take on debt

Q31. Which of the following do you think best describes the following types of debt?  (Base: Total=2,000)

- **Home Mortgage**
  - Consider to be “good debt” 54%
  - Consider to be “bad debt” 20%

- **Student Loans**
  - Consider to be “good debt” 38%
  - Consider to be “bad debt” 38%

- **Car Loan**
  - Consider to be “good debt” 36%
  - Consider to be “bad debt” 35%

- **Revolving Debt**
  - Consider to be “good debt” 27%
  - Consider to be “bad debt” 49%

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How to Help Young Adults Achieve Goals
Learning about money is important to achieving goals

70% Say that educating themselves about money is important to achieving goals
Young adults face obstacles to achieving goals

What young adults say the barrier is to achieving their goals...

- **50%** Earning money
- **38%** Saving money
- **30%** Managing money

Q30. What do you think will be the biggest barriers to reaching your goals? (Base: Total=2,000)
Young adults are interested in getting help in a number of financial areas

- 71% How to make money to reach goals
- 68% How to keep financial information secure
- 65% How to figure out how much is needed for necessities
- 63% How to build credit
They look to financial institutions and families for financial information

Trust most for information on financial topics like saving, budgeting, and investing

- Family: 39%
- Bank: 25%
- Web: 12%

Q34. Which of the following do you trust most for information about financial stuff, like saving, budgeting, debt and investing? (Base: Total=2,000)
Young adults look to their parents as financial role models

- 9 in 10 say they learned about money from their parents
- 81% say their family has experienced financial hardships
- 69% say their parents are good role models for money
- Most young adults say their parents are more likely to talk to them about money than sex (67%) and drugs (56%)

Q17. Which of the following describes how you learned about finances from your parents, if at all? (Base: Total=2,000)
Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)
Thank you