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MILLENNIALS FACE COMPOUNDED FINANCIAL CHALLENGES IN OVERCOMING COVID-19'S IMPACT

NEW YORK (August 12, 2020) – Millennials were facing a challenging financial situation before the current economic crisis triggered by the COVID-19 pandemic, including difficulties with student loan debt and expensive money management practices, according to a new report.

"Millennials and Money: Financial Preparedness and Money Management Practices before COVID-19," written by Annamaria Lusardi, Andrea Hasler, and Andrea Bolognesi from the George Washington University's Global Financial Literacy Excellence Center (GFLEC), provides an update to the Millennials and Money report published in February of this year, contextualizing the current financial situation facing millennials in light of COVID-19's impact.

As the researchers note, before the current economic crisis, a majority of millennials struggled with – and felt stressed about – their personal finances. Data from the National Financial Capability Study (NFCS) shows that 63 percent felt anxious when thinking about their financial situation. More than half of millennials (53%) had not set aside an emergency fund that could cover their expenses for three months.

These statistics from 2018, a time of economic expansion, indicate how ill-prepared millennials were to face an emergency, let alone an economic contraction as significant as the one caused by the COVID-19 pandemic.

One factor contributing to millennials' lack of savings or access to credit, which adds to this population's inability to weather economic shocks, could be their debt holdings. In 2018, 44 percent of millennials reported feeling as if they had too much debt, with 51 percent reporting concern over their ability to pay back their student loan(s) in full.

Additionally, researchers found that millennials' money management practices contribute to their financial fragility. A higher proportion of millennials engage in expensive short- and long-term money management behavior compared to older working-age adults (age 38-64 in 2018). Only 16 percent of millennials could be considered financially literate.

"In addition to a lack of assets and too much debt, expensive money management practices also contribute to millennials' precarious financial state," said Annamaria Lusardi, the Academic Director of GFLEC and University Professor of Economics and Accountancy at the GW School of Business. "A staggering 43 percent of millennials used some form of alternative financial services such as payday loans and pawn shops in 2018. Millennials' extensive use of high-cost borrowing methods, combined with their low level of financial literacy, can put their financial resilience at risk."

Other key findings from the “Millennials and Money” report include:

- Only 19 percent of millennials who perceived themselves as having high knowledge about personal finance correctly answered basic questions assessing fundamental financial concepts.
- The proportion of young adults with outstanding student loan debt has increased from 34 percent in 2012 to 43 percent in 2018.
- Thirty-seven percent of millennials are financially fragile (defined as not being able, or likely not being able, to come up with $2,000 in 30 days).
- Fifty-five percent of millennials felt stressed when discussing their financial situation.
- As many as one-third of millennials had drawn from their retirement account in 2018.

In the face of significant economic contraction and high unemployment, it’s clear that millennials have a difficult road to recovery ahead based on their current financial limitations.

“For millennials who were already struggling to retain a sense of financial security in the wake of the Great Recession, COVID-19’s impact has been devastating,” said Stephanie Bell-Rose, Head of the TIAA Institute. “As we continue navigating through this moment, the information in this report is critical to providing an understanding of the state of millennials’ financial resilience and a roadmap for how to not only recover, but also to sustain a level of financial stability into their retirement.”

To view the full report, please click HERE.

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About GFLEC

The Global Financial Literacy Excellence Center (GFLEC) is dedicated to advancing research and solutions that open the door to universal financial literacy. In working toward that mission, GFLEC has positioned itself as the world’s leading incubator for financial literacy research, policy, and solutions. GFLEC launched in 2011 at the George Washington University School of Business in Washington, D.C. Since then, it has pioneered breakthrough tools to measure financial literacy, developed and advised on educational programs, and crafted policy guidelines aimed at advancing financial knowledge in the United States and around the world. For more information on GFLEC, visit www.gflec.org.

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The TIAA Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies and maximize opportunities for success. For more information about the TIAA Institute, visit www.tiaainstitute.org and follow us on Twitter @TIAAInstitute.

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[2] Based on $1.1 trillion of assets under management across Nuveen affiliates and TIAA investment management teams as of 3/31/20.