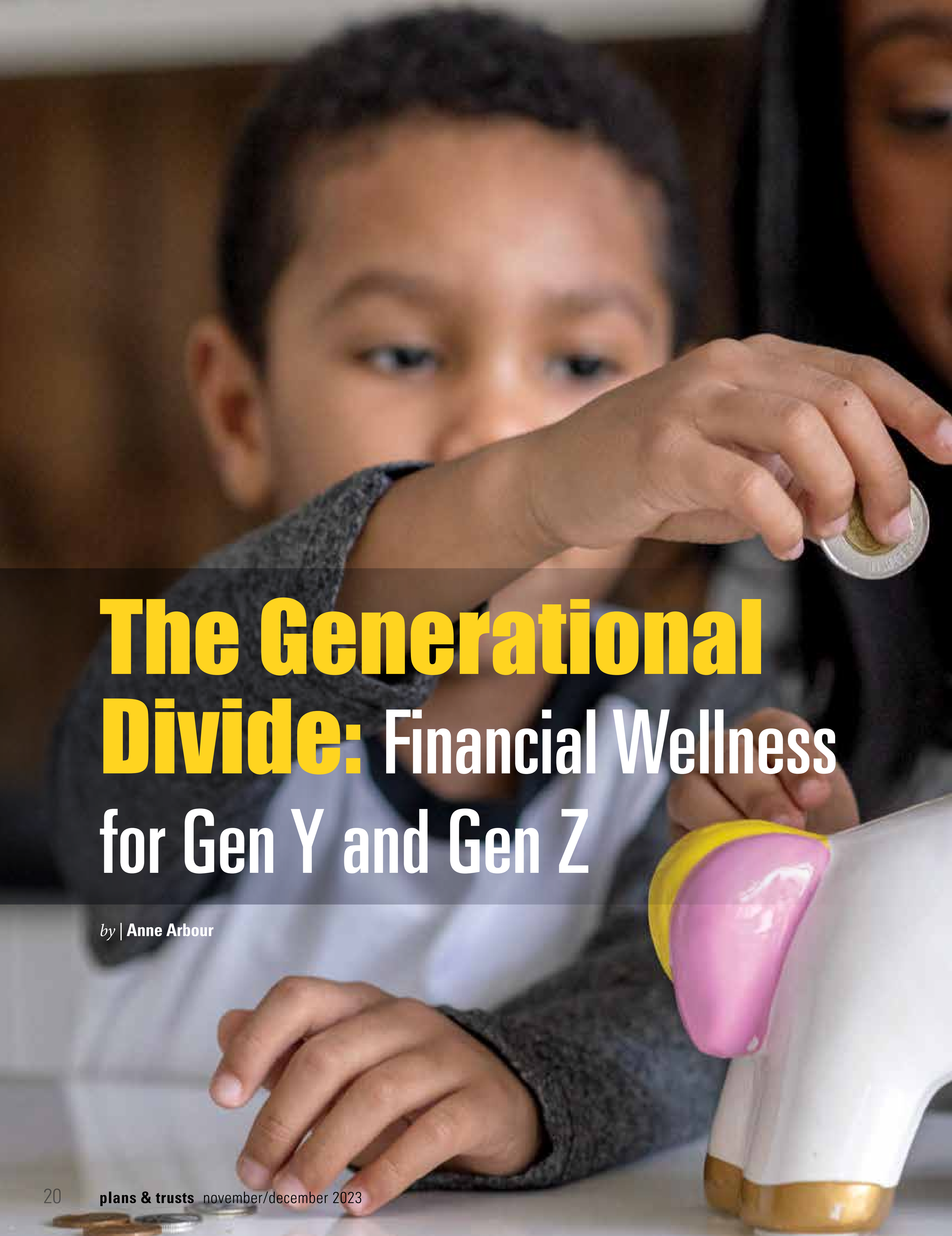


The Generational Divide: Financial Wellness for Gen Y and Gen Z

by | **Anne Arbour**

benefits
MAGAZINE

Multigenerational workforces have varying financial perspectives on success, which impact their financial behaviour and priorities. The author discusses what organizations need to recognize to help create financial wellness programs to meet the needs of a younger generation while addressing their preferences.

As a member of Gen X, I grew up in a time when polite company avoided discussing certain topics: politics, sex, religion and money. Many of those taboos have disappeared over time, but one that persists is money. I experienced this avoidance most prominently at a recently attended workplace wellness conference when I and my fellow attendees were asked a question: Would you rather reveal your mental health diagnosis to this room full of strangers or show us your credit card statement? The vote was overwhelmingly against sharing the credit card bill. We have managed to move past our discomfort in discussing mental health. It's time to do the same for money and financial wellness, including in the workplace.

As employers and plan sponsors strive to support the needs of four, potentially even five, generations in the workplace, let's consider ways to create and incorporate a financial wellness program in a meaningful way for all, especially for your Gen Y and Z team members. Let's understand how these groups differ from Baby Boomers and Gen X in financial experience, needs, expectations and perceptions. What does success look like and mean to them?

- Baby Boomers, 1946-1964, "Me" Generation
- Generation X, 1965-1980, Sandwich Generation
- Generation Y, 1981-1996, Millennials
- Generation Z, 1997-2012, Digital Natives

Different generations have experienced various events that have shaped how they define success. There are, however, some typical benchmarks by which we have historically defined success for ourselves and others to assess our place in the world. These are the questions we ask each other at parties when we don't want to talk about money explicitly but when we want to figure out where we fit on the economic ladder in relation to our peers. *Where did you go to school? What do you do? Where do you live? Are you married? Have any kids? Retiring soon?* Looking at the generational data, it becomes clear that Gen Y and Gen Z approach these benchmarks differently than their parents and grandparents.

Critical Measures of Success

Education

Studies show that each generation is better educated than its predecessors. In 2019, nearly three in four Canadians ages 25-34 had achieved a postsecondary qualification, compared with 59% in 2000 and even lower for prior generations.[1] Studies also show that education levels tend to directly impact a number of well-being indicators, health and living standards in particular, as higher levels of education typically bring higher levels of income which, in turn, afford greater access to related resources.[2] While Gen Y and Gen Z are better educated than their parents and grandparents, they have also faced much higher tuition rates and typically carry higher levels of student debt than their predecessors.

Career

In terms of careers, this greater level of education has allowed an increasing number of women to join the workforce, beginning with the Baby Boomers, who paved the way for later groups. Comparing women aged 22 to 37, 66% of Baby Boomer women were active in the workforce, compared with 72% of Millennials. In addition, Millennials have brought more racial and ethnic diversity to North American society and the workforce.[3] One of the most pronounced differences between Gens Y and Z and their elders is how they approach their careers. The younger generations are no longer happy to sign on for a 30-year stay with one company. Still, they seek personal and professional growth and development through various experiences. Technology has encouraged and enabled a more flexible gig economy, and work-from-home conditions during the COVID pandemic have only further entrenched their desire for flexibility.

Housing

Despite Gens Y and Z having greater earning power on average than their elders, ever-increasing property values and carrying costs pose significant barriers to these younger groups' entry into the real estate market. A Statistics Canada report reveals that Millennials pay 32% more than Gen X and Baby Boomers for housing, electricity, gas, water and other utilities.[4] As a result, the benchmark of home ownership has changed for Gens Y and Z in a significant way. In most major Canadian cities, not only are Gens Y and Z more likely to live at home longer than earlier groups, but homeownership is becoming less of a realistic and defining factor of adult success. We are seeing an ever-growing number of conversations, debates and justifications in the personal finance media around lifelong renting and innovative alternate arrangements like shared ownership or multifamily dwelling contracts. Approximately half of 30-year-old Millennials own a home, compared to 55.5% of Boomers at the same age in 1981.[5] These generations either aren't financially able to or don't want to incur overwhelming debt to do things the "traditional" way. They want to experience all that life offers and enjoy the flexibility. They do not judge their own success by the same benchmarks as their elders. Success may not be defined by homeownership but perhaps by their ability to afford to live without roommates one day. Or, they have the financial cushion to take breaks from working to travel. Happiness trumps sacrifice and trying to fit someone else's construct.

Family Life

Another measure of "typical" success and a major factor in quality of life is family life. Part of developing one's family life has traditionally involved marriage. Throughout the generations, however, there has been a societal shift toward marrying later in life. In 1968, an average American female married at age 21, and an average American man married at age 23. Today, it's age 28 for women and 30 for men. The share of 25- to 37-year-olds who were married has steadily dropped for each succeeding generation, from 67% of early Boomers to 57% of Gen Xers and 46% of Millennials. Many are choosing never to marry. The data shows that if this trend continues, an estimated one in four young adults will never marry. Similarly, having children is not necessarily an enduring measure of success. The current trend is that Millennials are starting families later than their counterparts in prior generations or choosing to remain child-free in greater numbers than in previous generations. In 2018, 55% of Millennial women were parents, compared to 62% of Gen Xers who were parents at the same age and 64% of Baby Boomer women of comparable age.[6]

Finances

Last on the traditional success checklist are finances. On paper, Millennials show a greater median after-tax household income than previous generations On paper, Millennials show a greater median after-tax household income than previous generations (inflation adjusted, $44,093 versus $33,276 for Gen X and $33,350 for Baby Boomers). Millennials are also juggling more debt, with a debt-to-income ratio nearly double, at 216% versus 125% for Gen X at the same age. The average debt load for Millennials, at almost $35,000, is 1.8 times that carried by Gen X at the same age. Savings rates and the focus on retirement are impacted, along with a general stress level around finances. Approximately 55% of Millennials find managing their finances stressful and intimidating.[7]

Dreams Deferred

What is the current reality facing late Gen Y and Gen Z employees in your workplace? Financially, the economy as a whole is experiencing high and rapid inflation for the first time in a very long time, and that's causing fear and uncertainty about the present and the future amongst Gens Y and Z. Their ability to afford housing and food, to service debt and to save have all been negatively affected, as has their outlook around their finances. In just a couple of generations, Canadians have gone from being a nation of savers to having one of the highest debt-to-income ratios in the world, currently at $1.80. This means that for every dollar of disposable income (after tax and nondiscretionary spending), the average consumer in Canada owes $1.80 in consumer debt, mortgages and other loans. Seasonally adjusted estimates[8] for the household sector credit market summary table show higher figures for Millennials and Gen Z, as indicated above. Further, half of Canadians don't have a budget that they work from. Rather, they're improvising when it comes to their day-to-day money management.[9] According to the Credit Counselling Society's *2023 Consumer Debt Report,* four in five say spending on essentials is the top reason for their worsening financial situation.[10]

Not to be ignored, Gens Y and Z express the emotional frustrations of being judged by an antiquated "middle-class dream," a checklist of milestones and markers of success presented as the

Takeaways

- While younger generations like Gens Y and Z are better educated, they also face higher tuition rates and student debt than their predecessors, affecting their financial well-being.
- Despite having higher median incomes, Millennials carry more debt and experience higher stress related to finances. Savings rates and retirement planning are also impacted.
- Gen Y and Gen Z prioritize balance, meaning and flexibility in their lives and careers. They seek financial wellness programs that align with these values.
- Despite the discomfort associated with discussing money, Gen Y and Gen Z are open to challenging conversations, similar to how society has embraced discussions on diversity, equity, inclusion and mental health.

norm by their parents and grandparents, even older siblings. For a generation so focused on external influences such as social media, the opinions of and coaching from family are still significant. There may be feelings of failure for not living up to these old expectations, even though they might not themselves value these things.

What implications does this have for employers and plan sponsors? The case for providing a meaningful, supportive financial wellness program is widely acknowledged. Some key benefits include improving employee productivity and engagement while reducing organizational issues like presenteeism, absenteeism and health claim costs. What are you seeing in your workforce? Are you seeing a tension between the needs and wants of different groups? How are participation rates for your various group benefits programs? Addressing the concerns around financial well-being can go a long way toward addressing the wellness needs of the individual while also serving the practical needs of the organization.

What Incentivizes Younger Generations?

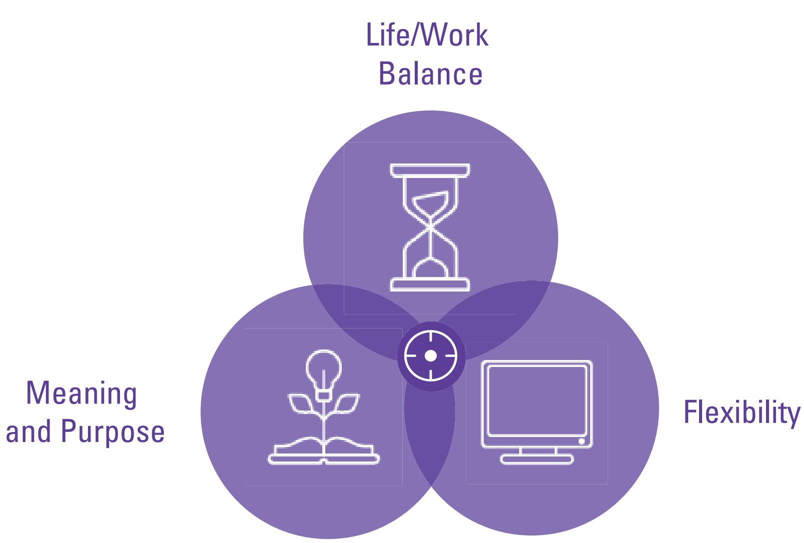
What Gens Y and Z want boils down to balance, meaning and flexibility. They want life/work balance, emotional balance through finding meaning and purpose in their work and lives, and flexibility. Addressing these values in creating and managing any workplace benefit or program will ensure that employers and plan sponsors are bridging the generational divide and meeting the needs of their younger workforce.

First and foremost, this means recognizing financial literacy as an essential pillar of a holistic health and wellness program. Avoiding discussions about money results in your workforce missing out, as money is intrinsically tied to all other aspects of wellness. With a new understanding of the financial differences facing Gens Y and Z, however, employers and plan sponsors can build a program relevant to the specific needs of these generations and reflective of their lived experiences and values, offering them opportunities to find or restore balance. This opportunity means going beyond a focus on the traditional retirement planning Lunch and Learns to address the current pressures facing Gens Y and Z, like day-to-day living, servicing debt and building savings. Surveying your workforce and plan members to understand their true financial priorities will go a long way toward making a meaningful connection and building their motivation to participate. Perhaps consider using a third party to conduct the survey and aggregate the data to ensure maximum anonymity and honesty and, therefore, better information to create an impactful program. Focus groups are another effective way. Communication around any financial wellness initiative needs to be regular and varied. As we know, money conversations are something most of us shy away from. Still, repeated and frequent communication and programming can change that attitude and engender a feeling of support and nonjudgement. The message of "what's in it for me" should be clear and direct to attract attention and break through all the other noise in their day, like social media.

Programming should also balance expectations and address the tendencies of the "culture of now" and "easy life hacks." In their search for life/work balance, Gen Y has been heavily influenced by the FIRE (financial independence, retire early) movement. Moreover, Gens Y and Z are motivated by the idea of work-life balance rather than making work their sole focus. As a result, they often seek quick, often spec-

FIGURE

What Does Gen Y/Gen Z Want?



ulative, solutions like cryptocurrency and blockchain assets like NFTs. On social media, there is a proliferation of both qualified and unqualified "finfluencers" and "FinTok'ers" spreading tips and tricks of varying accuracy and quality. Therefore, educating these generations about financial safety, best practices and realistic expectations is crucial to helping them achieve and maintain a balanced financial life.

These are also generations seeking meaning and purpose in their work. They are a highly diverse and inclusive group that emphasizes being nonjudgemental. It is vital for any third party you bring in to engage in conversations around money to be neutral and nonjudgemental in both their materials and their approach. For two generations so highly influenced by social media, they are also extremely cautious of transparent sales pitches. With a topic like money that is so difficult to speak to personally, there are great opportunities to create a more extensive, open organizational dialogue by supporting greater social awareness around topics like economic justice and supporting practices internally around salary transparency. The reality is that your younger workforce is already engaging in these discussions, so building top-down support will significantly contribute to conveying an atmosphere of openness and support for financial health and wellness.

Lastly, many late Millennials and Gen Zs have never known life without technology. Flexibility is key for any financial wellness program to succeed with these cohorts. While Lunch and Learns and group conversations are helpful, meeting their primary or secondary resource needs on their terms, such as on-demand access, is becoming an expectation. Building programs to empower these generations with a self-guided approach offers them the maximum control and flexibility they desire. Of course, leveraging tools for gamification, virtual reality and AI-enabled programming will add additional value in the eyes of these groups.

While talking about money in such an open way can feel awkward and difficult, working in your favour is that Gens Y and Z are beautifully available to challenging and uncomfortable conversations. We have seen this play out through the more significant societal shifts around diversity, equity and inclusion and mental health in the workplace. Supporting your team to move in similarly around money is the next logical step. Taking the time to understand the different needs of the different generations in your workforce will enable you to create a program with the longest lasting and most impactful reach. Addressing the needs of these groups with empathy and understanding will build trust and motivation to participate, allowing you to truly bridge the generational divide to meet the needs of all.

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BIO

Anne Arbour is the director of strategic partnerships and education at the Credit Counselling Society. With over 30 years of combined experience in financial services and financial education, Arbour has presented at conferences on personal money management and financial wellness and has been interviewed by print, television and digital media outlets on similar topics. Arbour has sat on several expert panels, advisory groups and financial literacy networks, and she has provided written content for both print and digital resources. She strives to create new, meaningful connections and positively impact the financial wellness of consumers across Canada. Arbour is a graduate of McGill University in Montréal, holds an M.B.A. degree from the Schulich School of Business (formerly York University) and is a Certified Educator in Personal Finance.

Endnotes

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