Money Matters and the Millennial Mindset

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Agenda

• Defining Millennials
• Spending and Saving Habits
• Retirement Readiness
• Plan Design Features
Defining Generations

- **Baby Boomer**: 1946-1964
- **Generation X**: 1965-1980
- **Millennials**: 1981-1996
- **Gen Z**: 1997 and later

Pew Research Center
Millennial Crisis

- Dot.com Bubble
- 9/11
- Energy Crisis
- Mortgage Crisis
- Automotive Crisis
# Student Loan Crisis

$ 1.5 Trillion in Student Loan Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;30</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60+</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>$ 362.0</td>
<td>$ 354.1</td>
<td>$ 188.1</td>
<td>$ 124.9</td>
<td>$ 49.8</td>
</tr>
<tr>
<td>2014</td>
<td>$ 370.5</td>
<td>$ 383.1</td>
<td>$ 207.6</td>
<td>$ 136.5</td>
<td>$ 57.7</td>
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<tr>
<td>2015</td>
<td>$ 376.4</td>
<td>$ 408.4</td>
<td>$ 229.6</td>
<td>$ 149.7</td>
<td>$ 66.7</td>
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<tr>
<td>2016</td>
<td>$ 383.2</td>
<td>$ 437.4</td>
<td>$ 255.6</td>
<td>$ 163.2</td>
<td>$ 76.3</td>
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<tr>
<td>2017</td>
<td>$ 383.8</td>
<td>$ 461.0</td>
<td>$ 279.9</td>
<td>$ 177.2</td>
<td>$ 85.4</td>
</tr>
</tbody>
</table>

Millennial Spending

$600 Billion Annually

$1.4 Trillion Annually
Millennial Saving

70% Savings Accounts

58% Less than $5,000
Retirement Readiness

- 34% Participate at Work
- 2/3 Have Nothing Saved
- 5% Saving Accurately
<table>
<thead>
<tr>
<th>Retirement Plan Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eligibility Rules</td>
</tr>
<tr>
<td>• Automatic Features</td>
</tr>
<tr>
<td>• Contribution Formula</td>
</tr>
<tr>
<td>• Vesting Schedules</td>
</tr>
<tr>
<td>• Investments</td>
</tr>
<tr>
<td>• Plan Leakage</td>
</tr>
<tr>
<td>• Financial Literacy</td>
</tr>
<tr>
<td>• <em>Student Loans</em></td>
</tr>
</tbody>
</table>
Eligibility Rules

- Hours requirement limit part-time workers
- Elapsed time competes with turn over
Automatic Features

- Default employees into the plan
- Select quality Target Date Funds
- Increase deferral rates tied to merit increases
Market Competitive Contribution

- Matching formula sets the deferral “anchor”


16B-12
# Vesting Schedules

## Average Tenure

<table>
<thead>
<tr>
<th>Generation</th>
<th>Average Tenure</th>
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</thead>
<tbody>
<tr>
<td>Baby Boomer</td>
<td>11</td>
</tr>
<tr>
<td>Gen X</td>
<td>7</td>
</tr>
<tr>
<td>Millennial</td>
<td>2</td>
</tr>
</tbody>
</table>

Investments

- Target Date vs. Balanced Funds
- Socially Responsible Investments
- Brokerage Windows
- Fee Transparency
Plan Leakage

- Loan Limitations
- Hardship Withdrawals
- Distribution vs. Rollover
Financial Wellness

- Emphasis on financial literacy
- Programs targeting basic saving principles
- Promote compounding interest
Tax Diversification

- Roth Contributions
  - Double dipped savings
- HSA
  - Triple tax threat
Student Loans

- IRS Private Letter Ruling
- Congressional Considerations
Communications

• Generation based targeted messages
• Variety of media channels
• Timely, relevant information
Gig Economy

- 16% of workers have access to retirement plans
- Work longer to transition to retirement
- Plan alternatives changing the retirement discussion
Generation Based Decisions

- Benefits the workforce, not only targeted groups
- Advances retirement readiness across the board
- Setting up Gen Z
Key Takeaways

• Millennials have unique spending and saving habits with more risk aversion than prior generations
• Plan design should balance access, education, vesting, and investing
• Plan features for millennials advance overall retirement readiness for the entire workforce
• We’re all millennials now!