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Filling the financial knowledge gap for all generations

Insights about where American employees go for financial advice, which sources they most value, and their attitudes about digital tools

Today's workforce is made up of individuals from multiple generations, with varying approaches to personal finances and financial planning. As employers and financial professionals, understanding the differences and the similarities among generations can help you meet their needs and better prepare employees for retirement.

National research commissioned by Principal Financial Group® and conducted by The Center for Generational Kinetics took a deeper look at how each generation approaches, thinks about, learns about, and discusses these important topics. We went straight to the source, asking employees around the United States to share their thoughts, and compiled those insights to help you incorporate them into your conversations. And while each group has distinct differences, there are elements that cross all age groups.

The bottom line is that employees value help, even if they aren't willing to make the first move. By connecting with them — especially through electronic means — you can show your value and build stronger relationships.

Highlights

All generations value financial advice from real people — especially from parents and advisors

Boomers, Gen Xers and Millennials all lack confidence when making financial decisions

The meaning of "retirement plan" varies by generation

Digital tools are valuable — as long as they don't post personal information on social media

Research presented by

Principal Financial Group®

The Center for Generational Kinetics

Generational perceptions:

A look at financial discussions, knowledge, and defining retirement

For Millennials, preparing for retirement may not mean much more than "saving money"

A clear, concise goal is thought to be one of the most effective catalysts toward action. This is especially true when it comes to the seemingly daunting yet highly imperative goal of establishing and maintaining a retirement plan. When older generations, particularly Baby Boomers, hear the term "retirement plan," it likely conjures up visions of long-term strategy, spreadsheets, and precise calculations.

However, the study found that this is largely not the case for Millennials, who are more likely to associate the term "retirement plan" with saving money. In fact, the study revealed that 57% of Millennials think a retirement plan is simply putting money away. Another 14% define it as "saving a certain amount" and 10% say it involves general steps that need to be taken in order to retire one day.

81% of Millennials are shooting in the dark toward a large but mostly theoretical target called "retirement."

- **57%** think a retirement plan is simply putting money away
- **14%** define it as "saving a certain amount"
- **10%** say it involves general steps that need to be taken in order to retire one day

None of these definitions involve strategy, ordered steps, long- or short-term goals, or specific target numbers. Essentially 81% of Millennials are shooting in the dark toward a large but mostly theoretical target called "retirement." All of these findings support the perception that many Millennials feel underprepared or overwhelmed, or have decided to ignore the subject entirely.

Impact

Understanding the fact that the majority of Millennials define "retirement plan" as "saving money" and several other equally aimless definitions helps give financial services professionals an accurate starting place. When starting from this point of reference, it is possible to help them set and reach realistic retirement planning goals.

There is a big opportunity here for financial planning professionals when a large segment of a sizeable generation knows they should be heading toward a goal but have no idea how to get there. This also presents opportunities for employers to design employee training around company retirement plans where even basic training on personal finances would be of great value to employees, particularly Millennial employees.

Millennials are very comfortable discussing personal finances

Millennials may not be the most knowledgeable generation when it comes to the nuts and bolts of personal finance, but they are certainly the most open about discussing the topic. The study revealed that Millennials are more comfortable than other generations talking about their personal finances with a variety of groups ranging from financial advisors to parents, close friends, and even the president of the United States.

Millennials may use professional financial advisors less frequently than Boomers, but interestingly, they are much more open to discussing personal finances with them. The study found that 67% of Millennials say they are comfortable discussing personal finances with a financial advisor compared to 59% of Boomers. This trend of openness increases even more sharply with other groups, with 68% of Millennials saying they are comfortable discussing personal finances with parents, compared to only 35% of Boomers.

While only 26% of Boomers say they are comfortable discussing their personal finances with close friends, 51% of Millennials are comfortable with this. And when it comes to the president of the United States? Even he is not off-limits to Millennials, 31% of whom describe themselves as comfortable discussing their personal finances with him. Millennials are twice as likely to say this as Boomers, of whom only 15% feel the same.

The study also found that Millennials aren't just more comfortable discussing their personal finances; they are also much more likely than Boomers to discuss professional advice they get with family and friends. After getting financial advice, 46% of Millennials say they will discuss it with friends or family before acting on it compared to 20% of Boomers. Conversely, 44% of Boomers say they will research on their own to verify the advice, while only 27% of Millennials will do this.

Comfortable discussing personal finances with

	Millennials	Boomers
Financial advisor	67%	59%
Parents	68%	35%
Close friends	51%	26%
President of the United States	31%	15%

After getting financial advice

	Millennials	Boomers
Likely to discuss with friends and family	46%	20%
Likely to research on their own to verify advice	27%	44%

Impact

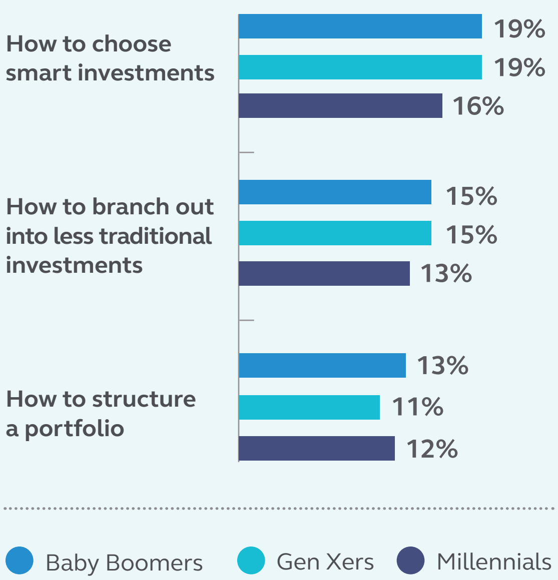
Millennials are open to financial advice. They are interested in personal finances and they seek input from a variety of sources, including financial professionals. Essentially, they discuss finances openly and with greater frequency than any other generation.

The fact that Millennials are so open is an invitation to the financial services industry to meet them where they are and start financial discussions pertinent to their life stage and level of knowledge. Millennials' lack of participation in the financial services industry is not due to disinterest, but instead due to their misperceptions toward the industry and untapped opportunity on the part of both the industry as a whole and individual professionals themselves.

Despite varying levels of confidence, generations have a similar gap in financial knowledge

Different generations may approach the discussion of finances differently and even have very different levels of confidence toward their perceived knowledge, but there is a lot of agreement among them as to what they would most like to discuss. This is because the generations feel very similarly about where they lack knowledge.

Top three areas where the different generations feel they lack the most knowledge or education



The study found that Boomers, Gen Xers, and Millennials have the same top three areas where they feel they lack the most knowledge or education. Top on the list for all three generations is how to choose smart investments. This is the area that 19% of both Boomers and Gen Xers and 16% of Millennials list as what they know the least about.

The next topic where people feel they lack knowledge and understanding is how to branch out into less traditional investments such as commodities, real estate, private equity, etc. Fifteen percent of both Boomers and Gen Xers and 13% of Millennials put this at the top of their list. Gen Xers feel the strongest about how to prepare for retirement, with 16% citing this as the area where they lack the most knowledge. 15% of Boomers and 12% of Millennials agree.

And last on the list, but still a top area of concern, is how to structure a portfolio. This is the topic that 13% of Boomers, 11% of Gen Xers, and 12% of Millennials feel to be the one that they lack the most knowledge or education about.

Impact

The fact that across generations people have the same top areas where they feel they lack the most knowledge and education about personal finance is an open door for financial professionals. This gives them direct access to investors' biggest pains and a virtual playbook on how to speak to them in an effective and useful way.

Knowing these top areas is an opportunity for both financial professionals and employers to craft meaningful, relevant education for clients and employees to effectively address their real needs.

Digital possibilities:

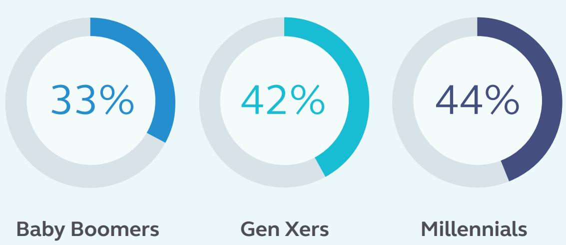
The role of online tools in financial planning

Every generation agrees that retirement is an ideal topic to be explained through an online resource

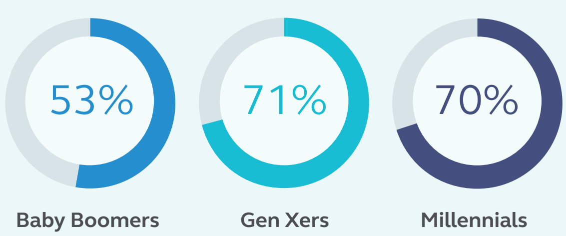
There are a number of aspects of retirement that, regardless of generation, people would like explained in plain language. The study found that there are several specific areas where the majority of people think an online tool would be a valuable way to have various aspects of retirement explained and specific questions answered.

At the top of this list is how to calculate what will be needed in retirement, where 80% of employees said this would be valuable to have explained in plain language by an online resource. Equally appealing is an explanation of how to build a unique retirement plan specific to a person's situation with target goals and steps to reach retirement. 80% of employees also said this would be valuable to have explained with an online tool.

Currently use an online tool for personal finances and/or financial planning



Would consider an online tool to be their financial plan



Since choosing smart investments are a pain point across generations, it isn't surprising that 79% of employees would like to understand their investment options and have this explained in plain language.

Additionally, understanding an employer's specific retirement plan and understanding how to protect your family and assets are the two other areas where employees think an online tool could be a valuable resource. Seventy-seven percent agree they would find it valuable to have both of these areas explained through an online tool.

While all the generations say they could find benefit in online tools, the breakdown by generation is slightly different when it comes to who currently uses an online tool for personal finances or financial planning. Younger generations are more likely to be using these tools, with 44% of Millennials and 42% of Gen Xers saying they currently do, compared to 33% of Boomers.

The question of online tools takes an interesting twist when it comes to how people view these online tools. The study revealed that younger generations are very likely to consider an online tool to be their financial plan. In fact, 71% of Gen Xers and 70% of Millennials say this is true compared to 53% of Boomers.

Impact

Regardless of generation, people are very open to digital tools as a resource for explaining various aspects of retirement. This is a useful insight for both financial services professionals and employers to be able to provide these types of tools and resources to clients and employees. This is particularly the case for younger people, many of whom already utilize online tools in their personal financial planning or management and tend to rely on this type of resource as a financial plan.

Online tools are beneficial, but can dip into being intrusive

Not only are people of all ages open to digital financial tools, but they are also open to using these tools in many different ways, including alerts and tracking, goal setting, and financial education. As with the usage of these types of tools, younger generations and Millennials in particular are the most open to the variety of uses for these tools.

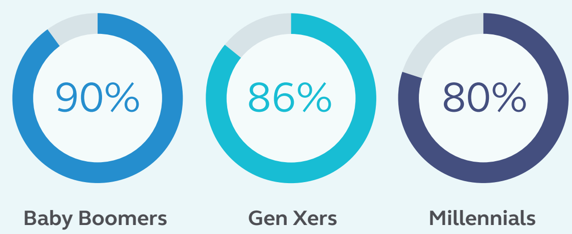
There is a line, however, where tools cross into being intrusive, and even digital tools' biggest fans (Millennials) agree over where they cross the line. The cross-generational consensus as to where this line falls centers on social media. There is strong agreement among the generations that a digital tool becomes intrusive if it has the ability to make social media posts on someone's behalf if that person's spending is out of line. Ninety percent of Boomers, 86% of Gen Xers, and 80% of Millennials feel this is intrusive rather than beneficial.

Similarly, 89% of Boomers, 84% of Gen Xers, and 75% of Millennials find it intrusive for a tool to make social media posts on someone's behalf when that person achieves a financial milestone or reaches an important financial goal.

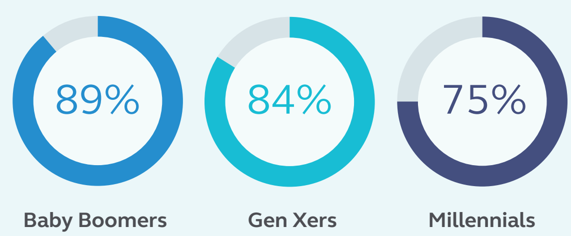
Impact

There is a whole world of possibilities when it comes to the functions and capabilities of digital financial tools, and across generations people are able to see the potential benefits and uses of these capabilities. It's important, though, that financial services professionals are aware of the very real line between beneficial and intrusive.

Find it intrusive if a digital tool has the ability to make social media posts on someone's behalf if that person's spending is out of line



Find it intrusive for a tool to make social media posts on someone's behalf when that person achieves a financial milestone



The structure of financial advice:

Frequency, value, and where it comes from

Employees say their most used sources for financial advice and their most valued sources are often different

Financial advice, whether in the form of a paid, formal exchange or a casual conversation, is important for any employee managing their personal finances or preparing for the future. It stands to reason, then, that employees would have preferred sources for this advice.

The national study found that employees of every generation list general news outlets as their most frequently used source of advice. In fact, 26% of all respondents said they use general news daily or weekly for financial advice. Search engines and financial news follow closely as frequently used sources, with a quarter of respondents listing each of these as a most frequently used source.

However, **the study also found that when employees were asked about their most valuable source of financial advice, none of the top three most frequently used sources made the top three most valuable list.** When it comes to value, personal, human interaction wins the day.

The study found that financial advisors are considered the most valuable source of financial advice by a long shot. Thirty percent of respondents list a financial advisor as their most valuable source of advice.

Impact

Employees of every generation place high value on personal interaction when it comes to financial advice. A person speaking directly to their individual situation is much more valuable and meaningful than general financial news broadcast to the public.

Top three most frequent resources
for financial advice among all employees

26% General news
25% Search engines
25% Financial news

Top three most valued resources
for financial advice among all employees

30% Financial advisors
14% Parents
13% Financial websites

This is good news for financial advisors, not only because they rank at the top of the most valued source list, but also because it spells opportunity in the form of people looking for financial advice but not yet engaging with a professional financial services provider.

This also details an opportunity for employers to meet this need for employees by offering education around the financial plans their company offers. Training or education sessions with a financial services provider do not need to be frequent in order to become valuable for employees.

Millennials have the most consistency between their most used and most valued sources of financial advice

The sources of financial advice that employees reference most frequently aren't always separate from what they find most valuable. The study found that when the sources of financial advice are broken down by generation, the picture of usage and value change. This is particularly true for Millennials, whose most valuable source also appears on the list of the most frequently used sources.

Can you guess whom Millennials most value as their resource for financial advice? **Their parents.**

Not only do Millennials place a lot of value on financial advice from their parents, but they access it frequently. Although Millennials cite search engines as the source they use most often, search engines do not fall in their top three most valuable sources.

Top three most frequent resources
among Millennials

29% Search engines
25% Financial websites
23% Parents

Top three most valued resources
among Millennials

25% Parents
21% Financial advisor
13% Financial websites

Twenty-three percent of Millennials say they use their parents' financial advice most frequently, and one quarter cite it as their most valuable source of advice.

Interestingly, Millennials also have one other source that makes it into the top three as most frequently used and most valuable. One-quarter of Millennials use financial websites daily or weekly, and 13% cite this as their most valuable source of financial advice.

But when it comes to financial advice, digital isn't everything. It turns out that parents are not the only "human" sources to make it to the top of Millennials' most valuable list. The study found that financial advisors also score quite high on Millennials' value spectrum. In fact, Millennials cite financial advisors as their second most valuable source, behind parents, with 21% saying a financial advisor is their most valuable source of advice. With this in mind, it's safe to say that human interaction is the key to winning over this generation.

Impact

Millennials find value in personal financial advice from those they trust. This is evidenced by the fact that they cite their parents as equally utilized and valuable for financial advice, and by the fact that they cite financial advisors as their second most valuable source of financial advice.

Despite growing discussions around nonhuman forms of financial advising, it is clear that personal, human financial advice still holds a great deal of value for Millennials. This isn't to say they won't utilize digital sources such as websites, because they do so frequently. But they place greater value on personal advice from people they trust.

Millennials have a different perception of professional financial advice than other generations

It's not uncommon for a person to receive a great deal of financial advice throughout his or her lifetime. The advice comes from a variety of sources ranging from news outlets to family members, professional advisors and co-workers.

The study discovered that members of every generation have received financial advice throughout their life, but where it comes from differs in regards to financial services providers. The study uncovered that Boomers and Gen Xers are twice as likely as Millennials to have received their best ever piece of financial advice from a financial services provider.

The fewer number of Millennials who have sought and used professional financial advice could explain this discrepancy, but the real question is this: Why aren't they using such services? The study found that 33% of Millennials don't currently work with an advisor because they believe they do not have enough money (wealth or income). Another 18% say the reason they don't work with a financial advisor is because they don't know where or how to find a good one.

Impact

Millennials are not averse to professional financial advice or advisors. Rather, the study found that they do not have as much experience with this industry as other generations. Most striking is the fact that much of this inexperience can be traced back to misperceptions about working with these professionals.

A large segment of Millennials are not using professional financial services simply because they don't think these services are accessible to them. If financial advisors and the financial advice industry can message to Millennials regarding the accessibility of these services, an entire generation of new clients awaits.

Top reasons why more Millennials aren't using professional financial advice

33% believe they don't have enough wealth or income

18% don't know how or where to find a good financial advisor

Research conclusion

The national study uncovered a variety of unexpected insights about where employees go for financial advice. This includes employees' values and perceptions around financial advice and retirement, including employees' feelings about digital tools.

- The study found that interpersonal (human) financial advice is highly valuable to every generation of employees, and is even more valuable than the sources used most frequently for financial advice. In fact, even though general news is the source of financial advice used most often, advice from financial advisors and parents is considered far more valuable.

- Millennials vary from this slightly in that their most valued and most frequently used sources overlap. For instance, Millennials' most valued source of financial advice, their parents, is also on their most frequently used list.

- The study found that Boomers and Gen Xers are twice as likely as Millennials to have received their best piece of financial advice from a financial services provider. This could certainly be because Millennials are more inexperienced with using professional financial services, but it nevertheless reveals a big opportunity for these providers to engage Millennials with a message about investing at any age. This is particularly true since one-third of the Millennials not working with a financial advisor think they don't have enough money to do so.

- Millennials aren't averse to talking about personal finances, and the study found that they are more comfortable than other generations talking about it with virtually every group, from advisors and close friends to parents and the president. But this doesn't mean they know more about financial topics.

- In fact, the study found that Millennials are similar to other generations in the areas where they feel they lack the most knowledge or education, namely how to make smart investments, choose less traditional investments, structure a portfolio, and prepare for retirement.

- Preparing for retirement is particularly troublesome for Millennials because roughly 80% of the generation views retirement as a theoretical, moving target, describing their financial plan in vague terms such as "putting money away" or "setting aside a certain amount," rather than in detailed, numbered steps or goals.

- But the study found that digital financial tools might be able to help with this to some extent, because every generation thinks retirement is an ideal topic to be explained in plain language by a digital tool. This is especially true of younger generations, which are more likely to be currently utilizing online financial tools and are more apt to see these types of tools as a financial plan.

> These unexpected insights into the mindsets of employees of every generation regarding financial planning and retirement are a valuable link for professional financial services providers and employers seeking to meet the financial planning needs of clients and employees in every generation.

About the study's authors

Principal Financial Group

Principal® helps people and companies around the world build, protect and advance their financial well-being through retirement, insurance and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals — offering innovative ideas, investment expertise and real-life solutions to make financial progress possible. To find out more, visit us at **principal.com**.

The Center for Generational Kinetics

The Center for Generational Kinetics is the leading research and solutions firm that specializes in Millennials, generational differences and iGen. The Center's team of PhD researchers, strategists and keynote speakers help diverse clients solve tough generational challenges driven by increasing generational trends and differences. Each year, The Center works with over 150 clients around the world, from car manufacturers and hoteliers to insurance, healthcare and technology. The Center's team is frequently quoted in the media about the effect of generational differences on everything from shopping and parenting to working and retirement. Learn more about The Center for Generational Kinetics at **GenHQ.com**.

Research study methodology

This research study was led by Principal Financial Group and The Center for Generational Kinetics. The survey was administered to 1,203 U.S. adults ages 22–70, with a 20% oversample of Millennials, ages 22–39. Respondents were full-time employees with a minimum household income of $30,000 and the eligibility to participate in their employer's 401(k) plan.

The sample was weighted to the current census data for gender and region and participants were screened for U.S. citizenship. The survey was conducted online from January 28, 2016, to February 3, 2016, and has a confidence interval of +/-3.1%.

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