GEN X: THE NEW "SILENT" GENERATION

HARLAND CLARKE®

Generation X seems to have disappeared from the collective conscious. Once notorious as the “slacker” and “MTV” generation, celebrated in films such as “Ferris Bueller’s Day Off,” “The Breakfast Club” and “Reality Bites,” you’d be hard-pressed to find a mention of them in today’s popular culture. And when was the last time you saw an ad or TV commercial targeted to them?

Maybe it’s just the passage of time. After all, Gen Xers (born 1965-1980) are now decidedly middle aged. Maybe it’s because they’re sandwiched between two mega-generations in the upstart Millennials and forever-in-their-prime Baby Boomers. Whatever the reason, you can’t blame Generation X for feeling like they’re suffering from textbook “middle child syndrome”:

ignored, neglected, invisible.

Even financial institutions seem to have forgotten about them. Obsessed with reaching the younger digital crowd or with helping Boomers prepare for retirement, banks and credit unions run the risk of overlooking this comparably small (but no less viable) group.

Roughly of
215 million adults:

Baby Boomers
75m | 35%

Gen X
49m | 23%

Millennials
90m | 42%

Who is Gen X and where do they stand among the generations?

Generation X is the generation born after the post-World War II baby boom. (Although there is disagreement around their exact birth years, for our purposes we will use the Pew Research Center's definition of 1965-1980.)[1] Of the roughly 215 million adults in the U.S. today, just 49 million (23 percent) are Gen Xers. Nearly 42 percent are Millennials (90 million) and 35 percent are Baby Boomers (75 million).[2]

But does size matter?

In 2011, despite lingering effects of the Great Recession, Gen Xers were said to be active, balanced, happy, highly educated and family-oriented.[3] This was a pointed contrast to the slacker, disenfranchised, rebellious stereotype associated with the youth culture of the 1970s and 80s. Other bright spots include income, education, and technical proficiency.

Not only that, but when you take a closer look at the numbers, you find that, at least for financial institutions, Gen Xers aren't such a minority after all. This is because the vast majority of them rely on traditional financial systems – including banks, credit unions, investment firms, and credit card companies – instead of the newer Peer-to-Peer and FinTech companies. The same is not true for Millennials or the up-and-coming Generation Z.[4]

In some respects Gen Xers are similar to their Millennial counterparts – for example, half of both groups found their current homes via the Internet.[5] Generation X also uses the Internet to pay bills and manage their bank accounts. Thus online marketing is a viable vehicle for financial institutions to reach Gen Xers, more so than with Baby Boomers, and on the same plane as Millennials.

Gen X Internet uses[3]	**%**
Get directions or a map	90
Get weather forecast	88
Get health or medical information	80
Pay bills	**76**
Manage bank account	**75**
Buy clothing	47
Buy a book	43
Buy electronics	38
Have a Facebook account	62
Use Skype	17

[1] Pewresearch.org
[2] See Notes 3-7
[3] University of Michigan, *The Generation X Report: A Quarterly Research Report from the Longitudinal Study of American Youth*, Fall 2011
[4] Experian, "Generation X Fails to School Millennials," *Experian News Blog*, July 2015
[5] National Association of Realtors, *Home Buyer and Seller Generational Trends*, 2016

Similarities with the original Silent Generation

The original Silent Generation was born from the mid-1920s to the early 1940s. Like Generation X, it was comparatively small (because of the financial insecurity of the Great Depression in the 1930s and World War II in the early 1940s). In a 2011 article for ABC News, Tom Johnson wrote that Generation X "stands in the shadow of the Baby Boomers [as] the Silents in the shadow of the Greatest Generation." Johnson further stated, "Like the Silents, maybe Generation Xers are the ones no one saw coming. Maybe that's our legacy – we will change America while flying under her radar." [6]

Whatever change Gen X hopes to bring, they have a disadvantage in funding it. Despite outnumbering the Silent Generation by more than 3-to-1 today, Generation X possesses only half as much wealth.[7]

Generation X

- Dubbed "slacker generation"
- Grew up with highest divorce rates ever
- Left without job security due to dotcom jobs
- Labeled as "latch-key kids"
- Witnessed end of Cold War
- Possess strong individualism
- Witnessed Challenger explosion
- Include contributing members: Brad Pitt, Ashley Judd, Michael Jordan, Larry Page (Google), Paul Ryan, Marissa Mayer, Jay Z

Silent Generation

- Dubbed "generation without a cause"
- Started divorce epidemic
- Desired job security
- Married at early ages: male average 23 years; female average 20 years
- Witnessed start of Cold War
- Brought the U.S. Civil Rights and unparalleled economic and artistic wealth
- Labeled only generation that failed to produce a president
- Include contributing members: Martin Luther King, Jr., Queen Elizabeth II, Sandra Day O'Connor, Miles Davis, Mikhail Gorbachev, Bob Dylan, John McCain

Trinity University, trinity.edu, *The Forgotten Generations,* Bruington, S.; Johnson, B., Palmer, J., Wardrop, E., 2001, rev. 2002

[6] abcnews.go.com, *Generation X Turns 40 – Will the Slackers Get the Last Laugh?*, December 30, 2011
[7] forbes.com, *Born to Be Better Off Than Your Parents? A Recap (Part 7 of 7)*, September 17, 2014

"Despite outnumbering the Silent Generation by more than 3-to-1 today, Generation X possesses only half as much wealth."

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Impact of the Great Recession

The Great Recession was a major setback for every generation. But, at least subjectively, Generation X suffered the most.[8] They have expressed more worry over losing their jobs, saving enough for retirement and suffering a financial emergency than any other generation.[9]

Additionally:

- By 2010, Gen X's assets were only **double their debts**[10]
- **Half** of all Gen Xers report being **behind on their retirement savings** – and **11%** say they **have no retirement goals at all**[11]
- From 2007-10, the median **net worth** of Gen Xers **was cut nearly in half** (45%)[12]
- By contrast, median net worth of Baby Boomers declined 25-28 percent during the same timespan[13]
- **64** percent of Gen Xers **report believing in the "American Dream"** – vs. 73 percent of Baby Boomers and 71 percent of Millennials[14]

Saving for retirement

While the recession hit Generation X particularly hard, they have managed to recoup some of their losses during the recovery – especially when it comes to saving for retirement.[15] One reason for this is that Gen Xers hit the workforce just as 401K's were being introduced. (Some would consider Gen X the "401K Generation" – more favorable, certainly, than "the slackers.")

The typical Gen X nest egg is $70,000, more than double what it was in 2007.[16] This suggests that Gen X did a good job of sticking to their 401K contributions during the downturn, buying stocks while they were low and enjoying the rebound. Still, their 401K contribution rate of 7% lags both Millennials (8%) and Boomers (10%).[17] Gen X is also most likely to borrow or take an early withdrawal from their plan (27%, vs. 20% for Millennials and 23% for Boomers).[18]

With 75% of Gen Xers in the workforce, employer-sponsored 401K match programs will be effective in boosting their retirement savings. And with most still in their 40s, there's time for Generation X to catch up to their Baby Boomer parents and afford a comfortable retirement.[19]

8 Transamerica Center for Retirement, *15th Annual Transamerica Retirement Survey*, April 2015
9 Bloomberg.com, *Generation X Was Right: Reality Really Does Bite*, June 10, 2015
10 Marketwatch.com, *10 things Generation X won't tell you*, January 3, 2015
11 Ibid.
12 Ibid.
13 Ibid.
14 Ibid.
15 Transamerica Center for Retirement Center, *15th Annual Transamerica Retirement Survey*, April 2015
16 Ibid.
17 Ibid.
18 Time.com/money, *Why Gen X Feels Lousiest About the Recession and Retirement*, August 28, 2014
19 Ibid.

Gen X and financial advice

Another area where Generation X has shown a strong recovery from the Great Recession is household income. With a median of $104,700,[20] they are the leading generation in that category – not surprising given they're the generation in their prime earning years. Combine this with the array of financial decisions they face, from mortgages to college tuitions, from retirement planning to family vacations, and Generation X is in dire need of financial advice – how to save money, spend it more wisely, and invest it.

Unfortunately, Gen Xers are least likely to consult a financial advisor. Just 30 percent report doing so, compared to 39 percent of Baby Boomers and 34 percent of Millennials.[21] This is clearly one area where financial institutions can fill a void. Targeting Generation X households with education products can help families get on solid financial ground while helping bank and credit unions grow and cross-sell their portfolios.

*"Generation X is in **dire need of financial advice -** how to save money, spend it more wisely, and invest it."*

Gen X and financing

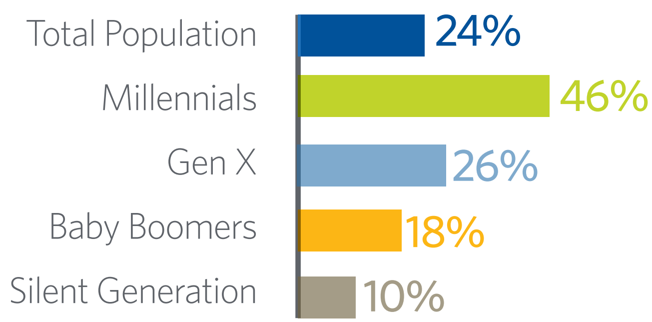
Now is the ideal time to target Generation X households with loan products. They are at the peak of their earning years. They are the second largest group of first-time homebuyers.[22] They buy the largest homes in terms of square footage and number of bedrooms; in fact, Gen Xers buy the most expensive homes of all homebuyers (median purchase price of $263,200 versus $187,400 purchased by Millennials).[23] Overall, their demand for *any* loan product trails only the Millennials.[24]

[20] National Association of Realtors, *Home Buyer and Seller Generational Trends*, 2016
[21] Northwestern Mutual Life Insurance Co, *Gen X: The Generation of Contradictions - Most Financially Vulnerable and Least Proactive*, April 2015.
[22] See note 5.
[23] See note 5.
[24] Raddon Financial Group, *National Consumer Research*, Fall 2014

As with financial advice, there's an empirical disconnect between need and behavior. Many Gen Xers are not going to traditional lenders to finance their major purchases. Where are they going instead? Mom and Dad. This is one key difference between Generation X and the original Silent Generation, who came of age when the elderly were vastly less wealthy than younger Americans.

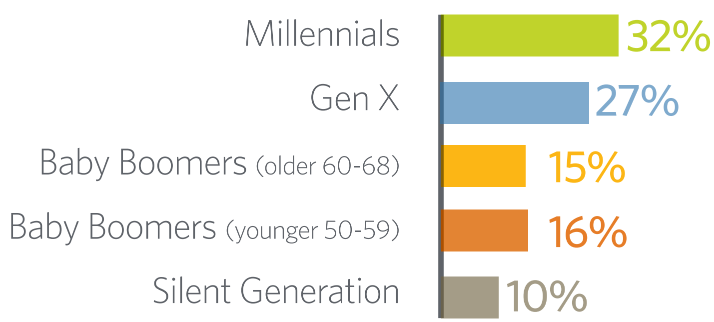
This, too, is an area where financial institutions can fill a need. Targeting Generation X households with competitive loan products will not only help families afford big purchases, it will help free up savings from their Baby Boomer parents, who will look to invest or save that money for themselves.

Demand for Any Loan Product Over Next 12 Months



Raddon Financial Group,
National Consumer Research, 2014

Homebuyers by Segment



National Association of Realtors, *Home Buyers and Seller Generational Trends*, 2015

Helping Gen X find strength in lending

Despite their small stature, Generation X is ideally suited for financial institutions. They are steeped in debt and at the peak of their earning powers.

Consider:

- **82%** own their own home[25]
- **60%** have more debt than someone the same age did in 2000[26]
- **82%** report being behind schedule in retirement savings[27]
- **27%** pay fees on their accounts (vs. 14% of Baby Boomers and Silent Generation)[28]
- Nearly **60%** are **not** loyal to their current financial institution[29]
- **83%** believe Social Security won't be available for them when they retire[30]

These numbers provide both challenges and opportunities for banks and credit unions. This is, arguably, the generation in most need of help from financial institutions. Specifically, Generation X can benefit from:

- Refinancing offers to lower monthly payments
- Advice that helps them prioritize their debts
- Advice for budgeting and saving

Financial institutions that can offer these products and services transparently and conveniently – winning the customer service game – will be the best positioned to gain and keep the business of Generation X.

[25] MetLife, "The MetLife Study of Gen X: The MTV Generation Moves into Mid-Life," April 2013
[26] Allianz Life Insurance Company, "Allianz Generations Apart[SM] Study," July 2015
[27] Northwestern Mutual Life Insurance Company, "2015 Planning & Progress Media Study: The Gen X Retirement Dilemma"
[28] MX, "Winning Millennials, Gen X and Boomers in a Digital World," May 2015
[29] Ibid.
[30] See note 21.