FINRA Investor Education FOUNDATION

Insights: Financial Capability

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What's inside

How Gen X Compares Financially to Other Generations: Doing Alright but Feeling Bad

SUMMARY

Compared to Gen Zers and millennials, Gen Xers are generally more likely to report healthy financial behaviors and less likely to report unhealthy ones. Despite these indications of relatively good financial health, few Gen Xers have positive feelings about their financial situation. In fact, their views are generally similar to or more negative than those of the less affluent Gen Zers and millennials, and much more negative than those of baby boomers.

INTRODUCTION

Often referred to as the "forgotten generation," few studies have focused on the financial health of Generation X (Gen X), with attention often diverted to their preceding and succeeding generations— baby boomers, millennials and more recently Generation Z (Gen Z). Yet, Gen Xers (defined here as those born between 1965 and 1980) have faced a unique set of circumstances during major points of their lives, likely shaping their financial behaviors and perceptions. From the dot-com bubble, ensuing recession and the tragic events of September 11, 2001, when many Gen Xers had just entered the workforce, to the economic fallout of the Great Recession in their peak earning years and the repercussions of the COVID-19 pandemic, which transpired as their retirement draws near, Gen X has faced many challenges. Hence, understanding how this cohort is faring financially relative to other generations is of interest.

Using survey data from the FINRA Foundation's 2021 State-by-State National Financial Capability Study, we examined the financial behaviors and perceptions of Gen Xers and compared them to those of Gen Zers, millennials and baby boomers. Sample statistics can be found in Appendix A1. We focused on behaviors related to retirement savings and debt, and on perceptions about their financial situation, including their financial satisfaction, financial anxiety and financial wellbeing.

Overall, generational differences in respondents' financial behaviors align with what we would expect given their ages. That is, Gen Xers are generally more likely to report healthy financial behaviors and less likely to report unhealthy ones, relative to their younger cohorts (Gen Zers and millennials), but less likely to report healthy financial behaviors and more likely to report unhealthy ones than their older counterparts, baby boomers. Surprisingly, however, we find these age-based trends do not extend to how Gen Xers *perceive* their financial situation. Rather, despite their relatively healthy financial behaviors, Gen Xers tend to perceive their financial situation similarly to Gen Z and millennial respondents, and significantly worse than baby boomers.

RETIREMENT SAVINGS

Rates of retirement planning tend to increase with age. Slightly over half of baby boomers (52 percent) reported having tried to figure out how much they need to save to retire, compared to fewer than one-third (29 percent) of Gen Zers who made these plans.

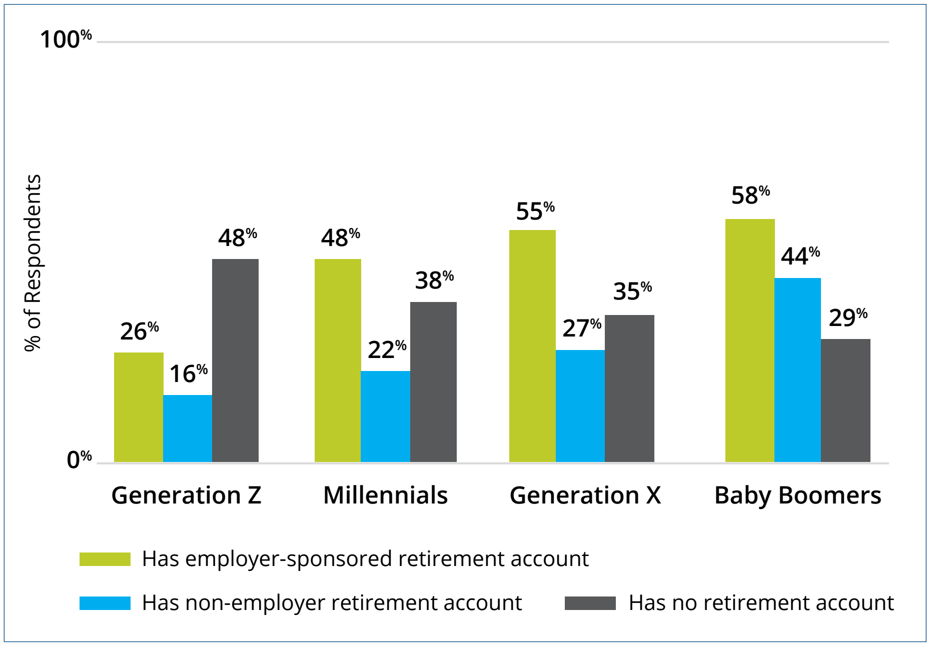
Rates of retirement account ownership (employer-sponsored accounts and non-employer accounts) also increase steadily with age. Thirty-three percent of Gen Zers, 52 percent of millennials, 60 percent of Gen Xers and 68 percent of baby boomers reported possessing a retirement account, as shown in Table 1. Because employer-sponsored retirement accounts include both defined benefit pension (DB) plans and defined contribution (DC) plans, the figures below do not reflect the shift over time from employer-sponsored DB to DC plans.

Table 1. Retirement Behaviors by Generation

	Generation Z	Millennials	Generation X	Boomers
Planned for Retirement	29%	36%	41%	52%
Retirement Account (Employer and/or Non-Employer)	33%	52%	60%	68%

Participation in employer-sponsored retirement accounts is at near-peak levels for Gen X. Over half of Gen Xers (55 percent) own an employer-sponsored retirement account—a rate second only to baby boomers (58 percent; see Figure 1). Again, because employer-sponsored accounts include both DB and DC plans, it is likely that more Gen Xers than baby boomers own employer-sponsored DC plans given the growth in DC plans over recent decades. In addition, fewer Gen Xers lack retirement accounts altogether than those in younger generations, but it is baby boomers who are least likely to report having no retirement accounts (29 percent).

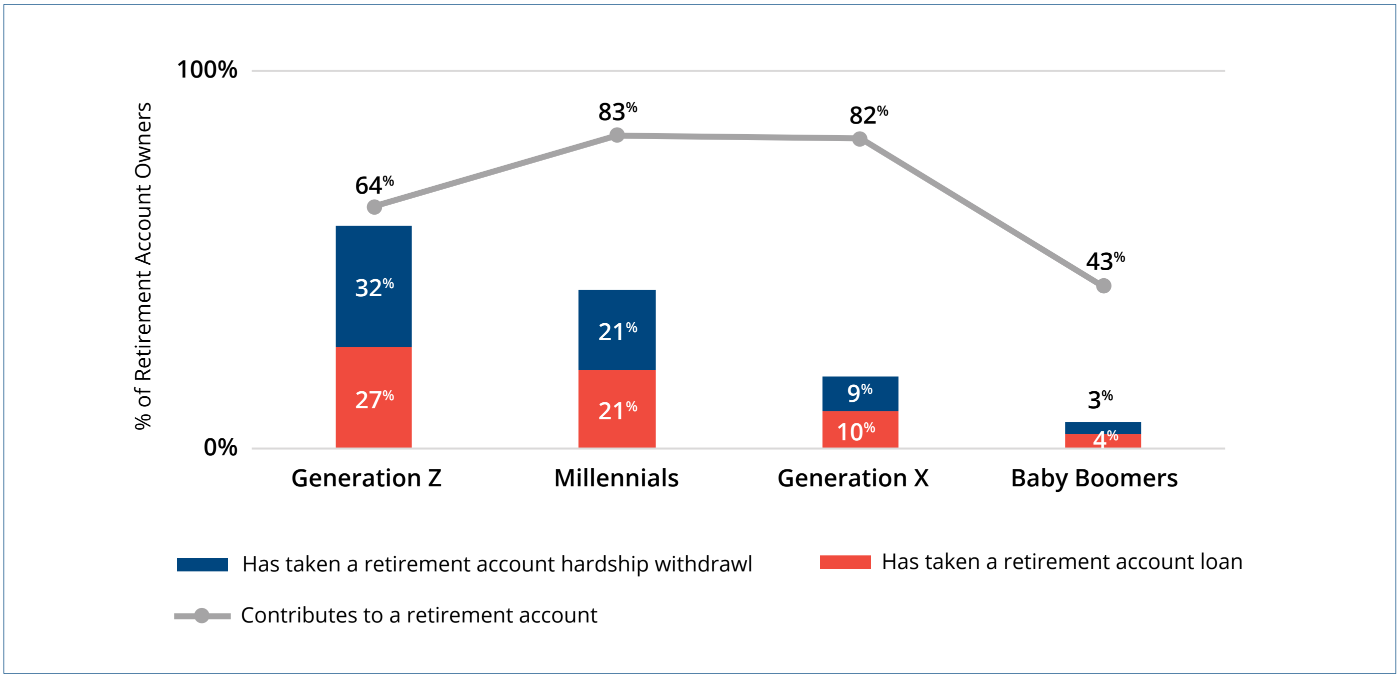
Figure 1. Type of Retirement Account Owned by Generation



Note: Because respondents reported owning both employer-sponsored and non-employer retirement accounts, blue and orange bars may sum up to more than 100 percent.

Retirement plan leakage, the loss of retirement savings pre-retirement through loans or hardship withdrawals, decreases with age. Figure 2 shows the proportion of retirement account owners in each generation who took a loan or a hardship withdrawal from their retirement account in the past 12 months. Only 10 percent of Gen X retirement account owners reported taking a loan from their retirement account, while nine percent reported taking a hardship withdrawal. Of those with retirement accounts, more than eight in 10 Gen Xers reported contributing to an account, a rate second only to millennials, 83 percent of whom reported making plan contributions. Therefore, Gen X appears to be mostly contributing to and not withdrawing from their retirement accounts.

Figure 2. Retirement Account Contributions and Leakage by Generation



DEBT

Gen X holds several different common types of debt, with the largest percentages generally associated with asset accumulation (*e.g.,* mortgage and auto debt) and household liquidity management (*e.g.,* credit card debt). Younger cohorts—Gen Zers and millennials—hold the largest percentages of other types of debt (*e.g.,* student debt, use of alternative financial services/high-cost borrowing).

Mortgages and Home Ownership

Figure 3 shows the percentage of respondents who reported owning their home and having a mortgage. While homeownership rates generally increase with age, Gen Xers are most likely to have a mortgage, possibly because a greater proportion of homeowners in older generations have already paid off their mortgages.

Still, most Gen X mortgage holders do not appear to be overly strained from bearing mortgage debt. Fifteen percent of Gen Xers with mortgages reported having made late payments in the past 12 months *(see* Figure 4), compared to 56 and 31 percent of Gen Z and millennial mortgage holders, respectively. Hence, it appears a larger proportion of younger mortgage holders have difficulty paying their mortgage than older mortgage holders.[i]

Figure 3. Home Ownership and Mortgages by Generation

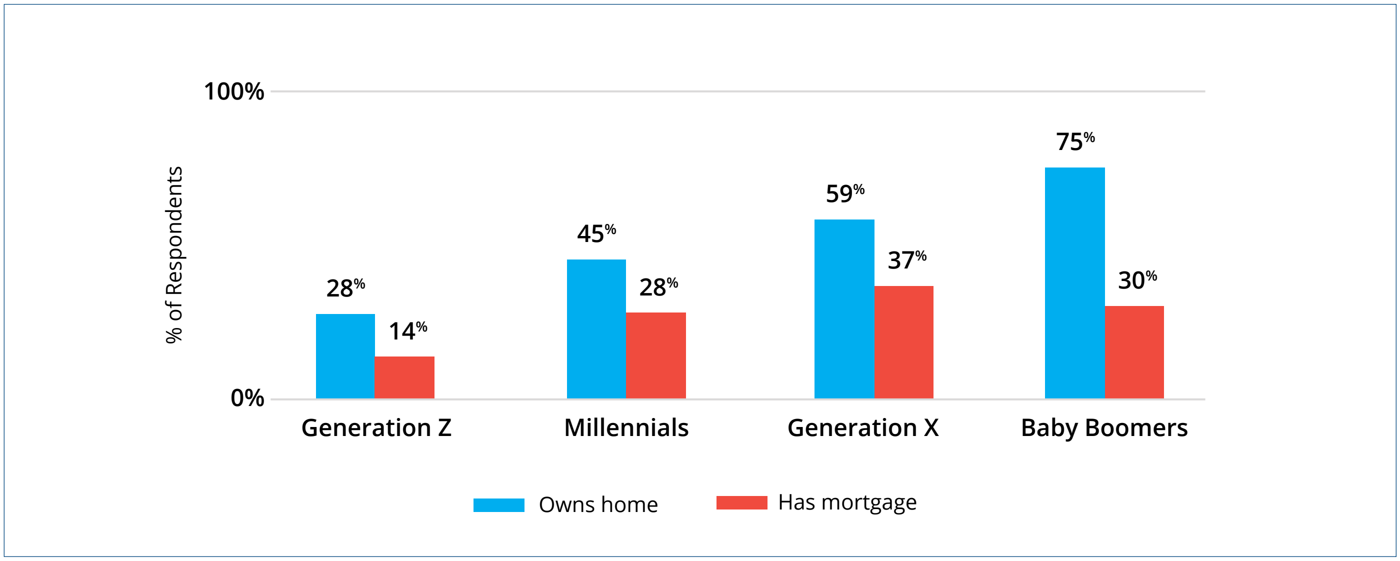
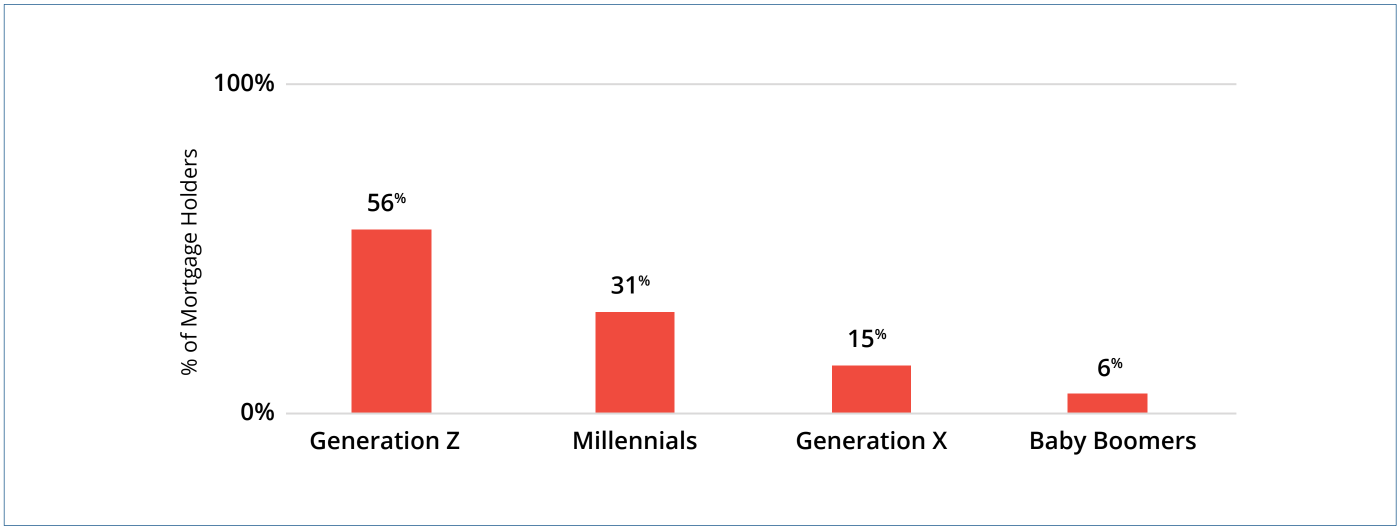


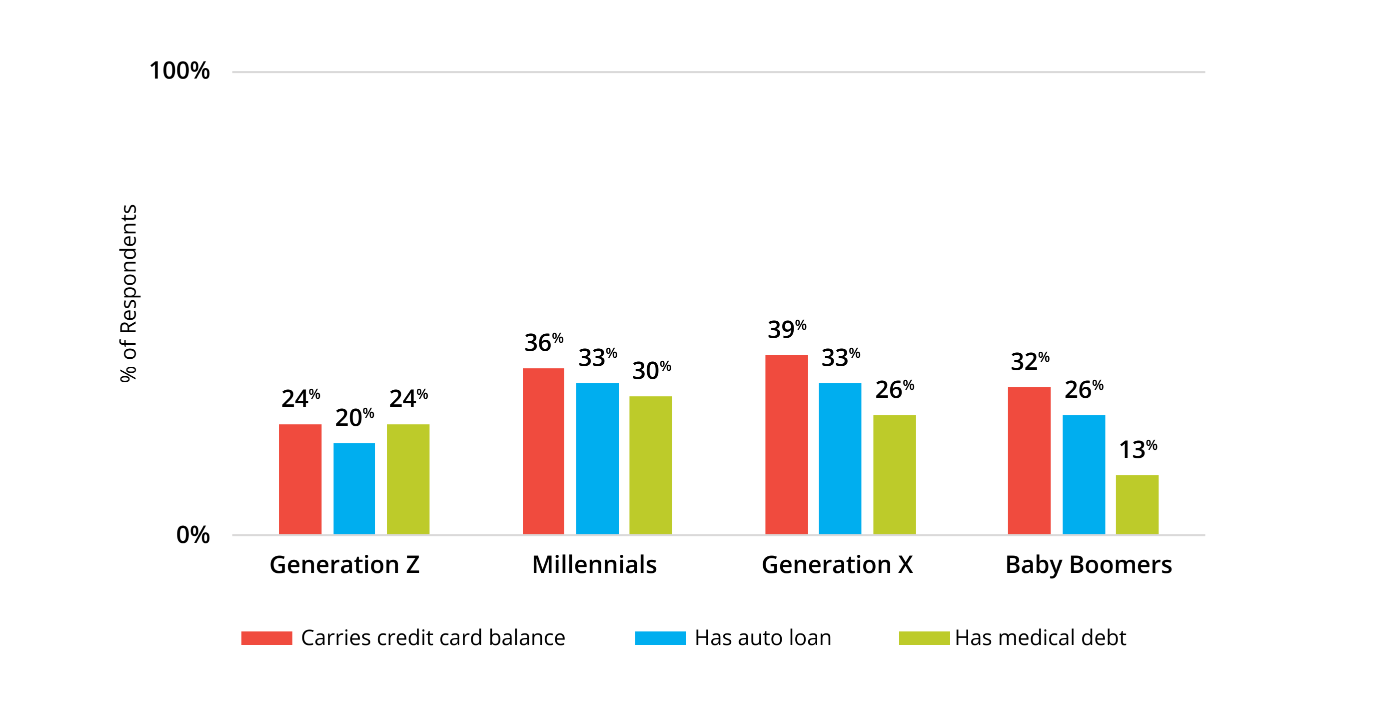
Figure 4. Late Mortgage Payments by Generation



Credit Card Debt, Auto Loans and Medical Debt

Figure 5 shows rates for several other types of debt, including credit card debt (that is, did respondents carry a credit card balance at some point in the past 12 months), auto loans and medical debt.[ii] Compared to other generations, Gen X is most likely to have credit card debt (39 percent) and tied with millennials for the highest proportion of respondents reporting auto loans (33 percent). Twenty-six percent of Gen Xers reported having medical debt, a rate second only to millennials (30 percent).

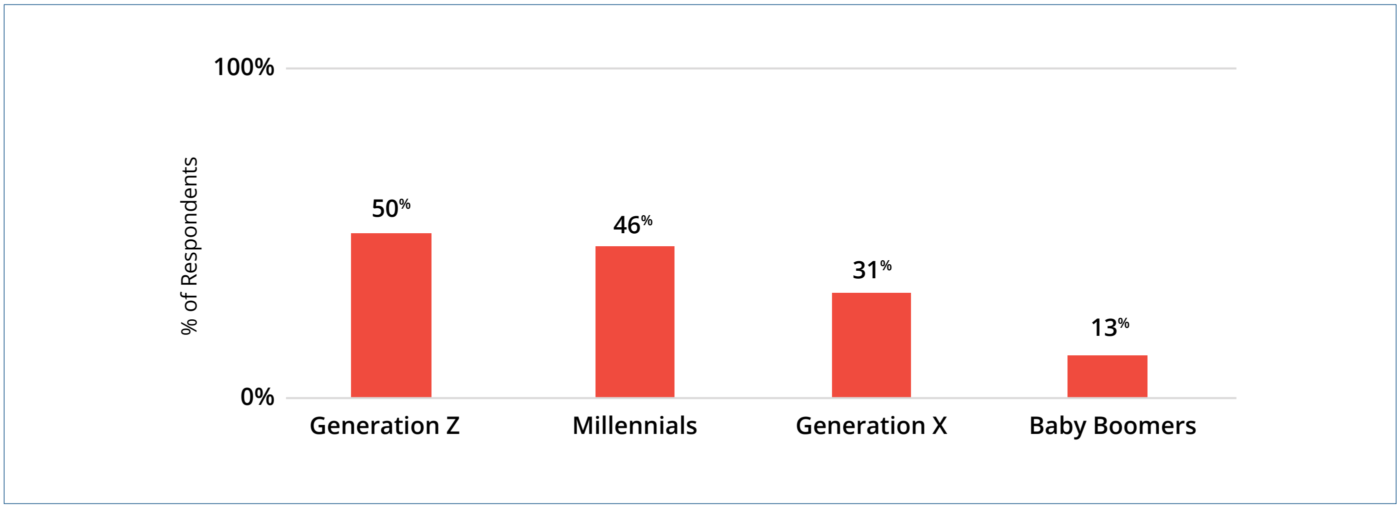
Figure 5. Credit Card Debt, Auto Loans and Medical Debt by Generation



Alternative Financial Services (High-Cost Borrowing Methods)

While other forms of debt do not follow clear age patterns, the use of alternative financial services does appear to decline with age. The use of high-cost borrowing methods like auto title loans, payday loans, tax refund loans, purchase credit and pawn shops is much lower for older cohorts. Thirty-one percent of Gen Xers and only 13 percent of baby boomers reported having used these alternative financial services in the past five years, compared to half of Gen Zers (50 percent) and 46 percent of millennials.

Figure 6. Alternative Financial Services by Generation

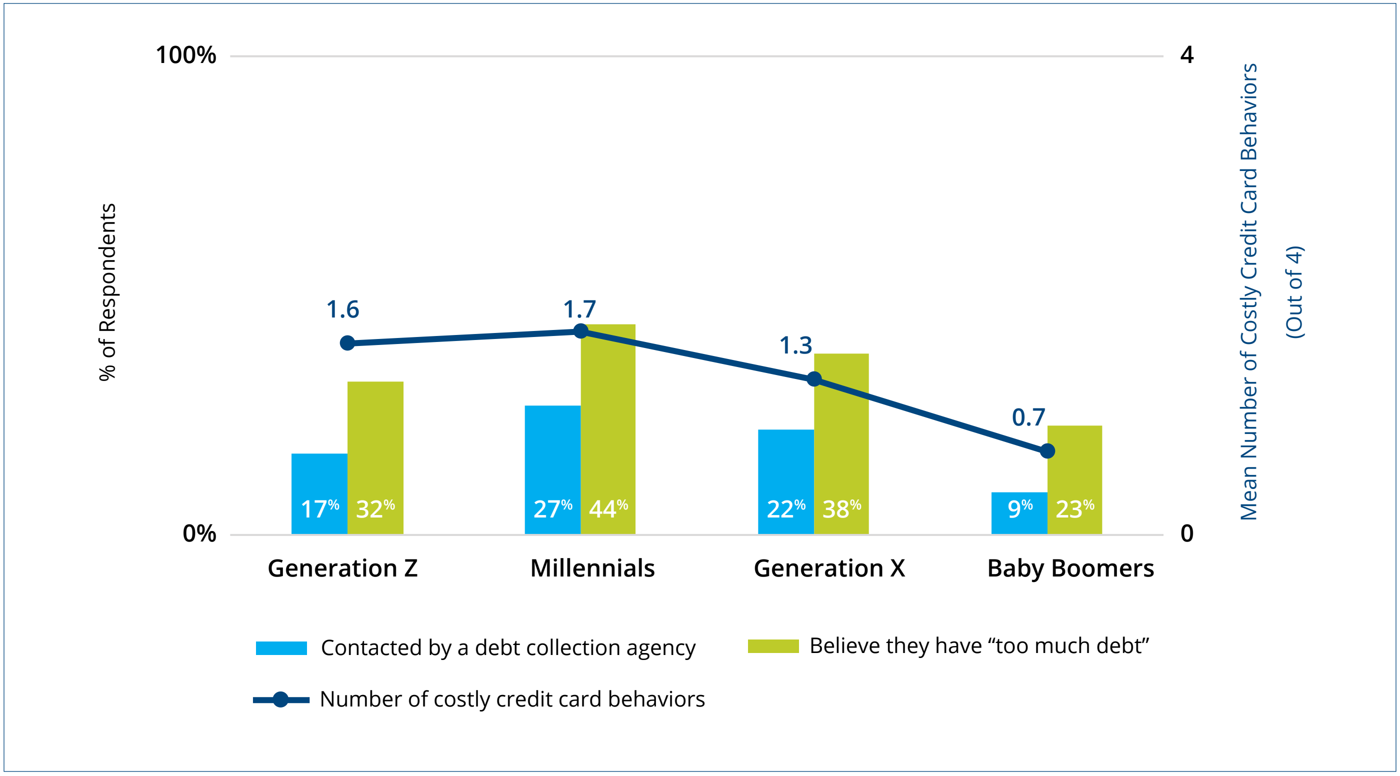


Debt Strain

We examined three indicators of strain from debt: whether respondents had been contacted by a debt collection agency in the past year, the total number of costly credit card behaviors they had engaged in over the past year (out of four behaviors, including carrying a balance, making only the minimum payment, paying late or overlimit fees or taking a cash advance—so, respondents could have a value between zero and four on this measure), and their subjective rating of whether they believe they have "too much debt."

Debt strain peaks for millennials, not Gen Xers. In fact, Gen Xers, on average, engage in fewer costly credit card behaviors than either Gen Zers or millennials. It is notable that these patterns are true despite the fact that Gen Xers have the highest rates of possession for several common types of debt including credit card debt.

Figure 7. Debt Strain by Generation

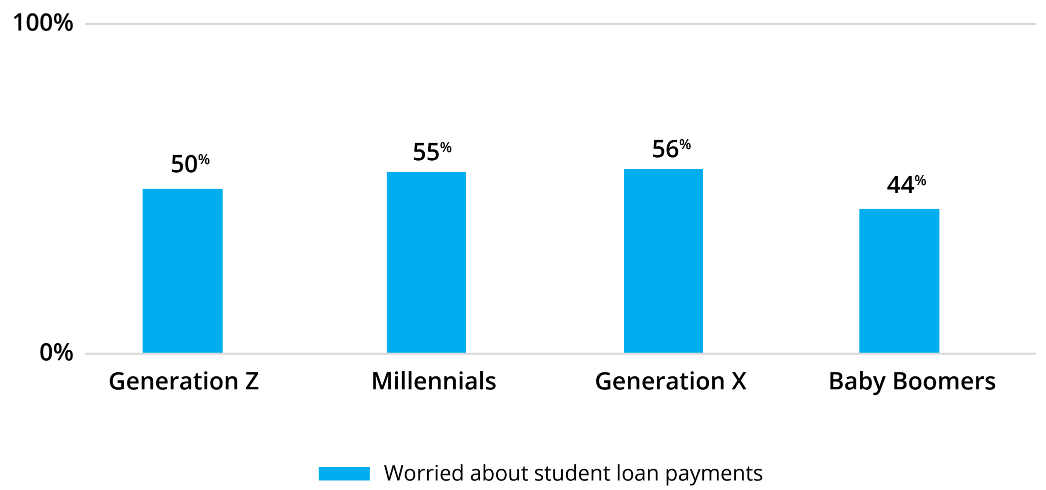


Student Loan Debt

Student loan debt is less common among older generations, with nearly one-quarter of Gen Xers (24 percent) and seven percent of baby boomers reporting student loans, compared to 39 percent of Gen Zers and 36 percent of millennials. However, 18 percent of Gen X student debt holders did not take out the loan for themselves but for a spouse, child, grandchild or someone else.

While student loan debt declines steadily by age, the strain that educational debt puts on student loan holders is widespread—with Gen X reporting the highest levels of strain. When asked if they worry about being unable to pay off their student loans, 56 percent of Gen X student loan holders reported concern about their ability to repay. This sense of financial unease among Gen X is consistent with their perceptions about their financial wellbeing and satisfaction, as the following discusses.

Figure 8. Student Loan Strain by Generation



A CLOSER LOOK AT GEN X
Racial/Ethnic Differences

Within Gen X, as with all generations, financial behaviors vary by race and ethnicity, though for many important measures, differences are muted (*see* Appendix A2).

For example, fewer than half of Black/African American respondents (47 percent) reported owning a retirement account compared to 60 percent of adults in the overall Gen X population—a wide gap. Nevertheless, 84 percent of Black/African American Gen Xers with retirement accounts reported actively contributing to them, two percentage points higher than among the overall Gen X population. Similarly, 11 percent of Black/African American retirement account owners reported taking out a loan from the account compared to 10 percent for the Gen X population.

For the most part, debt perceptions are similar across different racial/ethnic groups, with 36 percent of Hispanic/Latino respondents, 42 percent of Black/African American respondents, and 40 percent of white respondents reporting having "too much debt," though the number drops to 23 percent for Asian American/Pacific Islander respondents.

FINANCIAL PERCEPTIONS

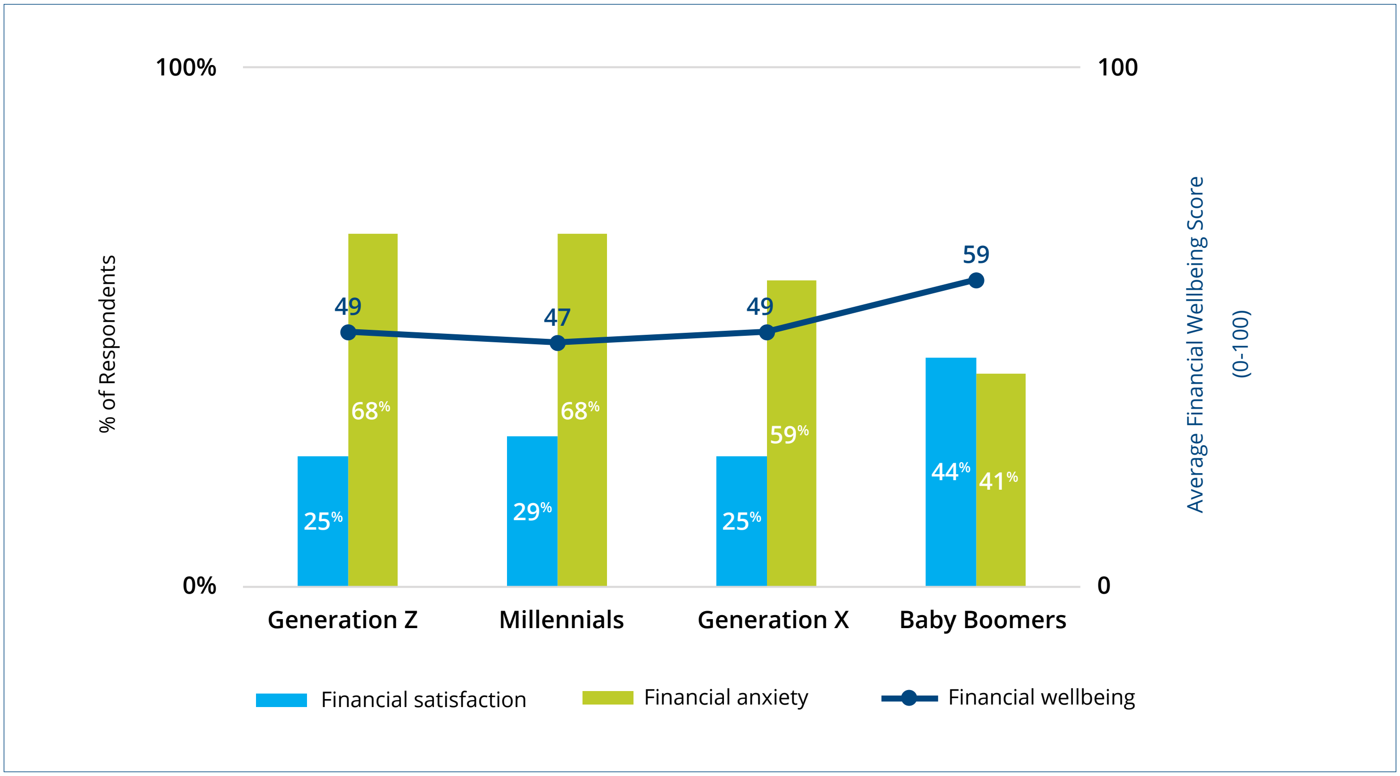
The preceding analyses show that, on average and relative to other generations, Gen Xers are doing fairly well financially, at least in terms of retirement preparedness and debt management. However, in some areas, they indicate high levels of strain. For example, many Gen Xers reported feeling that they have "too much debt." In addition, of all the generations studied, Gen X student loan holders reported the highest rates of concern about paying off student loans. We further explore financial perceptions in this section—focusing on respondents' financial wellbeing, financial satisfaction and financial anxiety.

We examined financial wellbeing using a five-question scale developed by the Consumer Financial Protection Bureau (CFPB), which reflects the extent to which a person feels financial security and freedom of choice. Scores on the financial wellbeing scale range from zero to 100 and cover topics ranging from concerns about money not lasting to feeling that finances control one's life. We examined respondents' financial satisfaction with a question about their feelings regarding their current personal financial condition when thinking about their assets, debts and savings using a scale from one to 10, where one equals "not at all satisfied" and 10 equals "extremely satisfied." We scored high satisfaction as a response of eight to 10. Finally, we examined financial anxiety with a question about how anxious a respondent feels when thinking about their personal finances on a scale from one to seven, with higher numbers indicating higher levels of anxiety. We classify high anxiety as a response of six or greater.

Reports of financial satisfaction and wellbeing for Gen X are comparable to those of younger generations *(see* Figure 7) and lower than baby boomers. One-quarter of Gen Xers (25 percent) reported high financial satisfaction, a proportion identical to that of Gen Zers and smaller than that of millennials (29 percent). Given that Gen Xers tend to have higher incomes than millennials, it is surprising that fewer are financially satisfied. In fact, after controlling for income, disparities in financial satisfaction become even wider between Gen Xers and millennials—increasing from a four-percentage gap difference to seven percentage points. In contrast, the percentage of baby boomers who reported high levels of financial satisfaction is 19 percentage points higher than for Gen Xers (44 percent compared to 25 percent).

Financial anxiety is generally higher for younger generations than for older generations, with Gen Xers reporting lower anxiety than either Gen Z or millennials, but higher levels than baby boomers. The financial wellbeing of Gen X, however, is comparable to that of Gen Z and millennials and 10 points lower than for baby boomers.[iii]

Figure 9. Financial Perceptions by Generation



A CLOSER LOOK AT GEN X
Gender Differences

The financial perceptions of male and female Gen Xers differ, with women reporting a somewhat more pessimistic view of their financial situation, though these differences are not particularly large *(see* Appendix A3).

Compared to their male counterparts, fewer female Gen Xers reported being satisfied with their financial condition (22 percent and 28 percent, respectively), and more reported feeling anxious about their finances (62 percent and 56 percent, respectively). Women also had slightly lower financial wellbeing scores than men, with an average financial wellbeing score of 48.0 relative to 50.8 for men.

CONCLUSION

Our findings suggest that Gen X stands at a financial crossroads. On the plus side, they show indicators of healthy asset accumulation through high rates of retirement account contributions and little leakage. And although they hold common forms of debt at high rates (such as, mortgages, auto loans and credit card balances), they do not show undue strain from it. However, a substantial proportion continue to hold student debt and feel concerned about this and other debt. In addition, they exhibit levels of financial wellbeing and satisfaction comparable to those in younger generations who are, on average, in more precarious financial situations.

ACKNOWLEDGEMENT

All results, interpretations, and conclusions expressed are those of the research team alone and do not necessarily represent the views of the FINRA Investor Education Foundation, FINRA, or any of its affiliated companies.

METHODOLOGY

This study uses data from the 2021 State-by-State Survey of the FINRA Foundation's National Financial Capability Study (NFCS). The survey was fielded from June 2021 through October 2021 and has data on 27,118 adults ages 18 and older (approximately 500 per state plus the District of Columbia), though respondents over age 75 (*i.e.,* The Silent Generation) were excluded from analyses resulting in a sample size of 26,067. Respondents for the State-by-State Survey are drawn from established nonprobability online research panels using quota sampling. The data is representative of the U.S. adult population (ages 18 and up) on age by gender, ethnicity, education and census division when weighted. Data from the U.S. Census Bureau's American Community Survey were used to construct the weights.

All statistics in this report are weighted, but the sample sizes are unweighted. As in all survey research, there are possible sources of error, such as coverage, nonresponse and measurement error that could affect the results. More information about the National Financial Capability Study—including the data, questionnaire, and detailed methodological documents—can be found at FinraFoundation.org/NFCS.

Endnotes

i During the COVID-19 pandemic, congress, federal agencies, and enterprises allowed borrowers to temporarily suspend mortgages payments through the mortgage forbearance provision in the CARES Act from March 2020 to March 2023. Thus, the use of "late payments" should be interpreted with caution. Additionally, use of forbearance was more common among certain segments of the population that align with the demographic composition of Gen Z and millennial homeowners, including Black/African American and Hispanic/Latino borrowers and first-time, low- and moderate-income homebuyers with mortgages ensured by the Federal Housing Administration (US Government Accountability Office, 2021).

ii Respondents were coded as having medical debt if they answered "yes" to the following question: "Do you currently have any unpaid bills from a health care or medical service provider (*e.g.,* a hospital, a doctor's office, or a testing lab) that are past due?"

iii The CFPB describes their financial wellbeing scores as follows: 0-29 is "very low," 30 to 37 is "low," 38-49 is "medium low," 50-57 is "medium high," 58-67 is "high," and 68-100 is "high."

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APPENDIX

Appendix A1. Demographic Characteristics by Generation

	Generation Z	Millennials	Generation X	Boomers
Birth Years	1997–2003	1981–1996	1965–1980	1946–1964
Age Range	18–24	25–40	41–56	57–75
Sample Size (n)	3,009	7,544	7,171	8,343
Percent				
Female	49%	49%	51%	54%
White	41%	58%	63%	74%
Black or African American	23%	13%	11%	9%
Hispanic or Latino/a	26%	19%	17%	9%
Asian American or Pacific Islander	7%	6%	7%	6%
Household Income < $50,000	70%	52%	44%	45%
Married	12%	43%	52%	59%
Has Dependents	25%	53%	47%	14%
Unemployed	15%	12%	9%	4%
Some College or More	51%	68%	71%	75%

Appendix A2. Financial Behaviors and Perceptions by Race/Ethnicity

Race/Ethnicity	Owns Retirement Plan	Makes Retirement Plan Contributions	Has Taken Retirement Account Loan	Has Taken Hardship Withdrawal
White	61%	82%	11%	9%
Black or African American	47%	84%	11%	15%
Hispanic or Latino/a	58%	79%	12%	10%
Asian American or Pacific Islander	76%	87%	6%	7%
Gen X Overall	**60%**	**82%**	**10%**	**9%**

Race/Ethnicity	Carries Credit Card Balance (Past 12 Months)	Has Student Loan
White	40%	22%
Black or African American	43%	34%
Hispanic or Latino/a	43%	26%
Asian American or Pacific Islander	24%	11%
Gen X Overall	**39%**	**24%**

Race/Ethnicity	Late Mortgage Payment	Contacted by Debt Collection Agency (Past 12 Months)	Average Number of Costly Card Behaviors (Past 12 Months)	Has Too Much Debt	Financial Anxiety
White	15%	22%	1.31	40%	61%
Black or African American	26%	30%	1.90	42%	54%
Hispanic or Latino/a	16%	23%	1.41	36%	60%
Asian American or Pacific Islander	7%	6%	0.72	23%	51%
Gen X Overall	**15%**	**22%**	**1.34**	**38%**	**59%**

Appendix A3. Financial Behaviors and Perceptions by Gender

Gender	Owns Any Retirement Plan	Makes Retirement Plan Contributions	Has Taken Retirement Account Loan	Has Taken Hardship Withdrawal
Male	64%	84%	11%	10%
Female	55%	80%	9%	9%
Gen X Overall	**60%**	**82%**	**10%**	**9%**

Gender	Late Mortgage Payment	Contacted by Debt Collection Agency (Past 12 Months)	Number of Costly Card Behaviors (Past 12 Months)	Too Much Debt
Male	14%	20%	1.29	37%
Female	16%	24%	1.38	40%
Gen X Overall	**15%**	**22%**	**1.34**	**38%**

Gender	Financial Satisfaction	Financial Anxiety	Financial Wellbeing
Male	28%	56%	50.8
Female	22%	62%	48.0
Gen X Overall	**25%**	**59%**	**49.4**