Millennials & Financial Literacy—
The Struggle with Personal Finance
Founded in 2011 at the George Washington University School of Business, the Global Financial Literacy Excellence Center (GFLEC) has positioned itself to be the world’s leading center for financial literacy research and policy. Through rigorous scholarship and research, wide-reaching education, and global policy and services, the Center works with partners in Washington, DC, throughout the United States, and across the globe to raise the level of financial knowledge.

The Center builds on more than ten years of academic research on financial literacy by Director Annamaria Lusardi, an early contributor to financial literacy as a field of study.

The Center also builds on important policy work with key institutions, including the World Bank, FINRA Investor Education Foundation, and the Organisation for Economic Co-operation and Development (OECD) – Entities with which Director Lusardi has collaborated for many years. GW’s unparalleled location at the heart of the U.S. capital, where both national and global policy decisions are made, elevates the Center’s influence.
About PwC

PwC US helps organizations and individuals create the value they’re looking for. We’re a member of the PwC network, which has firms in 157 countries with more than 208,000 people. We’re committed to delivering quality in assurance, tax and advisory services.

In 2012, PwC US launched \textit{Earn Your Future} (EYF), a five-year, $160 million commitment focused on helping students develop critical financial skills and providing educators with the resources and training to teach those skills in schools. In April 2015, PwC US extended EYF by an additional $30 million, increasing its overall commitment to $190 million. EYF is now one of the largest and broadest corporate commitments to financial literacy within the U.S. The additional commitment supports new research, expanded professional development opportunities, and additional scale for organizations that are revolutionizing the field. PwC US and the PwC Charitable Foundation, Inc. each play significant roles in advancing financial literacy in the marketplace. For more information on PwC US’ commitment, visit www.pwc.com/eyf.
The Global Financial Literacy Excellence Center (GFLEC) at the George Washington University conducted this research with the support of PwC.

This study examines the personal finances of Millennials using data from the 2012 National Financial Capability Study (NFCS).

The NFCS is a survey that benchmarks Americans’ financial capability, providing information on both short-term financial management and medium- and long-term financial planning.

The analysis relied on a subsample of over 5,500 respondents aged 23-35.

The data is indicative not only of Millennials’ financial characteristics but also of the factors that threaten their economic aspirations and security.


**Introduction**

Millennials—the generation of Americans born between the early 1980s and the mid-1990s—are exceptional in many ways.

They are better educated than their predecessors, more ethnically diverse, and more economically active.

Millennials confront greater difficulties—including economic uncertainty, student debt—than those who came before them.

As a generation carrying new personal financial responsibility, it is critically important for Millennials to be on a path leading toward financial security.

This report analyzes the financial characteristics of more than 5,500 Millennials and examines the factors that threaten their economic aspirations and security.

“Millennials owe a lot. They know too little. Millennials’ struggle with debt may eventually become our problem, too.”

—Annamaria Lusardi, Academic Director, GFLEC at the George Washington University
How Do Millennials Approach Personal Finances?

Eight Trends

Millennials...

1. **Have inadequate financial knowledge**
   When tested on financial concepts, only 24% demonstrated basic financial knowledge.

2. **Aren’t happy with their current financial situation**
   When ranking satisfaction on a scale of 1-10, 34% were very unsatisfied.

3. **Worry about student loans**
   When asked about their ability to repay their student loan debt, more than 54% of Millennials expressed concern.

4. **Debt crosses economic and educational lines**
   Among college-educated Millennials, a staggering 81% have at least one long-term debt.

5. **Are financially fragile**
   Nearly 30% of Millennials are overdrawing on their checking accounts.

6. **Are heavy users of Alternative Financial Services (AFS)**
   In the past five years, 42% of Millennials used an AFS product, such as payday loans, pawnshops, auto title loans, tax refund advances, and rent-to-own products.

7. **Sacrifice retirement accounts**
   More than 20% of Millennials with retirement accounts took loans or hardship withdrawals in the past year.

8. **Don’t seek professional financial help**
   Even with inadequate knowledge, only 27% of Millennials are seeking professional financial advice on saving and investment.
Among the overall population, Millennials are the age group with the lowest level of financial literacy.

- Only 24% demonstrated basic financial literacy
- Only 8% demonstrated high financial literacy

When tested about basic concepts around numeracy and mortgages, Millennials scored better. However, when it came to more complicated issues like basic asset pricing, inflation and risk diversification, Millennials fell flat.

Lack of financial knowledge may jeopardize Millennials’ financial success.
Many Millennials are not satisfied with their current financial condition. On a scale from 1 to 10, many reported very low levels of satisfaction.

- 34% are unsatisfied with their current financial situation (1-3)
- 18% were not at all satisfied (1)

Millennials are unhappy but may not have the tools to change their situation.
Student debt is common across demographic characteristics. Millennials are heavily leveraged on their educational investment, and many student-loan borrowers are troubled by this debt.

- 54% are concerned about their ability to repay their student loan debt
- 34% with annual household incomes above $75,000 are concerned they may not be able to repay their student loans

Debt obligations weigh on Millennials’ economic success.
Debt Crosses Economic and Educational Lines

Millennials are over-indebted regardless of education levels.

- 2/3 of all Millennials, and 80% of college-educated Millennials, carry at least one source of outstanding long-term debt
- 31% of all Millennials, and 44% of college-educated Millennials, carry more than one source of outstanding long-term debt

Liabilities are particularly common among Millennials who are college-educated. A college degree may no longer be a guarantee of a better financial future.
Millennials face a spectrum of financial challenges and fear that they have little maneuvering room in case of an emergency.

- Nearly 50% don’t believe they could come up with $2,000 if an unexpected need arose within the next month
- Nearly 30% are overdrawning on their checking accounts
- 53% carried over a credit card balance in the last 12 months

Millennials are financially fragile, meaning that they cannot cope with even midsize shocks.
Millennials deal with short-term sources of debt including Alternative Financial Services (AFS), such as payday loans and pawnshops. In the past five years, a large number used AFS:

- 50% with a high school degree or less
- 28% with a college degree
- 39% who have a bank account
- 35% of credit-card users

AFS is widespread among this generation, common even for households generally referred to as “middle-class.”
Millennials are at the start of their work lives, yet they are already tapping into their retirement accounts.

- Only 36% have a retirement account
- 17% with an account took a loan in the past 12 months
- 14% took a hardship withdrawal in the past 12 months

This trend is especially worrying because it can compromise Millennials’ future financial security.
Although the majority of Millennials have inadequate financial knowledge, they are not consulting financial professionals to compensate for that deficit. Case in point:

- Only 27% had sought professional financial advice on savings and investments within the past five years
- Only 12% had sought professional advice on debt management

If Millennials don’t ask for help, their financial problems could extend or worsen in the future.
**Conclusion**

Millennials are a high-impact generation poised to shape the national and global economy in new and significant ways—and their economic influence is expected to grow over the next decade. But the platform from which they will wield this influence is a troubling one.

Millennials carry too much debt. They engage in expensive credit card behaviors, stand at the forefront of the growth of student loan debt, and many are already raiding their retirement accounts.

Millennials' financial practices are of concern because of the potential for these behaviors to become firmly established. Indeed, the research has documented that the gap between the amount of financial responsibility given to young Americans and their demonstrated ability to manage financial decisions is rapidly widening. Furthermore, their knowledge deficit could prove disastrous for them, the economy, and society.

How can we help overcome the gap between the amount of financial responsibility given to Millennials and their demonstrated ability to manage financial decisions is rapidly widening?

By expanding access to financial education with a forward-looking approach to financial literacy. Starting in school provides an opportunity to shift future generations’ financial positions, giving them a solid base from which to make life’s important financial decisions.

“By giving students the tools to help them succeed financially, we can build a stronger and more economically resilient society.”
—Shannon Schuyler, Principal; US Corporate Responsibility Leader; Chief Purpose Officer, PwC; President, PwC Charitable Foundation, Inc.
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