

Bank of America/USA TODAY Better Money Habits® Report

Young Americans & Money

Fall 2016

Letter from Andrew Plepler, Environmental, Social and Governance Executive



We are pleased to share the results of Young Americans & Money, a new Bank of America/USA TODAY Better Money Habits report. With this report, we set out to understand how the nation's rising generations are thinking about their financial futures.

In past reports, we surveyed all millennials, which includes today's 35-year-olds. This year, we wanted to understand a younger mindset – that of young people who were still in school during the Great Recession (2008), those just starting out in the job market and many of whom are voting for the first or second time. To this end, we surveyed 18 to 26 year olds, a smaller swath that includes both younger millennials (ages 22 to 26) and the older members of Generation Z (ages 18 to 21).

We learned that when it comes to financial matters, these young people are both cautiously optimistic and practical. They have positive feelings about their own financial futures but also have doubts about both the economy and the job market. With one in three carrying student debt, they are striving for independence but having trouble achieving it. Financial challenges are blocking their path to adulthood, and they're not necessarily feeling prepared to deal with the practical challenges that lie ahead. Nearly all of those surveyed said they wish they had learned more about money matters in school – more so than any other subject.

Pragmatism may be driving their approach to the presidential election, too. For young Americans today, financial issues that affect them personally are top of mind: job growth, health care costs and college affordability/student debt. While pocketbook issues carry weight, at the end of the day, they will vote for the candidate who is best for the country over one who would improve their personal financial situation.

Having seen the fragility of the economy, young Americans are aware of the headwinds they may face and feel they may not be getting the support that they need. That is one reason we created [Better Money Habits](#). Through a partnership with the innovative education nonprofit Khan Academy, Bank of America offers free online resources that explain financial topics in a simple and conversational way.

Methodology

Bank of America and USA TODAY commissioned a survey of 2,180 18 to 26 year olds to explore their views on personal financial matters. The survey was conducted online, in both English and Spanish, during the period of July 1 – July 21, 2016. Interviews were conducted by GfK Public Communications and Social Science, using GfK's KnowledgePanel®, a statistically representative sample source used to yield results that are projectable to the American population. To qualify, respondents had to be 18 to 26 years old. The margin of sampling error for national data is +/- 3.5 percentage points at the 95 percent confidence level. Margin of error for the state of Ohio and the Charlotte, NC, Columbia, SC, Dallas, TX, Detroit, MI, Philadelphia, PA/Wilmington, DE, Phoenix, AZ, Seattle-Tacoma, WA, San Francisco, CA, Boston, MA, and Raleigh-Durham, NC DMA augments are higher than that of the national sample.

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Better Money Habits®

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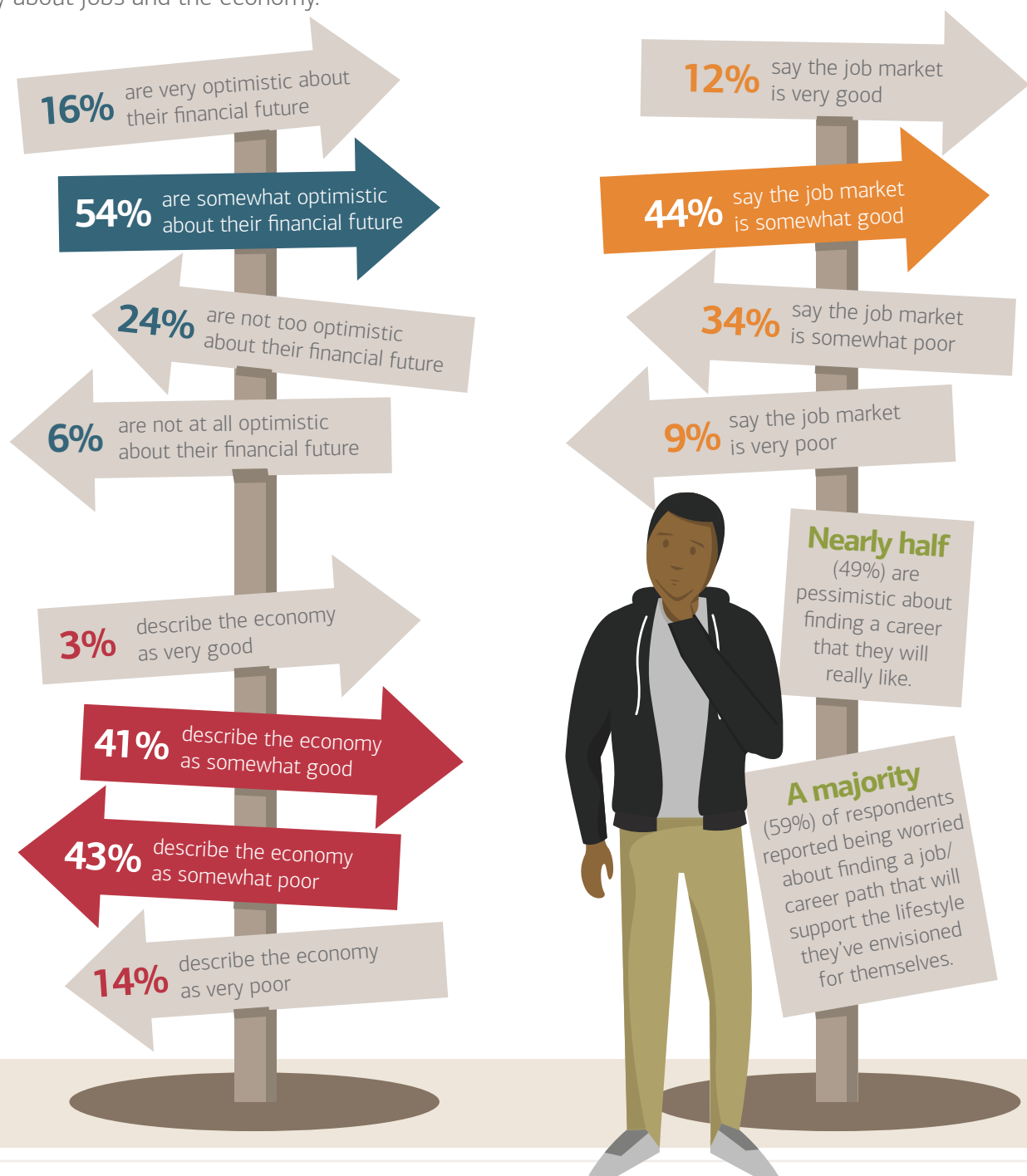
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Grounded optimism: Young Americans are realistic, proceeding with caution

As a group that came of age during the Great Recession, young Americans ages 18 to 26 are proceeding with caution when it comes to financial matters. While they are generally optimistic about their prospects, they tend to worry about jobs and the economy.



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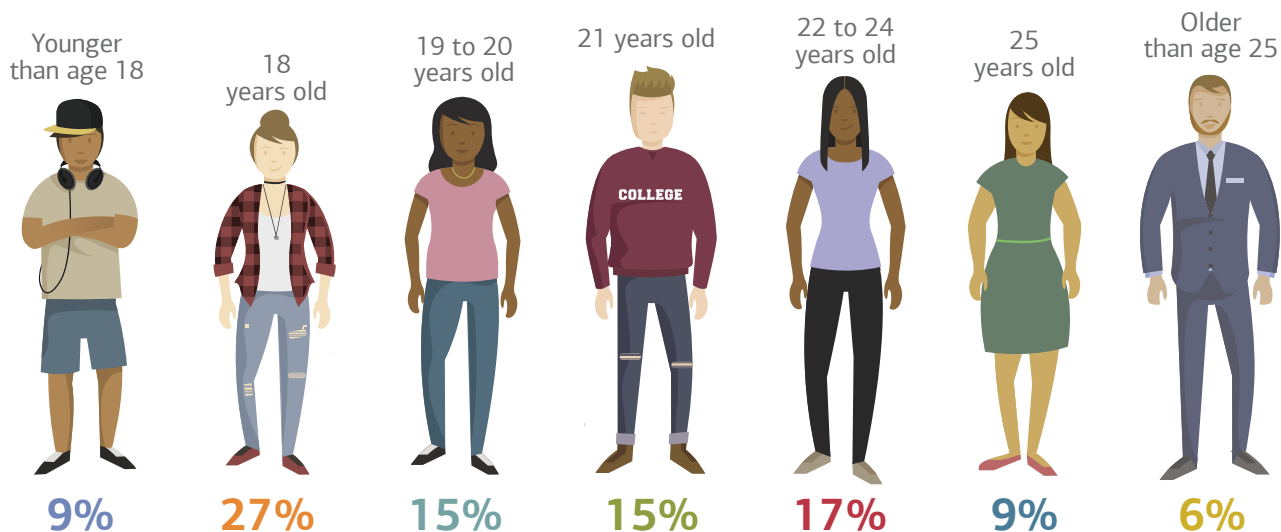
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What's age got to do with it? The new meaning of adulthood

For these rising generations, the definition of adulthood has changed. It is less about age and more about financial independence. In fact, the majority of young Americans (62 percent) don't feel like adults when they turn 18.

Age that young Americans think of themselves as independent adults

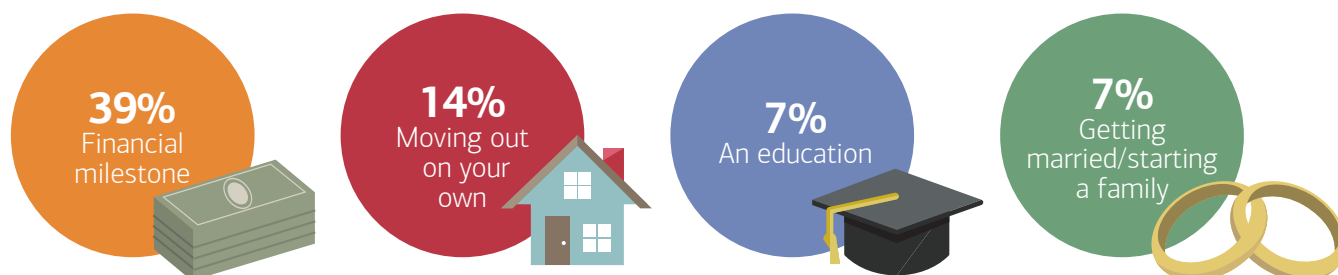


Education level makes a difference; parents play a significant role

Those without college experience were more likely to characterize themselves as adults at an earlier age. Thirty-six percent of those who had no college experience consider adulthood to begin at age 18, compared to 24 percent of those who attended college. For those who feel like adults, most say it's because parents helped prepare them (60 percent), they have a job (60 percent) or they have good role models (49 percent). For those who do not feel like adults, the main reason – cited by about eight in ten – is because they still rely on their parents. For 57 percent, it's because they do not make enough money. For nearly a quarter of 22 to 26 year olds, it's because they have too much debt.

Financial independence marks adulthood

When asked to define adulthood in their own words, their most common response was financial independence. Economic accomplishments outweighed more traditional life milestones like getting married, moving out on their own or graduating from high school or college.



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The responsibilities that come with “Adult-ing”

Achieving financial independence isn't easy, and most young Americans are having trouble supporting themselves. Many do not pay their own rent, do their own taxes or have their own health insurance. Not surprisingly, hitting certain “adult” milestones tends to come with age, but that's not the case when setting aside money in a savings account. Young Americans ages 18 to 21 were just as likely to be saving as those ages 22 to 26.

Adult-ing Checklist

| | 18-21 year olds | 22-26 year olds |
|----------------------------|-----------------|-----------------|
| Set aside savings | 58% ✓ | 58% ✓ |
| Contribute to a 401(k) | 9% | 27% |
| Do their own taxes | 15% | 44% |
| Own or lease their own car | 32% | 54% ✓ |
| Pay for cell phone bill | 26% | 57% ✓ |
| Have own health insurance | 12% | 41% |
| Pay their own rent | 18% | 47% |
| Own a home | 2% | 10% |
| Have a job | 59% ✓ | 70% ✓ |
| Are married or engaged | 6% | 22% |
| Have kids | 5% | 18% |

Women tend to be more financially independent than men

61% have set aside savings vs. 55% of men

34% do their own taxes vs. 28% of men

33% have their own health insurance plan vs. 25% of men

38% pay their own rent vs. 32% of men

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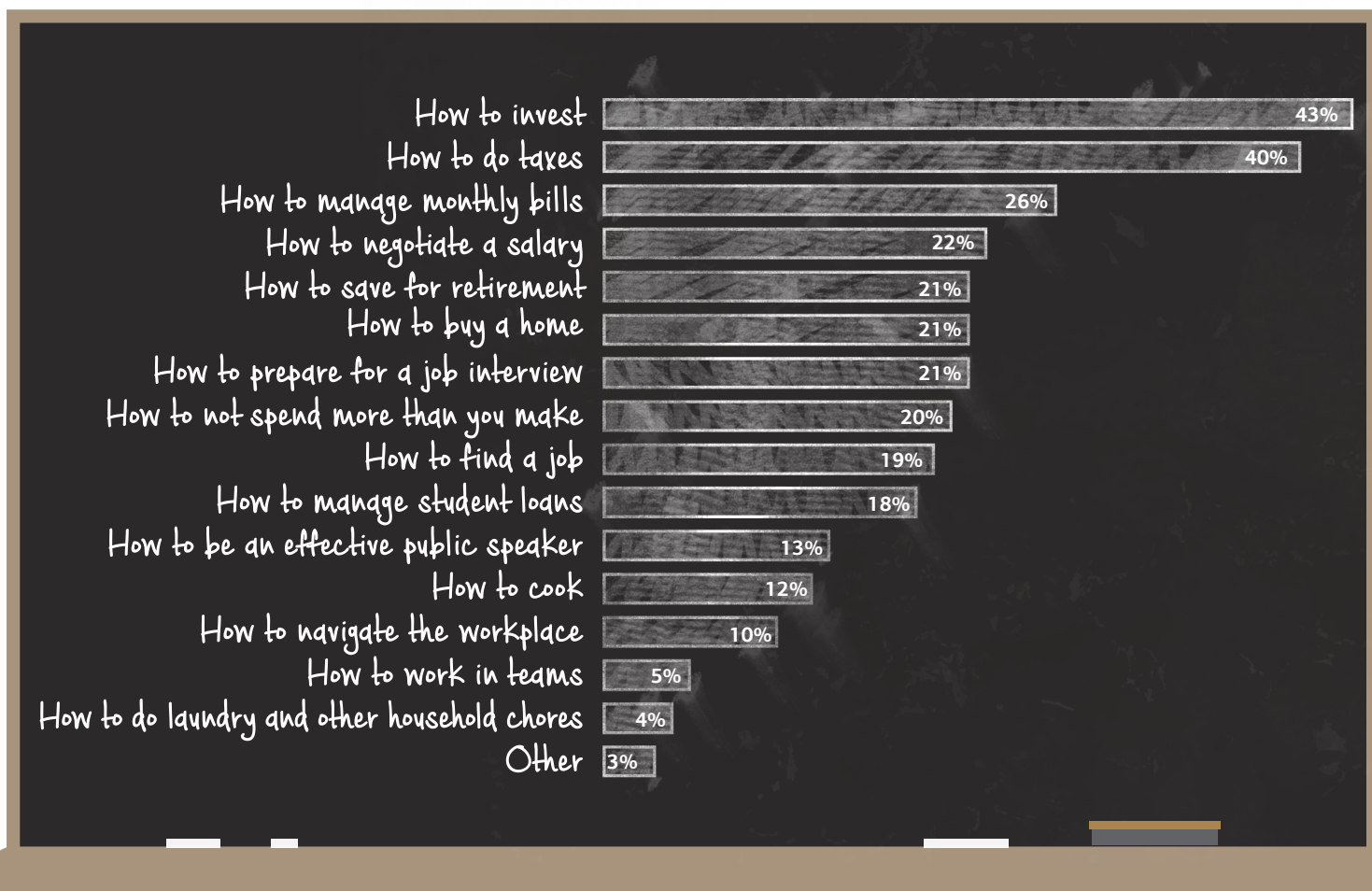
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High school, college degrees don't guarantee financial smarts

More than four in 10 young Americans who attended college either somewhat or completely disagreed when asked if college had prepared them for the “real world.” That’s a daunting number considering that one in three currently hold student debt.

With so many things to teach, high schools and colleges may be falling short when it comes to financial education, and there is a need to fill the gap. Of those who attended college, only 41 percent said their college education did a good job of teaching them good financial habits and only 31 percent said their high school education did so. When asked what they wish they had learned more about in school, financial topics occupied the top of the list.

What young Americans wish they had learned more about in school



Young Americans are often looking beyond the classroom to fill this gap. In past research, we found that nearly two-thirds of them say that their parents were their primary source of information on financial management skills.

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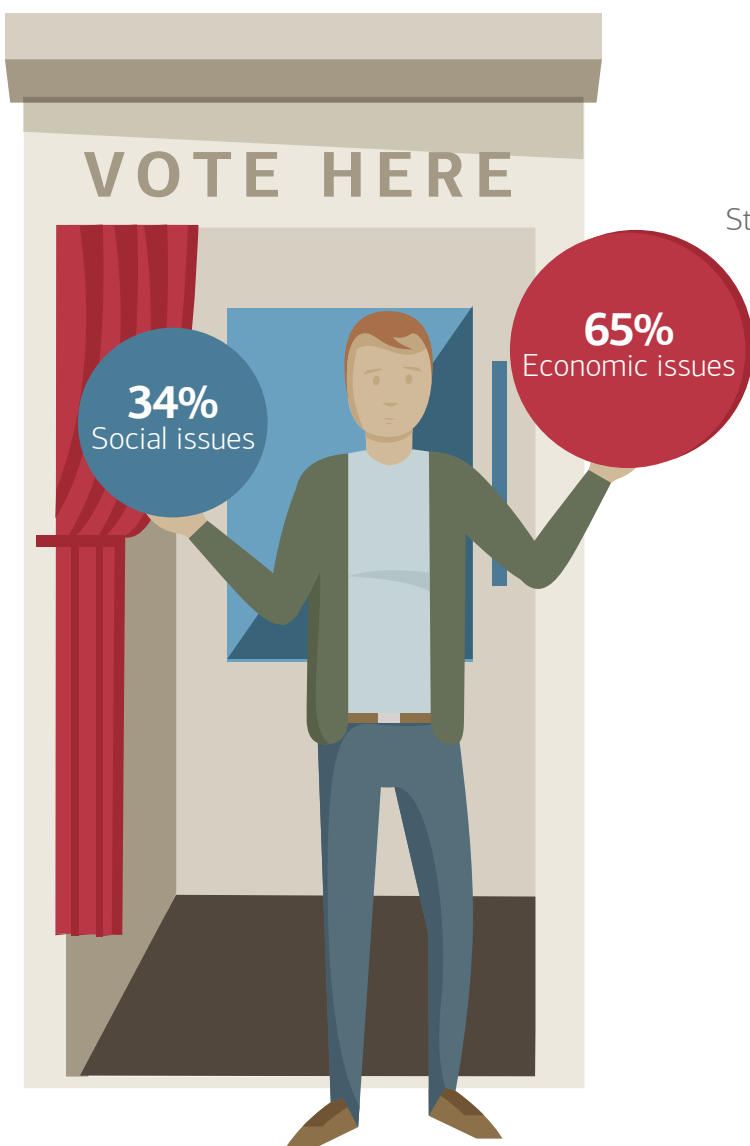
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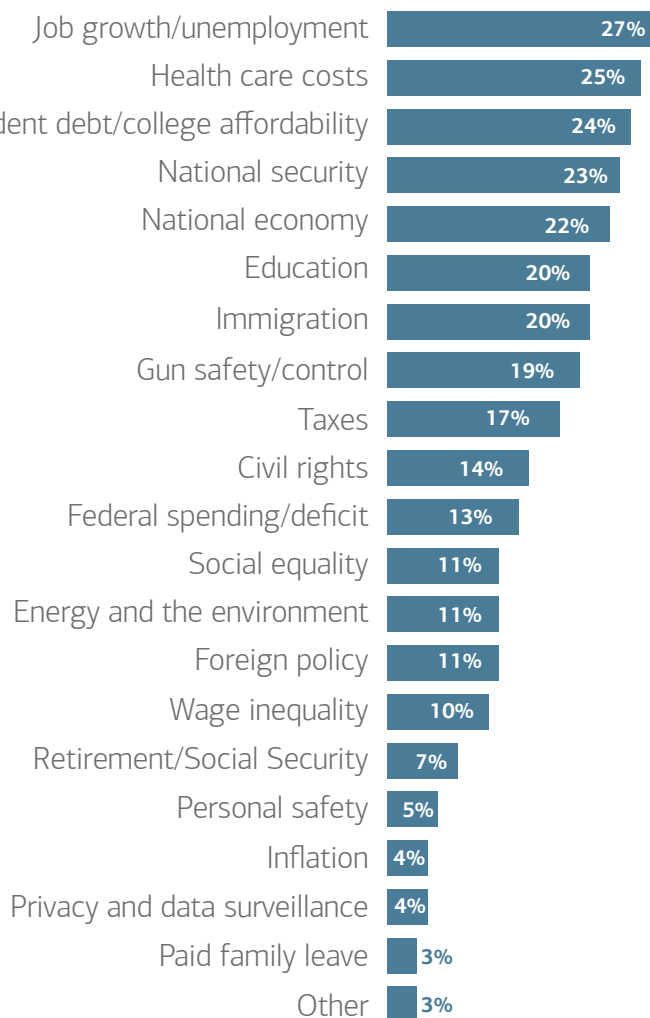
Young voters prioritizing pocketbook issues

With worries about finding jobs, uncertainty about the economy AND the stress of student debt, it's no wonder young Americans are voting with financial matters on their mind. When voting, the majority of first and second time voters in this age group said economic issues (65 percent) were more important to them than social issues (34 percent) – contrary to popular belief.

When considering presidential candidates, job growth tops the list of the three most important issues 18 to 26 year olds would like to hear candidates' positions on. Health care costs (25 percent) and student debt/college affordability (24 percent) follow closely to round out the list of top three issues.



Economic issues most important

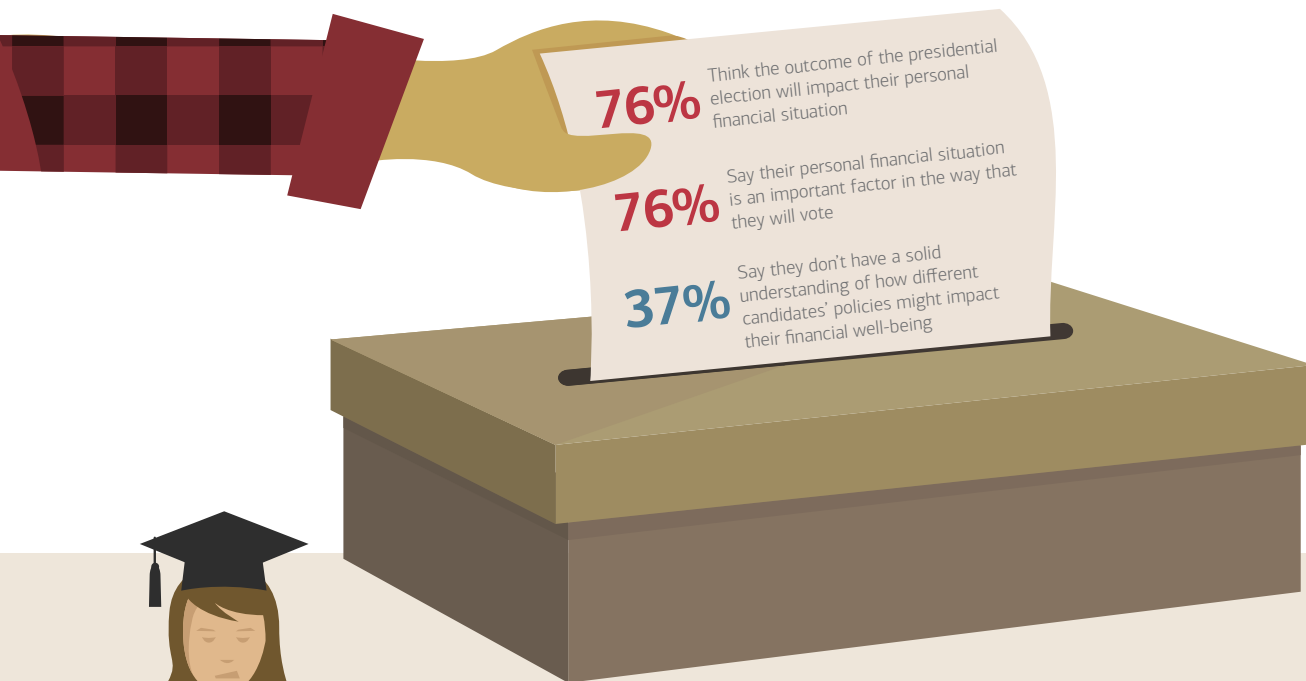




Young voters expect election to impact their finances

Young voters are feeling personally invested in the presidential election – more than three-quarters expect the outcome to affect them financially.

At the same time, 18 to 26 year olds favor the greater good, saying they would rather pick a presidential candidate who would improve the country as a whole (79 percent) and not just their own personal financial situation (21 percent).



Student debt driving voting decisions

The majority of 18 to 26 year olds who have student debt (57 percent) said it will impact their voting decision, with 22 percent reporting that it's impacting their decision a great deal.



57% said it will impact their voting decision

35%
of young
Americans have
student debt

22% said it will impact their decision a great deal

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Campaign concerns across the country

Across the country, young voters have different priorities and concerns when it comes to the election.



SAN FRANCISCO, CA

Young Americans in San Francisco said student debt will impact how they vote – either somewhat or a great deal

84% vs **57%**
San Francisco National

SEATTLE, WA

Job growth/unemployment is the top financial concern in the election for young Americans in Seattle

30% vs **14%**
Seattle National

DALLAS, TX

Young Americans in Dallas said that taxes are the most important issue to them when voting

26% vs **17%**
Dallas National

DETROIT, MI

Health care costs are the top financial concern in the election for young Americans in Detroit

20% vs **12%**
Detroit National

PHOENIX, AZ

National security is the most important issue to young Americans in Phoenix when choosing how to vote this election

70% vs **51%**
Phoenix National

COLUMBIA, SC

Young Americans in Columbia said a candidate's position on social issues is more important than economic issues

61% vs **34%**
Columbia National

PHILADELPHIA, PA

Young Americans in Philadelphia ranked social equality as the most important issue on which to know a candidate's position

66% vs **28%**
Philadelphia National

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About Better Money Habits®

Bank of America has made a substantial commitment to address the need for better financial education by partnering with Khan Academy – a nonprofit with the mission of providing a free, world-class education to anyone, anywhere. Together, we've developed [Better Money Habits®](#), a free, objective online financial resource that pairs Khan Academy's expertise in online learning with the financial know-how of Bank of America. [Better Money Habits®](#) delivers simple, easy to understand information on a wide range of personal finance topics including saving, budgeting, building credit, paying down debt, paying for college and buying a house.

About Bank of America Environmental, Social and Governance

At Bank of America, our focus on Environmental, Social and Governance (ESG) factors is critical to fulfilling our purpose of helping make people's financial lives better. Our commitment to growing our business responsibly is embedded in every aspect of our company. It is demonstrated in the inclusive and supportive workplace we create for our employees, the responsible products and services we offer our customers, and the impact we help create around the world in helping local economies thrive. An important part of this work is forming strong partnerships across sectors - including community and environmental advocate groups, as well as non-profits – in order to bring together our collective networks and expertise to achieve greater impact. Learn more at www.bankofamerica.com/about and connect with us on Twitter at [@BofA_News](https://twitter.com/BofA_News).