

# GEN X: GEN READY?

## MEETING THE CHALLENGES AND EXPECTATIONS OF RETIREMENT



**CUNA MUTUAL GROUP**

# GEN X: GEN READY?

## Meeting the Challenges and Expectations of Retirement



Wedged between Boomers and Millennials, Generation X—those born between 1965 and 1980—are sometimes overlooked and underestimated as the “middle child” of generations. At about 65.2 million strong, Gen Xers comprise a smaller group than their counterparts at about 71.6 million and 72.1 million, respectively, but are expected to surpass Boomers by 2028.<sup>1</sup>

The current disparity in size may lead to assumptions that Generation X carries less social influence despite being a generation that represents significant diversity. It may also translate to being more easily ignored than the larger groups and why some Gen Xers tend to “go it alone” and have a level of comfort with individualism:



### PRAGMATISM

Gen Xers generally take a practical, results-oriented approach to life



### SELF-RELIANCE

The original latchkey kids, Gen Xers tend to be independent and entrepreneurial in nature



### SAVVY

Gen Xers have no trouble keeping up with Millennials when it comes to technology.<sup>2</sup>

Resigned to being “an afterthought,” the same autonomy that defines Generation X could be posing some challenges as they focus on retirement. Simply put, instead of seeking expert advice, **Gen Xers may be more naturally inclined to a “DIY” approach when developing a retirement plan**, sometimes with limited success.

Nearly two out of three Gen Xers believe they’re behind on saving for retirement—not surprising considering **more than one-third say they don’t have a retirement account**.<sup>3</sup>

Gen Xers need guidance for how they can combine their knowledge, instincts and savings to work for them as they move toward retirement.

Financial advisors are in a unique position to engage the next generation of retirees, truly understand their fears and needs and provide meaningful help in building retirement portfolios that reflect the goals, challenges and future of Generation X.

# What Does Retirement Look Like to Generation X?

Generation X came of age professionally just as workplaces were rethinking how employees would be provided for in retirement. The phase-out of pension plans and shifting of retirement savings responsibility to individual employees vastly altered Gen X perceptions—and expectations—about retirement security.

The first generation to have access to 401(k) plans for the majority of their working careers, Gen Xers typically embraced participating in their employer-sponsored plans; however, many now realize they should have been saving more. According to the

latest data from 2016 **more than 60% of Gen Xers participate in individual account retirement plans**, but those accounts may fall far short of what they'll need when they retire, with the **average balance hovering around \$60,000**.<sup>4</sup>

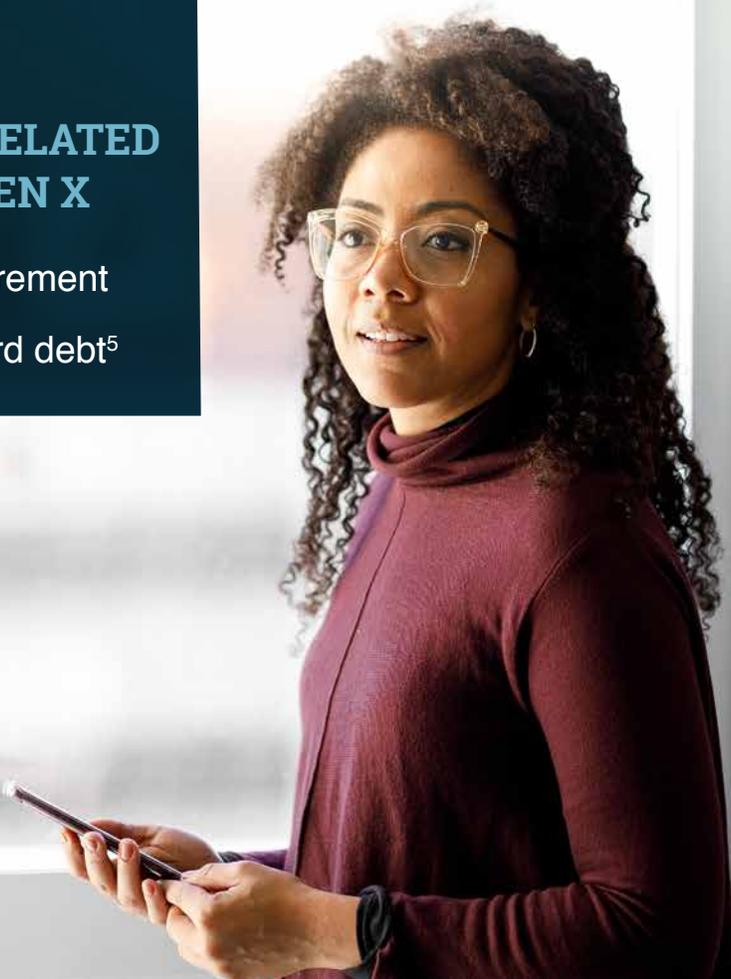
Given that nearly 87% carry debt,<sup>4</sup> some have written Generation X off as being spendthrifts, but insufficient salaries, a bad economy and work changes may be more likely culprits. **It's understandable that Generation X is facing an uphill battle in retirement preparation.**



## TOP TWO MONEY-RELATED WORRIES FOR GEN X

#1 Saving enough for retirement

#2 High-interest credit card debt<sup>5</sup>



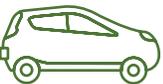
## What's Causing the Leakage?

Some Gen Xers already struggled to recover from the Great Recession more than a decade ago, leading 31% to borrow from their retirement savings.<sup>5</sup> Recent events only compound those difficulties, with one in four Americans raiding their retirement accounts due to a coronavirus-related job loss.<sup>6</sup>

Why might Generation X be less equipped to handle the challenge of another economic downturn? In addition to the aforementioned debt and dropping income levels, many Gen Xers also choose to financially support children and aging parents. It's not difficult to see why some Gen X investors are opting to take a loan or early withdrawal from their retirement accounts—known as leakage.

Compounding the issue are rising expenses across all generations. Americans, in general, are spending less on entertainment and education but more on basic needs:<sup>7</sup>

### Percent change from July 2017 - June 2018 to July 2018 - June 2019.

	<b>FOOD</b>	<b>1.2%</b>
	<b>HOUSING</b>	<b>2.5%</b>
	<b>HEALTHCARE</b>	<b>2.5%</b>
	<b>TRANSPORTATION</b>	<b>6.9%</b>
	<b>PERSONAL INSURANCE &amp; PENSIONS</b>	<b>6.5%</b>
	<b>LIFE &amp; OTHER PERSONAL INSURANCE</b>	<b>15.7%</b>



# Competing Priorities Add Financial Stress

People aged 40 to 59 comprise the “sandwich generation,” a term coined to describe those with a living parent at least 65 years old and also either raising a child under age 18 or supporting a grown child. While some Boomers can be counted in, **Gen Xers make up the majority of the sandwich generation**—and the competing priorities of

providing care, time, money and emotional support to parents and children can take their toll.

Generation X undoubtedly feels the financial burden of these assumed responsibilities that have a dual impact for adults sandwiched between their aging parents and children.

## FINANCIAL STRESS AND THE SANDWICH GENERATION



Over the last year **six in ten** parents provided at least some financial support to their adult children.<sup>8</sup>

A staggering number of parents with kids living at home—**8.2 million**—are also providing eldercare for an aging parent of their own.<sup>9</sup>

The immediate drain on personal budgets could compromise day-to-day living and over time, may also make it more difficult to set aside money for retirement, perpetuating the shortfalls a good number of Gen Xers find in their savings.

## TOO LITTLE, TOO LATE?

Skeptical by nature, Generation X is uncertain about the future—and it seems to be paralyzing some into inaction when it comes to retirement planning. Like many, they may question the reliability of pensions, Social Security and Medicare in the future, and some feel ill-equipped to save enough to retire comfortably.

Gen Xers generally recognize they need professional financial advice.<sup>5</sup> Working with a financial advisor may help them achieve these goals:

- » Plan a secure retirement
- » Make sure they won't outlive their savings
- » Understand the impact on retirement of spending and saving



# More Than Money

The sandwich generation commitments don't stop at finances. Time becomes a substantial investment, especially when caring for parents:

- » Nearly **70% of parents** who provide eldercare also work full time.<sup>9</sup>
- » On average, caregivers spend **three hours each day** providing eldercare.<sup>9</sup>

Many Gen Xers are already feeling overextended, not just financially, but emotionally, too. Their physical and mental well-being may hang in the balance, and their health is exactly what they can't afford to risk if they wish to live the long and happy lives they envision in retirement.

## Key Behavioral Influences That Shape Generation X

**Considering some younger members of Generation X are in their early 40s, many expect to live for several more decades.** Advances in medicine may partially contribute to reaching an advanced age, but **healthy living, social engagement and financial security play important roles in living long and well.**

The following factors may help them remain both healthy and wealthy.



## HEALTHY HABITS

Declining health that requires long-term care may be a significant retirement fear among Gen Xers. A list of some of the leading causes of death among those aged 35 to 54 may hint at their top health concerns:

- » Cancer
- » Injuries
- » Heart Disease
- » Liver Disease
- » Suicide/Mental Illness
- » Diabetes
- » Stroke
- » Respiratory Disease<sup>10</sup>

**These conditions not only potentially compromise the ability to work up until retirement—or in retirement as some may need to do—they may lead to rising healthcare costs or require long-term care.**

Reversing unhealthy habits and determining how to cover the cost of unanticipated health-related events is imperative but not always easy without help. Gen Xers may have access to health and wellness programs through their employers to help make better decisions and establish a new normal for their lifestyles. Also, depending on the structure of their employer's insurance plan, a health spending account (HSA) may be available as a tax-efficient vehicle to save money to curtail healthcare costs or cover expenses without taking funds from retirement savings.



## SOCIAL CONNECTIONS

While lifestyle choices and genetics certainly play a role, research shows that **accessibility and feelings of connectivity are linked to improved longevity.**<sup>11</sup>

Examples include the following:

- » Access to healthcare
- » Greater level of social cohesion
- » Smaller and rural communities

Purposefully creating a “social portfolio” may help Gen Xers confront and overcome challenges they face as they transition through mid-life to retirement. The diligence applied to building social connections may yield significant returns not unlike an investment portfolio.

## BEHAVIORS THAT PROMOTE HEALTHY AGING<sup>12</sup>



- » Staying active
- » Staying connected to your community
- » Maintaining a nutritious diet
- » Taking advantage of preventive services
- » Understanding and managing mental health
- » Promoting brain health
- » Managing health conditions
- » Managing medications and treatment

## FINANCIAL FITNESS

The amalgamation of financial pressures and goals Gen Xers face—from raising children and supporting aging parents or grown children to ensuring sufficient resources are available for their own retirement—is a challenge largely unique to Generation X. There’s no universal solution to these competing priorities, but there are a number of steps Gen Xers may take that lead to confident decision-making around finances:

- » Regularly revisit retirement plans to ensure goals remain realistic as life phases and circumstances change.
- » Learn about Social Security and Medicare and how these benefits are obtained and applied outside the workforce.
- » Consider long-term disability insurance coverage as an income replacement option in the event of an unanticipated major life event.
- » Develop a plan to pay off high-interest debt and a home mortgage as early as possible in retirement to alleviate significant financial obligations and free up resources.
- » Weigh and pursue higher education options for children that minimize debt burdens, including tuition assistance programs and less costly institutions, like public universities, community colleges and trade schools. In some instances, employers may offer partial assistance with these expenses.





# Redefining the Client–Advisor Relationship

As financial advisors, you are trained and experienced experts in helping clients get their arms around a wealth management plan that encompasses their goals, horizon and post-retirement dreams.

Given the complicated paths of Generation X, **taking the “big picture” into consideration when building relationships with your Gen Xer clients is imperative.** When crafting conversations around their future, initially focus on these **three topics of interest to Generation X:**

- » **Encourage them to pursue optimal health** in order to live longer, live well and potentially avoid the financial snares associated with declining health, such as increased medical care, long-term assistance and spiraling health insurance premiums.
- » **Remind them to stay connected** to their spouses, family, friends and larger social networks in order to maintain emotional balance and well-being. Having a “social portfolio” may strengthen a sense of belonging and provide opportunities for continued personal growth, all of which are linked to positive health benefits.
- » **Collaborate on important financial decisions**, not just for the future but for the “now”—maintaining cash flow, growing assets and protecting what they’ve saved. As your area of expertise, this may initially be easier for you than for your clients. Go at their pace to address the financial challenges they face, which may include college tuition for children, supporting aging parents, pursuing new skills or a new career and myriad other responsibilities that could diffuse their focus and further overwhelm them.

Regardless of their situations, reinforcing that you're there to assist them—not judge them—may help.

Gen Xers may want to lean into the client-advisor relationship you've redefined to recognize their circumstances and fit their unique needs. Those in Generation X have great potential for being long-term clients, and laying a solid foundation of understanding now will likely translate to future loyalty and trusted relationships.

Further, you have an opportunity to introduce risk control tools, like MEMBERS® Zone and Horizon annuities, to help Gen Xers maximize their savings efforts. These comprehensive annuities offer growth potential combined with guaranteed protection against loss, and they're also easy to understand, explain and sell.

Learn more by visiting [cmannuities.com](https://cmannuities.com), contacting your wholesaler or calling the CUNA Mutual Annuity Solutions Desk at **877.345.GROW (4769), option 1.**



## SOURCES:

<sup>1</sup>Pew Research Center, Millennials overtake Baby Boomers as America's largest generation, April 28, 2020.

<sup>2</sup>Pew Research Center, Millennials Stand Out for Their Technology Use, But Older Generations Also Embrace Digital Life, Sept. 9, 2019.

<sup>3</sup>CNBC.com, More than Half of Savers Say this About the Health of Their Retirement Accounts, Nov. 21, 2019.

<sup>4</sup>Employee Benefit Research Institute, Comparing the Financial Status of Generation X Families, June 27, 2019.

<sup>5</sup>MarketWatch, Caught in the middle: Generation X Needs to Focus on Retirement, But Isn't, Nov. 2, 2019.

<sup>6</sup>CNBC.com, More than 1 In 4 Americans are Raiding Their Retirement Accounts After a Coronavirus-Related Job Loss, May 23, 2020.

<sup>7</sup>Bureau of Labor Statistics, Consumer Expenditures Survey Midyear Update News Release, April 28, 2020.

<sup>8</sup>Pew Research Center, About Six-in-Ten Parents Say They've Given at Least Some Financial Help to Their Adult Children in the Past Year, October 21, 2019.

<sup>9</sup>Bureau of Labor Statistics, Unpaid Eldercare in the United States—2017-2018 Summary, November 22, 2019.

<sup>10</sup>Centers for Disease Control and Prevention, 10 Leading Causes of Death by Age Group—United States 2018.

<sup>11</sup>Penn State. (2020, March 10). Community factors influence how long you'll live, study shows. ScienceDaily.

Retrieved June 22, 2020 from [www.sciencedaily.com/releases/2020/03/200310124706.htm](http://www.sciencedaily.com/releases/2020/03/200310124706.htm).

<sup>12</sup>Health and Human Services, Healthy Aging, August 8, 2019.

## IMPORTANT DISCLOSURES

Annuities are long-term insurance products designed for retirement purposes. Clients should consider a variable annuity's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information. Encourage clients to read it carefully.

All guarantees are backed by the claims-paying ability of the issuer and do not extend to the performance of the underlying accounts which can fluctuate with changes in market conditions.

CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Annuities are issued by CMFG Life Insurance Company (CMFG Life) and MEMBERS Life Insurance Company (MEMBERS Life) and distributed by their affiliate, CUNA Brokerage Services, Inc., member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, IA, 50677. CMFG Life and MEMBERS Life are stock insurance companies. MEMBERS® is a registered trademark of CMFG Life Insurance Company. **Investment and insurance products are not federally insured, may involve investment risk, may lose value and are not obligations of or guaranteed by any depository or lending institution.** All contracts and forms may vary by state, and may not be available in all states or through all broker/dealers. Base Policy Forms 2015- VA-B, 2015-VA-C, and 2012-SPDMGIA. These views are for informational purposes only and should not be relied upon as a recommendation to purchase any product or as a solicitation of investment advice from any financial advisor.

MEMBERS® Zone and Horizon Annuities are issued by  
**MEMBERS LIFE INSURANCE COMPANY**

**CUNA MUTUAL GROUP**