

Spring 2019

# Merrill Edge<sup>®</sup> Report



## Generational Breakdowns

### Gen Z

born 1996—2001

### Millennials

born 1978—1995

### Gen X

born 1965—1977

### Baby boomers

born 1946—1964

### Seniors

born before 1945

The spring 2019 Merrill Edge Report reveals Americans are feeling simultaneously optimistic and overwhelmed by their finances as they become more mindful of their spending and take steps to improve their financial lives.

In our latest report, Americans of all ages say how they manage their money would make their parents proud. In fact, many worked to be more fiscally responsible in the past year by raising their credit score, starting an emergency fund and investing some of their savings in the market. And as they look to the future, respondents have a high level of confidence about their financial future and believe they will be able to retire at their target date and pay off all their mortgage and student loan debt.

Although Americans are becoming more conscientious about money and mindful of their spending, the majority admit managing their money is affecting their mental and physical health. Today's youngest generations and women claim to be impacted the most. Many Americans also admit they feel envious or jealous of those they perceive as better off financially than they are, possibly adding to feelings of stress.

The spring report also finds half of Americans worry about the state of their finances over the next five years, with respondents most concerned about the potential for an inadequate amount of savings, political instability, a looming recession, market volatility and their growing debt. Perhaps the need to tackle debt and overcome the stress from their finances are why respondents are seeking professional financial guidance, both in person and online. Many are also embracing new tech and financial apps to help them save and manage their money.

At Bank of America and Merrill, we want to make financial wellness a priority for our clients at every stage of their lives. Whether it is helping our clients manage their current debt or helping them secure their financial future and legacy, we can provide personalized advice and guidance for the right balance of short- and long-term planning, so clients can pursue their financial goals and have better peace of mind.

### Aron Levine

Head of Consumer Banking & Investments

Click to explore:



Make me proud



Always on my mind



The debt I owe



Can't take it with you

## MAKE ME PROUD: Americans finding their financial footing

Nearly 9 in 10 Americans believe their parents would be proud of how they are managing their finances today, even today's youngest generations of Gen Zers (74 percent) and millennials (86 percent). This may be in part to savvier spending and the better savings habits.

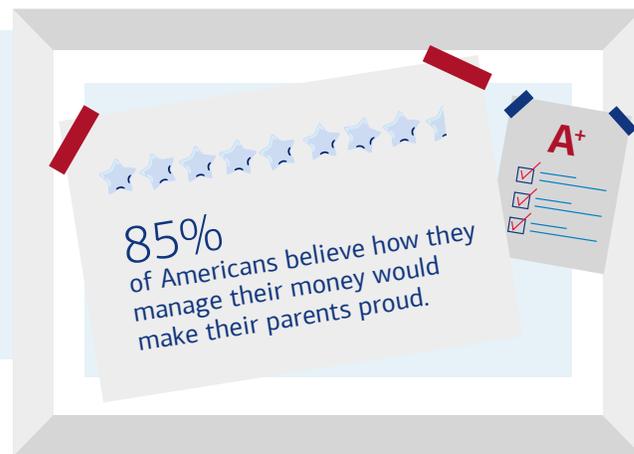
In fact, 85 percent of respondents took steps to improve their financial lives in the past year, including raising their credit score (45 percent), paying off credit card debt (43 percent), saving enough money to live on for three months without an income (35 percent) and investing some of their savings in the market (29 percent). And within their lifetime, Americans are confident they will be able to retire at their target date (80 percent), create a savings or trust fund for their children (80 percent), and pay off their mortgage and student loan debt (80 percent and 77 percent, respectively).

Americans even admit they reward themselves when they meet a financial goal, compared to only 26 percent who take a punitive approach when they fall short. Today's youngest generations are especially embracing this "treat yourself" mentality, with 71 percent of Gen Zers and 66 percent of millennials taking this approach, followed by Gen X (42 percent) and baby boomers (43 percent). Top rewards include making material purchases, such as buying clothing, shoes or jewelry (48 percent), taking a vacation (48 percent), dining out at a nice restaurant (40 percent), and indulging in spa or beauty treatments (24 percent).

Perhaps these positive reinforcements are helping Americans reach their goals, or maybe it is the professional financial guidance they are seeking. Fifty-five percent of respondents currently use in-person or online financial guidance, while 65 percent say they plan to in the future.

### Make me proud

Americans are adopting savvier spending and savings habits as they prioritize their financial goals and take steps toward improving their futures.



### Treat yourself

Perhaps these financial feats are influencing their "treat yourself" mentality.



**56%**  
are rewarding themselves for meeting a financial goal, with top rewards including:



**48%**  
Purchasing something like clothes, shoes or jewelry



**48%**  
Taking a vacation or trip



**40%**  
Eating out at an expensive restaurant



**24%**  
Indulging in beauty services

## ALWAYS ON MY MIND:

# Finances taking a toll on Americans' personal health

Despite making financial strides and becoming more mindful of their spending, Americans say managing their money is causing them stress. In fact, the majority admit handling their finances is impacting their mental and physical health (59 percent and 56 percent, respectively). In both instances, women are more likely than men to feel the impact on their mental health (64 percent, compared to 52 percent of men) and physical health (60 percent, compared to 51 percent of men).

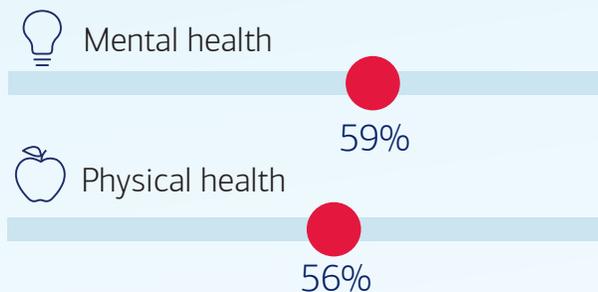
Forty-five percent of Americans also admit harboring feelings of envy or jealousy for those they perceive as better off financially than they are. Again, women are more likely than men to feel this way (52 percent, compared to 38 percent of men). And today's youngest generations also admit to having these feelings more than their generational counterparts: Gen Z and millennials (61 percent and 59 percent, respectively) are feeling green with envy, followed by 41 percent of Gen X and only 22 percent of baby boomers.

The report also asked Americans what they would be willing to do to never have to worry about their personal finances again. Hypothetically, respondents say they would rather give up all social media platforms forever (41 percent), lose access to their smartphone for a month (35 percent) and run into their ex every time they are out with their current partner (25 percent).

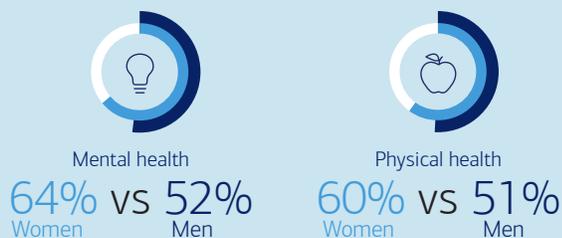
## Mind, body and toll

Managing money is taking a toll on Americans' mental and physical health.

The majority say managing their finances impacts their:

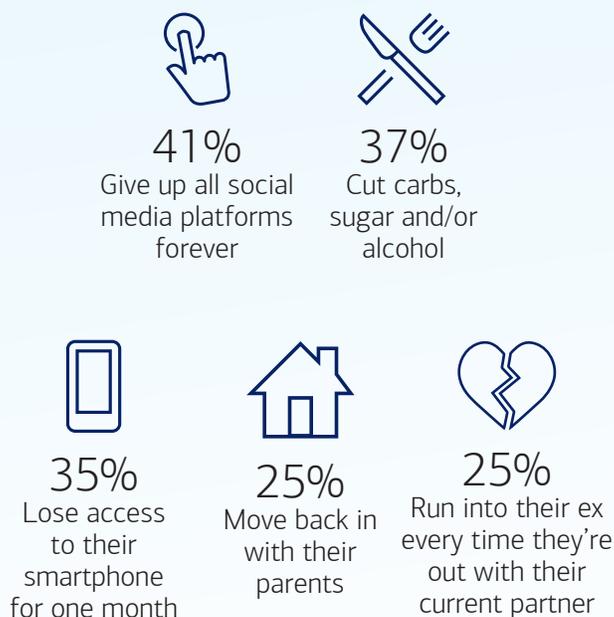


Women are more likely than men to feel the impact of their finances on their:



## Would you rather?

Managing money is a taxing reality for Americans, so if given the choice to never have to manage their personal finances again, they would rather:



## THE DEBT I OWE:

# With mounting debt, Americans put life milestones on the back burner

Americans are split between a glass half-full and half-empty view of the near future, with 51 percent worrying about their finances over the next five years. Their top concerns include the potential for an inadequate amount of savings (55 percent), political instability (53 percent), a looming recession (47 percent) and market volatility (45 percent).

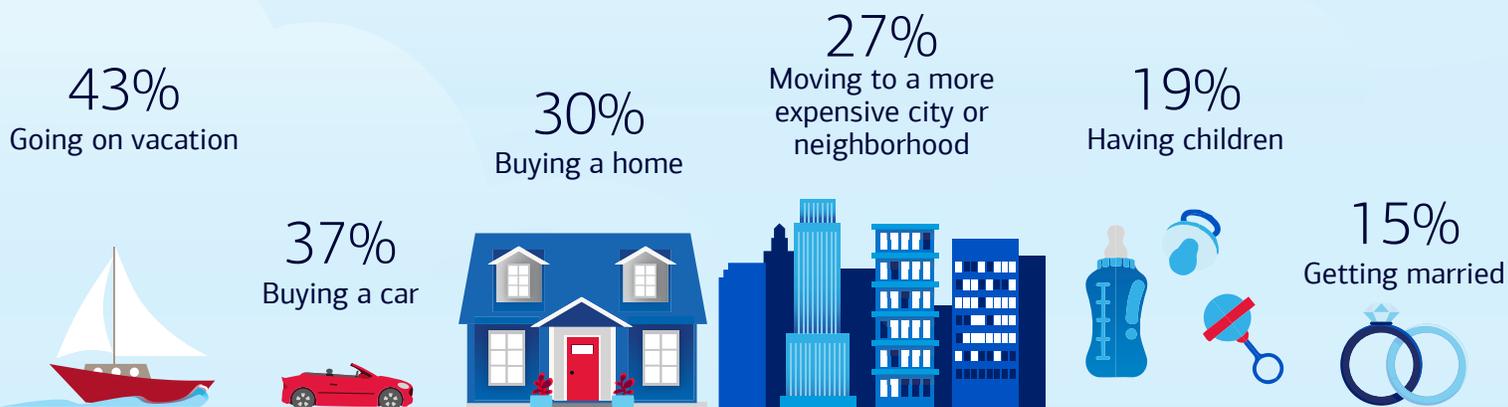
Another source of concern – debt. Seventy-three percent of mass affluent Americans of all ages are carrying around debt. Excluding mortgages, the types of debt respondents are dealing with the most include credit cards (43 percent), auto loans (36 percent), student loans (20 percent) and personal loans (15 percent). Forty-six percent of respondents with debt owe more than \$20,000, while 18 percent currently owe \$50,000 or more.

In order to pay off more debt, 68 percent of Americans are delaying or abstaining from certain activities and life milestones, including going on vacation (43 percent), buying a car (37 percent), buying a home (30 percent), moving to a more expensive city or neighborhood (27 percent), having children (19 percent) and getting married (15 percent).

Despite their debt, a growing number of Americans are aligning their spending with their values. When given the choice between two retailers selling an identical product, 42 percent of respondents are willing to spend more money at a retailer whose core values align with their own. And 2 in 5 Americans would stop buying products from companies whose values fundamentally conflict with their own.

## Debtor nation

In order to pay off debt, 68% of Americans have purposefully delayed or abstained from certain activities or life milestones, including:



## CAN'T TAKE IT WITH YOU: The great wealth transfer

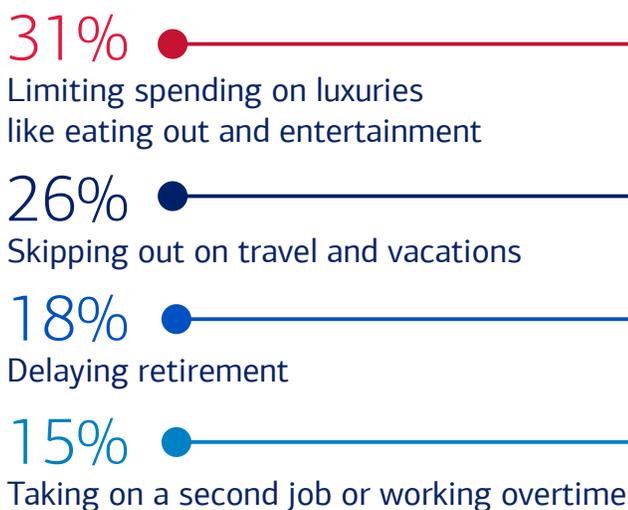
With one of the largest generational wealth transfers in history on the horizon, nearly all Americans agree they want to leave money and other assets behind, including to their children (59 percent), spouse/partner (54 percent), siblings (17 percent), and nonprofits/charities (17 percent). However, 64 percent of respondents do not have a formal estate plan in place, including seniors (46 percent) and baby boomers (59 percent).

Thirty-nine percent of Americans expect to inherit or already have inherited all or part of their family's estates, including cash (68 percent), personal property (57 percent), real estate (53 percent) and securities (41 percent). And 58 percent say their financial stability and lifestyle would benefit significantly or only be made possible by an inheritance from their family.

Today's parents agree it is important they leave a legacy for their children, but they are divided on the approach. Thirty-eight percent of parents are making sacrifices to their lifestyle to leave behind a more substantial estate, including cutting back on dining out and entertainment (31 percent), reducing their travel and vacations (26 percent), delaying retirement (18 percent) and taking on a second job or working longer hours (15 percent). One in three parents are even asking "why wait?" and would rather transfer wealth to their children now, instead of waiting until they are gone.

### All in the family

81% of current or future parents say it is important to leave an inheritance to their children. And 38% are making sacrifices to their lifestyle now so they can leave behind a more substantial estate. Sacrifices include:



**92%** of all respondents want to leave money and other assets behind, but **64%** do not have a formal estate plan in place, including almost half of seniors (**46%**) and over half of baby boomers (**59%**).

# <sup>1</sup>Methodology

Concentrix (an independent market research company) conducted a nationally representative, panel-sample online survey on behalf of Merrill Edge April 17-May 9, 2019. The survey consisted of 1,000 mass affluent respondents throughout the U.S. Respondents in the study were defined as aged 18 to 23 (Gen Z) with investable assets between \$50,000 and \$250,000 or those aged 18 to 23 who have investable assets between \$20,000 and \$50,000 with an annual income of at least \$50,000; or aged 24-plus with investable assets between \$50,000 and \$250,000. For this purpose, investable assets consist of the value of all cash, savings, mutual funds, CDs, IRAs, stocks, bonds and all other types of investments such as a 401(k), 403(B), and Roth IRA, but excluding primary home and other real estate investments. We conducted an oversampling of 300 mass affluents in Atlanta. The margin of error is +/- 3.1 percent for the national sample and about +/- 5.6 percent for the oversample market, reported at a 95 percent confidence level.

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