Data Sheet: Young Adult Financial Well-Being

Data and Methods

In late July and early August of 2022, Young Invincibles conducted a survey of Amercan young adults, 1,964 of whom were between the ages of 18 and 25. The survey represents a blend of probability- and opt-in panel sampling, weighted to Census demographics. Questions asked about financial attitudes, behavior, and current well-being.

Statistics reported below reflect a combination of results from this survey, along with Young Invincibles' analysis of benchmark publicly-available data sources, including the Census Household Pulse survey (Census), the Current Population Survey (CPS), and some data from the FINRA Investor Foundation's National Financial Capabilities Survey. Statistics derived from Census and CPS data sources are estimated using replicate weights provided.

Most young adults in America do not have stable access to financial security, nor to the conditions that support it.

Debt: Schools, Hospitals, and Credit Cards

Today's young adults hold considerable debt during a period of their lives when incomes and savings are often insufficient to support expenses like education and health care, both of which cause frequent and substantial burdens. High debt is also making it harder for young adults to increase their net wealth. As they pay off credit cards, student loans, and medical debt they are depleting savings and reducing their ability to purchase homes or invest in retirement savings.

- According to Young Invincibles' summer 2022 survey, 64% of young adults with a college degree reported having taken on some amount of student loan debt. 81% of those young adults reported still holding student debt at the time of the survey.
- The median reported young adult debt load among survey respondents with some student debt and a college degree was $20,000. Among debt-holders with no degree, median reported debt was $5,000.
- 16% of respondents reported taking money out of retirement, college, or other long-term savings in order to cover medical expenses.
- 82% of young people report feeling that taking on debt is appropriate to cover medical expenses.
- 18% reported having taken on credit card debt in order to finance medical expenses over the previous year, with another 9% reporting borrowing from a payday lender, and another 10% reporting taking on some other type of loan. 35% reported borrowing from friends or family to cover medical expenses.
- Credit card balances and (to a lesser extent) auto loans also figure prominently in the picture of young adult debt. 26% of survey respondents reported holding credit card debt after making their most recent payment. Among debt holders, respondents reported a median balance of $960, with a mean balance of $2,119.
- 17% of respondents reported having outstanding balances on installment loans to pay for a vehicle. These debt holders reported a median outstanding balance of $7,000, and a mean balance of $9,894.

Savings: More Needed

Data from Young Invincibles suggest that savings behavior among young people is far from universal, with more than a quarter of young adults having no savings account at all, and with account holders maintaining modest balances.

- In Young Invincibles' 2022 survey, 84% of young adults 18-25 reported having a checking account. 73% reported having a savings account.
- Among 18-25-year-olds, Black survey respondents were 6 percentage points less likely than their white counterparts to have a savings account.
- Among savings account holders, white young adults reported a median account balance of $1,620. Black young adults reported a median balance of $680.
- 11% of young adults reported owning mutual funds, while 27% reported owning stock.
- 30% of young adults reported having some type of life insurance.[1]

Lack of basic financial stability is the most urgent and fundamental barrier to financial security for young adults

Retirement Savings

According to Young Invincibles' survey, 28% of young adult respondents reported holding some type of quasi-liquid retirement account.

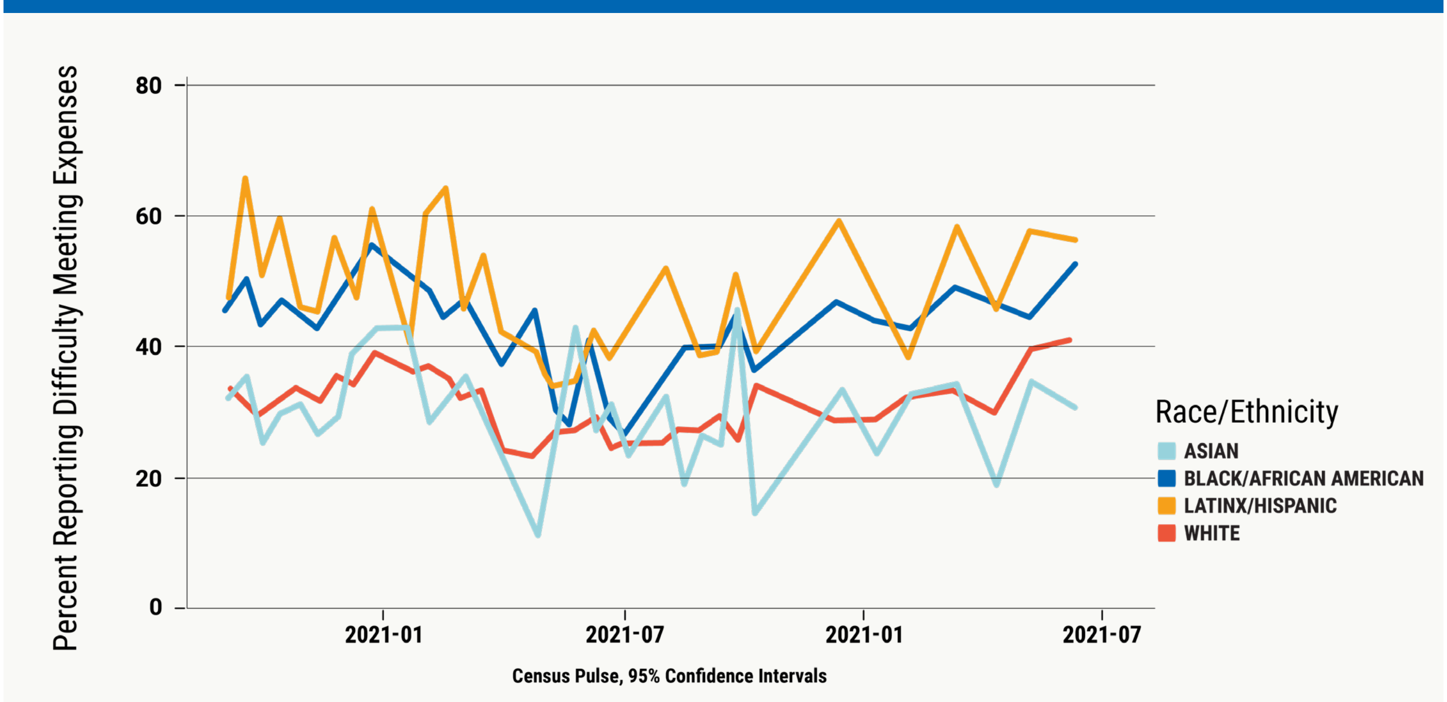
- Among white respondents this rate was 30%. Among Latinx respondents it was 26%. Among Black respondents it was 24%.
- Among those currently working, 36% reported holding such an account.
- 73% of those with retirement savings had a 401(k) or 403(b) account, either exclusively or in combination with other investment vehicles.
- Among employed young adults, 58% of those with a college degree or higher reported holding quasi-liquid retirement savings. For those with some college or a vocational or two-year degree, that number was 33%. For those with a high school diploma or less, that number was 28%.

Basic Needs: Basically Unequal

In the long run, young adults' ability to save for emergencies, grow wealth, and achieve financial stability will depend on their ability to consistently meet basic needs and pay their bills. General difficulties meeting monthly expenses denies too many young adults an opportunity to build wealth and savings. Young Invincibles analysis of Census data from American households navigating pandemic and post-pandemic America highlight numerous inequities and challenges in basic needs access for young adults, including:

- Regular food insufficiency, which affects nearly 1 in 7 young adults, and;
- Lack of child care, for which 1 in 4 Black young adults lack resources.

Expense Difficulties
Ages 18-25



Monthly Budgets: Frayed Ends, No Meeting

As might be expected from the degree of employment and income disruption seen during and after the early pandemic months, Census data suggest large numbers of 18-25-year-olds have consistent difficulties meeting core expenses. Such concerns diminished slightly as the earliest pandemic-related economic shocks receded in 2021, only to tick back upward as inflation eroded the purchasing power of young adult earnings.

According to the Census, non-white young adults have consistently reported more significant expense difficulties than their white counterparts:

- 48% of Black and 43% of Latinx young adult respondents between 2020 and 2022 reporting difficulty meeting basic monthly expenses. This contrasts with 31% of white young adults who said the same thing over the same period.

Food Security: Empty Tables

- According to the Census, nearly a quarter (24%) of Black young adults reported some degree of food insufficiency over the 2020 - 2022 period.[2]

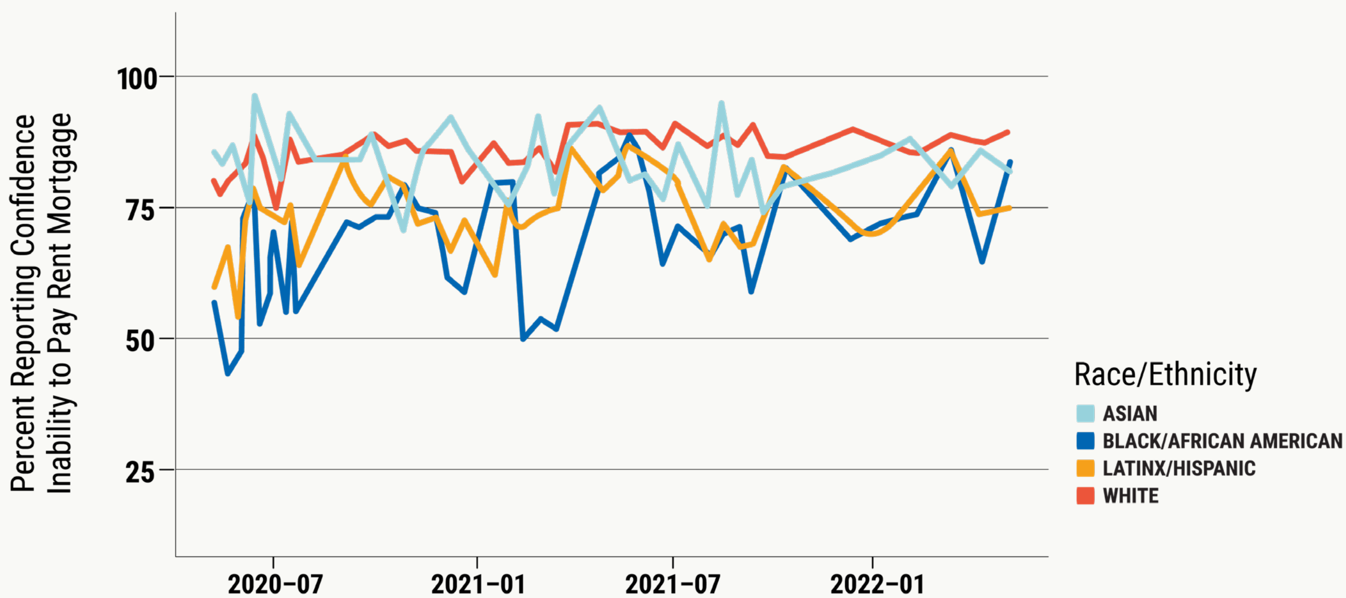
- Census surveys indicate 14% of Latinx young adults, and 11% of white young adults also reported sometimes or frequently not having enough to eat over these same years.

- Young adult respondents in July and August of 2022 reported spending an average of $278 on groceries over the course of the month.[3]

Rent and the Housing Market: Costs Go Vertical

According to the Census, in the early months of the pandemic, Black and Latinx young adult households were more likely than their white counterparts to report missing or being late with a rent or mortgage payment.[4] Among white young adult households, by contrast, the pandemic did not coincide with a particularly sharp increase in concern over the ability to remain in stable housing.[5]

Rent/Mortgage Confidence
Ages 18-25



Census Pulse, 95% Confidence Intervals

Lack of financial stability is a major barrier to opportunity pathways

- According to Young Invincibles' recent survey, 61% of young adults overall reported being renters. 66% of Black young adults rented, in contrast with 63% of Latinx respondents and 59% of white respondents. Young adults of color were most severely affected by volatility in the rental market.

- Among respondents to an original nationally-representative survey conducted in July and August of 2022 by Young Invincibles, 18-25-year-olds who rented their living space reported personally paying a median of $800 per month in rent.[6]

- Census data is that, throughout the 2020 - 2022 period, only 65% of Black young adults expressed confidence in their ability to pay their rent or make mortgage payments. 85% of white young adults said they had such confidence.

- Recent years have also seen sharp increases in the month-to-month cost of housing. The median national rent, which remained fairly stable during 2020, rose to $2,002 in May of 2022, representing nearly a 7% year-over-year increase.[7] This has hit young adults especially hard, as roughly three quarters of young adult householders under the age of 25 rent their homes.[8]

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In addition to imposing pain and economic dislocation in its own right, the lack of financial stability poses a major barrier to career development and opportunity pathways for American young adults.

Young Adult Disconnection from the Labor Force

A concerning number of young adults have either dropped out of or failed to enter the labor force entirely. Such disconnection from the labor market at such an early stage in career development can have serious long-term consequences for the ability of soon-to-be-less-young adults to build financial stability and satisfying, remunerative careers.

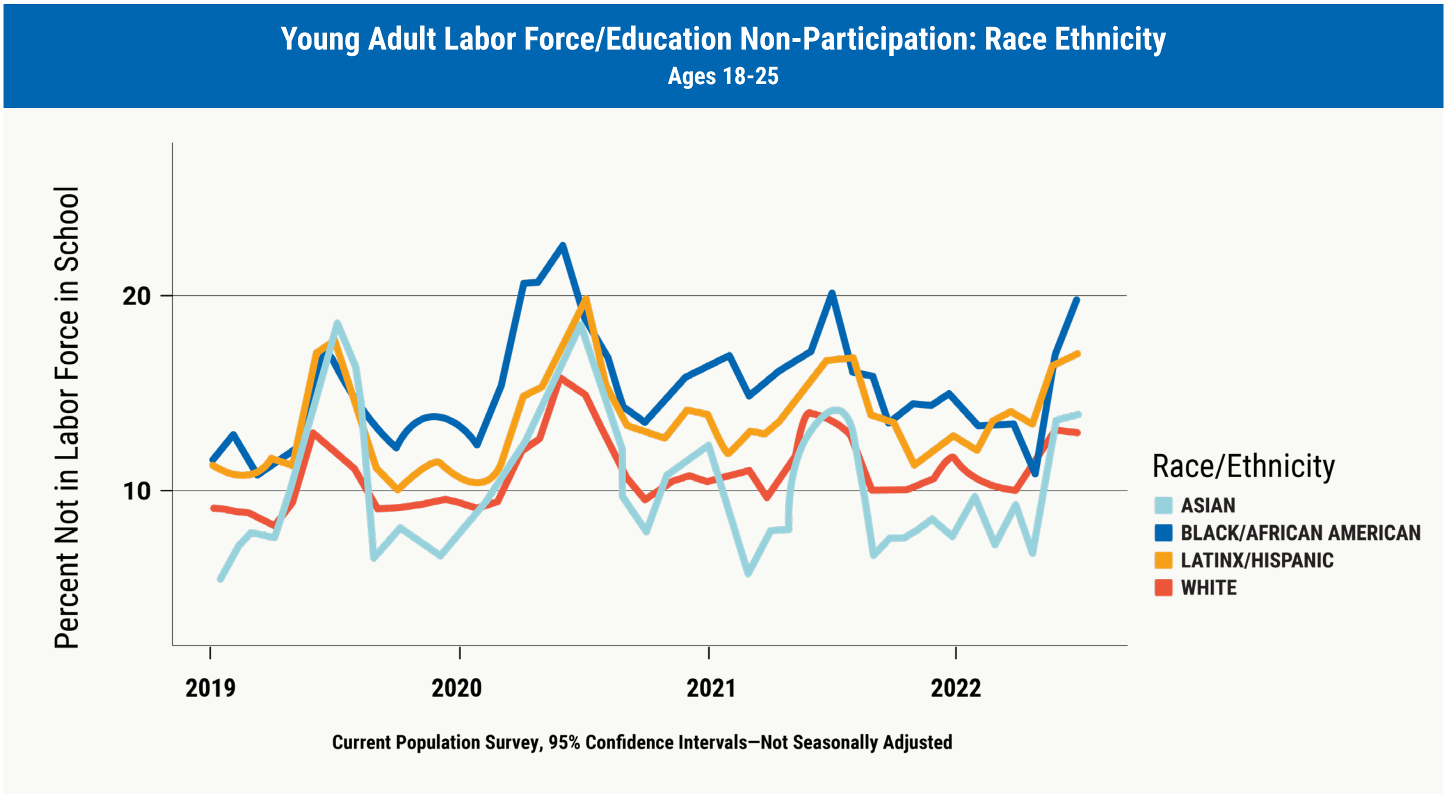
Many adults who are not in the labor market have a good reason for this disconnection - they are in school full-time, and thus are neither working nor looking for work.[9] More concerning are the troublingly high number of young people who are neither engaged in education or training, nor have a job, nor are looking for one.

Data from the Current Population Survey suggest this labor market disconnection is racially skewed:

- Black and Latinx young adults are especially likely to find themselves cut off from either work or career development opportunities.

- Among young adults who lack formal credentials beyond a high school diploma, these disparities are especially stark.

- There are gender dynamics at work as well, with young women facing particular challenges connecting and remaining connected with work and education.



If not addressed, these disparities threaten to compound with time and contribute to stubbornly-persistent race and gender gaps in wealth, income, and intergenerational economic mobility. Occupational segregation also plays a pivotal role in determining a young adult's career. From the moment they enter higher education and the labor market they are segregated into career fields based on their wealth, race, and gender. This data from the Current Population Survey demonstrate that occupation segregation continues to thrive in this economy and career pathways still are not truly equitable.

Lack of Child Care—A Major Barrier to Employment

Child care is one of the most expensive and difficult-to-manage basic needs for young parents in the United States. The difficulty of finding child care that is high quality, affordable, and available has kept many young people from pursuing work and education, and severely disrupted overall financial stability. Child care is particularly important for women and women of color.

- Census data suggest that, during 2020, 13% of young adults not working who had children in their household specifically cited child care as the main reason for their unemployment.
- 19% of young adult women point to lack of child care as the reason they are not in the labor force.
- 9% (12% for women) of those who reported a household member changing higher education plans also cited pandemic disruptions in the availability of care as a reason for their shift.
- Among respondents to a Young Invincibles survey, 18-25-year-olds with one or more children who reported paying for child care paid a monthly median of $177 for daycare, and $107 for babysitters or other kinds of at-home child care.[10]

Another major barrier to opportunity pathways is the cost of post-secondary education

The pandemic emergency was associated with additional disruptions to postsecondary educational plans for 18-25-year-olds, over and above the issue of expense. Expenses, though, whether in the form of tuition bills, inadequate financial aid, or the prospect of unsustainable debt, continue to hamper young adults' career opportunity development. Increased "learn while you work" opportunities could create an alternative path through higher education while building beneficial work related skills.

- According to Young Invincibles' summer 2022 survey, 64% of young adults with a college degree reported having taken on some amount of student loan debt.
- 81% of those young adults reported still holding student debt at the time of the survey.
- In 2021, well past the initial pandemic shock, just under a third (32%) of Americans aged 18-25 with a household member pursuing or planning to pursue higher education reported to the Census that those education plans had changed.
- In 2021, 23% of young adults whose plans changed cited pandemic-related changes to their household income as a disruptive factor.
- Young people of color were especially likely to cite changes in financial aid as reasons for shifting educational plans.
- 20% of Latinx young adult respondents and 21% of Black young adult respondents whose educational plans changed blamed pandemic-era shifts in financial aid. This contrasts with 15% of their white counterparts.

Lack of financial, educational, and career advising and mentoring is a barrier to young adult financial security

Young adult Americans are, not surprisingly, less experienced with the complexities and nuances of financial decision making than their older counterparts. While the core financial challenges facing young people stem from broad macroeconomic trends, including wealth inequality, costly basic needs, unequal incomes, and a tight housing market, young people do need better and more comprehensive financial education and training in order to make the best possible choices.

Additionally, making simple changes to metrics for success in high school and higher education career counseling could shift how young adults view the labor market. At the high school level, success is measured in graduation rates and college admissions, technical school admissions are rarely considered in those metrics. Shifting these expectations of career counselors could introduce more young adults to alternative careers with good pay and benefits.

- According to Young Invincibles' survey, 28% of young people were comfortable with debt to finance a vacation.
- 79% of young people were comfortable with debt to finance living expenses when income is cut.
- 70% were comfortable with debt to finance the purchase of a car.
- 80% were comfortable with debt to finance educational expenses.
- 83% were comfortable with debt to finance medical expenses.

- In a 2021 survey, adults ages 18-24 scored lowest of all age groups on a series of seven questions designed to test financial literacy.[11]
- In 2021, young adults got an average of 4.08 right out of 7 total questions asked. The national average as a whole was 4.99, with respondents 65 and older scoring 5.55.
- Young adults of color emerge into adulthood especially ill-equipped in this regard (answering an average of 3.82 questions correctly in contrast to 4.55 among white-identifying respondents), which could have serious consequences for racial gaps in financial well-being.

All of this suggests the need for deeper and more comprehensive access to financial counseling, financial literacy, and career counseling early in life, such that young adults have the information they need to make the best decisions for their futures.

Endnotes

1. The YI survey does not disaggregate life insurance by source - i.e. workplace-based, individual, or both. Market data for 2022 collected by LIMRA and Life Happens suggest that roughly 3 in 5 Americans covered by life insurance buy their own policy, 1 in 5 are covered by a workplace policy, and 1 in 5 have both forms of coverage. Workplace-based insurance - either alone or in conjunction with an individual policy - represents a larger overall share of the market among younger age groups. See Scanlon, Leyes, and Wood, "2022 Insurance Barometer Study" at https://portal.equitable.com/appentry/EDoxRedirect?node_id=A2020082700016.

2. The Census Household Pulse Survey asks limited questions about food access over the previous 7 days. This contrasts with the annual approach, with a much wider question base, used by the USDA to rate overall food insecurity in the United States. This slightly narrower measure of food insufficiency nevertheless provides a crucial and up-to-date snapshot about individual food sufficiency and access over the course of the Covid-19 pandemic. For more information see: https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-u-s/measurement/

3. Survey respondents were asked to provide open-ended estimates of several types of monthly personal expenses, including groceries. Numbers reported here reflect weighted survey respondents who reported spending any money on groceries.

4. Self-reported late rent or mortgage payments in the Census Household Pulse survey show 22% of Black young adults reported missing or being late with a rent or mortgage payment. 13% of Latinx young adults and 11% of white young adults reported the same during the 2020 - 2022 period.

5. Analysis of the Census Household Pulse Survey

6. This analysis reflects personal, rather than household-level rent expenses among 18-25-year-old renters who reported paying more than $0 in monthly rent.

7. https://www.redfin.com/news/redfin-rental-report-may-2022/

8. "Table 15. Annual Estimates of the Housing Inventory by Age of Householder and Family Status: 1982 to Present" https://www.census.gov/housing/hvs/data/histtab15.xlsx

9. It bears noting that, per recent trends, more than 2 in 5 full-time undergraduates and 4 in 5 part-time undergraduates do in fact engage in paid work during their studies. See: https://www.aaup.org/article/recognizing-reality-working-college-students#.YyS0vnbMKM8

10. Survey respondents were asked to provide open-ended estimates of several types of monthly personal expenses, including different forms of child care.

11. This reflects Young Invincibles' analysis of 2021 data from the FINRA Investor Foundation's National Financial Capabilities Survey.