

Young Adult Financial Literacy Study

August 2018

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Purpose

As part of a long-standing commitment to financial education, Charles Schwab periodically conducts research to better understand people's attitudes and behaviors about money. The current study among young adults was designed to:

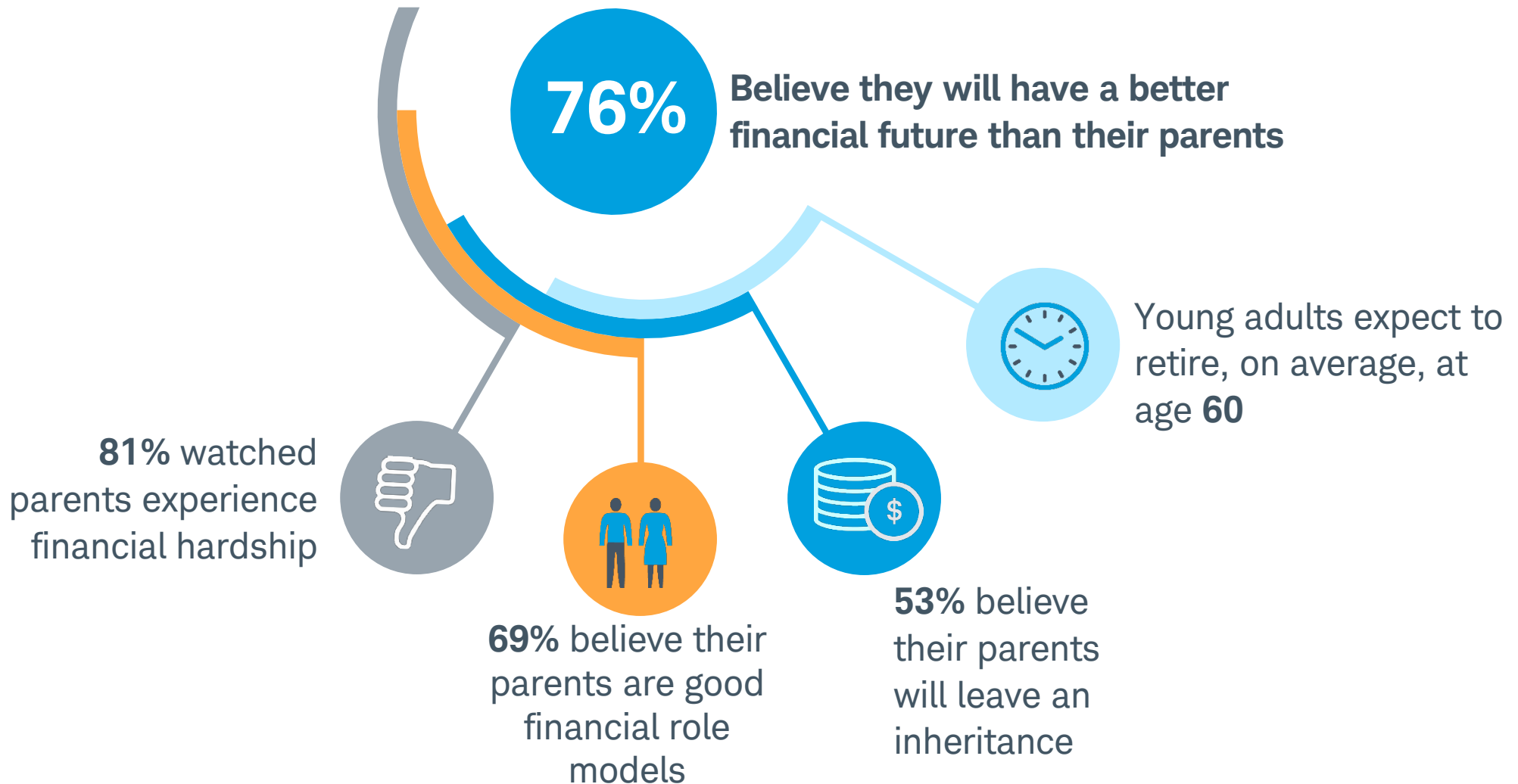
- Understand the financial behaviors and attitudes of young adults.
- Provide insights to help young adults make smart financial decisions.
- Gauge the financial literacy of young adults and identify opportunities for Schwab to enhance financial education for this group.

Approach

How? 12 minute online survey fielded between June 12 and June 20, 2018
by independent research firm Logica Research (formerly Koski Research)

Who? 2,000 U.S. young adults ages 16-25
*1,000 between 16 and 20 and 1,000 between ages 21-25.
balanced on age, geography and ethnicity*

High financial optimism despite experiential and tangible barriers



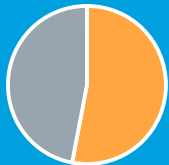
Young Adults
are
Optimistic

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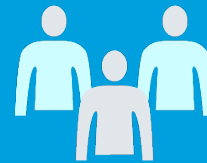
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Young adults are optimistic about their financial futures

76% agree that their financial futures will be better than their parents'



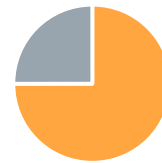
53% believe their parents will leave them an inheritance



On average young adults expect to retire at **60** years of age

Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)

Financial independence is important



75% have the goal of becoming financially independent

Financial independence is the definition of success for nearly half of people



63% Defined financial independence as not relying on others for money

“Not having to rely on others to help you pay for things.”

“Someone who can handle money on their own and doesn't need help.”

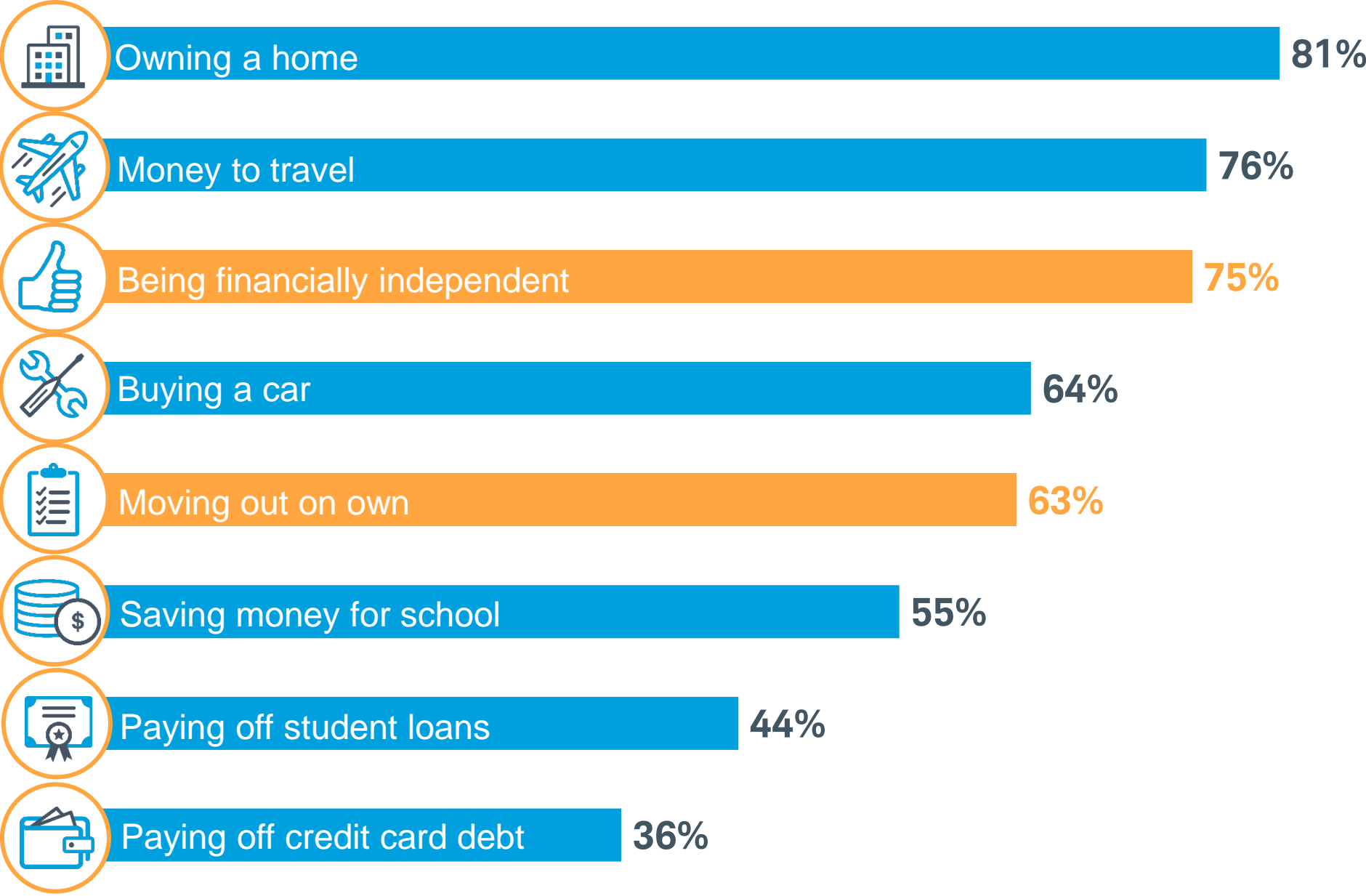
“That you don't have to rely on family and friends for constant financial support.”

Q27. Do you have any of the following financial goals? (Base: Total=2,000)

Q22. Which of the following comes closest to your personal definition of financial success? (Base: Total=2,000)

Q25. What does it mean for someone to be financially independent? Please define “financial independence” in your own words. (Base: Total=2,000)

Young adults have many financial goals—including being financially independent



For many, financial independence is several years into the future

20% Are already financially independent

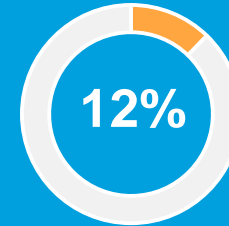
5 years If not financially independent, young adults anticipate financial independence is 5 years from now



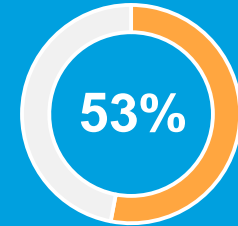
The age 16-20 year olds expect to become financially independent



The age 21-25 year olds expect to become financially independent



Expect to be supported by parents indefinitely



Expect an inheritance from their parents

Q26. At what age do you think you will be financially independent? When we say *financially independent* in this question, we mean no longer receiving any money from your parents to help pay for things you need. (Base: Total=2,000)

Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)

Young adults also understand they need to be disciplined and work to achieve their goals

What young adults say is important to achieving goals...



85%
Saving money



83%
Working



80%
Building a career



77%
Managing to a budget



70%
Educating themselves about money



70%
Putting together a financial plan



66%
Studying to have a career

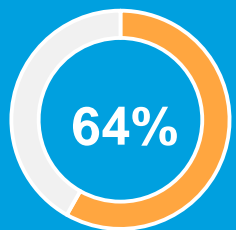


51%
Investing

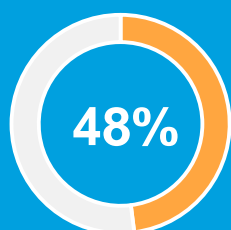
Q29. How important are each of the following things in order to reach your goals? (Base: Total=2,000)

They take steps to manage and save their money

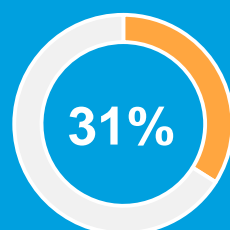
 **67%** Two-thirds are working



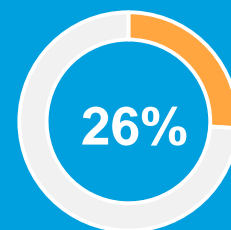
Decided to hold off on buying something I wanted so I could save money



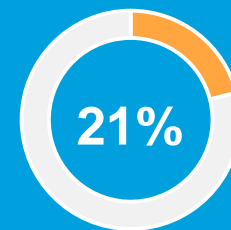
Chose to work more so I could make more money



Chose not to go on vacation or travel to save money



Took on extra or side job in order to make ends meet



Sold possessions to cover a bill or because I have no money

Q1. How do you get the money you have today? (Base: Total=2,000)
Q12. In the past year, have you done any of the following? (Base: Total=2,000)

Young adults monitor their money



66% Say they track their money

49% check their
bank account
balances

20% have an app
on their phone that
they use to track
money

Q6. How, if at all, do you keep track of your money? (Base: Total=2,000)

Challenges for Optimistic Future

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Young adults are having trouble making ends meet

43% have borrowed money from parents in the past year to pay for necessities

3 in 10 have had to skip a meal due to low or no money



25% Have borrowed money from friends

Q11. In the past year, have you done any of the following? (Base: Total=2,000)

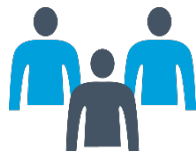
They may need help saving money



85% identify saving money as important to achieving goals



49% of young adults have saved less than \$250; on average, young adults have \$1,628 saved



37% say they would put an extra \$1,000 in savings

Q29. How important are each of the following things in order to reach your goals? (Base: Total=2,000)

Q14. How much money do you currently have saved (this can be at home, in a bank, or elsewhere)? (Base: Total=2,000)

Q10. If you instantly had an extra \$1,000 that you could do whatever you want with, what would you do with it? (Base: Total=2,000)

Half of young adults have substantial debt



51% have some type of debt

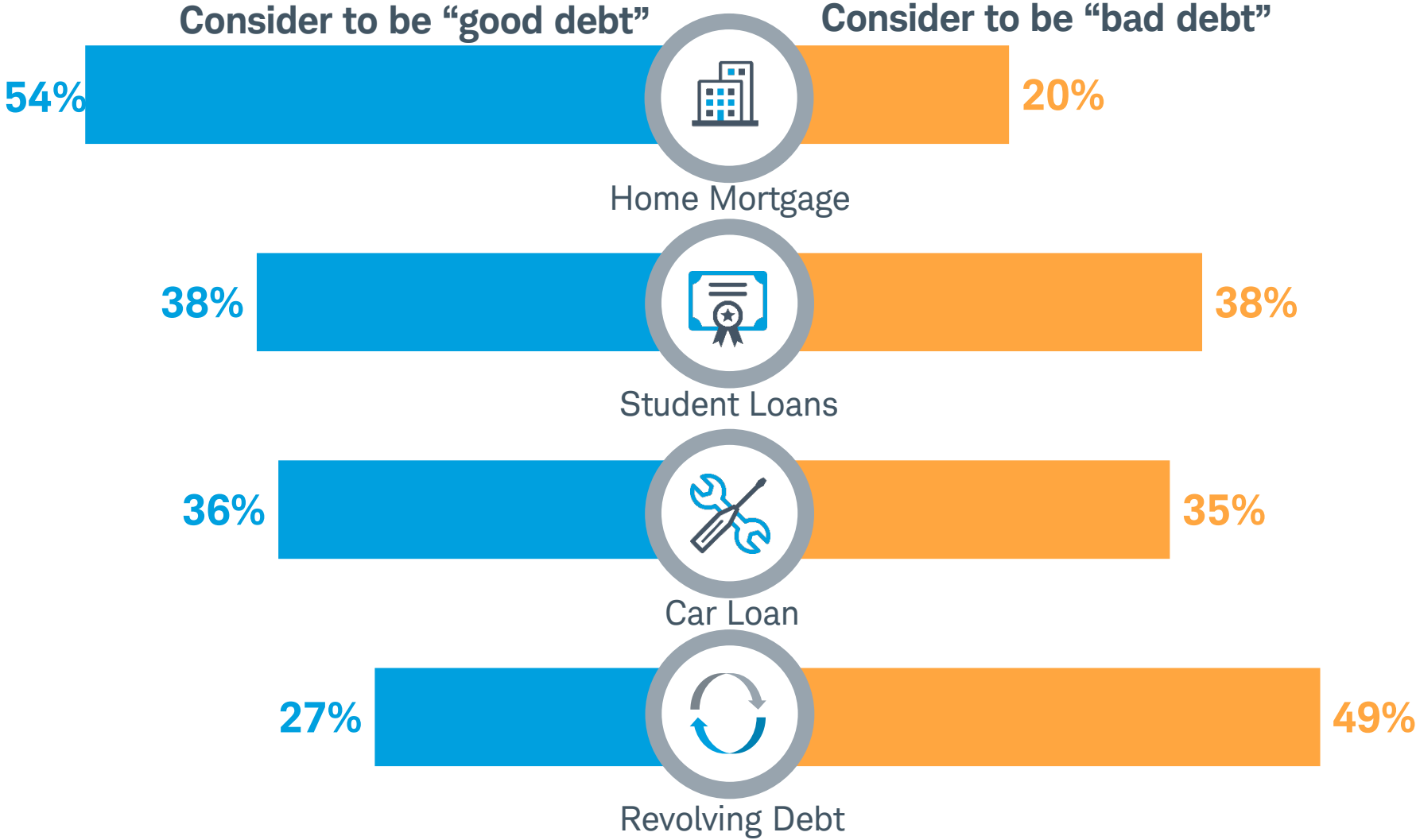
Average amount of debt: \$8,000

Only 3% would pay down debt if given an extra \$1,000

Q15. How much debt do you currently owe? (Base: Total=2,000)

Q10. If you instantly had an extra \$1,000 that you could do whatever you want with, what would you do with it? (Base: Total=2,000)

They may not know when to take on debt



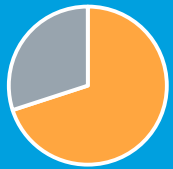
Q31. Which of the following do you think best describes the following types of debt? (Base: Total=2,000)

How to Help Young Adults Achieve Goals

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Learning about money is important to achieving goals



70%

Say that educating themselves about money is important to achieving goals

Q29. How important are each of the following things in order to reach your goals? (Base: Total=2,000)

Young adults face obstacles to achieving goals

What young adults say the barrier is to achieving their goals...



50% Earning money



38% Saving money



30% Managing money

Q30. What do you think will be the biggest barriers to reaching your goals? (Base: Total=2,000)

Young adults are interested in getting help in a number of financial areas



71%

How to make money to reach goals



68%

How to keep financial information secure



65%

How to figure out how much is needed for necessities



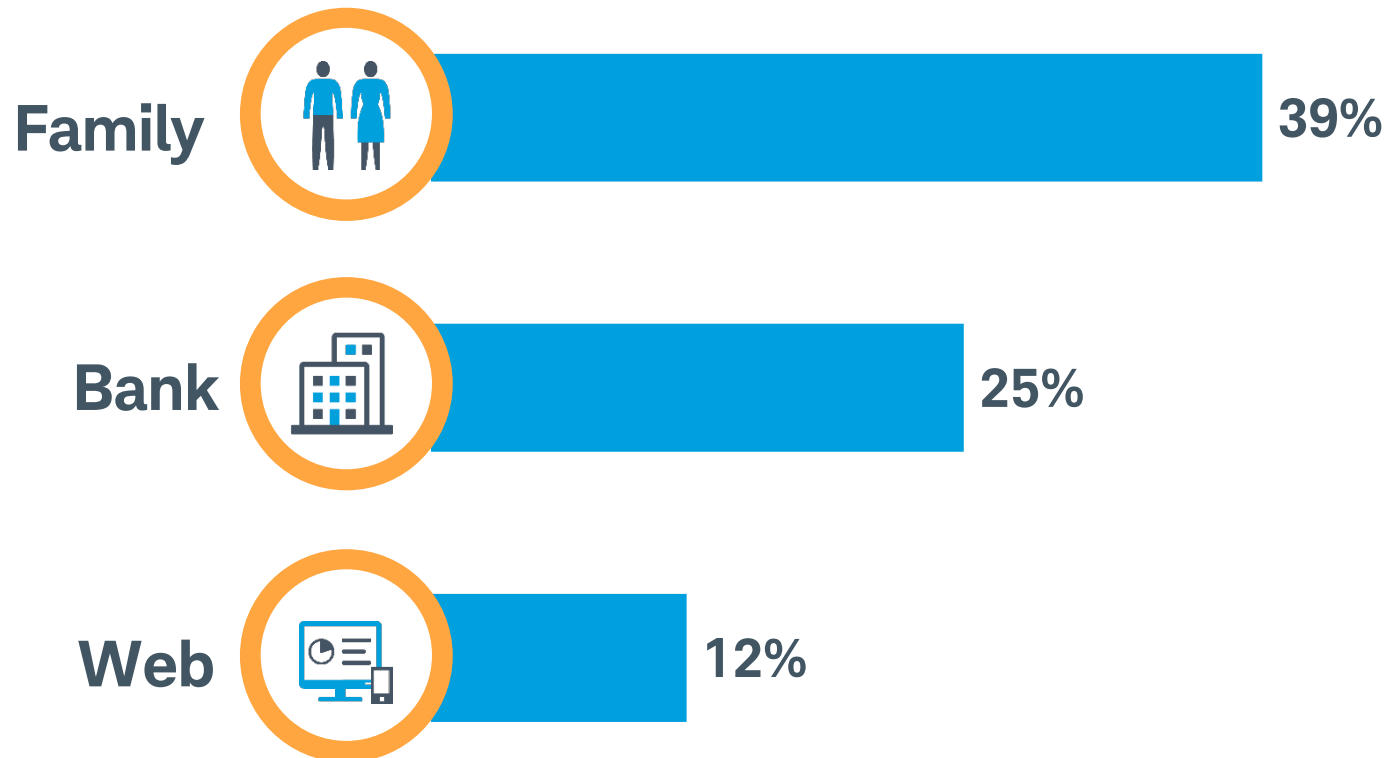
63%

How to build credit

Q33. How interested are you in learning about the following areas? (Base: Total=2,000)

They look to financial institutions and families for financial information

Trust **most** for information on financial topics like saving, budgeting, and investing



Q34. Which of the following do you **trust most** for information about financial stuff, like saving, budgeting, debt and investing? (Base: Total=2,000)

Young adults look to their parents as financial role models



9 in 10 say they learned about money from their parents



81% say their family has experienced financial hardships



69% say their parents are good role models for money



Most young adults say their parents are more likely to talk to them about money than sex (67%) and drugs (56%)

Q17. Which of the following describes how you learned about finances from your parents, if at all? (Base: Total=2,000)

Q19. Please rate how much you agree with the following statements. (Base: Total=2,000)

Thank you

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