

July 22, 2008

## Young People: Living on the Edge

**To:** Qvisory

**From:** Greenberg Quinlan Rosner Research

---

Young people are on the front lines of the economic challenges facing the country and, in many ways, are living on the edge. They are struggling to get by, day-to-day, and putting their long term plans on hold. At a time in their lives when they should be building for their future, the rising cost of living combined with the debt they are carrying make paying bills and making ends meet a source of stress and struggle.

Saving for retirement or buying a house seem unattainable when credit card debt is mounting and filling the gas tank takes a large chunk of the week's paycheck. For those without health insurance, acquiring it is out of the question even though they know that an illness or injury could cause a financial crisis.

Young people simply do not have the same resources as older people: they are less likely to be married with two incomes, or they are just starting out with a young family; they do not have the same kind of job or credit history; and they can expect somewhat limited support from their parents. In fact, parents would rather help their kids pay for their wedding than help them with their credit card debt.

### Young People Are Financially Stressed

Financial concerns top the list of problems facing young adults in their lives today, and these worries have only grown since 2007:

- Last year, 44 percent of young adults cited financial issues as their top concern; now 55 percent say that their finances, the economic squeeze and money are their biggest problems. Young people simply do not believe they have enough money to keep pace with the cost of living. The tag cloud below (figure 1) depicts these concerns graphically, enlarging the words that appear most frequently in young adults' responses.



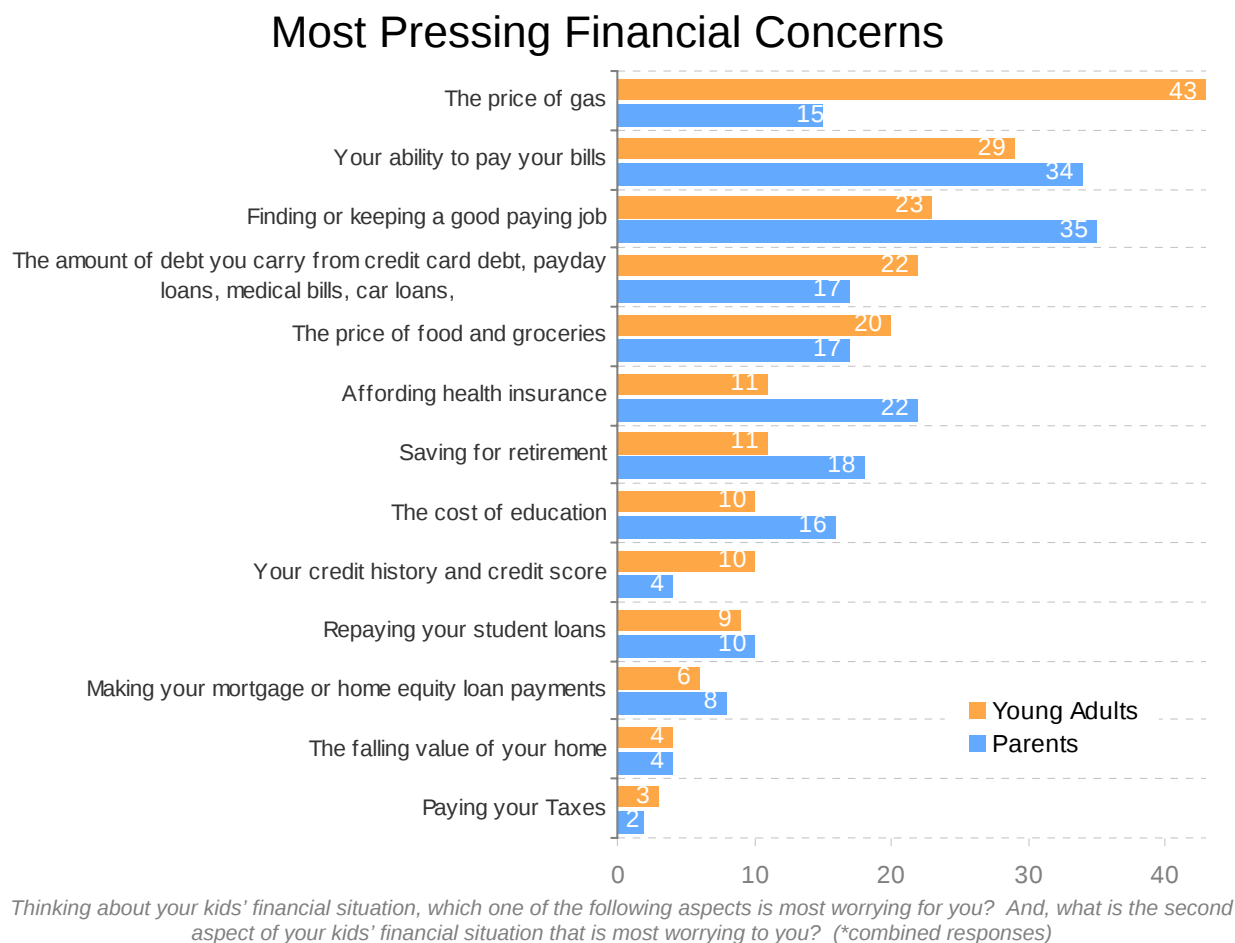
■ **Figure 2:** Tag cloud analysis of parent's perception of their kid's concerns

## Parents: Most Important Problem Their Kids Face



- Parents also have a different perception of the financial issues facing their children. Here again, they are more focused than their children on long term concerns such as finding a good paying job (35 percent), affording health insurance (22 percent), saving for retirement (18 percent) and the cost of an education. Gas prices fall near the bottom of the list at 15 percent, compared to 43 percent for young adults.

**Figure 3:** Pressing financial concerns in young adults' lives (percent responding among young adults and parents regarding each of their adult children)

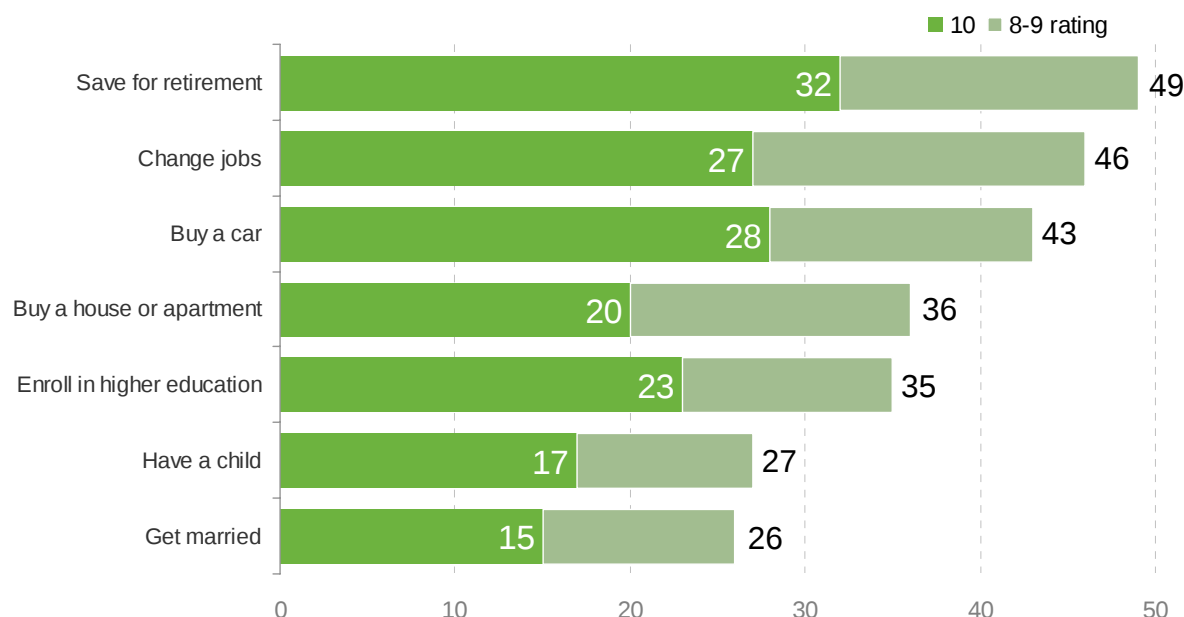


## Young People Are Just Getting By

Between the ages of 18-34, young adults are likely to experience many major life and economic changes – arguably more than at any other time in their life – including graduation from high school or college, a first job, marriage, home ownership, and possibly children. Our survey found that young adults are worried about their financial futures and many have good cause. Not only do young adults face the increasing costs of food and fuel shared by all Americans, they are at a financial turning point in their lives. Roughly 21 percent of young adults are students. They have young families: 52 percent are married or living with a partner, and 45 percent have kids. Of course, like generations that came before them, most have likely not achieved their peak income. At the same time, they are entering their adult lives saddled with debilitating debt and a changing economy that offers fewer stable, good paying jobs, especially for young people without a college education. They simply do not know how they are going to make it all work out.

- Young people face many life-changing events and decisions in their twenties and early thirties. They have dreams of owning a home or getting a higher education, and nearly half think they will change their jobs within the next five years. The financial challenges that young adults face, however, as they look forward to these events are overwhelming, especially in light of their day-to-day struggles to manage their debt and pay their bills.

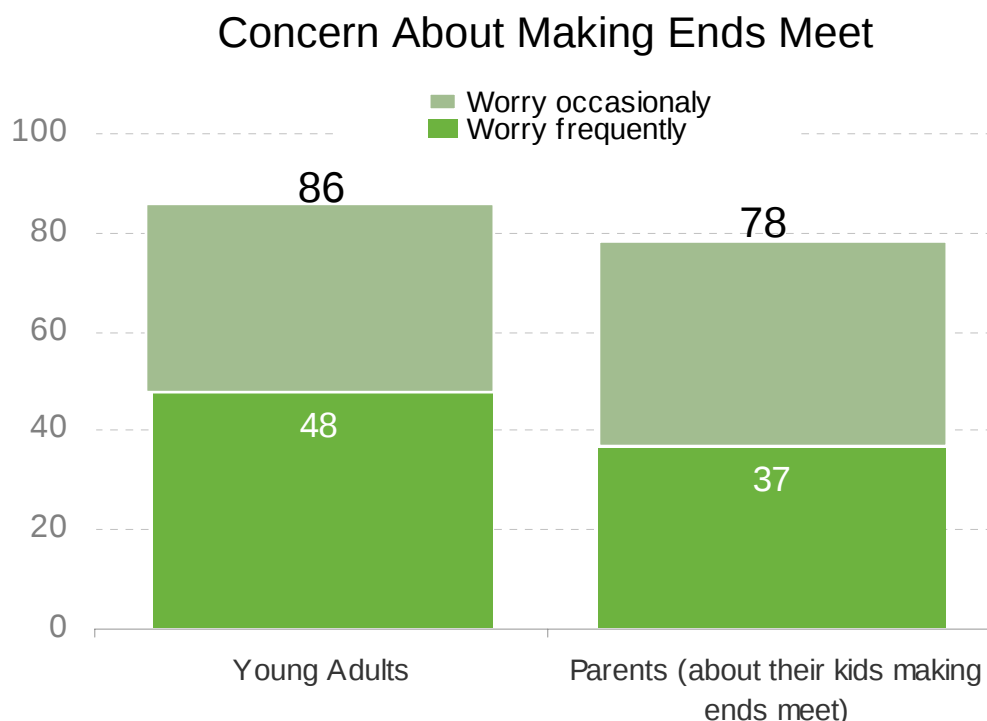
**Figure 4:** Young adults' plans for the future (percent rating 8-10 on a scale of 0 to 10 where 0 means "very unlikely" and 10 means "very likely")



Here is a list of things that some people might do in the next five years. On a scale of 0 to 10, where 0 means "very unlikely" and 10 means "very likely," how likely is it that you will do each of these things?

- Young adults feel financially vulnerable and many have seen the dangers firsthand: nearly two thirds (65 percent) know a young person who is in financial crisis or unable to pay their bills.
- Young people feel a significant amount of stress and worry. Almost half (48 percent) of young people say they frequently worry about having enough money to make ends meet. Parents share this concern about their kids making ends meet, even though young adults are equally – if not more – concerned about their day-to-day financial obligations in general.

■ **Figure 5:** Making ends meet (percent responding among young adults and parents regarding each of their adult children)

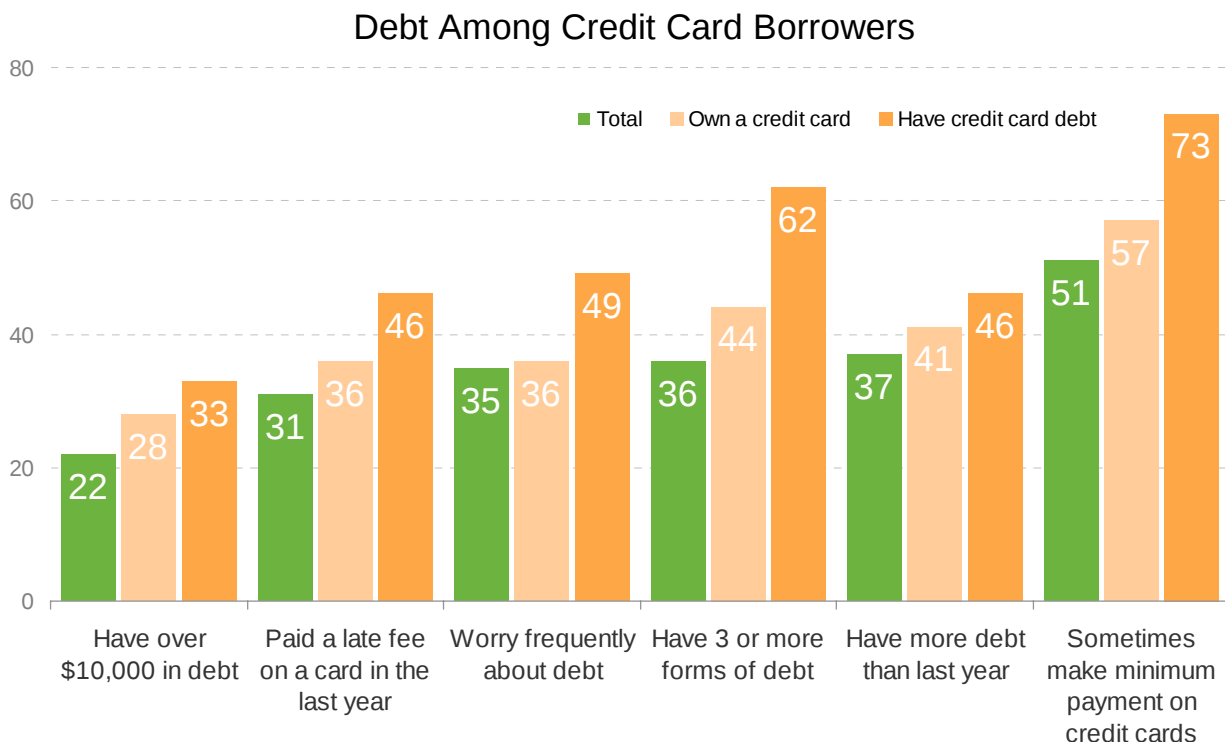


*How often do you worry about having enough money to make ends meet? Do you worry about it frequently, occasionally, rarely, or never?*

- For young adults these struggles are not just psychological. A small, but significant, minority report having their phone, cable or utilities cut off because they failed to pay their bill (19 percent) or have had their credit revoked, including a repossession or card cancellation (15 percent), in the last year. A large number of young people say they only pay the minimum monthly amount on their credit cards (57 percent) or that they have paid a late fee on a card (36 percent) in the past year.<sup>1</sup>
- In fact, young people are relying, at least to some degree, on credit cards to get by financially. Two thirds of young adults report currently having a credit card, and over half of young adults say that they have credit card debt.
- Young people with credit cards (41 percent) are more likely to have accumulated debt in the last year than young adults who do not have a credit card (29 percent). In fact, having credit card debt goes hand-in-hand with having more debt overall. Thirty-three percent of young adults who owe money on their credit cards are over \$10,000 in debt overall compared to 10 percent of young adults without credit card debt; 62 percent of young adults with credit card debt have three or more types of debt in total (most commonly car loans and student loans) compared to 20 percent of young adults without a credit card.

<sup>1</sup> Among credit card holders

**Figure 6:** Debt and credit behaviors by credit card ownership and credit card debt

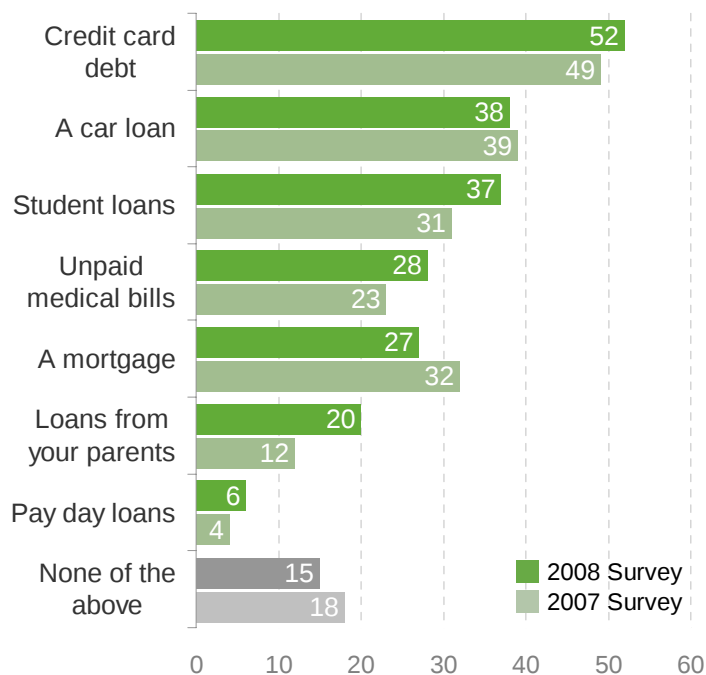


1.) Other than student loans or a mortgage, roughly how much debt do you have? 2.) In the last 12 months, have you paid a late fee for any of your credit cards? 3.) How often do you worry about the debt you have? 4.) Please tell me whether you, personally, have the following: credit card debt, a car loan, student loans, unpaid medical bills, a mortgage, loans from your parents, pay day loans, or none of the above? 5.) Compared to last year, do you now have more debt, the same amount of debt, or less debt? 6.) Do you sometimes only pay the minimum payment on your credit cards?

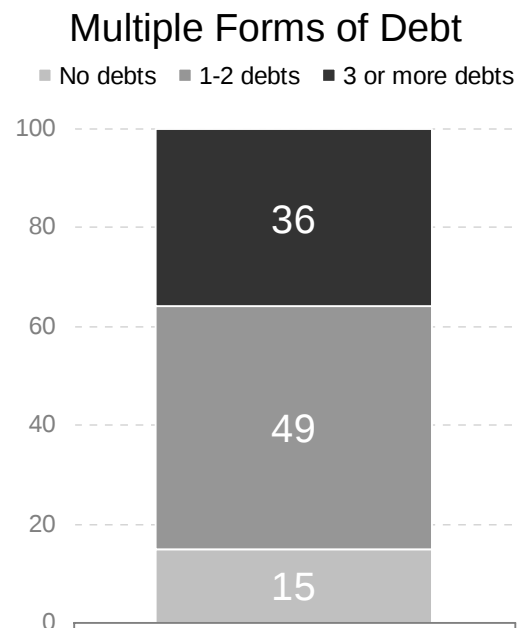
- It is fair to say that young people are drowning in debt. Over a third (37 percent) of young people report that they have more debt than last year; another 38 percent say they have the same amount of debt. Only a quarter say their debt load decreased compared to last year.
- Young adults who are in their twenties are now more likely to owe their parents money than they were just a year ago. Twenty-four percent of young adults ages 19-29 say they currently carry loans from their parents, compared to only 13 percent last year. Young people in their thirties are less likely, overall, to owe their parents money and no more likely to owe them than last year (12 percent currently, versus 11 percent last year).
- Young people are mostly carrying “bad” debt, *not* the kind of debt that is an investment in their future such as student loans. In addition to credit card debt (52 percent), they have car loans (38 percent) and unpaid medical bills (28 percent). Over a third (36 percent) of young adults hold three or more types of debt (including “good” and “bad” types of debt). The amount of “bad” debt held by young people is alarming. Excluding home loans and student loans, 44 percent of young adults carry more than \$5,000 in debt, and almost one quarter (22 percent) owe more than \$10,000.

**Figure 7:** Debt load among young adults

### Credit Card Debt Is Leading Form Of Debt

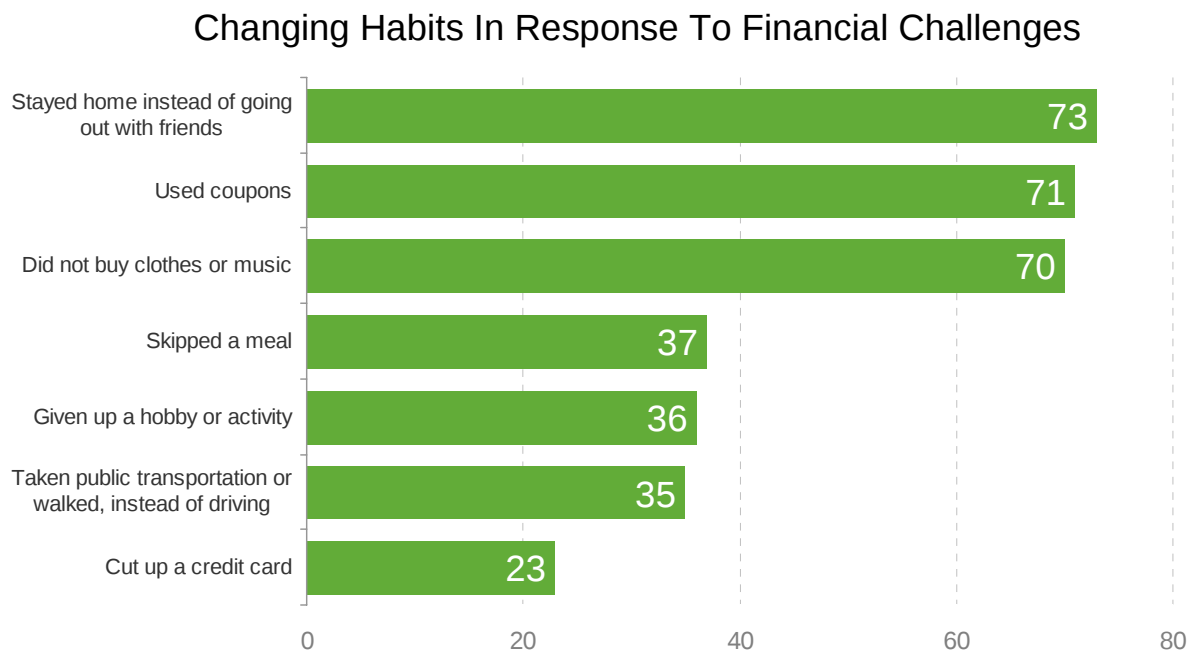


*Please tell me whether you, personally, have the following:*



- Some young people are changing their habits in response to these financial challenges. They may not be canceling their credit cards, but they are staying home instead of going out (73 percent), using coupons (71 percent) and not shopping for clothes or music (70 percent). Some have even skipped a meal (37 percent) or given up a hobby or activity (36 percent).

■ **Figure 8:** Coping with financial challenges



*In the last 12 months, have you taken any of the following actions specifically because you wanted to save money?*

## Healthcare Costs Run Amok

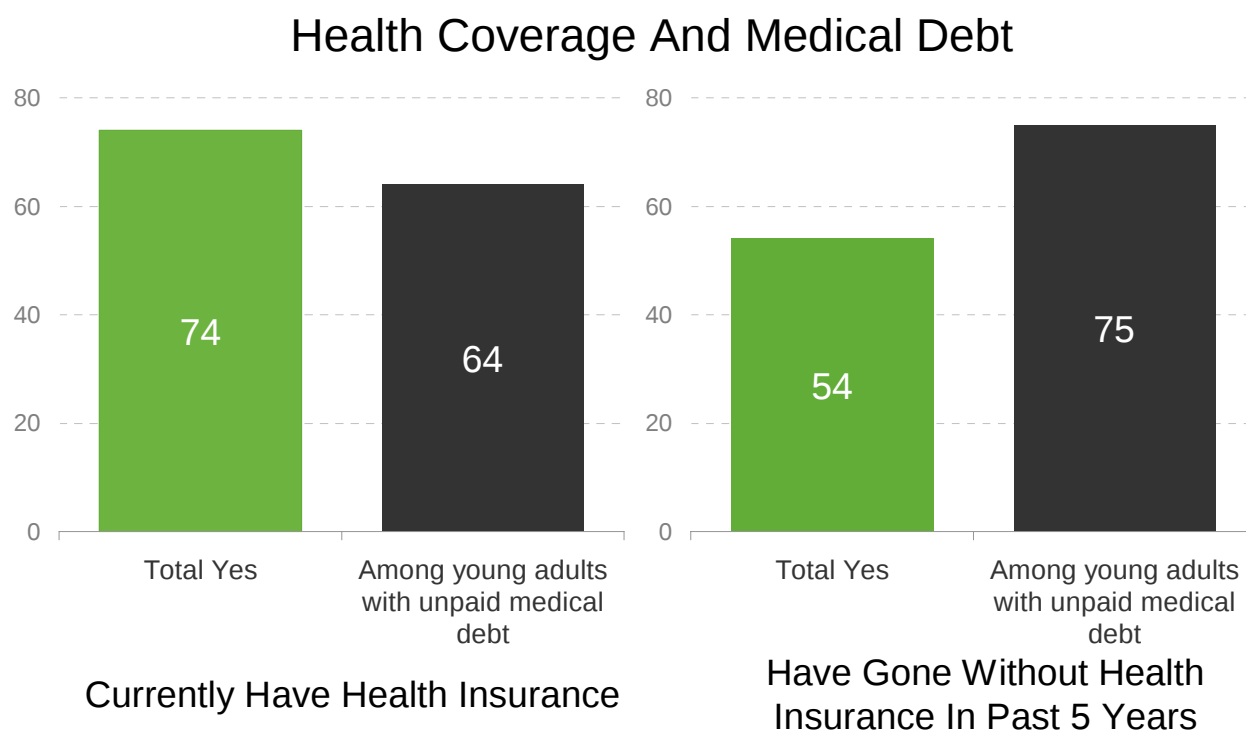
Most young people have health insurance, but a majority have gone without for at least a month in the last 5 years. In the face of significant financial insecurity, young people are also facing growing medical debt with few resources if their employer does not provide insurance. Parents, as we will see below, are relatively unlikely to purchase insurance for their kids. Young adults without insurance are not blasé about this situation – they know that they are one health problem away from financial crisis.

- In the face of immediate financial obligations, other important expenses – like health insurance – take a back seat. Eighty-four percent of young people without health insurance say that they would like to have health insurance, but they have other financial obligations right now; 61 percent say they are unlikely to purchase individual health insurance in the next 5 years.
- Last year, young adults without health insurance indicated that they would likely put money in savings before buying health insurance; 22 percent said they would first put extra money in savings if they could afford to do so. Only 14 percent of adults without insurance said they would first purchase health coverage if they had extra funds. Yet, young adults without health insurance are aware that their lack of coverage places them at the edge of financial crisis, should a health problem arise. They understand there is a risk in going without insurance – 81 percent say that an

illness or injury would be a financial crisis for them and 74 percent worry a great deal about the fact that they do not have health insurance.

- A startling 28 percent of young people say they have medical debt, and debt is not limited to people without health insurance. Sixty-four percent of young adults with unpaid medical bills currently have health insurance (compared to 74 percent overall), but more have gone without health insurance for at least a month in the past five years (75 percent versus 54 percent).

**Figure 9:** Health coverage by total and unpaid medical bills



1.) Do you currently have health insurance? 2.) Have you gone without health insurance for more than a month at any time in the last five years?

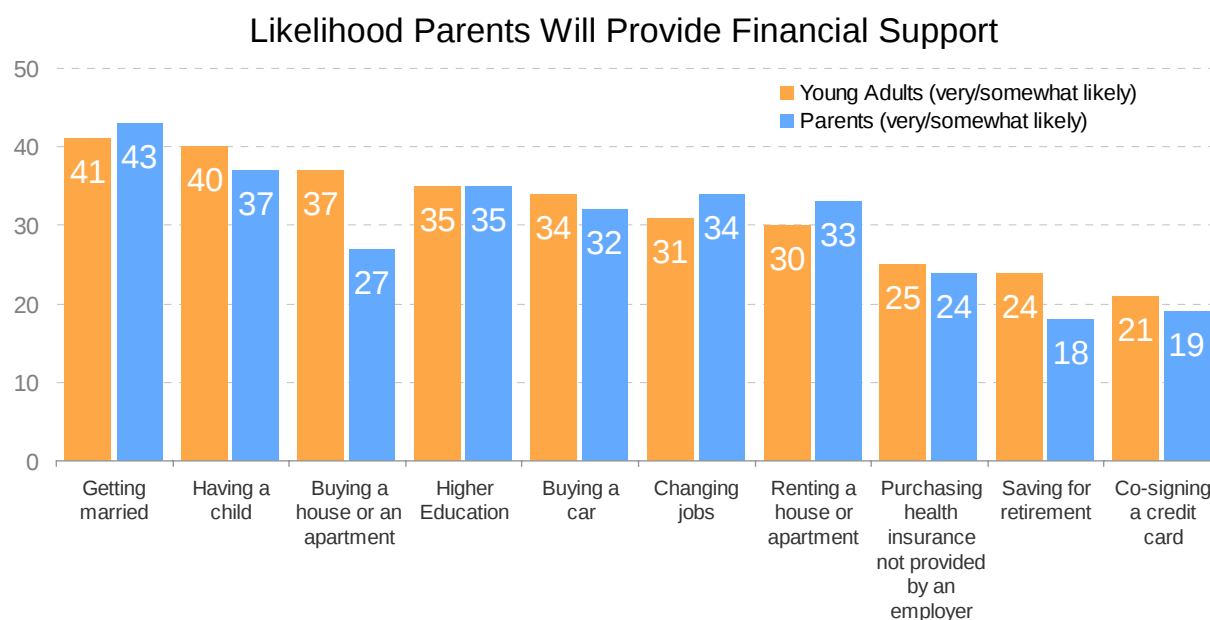
- Young adults with unpaid medical bills worry more about their debt load (56 percent frequently) and about making ends meet (64 percent). This group is more likely to have seen their amount of debt increase since last year. Young adults with unpaid medical bills tend to be less educated (41 percent high school or less), lower income (43 percent with an income under \$30,000), and older (45 percent ages 30-35).

## Parents Are Helping Out, With Limits

As we have seen in other recessions, young people look to their parents for help. But, just as parents are more concerned with their children's long term financial security, they are less likely to help out with daily expenses. Moreover, parents mostly help their kids when they are younger – once young adults are out of school and out of the house, they are on their own.

- Just over a third (37 percent) report that their parents are very or somewhat involved in providing financial support, though 59 percent of young adults say they usually go to their parents for advice on financial decisions. Nearly as many report that they have moved back in with their parents at some point either to save money (23 percent) or because they could not afford to live on their own (12 percent).
- Despite the fact that young people are facing serious financial problems, particularly around paying their bills and managing their debt load, they say that parents are most likely to help out with significant life events or investments, like getting married (41 percent very or somewhat likely), having children (40 percent very or somewhat likely), buying a house or apartment (37 percent very or somewhat likely) or higher education (35 percent very or somewhat likely).
- Older young adults, especially those ages 30-35, have parents who are less involved with helping their adult children financially relative to younger adults. Not surprisingly, 42 percent of young adults ages 19-23 have parents who say they help pay for health insurance; this age group encompasses most of the young adults who are still on their parents' insurance plans. Over half of young adults ages 30-35 (53 percent) have parents who say they are not at all involved in providing financial support for their kids, compared to 18 percent of the 19-23 age bracket and 44 percent of the 24-29 age bracket.
- Parents and young adults are remarkably similar in their expectations for providing or receiving financial help. Buying a house is the lone exception to this accord; parents are less likely to say they will help their kid buy a house or apartment, relative to young adults' expectations.

**Figure 10:** Financial help from parents (percent responding very/somewhat likely among young adults and parents)



1.) If the following situations were to happen in the next five years, how likely is it that your parents would provide some financial help, including providing money or co-signing a loan? 2.) If your [###-year-old] were to be in the following situations in the next five years, how likely is it that you or their other parent would provide some financial help for them, including providing money or co-signing a loan?

## Young People Face Diverse Financial Circumstances, Though Few Feel Truly Secure

Despite a generalized feeling of economic anxiety, some young people are doing better than others. Younger adults who are still living at home or in school generally do not struggle. They are getting their health insurance from their parents, their parents are helping pay for school and parents are still available for financial assistance or a loan. Once young adults are out of the house and out of school, if they go to college, they struggle more to make it on their own and start to accumulate debt. Paths diverge, moreover, depending on their access to educational resources. Young people without a college degree are in significantly worse shape than college educated adults. Women without a college education, in particular, worry more and struggle more than their male counterparts. Finally, young families are under significant stress as having children adds another layer of financial demands that they are simply unable to meet.

### Struggling and Worried

#### Women without a college education (34 percent)

- Non-college educated women are much more likely to worry a great deal about their financial situation. This group is among the most hard-pressed.

- Sixty-two percent worry frequently about making ends meet; nearly all (94 percent) worry frequently or occasionally. Similarly, 48 percent of non-college women worry about their debt frequently (compared to 35 percent overall).
- Forty percent have unpaid medical bills compared to 28 percent overall, and 46 percent have more debt than last year.
- Non-college women are more likely to have had their utilities cut off due to non-payment of a bill (27 percent versus 19 percent overall). Sixty percent sometimes pay only the minimum on their credit cards, and nearly three quarters (74 percent) know another young adult who is in a financial crisis.
- Fifteen percent of women without a college education are single moms.

### **Married moms (21 percent)**

- Married moms are especially concerned about their financial situation. Fifty-nine percent of married moms worry frequently about making ends meet, and half (50 percent) worry frequently about the debt they carry.
- Married moms are also more likely to have over \$10,000 in debt (29 percent versus 22 percent overall), as well as have accumulated more debt since last year (47 percent of married moms compared to 37 percent overall).
- Married parents (64 percent) in general, and especially married moms (65 percent), are more likely to have credit card debt. Although high rates of credit card debt among these groups may be attributed partly to age, the data suggest that young families may be particularly hard-pressed financially and more dependent on credit cards to cover day-to-day expenses and pay other bills. For instance, young families are also more likely to have a mortgage, unpaid medical bills, and car loans.

## **Doing Well and Not Worried**

### **Young adults living at home (17 percent)**

- Young adults living with their parents are considerably less concerned about debt, probably because they tend to have much less debt. Forty-five percent say they have no debt beyond student loans or a mortgage, and only a quarter report having over \$5,000 in debt (compared to 44 percent overall). Eighty-five percent now have the same amount or less debt compared to last year.
- Young people living at home are disproportionately young men, and many are students. Over half (57 percent) are between the ages of 19 and 23, and 59 percent are men. Thirty-nine percent are current students, mostly in community and two-year colleges and in four-year colleges.

### **College-educated men (17 percent)**

- College-educated men still worry about debt and making ends meet, but not nearly as much as everyone else. Twenty-five percent worry rarely or never about making ends meet, compared to 14 percent overall, and 24 percent worry rarely or never about their debt (17 percent overall).
- Forty-five percent of this group have a mortgage, compared to 27 percent overall.
- College-educated men are much more likely to use the Internet, books and magazines, or a professional financial advisor for advice about their finances.

**Men ages 30-35 (18 percent)**

- Men ages 30-35 years old are not particularly worried about their finances. Forty-three percent frequently worry about making ends meet (versus 48 percent overall). When it comes to debt, few worry about it frequently.
- That said, this group should perhaps be more worried about their financial situation. Nearly a third (31 percent) have more than \$10,000 in debt.<sup>2</sup> Sixty percent say they sometimes can only make the minimum payment on their credit card, compared to 51 percent overall.
- This group is more likely to have multiple forms of “bad” debt, such as car loans and credit card debt. The one exception is that men in this age group are more likely than other young adults to have a mortgage, although they still fall short of women in this age group who have home loans.

**How Qvisory Can Help**

Qvisory can be an important resource for financial management and inexpensive health insurance, but it also can be a strong advocate for making changes in Washington on the issues that matter most to young people.

- Young adults are not particularly confident in their ability to manage their money. Although over two thirds (68 percent) say they do an “excellent” or “good” job managing money, only 16 percent rate themselves as “excellent.” Moreover, one third (32 percent) say they do a “fair” or “poor” job with their money. This latter group of weak money managers worries more about making ends meet (66 percent frequently) and about their debt (54 percent frequently).
- If the debt load and payment histories of weak money managers are any indication, then their appraisal of their mediocre skills may be accurate; self-described weak money managers are more likely to have over \$5,000 in debt<sup>3</sup> (55 percent), to have paid a late fee on a credit card in the past year (42 percent), and to have had utilities cut off for failure to pay a bill (27 percent).

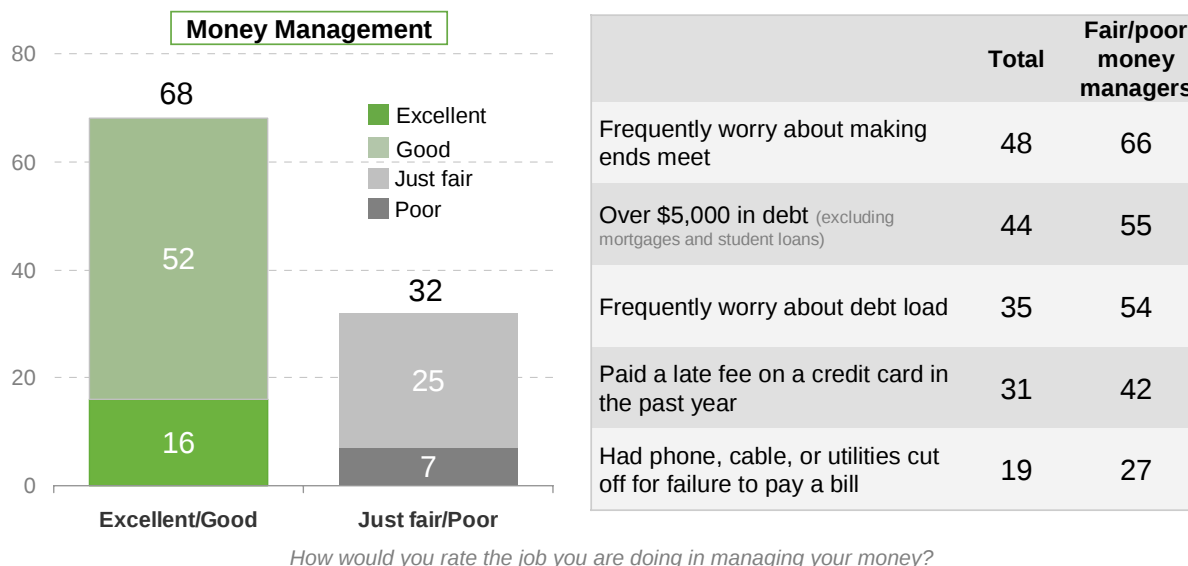
---

<sup>2</sup> Excluding a mortgage and student loans

<sup>3</sup> Excluding a mortgage and student loans

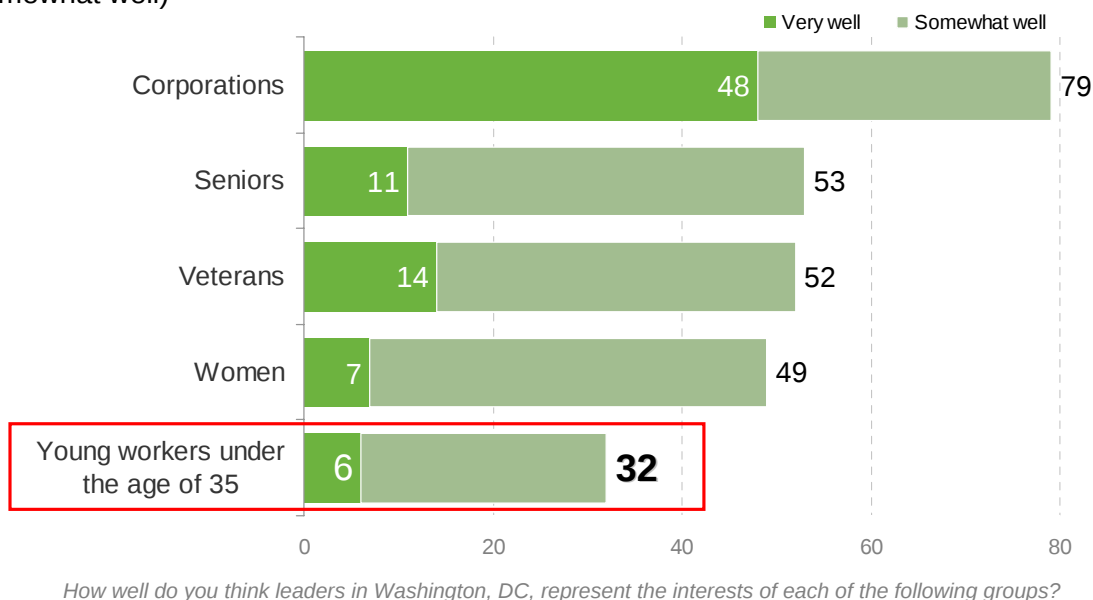
■ **Figure 11:** Money management and debt

## Mediocre Money Managers



- Few young people think Washington is looking out for their interests; they are in line behind corporate America, seniors, veterans, and women. Only 32 percent of young adults believe that leaders in Washington represent them very or somewhat well, while the vast majority think the voices of corporations (79 percent) and senior citizens (53 percent) are heard loud and clear.

■ **Figure 12:** Representation by nation's leaders (percent responding very well and somewhat well)



---

## Appendix A: Methodology

This memo is based on research conducted in 2007 and 2008 by Greenberg Quinlan Rosner Research, Inc., for Qvisory.

Research in 2007 included a multi-modal study of young adults ages 19-35. Greenberg Quinlan Rosner Research, Inc. designed these surveys, administered across three modes: invitation-only web panel, opt-in web panel, and cell phone. The surveys reached 1,015 respondents, 19-35 years old. The survey was conducted April 20 to May 3, 2007.

- For the invitation-only web panel, 661 respondents ages 19-35 were selected randomly from a panel of Knowledge Networks research participants. The Knowledge Networks panel is based on random-digit-dial sampling of the full United States population and represents people with landline telephones, who are with or without their own Internet access.
- The opt-in web panel included 300 respondents ages 19-35. Internet surveys use, by necessity, non-probability based sampling methods and these results need to be considered with that limitation in mind.
- The cell phone survey reached 54 respondents ages 19-35. Numbers were selected randomly from a nationwide list of cell phone numbers. A limited number of respondents were given incentives for their participation; 13 respondents received a \$5 incentive and 9 respondents received a \$10 incentive.

The data were weighted in a combined dataset to preserve the demographic differences across modes. The data were weighted by age, race, education, Internet access, metropolitan status, and region to ensure an accurate reflection of the population. The sample size with these weights applied is 1,015.

---

Research in 2008 included parallel surveys using opt-in web panels that are built to approximate national representation. Opt-in web panels, like the ones used for this survey typically over-represent better educated and higher income demographic groups in the survey sample. Consequently, the results of these surveys may under-represent the financial difficulties faced by lower income and less educated Americans.

- The first web survey fielded June 5-10, 2008, and reached 600 young adults ages 19-35. The data were weighted by gender, age, race, education, and region. The sample size with these weights applied is 600.
- The second web survey fielded June 5-9, 2008, and reached 300 parents of adult children ages 19-35. The data were weighted by gender, race, education, and region. The sample size with these weights applied is 300.

Greenberg Quinlan Rosner designed and administered both web surveys. Internet surveys, by necessity, use non-probability based sampling methods and these results need to be considered with that limitation in mind.

## Appendix B: Demographic Tables

**Figure 12:** Demographics in each web panel

|                        | Young Adults'<br>Web Panel* | Young Adults in the<br>Parents' Web Panel*<br>(data on up to 4 adult children) | Parents' Web<br>Panel* | Multimodal<br>Research (2007)^ |
|------------------------|-----------------------------|--------------------------------------------------------------------------------|------------------------|--------------------------------|
| <b>Age:</b>            |                             |                                                                                |                        |                                |
| 19-23                  | 29                          | 31                                                                             | --                     | 26                             |
| 24-29                  | 35                          | 36                                                                             | --                     | 38                             |
| 30-35                  | 36                          | 33                                                                             | --                     | 36                             |
| 35-49                  | --                          | --                                                                             | 31                     | --                             |
| 50 and over            | --                          | --                                                                             | 69                     | --                             |
| <b>Race:</b>           |                             |                                                                                |                        |                                |
| White                  | 65                          | --                                                                             | 79                     | 66                             |
| Black                  | 11                          | --                                                                             | 7                      | 11                             |
| Hispanic               | 16                          | --                                                                             | 8                      | 15                             |
| <b>Education:</b>      |                             |                                                                                |                        |                                |
| H.S. or less           | 30                          | 43                                                                             | 35                     | 38                             |
| Post H.S.              | 37                          | 33                                                                             | 37                     | 34                             |
| College grad           | 33                          | 24                                                                             | 28                     | 28                             |
| <b>Marital Status:</b> |                             |                                                                                |                        |                                |
| Married/Partner        | 52                          | 42                                                                             | 75                     | 54                             |
| Unmarried              | 48                          | 58                                                                             | 25                     | 46                             |
| <b>Gender:</b>         |                             |                                                                                |                        |                                |
| Male                   | 50                          | 53                                                                             | 50                     | 48                             |
| Female                 | 50                          | 47                                                                             | 50                     | 52                             |

\* Data from 2008 web panel surveys; ^ Data from 2007 multi-modal surveys