Why millennial men save more than women

Chuck Green
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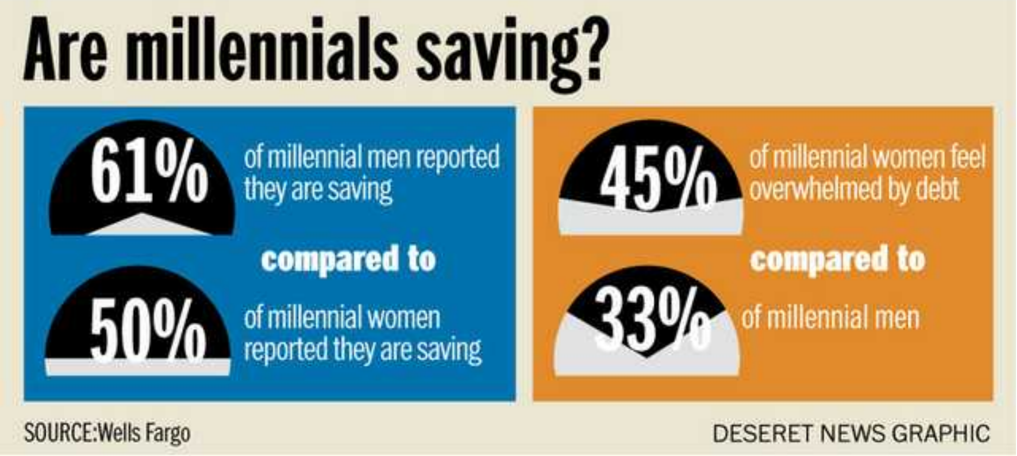

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A number of Stephanie Cooper's friends think she's crazy -- simply because the 25-year-old already has begun squirreling away money for retirement.

But Cooper, a client services associate for Adam Financial Associates in Boca Raton, Florida, believes she's being pragmatic by paying more attention to her future.

"They say, 'How are you putting money in a retirement account? You're only 25.' But I always joke that when I'm 65, I'll be able to go on vacation and they'll still be working," Cooper said.

Yet, a recent study by Wells Fargo found 61 percent of millennial men reporting they're saving, compared to only 50 percent of millennial women.

This difference may hinge on the fact that the median annual household income of millennial men is $61,000 versus $45,000 for women. For college-educated millennials, it's $83,000 a year for men and $63,000 for women. Only 41 percent of millennial women are satisfied with what they've saved, compared to 58 percent of millennial men.

The recession may be one reason why millennials save at a surprisingly high rate, said Karen Wimbish, director of Retail Retirement at Wells Fargo. Millennial women save less, she said, because they make less and aren't as sure about their long-term career prospects. The Wells Fargo study found that one in five millennial women worried about their ability to build a career in their desired profession versus one in 10 millennial men.

Forty-five percent of millennial women feel overwhelmed by debt, versus 33 percent of millennial men. Perhaps due to big debt obligations, over half of the millennials say they're living paycheck to paycheck, regardless of gender. Of the four in 10 millennials not saving yet, 84 percent say that's because they don't have enough money to save right now, with no

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difference between the genders. "Millennial men are earning more, saving greater percentages of their income and report having more accumulated assets. Women are lagging behind men in their savings efforts, and this could explain why they feel less satisfied with their overall financial situation," Wimbish said.

Learning to save

Twenty-five-year-old Boston resident Susie Concannon hopes to get cracking on her retirement nest egg before turning 30. "It's something I think about, but don't have additional money to set aside."

While the freelance marketing consultant recognizes the importance of saving, she said that many millennials like her are "just trying to make rent and pay student loans on time."

According to the Wells Fargo study, other than paying day-to-day bills, millennials top concern is paying off student loans. More than half of millennials report relying on student loans to finance college versus 35 percent of boomers. Twenty-nine percent of Millennials cite paying off student loans as their top concern, while 44 percent of boomers cite saving for retirement.

Pew Research reported that even as younger households were outpacing their elders in total debt reduction, the outstanding volume of student debt rose over the course of the recession. By the end of 2009, student debt eclipsed credit card debt as the second-largest type of debt owed by American households, after mortgages.

Despite these challenges, Susan Mayo, regional director and senior vice president for Wells Fargo Private Bank and Wealth Management, said millennials need to be "bold and step into opportunities; take some risk because they have a long time horizon when thinking about investing in the markets." However, many are more inclined to "fill in all the boxes before they jump in with two feet," she said. In other words, millennials tend to be cautious -- occasionally "too cautious" -- which can come at a price.

Teaching how to save

Mari Adam, owner of Adam Financial Associates in Boca Raton, called the Wells Fargo findings disturbing. The 2008 market meltdown and real estate crisis, looming student debt issues and lack of retirement planning show that far too many Americans don't understand the long-term financial impact of their decisions. "I don't think previous generations had a better understanding of their finances, but the financial world was much less complicated. They didn't have to deal with negative amortization mortgages, or zero percent cash down real estate loans."

"They had pensions, and didn't expect to live to 95. Retirement savings wasn't entirely on their back, as it is now," she said. And it takes much more financial knowledge to successfully navigate today's world of 401ks, health plan choices, credit cards, mortgages and student loans.

The answer, at least in part, is more guidance from parents, Adam said. Even while regularly discussing money with her 20-year-old son and 22-year-old daughter, Adam said she had to reinforce the message of saving for retirement when her daughter didn't salt away any savings from a summer job. Adam deposited some of her own money in a Roth account. "She didn't make much and had to spend it on living expenses. But I did want her to see that, when you start early, it can grow to become a big amount. These are learned concepts, but I don't think (children or young adults) absorb them," she said.

On the other hand, Cooper was raised by a single mother whom she believes instilled in her early the importance of working hard and saving. "I started working really young and realized that to get my own car, I had to save for it."

Adam said studies show that females tend to start to veer from subjects like finance, science and math as early as junior high school and, generally speaking, don't learn to fully appreciate the value of a dollar. "They get a somewhat hostile perception about money, and that's where I think women are more risk averse. While there aren't many conversations at dinner about it, females, in particular, wind up staying away (from the topic.)"

Why? While she said most studies show that males are no better versed on the topic, nevertheless, they believe they know more about finance and are more inclined to ask questions about it, Adam said. On the other hand, women tend to inquire only if they know whom to ask because they're often exposed to those who treat them as if they're intellectually inferior, Adam said.

Erin Lowry doesn't fit that profile; she has plenty of confidence in her intellectual chops. The 25-year-old didn't think twice when she started saving for retirement when she was 23 and accepted a job at a company that offered a 401 (k) option with an employer match. The founder of BrokeMillennial.com and content manager for MagnifyMoney.com also maxes out her IRA each year.

Because of the Internet, Lowry has found that this generation has "countless resources" to research. "In my experience, millennial women come to meetings prepared with questions wanting to learn more about their situation."

Ultimately, when it comes to finances, Concannon believes millennials identify more closely with their grandparents than parents. "Because we experienced the Great Recession at a relatively young age, we relate financially more with our grandparents that went through the Great Depression than our own parents. Going through such major financial crises at a young age really changes your outlook on money."