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Bridging Generation Y: A Commentary on the Financial Development of Young Adults in the New Millennium

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Bridging Generation Y:
A Commentary on the Financial Development
of Young Adults in the New Millennium

By:

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An Honors Thesis Submitted in Partial Fulfillment
of the Requirements for Graduation from the
Western Oregon University Honors Program

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Introduction:

As it stands in 2014, the world has literacy but still remains illiterate when it comes to unknown topics or sectors that a particular person or group may not be familiar with. As with anything, a spark can be ignited that will make that person want to learn and gain a level of primitive literacy that could either benefit them currently or at some point down the line. Finance is something that is omnipresent for every person in today's modern society; however, there is a distinct lack of common financial literacy while there is absolutely no lack of relevance to knowing finance.

There is an untapped pool of human capital found today that is seemingly limitless: Generation Y. This generation remains impressionable to trends while trying to find the "status quo" in order to keep the figurative peace. While a future remains uncertain on just about every front to what the generation's respective success level will be, one must be certain that it is not too late to change the financial future of general society and Generation Y members.

In this thesis, I will explore beneficial financial literacy standards that should be applied to Generation Y students and will attempt to explain why all of them are truly vital for financial survival or overall well-being in this new Millennium. Through this commentary, I will develop a pyramid containing six fundamental rules that will assist with one's financial future. Thirdly, I will create a basic website that will act as a technological module to help with the overall education of the site's viewers; on it, there will be the six rules formatted as a pyramid and a compilation of resources to help the viewer out with basic finance. Through all of these parts, it is my hope that I help

facilitate and create the desire within an individual to learn all that they can in order to help their future and prevent minor financial mishaps.

Literature Review

Generation Y: Born & Raised In a Different Time

Generation Y, also known as the Millennial Generation, is hard to categorize and understand for multiple different variables and reasons. Being born at any time in the period starting in the late 1970s ending in the early 2000s creates the classification of the individual being a “Millennial” or a member of Generation Y. With such a huge range in birth years and current ages, it’s no wonder that the Generation can be predicted through trends rather than concrete, decisive patterns. Typically, they’re known “stereotypically for their coddled upbringing, confidence, opinionated dialogue, free-spending habits and openness to change” (Dugas 1). However, because they face the reality of being young, without experience, it’s no wonder that they too were plagued by the recession of 2008, when everything went downhill.

Currently in 2013, the economy is bouncing back, albeit at a slow-moving pace, with the population and society waiting in the wings for a stable and recovered state of being. Everybody was and remains to be affected or changed by the downturn in the economy, but Generation Y is in a volatile position because of their youthful naiveté and lack of other paths available while they’re growing up. With this pessimistic future, job market, and low-producing economy, “many Millennials are urgently seeking shelter from the storm” (Brownstein, Freedman, & Joseph 1). They lack the protection that has been afforded to adults that have proven job experience, economic knowledge, and a built-up resume. These Millennials are “workers on the economy’s lowest rungs, [and] many of these young people feel acutely exposed to the recession’s fury” (Brownstein,

Freedman, & Joseph 1). Their youth works against them, and because they may not recover as well as other age groups, the economic situation at present “affects their income potential, their savings potential, and their career-ladder potential” (Dugas 1). Belonging to this vulnerable sector of the job market, they face the unpredictability that perhaps their future is not going to be as bright as it once was projected to be.

Statistics prove that as the American economy has grown over its lifetime, each generation improves their financial position to be higher than that of their parent’s generation. Breaking this tradition, Generation Y “is the first [generation] in a century that is unlikely to end up better off” than their predecessors due to how badly they’ve been affected since the 2008 recession and their poor financial skills (Dugas 1). This does not bode well for the financial future of our general society if this trend does not continue in one form or another, since the accumulation of wealth will still be occurring nationwide as years pass, presumably, but individuals will need to be financially savvy in order to have their personal wealth accrue to a higher amount that will bring about “financial independence”. The concept of true financial security is not a new development, but the want and fight for such a state has been renewed due to the economic recession that changed everyone’s perspective on what their financial potential is now changed to being.

Knowing that one person cannot control how the economy, stock market, or interest rates will fare, any one person can control and alter their finances. This reaching of “stability” is hard-won and takes individual effort, but even Generation Y members are learning their way after the downfall. To get to the golden line of

retirement, without the help of social security or pension plans, takes effort, good choices, and strong financial habits.

Educating Generation Y on good money habits is a difficult task when looking at their pre-recession choices. Millennials are stereotyped to buy now, pay later, and typically not saving enough to make to make a difference in either alleviating debt or paying down a future high-cost event. A poll performed for a 2010 article proves that Generation Y is unprepared, with such poor benchmarks like “only 58% paying their bills on time . . . nearly 70% not building up a cash cushion, and 43% are amassing too much credit card debt . . . 60% of workers 20 to 29 years old cashed out their 401 (k) retirement plans . . . 20% carry a credit card balance of more than \$10,000” (Dugas 2). At a time when the recession is in mid-swing, the Millennials were experiencing the full force of a bad economy, but yet, still aren’t changing their habits in order to create some sense of stability. However, “stability” in the sense of finance or with a job is something that some Generation Y members are learning is a must in order for survival in the long-run and choosing whether or not to implement in their own lives.

Financial Literacy: The Whole Picture

Actually defining “Financial Literacy” is a complex process, because there are multiple different definitive sources that stem together to bind one very loose definition. “The conceptual definitions of financial literacy have grown complex as the economy”, one author states, because there are so many academics that truly disagree on what the definition, process and purpose of financial literacy actually is (Remund 279). From a general view, financial literacy, as an academic sector, incorporates “the

ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being” and in turn planning for the future (Sherraden 122). And while finance is a well-known practice and field, those who do not directly take classes or learn from an accredited source can fail to be financially illiterate, based on the above definition, due to different barriers that exist both internally and externally for the individual.

Seemingly, there is no end to the amount of horror stories from news or media sources about how one person became a victim of a financial scam or misrepresented and, because of this, is now paying the price. The question that is born from these stories is whether the financial institutions or the attempting user is to blame for the mistake. Is it the consumer’s fault if the system is too complicated to understand or is it that the individual ineffectively undereducated and not prepared for the situation? There’s a whole range and spectrum of answers to this overarching question.

Consumers, as independent beings, have the opportunity in front of them to learn about the subject matter, and perhaps they can shoulder some of the blame. Consumers in today’s economy might be “financially illiterate,” undereducated, ignorant, or a mix between the three. Some argue that this “consumer stupidity” needs to end, for “many of [these] bad decisions are caused or exacerbated by a lack of knowledge . . . the time for claiming ignorance as an excuse may be coming to an end” (Palmer 2). Even the recession that is currently going on, “that triggered the global financial disaster, might have been caused by low levels of financial literacy at all levels of education”, due to a lack of widespread knowledge of what the individuals were

getting themselves into (Hite, Slocombe, Railsback, & Miller 1). The consumers might have been wronged because of their lack of education but the major problems were created from “members’ pre-recessional personal finance habits” (Dugas 3). A widespread conclusion is that this country “just need[s] more personal responsibility” (Palmer 3). This lack of good habits, low levels of widespread knowledge, and consumer stupidity all can be claimed as reasons for why the individual could be to blame for the present situation.

At the other end of that spectrum, multiple individuals are pointing fingers towards financial institutions saying that over complication of matters and barriers of entry are to blame for poor decisions. For one, forms and “financial documents have become more complex” than ever before, thus propelling the average person, who doesn’t dabble in finance to get lost in the process (Hite, Slocombe, Railsback, & Miller 1). While there’s straight, easy, and open access to credit cards and loans, there’s an underwhelming amount of information sharing happening about the potential options and side effects. There is a distinct “lack of reliable and transparent data” regarding the costs of certain decisions, and without all of the information known by the consumer, good choices hardly be made (Bidwell 1). These uninformed options can “force Americans to make decisions they may not be prepared for” (Palmer 2). A financial institution provably not helping out their customers demonstrates how they too could shoulder some of the fault of this mess. However, critics of financial literacy commonly cite the need for stronger alterations in both the individual and, in turn, the society they live in.

Instead of financial literacy, some propose that there needs to be a push for “Financial Capability”, because true capability utilizes pedagogical methods that “enable people to practice and gain competency in this [financial] functioning” rather than the memorization of definitions (Sherraden 122). Pushing for capability rather than literacy might be more beneficial, because “knowledge is of little value without ability or skills” or situations that enable practicing of those skills (Remund 283). Rather than financial literacy, which promotes knowledge, financial capability shapes a person towards living a fulfilled financial life and changes influences their everyday behavior (Sherraden 122). Another critic of financial literacy, and ultimately the programs that teach the concept, states that it is irrelevant as to whether or not financial literacy is truly the best method to educate the masses because the “question is moot” due to the fact that the government has implemented public programs in order to enforce core financial concepts (Remund 277). Critics of financial literacy, as a whole, seem to agree that there needs to be a push for an increase of awareness of finance, but differ on who or what should be focused upon. Different agencies, both from the private- and public-sector, are attempting to tackle educating the masses and trying to close this gap and lack of financial knowledge.

The use of financial literacy in a society promotes the financial well-being of every citizen through proactive and preventative measures. Other uses or adaptable issues that an increase of knowledge in this area involve a well-rounded global understanding (Financial Fitness for Life 2008), a broadened worldview (Lusardi and Mitchell 2007), proactive measures against fraud (U.S. Department of Treasury, 2006 & Comptroller of the Currency 2008), and a way to prevent accumulating debt (Gross,

Ingham, and Matasar 2005). As seen on multiple college campuses, the need for financial literacy is omnipresent, and as such, many universities are taking it upon themselves to create an available source of information on finance. Campaigns stem across the country and attempt to teach financial literacy in their own way and form.

Today, there are many successes and failures of financial literacy practices and seminars that have been experimented with. Each group is pushing towards the end goal of “financial literacy” for their audience and is using their own complex definition and tactics that will implement that definition in order to educate the audience into becoming financially literate. Some unsuccessful seminars revolve around the solving of one to two main variables, such as income per capita or geographic location, while more successful campaigns attempt to harbor over a collective group while still maintaining and recognizing individual values on a very personal level.

Here lies a main challenge and hurdle over the over the acceptance of certain financial literacy theories and why some are harder to accept than others: a conceptual definition vs. an operational definition (Remund 285). Remund comments that conclusions drawn from conceptual data, rather than operational, “fail to analyze individual financial literacy” (Remund 285). This stems from the fact that an operational definition-based practice of financial literacy might be more successful than one that is put into place based on black and white variables, such as socioeconomic or racial factors. Indeed, as seen multiple scientific studies, any operational definition of financial literacy can yield a class or range of pupils that has a long-term effect overall, while conceptually-defined classes limit the scope of both the subject of financial

literacy and the pupil's potential (Remund 285). In the case of Generation Y, an operational definition might be the preferable approach in order to produce a higher financial potential for their futures.

In general, it's agreed that the youth of today has "little knowledge about how to make wise consumption decisions" and need a way to become more educated about their potential choices. (Sherraden 120) However, not all academics view financial literacy as a way to increase or cultivate necessary knowledge about the economy, finance, and related choices. Critics of financial literacy vary greatly on this issue but still agree on the prevalent need of economic education in this country. Currently, this trend on financial education is semi-guaranteed, because it is thought that people nowadays need to gain more of a perspective and practice on financial issues, rather than the same level or less. Despite the techniques actually used to "teach" finance to pupils, financial literacy might not be enabling those pupils to becoming truly literate in the eyes of the world, and while this terminology or methodology is debated upon, nearly all agree that it needs to happen through practice and, above all, education.

Technology-based Education & Generation Y

Generation Y members are being coined as "Digital Natives" due to the fact that they were born during the technology boom that has shaped present day society. "This is the generation who have always had technology integrated into their lives—they are connected 24/7", and because their lives are intertwined with technology, they are familiar and practiced in its ways (Nikirk 41). Traditional approaches to educate Generation Y may work and are in use today; however, because of their exposure to

technology, it is supposed that they are more comfortable learning with the aid of technological tools than their predecessors. John Palfrey and Urs Gasser state in their book entitled “Born Digital: Understanding the First Generation of Digital Natives” that “just because Digital Natives learn differently from the way their parents did when they were growing up doesn’t mean that Digital Natives are not learning”(Nikirk 41). These Generation Y-ers need concepts that are enforced in more ways than just in the classroom. An “And Sense” article for universitybusiness.com has the number one tip to use to break through to a Millennial audience in a college campus setting is to develop a solid base of web content, because using a web site to drill in key concepts will reach out to Generation Y members more easily (Domonell 51). This new group of Generation Y members requires an adapted education plan for modern society if they’re to be treated as effectively as their parents were before them.

Digital technologies, while being a recently new development to modern history, have expanded in such an enormous way over a rather short period of time. Due to this expansion, they have had to evolve into products that constantly changing and updating, and the people that interact with them regularly have adapted their lives in order to use it. However, the technologies themselves have not been tested for continuity throughout a person’s life due to this short time frame of existence. One study from 2010 attempted to survey an audience to address the surveyors’ proximity, ease of use, and potential continuity over their life time with digital technology (Jelfs & Richardson 1). This study’s set-up involved 4,000 respondents and the results were:

“Nearly all of these students had access to a computer and the Internet, but younger students were more likely than older students to have access to other technologies . . . there was no evidence for any discontinuity [regarding use of the technology] around the age of 30 . . . students who had more positive attitudes to technology were more likely to adopt deep and strategic approaches to studying and were less likely to adopt a surface approach” (Jelfs & Richardson 1).

From this, it is possible to see technology as becoming a bridge to cross in any educational field regarding younger students. These students had access to technology which benefited their learning over a long period of time and over their lifetime, and they didn't show a possibility of losing touch with technology or discontinuing with staying informed. From an educational article detailing how to teach Millennials, they list “integrating technology into your teaching” as number five, because Millennials are the “ ‘wired’ generation” and educating them using technological tools can boost their activity and participation (Nikirk 42-43). Because of this affirmed belief, it is a rather certain conclusion that digital technology will stay with Generation Y for the duration of their adult life and use of it as an educational tool would be an effective way of developing stronger financial habits.

Despite who is behind financial literacy training and education, the fact stands that the job needs to get done and be completed in an effective manner. Arguably, the most effective tactic to target Generation Y, as well as countless other members of society, is through digital technology such as social media or interactive online sites. This has become a huge trend to see, because there are less externalities associated

with digital technology, such as relative inexpensive startup costs and limited disruption of everyday life. These sites have been reared and cultivated throughout a Generation Y member's life span, so they have the familiarity of using both the technology and are apt pupils if targeted in the right manner, and can be counted on to remain continuous throughout a millennial student's lifetime (Jelfs & Richardson). Millennials are the target and product of the time period that they were born into, and because of this fact, technology is a proven method of reaching Generation Y. While other methods have been debated upon, digital technology combined with subjects that require the development and alteration of daily habits, such as financial literacy, has been suggested as being a positive method to teach Generation Y members (Jelfs & Richardson).

Part Two: Behavioral Finance & Personal Financial Literacy

The individual is the most important asset to any financial equation, due to their repeated involvement in every transaction and complete use of discretion. This being said, one must practice and aim forward in order to achieve the best possible outcome for oneself. To do so, the person can become a more financially literate person who understands what is expected of them and how to achieve said expectations. For a Generation Y-er, the individual should aim to be financially prepared for their future by educating themselves in financial literacy in the *present*.

Internal financial literacy can be defined as the improvement of the individual by removing risk of personal financial ineptness during transactions and decisions. The person gains what they can by educating themselves and attempting to reduce risk, costs, and issues that could arise at a future point in time. Behaviorally, the person needs to *want* to improve their financial status first and foremost. By allowing for change to occur, one's life has an open door for improvement, which entails the individual acknowledging their current financial position by looking at where they are, what they want to do, and holding onto an honest perspective.

Each individual has a current financial position; however, it is up to that individual to better or worsen one's own financial standing. Studies remark that "individuals with lower levels of debt literacy tended to conduct high-cost transactions . . . the less financially literate were either unable to judge their debt position or reported excessive debt loads" (Monticone 404). These 'debt loads' or 'debt position' equate to their overall financial standing, which should be at a high level of importance to the

person because it reflects their monetary well-being for the remainder of their lives. By gaining knowledge about the costs involved with financial transactions, the individual becomes more aware and goes against the general trend, where “the acknowledged widespread lack of financial literacy casts serious doubts on the ability of individuals to make financial decisions” (Monticone 403). Improving overall awareness—and ultimately a level of financial literacy—the person can circumvent both problems that they will go up against and improve their overall position.

If someone merely immerses oneself in the attempt to gain position, they are undergoing “financial experience[s] [that] can affect financial knowledge . . . leading to the acquisition of financial literacy” (Monticone 403). A new level of experience and knowledge over financial transactions grants the person a new height of freedom to make choices in order to make their financial status better while following through on their long-term plan. Making consistent choices with one’s vision allows them to look into the future for what they want to do or the financial position they’d like to have.

The person should be willing to try to achieve something better financially for their life by evaluating what they want out of their future and have a “willingness to acquire financial knowledge [that] is also influenced by individual time preferences. If becoming more financially literate is an investment in future financial well-being, individuals who heavily discount the future are more likely to remain financially illiterate” (Monticone 406). Any lack of care over their financial timespan harms their potential for accrual and wealth accumulation. If someone believes, for instance, that they have their whole life in front of them, perhaps like a Generation Y-er, they are

hurting their overall financial potential because they are not taking advantage of time that they could be improving their overall status. People, “by [not] devoting time to education . . . forgo current earnings but increase their stock in human capital. Because future earnings are assumed to depend on the accumulated stock of human capital, the individual decides how much education to obtain based on the trade-off between forgone earnings today and increased earnings in the future” (Monticone 407). Human capital, or the abilities of an individual, can be improved by placing value on what the self is doing and learning now in the present; by the re-evaluation of time and earnings, one can allow themselves to grow past their current level of financial performance, and thus, grow more so as a financially literate and educated being than at any lower level of literacy before. There is a link, where losing this financial illiteracy, through one’s education in the present, will directly improve one’s future and overall well-being.

Inevitably, one is aiming for a higher level of wealth accumulation than one has now, which means that the person needs to be more proactive than one is now. Wealth can come from a multitude of sources but needs to be worked towards in a manner that fits the person’s style and level of financial literacy. There is “literature [that] has shown that financial knowledge affects a wide range of financial behaviors, including wealth accumulation, stock market participation, portfolio diversification, participation and asset allocation in 401(k) plans, indebtedness and responsible financial behavior in general” (Monticone 403). When mixing this common core with the purpose of educating a common group through a financial literacy program, there are some established similarities to be found amongst programs or topics that could be delved into further in order to aim for the highest level of affectivity.

As one personal financial literacy program states, “Personal Financial Literacy is designed for students . . . These standards of learning are priority, essential, and necessary for all . . . Learning the ideas, concepts, knowledge, and skills will enable students to implement personal financial decision-making skills; to become wise, successful, and knowledgeable consumers, saver, investors, users of credit, money managers, and to be participating members of society” (Oklahoma State Department of Education). These “ideas, concepts, knowledge, and skills” are standards that the educational system is holding their students to, where there is a direct attempt to teach their students everything that would be considered “real world”. Topics that this particular program covers are things like:

- Earning an income
- Understanding state and federal taxes
- Banking and financial services
- Balancing a checkbook
- Saving and investing
- Planning for retirement
- Understanding loans and borrowing money, including predatory lending and payday loans
- Understanding interest, credit card debt, and online commerce
- Responsibilities of renting or buying a home
- Understanding insurance

Oklahoma State Department of Education, 2014

While this is just a snapshot of what a student's financial future should include and be focused upon if at all possible in a financial literacy seminar. Although methods to get these standards across to an audience of Generation Y-ers can vary, they have undisputable importance in a complete financial education of any young person.

Part Three: Financial Literacy Pyramid

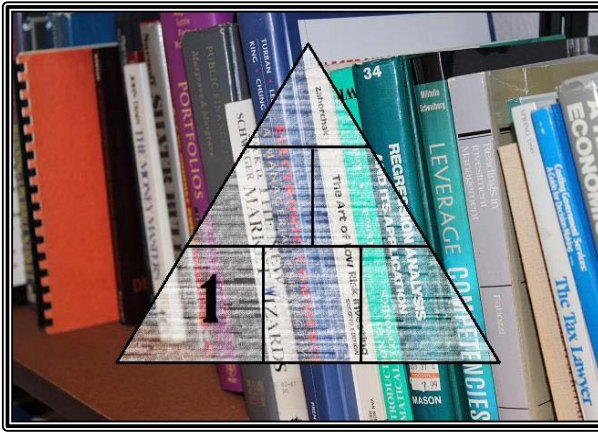
From personal observations, Generation Y is quickly becoming a group of people who are having their culture immersed and intertwined with money and materials. Although some might belong to the younger age bracket of the generation, all individuals, belonging to Generation Y or not, have a personal interest in money, what money can do for their lives, or the management of funds for a later purpose. In our society, “consumer behavior, public policy, sociology and mass communication scholars . . . are quick to identify reasons people struggle to manage money: banking deregulation and an increasingly complex economy, the demise of financial education in secondary schools, and a pervasive culture of instant gratification stoked by aggressive consumer marketing and a proliferation of readily available credit” (Remund 278). If one can tackle these identified “reasons”, the individual’s path with money will go more seamlessly than before. All aspects of life will be affected by this tangible currency while the intangible concept of finance might be ungraspable to large sections of this impressionable age group and generation.

Ultimately, the production of mass information and the introduction of proactive concepts does not need to be revolutionary by any means: the simple education of Y-ers could circumvent potential financial failures in the future. A collective set could include, “in terms of personal finance concepts, students [gaining] a working knowledge about credit and debt, budgeting, savings, an understanding of investments and compound interest, needs and wants, planning for retirement, taxes, and career education” (Vitt 2009). Although lengthy in words, the concepts overlap greatly, allowing for a high level

of transferability and versatility spanning into different money and financial sectors. But regardless of what is taught, “evolving financial practices are extremely relevant for today’s young people” (Hite n.p.). The informal methods that could alleviate future issues and help build a strong financial foothold for these Y-ers includes the building and accumulation of strong core values that all strong individuals should know and understand.

Although retirement or large ticket items (i.e. houses, children, cars, etc.) might be off in the distance for Generation Y, it is important to note that the foundation for their entire financial lives begins at their present age. The ground laid now, before they become mature adults making complex financial choices or decisions, will affect their financial probability or outcome in the “real world”, because “personal financial competency is an essential ingredient for successful living in the 21st century” (Hite n.p.). Financial Literacy, or developed knowledge of core financial concepts, is something that needs to become a cornerstone in the education of these Y-ers to at least a minimal degree. However, this minimal degree can involve the mere adaption of habits to things which are more financially correct than past actions or the self-education over financial tools and resources. In a comprehensive program, “personal finance behavioral instruction should include learning how to make rational decisions, such as cost consciousness and the development of early savings habits as well as developing personal values” (Vitt 2009). This proposition involves, to some degree, the intervention of adults, regulation by the government, or, ultimately, the self-motivation to grow as a financial being to occur.

Theoretically, should someone start at eighteen in order to maximize their wealth throughout their adult life and retire at the standard age of sixty-five, that person would have forty-seven years to produce income and accumulate wealth. Those forty-seven years appear to be a large amount of time; however, any wrong or miscalculated decision could set the person where they might not have the same large financial potential as before. Scholars remark that “although saving is only one aspect of managing money, it is important, given the volatility of the modern economic climate and related factors that are often beyond an individual’s control” (Remund 276) This makes each small or early financial decision crucial to the growth and overall financial well-being, for “although financial documents have become more complex, individuals’ social environment places greater emphasis on immediate gratification of consumer wants and needs. Therefore, as one author puts it, “personal finance acumen is vital to making choices that will be beneficial in the longer term” (Hite n.p.). The only way to help avoid a possible bad financial choice is to promote the overall information and proactive skills in the now that could enable an individual to make a better decision or prevent that misinformed mistake from occurring in the future.



1. You're Never Too Young

There is a natural ebb and flow for most things, and the economy is no different. It is important that all individuals, Y-ers especially, capitalize

in the current moment and attempt to plan for the rest of their lives. In this “current moment”, it is quite possible to enable oneself towards a higher level of financial productivity. One scholar references “the former Federal Reserve Chairman Alan Greenspan [stating], ‘improving basic financial literacy at the elementary and secondary levels will provide a foundation of financial literacy that can help prevent young people from making poor decisions that can take years to overcome’ ” (Hite n.p.). This being true, there is literally no wrong age to start building a financial future; however, there are more advantageous ages to begin at. The simple lesson here is that one is never too young to start immersing themselves in anything financial from learning to saving to planning.

By the time major life events are occurring, the individual has the potential to make themselves into the best possible version by becoming a better financial being than they were before. Truly, by the individual allowing themselves to grow before the event could happen, they are promoting their own personal financial education through the enablement of productivity for the good of their financial wellbeing and “planning will stem from improved literacy . . . a skill inherent to financial literacy” (Remund 281) Without waiting for any personal variables to change, there is a great amount of power

to be found from learning and developing around what is happening in the present moment. From this, the individual has the ability to benefit financially and survive as they get older: lessons that books can't necessarily teach. Complimented with the gaining of a complete understanding of basic finance, this personal development, paired with the use of the present, is one of the most powerful tools that any young person can have in their arsenal.

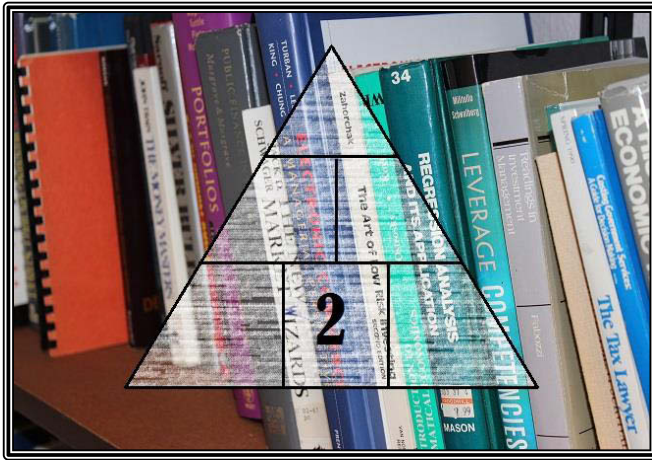
The use of the present is an invaluable concept to know and understand. It enables an individual to become interactive with their choices and the lives that those choices are creating. This "use of the present" can be done through a simple evaluation of one's future and the creation of a rough outline of how events could go and play out. Planning for the future can be thought of as "a set of critical thinking skills to weigh and assess the pros and cons of a particular decision relative to one's own needs, values, and goals" (Remund 281) If an individual picks a list of events, if important enough, they should be planned for as though they are occurring and should be evaluated for what resources they need and the time frame necessary to make that event or option occur. From that list of events, the individual should choose a list of goals that they personally would like to accomplish or push themselves to do involving what resources and time frame is needed. The acknowledgement of what one wants out of life allows one to figure out what they need to gain financially in order to prepare well enough by the time those events and goals would potentially happen by.

While these Generation Y-ers are in the prime of their youth, they commonly feel invincible because they have their entire life ahead of them. However, financially, there

can be nothing further from the truth, which is that “to effectively manage money, one must first know something about money” (Remund 279) Lacking most of the knowledge to make monumental financial decisions, these Y-ers are overconfident, because “inexperience often breeds overconfidence” (Marotta n.p.). One author remarks that society should “think of confidence as a continuum: Lack of confidence is paralyzing, self-confidence is good, but overconfidence is deadly” (Marotta n.p.). Thinking past the stereotypes of the poor decisions that this generation is making, agreeing to uneven contracts, purchasing items that one may not be able to afford, and choosing risk over return can hurt *anyone*; the huge potential harm and the sheer amount of those affected are in or could be in Generation Y. The decisions that Y-ers make during the present day affect their financial standing for their future, and those choices that Generation Y-ers will be making are “greatly influenced by the constant tug between a proliferation of goods and services in the marketplace and a person’s limited resources to acquire such goods and services” (Remund 281). And this is absolutely something that can be fixed and rectified through educating the generation, planning for the future, and realizing one’s own potential.

Ultimately, it is up to a Y-er to figure out their potential path in life and must be their own decision to not wait until later. Statistically, there is no better return for an investment than an initial investing followed by repeat paths that will enable the beginning sum to grow steadily compared to the alternative of having a tremendous one-time return on a one-time decision. That return will not happen to many nor will that payout be as ideal as one might view through a media stream. Slow and steady investing is a solid method because of one factor: time. Should time not be a variable

that one possesses the utmost of, there will need to be other variables changing and this cannot happen without the individual taking on an increased burden of risk. Therefore, it is in the individual's best interest to think in the present and increase their personal chance for financial success by planning and using the long-term rather than waiting until later.



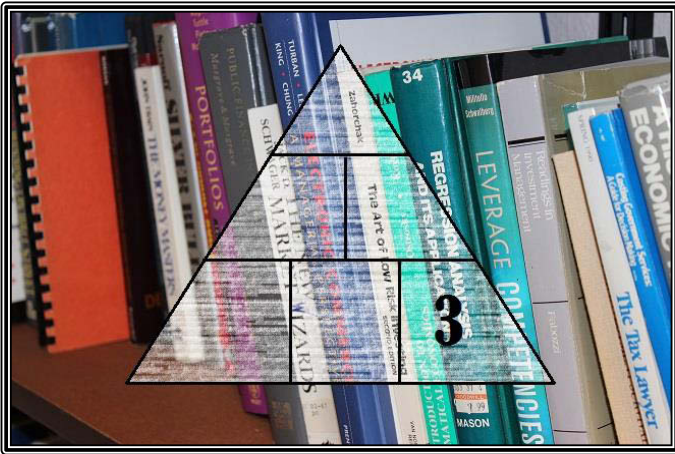
2. Pay Yourself First

First and foremost, the individual is the one constant thing in every possible equation that they can put themselves in. Although there is an ever-changing amount of

innumerable factors—such as the economy, the return involved, or amount being invested, etc.—the person involved in the transaction has the power to create a financial decision, especially the difference between a good one or a bad one. There needs to be an overwhelming priority of making that individual the best possible financial investor, then, and through a strong curriculum or full immersion in financial literacy, this can be possible.

It is important to note that the best investment tool is potentially the individual. That person signs on the figurative line for every decision and plays a role in every transaction that involves money. The role is crucial in the success or failure of those decisions; the way to best improve that role besides the obvious education component is to realize and stress the power that one has when making a financial decision. Every person should “take into account short-term as well as long-term objectives” (Brown 68). Besides money, the individual needs to maintain a strong, constant, and steady vision over their present and future; this vision is vital to the individual’s overall long-term success because it makes the individual ultimately the one known, predictable thing to all equations that they could be involved in.

The individual can grab the figurative reins to their financial future and life by focusing in on the details involved “in order to develop a sound savings and investment plan” (Brown 68). One can take full notice of all the differences between the inflows and outflows to all accounts that they control. For example, at the beginning of the month, one should take a figure, say 10%, and place that in a *separate* account to be used for purpose towards a goal that was previously established. One idea from an author is that an individual should “write a check to yourself earmarked for your savings. Socking away 10% to 15% of your income may sound ambitious but . . . break it down” (Brown 68). By doing this and utilizing multiple different accounts, the person is able to plan and see the changes in balances after each transaction. Simply by being aware of their current financial state, the individual is molding themselves into a stronger financial being already. Through using some simple techniques, the person pays themselves first, enabling them to grow their finances and overall potential.



3. Earn More Than You Spend

In normative practice, the difference between inflows and outflows generally contains a difference, either positive or negative in value. A negative

difference equates to having the outflows being more substantial than the inflow, which is a difficult habit to maintain and should not be something to practice long-term. If the difference is positive, one's inflow is marginally higher than the outflow that they have maintained. Although this value changes depending on the person's situation, the positive nature of this number grants an amount of financial security that is unmatched by other habits or practices. This positive value is termed a "safety margin", and should be something that the person is striving towards and to continue. That cushion between the two can be figured out when one practices financial planning. In practice, a person may figure out and forecast their outflows for the next month or period, could determine the taxable amount they would need to relinquish, or find their determinable goals for the next few years. Using their own financial capabilities, that person may realize a difference if they were to alter a variable or change a habit. That margin promotes a positive accumulation over time and should be saved accordingly for future purposes.

Throughout the duration of a lifetime, it is important to recognize a margin of safety between one's inflows and outflows, where there is a higher inflow balance than

the cumulative outflows. The difference between the two, or “the gap”, “refers to the difference between your income and your spending. When that gap is large, “you’re heading in a great financial direction” (Hamm n.p.). This enables there to be a natural cushion to one’s finances, where there is a lessened level of stress in that person’s life and choices—preventing the “burying [of oneself] in debt (spending more than they earn) or living purely paycheck to paycheck (spending exactly what they earn)” (Trent n.p.). This “green” or positive balance will progress towards a higher level of saving over time and is in itself a constructive habit to maintain because it affords the individual the ability to control their personal finances and learn about the concept of a safety margin for other areas in finance. One should “spend some time thinking about what you want out of life. You have plenty of resources to start working toward those goals” (Hamm n.p.) Another author remarks, “each move you make to maximize the gap between what you earn and what you spend will put you in a better place in your life” (Trent n.p.), which is ultimately what a financially developed person is looking for: a better place or position.

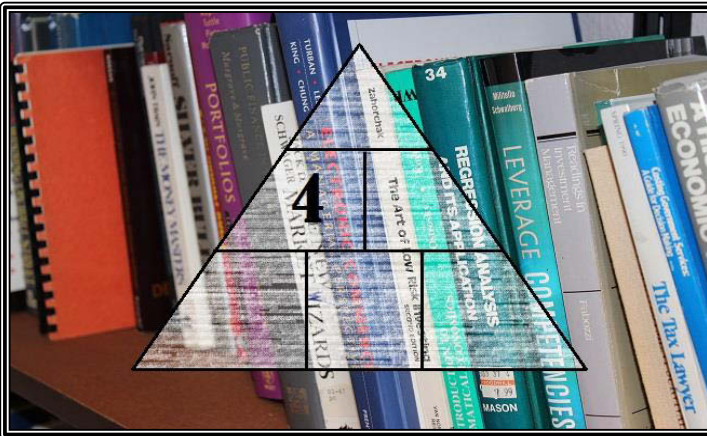
As previously stated is a tremendous amount of choices and decisions to be made regarding one’s own financial future. Earning more, an inflow of money, than one may spend, an outflow of money, is a cognitive choice that one can easily make by allowing themselves to keep and maintain a positive balance. Saving was historically at an all-time low pre-2008 crisis: “When the economy was booming, the personal saving rate in the United States dipped below 0% and did not climb above 0% until 2009 and the onset of the financial crisis” (Remund 276). This saving could have cushioned the blow then and can also prevent future crises for any financial individual now. Although

there are extraneous other decisions to be made before this final result of a positive balance can be achieved, such as the choices to whether or not to buy 'want' items, there is a tangible return to selecting to live within one's means, where the person is consciously improving their financial circumstances *overall*. One should "keep diligent track of your spending . . . the simple process of doing this this will make you think twice about unnecessary expenses . . . [and] will offer a lot of insight for you as to where your spending is going to waste" (Trent n.p.) It's the conscious adoption of a skill to preserve one's future by helping oneself in their present and future circumstances.

A progressively positive balance in the present keeps the individual from forfeiting their future, and this skill can easily be transferred to other logically equivalent options down the line. For instance, one should attempt to only borrow, as in a line of credit or loan, what is needed. By doing this, the person is choosing to only promise to pay back what is only truly necessary and is helping their later self by not harming their future resources overmuch. While one can always decrease spending on unnecessary things, "increasing your earnings gives you more money with which to get rid of your debts, save for your big dreams, and build a foundation for whatever future moves you may want to make" (Trent n.p.). Further, if one only plans for necessities and puts any excess into savings, then that person will be more adaptable to other changes and improving their financial capabilities. Scholars remark that "the financially literate as people who successfully manage debt while making financial decisions that reflect their personal values" (Remund 281). Overall, this ability of someone managing their outflows to be less than their inflows will be consistently affirmative towards their

financial future and overall potential and should be practiced over the duration of the individual's life.

4. Do the Math



While the individual should be literate in all things financial, they need to be intentionally mindful over the minute details regarding each monetary decision. This level of

awareness can be reached and actualized through a person finding and reading the small print in each transaction that they will be undertaking. When asking oneself how to “protect yourself? . . . read the fine print!” (Braun Research n.p.). Those details are vital to understanding what role the person is undertaking, which helps them discover their financial commitment, allows for accountability, and learn “basic information to function in our credit-based economy” (Remund 282). Also, the individual can see how the other party is profiting off of their commitment, enabling the person to see if the deal is symbiotic or should be re-thought. Something to remember is that companies aren’t working for an individual and can “change the relationship in ways that work to their advantage” (Braun Research n.p.). One can see both what they themselves are agreeing to and the small or unseen details involved in the contract.

Based on the same premise, someone embarking on a long-term financial decision should be similarly aware of the context and environment surrounding that choice. Perhaps one is embarking on a home loan: that person should be completely aware over what their credit rating is, their financial history with the financial institution, and the details of the loan requirement. Say one is trying to make a larger

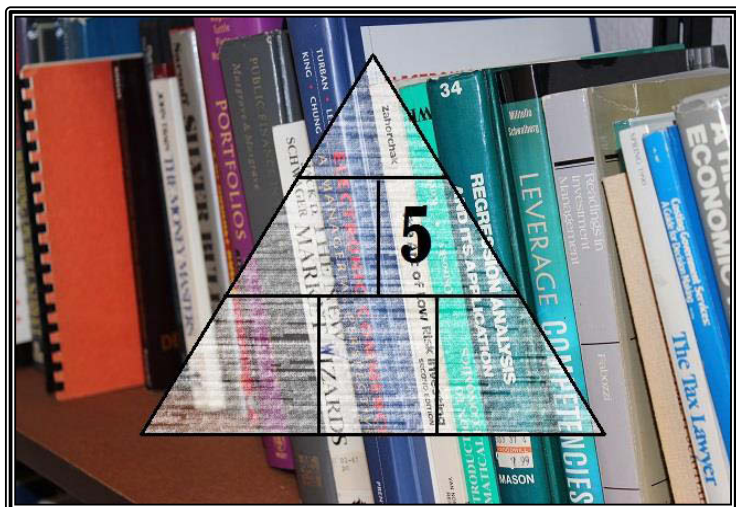
purchase with their available resources: that person should be able to consciously know their level of money in their savings account and see how a large change could affect their financial well-being. Imagine that one is embarking on an investment opportunity: that person probably should be aware of what that market is doing and how the overall economy is faring. Truly, the person who is making a financial choice needs to be aware both of their financial role and the whole picture of the decision itself, where “before you sign that application . . . make very sure what you know exactly what you’re getting into” (Braun Research n.p.). One would not want to disadvantage their future by going into something that could prove to be devastating financially. Perhaps an issue will occur, but if there is something that the individual overlooks, “frequently the things you wish you had known were right there from the start, and you would have known if you’d done your homework before you accepted the agreement” (Braun Research n.p.). The point is: never to forget that the market or situation is unpredictable, but one cannot ever be too careful or sure about what they, as an individual, are doing.

A research study of consumers, before the 2008 recession, found that:

- 33% of consumers can’t read or understand disclosure or “fine print.”
- 20% couldn’t find critical terms.
- 44% didn’t know the APR on their cards.
- 20% didn’t know their credit limit.
- 70% were unaware of “universal default” policies”

Braun Research, 2006

Any heightened sense of awareness gives way to a stronger level of overall financial literacy. The person needs to analyze the situation from all angles by doing the figurative math. While the goal is clear, the person has the ability to change the vague outcome by allowing themselves to alter the path they take: ultimately, this is done through a larger amount of awareness and the ability to change courses when the path is not ultimately as favorable as another option. The person can see the details, do the calculations, and make a mature financial decision about the choices that they are embarking upon; not only is this a financially sound goal but is truly the capstone to financial literacy—the ability to figure out and evaluate every option in front of them.



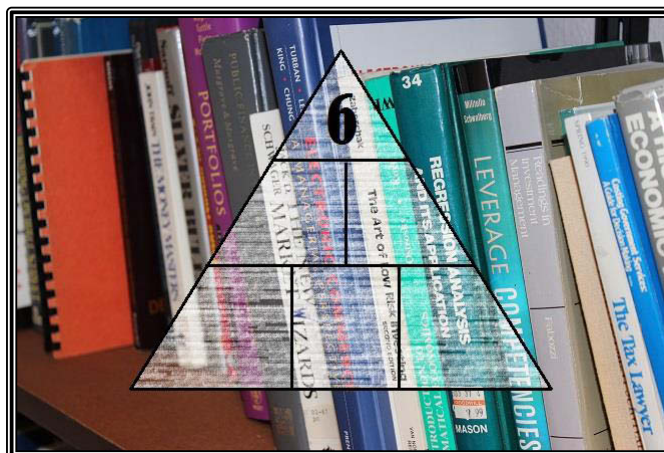
5. Evaluate Risk & Return

There is an incentive to risk one's resources: the earning of a higher return. Although that higher level of return on one's resources or investments is a nice incentive,

one must know that they are forfeiting a level of security to earn that higher amount. That forfeiture of a less risky investment for a larger return is walking a fine line for an investor. However, there is a method to determine the possible outcomes that might arise from taking a risky or safer investment and that is by simply doing the calculation. One should figure what they are putting into the transaction, what the return is, and the risk factor variable. The person may wish to play around with difference scenarios by doing Time Value of Money calculations, which is a useful skill to gain for an innumerable amount of different setups.

A TVM calculation involves five details surrounding a transaction: time, interest rate, present value, payment, and future value; the solution to the calculation consists of solving for one of those five variables. Done through a device such as a graphing calculator or app, the method of calculation helps the used realize their possible financial outcomes within similar circumstances. Through a time value calculation, one can see a determinable path in front of them that they can choose to take or not follow.

The individual, by doing this, is finding their financial potential, realizing what they want to do, and determining their own personal speed of investing.



6. Practice Sustainable Finance

Perhaps what is more important than getting to a different financial position is the skill of holding said position once one has gained their footing. To do so, an individual must practice

being sustainable with their resources and making responsible choices about their finances. Sustainable Finance should be thought of as after-practice finance, where the individual is versed in maintaining their financial position without altering multiple variables involved; for instance, when someone retires, the retiree needs to know how to live in order to not jeopardize their non-income producing future while still living comfortably. Inevitably, the person must work to make decisions that are conducive and follow through with all goals that the person has made and is working towards, which involves a long-term view and ability to plan for things in the future. In a Government Finance Review article entitled “The Road to Financial Sustainability: Planning Challenges”, the author details out four challenges that would face an organization as they are attempting to gain a sustainable future and the possible solutions that protect them from potential failure, but the advice is sound and transferrable for an individual:

Challenge #1:
Mobilizing for
Planning

Solution #1: Describe the better future available through planning

using past successes to fuel future planning

developing a vision that would protect assets

Solution #2: Describe the consequences of not planning

look at "long-range implications" of choices

shy away from looking at "short-term gratification" or things that are not sustainable.

Challenge #2:
Presenting
Forecasts

Solution #1: Frame long-term financial planning as a means for creating the future, not forecasting it.

Try to find financial balance

Find creative solutions that promote longevity

Solution #2: Emphasize the speculative nature of long-term forecasting

Recognize the lack of scientific data surrounding these predictions:

Update plans and forecasts often to see changes that could alter decisions

Solution #3: Enhance forecast credibility

Add third party or other sources

Focus on short-term accuracy to improve overall credibility

Solution #4: Consider use of preliminary forecasts carefully

They set the context but lack accuracy

Identify all risk variables and hone in on what could change

Solution #5: Get early feedback on assumptions used to drive forecasts

Challenge #3:
Aligning
Resources

Potential Solutions:

Make sure to have critical issues covered

Cut unnecessary things that help other personal areas

Reduce reliance in general

Challenge #4:
Institutionalizing
Planning

Possible Solutions:

See the meaning behind the plan

Keep an "on-going commitment"

Government Finance Review, October 2007

Finance is a dramatic concept that never leaves an individual's life nor will its effect ever not be felt. One must plan for every stage of their life accordingly, where during the ebbs and flows, the individual is protected from any fluctuations that will occur and still can work to achieve goals. When a financial plateau hits, from anything such as a struggle, downturn in the economy, or a lack of income, the person is prepared and can still live their life by practicing sustainable finance.

Part Four: Bridging Generation Y Website Module

To complete this thesis, I developed a basic website to illustrate the aforementioned pyramid rules in order to show why they are effective to financial literacy learners. The idea here is to have a researched paper component (the actual thesis) and a technologic website that acts a visual aid for all viewers. The two are complementary to one another, but any audience member could read/view one without ever seeing the other.

For more, go to: **www.bridginggenerationy.com**



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www.bridginggeneration.com/#pyramid-rules/aboutPage

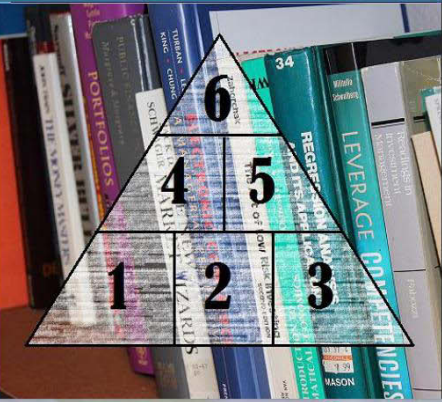
W3Schools Online We...

Bridging Generation Y

Home Pyramid Concepts & Glossary

Rules To Live By

- 1. You're Never Too Young**
- 2. Pay Yourself First**
- 3. Earn More Than You Spend**
- 4. Do The Math**
- 5. Evaluate Risk & Return**
- 6. Practice Sustainable Finance**

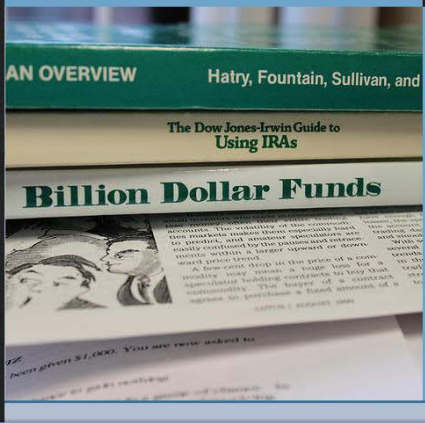


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Philosophy:

Started as an undergraduate thesis, the pyramid was developed as an interactive segment that would be further developed in the actual paper portion. Ideally, a viewer can click the link and view the academic research that supports why each rule is so vital to a strong financial future for a Generation Y member.

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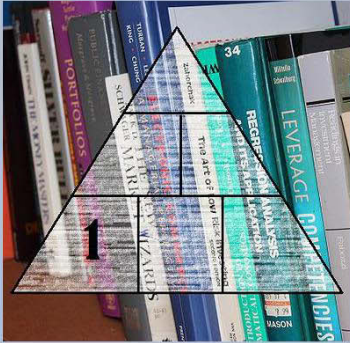
You're Never Too Young

www.bridginggenerationy.com/#rule-1/cb6w

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You're Never Too Young

As a Generation Y member, it is important to realize that the present is the best time to start your financial future:

- allows for a full range of time including investments, retirement, career changes, and ultimately, the recovery from financial blunders;
- things learned now have a higher likelihood of 1) improving the level of cognitive retention and 2) remain applicable and helpful for a longer period of time;
- improves overall chances to increase financial position; and
- knowing something now, and having it benefit someone financially, can only help more if there is more time and opportunity available.

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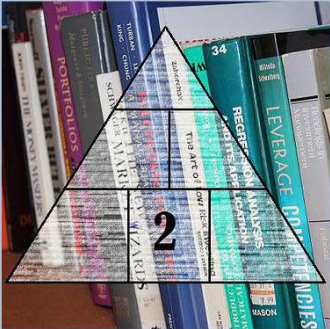
Pay Yourself First

www.bridginggenerationy.com/#rule-2/c1chm

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Pay Yourself First

As a Generation Y member, it is important to realize that YOU are the one constant variable in all transactions throughout your life:

- Creating a more financially literate you opens your life for a higher level of financial success and knowledge;
- Remove the risk of personal financial incompetence in order to give each transaction the highest likelihood of success; and
- Although there are so many unknowns involved in every decision, make sure that the you are fully understanding what it all means.

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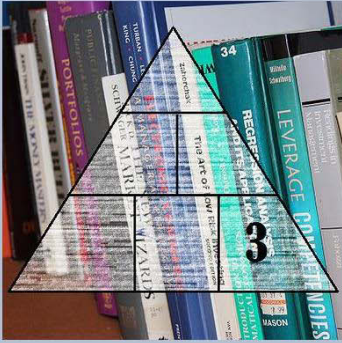
Earn More Than You Spend

www.bridginggeneration.com/#rule-3/c1165

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Earn More Than You Spend

As a member of Generation Y, it is ideal to maintain a higher level of inflow than outflows, where there is a gap between the two, because doing this:

- Allows for positive accumulation of savings;
- Encourages safer finance practices; and
- Focuses the individual on what their needs are rather than "want items"

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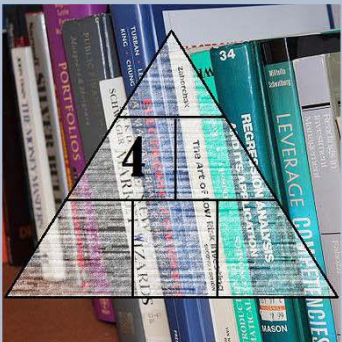
Do The Math

www.bridginggeneration.com/#rule-4/c1017

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Do the Math

Always attempt to know all of the details in a transaction, because doing so:

- makes the individual see how the other side is gaining from the deal;
- removes the risk that the individual will misunderstand what their role in the deal is; and
- allows for complete transparency to occur.

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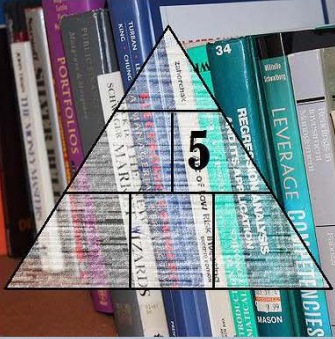
Evaluate Risk & Return

www.bridginggenerationy.com/#rule-5/c20o5

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Evaluate Risk & Return

To get a higher return for your investment in finance, one forfeits a level of security and takes on a higher level of risk. Evaluating risk and return allows the individual to see:

- the different choices available, so one does not feel closed in or not informed;
- what the level of risk is in each choice involved; and
- see what return the respective choice will receive.

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Practice Sustainable Finance

www.bridginggenerationy.com/#rule-6/c11vf

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Home Pyramid Concepts & Glossary



Practice Sustainable Finance

Once someone has reached a financial position that they desire, one should practice sustainable finance in order to:

- keep financial practices constant;
- remove the risk of financial instability; and
- maintain that financial position overall.

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