



After the Fact | Gen Z Vibes on Retirement

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TRANSCRIPT

John Scott, director, retirement savings: Gen Zers have started savings earlier, but is more likely to pull money out of their retirement plans.

Taylor Price, founder, “Priceless Tay”: We don't have that opportunity to invest in housing.

Emily Chow, host, “After the Fact” podcast: I think they feel probably a bit squeezed.

Taylor Price: We want freedom, not this finish line of 65.

Emily Chow: Welcome to “After the Fact” from The Pew Charitable Trusts. I'm your host, Emily Chow.

We've already talked a lot on this podcast about how millennials and Gen Z feel less financially secure than prior generations. And it's delaying those milestone accomplishments, like buying a house and starting a family. But retirement savings is a different story. Gen Z is actually saving for retirement earlier than past generations and in some different ways. And what better way to start this conversation than to have our favorite Gen Z correspondent on the show today to talk to us about it. Welcome Abi!

Abi Ingoglia, producer, “After the Fact” podcast: Thank you so much, I'm super excited to be here! It's very relatable what you said about our accomplishments have been delayed. Is that something you felt like in your early 20s? 'Cause I know you're technically a millennial, right?

Emily Chow: Yeah. If I could give a piece of advice to my younger self, it's to save earlier. I didn't think it was realistic for me to buy a home until two or three years ago. And then thinking about it, I'm like, oh, I probably should have started saving to do that maybe 10 years ago.

Abi Ingoglia: Me and my friends, we talk about feeling constantly behind. I think that's probable a classic early 20s feeling. We are so young, but you still feel like you have no time. And even though I'm saving for retirement now, I



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may not be putting in as much as I would like. Especially with a lot of the external financial stressors like student loans, high rent, inflation. But, I have been trying to research a little bit more about alternative ways I can save. I have been relying a little bit on social media, which feels very Gen Z of me. But according to a study done by the CFA Institute, more than half of Gen Z respondents said they were already investing. And 82% of those people said they began investing before they turned 21.

Emily Chow: I was not thinking about investing in anything at 21. So, claps for y'all.

Abi Ingoglia: I am very lucky to have my 401k compared to a lot of my friends who through their jobs don't totally have that benefit. But it seems like a lot of my generation does want to learn how to invest their money. So that gave me a little bit of hope.

Emily Chow: Speaking of that, today we are talking to Pew's resident retirement savings expert John Scott about a new way that states are encouraging some of those eligible workers and maybe some of your friends to save for retirement now. They're called auto-IRAs.

And before we begin, one quick disclaimer. Please keep in mind that the views represented in this episode are for informational purposes only and should not be considered financial advice. Please consult a qualified financial adviser before making any decisions.

Emily Chow: John Scott, thank you so much for being on the podcast today. It's great to have you here in the studio.

John Scott: Thank you, Emily, for having me.

Emily Chow: So today we are talking about retirement and how people are saving for that stage of life. It's a little bit far away from me, unfortunately. I would love to say that I could be there sometime soon. Could you help our



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listeners understand what is the current landscape of retirement savings in the United States now?

John Scott: In the United States, we typically save for retirement through our employers. Now, there's no requirement on employers to provide retirement benefits. So for many Americans, and according to the AARP, about 47% of Americans don't have access to a retirement plan at their job. Then it's a lot harder to save for retirement, while that's a problem for the individual workers who don't have access to a retirement plan, I think it has wider implications because if people don't save enough for retirement, if they enter old age with inadequate resources, some of those folks are going to need some help in the form of public assistance.

In fact, some research that we commissioned a couple of years ago found that the cost of insufficient retirement savings adds up to about \$1.3 trillion over a 20-year period. So it's a big deal.

Emily Chow: The research shows us that about 70% of retirees wish that they had started saving for retirement earlier. Can you tell us a little bit more about that?

John Scott: We've seen a great deal of change over the past few decades even.

My parents, that generation, typically had a traditional pension, where your employer would promise you a retirement benefit when you hit an age like 65 and the employer would fund it. So you didn't really have to do much except stay with the company for 20 or 30 years.

But around the 1980s that all shifted. And now we've moved to a world where there is no longer that promise of a pension. For the vast majority of us, we're in a situation where we are saving for our own future.

And I think that's the big change. And when we see that statistic of 70% say they wish they had started earlier, that reflects that changing dynamic of, if you had been saving since you started in the workforce, you would have a much



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better leg up as opposed to somebody who started saving for retirement at age 35.

Emily Chow: How have you seen saving patterns compare between different generations?

John Scott: Boomers tended to start later with their savings, around their mid-30s on average. Gen Zers have started earlier, roughly around 19 or 20, which is really fascinating to me.

They might be saving less than boomers, but the fact that they're starting earlier could make up for the fact that they're saving less 'cause of that period of time that compounding of investment returns really is a powerful effect.

I think one of the things that's probably troubling about Gen Z, and this isn't to blame them or anything like that, but they do have higher debt, compared to the past. There's a recent report that came out from *The Wall Street Journal* citing a study that shows that Gen Z, adjusting for inflation, has several hundred dollars more in credit card debt than same age people 10 years before.

And Gen Z is much more likely to pull money out of their retirement plans to pay for debt. So I think it's a sense that Gen Z is maybe being squeezed a bit more financially than perhaps prior generations.

Emily Chow: The onus is now on the individual to think about saving for retirement. What are some of the ways in which people are preparing to do that?

John Scott: For most people, it's taking 5% of your paycheck and having that deposited into a retirement account of some kind.

I think the big difference to understand in all this is that you can always save into a savings account at the bank or into an investment account, but you get a big tax break if you put your money into a 401k or an IRA, where the money grows tax-free over time and you're not really taxed until you start taking it out in old age.



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Emily Chow: It feels like it takes more mental homework to get it done. Especially if you are a delivery driver or a gig worker, you might have other financial priorities that may overtake saving for retirement.

John Scott: For a lot of workers, even workers that are in what I call regular W2 jobs, let alone the gig workers, pay can be a lot more variable. That lack of certainty or predictability can be a big issue for a lot of folks, and that may discourage savings. They're like, I'm not sure if I'm gonna get what I made last month, so I'm really hesitant to put money away 'cause I might need it for groceries.

Emily Chow: Are there any other challenges or barriers that you have seen? For folks that are actually reaching retirement right now?

John Scott: I think for those folks that are on the cusp of retirement or are starting to move into retirement, those challenges are different.

You have a sense of what you have, at least a better sense of what you have when you're maybe in your 20s. But you're not sure how long you're going to live, and so you have this pile of money that you've saved.

How do you make that money stretch out that long? There's also the risk, you have this pile of money, what's the market gonna do?

And so how should be investing that money, which you're not really adding to because you're not working anymore. So should you be more conservative or should you try and invest it in the stock market at least a little bit to help fund that long period of time in retirement?

And I think the big challenge for folks that are on the edge of retirement is the issue of health care and health shocks. That's not something that people typically plan for, they just think, as long as I got the rent covered and the food and the utilities and the car payment, whatever it might be, I should be OK.



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But then you get a \$50,000 hospital bill that Medicare doesn't cover. And that throws you for a loop.

Emily Chow: There's a lot of economic uncertainty right now; broadly things are more expensive.

I think that's a big component that maybe in high school going into college, there's not necessarily a class on, like, financial planning and budgeting.

That was in my 30s. I'm just relying on advice from my parents.

John Scott: I learned geometry in 10th grade and it's like, ask me 10 years later about geometry. I was like, I don't know. And there is financial education going on in the schools, but when you're out, you know, 10 years later in the workforce, you're like, what was that all about again?

So I think there's a great opportunity to really engage with people, and there's also a lot going on out there in the ether with the internet and social influencers, and I think people are very thirsty for that kind of knowledge.

Emily Chow: I agree.

Abi Ingoglia: And Emily, one of those influencers who I was mentioning before. I've been following and engaging with her content since I have started my own savings journey and research. And she uses her own platform to educate about personal finance. Her name is Taylor Price.

Taylor Price: I recognized this was 2017. Only six out of 50 states in the United States required a, a personal finance course for testing in the high school level.

Abi Ingoglia: Taylor was studying corporate finance in college when she noticed a huge gap in her knowledge of her own finances, and she wanted to change that. She did tons of research, shared her journey online, and she realized her audience was full of young people like her who wanted to know



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more about their own finances. And now she has over a million follows across her social media platforms.

Emily Chow: I can't wait to talk to her, and I am sure I will learn a lot. And we'll catch back up with John again later to talk about the new state programs that are helping more people save for retirement.

Emily Chow: Well Taylor Price, thank you so much for joining us today on the "After the Fact" podcast.

Taylor Price: I'm so excited to be here and chat all things Gen Z money. Because these conversations need to be had.

Emily Chow: In this episode, we've been talking a lot about financial planning and preparedness for retirement. Can you tell us how Gen Z is defining retirement, and what does that look like?

Taylor Price: Retirement isn't just an age for us; it really means financial freedom. Gen Z isn't following this traditional retirement path of work 9 to 5 and then eventually come to retire at 65. Retirement, that means that we're dreaming of time freedom, maybe passion pivots or career pivots where we can take longer sabbaticals and identify what we want to do with the rest of our life.

Emily Chow: What are the topics that the audience is most frequently seeking advice on?

Taylor Price: The biggest challenge that I see people talking about or asking is, I'm getting paid, but I'm not seeing it. Taylor, I don't know where my money is going. Studies show and data show, it's regardless of the amount of money that you're making, whether you're making \$40,000 or \$100,000, there's still people that are living paycheck to paycheck.

Emily Chow: You do have some advice for people on just how to better track their money, what's called the rich routine, right? Very catchy.



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Taylor Price: Yes. It is the rich routine and it's a routine. It's a system. And when people come to me with these conversations of, I don't know where my money went. Look, it's not a you problem, it's that there was never a system built for you. So that's why I developed the rich routine, which essentially is five accounts.

It's your fixed bills, your flex essentials, like groceries and gas, your fun fund, then it's our emergency fund and our wealth fund. What do I do with all these accounts? We assign our dollars jobs.

You assign certain dollars to go into, for example, the fixed bills account. If we say, OK, every single month I minimally have to pay \$3,000 for my fixed bills, we put money directly into that account.

Same thing goes for flex essentials. We do the practice of taking a look at our past three months of spending. Because at this point, those are their habits, this is their real spending, without thinking about it. Then I like to prioritize our emergency funds and wealth funds first before ever moving into the fun fund.

And then finally, our last paycheck breakup goes into this fun fund.

I like to let automation help with this process. Therefore, we remove self-control out of the equation. That's the power of building a system that works for you, not constrained budgets that work against you.

Emily Chow: I did want to take a closer look at the Gen Z audience you have. What are some of the financial trends or like behaviors you've seen emerge?

I know you mentioned earlier, like the FIRE movement. Could you talk a little bit more about the trends and specifically, like, what that is?

Taylor Price: The FIRE movement stands for financial independence, retire early. It means aggressively starting to save and invest now for retirement, rather than doing the traditional up to age 65, and then we retire later.



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And so speaking about retirement, we're beginning to invest earlier. Not necessarily using those traditional accounts for retirement. We might be using brokerage accounts and putting away more for early retirement.

Emily Chow: Just across the board, it's characteristic of your generation to really be thinking a bit more outside the box and like bucking these traditional norms. Are there any, like, surprising shifts, or can you do any comparison across your audience?

Taylor Price: Oh my God. There are huge shifts. The younger audiences might also hear the same things from parents who are like, well, why are you investing so much in crypto? Or, you know, the stock market. Shouldn't you be preparing to get a house?

When it comes to Gen Z, where are we focusing our energy and efforts? Liquid assets that are low barriers to entry.

Gen Z, we don't have that accessibility or opportunity to invest in housing just because it's so expensive. It's not accessible to the younger generation. We're thinking about the stock market, ETFs, index funds.

This is one of the only options that we have, and we're seeing in the data more people than ever are investing, more are looking at newer strategies and adopting them.

Abi Ingoglia: And one of those strategies is called Coast FI.

Emily Chow: What does Coast FI mean?

Abi Ingoglia: In your 20s and 30s, you save super aggressively, so by the time you hit your later working years, so like your 40s and 50s, you have a ton of money in retirement, so you don't need to put as much money into retirement. And that frees up your budget a lot. The best part is your retirement account still grows because in your early 20s you funded it so aggressively. The term "Coast



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FI” comes from the idea that your retirement savings is so on track so that you can “coast” for the rest of your working years.

Emily Chow: It’s so catchy. And it’s not surprising that Gen Z came up with that phrase. John Scott also told me about a newer state-led program that’s gaining momentum and interest across the country that can help people save for retirement early.

Your team has been working on solutions that help Americans be more prepared for when retirement comes, in terms of the financial side. I don’t imagine your team is recommending any emotional supports, but if you are, we’d love to hear them.

John Scott: Well, we’ll talk offline about those.

OK. I think the big thing for us has been a lot of Americans don’t have access to a retirement plan, and that is the biggest barrier for people to accumulate sufficient savings. So how do we address that?

I think one thing that we’ve seen in the private sector over the past 15, 20 years is this idea of automatic enrollment where you start employment, you’re automatically put into the plan.

And so that inertia keeps you in the plan, because if you don’t want to save, you have to fill out the forms and do all those steps.

We’ve learned from that, and that’s been taken up as a policy tool where states now have statewide retirement savings programs for those workers that don’t have a retirement plan at their job. The states are saying, hey, look, we have a retirement savings program. We’re gonna automatically enroll you. You can always opt out at any time.

And so we do have 17 states that provide this program, 12 of which are up and running. They’re less than 10 years old and we have over a million people saving currently, and they’ve amassed over \$2.3 billion in less than 10 years,



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which is a really impressive number. So I think that idea of getting people into the system is really important.

Emily Chow: Interest in these auto-IRA programs is growing. So when we spoke to John at the time, there were 12 states that had implemented these initiatives, and as we are chatting here today, Abi, I think there's 13. And I think by the time we air this episode I think we will be at 14 states.

Abi Ingoglia: Let's keep it going!

John Scott: The other policy idea that I want to touch on is there's a new tax credit that's called the Savers Match. This is from the federal government, and much like an employer matching contribution of in a 401k, this is a matching contribution, and it's directly deposited into your retirement account. It's 50% of what you save up to a maximum of \$1,000. So if a young person is starting out and they're saving \$2,000, they get an extra \$1,000 from the government, and that's huge. That's a big deal. And that will compound over time and have a big impact on their savings.

These programs are relatively new, but when you have a statewide platform for savings, it could also be a platform for education and helping people not just with retirement, but also maybe other areas of their financial life, like budgeting or credit scores.

Emily Chow: If there is one piece of advice, what do you wish that everybody would know?

Taylor Price: One thing I want Gen Z to know is the earlier that you start thinking about financial freedom, the more flexibility that you'll have later on.

John Scott: Oftentimes we get the question of, how much should I be saving? And my typical answer is, give till it hurts, but, if you can't really save a lot now, but if you can save 1% or 2%, just make it a habit. That \$20 a month even. But it's really being thoughtful and taking advantage of opportunities and just getting educated.



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Emily: And starting somewhere.

John Scott: And starting somewhere.

Emily Chow: Thanks for listening. And thank you, Abi, for joining us. Make sure you're subscribed to "After the Fact" wherever you get your podcasts to hear all of our latest episodes. I'm Emily Chow.

Abi Ingoglia: And I'm Abi Ingoglia.

Emily Chow: And this is "After the Fact" from The Pew Charitable Trusts.