RETIREMENT SERVICES

Early career workers' perspective on financial challenges:

INSIGHTS ABOUT HOW INDIVIDUALS SAVE, INVEST AND MANAGE THEIR EXPENSES

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The research objective was to gain insight into the perspective and financial challenges of early career workers between the ages of 25 and 35

YOUNG PEOPLE BUILDING THEIR CAREERS AND THEIR WEALTH FACE CHALLENGES WITH BALANCING IMMEDIATE FINANCIAL PRESSURES WITH THE NEED TO SAVE.

The survey data indicates that employees aged 25 to 35, known as early career workers, are highly concerned about the economy and affording living expenses — and confidence about their financial situation is very low. Saving for the future takes a backseat to spending on essential living expenses and building emergency savings. Financial wellness education and services tailored to this age group can enhance financial security for this generation now and in the future.

Key insights

- Generally, young workers are optimistic about their finances and believe their financial challenges will improve over the next 2 years.
- Economic uncertainty, overspending and debt are top financial concerns for young workers.
- Current expenses and credit card debt curb young workers' ability to save for retirement and other important financial goals.
- Saving for emergencies and managing current expenses are considered more important than saving for the future.

Financial concerns

Workers aged 25 to 35, considered early career workers, are generally optimistic about their finances. Sixty-seven percent believe their financial challenges will improve, or at least not worsen, over the next 2 years. However, only 12 percent appear to be confident about their current financial situation. Over half do not have adequate emergency savings (56%), defined as three to six months of income.

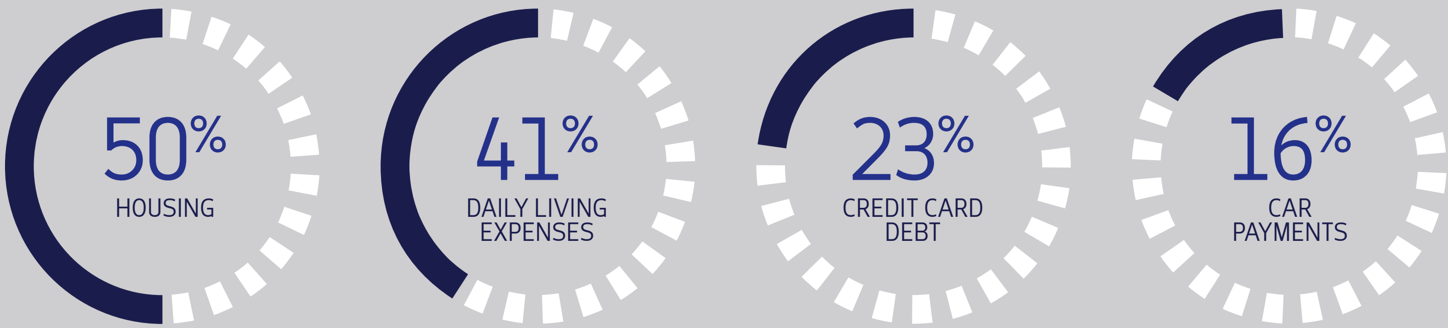
Uncertainty about the economy (32%), likely influenced by recent high inflation, tops the list of financial concerns. Other significant issues for young workers include regularly spending more than they earn (21%) and having too much existing debt (20%) both of which are a considerable drain on this population. Feelings of economic uncertainty appear to be motivating this group to improve financial stability — immediate financial goals named include paying off debt (37%) and building an emergency fund (18%). Fewer than 1 in 5 individuals list buying a home as a short-term goal.

Just 12% of young workers are confident about their current financial situation.

FINANCIAL WELL-BEING:

TOP CONCERNS

OBSTACLES TO SAVING AND INVESTING MORE



WHICH IS MORE IMPORTANT:

SAVING OR SPENDING?

49%

Spending on living expenses

36%

Saving for emergencies

11%

Saving for retirement

Day to day financial challenges limit saving and investing

This group of workers, similar to the general population, view housing (50%) and living expenses (41%) as the biggest obstacles to saving and investing, however debt from credit cards (23%) and car payments (16%) consume more of their income compared to older individuals. Only 12 percent report that student loan debt prevents saving. Fifty-four percent are not homeowners, and of this group, 29 percent believe they will be unable to afford a home in the next 3 years. For those who are homeowners, 34 percent have a monthly mortgage payment of $3,000 or less.

Managing debt and expenses

Over half of survey respondents (52%) track their expenses, and most use a spreadsheet (51%) or mobile app (20%) to do so. The majority (67%) of young workers are very influenced by a parent, guardian or other family member when making financial decisions. Nearly half rank spending on current expenses as most important, followed by saving for emergencies (36%). Saving for the future is a low priority at only 11%.

In addition:

- 4 in 10 survey respondents have student loan debt, totaling under $20,000 for approximately half (45%).
- Seventy five percent pay $6,000 or less annually for their healthcare plan.
- Over a third spend $50 or more monthly on various subscription streaming services, food app and delivery (20%) or Uber/Lyft (10%).
- Debit card and app usage reigns over credit — especially with African Americans (81%) and Latinos (66%).
- Credit card users are twice as likely to incur interest on their balance, however, the majority (61%) often or always pay their balance in full, while 17 percent never do so.

Retirement plan participation

Only 2 percent of plan participants contribute the plan maximum, and a third are missing out on the full company match (when available) due to low contribution rates. Over half (53%) have $25,000 or less in retirement accounts, and 63 percent have under $25,000 saved outside the plan. African Americans (64%) and women (65%) are more likely to have less retirement savings.

Those that opt not to participate in their employer plan report most often that they are investing outside of the plan (20%), while others choose not to participate because there is no employer match (17%) or because they plan to stay at the employer for limited time (17%). Fourteen percent say that they cannot afford to save. Approximately half of this group reviews their benefits options in detail during the annual open enrollment period with 60 percent making changes, while 43 percent automatically renew their existing benefits selections.

Only 19 percent consider investing for retirement in an employer plan a priority — instead, over half use a savings account, while 6 percent aren't saving at all. Just 15 percent invest in stocks and 6 percent invest in cryptocurrency.

Financial learning, saving and investing for the future

A significant portion of young workers (43%) rely on a partner, parent, or guardian for financial information, while 37 percent handle it themselves. Social media is rarely used, with respondents preferring to learn about employer benefits via email (33%), meetings and workshops (24%), and financial websites (15%).

Like other age groups, few individuals have a written financial plan for saving for the future. Only 11 percent have a plan that includes specific goals and timelines. Most respondents (38%) have a general idea of financial goals they plan to achieve, 22 percent manage their finances one day at a time, and 20 percent say they have an "unwritten" financial plan with goals and timelines. Those with a financial plan are more likely to be married than single.

Stock market knowledge among respondents is rated as poor (40%); just 15 percent consider their knowledge to be good or high (6%). Despite this lack of confidence, few seek professional assistance — 30 percent believe it is unaffordable, and 28 percent never considered this option. Respondents that have used advice or guidance services are less likely than the general population to feel it improved investment returns or saved them time (24%).

SAVINGS PREFERENCES

53% Bank account

19% Employer retirement plan

15% Stock market

INVESTMENT GUIDANCE AND ADVICE

30% Believe it is unaffordable

28% Never considered using

24% It improves investment returns or saves time

Conclusion

IT CAN BE A MISTAKE FOR EMPLOYERS TO TREAT ALL WORKERS AS A SINGLE GROUP WITH THE SAME FINANCIAL PREFERENCES, PERSPECTIVES AND CHALLENGES. Understanding the composition of your workforce and customizing benefits structures and promotional programs accordingly can better address needs and boost utilization. Additionally, providing easy access, personalization and insights derived from data can facilitate learning, making programs more useful and actionable.

Generally, workers that begin saving for their future early in their careers increase their odds of accumulating enough assets for a comfortable retirement. Employers and retirement plan providers can work together to equip employees with the financial knowledge necessary to manage money challenges that can obstruct saving for important financial goals such as retirement. Best practices include:

- Curating financial wellness programs to target the learning needs of young workers, such as educational resources about budgeting, managing expenses, debt reduction and investing.
- Leveraging personalized insights, guidance and data to communicate programs more effectively, simplify and empower individuals to make better informed decisions.
- Raising awareness of professional financial advice and guidance services that can uncomplicate retirement planning and offer strategies that consider current needs, future goals and personal preferences.

Methodology

ADP commissioned Retirement Insights, LLC to develop and conduct a survey to gain insight and report the perspective of early career workers about their retirement preparations and financial well-being. The survey was completed in June 2024 and included a national sample of 1,000 individuals employed full-time between the ages 25 and 35 with a minimum income of $25,000.

Let's Talk.

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