



Leveraging the Gen X Retirement Market:

From Overlooked to Opportunity



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FOREWORD

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Generation X represents an under-leveraged opportunity for financial services companies. A Weber Shandwick audit of the top U.S. industry players' websites reveals that only half segment their messaging by generation, and those that do focus on Baby Boomers and Millennials. **None are focusing in on Gen X.**

As the first wave of this group begins to turn 50 next year, the time is right for financial services companies to speak to them on Gen X terms.

Contrary to the "slacker" label applied to Gen Xers as they came of age, Weber Shandwick's research, **Leveraging the Gen X Retirement Market: From Overlooked to Opportunity**, reveals this age cohort is engaged, mindful and often worried about its own financial security, particularly in the wake of the financial crisis.

In this study, their anxiety and uncertainty were most apparent when they were asked about covering healthcare costs as they age. This is a generational blind spot.

Financial services companies who take the time to help Gen Xers answer the questions that keep them up at night

will be surprised to discover a market keen on improving their portfolios and open to products tailored to their generation's needs. They lead hectic, stressful, joyful lives, and will respond well to brands who speak fluent Gen X. They are very aware that they have a serious gap in their planning and need help. In the peak accumulation phase of their financial lives, it is important to help Gen Xers narrow this gap.

As specialists in developing and executing engaging communications strategies for the financial services industry, Weber Shandwick sees a highly appealing opportunity in Gen X. Making the future seem more immediate is not a new challenge to financial services companies, but with Gen Xers soon to be in striking distance of retirement, it is time to acknowledge their unique situation, tailor products and communications for them, and spur them to action.

01

INTRODUCTION

The generation whose formative years were shaped by Madonna, John Hughes films and the presidencies of Ronald Reagan through Bill Clinton is now taking a hard look at retirement planning. This group, ranging from their late 30s to late 40s, were initially characterized as the “slacker” and “grunge” generation, yet went on to shape the dot-com and Web 2.0 eras, unleashing their far-reaching entrepreneurial talents. As a product of skyrocketing divorce rates among their Boomer parents, Generation X (or “Gen Xers”) are known for their focus on family, striving for work-life balance and leading some Gen X Moms (and Dads) to postpone career goals for stay-at-home, sustainable lifestyles.

“Life does not always go as planned, but many times that is a blessing and other times, it is a lesson worth learning.”

(FEMALE, 36-39, GA)

Recession marred the Gen X experience. Not only did Gen Xers face difficulty in securing jobs upon graduation in the early ‘90s, subsequent economic downturns contributed to an unstable financial footing for this market segment. In fact, according to the Pew Charitable Trusts, Gen X took the largest hit in our most recent recession, losing nearly half (45%) of their wealth totals, an average of about \$33,000, in just four years. Impacted by a slump in stocks, bonds and property values, the damage to Gen X portfolios exceeded all other age groups by at least 5 percentage points, Bloomberg recently reported.

“My previous home was (finally) foreclosed on last year after having been on the market for three years with regular reductions in asking price ... no offers in that time and had to choose between feeding the kids or paying a mortgage on a house half a continent away that I’ll likely never see again. Easy choice, really!” (MALE, AGE 40-44, KS)

As a market opportunity, Gen Xers are often overlooked for several reasons: they are sandwiched between two very different and attention-grabbing generations (Boomers and Millennials), have a relatively short generational span (approximately 16 years vs. roughly 20 years for other generations), and represent a smaller share of the population (65 million, vs. 77 million Boomers and 83 million Millennials).¹ Given the financial security that this generation will require to sustain itself during its retirement, Weber Shandwick believes that Gen Xers present an opportunity that financial services companies

should not overlook. This “middle child” cohort has financial issues and communications needs that are unique to their experiences and their place in history, and deserve a closer look by the financial services industry.

Weber Shandwick embarked on a research initiative to inform the financial services industry about how to tap into the opportunity of this generation. We explored how Gen Xers feel about their long-term financial planning, where challenges and opportunities lie, and how financial services companies can best leverage this segment.

“Financial security ... it’s always something I think about. I save for retirement, but is it enough and if it’s not, what will happen to me?” (FEMALE, AGE 40-44, MA)

¹Source: Pew Research Center, “Generation X: America’s neglected ‘middle child’”

HOW WE DID THE RESEARCH

The insights outlined in this report represent learning from a five-day online bulletin board discussion with 18 American Gen X consumers from May 19 – 23, 2014. Our research included a homework assignment, online discussions between participants, numerous exercises and probing explorations where participants answered questions using a private, qualitative discussion board, spending at least 45 minutes with us each day.

We chose a highly in-depth approach because of the exploratory nature of our research topic. Many highly respected organizations such as Transamerica Center for Retirement Studies, Pew, and Insured Retirement Institute, to name just a few, have recently issued studies about the financial challenges faced by Gen Xers. We reviewed this research and realized we needed to better understand the experiences and motivations of this target on a qualitative level. We also wanted to investigate some product and service concepts that financial services companies could consider implementing to enhance their outreach to Gen Xers.

While this sample is not representative of all Gen Xers, 18 respondents assured a cross-section by age, gender, household income, geographical region and family composition. Interviewees were between the ages of 36-49, with a range of household incomes, beginning at \$50,000 and rising above \$150,000. Split evenly between men and women, about two-thirds are married and/or have at least one child, and they are geographically dispersed throughout the U.S.

Participants were required to have at least some interest in and concerns around financial planning, and also at least contribute to long-term monetary decisions for their household.

Ranking of Solutions to Meet the Needs of Gen Xers:

Research participants were asked to rate their level of interest in solutions that might be offered by a bank, investment broker, financial planner or other financial professional to ease the challenges of long-term financial planning.

TOP TIER

- Help me estimate my long-term financial needs based on various health, employment and economic scenarios
- Offer me a basic training course in financial security for the future
- Speak to me in simpler terms

MID TIER

- Develop an investment tool that I could set up for my child(ren)/significant other that would cover any costs in caring for me if I get sick
- Help me understand and choose between all the healthcare insurance options available

LOW MID TIER

- Direct me to a blog or online forum that would allow me to connect with a financial planner and chat with him or her if I have questions
- Tell me about a financial retirement plan that will also cover elder healthcare needs for myself or an aging parent
- Offer monthly interactive webcasts on financial planning for retirement
- Provide planning tools to help me budget for today's healthcare costs for me and/or my family
- Provide an app that I could customize to my financial goals and use to do retirement planning

BOTTOM TIER

- Introduce me to a financial planner
- Connect me to a Facebook group or some other social network community of people who are in a financial position similar to mine so that we can discuss financial security issues

04

NO MASTER PLAN: GEN X ANXIETY ABOUT MONEY AND THE FUTURE

“Generation X estimates their retirement savings needs to be one million dollars (median). Generation X is the first generation to have access to 401(k)s for most of their working careers, and they highly value them as an important benefit, have high plan participation rates, and, for better or worse, some have taken loans and early withdrawals. They are behind on their savings, but they still have time to catch up.”

(TRANSAMERICA CENTER FOR RETIREMENT STUDIES, “THE RETIREMENT READINESS OF THREE UNIQUE GENERATIONS: BABY BOOMERS, GENERATION X, AND MILLENNIALS” APRIL/2014)

“I feel like we have made good steps towards our retirement years, however, I don’t feel like we have a great plan. It’s more of trying to put as much money as we can into investments and less of planning out our financial goals for retirement.” **(MALE, AGE 40-44, WA)**

Discussing plans for long-term futures creates significant anxiety for our Gen X panelists. While most participants have begun retirement planning, including a handful that use financial advisors, they believe that they should be doing more.

Preparedness means different things to different people. When asked what it means to “be prepared” for the long term, the majority of participants describe financial preparations. Savings and 401(k) accounts are mentioned most often, and paying off debt is also desirable for these Gen Xers.

All but just a few of the Gen Xers in this research have begun preparing for retirement. Most have a 401(k) or other pension plan, and savings accounts are also mentioned. Fewer cite other financial preparations, but some have life insurance, investments, college education savings plans, and a handful are considering long-term care insurance.

“To me, prepared looks like a good amount of savings in the bank, college money set aside for the kids, and a backup plan for the family should the unexpected happen.” **(FEMALE, AGE 36-39, NC)**

“Intelligent investment and financial planning are the best way to prepare for the future ... paying off debts and saving wherever possible. It looks like a good nest egg that will allow me to live the life I want.” **(FEMALE, AGE 45-49, TX)**

“To me, prepared looks like having the financial freedom to afford retirement. The only way that is possible is to have comfortable savings, the right investments in place, owning your own home and being able to count on your pension as a source of retirement if necessary.” **(MALE, AGE 40-44, NY)**

04 NO MASTER PLAN: GEN X ANXIETY ABOUT MONEY AND THE FUTURE



“Fewer Gen Xers are working with financial planners than two years ago. Currently, 77% of Gen Xers say they are not consulting a financial planner to help them plan for their retirement, compared to 63% two years ago.”

(INSURED RETIREMENT INSTITUTE, “THE RETIREMENT READINESS OF GENERATION X: THE LASTING EFFECTS OF THE ‘GREAT RECESSION’ ON GEN XERS’ RETIREMENT OUTLOOK” 1/30/2014)

This sounds like a very well-prepared group, yet they don't feel well prepared. The majority believes that they are lagging behind in their financial planning, and just about all interviewees express anxiety around retirement planning. The permeating sentiment among research participants is that they could and should be doing more, but often their current responsibilities take precedence.

“No, I don't think I am prepared. My retirement accounts are growing but I find it too hard to contribute to them. I have too many other monthly expenses and that is always the last thing I put money towards.” (FEMALE, AGE 40-44, MD)

“I don't think I am prepared for this time frame. I feel I am saving for my future but not enough. I need more discipline when it comes to saving for the future.” (FEMALE, AGE 36-39, NY)

“[Financial planning for retirement] is cumbersome for one individual being a single mom. It's hard to place your big eggs in one basket and send it away.” (FEMALE, AGE 40-44, MA)

What is causing all this anxiety about financial preparedness? How can the financial services industry help this market to feel more confident in the investment decisions they make and in their retirement futures? The following pages reveal deep insights into the concerns of Gen Xers. Based on these insights, Weber Shandwick provides recommendations to financial services professionals to enhance their ability to guide Gen Xers, fulfill their unmet needs, and leverage a unique market opportunity.

REALITY BITES

To understand where Gen Xers need guidance the most, and therefore identify solutions for meeting their needs, it is critical to understand their concerns and challenges now. Our research uncovered four areas that drive fear and worry for their future financial security:

1. Balancing long-term planning with today's challenges
2. Maintaining health today for wealth security later
3. Retiring with quality of life
4. Disconnecting long-term healthcare costs from retirement planning

“Dealing with the monthly grind of paying bills and ensuring that the kids are provided for ... it always seems that there’s one more check to write, or someone needs a shirt for some function, or a check for Little League, or whatever.”

(MALE, AGE 40-44, KS)

1. Balancing long-term planning with today's challenges

Understanding the context in which Gen Xers are making enduring financial decisions is critical in developing effective communication strategies. This generation is diverse, leading complex and dissimilar lives.

A brief description of our 18 participants illustrates the varied lifestyles that characterize Gen X today, and the circumstances in which they are determining their financial futures. Some have younger children, while others are currently paying for college tuitions. Still others have older family members they are supporting. A few research participants are in second marriages or leading households

as single parents. One is a single man living without health insurance and working extra jobs to make ends meet while helping an elderly uncle with health issues. Clearly, Gen X encompasses innumerable lifestyles and challenges, and a uniform approach to providing financial planning services is unrealistic with this age cohort.

To further depict the Gen X life stage, let's examine some of the foremost issues that participants describe when asked what keeps them up at night. In addition to health concerns (addressed in depth in a separate section), financial worries, family and job/career worries round out the top of the list.

When asked about their challenges and concerns, Gen Xers cite:

Everyday challenges

Time (*quality time, time to get everything done ...*)

Financial issues (*saving, paying for unexpected expenses, retirement*)

Lack of sleep/fatigue/inability to relax

Health (*eating well, exercise, weight maintenance ...*)

Children/family members (*are the children making the right choices, are parents OK ...*)

Concerns 25-30 years in the future

Financial stability (*paying bills, debt ...*)

Leading a healthy life

The cost of healthcare/health coverage

Children

The state of our nation/economy/values

05 REALITY BITES

Challenges in saving for their futures while constrained by more immediate issues:

Everyday expenses, concerns about the economy or stock market and paying for unexpected expenditures.

“Saving for my kids’ college expenses is worrisome to me. It’s important to get an education nowadays. The cost of college is growing; will I have saved enough for them is a concern. I’m trying to save more money now, I think of this issue quite often.” (FEMALE, AGE 36-39, NY)

“The market was really bad for our investments ... we are recovering, though ... I was heavily into the stock market, but with the possibility that the government would default ... I pulled out and am now in bonds. I’m waiting for a large ‘correction’ (for the market to fall) so I can get back in.” (FEMALE, AGE 45-49, TX)

Although a few participants mention concerns around paying the monthly bills, more immediate, day-to-day financial issues appear to be less significant among our select research sample. This, however, comes with a caveat: we chose research subjects with annual household incomes of at least \$50,000 as a baseline for the purposes of this study.

Parental worries run the gamut.

One mom struggles with lesson plans for homeschooling her elementary-aged children, while another mom strives to provide for her autistic daughter. Some express concern about the educational challenges that their children face, and others worry about their children making the right friends.

“I worry about my newly licensed child driving. I worry about what he’s going to do after high school.” (FEMALE, AGE 45-49, CO)

“My preteen daughter, although easy to raise, has some academic difficulties, and it’s frustrating trying to help her with homework ... I’m worried that my daughter will make poor choices in life as a result of her academic difficulties.”

(MALE, AGE 45-49, MN)

Concerns for other family members.

“I worry about my sibling who is not married and who will care for her when she is older.”

(FEMALE, AGE 36-39, GA)

“Another challenge I face is having enough time to help my parents in Michigan with their needs (e.g., home maintenance tasks, assistance with financial transactions and technology) while keeping up with my own work and personal responsibilities.” (MALE, AGE 40-44, GA)


Job concerns.

Some participants think about their day on the job, and challenges with coworkers. Others are concerned about keeping their jobs or furthering their careers and attaining professional goals.

“My work keeps me up at night — I am always thinking about work during the work week ... I have set out goals for myself in my career.”

(MALE, AGE 36-39, TX)

“Needing to go back to work full-time and when that will need to happen is something I think about.” (FEMALE, AGE 36-39, GA)



“Prepared has two meanings to me — Health and Wealth.” (MALE, AGE 36-39, TX)

2. Maintaining health today for wealth security later

We were rather startled to discover how concerns for long-term health dramatically influence the expectations of Gen Xers’ financial futures. The consumers in our research exhibit a strong propensity for personal wellness, and appear to be caring for their health with an eye toward building a foundation for their elder years.

However, while they are addressing their health today, few are planning for their future healthcare finances, even though it is a worry they articulate with intensity. Helping Gen Xers understand their future health financing options is an important opportunity that financial services providers should address in serving this market segment — one that is actively planning and seeking solutions for their long-term financial security.

““ Staying healthy — I think about this all the time. It’s a constant concern. If something happens to me, I have a few savings accounts to assist my children, but I worry about doing the right thing for my health and seek out help where I can to address my concerns.” (FEMALE, AGE 40-44, MA)

In fact, when given a list of worries they may have about their long-term future, just about all participants chose “staying healthy so I can lead the life I want” and “paying for my/our healthcare” as a leading concern. In essence, health concerns rank as high as financial concerns when Gen Xers ponder their current and future lives. Paying for healthcare today is a lesser concern, as all but one participant have health insurance provided by their or a partner’s employer. However, financing healthcare becomes a major concern as they look into the future.

““ Since I will not have any employer-sponsored healthcare when I stop working, I feel vulnerable to the unknown future state of government healthcare funding for seniors.”

(MALE, AGE 40-44, GA)

““ I don’t have a clue where healthcare is headed, but no matter what, it continues to be a huge expense. Then, if something were to happen to one of us, health-wise, how do we cover costs? I’m not sure what to think because it’s so unclear, especially for seniors.” (FEMALE, AGE 40-44, MA)

05 REALITY BITES

Another distinct worry is around long-term care: research participants fear that all their savings will be depleted if long-term facilities become necessary.

“After we retire, [health] is a wildcard. I have no idea what healthcare for seniors will be like. No matter what, if you or your spouse winds up in a nursing home, you will lose everything.” (MALE, AGE 45-49, MN)

“My concern would be if I wind up in a long-term care facility ... it seems like once you're there, even with a stated goal of returning home in a month or six weeks or whatever, problems just snowball and one gets stuck there longer and longer.” (MALE, AGE 40-44, KS)

Given their health focus, Gen Xers discuss how carefully they manage their health today, in order to prepare for their old age.

“Staying healthy [is important], because it will determine the amount of money that I might have to pay if I get sick, and that can impact my savings and lifestyle. I think about this as I exercise and eat right ... or as right as one can when one has a sweet tooth!”

(FEMALE, AGE 45-49, TX)



“I want to be healthy enough to enjoy my retirement years and not be held back from a condition or ailment. I think about this occasionally. I do try and keep a regular routine at the gym so I stay healthier.” (MALE, AGE 40-44, WA)

05 REALITY BITES

Throughout our five days online, Gen Xers consistently mentioned health as a top focus of their lives today and in the future, often unprompted by the moderator's questions. Presently, many are striving to lead healthy lives by focusing on diet and exercise. After all, this is the generation that came of age with the rise of aerobics, at-home exercise videos and gym memberships. Some already have specific ailments or experience with a family member's illness, so they know firsthand how important it is to take care of themselves.

"I am busy being an adult and focusing on health, career, and longevity. I'm not such a free spirit as I was [as a teenager], but I try to keep that teenage spirit alive."

(MALE, AGE 35-39, CA)

"I am very concerned about [staying healthy], and am seeking to live more healthily in the present to improve the chances of being healthy 25-30 years from now."

(MALE, AGE 40-44, GA)

"Getting the motivation to exercise is hard!!! While I really like it, sometimes I just can't muster the energy (or the will) to do it ... Losing weight has proven complicated, I have thyroid issues and that does not help."

(FEMALE, AGE 45-49, TX)

"I was diagnosed with juvenile arthritis at the age of 13. I have had eight surgeries on one knee, including a prosthesis already ... I will continue to be proactive and work on things such as maintaining my healthy weight. I hope to stay as healthy as possible, but realize that a lot of muscular/neurological issues run in my family, and I will more than likely have to deal with those as well in the future."

(FEMALE, AGE 36-39, NC)

"I have concerns about the health of my husband and my own in 25-30 years simply because our parents have health issues that are likely to affect us as well ... I am worried about cancer, diabetes and heart conditions. None of these are a problem for us now, but we are mindful that this could be the case down the road and are trying very hard to live a healthier lifestyle to prevent or at LEAST delay these issues."

(FEMALE, AGE 36-39, GA)

"Is whatever ache or pain I'm feeling 'normal'? In other words, is it the result of my day at its physical and mental stresses and strains, or is it something that needs to be attended to?"

(MALE, AGE 40-44, KS)

05 REALITY BITES

“I feel like I’ll need to continue working beyond the traditional age of retirement in order to maintain a decent level of financial stability in my older years. If my health interferes with this, I feel like I’ll be in a difficult situation.” (MALE, AGE 40-44, GA)

3. Retiring with quality of life

While participants believe they can learn from their elder family members on how to prepare for retirement, many are doubtful that they will lead the ideal lives they envision. These Gen Xers expect to be **working longer** than the current elder generation.

“If things continue like our economy and healthcare are now, it will be very hard to make ends meet for myself and others my age in 25 plus years. My children will have their own families to pay for, so I am uncertain of my own life. I am fearful my retirement could be harder for me than even my parents with how hard it is today making ends meet.” (FEMALE, AGE 45-49, NC)

“At some point I’ll have to go back to the workforce. As our life expectancy continues to grow it won’t be that unusual to find ‘old people’ still working. Jobs are more automated and will be harder to find.” (FEMALE, AGE 40-44, MD)

“I don’t think I’ll ever retire. I suspect I’ll fall over dead at work one day.” (MALE, AGE 40-44, KS)

Participants also express apprehension around the nation’s safety net, and whether **Social Security and Medicare** will remain viable in the future.

“I’m sure it will be much harder. All the older people today are living longer and eating up all the Social Security. I’m sure it won’t be there in 25 years when I need it.” (FEMALE, AGE 40-44, MD)

“Paying for my/our healthcare — this is a concern because it is unknown what our healthcare system will be like during my retirement. Not enough working people at the bottom to support the retired people.” (MALE, AGE 45-49, MN)

“I have concerns about the economy, Social Security, and hardly having enough savings. The media reports of the fiscal outlook for my generation, and Social Security running out is quite frightening.” (MALE, AGE 36-39, CA)

05 REALITY BITES

Still, participants also **express hope** for their elder lives, and some are optimistic that **technology** will contribute to easier living in the future.

“My guess is that life will get easier in some respects, as technology advances ... I really am expecting that in home robotic technology, it will become a ‘thing’ — think Roomba on a grander scale. In fact, with some of the ‘smart home’ technology already in existence, some of the maintenance chores in the house may well be fully automated sooner rather than later.” **(MALE, AGE 40-44, KS)**

“In my occupation, online classes are becoming more and more common. So I envision I will be able to live where I want to and actually keep doing the same job and teach online via webcam and other remote technologies.”

(MALE, AGE 45-49, MN)

“I also think that technology (robots, A.I., etc.) will help senior citizens with a lot of the problems that current seniors face; for example, providing automated transportation (no worry about driving), helping diagnose medical issues, directing physical therapy, etc. Thus, I feel like my future retirement might be financially more challenging but physically easier and less isolated than those of many seniors today.” **(MALE, AGE 40-44, GA)**

“Of those Gen Xers with retirement savings, **42% currently have less than \$50,000 saved.** In 2012, 30% of Gen X savers had savings at this level. The median amount saved is \$59,800, down from \$70,400 two years ago. Overall, fewer Gen Xers have money saved for retirement.”

(INSURED RETIREMENT INSTITUTE, “THE RETIREMENT READINESS OF GENERATION X: THE LASTING EFFECTS OF THE ‘GREAT RECESSION’ ON GEN-XERS’ RETIREMENT OUTLOOK” 1/30/2014)



4. Disconnecting long-term healthcare costs from retirement planning

An intensity and fear emerges when research participants describe how they feel about financing their long-term health.

“When you think about financing your long-term healthcare, how does that make you feel?”

“Currently, I am thinking about planning for all of my needs in one bucket. I know that there will be healthcare costs, but what that will be is an unknown ... I think the main reason that I have concerns about some areas in retirement but don't plan for them is because I don't know where to start in determining what healthcare costs will be in 25 years, and then how to plan for them ... Where we are at right now is to put in as much money as we can into investments versus we need to put away 'x' amount of dollars/month for specific needs (like future healthcare costs).”

(MALE, AGE 40-44, WA)

“Just the cost of healthcare in general [worries me]. Unless you are working for the state or federal government, you have to really rely on yourself. Most corporations and companies only pay until the day you leave them. So I see a grim future of cost.”

(FEMALE, AGE 40-44, MA)



05 REALITY BITES

Even with this anxiety and their overall focus on healthy living, few Gen Xers in this study consider health finances in their long-term planning. **The financial aspect of caring for one's future health has essentially been ignored.** A variety of reasons for this disconnect were uncovered:

Since most **currently have health insurance** and expect to keep it through an employer, long-term care is overlooked. It is almost as if the “box is checked” for the near-term, so it simply isn't a consideration.

“I think because our insurance has been provided by our employers, that long-term health insurance is kind of off our radar. I kind of don't know where to start to plan for healthcare costs that will come after retirement. Partially, I know that we will be eligible for Medicare when we turn 65, so it is thinking about coverage between the gap of retirement and this time.” (MALE, AGE 40-44, WA)

Although there is skepticism about the viability of our federal safety net, some participants still **hope that Medicare will kick in.**


“Sadly, beyond being cognizant of the need for a disability/long-term facility insurance coverage, there's really been no thought on this matter. I'm reasonably certain that Medicare/Medicaid becomes the 'plan' everyone gets to participate in at a certain point, but not completely sure that this is indeed the case.” (MALE, AGE 40-44, KS)

A few alluded to **planning for retirement as “one bucket,”** assuming their healthcare needs are accounted for in their current investments, although they aren't certain this is true. These participants tend to be planning on their own, without an advisor.

“I guess that ... I had not realized what long-term planning really meant ... and I have always seen healthcare as separate for some odd reason. Yesterday my husband and I were talking about healthcare in the long term ... and it suddenly hit me that we are going to need more planning to include healthcare and I got in panic mode and in my mind everything looked rather dark.” (FEMALE, AGE 45-49, TX)

A few also mention the difficulty of **anticipating the unknown,** or the state of their health decades away.

“Healthcare seems to be the wildcard that you can't 100% plan for — as insurance changes and costs increase, there is no way to know that you are completely covered. A debilitating or chronic illness can destroy your savings, and this is scary when your income is no longer increasing. We will purchase long-term care insurance soon and we are taking steps to better our health now in hopes that this will pay off in our senior years. But there are never any guarantees.” (FEMALE, AGE 36-39, GA)



“Only 30% of Gen Xers rate themselves as being highly knowledgeable on financial matters, and just 11% state that they have high levels of knowledge about investing.”

(INSURED RETIREMENT INSTITUTE, “THE RETIREMENT READINESS OF GENERATION X: THE LASTING EFFECTS OF THE ‘GREAT RECESSION’ ON GEN-XERS’ RETIREMENT OUTLOOK” 1/30/2014)

Advice around long-term health finances is lacking. Even among the five participants who work with a financial advisor, only one has received guidance on health financing.

“My financial advisor has recommended I save 5% more on top of what I’m saving now just for healthcare expenses.” (FEMALE, AGE 36-39, NY)

Any other advice these Gen Xers have heard is to lead a healthy life now.

“Family and friends just say to watch out the best we can. Try to stay healthy now and hopefully we’ll have fewer problems later.”

(FEMALE, AGE 40-44, MA)

Finally, the intersection of finances and health may be overlooked because it touches on **cultural taboos**. Finances are rarely discussed outside of immediate family, and the fact that this is still a relatively young population.

“Probably the reason I have not thought much about healthcare finances is because no one really talks about it at my age. People talk about saving for retirement (a little), but nothing on healthcare finances for retirees ... nobody. There are certain taboos in the American culture that you don’t normally discuss. For instance, you never ask ‘How much money do you make?’ So typically among your peers you don’t discuss financial matters.”

(MALE, AGE 45-49, MN)



06

EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET: GUIDELINES FOR FINANCIAL SERVICES PROVIDERS

Leveraging the Gen X Retirement Market: From Overlooked to Opportunity demonstrates that Gen Xers have distinct and unmet long-term planning needs, suggesting a variety of opportunities for financial services providers.

When asked what they seek in their ideal financial planning experience, participants use words such as: “understandable,” “informative,” “honest,” “customized,” and “thorough.” These were the underlying themes running throughout the five days of research. Based on our in-depth online exploration,

which also evaluated 12 product concepts (see “Ranking of solutions to meet the needs of Gen Xers” on page 4), Weber Shandwick offers eight recommendations to financial service providers and communicators on how best to unleash the potential of this keen, maturing market segment.

Quick Guide to Engaging Gen Xers

1

Consider Gen X a distinct target segment. Don't lump them with Boomers and Millennials

Devise innovative products and services to address Gen X needs and investment "gaps"

Build relevant imagery, shared cultural references and recognition for achievements into communications and advertising

2

Acknowledge Gen X as a viable, but at-risk, financial services target

Gen Xers represent a sizable wealth segment of \$3.9 trillion, but lack investment confidence

3

Bring the future closer to Gen Xers to incite savings

Design products and communications for making retirement seem more immediate

4

Make it easy for Gen Xers to sort through investment options. Remember — they are looking for help!

Offer incremental steps toward achieving their retirement goals

Demonstrate that even minimum equity activated now can be effective

5

Guide Gen Xers to consider healthcare costs as separate line items in their financial security planning

Address questions about elder care costs and options

Provide an investment tool to cover a family's costs

Offer regular updates and interpretations about the fast-changing healthcare marketplace

6

Ensure that education programs are accessible to Gen Xers

Basic and more advanced training

A blog or online forum connecting to a financial planner

Interactive webcasts

Address a variety of questions about managing 401(k)s, long-term and life insurance, tax implications, investment fees

7

Facilitate Gen Xers' understanding through scenarios and projections

Show them the numbers

Share insights into what their peers are doing

8

Engender trust through all communications

Tread carefully with technological solutions, such as apps and social media

Link consumers to advisors with a carefully-planned approach to assuage skepticism in motivations

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

The following provides insights on to how to implement these solutions:

1. Consider Gen X a distinct target segment. Don't lump them with Boomers and Millennials

Straddling responsibilities for their own families while beginning to care for their elders, Gen Xers are uniquely challenged with time and financial constraints. They have had it hard; responding to economic downturns and continuing to grapple with the residual effects of the last recession. Many participants are leading lives they did not envision for themselves, overcoming obstacles and discovering life lessons along the way.

Devise innovative products and services to address Gen X needs and investment “gaps.” As one example, Jesse Slome, executive director of the American Association for Long-Term Care Insurance, has noticed a trend in reaching

out to middle-income Americans: “The ‘shared care option’ allows a couple to reduce their cost of coverage, but share a combined pool of benefits. Also, some of the newer inflation growth options are of growing interest to middle-income individuals. They enable you to purchase a nominal amount of affordable coverage today, while locking in your health should you wish to add to your coverage in future years.”

Build relevant imagery, shared cultural references and recognition for their achievements in communications and advertising to demonstrate that financial service providers understand this market segment, and are responsive to their needs.

2. Acknowledge Gen X as a viable, but at-risk, financial services target

The demographic rapidly approaching retirement years is a viable target. Yes, it is smaller in size than the lucrative Baby Boomer generation, but 65 million people is a large population. With approximately \$60,000 in retirement savings per Gen Xer, they collectively represent a sizable wealth segment of \$3.9 trillion.

However, it is a group that lacks confidence in the security of its investments, their ability to make good long-term investment decisions, and trust of the motivations of financial advisors.

“I frankly find the whole array of products and services to be confusing ... Company A advertises this ‘method’ as being the best way to go about long-term planning, while Company B is on the air during the next set of ads espousing their brand of thinking as being the superior way to go ... I realize that they are ads, but even their prospectuses tend to be filled with graphs that are scaled to skew the numbers, or some random statistic is pulled to support a position ... but are these the right statistics and whatnot to be looking at?” (MALE, AGE 40-44, KS)

3. Bring the future closer to Gen Xers to incite savings

Gen Xers acknowledge that retirement still feels distant to them, contributing to their unpreparedness. The space is wide open for financial services companies to creatively devise communications for making retirement seem more immediate.

Keith Chen, Associate Professor of Economics at the UCLA Anderson School of Management, offers a solution that might not be practical for most financial services providers, but may provide some inspiration:

“Researchers have been looking for ways to help people act in accordance with their long-term interests. Recent findings suggest that making the future feel closer to the present

might improve future-oriented behavior. For instance, researchers recently presented people with renderings of their future selves made using age-progression algorithms that forecast how physical appearances would change over time. One group of participants saw a digital representation of their current selves in a virtual mirror, and the other group saw an age-morphed version of their future selves. Those participants who saw the age-morphed version of their future selves allocated more money toward a hypothetical savings account. The intervention brought people’s future to the present and as a result they saved more for the future.”

“25-30 years would put me at 73-78 years old ... At that age, it is hard to say what I will be doing.” (MALE, AGE 45-49, MN)

“I’m concerned. I have been doing what I’m told to do, plus some, but no one really knows where they will be 30 years from now.”

(FEMALE, AGE 40-44, MA)

“I am not sure where I will be, but I hope still at home with my husband or kids helping me. It’s hard to say how we will be doing financially.”

(FEMALE, AGE 45-49, NC)

“It’s really hard for me to think of 25-30 years from now. I have always been a day by day kind of person. Right now our long term is getting our kids through college. First things first.”

(FEMALE, AGE 45-49, CO)

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

4. Make it easy for Gen Xers to sort through investment options. Remember — they are looking for help!

Gen Xers feel overwhelmed by the number of choices they're faced with when planning for their long-term financial stability, so they require products and services that can help them sort through and prioritize their options.

Provide easy-to-use tools that allow them to weigh their choices based on various factors such as risk tolerance and investable assets could go a long way.

“Often, financial planning seems like an overwhelming, complicated task, or something only relevant to wealthy individuals. So anything that can be done to break it down into simple steps/facets relevant to average-income people would be helpful.”

(MALE, AGE 40-44, GA)

“I feel like there is too much information and too many opinions about what you should do. It is also confusing about the type(s) of investments I should put my money in as there are lots of different rules with each one.”

(MALE, AGE 40-44, WA)

Offer incremental steps for those who are planning later, in their 40s, as many feel they are lagging behind in their preparations. Recommending short-term (two-year, five-year) and longer-term solutions can motivate this age cohort to do more now.

“I feel like I am headed in the right direction and positive steps have been made, however, I wouldn't say that I feel fully prepared. To be more so, I think that I should have a 1-year, 5-year, etc., outlook until I am ready to retire.”

(MALE, AGE 40-44, WA)

Some have limited funds to work with, so **demonstrate that even minimum equity activated now is an effective strategy** that can be built upon over time.

“I've never really had the opportunity to [work with a financial advisor]. I guess I didn't think I had that much savings that it was worth it. From what I understand, most people have \$100K or more before they get involved with financial planning.”

(FEMALE, AGE 40-44, MA)

“I would ask about how I can save and invest money when I can barely make ends meet. How can I set up a trust for my kids without a lot of cash now?”

(FEMALE, AGE 45-49, NC)

Transparency is critical. Importantly, Gen Xers express a desire for clarity and transparency in the financial services offered to them.

“What are you investing my money in, how does it work, how can I monitor it, is this high risk, how do I know you will take good care of it and look towards my well-being and my future and not your own commission check???”

(FEMALE, AGE 40-44, MA)

“I want to know ... what is your track record? ... What are your fees, charges, commissions, cost per transaction, hidden fees, brass tacks? I want no surprises.”

(FEMALE, AGE 45-49, TX)

Consider offering auto-enrollments to make it easier for Gen Xers to succeed and escalate their savings. Research from the Employee Benefit Research Institute (EBRI) demonstrates a large positive impact that auto-enrollment could have on employees eligible to participate in 401(k) plans, especially at the lower-income quartiles.

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

5. Guide Gen Xers to consider healthcare costs as separate line items in their financial security planning to encourage more investing and instill greater confidence in their investment decisions.

“I’m not able to break down my savings [401(k)] into general cost of living and healthcare funds, and don’t even know if my overall savings will be sufficient for both.”

(MALE, AGE 40-44, GA)

Clearly, Gen Xers are seeking to understand the specific needs they must consider when planning for their elder years, and healthcare financing is one distinct area that greatly concerns them. This age cohort should be encouraged to focus on healthcare as a stand-alone element in their overall long-term planning, with unique product offerings.

“I want to be prepared with all my healthcare needs; any advice would benefit me. Also, what could I do to save for my mom’s healthcare and future ... advice about what I should be saving for myself and for my mom, so it’s not unexpected to me.”

(FEMALE, AGE 36-39, NY)

Address questions Gen Xers have for financial services providers: How to plan for elder health needs, what current insurance and government options are available, will those choices be available in the future, and how to apply flexible spending accounts for future needs.

Be sure to communicate already existing products to Gen Xers that allow for including healthcare costs in their retirement planning considerations. For example, encourage them to open a health savings account that accumulates savings during the working years and then is used in retirement to pay for qualified medical expenses.

Also, direct Gen X clients to the HSACenter.com savings comparison chart to see the pros and cons of using different savings vehicles for retirement healthcare costs.

Provide an investment tool that could be set up to cover a family’s costs in caring for someone in case of illness. This concept received fairly strong interest in our research.

“That would be a great tool and provide peace of mind before my health gets worse, and something I could have a part of involvement now when I can understand better ... as we age those type things can be overwhelming to a senior.”

(FEMALE, AGE 45-49, NC)

“This is a great idea because it can keep all the information in one place for the family.”

(FEMALE, AGE 40-44, MA)

Offer Gen X clients regular updates and interpretations about the fast-changing healthcare marketplace, as it can be worrisome to them.

“This will become more of an urgency as my options become more limited towards Medicare/Medicaid and supplementary coverage. Also, depending on the long-term, unintended consequences of the ACA that we have yet to discover, my current plan may change. I don’t know that will happen, but goodness only knows what is in the insanely long law (it’s 800 pages, as I recall, so there’s bound to be something that pops up in the future that wasn’t intended, nor foreseen).”

(MALE, AGE 40-44, KS)

6. Ensure that education programs are accessible to Gen Xers

“I like the idea [of simplicity], so I can understand easier about complicated decisions. However, I don’t want it to be dummed down so much that I am not getting the information that I need.” (MALE, AGE 40-44, WA)

First and foremost, simplicity is paramount.

The demands of their current life stage makes this market segment particularly deficient in time and energy, so straightforward tools and communications can help Gen Xers advance further in their financial planning. For example, participants want financial services providers to “speak to me in simpler terms.”

“One of the biggest issues I have with any financial person or company is that the language they use is very complicated for anyone without a financial background, so yes, give me some plain and simple English ... please!!!!” (FEMALE, AGE 45-49, TX)

“This is always a bonus — my husband understands more about financial planning than I do, so I find myself nodding along when I don’t actually follow just so I don’t interrupt the conversation. I would love to walk out of the planning sessions feeling that I understand everything we agreed upon and what the outcomes will be.” (FEMALE, AGE 36-39, GA)

Basic as well as more advanced training is of interest to many, as they would like to be better informed when exploring their long-term planning options.

“Yes, I would like the whole picture in a basic training course. I would like a series of courses where it goes from basic to intermediate, and maybe advanced.” (MALE, AGE 45-49, MN)

“I would prefer to do something like this before sitting down with someone, so I could have a basic understanding.” (FEMALE, AGE 45-49, CO)

This finding is not a revelation for financial services providers; consumers have been voicing it for years and when offered such training, many fail to take action. However, this recommendation is worth a fresh look given technology advancements that make communications easier and more accessible. Think about the opportunities afforded by Skype, webinars, wikis, etc., as ways of connecting with tech-savvy but extremely busy clients. Less sophisticated offerings may include a good glossary or optimized search tool for quick reference look-ups.

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

A blog or online forum connecting to a financial planner also receives solid interest from participants, as it would be expected to provide education and information without the issues associated with hiring a professional.

“This seems like a win-win sort of thing — I post when I have a question and time to do so, and get (maybe not a detailed) answer when the FP/FA has the opportunity to do so ... hopefully in a timely fashion ...” **(MALE, AGE 40-44, KS)**

“It’s very similar to online chat boxes when shopping. Someone is always there and no phone is involved, which is good.” **(FEMALE, AGE 40-44, MA)**

Monthly, interactive webcasts would be valuable to some.

“If it is from a reputable source, I think it would be good to keep up on trends. With this, I would want the material to be presented more in informing versus ‘this is what you should do.’” **(MALE, AGE 40-44, WA)**

“Possibly have a well-known, familiar, financial guest? ... Possibly bring in someone that people can relate to ... trusting what people stand for and what they believe in is important. It also shows character.” **(FEMALE, AGE 40-44, MA)**

Address a variety of specific questions in educational venues:

- Since the basic planning tool for those in this research is the 401(k), many have questions about how to manage this investment vehicle.

“I would want to know what I could do within the confines of my 401(k) program to maximize my investment success, and also how I could best respond to market fluctuations or my anticipation of them using this 401(k)’s available mechanisms for viewing and changing investment allocations.” **(MALE, AGE 40-44, GA)**

- Long-term care and life insurance questions abound, including how much coverage to get, and how to calculate life expectancy
- Tax implications of various investments are of interest
- Some are unsure of fees that are required by different investment vehicles, and want all costs clearly explained

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

7. Facilitate Gen Xers' understanding through scenarios and projections

Throughout our discussions with research participants, many expressed a desire for scenario planning to help them understand their options in a **relatable and concrete manner**. They want to evaluate their options based on their unique lifestyles and health expectations, and there is a desire to explore the types of variables used in scenario planning techniques.

“I would like my specific circumstances to be used as a baseline, and then for me to see what happens based upon my projections as to what could happen in the future.” (MALE, AGE 45-49, MN)

“I would like to know how they go about estimating and taking certain things into consideration; that would make things easier for me.” (MALE, AGE 36-39, CA)

“I would be curious to see how they calculate long-range plans for healthcare based on employment status, Medicaid/Medicare and other private insurance costs.” (FEMALE, AGE 40-44, MA)

Show them numbers: How much they will need, how much college will cost, timelines, average future healthcare expenditures, and the varied cost of living in different parts of the country.

“What should we plan to have saved for retirement, given our expectations for travel and standard of living? I would like to know a number. I would also be curious to know what we should expect to pay for college once my son is of age to attend.” (FEMALE, AGE 36-39, GA)

“It's probably not realistic to think we'll retire at 65 ... 70 is a more doable number ... but how much can we reasonably hope to have available at that point ... and should we be thinking 72 or 75 instead? Or should we plan on not retiring at all?”

(MALE, AGE 40-44, KS)

Share insights into what their peers are choosing or being offered. Scenario planning becomes especially important for a group that is not comfortable talking about their finances with their peers. It is a way to tap into the actions of their peers without having to openly discuss a sensitive topic.

“What challenges have people in a similar income bracket been facing recently re: their healthcare related finances?” (FEMALE, AGE 36-39, GA)

“Seeing what others have chosen for plans would give me an idea of what would fit my lifestyle. It would be very helpful to see different scenarios ... it would guide me in the right direction.” (FEMALE, AGE 36-39, NY)

“I would ask the following [of advisors]: 'what are your other successful clients investing in?'" (MALE, AGE 36-39, TX)

“My main question [for an advisor] would be how they invested their own money and that of close family members.” (MALE, AGE 40-44, GA)

Leverage third-party research studies that show benchmarking statistics. For example, Aon Hewitt recently released its “2014 Universe Benchmarks” report. Such statistics can give Gen X clients a baseline from which to judge their own financial status.

06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET

8. Engender Gen Xers' trust through all communications

Trust is a key factor in moving Gen Xers to act.

A generation significantly impacted by multiple recessions, many research participants express distrust of financial institutions and advisors. Straightforward, personalized and optimistic solutions must be conveyed in order to motivate this consumer group. Transparency and a pressure-free tone are critical in successfully reaching this age cohort.

“I don't know how someone writes a financial planner a check and says 'here you go ... take care of it for me' with all the bad publicity they have received lately.” (FEMALE, AGE 40-44, MA)

“[Advisors] cannot always be trusted. They often guide you in the direction that will benefit them in the long run. Not to mention, once they find out what you have for assets, they use that information against you.” (FEMALE, AGE 40-44, MA)

Technology is not a planning solution that generates trust among some research participants, so products centering on apps and social media should be considered carefully or designed for specific sub-segments.

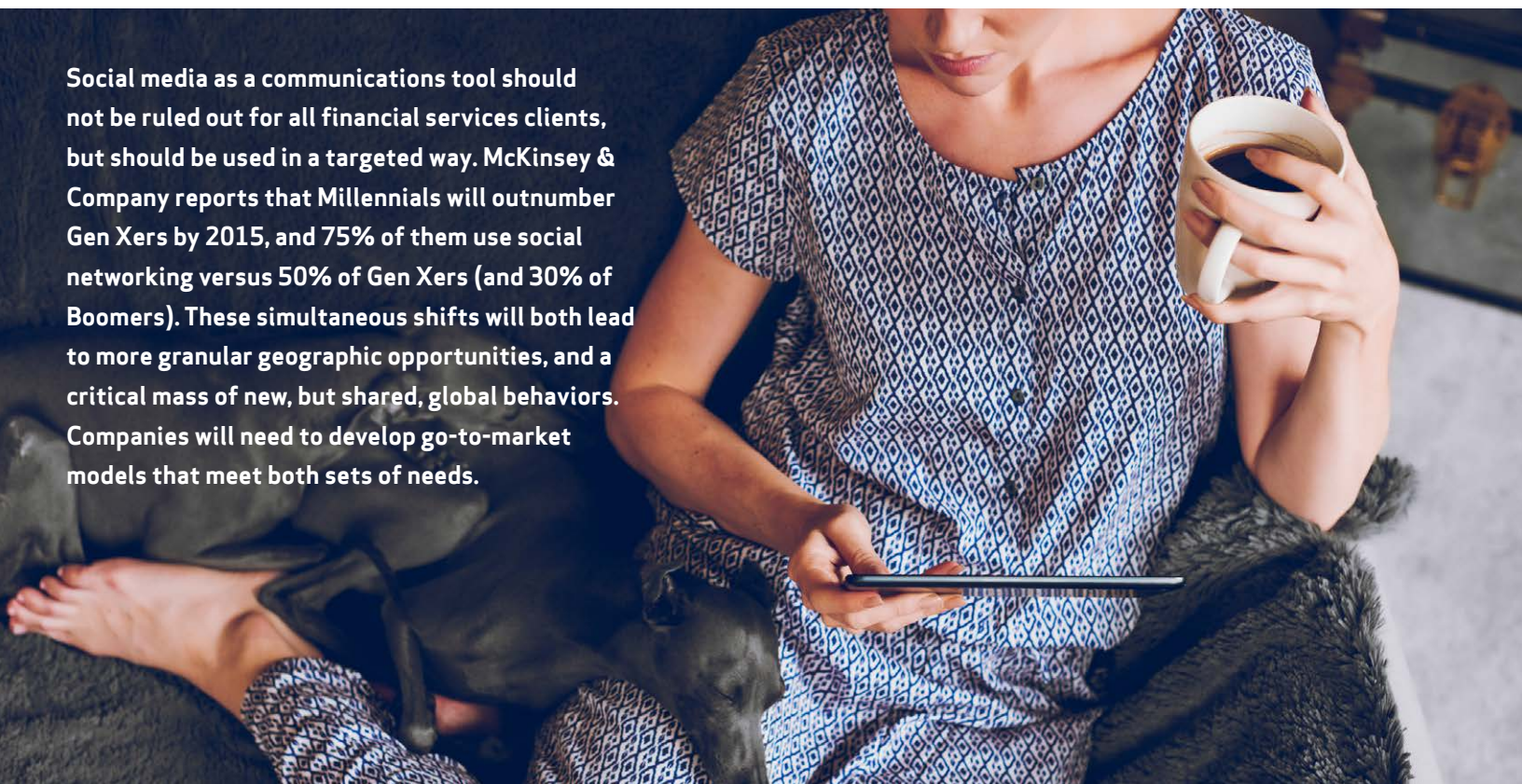
“I like the ease of this [app] idea, so I could play with the numbers and get a quicker response. I'm not sure it could be detailed enough to give an accurate plan, however, so I doubt I would trust those numbers to use moving forward.”

(FEMALE, AGE 36-39, GA)

“I don't need an app. Information available on the web would be fine. I think an app is overkill.” (MALE, AGE 45-49, MN)

“I have no interest in discussing [finances] through online communities such as Facebook. I don't trust it. I can just see a bunch of financial specialists trying to jump on that bandwagon.” (FEMALE, AGE 40-44, MA)

Social media as a communications tool should not be ruled out for all financial services clients, but should be used in a targeted way. McKinsey & Company reports that Millennials will outnumber Gen Xers by 2015, and 75% of them use social networking versus 50% of Gen Xers (and 30% of Boomers). These simultaneous shifts will both lead to more granular geographic opportunities, and a critical mass of new, but shared, global behaviors. Companies will need to develop go-to-market models that meet both sets of needs.



06 EIGHT STRATEGIES FOR ENGAGING THE GEN X MARKET



Link consumers to advisors with a carefully-planned approach to assuage skepticism about the intentions of large financial institutions.

“I like this idea [of being connected to a financial advisor] and I would go about it on my end through my personal experiences and people I know — not necessarily through my bank. I am more trusting of one-on-one experiences in conversations with people that I know and who have already gone through this as I know that they are unbiased.”

(MALE, AGE 36-39, CA)

“My level of interest in this would depend on the cost of the service, and knowing that the planner does not have an incentive to sell any product. I would rather pay a couple hundred dollars for the planner’s time knowing that the planner had only my best interests in mind and was not going to earn money if I purchased some financial product from him/her.” **(MALE, AGE 40-44, GA)**

“I’ve heard more times than not that [advisors] are a resource, however, I’d prefer someone local, versus someone half the country away ... someone involved in their community, church, etc., that can be trusted to act with my interests first and foremost, rather than ‘How much money for my company and my commission is this family worth?’”

(MALE, AGE 40-44, KS)

IN SUMMARY

The opportunity that Generation X represents for the financial services industry is a substantial one. Gen Xers are currently planning for their retirement years, but many feel anxious about how much they have achieved so far, and want to be more active in planning for their long-term financial stability.

Despite having active investments, they lack confidence that these funds will suffice for their retirement, or are stable enough to withstand another major economic crisis. The financial services industry needs to recognize this lack of confidence, address it directly with their Gen X clients, and do more to instill trust in the investment institution.

Gen Xers express significant energy around their long-term health. Research participants are addressing their health today in order to prepare for their later years. However, given their overall focus on health and wellness, very few have considered how they will finance their healthcare after retirement, and this uncertainty engenders significant anxiety for them. Providing Gen Xers with straightforward planning products for long-term health financing would address an underlying need within this age cohort.

The Gen X market seeks solutions to their long-term financial security concerns. Speaking to this market segment with consideration for their unique experiences and current situation would be welcomed by them as they approach their

50th birthdays — a milestone marked by outreach from AARP that will surely be hard-hitting.

“For a lot of folks like me ... we are not at retirement yet but we are heading that way very soon. With our economy and the healthcare reform and recession, it’s a topic that gets put on the back burner. I hope more great tools and support become available so people like myself and others take more interest and begin a plan that will be very helpful for them and their families long-term.”

(FEMALE, AGE 45-49, NC)

“I would love to have access to financial planning experts with insights into the future direction of healthcare insurance and investment expertise. I think if the results from all the study participants are analyzed and parsed, they will help provide much more effective and attractive financial planning services to typical working people than what’s generally available.” (MALE, AGE 40-44, GA)

“The first wave of Gen Xers turning 50 next year provides an ideal opportunity for the financial services industry to ‘zoom in’ on an often-overlooked age cohort. Financial services companies that take the time to engage this generation with a customized approach will find themselves in a position of competitive advantage.”

— BROOKE WORDEN, SENIOR VICE PRESIDENT, FINANCIAL SERVICES, WEBER SHANDWICK



For more information about **Leveraging the Gen X Retirement Market: From Overlooked to Opportunity**, or Weber Shandwick's Financial Services practice, please contact:

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