

Financial and lifestyle changes — Realities facing younger generations

by Gregg Lunceford, MBA, Ph.D., CFP®

Members of the Silent Generation, Baby Boomers and some of Generation X may now reflect on their life course and say “back in my day” when sharing financial wisdom with their family’s youth. However, many people may not be aware of how much things have changed, thereby presenting a barrier to achieving common goals such as education, housing and having a family. Individuals in Generations Y (Millennials) and Z may be hit harder financially than those before them. Also, lifestyle goals and other accomplishments may take longer as individuals need more time to establish themselves. Here are a few reasons why.

Leaving home in early adulthood

According to a 2022 study by the Pew Research Center, 50% of young adults ages 18–29 live at home with their parents compared to 38% in 2000.¹ US Census Bureau statistics show that this trend has been steadily increasing over the past 60 years.² Increasing housing costs such as rent and utilities, as well as student loan debt, are common financial barriers that prevent young adults from leaving home.

Establishing a career

Although individuals continue to launch into careers in their 20’s, the lifespan of a career has decreased in recent years. We no longer live in a culture where working at the same company or in the same field for 30 years is the norm. It is estimated that most people will have 12 jobs during their lives. In 2022, 32% of individuals ages 25 to 44 considered a career change. Since starting their first job after college, 29% of people have completely changed fields.³

Getting married

As years progress, the average age for first-time marriages is increasing. Currently, the average marriage age for men and women is 29 and 27, respectively. This is up from ages 23 and 20 for men and women respectively in 1960.⁴ Individuals ages 55+ represent 36% of first-time marriages.⁵ Many marriages are occurring at a later age as individuals take longer to prepare for and launch their careers; as well as experience other life events. Newlyweds are now more likely to enter unions with their own personal assets, thereby requiring more complex estate planning. In addition, they may also carry student loan and other debt, thereby increasing the need for budgeting and financial planning.

Purchasing a home

Purchasing a home is a major life decision that has historically created benefits such as equity as property values increase. However, home ownership is harder to obtain as prices outpace the rate of income

growth. In 2022, the average age of a first-time home buyer was 36, up from 33 in 2021. Also, in 2022 first-time home buyers represented 26% of all purchases, which was significantly down from 50% in 2010.⁶

Having children

In recent decades, the age of new parents has increased globally. Currently, the average age of first-time mothers and fathers in the US is 26 and 31, up from 21 and 27 respectively in 1972.⁷

The delay in parenting has largely been influenced by individual's desire to complete educational and career objectives before focusing on a family. Completing such goals are now viewed as necessary before starting a family given the larger income gap between those with and without professional skill sets.⁸

Funding education

Having children has been negatively impacted by the cost of raising a family, of which education is among the most challenging. In a 2023 survey, nearly 70% of parents said they are worried about having enough money compared to 63% in 2021.⁹ **In recent decades, the inflation rate for college tuition has well exceeded the national average. College tuition and fees have grown twice as fast as the Consumer Price Index (CPI) according to data from the National Center for Education Statistics (NCES) reported by Best Colleges.**¹⁰

Retirement

Workers in the United States retire at around age 64. In recent years, the average retirement age has risen. In 1986, the average retirement age for men and women was about 62 and 57, respectively. By 2021 the average retirement age for men had climbed to approximately 65 and for women approximately 63.^{11, 12}

Many people plan to retire early until it is time to retire. Retirement has become more complex due to a reduction in corporate-sponsored pension plans and health insurance. Workers are also postponing retirement because they enjoy the non-financial benefits of work. Work provides daily structure to account for time, socialization through work friendships, and a sense of accomplishment when work goals are achieved.

Conclusion

Key life accomplishments are more challenging and may take longer given greater financial and life complexity. Historically, key milestones such as paying for education, purchasing a home, getting married, and retirement have best been achieved with financial planning. Financial planning has been shown to improve financial success and life satisfaction and may be needed more now than in past decades. If you are thinking about your family's life stages, here are a few things to consider:

- 1. Seek the help of a trusted financial advisor** — Trusted advisors such as financial advisors, accountants and attorneys can help you evaluate options and demystify your financial future, as well as reduce risk that may occur from changing family dynamics and career choices.

2. **Pay for financial planning as a gift to young adult children** — This may help them launch into adult independence earlier and develop a plan and resources for future success.

3. **Plan for increased longevity** — Individuals are living longer and therefore require more resources throughout their lifetime. Healthcare can be a major expense, especially in the later stages of life. Developing a plan to stay healthier longer may be one of the best ways to maintain financial freedom and improve life satisfaction long term.

Published February 2024

1. <https://www.pewresearch.org/short-reads/2022/08/24/americans-more-likely-to-say-its-a-bad-thing-than-a-good-thing-that-more-young-adults-live-with-their-parents/>
2. <https://www.census.gov/data/tables/time-series/demo/families/adults.html>
3. <https://www.apollotechnical.com/career-change-statistics/>
4. <https://www.cnbc.com/2015/12/14/older-and-engaged-here-are-5-considerations-before-marrying.html>
5. <https://www.pewresearch.org/social-trends/2014/11/14/chapter-3-the-differing-demographic-profiles-of-first-time-married-remarried-and-divorced-adults/>
6. <https://www.thezebra.com/resources/home/average-age-of-first-time-homebuyers/>
7. <https://www.nytimes.com/interactive/2018/08/04/upshot/up-birth-age-gap.html>
8. <https://www.pewresearch.org/short-reads/2023/05/09/facts-about-u-s-mothers#:~:text=Moms'%20average%20age%20at%20first,for%20Disease%20Control%20and%20Prevention>
9. <https://www.foxbusiness.com/personal-finance/parents-not-ready-to-pay-for-college>
10. <https://www.bestcolleges.com/research/college-tuition-inflation-statistics#:~:text=Tuition%20Inflation%20in%20Recent%20Years,-NCES%20records%20the&text=According%20to%20NCES%2C%20the%20annual,rates%20of%20the%20recent%20past.>
11. https://finance.yahoo.com/news/average-retirement-age-u-140021169.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLnNvbS8&guce_referrer_sig=AQAAAE9tdTK4RKzM_qqF1cxNEw6mrsByHTiD7riog6ny5yvmhhA fNy6B-RjMXFBR5YVLNj6xEq3lVtqFg-LBKAUx8YkRUa2wL1FJfYSJwm1xtHrYJOitCefeuu2TRiMBGef3UaprK-szGoE0iIL68eq5lvyg0Wpw6NFYPqS3Pi
12. <https://www.empower.com/the-currency/life/what-is-the-average-retirement-age>

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2024, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.