Financial Anxiety Is The New Diet Anxiety

A Northwestern Mutual study finds that 67% of millennials have anxiety about their level of savings

ThinkAdvisor

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August 10, 2017

http://www.thinkadvisor.com/2017/08/10/financial-anxiety-is-the-new-diet-anxiety

Financial anxiety is the new diet anxiety, according to millennial advisor Chantel Bonneau.

Some people will try every new diet trend, rather than work on finding a diet that is sustainable long term. The same came be true with finances.

"I do think it's all about building a financial lifestyle that you can exist in long term and grow with, as opposed to saving so much and you hate it and you break your commitments," Bonneau told ThinkAdvisor.

New findings from Northwestern Mutual's 2017 Planning & Progress Study finds that millennials are significantly more professionally and financially anxious than other age groups.

More than half (53%) of millennials experience high to moderate anxiety about losing their job, compared to less than a third of general population (29%). The same is true for level of savings (67% millennials vs 50% general population) and income (69% millennials vs 48% general population).

The study is based off data from interviews with 2,117 American adults age 18 or older, 632 of whom were millennials age 18 to 34.

Bonneau, a Northwestern Mutual financial advisor and personal finance expert, spoke with ThinkAdvisor about how advisors can deal with millennials' financial anxiety. About 60-70% of Bonneau's clients are millennials, she says.

"One thing I hear a lot is that they have access to so much media and data and research and you can Google your heart away into a black hole of financial information," she said. "While that's all great … it does cause that anxiety and it can prevent them from actually taking action on building that plan that they know that they need."

The good news is that the survey found that nearly two-thirds of millennials (64%) recognize that they need a financial plan that anticipates up and down cycles compared with 55% of Gen X and 43% boomers.

Some of millennials' anxiety is caused because they are caught between long-term financial aspirations and the lure of spending now.

Millennials, more than other generations, view "starting to save early" as a financial best practice where they excel (34% millennials, 24% Gen X, 17% boomers). Yet the survey also finds that one-third (32%) of millennials say they're prone to "excessive or frivolous spending" (versus 26% of Gen X and 19% of boomers).

In fact, nearly 1 in 3 millennials (31%) say they have spent money budgeted for other things on themselves — more than twice Gen X (15%) and almost eight times more than boomers (4%).

“They spend money that they had budgeted for something else and it creates this cycle of guilt when it comes to their financial behavior,” Bonneau explained.

Bonneau’s advice is to get these millennials back to the basics.

“Sometimes we want really fancy new solutions but some of the basics are important too — like have an emergency fund,” she explained. “That’s one thing I always talk to my clients about. You need to have an emergency fund that allows you to lower that level of financial stress in case something in your life doesn’t go perfectly … Those basics are really helpful just to give them that underlying fundamental financial planning philosophy and help them execute on it.”

Another area of opportunity for an advisor to help millennial clients is to help them feel energized about their financial plan and see the benefit of the work that they’re doing.

“Long-term financial stability is the ultimate delayed gratification system,” Bonneau said.