

# Millennials are not adequately saving for retirement, study finds

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According to the U.S. Census, millennials accounted for more than 25 percent of the population in 2015, yet this significant segment of the workforce might not be prepared for retirement. In a new study,

researchers from the University of Missouri found that only 37.2 percent of working millennials have retirement accounts, demonstrating a need for increased financial education for retirement. This study is among the first to examine the state of millennials' retirement savings.

"While it could be assumed that millennials have plenty of time to save for [retirement](#), they have to shoulder more responsibility than their parents and grandparents to do so," said Rui Yao, associate professor of personal financial planning. "Compared to older generations, millennials are less likely to have employer-provided pension or defined benefit retirement plans. Additionally, there is increased uncertainty about Social Security, and millennials are likely to live longer."

Yao and Guopeng Chen, a doctoral candidate in [personal financial planning](#), used the most recent 2013 survey of consumer finances, a survey sponsored by the Federal Reserve System, to determine the saving behaviors of millennials. The research team was interested in the saving behaviors of millennials with at least one year of employment, making them eligible to contribute to a defined-contribution plan.

Yao and Chen identified the following trends in retirement saving behaviors among millennials:

- Only 37.2 percent of respondents had a retirement [account](#).
- Comparing respondents with same income and wealth, retirement account balances were 52.9 percent lower for black respondents than white respondents.
- Advanced degree holders were more likely to have a retirement account compared to those with a [high school diploma](#) or below; however, the advanced degree holders saved a smaller amount.
- Among self-employed individuals, only 17.6 percent had a retirement account of any kind.
- The researchers controlled for wealth and debt while analyzing

saving behaviors. Yao's future research will attempt to determine why some millennials, for example black respondents, had less in their retirement accounts than their peers and what types of accounts their wealth is saved in.

"The results suggest that financial education about saving for retirement is absolutely necessary," Yao said.

"With the decline of defined benefit plans, millennials need to know much more about investing for retirement than their parents or grandparents did. Proper retirement preparation requires strategic and disciplined savings. Given that retirement accounts require the amount to compound, opening a retirement account early in one's career is the best first step for effectively saving for retirement."

"Millennials retirement saving [behavior](#): account ownership and balance," was published in the *Family and Consumer Sciences Research Journal*.

Provided by University of Missouri-Columbia

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