MassMutual Consumer Spending & Saving Index + FutureSmart Survey

January 2022

About This Study

- Commissioned by Massachusetts Mutual Life Insurance Company (MassMutual), this research was conducted online by PSB from December 10-13, 2021, among a nationally representative sample of 1,000 U.S. adults ages 18+.
- Results are split into two categories:
  - Questions on financial concerns and behavior
  - Questions based on FutureSmart[SM] curriculum for middle and high school students

About FutureSmart

- FutureSmart is a MassMutual Foundation national initiative that brings critical financial education to middle and high school students, families, and educators.
- For more information, please visit: https://futuresmart.massmutual.com/en/

Results: 2022 Financial Concerns and Behavior

The pandemic has had a major impact on Americans' financial situation with nearly 3 in 4 Americans (73%) saying their financial situation has changed since the start of the pandemic

Question: How has your financial situation changed compared to the start of the pandemic?

- 9 in 10 Millennials and a similar share (88%) of Gen Z say their financial situation has changed. But while the top changes among Millennials are increased debt (34%) and increased spending (30%), the top changes among Gen Z are saving more (36%), spending less (31%), and feeling more financially independent (24%). Of note:
  - Women are more likely to indicate they increased their debt (23% vs 13% male).
  - Gen Z is more likely to say they are saving more (three times more than Gen X)

COVID and the current economic climate has a mixed impact on Americans’ short-term financial outlook and future planning

Question: How has COVID and the current economic climate affected your short-term financial outlook?

- While 44% of US adults say their short-term financial outlook has stayed the same, 36% say it has changed for the worse as a result of COVID and the current economic climate.
  - Gen Z and Millennials are more likely than other age groups to say it has changed for the better (22% and 21%).
  - Women are more likely than men to say their short-term financial outlook has changed for the worse (40% among women, 32% among men).
  - Only 5% of US General Population (GP) started a new retirement account (only 9% for Gen Z and Millennials respectively) – the two age groups most likely to start retirement planning with the longest time horizon.
  - Only 9% started an emergency fund (12% of Gen Z and 15% of Millennials) – the two age groups most vulnerable to short term money swings.

Inflation is a top concern in both short- and long term-planning (i.e. retirement)

Question: What effect, if any, do you expect inflation to have on your financial planning?

- 63% of US General Population think it’ll have a negative impact on their financial planning, with 26% reporting a “very negative effect.” Interestingly, 27% of Millennials say it will have a positive effect (vs. 19% Gen X and 6% Baby Boomers).
  - When it comes to saving for retirement: 21% of Americans say inflation is their biggest concern about saving for retirement (the highest performing reason, vs. the next two: not having money to invest in retirement savings (13%) and the volatility of the market (11%).
    - This is especially true for Baby Boomers (31%) say it’s their biggest concern.
  - Other worries are not having money to invest in retirement savings (13%), the volatility of the market (11%), and not knowing how much is needed for retirement (10%).
  - Interestingly enough, 49% of US General Population reported “inflation will have a bigger impact on my finances than the Omicron variant.”

The Omicron variant has caused Gen Z to rethink their financial plan (29% reporting a change in thinking/strategy) compared to other age groups, taking several notable actions to help harden their financial futures

Question: Has the latest COVID-19 variant, the Omicron variant, caused you to rethink your current financial plan?

- 45% plan to start an emergency fund (+9% from the next highest, Millennials and +13% from US General Population)
- 52% plan to put more money into savings (+17% from the next highest, Gen X and +18% from US General Population)
- 45% plan to spend less money on expenses (+12% from the next highest, Gen X and +12% from US General Population)

COVID is forcing Americans to rethink their retirement age

Question: How has the Omicron variant caused you to rethink your current financial plan?

- As a result of the COVID pandemic and current economic climate, more than 1 in 4 Millennials (28%) plan to retire later.
- Compared to US General Population, Millennials are twice as likely to say they plan to retire later as a result of COVID and the current economic climate (28% vs 14%).
- Among the 7% of Americans who plan to retire earlier, nearly 2 in 5 (38%) say it is because they do not feel comfortable returning to the workforce with COVID. This is slightly more than the share who say it is because they have the financial resources needed to retire early (35%).

Results: FutureSmart / Financial Education

Questions

The following five questions from the survey were taken verbatim from the MassMutual Foundation FutureSmart curriculum to quiz different generations and genders on how well their knowledge compares to the financial curriculum available to 8th graders.

Questions from the FutureSmart curriculum include:

1. **What factor has the biggest impact on a credit score?**
   - Having a variety of types of credit
   - Your history of making payments on time
   - **The number of years that you have used credit responsibly**
   - The amount of money you owe on your credit cards

2. **Which of the following statements is TRUE?**
   - Applying for several credit cards in one year can help increase your credit score.
   - People with low credit scores are usually low-risk borrowers.
   - **The longer you use credit responsibly, the higher your credit score will be.**
   - Paying off your entire credit card balance can lower your credit score.

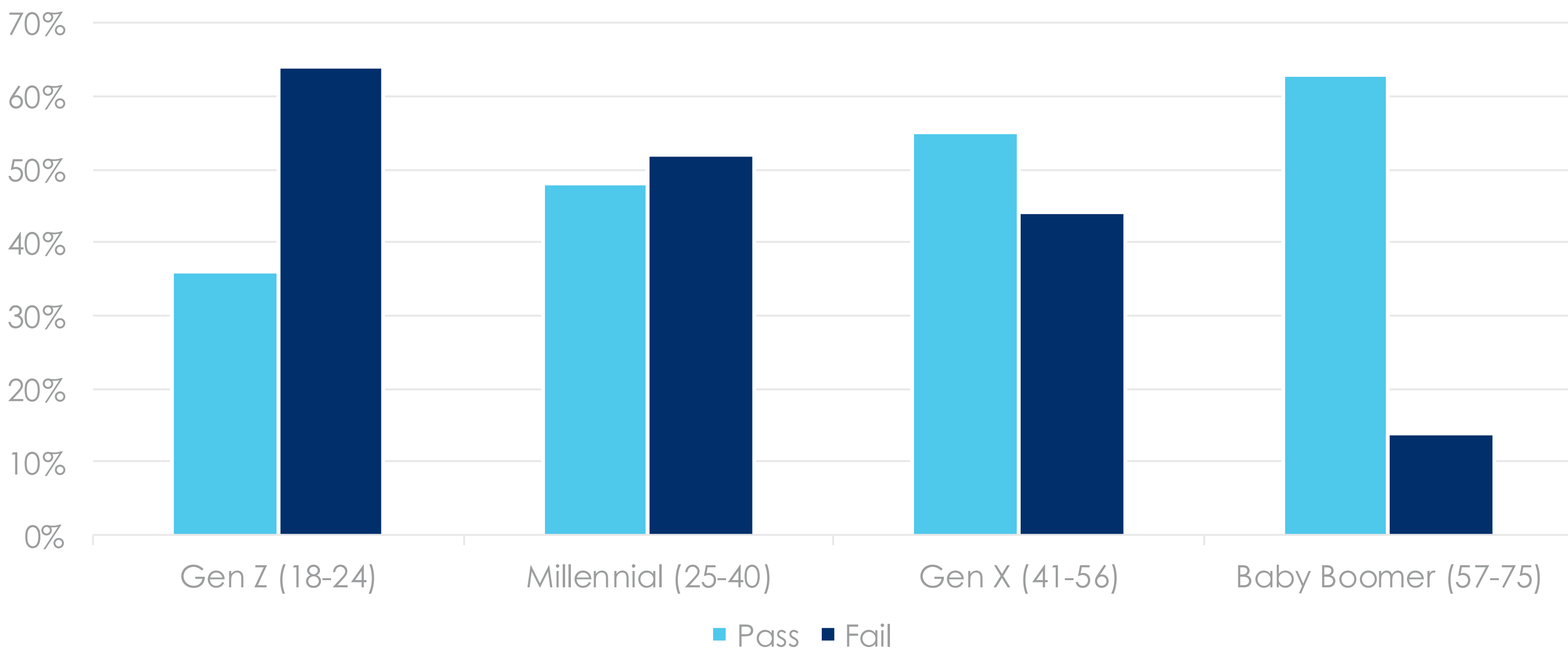
3. **Aaron wants to open a saving account. Which account will grow his money the most?**
   - **Account 1: Interest rate 2%, interest compounded daily.**
   - Account 2: Interest rate 1%, interest compounded daily.
   - Account 3: Interest rate 2%, interest compounded monthly.
   - Account 4: Interest rate 1%, interest compounded annually.

4. **Which of the following is NOT true of a budget?**
   - Budgets include both expenses and income
   - A budget can include donations to charities
   - Budgets help you plan how to spend money you earn or receive
   - **Once you finish making your budget you should not change it**

5. **What is the problem with paying only your minimum credit card balance each month?**
   - It lowers your credit score
   - **You have to pay interest**
   - The bank will cancel your credit card
   - All of the above

Just 14% of US adults received a grade of A+ by correctly answering 5 financial knowledge questions from the FutureSmart 8th grade curriculum.

Passing grade = 3 or more questions answered correctly



FutureSmart Takeaways

Baby Boomers and adult males might be just as smart as an 8th grader when it comes to financial acumen, as these groups scored the highest when presented with verbatim questions from the MassMutual Foundation FutureSmart curriculum that over 2 million students have taken. Baby Boomers and adult males were most able to correctly answer the FutureSmart questions, with 24% of Boomers and 18% of adult males answering all 5 correctly. In contrast, just 5% of Gen Z and Millennials answered all the questions correctly and surprisingly, only 1 in 4 (23%) of Millennials plan to spend time improving their financial knowledge.

- Baby Boomers are most able to correctly answer the FutureSmart questions, with 24% answering all 5 correctly. In contrast, just 5% of Gen Z and Millennials answered all the questions correctly.
- A little over half (52%) of Americans correctly identified timely payment history as the biggest factor influencing a credit score. Baby Boomers were the most likely to answer correctly (62%) compared to Gen Z (41%), who were the least likely.
- 68% of Americans identified the statement “The longer you use credit responsibly, the higher your credit score will be” as true, with 82% of Baby Boomers and 67% of Gen X correctly identifying it as a true statement. Just 53% of Gen Z and 55% of Millennials identified it as true.
- Younger Americans struggle to understand what savings account interest rates will grow money the most. Only 1 in 3 Gen Zers (34%) were able to correctly identify the highest yield account from a list of 4 accounts, and just under half of Millennials (49%) were able to do the same. In contrast, a majority of Gen X (63%) and Baby Boomers (87%) were able to identify the highest yield account.
- Roughly half of US Adults (51%) know that budgets can be changed after making them, including 2 in 3 Baby Boomers (66%). Respondents were asked to identify the untrue statement about budgets, from a list of 4 statements, and nearly half (49%) were unable to do so. Baby Boomers are the only age group where more than half could correctly identify the untrue statement, with Millennials the least able to do so, at 38%.
- When asked about the problem of only paying the minimum credit card balance each month, 58% of Americans correctly said “you have to pay interest”. Baby Boomers were the most likely to be correct, at 70%, while less than half (43%) of Gen Z were able to answer correctly.

For more information, please contact:

BMMassMutual@bcw-global.com

mediarelationsandcommunications@massmutual.com

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