

# Those just starting out find the game changed

## Young people brace for a lower standard of living

By Sharon Jayson

At age 26, Angela Trilli doesn't think she's one of those so-called materialistic Millennials she has heard about — young people who are absorbed with themselves and their consumption.

She says she's a saver, not a spender, but unlike many of her peers who didn't have much to lose in this struggling economy, she says she lost \$15,000 — about half of the savings she built up since childhood.

"It's a very insecure world out there," says Trilli, of Kendall Park, N.J., who works in marketing for a non-profit. "It was a little shocking to the system. You think things are going in a certain way, but you can't expect that things are always going to be the same."

The Millennial generation, or Gen Y, ranges from people in their 20s to those still in grade school. But what they all have in common is the knowledge that the recession has in some way shattered the world they thought they knew. And, depending upon how long the downturn lasts, historians, economists and psychologists say it could shape Millennials' values and attitudes in much the same way the Depression shaped the attitudes of those growing up in the 1930s.

"I call it the end of Disney World," says Michael Bradley, an adolescent psychologist in suburban Philadelphia. But now, young people are reordering their values.

"It is their version of the American Dream," he says. "They talk more about having autonomy and freedom, and in so doing, not being as enslaved to material goals that they perceived their parents being caught up in. They do talk about



By Todd Plitt, USA TODAY

**Living within their means:** Angela Trilli, 26, and her fiancé, Nick Kapalski, 28, say they were approved for a loan for \$550,000 but bought a ranch house in Kendall Park, NJ for \$335,000.

life happiness not based on economic success or achievement as much."

Although many surveys have tried to gauge the economy's effect on Americans, few have focused on Millennials. But one survey in February by the New York City-based marketing and advertising agency JWT (formerly J. Walter Thompson) focused on the recession's effect on this group.

The survey of 1,065 Americans 18 and older, including 243 ages 18-29, suggests 60% feel their generation is being dealt an unfair blow because of the recession. But some see opportunity, as well. For example, 44% say they might be able to afford a house now that home prices have plummeted; 25% say that if they have trouble finding a job, they'll just start their own business.

### Young and newly frugal

The virtues of simple living now coming into vogue especially strike a chord with Millennials, whom pollster John Zogby describes as more socially conscious, environmentally aware and demanding as consumers than previous generations.

"I don't go shopping as often, even though I like to," says Gabriella Ring, 16, of Oak Park, Mich., who will be a high school junior in the fall. "I go when there's end-of-season clearance sales and when I really need something. I used to want to go all the time."

Experts differ on whether such restraint will continue when the economy turns around, but they agree that these are formative years.

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"This is the time where a lot of their attitudes are set. The long-term is still in question, but it has the potential to have a big impact and change the views that they'll have throughout their lives," says economist Richard Curtin, who directs consumer surveys at the University of Michigan in Ann Arbor. "They'll be more oriented toward economic security and relationships, more toward savings and less toward spending."

James Burroughs, an associate professor of commerce who studies consumer culture at the University of Virginia in Charlottesville, says he has seen a shift in student attitudes in his classes since the downturn.

"While students were going to consume less, there was also a psychological shift," he says. "It wasn't necessarily that they weren't going to consume, but they were giving a lot more thought to consumption."

Anthony Durr, 21, of Columbus, Ohio, says the recession has influenced how he views money, especially since his grandmothers, both of whom were raised during the Depression, are preaching caution.

"Their generation — they were all about saving money. They understood the value of every single dollar," says Durr, who will be a senior this fall at Case Western Reserve University in Cleveland. "I would like to believe that with my generation, it's going to definitely come to that point. Even if you're very successful with your company, there's always that chance of losing your job, and then what?"

### Downsizing expectations

Already, young people are envisioning their futures, and it's not necessarily

what they had in mind before the economy tanked.

"I just think we're having to get used to living a little less luxurious than we grew up," says Dan Appel, 21, a psychology student at Montgomery County Community College in Blue Bell, Pa. "We'll have to realize we need to settle for slightly less than our parents had when they were first entering the job market."

Says Trilli, "I don't know if our generation — from my perspective — needs as much." She notes that growing up, "we had a four-bedroom house, and it was just me and my parents."

Now she shares a modest three-bedroom ranch house with her fiancé, Nick Kapalski, 28. "I feel like we live at our means."

Francesca Saracino, 19, of Grosse Pointe Woods, Mich., says the faltering economy appears to be setting her life course. Not only did her father get laid off in May after taking a pay cut last November, but Saracino had to delay plans to transfer to Michigan State University for her sophomore year of college. She has been living at home and commuting to Wayne State University in Detroit. And she's not sure what to major in because she's concerned about what careers will produce jobs.

"The recession does have a lot of impact on my future," she says.

Laurisa Rodrigues, 18, also believes the recession will have longer-term effects on her financial future. She just graduated from high school in Pueblo, Colo., and will be a freshman this fall at the University of Puget Sound in Tacoma, Wash.

"A lot of us have seen our parents live paycheck to paycheck, and we don't want that for us," she says. "Our generation is learning, but I don't think we're learning quite as fast as we should. Once we get jobs and get settled, I know I'm going to be a little tighter with my money, so I don't have to live paycheck to paycheck."

Although experts consider Millennials overall an optimistic bunch, the down economy has made many cynical, saying they have less confidence in traditional approaches to saving money.

"I think my generation feels a lot less financially secure. I feel like I need to be more creative and pay more attention to how I use and manage my money," says Mike Woodward, 23, of Fredericksburg, Va.

"Growing up, I felt like if you have a job and contribute to a retirement plan and save here and there, you'll be OK. That was the mind-set of many people my age from seeing their parents. But now ... I have to have a different way to do things."

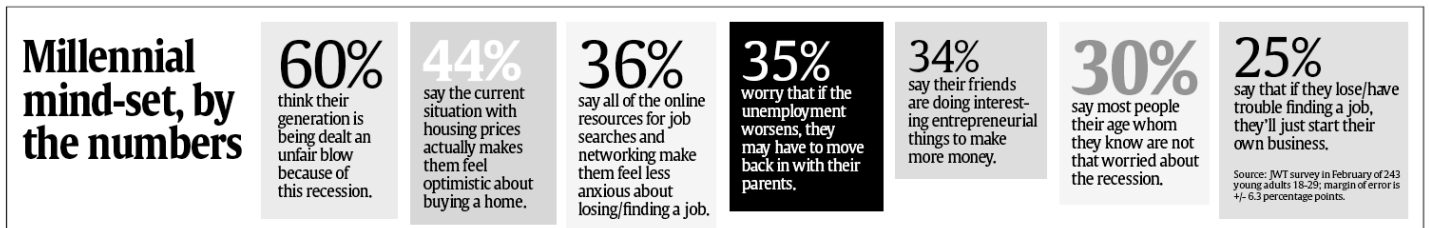
### A change in direction

Woodward, a 2008 bioengineering graduate of Stanford University in Palo Alto, Calif., is living with his parents and preparing to launch a non-profit this summer to train the homeless, the unemployed and non-violent offenders in construction to help rebuild New Orleans. He had planned to go to medical school, but the recession piqued his interest in the economy.

"I think people are going to shift what they go after because they have to — not necessarily on their own accord. 'I can't have what I wanted, so I'm going to more or less settle,' " he says. "How-

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ever, I think that sparks creativity. We will have people who are going to rise to the occasion and look for creative solutions.”

Although more entrepreneurs may emerge from the down economy, psychologist Bradley says there are potential emotional repercussions, particularly among younger Millennials, if the downturn lasts more than a couple of years and the impact is more severe.

“A kid who is actually losing his house is going to be traumatized much more than a neighbor who watches this happen. It’s more of a fear response, and that could lead to the Depression-era reaction in the generation down the road. They might be more survival-oriented.”

Economic uncertainty can create greater materialism, according to research co-written by psychologist Tim Kasser of Knox College in Galesburg, Ill., and published last year in the journal *Motivation and Emotion*.

“Most people, when they go through economic recession, may become more frugal,” he says, but they “respond to moments of psychological insecurity by becoming more materialistic.”

A smaller strand of research, he adds, “suggests that during times of insecurity and trauma, there is an opportunity for changing one’s values. If they use that trauma as a way to re-evaluate their lives, to think about what’s really important, there is evidence that people will care less about money and possessions than they did before.”

Historians note that the economy became more dependent on consumption after the Depression and World War II and fueled the dictum that each succeeding generation would be financially better off than the previous one — something most experts say isn’t likely for the Millennials. Lizabeth Cohen, a history professor at Harvard University, is among those with a wait-and-see attitude about whether any values change will happen.

But Jim Cullen, author of the 2003 book *The American Dream: A Short History of an Idea That Shaped a Nation*, says he expects long-term attitudinal changes prompted by what he calls “structural changes in the global economy.”

“Jobs will be less secure. Our way of life is going to become more expensive. We will be paying more for the things we’ve had all along,” he says.

“We will see recovery, but in some sense, I feel like the hard work of changing our values has barely begun. I don’t think people have any idea about what they’re really going to have to do.”

But Trilli, like many others, hasn’t given up on her dream:

“I want to own a restaurant one day, and I still think I can.”

## Objectives

- ▶ Read the article “Those just starting out find the game changed”
- ▶ Recognize ways spending has changed during the recession
- ▶ List goals for saving
- ▶ Calculate amount to save to attain goals
- ▶ State ways to begin saving now

## Preparation

Each student will need:

- ▶ A copy of the article “Those just starting out find the game changed”
- ▶ A copy of the worksheet
- ▶ A writing utensil
- ▶ An extra sheet of paper for figuring simple equations

## Read the article and answer discussion questions (30 minutes)

1. According to the article, in what ways have students changed their spending habits in the last two years because of the recession?
2. One survey of Americans suggested that six out of 10 young people felt life was unfair because of the recession. How many of you think that because of the recession life is more unfair now than it was for students 10 years ago? In what ways is it more unfair?
3. How has the recession changed your spending habits?
4. One economist feels that students living through this recession will grow up to focus more on relationships and be better savers. Do you think this is true? Why or why not?

## Savings Tips!

With a recession that is now two years old, the idea of saving has been brought more into focus. Those who could just purchase what they wanted in 2007 have discovered, with the depletion of their stock holdings by 40%, that paying more attention to price tags is now necessary. To avoid getting pinched when your funding dries up – whether that be an allowance or an after-school job that disappears – use these tips to save up for your big purchases.

1. Start saving now.
2. Make it a habit.
3. When you get your paycheck or allowance, pay yourself first. Put 10-15% into a savings account right away. Consider it a bill that must be paid.
4. With a savings account at a financial institution, see if you're getting compound interest – this interest is paid on both your principle (the money you put in) and on the interest you've already earned. Simple interest is only paid on your principle.
5. Small savings now can add up “big.” If you begin setting aside \$200 a month when you're 25, and you earn 10% interest on it, you'll have \$ 1,275,356 if you retire at age 65. If you start saving at age 30, your retirement will be more than \$500,000 less! And you can't count on Social Security. The Social Security Administration estimates it will be bankrupt by 2042.

**Get with the savings plan, man!** (15 minutes)

By yourself, read through and fill out the Savings Goals worksheet. Do you have some big-ticket items you'd like to save for? A car? College? Retirement? This worksheet will help you plot out how much you need to save over the next few years to achieve those goals.

1. First, write down your financial goals. Do you want to save for college? Buy a car? Get a condo after you graduate?
2. When do you want to make each purchase? Set dates.
3. How much does each item cost? For an iPod, do you want the latest one? Then put \$350 as the amount you need.
4. Saved: How much do you already have saved up toward each item? Put that in the “Saved” column.
5. Gap: Take the cost of each item and subtract what you have saved toward it (column “Cost” – column “Saved”). This will show you how much you need to save before you can make each purchase.
6. Years to save: Enter the number of years between now and your target purchase date. If you want to buy your iPod in six months, put .5 for half of one year. (If you have a shorter-term goal, you may change this column to months and calculate by month rather than year.)
7. Amount to be saved each year: Take column “Gap” and divide that by “Years to save.” This will tell you how much you need to save each year to reach your goal. Put this amount in the last column, “Amount to be saved each year.”

Savings Goals						
Goals	Purchase Date	Cost	Saved	Gap	Years to save	Amount to save each year

**Debrief/Application Questions** (10 minutes)

As a class, go over these questions.

1. What is one big-ticket item you'd like to save up for?
2. What is the price tag of that item?
3. How long do you plan to save for that item?
4. How much do you need to save each year to get that item?
5. Does that seem reasonable? Doable?
6. By seeing your goal on paper, does it seem more attainable? Why or why not?
7. What is one practical way you can start saving toward one of your goals?