

# 12

## FINANCIAL HACKS FOR MILLENNIALS

BUDGETING, INVESTING AND INSURANCE



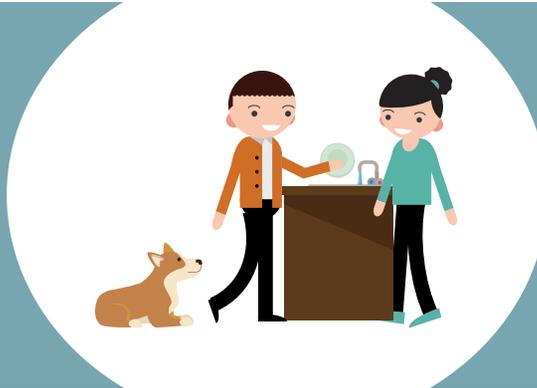
# The ability of **MILLENNIALS** to adapt to new circumstances is crucial for long-term success

Millennials face a triple whammy: high cost of living, stagnant wages, and for many, student debt. At 80 million strong, millennials are the largest age group in American history.<sup>1</sup> And they are facing a world of great financial uncertainty and opportunity. As millennials gather momentum in their careers and begin building families, forecasters predict that their ability to adapt to new circumstances will be crucial for long-term success, and that is especially true with their finances.<sup>2</sup>

This e-book presents **12 Financial Hacks for Millennials** to guide you through your unique financial challenges and creative ways to solve them.



# TABLE OF CONTENTS



## Early Career Hacks

Student Debt.....	4
Saving on Daily Life Expenses.....	6
Income Protection .....	8
Giggin' or 9-5 .....	10
Starting a Business .....	12

## Family Life Hacks

Managing Finances with Your Partner .....	13
Wedding Registry Planning.....	15
Home Ownership.....	16
Family Planning.....	17
Values Based Investing.....	18

## Retirement Planning Hacks

Early Retirement (FIRE) Planning.....	19
Redefining Retirement .....	21

# EARLY CAREER HACKS

## 1 Student Debt

Student debt is a leading source of stress for many young adults.

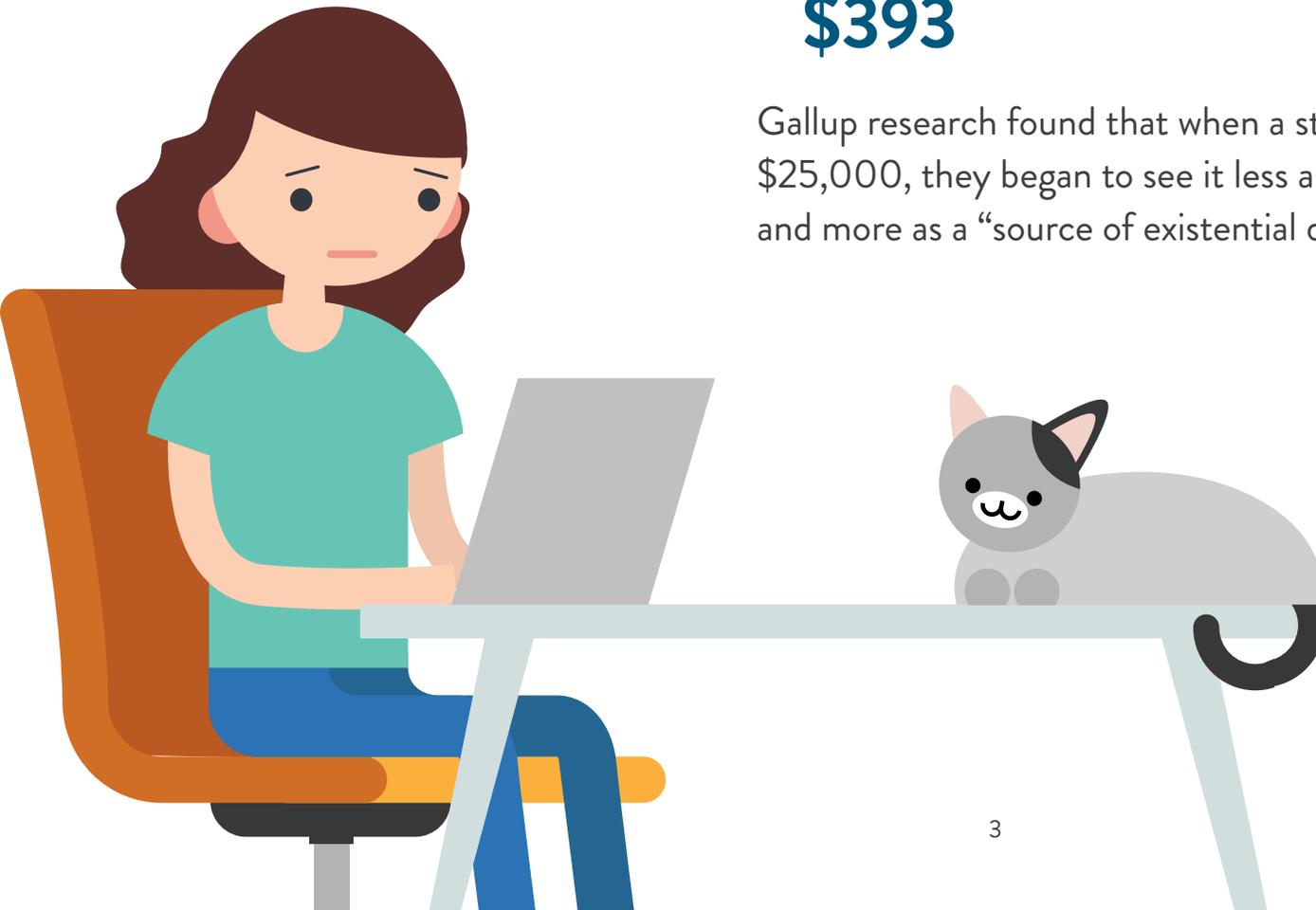
- Average student loan debt total for a 2018 graduate:

**\$29,800<sup>3</sup>**

- Average monthly student loan payment for graduates:

**\$393**

Gallup research found that when a student's debt load reached \$25,000, they began to see it less as an "acceptable investment" and more as a "source of existential dread."<sup>4</sup>



That deep level of stress can rob you of the joy and excitement you should have starting out in life.

Get out from under student debt with the following hacks:



### 1. Student loan repayment assistance as a workplace perk

More and more employers see it as a way to build loyalty and increase the morale and productivity of young talent.



### 2. Student loan refinancing

Lower your interest rate, gain better repayment terms and consolidate your monthly payment.

But keep in mind that by refinancing federal student loans through private student loan companies, you risk losing certain protections around loan discharge due to death or disability as well as access to potential loan forgiveness programs.



### 3. Change your city

Niagara Falls, Detroit, Chattanooga are some U.S. cities putting money on the line to attract young talent.



### 4. Strict Budgeting

Cutting out expensive extras, getting a roommate, shopping for clothes at thrift stores (or not shopping at all), selling your car are all ways cut back on expenses and pay back your loans sooner.



### 5. Create a loan payback account

Your employer or you can channel part of your paycheck into a “loan payback” account and keep the money out of sight, out of mind – until you’re ready to pay off a chunk of your debt.



### 6. Part Time Gig

Side-job opportunities in the “gig economy” are on the rise, from Blogging to Task Rabbiting.

## 2 Saving

Millennials are actually pretty good savers, with the highest savings rate — **14 percent** — of any age group.<sup>5</sup> They also like to socialize, meeting friends for lunch, brunch or after work.

In fact, Millennials eat out five times a week on average! Now what can that cash do for you if accumulated over the years?

### EATING OUT ONE TIME A WEEK = \$13,000 OVER 10 YEARS

With that amount you could help max out your annual 401(k) and IRA and get closer to the **retirement reality** you want.

### EATING OUT THREE TIMES A WEEK = \$39,000 OVER 10 YEARS

Or, you can pay \$325 per month toward **protecting your income** with disability income insurance.

### EATING OUT FIVE TIMES A WEEK = \$65,000 OVER 10 YEARS

Or you can put that cash towards **protecting your family and life priorities**.

Free up major bucks to spend on bigger life goals — education, retirement, protecting your family — and fun stuff, like a new car or the wedding of your dreams.



## Maximizing the Dollars on Your Daily Life Expenses

To calculate your own potential for savings, check out [The Cash Stash Dash](#) calculator.

### What do you spend your daily dollar on?

#### 6 A.M.

##### GETTING IN THE FLOW WITH YOUR JOE

- Consider turning your java habit (which equals, on average, \$65 a month.<sup>6)</sup>) into a weekly coffee date with someone you respect and admire, who can mentor you. Maybe then you can track the ROI of caffeination.

#### 8 A.M.

##### COMMUTING TO WORK

- Buses and subways are a bargain. Use your transit time to pick up a book that will not only help you grow, but inspire you, too — [like one of these](#).

#### 9 A.M.

##### CHECKING YOUR CALENDAR

- Why not check your budget, too? Use a budgeting app that will fit your lifestyle, and help you visualize your expenses. Checking it daily will keep you accountable and on track.

#### 11 A.M.

##### NEEDING A BREAK FROM THE GRIND

- Online shopping is tempting. How about boosting your mindfulness instead? Try a meditation app for 10-15 minutes and come back refreshed and more productive.

— continued on next page

## What do you spend your daily dollar on?

### 1 P.M.

#### CONSIDERING LUNCH OPTIONS

- Eating out gets expensive. How about brown bagging it and going for a walk instead?

### 3 P.M.

#### MEETING ABOUT THE 401(K) PLAN

- Contribute to your company's plan if you can, especially to a matching program. Consider other savings "buckets" as well. Diversification is important. [Check out these tips](#) on becoming a world-class saver.

### 5 P.M.

#### SHOPPING FOR GROCERIES

- Be a savvy label reader. You may be shelling out a little more for organic, GMO-free or all-natural foods, but it may save you bundles in the long run on healthcare costs.

### 7 P.M.

#### HAPPY HOUR!

- Use time with friends and colleagues to get recommendations for your personal team: a good accountant, a trusted financial professional and an M.D. you feel good about.

### 9 P.M.

#### GOING THROUGH THE BILLS

- Check out these tips for getting out from under student debt. And don't forget to keep saving, too. Not sure how to check both boxes?
- A financial professional can help you maximize your paycheck.

### 11 P.M.

#### WINDING DOWN

- Are you still paying for cable, but only watching one or two channels?
- Cut the cord, set up a streaming device, and purchase only the channels you watch.

# 3 Income Protection

As the first digitally-native generation in history, you know frequent updates are a part of life, whether for new operating systems (OS), push notifications, or social media posts.

**In the spirit of updating, it's time to refresh the thinking here.**

Individual [disability income insurance](#) protects your ability to earn an income if you're too ill or injured to work.

**Old OS:** Disability is rare, especially for young people.

**Software Update:** Well, when we find out that one in four of today's 20-year-olds will become disabled during their working years, the picture changes a bit.<sup>7</sup>

**Old OS:** I'm careful. I won't need it.

**Software Update:** Most long-term disabilities are due to illness, not accidents. Physical and mental illnesses like arthritis, MS and severe depression tend to begin before people turn 45.<sup>8</sup>

## DISABILITY?

Picture a dinner with any three of your friends. Who's going to face disability? The person across, diagonal, or next to you? **You?**



**Old OS:** It's too expensive.

### Software Update:

When people suffer a debilitating injury or illness, they can't work for income, they may use their savings, retirement fund, or both, to make up for the loss in income. And once that runs out, they may start taking on debt.

**Old OS:** A job for life.

### Software Update:

As a freelancer, there's no employer-sponsored protection, in case of an unexpected event.

**Old OS:** My employer has me covered.

### Software Update:

Most employer-funded plans will replace only 40 to 60 percent of your income. Furthermore, the average disability claim lasts for over two and a half years.

➔ **\$2.3M**

One study estimates that a typical college graduate will earn a median income of **\$2.3 million** over the course of a lifetime.<sup>5</sup>



➔ **IMAGINE**

**60 percent** of your home, your dinner, or your gas tank disappearing in a blink.



## 4 The Next Gig Thing

The gig economy offers great flexibility and variety in income. One survey found that 69 percent of people earning income via gigs prefer it to full-time work.<sup>9</sup>

But full-time giggin' also means that you won't have access to many of the benefits that a full-time employee does. So how can you make the gig economy work for you?



### Be protection-minded

Most people are aware of the importance of health insurance to cover injuries or sickness. But there are additional types of insurance — namely **disability** and **whole life insurance** — which can be thought of as **income protection**.



### Save for retirement

The day may come when you'll want to slow down the pace. Gig workers do not have the benefits of an employer-sponsored 401K, so it's essential to begin your own **retirement savings** as soon as possible.



### You are now a business

You'll want to become proficient at budgeting, managing **cash flow**, business planning and possibly hiring workers for big projects. You'll be both an expert in your trade and a student of all there is to learn about running your own business.



Be very realistic about the cash flow needed to cover your monthly expenses. Expect to make lifestyle sacrifices. The extravagant bachelor and bachelorette parties, and destination weddings, may be beyond your means for the first few years.

## 5 Starting a Business

Here are some cash flow do's and don'ts that can help you “millenpreneurs” position yourself for success:

**Do the math.** Factor in every kind of debt repayment into your financial strategy.

**Don't be too lean.** Millennials tend to be okay with “just keeping up” with monthly expenses.<sup>10</sup> But having only a thin cushion of cash on-hand means that one jolt — a drop in sales, loss of a key employee — can tip the business into a downward spiral.

Set aside cash reserves, ideally the equivalent of your salary to weather negative cash flow, to meet your monthly obligations.

**Do keep score.** You may think you know how the money is flowing in and out of your company but managing “by feel” is risky business.

Set up a system to track all income and expenses. With hard data on key metrics, like profit margin and inventory turnover, you'll know the real score and make better decisions.

**Don't undervalue yourself.** Schedule in exercise, family time, and goofing-off time. Second, consider getting a strong **income protection plan** in case you get sidelined by illness or injury. And don't neglect **retirement planning** as well. You need to consider making health and disability insurance a fixed business expense.

**Do ask for help (part one).** Tap into small business resources. Check out the **Small Business Development Centers** in your state for complimentary consulting across a range of issues.

**Do ask for help (part two).** While 70 percent of millennial entrepreneurs have financial strategies, those strategies are likely to be thin in critical areas, like having clearly-stated objectives.<sup>11</sup>

A financial professional can be a sounding board for your business and suggest additional ways to meet your goals and challenges. You can even find financial professionals with specialized experience in helping young entrepreneurs.

# FAMILY LIFE HACKS

## 6 Manage Finances Together With Your Partner

Do your household tasks tend to get completed with minimal stress on you and your partner? Or are inefficiency and frustration too often the norm?



Here are some ways to also apply the idea of equitable ownership to the financial aspects of your partnership:



1. **First, make a list of all the responsibilities that involve household money** — such as setting up a budget (and sticking to it!), paying bills, filing taxes, managing insurance and planning for retirement.



3. **Divide the duties any way you want,** as long as both partners feel the arrangement is equitable.



5. **Don't be afraid to ask for help.** Financial tasks can be complicated. If you or your partner are struggling with the full scope of your responsibilities, a financial professional can help you make a strategy that's fair for everyone.



2. **Put each one on an index card,** and then list all the sub-tasks involved in getting that job done. For example, filing taxes includes tax planning, understanding applicable tax law, compiling and organizing tax documents, engaging a tax advisor, etc. Having detailed expectations for each task creates greater transparency and accountability.



4. **Own the process.** If you own the budget card, then you have responsibility for making sure those steps happen — and your partner shouldn't have to nag you or pick up the slack to get the job done.

# 7 Smart Wedding Registry Ideas

A wedding day is more than a grand celebration — it's the first day of a lifetime together.

If you have been living out of the house for quite some time you don't need to stock the house with new stuff. If you, like other millennials,<sup>12</sup> seek out memorable experiences instead of possessions, it is time for a new, creative take on the wedding registry.

## COFFEE SUBSCRIPTION

To start each day in caffeinated harmony. And, if you add travel mugs to the list, you'll save a lot of money by skipping the latte line on the way to work.

## LOCAL OUTFITTER

These shops provide instruction and equipment to tackle new experiences as varied as surfing to snow shoeing. By using a wedding gift to rent equipment first, rather than buy, you'll discover what kind of adventures best suit you together.

## RELAX TOGETHER, STAY TOGETHER

After a big adventure, nothing is more rewarding than a muscle-melting massage. Or an evening in a hot tub. Add a spa gift certificate to your wedding registry.

## WITH A TOAST

In the name of relaxation — and the lifelong, end-of-day conversation — a glass of wine pairs nicely. Consider adding a wine subscription to your list of requested wedding gifts.

## COME FLY WITH ME

Consider setting up a gift fund and using the money towards plane tickets to a special destination.





## 8 Home Ownership by the Numbers

85 percent of millennials said they expect to own a home someday.<sup>15</sup>  
The big question: When is the right time financially to make that move?

Really, there's no right answer. But there are lots of variables to consider: your career goals, family situation, income, and lifestyle preference for starters. These critical numbers can help you make informed decisions:

**44X** Home ownership can jump-start wealth accumulation. On average, the net worth of homeowners is 44 times greater than that of renters.<sup>16</sup> That's because every mortgage payment is a form of "forced savings" that helps you build net worth by increasing the equity in your home.

**S&P 500** On the other hand, the flexibility of renting may have greater appeal to you right now because it frees up your cash for other uses such as investments or whole life insurance.

**15%** Fantasizing about your ideal home is great, but how much house can you really afford? For financial balance, your mortgage payment shouldn't exceed 15 percent of your monthly gross income.

**15 or 30** Fixed-rate mortgages offer the best protection. As for length, you can build equity quickly with a 15-year plan, but the low payments of a 30-year contract can give you financial flexibility.

**1,000 Sq. Ft.** Think small for your first home. Even tiny. Your mortgage, utilities, maintenance and repairs will be lower — allowing you to stretch your budget and save for other goals as your income begins to climb.

**81%** of the most **financially confident Americans** own **whole life** insurance.<sup>17</sup> A key reason is the flexibility provided by the policy's guaranteed cash value, which can be applied to a down payment on a home once enough cash value is accumulated.

**Form 1040** Until recently, interest on home equity loans was tax-deductible for a range of expenses. But starting in 2018, interest is deductible only if you use the home equity loan to buy, build or substantially improve a home.<sup>18</sup>

**73%** Drive a hard bargain when house hunting, especially on fees and commissions. Millennials are significantly more likely (73 percent) to negotiate with real estate brokers than Boomers (24 percent).<sup>19</sup> And nearly two-thirds report success!



## 9 Family Planning

Deciding to make the parenthood leap may be one of the biggest life decisions you'll ever make. It's also a big financial decision.

### START SMALL

Coming up with a written plan that includes a budget, short-term and long-term savings, adequate insurance and investments is a great first step. Cultivate a savings discipline early on. Thanks to the power of compounding interest, setting aside just \$200 each month starting when a child is born could add up to \$68,000 (compounded at 5% annually) in college savings in 18 years.

### ENSURE THEY AND YOU ARE PROTECTED

Add your baby to your health insurance policy within a month of their birth, so that you don't have to wait for the next enrollment period. In the event that you're no longer able to financially care for your family, disability income insurance and life insurance can protect them. Stay-at-home parents should

also consider life insurance. Replacing all the tasks those parents do is expensive too. Consider [term life insurance](#) if you want affordable coverage for you and your family. It's also important to legally designate a formal guardian for your children and complete an estate plan.

### PREPARE FOR THE UNEXPECTED AND THE EXPECTED

Families should have enough liquid savings to cover six months of expenses and should consider a goal of saving at least 15% of annual income.

If you wish to see your child go off to college, [a 529 savings plan](#) is a tax-advantaged way to save for future college tuition with the added benefit that anyone can contribute, even grandma and grandpa!

## 10 Values Based Investing

If you invest your money in transparent ways that reflect your values, you can help create the change you wish to see in the world.

Impact investing is a great opportunity to begin the legacy for your family by demonstrating what's important to you while allowing your wealth to grow.

Many people are motivated to make the world a better place, but how do you measure your impact? From supporting affordable housing to mitigating climate change to supporting equality, whatever your personal passion, there is likely a financial solution to address it, as long as you're willing to look.

Once you have defined your goals, schedule a meeting with your financial professional. In the case of climate change, for example, you could discuss adding "green bonds" to your portfolio to support environmentally oriented infrastructure projects like wind farms. Conversely, you could opt out of fossil fuel investments because you don't want your money going toward an emissions-intensive industry. Or you could do both.

If you invest with your values in mind, you'll travel the road to [financial confidence](#) with the knowledge that you helped others along the way.



# RETIREMENT PLANNING HACKS

## 11 Don't Get Burned With FIRE

Some young professionals are embracing the FIRE movement: Financial Independence, Retire Early<sup>20</sup> working to save at least 50 percent of their income in a bid to live frugally now and retire while young. The theory goes that the savings, amplified by investing, will quickly accumulate to be enough money to retire by age 40.



## THE REALITY

Many of the people who advocate FIRE have six-figure salaries, don't have dependents and have a low cost of living. The FIRE concept does not address disability, accidents or illnesses, which can easily disrupt even the best-laid plans.

Inflation — If your retirement lasts 50 or more years, which it easily could if you retire at 40, your purchasing power could be cut in half — twice — over that time period.

## PROTECT YOUR TODAYS

What would happen if you were too ill to work?

**One out of four** young workers will have to put work (and earning) on hold due to an illness or accident at some point in their career.

Often this kind of income interruption drains savings accounts or drives people into debt to cover basic expenses.

A **disability income insurance** policy can help to keep a portion of your income flowing in the event of an injury or illness. This can help you to stay focused on getting better and keep up with expenses. Similarly, **whole life** insurance can give families financial protection if an income earner dies unexpectedly.

## BECOME A WORLD-CLASS SAVER

A 50 percent savings rate is extreme and simply not achievable for most people.

Many financial professionals recommend saving 20 percent of your income.<sup>21</sup> That's because saving for the future should be a sustainable, lifelong habit.

The immediate goal is to have a year's worth of expenses in your savings account. Once you have this kind of financial cushion in place, you can weather the unexpected without accruing debt through credit cards or unsecured loans.

## PAY DOWN DEBT

Many people get caught in a debt cycle and are motivated to pay it all off as fast as possible. This is a good thing to do, certainly, but not at the expense of protection.

Think about it. You could pay down every last cent one day, and be unable to work the next, because of an unexpected event. Then, you're quickly back where you started.

Certainly, one of the great things about the FIRE movement is that it has brought back into focus the idea of living within their means and making saving a priority. However, there may be a better way to live today without sacrificing your tomorrows, that can also lead to greater overall financial and emotional confidence for the rest of your life.



## 12

## Redefining Retirement Planning

Millennials are cracking the code on how to become world-class savers. They're setting aside a higher percentage of their income than previous generations<sup>22</sup> aided by digital financial tools, like robo-saving apps and automated deposits.





- Young adults are contributing to 401(k) retirement savings plans in greater numbers (82 percent) than either gen xers or baby boomers.<sup>23</sup>
- They're also the first generation to save consistently for lifestyle goals — to gain the financial freedom to enjoy their “best lives” at any age.
- Many see themselves working longer than their parents, but with the flexibility to pursue their passions along the way.<sup>24</sup>
- For many millennials, the idea of a retirement “nest egg” that hatches at age 65 is obsolete. Instead, they're focused on continuous saving (and spending) to create a lifetime of enjoyable experiences.

So, what other strategies can help millennials achieve their goal of work-life harmony and optimize their financial confidence along the way?

### **CONSIDER WHOLE LIFE INSURANCE**

You might know about the financial protection it offers through a death benefit to the people you leave behind. That's only half the story. A whole life policy also provides access to cash throughout your lifetime, with guaranteed cash value growth.<sup>25, 26</sup>

The guaranteed cash value accumulates over time and isn't impacted by fluctuations in the market, so you can count on it to support your priorities: Furthering your education, buying a house, opening a business. Or you can use it to supplement your income later in life, during retirement, or otherwise. Plus, there's the potential to receive dividends — money that's yours to spend, save or invest.<sup>27</sup>

The younger you are, the less a policy costs — making it a more affordable financial strategy for millennials.

Both whole life insurance and annuities can be complements and counterbalances to savings invested in IRAs and 401k plans, which are exposed to inflation and market fluctuations.

# PUTTING IT ALL TOGETHER

Whether you are a young millennial just starting out, a seasoned business owner that's giggin' it, or you are a millennial that's already settled with a great career, home and family, we all face the same headwinds in the financial landscape. Defining your goals, creating a strategy and working with a professional that can quarterback it all are key to financial and emotional confidence no matter where you might be in the journey.



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- <sup>5</sup> *From Smartphones to Smart Planning: Millennials want and need digital and human experiences to achieve financial independence*. Guardian Life Insurance Company, 2018.
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- <sup>17</sup> *The Guardian Study of Financial and Emotional Confidence*, 2016
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- <sup>19</sup> <https://www.nbcnews.com/business/real-estate/who-s-powering-housing-market-surprise-it-s-millennials-n768196>
- <sup>20</sup> *Here's Why You Shouldn't Retire Super Early*, Marketwatch, March 31, 2019
- <sup>21</sup> *Personal Savings Statistics*, Guardian Life
- <sup>22</sup> *Millennials Are Saving, But Not For Retirement*. Forbes, Sep 1, 2017.
- <sup>23</sup> *Millennials may be far from retirement, but think ahead with 401(k)*. USA Today, July 26, 2017.
- <sup>24</sup> *Millennials Are Saving, But Not For Retirement*. Forbes, Sep 1, 2017.
- <sup>25</sup> Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59 ½, any taxable withdrawal may also be subject to a 10% federal tax penalty.
- <sup>26</sup> All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims paying ability of the issuing insurance company. Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash values.
- <sup>27</sup> Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

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