Does your generation know best when it comes to money?

Hint: Maybe not. Across age groups, financial decision making is surprisingly similar. These three tips can help us make better decisions together.

BY MICHAEL LIERSCH, Global Head of Wealth Planning & Advice

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Human beings spend a lot of time pondering the differences in how other humans think and behave. As a cognitive psychologist, I find it fascinating. As someone who aspires to help families make better decisions about money, one particular case in point resonates: the generational differences—and similarities—in approaches to money.

Over many decades, and across many regions and societies, young people have typically gotten a bad rap. Whether it’s the anti-materialist “hippies” of Woodstock or the pampered rich kids on Instagram, the younger generation is too often perceived as entitled, irresponsible, and focused only on immediate gratification. But in my work with young people, I see a level of engagement, curiosity and optimism that makes me (a middle-aged dad of a 10-year-old daughter) truly hopeful about the future. And in the families I work with, the older generations often see what I see—young people skilled and empowered to make good decisions.

Talking about younger people in a negative way undoubtedly stifles, rather than facilitates, cross-generational communication. As humans we share many more similarities than differences, after all. As we discuss in the following pages, the most productive family conversations about money identify generational similarities and differences in values and perspectives, and respectfully address those differences to ultimately find common ground. In this way families can collaborate effectively to move closer to their shared financial goals.

To shed light on this complicated topic, we conducted global research across 11 different countries with 1,500 participants. Here we highlight the findings of that research as it pertains to how different age groups think and feel about money decision making—now and in the past—and how that translates into their present money behaviors. Finally, we offer research-based tips to encourage cross-generational communication and collaboration.

**Research Methodology**

Research was conducted in collaboration with iResearch. We surveyed 1,500 people, across 11 countries in North America, South America, Europe and Asia (Hong Kong, Singapore, China, Brazil, Mexico, Spain, France, Germany, Italy, the United Kingdom and the United States). The population was 45% female, spread across a wide range of age groups 21–35 (34%), 36–50 (34%) and 51+ (32%). Net worth of participants (excluding their personal residences) ranged from USD$250,000 to USD$100 million, with 36% between $250,000 and $1 million, 34% between $1 million and $5 million, and 30% $5 million+.
The facts: Past and present

To understand our global behaviors around money decision making in families—and how far we’ve come in a very short period of time, let’s explore the past and compare it to the present. For starters, who was the main decision maker on money matters when you were growing up? Regardless of the age of our research participants, about half the time people identified “my father” as the primary decision maker, followed by shared decision making between parents, and then “my mother.” Across regions, some aspects of this pattern were identical, while others were different. In all countries, for example, “my mother” was the third most common response. However, in Brazil, Italy and Mexico, shared decision making between parents was the most selected, with “my father” coming in second.

While fathers tended to be the primary family decision makers in the past, it appears that across the globe, the dynamics today have shifted dramatically. The majority of our research participants, regardless of generation or gender, identified themselves as the primary money decision maker in their family. This was true across geographical areas with the exception of Brazil and Mexico—where shared decision making with a spouse or partner was most common. This suggests that in a short period of time, decision making has transitioned globally from being deferred to another (male) human being—to being owned by individuals themselves at all ages.

We find support for the idea that individuals—regardless of generation or gender—are now taking more control of their money decision making in our research participants’ response to being asked how they made important money decisions. The most common response was on their own. This was closely followed by with a financial advisor and then with a partner or spouse. It is interesting to see how individualistic money decision making has become today. While this can be an empowering shift, and solo decision making can be a good thing, such individualism also introduces elements of risk: Do I have enough knowledge to do it all on my own? When I have questions, who are the trusted people I can turn to? How do I start conversations about money with others when my money decisions will affect them?

WHO’S THE BOSS? THEN AND NOW...

When I was growing up, the main decision maker on money was:

<table>
<thead>
<tr>
<th>Decision Maker</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Father</td>
<td>49%</td>
</tr>
<tr>
<td>Mother</td>
<td>15%</td>
</tr>
<tr>
<td>Other*</td>
<td>6%</td>
</tr>
<tr>
<td>Parents together</td>
<td>30%</td>
</tr>
</tbody>
</table>

In my family now, the main decision maker on money is:

<table>
<thead>
<tr>
<th>Decision Maker</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Me with my spouse/partner</td>
<td>28%</td>
</tr>
<tr>
<td>My spouse/partner</td>
<td>9%</td>
</tr>
<tr>
<td>Other*</td>
<td>7%</td>
</tr>
<tr>
<td>ME</td>
<td>56%</td>
</tr>
</tbody>
</table>

*Other includes grandparents, family, friends and advisors.

SPLIT DECISIONS

While many consult an advisor or a partner, more than half of our respondents said they make money decisions on their own.

<table>
<thead>
<tr>
<th>Decision</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>On my own</td>
<td>51%</td>
</tr>
<tr>
<td>with my financial advisor</td>
<td>45%</td>
</tr>
<tr>
<td>with my partner/spouse</td>
<td>40%</td>
</tr>
<tr>
<td>with family and with a friend</td>
<td>20% 12%</td>
</tr>
</tbody>
</table>

Source: J.P. Morgan Private Bank Research, 2019. Total N = 1,500. Percentages reflect responses across all age groups (21-51+). Participants were able to select more than one response.
So how can these open questions be addressed? Numerous studies suggest that collaborating on money decisions can help people reach better outcomes.1 But even without the research, intuitively, we probably know that younger generations can learn from older generations (e.g., avoiding money mistakes such as waiting too long to invest), and older generations can benefit from younger generations’ involvement (e.g., helping me if something happens to me, and I can no longer help myself).

What our research has taught us is that cross-generational collaboration may not be as disruptive as people think: Generations are more similar than different. The generation gap—a phrase made popular in the 1960s when many of the American baby boomers (born 1946–1964) were coming of age—may never have been as wide as people thought.

To this point, we asked survey participants to pick the term that best describes themselves when it comes to money. Saver? Spender? Investor? Giver? Taker? Purpose-driven? Intentional? Frugal? Spendthrift? We found there is less generational difference than you might expect. “Investor” was the most common response choice (40%) across generations, followed by “purpose-driven/intentional” (29%).

**FINANCIAL IDENTITY**

How would you describe yourself when it comes to money?

<table>
<thead>
<tr>
<th>Term</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>40%</td>
</tr>
<tr>
<td>Purpose-driven/Intentional</td>
<td>29%</td>
</tr>
<tr>
<td>Saver</td>
<td>10%</td>
</tr>
<tr>
<td>Spender/Spendthrift</td>
<td>8%</td>
</tr>
<tr>
<td>Frugal</td>
<td>6%</td>
</tr>
<tr>
<td>Giver</td>
<td>5%</td>
</tr>
<tr>
<td>Taker</td>
<td>2%</td>
</tr>
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**Collaboration in action**

All the information we’ve collected helps us understand the range of values and perspectives that drive money decisions across generations. What steps can we actively take to promote better communication, understanding and, ultimately, outcomes? Here are three tips to help you work together to make the most of your money.

> **TIP 1: TALK MORE ABOUT MONEY.**

In this realm, older generations can take a cue from the younger ones, who spend far more time discussing important money matters. In our survey, 51% of 21-to-35-year-olds said they spent more than four hours in the past week talking about money versus only 29% of those over 50. And remember, a money conversation is not about clocking in the hours. The key is to be intentional about the time you spend.

**How to get there:**

Consider setting up a weekly or a monthly meeting for your immediate family where you talk only about important money matters.

**VALUABLE TIME**

The younger age groups collectively spent more time in a week discussing money with family.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>0-3 hours per week</th>
<th>4+ hours per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 21-35</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>Ages 36-50</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Ages 51+</td>
<td>29%</td>
<td>71%</td>
</tr>
</tbody>
</table>


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As a first step, you might set aside just 30 minutes per week with at least one family member. Begin with a “gratitude circle,” where each individual talks about what they have been grateful for during the past week. Then move into your agenda. You might address outstanding money questions that are tactical (Should I/we buy X, Y or Z?) or more strategic (How can we make a positive impact with our wealth?). Or perhaps there’s a big decision to be made: Allocating money for a vacation? Complex estate planning? Remember to identify key follow-ups so that the next meeting can build on the one before. Ideally, you’ll keep an ongoing record of the conversations. For example, in my family, we have a “family meeting notebook” that we use for our weekly money discussions.

**TIP 2: PLAN TOGETHER.**

Ask yourself: Do I know the path my family members want to take with money over time? Spend everything in their lifetimes? Give it away? Preserve wealth for future generations? If you’re not 100% sure of the answer, there’s a reason to start planning together across generations.

Most people in our survey appear to have identified their financial goals regardless of age and have already been saving and investing toward them. Surprisingly perhaps, our research suggests that younger people have done a level of planning similar to their elders. Consider: 30% of 21-to-35-year-olds created and/or regularly revisit their formal financial plan, compared with 38% for 36-to-50-year-olds and 34% for 51+. This contradicts the common notion that younger people are focused only on the present, with an immediate gratification, consumption-oriented mindset.

**How to get there:**

As a practical first step, consider sharing what your intentions are across generations. Are you planning to grow your wealth over time and even beyond your lifetime? Or are you looking to spend or give everything away? This discussion can help drive information sharing that will provide everyone with the opportunity to find their roles in the effort to achieve those goals. For example, if the goal is to grow wealth forever, then it’s critical to understand how younger generations are expected to participate in that effort. And when that information is shared, will younger generations perceive it as a burden? As an opportunity? Much of that will be determined by the level of information sharing. The more information is shared, the more you can ensure that everyone is certain about the common path forward.
> **TIP 3: KEEP YOUR CONFIDENCE IN CHECK.**

In money matters, as in many life endeavors, acknowledging what you don’t know can be just as important as what you do know. In our research, participants at all age levels articulated a very similar pattern of high confidence levels in their knowledge of financial and investment matters: About 3 out of 4 of participants rated themselves an “8” or higher on a 10-point confidence scale. Confidence is a good thing, but overconfidence can be counterproductive when it leads to excessive trading or an action-bias (where the action may be inconsistent with goals and positive financial outcomes).²

Almost by definition, the younger generation cannot have the same level of knowledge as the older generation.


**How to get there:**

Many families that I work with arrange educational sessions as a family unit, taught by a financial professional or a conversant family member. For example, I’ve set up sessions with families, including members of all ages, on the power of compounding. The subject resonates because people often vastly underestimate the opportunity cost of delayed saving and investment. It’s important to understand as a family that making up for lost time is not as easy as it might seem.³

The risk preferences that our study reveals suggest that investment conversations may be especially relevant. Among our participants, those 21-35 years old had similar, if not more conservative, risk attitudes than their older counterparts. For example, only about 32% were willing to take moderate to large risks, whereas that percentage was 38% and 40% for their 36-50 and 51+ counterparts, respectively. Given that younger people generally have more capacity to take risk because time is on their side (i.e., they have more time to make up for investment losses than older people), it is interesting that their risk attitudes don’t reflect that greater capacity. Perhaps this is because of the cautious narrative around money that followed the “Great Recession” of 2008 and 2009. This event may be more top of mind for younger investors, especially since they haven’t seen as many market cycles as their older counterparts.

To those in the older generations: Have you taken the time to talk to the younger members of your family about the importance of investing early and often? And to the younger generations: Are you taking enough risk in your own financial life? Are you aware of the risks that the older generations are taking? Too much risk can compromise spending and other goals, so helping older generations be extremely deliberate about immunizing themselves against those risks can be critical.

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TOO MUCH CAUTION?
Despite the capacity to take more investment risk, the younger age group’s attitudes toward risks are similar to their elder counterparts.

Final thoughts
Popular notions of an entitled younger generation and generation gaps too wide to bridge have persisted over the decades and across the globe. But as our research has shown, the reality is quite different. We see far more similarities than differences between generations when it comes to money decision making.

The most productive money conversations are collaborative, with each generation benefiting from the other’s life experiences and drawing on shared perspectives. We found that these commonalities include similar self-descriptions (“purpose-driven/intentional,” “investors”), a similar view of risk and comparable levels of financial planning. We think our three tips—talk more, plan together, keep confidence in check—can help you work together across generations to reach your family’s financial goals. With apologies to author C. S. Lewis, two (or more) heads are better than one, “not because either is infallible, but because they are unlikely to go wrong in the same direction.”

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