



As Soon As...Finances

O'Neill, B., Xu, Y. Johnson, C., Kiss, D.E., & Buyske, S. (2019). "As soon as..." finances: A study of financial decision-making. *Journal of Personal Finance*, 18(1) p37-53.

OUR STUDY

The focus of this study was financial decision-making featuring analysis of responses to open-ended questions. Respondents were asked about actions taken, goals set, and plans related to buying a home and saving for retirement as well as the impact of student loans on these two financial planning decisions. The researchers analyzed the words used as they related to the questions. The full sample consisted of 1,538 respondents with 69% of them under the age of 45.

Financial Goal Setting

What are your top three financial goals?

- 91% were saving for something
- 62% wanted to buy something
- 24% wanted to reduce debt

Homeownership

Homeowners: Describe how you made the homeownership decision.

- 46% said it was cheaper than renting
- 30% stated family reasons
- 20% purchased their home as an investment

Renters: How did you make your housing arrangement decisions?

- 18% were planning to buy a house
- 16% were living with their parents
- 4% were uncertain about their location

Retirement Planning

Saving for Retirement: 62% said they were saving for retirement and were asked to describe how they were saving for retirement.

- 56% had a 401(k)/403(b)/457 plan
- 39% were using two or more retirement accounts to save
- 36% had an IRA/Roth IRA/SEP/SEP-IRA

Not Saving for Retirement: 38% said they were not saving for retirement and were asked when they thought they would begin regular retirement savings deposits.

- 19% said it was conditional upon something else happening
- 16% wrote about a time horizon
- 12% indicated a sequence that needed to occur first

Student Loans

Does your student loan debt affect other financial decisions?

Housing Decisions:

- 74% said their student loans affected their housing decisions
- 38% said they had less money to put towards housing
- 8% said it affected their credit
- 7% wanted to pay off their student loan before buying a house

Retirement Decisions:

- 75% said their student loans affected their retirement savings
- 28% are contributing less
- 30% are not contributing at all



FOR PRACTITIONERS...

- Target services appropriately and effectively frame the conversation.
- Promote concurrent financial goals to take advantage of compounding interest.
- Encourage retirement savings. even small amounts for young consumers can make a big difference.
- Address risk management concerns to protect against the risk of financial losses.
- Promote income-driven student loan repayment plans to allow for additional funds to be used for housing down-payment and retirement savings.
- Help consumers plan future financial goals.