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Financial Literacy for Generation Z

by A. Scott White, CFP®, ChFC®, CLU®
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Were your children or grandchildren born between 1996 and 2010? If so, they're part of Generation Z—the generation following millennials. Gen Z-ers were the first generation to grow up with computers, smartphones, and the Internet. They have more information than ever at their fingertips—but they typically don't know about financial literacy.

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. A strong foundation of financial literacy can help support various life goals, such as saving for education or retirement, using debt responsibly, and running a business. Early financial literacy teaches children how to have a good, lifelong relationship with money. When they learn financial literacy at an early age, and know proper money management skills, kids tend to keep them and use them throughout their lives.

In "The State of Gen Z,"[1] The Center for Generational Kinetics reports about Generation Z:

- 91% hope to buy their own house someday.
- 69% think retirement savings should be a personal priority.
- 66% worry about not being able to pay off school loans—or how to avoid the debt in the first place.
- 55% of older Gen Z-ers (18-23) say their parents have the greatest influence on how they deal with money.
- 36% don't feel prepared to make financial decisions.

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Celebrating Becky Pardue's 10th Anniversary

When Becky Pardue joined the Scott White Advisors team on Valentine's Day 2011, she brought a ton of experience and skills—and a warm, can-do attitude. Please join us in congratulating Becky on her 10th anniversary.

An Indiana native, Becky and her husband Pete moved to Cape Coral in 2010. They have 3 children, 11 grandchildren and 2 great-grandchildren. You may be aware that Becky enjoys shopping for antiques in her spare time. But did you know she collects antique rolling pins—and has collected more than 100? "My interest in rolling pins began when I was a child and helped my grandmother make pies and homemade noodles—and the rolling pin intrigued me," she says.

As Director of First Impressions, Becky is the first person clients see when they come to the office. "I love working with our great clients who are from many diverse backgrounds," she says. She enjoys learning about clients, their adventures and their families. "I am glad to be able to assist in administrative duties, thus making their lives less stressful. It is a joy to see our clients' dreams being fulfilled."

Questions & Answers

Q: What is an Advance Directive?

A: An advance directive is a general term for any document that provides directions about your health care when you can no longer speak for yourself. It is a written statement clarifying how you want medical decisions to be made if you are not able to make them yourself. Some examples of advance directives are a living will, a health-care surrogate decision, and an anatomical donation. More than just a legal document, an advance directive is an ongoing conversation about what's important to you. You can change it as your circumstances change. We typically include advance directives as part of our clients' estate planning process.

Q: Who Needs an Advance Directive?

A: Anyone over the age of 18. If your children or grandchildren are over 18, I recommend that you have them execute a durable general power of attorney and an advance directive/health care surrogate. The Health Insurance Portability and Accountability Act ("HIPAA") imposes strict penalties on health care providers who release an adult patient's information to another person, *even the patient's parents*. Under this Act, once a child turns 18, parents no longer have authority over their child's financial or medical decisions. Your child's advance directives should designate you and your spouse as their attorney-in-fact and their health care surrogate, to make financial decisions and health care decisions if they are not able to do so themselves.

Jonathan White is Engaged

Scott and Adriana are delighted to announce the engagement of their son, Jonathan, to Ellen Bossert of Buffalo, New York. After Ellen graduated as a speech pathologist from the University of Buffalo, she moved to Fort Myers for an internship and lived with a neighbor of Scott and Adriana temporarily. When Ellen's parents came to Fort Myers to visit, Ellen invited Adriana and Scott to dinner. Jonathan happened to be in town because he was moving to Chicago in a couple of days, so he joined the group for dinner, and that was the start of a relationship between Ellen and Jonathan. The couple will be married in October at the Edison Ford Winter Estate in Fort Myers.

Preparing for Retirement Challenges

by A. Scott White, CFP®, ChFC®, CLU®
President, Scott White Advisors

The custom of retirement was introduced during the late 1800s. Before then, most workers continued to work until death due to low life expectancy and the absence of financial planning. Today, more people are choosing to enter semi-retirement, where they reduce their work hours or commitments, before retiring completely. Regardless of when you plan to retire, once you decide you want to retire completely, you will enter a period of "pre-retirement" until your actual retirement. That's an ideal time to take a serious look at some of the challenges you could face during retirement—and plan for them.

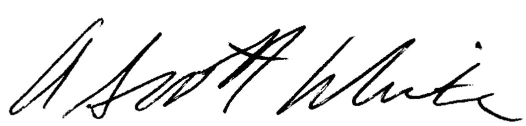
1. Inflation: Preserving purchasing power
In financial planning, we refer to retirement as the "asset distribution phase." Each year during retirement, everything you buy will cost more than it did the year before. For example, in 1990 a postage stamp was 25 cents; today it has more than doubled to 55 cents. Holding a percentage of your retirement savings in equities is one way to potentially reduce the risk that inflation will adversely impact your portfolio. Many financial professionals advocate adjusting allocations—both before and after your retirement date. For example, equities may be 55 percent of your portfolio at age 65, and 35 percent at age 80. Another aspect to remember is the order of returns, not just their averages, and how that can affect the longevity of your retirement assets. If returns perform poorly during the initial period of your retirement, you could easily deplete your retirement savings.

2. Longevity: Not outliving savings
Better health care and longer life spans mean you could spend up to one-third of your life enjoying retirement. Your goal is to ensure your retirement assets last for as long as you need them. To keep your retirement income flowing, it's important to check your budget regularly (monthly or quarterly) to ensure you're not overextending yourself. Being adaptable and flexible with your budget is vital to a successful retirement. Also, you'll want to anticipate unexpected events that could potentially impact your financial picture. If you discover your housing expenses are exceeding your budget, you can move to a home that is less expensive and easier to maintain, and the sale profits can then be added to your reserves. You may also want to consider long-term care (LTC) insurance. LTC insurance helps cover nursing home costs or assisted living. The earlier you begin purchasing LTC insurance, the more reasonable the premiums.

3. Emotional: Finding fulfillment in retirement
There's a difference between being busy and being fulfilled, and planning for fulfillment is important. When is the last time you sat in a quiet place and thought about what you truly want out of your retirement, and what a successful retirement looks like for you? Regardless of your vision, embrace this new chapter of life and take the time to do what you always promised yourself you would do. Retirees find purpose and fulfillment by mentoring, teaching or volunteering. Many times they discover new passions. Professionals say that when you move into retirement, expect a transition period of 2 to 5 years. However you spend your time, make the most of it.

4. Physical and/or cognitive: Declining body or brain health
There are steps you can take to help keep your body—and your brain—healthier as you age. Stay physically active and make physical activity part of your everyday life. Physical exercise is essential for maintaining good blood flow to the brain as well as to encourage new brain cells. Aerobic exercise improves oxygen consumption, which benefits brain function. Professionals recommend avoiding sitting as much as possible. Getting out of your chair—and connecting with others—is vital. Having somewhere to go on a regular basis has shown to help keep us healthy and engaged. And when it comes to brain health, leisure activities that combine physical, mental and social activity are the most likely to prevent dementia. Also, it's advisable to follow a healthy diet and get plenty of sleep.

5. Legacy: Spending vs. saving for heirs and causes
Remember the advice that flight attendants give us—put on your oxygen mask before helping your child with their mask? The same applies to retirement: Use your funds to take care of your needs before leaving money to your heirs. Yes, many of us want to be sure our children and grandchildren have better lives in our estate planning. But it's not uncommon for retired people to deny themselves enjoyment so they can help their heirs. Unless they are disabled, your children and grandchildren can work for the life they want to achieve—just as you have. So when you establish your retirement budget, remember to indulge yourself a bit. As someone said to me, "There are loans for colleges. There are no loans for retirement."



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Asked if they wanted increased schooling on financial topics, 76% of Gen Z respondents said that they thought their high school should have offered a class on managing finances.[2] But most states do not require financial literacy classes in the educational system,[3] so it needs to be taught in the home or some other place.

Many Gen Z-ers grew up during the recession and housing bubble burst, see millennials struggling with college and other financial debt, and are increasingly aware of their finances and their need for financial literacy. As a result, a study by Raddon found that two-thirds of a group of 2,500 teens had already opened a bank account. But many face stress related to college savings, getting a job, renting an apartment, buying a home, and paying off debt after college.

Teaching your children or grandchildren good financial habits can help them make future education and career choices, save for retirement or avoid debt, and assist them as they prepare for their first job. Since 2003, the U.S. has recognized April as Financial Literacy Month to raise financial literacy awareness and promote the need for personal finance education among youth and adults.

How can you help your child or grandchild learn good financial habits?

Here are some resources.

Financial Planning for Young Adults: Created by the University of Illinois in partnership with the CERTIFIED FINANCIAL PLANNER Board, this Coursera-based online program includes 8 modules and is appropriate for users 12 and up. (free)
www.coursera.org/learn/financial-planning

Smart About Money: Offered by the National Endowment for Financial Education, this online program offers several courses, including Money Basics, Retirement and Emergency Planning, and is appropriate for users 16 and up. (free)
www.smartaboutmoney.org/Courses

Personal and Family Financial Planning: Created by the University of Florida and Michael S. Gutter, Ph.D., this Coursera-based online program is best for users 18 and up. (free)
www.coursera.org/learn/family-planning

Saving and Budgeting: This Khan Academy online course includes identifying financial priorities, and is appropriate for users 16 and up. (free)
www.khanacademy.org/college-careers-more/personal-finance/pf-saving-and-budgeting

Personal Financial Planning: This EdX-based online course includes discussions, quizzes and videos, and is appropriate for all age levels. (free)
www.edx.org/course/personal-finance

Talking Cents: The University of Chicago's program of 108 laminated cards that contain conversation-starting questions about money is appropriate for ages 7 and up. ($20)
https://financialeducation.uchicago.edu/our-work/our-solutions/talking-cents

[1]*Why Gen Z is Approaching Money Differently Than Other Generations (visualcapitalist.com)*

[2]*Survey: Generation Z Keen on Learning About Personal Finance and Credit - Experian*

[3]*National High School Financial Literacy Report: Making the Grade 2017 | Center for Financial Literacy (champlain.edu)*

[4]*Talking Cents - Financial Education Initiative | UChicago*

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