Money and Debt Issues of Emerging Adults

Joan Gray Anderson*

University of Rhode Island

Barbara M. Newman

University of Rhode Island

Today's young adults view financial independence and self-reliance as important criteria for adulthood. Take Felicia, for example. After graduating from college, Felicia has $20,000 in student loans and $3,000 of credit card debt carrying an 18% interest rate. She majored in Human Development and is thrilled to be working as a lead teacher at a well-respected child care center in her community. This is the kind of job Felicia has always dreamed of. She earns $15 an hour for a 40-hour week, with two weeks paid vacation and no other benefits. Felicia lives at home with her parents and younger siblings. Her immediate savings goal is to have enough money for the first and last month's rent and damage deposit on an apartment that she will share with two staff members from the child care center. But right now, most of her $2,000/month take-home pay is committed to covering her student loans, credit card payments, car payments, car insurance, and cell phone, with some left over for going out with friends, clothes, gifts, and personal care. She hasn't begun to think about, much less save for, a house, investments, retirement, or even an emergency cash reserve. Felicia would love to be financially independent, but given her current financial situation, the prospects of moving out of her parents' home in the near future are slim.

Economic trends suggest financial self-sufficiency is becoming more difficult for young adults to achieve. Income for this group is low and not keeping up with inflation. Most of the available jobs are in the service industry, paying low wages with few or any benefits. And unemployment and poverty rates are higher than for older age groups. In

* Joan Gray Anderson and Barbara M. Newman are both professors of human development and family studies at the University of Rhode Island.

this paper, we examine recent trends in five aspects of financial independence: living arrangements, income, spending, assets, and debt.

Living Arrangements

One measure of an emerging adult's ability to achieve financial independence is whether they are able to establish a household separate from their family of origin. Family relationships typically undergo a transition between the ages of 18 and 29. The majority of young people ages 18–19 live at home with one or both parents or other relatives. Relatively few are the head of a household or married to a head of household at this age. For those in the ages 20–24, about one third are a head of household or married to a head of household, and about half, like Felicia, are living with parents or relatives. A substantial group, about 14%, live with nonrelatives; they may share the rent or sublet from a friend, but they have not taken on the responsibility of "head of household." By age 25–29, the balance shifts such that the majority (about two thirds) are heads of households, and about one fifth are living with their parents or relatives.

A combination of delayed age of marriage and difficult economic times contributes to the increased likelihood that emerging adults will continue to live in their parents' home. In 2001, among those 25–29, about 20% lived with their parents or other relatives; by 2008, almost one quarter, about 5 million, lived with their parents or other relatives. Recent survey data suggest that the current recession is having a disproportionately severe impact on younger workers, resulting in an increased likelihood that emerging adults will prolong their time of living with family and delay even further their plans for marriage.

Given that many young adults consider being financially independent of one's parents to be a criterion for adulthood, this living arrangement is likely to present difficulties for the resolution of adult status. On the other hand, living at home may be a sound financial practice that reduces exposure to debt and may facilitate the accumulation of savings.

Income of Emerging Adults

As reported in U.S. census data, the income of the youngest workers has always been far lower than that of older Americans. Income increases over the lifespan, peaking at about age 50. Between 1997 and 2007, the United States median household income barely exceeded the rate of inflation. For households with a head between the ages of 25 and 34, income increases barely kept up with inflation. In other words, the youngest age groups experienced little growth in spending power over the last decade.

Emerging adults are at substantial risk for being unemployed and living in poverty. According to the U.S. Department of Labor, in September 2009, the national unemployment rate was 9.8%. A recent survey of those in the age range 18–29 reports nearly 20% are currently unemployed or looking for work.

About 12% of all Americans are below the poverty level. Most of them are children under 5. However, young adults also have high poverty rates: about 17% of 18- to 24-year-olds fall below the poverty line and about 12% of the 25–34 age group.

Data on low income, high unemployment rates, and high poverty rates for emerging adults indicate difficulty in achieving financial independence. Although emerging adults like Felicia desire to be financially independent, research shows they are less concerned with earning high incomes than with obtaining interesting work that has job security, good benefits, and opportunities for promotion. This type of job, however, is becoming increasingly scarce in today's economy.

Spending of Emerging Adults

Emerging adults spend almost all of, and some years more than, their income. From a lifespan perspective, the opportunity for significant savings is more likely to occur in one's middle years, when most persons reach the peak of their earning power.

Concerns about money, the desire for money, and a sense of self-worth associated with money are always embedded in a social context. Earning and spending money, and associated issues of savings and debt, are part of the challenges and dynamics of social life. It is not uncommon for young people to borrow money from each other, give each other gifts, share in the costs of things, take trips together, and rely on one another for financial resources.

Emerging adults come from a variety of family backgrounds, where money, budgets, and the practices associated with sound financial management may or may not have been openly discussed. Background factors such as educational attainment and, especially, differences in family resources and exposure to financial hardship, influence the way emerging adults see themselves, how quickly they are propelled into assuming financial responsibility for themselves and others, and what they aspire to with regard to financial security and wealth.

Some young people take on the responsibilities associated with independence and self-reliance at an earlier age than others. Data from a large national sample that followed adolescents into adulthood found that those who had experienced greater hardship during adolescence—that is, a combination of poverty, family disruption, and growing up in a dangerous neighborhood—made earlier role transitions, including becoming a full-time worker, getting married or cohabiting, and becoming a parent. Taking on these adult roles significantly affected the young person's perception of being an adult and their subjective age (i.e., they seemed older than others of the same age). This subset of emerging adults faces an especially difficult challenge of having to manage the financial obligations of adult roles at a comparatively young age with relatively little practice and minimal expectations of financial support from parents or other family members.

Two major areas of spending for emerging adults are college and health insurance. Many of today's emerging adults believe they need a college education to be financially independent. Educational aspirations and educational attainment are the primary predictors of both employment and income. Among those in the age range 20–24, the higher their educational attainment, the more likely they are to be in the labor force. In 2005, about half of those in the age range 20–24 who had less than a high school diploma were in the labor force; in contrast, over 90% of those with a bachelor's degree or more were in the labor force.

Average annual income differs for men and women. In 2006, in the age range 18–24, males with a high school diploma earned about $4,500 a year more than females with the same degree; males with a college degree earned about $5,000 more than females with the same degree. Yet more females than males in this age range are enrolled in college, and females are more likely than males to complete college and graduate, thus positioning them for higher paying occupations in the years ahead.

College tuition continues to increase at an annual rate of about 6%. A troubling trend is that, in the context of rapidly increasing costs, fewer students are completing college. Only about 58% of first-time students who enrolled in 2001 seeking a bachelor's degree and attending full time completed their degree within six years.

Like Felicia, even when young adults are employed full time, most do not have health insurance. High cost prohibits many emerging adults from purchasing health insurance. In 2007, about 15% of all Americans had no health insurance. The percentage of young adults who had no coverage was almost twice as high.

Assets

Every three years, the Federal Reserve Board conducts the Survey of Consumer Finances (SCF) to assess changes in the financial lives of Americans. The most recent data are from 2007, but past years' data are often included for comparison purposes. The youngest group for which the Fed calculates data is the under-35 group. We draw on these data to address assets and debts for emerging adults, realizing the data reflects a group that is larger and older than those who are the focus of this paper. We consider assets of special interest, including savings and other financial assets, as well as mutual funds and retirement accounts..

The Fed's report looks first at the percentage of Americans who say they were saving during a given survey. The percentage of Americans who save did not change much from 1998 to 2007. However, the percentage of young Americans who saved increased quite a lot over this time period, from 53.9% in 1998 to 58.9% in 2007, when they exceeded the percentage for the population as a whole.

In 2007, almost 94% of all Americans had at least one financial asset, but only 89% of those under 35 had assets. A financial asset is an economic resource that can be converted to cash and used to pay debts or living expenses. The two major types of investments held by those under 35 were retirement accounts and mutual funds.

In 2007, about 42% of those under 35 had retirement accounts, as compared to the 53% of all Americans who had such accounts. In 2004, the median value (in 2007 dollars) of retirement accounts for all Americans was $38,700. For those under 35, it was $12,100. However, by 2007, the balance for all Americans had risen to $45,000, an increase of 16%. The median balance for those under 35 fell from $12,100 in 2004 to $10,000 in 2007, a decrease of 17%. Young adults are losing ground in the battle to save for the future. The stock market, as measured by the Dow Jones Industrial Average, peaked in late 2007 at around 14,000. By March of 2009, this index had fallen to around 6,000, a decline of 57%. At the time of this writing (October 2009), the Dow is around 10,000, an increase of 67% in the past six months, but still 29% lower than its 2007 peak. Based on this average and assuming no other changes to their accounts, the average young adult who had $10,000 in a retirement account in 2007 would have about $7,000 today, a decline of about 30%.

A recent report from Fidelity Investments stated that the portion of workers in their 20s who participate in a workplace savings plan such as a 401(k) or 403(b) has increased in recent years with the help of autoenrollment. However, the majority still do not participate in their employer's plan. That is, they do not put any of their own money into the plan (called contributing) and thus often lose out on employer match. Fewer than half of eligible workers in their 20s contribute to their workplace plans today.

The story for mutual funds not held in retirement accounts is much more positive. The median balance in 2004 of mutual fund holdings for all Americans was $44,400; by 2007 it had increased to $56,000, an increase of 26%. For those under 35, the median mutual fund balance was just $8,800 in 2004 but increased to $18,000 by 2007, a gain of over 104%. A young adult who rode out the financial collapse and recent rebound would probably have a balance in mutual funds today of about $12,600, assuming no further investment since 2007.

In addition to financial assets, two of the most important real assets are cars and homes. Between 2004 and 2007, the percentage of those under 35 who owned a car increased about 3%, far faster than for the population as a whole, for which it remained basically constant The value of cars owned by those under 35 increased by 7% over these three years, while the value for all Americans was unchanged.

In 2004, the percentage of those under 35 who owned a home (41.6%) was much lower than the percentage for all Americans (69.1%). The percentage who owned a home fell for both groups in 2007, but it fell at a higher rate for the under-35 group. The value of homes increased for both groups but by a higher percentage for the under-35 group. The median home value in 2007 was $175,000 for the under-35 group and $200,000 for the entire sample. Between 2007 and June 2009, home values fell nationally by about 20%. Young adults who became first-time home buyers between 2004 and 2007 are likely to have been hit hardest by the steep decline in real estate values. The average $200,000 home would now be worth about $160,000, a loss of $40,000. In addition, they were most likely to have borrowed at the time when lenders were aggressively offering loans with features such as no money down, 125% financing, and a choice of which type of monthly payment to make (such as interest only), which often led to negative amortization (owing more than originally borrowed).

In summary, for the under-35 group, the combined value of all assets fell from $43,000 in 2004 to $38,000 in 2007, a decline of almost 10%. In contrast, the median value for all Americans increased from $189,000 to $221,500 over that time period, an increase of almost 17%.

Debt

Many emerging adults carry two types of unsecured debt: credit card balances and student loans. Because many of them are not homeowners, fewer have mortgages than in the larger population.

Regarding credit card debt, two of the most important issues are the percentage who carry a balance and the amount of the balance. Between 2004 and 2007, the percentage of all Americans who carried a balance on their credit card remained relatively steady at just over 46%. Slightly more of the under-35 population carried a balance over that three-year period (about 49%). The median credit card balance for all Americans rose from $2,400 in 2004 to $3,000 in 2007, while the median balance for young adults increased from $1,600 to $1,800.

Most college students have credit cards. The percentage that have credit cards has increased to 86% (2008) from 76% (2004). The average balance carried has also increased. In 2008, college students carried an average balance of $3,173, which was higher than the Survey of Consumer Finances numbers both for all Americans as well as for young adults. There is a growing literature that focuses on the ways that college students use credit cards and their vulnerability to increasing debt.

Money and worries about debt are sources of great stress for most Americans. For those in the stage of emerging adulthood, this worry can be especially burdensome. Research that focuses on credit card debt among emerging adults finds that, compared to older adults, young people are both more worried about their debt and less confident about their ability to resist the temptations that could lead to increased debt. They are at the beginning of an uncertain employment trajectory and earnings future, so they may not be able to predict how well they will be able to pay down current debt as they face new expenses for housing, transportation, and the repayment of student loans. Emerging adults have many unrealized goals, and they are beginning to understand how credit card debt and a poor credit history may stand in the way of achieving these goals.

As the cost of college has increased over the past few decades, so has the amount of student loan debt that both college graduates and those who don’t finish have accumulated. In the 2006–2007 school year, over 60% of students borrowed for college, carrying an average balance of $22,700, up 18% from 2000–2001. With only 58% of college students graduating within six years, many young adults are in the financially precarious position of having a significant amount of student loans to repay without having the benefit of a college degree.

There are three commonly used methods of assessing debt difficulty: the leverage ratio, the debt service ratio, and late payments. Each of these offers a slightly different way of assessing a person’s ability to manage current debt or to assume additional debt.

The leverage ratio compares an individual’s debts to their assets. The Survey of Consumer Finances creates this ratio for various demographic groups every three years. The leverage ratio for all Americans has hovered between 12% and 15% since 1998, while the ratio for those under 35 has ranged from 33% to 46%, reflecting the low level of assets and high level of debt held by young adults. Young adults have leverage ratios that are about three times worse than Americans as a group.

The debt service ratio compares debt payments to disposable income to give an indication of how much of one’s income is already committed to paying off existing debts. A debt service ratio of 20% or more is considered a sign of financial trouble. The debt service ratio of all Americans has been around 13% to 15% over the past 10 years. However, the ratio of younger Americans, around 17% for many years, reached 19.7% in 2007, the level where financial trouble begins. While the ratio for all Americans has fallen by 3%, the ratio for young adults has risen by 15% over this 10-year period.

Debt service ratios greater than 40% are indications of a very high level of debt problems. About 12% to 15% of Americans carry such high debt loads, with the number recently increasing to 14.7%. Historically, few young adults had such poor ratios. Recently, however, the percentage of young adults with high debt service ratios has increased to 15.1, exceeding that of the population in general.

The last indicator of troubling debt is the percentage of people in a given group who have had at least one payment more than 60 days late. For the population as a whole, the percentage is currently 7.1. For young adults, even though the percentage has fallen in recent years from 13.7 in 2004 to 9.4 in 2007, it is still about 32% higher than that of the general population. Late payments are the primary factor that can have a negative impact on one's credit score.

Net worth is determined by subtracting one's liabilities from one's assets. For all Americans, net worth increased about 33% between 1998 and 2007 to $120,300. In contrast, for young adults, net worth remains extremely low ($11,800) and unchanged, increasing a mere $200 (2%) over the same time period. For those young adults who already owned a house or had retirement accounts or mutual funds, all of which have fallen in value since 2007, it is likely that their net worth is a lot lower than it was when the 2007 SCF was conducted, and in fact may even be negative.

The 2008–2009 Recession

The information presented in this paper demonstrates that emerging adults were in a financially precarious situation before the current economic crisis began. A 2009 survey reported the following findings related to the current occupational and financial well-being of those in the age range 18–29:

- Three in five say their personal economic condition is fair or poor. Most have the same or more debt than they had a year ago. Nearly one third have paid a late fee on a credit card in the last year, 17% have fallen behind on mortgage payments, and 18%

have fallen behind on student loans. Two in five have skipped a meal to save money.

- Two in five young adults have been affected by cuts in wages or hours. Half of those who work part time have had their wages or hours cut.
- Nearly one quarter of young adults say that they or a family member have recently lost health insurance. More than half of those surveyed have lost their coverage at some point in the previous five years.
- Twenty percent of young adults say that, as a result of the current economic recession, they or a family member are delaying or leaving college or have transferred to a less expensive school. Twenty-two percent are delaying marriage or waiting to start a family.

Summary

Most emerging adults want financial independence but will find that challenging, because most do not view making a lot of money as a top priority. The kinds of jobs they want are exactly the kinds that are disappearing in the American labor market. For this group, net worth has not increased over the past 10 years as it has for other Americans. Even those young adults who had the greatest financial assets are suffering. The values of their homes, retirement accounts, and mutual funds have all fallen in the downturn. Liabilities for this group have not changed, while assets have declined. Costs for college education and health insurance have increased, suggesting that the goal of financial independence will continue to be elusive. The financial benefits of a college education, which were substantial for their parents' generation, do not appear to hold the same financial reward for the current cohort of emerging adults. To obtain financial independence, emerging adults will need to be more deliberate about choosing an education and career, and more strategic in their spending, saving, and use of credit.

Annotated Bibliography

Arnett, J. J. (2006). Emerging adulthood: Understanding the new way of coming of age. In J. J. Arnett and J. L. Tanner (Eds.). *Emerging adults in America: Coming of age in* *the 21st century* (pp. 3–20). Washington, DC: American Psychological Association.

In this chapter, Arnett provides a summary of some of the demographic trends that led him to designate the period of life from the late teens through the 20s as “emerging adulthood.” Of special note are the increased age of marriage, the related increase in age at first child’s birth, increased participation in higher education (including a notable trend toward women’s participation in higher education), and an increased rate of residential mobility. These trends suggest that the period of life from the late teens through the 20s is more a time of exploration and transition rather than settling down into a stable lifestyle. The second part of the chapter reviews Arnett’s conceptualization of the psychological features that characterize this period of life: a time of identity exploration; a period of instability, especially with respect to work, education, residence, and love relationships; a time of self-focus during which young people have relatively few obligations to others and can concentrate on how to become self-sufficient; a time of feeling in-between, that is, more mature than they were in high school but not yet fully adult; and a period of possibilities, including high hopes about the future and a sense of being empowered to transform their lives in new and better directions, especially if they are emerging from stressful experiences of childhood and adolescence.

Bucks, Brian K., Kennickell, Arthur B., Mach, Traci L., and Moore, Kevin B. (2009, February). Changes in U.S. family finances from 2004 to 2007: Evidence from Survey of Consumer Finances. *Federal Reserve Bulletin*, pp. A1–A55.

Every three years, the Federal Reserve collects data from American families regarding their finances. This article presents the most recent data as well as data from past surveys. These data are reported by demographic groups, including percentile of income, age, family structure, educational level of head of household, race, work status, occupation of head of household, region of country, urban versus nonurban, renter or owner, and percentile of net worth.

Chao, G. T., and Gardner, P. D. (2008). *Important characteristics of early career jobs: What do young adults want?* White paper prepared for MonsterTRAK.com, http://hiring.monster.com/hr/hr-best-practices/workforce-management/emerging-workforce/young-adults.aspx.

This report, sponsored by MonsterTRAK.com, summarizes the results of over 9,000 respondents ages 18–25 about the most highly valued characteristics of jobs. The report also provides contrasts regarding the most valued job characteristics based on demographic factors, including gender, college major, income of family of origin, and race/ethnicity. Over 80% of respondents highly valued jobs characterized by interesting and engaging work; good benefits, including health insurance; a secure job; and opportunities for promotion. Those whose families were in the lowest (below $20,000) and the highest (above $100,000) financial categories valued high paying jobs and jobs with prestige more than those from middle-income families.

The College Board. (2008). *Trends in student aid 2008*. And The College Board. (2008). *Trends in college pricing 2008*. Both available at www.collegeboard.com/.

The College Board is a private organization that reports annually on the cost of college in the United States and the availability of financial aid to college students. The two reports listed above provide extensive information that can help students and their parents gain perspective on the cost and financing of an education. Their reports analyze the rate of increase in college tuition and compare it to the rate of inflation. For example, in 2008, the inflation-adjusted price of a two-year college actually fell, while for four-year programs, public and private, it rose less than 1%. The amount of money available for financial aid, including grants and loans, increased by about 5.5% after inflation. For example, the authors state “the 08–09 net price paid by full-time in-state students at four-year colleges and universities is about $2,900, even though the average tuition for the same schools is $6,600”.For the recent year, they report that the availability of private loans, which are but one component of financial aid, has shrunk by 1%, reversing years of double-digit growth.

Danziger, S. and Rouse, C. E. (2007). *The price of independence: The economics of early adulthood.* New York: Russell Sage Foundation.

This edited volume examines economic conditions that affect the lives of young people as they make the transition to adulthood. It includes data on historical patterns and several cross-national comparisons. Eleven chapters are divided into three parts: securing employment and completing schooling; living with one's parents longer and starting families later; and family background and incarceration as factors in the transition to adulthood. Several chapters present unique analyses of existing data. Of special interest, in light of current national policy debates, is a chapter on health insurance and the transition to adulthood, two chapters on the labor market, and a chapter on debt among young adults. The data in most chapters do not incorporate statistics based on recent economic downturns, but the approach to the analyses remains informative.

Employee Benefit Research Institute (EBRI). (2009, December 31). 401(k) valuations. Available at www.ebri.org.

This group is part of the nonprofit American Savings Education Council, whose mission is to study the savings of Americans and analyze the adequacy of those savings. EBRI carries out that portion of the mission which pertains to retirement adequacy, reporting the aggregate data on who has defined-contribution plans and what the current average balance of such accounts is. One recent report looked at the 2007 Survey of Consumer Finances data (cited in this paper) and updated the results of the retirement data. EBRI conducts an annual survey called the Retirement Confidence Survey, which poses questions to a random sample of Americans about their current savings patterns as well as their concerns about the adequacy of their retirement funds. Data were analyzed by various demographic categories, including age.

Greenberg Quinlan Rosner Research. (2008). Young people living on the edge: National survey results. Available at www.greenbergresearch.com/articles/2217/4503_qvisory08m3_PublicRelease_final.pdf.

This report summarizes data from 2007 and 2008 from an online survey of those 19

to 34 years old as well as a survey of parents. The report highlights the extent of financial worry among this age group and the sources of their worry. Many have substantial credit card debt; many are without health insurance. A valuable feature of the report is the focus on the role of family support and perceptions among young people about how much financial help they might receive from their families. The report supports findings from Thums et al. (2008) cited below that many young people not only worry about money and debt, but lack confidence in their ability to manage their finances effectively.

Johnson, M. K., and Mollborn, S. (2009). Growing up faster, feeling older: Hardship in childhood and adolescence. *Social Psychology Quarterly*, *72*, 39–60.

This study examines the relationship between hardships experienced during childhood and adolescence and two aspects of the subjective sense of being an adult: whether or not the young person feels like an adult and whether the young person feels older, younger, or about the same as others of the same chronological age. Data are taken from the National Longitudinal Study of Adolescent Health, which includes a sample of over 13,000 young people between the ages of 18 and 26. The study helps to disaggregate our view of emerging adulthood, focusing on aspects of life experience in childhood and adolescence that may propel some young people into the assumption of adult roles at an early age, thus considerably shortening the period of instability or exploration and increasing the emphasis on the need to be financially self-sufficient. As one might expect, hardships in childhood and adolescence result in a feeling of being older, particularly tied to early age of marriage/cohabitation, which is associated with feeling older than one's cohort, and earlier transition to parenthood, which is tied to feeling like an adult. The study also reminds us that those who come from families with few resources, from disrupted families, or from dangerous neighborhoods may have to forestall further education and begin full-time employment, which contributes to their sense of being older and more adult than their age mates.

Mosisa, A., and Hipple, S. (2006, October). Trends in labor force participation in the

United States. *Monthly Labor Review*, 35–57.

The report provides an overview of labor force participation trends from 1948 through 2005 with details about young workers, including those 16–19 and 20–24. The report includes patterns by gender, race and Hispanic/Latino ethnic groups, and analyses related to the combination of school enrollment and labor force participation. From 2000 to 2005, labor force participation rates fell for both the 16- to 19-year-olds and the 20- to 24-year-olds. Although the labor force participation for males is still greater than that for females, the gap has narrowed over the past 50 years, from a difference of almost 43% to a difference of 9%. School enrollment has increased among those ages 20–24, accompanied by a slight decline in labor force participation among those enrolled in school. Of some concern, from 2000 to 2005 there was an increase in the percentage of those 20–24 who were neither in school nor in the labor force. The report is useful in disaggregating the group referred to as emerging adults, highlighting different educational and employment contexts that have obvious implications for income, savings, and debt.

National Center for Educational Statistics, Institute of Educational Sciences, U.S. Department of Education. (2009). *The condition of education, 2009*. Available at http://nces.ed.gov/programs/coe.

This governmental agency analyzes educational programs in the United States from kindergarten to college. It provides current data about college enrollment. The rate of enrollment increased from 49% in 1979 to 67% in 1997. Since then it has fluctuated between 62% and 67%. Data are also provided about the percentage of students who enroll in college full-time who graduate within 6 years. It also provides data on the percentage of an age cohort that has completed a bachelor's degree. This percentage increased from 17% in 1971 to 31% in 2008. More than half of all college degrees (57%) were earned by women in 2007.

Nelson, L. J., Padilla-Walker, L. M., Carroll, J. S., Madsen, S. D., Barry, C. M., and Badger, S. (2007). "If you want me to treat you like an adult, start acting like one!" Comparing the criteria that emerging adults and their parents have for adulthood.

Journal of Family Psychology, *21*, 665–674.

This study compared the responses of unmarried college students ages 18–25 and at least one of their parents. Participants were asked to judge whether each of 34 criteria was necessary for adulthood and then to rate these same items as to their importance in determining whether or not a person was an adult. Analyses focused on similarities and differences between students and their parents. The most important criteria for all respondents, and the one considered necessary for adulthood was: Accept responsibility for the consequences of your actions. Students emphasized becoming financially independent of their parents to a greater extent than did their parents, whereas parents emphasized relational maturity, that is, becoming less self-oriented and developing greater consideration for others.

Paulin, Geoffrey. (2008, December). Expenditure patterns of young single adults: Two recent generations compared. *Monthly Labor Review*, 19–50. Available at www.bls.gov/opub/mlr/2008/12/art2full.pdf.

This paper compares the spending habits of young, never-married adult cohorts from two different decades, 2004–05 and 1984–85. Spending patterns are analyzed by racial and ethnic groups as well as by male-female demographic characteristics. Results indicate that while there are minor differences in spending, particularly within a demographic category, over this time period, overall little change is seen.

Schoeni, Robert, and Ross, Karen. (2005). Material assistance received from families during the transition to adulthood. Chap. 12 in Richard A. Settersten, Jr., Frank R Furstenberg, and Ruben Rumbaut (Eds.), *On the frontier of adulthood: Theory, research and public policy*. Chicago: University of Chicago Press.

Using data from the ISR Panel Study of Income Dynamics and various years of census data, the authors studied the amount of money parents transfer to their young-adult children ages 18–34. “Today's middle-income families spend $170,460 on each child through age 17, studies have shown. But this study provides the first empirical evidence that the giving goes on for another 17 years, during which parents spend 23% of the amount they provided during childhood and adolescence.” The report states that the amount of assistance young adults get declines with age of the child, but increases with parental income.

Thums, S. L., Newman, B. M., and Xiao, J. J. (2008). Credit card debt reduction and developmental stages of the lifespan. *Journal of Personal Finance*, *6*, 86–107.

This study uses the Transtheoretical Model of Change (TTM) to explore clients' psychological readiness to change their troubling debt behaviors. A sample of 263 participants who self-identified as having troubling levels of debt (20% or more of their take-home pay is needed to cover minimum credit card payments) were compared based on their stage of development. In contrast to those in later adulthood and very old age (ages 61–85), those in later adolescence (ages 20–24) expressed more worry about their debt and were less confident about their ability to reduce their debt under conditions of stress or financial difficulty. The paper examines credit card debt from a lifespan perspective, considering differences in the reasons that people at various stages of life might encounter troubling debt and the need to support clients differently depending on their stage of life.

U.S. Census Bureau, www.census.gov.

The Census Bureau website provides much of the information, all of which is reported annually, discussed in this paper. From the data on "Family Status of Persons 15 years and Over...," one can analyze the percentage of young adults residing with their parents. The Census Bureau also provides information on income by age group as well as poverty rates for each age cohort. Data on who has health insurance is also available.

U.S. Department of Labor, Bureau of Labor Statistics. *Consumer expenditure survey*, www.bls.gov/cex/.

Each year the government surveys a random sample of Americans and gathers data on their spending habits through interviews and diaries. Demographic data are also collected, facilitating the analysis of spending for a particular group such as emerging adults. Age groups are broken down using categories similar to those used by the Census Bureau: under 25, 25–34, and so on by decade. This information, therefore, while useful for broad comparisons, does not provide the level of detail to analyze the 18–29 emerging adults cohort separately.

Xiao, J. J., Shim, S., Barber, B., and Lyons, A. (2007). *Academic success and well-being of college students: Financial behaviors matter*. Tucson: Take Charge America Institute for Consumer Financial Education and Research, University of Arizona.

This report summarizes results of an online survey of 781 university students. The survey examined cash management, credit management, savings, and risky use of credit. The report summarizes previous research on the financial behaviors of college students and addresses two research objectives: to identify potential factors that affect the formation of financial behaviors among college students and to examine potential relationships between financial behaviors and other indicators of well-being among students. Students were more likely to indicate desirable practices in the area of cash management, such as comparison shopping, paying their bills on time, and spending within a budget; they were less likely to indicate sound practices regarding their use of credit cards and their savings. Somewhat surprising was the finding of a negative association between class rank (freshmen, sophomores, juniors, and seniors) and the likelihood of sound financial practices across all three areas: cash management, savings, and management of credit. Seniors were more likely to have multiple credit cards, to be late on credit card payments, to reach the maximum on their card limits, and to be late in paying their card payments. Family background factors, including parental advice, parent's educational level, parents being homeowners, and perceived parental approval of a particular behavior were all associated with students' financial behaviors, especially their sound practices and their resistance to risky financial practices. Finally, the survey found a positive relationship between positive financial behaviors and other indicators of well-being, including financial satisfaction, health, positive mental health, and life satisfaction.