



Gen X: A mature market that's often overlooked

Opportunities and tips for advisors to engage Gen X investors

This article is an adaptation of a report by the Fidelity Center of Applied Technology® "Gen X: A Mature Market That's Often Overlooked." The Fidelity Center for Applied Technology®, or FCATSM, is a catalyst for breakthrough achievements in research and tech. We assess, test, and scale concepts and ideas that advance Fidelity's market leadership and enhance every customer's experience. FCAT teams are curious, inquisitive, and intently focused on the future.

Gen X are in their peak earning and retirement savings years, yet this "forgotten generation" can be overlooked when it comes to the complexity of their financial needs. And yet, the complexity of their financial lives requires attention, perhaps now more than ever. Firm leaders and advisors have an opportunity to help Gen X investors navigate these complexities.

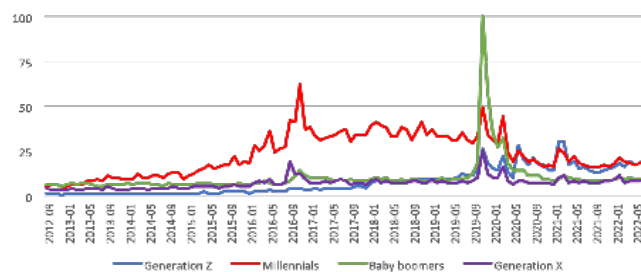
For the last decade, millennials have been the darlings of pop culture, academia, and market research, until Gen Z fervor took off in 2019. Baby boomers, too, get their fair share of coverage (see Exhibit 1). But you know who never gets their time to shine? Gen X, the aptly named “forgotten generation.” We have a cultural blind spot for the smallest generation, with only 65 million Americans, sandwiched between two larger cohorts.

Now in the prime of their life, ranging in age from 42 to 57, Gen X are in their peak earning and retirement savings years. They also stand to inherit the most from the great wealth transfer: \$30 trillion over the next two decades (see Exhibit 2).¹

Like Gen YZ, Gen X have more debt than boomer+, including credit cards, mortgages, auto and student loans, and medical bills. Advisors have an opportunity to engage the next generation of clients now. Adult children can sometimes influence financial decisions of their parents before money changes hands, so it’s important to build these relationships early in order to create a sustainable business. Further, according to Fidelity’s Investor Insights Study, over half of Gen X investors want their advisor to engage with their children, checking in over calls or texts, recommending or hosting online events of informative topics of interest to children, and sharing educational content on financial literacy.²

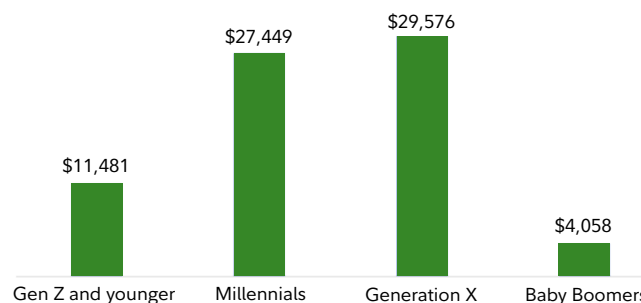
Student debt continues to burden Gen X. Gen Xers with student debt carry a higher average balance than millennials and owe almost twice what Gen Zer’s owe.³ This comes at a time when Gen X parents must prioritize saving for their children’s college education. Indeed, among Gen Xers with teenagers, those still paying down student debt have less saved for their kids compared to similar Gen Xers without student loans. If those teens, in turn, take on more debt, it could fuel what Pew Research calls an “intergenerational legacy of debt.”⁴ Further, according to Federal Student Aid data, there are 11.4 million borrowers between the ages 35 and 49 with a total of \$502.6 billion in federal student loan debt (4), which could signal financial hardship and challenges balancing their debt with long-term savings.⁵

EXHIBIT 1: Google search interest in each generation over the last decade in the U.S.



Source: Google Trends data.

EXHIBIT 2: Estimated wealth inherited by generation, 2021–2045 (\$ billions)



Source: The Cerulli Report.

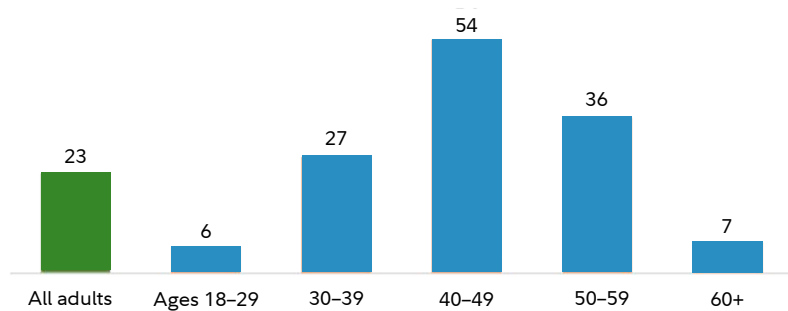
Over half of Gen X investors (56%) want their advisor to engage with their children in the coming year.²

A majority provide care for both children and parents. Over half of adults in their 40s have both a child they are financially supporting and a parent over 65 (see Exhibit 3).⁶ And 55% of them say they don't have enough money to help their senior parents.⁷ It's at least part of the reason why Gen X is the most stressed about money and work compared to other generations.⁸ And it's not just normal mid-life rumblings; this period is especially stressful for Gen X.

A recent study from Penn State found that midlife was more stressful in 2010 than in 1990, but other age groups didn't see a similar rise during the same time period. Researchers chalk it up at least partially to the burden of responsibility—for children, parents, and even employees at work.⁹

EXHIBIT 3: Adults in their 40s are most likely to be in the sandwich generation

Percentage who have a parent 65+ and a child <18 or one they are still financially supporting



Source: Pew Research Center

Gen Xers with adult children aren't off the hook. Parents with adult children at home see a 15% decrease in assets and 13% decrease in savings compared to years when their kids aren't living there.¹⁰ Unfortunately, having adult children at home is no anomaly—half of adults aged 18 to 29 live with a parent.¹¹ In fact, one in six Gen Xers are now purchasing multigenerational homes to help accommodate boomerang adult children or those who never left.¹² Debt and the high cost of living are important factors for why many young adults are moving home, and it's creating a new parent-child dynamic. Whereas traditional, economic research studied how parent resources affect child wellbeing, an understudied and underappreciated trend sees economic insecurity spreading from adult children to their parents.

Signals to Watch

Gen X could lead the way in alts. According to fintech Stilt, Gen X investors spend more than younger generations on crypto purchases.¹³ They're also the fastest growing segment in ESG investing, as they have more to invest than younger generations.¹⁴ It may benefit advisors to develop a point of view on these investments and the roles they can play in a portfolio, as well as potentially broaden their offering to better serve these clients.

But their health could overshadow other concerns. A recent study from the Ohio State University found that, compared to previous generations, members of Gen X showed poorer health. This included increases in chronic inflammation and risk of heart disease, higher levels of alcohol use and smoking, and greater depression and anxiety.¹⁵ Millennials, too, showed similar signs of decreasing health as compared to baby boomers and older generations. The research suggests an expansion of morbidity and mortality rates as these generations age, potentially straining their finances and family obligations. Advisors have an opportunity to help Gen X investors plan and invest for bigger healthcare expenses.

Why It Matters to Advisors

The financial needs of Gen X aren't completely unique—yet Gen X is rarely a focus of messaging and outreach, especially as it relates for advisors to their competing financial priorities. Given their proximity to retirement age, there's a narrow window to provide Gen X with the direction they need to reach their financial goals. In the near term, Gen X investors could benefit from:

Guidance and advice to increase their confidence.

Compared to other generations, Gen X feels the least confident about achieving their long-term financial goals.¹⁶ They're also the least likely to think about when they want to retire or know how much money they'll need.¹⁷ In some ways, they're the first self-directed retirement generation: only a third of Gen X expects to receive a pension compared to half of baby boomers.¹⁸ With more of their finances under their own control, Gen Xers need support across their financial lives: paying down debt, planning their transition to retirement, and reaching their retirement savings goals.

Autonomous finance that saves them time. Balancing careers and households, paying for college and caregiving, Gen X doesn't have time to micromanage finances. Time-slashing financial services, whether it be autonomous investing, bill pay, maximizing savings, fraud prevention for those under their care, or even health monitoring would likely appeal to many, if not all, Gen Xers.

Digitization of services. Though we herald Gen Z and millennials as digital natives, Gen X was the first generation to grow up with personal computers at home. So, it shouldn't come as a surprise that Gen X looks more like millennials than baby boomers when it comes to preference for digital services. For example, 56% of Gen Xers say they would switch banks for a better mobile app and 57% prefer to open new accounts online.¹⁹

Gen X investors prefer advisors that are tech savvy. For example, texting or video-chatting for advice, or advertising on social media, blogs, and podcasts are now table stakes for shrewd Gen X investors. Advisors can meet Gen X investors where they are by employing these methods of communication, as well as showcasing their use of technology and platforms within their practice through their value prop messaging on their firm website, as well as their social media presence.

Conclusion

Gen-X is a generation with unique challenges and needs. Their economic challenges, paired with their willingness to experiment with newer technology poses new opportunities for how financial service institutions can serve them.

To stay updated on emerging trends and technologies, we encourage you to check out [FCAT's blog](#) and follow them on [LinkedIn](#).

For more information, contact your Fidelity representative.



Endnotes

- ¹ The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021 Evolving Wealth Demographics.
- ² The 2022 Fidelity Investor Insights Study was conducted during the period August 8 through September 2, 2022. It surveyed a total of 2,490 investors, including 673 millionaires and 1,520 investors with advisors. The study was conducted via an online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of \$50K in investable assets (excluding retirement assets and primary residence), with additional quotas by age and affluence levels.
- ³ Hanson, M. (2022, October 26). "Student Loan Debt Statistics [2020]: Average + Total Debt," EducationData & <https://www.businesswire.com/news/home/20211013005232/en>.
- ⁴ The Complex Story of American Debt Liabilities in family balance sheets, external reviewers (2015).
- ⁵ Federal Student Aid data. <https://studentaid.gov/data-center/student/portfolio>.
- ⁶ Horowitz, J. M. (n.d.). "More than half of Americans in their 40s are 'sandwiched' between an aging parent and their own children." Pew Research Center.
- ⁷ Adult Children Survey on Retirement. (n.d.). American Advisors Group.
- ⁸ LinkedIn, "Stress at Work Report: Who is Feeling It the Most and How to Combat It," and Black, M.L., "Americans' Stress Levels—and Financial Anxiety—on the Rise." (n.d.). ValuePenguin.
- ⁹ "Middle age may be much more stressful now than in the 1990s," I Penn State University. (n.d.). www.psu.edu.
- ¹⁰ Based on an interview with Michelle Maroto and her paper: Maroto, M. (2017). "When the Kids Live at Home: Coresidence, Parental Assets, and Economic Insecurity." *Journal of Marriage and Family*. Another study found that of parents with kids who moved back home, 35% said it affected their ability to save for long-term goals and 26% said it affected their ability to meet short-term goals or pay off debts. <https://www.cnbc.com/2022/05/25/how-to-prioritize-your-financial-goals-with-adult-kids-living-at-home.html>.
- ¹¹ Fadeyi, D., & Horowitz, J. M. (n.d.). "Americans more likely to say it's a bad thing than a good thing that more young adults live with their parents." Pew Research Center.
- ¹² 2022 Home Buyers and Sellers Generational Trends Report, National Association of REALTORS® Research Group. (n.d.). Retrieved January 20, 2023.
- ¹³ "94% of Crypto Buyers are Gen Z/Millennial, but Gen X Spends More." Retrieved from Stilt Blog.
- ¹⁴ "Wall Street Journal, "What Generation Is Leading the Way in ESG Investing? You'll Be Surprised."
- ¹⁵ Grabmeier, J. (Mar 2021) "Health Declining in Gen X and Gen Y, National Study Shows," Ohio State News.
- ¹⁶ American Society of Pension Professionals & Actuaries, "Gen X Feeling the Retirement Squeeze." | <https://www.asppa.org/news/gen-x-feeling-retirement-squeeze>.
- ¹⁷ Fidelity, 2022 State of Retirement Planning study.
- ¹⁸ "Generation X: Ready for Retirement?" (2022). Society of Actuaries Research.
- ¹⁹ "Banking Attitudes, Generation-by-Generation." (n.d.). Bank Administration Institute.

Intended for institutional investors and investment professionals.

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