

Financial Independence Survey

COVID-19 impact on Young Americans' path to financial independence

May 2020



Introduction & Methodology

1. Desire for Financial Independence.....	3
2. Path to Financial Independence.....	8

Methodology

These surveys were conducted online within the United States by The Harris Poll on behalf of TD Ameritrade from February 20 - March 4, 2020, among 2,002 Young Americans ages 15-29, and April 10-16, 2020, among 691 Young Americans ages 15-29.

Financial Independence is defined as being able to meet your financial obligations without financial help from your parents, grandparents or others.

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Half of Young Americans view themselves as financially independent today

While there has been little fluctuation in the number of Young Americans who classify themselves as financially Independent since earlier in 2020, many are concerned about an uncertain future

57% +1% from
Feb/March 2020

Can meet financial obligations without help from parents, grandparents or others

52% -2% from
Feb/March 2020

Can meet financial obligations without help from credit cards, student loans, or personal loans

74%

“I am anxious about how coronavirus will impact my finances.”

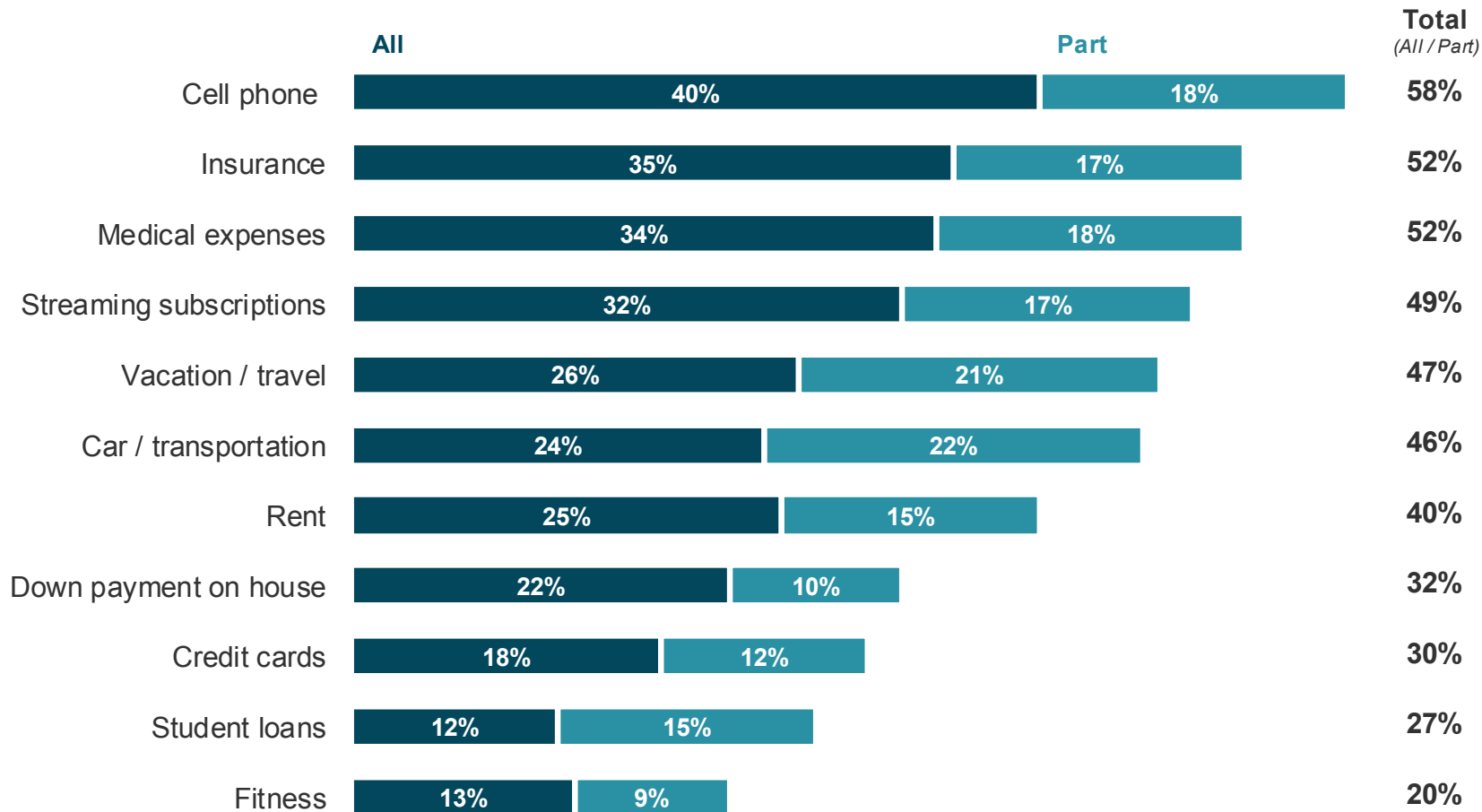
63% (+10% from Americans overall)

Are concerned that they may lose their job due to the coronavirus outbreak

Even before Covid-19, many Young Americans relied on their parents to chip in for all or some of their expenses

Two-thirds admit, “I don’t know how people my age survive without extra financial support from family” (62%), while 1 in 4 still rely on their parents to cover their entire rent check

Do your parents pay for all / part / none of the following?



Parental support is no secret

83%

“I’m grateful for the financial support my parents have offered me as I exited school and entered the workforce.”

71%

“I’m open with my friends about the parental support I receive or how I afford my lifestyle.”

Nine in 10 “want to be financially independent” – and their parents feel the same

Yet Young Millennials in particular feel that the odds are against them, crippled by rising living costs and student loan debt

Young Americans crave independence...

85%

“I don't want to rely on my parents financially.”

82% Young Millennials | 87% Gen Zs

85%

“My parents want me to be financially independent.”

89% Young Millennials | 83% Gen Zs

... But are constrained by expenses and debt

82%

“My generation is having a tougher time achieving financial independence, because the cost of living has gone up and salary levels remain the same.”

86% Young Millennials | 79% Gen Zs

37%

“I'm in so much student loan debt, it feels like I'm never going to be financially independent.”

42% Young Millennials | 34% Gen Zs

Yet Covid-19 has created a new set of obstacles for Young Americans

Most are not sure how their generation can navigate through these changes, while six in 10 go so far as to say the pandemic has “derailed their journey to financial independence”

71%

“I am worried about my generation’s ability to survive this financial downturn, without governmental support.”

61%

“I was already stressed out by my finances, it's hard to imagine my financial future now.”

59%

“Covid-19 derailed my journey to financial independence.”

69%

“I’m expecting to delay some of my life milestones due to COVID-19.”

48%

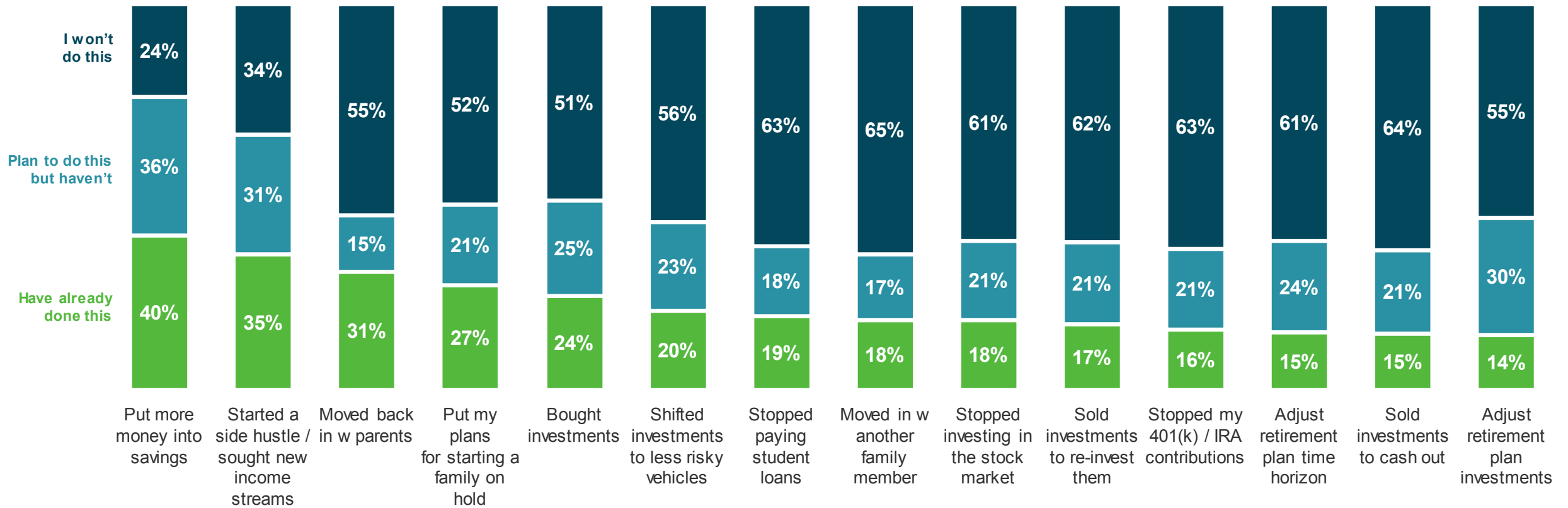
Put their plans for starting a family on hold as a result of the recent economic downturn.

46%

Have or plan to move back in with their parents as a result of the recent economic downturn.

While some Young Americans are shifting strategies due to recent events, the majority remain committed to retirement plans

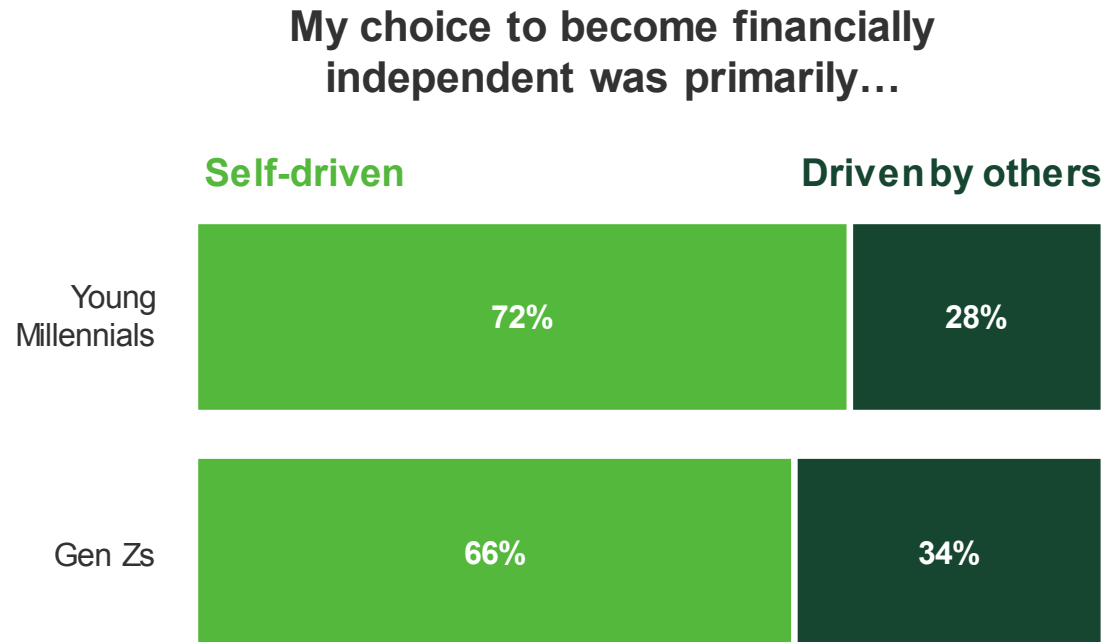
Have you done any of the following as a result of the recent economic downturn?



Source: The Harris Poll on behalf of TD Ameritrade (April); All respondents (n=691)

Those who do achieve financial independence are self-motivated

Two-thirds are forging their own financial paths saying, “I’m working to unlearn the financial lessons of my parents, as I seek financial independence” (63% FI vs. only 55% non-FI)



Parental guardrails guide path to FI: 50% of Financially Independent Young Americans say their parents told them they were on their own or established clear boundaries about when they would be financially cut off, compared to only 31% non-FI.

Financially Independent Young Americans embrace an accelerated timeline

Age at which became / expect to become financially independent

20

Financially Independent

25

Not Financially Independent

Age at which it's embarrassing to receive financial support from parent(s)

27

Financially Independent

29

Not Financially Independent

Financially Independent Young Americans are also focused and strategic

Financial preparedness is the primary differentiator between those who achieve independence and those who do not

“I think about my financial commitments all the time.”

77% Financially Independent

64% Not Financially Independent

“I feel prepared to handle my own finances.”

73% Financially Independent

45% Not Financially Independent

“I consider myself to be an overachiever.”

68% Financially Independent

57% Not Financially Independent

Overachievement can lead to burnout



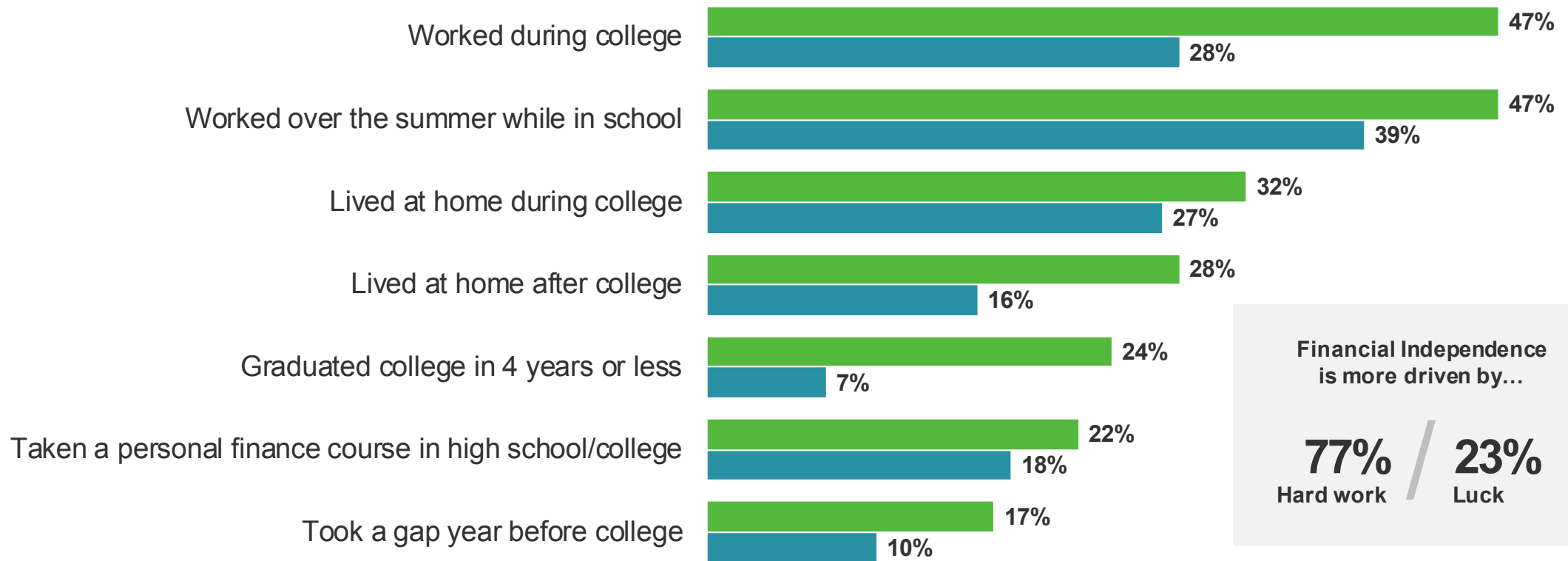
70% of Financially Independent Young Americans say, “In today's competitive climate, burnout is a natural part of achieving success,” compared to 63% non-FI.

The Financially Independent are more likely to make sacrifices early to get ahead

The vast majority say financial independence is driven by hard work (77%), as opposed to being driven by good luck (23%)

Have you done any of the following?

■ Financially Independent Young Americans ■ Not Financially Independent Young Americans



Their top advice for achieving financial independence is staying on budget

Many are also turning to side hustles and investing to increase their net worth at an early age

Which of the following do you believe is most important to achieving financial independence?

(Financially Independent Young Americans)

1	Having a strict budget	63%
2	Decreasing living expenses	51%
3	Increasing income with side hustles	41%
4	Investing in the stock market	24%
5	Maxing out tax-free income wherever possible	20%
6	Investing in real estate	20%

84%

Financially Independent
Young Americans

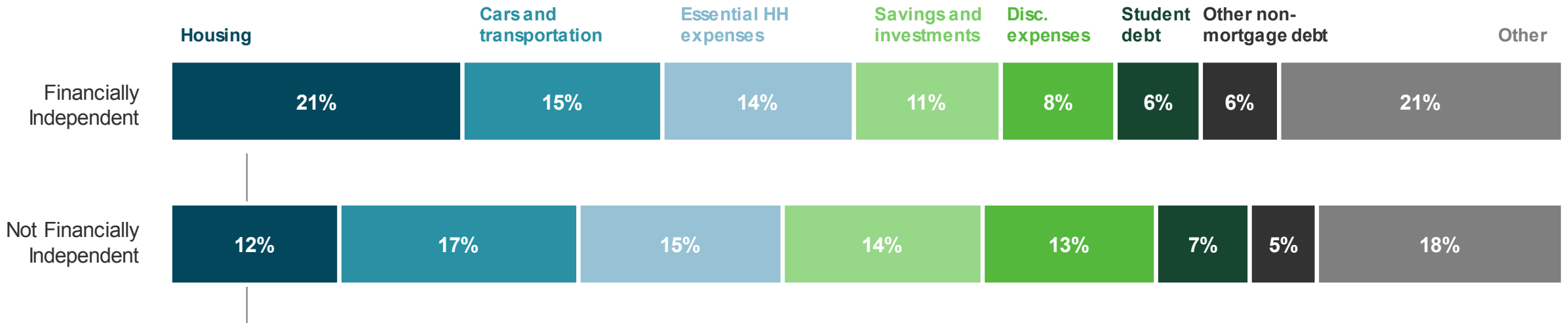
“Reducing living expenses is a key component of becoming financially independent.”

As a result, the Financially Independent spend less on discretionary expenses

They are also looking to build nest eggs, with 74% of Financially Independent Young Americans saying they “increase their savings rate when they get a raise”

Approximately what percentage of your after-tax income goes towards the following?

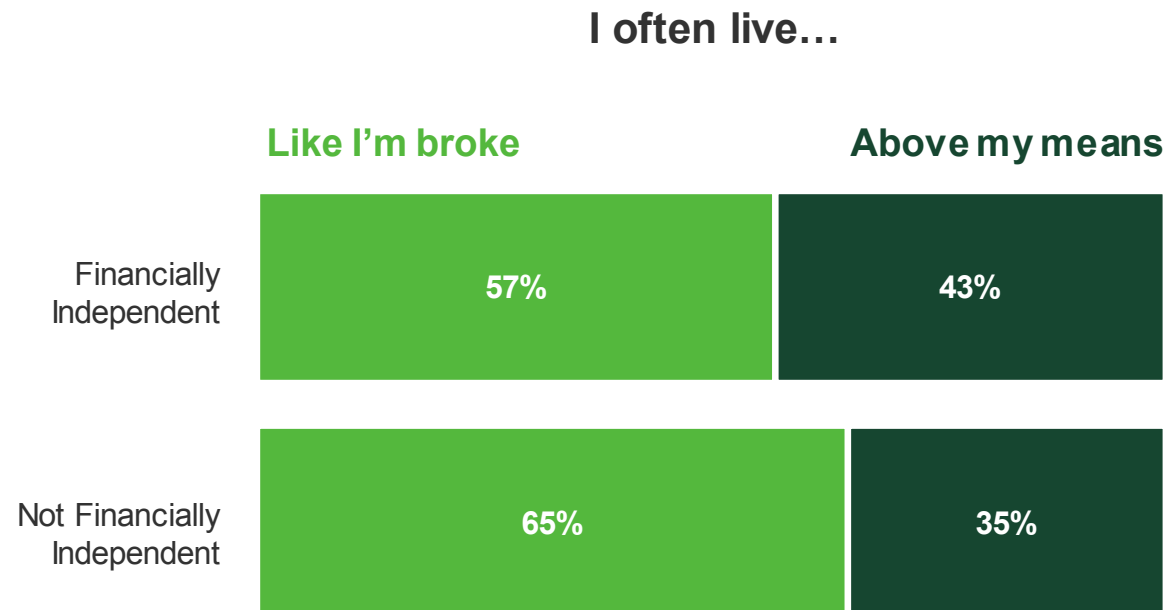
(Mean summary)



Financial independence can drive relocation: While 64% of non-Financially Independent Young Americans say they would consider moving to a less expensive city or state to become financially independent, those who have achieved FI are more likely to say they have actually done so (23%, compared to only 13% non-FI).

But sticking to a budget doesn't necessarily mean living like you're broke

Financially Independent Young Americans are more in control of their finances and mindful about splurging when it makes sense for them



Non-FI more likely to avoid lifestyle upgrades: 70% of non-FI Young Americans say, "I will continue or have continued living like a college student so I can save more," compared to only 61% FI.

The art of the strategic splurge

% who have treated themselves (e.g., an expensive gift, trip, etc.)

55%

Financially Independent

42%

Not Financially Independent

% who have paid to outsource tasks so they can focus on what's important

25%

Financially Independent

13%

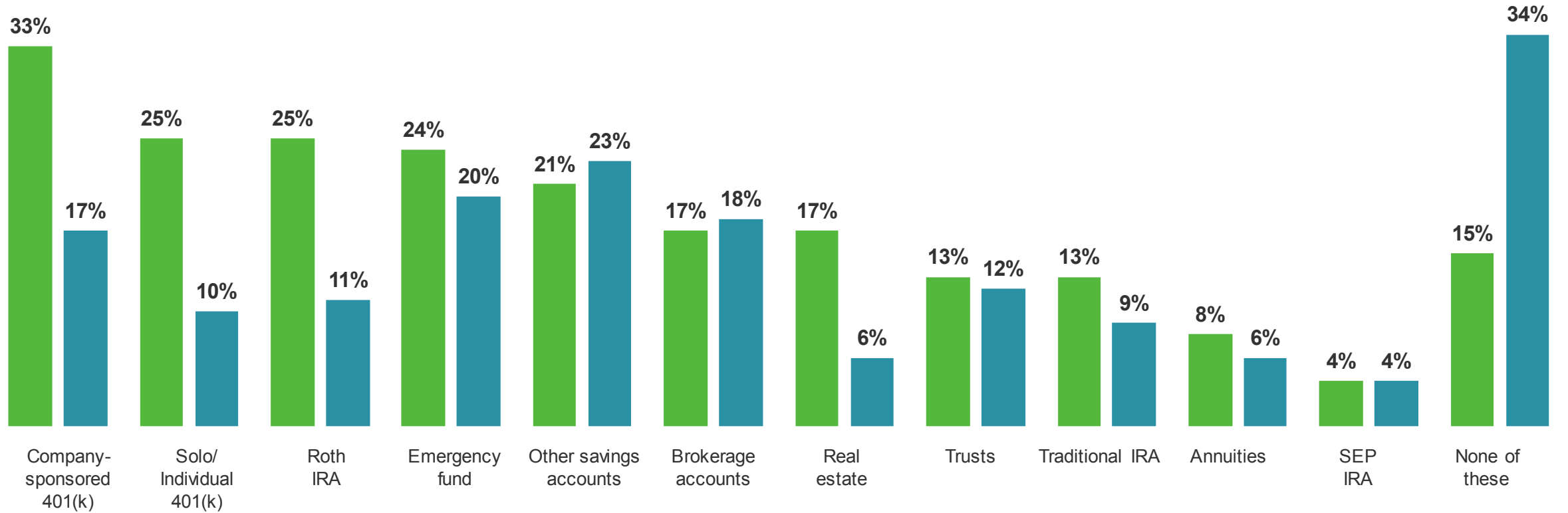
Not Financially Independent

The Financially Independent also prioritize retirement savings and real estate

While non-FI Young Americans are less likely to take advantage of retirement savings vehicles and more likely to opt out of saving and investing all together

Does your investment portfolio include any of the following?

■ Financially Independent Young Americans ■ Not Financially Independent Young Americans



For example, the Financially Independent are more likely to invest in a home

Meanwhile, Young Americans who are not Financially Independent are much more likely to live at home with their parents rent-free

Which of the following best describes your living situation?

	Financially Independent	Not Financially Independent
Own my own place	28%	5%
Rent my own place	37%	14%
Live in a place my parents pay for	6%	12%
Live with my parents / family rent-free	21%	60%
Live with parents and pay rent	8%	9%

Financially Independent are more likely to live solo

Financially Independent Young Americans who are paying their own rent are more likely to live alone (45%, compared to 31% non-FI).

Those who do have roommates are likely to have 1, while non-FI Young Americans say they have a median of 2.

Among those with roommates, most live with roommates they know well (54%), followed by a significant other (39%), and roommates they don't know well (8%).