

St.George Bank Research Findings 10 June 2009

St.George Bank research shows that Gen Y's 'Bank of Mum & Dad' is now closing

Key themes:

- **Global Financial Crisis (GFC) has serious impact on baby-boomer parents' nest-eggs**
- **Major disconnect revealed: parents no longer able or willing to provide the same level of financial support to their adult children (Gen Ys) as in the past, however, Gen Ys' high expectations remain the same**
- **Gen Ys in the dark regarding their parents financial woes**
- **Gen Ys prove they have either none or a very limited savings history leaving them ill-prepared to support themselves in the future**

As the impact of the global financial crisis (GFC) extends its grip on ordinary Australians, St.George Bank today released research findings revealing about half of parents with adult children are now no longer able or willing to provide the same level of financial support as they have in the past.

The majority (72%) of parents with adult children have provided financial support to them in the past but St.George's research findings show this is about to change for many.

Nevertheless, most of Generation Y (62%) still expect the 'Bank of Mum & Dad' to continue to provide financial handouts, including free or subsidised rent or board, help in buying a home, paying for all or part of a wedding and other one-off expenses. The fall in parental financial support will no doubt be a significant blow to Gen Y who have grown accustomed to receiving parental help.

The research, commissioned by St.George and conducted by Galaxy Research, analysed the responses of over 1,000 Australians.

Andrew Moore, St.George General Manager Retail Bank Distribution, said the research uncovered a concerning disconnect between what Gen Y expect from their parents in terms of financial support, and what parents are now able and willing to provide.

"While only 28% of Gen Y respondents said they were well informed about their parent's financial situation, 65% admitted they have no knowledge of their parents' financial situation and, therefore, may be in the dark about what support they can really expect, now and in the future," he said.

"In the context of the current financial climate, many baby boomers and parents of adult children are understandably more concerned about their own personal finances. In fact, 70% of Baby Boomers say the GFC has caused the value of their assets to erode and, similarly, 71% of Baby Boomers are concerned about their financial situation and the possibility of having to delay retirement.

"Many baby-boomers are now looking at ways to increase their own savings and pay down debt and many are now choosing to reduce the level of financial assistance they provide to their grown-up offspring," said Mr Moore.

“Among the parents who are now providing a lower level of financial support to their children, around half (48%) say they feel guilty when they have to say ‘no’.

“While it’s not always easy to do, perhaps now is the time for parents to sit down with their grown-up kids and openly discuss their financial concerns and pressures and provide their children with a realistic picture of what level of financial support they can expect,” he said.

Parents’ priorities have changed

Half (48%) of those with adult children surveyed are focussed on saving, either for retirement (25%) or other future expenses (24%). A further 41% are focussed on paying down debt, either credit cards and personal debt (24%) or their mortgage (17%). Just 6% of parents rate providing assistance to their children as top priority at present.

Half (53%) of parents feel guilty when their adult children ask for help or support. The main reasons for this are because life was more affordable when they were young (24%), they don’t want their children to worry about money (23%), they have more money than their children (12%) and they don’t want their children to have to work all the time (6%).

“Clearly, most parents want to help their grown-up children but circumstances have changed for many and it’s understandable that parents are now having to focus on their own needs and financial health to manage their way through the tough economic climate, particularly as we don’t know when it will end. As a result when it comes to paying for things like weddings, first home deposits, overseas travel and childcare, many Gen Ys must now stand on their own two feet,” Mr Moore said.

Disconnect between what parents say they are providing and what Gen Y expect:

The top five areas where Gen Y expect financial help from their parents are: one-off expenses (45%); payment for all or part of a wedding (44%); providing a safety net (43%); helping buy a house / raising a deposit (40%); and education cost (34%).

The only matching priority agreed by parents and Gen Y is financial assistance with one-off expenses. For the other types of support, the biggest disconnect is shown where Gen Y expect much more support for things like help to buy a home or raise a deposit, help paying for weddings, and help to provide a safety net. Parents it seems are much more likely to in fact provide free or subsidised board, pay for education costs or help pay Gen Y’s bills.

Despite parents wishing their adult kids could plan for their financial future better, Gen Ys have little or no experience saving

Four in five (80%) parents of adult children wish their children planned for their future better. The main areas parents wish their adult children would improve is through spending less on non-essential items (50%), saving more (44%), being more financially independent (28%) and not expecting as much financial help (12%).

“Part of the problem may be that many members of Gen Y don’t know how to budget or save. Interestingly, the St. George research findings reveal that one in four (24%) Gen Ys say they have never had to budget and/or save, and a further 35% have only done so for a short period when saving for a particular item or holiday. Just 36% of Gen Y rate themselves as experienced at budgeting and saving,” said Mr Moore.

“With the increasing pressure their parents are under with the GFC, I strongly recommend that Gen Y take a more active role in managing their finances as they will be less able to turn to their parent for help,” he explained.

St. George Bank's savings tips for Gen Y

- Plan to save:
 - Keep a record of your bills, expenses and purchases over a month
 - Think about where you can cut back on expenses
 - Set a savings goal that is ambitious but achievable
 - Tie your savings goal to a life goal to increase your motivation to save – e.g. purchasing a home, going on an overseas trip or providing a financial buffer in case of unforeseen circumstances
 - If you are still living at home with your parents and earning a full-time wage, a good goal would be to save the equivalent of an average weekly rent
- Maximise your savings by shopping around to find the right high-interest savings account or term deposit
- Check your bills – if something doesn't seem quite right, check with your provider to ensure you're not being over charged
- Take advantage of deals and special offers such as shopping for groceries late at night or very early in the morning, use discount days offered by cinemas and restaurants and look out for holiday deals
- Adjust your lifestyle by asking "do I really need this?" – perhaps you can borrow or simply make do with what you have
- Switch off – turn your lights and appliances OFF if you're not using them. It makes a huge difference to your bills and of course helps protect our environment
- Save on car expenses – if you can, catch the bus or train, bike ride or walk to avoid expensive car costs such as petrol and car maintenance
- The Aussie BBQ – bring it back! Maybe think about having friends over for some snags on the barbie and save on the costs of dining out

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