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Major Barriers to Financial Security for Youth and Young Adults

MAJOR BARRIERS TO FINANCIAL SECURITY FOR YOUTH AND YOUNG ADULTS

MOST YOUNG ADULTS IN AMERICA DO NOT HAVE SECURE ACCESS TO FINANCIAL SECURITY, OR TO THE CONDITIONS THAT SUPPORT IT.

Young adults tend to be less financially secure than their older counterparts.[24] This is partially due to lifecycle factors such as people earning lower incomes and having amassed less wealth earlier in life. But is also due to U.S. economic trends and policy choices - such as reduced public investment in post-secondary education and homeownership opportunities, and the declining real value of wages and workplace benefits–that provide fewer wealth-building supports for each successive generation.[25] At least half of young people in the United States today do not even have financial stability,[26] which –as described in the previous section–is a critical foundational condition for being able to invest in oneself, gain economic mobility, and actively build wealth over the life course. Using a more holistic measure of financial security, an even smaller percentage of young adults (24%) can be considered financially healthy.[27][28]

As a result of these economic trends and policy choices, the majority of US households–not just those headed by young adults–are not financially secure today. The most basic reason for this is the mismatch between the labor income that most U.S. workers can earn–which has been stagnant for decades–and the cost of living and basic needs such as housing, family care, medical care, and higher education, which has been rising for decades.[29] While it may therefore stand to reason that most young adults are not financially secure, this situation has urgently harmful implications for the well-being of young people, as well as the future of the U.S. economy, our social contract, and democracy.

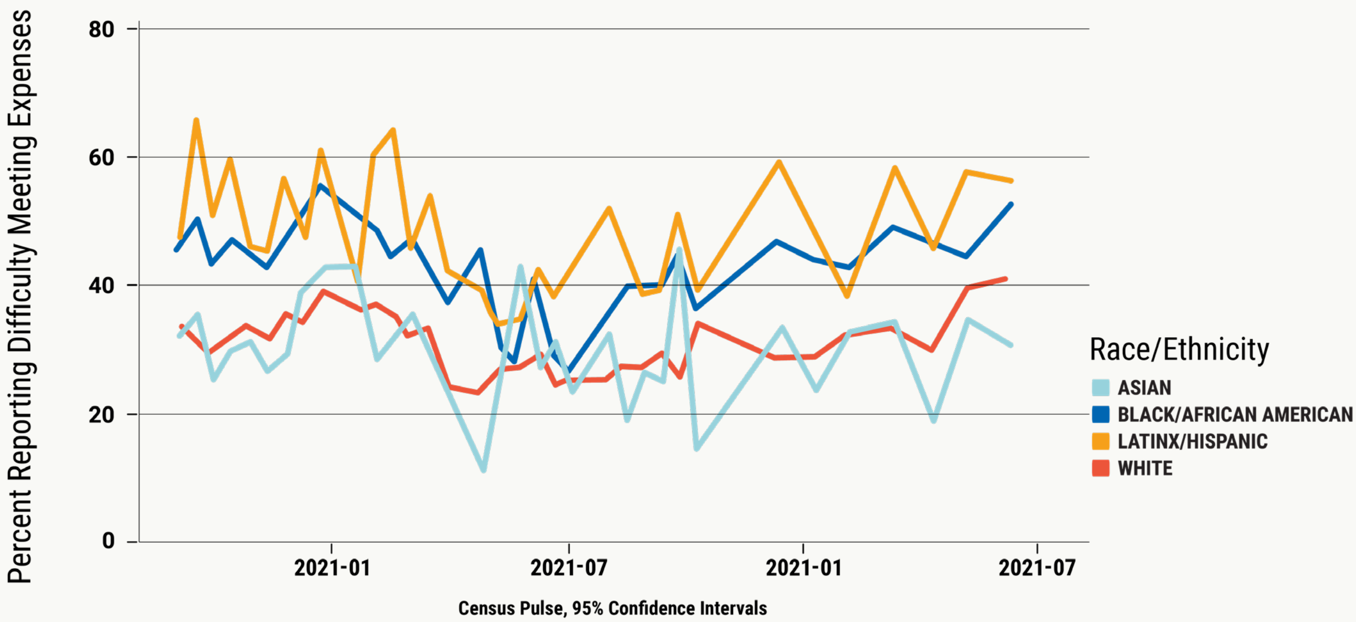
Additionally, finances are substantially less secure for Black, Latinx, and Native American households of every adult generation than for their white counterparts.[30] Due to historic and ongoing structural racism including enslavement; land theft and genocide; exclusion from public investments, support systems, and wealth building opportunities and systems;[31] and disproportionate involvement with the criminal justice system; households of color have lower income, less wealth, and less access to public and workplace benefits and support than their white counterparts, and are more likely to be fined and charged fees by government systems.[32] One implication of this is that youth and young adults of color come from families who tend to have fewer financial resources to support them during their transition to adulthood,[33] and who the young person may need to contribute to supporting financially.[34] The result of all these factors is that **most youth and young adults from non-wealthy families and young people of color do not have secure access to the foundations of financial well-being and face significant immediate and structural barriers to achieving financial security**.[35] These barriers include limited opportunity and support provided by government and the private sector, and parents and communities with fewer financial resources to support them.

LACK OF BASIC FINANCIAL STABILITY IS THE MOST URGENT AND FUNDAMENTAL BARRIER TO FINANCIAL SECURITY FOR YOUNG ADULTS.

While youth and young adults from non-wealthy families need all the same foundations of financial well-being – financial stability, opportunity pathways, financial capability, and developmentally appropriate support and guidance – that all young people do, our research suggests that overall, they do not have secure access to these foundations and face a number of both immediate and structural barriers to the support that all young people need.

Above all else, the most frequently, urgently, and foundationally cited barriers to young adult financial security in FSP's research related to basic financial stability. Specifically, young adults having insufficient income from any source, including jobs, benefits, and income support programs, and insufficient access to affordable basic needs including housing, health care, and, for parents, child care. Recent census data bear this out, with 18–25-year-olds reporting consistent difficulties paying for core expenses.

Figure 2: 18-25-year-olds report consistent difficulties meeting core expenses



Source: *Young Invincibles' analysis of the Census Household Pulse Survey data, weeks 13-46.**

*Percentage of respondents who answered "very" or "somewhat" to the question, ""In the last 7 days, how difficult has it been for your household to pay for usual household expenses, including but not limited to food, rent or mortgage, car payments, medical expenses, student loans, and so on?"

LACK OF FINANCIAL STABILITY IS ALSO A MAJOR BARRIER TO OPPORTUNITY PATHWAYS

This lack of financial stability available to young adults prevents both well-being in the present and meaningful access to the opportunity pathways that are necessary foundations for financial security in later adulthood. It deprives young people of the money and time to fully engage in and complete education, training, and other on-ramps to higher earning potential.

Youth workforce program leaders note that a lack of financial stability results in young people of color from low-income families being effectively excluded from workforce programs. Instead, workforce programs tend to favor instead white candidates from more advantaged educational and financial backgrounds, whose families have the resources to support them while they go through the program. And other interviewees described how a lack of financial resources to sustain young people, and in many cases to support their families, prevents them from attending and completing post-secondary education.

Lack of financial stability impedes career pathways

"Very often [young people experiencing education and employment disconnection] do not have access to post-secondary [education] in the same ways [compared to their connected/well-resourced counterparts] ... [For example], not having enough financial aid and not having...the additional income to pay out-of-[pocket] costs [and] fees that are associated with education...

And we know post-secondary credentials are tied to improved economic outcomes for our young people, including high wages, home ownership, community buy-in, and generational wealth."

MICHELE SEYMOUR
NEW ORLEANS YOUTH ALLIANCE

These perspectives were further bolstered by responses to a recent survey of opportunity youth-serving organizations and collaboratives around the country,[36] in which the vast majority of respondents agreed that a lack of financial stability is a barrier for young people to successfully participate in education pathways (93%) and employment pathways (82%), and that most employment pathways do not offer sufficient financial support for young people to focus on their participation without the need to prioritize other income-generating activities (72%).[37]

ANOTHER MAJOR BARRIER TO OPPORTUNITY PATHWAYS IS THE COST OF POST-SECONDARY EDUCATION

Within our current macroeconomic context, higher earning, higher net worth, and more educated households stand the best shot at financial security. But obtaining the educational credentials necessary to secure a higher earning job now comes at a very high cost for the vast majority of young people. For example, in 1975, Pell Grants covered almost 80% of a student's total costs of post-secondary attendance. Today, Pell Grants cover just under 30% of the cost of attendance.[38] Likewise, in 1975, the total cost of a year of attendance at a 4-year post-secondary institution represented approximately 17% of median household income at the time, while by 2020 it had grown to cost 43% of annual income for a typical household,[39] financially burdening today's students much more than for prior generations.

And for those without the family wealth to pay for education without taking on debt, paying for college adds the additional financial burden of long-term debt and the drag that debt payments put on household cash flows.[40] In particular, Black and Latinx student loan borrowers are significantly more likely to struggle to repay student loan debt than their white counterparts, being more likely to be behind on payments and to default on student loans, and significantly less likely to have paid off their student loans by age 40.[41]

As a result, many young people–including some interviewed for this project–do not see costly post-secondary education as a wise or viable investment in their financial futures, especially when they do not perceive the earnings boost associated with post-secondary education to be commensurate with the cost, and long-term financial burden in the form of student loan debt, of degree attainment.[42]

LACK OF FINANCIAL, EDUCATIONAL, AND CAREER ADVISING AND MENTORING IS ALSO A BARRIER TO YOUNG ADULT FINANCIAL SECURITY

A final theme that ran through our interviews, expert consultations, and focus groups was the barrier to financial security presented by the lack of exposure many young people have to certain kinds of financial know-how from family or school – which young people find very disempowering, and insufficient access to financial and career advising, mentoring, and navigation support. Young people would like more access to these kinds of support in general, and especially from relatable members of young people's own communities or people with similar backgrounds to them.

Lack of navigation support can be financially—and personally—devastating

"Returning to school [after the death of a parent left me orphaned]…I was hopeful there would be programs and scholarships that served someone in my position and [I] expected my [financial aid] counselor to help me navigate that process. Instead, in my first and only meeting with her, I felt accused, dismissed, and invalidated.

Without institutional support, I needed to find other ways of surviving and ultimately took out additional loans for the balance. I did not have the wherewithal to find additional scholarships or grants, and at that point, I did not know where to start. There was no guidance…My university failed me…I was in this arena of higher education, one that was not made for me, and one that did not know how to support me or understand my hardships."

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