Millennial Money: 3 financial moves that deserve more credit

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NerdWallet

Read almost any article about millennials and you'll come away with the distinct impression that this generation is royally screwing up.

That they're suffocated by student debt. That they spend frivolously. And that they're behind on everything from owning a home to starting a family.

Don't buy into all the gloom and doom. Millennials are killing it in some areas, thanks in part to the turbulent financial times in which they came of age.

"Millennials were given a front-row seat to the financial crisis," says Hallie Kraus, a financial adviser with the Humphreys Group, a financial planning firm in San Francisco.

"Many of us witnessed our parents struggle to pay the bills after getting laid off or suddenly finding their home underwater," Kraus says. "Through these experiences, we were taught a unique set of lessons about money that are actually serving us well."

Here are just a few ways millennials — a group that today reaches from their mid-20s to nearly 40 — are getting it right when it comes to their finances.

They know their worth

Millennials are making money moves. A 2018 report from Bank of America found that millennials were far more likely to ask for a raise than those in other generations. And when millennials made the ask, they got paid.

A whopping 46% of millennials had asked for a raise in the past two years, and 80% of those who asked for a raise got one, according to the report.

Those in other generations were far less likely to say they had asked for a raise:

- Generation Z: 19%
- Generation X: 36%
- Baby boomers: 39%

Advocating for better pay is an important habit to build early in your career. Not only will you increase your immediate income, but you also could boost your lifetime earning potential exponentially.

They're saving for retirement, early

While saving for retirement is a win on its own, millennials are going a few steps further by starting early and setting aside a larger portion of their paychecks.

Among millennials who are saving (73%), three of four are putting money away for retirement, according to a 2020 report from Bank of America. Those who are saving for retirement started at age 24, on average — earlier than boomers and Gen Xers, who started at ages 33 and 30, respectively, on average — giving them a much-needed head start on their future.

"Despite common stereotypes about this generation, significantly more millennials are saving for the future," says Andrew Plepler, global head of environmental, social and governance at Bank of America. "These habits are encouraging and build on positive trends we've seen in recent years."

Millennial parents are particularly diligent about saving for retirement, contributing a median of 10% of their annual income, according to a 2017 survey conducted online by The Harris Poll on behalf of NerdWallet.

The survey found that millennial parents who were saving for retirement contributed a median of 10% of their annual income to that goal, compared with 8% for Gen X parents and just 5% for boomer parents (all respondents to this question were employed). That seemingly small difference in savings rates can have a significant impact over time.

All that good news is soured by the fact that less than half (46.5%) of millennial households have access to a 401(k) or other work-based retirement plan, according to the most recent data from the Federal Reserve.

They're focused on credit

Tracking expenses and keeping their eyes on financial goals is helping millennials gain ground in the credit game.

Nearly 40% of millennials improved their credit score in the past year, according to Bank of America's 2020 survey. Other generations were less likely to claim a credit boost, Plepler says, noting the figures were 29% for Gen Z, 36% for Gen X and 31% for baby boomers.

"Millennials are practicing positive money habits day-to-day, and they're moving closer to their goals because of it," Plepler says. "(They) are also being practical and reserved when it comes to their financial choices. They're willing to make lifestyle sacrifices and trade-offs in the present to achieve future goals."

These gains are important, as the average millennial's FICO score still falls in the "good" range at 668, according to credit reporting agency Experian; that's on par with Gen Z and X, but far behind the older boomer generation (which boasts an average score of 731).

TAX

Continued from Page 3B

to itemize it on an invoice," Wallace said.

Simply raising prices isn't always an option, though.

Fish Construction NW builds homes targeted to first-time homebuyers. The tax would have added a little more than $1,000 to the cost of each of the 20 homes Fish built last year, according to Justin Wood, the firm's vice president and co-owner.

The true cost, though, could be double that because Fish's suppliers have already raised their prices this year to reflect the tax. Wood estimates that could increase his company's costs by $40,000 altogether.

It may not be possible, Wood said, for Fish Construction to recoup those costs and still keep home prices low enough to be accessible for first-time homebuyers and eligible for government programs that support affordable housing.

"We're kind of capped on how much we can raise our sales prices and stay active in that entry-level market," said Wood, who also serves as president of the Oregon Home Builders Association.

Last-minute negotiations last year won Wood and other single-family homebuilders an exemption for 15% of their contracting costs. That's in addition to the 35% of capital and labor costs all industries may subtract from their taxable sales.

Opponents of the business tax planned to refer it to voters but their efforts collapsed within weeks last summer. A subsequent poll found supporters of the tax outnumber opponents.

Tweaking the tax

Legislators in Salem are using this winter's short session to consider modifications that would clarify the tax rules, and perhaps create exemptions for certain industries.

Two bills proposed exemptions from the tax for prescription drugs and for agricultural products. Neither of those received hearings and appear dead.

Another proposal that has been discussed at the capitol, but hasn't been written into any bill, would create an exemption from the tax for large construction projects that were already underway when lawmakers

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> **— Sandi McDonough, CEO of Oregon Business & Industry**

approved the tax last spring. That could benefit several projects, none more than the D1X research factory Intel is spending billions of dollars to expand in Hillsboro.

Rep. Nancy Nathanson, who heads the House Committee on Revenue considering changes on the tax, said her priority will be making "technical fixes" to the tax, not establishing broad exemptions.

"Beyond that, any policy changes would be facing a steep road uphill for this legislative session, since our first priority is preserving the new funding dedicated to preK-12 education," Nathanson, D-Eugene, said in an email to The Oregonian/OregonLive.

"I don't think there's going to be major surgery," said Sandi McDonough, CEO of Oregon Business & Industry. However, she said she does expect the tinkering underway during this session will continue for years to come.

"We've probably entered a conversation that's never going to end about how this tax works," McDonough said.

That's what happened when Washington established its own tax on revenue, known there as a business and occupation tax. The state has carved out dozens of different rates and exemptions for different industries, and makes changes every year.

Oregon Business & Industry dropped its opposition to the tax last spring after cutting a deal to reduce its impact on manufacturers, clearing the way for the tax to pass and blunting efforts to refer it to voters. The decision split the business community and McDonough said her phone rings constantly with concerns from who don't like the tax, or don't understand it.

"The truth is there wasn't one thing that was going to work in the same way for every business," she said. "That's the problem with a tax like this."