Ten Years Of Research From Northwestern Mutual Reveals Deep Changes In People's Attitudes And Behaviors Toward Money And Risk

Between 2009 and 2019, financial habits and financial security have greatly improved, but optimism hasn't budged

MILWAUKEE, May 17, 2019 /PRNewswire/ -- In 2009, Northwestern Mutual commissioned a study among U.S. adults aged 25+ to explore their attitudes and behaviors toward money and financial decision-making, as well as their opinions about broader ideas such as the attainability of the American Dream. The project was ultimately named the "Planning & Progress Study" and has been conducted every year for the last decade.

To mark the 10-year milestone of the research, the Planning & Progress Study kicks off this year with a look back at the original cohort surveyed – people who were aged 25+ in 2009 and are 35+ today. The findings reveal deep changes in their attitudes toward money and risk.

For starters, overall financial security and financial habits have markedly improved:

71% feel financially secure today vs. only 47% who felt financially secure in 2009
Compared to 10 years ago:
73% say their financial situation is better now
88% say their financial habits are better
74% are carrying less debt
74% are more frugal
66% have set specific goals for the next 5-10 years, while only 57% said the same in 2009

Despite the stronger financial footing, Americans have gotten substantially more cautious over the last 10 years. Much of that can be pegged back to the financial crisis of 2008 – something that left a deep behavioral mark on people's lives which extends well beyond finances.

"In many ways, 2009 feels like ancient history, but the imprint that period left is still visible in the data we collected in 2019," says Emily Holbrook, director of planning at Northwestern Mutual.

When comparing today to how they felt during the financial crisis:

More than one-third (37%) of adults have become less comfortable today taking financial risks vs.18% who are more comfortable
A quarter (26%) have become less comfortable taking career risks vs.17% who are more comfortable; and
More than one-third (35%) have become less comfortable taking risks with their healthcare coverage vs. 13% who are more comfortable

"It's remarkable when you consider that the people we surveyed today are more financially stable than they were 10 years ago; they're presumably more advanced in their careers and have witnessed the longest bull run in the history of the stock market. And yet they've become more cautious and diligent about their finances," says Holbrook. "For the most part we see this as change for the better, but we also suspect there's some financial trauma mixed in, too. It's important to recognize the behavioral elements of financial decision-making—that's where good planning comes in."

Optimism remains flat

Despite the prolonged U.S. economic recovery over the last 10 years, American optimism has remained essentially flat since 2009. Among adults age 35 and older, the study found:

Just over half (54%) agree the American Dream is attainable for most Americans. That's down slightly from the 58% who said the same in 2009.
Nearly three-quarters (73%) believe a person can accomplish anything if they put their mind to it, but confidence was higher in 2009 when 82% said the same.
Two-thirds (65%) believe they will get to where they want to be in life, which is flat to the 65% who said the same in 2009.
A little more than one-third (36%) believe the U.S. is generally headed in the right direction, which is an uptick from the 27% who said the same in 2009. But 44% feel the U.S. is not headed in the right direction, which is slightly more than the 40% who said the same 10 years ago.

"There's a real mix of optimism and pessimism in these numbers," says Holbrook. "At the individual level, people continue to believe in themselves, but they're more cynical about the broader questions such as the direction of the country and the

attainability of the American Dream. That's very similar to what we heard 10 years ago, which is interesting given the uptick in financial stability we've seen at both the national and individual levels. It's very likely connected to the same rise in risk-aversion and caution we've seen in other parts of the study."

Definitions of success

The attributes that best fit people's definition of success continue to favor relationships, health and lifestyle over material, career and wealth. The top six attributes cited in 2019 include:

1. (Tie) "Spending quality time with family"
2. (Tie) "Being Healthy"
3. "Having a good relationship with your spouse or partner"
4. "Being financially prepared for the future"
5. "Having a good work/life balance"
6. "Being a good parent"

Each of these far out-shadows things like "Earning a high income" (No.12), "Owning the home of your dreams" (No.11), and "Having nice belongings" (No.19).

In 2009, the answers were very similar with only slightly more priority going to work/life balance and slightly less to being financially prepared for the future. The top six attributes were:

1. "Spending quality time with family"
2. "Having a good relationship with your spouse or partner"
3. "Being healthy"
4. "Having a good work/life balance"
5. "Being a good parent"
6. "Being financially prepared for the future"

Here again, these attributes were cited substantially higher than "Owning the home of your dreams" (No.15), "Earning a high income" (No.16), and "Having nice belongings" (No.19).

This is the first round of findings from the2019 Planning & Progress Study, an annual research project commissioned by Northwestern Mutual that explores Americans' attitudes and behaviors toward money, financial decision-making, and broader issues impacting people's long-term financial security. Future waves will explore topics such as debt, retirement, the middle class, generational differences and more.

About The 2019 Northwestern Mutual Planning & Progress Study

The 2019 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,003 American adults aged 18 or older in the general population who participated in an online survey between February 20 and March 5, 2019. Findings shared in this release are based on 1,289 interviews among those ages 35 and older. Results were weighted to Census targets for education, age/gender, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online. No estimates of theoretical sampling error can be calculated; a full methodology is available.

About Northwestern Mutual

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