

## **THE ECHO-BOOM GENERATION: A GROWING FORCE IN AMERICAN SOCIETY.** Mark L. Alch.

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The largest generation in U.S. history is making itself felt. By some counts, the echo boomers outnumber their parents, the baby boomers, and have already created a new and powerful market.

Fears of financial ruin and age wars have accompanied the maturing of the huge baby boom generation as it moves inexorably toward retirement. Their life savings are jeopardized by the much smaller number of Generation X'ers replacing them as taxpayers, home buyers, and investors.

The financial well-being of the 77 million baby boomers is now largely in the hands of just 44 million Gen X'ers, young adults born from 1965 to 1976. Housing, financial investment markets, and Social Security could all be negatively affected. Everything in the economy will be implicated, from buying replacement homes, filling in for workers retiring in the years 2008 to 2034, keeping university enrollments at the current level, and bolstering a potentially defaulting Social Security system.

But the economic landscape is not as dire as some financial doomsayers have prophesied, because the generation following Gen X, the echo boom (those born from 1977 to 1997), is 80 million people strong, the largest generation ever. Well informed and media-savvy, echo boomers display a strong work ethic and have grown up understanding the new digital economy. They are comfortable with changes brought about by the new technology and e-commerce just starting to come into its own on the Internet. More than any previous generation, they are becoming conversant with a communications revolution transforming business, education, health care, entertainment, government, and every other institution in our society.

The echo-boom generation does not appear to be a group of self-indulgent, gratification seeking, irresponsible shoppers. Surveys show them to be strong advocates for social responsibility. Like their parents, the baby-boom generation, they care about the world, the environment, poverty, and global issues in general.

These young people, now spanning 3 to 23 years of age, have \$150 billion in direct purchasing power today, more than their parents ever had at their age, and about \$500 billion in indirect purchasing power. Demographers, market analysts, and researchers realize this new group will dominate marketing in the twenty-first century.

Having grown up with technology in school and at home, they are infinitely more comfortable with it than their parents are. Unlike television, the Internet is something they feel control over. A revolution in telecommunications has made instant global interaction possible. Benefiting from a large technology-knowledge gap between themselves and their parents, members of the "Net generation" represent a potentially more powerful and influential cohort than any previous

generation. They will create a new culture of work, characterized by more independence in the work force. Many of these future workers will become entrepreneurs.

## IMPACTS ON FINANCE

In 1998, the oldest members of the newest generation completed college and just began entering the work force. The echo boomers will be a big contributor to real estate (and the stock market) for the next 40 to 50 years, as they will be buying starter homes, which will allow striving households to sell their residences and move up to larger estates. It will also fuel the home building industry to build new single family residences, condominiums, and townhouses. Land and, in turn, homes will continue to appreciate in price into the foreseeable future, due to the scarcity of land in densely populated areas, local restrictions imposed on home building by municipalities and local taxes placed on builders, and impact-assessment requirements in sensitive and protected areas.

Another area affected will be the stock market and mutual funds. A recent poll of college students found that 31% had money invested in the stock market. A new generation is being primed to invest their dollars in a company's retirement and savings plans (both of which will need to become portable in the years ahead to reflect the reality of employees on a contract basis), and in their own individual accounts.

According to a recent survey commissioned by Lincoln Financial Group and Money magazine, 64% of Americans aged 18 to 34 are saving for retirement; the average age when they first began to save was 23. This is 13 years earlier than the traditionalist generation (born in the 1910s through the 1930s) and four years earlier than the average baby boomer. The survey also found the young adults to be fearful that they may not be putting away as much as they should. The younger generation seems to be worried that Social Security might not be able to provide for them when they reach retirement age.

The numbers and the savvy of echo boomers should strengthen U.S. financial markets. Even at today's low savings rate (0.7% in the first quarter of 2000--the "lowest rate since 1933," according to the Commerce Department), the amount of money placed in individual stocks, 401(k) plans, and mutual funds will be staggering in the coming years, stimulating a new round of appreciation. Indeed, some financial experts predict the Dow Jones Industrial Average will soar to 21,500 between 2003 and 2013 and might drive as high as 35,000 as the baby boomers and the recent wave of immigrants move into their peak earning years around the year 2009. This generation of consumers will create a new economic boom of increased productivity, real-wage gains, rising savings, and falling debt.

## NEW CONSUMPTION PATTERNS OR ECHOES OF THE PAST?

The parents of the echo-boom generation began purchasing automobiles for their offspring as recently as 1993, when the first members of this new generation reached age 16. The first car might be pre-owned, but there are legions of parents who purchase new, upscale models for their children as well. Many will take out leases on these cars just as they have for their own vehicles.

Becoming 18 years old in 1995, the oldest echo boomers began purchasing their own set of wheels, if they could afford it.

Baby boomers now have the opportunity, as parents, to teach echo boomers valuable lessons about consumption. Parents with high incomes but low net worth (at least \$100,000 in earnings but very little in savings) customarily give their children the down payment and co-sign for the car. But parents with high net worth (over \$1 million) are typically more cautious about what they buy and are more inclined to purchase a used car as a college graduation present or not at all. These more frugal (and well off) parents give heed to the old-fashioned value that purchasing an expensive item, such as an automobile, is a good way of spoiling children.

Will the echo-boom generation spend their money on motor vehicles in the same way as their predecessors, the baby boomers and Generation X'ers? Or, will they look at a car as simply a mode of basic transportation, as the generation growing up during the Great Depression did? As consumers, what will echo boomers' spending patterns be like overall?

If history is our guide, this generation would probably follow the spending habits of the baby boomers and Gen X'ers rather than their grandparents, the conservative traditionalists.

Unless there is a significant emotional event as tumultuous as the depression of 1929-1940 to serve as a rallying point for a new generation to recognize the folly of purchasing everything they are able to afford, echo boomers will likely follow the spending tendencies established after World War II. As it now stands, as their income continues to increase, they will turn in their slightly used vehicles for new, upgraded models every few years. Their consumption pattern, in general, will be to purchase what they crave at the moment, although they will also be funneling a portion of their paycheck into a company-sponsored 401(k), their largest investment vehicle.

## PLANNING FOR LIFE

There are few resources available for youth to learn how to budget, save, and invest. A good starting point would be in high school, but this subject is not usually taught either as a mandatory or an elective course. Even at the college level, there are no classes devoted to what new entrants to the job market need to know about setting up a financial plan they can live by for the next 40 to 50 years of their working lives.

The echo boom will add millions of people to the ranks of the labor force, so a small change in the numbers of those deciding to invest their money rather than spend it would show dramatic gains in real estate and the stock market, including mutual funds. By paying themselves first and then paying their bills, placing money in investments, and avoiding get-rich-quick schemes, they will be on the path to financial independence. For the next 40 to 50 years, the echo-boom generation will either play the market or invest seriously, buy bigger houses whenever they can afford it or remain in their first home, buy luxury automobiles every few years or drive their old cars until they can no longer be driven.

Experts contend the economy will get stronger and more expansive as baby boomers continue to work well into their retirement years. Nonetheless, the economy is not impervious to corrections, downturns, and stagnation, which are natural events in any business cycle. From time to time, the echo boomers will see their gains eroded in the marketplace.

Moreover, companies have increasingly transferred the responsibility and burden for retirement savings and investing to the workers, but so far these workers (particularly baby boomers) have not been saving enough to live 25 or 30 years past age 65. The first of the echo boomers will be

retiring in 2042, so the question will have to be asked whether they will have learned from their parents' mistakes and begun saving enough for a comfortable future.

#### About the Author

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#### THE ECHO BOOM IN BRIEF

Who: 80 million Americans born between 1977 and 1997.

Comment: Demographers differ on the birth years to be included in the echo-boom generation and, thus, on their numbers.

Aliases: Generation Y, Net (or Internet) Generation, Nexters, Millennials, Nintendo Generation.

Comment: As they mature and define themselves, those we now call echo boomers may take on a new identity that does not reference their electronic playthings or the other generations ("echoing" the baby boomers, the "Y" following the X'ers).

Income: Teen income was estimated at \$119 billion in 1998 and projected to grow to \$136 billion by 2001. Younger echo boomers (4-12 years old) had about \$28 billion in income.

Comment: One advantage of living in broken and blended families is having extra sets of grandparents who are happy to add to kids' pocket money.

Saving and Investing: Two-thirds of teenage echo boomers had a savings account in 1996, according to Teenage Research Unlimited. Two in 10 had a checking account, 16% owned stocks or bonds, and 5% had mutual funds. Younger echo boomers saved 14% of their incomes, some \$4 billion.

Spending: Estimates of teen spending ranged from \$97 billion to \$108 billion in 1996, and preteens spent some \$24 billion (86% of their incomes).

Top Three Purchases: Clothing--34%; entertainment--22%; food--16%.

Comment: Echo boomers' parents, the baby boomers, spent their money on pretty much the same things--jeans, music, and fast food.

Core values: Optimism, civic duty, confidence, achievement, morality, diversity.

Needs: To control their environment, to resolve their fears, to obtain information quickly and easily, to have more time for themselves and less-structured lives.

One big difference between echo boomers and the preceding generations is their savvy about the media: They are not pushovers for slick ads. They use the Internet to find information about

products and to make better-informed decisions about consumption, according to American Demographics.

Many observers are optimistic about the echo boomers' prospects because they exhibit a great deal of autonomy, a strong work ethic, and an understanding of their personal responsibility. As Stan Davis and Christopher Meyer write in *Future Wealth*, the echo boomers "appear even more ready [than X'ers] to embrace the practices of future wealth. . . . Their long-range plan is to find their true reward later in life, after they assure their economic security."

And the co-authors of *Generations at Work* agree, noting that "experts believe this is a fine new crop of young people who will make heroes of themselves."

Sources: American Demographics, Teenage Research Unlimited, and other sources, compiled by THE FUTURIST.

## RESOURCES ON ECHO-BOOM TRENDS

### RESEARCH ORGANIZATIONS

Child Trends: A nonprofit, nonpartisan research organization that studies children, youth, and families. 4301 Connecticut Avenue, N.W., Suite 100, Washington, D.C. 20008. Telephone 1-202-362-5580; Web site [www.childtrends.org](http://www.childtrends.org).

[www.demographics.com](http://www.demographics.com): Searchable contents of American Demographics magazine, with links to a wide variety of resources.

Teen Research Unlimited: A market researcher specializing in the U.S. youth market. 707 Skokie Boulevard, Suite 450, Northbrook, Illinois 60062. Telephone 1-847-564-3440; Web site [www.teenresearch.com](http://www.teenresearch.com).

New Strategist Publications, Inc.: Publisher of reference books collecting and analyzing consumer data. P.O. Box 242, Ithaca, New York 14851. Telephone 1-607-273-0913; Web site [www.newstrategist.com](http://www.newstrategist.com).

### BOOKS

*American Generations: Who They Are. How They Live. What They Think (Second Edition)* by Susan Mitchell. New Strategist. 1998. 473 pages. Available from the Futurist Bookstore for \$79.95 (\$71.95 for Society members), cat. no. B-2216.

*Generations at Work* by Ron Zemke, Claire Raines, and Bob Filipczak. AMACOM. 2000. 280 pages. Available from the Futurist Bookstore for \$25 (\$22.95 for Society members), cat. no. B-2308.

Growing Up Digital: The Rise of the Net Generation by Don Tapscott  
([www.growingupdigital.com](http://www.growingupdigital.com)). McGraw-Hill. 1999. 336 pages. Paperback. Available from the  
Futurist Bookstore for \$14.95 (\$13.50 for Society members), cat. no. B-2120.

Wise Up to Teens: Insights into Marketing and Advertising to Teenagers (Second Edition) by  
Peter Zollo. New Strategist. 1999. 368 pages. \$42. (Order online from  
[www.wfs.org/specials.htm](http://www.wfs.org/specials.htm).)

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