

IV. EXPECTATIONS FOR THE FUTURE

Young adults in Massachusetts widely view their future in positive terms. Those who are doing well financially now generally see that continuing. Those doing less well express optimism that their income will improve. The large majority of 25-39 year-olds either own their home at present or expect to join the ranks of homeowners in the near future. For those struggling to stay afloat in this economy, there seems to be some consolation in the belief their children will enjoy a better life than they have had. Remaining in Massachusetts, at least for the near term, is part of the plan for seven in 10 young adults. The proportion who intend to stay in the Bay State, rather than move away, does not vary significantly between those who grew up there and those who originally came from somewhere else.

A. UPWARD MOBILITY/THE AMERICAN DREAM

Nearly Nine in 10 are Financial Optimists

Looking ahead five years from today, eight in 10 (80%) 25-39 year-olds think their household income will be higher, including a quarter (25%) who believe it will be much higher. Another 14% see their income staying about the same over

this period and very few—just 4%—think their income will go down. When response to this question is combined with ratings of their current personal financial situation, nearly nine in 10 (87%) Massachusetts young adults are classified as optimists—who either see their household income going up or view their current financial situation positively and think their income level will be maintained. Only about one in 10 (11%) is classified as a financial pessimist who expects their income to go down or views their current financial situation negatively and foresee no improvement in their income level. Who are the pessimists? Their numbers are greatest among the have-nots who are more likely to be unemployed or work in the lowest paying jobs. As many as 21% of Hispanics and 15% who identify themselves as working class or poor are classified as pessimists.

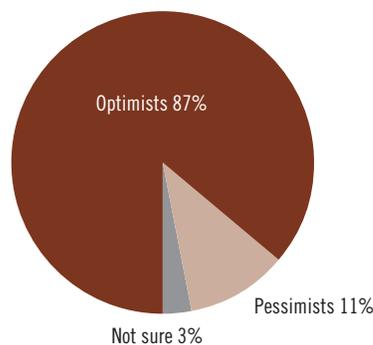
Three in Four Young Adults Think they will Own a Home in Three Years

In addition to the upward mobility driven by a rising income, another key element of the quest for the American Dream is home ownership. As noted previously in this report, just over half (54%) of all Massachusetts young adults already have achieved home owner status. And about four in 10 (41%) of those who now rent, expect to buy a home in the next three years. If all those who expect to buy follow through, the home ownership rate for today's 25-39 year-olds will increase to 74% by the year 2011, a 20 percentage point increase. A breakdown of home ownership expectations by demographics reveals the following:

- As shown in table 12, the late 20s to early 30s are the time of life associated with buying a first home.

Figure 12:

Outlook for Personal Financial Future



- More than a third (36%) of those now between the ages of 25-29 expect to buy in the next three years, equal to the proportion in this subgroup who are current homeowners.

- African-American young adults lag behind their white counterparts in home ownership rates. Only half (46%) of blacks age 25-39 currently own their residence, compared with a majority (61%) of whites. But looking ahead three years, African-Americans expect to close the gap so that about three quarters of both blacks and whites will have achieved home ownership status by that time. Even a majority (57%) of Hispanics, the most financially pressured racial/ethnic group, see themselves owning a home in the next three years.

- Like other components of the American Dream, home ownership is a less attainable goal for those without the benefit of college education. Looking ahead three years from today more than a third (36%) of those with no college say they will not be a homeowner, compared with about a quarter (24%) of those with some college and less than a quarter (16%) of college graduates.

- Those least likely to see themselves as homeowners in the next three years include residents of the city of Boston (37%), where housing costs are particularly high; unmarried persons with no kids (38%), many of whom are not ready to settle down; and single parents (48%), perhaps the most financially pressured subgroup of the young adult population.

In their pursuit of their personal American Dream, all but a few Massachusetts young adults would seem to include home ownership as one of their goals. When current renters who don't expect to be buy a home in three years are asked their reasons for not doing so, just 5% say they don't want the hassles of home ownership and another 5% say they move around too often to

Table 12:

Expectations for Home Ownership (in percent)

	CURRENT HOMEOWNER	WILL BUY IN 3 YRS.	WILL NOT BUY
ALL 25-39 YEAR-OLDS	54	20	24
Ages 25-29	36	36	27
Ages 30-34	57	19	21
Ages 35-39	61	9	27
White, non-Hispanic	61	15	22
Black, non-Hispanic	46	29	22
Hispanic	24	33	37
College grad. +	67	16	16
Some college	51	23	24
No college	37	24	36

settle down. The great majority (73%) attribute their expected non-homeowner status to insufficient financial resources.

Middle Class Sees Home Ownership in Massachusetts as a Realistic Goal

Many 25-39 year-old non-homeowners with the lowest levels of income and education believe that as long as they stay in Massachusetts they will be unable to afford to buy a home. But the great majority of middle class young adults don't

YOUNG ADULTS VIEW THEIR FUTURE IN POSITIVE TERMS AND ARE OPTIMISTIC ABOUT FUTURE GENERATIONS

think finding a home within their means will require them to leave Massachusetts. When the fifth of the young adult population who plan to buy a home in the next three years are asked where they expect to buy, two-thirds (66%) say their new residence will be in Massachusetts, while just a quarter (25%) say they will buy elsewhere.

Over a third (37%) of potential new home buyers who describe themselves as working class/poor expect to buy elsewhere, but just 7% of the upper middle class/wealthy and 17% of middle class prospective home buyers plan to buy out of state. Similarly, by income and education, the incidence of new home buyers looking outside Massachusetts is quite high among those in the lowest income (44% of those earning under \$25K) and

ONLY 7% OF PARENTS THINK THEIR KIDS WILL BE WORSE OFF

education categories (40% of those with some college) but much lower among those with higher incomes and more education. The survey also asked non-homeowners if they thought they would ever be able to afford a home if they stay in Massachusetts. Fifty-five percent of all non-homeowners and 62% of those in the middle class say they believe they will be able to afford to buy a home without leaving the state.

Young Adults Expect a Better Life for Their Children

The American Dream of a good and fulfilling life extends beyond personal circumstances to perceptions about what the future holds for the next generation. The belief in a better life for one's children is very widespread among 25-39 year-olds in Massachusetts. When all young adults are asked about their children's future—even those who have not yet become parents—over half (57%) predict that their kids will be better off, about a quarter (27%) think their kids' lives will be no better or worse than their own, and just 11% think their kids will be worse off. Further analysis of young adults' expectations for their children's future reveals the following:

- When we exclude non-parents and look only at the views of 25-39 year-olds who currently have sons or daughters, perceptions are overwhelmingly positive—65% of parents believe their kids will have a better life; only 7% think their kids will be worse off.

- The expectations of young adults in Massachusetts for their children's future are more positive than their evaluations of how their own lives have turned out compared to their own parent's lives at a similar age. About half (48%) feel better off than their own parents, but more than half (57%) think their kids will be better off.

- Subgroups that feel a great deal of financial pressure in their own lives are among those most inclined to see their kids doing better. Eight in 10 African-Americans (80%) and Hispanics (78%), compared with half (50%) of whites think their kids will be better off. Sixty-four percent of those with household incomes under \$50,000 think their kids will be better off.

- Demographically, those most inclined to worry that their kids will be worse off than they are tend to be white, college educated, and to have not had any kids yet. Among the key groups, the Boomerangs, who are more inclined to be dissatisfied with their own life, are also more likely than the Homegrowns to worry that their kids will be worse off. (17% vs. 6%).

One Quarter of Young Adults Have No Retirement Savings

For years, the national polls have documented young Americans' concerns that Social Security will not deliver the expected benefits when people their age reach retirement age. Starting to invest for retirement early is an important way for today's younger workers to protect their financial future. The goal of having all Massachusetts young adults in some form of retirement plan,

Table 13:**Retirement: Who's Started Saving?**

HAVE ANY RETIREMENT SAVINGS	
All 25-39 Year-Olds	73%
Ages 25-29	67%
Ages 30-34	79%
Ages 35-39	71%
White, non-Hispanic	78%
Black, non-Hispanic	64%
Hispanic	41%
College grad. +	89%
Some college	65%
No college	56%

however, is far from being met. Just under three-quarters (73%) of 25-39 year-olds report having a 401-K, pension plan, IRA, or some other retirement savings or investments, but that leaves over one-quarter (27%) who, at this point in their lives, have nothing specifically put away for their retirement. One would expect the incidence of participation in a retirement savings plan to go up steadily by age, but the MassINC survey finds those aged 35-39 are only marginally more likely than those aged 25-29 to have some form of retirement savings (71% vs. 67%). Demographically, it's much the same story as is seen for other financial resources—the SES gap. By race/ethnicity, over three-quarters (78%) of whites have retirement savings, compared with about two-thirds (64%) of African-Americans and less than half (41%) of Hispanics. Nearly all (89%) college graduates have begun to put away money for retirement, but fewer than six in 10 (56%) young adults with no more than a high school education have started saving for retirement.

For Bay Staters age 25-39, failing to take steps to begin saving for retirement has two primary causes—10% of young adults are employed but

say that their employer doesn't offer a retirement plan. Another 12% of young adults attribute their failure to have any retirement savings to being unemployed or self-employed. Less of a factor is young people with jobs not taking advantage of a retirement plan offered at work—only 4% of 25-39 year-olds are passing up the chance to participate.

B. FIVE YEARS FROM NOW: STAYING OR LEAVING?

One in Five Young Adults Planning to Leave the State

Many in this age group are still single, not yet firmly established in their careers, and more open to packing up and moving somewhere else. Asked about where they expect to live in five years, about one in five (22%) young adults envisions moving out of Massachusetts. Just over two-thirds (69%) plan to stay. Of course, movers don't only go in one direction, i.e. young adults will come into the state as well. But if current trends continue and all those who expect to move follow through on their plans, the state faces shrinkage in this critical age group. The proportion of young adults who expect to leave the state in the next five years is slightly larger

Figure 13:**Prospects for Retaining 25-39 Year-Olds**

Where do you expect to live in five years?

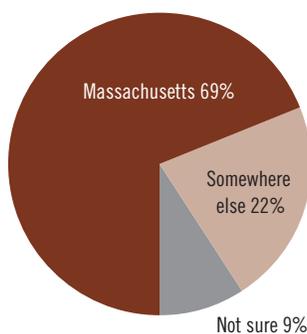


Figure 14:

Who's Most Likely to Leave Massachusetts

Among those who expect to live outside Mass. in five years

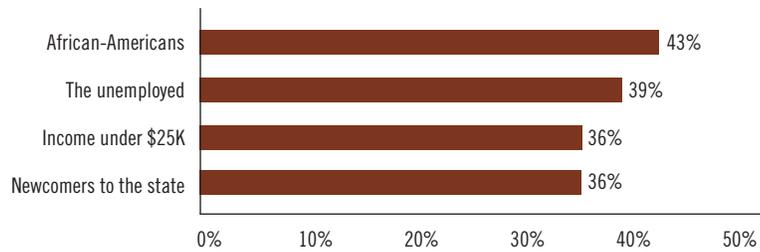
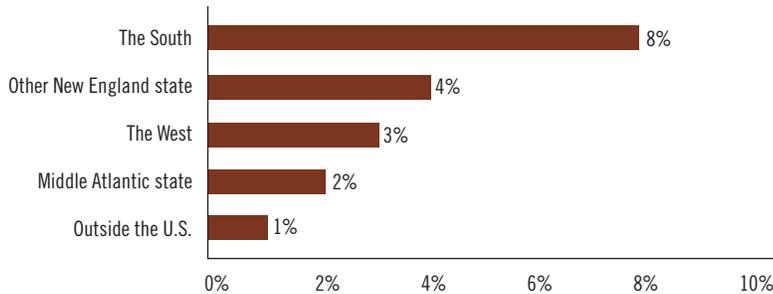


Figure 15:

Where They Re-Locate

Percent who expect to move to each region



than the number who say they first moved to Massachusetts after they turned 25 (22% vs. 17%).

The survey shows the impact of marriage and children on people's plans—30 percent of those who are unmarried and have no children plan to move away, compared with 18 percent of those who are married with children. Breaking down the results for the three key analytical groups, the more geographically mobile Boomers and Imports are only marginally more likely to say they will move than the Homegrowns (25% and 25% vs. 18%, respectively). No significant differences are found in moving intentions by region of state.

So who is poised to leave? Subgroups of the young adult population who tend to be struggling economically and dealing with more financial

stress in their lives are most likely to say they want out of Massachusetts. Roughly four in 10 African-Americans and unemployed young adults are likely movers, as are more than a third of those in the lowest household income category of under \$25,000 per year. Newcomers to Massachusetts who have lived in the state no more than five years are another group more likely to move.

Most Popular Destination for Those Leaving Massachusetts: The South

Where are those who plan to leave headed? The MassINC survey shows some clear geographic patterns. The Southern region of the U.S. is the more popular destination, close to one in 10 (8%) of all young adults expect to move there in five years. The next most popular destinations are other New England states and states in the Western region.

The South is particularly a draw for African-American young adults who now live in Massachusetts. One quarter (27%) of this group expects to move to a Southern state in the near future. Movement back to the South among African-Americans is a recent trend, and some Massachusetts blacks are likely returning to family roots. Seventeen percent of young adult blacks surveyed report having grown up in the South.

C. WHY THEY LEAVE/HOW TO KEEP THEM
Reducing Cost of Living Main Driver of Outmigration

According to national statistics, Massachusetts ranks third in per capita income and has an unemployment rate below the national average. But the Bay State also ranks among the 10 states with the highest cost of living. It is no surprise, then, that young adults ready to move out of state in the near future most often cite the cost of living more often than jobs as the main rea-

son they intend to move away. Three in 10 25-39 year-olds expecting to move away cite cost of living issues as the main reason for leaving, while only half as many cite job opportunities as the main reason. Of course, non-economic factors also play a role in motivating some young adults to leave the state. A desire to move somewhere with better weather and to move closer to family members or a boyfriend/girlfriend are each mentioned as often as job opportunities.

The cost of living's role as the main driver of young adult outmigration from the state is underscored by another survey finding. Respondents were asked if they would choose to stay in Massachusetts if the cost of living was not a factor and they could live anywhere they want. Close to half (45%) of young adults who expect to move out of state in five years say they would stay put if living costs were not a factor. The lack of affordable housing, specifically, is a key concern of those expecting to move. Almost two-thirds (63%) of prospective movers say that Massachusetts needs "major improvement" in terms of the availability of affordable housing. Young adults expecting to move are also more likely to feel burdened by the state and local taxes they pay as Massachusetts residents. Seventy percent of prospective movers, compared with 51% of those who plan to stay, believe they pay too much in state and local taxes, considering what they get back in government services.

Lower Taxes, More Affordable Housing Key to Keeping More Young Adults

What can Massachusetts state and local government do to keep more young adults from leaving the state? The MassINC survey asked those who expect to move away in the next five years or aren't sure if they will stay to tell us in their own words what government could do to make

Figure 16:

Main Reason for Leaving Massachusetts

Among those who expect to leave Mass. in five years

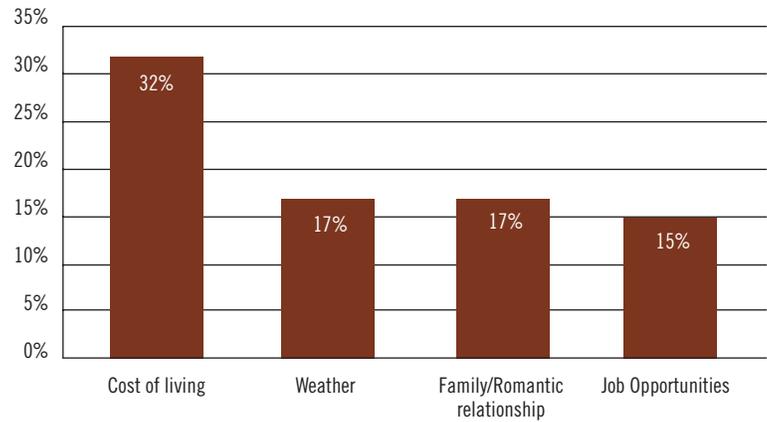


Table 14:

What Government Can Do to Keep Them

	PERCENT
Reduce taxes	17
Make housing more affordable	14
Improve job opportunities	10
Improve government	8
Reduce cost of living	7

them stay. Roughly a third (34%) said "nothing" or offered no specific suggestions, but the other two-thirds made one or more suggestions, mostly focused on economic and tax policy. The two most common recommendations from young adults themselves are government action to lower taxes (17%) and help make housing more affordable (14%). Doing something to improve job opportunities and reduce the cost of living are two other economic-related suggestions that were among their top recommendations. Improving government, one suggestion not specifically dealing with economic concerns, also made their list.

Further analysis of how the various subgroups of young adults not committed to staying in Massachusetts answered this question

reveals the following:

- Those asking for lower state and local taxes most likely have property taxes on their mind. Twenty-eight percent of those who own their home call for lower taxes, compared with just 10 percent of renters.

- The steep rise in housing prices earlier in this decade may have been a boon to an older generation of middle class Bay Staters who bought their homes when housing prices were much

THEIR CHALLENGE IS TO AFFORD THE COST OF LIVING IN A STATE THEY BELIEVE HAS A LOT TO OFFER

lower, but it has made it difficult for their sons and daughters to afford similar housing where they grew up. Homegrown, whose income level is lower than the Boomerangs, are much more likely to say the most important thing government can do to help is make housing more affordable (27% vs. 7%). By income level, young adults in the middle income categories (\$25,000 to less than \$100,000) most often cite affordable hous-

ing as a priority for government.

- The impact of crime, violence, and drugs as a factor causing young adults to move away is relatively low among young adults statewide. But in the city of Boston, the problem of crime seems about as important as lack of job opportunities and affordable housing in causing people to consider moving away. When asked what government can do to convince them to stay, 14 percent of Boston city residents who might move away say reduce the crime rate, similar to the number who ask for more jobs (16%) or more affordable housing (15%).

In sum, young adults now living in Massachusetts mostly want to remain in the state—whether they grew up in the Bay State, or arrived more recently. But for many 25-39 year-olds, the challenge is to keep themselves from being priced out of the housing market and more generally afford the cost of living in a state they believe has a lot to offer. The challenge for state and local government is to address the concerns of young adults while also trying to keep taxes down, especially property taxes.