Gen Y Insights and Engagement

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TIAA-CREF: Who we are

TIAA-CREF is a leading financial services organization dedicated to serving the lifelong financial needs of those in the not-for-profit field.

- 95 years serving not-for-profits
- 27,000 retirement plans
- 3.9 million participants
- #1 in higher ed
- #2 in healthcare
- 16,000 institutional clients
- Highest average retirement balances
- $523 billion total assets under management (as of 6/30/13)
- Among the highest rated insurance companies in the U.S.
- Full-service financial offering

1Source: LIMRA, Not-for-Profit Market Survey, fourth-quarter 2012 results. Based on a survey of 29 companies. TIAA-CREF ranked first in total assets. Ranking does not reflect investment performance.

2Source: LIMRA, Not-for-Profit Market Survey, fourth-quarter 2012 results. Average assets per participant based on full-service business. Please note average retirement account balances are not a measure of performance of TIAA-CREF retirement offerings.

3For its stability, claims-paying ability and overall financial strength, TIAA currently holds the highest possible ratings: A.M. Best (A++ as of 4/12), Fitch (AAA as of 1/13), Moody’s Investors Service (Aaa as of 12/12) and Standard & Poor’s (AA+ as of 5/12). Per S&P criteria, the downgrade of U.S. long-term government debt limits the highest rating of U.S. insurers to AA+ (the second-highest rating available). There is no guarantee that current ratings will be maintained. Ratings represent a company’s ability to meet policyholders’ obligations and do not apply to variable annuities, mutual funds or any other product or service not fully backed by TIAA’s claims-paying ability.
### Why now for this program?

<table>
<thead>
<tr>
<th>Student Loan Crisis</th>
<th>• Prevents young people from buying homes, starting businesses, preparing for retirement and impacts long-term economic spending and savings rates of the generation</th>
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</table>
| Finding Solutions   | • Ensuring that our future workforce is capable of competing in an increasingly competitive global marketplace  
                     • Creating a dialogue that focuses on solutions: finding what works and putting those examples out there for others to build upon. |
| Working with Council of Graduate Schools | • Focusing on developing the tools and resources needed to improve financial education and planning skills, including debt management, among undergraduate and graduate students |
| Role of Institutions | • The higher education community can take good ideas and make them larger, better, and repeatable. |
Today’s Gen Y forms tomorrow’s core

Gen Y = Millennial, born 1978-1999 (aged 34 and under)

- Largest generation in US history is coming of age while the second-largest is retiring
- Will make up as much as 50% of US workforce by 2020, doubling numbers in most industries
- Financial choices in early years have life-long impacts—now is the time to invest in Gen Y financial education and decision-making.

Source: U.N., Department of Economic and Social Affairs
Challenging economy places focus on present needs

**Employment is at lowest point since WWII...**

- 1 in 2 recent grads unemployed or underemployed
- Gen Y employment rate has decreased nearly 20% since 2010
- 1 in 8 25-34 year olds (6M) living with parents; 25% increase since 2007

Sources: AP analysis, April 2012; Atlantic Monthly, Sept 2011

**Student loans are at highest point in history...**

- Outstanding student loan debt ($1 trillion) now exceeds credit card debt
- Average loan debt of $21,000; for graduate degree-holders, $50,000, for medical, $150,000+

Sources: Student Loan Debt Clock, current; Project on Student Debt, 2011; Chronicle of Higher Ed, 2011; AAMC, Feb 2013. Loan debts are estimates; vary widely by institution and degree program.

**Unemployment rates by age, December 2012**

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Unemployment Rate</th>
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<tbody>
<tr>
<td>20-24</td>
<td>13.7%</td>
</tr>
<tr>
<td>25-34</td>
<td>7.7%</td>
</tr>
<tr>
<td>35-44</td>
<td>6.6%</td>
</tr>
<tr>
<td>45-54</td>
<td>5.8%</td>
</tr>
<tr>
<td>55 and Older</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

National average 7.8%

Source: Dēmos analysis of Bureau of labor statistics data

**Cumulative student debt growth since 1999**

Source: Federal reserve bank of New York

To build Gen Y retirement readiness, we must first solve their present-day concerns
Many Gen Y lack trust in investment products and the market

Not surprisingly, we must rebuild Gen Y investor confidence through education
- 37% say they will never feel comfortable investing in the stock market compared to 29% of Gen X
- 43% call themselves “conservative” investors, compared to 31% of Boomers
- Low confidence drives Gen to hold 33% of their assets in cash

Addressing Gen Y financial confidence can have a big impact on long-term outcomes

Sources: Accenture report on “Generation D”, Feb 2013; MFS Investing Sentiment Survey, Feb 2012
### Gen Y is diverse, but some common areas of influence

#### Their peers
- Highly social and connected, online and off
- Word of mouth, social are leading purchase influencers—little reliance on “company voice”

#### Technology
- Self-identified “defining characteristic.”
- 86% social media; 60% wireless internet; 40% cell only. Mobile is key
- Strong preference for online research/purchase and video-based information

#### Making a difference
- Gen Y cultural norms are engaged/idealistic, particularly through social media
- 49% Gen Y likely to make social investments (only 26% of Boomers)

#### Their parents
- Frequent parental contact (daily/weekly.)
- 68% say generational tensions weak/non-existent; 90% of parents say no major conflicts

#### Online voice
- Online opinions from unknowns used as frequently as friends and family
- 85% of online financial education happens in blogs and forums
- 57% believe online financial advice equivalent to advisor

#### Small rewards
- “Trophy” culture from an early age—all compete, all win
- 67% of all Gen Y, virtually 100% of younger Gen Y, raised on video games
- Small “penalties” also effective

Sources: Boston Consulting Group, Apr 2013
Source: Spectrem, Feb 2013
Sources: TIAA-CREF Social Listening Research, Feb 2012; MFS Investing Sentiment Survey, Feb 2012
Source: Boston Consulting Group, Apr 2013
TIAA-CREF (www.tiaa-cref.org) is a national financial services organization with $523 billion in assets under management (as of 6/30/13) and is the leading provider of retirement services in the academic, research, medical and cultural fields.

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