

Generation X: Wealthy, Influential, Game-Changing

Why Everything You Have Heard about Generation X is Wrong



BAXTER CONSULTING GROUP Insights Brief

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The Five Myths of Generation X

Millennials and Boomers. In recent years, the media, marketers, and pundits have doted on these two generations. In between, Generation X (age 36-51) has been the ignored middle child. A survey of recent news articles and websites tells the story of neglect. Websites are over ten times more likely to mention Millennials or Boomers than Generation X. News articles are over fifteen times more likely to talk about Boomers—and almost twenty times more likely to cover Millennials—than Gen Xers.¹

Why do so few pay attention to Gen X? The common assumption is that this generation—born too small, impoverished by the Great Recession, frugal and uninfluential—has little impact on our society, economy, or marketplace opportunities.

But what if these assumptions are all wrong? In fact, there are five myths and misperceptions that are keeping too many organizations from capitalizing on what may be the largest ignored market opportunity today.



Myth #1 Generation X is a very small generation.

REALITY: Generation X includes 66 million people, and is nearly as large as the Millennial and Boomer generations.

Many people have dismissed Gen X as simply too small to matter. But their thinking is stuck in the past.

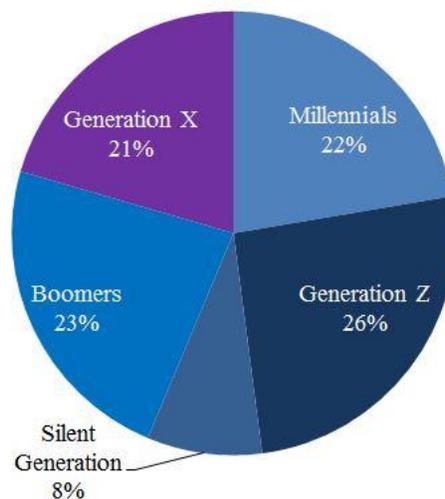
Generation X was indeed once much smaller. The Boomers (born 1946-1964) and Millennials (born 1981-1996) were each born during periods of high birth rates. Generation X (born 1965-1980) landed between these two generations, during a time of lower birth rates.

Fast forward to 2016—and Gen X is only slightly smaller than other generations. Due to immigration, Generation X has grown

20 percent, and today the generation is 66 million strong.²

Generation X now accounts for 21 percent of the US population, only slightly behind Millennials (22 percent) and Boomers (23 percent) (Figure 1). In fact, due to higher mortality rates among the aging Boomers, within twelve years Generation X will outsize the Boomer Generation. (And the emerging Generation Z, the youngest generation, is poised to outnumber everyone.)³

Figure 1: Percent of U.S. Population by Generation, 2016



Source: US Census, National Population Projections, 2014

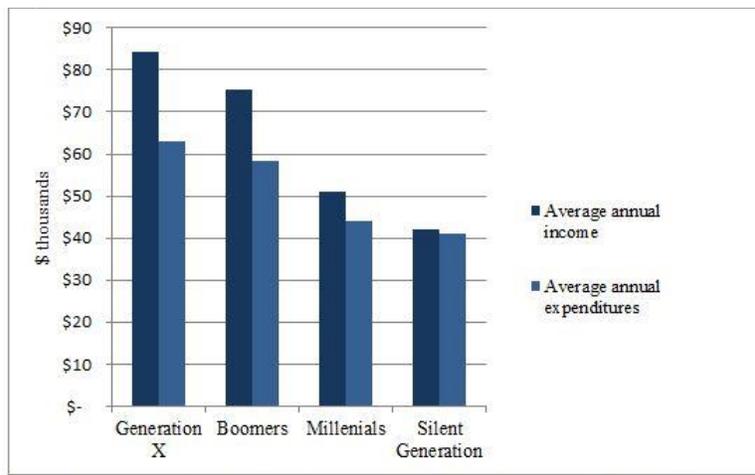
Myth #2 Generation X earns and spends very little money.

REALITY: Generation X earns and spends more per household than any other generation.

Generation X may be somewhat smaller than other generations, but Gen X households earn and spend big. In fact, Gen X is now entering its peak earning and spending years.

Although Boomers are the favorite of many marketers, Gen X households earn 12 percent more and spend 8 percent more than Boomers annually (Figure 2).

Figure 2: Average Household Income and Expenditures by Generation, 2014



Source: Bureau of Labor Statistics, Consumer Expenditures Survey, published 2016

Compared to Boomers, the average Generation X household spends:⁴

- 55% more on entertainment events
- 29% more on clothes
- 29% more on cell phone service
- 26% more on hobbies and toys
- 22% more on restaurants
- 20% more on furniture
- 15% more on cars and trucks

And compared to Millennials? No contest. Gen X households earn on average 61% more than Millennials, and spend 44% more.⁵

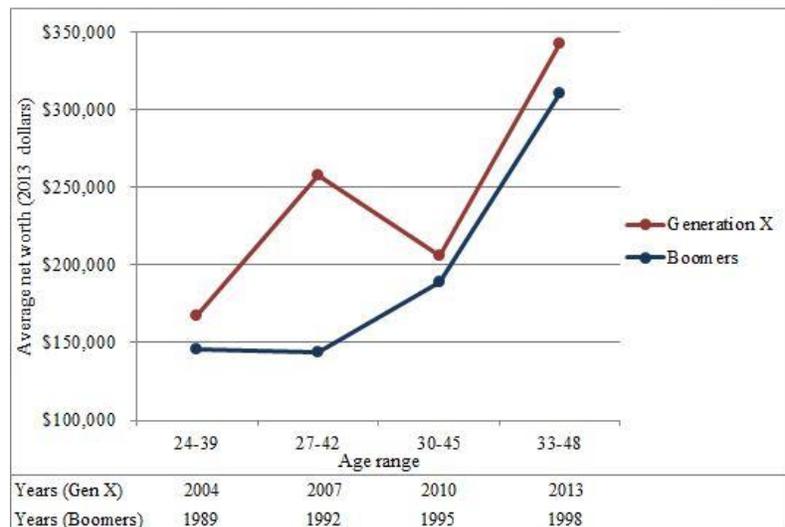
Myth #3 Generation X is not a wealthy generation.

REALITY: Generation X households have achieved higher levels of wealth faster than Boomers.

This is the story often told about Generation X: Cursed by unstable job markets and devastated by the Great Recession, they have accumulated very little wealth, and despite their best efforts will never be able to catch up with the wealth levels of the generations that preceded them. Many say financial services companies and wealth managers would be smarter to focus their attention on Boomers (or wait for Millennials to increase their saving and investing).

Here again, the reality is very different than perception: Gen X has consistently outpaced Boomers in their savings and investments. Gen X households did suffer a dramatic decrease in net worth during the 2007-2009 Great Recession. However, because they had saved and invested more than Boomers in their younger years, many Gen Xers had sufficient financial security to weather the downturn. And, as the equity and real estate markets have rebounded, the average Generation X household not only recovered, but has significantly surpassed pre-recession wealth levels. By 2013 (using the latest available Federal Reserve wealth data), Gen X households had achieved average net worth that is 10 percent higher than that of Boomers when Boomers were of the same age (Figure 3).

Figure 3: Net Worth of Generation X and Boomers, by Age (Constant 2013 Dollars)



Source: Baxter Consulting Group Analysis of data from the tri-annual Federal Reserve Surveys of Consumer Finances, 1989-2013

Myth #4 Generation X has very little influence in the U.S.

REALITY: Generation X is reshaping our society, economy, and culture.

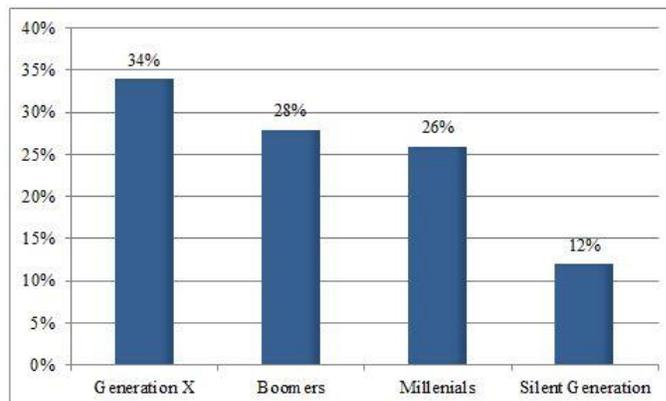
While Boomers are often remembered as cultural revolutionaries, and Millennials are thought of as tech pioneers, the vast achievements and power of Generation X are often overlooked. Yet examples abound of how Gen X is leading and changing our world.

Gen Xers Steve Chen and Chad Hurley revolutionized entertainment when they founded YouTube. A Gen X team which included Peter Thiel, Max Levchin, Luke Nosek, and Ken Howery changed the way we pay for products and services when they founded PayPal. Elon Musk, the Gen X founder of Tesla Motors and SpaceX, is simultaneously revolutionizing both the car industry and space flight. When Gen Xers Travis Kalanick and Garrett Camp founded

Uber, they forever changed the way we think of both transportation and how businesses can empower new kinds of workers. Two other Gen Xers—Twitter founder Jack Dorsey and LinkedIn founder Jeff Weiner—created new ways for people to interact, share, and connect. And these are just a few examples of game-changing Gen Xers. If you would like to find more, you can simply google the topic—thanks to the two Gen X founders of Google, Larry Page and Sergey Brin.

As a sign of Generation X's growing power and influence, when *Time Magazine* recently identified the 100 Most Influential People in the U.S., Gen Xers accounted for over a third—outnumbering every other generation (Figure 4).

Figure 4: Percent of *Time Magazine* 100 Most Influential People in the United States, by Generation, 2016



Source: Baxter Consulting Group analysis of *Time Magazine* 100 Most Influential People, 2016

Myth #5 Today's leaders do not need to understand Generation X.

REALITY: Generation X is a highly complex and dynamic generation—and a huge untapped market opportunity.

Pragmatic, self-reliant, skeptical, ambitious, tech-savvy, multi-cultural, and challenged with greater wealth inequality than prior generations, Generation X is a unique and complex generation. Organizations that develop a deep understanding of Gen X customers—their hopes, worries, buying behaviors, and motivations—will be well positioned to capitalize on this massive and frequently overlooked market. Some examples include:

- Consumer goods companies that want to grow market share with the highest spending households in the U.S.
- Financial services companies seeking to connect with the next generation of pre-retirees and retirees during their wealth accumulation years
- Technology companies pursuing success among affluent, tech-savvy consumers
- Travel, leisure, and entertainment companies who cater to both high-spending families and time-rich empty-nesters
- Health and healthcare organizations developing products and services for a generation which is increasingly focused on healthy living and fitness
- Educational institutions and universities who are seeking to connect with the parents of their next generation of students
- Nonprofits looking to understand the priorities of a generation that has both increasing wealth and vast capabilities to help change the world
- HR leaders who need to understand, recruit, and retain the next generation of organization leaders

Generation X: The Power Generation

The strength and influence of Generation X will intensify in the years ahead, driven by three important trends:

- As Gen Xers move into their 50s, spending by this generation will grow as they enter the highest earning stages of their careers.
- Gen Xers will escalate their wealth-building as they save, invest, and prepare for retirement.
- More and more Gen Xers will assume influential leadership roles in corporations, nonprofits, and government.

It's time to set aside myths and misperceptions—and recognize the generation that is now coming to power.

¹ Based on analysis of websites and news articles identified through google searches, May 2016.

² US Census, National Population Projections, 2014.

³ ibid

⁴ Bureau of Labor Statistics, Consumer Expenditures Survey, 2014.

⁵ ibid