2011- 2012 iOMe Challenge
Winning Paper

"Savings Solutions for Today's Generations"

Executive Summary

Since it peaked at 14.5% in the 1970s, the personal savings rate in America has been on a serious decline and has been trending downward from about 11% in the 1980s to 3.5% in 2000 and averaged approximately 2.5% between 2000 and 2010 when the recession incited a jump in the rate. Within the past decade, the decline can be linked to great economic turmoil in both the American and international markets including a large increase in our government's deficit, the housing bubble, volatile markets, and the Great Recession.

We begin with an analysis of the personal savings rate as it relates to America and nations across the globe. Our analysis examines the calculation of the savings rate and its strengths and shortcomings as well as the general trends surrounding the rate over the past few decades. We then examine the reasons for decreased savings across the Millennial Generation including a lack of financial education by both schools and parents/guardians, general fear of the markets and investing, and consumerism and the propensity of Americans to spend their income now rather than save their income and delay consumption.

We conclude by suggesting that the best way to increase the savings rate in America, especially among younger generations, is to increase financial education in all arenas. We recommend that Americans be required to take courses in personal financial management within the elementary and secondary public school systems as well as at the university level. For example, at the elementary level, a points system could be implemented where the children could earn points and then make purchases with them. Children will then learn to delay consumption because they will be motivated to save points for more gratifying items.

We also suggest that employers implement programs to assist employees with making decisions regarding their retirement assets such as bringing in a financial consultant annually or semi-annually to assist them with portfolio allocations. We conclude our recommendations by proposing that Americans have increased knowledge of and access to financial counseling to assist them with their day to day finances and credit counseling needs.

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