A Focus on Financial Freedom For the Millennial Generation

2012 iOMe Challenge

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Introduction: Welcome to Financial Freedom,

Millennials-- those born between 1979 and 2000-- face a combination of obstacles to saving and retirement that no other U.S. generation has encountered. Consider the financial history of young people today. The Great Recession may have wiped out the majority of their parents retirement savings. Those who have pursued a college education may be burdened with student loan debt that severely reduces their ability to make major purchases. Jobs, particularly positions that they want or trained for, are in short supply. The lack of suitable jobs coupled with the relative ease of acquiring a credit card has caused many to acquire large amounts of revolving high-interest debt. Add to this the fact that pensions are disappearing and the employer matching amounts in 401(k) accounts are shrinking; it is no wonder the typical Millennial is financially stressed. Finally, and perhaps the most disturbing aspect of Millennials' new financial outlook is their tendency to save using cash-equivalent accounts. Rather than taking advantage of the low prices in the stock market, young people today, on average, are abandoning the market in favor of the false security of cash accounts. But all is not lost. At least the Millennial generation is saving, although at a reduced rate. Young people are willing to save for retirement, but they do not know how. What worked for their parents and grandparents may not provide an appropriate guide for their future savings strategy. Millennials need to be addressed on their own terms, with products that conform to their lifestyle.

Retirement Rebranded

Based on findings from focus group sessions conducted by the authors, for many Millennials, there exist a perception that retirement is an abstract concept that will happen somewhere far into the future when they are old and no longer able to enjoy their money. Ask any young person today and they will confirm that retirement needs to be rebranded. *Financial Freedom* is a term used in this proposal to describe retirement rebranded. Financial Freedom occurs when an individual has the ability to finance whatever level of living that they desire, or has the freedom to work or not work. Freedom may be a house on the beach, starting a small business, or traveling the world; whatever the person's dreams may be, Financial Freedom gives them the ability to accomplish individually derived goals. In today's world individuals do not always picture themselves sitting on a front porch in retirement, but rather, they see themselves doing the things they have always wanted but never had the money or freedom to do. Financial Freedom is about bringing the future right up to the present, by allowing young people to figure out ways to make both the present and future affordable and attractive. As suggested above, the term "retirement" for Millennials is perceived as too distant, but using a phrase such as *Financial Freedom* implies that financial security can be obtained sooner and that money can be saved in a way that is more psychologically accessible.

This proposal will address the issues facing Millennials on three fronts. The first aspect of the proposal utilizes the tools Millennials are familiar with to change their habits in the form of a *Freedom App*. This smartphone and tablet app technology will be based in behavioral economic and psychological theory. The app will combine innovative and impactful visuals with social media so that savers can share their accomplishments with friends, family members and the rest of the world. The second front addresses the shortcomings in the qualified retirement plans marketplace by proposing the *Freedom Account*, a new and exciting retirement plan that provides Millennials many incentives to save for retirement while also simplifying the retirement process. Finally, the third aspect of the proposal attacks the barriers to retirement savings for young people. Student loan debt, under-employment, and financial literacy are all addressed.

Action on these three fronts will fundamentally change the retirement prospects of Millennials and create a more equitable and understandable retirement program for all Americans.

The Freedom App

Imagine a world where it is possible to compete with friends for the highest amount of savings, either in percentage of income or in absolute dollar amounts. Further consider if there was a free app that tracked savings behavior and posted savings accomplishments directly to Facebook, Twitter, or Instagram, from one's mobile phone or computer. The Freedom Plan incorporates these social tools to help the millennial generation save more toward their retirement through an application dubbed the "Freedom" App. The Freedom App is a free app designed to allow anyone, specifically Millennials to have an easy, simple way to save for retirement at the quick touch of a finger. Users can download this app and link it safely and securely with a checking account in order to transfer money into their *Financial Freedom* (i.e., savings account). Ease of use and making savings into a "game" and "competition" is one way to help Millennials re-conceptualize how they spend money. For example rather than paying $4.00 for a coffee, the Freedom App can help a person reallocate the cost into a Financial Freedom Account. Once they accomplished these savings, information can be broadcast to any social network to share with friends. Even though this proposal will create competition over the amount of savings among followers through the social media sites, it is important to note that all account information will remain private, with details hidden. The only catch is that what was reported to be saved must actually be saved. As such, hosting through the app is unavailable unless the money was transferred through the app from your checking account into a specified savings account.

The Financial Freedom App not only allows for users to connect, share, and compete with friends, and save money; it will have an intuitive interface to simplify the savings process and illustrate progress towards the saver's goals. This interface will allow the user to see how much they have saved and then project those dollar amounts into the future to the age the user has set for their Financial Freedom date. Inside the interface there will be charts that show how much each contribution will reduce the timeline to Financial Freedom. The user will also have access to a dashboard that shows the different types of savings vehicles available and when you click each one it will give a more detailed explanation of the account, as well as the rules and the limitations. These features are just a summarization of the primary characteristics of the app.

Growing up in the technology era, millennial's have been able to get any type of information with the quick click of a button. Also around 93% of young adults aged 18-34 have a cell phone (Lenhart, Ling, Campbell & Purcell, 2010). This being said, many young adults always have their phone on them at all times and check it regularly. Along with instant gratification, millennials tend to purchase unneeded items on an impulse. This purchasing behavior may fulfill an instant desire or need and provide a temporary high, but later the purchaser may feel buyer's regret. These facts indicate a need to illustrate the importance of retirement savings in order to make it easier for millennials to participate and contribute to their own retirement. According to David Tyrie who was quoted in *Employee Benefit Advisor*, "[Only] 23% of Gen Yers say they have figured out how much they need to save for retirement," (Gillespie, 2011). For the other 77% of individuals, a retirement calculator can be found inside the app and online so individuals can determine what they need and how much they need to contribute each day, week, month, or year in order to achieve their goals. Savings needs to become something that everyone is doing to the point point of it becoming a cultural norm and expectation. For this to happen, the language used to describe savings and investing strategies needs to be crafted in a way that everyone understands. In addition, recent technology will be implemented to the Freedom App to make savings opportunities dramatically more accessible and easier to implement. The Freedom app and the website will utilize innovative ways of showing what your savings today will look like in the future (e.g. conducting behind-the-scenes future value calculation).

Once the Freedom App has been downloaded and opened on the smartphone, the user will be taken to a page to enter some basic information. This data collection process includes an opportunity for the Millennials to say what they would like their financial goal(s) to be and/or provide a specific age they would like to attain Financial Freedom. Once this information is put in, the Freedom App will then direct the user to a new page to show a specific amount of days, depending on what they save, that person has until they will achieve the goal. One of the most amazing features to the app is the visually dynamic timeline feature, which allows the users to see how much time each of their contributions will take off of their projected Freedom Date. For every dollar that the user transfers, the app will automatically go through a series of calculations that will compute a time period related to the amount transferred and then subtract that number from their current Financial Freedom date. For example every time a dollar is transferred the illustration might show that the user is now 20 minutes closer to Financial Freedom. The Freedom App tracks a number of factors: age, rate of return, dollar amount contributed, and how long the user has until Financial Freedom. That duration will adjust accordingly to the amount contributed and when in the working life it is contributed.

This Freedom App is a new link into the social media network; the Freedom App is separate but linked to Facebook, Twitter, and Instagram. For every upload made inside the

Freedom App there will be an option for that upload to be added to your other social media accounts. The Freedom app connects users together just like other social media sites and allows them to communicate and share not only what they are doing or where they are at, but, what they have saved while doing the things that are important to them. Users can go from posting what was just saved along with a picture, to checking how much has been contributed to the account and what the annual limit is. The Freedom App has the ability to show users the different accounts available to them based on their information entered; as well as the rules and regulations of the account the individual is allowed to establish. This information is presented in an easy to use and understand format. The importance of including this information can be seen in David Tyrie's comments: "Gen Y and Gen X are sitting there in cash and they're going to get killed by inflation if they just sit there" (Gillespie, 2011). The Freedom App is also a simple and easy to use resource of the companion website. The website and the app are linked, when data is entered into one it automatically updates the other. Both allow the user to function with followers and post live to their *Freedom Report* which acts as a news feed among users inside the Freedom App. This app and website will facilitate a *cultural shift* allowing participants to become more connected with their finances while staying in tune with what is important among their peers. The Freedom App will create an awareness of the need to save for Financial Freedom, make it easy to save, and gently push Americans towards a more future-oriented society, rather than the right here and now attitude that is prevalent among the current social media outlets. It will be beneficial for Millennials to go back years from now and see what was important to them based on what they posted at the time through Facebook or Instagram, but the Freedom App and the money saved through it, will directly affect the Millennial's future as well as keep them connected with their friends right now. The thing that the other social media sites do well is keeping individuals connected, which the Freedom App will do as well; however, it will also create a new focus: keeping the Millennial in touch with their *individual's future self.*

Instant Gratification

Millennials have a hard time seeing beyond the present. Far too often Millennials seek immediate gratification, and refuse to think of the long-term consequences of their hasty purchases. What Millennials need in retirement plans and within the retirement savings process is the immediate gratification of seeing how much their money will grow until retirement in a neat little graph. For instance, if a 27-year-old young adult contribute an additional $10 to his or her retirement account with a goal of retiring by 67; the Freedom App would instantly project the future value of the $10 over 40 years as being equal to $161.36 assuming a 7.2% expected return. The app would calculate the average expected return based on a specified asset allocation so that the projections would not be overly optimistic. Weighted averages and/ or geometrical means would be used appropriately and returns based on those asset allocations would also be taken into account so that a more realistic figure could be determined. Appropriate adjustments according to expected inflation would also be made in the calculations.

Age Issue

Most Millennials have a hard time picturing themselves at retirement, and have little to no emotional attachment to their future selves (Esner-Hershfield et al. 2009). However, when they are shown a picture of what they will look like at seventy, their empathy for that person and their willingness to save increases significantly (Hershfield, 2011). The Freedom App would include a program that would age the account holder's photo to show how they would look at some future given age. By doing this simple action, retirement is shifted from the idea of saving for an abstract idea of their future self to this concrete picture of who this money is actually being socked away for.

Visual Aids

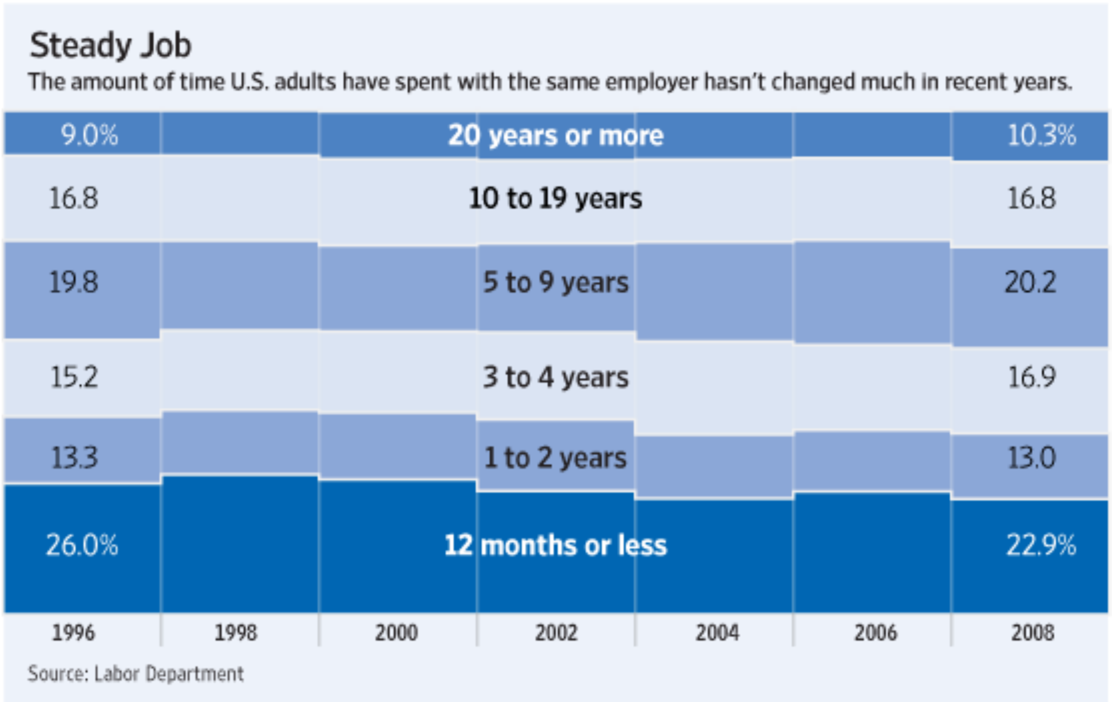
Visual aids are an invaluable tool for picturing an otherwise complicated concept in a simple to understand format. While someone might not be able to understand where all their money went if they are just given dollar amounts and percentages. He or she can more readily grasp the information if given a pie chart and a couple of bar graphs visually displaying the information. The Freedom App has multiple ways to visually display the road to Financial Freedom. Of course there would be the traditional chart formulation showing the current account balance related to how close the contributor is to achieving his or her goals. Another chart will show the projected balance of your account by retirement age. Yet another chart will show how much the contributor would have at retirement if he or she maintains his or her current contribution level. The Freedom app will also have a chart that will show the contributor his or her progress towards the next milestone. That way, the daunting task of saving for Financial Freedom will be broken up into easily achievable baby steps.

Roadmap to Financial Freedom

Finally, the Freedom App will provide an innovative new measure called the *Roadmap to Financial Freedom*. This roadmap would take whatever the current Financial Freedom goal is and illustrate the progress the individual is making towards it. For example, if the Millennial's ideal retirement location is Clearwater, Florida, and he or she lives in Washington D.C., then the app would convert the Freedom Account balance to miles from their Financial Freedom Clearwater. Or perhaps the retiree wants to visit all of the National Parks. Then the app would convert the account balance into an RV and a map showing national parks figuratively visited. The Roadmap gives savers a unique way to visualize the connection between their Freedom Account balance and their financial goals.

Freedom Account

The second front that Financial Freedom is attacking is the development and implementation of the Freedom Account. As conceptualized, this proposal incorporates the use of an account that will incentivize everyone to save more for tomorrow. This account can become the most beneficial retirement savings vehicle available for employees and employers, to a point that it does *not* make sense *not* to contribute to the Freedom Account. Basically, this account acts like a qualified defined contribution plan (e.g., 401(k)) but has the portability of an IRA. Rather than hope that employers provide a retirement plan for their employees, the Freedom Account will be created by individuals. When employed, the employee will provide his/her employer with the account number. All defined contribution plan contributions--employer-based, matching, and elective deferrals-- will flow into the account. The need for portability can be seen through the study conducted by Dr. Chuck Pierrot and reported in the Wall Street Journal: "*To assess U.S. workers' job stability over time, he interviewed 10,000 individuals, first surveyed in 1979, when group members were between 14 and 22 years old. So far, members of the group have held 10.8 jobs, on average, between ages 18 and 42, using the latest data available*" (Bialik, 2010).



The Freedom Account allows for more money to be contributed. Under this proposal, employers will receive either a tax deduction or credit for the amounts that are contributed to the account. Employers will be allowed to make matching contributions to an account and the money in a Freedom Account will be easier to access later in life. Milestone incentives will be used once someone has saved a certain amount. Additionally, a lottery system will be created so that for every dollar saved proportionate to income, a 'ticket' will be purchased that gives an account owner access into a national lottery. The details of the Freedom Account are as follows:

- The Freedom Account combines the portability of an IRA with the employer match in a 401(k).
- The contribution limit for 2012 in the Freedom Savings Account would be the lesser of 100% of income or 25,000 per year, with a $6,500 annual catch up provision for those above age 50, adjusted annually in increments of $500 as needed to meet inflation.

- Total contributions from the employee and employer cannot exceed $75,000, adjusted annually for inflation. In an effort to maintain the simplicity of the Freedom Account there are no income phase-out limits.

Participation

To be eligible to participate in the Freedom Savings Account the individual must have received earned income in the taxable year of the contribution. However, spousal accounts can be opened for stay-at-home spouses with the same contribution limits. Contributions are allowed even after attaining age 70 ½ and no Required Minimum Distributions rules are set into place. Individuals who do not have an account established already have the option to establish one at anytime of the year. Employer's can also offer a Freedom Account just as they would with a defined benefit or defined contribution account. Automatic enrollment is required for employers offering the Freedom Account to new employees who have no qualified retirement account established already. The employees would then have to opt out of saving for their retirement and receiving the great benefits of the Freedom Account. Monica Kirgan of Principal Financial Group, stated in Workforce Management that, "People are time starved. But if the option is put in front of them, 50 percent will take a positive action toward retirement" (Booe, 2004). By making auto enrollment the standard for the Freedom Account, saving for financial freedom will be made easier than ever. Also, because the account is portable, part-time employees could also contribute to their own accounts as well as have their employers make matching contributions. The employer has good motive to contribute to the part-time employees because they will be eligible for a tax credit if participation rates are high enough. If they are not eligible for the credit they are still allowed to deduct the amounts contributed to employees' accounts.

Distributions

Since the Freedom Account is automatically set up as a Roth then the participant can withdraw the principal at any time, although this will be highly discouraged. The earnings portions of the account are subject to the same withdrawal penalties as the regular Roth IRA. The participant must have the account established for more than 5 years and the participant must be at least age 59 ½. Qualified distributions are permissible to be taken as a result of disability or made to a beneficiary or to your estate after your death, or a distribution that meets the requirements of a first-time home purchase up to $10,000. The individual may establish and contribute to The Freedom Account regardless of their income or age, unlike the current Roth IRA. Rollovers to another qualified account fall under the same rules and requirements as a Roth IRA as found under the Internal Revenue Code.

Incentives

Milestone Method

The Freedom Savings Account also has an incentive package which includes a tax credit on a sliding scale at the attainment of the account balance at the following amounts: $1,000; $5,000; $10,000; $20,000; $50,000, and $100,000. The scale is as follows respectively: 10%, 8%, 6%, 4%, 3%, 2%. The calculation is as follows:

$1,000 X 10%= $100,

$5,000 X 8%= $400,

$10,000 X 6%= $600,

$20,000 X 4%= $800,

$50,000 X 2%= $1,000,

$100,000 X 1.5% = $1,500.

The credit is given if the Freedom Account has attained the milestone by October 1 of the year. The check is mailed out in early November, set to arrive in time for Christmas shopping. The date to receive the credit is set in November in order for individuals to differentiate the credit from the traditional income tax credit. This allows the individual to take advantage of the credit immediately and to ensure that the entire amount of the reward is given to the savers for their enjoyment. This sounds expensive, but has the potential to save the government a lot of money in the long run. By rewarding individuals who save now, the government can effectively reduce the burden of providing for them in the future. This system will help reduce the cost of programs such as Medicaid and government assistance for needy families. The reduction in funding will be accomplished by allowing participants to receive savings rewards checks at the end of the year, which will emphasis the importance of savings, while also allowing those individuals to have money set aside with tax free growth for the future in order to be able to better afford the cost of daily living upon retirement. The milestone incentive will also act as a stimulus to the economy by rewarding savers in early November so that the individual has more buying power just in time for the holidays.

Lottery Method

Along with the Milestone Incentive, a lottery method that is in place for the benefit of the participants. While the government funds the Milestone Method through a tax credit, the Lottery Method is funded through the plan providers. Funding for the lottery is achieved through the plan providers' normal expense fees. In this case, 10 basis points of their fees would go towards a communally funded account for the lottery to be drawn out of. The contributors/Millennials would earn an entry each time a milestone is achieved and/or made a contribution at a given proportional level. They could then allocate their entries across several different games. For example, if the player contributes 5.3% of their income that month to the Freedom Account, then he or she might earn 53 entries per week for the next month. The lottery would offer a variety of games to suit the different preferences of the gamers. There would be instant win games and drawing based games that would have a cumulative jackpot.

Contributions

Contributions can be made in various forms as follows:

- Payroll deductions are permissible to the account, either as pre-tax or post-tax contributions.
- Elective contributions can be made from any checking or savings account. These contributions would be considered Roth, since taxes would have already been withheld from their check. This would make those contributions non-deductible, but they would grow tax free with no RMD conditions.
- Contributions can take the form of an excess of cost contribution. For example: a purchase is made of 2.50, the participant can choose for their funding account to be charged at $3.00 and have the extra $.50 contributed to their Freedom Savings Account. This charge can be in any higher amount as long as the annual contribution limit is not exceeded and section 2 above is followed.
- Contributions can be made from any Freedom Accounts either: online, inside the Freedom App on iPhone and Android systems (primarily), payroll deductions, or in person at any participation plan sponsor.
- Employer contributions are permitted and encouraged; employer contributions are eligible for preferential tax treatment.

- Tax refunds are allowed to be directly deposited into your Financial Freedom Account.
- Contributions by the employee or individual are limited to the lesser of 100% of income or 25,000. Total contributions to the account made by employees and employers cannot exceed $75,000.

Tax Issues

The following are a list of the tax incentives and consequences for participating in the Freedom Savings Account:

- Payroll Contributions are deductible as an above the line deduction if the saver opts for the payroll deductions to be made to their account.
- For all eligible deductible contribution up to the standard deduction amount for that year, an elective refundable credit of 20% is in place as an alternative to the deduction.
- Refundable credits are first used to reduce any tax liability then credited to the individuals Freedom Savings Account; all credits must be applied to the account.
- The refundable credit is made in addition to the account balance and factors into the incentive distribution amounts.
- The refundable credit is in addition to the annual contribution limits.
- For all additional refund amounts contributed to the account, an additional 5% contribution will be made to the account as an additional savings credit.
- Employer contributions to employee accounts are deductible to the employer. Also, if the employer maintains 90% full-time employee participation rates then the employer will be able to receive a 50% credit for the amount of contributions made.

Breaking Down Barriers to Retirement Savings:

Combining the Savers Credit and Earned Income Credit

The current Saver's Credit, while well intentioned, is not very effective in encouraging low-income households to save money. This is because humans are loss averse. When people put money into a retirement account, that money is lost to them for an extended period of time. Low-income households are particularly sensitive to this phenomenon due to fact that they do not have much discretionary money.

We propose that the Saver's Credit be combined with the Earned Income Credit (EIC). The household would receive the normal amount of the EIC, just like they do now. However, they can receive a bonus amount if they agree to allow half of that bonus to go to their Freedom Savings Account. This way, lower-income households will start saving for retirement now rather than waiting until they make more money. Lower-income Millennials will start learning about retirement planning through the added incentive to save, and it just might encourage them to save even more especially when they approach one of the aforementioned milestones.

Social Security Issues

The average social security benefit check is at $1,230 a month (United States Social Security Administration, 2012), which is $14,760 annually, for a single individual. Currently the poverty line is set at $11,170 by the United States Department of Health and Human Services (United States Health and Human Services, 2012). That's only about $600 annually or $50 monthly more than the persons considered to be in poverty, as declared by the U.S. Government. Keep in mind that the poverty number is a fixed number, while the SS number is an average so there are many recipients that could be receiving considerably less. The maximum a current retiree at age 66 may receive in benefits is $2,513 monthly or $30,156 annually which is only 2.7 more than the poverty rate (United States Social Security Administration, 2012b). If Millennials rely solely on Social Security the most they will be able to receive is roughly 2.7 times more than poverty amount, which is assuming, that benefits will not be reduced or eliminated completely in the future. These facts clearly demonstrate the need for Millennials to begin saving earlier for Financial Freedom.

Education Costs

Student loan debt has ballooned over the past decade. The total student loan debt has reached one trillion dollars and shows no sign of slowing down (Chopra, 2012). The average student loan is approximately $20,000 for people under the age 30, and the delinquency rate is 6.2%. Even more troubling is the 30-39 year old cohort. They have an average student loan balance of approximately $28,000, and a delinquency rate of 9.1% (Lanza, 2012). These statistics have raised serious questions about the sustainability of higher education and whether there is an impending student loan bubble. This loan burden, coupled with the poor economy has created a situation in which Millennials are postponing major purchases like a car or a house and further slowing our economic recovery. Another major problem that student loans create is the delaying of retirement savings by Millennials. With every year Millennials delay saving for retirement they miss a year of compounding which over the life cycle which is a very costly sacrifice. If a twenty-five year old with a retirement date of sixty-seven postpones saving for retirement for one year, then he or she loses forty-two years of compounding for that initial deposit.

Educational loans have spiraled out of control. As the availability of loans increased so did the cost of education. Perhaps the best way to stop this cycle is to place more stringent requirements on the federal loans for both the student and the school receiving the loan. One option is to withdraw federal student loans from schools that do not control tuition increases; however this plan greatest weakness is that it could keep colleges from doing necessary improvements, and prevent new schools from opening. Price controls like this inevitably reduce the supply in a market. For example, rent controls in New York have made it incredibly difficult to find a reasonably priced apartment due to the low supply (Early, 2000). A better option is to tie the student loans to performance. The school must maintain a set graduation rate and graduate employment rate tied to an employment index. Student loans are tied to performance, not an artificial price ceiling. Schools would still be able to do costly capital improvements and recruit top talent, but they would have to remain student focused. This plan would also encourage colleges to place a serious effort in helping students find a job upon graduation. Students on the other hand would have to maintain a 2.5 grade point average which would be checked at 30, 60, 90, and 120 hours to maintain eligibility and would be limited to 150 credit hours of eligibility for federal student loans. By placing responsibility on the students to keep their focus on academia, this plan could effectively weed out the students who are not serious about their classes. These restrictions on student loans will allow the money to be targeted to successful schools and serious students.

Expanding the federal work study program will help save on education loans by allowing students to work instead of borrow money. This way student can work for the school, a nonprofit, or a for-profit company in a field related to their field of study. This program would be beneficial to the schools, the federal government, employers, and students because schools get their tuition paid, the federal government gets a reduction in loan administration costs and receive payroll and income tax from the student, the employers on the other hand would benefit from the somewhat at a lower wage, and the student would gain invaluable work experience. For example a student majoring in retail management enrolled in the work-study program and landed a job at Target and was paid minimum wage for the four years the student is in the program. The student would receive a match from the federal government and gain valuable work experience in a field directly related to his or her field of study. This work also opens a door to possible full-time employment in the company upon graduation.

Setting up a private apprenticeship program similar to the ROTC would allow employers to provide funding for education for students who otherwise might not be able to attend college. The ROTC program allows students to graduate debt free as long as they maintain a 2.5 g.p.a. and serve in the military for four years. Similarly, the private apprenticeship program would allow corporations to make a contract with a student that the corporation would pay for the student's college provided that the student agrees to work for that corporation at a contracted wage for the next four years after graduation. The contract could also require that the student work for them during the school year or during the summer break. This plan would have protections for both the employer and the student to prevent abuse by either party.

Two solutions to mitigate the problem of outstanding student loans is to automatically enroll students in an income based repayment method rather than having students opt in and provide them with an incentive to both save for retirement and stay current on their student loan. A study conducted in China found that students would greatly benefit from the flexibility of an income based repayment plan while keeping the repayment period within a reasonable period (Shen, Shen, & Ziderman, 2009). An income based repayment plan was created in the United

States in 2009, but the participation rate is only at 2.6%. This plan needs to be made the standard repayment method, "not an opt-in" plan. By automatically enrolling students in the income based repayment plan, they would be in the most flexible plan available to them. If a student got a good job and wanted to opt into the traditional payment the student can. A second aspect to our plan is to reward those with a student loan for staying current on their loan and contributing to their retirement account is to deduct $10 from their federal student loan for every $100 contribution to their Freedom Account. Student loan payments will be kept at a manageable level, and contributing to retirement will be rewarded with a reduction in student loan principle.

How to Show Contributions to Freedom Savings Account

Another challenge for Millennials may be that they have a hard time overcoming immediate financial pain for long-term gain. Money contributed into a retirement savings account feels like an immediate loss of that money. The contributor can no longer use that money to go to the movies Why not show the growth of the account in both today's dollars and its projected value at retirement on the top of the paystub then show the contribution (this is conceptually consistent with the proposed Freedom App). This way the contributor can associate their contributions as something gained instead of something lost. You may ask, but what about when the account suffers a loss? Instead of viewing the loss as detrimental to their retirement goals, we will be able to visually show the participant the gains that are available to them by stocking up with more shares at the now lower price. You could compare this to stocking up on toilet paper at the supermarket when it's on sale. Although the toilet paper went on sale and the price dropped, the toilet paper still holds the same value as before (Arielly, 2009).

Budgeting

Overspending and consumer debt are major problems for Millennials. Millennials have a hard time separating the immediate gratification of making a purchase to the long-term effect of lowering their savings rate. They tend to procrastinate and put off saving until they get older and make more money. However, when given the right tools, most Millennials can recognize their tendency to procrastinate and create a schedule to offset that tendency (Arielly, 2009). The Freedom App gives Millennials and everyone who uses the app the tools to show how important savings are and to help them visualize the future value of a dollar as well as to associate the benefits that the forgone dollar of today will have years into the future and what that it means for them. Further incentivization of savings occurs by putting a budgeting tool in the Freedom App, which would allow people to set a budget within the app. They can tie this budget to all of your credit cards and electronic accounts so that their spending would automatically show up in their budget. This part of the Freedom App would work much like Mint.com. What sets this app apart is what happens if the Millennials go over the budgeted amount in any one category. The users can set a penalty for exceeding a budget category. This penalty would automatically be transferred to their Freedom Account. While the user is getting what they want at the present time, savings are being set aside for the future. This will take a larger dent out of their current checking account but it will illustrate how much every forgone dollar will cost them in the future, this feature will limit the amount of impulse purchases made. Also the App would send a message to the Millennial's "inner circle" of friends in the app, whenever they go over budget in a category, so that they can keep each other on track. This way the Millennials would experience the immediate sting from exceeding their budget, but at the same time they would benefit from the extra retirement savings. (Ariely, 2009)

Financial Literacy

Financial and investment literacy is something that Millennials lack. Although more information than ever before on how to invest, save, and budget is readily available; Millennials do a worse job than many of the generations before them. The problem is not lack of information, but the inability to use the information. What Millennials need is information in an easy-to-understand format and concentrated and targeted toward certain groups at certain times in locations that we frequent. For example think about the recent Great Recession, what if when the Great Recession started, instead of only providing bailout money for large corporations, the government partnered with investment companies and created a marketing campaign to proclaim the incredible deals on stocks and mutual funds. Instead of allowing the public perception to be that if they do not pull out they could lose everything, the drop in the S&P 500 is presented as a once in a lifetime opportunity to stock up on shares at a steep discount. The drop in value would be spun into a clearance sale. Also the total number of shares purchased would be prominently displayed. This change would allow the investor to focus on number of shares bought rather than the loss in value of his or her portfolio when the market is in decline.

Financial literacy courses should be required for both secondary and postsecondary education. The courses should go over how to budget, how to save for emergencies, how to plan for retirement, how to manage a credit card, and how to invest. The investing part should definitely include how to read investment data and charts, the difference between stocks, bonds, mutual funds, index funds, and ETFs. The students should be taught how to manage consumer debt responsibly. They should be taught how determine their debt ratios, and how to calculate interest. They would also be taught what goes into their credit score and how to maintain and improve their score. They should be taught about the amount of savings they would earn if they delayed making a major purchase for a few months in order to save up a little more money before making the purchase. On mortgages, they should be taught the differences between an ARM and a fixed rate mortgage. Finally, the students would be taught the wonders of compounding interest and the benefits of saving for retirement early. It would go into detail on the different retirement plans available. After the class the students should know the difference between a 401(k), 403(b), 457 plan, IRA, and the Freedom Savings Account. They would also be taught the difference between the Roth account and a Traditional retirement account. By the end of the class the students should have a basic understanding on personal finance, investing, and retirement planning.

Conclusion

Most young adults view retirement as an abstract idea to be worried about sometime in the distant future. By rebranding retirement as *Financial Freedom*, Millennials will view saving now as a means to achieve their future dreams. The three key features to of the Freedom Plan are the Freedom App, the Freedom Account, and the Roadmap the Financial Freedom. The Freedom App will make saving for retirement simple and quick. The App will allow the users to instantly see their progress towards their financial goals and provide tools to help them achieve them. The Freedom Account incorporates the high contribution limits and employer match of a 401(k) with the portability of an IRA. Incentives for saving such as the Milestone Credits and the Saver's Lottery, will encourage saving for retirement. The Roadmap to Financial Freedom provides an innovative new way to measure the progress towards financial freedom. Rather than seeing progress in a boring chart, the Roadmap will create an image thus far of the progress towards the saver's personal goal, whether it is a dream home, business, or dream retirement destination. These three tools will equip Millennials for the long and arduous road to financial freedom.

The road to financial freedom for Millennials, while challenging, is not without its rewards. If they start planning for retirement now, and set aside savings today, the prospects for our country will be much better. Our country was founded on the principle of self-determination and innovation. With this plan we can give everyone the opportunity to regain some of their self-reliance while keeping the safety net in place for those who need it most. By encouraging retirement savings now while Gen-Y is still young, we can create the capital necessary to build the great future that we all dream of -- a future where Social Security, Medicaid, and Medicare are preserved for those who need them most, a future where our children and our children's children will not have to worry about crippling deficits, and a future where the American Dream remains the dream of the world. Together we can take this small step towards the future we all hope for our children.

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