

Is Gen Y getting ready to settle down?

12 February 2008 -- Is Generation Y just interested in spending money on consumer goods and extravagant lifestyles or are they thinking of settling down and taking out a home loan?

Lenders mortgage insurer, Genworth Financial, believes Gen Y's penchant for partying is overstated. Issue 4 of the Genworth Financial Spotlight entitled "Generation Y – Profile of the New Generation," suggests that their burning desire for financial success means they are beginning to appreciate property ownership, just like their predecessors, Gen X and the Baby Boomers.

"While the majority of Gen Y is without doubt focused on socialising, fast moving consumer goods and leisure, as the demographic matures we expect them to become increasingly focused on property ownership and investment," says Genworth's Country Executive and Director, Peter Hall.

But lenders need to be savvy enough to tap into the market by using Gen Y's own information channels – blogs, social networking sites, and SMS, as well as focus on tailoring messages that more effectively reach the target audience.

According to figures compiled by Genworth, 20 per cent of its current portfolio is made up of Gen Y borrowers compared with Gen X (44 per cent), Gen Jones (25 per cent) and Baby Boomers (11 per cent).

Considering that Gen Y have only recently reached the stage where they take out mortgages, they already represent a significant portion of Genworth's portfolio and one that looks set to grow, Hall says. "For the mortgage industry, the news that Gen Y has a weekly disposable income around the same as the average family is significant.

"The challenge for mortgage lenders will be reaching the Gen Y audience and shifting mindsets – not only of Gen Y themselves in realising the benefits of property ownership over a more lifestyle orientated purchase, but also their own mindsets and how they market to this generation."

Hall believes building trust with the Y Generation is essential for success in this sector, as they'll spot an insincere marketing message a mile away.

"They're marketed to heavily. Every time they switch on their phone, turn on the TV or log-on to their computer, they're getting bombarded with sales messages. Getting cut

through in this crowded environment can be a real challenge; and you're only going to get one real chance to impress," he says.

But Hall believes the Australian dream of owning a home certainly will not die with Generation Y. Like Gen X and Baby Boomers they are coming to realise that property not only offers stability – it can be an effective wealth-building tool. And there's little doubt that Gen Y aspires to wealth.

Hall believes that while Gen Y like to play hard, they also have high expectations for their own success, which will be a driver in achieving financial stability through stable and trusted investment vehicles such as property.

Lenders that build an early relationship with this group will be well positioned to capitalise on individuals as well as their peers.

"The key for the mortgage industry right now is to educate and relate to the Gen Y demographic. The opportunity lies in providing them with an understanding of debt, responsible borrowing and healthy savings habits."

Defining the Generations

Generation	Age
Baby Boomers	53-61
Generation Jones	43-52
Generation X	30-42
Generation Y	18-29

Gen Y by numbers

4.2 million – size of Gen Y demographic, compared to 5.3 million Baby Boomers and 4.4 million Gen X

57 – percentage of Gen Y who state paying off debt as their number one priority compared to purchasing a home, buying a new car, going on holiday, investing in property or investing in the stock market

13 – percentage of Gen Y that do not have any form of debt

25 – percentage of Gen Y that have a mortgage

\$226,204 – average Gen Y loan amount in dollars in 2006 underwriting year

20 – percentage of Genworth Financial loan book made up of Gen Y borrowers, compared with Gen X (44 percent) Gen Jones (25 percent) and Baby boomers (11 percent)

74 – percentage of Gen Y that list 'going to a party' as one of their favourite recreational pursuits

74 – percentage of total SMS messages that are sent by Gen Y

About Genworth Financial

Genworth Financial is a leading financial security company meeting the retirement, longevity and lifestyle protection, investment and mortgage insurance needs of more than 15 million customers. It has a presence in more than 27 countries.

About Lenders Mortgage Insurance (LMI)

LMI is one of the most popular ways to achieve the dream of home ownership sooner for borrowers that do not have a large deposit.

Many Banks and Lending institutions require borrowers to contribute a 20-30% deposit before they will agree to provide a loan. LMI protects lenders against a loss should a borrower default on their home loan. If the security property is required to be sold as a result of the default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. By using LMI, lenders are able to pass on this risk to a mortgage insurer such as Genworth Financial, which in-turn, enables them to offer the same loan amount but require less deposit.

For further information, call Emma Rumble, Marketing Leader on 02 8248 2227, or visit www.genworth.com.au.