

# **Generational Comparison: Gen-Xers in the United States and Korea Evaluate Financial Wealth**

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## **Abstract**

The purpose of this research is to assess the relative importance of financial wealth between the Americans and South Koreans born with average birth years of 1972-1973 (commonly called Generation X in the United States). First, the South Korean economy and investment culture is examined to determine similarities and differences with the United States. Second, the study methodology is presented. Finally, the research results from a series of attitudinal statements comparing Americans and South Koreans who fit the demographic characteristic of Generation X (those born between 1961 and 1981) are presented and interpreted.

This study of generation Xers in the United States and Korea evaluated their attitudes toward investing and savings. By examining their thoughts on the importance of financial security and independence; risk and debt; and reliance on others to take care of their financial planning/needs. The results establish that Generation Xers in both the United States and Korea view financial security as an important goal and are more willing to take on risky investments than previous generations.

In conclusion, globally, the success of individual financial management decisions has become increasingly important in recent decades. People are living longer now than they were fifty or even twenty-five years ago. This fact, coupled with the trend toward individual responsibility for retirement planning suggests that each generation should be more knowledgeable and concerned regarding management of their financial resources. The diversity of the international investor also continues to undergo great change. As such, the process of profiling these individual groups of investors is becoming increasingly important and, at the same time, increasingly difficult.

**Keywords:** Generation X, South Korea, risk preference, debt preference, generational comparison.

## **Introduction**

The purpose of this research is to assess the relative importance of financial wealth between the Americans and South Koreans born with average birth years of 1972-1973 (commonly called Generation X in the United States). Cultural convergence continues to occur throughout the world as technological advances make physical distances easier to span and cross-cultural norms more quickly diffused (Czinkota and Ronkainan 1998). Indeed, telecommunications technology, broadcast technology, inexpensive long-distance travel, and other innovations make cultural borrowing more likely. Given the continued globalization of markets, the convergence of cultures, the speed of communications and diffusion of consumerism throughout the world, it is of value to compare generations of Americans with their counterparts from other nations. As such, the process of profiling individual groups of investors is becoming increasingly important and, at the same time, increasingly difficult (Bauer et al, 2000).

Since the early 1950s, the U.S. and South Korea have been inextricably linked, thanks to the Korean War. The U.S. has longed maintained a military presence in Korea to ensure peace in the region. As such, American young people have (knowingly or unknowingly) helped to diffuse the American culture throughout the region. Further, many Korean students elect to study in the United States, particularly at the graduate level. These two factors, along with technological advances and the ease of inter-continental travel, have made cultural borrowing between the two nations more likely. For these reasons, an examination of possible generational similarities/differences between these two cultures is particularly timely.

First, the South Korean economy and investment culture is examined to determine similarities and differences with the United States. Second, the study methodology is presented. Finally, the results are presented and interpreted.

## **Understanding the South Korean Economic Environment**

For South Koreans, things are generally positive. This generation, like its American counter parts, has never known want. Both countries have seen the emergence of a more prosperous China. While relations with North Korea continue to be touchy, South Korea has experienced a sustained period of economic growth and prosperity. In addition to the above, many comparable economic characteristics exist between the two countries. These include: an aging population, a recent speculative real estate market, rising household debt and booming mergers and acquisitions funded by private equity capital.

Schiff (2007) concludes that consistent with expectations in the United States. Korea's rapidly aging population will require large public outlays for pensions and health care. Historically, South Koreans have individually took-on the obligation to care for elderly parents; however, this social contract is much weaker than in the past. Further, in South Korea there is no government sponsored comprehensive social insurance.

As discussed by Haesik (2006), as in the United States, South Korea has experienced speculative trading in the real estate market, with the end result of financial regulators taking actions to restrain mortgage loans extended by financial institutions. Similar to the United States, loans from financial institutions were a major source of financing for real state investors in Korea. Further, prior to these efforts, real estate prices were seen as driven by factors irrelevant to fundamentals. Cargill and Guerrero (2007) also discuss housing in Korea and

conclude increases in housing prices in Korea are likely not sustainable and a downward adjustment is more likely than not.

Ho-jin (2007) reports that among the top 10 M&A's in the Asia region, three takeover deals worth a total of \$9.8 billion took place in the Korea market. In response, experts in Korea "have expressed grave concerns regarding hostile M&A attempts in key local industries".

The following can be concluded from the literature review, based on the similarities in the investment environment and demographic factors between the United States and South Korea, Generation X'ers in South Korea should have views on investing consistent with United States Generation X members' (Bauer, Mitchell, Montgomery and Turner (2000). The findings are:

- Generation X views financial independence as very important.
- Generation X is less risk-averse than previous generations.
- Generation X is not relying heavily on others for financial advice/needs.

Consequently, this research will test the following hypotheses:

1. H<sub>1</sub>: South Korean Generation X'ers view personal financial security as an important goal.
2. H<sub>1</sub>: South Korean Generation X'ers are more willing to take on risky investments than previous generations.
3. H<sub>1</sub>: South Korean Generation X'ers do not trust others to make financial decisions for them.

## Methodology

This manuscript is part of a comprehensive attitudinal research study of Generation X currently underway throughout the world (but, with its impetus in the United States). A self-administered questionnaire was developed in the United States. It consisted of a series of attitudinal statements such as,

"My generation is less fearful of debt than our parents and grandparents." A common Likert-scale was used for all questions/variables, namely:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Indifferent or Neutral
- 4 = Agree
- 5 = Strongly Agree

Finally, demographic information (age, gender, level of education, and marital status) was included in the instrument to assist in a profiling of respondents. This pre-tested and refined instrument was administered in the southeastern United States. Later, the questionnaire was translated to Korean using a translation/de-translation procedure to assure accuracy of translation. The questionnaire was then administered at a South Korean public university by faculty participating in a University exchange program.

Sample Description - As noted earlier, different birth year classification systems have been proposed for Generation X in the United States (1964-1978 or 1961-1981). For this study, respondents were born between 1961 and 1981. A total of 291 usable responses from the United States were collected. A total of 194 usable responses from South Korea were collected. A profile of sample respondents for each group is provided in Table One.

Table One: A Profile of Sample Respondents:

		United States	Korea
Total Responses:		291 (100%)	194 (100%)
Gender:	Males	142 (49%)	91 (47%)
	Females	148 (51%)	103 (53.%)
Average Birth Year of Respondents:		1972-73	1972-73
Ethnicity:	Korean	0 (0%)	194 (100%)
	Caucasian	244 (83%)	
	African American	29 (10%)	
	Asian American	8 (3%)	
	Latin American	6 (2%)	
	Native American	5 (2%)	
	Other	2 (0%)	
Marital Status:	Never Married	205 (70%)	132 (68%)
	Married	66 (23%)	23 (12%)
	Divorced	20 (7%)	
	Missing Value	39 (20%)	
Education Completed:	Some High School	5 (2%)	10 (5%)
	High School	33 (11%)	18 (9%)
	Some Tech. School	13 (5%)	16 (8%)
	Technical School	9 (3%)	31 (16%)
	Some 2-year College	11 (3%)	17 (9%)
	2-year College	17 (6%)	48 (25%)
	Some 4-year College	107 (37%)	14 (7%)
	4-year College	77 (27%)	24 (12%)
	Some Graduate School	10 (3%)	3 (2%)
Graduate School	9 (3%)	13 (7%)	

## Research Results

For each question, means and standard deviations have been computed for both sample groups: Americans (n=291) and South Koreans (n=194). Comparisons were made between these two nations to assess the degree to which the prevailing attitudes of Generation X in the United States have spread to South Korea. A series of t-tests (means comparisons) was conducted. The means, standard deviations, t-values, and levels of significance (p-value) for each variable are presented in Table Two.

Table Two: A Presentation of Research Results

Attitudinal Statement	U.S.A. Mean	U.S.A. Std. Dev.	Korea Mean	Korea Std. Dev.	Statistical Comparison
Personal financial security should be an important goal for everyone.	4.3310	0.885	3.6989	1.053	-7.05 (p=.000)*
I will be wealthier than my parents.	3.6724	1.245	3.8432	0.855	1.64 (p=.102)
I will reach financial independence before I reach age sixty-five.	4.1626	0.995	3.6813	0.945	-5.21 (p=.000)*
My generation is less fearful of debt than our parents and grandparents.	3.5670	1.245	3.1304	1.118	-3.87 (p=.000)*
I am taking steps now to plan for my future financial well-being.	4.1237	0.905	3.7676	0.894	-4.20 (p=.000)*
I trust others to make financial decisions that affect my future financial well-being.	2.5103	1.200	3.6648	0.887	11.19 (p=.000)*
My generation is more willing to make risky investments in order to achieve financial security than is (or was) our parents and grandparents.	3.7766	0.983	3.6557	1.781	-0.95 (p=.342)
My generation possesses a driving entrepreneurial spirit that will allow us to achieve a level of financial success never witnessed in (American/Korean) society.	3.1237	1.159	3.4945	0.979	3.59 (p=.000)*
Parents have a responsibility to provide a financial foundation for their children (e.g., inheritance, gifts).	2.9966	1.343	2.5440	1.080	-3.84 (p=.000)*
I can manage my own financial affairs (e.g., taxes, investments, savings).	3.9485	0.955	3.4402	0.973	-5.61 (p=.000)*
My job/career must provide high level of income.	3.857	0.859	3.696	0.806	-2.06 (p-.040)*
A company provided comprehensive benefit package will be an important factor in my job/career decision(s).	4.217	0.863	4.051	0.855	-2.03 (p=.043)*
I expect my future employers to provide me a comprehensive benefit package (i.e., health-care, dental, vacations, retirement, and so on).	4.337	0.861	3.915	0.874	-5.10 (p=.000)*

## **Interpretation of Statistical Comparisons:**

T-Value and p-value provided. Let \* = Significant at the 0.05 level

### ***Similarity of Attitudes Between Americans and Koreans***

A series of 13 attitudinal statements have been evaluated comparing Americans and South Koreans who fit the demographic characteristic of Generation X (those born between 1961 and 1981). Two variables (15.3%) were identified as providing for the greatest level of agreement between the two groups (i.e., no statistical difference between mean responses to the 0.05 level):

- I will be wealthier than my parents.
- My generation is more willing to make risky investments in order to achieve financial security than is (or was) our parents and grandparents.

The optimism of Xers in the United States and South Korea shows in these agreements. Things have never been better economically in Korea. Opportunities to be successful, have good things, make a positive impact and improve the community are attitudes the two groups have in common. The altruistic outlook is modified by the desire to be comfortable and successful. Both groups have a desire for security and individuality simultaneously.

### ***Areas of Differences in Attitudes - Americans More Strongly Agree***

Nine variables (69.2%) were identified where U.S. respondents exhibited a stronger level of agreement with the statement than their South Korean counterparts:

- Personal financial security should be an important goal for everyone.
- I will reach financial independence before I reach age sixty-five.
- My generation is less fearful of debt than our parents and grandparents.
- I am taking steps now to plan for my future financial well-being.
- Parents have a responsibility to provide a financial foundation for their children (e.g., inheritance, gifts).
- I can manage my own financial affairs (e.g., taxes, investments, savings).
- My job/career must provide high level of income.
- A company provided comprehensive benefit package will be an important factor in my job/career decision(s).
- I expect my future employers to provide me a comprehensive benefit package (i.e., health-care, dental, vacations, retirement, and so on).

The difference in the level of optimism about future economic and financial security between the two groups may be laid at the door of the financial markets. The savings rate among Koreans is one of the highest in the world, hovering around 35% (Kim, 1992). In addition, personal possessions such as a house, furniture, and other household items are very expensive in Korea. Only when these items have been secured, can the average South Korean think about putting aside disposable income for the future. Finally, Korean attitudes about financing retirement are changing slowly. The tradition of supporting elderly parents is waning—older Koreans are attempting to provide for themselves rather than depending on their children. But this is difficult. There is no government-provided retirement system. If a parent worked the land rather than working in a factory there will be no secure retirement income (Bae and Chung 1997).

### ***Areas of Differences in Attitudes - Koreans More Strongly Agree***

Two variables (15.3%) were identified where South Koreans exhibited a stronger level of agreement with the statement than their U.S. counterparts:

- I trust others to make financial decisions that affect my future financial well-being.
- My generation possesses a driving entrepreneurial spirit that will allow us to achieve a level of financial success never witnessed in (American/Korean) society.

Explaining several of the areas of difference among these items presents a problem. Looking at the collective versus individual nature of the two groups is one starting point. Trusting others to make decisions, being guided by group norms, and relying on the driving spirit of the Korean business community are indicative of the collective, eastern mentality (Kim et. al. 1994). The high percentage of single, female respondents in the Korean group would make their strong responses to the statements about marriage and child bearing unremarkable.

### ***Implications for the Financial Services Sector***

Globally, the success of individual financial management decisions has become increasingly important in recent decades. People are living longer now than they were fifty or even twenty-five years ago. This fact, coupled with the trend toward individual responsibility for retirement planning suggests that each generation should be more knowledgeable and concerned regarding management of their financial resources. The diversity of the international investor also continues to undergo great change. As such, the process of profiling these individual groups of investors is becoming increasingly important and, at the same time, increasingly difficult.

This study of generation Xers in the United States and Korea evaluated their attitudes toward investing and savings. By examining their thoughts on the importance of financial security and independence; risk and debt; and reliance on others to take care of their financial planning/needs. The results establish that Generation Xers in both the United States and Korea view financial security as an important goal and are more willing to take on risky investments than previous generations.

These results have several implications for the financial community. Given that consumer needs, wants and usage rates often are closely related to demographic status, the international financial community has a chance to capitalize on the things that are relevant to Generation X. The financial marketplace must praise Generation X for their views on the importance of financial security while strongly emphasizing both the role and importance of professional financial planners and the risks that accompany investments in common stocks and other similar investments. Similar to generations before them, members of Generation X in both the United States and Korea have been shaped by the society in which they reside. Their influence upon the financial markets will be felt more significantly in the coming years as they enter their prime earning and work years, as well as establish their own families and make way for the next generation.

Given Generation Xers in both the United States and Korea have experienced a speculative investment bubble, a corresponding severe downturn in financial values, financial professionals must clearly document and state the value they bring to Generation X investors in helping navigate and minimize the dramatic ups and downs that can be experienced by investors.

In addition, it is very important that financial professionals continue to clearly educate investors that the potential higher returns from investing in equity securities comes with a cost (much

greater risk than Certificates of Deposit or government bonds).

In closing, a note of caution is offered. The authors are encouraged by the identification of generational similarities between American GenXers and South Koreans who fit the established criteria for membership. However, it is unknown whether such similarities are transferable to generational comparisons between the United States and South Korea. Further, it is unknown whether other generational groups in Korea share the views of those represented in this study. As such, a fruitful area of research may be to measure the differences/similarities of the identified group versus the rest of the population. Until then, readers are cautioned against the "sin of generational myopia," that is, the assumption that one generation's views are widely held by others within the same society.

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