Daily chart:
Young people stand to make dismal returns on their investments

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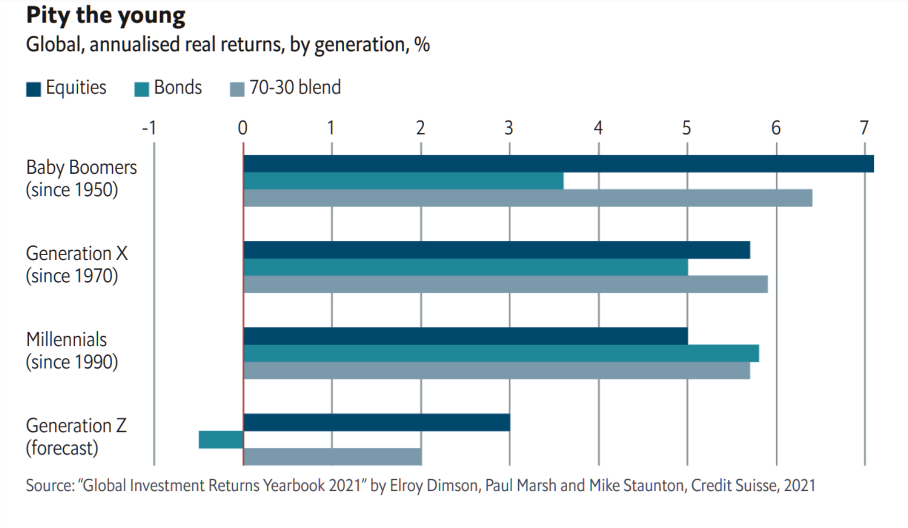
Have much to fear

- Generation Z: those born after 1997
- Having been born into the most prosperous period in human history, today's youngsters have much to hope for.
- But they have much to fear as well.

Dismal financial prospects

- "Generation Z": higher rates of unemployment, lower earnings and higher taxes to pay off pandemic-era debts
- Baby-boomers (born 1946–64), Generation X (born 1965–80) and Millennials (born 1981–96): earned average real returns of at least 5% on equities and at least 3.6% on bonds

Pity the Young



Forecast for Generation Z

- Elroy Dimson, Paul Marsh and Mike Staunton assume that the real return on equities will be equal to the inflation-adjusted return on a risk-free asset (represented by Treasury bills), which they estimate at −0.5%, plus a “risk premium” for buying equities of about 3.5%, for a real return of just 3%

What to do?

- To have any hope of retiring as comfortably as their parents, they will have to save more
- Mr Marsh recommends adopting the time-honoured (if unexciting) principles of long-term investment, including starting early, diversifying risk and avoiding high management fees
- Rather than checking the value of their investments every ten minutes and trading frantically, they should exercise patience and sit out temporary shocks and turbulence

“This time we got lucky”

- Young investors must not draw ill-advised lessons from the pandemic, either
- Having plummeted during the early months of the outbreak, stocks quickly bounced back.
- Crashes are rarely so fleeting, and Gen Z should recognise this, says Mr Marsh. “Equity markets are risky and this time we got lucky.”