



FINANCIAL AND BEHAVIORAL TRENDS OF GENERATION Z

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INTRODUCTION

While Millennials have been in the spotlight for quite some time, the demographic group following this generation is making quick jumps to the front. The two generations have a lot of similarities, but understanding their differences, especially finances, is crucial to preparing your business and shifting your marketing strategy to stay relevant for the future.

Growing up in a post-9/11 society, Generation Z (Gen Z) is proving to be entirely different from previous generations. Gen Z (also referred to as Post-Millennials, Centennials or iGeneration) consists of individuals born after 1996 or later. By 2020, Gen Z will make up roughly one-third of the U.S. population (Beall, 2016). When it comes to this generation, their behavioral trends play a significant role in their financial actions. In general, Gen Z is less focused, better multi-taskers, bargain-hunters, early starters and more entrepreneurial.

THE GEN Z SITUATION

Generation Z-ers have experienced financial struggles firsthand, like high student loans and credit card debt, most millennials face. Knowing these struggles, most of Generation Z is becoming increasingly aware of their finances and their need for financial literacy ("How Gen Z Thinks About Finances" 2018). Coming of age during

the financial recession and housing market burst has also played a part in their financial savviness. While Generation Z is proving to be more financially savvy than millennials, most of Gen Z are also facing high levels of stress related to college savings, careers, apartment or house hunting and paying off debt.

When it comes to the importance of financial literacy, Gen Z is also above the curve compared to the millennial generation. Most Gen Z-ers understand the importance of financial literacy, relying on their parents and family for financial knowledge. The problem with this is that many of their parents grew up under different economic circumstances, with less sophisticated options relating to savings, retirement, mortgage, and loans.



GEN Z FINANCIAL STATISTICS

84% of Gen Z-ers rely on parents and family for financial information

26% of the United States population consists of Generation Z

\$44B Gen Z contributes roughly \$44 billion to the American Economy

72% of Gen Z teens say they want to start a business someday

92% of Gen Z has a social, digital footprint

40% of Gen Z are self-identified digital device addicts

WHAT GEN Z SPENDS MONEY ON

Generation Z is not afraid to spend money. The annual spending power reaches roughly \$44 billion (Littleton, 2018). While most of Gen Z are big spenders, many dedicate time and money to maintaining a bank account as well. The main difference between Gen Z and Millennials is Gen Z-ers take pride in what they own. Rather than saving money on household and transportation costs, most of Gen Z have the goal to own a vehicle and house before most Millennials.

A lot of Gen Z will give up social media, new clothes, and even their cell phones if it means owning a vehicle. When it comes to purchasing cars, brand specificity plays a minor role in the decision process. Instead, most Gen Z-ers focus highly on the price and safety features of the vehicles. Gen Z often leans toward hybrid cars, but if it comes down between saving on gas or preventing global warming, 43 percent of Gen Z said they would rather save gas money compared to 30 percent for global warming (Littleton, 2018).

For home purchases, most Gen Z-ers are quick to own rather than rent. As the first generation born in a high-tech world, Gen Z spends less time searching and moves more quickly when making purchases. This consensus proves most true when Gen Z-ers are searching for a house to own. Roughly 30 percent of Gen Z spend less than a month searching for a home, compared to 26 percent of all renters (Littleton, 2018). What might come as a surprise is even though most Gen Z-ers are driven to “own” their things, they own less than previous generations.

The Gen Z Decision Process:

92%

of Gen Z own a vehicle or plan to own a vehicle

72%

of Gen Z will give up on social media to own a car

63%

of Gen Z will give up new clothes to own a car

33%

of Gen Z will give up their cell phones to own a car

77%

of Gen Z makes purchases based on price

43%

of Gen Z puts safety as a top priority for purchase decisions

(Littleton, 2018)

Other top purchases for Gen Z includes spending money on friends, skincare and trying new restaurants and entertainment. When it comes to purchasing power, though, there are some new trends Gen Z-ers are setting (Tabaka, 2018):

- They want to be heard and have the means to do so
- Their priority for trust and authenticity in brands
- Their preference for quality over quantity in social media
- They're money-minded
- Their understanding that social media has a downside
- Their desire for conversation and relevance



GEN Z SAVINGS AND BANKING PRACTICES

As a result of watching their parents and older siblings respond to the recession, high student debt and other financial struggles, Gen Z is hardworking, debt averse, frugal and already saving for the future, especially retirement. Much of the generation hold themselves and their future to high expectations, making saving for what's ahead top priority (Zinn, 2018). Most of Gen Z is saving money at a higher, faster rate compared to previous generations. According to a survey of more than 16,000 Gen Z students, over one-third of respondents plan to start saving for retirement in their 20s, while roughly 10 percent of them began to save as teenagers (Zinn, 2018). With Gen Z-ers being overall goal-oriented, most are setting savings goals for the long haul and taking their money into their own hands.

Generation Z is also stepping out from the rest when choosing banking preferences. Most of the generation formed a relationship with a bank or credit union younger than previous generations. Surprisingly, a Raddon's Gen Z study showed 48 percent of survey respondents prefer banking in a branch with a face-to-face experience. One-third of respondents said traditional banking wouldn't be necessary for the future, and even 42 percent of respondents are ready to utilize Google, Amazon, Apple or PayPal to handle their finances (Financial Brand, 2018). Considering Gen Z-ers are tech innate, banks need to realize the high likelihood of the generation choosing tech companies, online banking, and mobile payment apps

The Gen Z Decision Process:

80%

Of Gen Z plans to get grants & scholarships to help pay for college

83%

Of Gen Z teenagers are tracking their savings goals

65%

Of Gen Z is saving for a new phone or electronic device

49%

Of Generation Z is saving to hit a goal of \$2,500 or more

Retirement

As a more conservative and goal-driven generation, Gen Z is ahead of the curve for savings, especially retirement saving, compared to when Millennials and previous generations were their age. More than half of Gen Z plan to put their savings toward retirement and will continue working after retirement, as freelance or contractor for example. Additionally, a portion of Gen Z believes they will receive government assistance for retirement.



DEBT AMONG GEN Z

Gen Z has spent their lives listening to the ongoing Millennial debates and watching the Millennial generation struggle financially. Based on what they see, they've taken notice and are quick to change their ways. While the Millennial generation is on the high end of the debt spectrum, most of Gen Z is working hard to maintain low, if any, debt.

The Gen Z average total debt is approximately \$4,343 whereas young Millennials average \$11,663 in total debt (Leonhardt, 2018). Gen Z-ers are finding ways to pay for college to limit the chances of student loan debt. Additionally, Gen Z carries fewer credit cards translating to less credit card debt.

THE GEN Z INVESTMENT PHILOSOPHY

The Gen Z investment philosophy has a lot of similarities compared to the philosophy of the Millennial generation. For one, the vast majority of Gen Z investors gravitate toward socially and economically responsible investments. They often choose companies that are making an impact in today's society. Not to mention, most Gen Z-ers wholeheartedly believe their investment choices will make a meaningful impact on climate change and the release of greenhouse gases. Driven by long-term financial goals, Gen Z is proving to be smart and successful, yet conservative investors.



(Brown, 2018)

SUMMARY

Millennials might be leading the debate charge now, but Generation Z is closing in quickly. The two generations might have some similarities, but experts are quickly learning that Gen Z is standing apart from the rest. From investment philosophies and savings practices to debt and spending habits, Gen Z is redefining previously understood financial preferences. To effectively serve all consumers and stay relevant, financial service organizations must understand and adapt to Gen Z's financial behaviors.

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the Enrich Financial Wellness Platform,**

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