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Gen Z is Where Banking is Heading, Give Them the Products They Want Now

Forget about the baby boomers, Gen Z is the largest generation by population – Gen X is almost as big – and it’s changing the digital landscape. As digital natives, they’re transforming thinking and attitudes towards money, spending, investing, and saving.

One of the most critical areas financial institutions (FIs) need to explore is Gen Zs’ view of personal finances and future financial needs. Gen Zs are now entering their mid-twenties, and these digital influencers are voting with their wallets on how FIs communicate with them. FIs that can deliver on the kinds of financial experiences Gen Zs expect will reap the rewards of loyal and lasting customer relationships.

They’re the digital social generation (Tik Tok, Twitter, Instagram, Snapchat). From a life stage perspective, they were beginning their careers in the middle of a pandemic. Many were just hired and then suddenly laid off.

The pandemic instantly flipped their world upside down. Their ability to find a job, pay a debt, save, invest, and even purchase goods was affected. At the same time, they could also see how the other



generations of workers, including parents and grandparents, were also impacted financially.

Through social media, they spent even more time seeing the doom and gloom of the world created and exploding on social channels heightening their view of their economic uncertainty and future. To no surprise, Gen Zs over 18 tend to worry more about their financial situation.

These events have influenced a new generation of homeowners, savers, investors, and consumers. They live in the digital financial world of banking, quick to adopt paying by text, cash apps, using a Greenlight card, and the complete trend of online/ e-banking to manage their money. They have little if any connection to brick-and-mortar financial locations. So, as the pandemic fades, Gen Z will be the trendsetters for FIs’ future.

Financial worries have impacted Gen Zs' desire to focus on the starting salary for a job, a desire to save money in a rainy-day account, their willingness to move away from the home territory for greener financial pastures, and to delay thoughts of marriage, kids, and larger purchases like a home.

Since the beginning of COVID in early 2020, Gen Z experience stress in each of the following financial situations.

- Earning enough money
- Saving money
- Dipping into savings
- Earning enough money for basic needs
- Paying my monthly bills
- Money to support a family
- Investing for the future

Uneasiness about their finances is slightly more prevalent among Gen Z females than their male peers. In 2021 and 2022, 66% of Gen Z females worried about their financial situation a few times a week or more. Gen Z males are at 54%.

Simply put, it has been a struggle for Gen Z to establish a footing into adulthood and the ability to take care of themselves and their lives. And due to this, the impact on what they want and their expectations for how their lives will be in the future may be more pronounced in the next generation.

Over the next five years, it will be important to see how these challenges change (or don't) their financial goals relative to past generations' standards for life events.

Financial impact of the pandemic on Gen Z

For Gen Z in the 19–25 age bracket, the most significant delay caused by the pandemic was associated with postponing a switch to a new job (27%), followed by shelving additional education (25%), and deferring moving away from their family or parents (21%).



Remarkably, among millennials in the nearest 26–35 cohort, the most significant delays were buying a home (22%), switching to a new job (24%), and starting their own business (19%).

We may see the results of these milestone delays in the short-term future. Still, much may not be fully apparent in their impact until more key milestones are delayed, and potentially foundational markers of adulthood feel or move out of reach for Gen Z.

Gen Zs' financial thinking and attitudes today

1. Earning enough money

How much annual income do Gen Z think it would take to live “comfortably”? Their answer: around \$50,000 per year. Almost half (46%) of **Gen Z believe earning \$50,000 per year would make them feel “comfortable” financially.** This is a good target for employers when considering salary expectations.

2. Saving money

Gen Z had mixed financial experiences when it came to saving money. Surprisingly 26% of Gen Z had over \$1,000 saved for unexpected expenses! However, Gen Z males (41%) say their savings increased significantly, more than Gen Z females (33%).

The idea that teenagers and very young adults would not only think about but also take action to save money for a rainy day is unusual, but it reveals something interesting about Gen Zs' approach to personal finances.

More than 26% of Gen Z have saved \$1,000 for an emergency. This is a “wow” statistic that speaks to Gen Zs' views of money, independence, and understanding of the need to provide for their financial safety in case of emergencies.

While the pandemic has been a financial challenge for every generation, 4 in 10 members of Gen Z say they have more in savings than they had at the start of the pandemic. This increase likely comes from various sources (e.g., earnings, gifts, tax refunds, stimulus payments, allowance, etc.). It provides an insight into Gen Zs' perspective on being prepared and working toward increasing their savings.

3. Investing money

Gen Z (10-25) expects to have to fund more of their retirement than previous generations.

A staggering 70% say they need to invest now to retire in the future.

Only 58% of millennials (26-41) are currently saving for retirement. While millennials are trying to save for the future, they're still behind previous generations in building up their retirement savings. According to a Transamerica Center for Retirement Studies survey, the median retirement savings by age in the US is Americans in their 20s: \$16,000. Americans in their 30s: \$45,000. Americans in their 40s: \$63,000.

Student loan debt was the primary reason many millennials stated why they're behind in building wealth. In a study, **40% of millennial households between the ages of 28 and 38 had student loan debt amounting to more than 40% of their income.**

35% of Gen Z say they currently invest in the stock market. Given that the oldest members of Gen Z are only 25 years old, this is an exciting discovery that correlates directly with their intent to save (invest) now to secure their future ability to retire. There are also several apps now being targeted toward Gen Z to add money in small amounts for dollar-cost averaging and to build over a long period of time a sustainable wealth program.

Gen Z is the first generation to come of age with cryptocurrency. They are more likely to view cryptocurrency as simply another investment option they should consider. **What stands out is that 41% of Gen Z thinks cryptocurrencies are safe investments. The key term to note is safe.** Viewing an investment vehicle as a safe option can cause people to invest more in that option. They're also more likely to underestimate the

potential volatility of cryptocurrencies as we have seen in the recent value fluctuation.

30% of Gen Z say they already have a retirement account. It's both exciting and enlightening to see that 3 out of 10 Gen Zs are not only thinking about their future, but they report having taken action to establish a retirement account. **This offers FIs the potential to get in on the ground floor with Gen Z regarding their long-term financial planning.**



Convenience is a crucial driver for Gen Z. They have come of age with rapidly accelerating delivery times for goods and services, unlike any previous generation. The impact of this experience—from Amazon Prime to UberEats has forever shaped Gen Z.

A majority of Gen Z consumers (**68%**) consider delivery options and times before completing an online purchase. **Given the heightened expectations for lightning-fast delivery, financial brands may find it difficult to unlock the full potential of Gen Z if their digital banking isn't fast enough.** The pressure is on financial institutions to find ways to make banking and loan applications easier and online! Supercharged expectations for instant gratification and high-value service are very much here to stay for Gen Z.

— Gen Z financial beliefs and expectations for the future

70% of Gen Z think the pandemic has increased the gap between rich and poor. The stock market has certainly favored the wealthy over the last decade.

65% of Gen Z believe college should be free. The idea of free education will likely continue to put pressure on legislators, higher education institutions, and student loan debt programs to tackle the rising cost of higher education and the mountain of student loan debt in the US.

65% of Gen Z attribute changes in how they directly view money and finances to the COVID-19 pandemic. Their view on money will significantly impact the financial system and companies looking to grow their top-line revenue with Gen Z consumers.

Most Gen Z (55%) believe the American dream is still possible for them. However, 45% of the generation do not think that the American dream is possible for them now.

55% of Gen Z think enhanced unemployment benefits kept people in their generation from entering or re-entering the workforce.

Over half (53%) of Gen Z believe they will have to financially step up and support one or both of their parents in the future. This sense of potential financial support for their parents is worth noting given its potential impact on future housing, job selection, health care services, savings rate, etc.

A majority of Gen Z (52%) doesn't think Social Security will exist or will at least be unable to pay them enough money to cover basic needs when they are ready to retire.

Half (44%) of Gen Z thinks cryptocurrency will replace traditional currency one day.



Gen Z are consumers, earners, savers, and investors

They arrive carrying new financial expectations and the unique financial experience from going through the pandemic at a formative time in their emergence into adulthood.

However, they also bring optimism tempered with practicality. Most of the generation still thinks the American dream is possible, save for emergencies, and that investing for retirement now is essential.

The more precisely leaders, companies, communities, and innovators understand this generation's mindset toward money and personal finances, the better positioned they will be to engage the Gen Z in ways unlock their potential as a source for growth.



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