The purpose of this project is to investigate the financial attitudes and behaviors of generation Z, defined here as persons born between 1995 and 2010. Older members of generation Z are either currently entering or have recently entered the workforce, yet very little is known about the financial landscape of the newest generation of professionals. This knowledge gap begets challenges for advisors and other financial professionals in helping young adults and children of current clients as they begin their financial journey.

A nationally representative sample of U.S. adults between the ages of 18 and 25 (n = 1,111) completed an online survey assessing attitudes and behaviors on retirement preparation, debt, homeownership, investing, and financial knowledge. In general, the findings converge on several conclusions. First, our sample of young adults is fairly optimistic about their financial future, such as retiring successfully and before the age of 65, buying a home, and finding a job. This is all despite the fact that the survey was (unintentionally) launched during a pandemic. Second, our participants see financial and investment education as important, yet they have little experience with investing, financial classes, or financial advisors. Third, our sample is open to and sees the benefit in using financial technology (potentially more so than do the prior three generations before them) but is adapting slowly to it.

Introduction

Despite the economic uncertainty caused by the coronavirus epidemic, young adults in generation Z are constructing the foundation of their professional and personal lives. Important milestones have not paused. Young adults are getting admitted into and are graduating from college, obtaining their first jobs, and for some, even buying their first homes. With the increasing departure of the largest generation in American history, the baby boomers, from the workforce, generation Z will have big shoes to fill as they start their careers and set their financial habits.

Still, insights into the financial attitudes and behaviors of the large and diverse generation Z are thin. Furthermore, existing investigations were often conducted over five years ago, thereby leaving a portion of this population who is entering the workforce unexplored. This knowledge gap presents challenges for both members of generation Z and financial professionals who seek to help them. Financial advisors are largely unfamiliar with young people’s financial practices, and young people are largely unfamiliar with financial advisors altogether. We sought to address this gap by studying the financial attitudes and behaviors using a large sample of young adults who are members of generation Z.
Defining a Generation. Different researchers used different criteria to identify who fits in what generation. Here, we define generation Z as anyone born between the years 1995 and 2010. We chose these criteria as a compromise among several different definitions proposed in prior literature (such as, Beck & Garris, 2019; Dimock, 2019; Wiedmer, 2015). This definition allows us to capture generation Z in various life stages, from potentially finishing high school at age 18 to potentially achieving financial independence from their parents by age 25.

To note, we do not aim to paint a one-size-fits-all profile of generation Z; our goal is to understand the diversity of perspectives and situations among this group and to learn detailed individual-level insights and interactions. Thus, any results we present should not be treated as a concrete conclusion about everyone in this age group, but rather as a look at group’s range and central tendencies.

What Do We Know About Generation Z? The simple answer to this question is: surprisingly little. Several researchers have attempted to create a general profile on members of generation Z. Perhaps the most common conceptualization of generation Z is centered on their relationship with technology, especially the Internet. Unlike the generation prior (the millennials), members of generation Z were born as the Internet became available to most of the public. Wiedmer (2015), for example, believed that technology is responsible for the independent and confident nature of generation Z because they have “…access to digital tools that enable them to think they can do anything” (Wiedmer, 2015, p. 56).

Likewise, surveys by Northeastern University (2014) and Fong, Lucchi, Trench, Lope, and McDermott (2019) concluded that generation Z is technology-oriented, independent, entrepreneurial, and shows concern over future finances, especially with college debt.

How Much Does Generation Z Know About Finance? Although they may be independent and love technology, generation Z may not be particularly familiar with finance. In their qualitative study, Beck and Garris (2019) interviewed several members of generation X, millennials, and generation Z about topics such as retirement, financial knowledge, and financial education. Beck and Garris saw that although generation Z acknowledges the importance of education, believing that educational institutions should offer financial classes to students, they also did not understand finance (and found it difficult to define personal finance) as much as generation X and millennial samples. The investigation performed by Fong et al. (2019) showed that a minority of their generation Z sample (12%) has begun to save money and even prepare for retirement.

The Current Research
Participants and Methodology. The sample was a nationally representative set of 1,311 young adult Americans between 18 and 25 years of age (median age = 21). We collected the data in two waves: between April 8 and April 13, 2020, and between April 20 and April 23, 2020. We weighed our data by age and gender using the United States Census and with raking methodology (Mercer, Lau, & Kennedy, 2018). Specifically, we adjusted for gender within each of the eight chronological ages in our sample.

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1 This number was after we dropped 20 participants from our analyses who reported their gender to be “other” or who preferred not to disclose this information. We did so because gender was a weight in our analyses.

(such as, 18 to 25), thereby creating unique 16 weights. All statistics we present in this report are weighted.

Participants completed a set of questions that assessed their attitudes and behaviors in several financial dimensions: retirement, debt, homeownership, investing, financial knowledge, and financial technology use. All attitudinal items were measured on a zero to six scale (unless otherwise noted). In reports of magnitude of attitudes, low levels reflect scores below midpoint, moderate levels reflect scores at midpoint of the scale, and high levels reflect scores above midpoint. The margin of error (at a 95% confidence interval) in this sample is 3%.

We organized our results section by financial themes.

Comparisons With Past Data. When possible, we compare our findings with a recent survey that the Transamerica Center for Retirement Studies (TCRS, 2019) conducted on retirement attitudes and behaviors of millennials, generation X, and baby boomers. The TCRS (2019) conducted a nationally representative survey of nearly 6,000 American adults employed either part time or full time at for-profit companies. Such comparisons can provide insight into generational effects on financial attitudes and behaviors.

Section 1: General Emotional Outlook

Although the times are bleak for many, our results suggest that young adults are largely keeping their heads up. Specifically, the majority of our sample reported high amounts of both happiness and optimism (see Exhibit 1).

Exhibit 1 Self-Reported Happiness and Optimism of the Sample


3 To note, the age range of what the TCRS (2019) defined as millennials (persons born between 1979 and 2000) had some overlap with our definition of generation Z.
Section 2: Retirement Preparation

Lesson 1: There is optimism about retiring early and successfully; perhaps more so than prior generations. On average, our sample believed that they have approximately a 59% chance of retiring. The majority of those who anticipated to retire in their future believed that they would retire either at or before the age of 65 (see Exhibit 2).

Exhibit 2 Anticipated Retirement Age

Comparisons with findings from the TCRS (2019) suggest that generation Z may be the most optimistic about retiring before the age of 65. In this data, 31% of millennials, 18% of generation X, and 11% of baby boomers believed they would retire prior to age 65.

A follow-up Analysis of Variance, or ANOVA, in which age (18 vs. 19 vs. 20 vs. 21 vs. 22 vs. 23 vs. 24 vs. 25), gender (men vs. women), employment status (unemployed vs. part time vs. full time), and U.S. Census region (Northeast vs. Midwest vs. South vs. West) revealed an interesting finding: although the effect was relatively small (partial $\omega^2 = .01$), age was negatively associated with reported retirement likelihood. Specifically, 18-year-old participants reported the highest chance of retiring (65.72%), with this difference being statistically significantly different from 23- (54.69%, Hedges’s $g = 0.39$) and 25-year-old participants (53.49%, Hedges’s $g = 0.43$). No other between-age differences emerged (both $p$-values < .0004). These results suggest that despite young adults believing that their chance of reaching a successful retirement is above 50%, they may become more pessimistic about retirement as they get older. Although only speculative, this drop in perceived retirement likelihood may be due to variability in their financial and employment (or unemployment) experience.

4 We treated age as categorical rather than as a continuous variable because each age group had enough participants (range of n = 111, 151) for a meaningful between-subjects analysis, thus allowing us to capture any potential nonlinear effects.
Lesson 2: They believe that their retirement success will be no different, if not greater, than their parents’ or grandparents’ success. As shown in Exhibit 3, most members of generation Z believe that they will be either as successful or more successful than their parents and grandparents in reaching retirement. Our sample perceived success relative to their parents and their grandparents equally per a dependent-samples t-test (Hedges’s g = 0.06).

**Exhibit 3** Perceived Retirement Success Compared With Parents and Grandparents

Lesson 3: They want an active retirement. Most members of generation Z (60%) want to keep working, including without pay, after they retire (see Exhibit 4). In fact, generation Z may be the most active generation: data collected by TCRS (2019) suggest that the desire to work is lower in millennials (34%), generation X (25%), and baby boomers (26%).

Exhibit 4 Preferred Retirement Work Status

Lesson 4: They may want to plan to save a little more for retirement. Our sample not only believed that most full-time employees save about 6.01% of their paycheck for their retirement but results also revealed that they want to deposit an average of 6.16% of their salary into their retirement fund.

Lesson 5: Retirement is important to learn about. Sixty percent of our respondents believed that retirement is a topic that is highly important to learn about. In fact, generation Z appears to be a chatty generation in terms of discussing retirement. Half of our sample (50%) reported to have discussed retirement with their parents in the past. Furthermore, approximately 23% of our sample reported to discuss the topic of retirement fairly frequently. Comparisons with the TCRS (2019) study suggest that generation Z may be discussing this topic more than the millennials (21%), generation X (13%), and baby boomers (12%).

Lesson 6: Debt is a priority over saving for retirement. In this sample, 76% of respondents believed that paying debt is more important to them currently than saving for retirement. We wondered whether this finding could reflect generation Z’s approach to the FIRE — financial independence, retire early — strategy of retirement, whose young, largely millennial, followers have gained media attention recently. Although we did not measure preference for FIRE directly, we saw that preference for paying debt over saving for retirement was unassociated with anticipated retirement age, $\chi^2 (2) = 5.22, p = .09$. In other words, our sample prioritized debt regardless of their anticipated age of retirement—even those who want to retire early are hesitant to put most of their money in a retirement account.
Lesson 7: Retirement benefits at work are important, but not as important as insurance and a flexible schedule. Thirty-one percent of the sample ranked retirement benefits as being in their top three most important workplace benefits. Retirement was the most important benefit for 10% of the sample (retirement was in the top five most important benefits of 51% of our sample). The most common first-place benefit was medical insurance, followed by life insurance, and flexible working hours, and flexible paid vacation policy (see Exhibit 5).

Lesson 8: They may want more control over their enrollment in retirement benefits. Automatic-enrollment retirement plans have gained popularity over the last decade given their significant success in increasing people’s retirement savings. Our sample, however, was not especially receptive to the idea of an employer enrolling them in a retirement plan automatically. In fact, our sample showed only a small preference for automatic (52%) over opt-in enrollment.

The popularity of automatic-enrollment plans appears to be lower in our sample than in other generations. Specifically, the TCRS (2019) findings show that the majority of millennials (80%), generation X (83%), and baby boomers (77%) have a favorable view of automatic enrollment. It is important to note, however, that our question differed from that of the TCRS, as we did not assess favorability per se. In this example, we use preferences for automatic enrollment as a proxy for favorable attitudes.
Section 2: Employment
Lesson: The COVID-19 epidemic isn’t discouraging their employment outlook. In our sample, 40% of participants were unemployed. Of these, 71% were actively pursuing either part-time (43%) or full-time (28%) employment. Participants who reported to be looking for a job had moderate levels of confidence about finding a job in the next month, and our employed subsample was fairly confident that they will remain in their job in the next month (see Exhibit 6).

Exhibit 6 Unemployed Participants’ Confidence of Finding a Job and Employed Participants’ Confidence of Remaining at a Job

Section 3: Homeownership

Lesson: The American dream is alive and well. The majority of our sample (83%) desired to be homeowners and wanted to purchase property in the next few years (see Exhibit 7).

Our sample’s confidence in purchasing property, however, was not strong: 39% of our sample reported to be optimistic about successfully purchasing property in the future.

Exhibit 7 Desired Time Frame in Purchasing Property


Section 4: Investing

Lesson 1. They may not think of themselves as investors, but they find the topic interesting. In our sample, 35% of respondents identified as investors. The majority of the sample reported being moderately (19%) or highly (57%) interested in learning more about investing.

Lesson 2: They don’t have much experience with financial advisors. Thirty percent of our sample reported to have seen a financial advisor at least once—which could be on their own or with other family members. The TCRS (2019) report suggests that this number is lower than millennials’ (38%) and baby boomers’ (43%) experience, although similar to that of generation X (33%). Furthermore, it is important to note that some of these differences may be attributed to age and experience, as older generations have had more opportunities to seek advisors. Even fewer in our sample have experience with financial robo-advisors (22%).
Lesson 3: They are weary of robo-advisors. On average, our sample rated human advisors to be more trustworthy than robo-advisors (see Exhibit 8). This result suggests that even amidst the digital world, younger people still prefer face-to-face contact with their finances.

Exhibit 8 Trust in Human vs. Robo-Advisors

Section 5: Technology Use

Lesson: Financial apps are quite useful and are used. Every participant in our study reported to use at least one financial app, such as apps from online-only and brick-and-mortar banks (such as Ally, Chase), budgeting (such as Mint), and investing (such as Wealthfront).

Sixty-three percent of our sample reported that they found financial apps to be useful. The use of apps from banks with branch locations were the most common (see Exhibit 9). In fact, they may be the generation that finds financial apps to be the most useful. The TCRS (2019) data suggests that 59% of millennials, 49% of generation X, and 30% of baby boomers find such apps useful. This pattern may further reflect increased integration of technology in everyday life across generations.

Exhibit 9 Percentage of Participants Who Reported to Use Various Financial Apps

<table>
<thead>
<tr>
<th>Percent Selected</th>
<th>Online-only Banks</th>
<th>Brick-and-mortar Banks</th>
<th>Budgeting</th>
<th>Investment</th>
<th>Money Transfer</th>
<th>Retirement Management</th>
<th>Utilities</th>
<th>Financial News</th>
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Section 6: Financial Knowledge

Lesson 1: They are confident in their financial knowledge. The majority of our sample has never taken a class on finance (64%). Interestingly, they believed that they possess a moderate amount of financial knowledge yet also believed that they have a little more financial knowledge than their peers (see Exhibit 10).

Exhibit 10 Mean Scores of Perceived Financial Knowledge and Financial Knowledge Compared With Peers

These findings echo the well-documented better-than-average effect (Alicke & Govorun, 2005), whereby people tend to (often falsely) believe that they know more than their peers do. This effect, however, may also be attributed to the relatively young age of the sample, as the better-than-average effect generally declines with age (Zell & Alicke, 2011). Per Beck and Garris’ (2019) investigation, our sample’s beliefs about their financial knowledge may not reflect their actual financial knowledge given that their sample of generation Z was unable to provide a concrete definition for this term.
Lesson 2: Financial education is important to them. As demonstrated in Exhibit 11, the majority of our sample (53%) believed that finance classes should be mandatory in both high school and in college. This finding reflects some prior studies showing that young adults indeed value financial education (Beck & Garris, 2019).

![Exhibit 11 Participants' Preference for Mandatory Financial Classes](image)


Discussion
The newest generation of professionals, consumers, and investors are interested in beginning their financial journeys. As our research suggested, generation Z appears to be optimistic about the future, even despite the COVID-19 epidemic. They acknowledge the importance of financial education, are concerned over debt, and are even beginning to prepare for retirement. These findings have a number of implications for financial advisors who are beginning to work with the next generation of clients, whether their clients are first-time advisees or children of current advisees.

Helping Generation Z Stay Financial Healthy
Their spirits about their financial future are high. This is good for advisors and financial planning, because of the relation between optimism and motivation (Nes, Evans, & Segerstrom, 2009). Prior research has already shown that people are optimistic about financial advisors (Leong & Zaki, 2018), so the next generation of clients may be even more apt to take their advice.

A nudge may be useful for young adults to see a financial advisor—both human and AI. A low portion of our sample has had experience with advisors (independently or accompanying family members). A brief introduction with children of existing clients can at least start the process of building a multigenerational relationship over time.
Technology is an asset. Advisors should take note of generation Z’s openness to adapt financial technology into their lives. Being an already tech-friendly generation, they are likely to be very open to using emerging financial apps, some of which specifically target younger millennial and generation Z demographics.

A reality check may promote financial health. Our results show that generation Z is fairly confident in their financial skills; although other research appears to suggest otherwise (Beck & Garris, 2019). Advisors may benefit from gauging their young clients’ financial knowledge objectively when constructing plans. This is especially important for young clients who desire to purchase property (as many in our sample did). Fortunately, our sample reported to find finance interesting, suggesting that they will be receptive to learning more.

Re-evaluate retirement preparation. Advisors should note that our sample reported to contribute 6% of their salary to retirement upon starting a full-time job, which is impressively high for young adults. It may, nevertheless, be too low for many young professionals given future needs. Young clients and children of clients may benefit from retirement-preparation strategies that allow them to maximize savings while efficiently minimizing debt.

The young adults in our sample are weary of debt; so much so that they prioritize paying it off over saving for retirement. Although a strong drive to pay off debt is not necessarily a hinderance, advisors still should take note of this concern.

Many respondents desire to continue working after they retire. Thus, the prospect of bridge employment is an important issue to discuss with young clients when planning retirement. Furthermore, many of our participants believed that they will be retiring at a relatively early age (65 or younger), which may set unrealistic expectations and affect their financial decisions.

It is also important to mention that we found that young adults’ perceived chance of reaching retirement successfully varies with age. Younger members of generation Z reported the highest chances of retiring successfully, whereas the oldest members of our sample reported the lowest chance. Therefore, to help the next generation of clients reach their goals, advisors should also discuss anticipated retirement age and assess their clients’ optimism about the ability to retire successfully.

Explain the advantages of auto-enrollment plans because our sample was largely hesitant about them. Results of prior research would suggest that this hesitation may be due to the independent mindset of this generation who prefer to make their own decisions (Fong and others, 2019; Wiedmer, 2015). Ultimately, generation Z may prefer to leave their decisions about retirement plans in their own hands. Highlighting the benefits of automatic enrollment, and that it still allows for independent choice, may increase the appeal of automatic enrollment to this generation.
Conclusion
There is a lot to learn from the next generation of professionals who are entering the workforce and beginning their financial journeys. Young adults, however, appear to be motivated to face this challenge—they acknowledge the importance of financial health and are developing healthy financial practices, such as paying off debt and preparing for retirement. Although their general financial knowledge is relatively limited, they appear to want to learn more. Perhaps with a little help from their friends [and advisors], the next generation of professionals could be the most successful American generation to date.
References


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