

Gen Z's risk aversion influences their choice of banking products

Article

The finding: The majority of Gen Zers view savings accounts as the best way to invest their money, reflecting a risk-averse approach to financial decisions.

- That's one finding from personal finance company **WalletHub's** nationally representative online survey of 500 US adults.

By the numbers: Gen Zers are the least financially confident generation, which is reflected in their banking choices.

- **57% of Gen Zers believe a savings account is the best way to invest their money.** By comparison, almost half of baby boomers prefer investing in the stock market.
- **25% of Gen Zers say they aren't confident in their financial skills,** and over one in three said their parents set a bad financial example.
- However, 39% of Gen Zers prefer going to a family member for financial advice over a professional advisor, perhaps reflecting a trust factor.

How we got here: Gen Zers are risk-averse when investing their hard-earned money, per McKinsey.

- According to FINRA and the CFA Institute, this tendency reflects their lack of financial knowledge as well as an overwhelming desire to concentrate on making ends meet without racking up more debt.
- Gen Zers that do invest in products other than savings accounts tend to be on the older end of the generation, male, college-educated, and have a higher income. Their age, income, and education could all factor into their investing confidence.
- Plus, **Gen Zers tend to save toward highly specific savings goals, rather than to just grow their nest eggs.**

But what about their spending habits? On one hand, Gen Zers are staying fairly consistent with their fiscal conservatism.

- **They budget the analog way by stuffing cash into categorized envelopes.**
- And according to banking software provider Tapix, **Gen Zers also like peer-to-peer lending products rather than accumulating more debt in the financial system.**

Where things get a little hazy is **the generation's reliance on BNPL** and their interest in **cryptocurrency.**

- BNPL solutions require tracking numerous installment plans with different due dates across each month, for example, versus looking at one or two credit card statements. That means it's harder to track their budgets.

- And Ernst and Young reports that Gen Z's comfort with digital tools could be behind their affinity for digital currencies. This could also explain their comfort with BNPL solutions.

What this means for financial institutions: Banks may be able to build relationships with Gen Zers by suggesting digital banking products and services that they can view as “safe.”

- This could include CDs they can tie to a specific financial goal, mutual funds based on their comfort and risk preferences, and personal finance management and budgeting tools.
- Gen Zers may not be aware of the tools available to them, or why and how they can help them accomplish their specific financial goals. That's where accessible communications and marketing outreach come in.

Financial Attitudes of US Gen Z vs. Millennials, April 2023

% of respondents

	Gen Z (18-26)	Millennials (27-42)	Total
Having an established credit history is important to being less financially dependent on my parents	77%	84%	80%
Prefer to spend money on life experiences (like traveling, concerts, etc.) now rather than saving for retirement	63%	59%	61%
Feel ashamed when I have to ask my parents for financial support	62%	70%	66%
Somewhat or very financially dependent on my parents	61%	47%	54%
Have a hard time saying no to myself when making impulse purchases	58%	56%	57%
Considering cutting down on my online entertainment subscriptions to save money	58%	55%	57%
Do not consider my parents to be good financial role models	28%	27%	27%

Note: Gen Z n=1,005; millennials n=1,003

Source: Experian survey as cited in the company blog, conducted by Atomik Research, June 26, 2023

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