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Gen Z's retirement savings to take a back seat as student loan payments resume

Article

The news: **The resumption of student loan payments on October 1st poses a threat to retirement savings nationwide,** as Americans grapple with over $1.7 trillion federal student loan debt. Gen Z has shown a keen interest in saving for the future, but faces competing living and educational expenses.

Retirement savings by generation: Savings habits differ among generations, highlighting the need for FIs to customize retirement strategies for their different customer segments.

- Although mid-career when the retirement landscape changed, **85% of baby boomers have saved for retirement—the highest of any generation**—with a median of $289,000 set aside.
- Since 401(k) accounts weren't available until **Gen X** reached their 30s, many anticipate working into their 70s—with **a median of $82,000 earmarked for retirement.**
- After accumulating debt and graduating into a turbulent economy, **millennials started saving later—with a median retirement savings of $49,000.**
- While the majority of **Gen Z** struggles to make ends meet, 66% have started saving for retirement—**with an estimated median of $29,000 set aside.**

Student debt, a universal burden: All generations have one thing in common—the impact the resumption of student loan payments will have on their savings.

- Eighty-four percent of higher education borrowers say student loans have impacted their ability to save for retirement.
- Although they're most likely to forego saving for retirement to prioritize credit card and student loan payments, the years-long repayment pause helped millennials and Gen Z stash away savings faster than previous generations.
- Baby boomers and Gen X carry the highest average student loan balances of over $40,000.
- Two-thirds of employees say student loan payments will derail their plans for retirement savings.

Gen Z's savings profile: With Gen Z having the longest retirement savings journey ahead, FIs should study their savings habits, which will drive a significant portion of their business over time.

- Over half of Gen Z investors own cryptocurrency.
- Forty-eight percent use social media as their primary information source for their investment decisions—the most of any generation.

- Eighty-three percent of Gen Z identify as "job hoppers," stratifying their 401(k) accounts across their employment history. Use influencer advice.
- Although Gen Z's the first digital-native generation, they prefer face-to-face communications, including video chats—a strategy FIs should consider when speaking with this demographic.

Gen Z's retirement outlook: This generation has shown their keen interest in setting aside funds for their future, but many lack the circumstances that allow them to comfortably do so.

- Equipped with knowledge other generations didn't have when graduating college, Gen Z starts saving sooner than other generations.
- While all generations worry about retirement, Gen Z has the most anxiety—with 31% expressing their doubts about reaching savings goals.
- This generation prefers less risky investments and are most concerned about their everyday living expenses.
- Twenty-eight percent of Gen Z have taken out hardship withdrawals from retirement accounts—the highest of any generation.

Recommendations: Each generation has its own retirement savings picture, painted by the unique circumstances in which they began stashing away cash for the future. Understanding the needs of the youngest generation of investors paves the way for long-term, symbiotic relationships between FIs and these clients.

Gen Z's desire to save is throttled by competing financial priorities like high everyday living expenses and debt. To build lasting relationships with the youngest generation of investors, FIs need more than just user-friendly digital tools.

- We suggest arranging face-to-face meetings with current and prospective Gen Z clients to develop plans for tackling their competing expenses—emphasizing the importance *and feasibility* of setting aside money for their retirement.