

## Diversity, Equity & Inclusion

# From A to Gen Z

13 September 2022

### Key talking points

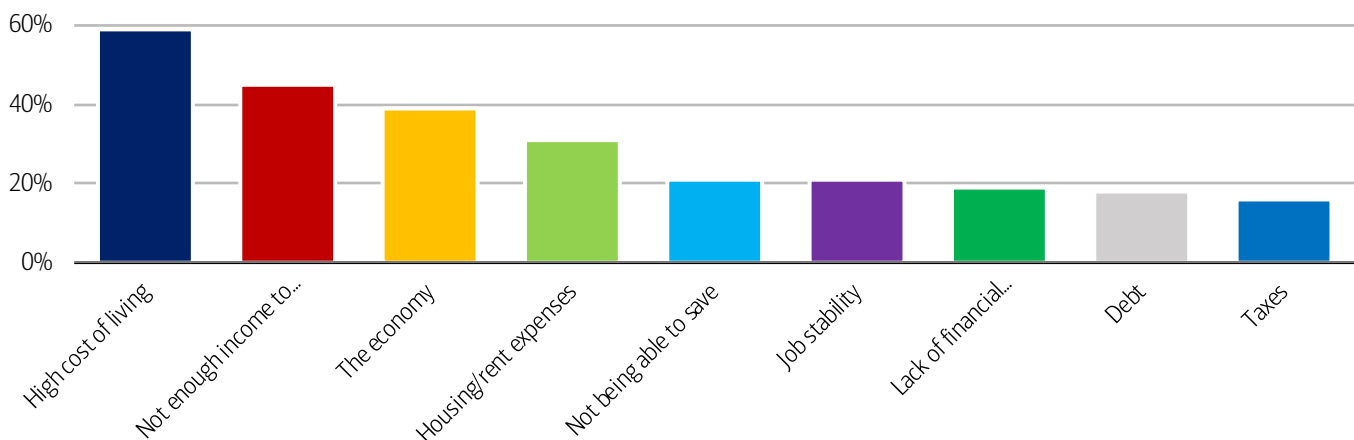
- A recent Bank of America [Better Money Habits survey](#) takes a look at adult Gen Z's (ages 18-25) distinct approach to money – including their financial priorities and behaviors, while exploring the generations' financial motivations and barriers.
- The current economic environment poses challenges to many, but in taking a closer look at Gen Z, a generation kicking off their financial journey as young adults, they have indicated high cost of living, not having enough income to achieve financial goals and the economy as the top three financial barriers to success.
- Members of Gen Z are more likely than other generations to combine financial ambition with the desire to live comfortably. Nearly half (45%) of respondents claimed that having the ability to afford material items is a motivator to achieving financial success. However, with splurging comes regret – 29% said one of their biggest financial regrets is spending too much on material items and luxury goods.
- When exploring how race and gender may influence financial priorities and challenges, the study found that Black/African American members of Gen Z were 3x as likely as non-Black/African American members to prioritize starting or growing a business in the year ahead. Hispanic members of Gen Z were more likely to prioritize buying a home in the year ahead compared to their non-Hispanic counterparts (22% vs. 14% of non-Hispanic Gen Z). And Gen Z women's indications of financial literacy gaps and lack of investing might negatively impact their near and long-term financial wellness.

### Facing financial barriers

As Gen Z establishes their financial footing in an inflationary environment, they are facing difficult decisions in order to achieve their financial goals. At the time of the survey (June-July 2022), approximately two-thirds were actively saving for financial goals, yet, 85% said they have financial barriers to success. High cost of living, not having enough income to achieve financial goals and the economy were the top three, according to respondents (Exhibit 1). Many felt the current economic environment has disrupted their plans to save, with 40% acknowledging that it has made it much more challenging.

#### Exhibit 1: Financial barriers to success for Gen Z

85% of Gen Z believe they have financial barriers to success with high cost of living, not having enough income to achieve financial goals, and the economy being the top 3



Source: Bank of America Better Money Habits

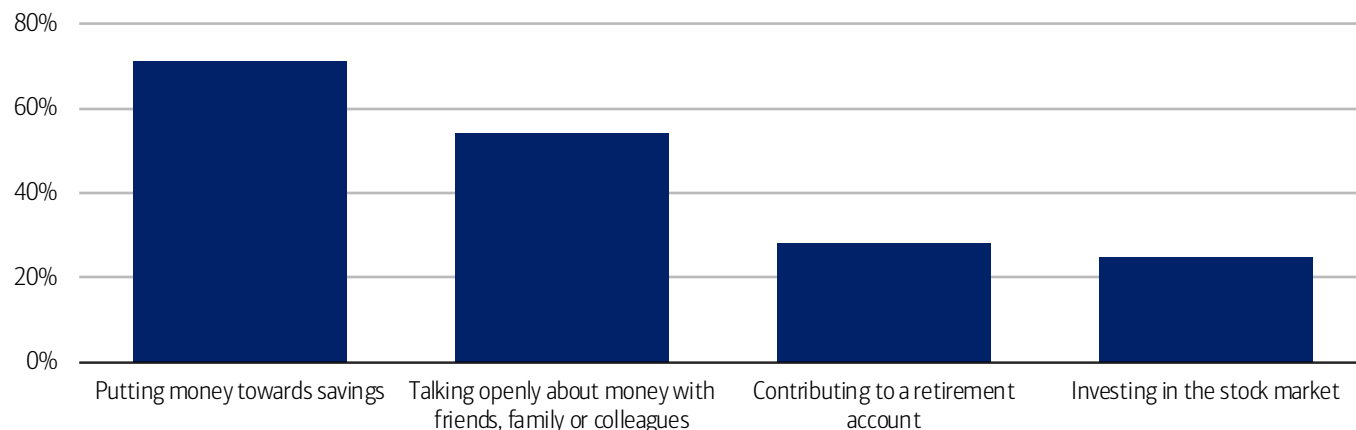
When asked about how inflation impacts their day-to-day, 42% cited the current rate as a top financial stressor. These impacts of inflation are felt by respondents through surging rents and home prices (40%). A recent Bank of America Institute [Housing Morse](#) shows that younger consumers are getting squeezed the most by higher rent inflation, with median rent payments up 16% year over year in July for Gen Z, compared to just 3% for Baby Boomers.

Also, 43% of survey respondents said that inflation has made it harder to pay down debt. Nearly half (47%) of Gen Z already carries some form of debt, including credit cards and student loans. Of those with student loans, members of Gen Z said that the federal student loan freeze has brought some relief. In fact, data from a recent [Consumer Morse](#) suggests that the majority of borrowers who have less than \$10K in federal student loans falls primarily within the 24 and below age group.

Despite these challenges, members of Gen Z are investing in their financial futures and taking positive steps to strengthen their financial habits. Over half of respondents were optimistic about their financial futures, and 77% had also taken at least one positive financial action over the past year from putting money to investing in the stock market (Exhibit 2).

**Exhibit 2: Financial habits of Gen Z**

77% of respondents have taken at least one positive financial action over the past year



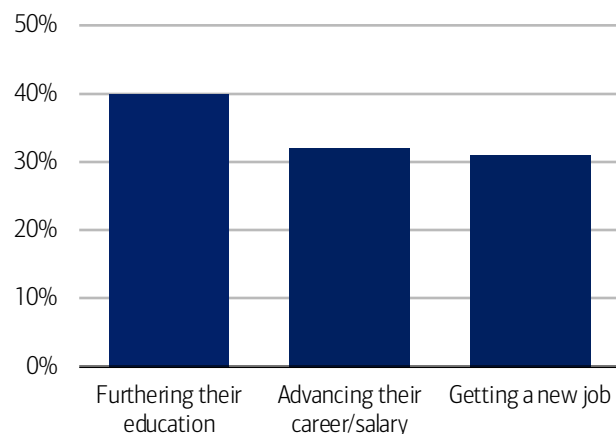
Source: Bank of America Better Money Habits

**Work hard, play hard**

When it comes to success at work and in life, members of Gen Z are driven by the desire to achieve financial peace of mind (74%) and to comfortably afford the things that they want. In order to achieve this peace of mind, they cited furthering their education, advancing their career/salary and getting a new job as the top three priorities for the year ahead (Exhibit 3). In addition, 75% of Gen Z were currently taking or considering steps to earn additional income including: changing jobs, turning a passion into a source of income, or taking on a second job or a job they don't like (Exhibit 4).

**Exhibit 3: Gen Z priorities for financial peace of mind**

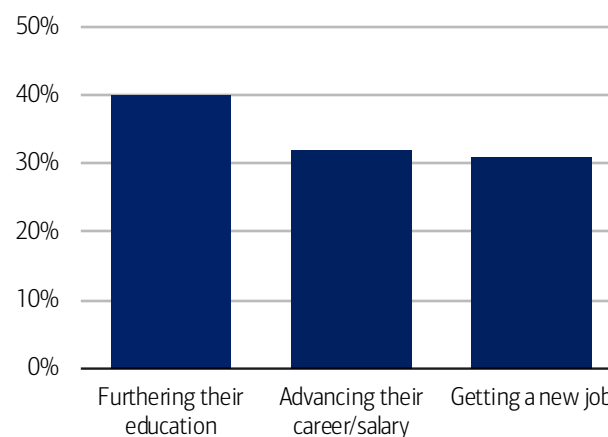
The top three priorities are furthering their education, advancing their career/salary and getting a new job.



Source: Bank of America Better Money Habits

**Exhibit 4: Steps Gen Z is taking to earn additional income**

Members of Gen Z are taking or considering steps to earn additional income, the largest percentage citing potentially changing jobs.



Source: Bank of America Better Money Habits

Gen Z is also more likely than other generations to combine this financial ambition with the desire to live comfortably. In fact, nearly half (45%) of respondents claim that having the ability to afford material items was a motivator to achieving financial success. This was in comparison to Millennials (34%), Gen X (30%) and Boomers (30%). However, with splurging comes regret – 29% said one of their biggest financial regrets is spending too much on material items and luxury goods.

## Diversity in demographics

With Gen Z being far more diverse than previous generations, the new [Better Money Habits survey](#) also examined ways in which race, ethnicity and gender may influence their financial priorities and challenges.

### Black/African American Gen Z

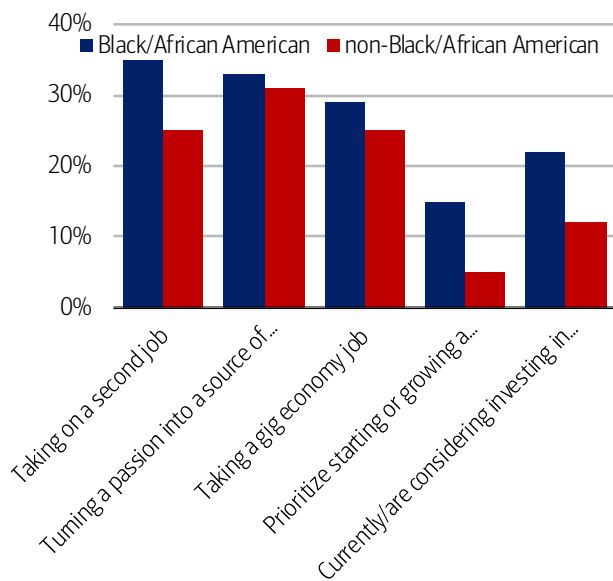
Black/African American members of Gen Z are paving the way toward financial independence, though barriers persist around debt and saving. Over half identified as mostly or fully financially independent – more so than their non-Black/African American peers.

Four-in-five respondents were currently taking or considering routes to earn supplemental income – more so than their non-Black/African American peers – including taking on a second job, turning a passion into a source of income and taking a gig economy job (Exhibit 5). These differences could also be driven by existing economic barriers to entry. Black/African American members of Gen Z prioritized entrepreneurship - they were 3x as likely to prioritize starting or growing a business in the year ahead compared to non-Black/African American members of the same generation (Exhibit 5).

Meanwhile, debt and the struggle to save counteract the progress made by Black/African American members of Gen Z. While this community is more likely to be burdened with debt as compared to their counterparts (Exhibit 6), this is down from 70% year-over-year. Black/African American members of this generation are more likely to cite taking on too much student loan and/or credit card debt as their biggest financial regret and more likely to cite student loans and/or credit card debt as a top financial stressor (Exhibit 6). Though 40% contributed to their savings over the last year (Exhibit 6), two-thirds did not have enough emergency savings to cover three months of expenses and one-third said their biggest financial regret is not setting aside enough for an emergency.

#### Exhibit 5: Financial wellness habits taken by Gen Z

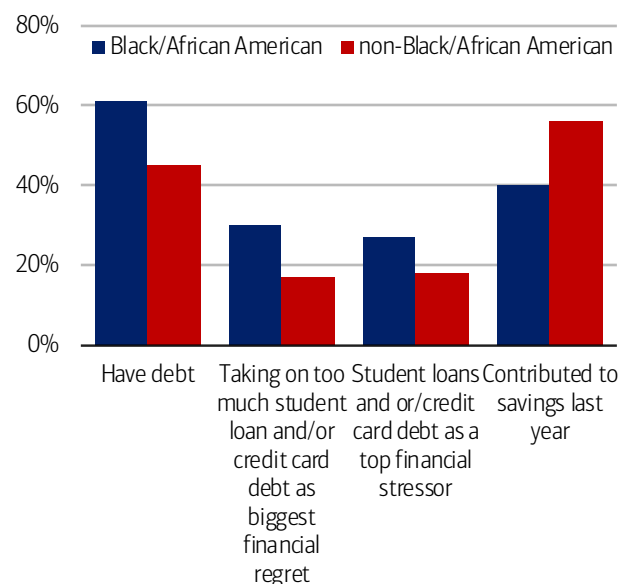
Black/African American Gen Z are currently taking or considering more routes to earn supplemental income compared to their peers



Source: Bank of America Better Money Habits

#### Exhibit 6: Financial barriers according to Gen Z

Black/African American Gen Z are more likely to be burdened with debt and have not contributed as much to their savings as their peers



Source: Bank of America Better Money Habits

### Hispanic Gen Z

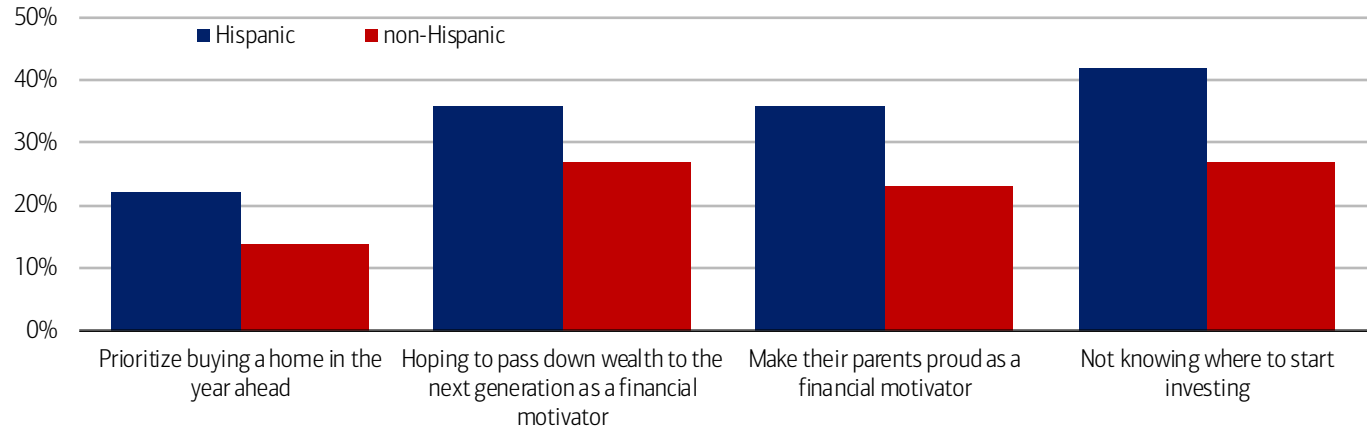
Hispanic members of Gen Z equated homeownership with financial success with nearly half noting that fully paying off a home/mortgage aligns with their definition of financial success. Additionally, they were also more likely to prioritize buying a home in the year ahead compared to non-Hispanic members of Gen Z (Exhibit 7).

Family was a strong financial motivator of this group as they hope to pass down wealth to the next generation and to succeed financially to make their parents proud (Exhibit 7). Over half of Hispanic members of Gen Z weren't financially independent and still rely on family for financial support. Unsurprisingly then, 57% felt that being able to provide for their family's future is part of their definition of financial success, and 64% said it's important to educate their family and/or community on financial matters.

However, financial education gaps remain a barrier to entry for this community when it comes to investing. In fact, 42% did not have any investments, and when asked why, the top reason was not knowing where to start, which is significant in contrast to those non-Hispanic Gen Z respondents (Exhibit 7).

**Exhibit 7: Hispanic vs. non-Hispanic Gen Z financial wellness responses**

For Hispanic members of Gen Z, family is a strong motivator for financial success. Financial literacy gaps around investing are particularly strong for these respondents.



Source: Bank of America Better Money Habits

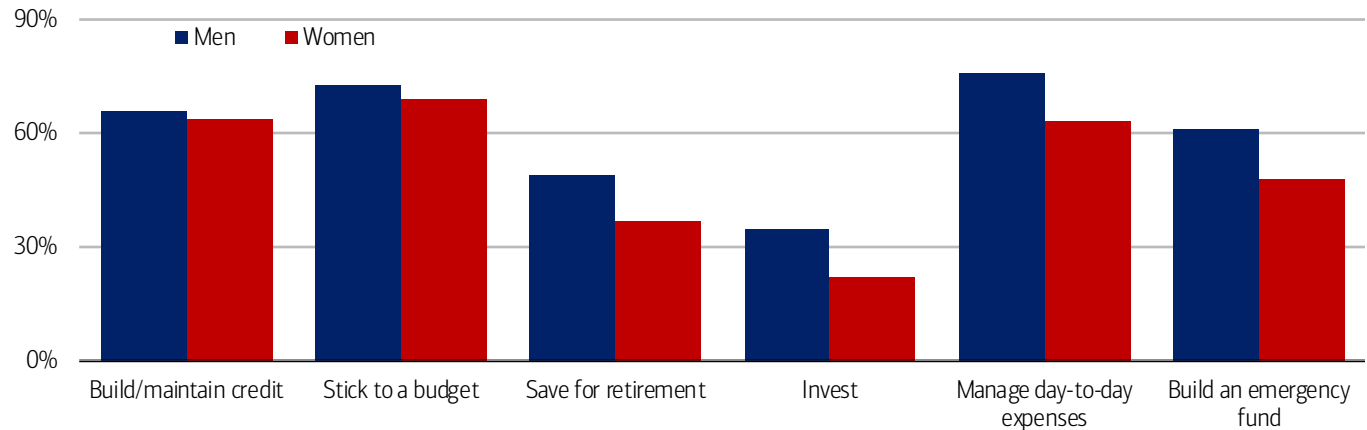
**Gender gap**

Let’s start with the good news: Overall, Gen Z women and men felt equally equipped to build/maintain credit and stick to a budget (Exhibit 8). However, Gen Z women respondents felt less equipped to manage day-to-day expenses and build an emergency fund. According to the Better Money Habits survey, just 38% of Gen Z women had enough emergency savings to last three months, compared to 48% of Gen Z men.

Gen Z women’s financial knowledge also has them feeling less equipped than Gen Z men to save for retirement and to invest. Today, 41% of Gen Z women have not yet begun investing, compared to 34% of men, and were less likely to even be considering individual investments (36% vs. 47%) or retirement savings vehicles such as a 401(k) (39% vs. 46%). Gen Z women’s financial literacy gaps and lack of investing, relative to men, may negatively impact their near and long-term financial wellness.

**Exhibit 8: Gender breakdown by Gen Z respondents on short- and long-term financial wellness**

Though men and women feel equally equipped to build/maintain credit and stick to a budget, there are significant gaps in other financial wellness tasks



Source: Bank of America Better Money Habits

**The bottom line**

As members of Gen Z establish their financial footing in the wake of an inflationary environment, they are facing difficult decisions in order to achieve their financial goals. This group of young adults said that high cost of living, not having enough income to achieve financial goals and the economy are their top three financial barriers to success. Members of Gen Z are also more likely than other generations to combine their financial ambition with the desire to live comfortably. Black/African American members of Gen Z are paving the way toward financial independence, though barriers persist around debt and saving. Financial literacy gaps were seen most strongly in responses from Hispanic and women members of Gen Z.

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## **Sources**

**Bank of America Better Money Habits Survey**

## **Methodology**

The survey was conducted June 24 - July 13, 2022, by Ipsos in both English and Spanish for Bank of America Better Money Habits and is based on nationally representative probability samples of 1,098 general population adults (age 18 or older), and a partially overlapping sample of 921 Gen Z adults (age 18-25), including 124 Gen Z adults from a non-probability sample. This survey was conducted primarily using the Ipsos KnowledgePanel®, the largest and most well-established online probability-based panel that is representative of the adult US population. Panelists are scientifically recruited into this invitation-only panel via postal mailings to a random selection of residential addresses. To ensure that non-internet households are included, Ipsos provides access to a tablet and internet connection to those who need them. Because of this probability-based sampling approach, KnowledgePanel findings can be reported with a margin of sampling error and projected to the general population. The margin of sampling error for the general population sample is +/- 3.2 percentage points at the 95 percent confidence level. For some of the questions, respondents could select one or more responses to certain questions.

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