



**REPORT INTRODUCING THE
SAVVY GENERATION**

We would like to acknowledge the traditional custodians of the land on which we meet and work throughout Australia.

We pay our respects to their elders past, present, and emerging and acknowledge that sovereignty has never ceded.

.....

This project was completed in partnership with YLab, the social enterprise arm of the Foundation for Young Australians, and 89 Degrees East.

Afterpay funded this research as they sought to better understand young people. This funding did not confer editorial control of this report.

CONTENTS

Select a heading below to go directly to that section.

Executive Summary.....	3
Research Objectives and Methodology	4
Project Summary	5
The 6 Money Mindsets.....	6
Attitudes Towards Money Management	7
COVID-19 and the Future	8
Dramatic Changes in Financial Behaviour.....	9
Narrow Base of Advice.....	10
Desire to Improve Chances for Financial Wellbeing	11
Conclusion.....	13

EXECUTIVE SUMMARY

The experiences of young Australians are influenced by a diverse mix of social, economic, and cultural forces. These shape the way young people live today and their prospects for decades ahead.

COVID-19 is the latest – and arguably most dramatic – dynamic to shape their lives. Its impact on their economic and financial prospects will be real and lasting.

However, we also know the current generation of young Australians are smart, imaginative, and resilient who will flourish – provided they are given the right guidance, support, and opportunity.

That is why, earlier this year, YLab joined with 89 Degrees East to better understand the challenges to financial wellbeing and health, and financial literacy, for Millennials (those born between 1981-1996) and Gen Zs (those born between 1997-2012) – as well as the aspirations young people have for their financial futures. The arrival of COVID-19 only made the project more urgent and relevant.

Eight key findings were identified as being the root causes of the most prominent issues faced by young Australians in the context of financial wellbeing and COVID-19:



The 6 Money Mindset Segments: 6 unique segments (financial wellbeing profiles) identified in the research



Attitudes towards money: young people often have a cautious and savvy attitude towards money management – the perception of a ‘smashed avo’ generation is replaced by the ‘thrifty’ generation



Unprecedented times: young people are facing unprecedented economic and financial challenges



Uncertainty: young people are worried about their financial future and conscious of planning



COVID-19 impacts: the financial implications of COVID-19 for young people are significant, particularly for Gen Zs



Dramatic times: young people’s financial behaviours are dramatically changing right now



Parental influence: the narrow base of advice that young people have access to limits successful behaviours



Education gaps: young people are crying out for relevant education to improve their chances for financial wellbeing

Above all, the research shows a mature, responsible, and savvy generation of spenders and savers – desperately seeking sound advice on how to better manage for today and build financial security for tomorrow.

RESEARCH OBJECTIVES AND METHODOLOGY

Before COVID-19 young people were already facing the prospect of being the first generation to be worse off than their parents; the pandemic reveals and exacerbates the scale of this generational inequality.^{1 2}

COVID-19 compounds long-term trends that have impacted young people since the Global Financial Crisis 12 years ago, including:

- Increased casualisation of the workforce
- Under-employment
- Major disruption of entry-level jobs
- Stagnant wage growth
- Alarming housing unaffordability^{3 4}

The economic consequences of COVID-19 are life changing for young people. In August 2020, the general population's employment rate was 7.1%, but it was 16.2% for young people.⁵ Young people make up over half of the employees in industries such as hospitality, retail, the arts, and tourism, which have been significantly impacted by the pandemic.⁶

Young people are more than twice as likely to have lost work than other age groups and were also more likely to be in casual employment and, therefore, ineligible to receive JobKeeper payments.^{7 8}

Past recessions also show that young people are more likely to experience unemployment's long-term effects than older people.⁶

Those who do find work will still experience less job security, fewer hours, and lower wages.⁹

It was against this backdrop that we sought to unlock three critical questions:

- *How are young people planning for their financial futures?*
- *How are young people changing their behaviours concerning money?*
- *What are their attitudes towards money management, and how has the pandemic shifted these?*

¹ Silvester, B. (2020). 'My sense of identity is falling away': young people pay the heaviest price in Covid recession. The Guardian. Retrieved from <https://www.theguardian.com/australia-news/ng-interactive/2020/sep/19/my-sense-of-identity-is-falling-away-young-people-pay-the-heaviest-price-in-covid-recession>.

² Wood, D., & Griffiths, K. (2020). *Generation gap: ensuring a fair go for younger Australians*. Grattan Institute. Retrieved from <https://grattan.edu.au/report/generation-gap/>.

³ Karp, P. (2020). *Covid-19 to compound GFC's lasting impact on young Australians' pay and career progression - study*. The Guardian. Retrieved from <https://www.theguardian.com/business/2020/jul/27/covid-19-to-compound-gfcs-lasting-impact-on-young-australians-pay-and-career-progression-study>.

⁴ Youth Affairs Council of Victoria (2020). *A COVID-19 Recovery Plan for Young People*. Retrieved from <https://www.yacvic.org.au/advocacy/covid-19-recovery/>.

⁵ Australia Bureau of Statistics. (2020). *Table 16. Labour force status for 15-24 years olds by State, Territory and Educational attendance (full-time) (No. 6202.0)*. Retrieved from <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>.

⁶ Wood, D. (2020). *The way out of the COVID-19 recession*. Grattan Institute. Retrieved from <https://grattan.edu.au/news/the-way-out-of-the-covid-19-recession/>.

⁷ Daley, J., Wood, D., Coates, B., Duckett, S., Sonnemann, J., Terrill, M., & Wood, T (2020). *The Recovery Book: What Australian governments should do now*. Grattan Institute. Retrieved from <https://grattan.edu.au/wp-content/uploads/2020/06/Grattan-Institute-Recovery-Book.pdf>.

⁸ Coates, B., Cowgill, M., Chen, T., & Mackey, W (2020). *Shutdown: estimating the COVID-19 employment shock*. Grattan Institute. Retrieved from <https://grattan.edu.au/wp-content/uploads/2020/04/Shutdown-estimating-the-COVID-19-employment-shock-Grattan-Institute.pdf>.

⁹ Youth Affairs Council of Victoria (2020). *A COVID-19 Recovery Plan for Young People*. Retrieved from <https://www.yacvic.org.au/advocacy/covid-19-recovery/>.

RESEARCH METHODOLOGY

1

Phase 1: Quantitative Survey

From June 2 to June 16 2020, 89 Degrees East captured young Australians views through a large-scale, robust, nationwide survey with 1030 respondents aged 18-39 years old.



2

Phase 2: Qualitative Focus Groups (Online)

Qualitative 'Deep Dive' Focus groups x 4 facilitated by YLab.

Online focus groups conducted with 6-8 participants in each, with 30 participants total. Two groups were held for 18-25 year olds and two for 26-33 year olds.

The thematic analysis was used to test the hypothesised mindsets, strategies and attitudes towards managing money.

PROJECT SUMMARY

OBJECTIVES

1. Understand the main themes and findings emerging from the research - using the data to establish and illustrate a larger narrative
2. Define the financial wellbeing profiles that are identified in the research, as well as implications for financial habits among young people
3. Establish the essential insights, impacts, and trends that need to be understood by policymakers and organisations



THE 6 MONEY MINDSET SEGMENTS

The 6 Money Mindset Segments: 6 unique segments (financial wellbeing profiles) identified in the research.

Following the research survey and 'Deep Dive' focus groups, we uncovered 6 Money Mindsets Segments - these are financial wellbeing profiles for the different ways young people engage with, relate to and manage money.

These financial wellbeing profiles represent the different attitudes, spending and saving habits, and stories of young people.

Presented here are the final 6 Money Mindset Segments and the ways they show up for young people today:

SOCIAL SPENDERS

13% of young people



I am prone to overspending on socialising, and I often shout my friends; I can develop some risky financial habits. I'm generally a middle income earner - I'm likely a SINK (single income, no kids) or a DINK (dual income, no kids).

LIVE BIG SAVERS

25% of young people



I am realistic, rational, thrifty, and frugal. I have a good attitude towards short or mid-term savings goals like saving for a car or my next holiday. I am generally a low-mid income earner, and most often, I am living at home.

WORK TO LIVE

25% of young people



I am in control of my money. I am a savvy spender who plans things out, and I am unlikely to have my goals derailed. I believe that my time is as valuable as my money. I am generally a mid-high income earner and often have a family.

WEALTH GENERATORS

10% of young people



I feel financially secure and I believe increasing my wealth is in my control. I am employed in higher income full time work, and take an active approach to developing my financial literacy.

CHAOTIC CREW

13% of young people



I live in the moment. My relationship with money is emotional, and I often feel out of control, I am known to feel stressed about finances. I am usually a low income earner.

JUST GETTING BY

14% of young people



I live in a low to middle income household. I most likely have children, am paying off debt, and I am disengaged with my money matters.



ATTITUDES TOWARDS MONEY MANAGEMENT

Attitudes towards money: young people often have a cautious and savvy attitude towards money management – there is a mindset shift from the ‘smashed avo’ generation to the ‘thrifty’ generation.

While public commentary often assumes Millennials and Gen Z have a frivolous approach to money, in reality, young people’s financial attitudes are now mature and careful.

Young people value thriftiness, living within your means, making savvy financial decisions in day-to-day expenses, and are more responsible than given credit for.

The impact of COVID-19 has accelerated the ‘savvy consumer’ trend – 71% of young Australians agree that they are a savvy spender and do what they can to make savings and find the best deals.

A mindset shift is evident, from the ‘smashed-avo’ generation to the ‘thrifty generation’, where 81% of young Australians are actively looking for ways to minimise expenses and being careful about what they spend money on.

What young people said:

“I don’t have to go to uni, spend money on petrol, I eat at home, can’t go on dates so it’s been really easy to save. At this stage, I’ve been like, you don’t often get a time where you don’t have to spend much so use this opportunity to see how much I can save.”

Some important facts:

- 82%** of young people agree that it’s important to **live within your means**
- 81%** of young people agree it’s important to have a **savings buffer** for a rainy day
- 81%** of young people are actively looking for ways to **minimise expenses**
- 80%** of young people agree you should **think carefully** about what you spend your money on
- 74%** of young people rated themselves a grade of ‘A’ or a ‘B’ for their ability to **pay off their bills**, and 69% said they’re doing well at managing debt and **paying off debt**
- 67%** of young people agree they know how to **have fun, without spending too much**

COVID-19 AND THE FUTURE



UNPRECEDENTED TIMES

Young people are facing unprecedented economic and financial challenges.



COVID-19 IMPACTS

The financial implications of COVID-19 for young people are severe, particularly for Gen Zs.



UNCERTAINTY

Young people are worried about their financial future and conscious of planning.

COVID-19 has acted as an accelerant on the financial experiences and behaviours of young people. Young people are clear-eyed about the challenges they face today, as well as consequences for the future.

The crisis has brought long term financial futures into clear focus, with **67%** of young people agreeing they are **more conscious of the need to plan for the future**, and **7 out of 10** young people wanting to **build an emergency fund** dedicated to future economic shocks.



For those young people receiving JobKeeper or JobSeeker, fears of future financial security are even higher than concerns about day to day expenses.

Young people perceive a real risk that financial compromises and burdens generated today will complicate their ability to plan for the future.

Young people have a clear need for the skills and know-how that will equip them with the ability to make good decisions today and plan for tomorrow.

Young people also have a clear need for ongoing stability provided by social economic policies that will enable them to survive financially through the disruptions brought about by COVID-19.



DRAMATIC CHANGES IN FINANCIAL BEHAVIOUR

Dramatic changes: young people’s financial behaviours are dramatically changing right now.

The COVID-19 economic crisis has accentuated conservative financial behaviours among young Australians.

Over half of young people said they were being more financially conservative and less likely to make risky financial decisions. Young people micro-manage their finances to stretch them further – shopping around for more deals and avoiding impulse buys.

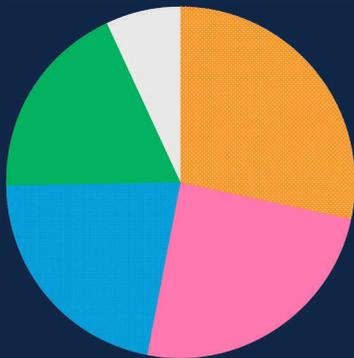
There is a strong push towards saving more, even among young people whose incomes have not reduced.

What young people said:

“I know it sounds stupid (sic) but cooking my food at home is the way I save the most money. I spend so much on UberEats usually so actually cooking saves me so much”

DOING MORE

The Top 5 things young people are doing more of as a result of the COVID-19 crisis:



42% of young people are being more careful about what they are spending

36% of young people are doing more online shopping

32% of young people are shopping around more for the best deals

27% of young people are putting more savings away for unexpected expenses

10% of young people are using By Now, Pay Later accounts more

DOING LESS

The Top 5 things young people are doing less of as a result of the COVID-19 crisis:



32% of young people are spending less on impulse buys

24% of young people are earning less money

17% of young people are using their credit card less

14% of young people are shopping less

11% of young people are borrowing money from family or friends



NARROW BASE OF ADVICE

Lack of advice: the narrow base of advice that young people have access to limits successful behaviours.

Families and caregivers are the primary sources of financial education for young people. Yet young people who rely on their parents as the primary source of information report the lowest levels of financial literacy. This suggests an urgent need to upskill parents of young people and children.

While parents model good day-to-day budgeting and spending strategies, they provide less education on long term financial wellbeing strategies. This limits the financial literacy of young Australians in these critical areas and inhibits their financial wellbeing.

Young people said taking an active approach to financial literacy education through podcasts, books, financial institutions, and government advice better boosts their understanding of long term financial health strategies. Young people want to learn about money management through: online platforms (38%), coaching (31%), educational institutions (19%), podcast (6%), and books (6%).

However, young people’s lower usage of these sources suggests that few current solutions are attractive or meaningfully engaging young people.

What young people said:

“My parents used to keep telling me to save up all the time, but they never emphasised on how I could. So like, even having practical knowledge about, say, a savings account or a fixed deposit or something like that would have been really helpful”

“My parents had a lot of debt when I was younger so I have always been so anxious about that.”

SOURCES OF INFORMATION

Most important sources

The most important sources for financial wellbeing advice for young people:

53% of young people learn from their parents

51% of young people engage in self learning

Implications of relying on parents

Relying on parents for information leads to a lower understanding of long term financial health topics:

65% of young people have low knowledge of the share market

48% of young people have low literacy of property investment and home ownership



DESIRE TO IMPROVE FINANCIAL WELLBEING

Need for guidance: young people are determined to improve their chances for financial wellbeing.

Knowledge gaps around long term financial health strategies lead to implementation traps as young people struggle to action financial health strategies that will provide them with more economic certainty and future financial wellbeing.

What does this mean?

It means that young people need support that is meaningful to them to improve their future economic certainty. This specifically includes tools and knowledge to generate financial security and wellbeing into the future.

Tools that will help young Australians develop and upskill towards long term financial health will resonate strongly, especially if those tools can demonstrate practical examples of good financial behaviours or are targeted to overcoming common traps.

Upskilling parents will lead to an overall improvement in the level of knowledge young people have access to.

.....
What young people said:

“Thinking about future plans like buying a house, is very stressful.”

GROW WEALTH AND DEVELOP LONG TERM FINANCIAL HEALTH SKILLS

81%

of young people would like to improve their skills in making investments for the future

80%

of young people want to learn skills around how to get more out of their income. This is significantly higher for Gen Zs (85% of Gen Zs)

79%

of young people would like more skills in planning for the future and 70% of young people are seeking knowledge around setting financial goals



DESIRE TO IMPROVE FINANCIAL WELLBEING

DEMONSTRATE WHAT GOOD LOOKS LIKE

A common reflection from the focus groups was “what should good look like for me (given my income, geography and circumstances)?”

Young people who expressed a strong grasp of everyday financial management lacked the relative information to compare if they were on track.

What young people said:

“I’m not sure where I am supposed to be financially for my age group and stage of life.”

“What is normal? And what can I do to accelerate it?”

BUDGET SOLUTIONS THAT SUPPORT YOUNG PEOPLE TO ACHIEVE THEIR LONG TERM GOALS

Barriers that stop young people from achieving their goals include:

73% of young people identified unexpected expenses or repairs as a barrier

65% of young people identified the cost of living increases as a barrier

54% of young people identified eating out too often or getting takeaway as a barrier

53% of young people identified spending for others as a barrier

What young people said:

“I spend too much as soon as soon as I get paid, then have to ration out what’s left for the rest of the month (I get paid monthly).”

CONCLUSION

The research shows the current generation of young Australians are smart, imaginative, and resilient. Provided with the right guidance, support, and opportunity, young Australians will flourish – the need to equip, enable, and empower young Australians with the tools, skills, and knowledge for their financial futures is clear.

EQUIPPING YOUNG AUSTRALIANS

1. Ensuring Young Australians have easy and affordable access to financial literacy initiatives, tools, products, and services that accelerate their knowledge. Existing products and services for young people and parents should build financial wellbeing into their offerings.
2. Ensuring these products and services are designed or redesigned to better position Young Australians to make informed financial decisions that help them manage and save the finances available to them now, to boost their financial wellbeing and wealth over time.
3. Ensuring financial literacy, tools, products and services are particularly tailored to Young Australians with lower social capital and economic resources levels.

ENABLING YOUNG AUSTRALIANS

1. There is currently only one job vacancy available for every 12 people without paid work or enough paid work, with even less in regional areas.¹ Ensuring policy makers provide sustained, structural support to help young Australians, recognising young people will endure the most substantial and long-lasting effects from the economic downturn caused by COVID-19. These supports should include ongoing economic relief, and programs targeting the high levels of youth unemployment and underemployment at both state and federal levels. For example, a permanent and adequate increase in income support payments providing young people with the security to rebuild their lives from this crisis.
2. Ensuring the communities around young Australians are equipped with the knowledge, tools, and information to provide support to build their financial skill sets, including managing and responding to disruptions to financial stability. Policy makers should consider and deliver systemic reform responses to the economic precarity exposed by COVID-19 that young Australians experience.

EMPOWERING YOUNG AUSTRALIANS

Ensuring the solutions devised to both boost financial literacy, health and wellbeing among young Australians – and sustain them through the effects of COVID-19 – are co-designed by them to ensure they are relevant, contemporary and fully embraced.

¹ Anglicare Australia (2020). *Jobs Availability Snapshot 2020*. Retrieved from <https://www.anglicare.asn.au/research-advocacy/jobs-availability-snapshot>