SAVING GENERATION Z

How 16-27 Year Olds Save and Spend

YORKSHIRE BUILDING SOCIETY

CONTENTS

FOREWORD

Financial shocks can come from anywhere, at any time and affect any of us at any age. From a global pandemic to rising utility costs, events large and small can turn our finances upside down. The Covid-19 pandemic quickly followed by a cost-of-living crisis has been testing for all of us. But for those without good financial resilience, these challenges have been even tougher to navigate and to recover from. In particular, for young people just entering into adulthood and reaching financial independence, barriers to financial wellbeing such as cost-of-living pressures, the burden of debt, wage stagnation, and the challenges of getting onto the housing ladder have never felt more present.

At Yorkshire Building Society, we believe improving financial wellbeing is in everyone's interests. It sits at the heart of our purpose. Since our foundation 160 years ago, we've focused on helping people to save and to achieve the security of a home of their own. Helping young people to strengthen their finances is a key part of our ambition. To understand better the challenges they face and how we, our peers, and policy-makers can help to improve their financial wellbeing, we've worked with Public First to undertake this research. We hope this will provide a helpful contribution to this important debate.

The research considers financial resilience across several factors – how well people across different generations can handle financial shocks, how they approach financial pressures, how they manage their finances, and their ability to save. It specifically focuses on 16-27 year olds, members of Generation Z – those born between 1997 and 2012. Using national economic data and polling of 1,000 16-27 year olds and 2,000 UK adults we have been able to shine a light on how young adults have been impacted by recent economic turmoil and an apparent lack of robust or consistent financial education.

Generation Z is the first generation where most members should have experienced at least some financial education during their school years, however, provision of this across the UK is inconsistent. Although financial education has been on the secondary school curriculum since 2014, over 80% of secondary schools in England are academies[1], and do not have to follow the curriculum. Primary school curriculums in Wales, Scotland and Northern Ireland do include financial education or financial capability.

This report shows that young adults have the right mindset – they are more willing to learn, are more active in seeking out financial education resources, and spend more time managing their money than the wider population. However, just half of 16-27 year olds said they received any kind of financial education, and only 42% said this happened at secondary school. In some (but not all) cases, experience of financial education was linked to more positive financial experiences or behaviours.

The research findings are stark – the barriers faced by today's young adults are substantial. Generation Z adults have got it tough, faced with spending significant amounts of their monthly income on essentials such as housing costs and bills. Almost half said they have to dip into their savings at least once a month to afford their expenses and a third said that if their monthly outgoings went up by £100, they would be unable to afford them.

Members of Generation Z who reported receiving financial education at school were more likely to say they felt knowledgeable about financial concepts, more optimistic about their ability to save and more likely to think they could endure financial shocks.

It's clear that more can be done to ensure everyone feels that benefit and there are steps we can take to address the challenges faced and support the financial futures of younger generations. We've made several recommendations, through the course of the research, which we intend to take forward with peers, stakeholders, and policy makers.

Ultimately, ensuring our younger generations feel supported to enter adulthood with a good understanding of their finances will really help make us all healthier, happier, and as prepared as we can be for whatever life brings.

Susan Allen OBE
CEO of Yorkshire Building Society

1 Schools, pupils and their characteristics, Academic year 2023/24 - Explore education statistics - GOV.UK (explore-education-statistics.service.gov.uk)

EXECUTIVE SUMMARY

Gen Z, those born between 1997 and 2012, have come of age during a period of significant financial upheaval. Their early experiences of managing money have been shaped by the Covid-19 pandemic, a cost-of-living crisis, high housing costs, and persistently low economic growth.

The public has considerable sympathy for the financial challenges facing Gen Z. A majority of every age group agree that they face more hurdles to achieving financial wellbeing than older generations, with three quarters thinking Gen Z will find it harder to save due to increased house prices and rent.

Some media commentary has suggested Gen Z's financial difficulties are self-inflicted, arguing they spend unnecessarily and are less interested in saving towards financial goals.

Research for this report paints a far more nuanced picture of Gen Z's finances, revealing a generation that are actively trying to manage their money but struggling to do so due to spending pressures and a lack of confidence in making financial decisions.

This research report focuses on the financial experiences of 16-27 year olds, members of Generation Z who maybe having their first taste of financial freedom, or taking their first steps into the world of work.

Spending habits of 16 - 27 year olds are under significant financial pressure

Gen Z's spending is overwhelmingly focused on essential goods and services and many are struggling to afford their outgoings.

46% say they have to dip into their savings at least once a month to afford their expenses and 31% say that if their monthly outgoings went up by £100 they would be unable to afford them - much higher rates than are seen for adults overall.

This is contributing to high levels of financial stress amongst Gen Z, with 68% feeling very or somewhat stressed about their financial situation over the last 12 months.

Gen Zs are struggling to save effectively

Gen Z are keen to save for the future: they are far more likely to say they are saving money than spending it and more likely to say this than the wider population.

However, 52% of young people - or over 5.1 million individuals - have not saved any income over the past two years. This is overwhelmingly driven by the fact they can't save, with three quarters of this group saying they cannot afford to save or are paying off debts.

Where Gen Z can afford to save, many do ineffectively. Of those who can save, nearly half - equivalent to 1.4 million individuals - who have savings accounts are 'inactive' savers, who do not shop around for the best interest rates. Bringing this group's savings habits into line with the wider population would enable 800,000 more to benefit from higher interest payments, with better savings habits potentially generating £226 million in additional interest for Gen Z each year.

Many members of Gen Z lack financial confidence and are at risk of poor financial decision making

16-27 year olds are less confident in their knowledge of personal finance than other generations. 39% say they lack the knowledge to make key financial decisions - almost twice the rate of the wider adult population, with a similar number saying they don't know who to ask or who to trust for financial advice.

This lack of confidence is reflected in some of their financial behaviours. Gen Z are more likely to report having some debt across a range of types of debt than most other generations and over a third report falling behind or missing at least one payment in the year across a range of types of debt.

Gen Z are also more likely to have experienced and fallen victim to online scams and identity theft than other generations - suggesting that though they spend more time online, they are not doing so with knowledge of how to stay safe.

Gen Zs want to actively manage their money and financial education can support this

16-27 year olds spend more time managing their money than the wider population. 35% spend over one hour a week on activities related to this - such as budgeting or tracking expenses - and 36% check their current account every day. They are also more active in trying to improve their financial skills than other adults, with 43% saying they seek out financial education resources.

Our analysis suggests that financial education at school can play a positive role in supporting this. Members of Gen Z who reported receiving financial education at school were more likely to say they felt knowledgeable about financial concepts, more optimistic about their ability to save and more likely to be able to think they could endure financial shocks.

However, Gen Z's experience suggests there is significant scope to improve financial education. Those who received financial education at school are no less likely to have fallen victim to online scams or be in debt, and less than half feel it has made their finances better. To meet the financial challenges facing Gen Z, we need to both support them to use the money they do have better but also acknowledge, as the wider public do, that the financial situation they face is much more difficult than it has been for previous generations.

This means:

- Improving financial education in primary and secondary schools - by making financial education part of the national curriculum in the UK so that all students receive it and improving the breadth and quality of what is provided.
- Targeting financial information at Gen Z more effectively - by improving our understanding of what influences their financial behaviours and reflecting this in the way financial organisations and charities communicate.
- Developing financial products that reflect the challenges facing Gen Z - through offering services that incentivise and enable them to reach financial goals in new ways.

KEY FACTS

74% of adults agree that Gen Z will find it harder to save due to increased house prices and rents

36% of Gen Z check their current account every day

39% of Gen Z say they lack the knowledge to make key financial decisions

52% of Gen Z have not saved any income over the past two years

3/4 of Gen Z who don't save "can't save" due to a lack of income or high debts

1.4M members of Gen Z are 'inactive' savers - who do not shop around for the best interest rates

£226M in additional interest could be generated by bringing Gen Z's savings habits into line with the wider population

68% of Gen Z have felt very or somewhat stressed about their financial situation over the last 12 months

31% of Gen Z say that if their monthly outgoings went up by £100 they would be unable to afford them

400K more members of Gen Z could save enough for a £5,000 mortgage deposit over 5 years, if those who "won't save" were encouraged to do so

46% of Gen Z who received financial education at school agreed that it has made their finances better

43% of Gen Z seek out financial education resources

ABOUT THIS RESEARCH

Motivation and methodology

Over the last three years, Yorkshire Building Society has published a series of research reports on the public's financial wellbeing. This includes *Bouncing Back*[1], which explored the financial resilience of young people aged 18-30 in the wake of the Covid pandemic, and *Saving the Nation*[2], which looked at the savings behaviours of UK adults.

Recognising the particular challenges facing Gen Z, Yorkshire Building Society commissioned Public First to carry out this piece of in-depth research, exploring their financial behaviours and how this group and the wider population think about their financial situation.

This included analysis of new polling conducted by Opinium in May 2024 with a sample of 1,000 people aged 16 - 27 (Gen Z) and a sample of 2,000 nationally representative adults. Full data tables of this polling are published online.

Public First also carried out analysis of a number of public datasets focused on financial behaviours, including the Office for National Statistics' Wealth and Assets Survey, the Financial Conduct Authority's Financial Lives Survey and the Bank of England/NMG's Survey of Household Finances.

About Yorkshire Building Society

Yorkshire Building Society has just under 230 branches and associated agencies throughout the UK, with assets of £61 billion and 3 million customers, employing just under 3,500 people.

The Society is owned by and exists to support its members, reinvesting its profits to help people get the most from their savings and find a place to call home. Our mutual model ensures we are well placed to react to challenges while providing purposeful benefits to our members, customers, and communities.

1 Bouncing Back: Boosting young people's financial wellbeing after the pandemic
2 Saving the Nation: The Evolution of Savings Behaviours Across Five Extraordinary Years

RESEARCH FINDINGS

A GEN Z ARE UNDER SIGNIFICANT FINANCIAL PRESSURE

- Gen Z's spending is overwhelmingly focused on essential goods and services
- Gen Z are more likely to use Buy Now Pay Later services when spending than the wider population
- Many members of Gen Z are struggling to afford their outgoings and are vulnerable to sudden price rises
- This is contributing to high levels of financial stress amongst Gen Z

Gen Z's spending is overwhelmingly focused on essential goods and services

Media commentary has often focused on the idea that Gen Z spend what money they have frivolously, choosing to buy non-essentials and rather than save for a mortgage or other traditional long term savings goals.

However, our polling shows this is not the case. Large proportions of Gen Z say they typically spend nothing each month on discretionary goods and services such as non-essential travel for holidays or socialising (34%), gym membership or exercise (43%) and luxury items like cigarettes, alcohol and luxury foods (27%), with rates of spending across these categories not significantly higher than those reported by the wider population.

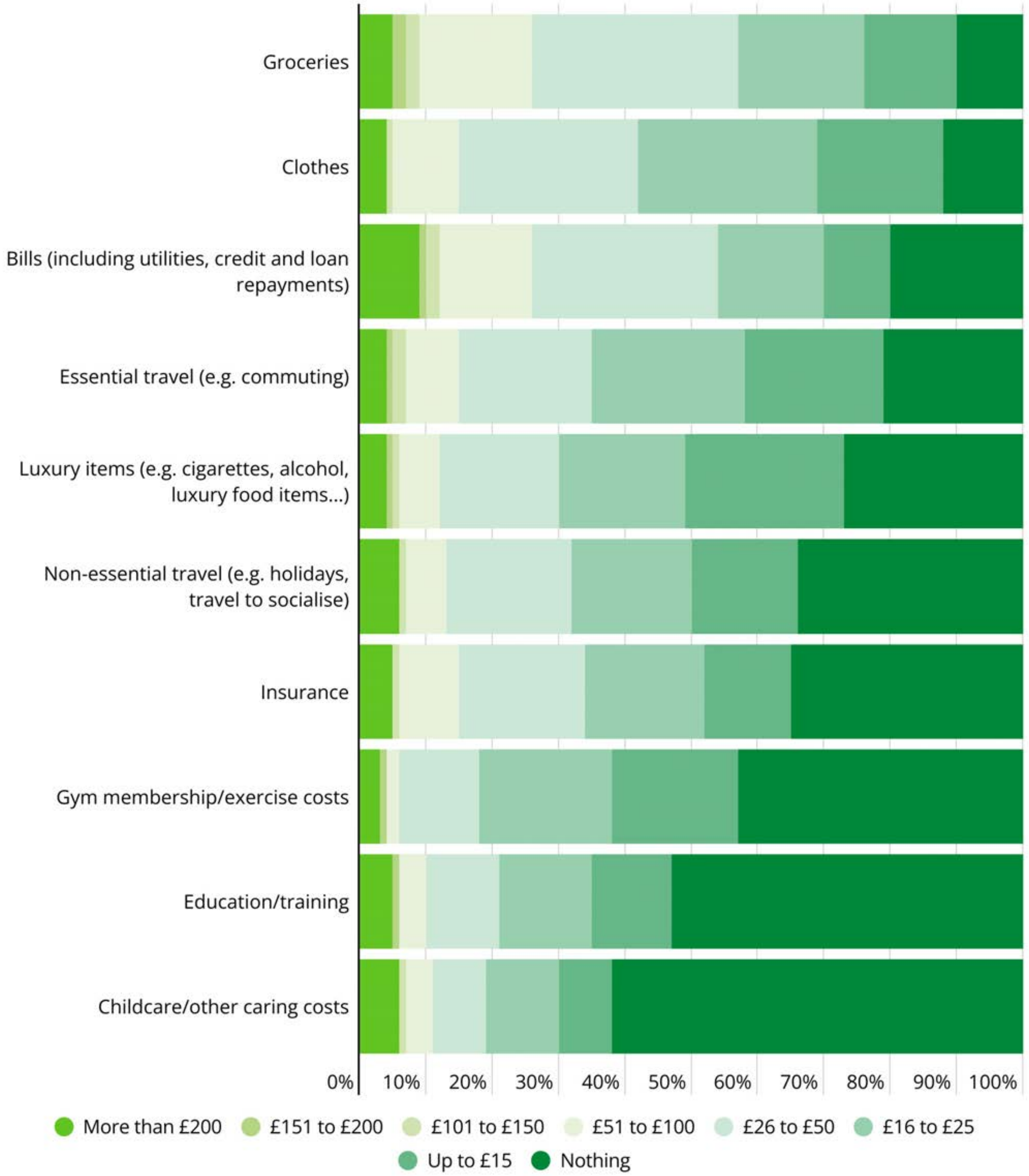

Figure 1. "How much do you spend on the following each month? Answer based on how much you personally spend, rather than your entire household" by spending category. Opinium poll of 1,000 16 –- 27 year olds in the UK. Public First analysis. Field work: 3rd –- 12th May 2024.

When combining types of spend into two broad categories of 'essential' and 'non-essential' goods and services using a methodology similar to that used by the ONS, we find that Gen Z do spend a slightly higher proportion of their spending on non-essential goods and services - with 23% of their spending going towards this compared to 16% for adults overall.

However, this may be explained by Gen Z spending a lower proportion of their outgoings on bills and groceries, which is likely to reflect the fact that a significant number of them live at home with their parents.

Gen Z are more likely to use Buy Now Pay Later services when spending

When asked how they spend their money, Gen Z were most likely to say they used debit cards, followed by cash and then credit cards, for both essential and non-essential purchases.

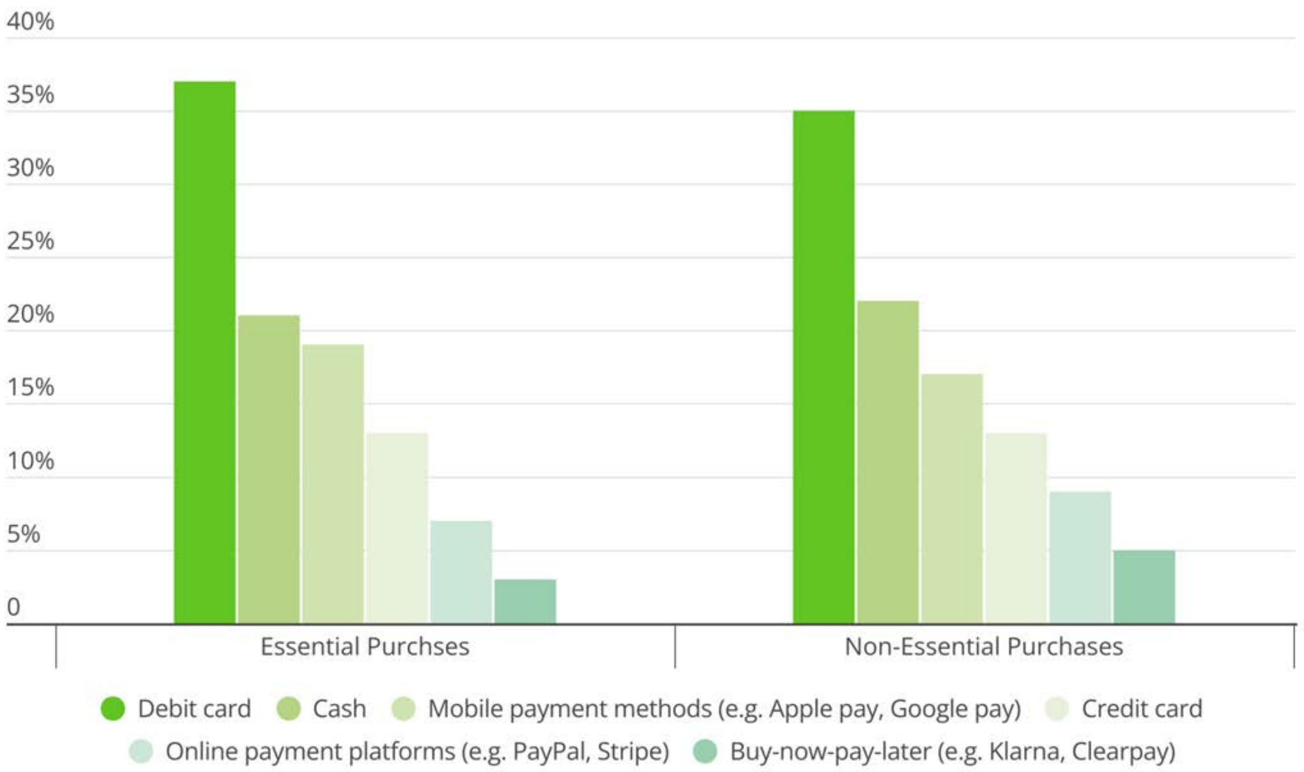

Figure 2. "Thinking back over the last 12 months, how have you paid for the following expenses? Select all that apply.". Opinium poll of 1,000 16 –- 27 year olds in the UK. Field work: 3rd –- 12th May 2024. Public First analysis.

These payment preferences are similar to those seen across the wider population. Notably, the use of cash is relatively low amongst Gen Z but not significantly lower than for other age groups, except those aged over 55.

However, Gen Z are more likely to utilise Buy Now Pay Later services than the wider population. 20% of respondents said they have used Buy Now Pay Later services within the last year to pay for goods and services, compared to only 15% of the wider population.

Gen Z are more likely to use this payment for non-essential purchases. Fashion is the spending category where Buy Now Pay Later is most frequently used, with 12% of fashion purchases made in this way. This suggests that Gen Z may be turning to Buy Now Pay Later as a way to cover discretionary purchases which they otherwise would be unable to afford.

Many members of Gen Z are struggling to afford their outgoings and are vulnerable to sudden price rises

Our poll suggests that this spending is putting many members of Gen Z under significant financial strain.

46% of Gen Z respondents reported that they had to dip into their savings at least once a month to afford their expenses during the last year. This compares to only 27% of the wider adult population and just 11% of those aged 55.

This leaves Gen Z vulnerable to sudden shocks to their cost of living or other price increases. 31% of Gen Z respondents said that if their monthly outgoings went up by £100 then they would be unable to afford them, compared to 18% of adults overall who said they would be unable to afford this change.

This is contributing to high levels of financial stress amongst Gen Z

This struggle to make ends meet is one reason why Gen Z are significantly more likely to say they have felt stressed about their finances than the wider population.

68% of Gen Z say they have felt very or somewhat stressed about their financial situation over the last 12 months, compared to 48% of all UK adults. 26% of Gen Z say they have felt very stressed, compared to only 10% who say they have not felt stressed at all.

There is also a sense that Gen Z face greater barriers to their financial well being than other generations.

71% of Gen Z agreed with the statement that "Today's young adults (16 to 27 year olds) face more hurdles to achieving financial wellbeing than older generations faced when they were young", compared to only 11% who disagreed.

There was also widespread sympathy for Gen Z's financial struggles amongst the wider population. 63% of all adults agreed with the statement, compared to only 11% who disagreed, and a majority of adults in every age group agreed with it.

B GEN Z ARE STRUGGLING TO SAVE EFFECTIVELY

- Gen Z are keen to save for the future and more likely to say they are saving than the wider population
- However, over half of Gen Z have not saved any income over the past two years - overwhelmingly because they can't do so
- Many of Gen Z are also unsure about how to save effectively and are missing out on lost interest

Gen Z are keen to save for the future and more likely to say they are saving than the wider population

When asked what they are doing with their money currently, Gen Z respondents to our poll were far more likely to say they were saving it (62%) than spending it (38%), and more likely to say they were saving it than the adult population overall.

Our polling suggests there are some important differences in savings priorities between Gen Z and the adult population generally.

When asked what they had saved for in the last year, both groups were likely to cite luxury goods such as holidays and gifts, a housing deposit and future spending for essentials. However, Gen Z were significantly more likely to have saved for their education and to start a family, whereas the older generations were more likely to have saved for their retirement and unexpected bills. The higher proportion of adults overall saving for 'nothing in particular' compared to Gen Z also suggests a greater ability to save, as we see below.

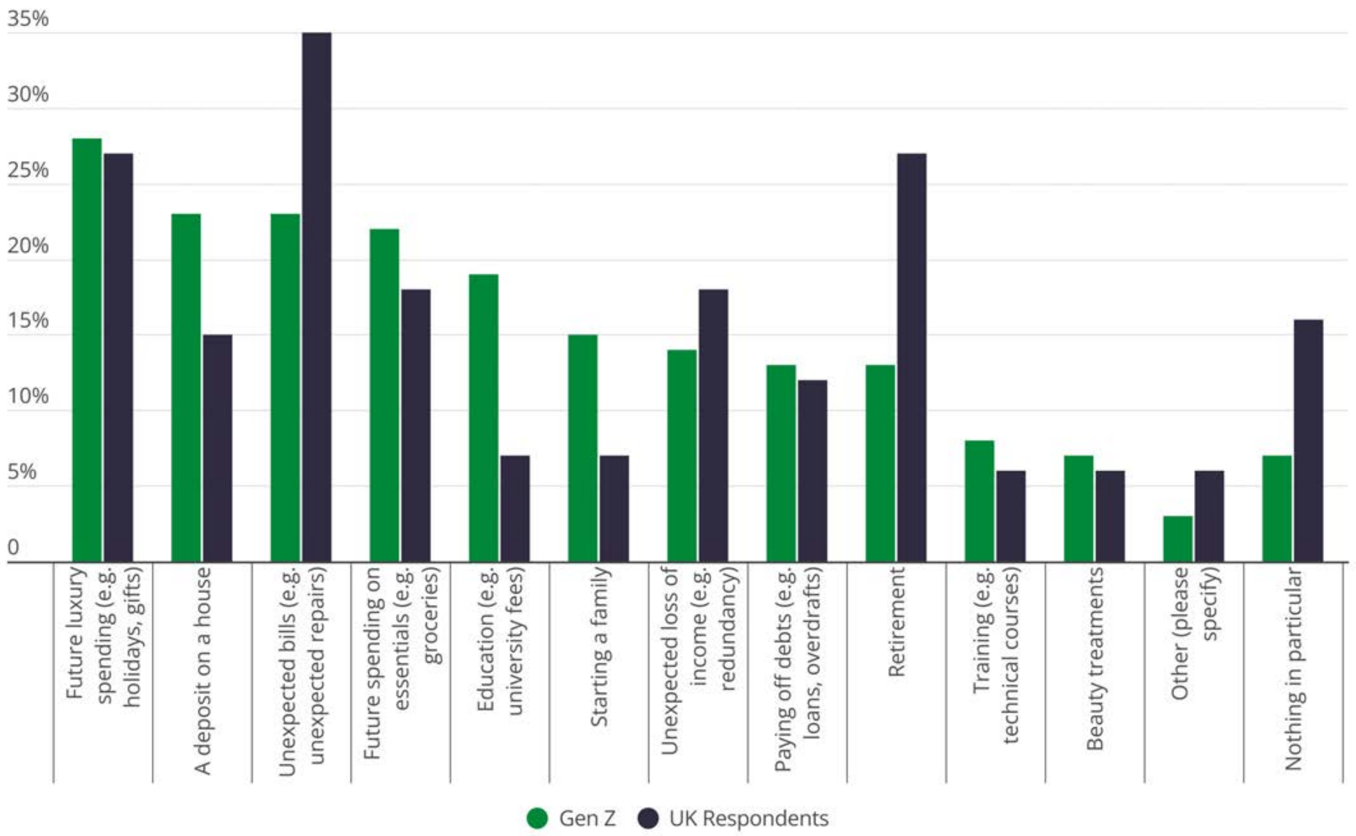

Figure 3. "You said you've been saving over the last 12 months. What are you saving for? Select all that apply." Opinium poll of 1,000 16 –- 27 year olds in the UK. Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd –- 12th May 2024.

Gen Z also gave different reasons for why they were saving rather than spending. These respondents were more likely to link this to saving for a specific goal, whereas adults overall were more likely to say that they could afford to save as there was nothing they needed to spend on.

However, over half of Gen Z have not saved any income over the past two years - overwhelmingly because they can't do so

The financial pressures facing Gen Z are also having an impact on their ability to save.

These low levels of saving are overwhelmingly driven by financial pressures. Our analysis of ONS data, estimates that 52% of Gen Z - or over 5.1 million individuals - have not saved any income over the past two years.

By analysing the reasons cited for not saving, we were able to identify young adults who do not save due to budgetary constraints, and those who do not save out of choice. The chart overleaf shows the reasons that were cited for those who do not save.

Breaking these reasons down we can see they fall into two broad categories: first, those who 'can't save' because they cannot afford to or are paying off debts and second those who 'don't save' because they do not want to or they do not see the need to.

Importantly, we find that over three quarters of Gen Z individuals who do not save actually 'can't save' due to a lack of income or high debts.

Gen Z reasons for not saving

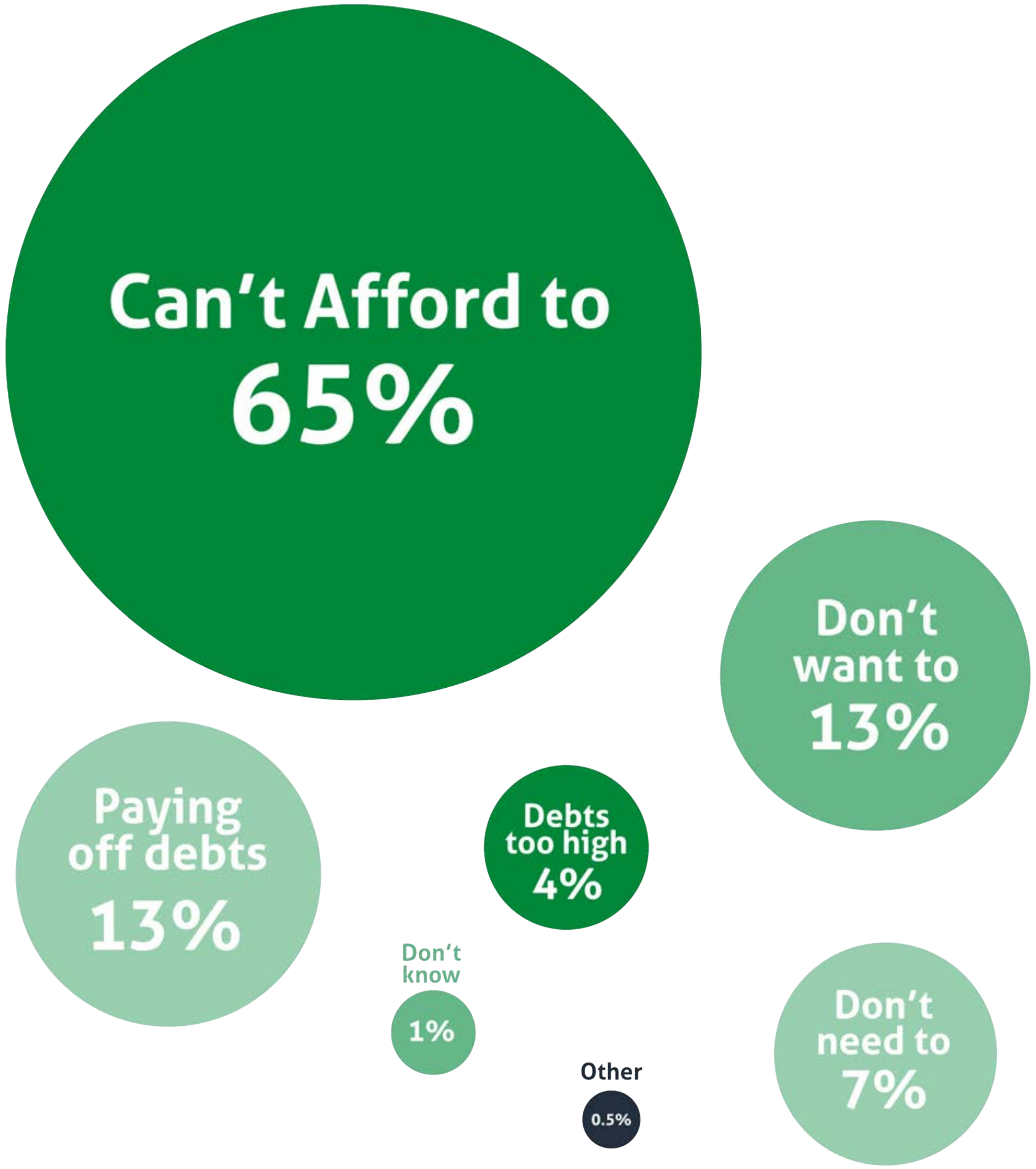

Figure 4. Public First analysis of Office for National Statistics' Wealth and Assets Survey.

Many members of Gen Z are also unsure about how to save effectively and are missing out on lost interest

When asked, less than half of Gen Z said they would feel confident in selecting the best savings account for their current goals and were the least confident of any generation in their ability to save effectively. This is reflected in ONS data on how Gen Z are actually saving their money.

This shows that nearly half of all Gen Z with savings accounts are inactive savers, who do not shop around for the best interest rates - the equivalent to 1.4 million. This is a much higher proportion than the population overall, where only 20% of people are 'inactive' savers.

If Gen Z savers were as likely as the rest of the population to shop around for the best deal when opening a savings account, we estimate a further 800,000 of them would benefit from higher interest payments.

We also find a further 1 million who do put money aside but only do so into a current account, meaning that they lose out on interest available in a savings account.

Furthermore, we estimate that of the 5 million in Gen Z who do not save at all, 1.2 million of those fall into the 'won't save' category, meaning that they choose not to save rather than not being able to. Under the assumption that these 'won't save' individuals save the same portion of their income as young adults who do save, there are further potential gains to Gen Z in the form of financial resilience and interest payments.

Improving the savings behaviour of Gen Z could lead to significant economic gains. Overall, our modelling suggests that better savings habits could generate £226 million a year in higher interest payments for Gen Z overall.

C MANY MEMBERS OF GEN Z LACK FINANCIAL CONFIDENCE AND ARE AT RISK OF POOR FINANCIAL DECISION MAKING

- Gen Z are less confident in their knowledge of personal finance than other generations
- Gen Z are more likely than most other generations to say they have debt and to have missed debt repayments
- Gen Z are more likely to have considered themselves a target of a scam (in particular online scams, phishing attacks and identity theft) compared to other generations

Gen Z are less confident in their knowledge of personal finance than other generations

Our poll asked respondents which financial concepts they felt most knowledgeable about.

With the exception of student loans, Gen Z were less likely to say they felt knowledgeable than other generations across almost every financial concept tested.

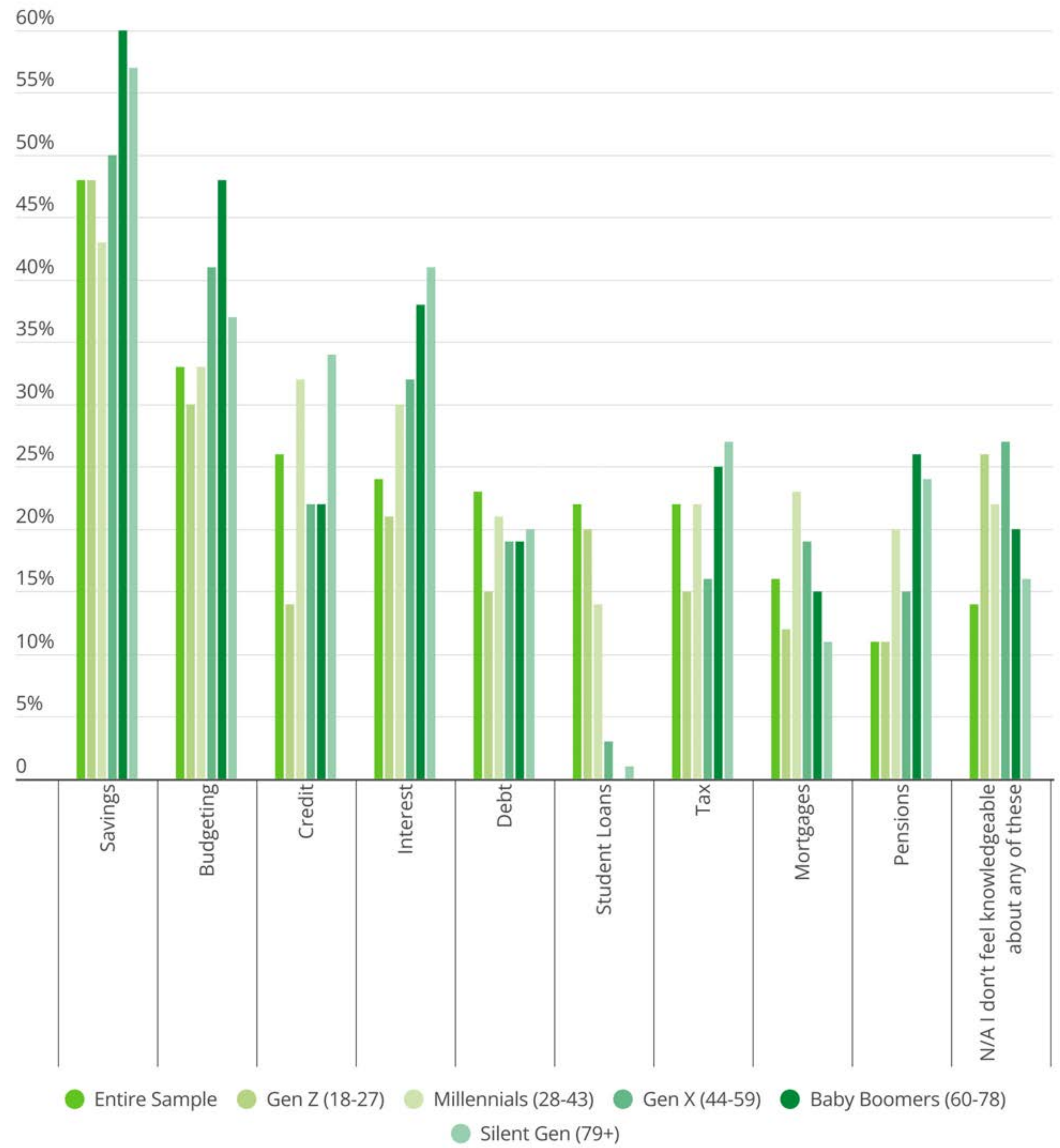

Figure 5. "Which of the following things related to finance do you feel most knowledgeable about? Select up to five". Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd –– 12th May 2024.

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Gen Z also lack confidence in other aspects of personal finance. Whilst they were more likely than most other generations to say they had set themselves long-term financial goals, they were the least likely to say they know how to create a monthly budget and stay within this. Only just over half (53%) of Gen Z said they can do this compared to over three quarters of Baby Boomers (76%).

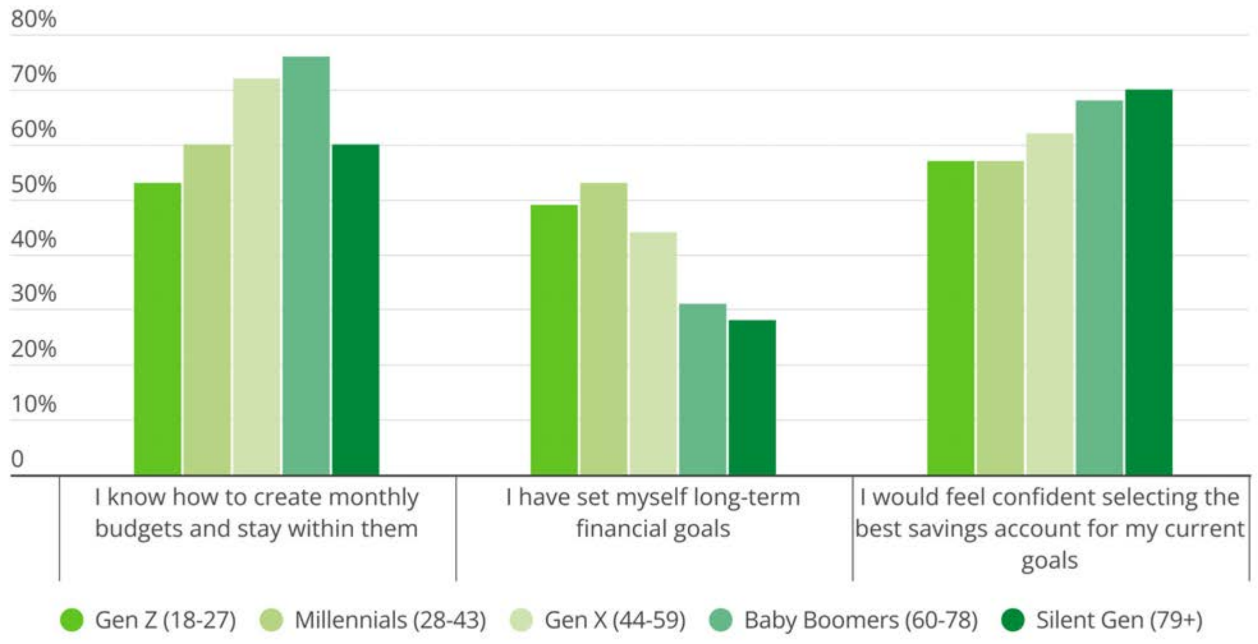

Figure 6. "[To what extent do you agree or disagree with the following statements?]". Opinium poll of 2,000 UK adults. Public First analysis. Public First analysis. Field work: 3rd –– 12th May 2024.

This lack of confidence is reflected in how Gen Z approach financial decisions. 39% of Gen Z respondents said they lacked the knowledge to make important financial decisions, compared to only 22% of the wider adult population.

Gen Z are also less likely to know where to turn for support on financial issues. 39% say they don't know who to ask for financial advice, compared to only 24% of the wider population and 41% say they don't know who to trust on financial advice, compared to 32% of all adults.

Whilst a lack of confidence is not the same as a lack of ability, these results suggest that Gen Z face challenges in their ability to understand and manage their personal finances. This is reflected in a range of indicators, explored overleaf.

Gen Z are more likely than most other generations to say they have debt and to have missed debt repayments

Our polling shows that Gen Z are more likely to report having some debt across a range of types of debt than other generations. They are the most likely of any generation to have Buy Now Pay Later debts and second only to Millennials in holding every other type of debt tested.

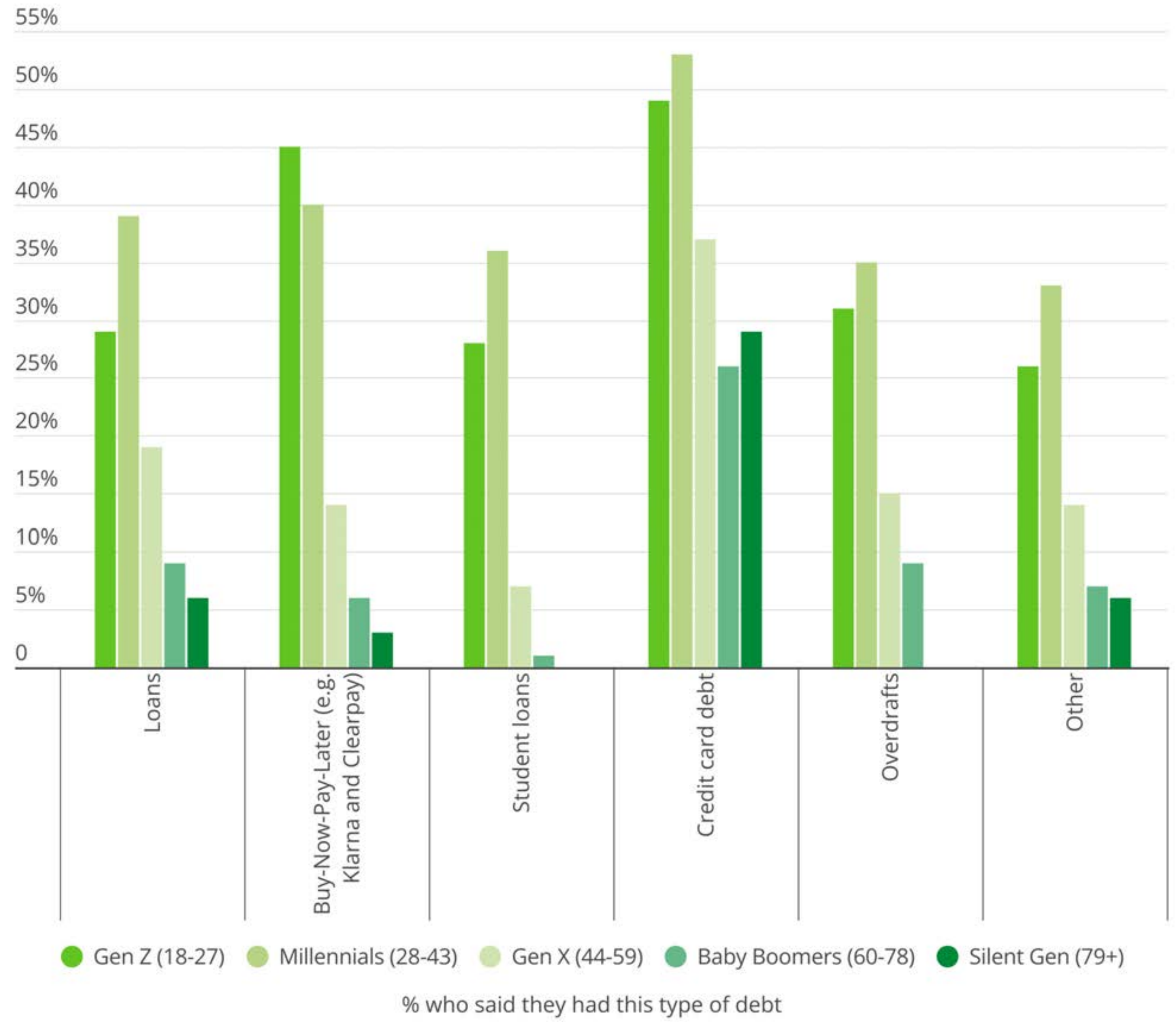

Figure 7. "How much debt, if any, do you have in each of the following categories?". Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd –– 12th May 2024.

Many members of Gen Z also report falling behind with debt repayments, with over a third saying they had fallen behind or missed at least one payment for debts linked to a loan, Buy Now Pay Later service, credit card or an overdraft in the year.

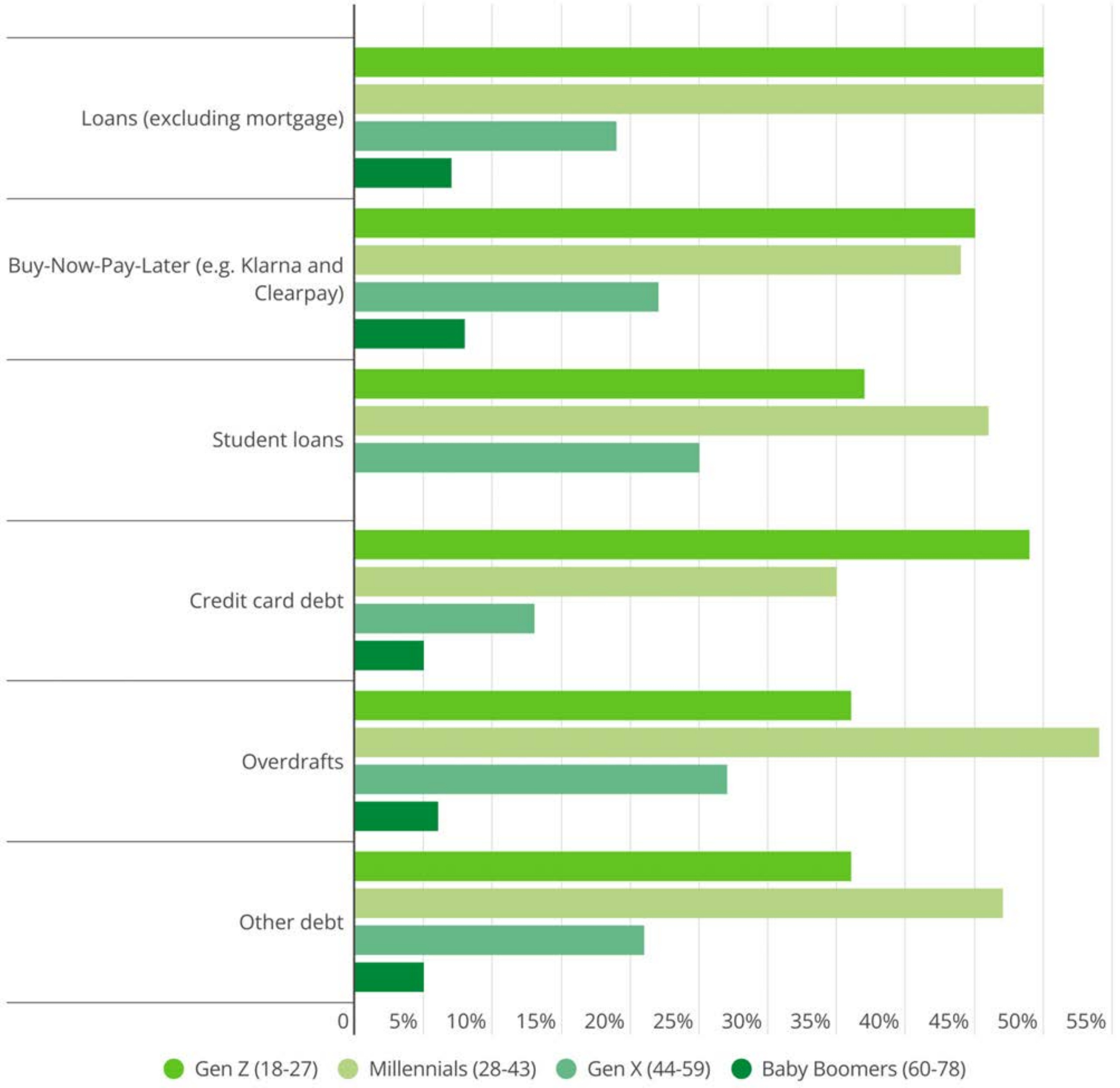

Figure 8. "In the last year, have you fallen behind on, or missed, any debt repayments in the following categories?". Opinium poll of 2,000 UK adults. BASE: Respondents who said they have each of the following types of debt. Public First analysis. Field work: 3rd — 12th May 2024.

Whilst not all debt should be seen as a negative, the combination of Gen Z's comparative lack of confidence around concepts such as debt and interest and the relatively high number of missed payments suggests that this could be an area of concern.

Gen Z are more likely to be have considered themselves a target of a scam in particular online scams, phishing attacks and identity theft.

It is clear that Gen Z face a number of challenges when it comes to maximising their ability to save; whether it be a lack of knowledge of key personal finance concepts or a lack of disposable income.

However, with scams becoming more sophisticated Gen Z are also vulnerable to losing income in other ways.

Gen Z are more likely to share that they have been targeted by a range of online scams and identity theft than other generations.

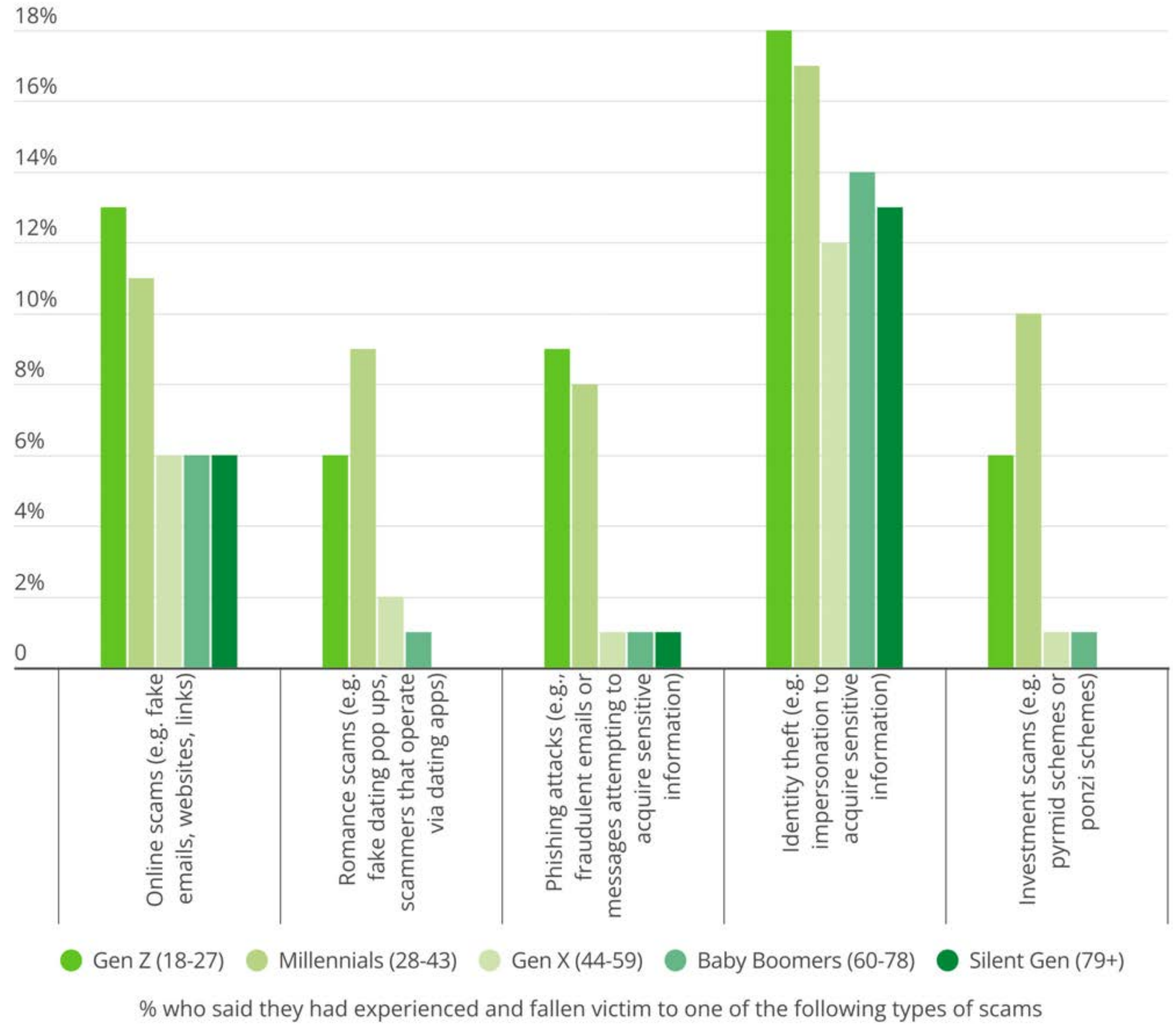

Figure 9. "Have you ever been targeted by any of the following type of scams". Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd — 12th May 2024.

This may reflect the higher levels of time Gen Z spend online. However, it suggests that we should not assume Gen Z's comfort with using the internet means they are less likely to fall victim to online scams.

D GEN Z WANTS TO ACTIVELY MANAGE THEIR MONEY AND FINANCIAL EDUCATION CAN HELP SUPPORT THIS.

- Gen Z spend more time managing their money than other generations and are keen to improve how they do this
- Financial education can help young people develop confidence in personal finance concepts
- Provision of financial education is inconsistent and not helping Gen Z with key topics

Gen Z spend more time managing their money than other generations and are keen to improve how they do this

In our poll, 48% of UK adults said they agreed that Gen Z are less careful with their money than older generations.

However, our polling shows that Gen Z are actually spending more time managing their money than the wider UK population.

35% of them spend over 1 hour a week on activities related to this - such as budgeting or tracking expenses, compared to 26% of the wider population.

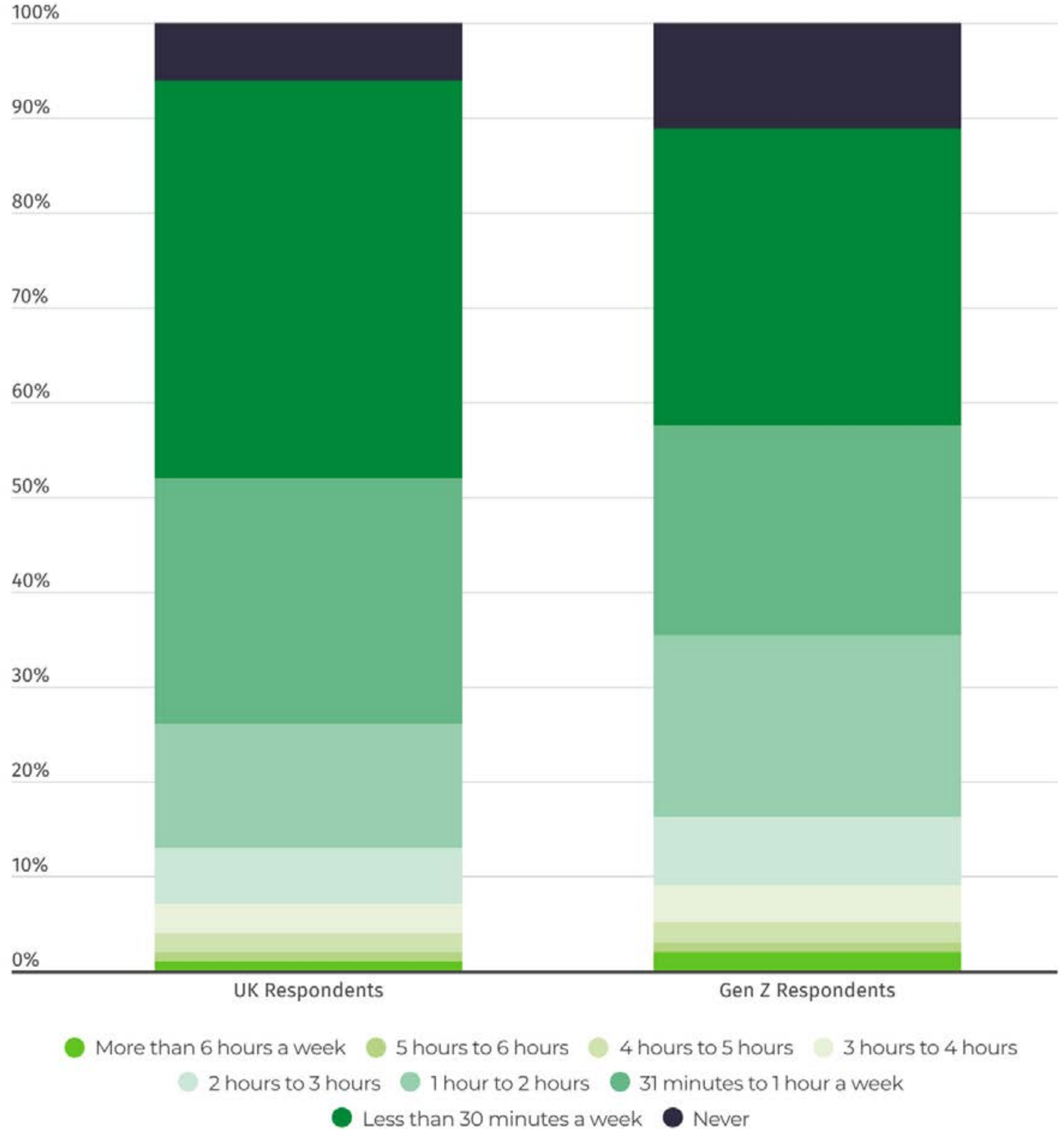

Figure 10. "How many hours a week do you spend managing your money? (i.e. budgeting, tracking expense etc.)". Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd –– 12th May 2024.

Young people are also checking their current accounts more regularly than the rest of the UK. 36% of Gen Z check their current account everyday compared to 27% of the wider population, with 68% checking at least a few times a week.

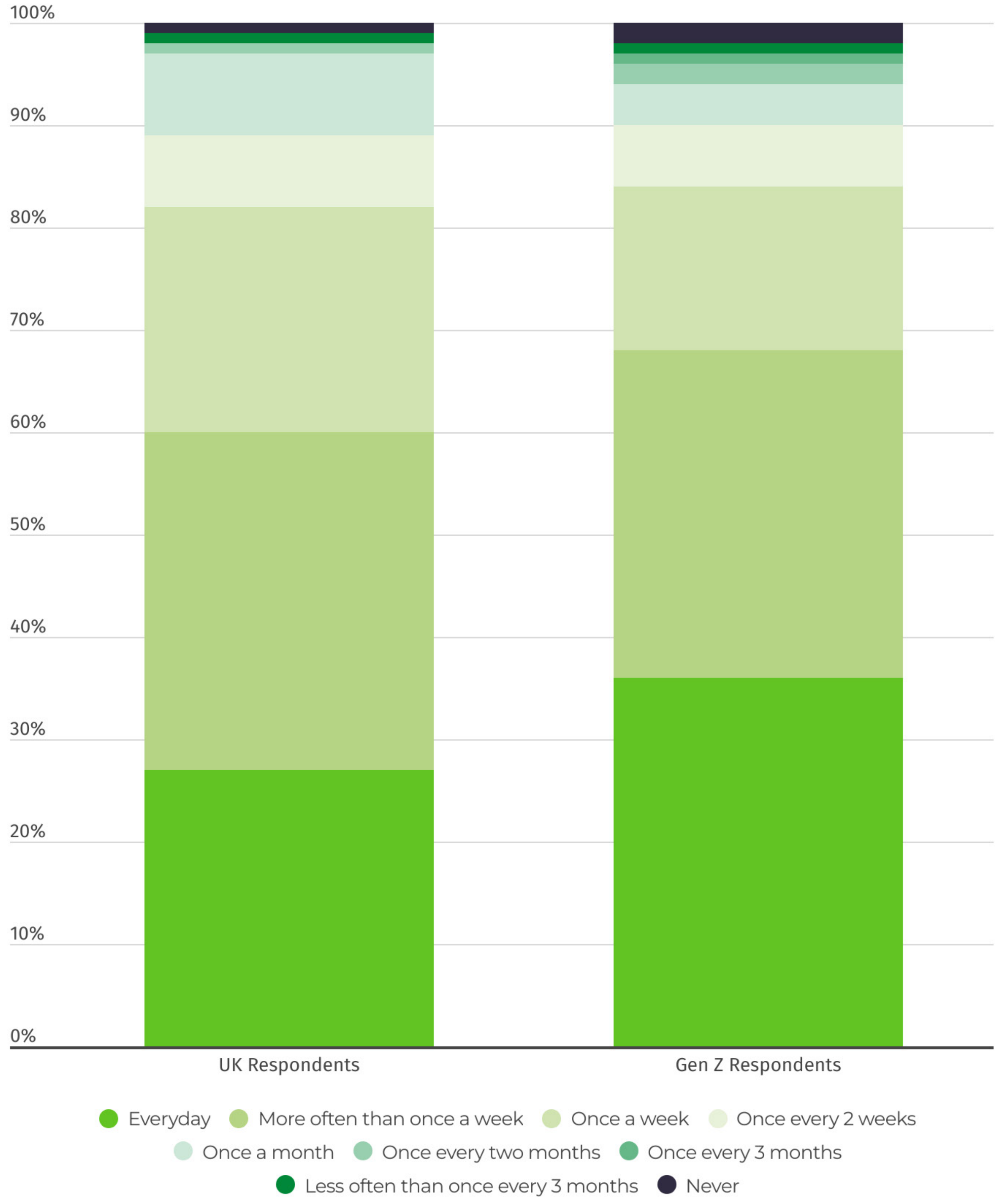

Figure 11. "How often do you check your current account balance?". Opinium poll of 2,000 UK adults. Public First analysis. Field work: 3rd -– 12th May 2024.

And whilst Gen Z may lack confidence in their knowledge of key personal finance concepts, they are keen to learn more. 43% of them say they actively seek out financial education resources, including online courses or social media pages, compared to only 27% of adults overall.

Financial education can help young people develop confidence in personal finance concepts

Our polling analysis shows that financial education can play a positive role in developing young people's confidence to achieve their savings goals.

Members of Gen Z who reported receiving financial education at school were more likely to say they felt knowledgeable about key financial concepts such as tax (+11%pts), debt (+9%pts), and mortgages (+8%pts), than those who did not.

Receiving financial education has also helped make members of Gen Z more optimistic about their personal finances and the future.

Even controlling for relevant personal characteristics, such as income and socio-economic group, those who said they had experienced financial education at school were +13%pts more likely to think that they could save enough for a mortgage deposit in the next ten years than those who did not.

They were also more likely to be able to think they could endure financial shocks, such as large increases to their monthly outgoings.

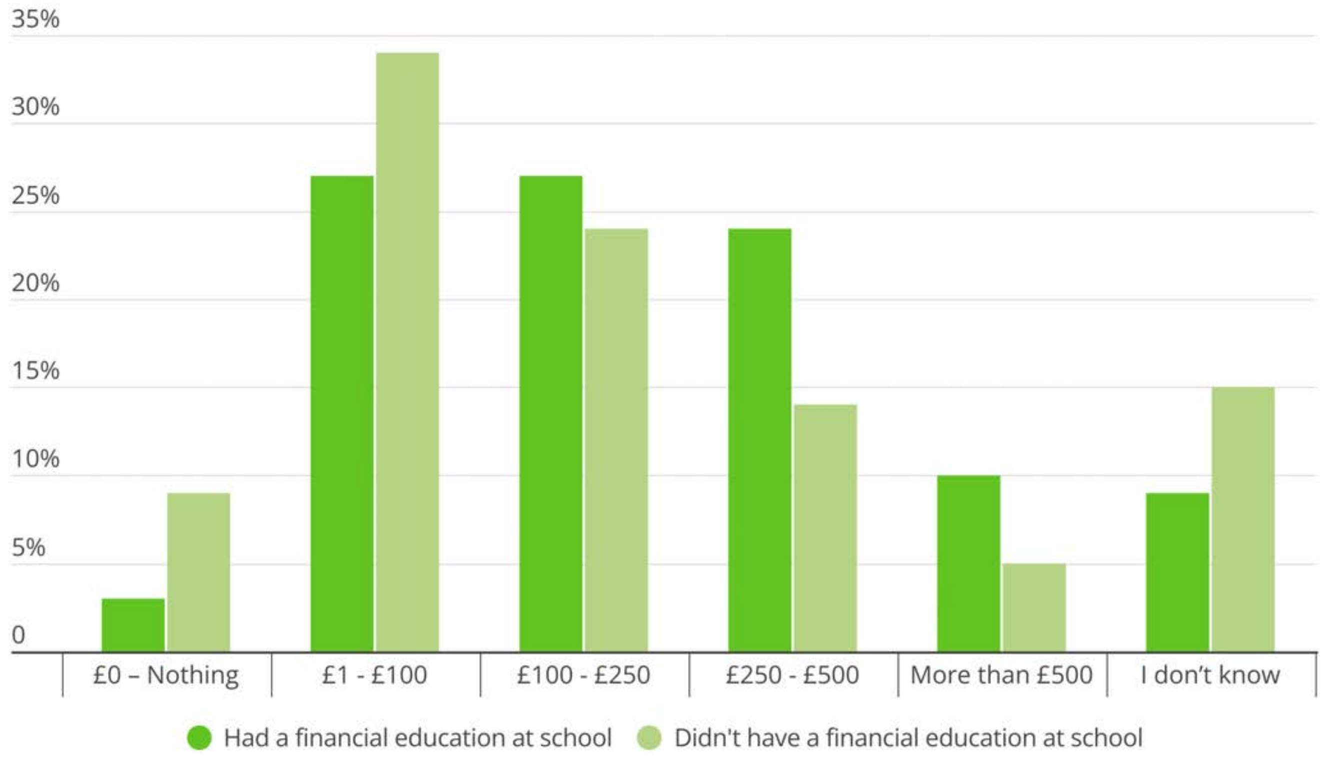

Figure 12. "Thinking about all your monthly outgoings, by how much, if at all, could they go up by before you could not longer afford to pay for them?" Opinium poll of 1,000 16 -– 27 year olds in the UK. Public First analysis. Field work: 3rd — 12th May 2024

And those who had received financial education at school were more likely to seek out financial education resources to help them manage their money now.

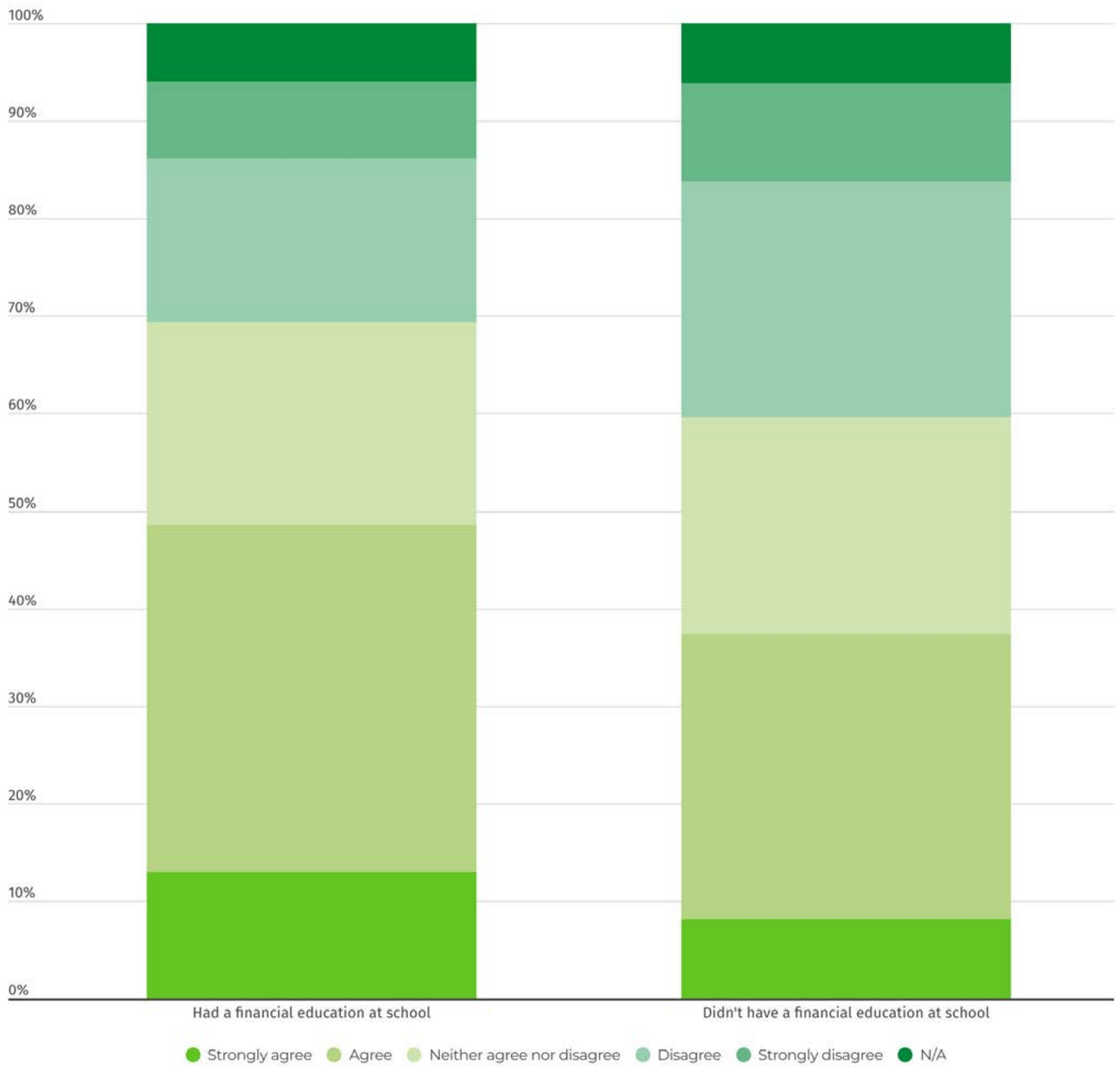

Figure 13. "To what extent do you agree or disagree with the following statements around financial management and advice? 'I actively seek out financial education resources (e.g. online courses, social media pages, etc.)'". Opinium poll of 1,000 16 –- 27 year olds in the UK. Public First analysis. Field work: 3rd — 12th May 2024.

However, financial education has not led to benefits across the board for Gen Z. For example, we found no difference between those who had and had not received this in who had experienced or fallen victim to online scams or use Buy Now Pay Later services, and those who had received financial education were actually slightly more likely to say they had debts.

With only 46% of Gen Z who had received financial education at school agreeing that it has made their finances better, there is clearly room for the quality of this to improve.

However, provision of financial education is inconsistent and is not helping Gen Z with key topics

Financial education has been on the secondary school curriculum in England since 2014, meaning that Generation Z should be the first generation where most members should have experienced at least some financial education during their school years.

However, our polling found that only 46% of Gen Z in England say they received financial education at school, a similar figure to that reported by the Money and Pensions Service.[3]

The fact that only 41% of Gen Z in England report receiving this at secondary school suggests inconsistency in how the current curriculum requirement is being delivered. A particular issue here is that over 80% of secondary schools in England are now academies, which do not have to follow the curriculum.[4]

The lack of requirement to include financial education as part of the curriculum at primary school in England - in contrast to curriculums in Wales, Scotland and Northern Ireland - is also revealed in our poll, with only 30% saying they received it at this stage of their education.

Our research also suggests that the financial education young people are receiving is not covering key topics. Less than a third of poll respondents who said they had received financial education at secondary school recalled this covering topics such as debt, interest and credit - reflecting the findings elsewhere in our research that Gen Z lack confidence in these topics and are at risk of making poor decisions on them.

3 UK Children and Young People's Financial Wellbeing Survey: Financial Foundations
4 Schools, pupils and their characteristics, Academic year 2023/24 - Explore education statistics - GOV.UK (explore-education-statistics.service.gov.uk)

LOOKING FORWARDS

Our research suggests that the relationship between Gen Z and their finances is more complex than is often assumed.

The acute spending pressures facing these young people mean many of them are unable to save - not because they don't want to but because they can't afford to.

Even where Gen Z save, many do so ineffectively, which means they miss out on lost interest which could help them work towards their savings goals or ease pressure on their incomes.

This is grounded in a relative lack of confidence compared to other generations, with many members of Gen Z feeling they don't have enough knowledge to make major financial decisions or a good enough understanding of key financial concepts.

Our research shows that Gen Z are keen to engage with money management but often lack the skills, knowledge and behaviours to make an impact on their finances.

An effective response requires both supporting Gen Z and other young people to use the money they do have better but also acknowledging, as the wider public do, that the financial situation they face is much more difficult than it has been for previous generations.

This should be focused on three areas:

- Improving financial education in schools
- Targeting financial information at Gen Z more effectively
- Developing financial products that reflect the challenges facing Gen Z

1) Improving financial education in schools

Financial education could, and should, play a part in supporting young people to take control of their finances and achieve their financial goals. Our polling analysis suggests that members of Gen Z who have received financial education are more confident about their financial futures and their ability to positively manage their money.

However, with less than half of Gen Z saying they received financial education at school and a high proportion of those who had, saying it had not made their finances better, there is clearly room to improve the experience of future generations.

This should include making financial education part of the national curriculum for both primary and secondary schools in England and ensuring that this is taught in all schools, so that every young person is able to receive it.

There is also a need to improve the quality, breadth and consistency of financial education being provided - ensuring this is updated to cover topics that are relevant to Gen Z, such as Buy Now Pay Later services, and approaches financial education as a life skill, rather than an aspect of maths and numeracy, in order to help young people to understand the implications of their financial decisions.

This should be underpinned by better mapping of the type and level of financial education young people are currently accessing both at home and in education settings, in order to help ensure it is as effective as possible.

YORKSHIRE BUILDING SOCIETY
MONEY MINDS

Yorkshire Building Society's flagship financial education programme, Money Minds, teaches children, young people and adults about money and prepares them for the world of work.

Many Money Minds sessions are delivered by colleagues, in school classrooms, to help children and young people learn more about money through age-appropriate activities.

In 2023, these reached 16,000 children and young people aged 5-19, and as part of UK Savings Week in September 2023 alone, branch colleagues delivered over 200 sessions to 3,000 people.

For 11-19 year olds, the free Money Minds' online platform offers free resources covering topics such as keeping money safe, budgeting, making good choices, lending and borrowing, fraud and scams.

2) Targeting financial information at Gen Z more effectively

Gen Z's high levels of financial stress and relatively low levels of confidence with key financial concepts is a concern - especially for those who are unable to save anything.

When combined with the relatively high proportion who say they don't know who to turn to, or trust for financial advice, it suggests that current efforts to reach Gen Z with financial information are not succeeding.

In this context, financial organisations and others who support people to manage their money, such as charities, should review how they are targeting information towards Gen Z and where this could be improved - for example through better use of the media channels they are most likely to consume.

This should be underpinned by better research on how Gen Z and other young people access information about money and what drives their financial behaviours.

YORKSHIRE BUILDING SOCIETY
CITIZENS ADVICE

To help people with independent, impartial advice on a range of difficulties, including financial concerns, Yorkshire Building Society has partnered with Citizens Advice.

The partnership sees Yorkshire Building Society host Citizens Advice advisers one or two days a week in over 40 percent of its branch network.

Members of the public can access an appointment which is free, confidential and can be booked directly by contacting a participating branch. At the time of writing, over 8,000 people had been helped by the partnership.

3) Developing financial products that reflect the challenges facing Gen Z

The financial challenges facing Gen Z means it will not be enough to simply help them make more of the money they have. With many of this generation feeling they cannot afford to save or only saving small amounts, major financial goals, such as saving for a mortgage deposit, will remain out of reach unless we think more creatively about how they can be accessed.

Financial organisations, such as banks and building societies have a responsibility to develop products and services that reflect the reality of Gen Z's financial position.

One example is homeownership. We estimate that if the 'won't save' group of Gen Z mentioned in this report were encouraged to save the same portion of their income as those who do save, and set half of these savings aside for a mortgage, an additional 400,000 could save enough over a 5 year old period to afford a £5,000 mortgage deposit, of the type offered by Yorkshire Building Society. By contrast, only 30,000 members of Gen Z would be able to save enough for a traditional 5% deposit over the same time period.[5]

Developing more of these kinds of product and service innovations would not only benefit Gen Z but could have a positive economic impact more broadly at a time when economic growth remains stubbornly low.

YORKSHIRE BUILDING SOCIETY
£5K DEPOSIT MORTGAGE

In 2024 Yorkshire Building Society launched its innovative £5k Deposit Mortgage, allowing first-time buyers to overcome their biggest challenge – saving up a deposit.

This product allows them to buy a property worth up to £500,000 with a deposit of £5k, rather than the more typical down payment of five per cent, reducing the time it takes them to save up and achieve homeownership.

5 Based on an average house price for first-time buyers of £227,757 - as suggested by Rightmove's first-time buyer survey, June 2024

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