

How the Great  
Recession Has Shaped  
**Generation Z**



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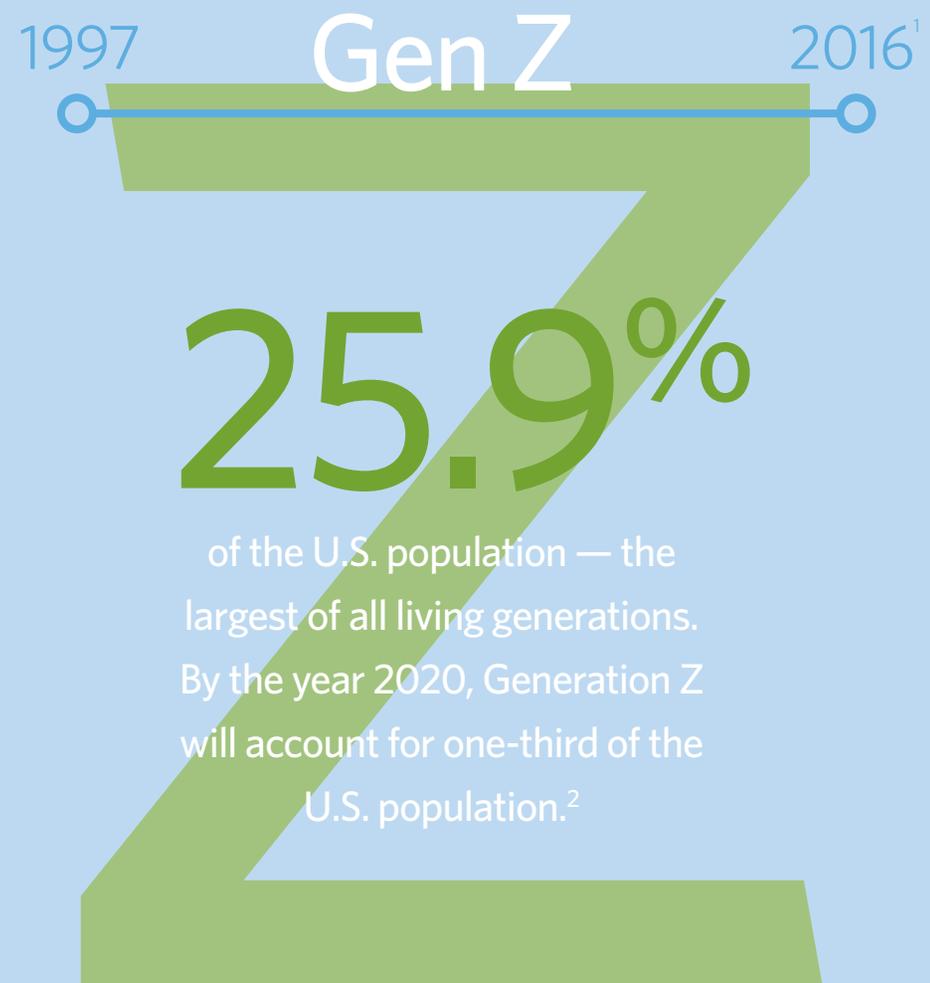
A new generation of Americans is coming of age, prepared to assume the mantle from their Generation X parents and Millennial siblings. This new generation – **Gen Z** – promises to change the face of technology, business and banking for generations to come.

Who are they, and what do they want from their financial institutions? The answers to these questions have a lot to do with the Great Recession, which Gen Z experienced in their formative years, along with the difficulties it posed for their parents and older siblings.

## Who is Gen Z?

Though there is some debate, Generation Z is generally defined by birth years ranging from the mid- to late-1990s through the 2010s. For our purposes, we'll use the Pew Research Center's definition of 1997 through 2016.<sup>1</sup> Thus, at the time of this writing, the oldest Gen Zers are closing in on their 20th birthdays and the youngest are still being born. Collectively, they make up 25.9 percent of the U.S. population — the largest of all living generations. By the year 2020, Generation Z will account for one-third of the U.S. population.<sup>2</sup>

Their sheer numbers alone make them impossible to ignore. And, while they may not have much buying power yet, their patterns and behaviors are already catalysts for change.



<sup>1</sup> *The Generations Defined*, Pew Research Center, April 20, 2016

<sup>2</sup> "Meet Generation Z, Forget Everything You Learned About Millennials," Sparks & Honey via slideshare.net, June 17, 2014

## Different Than Millennials

Prior to Gen Z, Millennials made up the largest and most diverse population in U.S. history.<sup>3</sup> In 2016, they have the most buying power — a testament to their having taken the Great Recession and its aftermath in stride. They've learned the tough lessons that come along with a stagnant economy and job market.

Generation Z, on the other hand, watched second-hand as their Millennial siblings moved back home due to lack of opportunity. They watched their parents lose jobs as well. And, of course, they suffered the consequences, whether they realized it at the time or not.

By all accounts, these experiences left a lasting impression on Generation Z. Despite being the most technology-savvy generation in world history, they are already concerned about their future earnings. In fact, 55 percent report being worried they won't be able to borrow money in the future if they need it.<sup>4</sup>

Unlike Millennials, who are very present-focused, Gen Z is focused on the future. This could be attributed to their youth. After all, they are still in the planning and aspiration stages of their lives — professionally and personally. But while their youth may account for their focus on the future, it runs counter to another Gen Z attribute: penny pinching.<sup>5</sup> They know that hard work today doesn't guarantee a secure tomorrow, so they are building their savings as a firewall against future uncertainty.

Another difference between Gen Z and their Millennial siblings is the manner in which they communicate. Gen Z communicates via images and multitasks across five screens simultaneously. Millennials prefer to text while

using two screens. Gen Z was not raised on traditional media, as were Millennials, and have adopted technology much earlier and faster to communicate whatever and wherever they want.<sup>6</sup>

Also, Millennials grew up under so-called “helicopter” parents, where their every move was supervised and, to some extent, controlled. Gen Z's upbringing has been much more lax and independent (perhaps another byproduct of the Great Recession — their parents didn't have the time or resources to provide as much oversight). The result is that Gen Z is more self-directed and more likely to have a do-it-yourself attitude.



Gen Y (Millennials)	Gen Z
Tech-savvy	Ultra-tech savvy
Spends money freely	Feels better saving
Will pay for “experiences”	Will pay for cool products
Loves shopping in person	Buys everything online
Experienced a strong economy	Always known recession, terrorism & uncertainty
Watch streaming TV (YouTube, Hulu, Netflix)	Want to engage in real time with live streams and active participation
Outdoorsy, health oriented	Indoor peeps — heavy video game users
Text	Pictures and emojis
Idealistic	Pragmatic

<sup>3</sup> Loehr, Anne, “Gen Z and the U.S. Workforce: 5 Things You Should Know,” The Huffington Post, October 2, 2015

<sup>4</sup> “Money Matters for Generation Z,” Research Live, November 7, 2014

<sup>5</sup> Forbes, Anna, “Everything You Need to Know About Marketing to Generation Z,” The Cyphers Agency, March 24, 2016

<sup>6</sup> Dupont, Stephen, “Move Over Millennials, Here Comes Generation Z: Understanding the ‘New Realists’ Who Are Building the Future,” Public Relations Society of America, May 1, 2015

## The New Realists

Gen Z has grown up post-9/11, experienced the Great Recession, the war on terrorism, mass shootings at schools and other public spaces, and many huge cultural changes. They are the first generation to grow up in truly multicultural *and* multigenerational households. All of this has affected their attitudes and behaviors.

Some things to know:

**They are altruistic.** Gen Z is determined to make a difference and is very socially conscious. If the activism of 17-year-old Nobel Peace Prize winner Malala Yousafzai is any indication, Gen Z is determined to take on the world's injustices. In fact, 1 in 4 Gen Zers volunteer in their communities.<sup>7</sup>

**They are connected.** The internet predates Gen Z. They have been swiping, Googling and tapping screens their entire lives. They've never known a world without social media. They communicate across five screens at once: TV, phone, laptop, desktop and either a tablet or gaming device. (It's no wonder they're also known as iGen.<sup>8</sup>) Some drawbacks to this connectedness include being unaware of their physical surroundings and ineptitude at giving directions.

**They are independent and curious.** Fueled by a hands-off parenting approach and 24/7 access to information, Gen Z enjoys research. They are willing to work hard, are resourceful and find creative solutions to challenges or issues. They have an entrepreneurial streak stronger

than any preceding generation. They work independently without constantly needing to check in for validation or approval. Their social networks are larger in scope, expanding to national and even international "friendships" based on shared passions, hobbies and interests.

**They are savers.** The Great Recession had lasting effects on the new realists. They have seen their parents and older siblings struggle through loss of jobs, foreclosures and overwhelming debt. Motivated to be different, Gen Z tends to overestimate the cost of living and underestimate income. They expect to make a modest annual salary (\$36,900 on average) for their first job out of college. This was, in fact, several thousand dollars less than the starting salary for college graduates (\$44,000 on average).<sup>9</sup> Additionally, 47 percent of respondents said if they were given a random \$500, they would save it for nothing in particular, while 34 percent said they would save it for college (for a total of 84 percent who would save it vs. spend it).<sup>10</sup>

**They are mature.** Because they have grown up in tumultuous times, Gen Z is very self-aware and also understands the necessity of work. Of Gen Z college students, 70 percent prefer a job that offers security versus one that fits their passion but offers less economic stability. In general, they are less entitled and more money-conscious than preceding generations were at this stage of their lives.<sup>11</sup> They have made contingency plans and cultivated more than one marketable skill to compensate for an unsteady job market (versus focusing on a single career).



<sup>7</sup> Ibid.

<sup>8</sup> "Top 10 Gen Z and iGen Questions Answered," The Center for Generational Kinetics, 2016

<sup>9</sup> Laue, Christine, "Great Recession Is a Great Downer for Generation Z," *Payscale*, August 15, 2013

<sup>10</sup> "Generation Z and Money Survey," TD Ameritrade Holding Corporation, September 11, 2014

<sup>11</sup> O'Connell, Stephanie, "Forget Millennials, 7 Reasons Gen Z Is Better With Money," *GO Banking Rates*, September 19, 2015

## Banking and Money

Gen Z is already larger than the Baby Boomers or Millennials. In fact, they are the largest generation in history. They intend to change the world and, with their numbers alone, surely can. They worry about the economy and an increasingly uncertain future. They are determined not to make the same economic mistakes as previous generations.

Financial institutions should prepare now for the coming transition as Baby Boomers start to age out of the banking system and younger generations take control of the economy. It's not about ignoring demographic segments. It's about understanding generational differences in order to better reach a diverse market and create products and services that are relevant.<sup>12</sup>

## What Does Gen Z Want?

Gen Z loves convenience and expects instant access to its money. Nearly three-quarters (74 percent) of these budding consumers describe their debit card as "essential," compared to 56 percent of Americans overall.<sup>13</sup>

Gen Z also expects 24/7 access to information. If they use their debit card to purchase a pizza at 2 a.m. Sunday morning, they expect their financial institution's mobile app to know this and reflect the transaction and remaining balance immediately.

Mobile is key. Over 40 percent consider their financial institution's mobile app as "essential," compared to just 22 percent of Americans overall. More than half (53

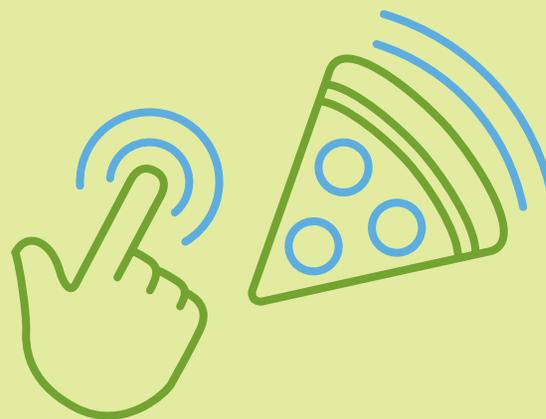
percent) use their mobile banking app to check their account balances (vs. 21 percent overall).<sup>14</sup>

Gen Z wants help in making sound financial decisions. They have seen the volatility of the stock market, and many are gun-shy about investing. They also remember the infamous tactics by Bernie Madoff, Enron, and those who led to the housing crisis that triggered the Great Recession. They value honesty, transparency and stability — and, if you can demonstrate these traits to them early, they are predicted to stay with the same financial institution for at least 10 years.<sup>15</sup>



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[of Gen Zers] consider their financial institution's mobile app as "essential"<sup>14</sup>

<sup>12</sup> "Generation Z Banking," *The Financial Brand*, October 19, 2015

<sup>13</sup> "2015 TD Bank Checking Experience Index," TD Bank, October 12, 2015 (Note: In this study, TD Bank defined Gen Z as those aged 17-20 years old.)

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

## How To Reach Gen Z

To connect with this generation, financial institutions will need to communicate across multiple platforms and channels. Gen Z considers mobile apps “essential,” but they also value face-to-face conversations, especially when seeking help from trusted sources. As their attention spans decrease from complex multitasking, information will need to be presented in new and surprising ways to make an impression.

Financial institutions will also need to communicate through images and stackable content. Short bursts of information that can be easily shared via social networks will get a better response than long-form content that requires extended concentration to digest. Thus, infographics and short videos will become even more prominent in marketing, while long blogs and other copy will be culled down. Marketers will need to show not tell, using visual imagery to convey their story and unique brand promise versus burying it in volumes of text.

Appeal to Gen Z’s natural curiosity and hunger for information. Appeal to their need to be part of something bigger than themselves, their desire to build businesses. (They are already building businesses through websites such as Kickstarter.) Appeal to their desire to become experts by educating them on economic issues and building their fiscal knowledge. Teach them and they will be willing students — and customers.

Speak to Gen Z in terms of value. Having experienced the Great Recession, they want to know they’re getting the best bang for their buck. While they may like the latest and greatest commodities, they are savvy shoppers and will price compare to ensure they’re getting the best deal possible. (If you can combine a good deal with social conscience, even better.)

## A Promising Future

Despite recent market volatility around the world, Gen Z is graduating into a much-improved economy compared to Millennials who graduated during the midst of the Great Recession. Through a combination of their own efforts and fortuitous market conditions, Gen Z is poised to become the most financially savvy and stable generation to date.<sup>16</sup>

Financial institutions that understand how to reach this dynamic new group and appeal to what they consider important will be well positioned to earn their business — and keep it — for years to come.

<sup>16</sup> O’Connell, Stephanie, “Forget Millennials, 7 Reasons Gen Z Is Better With Money,” *GO Banking Rates*, September 19, 2015



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