Generation Z's (students aged 18–24 years) Approach to Money

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Author note

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ABSTRACT

The main purpose of this article is to submit proposals to Generation "Z"'s approach to money. The article answers really interesting questions such as: "Have students ever invest their money?" and "What do they choose to invest in?". Our article focuses primarily on the Generation Z's "slice" as it concerns students aged 18–24. Furthermore, this paper attempts to give factors of investing among young people and summarise their entrepreneurial skills. It combines investment decisions with their personal features. To make the conclusions and research results from this article as reliable as possible, we decided to conduct our own research, which was carried out in May 2022 among students. Our study found that parents are a key factor in investing money amid students. Interestingly, education does not play such a crucial role according to the respondents. The greatest motivator to invest money is to expand your wealth, and most often Generation "Z" invests in a bank deposit and cryptocurrencies.

keywords: **finance, investment, business, students**

INTRODUCTION

The first people to grow up in a fully digitized world - Generation "Z". Also known as "multitasking generation" or "silent generation". Bruce Horovitz (2012) was the first to use the name and believes that this generation begins in 1995. It would seem that technology and science help Generation "Z" a lot and facilitate their entry into the business world.

Investing can seem like a simple method to multiply your wealth. However, the reality is different - investing is not easy - especially for young people. If it were something simple, the vast majority of people would decide to invest. Also, keep in mind that profits are uncertain and, worst of all, there can be losses. Such realities should inspire reflection - investments should be carried out very responsibly. In financial markets, the process of making investment decisions is conditioned by many factors. Among them, a crucial role, apart from economic factors, is played by psychological determinants. Up to a point, financial science has rejected the idea that the psyche of an individual can influence investment decisions. The introduction of the behavioural element to economics took place over 50 years ago by Herbert Simon and William Edward (Lodge i in., 2016). Herbert Simon in his book said: „A theory of administration should be concerned with the processes of decision as well as the processes of action”.

According to the data collected by the Assay Index, it is young people (aged 18-24) who most willingly decide to invest their funds. As many as 34% of them have a positive attitude towards securing their capital. Which investment area are they most likely to choose? First of all, cryptocurrencies. It is easier for youngsters to find their place in the cryptocurrency market compared to older generations of investors. Moreover, young people have no major problems with overcoming entry barriers, which in turn pose a greater challenge for people who prefer traditional methods of investing. Today, young people are also looking for opportunities on the private market: e.g. in start-ups that are looking for "business angels". It is young investors who support these companies. More and more young investors are on the stock exchange and the private market, but if we want to maintain this tendency, we must provide the young with help. It requires simple and quick access to investments through technology. Investing cannot be a tedious process.

There were many reasons to write this work. But, the main factor that prompted us to write a research paper and conduct our research was curiosity. When we searched for answers to youth investing questions, very few articles answered them. We found that there is a "gap" among the scientific materials about **Generation Z’s approach to money** and we would like to fill it.

What makes young people to invest on the market? What are they investing their money for? What do they choose to invest in? What do they know about finance? Which entrepreneurial skills do they have? What is their approach to money after COVID-19?

Paramita (2018, s. 742–744) Young people's willingness to invest, buy stocks or take risks is dictated by various factors, sometimes it is aggressive, but it creates a true investor. Based on the author's research, young people, despite their knowledge, hesitate to invest their money. Their behaviour is due to their parents' lack of interest in investments. You might recognize that if the parents do not invest their money, the child also has prejudices to invest. Young people are often unaware of the risks of investing and, due to their inexperience, they make mindless decisions**.** On the other hand, some of young investors realize the risks and benefits of, for example, investing in the stock market or cryptocurrencies. The predictions say that those who learn from their mistakes will of course be successful. While mentally weaker people who give up at the first defeat, will lose.

Johan (2021) Also this article confirms the statement that parents play a key role in the lives of young people when it comes to finances. People who regularly talked to their parents or relatives about finances have a higher level of knowledge and a greater chance of success in investing in the future**.** Australian Securities and Investments Commission – ASIC (2021) Around 62% of respondents reported that they had a finance talk with their parents, and now, they feel more comfortable to deal with banks and other institutions. One said: "My father has been a great help, I think children should ask their parents more about their personal experiences with finance".

Happ (2018) It turns out that there are other reasons for investing and interest in money among young investors. In his article (Happ i in., 2018) indicates other reasons for awakening business thought in young people. First and foremost, vocational training, education and science are in the first place. These institutions allow them to broaden their knowledge and broaden their horizons. They make young adults decide to invest their money. The second place among the respondents was the experience, which the authors shyly refer to as a source of knowledge among young investors. Only in the last place you can distinguish items such as media, family or friends.

Pillai (2010) Nowadays, everything has become more accessible than it was in the past. Young people have much more opportunities when it comes to investing and managing their money. The number of these possibilities has also increased significantly. Young people have access to use their private credit or debit cards and receive large pocket money from their parents. According to research conducted by ISBnews, almost half, as many as 46% of young Poles, have a bank account and a credit card before reaching the age of majority. Australian Securities and Investments Commission – ASIC (2021) Also, about 60% of youngsters said that they were provided with regular pocket money. As a result, according to the authors of the article, they are not fully aware of the value of money, they become more prone to mindless spending of large sums of money.

Atkinson & Kempson (2004) However, according to this article and its authors, the approach of young people to money management and the sense of its value can be divided into two. The first approach is in line with the previous article (Pillai i in., 2010) and confirms that a lot of young people do not count, underestimate and are not aware of the value of money. On the other hand, the other part of the youth who do not come from rich families, views their savings in a completely different way. They manage their money carefully and set goals for which they want to spend more.

Australian Securities and Investments Commission – ASIC (2021) As we mentioned earlier, today's opportunities definitely increase the chances of young people in investing, managing or studying money in general. Speaking of greater opportunities, we mean, for example, cryptocurrencies that were created only 13 years ago, and are currently often chosen as an investment object amid young people. The availability of new technologies enables easier and faster shopping, which young people are eager to use. According to a survey conducted in Australia, 46% of respondents said they were using the Buy-Now Pay-Later method. Arguing with the lack of sufficient funds in the account at the moment. At the same time, 22% claimed, that they had bad experience and had been a victims of frauds during online shopping.

Person (2014) To start investing effectively, you need, of course, the right knowledge, but also skills that will facilitate the entire process. According to a survey conducted among young people, 2/3 of people believe that they do not have sufficient skills to manage their own money. And 1/3 of people say that debt is nothing wrong. Despite the science and the entire educational process of these people, these results are somewhat disturbing. Another survey made by (Atkinson & Kempson, 2004) based on DTI Survey of Over-indebtedness showed intruiging and eye-opening outcomes. Half of the respondents aged 18-24 admitted to having an overdraft facility. And the result in the group of people aged 20-24 was 57%.

A reasonable entrepreneur should have the valid character traits that will help him in investing or managing money. Due to (Collard & Breuer, 2009) the most vital feature that young investors should have is the ability in planning. Also, daunting situations that have happened in the past can have a positive impact on future financial decisions. And motivation is just as important as skills. Moreover, another relevant feature is knowing your own risk tolerance.

"There is a secret psychology of money. Most people don't know about it. That's why most people never become financially successful. A lack of money is not the problem; it is merely a symptom of what's going on inside of you." – T. Harv Eker

We have mentioned positive, favorable even well-liked traits of a young investor, so now is needed to raise the issue of unwanted character features. (Barber & Odean, 2013) The authors of the article concluded on the basis of other publications and research that overconfidence is the main leading feature among young investors. This quality can become a great help in the daily life of young people especially. However, it is not a desirable trait among financiers. Research also shows that men are more prone to overconfident than women, and therefore often fail.

Australian Securities and Investments Commission – ASIC (2021) As it turns out, young people are eager to invest in the future and some of them are already investing their savings. According to a survey by the authors Australian Securities and Investments Commission – ASIC (2021) 14% of respondents said they invest in shares, 7% invest in term deposit, 6% try their hand at investing in cryptocurrencies, and interestingly 3% invest in real estate. More than half respondents claimed that they would like to know how to invest, how to save money and how to manage their earnings without wasting it. The respondents were also asked how often they monitor their investments and whether they follow their profits or losses. A large proportion, more than half of the people (57%), showed great commitment to following their interests. The good news was that only 3% of respondents do not follow their investments at all.

Ortmann (2020) The COVID-19 pandemic that started in 2020 has altered everything. It has influenced our daily lives and our behavior. Of course, changes can also be seen in money management among young investors. The first noticeable change, according to the authors, is the number of investors on the market. The pandemic and quarantine have increased the number of people investing their money. In addition, the number of accounts opened was one of the highest in 2019. Most people decided to invest in less risky opportunities such as gold. Australian Securities and Investments Commission - ASIC (2021) On the other hand, through the COVID-19 pandemic, 36% of young people said their earnings had decreased significantly. Many of them have lost their jobs and their approach to money has changed. One of the interviewees commented: „COVID-19 has taught us to save money for the future, anything can happen at any time”.

METHODS

Our main research problem refers to Generation Z’s approach to money (*What makes young people to invest on the market? What do they choose to invest in? What do they know about finance? Which entrepreneurial skills do they have? What is their approach to money?)*. We found that there is a “gap” among the scientific materials about young students approach to money and we would like to fill it. This article rely on several studies and articles from many countries. We compare them (surveys) to our research, which was carried out on a group of students. Our survey is in a form of questionnaire and it was prepared in Google Forms. The number of questions was 13. A total of 31 people answered the questions in the survey. The questions asked in the conducted research were similar to the questions asked in the mentioned articles. The first basic question concerned the age of the respondent in order to find out and check whether the student's age is between 18-24 years. All respondents (31) fit this age range. The largest age group turned out to be the group of students aged 21, as much as 29%, and the smallest age group - students aged 18 (3.2%). Almost all questions were multiple choice.

RESULTS

Our survey and the research carried out for the purposes of the aforementioned articles answer the first question that appeared in our scientific article, ie ***"What makes young people to invest?".*** Our study showed that almost half of the surveyed students have already tried their hand at investing money, ie 45.2%. When asked in a survey, "What made you to start invest?" They declared by multiple answers*:

FAMILY, FRIENDS	*25.8%*
INTERNET	*45.2%*
SCHOOL, EDUCATION	*16.1%*

Our study has shown that amid the surveyed students, the Internet plays the greatest role in investing, as many as 45.2% of people said so. The second most important factor influencing the decision to invest among students turned out to be family and friends (25.8%). Only in the last place was option “school and education” (16.1%). *Rest of the respondents (38.7%) said: “Nothing”, because they have not started investing yet. Which shows that almost 40% of surveyed students is neither ready to invest nor keen on this specific topic.

The surveyed students were also asked about the aforementioned conversation with their parents about managing their money. Respondents claimed that they had a discussion with their parents about managing money (61.3%), and that the most frequently discussed issue turned out to be saving (94.7%). Investing (36.8%) was only in second place in the responses.

Once we found out what factors influence the decision to invest money among Generation "Z" students, Another important issue that we wanted to investigate was **"What are they investing their money for?".** We asked this question to our surveyed students because we had not found an answer to this fundamental question before.

I WANT TO EXTAND MY WEALTH	*48.4%*
I WANT TO HAVE FINANCIAL COLLATERAL	*9.7%*
I WANT TO EVALUATE AND EXTAND MY KNOWLEDGE	*16.1%*
I DO NOT WANT TO BE DEPENDENT	*32.3%*

According to our study, the main purpose of investing money among students aged 18-24 is to earn and expand their wealth (48.4%). Surveyed people (32.3%) declared that they invest their money because they want to be financially independent. Students also replied that by investing money they want to learn and expand their knowledge (16.1%). The "I want to have financial collateral" option was last (9.7%). The rest of the respondents (25.8%) replied that they did not have enough money to invest.

We also decided to take up the subject of having a credit card among students aged 18-24. Our survey asked: "Do you have a bank account and a debit card?". The result of the study may be startling for some, and for others it may only confirm a suspicion. As many as 96.8% of young students declared that they also had a bank account and a card.

Our research also focused on young students moving towards modernity. We were very curious if young people aged 18-24 willingly take advantage of the new possibilities of buying products via the Internet. The question was "Do you buy things online? (Clothes, electronics, books, cosmetics, etc.)?" As many as 96.8% of the surveyed students said: "yes" - they buy online. Of which 26.7% of students said that they had been scammed when shopping online.

The questionnaire we prepared also focused on asking the respondents ***"What do they know about finance"?***. We were not lusting after asking detailed questions relating to scientific terms, but study asked the respondents "How do you asses your financial knowledge?".

The largest percentage of responses (45.2%) was given to the answer "I consider that I should broaden my financial knowledge". As many as 38.7% of the surveyed students replied that they knew nothing about finances, and 16.1% of the students declared that they believed that their knowledge of finances was sufficient.

We also asked our respondents to rate their entrepreneurial skills. "Do you consider that you have features of good entrepreneur? How will you rate them?(1-bad, 5-very good)"

1- BAD	*3.2%*
2- NOT BAD	*22.6%*
3- MEDIOCRE	*38.7%*
4- GOOD	*29%*
5- VERY GOOD	*6.3%*

Most of the surveyed students assess that their characteristics of a "good entrepreneur" are mediocre (38.7%). It is comforting that the answer "Good" was in second place with the result of 29%. Unfortunately, only 6.3% of the respondents assessed their skills at 5 points.

In order to draw the correct conclusions as to what the young people of Generation Z invest in, we asked the respondents a question. ***„What do you choose to invest?".*** They declared by multiple answers:

STOCKS	*7.1%*
CRYPTOCURRENCIES	*50%*
BANK DEPOSIT	*57.1%*
INVESTMENT FUND	*28.6%*

It turns out that students aged 18-24 invest the most and willingly in a bank deposit (57.1%). Half of the respondents declared that they most often opt to cryptocurrencies when it comes to investing. The investment fund came third (28.6%). On the other hand, only 7.1% of students answered that they most willingly invest in stocks. The survey also included answers such as: real estate and bullion, but none of the respondents claimed that they invest in any of them.

According to our survey, 41.9% of students (almost half) aged 18-24 years old consider that pandemic of COVID-19 changed our attitude to money. They were also asked to write a short statement arguing why the COVID-19 pandemic changed or did not change our approach to money. Some quotes:

"It make people realize that saving up is important - it might be needed for medical bills or meds"
"Being at home made me buy a lot more things online"
"Because it change the price of things required for life, a lot of people lost their jobs, and salaries are not high as they used to be"
"Prices and priorities changed during this time. More money spent for health protection and medicine than before. Prices in stores for specific products rised"
"Realised memories are really important too, so spending more money on trips for example"

"We need to manage our money spending in more accurate way to protect yourself from unpredicted health problems"
"We spend more money on things we couldn't have or do during the pandemic. We're also used to spending a huge part of our salary by shopping online.

DISCUSSION

Based on our results and previous research (Paramita i in., 2018), (Johan i in., 2021) it actually turns out that the family is achingly relevant, if not has the key role in investing among young students. Our research, however, does not agree with the outcomes of the research carried out in the article (Happ i in., 2018). Comparing, our results are completely different, and the conclusions that can be drawn are extreme (looking, for example, at the place of education in importance of investing). Overall, the results of our study complement the article (Johan i in., 2021).

The result of our study agrees and confirms the thesis (Pillai i in., 2010) that everything has now become more accessible to young people and that most students now possess their own bank account and credit card.

Comparing to our survey, over 90%, because 90.3% of the surveyed students declared that they were receiving or still receiving pocket money. In this case, our test result is much higher than that of the (Australian Securities and Investments Commission - ASIC, 2021) survey.

Our research and the research in the article (Person, 2014) show that the youth belonging to Generation "Z" do not have sufficient knowledge about finances and money investment.

Comparing the study we conducted and the study prepared in Australian Securities and Investments Commission – ASIC (2021), the outcomes only agree when it comes to stocks / shares. A much larger number of people we interviewed replied that they invest their money in a bank deposit. As for the result (Australian Securities and Investments Commission - ASIC, 2021) it was only 7%. In this study, the number of people investing in cryptocurrencies is also lower (6%), while in the results of our survey - as much as 50%. Two options also did not arise in these studies. In our research for a scientific article, no one claimed that they invest in real estate, and in the survey (Australian Securities and Investments Commission - ASIC, 2021) no one indicated the position of "investment fund".

People responding to our survey and those surveyed (Australian Securities and Investments Commission - ASIC, 2021) agreed that the COVID-19 pandemic contributed to a more prudent money management. Respondents also replied that now it has become more crucial to save than spend. On the other hand, a group of surveyed students reported that, while being at home during the pandemic, they were spending money online shopping. In addition, some took a different approach and tried to live in the moment, spending money on things they had not bought before, such as travel.

CONCLUSION

In conclusion, the article answered the questions raised at the beginning regarding the attitude of young Generation “Z” students to money.

In summary, it can be stated that students aged 18–24, unfortunately, do not have enough knowledge or skills to effectively invest their money. Only a small proportion of the respondents assess their skills as "very good". Their approach also shows that they are reluctant to invest money. Our survey showed that young people derive their knowledge of finance and investing mainly from the Internet, not from school. We believe that as a result, young students lack an internship that is difficult to obtain via the Internet.

A large proportion of young students replied that they did not have enough money to invest. Although the interviewed students confirmed that they are receiving or were receiving pocket money, they do not choose to spend this money on investment. But, if they are already investing their money, they are eager to choose newer forms of investment such as cryptocurrencies.

When it comes to changing the approach to money after the COVID-19 pandemic, opinions amid students are strongly divided. Some are more likely to spend money (for instance) online shopping, and some are more likely to save more.

This article may serve as an important resource for future research on this topic.

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