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Young Money:
How is Gen Z spending and saving?

An assessment of financial literacy levels across young Australians

Research Summary
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In partnership with

FINDEX Community Fund.

Contents

Executive summary

Sound financial decision-making is strongly linked with improved financial wellbeing and greater participation in economic life,[1] affecting quality of life, the opportunities people can pursue, their sense of security, and the overall economic health of society.[2]

There are many theories as to what drives financial literacy, including socioeconomic backgrounds and cultural or geographic considerations. It's also widely understood that our younger years are formative for establishing financial behaviours and habits that can build the foundations of our financial capabilities as adults.

To better understand this, Findex conducted a 2021 Financial Literacy Study, surveying more than 270 young people (aged 15-25) to identify any common themes that potentially indicate lower levels of financial understanding across the nominated cohort.

Key findings from the Findex 2021 Financial Literacy Study were:

Only half of young Australians (aged 15-25) think they have a handle on managing their finances

Becoming responsible for your personal finances can often feel like one of the most challenging aspects of the transition from childhood to adulthood. Many young Australians lack confidence or understanding of how key financial concepts or services work, and where to go for support and help.

As such, only half of young people aged 15-25 (49%) said they have an excellent or good understanding on how to manage their finances. A third feel their understanding on how to manage their money is basic, whilst one in ten (11%) say they have poor to no knowledge on how to look after their finances.

The gap in financial literacy between those in regional and metro areas is closing

Contrary to a 2014 ASIC study into financial literacy[3], this survey found that the geographical location of young people in Australia may not be having an impact on the level of their financial literacy. We found no substantive difference in financial literacy between young people living in rural and regional areas and young people living in metropolitan areas.

Socioeconomic considerations continue to drive the financial literacy gap

When exploring responses to questions on how to manage certain financial situations, our study found that respondents from the following backgrounds were least likely to select answers which suggested higher levels of financial literacy:

- Migrants or first-generation Australians.
- Those with long-term health conditions or disability in childhood.
- Having a parent in long-term unemployment.
- Growing up in a single parent household.

Financial education happens at home

When it comes to looking for support on how to manage their personal finances, the vast majority of young people (71%) look to their parent/s or guardian/s. Whether this is out of choice or necessity is uncertain, as alternative options seem limited. Half of the respondents said money management was never or rarely discussed in school.

After parent/s and guardian/s, young people in Australia said they turn to either their bank or finance company (35%) or search online (34%) if they are looking for financial advice or guidance.

Young people are financially literate when it comes to medium-term goals, but struggle with the day-to-day

Young people in Australia responded well to prompts on understanding how investments would grow in the short-term (over a two-year period), with over half (53%) correctly responding to a test question on how to save for medium-to-long term goals.

[1] ASIC Report 229, n 2, p 5. See also Lusardi A and Mitchell OS, Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs, Centre for Financial Studies Working Paper No 2007/15 (Goethe University, Frankfurt, 2007.

[2] ASIC Report 229, n 2, p 16.

[3] ASIC Report 229, n 2, p 5. See also Lusardi A and Mitchell OS, Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs, Centre for Financial Studies.

They also demonstrated aptitude on how to avoid credit card charges, with almost two thirds (65%) stating they knew the best way to avoid paying credit card interest was to pay off the balance in full each month.

Similar numbers of young Australians (65%) also told us they are confident they can identify the tell-tale signs of a financial scam. However, 1 in 5 (20%) were unaware that a financial institution may ask for personal details when confirming your identity, including date of birth, full name or a regular account transaction, suggesting there is still room to go in educating young Australians on how financial institutions legitimately interact with their customers.

However, when asked to describe their day-to-day financial habits, respondents were less likely to demonstrate financial competency. Budgeting, or lack of, was a recurring theme, with one in four (25%) saying they rarely or never set a budget, and one in four (26%) saying they only occasionally set budgets.

Less than a third (32%) manage their finances by calculating their ingoings and outgoings. Similarly, low levels were recorded across a number of options for managing household finances.

Planned purchases incentivise saving for the future

When planning for their future, young people are driven to save when they have a purchase in mind. 44% said they set saving goals for expensive planned purchases regularly or most of the time, such as holidays or a new car. There is less proactivity when it comes to saving for the far distant future, with only just over 1 in 10 (11%) contributing additional money to their super for retirement.

Introduction

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Introduction

In Australia and other developed countries, the financial landscape for young people is vastly more complex than that of their parents' generation. Young people are:

- Dealing with increased school and higher education debt.[4]
- Expected to make complex financial decisions at a much younger age than their parents did.[5]
- Experiencing rapid economic and social changes that have limited the role of intergenerational financial learning,[6] which is widely understood to be the key driver of financial literacy.[7]

Without the financial knowledge and skills that are commensurate with the financial decisions they are required to make; young people can be seriously disadvantaged. This is supported by a study[8] conducted by ASIC in 2014, which suggested the levels of financial literacy in young people are not consistent with their extensive consumer activities. This leaves them more vulnerable to experiencing financial stress, which can lead to poorer health, lifestyle and economic outcomes.

When discussing financial literacy, we are referring to a person's general understanding of financial concepts and skill-sets, including their level of numeracy that enables them to manage their wealth through handling their savings, borrowing and expenses. More colloquially, we would generally refer to people with high financial literacy as 'being good with money.'

Financial literacy is important at all levels. For individuals and families, a good level of financial literacy enables them to live within their means, provides independence in adulthood and gives them a level of financial security and certainty for their future. More broadly, financial literacy on an individual level also plays into financial systems on a societal level, positively impacting the economy by boosting activity.

This report provides a summary of survey findings concerning the drivers of financial literacy in young people across Australia. Of particular focus was identifying how the socioeconomic circumstances of the young person's family, or whether they grow up in rural, regional and metropolitan locations, may influence their financial literacy levels.

The target group for the survey research was young people aged 15 – 25 years in metropolitan, regional and rural Australia including secondary school students, tertiary students and recent school leavers. The online survey was distributed directly to potential respondents via electronic direct mail campaigns, with an incentive provided for survey completion. Survey findings are based on 274 respondents.

The key research questions were:

a. What are the primary drivers of the gap in financial literacy between young people in rural, regional and metropolitan areas?

b. Is there a relationship between young people's critical financial literacy skills and their socioeconomic circumstances?

The survey research will be used to lead a discussion on the importance and value of financial literacy amongst Australia's youth, and contribute new data-driven insights exploring the relationship between socioeconomic and geographical factors, and financial literacy.

[4] Lusardi A, Mitchell OS and Curto V, "Financial Literacy Among the Young" (2010) 44 Journal of Consumer Affairs 358 at 359.
[5] OECD, PISA 2012 Assessment and Analytical Framework: Mathematics, Reading, Science, Problem Solving and Financial Literacy (2013) p 142.
[6] OECD and INFE, n 3, pp 9-10.
[7] Lissington B and Matthews C, Intergenerational Transfer of Financial Literacy (Massey School of Economics and Finance, October 2012).
[8] The financial literacy of young Australians: An empirical study and implications for consumer protection and ASIC's National Financial Literacy Strategy (2014).

Breakdown of survey participants

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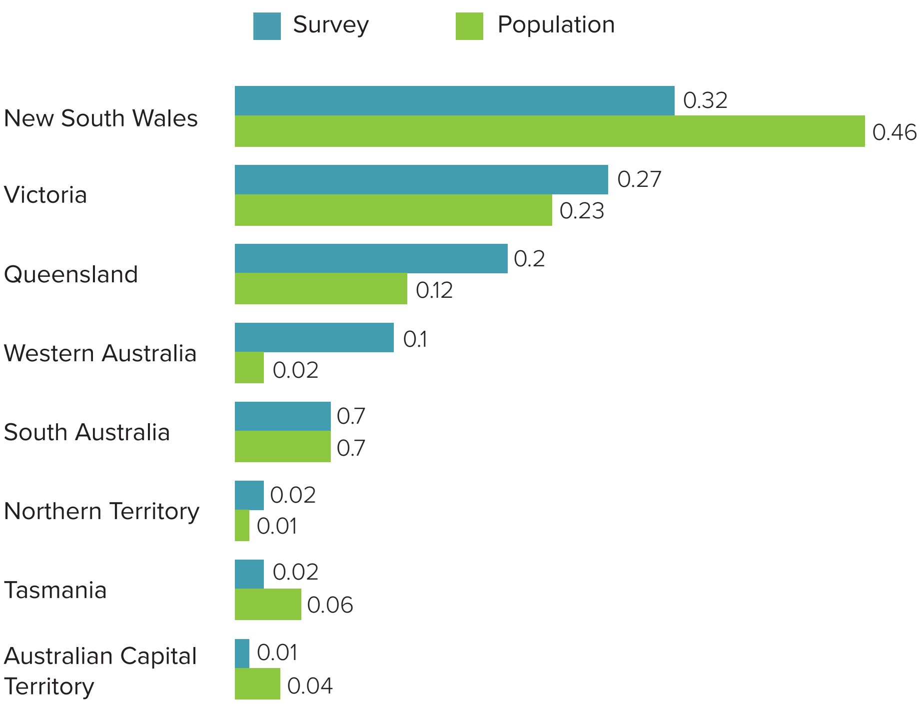
Characteristics of individual respondents

Over the 4-25 March 2021 period, a total of 274 young people aged 15-25 years completed the Financial Literacy survey. Respondents from New South Wales, Tasmania and Australian Capital Territory were overrepresented compared to the population of 15-24 year olds in those States / Territories.

To understand their personal circumstances, we asked survey respondents to identify a range of demographic characteristics (see Table 1). The majority of the survey respondents were female (63%). The largest age group of respondents was 22-25 years; however, it should be noted that this was a four-year age cohort. More than half of the male respondents were aged 22-25 years.

Survey respondents who identified as either Aboriginal or Torres Strait Islander were relatively high at 8%, compared to the 4% national average of 15-24 year olds.[9] The majority of respondents had not experienced a long-term health condition or disability that had impacted their quality of life.

Chart 1: Residential State / Territory of respondents



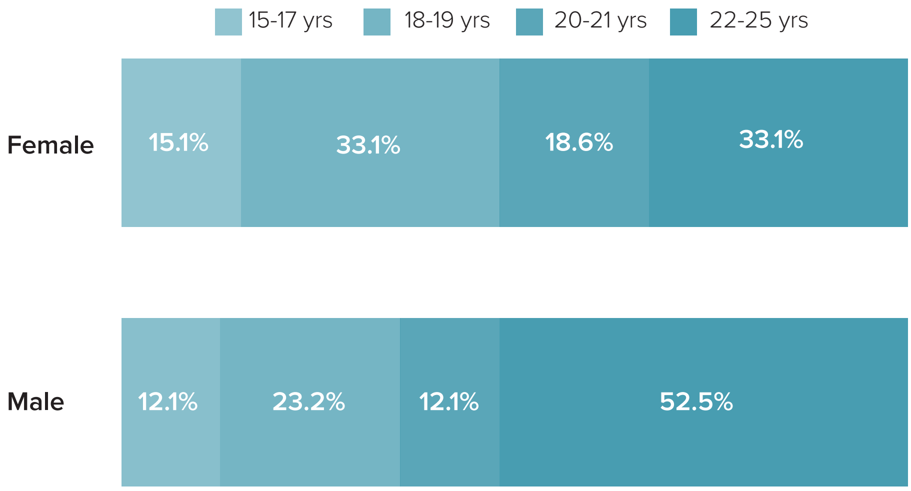
Population data source: Australian Bureau of Statistics, 3235.0 Regional Population by Age and Sex, Australia, Table 3. Estimated Resident Population by Age, by Statistical Area Level 2, Persons – 30 June 2019. Age cohort 15-24 years used.

[9] Australian Bureau of Statistics, 2016 Census of Population and Housing - Aboriginal and Torres Strait Islander Peoples Profile (Catalogue number 2002.0), AUSTRALIA.

Table 1: Demographic characteristics of respondents

	Respondents		Respondents
Male	36%	Aged 15-17 years	14%
Female	63%	Aged 18-19 years	30%
Non-binary	<1%	Aged 20-21 years	16%
Prefer not to answer	1%	Aged 22-25 years	40%
Aboriginal / Torres Strait Islander	8%	Long-term health condition:	
Neither	91%	All of time / most / regularly	9%
Prefer not to answer	1%	Occasionally	10%
		Rarely / never	81%
Immigrant	9%	Lived in single parent home:	
First generation Australian	9%	All of time / most / regularly	22%
Neither	78%	Occasionally	6%
Prefer not to answer	4%	Rarely / never	72%

Chart 2: Gender and age group of respondents



Many survey respondents had lived in regional centres (31%) or rural / remote areas (36%) from birth to 16 years of age, compared to capital / metropolitan cities (30%). However as young people sought tertiary education and work opportunities from 17 years of age onwards, a higher proportion of survey respondents lived in capital/ metropolitan cities (35%) compared to regional centres (33%) or rural / remote areas (29%). The full tables are shown in Appendix 1.

Tables 2 and 3 show that survey respondents had levels of education and working / studying circumstances that were generally consistent with their age group.

For the older age cohort of 22-25 years, the majority were working full-time (69%) however 8% were disengaged from study or work.

Table 2: Respondents' highest level of education by age group

Age group	Postgraduate	Bachelor level	Diploma / Certificate	Year 12 / equiv.	Less than Year 12
Aged 15-17 years*	-	-	-	-	**97%**
Aged 18-19 years*	2%	5%	5%	**82%**	6%
Aged 20-21 years	-	5%	9%	**84%**	2%
Aged 22-25 years*	15%	**38%**	23%	12%	10%

**Small percentages of education level of "unsure" not shown. Total 100% in each age group.*

Table 3: Respondents' current circumstances by age group

Age group	Secondary student	Uni / TAFE student	Working full-time	Working part-time / casual	Not studying / working
Aged 15-17 years	**92%**	5%	5%	13%	-
Aged 18-19 years	3%	**83%**	7%	33%	3%
Aged 20-21 years	-	**89%**	14%	46%	2%
Aged 22-25 years	2%	21%	**69%**	17%	8%

Note: Circumstances survey question was multiple response, sum of percentages in each age group will exceed 100%.

Characteristics of individual respondents' families

To better understand the survey respondents' socioeconomic backgrounds, we asked for background information about their parent/s (or guardian/s) personal circumstances.

Data was provided for one or both parents as applicable. However, for these purposes only, the data for the first parent or guardian is discussed. The full tables for employment status and industry of employment are shown in Appendix 1.

Parent/s or guardian/s were most likely to be self-employed in their own business (23%) or working in 'upper' management roles (22%). A further 17% were working in a tradesperson role (industrial or service) and 14% were working in junior-middle management. A smaller percentage were 'stay at home' parents (7%) or not in the labour force (6%).

Table 4 provides an overview of the respondents' family backgrounds on several socioeconomic characteristics.

Table 4: Selected characteristics of respondents' families

Selected characteristic	Response %	
Family housing situation felt secure / good standard	All of time / most / regularly	76%
	Occasionally	11%
	Rarely / never	3%
Family housing tenure	Private ownership	75%
	Private rental	12%
	Public / supported housing	4%
Parent / guardian had long-term health condition	All of time / most / regularly	18%
	Occasionally	12%
	Rarely / never	59%
Relied on Government income support	All of time / most / regularly	17%
	Occasionally	8%
	Rarely / never	61%
Parent / guardian long-term unemployment	All of time / most / regularly	11%
	Occasionally	9%
	Rarely / never	71%

Note: 22 respondents (8%) did not answer these questions and a small number responded "unsure".

Research findings

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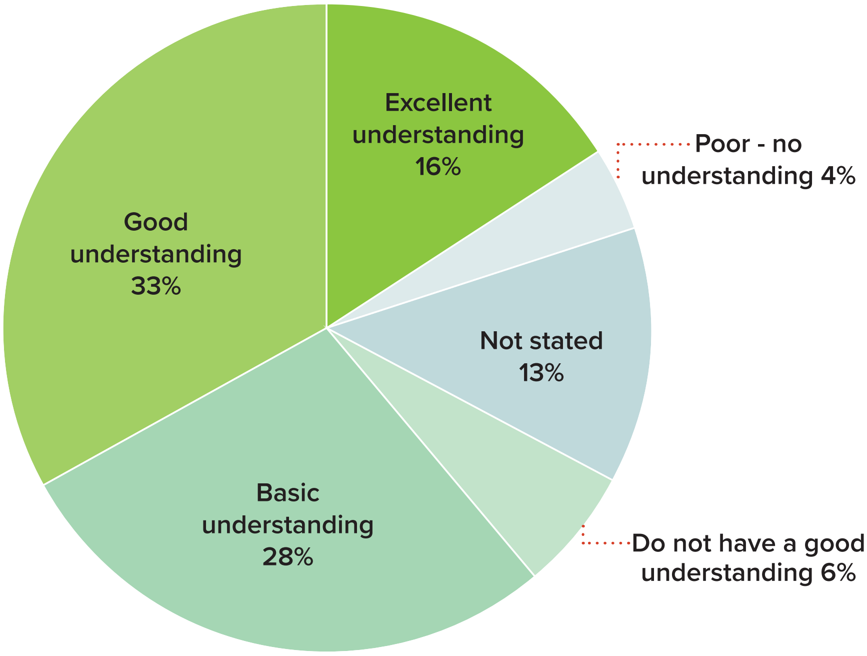
Financial attitudes and behaviours

When asked to self-assess their understanding of how to manage their finances, the following percentages of survey respondents reported that:

- They had an excellent understanding (16%) or good understanding (33%);
- They had a basic understanding (28%);
- They did not have a good understanding (7%); and
- They had a poor or no understanding (4%).

For the financial attitudes and behaviours survey questions, 35 respondents (13%) did not provide an answer.

Chart 3: Self-assessed understanding of financial management

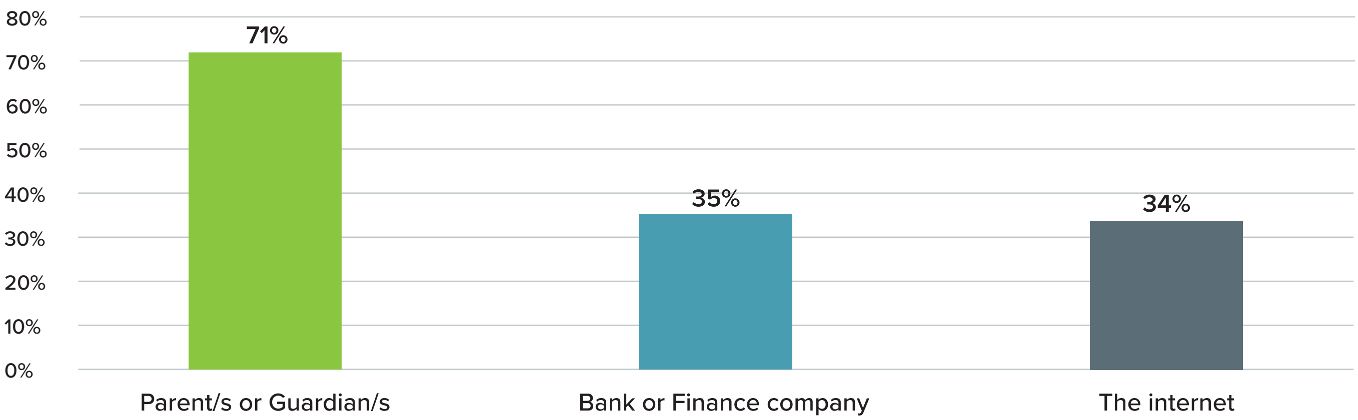


Survey respondents were asked about their previous experiences on how they manage their finances and their use of different financial products and tools. Table 5 shows the results for all respondents on the financial behaviours survey questions.

Nearly one third (30%) of young people had regularly or often discussed finances and money in their home whilst growing up. However, money management education at school was rarely or never provided for half of the young people surveyed.

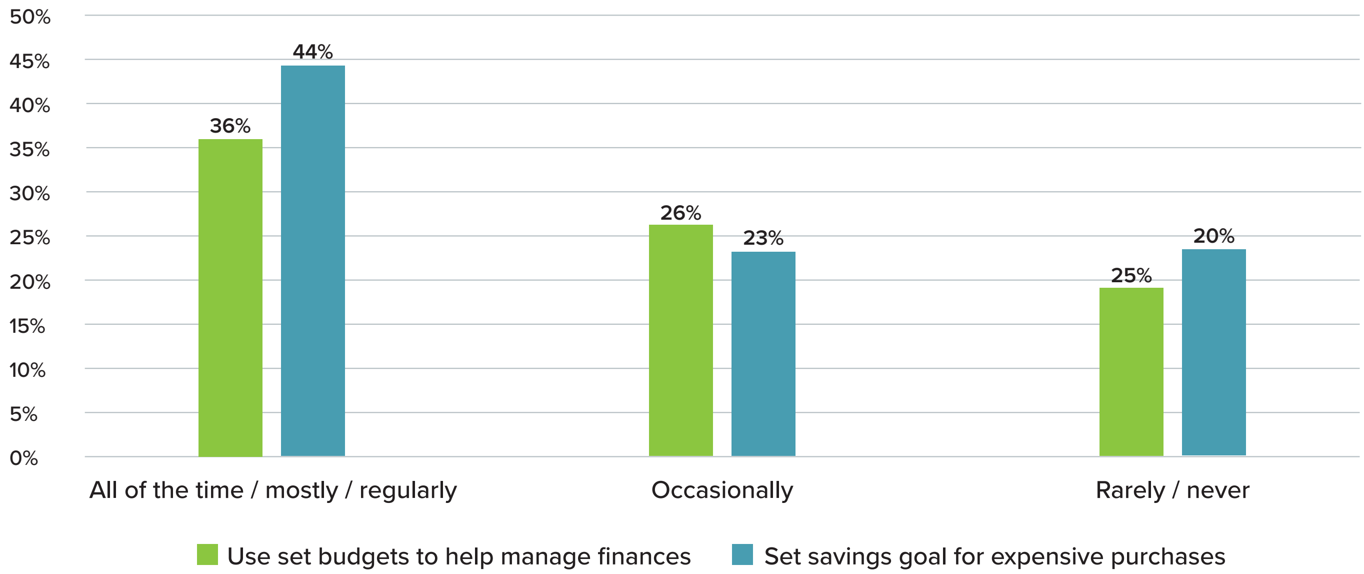
The majority of survey respondents (71%) reported that they would consult their parent/s or guardian/s if they had a question about personal finances. Other common sources of advice nominated by young people were their bank or finance company (35%) and the internet (34%). Over a third of young people (38%) regularly or occasionally used comparison tools to help them make decisions on financial products, such as insurance.

Chart 4: Where do young people turn for personal finance advice



Setting budgets to help manage finances varied amongst young people with 36% doing this regularly or most of the time, 26% occasionally and 25% rarely or never. Financial planning was more common for saving for expensive purchases with 44% doing this regularly or most of the time, 23% occasionally and 20% rarely or never.

Chart 5: Financial behaviours: Budget setting and savings goals



A relatively small percentage of young people had a credit card (19%) or were using a ‘Buy Now / Pay Later’ service and / or short-term loan provider (16%). Many (68%) were using an online banking application on their mobile phone.

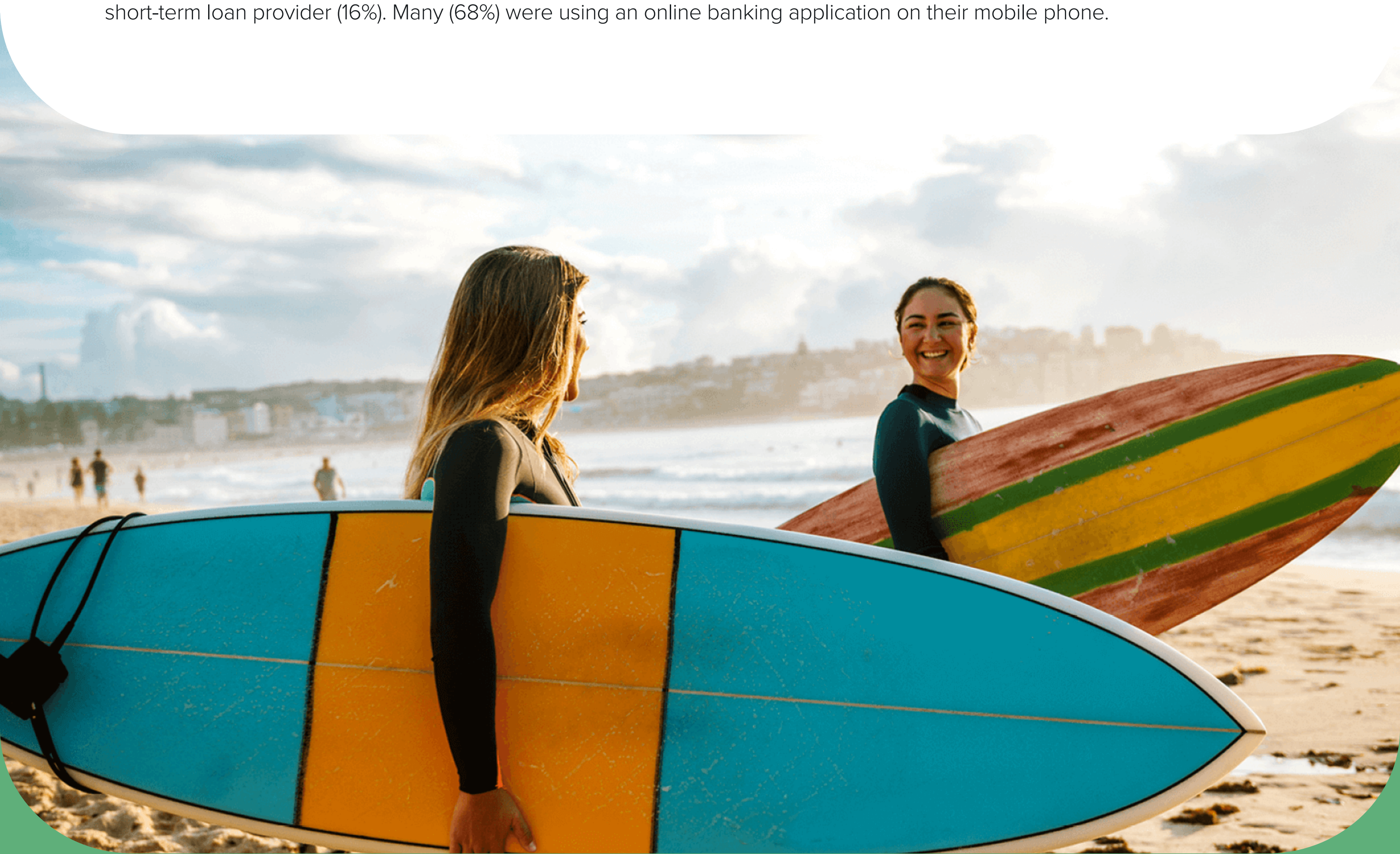


Table 5: Selected financial behaviours of respondents

Selected characteristic	Response	%
Finances / money discussed in home growing up	All of time / most / regularly	30%
	Occasionally	38%
	Rarely / never	19%
Learnt about finance / money management at school	All of time / most / regularly	12%
	Occasionally	27%
	Rarely / never	48%
Use / set budgets to help manage finances	All of time / most / regularly	36%
	Occasionally	26%
	Rarely/never	25%
Use online banking app on phone	All of time / most / regularly	68%
	Occasionally	10%
	Rarely / never	10%
Set saving goals for expensive purchases	All of time / most / regularly	44%
	Occasionally	23%
	Rarely / never	20%
Have a credit card / frequency of use*	Have a credit card	19%
	Use a credit card:	
	All of time / most / regularly	62%
	Occasionally	23%
	Rarely / never	15%
Use a Buy Now / Pay Later service and / or short-term loan provider*	Have a loan service / provider	16%
	Use service:	
	All of time / most / regularly	12%
	Occasionally	37%
	Rarely / never	51%
	Use higher now compared same time last year: Yes higher 14%, The same 28%, No 54%	
Contribute additional money to superannuation (current workers only)	All of time / most / regularly	11%
	Occasionally	5%
	Rarely / never	64%
Use comparison tools to make financial decisions	All of time / most / regularly	22%
	Occasionally	16%
	Rarely / never	46%
In past two years, fallen victim to:	Email scam	3%
	Text scam	2%
	Social media scam	4%
	Telephone scam	4%

Note: 35 respondents (13%) did not answer these questions and a small number responded as "unsure".
** The online survey did not provide skip logic controls for the follow-up frequency question, so some respondents who reported they did not have a credit card also reported how frequently they used it. For this analysis, those respondents were excluded.*

Financial literacy

Survey respondents were asked questions with a range of suggested responses to test their level of financial literacy. Table 6 shows the results for all respondents on the financial literacy survey questions. The bolded response is the answer deemed as demonstrating the highest levels of financial literacy, according to our expert financial and business team at Findex, although it is acknowledged the matter is subjective.

Key findings

Credit cards

When asked for the best way to avoid paying credit card interest, 65% of young people identified that paying off the balance in full each month would prevent interest charges. 14% opted to pay the minimum payment by the due date each month. While this helps to avoid late fees and defaulting, it usually does not prevent the account holder paying interest.

Financial scams

When tested on what questions a genuine financial institution may ask during a security check, 65% of young people correctly identified that a genuine financial institution would never ask a consumer to share their credit card details.

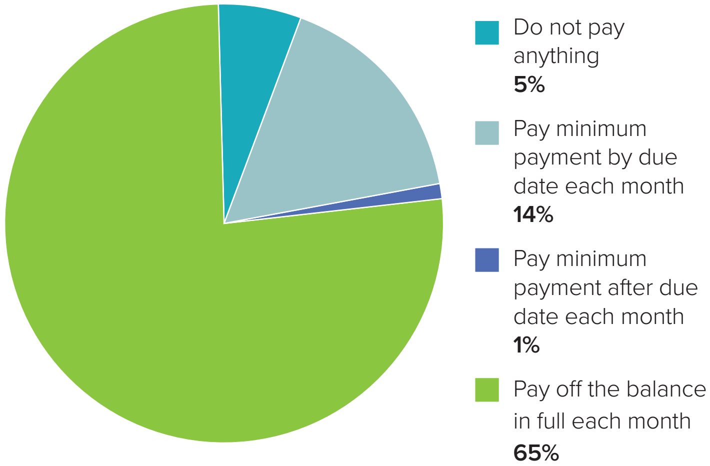
Superannuation rates

More than half (53%) of young people knew the compulsory superannuation rate payable by employers in Australia is 9.5%. However, while a majority of young people were aware of this, almost a quarter (23%) were unsure of how much their employer should be contributing to their superannuation. This can leave them vulnerable to not noticing if an employer does not fulfil their superannuation requirements.

Investment values

When respondents were asked to calculate how much a $100 investment with a 10% interest per annum would grow by across a two-year and five-year period, young Australians were more confident in calculating the former. Half (53%) of young people selected the correct option on the two-year value, but only 39% selected the right answer on the five-year value.

Chart 6: The best way to avoid paying interest on credit cards



Saving for financial goals

Half (50%) of young people identified saving a set amount of income every pay period as the best way to save for a medium to long-term financial goal (e.g. buying a house), while 16% opted for spending less than you earn as the most effective way of saving.

Supplementing lost income

When asked the best way to maintain their lifestyle if they found themselves unable to work, young Australians were divided on the best approach. Nearly one in ten (9%) said they would rely on employer's leave benefits, while two in ten (19%) said they would turn to government benefits or opt into the insurances that are built into their employer's superannuation scheme. Four in ten (42%) said they would take out insurance to continue their income.

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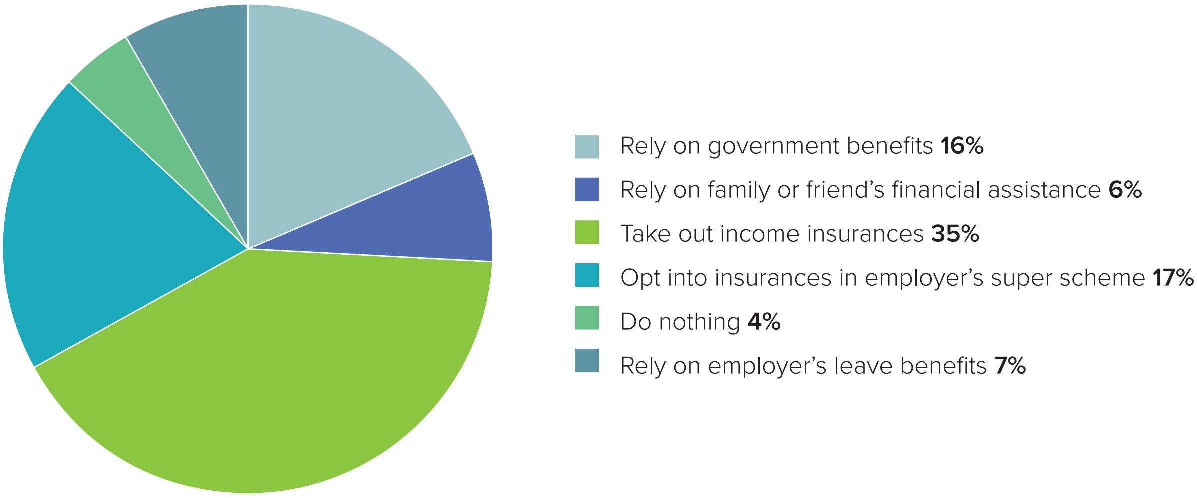
Chart 7: Most effective way to maintain lifestyle if unable to work



Financial purchasing decisions

Taking a holistic view on purchasing decisions is integral to managing finances effectively. When it comes to financial products or services such as insurance, loans, financial advice or credit cards, young people are more likely to make a decision based on value for money, with over a quarter (29%) saying this is what would drive their decision, compared to 20% who say the standalone cost is most important. It's encouraging that young Australians are looking beyond the hard costs to determine value as assessing financial products on baseline cost can have costly implications later down the line (for example, if the insurance doesn't cover what's needed, or if loans have a high interest rate).

Table 6: Financial literacy of respondents

Selected measure	Response	%
Best way to save for a medium to long-term financial goal (e.g. buying a house)	Putting any additional income into savings	12%
	Saving a set amount of income every pay	**50%**
	Spending less than what you earn	16%
	Relying on compulsory superannuation contribution	<1%
	Source additional employment outside of main job	<1%
	Reducing leisure and entertainment costs	5%
Most effective way to manage household finances	Pay bills immediately	17%
	Pay bills when have the money to do so	5%
	Pay bills before due date to avoid late fees	15%
	Set a budget and track transactions	8%
	Create separate bank accounts for each expense type	7%
	Estimate expenses, set a firm budget	**32%**
Best way to avoid paying credit card interest	Do not pay anything	5%
	Pay minimum payment by due date each month	14%
	Pay minimum payment after due date each month	<1%
	Pay off balance in full each month	**65%**

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Selected measure	Response	%
Most effective way to maintain lifestyle if unable to work	Rely on employer's leave benefits	7%
	Rely on government benefits	16%
	Rely on family or friend's financial assistance	6%
	Take out income insurances	**35%**
	Opt into insurances in employer's super scheme	17%
	Do nothing, low risk	4%
Scenario test question – value of a $100 investment after five years based on 10% interest per annum*	$50	10%
	$100	<1%
	$150	31%
	$161	**39%**
Scenario test question - value of a $100 investment after two years based on 10% interest per annum**	$80	3%
	$96	**53%**
	$100	22%
	$104	2%
Most effective way for someone to plan for their retirement	Work until Age Pension age	5%
	Build superannuation while working	25%
	Plan for enough super to replace current income	9%
	Plan so can be comfortable, secure, flexible	**46%**
Test question - current compulsory superannuation rate payable by employers in Australia	7.5%	5%
	9.5%	**53%**
	10%	3%
	11.5%	1%
	12%	0%
	Unsure	23%
Biggest influence on purchasing decisions for financial products or services (insurance, loans, financial advice, credit cards)	Brand loyalty or familiarity	6%
	Cost of the product or service	20%
	Opinion of family and friends	13%
	Reputation/reviews of the product	12%
	Assessment of value for money	**29%**
	Ease of application and approval	3%
Security question a genuine financial institution would never ask for	Your full name	3%
	Your date of birth	3%
	Your credit card details	**65%**
	Name a regular transaction in your account	14%

Note: 43 respondents (16%) did not answer these questions.
**Respondents were presented with a test scenario, asking them to calculate the value of an investment worth $100 after 2 years, based on a 10% interest per annum.*
***Respondents were presented with a test scenario, asking them to calculate the value of an investment worth $100 after 5 years, based on a 10% interest per annum.*

Differences in financial behaviours and financial literacy

As stated in the report introduction, the key research questions were:

a. **What are the primary drivers of the gap in financial literacy between young people in rural, regional and metropolitan areas?**

b. **Is there a relationship between young people's critical financial literacy skills and their socioeconomic circumstances?**

The first hypothesis we tested was that there were gaps in financial literacy between young people living in rural and regional areas and young people in metropolitan areas.[10]

The results shown in Table 7 suggest that for this sample of young people, there were no substantive differences in financial literacy between young people living in rural and regional areas and young people living in metropolitan areas.

Table 7: Gaps in financial literacy by region lived (from 16 years of age)

Selected indicators of financial literacy	ALL YOUNG PEOPLE (n=274)	Living in capital cities / large regional / metro centres	Living in small regional centres / rural / remote areas
Best way to avoid paying credit card interest – desired response is **Pay off the balance in full each month**	65%	65%	66%
Best way to save for a medium to long-term financial goal – desired response is **Saving a set amount of income every pay**	50%	49%	52%
Most effective way for someone to plan for their retirement – desired response is **Plan so can be comfortable, secure, flexible**	46%	46%	47%
Most effective way to maintain lifestyle if unable to work – desired response is **Take out income insurances**	35%	36%	34%
Most effective way to manage household finances – desired response is **Estimate expenses, set a firm budget**	32%	34%	31%
Biggest influence on purchasing decisions for financial products or services – desired response is **Assessment of value for money**	29%	31%	28%

Note: Number of respondents living in capital cities and larger centres was 138, number of respondents living in small centres and rural areas was 128. Small number of respondents marked "unsure".

[10] Given the relatively small sample size for a national survey, some respondent sub-groups have been combined in order to allow more confidence in survey results.

The second hypothesis we tested was that there are differences in socioeconomic circumstances impacting the levels of financial literacy of young people. Young people with lower financial literacy have been defined here as those sub-groups with smaller percentages of young people selecting the desired responses to key financial literacy questions.

Socioeconomic variables

The results shown in Table 8 suggest that for this sample of young people, there were some substantive differences in financial literacy between particular sub-groups.

In general terms, the following cohorts of young people in Australia were less likely to choose answers in response to financial scenarios that suggested higher levels of financial literacy and capability:

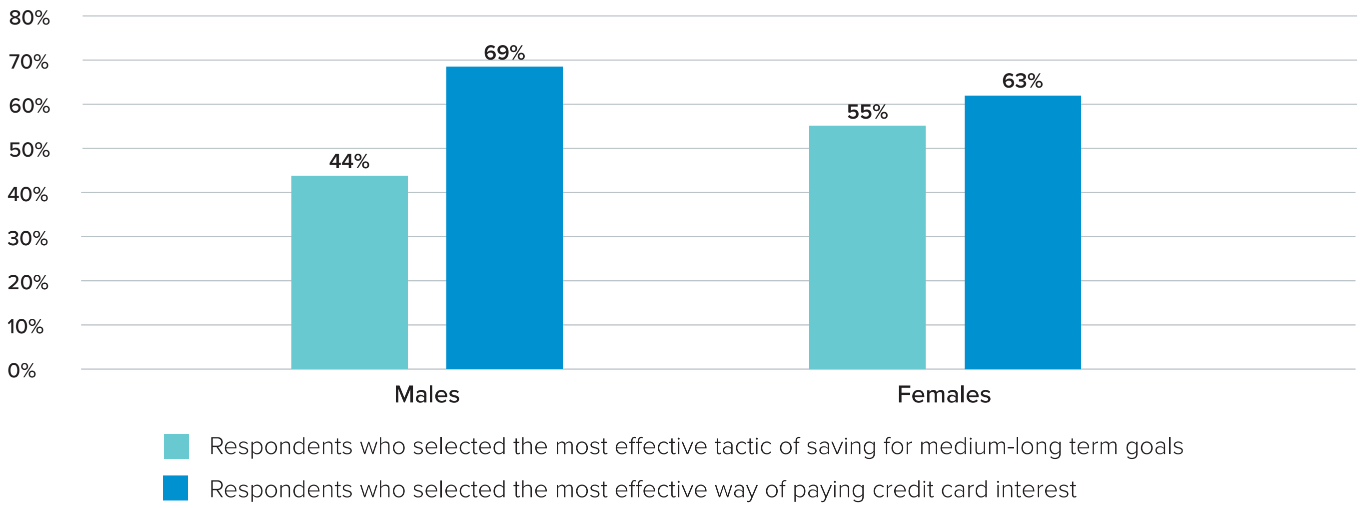
- Young people who have migrated to Australia or first-generation Australians;
- Young people who had a long-term health condition or disability while growing up;
- Young people who had a parent who was unemployed for 12 months or more while growing up; and
- Young people who lived in a single parent home while growing up.

Gender

When it comes to saving for medium- to long-term financial goals, females were more likely (55%) to choose the most effective tactic of saving a set amount of income every month compared to males (41%).

However, while their financial literacy around short-term planning may appear higher, females were slightly less likely than males to know how best to avoid paying credit card interest (63% vs 69% respectively). A similar trend was observed in planning for retirement, with males more likely than females to opt for the most effective option.

Chart 8: Socioeconomic variables: Gender

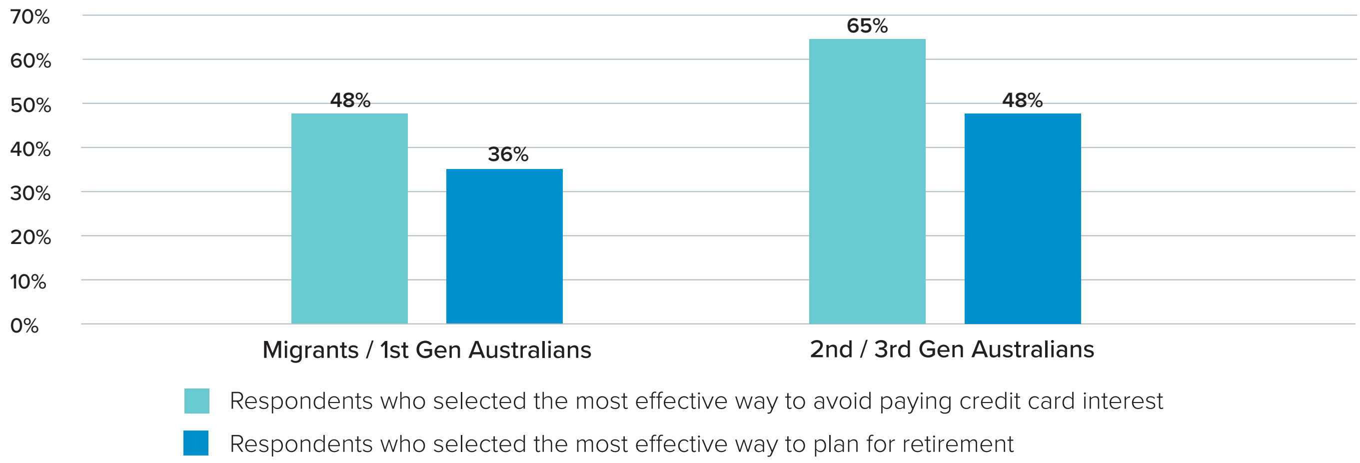


Migrants

Migrants or first-generation Australians were less likely to identify the best way to avoid paying credit card interest (48%) than non-migrant or first-generation Australians (65%).

This trend continued with other areas of personal finance management and planning, as this cohort were 10% less likely than average to know the most effective way to plan for retirement and marginally less likely to know the best way for saving for a medium- to long-term financial goal.

Chart 9: Socioeconomic variables: Migrants

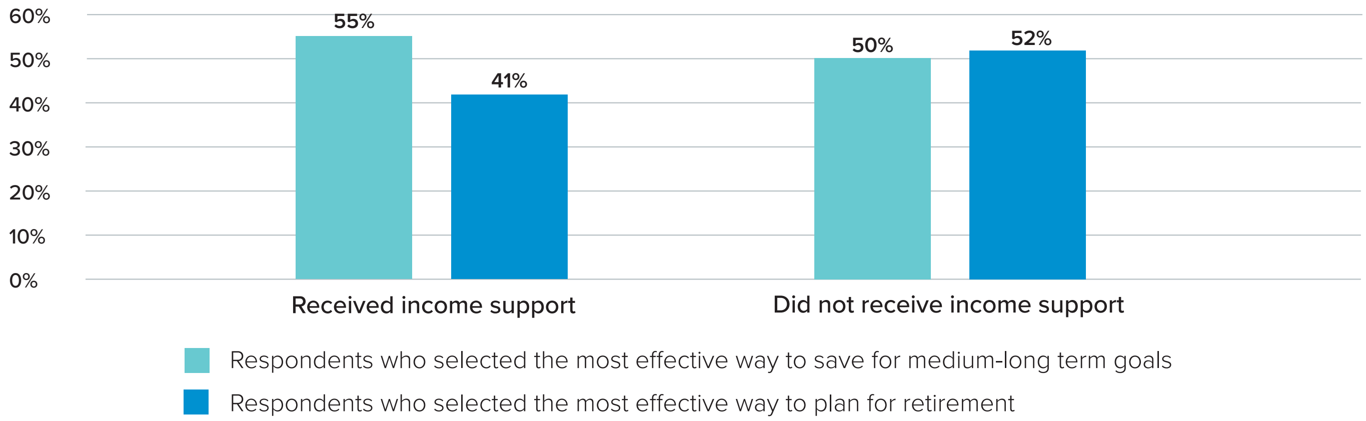


Government income support

The extent of reliance on government income support did not appear to have any significant relation to how young Australians approach saving for medium-to-long goals. In fact, young people who said they recall their household receiving government income support during childhood displayed more financial literacy when selecting the best option for saving (55% vs 50% average).

However, when it came to planning for retirement, they were much less likely than those growing up in households not relying on government income support to know the best route (41% vs 52% respectively) and less likely than the average (41% vs 46% average).

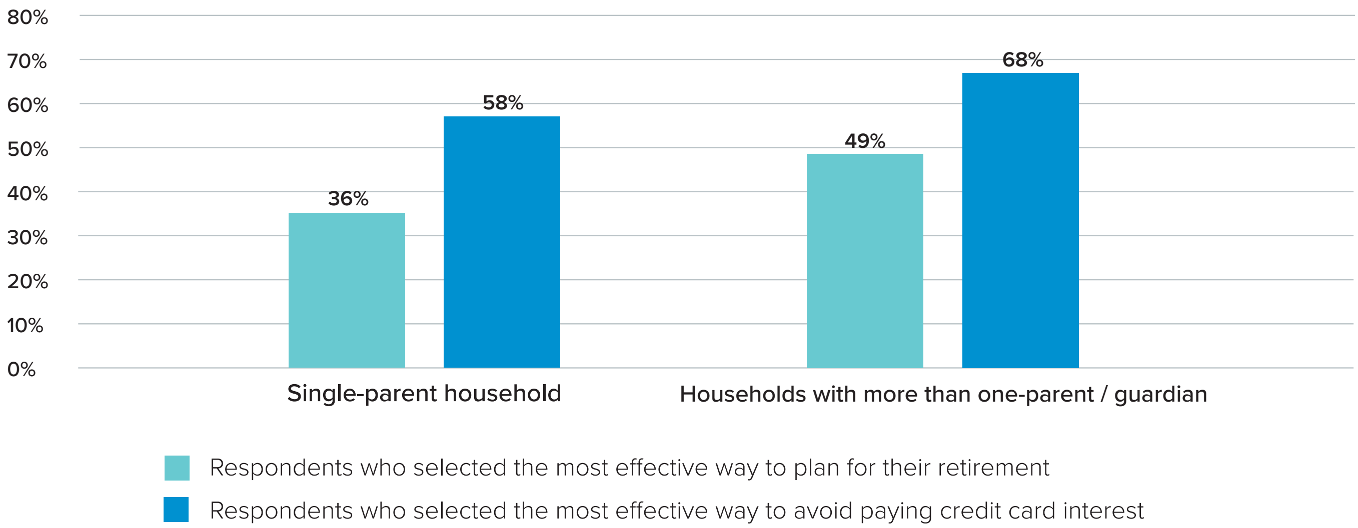
Chart 10: Socioeconomic variables: Government income support



Parental factors

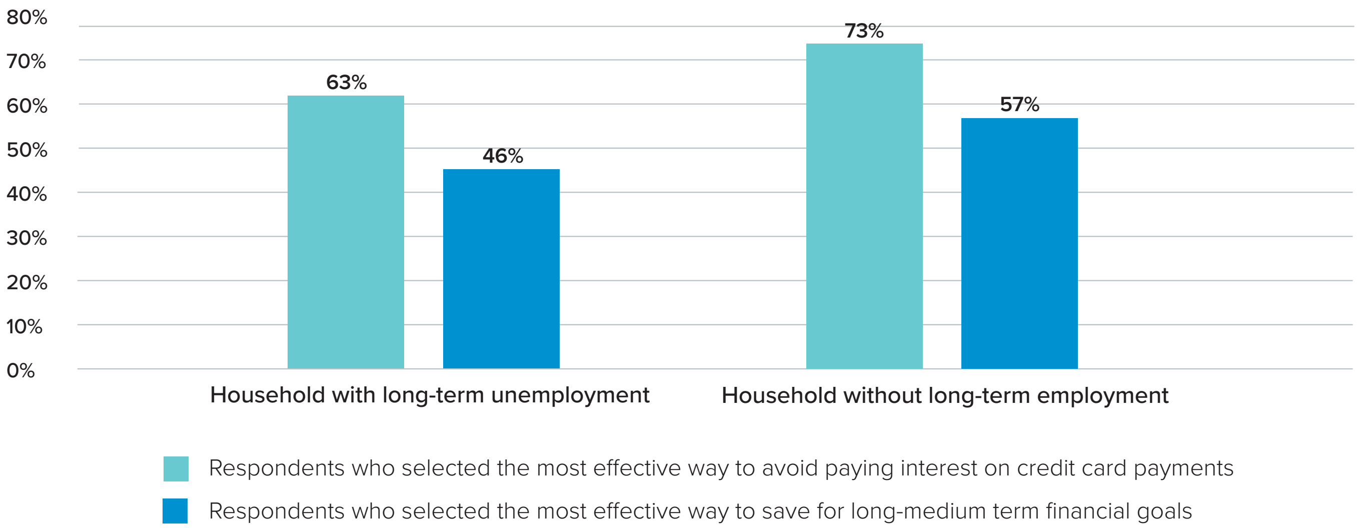
In broad terms, young Australians growing up in single parent households were less likely to identify the optimum options for planning for retirement, how to avoid credit card interest payments and medium-to-long term financial planning, than those who did not grow up in single parent households.

Chart 11: Socioeconomic variables: Single-parent households



There was also a correlation between having a parent that was long-term unemployed and lower levels of financial literacy. This group was less likely across all three areas surveyed to pick the best financial management answer compared to young Australians whose parents were in consistent employment.

Chart 12: Socio-economic variables: Unemployment



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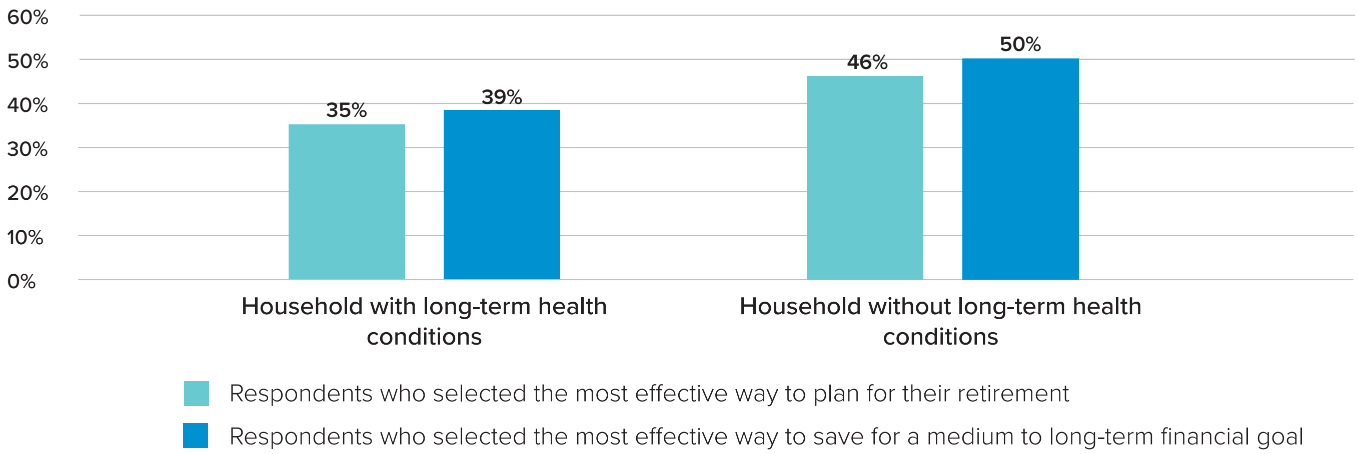
Long-term health conditions

This group was less likely than average to know the most effective way to plan for their retirement, with just over a third (35%) selecting the most effective route, compared to almost a half (46%) on average.

Chart 13: Socioeconomic variables: Health conditions



While more than half of this group (57%) did know the best way to avoid paying credit card interest, this was still lower than average (almost two thirds at 65%). There was also a relationship between having a long-term health condition and financial literacy when considering the best ways to save for a medium to long-term financial goal, with 39% of this cohort selecting the most effective response compared to half (50%) on average.

Table 8: Financial Literacy - Selected socioeconomic variables

Financial literacy (responses chose most financially literate option available)	ALL YOUNG PEOPLE (n=274)	Males	Females
Best way to avoid paying credit card interest	65%	69%	63%
Best way to save for a medium - to long-term financial goal	50%	41%	55%
Most effective way for someone to plan for their retirement	46%	49%	44%

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Financial literacy (responses chose most financially literate option available)	ALL	Migrant / 1st gen.	No
Best way to avoid paying credit card interest	65%	48%	71%
Best way to save for a medium - to long-term financial goal	50%	46%	51%
Most effective way for someone to plan for their retirement	46%	36%	48%

Financial literacy (responses chose most financially literate option available)	ALL	Single parent household	Never / rarely
Best way to avoid paying credit card interest	65%	58%	68%
Best way to save for a medium - to long-term financial goal	50%	49%	50%
Most effective way for someone to plan for their retirement	46%	36%	49%

Financial literacy (responses chose most financially literate option available)	ALL	Govt. income support	Never / rarely
Best way to avoid paying credit card interest	65%	67%	71%
Best way to save for a medium - to long-term financial goal	50%	55%	53%
Most effective way for someone to plan for their retirement	46%	41%	52%

Financial literacy (responses chose most financially literate option available)	ALL	Long-term health condition	Never / rarely
Best way to avoid paying credit card interest	65%	57%	67%
Best way to save for a medium - to long-term financial goal	50%	39%	53%
Most effective way for someone to plan for their retirement	46%	35%	48%

Financial literacy (responses chose most financially literate option available)	ALL	Parent unemployed	Never / rarely
Best way to avoid paying credit card interest	65%	63%	73%
Best way to save for a medium - to long-term financial goal	50%	46%	57%
Most effective way for someone to plan for their retirement	46%	42%	52%

Conclusion

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Conclusion

There are some encouraging insights from our survey which suggest favourable levels of financial literacy across young Australians.

Half of under 25s say they feel they have a handle on their finances, and there was welcome understanding from this age cohort across a range of other key areas of financial literacy. These include how to manage payments on mainstream financial products such as credit cards and being wise to financial scams (something older generations are more prone to). Another generational insight was young Australians' growing tendency to opt for value for money (versus upfront costs) in choosing financial products like insurance, in keeping with the widely reported observation that Gen Z is **more interested in buying products that will give them the best value based on their price.**

However, in some significant and far-reaching areas of financial know-how, there are big gaps in knowledge. One in four do not know how much their employer should be contributing to their super, meaning they would not recognise if their super is being miscalculated or underpaid. Almost one in two under 25s do not understand how interest works on investments, and the majority would not consider insurance if they found themselves unexpectedly unable to work.

While half of young Australians feel in control of their finances, this means almost one in two feels in the dark. This is perhaps unsurprising given that formal financial education has been missing for many young Australians, with half saying they have limited to no recollection of money management as part of their school curriculum. Parental or guardian figures remain the key educator on finances. A formal commitment to include financial literacy to the school syllabus will support an informed and expert-led education and drive equal accessibility to the key behaviours and skills required to support financial proficiency in adulthood.

A heavy reliance on parents and guardians to educate the next generation on financial literacy is misguided and potentially harmful. Young Australians are turning to banks and finance companies, or online, for financial advice and to fill in the gaps.

While banks and finance companies are subject to regulation and compliance, young Australians need to be mindful that their motivations may be commercial. Given the absence of formal financial education at school, banks and finance companies should take their responsibility as a source of financial advice seriously and provide easily understandable and objective financial guidance.

A shift in attitude may help young Australians better prepare for a financially comfortable future. The principles of budgeting seem well-established for big purchases, such as cars or holidays, but less prominent in managing day-to-day realities or planning for retirement. An effort to challenge the narrative that financial thoughtfulness and planning should be a constant, versus an exception, will help young Australians be better prepared to deal with the unexpected.

Lastly, our study suggests there is no substantive difference in financial literacy between young people living in rural and regional areas and young people living in metropolitan areas, suggesting that this decades-long trend is finally closing.

However, it was observed that certain socioeconomic factors overlapped with individuals who displayed lower levels of financial literacy. While these findings are not conclusive nor confirm cause and effect, our survey did notice lower levels of literacy amongst young people who:

- are migrants themselves or first-generation Australians;
- had a long-term health condition or disability while growing up;
- had a parent who was unemployed for 12 months or more while growing up;
- or lived in a single parent home while growing up.

Sound financial decision-making is strongly linked with improved financial wellbeing and greater participation in economic life.[11] And participation in economic life affects quality of life, the opportunities that people can pursue, their sense of security, and the overall economic health of society.[12]

In our pursuit of a successful and fair society, financial literacy must be prioritised as a means to achieving this, acknowledging that a one-size-fits-all approach is not sufficient and considering extra support to groups in society who need it most.

[11] ASIC Report 229, n 2, p 5. See also Lusardi A and Mitchell OS, Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs, Centre for Financial Studies Working Paper No 2007/15 (Goethe University, Frankfurt, 2007.

[12] ASIC Report 229, n 2, p 16.

The survey was conducted by Findex Group Limited ABN 40 128 588 714 and Findex Community Fund ABN 16 285 893 026 (Findex) between 4 and 25 March 2021, with 274 respondents aged 15-25 years.

All statistics and data contained in this report are extracted from these survey results, or otherwise referenced.

30 April 2021

Appendix

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Appendix 1 - Additional tables

Respondents' region of residence

	From birth to 16 years	Age 16+ years
Capital city	22%	26%
Other metropolitan centre	8%	9%
Large regional centre	11%	15%
Small regional centre	16%	14%
Other regional area	4%	4%
Rural / remote area	24%	19%
Other rural / remote area	12%	10%
Unsure	3%	3%

Employment status of respondents' parents / guardians

Labour force / employment status	Parent / guardian 1	Parent / guardian 2
In upper management at workplace	22%	9%
In junior-middle management at	14%	17%
Owns the business they work at	23%	12%
Is an industrial tradesperson	9%	7%
Is a service tradesperson	8%	11%
Stay at home parent / guardian	7%	11%
Unemployed for more than 12 months	3%	6%
Recently retired (within last 12 months)	<1%	<1%
Retired for more than 12 months	3%	3%
Unsure	4%	4%
Not stated	8%	8%
Not applicable	-	12%

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Industry employed - Respondents' parents / guardians

Industry	Parent / guardian 1	Parent / guardian 2
Administration and support services	4%	6%
Agriculture or farming	13%	9%
Arts and entertainment	<1%	<1%
Charity and not-for-profit	2%	2%
Community services	2%	2%
Computers and software	1%	2%
Construction	3%	2%
Education	10%	10%
Finance and insurance	12%	3%
Government	8%	6%
Hospitality	4%	4%
Hotel and accommodation	-	<1%
Information media and telecommunications	<1%	<1%
Legal services	<1%	1%
Manufacturing	1%	2%
Military	-	-
Mining	2%	1%
Property and real estate	<1%	<1%
Retail	6%	3%
Science and technology	2%	<1%
Transport, postal and warehousing	1%	2%
Utilities (e.g. electricity, gas, water, waste)	1%	<1%
My parent does not currently work	5%	8%
Unsure	15%	10%
Not applicable	-	*19%*
Not stated	*8%*	*8%*

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Highest level of education - Respondents' parents / guardians

Highest level of education	Parent / guardian 1	Parent / guardian 2
Postgraduate qualification	14%	8%
Bachelor level qualification	20%	19%
Diploma or Certificate	19%	19%
Year 12 or equivalent	15%	15%
Less than Year 12 or equivalent	20%	19%
Unsure	4%	5%
Not applicable	-	*8%*
Not stated	*8%*	*8%*

Appendix 2 - Data collection

In table 8, given the total sample size of 274 young people, there were some demographic variables of interest that could not be used for further analysis as the size of the sub-groups were too small to extrapolate results. Sub-groups with small sample sizes were: 'disengaged' young people, Aboriginal / Torres Strait Islander and housing tenure when growing up.

Analysis by age group was not conducted as it was expected that young people aged 22-25 years will regularly display higher levels of financial literacy (compared to those aged 15-21 years) due to their enhanced life experience particularly commencing full-time work. Similarly, a comparison of young people aged 15-25 years who had / had not achieved a Year 12 qualification was expected to show poorer levels of financial literacy based on their age.

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Yalari Educating Indigenous Children®

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18 May 2021