

Survey of US Consumers Sheds Light on 'Generation Z'

17/11/2017   

Summary

More than 840 people recently spoke to our Grassroots Research team about their spending habits, financial goals and more. Among them were members of generation Z – a young demographic that, at least for now, places a much greater emphasis on lifestyle experiences over retirement savings.

Key takeaways

- Grassroots study results: 58% of boomers and 22% of generation Z are married; 74% of boomers and 39% of generation Z own property
- In our new survey, retirement is currently the top financial priority of only 36% of boomers and 4% of generation Z
- Generation Z is much more focused on having life experiences (27%) and paying down student debt (18%) than saving for retirement

Consumers have long been the driving force behind the US economy, powering an estimated 70 per cent of US gross domestic product with their spending. To learn more about what fuels the lifestyle and consumption preferences of US consumers, GrassrootsSM Research – AllianzGI's proprietary investigative-research team – commissioned interviews with 841 respondents throughout the country.

What we found sheds light on several key differences between generations – including baby-boomers, who are well-understood, and "generation Z", which is just now beginning to make its preferences known.

Our survey reached people born between 1942 and 1997. For the purposes of this study, we defined baby-boomers as those born between 1942 and 1964, and generation Z as those born between 1991 and 1997.

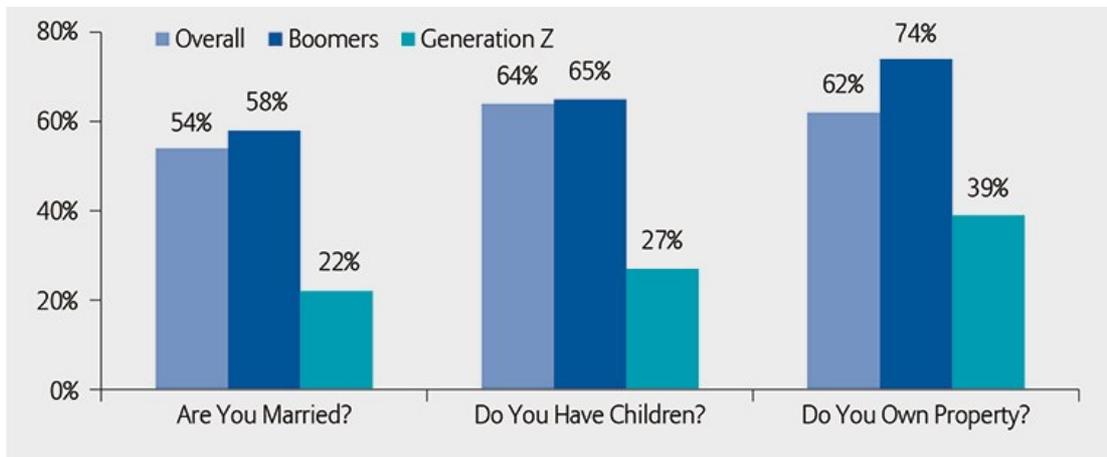
Notable lifestyle differences between boomers and generation Z

As expected, we found several notable differences between the oldest and youngest survey respondents:

- Marriage – 54 per cent of all respondents, 58 per cent of baby-boomers and 22 per cent of generation Z are married
- Parenthood – 64 per cent of all respondents, 65 per cent of boomers and 27 per cent of generation Z are parents
- Property ownership – 62 per cent of all respondents, 74 per cent of boomers and 39 per cent of generation Z own a house or apartment

How Different Is Generation Z from the Rest?

Survey respondents born between 1991 and 1997 are just starting out their adult lives, as reflected in their lifestyle choices.



Source: GrassrootsSM Research. Data as at August 2017.

Saving for retirement is not yet a priority for generation Z

When we asked our survey respondents about their top financial priorities today, we learned that retirement was the most frequently cited concern by only 36 per cent of baby-boomers. About one-quarter of boomer respondents said their biggest priority today had to do with the costs associated with owning a home – such as mortgage costs, association fees, maintenance/upkeep and purchasing furniture.

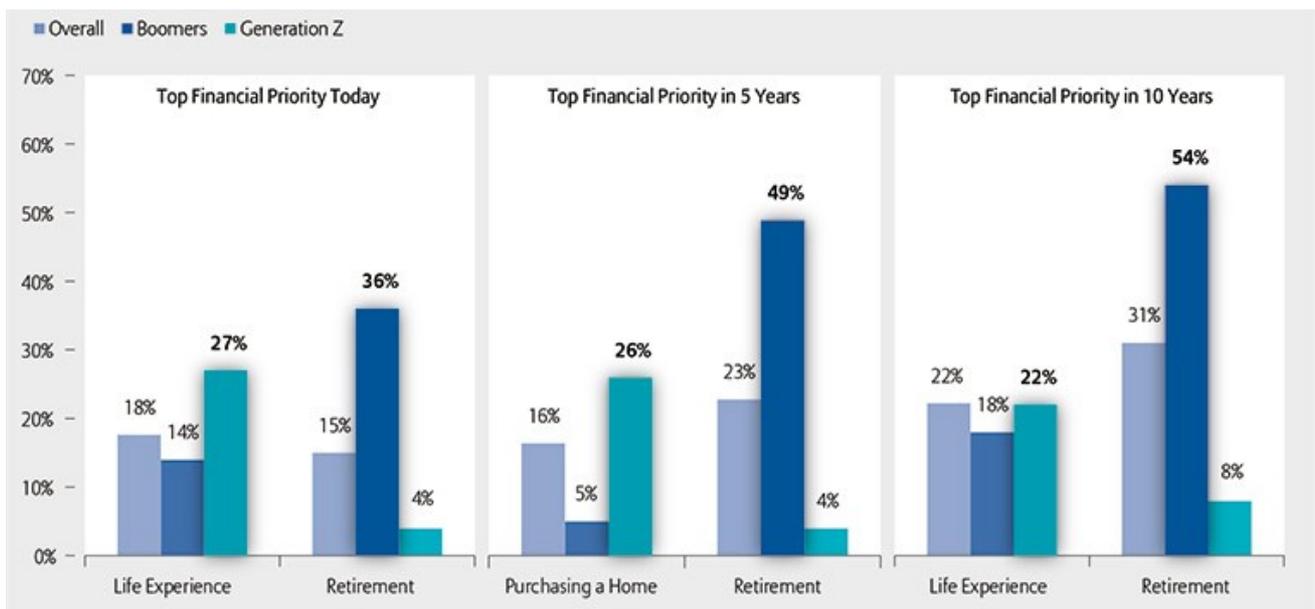
Meanwhile, 27 per cent of generation Z respondents put the most emphasis on life experiences – such as dining/entertainment, travel and social activities. At the same time, about one-fifth of those in generation Z said paying down student debt was their most important priority. Saving for retirement topped the financial to-do list for only 4 per cent of generation Z members.

To see how their focus shifted over time, we also asked the respondents to tell us about their financial priorities over the next five and ten years.

- Retirement steadily climbed up the priority ladder for baby-boomers, 49 and 54 per cent of whom cited it as their most important financial concern for the next five and 10-year periods, respectively.
- Many of our generation Z respondents, on the other hand, changed their priorities when thinking about the next five years: purchasing a home was the most-cited priority for people we spoke to, topping the list for about one-quarter of respondents.
- When we asked other generational cohorts the same questions, retirement topped the list of financial priorities in 10 years for those born between 1965 and 1973 (46 per cent) and those born between 1973 and 1980 (32 per cent).

Generation Z Not Yet Focused on Retirement

Our survey of 841 respondents asked about their top financial priorities today, in 5 years and in 10 years. The most-cited choices for each time period are marked in bold.



Source: GrassrootsSM Research. Data as at August 2017.

Life-stage progression should lead to a shifting financial focus

To Financial Services Research Analyst Katherine He, this GrassrootsSM Research study shows clear evidence of how consumers' life stages can shift their financial priorities: "Student debt is a particularly high burden to generation Z, even more so than to the millennial cohort immediately ahead of them. Over the next five years, we can infer that we'll see increasing home-purchasing activity by millennials as they begin to have children. Meanwhile, generation Z is likely to focus on

reducing their debt now before shifting their focus to buying a home – and, even later, to saving for retirement.”

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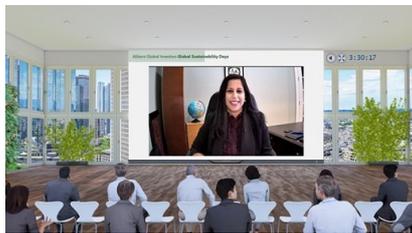


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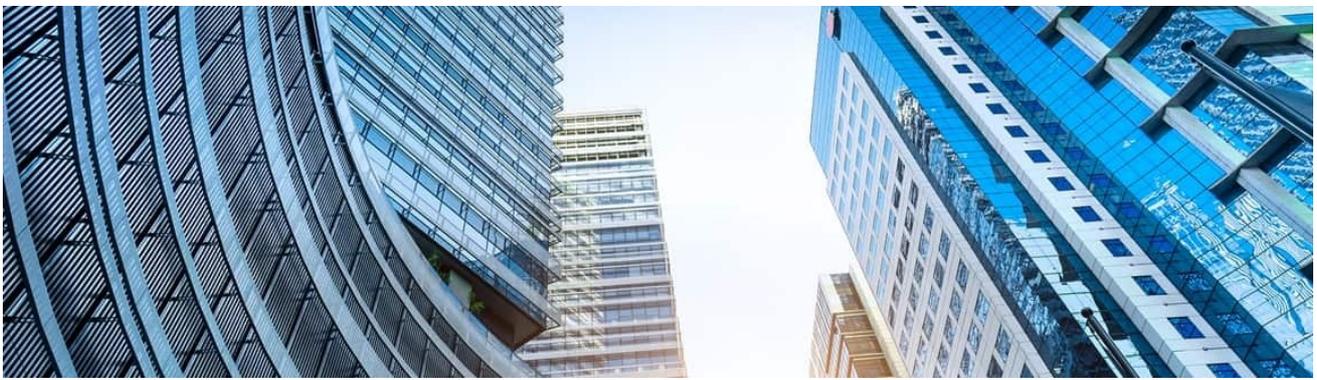
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Summary

To move past the financial crisis of the 1990s, Asian economies made a host of important structural changes – and Asian fixed income stands ready is positioned to benefit. Not only is there growing demand for Asian bonds from Asian investors, but outside investors are looking to the asset class – particularly sovereign debt – for its potential to enhance returns and reduce risk.

Key takeaways

- Asia has learned much from its mistakes in the 1990s – in particular, the dangers of fixed exchange rates and over-reliance on international capital flows
- For the last 20 years, Asia has been laying good foundations, tightening regulations and implementing a stronger institutional framework to prepare for its re-emergence
- Capital from Asian savers is likely to be increasingly deployed within Asia, lessening reliance on a volatile, overvalued US dollar
- Asian bonds offer the potential to improve returns and reduce risk – particularly via long-term opportunities linked to strong growth potential, current account surpluses and healthy foreign-exchange reserves
- As the global “hunt for income” continues, Asian bonds are an essential part of the investment solution

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