

Generation Z's Financial Report Card





Think about a credit score like a grade you receive on an exam, whereas your credit report is more like the report card you receive at the end of a semester.

- Heather Battison, TransUnion Vice President

Survey Methodology

These are the findings from an Ipsos poll conducted May 8-11, 2017 on behalf of TransUnion. For the survey, a sample of 1,001 teenagers between the ages of 13-17 from the continental U.S., Alaska and Hawaii was interviewed online, in English.

The sample for this study was randomly drawn from Ipsos's online panel, partner online panel sources, and "river" sampling and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to each study, in drawing sample. After a sample has been obtained from the Ipsos panel, Ipsos calibrates respondent characteristics to be representative of the U.S. Population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2016 American Community Survey data. The sample drawn for this study reflects fixed sample targets on demographics. Post-hoc weights were made to the population characteristics on gender, age, region, race/ethnicity and income.

Statistical margins of error are not applicable to online polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 3.5 percentage points for all respondents (see link below for more info on Ipsos online polling "Credibility Intervals"). Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (n=1,001, DEFF=1.5, adjusted Confidence Interval=5.0).

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Report Card Overview

Learning about how to handle money is as essential for success as reading, writing and arithmetic. To see how the next generation of Americans is coming along in its financial education, we asked teens **ages 13 to 17** how well they understand money management with a short survey on money basics.



of teens ages 13-17 give themselves an A or B when grading how well they successfully manage their money.

Of teens who give themselves an A/B grade:



say they are familiar with credit scores

vs



say they are not very/not at all familiar

Does this generation really deserve a passing grade when it comes to understanding financial health? Here's a snapshot of **Generation Z's financial habits:**

83%

of teens are **currently saving** money

19%

of teens are **currently an authorized user** on a parent or guardian's credit card

58%

of teens consider **whether or not they have enough money saved** before making a purchase

49%

of teens say that they're **familiar with what a credit score** is and how it's calculated

Financial Education

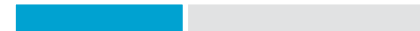
The teens of Generation Z are now old enough that they have a general understanding of money. They're learning fast – mostly from parents or guardians, school classes and real-world purchases. Traditional and social media play a part in teens' education, but not as much as guidance from people they trust and hands-on experience. **Here's where Gen Z learns about money:**



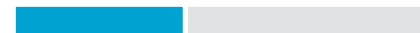
84% parent/guardian



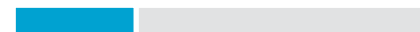
42% real-world experiences



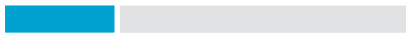
42% school class



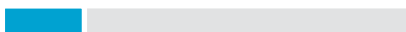
30% friends



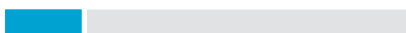
28% sibling or other family member



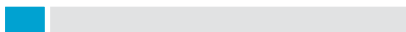
20% social media



20% television



11% app or online personal finance tool



Managing Money

Generation Z gives itself a pass on money management, and their spending habits back them up – they're paying attention to their funds, and how their purchases impact their savings:

Spending habits



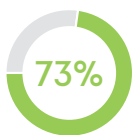
VS

Saving habits



Before making a purchase, most Generation Z'ers think about the cost of the item and whether or not they have enough money saved to purchase.

70% of teens get their spending money from an allowance while **52%** said someone gives them spending money; **32%** of teens have a job to earn spending money



of teens consider the cost of an item before making a purchase



of teens consider whether or not they have enough money saved before making a purchase

Most of Generation Z is currently saving money, and those saving money are likely doing it for a specific purpose.

83% of teens save money for something specific, in general, or both:

- » **52%** of teens are saving for something in particular
- » **35%** of teens are saving, but not for anything in particular

91% of teens who are familiar with credit scores are currently saving money



75% of teens who aren't familiar are currently saving money

Using Credit and Debit

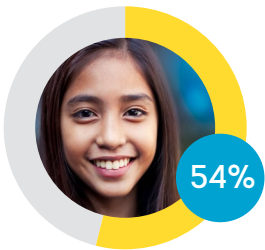
The members of Generation Z are still too young to have credit cards of their own, though they're getting a head start on understanding credit. To make their purchases, they use different methods – some Gen Z'ers are authorized to use a parent or guardian's card, and some have and use their own debit cards.

Approximately
1-in-5 teens*
have a credit card
(as an authorized
user on a parent/
guardian's account).

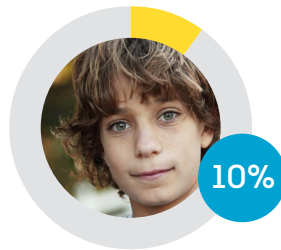
*19% have a credit card



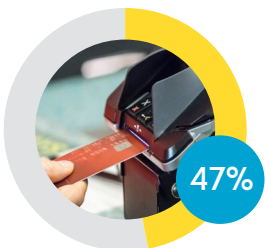
**Among teens who have a credit card as an authorized
user on a parent/guardian's credit account:**



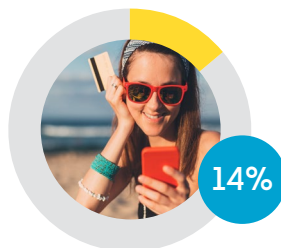
were 14 or younger when they were
first added as an authorized user



were under the age of 13

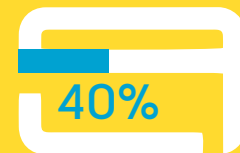


use the credit card on a weekly basis

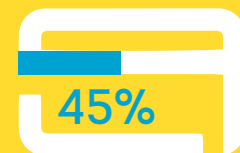


use the credit card daily

Compared to the
number of teens who
use a credit card, a little
over twice as many have
and use a debit card.



of teens have a debit card



of teens have made a
purchase with a debit card

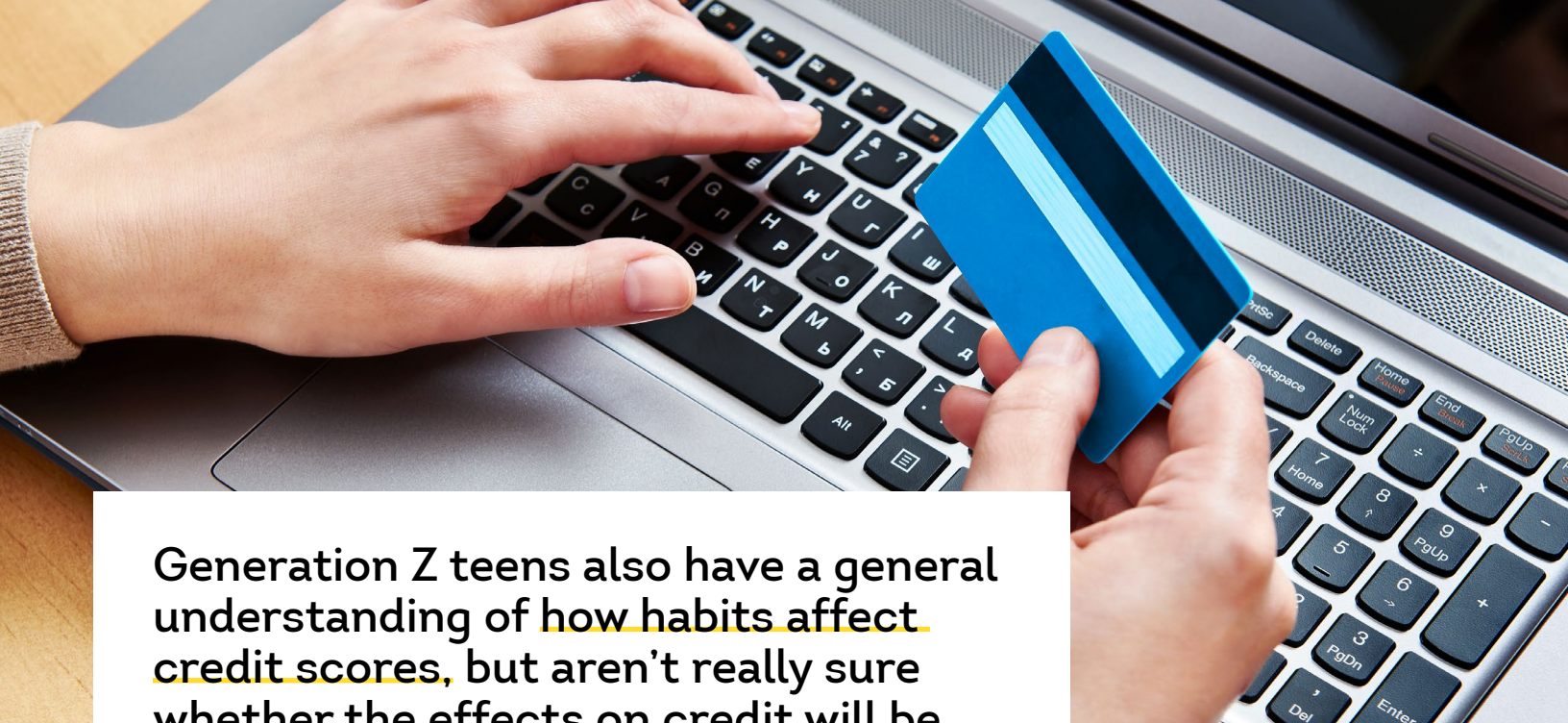
Understanding of Credit Basics

Generation Z knows what a credit score is, but teens are still a little confused when it comes to what factors into a credit score calculation or how financial habits affect scores.

To see what Generation Z knows about what's included in a credit score, we asked about five things:

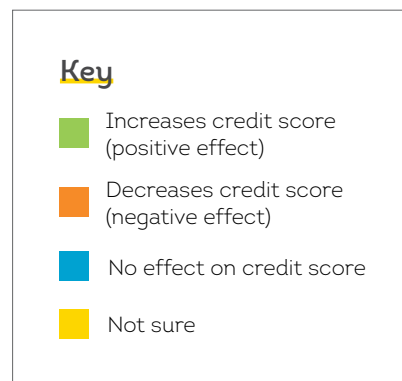
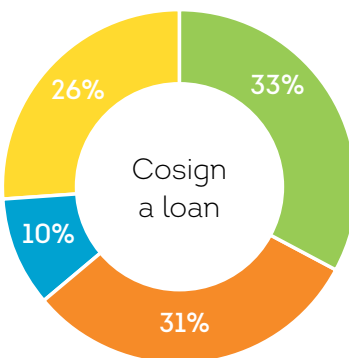
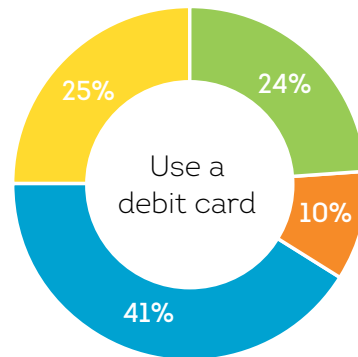
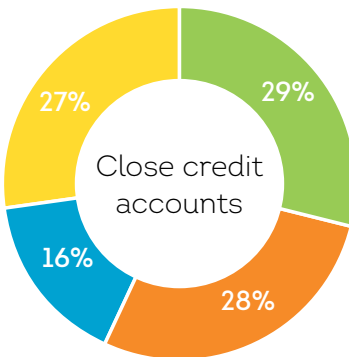
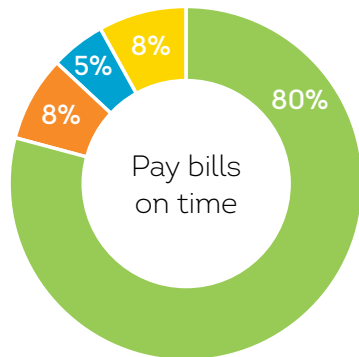
	Included	Not Included	Not Sure
Whether or not income is included (<u>it isn't</u>)	56%	21%	23%
Whether or not age is included (<u>it isn't</u>)	46%	27%	26%
Whether or not cell phone payments count (<u>they don't</u>)	48%	30%	22%
Whether or not credit balances are included (<u>they are</u>)	78%	10%	12%
Whether or not bank account balances are included (<u>they aren't</u>)	47%	29%	24%





Generation Z teens also have a general understanding of how habits affect credit scores, but aren't really sure whether the effects on credit will be positive or negative.

We asked them how they thought each of the following scenarios impact credit:



Continuing Your Teen's Financial Education

To educate the next generation of credit users on the importance of credit health, TransUnion Vice President Heather Battison offers **five credit resources for parents to talk to their teens:**

- 1 Spend less than you earn.** It may seem like it goes without saying, but it's worth talking about. Having a line of credit that is larger than your monthly income can be a temptation for anyone, especially a teen. Let them know that even if the card allows it, spending more than your monthly income or allowance can lead to missed payments, which can have a negative impact on credit.
- 2 Learn responsible credit card use.** Using a credit card – like a secured card that requires a security deposit as collateral to start a line of credit – for small purchases can help your teen establish credit history and see how on-time payments can positively impact credit.
- 3 Practice patience.** Building credit doesn't happen overnight, which is why it is so important for your teen to start early. Many habits can help build credit, and showing your teens how your payment history has impacted credit over the years can help them understand the big picture.
- 4 Debit doesn't translate to credit.** While debit cards are a great tool to help your teen spend within their financial means, they don't demonstrate to lenders that they can handle credit. Therefore, debit card transactions don't count towards a credit score.
- 5 After you're old enough to get a credit card, remember to check your credit report.** Regularly checking your credit report will help your teen better understand his or her credit history and increase credit health knowledge. As teens practice good credit habits, they'll see their credit grow and change over time.



77%

of teens who learn about money from a parent or guardian are actively seeking out advice on the topic.

Conclusion

Final grade:
A for effort!



Even at their age, the members of Generation Z understand the basics of money management, but there's still some education needed around credit. As they seek out information from a variety of resources, such as their parents or **resources like TransUnion**, teens will gain the information needed to build and maintain their financial health.

About TransUnion (NYSE:TRU)

Information is a powerful thing. At TransUnion, we realize that. We are dedicated to finding innovative ways information can be used to help individuals make better and smarter decisions. We help uncover unique stories, trends and insights behind each data point, using historical information as well as alternative data sources. This allows a variety of markets and businesses to better manage risk and consumers to better manage their credit, personal information and identity. Today, TransUnion has a global presence in more than 30 countries and a leading presence in several international markets across North America, Africa, Latin America and Asia. Through the power of information, TransUnion is working to build stronger economies and families and safer communities worldwide.

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