Fidelity Connects

How Generation Z and Millennials Approach Money

Kelly Lannan, Senior Vice President, Emerging Customers

Pamela Ritchie, Host

Announcer: Hello and welcome to Fidelity Connects – a Fidelity Investments Canada podcast – connecting you to the world of investing and helping you stay ahead.

Today, we're pleased to welcome Kelly Lannan back to the show for an informative discussion on the financial habits of Gen Z and Millennial investors. Kelly, who first joined us for an episode last summer, is Senior Vice President, Emerging Customers, with Fidelity Investments, based out of Boston.

This year we've seen a global trend, "The Great Resignation," in North America. But Millennials aren't just re-thinking their career moves. They are also making the shift to re-prioritize longer-term financial strategies.

So are how are the younger generations investing? And how much are investment decisions impacted by life-stages rather than more linear by age as was more common with other generations? Kelly joins host Pamela Ritchie today to answer that question.

Today's podcast was recorded on August 8, 2022, and please note that in today's discussion Kelly references studies completed by Fidelity Investments in the United States, as well as some products, apps, services, and marketing initiatives applicable to the U.S.

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Pamela Ritchie: Kelly, it's great to see you. Welcome.

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Kelly Lannan: Hi, Pamela. It's so good to see you again and thank you so much for having me. This is one of my favourite topics, so I'm looking forward to our conversation.

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Pamela Ritchie: Well, we are thrilled that you are joining us here today and I wonder if I might just kind of open this up a little bit and get not so much a definition of terms but the idea of what you're kind of drilling down in in terms of who you're looking at.

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Kelly Lannan: When we use the term younger investors, my team is really focused on those who are under the age of 36 years old. Now, Pamela, something else that's shifted, because they are also a part of this definition as well is they need money help too and their parents need money too, is we are actually also looking at teens, so those who are under 18.

What's interesting about this group of individuals we're looking at, and this is something I constantly have to even educate my peers on, is there is no single young segment. I think sometimes people talk about young people as if we're all the same person, and, yes, I'm considering myself young in this, although I am not under the age of 36, but, yes, they're looking at everyone as the same young segment, which is very much not the case.

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We actually have two separate generations in there. We have the millennials, which you've already touched upon. We also have Gen Z. We have men, women, we have those who need a little bit more help versus those who are more self-directed. We have a variety of individuals. The other thing that's so important to note – now, granted, we all went through the pandemic together –but just life stages.

Pamela, I don't know if you can relate to this but so often what was happening in my life, whether that was getting a job or getting married or buying a home or having my first kid, those really dictated some of the financial decisions that I had to make, honestly, whether I liked it or not. We're often seeing that some of these life events that occur during the period of those age ranges, and nowadays people are doing it all different times – there's really no linear way to do it – are really another reason what's driving people to kind of lean in more in terms of their money.

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Pamela Ritchie: That's what I want to pick up on because as you say, you almost get put into little eras within your life as these things happen, sometimes completely planned, sometimes they just come along and they are planned but it leads to … I think what you've described there is just incredibly diverse, in fact, and probably something to just be aware of it and kind of hold that reality on some level, like an incredibly diverse group.

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Kelly Lannan: Yes, exactly. Younger people nowadays are more diverse than previous generations. Their approach to life, work, money: it's all really unique. Obviously, we all faced, and are still facing, some of those external factors whether that's the pandemic or market volatility, inflation, and just the craziness of living life nowadays. For a lot of these individuals, millennials and Gen Z, the world is just different than generations before us. I might even have mentioned the last time that I was on this but millennials, Gen Z, we just simply are not making as much as previous generations. That's just a fact. At times, different life stages are just happening different. Not everyone graduates from university and immediately buys a home, starts a family, et cetera. A lot of it is just because of the cost of everything. People are graduating with more student debt. These are generations that are going to school more. Women are going to more school than men. We're graduating with more debt than men and it's just more expensive. We can't necessarily afford a home right away as maybe previous generations. Our needs are a little bit different.

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Pamela Ritchie: It's so interesting. I think student debt has been a reality probably for many generations but it is more so now in terms of the calculation of how one might save, of how one might prioritize. Is that fair?

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Kelly Lannan: Yes, definitely. I think that we often hear from a lot of young people that the reason that they can't achieve goals that they might have had in mind, for example, buying a home as I've already referenced, or they feel like they can't really start investing, making their money work a little bit harder for them is because they do have things like student debt or credit card debt and they're really trying to prioritize paying off that debt, sometimes at the expense of some of these other longer-term goals, which, we never really like to see because we believe that you can do both. But Pamela, I get it, right? Even the "good debt," student debt is considered good debt because sometimes you need to take that on, put yourself through university in order to get a job one day. But Pamela, does debt feel good to you? I don't think so. Sometimes I don't really like that term.

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Pamela Ritchie: No, mortgages feel awful. Sometimes you have to remind yourself that everyone else you see walking around on the street, they also have a mortgage and that makes you feel better.

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Kelly Lannan: Exactly. I think with all of the things that we've already mentioned, younger generations, they are making money moves that work best for them in their lifestyle. We just talked about a bunch of negatives. I do want to highlight some positives. During the course of the pandemic, Pamela, we saw more younger people leaning into their money, coming to Fidelity for help, opening new accounts more than ever before. People had questions. People were at home, people could have these money conversations that weren't necessarily happening before. I actually view that – I hate to say the positives of the pandemic – but that was actually something that definitely was apparent, especially in the actions that they were taking.

I work on the U.S. side of our business too. Even in 2022 things have *[considered?]*. We've seen young people open almost 700,000 retail brokerage accounts in the first quarter of 2022 alone. We are seeing tremendous growth because I think people are realizing, "Oh, wow, I need to start leaning into my money. I need to start asking these questions." They're seeing companies like Fidelity, which is great, because we can help them as a place they can really go to for help.

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Pamela Ritchie: That's so fascinating. We'll come back to some of these thoughts as well but I was curious when you mentioned pretty much off the top the idea of teens also being interested. That makes me think is it just teens who maybe their parents are in finance? Teens as a group, are you noticing things there? What do you see with a 15, 16, 17-year-old?

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Kelly Lannan: I think a few things. It is interesting, millennials and Gen Z, they do have some differences in terms of their money. For Gen Z, those who are under the age of 24, they really are almost more pragmatic when it comes to their money. In fact, wealth accumulation is a big goal of theirs. They see this as a way of advancing themselves. Versus millennials, not that they didn't want money, that's also a myth. Sometimes people ask, do young people like money? Of course, young people like money. But for a lot of millennials, they were almost looking at it as like experiences and they were kind of prioritizing that, among other things, don't get me wrong. But for Gen Z, they have almost a pragmatism towards their money that millennials didn't necessarily have.

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Now, that could be a result of a few things. They did catch the tail end of the recession for those older Gen Zers. They did just live through a pandemic. They're currently going through crazy inflation. I think this is really kind of helping to mold their mindset as well. For teens, we actually conducted a teens-and-money study. We actually did see that although a lot of teens were interested in getting started with investing, were interested in doing more with their money, nearly half also at the same time were saying investing really does feel out of reach. One in five were really starting to invest. We are still seeing teens more heavily leaned into saving and spending but to your point about parents, which I think is a good one, I don't think it's just having a parent in financial services but it's just having money conversations with their parents.

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In fact, teens who actually had a conversation with their parents about investing were actually twice as likely to say that they had more confidence when it came to their finances. I just want to say that because I'm sure there's folks who are listening right now who are in financial services, I'm sure you're having conversations but it shouldn't just be limited to the industry that y'all are working at. These money conversations should be just regular parent kid conversations frequently because we're actually seeing the benefit of doing so and helping to build the confidence of teens when it comes to their money.

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Pamela Ritchie: Obviously, everyone that we're talking about right now is a digital native, have been really for decades at this point, but you also mentioned that sometimes we want to get out of the house and go ... we're going into some of the branches and you kind of relate to that. It's interesting, where is the line there? Presumably, almost everything's done online but is there also sort of this face-to-face, just kind of an urge to be sitting down with someone talking to someone?

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Kelly Lannan: Yeah. I mean, we definitely see that with those who skew a little bit older, not necessarily seeing it with the teens. I don't think we could ever dismiss the power of the face-to-face connection, the conversation, even talking on the phone with someone. In fact, if you're looking when people are first starting their relationship with us, people actually are more likely to give us a call, to reach out to us in those beginning stages versus the later stages.

Pamela, I don't know about you but there's comfort in that, right? You're starting a relationship. It's like dating in many respects. You're starting your relationship with someone, you have questions, you want to be able to ask them the questions and then you might not ask those same questions for years as kind of your life changes and maybe things in your life become a little bit more complex. Any time money's involved, I think that there is no substitution for actually talking to a human.

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Pamela Ritchie: It's so interesting. You did find – I think you mentioned in the study as well, one of the studies – that people are investing at a younger stage, which goes back to sort of the conversation perhaps with parents or being more aware of it earlier on. What have you actually noticed there?

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Kelly Lannan: We've actually found in one of our recent Money Move study in 2022 that those between the ages of 18 and 24, they are starting to invest earlier compared to all generations before them. Even women, which is really nice to see, young women were specifically starting to invest nearly a decade earlier than older women were. This is something that makes me really happy.

I do just want to say, in terms of the teens, especially, for everyone listening who has a teen girl, we have seen a little bit more of a delay in some of our teen girls kind of leaning in and starting to invest versus the teen boys. In fact, when we talked to both teens of kind of both genders, teen boys already were expressing more of an interest in investing than girls. In my opinion, this is an area that we should wholeheartedly lean in. My parents, wonderful people, Mike and Paula, we never talked about investing ever, ever. I just urge everyone, regardless of gender, making sure you're having these conversations with your kids in order to get them interested. Because, yes, to your point, we see more younger people get started more than ever. 2021 at Fidelity, I think we had over 1 million new accounts opened at Fidelity in the U.S., which was amazing. That's all really good to see but we need to make sure that we continue this trend, especially with the younger generations.

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Pamela Ritchie: That's so fascinating. One of the things that I think you've mentioned that's new is, I mean, for instance, the inflation is kind of new, people at a younger age, younger stage, entering job markets, thinking about entering job markets, are dealing with things like inflation that we haven't really dealt with in the last 20 years or so. I'm just kind of curious, we're always thinking, how is the consumer doing? We know inflation's out there, we know the jobs are there, people are generally are fully employed but how is the consumer? Is that also sensitive or is there sensitivity with younger people who are spending or thinking of maybe holding back on spending? Is there any colour in there?

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Kelly Lannan: Yes, definitely. Although, yes, inflation directly hits one's money, I think this is when we do have to take a step back out of our industry and just also understand the world around us and how this does play a significant part on just peoples' attitudes towards money, feelings towards money as well as their elevated stress. One of our recent studies that we did, our money mindset study, actually said that over 60% of individuals, they're afraid to check their account balance. It's almost like the out-of-mind, out-of-sight type thing. In fact, I think they actually told us that they'd rather spend time deep cleaning their bathroom.

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Pamela Ritchie: Oh, my goodness.

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Kelly Lannan: I know, seriously. When you hear something like that, it definitely causes you to pause. I think that spending brings people joy but people are only seeing as like the only way they can save is to really cut back on the spending, which means taking away the joy in their lives, so it's just causing this stress that doesn't feel good.

Going back to one of our first points, Pamela, even think about social, which we should talk about social in a second, how many memes have you seen around just like the cost of everything, inflation, from gas to home prices, et cetera? It just feels impossible to do anything. We're definitely seeing this have an impact on how people are feeling about their money. We're definitely seeing that have an impact on kind of the shift from more of the spending habits that we saw during 2020 and 2021 during the pandemic. Now we're actually seeing some shift to long-term planning and saving. So, it is definitely starting to dictate how people are looking at their money, viewing their money and, more importantly, taking action against it.

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Pamela Ritchie: It's amazing. As you say, we're going to come to social in just a second. One of the points that you had made is people are renting for longer. We know that in this market we're seeing very, very high rental prices and so on. But after a while, that does kind of become an interesting kind of psyche to be in or a reality to be in. What do you notice on that front? Is it perhaps okay just to be renting longer? Does everyone still need to own a house or is there any commentary within that?

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Kelly Lannan: It's funny you say this because, again, going back to my parents, for years and years they'd be like, "Buy a home. Why are you renting? Buy a home. Why are you renting?" I think that's even going back to something else that we were talking about, just in shifts in mindsets of the different generations. For a lot of people, just given their financial situation, it is fine with renting longer than maybe people did in the past. I don't think it should be seen as just "throwing money away." Is there merit to buying a home, putting money towards your mortgage and then one day kind of building your wealth? Of course. But you also have to kind of keep in mind what works in your life maybe didn't work in previous generations because we have other expenses and there's other things that come into mind.

The other thing, too, let's think about where people are renting, cities, people are returning to the office. Combine that with gas prices. If you're living very far away from your office because you had to buy a home because you couldn't afford one close to your office, which might be in the city, and then you have to pay more for gas. Again, there's definitely a rub there. This is my opinion. There is nothing wrong with renting because, again, you have to kind of take a step back and look at your personal financial situation and you don't want to ever be house poor. Have you heard of that term before, Pamela?

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Pamela Ritchie: Yeah.

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Kelly Lannan: You never want to be "house poor" where you're putting so much of your house you can't afford kind of the day-to-day or you can't afford the other expenses in your life. There's nothing wrong with that. You just have to maybe take a step back because rent prices are increasing. Rent prices are going up and you do have to take a step back and there's countless tools out there, Fidelity has someone, should I rent or buy? Use those to your advantage and really understand what's right with you based on your financial situation.

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Pamela Ritchie: So fascinating. You spend a lot of time with the strategy, making sure that you're accessible to those who are perhaps having conversations about finances or would like to in a variety of different digital situations. Tell us a bit about how you look at that strategy, find people. It might be really casual in a way but I'm just kind of curious how you look at it.

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Kelly Lannan: You had asked at one point, and we had talked a little bit about the teen-parent conversation, which is great. However, I don't want to dismiss that people are often turning to social, social media, to get educated on their finances. We know that they're turning to platforms like TikTok, Reddit, et cetera, to actually become educated on these topics, sometimes even before they have conversations with close family members and friends. As a result, we really see it as our responsibility to be there.

Pamela Ritchie: That was an interesting time.

Kelly Lannan: Yes, exactly. They were already having these conversations, right? And so we really felt like we know they're there. They're having the conversations. They're asking us questions and we really felt like it's our responsibility to make sure that we are also part of that community. We are responding directly with them and we're answering their questions.

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And then what's really fascinating is that sometimes we don't even need to inject ourself, people are talking to each other. Now, of course, that can backfire, don't get me wrong. We always want to make sure that we are part of that platform, part of these communities. And then TikTok. TikTok's another one. I don't know if you saw actually the recent study and information that came out from Google that for Gen Z people are actually using TikTok more than Google search in order to actually find information.

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Pamela Ritchie: That's my experience with children.

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Kelly Lannan: If we know that they're there, and I do use this analogy a lot: let's pretend, Pamela, you weren't in this industry. On Monday, you're a chef, you're cooking in a restaurant, you're having a great time but then on Tuesday you're like, I don't want to be a chef anymore. I want to be a fin-talk star. Pamela goes from being a chef on Monday to then being a fin-talk star on Tuesday but Pamela, you know nothing about finances, you know nothing. However, someone could find you on that platform and they could be like, oh, Pamela knows what they're talking about.

So we just want to make sure that we are showing up, Fidelity is showing up. We are being present there because we do know what we're talking about. We know how many people are looking for education and we have so much great education that we, again, see it as our responsibility to make sure we are on those platforms providing the correct education for individuals who are already turning there and making sure that we're present among all the Pamela fin-talk stars that might be out there as well.

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Pamela Ritchie: What sort of feedback, what do you hear from young investors when the engagement happens, when their questions are coming in, when there's general loops of feedback happening? Are there any questions you could share with us? I'm sure a lot of them are basic, right? Everybody wants to know how to save more but is there anything that you could just share that might highlight what people are looking for?

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Kelly Lannan: I could probably talk a while on this.

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Pamela Ritchie: Just the clean stuff.

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Kelly Lannan: Honestly, sometimes it does vary depending on the platform.

On Reddit, we do happen to have a lot of more, I would say, sophisticated investors who, a lot of their feedback and questions are more centred around trading, investing. They're looking for questions, they're looking for guidance. They're looking for help. So that's what we're seeing on Reddit.

Some of the other platforms, not that they're not savvy per se, but we tend to skew a little more novice. Tiktok is a perfect example. Just the question "What is a Mututal Fund and why do I need it?" Or, the one that we will get and I think we will continue to get forever, if I can be candid, Pamela, even putting aside how many people leaning in to the stock market is "How do I get started?" They hear us say you've got to start investing. You can start small. It doesn't cost a lot. But everyone is still always wondering, "How do I even get started? What should I do first?"

A lot of the education is around taking a step back, understanding the goal, understanding your time horizon, understanding the risk. Then, once you put money in the account, what do you actually put into the account to get it started investing for you? We also do have questions more on what I would say is the save-spend category. Like, "How can I save a little bit more and spend a little bit less?" So these are all question feedback that we're getting.

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Pamela Ritchie: On that save more spend less, what's the equivalent today to the antiquities question of like Oprah's don't-buy-a-coffee type thing? What is that now? Is that take one subscription off or what's with the equivalent on your daily route of spending, don't do this one thing, make your lunch or whatever that is.

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Kelly Lannan: You're making you laugh because you said Oprah. I was like, you get a car, you get a car, you get a car. That's also an expense we're often hearing from my next generation of customers. Often what we'll tell people – and even through some of our products – that we don't want people to completely cut spending directly from their life because what happens is that when people are like, you've got to spend less, the guilt sets in, or once you actually do spend, you feel this tremendous amount of guilt. We're actually seeing this with teens. The link between financial health and mental health is so strong. They're already seeing this is teens. I know older people are feeling that as well but I think that what we don't want to do is put more guilt on individuals in terms of their spending. We do want to educate them on ... It's like the small steps. It is kind of creating a little bit of – even though people hate that term budgeting – it is kind of creating a little bit of a budget, it is taking a step back and doing a plan.

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Although there isn't one necessarily rule of thumb, Pamela, and that's why we kind of keep some of our budgeting rules a little bit more flexible but I always say, this is more of a Kelly thing (I wish I could be compared to Oprah, it's not Oprah quite yet, my friend, this is more of a Kelly thing) take the small steps. Take the small steps because if you go too much maybe you have an off week or and have an off month, you don't want that to completely derail you. I'm a big believer it's the small steps, make one very small goal for yourself, make progress against it, and then celebrate yourself if you do that. Let's say it is cut that one coffee, if you can keep it going for a whole month, after the month, buy yourself that fancy coffee.

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Pamela Ritchie: A big latte, yeah.

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Kelly Lannan: Exactly. You've got to start small because I think sometimes starting *[indecipherable]* the questions you're asking and what's the feedback? Everyone's asking, "How do we even get started?" Sometimes getting started is the hardest part and we need to make sure that we're even rewarding people for doing that.

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Pamela Ritchie: What will you tell your kids? Couple of things, one or two, on this front?

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Kelly Lannan: I think that it's good advice and I should probably think about it because I have a one-year-old. She still doesn't sleep very well, so I should start educating her too. That's maybe how I could put her to sleep, start talking financial *[crosstalk]*.

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Pamela Ritchie: Let her listen to the stock market or something, she'll fall asleep.

[00:24:44]

Kelly Lannan: Exactly. *[indecipherable]* will be out. That's going to be my new technique tonight if she keeps me up, just start talking finance. I have a young daughter. I've already shared a little bit about some of the trends that we're seeing in terms of teens and their investing behaviour. I just want to make sure that she leans in more than ever. I will always tell her to save. I think that's very important. I will spend some time educating her on the power of investing and how it doesn't have to be so scary. You can start small. We'll actually show her probably by giving her a little bit to put in the stock market.

More importantly, I will tell her to make sure she has a good idea of what she wants and in terms of the goals, even when she's young. She's obsessed with Sesame Street right now, even a Sesame Street character, we can use that in all examples because we've actually found that talking to kids about money as early as six, seven years old, it can have a lasting impact on their life. So we're just going to make sure that we have that money talk early and often.

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Kelly Lannan: Kelly Lannan, I can't thank you enough. It's been wonderful to speak with you. I hope that you'll come back and speak with us again. I've been jotting down notes here, so you're a font of knowledge. Thank you very, very much and I wish you well for the rest of the summer.

[00:25:59]

Kelly Lannan: Yes, you too, Pamela. This is always one of my favourite conversations with one of my favourite people in our company. I love everything about what y'all are doing in Canada and I hope that we can talk again soon.

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