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Targeting Gen Z's Media Consumption Habits in Financial Literacy Programs

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Introduction:

In today's complex and ever-changing financial landscape, understanding the fundamental principles of personal finance and making informed decisions accordingly is more important than ever. During this process, mastering and applying concepts necessary to navigating the intricacies of money management, investment strategies, and financial systems come down to financial literacy. The JumpStart Coalition for Personal Financial Literacy first championed financial literacy in its inaugural 1997 study, JumpStart Survey of Financial Literacy Among High School Students. In this study, JumpStart defined financial literacy as "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security." [1]

The 2021 National Financial Capability Study (NFCS) found a significant correlation between financial literacy and financial capability. Individuals with higher financial literacy showed greater planning for long-term financial well-being, including retirement savings, emergency preparedness, and avoiding financial pitfalls. Among those with higher financial literacy, 70% had retirement accounts and 65% had emergency funds equivalent to three months' expenses. In contrast, only 43% of those with lower financial literacy had retirement accounts, and only 42% had adequate emergency funds. The study also revealed notable differences in credit card usage, with 9% of respondents with higher financial literacy using credit cards for cash advances, compared to 20% with lower financial literacy. [2]

Born between 1996 and 2009, Generation Z is currently grappling with unique financial challenges. These external obstacles have in turn prompted Gen Z to take financial literacy seriously. The correlation between financial literacy and long-term financial security has catalyzed members of this generation to equip themselves with the knowledge to make informed decisions about their finances.

One significant challenge they face is the mounting pressure of student loans. According to the New York Fed and Equifax's Consumer Credit Panel, a staggering 36% of older Gen Z members carried student debt as of June 2022. This included both federal loans, which make up most outstanding student debt, and private loans. On average, Gen Z individuals had approximately $20,900 in student debt, which is 13% more than what millennials carried. The median value of Gen Z's loans stood at $12,800, representing a 14% increase compared to the median value among millennials. [3] As Gen Z members enter adulthood and begin their careers, this financial obligation can significantly impact their financial well-being, delaying important life milestones such as homeownership and savings accumulation.

Moreover, Bank of America's Better Money Habits 2021 survey reveals that while Gen Z has a good grasp of the financial basics, they encounter difficulties when it comes to more complex topics such as investing and debt. Gen Z feels confident in handling basic financial tasks, with 71% expressing comfort in budgeting, 70% in managing day-to-day expenses, and 65% in building and managing credit. However, only 54% of Gen Z respondents felt equipped to build an emergency fund. Furthermore, as life expectancy in the United States has risen from approximately 69 years in the 1950s to about 79 years in 2023, [4] and the cost of living continues to increase, [5] saving for retirement has proved to be an even greater challenge. A 2022 survey by the American Psychological Association stated that "87% of respondents attributed the stress in their lives to the rise in prices of everyday items." [6] Many young adults are dealing with soaring prices while living on their own for the first time. Increasing prices and low-paying jobs have almost half (46%) of Gen Z living paycheck to paycheck, which notably does not help them see the light at the end of the tunnel.[7]

The COVID-19 pandemic further impacted Gen Z's view on financial security and literacy. Many young workers graduated into the workforce or were in their first roles during the pandemic. Gen Z members saw their career prospects stunted, whether through depressed wage growth[8] or increased vulnerability to layoffs.[9]

Despite challenges, the economic uncertainty brought by COVID-19 has allowed Gen Z to recognize the importance of improving their financial literacy.[10] The economic squeeze has made these young workers even more wage-conscious. They have grown up watching their parents, primarily members of Gen X, struggle with money amid economic downturns. As a result, many young workers are willing to seek out better-paying opportunities,[11] conduct open conversations about money with friends and family,[12] and continuously enhance their financial literacy.[13]

Another unique characteristic of Gen Z is their tech-savviness. Gen Z consumes information on social media in such an unprecedented way that a growing number of firms and brands are taking advantage of this trend. A Pew Research survey shows that 95% of Gen Z has access to smartphones and 45% is online "almost constantly."[14] Moreover, Gen Z is almost five times more likely to obtain financial advice from social media platforms than people aged 41 or over.[15] TikTok, in particular, has become a popular source of financial advice for this generation, with 34% of Gen Z seeking advice from the platform.[16] However, concerns arise about the quality of advice on these platforms, since they may perpetuate financial myths and fraud. Despite this potential drawback, Gen Z views social media not just as a medium for entertainment and socializing but also as a trusted source of information. As a result, educational programs, including the financial literacy programs of Invesco and Fidelity Investments, have expanded their online presence. Investment apps such as Robinhood have also adopted gamification, a technique that uses playing games and scoring points to increase engagement among users, to make investing quick, cheap, effective, and simple for young investors to use.

Exhibit 1. Social Media Sources Where Young Adults Receive Financial Information

Source	Percent of respondents
YouTube	47%
Reddit	47%
TikTok	32%
Instagram	21%
Twitter	18%
Facebook	11%
LinkedIn	7%

Table: Prolific survey of 1,009 U

As our team analyzed traditional financial literacy programs, we discovered that one-size-fits-all financial education has little to no effect on changing Gen Z's real-world financial behaviors. It becomes increasingly important to explore the question: How can financial literacy programs be more effective with Gen Z's media consumption habits in mind?

To address this question, we will assess current financial literacy programs, Gen Z's participation in financial education on social media and gamification platforms, and how these distinct media consumption habits could enhance the effectiveness of financial literacy programs. We will analyze the gap in social media engagement between popular finance influencers and official investment management firms as well as investigate the reason behind Gen Z's media consumption preferences with case studies on Invesco's "How Not to Suck at Money" game and the gamified financial education products offered by Zogo.

Following the analyses, we will evaluate different proposals for investment managers to expand their reach, attract a wider Gen Z audience, and catalyze positive changes in personal finance management through the lenses of accessibility, relevancy, and applicability. These proposals include building digital products that capture Gen Z's attention, incentivize them to receive financial education, foster sustained involvement, and stimulate lasting changes in their financial behaviors.

Gen Z's Media Consumption Habits, the Role of Finfluencers, and the Importance of Credibility

Gen Z's Unique Relationship With Social Media

Born and raised in the age of digital technology, Gen Z has developed a unique and multifaceted relationship with the digital world. Life-altering events like the COVID-19 pandemic and the emergency lockdown that came with it significantly impacted Gen Z's mental health, values, social media usage, and financial habits. As a result, Gen Z increasingly considered social media as a source of information during the height of the pandemic. The surge in usage since then has led social media to remain one of the biggest news sources for Gen Z, with at least 50% of the generation looking to social media apps for news daily.[17]

Gen Z has turned to the expansive, all-encompassing world of social media as a resource for financial education. One third of Gen Z college students are first-generation college students, coming from a background that motivates them to work toward increasing their financial knowledge and security through accessible ways such as online resources.[18] However, their unique media consumption habits affect the way they engage with financial education online as well as impact how effective financial literacy programs are for Gen Z. Gen Z's limited attention span, averaging eight seconds,[19] makes apps like TikTok the perfect place to learn complex and nuanced topics like personal finance. Over 60% of TikTok's user base consists of Gen Z,[20] and 79% of users on the app search for topics around "starting an emergency fund, improving credit scores, and creating a savings habit from their fintech applications."[21]

Gen Z is also attracted to gamified user interfaces, which use colorful, game-like displays and employ incentives to keep members engaged with their content. The concept of incentivization has also proven to be influential in gaining Gen Z's continued attention, with monetary incentives being a driving force for Gen Z's participation in studies and surveys.[22] With financial incentives being a lead motivator for Gen Z in the workplace,[23] the implementation of such strategies within financial literacy programs and by asset management firms can increase their appeal to this generation that makes up 40% of the consumer market and is expected to surpass the number of millennials by 2026.[24]

How Does Gen Z's Dependence on Social Media Impact Their Financial Literacy and Trust in Formal Financial Education Sources?

In a study conducted by TIAA Global Financial Literacy Excellence Center, although 48% of Gen Z reported that they were offered a financial literacy class or program through their school, with 40% participating in such opportunities,[25] they were the least financially literate generation.[26] Since Generation Z is also five times more likely than older generations to seek financial advice online, they are potentially exposed to less credible sources and thus might heed their advice.[27] More important, Gen Z's reliance on important information from potentially dubious sources extends beyond finances. Gen Z turns to social media platforms for critical issues like health; for example, 33% of Gen Z trust TikTok more than doctors for health-related matters.[28] This dependence on social media for information presents a challenge for formal educators and asset managers to establish the same level of trust with them. As finance influencers ("finfluencers") emerge on TikTok, delivering short and informative videos about personal finance to a Gen Z audience, more and more Gen Zs have turned to these creators on the social-networking app for financial advice.[29]

Finfluencers vs. Asset Managers on TikTok: The Gap in Reach and Credibility

TikTok is the social media app of choice for Gen Z when it comes to financial advice. TikTok videos with the hashtag "#investing" have received a staggering total of 7.4 billion views, highlighting the significant traction gained by financial-related content on the platform. A recent analysis of the engagement dynamics between asset managers (AMs) and non-asset managers (NAMs) highlights the difference in reach between both types of creators. The study, conducted by Sapere Aude Consortium's 2022 cohort, emphasized the significant gap in content between AMs and NAMs on TikTok.

The study found that, as of July 2022, among the world's 15 largest AMs, only three had an active TikTok account, and just two of them had posted content: BlackRock and Fidelity, totaling 51 videos. The analysis compared 50 sample videos made by NAMs with "#investing" in the caption to the entire set of 51 videos providing financial advice by AMs (that is, BlackRock and Fidelity). The results demonstrated the effectiveness of NAMs' approach in capturing users' attention on TikTok. Notably, most views of investment advice on TikTok belong to NAMs, as their content received approximately one million more views on average. In contrast, the two AMs with posted content struggled to reach such numbers, with only a few videos crossing the one million views mark, which were considered outliers.[30]

> **Astonishingly, less than 0.5% of the 7.4 billion views for TikTok videos with the hashtag #investing were created by asset managers.**

In comparison, independent creators received a median of one million views, indicating that 50% of the videos received more than one million views. Astonishingly, less than 0.5% of the 7.4 billion views for TikTok videos with the hashtag #investing were created by asset managers. This observation further reinforces our belief that TikTok viewers are consistently more engaged with content from NAMs than from AMs.

Exhibit 2. TikTok Views, Asset Managers vs. Non-Asset Managers

Source: 2022 Sapere Aude Consortium Team 2 Opinion Snapshot, FinTech: The Effects of Social Media and Gamification on Financial Education and Investing

These findings emphasize the role of social media in changing the way newer generations engage with financial education and underscore the impact of NAMs and influencers on TikTok's majority Gen Z user base. NAMs reel in the majority of the views on the investing side of TikTok, showcasing the growing trust that Gen Z has placed in influencers, as well as the ever-changing dynamics of consumption trends concerning financial advice.

Gen Z is overexposed to an abundance of information and sources when “mindlessly scrolling” through apps like TikTok, Twitter, and Instagram. The short, vibrant, and high-energy videos created by TikTok influencers hold Gen Z’s limited attention more effectively than the corporate-style videos of asset management firms or financial literacy programs, which may feel distant from the average Gen Z member. These influencer videos deliver easily digestible, relevant information swiftly, capturing and sustaining Gen Z’s interest while fostering greater engagement with the finance world online. Gen Z also tends to gravitate toward influencers, most of whom are young adults, on social media and trust their advice.[31] This trust likely arises because seeing someone within their age range discuss their investing success and financial achievements through shared advice fosters confidence in Gen Z, encouraging them to follow suit.

Additionally, authenticity and relatability are key factors that influence whom Gen Z trusts. Gen Z finds TikTok creators to be more trustworthy, especially if they appear genuine in their recommendations when promoting a brand or product. According to a survey conducted by Edelman Trust Barometer, 63% of participants aged 18 to 34 trust an influencer’s opinion about a brand more than the brand’s own advertising.[32] Therefore, “finfluencers” have significantly impacted Gen Z’s personal finance decisions and have gained recognition from asset and investment management firms like Putnam Investments.[33]

Gen Z’s Lack of Media Literacy

While online financial education resources are readily available, not all members of Gen Z possess the necessary media literacy skills to critically assess the content they encounter on social media platforms. Media literacy, defined as the ability to “access, analyze, evaluate, create, and participate with messages in various forms, from print to video to the Internet,” is crucial in today’s digital age.[34] The lack of media literacy exhibited by some members of Gen Z can lead to poor financial decision-making and misunderstanding of information. For instance, 37% of Gen Z take financial advice from non-credible influencers without fact-checking the information.[35] Moreover, 59% of Gen Zs have encountered crypto scams, and 30% of them have lost money, a percentage that decreases in older generations like millennials, Gen X, and the baby boomers.[36] Additionally, brand endorsement has the potential to further erode credibility. Although the specific amount of sponsorship earnings is not usually disclosed, research conducted by CMC Markets indicates that with just two sponsored posts per week, the top five “finfluencers” have the potential to earn between $275,000 and $750,000 per year from sponsors—including those they recommend.[37]

Exhibit 3. Potential Earnings of Top Ten TikTok Financial Influencers Closing Financial Gaps: Embracing Technology for Inclusive Education

Potential Earnings of the Top Ten TikTok Financial Influencers

Name	TikTok handle	Follower count	Potential earnings per sponsored post
Erika Kullberg	erikakullberg	8,900,000	$7,040
Mark Tilbury	marktilbury	7,100,000	$5,860
Duke Alexander Moore	dukelovestaxes	3,400,000	$2,720
Brandon Schlichter	investmentjoy	3,400,000	$2,640
Humphrey Yang	humphreytalks	3,300,000	$2,640
Tatiana Londono	tatlondono	2,700,000	$2,160
Preston Seo	thelegacyinvestingshow	2,300,000	$1,840
Tori Dunlap	herfirst100k	2,200,000	$1,760
John Liang	johnsfinancetips	2,000,000	$1,600
Vivian Tu	yourrichbff	1,800,000	$1,360

Source: CMC Markets @rshevlin

We believe that asset managers can fill this credibility gap, while extending their reach to Gen Z, by leveraging technology to marry asset management expertise with influencers’ reach.

A recent paper in the International Journal of Social Science Research and Review examines the impact of financial behavior and financial attitude on the financial literacy of Gen Z.[38] Utilizing quantitative methods, collecting data through questionnaires and secondary sources, the study emphasizes the importance of adapting to the digital era and using technology to enhance financial education. While offline programs—such as MoneyMasters K-12 program that organizes in-person financial literacy sources in classrooms around the country —strive to create a conducive learning environment, they face challenges in terms of scalability, as reaching a larger audience might be more challenging compared to online programs. Exhibit 4 demonstrates some of the problems inherent in offline financial literacy setups:

Exhibit 4. SWOT Analysis of Offline Financial Literacy Programs

Indeed, technology can be used to deliver individualized learning experiences tailored to the requirements and preferences of Gen Z. It is crucial to note, though, that not every member of Gen Z has equal access to technology and online services. Low-income individuals in this generation may face challenges like inadequate internet access and limited social networks. Online financial education programs are so successful and attractive because of their accessibility and diversity in tailoring content to each user. Current offline digital financial education programs fail to accommodate all participants because of the systemic barriers that continue to marginalize minority communities—but the risk exists that online education may also lose these same participants.

Therefore, we believe asset managers should strive to create more inclusive financial literacy programs by investigating different distribution options and working toward ensuring fair access to digital resources. "Financial Education for Migrants and Their Families," an article published by the Organization for Economic Co-operation and Development, addresses financial challenges faced by international migrants and their families.[39] The authors propose to empower migrants to make informed financial decisions, especially regarding remittances, which are crucial sources of income to families back in the country of origin. The article addresses challenges like accessing formal financial services, family-level money management, and the need for financial education. Additionally, it highlights national financial education initiatives in both home and host countries, with examples from China, India, Mexico, and Saudi Arabia. By sharing lessons learned and best practices, these initiatives intend to support policymakers in developing comprehensive and high-quality financial education programs tailored to the needs of migrants.

In summary, offline financial literacy programs emphasize face-to-face interactions and cooperation with NGOs and educational institutions. However, we recognize their limitations in terms of scalability and accessing real-time information. We believe that online programs, versatile and efficient, suit Gen Z's idiosyncratic style of absorbing information better.

Empowering Gen Z: Interactive Financial Education for a Digital World

Digital financial education programs cater to Gen Z's tech-savvy nature and offer a wide range of options to suit their diverse needs and interests. Invesco and Fidelity Investments stand out as two companies that have effectively created programs aligned with Gen Z's approach to financial literacy. These programs are interactive and deliver practical lessons in an accessible manner.

Invesco's "How Not to Suck at Money" is a personal finance game that aims to enhance financial literacy among members of Gen Z.[40] It specifically targets the financial challenges this generation faces, such as student loans, auto loans, moving out, and starting new jobs. By providing advice and guidance on these topics, the game empowers Gen Z to make informed financial decisions during these critical life stages. It also covers essential financial topics like investing, budgeting, and building credit scores, equipping Gen Z with valuable skills to manage their personal finances effectively.

Fidelity Investments' program, Fidelity Financial Forward, aims for a younger audience. It is a comprehensive financial education program that supports K–12 students and teachers in underserved communities.[41] The program's strength lies in its hybrid strategy, combining offline and online methods. In-person workshops and classroom-based training allow for personalized and interactive learning experiences, fostering face-to-face communication, practical exercises, and group discussions. Online components offer scalability, accessibility, and flexibility, providing a broader audience with access to educational materials, interactive tools, and self-paced learning modules, thereby reaching a broader spectrum of Gen Z individuals.

Exhibit 5. Interfaces of Fidelity Financial Forward and "How Not to Suck at Money"

Programs like "How Not to Suck at Money" and Fidelity Financial Forward have gained popularity due to their ability to cater to the changing consumption preferences of Gen Z. As Gen Z emerges as a pragmatic and information-driven consumer group, online financial literacy programs align perfectly with the new phenomenon of access-based and collaborative consumption where individuals can access goods and services without the need for ownership.[42] Since Gen Z seeks convenience and flexibility, these programs fit seamlessly into their digital lifestyle. With the rising importance of information and knowledge, these online platforms become valuable resources that empower individuals to make informed financial decisions without being limited by factors like location or socioeconomic status. Moreover, by offering tailored content and interactive learning experiences, online financial literacy programs—including those offered by asset managers—enhance knowledge retention and practical application.

Recommendations

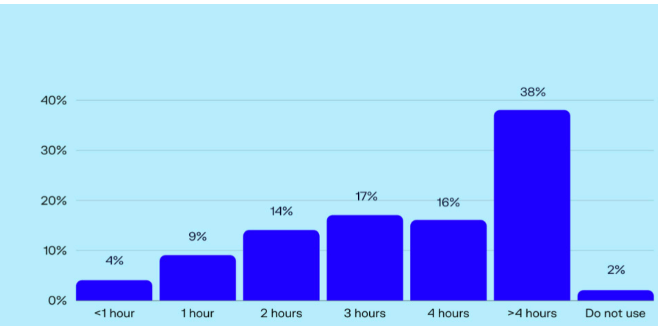
What Asset Managers Can Learn From the Fight Against Malaria

Despite operating in vastly different circumstances, online financial literacy programs can draw valuable lessons from an intriguing economic phenomenon that has occurred worldwide. In "Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty," the authors describe an unusual lack of demand in Kenya for bed nets, essential tools in combating malaria, despite their low cost and high effectiveness. When the nets were offered for free, virtually everyone took advantage of them. However, as the price increased to approximately $0.75, still a very affordable price for Kenyans, demand then plummeted close to zero. It was a dilemma for developmental economists, because if malaria could be eliminated, a major barrier that is keeping many people in poverty would be eliminated. The economists did not understand why consumers did not want to purchase bed nets despite their seemingly wondrous benefits. This phenomenon led economists to conclude that "the ladders to get out of the poverty trap exist but not always in the right place, people do not seem to know how to step on to them or even want to do so."[43] In essence, the potential pathways to escape the poverty trap do exist, but they are not always easily accessible or well understood by the people affected.

A similar assessment can be made with financial education and Gen Z. There is a disconnect between the fantastic rewards of financial literacy and the demand for it because the "ladders" may not be in the right place: to climb the ladder toward financial stability, people must be convinced to allocate time to online financial education programs.

To encourage members of Gen Z to invest in their future by adopting practices like saving and budgeting, a crucial step is to persuade them to reallocate a portion of their substantial social media time to financial education programs. According to a survey conducted by Morning Consult, as Exhibit 6 shows, more than half of Gen Z individuals spend at least four hours per day on social media, with YouTube, TikTok, and Instagram being the primary platforms of choice.[44]

Exhibit 6. Gen-Z Time Spent on Social Media (Per Day)



Source: Morning Consult

Making just an incremental change in the way young people spend their time online can lead to significant progress in their future financial outlook. Consider this: if a young person were to dedicate just 10 minutes a day to an online financial education program instead of scrolling aimlessly through another social media platform, they would gain nearly 61 extra hours of financial education in just one year—an astonishing accomplishment.

Online financial education sources like Invesco's "How Not to Suck at Money" and Fidelity's Financial Forward can significantly impact the future of Gen Z. By accessing these programs, young individuals can make better-informed decisions, improve their personal finances, and cultivate a forward-thinking mindset. The sooner Gen Z embraces financial planning, the greater the rewards of compounding and saving.

In the 2023 Charles Schwab Modern Wealth Survey, 92% of people with a documented financial plan felt confident that they would reach their financial goals.[45] For this reason, online financial education programs occupy a critical niche in helping young people achieve financial stability and independence. It is paramount to make these resources readily available and expand Gen Z's exposure to them.

> **"...if a young person were to dedicate just 10 minutes a day to an online financial education program instead of scrolling aimlessly through another social media platform, they would gain nearly 61 extra hours of financial education in just one year..."**

We propose the following suggestions to increase Gen Z's exposure to and engagement with online financial education programs. Our suggestions seek to increase the brand recognition of trustworthy financial organizations among a younger audience, attract young people to sources that promote financial literacy, and crystallize behaviors that lead to greater financial success.

Recommendation 1: Collaborate With Influencers to Increase Program Exposure

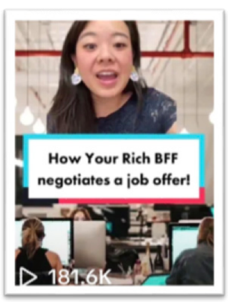
Our first suggestion is for wealth and asset managers to recruit influencers to promote their financial literacy programs, particularly finance influencers, on their accounts and channels. It is crucial that young people become aware of the existence of these programs, and working with influencers on the platforms that Gen Z spends much of their time on is a surefire way for asset managers to increase exposure.

Many young adults express a lack of knowledge about essential financial topics like taxes and saving, unaware that programs offering such education exist. By tapping into the influence of popular social media personalities, financial literacy programs can bridge this gap.

According to McKinsey and Co., “influencer marketing” is a “collaboration between popular social-media users and brands to promote brands’ products or services.”[46] Influencers promoting these programs can attract a broader Gen Z customer base, benefiting both the financial literacy programs (and their sponsoring companies) and the influencers by enhancing credibility and reach.[47]

Through carefully selecting influencers whose content resonates with Gen Z’s media consumption habits, online financial literacy programs can effectively stimulate demand for their valuable offerings. This approach ensures programs stay attuned to the preferences of their target audience and reach a wider segment of young people seeking to enhance their financial knowledge.

Several asset managers have already embraced this marketing approach, but we suggest it should be integrated as a fundamental, commercialized strategy across all financial literacy programs.



Invesco started a collaboration with a “finfluencer” known as Your Rich BFF—real name Vivian Tu—with a fan base of 2.4 million followers on TikTok. As a University of Chicago graduate and a former Wall Streat trader, Vivian has made it her project to share “bite-able lessons on financial literacy and lifestyle,” especially to Gen Z.[48] In collaboration with Invesco, Vivian has made a series called “Money Matters” on her social media pages. She also promotes Invesco’s products on TikTok through her normal content. For instance, her TikTok video on how to negotiate a job offer received 181,000 views and 13,000 comments—providing Invesco with incredible exposure to a younger audience.

Fidelity, on the other hand, has taken a different approach. The investment manager has instead decided to work with influencers whose specialties go beyond financial topics to “engage women on the topic of money.”[49]

Through the marketing firm SheSpeaks, Fidelity paired with Camden Scott, a social media personality with over 400,000 followers who usually focuses on topics like skincare rather than finance.[50] Fidelity also worked with different content creators including Jennell B. Stewart (@jennellbstewart), Adrianne Betz (@little_adi_co), and Rupal (@totallymom_sense).[51] They got together to promote their program called “Women Talk Money,” an online community run by women for the benefit of other women.”[52] Fidelity also added an engaging element called Women Talk Money Live, 30-minute Q&A sessions held through Zoom that unite thousands of women to discuss important financial topics. According to data from SheSpeaks, of those who watched the influencers’ messages, 11% were more likely to have a positive view of Fidelity. Such a relationship demonstrates that brands benefit from this added exposure, even when the content creators do not focus on financial topics alone. Although these influencers’ focus is not financial literacy, the partnership with an established but old-school company like Fidelity demonstrates the value of pairing with diverse content creators who make relatable content to reach targeted audiences.[53]

Although some may question the credibility of paid influencers, this concern can be easily alleviated. Asset and wealth managers who work with social media influencers have robust screening and vetting processes before deciding to work with an individual. These companies are credible enough to offer financial education among the various other services they provide, so, by extension, they enhance the credibility of the influencers as well. The augmented legitimacy of the influencer also helps to build their brand in other ventures potentially beyond social media. Once again, the influencer marketing relationship is seen to be mutually beneficial.

One may question the long-term feasibility or the real effectiveness of transitioning to influencer marketing. Influencers, however, have been found to play a crucial role in product discovery, with 41% of Gen Z consumers globally discovering new brands and products through these content creators.[54] Based on a report by Morning Consult, 54% of Gen Z consumers have made purchases based on a recommendation from a social media influencer.[55] It is undeniable that many members of Gen Z have faith in the opinions of these influencers. Financial literacy programs made by asset managers can use this faith to expand their reach and the impact they have on Gen Z.

Recommendation 2: Incentivize People to Spend Time Using Program

Our second recommendation is to improve incentives to encourage young people to become financially literate. Incentives can help by "increasing or decreasing the motivation to take up a certain activity, by changing the cost or benefit of that activity."[56] This approach creates a win-win situation, as young individuals gain valuable insights into personal finance while benefiting from rewards that further reinforce their engagement.

Zogo, a financial literacy app launched in 2018, provides an example of incentivization. As users complete lessons on different financial topics, they earn points called "pineapples" that can then be traded for gift cards at stores. The app provides "bite-sized" modules designed to be easily digested on a variety of topics such as budgeting, investing, and opening a credit card.[57] Additionally, the app designers are members of Gen Z who kept the financial literacy of their peers in mind.[58]

To attract Gen Z members to digital financial education programs, incorporating incentives like Zogo's model can be highly effective. Proper marketing and exciting features can further stimulate demand for learning financial topics among the younger generation, potentially building a future consumer base for asset managers who develop such financial literacy programs.

One challenge inherent in getting people to spend more time with financial education programs is the timing mismatch between the cost (time spent) and benefits (future financial security). The cost—an individual's time—is expended now, whereas the benefits lie mostly in the future when those individuals are fully independent adults. To address this challenge, behavioral economist Uri Gneezy recommends providing more up-front incentives—that is, incentives whose benefits are not too far in the future. Moreover, we believe short-term incentives can be an effective way to pique Gen Z's interest due to their short attention span.

A successful solution is to make it easy for users to receive the first reward and then to tie subsequent rewards to valuable milestones that require more effort to reach. Financial literacy programs must also be careful not to incentivize negative behavior, such as making multiple accounts for continuous access to "low-hanging fruit."

A hypothetical example of this method could involve users completing a series of lessons or modules, achievable in just a few days, to earn a small reward like a $5 gift card from a random partner. From here, a user would have to hit certain milestones (e.g., learning consecutively for 10, 30, or 50 days) to be eligible for more rewards that they can choose. Since the user cannot choose the initial reward, this system balances immediate, tangible benefits with limited potential for exploitation, offering autonomy in future reward selection as an additional incentive to continue.

Strategically marketing the idea of being rewarded for improving their financial future can generate enthusiasm and drive greater adoption of online financial literacy programs among members of Gen Z. Well-structured incentives can keep people engaged enough to influence their long-term behavior for the better.

Recommendation 3: Interactive Features to Keep Gen Z Focused and Engaged

Our third suggestion involves integrating features in online programs to guide Gen Z in developing daily habits and improving financial literacy. A financial checklist could play a key role in fostering consistency in learning and applying acquired knowledge.

Placing the checklist in a visible location within the app or on the phone's home screen can enhance its effectiveness. Regularly seeing the outlined tasks facilitates better recall and follow-through. Checklists serve as progress trackers, empowering young people to cultivate healthy financial habits, such as savings, budgeting, and timely credit card payments, while also giving them a sense of accomplishment. By prioritizing tasks and keeping the goal in focus, checklists alleviate anxiety about forgetting crucial steps. Over time, through repetition, these listed tasks become ingrained in users' minds, leading to automatic actions that contribute to improved financial literacy.[59]

To ensure the effectiveness of checklists in habit formation, it's crucial to avoid overwhelming individuals with too many tasks at once. Research from George Mason University emphasizes that reducing the number of attempts at forming simultaneous habits doesn't increase the rate at which habits are formed, but it does decrease the chances of quitting.[60] The checklist feature should consider this finding and provide a manageable number of tasks, allowing individuals enough time to gradually incorporate practices into their lives. While incentives spur rapid habit transformation, we believe the checklist serves as a patient yet constant reminder, complementing how Gen Z users can change their financial habits without being too forceful.

Another way to keep young people engaged is to develop interactive features in games. For example, Invesco's "How Not to Suck at Money" effectively uses comedy, encouraging users to interact with the app by presenting humorous answers alongside more reasonable ones—its slightly edgy yet appropriate humor seems to keep users learning while having fun. Other online financial education programs should aim to strike a balance between enjoyment and education, since a fun and engaging program is more likely to maintain interaction and foster sustained learning among young users.

One key interactive feature found in many platforms that succeed with Gen Z audiences is the "streak." A streak is a record of consecutive days using the program. Apps like Duolingo and Zogo use streaks to foster internal motivation. Streaks are highly regarded for their motivational impact, helping users stay committed to reaching their goals. As users witness their streaks grow, a sense of accomplishment emerges, driving continued engagement with the app.[61]

Despite the boost in motivation that streaks can provide, maintaining a long streak can be challenging in the face of hectic life schedules. To tackle this everyday reality, the language teaching app Duolingo created the "streak freeze," which allows users to pause their streak for a day. This feature provides accessibility and flexibility, accommodating unforeseen events or the need for a break. A study by researchers at Cornell University and the University of Pennsylvania demonstrated the benefits of incorporating "slack" or emergency reserves in the process of reaching goals. This framing motivates individuals to persist after subgoal failures, leading to better long-term performance than in cases where the goals lack such flexibility.[62] By eliminating feelings of guilt or demotivation that arise from breaking a hard-earned streak, the streak freeze encourages users to stay committed to their learning journey and reminds them to appreciate how far they have come.

> **"As members of Gen Z continue to combat the challenges of mounting student loans and inflation, their ability to react strategically with their finances in an increasingly dynamic economic landscape has become ever more vital."**

Through the incorporation of features like checklists, comedy, and streaks, online programs can effectively maintain user engagement while ensuring that the educational experience remains light-hearted and enjoyable. While these features may appear minor, they can significantly endear the program to users in the long run.

Conclusion

Just as widespread reading literacy has brought significant benefits to society, financial literacy can also empower individuals with better opportunities for financial stability and independence. It is crucial to support young people in becoming financially literate so they can begin to feel the wonders of compounding, saving, and budgeting. As members of Gen Z continue to combat the challenges of mounting student loans and inflation, their ability to react strategically with their finances in an increasingly dynamic economic landscape has become ever more vital.

Wealth and asset managers hold great responsibility in delivering effective financial education programs. Leveraging Gen Z's media consumption habits is key to increasing their use of online financial education programs and, consequently, improving their financial literacy. Our analysis of Gen Z's habits revealed their inclination to seek information on social media, not just for entertainment but also for learning. Moreover, young individuals prefer content from their peers, despite potential credibility concerns.

Invesco's "How Not to Suck at Money" and Fidelity Financial Forward are exemplary programs that cater to the consumption habits of Gen Z by providing accessible and relevant information. Empowering this generation with financial knowledge is crucial, and reaching as many young people as possible through their preferred media channels will ensure they benefit from the valuable insights offered by asset and wealth managers.

We believe our suggestions could maximize the effectiveness of wealth and investment management firms' efforts to educate the next generation through online financial education programs. First, the strategic recruitment of influencers can boost brand exposure and introduce young people to previously unknown but essential information. Collaborating with financial organizations and influencers benefits both parties by increasing credibility and awareness of online financial education programs. Second, through incentives, demand for online financial education programs can be stimulated as people see they can earn quick rewards, which can work to shape long-term behavior. Finally, interactive features such as checklists, comedy, or streaks can be incorporated into these programs to keep people engaged and continue their progress in developing positive habits.

Authors' Note

We approached this paper from Gen Z's perspective. We believe that Gen Z's tech-savviness indicates one-size-fits-all financial education has little to no effect on changing Gen Z's real-world financial behaviors. Our research delves into Gen Z's financial literacy, analyzes the gap in social media engagement between popular finance influencers and official investment management firms, and investigates the reason behind Gen Z's media consumption preferences with case studies on various digital financial education products.

This opinion snapshot represents an effort to provide perspectives on ways that asset managers can utilize digitalization to improve their financial literacy programs. We express our appreciation to Sapere Aude Consortium for granting us this opportunity to be part of their investment research program. The authors thank our mentors, Emily Pachuta and Shamim Ibrahim, for their guidance and support through our internship at Sapere Aude Consortium.

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