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Ways to end toxic relationship between Gen Z and their finances

WAYS TO END TOXIC RELATIONSHIP BETWEEN GEN-Z and their finances



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"Understanding and improving the psychology of Gen Z and their finances"

Introduction / Why is this article so important?



Why do we, the most informed and educated generation, still feel so lost and continue to struggle with basic financial management?

Managing personal finances has been one of the most overlooked challenges for Gen Z in today's fast-paced economy. With the rising cost of living, inflation, intense workplace competition, changes in job markets, huge tax payments, layoffs, educational loans, and the pressure of being an independent member of society, Gen Z emerges as the most emotionally impacted generation. This article summarizes the major financial mistakes made by our generation based on insights from a survey we conducted and explores practical ways to mitigate these mistakes for a more secure, financially stable future.



Let's talk about finances!!

The goal of our form is for accurately knowing Gen Zs actions regarding their finances so that we can curate an impactful and helpful article regarding ways for better financial management. The article will be authored by [The ECON Talks](#) (Handled by Sudikshya Poudel) on [Toranvichara](#).

* Indicates required question

What is your age group? *

- ☐ 13 to 17
- ☐ 18 to 21
- ☐ 22 to 25
- ☐ 26 to 28

What is your gender? *

- ☐ Female
- ☐ Male
- ☐ Others
- ☐ Prefer Not to say

Which country are you from? *

Your answer

What are your income sources? *

- ☐ Share Market
- ☐ Social Media (Both Content Creation and Marketing)
- ☐ Pocket Money
- ☐ Job or Internship
- ☐ Freelancing
- ☐ Business (Includes Start-Ups Too)

What is your income range? *

☐ 0 to 5k

☐ 5k to 15k

☐ 15k to 25k

☐ 25k+

What do you think you are trapped with? (examples: Overshopping, Fast Fashion, Cashless Effect) *

Your answer

How does your expenses goes?

The following questions includes your monthly spending on the respective aspects of day to day life.

Housing (Rent/Hostel fees/Utilities if separate) e.g. 400 *

Your answer

Our survey, conducted among 56 Gen Zs^[1], showed that the most common source of income for them is pocket money, followed by internships or jobs and share market, and other minor sources. According to the responses, the most pressing financial issues Gen Z are trapped with are fast fashion, overshopping, cashless effect, and psychological entrapment.

Who are Gen Z?



Gen Z is typically defined as the generation born between 1997 and 2012, following the baby boomers and millennials. Gen Z is the newest generation of consumers, business professionals, and citizens, and as such, we play a crucial and impactful role in society. We are also the generation that is witnessing the rapid world shift more than ever.

Why is Gen Z also the most aware?

Gen Z Saving More of Their Money Than Any Other Generation

Published Feb 03, 2025 at 4:00 AM EST

By **Alyce Collins**
Life and Trends Reporter
Newsweek is A Trust Project Member
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Many people try to put money aside each month, whether it's for a new car, or maybe a down payment on a house. But a recent poll has revealed which generation is the savviest when it comes to saving.

The poll, conducted by Talker Research between January 15 and January 20, asked 1,000 Americans of varying ages how much of their paycheck they save each month.

The results show that 29 percent of overall respondents save between 1 and 10 percent of their monthly income, while an equal proportion don't save a dime. When respondents were categorized by age, there was a clear divide between younger generations and their older counterparts.



Though certain aspects might depict that Gen Z is not fully aware of the current market structure. However they are in fact, also the most informed generation. This generation has seen it all, whether it's the 2008 economic crisis, unprecedented natural disasters, or the COVID-19 pandemic crashing financial markets. Having seen it all, we believe Gen Z is well known for the uncertainty in the world economy. They are also cautious about the risks involved with financial markets.

Thanks to the rise in global internet and social media awareness, they are also very conscious of performing financial transactions. Because of social media, Gen Z knows more about investing at their

age than any other previous generation. However, these are also the reasons why they are the most stressed ones, carrying the heavy weight about the job, long-term success, buying a home, taking care of family, not having enough money, artificial intelligence taking their jobs, recession, not being able to make correct financial choices, student debt, and inflation.

What do we understand by Finance?



Finance is generally the management of money and other assets. It is guided by human behaviors

on how they acquire, utilize, save, and invest those assets. In short, Finance is how money is planned and managed. We all know the importance of money and responsible financial management. Financial management is something that every individual must possess for the smooth interaction of their daily financial activities. When it comes to Gen Z, financial management is something that has been undershadowed, as this generation confuses themselves to be someone well-informed and self-sufficient, but in reality, lacks a solid foundation in financial literacy.

Where are we lacking?



Our generation has been gifted with a significant financial transformation than the previous one. From the idea of piggy banks to investments in the share market, we have seen and experienced it all, which means old tricks for financial management are not relevant in today's world. But, are we ready for such rapid financial transformation?

As a human beings, we prefer someone who validates our decisions than those who give us a reality check. Social comparison is a slow poison, and Gen Z is heavily driven by it. We are trying to change ourselves to maintain our image in

others mind and spending on something that isn't necessary to us. The pressure to keep up with the internet challenges, social media posts, wearing the perfect brands, and the urgency to shop more are the contributors driving us towards financial instability.



Furthermore, traits like the cashless effect are playing a significant role in promoting overspending. Where humans tend to be psychologically attached to tangible items, we feel distant when money goes away from us, and we try to spend less. But in today's era, when everything has come together on a rectangular

screen, we prefer convenience, without realizing this detachment from money. And it is leading us towards impulsive spending.

Additionally, non-eco-friendly trends like fast fashion have exposed us to buying more items than necessary. Reports suggest that the fashion industry already has an ample amount of dresses for the next three generations.



Although this era is highly advanced in terms of financial investment, like mutual funds, cryptocurrencies, the share market, and stocks. Gen Z feels the urgency to be financially secure

faster, which, without proper financial literacy, exacerbates (exploits) their financial status. Since the investment platforms are increasing worldwide, they are also eager to invest because of FOMO (fear of missing out). According to the report of the Investopedia financial literacy survey 2022^[2], 44% percent of Gen Z who are not investing say it's because they don't know where to start, and most Gen Z invest before the age of 21 because of FOMO.



As 23-year-old financial advisor Zechariah Schaefer, whose firm Ascent Personal Finance specializes in providing advice for millennial and Gen Z crypto

investors, puts it, "They know lots of things about finance loosely, but they don't know a lot of things deeply."^[2] With social pressures, overflow of financial information in social media, and the overwhelming weight of "what will people think?" spending money today feels like a highly confusing decision that affects more than just their wallets.

How can we manage finances?



Financial literacy is among the most important things that must be taught to the younger generation from a very young age. Preparing for a

worse future crisis, risk-free saving accounts, investment accounts, side hustles, and old age accounts, learning about personal finance should be taught in schools, rather than pressuring them regarding financial literacy after they have completed their education and have already entered the job market.

Along with this, some of the practical steps that our generation can take are:

- Save more. Saving is the income for the future. The world is filled with obscurity, so wise saving in interest-generating accounts is the most important pillar.



- We ought to have more than our income. We should be focused on earning money from multiple income sources and not rely on a single one. Almost all the financially stable individuals across the world have multiple income-generating channels.
- Additionally, smart and strategic investing is adequate, but only with proper knowledge about those investing platforms and the guidance of a financial advisor.
- Furthermore, if you see any item and you wish to buy the item, wait for 24 hours before buying. It's called the 24-hour rule, which helps you reflect whether the item is a need or just another want. This prevents you from impulsive buying.
- Moreover, avoid lifestyle inflation. If your income has increased, do not increase your consumption proportionately. Instead, aim to increase your investments and savings.



- Learn to spend wisely. Your expenses should give you the potential of future earnings. Buy resources, tools, and skills that increase your ability and productivity to earn more. For example, read books, learn languages, engage in programs that expand your networks, and spend on buying online courses to increase your opportunities in high-demand areas like the tech field. And avoid superficial approaches to fashion, food or social media.

Conclusion



This article is not here to convince you to manage your finances in certain ways, but rather to inform you about the biggest financial challenge our generation is facing which will continue if we walk on this unprepared path. As the next generation of citizens, workforce, professionals, policymakers, or even leaders, we must take responsibility for our financial well-being. Let us not complicate our relationship with money; rather, let it evolve and create the most ideal, healthy, and balanced relationship that supports a financially secure future for us and the next generation to come.

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Sudikshya Poudel  

Hey guys, first things first, thank you for stumbling upon the blog. Either by fate, by algorithm, or simply because you wanted to improve your finances.

I am Sudikshya, a 2nd year Economics honors student at Lady Shree Ram College, Delhi. I love Economics, and I love understanding the theory of demand and supply, for example, the demand and supply of blogs. Jokes apart, if I get tired drawing heavy graphs, you might also find me writing blogs about economics, or maybe just creating fun and knowledgeable reels on Instagram, or even missing mo: mo. Also, I love being in Janpath(India) surveying the perfectly competitive markets of earrings.

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