



It's a New World: How Generation Z Views Investing and the Financial Markets

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EXTENDED ABSTRACT

This study is about the influence that Generation Z has on the financial markets such as the stock- and cryptocurrency market, and how those young adults can be affected by investing their money that early in life. Many research studies have been published on generational differences on a variety of topics. However, one topic that has not been significantly studied is the difference between Generation Z versus the other generations in investing their money. This includes their willingness to invest money in traditional stocks and funds, but also newer financial products like cryptocurrencies. In addition, little research has been done to analyze Generation Z's financial interests including their desire to invest at a young age, the level of risk they are willing to take, and how corporate social responsibility influences the way they look at stocks.

The average rate of return on a single dollar in the stock market during multiple decades is superior to the average rate of return during just a couple of years. The possibility to make money in the stock market is most rewarding for young people. However, the biggest percentage investing in stocks are older generations. This paper will analyze the benefits and disadvantages of the stock market when Gen Z starts investing. Also, it will discuss the psychological advantages for young adults who get involved in the market early, beyond the goal of making money. Therefore, the following research questions will be investigated:

RQ1: What influence does Generation Z have on the performance of financial markets?

RQ2: What factors are motivating Generation Z to become involved in financial planning decisions?

RQ3 - What are the psychological factors affecting Generation Z's behavior when considering investing?

For the sake of analyzing Generation Z's behavior at the stock market, it is essential to look at the general characteristics of this new generation. With the help of Dangmei and Singh's study, we can see that the new generation of young adults that are entering the workforce now are very different compared to any of the older generations, which is why businesses and employers have to educate themselves about the values and standards of the so-called Generation Z. According to Dangmei and Singh, gen Z is "the most ethnically diverse and technologically sophisticated generation" (Dangmei & Singh, 2016). This means that they are valuing the aspect of diversity and being invested with the environment, and since they grew up using the newest technology and the internet, they are more technically adverse than the other generations. Another important factor of Dangmei and Singh's research is that they are calling gen Z a "Do-It-Yourself Generation" (Dangmei & Singh, 2016).

Using this information together with the results of Bunting's study, the potential of Gen Zers through investing in different areas of the market is undeniable. Bunting looked at the investment behavior of young adults with consideration for CSR and CSI, the impact of social media sentiment, the missing experience this generation has in the area of trading stocks at the market, and other significant influences, like the emotional influence on trades.

Gutierrez showed in his survey, that Generation Z is the generation with the lowest percentile of people that are investing their money in the stock market right now, with a percentage of only 36%. In comparison to that, millennials have 45%, Gen Xers 50%, and Baby Boomers 52% of their population invested in the stock market. Also, Gutierrez points out, a huge difference especially between the older generations and Generation Z and millennials are the brokerage platforms they are using. Investors over 40 years of age like to use Fidelity, while investors under 40 years of age like to use Robinhood. Additionally, the interest in cryptocurrency is higher for the younger investors, as they have a higher percentage of usage for one of the biggest cryptocurrency brokerages, called Coinbase.

Even though Gen Zers are the generation with the lowest percentage of actual investors, the interest in investing is very high. 46% of the teenagers in the survey said they are interested in trading stocks. Fittingly with the low percentage of investors, the average money which investors from Generation Z have invested in the stock market is the lowest amount compared to all of the other generations. While 59% of the silent generation has over \$100,000 in stocks and 31% even have investments worth over \$500,000, Generation Z investing power is comparably low, with 75% of investors having an amount of under \$10,000 and 52% even have invested less than \$1000 in the stock market. The findings of this survey show how much Generation Z will still impact the stock market, as they are just entering it.

In this study, I will use these results together with the outcome of Gutierrez's survey about investing in the different generations and connect them to answer my research question above. I will also make use of primary research to find out more about the interest of generation Z in investing their money in stocks and cryptocurrencies. I will use these results to compare how they differ from other generations and answer my research questions about the impact Generation Z might have on the financial markets in the future.

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