

# From gap years to golden years: A look at Gen Z's current thinking about retirement



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## Introduction

Entitled. Cash-strapped. Daring. Lazy. Bold.  
Gen Z has been called a lot of things.

Generation Z—those born after 1996—make up 20% of the U.S. population per the latest U.S. Census, and they're the [most educated and diverse generation to date](#). This newest group of [digital natives](#) grew up alongside emerging tech and social media, leading to a near-constant consumption of [information, education and advice online](#).

Every generation is shaped by the events of their environment. For Gen Z, 9/11, the Great Recession and Covid-19 have had a major influence in how they think about the world and the workforce.

In the United States, this newest generation of workers are about to [surpass the number of Boomers in the workforce](#), which means it's time to make room for new ideas, career paths and values.

UTA's NextGen Practice (formerly JUV Consulting) and the TIAA Institute set out to explore how Gen Zers engage with their finances, what they're saving for, and how they view retirement at the onset of their careers. The findings shed light on this contradictory generation, one that is both earning and saving more than generations before but is also facing new, major challenges in their early days of building their financial future.





## Overview

While many members of Gen Z are saving, sticking to their budget and thinking about the future, only one in five are setting aside money for retirement.

A growing portion of Gen Z indicates they don't expect to ever retire. Retirement in the traditional sense, along with all the steps leading up to it, may not be a fit for every Gen Zer.

Major steps in Gen Z's financial future, from paying for school to paying a mortgage, are increasingly feeling out of reach, making retirement seem a lower priority. In short, the traditional path to retirement isn't compelling to Gen Z.

In the era of job hopping and side hustles, Gen Z doesn't foresee their professional lives stopping at 62, nor do they think they'll work for the same company their entire career. Their life goals involve learning new skills, exploring the world, and having multiple careers with [distinct breaks](#) from the work.

While Gen Z may be charting a new course, the deprioritization of retirement saving and planning will impact the economy for all generations. To engage young adults in retirement planning sooner, representation of Gen Z's wide-ranging life choices should be considered.

In a generation full of contradictions, there is one shared truth: One prescriptive path from education to retirement is insufficient to accommodate the breadth of Gen Z's work-life scenarios. Gen Z demands choice.

## Key insights

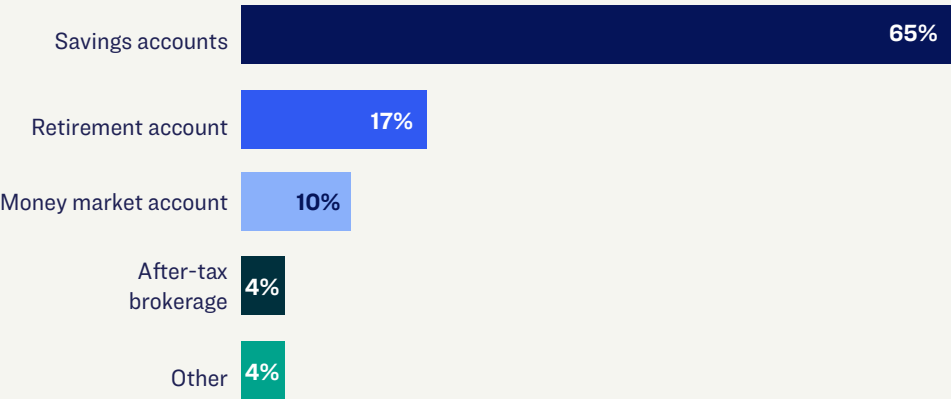
- **Staying liquid:** Over half of Gen Zers opt to use only savings accounts to store their funds. For those not currently investing their savings, the largest portion (35%) say it's because they "lack knowledge on where to start."
- **Employer-provided plans jump-start retirement:** 66% of Gen Zers saving for retirement use 401(k)s (the most popular option), but only one in five are setting aside money for retirement at all.
- **Generational knowledge is wealth:** Parents are an overwhelmingly popular source of financial insight for 61% of Gen Z—but this could be making existing knowledge gaps grow.
- **Balancing the basics with a little fun:** When asked what they're saving for most, 19% of Gen Zers said travel, followed closely by building up savings for living expenses like housing (17%) and transportation (18%).

## First financial steps: budgeting and saving

As more of Gen Z move into the workforce and establish themselves financially, how are they faring? Most survey respondents feel comfortable managing their monthly expenses and sticking to a budget, and when they have extra money, they save. However, when it comes to taking steps toward growing their wealth and planning for their financial future, they lack the knowledge and confidence to do so.

Gen Z recognizes the value of saving for the future. The majority (84%) report saving a portion of their income each month, and 57% say they have a budget that they stick to. While 65% of respondents save through a savings account in addition to other vehicles, more than half (52%) are only using a savings account to set money aside.

### WHERE IS GEN Z PUTTING THEIR MONEY?



Q: How are you setting aside money for the future? Select all that apply.

Source: From Gap Years to Golden Years, 2024

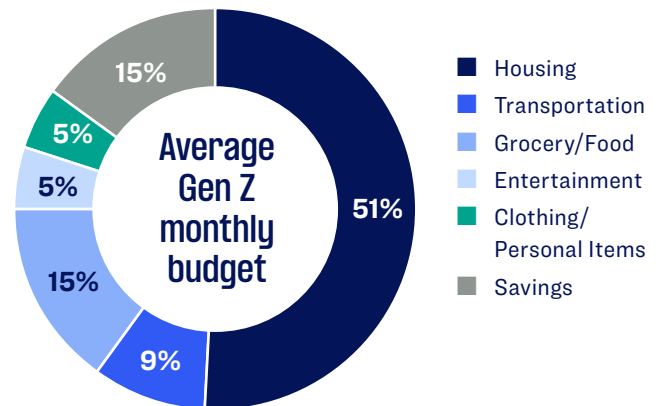






[Almost one-third of Gen Zers](#) (29%) and [40% of adults 24 to 35 years old](#) are living paycheck to paycheck, which means in a typical month, the majority of their money goes to funding basic living expenses. So, it isn't clear whether these skills are gained through early financial literacy steps, necessity or an increased preference for liquidity. In this survey, the average Gen Z budget comes in at \$1,950 per month, and housing accounts for roughly \$1,000 of that budget, or 51% of income.

When there is little to spare after covering basic living expenses each month, it is not surprising that retirement feels like a lower priority, rather than a necessary step. Instead, Gen Z is tucking away some cash when they can, and living [paycheck-to-paycheck](#) when they can't.



Source: From Gap Years to Golden Years 2024

When it comes to the first source of financial education, Gen Z starts at home. According to the [National Endowment for Financial Education](#), almost 90% of U.S. adults agree that financial education should be a required element of a high school curriculum. In the absence of any formal financial education, the starting point for most Gen Zers is at home.

In fact, 61% of respondents get their financial education from their parents. While building this foundational knowledge at home can be a helpful and comforting space to begin, it can also perpetuate existing knowledge, gaps and financial behaviors.

Among survey respondents, first-generation students, those who are the first in their immediate family (parents or guardians) to receive a formal secondary education, rely on parents at a lower rate than their counterparts and go to other sources at higher rates. For example, among Gen Zers who go to school peers most often for financial advice, 71% were first-gen students. Meanwhile, for those who had parents with a collegiate level of education, 70% relied on them as the first stop in their financial journey—a higher rate than the average across Gen Z. Given that only [48% of Americans have strong financial literacy](#), relying mostly on parents for financial advice could mean missing out on helpful ways to plan for their future.

## Let’s get digital: Financial education and transactions

Unlike their parents, Gen Z has access to a wealth of financial knowledge in the digital world.

Gen Z might be more digitally savvy than other generations, but for every piece of good advice they receive, there are also questionable “hacks” for getting out of debt, “free” financial education courses (that charge you later), “guaranteed” returns, and flat-out bad advice.

A recent study by [Forbes](#) found 79% of Gen Zers and millennials have received financial advice online. Not surprisingly, our survey found that 65% of this cohort of digital natives follow financial institutions, financial advisors, financial creators (aka finfluencers) or personal contacts in finance on social media.

One-third of Gen Zers (33%) follow finfluencers to delve deeper into their financial education, but only 7% rely *most* on these financial creators on social media for financial education. Gen Z might be taking financial advice online, but they aren’t putting all their trust into a single creator or page.

In addition to no shortage of experts, there are also countless platforms available to help Gen Z manage its money. The endless number of choices has led to a large divide in use across brands. There’s no clear winner when it comes to money management, which suggests choices are made due to proximity, family or employer plans.


Gen Z is split across different banking platforms.

Robinhood gained notoriety in the wake of the [GameStop short squeeze saga](#) (aka “GameStonks”). A [study on UK Gen Zers](#) found one in 10 started investing following GameStonks, and 62% invest in “meme stocks” broadcasted in spaces like Reddit. Acorns was also a popular choice among Gen Z respondents, and the app has invested heavily in its [social media presence](#) and celebrity endorsements to keep it in the zeitgeist.

The overabundance of options for learning and managing money could play into Gen Z’s hesitance to move from mostly liquid options, and the popularity of some platforms or creators over others may simply boil down to cultural relevance.

### Top digital platforms used for saving

• Robinhood	• Vanguard
• SoFi Invest	• Ally
• E*TRADE	• Chase
• TD Ameritrade	• Local Bank/ Credit
• Acorns	• Union App
• Fidelity	



Source: From Gap Years to Golden Years, 2024

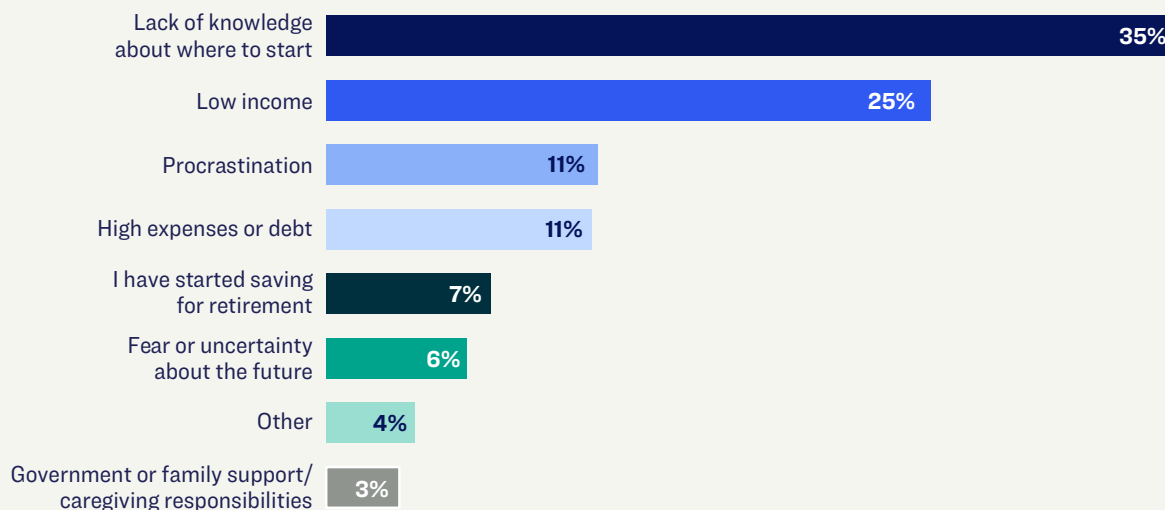


## Employers' role in securing retirement

While only a small portion of Gen Z is currently preparing for retirement, a large portion of those who are taking steps lean on employer-backed programs to get them started.

One in five Gen Zers are currently setting aside money for retirement. The leading reason behind Gen Z's lack of retirement savings is a lack of knowledge about where to start (35%).

### WHY 80% OF GEN ZERS AREN'T SAVING FOR RETIREMENT



Source: From Gap Years to Golden Years, 2024

Between the ages of 22 and 23, we see a 10% jump in Gen Zers saving for retirement, which, not surprisingly, happens to align with when most are graduating college and getting their first full-time jobs.

The role of employers in enabling young people to jump-start retirement savings is a critical one. According to the [Investment Company Institute](#), Gen Z is outpacing Gen X in retirement savings at this stage of life, largely due to innovations like auto enrollment. According to the U.S. Department of Labor, 41% of employers in 2023 offered [401\(k\) matches](#), which incentivize employees to invest in retirement by matching their contributions up to a certain percentage.

An important part of making retirement more relatable to young people requires considering who has access. In fact, [many workers](#) don't have access to retirement plans through their employer. Data shows that [Black and Hispanic employees](#) are less likely to have jobs that offer workplace retirement accounts.

For those respondents who are taking steps to save for retirement, the most common path is 401(k) plans. Sixty-six percent of respondents are saving through 401(k)s, often alongside other tools. This rate of adoption mirrors 401(k) usage at the national level, at [67%](#) of those saving for retirement.

For those taking only a single action to save for retirement, it was most likely to be through a 401(k) employer plan. These products are often the first stepping stone in an individuals' financial path, and the survey confirms that Gen Z's confidence increases with each additional money management step they take. Hence, employers play a vital role in enabling their employees to get on a strong financial path through an employer retirement plan, underscoring the importance of expanding access, education, and professional planning for young workers.

Gen Zers claim confidence in their investing decisions, but does this sense of confidence yield practical results?





## Gen Z's investing confidence: Is it misplaced?

More than half (57%) of respondents reported that they make “good investment decisions,” yet recent survey results from the *TIAA Institute-GFLEC Personal Finance Index* indicate only [37% of Gen Z were able to correctly answer financial education questions](#).

Not surprisingly, an assessment of respondents confident about their investing savvy changes with a closer look at who feels confident. Findings show that levels of confidence are tied to actions taken toward money management, demographic makeup and income.

For example, gender was a predictor of confidence: Gen Z women reported feeling significantly less confident in making good investing decisions compared to their male peers. Confidence in making financial decisions is the cornerstone of personal financial management. Lack of confidence can lead to [poor financial decisions](#), inaction and risky behaviors.

According to [a study by Capital.com](#), women perceive investing as riskier than men do, and the majority don't know where to start.

Such factors as gender could be interacting with other predictors of whether Gen Zers felt they made good investment decisions, such as income. Unsurprisingly, lower-income respondents felt less confident in their investing decisions compared to those in higher income brackets.

While Gen Zers are still early on in their careers, the drain on their income to cover daily expenses could be dampening their confidence not only in investing but also in their ability to save for the future and plan for things like retirement. As of this year, the [annual inflation rate for Gen Z was half a percent higher](#) than it was for other generations at the same age.

Gen Z is bearing the brunt of inflation more than the generations that preceded them, and the spread of that burden isn't equal across them all. Their confidence in making investing decisions may be impacted by inflation and other factors that impact their day-to-day lives.



## Reimagining retirement and financial freedom

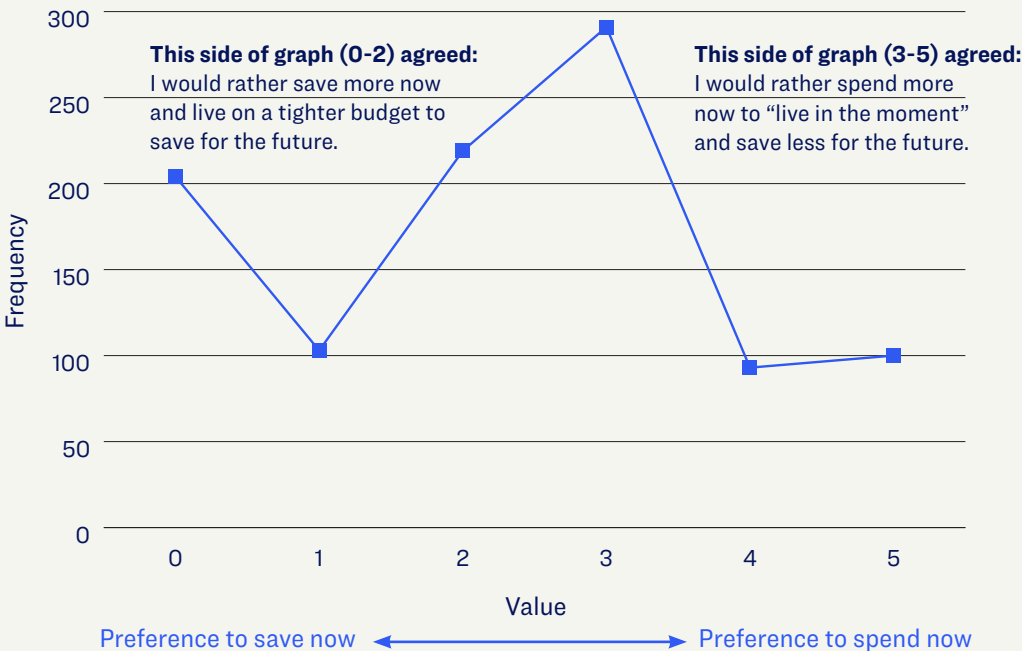
Today’s headlines highlight the claims about the insolvency of [Social Security](#), [working longer](#), and [having second or third careers](#). Yet, conversations about what retirement should look like in the wake of these major shifts remain quiet by comparison.

We know that [42%](#) of young adults are motivated to plan for their future given global events, while 48% say global challenges make them want to “live for today” instead.

This survey revealed that 30% of Gen Z prioritize saving to 20% prioritizing spending now. This leaves the remaining 50% somewhere in the middle.

### SAVE NOW OR SPEND NOW?

Breakdown of responses regarding Gen Z’s preference to save more now to have funds in the future (left side of graph) versus preference to spend money now to live in the moment (right side of graph).



Source: From Gap Years to Golden Years, 2024

The split in respondents’ preference between saving now or spending now shows a lack of consensus among Gen Zers about “the right path forward” with their finances.

Similarly, 19% of respondents are opting to save most for travel over the next year. Meanwhile, 17% are saving most for housing and 18% for transportation. Only 9% of Gen Z is saving most for emergencies and retirement, respectively.

These numbers vary for subgroups within the population—such as first-gen college students, who are significantly less likely to be saving most for retirement compared to other students. However, the importance of saving for travel among this group remains consistent with the larger population.

The truth is, Gen Z wants financial freedom, a freedom that enables them to pivot careers, travel and take professional breaks. As of now, Gen Z may not be associating retirement with freedom.

Gen Zers are [changing jobs](#), picking up [side hustles](#), and [starting their own businesses](#) at higher rates than the generations that came before. With a shift in views on professional goals, Gen Z may be gravitating toward liquidity in ways that make traditional retirement savings plans feel too restrictive.

Gen Z is saving for retirement at [higher rates](#) than Gen X at the same age likely due to innovations like auto enrollment. But, when it comes to making decisions about how to invest and save any extra money, Gen Z favors the flexibility of liquidity. In fact, [one in five young adults](#) don't expect to retire because they foresee working less or filling their time with other [passions](#).

Meeting Gen Z where they are means accommodating for the many unique needs of a diverse generation, and that includes reimagining how we're educating and engaging with Gen Z on the importance of retirement. Young workers need a reframing around retirement as a path to financial freedom that enables flexibility and choice, rather than a financial limitation.







## Conclusion

Like generations before them, Gen Z faces strong headwinds as they transition into the workforce and strive to land on their feet. A high-inflation environment, graduating into a pandemic, high housing costs and general cost of living have left Gen Z feeling unsteady when it comes to long-term financial planning.

The results of this study reinforce the importance of engaging young adults and helping them be more intentional about financial goals and plans for reaching them. As we move closer to 100-year lives, we have an opportunity and an obligation to plan for the financial, professional and educational considerations that come with living longer—particularly with new models that support many chapters. Employers, policymakers, financial advisors, and financial services providers will play important roles in that effort.

We should reconsider financial education, retirement planning, and the new values and goals of young adults beginning their professional lives. Positioning long-term saving as a pathway to attain financial freedom (rather than for retirement) that enables career breaks, industry transitions and a general feeling of flexibility will make “retirement” relatable to more Gen Zers. Employers can leverage their current position as the first stop on the retirement savings path through incentivizing savings behavior, holistic financial and longevity fitness educational programs, and strategic retirement plan design.

Through thoughtful solutions that understand Gen Z’s mindset, retirement planning can be embraced by a generation that is redefining what it means to be retired and what they want out of their retirement.

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## Methodology

This report, a collaboration between TIAA Institute and UTA's NextGen practice, is based on online interviews with 1,010 Gen Zers (age 18-24) from across the United States, and conducted between January 20, 2024 and February 20, 2024.

## About the TIAA Institute

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A special thanks to Sanya Chaudhry, Coordinator UTA NextGen Practice for your contributions to this work.

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