SHARE THE DREAM

Research into raising the Invisible-Money Generation

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Research methodology

Share the Dream is an independent publication of the Financial Planning Association (FPA) of Australia to mark Financial Planning Week (20-26 August 2018).

All cited data is based on research from The Curious Co obtained through a national quantitative survey of 1,003 Australian parents who have children aged between 4 and 18. The research was conducted between 13 and 25 June 2018. The sample is nationally representative of parents by gender, age and state, defined as individuals who care for children in the 2016 ABS Census.

For questions pertaining specifically to one child, parents were asked to respond with their oldest child between the ages of 4 to 18 in mind. Of all 1,003 parents surveyed:

- 402 parents (40%) had an oldest child aged 14 to 18
- 275 parents (27%) had an oldest child aged 9 to 13
- 326 parents (33%) had an oldest child aged 4 to 8

GENERAL ENQUIRIES

FINANCIAL PLANNING ASSOCIATION (FPA) OF AUSTRALIA
fpa@fpa.com.au
1300 337 301

MEDIA ENQUIRIES

FILTERED MEDIA
fpa@filteredmedia.com.au
+61 2 8355 3130

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CEO Welcome

Talking money with children prepares them for their future

If parenting is a journey, I concede to being relatively new to the adventure with a two year old son and nine month old baby girl. One thing I know is that it's a different world to the one we grew up in, and this *Share the Dream* report backs up that hunch with facts from our new national research into parents of 4-18 year old children across Australia.

Our last two years of consumer research confirmed the Australian dream of living a happy, financially secure, stable life is strong. We know those who seek the advice of a financial planner are the most confident in their ability to live the dream. So now we turn our eyes to the next generation—to share the dream with them.

A stand-out insight from our research this year is that parents who seek the advice of a financial planner create a lasting positive legacy for their kids too, in matters of money and life.

For starters, it makes them much more confident in having frequent conversations with their children about money (61% compared to 43% of those who don't seek the advice of a financial planner), which we know lays a strong foundation for a better future.

The hard reality is many of us simply don't know when or how to talk to our kids about money because the technologies, language and online possibilities are so very different.

I remember the thrill of running with my brothers to the corner shop with my pocket money, gazing wide-eyed at the hot chips. I'd earn, spend, share and save my pocket money in the form of warm coins and crumpled one and two dollar notes.

Today, our research confirms two thirds of Australian parents (66%) believe digital money is making it harder for their children to grasp the value of real money. In fact, the trend is fast moving toward tipping point whereby children prefer online purchases or online experiences to the nostalgic thrill of buying a tangible item from real-world shops.

How do we help them grasp the value of money when digital funds are moved invisibly between accounts in bits and bytes after pressing "Buy Now" on their screens? That's why we're calling them the Invisible-Money Generation.

Thank you for taking the time to read and consider the implications in your world of our 2018 Share the Dream research report. I hope more people seek financial advice to spur their own confidence and resolve to have frequent, open conversations with young people about matters of money and life.

Dante De Gori CFP®
CEO
Financial Planning Association
(FPA) of Australia

@ddegori10

#sharethedream

Contents

The Invisible-Money Generation

Digital money is making it harder for children to grasp the value of real money, according to two thirds of Australian parents (66%) of children aged 4-18.

Children belonging to Generation Z (born 1995 to 2009) and Generation Alpha (those born since 2010) are citizens of a new world where currency is often invisible: tap and go payments, same day online ordering and delivery, in-game app purchases, electronic bank transfers and bitcoin are commonplace.

It's a world in which the Invisible-Money Generation feels at home as digital natives.

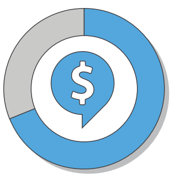
They have the Internet at their fingertips, literally, from a very young age. They are more curious, confident and comfortable in matters of money and life than any previous generation.

And yet, three in five Australian parents (62%) believe their children's generation will be financially worse off than their own generation. Alarmingly, an even higher proportion (68%) are reluctant to some degree to speak to their children about money—often because they are stressed about their own financial situation.

Is it possible our financial literacy as adults in matters of money and life in a digital world is limiting our own confidence and competence in raising the Invisible-Money Generation?

The *Share the Dream* report and related articles, expert insights and resources found on **moneyandlife.com.au** aim to equip educators, parents, caregivers, and service providers to children and those raising them.

Parents recognise the next generation is more engaged with matters of money than they themselves were as children:



69%

agree children are more **confident** asking questions about money than they were at their age

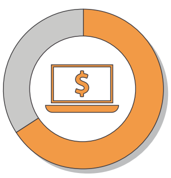
60%

agree children are more **curious** about money than they were at their age

57%

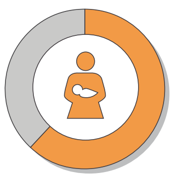
agree children are more **financially literate** than they were at their age

Yet, raising kids in the digital world is challenging. Parents:



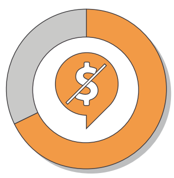
66%

agree digital money is **making it harder** for their children to grasp the value of real money



62%

believe their children's generation will be **financially worse off** than they were



68%

show some **reluctance** in speaking to their children about money

Who talks to kids about money?

Parents say they are chiefly responsible

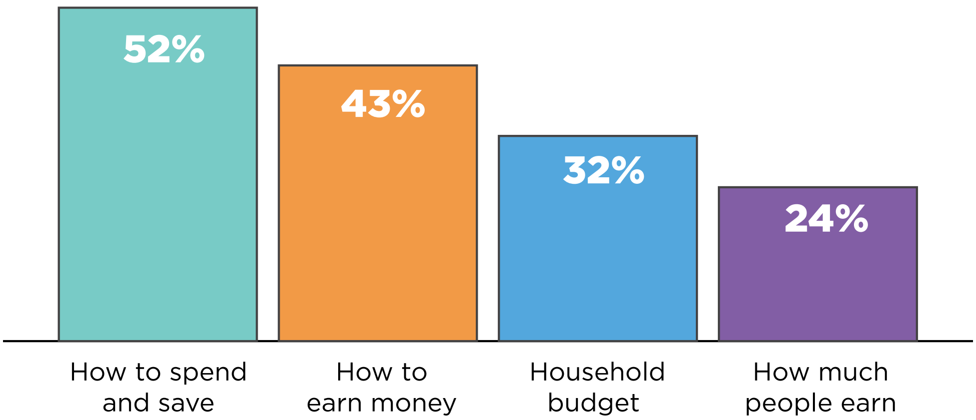
Parents hold themselves accountable when asked who is most responsible for shaping the next generation's perspective on money. They list themselves (95%), grandparents (63%), and teachers or coaches (59%) as the top three influencing forces responsible for passing on money values.

Parents also emphasise the impact of their child's peers (26%) and social media (18%, comprised of YouTube 10%, Facebook 5%, Instagram 2%, and Snapchat 1%) have on shaping their child's current money worldview.

Top 4 Money Topics Discussed with Kids

When parents talk to their children about money, they mostly focus on pragmatic, day to day money matters.

% of parents who have talked to their child about this in the past six months:



Invisible money talk is infrequent

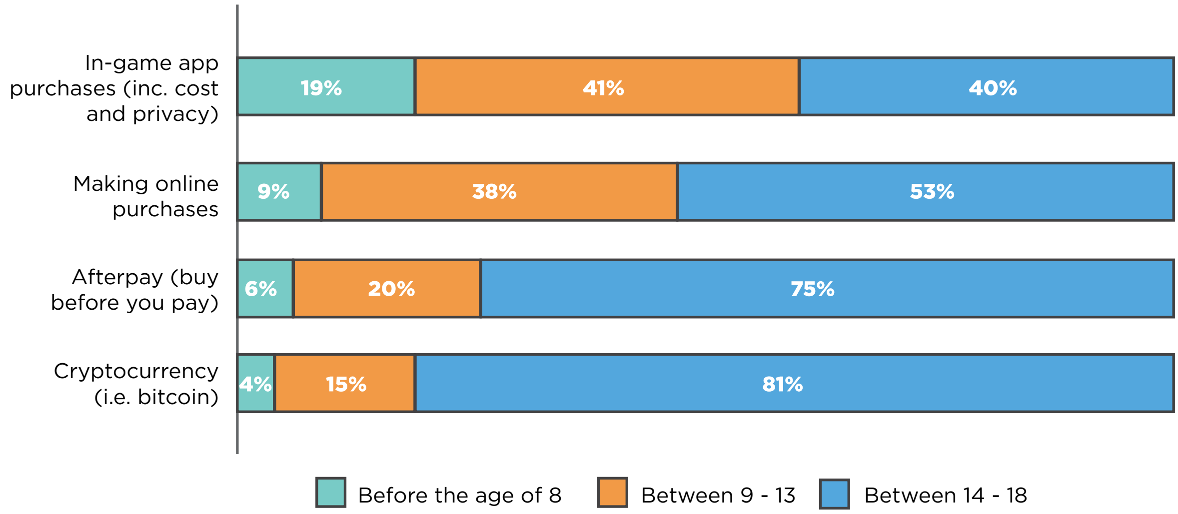
While parents feel responsible, they often don't know where to start. 50% of Australian parents say they have had regular or occasional conversations with their children about money in the past month, few are being had about contemporary money matters:

- Only 19% of parents have spoken with their children about making online purchases in the past six months.
- Only 13% have spoken about in-game app purchases in the past six months.
- Even fewer parents (5%) have had conversations with their children about Afterpay—a new retail option of paying after receiving an item, as opposed to lay-by.
- 3% have engaged on topics such as cryptocurrency in the past six months.

Starting money talk at an early age

Despite few conversations being had around 'invisible money', parents believe that conversations around our digital world *should* be had from an early age.

Q. At what age do you think it is important to start talking to children about the following money topics?



One in five parents (19%) believe they should be talking to their children about in-game app purchases, including cost and privacy issues, before they're 8. A further 41% believe these conversations should be had before the age of 14. Half (47%) feel conversations about making online purchases should take place before the age of 14.

Many parents, however, say it is only important to start having conversations about Afterpay (75%) or cryptocurrency (81%) when a child is 14 or older.

Millennial parents (18-39) emphasise having conversations about online purchases and other money matters from a younger age. This includes talking about in-game app purchases by the age of 8 (24% of parents aged 18-29 and 25% of parents aged 30-39 feel this way, compared to just 11% of parents aged 50-59 and 4% of parents aged 60+). They also emphasise having conversations about online purchases from a younger age.

While 50% of parents have regular/ occasional chats with their children about money, some parents talk to their children about money more often than others.

Mums, for example, are more likely to have had regular/occasional chats in the last month than dads (53% cf. 45%). Those who currently seek or have sought advice from a financial planner in the past are more likely to have had regular/occasional chats in the last month than those who don't (61% cf. 43%).

What stops us talking about money?

Parents fear children will worry about money

Two thirds (68%) of parents show some type of reluctance about speaking to their children about money.

For nearly half of parents who have reluctance, their hesitance is driven by a fear that they don't want their children to worry about money (32%).

Parents in NSW and those in regional areas are especially reluctant to speak to their children about money for fear that their children will worry.

Parents who are stressed about their own financial situation are also reluctant to discuss money matters with their children. This is concerning given that 82% of Australian parents report some level of financial stress. More than half (51%) declare themselves to be very or somewhat stressed about their current financial situation.

Just one in five Australian parents (18%) report no level of financial stress.

Who is most reluctant to discuss money with children for fear their children will worry?	% who are reluctant for fear their children will worry	Compared to
Parents in NSW	36%	32% of parents in VIC and 28% of parents in QLD
Parents in regional/remote areas	40%	29% of parents in capital or major cities
Parents who are stressed (very/ somewhat)	36%	27% of parents who are slightly/not at all stressed

Millennial parents feel the impact of financial stress and the growing cost of living pressures the most. They are more likely than older generations to be financially stressed and to regularly make financial decisions they regret.

Mums are more likely to say they are stressed (56%; very or somewhat) than dads (45%).

Who is financially stressed?	% who are very/ somewhat stressed	Compared to
Millenial parents	65% aged 18-29 56% aged 30-39	50% aged 40-49 40% aged 50-59 35% of parents aged 60+
Parents in regional / remote areas	59%	49% of those who live in capital or major cities
Single parents	67%	47% of two-parent households

Financial stress and uncertainty

Financial stress has real impacts on the next generation

Parents largely try to shelter their children from financial stress.

While more than half of parents are very or somewhat stressed, just one in five (19%) agree their *children* are regularly stressed about money.

While unintended, parental stress does impact children. Parents who are stressed about money are more likely to report their children are also stressed about money (26%; cf. 11% of parents who are only slightly/not at all stressed).

Stress also impacts the type of advice parents think is important to pass on to their children. Stressed parents are more likely to pass on advice about making safe financial decisions, such as saving money and getting a job earlier. They are likely to under-emphasise investing from an early age.

Parents fear children are unprepared for the future

Australian parents are not only stressed but also have concerns about how their children will navigate their financial future.

More than two in five (45%) are concerned their children will lack the skills they need to be financially successful once they become independent. Financially stressed parents are especially likely to feel this fear (54%, compared to 36% of those who are slightly/not at all stressed).

In an economic context where living pressures continue to increase, sentiment towards their child's future financial outlook is also mixed. In fact, three in five (62%) parents believe their children's generation will be financially worse off than their own.

What stops parents sharing positive money values

The daily grind and feelings of inadequacy

Many parents find it challenging, at times, to pass on positive financial values to their children. There are both practical and emotional blockers that stop parents from sharing positive money values.

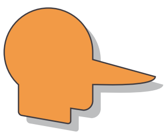
Top practical blockers	Top emotional blockers
Children are not interested (20%)	Don't feel good about our financial situation (19%)
Not enough time (14%)	Don't know enough about money (12%)

Parents under 30 struggle the most with emotional blockers. They are more likely to say they don't feel good enough about their financial situation (30% cf. 19% overall) and don't feel they know enough about money (19% cf. 12% overall) to confidently pass on positive money values.

Some parents lie or borrow their children's money

Parents also admit to not always being 'above board' in their interactions with their children about money:

38%
have **borrowed money** from their child's piggy bank or bank account for urgent expenses



29%
have **lied to their children** about money

27%
have **avoided talking** to their children about money because they felt awkward, uncertain, or didn't know what to say.

Practicing for the future: Pocket money

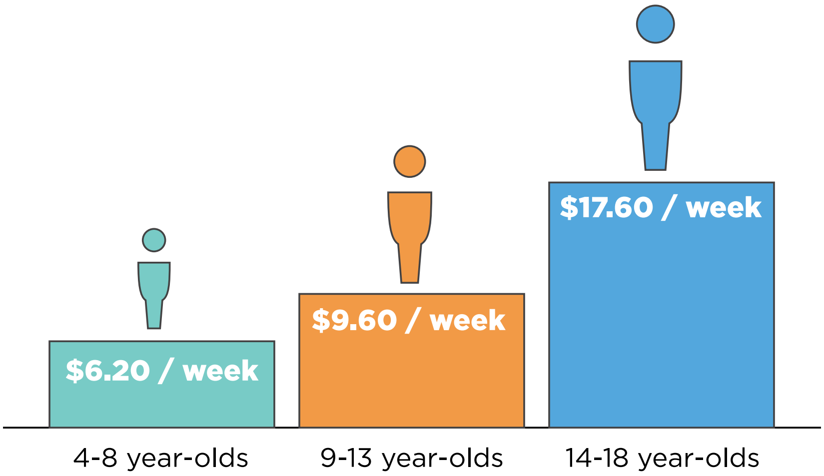
Pocket money is a first avenue for children to practice earning, saving, and spending money. How much pocket money, exactly, do Australian children get? And what do they do with it when they get it?

More than a quarter of children (28%) do not get any pocket money at all. This is true for 35% of 4-8 year-olds, 20% of 9-13 year-olds, and 27% of 14-18 year-olds.

If they do get pocket money:

- Young children (4-8) are most likely to get under $10 per week (49%).
- Tweens (9-13) are most likely to get between $5 and $19 (55%).
- Older teenagers (14-18) are most likely to get between $10 and $39 each week (46%).
- One in seven lucky teenagers (aged 14-18) get $40 or more each week.

Average amount of pocket money by age of child:



Do kids save or spend their pocket money?

Parents state that children are just as likely to save their pocket money for no particular reason (36%) as they are to spend it on small, day to day purchases (36%). The remaining quarter (28%) are diligent in saving their pocket money to buy larger monthly, quarterly, or yearly items.

Buying trends in the invisible generation

What do today's kids want to buy?

Children are shifting their buying preferences to online. Three in five parents (62%) across all age groups say their children still show a greater preference for buying tangible items (such as lollies, a bike, clothes, etc.). However, a significant 38% say their children have a greater preference for online purchases such as apps, games, movies, or experiences. This trend toward online buying is particularly true for older children. According to their parents, children aged 14-18 are nearly as likely to take an interest in online purchases (47%) as they are to take an interest in tangible purchases (53%).

Tipping point?
Children aged 14-18 are nearly as likely to take an interest in online purchases (47%) as they are to take an interest in tangible purchases (53%).

How children use digital money	Ages 9-13	Ages 14-18
Make online purchases for themselves or their family	30%	68%
Buy a mobile app, in-app purchase, or console in-game purchase	48%	66%
Transact with debit/credit card or other form of digital money	31%	65%
Make a purchase using a mobile phone	24%	44%

% of children who do this, by age

Parents report that boys are more interested in buying mobile apps, in-app purchases or console in-game purchases than girls. More than half of boys of all ages (53%) have made this type of transaction, compared to just 42% of girls.

Work and kids

Teens with a job more prepared for the future

More than 2 in 5 parents (44%) report their children aged 14-18 have a paid job outside of the home. Nearly half of these (44%) started working before the age of 16.

Interestingly, children with a paid job outside of the home are more financially prepared to engage with money.

They are more used to transacting with digital money and do so with greater frequency than those who do not have a job. They also show a greater interest in learning about paying taxes (3x greater than those without a job) and superannuation (5x greater) than those who do not have a job.

Traits	Kids with job	Kids without job
Make online purchases for themselves or their family	84%	56%
Make a purchase using a mobile phone	40%	20%
Transact with debit/credit card or other form of digital money	67%	31%
Show an interest in learning about paying taxes	16%	6%
Show an interest in learning about superannuation	16%	3%

Families in households with a gross annual income of $104,000 or more per year are more likely to report that their 14-18 yr-old has a job (59%) than families in low-income households (37%; household income under $104,000 per year).

Research confirms:
Teens with a job have a greater interest in learning about super and tax.

5x
more likely to show an interest in super

3x
more likely to show an interest in tax

Australia's *money parent* personalities

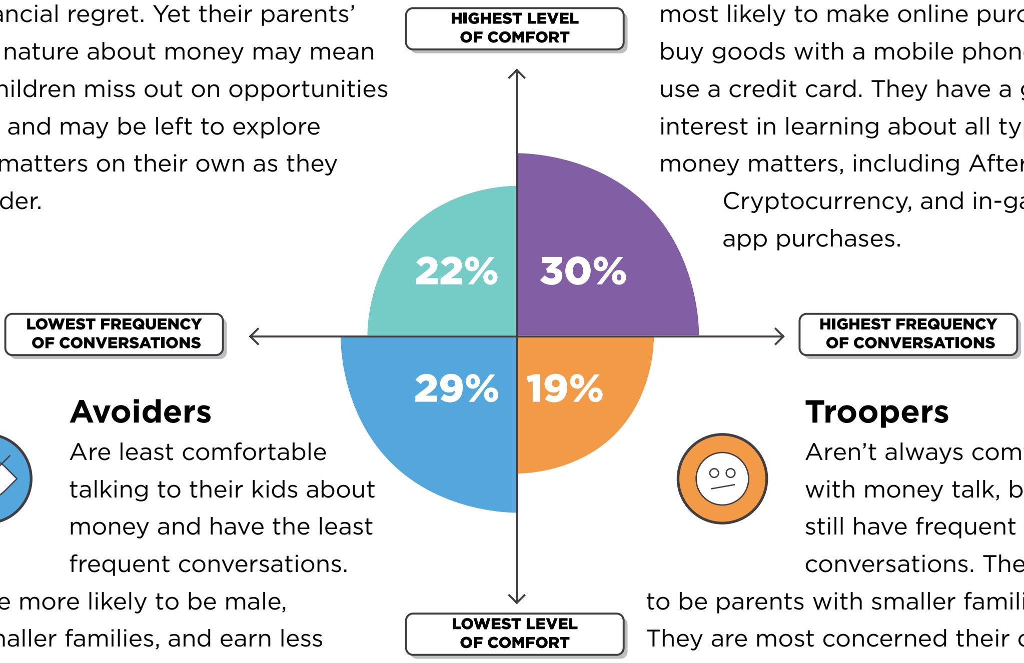
Research reveals four distinct money parent personalities. Some parents more frequently initiate conversations with their children about money, whereas others put off money talk altogether. To some parents, talking about money comes with great ease, whereas to others, they are less comfortable with money talk and prefer leaving it to others.

Relaxed

Are very comfortable talking to their kids about money but don't do so very often. They're the most relaxed about money and least likely to be too hard on themselves. They are the most transparent with their money world and have the least reluctance in speaking to their children about money. Their children live in a household with the lowest amount of financial stress and financial regret. Yet their parents' relaxed nature about money may mean these children miss out on opportunities to learn and may be left to explore money matters on their own as they grow older.

Engagers

Have the greatest number of conversations with their children about money, and are the most comfortable doing so. They tend to be female, have a larger family, and a higher household income. They are the most likely parents to use money to encourage good behaviour in their children. They give the most generous pocket money. Their high engagement leads to great financial preparedness among their kids. Their kids are most likely to make online purchases, buy goods with a mobile phone, and use a credit card. They have a greater interest in learning about all types of money matters, including Afterpay, Cryptocurrency, and in-game app purchases.



Avoiders

Are least comfortable talking to their kids about money and have the least frequent conversations. They are more likely to be male, have smaller families, and earn less as a household. They are the least transparent with their children, less likely to tell them what they earn, and more likely to say their children are too young to discuss money. They also give their children the least pocket money. As a result, their children are least interested in learning about money and less likely to transact in today's invisible money world (making online purchases or using a credit card) than the children of the other three money parent personalities.

Troopers

Aren't always comfortable with money talk, but still have frequent conversations. They tend to be parents with smaller families. They are most concerned their child will worry about money if they talk about it with them, and that their children won't be financially successful in the future. They sometimes feel awkward or uncertain when talking to their children about money. Despite some discomfort, their diligence in speaking to their children has payoffs. Their teenage children are more likely to have a job than the average child and their children make online transactions more often.

Learning from engaged parents

Engagers inspire us to be more comfortable with money talk and to have more frequent money conversations with our children.

As parents, Engagers are most likely to report their children are more curious, confident, and financially literate than they were at their age. Their children are the most equipped to understand and transact in today's digital money world. Their teenage children are most likely to have a job and make online purchases for themselves or their family.

Traits of the children of Engagers	% of children who do this	Compared to % who do this overall
Have a job (children aged 14-18)	56%	44%
Make online purchases for the family	52%	40%
Want to learn about Afterpay	15%	8%
Knows how much one or all the adults in their household earns	60%	47%

How Engagers inspire us

What mindsets and behaviours do Engagers carry to prepare their children for the future world of invisible money? As parents, they have the least reluctance in speaking to their children about money and place the greatest amount of importance, of the four parental personalities, in including children in household discussions about family finances. They are the most likely to currently be receiving advice from a financial planner. There is a lot we can learn from Engagers, beyond simply giving our children more generous sums of pocket money, like they do!

Traits of the Engagers	% of parents who do this	Compared to % who do this overall
Say it's important to include children in discussions about family finances	85%	72%
Have used money to encourage good behaviour in their children	75%	63%
Currently receive or have received financial advice in the past	39%	33%

Glossary of invisible money terms

Afterpay: an example of a new digital payment method that makes it possible to buy and own something before paying for it. Unlike layby, where you make payment instalments in advance, Afterpay allows instant gratification of owning a product right away and paying later.
Penalties occur for missed payments.

Bitcoin: a type of cryptocurrency, created in 2009 by an unknown person using the alias Satoshi Nakamoto. His goal was to create “a new electronic cash system” that was “completely decentralized with no server or central authority”—meaning, no banks. It has come a long way in a relatively short time, with big businesses around the world using it now, as well as digitally-savvy individuals.

Cryptocurrency: a new form of digital currency that uses strong cryptography to secure online financial transactions separate from a traditional source of fund transfers like a bank Instead of being backed by governments or a bank, as other currencies are – Australian dollars, US dollars, yen, euros etc – cryptocurrencies are controlled and monitored by a highly complex cryptography protocol and database called the blockchain.

In-app purchases: refers to the buying of goods and services from inside an application (or ‘app) on a mobile device, such as a smartphone or tablet.

In-game console purchases: Virtual games requiring a console and connection to a TV or monitor are a common form of entertainment for the Invisible-Money Generation. While playing a game, you can buy things like new characters, extra features, or virtual currency you then use within the game’s virtual world. They are purchased using ‘real money’ from a linked bank account or credit card, for example. They can also be purchased as separate items in online stores outside of a game.
The virtual goods a player receives in exchange for real-world money are non-physical and are generally created by the game’s producers.

Invisible-Money Generation: a new collective term that includes Generation Alpha (aged between 0 and 8) and Generation Zed (aged 9 to 18). It is a generation born into a world of iPhones, apps, Netflix, and online shopping that uses digital forms of money, credit cards, and online payment methods as much, sometimes more, than physical banknotes and coins.

Mobile apps: Computer programs, or applications (shortened to 'apps') that run on your mobile phone, smartphone or tablet. Each app has an icon on the screen of the device that you select to open it.

Tap and go: carrying banknotes and coins is increasingly unnecessary with contactless payment options now available in most Australian retail environments. A person simply taps their debit, credit or smart card (also known as a chip card) near a point-of-sale terminal—leading to the phrase "tap-and-go"—and payment comes straight from their account to the merchant via RFID technology or near-field communication (NFC).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