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Research proves Millennials' responsible spending habits mean they can have their toast and eat it too

Millennials are not the smashed avocado-loving, spendthrift generation they've been painted, according to a ground-breaking new report.

Millennials – whose oldest members are now approaching their late-30s, having children and buying homes – today represent almost half of the workforce and one third of total consumption in Australia.

But the new report reveals they have been widely misunderstood and inaccurately portrayed as poor managers of their own finances.

In fact the report – *How Millennials Manage Money*, commissioned by buy-now, pay-later pioneer Afterpay Touch Group – finds the cohort are responding sensibly to greater financial pressures in the way they spend, use credit, and save.

Millennials are 30% more likely to save regularly than their parents and 80% of them budget. They are spending 16% less on alcohol and 71% less on cigarettes.

And a result of the shift toward new BNPL services like Afterpay, Millennials are using credit cards 70% less and their personal debt balance is falling.

Dr Andrew Charlton, co-owner of economic consultancy AlphaBeta, said the data shows Millennials get less credit than they deserve when it comes to managing money.

"Millennials face greater financial pressures than previous generations," Dr Charlton said.

"For example, Baby Boomers could buy a house for around five times the average household income and enjoyed free education, but for Millennials, houses cost eight times the average household income and the average HECS debt is $19,000.

"In response, Millennials are making different spending decisions to past generations and are actually spending more wisely – including cutting back on discretionary purchases, saving more, and using new technologies to help them budget effectively and spend differently.

"Millennials represent almost half the Australian workforce and spend one in every three dollars – their ability to make smart financial decisions shouldn't be underestimated."

Home ownership among millennials is down – in 1980 61% of people aged 25-34 owned a home, in 2016 just 45% of people in that same bracket did – and underemployment has quadrupled over the past 40 years, with 12% of Millennials underemployed in 2018 compared to 3% in 1978.

The report used historical and new data to compare the financial pressures facing people now aged between 18 and 37 (Millennials), to those of that age in previous generations, and the differences in their spending behaviours and preferences.

Other key findings included:

- **Kicking the credit addiction:** Millennials are turning away from credit cards.
  - The report shows more than one in three millennials distrust banks, and that this distrust has worsened over the past year.
  - The proportion of young people with a credit card has fallen from 58% to 41% in the past 14 years.
  - Millennials are 37% less likely to own a credit card than older Australians because they see credit cards as being costly and risky.
  - Millennials are increasingly using buy now, pay later services as a cheaper alternative to credit cards. Almost 70% say Afterpay helps them use credit cards less, so they avoid interest costs and debt traps.

- **Savvy spending:** Millennials have different spending priorities to their parents.
  - House prices are now 8 times the average household income, HECS debt is $19,000.
  - Millennials are delaying their house purchases and spending their money on education, health, and lifestyle.
  - They spend much less on cigarettes and alcohol, and more on public transport and private health insurance (24% and 23% respectively).

- **Generation save:** Millennials are better savers than their parents.
  - 36% of millennials say they save regularly compared to just 28% of older Australians.
  - 80% of millennials have a budget compared to just 67% of older Australians
  - When millennials need money, only a quarter will turn to banks, with most preferring to use savings.

- **Tech tools:** Millennials are using technology to help them manage their finances closely.
  - 30% of millennials use online tools to track their spending and 7% use budgeting apps.
  - 72% of millennials use technology to compare prices before they shop compared to just 28% of older Australians.

- **Budgeting with buy now, pay later:** Millennials are turning to Afterpay because it meets their needs better than banks and credit cards.
  - 57% use Afterpay because it helps them budget. A vast majority (93%) of Afterpay transactions incur no late fees as a result of Afterpay's in-built protections.

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