

Four Things A High School Senior Needs to Know Before Graduating

Young adults are not known for being the most fiscally responsible people. Yet financial planning is more important than ever for a generation that is struggling with high inflation and debt and has a tendency to prioritize spending over saving.

If your advice is falling on deaf ears, try putting yourself in your child's position and seeing the current economic environment through their eyes. Professional guidance can also help break through money management barriers and prepare a young adult for a lifetime of financial success.

Tuition Costs Have Never Been Higher

Eighty-three percent of Generation Z (those born between 1997 and 2010) say that a college education today is "very important" or "fairly important."¹ But a growing number of zoomers are choosing to skip college and enter the job market due in large part to affordability concerns.²

College costs have been trending upward for the last two decades and currently average nearly \$110,000 for four years at an in-state public institution and \$234,512 for four years at a private university.³

High school seniors who pursue higher education should make sure they understand what they are signing up for when they take out student loans. Private student loan interest rates are primarily based on creditworthiness, so it is important to establish a good credit score before applying.

Student loan debt is notoriously difficult to discharge, and loan rates are typically fixed for the life of the loan. However, there are ways to manage student debts, such as interest rate discounts for automatic payment withdrawals, paying extra principal, and enrolling in federal programs such as the new Saving on a Valuable Education (SAVE) plan.

Paychecks Are Not Going As Far

While more recent high school graduates are opting not to attend college and instead enter the workforce, this choice can present its own financial challenges.

On paper, Gen Z workers are earning more than some in the older generations, but much of this comes from freelancing and rideshare jobs.⁴

Historically high inflation is eating into Gen Z's earnings. Zoomers have been disproportionately impacted by rising prices and are spending more on essentials than preceding generations.

¹ Tara P. Nicola, *Majority of Gen Z Consider College Education Important*, Gallup (Sept. 14, 2023), <https://news.gallup.com/opinion/gallup/509906/majority-gen-consider-college-education-important.aspx>.

² Steven Schwartz, *The College-to-Corporate Pipeline Is Facing Extinction. Here's Why*, FastCompany (July 10, 2024), <https://www.fastcompany.com/91150442/genz-college-internet-economy>.

³ Melanie Hanson, *Average Cost of College & Tuition*, Educ. Data Initiative (May 28, 2024), <https://educationdata.org/average-cost-of-college>.

⁴ Adam Palasciano, *Does Gen X Make More at Work Than Millennials or Gen Z Do?*, Yahoo!Finance (Feb. 25, 2024), <https://finance.yahoo.com/news/does-gen-x-more-millennials-210036258.html>.

Gen Z is contending with 32 percent inflation in the past decade. Compared with young people 10 years ago, Gen Z is paying 31 percent more for housing, twice as much for car insurance, and 46 percent more for health insurance.⁵ This can cause them to feel like they are starting further behind financially than their parents and grandparents were at their age and cannot afford the American Dream.⁶

Inflation deserves a large part of the blame for why Gen Z is living on a financial cliff. However, members of Gen Z may share some of the blame. Today's young people have a much "softer" approach to investing and personal finance than previous generations. This approach is more about personal growth and mental well-being in the here and now than it is about saving for an uncertain future.

Three in four Gen Zers say the current economy makes them hesitate to set long-term financial goals.⁷ Then again, this could be a "chicken-and-egg" scenario.

Credit Cards Are Not the Answer to Inflation

In response to higher inflation and its corollary, less discretionary income, Gen Z is racking up credit card debt at an unprecedented rate.

Eighty-four percent of Gen Zers are using credit cards, research from TransUnion shows.⁸ And roughly one in seven have maxed out their cards—more than any other generation.⁹ These trends are particularly worrisome because credit card interest is at an all-time high of around 22 percent.

However, there are smart ways to use cards to build credit and earn rewards for an upcoming trip or purchase. Having a balance available in an emergency can also serve as a temporary self-funded loan. But in order to take advantage of these benefits, young adults need to understand the consequences of using a credit card.

More Ways to Invest Than Ever

Younger investors are less confident that they can achieve above-average returns solely with stocks and bonds. Thus, instead of engaging in traditional investment strategies, Gen Z shows a greater preference for alternative investments such as crypto, private equity, direct investments in companies, socially responsible investing, and automated or robo-advisor investing.¹⁰

⁵ John L. Dorman, *Gen Zers Pay More for Housing Than Millennials Did—Why It Matters*, Bus. Insider (June 23, 2024), <https://www.businessinsider.com/gen-z-millennials-housing-costs-insurance-debt-election-trump-biden-2024-6>.

⁶ Bailey Schulz & Kathleen Wong, "They Can't Buy into That American Dream": How Younger Workers Are Redefining Success, USA Today (Oct. 17, 2023), <https://www.usatoday.com/story/money/2023/09/26/gen-z-millennials-face-unique-financial-challenges/70910672007>.

⁷ Intuit, Prosperity Index Study (Jan. 2023), https://www.intuit.com/blog/wp-content/uploads/2023/01/Intuit-Prosperity-Index-Report_US_Jan-2023.pdf.

⁸ *Gen Z Consumers Are Using Credit More, and Differently, Than Their Millennial Counterparts at the Beginning of Their Credit Journeys*, TransUnion (May 8, 2024), <https://newsroom.transunion.com/gen-z-using-credit-differently>.

⁹ Matt Egan, *1 in 7 Gen Z Credit Card Users Are "Maxed Out,"* CNN (May 17, 2024), <https://www.cnn.com/2024/05/17/business/gen-z-credit-card-users/index.html>.

¹⁰ *Will the "Great Wealth Transfer" Transform the Markets?*, Merrill, <https://www.ml.com/articles/great-wealth-transfer-impact.html> (last visited Aug. 27, 2024).

When looking to invest, it is important that young adults have a good strategy in place. A long-term investment strategy that relies on buying and holding specific assets is one of the best hedges against inflation.¹¹ Passive investing almost always beats active investing, even among money managers.¹²

Give Your Teen the Gift of Financial Literacy

The “real world” is often the crucible in which money lessons are learned the hard way. That does not mean a young adult should go off to college or enter the workforce without a basic financial education. Help your soon-to-be high school graduate establish—and meet—their financial goals by scheduling a consultation with an advisor.

¹¹ E. Napoletano, *Best Investments to Beat Inflation*, Forbes (July 30, 2024), <https://www.forbes.com/advisor/investing/best-investments-to-beat-inflation>.

¹² *Active vs. Passive Investing: What's the Difference?*, Investopedia (Sept. 6, 2023), <https://www.investopedia.com/news/active-vs-passive-investing>.