



Show Me the Money

Gen Z's disposable income reached \$360 billion –
Just imagine the possibilities!

Setting the record straight

When it comes to targeting audiences, demographics and psychographics play an important role in revealing the behavioral traits of any given market segment. One particularly important element to uncover in identifying marketing opportunities is the segment's level of disposable income – the amount of money that an individual (or household) has left to spend, or save, after income taxes have been deducted.

Marketing 101, really – until you get to Gen Z.

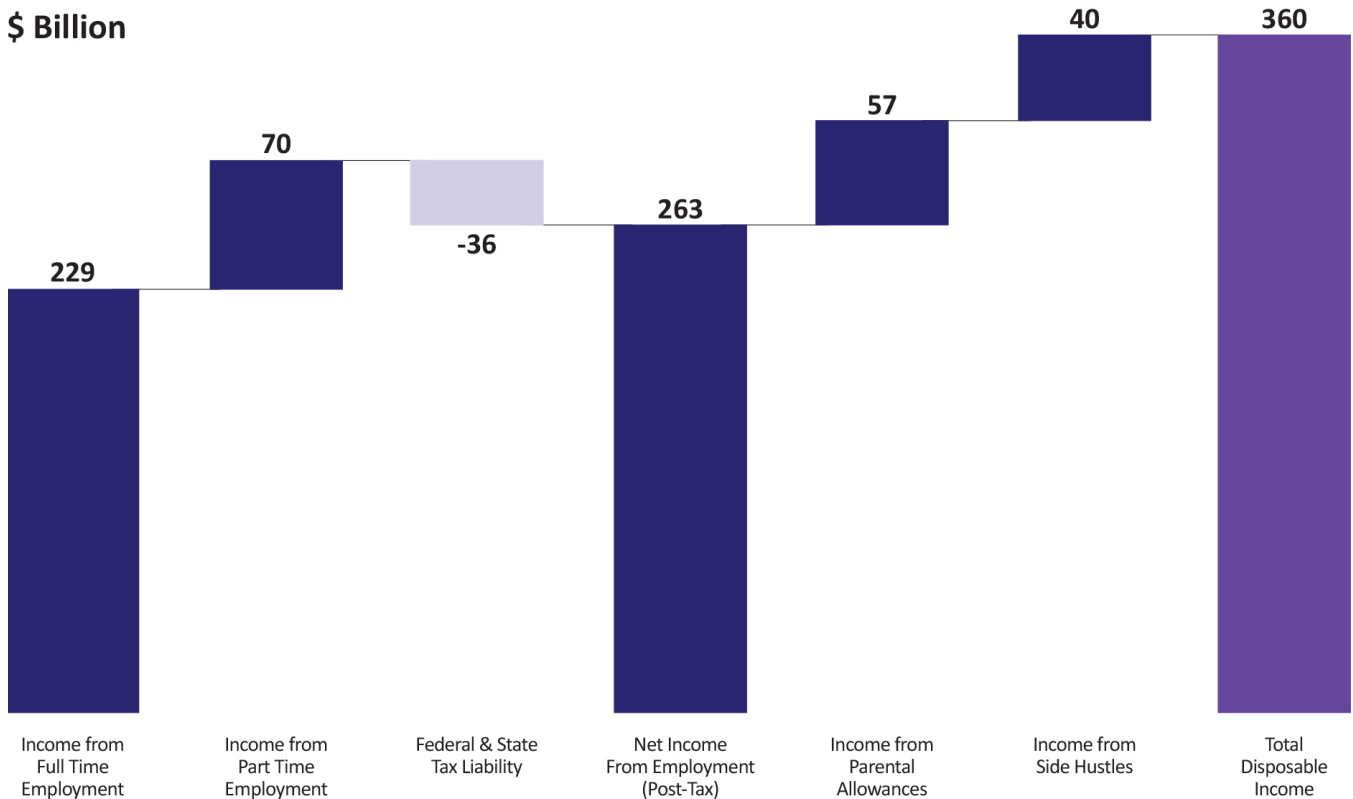
This emerging generation of culture creators, employees, and consumers has been grabbing headlines for their willingness to subvert expectations thanks to their markedly different attitude and responsible approach to money. Yet, there's one figure that continues to be associated with the direct spending power of Gen Z, whether in the news, in brands' communications, or in various research papers that keep on quoting it. And that number is [\\$143 billion](#).

While \$143 billion is certainly an impressive figure, the number has not been revised in at least three years, and it does not account for all the Gen Zers that have come of age, graduated from school, and joined the workforce since that number was first published. And yet brands and experts continue to cite this figure, possibly missing the bigger opportunity by planning around a number that underestimates the real commercial potential of Gen Z.

To provide a more accurate picture of Gen Z's spending power, we launched some research and analysis of our own. The results were both surprising and illuminating. We discovered that the number released several years ago has now more than doubled, reaching a whopping \$360 billion this year!

This number is the sum of money Gen Zers between the ages of 16–23 generate from full-time or part-time employment, parental support, or by cunning side hustles. In addition, younger Gen Zers generate some additional power through the regular allowances they receive (See Figure 1). With a figure this big, marketers looking for the next big opportunity need look no further.

Figure 1: Gen Z's disposable income: a \$360 billion opportunity



Source: U.S. Bureau of Labor Statistics. IPUMS CPS data. Gen Z Planet survey. Some figures are slightly rounded.

Gen Z at work

One common misconception about Gen Z is that they don't have much money. However, based on employment, wages and tax liability data published by the U.S. Government, there are an estimated 7.3 million Gen Zers in full-time employment generating almost \$229 billion in annual income. Despite the fact that most people at this age receive various tax credits that almost entirely offset their tax liabilities, we decided to err on the side of caution and use the actual 12% Federal and State tax rate that was applied to their level of earning, bringing the total income for this group to slightly over \$200 billion – a figure brands, marketers and retailers cannot afford to ignore (See Figure 2).

Figure 2: Disposable income of Gen Zers (aged 16–23) in full-time employment

Age	Number of Gen Zers in Full Time Employment	Median Weekly Earning	Annual Income From wages	Net Income After Tax
16-19	1,360,000	\$497	\$35,147,840,000	\$201,256,140,800
20 -23	5,965,000	\$624	\$193,552,320,000	
Total	7,325,000		\$228,700,160,000	

Source: U.S. Bureau of Labor Statistics. Gen Z Planet analysis of IPUMS CPS data.

In addition, there are 6.3 million Gen Zers in part-time employment. In a survey of Gen Zers at the workplace we learned that 78% of this group work all year round while the rest work on average 7 months annually. Unsurprisingly, most of these part-time gigs are in retail, fast food restaurants such as McDonald’s, or administrative office jobs. More recently, there has also been a boom in delivery jobs for businesses such as DoorDash and Uber Eats, particularly since COVID-19 has changed consumer behavior. Gen Zers in part-time employment have a disposable income of approximately \$62 billion (See Figure 3).

Figure 3: Disposable income of Gen Zers (aged 16–23) in part-time employment

Age	Number of Gen Zers in Part Time Employment	% Working 52 weeks	% Working 28 weeks	Median Weekly Earnings	Total Income	Net Income After Tax
16-19	3,111,000	75%	25%	\$197	\$28,280,059,200	\$61,800,326,016
20 -23	3,222,000	80%	20%	\$276	\$41,947,584,000	
Total	6,331,000	78%	22%		\$70,227,643,200	

Source: U.S. Bureau of Labor Statistics. Gen Z Planet analysis of IPUMS CPS data. Gen Z Planet survey.

Financial support that’s close to home

While much credit should be given to opportunity-grabbing, hardworking Gen Zers, many are still in full-time education: elementary school, high school, or college. It therefore only stands to reason that many still rely on the financial support of their parents as they take their first steps to independence. Even more interesting though, in our interviews we discovered that almost half of those who are earning their own money in part-time employment still receive

regular support from the Bank of Mom and Dad – and that this was separate from any funds put aside by their parents for tuition, housing, or other major expenses. Allowances for discretionary spending purposes for those who are entirely dependent on their parents vary a lot with the median being between \$42 and \$50 a week. In addition to all this, based on a report by RoosterMoney (the popular kid’s allowance and chores app), 56% of parents in the U.S. give regular allowances to their kids and the average weekly allowance for those at the age of 5 to 14 years old is \$9.35, totaling \$11 billion and bringing the level of parental support toward discretionary spending to \$57 billion (See Figure 4).

Figure 4: Parental Allowances for discretionary spending (self-reported)

Age	Employment Status	Number of Gen Zers	% Receiving Regular Allowances	Median Weekly Allowance	Total
16-23	Part Time	6,331,000	47%	\$50	\$7,736,482,000
15-23	Not Employed	24,286,000	72%	\$42	\$38,189,249,280
5-14	N/A	40,700,000	56%	\$9.35*	\$11,081,470,400
Total					\$57,007,201,680

Source: U.S. Bureau of Labor Statistics. U.S. Census. Gen Z Planet Research; RoosterMoney. (*) denotes an average figure.

Taking care of business

While Gen Zers are quickly building a reputation for actively embracing a world where every hour isn’t filled with screen time, they’re also savvy enough to take full advantage of being born into a digital world. For example, Gen Zers don’t think twice about selling old items over the internet or taking part in online surveys to earn a quick buck. In fact, we could all learn a thing or two from these budding entrepreneurs, as 43% of the 16–23-year-old Gen Zers we surveyed told us they have at least one side hustle on the go. Our definition of side hustle does not include activities that can be construed as part time employment like pizza delivery. Instead, we view side hustles as entrepreneurial in nature such as generating income as a social media nano or micro influencer, makings arts and crafts or designing jewelry for sale online, reselling items on platforms like Depop, or, to use a common Gen Z phrase, “flipping things on Amazon”. We also included more traditional cash making activities such as babysitting or dog walking. These, we found, generate on average \$274 a month and after a spot of extrapolating, this figure suggests that side hustles represent at least an extra \$40 billion in earnings for Gen Z.

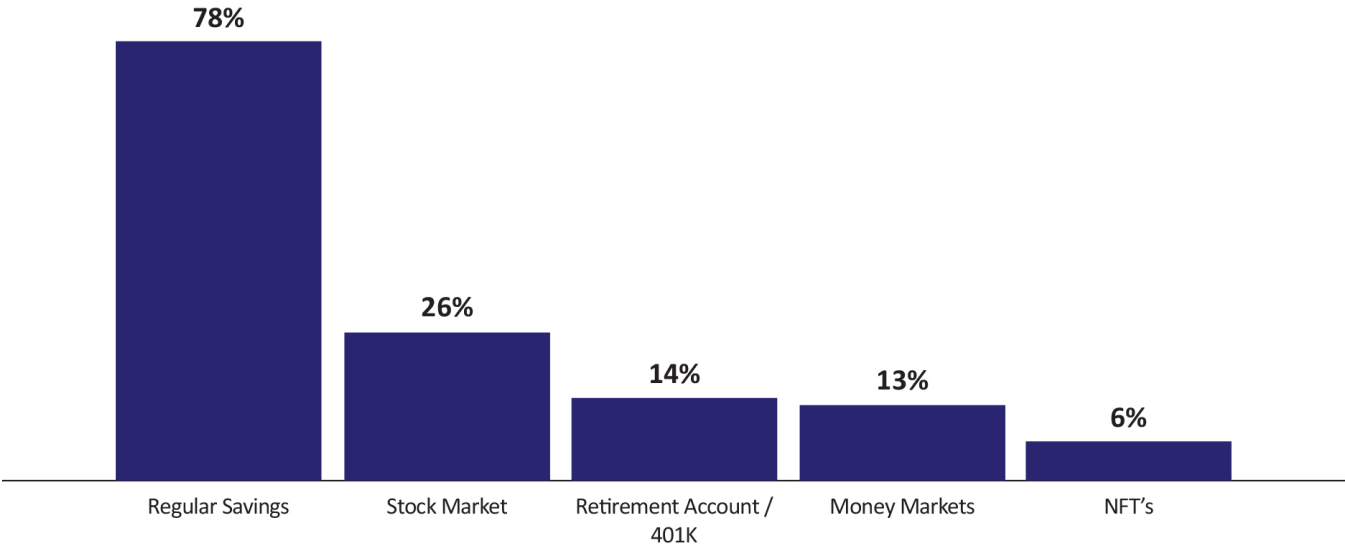
So, what do they do with the money?

It's a common assumption that due to their age, Gen Zers are careless with money. Always living life in the moment and spending with careless abandon. The truth couldn't be more different. And the reason is simple. Gen Zers grew up during the 2008 recession, often watching their parents lose jobs and struggle to keep up with mortgage payments; stands to reason they'd be anxious it could happen to them too. More recently of course, they have felt the economic impact of COVID-19. The result of all this is that Gen Zers are in fact cautious, calculated, and long-term oriented. And far, far more interested in securing their financial future than investing in the latest iPhone or pair of Yeezys.

Eighty five percent of Gen Zers we surveyed told us that they save between a quarter to half of the money they earn or receive from their parents, with an average of 32% savings. While most of these savings are kept in regular saving accounts, there is an increasing number of tech and future-minded Gen Zers investing their money in the stock market, crypto currency, retirement accounts and even NFTs (See Figure 5).

Figure 5: Securing their financial future

Q: Which of the following best describes how do you save or invest your money?
Select all that apply



Source: Gen Z Planet Research. N=1000

While their fiscal prudence is to be commended, it doesn't mean that Gen Zers have every cent tied up in savings and retirement accounts. Far from it. Like any generation, they're partial to the odd shopping spree and big-ticket purchase. When we asked our research participants to indicate where they spend most of their money, the top three categories were groceries, eating out, and clothing followed by entertainment and housing cost – a consumption pattern that reflects the return to college or to the office (and thereby to their own pads), after a long period of disruption due to the COVID-19 pandemic during which many Gen Zers went back to live with their parents.

Simply put, Brands and Retailers can't afford to ignore Gen Z

Like Millennials before them, Gen Zers face the very real danger of being misunderstood and overlooked based on inaccurate reporting and unfair assumptions. The prior estimate of their spending power, \$143 billion, is a perfect example, as it significantly understates the real \$360 billion commercial opportunity that exist today. Brands, marketers, and retailers that take the time to truly understand how this entrepreneurially minded and financially switched-on generation thinks and behaves will surely benefit from their growing spending power.

A quick word about our methodology and sources

This report is based on employment data published by the U.S. Bureau of Labor Statistics as well as analysis of IPMUS data of U.S. Census' current population survey (CPS). Earning figures are based on full year data for 2020 and applied as proxy to 2021 population in order to estimate the current level of income. In addition, a Gen Z Planet survey of a representative sample of 1000 Gen Zers (aged 16–23) was conducted in October 2021 to establish the level of parental financial support, as well as the extent to which members of this generation adopted side hustles as a viable way to generate income. Below is a list of sources used to inform our calculations:

- U.S. Bureau of Labor Statistics. Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino ethnicity, 2020” (Table 8)
- U.S. Bureau of Labor Statistics. “Usual weekly earnings of employed full-time wage and salary workers by age, sex, race, and Hispanic or Latino ethnicity and non-Hispanic ethnicity, Annual Average 2020. (Source: CPS)” (Table A-1)
- U.S. Bureau of Labor Statistics. “Usual weekly earnings of employed part-time wage and salary workers by age, sex, race, and Hispanic or Latino ethnicity and Non-Hispanic ethnicity, Annual Average 2020. (Source: CPS)” (Table A-12)
- Gen Z Planet analysis of IPMUS tax liability data by age, IPUMS-CPS, University of Minnesota, www.ipums.org.
- RoosterMoney. The Kids Allowance Report. 2021. <https://roostermoney.com/kids-allowance-report-us/>
- Gen Z Planet. Earning Survey. October 2021.

Gen Z Planet is a research and advisory firm dedicated to the next generation of culture-creators, employees, and consumers. With insight and imagination at the heart of everything we do, we help clients navigate the change that Gen Z is bringing to society and business.

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