Money management in a new age.

How Millennials across three continents are changing the rules to the way we interact with money

Klarna.

Foreword.

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Researching Millennial trends isn't new. In fact, there's probably been enough studies to leave many perplexed about what this new generation is actually doing. I say "new" while knowing full well that the oldest age group within this generation is celebrating their 39th birthday this year. Yet this hasn't held some people back from describing Millennials as "irresponsible" or as overly fond of spending their money on avocado toasts, suggesting Millennials aren't able to prioritise their spending habits.

There is no doubt that Millennials are facing a different environment to previous generations when it comes to how they manage their finances. We no longer need to rely on paper based communication or face-to-face conversations to issue money transactions, differences in salaries are arguably more openly being discussed in an effort to close the gender pay gap, the use of credit cards are decreasing and in some societies cash is turning into more of a burden than a form of liberation.

When Klarna was first launched, we weren't aware of the incredible transformation we would go through as a service provider in just 15 years. While Klarna started as a simple payment provider, today shoppers from around the world are using Klarna to pay using pay later, shop and browse, manage and review their spending – all while experiencing more transparency, control and flexibility in the way they pay for items online or in-store.

It is not a change that has happened overnight nor accidentally. We know that as a financial service provider, companies that have a better understanding of consumer preferences and leverage tools that work in their interest, are better positioned to respond to the needs of a generation that is demanding more from their service providers and the money they spend.

So, why conduct this research? At Klarna we pride ourselves in what we call 'customer obsession'. Better understanding consumers and their needs is a goal we continuously strive for. As we continue to expand into new markets, we know this needs to be at the core of everything we do as we continue on our journey to make shopping smoooth.

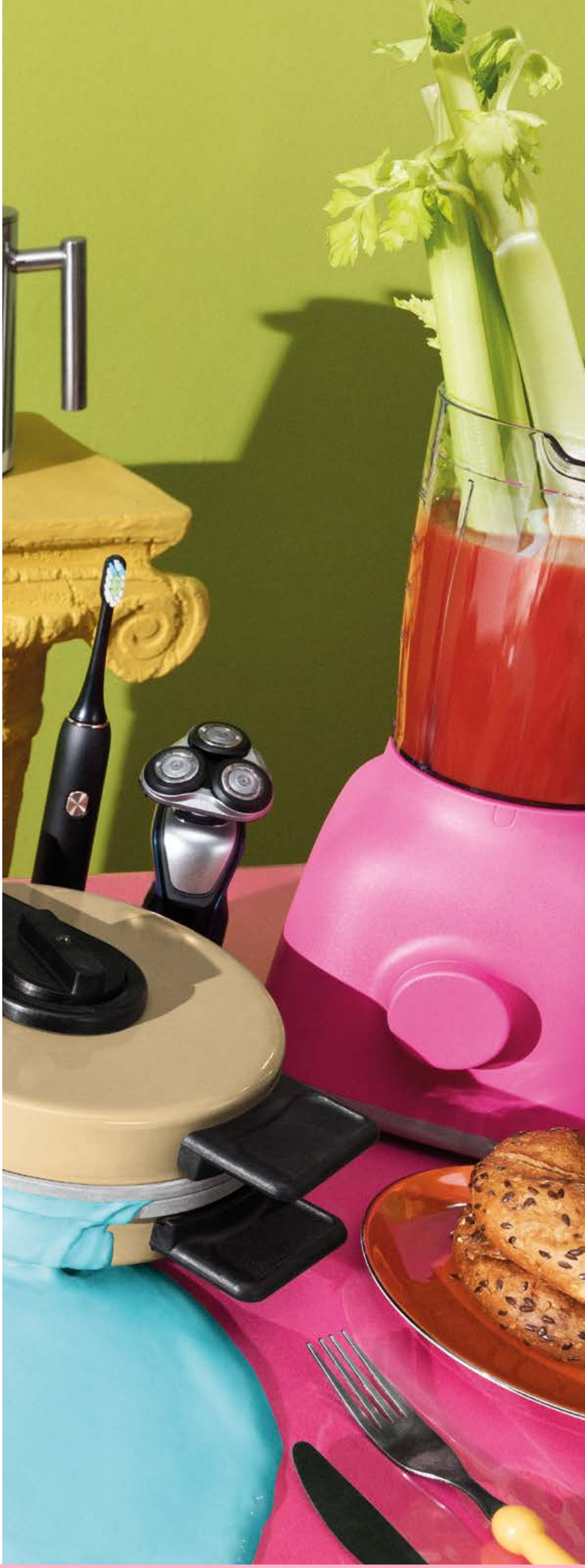
Introduction.

Millennials*, whose oldest representatives are celebrating their 39th birthday this year, account for about a quarter of the world's population[i] and are forecast to make up more than a third of the global workforce by 2020[ii]. Unsurprisingly they have become a prominent target group for research. Especially when it comes to matters of responsible spending.

Recent studies have highlighted that Millennials are facing "accelerated transformation" that leaves many "feeling unsettled"[iii]. Yet studies have also shown Millennials are engaging in change in their money management habits to more easily control costs and spending. In the US[iv] and Australia[v], countries that traditionally have some of the highest number of credit card users, some studies have shown that traditional credit cards are slowly being phased out. Millennials also demanding more technology-focused solutions for their daily money management[vi] and are more price-conscious than previous generations[vii]. Recent reports have shown how social media platforms like Instagram are becoming a new space transforming young people's relationship with money[viii].

To be able to provide a better oversight on what the reality is for Millennials as well as understand their preferences, habits and attitudes when it comes to managing their finances, we commissioned a survey across a wider range of countries with a total of 20,000 respondents. This report aims to review Millennial money management trends in comparison to older generations across 10 countries. The research aims to give an overarching view on trends among a broad scope of countries, including, US, Australia, Germany, Austria, Netherlands, Norway, Sweden, Finland and Spain.

* For the purpose of this report, the term 'Millennial' is used to refer to those aged 18-27 and 28-38.



1. Millennials might be as – if not more – responsible than older generations.

Our findings have shown that across countries, Millennials are generally optimistic yet careful about their ability to manage their own money. **65% of all Millennial respondents see themselves as financially responsible**, with Millennials in Germany and Austria (**73%**) seeing themselves as the most financially responsible in comparison to other countries.

More than half of Millennials (**58%**) in most markets surveyed say that they plan their finances and make provisions to save for the future, which is slightly lower among older generations (**57%**). While this difference tends to not vary in most countries, it is especially strong in Australia where **67%** of Millennials and **58%** of older generations agree with this statement.

65%

Of all Millennial respondents see themselves as **financially responsible**

The majority of Millennials save in the long term, for example to buy a house or provide for families – a number that is higher among Millennials compared to older generations. While **55% of Millennials surveyed confirmed this trend, only 45% of older generations upheld it**. This trend was especially representative in Spain, Australia, Austria and the US, where close to two thirds of Millennials responded positively to engaging in a long term savings approach. The difference in generations was especially strong in Austria where **61%** of Millennials vs **44%** of older generations tend to save in the long term.

Millennials remain as rigorous as older generations when it comes to ensuring they have a rainy day fund for which they regularly put money aside. Half of Millennials (**49%**) ensure such a fund is in place, compared to 51% of older respondents, with the exception of those aged 55 or above, where **54%** of respondents confirm this attitude towards saving.

While in most countries, the older you are, the more financially savvy you feel, Finland and the US are an exception to this rule. Fifty one percent of Millennials in Finland see themselves as financially savvy compared to **49%** of 39+ year olds, and **52%** of Millennials in the US see themselves as such compared to **46%** of those aged 39+.

This gap in financial savviness, however, doesn't impact Millennials confidence in being able to afford larger purchases in the future. **Forty percent** of them have a positive outlook with this regard, a number that is strongly opposed to those of older generations where only **29%** agreed with this statement. While this might seem optimistic, Millennials remain pragmatic when it comes to the changing environment they're facing, with more than half (**52%**) believing it is harder for their generation to save for the future than it was for other generations and **61%** believing that the financial challenges faced by their generation are different to those faced by other generations.

2. Millennials talk more openly about finances.

The taboo of talking about money is being challenged by Millennials. Across countries, **50% of Millennials**, compared to **41%** of older generations, believe it is important to talk openly about finances, so that isn't a taboo. Older generations tend to think of finances as more of a private matter, while younger generations are more willing to talk openly about money – with family, friends, and colleagues.

Family is the source they are most likely to trust and turn to for financial advice, with **57%** of Millennials agreeing that they feel comfortable discussing their finances with them. In contrast, only **51%** of older generations rely on family for financial advice.

Millennials in Sweden and Australia (**63%**) feel the most comfortable discussing their finances with family.

50%

Of Millennials believe it is **important to talk openly about finances**

In Finland **47%** of Millennials compared to only **26%** of older generations feel comfortable talking about money matters with their friends. Millennials in Spain are the most open with colleagues, with **45%** openly discussing salary matters with them.

Brits are by far the most private when it comes to talking about money matters. While **14%** of Millennials agree that money matters are private, a whopping **23%** of older UK respondents (+39 year olds) believe this to be the case. To put this into context, on average **6%** Millennials and **10%** of older generations in other countries tend to agree with this statement.

While Millennials outperform older generations when it comes to talking about their finances, older generations tend to discuss these matters more openly with their partner compared to family and friends, with more than half (**58%**) knowing how much their partner earns. Among Millennials the corresponding share is **57%**. The exception to this rule is Australia where **89%** of Millennial respondents know their partners salary, compared to **54%** of older generations.

3. Technology is playing an important role.

Unsurprisingly, Millennials experience the impact of technology on their money management the strongest, with **78%** of Millennials saying technology has had an impact on how they manage their finances. This number goes as high as **86%** in Australia, and **84%** in the US and Spain.

78%

Of Millennials say **technology has had an impact** on how they **manage their finances**

More than half of Millennials (**52%**) believe that technology enables them to have oversight of all of their finances. In most countries they also heavily rely on technology to track their spending, with **43%** saying that technology gives them more control over their spending and **47%** saying that technology makes it easier to track their spending in real time. This impact is especially being felt by Millennials in the US (**65%**) and Australia (**57%**).

In comparison, older generations feel like they've experienced less change, with **67%** of them agreeing technology has impacted the way they manage their finances. However, while Millennials are cautiously optimistic about the impact technology has had, older generations feel more positive about the opportunities it has allowed them to get. **Sixty two percent** of them, compared to **52%** of Millennials, agree that technology enables them to have oversight of all of their finances.

The numbers suggest that, while older generations experience the contrast in what technology has allowed them to do, Millennials might be more demanding or have higher expectations in terms of what technology could provide them with since they are likely to be more tech savvy than older generations.

4. Millennials are changing the way they pay.

With the emergence of new financial service providers, Millennials are changing the way they pay for items online or in stores. While debit cards remain the preferred way of paying in most countries, cash continues to be the preferred payment choice in Germany, Austria and Spain. A larger number of older respondents (**33%**) prefer using credit cards, compared to only **27%** among Millennials. Flexible payment options offered by a financial services provider are more highly valued by Millennials (**20%**), compared to older generations (**15%**). This is especially the case in Australia and the US, where close to **30%** of Millennials prefer using pay later services than any other payment type.

Millennials are also less reliant on more traditional or established banks. While across all markets traditional/established banks continue to be an important service provider, less than half of Millennials (**47%**) consider themselves customers of them, a number that is higher among older generations (**51%**). Unsurprisingly, Millennials are likely to consider themselves customers of pay later services (**25%**) or challenger banks (**17%**).

Brand, experiences and transparency are important drivers for Millennials when it comes to being able to manage their money. **Twenty one percent** of Millennials confirmed that they're more likely to trust a provider if their brand is relatable and demonstrates it understands the financial challenges their generation face, compared to only **13%** of older generations.

At the same time, Millennials (**29%**) are also more likely than older generations (**26%**) to be loyal to a financial services provider who enables them to manage their money anytime and anywhere, and **27%** of Millennials say that transparency around terms and conditions increases their trust in and loyalty towards a provider. Millennials also believe that transparency around finances is important for people's wellbeing, with nearly half (**47%**) globally saying this compared to **40%** of older generations.

Conclusion.

As this report has shown, far from irresponsible or negligent, Millennials are more openly talking about their finances and money management, making use of technology to have more transparency, control, and flexibility in the way they spend and track their money; all while actively saving in the long term as well as making sure they have set money aside in case of a change in circumstance.

It is also clear from the findings that Millennial shoppers demand more from financial services they use and are willing to try new services beyond what has traditionally been on offer, to have access to benefits that better suit their needs. The emergence of new and more customer focused technology and services have opened up a range of opportunities which Millennials are actively using to help them in their everyday money management endeavours.

About Klarna.

We make shopping smoooth. With Klarna consumers can buy now and pay later, so they can get what they love today. Klarna's offering to consumers and retailers include payments, social shopping, and personal finances. Over 205,000 merchants, including H&M, Adidas, IKEA, Expedia Group, Samsung, ASOS, Peloton, Abercrombie & Fitch, Nike and AliExpress have enabled Klarna's innovative shopping experience online and in-store. Klarna is the most highly valued fintech in Europe with a valuation of $5.5bn and one of the largest private fintechs globally. Klarna was founded in 2005, has over 2,500 employees and is active in 17 countries. For more information, visit klarna.com.

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