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# As Inflation Boils, Millennials and Gen Z Face Holiday Spending Pressure

Nearly a third of those younger shoppers say the upcoming holiday season will strain their budgets.

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*By Sarah Foster, Bankrate.com (TNS)*

The hottest inflation in 40 years, decades-high financing costs and rising recession risks are dashing Americans' hopes for the first normal holiday season in two years—and a recent Bankrate poll suggests younger Americans could experience the most stress.

Nearly 1 in 4 Generation Z and millennial holiday shoppers (or 24%; ages 18-41) expect they'll feel pressured to spend more than they're comfortable with this season, two times as high as their older Gen X and baby boomer counterparts (or 12%; ages 42-76), Bankrate's holiday shopping survey found.

Meanwhile, nearly a third of those younger holiday shoppers (at 30% combined) say the upcoming season will strain their budget versus 25% for both Gen X and baby boomers. That's despite being more likely than those older generations (at 38% versus 32%) to set money aside in advance.

The financial strain could weigh on younger Americans' mental health. Money is more likely to cause them feelings of anxiety, depression or worrisome thoughts than any other facet of their life, including their physical health, relationships and careers, according to a separate Bankrate poll from May. At the same time, both 1 in 5 Gen Zers and millennials (at a combined 20%) say simply making a purchase triggers negative emotions about money, compared to 11% combined for Gen X and boomers.

The holiday season “is a pressure cooker of things bound to make your budget go off track,” says Lindsay Bryan-Podvin, a Michigan-based certified financial therapist who works with MetLife's financial application Upwise. “It's impromptu events, it's wanting to be seen a certain way, it's guilt, it's revenge spending. On top of it, it's the pressure to have a memorable holiday season. ... We've had two holiday seasons that have been incredibly disruptive, and at this point in time, we're ready to spend even if it means overspending.”

For some Americans, job loss is disrupting the holidays even more than the pandemic

The coronavirus pandemic didn't keep Eric Crossley, a 38-year-old San Francisco Bay-area resident, from celebrating the holidays with his family—but his recent bout of unemployment could.

About nine months ago, Crossley started working as a customer service specialist at a cryptocurrency trading platform—a “dream job,” he says, after working in banking for five and a half years. But that position ultimately got cut in sweeping company layoffs just five months later, no doubt a symptom of a cryptocurrency “winter” in

2022 as the Federal Reserve tightens financial conditions at the fastest pace in four decades. Bitcoin, for example, has dropped to less than \$17,000 as of Nov. 11, shedding almost 65% of its value so far this year.

Since then, Crossley has applied to some 600 to 700 positions, he estimates, only six of which have led to interviews. He says it's the toughest job market he's ever encountered—even after being laid off once before in May of 2010, when the U.S. economy was still in the depths of the Great Recession and clawing its way back to life.

The rejection is starting to wear on him, he says, though he's trying to stay positive.

“With the amount of jobs I've applied to at this point, I am a little numb,” Crossley says. “There's some spark of life in me that really always wants to keep going and hang on, but I would definitely say my confidence is lower. I forget about how successful I've been and how I've excelled in the past.”

But the longer his job search dwells on, he says a top concern is becoming a “jobless grinch” this holiday season. Government benefits are replacing a little more than two-fifths of his previous salary, but it goes toward groceries and rent. Unlike his last layoff, he has money saved up, but making that money last is feeling more dire than ever. Crossley's unemployment benefits are set to expire by the end of December.

“I'm starting to get into a state of desperation,” he says. “I don't do a whole lot of other spending, and I tend to be a giver. But without employment, the holidays are looking like gift-giving isn't going to happen. It's a let down to know that I'm not going to celebrate the holidays like I normally do.”

## **Younger Americans face unique financial challenges during the holidays, experts say**

Even without the U.S. economy's brisk financial headwinds, experts say extra holiday spending burdens have long befallen younger Americans because of their unique social pressures.

Younger Americans are at a point in their lives when fitting in is more important, according to Bryan-Podvin. They're likely documenting their holiday activities on social media, a platform known to spur regretted impulse purchases and pressure Americans to appear happy and successful.

Nearly half (49%) of social media users in a Bankrate survey from July said they've made an impulse purchase of a product they saw on social media. Even worse, nearly 2 in 3 (64%) said they wished they hadn't made at least one of those buys.

Social media is likely to influence consumers this season, according to Deloitte's annual holiday retail survey. More than a third (or 34%) plan to use social media for their holiday shopping, up from 28% in 2021 and 26% in 2020. The poll also found 30% of holiday shoppers follow influencers, and 38% say product reviews in blogs or online forums can influence their purchases.

The prevalence of hyper-targeted ads and online shopping portals directly in the app could tempt social media users to spend even more, and many offer "buy now, pay later" payment options.

The holiday season could put Americans into debt, younger Americans especially, according to the Bankrate survey. Nearly 1 in 3 Gen Zers and millennials (or 32% combined) say they're expecting to either pay a credit card over multiple cycles or utilize some form of a "buy now, pay later" plan, compared with 24% of both Gen Xers and boomers.

But financing those purchases is also becoming costlier than ever. The average credit card annual percentage rate (APR) topped a record high of 19.04% as of Nov. 9, according to Bankrate data. Retail credit cards also reached a record high of 26.72%, according to an analysis from CreditCards.com.

Young Americans may also have young families, adding to their pressures. A third of parents with children younger than 18 say the holidays will strain their budgets, versus 25% of parents with children who are 18 or older, according to Bankrate's poll. Meanwhile, 22% of those with children who are minors say they will feel pressured to spend more than they're comfortable with, compared with 13% of those who have children aged 18 and up.

"Year in and year out, the holidays are the one thing people make happen for their kids, family and friends," says Steve Rogers, executive director of the Consumer Industry Center at Deloitte.

And at a time when airline ticket prices jumped 43% from a year ago, and gasoline soared about 18% in the Department of Labor's October consumer price index (CPI), younger Americans are disproportionately more likely to be the ones traveling during this holiday season.



Just 39% and 44% of Gen Zers and millennials, respectively, aren't planning to travel this holiday season, versus 60% of Gen Xers and 74% of baby boomers, according to Bankrate's September holiday travel survey.

"Besides the obvious financial pressures of being young and trying to buy a house and raise kids and pay off student loans around the holidays, the travel burden falls on young adults to go home," says Ted Rossman, credit cards industry analyst at Bankrate. "And if your plane ticket costs \$200 more this year than last year, that's a big deal."

High inflation isn't stopping Americans from spending more—though it could come with financial consequences

Inflation is impacting popular holiday items beyond airfares. Prices have soared on popular gifts, including apparel (4.1%), toys and games (6.7%), jewelry (2%) and appliances (0.9%), the Labor Department found.

Yet, holiday shoppers are expected to keep spending. Retail sales during November and December are projected to grow between 6% and 8% from last year, reaching an average of \$832.84 per person on holiday gifts and items, according to the National Retail Federation's 2022 forecasts. That's down notably, however, from last year's \$998 projection, which reflected a 14.1 percent growth in spending between 2020 and 2021, according to the trade group.

But overpowering inflation's hit on Americans' wallets might be some overhang from post-pandemic revenge spending. Even today, Americans are feeling like they still have to make up for lost time due to the coronavirus pandemic, and that could light a fire under them to spend the holiday season to the fullest by spending—even if they don't have the financial wherewithal.

## **9 tips to help you avoid overspending this holiday season**

The pressures Americans face to make the holiday season perfect are endless, especially after the coronavirus pandemic interrupted so many plans. But there are ways to spend the holiday season right. Not to mention, holiday shopping directly contradicts experts' suggestions for preparing for a recession and potential job loss. Here are nine steps to help consumers avoid overspending.

### **1. Set a budget for who you're shopping for—and stick with it**

All smart consumer decisions begin with a plan. When it comes to the holidays, keeping a list of who you're going to be gifting and how much you can afford to spend can help you avoid going overboard and prevent impulse purchases. Remember, not everyone in your life necessarily needs a gift.

To find your holiday number, look at previous years' spending and ask yourself if you can still realistically afford to keep it up. If you haven't already built up savings specifically for holiday spending, now's the time to start finding ways to cut back, so you can recycle money toward your holiday fund and avoid turning to high-interest credit cards for your purchases.

With six weeks left until the holidays, many Americans might have as many as three pay periods left, depending on the frequency that they receive their checks. Consider setting up automatic transfers to keep you from spending that money on something else in the meantime.

“Don't let it catch you by surprise,” Rossman says. “Whatever you can do to set money aside will help you avoid that dreaded holiday debt hangover.”

## **2. Don't push shopping off to the last minute**

The earlier you start on your holiday shopping, the more you could be rewarded. A longer shopping window can help you price check and wait for the best deals, rather than leaving you resigned to purchasing an item at the last minute when it's not guaranteed to be on sale.

Half of the holiday shoppers this year were planning to get started by Halloween, according to Bankrate's poll.

## **3. Split gifts with others**

Once you know who you're planning to shop for, consider asking others if they want to go in on the purchase. Siblings, for example, might be able to split the cost of a gift for relatives or parents with each other. Friend groups, meanwhile, might be able to come together to fund one purchase per individual.

Keep in mind that everyone might be feeling the same pressure to fund the perfect gift for their loved ones during the holidays. Working together, however, can help limit the burden each individual takes on to get it done—and keep you from having to go at it alone.

“Maybe your friends and family feel the same way,” Rossman says. “People may be surprised. If you start talking about this, you may get some other heads nodding.”

#### **4. Know that talking about money and setting expectations won't ruin the holiday spirit**

Money has long been a taboo topic—but that's even more so around the holidays. Anyone who's ever anxiously ripped off a price tag or asked for a gift receipt knows it's not custom to tell your loved ones how much you've spent on them.

But this holiday season, experts say it's more important now than ever to set expectations and have conversations about money. Bryan-Podvin, for example, knows people who've hosted “no-gifts allowed” parties or donated to charities instead of gifting people.

Not to mention, inflation is giving Americans the perfect talking point. The majority of Americans (93%) have noticed higher prices, and 74% are negatively impacted by inflation, according to a February poll. That widespread impact suggests you're not alone if you feel cash-strapped this holiday season. Almost everyone has lost some purchasing power, and they'll likely understand if you need to pull back.

“I encourage my clients to set the tone right away with what they will and will not be doing financially,” Bryan-Podvin says. “Adhere to those financial boundaries with friends and family and loved ones.”

#### **5. Don't shy away from gift certificates**

One way to make sure you stick to your budget? Purchase a gift card for someone. You likely won't be the only one. Americans are projected to ramp up their average spending on gift cards to \$252 from \$235 last year, according to Deloitte's holiday spending report. That's the only retail category in which consumers are projected to spend more.

Gift cards might also be a strong hedge against inflation. With price gains eventually expected to peak, you could be giving someone the opportunity to buy an item later when it isn't so inflated.

“Gift cards are not as impersonal as you think they are,” says Rod Sides, global leader of Deloitte Insights and vice chair of its U.S. Retail and Distribution department. “Whether you give \$25 or \$20 or \$10, at the end of the day, it's the thought that counts.”

## **6. Get creative with unique gifts that are cheaper but still meaningful**

If you're trying to limit how much you spend on holiday gifts, consider taking an unconventional route. It might actually end up being the most meaningful.

Individuals shopping for furniture, artwork or clothing, for example, might be able to turn to second-hand shops or resale markets, which aren't impacted by inflation. Collectibles, meanwhile, could be a valuable gift immune to price pressures. Others who are artistically inclined might be able to create something for their loved ones, such as a painting or a song.

A musician, Crossley says he might write or perform a song for his loved ones. He also might cook for them this year.

"I've always tried to make it a point where I don't want people to be too caught up in the gifts," Crossley says. "It's more about the company that we keep. Let's not be so materialistic."

## **7. Keep track of discounts, coupons and deals**

Analysts say retailers, especially big-box chains, could offer some of the best discounts in years, especially amid worries that inflation could bite into profits and dampen sales. Not to mention, Deloitte's holiday poll projects consumers will gift more experiences than goods this holiday season—giving stores an even bigger incentive to offer discounts and drum up more consumer demand for their products.

That will give consumers plenty of opportunities to shop around and price check, making sure they get the best deal on the items they're vying for.

## **8. Use "free money" through credit card rewards or a gift card stockpile**

Americans might be sitting on a pile of cash without even knowing it. Consumers are estimated to have \$175 worth of unspent gift cards, according to an August CreditCards.com survey. Others might have a stockpile of credit card points built up from past purchases that they've yet to use.

The one advantage to higher interest rates, savers are also seeing the highest yields in years, especially if they bank with a nontraditional, online financial institution. Individuals who put \$10,000 in an online bank offering a yield of 2.5%—a deal not dissimilar to what's currently on the market—could earn an extra \$237 a year than if



they would've stashed their money in a traditional brick-and-mortar bank offering an average savings yield of 0.16%.

All of these channels could help give you extra cash to fund your holiday shopping budget, especially because it's essentially "free" money.

## **9. Remember, it's the thought—not the price tag—people will remember most**

Think back on all of your previous holiday seasons. Experts would bet you're more likely to think fondly of the memories you made with your loved ones rather than the actual gifts you received—if you even remember them.

The pressure to buy the perfect gift might be more internal than external, but that won't stop the damage that overspending could bring to your finances for months, if not years, to come.

Paying off a credit card balance could take longer than you may think. About two-thirds (or 60%) of Americans with credit card debt have carried those balances for at least 12 months, according to a September CreditCards.com survey. Almost 40% say they've had debt for two years. With more rate hikes on the way, Americans may risk saddling themselves with debt for even longer.

"I would argue your family doesn't want you to be in credit card debt either," Rossman says. "For most people, and especially now coming out of the pandemic, people are more conscious of having missed out on these in-person gatherings. Put the focus more on the people and the experience as opposed to the physical stuff. Have your presence be the present."

## **Methodology**

Bankrate.com commissioned YouGov Plc to conduct the three mentioned surveys:

- Holiday shopping survey included 2,415 adults, with 1,813 winter holiday shoppers. Fieldwork was undertaken between August 17-19, 2022.
- Holiday travel survey included 2,455 adults, with 1,055 who anticipate traveling for the holidays and 829 who require travel reservations. Fieldwork was undertaken between September 7-9, 2022.
- Mental health poll included 2,457 adults, with 1,045 who said money has a negative impact on their mental health. Fieldwork was undertaken between April 6 and 8, 2022.

All surveys were carried out online and met rigorous quality standards. They employed a nonprobability-based sample using quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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