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# Gen Z Prefers Cash to Credit

Is TikTok setting the bar for Gen Z spending habits?

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*By Erin Bendig, Kiplinger Consumer News Service (TNS)*

A recent study published by Credit Karma found that 69% of Gen Z (adults aged 18-26) are now using cash more often than 12 months ago, compared to 47% of Gen X and 37% of boomers. Further, 23% Of Gen Z are using their cash for a good portion of their purchases, including groceries, clothing, takeout and other nonessentials.

The study was made up of 2,118 U.S. adults ages 18+ (331 were Gen Z adults) and was conducted by The Harris Poll on behalf of Credit Karma.

So why is Gen Z opting to pay more with cash? Credit Karma reports that of Gen Z who use cash to pay for purchases, 59% say they do so as a way to budget their money, and 64% say they spend less money when they pay with cash.

Reminiscent of the traditional envelope method of allocating funds, budgeting by Gen Z with physical cash could in large part be due to the viral TikTok trend, “cash stuffing,” in which money is saved by placing physical cash aside into varying categories at the start of the month: savings, dining, rent, etc. In fact, the report found that cash stuffing is on the radar of 72% of Gen Z adults and used by 30% of them.

Other reasons driving cash usage among Gen Z include the feeling of having more control of spending when using cash (18%) and being more thoughtful about spending when paying for purchases with cash (19%).

## **Not focused on savings account interest or credit card points**

This preference for spending cash has Gen Z choosing to avoid using bank savings accounts or maximizing credit card points, which can have a negative impact on credit scores.

Savvy credit card users pay off purchases within a few weeks of having made them, during which time the money allocated for that spending can be earning interest in the bank. Some banks offer a high-yield savings account that lets the user withdraw money on demand.

In today’s economy, some accounts pay up to 4.81% interest. When choosing a savings account, besides the interest rate, consider the minimum deposit and minimum balance requirements, and determine if there are any additional fees.

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