

Navigating Credit Scores:

Gen Z's Credit Knowledge and Challenges

 ACADEMYBANK

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Generation Z may be best known for killing skinny jeans and bringing back the middle part. But in recent years, there's been a growing interest in this young generation's financial habits. Making up more than 20% of the U.S. population ([U.S. Census](#)), Gen Z is poised to become the largest generational group in the workforce in 2024 ([Forbes](#)).

At Academy Bank, we were more interested in learning about Generation Z's relationship to building credit -- from their knowledge to their habits, to their credit-building strategies. Here's what we found.

Defining Generation Z

Generation Z is typically defined as those born between 1997 and 2012 ([Pew Research Center](#)). Today, the oldest members of this generation are 27 years old, and the youngest ones will turn 12 this year.

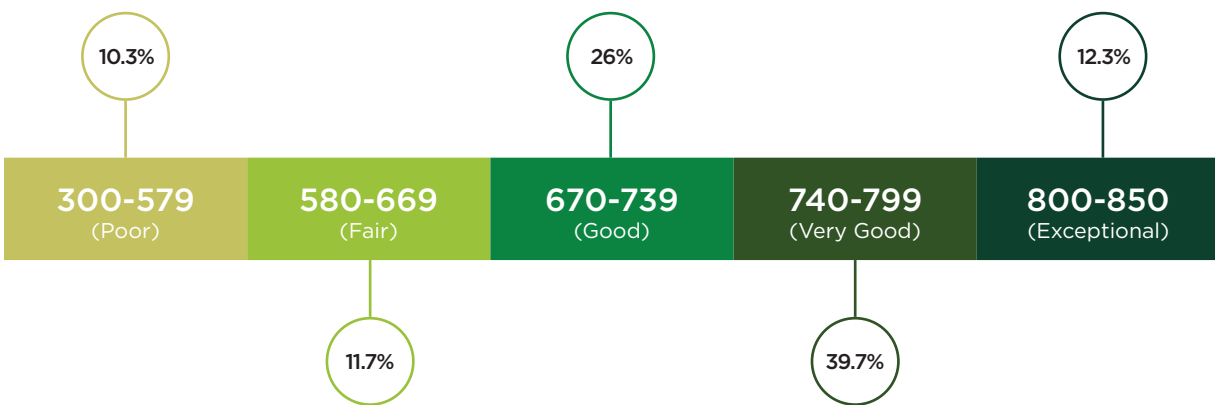
Our survey respondents were made up of 215 members of Gen Z who were 18-27 years old, so those who are 11-17 were not represented in this survey. More research on this topic will be needed in the future as the rest of the generation comes of age.

Generation	Born	Current Ages
Gen Z	1997 - 2012	12 - 27

Gen Z Awareness and Understanding of Credit Scores

One of the foundational aspects of financial literacy is understanding credit scores. The survey revealed that more than 78% of respondents considered themselves at least “somewhat knowledgeable” about credit scores -- though only about 19% considered themselves “very knowledgeable.”

However, more than 70% knew their credit scores. Of those who did know, their credit score breakdowns were as follows:



When comparing these responses to [Experian's Research](#), the self-reported credit scores seem higher than might be expected. Gen Z's average FICO from the third quarter of 2023 was 680. Although, since credit scores can fluctuate 20-25 points month over month and even from credit bureau to bureau, the difference in self-reported scores may not be meaningful.

About 40% of respondents (39.9%) check their credit report at least once a month, and another 31.3% stated that they check it a few times per year. Another 13.9% check it once a year or less, and 14.9% never check their credit report.

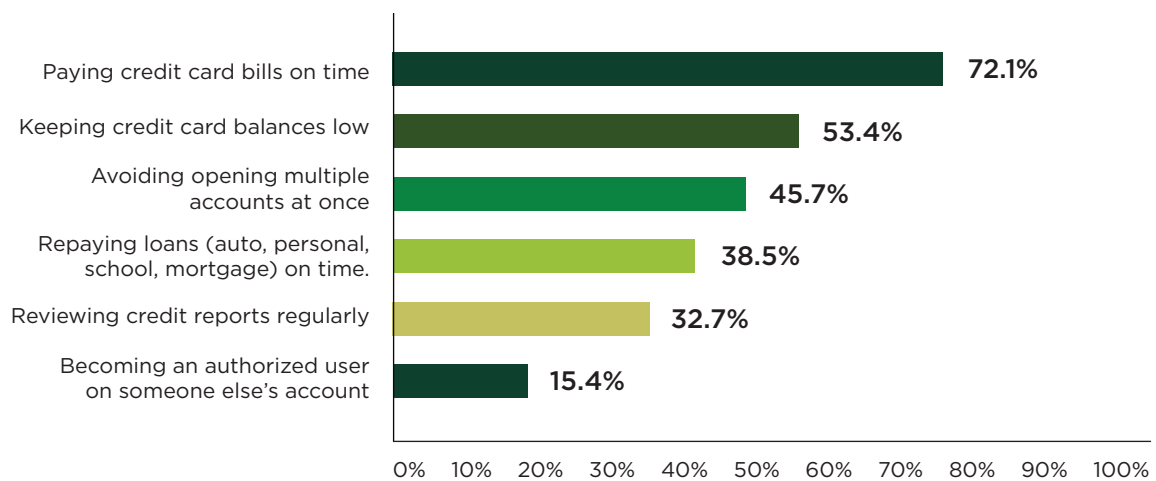
Methods of Building Credit

While the members of Generation Z are quite young, the fact that more than 50% of respondents have a credit score of Very Good or Exceptional proves that they're already hard at work building their credit.

Credit cards are by far the top credit product used by our respondents, with more than 80% having a credit card. The vast majority, about 70%, have their own credit cards rather than being an authorized user on someone else's account.

The next most frequently used credit product -- in a distant second -- was student loans at 33.6%. This was followed by auto loans (17.3%), personal loans (13.5%), and mortgages (12%).

Here's how Gen Z is building their credit scores with good financial habits:



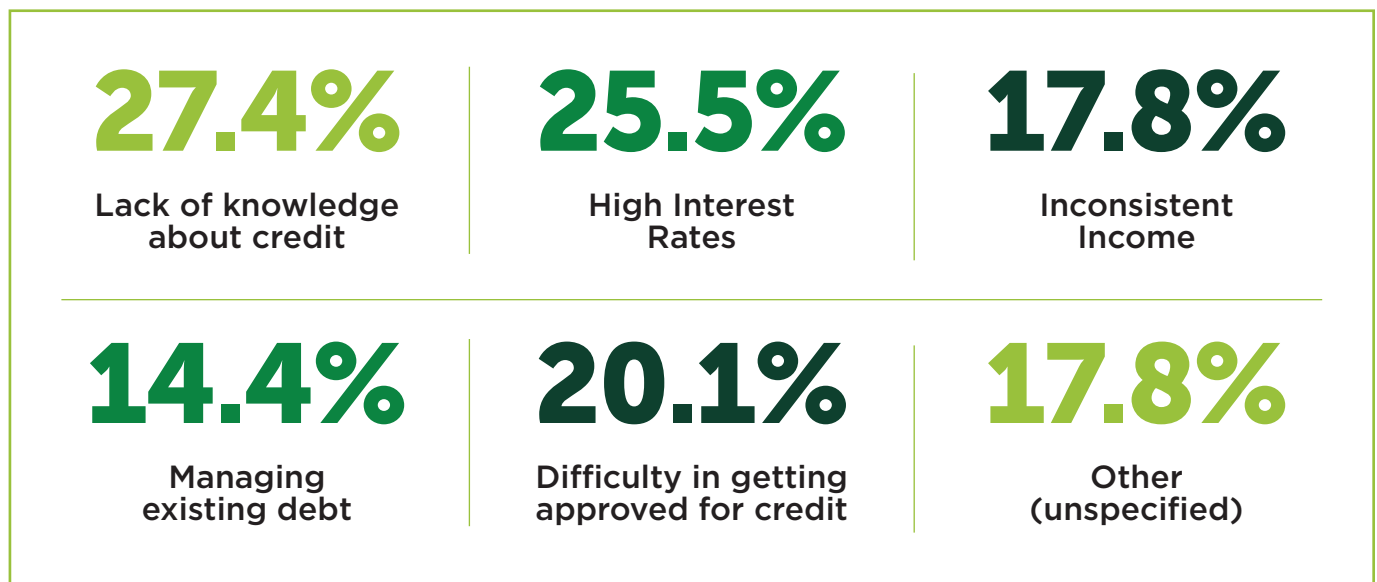
These results reflect the percentage of respondents who selected each option, as they were invited to select all that applied to their situation, leading to a cumulative total exceeding 100%.

“It’s critical that banks are helping Gen Z understand and build credit,” said Jodi Vickery, director of consumer banking at Academy Bank. “Whether that’s through credit monitoring tools built into banking apps or secured credit cards, we believe that helping Gen Z build strong credit profiles will help us foster positive long-term relationships with this emerging customer base.”

Credit Building Knowledge and Challenges

So, where did Gen Z learn so much about credit and credit building? It turns out that it was most common for our respondents to learn from their families (48%). Another 27.9% learned from online resources such as blogs, websites, and social media. About 12% learned from school (high school or college), and very few learned from friends (4.3%), financial advisors (3.8%) or other/unspecified (4.3%).

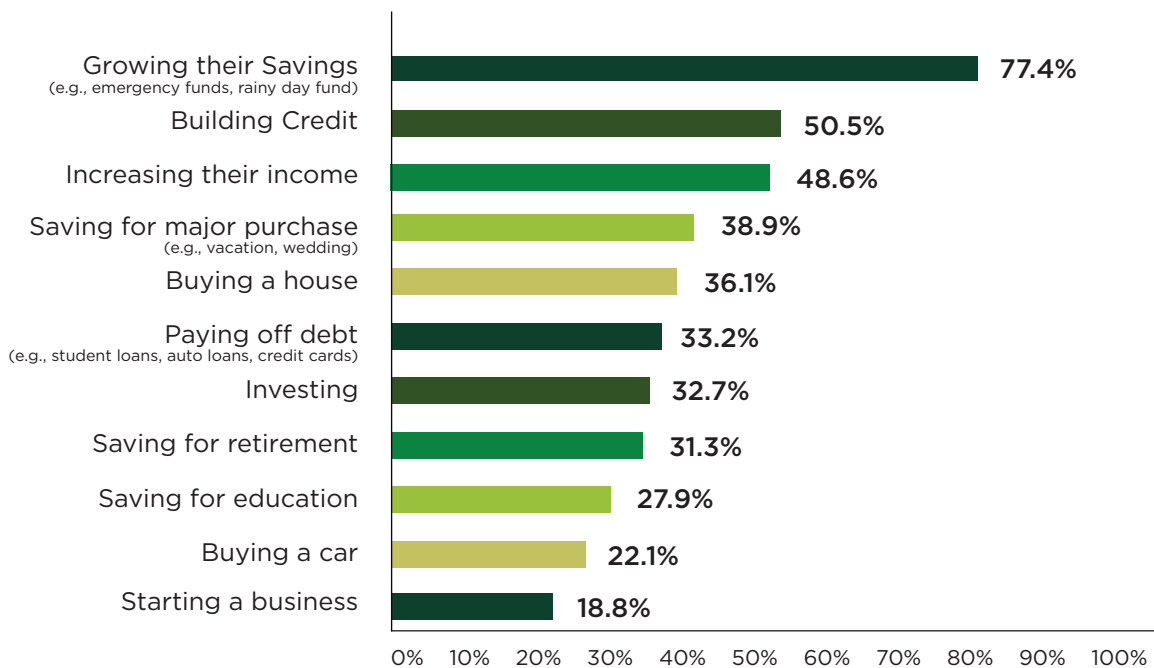
However, many respondents reported significant challenges when it comes to building or maintaining their credit scores. In fact, a lack of knowledge about credit was still the biggest issue for more than 25%. Here's the full breakdown of biggest credit challenges:



Gen Z Financial Goals and Importance of Credit

As Gen Z continues growing into adulthood, we can see how their financial goals and priorities differ from previous generations. While Baby Boomers and Gen X often prioritized homeownership and saving for retirement as their primary financial objectives, and Millennials focused on paying off student loans and achieving work-life balance, Gen Z's approach to financial planning is more diversified (Pew Research Center).

We asked our survey respondents to select their top five financial goals:



Nearly 50% stated that a good credit score was “extremely important,” while another 40% said it was “somewhat important,” which leaves only about 10% who selected either “not so important” or “not important at all.”

Gen Z's Credit and Business Ownership

Gen Z is not often a group thought of as business owners, but [The Doescher Group](#) points to a significant generational shift in business ownership. In 2013, nearly three out of four business owners were Boomers. Today, that breakdown is less than one in five. Meanwhile Gen X has become the largest group of business owners at 39% followed by Millennials at 21% and Gen Z at 20%. That percentage is likely to increase as more of Gen Z comes of age. Half of all Gen Z aspire to become an entrepreneur or start their own business ([The Rise of Gen Z and the Future of Work](#)).

“Gen Z small business owners expect their banking partners to provide proactive and sound financial advice to empower them to make smart decisions and grow,” said Jacob Nemechek, senior vice president of business banking at Academy Bank. “That expertise and advice needs to be coupled with a digital experience that meets them where they are - recognizing their unique needs and expectations.”



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- Jacob Nemechek
SVP of Business Banking at Academy Bank



Gen Z Home Ownership and Credit

The recent market has created challenges for adult Gen Z in achieving home ownership goals. With rates surpassing 8% for the first time in more than 20 years and house prices remaining high, Gen Z was particularly impacted by the competitive market. Despite that, home ownership rates for Gen Z are higher than home ownership rates for either Millennials and Gen X when they were the same age (Redfin).



“We are seeing an increase in Gen Z entering the market with financial help from family to enable a home purchase,”

“While they have done their research and know many of the terms, the primary source of education seems to be social media – either TikTok or Instagram – and sometimes that leads to misinformation. As with any first-time homebuyer, Gen Z needs a trusted advisor to help them navigate the homebuying process.”

- Tim Kay

SVP of Residential Lending at Academy Bank



Finally, we asked our respondents: **How important is a good credit score when it comes to achieving your future financial goals?**

Our results indicate that Gen Z is focused on building a solid financial foundation through savings and credit-building. Their goals also show a balance between immediate needs, like increasing income and saving for major purchases, and long-term aspirations, such as investing and preparing for retirement.

Gen Z is navigating the world of credit with a mix of awareness and challenges. While many young adults are proactive in building their credit, there remains a significant need for education to help them manage their finances effectively. With these results in mind, Academy Bank is committed to supporting Gen Z in achieving financial stability and success.