Are the millennial generation financially savvy?

What distinguishes millennials from young adults of previous generations? The answer, in one word, is technology. Technology has opened up a world of information, communication and life opportunities. With this in mind you would expect the millennial generation to be financially savvy with all this knowledge so easily available - but unfortunately this is not necessarily the case.

According to the World Economic Forum, millennials will make up 75 per cent of the workforce by 2025 – yet they have a relatively low level of financial literacy. This leads to the major issue that they are also one of the most indebted generations, and for some this starts the moment they leave university. The reality of this hits home when the Student Loans Company highlighted that the total debt owed by students in England at the end of 2017-18 was £104.6bn!

One online financial planning platform surveyed 1,000 millennials and found that many had difficulty explaining financial terms such as ISA, bonds, hedge funds and index tracker fund. 'Equity' bewildered 84 per cent as did 'asset management' (90 per cent). Although this generation are more likely to use their smart phone for on-line banking, financial apps to track expenses and so on, there is no evidence to suggest this improves their personal financial outcomes.

The cost of living is higher for this generation with rent taking up a large proportion of their wages. However, many are also more likely to fritter money away on unnecessary luxuries and impulse buys such as expensive coffees, buying lunch out every day, restaurants and takeaways, high street fashion, the latest technology and basically trying to keep up with the Joneses (or is that the Kardashians nowadays?). A recent YouGov study pointed out that more than 1 in 5 UK adults aged between 25-34 spent more than 60 per cent of their wages on the day it entered their bank account.

The basic '50-30-20' rule of budgeting needs to be addressed to help them in this situation. 50 per cent of their salary should be used to cover essential expenses, 20 per cent for investment and personal goals (such as buying a house) and finally 30 per cent for flexible, non-essential spending. If already in debt though, this should be paid off as quickly as possible. The way that this is being repaid needs to be analysed by researching the best payment plans, financing options and how much needs to be put aside to cover this each month.

Financial education is key – research has shown that millennials view the financial advice industry as inaccessible and expensive, with many believing that they need to have to have investible wealth in excess of £50,000 before they can approach a financial advisor. Investing however, is a popular topic with millennials which 25 per cent wanting to know more. So, with greater access to professional advice, further research, a positive approach to saving and the use of budgeting - the financial future of our millennial generation may look a little brighter.

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