BANK OF AMERICA INSTITUTE

BANK OF AMERICA

Economy

The Gen Z reality check

04 August 2026

Key takeaways

- Gen Z have the lowest savings-to-spending ratio of any generation, yet spending growth has remained resilient. They have been the exception to the "K-shaped" pattern, as all income cohorts within Gen Z have exhibited strong spending growth over the past six months, according to Bank of America credit and debit card data.
- Gen Z discretionary spending has strengthened across beauty, jewelry, coffee and travel, according to Bank of America payments data. This suggests younger consumers are prioritizing purchases and experiences that deliver immediate gratification - consistent with the "little treat economy".
- To maintain these spending priorities and pursue longer-term goals, Gen Z may be seeking additional income sources. A tougher labor market for new entrants - with many not getting the hours or income they would like - has coincided with increasing gig work. Bank of America account data found nearly 40% of Gen Z gig work comes from social commerce platforms.
- In this publication, we separate Gen Z fact from fiction, examining popular narratives about the generation through the lens of Bank of America data to better understand their spending behaviors, financial priorities and economic influence.

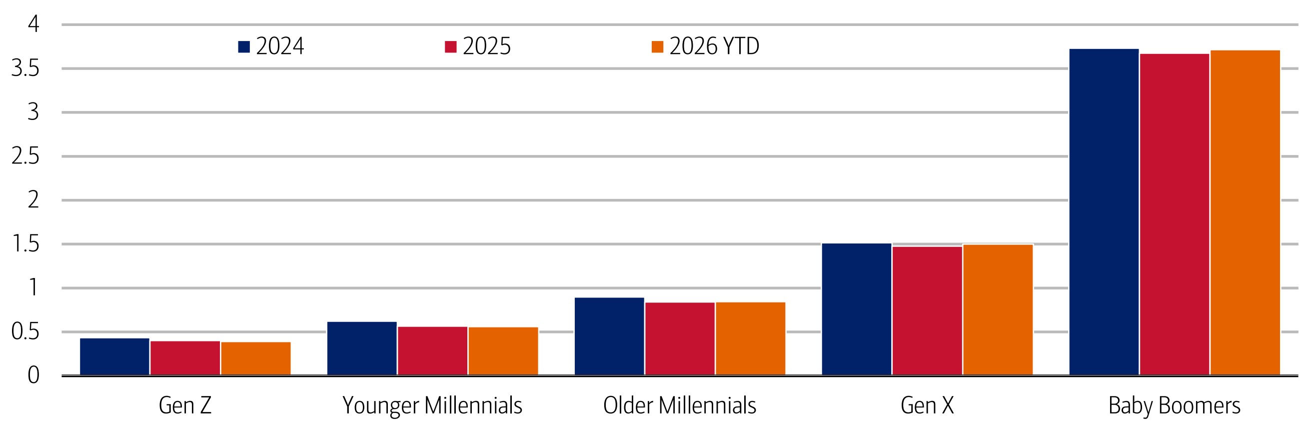
For Gen Z, saving can wait

Gen Z, which we define as those born after 1995, have the lowest median savings-to-spending ratio relative to other generations. At just below 0.5, this indicates their median cumulative savings balances are less than their monthly median spending (Exhibit 1). Note that median spending reflects Bank of America credit and debit card as well as business/peer-to-peer payments and may not represent all account outflows. See Methodology for more details.

Despite the lower ratio, according to Bank of America's 2026 Workplace Benefits Report, Gen Z have begun to save for retirement earlier than previous generations. This could partly explain why 51% of younger Gen Z (ages 18-22) say they still receive financial support from parents or other family members, along with 29% of middle Gen Z (ages 23-25) and 18% of older Gen Z (ages 26-29) (for more, read Bank of America's Better Money Habits Gen Z & The Cost of Adulting).

Exhibit 1: Gen Z have the lowest median savings-to-spending ratio

Median savings-to-spending ratio by generation (annual average year-to-date (YTD))



Source: Bank of America internal data

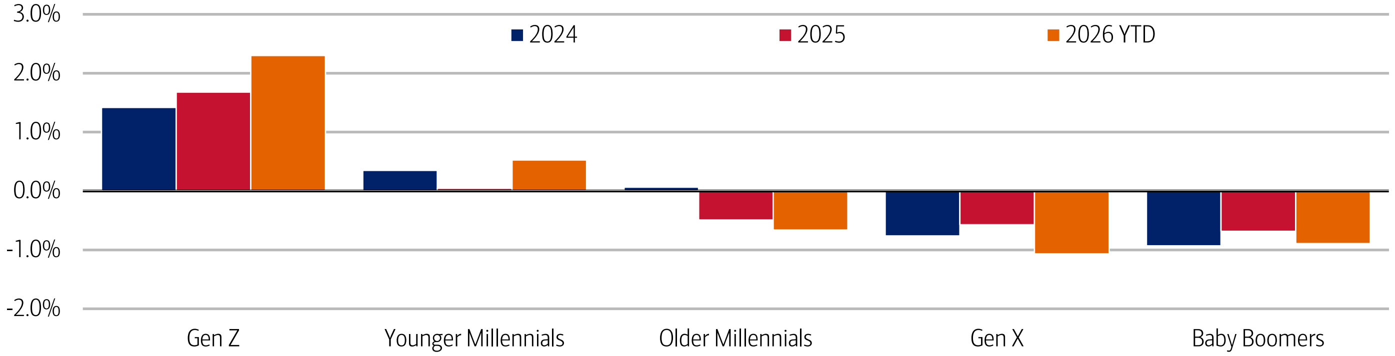
Note: A ratio greater than one indicates median cumulative savings balances are greater than monthly median spending. Median spending reflects credit card, debit card, and business/peer-to-peer payments and may not represent all account outflows.

Gen Z also turns to fintech

However, one important caveat to our savings-to-spending ratio is that it may not capture alternative financial payments. Alternative financial payment adoption refers to software, mobile apps and digital tools used to enhance and automate interactions with financial services. Using Bank of America customer deposit data, we find that Gen Z increasingly accounts for a larger share of fintech (financial technology) adoption (Exhibit 2) (See footnote for definition).

In our view, this may reflect Gen Z's interest in digital-first financial tools and interest in non-traditional assets such as cryptocurrency (read more on this in October's [Crypto goes steady: Stablecoins]). Their growing use of fintech also aligns with broader evidence that Gen Z's growth in AI subscriptions suggests a willingness to embrace digital solutions across both financial management and everyday decision-making (read more on this in March's publication of [Not quite mAInstream]).

Exhibit 2: The share of Gen Z using fintech is up 2%
Fintech adoption* by generation (% change in share, annual year-to-date (YTD))



Source: Bank of America internal data
*Note: Fintech adoption is measured by payments to and from financial technology merchants.

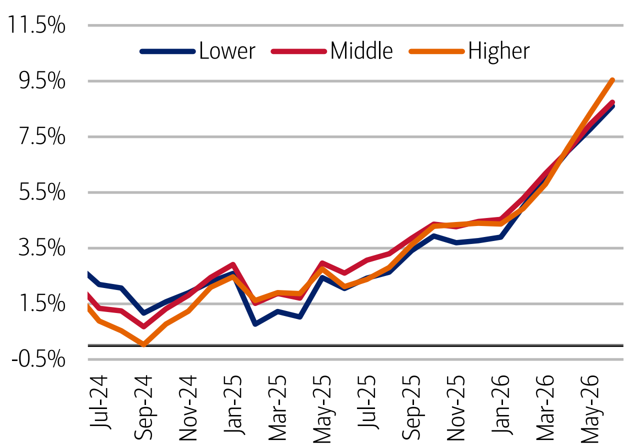
BANK OF AMERICA INSTITUTE

There's no "K" within Gen Z – and there hasn't been all year

Gen Z have also posted relatively strong spending growth over the past year (Exhibit 3). Perhaps even more notably, the "K-shaped" trends that have defined much of the recent economic narrative are less evident among Gen Z, making the generation something of an outlier.

In fact, the difference between higher- and lower-income spending growth has been smallest for Gen Z for over a year (Exhibit 4). Why might this be? It's possible that Gen Z's propensity to spend is more evenly distributed across income groups as they are in an earlier life stage and could be less focused on saving.

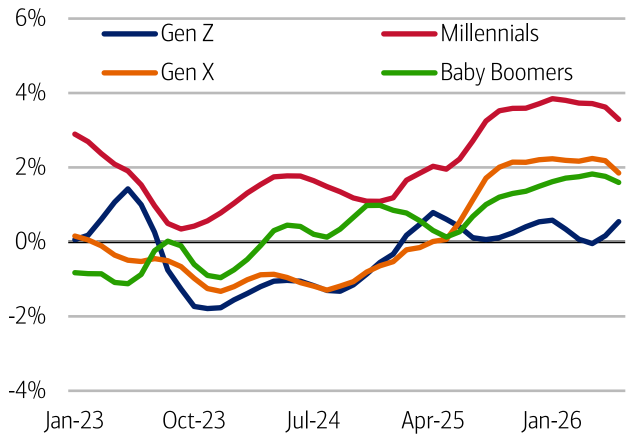
Exhibit 3: "K-shaped" spending growth hardly exists within Gen Z
Total credit and debit card spending growth per Gen Z household by income (monthly, YoY%, three-month moving average)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 4: The difference between higher- and lower-income spending growth has been smallest for Gen Z
Difference between higher- and lower-income household spending growth by generation (monthly, three-month moving average)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

BANK OF AMERICA INSTITUTE

Glow-ups are still in the Gen Z budget

Diving deeper, it appears that Gen Z's overall spending growth has not come solely from necessity spending, although this category did see strong gains across April and May, primarily due to elevated gas prices (Exhibit 5) (read more on younger generations' sensitivity to rising gasoline prices in March's Will younger-gen spending hit a gas-price speed bump?).

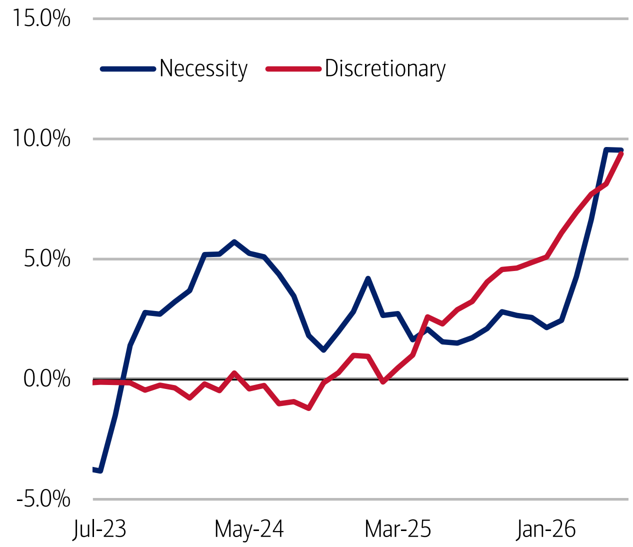
Discretionary spending growth per Gen Z household has been steadily increasing since March 2025, suggesting affordability pressures have not led this generation to broadly pull back on nice-to-have purchases.

Notably, certain retail categories have benefited, with jewelry spending per Gen Z household up almost 11% year-over-year (YoY) in June, while spending on both clothing and beauty has improved significantly, nearly matching that of overall retail (excluding autos and gas) since September 2025 (Exhibit 6).

These spending choices may reflect broader shifts in preferences. In one of our prior publications, we found that younger generations are increasingly choosing fitness and active hobbies over alcohol-related spending, pointing to a growing emphasis on wellness-focused experiences (read more on this in February's Younger generations move from barstools to barbells).

Exhibit 5: Gen Z discretionary spending growth has strengthened over the past year, although necessity spending has also surged in the past two months

Gen Z spending per household by category (monthly, three-month moving average, YoY%)

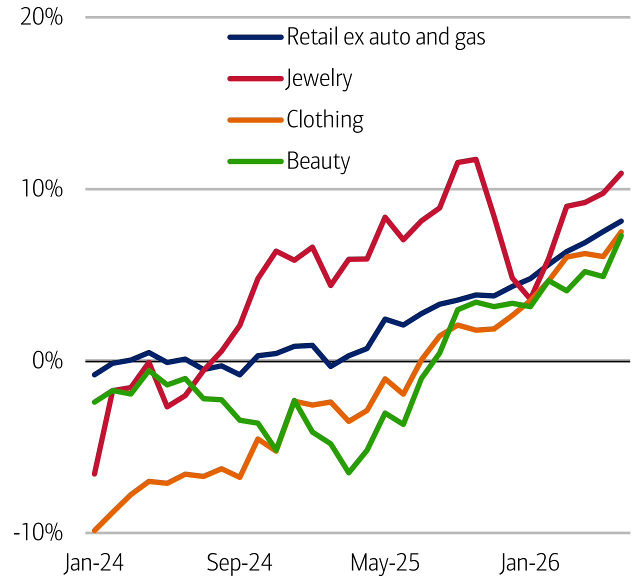


Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 6: Gen Z jewelry spending growth has been stronger than other retail categories

Credit and debit card spending per Gen Z household by category (monthly, three-month moving average, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

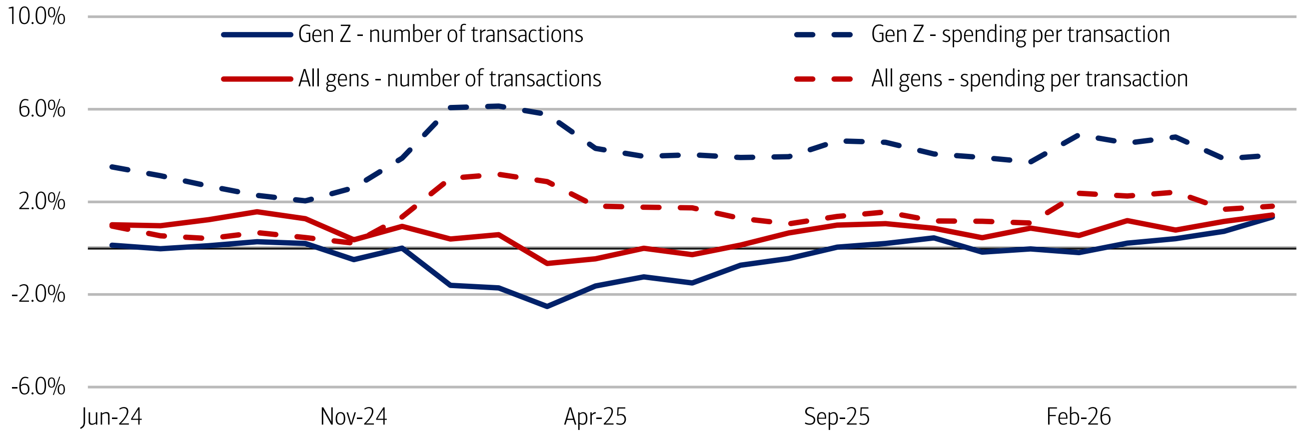
Amid rising costs, Gen Z taps into the "little treat economy"

An increase in retail spending, especially on beauty-related small-ticket items, could indicate the "lipstick index" is showing up in Gen Z spending patterns. Historically, the idea behind the "lipstick index" is that when consumers pull back on big-ticket purchases, they may still make room in their budgets for smaller, more affordable luxuries — items like lipstick, perfume or nail polish.

Using Bank of America credit and debit card data, we find that growth in spending per transaction at cosmetic stores was nearly four times stronger than growth in the number of transactions (Exhibit 7). This suggests Gen Z may not simply be buying beauty products more often but instead spending more when they do.

In other words, the modern lipstick index may be less about purchasing lipstick more frequently and more about "treating up" when the occasion arises. For Gen Z, this trend is consistent with the "little treat economy," where smaller discretionary indulgences remain appealing and might even be worth spending more on when larger financial milestones feel harder to reach.

Exhibit 7: Gen Z cosmetic store spending per transaction growth was nearly twice as strong as the overall average
Gen Z average spending per transaction and number of transactions at cosmetic stores (YoY%, monthly, three-month moving average)



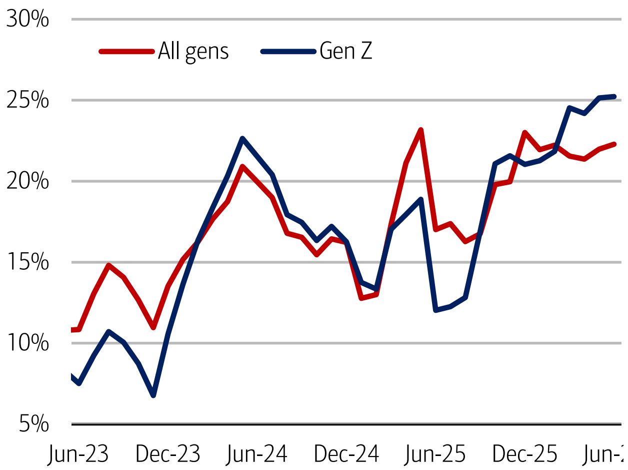
Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

The "little treat economy" extends well beyond the cosmetics aisle. Notably, small and mid-sized coffee spending growth across all generations has been strong, but Gen Z's has been stronger since the start of the year (Exhibit 8). Looking at frequency of purchase, Gen Z also beat other generations across a range of "little treat" categories, including ice cream and baked goods (Exhibit 9). Gen Z average spending per transaction has grown more than twice as much as the overall rate.

According to Bank of America's Better Money Habits report, Gen Z & The Cost of Adulting, the "little treat economy" shows no sign of fading. This year, 92% of Gen Z respondents said they treat themselves, whether to lift their mood on a bad day or celebrate a good one, unchanged from 2025.

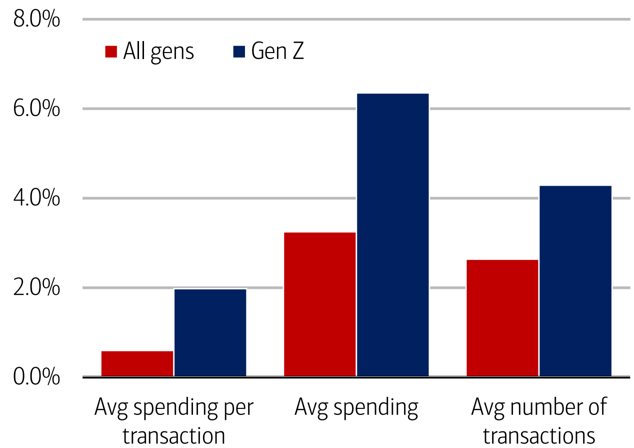
Exhibit 8: Gen Z spending at small and mid-sized coffee chains grew more than 25% YoY in June
Small and mid-sized coffee spending growth per household Gen Z versus overall (monthly, three-month moving average, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 9: Gen Z average spending per transaction on "little treats" is more than twice as fast as overall growth
Gen Z "little treat" spending per transaction and average number of transactions in June (YoY%, three-month moving average)



Source: Bank of America internal data
Note: Little treat spending includes bakery, bagel, ice cream and frozen yogurt merchants.

BANK OF AMERICA INSTITUTE

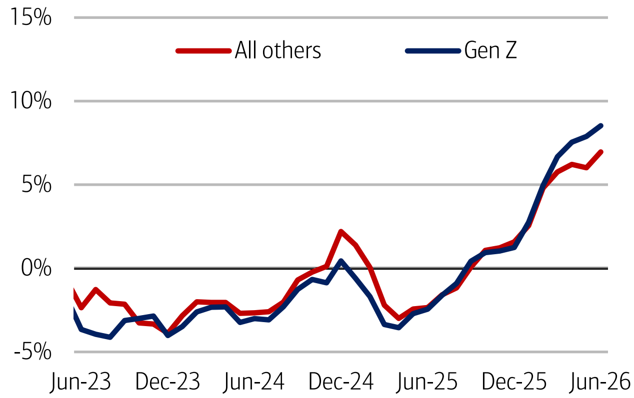
Higher costs curb Gen Z's travel bug

Even as Gen Z spend on material things, the 2026 Bank of America Summer Travel Outlook suggests that they planned to stay booked and busy this summer, with nearly 93% of respondents indicating they either had a summer trip planned or intended to take one.

Consistent with that sentiment, Bank of America internal data shows Gen Z travel spending remained strong through June 2026, rising roughly 8.5% YoY, and outpacing all other generations' travel-related spending growth of nearly 7% YoY (Exhibit 10).

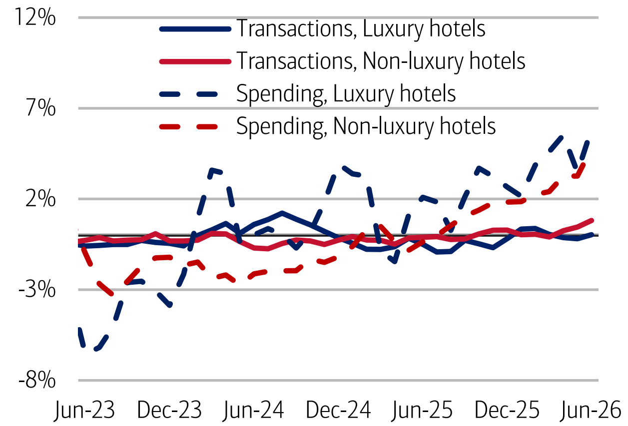
But like travelers of all ages, Gen Z may be facing higher costs. Looking at Bank of America internal data, spending on both luxury and non-luxury hotels by Gen Z has trended upward since May 2025 (Exhibit 11). However, transaction growth has remained relatively flat across both categories, suggesting that rising costs, rather than increased travel volume, may be driving higher spending.

Exhibit 10: Gen Z travel-related spending growth has outpaced all other generations since March 2026
Per household spending on travel by generation (YoY%, three-month moving average)



Source: Bank of America internal data
Note: Travel includes spending such as hotels, car rentals, airlines and travel agencies.
BANK OF AMERICA INSTITUTE

Exhibit 11: Gen Z spending on luxury and non-luxury hotels has increased, while transactions have remained fairly flat
Gen Z spending and transactions per household on luxury and non-luxury hotels (YoY%, three-month moving average)



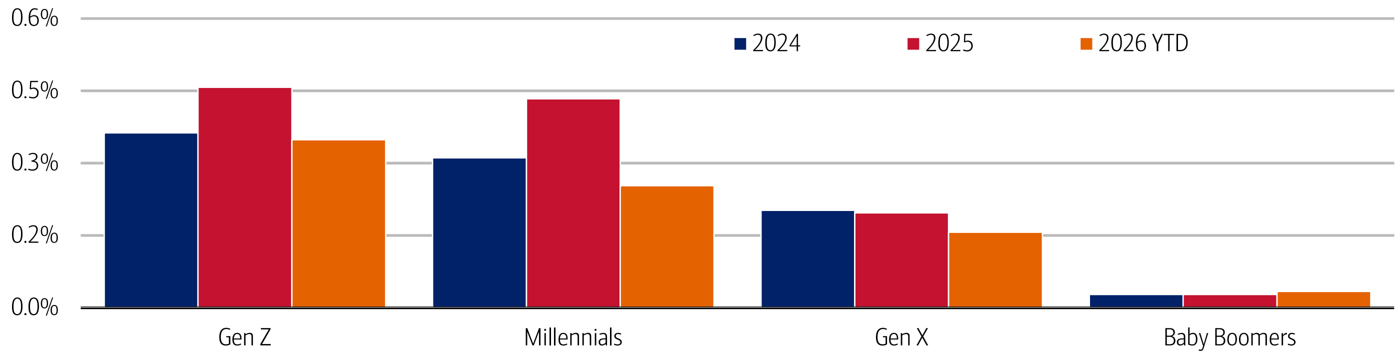
Source: Bank of America internal data
BANK OF AMERICA INSTITUTE

For Gen Z, it feels like everyone's got a gig

Even so, Gen Z appear willing to make financial trade-offs to prioritize travel and experiences. In the 2026 Travel Outlook, 27% of Gen Z respondents said they were already taking on or planned to take on extra work or a side gig to help afford travel and live entertainment.

Using Bank of America data, although this has slowed from 2025, we find the share of gig workers among Gen Z has increased at a faster rate than other generations (Exhibit 12), consistent with the theory that younger workers may be looking for ways to supplement their income. According to Bank of America's 2026 Homebuyer Insight Report, over a quarter of Gen Z respondents said they were willing to take on extra jobs to make homeownership more attainable.

Exhibit 12: The share of gig workers among Gen Z has increased at a faster rate than other generations although growth has slowed from 2025
Share of gig workers by generation (percent difference from previous year, annual, year-to-date (YTD))



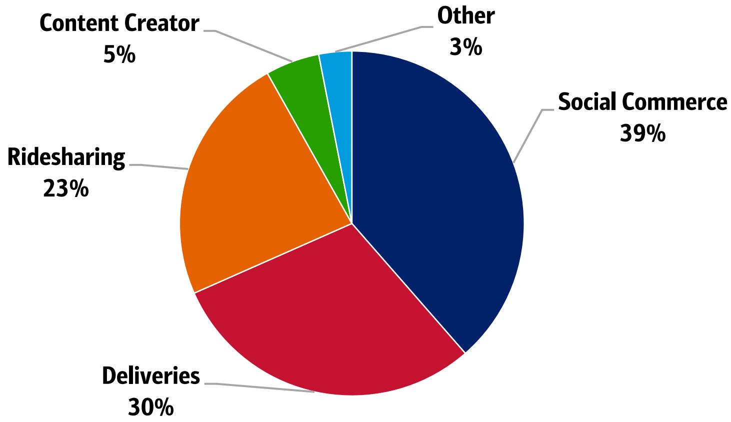
Source: Bank of America internal data
BANK OF AMERICA INSTITUTE

Gen Z embrace social commerce

How are Gen Z securing a second income stream? According to Bank of America data, social commerce (i.e. the process of selling products and services on e-commerce and social media platforms) has comprised the largest share of Gen Z gig work so far this year (Exhibit 13), which is consistent with Gen Z's overwhelming presence on secondhand selling platforms (read more on this in April's Secondhand fashion piece). This is followed by deliveries (30%) and ridesharing (23%).

And though it may feel like we're living in the era of social media influencers, we find that just 5% of Gen Z gig work came from content creation such as influencers. This is down slightly from last year, although it's important to note that this would not capture any income associated with brand deals or related gifts.

Exhibit 13: As of June, social commerce comprises the largest share of Gen Z gig work in 2026
Share of Gen Z gig work by type in 2026 (%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

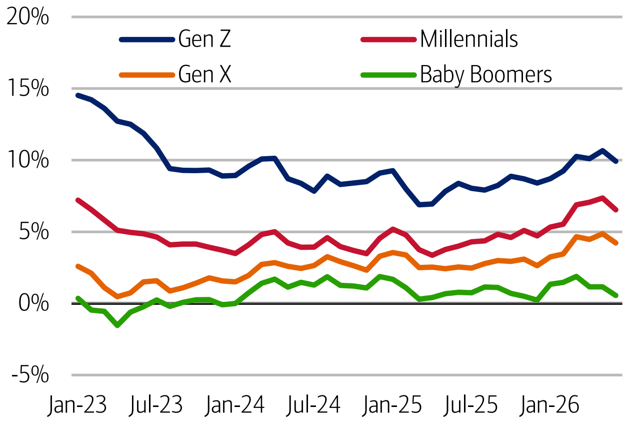
Strong wage growth supports spending

According to Bureau of Labor Statistics (BLS) data, multiple jobholding remains elevated, while workers employed part-time for economic reasons remain an important measure of underemployment — suggesting some workers are not getting the hours or income they would prefer.

For many young workers, unemployment rates remain above the US average and are higher than in 2025 (Exhibit 15). This is especially true for recent graduates, whose unemployment rate is higher now than it was 10 years ago as well as in 2008. And the 52-week duration of unemployment has trended higher for those aged 25-34 than other older cohorts.

For those Gen Z who are employed, though, wage growth has been strong, up 10% YoY in June (Exhibit 14). It has significantly outpaced that of older generations, likely reflecting, in part, that many Gen Z workers are securing their first paychecks. For Gen Z, this, along with a relatively low median savings-to-spending ratio, creates a stark divide in spending ability between those who are employed and those who are not.

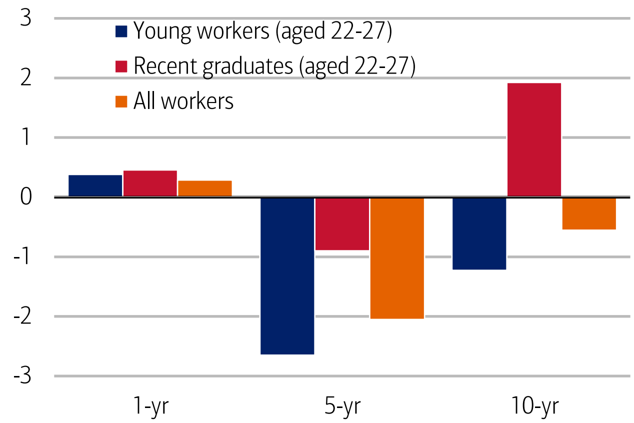
Exhibit 14: Gen Z wage growth was up 10% YoY in June
After-tax wage and salary growth by generation (monthly, three-month moving average, YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 15: Recent graduates' unemployment rate is higher now compared to 10 years ago
Unemployment rates for recent college grads versus other groups (percent difference from 2026)



Source: New York Fed, US Census Bureau and US Bureau of Labor Statistics (BLS), Current Population Survey (IPUMS)

BANK OF AMERICA INSTITUTE

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Unless otherwise noted lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; Traditionalists: pre-1946.

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

The median savings-to-spending ratio is calculated as the monthly cumulative median deposit balance over monthly median spending. Median spending reflects Bank of America credit and debit card as well as business/peer-to-peer payments and may not represent all account outflows.

Gig type of income referenced in this report is derived from aggregated inflows to consumer direct deposits or debit cards from gig platforms.

The Bank of America 2026 Summer Travel Outlook survey was conducted online between March 26 and April 3. The survey consisted of 2,004 respondents throughout the U.S. Respondents in the study were age 18+ and were representative of the composition of the U.S. Census for age, gender, household income and Census region. Lower, middle and higher household income cuts in the survey were based on quantitative estimates of annual household income before taxes. They are defined as follows: lower-income households: $0-$66,000; middle-income households: $66,001-$130,000; higher-income households: >$130,000.

The Better Money Habits survey was conducted online from February 10 – February 28, 2026, by Ipsos. This study is based on national samples of more than 2,000 respondents, including 1,146 general population adults (age 18 or older) and 1,133 general population Gen Z adults (age 18-29). The survey was conducted both in English and Spanish and utilized samples from both opt-in sources and the Ipsos KnowledgePanel®, the largest and most well-established online probability-based panel that is representative of the adult US population. The margin of sampling error for the general population sample is +/- 3.0 percentage points and for the general population Gen Z sample is +/- 3.0 percentage points at the 95 percent confidence level.

The survey data has been weighted to match national population benchmarks. The general population sample and general population Gen Z sample were weighted separately to match national population demographics of gender, age, race/ethnicity, education, region, metropolitan status, household income, language proficiency and Hispanic origin. Benchmarks for these variables were obtained from the Census Bureau's 2025 Current Population Survey (CPS), with the exception of benchmarks for language proficiency, which were obtained from the Census Bureau's 2024 American Community Survey (ACS).

Escalent is a research and data analytics firm that helps clients understand human and market behaviors and trends. Bank of America partnered with Escalent to survey a national sample of 941 employees who are working full time and participate in 401(k) plans, and 806 employers who offer both a 401(k) plan and have sole or shared responsibility for decisions made in the plan. The Workplace Benefits survey was conducted between December 4, 2025, and January 26, 2026.

To qualify, employees had to be current participants in a 401(k) plan, and employers had to offer a 401(k) plan option Neither was required to work with Bank of America, which was not identified as the sponsor of the study.

Escalent's sample population spanned age, gender, household income and company size to help ensure that they're representative of the target audience. The data is weighted by those variables for greater accuracy and authenticity in the research results.

Sparks Research conducted the Homebuyer Insights Report national online survey on behalf of Bank of America from April 13 to May 10, 2026. A total of 2,000 surveys (1,000 homeowners / 1,000 renters) were completed with adults 18 years old or older who make or share in household financial decisions and who currently own a home/previously owned a home or plan to own a home in the future. The margin of error is +/- 2.2 percent at the 95 percent confidence level. Select questions allowed respondents to choose more than one answer, resulting in responses that may equate to more than 100 percent.

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

Taylor Bowley

Economist, Bank of America Institute

Lynelle Huskey

Analyst, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Analytics, Modeling and Insights

Yan Peng

Vice President, Global Risk Analytics

Dale Lin

Director, Global Risk Analytics

Jason Doak

Senior Vice President, Payments and Products

Li Wei

Director, Global Risk Analytics

Elaine Li

Director, Global Risk Analytics

Disclosures

These materials have been prepared by Bank of America Institute and are provided to you for general information purposes only. To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America. Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of Bank of America Institute and any individual authors listed, and are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries (collectively Bank of America). The views in these materials may differ from the views and opinions expressed by the BofA Global Research department or other departments or divisions of Bank of America. Information has been obtained from sources believed to be reliable, but Bank of America does not warrant its completeness or accuracy. These materials do not make any claim regarding the sustainability of any product or service. Any discussion of sustainability is limited as set out herein. Views and estimates constitute our judgment as of the date of these materials and are subject to change without notice. The views expressed herein should not be construed as individual investment advice for any particular person and are not intended as recommendations of particular securities, financial instruments, strategies or banking services for a particular person. This material does not constitute an offer or an invitation by or on behalf of Bank of America to any person to buy or sell any security or financial instrument or engage in any banking service. Nothing in these materials constitutes investment, legal, accounting or tax advice.