



Payment System Research Briefing

Social Media for Personal Finances: A New Trend for Millennials and Gen Z

by: Sam Baird

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Younger generations—specifically, millennials and Gen Z—increasingly turn to social media for personal finance purposes, such as making and receiving payments, crowdfunding, shopping, and financial education. While the financial tools provided by social media offer benefits, such as convenience and community, they also come with risks, such as increased fraud and misinformation.

Millennials (people born between 1981 and 1996) and Generation Z (people born between 1997 and 2012) have been surrounded by digital technology their entire lives and are the first “digitally native” generations. They use social media more extensively than older generations to connect with friends and family, join communities with common interests, keep up with the news, and expand their professional networks (Briggs 2022). Moreover, millennials and Gen Z increasingly use social media for reasons related to personal finance. This *Payments System Research Briefing* looks at four areas where social media and personal finance intersect: peer-to-peer (P2P) payments, crowdfunding, social commerce, and financial education.

P2P Payments as a Social Activity

As digital natives, millennials and Gen Z are more likely than older generations to use P2P apps for transferring money. P2P apps allow users to send funds to another party through an intermediary to split bills, reimburse friends, pay for entertainment, and make charitable donations. According to a 2022 survey, the share of consumers who have ever used a P2P app is significantly higher for younger generations (85 percent for those age 18–29 and 30–44) than for older generations (64 percent for those age 45–59 and 38 percent for those age 60 or over) (Consumer Reports 2023). Furthermore, younger generations use these services more frequently; the same survey finds that 35 percent of consumers age 18–29 and 23 percent of consumers age 30–44 use a P2P app at least once a week compared with 15 percent of those age 45–59 and 4 percent of those age 60 or over. The social aspect of P2P app Venmo seems to appeal particularly to the younger generations. Venmo users skew younger, while users of PayPal and Zelle, which do not have a social aspect, are evenly distributed across all generations (Consumer Reports 2023).

Venmo, which was founded in 2009 and acquired by PayPal in 2013, introduced the idea of integrating social media and P2P payments. The app is marketed as a social network where friends and family can connect, share moments, and celebrate accomplishments and life events through P2P payments. By default, Venmo displays a public, social-media-style feed of transactions between users and their network of friends. Although Venmo users cannot see transaction amounts for which they are not a party, they can interact with the feed by commenting or liking transaction “posts.” The social aspect of Venmo lets users share their financial interactions to their network if they so choose.

Other social media companies such as Meta (the owner of Facebook and Instagram) and Snapchat have attempted to replicate Venmo’s service by adding a payments function to their social media models. However, these efforts have been less successful. X (formerly Twitter) may soon offer a P2P service, as it has reportedly secured money-transmitter licenses in several states and filed paperwork with the Financial Crimes Enforcement Network to bring payment processing to the platform (Khairi 2023).

Crowdfunding

Another area where personal finances and social media intersect for younger generations is in crowdfunding, or collecting money from a large pool of donors. Although the idea of crowdfunding is not new, social media and the internet have accelerated crowdfunding over the past 10 years by allowing for causes to be shared to a wide net of people and by allowing fundraisers to target specific audiences through hashtags and community groups. The #GivingTuesday campaign that started in 2012 and the ALS Ice Bucket Challenge in 2014 represent two of the most famous uses of social media to crowdfund for charity.

Today, crowdfunding on social media is very popular. According to a 2020 consumer survey conducted by Indiana University Lilly Family School of Philanthropy, 78 percent of respondents donate money to charity in a typical year and more than half of these respondents (56 percent) do so via crowdfunding or social media (Osili and others 2021). The same survey also finds that crowdfunding donors tend to be younger, with an average age of 44.2 years compared with 49.9 years for traditional donors. During the COVID-19 pandemic, larger shares of younger generations (74 percent of millennials and 66 percent of Gen Z) than older generations provided monetary assistance to someone at least once, possibly because younger generations were more likely to interact virtually during social distancing (Zelle 2020).

Some millennial and Gen Z individuals turn to crowdfunding for help with expenses such as medical bills, rent, immigration fees, and groceries (Hussain 2019). Crowdfunding platforms such as GoFundMe have often been used for these types of expenses, but younger generations are increasingly relying on P2P apps such as Venmo and Cash App as well as social media platforms such as Facebook, Instagram, TikTok, and X.^[1] This practice is especially common in marginalized communities, including among LGBTQIA-identifying individuals, people of color, and immigrants (Hussain 2019).

Aside from charitable crowdfunding, millennials and Gen Z may use crowdfunding platforms to earn money in addition to traditional revenue sources. Patreon (which derives its name from “patrons”) is one such platform and allows artists, videographers, musicians, writers, and other content creators to raise money by selling their content or other digital products.^[2] Content creators make a Patreon page and offer subscription-based memberships or one-time donation opportunities to grant (paying) fans exclusive access to content such as behind-the-scenes videos or personalized messages. Patreon is often used to supplement income from websites such as YouTube, Twitch, and Spotify. The audience for Patreon skews young, with 64 percent of site visitors age 18-34 (Similarweb 2023).

Social Commerce

Commerce is a third area where social media and personal finances intersect, especially for younger generations. Social media has played an important role in the expansion of e-commerce, as products from online stores are advertised and shared on social platforms. More recently, a new segment of e-commerce called social commerce has emerged. Unlike traditional e-commerce, social commerce enables customers to shop directly within a social media app. Some examples of social commerce are Facebook Marketplace, Instagram Shopping, TikTok Shop, and Snapchat’s alternate reality try-on feature for clothes and accessories.

Social commerce is especially popular among younger generations. According to Insider Intelligence, 50 percent of Gen Z and 51 percent of millennial social media users reported making purchases on social media in 2022, compared with 38 percent of Gen X and 22 percent of baby boomers (Lebow 2022). In addition, 58 percent of millennials and 54 percent of Gen Z reported in 2021 that social platforms are a better place to learn about a new product than an online search (Chevalier 2022). The overall size of the U.S. social commerce market is difficult to measure, but some estimate the total value of sales to be \$40-90 billion in 2022. (Grand View Research 2022; Becdach and others 2022; ResearchAndMarkets 2023).

Social commerce may be more attractive than traditional e-commerce to Gen Z and millennial consumers for a few reasons. One reason is that social media transforms the online shopping experience into a social experience. Unlike traditional product review sections of retail websites which lack interaction, social commerce drives engagement as users and social media influencers post video reviews and interact in the comment section. Consumers may also seek feedback from friends or family on goods before purchasing them: for example, a person using Snapchat’s alternate reality try-on feature for clothing can share pictures with their social network to get feedback. The popular TikTok hashtag #TikTokMadeMeBuyIt has generated 58.5 billion views globally as of June 2023 and features product reviews (PYMNTS 2023a).

Another potential reason that social commerce has seen success, especially among younger generations, is the ease and convenience of the experience. Social commerce may appear more convenient than traditional e-commerce because

consumers never have to leave their platform of choice to purchase products. Some social commerce offerings allow customers to add digital wallets such as Apple Pay or Google Pay for ease at checkout. Consumers who use these digital wallets do not need to provide payment information, such as a credit card number or bank account number, directly to the social media platform. Instead, their payment information is stored in the digital wallet, which sends a one-time-use token to the merchant to process the payment. This process may encourage adoption by providing a more convenient experience for users and helping build trust at checkout. According to a 2022 Insider Intelligence poll, 43 percent of consumers who do not use social commerce cited “distrusting platforms with payment information” as a key barrier to adoption (Insider Intelligence 2023). The ease and convenience of social commerce is important because complicated checkout processes, having to create an account, and being directed to another site are all top reasons for cart abandonment (Baymard Institute 2023).

Financial Education on Social Media

In addition to social commerce, millennials and Gen Z increasingly rely on social media as a source for financial advice. A 2021 survey by the National Association of Personal Financial Advisors shows that 39 percent of consumers age 22–64 receive financial advice from online publications, blogs, or social media. Among those consumers, Gen Z rely more on social media than online publications or blogs, while the opposite is true for millennials and older generations. Across all generations, YouTube is typically the most popular social platform for consuming financial advice; for Gen Z, TikTok and Instagram, both of which feature short-form video content, are the next two most popular platforms (NAPFA 2021).^[3]

One way millennials and Gen Z learn about financial topics is through finfluencers, social media content creators who give advice on financial topics such as budgeting, investing, retirement savings, home buying, car buying, credit cards, and cryptocurrency. Users can search for popular hashtags such as #GenZFinance or #FinTok to find advice targeted toward people entering the workforce and beginning their financial journeys. Another popular hashtag, #PaydayRoutine, features in-depth looks at how people budget their paychecks, including their salaries, net disposable income, and expenses (PYMNTS 2023b). Viewers of this content can gain insight into the cost of living in different geographical areas and compare their financial situations with other people their age. Viewers may also be exposed to advice on high-yield savings accounts or Roth IRAs, which may affect their decisions to open bank accounts or adopt other financial products.

Finfluencers have also promoted “cash stuffing” as a popular budgeting method for younger generations, which involves placing cash into envelopes based on purchase categories like rent, gas, dining out, and entertainment, and then using the cash for every purchase. When deciding on a purchase, the cash left in an envelope determines whether one can afford the purchase, or it may require a tradeoff by taking cash from a different envelope earmarked for some other category of spending. Although this budgeting method seems counterintuitive to the tech-savviness of younger generations, it may promote cash use at checkout among Gen Z. According to a 2023 survey by the Harris Poll, among 331 adults age 18–26, 23 percent use cash for the

majority of their purchases and 69 percent use cash more compared with 12 months ago (Credit Karma 2023). The same survey finds that 30 percent of Gen Z participate in cash stuffing and of those who use cash to make purchases, 59 percent say they do so to budget their money and 64 percent say they spend less money when they pay with cash.

Risks for Consumers

The new social media tools younger generations use with their finances provide many benefits but also come with risks.

According to the Federal Trade Commission (FTC), fraud via a payment app or service has been increasing since 2019. Total reported fraud losses via a payment app or service increased from \$50 million in 2019 to \$164 million in 2022. In addition, the number of incidents reported increased from 21,390 in 2019 to 62,323 in 2022 (FTC 2022).^[4] Although not all of these fraud losses and incidents are associated with social media, the FTC warns that scammers may try to take advantage of consumers using P2P apps; moreover, romance scams, phishing attempts, or other social engineering scams may become more prevalent as social media apps introduce P2P directly into their direct messaging services. Because fraudsters can also create scam charities to trick people into donating to illegitimate causes, the Federal Communications Commission (FCC) urges potential donors to always verify that the charity is legitimate and accepts donations through the P2P app (FCC 2021). The FCC also advises users to never send P2P payments to—or accept payments from—someone they do not know.

With the rise of social commerce, fraud perpetrated by sellers on these platforms may increase. Some consumers have reported receiving items purchased online that do not match the description or pictures in the listing. Others report difficulties with return policies and customer service from sellers. According to the FTC, in 2022, online shopping scams were the second most reported type of scam (Rayo 2023). In March 2023, the FTC ordered social media companies Meta, TikTok, YouTube, and Twitter (now X) to provide information on how they screen for misleading ads, scams, and fraudulent and counterfeit products (FTC 2023). While platforms such as Facebook often have purchase-protection policies, what is covered is sometimes confusing, and policies vary platform to platform. *The Wall Street Journal* reports that some advertisers have scammed TikTok users; although TikTok eventually removed the advertisers, the scam victims needed to file chargebacks with their banks to get their money back (James and Jargon 2023).

Misinformation associated with financial advice on social media is also a risk for consumers. Although social media as a source for financial information and education could help younger generations make better financial decisions, the accuracy and trustworthiness of the information from finfluencers can vary widely. In some cases, finfluencers may be incentivized to provide specific advice that benefits providers of certain financial products rather than their audiences.

Conclusion

Millennials and Gen Z are increasingly turning to social media for personal finance purposes, including P2P payments, crowdfunding, social commerce, and financial education. Although some intersections between finance and social media may prove beneficial, they also come with risks for consumers. Regulators and financial service providers would be wise to continue following consumer trends among millennials and Gen Z to better understand the direction of the market and to address consumer risks that may arise.

Endnotes

- [1] The use of apps such as Venmo to crowdfund contrasts with Venmo's stated purpose as a payment processor. A Venmo spokesperson in 2019 stated that "[Venmo is] definitely not a GoFundMe and we certainly don't facilitate charitable payments" (Hussain 2019). However, Venmo introduced a new feature in November 2020 that allows users to donate to charities that register with the app.
 - [2] Kickstarter and Indiegogo are crowdfunding platforms geared toward entrepreneurs.
 - [3] Gen Z uses TikTok and Instagram for other searches. According to a study by Google, 40 percent of young people use TikTok or Instagram to search instead of using Google (Huang 2022).
 - [4] The number of incidents decreased from 70,166 in 2021 to 62,323 in 2022, so the trend is unclear.
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Author



Sam Baird

Associate Payments Specialist

Sam Baird is an Associate Payments Specialist in the Payment Strategies Department at the Federal Reserve Bank of Kansas City. He joined the Federal Reserve Bank of Kansas City in January 2022 after receiving his BA in economics and political science with minors in mathematics and a certificate in public policy from the University of Nebraska-Lincoln in 2019. His research interests include emerging payment technologies, payment behavior of younger generations, consumer protection, and intermediaries in the banking system.
