

Blending data and imagination to transform young people's financial health

For most of us, starting out on our financial journey as an adult isn't easy. And for Millennials and Gen Zs today, learning to budget with limited disposable income can feel like a fruitless exercise.

Young adults aged 18-30 are already reporting *disconcertingly high levels* of financial-related anxiety. As many of us know from personal experience, financial worries can have a destabilising impact on different aspects of our lives - from distracting us while we're at work to imposing mental shackles on how we spend our spare time and socialise.

At Cleo, we believe encouraging greater financial education amongst young people is vitally important. We know that the current economic challenges are unlikely to abate any time soon, but we can at least equip them with the skills to better manage their money, make more informed financial decisions, and ease their concerns along the way.

Data holds the key to improving

financial literacy (but not if it's dull)

Young adults typically have *lower levels of financial literacy* when compared to the rest of the adult population. They don't have the same level of money management experience, and now the mounting economic turmoil means that they're being thrown in at the deep end and expected to make informed financial decisions, at speed, with limited resources.

Technology and data can make a big difference in improving financial literacy, transforming how young adults engage with their financial lives, manage their outgoings, and work toward both short- and long-term savings goals. When consistently engaged with understanding their money habits, we've found that 77% of users who log into Cleo's app for 15+ days a month say that it has improved their financial lives.

The problem is the way financial information is being presented. Most banking and financial services apps are purely functional and offer a passive, retrospective look at transactions we've already made. This status quo is not engaging enough to help young adults make the best financial decisions.

Proactive insights can deliver immediate, positive behaviour change

According to the Global Centre for Financial Health, there are three main aspects to financial wellbeing: *financial security, financial freedom, and financial control*. People need to meet their basic needs and still have money left over for the things they most value and enjoy. They need to be able to manage day-to-day finances while also planning for how their finances will look in the future. And they need confidence that they will be able to get past immediate financial difficulties and keep their longer-term plans on track.

Hence, one crucial step for improving young people's financial wellbeing is making them aware of the financial consequences of their actions or inactions, through the presentation of key insights.

For example, the *average overdraft fee* facing US adults is \$35. We found that we could reduce the number of people incurring overdraft fees by 10% over the next week, simply by delivering a proactive notification to them when they had a low balance in their account.

The same is true when it comes to young peoples' credit ratings - vital for anyone looking to take out a mortgage or a loan. Missing payments or getting

into high debt can lead to negative credit consequences that stay with people for years. Proactive notifications can help them to pay their bills on time and work towards a better credit score.

Managing recession through personalised, empowering data insights

From the rising cost of fuel and groceries to sky-high energy bills, constraints on real income are set to keep growing well into 2023.

And yet, we don't notice when our personal spending habits are changing – for example, when we're spending more than we used to at the grocery store or on workday lunches. While the data is available on our bank account statements, it's not organised in a way that explains how our daily decision making is impacting our overall financial health.

In contrast, imagine if these datasets were presented in a personalised and conversational way, similar to how an elder sibling might speak to you about the topic. Using digital technology, we can showcase data in a way that *tells it like it is* – outlining people's specific spending patterns and delivering spending and saving tips that are less intimidating and encourage better decision-making. For instance, when you give people access to their money insights in an easily digestible way, such as through our popular “money hacker” chat, we've seen that 58% of users have said they are better at staying on top of their bills and 84% feel better about their money after using the app for at least one month.

Times are getting tougher and young adults who have not experienced a recession may be feeling overwhelmed by the perceived threat to their present and future financial health. This is why it's so critical to present financial data in a way that encourages people to engage and empowers them to act.

Anita Woods is VP of Product at [Cleo](#).