

Young Money Matters

CZECH REPUBLIC · SEPTEMBER 2024





Publisher's Letter

Young Money Matters is the first survey of its kind, looking at young people and their money, to have been undertaken simultaneously in the Czech Republic, Poland and Romania, the three largest markets in which Cook Communications operates. It is also truly independent. The questionnaires upon which the surveys are based were developed in-house by our teams in Prague, Warsaw and Bucharest. We then commissioned GfK to conduct the actual surveys in each country. And we turned to an experienced financial journalist to take the raw data and transform it into comprehensive and readily understandable reports.

The idea for Young Money Matters arose some time ago during an inspiring conversation with the good folk at MRM in London, with whom we had a mutual client in the retail financial services sector. Cook Communications has since its founding in 2003 advised clients requiring financial PR in banking, capital markets, investor relations, M&A, private equity, and retail financial services. Young Money Matters is a natural extension of our broader financial communications work.

We have taken an inquisitive, journalistic approach to Young Money Matters. Our questionnaires were designed to harvest basic information, to identify patterns of behaviour, and to raise topics that could be examined in closer detail. In addition to our proprietary data, our reports reference official statistics and other recent surveys to provide context, supplementary information and to corroborate, or challenge, our own surveys' findings. In conclusion, we outline what we have learned and posit a few thoughts, and we then look forward to next year's Young Money Matters.

We hope that our inaugural Young Money Matters reports stimulate debate within the financial services sector, in the media, and among educators, regulators and, above all, young Czechs, Poles and Romanians.

Joe Cook



Editor's Letter

It's with great pleasure that I introduce the inaugural edition of Young Money Matters. As a parent and an adult in his 50s, and like many people of my age, I often think that I know young people and what they are thinking. But editing this report has taught me that, probably like previous generations, we never really understand the youth as much as we might pretend.

There are many common misconceptions about young people out there, not least that they have neither any appreciation of money nor much knowledge about how to manage it. Yet contrary to expectations, this report shows that today's youth in the Czech Republic, Poland and Romania are not only saving money when they can, but are also interested and engaged in where they invest it and how they spend it. Some extra hours' education on personal finance matters would not go amiss, however.

Another common misconception is that the youth of today are the unhappiest generation ever. Yet our survey finds a general optimism and confidence among young people about their personal ambitions, their financial aspirations and their future in general.

And all this despite a series of pandemic lock-downs, a cost-of-living crisis, and a housing market that has put home ownership beyond the reach of many. And despite most accepting that the cost of living is set to continue rising for at least another year.

I hope you enjoy reading this report as much as we enjoyed preparing it – and can learn something new about how today's young people view their financial situation and how best we can help them improve it.

Nicholas Watson

Introduction

The main objectives of the Young Money Matters report were to identify the current financial situation, attitudes towards money and financial products, and the sources of information on money management that are used by young people aged between 18 and 35.

The quantitative study that serves as the basis for our Young Money Matters report was carried out by GfK in late May 2024, using questionnaires that were prepared by Cook Communications.

GfK polled 500 Czechs aged 18–35, with the largest single group (40%) being 30–35 years old (Millennials). The other three groups (predominantly Gen Z) were: 18–21 (20%), 22–25 (19%) and 26–29 (22%).

In terms of education, 31% of our respondents were university educated, 44% were educated to high school diploma level, 16% attended high school and 9% attended vocational school. Those quizzed resided in a diverse range of villages, towns and cities across the Czech Republic. The gender balance of respondents was 50% male, 50% female.

GDP \$326.5 billion
Population 10.9 million
GDP per capita \$29,801

Source: IMF World Economic Outlook 2024, national statistics



Key Findings

- Around half of young Czechs are employed full-time, while 60% earn an income below that of the national average of CZK 46,013* (€1,812), with lower wages more frequently seen among women and those aged 18–21.
- Young Czechs spend most of their income on food (24%), followed by savings and rent (both 14%). Those on higher incomes spend almost as much on savings as food.
- 45% have savings covering two to five months of living expenses, and another 23% have savings to cover six months. A third have savings for just one month or less.
- More than half (56%) of young Czechs live with their spouse or children, while one-third (34%) still reside with their parents. Another 31% live in rented apartments.
- Cash/current accounts and savings accounts are the most popular financial products among young Czechs (74% and 69% respectively).
- Respondents expressed most interest in investing in shares (19%), investment funds (17%) and cryptocurrencies (16%).
- 13% of Czechs aged 18–35 have either experienced financial product fraud themselves or know someone who has. Cryptocurrency-related frauds were the most frequently cited incidents.
- Young Czechs primarily rely on internet searches for their personal finance information (47%), followed closely by advice from parents (38%), banks/financial institutions (37%), and friends (35%). Additionally, over a fifth follow financial influencers online, holding a high level of trust in their advice.
- Sustainability is a priority for one in five young Czechs, but just half of respondents are familiar with the concept of 'ethical' investing.
- 58% of young Czechs expect the cost of living to rise over the next year, yet two-thirds (67%) of young Czechs still view their financial aspirations as attainable.

*Average monthly gross salary in the fourth quarter 2023, Czech Statistical Office

Jobs and Income

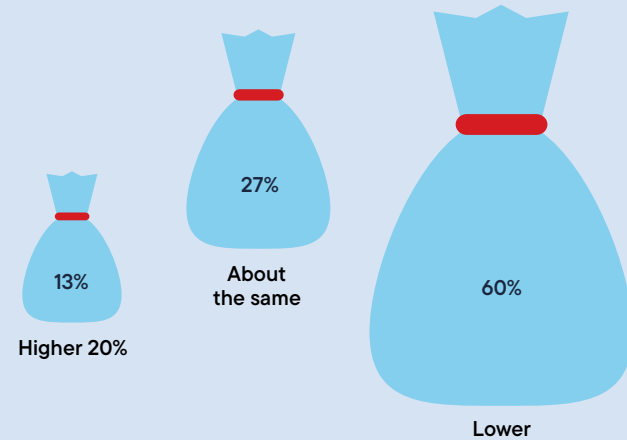
In our Young Money Matters survey, half of respondents (49%) were employed full-time, with the highest prevalence in the 26–29 age group (60%) and 30–35 age group (67%). Other categories – self-employed, part-time employed, family supported – were all below 10% in our survey. Students made up 22% of respondents.

This accords with a Czech labour force participation rate that stood at 59.9% in July 2024. The Czech Republic has a higher labour force participation rate than the other countries we surveyed – Poland at 58.5% and Romania at 51.5% – reflecting its strong economy, one of the lowest unemployment rates in the EU, a relatively high proportion of people in the working-age population, and a cultural emphasis on work and employment.

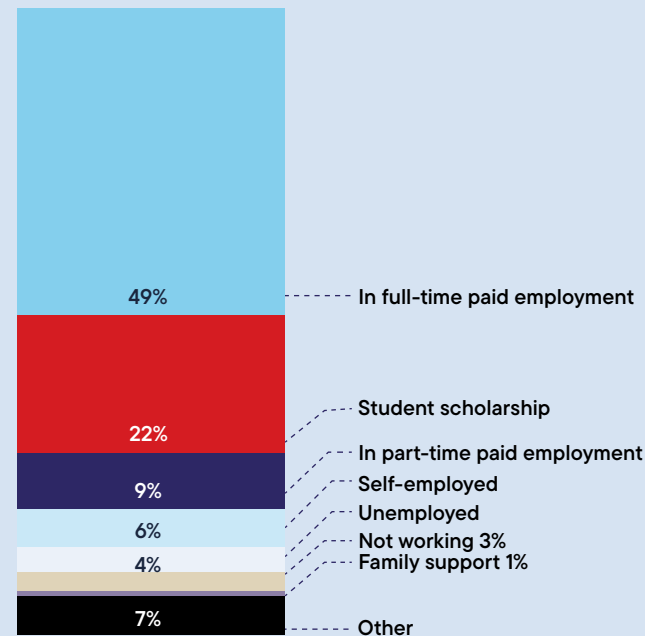
Yet there's a big participation gap between men and women in the Czech labour market, with women's participation being significantly lower (51.9% vs 68.6%). The Czech Republic also has a higher gender pay gap (16.4%) than the European Union average of 13%. This is reflected in our survey, with women making up a greater percentage (11%) of the 'Other' employment category and a greater proportion of the below-average income group: 66% for women vs 54% for men.

Despite the Czech Republic's low unemployment rate (just 2.6% in July) and generally tight labour market conditions, 60% of respondents earned below the national average monthly gross salary of CZK 46,013. Unsurprisingly, most of those who earned higher than the average wage and about the same as the average wage belonged to the full-time employment category.

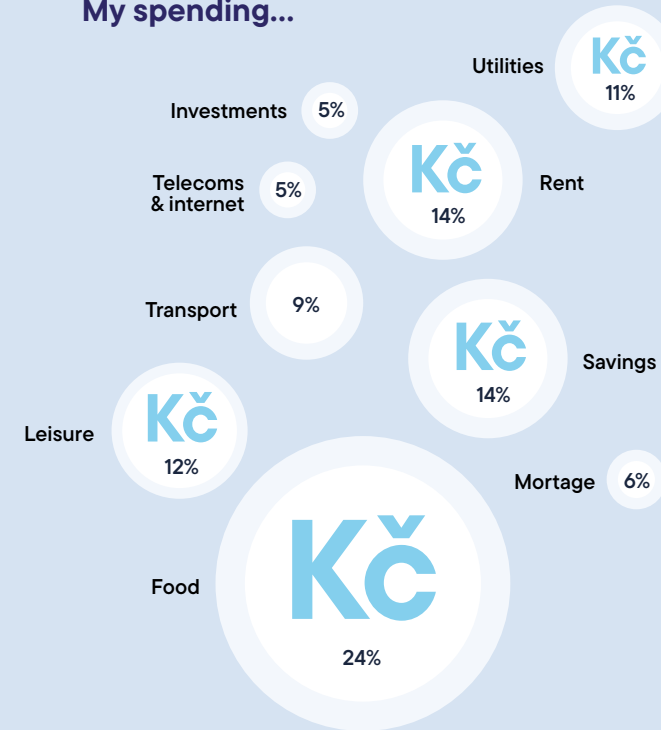
Monthly income v national average gross monthly salary



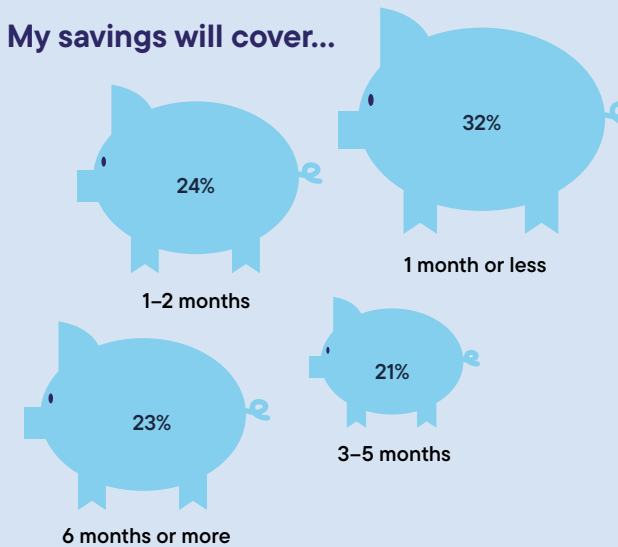
Employment



My spending...



My savings will cover...



How They Spend It

With 60% earning below the average salary, money is obviously tight for many Czech Gen Z/Millennials; 40% of young Czechs said they have postponed at least one significant life decision because of financial considerations. So, how are they allocating their monthly salaries?

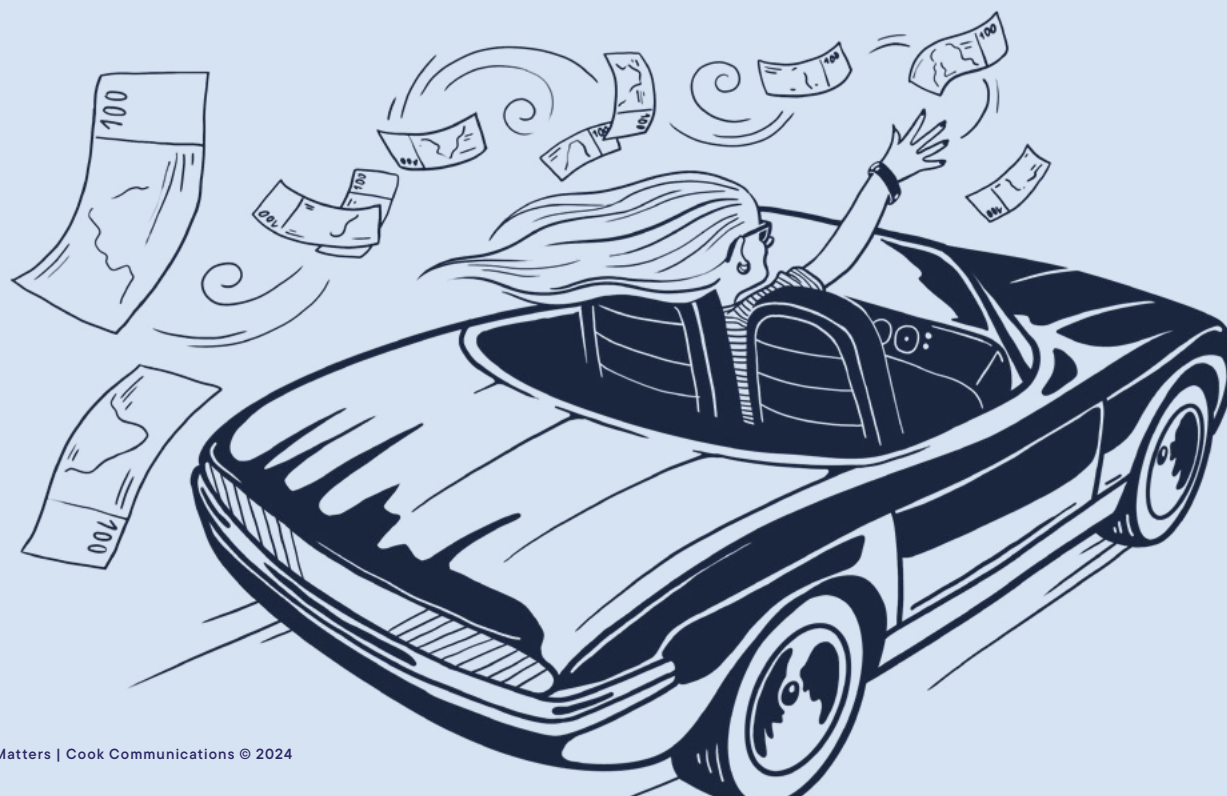
Our survey found that young Czechs spend most of their money on food. On average, about a quarter (24%) of their monthly income goes on eating, with this percentage being notably higher among women, those earning less than the national average, and in the 18–21 age group.

Remarkably, savings were listed as the second largest expenditure by our respondents alongside rent, both at 14% of their monthly salary. Investments were at an average of 5%, meaning a combined 19% of monthly income on average goes into assets of one form or another. Obviously, those in the higher income bracket save the most (19%); less obviously, it was the youngest age group that said they save the most (18% of salary for the 18–21 group). Spending on leisure activities was next at 12% on average, followed by utilities at 11% on average, no doubt boosted by the surge in energy prices (a recent study found that energy poverty now affects 15% of Czech households). Transport, at 9% on average, was also a major expense.

While other studies also point to the younger generations saving more than previously, some experts caution that young people in general tend to overestimate the amount they save. And, of course, a few diligent savers tend to skew the average results and mask the far greater number who skate by each month.

Indeed, our Young Money Matters survey found that the largest group in our survey, 32% of Czech Gen Z/Millennials, have saved one month or less of their monthly living expenses, with this number rising to 40% for those in the 18–21 age group. This suggests that saving money is difficult for those in the lowest income groups, despite what they might say otherwise. Another 24% of respondents said they have between one and two months of living expenses saved, 21% had three to five months saved, and 23% (52% in the highest income bracket) have savings equal to half a year's living expenses, or more.

The high percentage of those with more than three months of living expenses saved (44%) suggests that the turmoil from the Covid pandemic, with its furloughs, layoffs and lock-downs, has instilled some monetary caution in today's youth.



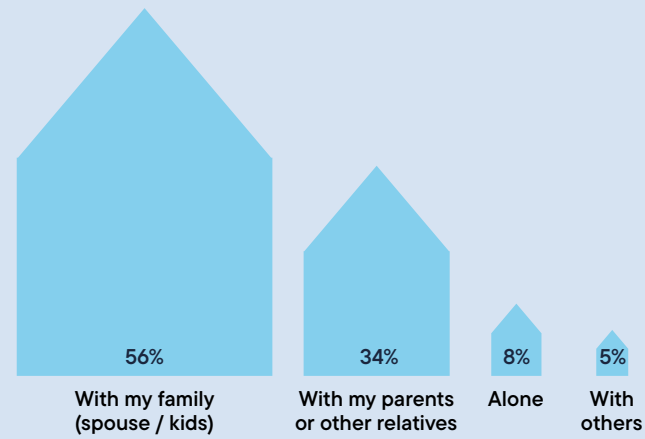
Looking deeper into housing, rent was tied in second place with savings at an average 14% of their monthly salary, while those with mortgages allocated an average of 6% of their monthly salary to those payments.

In the survey, just 16% of respondents said they own their own place (compared with 39% who put owning a home in their top three financial aspirations). This is hardly surprising given that the Czech Republic, like other countries in Central and Southeast Europe, is experiencing a housing crisis, as high demand for homes and the low supply of new dwellings have caused a surge in prices. Deloitte's most recent *Property Index report*, which calculates the affordability of owner-occupied housing by looking at the number of average gross annual salaries required to purchase a standardised new home with an average size of 70m² puts the Czech Republic in second place at 13.3 annual salaries, just behind top-placed Slovakia at 14.1 annual salaries. *The Hospodářské noviny* newspaper has reported that Czechs are increasingly using their parents' home as collateral for a mortgage loan, thereby raising the percentage of the value of the property a bank is willing to lend.

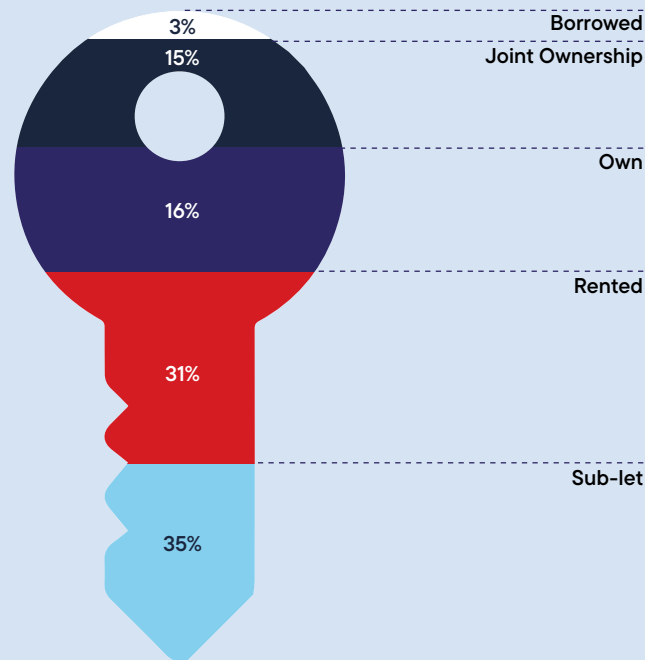
Rents too are high in the Czech Republic. Prague's average monthly rental cost is €14.4/m², just behind that of Warsaw at €15.2/m². There are few signs of this moderating anytime soon. A recent study found that dormitory rent prices at major Czech universities around the country, for example, are set to rise further in the coming academic year. The Czech University of Life Sciences in Prague (ČZU) will see the biggest increase, from CZK 8,073 a month to CZK 8,970 for a single room.

No surprise, then, that 34% of respondents in our survey said they still live with their parents or other relatives. That number rises to 40% amongst men. More than half of young Czechs (56%) live with their spouse or children. Women, those aged 26–35, and those with higher incomes are more likely to live with family. Over one-third live in a home owned by their housemate.

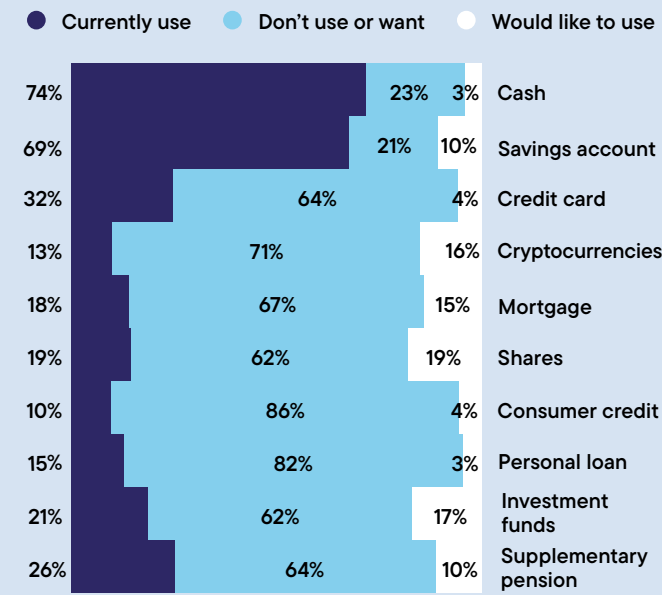
Where I live...



Property ownership



My financial products...



Where They Save It

A tendency to overestimate how much they set aside each month notwithstanding, where do young Czech people save and invest their money?

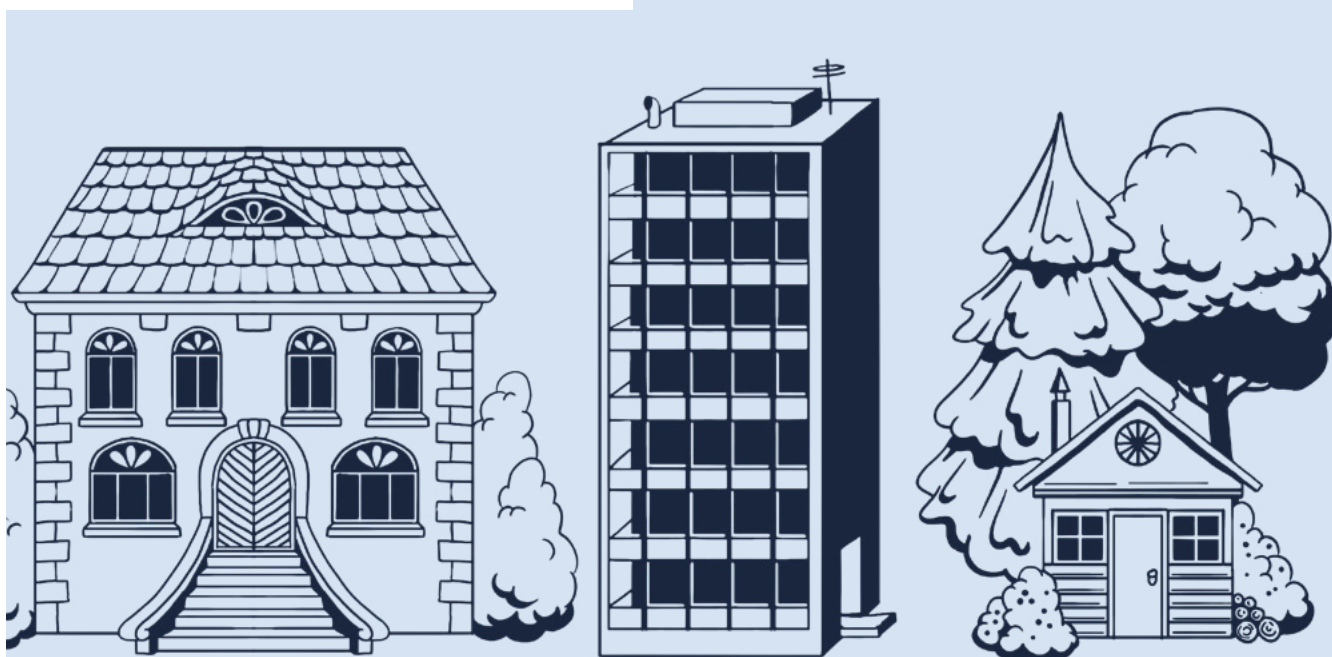
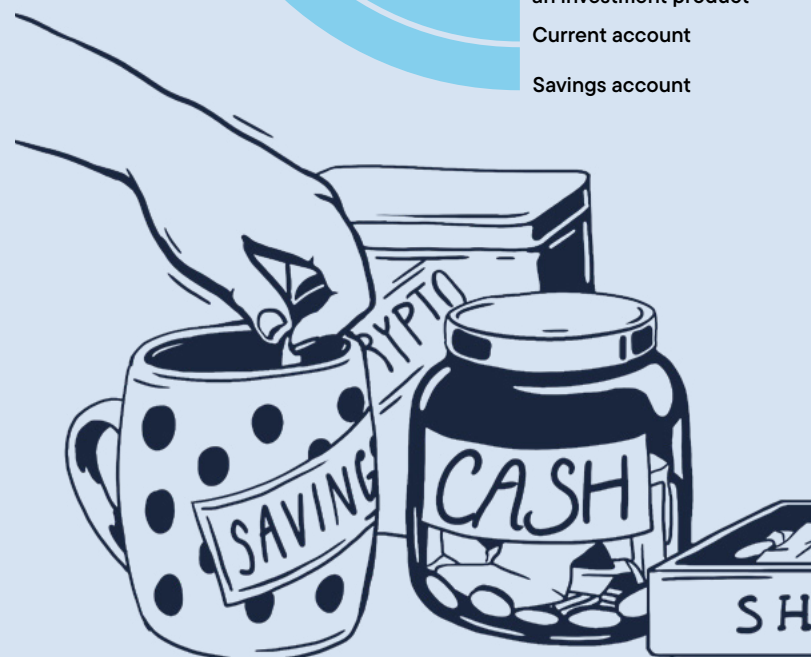
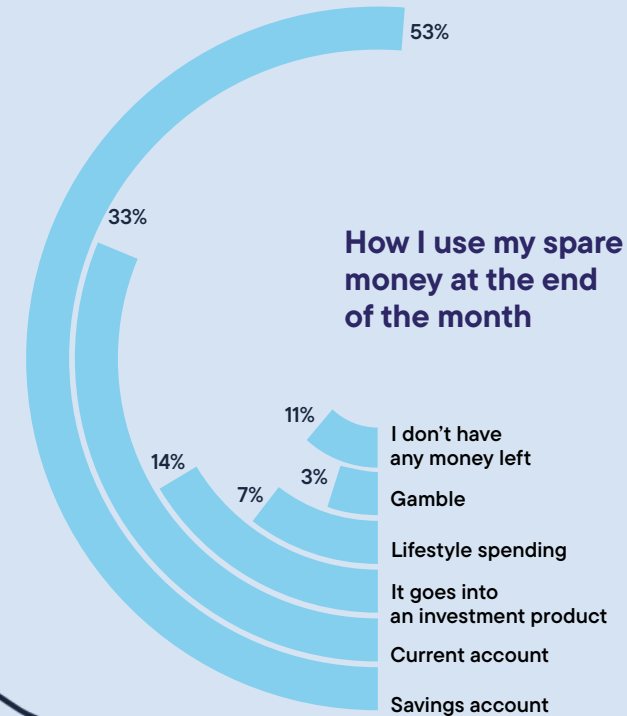
Cash or current accounts and savings accounts are the two most popular financial instruments for young Czechs, at 74% and 69% respectively. As other surveys have shown, too many Czechs still consider cash or a current account to be the most suitable way to save money, meaning they lose part of their savings to inflation, which was especially high in 2022 and 2023. The Young Money Matters survey found that the second most popular choice for any savings is to leave it in a current account (33%). This strategy is most frequent (50%) among the youngest age bracket 18–21. Moving any leftover money into a savings account is the most popular strategy, declared by over half (53%) of those surveyed.

Spending any leftover money on lifestyle choices was chosen by 7% of respondents, while another 3% said they would gamble it (5% of men would chase a wager, but not a single women said they would gamble). And 11% of those surveyed said that they never have any money left over at the end of the month.

Individuals aged 30–35 and those with incomes above the national average are more likely to use financial products compared to other subgroups. After current and savings accounts, the most popular financial products are often obligatory insurance policies – home (34%) or life (32%) – credit cards (32%) and supplementary pension payments/pension insurance (26%). Unsurprisingly, it is the older (41%) and higher-income (48%) groups who are most likely to make pension contributions; just 20% of the lower-income group and 10% of the 18–21 group invest in pensions because, like other surveys have found, from their point of view retirement is too far off in the future. The financial aspiration of “ensuring I have enough money to have a comfortable retirement” was a priority for just 4% of respondents. Yet experts warn that with the state system undergoing changes and the government admitting that the state pension alone might not be enough to retire on, more effort is clearly needed to educate young Czechs in this area.

The financial products that respondents said they would be most interested in investing are listed company shares (19%), investment funds (17%), and cryptocurrencies (16%). Mortgages at 15% suggest the desire to buy a property is still strong, even if rather out of reach for many.

Perhaps a further sign of how debt has become unattractive to Gen Z/Millennials is that just 15% use a personal loan and 10% use consumer credit. And few show any sign of wanting to, with 82% saying they have no interest in taking out a personal loan and 86% not wanting consumer credit.



Knowledge and Learning

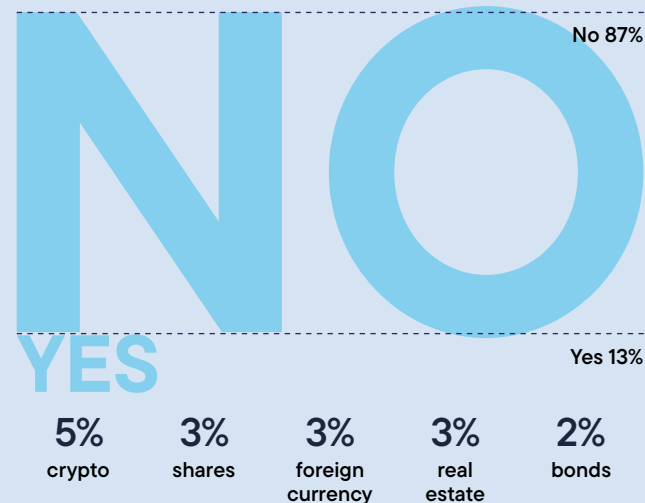
Given that young people are digital natives, and given the rise of cryptocurrencies, it is not surprising that young Czechs' financial safety is susceptible to online fraud. No less than 13% of Czechs aged 18–35 said they personally have been, or know someone who was, a victim of financial fraud. Frauds involving cryptocurrencies appear to be the most common (5 percentage points of that 13%), followed by frauds involving shares, foreign currencies or real estate (3 percentage points each).

Given this level of financial crime, it is more important than ever that young people, in the Czech Republic and elsewhere, receive adequate education about managing their money and investments. Internet searches are the primary source of financial management information for young Czechs, with nearly half of them (47%) using this method, particularly men and those aged 26–29. Following closely are parents (38%), especially among the 18–21 age group, banks/financial institutions (37%) and friends (35%). Just 14% said they receive personal finance education at their school, suggesting there is a lot of scope for the authorities to better prepare young people on how to manage their finances.

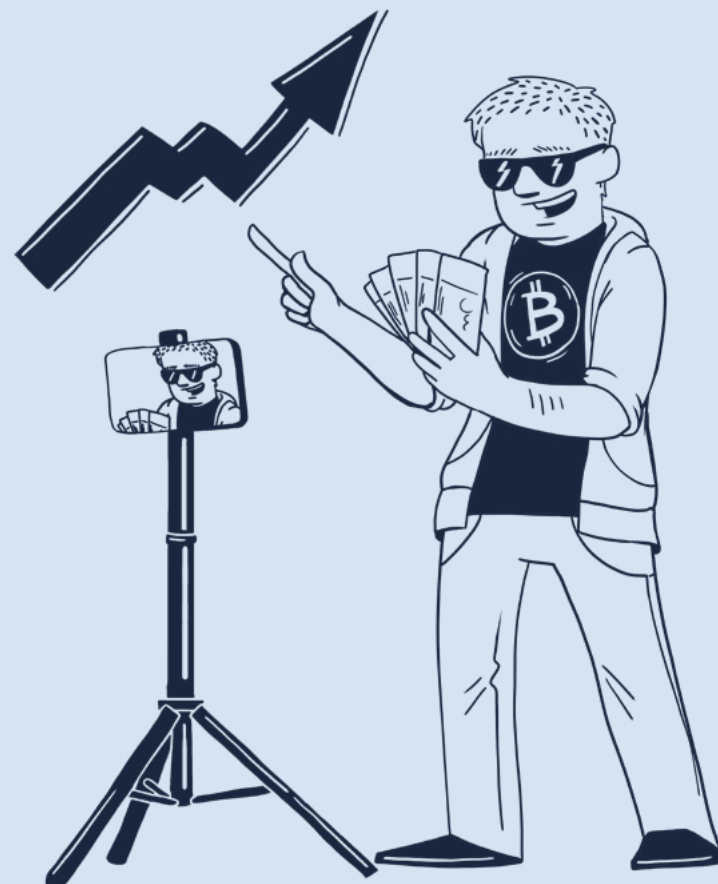
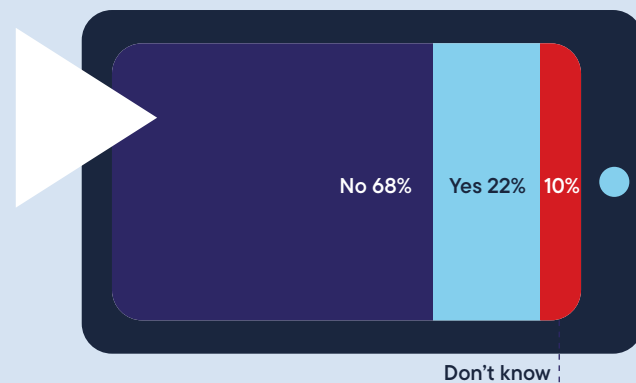
The rise of the financial influencer/blogger, the so-called 'finfluencer', is also noticeable among young Czechs. Nearly one-quarter (22%) of respondents said they follow at least one financial influencer online (that rises to 40% of those aged 18–21), with the top three: Kovy (19%), Erik Meldik (12%) and Ondrej Koběrský (7%). Nearly 70% of those who follow any financial influencers said they trust their advice, and the vast majority (82%) claimed that it's evident when their posts include paid promotions.

It is worth noting that in the Czech Republic, as in many countries, financial influencers are not legally required to undergo any formal training, nor are they required to adhere to any code of practice, and while they could fall foul of financial regulations, they are not formally regulated. The Czech National Bank, the country's financial regulator, said the term "finfluencer" is not a legal term, so it is always necessary to assess their specific activities and the content of the information provided to understand whether the Capital Market Business Act applies.

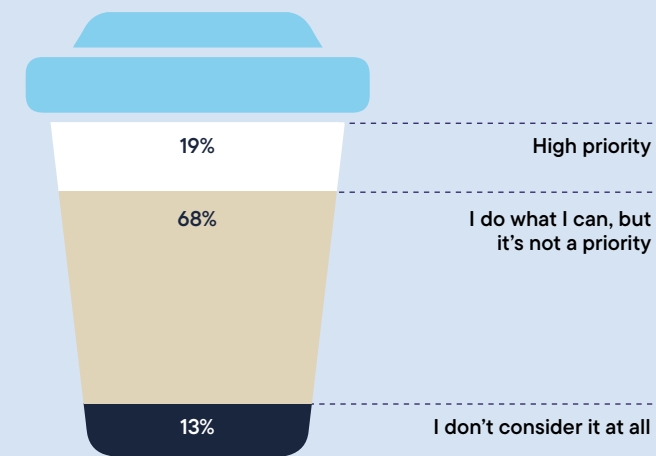
Are you a victim of financial fraud?



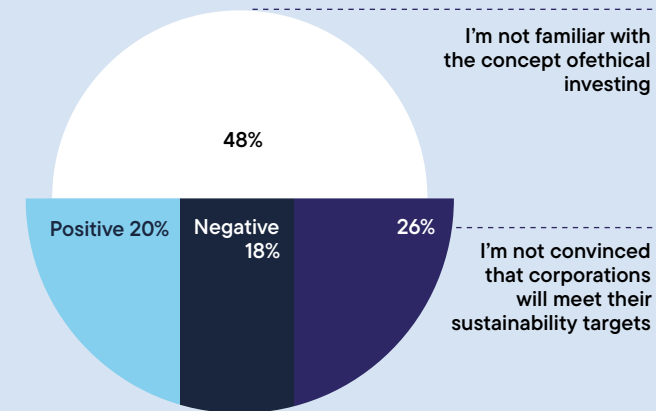
Do you follow an online financial influencer?



Is sustainability important to you?



What is your attitude towards ethical investing?



Green Living, Green Investing

Sustainability is a significant personal priority for one in five Czechs (19%) aged 18–35, though this diminishes with age, dropping from 26% in the 18–25 age group to 14% in the 30–35 age group. Nearly two-thirds of our respondents, or 68%, said they do what they can in terms of sustainability but it's not a priority, with this approach more common among women than men (71% vs 65%). In fact, 13% don't consider sustainability at all, primarily those aged 30–35.

This ambivalence carries through to attitudes towards green or ethical investing. Almost half of Gen Z/Millennials (48%) said that they were not even familiar with the concept of ethical investing, while a quarter (26%) display a familiar Czech scepticism that corporations will actually do their bit for the climate and meet their sustainability targets. Such sceptical attitudes to green investing have been reflected in other studies: in a 2021 study, just 37% of Czechs said they knew about the possibility of investing in companies striving for sustainability, but among young people that figure was 54%.

For the 20% of Young Money Matter respondents who have a positive view on ethical investing, 10% believe it presents a strong investment opportunity. Just 7% expressed an interest in ethical investing, while even fewer, 6%, said they had actually made an ethical investment.



Staying Positive

For all the worries about the climate emergency, the cost-of-living crisis and the growing unaffordability of housing, young Czech people – despite what the headlines often suggest – are remarkably optimistic about the future, and generally positive about meeting their financial aspirations. This is borne out in other global surveys, such as *Deloitte's 2024 Gen Z and Millennial Survey*, which found that nearly half of Gen Zs (48%) and four in 10 Millennials (40%) expect their personal financial situations to improve over the next year. Another *survey* found that almost two-fifths of Czechs believe they will better manage their finances this year than in 2023.

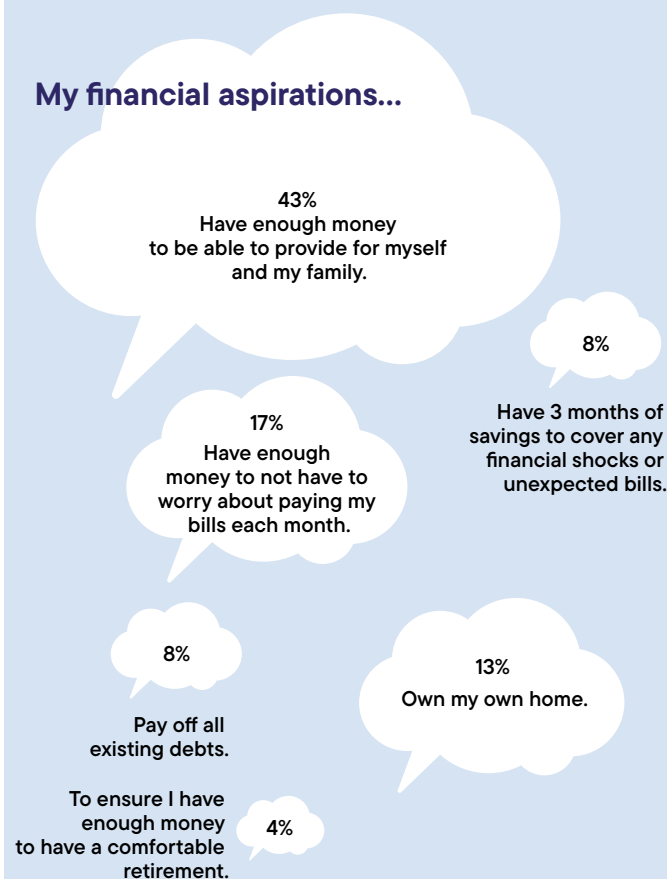
Although 58% of young Czechs said they expect the cost of living to rise over the next year and 37% expect it to stay the same, our Young Money Matters survey also found that two-thirds (67%) of respondents feel their financial aspirations are attainable.

Among the 14% who perceive them as unachievable, the most common justifications were the high cost of living (68%), the inability to earn sufficient income (63%), house prices are too high (49%) and high taxes (36%). According to Deloitte's most recent *Property Index report* the average transaction price of a new dwelling in the Czech Republic in 2022 stood at €3,753/m², up 12.1% from the previous year and more in line with the United Kingdom than Romania and Poland.

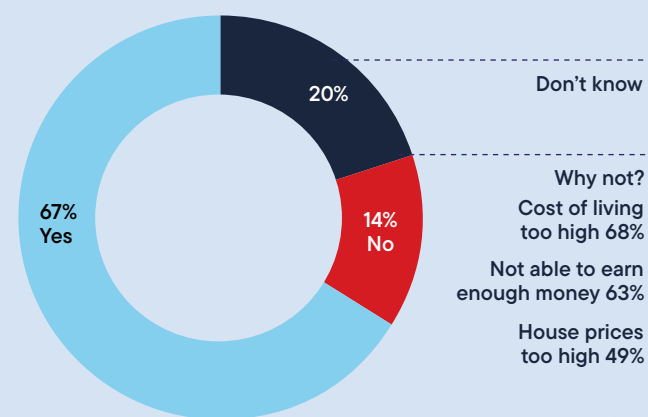
While owning their own home is the top priority of 13% of young Czechs (in the top three aspirations of 39%), the most important aspirations are to “have enough money to be able to provide for myself and my family” (43%) and to “have enough money to not have to worry about paying my bills each month and to have some spare money for non-essential costs” (17%).

After owning their own home, the other top aspirations are: to “pay off all existing debts” and to “have three months of savings to cover any financial shocks or unexpected bills” (both at 8%).

My financial aspirations...



... and can I achieve them?



What We Learned: Education Matters

Despite the economic pressures of recent years – soaring inflation, lock-downs, high energy prices, the cost of housing – the majority of young Czechs (67%) are broadly optimistic about their ability to achieve their financial aspirations.

Meeting those aspirations, however, could be a challenge. For starters, many young Czech people say they keep any money left over at the end of the month in their current or savings accounts. Moreover, one-third of young Czechs say that a current bank account is their first choice for saving. This means they lose some of their savings to inflation – needlessly self-defeating given that alternative savings and investment options are available on the market.

And while young Czech people say they are optimistic about their financial aspirations, they are not looking too far ahead: just 4% of respondents said that ensuring they have sufficient money for a comfortable retirement was a priority. For youngsters, of course, old age, retirement and pensions are distant and somewhat abstract. Nevertheless, at a time when the state pension system is seriously challenged and the government openly admits that a state pension might not be enough for a decent living, pension planning shouldn't be ignored, or left too late.

Which brings us to knowledge and learning, or rather the lack of it. Our survey reveals that just 14% of Czech youngsters received any form of education about personal finances at school. And once they leave school, a lot tend to rely on informal channels for advice and information: 47% of respondents say they surf the internet for their financial information; 35% of respondents say they get their financial information from friends, and 38% turned, naturally enough, to their parents for advice on money matters.

On the other hand, 37% of respondents sought advice from a bank or other financial institution, and more than a fifth (22%) of young Czech people say they follow at least one financial influencer online. Clearly, a substantial number of young people are seeking guidance on money matters. But whereas banks and financial institutions are regulated by the Czech National Bank, and thus bear legal accountability for their actions and the advice they dispense, online influencers need no formal training or qualifications, and are essentially unregulated.

The Czech Republic is by some margin the wealthiest country of the three we surveyed, as measured by GDP per capita. The range of financial products available is

more sophisticated than the offering in Poland or Romania. And most young Czechs, as our survey reveals, are optimistic about their financial future. Yet both government and the financial services industry fall short when it comes to providing financial education and advice to aspirational youngsters.

Is it too much to ask for schools to insert a weekly hour on the rudiments of household budgeting during the final year of school? And while banks and financial institutions continuously bombard the marketplace with ads for their products, how often, and how much, do they genuinely invest in educating their target customers? Surely, the big Czech financial institutions have no shortage of resources available to invest in the provision of advice and education to their future customers?

If more youngsters received solid budgetary advice while at school, followed by some genuine guidance – rather than sales spiel – from the financial services industry that aims to serve them as they set out in life, perhaps they would feel more informed and empowered, less likely to fall prey to fraudsters (as 13% of our respondents say they have), and thus more likely to achieve their financial aspirations.

... What We Will Explore Next Time

In our next Young Money Matters we will revisit some of the topics addressed in this survey and consider new areas to look at...

- Housing – rent, lease or buy?
What are the costs and benefits of different housing options?
- Starting a family and having children...
The economics behind the ultimate commitment.
- Career opportunities and choices, and income levels
Seek employment, pursue a vocation, chase a career, start a business? Income levels: expectations vs reality. The gender pay gap.
- Financial products...
Which ones make your money work for you?
- Rest and play
Discretionary spending.
- Borrowing...
When it makes sense, when it doesn't.

build your brand awareness
raise your profile get your news out **argue your case**
enhance your reputation monitor your competitors
analyse the media **tell your story**
map your stakeholders
enter new markets explain your position
maintain your visibility
support your business development
address your audiences **& plan your event**
promote your product or service
act as your media office

How can we help you?

Let's talk... call or write to Joe, Anna or Alex

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Notes and Further reading

https://csu.gov.cz/employment-and-unemployment-lfs?pocet=10&start=0&1_pocet=10&1_start=0&pouzeVydane=true&skupiny=43&vlastnostiVystupu=15,01&razeni=-datumVydani&1_pouzeVydane=true&1_skupiny=43&1_vlastnostiVystupu=12&1_razeni=-datumVydani

<https://genderdata.worldbank.org/en/economies/czechia#:~:text=In%20the%20Czech%20Republic%2C%20the%20labor%20force%20participation%20rate%20among,has%20remained%20roughly%20the%20same.>

https://commission.europa.eu/document/download/61252380-e608-4157-818d-e81619715310_en?filename=equal_pay_day_factsheet_2022_en_1_0.pdf

<https://www.seznamzpravy.cz/clanek/domaci-zivot-v-cesku-drsny-trend-rodiny-s-detmi-a-osamele-seniorky-padaji-do-energeticke-chudoby-254675>

<https://www2.deloitte.com/content/dam/Deloitte/cz/Documents/real-estate/property-index-2023.pdf>

<https://denikn.cz/1471214/studenti-si-letos-za-koleje-opet-priplati-podivejte-se-jak-se-zvysi-ceny-na-vasi-univerzite/?ref=mwat>

https://www.generali-investments.cz/o-nas/aktuality/udrzitelnym-investicim-nejvici-ce-veri-mladi-do-ekologickyh-spolecnosti-investuje-8-lidi-do-26-let.html?fbclid=IwZXhObgNhZWOCMTEAAR0ObAp4cxGRT3BlizLFrNVN5RPtFqbMJBNPys6Z7HtXVtxNPE39fUFcano_aem_sgdV1tv-P8wz6GzmZKor6w

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Young Money Matters was written by Nicholas Watson, and translated from the English by our teams in Bucharest, Prague and Warsaw. We are indebted to Andrew Appleyard and Chris Tuite at [MRM](#) in London for their encouragement and an early draft questionnaire that stimulated lively debate in our offices, and which was further developed, collectively, by Alexandru Alexe, Daliana Bărbuică, Marie Chaloupková, Joe Cook, Aleksandra Jagoda, Agata Koczońska, Simon Kubat, Mateusz Rolewski, Vit Šubrt, Nicholas Watson and Anna Ziubińska. Our questionnaires were then used for the surveys conducted by [GfK](#). Soňa Daňková and Lukáš Honzák at [Ginger & Fred](#) in Prague prepared the info-graphics, design and layout. Young Money Matters is published by and is the copyright of [Cook Communications](#) © 2024.

