CNBC SAVINGS

Millennials outspend older people on this one item

Young consumers generally seem to know how to stretch a buck

By: Josh Weiss
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Older doesn't always equal wiser.

In fact, millennials seem to be pretty thrifty, buying more but spending less on average than baby boomers or Gen Xers, according to a new report from TD Bank. While they make more frequent purchases and go out twice as often, people ages 18 to 34 spend about a quarter less than both older generations.

Millennials mainly direct their money toward retail and dining purchases, the report found. They eat out about 13 times a month on average and spend about $100 monthly on dining. Meanwhile Gen Xers and boomers spend around $120 and $140 per month, respectively, despite eating out only about half as often as younger folks.

"[Young people] are more cost conscious," said New York-based financial planner Douglas Boneparth. "They're more astute to value."

There is, however, one item millennials can't quite get enough of: coffee. Buying coffee nearly twice as often as older generations, young people spend about $80 per month on cups of Joe, well above the overall average of $67.

That's just another reflection of young consumers' growing "on-the-go" culture, said Troy Dennis, a senior vice president at TD.

It fits with the broader picture the survey results paint, Dennis said, since millennials tend to be more cash-strapped and need easy, cheap conveniences like coffee and fast food. They just don't have as much income to spend in general, especially compared with older, more financially settled generations, he told CNBC.

Over one year, millennials spend more than $26,000 on average to cover things like bills, food, entertainment, clothes and travel — compared with $32,000 for the average U.S. consumer.

In a way, the findings are optimistic, said Boneparth.

"If this data supports the notion that millennials are becoming masters of cash flow, then it's very encouraging," he told CNBC.

He partially credits financial responsibility among young people to the Great Recession. Millennials got scared when they saw what problems arose from the overspending of older generations, Boneparth said.

The web has also allowed people to become savvier shoppers, he said, especially younger adults who might be more comfortable using it to search and sign up for deals.

"We're a technologically savvy generation," said Boneparth. "Gathering data and doing research is easier. We use the internet in a much faster and [more] comprehensive way."

As millennials enter their professional careers, their spending will go up, said Dennis. But for the time being, he said, they don't have enough disposable income to buy the high-priced products that older shoppers enjoy.

Indeed, millennials' median income is actually lower in real terms than what Gen Xers earned at the same age. And unemployment and student debt are only a couple of reasons among many that young people today face greater economic hardship than did older generations.

Perhaps unsurprisingly, the report also found that millennials are more hesitant of using credit than any other age groups.

"Millennials are starting their credit journey later," Dennis said. "Cash is still king for [them]."

The problem, said Dennis, is that avoiding credit cards prevents young people from building a strong credit history — which will be necessary later if they want to borrow money for a big purchase, like a home.

Millennials shouldn't be spending more, Dennis said, but they should consider using credit rather than debit for purchases, not only to build creditworthiness but also to take advantage of reward and cash-back programs offered by credit-card companies.

The survey queried over 1,500 consumers nationally in April about their monthly spending habits.