Gen Z + Millennial Consumer Perspectives on Banking

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As the world of finance evolves further into the 21st century, banks, credit unions, and fintechs are working to build sustainable solutions that will connect with the largest possible segment of customers. Several factors, however—including new technology, the ongoing COVID-19 pandemic, aging demographics, and wealth transfers—pose significant questions as to how financial institutions (FIs) and fintechs can more deeply connect with and serve their customers. There's a lot on the line in this race to gain (and retain) loyal customers.

> **There's also abundant opportunity for innovative FIs. For example, the largest transfer of wealth in U.S. history is taking place, as Baby Boomers have already begun transferring their assets and fortunes to the younger generations—Generation X, Millennials and Gen Z.**

Close to $70 trillion has been set in motion, highlighting the need for institutions to more fully understand today's banking attitudes as well as the habits and preferences of these different groups.

This whitepaper, brought to you by MX, Finn AI, Rival Technologies, and Q2, contains benchmark data highlights from a study focused on exploring the use of financial products and services by Baby Boomers, Millennials, and Gen Z. This study also highlights their preferences for digital solutions and their level of trust in these solutions.

Please note that this whitepaper represents the first installment of an upcoming series of whitepapers and one report that will explore survey findings and provide greater analysis of the data.

Key Findings

- Limitations created by financial difficulty, credit card debt, and emergency savings affect large segments of Baby Boomers, Millennials, and Gen Z alike. Millennials, however, are more likely to have financial difficulty and debt, while Gen Z is more likely to have limited emergency savings.

- As FIs speculate where to invest in future product development, security services are more likely the safest bet among both younger and older customers. Money management tools and virtual assistants should be considered as another opportunity worth exploring, particularly for younger-generation customers.

- Over 80% of Millennials and Gen Zs are using a Money Transfer App -- alongside 50% of Boomers. Banks and credit unions still have (or may have already lost) a huge opportunity to provide lucrative money transfer services that appeal to a wider customer base. While FIs are meeting many standard expectations for their customers regarding transaction data access, they may be offering less satisfactory money transfer services, which is a task that many customers want and need to perform and, thus, presents both a significant opportunity and risk in terms of revenue generation and market share for FIs.

- **Among the support channels FIs or fintechs could offer their customers, live chat is the most likely channel to meet the preferences of the largest number of possible customers across younger and older generations.** In general, people appear to prefer live-chat to phone or in person, Millennials and Gen Z groups prefer digital channels overall, and for FIs vs. other businesses, there is a stronger preference for phone and in-branch visits.

- Regardless of generation, the most important factors affecting how customers choose a financial service provider are (1) trust and security, (2) rates, products, services and special offers, (3) the ability to talk to a person when support is needed, and (4) a great digital experience.

- While FIs appear to have secured a general sense of trust from their customers, it's clear that they have work to do in order to gain their complete trust in regard to data security. It's also clear that tech companies and fintechs have not yet secured a wide perception or image of trustworthiness among most consumers, and local/regional banks have more work to do in improving their trustworthiness image among younger generations.

- Despite expressing an overall sense of mistrust of tech companies and fintechs, the majority of Gen Z and Millennials—and 41% of Baby Boomers—still feel comfortable using payment or money movement services offered by these companies. This implies that the experience offered by these companies is so convenient that it overrides customers' trust concerns. Banks and credit unions have an opportunity to capitalize on their greater levels of trust among their consumers by providing convenient payment experiences that are comparable to those offered by tech companies.

Methodology Summary

This study incorporates feedback from 1,039 respondents from various regions across the United States. Approximately 40% of the responses come from the Gen Z segment, 40% from the Millennial segment, and 20% from the Baby Boomer segment. The results of this study are not presented in terms of statistical significance or statistical correlation. Rather, we took a qualitative approach and analyzed the data by comparing percentage differences between segments of the response pool.

It's important to note that the results of this study represent pattern perceptions among our sample. They don't necessarily reflect the reality of or predict people's actual behavior. Regardless, we're confident that the patterns identified in this study provide useful insights regarding consumer banking perspectives and that they can be used to inform the product, services and marketing strategies of financial institutions and fintechs alike.

Gen Z - Age 15-24
Millennials - Age 25-40
Baby Boomers - Age 57-75

Response Pool Demographics and Financial Profile

The response pool, while not a fully representative sample of the U.S. census, offers a spread of perspectives from a variety of demographics. The response pool consisted of 40% Gen Z, 39% Millennial, and 21% Baby Boomer age groups, and respondents were 65% male, 35% female, and 1% self-described gender or non-specific. Respondents also included people from various regions across the country—37% from the South, 22% from the West, 22% from the Midwest, and 19% from the Northeast. We also surveyed people from a wide variety of educational backgrounds.

In addition, we asked a number of questions designed to provide a sense of the potential payment habits or the financial vulnerability of respondents. In terms of payment methods used most often, most respondents claim to use debit cards, and slightly less than half of the group claims to use credit cards regularly. Otherwise, money transfer apps and cash are regularly used by roughly one-third of respondents. Relatively few respondents use checks, bank transfers or crypto currency.

When it comes to markers of financial behavior or vulnerability, 83% of respondents said they had not used a buy-now-pay-later (BNPL) option in the last year, and nearly three-fourths of respondents avoid credit card debt either generally or entirely. In spite of these encouraging patterns, there are, notably, some discouraging patterns as well. For example, almost 1 in 5 Millennials and Gen Z respondents used BNPL in the last year. This correlates with rates of BNPL use among Gen Z and Millennials published by Forbes, where usage among younger generations in particular seems to be increasing year to year.

In addition, more than half of the respondents also reported experiencing financial difficulties at least occasionally, with Millenials showing the highest percentages. We also asked how long respondents' emergency savings would last if they lost access to regular income and discovered that 26% have savings that would last two weeks or less and that only 25% have savings that would last more than six months. There was a 34% subgroup of Baby Boomers that have savings that would last a year or longer.

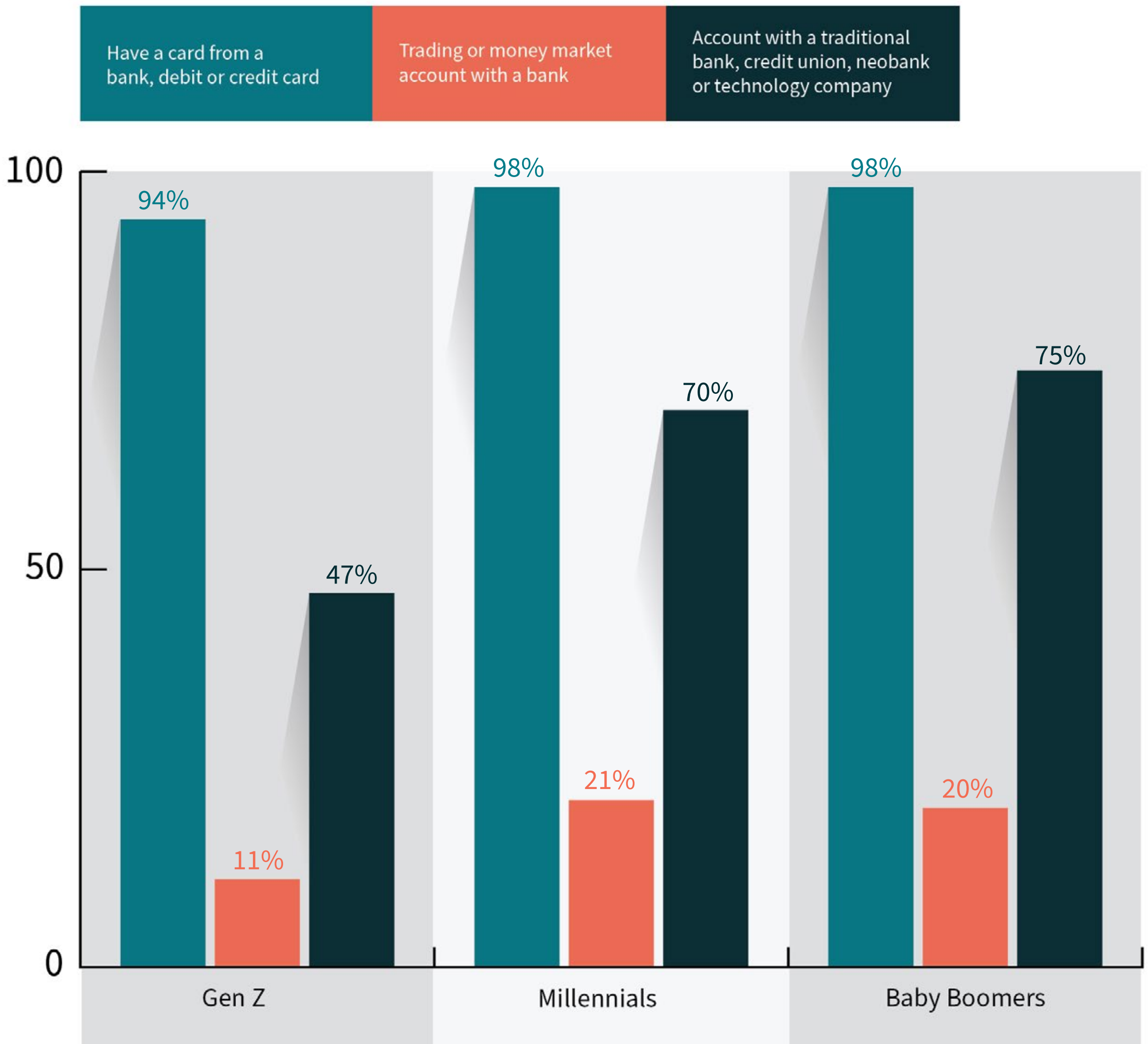
TAKEAWAY: Limitations created by financial difficulty, credit card debt and emergency savings affect large segments of Baby Boomers, Millennials and Gen Z alike. Millennials, however, are more likely to have financial difficulty and debt, while Gen Z is more likely to have limited emergency savings.

Generational Differences in Banking Habits

Banking habits vary by demographic. For example, the survey revealed that Gen Z is far less likely to have a traditional bank account than Millennials or Baby Boomers. Just 47% of Gen Z respondents—versus 75% of Baby Boomers and 70% of Millennials—claimed to have an account with a traditional bank, credit union, neobank or technology company.

Baby Boomers, however, were found to be far less likely to utilize mobile banking. Only 28% of Baby Boomer respondents—compared to 73% of Millennials and Gen Z—indicated that they'd used a mobile banking platform in the last three months. Baby Boomers were far more likely to visit a physical branch than Millennials or Gen Z, and they were also more likely to join a bank based on in-person experiences over digital offerings.

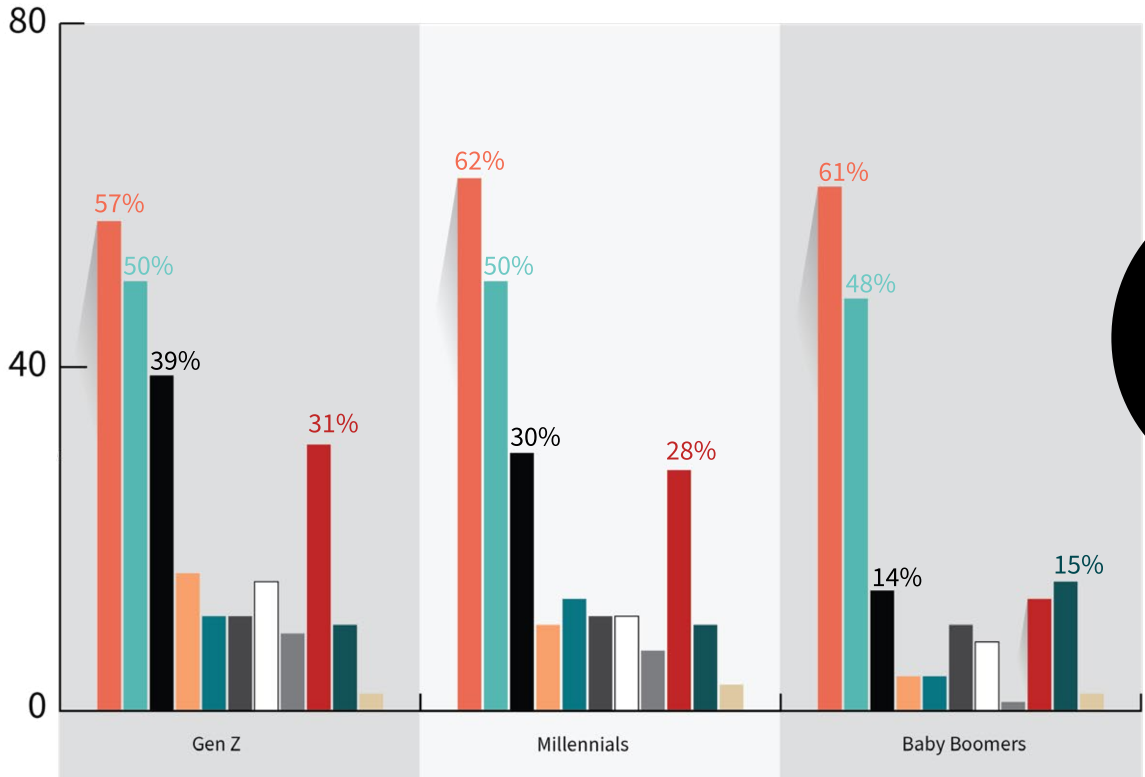
Respondent Financial Accounts

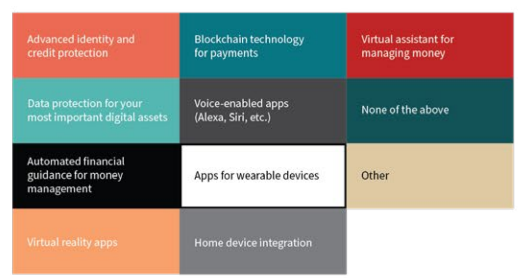


Attitudes Toward the Future of Banking, Banking Services and Personal Finances

As for expressed interest in future banking services, at least 57% of each segment indicated that they would like their FI to consider providing advanced identity and credit protection, and nearly half of each segment expressed interest in data protection for digital assets. Security was important to a large subset of the customer/member base.
Gen Z and Millennials showed particular interest in FIs providing automated financial guidance or virtual assistants for help in managing their finances. Though money management services showed markedly less interest from Baby Boomers, 14% still expressed interest in automated financial guidance and 13% expressed interest in a virtual assistant.Overall, each age group felt similarly about the future of banking. Interestingly, even though Baby Boomers are more likely than other segments to prefer in-person banking interactions at physical branches, 39% still say they believe that there will be far fewer branches in the future. In addition, despite their proclivity for online or mobile banking apps, large subgroups of Gen Z and Millennial respondents speculated that branches will survive. However, 20% of both Gen Z and Millennial respondents—and 13% of Baby Boomers—also suggested that banking will be online only.

Interest in Future Services from Bank/Credit Union



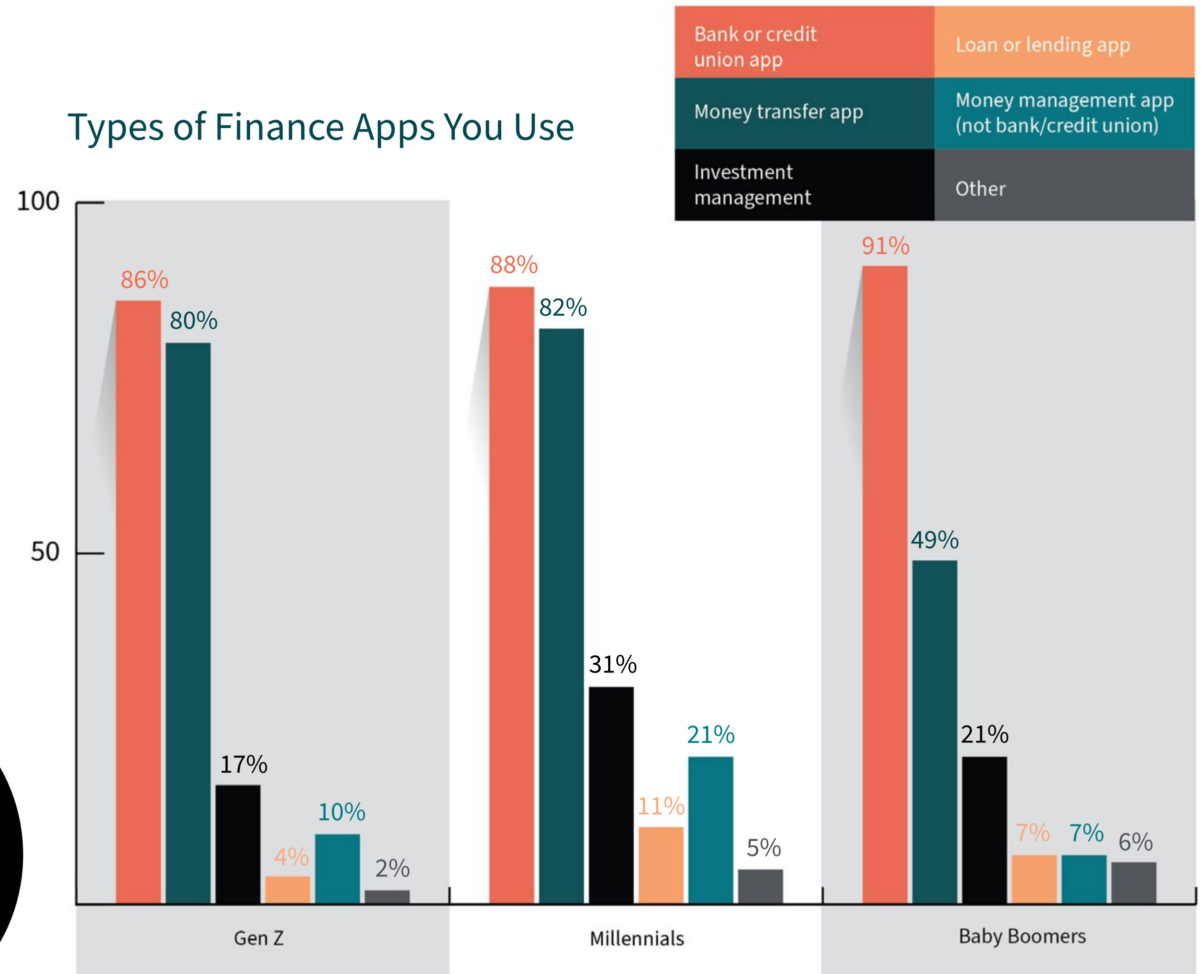


TAKEAWAY: As FIs speculate where to invest in future product development, security services are easily the safest bet among both younger and older customers. Money management tools and virtual assistants should be considered as another opportunity worth exploring, particularly for younger-generation customers.

Attitudes Toward Financial Apps

Research showed that most respondents have three or fewer financial apps on their phones, while a surprising number of respondents—mostly Baby Boomers—had no financial apps. Among those that did indicate the use of financial apps, most used apps for banks and credit unions. It's clear that Baby Boomers are less likely to use a money transfer or money management app, while Millennials are more likely than other groups to use investment management apps. Among the Baby Boomers that do use financial apps, however, 49% use a money transfer app.

TAKEAWAY: Given the wide use of money transfer apps among Gen Z and Millennial customers and among Baby Boomers who use financial apps, banks and credit unions still have (or may have already lost) a huge opportunity to provide lucrative money transfer services that appeal to a wider customer base.



Customer Support Preferences

In terms of support preferences, most respondents favored similar support channels. The largest subsets of each group favored live, human-driven support channels. All three groups showed high interest in live human chat, call-center services, and visiting the store or branch—though live chat appeared to be the most broadly desirable channel overall. Additionally—and unsurprisingly—**53% of Gen Z respondents and 42% of Millennials wanted to be able to find their answer online,** while 27% Baby Boomers preferred this channel.

Another set of data from our survey helps add additional color to this pattern preference. When respondents were asked what they found most frustrating in their interactions with digital banking services, a significant number mentioned that if they have a question or run into a snag in their experience, they want to be able to communicate with a person right away in order to resolve their issue. Several also mentioned that chatbots, automated calling systems, or long call-center wait times contribute to their frustration.

TAKEAWAY: Among the support channels FIs or fintechs could offer their customers, live chat is the most likely channel to meet the preferences of the largest number of possible customers across younger and older generations.

Satisfaction and User Experience with Digital Banking

The sentiment expressed by each group regarding their digital banking experience was consistent overall. Approximately 85% of respondents were at least somewhat satisfied with their overall banking services experience, though Baby Boomers were much more likely to be very satisfied. Interestingly, when respondents were asked whether they agree that their primary FI makes doing what they want with their money easy, nearly half of respondents in each group said that they somewhat agree. This same pattern persisted for all three groups when they were asked if their primary FI "offers impressive digital tools and self-service options" and "cares about my needs and provides value."

In addition, among the tasks respondents might perform using their FI's digital experience, a few interesting patterns emerged. While respondents across each group felt that banks and credit unions are typically doing well at making it easy for users to access their balance and transaction history and review their spending history, large subsets of respondents across each group (between 20–58%) indicated that they're not sending money, paying bills, or applying for loans or credit cards via the digital experience offered by their primary FI. On top of this, when it comes to sending money, paying bills, or applying for loans or credit cards via their primary FI's digital platform, respondents are more likely to imply that doing so was less easy than they would prefer.

TAKEAWAY: FIs are meeting some core expectations for their customers, but they may be offering diminished money transfer services, which presents both a significant opportunity and risk in terms of revenue generation and market share.

Top Priorities When Choosing a Financial Service Provider

When choosing a financial service provider, each generation showed less variability in their responses than expected. Nearly half of Gen Z and Millennial respondents indicated that the digital banking experience is **very important** when they're choosing a financial service provider, and the majority of all three groups indicated that the digital experience was at least somewhat important.

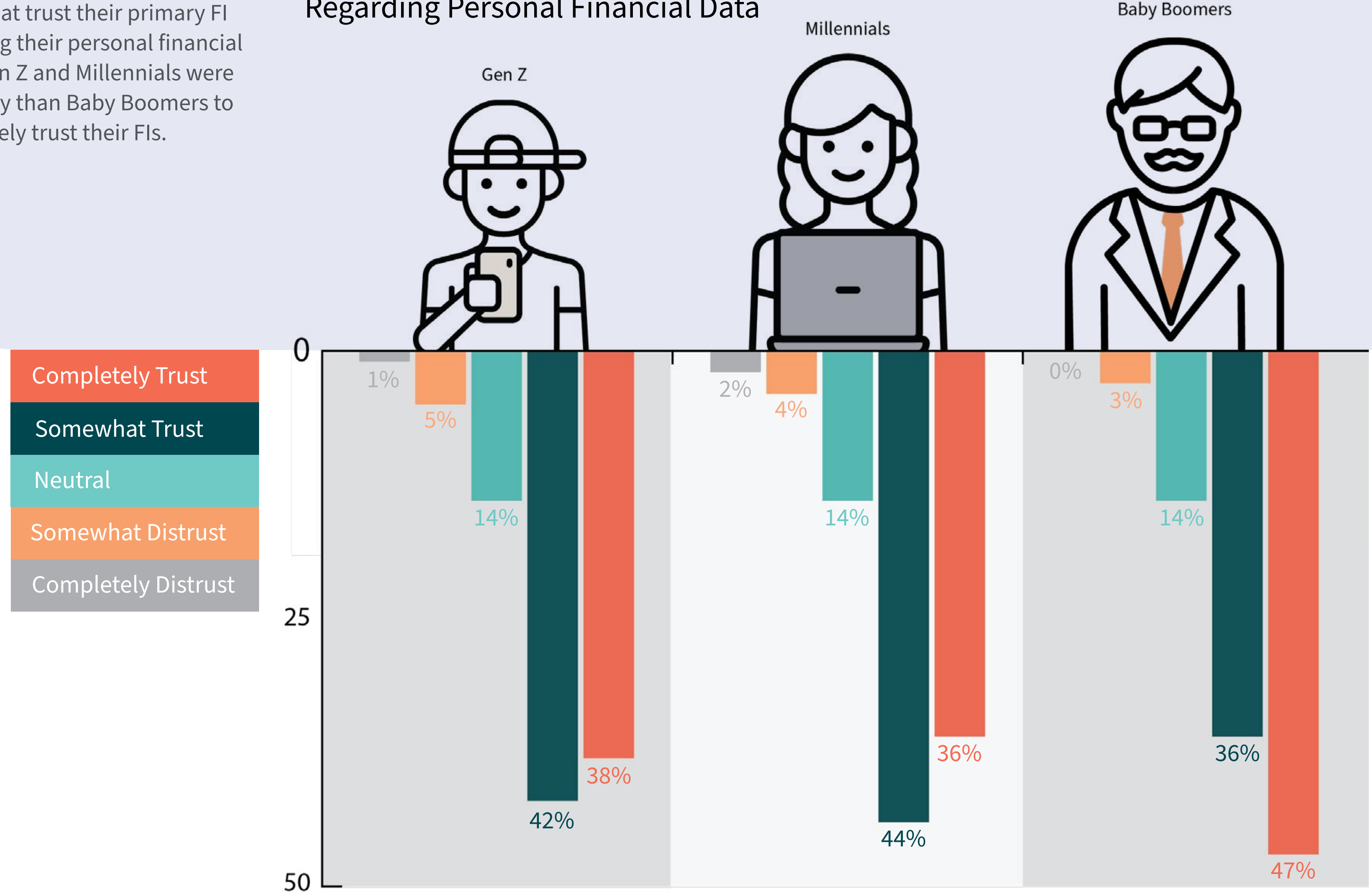
Among the top priorities when choosing a financial service provider, "level of trust and security" was selected by at least 48% of each group. Among Gen Z and Millenials, "rates, products, services and special offers" was the second-most-important category. While Baby Boomers were more likely to prioritize more personalized features—including the ability to talk to a person, the friendliness of the staff, and the closeness of the branch—large subsets of this group also selected the same priorities as the younger groups. Vice versa, large subsets of each of the younger groups also selected priorities that were most important to Baby Boomers.

TAKEAWAY: Regardless of generation, the most important factors affecting how customers choose a financial service provider are (1) trust and security, (2) rates, products, services and special offers, (3) the ability to talk to a person when support is needed, and (4) a great digital experience.

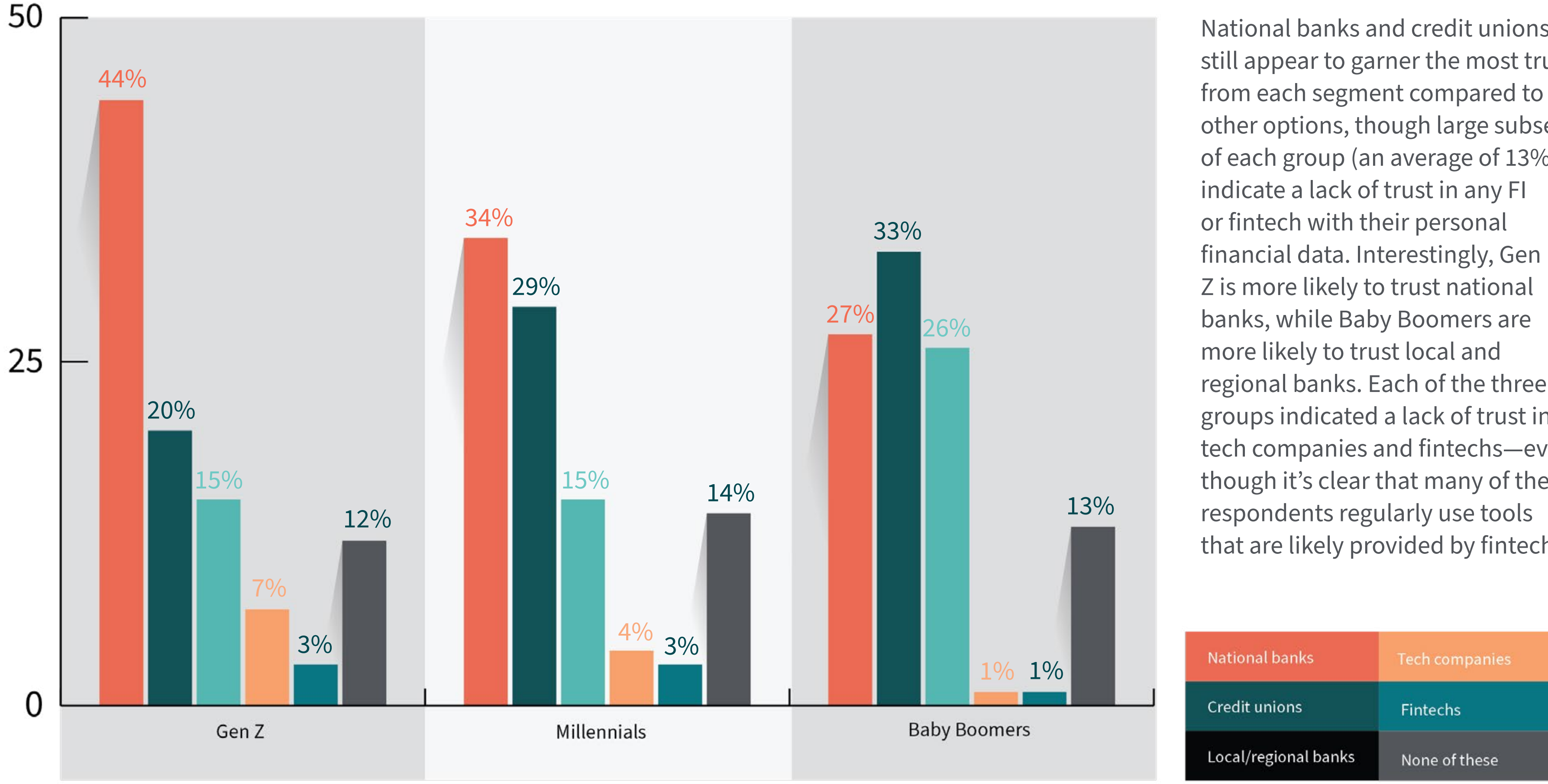
Trust in Financial Institutions

While most respondents from each group indicated that they at least somewhat trust their primary FI regarding their personal financial data, Gen Z and Millennials were less likely than Baby Boomers to completely trust their FIs.

Level of Trust in Primary Financial Service Provider Regarding Personal Financial Data



Organizations They Would Trust Most to Securely Manage Personal Financial Data



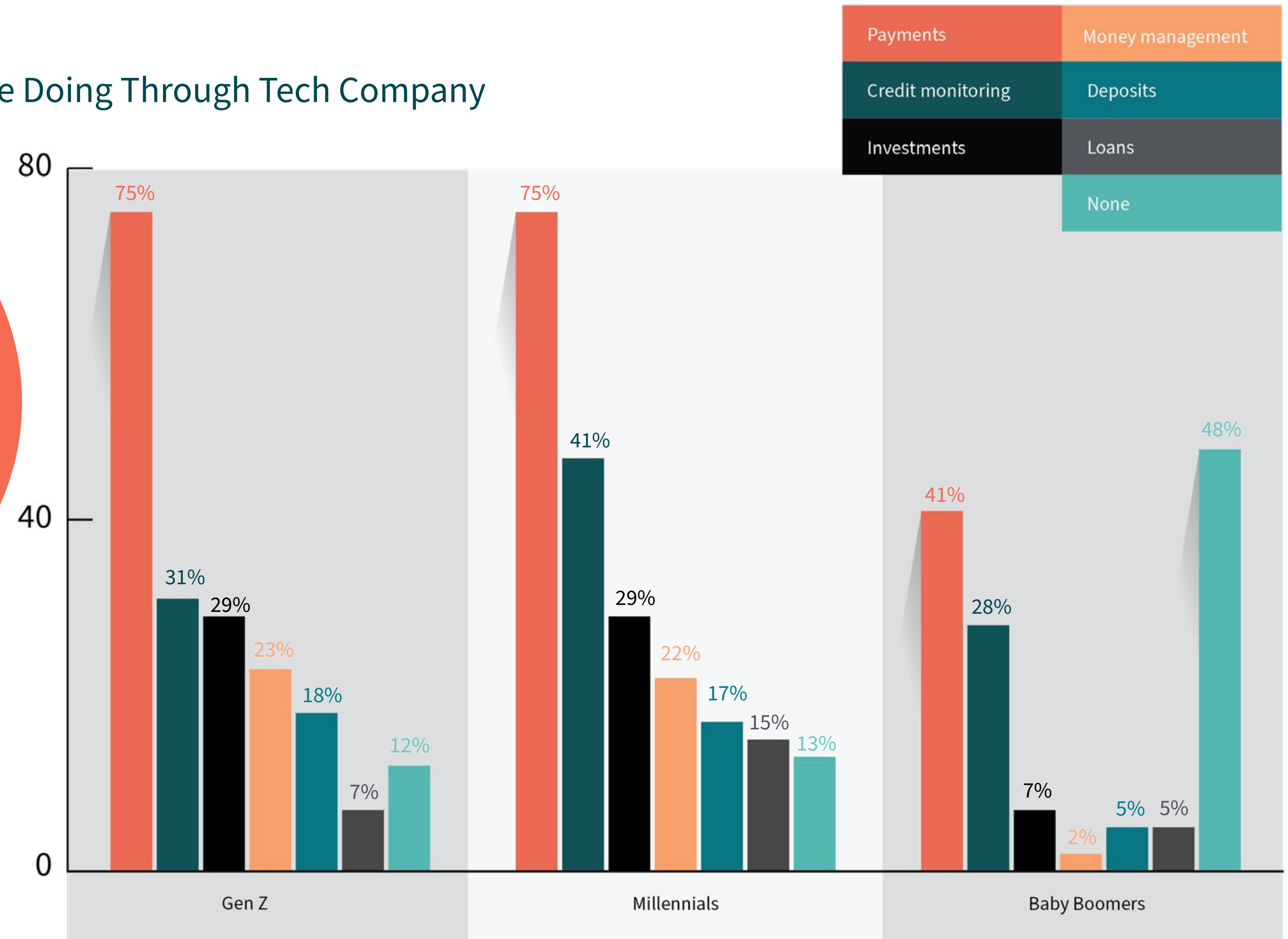
National banks and credit unions still appear to garner the most trust from each segment compared to other options, though large subsets of each group (an average of 13%) indicate a lack of trust in any FI or fintech with their personal financial data. Interestingly, Gen Z is more likely to trust national banks, while Baby Boomers are more likely to trust local and regional banks. Each of the three groups indicated a lack of trust in tech companies and fintechs—even though it's clear that many of the respondents regularly use tools that are likely provided by fintechs.

Despite the apparent mistrust in tech companies and fintechs, 68% of respondents said they were willing to conduct payments through a tech company. Large subsets of each group also indicated a significant level of trust in performing other tasks—such as credit monitoring, investments and money management—through tech companies.

Baby Boomers are the least likely group to feel comfortable performing any of those tasks through a tech company, though 41% still indicated that they conduct payments and 28% indicated that they would do credit monitoring through a tech company.

Banking Tasks Comfortable Doing Through Tech Company

TAKEAWAY: FIs are meeting some core expectations for their customers, but they may be offering diminished money transfer services, which presents both a significant opportunity and risk in terms of revenue generation and market share



Conclusion

The insights from our research present FIs and fintechs with a variety of opportunities worth exploring. First and foremost, though Gen Z, Millennials and Baby Boomers show some differences in their perspectives and preferences, many of their expectations or experiences overlap and highlight the intersectional needs and desires that most consumers share with one another. Among the many areas to explore, FIs would likely benefit from focusing investment or research around how to better manage their customers' trust while offering services that improve data and financial security. In addition, **FIs and fintechs should consider whether their support services offer sufficient opportunities for immediate, human help, either human or self-service.**

FIs also need to be aware that there appear to be gaps in customer satisfaction around the same types of tasks that customers are increasingly using non-FI payment apps to perform. In this sense, it's apparent that banks and credit unions have already lost a lucrative market share in the payments space and may continue to do so among the younger and older generations unless they offer a better payments experience.

The greatest opportunity for banks and credit unions to capitalize on is the level of trust they've already established with their customers. This could include providing even more opportunities to secure trust, offering competitive and valuable services and products, and keeping the human touch even as interactions move into digital channels.

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