



FinTech v2.0

How Generation Z is Changing the Financial Services Landscape



A ZELDIS RESEARCH THOUGHT LEADERSHIP STUDY



The rise of Generation Z as a potential “**seismic shift**¹” in the adaptation and usage of FinTech.

The usage of FinTech has increased dramatically² :

58% in 2020



88% in 2021

¹ 2020 Cushman Wakefield article: <https://www.cushmanwakefield.com/en/insights/the-edge/are-millennials-and-Gen-Z-powering-a-fintech-revolution>

² 2021 research study released by Plaid and the Harris Poll <https://plaid.com/blog/report-the-fintech-effect-2021/>



We know we want to explore the impact of Gen Z on the financial services and FinTech sectors. Some potential questions to answer...



- How, specifically, are Gen Zers disrupting the financial services/FinTech space?
- How do Gen Zers have different (or similar!) expectations, usage patterns, and challenges with FinTech, relative to other generations?
- What do Gen Zers really think of crypto, peer-to-peer lending apps, payment apps, and investing apps?



Phase 1: Exploratory Webcam Focus Groups with Gen Z Consumers



- Two, 60-minute Zoom focus groups were conducted with Gen Zers (age 18-25)
- Groups were conducted on February 28 and March 3, 2022
- Five Gen Zers participated in each focus group (n=10 total)
- **Focus of this deck**

Phase 2: Quantitative Survey with Gen Z Consumers



- Scope and objectives TBD based on crowd sourcing with financial companies
- May be broader or narrower in focus
- May include comparison groups of older generations
- Stay tuned...

Attitudes Towards Finances



Key Gen Z Financial Goals



Gen Zers' estimation of their ability to reach short- and long-term financial goals are cautiously optimistic – overarching goals include:



Short Term Goals

- Moving out/getting their own place
- Starting a business
- Graduating/getting an advanced degree



Long Term Goals (10yrs+)

- Paying off student debt
- Buying a house
- Personal goals
(getting married, having children, traveling the world, etc.)

Key Gen Z Financial Concerns



I am a bit concerned that I'm not doing enough for the future right now. (Jake)

Key Financial Concerns:



Juggling Priorities/keeping goals in focus



Paying off debt (especially student loans)



Unexpected expenses (e.g., car issues, etc.)



World uncertainty/circumstances outside of their control



Money and Finances Are a High Priority for Gen Zers



Gen Zers are often balancing many different, and **often conflicting**, financial needs and desires.



Financial Needs and Responsibilities

- *Education* — often without a consistent income source
- *Employment*
- *Increasing cost of living*

Vs.



Financial Wants and Desires

- *Hobbies*
- *Interests* (e.g., travel, entertainment, etc.)
- *Retirement* — often takes a backseat out of necessity despite feeling that they “should be saving”

On Financial Balancing...

“It’s a juggling act. Part of it is saving for the future or saving for retirement, but at the same time, I want to continue my education to increase my income. At the same time, like I said, I’m trying to save up for a house so it’s balancing those things and trying to do them all at the same time which can be difficult...I have to decide whether I can do all these things at the same time. For now, I don’t think I can put much money into a retirement account just because I have other upcoming expenses that are more important in the long run for me. I have to sacrifice some of those for the others. (Joey) ”



Key Financial Strategies of Gen Zers



Gen Zers are leveraging several different strategies and tools to create a healthy financial landscape for themselves, including:

- **Budgeting**

Often automated (e.g., using Mint, NerdWallet, or a similar budgeting app), but sometimes supplemented by a bigger-picture Excel spreadsheet for monthly spending

- **Saving**

Some spontaneously mention being frugal or goals-focused (e.g., saving to move out of their parents' house, minimize student loan debt/future burdens, etc.)

- **Investing**

Of secondary importance; they are more focused on hitting the point in their lives where they can invest



I have myself a budget that I set to plan everything that I spend on groceries and all those sorts of things. I do have financial goals...I really try to be meticulous with my finances to try to keep up with those. (Jake)

I use Mint, which helps consolidate all these different accounts and have them all in one place and see trends. (Chi)

Learning more about investing so that I can invest all the money and have money work for me. Also, I'd like to be able to move out when I'm done with school, so making sure I have enough saved for an apartment. (Jamie)

It seems interesting but I don't know enough about it to trust it enough to invest in at the moment. (Aly)

Impact of Implementing These Strategies



Individuals who can successfully implement these strategies (budgeting, saving, and investing) are often perceived to be more in **control of their finances** and are **moving their lives in a positive direction** (e.g., without massive debt, etc.)



Building a better future, financial stability, not incurring interest from taking out further loans. (Autumn)

Conversely, respondents feel if a person is unable (or unwilling) to effectively leverage these strategies they run the risk of **losing control of their financial situation and reaping negative consequences** like poor credit scores/inability to get a mortgage, severe interest impact from loans, etc.



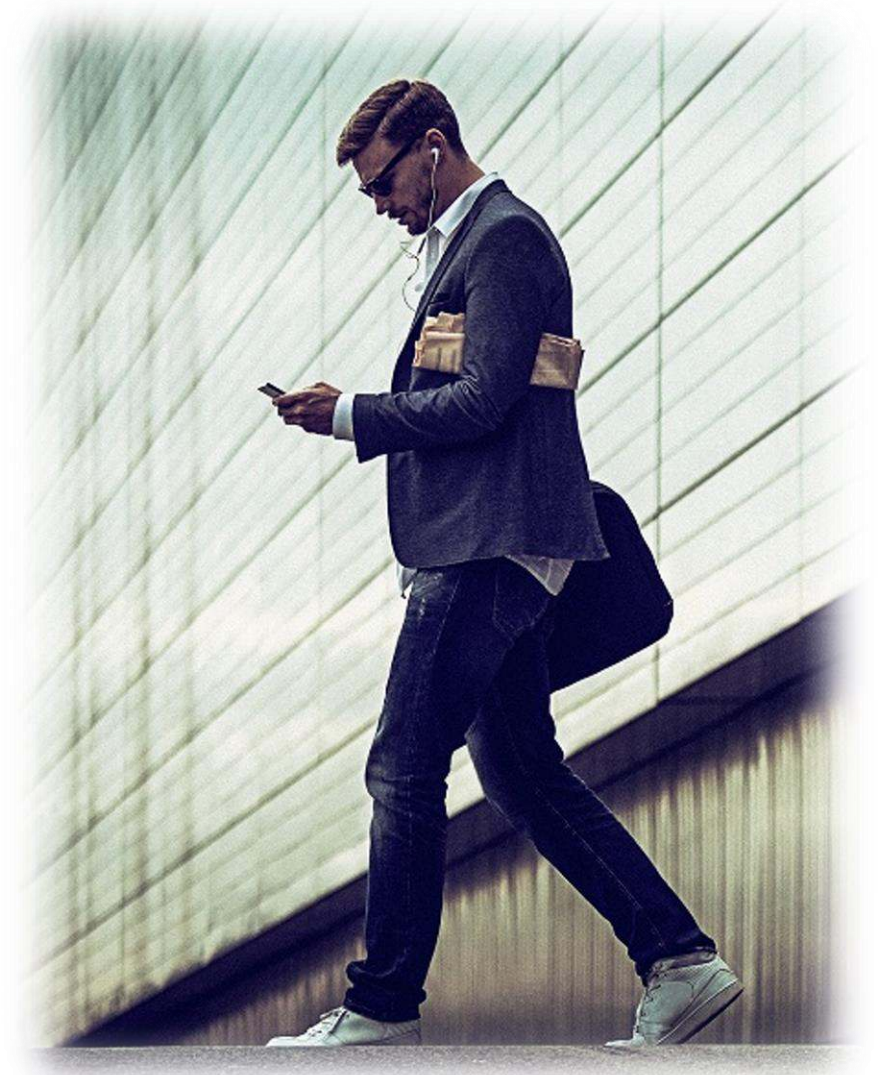
Those kinds of things could haunt you for the rest of your life if you don't stay on top of them now. Or at least that's my philosophy is I don't want to have to be paying off my student loans when I'm trying to help my kids pay for theirs. A lot of those big things, they can come back to bite you if you don't take care of them now. (Jake)

On Uncertainty...

“ For a while, I was thinking about investing through an app like that, but just given the state of the world right now, I’d rather put my money into a savings account where I know I’ll get at least a little bit of interest versus potentially losing a lot of money...Everything going on with Russia and Ukraine, the pandemic. Everything is just so uncertain right now. (Jamie) ”



Financial Technology Solutions



Understanding Gen Zers Are Digital Natives...



This generation has grown up with technology deeply ingrained into every aspect of their lives – as they age into a life stage where finances become a focus, it's important to acknowledge their intuitive understanding of and integration with tech.



I'm definitely more tech-based. I just feel like it's the way most of us grew up. I'd rather type out something in my notes app than write it down on a piece of paper and things like that. I'll always use banking apps and stuff, instead of going to the bank or even opening the website on a computer. Most of it's done through my phone because it's most familiar to me. (Aly)

Current Financial Tech Solutions



Respondents use these apps/tools because they make their lives easier – they intuitively understand how they work and expect them to be available.



**Saving/budgeting
apps**

e.g., Mint, NerdWallet, etc.



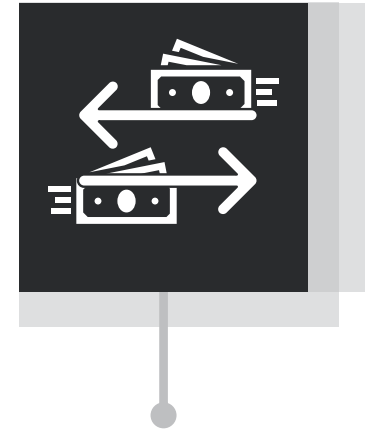
Investing apps

e.g., Robinhood



**Traditional financial
sites/apps**

e.g., Fidelity, Vanguard, etc.



**Peer-to-peer
payment apps**

e.g., Venmo, CashApp, etc.

Also mentioned (less frequently):
Crypto Apps

Priority of Needs for Digital Tools/Apps



Top Priorities:



Strong Functionality

If the app doesn't work the way they want it to, Gen Z'ers very quick to move to a different one

I think user-friendly apps like Robinhood made it more accessible, like fractional shares, easy deposit, stuff like that and then it makes it easier to check. (Yijun)



Low/No Fees

If Respondents have limited financial resources and tend to be frugal -- they will find a cheaper option if needed

I'm biased against Venmo and Cash App just because I don't understand the fees....compared to Zelle where you could instantly send your money and it's free. (Chi)



Commonly Used

e.g., for peer-to-peer payment apps, it's important others have/know how to use apps

It's annoying that you have to pay a fee if you want to transfer your money instantly, but the only reason I use that instead of Zelle is just because there are so many more people on Venmo. (Julie)

More on Peer-to-Peer Payment Apps



Gen Z'ers universally use these types of apps, and they indicate that all their friends do as well, often because:

- Tools like these make it easier to move money among friends and to pay for services (e.g., one or two pay rent using a payment app, etc.)
- There are relatively few concerns about these apps, which are considered mainstream – in fact, several respondents have stopped carrying cash entirely since the pandemic started two years ago.



"I don't carry cash, so... If one of my friends pays for McDonald's or Chick-fil-A food, we always pay him through Venmo. It's easier than going to the ATM and drafting out cash." (Phil)

venmo

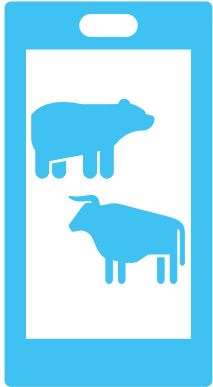


Cash App

Apple Pay

zelle®

More on Investing Apps



Use of investing apps is somewhat more mixed among respondents.

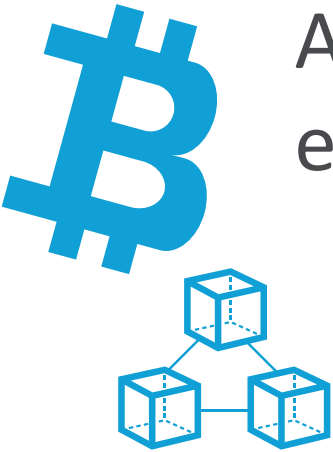
- Nearly all mention awareness, and having friends who use these apps (most popularly *Robinhood*)
- Gen Z'ers feel having apps like these make investing more accessible (especially for those who only have a little extra money to play with)
- Conversely, the strongest concern mentioned is the danger/risk of losing a lot of money for those who lack knowledge and/or discipline



"I think user-friendly apps like Robinhood made it more accessible, like fractional shares, easy deposit, stuff like that and then it makes it easier to check." (Yijun)



Several spontaneously mention the recent GameStop "meme stock" phenomenon as an example of volatility (both good and bad) in which these apps featured prominently, bringing them mainstream notoriety.



Awareness of crypto is high, but engagement is low due to volatility.

I can tell you I wish I bought \$1,000 worth of Bitcoin 20 years ago. Other than that though, it's probably too volatile of an investment long-term. (Joey)

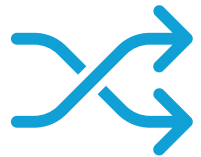
- A few are into crypto while others feel “FOMO” – all know friends/peers in crypto
- Most struggle to articulate how crypto helps people, except by perhaps increasing access to underserved people/communities who traditionally don't have opportunities to invest
- Many have concerns about crypto (e.g., unregulated market, volatility, NFT potential to have zero worth, potential for bubble to burst, etc.)
- Opinions are mixed as to whether or not the crypto market is growing
 - Some feel it will become less mainstream as regulations are eventually imposed
 - Others feel increasing education (on blockchain, NFTs, etc.) will lead to market growth



Gen Z'ers feel their financial futures will be different



Gen Z'ers take what they feel is **a more “new school” approach to their finances**, largely eschewing traditional financial tools like checking accounts and credit cards, because:

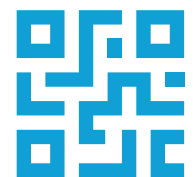


The world's financial landscape is vastly different for them

One respondent spontaneously mentions how life is different now than it was generations ago, specifically it's harder to make one's way in the world and be successful, and how one can react to that either by not trying at all or by bearing down and trying extra hard.

All aspects of their lives are fully integrated in the digital space

While they all have a traditional bank account, it's more because they need to keep whatever money they have somewhere (and, as mentioned previously, they don't carry cash).

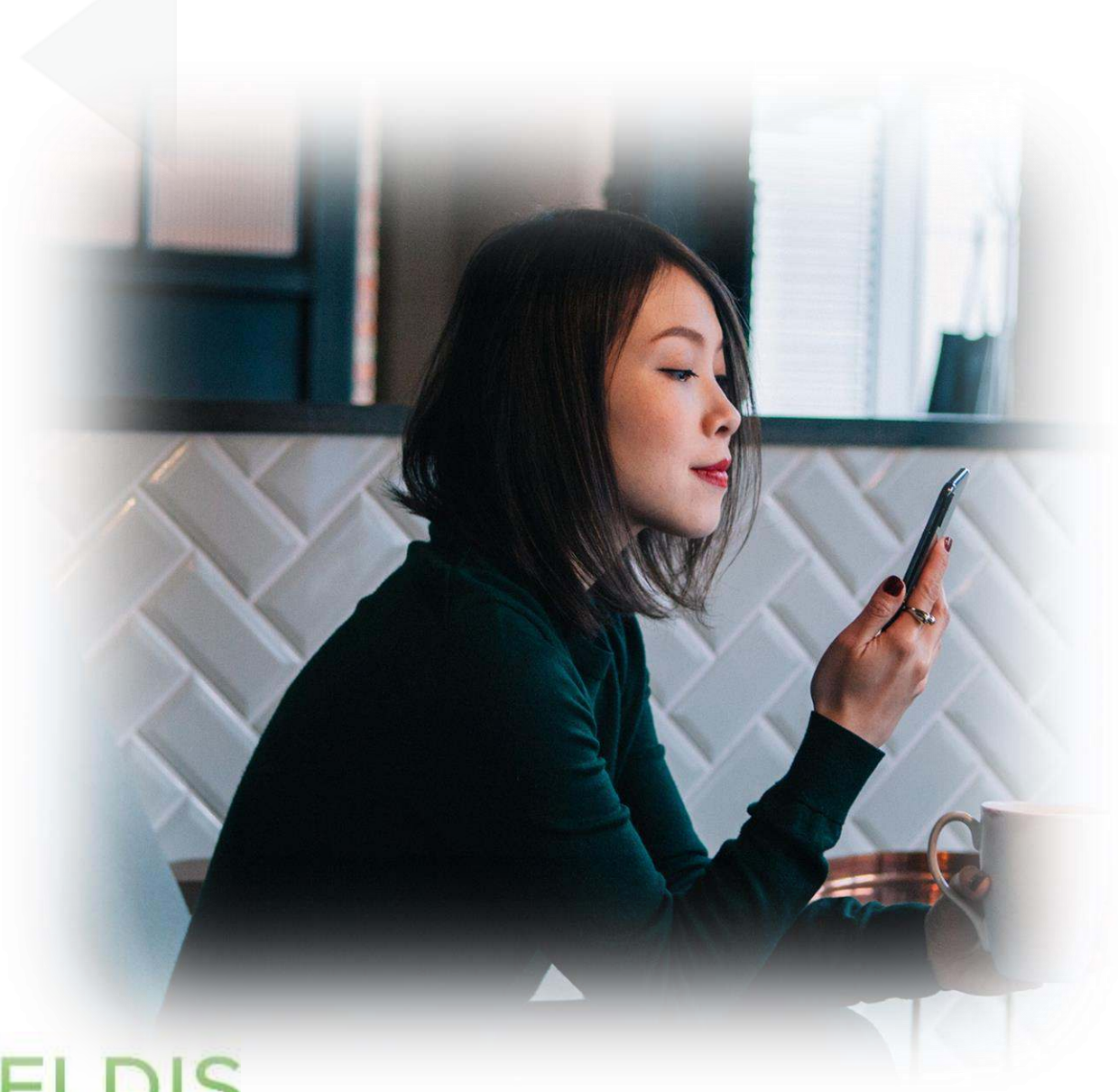


Future Financial Landscape for Gen Z

“*My friends are more new school, especially around my age. However, I feel like people realize that we don't live in the same time period 50 years ago, so they can't treat life the same way because it's a little harder to survive now. Some people just don't try at all. They don't try to be financially responsible because they think they're not going to retire in the first place. (Joey)*”



Implications



Key Findings and Implications



1

The goals, challenges, and needs of Gen Zers largely map those of the Millennial and other generations. There exists an undercurrent of world and economic uncertainty making this generation feel they will face more challenges in their future financial prospects. However, we heard very little “giving up” in response to these pressures, instead Gen Zers will strive to work harder to meet their goals.

2

Gen Zers are intuitively comfortable using apps and expect to be able to leverage technology in all aspects of their financial life. However, they are more hesitant about crypto than what some might expect, with varying degrees of acceptance and comfort within the crypto world. Most of these Gen Zers are not in crypto, and for these individuals, crypto companies should be thoughtful about barriers to entry (financial and psychological).

3

Financial companies should, if not already doing so, incorporate direct Gen Z user experience feedback in the design of products, services and tools. This includes topics of interest, look-and-feel, functionality etc. Gen Z is the most digitally native generation to date, and they will likewise have the highest expectations and shortest amount of patience for a financial app or digital experience which doesn't work optimally.

Next Steps – Quantitative Phase 2



We need your help crowdsourcing topics for the quantitative phase. All quantitative findings will be freely shared.

- *What would like to see us cover in the quant survey?*
- *What would have value to you/ where are you lacking data?*
- *Broad financial topics or focus on a specific area?*
- *Broad Gen Z target or more refined screening (e.g., investors, users of specific fintech, etc.)?*
- *Comparison groups?*



Comment here or email Amy Rey (amy@zeldisresearch.com)