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BAI Banking Outlook: A Look at Gen Z Banking Habits and Attitudes

Who is the Generation Z Banking Customer?

Gen Z is young and ambitious. In their late teens or early 20s, many are still living at home or in college, while others are just launching their careers and beginning their financial independence. Some are even starting families, or soon will be.

In the U.S., Gen Z is a digital generation, having grown up with smart phones and continual Internet access. The pandemic has, and may continue to, strongly impact their financial prospects and attitudes.

Compared to older generations, Gen Z consumers are also:

- + On track to be better educated
- + More racially and ethnically diverse
- + Children of college-educated parents
- + More concerned with racial and gender inequality

BAI surveyed consumers in 2020 and 2021 to better understand generational differences regarding banking attitudes and expectations. The following information is from those surveys.

Understanding Gen Z

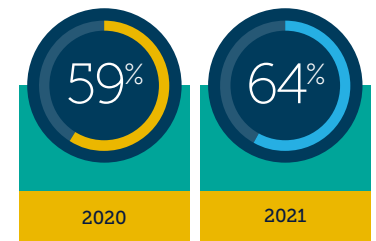
Most do not yet have a full-time job.

Percent who are employed full time.



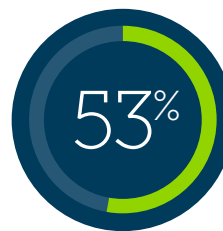
They are gaining control of their own finances.

Percent who are financially dependent.



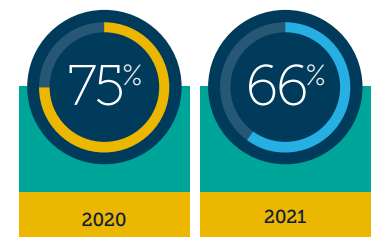
Those who are not financially independent still rely on someone—such as their parents—for at least some of their daily expenses.

Percent of monthly expenses received by those not financially independent.



Perhaps due to the pandemic, their optimism for future success is decreasing.

Percent who expect to achieve a higher standard of living than their parents.

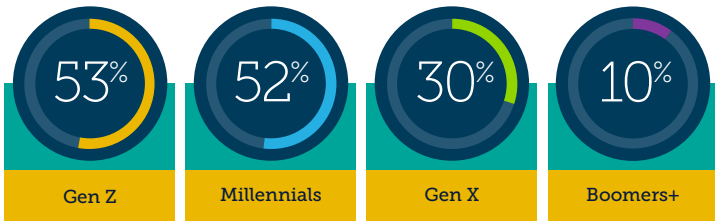


Gen Z is Financially Diverse

Unlike their parents, Gen Z doesn't feel tethered to traditional financial services organizations or established investments. As a result, they are less loyal to their primary financial services organizations, and are open to new trends.

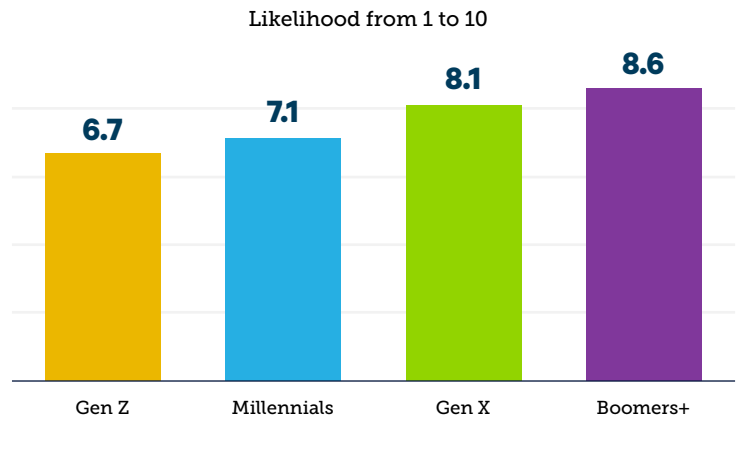
Gen Z is embracing cryptocurrencies at a faster pace than older investors.

Percent who have invested directly in crypto, or in a fund with crypto exposure, by generation.



They are less loyal and are more likely to switch to a different financial services organization.

"I will be at my primary financial services organization one year from now."



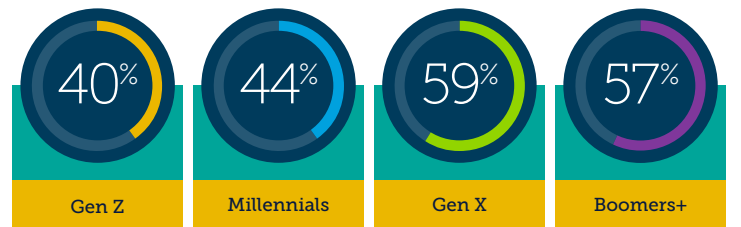
They are more open to nontraditional financial services organizations, and that preference is growing at faster rate.

The primary financial services organization for Gen Z.

	2020	2021
Direct Bank	20%	25%
Community Bank	18%	17%
Super Regional/Regional	16%	18%
Large Bank	46%	41%

In addition to their lower rates of loyalty, Gen Z consumers are most likely to bank with multiple financial services organizations.

Percentage of consumers with only one financial services organization.



Percent of older generations that list a Direct Bank as their primary financial services organization.

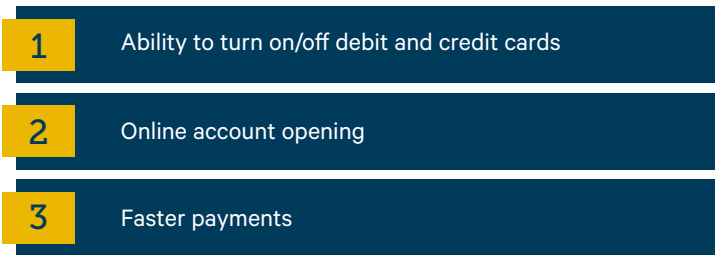
	2020	2021
Millennials	29%	22%
Gen X	20%	16%
Boomers+	5%	6%

Gen Z are Digital Natives

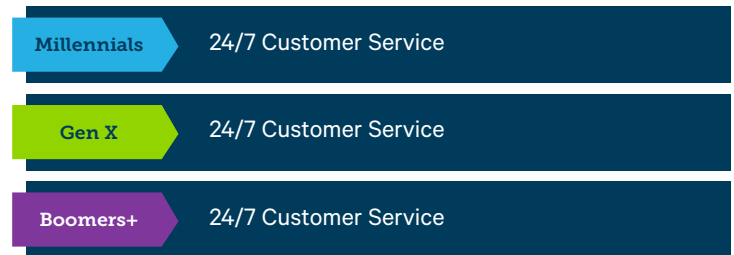
Gen Z has grown up with digital devices; many can't imagine life without a mobile device nearby at all times. This level of comfort and acceptance affects all areas of their lives, including their banking habits.

Improving apps and digital capabilities are critical for financial services organizations. But consumer expectations vary across generations.

Top 3 ways to improve apps/digital capabilities for Gen Z.

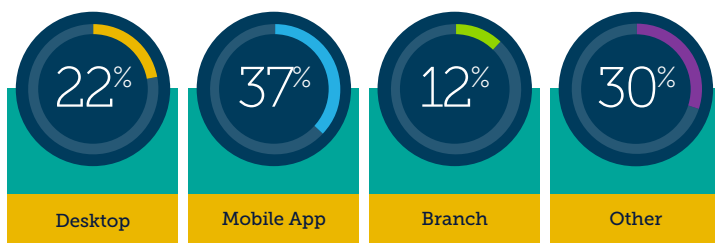


The top way to improve apps/digital capabilities for older generations.



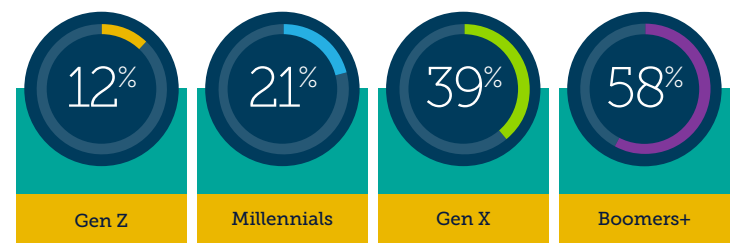
Gen Z prefers to open a new account digitally, rather than visiting the branch.

The most preferred way to open a deposit account for Gen Z.



(Live call, ATM, text chat, voice, video chat)

Percent that prefers opening a deposit account via a branch channel, by generation.



Gen Z is Concerned About DEI/ESG Issues

Gen Z cares greatly about Diversity, Equity and Inclusion (DEI) and Environmental, Social and Governance (ESG) and expects their financial services organizations to care, too. Financial services organizations that fail to prioritize these issues risk losing their Gen Z customers.

Gen Z is least likely to feel their financial services organization supports DEI issues.

Percent that think their primary financial services organization is committed to ESG and DEI issues.

	DEI Issues	ESG Issues
Gen Z	56%	49%
Millennials	70%	61%
Gen X	66%	49%
Boomers+	60%	44%

Gen Z is most likely to switch primary financial services organizations for one with a higher commitment to DEI or ESG.

Percent that would switch financial services organizations for one more committed to DEI or ESG.

	DEI	ESG
Gen Z	58%	56%
Millennials	56%	54%
Gen X	34%	38%
Boomers+	16%	18%





Different Generations, Different Expectations

Only by understanding the differences between generations can financial services leaders adapt to changes, and prepare for the future.

What are the digital expectations of younger generations? How should customer service change and be prioritized? What will be the role of branches in the future, and how can organizations ensure they are still viable? The answers to those, and other critical questions, will dictate which financial services organizations lead the pack, and which fall behind.



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