FINANCIAL WELLNESS

THE NEW DIGITAL ENGAGEMENT STRATEGY

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EXECUTIVE SUMMARY

Financial Wellness: The New Digital Engagement Strategy, commissioned by FIS and produced by Aite Group, explores how and where consumers interact with their financial institution, areas in which consumers have financial anxiety, consumer interest in using a virtual financial coach, and how important it is for financial institutions to demonstrate their commitment to the community.

Key takeaways from the study include the following:

- **There is a growing concern over the consumer financial literacy problem.** And few firms help consumers understand how their spending impacts their ability to pay their debt, save for emergencies or plan for retirement.
- **Consumer channel preferences have shifted to digital**, but consumers still rely on physical channels to resolve more complex issues or to obtain advice and guidance. This continued reliance is partly due to the lack of digital engagement capabilities that support advice and guidance or, in some instances, the lack of knowledge from consumers who do not recognize that they can perform those activities digitally.
- **Consumers experience anxiety over their ability to pay their bills.** Although many consumers feel optimistic about their ability to pay their everyday expenses, when unexpected events occur, consumers feel anxious about their ability to pay their bills, especially if bills are larger than expected or they have unplanned medical expenses or car repairs.
- **Many financial institutions have invested in personal financial management (PFM) tools** in online and mobile banking, giving consumers capabilities to track spending, create and monitor budgets, and set up savings plans. But given the manual labor required to maintain budgets and to extract insight on ways to improve their financial situation, many financial institutions are considering ways to rebuild their existing PFM solution or introduce financial wellness tools that are more actionable.
- **The retail banking industry's view of financial health is beginning to include other components**, such as planning for the unexpected; having access to an advisor; getting help managing credit, medical expenses and tax debt; and being able to save money to donate to charities or issues that matter.
- **Consumers' sense of community has shifted** from one that was based on physical proximity to one that is increasingly virtual. As a result, many financial institutions will need to be able to meet their customers in a virtual world, establish a relationship with customers and their brand, and show up in the community by demonstrating they are doing what is right for their customers.

INTRODUCTION

The branch has lost its crown as the primary channel customers use for their everyday banking activities. While this is good news because serving customers in digital channels costs less, many banking executives worry that they will lose the opportunity to engage with their customers and, with that, the opportunity to reinforce or rebuild their brand. As consumers increasingly prefer to interact digitally, financial institutions will need to determine how to use social media to reinforce or reposition their brand, demonstrate to customers that they care about their communities, and offer products, services and experiences to help customers improve their financial well-being.

This study explores consumers' financial attitudes, what channels consumers prefer to use for different banking activities, their willingness to get real-time guidance and advice through digital channels (online banking, mobile banking and chatbots and interactive assistants), and their willingness to learn how to improve their financial health.

Methodology

This study was commissioned by FIS. The following analysis is based on a Q1 2020 Aite Group survey of 2,413 U.S. consumers, 24 years or older. The survey was conducted online among U.S. consumers who participated in a research panel. Participants indicated that they have an account with a U.S.-based financial institution, such as a demand deposit account, savings account, loan, credit card or investment account; transact with the online website or mobile site of their primary financial institution at least a few times per year; and share or have the primary responsibility for managing their household finances. The data in this report's margin of error is two to three points at the 95 percent level of confidence; statistical tests of significance among differences were conducted at the 95 percent and 90 percent level of confidence.

This report also includes information provided by FIS. FIS partnered with Psyma to conduct the Performance Against Customer Expectations (PACE) consumer survey. Based on a survey of 1,600 U.S. banking consumers conducted from December 2019 to January 2020, the findings are meant to foster a broader industry conversation about how banks and credit unions should adjust their strategic plans and tactical investments to better attract, serve and delight the full range of retail customers, from digital-native millennials to baby boomers who prefer personal service. Questions were asked and analyzed through the primary lens of generational differences, via survey representation from six key age groups—Gen Zers, millennials (split further by "young" and "senior"), Gen Xers, baby boomers and seniors. The final data are then "weighted" to be representative of the national population using demographic and geographic variables (e.g., age, gender, urban/rural, population density in particular regions). The following screening criteria have been applied to the sample: adults between the ages of 18 and 75, with a checking account, who have a role in financial decisions, and no members of their household are employed in the advertising, financial services or market research industries.

THE GENERAL DIVIDE

In order to understand the key differences by generation and how that shapes consumers' relationship with their primary financial service provider, the results from this report segments the responses by generations to highlight the key differences. The generational segments included in this report are as follows:

- **Young millennials:** 24-28 years old
- **Senior millennials:** 29-39 years old
- **Gen Xers:** 40-54 years old
- **Baby boomers:** 55-73 years old
- **Seniors:** 74 and older

The next sections explore the key differences by generation to determine consumers' channel usage, their trust in financial institutions, the key attributes for selecting a financial services provider, and what life events they have experienced or expect to experience that may drive financial impact. The results included in this section are from FIS' PACE study, 2020.

Young millennials

Figure 1 summarizes where young millennials hold their primary banking relationship, the trust they have in banks, the banking attributes that are the most important to them, the life events they've experienced/expect to experience, how often they use the branch channel, what percentage of them have access to an advisor, and the top pain points they experience in banking:

- **Primary banking relationship:** Thirty-eight percent of young millennials view a credit union as their primary financial service provider, and 29 percent view a top 50 global bank as their provider.
- **Trust in banks:** Fifty-seven percent of young millennials indicate they trust a bank more than a technology provider to provide them a financial app.
- **Banking attributes that are important:** When looking at the attributes that are important to them when they select a bank, young millennials want a bank to be trustworthy, ensure their transactions are safe and secure, and provide smooth and easy customer experiences. These are the attributes that young millennials are the most satisfied with in the banking experience.
- **Life events:** Fifty-four percent of young millennials indicate they have paid for a vacation/holiday in the last three years, 52 percent have bought/leased a car, and 48 percent have invested in the future. Young millennials believe they will experience the same life events in the next three years, but with a slightly different priority, with more than two-thirds investing in their future, 66 percent paying for a vacation/holiday and 52 percent buying/leasing a car.
- **Branch usage:** Twenty-seven percent of young millennials use a branch regularly, which is a lower branch usage than other generations.
- **Access to advisor:** Twenty-two percent of young millennials indicate they have a human or virtual advisor. Two-thirds of young millennials indicate they plan to focus on investing in their future, yet only 22 percent have access to an advisor. This provides an opportunity for financial institutions to either market their advisor capabilities or create digital advisor capabilities that appeal to young millennials.
- **Top pain points in the banking experience:** The top pain points that young millennials experience are finding the time to visit a branch, getting the information they need from a bank without visiting or calling a branch, getting a loan quickly and accessing online/mobile banking functionalities (not caused by internet connectivity). Given that young millennials are digital natives and one of their top satisfaction points is having a smooth and easy customer experience, financial institutions that want to attract and retain young millennials will need to invest in digital capabilities that are secure and make it easy for customers to find the information they need without having to visit or call a branch.

FIGURE 1: KEY INFORMATION ABOUT YOUNG MILLENNIALS

Primary banking relationship: 38% view a credit union as their primary financial service provider

Life events that have occurred in the last three years:

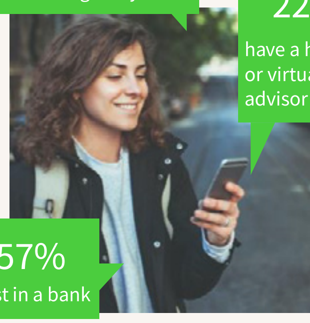
- 54% paid for a vacation/holiday
- 52% bought/leased a new car
- 48% invested in their future

Life events that they expect to occur in the next three years:

- 67% investing in their future
- 66% paying for a vacation/holiday
- 52% buying/leasing a new car

27% use a branch regularly

22% have a human or virtual advisor



57% trust in a bank

24-28 years old

Satisfaction of top attributes: is trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Attributes important when selecting a bank: trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Top pain points: finding time to physically visit a branch, getting the information they need from the bank without visiting a branch or calling bank branch, getting a loan quickly enough to take advantage of an opportunity, and accessing online/mobile banking functionalities (not caused by internet connectivity)

Source: FIS PACE study, 2020

Senior millennials

Figure 2 summarizes where senior millennials hold their primary banking relationship, the trust they have in banks, the banking attributes that are the most important to them, the life events they've experienced/expect to experience, how often they use the branch channel, what percentage have access to an advisor, and the top pain points they experience in banking:

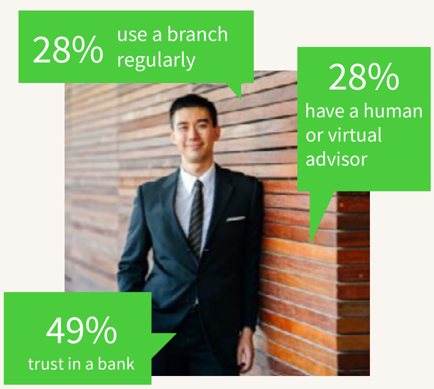
- **Primary banking relationship:** Thirty-eight percent of senior millennials indicate their primary financial service provider is a top global bank, and 24 percent view a credit union as their provider. Senior millennials are more likely to view a top 50 global bank and direct bank as their primary financial service provider.
- **Trust in banks:** Less than half of senior millennials trust a bank more than a technology provider to provide them a financial app. Senior millennials tend to trust banks less than their young millennial counterparts.
- **Banking attributes that are important:** When looking at the attributes that are important to senior millennials when they select a bank, they want a bank to ensure their transactions are safe and secure, they want a bank to be trustworthy, and they want smooth and easy customer experiences. The bank attributes that they are most satisfied with are being trustworthy, having an easy customer experience, and ensuring their transactions are safe and secure.
- **Life events:** Fifty-six percent of senior millennials paid for a vacation/holiday, 45 percent invested in their future and 44 percent bought/leased a new car in the last three years. Senior millennials believe they will experience the same life events in the next three years with the same priority: paying for a vacation/holiday, investing in the future and buying/leasing a car. But fewer senior millennials expect to buy or lease a new car in the next three years.
- **Branch usage:** Twenty-eight percent of senior millennials use a branch regularly.
- **Access to advisor:** Twenty-eight percent of senior millennials have a human or virtual advisor.
- **Top pain points in the banking experience:** The top pain points that senior millennials experience are getting the information they need from a bank without visiting or calling a branch, finding the time to visit a branch and getting reliable/trustworthy advice about their finances. Given that a top attribute for senior millennials is to be trustworthy and one of their top pain points is getting reliable/trustworthy advice about their finances, financial institutions will need to work on building trust by demonstrating they can offer reliable advice.

FIGURE 2: KEY INFORMATION ABOUT SENIOR MILLENNIALS

Primary banking relationship:
38% view a top global bank as their primary financial service provider

Life events that have occurred in the last three years:
- 56% paid for a vacation/holiday
- 45% invested in their future
- 44% bought/leased a new car

Life events that they expect to occur in the next three years:
- 57% paying for a vacation/holiday
- 50% investing in their future
- 42% buying/leasing a new car



29-39 years old

Satisfaction of top attributes:
is trustworthy, provides a smooth and easy customer experience, and ensures that transactions are safe and secure

Attributes important when selecting a bank: ensures that transactions are safe and secure, is trustworthy, and provides a smooth and easy customer experience

Top pain points: getting the information they need from their bank without visiting a branch or calling bank branch, finding time to physically visit a branch, and getting reliable/trustworthy advice about their finances

Source: FIS PACE study, 2020

Gen Xers

Figure 3 summarizes where Gen Xers hold their primary banking relationship, the trust they have in banks, the banking attributes that are the most important to them, the life events they've experienced/ expect to experience, how often they use the branch channel, what percentage have access to an advisor, and the top pain points they experience in banking:

- **Primary banking relationship:** Thirty-five percent of Gen Xers indicate their primary financial service provider is with a credit union. One-quarter of Gen Xers view a community bank as their primary financial services provider.
- **Trust in banks:** Almost six in 10 Gen Xers trust a bank more than a technology provider to provide them a financial app, which is higher than the other generations.
- **Banking attributes that are important:** Gen Xers place a higher importance on trustworthiness being an attribute to satisfaction.
- **Life events:** Fifty-six percent of Gen X respondents paid for a vacation or holiday, 48 percent invested in their future and 44 percent bought/leased a new car in the last three years.

Gen Xers believe they will pay for a vacation/holiday and invest in the future in the next three years, but 44 percent of Gen Xers also indicate they will be planning for retirement in the next three years.

- **Branch usage:** Twenty-eight percent use a branch regularly.
- **Access to advisor:** Although many Gen Xers will be planning for retirement, only 29 percent have a human or virtual advisor.
- **Top pain points in the banking experience:** The top pain points that Gen Xers have related to the banking experience are getting a loan quickly enough to take advantage of an opportunity, finding time to physically visit a branch, finding the best investments and making bill payments to companies quickly enough to avoid paying late fees. Given the increase in priority on planning for retirement, the low percentage of Gen Xers who have a human or virtual advisor, and their pain point of needing to find the best investments, financial institutions have an opportunity to help this generation take control of their finances and begin preparing for retirement.

FIGURE 3: KEY INFORMATION ABOUT GEN XERS

Primary banking relationship:
35% view a credit union as their primary financial service provider

Life events that have occurred in the last three years:
- 56% paid for a vacation/holiday
- 48% invested in their future
- 44% bought/leased a new car

Life events that they expect to occur in the next three years:
- 56% paying for a vacation/holiday
- 47% investing in their future
- 44% planning for retirement

40-54 years old

Satisfaction of top attributes:
is trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Attributes important when selecting a bank: ensures that trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Top pain points: : getting a loan quickly enough to take advantage of an opportunity, finding time to physically visit a branch, finding the best investments, and making bill payments to companies that are fast enough to avoid paying late fees

Source: FIS PACE study, 2020

Baby boomers

Figure 4 summarizes where baby boomers hold their primary banking relationship, the trust they have in banks, the banking attributes that are the most important to them, the life events they've experienced/ expect to experience, how often they use the branch channel, what percentage have access to an advisor, and the top pain points they experience in banking:

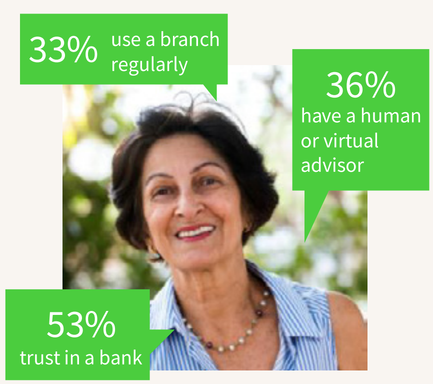
- **Primary banking relationship:** Thirty percent of boomers consider a top 50 global bank their primary financial service provider, and 23 percent view a community bank as their primary financial service provider. Boomers are more likely to view a regional bank as their primary financial service provider.
- **Trust in banks:** Fifty-three percent of boomers trust banks more than a technology provider to provide them a financial app.
- **Banking attributes that are important:** The attributes that are important to boomers are trustworthiness, safe and secure transactions, and a smooth and easy customer experience.
- **Life events:** The life events they have experienced are similar to the other generations, with 58 percent who paid for a vacation/holiday, 50 percent who invested in their future and 46 percent who planned for retirement in the last three years. Boomers are planning for the same life events in the next three years, but with slightly lower priority.
- **Branch usage:** One-third of boomers indicate that they use a branch regularly, which is higher branch usage than young millennials, senior millennials and Gen Xers.
- **Access to advisor:** Thirty-six percent of boomers indicate they have a human or virtual advisor.
- **Top pain points in the banking experience:** The top pain points that boomers experience in banking are getting the information that they need from their bank without visiting a branch or calling a bank branch, making bill payments to companies quickly enough to avoid payment late fees, getting a loan quickly enough to take advantage of an opportunity and finding people at their bank who can knowledgeably answer their questions. Although one-third of boomers indicate they use a branch regularly, they indicate getting information that they need from their bank without visiting a branch or calling the bank branch as a pain point. This means that financial institutions either need to make it easier to find self-service capabilities in digital banking or focus on the key activities that boomers are still performing in a branch and either build capabilities to support it or educate consumers on what activities can be performed digitally. In addition, faster payments and account-opening are also pain points, which indicate that financial institutions will need to focus on creating technology that enables these activities to be done faster and more efficiently.

FIGURE 4: KEY INFORMATION ABOUT BABY BOOMERS

Primary banking relationship: 30% view a top 50 global bank as their primary financial service provider

Life events that have occurred in the last three years:
- 58% paid for a vacation/ holiday
- 50% invested in their future
- 46% planned for retirement

Life events that they expect to occur in the next three years:
- 55% paying for a vacation/holiday
- 48% investing in their future
- 42% planning for retirement



55-73 years old

Satisfaction of top attributes: ensures that transactions are safe and secure, is trustworthy, and provides a smooth and easy customer experience

Attributes important when selecting a bank: is trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Top pain points: getting the information that I need from my bank without visiting a branch or calling bank branch, making bill payments to companies quickly enough to avoid payment late fees, getting a loan quickly enough to take advantage of an opportunity, and finding people at their bank who can knowledgeably answer their questions

Source: FIS PACE study, 2020

Seniors

Figure 5 summarizes where seniors hold their primary banking relationship, the trust they have in banks, the banking attributes that are the most important to them, the life events they've experienced/expect to experience, how often they use the branch channel, what percentage have access to an advisor, and the top pain points they experience in banking:

- **Primary banking relationship:** Thirty-nine percent of seniors consider a credit union their primary banking relationship, and 33 percent consider a community bank as their primary financial service provider. Seniors are more likely to view a credit union and community bank as their primary financial service provider.
- **Trust in banks:** Fifty-two percent of seniors trust a bank more than a technology provider to provide them a financial app.
- **Banking attributes that are important:** The attributes that are important to seniors are trustworthiness, safe and secure transactions, and a smooth and easy customer experience.
- **Life events experiences and expected:** The life events that seniors have experienced in the last two to three years include the following: Seventy-seven percent paid for a vacation/holiday, 55 percent invested in their future and 45 percent bought/leased a new car. Seniors are planning for the same life events in the next three years, but with slightly lower priority.
- **Branch usage:** Almost four in 10 indicate they use a branch regularly.
- **Access to advisor:** Almost half of seniors have a human or virtual advisor, which is higher than the other generations.
- **Top pain points in the banking experience:** Seniors' top pain points in the banking experience are getting the information they need from their bank without visiting a branch or calling a bank branch, finding out what the best investments are for them personally given their specific circumstances and feelings about investing, getting a loan quickly enough to take advantage of an opportunity, and making bill payments to companies quickly enough to avoid payment late fees. Although seniors seem to rely on the branches more than the other generations, they also indicate they want to be able to obtain information without needing to visit or call a branch. Similar to the recommendation for baby boomers, financial institutions should focus on building digital capabilities that support the nonvalue activities done in a branch and focus on technology that enables faster payments and provides consumers quick access to loan funds.

FIGURE 5: KEY INFORMATION ABOUT SENIORS

Primary banking relationship:
39% view a credit union as their primary financial service provider

Life events that have occurred in the last three years:

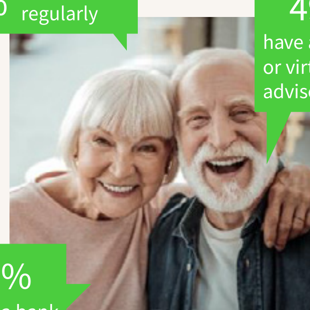
- 77% paid for a vacation/holiday
- 55% Invested in their future
- 45% bought/leased a new car

Life events that they expect to occur in the next three years:

- 73% paying for a vacation/holiday
- 51% investing in their future
- 42% buying/leasing a new car

39% use a branch regularly

49% have a human or virtual advisor



52% trust in a bank

74+ years old

Satisfaction of top attributes: ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Attributes important when selecting a bank: : is trustworthy, ensures that transactions are safe and secure, and provides a smooth and easy customer experience

Top pain points: getting the information they need from their bank without visiting a branch or calling a bank branch, finding out what the best investments are for them personally given their specific circumstances and feelings about investing, getting a loan quickly enough to take advantage of an opportunity, and making bill payments to companies quickly enough to avoid payment late fees

Source: FIS PACE study, 2020

CONSUMERS' FINANCIAL ATTITUDES

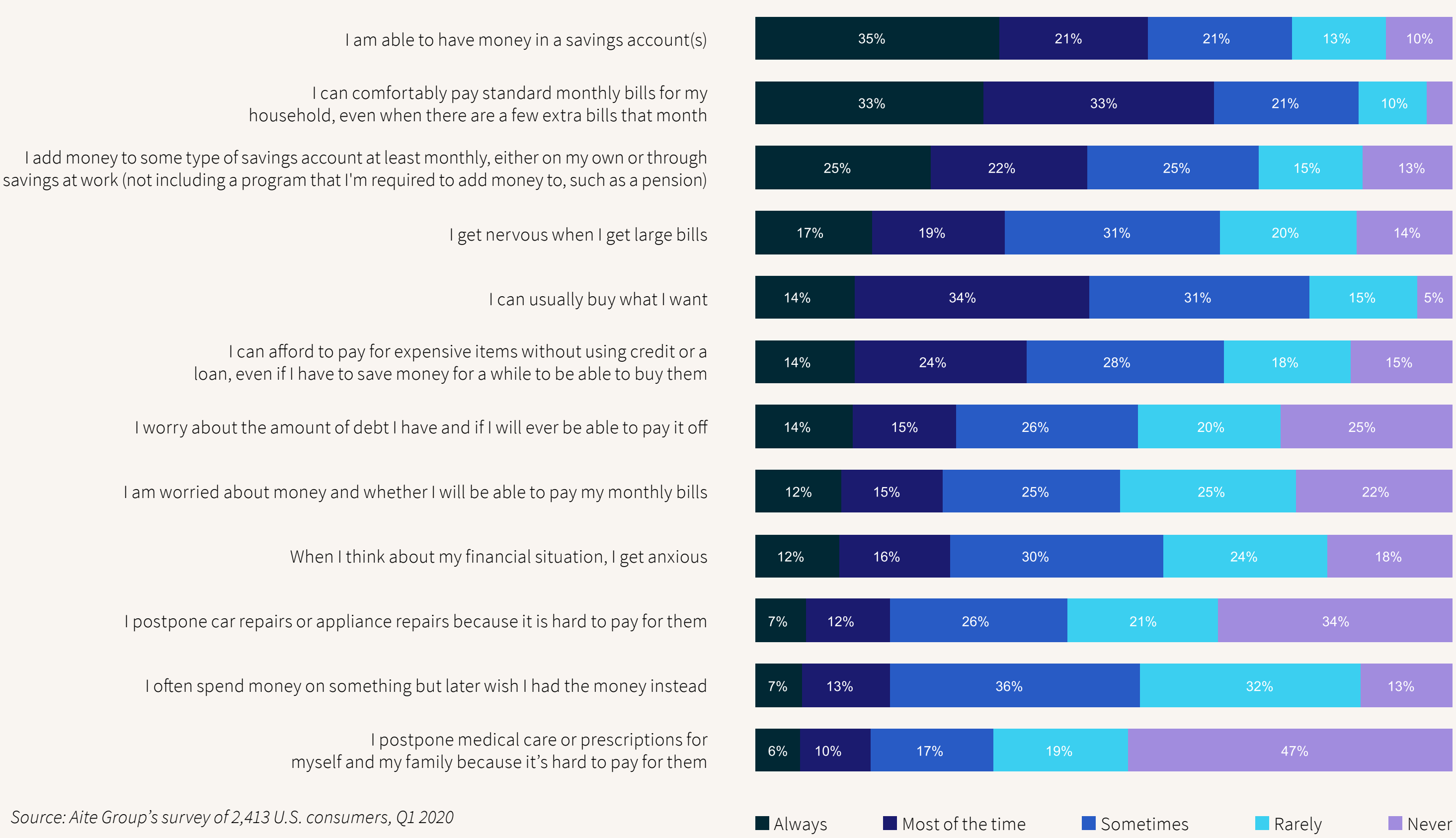
Given the slew of headlines that describe the financial literacy problem in the U.S., it is easy to jump to conclusions about the state of consumer financial distress. In order to add more clarity to the news headlines and increase understanding of consumers' overall attitudes around their finances, Aite Group provided respondents a list of statements about their finances to see how they feel about each statement.

Optimistically, 86 percent of respondents indicate they are always to sometimes able to comfortably pay their standard monthly bills for their household, even when there are a few extra bills that month, and seven in 10 respondents indicate they are always to sometimes able to have money in a savings account and can add money to some type of savings account at least monthly, either on their own or through savings at work (but not including programs through which they are required to add money, such as a pension).

Although respondents appear optimistic when things go right, 67 percent are always to sometimes nervous when they get large bills, and over five in 10 worry about the amount of debt they have and whether they will ever be able to pay it off, worry about money and whether they will be able to pay their monthly bills, and get anxious when they think about their financial situation. Even more worrisome, 45 percent always to sometimes postpone car repairs or appliance repairs because it is hard to pay for them, and 33 percent postpone medical care or prescriptions for themselves and their family because it's hard to pay for them (Figure 6).

FIGURE 6: RESPONDENTS' ATTITUDES TOWARD THEIR FINANCES

How often do the following statements describe what you do or how you feel concerning finances? *(N = 2,413)*



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

FINANCIAL MANAGEMENT ACTIVITIES

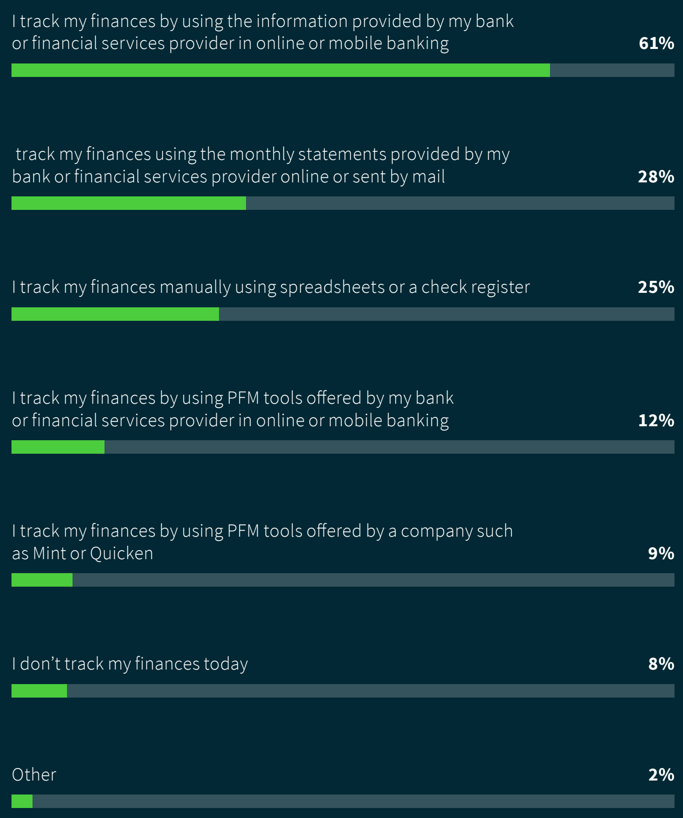
In order to understand where consumers manage their finances today, what channels they use to perform certain activities, and why they chose to perform certain activities in the channels they selected, Aite Group asked a series of questions on channel usage and preferences. The next sections take a deeper dive into each of these areas.

Financial management preferences

Across all generations, 61 percent of respondents indicate they track their finances by using the information provided by their bank or financial services provider in online and mobile banking. Twenty-eight percent of respondents indicate they track their finances using monthly statements provided by their bank or financial services provider online or by mail. One-quarter of respondents indicate they track their finances manually using spreadsheets or a check register. And 12 percent and 9 percent track their finances using PFM tools offered by their bank or financial services provider and/or use PFM tools offered by a company such as Mint or Quicken, respectively. Eight percent of respondents indicate they do not track their finances (Figure 7).

FIGURE 7: RESPONDENTS' METHODS OF TRACKING FINANCES

How do you track your day-to-day finances? *(N = 2,413)*

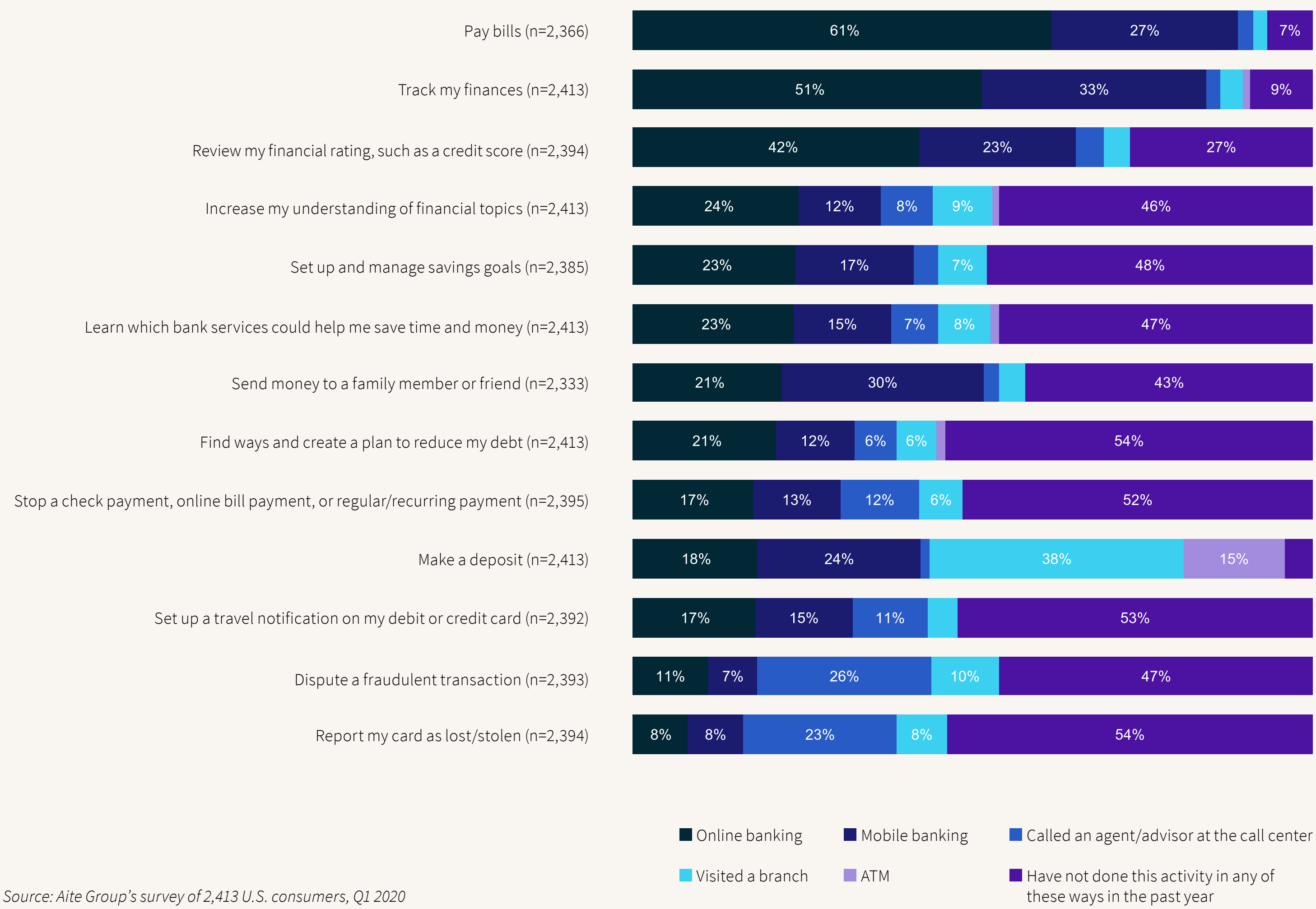


Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

In the survey, respondents were asked to think about how they conducted banking activities most often in the past year. As it relates to digital banking — online and mobil e— 88 percent use it to pay their bills, 84 percent use it track their finances, 65 percent use it to review their financial rating such as credit score, 51 percent use it to send money to a family member or friend, and 42 percent use it to make a deposit. Twenty-six percent of respondents contacted a call center to speak to an agent or advisor to dispute a fraudulent transaction; 23 percent called to report their card as lost/stolen; 12 percent called to stop a check payment, online bill, or regular/recurring payment; 11 percent called to set up a travel notification on their debit or credit card; and 8 percent called to increase their understanding of financial topics. Notability, 38 percent of respondents visited a bank's branch office to make a deposit, and 10 percent or fewer respondents used a branch for all of the other activities asked about in the survey (Figure 8). Given that many consumers indicate that finding the time to visit a branch is a pain point in the banking experience, financial institutions that do not have mobile deposit capabilities have an opportunity to implement them, and financial institutions that have mobile deposit capabilities can increase consumer awareness.

FIGURE 8: CHANNELS USED TO CONDUCT BANKING ACTIVITIES

In the past year, how did you most often conduct the following banking activities?



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

The respondents who performed activities in a bank branch or by calling the bank were asked why they chose to perform those activities in a branch or call center. One of the top reasons why they chose to perform activities in a branch or call center is because respondents prefer to talk to a person in a branch or call center. Inertia is the second driving reason as to why they choose to use perform activities in a branch or call center.

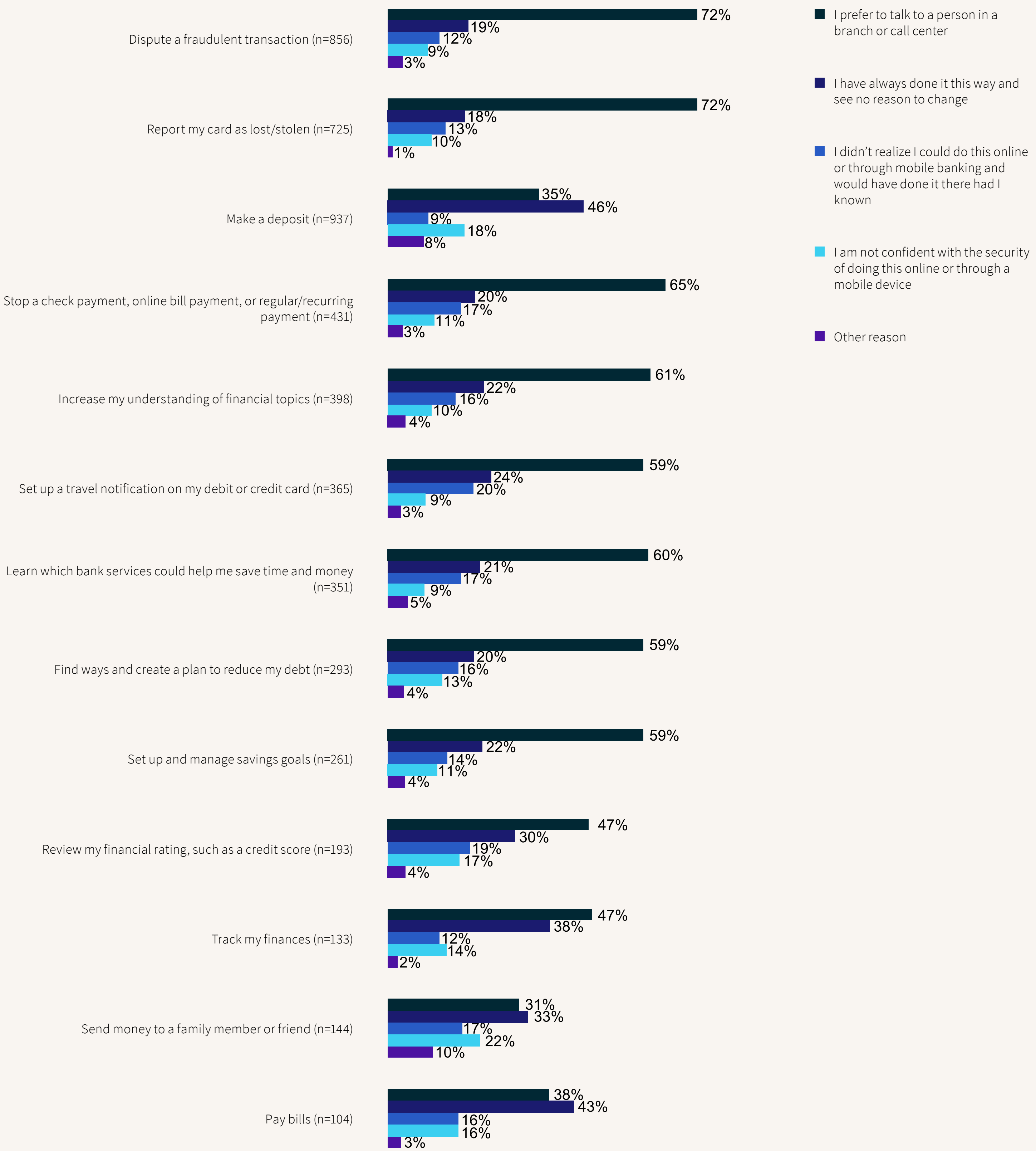
When asked about why they performed a banking activity in a branch or call center, between 9 percent and 20 percent respondents indicate that they did not realize they could perform the banking activity in online or mobile banking and would have done it there had they known, depending on the banking activity asked about. In the many conversations that Aite Group has with clients, one of the main challenges around the adoption of digital banking capabilities is customer awareness. As a result, many financial institutions still struggle with migrating customers to perform banking activities in the digital channels. But the focus on increasing customer awareness on the banking activities that can be performed in digital banking is increasing. In a 2019 survey of marketing executives in the U.S., Canada, Hong Kong, U.K. and India, 45 percent of respondents indicated that they planned to most heavily market mobile banking solutions in the next 12 to 24 months.

From a cost-efficiency perspective, if financial institutions were able to move the percentage of customers who did not realize they could perform those activities online or through mobile banking from their branch traffic or call center volume, in many cases, that could help move nonvalue-added activities, such as making a deposit, to a lower-cost-to-serve channel—online or mobile banking.

In order to effectively market mobile banking solutions to customers, one of the other objections to performing activities that financial institutions will need to overcome is educating customers on the security of online and mobile banking or eliminating inertia by showing customers that it's better and easier to perform that activity in online or mobile banking, as many consumers still cite these as reasons for why they do not perform an activity in online or mobile banking (Figure 9).

FIGURE 9: REASON WHY RESPONDENTS USE A BRANCH OR CALL CENTER TO CONDUCT BANKING ACTIVITIES

In the past year, how did you most often conduct the following banking activities?



PFM adoption

To understand how aware respondents are of PFM, Aite Group asked consumers about their use of PFM tools. The survey defined PFM as follows:

- **PFM tools help people manage their money online.** These tools combine financial information from many accounts (banking, investment, mortgage, loan, etc.) onto one site, in a single view. Sometimes they are offered through a bank or financial institution's online or mobile banking, and other times they are stand-alone (e.g., Mint). These tools include charts and graphs to enable users to easily and visually categorize transactions, track their spending, create budgets, track savings goals, and view their investments and total net worth.

The survey then asked respondents if they had heard of PFM and, if they had, whether they use it and, if they use it, whether they link their accounts. The key points include the following:

- **PFM awareness:** More than half of boomers and seniors have heard of PFM but never used it. Four in 10 young millennials and Gen Xers have heard of it but never used it, and 34 percent of senior millennials have heard of it but never used it.
- **PFM usage:** Two in 10 young millennials, senior millennials, and Gen Xers have used PFM in the last three months, and 13 percent of boomers and 8 percent of seniors have used it in the past three months. Nine in 10 young millennials, senior millennials, and Gen Xers have linked one or more of their accounts, and eight in 10 boomers and seniors have done so.
- **Top reasons why respondents did not continue using PFM:** Respondents who had not used PFM in the last three months were asked why they had stopped using it. The top three reasons why respondents stopped using it were they believed the information was good but didn't help them understand what they needed to do to improve their finances, it wasn't an effective way for them to manage their finances, and it was too much work to track and maintain budgets, review spending, and track their spending goals (Figure 10).

FIGURE 10: PFM AWARENESS, USAGE, AND CONSUMER FEEDBACK BY GENERATION

	Young millennials (24-28)	Senior millennials (29-39)	Gen Xers (40-54)	Baby boomers (55-73)	Seniors (74+)
PFM awareness	40% heard of it but never used it	34% heard of it but never used it	44% heard of it but never used it	54% heard of it but never used it	54% heard of it but never used it
PFM usage	25% used it in the past 3 months	27% used it in the past 3 months	21% used it in the past 3 months	13% used it in the past 3 months	8% used it in the past 3 months
Account aggregation	96% linked one or more accounts	97% linked one or more accounts	93% linked one or more accounts	80% linked one or more accounts	80% linked one or more accounts

Top reason why consumers stopped using PFM

1. Information was good, but it didn't help me understand what I needed to do to improve my finances
2. It wasn't an effective way to manage my finances
3. Too much work to track and maintain budgets, review spending, and track my spending goals

Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

Conversational touch points

Consumers are beginning to explore new ways to interact with firms in a digital environment. And many retail and technology players are beginning to shape what experience consumers expect from conversational touch points — chatbots in messaging apps such as Facebook Messenger, a digital assistant in a bank's mobile banking app, or a voice-activated assistant such as Alexa or Google Home. Over the last few years, many financial institutions have started experimenting with either offering chatbot in a messaging application such as Facebook Messenger, deploying a digital assistant in their mobile banking application, or allowing a consumer to obtain account information through Google Home or Alexa. To gauge how many consumers have interacted with a conversational touch point—chatbot, voice-activated assistant, or digital assistant in a mobile banking app—in the financial services industry, Aite Group asked a series of questions to see if consumers have used the touch point to interact with their primary financial service provider and what they used it for. Thirty-five percent of respondents indicate they have used a conversational touch point, with 28 percent indicating they have used a digital assistant in the mobile banking app of their financial services provider, 11 percent indicating they have used a Facebook Messenger chatbot, and 9 percent indicating they have used a voice-activated assistant. Of the respondents that have used a conversational touch point, 46 percent of respondents indicate they used it to check their balance, and over 30 percent used it to monitor transactions, pay bills, and obtain a summary of their spending (Figure 11).

FIGURE 11: CONVERSATIONAL TOUCH POINT USAGE

28%

used a digital assistant in the mobile app of their financial services provider

11%

used a Facebook Messenger chatbot (which allows them to communicate in voice or text and receive a computerized response that seems human)

9%

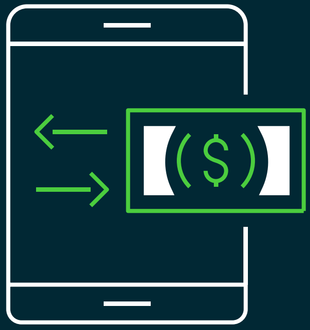
used voice-activated assistant (such as Alexa, Google Home or Siri)

46%

used it to check their balance

over 30%

used it to monitor account transactions, pay bills and obtain a summary of their spending



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

MEET THE VIRTUAL FINANCIAL COACH

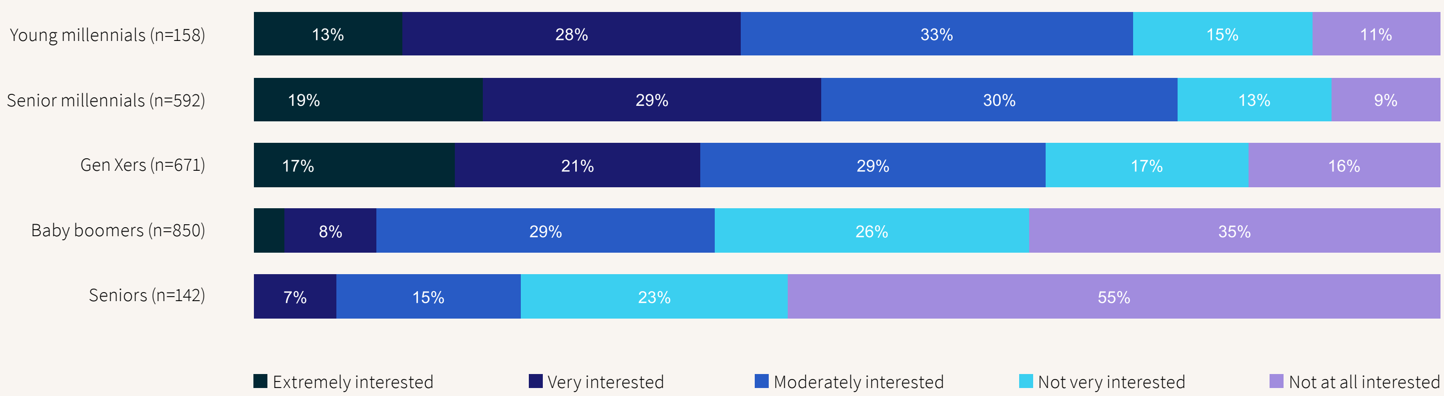
In the survey, Aite Group described how a virtual financial coach could help respondents meet their financial goals. In the survey, the virtual financial wellness coach was described as “a new digital assistant that allows you to understand your financial picture.” With a virtual financial wellness coach, you can do the following:

- See where you are spending money, get future projections of your account balance, and, based on upcoming income and expenses, understand whether you can still pay your bills if you make a purchase
- Set up a savings goal, create a plan to achieve your goal and monitor your progress toward the goal
- Compare your expenses to the expenses of other people like you to see where you may be able to optimize your spending
- Get real-time advice on how your everyday spending decisions can impact your ability to reduce your debt and save money
- Get personalized recommendations on products and services that will save you time and money, and obtain advice and guidance on how you can improve your financial health

Seventy-eight percent of senior millennials, 74 percent of young millennials, 67 percent of Gen Xers and 40 percent of boomers indicate they are moderately to extremely interested in using the virtual financial coach. On the other hand, more than half of senior respondents are not interested at all (Figure 12).

FIGURE 12: RESPONDENTS' INTEREST IN USING A VIRTUAL FINANCIAL COACH

Based on everything you have just read, how interested are you in using this virtual financial coach?

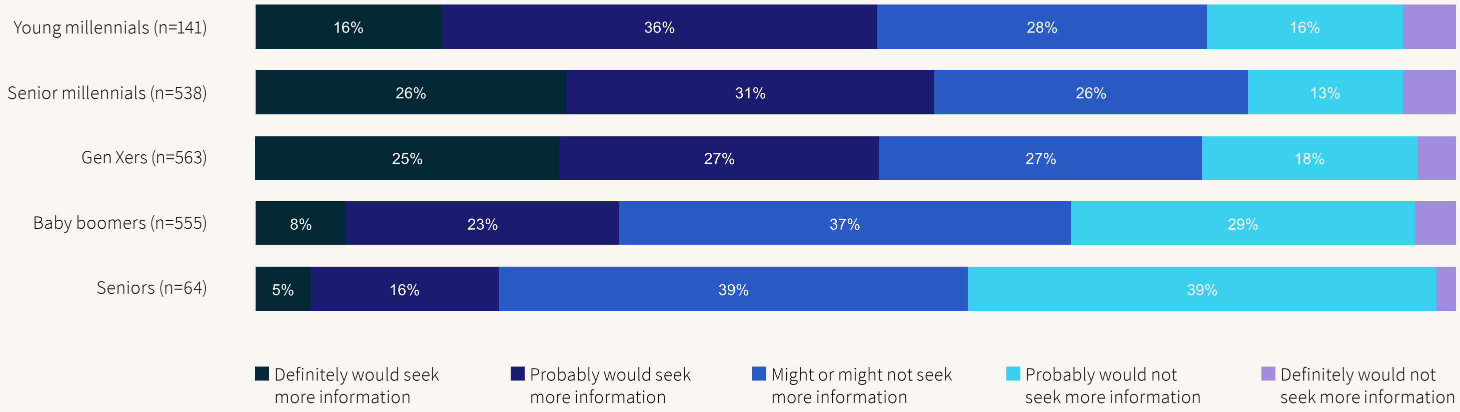


Source: Aite Group’s survey of 2,413 U.S. consumers, Q1 2020

Of the respondents who indicate that they have minimum interest, Aite Group asked respondents how likely they would be to seek more information about the virtual financial coach. Fifty-seven percent of senior millennial respondents, 52 percent of young millennial and Gen Xers respondents, and 31 percent of boomers definitely or probably would seek more information. Four in 10 senior respondents would definitely not seek more information about the virtual financial coach (Figure 13).

FIGURE 13: RESPONDENTS' WILLINGNESS TO SEEK MORE INFORMATION ON THE VIRTUAL FINANCIAL COACH

Given what you have read, which statement best describes how likely you would be to seek more information about this virtual financial coach? (Among respondents with at least a minimum interest in using the virtual financial coach)



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

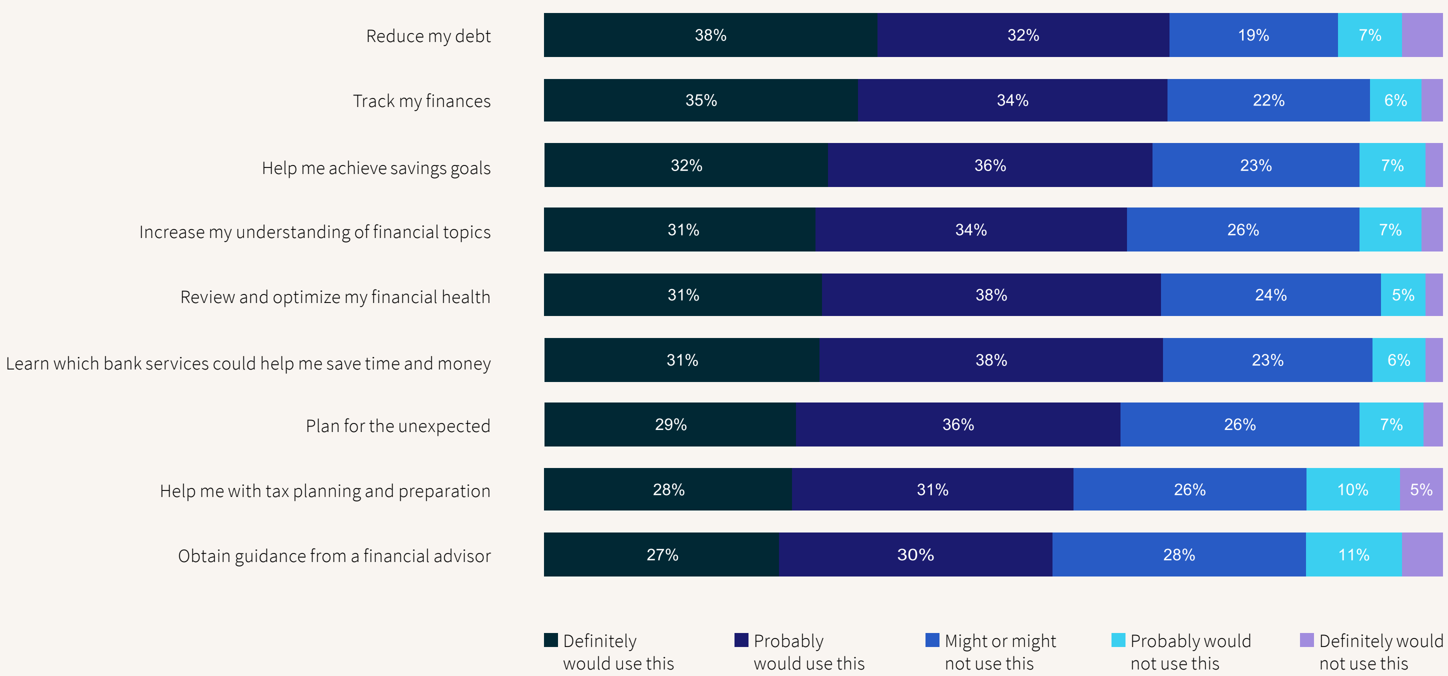
Consumer interest in financial wellness capabilities

Of the respondents who indicate they are extremely, very or moderately interested in the virtual financial coach, Aite Group asked how likely they would be to use the virtual coach for a variety of financial goals. Respondents are the most interested in using the virtual financial coach to reduce debt, track their finances, review and optimize their financial health, and learn which banking products save time and money.

They are the least interested in using the virtual financial coach to get help with tax planning and preparation or to obtain guidance from a financial advisor. On average, nine in 10 respondents would use the virtual financial coach for all the purposes stated in the survey, indicating strong interested among those who say they are moderately to extremely interested in using the coach (Figure 14).

FIGURE 14: RESPONDENTS' INTEREST IN USING THE VIRTUAL FINANCIAL COACH TO HELP THEM MEET GOALS

In the past year, how did you most often conduct the following banking activities?



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

Willingness to share information to obtain advice

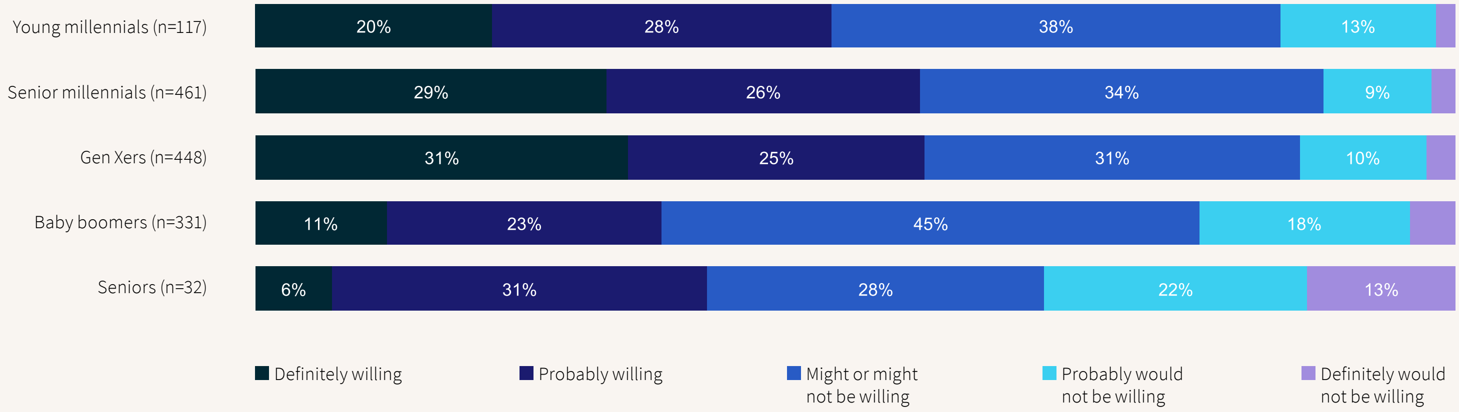
One of the main drivers to be able to give consumers real-time advice and guidance based on their finances is to understand how willing they are to share personal information with the virtual financial coach. Of the respondents who indicate they are extremely, very or moderately interested in the virtual financial wellness coach, almost half are definitely to possibly willing to share personal information (such as spending, budgeting and account information) in order to get advice from a virtual financial coach. Nine in 10 senior millennials and Gen Xers are willing to share information to obtain advice, and eight in 10 young millennials and boomers are willing to share information. Seniors are least interested, with 65 percent indicating they are willing to share information with the virtual financial coach to get advice (Figure 15).

Willingness to answer a short quiz to obtain advice

Aite Group also asked respondents who indicate they are extremely, very, or moderately interested in the virtual financial coach how interested they would be in answering their bank's or financial provider's questions to assist the virtual financial coach with personalizing financial advice for their situation. Nine in 10 young millennials, senior millennials and Gen Xers are extremely to moderately interested in answering a short quiz to obtain advice. Roughly eight in 10 boomer and senior respondents are willing to share information (Figure 16).

FIGURE 15: RESPONDENTS' WILLINGNESS TO SHARE PERSONAL INFORMATION

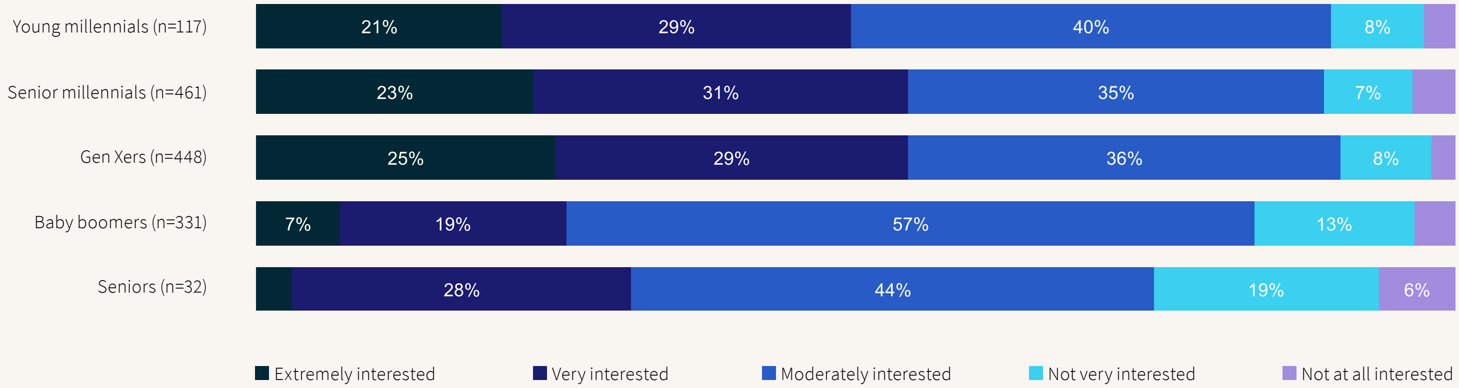
How willing are you to share personal information (such as spending, budgeting and account information) in order to get advice from a virtual financial coach? (Among respondents at least moderately interested in using the virtual financial coach)



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

FIGURE 16: RESPONDENTS' WILLINGNESS TO ANSWER QUESTIONS TO GET PERSONALIZED ADVICE

How interested would you be in answering some questions from your bank or financial services provider to assist your virtual financial coach in personalizing financial advice specifically for your situation? (Among respondents at least moderately interested in using the virtual financial coach)



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

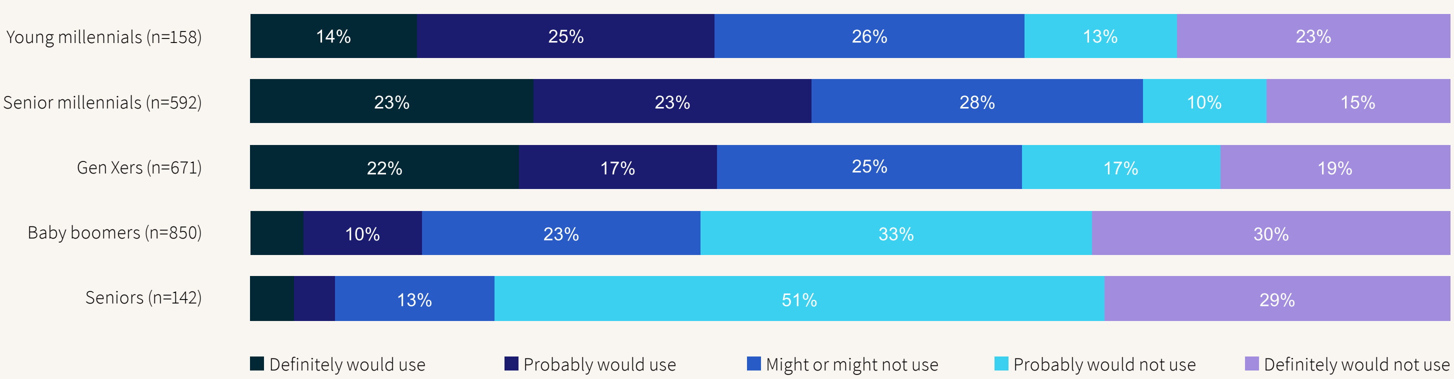
Financial interactions, conversational touch points

Conversational touch points, such as a chatbot, voice-activated assistant or digital assistant in a mobile banking application, could finally help deliver a truly interactive banking experience. In the survey, respondents were asked if their financial services provider offered a chatbot, voice-activated assistant or digital assistant that could help them with all of the activities that a virtual financial coach can do, for no extra charge, how likely would they be to use it.

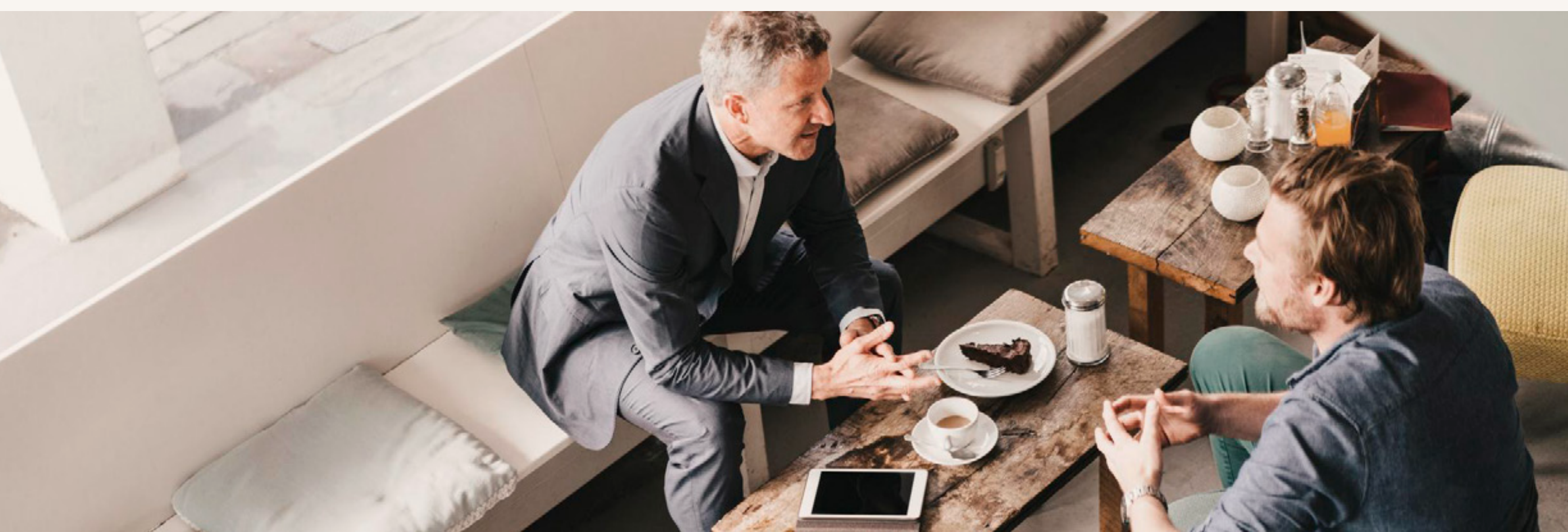
Seventy-four percent of senior millennials indicate they definitely or might be willing to use the virtual financial coach through a conversational touch point. Sixty-five percent and 64 percent of young millennials and Gen Xers are willing to use it, respectively. Less than half of the boomer and senior respondents are willing to use a conversational touch point to access the virtual financial coach (Figure 17).

FIGURE 17: RESPONDENTS' WILLINGNESS TO USE A CONVERSATIONAL TOUCH POINT TO ACCESS THE COACH

If your financial services provider offered a chatbot, voice-activated assistant or digital assistant that could help you with all the activities that we indicate a virtual financial coach can do, for no extra charge, how likely would you be to use it?



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020



BUILDING A PRESENCE IN THE COMMUNITY

Many financial institutions believe they need to have brick-and-mortar locations to demonstrate their sense of community. This notion is truer for some community banks and credit unions that still use branches as a main revenue driver.

But as consumers have expanded their definition of community beyond physical proximity, financial institutions will need to determine how to build and reinforce their brand in a digital environment while still putting the right focus on their physical branch locations.

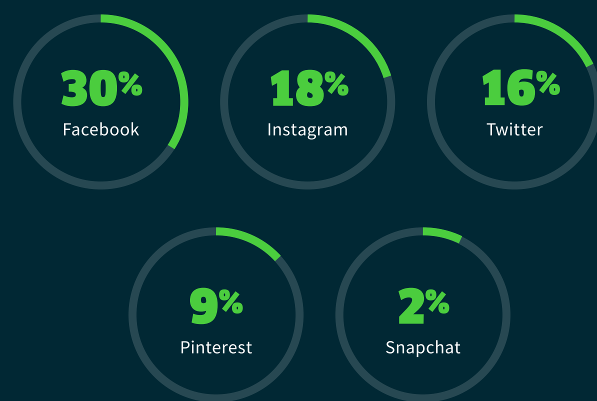
The next sections explore social media adoption and usage in financial services and provide an understanding of how important it is for a financial institution to show up in the community to support its customers or members.

Social media adoption

In order to understand what social media channel respondents use to connect with their primary financial service provider and why they decided to use social media sites, Aite Group asked a series of questions to provide more insight into social media activity.

Thirty-five percent of respondents indicate they have used social media to communicate with their primary financial service provider. Of the respondents who have used social media to connect with their primary financial service provider, 30 percent used Facebook, 18 percent used Instagram, 16 percent used Twitter, and less than 10 percent used Pinterest and Snapchat. The top reasons cited by respondents as to why they used social media include the following: It was easier than trying to find information online or through mobile banking, they wanted more information about their financial service provider, it was more efficient to get questions answered and problems solved, it was good way to get their primary service provider's attention, and they wanted others to know about their experience (Figure 18).

FIGURE 18: SOCIAL MEDIA USAGE



35% used social media to communicate with their primary financial service provider

Top reasons why they used social media:

- Easier than trying to find information online or through mobile banking
- Wanted more information about their financial services provider
- More efficient to get questions answered and problems solved
- Good way to get their primary service provider's attention
- Wanted others to know about their experience with this service provider

Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

Importance of financial institutions' presence in the community

One of the concerns for many financial institutions is how important it is to their customers that they have a presence in the community. In the past, financial institutions used physical branches to show their community support, but as "communities" have increasingly become virtual, Aite Group wanted to understand how important it was for financial institutions to show their presence in the community in either a physical or a digital way.

Ninety percent of respondents believe that having branches near them is important, but compared to the FIS PACE study, their actions may not always align with what they communicate is a priority. According to the FIS PACE study, over three in 10 respondents use a branch regularly. That means that consumers either think of the branch as a backup in case they need someone to help them or they truly use a branch for financial activities that they don't believe can be done as securely or effectively as a human interaction. This yin-and-yang perspective means that financial institutions need to work on educating consumers on what can be done digitally, how that can afford consumers' convenience, and that performing activities digitally is just as safe as in a branch.

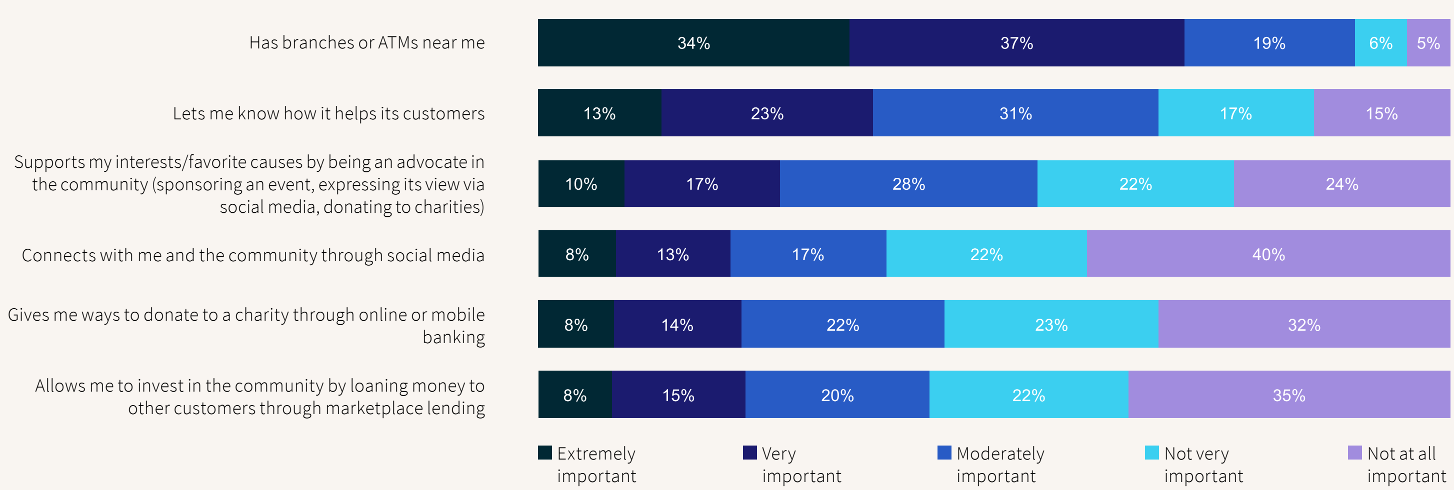
Once a financial institution can master migrating consumers to digital banking and lower-value activities, it can turn their focus to reinventing the role of the branch. That means financial institutions will need to re-evaluate what a branch means to their community and how to best support evolving consumer needs.

Sixty-seven percent of respondents indicate that letting them know how a financial services provider helps its customers is extremely to moderately important. Fifty-five percent and 38 percent of respondents, respectively, indicate that it is extremely to moderately important to them that the financial service provider supports their interests/favorite causes by being an advocate in the community, and connects with them and the community through social media. Four in 10 respondents want to also be able to give or invest in the community either by donating to a charity through online or mobile banking or by being able to invest in the community by loaning money to other customers through marketplace lending.

By opening up digital banking experiences to support giving to charity or investing by loaning money, financial institutions could create a new business model that could generate fee or referral revenue, depending on how they position these capabilities (Figure 19).

FIGURE 19: RESPONDENTS' ATTITUDES ABOUT FINANCIAL INSTITUTIONS' COMMUNITY PRESENCE

How important is it to you that your financial services provider does the following to show its support of the community?



Source: Aite Group's survey of 2,413 U.S. consumers, Q1 2020

CONCLUSION

The industry is at an inflection point. Digital experiences are being shaped by other industries, and that is putting pressure on financial institutions to build relevant banking experiences. Competing on products and services is no longer a sustainable strategy. The financial institutions that win consumers will be the ones that invest in creating engaging digital experiences that allow consumers to take control of their finances and learn how to meet their financial goals. As financial institutions look to grow their digital presence and create an engaging customer experience, they should consider the following:

- **Digital has overthrown branch traffic, yet many consumers still rely on a branch.** Ninety percent of respondents believe that having branches near them is important, but according to the FIS PACE study, over three in 10 respondents use a branch regularly. And often times, consumers perform tasks in a branch that they are not aware they can do digitally. Financial institutions should focus on reinforcing the value proposition of their digital capabilities to educate consumers on what activities they can perform digitally and the convenience afforded to them by doing these activities digitally.
- **Interest in PFM is somewhat stagnant.** Nineteen percent of respondents report that they have used PFM in the last three months, and 13 percent have used PFM but not in the last three months. The main drivers for not using PFM are that it did not help respondents understand what they should do to improve their finances, it wasn't an effective way for them to manage their finances, and it took too much work to maintain budgets, review spending, and track spending goals. As financial institutions look at their digital strategies, they should focus on making PFM or financial wellness tools more actionable.
- **Interest in a virtual financial coach is strong.** On average, 58 percent of respondents are interested in using a virtual financial coach to help them meet their financial goals. Financial institutions have an opportunity to build a set of virtual financial coach capabilities that appeal to all generations.
- **Consumers are willing to share information in exchange for personalized advice.** Although there are generational differences in consumers' willingness to share information with the virtual financial coach, on average, 85 percent of consumers are definitely to possibly willing to share information to obtain personalized advice. Because data is the backbone for building this type of experience, it is important for financial institutions to know that consumers are willing to share their information to receive personalized advice.
- **Many areas outside a financial institution's view impact a consumer's financial life.** This creates an opportunity for financial institutions to engage consumers in new and more meaningful ways. Aite Group expects that financial wellness will begin playing a role in the collections process, helping consumers understand how to manage other debt—medical and tax—and even help consumers budget to invest in the community through either marketplace lending or charitable contributions. Financial institutions will just need to determine what role they want to play in helping consumers manage all aspects of their financial lives.

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