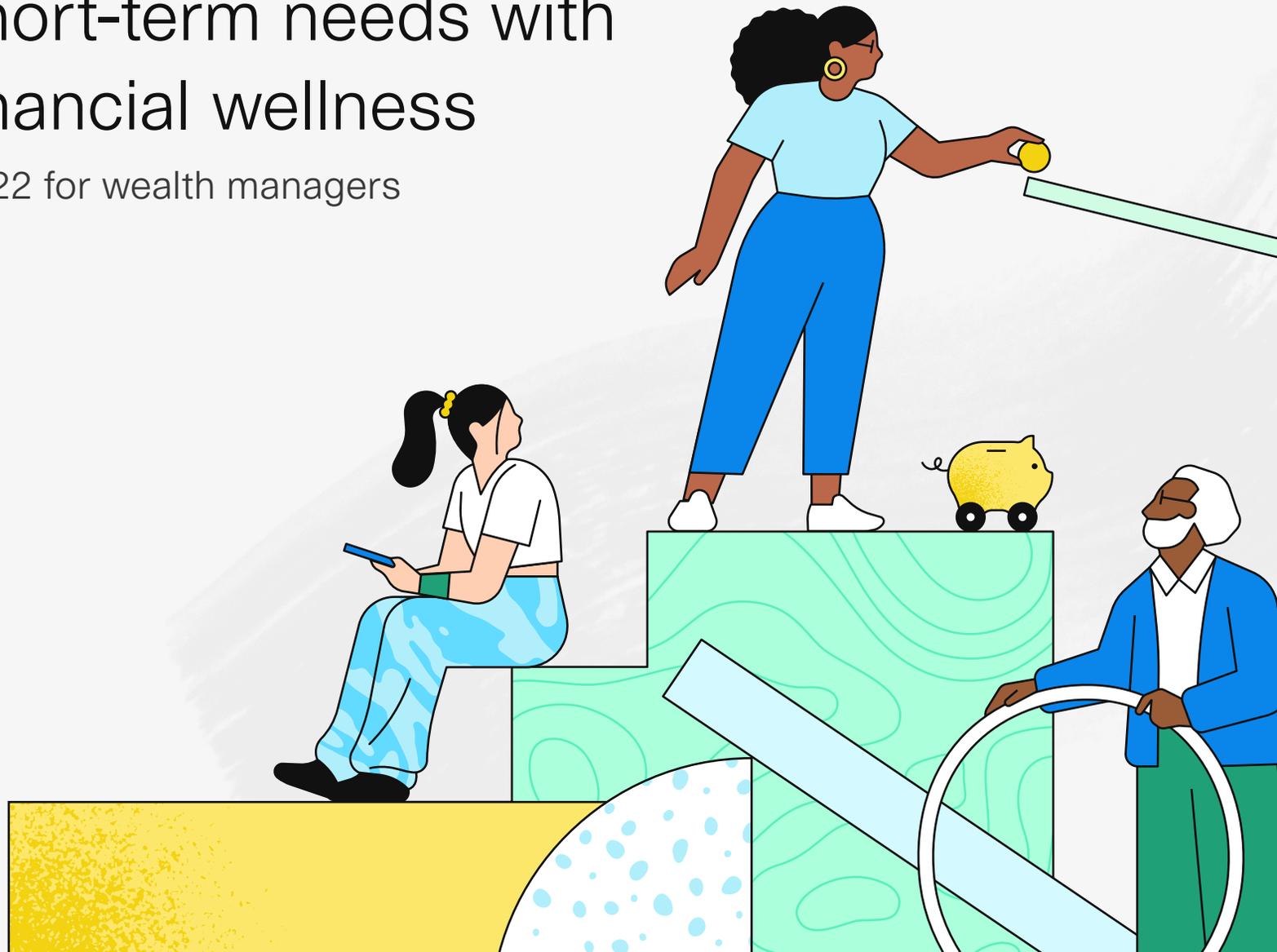


2022 FINTECH REPORT

# Balancing short-term needs with long-term financial wellness

The Fintech Effect 2022 for wealth managers



In light of current macroeconomic challenges, over half of US consumers (53%) are feeling more economic stress than they did last year. As a result, consumers are concerned with meeting short-term needs and leaning more towards foundational financial topics like spending and saving. To help consumers along the path to financial wellness, wealth managers will first have to address consumers' concerns. Additionally, the growth of open finance will determine wealth managers' ability to offer effective advice as consumer holdings are spread across various brokerages, fintech apps, and crypto exchanges and wallets.

Plaid's third annual [Fintech Effect report](#) examines consumer attitudes toward and usage of fintech. The report is based on data collected by The Harris Poll between June and July of 2022 from 2,000 participants in the US across a range of demographics.

Some of the report's key findings include:

- \* **Consumers are focused on day-to-day needs:** Top consumer concerns include the cost of living, spending, and budgeting.
- \* **Short-term needs overshadow wealth building:** Adoption rates suggest these needs impede longer-term financial goals like saving and investing. A much larger proportion of consumers use payment tools (73%), compared to budgeting (17%) and investing (31%).

- \* **Budgeting and investing app users are highly engaged:** Once consumers can turn their attention to budgeting and investing, they tend to have more fintech apps and check them more frequently. For example, budgeting app users have an average of 5.65 fintech apps, compared to 3.3 apps for overall consumers. Additionally, 61% of investing app users check their apps daily.
- \* **Consumers want open finance and wealth managers need it:** Consumers want tools that integrate with the services they're already using and wealth managers need holistic views of consumers' finances to give effective advice. For instance, 70% of consumers say they would switch banks if theirs did not connect to the tools and services they need. Cryptocurrency is becoming a larger part of this equation as younger generations are more confident in its future, with over 50% of Millennials and Gen Z believing it's how people will transact in the future.

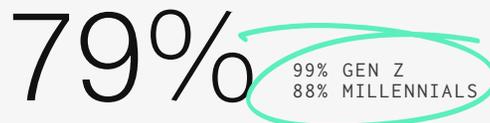
**Key takeaways**

- Consumers' main challenges are around spending and saving
- The majority of consumers want more financial education
- Wealth managers can help consumers bridge their knowledge gaps

## Consumers are focused on day-to-day needs

The three top concerns for consumers include the cost of living, gas prices, and recession fears. Notably, a greater proportion of Gen X and Baby Boomers were concerned about the cost of living (74%) than overall consumers (69%). On the flip side, unemployment is more of a concern for Gen Z (31%) and Millennials (23%) than for Gen X (12%) and Baby Boomers (3%). Understandably, consumers closer to retirement age are likely more concerned with making existing wealth last than generating active income.

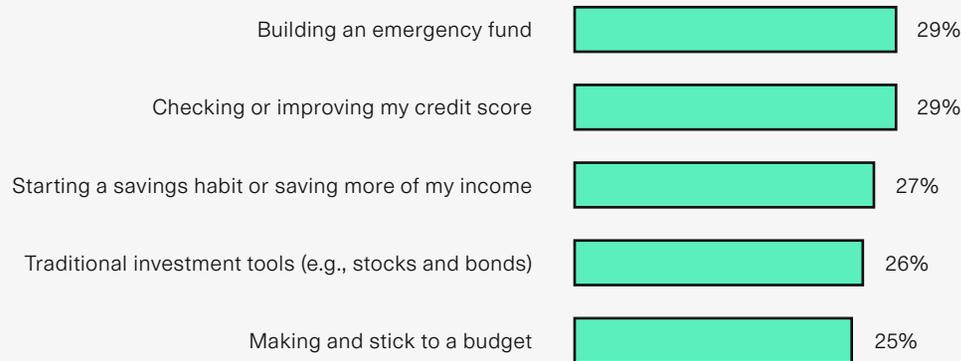
The biggest challenges consumers face are overspending (36%), not saving enough (34%), and not saving enough for retirement (31%). Generational differences certainly exist, with Gen Z much less concerned about retirement (17%) than Millennials (27%), Gen X (39%), and Baby Boomers (32%). Overspending also plagues younger generations slightly more than older generations — with 36% of Gen Z and 44% of Millennials concerned about this compared to 34% of Gen X and 27% of Baby Boomers.



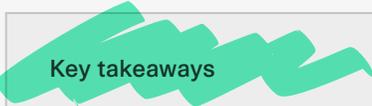
*of Americans are interested in learning more about financial topics*

To battle these challenges, 79% of consumers crave more financial knowledge. Their top interest areas are emergency funds (29%), credit scores (29%), saving (27%), investing (26%), and budgeting (25%). Older generations in particular are interested in budgeting — 52% of Baby Boomers and 40% of Gen X want to learn about budgets compared to 37% of Millennials and only 24% of Gen Z.

**Top financial topics**



Wealth managers have an opportunity to help educate consumers about these foundational financial habits. Without bridging this gap, consumers are unlikely to focus on longer-term financial goals.

**Key takeaways**

- Payment apps are a gateway into fintech
- Lower-income people know saving matters but struggle to prioritize it
- Wealth managers can help lower-income people assess how much they can save

## Short-term needs overshadow wealth-building

**C**onsumer adoption is much higher for shorter-term solutions like payment tools than for budgeting and investing apps.

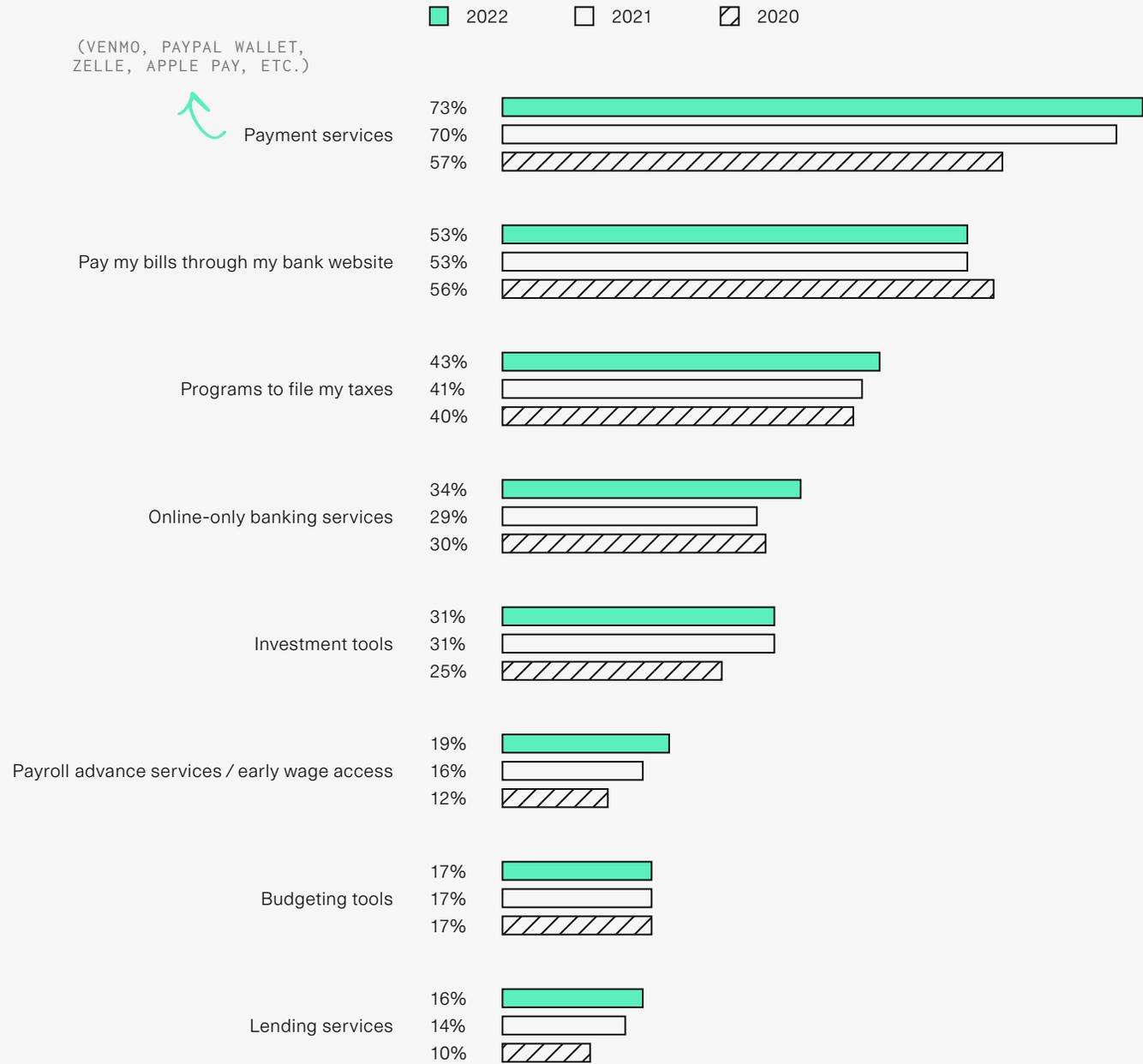
### Payment and liquidity tools help meet immediate needs

Consumers use payment (73%) and payroll advance (19%) services to make ends meet, with payment tools being the most widely used fintech tool.

People with median and higher incomes are more likely to use payroll advance services: 21% of consumers making between \$50K and \$100K and 20% of consumers making over \$100K use these services. Meanwhile, only 12% of consumers making under \$50K report using these services.

Overall, payment apps appear to be many people's first exposure to fintech, and people with higher incomes are willing to adopt payroll advance services for short-term liquidity struggles.

Use case adoption remained remarkably consistent as the world changed dramatically over the past three years



**Lower-income consumers know saving is important but struggle to prioritize it**

A third of respondents across income groups are concerned about savings: 33% of those making <\$50K, 31% making \$50–\$100K, and 37% making \$100K+.

But higher-income people are more likely to call savings a priority. Thirty percent of those making <\$50K said savings is a priority for them, compared to 39% of those making \$50–\$100K and 41% of those making over \$100K.

While lower-income consumers know saving is important, their shorter-term needs likely limit their ability to save. For wealth managers, this means that consumers may need help assessing whether or not they have the ability to save on their current income and if so, how much. Wealth managers can also suggest automated savings tools that help consumers save small amounts at a time.

**Key takeaways**

- Budgeting app users are a small but highly engaged portion of consumers
- More consumers use investing apps (31%) than budgeting (17%)
- Apps are lowering the barrier to entry for investing

## Budgeting and investing app users are highly engaged

**C**onsumers using medium- to long-term tools have more apps and check their apps more frequently.

### **Budgeting app users: small but mighty**

Despite overspending being one of the top challenges consumers face, only 17% of consumers report using budgeting tools. But 64% of consumers who use budgeting apps report using digital finance apps every day. Plus, budgeting app users have an average of 5.65 finance apps, more than any other use case.

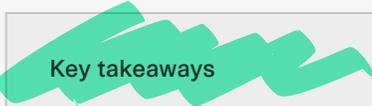
Budgeting can help consumers tackle some of their top challenges, like overspending and not saving enough. Plus, 40% of Gen X and 52% of Baby Boomers want to learn about budgeting. As budgeting app users tend to be highly engaged with their finances, it behooves wealth managers to educate consumers about budgeting.

### Investing apps are an on-ramp

While budgeting is typically thought of as a precursor to investing, investing apps are more popular than budgeting at 31% adoption. Millennials represent a large portion of these consumers, as the generation with the highest adoption rate at 40%. And apps seem to be paving the way to investing: 53% of consumers who use investing apps didn't invest before using fintech.

Like budgeting app users, investment app users are highly engaged: 61% check their apps daily, and another 31% check weekly. Plus, 58% of investment app users say setting aside more for investing is their #1 goal.

With the higher adoption of investing apps, consumers are skirting the traditional route of budgeting before investing. This could be because many consumers see investments as savings: 38% of consumers concerned about saving have a digital investment app, while only 33% use a budgeting app. Either way, consumers who find themselves using budgeting or investing apps keep a close eye on their finances.



### Key takeaways

- Consumers want integrated experiences and tend to have several fintech apps
- Younger generations are more confident in the future of crypto
- Open finance will be critical for wealth managers to offer effective advice

## Consumers want open finance and wealth managers need it

**O**pen finance can create the experiences consumers want while also empowering wealth managers with the kind of holistic view they need to support their clients.

### Consumers seek to integrate tools

Consumers are clear on their desire to integrate fintech apps and may leave banks that limit their ability to do so. Seventy-three percent of consumers agree that their bank must connect to the services they want and 59% would like to see their bank partnering with more fintech companies. Additionally, 70% would consider switching banks if theirs could not connect to the financial accounts they want.

### Splintered finances are a challenge for wealth managers

Gaining a complete picture of a client's finances may be uphill as consumers adopt more apps. Consumers now have an average of 3.3 fintech apps, up from three in 2021, with budgeters having an average of almost six. This is not counting balances held in nontraditional places like payment accounts, which 46% of consumers report having.

### **The crypto piece of the puzzle**

Crypto is becoming a larger part of younger generations' and certain demographic groups' financial realities. While 83% of Baby Boomers may feel that crypto is just a trend, 56% of Gen Z and 52% of Millennials believe it's how consumers will transact in the future. Fifty-one percent of Hispanic people and 48% of heavy fintech users are also confident in crypto's future.

Plus, almost half (48%) of Americans would like to connect their crypto account to their bank account to track their holdings side-by-side.

### **A growing need for open finance**

Considering the growing number of apps consumers have and the confidence younger generations have in crypto, aggregate financial views may be increasingly difficult to create. But they are also necessary for wealth managers to be able to offer effective financial advice. An open finance future could solve this challenge.

An open finance ecosystem is one in which consumers have more access to and control of their financial data; it requires cooperation from financial institutions and fintech applications. Open finance would not only give consumers control over their data and how it's shared but also create the connected experiences wealth managers need to help their clients meet financial goals.

## Close the knowledge gap to help consumers achieve financial wellness

**C**onsumers are concerned about day-to-day needs like the cost of living and want to learn more about foundational habits like investing and saving. Wealth managers should feel incentivized to help close this knowledge gap as short-term needs prevent consumers from thinking about long-term wealth building.

That said, consumers who can think about longer-term needs (budgeting and investing app users) are highly engaged with fintech. Thus, closing these knowledge gaps and helping consumers meet shorter-term needs can help them along the path to financial wellness.

Additionally, consumers are finding more benefits in fintech — 58% feel that it saves them time and 48% feel more in control of their finances. The interconnectedness of an open finance ecosystem will only amplify these benefits by giving consumers more power over their data and how it's shared. Open finance not only helps consumers realize the full value of fintech, but it also empowers wealth managers with the insights they need to further improve the financial wellness of their clients.

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