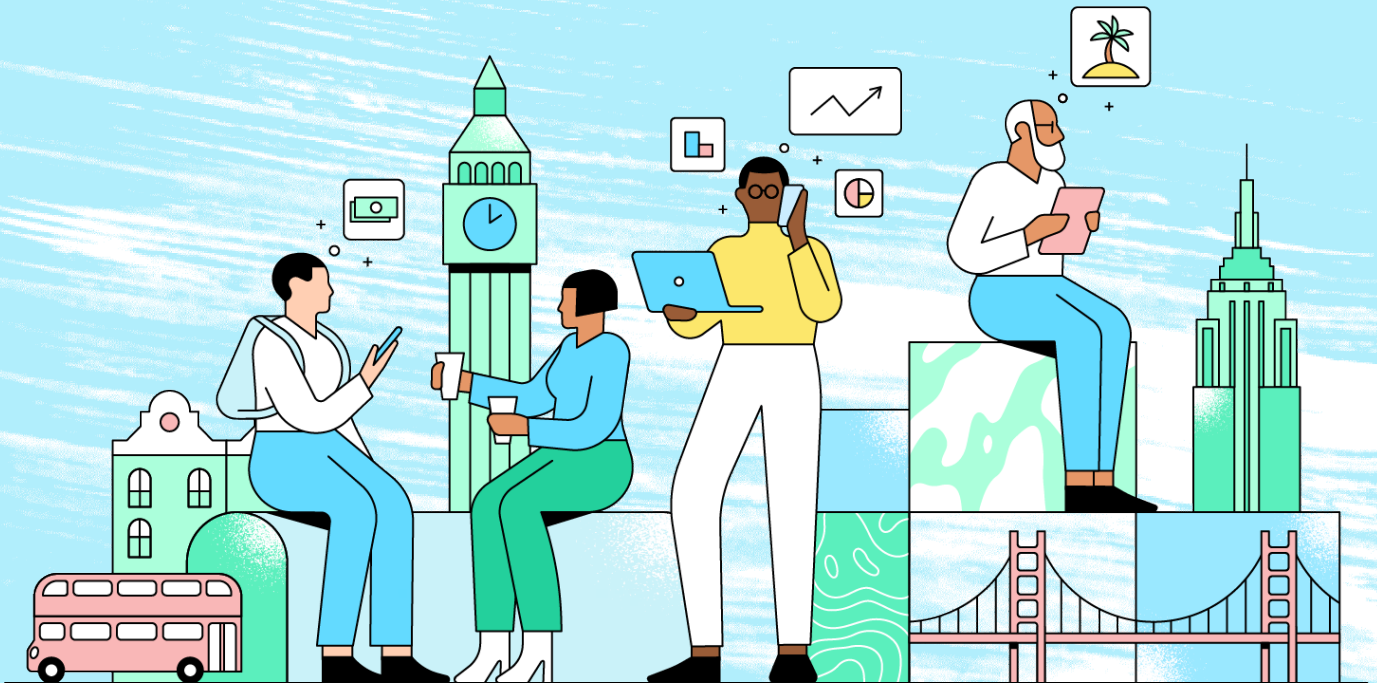


2021 FINTECH REPORT

The Fintech Effect

Fintech's mass adoption moment



Contents

- 03** A Note from Plaid
- 05** Key Findings
- 06** Methodology
- 07** Part 1: Fintech's value drives a permanent shift to digital
- 16** Spotlight: People want to control their financial information
- 18** Part 2: Fintech makes finance more inclusive and social
- 28** Spotlight: Policy – Sea change on both sides of the Atlantic
- 31** Part 3: Fintech integrates finance into people's everyday lives
- 39** Conclusion: Fintech's mass adoption signals bigger changes ahead

Welcome to the second annual **Fintech Effect**, Plaid's research series designed to provide insights and analysis about fintech's consumer impact. This year's report focuses on year-over-year trends, new learnings from a groundbreaking year for fintech, and for the first time expands our survey to include both the United States (U.S.) and United Kingdom (U.K.).

88% of Americans and 86% of Britons used fintech in 2021.

What is fintech?

Fintech is the intersection of financial services and technology. It refers to any digital service that a consumer engages with in order to manage their money, including online banking, payments, investing, savings, budgeting, borrowing, and goal-setting.

Fintech has reached mass adoption. Between 2020 and 2021, the proportion of U.S. consumers using fintech grew from 58% to 88% – a 52% year-over-year increase. Similar adoption leaps took the refrigerator twenty years, the computer ten and the smartphone five.¹ In terms of consumer technology penetration, fintech has entered the stratosphere of video streaming subscriptions (78%),² and social media (72%)³ and is nearing par with the internet (93%).⁴ We've reached an era in which financial technology is no longer a corner of the financial system, but approaching its center.

As fintech adoption approaches parity with traditional banking (95% of consumers are banked⁵), it's also become the primary way most people manage their money. Usage jumped in every category, both in terms of the percentage of people's money managed digitally— from 55% to 65% in the U.S., and 67% in the U.K.—and across the types of fintech tools used (payments, investing, and saving each surpassed 50% adoption in 2021). And it's not just young people – the proportion of Baby Boomers using fintech more than doubled in the past year. Fintech's move to the center is happening at both an ecosystem and an individual level.

¹ [Harvard Business Review](#)

² [Leichtman Research Group](#)

³ [Pew Research Center](#)

⁴ [Pew Research Center](#)

⁵ [FDIC](#)

Last year, in our inaugural consumer survey, consumers reported that fintech improves financial well-being, expands access to the financial system, and enables them to engage more deeply with their finances.⁶ As a provider of the connectivity that enables fintech, we were eager to reach back out to the public to learn how consumers' use of fintech has changed in the past year.

We expanded this year's survey to include both the United States and the United Kingdom, two markets where fintech ecosystems took shape under different regulatory regimes. We revisited many of last year's questions in order to surface trends, and expanded our question set to examine social and cultural impact, the role of data, and where consumers look for trust and innovation.

Overall, consumers told us three things:

1. Fintech's value will keep people digital-first after the pandemic
2. Fintech makes finance more inclusive and social
3. Fintech integrates finance into people's everyday lives

Solving widespread financial challenges remains fintech's primary directive. But changing the culture of money and showing up wherever people touch their money positions fintech to be the new center of the financial universe. With mass adoption reached, nearly every consumer has experienced fintech. But with no single use case surpassing 70% penetration, fintech still has tremendous room to grow. As the ecosystem moves forward, fintech's impact will continue to stretch beyond financial well-being and inclusion to a full transformation of financial services' role in everyday life.

What is Plaid?

Plaid helps people connect their bank accounts to the apps and services they want to use. We power thousands of the most widely used fintech apps and connect with more than 11,000 financial institutions in the US, Canada, the UK, and Europe. Learn more at plaid.com.

⁶ Plaid

1 Fintech's value drives a permanent shift to digital

People plan to continue using fintech after the pandemic, because it saves them time and money, boosts their confidence, and helps them make better financial decisions.

Across all use cases, between 80-90% of fintech users plan to keep using fintech beyond the pandemic. The majority of users report that fintech saves them time (93%) and money (78%), and reduces financial fear and stress (71%).

2 Fintech makes finance more inclusive and social

By making finance more accessible and bringing underserved voices to the table, fintech is changing the culture of finance.

Fintech use surpassed traditional banking among Hispanic people in the U.S. (95% use fintech). Seven in ten (71%) U.S. consumers say fintech has made finance part of daily conversation.

3 Fintech integrates finance into people's everyday lives

As fintech shows up in more places, consumers prioritize using products and services they trust.

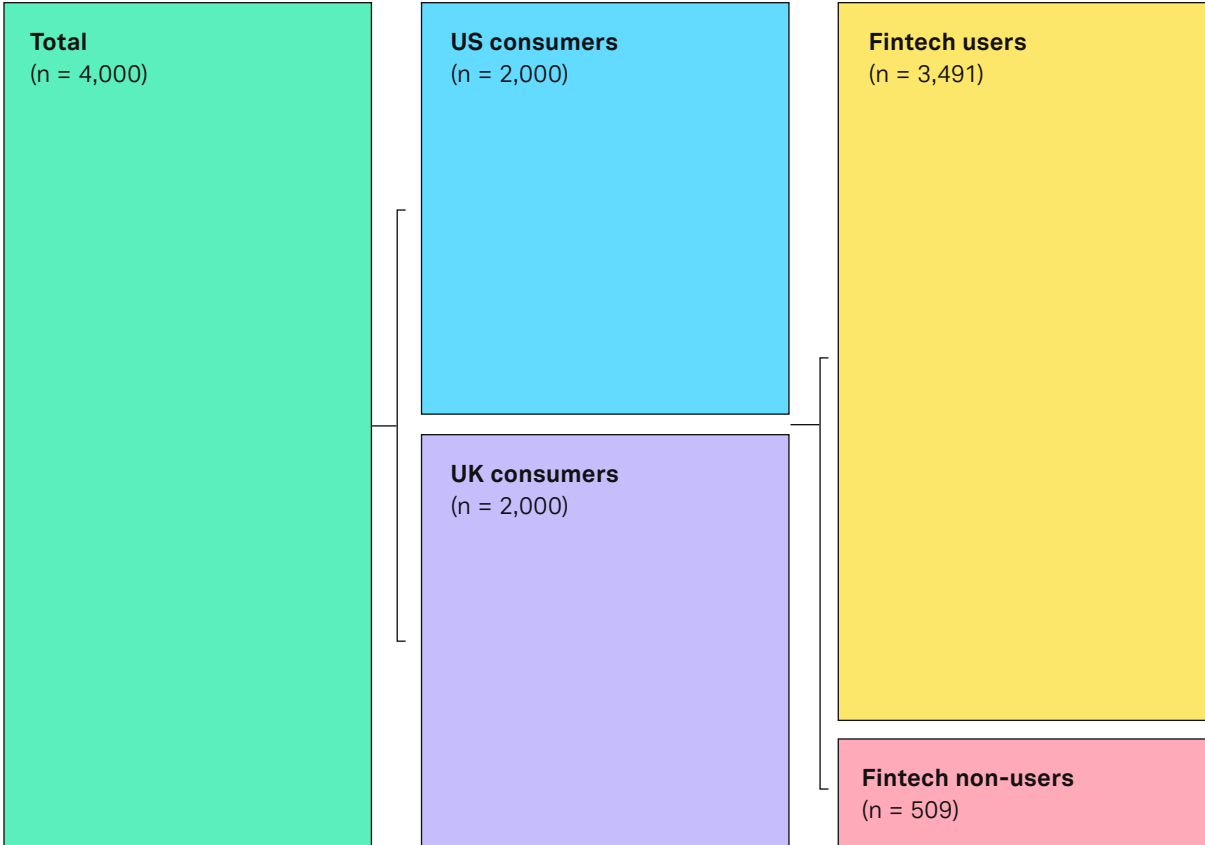
Eight in ten fintech users say fintech seamlessly integrates into their everyday lives (77%). Nearly half of Americans use fintech every day (48%). Gen Z trusts fintech (66%) with their financial information more than traditional financial institutions (63%).

This survey was conducted online within the United States by The Harris Poll on behalf of Plaid from July 6-20, 2021, among 2,000 adults in the United States and 2,000 adults in the United Kingdom ages 18 and older.

In addition to the key populations outlined on the right, results were analyzed by age, gender, region, urbanicity, ethnicity, income, assets, employment, marital, and parental status.

The data have been independently weighted to the populations of the U.S. and U.K. Unless explicitly stated otherwise, every statistic referenced in this report refers to the U.S. The Policy Spotlight covers both the U.S. and U.K., but other sections are specific to the U.S. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated.

In May 2021, we also held 5-day digital diaries with 30-minute follow up interviews among 16 American consumers. The participants represented a mix of genders, ages, ethnicities, incomes, and fintech literacy, among other factors.



1

Fintech's value drives a permanent shift to digital

- Fintech's pandemic acceleration has staying power
- Fintech improves people's financial well-being
- People use fintech to address both financial goals and challenges



Fintech's pandemic acceleration has staying power



Last year's Fintech Effect demonstrated the COVID-19 pandemic's profound impact on people's fintech use.⁷

This year's report confirmed the massive COVID acceleration. Beyond the 30 percentage point year-over-year spike in adoption, nearly seven in ten survey respondents said they use technology as much as possible to manage their money due to the pandemic (69%). As the world reopens, the question remains: are these new digital behaviors permanent?⁸

48%

48% of people use fintech every day

The vast majority of people say their digital financial habits won't go back to the way they were before. Across all use cases, between 80% and 90% of those who used fintech in the past year plan to use it the same amount or more going forward. The frequency of fintech use also jumped, with the proportion of fintech users who use their apps daily rising 11% from 37% pre-pandemic to 48% today.

With bank branches reopening, digital isn't the only option.⁹ Last year, 69% of people said fintech was a pandemic lifeline.¹⁰ This year, 58% still said they can't live without using technology to manage their finances. Sticking with fintech is an active choice that will remain after the pandemic.

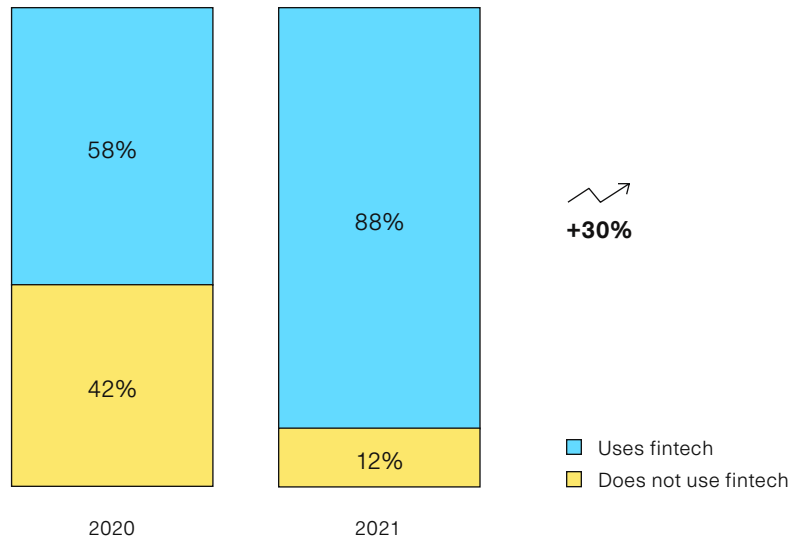
⁷ Plaid

⁸ Deloitte

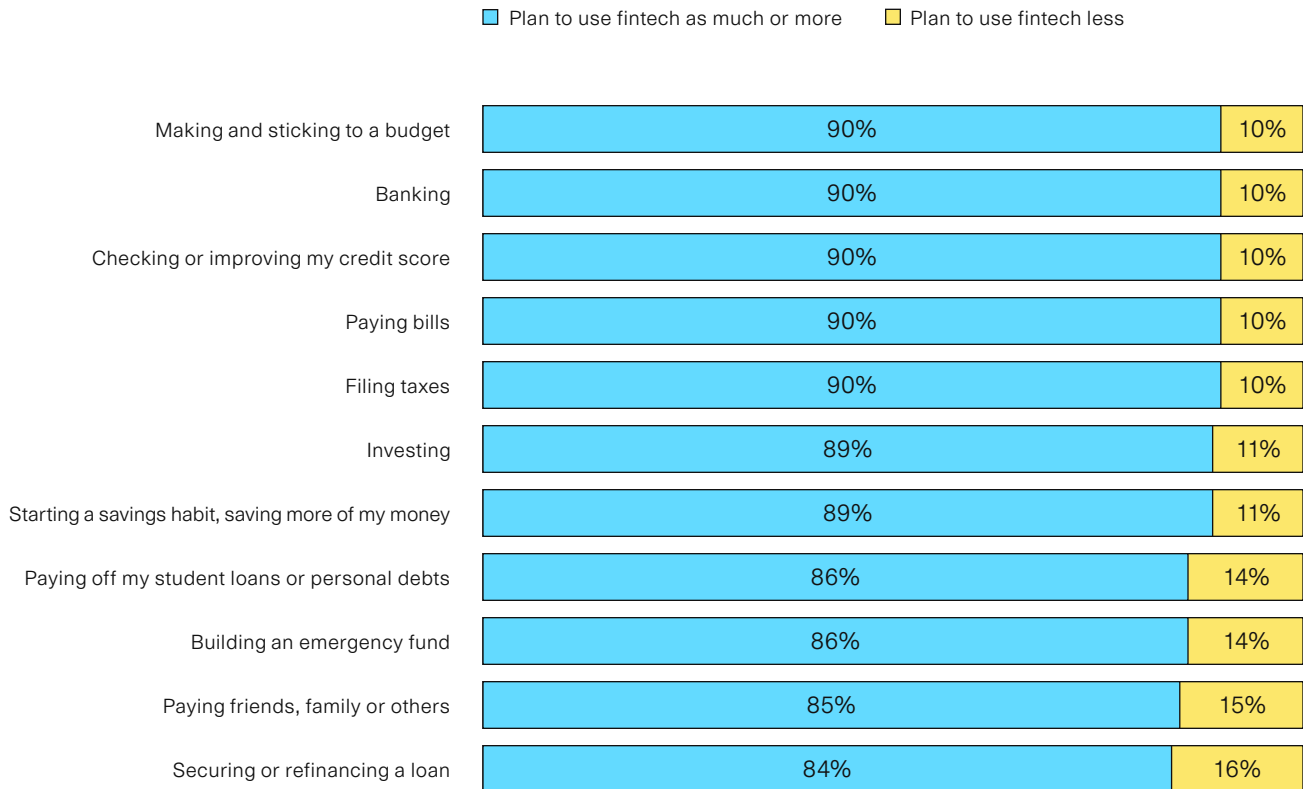
⁹ Novantas

¹⁰ Plaid

 **A strong majority of Americans now use fintech**



 **Fintech users plan to keep digital habits after the pandemic**



Fintech improves financial well-being



Even as adoption spikes, fintech's impact on financial well-being continues to be the primary driver behind its use. Financial well-being is about more than money.

Confidence, control, and good financial habits are key to making better financial decisions and improving outcomes.¹¹ In line with last year's findings, fintech's impact on financial well-being continues to span beyond saving dollars and cents.

46%

46%, or nearly half of fintech users, save more than \$50 a month on interest and fees.

A similar proportion of consumers year-over-year reported that fintech had a positive impact on their financial understanding (47% in 2020, 44% in 2021), helped them progress toward financial goals (36% in 2020, 34% in 2021), and improved their financial management (31% in 2020, 29% in 2021).¹² As the overall number of consumers using fintech grows, the lack of statistical significance in these percentages implies that fintech's impact scales with its adoption.

This year, while the majority of fintech users report saving time (93%) and money (78%), those surprisingly aren't people's top-rated benefits. When asked to rank their top three benefits of fintech use, people list softer benefits like easier tracking of finances (82%), more control (81%), more choice (79%), and better habits (73%) above time (60%) and money (45%) savings.

For some people, their time and money savings are substantial. Nearly a quarter of people save an hour each month by managing their finances online (21%). Just under half of fintech users reported

¹¹ CFPB

¹² None of these findings show statistical significance of >3%

saving more than \$50 per month (46%) on interest and fees, and a similar percentage used auto-savings or investing apps to set aside at least \$50 in savings and investments monthly that they otherwise wouldn't have (45%).

Top benefits of using fintech



Financial confidence is a particularly salient benefit. For the second year running, a higher percentage of fintech users (78%) than non-users (70%) reported being financially confident . This year we pressed on that correlation, and found some causation – the more people use fintech, the more financially confident they become: seven in ten say the more they use fintech the more confident they feel about their finances (71%), a proportion that stretches even higher among millennials (78%) and Gen X (76%).

While overall financial confidence tracked largely to income—66% of people making under \$50k say they're financially confident, compared to 77% between \$50k and \$100k, and 85% over \$100k—somewhat similar proportions of groups across the income ladder

say fintech has made them more optimistic about their financial futures: 25% of <\$50k, 34% between \$50k and \$100k, 36% over \$100k. Confidence also stems from greater focus on financial management: people using fintech budgeting apps report slightly higher levels of financial confidence (rating their confidence at 7.4 on a scale from 1 to 10) than those using an online banking tool alone (7.0 out of 10), and those using investing tools report the highest confidence of all use cases (8.8 out of 10).

7 in 10

7 in 10 consumers say the more they use fintech, the more confident they feel about their finances

Beyond confidence, three-quarters say fintech helps people make smarter financial decisions (73%), a number that stretches higher for millennials (81%) and Gen X (75%) who in their middle years face perhaps the most financial decisions overall. When looking for new fintech applications to try, Millennials (41%) and Gen X (42%) are the most likely to prioritize apps that help them make decisions that would otherwise be too complicated to handle manually.

Similar to last year's findings, fintech impacts people's holistic financial well-being. Better outcomes start with better habits, a fuller understanding of financial circumstances and the confidence to take action. Fintech positively affects all three dimensions.

People use fintech to address financial challenges and goals



Individuals' financial objectives tend to fall into two categories: challenges they need to solve, and goals they want to achieve. In the past year, people turned to fintech to address both challenges and goals.

Americans cite short and long-term savings and sticking to a budget as their main financial challenges.

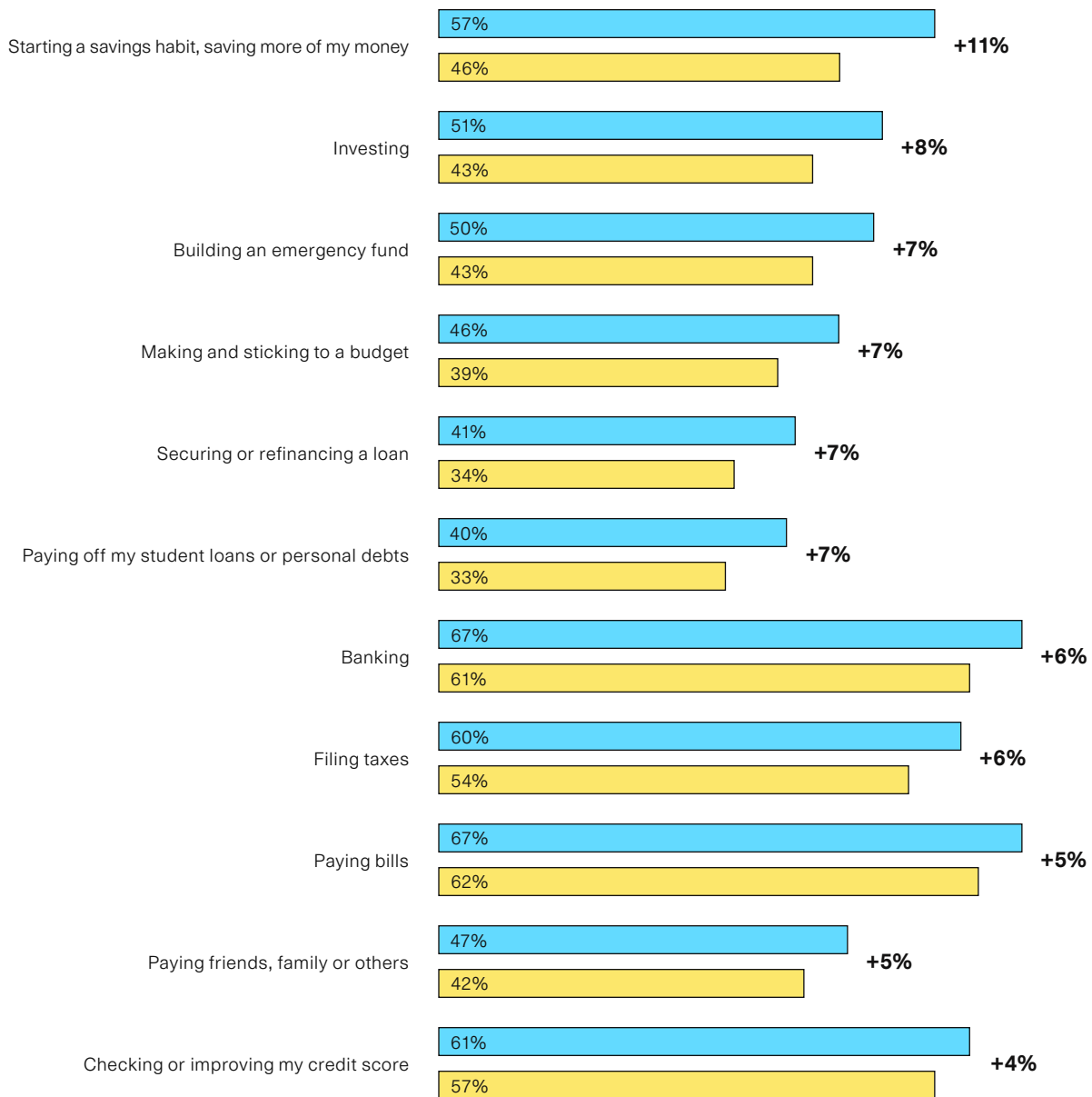
While the pandemic had a clear impact on people's financial experiences—three-quarters are more focused on their finances as a result of the pandemic (74%)—specific challenges remained largely similar year over year. Americans continue to cite short- and long-term savings (31% in both 2020 and 2021) and sticking to a budget (33% in 2020 and 31% in 2021) as their main financial challenges. The largest year-over-year jump in financial challenges came from fees for financial services (13% to 19%). In all three instances—saving, budgeting, and avoiding fees—people turned to fintech for help.

Savings and investing saw the largest year-over-year increase in digital use, with adoption of digital savings tools up 11% to 57% of all Americans and investing up 8% to 51%. Where major financial institutions took in more fees than ever in the past year,¹³ four in ten Americans say they use apps and other digital services because it saves them money on fees including overdrafts and account minimums (39%).

¹³[Banking Dive](#)

☰ Americans increasingly rely on tech for a majority of financial tasks

■ 2021 ■ 2020



53%

53% of people who say they want to save more money used a budgeting app in 2021

In terms of reaching goals, people saving for big ticket items, building emergency funds, and paying off personal debt all report using budgeting tools at a high rate – 35%, 39%, and 28%, respectively. More than half of people who say they want to save more money used a budgeting app in 2021 (53%). A similar proportion of people who cited saving or investing as a top goal use a digital investing tool (56%).

56%

56% of people who cited saving or investing as a top goal used fintech for investing in 2021

Even as use cases trend upwards overall, there's still room to grow. Just three in ten people who say they're not saving enough for retirement use investing tools to reach their goals (28%), and a third who cite keeping a budget as a challenge have started using fintech budgeting applications (33%). As fintech reaches mass adoption, providers continuing to address specific challenges and goals can remain confident that consumers will look to technology after the pandemic.



As finance becomes more digital, people value the ability to control their financial information.

80%

80% of Americans say "it is important to be able to connect my bank account to the digital finance apps and services I choose."

76%

76% of Americans say "when choosing a bank, the ability to connect my accounts to apps and services I want to use is a top priority."

69%

69% of Americans say "I would consider switching banks if my primary bank could not connect to my financial accounts."

Interoperability—the ability to connect accounts and services together—is a core feature of fintech. The vast majority of fintech use cases rely on consumers' ability to connect their financial accounts to track information, generate insights, or initiate transfers across those accounts. Our survey found that the more people use fintech, the more they see interoperability as a priority in their financial lives.

Consumers initially viewed account aggregation as a function in service of use cases like budgeting tools. Now they see interoperability as valuable in itself.

Last year, 42% of people said they started using fintech to aggregate their accounts in order to gain a holistic understanding of their finances. This year, three quarters of people said the ability to connect their accounts is not just a priority, but an expectation when choosing their bank (76%). In fact, nearly seven in ten value it so highly that they would consider switching banks if they could not connect their financial accounts to fintech apps (69%).

As fintech reaches mass adoption, people see more value in controlling and sharing their data. Today 79% of

SPOTLIGHT | PEOPLE WANT TO CONTROL THEIR FINANCIAL INFORMATION

people value the ability to share their information with the financial apps and services they use. And 83% say they prefer to choose where they share their data (e.g., with fintech apps), instead of having companies share their data for them (e.g., credit scores).

It's more than just bank accounts that consumers want to connect. One third of people prioritize compatibility with other accounts when choosing fintech applications, indicating that the more people use fintech, the more they consider those tools to be central to their financial lives (32%). People also place a premium on transparency when it comes to their financial information – three in ten say they would be more likely to use a fintech app if that app made it easy to understand how they access and use a person's financial data (29%).

For providers of both digital and traditional financial services, fintech has made interoperability table stakes for consumers. The youngest generations of consumers lead the way on wanting interoperability – 77% of Gen Z and 80% of millennials say the ability to connect their bank accounts is a top priority. But across every generation, at least seven in ten said it's important to connect their financial accounts together.

83%

83% of users prefer to choose where they share their data (e.g., fintech apps), instead of having companies share their data for them (e.g., credit scores)

2

Fintech makes finance more inclusive and social

- Fintech helps underserved groups solve their biggest financial challenges
- Fintech breaks the taboo of talking about money
- Bookend generations see similar impact, but seek services in different places



Fintech helps underserved groups solve their biggest financial challenges



Among underserved populations, fintech use approached and even surpassed traditional banking use in 2021.

While the vast majority of Americans have bank accounts (95%), minority groups tend to lag behind in access. Only 87.8% of Hispanic people are banked, but 95% of those we surveyed report technology to manage their finances.¹⁴ Similarly, while 86% of Black households are banked, 81% of those we surveyed report technology to manage their finances.¹⁵

A deeper look reveals Black, Indigenous, People of Color (BIPOC) use fintech more than white people to address their biggest financial challenges. It starts with demographic breakdowns along financial challenges, including fees, budgeting, and staying on top of finances.

Sensitivity to fees significantly diverges across racial lines – where just 15% of White people cite fees as their biggest financial challenge, 20% of Black people and 31% of Hispanic people say financial fees concern them most. To resolve their concerns around fees, Black people (37%) and Hispanic people (31%) use online-only banking services, which tend to offer low- or no-fee accounts. Hispanic people also turn to payroll advance fintechs to get early access to earned wages at much higher rates than either Black people or White people (32% for Hispanic people versus 13% for both Black people and White people).

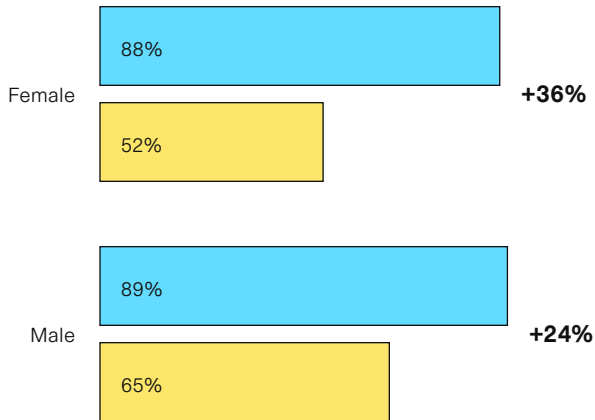
¹⁴ FDIC, Survey of the Unbanked and Underbanked

¹⁵ Ibid.

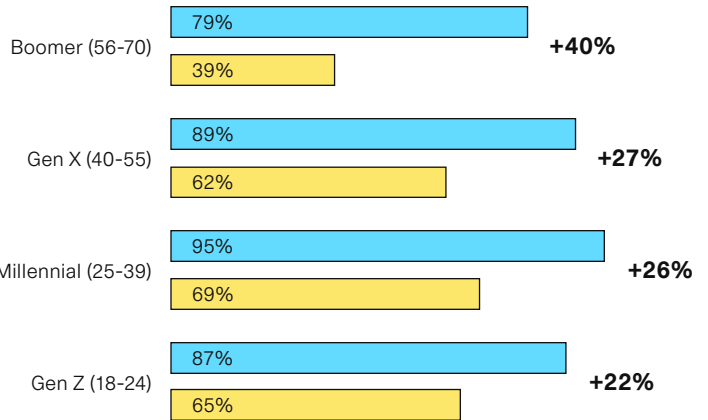
👤 Fintech usage rose dramatically across all demographics

2021 2020

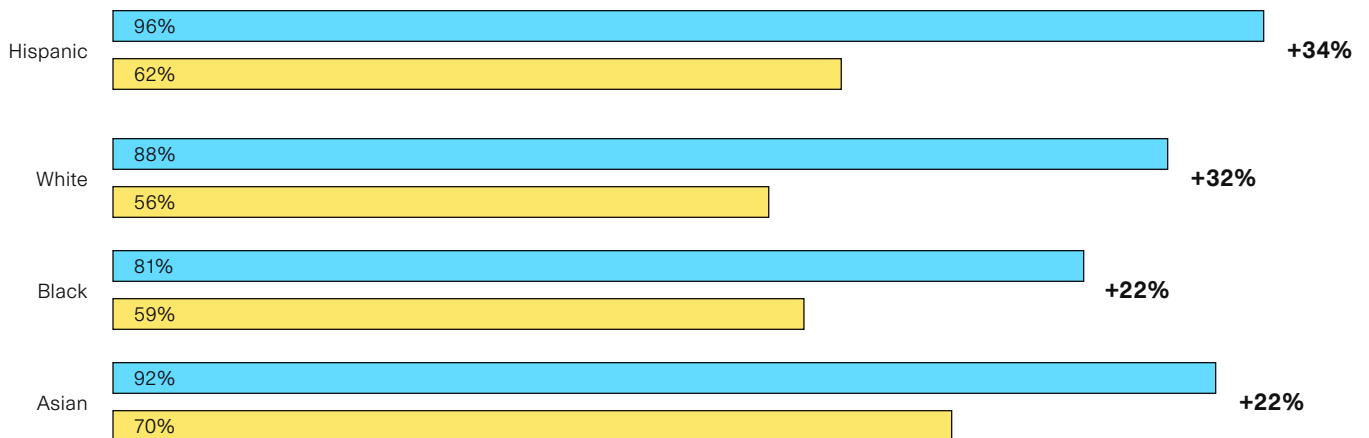
Gender



Age



Ethnicity



When it comes to staying on top of finances, a sizable percentage of Black people (22%) and Hispanic people (28%) list keeping track of financial information like account balances and credit scores as a significant challenge. These groups use fintech at similar rates to keep on top of their finances: 28% of Black people and 24% of Hispanic people say they didn't track their credit scores at all before they started using fintech.

With minority groups growing as a proportion of the population—and the economy—it's critical that our financial system represents all demographics.¹⁶ By providing minority groups with the tools to address their most pressing challenges, fintech can build a more inclusive financial system.¹⁷ It starts with establishing a new foundation that goes beyond expanding yesterday's solutions to new populations, but designing new solutions with those specific groups in mind.

¹⁶ U.S. Census Bureau

¹⁷ Federal Reserve

Fintech breaks the money taboo

Financial conversations tend to be among people's least favorite topics of conversation, ranking ahead of politics, religion, and racism.¹⁸ By building apps and experiences that make finance accessible, fintech makes finances more social. Seven in ten say fintech has made finances more social, something they feel more comfortable talking about (71%). For nearly six in ten Americans, finance has become a dinner table topic (54%), even more so among Hispanic people (74%) and Black people (61%).

63%

63% of Americans say "technology helps me feel more comfortable talking about financial topics with my friends."

57%

57% of Americans say "I have used a new financial tool or app because my friends or family suggested it."

Younger generations show the greatest interest in including finance in their social lives. Nearly six in ten Gen Zers say investing is now a topic of conversation among their friends (57%), compared to just three in ten baby boomers (31%). And fintech makes financial conversations easier for millennials, the generation currently getting married, having children, and buying homes: 77% of millennials say technology helps them feel more comfortable talking about finances, and 74% have talked about fintech at the dinner table.

People of color seem especially inclined to engage socially around finances: 76% of BIPOC say fintech makes finance more social. Two-thirds of BIPOC (66%) say investing is now a topic of conversation among friends.

The proportion of women involved in financial decision making continues to rise, with reports showing nine in ten women taking part in spending and investing decisions, compared to just four in ten in 2012.¹⁹ Still, recent studies show that as recently as 2015,

¹⁸ The Capital Group

¹⁹ Investment News

80% refrained from talking about money with family and friends.²⁰ Our survey found that six in ten women say technology helps them feel more comfortable talking about their finances (61%), and more than half have talked about a fintech tool at the dinner table in the past six months (52%).

Not talking about finances can present serious social problems – fighting over money is consistently a leading cause of divorce in America.²¹ Our survey found a clear divide among married and divorced individuals, with 65% of married individuals saying technology helps them feel more comfortable talking about finances, compared to only 46% of divorced individuals.

As fintech reaches mass adoption, people experience it like other mass-market consumer goods, sufficiently relevant to ask friends and family for advice and guidance, while still consulting experts as needed. The more people are able to talk about their finances with their social circles, the better they can understand their own needs and find the right tools to address them. Already more than half of people use fintech because a friend or family member recommended it (57%).

57%

57% of Americans say
“Investing is now a topic of
conversation with my friends.”

54%

54% of Americans say
“I have talked about a financial
tool or app at the dinner table
in the last 6 months.”

52%

52% of Americans say “I have
used a new financial tool or app
so I can be included with my
friends /part of the latest trends.”

²⁰ Fidelity

²¹ Ramsey Solutions

Bookend generations see similar impact, but seek services in different places



Fintech usage grew across all generations over the past year, led by millennials who've reached 95% overall adoption. But the most significant impacts took place with the two bookend generations: Generation Z and Baby Boomers.

Perhaps because they're early in their financial journeys, Gen Z reported being the most financially precarious generation – only 55% said they feel financially healthy, compared to 71% of Millennials, 73% of Gen X, and 78% of Baby Boomers. Still, fintech helps Gen Z build financial confidence: 63% say the more they use fintech the more confident they become with their money, and 33% say fintech has made them more confident in their overall financial outlook.

More Gen Z use fintech daily than last year, up 7 percentage points from 42% to 49%. As Gen Z approaches their higher-earning years, they prioritize saving and investing more of their money (43%), saving towards big-ticket items like vacations, cars, homes, and education (31%), and setting and sticking to budgets (28%). Fintech helps seven in ten Gen Zers establish better financial habits (71%), and more than six in ten say they're open to using fintech to optimize their finances (65%).

Baby Boomers saw the largest leap in overall adoption among all demographic groups, jumping 40 percentage points year-over-year from 39% to 79%. This spike has a simple explanation: Baby Boomers grew more comfortable using fintech. The proportion of Baby Boomers who feel confident using technology to manage their finances rose 16% year-over-year, from 53% to 69%. In fact, convenience is Baby Boomers' highest priority when adopting fintech – 64% say they'd use a fintech tool if it was easier or faster than what they currently do.

The more Baby Boomers adopt fintech overall, the more their usage patterns look like other generations. The proportion of Baby Boomers using payments services jumped from 42% in 2020 to 74% in 2021, at par with Gen X (75%), and even surpassing Millennials (68%) and Gen Z (60%). More than a third of Boomers use fintech apps daily (36%), and Boomers manage 58% of their overall finances digitally, up from 51% in 2020.

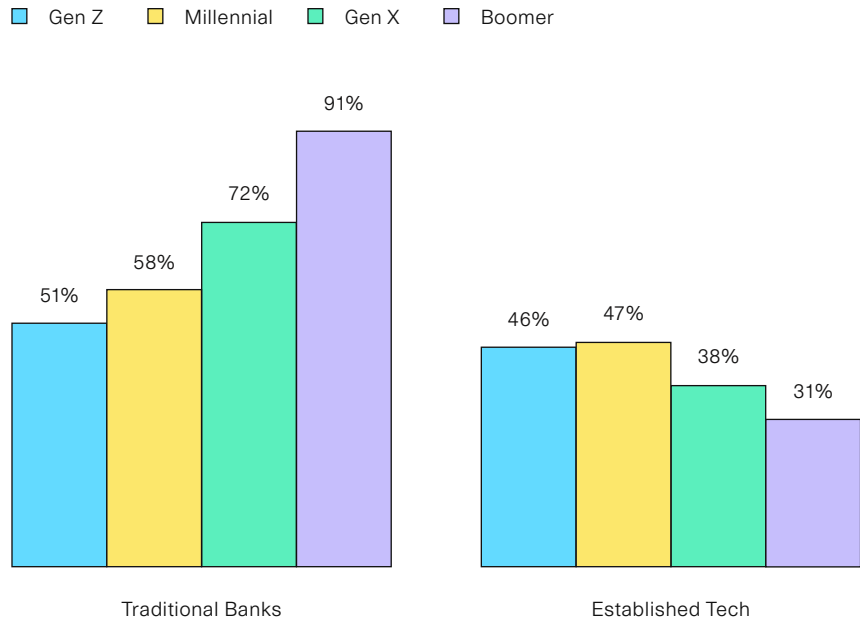
64%

64% of Baby Boomeers prioritize speed and convenience when searching for fintech tools

2x

Use of fintech among Baby Boomers more than doubled year over year (39%-79%)

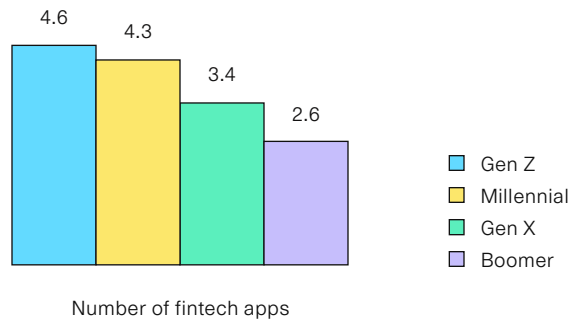
Boomers favor traditional banks over tech companies, Gen Z sees little difference



Q: Would you be comfortable opening a financial account with any of the above entities?

As both Gen Z and Baby Boomers adopt more fintech, where they look for solutions depends on which types of providers they're most familiar with. While Boomers continue to look to banks to incorporate digital services to meet their needs (91% say they're comfortable opening a financial account with a bank, compared to 31% with a tech company), Gen Z is open to looking outside banks for financial services (51% are comfortable opening an account with a bank, compared to 46% with a tech company).

Number of apps each generation uses



Convenience, ease of use, and financial control are priorities for both Gen Z and Baby Boomers

The starkest generational divide lies in the number of apps each group has on their phones, which inversely correlates with age: while Baby Boomers have just 2.6 fintech apps on their phones on average, Gen X has 3.4, Millennials 4.3, and Gen Z 4.6. While older generations continue to rely on banking relationships established over decades, younger generations are still exploring fintech, trying new applications, and using a broader range of applications to meet their needs.

Baby Boomers and Gen Z both prioritize convenience, ease of use, and financial control, but as fintech reaches mass adoption, they'll engage with apps and seek services from the companies they know best.



🕒 **Sea change on both sides of the Atlantic**

The vast majority of consumers on both sides of the Atlantic use fintech, (88% in the US and 86% in the UK). But differences remain in use case adoption across markets. These differences aren't entirely the result of consumer choice, but instead are dictated by the types of financial data consumers can access. That could change soon, with open banking in the UK shifting to open finance, and the US locking-in its open finance ecosystem with new data rights.

Shifting from Open Banking to Open Finance brings broader uses to the UK:

The Revised Payment Services Directive (PSD2) and the Competition and Market Authority's (CMA) Open Banking Order are the basis for Open Banking in the UK. Both were introduced in 2018 to encourage safer payments for consumers. This focus on payments gives the UK open banking ecosystem a leg-up on the US with 79% of UK consumers using payment fintech products and services compared to 70% of US consumers. Looking a level deeper

at use-cases, 61% of UK consumers rely on fintech apps to pay bills and 44% rely on fintech apps to pay friends and family. Compared to the US where only 56% and 35% of consumers rely on fintech apps to pay bills or friends and family.

While positive for UK consumers, this gap also demonstrates open banking's greatest limitation: the scope of data available to consumers. The regulation's limitations to payments data and exclusion of other data types like lending, investing, and savings means consumers don't get a holistic view of their finances. Cue open finance.

Put simply, open finance builds on the consumer powered data sharing we see in open banking and expands it to other sectors like pensions, investments and more. Open finance has the opportunity to dramatically change the way consumers interact with their financial data. Consumers want to see this shift take place – with 76% of UK consumers saying they feel confident using technology to manage

their finances. More access to their own data will only increase confidence in financial decisions further. Without a clear consumer data right open finance will not become a reality.

Enforcing financial data rights in the U.S. under Dodd-Frank 1033

Today the US lacks a formal open banking regulatory regime. Instead, the Consumer Financial Protection Bureau (CFPB) grants consumers a general data right with Section 1033 of the Dodd-Frank Act.

Because the scope of 1033 isn't prescriptive, consumers can access more types of financial data, which helps them use more tools. This broader scope means the US leads on investment-focused fintech apps, with 31% of US consumers using investment tools to manage their money. US consumers also benefit from more products focused on credit, with 38% of respondents stating that they rely on fintech apps to improve their credit and 30% reporting that they rely on fintech apps to secure or refinance loans. In the UK, only 28% rely

on fintech apps for improving their credit and 21% report relying on fintech apps to secure or refinance loans.

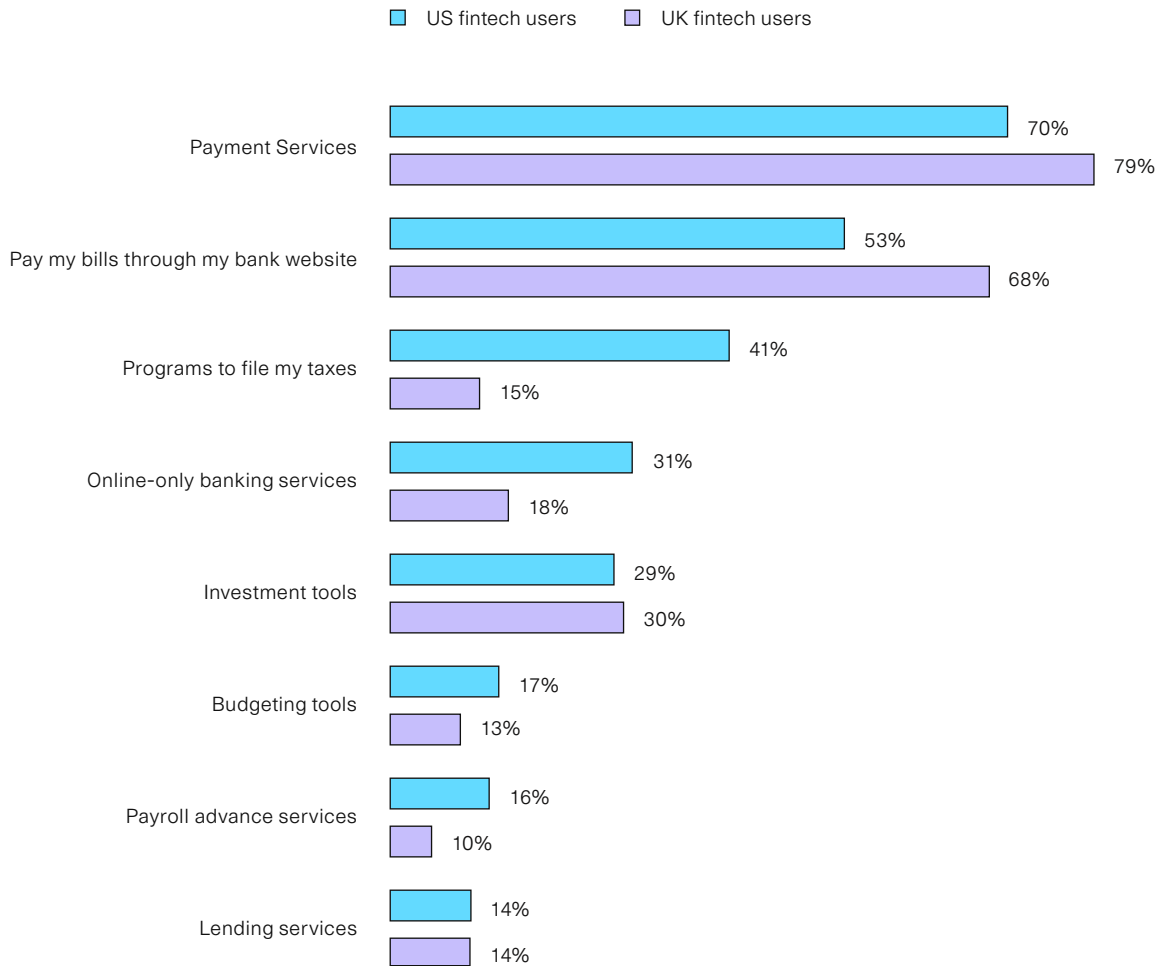
While the scope of data available to fintechs is greater in the US, rulemaking on Dodd-Frank 1033 could bring clarity to fintechs building products and services for consumers. Similar to the UK consumers, businesses and fintechs need a strong all-encompassing consumer data right. Where 77% of US consumers feel confident using technology to manage their money, without a consumer data right this desire and trust is at risk.

We are seeing positive developments on both sides of the Atlantic, but more can be done. Policymakers and regulators have the opportunity to strengthen data rights for all consumers. Now is the time to move towards the next phase of consumer powered data sharing.





The US trails the UK in payments and paying via bank accounts



3

Fintech integrates finance into people's everyday lives

People say fintech integrates finance into their lives in three ways:

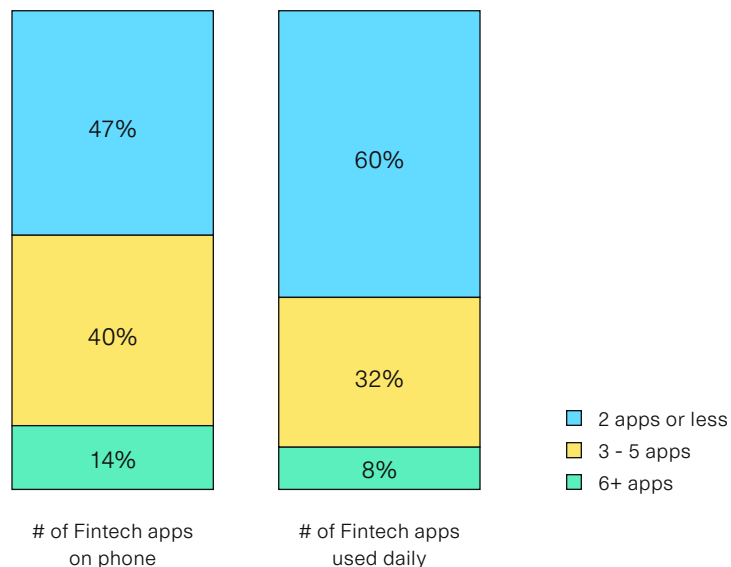
- Fintech helps make finance a seamless part of everyday life
- Fintech delivers both control and automation
- Fintech's trust gap with traditional finance is narrowing



Fintech helps people integrate finance into everyday life

With automation taking a larger role in daily life, self-driving finance continues to capture imaginations.²² But consumer preferences and their need for financial control make it unlikely finance ever fades into the background. Nearly half of all Americans use fintech on a daily basis, a 30% increase from last year (37% in 2020 to 48% in 2021). Daily use is even higher among Gen Z (49%) and Millennials (55%). But over this same period the average number of apps people have on their phones decreased from 4 to 3.7. This slight decline may be due in part to the massive inflow of new users, who might have started with fewer applications than those who've used fintech already.

People have more fintech apps on their phone, but use fewer of them daily



²² Nik Milanovic, Forbes

*Trust is the final piece
of the fintech puzzle*

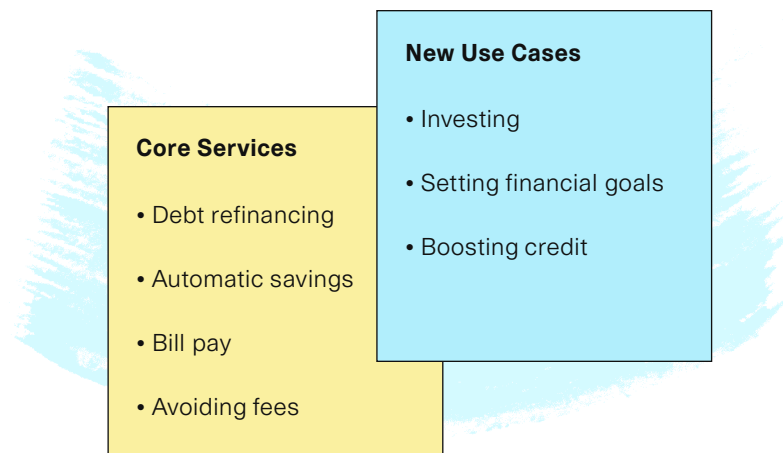
Two phenomena appear to drive this result – a behavioral shift among consumers from experimentation to longer-term engagement, and a reorientation of products across the foreground and background of consumer lives. Consumers want to use fintech to balance automation and control. They want the hands-on parts of their financial lives to be more accessible and engaging, while the hassle of minute tasks fade to the background for less frequent check-ins.

In order for people to feel fully comfortable pulling forward some parts of fintech into their daily lives and letting others fade into the background, it needs the final piece of the puzzle – trust. While people see technology providers leading the pack on innovation and ease of use, banks still lead on trust, a fundamental requirement for people to take actions with their finances.

Fintech delivers both automation and control

Over the past year people shifted from exploring fintech to incorporating fintech into their everyday lives. Seven in ten consumers say they have a routine around using technology to manage their money (68%), including three-quarters of millennials (76%). Sometimes called “contextual finance,”²³ or “embedded finance,”²⁴ the concept of seamlessly fitting financial services into everyday life isn’t entirely new. But only in the past year has it become a reality for more consumers.

Core services move to the background, where automation can assist. New use cases come to the foreground, where consumers want deeper daily engagement.



As grocery delivery, algorithmic TV show recommendations, and QR code restaurant ordering make people accustomed to technology taking the hassle out of life, the concept of automating finance becomes more appealing.²⁵ But evidence shows that many people,

²³ BBVA
²⁴ Accenture
²⁵ Deloitte

particularly those with lower incomes, don't want to cede control of their finances to algorithms: just 26% of those making less than \$50,000 a year use fintech to automate processes, compared to 31% of those making between \$50,000 and \$100,000, and 34% of those making over \$100,000.

76%

76% of people are open to fintech optimizing their finances for them

Instead of ceding total control, people want fintech to balance automation and control to benefit their financial lives. A third of people cite automating finances as a top three reason they use fintech (31%). Financial optimization via technology has even greater appeal – three quarters are open to fintech optimizing their finances for them, by negotiating rates or making budget recommendations based on data (76%).

Just as many are interested in fintech providing them control: 81% of people say technology gives them more control over their finances, and 35% say that gaining control is a primary reason they choose to use fintech more this year than before. Clearly what people want from fintech is both automation and control: nearly nine in ten who use technology to gain control over their finances also say they're open to financial optimization via automation (86%).

Fintech becomes a more seamless part of people's lives by shifting difficult activities like paying down debt into the background, and fun and social activities like investing, improving credit, and setting goals into the foreground. These shifts are noticeable in people's daily use – the apps that people use to gain control over their

financial lives are those they use every day: 60% of people who use budgeting tools, 61% of people who use investing tools, and 73% of people using payroll advance services use some type of fintech service every day. This contrasts with bill pay services (51%), which tend to be more automated.

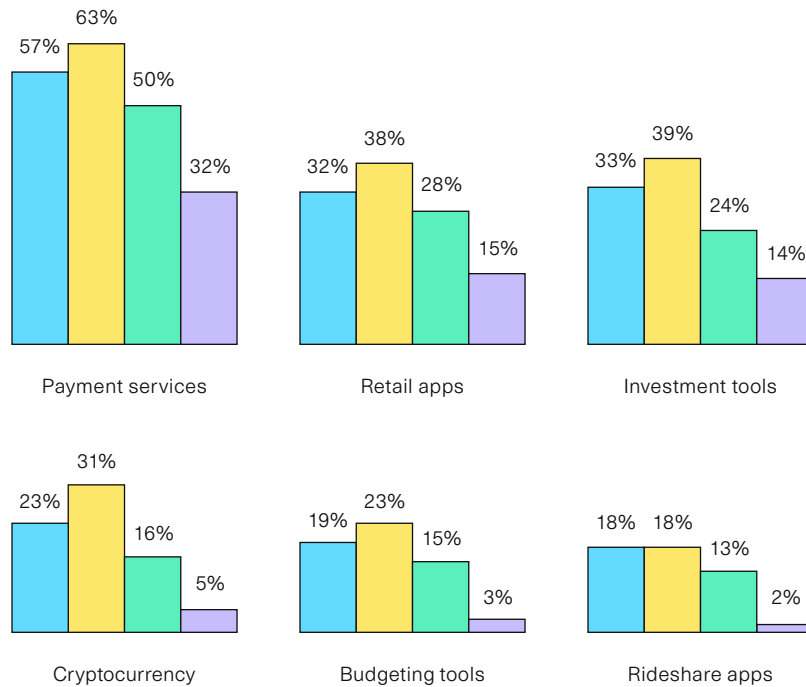
As embedded finance becomes more prevalent, with non-financial companies incorporating financial services into digital offerings, they'll need to balance control and automation to ensure consumers remain in the drivers' seat.

Fintech's trust gap with traditional finance is narrowing

As fintech expands financial services beyond the bank account, trust becomes increasingly critical. Financial institutions built branches with Roman-style columns to symbolize their strength and stability. Fintech wins consumers' trust by providing secure, responsive, and reliable digital services.

Millennials are most likely to keep balances in a variety of fintech apps

■ Gen Z ■ Millennial ■ Gen X ■ Boomer



Q: Do you keep balances or money available in any of the above applications?

76%

76% of US consumers say the more they use digital tools to manage their money, the more they trust them

Trust starts where consumers engage directly. High proportions of people store balances in fintech applications, from payments (50%) to investing platforms (27%) to retail merchant apps (29%), from retail stores.

The demographic distribution of account holders indicates both changing culture and the impact of historical experiences to building trust. The generational breakdown shows where finance is going: where only 32% of Baby Boomers keep balances in payment applications, 63% of Millennials and 57% of Gen Z do. Similar dynamics play out across investment tools, cryptocurrencies, retail apps, and budgeting tools.

While overall trust numbers skew towards traditional financial institutions (77% of the overall population trust financial institutions with their financial information, as compared to 69% tech companies, 69% retailers, and 63% financial technology companies), these figures break down along generational lines. Today, millennials trust retailers (80%) and financial technology companies (75%) at similar rates as they do traditional financial institutions (79%) to manage their financial information. While having lower rates of trust across the board, a higher proportion of Gen Z trust financial technology companies (66%) more with their financial information than banks (63%).

Fortunately for fintech, the majority of every group says that the more they use digital tools to manage their money, the more they trust them: 76% of the overall population, including 81% of millennials and 78% of Gen X. As fintech reaches mass adoption, the virtuous cycle of fintech use and trust in technology means the battle to win consumer trust going forward is wide open.

Fintech's mass adoption moment signals bigger changes ahead

When we launched this research series two years ago, our vision was to better understand how people use financial technology and the impact it was having in their lives. Adoption was already growing at unprecedented rates, and accelerated with the global pandemic. Growth that was anticipated to take ten years happened in less than two, and now more people use fintech than social media.

The mass adoption of fintech represents a significant shift in consumer behavior – changing how, when and where people interact with their financial information and their money. It also represents a permanent change in consumer expectations as people want to do everything digitally.

From our survey, we know:

- *People gravitate to ease and convenience* – people want apps and services that make managing money easier, and they want them to work when and how they want.
- *People expect interoperability* – people are using multiple apps and services to manage their financial lives and they expect those apps and services to provide connected experiences, regardless of whether they come from different providers.

- *People expect more value* – with more options and lower barriers to adoption, people expect the services they use to help them save time and money, but also achieve better financial outcomes through insights and automation.
- *Impact and trust scales with use* – perhaps what cements fintech in people's lives more than anything else is that the more they use it, the more benefits they experience and the more they trust using technology to manage their money.

These changes in consumer expectations continue to fuel innovation across every segment of finance. Banks and fintech companies remain at the forefront, but digital finance is showing up everywhere in both obvious and non-obvious ways. It's no longer just apps that enable online banking, payments, investing, and financial planning. When you order coffee via an app, fintech is there. When you order food delivery, fintech is there. When you buy a car online, fintech is there. When you fill out an apartment rental application online, fintech will also be there.

Fintech is increasingly being embedded wherever financial information or money is involved – in the foreground and in the background; surfacing in context and at the point of need. So, as we think about “The Fintech Effect,” we need to continue to evolve our perspective and how we evaluate fintech's increasing impact on financial access, inclusion and outcomes. This mass adoption moment signals that fintech is no longer separate from the traditional financial system. It is simply becoming the way we do finance, digitally.

Conclusion

With the current pace of adoption and innovation, we anticipate a fully digital financial system within this decade. Making sure this transformation works for consumers will require concerted efforts from the entire ecosystem: financial institutions, fintech companies, policymakers, and the increasing number of non-financial companies offering digital finance services. There is a lot of work to be done to get there, and we'll continue to measure the impact along the way. We look forward to reaching this next milestone, together.

