A New Age: 
The Impact of Banking Trends on the Millennial Generation

NACCU

Ben Fromm
Generational Theory 101


- The history of America is retold as a cycle of four types
- A generation is an aggregate of people born every 20 years
  Baby Boomers, Gen X, Millennials, Post-Millennials
- Each generation experiences four generational events
  High, Awakening, Unraveling and Crisis
- Each generation has a recurring symbol
  Prophet, Nomad, Hero, Artist
### Generational Theory

<table>
<thead>
<tr>
<th>Generation</th>
<th>Birth Years</th>
<th>Type, Turning, Defining Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.I.</td>
<td>1901 – 1924</td>
<td>Hero, Unraveling: WWI</td>
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<tr>
<td>Silent</td>
<td>1925 – 1942</td>
<td>Artist, Crisis: Great Depression, WW2</td>
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<tr>
<td>Boomer</td>
<td>1943 – 1960</td>
<td>Prophet, High: Super Power America</td>
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<td>Millennials</td>
<td>1980 – 2000</td>
<td>Hero, Unraveling: Culture Wars</td>
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<tr>
<td>Gen Z</td>
<td>2000 – Present</td>
<td>Artist, Crisis: Terrorism, Recession</td>
</tr>
</tbody>
</table>
What’s a Millennial

• Born between 1980-2000
• Largest generation ever: +90 million in the U.S., 2.5 billion worldwide
• Most ethnically and racially diverse generation
• Represent 25% of the workforce worldwide
• The ‘Net’ generation: Continuous partial-attention
• Digital Natives: Texting, Multi-taking, Social Networking
MILLENIALS

1980

2000
Millennials aka Gen Y – What you’re probably thinking…

- Entitled
- Narcissistic
- Consumerism

- Opinionated
- Impatient
- Trophies for existing
Millennials aka Gen Y – What they’d like you to know…

- Ethnically diverse
- Digital natives
- Connected, social
- Global citizens
- Conscious
- Pragmatic idealists
- Educated
- Entrepreneurial
- Progressive
- Financially curious
Five Milestones of Adulthood

1960
77% of women and 65% of men had reached all five by 30

2010
13% of women and 10% of men have done so
• By 2025, Millennials will be 75% of the workforce
• There will be more MBAs than students with no degree
• 30% (ages 25-34) will live with family
• 36% will have a tattoo
STUDENTS & FINANCES
Students are diverse

- 59% live off campus
- 47% are over the age of 22
- 28% have children
- 62% work
- 40% attend a 2 year school

Average student loan burden is $29K
Students are financially stressed

Students feel less prepared to handle their finances than their academics\(^1\)

- 41% say constant access to their finances on mobile devices decreases their daily stress level\(^2\)
- Americans spend $24 billion a year on banking overdraft fees—more than they do on vegetables\(^3\)
- 46% of Americans don’t have $400 in emergency funds on hand\(^4\)

Finances are the #1 reason why students drop out of school\(^5\)

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Student banking options are narrowing

Of young Americans... **13%** are *unbanked* & **26%** are *underbanked*.

60% of the top 20 banks do not offer a student checking account.

42% of Millennials have used payday loans, pawnshops, rent-to-own products.

**Big banks drop or restrict student checking accounts**

**Students use high-fee, high-risk financial products**
Prepaid cards promote spending

- Prepaid debit card, to a student = GIFT CARD
- First Data – one of the largest prepaid card providers
- Consumer Insight Study: cards increase foot traffic & overall spending
- Prepaid card providers make revenue on interchange, and thus encourage swipes to empty
- Lack of tools and encouragement to budget, save, or invest

Prepaid cards are contrary to a college’s message of borrowing only what you need, learning to manage financial aid, and saving for emergencies
BANKING
Millennials & Banking

- The 4 largest banks are among their least loved brands
- 33% want to switch banks in the next 90 days
- 40% would consider a branchless bank
- Millennials are receiving the largest transfer of wealth in history
Consumer Behavior

• US customers interact with their banks more through mobile devices than any other means

• On average, customers visit bank branches 1-2 times per year vs. interacting with their bank 20-30 times per month on their mobile device

- Bain & Company
Where did home economics go?

“...research shows most millennials ‘don't have basic knowledge’ about handling money and consequently dig themselves into a hole shortly after finishing college...”

- George Washington University's Global Financial Literacy Excellence Center

- 33% of Americans are living paycheck to paycheck
- 20% of Americans are saving nothing
- 50% of Americans are saving <5%
- Millennials are not saving - negative 2%
  - 47% don’t have enough for a $400 emergency

There is a lack of financial education in the life of today’s youth
Financial desires of Millennials

• Digital solutions –
  Mobile app
  Remote deposit capture
  Online bill pay
• Abundant ATM access
• Transparency
  Low/no fees
  Simple & easy to read fee schedule
• Financial tools
  Savings account
  Budgeting tools
“There are 70 million under banked consumers in America. It’s about time somebody built a bank for millennial and middle-income Americans.”

- Jay Sidhu, Chairman & CEO, BankMobile Customers Bank

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BankMobile Mission

Make banking more accessible and affordable to all.

Strategy:
- Eliminate branches
- Leverage mobile technology to lower cost
- Go above and beyond ED regulations for better banking

“We want to keep students as customers for life by valuing their business while they’re in college.”
What To Do?

• Reduce the stress that millennials feel – students are more worried about getting classes and being a part of a group than paying late fees
• Provide a more Uber-like experience
• When in doubt, do the opposite of what big banks do:
  Buildings
  Security Guards
  Fees
  Penalize inexperience
What To Do?

• Reward responsible financial behavior
• Create apps that offer insight into money
• Earn their trust while they are students by eliminating fees
• Create customers for life with a membership philosophy to change the way millennials view banks
Find an account with a future

- Banking relationships lead to money management
- Checking accounts lead to savings accounts
- Savings accounts lead to investments
- Good money management habits lead to good credit
- Good credit leads to lower interest rate loans – car, home, etc. (overpay)
- Don’t just swipe all of your money away
- Start now and what better place than on a college campus
THANK YOU!

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Referenced Websites

- www.wsusignpost.com/2015/02/24/millennials-the-up-and-coming/
- www.moneymattersoncampus.org