



FINANCIAL WELLNESS

# INSIGHTS



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# INSIGHTS



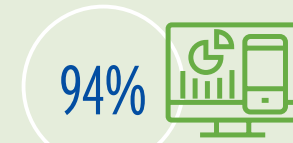
Banks can leverage artificial intelligence and predictive analytics to offer customers a way to improve their financial lives with transaction monitoring, balance and cash-flow trackers, budget-setting reminders and other recommendations.

KEY METRICS



**Just 23% of U.S. adults believe they could handle an unexpected major expense.**

*Source: Morning Consult survey, March 2022*



**94% of bank leaders believe digital channels are critical to their growth strategy.**

*Source: Bank Director's 2021 Technology Survey*

KEY TAKEAWAYS

- Americans across income brackets struggle with financial anxiety.
- Banking relationships are now digital, and the digital experience must go beyond transactions.
- Artificial intelligence and application programming interfaces provide banks with a way to deepen their financial wellness offering, with real-time, personalized and proactive insights.
- Consumer adoption of personal financial management tools remains low. To drive adoption, financial wellness tools should appear front and center in the bank's digital channels.
- The financial wellness offering should be tailored to align with the bank's strategy.

**In a March 2022 survey, Morning Consult found that just 23% of U.S. adults could handle a major, unexpected expense.** At a time when Americans are worried about rising prices for everything from cars to gas to groceries in today's inflationary environment, lower-income individuals who earn less than \$50,000 annually feel this financial anxiety most deeply. Yet, even people in higher income brackets are worried: Only 47% of those earning \$100,000 or more believe they could handle such an expense, according to the market research firm.

Financial wellness is often conflated with financial inclusion. These informative tools can play an important role in helping lower-income customers, but everyone needs a trusted advisor to meet their financial goals, whether that's saving for retirement, eliminating debt or creating an emergency fund.

Americans may be struggling but they trust their banks, according to Morning Consult, which recommends financial institutions acknowledge financial stress, demonstrate empathy and provide "actionable guidance" for their customers.

The rapid digital acceleration occurring in financial services today has changed how banks maintain and build customer relationships, as well as deliver advice. "Banking relationships have become digital relationships," says Maria Schuld, division executive, Americas Banking Solutions at FIS.

Financial education isn't new to the industry, and personal financial management tools have been around for years. But technologies like artificial intelligence can help institutions deliver more meaningful insights to their customers. What's more, younger consumers have a greater need for financial advice; a recent online WalletHub survey of 350 respondents found that young people are three times more likely to seek a complete view of their financial health, compared to consumers aged 60 or more. Being Gen Z's first bank could lead to larger relationships as their lives change. "Once you establish that relationship early on," says Schuld, "you have a very strong chance of being able to retain that relationship as their financial needs grow."

### Digital personal financial management usage, by generation

Source: Aite Group survey, Q1 2020

Seniors (74+)

8%

Baby boomers (55-73)

13%

Gen Xers (40-54)

21%

Senior millennials (29-39)

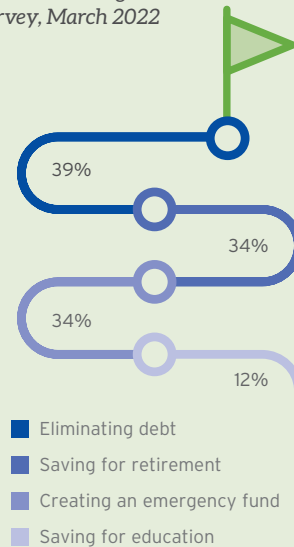
27%

Young millennials (24-28)

25%

### Percentage of U.S. adults making progress toward key financial goals

Source: Morning Consult survey, March 2022



### Financial Wellness for the Digital Age

Financial institutions have long offered educational resources for their customers, traditionally delivered via workshops and informational articles. While those methods can help consumers plan for their futures, they're less effective in today's 24/7 world.

"Twenty years ago, financial wellness was all about education," says Brian Fey, senior director at FIS. "That really doesn't help a 25 year old who wants to learn this stuff. It needs to be personal. It needs to be with their information, their situation, and it needs to be in [real] time, which is how we all learn."

That means providing customers with actionable information that's personalized to their circumstances. And banks have the data to do it. "When you think about all the data that financial institutions know about their customers, we've got ways to actually take that data and create a customized answer to a question or [understand] what a customer might

need based on patterns," says Schuld, whose company enhanced its Digital One banking platform with the launch of a financial wellness tool called Spending Insights in March. "That's a pure technology advancement that's helping" the industry.

Proactive insights about spending behavior and cash flow could also help customers avoid overdraft and non-sufficient fund (NSF) fees, which are unpopular with lawmakers and regulators, particularly the Consumer Financial Protection Bureau. Helping customers understand when spending levels are high, and how to adjust so they can avoid these fees, could help banks build trust and enhance relationships.

Consumers are seeking a clearer picture of their financial lives, but WalletHub finds that 62% of Americans don't receive holistic advice about their financial situation. Advancements in artificial intelligence (AI) and application programming interfaces (APIs) that allow for real-time integration with a customer's financial providers can help them access tailored, up-to-the-minute advice. "What money

moved out today? What moved out yesterday?" says Fey. AI, combined with APIs, can help banks build better projections to enrich customers' understanding of their financial lives.

### Driving Adoption

While more popular with younger consumers, adoption of digital personal financial management tools remains low, according to an Aite Group survey commissioned by FIS in early 2020. Millennials are the greatest users of these tools. (Gen Z wasn't surveyed.)

To enhance adoption, Fey recommends putting financial wellness front and center in the bank's digital channels. "It's got to be part of that core experience to drive adoption," says Fey. "It's not, 'If you build it, they will come.'" Bank communications should ensure that customers know how to make regular use of these tools, and the experience should be frictionless for users.

But to be successful, bank leaders must first determine how wellness fits into their overall strategy and customize their solutions accordingly. "There are so many things we can do now with APIs that allow financial institutions to customize their offering," says Schuld. Banks can configure solutions to target specific customer groups, and combine them with credit scoring and other tools so customers can gain a more complete picture of their finances.

With the right technological tools, banks have an opportunity to build stronger, stickier relationships with customers in the digital realm. But that means banks must treat the digital channel as more than a way for customers to simply check their balance or deposit a check. "If digital is just a transactional channel," says Fey, "then there's nothing to differentiate [the experience]."

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