



SERVING A GENERATIONALLY DIVERSE ACCOUNT HOLDER BASE

Along with the evolving industry landscape comes the challenge of meeting the diverse needs of account holders spanning multiple generations. In recent years, Gen Z and Gen Alpha have seen increased influence, and they are poised to reshape the future of banking. These digital natives present both a challenge and an opportunity for financial institutions, requiring innovative strategies to attract and retain their business.



UNDERSTANDING GEN Z AND GEN ALPHA

Gen Z, born between 1997 and 2012, has already become a significant market force. With an estimated spending power of \$360 billion in the U.S. alone, they are a generation that cannot be ignored.⁶ Hot on their heels is Gen Alpha, born from 2013 onward. Though younger, this group wields considerable influence, with \$24 billion in direct spending power and the ability to influence \$500 billion in family purchases annually.⁷ As Gen Alpha matures, they will soon enter the workforce, bringing them even more financial power and unique banking preferences.

The preferences of these two generations demand a departure from traditional banking approaches. To stay relevant, a more agile, technologically advanced strategy is needed.



“With 4 million digital-first Gen Z-ers projected to open bank accounts annually until 2026 [...] and 2-billion-strong Gen Alpha right around the corner, there is no going back to traditional banking. Gen Z has laid the blueprint, and Gen Alpha will take it to the next level.”

– CUNA Strategic Services partner Goalsetter



THE FINANCIAL HABITS AND PREFERENCES OF DIGITAL NATIVES

Gen Z and Gen Alpha have grown up in a world dominated by smartphones, tablets and an ever-present internet. As a result, they're accustomed to seamless digital experiences in every aspect of life, from shopping to socializing — and banking is no exception.

GEN Z

This generation is known for being picky spenders who conduct extensive research before making any financial decision. They seek the best deals but aren't willing to sacrifice quality. Gen Z consumers manage an average of 2.5 to 3.5 financial accounts each, often spreading their banking activity across multiple apps and platforms.⁸

GEN ALPHA

As the first true digital natives, Generation Alpha has never known a world without mobile devices or constant connectivity. Their financial preferences are still taking shape, but they've already demonstrated a strong desire for customized, frictionless financial products and services. As they start earning and managing their own money, the demand for seamless digital experiences will only grow.

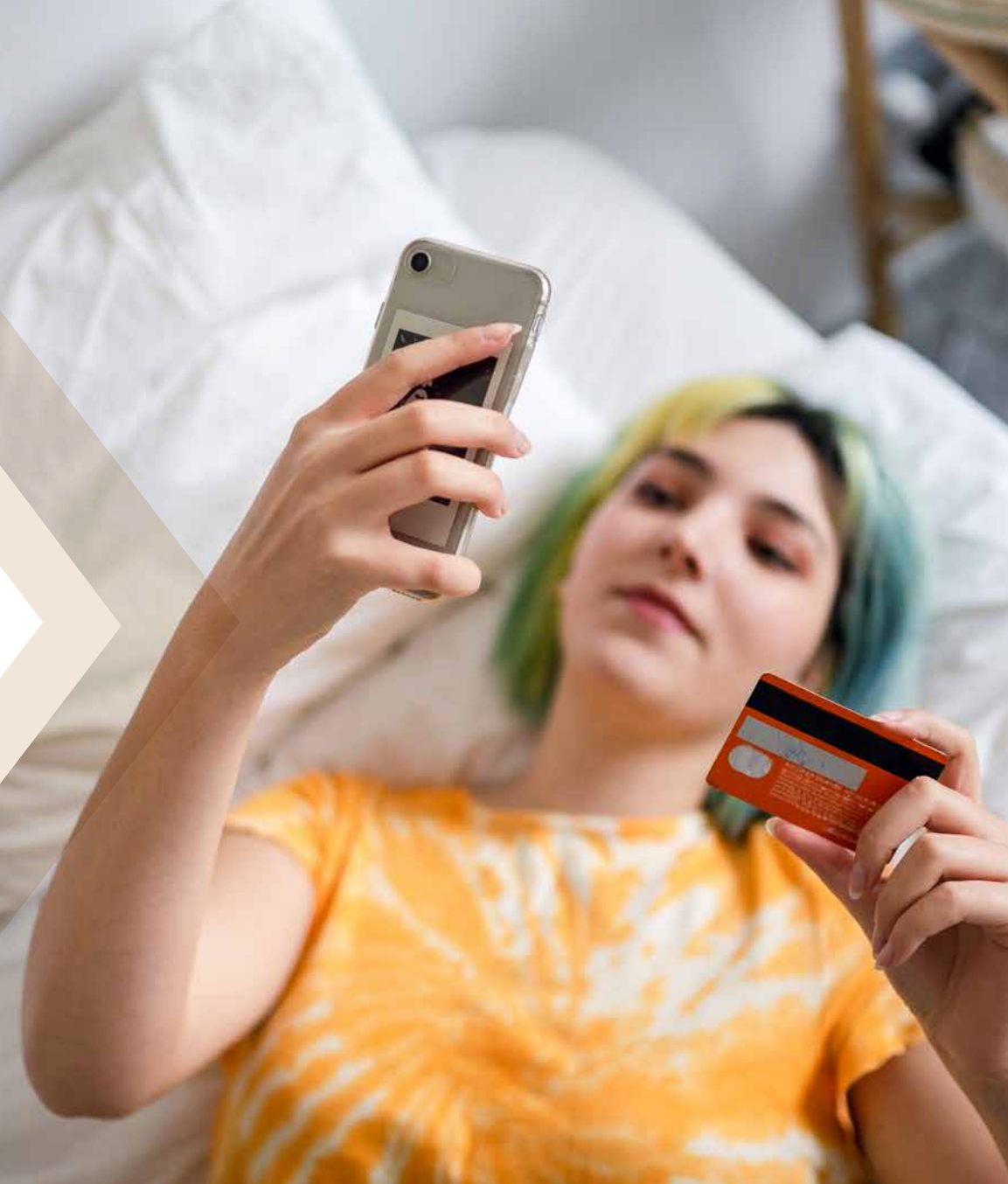


Industry experts say younger consumers don't fully understand or buy into the concept of a primary financial institution (PFI).⁹ With apps for everything at their fingertips, and neobanks and fintech marketing directly via mobile devices, it's easy for Gen Z and soon, Gen Alpha to pick the loudest, cheapest and/or trendiest provider for the service they need at the moment they need it. If a bank or credit union isn't marketing online and through social media, it won't even be a contender in the deposit battle.

By focusing on engagement, taking advantage of technology and building trust, community financial institutions can bridge the gap between generations and position themselves as the primary financial partner for these generations — ensuring long-term growth and sustainability in a rapidly changing industry.

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BUT DON'T FORGET ABOUT BABY BOOMERS, GEN X AND MILLENNIALS

While digital strategies can make or break your relationships with the younger generations, don't forget to factor in the needs and preferences of your other account holders:

BABY BOOMERS

Born 1946-1964

Population: 70.1 million

- » Trust & security are top concerns
- » Complex navigation, intricate design and small text sizes are common digital barriers
- » 10,000+ retire every day*

GEN X

Born 1965-1980

Population: 65.4 million

- » Takes a wait-and-see approach when it comes to new tech
- » 49% have not written a check in the past year*
- » 80% believe you can have more than one PFI**

MILLENNIALS

Born 1981-1996

Population: 72.7 million

- » 30% plan to grow their number of financial providers in the next 12 months***
- » Primarily define their PFI as the one where they do the most online/mobile banking
- » 65% say personal product recommendations are very important

Sources:

* *Banking Habits That Define Gen X*

** *The Power of Primacy*

*** *Generational Trends in Digital Banking Study*

CHAPTER 2 REFERENCES

6: *The picky buying habits of Gen Z consumers*

7: *Understanding the Emerging Purchasing Power of Generation Alpha*

8: *The Power of Primacy*

9: *Turning 2024's Industry Challenges into Opportunities for Growth*