

Banks must turn to digital and mobile to capture the hearts of Gen Z

Article

What we're thinking: At least 4 million Gen Z consumers will open a new bank account each year through 2026, and mobile banking adoption is set to explode at a compound annual growth rate (CAGR) of 12.4% through the same year.

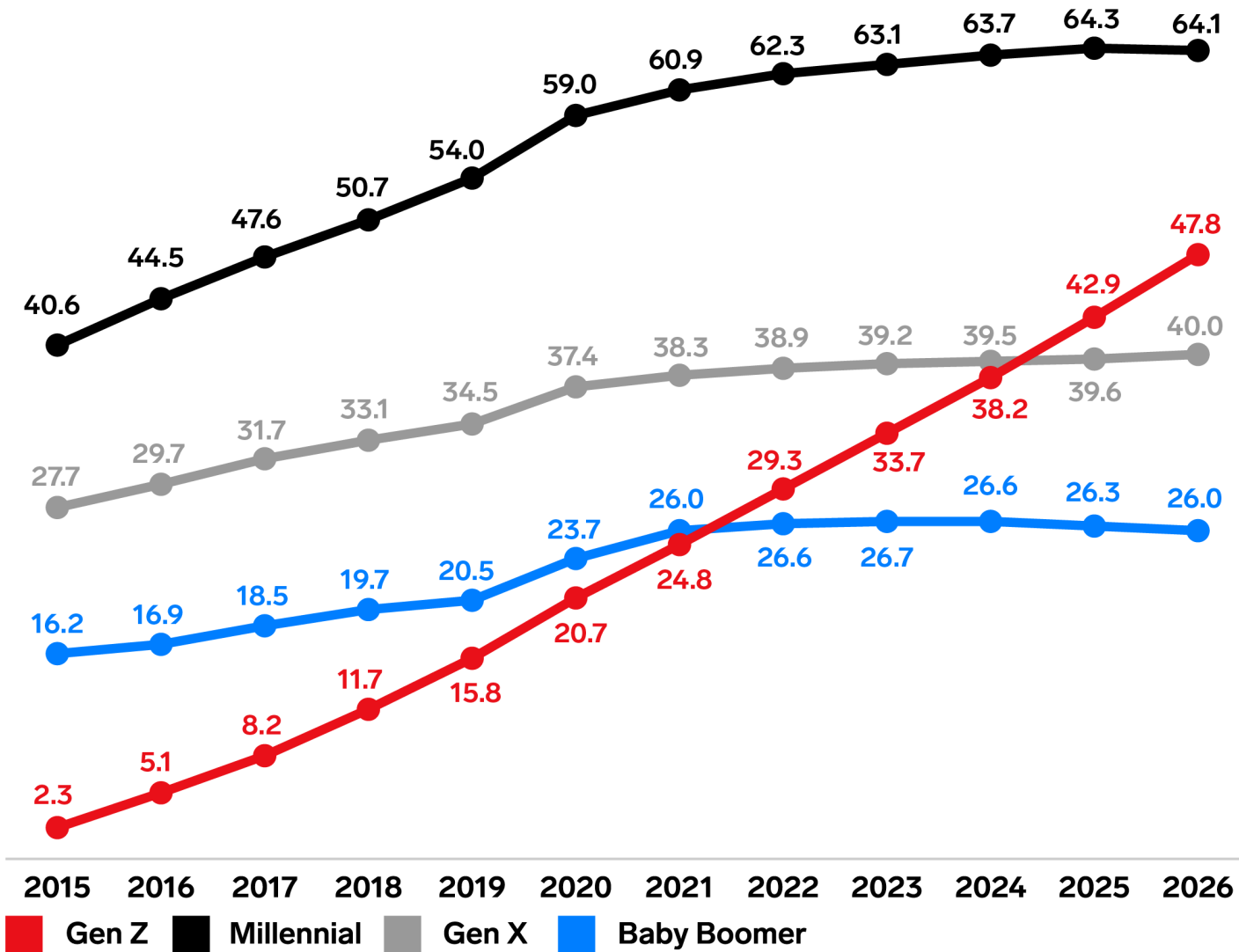
Here's what the industry needs to know about how to reel in Gen Z while competing with fintechs and Big Tech, [according to our Gen Z and Banking report](#):

Banking should be mobile.

- We predict that the average Gen Zer will get a mobile phone at age 12, with adoption reaching 96.9% by 2026.
- We also forecast that **42.9 million Gen Zers**—with \$360 billion in disposable income and growing, according to Gen Z Planet—will use mobile banking by 2025.

Mobile Banking Users, by Generation, 2015-2026

millions



Note: mobile phone users who access their bank, credit union, credit card or brokerage account via mobile browser, app or SMS using a mobile phone at least once per month; excludes virtual wallet services (e.g., PayPal, Google Wallet); Gen Z are individuals born between 1997 and 2012; millennials are individuals born between 1981 and 1996; Gen X are individuals born between 1965 and 1980; baby boomers are individuals born between 1946 and 1964

Source: Insider Intelligence, March 2022

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Gen Z spends their time on social media.

- They're accustomed to personalized, on-demand content through social media platforms, including digital video.
- Consequently, banks need to make sure their digital capabilities are up to snuff. **More than half (55.7%) of Gen Zers prioritize mobile banking** as a top factor when choosing a bank.

Continuously improving tech means competition is fierce.

- Big tech is looming. Gen Z trusts **Apple** just as much as their primary financial institution for their banking needs.
- Payment apps threaten to take the place of banks: Many, like Apple Pay and **Venmo**, offer checking-account-like features right in the app.
- The share of Gen Z digital-only bank account holders will grow 29.5% compounded annually from 2023 through 2026, which means neobanks have a real chance to win out.
- Digital gaming is also knocking. Gamers will tap into digital wallets and transactions in games like **Roblox** and **Minecraft**.

But digital doesn't mean financially literate.

- Roughly 85% of Gen Zers say there are hurdles to financial success, per **Bank of America**. Very few feel able to build an emergency fund, save for retirement, or invest.
- This is where banks can seize the opportunity: They have the resources to personalize financial advice for Gen Z. They have the products and services young customers need, and many are implementing powerful, customizable solutions like AI-powered investment recommendations.

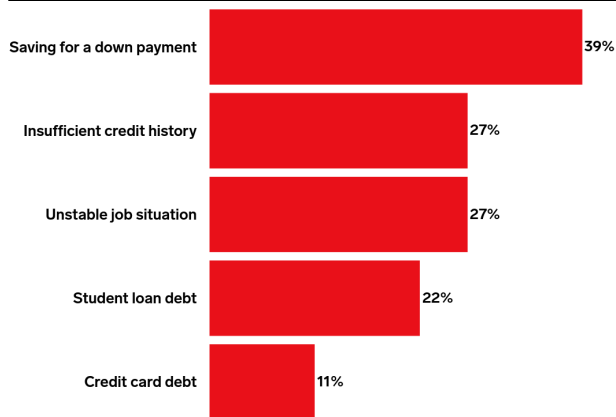
Gen Z accesses credit in new and old ways.

- More than 35 million **Gen Zers will use buy now, pay later (BNPL)** by 2026. Banks that partner with BNPL companies can get an in with this generation.
- But Gen Z also uses traditional credit. Gen Zers have an average of **\$2,589 in credit card debt**. This is not quite on par with millennials, but it provides a runway for banks to grow their portfolios with this generation.
- Banks should focus on giving Gen Z a financial foundation to access other forms of credit, like mortgages: Many Gen Zers believe they will never own a home because they can't save for a

down payment.

**Top 5 Hurdles to Homeownership According to US Gen Z
Teens/Adults, April 2022**

% of respondents



Note: ages 18-25

Source: Freddie Mac, "Generation Z Study," Nov 16, 2022

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Continue reading: To learn more about how Gen Z uses social media to access financial information—and what banks should do to make sure they are discoverable on these platforms—check out our [Gen Z and Banking](#) report.

This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

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