

# Robinhood overhauls debit card in pursuit of younger users, shifting payment preferences

Article

**The news:** The digital broker launched the Robinhood Cash Card, a new debit product that replaced the Cash Management debit card it launched in 2019. The card, which is linked to a

separate account from users' brokerage accounts, has a few standout features, per The Verge:

- **“Spare change” investing.** Customers can opt to round their purchases to the nearest dollar and invest that money in cryptocurrency or stocks. Robinhood will also use a curve to offer customers bonuses of 10%-100% of their weekly spending, capped at \$10, to invest.
- **Other rewards.** Details remain scarce, but the card will offer cash back at merchant partners like **Chevron, Chipotle, and H&M**, per The Verge.
- **Direct deposit.** Users can send paychecks to this account and receive funds up to two days early.
- **Free access.** The card has no fees—including overdraft—and no minimum deposit.

**The opportunity:** The card will help Robinhood capitalize on shifting payment preferences and cater to younger users, CPO Aparna Chennapragada told Reuters.

- Debit cards have long been US users' top payment method, [per](#) PULSE. But the method's use grew during the pandemic—a common recession trend—and we [forecast](#) debit's transaction share will exceed pre-pandemic levels through at least 2023.
- Gen Zers are [fairly](#) credit-averse relative to other generations, though that may change as they grow up and gain spending power. Embracing debit could help Robinhood attract this generation as they become old enough to invest.

The card also **fills an unmet need in the market for debit rewards**. Fewer than 1 in 5 US consumers have debit rewards programs, and **just 8% can earn points or cash back**, [per](#) PYMNTS. Interchange and other fee rules make debit cards less lucrative for issuers and therefore make rewards harder to fund.

**What it means:** We predicted credit card issuers would embrace mounting interest in day trading and personal finance to launch features akin to Robinhood's—but a debit offering separates Robinhood from the pack.

It also helps Robinhood compete on new fronts against a range of other firms at once:

- **Other fintechs.** **PayPal, Venmo, and Cash App** all offer debit cards and [crypto](#) services and are [exploring](#) trading.

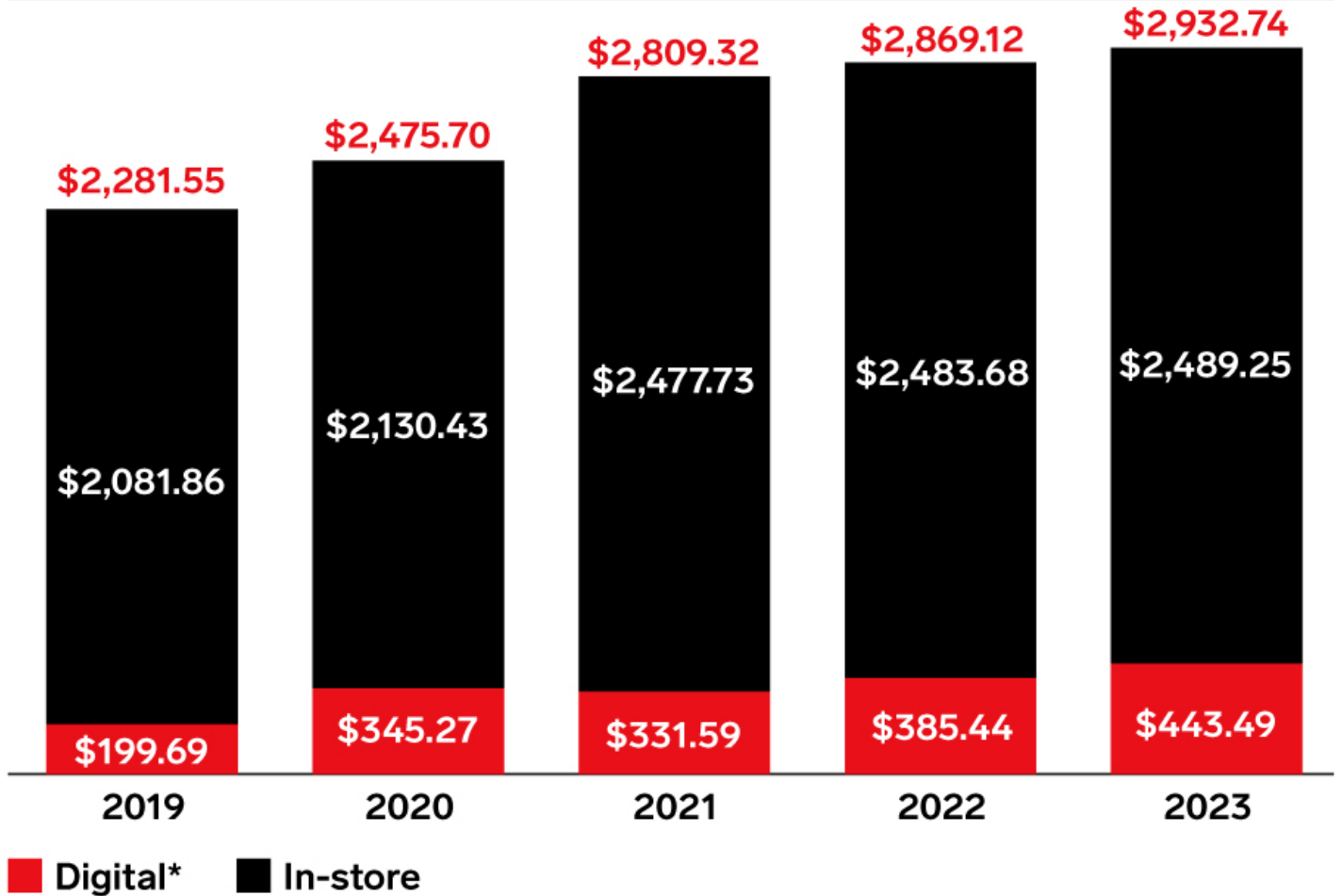
- **Other investment apps.** **Stash** and **Acorns** are among those that offer “spare change” investing.
- **Banks.** Many banks, including **Fifth Third** and **US Bank**, now offer early access to paychecks.

This positioning can create a flywheel for Robinhood: By combining debit rewards, financial services, and trading features, the app can attract new users. And then it can leverage those benefits to drive these customers toward its core products, like investing, which are likely more lucrative—bolstering engagement as it [angles](#) to reverse losses.

***Go deeper:** Check out our [‘Spotlight: US Digital Stock Trading’](#) report, and our [‘Payment Methods and Funding Mechanisms’](#) section of the 2022 Payments Ecosystem.*

# US Digital\* vs. In-Store Debit Card Transaction Value, 2019-2023

billions



*Note: include food services and drinking places sales and sales tax, while both exclude products or services ordered using the internet, travel and event tickets, payments (such as bill pay or money transfers), mail orders, and gambling and other vice good sales; in-store transaction value consists of point-of-sale (POS) transactions made in-store using debit cards including proximity mobile payments linked to a debit card; digital transaction value consists of transactions made over the internet (includes desktop/laptop, mobile, and tablet purchases) using debit cards; \*forecast from July 2021*

Source: Insider Intelligence, Nov 2021

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