Apple’s high-yield savings accounts could further aggravate banks’ deposit woes

Article

The news: **Apple** launched its previously announced savings account in conjunction with **Goldman Sachs** with a 4.15% APY, per a press release. The new offering comes just as US consumers are getting smarter about where they keep their money, according to the BBC.

Spend, send, and save seamlessly: Apple's digital Wallet will house the accounts, and Apple's new Savings dashboard will let users conduct all of their financial transactions in one place.

- The 4.15% APY is more than 10 times the national average savings rate, according to the release, and it's even higher than Goldman Sachs' APY of 3.09%.
- After Apple Card holders open an account, they'll see their Daily Cash rewards automatically deposited into it. They'll also be able to add additional funds to the account through a linked bank account.
- There's no limit on how much users can earn. The accounts boast no fees and no minimum deposits or balances.
- Apple's Savings dashboard allows consumers to monitor their account balances and interest earned over time. They can also withdraw funds through the Dashboard, transferring them to a linked bank account or to their Apple Cash Card fee-free.

Consumers are wising up: Apple's high-yield savings accounts intensify the competition in the financial sector among financial institutions vying for more deposits. Incumbent banks have largely held down rates on savings, despite the rapid increase in interest rates over the past year. Now consumers are learning they can earn more on their savings elsewhere.

- **About 30% of US banking customers moved funds away from their primary savings accounts** to another financial institution in March, according to J.D. Power.
- When asked why they were making a switch, **one-third listed higher rates as the main factor.**
- Consumers' drive to seek out higher rates on savings accounts is likely to continue to grow. Digital banking and the prevalence of digital banks now makes it much easier for consumers to move funds and search for better alternatives. They're also highly motivated to optimize their savings, as inflation still weighs heavily on the cost of living.

Big Tech banking: In addition to moving funds to better-paying savings accounts, consumers are more open to putting their savings to work at places other than banks.

- **Deposits at US banks fell more than $200 billion year over year as of December,** according to the Federal Reserve. Many consumers are turning to higher-paying government bonds or money market funds.

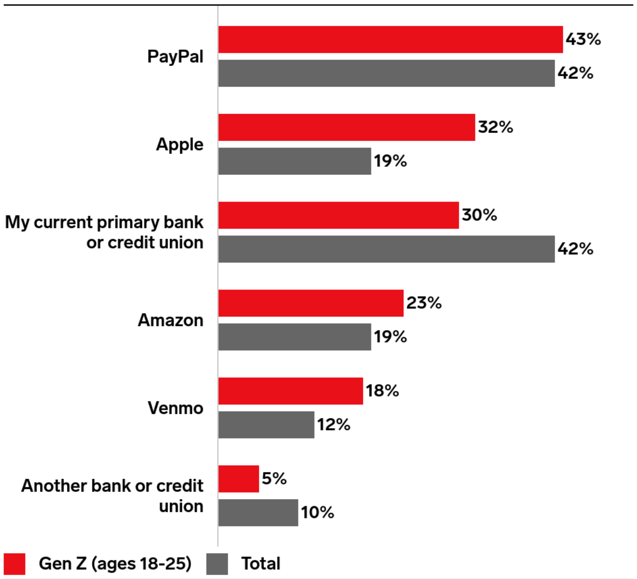
- **Big Tech is slowly starting to win market share.** According to research we conducted for our 2022 US Banking Digital Trust Benchmark, 42% of consumers surveyed said they'd trust **PayPal** the most to provide them with bank services—coming in ahead of consumers' own primary bank or financial institution. Apple rounded out the top five with 19%.
- **The affinity for Big Tech firms as banking providers is even more pronounced among digitally native Gen Zers.** 42% of Gen Z consumers surveyed in our Gen Z and Banking report listed PayPal as their most trusted banking partner, followed by 32% naming Apple.

The bottom line: With consumers realizing they can get more bang for their buck in high-yield savings accounts, traditional banks and financial institutions must quickly devise a plan to keep deposits from going out the door.

- If they're unable or unwilling to raise rates on savings, they'll need to execute perfectly on a different feature, such as a top-tier seamless digital experience or air-tight consumer data privacy and fraud protection.
- They might also maintain or gain consumer loyalty by offering their customers personalized guidance and assistance with fending off rising inflation—something consumers have made clear they need.

Companies US Gen Z Digital Banking Users Would Trust to Provide Them With Banking Services, Aug 2022

% of respondents



Note: primary bank could include either a traditional bank or a digital-only bank
Source: Insider Intelligence, "US Banking Digital Trust Benchmark 2022," Aug 2022

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