

Gen Alpha banking does a mashup of the digital and physical world

Article

The news: Traditional banks risk missing out on building long-term relationships with Generation Alpha as their digital native parents “take them to the bank” for the first time.

Our report, [How millennial parents will bank Gen Alpha kids](#), highlights the new ways in which neobanks and teen and kid banking apps are helping parents and their children master the

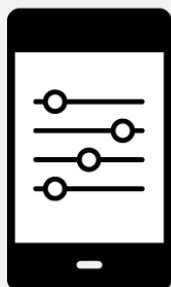
financial literacy learning curve.

There's an app for that: Millennial parents—the first cohort to grow up in a predominantly digital environment—are now **looking for ways to introduce financial and banking concepts to their children.** Kid and teen banking apps are stepping in as the main facilitators of this rite of passage. These apps are focused around three features:

- Parental oversight and security
- Financial tools and education for kids and teens
- Parental-child shared functionality related to household tasks and goal setting

Kid and Teen Banking App Experience

Parent



Oversight

- Transactions
- Merchant type
- Dollar amount



Alerts

Security

- Balance check
- Activity review
- Lock or unlock card
- Set dollar limits on transactions and withdrawals
- Limit merchants and merchant type
- Approve payments and payment contacts



Shared



Budget



Spend analytics



Task / Chore Management



Goals

Kid / Teen



Request money



Send money



Financial education and gamification



Mobile wallet setup

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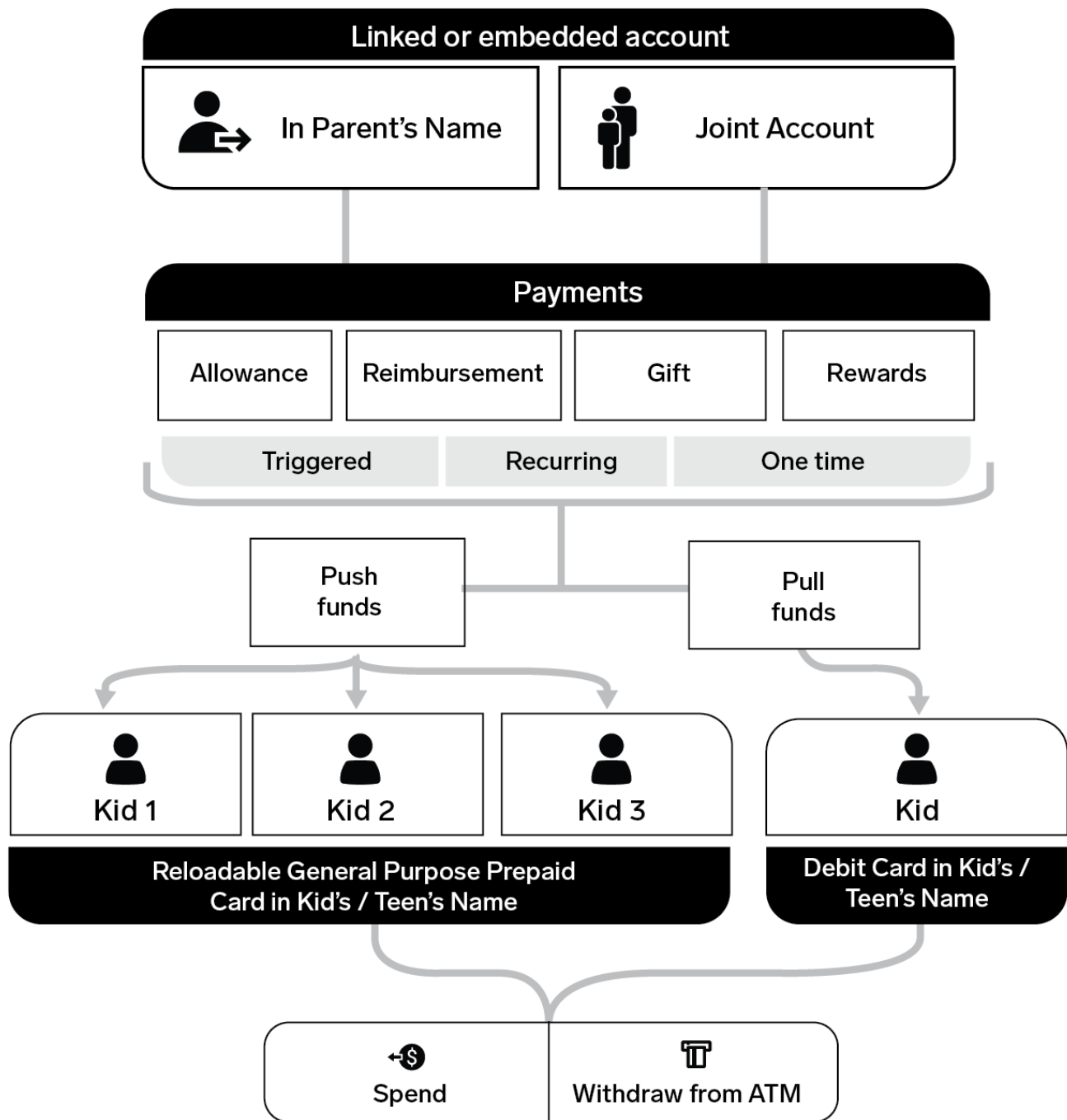
How does it work? Kid and teen banking apps are popping up from teen-focused neobanks, traditional neobanks, incumbent banks, and even nonbank entities partnering with a banking as a service (BaaS) provider. But **all of these apps tend to have a similar structure with similar functions.**

- Some apps feature **an embedded checking account and a debit card** all in the child's name. These apps are usually geared more toward teens.

- Others feature a **parental linked or embedded checking account** that sends money to the child's prepaid card that's branded by the app.
- Most of the apps pair financial topics and financial education with a real-life physical task, like a chore component, so children can “earn” their allowance by doing household chores assigned by their parents.
- **Gamification is another common approach to building financial literacy.** Since the **Gen Alpha** cohort naturally seeks knowledge through digital means, the apps will often present games or daily challenges related to a financial topic for users to complete, and will sometimes reward users with a prize.

The teen and traditional neobanks are generally built from the ground up. By contrast, incumbent banks will typically add teen banking features to their existing banking apps, or will outright purchase a kid or teen banking app and rebrand it as their own.

Kid and Teen Banking App Archetype



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What does it cost? Kid and teen banking apps approach fees in a few different ways. These are the most common fee structures:

- **Free:** Some apps include kid and teen banking features in the cost of maintaining an adult checking account. In this scenario, the financial institution is relying on the stickiness of the parental relationship as well as brand recognition to retain the child or teen.
- **Freemium subscription:** In this model, a parent opens an account with a neobank and then opts for a tiered, paid subscription plan. The parent can then add various child-related features to their experience and a teen or kid experience for an additional cost.
- **Subscription:** This structure charges a flat recurring fee for access to the app features.

Will it work? Kid and teen banking is a new market, and neobanks and incumbents are still figuring out how to attract these digitally minded young customers for life.

- Gen Alpha is experiencing the world in new ways (think TikTok, YouTube, and proto-metaverses like Roblox). The apps must find a way to promote financial literacy in a way that appeals to the way kids and teens interact with the world and absorb information, while also balancing the connection with the physical world.
- Teens and kids will age out of doing household chores, so the apps will need to learn how to cater to aging users to keep them as customers. One solution is to shift to more complex financial needs like planning for college or budgeting for an independent life.

Continue reading: To learn more about what we think is next for kid and teen banking, as well as our comparison of some of the players in the space, click [here](#).

*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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