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Fintechs and neobanks outpace big incumbents in US checking account openings

Article

The news: A study of **where US citizens are opening their checking accounts found that fintechs' and neobanks' market share** is growing—at the expense of big incumbents like

JPMorgan Chase, Bank of America, and **Citibank**.

That's according to a Cornerstone Advisors report, cited in Forbes, which found that **challengers and fintechs have captured 47% of all new checking accounts opened so far in 2023.**

By the numbers: This growth appears to be happening at the incumbents' expense.

- Since 2020, **digital banks' and fintechs' share of new accounts grew from 36% to 47%**.
- Over the same period, the **big brands' share dropped from 24% to 17%**, while regional banks' share declined from 27% to 21%—the latter likely not helped by the regional banking crisis earlier this year.
- Community banks' and credit unions' share has remained stable.

The biggest movers: Combined, **Chime** and **PayPal** scooped up 43% of digital bank/fintech account openings and 20% of *all* new checking accounts opened in 2023.

- In 2020, **SoFi** accounted for 1% of new account openings, but during H1 of 2023, SoFi's market share quadrupled to 4%.
- That same year, **Wells Fargo**'s share was 8.1%, but so far this year, its share has dropped by more than a half to 3.5%.

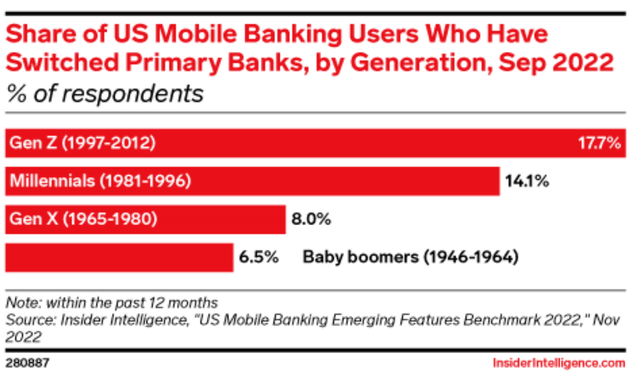
Account openings overall are increasing: The study pointed out, however, that **only a small percentage of consumers open accounts every year.** That number has increased during 2023, at 14% so far this year, after rising just a few percentage points year over year, from 10% in 2020, to 12% in 2021, to 15% over the entirety of last year.

- **More young consumers are seeking out new accounts** than older consumers. Of Americans who have opened a checking account so far in 2023, 72% are Gen Zers or millennials. Our own forecasts project that **Gen Z mobile banking adoption** will reach 33.7 million consumers in 2023 and will continue to rise sharply, at a compound annual growth rate (CAGR) of 12.4% through 2026.
- **But consumers are now likely to have more than one checking account.** A new account opening somewhere doesn't necessarily mean an account is being closed out elsewhere. Of the consumers who have opened a checking account in 2022 or 2023, **six in 10 have more than one checking account.**

- **The percentage of consumers who consider their megabank account to be their primary account is declining.** And since 2020, Cornerstone Advisors' report found the percentage of Gen Zers who consider a megabank to be their primary checking account provider has dropped from 35% to 27%, and among millennials from 41% to 32%.
- More than a third of Gen Zers and millennials, and nearly three in 10 Gen Xers, currently **consider a fintech or digital bank to be their primary checking account provider.**

The secret of their success: The banking industry's long-term health depends on providing services to young consumers. This cohort doesn't write paper checks drawing on their checking accounts anymore (and anyway, the US Postal Service and many banks are warning consumers of all ages not to send checks by mail).

The report theorizes that Millennials and Gen Zers can't tell a checking account from a payment tool because they're used to paying with merchant apps, **Apple Pay, PayPal, Klarna,** and **Venmo**. What they're looking for is really **an all-in-one financial app** that includes bill management, subscription management, credit score monitoring, and automated saving and investing, maybe even tax prep and crypto access. It's fintechs that are bundling these desirable services together, rather than traditional banks and credit unions.



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