

# The Generational Divide in Financial Services

How different generations approach their finances – and how to win Gen Z

**april**





# The context

The U.S. banking industry found itself at a pivotal juncture in 2023, a period marked by the interplay of technological advancements and shifting consumer preferences.

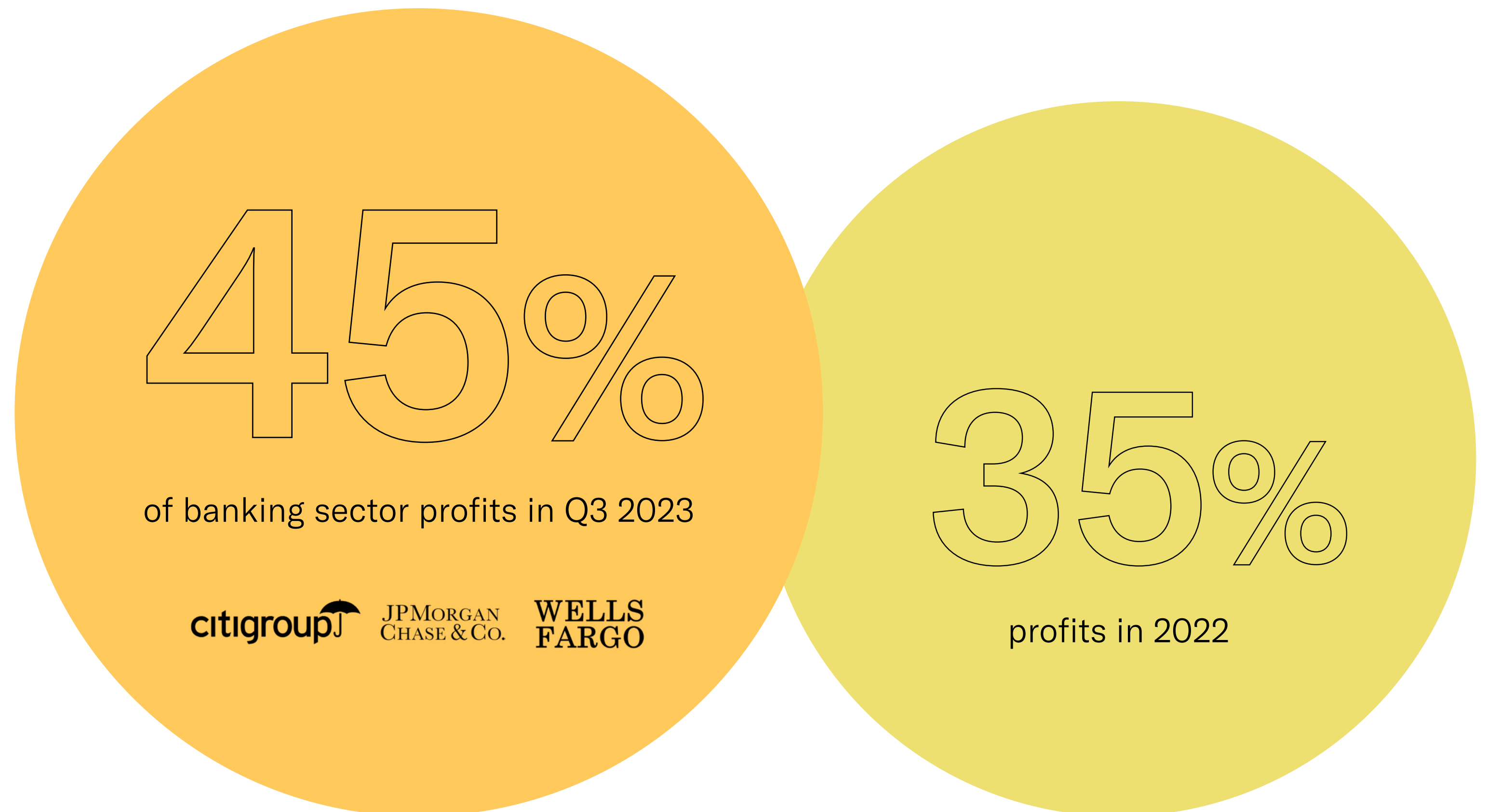
This dynamic landscape is increasingly influenced by financial technology, delineating the winners and losers in a sector grappling with the aftermath of significant events like the Silicon Valley Bank collapse. The incident not only reinforced the need for trust in banking institutions but also accentuated the advantages of scale possessed by major banks like JPMorgan Chase, Citigroup, and Wells Fargo.



# Big banks are getting bigger

The industry behemoths capitalized on this trust and leveraged their scale to navigate through inflationary pressures – as evidenced by their commanding 45% share of total profits in the national banking industry in the third quarter of 2023. This was a significant increase from the previous year's 35% and well above the decade's average of 39% [reported by the [Financial Times](#)].

In contrast, smaller regional banks, traditionally valued for their in-branch experience, find themselves at a disadvantage. Lacking the trust and scale of their larger counterparts, they struggle in an environment where digital banking is increasingly prized, especially by younger and more affluent customers. The declining significance of in-branch experiences is mirrored in the [18% YTD drop](#) in the NASDAQ KBW index, which reflects the performance of these regional banks.





# Where small players can win

Amidst this shifting landscape, a critical blind spot for the big banks has emerged: the Gen Z demographic.

As projected by Insider Intelligence, approximately [4 million Gen Z individuals](#) are expected to open new banking accounts each year through 2026. However, [a study by MX](#) in 2023 has indicated a stark contrast in banking habits among generations, with only 47% of Gen Z respondents having a traditional bank account, compared to 75% of Baby Boomers and 70% of Millennials.

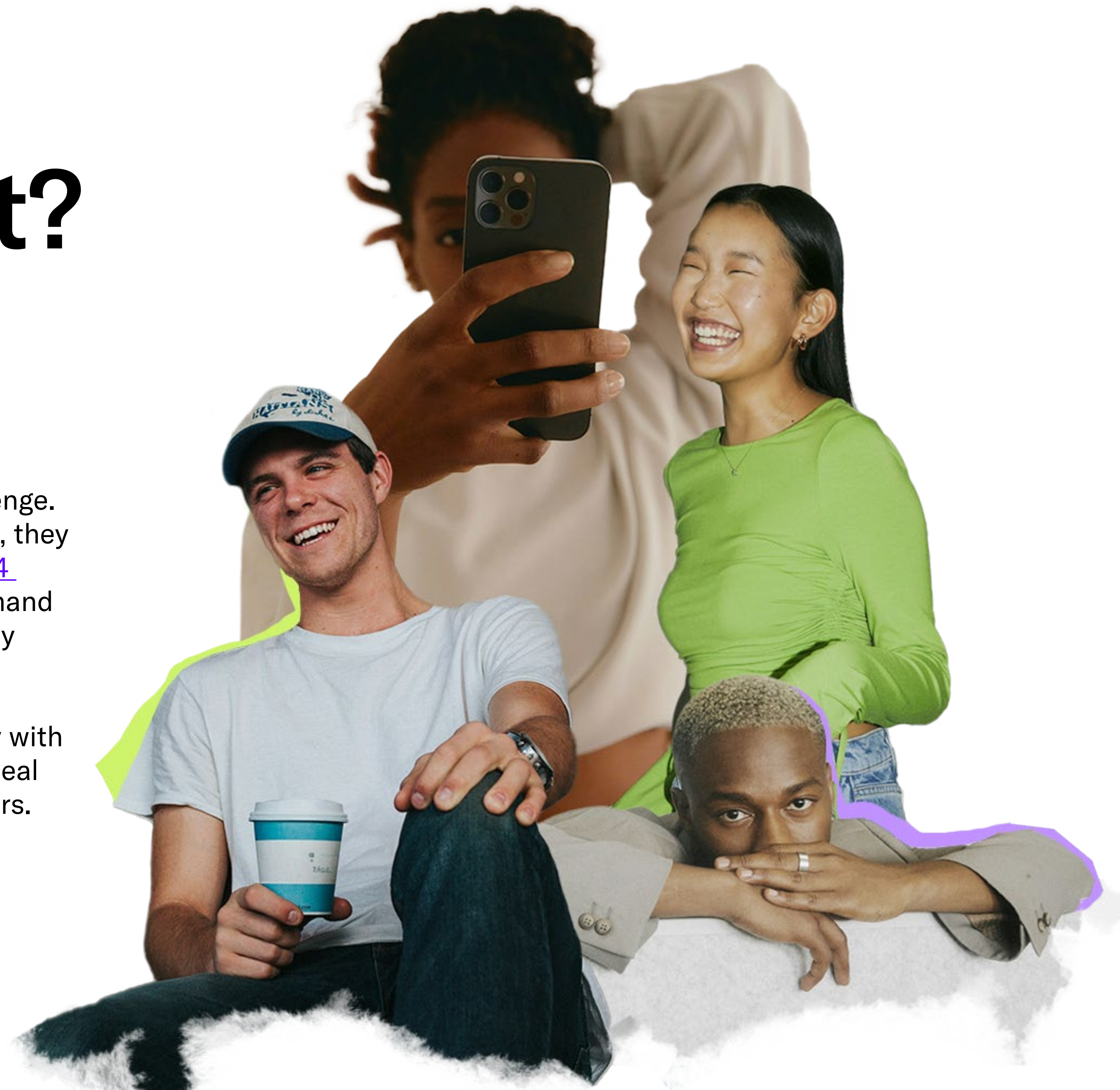
**4 million**  
gen zs open banking  
accounts each year



# Who will capture the Gen Z market?

This generational divergence points to an opportunity and a challenge. While big banks excel in leveraging economic conditions and trust, they must pivot to capture the growing Gen Z market. [The Deloitte 2024 Banking Outlook](#) underscores this necessity, emphasizing the demand among younger consumers for experiences akin to those offered by technology firms and fintech platforms.

The report advocates for the integration of self-service technology with personalized services based on life data, a strategy that could appeal not only to affluent customers but also to young, first-time investors.















# Gen Z 🤝 s Fintech

Fintech companies, adept at delivering specialized and personalized services, continue to seize market share. To sustain growth and remain competitive, both regional and major banks need to explore partnerships with fintech firms. Such collaborations could enhance their offerings, enabling them to meet the specific demands of Gen Z consumers through personalization and niche services.

This narrative sets the stage for an exploration into how the U.S. banking sector, at this critical moment, can navigate generational shifts in financial management and leverage financial technology to secure its future. The ability to adapt and innovate in the face of changing consumer preferences and technological advancements will define the trajectory of banks in the coming years.

## Gen Z's top authentic brands

- #1 Nike 
- #2 Coca Cola 
- #3 YouTube 
- #4 Oreo 
- #5 CashApp 
- #6 Dove 
- #7 Jordan 
- #8 Tide 
- #9 Yitty 
- #10 PayPal 

Source: YPulse, 2023

THE STUDY

# The generational divide in financial services



# The study

april surveyed over 700 taxpayers actively using financial apps (traditional banking or fintechs) on their mobile devices and asked each participant a series of questions related to their taxes and financial lives. We then segmented the data by various measures to see where there was the most statistically significant divergences. The generational divide became the primary way to understand four unique approaches to taxes and the adoption of new financial apps and services.

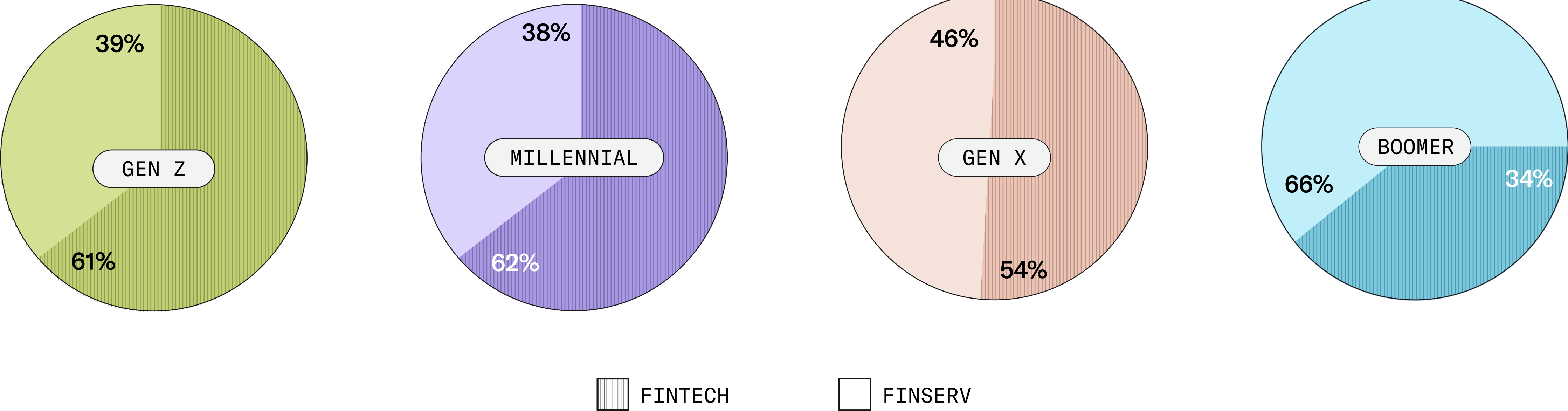




# Gen Z and Millennials are more likely to trust fintech brands

## What brands they trust for finance

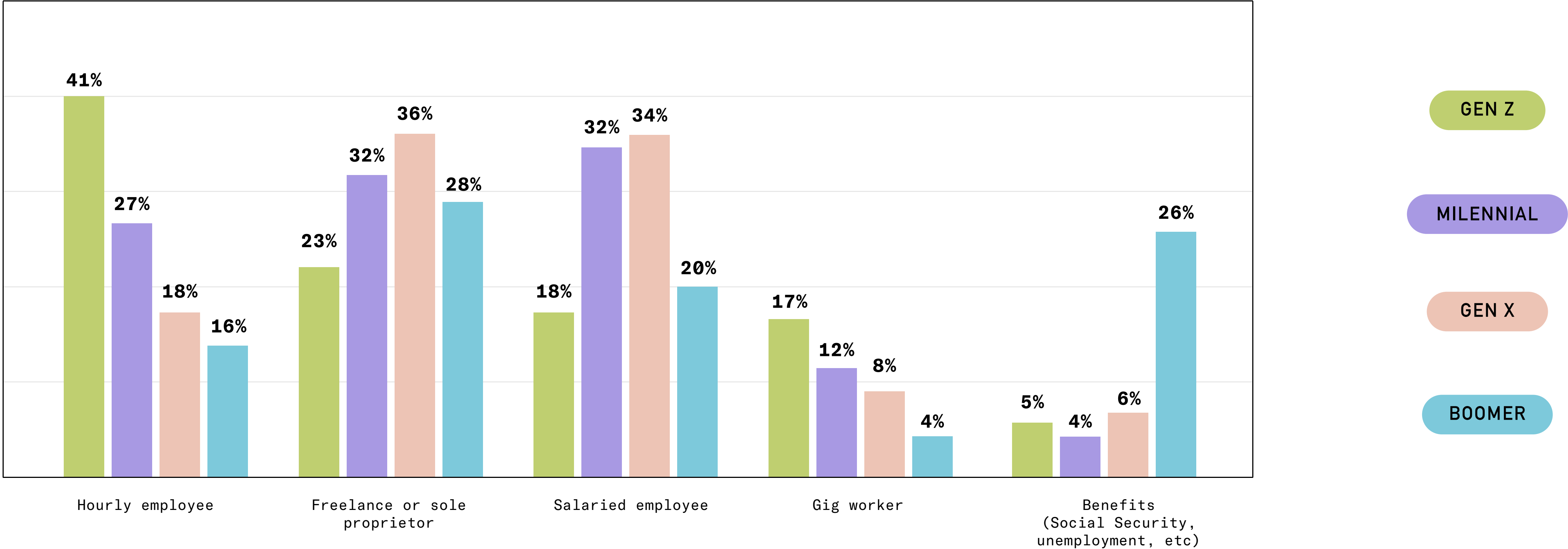
The penetration of fintechs (companies built in the past 25 years that primarily deliver services via the internet or app) in younger generations far exceeds that of traditional finserv (companies built 25+ years ago that deliver services via traditional and digital channels).





# Gen Z are entrepreneurial and their income reflects multiple sources, hourly & 1099

Younger generations are more likely to be working gig work or hourly jobs, while Millennials are Gen X are more likely to have a salaried job or be freelance/sole proprietor if they're self-employed.





# Younger generations are more likely to use budgeting apps

Gen Z are twice as likely to use budgeting and expense tracking apps than the older generations (Gen X, Boomer).





THE FINDINGS

# Approaches to taxes



# Sentiments towards tax filing

Generally, people have a mix of hope and apprehension, however there are some noticeable differences in how generations view tax season.

Millennials and Gen X are most likely to feel hopeful, while Gen Z display curiosity and are more likely to feel clueless or angry and less likely to feel powerless.

“How would you describe your feelings towards tax filing?”



**Curious**

Gen Z



**Hopeful**

Millennial

Gen X



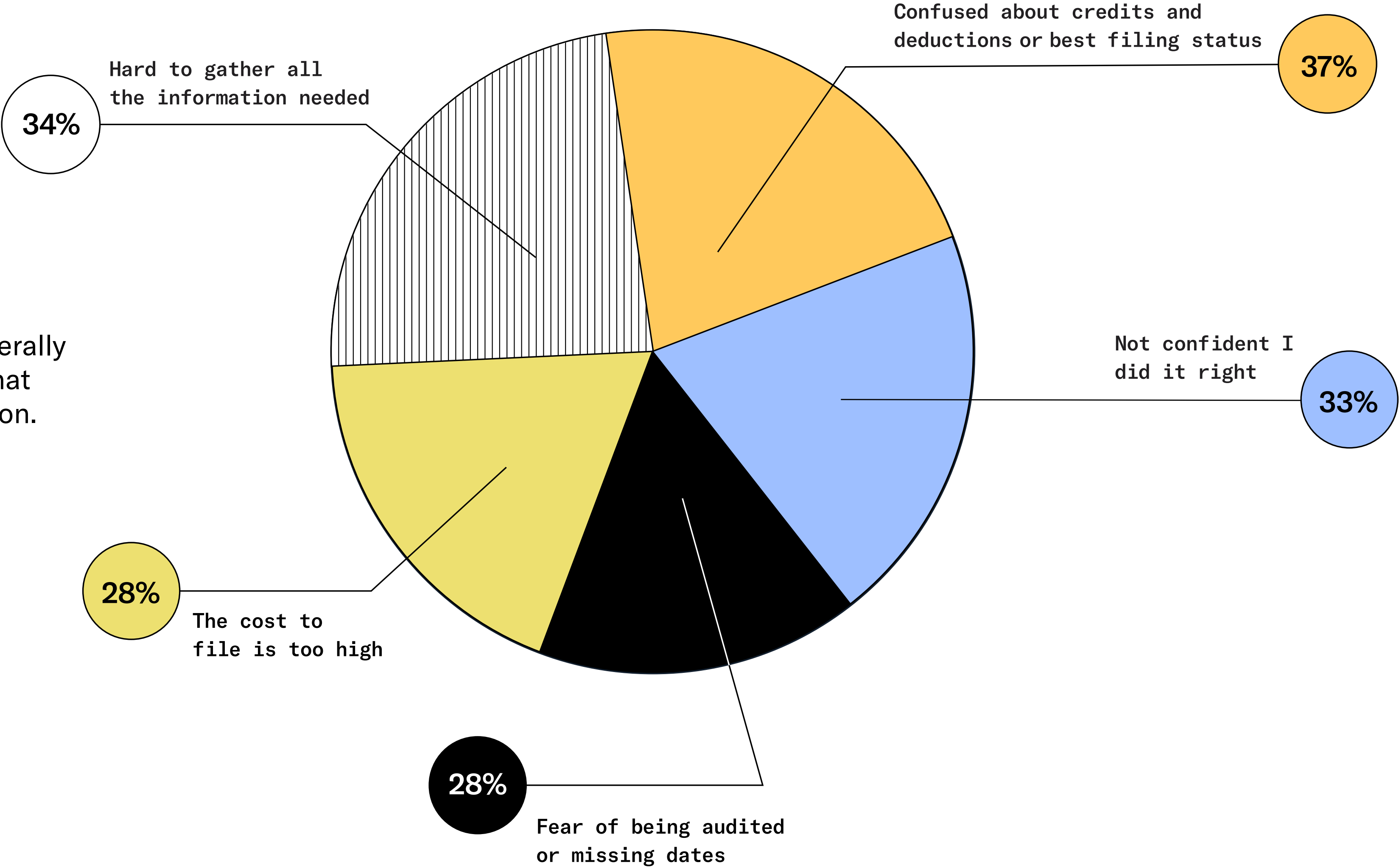
**Apprehensive**

Boomer



# Top challenges when it comes to tax filing

Taxpayers have a hard time gathering all the information they need to file, and they're generally not confident that they've filed correctly or that they've made the most out of their tax situation.





# 60% of all Gen Z used TurboTax to file last year

Compared to 47% for Millennials, 43% for Gen X and only 28% for Boomers.



# Younger generations are more likely to think they're getting a refund and file early

Gen X and Boomers are more likely to say they're not going to receive a refund and will file later in the season (in April).

**13%**

of Gen Z and Millennials will file their taxes in April, compared to **24% of Gen X and Boomers.**

**24%**

of Boomers and Gen X will file their taxes in April, compared to **13% of Gen Z and Millennials.**



Younger generations are more comfortable speaking about financial topics with their friends and family

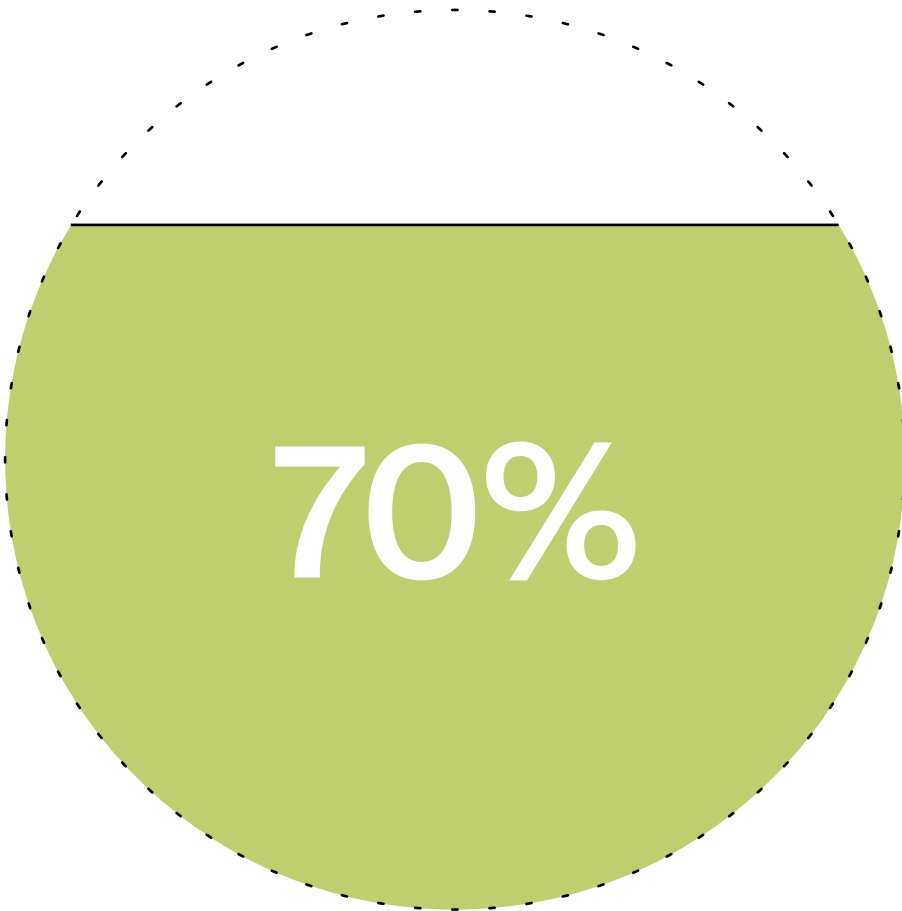
>50%

of Gen Z and Millennials feel comfortable talking about taxes, compared to **38% of Boomers and Gen X.**

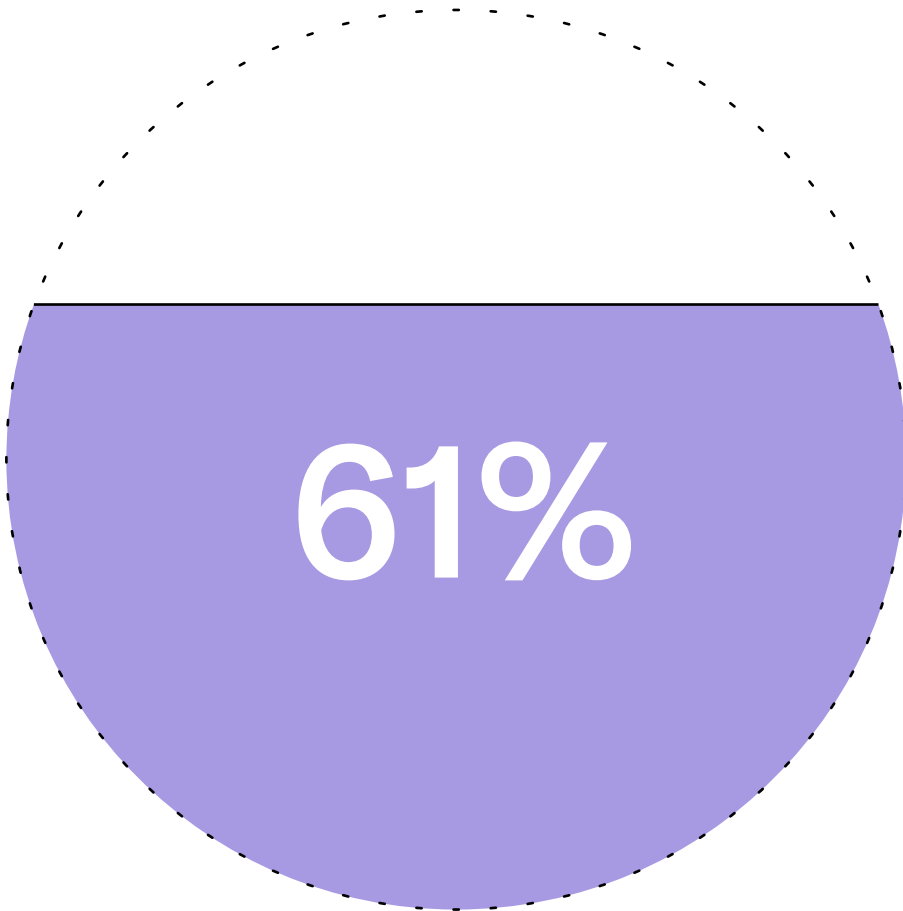


# Gathering tax information

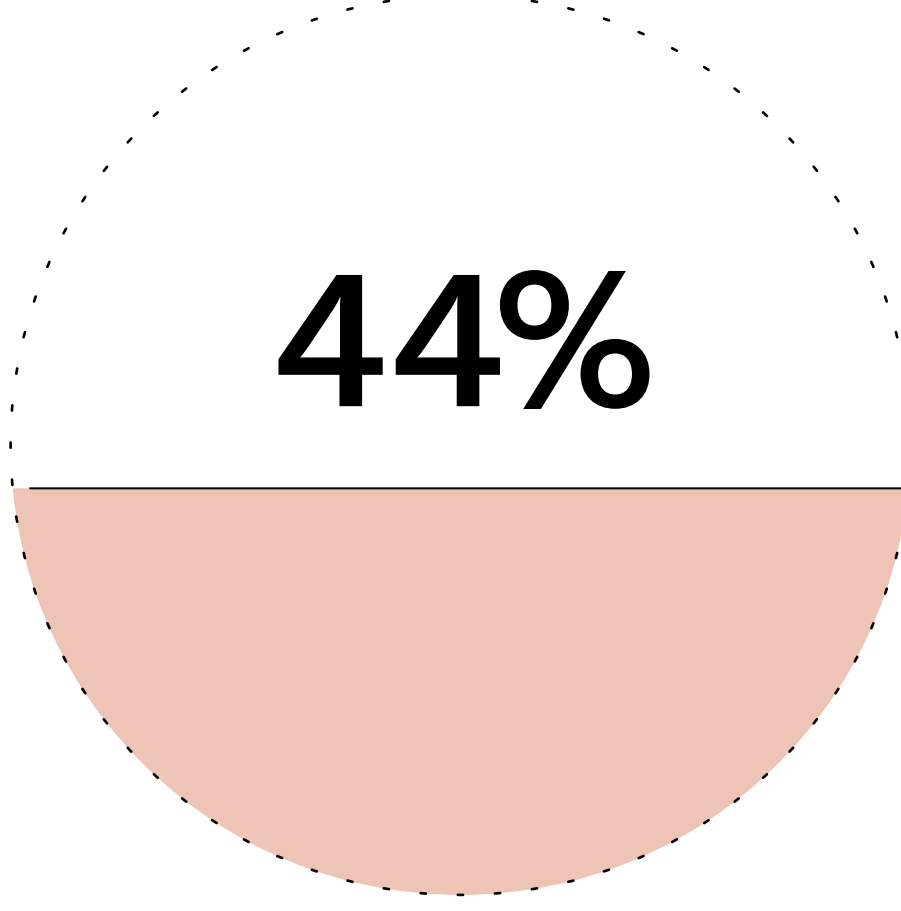
“I rely on family for gathering information about taxes”



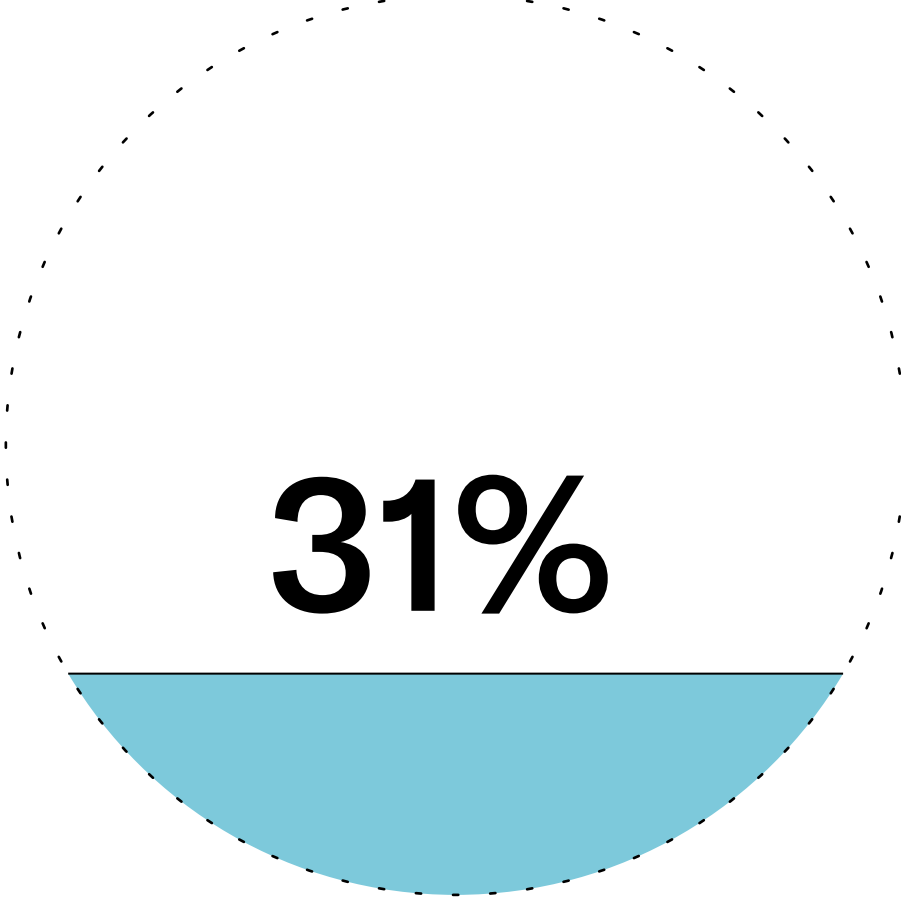
Gen Z



Millennial



Gen X



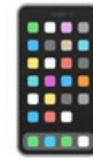
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# Conclusions



# What does Gen Z want?



## **They want streamlined digital solutions**

Embedding tax services in financial apps offers Gen Z the seamless and integrated digital experience they seek for managing financial tasks, including tax filing, in one place.



## **They want a brand that knows them**

Personalized financial advice and product recommendations, derived from the detailed data collected during tax filing, show Gen Z that the brand understands their unique financial situations deeply.



## **They want to investigate their own financial life in data-forward ways**

Integrated tax services provide Gen Z with the tools and insights necessary to delve into their financial data, empowering them to take control and gain a deeper understanding of their finances.



## **They want engaging and educational experiences**

By incorporating tax services, financial apps can transform the daunting task of tax filing into an opportunity for interactive learning and financial education, tailored to Gen Z's desire for knowledge.



## **They want trustworthy partners**

Offering comprehensive, user-friendly tax services within a financial app signals to Gen Z that the brand is committed to supporting all aspects of their financial journey, building a foundation of trust and long-term loyalty.



# Embedding tax functionality isn't just a value-added service

It's a strategic imperative for product and business owners in the financial services sector aiming to attract and retain Gen Z customers. This demographic's unique financial behaviors, preferences for digital solutions, and appetite for personalized services present a golden opportunity for brands to differentiate themselves.

By offering integrated tax services, you not only meet the immediate needs of Gen Z customers but also position your brand as an integral part of their financial ecosystem.

The result? A loyal, engaged customer base that chooses your brand, not just for today's financial needs but for a lifetime of financial journeys.





Want to discuss embedding tax?  
Reach out [here](#).

For questions and media inquiries,  
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**Thank you!**