The State of Consumer Banking & Payments

How consumers’ relationships with financial services providers are changing amid high inflation and a protracted pandemic

H2 2022
In This Report

3 Executive Summary

4 Key Takeaways

5 Financial Well-Being

13 Banking and Credit Relationships

22 Digital Wallets and Alternative Payments

30 Investing

36 Cryptocurrency

44 The Data Behind the Report
Executive Summary

Consumers have weathered half a year of historic inflation. It’s wearing on their financial well-being, slowing their progress toward their goals and beginning to impact their interactions with financial services providers.

Morning Consult’s biannual report The State of Consumer Banking & Payments tracks evolving trends in consumer banking, payments and investing, and evaluates what changing attitudes mean for the future of each industry.

Based on survey interviews conducted monthly over the past year and daily across 44 countries, this report provides insights into consumers’ relationships with their primary banking and payment providers, as well as the other financial services they’re using to meet their needs.

The report also focuses on digital interactions between consumers and their financial services providers at a global level, as well as cryptocurrency adoption, usage and reputation in the United States and worldwide.

Survey conducted June 30-July 1, 2022, among a representative sample of 2,210 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

Shares of U.S. adults who are concerned the money they have or will save won’t last

<table>
<thead>
<tr>
<th>Category</th>
<th>Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S. adults</td>
<td>50%</td>
</tr>
<tr>
<td>Men</td>
<td>46%</td>
</tr>
<tr>
<td>Women</td>
<td>54%</td>
</tr>
<tr>
<td>Gen Z adults</td>
<td>52%</td>
</tr>
<tr>
<td>Millennials</td>
<td>56%</td>
</tr>
<tr>
<td>Gen Xers</td>
<td>53%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>43%</td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>48%</td>
</tr>
<tr>
<td>Hispanic</td>
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<td>Black, non-Hispanic</td>
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<tr>
<td>Asian or other race/ethnicity</td>
<td>49%</td>
</tr>
<tr>
<td>Income: less than $50k</td>
<td>56%</td>
</tr>
<tr>
<td>Income: $50k-$99k</td>
<td>46%</td>
</tr>
<tr>
<td>Income: $100k or more</td>
<td>37%</td>
</tr>
<tr>
<td>Cryptocurrency owners</td>
<td>55%</td>
</tr>
<tr>
<td>BNPL users</td>
<td>58%</td>
</tr>
</tbody>
</table>
Across the board, consumers are worse off than last year
No group is immune to the economic effects of inflation and the pandemic, even high-earning households and older adults.

Banking relationships are stable, but there’s room for improvement
Consumers are content with their providers and aren’t thinking of switching, but 1 in 5 U.S. adults are unbanked or underbanked.

Digital wallet dominance continues
Consumers continue to rely on — and trust — digital wallets and the tech providers that offer them, threatening traditional provider relationships.

Consumers have put their investing goals on hold
Consumers are making less progress toward their investing goals, and many are ending relationships with robo-advisers and brokerages amid broad market volatility.

Cryptocurrency owners are staying the course
Despite a tumultuous few months, retail investors are continuing to buy and hold cryptocurrency.
Financial Well-Being

Across the board, consumers are worse off than last year
Across income brackets, consumers are worse off than last year

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.

Morning Consult's financial well-being score for U.S. consumers — a reflection of their perceived security and freedom of choice based on their current financial situation — shows that consumers are worse off now than at this time last year as they grapple with high inflation.

You can follow monthly updates to our Financial Well-Being Scale, along with in-depth findings from key demographics, here.
Financial well-being has dropped around the globe

Surveys conducted quarterly among representative samples of roughly 2,200 U.S. adults and 1,000 adults each in Argentina, Australia, Brazil, Canada, China, Colombia, France, Germany, Japan, Mexico, Singapore, Spain and the United Kingdom, with an unweighted margin of error of up to +/-3 percentage points.
Even baby boomers and high earners are struggling with inflation

U.S. adults of all backgrounds, income levels and regions have experienced declining financial well-being over the past year, but some have been more impacted than others.

Millennials and those from households earning less than $50,000 annually continue to rank among the lowest in financial well-being, and Gen Z adults now appear to be struggling, too.

Financial services brands must recognize that inflation is impacting all U.S. consumers. They should prepare their employees and advisers to respond empathetically and tailor advice with depressed financial well-being in mind.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
Concerns over personal finances have been mounting since 2021

Financial well-being scores are derived from a series of 10 questions gauging how consumers feel about their finances, their lives in general and how their finances are impacting their lives.

U.S. adults were asked how well the following statements describe them:

I am concerned that the money I have or will save won’t last.

<table>
<thead>
<tr>
<th></th>
<th>Completely</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun '21</td>
<td>25%</td>
<td>18%</td>
<td>28%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Jun '22</td>
<td>31%</td>
<td>19%</td>
<td>26%</td>
<td>14%</td>
<td>10%</td>
</tr>
</tbody>
</table>

My finances control my life.

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Rarely</th>
<th>Never</th>
</tr>
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<tbody>
<tr>
<td>Jun '21</td>
<td>15%</td>
<td>17%</td>
<td>29%</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td>Jun '22</td>
<td>18%</td>
<td>17%</td>
<td>31%</td>
<td>18%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Because of my financial situation, I feel like I will never have the things I want in life.

<table>
<thead>
<tr>
<th></th>
<th>Completely</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun '21</td>
<td>20%</td>
<td>13%</td>
<td>27%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Jun '22</td>
<td>20%</td>
<td>16%</td>
<td>25%</td>
<td>20%</td>
<td>18%</td>
</tr>
</tbody>
</table>

I am behind on my finances.

<table>
<thead>
<tr>
<th></th>
<th>Completely</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun '21</td>
<td>10%</td>
<td>11%</td>
<td>21%</td>
<td>27%</td>
<td>31%</td>
</tr>
<tr>
<td>Jun '22</td>
<td>12%</td>
<td>11%</td>
<td>21%</td>
<td>25%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Compared with June 2021, U.S. consumers are more likely to say they’re concerned that the money they have or will save won’t last, and that they will never have the things they want in life because of their financial situation.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points. Figures may not add up to 100% due to rounding.
Preoccupation with finances has increased as fewer consumers have money left over at the end of the month

Aside from financial well-being scores, there are other signs that consumers are struggling with their finances. Not only were they thinking about money more in June 2022 than at the same time the previous year, but a smaller share of U.S. adults reported having money left over at the end of the month in June 2022 compared with June 2021 (53% versus 61%). Lower-income adults are struggling the most: Only 41% said they had money left over in June 2022.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.

Source: Morning Consult Economic Intelligence
Consumers’ progress toward goals is lower than last year

Consumers’ increasing preoccupation with making ends meet and their lack of money left over at the end of the month mean the progress they’re making toward financial goals of all kinds is suffering. From June 2021 to June 2022, the share of adults reporting progress toward donating to charity and saving for education declined 13% for each category, followed closely by investing money and reducing debt, both down 12%.

While prices of household necessities such as food and gas continue to rise, consumers seem to be doing an admirable job of maintaining their budgets: There has been only a 4% decrease in the share of adults who report making progress toward this goal, the smallest decrease of any goal measured.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
WHAT IT MEANS: Consumers are insecure about their finances

Near- and long-term feelings of financial well-being are lower among consumers than they were last year.

Inflation is adding even more financial pressure to consumers following a period of unprecedented strain caused by the coronavirus pandemic. Its impact is widespread, even reaching higher-income and older individuals, who are typically more financially secure.

With prices rising faster than wages, consumers are more preoccupied with making ends meet. As a result, their long-term goals — such as investing and eliminating debt — are suffering.

U.S. consumers are increasingly worried about what this means for their future. Half say they are concerned the money they have or will save won’t last, up 7 percentage points from last year.

Discover more: Financial institutions seeking to navigate their consumers’ deteriorating outlook can turn to our Financial Well-Being Scale, updated every month with new findings.

WHAT FINANCIAL SERVICES BRANDS SHOULD DO

Check in on customers

Financial services providers should frequently check in with their customers to help them reprioritize their financial goals and keep a long-term view of their financial future. By proactively serving distressed customers, providers will increase loyalty.

Ask these questions:

“Do we understand the financial well-being of our customers and prospective customers?”

“Do we understand the financial goals of our customers, and how they feel they’re progressing toward them?”
Banking and Credit Relationships

Banking relationships are stable, but there’s room for improvement in serving underbanked customers.
Now is not the time to switch providers, according to consumers

The pressure on consumers’ finances and their preoccupation with making ends meet are translating to less time spent thinking about starting relationships with new providers.

Relationships with credit unions and traditional banking providers are the most secure. Consumers show 42% and 39% decreases, respectively, in their likelihood of adding new providers in these categories compared with last year.

What would cause a consumer to consider switching? It likely wouldn’t be dissatisfaction with their current provider. Consumers consistently report high satisfaction with their traditional banks, credit unions, digital banks and credit card companies, even during tough financial times.

Financial services providers should expect switching activity to remain low for as long as consumers are more focused on their short-term finances than their long-term goals.

However, consumers may be enticed to switch to banks that pay higher interest on savings accounts, given the Federal Reserve’s interest rate hikes. Prices and fees are among the leading reasons consumers switch providers.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
Consumers report fewer loans alongside rising interest rates

As the Federal Reserve raises interest rates to tame inflation, demand for lending products may already be slowing.

The shares of adults who report having a mortgage, a student loan, a home equity loan or line of credit, or an auto loan have all dropped since last year, suggesting that as some consumers have paid off these loans, new customers have not replaced them.

However, U.S. adults are not cutting up their credit cards just yet. The share of households saying they own at least one credit card has remained steady since last July. While roughly 25 million new credit card accounts were opened between Q3 2021 and Q1 2022, our data suggests these were mostly among households that already had at least one credit card.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
The COVID-19 pandemic accelerated digital adoption of financial services among consumers, as stay-at-home orders and physical distancing measures made digital channels the most convenient ways to interact with providers. For many consumers around the world, however, the lifting of pandemic restrictions has led to a return to in-person banking — though consumers in the United States seem to have permanently committed to digital-first interactions.

Respondents were asked how they interact with their primary bank, July 2021 and May 2022

<table>
<thead>
<tr>
<th>Country</th>
<th>July 2021</th>
<th>May 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mostly digitally (mobile or online)</td>
<td>Mostly in person</td>
<td>Mostly by phone</td>
</tr>
<tr>
<td>United States</td>
<td>53%</td>
<td>52%</td>
</tr>
<tr>
<td>Argentina</td>
<td>67%</td>
<td>54%</td>
</tr>
<tr>
<td>Australia</td>
<td>53%</td>
<td>56%</td>
</tr>
<tr>
<td>Brazil</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Canada</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>China</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Colombia</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>France</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Germany</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Japan</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Mexico</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Singapore</td>
<td>57%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Surveys conducted Aug. 2-9, 2021, and May 31-June 7, 2022, among representative samples of 1,790 and 3,616 U.S. adults, and between 676 and 962 adults in each of the other countries listed, with unweighted margins of error of up to +/-4 percentage points. Figures may not add up to 100% due to rounding.
Many analysts predicted that digital banks wouldn’t survive the COVID-19 pandemic. Not only did many digital banks beat expectations, but Chime — the biggest digital bank in the United States — exceeded them. That said, the road ahead may be more difficult.

While Chime saw rapid growth during 2020 and 2021, even surpassing PNC Bank in awareness among U.S. adults in Q3 2021, its rise has since stalled. The company, as well as other challengers in the industry, are facing new obstacles like inflation and a possible recession that will test their staying power.

Source: Morning Consult Brand Intelligence (Q3 2022 data collected as of July 28, 2022)
Overdraft fees are continuing to face intense regulatory scrutiny for unfairly targeting low-income customers. Younger adults and those from households earning less than $50,000 annually remain the most likely to overdraft, while baby boomers are consistently the least likely. And while some major banks have updated their policies to reduce or eliminate these fees, two-thirds of consumers who said they overdrafted in June still reported having to pay.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points overall (left chart) and +/-6 percentage points among the 245 to 347 adults who reported overdrafting (right chart).
More than 1 in 5 consumers still need better banking

The vast majority of U.S. adults report having a checking or savings account with a bank or credit union within their household. However, a sizable share of the population is considered unbanked or underbanked in a given month. In June 2022, 8% of U.S. adults reported that no one in their household had a checking or savings account through a bank or credit union, meaning they were unbanked. An additional 14% reported that while they did have a relationship with a bank, they also used a check cashing, money order or bill pay service through an alternative, nonbank provider that month, qualifying them as underbanked. However, banking status is not set in stone: People move in and out of these classifications, especially during high-purchase periods like December, which saw a spike in underbanked households as many consumers sought alternative financial services for holiday-related activities and purchases.

Banking status definitions

**UNBANKED HOUSEHOLD**

“No one in my household has a checking or savings account.”

**UNDERBANKED HOUSEHOLD**

“I or someone in my household has a checking or savings account.”

“In the past month, I have used a provider other than a bank or credit union to purchase a money order, cash a check or pay bills.”

**FULLY BANKED HOUSEHOLD**

“I or someone in my household has a checking or savings account.”

“In the past month, I have not used a provider other than a bank or credit union to purchase a money order, cash a check or pay bills.”

Share of U.S. adults who say their household is unbanked or underbanked

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points. Figures may not add up to 100% due to rounding.
Underbanked adults come from all walks of life

- Underbanked adults are more likely to be male than the general population; 59% of underbanked adults are men.

- By income, underbanked adults aren’t so different from the general U.S. population: The majority are from households earning less than $50,000 a year, roughly a quarter are from households earning between $50,000 and $99,999, and fewer than 1 in 5 underbanked adults are from households earning $100,000 or more annually.

- Millennials are the most likely generation to be underbanked. They represent 53% of underbanked adults, compared with 35% of the general population.

- White adults make up half of the underbanked population, followed by Hispanic adults at 28%. Hispanic and Black adults are disproportionately underbanked: Black adults represent 18% of underbanked adults, and 5% of underbanked adults identify as Asian or another race or ethnicity.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points. Figures may not add up to 100% due to rounding.
WHAT IT MEANS: Cross sales are hard, but new accounts are harder

Expect consumers to stay with their current banking providers while times are tough, and for interactions to be primarily online.

Consumers’ struggling financial health has so far not impacted their satisfaction with their primary providers, but it has depressed their desire to work with new ones since they are more focused on simply making ends meet.

U.S. adults are also continuing to primarily interact with their banks digitally, even as consumers in other parts of the world are opting for more in-person banking. Surprisingly, this hasn’t benefited digital-only banks. Their growth has slowed due to inflation and the possibility of a recession. If digital-only banks want to regain their momentum, they’ll need to create more compelling offers to entice clients.

It will be challenging for all banks to win net-new customers in this environment, but a sizable share of the population is still underbanked, meaning there is room for providers to better serve their existing customers — primarily by improving payment-related offerings.

Discover more: Stay up to date on the latest consumer financial services trends with our Smart Finances tracker.

WHAT FINANCIAL SERVICES BRANDS SHOULD DO

Focus on deepening existing relationships

Now is the time to focus on cross sales as opposed to new accounts. Providers should prioritize growing existing relationships, especially with underbanked adults who use costly alternative financial services.

Ask these questions:

“How often do our customers engage with us digitally, and why do some customers prefer this channel?”

“What alternative services do our underbanked customers use the most, and how can we provide better access to those services at our institution?”
Digital Wallets and Alternative Payments

Digital wallet dominance continues — and poses a threat to traditional provider relationships.
Bank branch, ATM and digital wallet use is down, though digital wallet use still leads

With less discretionary income because of rising inflation, consumers have fewer reasons to visit bank branches and ATMs, or to use a digital wallet. However, of these three activities, digital wallet use is the consistent leader among U.S. adults due to its convenience and increased acceptance by retailers.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points. Figures may not add up to 100% due to rounding.
Venmo and Cash App continue to grow

While the common refrain in financial services research is that the pandemic accelerated digital adoption, in the case of payments, brands like Venmo and Cash App had actually been growing rapidly for years before the pandemic, and they show no signs of slowing.

Despite the upward trend, these brands are not impenetrable. Technology companies Apple and Google have stronger awareness and usage than their fintech counterparts, underlining the threat that traditional technology companies pose to payment providers in general.

Source: Morning Consult Brand Intelligence (Q3 2022 data collected as of July 28, 2022)
Payment-related brands dominate Morning Consult’s most trusted list

Not only do payments brands have strong growth and awareness, but they also have exceptional trust among consumers.

Visa takes the top spot on Morning Consult’s list of most trusted brands among banking, investment and payments companies. In fact, most of the brands on this year’s list primarily help consumers move money seamlessly from point A to B, demonstrating that the reliable, everyday experiences offered by payments-related companies lead to strong relationships built around trust.

This list is also proof that banking leaders should continue to monitor the strength of technology-first companies like Apple and Google as they adopt more financial services capabilities beyond just payments. With their foothold in consumer trust, tech brands pose a significant threat to steal share of wallet from traditional financial services companies and fintechs — not just in the payments space, but in all financial services more broadly.

Read more about how consumers form trust in financial services brands in our Most Trusted Banking, Investment and Payments Brands report.

Net trust among U.S. adults

Source: Morning Consult Brand Intelligence. “Net trust” is the share of respondents who said they trust each brand to do the right thing “a lot” or “some” minus the share who said “not much” or “not at all.”
The U.S. lags other major economies in digital wallet adoption

- China, India and Brazil report the highest digital wallet usage. A whopping 45% of respondents in China said they use digital wallets every day.

- Digital wallet use in the United States has not meaningfully changed since July 2021. It ranks near the bottom of the surveyed countries, with just 6% of respondents saying they use a digital wallet every day.

- But the adoption rate of digital payments in the United States is impressive, and if other countries’ digital wallet usage trends are any indication, there’s more to come.

Surveys conducted May 31-June 7, 2022, among representative samples of 2,210 U.S. adults and 1,000 adults in each of the other countries listed, with unweighted margins of error of up to +/-3 percentage points. Figures may not add up to 100% due to rounding.
‘Buy now, pay later’ proves its staying power in a rough economy

Shares who reported using BNPL to make a purchase at least once in the last month

- All U.S. adults
- Gen Z adults
- Millennials
- Gen Xers
- Baby boomers

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of +/-2 percentage points overall (left chart) and +/-4 percentage points among BNPL users (right chart).

Share of BNPL users who have experienced the following:

- Received a call from a debt collector about a missed BNPL payment
- Saw credit score go down due to a missed or late BNPL payment
- Paid a late fee for a missed BNPL payment
- Missed a BNPL payment

- Apr '22 - May '22 - Jun '22
- Apr '22: 14% - 16% - 16%
- May '22: 19% - 22% - 21%
- Jun '22: 21% - 20% - 16%
- Apr '22: 17% - 18% - 16%
- May '22: 17% - 18% - 16%
- Jun '22: 17% - 18% - 16%
Use of alternative financial services—such as money orders, check cashing and payday loans—has tapered off since the winter holidays and remains slightly lower than last July. Money orders and remittances are the most popular alternative financial services, followed by check cashing.

While down from a year ago, these alternative financial services are still used by sizable shares of the U.S. population. This should serve as a reminder to both banking and payments leaders that consumers are eager for cheaper, more efficient ways to move their money and access funds when needed.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
WHAT IT MEANS: Digital wallet dominance will continue

Digital wallets — not bank accounts — are increasingly the center of consumers’ financial lives.

Frequency of use and high brand trust are differentiating digital wallet providers from traditional banks and credit unions. These qualities have given digital wallets an advantage in the U.S. market, but there’s still room to increase usage among current customers and attract new ones, given the dominance of digital wallets in other major economies.

Big Tech is poised to further disrupt the payments space. These companies’ built-in scale, distribution and reputation for innovation give them a competitive advantage against other providers. As they offer more payment options and products, all of which are embedded in their larger ecosystems, they will become increasingly enmeshed in consumers’ financial lives. The payment data they gather will allow them to offer more personalized services and further deepen relationships with consumers.

Though the payments space has seen plenty of innovation in the last decade, there is still as much or more to be done. Consumers continue to rely on costly alternative financial services to move their money and access funds in a pinch. Companies that can create real-time, low-cost payments services will win the customer of the future.

Discover more: Create profiles of your current customers in Morning Consult Brand Intelligence and learn which Big Tech providers they’re using to make payments.

WHAT FINANCIAL SERVICES BRANDS SHOULD DO

Monitor a wider suite of payments competitors

Consumers will be attracted to the best payment innovations, even if they’re from nontraditional financial services brands. When monitoring potential payments competitors, include retailers as well as Big Tech.

Ask these questions:

“Which alternative financial service do our customers rely on the most? Do we provide a similar service?”

“How can we offer faster, lower-cost payment services to customers?”
Investing

Consumers have put investing goals on hold, dampening the outlook for robo-advisers
To cope with inflation, Gen Zers and millennials are investing less

The share of U.S. adults who report that they or someone in their household invest is down 3 percentage points from almost a year ago. Younger generations account for all of this decline, while older generations have either held steady or added investments. The combination of a tight labor market with less discretionary income and volatile financial markets means that many Americans are taking advantage of their employer-sponsored investments and dropping ones they manage themselves.

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
A tough quarter for brokerages and robo-advisers, old and new

Since the end of 2021, when usage was at its peak for Robinhood, Wealthfront and Acorns, fintechs have seen statistically significant drops among U.S. adults. Declining usage isn’t the only negative sign for these platforms; their stocks also took hits, and some valuations did not meet expectations.

Traditional financial services providers didn’t come out unscathed either. Charles Schwab and TD Ameritrade saw statistically significant declines in reported usage and consideration. These trends will likely continue if the United States falls into a recession.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Change in usage</th>
<th>Change in consideration</th>
</tr>
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<tbody>
<tr>
<td>Robinhood</td>
<td>-2.5</td>
<td>-2.3</td>
</tr>
<tr>
<td>Betterment</td>
<td>-0.07</td>
<td>–</td>
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<td>-0.8</td>
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<tr>
<td>Acorns</td>
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<td>-2.1</td>
</tr>
<tr>
<td>Fidelity</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Charles Schwab</td>
<td>-1.1</td>
<td>-1.2</td>
</tr>
<tr>
<td>TD Ameritrade</td>
<td>-2.4</td>
<td>-1.8</td>
</tr>
</tbody>
</table>

Statistically significant percentage point changes, Q1 2022 to Q2 2022

Source: Morning Consult Brand Intelligence.
Warning signs of decreasing investor diversity

If inflation does not soften meaningfully and a full-blown recession takes hold, more adults — especially those who are younger or from lower-income households — will be forced out of retail investing at least temporarily, and the investor pool will become increasingly homogenous (older and higher-income). There are signals that this shift is already happening.

As of June 2022, the demographic makeup of individual investors — already disproportionately older and wealthier than the general population — is even older and wealthier than it was in July 2021. The share of individual investors from households with an annual income under $50,000 has dropped 6 percentage points, and now 41% of all investors are baby boomers, compared with 35% in July 2021.

This changing demographic makeup poses a major threat to newer fintech providers that have been targeting young, first-time investors.

Surveys conducted Aug. 2-5, 2021, and June 16-20, 2022, among representative samples of 2,336 and 1,146 individual investors, respectively, with unweighted margins of error of up to +/-3 percentage points. Figures may not add up to 100% due to rounding.

An “individual investor” is defined as anyone with at least one of the following products: an employer-sponsored retirement account, an employer-sponsored retirement plan with regular monthly payments, an IRA or Roth IRA, a personal brokerage or trading account, a managed investment account, or a robo-adviser investment account.
Most Americans still want to invest, but progress has been difficult

Shares who said investing is a goal
(note the difference in scale between charts)

<table>
<thead>
<tr>
<th>Category</th>
<th>Jun '21</th>
<th>Jun '22</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S. adults</td>
<td>65%</td>
<td>68%</td>
</tr>
<tr>
<td>Men</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>Women</td>
<td>72%</td>
<td>74%</td>
</tr>
<tr>
<td>Gen Z adults</td>
<td>65%</td>
<td>72%</td>
</tr>
<tr>
<td>Millennials</td>
<td>73%</td>
<td>74%</td>
</tr>
<tr>
<td>Gen Xers</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>73%</td>
<td>79%</td>
</tr>
<tr>
<td>Some college or less</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>54%</td>
<td>61%</td>
</tr>
<tr>
<td>Graduate study</td>
<td>71%</td>
<td>73%</td>
</tr>
<tr>
<td>Income: &lt;$50k</td>
<td>60%</td>
<td>65%</td>
</tr>
<tr>
<td>Income: $50k-$99k</td>
<td>68%</td>
<td>75%</td>
</tr>
<tr>
<td>Income: $100k+</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>68%</td>
<td>72%</td>
</tr>
<tr>
<td>Black, non-Hispanic</td>
<td>72%</td>
<td>74%</td>
</tr>
<tr>
<td>Asian or other race/ethnicity</td>
<td>50%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Shares who reported progress toward their investing goals
(note the difference in scale between charts)

<table>
<thead>
<tr>
<th>Category</th>
<th>Jun '21</th>
<th>Jun '22</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S. adults</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>Men</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>Women</td>
<td>22%</td>
<td>37%</td>
</tr>
<tr>
<td>Gen Z adults</td>
<td>26%</td>
<td>43%</td>
</tr>
<tr>
<td>Millennials</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>Gen Xers</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>26%</td>
<td>36%</td>
</tr>
<tr>
<td>Some college or less</td>
<td>22%</td>
<td>33%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>22%</td>
<td>36%</td>
</tr>
<tr>
<td>Graduate study</td>
<td>26%</td>
<td>36%</td>
</tr>
<tr>
<td>Income: &lt;$50k</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Income: $50k-$99k</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Income: $100k+</td>
<td>31%</td>
<td>48%</td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>28%</td>
<td>54%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>28%</td>
<td>54%</td>
</tr>
<tr>
<td>Black, non-Hispanic</td>
<td>28%</td>
<td>54%</td>
</tr>
<tr>
<td>Asian or other race/ethnicity</td>
<td>15%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points.
WHAT IT MEANS: Lost progress for investors, brokerages and robo-advisers

Retail investor habits are changing due to tough economic conditions, impacting robo-advisers the most.

The pandemic brought a burst of retail investing and usage of fintech investment apps, which will dampen if high inflation gives way to a full-blown recession. For many consumers, this means their investing progress — already hard-fought — may get harder, and fintech investing brands will have to find new strategies to attract customers.

There is still a vast market of interested investors, but they will be increasingly hard to convert into customers. For fintechs, what worked to attract and retain consumers during the height of the pandemic won’t work in the current bear market — the first that many upstart investing brands have had to contend with.

These brands will need to focus more on retention and growing existing relationships while lowering their expectations for new customers. Usage will continue to fall among their target segments, and these customers will not be replaced by older or higher-income adults, who will likely stick with more established providers.

Discover more: Survey potential investors or traditionally underserved investing groups to understand barriers to entry and changing investing habits using Morning Consult Research Intelligence.

WHAT FINANCIAL SERVICES BRANDS SHOULD DO

Consider crypto

While consumers are turning away from traditional investments, cryptocurrency adoption and purchase consideration have remained steady despite price volatility. Crypto is enticing to younger investors and may be a way to deepen relationships or retain customers who might otherwise close their accounts.

Ask these questions:

“How are we attracting younger generations and encouraging them to invest?”

“How can we better engage traditionally underserved groups who have their own investing goals?”
Cryptocurrency

Crypto owners are staying the course despite a rocky start to the year
It’s been a tumultuous 2022 for crypto, but retail investors are staying the course

From spiraling bitcoin value to record crypto hacks, a lot has happened in the crypto world this year.

Yet even after a volatile six months, nearly 1 in 4 consumers still say they intend to purchase cryptocurrency in the next month. The share of those who plan to purchase bitcoin specifically is nearly identical.

To stay up to date on monthly changes in cryptocurrency trust, consumer purchase intention and other trends, visit Morning Consult’s Cryptocurrency Insights Hub.

Survey conducted monthly among a representative sample of roughly 4,400 U.S. adults, with an unweighted margin of error of +/-1 percentage point.
Most cryptocurrency owners view their crypto as an asset in their investment portfolio rather than a means of sending or receiving payments. As such, they are prepared to hibernate — or HODL (“hold on for dear life”) — in the event of a crypto winter as the industry matures and prices recover or stabilize. Rather than sell their holdings, some owners are moving their crypto to cold storage. This is the most secure way of storing cryptocurrency, but owners who do this may find it harder to buy, sell or trade when their crypto isn’t accessible online or via an exchange.

Survey conducted June 15-20, 2022, among a representative sample of 830 cryptocurrency owners, with an unweighted margin of error of +/-3 percentage points. Figures may not add up to 100% due to rounding.

Respondents with cryptocurrency were asked how they primarily use it

- 66% As an asset in my investment portfolio
- 18% As a way to send money or buy things
- 16% Both as a way to send money or buy things and as an asset in my investment portfolio

Survey conducted monthly among a representative sample of roughly 830 cryptocurrency owners, with an unweighted margin of error of +/-3 percentage points.

Share of cryptocurrency owners who report using a cold wallet

- January '22: 24%
- June '22: 32%, 33% growth
As a result of negative events this year, consumers have lost trust not only in cryptocurrencies, but also in major cryptocurrency brands. Several such brands—including Coinbase, Crypto.com and KuCoin—saw large losses in trust from Q4 2021 to Q2 2022, even if they weren’t linked to or responsible for negative news coverage. This implies that consumers have trouble differentiating between specific cryptocurrency brands making negative headlines and cryptocurrency brands more broadly.

As consumers have experienced or seen news of some crypto brands becoming insolvent or blocking crypto owners’ access to their holdings, brands that have remained fully operational (such as those in the right-hand chart) have seen a recovery in trust, signaling that consumers are starting to differentiate among the different providers.

Net trust in cryptocurrency brands

Survey conducted monthly among a representative sample of roughly 4,400 U.S. adults, with an unweighted margin of error of +/-1 percentage point.
Consumers’ declining trust may not be putting a dent in their ownership or purchasing consideration of cryptocurrency, but it is causing an increase in their desire for more regulation of decentralized digital assets.

As consumers are seeing more negative news about cryptocurrencies, they’re becoming more convinced that crypto could negatively impact the financial stability of the U.S. economy.

Respondents were asked how regulated cryptocurrencies should be relative to other financial assets like securities and investment funds:

- Similarly regulated: 25% (Jan '22), 27% (Jun '22) (+2pt)
- More regulated: 17% (Jan '22), 21% (Jun '22) (+4pt)
- Less regulated: 10% (Jan '22), 10% (Jun '22) (0pt)

Respondents were asked how they believe cryptocurrency will impact the financial stability of the U.S. economy:

- Decrease: 18% (Jan '22), 23% (Jun '22) (+5pt)
- Increase: 17% (Jan '22), 15% (Jun '22) (+2pt)
- No impact: 13% (Jan '22), 15% (Jun '22) (+2pt)

Survey conducted monthly among a representative sample of roughly 4,400 U.S. adults, with an unweighted margin of error of +/-1 percentage point.
Nigeria leads in cryptocurrency activity, with 55% of adults in the country saying they buy or sell crypto at least once a month. On the other end of the spectrum are Japan and China at 7% and 8%, respectively. (China banned cryptocurrency trading in September 2021.)

The United States falls within the bottom half of countries surveyed. Only 16% of U.S. adults say they buy or sell cryptocurrency at least monthly. Most of Western Europe and North America also fall below the median for cryptocurrency usage.

In countries where we see the highest level of cryptocurrency use among the general population, we can point to some similarities: They tend to be lower-income, and seven of the top 10 have some form of foreign exchange or capital controls. Some countries, such as Turkey and Argentina, have experienced extremely high inflation in recent months, which may be encouraging the retail use of cryptocurrency.

Source: Morning Consult Brand Intelligence
WHAT IT MEANS: Crypto isn’t going anywhere

While consumers may be preparing for a “crypto winter,” they aren’t giving up on cryptocurrencies.

Leaders can no longer dismiss decentralized digital assets as a passing fad. Despite recent market volatility and broader economic turmoil, cryptocurrency ownership and purchasing intent have held steady among U.S. consumers. There are no signs of these trends reversing, although growth in ownership across the population may stall if inflation gives way to a recession and a crypto winter.

Furthermore, the steady ownership of and intention to purchase crypto have coincided with a drop in trust. This deteriorating confidence has transferred to all cryptocurrency brands, regardless of whether they have restricted consumers’ access to their holdings or been found to make other poor business decisions.

Globally, the United States is far from being a leader in cryptocurrency adoption, and brands — especially those with an international presence — must be aware of the strong crypto adoption trends in both developing and developed economies.

Discover more: Our Crypto Report dives deeper into the state of cryptocurrency, with perspectives from our industry, economic and geopolitical analysts.

WHAT FINANCIAL SERVICES BRANDS SHOULD DO

Track crypto adoption globally

Especially for brands with an international presence, understanding global cryptocurrency trends will be essential to success as more governments take formal steps to integrate digital assets of all types into their economies.

Ask these questions:

“To what degree are our customers — whether crypto owners or not — interested in decentralized or ‘trustless’ financial services networks and products?”

“How do consumers across the world feel about crypto regulation?”
The Data Behind the Report

Methodology and about the author
Methodology

This report cites monthly surveys of up to 4,400 U.S. adults, as well as two surveys conducted in August and December 2021 among roughly 1,000 respondents each in Argentina, Australia, Brazil, Canada, China, Colombia, France, Germany, Japan, Mexico, Singapore, Spain and the United Kingdom, as well as two surveys conducted in February and May 2022 among those same countries plus India, Italy, Russia and South Korea. The interviews were conducted online, and the data was weighted to approximate the respective populations of adults based on gender, educational attainment, race and region. Survey results have an unweighted margin of error of up to plus or minus 3 percentage points.

This report also cites data from Morning Consult Brand Intelligence, our proprietary brand tracking platform that conducts daily surveys of consumers in 44 countries.

Lastly, this report cites monthly data collected on cryptocurrency and related topics. Those interviews are conducted online, and the data is weighted to approximate a representative sample of U.S. adults based on gender, educational attainment, age, race and region. Results from the full survey have a monthly sample size of 4,400 U.S. adults and an unweighted margin of error of plus or minus 1 percentage point.
Charlotte Principato is the financial services analyst at global intelligence company Morning Consult. She heads Morning Consult’s efforts to deliver real-time insights to leaders in the financial services sector.

Prior to her current role, Charlotte partnered with industry executives as a director of client services at Morning Consult, leading a team focused on tailoring customized research intelligence to help Fortune 500 companies make better-informed decisions.

Before joining Morning Consult, Charlotte spent more than five years at Gartner, delivering research insights on global financial services. She served as senior principal adviser in Gartner’s global financial services industry research and advisory group, where she offered guidance and insights to line of business, strategy and talent executives at financial institutions on go-to-market strategy, customer experience and digital transformation. In that role, Charlotte partnered directly with consumer, small business and commercial banking leaders across the globe to develop research-based strategies for growth.

Charlotte graduated from the University of Virginia with a bachelor’s degree in anthropology.