



Market Commentary

Are you thinking like a consumer?

How Financial Institutions Can Improve Consumer Financial Management

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Account holders want you to anticipate their needs and offer digital tools that will make their lives easier."

If you've never thought of asking Alexa to help you with budgeting or other financial management tasks, you aren't thinking like a consumer.¹ An estimated 128 million people are using voice assistants at least monthly, according to eMarketer Insider Intelligence.² Half are using them to perform everyday financial tasks, such as paying bills, transferring funds and checking account balances.

It's part of a broader move toward digital, accelerated by the COVID-19 pandemic, that's driving consumers to improve financial wellness using technology. What it means for financial institutions is groundbreaking.

Yes, There Is an App for That, Meeting Financial Wellness Needs Through Digital

When it comes to managing finances, technology is turning the tables on personal financial management and even creating savers out of spenders. Third-party apps, such as the free budgeting tool Mint, help consumers to easily balance budgets and track spending. Twine even allows users to join forces in saving, inviting two or more individuals to create a goal, contribute to it and track progress.

About the author



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Allan Brown has served as Vice President and General Manager of Digital Banking since January 2019. In this role, Allan is accountable for driving Finastra's Digital Banking business in North America.

As a senior executive, Allan brings over 25 years of experience leading software businesses. Allan joined Finastra from Kodak Corporation where he served as Corporate Vice President and General Manager of Unified Workflow Solutions. During his tenure, he and his team rejuvenated the organizations innovation and sales engine delivering strong business results, disrupting the market with cloud services for print, operational excellence, and delivering delightful customer experiences.

Tools like these couldn't come at a better time. Research conducted by the Consumer Financial Protection Bureau (CFPB) indicates that a third of Americans have a financial wellness score of 50 or below on a 100-point scale.³ Another third is somewhere in the middle when it comes to managing finances.⁴

While lack of financial literacy is one reason behind the low scores, the simple truth is, many people just don't enjoy managing their finances. In fact, fifty-nine percent see it as burden.⁵ Thirty-one percent think that managing money takes too much time, and fifteen percent are confused by the conflicting advice they receive.⁶

As Americans reach for the help of third-party apps to ease the burden and confusion of financial management, many encounter issues with security, access and ease of use. Some apps require the user to share sensitive banking login information. Others may not connect with smaller financial institutions, making them inaccessible to community bank and credit union customers.

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***Personal Financial (PFM) tools
couldn't come at a better time.***

The apps are rarely able to sync with each other either. Commonly, a digital budgeting tool won't have visibility into other apps designed to handle savings or bill payments. The lack of visibility creates holes in the consumer's financial view, leading to missteps in money management.

This is where the opportunity exists for financial institutions. By now, you've probably heard of ecosystems, communities built in the cloud where innovators come together to improve the customer experience. They have long been heralded as game changers for the future of banking.

But even those who once considered ecosystems nothing more than futuristic hype are facing a new reality. The platform economy is making it possible for service providers to partner with third parties on innovation.

As products are developed on the vendor's platform, they then become readily accessible by banks and credit unions through application programming interfaces (APIs), creating a seamless, nearly plug and play ecosystem environment.





Ecosystems Put Financial Institutions in the Lead for Financial Wellness

APIs support bank and credit union innovation, allowing them to flip the switch on new offerings designed to improve customer and member financial wellness.

[Find Money](#), for example, is an integrated saving solution, employing artificial intelligence and insights from customer data to create hyper-personalized savings recommendations. Daily customer tips promote a more fiscally responsible consumer and offer an incentive to regularly engage with the financial institution.⁸ Best of all, customers and members save \$100 a month on average, maintain higher deposit balances and grow those balances faster.

Taking saving to a whole new level, [RoboSave](#) automates the process end-to-end. Sophisticated analytics and artificial intelligence carefully monitor consumer spending trends, slyly moving a few dollars every couple of days into a savings account. The process happens automatically and in such small increments that users barely notice the transfers until they see their savings multiply.

MX is another app that uses data to promote financial wellness.

The solution can provide AI-driven spending and cash-flow insights directly to customers but also empowers banks and credit unions to take the lead.

Deep insights on consumer behavior make it possible for financial institutions to target marketing messages directly to customer or member needs. Imagine having the ability to send mortgage rates and offers to households who have just begun searching for a new home.

When it comes to credit scores and reporting, consumers often don't get the guidance they expect from their financial institution. But apps like [SavvyMoney Credit Score and Report](#) can integrate into mobile and online banking.

It provides analysis and tips to educate people on what impacts their score and how they can improve. Users can even interact with a simulator to know how their financial decisions may impact their scores.

Even small business banking is enhanced by API-supported solutions, like with [RoamHR](#). Built for the freelance economy, financial institutions can now help small business clients to calculate projected annual earnings, track deductibles and automate quarterly estimated tax payments.

Providing access to services like these is essential to financial institution success. Currently, fifty percent of consumers have bank accounts with more than one institution.⁸ Offering a broad range of financial wellness tools encourages customers and members to consolidate accounts where financial management is easiest, helping banks and credit unions to increase retention and gain market share.

And when it comes to consolidating accounts, there is even an app for that. [RoboSwitch](#) makes it possible for account holders to swiftly move direct deposit and recurring payments from other financial institutions with just a few taps.

As consumers seek to improve their personal financial management, the digital world is where they are finding answers. Financial institutions that offer tools and capabilities to simplify and unify money management are building long-term relationships and achieving greater share of wallet, while encouraging a financially healthier population.



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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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