

BillGO Whitepaper

JULY 2022

Banking on Financial Well-Being

*Consumers Want Help Navigating Today's Financial Landscape —
and Most Are Looking to Their FIs for Guidance*

Introduction:

The pandemic and the unprecedented wave of global inflation that followed has brought to the forefront one inescapable truth: far too many Americans struggle to make ends meet.

[According to one recent study](#), 64 percent of Americans now live paycheck to paycheck. Even those on the higher end of the earnings spectrum are not immune — 48 percent of those who earn \$100,000 annually classify themselves as paycheck-to-paycheck consumers.

As a result, more and more financially-stressed consumers are feeling the pinch, looking for ways to cut costs while, at the same time, seeking guidance and advice on how to best manage their money.

Some are turning to social media influencers, but, when asked, most consumers say they prefer more traditional sources of insight. One recent [study](#) found 80 percent of respondents expect their primary financial institutions (FIs) to help them improve their financial health. However, only 14 percent of them “strongly agree” their FIs are delivering on their needs.

Are FIs missing out on a major opportunity to form meaningful connections with their customers by helping them improve their financial well-being? What can mainstream banks — still highly-trusted by most consumers — do to meet their customers’ needs?

This whitepaper examines the many financial challenges consumers now face and identifies how FIs can benefit by ...

- Prioritizing customer needs for financial literacy and guidance
- Collaborating with fintechs to fast-track innovation
- Offering digital tools that help customers manage their financial lives

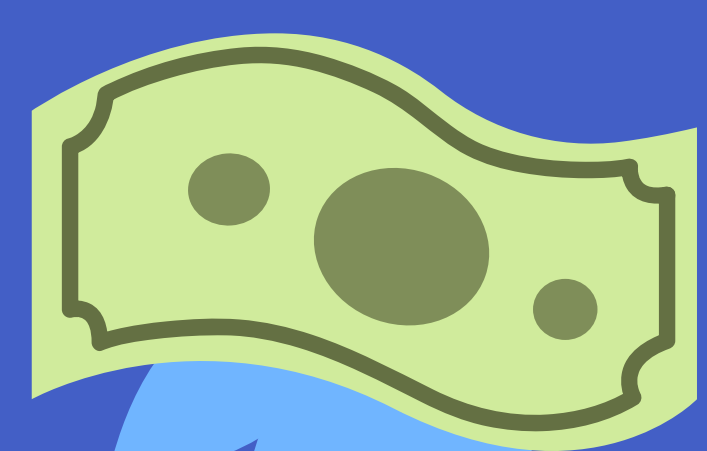


State of Financial Wellness in the U.S.

COVID-19 brought to light some deep gaps in the U.S. economy. The economic uncertainties and sudden unemployment spikes that unfolded in the early days of the pandemic forced countless Americans to take stock of their financial situations, the amount of debt they carried, their investment portfolios and the like.

Apparently, most Americans didn't like what they saw. A 2021 Financial Health Network (FHN) study determined [66 percent](#) of Americans fell short of being classified as "financially healthy."

[The United Nations](#) defines financial health as "the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future." This includes managing day-to-day finances; being able to absorb financial shocks while attaining future goals; and a general confidence in one's financial situation.



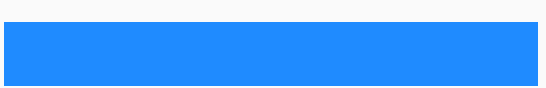
66%

of consumers fall short of being 'financially healthy'.

That same FHN 2021 study determined approximately six-out-of-10 Americans had enough in savings to cover three months of bills. It also found, between 2020-2021, 43 percent of respondents experienced reductions in financial health while 10 percent descended to a lower financial health tier.

Additionally, the study showed 35 million Americans are struggling with all or nearly all aspects of their financial lives, while 52 percent struggle with some aspects of their financial lives. Only 34 percent reported spending, saving, borrowing and planning in a way that will allow them to be resilient and pursue opportunities over time.

This is not to suggest the current wave of financial anxiety is tied solely to the pandemic. In 2019, the [Consumer Financial Protection Bureau](#) (CFPB) found only half of consumers were able to cover expenses for two months should their primary income source dry up and nearly 40 percent had difficulty paying a bill or expense at the time.



It's little wonder then that BillGO's own research (included in our newly released eBook, [Winning the Battle for Bill Pay](#)) found 48 percent are "very" or "extremely" concerned about making late payments.

American consumers have good reason to be concerned. Most know that just one oversight — one tardy or forgotten bill payment, for instance — can cause as much as a [180-point drop](#) to a consumer's credit score. Meaning, a consumer with a *good* credit score could miss a bill and find their score reclassified as *very poor*.

 ***"48% of Americans are "very" or "extremely" concerned about making late payments."***

And though credit scores offer only a narrow glimpse of a person's overall financial health, the scores carry a lot of weight. Just one slip-up can have a devastating impact on a credit score, which can influence not only their ability to obtain loans and credit cards, but also the ability to rent an apartment, secure a mortgage or even land a job.

Now, add to this situation the current [spike in inflation](#), which has already stressed consumers scrambling to make ends meet.

Consider the following:

- The [Bureau of Labor Statistics](#) shows the Consumer Price Index increased 8.3 percent during the last 12 months
- Housing costs and the costs of travel and transportation have skyrocketed in the last year
- Food costs are rising at the fastest pace in more than 41 years

It's no question why consumers are looking for financial advice. To put it simply, "rising prices are putting household budgets in a vise," says [Greg McBride, Chief Financial Analyst at Bankrate.com](#).

Need for Financial Literacy

Everyday, American consumers are forced to make critical decisions about money matters, yet [only one-third](#) can answer at least four out of five fundamental financial literacy questions concerning topics such as mortgages, interest rates, inflation and risk.

Why do so many consumers lack basic financial insights?

[Less than half](#) of the states in the U.S. require high school students take a personal finance course, although that may be changing. In recent months, [Florida, Georgia and Michigan](#) introduced laws requiring public schools to include personal finance classes in their curriculum, meaning lawmakers recognize the need.

“Currently, less than half of the states in the U.S. require high school students take a personal finance course.”

Consider, for instance, the booming buy now/pay later (BNPL) trend. According to the Consumer Federation of America, many Americans [don't understand](#) the fees associated with BNPL. (In fact, many believe BNPL was a “money management tool” as opposed to another form of borrowing.)

This is not to suggest education alone is the answer. Even higher education comes with its own financial pitfalls. On average, college students graduate with [\\$29,000 of private and federal loan debt](#). One survey found that [35 percent of borrowers](#) said their biggest concern with recent student loan deferments was that they were unsure how much they would need to pay. This is the kind of confusion FIs can help clear up.



Financial Health is a Top Priority for Consumers

Although we've painted a pretty grim picture of the financial situation facing most Americans, there is good news. As of 2022, most consumers are prioritizing financial goals above others according to [a Harris Poll](#).

“80% of banking customers expect their primary FIs to help them improve their financial health, but only 14% “agreed strongly” that their institutions are delivering”.

Better still, to achieve their desired financial goals, many Americans are turning to their mainstream FIs for help. In fact, [80 percent of banking customers](#) expect their primary FIs to help them improve their financial health, but only 14 percent “agree strongly” that their institutions are delivering on this expectation.

*In 2021 alone, finance related hashtags on TikTok grew by [255%](#).*

According to a recent [Accenture study](#), consumers want tips on how to better manage their money day-to-day and improve their spending habits. In exchange for these tips, Accenture found, consumers are perfectly willing to share their data.

And that's exactly what many are already doing. Consider the [rise of FinTok](#). Because they are hungry for sound financial advice, [56 percent](#) of Gen Z'ers and Millennials are surrendering their data to social media algorithms in exchange for financial advice. In 2021 alone, finance related hashtags on TikTok [grew 255 percent](#).



An Untapped Opportunity for Banks

What can traditional banks offer that sleek 30-second slices of TikTok videos cannot?

For one thing, trust.



More than half of consumers trust banks over other financial service providers.

According to a 2020 survey conducted by the [American Bankers Association](#), most U.S. adults trust banks more than any other entity to manage their data and provide financial advice.

“[The] survey reinforces the trust consumers have in America’s banks to keep their money safe and to provide the financial services and convenience they want and need,” according to Rob Nichols, ABA president and CEO.

Echoing these findings, [Mastercard](#) found more than half (55 percent) of consumers trust banks over other financial service providers.

“Great financial advice is a key differentiator for retail banks at a critical moment in time when, according to our research, 41 percent of U.S. bank customers feel unsatisfied with their current financial condition, and 39 percent are not confident they are doing everything they can to meet their long-term goals,” says [Bob Neuhaus, vice president of financial services intelligence at J.D. Power.](#)

In other words, in addition to offering loans and other banking services, there is a clear opportunity for FIs to provide sound, trustworthy advice to consumers seeking direction in these troubled financial times.

FIs and Fintechs, Working Together

The key takeaway: forward-thinking FIs can build and maintain a competitive edge in a crowded market by investing in the financial well-being of their customers.

One way FIs can do this is by giving their customers the digital tools they need to better manage their financial lives.

FIs can fast-track these tools by collaborating with fintechs agile enough to bring innovation to market quickly.

Collectively, fintechs make up one of the largest and fastest-growing market sectors in the world. They continue to gain market share in several areas related to financial health, including budgeting, automated saving and investing, paying off debt, avoiding overdraft or non-sufficient funds (NSF) fees and more.

This high-speed growth spurt can be attributed to many factors, but topping the list is the ability of the average fintech to quickly deliver on the need for innovative, user-friendly financial products and services aligned with consumers' financial interests.

As Dan Holt, BillGO CEO, [predicted last year](#): “[In 2022] more and more large FIs will collaborate with fintechs to better meet the needs of their digitally savvy customers. Today’s consumers expect elegant, secure, easy-to-navigate digital tools that empower them to fully manage their financial lives.

“We’re entering an era of unprecedented collaboration between FIs and fintechs, and it will be consumers and small business owners who benefit the most from this collaboration,” Holt says.

One executive from a leading bank agrees:

“The future of banking is not going to be built only by banks or fintechs, it’s being built through cross-industry collaboration,” says Valley Bank's EVP and Chief Product Officer Stuart Cook.



Better Bill Pay Can Help

Which brings us back to the need for consumers to stay current on their monthly bills. Right now, consumers have access to countless modern, convenient and frictionless methods to manage their financial affairs. However, when it comes to managing and paying monthly bills, the average bank customer continues to rely on outmoded legacy technology that's incompatible with today's modern marketplace.

Which, for Holt, is a major missed opportunity for mainstream FIs.

"Paying your bills on time is the number one way your credit score is measured," [he says](#). "If you have a better credit score, you have better financial access."

This is one of the major reasons Valley Bank began collaborating with BillGO to enhance its bill pay platform in 2022.

"Not only does offering modern bill pay technology differentiate Valley from many other financial institutions," says Cook, "but by collaborating with BillGO, we've been able to rapidly implement an innovative payment platform that empowers our customers to have better control over their finances."

Just as consumers now look to their FIs to help guide them through the many challenges in today's financial landscape, it's just as likely they would welcome a modern bill paying experience from their FIs — one that empowers them with speed, choice and intelligence.

"We know that the consumer deserves something better than they have today, and we need to rethink [bill pay] no different than the way Uber rethought the way we move people. We need to rethink the way people manage and pay bills," [Holt says](#).

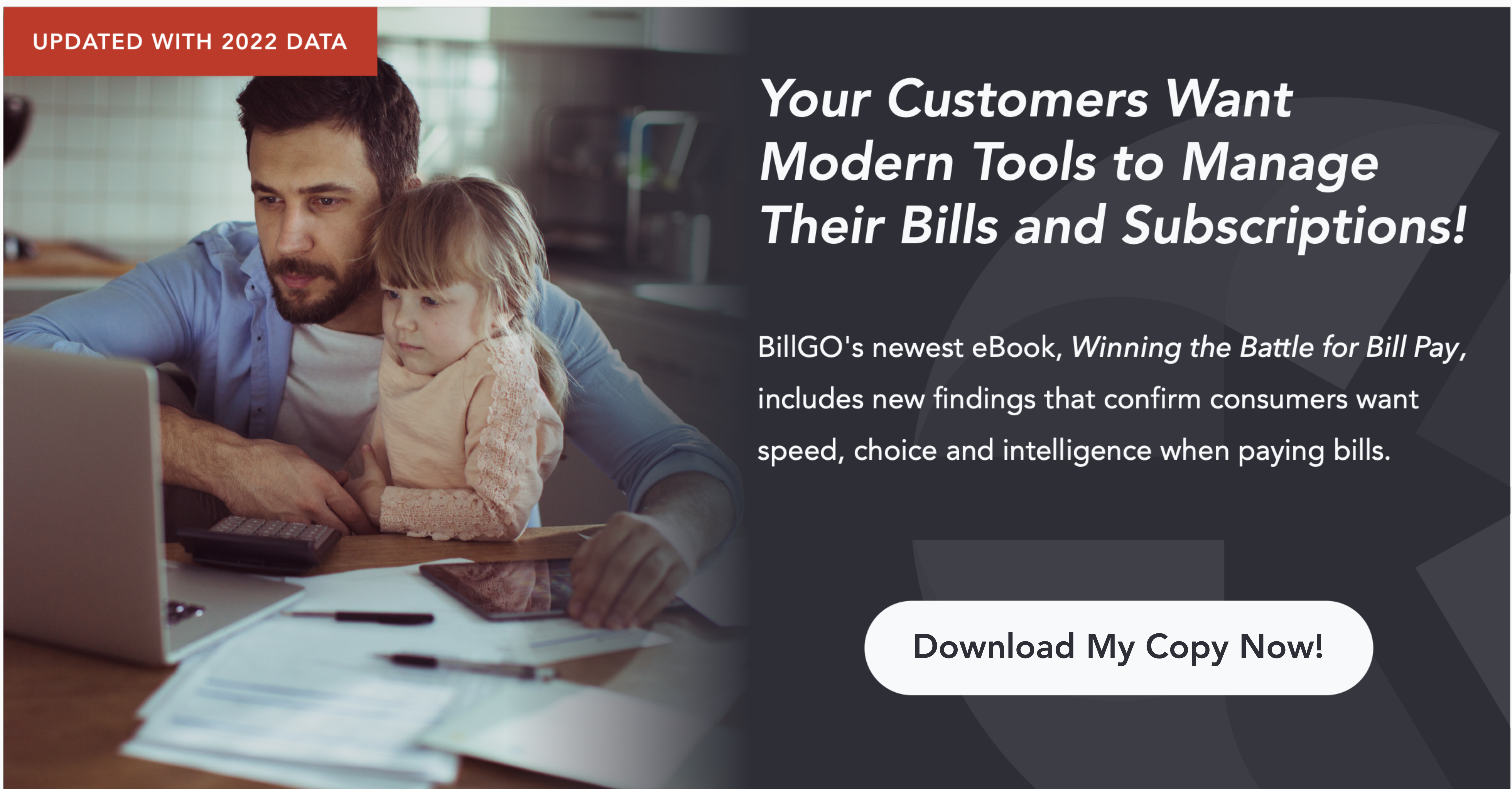


Next Steps

Want to know how you can offer your customers the kind of bill pay experience they deserve, one that enables them to decide when and how they pay their bills?

BillGO's latest eBook, *Winning the Battle for Bill Pay*, not only includes findings from various studies mentioned in this whitepaper, but additional data as well from Mercator Advisory Group and others. Combined, the new eBook offers financial services executives a comprehensive overview of what today's consumers want in bill pay technology and what forward-thinking FIs and fintechs need to deliver to meet consumer expectations.

Download your complimentary copy today to get the complete picture of your customers' expectations in bill pay technology.



UPDATED WITH 2022 DATA

Your Customers Want Modern Tools to Manage Their Bills and Subscriptions!

BillGO's newest eBook, *Winning the Battle for Bill Pay*, includes new findings that confirm consumers want speed, choice and intelligence when paying bills.

[Download My Copy Now!](#)

About BillGO

Driven by the core belief that everyone deserves access to a healthy financial future, BillGO's award-winning real-time bill management and payments platform transforms the dreaded necessity of managing and paying bills into an opportunity for financial well-being.

To learn more, contact us: billpay@billgo.com or visit billgo.com

