

RADDON RESEARCH INSIGHTS

Deposits and Investments Insights: Into the New Frontier

October 2021

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Into the New Frontier: The Future of Investing

While banks and credit unions are struggling with excess liquidity, consumers are experiencing better financial situations than they have in years. **What are consumers doing with their money?**

Recent rate sensitivity and the search for better returns helped drive a dramatic increase in nonretirement investing. Innovations may revolutionize the future of investing, especially as wealth transfers to younger generations.

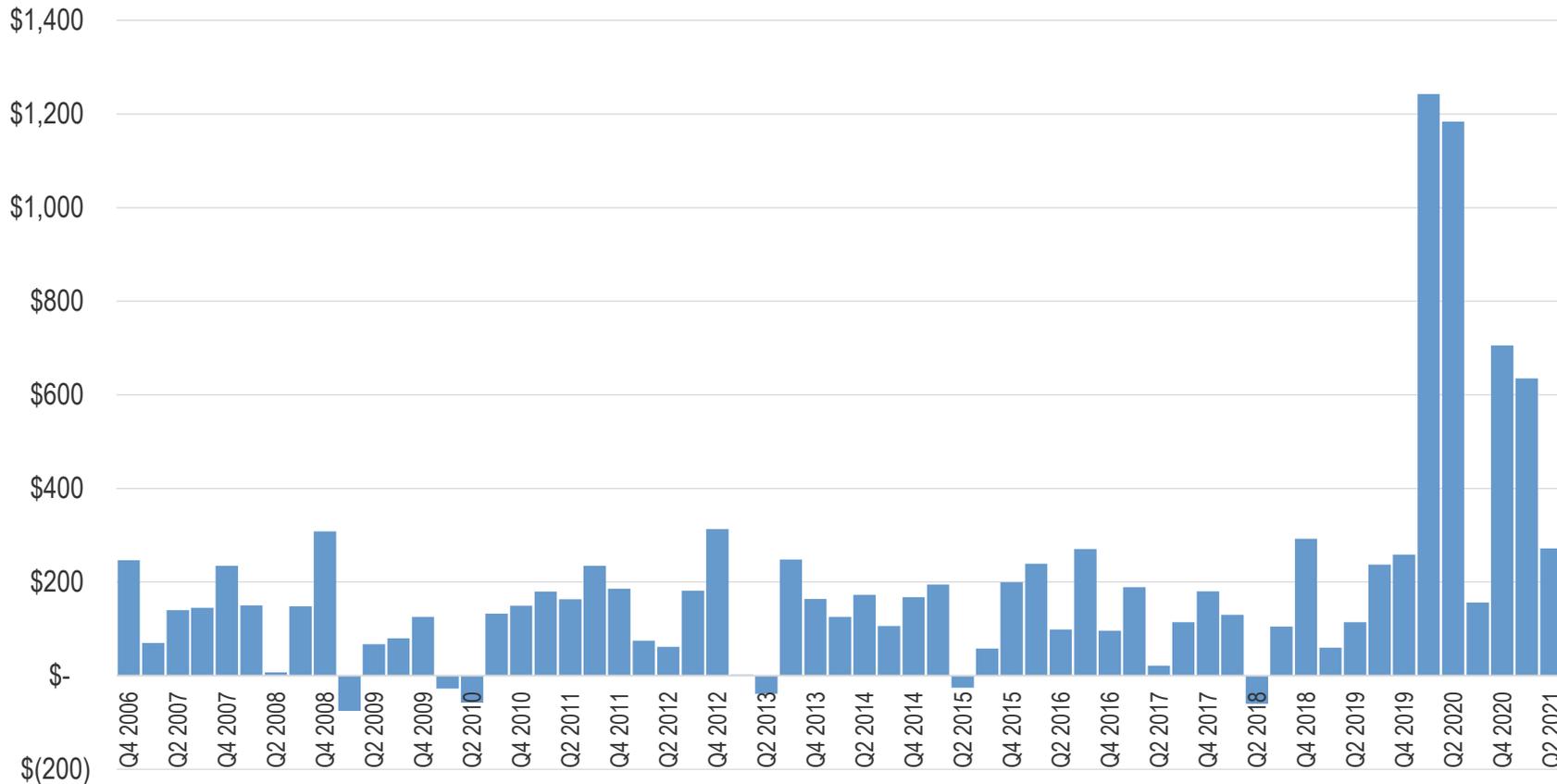
This report examines deposit and investment trends to help financial institutions **develop the right products and features for the right consumers.** We also measured awareness, demand and usage for emerging and alternative investment technologies, such as investing apps and cryptocurrency. With this information, banks and credit unions can **attract and retain loyal accountholders** and help their balances grow.

Source: Raddon Research Insights



Money Continues to Pour Into Depository Institutions

Quarterly Change in Deposits in FDIC-Insured Institutions (Billions of Dollars)



A year ago, we noted that between the lockdown and financial stimulus, cash entered deposit accounts at an unprecedented pace.

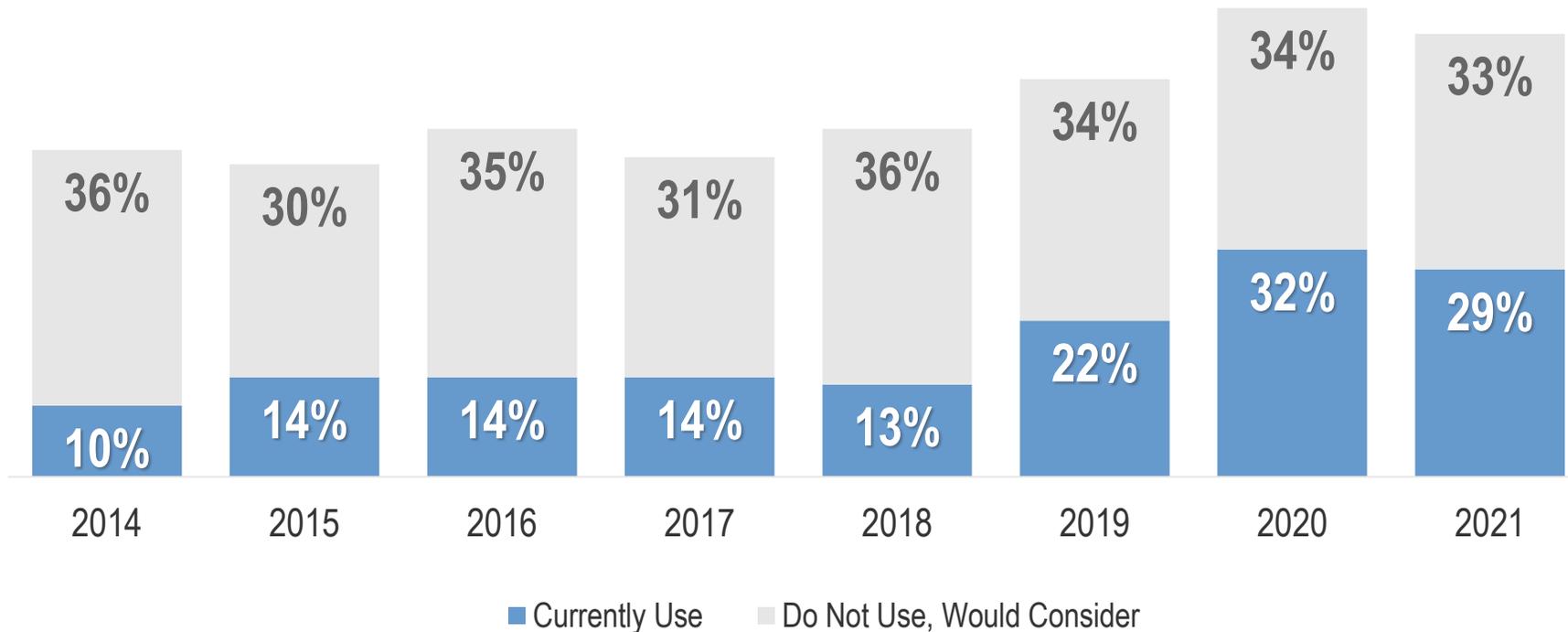
Only in the second quarter of 2021 have we seen a return to normal levels; however, that growth (\$282 billion) is still the eighth-highest quarter since 2006.

While banks and credit unions struggle with excess liquidity, consumers are seeing better financial situations than they have seen in years.

Source: United States Treasury

Interest in Internet Savings Accounts Finally Plateaus

Internet Savings Account Adoption



Perhaps due to the stabilization of the low-rate environment after the recent rise and fall, interest in internet-based savings accounts finally seems to have plateaued.

As in 2020, 41 percent of those with an internet savings account say they opened it within the past year, indicating that consumers are moving money between different internet savings accounts rather than moving further from traditional accounts.

Source: Raddon Research Insights

Q: Some financial institutions offer special rates on no minimum balance savings accounts that are available only through the internet, by mail or by phone. For example, internet-only banks like Capital One 360, Ally Bank, and Chime are offering savers an opportunity to earn around 0.50 percent on their money when the national average interest rate on savings at traditional banks is 0.05 percent. Such accounts are opened, accessed and funded through the use of the internet, mail or phone. Please indicate your status and feelings about having a no minimum balance, high-rate internet access savings account. (n=1,221)

Q: How long have you had this online savings account? (n=356 online savings account holders)

Consumers Continue to Rely on the Internet to Learn Rate Information

Sources Used to Gather Rate Information



When looking for rate information, consumers favor internet searches and institution websites.

As seen on the next slide, active rate trackers tend to use the less common sources far more often than do other consumers.

Targeting the less frequently used channels is therefore more likely to reach active trackers.

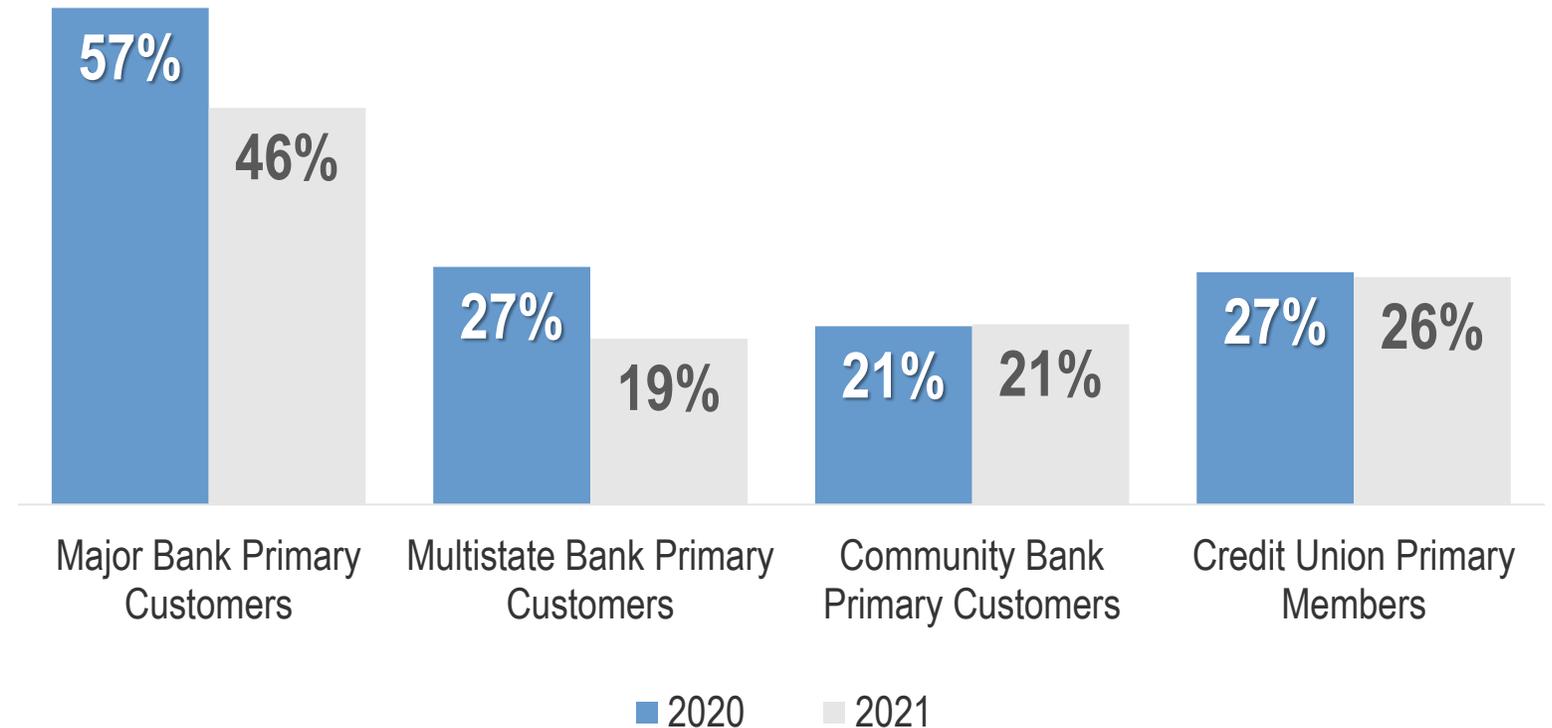
Source: Raddon Research Insights
Q: Please indicate which of the following sources have you used in the past 12 months or would use to gather interest rate information on insured deposit accounts in the future? (n=1,221)

Intriguingly, Consumers Are Less Aware of Whether Their PFI Offers Investments

Major banks in particular have seen a decline in consumers saying they are aware that their PFI offers investments.

Fee Driven and Credit Driven consumers are more likely than are other segments to believe their PFI does not offer investments (47 percent and 38 percent, respectively, compared to 15 percent of Upscale consumers).

Awareness of PFI Offering Investments, Trend

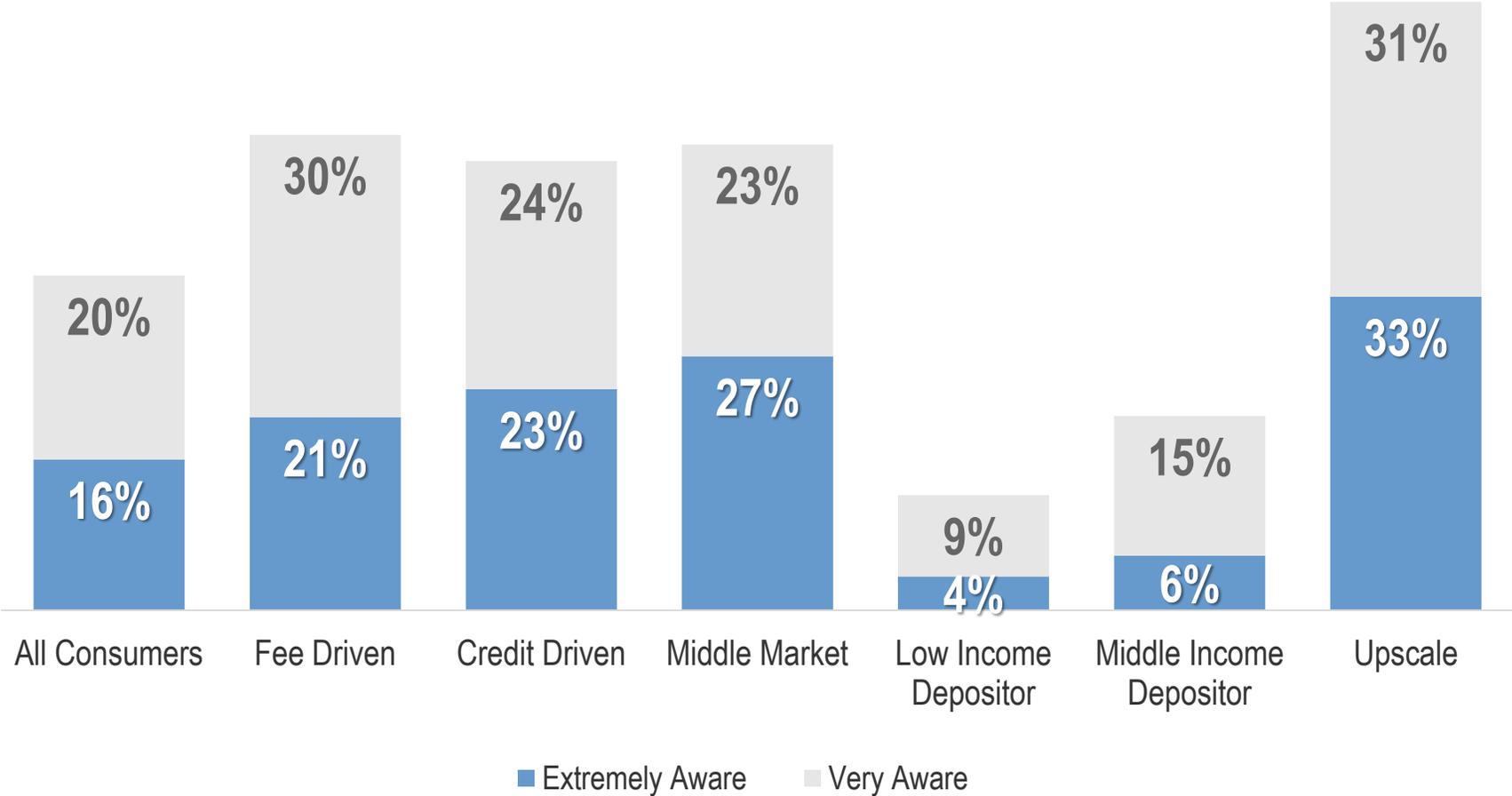


Source: Raddon Research Insights

Q: Does your primary or most important financial institution offer investment services like mutual funds and stock trading? (n=1,221)

Awareness of Cryptocurrency Varies by Age, Affluence

Awareness of Cryptocurrency



While only 36 percent of all consumers are very or extremely aware of cryptocurrency, that belies a strong divide between the four younger/more affluent segments and the two older/less affluent segments.

About 64 percent of Upscale consumers say they are very or extremely aware, while only 21 percent of Middle Income Depositors say the same.

Source: Raddon Research Insights
 Q: Recently, financial headlines have highlighted the growth of cryptocurrency. Please indicate your awareness of cryptocurrency below. (n=1,221)

About Raddon

At Raddon, we arm financial industry decision makers with objective data gained through our innovative research techniques and unique database resources. We offer far more than data. We provide strategic guidance and tactical solutions to meet the challenges of the continuously changing financial services industry. Since 1983, Raddon has provided innovative research data, insightful analysis, strategic counsel and marketing solutions to hundreds of financial institutions across the nation. Because we serve financial institutions exclusively, we have an in-depth understanding of the market and recognize critical issues that shape the industry.

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About the Author

Caroline Vahrenkamp is responsible for Raddon Research Insights, the Raddon national consumer research program, and has written more than 20 research studies since 2016. A former finance and marketing executive in the credit union industry, she uses her nearly 25 years of experience to find trends and patterns in consumer behavior and to develop solutions for institutions, particularly in their strategic planning, product development and marketing strategy. She earned her bachelor's degree from Emory University and her Master of Business Administration from Georgetown University's McDonough School of Business.