

### Introduction:

Based in Tampa, FL, Manole Capital Management is a boutique asset manager with several U.S. equity portfolios, all of which are concentrated on the emerging FINTECH industry. Manole Capital defines FINTECH as *"anything utilizing technology to improve an established process."*

2024 marks the sixth year Manole Capital has asked its interns to conduct Gen-Z related research. Manole Capital's goal is to gain insights on Gen-Z perspectives on four key aspects of financial services – banking, brokerage, crypto and payments. This note will review the important trends in banking and Manole Capital's prior research can be accessed via: [www.manolecapital.com/research](http://www.manolecapital.com/research).

### 2024 Interns:

This year, we had 11 summer interns conducting proprietary research on the banking channel. Our team came from a variety of colleges and universities, located in both North America and Europe. This research was conducted and written by Alexa Henderson (Fordham University), Sante Bambocci (Bentley University), Thomas Soltanian (Columbia University), Sameer Neogi (Cornell University), Mansur Kasali (Luther College), Shail Patel (Arizona State University), Mathuyan Sivapalan (University of Warwick), Steel Weiss (Indiana University), Grgur Subasic (Fordham University), Grace Bohan (Boston College), and Blessing Adeyinka (Texas State University).

As a part of our study, we surveyed and received insights from over **276** participants, with 94% in our targeted Gen-Z demographic. The majority of our remaining respondents were Millennials, providing 4% of the responses. In terms of gender, 23% of respondents identify as female, and 77% identify as male.

Our surveyed population came from over 85 colleges and universities and also included dozens of high school students. While 80% of our responses were from the United States, we also received insights from individuals in India and England for broadened diversity.

### Generations:

Whether it's the economic climate, cutting-edge technology, or even geopolitical movements, various experiences and innovations tend to shape and impact a generational group. Understanding these dynamics and preferences can inform us how various financial services (especially banking) will either succeed or fail. We provided general comments about each generation and what tends to impact their decisions. These are generalizations, so they do not apply to every individual in a generational cohort.

- **Silent Generation:** born between 1928 and 1945
- **Baby Boomers:** born between 1946 and 1964
- **Generation-X:** born between 1965 and 1980
- **Millennials:** born between 1981 and 1996
- **Generation-Z:** born between 1997 and 2012

**Baby Boomers** were sometimes raised by frugal parents who lived through the Great Depression and World War II. Consequently, they are often motivated by work successes and prestige but can also gain satisfaction from materialistic items. Their early exposure to credit spending fed a greater consumption (relative to the Silent Generation) in housing and retail purchases. As the world digitized, Baby Boomers were forced to learn to utilize technology, like the personal computer, which was absent from their childhoods.

**Gen-X** grew up when cash, checks, and credit cards were all means of payment. The popularity of credit cards increased spending on various consumer discretionary goods. Due to this and other spending habits, Gen-X currently has the most generational credit card debt.

**Millennials** value job stability and financial security much more than other generations. Millennials began their careers during the Great Recession, with high living costs, significant student debt, and a weak job market. The scarcity of their savings often leads them to spend more on experiences than material goods.

### Why Gen-Z?

Research from the United Nations and Jefferies estimates that Gen-Z comprises over 2 billion people, representing more than 25% of the global population. At 58%, Asia is the largest Gen-Z demographic. Africa is 2nd at 23%, Latin America and the Caribbean are 3rd at 9%, Europe at 6%, and North America at 4%. Just within the U.S., 65 million people belong to this demographic.

As Gen-Z's presence in the workforce grows, their impact on the economy will be increasingly evident. By 2025, the generation should make up 30% of the workforce. The DeVere Group estimates that Gen-Z's global income will reach \$33 trillion by 2030, which is over a quarter of the world's total income. In the U.S. alone, Gen-Z's 2021 income amounted to \$360 billion, and it is expected to increase by 5x between now and 2030. In terms of wealth, Gen-Z is set to reap significant financial gains over the next decades from inheritances from Baby Boomer, Millennial, and Gen-X relatives. Knight Frank estimates that this wealth transfer will encompass \$90 trillion in assets solely in the U.S.

Gen-Z grew up alongside the development of revolutionary technologies, such as the iPhone. Accordingly, this generation is adept at using technology in all spheres of life, including for educational, work, and personal finance purposes. As Gen-Z's wealth grows, players in the financial services industry must adapt to the needs of digitally literate clientele. Considering that, we believe it is valuable to identify and keep track of the generation's views on cryptocurrency, banking, brokerage, and payment trends.

### Optimistic?

We started our survey by asking, "Are you positive or negative about the U.S. economy?" This year, our Gen-Z respondents were 60% positive on the U.S. economy and 40% skewed negative. Last year, our survey found that 53% of our Gen-Z survey was negative on the economy, so there is a bit of an uptick in optimism.

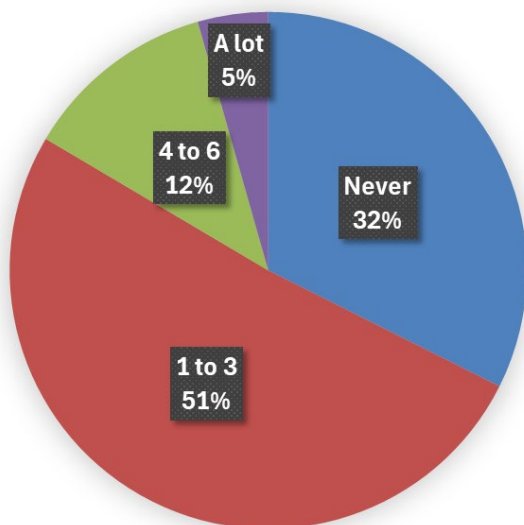
Despite high interest rates, something that normally harms stock valuations, the S&P 500 is up +15% this year. In fact, since October of last year, the U.S. economy and stock market have been quite bullish (characterized by a rise of 20% or more). Unlike the past dozen bull markets (in higher interest rate environments), technological progression, specifically AI, differentiates the current market. Gen-Z has grown up with technology, leading banks and financial institutions to adapt accordingly.

In the sections below, you will find each question the Banking team asked of its respondents, as well as our opinions and big-picture takeaways from the results.

### Question #1: Brick-and-Mortar Bank

For our first question, we wanted to understand the yearly frequency at which Gen-Z visited physical bank branches.

#### HOW MANY TIMES A YEAR DO YOU VISIT A BANK?



Unsurprisingly, with the rise of online services, Gen-Z rarely visited banks. 83% stated that they never go to a bank or either visit one only 1x to 3x a year.

Gen-Z clearly dislikes visiting banks, and this trend is only getting stronger. In 2020, 75% of respondents reported visiting their bank between zero to 5x a year. In 2019, 29% of our Gen-Z participants never went to their bank, compared to 32% now.

We find this trend quite predictable, as Gen-Z enjoys utilizing technology (especially mobile banking apps) that make their lives simpler and more convenient.

Regardless, a part of our generation still desires access to a physical bank branch. As proof of this, TD Cowen found that 45% of 18–34-year-olds still want access to physical branches. Of our respondents, 5% reported

visiting their bank over 6x a year, signifying Gen-Z still values the benefit that traditional, physical banks.

### Question #2: Mobile Banking

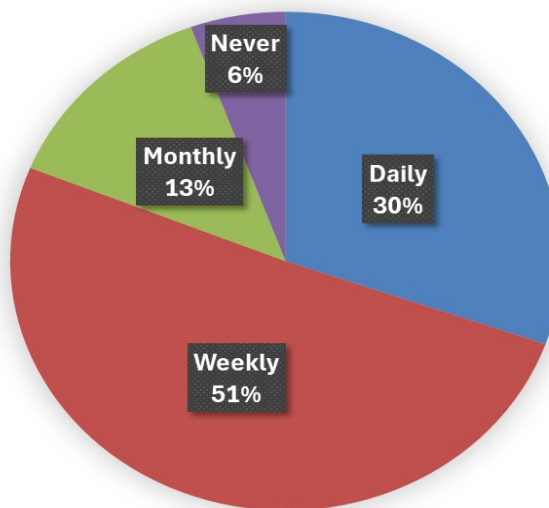
Our previous question highlighted that Gen-Z does not like to visit bank branches. So, for our second question, we wanted to understand how Gen-Z executes their banking transactions.

Since mobile banking applications are the easiest way to transact, we asked how often Gen-Z uses their bank's mobile app.

As this pie chart shows, over half use their bank's app regularly, with 30% using it daily, 51% weekly, and 13% monthly.

These results are unsurprising. According to Apple Insider's research, 87% of Gen-Z own a smartphone. With this powerful technology in their hands, Gen-Z can instantly access unlimited banking applications.

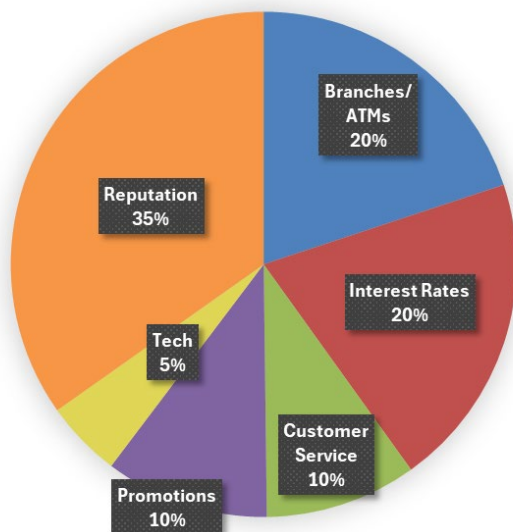
#### HOW OFTEN DO YOU USE YOUR BANK'S MOBILE APP?



### Question #3: What's important when choosing a bank?

For question three, we wanted to understand what factors Gen-Z values the most in a bank.

#### WHAT'S YOUR MAIN FOCUS/DECIDING FACTOR FOR BANKS?



The number one factor, at 35%, was the reputation and stability of the bank. With the banking crisis in March of 2023, Gen-Z is apparently still concerned about the financial stability of its bank.

In 2nd and 3rd place, both tied at 20%, was the availability of ATMs and physical bank locations, and then interest rates. We understand that ATMs are still important, and nobody likes an out-of-network ATM fee, so this made sense. However, we found interest rates somewhat surprising. Does a modest yield on a savings account intrigue Gen-Z? Probably not, but an APR of 25% on a credit card would be enough to force us to move.

Since Gen-Z is so technologically advanced, we would have thought that tech innovation would be much higher than just 5%. This surprised us.

While Gen-Z is more proficient at using digital banking solutions, their criteria for selecting a bank seem to be more influenced by traditional factors, such as a bank's reputation, the availability of branches and ATMs, and interest rates. This distinction may explain why 18–34-year-olds surveyed in a TD Cowen study are reluctant to switch to branchless banks.

### Question #4: Parental Banking Influences

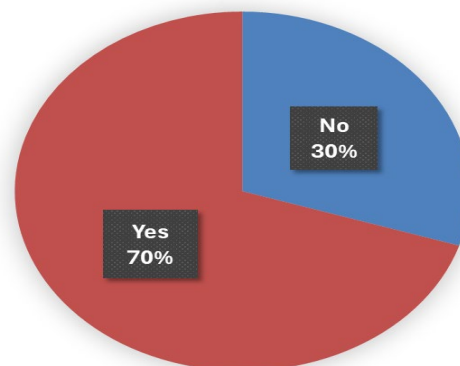
We wanted to determine how much influence parental figures have on their children's personal financial decisions. For example, does Gen-Z choose the same bank as their parents?

The answer was pretty clear. 70% of our respondents indicated that they use the same banks as their parents or guardians.

This result is due to convenience and trust. Parents often open their child's first bank accounts (at a young age), making it easy for us to use that same account when we go away to college.

Additionally, Gen-Z appreciates a bank that earned their parents' trust. If it good enough for Mom& Dad, it likely is good enough for us. We aren't necessarily lazy, but if there is no incentive to switch or change one's bank...we might as well stay.

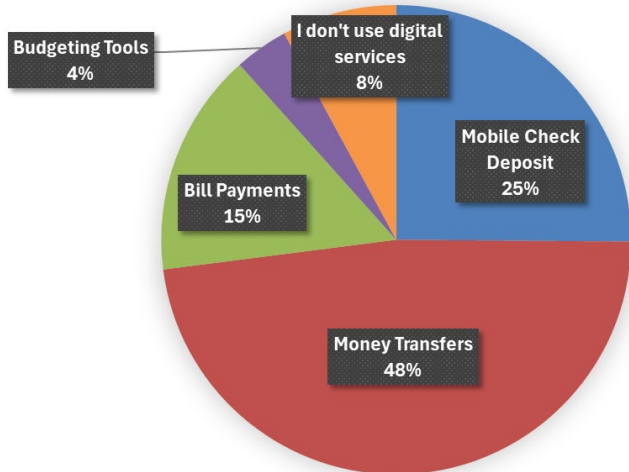
#### DO YOU USE THE SAME BANK AS YOUR PARENTS/GUARDIANS?



**Question #5: Digital Banking Services**

For our fifth question, we wanted to determine what specific digital banking services Gen-Z valued the most, since nearly all of our participants (92%) use digital banking tools.

**WHAT DIGITAL BANKING SERVICES DO YOU USE?**



At 48%, most participants answered that they use digital money transfer services the most. The second is mobile check deposit, accounting for 25% of responses. Thanks Grandma, for sending me that paper check for my birthday!

Next was bill payments, favored by 15% of participants, respectively. We found these results unsurprising as they fit the theme of Gen-Z adapting to technological advancements – primarily for convenience. Back in 2020, only 8% of our Gen-Z survey favored bill payments, so it has more than doubled. Not only are more companies accepting digital payments, but online bill payment is a wonderful and convenient product (versus the alternative of paper checks and licking stamps).

The least banking service used was budgeting tools as a favorite feature. *Insider Intelligence* reports that only 40% of Gen-Z mobile bankers feel comfortable saving for the long term. Clearly, budgeting tools aren't interesting to Gen-Z, but frankly...who really likes to budget anyhow, right?

**Question #6: Artificial Intelligence (AI)**

In this question, we wanted to gauge Gen-Z's outlook on AI, especially as it relates to the banking industry.

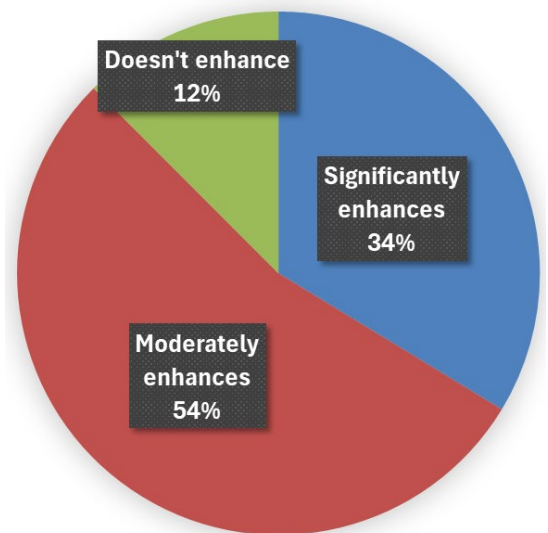
We found that a majority (54%), believe that AI can moderately enhance the accuracy and efficiency of banking transactions and 34% felt that AI can significantly enhance banking transactions, so a total of 88%. Just 12% thought AI does not help or enhance one's banking transactions.

We believe that this means that Gen-Z has a positive perception and outlook for using AI in banking.

Though initially surprising, it makes sense that more of Gen-Z holds the view that AI can "moderately enhance" banking transactions over "significantly enhance."

Even with the progress and adoption of AI, Gen-Z's comfort and familiarity with the technology is still new, indicating the importance of financial institutions building consumer trust in AI.

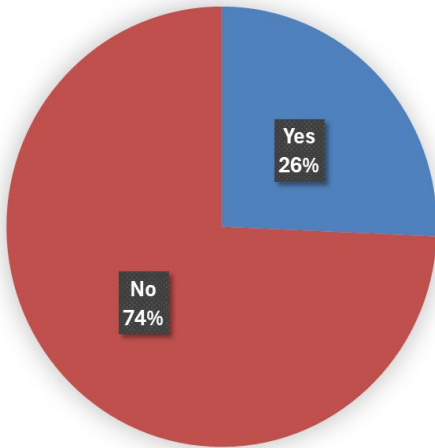
**AI AND BANKING TRANSACTIONS**



**Question #7: Investment Capabilities**

For question seven, we wanted to see how much Gen-Z utilizes their bank's investment services.

**DO YOU USE YOUR BANK'S INVESTMENT CAPABILITIES?**



From our findings, we see that 74% of our respondents do not even use the investment tools offered by their bank.

Investment services offered at banks typically include financial, tax, insurance, retirement planning, investment counseling, and security brokerage. Clearly, these services are either underutilized or inefficient. Furthering this point, *Insider Intelligence* found that 60% of U.S. Gen-Z mobile banking users are uncomfortable with long-term savings.

We believe there are two main reasons why Gen-Z underutilizes these investment services. First, Gen-Z lacks the funds to start growing investments significantly, as many are now just joining the workforce. Second, Gen-Z prefers using other mobile platforms, such as Robinhood and Charles Schwab, for investment services.

**Question #8: Robo-advisory**

We wanted to gain insight into Gen-Z's opinions on robo-advisors, which have become increasingly popular.

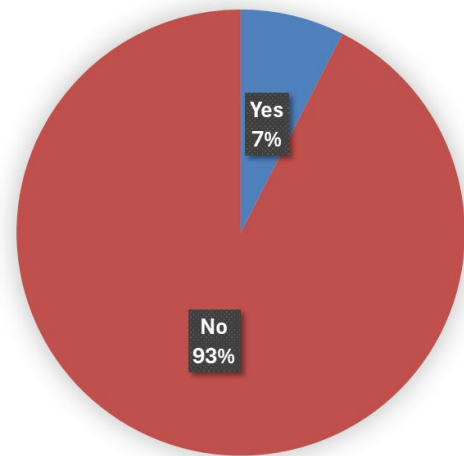
Robo-advisors were introduced to banking around 2008 and function by automating investing through algorithms that generate catered portfolios for users. Due to their cost efficiency and promise of improved gains compared to human financial advisors, robo-advisors are set to play a significant role in the future of investing

However, such promises of improved gains do not always translate to usage. In fact, 93% of our respondents reported not using robo-advisors.

We found this unsurprising, as there are several reasons why individuals may be reluctant to employ this type of service. The first issue is the lack of personalization and familiarity that human advisors naturally offer. Another problem is how little access clients have to the algorithm used in the consultation process. After all, how can you act on an investment plan without understanding the reasoning behind it?

Nevertheless, as technology advances, the financial industry will likely make additional efforts towards greater automation and digital solutions. As the capabilities and trust of AI applications grow, so may the use of these robo-advisors. For now, this service isn't terribly interesting to Gen-Z.

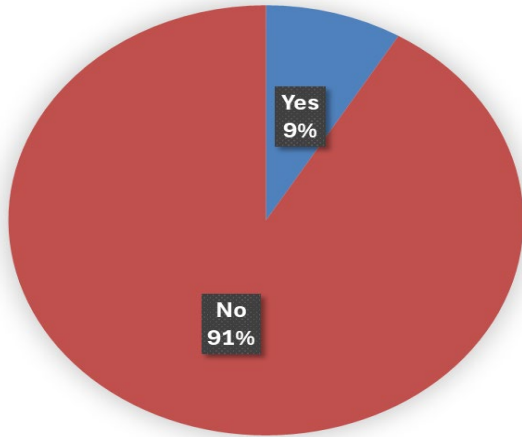
**DO YOU UTILIZE ROBO-ADVISORY SERVICES?**



### Question #9: Neobanks

Neobanks, digital-only banks with no physical branches, first emerged around 2014. Despite being around for a decade, neobanks have been growing in popularity. Because of this, we wanted to understand Gen-Z's stance on them. We simply asked our participants if they used a neobank instead of a traditional bank.

#### DO YOU USE A NEOBANK?



Our survey found that 91% of respondents do not use neobanks.

We found this surprising given the growing number of neobanks and users. Neobanks have stepped up their social media promotion offering appealing incentives like cash rewards and limited fees to attract customers. For example, it is reported that Chime has over 7 million accounts, which we assumed were mostly our generation. Nevertheless, these neobanks do not seem to be resonating with those individuals we surveyed.

We believe that Gen-Z values traditional criteria (reputation, familiarity, availability of physical branches) when selecting their financial institution.

### Question #10: Trust in Digital Banks

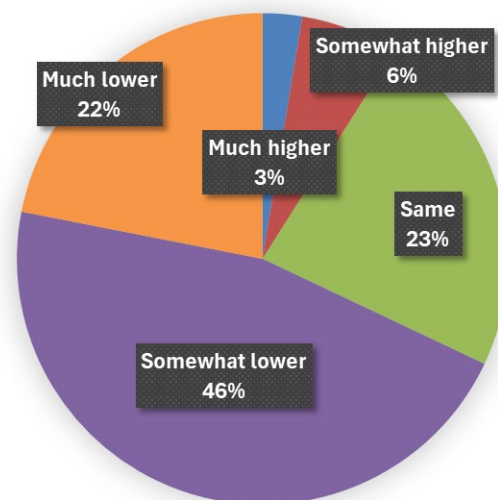
To further explore Gen-Z's perspective on neobanks, we asked participants how much they trusted digital-only banks compared to traditional ones.

After gathering responses, we found that 46% had "Somewhat Lower" trust, 23% indicated the "Same" level of trust, and 22% had "Much Lower" trust in neo-banks compared to traditional ones.

The data signals a general trend of distrust in online-only banks from our respondents. The lack of in-person customer service is a great driving force in this discrepancy of institutional trust.

Additionally, Gen-Z still might be hesitant to leave the banks where their first accounts were opened, as switching banks may seem more troublesome than worthwhile. Further assessment will be necessary to determine if the aging Gen-Z population will switch to neo-banks as they enter the workforce and gain more financial freedom.

#### WHAT'S YOUR LEVEL OF TRUST IN DIGITAL-ONLY BANKS COMPARED TO TRADITIONAL BANKS?



**Conclusion:**

To summarize our banking survey, we found that Gen-Z's comfort with mobile banking services significantly reduces their need and desire to visit physical branches. Our findings show that 84% of Gen-Z either never visit a physical bank branch or do so only 1x to 3x per year.

However, their preference for digital banking services does not signal the usage of other banking products. For example, 74% of respondents did not use their bank's investment capabilities, showing a lack of interest in combining both banking and brokerage. In addition, Gen-Z is not terribly interested in utilizing robo-advisory services, despite having confidence that AI can positively enhance banking transactions. We believe this is because of a lack of familiarity and trust of the service.

A major takeaway for us is that Gen-Z does not appear to trust neobanks. For additional perspective, our survey was taken before the collapse of Synapse, so this didn't impact the results. Our research found that reputation, physical availability, and parental usage are important for Gen-Z and those are the reasons we are sticking with traditional banks over neobanks.

In conclusion, our findings show that Gen-Z uses digital banking services for convenience, but also values stability, trust, and physical availability. As Lewis Hamilton (a famous F1 race driver) said, "You can't win if you don't take risks. It's about finding the balance between going for it and playing it safe." We believe that banks need to focus on "this balance", between enhancing core services, building consumer trust and when and how they implement technological innovation.



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