InvestiFi

Serving the underserved investor:

How community financial institutions can bring investing inside to win.

Background on research:

The research was conducted by Censuswide, among a sample of 6,004 Credit Union and/or retail bank users in the US. The data was collected between 08/01/2024 – 08/30/2024.

Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.

Executive summary:

As digital transformation reshapes the financial services industry, consumers increasingly seek easy, affordable, and transparent access to investing options. While fintech companies have made significant strides in this area, traditional financial institutions – particularly Community Financial Institutions (CFIs) – are uniquely positioned to lead the charge in offering digital investing solutions. By leveraging their established trust, integrated financial services, and focus on long-term financial wellness, CFIs can bridge the gap between traditional banking and modern digital investing.

This whitepaper provides insights to financial institutions on why they should offer digital investing solutions directly to their account holders. We highlight key reasons such as the increasing demand for these services, many account holders already using third-party apps, and the revenue loss that results when financial institutions fail to offer such services. Without digital investing options, institutions are missing out on potential profits and losing customer engagement as funds are being locked in external platforms.

Introduction:

The Rise of Digital Investing

The financial services industry is undergoing a technological transformation that is reshaping how consumers engage with their finances. A critical aspect of this shift is the rise of digital investing, where individuals manage their investments through user-friendly platforms designed to offer convenience, control, and affordability. Historically, investing was a service mediated by financial advisors or brokerage firms. Today, digital tools have democratized access to investing, empowering even novice investors to participate in the financial markets with just a smartphone.

For traditional financial institutions, this shift represents both a threat and an opportunity. Fintech companies have capitalized on the growing demand for easy-to-use investment platforms, but traditional institutions are uniquely positioned to capture and retain account holders if they act swiftly. Financial institutions must integrate digital investing solutions into their service offerings promptly to stay relevant, engage account holders, and secure new revenue streams. Without these solutions, institutions are losing not just potential revenue, but also valuable customer relationships

In this detailed analysis, we explore crucial reasons why financial institutions must take the lead in offering digital investing solutions, supported by InvestiFi, a white-label platform that integrates seamlessly with existing banking infrastructures.

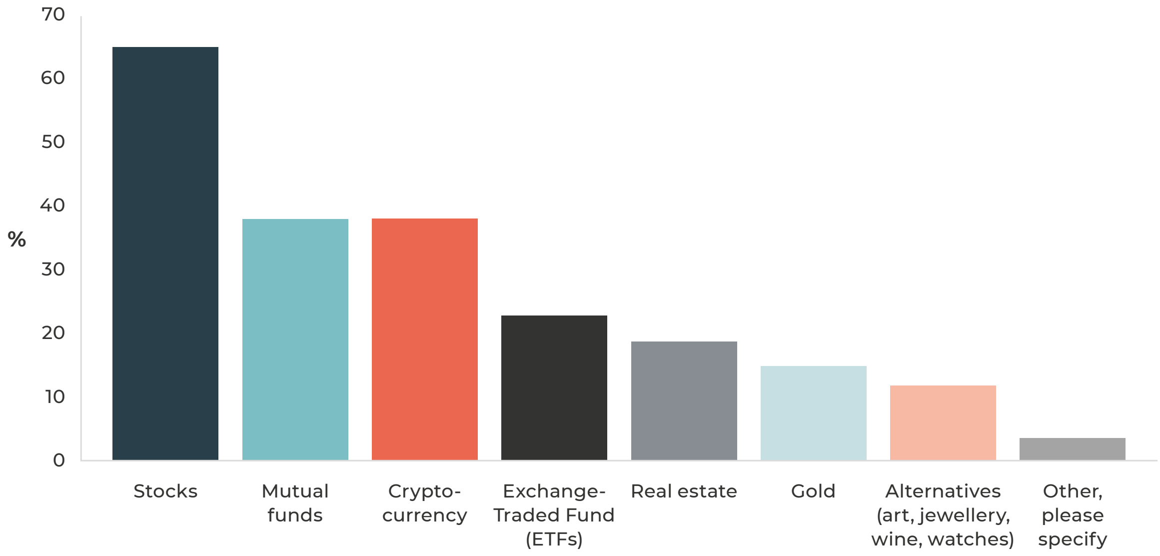
1. Account holders want to invest digitally – and they want to do it through their financial institutions

Modern consumers, particularly younger generations, are no longer satisfied with traditional financial services models. They are accustomed to digital-first experiences across all areas of life, from shopping to entertainment, and they expect the same level of convenience and control when it comes to managing their money. This expectation includes the ability to invest digitally with minimal friction, a trend that reassures the future of financial services.

As seen in Figure 1 and Figure 2 below, the appetite for investing is vital, particularly in stocks across all age demographics. The charts reveal that stocks are the most popular investment choice across all age groups, with extreme interest among older demographics (45-54 and 55+). Mutual funds, cryptocurrency, and ETFs are also popular, with younger age groups (18-34) showing a higher interest in cryptocurrency than older investors. Real estate, gold, and alternative investments like art and jewelry are less prominent.

Figure 1.

Q2. You said you currently participate in investing, what are you investing in? (Select all that apply).



Financial institutions are pushing their account holders toward third-party apps like Robinhood or Fidelity by not offering to invest directly within their online banking platforms. These platforms, which have faced increasing security concerns and issues with users accessing their funds, still manage to attract investors of all ages. account holders are investing in stocks, mutual funds, ETFs, cryptocurrency, and more through these apps.

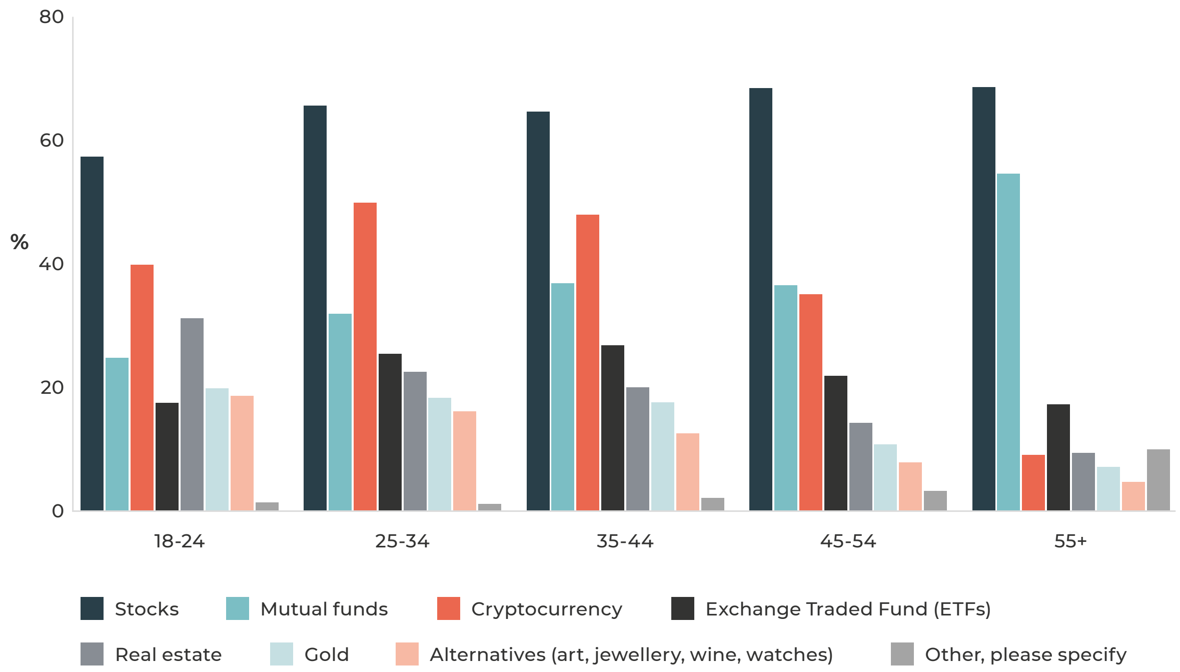
Once account holders move their investments to these third-party platforms, they are often enticed by additional products and services, pulling deposits and loyalty away from their primary financial institutions. Many account holders rarely transfer money back into their Primary Financial Institution accounts to ensure they take advantage of potential investment opportunities. This means financial institutions lose out not only on deposits but also on deeper engagement with their account holders.

By integrating investing into their own digital platforms, financial institutions can avoid severing long-term relationships and losing valuable assets to third-party providers that are more than happy to take over the full spectrum of their account holder's financial needs.

Figure 2.

Q2. You said you currently participate in investing, what are you investing in? (Select all that apply).

Age. What is your age group?



2. Why this matters for financial institutions

Increasing demand for integrated financial solutions:
Account holders want a smooth process where their checking accounts are with one institution; a third-party app manages their loans with another and their investments. They seek streamlined, all-in-one solutions that simplify managing their financial lives. Digital investing should be a natural extension of an account holders' relationship with their financial institution rather than a separate experience that forces them to engage elsewhere.

Financial institutions are already trusted:
Trust is one of banks and credit unions' most significant advantages over fintech companies. These institutions have long-standing relationships with account holders, who rely on them for security, reliability, and stability.

Physical branches provide banks and credit unions with a unique advantage over fintechs by combining personalized, in-person service with digital convenience, fostering deeper customer relationships. They offer immediate assistance for complex transactions like mortgages and investments, providing an added layer of trust and security that's hard to replicate online. The local presence of branches enhances credibility and community ties, allowing banks to engage in events and support local causes, which builds loyalty. Branches also offer immediate access to cash and convenient deposit options, valuable to many account holders. Physical locations can seamlessly blend in-person and online experiences, creating an omnichannel journey that offers the best of both worlds – personal touchpoints and digital efficiency – making them well-positioned to meet diverse customer needs in ways that digital-only fintechs cannot.

Account holders want a smooth process where their checking accounts are with one institution. They seek streamlined, all-in-one solutions that simplify managing their financial lives.

Consumers would naturally prefer to invest through the same trusted institution they already use for banking as long as the process is convenient and easy to navigate. This trust factor becomes a significant competitive advantage if appropriately leveraged through digital investing solutions.

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Meeting the expectations of younger generations:
Millennials and Gen Z in particular, demand digital-first, self-directed investment options. For these generations, convenience is essential—they want to invest with just a few taps on their smartphones without navigating complex processes or consulting with brokers. These cohorts are the future of wealth management, and financial institutions that fail to meet their needs risk becoming irrelevant. Financial institutions can capture this growing demographic by offering digital investing solutions and building lasting relationships with them.

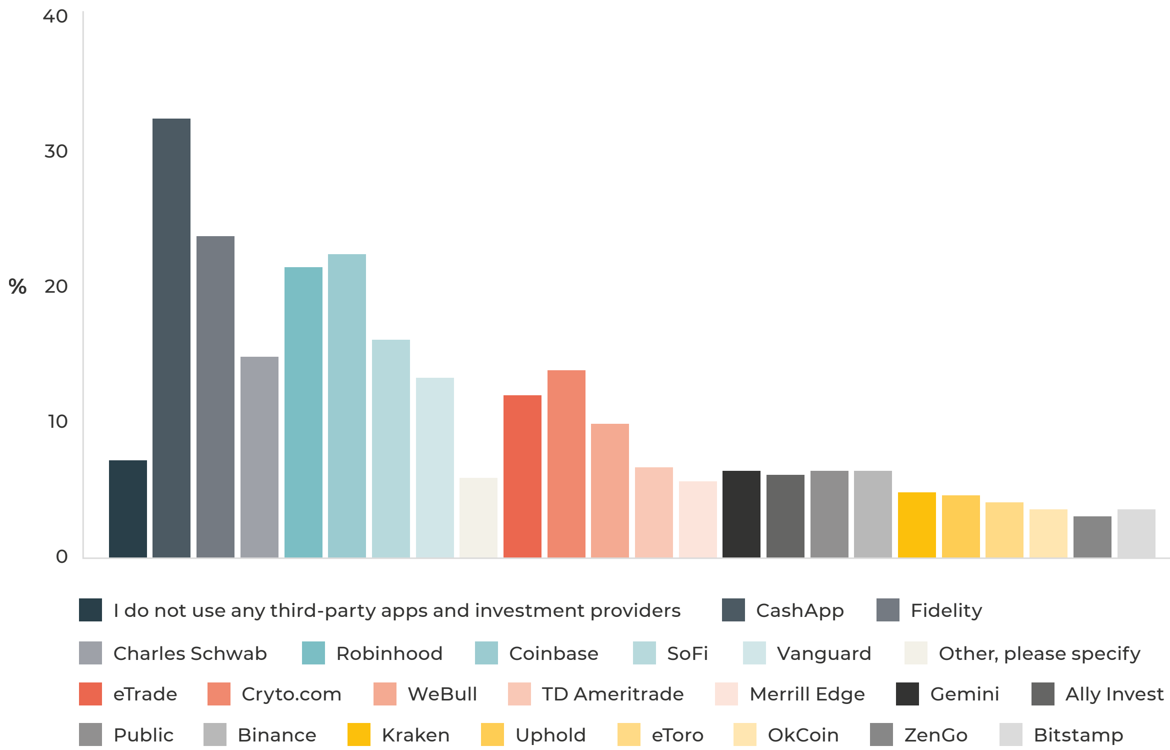
InvestiFi

3. Account holders are already using third-party apps – and it's eroding financial institutions' relationships

The most significant consequence of failing to offer in-house digital investing solutions is that account holders are turning to third-party apps to meet their needs, including Robinhood, SoFi, Fidelity, and more.

Figure 3.

Q2. What third-party apps and investment providers do you currently use? (Select all that apply).



The Figure 3 chart above shows that a significant number of investors are already using popular third-party apps like Fidelity, Vanguard, and Robinhood to manage their investments. This highlights a strong demand for accessible and user-friendly platforms.

This presents a clear opportunity for financial institutions to offer a competitive alternative. By creating an integrated investing platform, banks and credit unions can capture account holders who are already comfortable with digital investing but prefer the security and trust of their existing financial institution. Offering a seamless experience with the convenience of managing banking and investments in one place can draw account holders away from third-party providers, increasing account Holder retention and generating additional revenue through transaction fees and advisory services.

4. How third-party apps are hurting financial institutions:

Fragmented customer relationships:

When account holders turn to external fintech apps for investing, financial institutions lose their position as the central hub of their account holders' financial lives. This leads to a fragmentation of the account holder relationship, where multiple providers handle different parts of an account holder's financial activity. Over time, as account holders engage more with these third-party platforms, they will likely develop stronger relationships with those providers, potentially weakening their connection to their primary financial institution.

Reduced loyalty and engagement:

Financial institutions rely on frequent account holder engagement to build loyalty and offer new services. When account holders manage their investments through third-party apps, institutions miss critical touch points such as portfolio updates, educational content, and cross-sell opportunities. The less frequently a customer engages with their bank or credit union, the lower the institution's chances of retaining that customer long-term.

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The data deficit:

Data is a key asset in the contemporary financial landscape. When account holders use third-party apps for their investment needs, these fintech platforms gain access to a wealth of data about the account holder's financial behavior, risk preferences, and future goals. This data empowers fintechs to tailor their services, offer personalized recommendations, and cross-sell additional financial products. In contrast, the customer's primary financial institution is left without these insights, limiting their ability to provide customized services or deepen the relationship.

5. Financial institutions are losing money – revenue that could be theirs

The rise of fintech investing platforms is not just about convenience for consumers – it's also about profitability for the platforms. Third-party apps have successfully monetized digital investing through account management fees, transaction fees, premium advisory services, and a host of other revenue-generating mechanisms. For financial institutions, every customer who uses an external platform to invest represents a direct loss of revenue.

The financial costs of not offering digital investing:

- **Lost transaction and advisory fees:**
  Third-party platforms like Robinhood or Betterment generate income through transaction fees, advisory fees, or even through interest earned on idle cash in customer accounts. These are revenue streams that financial institutions are missing out on when their account holders turn to external apps. By offering their own digital investing solutions, financial institutions can recapture these revenues, providing services that account holders are already willing to pay for elsewhere.

- **Reduced cross-sell opportunities:**
  Digital investing is a powerful gateway into broader financial engagement. account holders who invest are often prime candidates for other financial products such as retirement planning services, insurance, mortgages, and loans. However, when account holders invest through third-party platforms, financial institutions lose the ability to cross-sell these additional products because the customer's investing needs are being met externally. Offering digital investing as part of a broader suite of financial services creates natural opportunities for cross-selling and deepening the customer relationship.

The rise of fintech investing platforms is not just about convenience for consumers – it's also about profitability for the platforms.

- **Loss of capital for traditional revenue streams:**
  When account holders transfer funds out of their checking or savings accounts into third-party investment platforms, financial institutions lose access to that capital. This directly impacts the institution's ability to use deposits for lending and other income-generating activities. Over time, this erosion of deposits can weaken the institution's financial position, reducing its capacity to offer loans or mortgages to other account holders.

Figure 4.

Q11. You said you rarely transfer money back into your main account, why is this? (Select all reasons that apply).

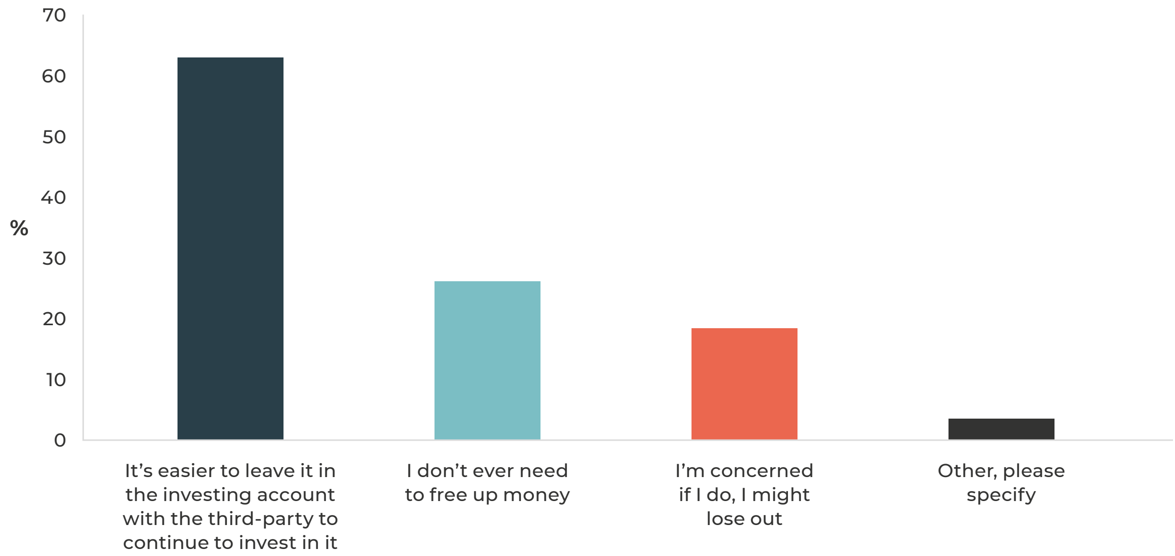
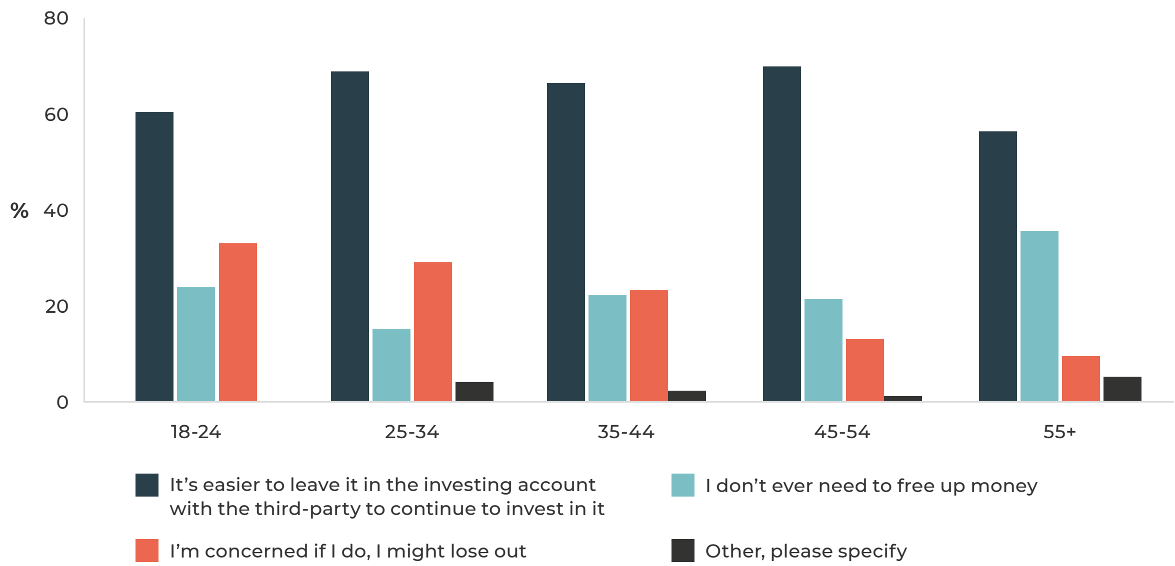


Figure 5.

Q11. You said you rarely transfer money back into your main account, why is this? (Select all reasons that apply).

Age. What is your age group?



The Figure 4 and Figure 5 charts on the previous page reveal that the primary reason investors rarely transfer money back into their bank accounts is because it's easier to leave the funds in their investment accounts with third-party providers, allowing them to continue investing seamlessly. This indicates a potential risk for financial institutions, as account holders who leave their funds in external platforms are less engaged with their bank, diminishing opportunities for cross-selling and fee-based services.

For financial institutions, the implications are significant. By not offering an integrated investment platform, they are essentially encouraging account holders to park their money elsewhere, losing out on potential earnings from transactions, advisory services, and deposits.

However, this also presents a clear opportunity for financial institutions to increase their earnings by offering integrated investment platforms.

Additionally, many respondents indicate they never need to free up money, which suggests a more passive, hands-off approach to their investments – something that banks could capitalize on by offering automated investing and reinvestment options within their ecosystem.

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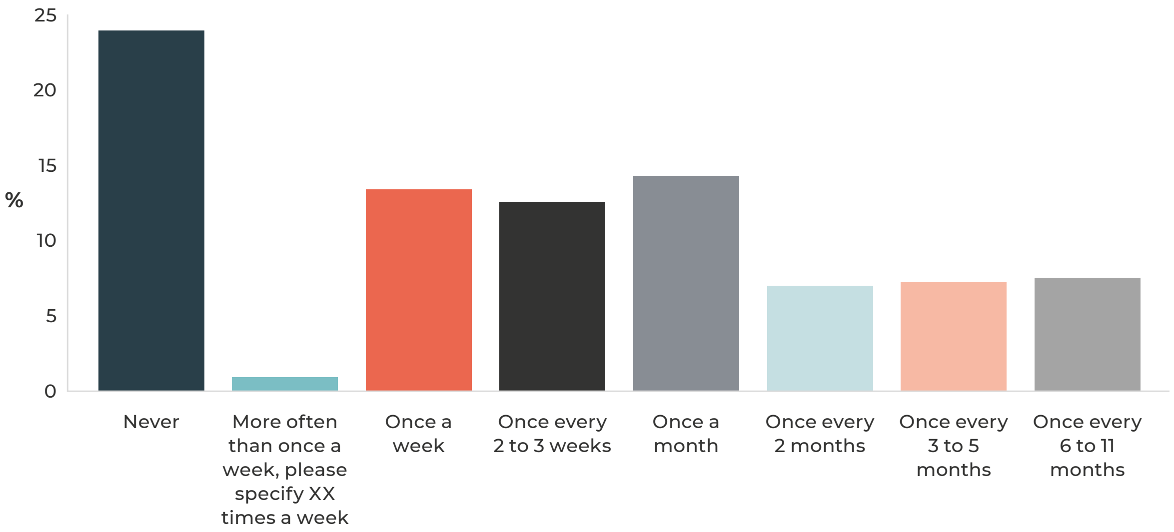
6. These funds aren't coming back – they stay locked in third-party platforms

One of the most critical issues for financial institutions is that once account holders transfer funds into third-party platforms, those funds rarely return. account holders typically leave their investments in these platforms to take advantage of ongoing market opportunities and avoid the hassle of moving money back and forth between accounts.

Figure 6.

Q9. How often, if ever, do you typically transfer money from your investment account back into your bank account?



The Figure 6 chart above shows that a significant portion of investors never transfer money from their investment accounts back into their bank accounts. For financial institutions, this represents a missed opportunity. When account holders keep their investments and banking completely separate, they are less engaged with their primary bank, relying on third-party investment platforms to manage their financial activity.

This disconnect can lead to potential losses in customer loyalty and cross-selling opportunities. Without an integrated solution, financial institutions lose the chance to capture more of their account holders' financial transactions, including investment earnings that could be reinvested, saved, or spent within the bank's ecosystem.

Based on this information, we can intuit that because younger people tend to have less money that they need to move money back to their bank account more often if they're not able to use the third-party app to do things like pay bills or rent. As age increases, leaving money where it is becomes easier.

Figure 7.

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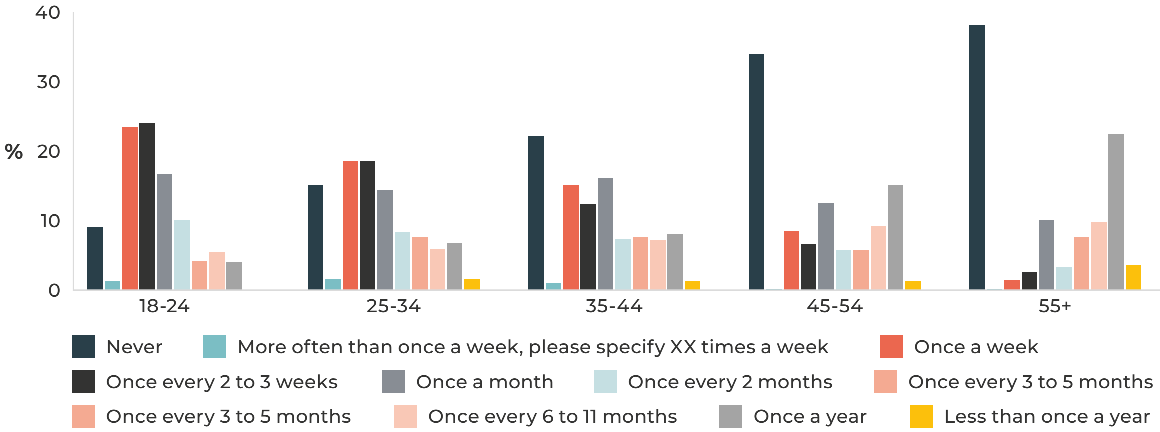


Long-term implications for financial institutions:

- **Permanent outflows of capital:**
  Once account holders invest through a third-party app, the financial institution experiences a long-term outflow of capital. These funds are unlikely to be reintegrated into the institution's deposit base, which affects the overall liquidity of the institution. This loss of liquidity limits the institution's ability to engage in traditional banking activities, such as offering credit, mortgages, or personal loans, all of which depend on a strong deposit base.

- **Customer entrenchment with third-party apps:**
  As account holders become accustomed to managing their investments on third-party platforms, they become more entrenched in those ecosystems. Over time, they are more likely to explore additional services – such as financial planning or retirement accounts – through the same third-party app, further reducing their reliance on their primary financial institution. This results in a long-term weakening of the customer relationship and reduces the institution's ability to regain those account holders' full financial activity.

- **Lack of customer engagement:**
  As account holders manage their investments outside of their primary financial institution, they engage less frequently with the bank or credit union. Reduced engagement not only weakens the relationship but also reduces opportunities for the institution to offer new services, provide personalized financial advice, or guide account holders toward better financial outcomes. The long-term disengagement of account holders can lead to attrition, as they become increasingly disconnected from the institution's services.

7. Financial education and customer empowerment

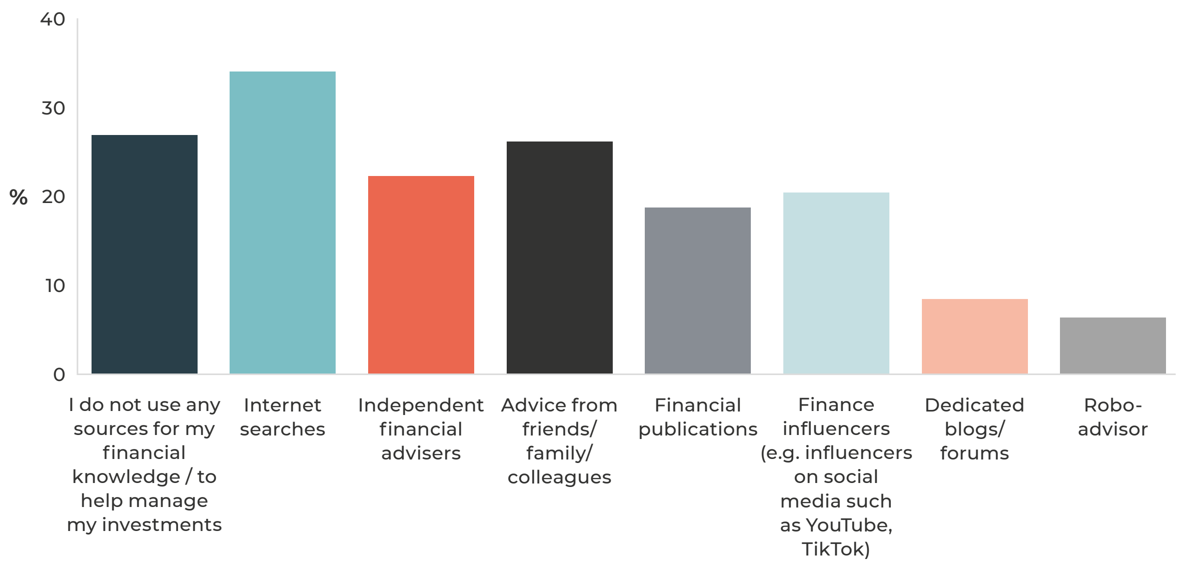
One of the barriers to investing for many account holders is a lack of financial literacy or confidence. Financial institutions have a unique opportunity to combine digital investing solutions with educational resources that help their account holders make informed investment decisions.

Educational tools and resources:

By integrating educational content – such as videos, articles, webinars, or personalized insights – within the digital investing platform, financial institutions can differentiate their offering from fintechs. This positions the institution as not just a service provider but as a trusted advisor that helps account holders build their financial knowledge and confidence.

Figure 8.

Q12. What sources do you use for your financial knowledge / to help manage your investments? (Select all that apply).



The Figure 8 chart above shows that a large portion of investors rely on internet searches, independent advisers, and advice from friends or family to manage their investments. Notably, a significant number of respondents do not use any specific sources for financial knowledge, indicating a gap in available resources or trust in current options.

For financial institutions this highlights a critical opportunity. By offering in-house financial education resources – whether through blogs, dedicated advisers, or easy-to-understand publications – institutions can fill this gap, positioning themselves as trusted, go-to sources of information. Additionally, offering personalized advice through robo-advisors or in-house experts could capture the interest of those currently seeking guidance from independent advisers or the internet.

Providing accessible and reliable financial education can strengthen customer relationships, improve engagement, and ultimately lead to more account holders investing and managing their finances directly within the institution's ecosystem. This approach not only positions the institution as a thought leader but also fosters deeper trust and long-term loyalty.

Personalized financial planning:

Many consumers are interested in investing but don't know where to start. Financial institutions could offer tools like risk assessments, goal-planning calculators, and personalized recommendations based on the customer's financial situation. This would provide more value than fintech apps, which often offer generalized advice.

In the United States, it's common for financial institutions to require a minimum of $25,000 to access a financial advisor. But what about the vast number of people interested in investing who don't meet this threshold? This creates a gap where many potential investors are left without guidance, potentially leading them to third-party apps or independent advisors.

Financial institutions have a huge opportunity to bridge this gap by offering accessible, low-barrier investment options. Introducing digital investing solutions #, educational resources, and entry-level investment tools can empower individuals with smaller portfolios to start investing confidently. By catering to this underserved group, institutions can tap into a large, growing market of new investors and foster long-term loyalty as these clients grow their wealth.

Figure 9.

Q12. What sources do you use for your financial knowledge / to help manage your investments? (Select all that apply).

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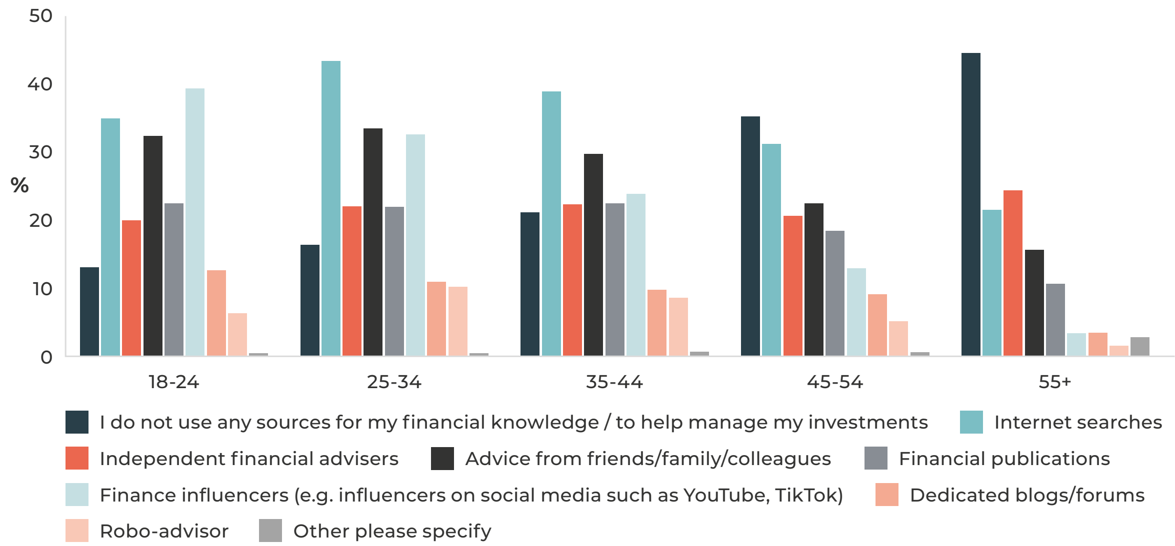

8. Long-term relationship building and wealth management

For financial institutions, digital investing is not just a short-term opportunity; it's an entry point into a long-term relationship that can evolve into broader wealth management services.

- **Pathway to comprehensive wealth management:**
  By offering digital investing as a first step, financial institutions can introduce account holders to more comprehensive wealth management solutions over time. Incorporating a Robo Advisor can also help drive further engagement by delivering suggested investing options that align with the investor's risk tolerance and interests, as well as their financial goals. As their portfolios grow, driving non-interest income for the financial institution through Assets Under Management (AUM) fees, they may require personalized advice, estate planning, tax strategies, or other financial services that the institution can offer through the in-branch Registered Investment Advisor (RIA). This can not only help turn retail banking account holders into high-value wealth management clients but also leverage the digital investing solution to create a stream of new clients for that in-branch RIA team. Not providing this solution to account holders forces them to use external investing apps, driving AUM fees out the door and into the pockets of those apps.

- **Retirement and legacy planning integration:**
  Digital investing can serve as an on-ramp to longer-term services, such as retirement accounts (IRAs, 401(k)s) and estate or legacy planning. Financial institutions can bundle these offerings within the platform, making it easier for account holders to manage their entire financial journey within one ecosystem.

By offering digital investing as a first step, financial institutions can introduce account holders to more comprehensive wealth management solutions over time.

9. Ease of transition and reduced friction for account holders

One significant advantage financial institutions have is the ability to make digital investing a frictionless addition to account holders' existing banking experience.

- **Single platform, single login:**
  Account holders don't want the hassle of managing multiple logins across different platforms. By offering a digital investing solution directly within their online banking interface, financial institutions reduce friction and increase customer engagement. The convenience of a single platform can significantly boost adoption rates.

- **Automated transfers and fund management:**
  With a digital investing platform integrated into the banking environment, account holders can seamlessly transfer funds from their checking or savings accounts into their investment accounts. This ease of use is another competitive advantage over third-party platforms, where account holders would have to move funds manually.

Financial institutions should lead the digital investing revolution with InvestiFi

The rise of digital investing is undeniable, and financial institutions are at a critical juncture. They must act now to offer digital investing solutions directly to their account holders or risk losing them – and revenue – to fintech disruptors. The solution is already within reach: InvestiFi, a white-label digital investing platform, allows financial institutions to seamlessly integrate investment services into their existing online and mobile banking environments.

By adopting InvestiFi's platform, financial institutions can provide the digital investing solutions their account holders are demanding, recapture lost revenue and maintain the long-term engagement necessary to remain competitive in the digital age. The future of investing is digital, and financial institutions must take the lead to ensure they remain at the center of their account holders' financial lives in this inevitable digital future.

If you have any questions or need additional guidance, please contact:

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