Cornerstone ADVISORS

How Social Issues Impact Americans' Financial Lives and Relationships

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Introduction

Everywhere you turn, there seems to be a new social issue or challenge emerging in the United States. Issues like poverty, gun control, immigration, climate change, and abortion have been around for a while, but concerns regarding mental health and school curriculum have become front and center stage in just the past few years.

What impact do these social issues have on Americans? That's not a question we can answer in this report. The question we will address, however, is how social issues impact and influence the way Americans manage their financial lives and relationships.

There are four conclusions from this report that should influence how banks, brokerages, and insurance firms market to and communicate with their customers and prospects regarding social issues:

- **Social issues influence consumers' brand choices.** Roughly three in 10 consumers—a consistent percentage across all generations—said they've stopped buying from a brand or switched to a different brand based on a brand's position on social issues.
- **Financial institutions' stances on social issues impact consumers' choice of providers.** More than four in 10 Gen Zers and three in 10 Millennials have selected a financial provider because of the firm's position on social issues.
- **Financial institutions need to make their positions on social issues known to younger consumers.** Nearly six in 10 Gen Zers and half of Millennials want their financial providers to make public statements on key social and political issues.
- **Financial institutions should use their digital platforms to communicate their stances on social issues.** More than half of Gen Zers and nearly half of Millennials said they would like to see messages about their bank's environmental improvement, charitable contributions, and social justice actions when logging out of its digital banking platform.

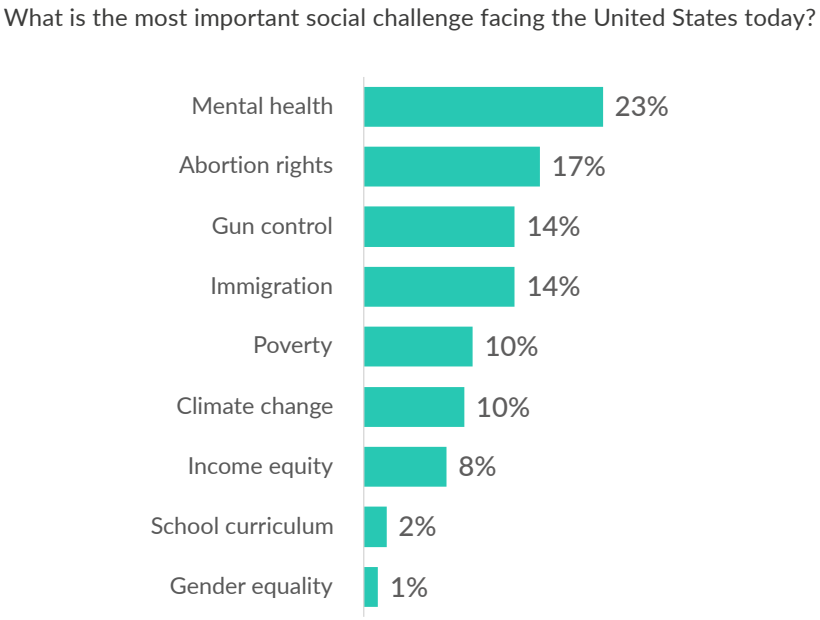
About the Data

In November 2022, Cornerstone Advisors surveyed 3,000 Americans who have a checking account to understand the impact of economic, environmental, political, and social issues on their lives and how it impacts the relationships with the financial institutions they conduct business with. The survey sample is representative of the overall adult population in the United States in terms of age, gender, and race.

The Social Issues Americans Care About

There is little agreement among Americans as to what the most important social challenge facing the country is. Mental health gets the most votes, but not even one in four Americans cited that as the most important social issue. Abortion rights was the second most-frequently mentioned challenge, followed closely by gun control and immigration (Figure 1).

Figure 1: The Most Important Social Challenge Facing the United States



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

The differences in perspective among generations are telling. Roughly three in 10 Gen Zers and Millennials and 27% of Gen Xers think mental health is the most important challenge facing the country. In contrast, just 16% of Baby Boomers mention mental health as the most important issue, with nearly a quarter citing immigration as the most important challenge (Table A).

Table A: Most Important Social Challenge by Generation

What is the most important social challenge facing the United States today?

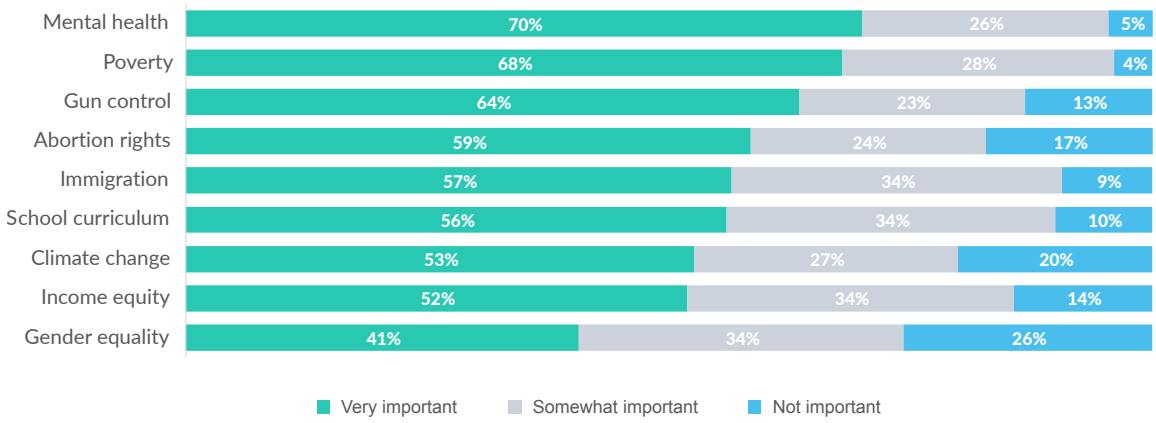
	Gen Z (Age 21-26)	Millennial (Age 27-42)	Gen X (Age 43-56)	Baby Boomer (Age 57-76)
Mental health	29%	31%	27%	16%
Abortion rights	21%	15%	15%	19%
Gun control	15%	14%	15%	15%
Poverty	12%	11%	11%	9%
Income equity	9%	10%	10%	5%
Climate change	7%	9%	7%	11%
Gender equality	3%	3%	1%	1%
School curriculum	3%	3%	2%	2%
Immigration	2%	4%	12%	23%

Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

While there is disagreement as to what the most important social issue is, Americans recognize the importance of many of the social issues we asked about. Roughly two-thirds of all Americans listed mental health, poverty, and gun control as very important issues. In addition, between half and six in 10 Americans consider abortion, immigration, school curriculum, climate change, and income equity as very important issues (Figure 2).

Figure 2: Importance of Social Challenges Facing the United States

How important are the following social challenges facing the United States today?



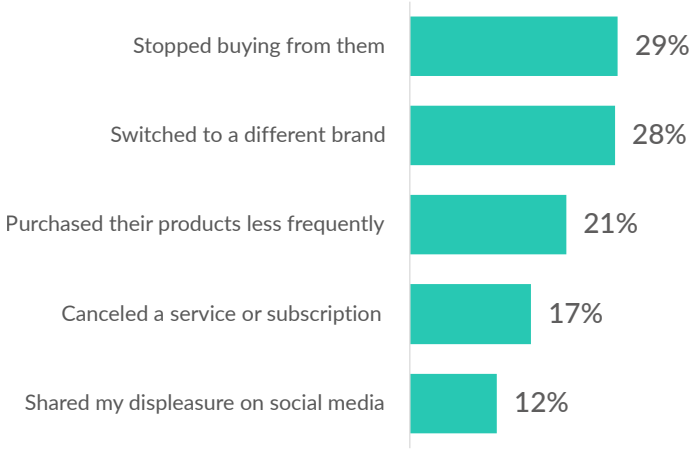
Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

The Impact of Social Issues on Consumers' Financial Lives

Many Americans are putting their money where their social issues mouths are. Brands' stands on social issues are influencing consumers' buying behavior. Roughly three in 10 consumers—a consistent percentage across all generations—said they've stopped buying from a brand or switched to a different brand based on a brand's position on social issues (Figure 3).

Figure 3: Consumer Actions Taken Based on Brands' Social Positions

Percentage of Americans That Have Taken the Following Actions Based on a Brand's Position on a Social Issue



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

In addition, many young consumers—including 60% of Gen Zers—financially support organizations actively engaged in social issues. And although just 21% of Gen Xers and 16% of Baby Boomers have provided some form of financial support, about one in five of both generations said they're considering doing so (Table B).

Table B: Consumers' Financial Support of Organizations Engaged in Social Issues

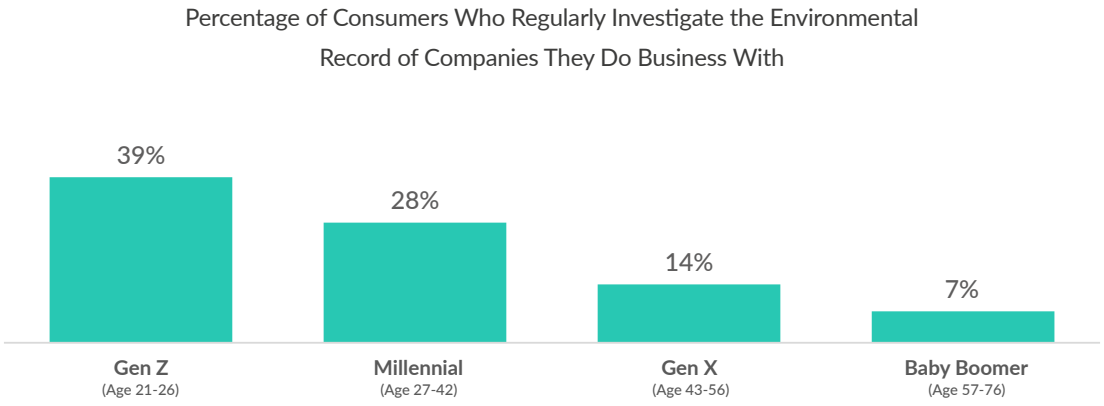
In 2022, did you financially support an organization that is actively engaged in social issues?

	Gen Z (Age 21-26)	Millennial (Age 27-42)	Gen X (Age 43-56)	Baby Boomer (Age 57-76)
Yes, I have done this for more than the past year	38%	26%	15%	13%
Yes, it was the first time I have done this	22%	12%	6%	3%
No, I have not made any financial contributions	21%	40%	57%	64%
No, but I am considering it	20%	21%	22%	20%

Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

Although just 16% of all Americans say they regularly investigate the environmental records of companies they do business with, the generational differences are significant. Nearly four in 10 Gen Zers and three in 10 Millennials check out their providers' environmental records versus 14% of Gen Xers and just 7% of Baby Boomers (Figure 4).

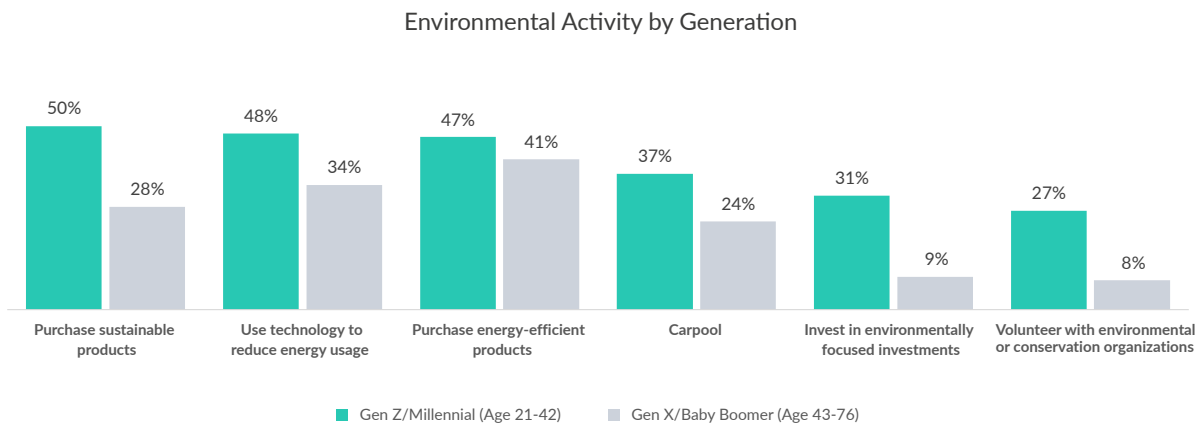
Figure 4: Consumers Who Investigate Brands' Environmental Records



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

Gen Zers and Millennials are more engaged in environmental-related behaviors, altogether. Roughly half of consumers between the ages of 21 and 42 purchase sustainable products, use technology to reduce energy usage, and purchase energy-efficient products (Figure 5).

Figure 5: Environmental Activity by Generation

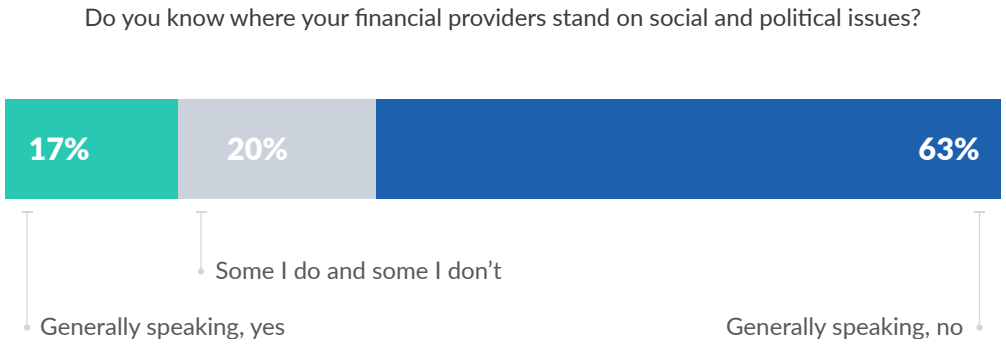


Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

Social Issues and Financial Institutions

How does this impact financial institutions? At the moment, it might not. Nearly two-thirds of consumers say that they don't know where their financial providers stand on social issues (Figure 6).

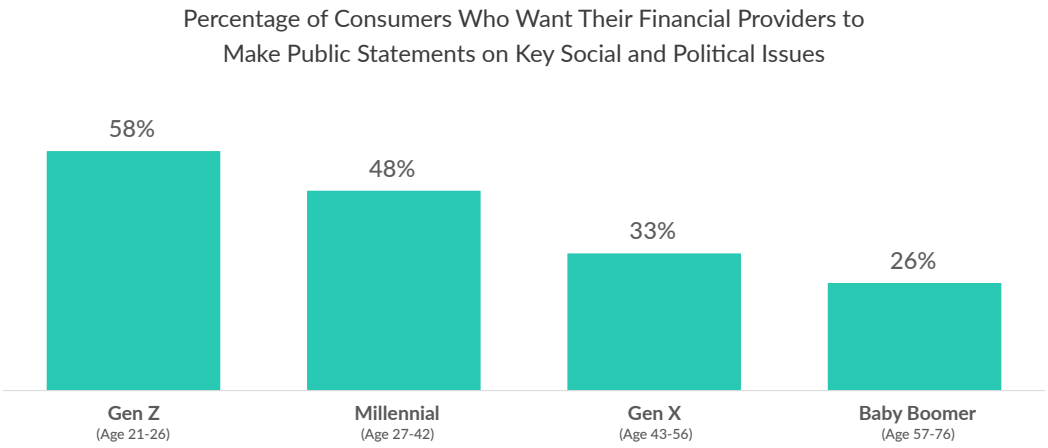
Figure 6: Consumers' Knowledge of Financial Providers' Stand on Social Issues



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

This lack of knowledge about financial providers' social stances might change, however. Nearly six in 10 Gen Zers and half of Millennials want their financial providers to make public statements on key social and political issues (Figure 7).

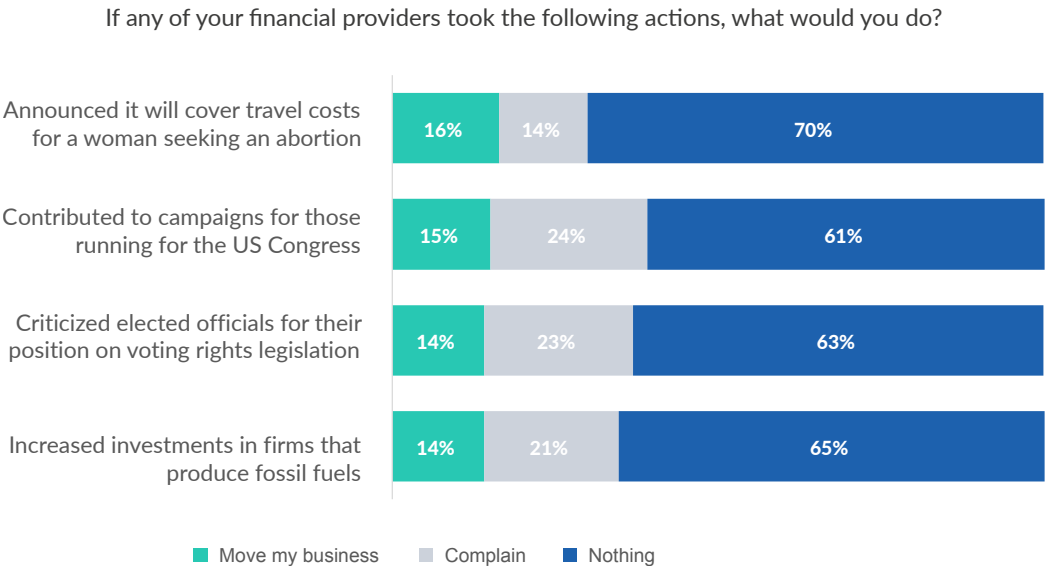
Figure 7: Consumers' Desire to Know Financial Providers' Stand on Social Issues



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

Taking stands on social issues might have negative repercussions for financial institutions, however. Roughly 15% of consumers said they would move their business if their providers took some controversial positions on social issues, with many others indicating that they would complain if the actions were taken (Figure 8).

Figure 8: Consumer Reactions to Financial Providers' Social Policies

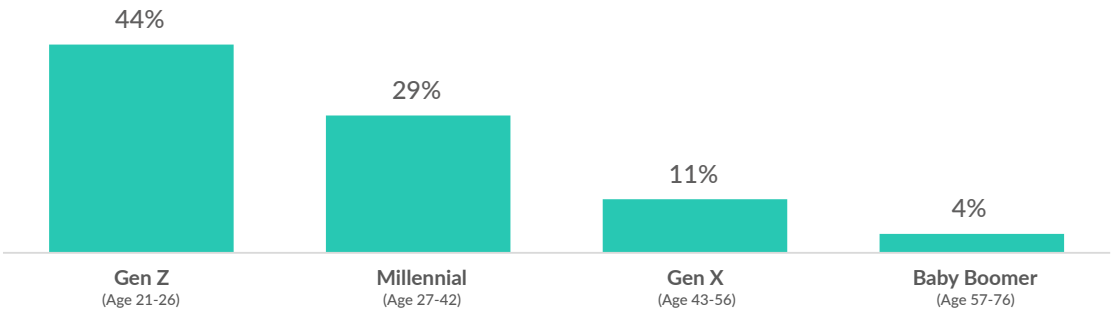


Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

And there is evidence that some consumers—Gen Zers in particular—have selected a financial firm because of its stance on social issues (Figure 9).

Figure 9: Impact of Financial Providers' Social Policies on Consumers' Choice of Provider

Percentage of Consumers That Have Opened an Account with a Financial Services Provider Because They Agreed with the Institution's Position on Social Issues



Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

It's possible that environmental, social, and corporate governance (ESG) standards may lead to higher financing charges for gas powered vehicles versus electric vehicles (EVs). If that happens, younger consumers said they'll be for it. Nearly eight in 10 Gen Zers said it would be acceptable to charge higher interest rates to finance a gas car, nearly three-quarters support offering additional rewards for EV charging, and roughly two-thirds are in favor of higher insurance premiums for gas-powered cars (Table C).

Table C: Electric vs. Gas-Powered Vehicle Policies

Regarding electric and gas-powered vehicles, which of the following do you agree with?

	Gen Z (Age 21-26)	Millennial (Age 27-42)	Gen X (Age 43-56)	Baby Boomer (Age 57-76)
Charging higher interest rates to finance gas-powered cars	78%	66%	50%	34%
Offering additional rewards for EV charging	74%	68%	55%	44%
Charging higher insurance premiums for gas-powered cars	65%	59%	46%	31%

Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

How Financial Firms Should Address Social Issues

The change occurring in the American economy combined with shifting views on social, political, and environmental issues is generating the momentum to create meaningful change to how consumers consider and use financial services. This change is most evident among Gen Z and Millennials who are earlier in their careers and looking to build and maintain wealth. For the older generations there is a minority seeking changes from their financial providers in social, political, and environmental topics. However, it will take a lot more than a political or environmental program to make these older consumers change their behaviors.

Over the course of 2022, Americans shifted from a stay-at-home mentality due to Covid-19 to a gradual reopening of the U.S. economy. Along this journey, inflation rose dramatically, a Great Resignation impacted the labor market, and a surge of social issues have become concerns for many individuals and households.

Struggling with financial health is not a new phenomenon. But the recognition that mental health—along with physical health—impacts financial health is growing. Our mental well-being is impacted by events in our personal lives along with broader societal issues. Consumers' finances and well-being are not neatly compartmentalized and separated but are woven into all aspects of their lives.

Despite the changes, fundamentals—like competitive rates and service quality—still matter. Today, however, financial services marketers must address social, political, and environmental themes. This shift is occurring more dominantly with younger generations and is poised to make dramatic changes to the financial services landscape. Yes, it appears the times they are a-changin'.

Could the observed trends be eclipsed by another wave of societal changes ushered in via future economic, political, societal, and environmental trends? There is no evidence that younger financial services customers will revert their actions and attitudes to be more in line with those found in older generations. With more than 110 million American adults today between the ages of 20 and 45, there is too much at risk to ignore the changing perspectives and behaviors of these consumers.

A Relevant Communication and Product Plan

Financial institutions need to update the methods they use to communicate with clients and prospects and make changes to their products and services.

Digital channels provide a frequent and effective channel to share what a financial institution is doing regarding social issues. Customers ranked environment first followed by social justice and charitable contributions as the topics they want to hear about and would like to view this within mobile or online banking more so than the offers they see today.

One potentially effective way of communicating social positions and actions is through digital banking log-out messages. More than half of Gen Zers and nearly half of Millennials said they would like to see messages about what environmental improvement, charitable contributions, and social justice actions their bank has done when logging out of digital banking platforms (Table D).

Table D: Preferences for Digital Banking Log-Out Messages

Percentage of Consumers That Would Like to See These Messages When Logging Out of Digital Banking

	Gen Z (Age 21-26)	Millennial (Age 27-42)	Gen X (Age 43-56)	Baby Boomer (Age 57-76)
What the bank has done to improve the environment	59%	49%	40%	36%
How the bank is responding to social justice issues	54%	46%	36%	30%
What the bank has contributed to charities in the past year	53%	44%	31%	28%

Source: Cornerstone Advisors survey of 3,000 U.S. consumers, Q4 2022

With the high rate of digital channel usage by these generational segments, financial institutions can look to update their digital products to communicate their achievements in these categories. Financial institutions have a long and respected history of giving back to their communities. It is time to shine a light on these achievements where customers interact rather than in an annual report or press release.

Data Analytics and Customer Data

The needs of customers and their preferences can contribute to an effective action plan for a financial services provider. While it is easier to present the same information to all customers, the actions suggested should be targeted to the appropriate segments.

- **Step 1:** Obtain data on your customers that reveal the issues in their hearts and on their minds. Prompts within online and mobile banking that allow you to tune into their social, economic, and environmental concerns is an ideal strategy. Integrate this data into a customer profile.
- **Step 2:** Develop a segmentation strategy for these themes leveraging customer-provided data, account-level data, and third-party data when applicable. Supporting a dynamic, data-driven customer profile that can be refined by your team is the best path forward.

- **Step 3:** Test communication and marketing messages to fine-tune your strategy against the segments you have created.
- **Step 4:** Deploy the strategy broadly across your customer base and ensure the plan has built-in revision checkpoints that can include new tests and refinements to your segmentation strategy and client messaging.

Financial Therapy

Many banks have launched financial wellness programs, but few are addressing mental health and money as part of those efforts. Financial institutions—particularly those looking to the Gen Z and Millennial generations for growth—should evaluate offering financial therapy services. According to a survey from Laurel Road, the digital banking arm of KeyBank, 72% of Americans under the age of 40 say managing their finances is a strain on their mental health.[1]

Financial therapy sits at the intersection of financial and mental health. The goals of financial therapy include helping people think, feel, and behave differently about money to improve overall well-being. According to The Financial Brand:

> "Financial therapy differs considerably from generic financial health and wellness programs. These programs often track only banking data a few months out to provide the customer with insight about their spending habits. Financial therapy, on the other hand, takes a deeper look at the customer as a whole to understand them financially."[2]

In early 2022, Laurel Road hired a licensed mental health counselor as a financial therapist to offer its customers guidance and resources for building what it calls "mental wealth" to deal with the impact of financial management on mental health.

With the dearth of financial institutions currently providing financial therapy solutions, Cornerstone Advisors believes financial institutions that develop and offer this service can create a differentiated solution in the market and address the growing mental health trend at the same time.

Environmentally Focused Financial Products

Banks can go beyond making statements about their positions on environmental issues to offering environment-focused products and services to consumers with climate change concerns. To compete on a climate change strategy and capitalize on the economic opportunities with these consumers, financial institutions should:

- **Develop an environmental impact education program**. According to a study from Cornerstone Advisors, just 30% of consumers in the climate-conscious segment said they're taking actions to reduce their carbon footprint. Yet, many of them said they recycle, use reusable water bottles, get eStatements instead of paper, and do other things that have a positive impact on the environment. So why did they say they don't take action to reduce their carbon footprint? Lack of education. Banks' education programs should be tailored to consumers already concerned with climate change, and not focused on trying to convert the unconcerned.

- **Integrate a carbon footprint tracker in their mobile banking app.** Many consumers—particularly the climate-conscious segment—expressed interest in using a carbon footprint tracker from their bank. Creating a separate app or website to provide that capability may not result in as much engagement as a footprint tracker integrated into an institution's mobile banking app would. Consumers' smartphones are getting crowded with mobile apps—but bank apps are generally top-screen and frequently used.

- **Enable customers to offset their carbon impact.** By incorporating carbon offsetting and other green initiatives and products in consumers' digital banking provision, banks can also help their customers transition from awareness to action. Simply providing a footprint tracker without giving customers the ability to offset their impact could be perceived as a lack of commitment on the bank's part.

- **Launch a climate impact checking account.** Consumers' strong interest in environmental-related checking account features suggests that banks pursuing a climate change strategy must offer a dedicated climate-focused checking account. Banks should create a tiered pricing structure (e.g., freemium model) to generate revenue and offset the cost of providing some features.

- **Develop an ESG investment capability.** Among consumers who consider climate change to be an important social issue, roughly three in 10 said they have invested in "socially responsible" funds, in contrast to just 8% of other consumers. When asked how they would invest $1,000 if they came into the money, 40% of them said they would invest at least a quarter of it in socially responsible funds.[3]

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Glenn Grossman produces analytical studies aimed at delivering insights for innovation, growth and sustainable competitive advantage for financial institutions and fintech firms. Backed by more than 30 years of leadership experience in data analytics, product management, and product development in the banking and technology industries, Grossman has published numerous retail banking articles on topics including deposit growth strategies and bank regulation. Before joining Cornerstone, Grossman was a principal consultant and senior thought leader with FICO and the product leader for a start-up fintech payments firm. He started his career in the financial services industry managing product innovation and payment strategy at Bank of America, He also served as an economist with the U.S. Department of Labor–Bureau of Labor Statistics.


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About Cornerstone Advisors

After 20 years in this business, Cornerstone Advisors knows the financial services industry inside and out. We know that when banks and credit unions improve their strategies, technologies and operations, improved financial performance naturally follows. We live by the philosophy that you can't improve what you don't measure. With laser-focused measurement, financial institutions can develop more meaningful business strategies, make smarter technology decisions, and strategically reengineer critical processes.


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Endnotes

[1] www.laurelroade.com/press/gen-z-and-millennials-combat-financial-stress-by-building-financial-habits-to-achieve-mental-wealth/

[2] thefinancialbrand.com/news/financial-education/banks-financial-therapists-wellness-programs-131179/

[3] www.meniga.com/download/going-green-the-climate-change-opportunity-in-banking

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