

Challenges Faced in Retail Banking by an Ageing Population

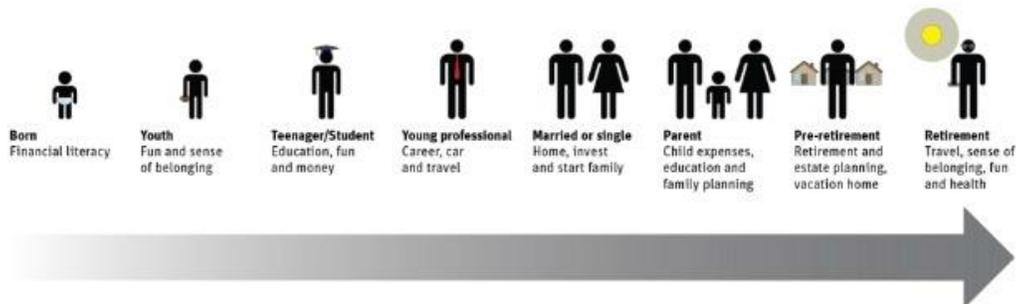
Our population is ageing. Not just in the United States, but across the globe. The chart below shows the growth of people aged 60 or above from 2012 and projected for the years 2030 and 2050. The number of people worldwide aged 60+ will more than double in the next 33 years.



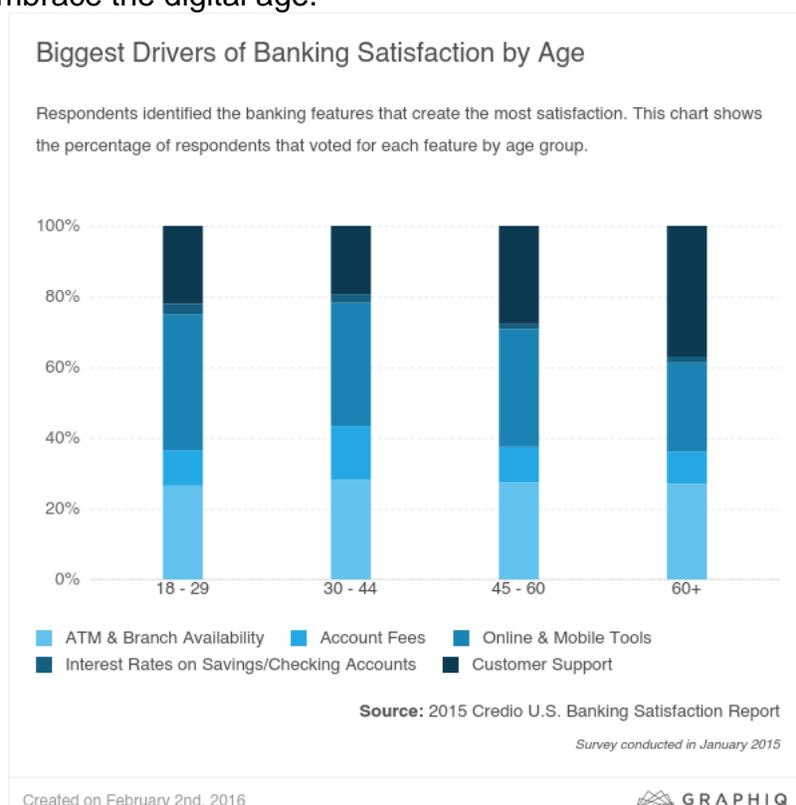
Source: UNDESA Population Division, Population Ageing and Development 2012, Wall Chart, 2012; UNDESA Population Division, World Population Prospects: the 2012 Revision, 2013

As people age, their banking needs shift and change. People just don't have the same priorities at 65 as they did at 25, or 35. The customer lifecycle illustrates the different money requirements for each stage of our lives.

The customer lifecycle



To meet these changing needs, banks face a number of challenges in satisfying such a large demographic. Although less likely to utilize digital banking services, this will change as technologically savvy Baby Boomers and Gen Xers age. By age 60, the biggest driver of customer satisfaction in banking is customer support and customers prefer that support in a face-to-face environment. As digital banking capabilities increase, the number of bank branches will decrease, which may force our aging population to embrace the digital age.



Sue Lewis, on behalf of the Financial Services Panel, suggests, in the report [“How well do financial products and services meet the needs of older consumers?”](#) that the banking industry need to rethink about how it serves older customers. They believe that it is “imperative that the industry explains products simply, and takes account of the particular needs of older consumers, which might include, for example, using larger font sizes, or more interactive contact through face-to-face meetings or online video chats, like Skype.”

The greatest increase in mobile banking is shown in the age bracket 36-45. This is a good indicator that customers who currently use mobile banking will continue to do so as they age. It is notable that those customers aged 65+ actually saw a decrease in mobile banking interactions in the last three months. Banks need to consider the various reasons this may be taking place:

- Information not easily accessible;
- Information that is difficult to see;

- Confusing instructions;
- Fear of theft or fraud;
- Relative taking over banking needs;
- Reduced income leading to non-necessity of banking transactions.

The banking industry needs to analyze these trends and obtain additional data on how to reverse the trend of decreasing mobile banking usage for those 65+.

Figure 3: US mobile banking is most prevalent with young or affluent customers, but the greatest increase came among those aged 36 to 45



Sources: Bain/Research Now US surveys, 2012 (n=74,700) and 2011 (n=68,000)

Eric Leenders of the British Bankers' Association in "[How Can Firms Ensure That Their Channels of Communication Adapt to Meet the Needs of Older Consumers?](#)" addresses how some larger banks are using video technology for customers to speak directly with staff via smartphone, tablet, or personal computer. Other innovations include:

- Video conferencing to include friends, family, or professional advisers;
- Videos to fully explain disclosure and simplify information;
- Staff demonstrating and introducing mobile banking in the branch.

In "[How can firms adapt to meet the needs of an ageing population?](#)", Paul Broadhead of the Building Societies Association states that banks need to provide information for everyone, not just the first-time home buyer. Older customers banking needs do not become less complicated, but more and they require information to make better decisions about their finances. He also believes that banks need someone in management who can advocate for the needs of older customers to ensure that they receive appropriate communications and that staff is trained to serve older customers.

Examples of financial services organizations that are successfully meeting the challenges of an ageing population:

1. Bank of the West, in partnership with the elder Financial Protection Network, created the Be Aware program to address elder financial abuse. Community partners and local law enforcement present seminars to educate older adults, families, and caregivers on recognizing and preventing identity theft, check scams, and other financial fraud.
2. Maine SeniorSafe Program is a three-part program which closes gaps in the financial fraud and abuse reporting system.
3. The American Bankers Association (ABA) Community Engagement Foundation is dedicated to improving financial literacy, credit access, and ending elder financial abuse.
4. First Financial has implemented its FraudBusters program to focus on knowing their customers so they could better understand them and spot irregular activity that may be linked to fraud.

To learn more about these and other programs, please see the [Guide to Age-Friendly Banking Products, Services, Protections, and Resources for Older Adults](#) by the National Community Reinvestment Coalition's (NCRC) National Neighbors Silver program.

American Banker reports in "[Hey Banks, Seniors Love Their Mobile Phones, Too](#)," how some financial institutions are acting to prevent financial elder abuse. The Bank of American Fork in Utah is one such bank that offers a feature that lets seniors share read only access with their friends, family, or caregivers. The AARP is seeking banking partners to develop training for their staff to better identify and detect exploitation.

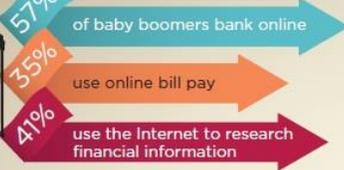
Finally, as the first generation to be exposed to financial technology, Baby Boomers and their financial habits will present the real challenges for the financial services industry. Just because technologically savvy customers get older, it doesn't mean that the hackers, thieves, and financial predators won't devise other means to separate seniors from their money. It is up to the banking industry to remain vigilant and ensure the safety and security of all segments of their banking customers.

Financial Technology Habits of Baby Boomers

The baby boomer generation isn't old school when it comes to technology. They have a huge online presence, and they're in need of financial advice more and more as they approach retirement.



Online Money Management



Finances



Cell Phones and Computers



Average net worth of a baby boomer **\$727,000**

Savings and Retirement

