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Stemming the Deposit Outflow:

The $2 Trillion Investing Opportunity for Banks and Credit Unions

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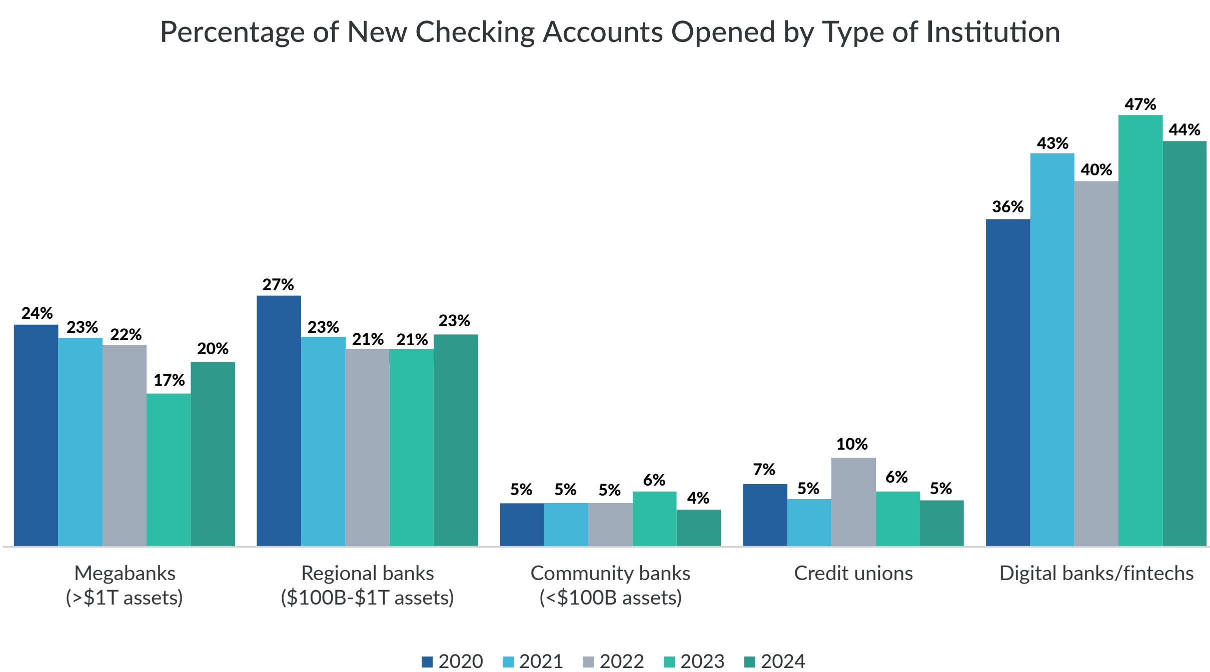
The Growth Challenge

Community banks and credit unions in the United States are encountering significant headwinds in their attempts to grow deposits, loan portfolios, and customers (or, for credit unions, members). Why? A combination of forces, including: 1) interest rate pressures and liquidity challenges, 2) regulatory and compliance burdens, and 3) fintech and digital bank competition.

Let's focus on that last factor: The share of new checking account openings garnered by fintechs, neobanks, and digital banks grew from 36% in 2020 to 44% in 2024, after peaking at 47% in 2023 (Figure 1). How did they do it? It wasn't simply because of a better digital account opening process.

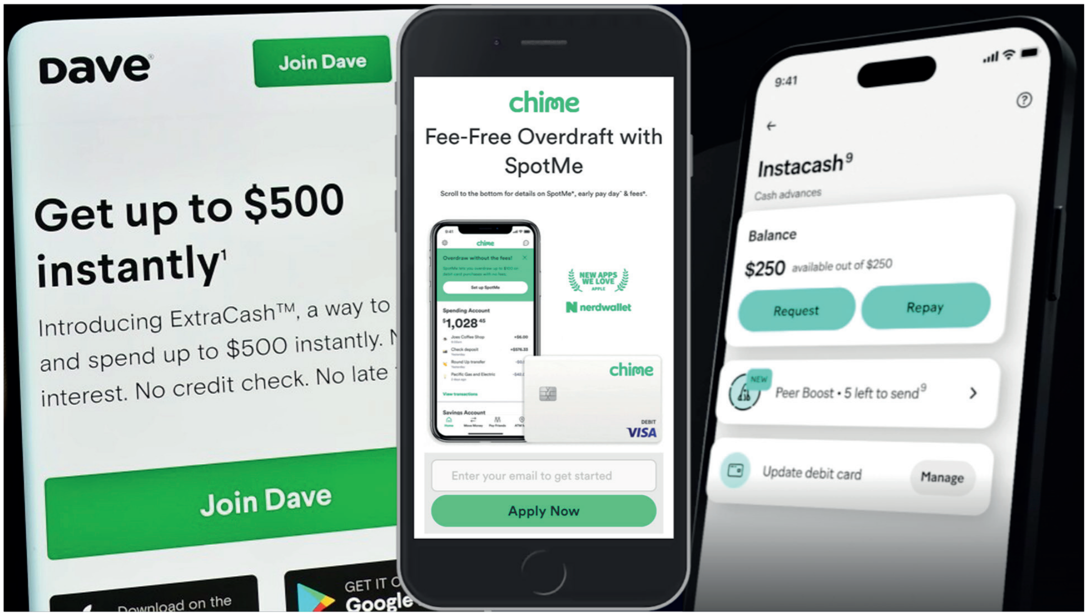
FIGURE 1:
Checking Account Market Share



Source: Cornerstone Advisors

A more accurate reason why digital banks and fintechs—and the megabanks, for that matter—are winning market share: They're practically giving money away. Open an account with Dave and get up to $500 in ExtraCash™ immediately. MoneyLion offers new customers $250 in Instacash, and Chime's SpotMe offers customers $200 in fee-free overdrafts (Figure 2).

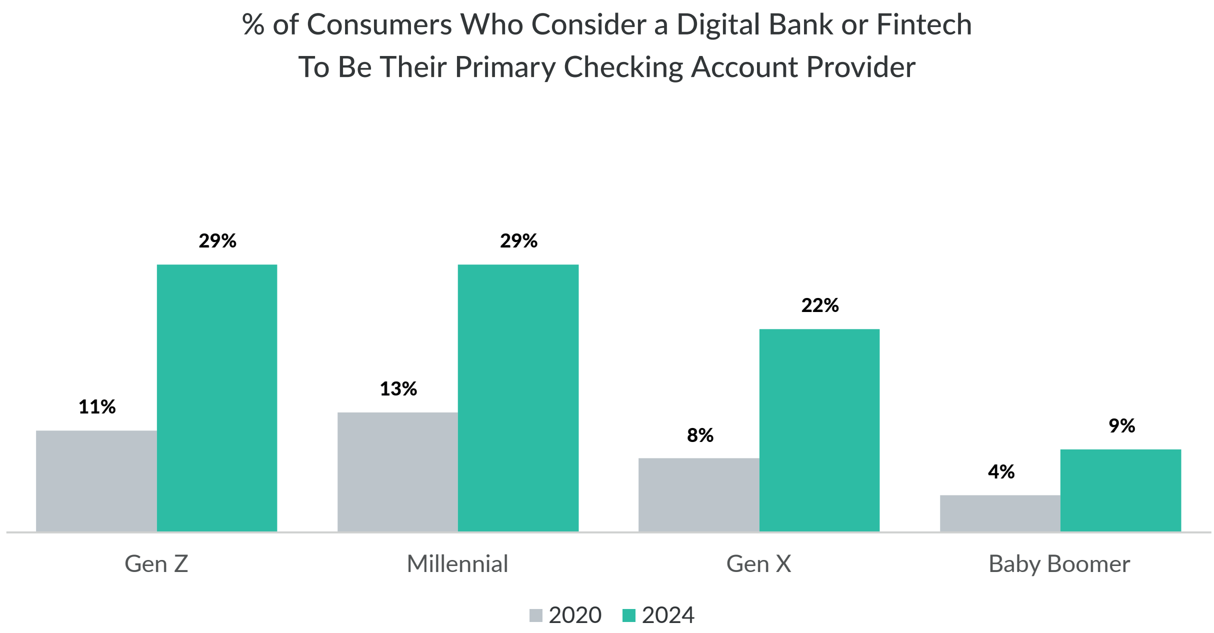
FIGURE 2:
Fintech Marketing Offers



Source: Dave, Chime, MoneyLion

Neobanks and fintechs have also cherry-picked services that used to bring customers to community institutions. For example, fintech lending platforms now compete in personal and small-business lending, often with quick application processes and algorithmic underwriting. This has led to a shift in primary checking account provider status from traditional institutions to digital banks and fintechs (Figure 3).

FIGURE 3:
Digital Bank/Fintech Share of Primary Checking Account Provider



Source: Cornerstone Advisors

A Successful Growth Strategy for Community FIs

Community banks and credit unions can't fight the fintech onslaught by simply turning the marketing knob to 11. They'll need a strategy that includes the design, development, and deployment of new product offerings that 1) stem the tide of deposit outflows, 2) attract more consumers, and 3) generate revenue.

About the Data

To estimate the size of the deposit outflow (or displacement), understand consumers' product attitudes and preferences, and size the opportunity for banks and credit unions, Cornerstone Advisors surveyed 2,757 U.S. adults with a smartphone and a checking account in May 2025. The sample was recruited to represent the U.S. adult population in terms of age, gender, and race. The margin of error is 2% at a 95% confidence level.

Much of the following analysis segments the population by age. We used the following birth years to determine generational status: 1) Gen Z—born 1995 through 2003; 2) millennial—born 1980 through 1994; 3) Gen X—born 1965 through 1979; and 4) baby boomer—born 1946 through 1964. Although we surveyed even older Americans, we did not include them in the generational analyses. In some analyses, we combined Gen Z and millennials and called them zillennials.

The $3 Trillion Deposit Displacement Problem

There's little argument that the runup in the interest rates in the past few years has led to the movement of deposits to high-yield savings accounts, but plenty of banks and credit unions have raised their rates to protect (and grow) their deposits. Our analysis focuses on the outflow from banks and credit unions to fintechs.

Based on survey data, $2.15 trillion has left megabanks, regional banks, and community-based FIs for fintech investment accounts (Table A). Community bank and credit union execs might be surprised to learn that Gen Xers and boomers make up 65% of that outflow.

TABLE A:

Deposit Outflow to Fintech Investment Accounts by Type of Financial Institution and Generation

Deposit Outflow to Fintech Investment Accounts ($ in billions)

	Gen Z	Millennial	Gen X	Boomer	TOTAL
Megabanks	$276.6	$544.0	$245.1	$215.8	**$1,281.6**
Regional banks	$172.7	$272.6	$179.1	$188.2	**$812.6**
Community FIs	$10.8	$10.3	$16.2	$22.9	**$60.2**
TOTAL DEPOSIT OUTFLOW	**$460.1**	**$826.9**	**$440.4**	**$426.9**	**$2,154.4**

Source: Cornerstone Advisors

Deposit displacement to fintech savings accounts is another challenge with more than $1 trillion—56% of it from zillennials—leaving banks and credit unions (Table B). Of the $75 billion that has left community FIs, 70% is from Gen Xers and baby boomers.

TABLE B:

Deposit Outflow to Fintech Savings Accounts by Type of Financial Institution and Generation

Deposit Outflow to Fintech Savings Accounts ($ in billions)

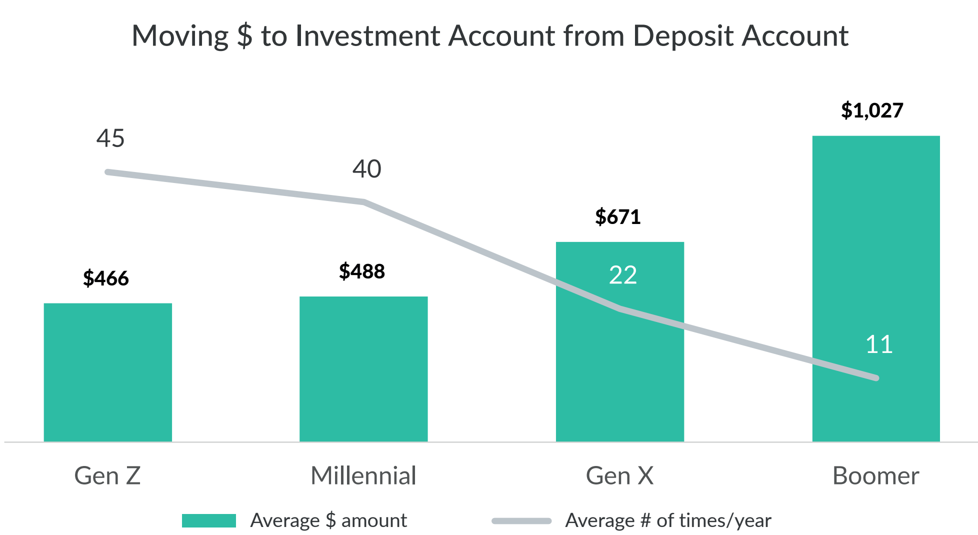
	Gen Z	Millennial	Gen X	Boomer	TOTAL
Megabanks	$112.6	$252.7	$152.5	$78.3	**$596.2**
Regional banks	$70.3	$126.7	$111.5	$68.3	**$376.7**
Community FIs	$11.2	$11.0	$28.8	$23.6	**$74.6**
TOTAL DEPOSIT OUTFLOW	**$194.1**	**$390.4**	**$292.8**	**$170.2**	**$1,047.5**

Source: Cornerstone Advisors

Among older consumers, it's a slow leak; among younger consumers, a steady drip. On average, Gen Zers and Millennials move deposits to investment accounts about three to four times a month. Gen Xers average nearly two moves a month, and Boomers average nearly one a month (Figure 4).

FIGURE 4:

Deposit Movement to Investment Accounts



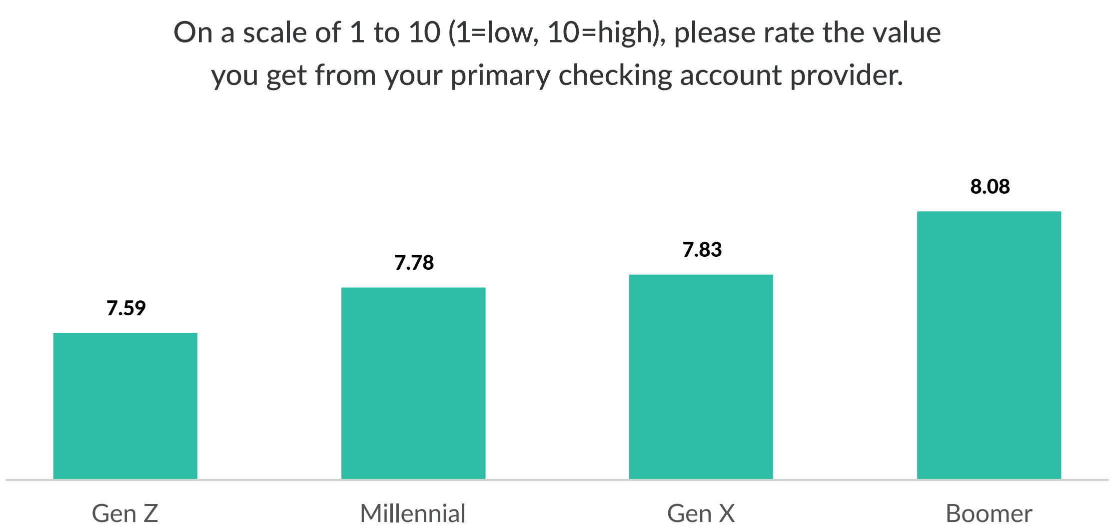
Source: Cornerstone Advisors

Americans Want a Better “Checking” Account

Checking accounts have become what Cornerstone Advisors calls “paycheck motels”: temporary places for people’s money to stay before it moves on to other places. Americans’ evaluation of the value of their checking account is underwhelming: On a 10-point scale, the average score was just 7.81 (Figure 5). Just 55% of Gen Zers and 62% of millennials rated their checking account a score of 8 or higher.

FIGURE 5:

Americans’ Checking Account Value Rating

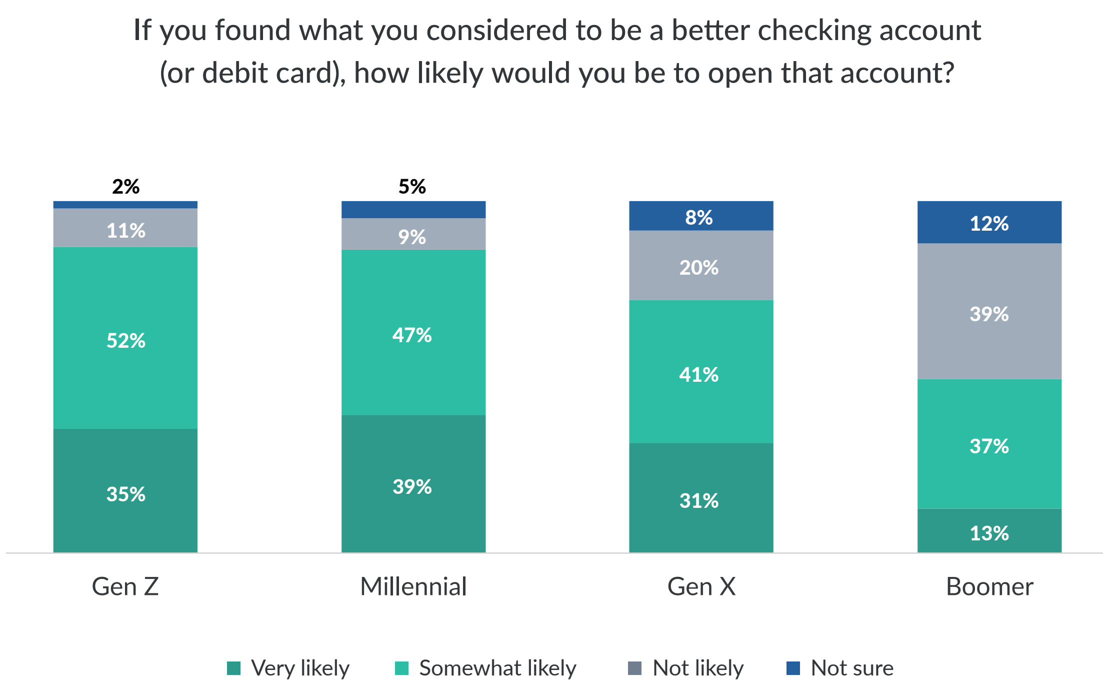


Source: Cornerstone Advisors

Fintechs’ and digital banks’ dominant market share of new account openings is a strong signal that consumers—particularly younger ones—are looking for something different than the checking (or payment) accounts being offered by banks and credit unions. In fact, more than a third of Gen Zers and four in 10 millennials say they would be “very likely” to open a checking or payment account if they thought it was a better account than their current account (or accounts) (Figure 6).

FIGURE 6:

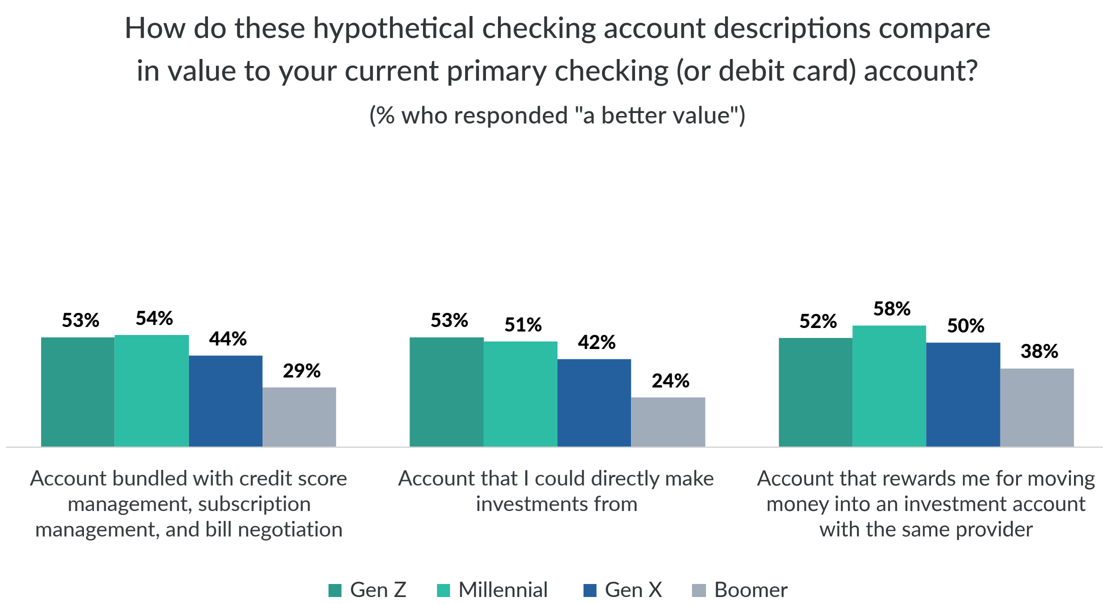
Americans Want a Better Checking or Payment Account



Source: Cornerstone Advisors

This begs the question: What constitutes a "better" account? We posed three hypothetical accounts to consumers including a checking account: 1) bundled with credit score management, subscription management, and bill negotiation; 2) the account holder could directly make investments from; and 3) that rewarded the account holder for moving money into an investment account with the same provider. More than half of zillennials consider each of the three hypothetical accounts a better value than their current accounts (Figure 7).

FIGURE 7:
Value Ratings of Hypothetical Checking Account Offerings

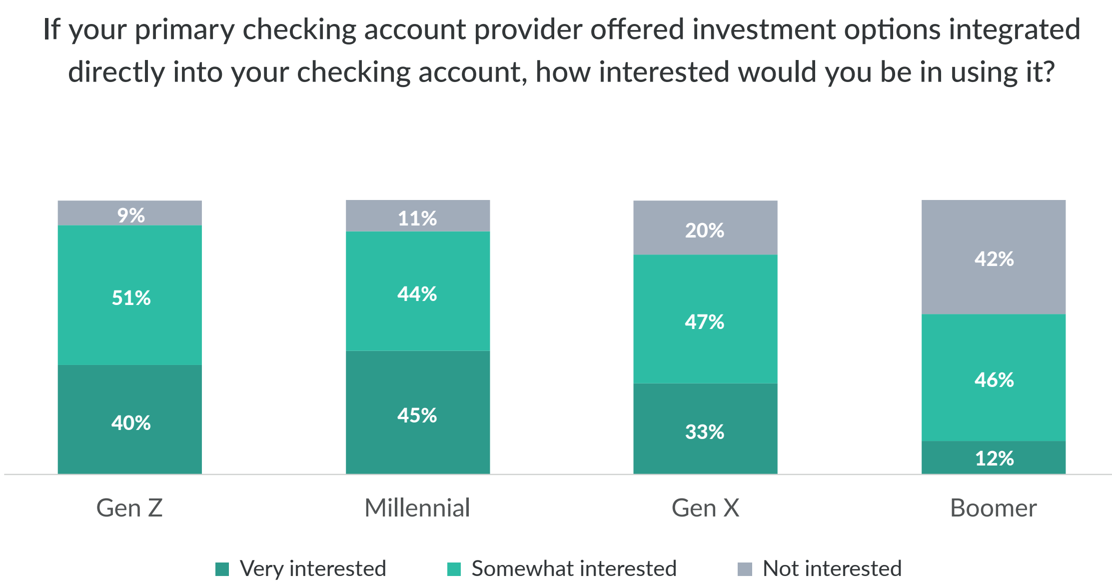


Source: Cornerstone Advisors

In addition, 4 in 10 Gen Zers and 45% of millennials said they would be very interested in getting investing options integrated directly into their checking account from their existing primary checking or payment account provider (Figure 8).

FIGURE 8:

Interest in Integrated Investing From Existing Primary Checking or Payment Account Provider



Source: Cornerstone Advisors

On one hand, this should be interpreted as a serious threat to community-based financial institutions, because they have a precipitously low share of primary account status among zillennials. On the other hand, it represents an opportunity to offer these products to young consumers to lure them away from the megabanks and fintechs they do business with today.

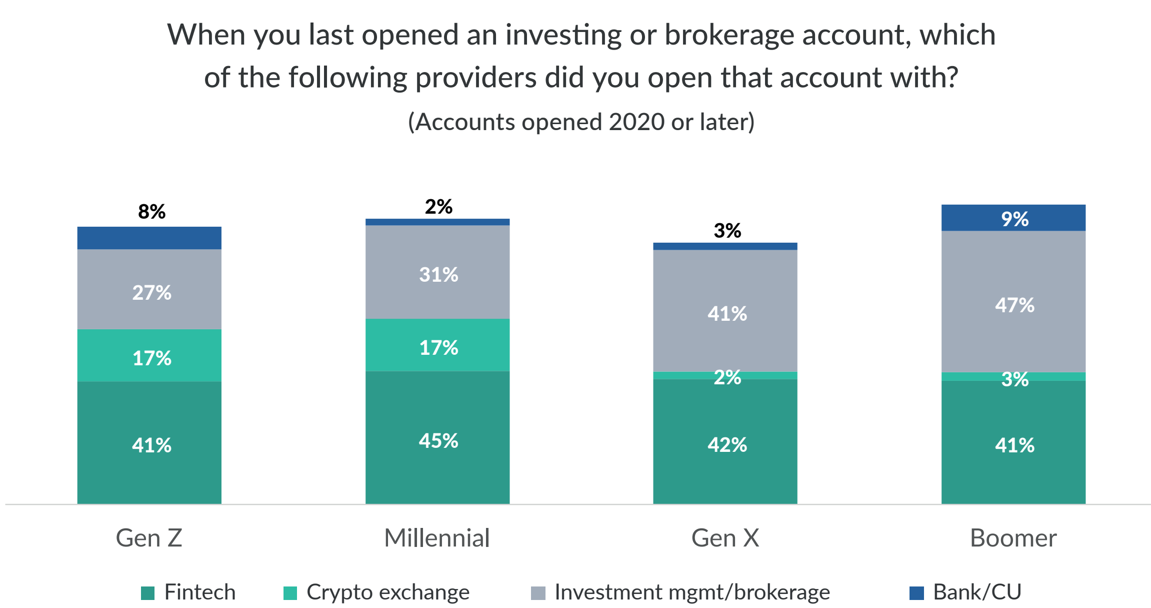
The Battle for Young Consumers: The Looming Investing Threat

While much of the battle for young consumers' (i.e., zillennials') financial business has, understandably, focused on payments-related products and services, that battle is poised to pivot to their investment business.

Historically, younger consumers don't invest until they reach a certain age and level of worth. That's changed. Nearly half of today's zillennials are investors. And the last time they opened an investment account, which might have been the first time they opened an account, just 1 in 5 of them opened it with a traditional financial institution (Figure 9). Interestingly, the last time they opened an investment account, 17% of them did so with a cryptocurrency exchange.

FIGURE 9:

Type of Firm Last Investment Account Was Opened At



Source: Cornerstone Advisors

Zillennials do a lot more with their fintech brokerage firms than merely invest. Nearly 6 in 10 have a checking account, half have a savings account, and a third have a credit card with their fintech investment provider (Figure 10).

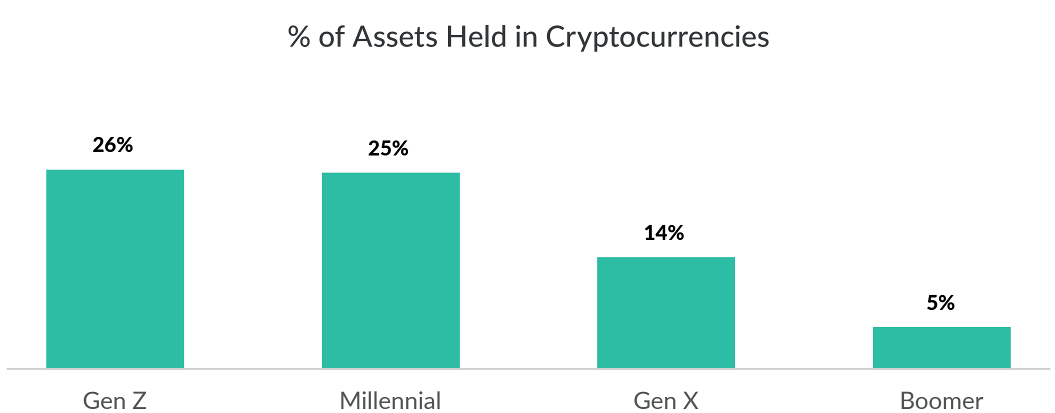
FIGURE 10:
Additional Products Held at Fintech Brokerages

Source: Cornerstone Advisors

The Crypto Outlook

Crypto is a growing asset class for younger consumers. A quarter of Gen Z investors and a third of millennial investors have crypto in their investment portfolio. On average, zillennial investors have a quarter of their investable assets in cryptocurrencies (Figure 11). One in 5 zillennial investors, however, has more than half of their investment portfolio in crypto.

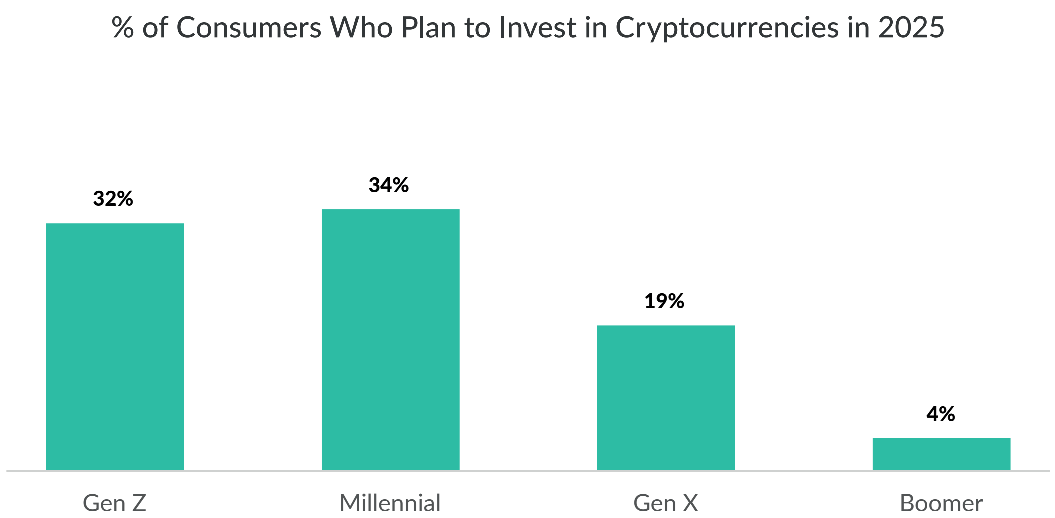
FIGURE 11:
Assets Held in Cryptocurrencies by Generation



Source: Cornerstone Advisors

Looking ahead, a third of Gen Z and millennial investors expect to invest in cryptocurrencies in 2025, as do nearly one in five Gen X investors (Figure 12).

FIGURE 12:
Cryptocurrency Investment Plans



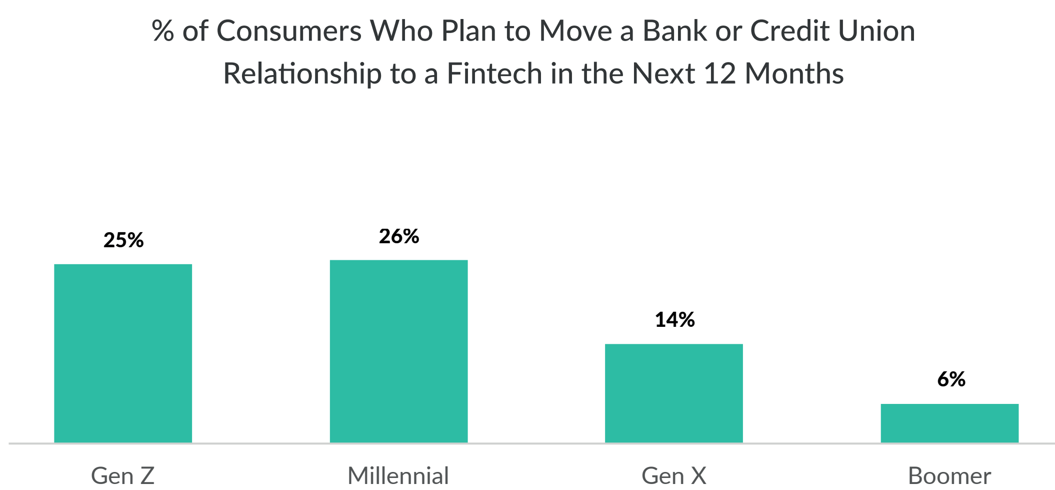
Source: Cornerstone Advisors

The Investing Threat

The evidence adds up to a growing challenge from investing activities to community financial institutions, and particularly credit unions, in acquiring and deepening zillennial relationships. A growing percentage of these consumers are investing, opening investment accounts with fintechs and crypto exchanges, and opening and using banking products from these providers.

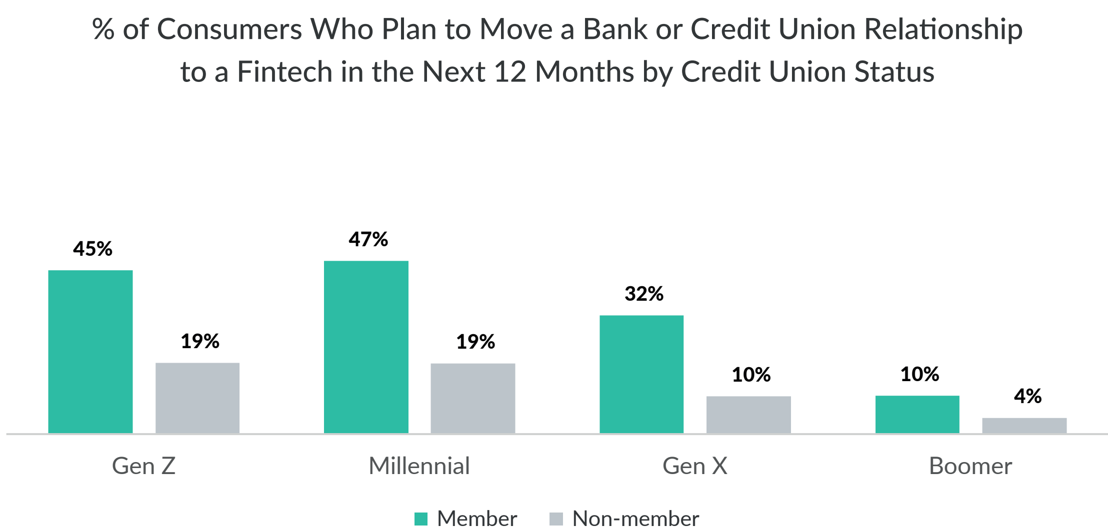
It's only going to get worse: A quarter of zillennials plan to move a banking relationship they have with a bank or credit union to a fintech in the next 12 months (Figure 13). And it's even worse for credit unions: Nearly half of Zillenials plan to move a bank or credit union relationship to a fintech, as do a third of Gen Xers—more than double the percentage of consumers who aren't credit union members (Figure 14).

FIGURE 13:
Plans to Move Banking Accounts to Fintechs



Source: Cornerstone Advisors

FIGURE 14:
Plans to Move Banking Accounts to Fintechs by Credit Union Status

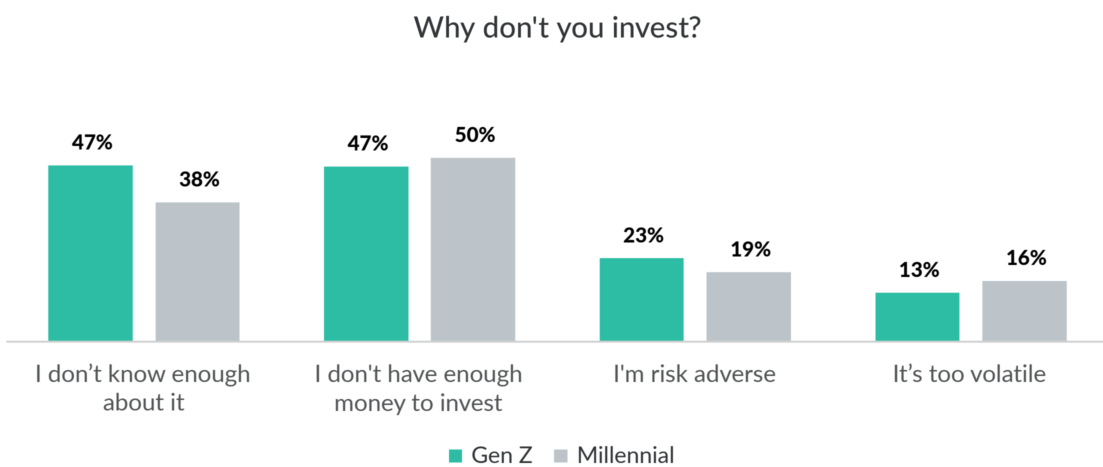


Source: Cornerstone Advisors

The New Investor Opportunity

What about the 50% or so of zillennials who don't currently invest? What's holding them back? Two reasons pop to the top of the list: 1) they don't know enough about it, and 2) they don't have enough money to invest (Figure 15). Both of these are education challenges.

FIGURE 15:
Reasons for Not Investing



Source: Cornerstone Advisors

Zillennials don't know enough about investing because: 1) they haven't made the effort to learn—they haven't opened up investment accounts so they're not getting educational content and guidance from investment management firms or brokerages, and 2) many banks and credit unions don't focus their investment services on young consumers, so zillennials don't get educational content from their financial institutions.

As for "not having enough money to invest," many zillennials may be unaware of how little they need to invest. Seven in 10 non-investing zillennials said they have more than $5,000 in savings, which should be plenty to open an investing account. But are their banks telling them that?

Realizing the $2 Trillion Investing Opportunity

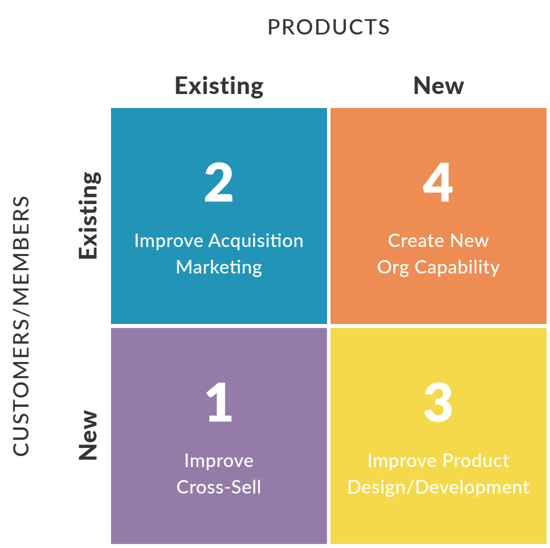
Community banks and credit unions can't fight the fintech onslaught by simply turning the marketing knob to 11. They'll need a strategy that includes the design, development, and deployment of new product offerings that 1) stem the tide of deposit outflows, 2) attract more consumers, and 3) generate revenue.

There's no shortage of tech vendors and consultants in the banking industry offering products and solutions that promise to help community-based financial institutions grow. Evaluating and prioritizing the opportunities requires community banks and credit unions to have a framework for making key decisions.

Using a Growth Framework

Put simply, a growth framework boils down to two questions: 1) What are you selling? and 2) Who are you selling it to? This framework produces a matrix with four strategies (Figure 16):

FIGURE 16:
2x2 Growth Matrix



Source: Cornerstone Advisors

1. **Selling existing products to existing customers/members.** Successfully executing this strategy requires an organization to improve its cross-selling capabilities.

2. **Selling existing products to new customers/members.** This strategy requires an organization to improve its acquisition marketing efforts.

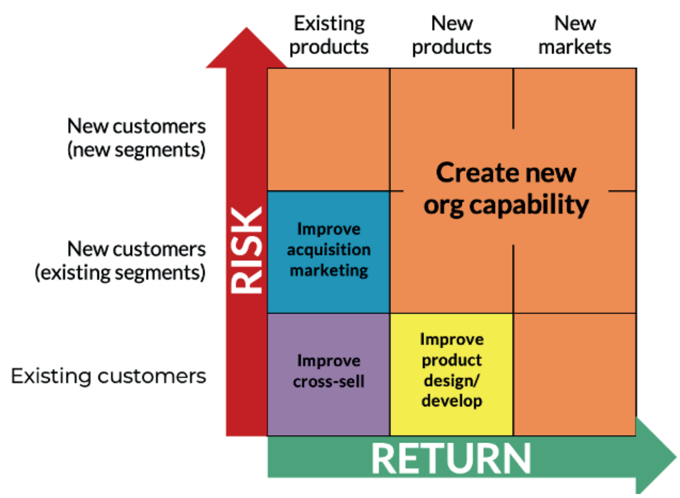
3. **Selling new products to existing customers/members.** Improving product design and development, or partnering with third-party product providers, will be required for this strategy.

4. **Selling new products to new customers/members.** This strategy is a step outside the comfort zone for many institutions, and generally requires the creation of new organizational capabilities.

Approaching growth-related decisions using this 2x2 framework is a good start, but it's too simplistic. New growth opportunities may come from your existing geographic footprint, but a vertical banking strategy can expand an institution's geographic footprint to reach new market segments.

What's needed, instead, is a growth *cube* that splits new customers into those that fall into existing or new segments served and adds new markets (or distribution channels) to capture the reality that growth opportunities may exist outside the organization's current geographic footprint (Figure 17).

FIGURE 17:
3x3 Growth Cube



Source: Cornerstone Advisors

Stemming the $2 Trillion Deposit Outflow With Investing Services

Simply improving the marketing of existing products to existing customers or members won't be sufficient to meet the goals of 1) stemming the tide of deposit outflows, 2) attracting more consumers, and 3) generating revenue.

What will be sufficient? The development and introduction of new products and services. The survey findings provide strong evidence that new products that address the needs and interests of young investors and young investors-to-be can provide community FIs with strong growth opportunities over the next few years.

The opportunity will primarily be with young consumers—Gen Zers and millennials—who comprise 58% of the deposit outflow that occurs today, despite the fact that Gen Xers and baby boomers hold far more savings and investment balances than they do (Table C).

TABLE C:
Deposit Outflow to Fintech Accounts by Type of Financial Institution and Generation

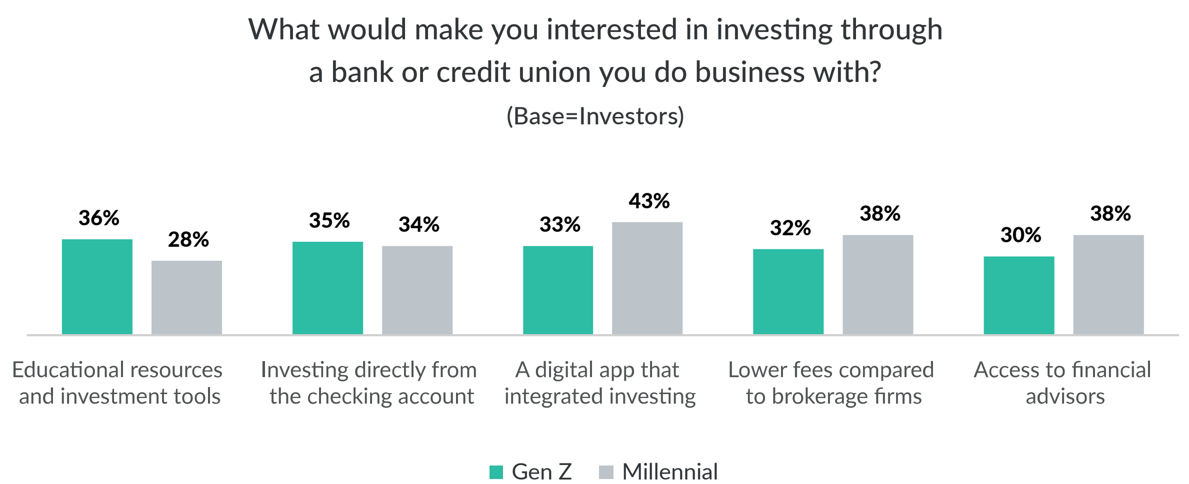
Deposit Outflow to Fintech Savings Accounts ($ in billions)

	Gen Z		Millennial		
	Investments	**Savings**	**Investments**	**Savings**	**TOTAL**
Megabanks	$276.6	$112.6	$544.0	$252.7	**$1,185.9**
Regional banks	$172.7	$70.3	$272.6	$126.7	**$642.3**
Community FIs	$10.8	$11.2	$10.3	$11.0	**$43.3**
TOTAL DEPOSIT OUTFLOW	**$460.1**	**$194.1**	**$826.9**	**$390.4**	**$1,871.5**

Source: Cornerstone Advisors

It's not realistic to think that banks and credit unions can win back the full (nearly) $2 trillion, but a third of it is achievable. We base that estimate on the percentages of current zillennial investors who said that educational resources, investing directly from the checking account, an integrated digital investing app, lower fees, and access to financial advisors would make them interested in investing with a bank or credit union they do business with (Figure 18).

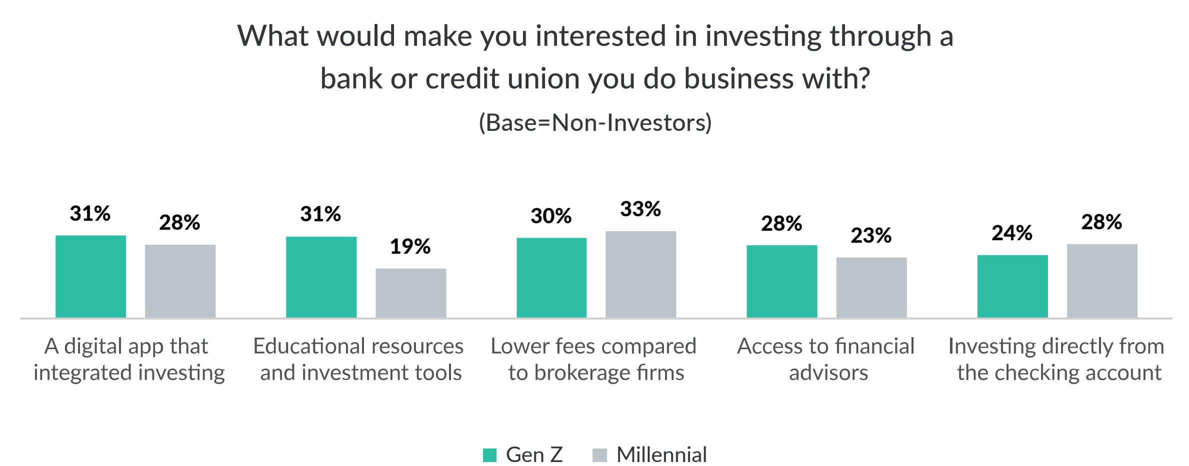
FIGURE 18:
Reasons for Investing With a Bank or Credit Union (Current Investors)



Source: Cornerstone Advisors

The percentages aren't as high among current non-investors as they are with investors, but the numbers still point to strong opportunities for banks and credit unions to bring non-investors into the fold, stem their deposit outflow, and deepen relationships with the right investing product (Figure 19).

FIGURE 19:
Reasons for Investing With a Bank or Credit Union (Current Non-Investors)



Source: Cornerstone Advisors

About the Authors

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Elizabeth Gujral focuses on the development of quantitative and qualitative analyses that ultimately help banks and credit unions boost their efficiency, service, and profitability to high-performance levels. She additionally supports Cornerstone's Research and Fintech Advisory practice, developing commissioned research and go-to-market strategies for Fintechs. Before joining Cornerstone, Gujral worked as market research analyst for both Gartner and FINRA. She holds a master's degree in business and development economics from the University of Sussex, Brighton, England, and a bachelor's degree in sociology from the University of Pittsburgh.

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For over 20 years, Cornerstone Advisors has delivered gritty insights, bold strategies, and data-driven solutions to build smarter banks, credit unions, and fintechs. From technology system selection and implementation to contract negotiations, vendor management, performance improvement programs, strategic planning, merger integration, and enterprise program management, Cornerstone combines its expertise with proprietary data to help financial institutions thrive in today's challenging environment.

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About
InvestiFi

InvestiFi, Inc. is the only InvestTech Platform designed to allow for trading to and from deposit accounts, enabling credit unions and community banks to retain more assets and attract new account holders. Through its exclusive funds flow and user-friendly interface, InvestiFi empowers every credit union and community bank to provide their account holders with the ability to navigate the complexities of financial markets with ease from within their current online banking experience. At the heart of InvestiFi's mission is the goal of democratizing investing and supporting community financial institutions, ensuring that wealth-building opportunities are accessible to everyone.

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Have questions regarding this report?

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