

July 24, 2023

# Santander US Paths to Prosperity

## Financial Prosperity in America:

Deepening relationships with customers by understanding the evolving needs of American households

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# Paths to Financial Prosperity

At Santander US, we strive to help consumers achieve prosperity. We commissioned this study to continue our efforts to better understand middle-income Americans' current financial state and future aspirations so we can best support them on their journey. This research series explores the barriers and challenges facing consumers as they work toward achieving financial prosperity, and the tools and support that middle-income households need to get there.

Building upon our Q1 study, this installment focuses on how current economic conditions, such as continued inflationary pressures, as well as recent events in the banking industry, are impacting these households. It also explores middle-income households' relationships with previously identified drivers of prosperity, including vehicle access and financial service providers.

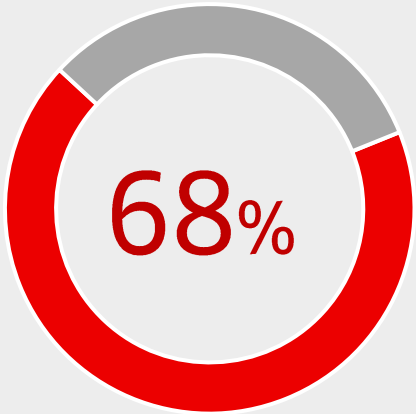
## Key Findings

- 1 Middle-income households remain resilient from Q1 to Q2
- 2 Confidence in the banking sector is strong
- 3 Navigating the market: challenges and opportunities
- 4 Hybrid banking is now the norm
- 5 Auto access remains a budgetary priority

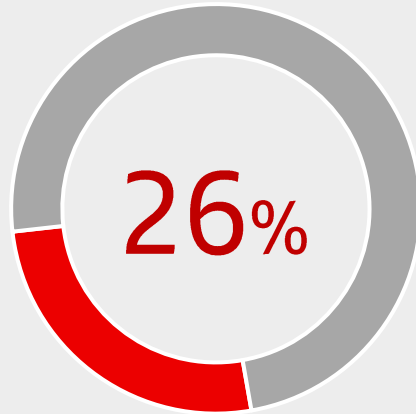
# Resiliency of Middle-Income Households

# Americans' outlook remains optimistic from Q1 to Q2

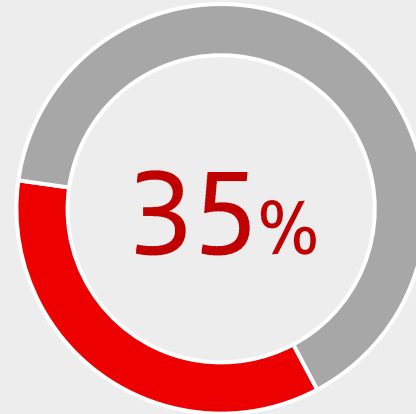
Despite continued market challenges and banking industry events, middle-income households show continued resiliency.



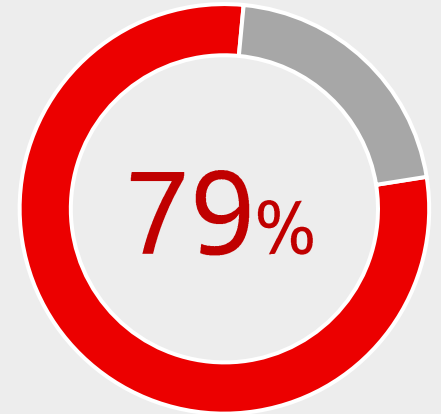
say they're **on the right track toward achieving financial prosperity**, relatively unmoved from 69% in Q1.



say they feel **financially insecure**, dipping from 28% in Q1.



say they are **not confident that they will achieve financial prosperity**, unmoved from Q1.



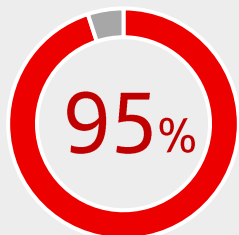
believe they can **become financially prosperous within the next 10 years**, unchanged from Q1.

# Confidence in banks and the overall banking industry remains high

Safety and security is the #1 factor when selecting a banking provider<sup>1</sup>.

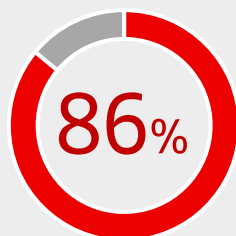
## Overwhelming confidence in banking providers and the banking sector

### Safety and Stability of My Banking Provider



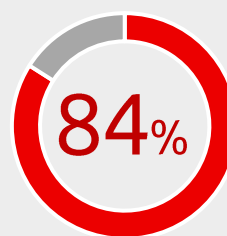
of middle-income customers are confident in **the safety and stability** of their banking provider.

### Future Outlook of My Banking Provider



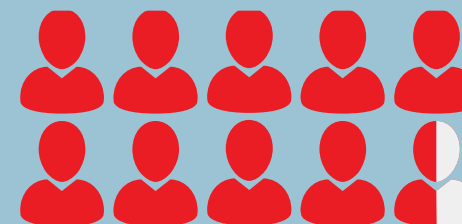
of middle-income customers agree that **their bank will remain financially sound**; only 2% disagree.

### Stability of Banking Sector



of middle-income customers are confident in the **stability of the banking sector as a whole**.

## Customers are confident in the availability of their bank deposits.



**95%** say they are confident that their bank deposits will be there when they need them.

# Confidence in banks spans generations and income levels



# As a result, Americans have not made significant changes to financial behaviors

Since March 2023...

78%

agree that their household was **not affected by the recent banking failures**, compared to only 9% who disagree.

79%

**have not changed their financial behaviors** despite recent banking failures, compared to only 7% who disagree.

**Few made changes** to their banking providers and accounts.

Only 5% of middle-income Americans changed banking providers as a result of recent banking industry events.

13% indicated they shifted deposits between banks and financial institutions.

5%

By contrast, **32% have moved funds to high-yield accounts** to take advantage of higher interest rates.

32%

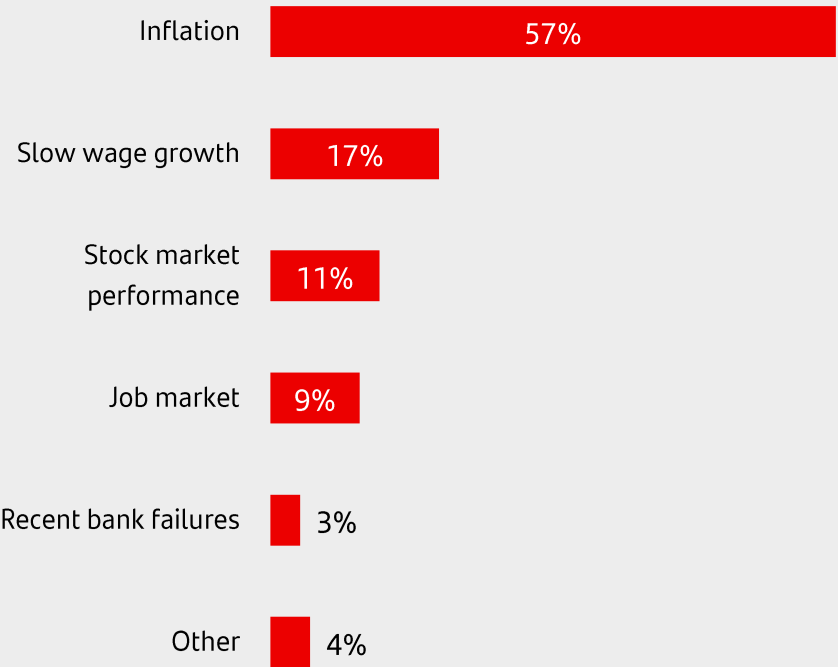


# Navigating the Market: Challenges and Opportunities

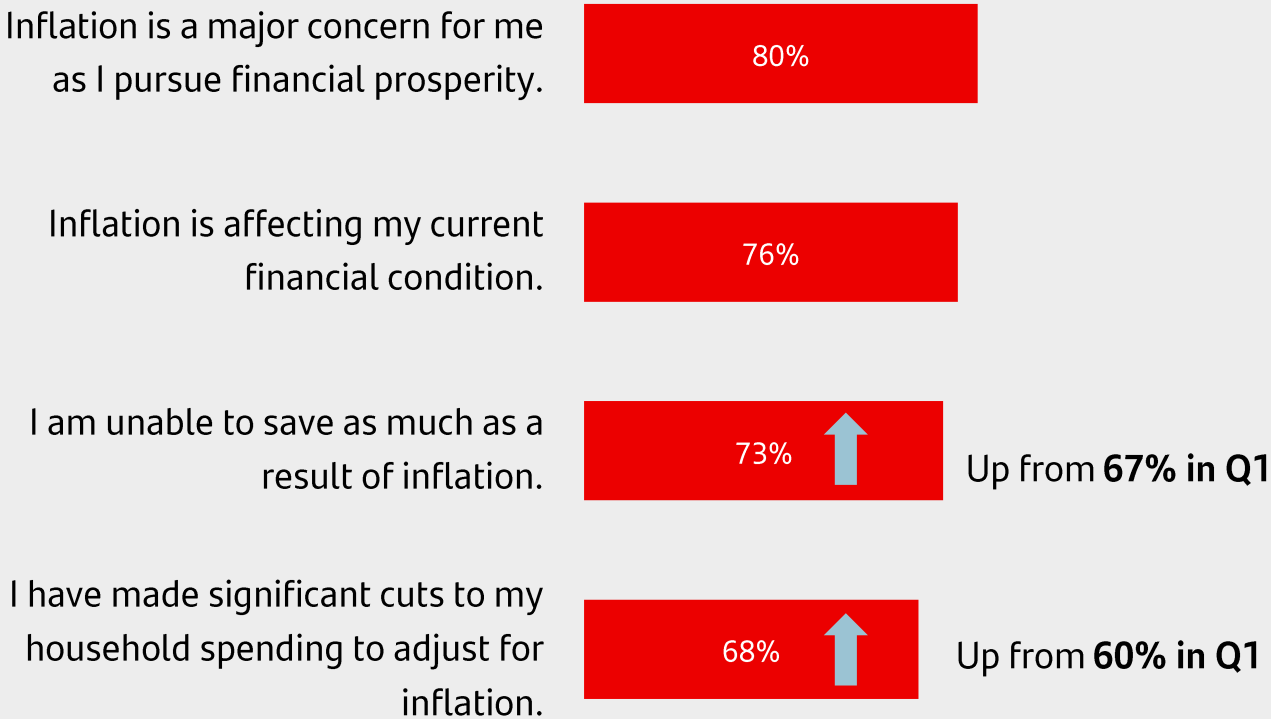
# Americans cite inflation as their primary financial challenge

**Inflation ranks #1 on a list of obstacles** to financial prosperity, whereas only 3% say recent bank failures are a challenge.

## Obstacles of financial prosperity



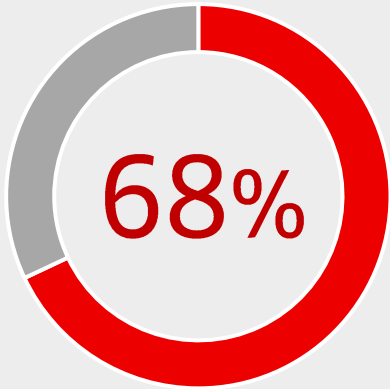
## Top concerns related to inflation



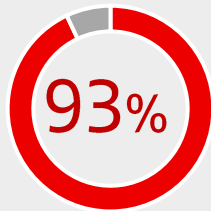
# Yet, Americans are leaving money on the table by not taking advantage of higher yields on savings

Americans may be missing out on billions of dollars in interest on their savings<sup>2</sup>.

Since early 2022, 68% of middle-income Americans **have not moved deposits into higher-yielding accounts** to take advantage of higher interest rates, despite concerns around inflation.

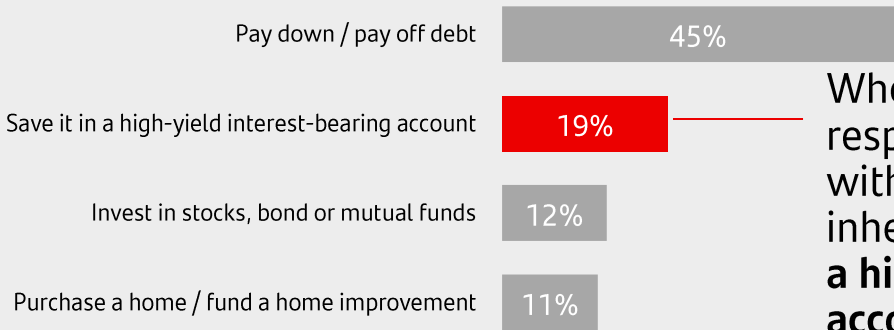


Yet, savers are interested in high-yield accounts.



**say that competitive rates are important** when choosing a banking provider, including **61%** who say it is very important.

## Top Four Actions\* Upon Receiving \$50k Inheritance



When asked what respondents would do with a \$50,000 inheritance, **saving it in a high-yield savings account or CD ranks #2.**

*\*Out of seven total options.*

<sup>2</sup>Devin Blaskovich for The Wall Street Journal. "The \$42 Billion Question: Why Aren't Americans Ditching Big Banks?" The Wall Street Journal, June 1, 2023. <https://www.wsj.com/articles/the-42-billion-question-why-arent-americans-ditching-big-banks-11670472623>

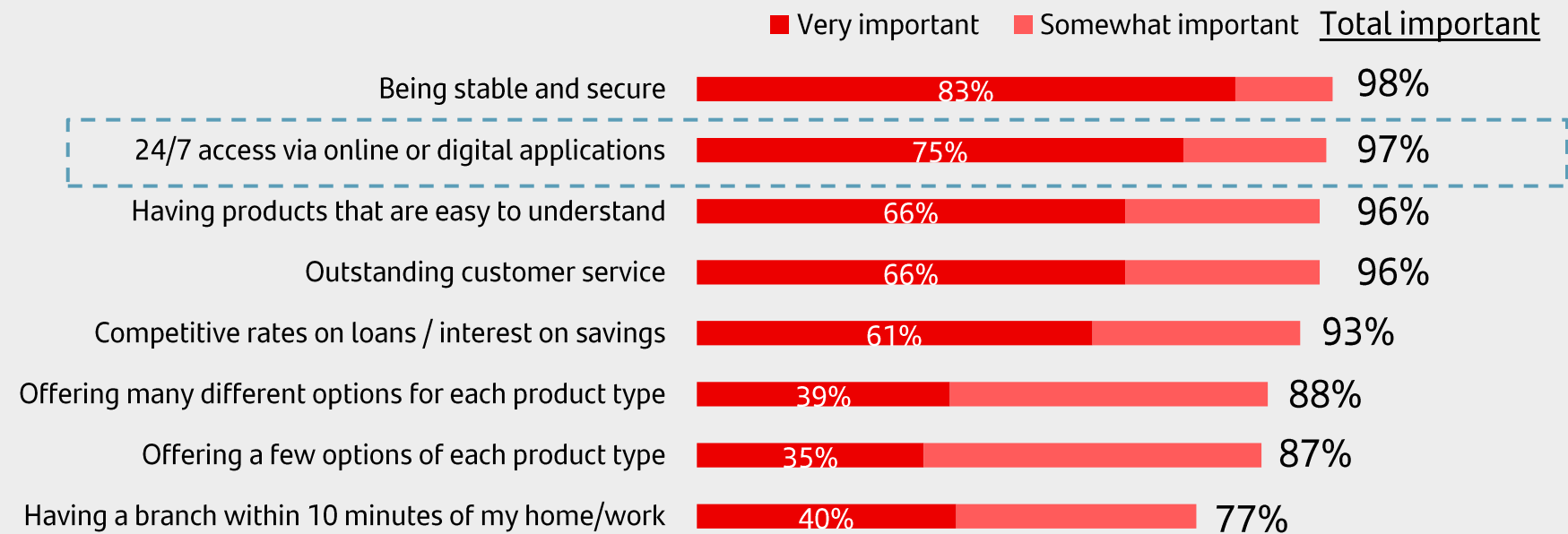
# Hybrid Banking Is Now the Norm



# Digital access is more important than pricing and proximity

Products that are easy to understand and offer attractive rates outrank the number of options available. Proximity to a branch ranked last.

## Most Important Factors When Considering a Banking Provider



Digital platforms are “very” important to all generations:

- Millennials: 75%
- Gen X: 78%
- Baby Boomers: 74%

# Hybrid banking: most middle-income customers are engaging with their bank accounts digitally

## Digital Interactions

*Among middle-income Americans with a checking or savings account*

88%

complete **at least half**  
of their transactions  
digitally.

64%

are engaging  
**digitally most or**  
**all of the time.**

# Digital banking is not just a preference – it's the norm across generations

Nine in ten middle-income Americans (91%) have completed a digital banking transaction in the past month.

## Banking Transactions Completed Over Past Week

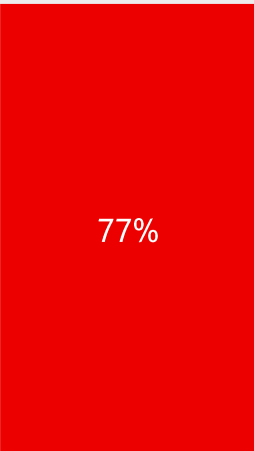
Middle-income Americans are

3x

more likely to use digital than in-person

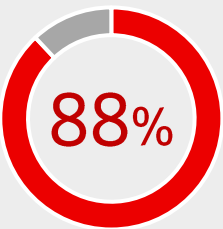


Completed a banking transaction in the past week in-person

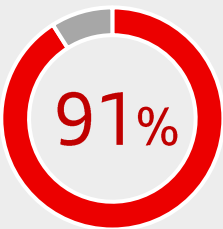


Completed a banking transaction in the past week online

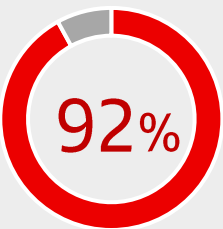
## Digital Banking Transactions Completed Over Past Month



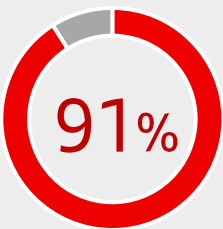
Gen Z



Millennials



Gen X



Baby Boomers

# Auto Access and Financial Prosperity



# Auto access boosts flexibility and supports financial prosperity

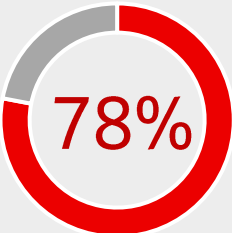
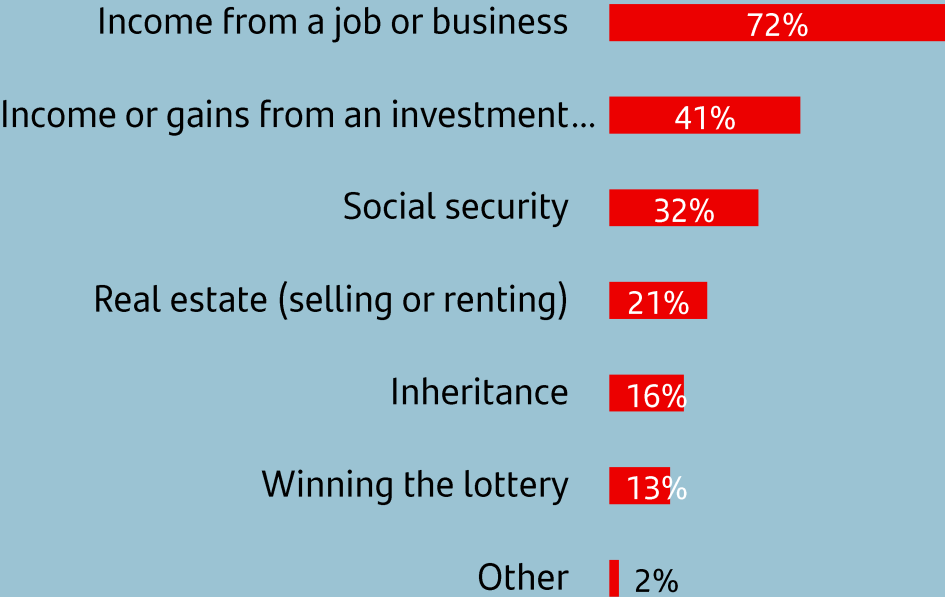


**Job-related income** is the **#1 driver of financial prosperity** for middle-income Americans.

**Auto access** is key for middle-income Americans, and they are willing to make tradeoffs to maintain access.



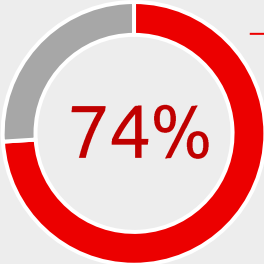
## Financial Resources for Financial Prosperity



rely on a vehicle to get to work.



say vehicle access provides them with **more flexibility on where they can live.**



Middle-income consumers would be **most likely to give up:**

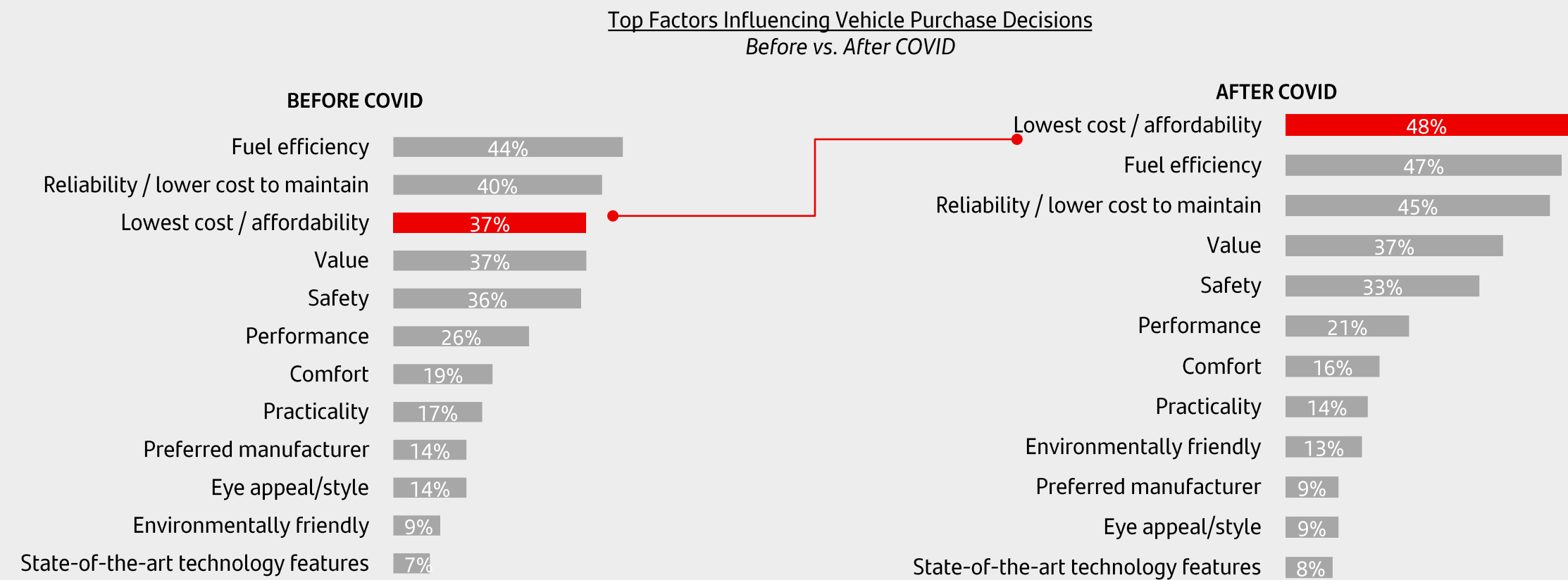
- **Eating out** (61%)
- **Vacations** (48%)
- **Entertainment** (48%)

in order to afford access to a vehicle.

agree that they are **willing to sacrifice other budgetary items** in order to access and maintain a vehicle.

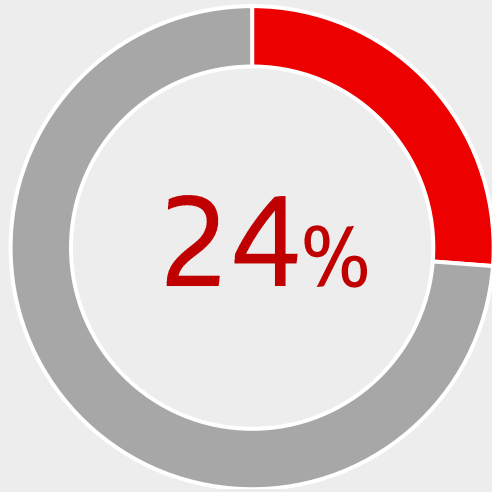
# Pocketbook considerations are now driving vehicle purchase decisions

Middle-income Americans are prioritizing cost over practicality, comfort, and performance.  
Maintenance and fuel costs also increasing in importance (on a percentage basis).

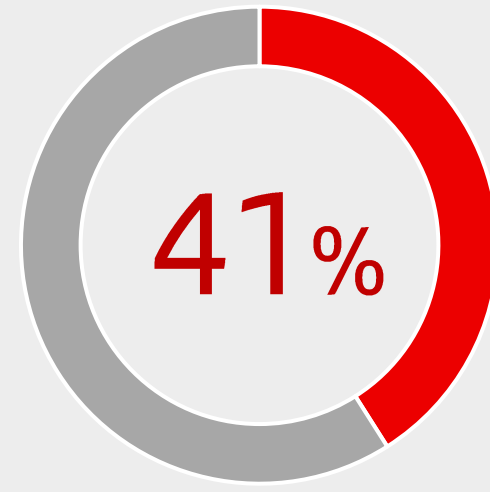


# Vehicle purchases being delayed but not off the table

Demand for vehicles remains, but some customers may wait given elevated prices.



have **delayed purchasing a vehicle over the past year.**



say they **will delay a vehicle purchase** in the year ahead if prices remain elevated.

# Appendix: Methodology

# Methodology

This research on financial prosperity, conducted by Morning Consult on behalf of Santander US, surveyed 2,213 American bank and/or financial services customers, ages 18-76.

Survey participants are employed or looking for work and are the primary or shared-decision maker on household finances with household income in the “middle-income” range of ~\$47,000 to \$142,000<sup>1</sup>.

This Q2 study was conducted from May 23-24, 2023. The interviews were conducted online, and the margin of error is +/- 2 percentage points for the total audience at a 95% confidence level.

The inaugural Q1 study was conducted from January 19-21, 2023.

The data was weighted to target population proportions for a representative sample based on age, gender, ethnicity, region, and education.

Financial prosperity is defined as thriving financially. Achieving financial prosperity includes being able to cover living expenses, handle emergencies and pursue life goals without significant tradeoffs.

<sup>1</sup> Range based on median household income of ~\$70,800 (U.S. Census Bureau) and Pew Research Center definition of middle-income being two-thirds to double median household income.

# About Santander US

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