

Personal Financial Management Tools: Delivering on the Promise of Convenient Financial Well-being?

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Objective:

While several major financial institutions and traditional banks have launched mobile apps that allow customers to quickly check account balances, deposit checks, and transfer funds, third-party personal financial management (PFM) tools such as Mint, NerdWallet, Acorns, BetterMint, and Credit Karma have looked to support financial wellbeing by promising consumers an easier and more convenient way to budget, track spending, invest, and even improve credit scores.

Significance:

Though anecdotal evidence abounds, few nationally representative surveys have investigated the take-up, success, and drop-off rates of these PFM tools. This study seeks to fill that gap and investigates the reasons why users begin using, stop using, or do not consider using third-party PFM tools, the demographics of these groups, and how these groups differ from each other and from the general population.

Method:

This survey was fielded with a nationally representative sample of 1,059 English-speaking adults age 18 and over, using the AmeriSpeak® Panel, the probability-based panel of NORC at the University of Chicago. Data from questions related to the use of PFM tools and the reasons for use (or not) were analyzed, along with demographic data on respondents.

Results:

Findings indicated that use of these financial apps is lower than may have been anticipated – only 29% had heard of PFM tools, and a mere 12% of American adults have ever used a third-party personal finance app or website. Of the 12% using these apps, almost half of users had subsequently stopped using the PFM tool they had been using. The most frequently cited reason for non-use (either ending use or never having used PFM tool) was a perceived lack of value.

Conclusions/Relevance:

With the increasing use of mobile channels and the ubiquity of AI, the environment is ripe for PFM tools to play a significant role in assisting consumers to manage their financial lives. However, our findings indicate that there exists a gap between the value promised by third-party PFM tool providers and the experience of PFM tool users. For instance, many tracking and budgeting apps require users to manually categorize transactions, imposing significant time and cognitive burdens on users before valuable insights can be gleaned. Some investment apps exist solely as a means to enroll consumers into fee-based personal financial advisory services. While the opportunity for third parties to upsell and cross-sell to a new group of customers is significant, our findings indicate that consumers still need to be convinced.

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