

James Robert Lay:

A study from Intuit found Gen Z would rather talk about anything but their finances. In fact, it's easier for Gen Z to talk about politics and sex than it is to talk about money. And that's why on today's episode of the banking on digital growth podcast, we're going to dive into the money mindsets of Gen Z together.

Greetings and Hello, my name is James Robert Lay, and I'd like to welcome you to another episode of the banking on digital growth podcast. Today's episode is part of the exponential insights series, and I'm excited to welcome Katrin Kaurov and Elizabeth McCluskey to the show. As the CEO and founder of Frich the first financial platform for Gen Z. Katrin is passionate about breaking the money taboo and transforming the future of personal finance for Gen Z. And Elizabeth is director of Discovery Fund at true stage and today, we're going to dive into how financial brands can acquire and engage Gen Z simply by first learning how Gen thinks and feels about money. Plus, we're going to explore what it's like to build a Gen Z startup as a female founder and why it's important for financial brands to support underrepresented founders and CEOs who are building product to solve common pains that cause common people problems. Katrin and Elizabeth, welcome to the show, it is great to share time with you both first Katrine before we get too deep into our conversation, what has been going well for you personally or professionally, it is your pick to get started.

Katrin:

Thank you so much for having me on the show. A recent huge win for us was having our very own first billboard for Frich. that ran in Times Square for a week, I was completely free for us, which is very fresh and very aligned with our mission.

James Robert Lay:

That is for sure that is very fresh. And Elizabeth, what about you what's been a recent one that you've had either personally or professionally?

Elizabeth:

Thank you, likewise, James, Robert, for having us on the podcast today. So as an investor, you know, we celebrate the wins of all of our portfolio companies, we have about 18 companies in the Discovery Fund right now. And one of the things I'm really excited about is that we've had another Discovery Fund Company, graduate to our ventures fund, meaning we were the initial investors in that company, and then they have gone on to receive a follow on investment from our later stage ventures fund. So we're really proud of that.

James Robert Lay:

It is always good when growth continues. And growth comes by, as I said before, looking for common pains that cause common people problems. And on a recent podcast, I was sharing the importance of digital empathy and how to truly understand someone you have to walk a mile in their shoes. That's why I want to start this conversation by gaining some perspective, which I look at as this is the some of context and framing so that we can begin to walk a mile in the shoes of Gen Z today who have had a different life experience than some financial brand leaders who watch and listen to this podcast. They come from the baby boomer generation,

worldview? Do they feel clear and confident right now about money or finances maybe a bit more confusing and chaotic? What's your take on this country?

Katrin:

So I would say All in all, they're completely lost when it comes to personal finances. I'm speaking from our experience to work with some of the leading universities across the US and most of our users are from universities like NYU, Columbia, University of Miami, and most of the students don't even know what's their credit score. So that's kind of where we stand. The great news is that a lot of those students are very passionate to be better with their finances, they really want to start investing early, they want to build a side hustle income, they want to build their credit score, but a lot of them just feel there's so much noise out there that they don't even know where to get started. So when we look at the data, only 8% of Gen Z years have complete trust in financial institutions, which shows that it's pretty low, and there's a lot of work to be done. But on the other side, they it also shows that this generation is more motivated than ever to learn from the land Millennials mistakes and be better themselves. So I would say they're currently clueless but very motivated to do better. So there's a massive, massive opportunity here.

James Robert Lay:

I appreciate the way you framed that learning Katrin from the millennial mistakes. You're talking to the Gandalf of millennials right here. I was born in 1981. And you know, Elizabeth, I want to get your take on this as well because you're coming from this millennial generation. What's your take on this when it comes to some of the challenges and struggles that that you're seeing and hearing about from a Gen Z perspective because once again, your your worldview has been different and can tryna like the way you were wanting to learn from the millennial mistakes. What's your take on this, Elizabeth?

Elizabeth:

I think there's a lot to kind of unpack from what Katrin said. So at true stage ventures, which you may also have known as formally as cmfg Ventures, we've recently rebranded, we are really working to connect credit unions within tech solutions to help them better serve their members and kind of address the needs of current and future generations, especially as demographics are changing. And I think one of the most underserved populations, when it comes to financial services is Gen Z, you know, they are young, and I think oftentimes, like the most recent generation gets the least respect from business leaders and executives, and, and yet, they're coming into their own financially, they're graduating from college, they're getting their first jobs, they're getting their first departments, they're saving up for large expenses and trying to pay down student debt. So there's a lot of major financial decisions that are facing Gen Z right now. And they just don't have the resources or the knowledge to be able to kind of address those decisions intelligently. And on the other hand, credit unions who we work with are seeing, you know, and recognizing that in order to stay relevant, and to kind of maintain and grow their membership going forward Gen Z are the users that they're really going to have to start to pay attention to and be able to offer services that are relevant to them that speak to them that meet them where they are. And so that's why we're so excited to partner with Katrin and a company like fresh because we very much believe in investing in entrepreneurs who have experienced the problems that they're trying to solve. And so I think a Gen Z founder is absolutely the person who's best positioned to address those problems that Gen Z is facing right now.

Katrin, I want to come back over to you because you said something that I think is very important for someone who is watching or someone who is listening to this particularly coming from a Community Financial brand, like a credit union. You know, when we look at Gen Z, you mentioned trust, and around 44% of Gen Z who responded to a survey, they trust national brands, but 15% only trust local financial brands. And you even mentioned the number 8% as well, which I've seen that report to why the gap Katrin when it comes to this lack of trust from a Gen Z perspective, what's driving that?

Katrin:

Yeah, well, happy to frame both the problem and solution here. So I would say like trust is a huge issue for Gen Z. And the reason being is that financial institutions and Gen Z are just right now living into \$1 different worlds, right? Like, a lot of people working with financial institutions have never spoken to Gen Z about mine, they've never had those direct conversations, they haven't really looked at the data to have a look at what's out there. So even first, the language that they're using real money is open to confusing and complicated for Gen Z. So it doesn't resonate at all with them. And to bring a very concrete example, for example, you know, if you talk about like, credit utilization, or like even building a credit score, it feels for Gen Z, something they don't really care about. But if you address it the Gen Z in a way, where it's like, Hey, do you want to land your dream job? Or do you want to get your dream car that's very exciting for them, right? Like that life goal makes them very, very motivated. And for Gen Z, they like to tie those financial goals more to their dreams and their life goals rather than money being a goal on its own, which is a huge place where I feel financial institutions go wrong. But all in all, I feel the big Miss Connect system, financial institutions are still trying to acquire engage Gen Z in a way that was bored for previous generations. But Gen Z is a completely different animal first, right? We're much more focused on our life goals, and dreams. And money is just like a tool that gets us there. Secondly, Gen Z is the most social generation out there. And peer reviews are extremely important, which is why Freccia is all about making money, social users can see what type of products and services our users just like them using and like, what did they think of that? Like, they want to have that honesty and transparency of knowing, like, what did their friends like? Like what kind of, you know, banks work for their friends, what type of investment tools works for their friends. And lastly, Gen Z has an immensely short attention span. So anything you want to get across to the Tick Tock generation, you got to get that message across, you know, three, four seconds. And I think you know, a lot of the language use right now with financial institutions, or even they product flows or like marketing messaging, it's just too long and like Bill long, loose, and before they even like, we'll get through the marketing campaign. And so what we do as a solution in French, we actually work and have a b2b side as well, where a Frich serves as a bridge between Gen Z and financial institutions. And you can almost think of us as like, a way to translate and get those two generations to talk in the same language, whether it's like through data or Like tailored product offerings or like targeted marketing campaigns, so we can offer a variety of services to make that conversation a little more easier for both parties.

James Robert Lay:

I liked the way you're talking about this as a translation to get these different generations talking because, you know, growth comes from communication. And communication is a key to building trust. One of the things I wrote about and banking on digital growth is trust is the glue that holds all positive relationships together, every positive relationship starts with with respect helped me when I have a need, not when you have a need. And I like the way you frame that this money is a tool to get us to a better future state to help us achieve our goals for growth, if you will, but But

perspective. And I want to get your take on this Katrin. Where is Gen Z going to learn about money you mentioned tick tock, which I think is really critical and important to consider here. Why tick tock? Why Instagram? Why not even Google for that matter?

Katrin:

Yeah, so to kind of also frame like the situation regencies right now, right there in the middle of so much noise when it comes to information, like first, they're bombed by different financial institutions and fintech ads, and especially when it comes to financial institution ads, they feel like they're not relevant for them at all. Then we have all these influencers and like my money coaches, money advisors, however, you want to call financial influencers and Tiktok on Instagram, but the problem is that like a big portion of Gen Z, are still unable to trust them, because they know a lot of the content is sponsored. So that's why Gen Z cares most about their peer reviews, like what people exactly like them doing. And like, for example, that's why on our platform users kind of anonymously see what are some of the solutions that work for people just like them. So I would say there's right now a massive lack of trust, because they know so much of the noise and advertisements out there are sponsored, so they don't really know what actually works, what's the truth, and they're pretty sick of all the filters and like, kind of all the fluff that's on top of it. And Gen Z doesn't really want even says financial goals, they just want to make a decision, right? Like when they're opening a new credit card, or they're starting to invest, they just want someone else to figure it out for them in the quickest way possible. Ideally, you know, peer rated sort of No, this thing actually works so they can move on with their lives. But that's very much how Gen Z thinks instead of, you know, setting goals, researching the laws, like which was very, like familiar to millennials, like, you know, NerdWallet works perfectly well for millennials, because people love to read your articles, like Gen Z no longer has the patience. They want to get very quick information. Why, which is why right now picked up is one of the best options out there. But it still lacks the element of trust. Right, like when an influencer, you know, refers a bank, they're wondering like, is that influencer getting paid? Probably? Yes. Referred on. Thanks. So is that even the best option out there?

James Robert Lay:

That's a great point. Elizabeth,

Elizabeth:

I want to create Yeah, I would love to just hop in, please. Because just wanted to point out one of the things I think that's, that's really so great, but also kind of old school about what Katrin and her team are doing is, there is so much noise in the digital space. And obviously, they have a digital solution that's working really well. But they're also using kind of an age old tactic of going on to college campuses to actually meet and engage with people in person and have a two way dialogue. And I think that form of customer acquisition has been extremely effective for them. And also extremely low cost when you compare that to, you know, the rising cost of digital acquisition as there are so many fintechs kind of chasing after the same demographic, via the same channels. And so just doing kind of that old school, in person relationship building, I think is a really effective and not necessarily intuitive strategy to many of the Gen Z FinTech companies these days.

James Robert Lay:

are in the physical world, but then bringing that relationship into the digital world to continue to deepen, to learn to gain knowledge, and I want to dive deeper into this. You know, I am one who tends to lean into some uncomfortable conversations, because that's where we experienced the greatest growth and I know as a kid growing up, you know, you don't talk about politics. You don't talk about sex and you know, We'll talk about money religion with other people. But there was an Intuit survey that Gen Z would rather talk about their their sexual experiences than than finances. Why is this? And what's creating the stigma? About money? Like, and that's why I appreciate this conversation because I know what you're trying to do, Katrin is, is break this taboo. But why is there a taboo to begin with? Do you think in the first place?

Katrin:

Yeah, um, I would say like a big part of the book comes from again, comparison, right? And like shame, like, Am I worse than others, and a huge part here becomes because people don't know what's the baseline, normal, right? Like other college students, you don't know if it's normal, that your card gets declined every once in a while, because you don't have enough money on it right? Or you don't know if it's normal that you haven't started building your credit score yet. So I would say first key thing is, people don't know what's the average, right? So you don't even know how to benchmark yourself versus if you take fitness, for example, which is a topic that used to be taboo, but no longer is, it's very open. And like, honest, to speak about how much weight you lost or how often you're working out, or what's your like, you know, nutrition, right? Like right now. And it's very normal to post that on social media as well. And so that's something similar we're doing it spreads to make sure that money is the next big topic where everyone starts to feel comfortable to talk about it. And one of the ways where we have opened up that conversation is first anonymizing things. So our users whenever they, you know, want to know how to compare to others, they need to submit their answer. And then they will see how do they compare to others in their cohorts? Let's say if you're an NYU graduate to describe it, and you wonder, like, do you have your life together right now or not? You can just respond to a couple of questions and see anonymously, how do you compare to your cohorts, so you don't have to go through that very, like shameful experience of seeing if you are below others, and what users often you know, end up figuring out this, they are not that much worse than their peers, it's more about the fear of like unknowing that that really, really scares them. And that same fear often holds them back from using financial institutions products as well, because they think that they're doing so badly that they don't even deserve to use them, like they're afraid of taking the first step, because money and finance has been very, very intimidating for them. So I would say for any financial institution listening to this right now, like making sure you don't intimidate your users, and you might feel that like, no matter where your financial literacy is right now, you can get started at any point is a really, really crucial step.

James Robert Lay:

That's it. You know, I really appreciate this conversation. I just pulled up another research report, this is from reported on Fast Company, half of Gen Z has lied about how much they make. And it's this it's the it's it's the it's the unknown. It's like, where do I rank? How do I compare with my peers. And that's one of the reasons I appreciate how Frichs positioned on the homepage, you have your website, I see the texts, no filters, no fakeness, just the raw truth about your and then you crossed out your everyone's money, just the raw truth about everyone's money. And this is also in line with some other research 69% of Gen Z, say they wish people were more open about personal finances. I think of some, you know, recent conversations we've had in some of our own cohorts to where I'm facilitating financial brand leaders, sharing their money, stories,

leaned into that uncomfortable conversation. It's amazing at what happens because it's like, you know, levels of resistance decrease, trust increases, and then we're really able to start helping guide people beyond pains in the present moment. Elizabeth, why why is this the case? Why do you think it's so challenging for financial brand leaders to facilitate this money conversation? Maybe first and foremost, internally, get alone even externally? What's your take on that?

Elizabeth:

I mean, I think the way, you know, one of the themes of this conversation has just been communication. Like, I think the way that Gen Z communicates is so radically different than what financial institution leadership is used to in serving their kind of previous demographics. And I think there's such a huge opportunity here, particularly again, with the credit union community that we're working with, because I think probably the, you know, the stereotype among Gen Z, if they're even aware of credit unions is like that's something that my grandparents used. It's kind of an old fashioned financial institution. But if you were to describe a credit union to somebody from Gen Z, it's so aligned with kind of the value system of, of I think this generation, which is, these are not. These are nonprofit financial institutions. They're very mission oriented. They're often, you know, very steeped in the communities that you that they're serving. So you talked earlier about kind of trust and local, like community. Media banks and credit unions are our local institutions really like they exist to serve kind of their local population with non predatory products that are trying to focus on financial wellness. And so I think there's an opportunity for collaboration between, you know, companies like Fritch, and credit unions and community banks. And it's just about Fritsch helping financial institutions better communicate and learn to speak the language of Gen Z, because there is this alignment opportunity. That's just, you know, it hasn't been highlighted to date. But we think that it's a huge opportunity going forward.

James Robert Lay:

Well, I want to dive deeper into this opportunity here. Because, you know, when we look ahead towards the future, Gen Z is feeling pretty pessimistic about their financial future. Coming back to this Intuit study, they found that three out of four in the Gen Z community and I liked the way that Elizabeth you referenced community, because I think community is key to facilitating a dialogue and discussion here, but three out of four in the Gen Z community say the current economy makes them hesitant to even set up these long term goals. Catherine, I want to come back to something that you mentioned before, why does making money social matter so much? But particularly right now, probably more than ever before?

Katrin:

Yeah. I would say it matters, the most of people, again, know, what's the baseline, like, what is normal, and they even feel the courage to start working on their personal finance situation. Like, again, whether it's starting to build their credit starting to invest, like finding the right banking products. A huge thing that happens, especially for the Gen Z user right now is, the moment you're graduating from university, like, you're the most attractive for financial institutions, right? Because you're right now signing up for products that you're gonna use probably for a lifetime. And that, that moment, users are extremely overwhelmed. Because they're graduating, they're trying to find a new job, they're trying to figure out, what does it mean to rent an apartment, you know, how to set up 401k, what type of products to use. And it's really like a matter of couple of months when they have to figure out all those huge decisions for a lifetime. And they don't have

confused. And they generally don't have anywhere to turn to do it. And I always like to bring the parallels with the fitness industry. There's so many groups and communities for people training for a marathon or like going to yoga, but there's nothing like that for personal finances, and we spend the majority of their lives working to make money. And then we are not told what to do with that. So I would say having a safe and open community where people can have access to what's the truth, like what's the norm of what you're supposed to be doing with your money, whether it's anonymous or not. I think just having a place where you can benchmark yourself is extremely important, because otherwise, most young people worry about money. If I'm not wrong, I think the seven times a day people are anxious about money, but they almost never take any action. They're just worried about it, but they don't even know where to get started. They don't know what's normal. And that's why we have to build a financial community to make sure that people have that open and honest place where they can go and feel confident about the personal finances

James Robert Lay:

Very much so and then when you think about like, you know, the connection between health and fitness and health and finances, there's such a strong correlation that financial stress takes a toll on people's physical well being the mental well being even a study from stash found that about one out of every three people are losing sleep, because of financial stress. One out of every three people are too embarrassed to discuss these financial matters because they think that they're worse off than their peers, which is exactly the problems that you're addressing at Frich and I want to pivot the conversation just a bit, you know, to from from the the money mindset of Gen Z to what it's been like for you to build a Gen Z startup and really the what's the big lesson that you've learned along the way yourself as a leader?

Katrin:

Yeah, I love this question. I have, I think two key elements that I want to bring up here so when I first started building Frich, I was being called by with a lot of hesitation from everyone around me. Every investor I spoke to in the beginning because Well, first, my personal background was in fashion. Me and my co founder were those like people in early 20s. And a lot of people had worked in the finance sector for two decades. We're like, what are you? What are you been trying to do? And I think, in the beginning that didn't understand what an asset today's to be our actual own target demographic. But I realized over time that to build something for the demographic, you need to be able to live the problem and understand the problem. Instead of you know, for someone who's worked in banking for 20 years, there's no way that you can understand how a 21 year old college kid is thinking about money, because you're just too far away, you almost are too knowledgeable to relate to their problems. So I feel like what it was in the beginning perceived as our weakness actually became our biggest strength because we took a totally different approach to money like we made, even our branding is very different, right? Like, you know, H stands for effing great. I don't know if I'm supposed to say this in this podcast.

James Robert Lay:

Absolutely. You can say that. Go ahead. I mean, you know, this is the truth, this is the way but this is the communication patterns. And if you're going to connect with people, you have to communicate, how they communicate. So I think you're 100% correct with with your train of thought, right here. And the way that you took this is you transformed a potential roadblock into

these terminologies? What are all of these acronyms? Even the, you know, something like AP, why? We've had multiple people in user tests think that oh, AP, they're wanting to charge me to use a checking, oh, no, they're wanting to pay you, you know, to keep your money here and have a checking account here. So it's a matter once again, to think of perspective and your your story is, is truly inspirational. I want to come over to Elizabeth because, you know, I am passionate about the intersection between financial brands and entrepreneurship. Why is it important for financial brands to support underrepresented founders and CEOs, like Katrin, who are building products to solve common pains that cause common people problem, but there might be some confusion out of the gate of like, how does all this make sense? And in What are y'all doing to help facilitate and navigate some of that, in partnership with with some of what you're doing over discovery?

Elizabeth:

Yeah, so I'm, this is my favorite thing to talk about. But just to give a little bit of context, TruStage Ventures has been investing for the past seven or eight years, and we've deployed collectively over \$300 million of capital into FinTech companies that are trying to really help connect consumers with better financial solutions, particularly through the credit union ecosystem. And then the Discovery Fund was launched about two years ago, as you mentioned, with a specific emphasis on investing in underrepresented founders, which to us, means people of color women and LGBTQ CEOs. And it was important for us to invest in those particular demographics, because they've been so underrepresented in the venture capital industry to this to this point. So women, and Black and Hispanic CEOs each receive less than 3% of venture capital funding, which is obviously significantly less than what their population sort of representation is. So we thought, you know, not only is this the right thing to do, but again, it very much is aligned with our investment thesis that in order for the financial services industry to continue to grow and thrive, they have to meet the needs of an increasingly diverse and multicultural consumer, a younger consumer, and, you know, 60 something percent and 61% of credit union membership growth in the next five to 10 years is going to come from multicultural consumers. And so how do we find the solutions that are going to help credit unions better serve those members? You know, we think the answer is investing in companies that are led by underrepresented founders who, like Katrin said, have lived the experience and the problems that they're trying to solve, because I think entrepreneurship and startups are a very, you know, long and often kind of lonely journey. And so we want to see and invest in founders who really have that passion, who have that mission orientation towards solving the problems that they've set out to solve not just because it's going to make them effing rich, hopefully, because it's actually going to serve their community and be kind of a meaningful contribution to society that they're providing. So I think, you know, our objective was twofold. We wanted to kind of write some of the inequity in the venture capital ecosystem, but we also see this as the biggest opportunity for growth and success of the financial services industry at large is to invest in the underrepresented founders who we think are building the most innovative solutions to serve the needs of consumers kind of of the next century?

James Robert Lay:

Yeah, well, I appreciate the work that you're doing on this front, because it is important work is meaningful work and is impactful work. And it's work that will continue to pay dividends for decades to come. And as we start to wrap up, I want to give everyone who is watching or listening, a very practical takeaway that they can apply some of the things that we've shared today as some of the knowledge that you've shared today, both of you, what's one small thing

Elizabeth:

I mean, I'll give the shameless plug to French and say reach out to Catherine, because they, you know, we didn't even talk about kind of the question of the day thing, which Katrin, I'll let you elaborate on more, but they are mining some amazing insights from, you know, a huge and growing population of Gen Z, who's actually on their platform in terms of what they need now, what their questions are. And so I think the most powerful thing some of these leaders can do is just start to ask questions and understand what's on the minds of Gen Z, and then going from there to working in partnerships to actually build the right solutions, or kind of, even if they have the right solutions, figure out the best way to market those to that audience.

James Robert Lay:

Absolutely. And Elizabeth, you, you teed this up, Catherine, what's, what is the question of the day? What should? What questions should we be asking and thinking about as we wrap up here together?

Katrin:

Thank you so much for bringing that up. So Question of the Day is a daily feature on the Frich where users come to the app, they answer a question that's usually around an intriguing money question. And only after they've answered the question, they see how they compare to their peers. But from a financial institution standpoint, we can gather your data in that Gen Z language, for whatever topic, you're curious to know more, and we can get those new insights for you literally on a daily basis from our audience, to bring their concrete examples. So we recently worked with a community bank who wanted to understand more like, Why does Gen Z even care about building credit? And so you know, instead of asking that in a formal way, we asked a lot of questions in the app of like, you know, do you care more for your credit score for like cool rewards? Or do you want to flex it and awesome credit card? Or do you want to land your dream job, and like, in those very, like relatable ways, we collected a lot of targeted information for that bank, and came back to them recommendations how based on the data and insights we collect that they can, you know, tailor their marketing their product offerings, like their customer acquisition campaign. So that's something we do on our end. And I'm very, very happy to speak to any financial institution who wants to engage Gen Z, we can offer multiple different solutions. But to leave with one tip on my side, and it seems almost silly to say, but it would be talking to Gen Z, like Do not try to build something for an audience, if you're not having a direct conversation with them. I feel oftentimes, you know, finding five Gen Z years and talking to them for one hour about money can be much more useful than like, you know, pouring coffee million for like Google ads and seeing what comes out. And it seems so simple, like actually speaking to the user, which is something which we still do for our clients and for ourselves. Every single day, my co founder is running a beta tester program where we speak to Jen's ears every single day, and every single day, we gather new insights from them. And I would say, every financial institution out there should be doing that immediately. Because there's no way you can just kind of like shoot in the dark. And guess what they want to actually need to ask them. And also show them your product and see if they even understand what's happening there. And there's a huge probability that they don't want them, then you can kind of get into the weeds and understand how can you make it better?

conversation that we have shared if someone wants to continue to the conversation that we have started capturing what's the best way for them to reach out and say hello to you.

Katrin:

Yeah, absolutely. Well reach out to me at petronet Good for each set calm or find me on LinkedIn. And I would be more than happy to connect and find solutions that work for you.

James Robert Lay:

And Elizabeth, what about you? What's the best way for someone to reach out and say hello to you?

Elizabeth:

Yeah, LinkedIn I'm pretty responsive to my email is Elizabeth dot McCluskey at true stage which is TR u s t h e.com.

James Robert Lay:

Fantastic connect with both of them. There's a lot of good things that you can continue to learn. Thanks again. Catherine Elizabeth for joining me for another episode of the banking on digital growth podcast. This has been fun.

Elizabeth:

Thanks for having us

James Robert Lay:

As always and until next time, and as always Be well. Do good and be the light