Fintech Megatrends Transform Our Relationship with Money

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The Wharton Global Youth Program's Future of the Business World online course in part asks high school students to think deeply about how the landscape of business will change over the next 10 years.

When we recently posed this question to teens around the world, many responded with observations about technology, machine learning, artificial intelligence and pressing social and environmental issues. A few mentioned apps like Venmo and PayPal as fundamentally changing the way we interact with money.

Herein lies our jumping-off point: the intersection between finance and technology, which is so much more than an app on your phone – in fact, it involves all those above influences that are transforming the business landscape. It is fintech, and it is the future of business.

We recently scored Zoom time with someone at the forefront of fintech, both as the founder of a startup and as a first-year Wharton MBA who is the incoming president of the Wharton Fintech Club. Nathan Soffio has spent 10 years in product engineering at startup tech companies, some of them focused on finance, and is considered a fintech guru – in other words, he knows a whole lot about how the intersection of finance and technology is impacting your lives.

So, we asked him just that: What are some of the essential ways that the fintech industry is changing personal finance (appropriate given that April is Financial Literacy Month in the U.S.) and influencing the future business landscape?

First, he clarifies, fintech isn't really a standalone industry: "Fintech plugs into almost everything we do in the digital age, which is why it's so crucial that it continues to develop with transparency and equity," says Soffio, whose startup business Proofetch is focused on financial inclusion and helping people access core checking and saving accounts even though they haven't previously been part of the traditional banking system. "Checkout online? Fintech. Split a Venmo payment? Fintech. Applying for a loan? Fintech. Fintech is not just the apps you use to pay and get paid, but anything that involves making that money work for you, making sure that money is secure wherever it goes, and making sure you can get smarter and healthier with your money over time."

With that, Soffio identifies four "macrotrends in fintech." Fasten your money belts, because these digital developments will have you interacting with money in new and provocative ways, and inspire innovation and transformation in business.

1. **Embedded banking**. Embedded banking describes banking-like services that live in all sorts of other apps that aren't actual banks. Yes, Venmo is one example. Soffio describes it like this: You have the apps on top delivering a slick user experience, then you have a middle layer of companies that do banking as a service and allow you to manage checking, savings and sharing payments without interacting with an actual bank, and then the bottom layer beneath that is made up of chartered banks. "Financial apps will continue to get more interesting and cooler and slicker and more functional as they get further and further away from any kind of underlying bank. This is embedded finance," notes Soffio.

2. **Financial health and wellness**. Apps like Mint and Credit Karma have been on the rise in the past five years, aggregating data from consumers that helps them make smarter financial decisions based on their lifestyle and past choices. This trend is gaining momentum, suggests Soffio. "The data is going to be easier to use, and more financial institutions and apps living close to the consumers will be throwing off useful data that financial health and wellness apps can use more effectively, he notes. "Financial-service providers will be put in a position where regulators force them to publish out their data in ways that make it easily analyzable. Apps themselves will get better at providing suggestions and recommendations about what people should do." The flip side? Not all of that advice will be sound. That's why, cautions Soffio, it's still important to learn foundations of money management in school and in your community so you can distinguish between the good and bad apps. Technology is not a replacement for strong financial skills.

3. **Getting paid**. Soffio anticipates innovation around payroll, meaning that the salary you earn will be paid to you with more flexibility, rather than the traditional paycheck every two weeks or once a month. "I think it's interesting how so many people are freelancers and creators and part of the gig economy these days," says Soffio. "There will be a very interesting growth of flexible payment apps or flexible payment options as the plumbing between consumers and banks gets much smarter by all those companies that live in the middle."

4. **Cryptocurrency and blockchain**. Soffio calls this the "weirdest" fintech megatrend because it has so much uncertainty — and yet it makes his top 4 because it is *everywhere*. As of last week, for instance, you can buy a Tesla with bitcoin (digital money); however, Soffio predicts, "I don't see being able to buy a sandwich with a bitcoin anytime soon." And then, of course, there are NFTs or nun-fungible tokens, which are unique tokens (with value) on the blockchain. Stay tuned for a separate story exploring NFTs, which are both cool and somewhat complicated. For now, though, Soffio says blockchain technology, a system of recording information in a way that makes it nearly impossible to change, is going to inspire better financial record-keeping. As for actual cryptocurrency, he is taken with the concept of Central Bank Digital Currency. With this, central banks can push digital money into the economy without affecting the inflation rates or devaluing the currency – and potentially help underserved people who are not part of the traditional banking system to access alternative sources of finance.