

A large green rectangular area is positioned in the top left corner of the page. A thin grey line extends from the bottom right corner of this green area, ending in a small yellow square. This line then continues horizontally to the left, passing through the text "Consumer Payment Study".

# Consumer Payment Study

A thin grey line extends from the bottom right corner of the green area, ending in a small yellow square. This line then continues horizontally to the left, passing through the text "Consumer Payment Study". A vertical grey line extends downwards from the bottom right corner of the yellow square, ending in another yellow square. A horizontal grey line extends to the left from this second yellow square, passing through the text "February 2007".

February 2007



## **CONSUMER PAYMENT STUDY**

**Survey Conducted by  
Woelfel Research for AARP**

**February 2007**

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Woelfel Research, of Dunn Loring, VA, conducted the survey. Subject matter input was provided by Sharon Hermanson of AARP's Public Policy Institute. The report was prepared by S. Kathi Brown, AARP Strategic Issues Research. AARP would like to thank Scott Schuh and David DeRemer of the Federal Reserve Bank of Boston for sharing their previous research in this area and for their valuable contributions to the survey design process. For additional information, contact S. Kathi Brown at (202) 434-6296.

## EXECUTIVE SUMMARY

This national survey examined the extent to which individuals ages 25 and older who have bill-paying responsibility for their household use newer electronic payment methods, such as automatic bill payment and online transactions, as well as more traditional payment methods, such as cash, checks, and credit cards. It also explored the degree to which use of these newer technologies varies by age. The results reveal that a majority of those with bill-paying responsibility have, in fact, used some of the newer *offline* electronic payment methods, such as automatic bill payment deducted directly from their checking account and check cards. However, only a minority have used *online* payment methods, such as online banking and online bill payment at the web sites of companies that bill them. The findings also reveal some clear differences by age.

### Key Findings

Use of electronic payment methods in general is more widespread among younger individuals (ages 25-49) than among individuals ages 50 and older; however, many individuals ages 50+ do in fact regularly use certain electronic payment methods.

For example, automatic bill payment is as common among respondents ages 50+ as it is among younger respondents, with approximately half of respondents in each of the three age groups examined (25-49, 50-64, and 65+) reporting that they use automatic bill payment at least once each month. Among individuals who do not use automatic bill payment, the primary barrier appears to be a reluctance to forfeit control over their payments.

More than six in ten (63%) respondents ages 25+ have an ATM card. Although ATM card ownership and use of ATMs does decline with age, respondents ages 50-64 (65%) are nearly as likely as those ages 25-49 (71%) to report having such a card. Moreover, although ATM cards are somewhat less common among the 65+ population, more than four in ten (42%) respondents ages 65+ indicate that they have such a card.

Among respondents of all ages, the primary reason for not having an ATM card is the perceived absence of need or lack of desire for such a card. In fact, of checking account holders ages 50+ who do *not* have ATM cards, nearly half report that they do not need or want such a card. This perception is more prevalent among individuals ages 50+ than among those ages 25-49. Of checking account holders ages 25-49, only 29% report having no need or desire for an ATM card.

Approximately one in five individuals ages 25+ report using each of the online payment methods examined in this survey, with 21 percent reporting monthly use of online banking and 19 percent reporting monthly use of online bill payment at the web sites of businesses that bill them. As with use of ATM cards and certain other newer technology, monthly use of online banking and online bill payment at the web sites of businesses to which bills are due is less common among individuals ages 65+ than among individuals ages 50-64 and individuals ages 25-49.

Among respondents of all ages who do not use online payment methods, concerns related to the privacy and security of the Internet are the most frequently cited explanations for not making use of online payment technology. In fact, among individuals with Internet access who do not use online banking, nearly one in three (31%) identify privacy and security concerns as their reason for not using online banking. Similarly, 32 percent of individuals with Internet access who do not pay bills online at the web sites of companies that bill them cite privacy and security concerns as the reason for their reluctance to pay bills in this manner.

## **INTRODUCTION**

The emergence in recent years of electronic payment methods that rely on the Internet and other advanced technology led AARP to conduct a survey in the spring of 2006 to examine the extent to which U.S. households use these electronic payment methods. The survey explored the use of automatic bill payment and online methods as well as more traditional payment methods, such as cash, checks, and credit cards. It also assessed user perceptions of each payment method, barriers to use of each payment method among nonusers, and differences by age of respondent.

## **METHODOLOGY**

This national telephone survey was conducted by Woelfel Research for AARP from April 10, 2006 to May 17, 2006 using random digit dialing procedures. Interviews were completed with 1,500 individuals ages 25 and older who have primary or shared responsibility for paying the bills for their household. The data were weighted to reflect the U.S. population of adults ages 25 and older based on age, sex, educational attainment, and race/ethnicity. The margin of error for total respondents is +/- 2.5 percent.

## **DETAILED FINDINGS**

### **Use of ATMs versus Bank Tellers**

When asked whether they use ATMs or bank tellers to withdraw cash from their checking accounts, respondents who have checking accounts were equally likely to report that they use ATMs and bank tellers.<sup>1</sup> Specifically, more than four in ten (43%) checking account holders use ATMs to withdraw cash from their checking account while an equal percentage (43%) use bank tellers.<sup>2</sup>

#### ***Differences by Age:***

Younger checking account holders were more likely than older checking account holders to report using ATMs to withdraw cash. Specifically, more than half (53%) of those ages 25-49 use ATMs for cash withdrawals, compared to just under four in ten (39%) respondents ages 50-64 and only two in ten (20%) respondents ages 65+.

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<sup>1</sup> The vast majority (90%) of survey respondents reported that they have a checking account or similar account from which they can withdraw funds by writing checks. The likelihood of having such an account did not vary significantly by age. When asked why they do *not* have a checking account, almost one third of respondents (32%) without a checking account indicated that they do not have a need for such an account. Other reasons commonly cited for not having a checking account included security or privacy concerns (14%), an insufficient amount of money (12%), a dislike of banks (9%), and fees (8%).

<sup>2</sup> When asked to describe the methods they use to withdraw cash from their checking account, respondents were allowed to name more than one method.

## Payment Cards

Despite the increasing popularity of debit cards, such as ATM cards and check cards, ownership of credit cards is still more widespread than ownership of ATM and check cards. For example, when asked which of these payment cards they currently have, more than seven in ten respondents (74%) reported that they have a credit card whereas only approximately six in ten reported having an ATM card (63%) or a check card (60%).<sup>3</sup> Significantly fewer (23%) reported having a prepaid card.<sup>4</sup>

### *Differences by Age:*

The majority of respondents regardless of age report having at least one credit card. However, respondents ages 50-64 (78%) were somewhat more likely than those ages 25-49 (71%) to have such a card.

ATM cards and check cards are owned by the majority of respondents under age 65 but are less common among respondents ages 65+. Specifically, just over two in five (42%) respondents ages 65+ reported having an ATM card compared to seven in ten (71%) respondents ages 25-49 and nearly two-thirds (65%) of those ages 50-64. Similarly, respondents ages 65+ (39%) were also less likely than those ages 25-49 (69%) and ages 50-64 (55%) to have a check card.

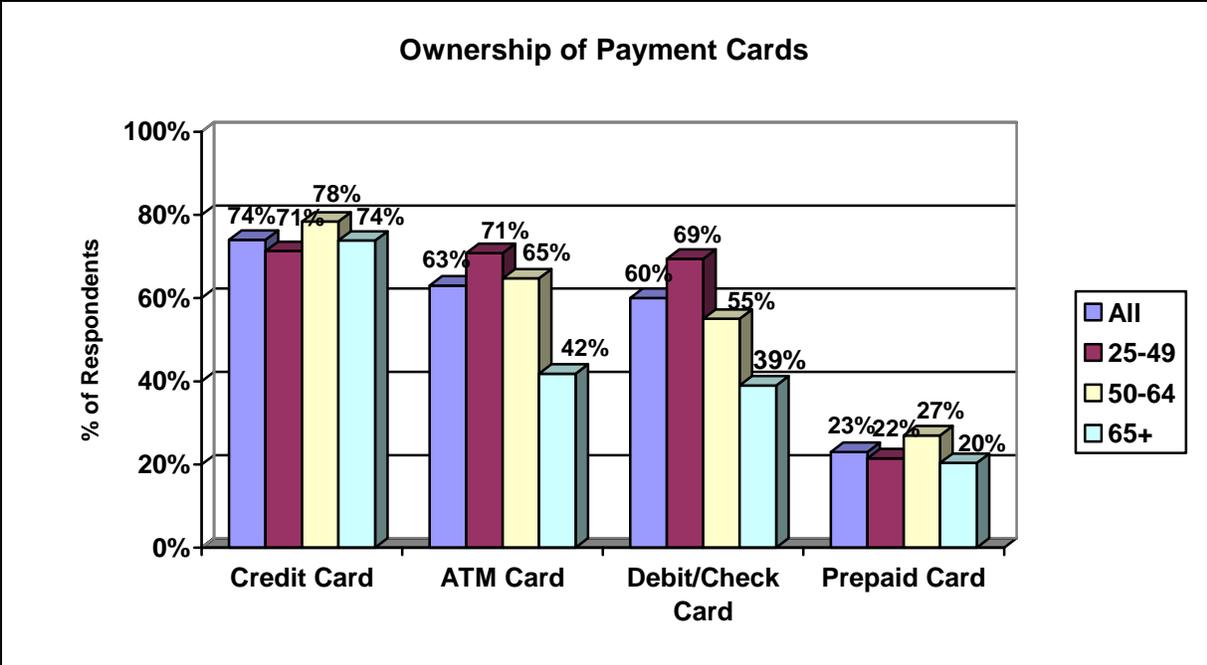
A minority of respondents in each age group reported having a prepaid card at the time of the survey. Respondents ages 50-64 (27%) were the most likely to report having such a card, while those ages 65+ (20%) were the least likely.

Interestingly, credit cards, ATM cards, and check cards are equally common among younger respondents (ages 25-49). In contrast, among older respondents (ages 50+), credit cards are more prevalent than both ATM cards and check cards.

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<sup>3</sup> The above findings regarding ownership of ATM cards and check cards are stated as percentages of *all* respondents, including those who do *not* have checking accounts. Not surprisingly, ownership of ATM cards and check cards is more common among respondents who have checking accounts than among all respondents. Specifically, of checking account holders ages 25+, 71% have an ATM card and 67% have a check card.

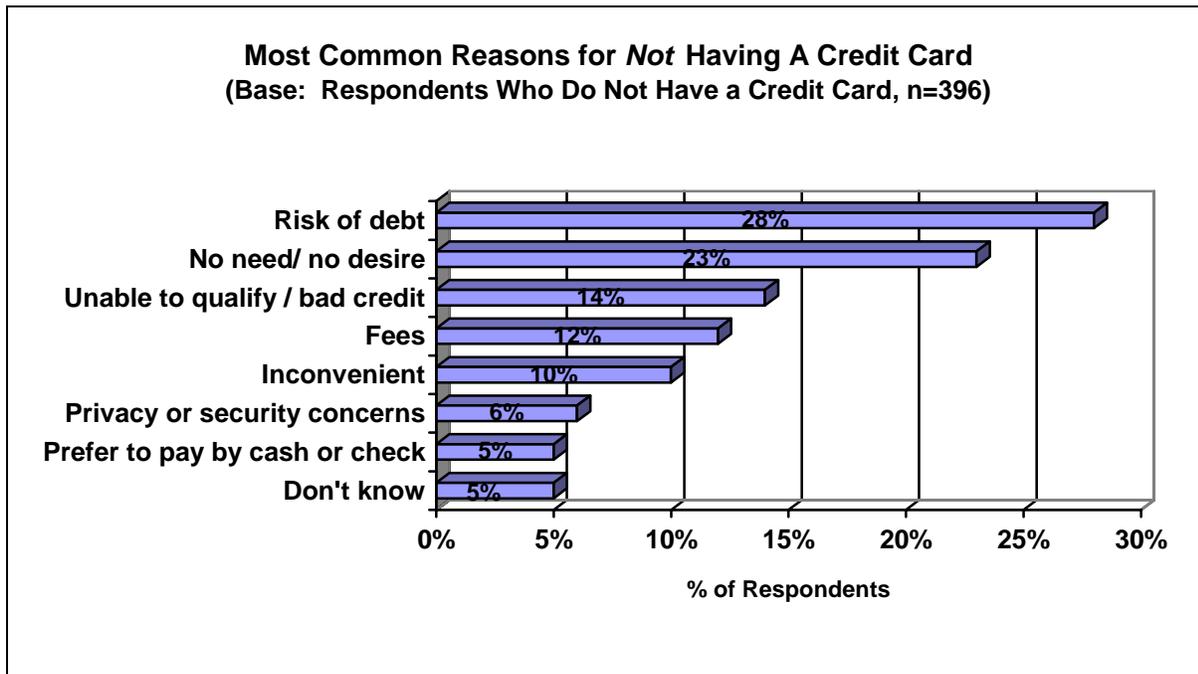
<sup>4</sup> To refer to a prepaid card, the survey used the following phrase: “a card with a specified dollar value, such as a store gift card or phone card.”



Q2B. "Which of the following, if any, do you currently have?" Base: All respondents. (n=1,500)

### ***Reasons for Not Having Credit Cards***

When asked why they do *not* have credit cards, respondents without credit cards most often cited the risk of accumulating debt (28%), a lack of desire or need for such cards (23%), bad credit or inability to qualify for a card (14%), fees (12%), the perception that credit cards are inconvenient (10%), privacy or security concerns (6%), and a preference for paying by cash or check (5%).



Q2c. “Why don’t you have credit card?” Open-ended question. Q2c was asked of respondents who reported that they do not have a credit card. Multiple responses allowed. Table lists responses offered by at least five percent of respondents.

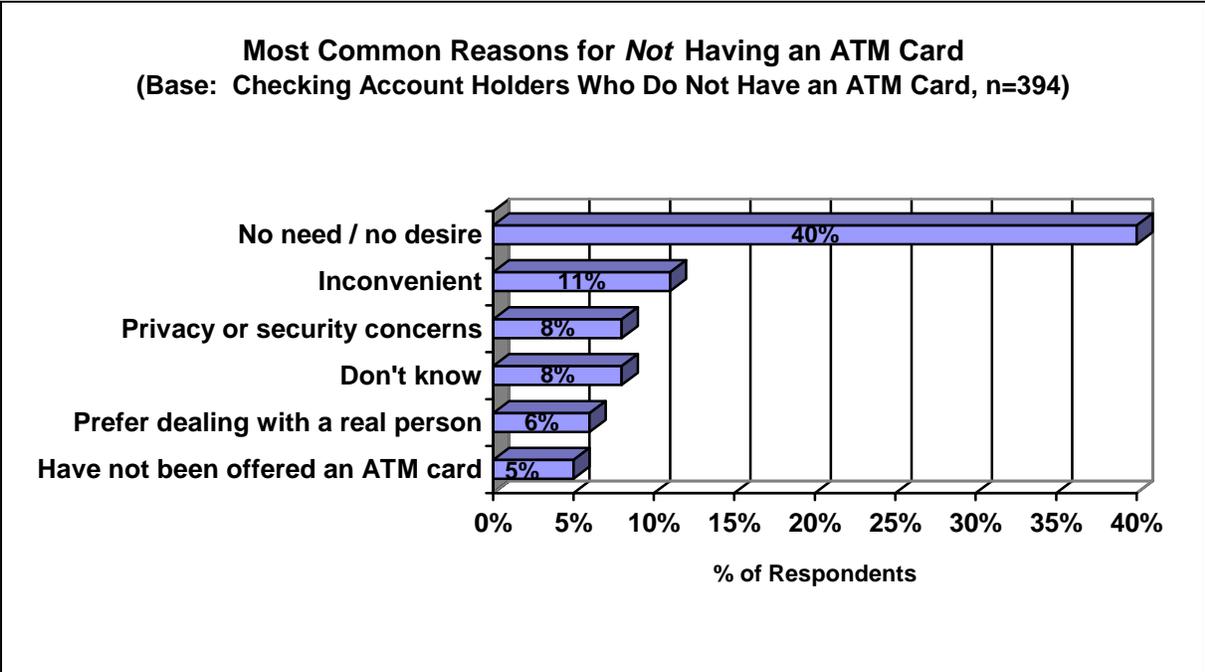
### ***Differences by Age:***

Older respondents (ages 65+) were significantly less likely than younger respondents to cite bad credit or the inability to qualify for a credit card as one of the reasons for not having a card. Specifically, only three percent of respondents ages 65+ compared to 16% of respondents younger than 65 cited this as a reason for not having a credit card.

Additionally, respondents ages 65+ were somewhat more likely than younger respondents to indicate that they do not want or need such a card. In fact, among individuals ages 65+, the most common reason for not having a credit card was the lack of desire or need for such a card.

### ***Reasons for Not Having ATM Cards***

When individuals who have a checking account but no ATM card were asked why they do not have an ATM card, four in ten respondents without such cards (40%) indicated that they do not need or want one. Other frequently identified reasons for not having an ATM card included perceived inconvenience (11%), privacy or security concerns (8%), preference for dealing with a real person/bank teller (6%), and not having been offered such a card (5%).



Q2d. “Why don’t you have an ATM card?” Open-ended question. Q2d was asked of respondents who reported that they do have a checking account but do not have an ATM card. Multiple responses allowed. Table lists responses offered by at least five percent of respondents.

***Differences by Age:***

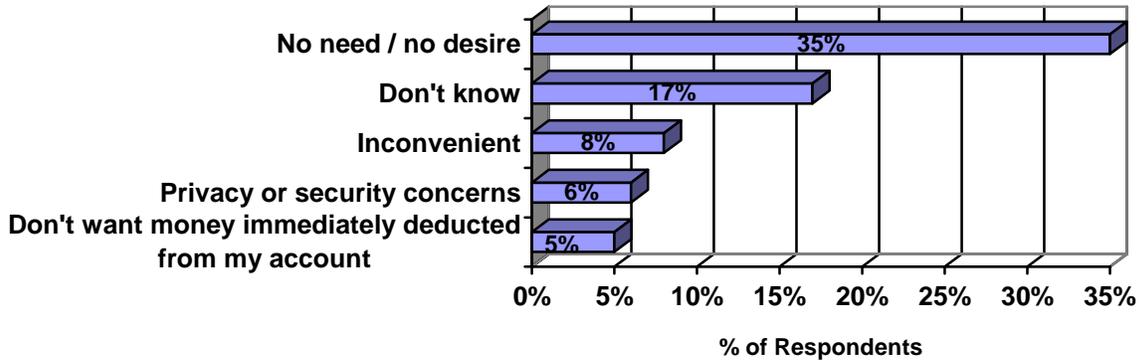
Checking account holders ages 50-64 (47%) and those ages 65+ (48%) who do not have ATM cards were significantly more likely than those ages 25-49 (29%) to indicate that they have no need or desire for such a card.

Additionally, checking account holders ages 65+ were significantly less likely than those younger than 65 to identify not having been offered an ATM card as one of the reasons for not having such a card. Specifically, only one percent of individuals ages 65+ who have a checking account but no ATM card (compared to seven percent of those younger than 65 without such cards) indicated that they had not been offered such a card.

***Reasons for Not Having Check Cards***

Similarly, among checking account holders who do not have a check card, the most common reason for not having such a card is the lack of desire or perceived need for such a card (35%). Other reasons cited for not having a check card include inconvenience (8%) and a reluctance to have money immediately deducted from one’s account (5%).

**Most Common Reasons for *Not* Having a Check Card**  
 (Base: Checking Account Holders Who Do Not Have a Check Card,  
 n=449)



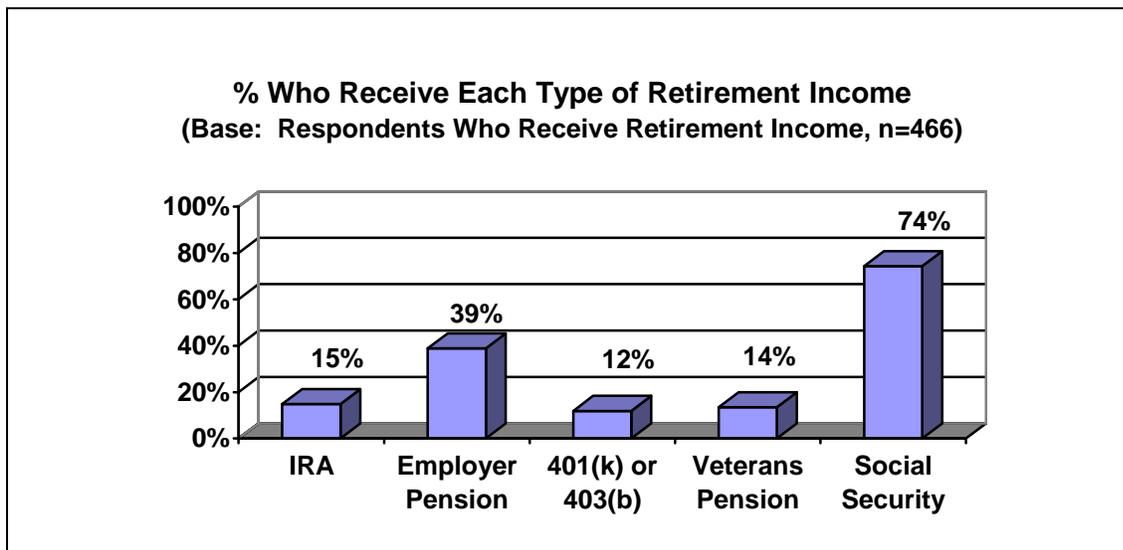
Q2e. “Why don’t you have a check card or similar debit card?” Open-ended question. Q2e was asked of respondents who reported that they do have a checking account but do not have a check card or similar debit card. Multiple responses allowed. Table lists responses offered by at least five percent of respondents.

***Differences by Age:***

Reasons for not having a check card varied little by age. The only significant difference by age related to the lack of desire or need for such a card. Specifically, more than two in five (43%) checking account holders ages 65+ who do not have a check card indicated that they have no need or desire for such a card, compared to only three in ten (30%) of those ages 25-49 without such cards.

### Current Sources of Retirement Income

Nearly one third (31%) of respondents currently receive some form of retirement income. Of those who are receiving retirement income, nearly three in four (74%) receive Social Security retirement payments. Other forms of retirement income currently received by respondents include payments from an employer pension plan (39%), payments from an IRA (15%), pension payments for veterans (14%), and payments from an employer 401(k) or 403(b) plan (12%).



Q3c. “Do you currently receive any form of retirement income on a regular basis, such as . . . ?”  
Base: Respondents who receive at least one form of retirement income.

Of those respondents who receive retirement income, the majority receive this income as a direct deposit into their checking account. Direct deposit is more common among those who receive Social Security payments (84%), pension payments for veterans (80%), and employer pension payments (83%) than among those who receive 401(k) or 403(b) payments (66%) and IRA payments (67%).

Method of Receiving Retirement Income Payments (Base: Respondents Who Currently Receive Each Type of Payment)					
	Social Security (n=346)	Veterans Pension (n=63)	401(k) or 403(b) (n=56)	Employer Pension (n=181)	IRA (n=69)
Direct Deposit	84%	80%	66%	83%	67%
Paper Check	14%	11%	29%	16%	24%
Don't Know / Other	2%	9%	5%	1%	9%

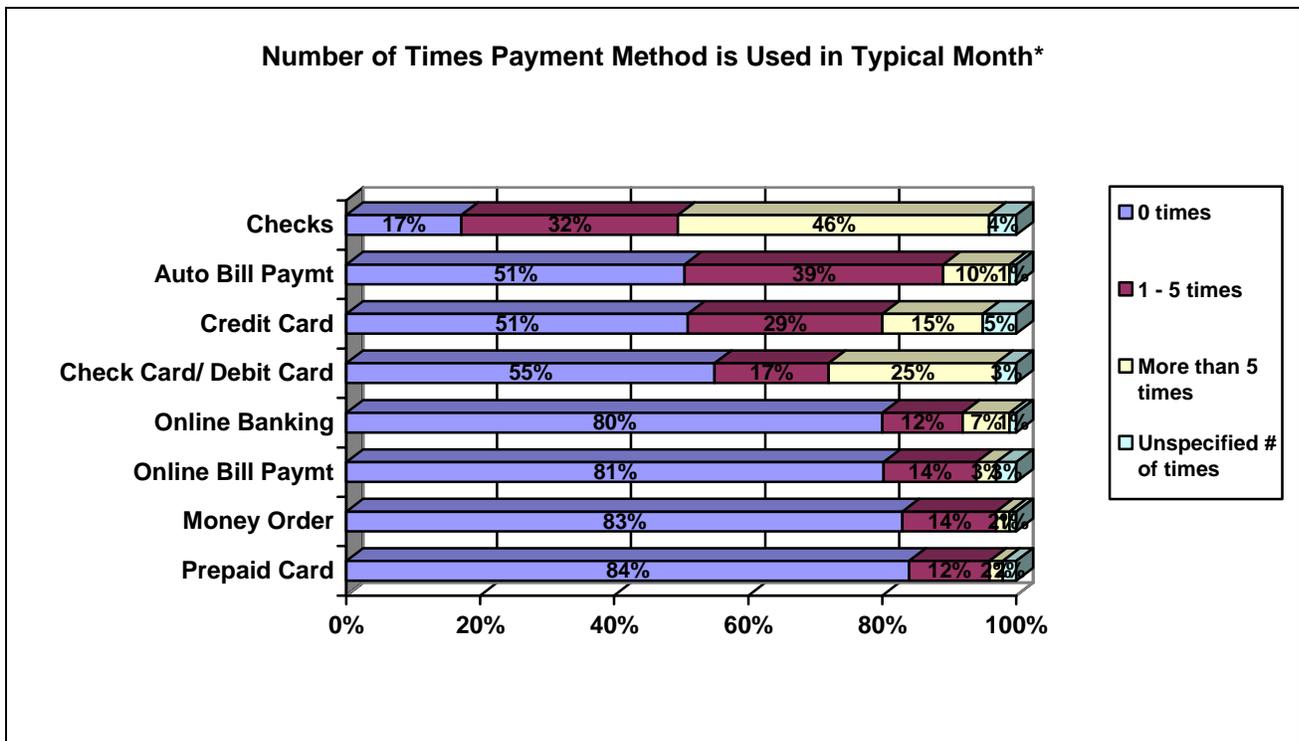
Q3d. “Do you receive {these} retirement payments as a paper check or as a direct deposit into your bank account?”  
Base: Respondents who receive retirement income.

**Findings for Respondents Ages 65+:**

Not surprisingly, the majority of respondents who receive the above forms of retirement income are age 65 or older. Similar to all respondents who receive retirement income, individuals ages 65+ are more likely to receive their retirement income payments as direct deposits than as paper checks. For example, of Social Security retirement income recipients ages 65+, nearly nine in ten (88%) receive their Social Security payments as direct deposits while only 10 percent receive paper checks. Furthermore, more than eight in ten (84%) individuals ages 65+ who receive employer pension payments receive those payments as direct deposits compared to only 14 percent who receive paper checks.<sup>5</sup>

**Payment Methods Used In A Typical Month**

Despite the emergence of more technologically advanced payment methods over the past several years, checks are still the most widely used payment method. Specifically, more than eight in ten (83%) respondents report using checks at least once in a typical month, far more than the 49 percent of respondents who report using the next most frequently used payment methods—automatic bill payment and credit cards. Check cards or debit cards, which appear to be slightly less popular than credit cards, are used monthly by 45 percent of respondents. Still fewer respondents report monthly use of online banking (21%), online bill payment at the web sites of companies that bill them (19%), money orders (17%), and prepaid cards (17%).



Q4d. “Now, thinking about all of those times in a typical month that you pay for something, including but not limited to paying bills and paying for anything else such as products and services, about how many payments, if any, do you make in a typical month with {insert each payment method}?” Base: All respondents.

<sup>5</sup> The small number of respondents under the age of 65 who reported receiving these retirement payments made it impossible to draw statistically valid conclusions about age-related differences in the methods used to receive retirement income payments.

### ***Differences by Age:***

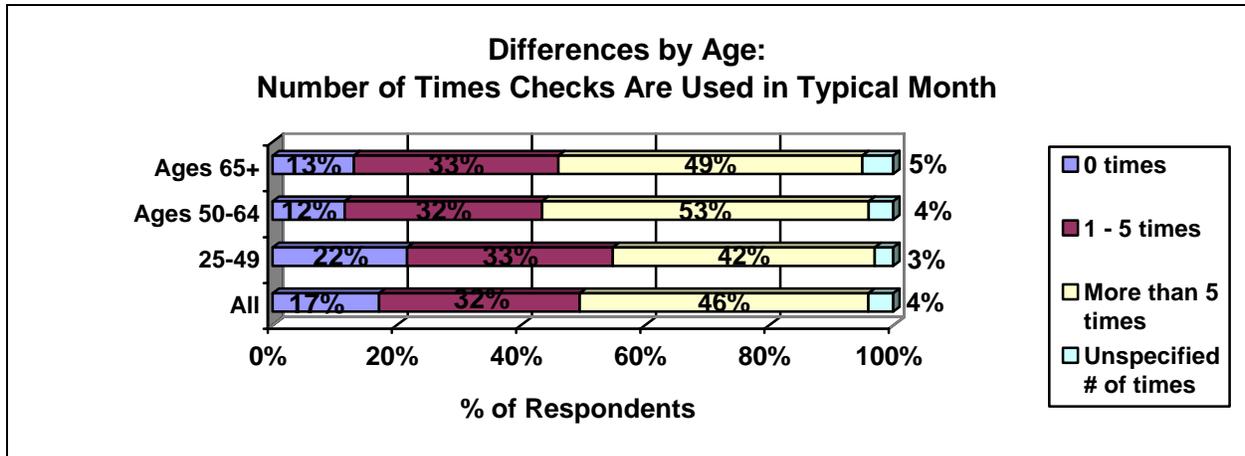
Older individuals are more likely than younger individuals to indicate that they use checks in a typical month and are less likely than younger individuals to report using the newer electronic forms of payment in a typical month, including check cards, prepaid cards, online banking, and online bill payment at the web sites of companies that bill them. Interestingly, younger individuals are more likely than older individuals to report using money orders.

Likelihood of using credit cards and automatic bill payment in a typical month did not vary significantly by age, with approximately half of individuals in each of the three examined age groups indicating that they use each of these payment methods in a typical month. For example, just over half of individuals ages 50-64 (53%) and individuals ages 65+ (51%) indicated that they use credit cards in a typical month, which was statistically equivalent to the 47 percent of individuals ages 25-49 who use credit cards monthly. Similarly, approximately half of individuals in each age group reported that they use automatic bill payment in a typical method (49% of individuals ages 25-49, 50% of those ages 50-64, and 50% of those ages 65+).

In cases where payment method usage did vary by age, age differences include the following:

- Use of Checks -- Individuals ages 50+ (88%) are more likely than those ages 25-49 (78%) to indicate that they use checks in a typical month.
- Use of Money Orders -- Individuals ages 50+ (13%) are less likely than those ages 25-49 (21%) to indicate that they use money orders in a typical month.
- Use of Check Cards / Debit Cards -- Individuals ages 65+ (24%) are less likely than individuals ages 50-64 (37%) and individuals ages 25-49 (56%) to use check cards/debit cards in a typical month. Those between the ages of 25 and 49 are the most likely of these three age groups to use check cards/debit cards.
- Use of Prepaid Cards -- Individuals ages 65+ (10%) are less likely than individuals ages 50-64 (16%) and individuals ages 25-49 (19%) to use prepaid cards in a typical month.
- Use of Online Banking and Online Bill Payment -- Individuals ages 65+ (8%) are less likely than individuals ages 50-64 (17%) and individuals ages 25-49 (26%) to use online banking in a typical month. Similarly, individuals ages 65+ (4%) are less likely than those ages 50-64 (17%) and those ages 25-49 (26%) to pay bills online at the web sites of companies that bill them. Those ages 25 to 49 are the most likely of the three age groups to use both online payment methods.

As shown in the chart below, compared to respondents ages 25-49, older respondents (ages 50+) are more likely to use checks in a typical month and tend to use more checks per month. Specifically, slightly more than one in five (22%) respondents ages 25-49 report that they do not use checks in a typical month compared to just over one in ten respondents ages 50-64 (12%) and ages 65+ (13%). Additionally, approximately half of respondents ages 50-64 (53%) and respondents ages 65+ (49%) write more than 5 checks per month whereas only about two in five (42%) respondents ages 25-49 write more than 5 checks per month.

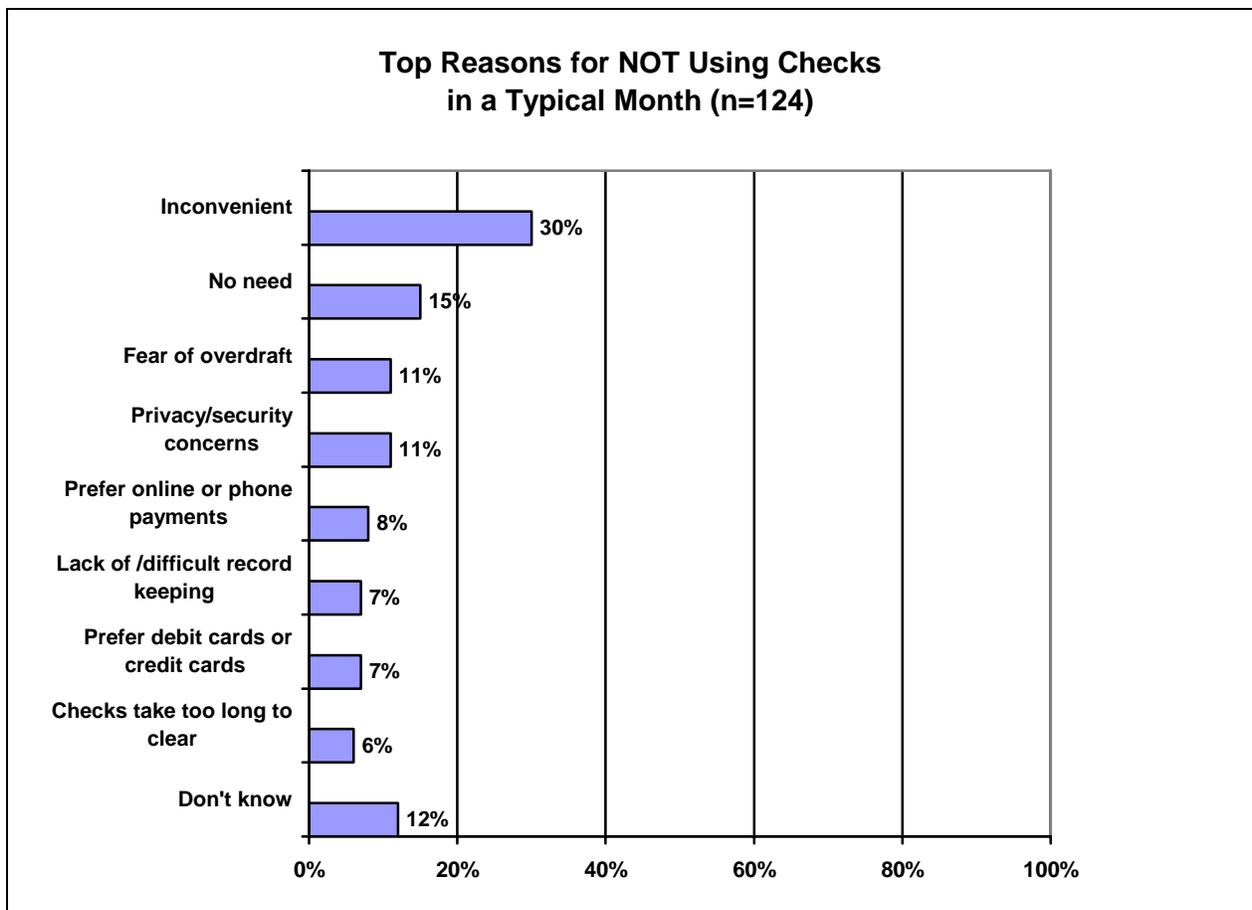


Q4d. “Now, thinking about all of those times in a typical month that you pay for something, including but not limited to paying bills and paying for anything else such as products and services, about how many payments, if any, do you make in a typical month with checks?” Base: All respondents.

### Barriers to Using Each Payment Method<sup>6</sup>

When asked why they do not use a particular payment method in a typical month, many respondents identify inconvenience, lack of need or desire, and concerns about the security and privacy of certain methods. Privacy and security concerns are particularly prevalent among the reasons for not using online payment methods, while the desire for more control over payments is the primary reason cited for not using automatically scheduled bill payment. The risk of accumulating debt is the number one reason identified for not using credit cards. Among respondents who do not use each payment method in a typical month, the charts that follow list the top reasons cited for not using each method.

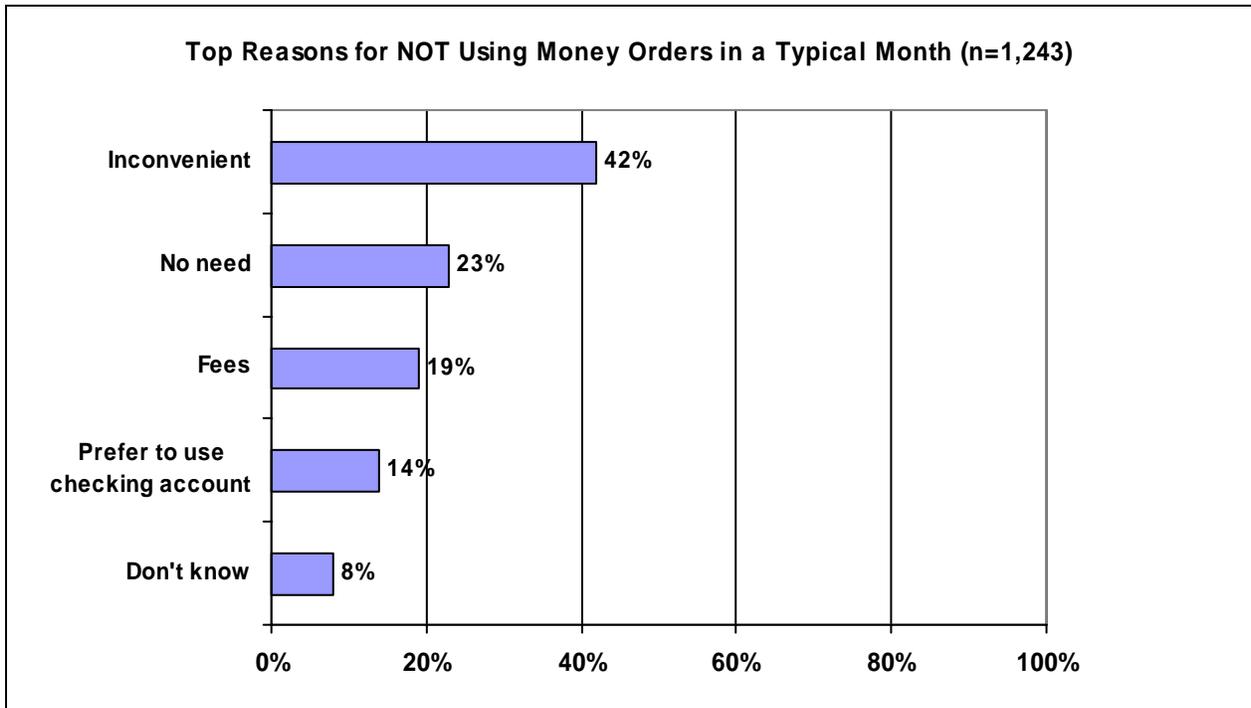
Among respondents with checking accounts who do not use checks in a typical month, the most common reasons include the perception of inconvenience, the perceived lack of need, the fear of overdraft, and privacy and security concerns.



Q6b. “Why do you not use checks in a typical month?” Base includes respondents who do not use checks in a typical month even though they do have a checking account. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

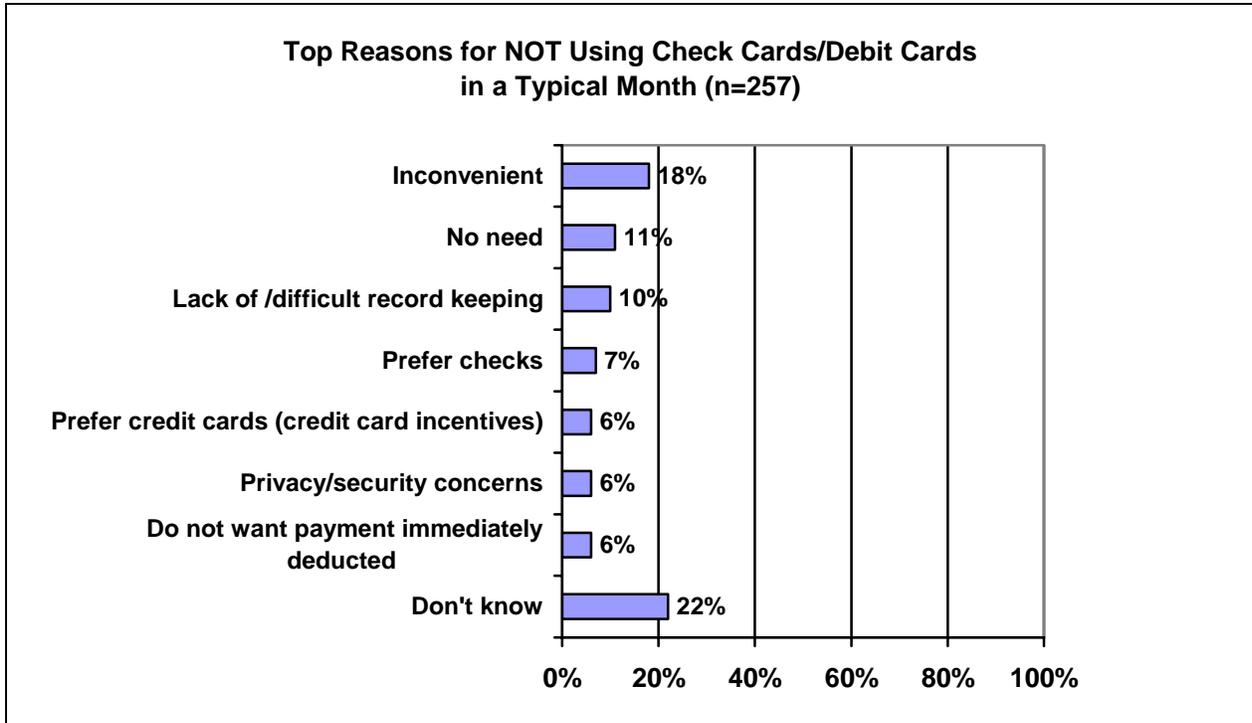
<sup>6</sup> The explanations offered for not using *cash* are not displayed as those responses suggest that a sizable portion of respondents who reported that they do not use cash may have misunderstood the question and believed that the question was only about whether they use cash to pay *bills* rather than whether they use cash for *any* financial transactions.

For the large number of respondents who do not use money orders on a monthly basis, the inconvenience of this method is the primary barrier to use followed by the perceived lack of need for this method as well as concerns related to fees.



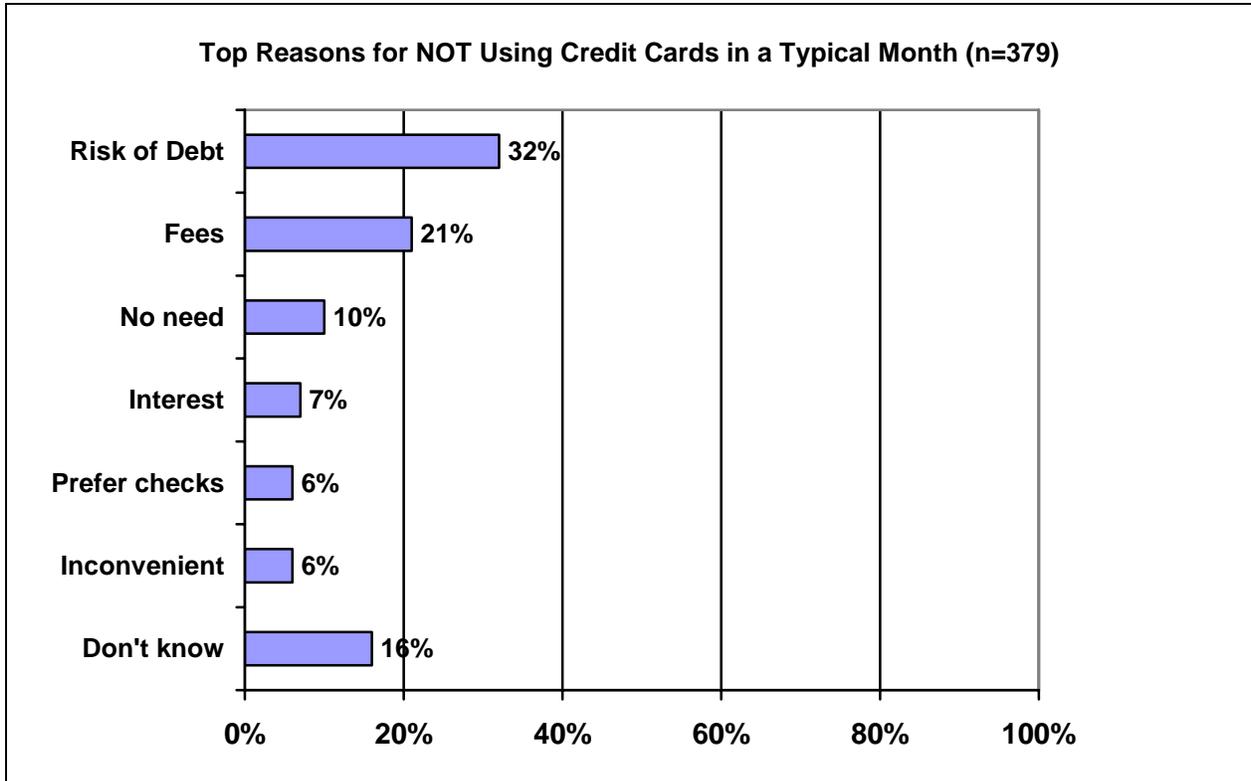
Q6c. “Why do you not use money orders in a typical month?” Base includes respondents who do not use money orders in a typical month. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

Among respondents with checking accounts who do not use check cards in a typical month, the perceived inconvenience of these cards represent the primary barrier to use followed by a reported lack of need and record-keeping difficulties.



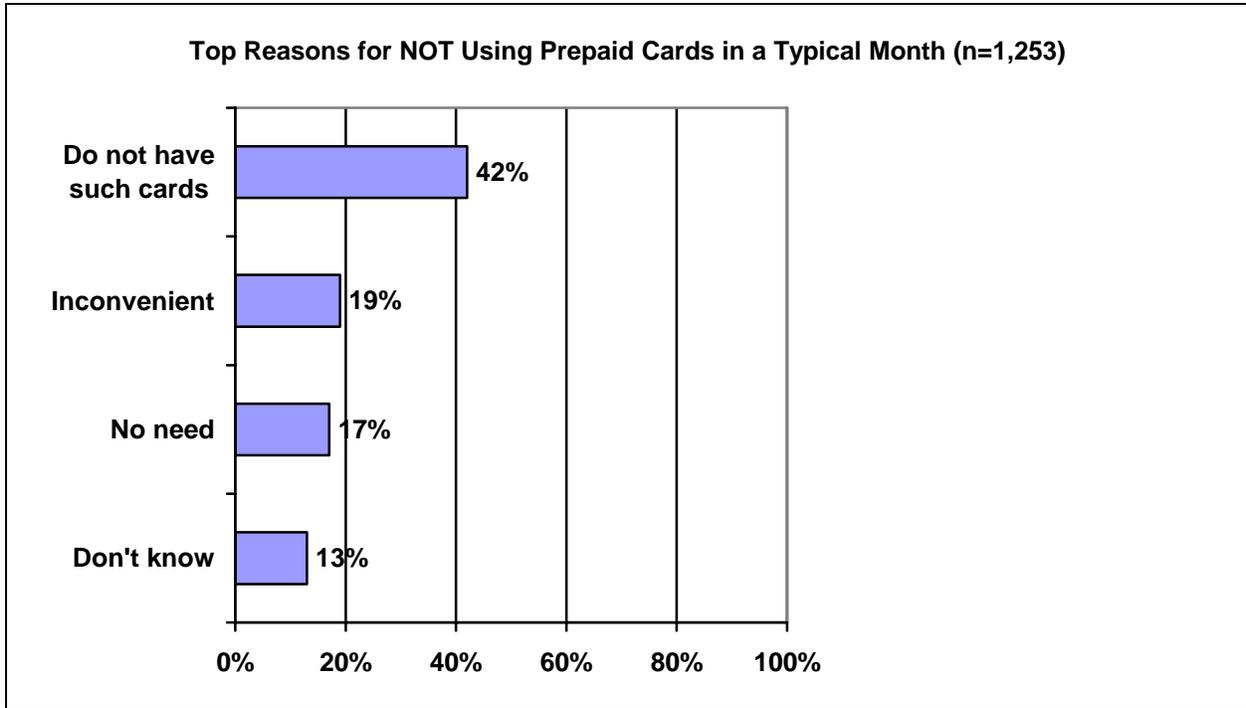
Q6d. “Why do you not use check cards or similar debit cards in a typical month?” Base includes respondents who do not use check cards/debit cards in a typical month even though they do have a check card/debit card. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

For individuals who do not use credit cards on a monthly basis, the most frequently cited reason for not using such cards is the risk of accumulating debt. Other relatively common reasons include the fees associated with credit cards and a perceived lack of need.



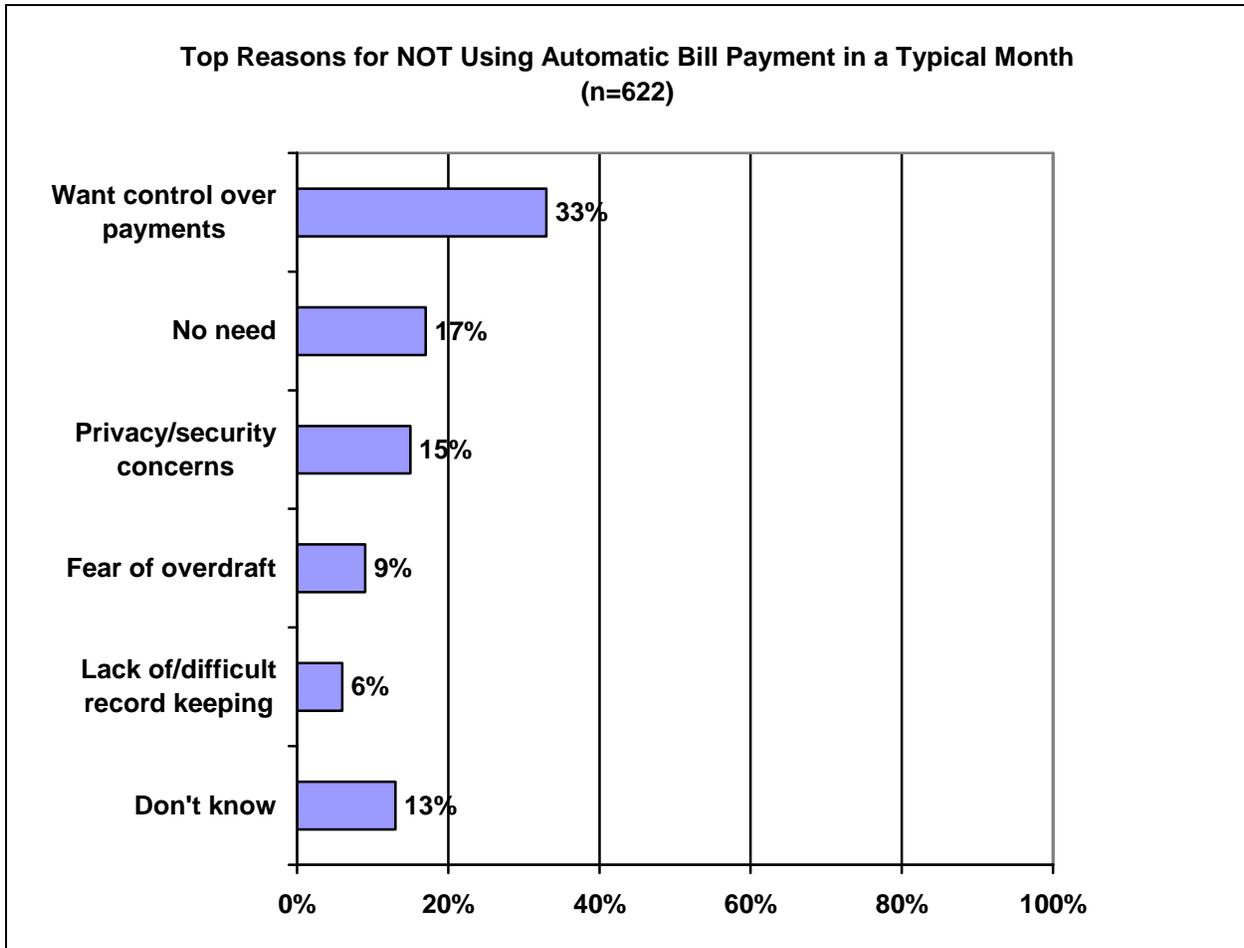
Q6e. “Why do you not use credit cards in a typical month?” Base includes respondents who do not use credit cards in a typical month even though they do have a credit card. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

When asked why they do not use prepaid cards in a typical month, the many respondents who do not use them most frequently cited the simple fact that they do not have any prepaid cards as well as a sense that prepaid cards are inconvenient and a perceived lack of need for these cards.



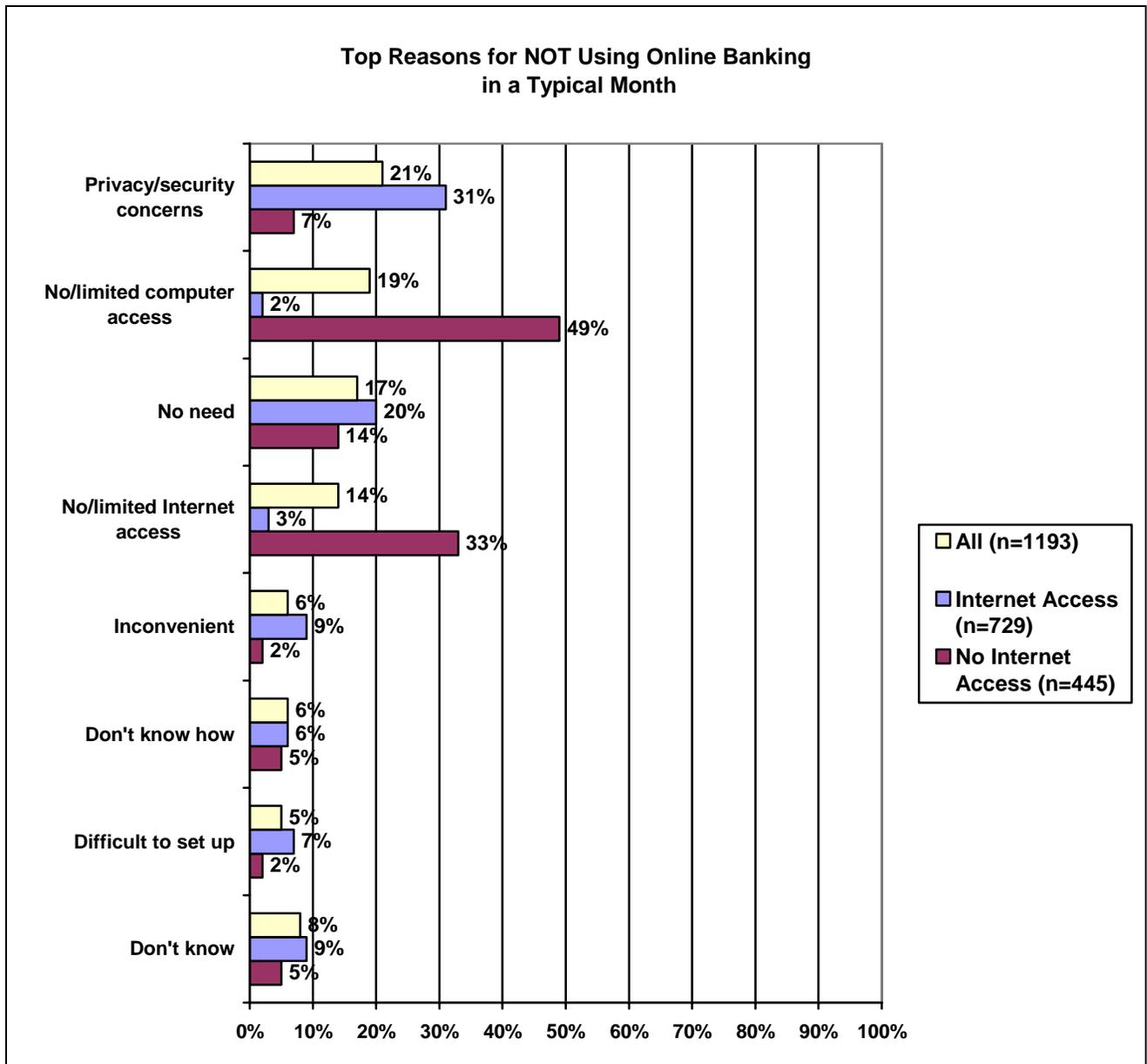
Q6f. “Why do you not use cards with a specified dollar value, such as store gift cards or phone cards, in a typical month?” Base includes respondents who do not use prepaid cards in a typical month. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

Among respondents with checking accounts who do not use automatic bill payment each month, the most common reasons for not using automatic bill payment include a desire for control over payments, a perceived lack of need, and concerns related to privacy and security.



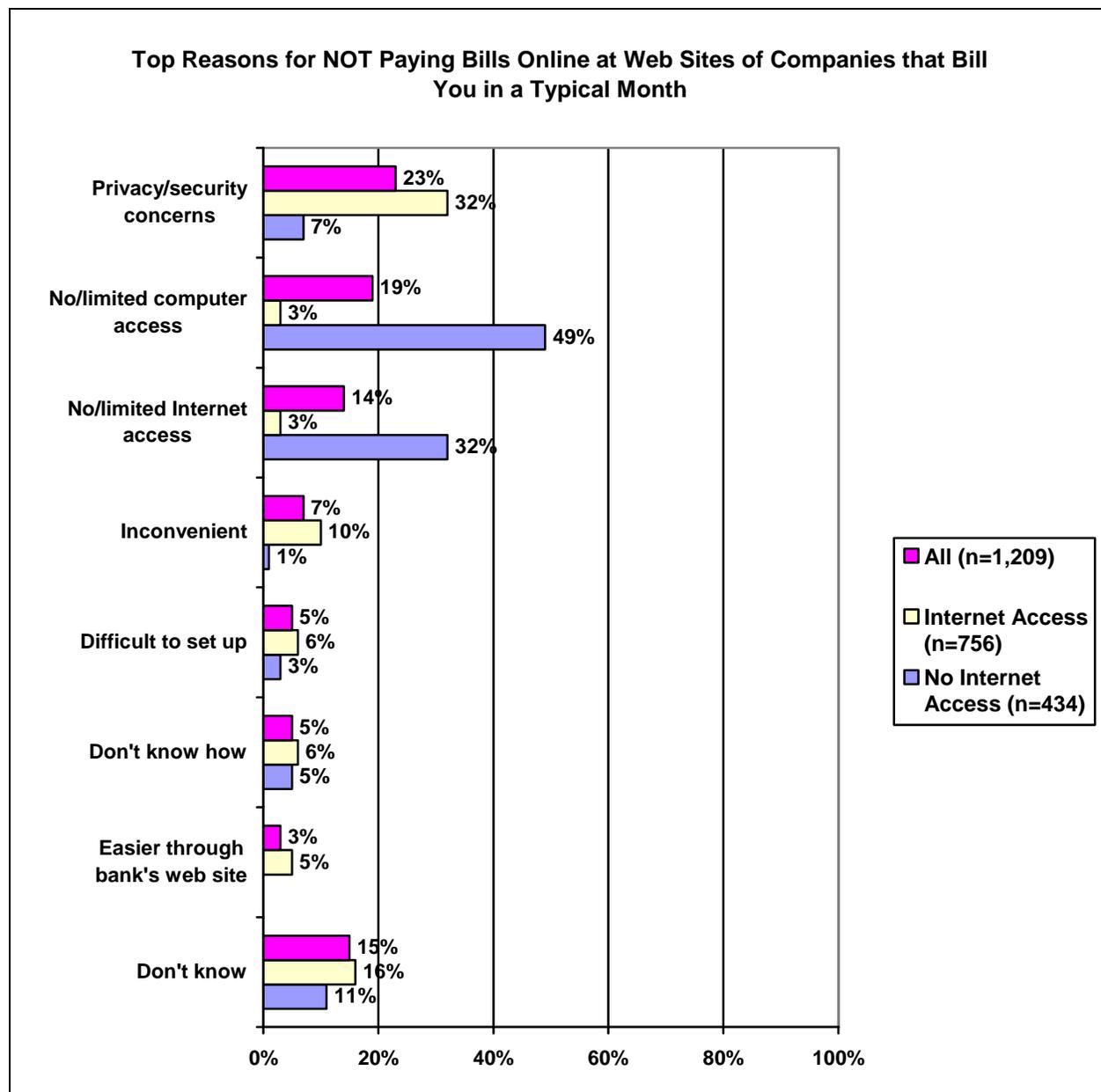
Q6g. “Why do you not use regularly scheduled automatic bill payments deducted directly from your bank account in a typical month?” Base includes respondents who do not use automatic bill payment in a typical month even though they do have a checking account. Chart lists responses provided by at least 5% of respondents. Multiple responses were allowed per respondent.

For the many respondents who do not pay bills online through online banking in a typical month, the most common reasons include privacy and security concerns, no computer access or limited computer access, no Internet access or limited Internet access, and a perceived lack of need. Not surprisingly, respondents who do not have Internet access are significantly more likely than respondents with Internet access to identify Internet or computer access as barriers to using online banking. In contrast, compared to respondents without Internet access, those with Internet access are more likely to attribute their reluctance to use online banking to issues unrelated to computer and Internet access such as privacy and security concerns, a perceived lack of need, inconvenience, or a sense that online banking is difficult to set up.



Q6h. “In a typical month, why do you not use online banking to pay any of your bills online directly from your bank account through your bank’s web site?” Base for each bar is defined in legend. The “Internet Access” bar includes respondents who indicated that they have Internet access for personal use at home, work, and/or another location. Chart lists responses provided by at least 5% of total respondents or 5% of respondents with Internet access. Multiple responses were allowed per respondent.

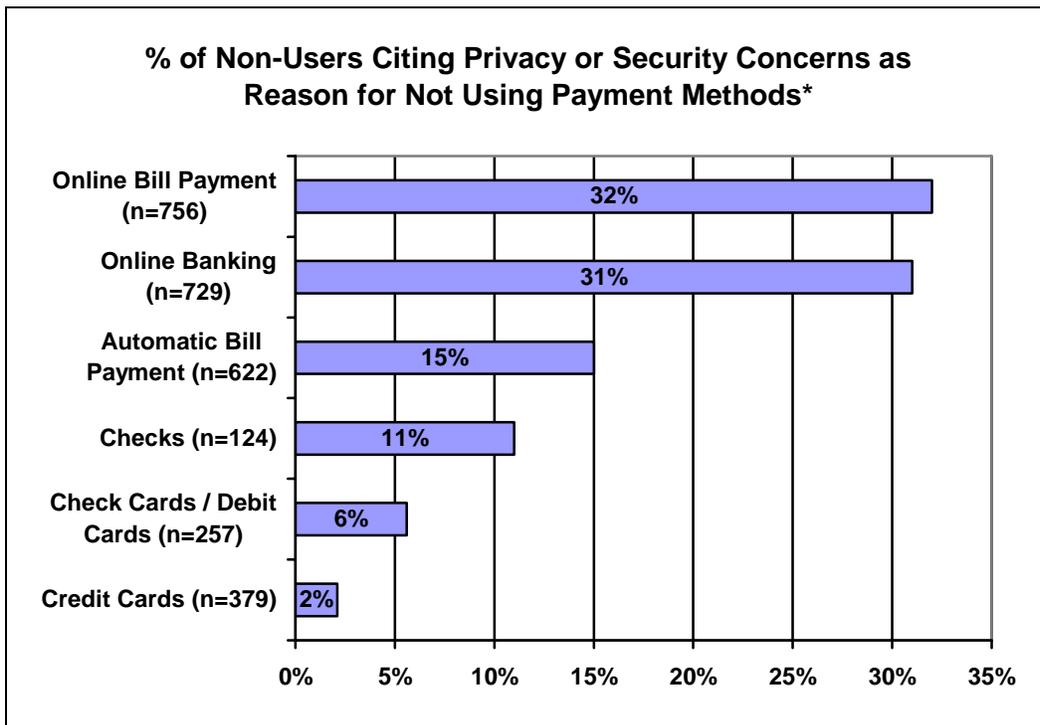
Among respondents who do not pay bills online at the web sites of companies that bill them in a typical month, the most common reasons for not using this payment method include privacy and security concerns, no access (or limited access) to a computer, and no access (or limited access) to the Internet. Similar to the views expressed about online banking, respondents who do not have Internet access are significantly more likely than respondents with Internet access to attribute their nonuse of this payment method to issues related to access to a computer and/or the Internet. Compared to respondents who do not have Internet access, those with Internet access are more likely to attribute their reluctance to use this method to issues unrelated to computer /Internet access such as privacy and security concerns, inconvenience, a sense that this method is difficult to set up, or a preference for online banking.



Q6i. “In a typical month, why do you not pay any of your bills online at the web sites of companies to which you owe money?” Base for each bar is defined in legend. The “Internet Access” bar includes respondents who indicated that they have Internet access for personal use at home, work, and/or another location. Chart lists responses provided by at least 5% of total respondents or 5% of respondents with Internet access. Multiple responses were allowed per respondent.

### ***Privacy and Security Concerns***

As mentioned above, online bill payment and online banking are the payment methods that are most likely to be avoided due to privacy or security concerns. Specifically, of respondents with Internet access, nearly one in three who do not use online bill payment (32%) or online banking (31%) in a typical month identify privacy and security concerns as barriers to their use of these online payment methods. In contrast, credit cards (2%) and check cards/debit cards (6%) were the payment methods about which non-users were least likely to identify privacy and security concerns.



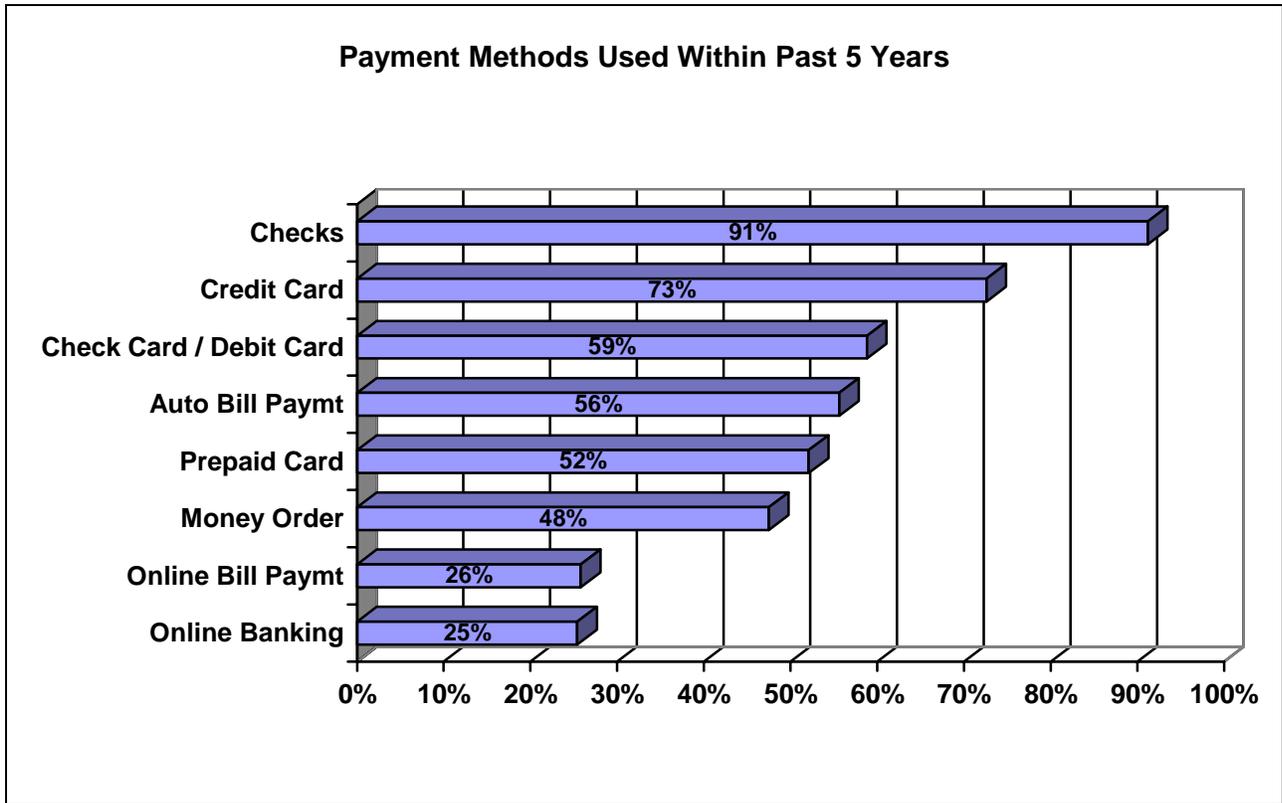
\* For each payment method, “non-users” represent respondents who indicated that they do not use that payment method in a typical month. For check cards/debit cards, checks, and automatic bill payment, the base includes respondents who have checking accounts but do not use the payment method in a typical month. For online banking and online bill payment, the base includes respondents who have Internet access but do not use the payment method in a typical month.

### **Payment Methods Used in Past Five Years**

Not surprisingly, the more traditional methods of payment (checks and credit cards) are those that the greatest majority of respondents have used over the past five years. Specifically, more than nine in ten (91%) have used checks and nearly three in four (73%) have used credit cards.

Fewer respondents, yet still a majority, report having used debit cards/check cards (59%), automatic bill payment (56%), and prepaid cards (52%) to make payments within the past five

years. Just under half (48%) report using money orders within the past five years. Significantly fewer—only about one in four – respondents indicate that they have used online banking (26%) or online bill payment at the web sites of companies that bill them (25%) in the past five years.



For each payment method, chart shows the percentage of all respondents who either reported that they use the payment method in a typical month *or* have used the payment method at anytime within the past five years. Base: All respondents. (n=1,500)

Use of certain payment methods within the past five years does appear to vary by age. Specifically, respondents ages 25 – 49 are the most likely of the three age groups examined to have used money orders, check cards /debit cards, prepaid cards, online banking, and other online bill payment; while respondents ages 65+ were the least likely to have used these methods.

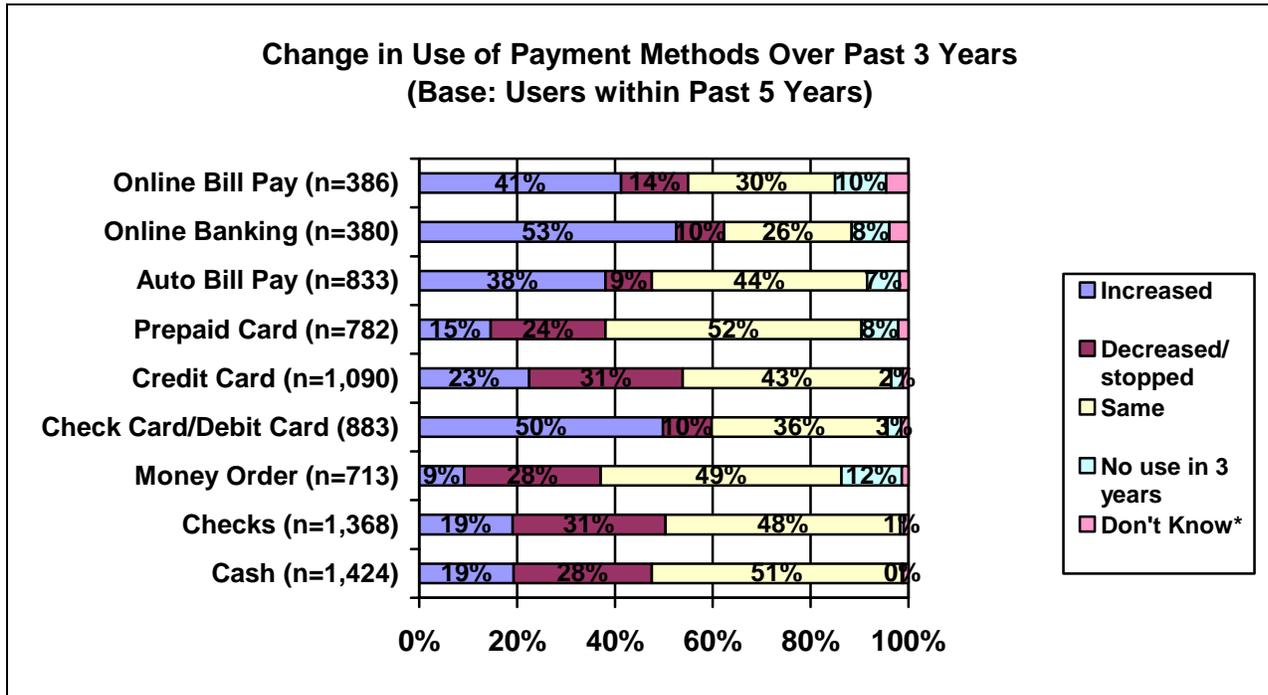
However, use of checks, credit cards, and automatic bill payment within the past five years does not appear to vary by age. For example, in each of the three age groups, just over nine in ten respondents have used checks and just over seven in ten have used credit cards. Furthermore, slightly more than half of respondents in each of the three age groups report having used automatic bill payment.

### Change in Use of Payment Methods Over Past Three Years

When respondents who indicated that they had used a payment method at least once in the past five years were asked how their use of the method had changed over the past three years, they were most likely to report *increasing* their use of debit methods and electronic methods such as

online banking (53%), check cards / debit cards (50%), online bill payment at the web sites of companies that bill them (41%), and automatic bill payment (38%).

In contrast, respondents were most likely to report having *reduced* their use of checks (31%), credit cards (31%), money orders (28%), cash (28%), and prepaid cards (24%).



Q15. “For each of the following payment methods that you use, indicate whether your use of each method has increased, decreased, or stayed the same over the past THREE years.” Base: Respondents who have used each method within the past five years. Note: When answering this question, some respondents mentioned that they had entirely stopped using a method within the past 3 years. These “stopped using” responses have been combined with the “decreased” responses for reporting purposes.

\*For each payment method, the small % of users who provided a response of “don’t know” is shown in the above chart but is not labeled. For cash, checks, money orders, and credit cards, 1% of users provided a response of “don’t know” to this question. For check card/debit cards, prepaid cards, and automatic payment, 2% of users provided a response of “don’t know.” Four percent of online banking users and five percent of users of online bill payment at company web sites provided a response of “don’t know.”

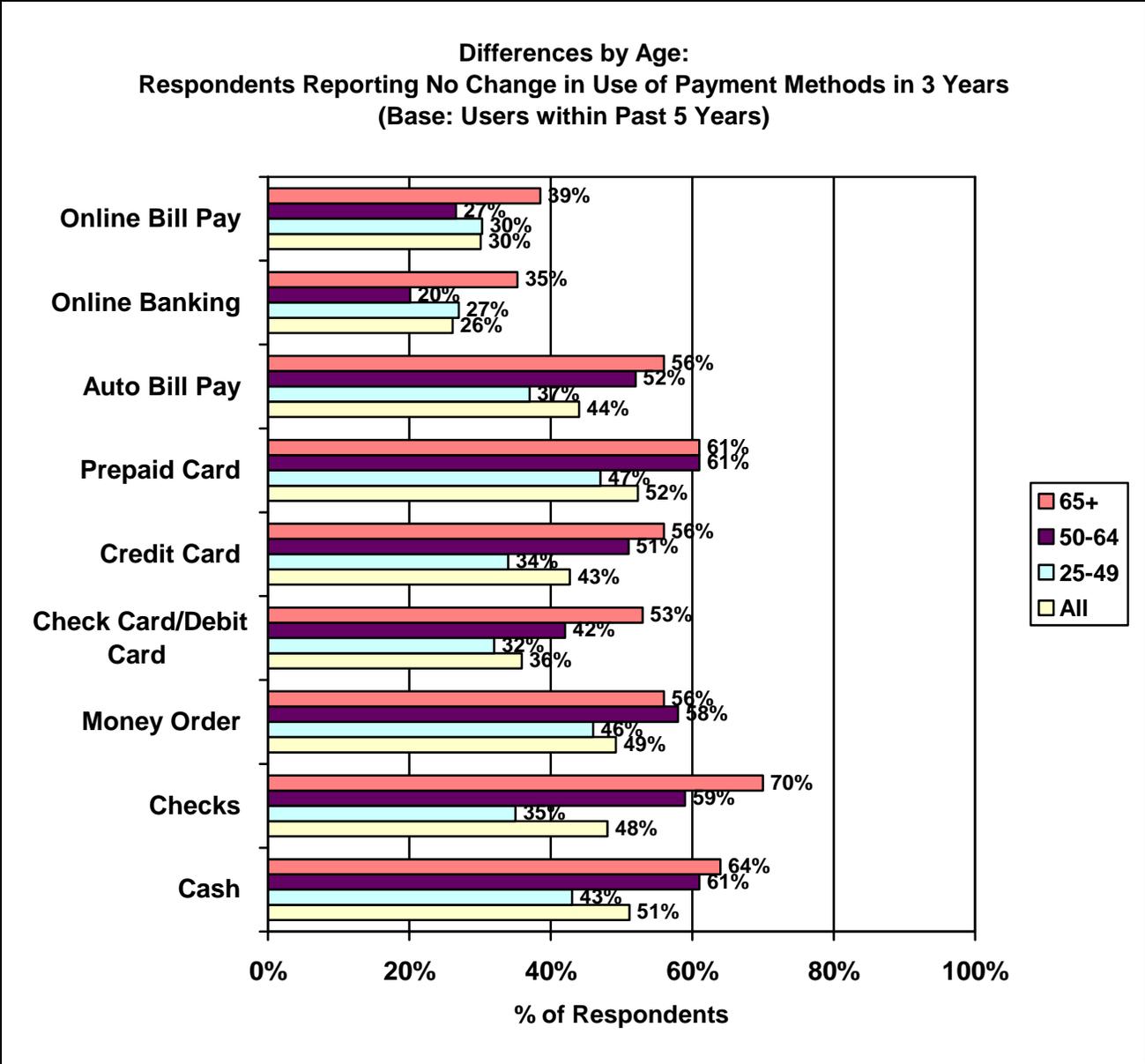
### ***Differences by Age***

In general, users ages 50+ are more likely than users ages 25-49 to report that their use of these various payment methods has *remained the same* over the past three years. For example, older users are more likely than younger users to report no change in their use of the following payment methods over the past three years:<sup>7</sup>

- Cash (61% of users ages 50-64 and 64% of users ages 65+ vs. 43% of users ages 25-49)
- Checks (59% of users ages 50-64 and 70% of users ages 65+ vs. 35% of users ages 25-49)
- Money orders (58% of users ages 50-64 vs. 46% of users ages 25-49)
- Check cards/debit cards (42% of users ages 50-64 and 53% of users ages 65+ vs. 32% of users ages 25-49)
- Credit cards (51% of users ages 50-64 and 56% of users ages 65+ vs. 34% of users ages 25-49)
- Prepaid cards (61% of users ages 50-64 and 61% of users ages 65+ vs. 47% of users ages 25-49)
- Automatic bill payment (52% of users ages 50-64 and 56% of users ages 65+ vs. 37% of users ages 25-49)

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<sup>7</sup> For each payment method addressed in this survey, younger users were more likely than older users to report having changed (either increased or decreased) their use of the payment method over the past three years. This difference between younger and older users was statistically significant for all payment methods except the two online payment methods. The inability to detect statistically significant differences between younger and older users with respect to their use of online methods over the past three years is most likely a result of the relatively small number of older respondents who reported using the online payment methods, which precluded reliable statistical testing.



Q15. “For each of the following payment methods that you use, indicate whether your use of each method has increased, decreased, or stayed the same over the past THREE years.” Base for each bar includes respondents within the noted age group who have used each method within the past five years.

In contrast, users ages 25-49 are more likely than older users to indicate that their use of each payment method has changed—either increased or decreased—, suggesting that the younger individuals are more likely than older individuals to try new payment methods. Specifically, younger users are more likely than older users to report having *increased* their use of the following payment methods over the past three years:

- Cash (24% of users ages 25-49 vs. 11% of users ages 50-64 and 15% of users ages 65+)
- Checks (25% of users ages 25-49 vs. 12% of users ages 50-64 and 12% of users ages 65+)

- Check cards / debit cards (55% of users ages 25-49 vs. 45% of users ages 50-64 and 25% of those ages 65+)
- Credit cards (25% of users ages 25-49 vs. 18% of users ages 65+)
- Prepaid cards (16% of users ages 25-49 and 16% of users ages 50-64 vs. 8% of those ages 65+)
- Automatic bill payment (47% of users ages 25-49 vs. 30% of users ages 50-64 and 24% of those ages 65+)

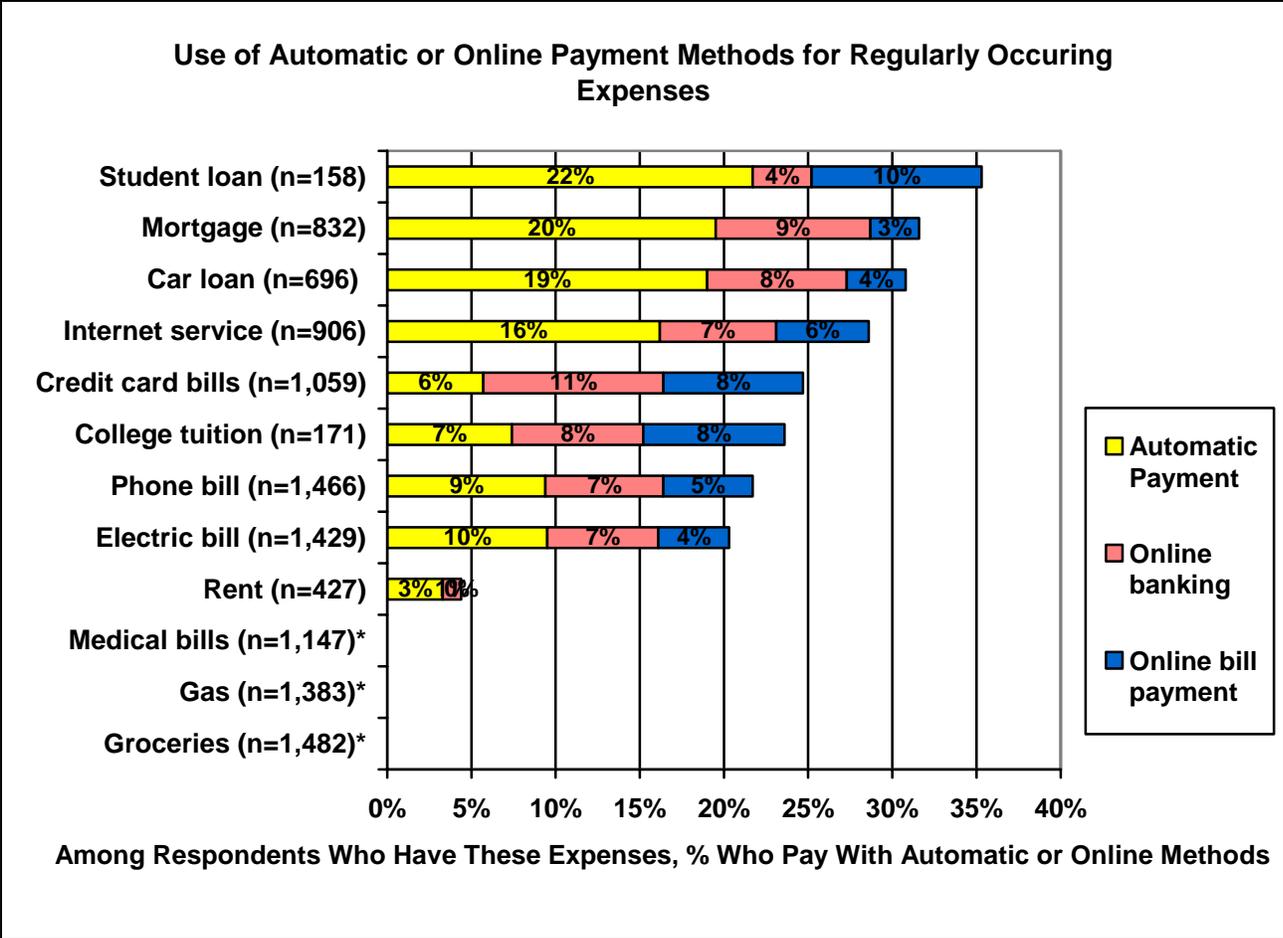
Similarly, younger users are more likely than older users to report having *decreased* their use of the following payment methods over the past three years:

- Cash (32% of users ages 25-49 and 27% of users ages 50-64 vs. 19% of users ages 65+ )
- Checks (38% of users ages 25-49 vs. 27% of users ages 50-64 and 17% of users ages 65+)
- Money Orders (31% of users ages 25-49 vs. 17% of users ages 50-64 and 12% of users ages 65+)
- Credit Cards (36% of users ages 25-49 and 26% of users ages 50-64 vs. 19% of users ages 65+)
- Pre-paid cards (25% of users ages 25-49 vs. 11% of users ages 50-64 and 8% of users ages 65+)
- Automatic bill payment (10% of users ages 25-49 vs. 7% of users ages 50-64 and 5% of users ages 65+)

### **Use of Automatic or Online Payment Methods for Regular Bills and Purchases**

When asked which payment method they most often use to pay for certain common expenses, respondents indicated that student loan payments, mortgage payments, car loan payments, and Internet service payments are the expenses that they are most likely to pay with automatic bill payment or online payment methods. Of the twelve types of expenses examined, student loan payments are those that are most likely to be paid through automatic or online methods, presumably a reflection of the fact that respondents who have student loans tend to be younger (and are potentially more likely to be exposed to these newer payment methods, particularly online methods) on average than those who face the other expenses.

As might be expected, expenses such as gas, groceries, and medical bills, which are less likely to be billed on a regular cycle, are virtually never paid through automatic or online methods.



Q16. “For each of the following types of expenses or bills, please tell me how you most often pay for it?” Base for each bar includes respondents who have this type of expense or bill.

\*Note: The number of respondents who reported paying for medical bills, gas, or groceries through automatic payment or online payment was too small to display clearly in the above chart. The percentages are as follows for these payment methods. Medical Bills: Less than 1% of respondents with medical bills report that they use automatic payment to pay medical bills, and less than 1% report using online banking or other online bill payment. Gas: Less than 1% of respondents who purchase gas report that they use automatic payment or online banking to pay for gas; no respondents use other online bill payment to pay for gas. Groceries: Less than 1% of respondents who purchase groceries report that they use automatic payment, online banking, or other online bill payment to pay for groceries.

**Users’ Perceptions of Each Payment Method**

Respondents were asked to rate the payment methods that they use on a scale from 1 to 10 to indicate the degree to which they view each payment method as “excellent” or “poor” with regard to *record keeping, payment timing, accuracy, privacy, safety, convenience, and cost or fees.*

Overall, the highest marks (average ratings of 9 or higher) went to automatic bill payment, check cards, and online banking for *convenience*. Exceptionally high average ratings also went to automatic payment (8.9) and online banking (8.9) for *accuracy*; to online banking (8.9) and checks (8.9) for *record keeping*; and to automatic payment (8.9) and online banking (8.7) for

*payment timing*. In contrast, the lowest marks overall went to cash (5.3) and prepaid cards (6.0) for *record keeping*; credit cards for *cost or fees* (5.6); cash (6.1) for *safety*; and credit cards (6.4) for *privacy*.

For each dimension, the payment methods that users rated highest and lowest are identified below.

***Record Keeping:***

The payment methods viewed as the best for record keeping include checks (8.9) and online banking (8.9), while cash (5.3) and prepaid cards (6.0) are viewed as the worst for record keeping.

***Payment Timing:***

For payment timing, users rate automatic payment (8.9), online banking (8.7), and check cards/debit cards (8.6) as the best methods of payment and cash (7.1) and checks (7.6) as the worst.

***Accuracy:***

Online banking (8.9) and automatic payment (8.9) are viewed as the most accurate payment methods. While cash (8.0), credit cards (8.1), and prepaid cards (8.2) are viewed relatively favorably with respect to accuracy, they are perceived as the least accurate of the payment methods.

***Privacy:***

For privacy, prepaid cards (8.3) and cash (8.2) received the highest ratings. Credit cards (6.4) and checks (6.7) received the lowest ratings.

***Safety:***

Automatic payment (8.3) and online banking (8.0) received the highest ratings for safety, while cash (6.1) and credit cards (6.6) received the lowest.

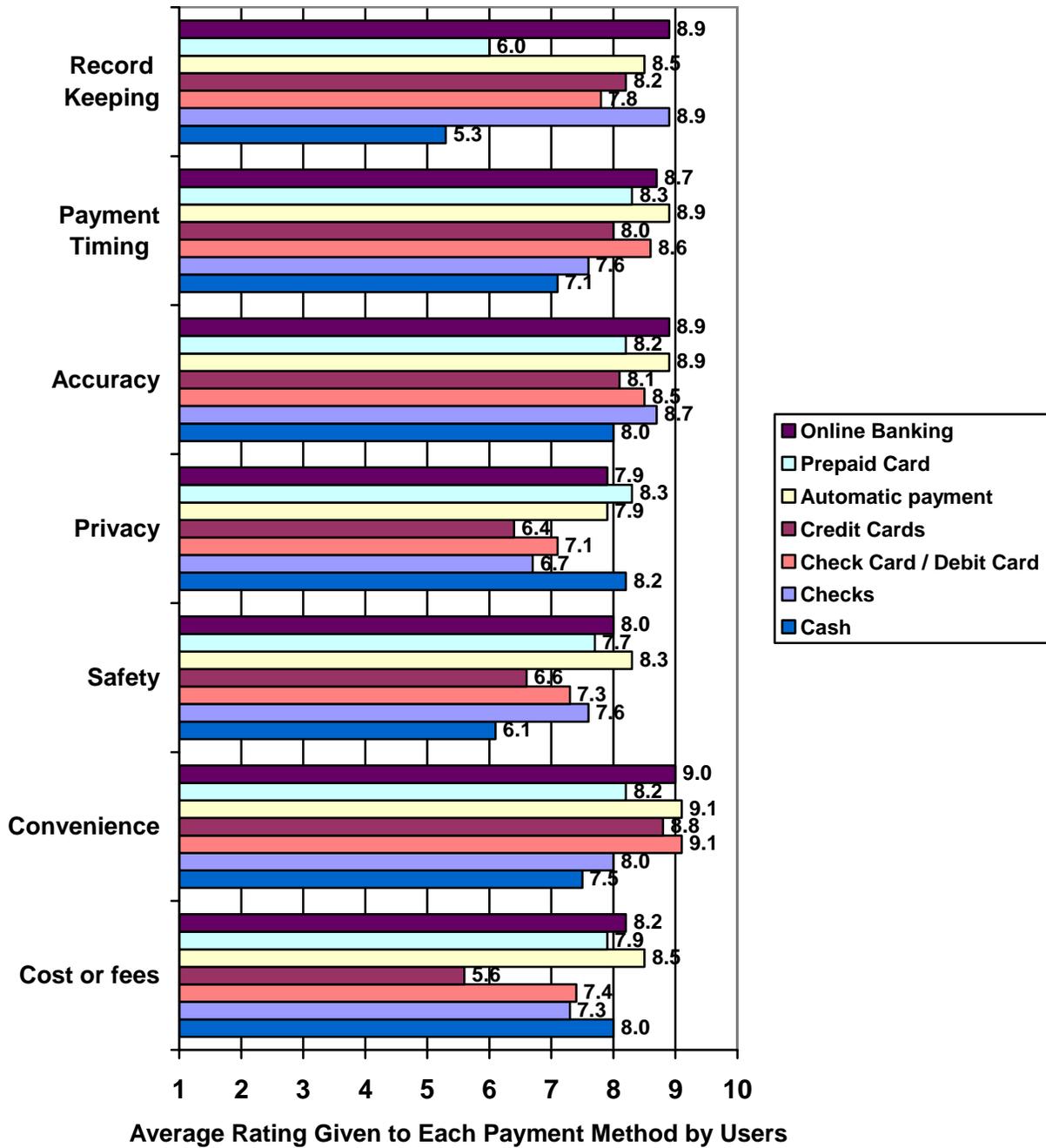
***Convenience:***

Automatic payment (9.1), check cards/debit cards (9.1), and online banking (9.0) received the highest ratings for convenience. The payment method that received the lowest convenience rating was cash (7.5).

***Cost or Fees:***

For cost or fees, users assigned the most favorable ratings to automatic bill payment (8.5), online banking (8.2), cash (8.0), and prepaid cards (7.9). In contrast, credit cards received the least favorable rating (5.6).

### Users' Ratings of Each Payment Method on 7 Dimensions



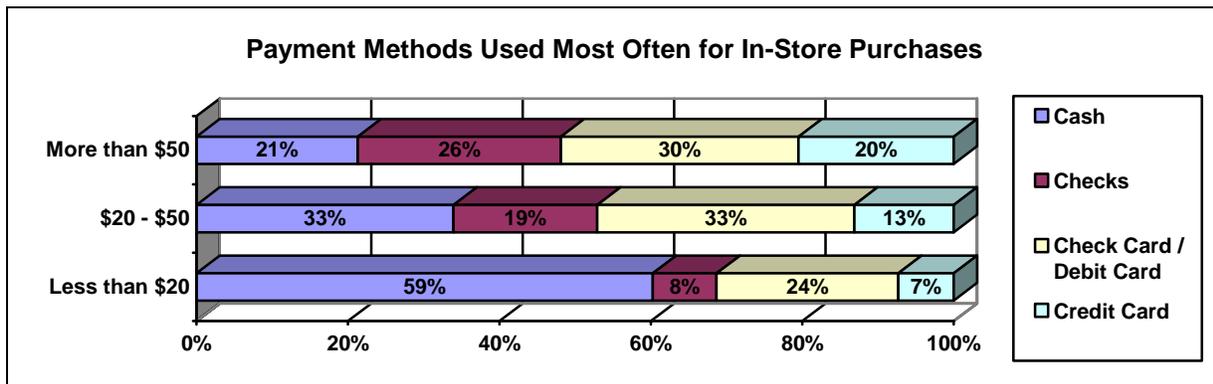
\*For each payment method that they have used in the past five years, respondents were asked to rate the method on each of the above seven dimensions using a scale from 1 to 10 where 1 is poor and 10 is excellent.

### Payment Methods Most Used for In-Store Purchases

When asked which payment method they most often use for in-person store purchases, respondents indicate that preferences vary considerably depending on the value of the purchase.

For small purchases of \$20 or less, the majority (59%) of respondents indicate that they use cash most often while just under one in four (24%) use check cards, which is the second most popular method for purchases of this size. However, for medium-value purchases between \$20 and \$50, check cards (33%) are just as likely to be used as cash (33%).

For purchases greater than \$50 in value, check cards are slightly more popular than other payment methods, but no one payment method is preferred by the majority of respondents for these higher-value purchases. Specifically, three in ten (30%) respondents indicate that they most often use check cards for such purchases, while nearly as many (26%) report an inclination to use checks, and approximately one in five indicate that they most often use either cash (21%) or credit cards (20%).



Q36-38. When shopping in person at a store, respondents were asked to identify the payment method that they most often use to pay for purchases in each of the above three dollar-value ranges. (Percentages in each row do not add to 100% due to rounding and because chart lists only those payment methods that respondents identified as using most often. Because only one respondent identified prepaid cards, the chart does not list prepaid card. Additionally, the small number of respondents (1-2%) who provided responses of “don’t know” or “other” are not shown.)  
Base = All respondents. (n=1,500)

### Differences by Age:

Regardless of the value of the purchase, older individuals were more likely than younger individuals to report that they most often use checks and credit cards, while younger individuals were more likely than older individuals to indicate a preference for check cards/debit cards.

Specific differences by age included the following:

#### Purchases Less than \$20:

- For purchases less than \$20, individuals ages 65+ (17%) were more likely than individuals ages 50-64 (9%) and individuals ages 25-49 (5%) to report that they most often use checks.
- Individuals ages 65+ (11%) and those ages 50-64 (9%) were more likely than those ages 25-49 (5%) to indicate that they most often use credit cards for these purchases.

- Individuals ages 25-49 (31%) were more likely than individuals ages 50-64 (20%) and those ages 65+ (9%) to report using check cards most often.

#### Purchases of \$20 - \$50:

- For purchases between \$20 and \$50, individuals ages 65+ (31%) were more likely than individuals ages 50-64 (22%) and individuals ages 25-49 (13%) to report that they most often use checks.
- Individuals ages 65+ (19%) and those ages 50-64 (18%) were more likely than those ages 25-49 (8%) to indicate that they most often use credit cards for these purchases.
- Individuals ages 25-49 (44%) were more likely than individuals ages 50-64 (26%) and those ages 65+ (12%) to report using check cards most often.

#### Purchases Greater than \$50:

- For purchases greater than \$50, individuals ages 65+ (38%) were more likely than those ages 50-64 (31%) and those ages 25-49 (20%) to report that they most often use checks.
- Individuals ages 65+ (26%) and those ages 50-64 (23%) were more likely than individuals ages 25-49 (16%) to indicate that they most often use credit cards for these purchases.
- Individuals ages 25-49 (40%) were more likely than individuals ages 50-64 (24%) and those ages 65+ (11%) to report using check cards most often.

## **CONCLUSION AND IMPLICATIONS**

These findings suggest that use of electronic payment methods, such as online payment methods, check cards, and automatic bill payment, has clearly increased over the past three years. Although automatic bill payment is equally popular among respondents of all ages, use of online payment methods, check cards, and ATMs is significantly more widespread among individuals ages 25-49 than among older individuals.

Among those who do not use online payment methods, privacy and security concerns represent the primary deterrent followed by lack of computer access, lack of Internet access, and the absence of a perceived need for online transactions. Among those not using check cards, the primary deterrent is the perception of inconvenience, lack of a perceived need for such cards, and concerns related to record keeping.

Any efforts to encourage more individuals to consider use of electronic payment methods such as online methods, check cards, and automatic payment should address privacy and security concerns as well as the other benefits of such methods, which are perceived by users to include convenience, accuracy, and payment timing.

Education efforts that demonstrate the benefits of these newer methods and explain how to use them may lead to increased adoption and acceptance among nonusers. Targeting such education to the 50+ population may be particularly instrumental in increasing adoption among this group as older individuals may be less likely to be exposed to the newer technology in the absence of targeted education. Encouragingly, the fact that half of respondents ages 50+ use automatic bill payment and most of those who currently receive Social Security retirement payments receive those payments as direct deposits suggests that it is possible to successfully introduce older individuals to electronic financial transactions.