We Need to Talk About DAD: The Dormant Accounts Dilemma

(Note: AI image created by myself for this article.)

How Financial Institutions Can Make Dormant Accounts Active and Win Loyalty

In the modern financial environment, where growth depends on active engagement and smart retention strategies, the Dormant Accounts Dilemma (DAD), presents a subtle but serious challenge.

Financial institutions are sitting on a large—and largely overlooked— resource: inactive or low-engagement accounts. They may not show up in the red, but dormant accounts quietly drain operational resources, complicate compliance, and weigh down overall performance metrics.

Worse, they represent lost opportunities for deeper relationships, increased product adoption, and long-term loyalty. Let's take a closer look at what's at stake—and how forward-thinking institutions can turn dormancy into a springboard for income growth.

Understanding DAD (Dormant Accounts Dilemma)

Dormant accounts—defined generally as accounts that have had no consumer-initiated activity for a set period, typically 6-12 months—are more than just idle entries in the ledger as they can:

- Consume resources without generating income.
- Skew performance metrics given that 22% of FI customers are disengaged.
- Increase compliance risk in various areas, including escheatment laws.
- Create reputational risk if consumers realize their accounts were deactivated or escheated without adequate notice.
- Increase fraud risk due to account holders not noticing unauthorized activity.

According to the National Association of Unclaimed Property Administrators (NAUPA), states in the U.S. currently hold over $70 billion in unclaimed assets—much of it from dormant financial accounts.

More on the untapped potential of this for financial institutions below.

Why Dormancy Happens in the First Place

Before tackling solutions, institutions should understand the root causes of dormancy. Many accounts go inactive not due to dissatisfaction but due to other reasons, including:

- Life transitions—moves, marriages, or job changes.
- Digital distractions—shift to more engaging fintech apps or neobank platforms.
- Lack of perceived value—an account simply isn't seen as relevant or useful.
- Poor onboarding—failure to integrate account holders into the broader ecosystem.

In many cases, these account holders may still have a favorable opinion of the institution—they've simply drifted away due to a lack of engagement.

And that can be viewed as a failure, or an opportunity.

Wake Up DAD; It's Time to Grow

Dormant accounts may not currently generate income, but they represent untapped potential and offer a valuable opportunity to increase revenue from existing consumers.

Dormant accounts may not currently generate income, but they represent untapped potential and offer a valuable opportunity to increase revenue from existing consumers. With the right strategy, financial institutions can re-engage these account holders and deepen the relationships. Here's why this matters:

- Reactivation costs less than acquiring a new consumer.
- Loyalty is within reach because many inactive consumers are not dissatisfied.
- Data is available for you to assess behavioral history and guide personalized outreach.

By adopting a proactive mindset, financial institutions can turn dormancy into a lever for sustainable growth.

From Dormant to Dynamic: Engagement Tactics That Work

Reactivating dormant accounts isn't just about creating a strategy that includes sending reminders—it's about rebuilding relevance.

Here are four key strategies institutions are using today to re-engage dormant consumers:

1. Analyze and Segment Dormant Accounts

Don't treat all dormant accounts the same. Use behavioral data to segment accounts based on factors like:

- Length of dormancy
- Product mix
- Past engagement patterns
- Demographic information

This segmentation allows for tailored strategies—because someone who opened a checking account five years ago and never used it is different from someone who went quiet last quarter.

2. Craft Personalized Re-Engagement Campaigns

Generic email blasts won't cut it. Instead, use personalized outreach that reflects the user's history and offers specific, meaningful value and products they actually want.

Re-engagement options include:

- Targeted digital campaigns across the most relevant touchpoints.
    - Email, social media, mobile app, online digital integration.
- Omnichannel digital campaigns to maximize reach through multiple touchpoints.
- Digital and Direct Mail to gain the benefits of combined marketing techniques.

TIP! Messages should highlight what's changed and why it matters to the individual.

3. Use Dormant Data to Drive Product Innovation

What do dormant accounts reveal about your offerings? If many people abandon a specific product type, it may be time to revisit the experience. Ask relevant questions:

- Are our current onboarding methods failing to drive usage?
- Are we failing to initiate effective engagement strategies?
- Are we using data-driven targeting to reach the right people?

Dormant account data is a powerful diagnostic tool for refining your product and service strategy. But there are broader ways to find a solution that works.

4. Ask Yourself If You're Offering In-Demand Products

In considering this, you need to combine your strategic priorities with evolving consumer demands. This is a robust way of creating and deepening relationships in the long-term.

According to our 2024 PYMNTS "Why Consumers Are Looking to Financial Institutions for Insurance," report:

- 44% of consumers would consider buying insurance from their FI.
    - This includes 63% of Gen Z and 60% of millennials.
- 75% of consumers who at least have auto and health insurance want insurance products from convenient, easy-to-access sources.
- 39.9% of consumers cite trust as a key factor in purchasing insurance products.
- Younger consumers are twice as likely to want a "one-stop shop" for their financial needs.

Compliance, Escheatment, and the Cost of Waiting

Beyond lost engagement, dormant accounts can carry regulatory consequences. Every U.S. state has escheatment laws that require financial institutions to report and remit unclaimed property, often after just 3-5 years of inactivity. Non-compliance can lead to:

- Fines and penalties
- Legal fees
- Damage to brand reputation

That's why proactive re-engagement isn't just about income generation—it's also about risk management.

Technology Helps—But Only If Used Strategically

Modern financial institutions have no shortage of tools for engagement—but too often, those tools aren't deployed with dormant accounts in mind.

One helpful example is FM PulsePoint, which helps select credit unions assess engagement across core financial behaviors (Pay, Save, Borrow, Invest, Protect) to identify where they excel and where opportunities exist. By analyzing key performance indicators—product adoption, digital engagement, and member interaction trends—credit unions gain a clearer picture of how to enhance their offerings.

With the right data-driven insights, all financial institutions can move from guesswork to strategic action and target the right people at the right time in the right place.

A Better Path Forward

In a climate where growth is hard-won and competition is fierce, no financial institution can afford to ignore dormant accounts. They represent:

- A hidden cost that can quietly erode profitability.

- A regulatory liability if left unmanaged.
- A growth opportunity waiting to be activated.

The solution isn't complicated—it's about listening closely, responding strategically, and using the right tools to re-establish relevance. By identifying dormant accounts early and building intentional pathways back to engagement, financial institutions can turn inactive users into active champions.