

Decision Point

When Your Loved One Needs Help



The Opportunity

In 2006, the first wave of Baby Boomers turned 60, an event much heralded by media and other trend watchers nationwide. Less talked about was a hefty number of the 78.2 million American Baby Boomers who were working a double shift in their daily lives—raising children while also caring for elderly relatives. This Sandwich Generation has been analyzed, written about, and marketed to for some years now—and for very good reason—there are an awful lot of them. Consider that six of ten caregivers work either full or part-time while providing care, and 62 percent of working caregivers have had to make adjustments to their work life to handle these additional personal responsibilities—adjustments that range from rearranging their work schedules to quitting their jobs.

What these numbers mean for families is that managing the finances of their elderly relatives becomes one more worry, one more task for a daughter or son to handle, and often an added stressor to an already full life. What these numbers translate to for credit unions is another opportunity to better serve members by helping them cope with a long-term situation that can be both financially and emotionally draining. In addition, credit unions can benefit from an increase in additional deposits and lift member loyalty. With the average age of adult credit union members hovering around 47, this is a problem we can expect to affect many members for some time to come.

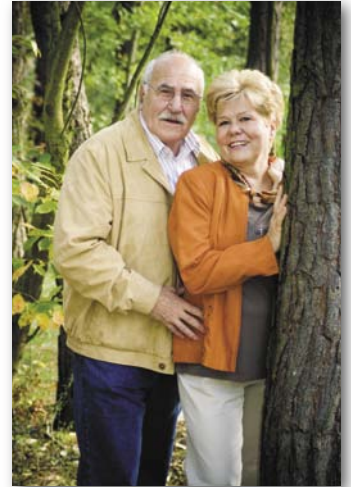
Just as serious, though, is the impact on the health of the credit union movement itself. An informal survey of credit unions found that 64 percent of deposits were held by members ages 60 and older, and 93 percent were held by members ages 40 and older. Without an organized program in place to help older credit union members and their families plan their financial affairs, these deposits and assets are in great danger of being lost. As the large Baby Boom generation continues to age, this situation will only intensify.

A 2004 research report by the National Alliance for Caregiving (NAC) and the American Association of Retired Persons (AARP) estimates that 21 percent of the adult population—or 44 million Americans—provide unpaid care to adult friends and family members.

The Solution

In order to help credit union members juggle both caregiving and financial management responsibilities, the i³ group conceptualized *Decision Point*, a service designed to help organize, monitor, and/or manage their elderly family members' financial affairs—for the short or long term. As a financial planning tool, *Decision Point* can also be used proactively by parents themselves to prepare their affairs in a way that can help spare their children this burden.

"There is a definite need and many resources out there to help older Americans make financial decisions," says Tansley Stearns, Vice President, Sales and Service, Bestsource Credit Union (Pontiac, Michigan). "In fact, part of the problem is there are too many resources. Just Google it and you'll see. We see *Decision Point* as a way to narrow the focus."



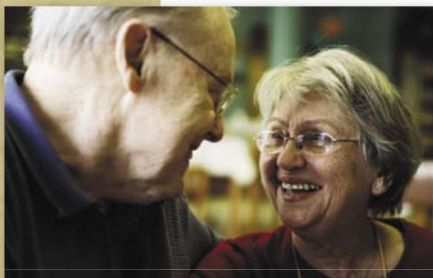
The *Decision Point* process begins when a credit union member service representative consults with the family, conducting a structured interview to assess the parent or loved one's state of financial independence. Essentially, this interview walks the child or guardian through to an understanding of where their parent/loved one falls on the "Stages of Financial Need" spectrum. The parent/loved one may only need a child/guardian to provide financial "advice" when planning for tax issues and future purchases, or he/she may require "assistance" in executing financial transactions. As the aging process continues, the child/guardian may need to take on the "parental" role of providing specific guidelines and rules for spending and financial matters. Finally, some parents/loved ones are no longer able to make financial decisions and will need their child/guardian to serve as the "caretaker" for both day-to-day finances and future estate matters. Every family's situation is unique, and members may need a nudge to act rather than avoid or deny the reality that their aging parents/loved ones need assistance.

Once the consultation process is complete, the member service representative presents the caregiver and parent with a package of recommendations that can include the following:

- A free, initial credit report screening to ensure the parent/loved one's financial health is in order.
- A resource list and possible referrals to additional elder care agencies in the community for non-financial needs.
- An action plan to manage the parent/loved one's finances, including the requisite paperwork for moving and setting up accounts.
- Expertise in managing the transition of the parent/loved one's finances.
- Products/services designed specifically to meet the parent/loved one's financial needs.

Getting Started

The vision of *Decision Point* is to provide caregivers of aging parents/loved ones with financial solutions throughout the aging process from the "planning" to the "crisis" stage. Consider taking the following steps to determine the extent to which your members would benefit from a program to help plan for and meet caregiving needs:



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- 1 Survey your members to identify and size your target market. How many members have aging parents/loved ones that will likely need care? How many members are already receiving assistance from their children?
- 2 Review your product/service offerings with this specific target market in mind. Do you need to customize standard products/services to meet the needs of aging members?
- 3 Begin gathering community resource information and lists of service providers. Contact your local office on aging as a starting point.

To date, the testing and development of *Decision Point* has focused on the "planning" stage. Future development work needs to focus on defining how to assess the needs of parents/loved ones as they progress through the "stages of financial need," and how to operationalize credit-union-provided assistance during these latter stages.

Always a Member

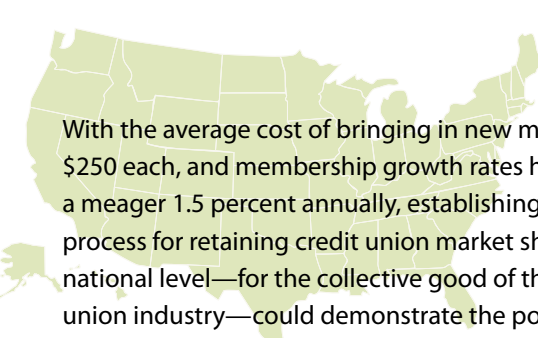
For Members on the Move

The Opportunity

From reserving the U-Haul and packing odd-shaped and heavy belongings to lining the kitchen cabinets and discovering there is not nearly enough storage space, moving from one residence to another is an event that most Americans dread. The U.S. Census Bureau reports that five percent of Americans loaded up the moving van and headed off to a different county, state, or region of the country in 2004. What's more, the headaches and fatigue related to moving don't end once we reach our destination...we then embark upon the tedious process of establishing our existence in the new community.

For years, financial institutions have been searching for and working toward the ultimate "sticky" financial service—the one that will secure a customer's business and loyalty over the long haul. The idea is to make the consumer's recurring financial transactions (bill payments, funds transfers, etc.) so extremely convenient and automated that he/she will never want to unbundle the services and start over from scratch at another financial institution. To a great extent, financial institutions have succeeded in meeting this objective. Indeed, it's now more difficult than ever to identify, disassemble, reauthorize, and re-establish our numerous electronic financial transactions when moving from one community to another. I bet you're thinking that your members don't need to leave your credit union, right? While that's generally true, research conducted by the i³ group reveals that between 30 percent and 35 percent of members still decide to close their accounts when they move in favor of opening an account closer to their new home or workplace. Logical? No, but consumers are often far from logical.





With the average cost of bringing in new members at \$250 each, and membership growth rates hovering at a meager 1.5 percent annually, establishing a tool and process for retaining credit union market share at the national level—for the collective good of the credit union industry—could demonstrate the power of cooperatives.

To determine interest in a national credit union referral service, the i³ group conducted a survey of credit union executives and managers via *Credit Union Times*. Interestingly, the vast majority of survey respondents (95 percent) provided a favorable rating of the credit-union-to-credit-union referral program concept. In addition, 79 percent of respondents indicated that their credit union would be interested in participating in such a program.

The Solution

Always a Member is a Web-based, online referral database available at the fingertips of frontline staff. The database is used to identify credit union branches in close proximity to a member's new geographic location. Furthermore, it is used to match and screen for member eligibility. The purpose of the program is to effortlessly facilitate the transfer of membership from one credit union to another, saving the member time, effort, and the hassle of moving funds. This one-stop referral system could also help thread credit unions together as a powerful national network of cooperatives.

Ultimately, i³ members decided to utilize the "CU Match Up" site (www.joinacu.com) powered by the California Credit Union League, in conjunction with a locator service for the 21 states not currently covered by "CU Match Up" as the foundation for the *Always a Member* Web site (www.alwaysamember.org). Launched in August of 2006, the *Always a Member* Web site walks the employee and the member who is relocating through a series of simple questions designed to arrive at a short list of full-service, conveniently located credit unions that the member is eligible to join. A printable, paper referral form is available to provide the member with an introduction to the new credit union(s). In the future, this database would also include information on shared branch availability and locations.

The pro forma analysis shows that *Always a Member* can be fully self-sustaining and even profitable under various structures with a low participation fee and conservative participation levels. The probability for success is highest for the National Network model, where an investment is made in the technology tools that provide for the automated transfer of accounts. Participating credit unions would pay a nominal annual membership fee, as well as a small finders fee for each new member they obtain through the referral network.

THE BRITISH COLUMBIA MEMBER REFERRAL PROGRAM

The idea for the *Always a Member* project grew out of its i³ founders' desire to address the problem of slow growth in the industry.

The Credit Union Central of British Columbia's Member Referral Program was launched in 1996 to retain members within the credit union system. The primary purpose is to seamlessly transfer a relocating member's finances from one credit union to another in hopes of retaining their business, albeit at a different credit union. An incentive program is used to encourage credit union staff to retain members at the national level. Referring employees receive a \$15 cash incentive per successful referral, payable after a three-month period.

Since its inception, the British Columbia member referral program has helped the industry to retain 3,502 members and \$106 million in deposits. The program refers members across Canada, although each Credit Union Central operates its own program with some variations.

Getting Started

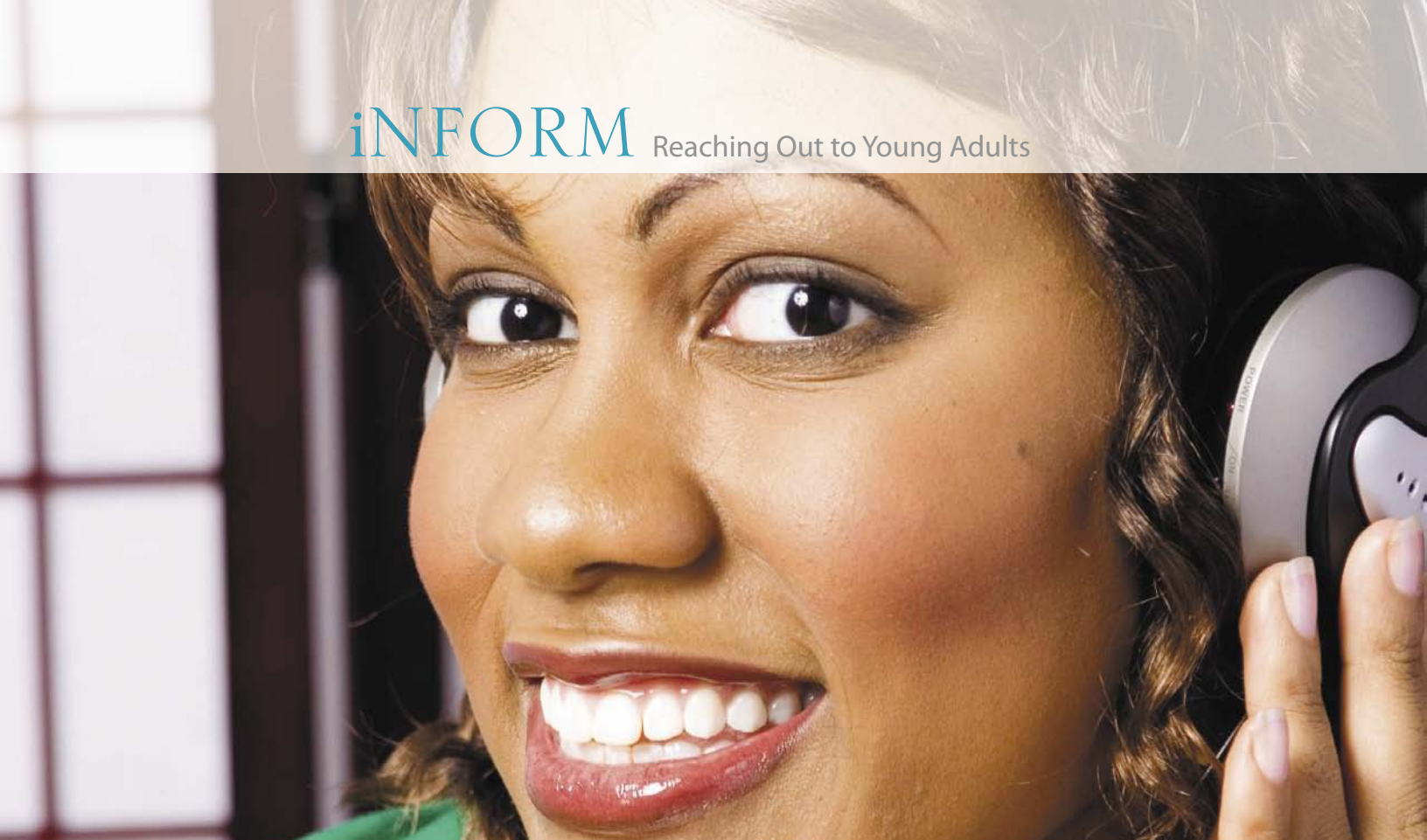
In the first phase, *Always a Member* can be implemented using pen, paper, and the current Web site (www.alwaysamember.org). A second phase would benefit from technology sophisticated enough to transfer accounts automatically, making it more attractive to members and to participating credit unions. Consider taking the following steps to determine the extent to which your credit union members could benefit from this national member referral service:

- 1 Calculate the number and percentage, for the last three years, of closed accounts that have occurred in conjunction with members relocating to a different community.
- 2 Visit www.alwaysamember.org to review and test the first phase of the concept.
- 3 Consider joining the *Always a Member* cooperative network.

Remember, in addition to providing valuable assistance to members on the move, *Always a Member* provides a mechanism by which credit unions can step forward and exercise our cooperative muscle to promote the concept of "once a member, always a member" at the national level.

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The Opportunity

Consumers in their twenties are often challenged by financial needs and material wants at a time when they are trying to establish independence from their families, build careers, and enter into relationships. At the same time, they are bombarded by financial information in a variety of media and can often feel confused about the direction they should take. Census Bureau figures estimate the size of this young adult market (ages 20 to 30) at 41 million consumers, or 14 percent of the U.S. population. But, research shows that credit unions are reaching just 19 percent of this group. This low member penetration rate is both disappointing and distressing since this age group has—or will soon have—lucrative financial product/service needs as they begin careers, and purchase homes, cars, and furnishings.

Powering these purchase decisions are women, and according to *CUNA's 2005–2006 Credit Union Environmental Scan*, they are responsible for 80 percent of household purchase decisions ranging from home furnishings to cars. What's more, women are now the primary decision-makers for many purchases that were previously dominated by male buyers such as vehicles, home improvements, life insurance, and investment accounts. Yet according to a 2006 Prudential Financial study, 62 percent of women assigned themselves a grade of "C" or lower for their overall knowledge of financial products and services.

In focus groups sponsored by Filene i³ and conducted with the memberships of four separate credit unions, young women in particular expressed a need for a neutral advisor, one that would give clear, honest information on subjects such as budgeting, debt management, and financial goal-setting. Information from the i³ focus groups, comprised of young adult women, showed they maintained between three and twelve financial relationships, and that many of the institutions they patronized were among the frontrunners in developing relationships with this youthful market.



They generally began using these financial institutions at the age of 18 and reported that just-in-time availability (e.g., convenience) drove the establishment of these relationships more so than rates and fees. Overall, participants reported they want to better manage their money, and many said they have paid, or are now paying for, decisions (e.g., mistakes) they made in their late teens and early twenties. On their wish list is a clear and actionable “map” that would direct them to their financial destinations.

The Solution

Filene i³'s innovative response to these issues is *iNFORM*, a financial education program that can be delivered “on demand” by any credit union using a variety of delivery mechanisms. Its goal is to reach young adults—young women, in particular—with clear and interesting messages about a variety of financial topics, ranging

from budgeting and credit management, to reverse mortgages for elderly family members. An equally important objective is to provide this information just-in-time (as needed) and in a private location in order to eliminate any embarrassment or fear that can sometimes be associated with seeking financial guidance.

While the private, on-demand delivery objective could be accomplished by using a number of technologies including podcasts, Webinars, and USB drives/discs, the i³ group concluded that podcasting—media files that could be downloaded from a credit union's Web site for playback on mobile devices and personal computers—had the most appeal to fit the needs, interests, and concerns as identified in the focus groups. The origin of podcasting is in Web radio, but companies from IBM to Purina view podcasting as a way to reach out to target audiences without a cost to the consumer. The Yankee Group advises that podcasts should be built around focused topics that appeal to specific demographic groups—perfect for this application.

The initial subject matter for *iNFORM* is budgeting and credit management. Material on this subject is developed and targeted to the young adult female market. The series of podcasts flow from one to the other in bite-sized “how to” pieces. Each one is educational and is linked directly to specific credit union products and services. The i³ group developed a list of 17 potential topic modules for podcast delivery, a prototype podcast, and sample podcast scripts for the first two modules.

The *iNFORM* program is scalable based upon the needs, opportunities, and resources of individual credit unions. It can be developed and produced in several ways: within a credit union, in partnership with an advertising agency or media provider, or by completely outsourcing the work to a third party.

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Getting Started

Future program development may include constructing more of the potential financial modules, as well as perfecting the podcast mechanism and expanding delivery vehicles to include RSS feeds, Webcasts with downloadable PDFs, and cell phone messaging systems. The possibility of introducing *iNFORM* at the high school level is also under consideration. Consider the following steps to determine whether *iNFORM* is the right program for your credit union:

- 1 Review your credit union's existing programs and product/service offerings. Do you offer any programs geared specifically toward young women?
- 2 Calculate your credit union's member penetration level among 20-to-30-year-olds to identify market potential and establish a baseline from which to improve.
- 3 Explore existing financial education programs in your community to determine whether you may be able to fill an information gap by implementing *iNFORM*.

Given that credit union members are aging, it is a wise business decision to understand Gen Y and reach out to them in ways that fit seamlessly into their lives. *iNFORM* may be your credit union's key to success with the young adult market segment, especially young adult women.

Stock Market Madness



with **CUPick64**



The Opportunity

Credit union members are aging. The average age of adult credit union members is 47, with only six percent between the ages of 18 and 24. *CUNA's 2006-2007 National Member Survey* reports the percentage of members in their peak borrowing years (ages 25 to 44) has decreased by ten percentage points over the last decade alone—a drop that is likely to affect millions of dollars in credit union loan volume. It's no secret that an aging membership will pursue the highest dividend rates, so lending will need to keep pace with savings demand. Now more than ever, it's critically important for credit unions to attract new, young faces into the membership fold.

So, if these young consumers have financial needs, why don't they just join a credit union? Game over. The answer is the game is different today.

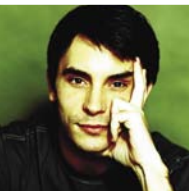
The Solution

Games are particularly effective at reaching a young audience because this group tends to distrust traditional advertising. In addition, brand recall rates are better with games than with passive mass media advertising—30 percent to 40 percent for games compared to 10 percent for television—because games require active participation and concentration.

Enter i³'s *CUPICK 64*, designed to engage young adults ages 16 to 25 in understanding the financial services industry through a real-time stock market simulation game.

Based on the popular “fantasy leagues” for sporting events, and designed to resemble NCAA basketball bracket style play, *CU PICK 64* requires players to pick new stock “teams” weekly and rewards the player who accurately selects the stock winner—the company with the highest percentage price appreciation each week. At the end of six weeks, the player with the most points becomes the champion. To keep players apprised of their standings and remind them to update their brackets, text messages or emails are sent after each round of play. It is these repetitive communications that give the credit union a foundation from which to forge further interactions with these online text-crazy consumers. To improve a player’s chance for success, tutorials for learning about stocks, the market, and company research are built right into *CU PICK 64*.

Credit unions can control costs for *CU PICK 64* by customizing the prizes and Web design (e.g., screen layouts). In keeping with the open source innovation model, the i³ developed core software is available to credit unions at no charge.



Getting Started

The large Gen Y cohort will become increasingly important to credit unions as credit union members continue to age. To be successful, credit unions need to capture the attention of these consumers by meeting this segment’s needs and communicating via their channel. This is essential to help build product awareness and create a positive brand image—one that will gain the respect and support of this growing generation. The real question for credit unions is whether or not they will be early adopters or late entrants in connecting with Gen Y by using alternative channels of communication.

Consider the following steps to determine whether *CU PICK 64* is the right program for your credit union:

- 1 Conduct a historical analysis of your credit union’s membership by age to determine the extent to which the proportion of peak borrowers is declining, and then extrapolate into the future. Is there danger looming on the horizon?
- 2 Calculate your credit union’s market penetration for teens and young adults. You will likely find there is plenty of room for membership growth within your existing field of membership.
- 3 Check out www.CUPICK64.com and monitor beta-test progress. Set up your own pilot test using one group of teens and one group of young adult members from your credit union. Remember to gather feedback along the way.

Keep in mind that if you want to effectively reach the young adult market, you’ll have to learn to play their games.

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GAMING IS GROWING IN POPULARITY

Scores of companies such as PepsiCo, BMW, American Airlines, DirecTV,

RadioShack, and Volvo have developed advergames, or custom developed games that promote a product or offer. One of the most impressive online games was created by Cold Stone Creamery, who uses it to teach their 8,000 primarily young employees how portion control and waste can affect company profits.

Several financial services institutions have also developed online interactive games, designed to engage, teach, and create excitement about their products. For example, Visa® developed a game to coincide with the 2006 Winter Olympics, and Wells Fargo piloted an online multiplayer video game built inside “Second Life,” a virtual world owned by Linden Labs that featured “avatars,” or characters a player created to interact with other avatars, and engage in entertainment and economic ventures.

The United Kingdom’s Virgin Bank developed an online promotional game called “Lose Your Anger.” It involves swinging a wrecking ball at a brick building, custom-named by the player, as the bank that recently “ticked them off.”

Finally, Huntington Bank launched an interactive online hockey game in February 2006 in conjunction with the unveiling of its “Blue Jacket Banking” package and status as the preferred financial services provider of the Columbus Blue Jackets hockey team. Called “Check and Score Hockey,” the game capitalizes on a hockey move called “checking” to promote the bank’s checking services and to demonstrate fan loyalty to the Blue Jackets. Potential new customers are lured to the bank’s Web site by players challenging friends to join and play the game.

Prize-based Savings Products

More Interesting Than Interest



the Opportunity

According to the *Federal Reserve's 2004 Survey of Consumer Finances*, only 47 percent of American families currently have savings accounts, a decrease of eight percentage points from 2001. The Brookings Institution estimates that there are 8.4 million Americans with annual incomes of less than \$25,000 and no checking or savings account.

What's more, every year Americans pour their hard-earned money into slot machines, black jack tables, poker games, and other forms of legalized gambling. According to Tufano and Schneider (2006), Americans—including many low-income earners—spent nearly \$80 billion on gambling entertainment during 2003, at a time when the national household savings rate was heading toward zero and would soon slide into negative numbers.

In addition, a 2005 survey commissioned by the Consumer Federation of America (CFA) and the Financial Planning Association® (FPA) discovered that nearly 40 percent of low-income earners think it is more practical for them to accumulate significant savings by winning the lottery than by actually following a systematic plan for saving.

Of course, financial planners, policymakers, and economists agree families must have savings to survive financial emergencies, plan for the future, and retire comfortably. The challenge, then, is to combine the fun and excitement of gaming with the practicality and seriousness of saving to achieve the best of both worlds.



DR. PETER TUFANO
HARVARD BUSINESS SCHOOL

"Several other countries have been very successful offering Prize-based Savings accounts to help increase national savings rates. These products have great potential in the U.S. and credit unions are in a unique position to help consumers save."



the Solution


Consider that credit unions can develop an account that encourages savings by offering an opportunity to win attractive prizes along with *no chance of losing the investment*. What's more, credit unions can define and organize the prizes as sweepstakes (similar to promotions regularly run by major credit card companies) to avoid the gambling stigma and address legal and regulatory compliance issues.

To participate, members simply deposit money into a specific *Prized-based Savings* account. Members earn an entry into the sweepstakes drawing for each dollar or incremental dollar amount deposited. They can deposit or withdraw from the account as needed, and there is no penalty for withdrawal. However the more members save, the greater their chance of winning a prize in the sweepstakes drawing.

As a way to offset the cost of prizes, a credit union may elect to minimize the interest rate on this account, or to forego paying interest altogether.



Getting Started



Imagine the potential should this type of account take off at credit unions! With the right type of publicity (e.g., on *Late Night With David Letterman's* regular feature: Is it something, or is it nothing?), a few quick wins by credit unions could easily snowball into a discussion of public policy and considerable exposure.

Consider the following steps to determine the extent to which your members and potential members need a product to increase savings in the U.S:

- 1 Graph your members' average savings balances over the last five years. Is it increasing? Decreasing?
- 2 Break down current savings balances into categories and look at the demographic composition of members with no-to-low savings. This should help you determine the target market within your existing membership.
- 3 Seek out demographic data (e.g., annual incomes) for your entire field of membership to determine the market size and potential for attracting new members with this account.
- 4 In addition, you should consult with legal counsel as to state and local laws and regulations governing sweepstakes and distribution of randomized prizes. After establishing program feasibility, baseline measures, and the guidelines and rules governing the program, implementation can be quickly accomplished. While piloted as a sweepstakes, there exists an opportunity to gather important consumer data which (if programs are successful) could ultimately lead to a change in regulations to permit a lottery-linked product.

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my *Community* connection

Matching Needs and Interests to Opportunities

the opportunity



Are Americans connected to their communities? Some researchers believe that after three decades of rapid change and disengagement, community ties are once again beginning to flourish. Robert D. Putnam, Professor of Public Policy at Harvard University, believes that over the years, Americans have become increasingly disconnected from family, friends, neighbors, and public institutions. He and other researchers suggest that corporate greed, political and religious scandals, advancements in technology and communication, lack of job security, and other societal changes are to blame. But as Americans weather these changes, more and more are becoming determined to refocus their lives. Work-life balance has now become a personal and family priority, and instead of politicians and corporate executives, Americans now turn to people they know and trust for advice and direction. The events of 9/11 have accelerated this trend toward a more community-minded America. In fact, in December 2006, the Corporation for National and Community Service reported that volunteerism in the United States had reached a 30-year high.



How can credit unions support this restoration? While the Internet is often blamed for causing social isolation, it can also likely serve as the tie that binds. Consider that over the last few years, the Internet has evolved from a source of information and entertainment into a medium through which people share their thoughts and ideas, engage others in ongoing dialogues, and strengthen relationships.

Can credit unions use the concept of online communities to facilitate the process of matching member needs and interests to opportunities in the local community?

To measure member interest in and attitudes toward volunteerism and non-traditional credit union clubs, i³ asked several credit unions across the country to survey their members. The survey results were as follows:

- 93 percent of respondents are interested in finding volunteer opportunities.
- 86 percent of respondents are interested in non-traditional credit union clubs.
- 32 percent are interested in an outdoor club.
- 28 percent are interested in a volunteer club.
- 20 percent are interested in an investment club.

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My Community Connection (MCC) is a Web-based portal designed to connect credit union members with volunteer opportunities, interest groups, local events, and activities in their communities. Members simply log-on to *MCC* with a user name and password to participate in one or more forums of interest.

When members log-on, what they find is a variety of volunteer opportunities, local events, and activities initiated by credit union members. If they are interested in volunteering, for example, they could go to the “volunteering forum” to post information about an event, ask other members to join them in an event, register to participate in something initiated by another member, or simply view the calendar of events. As a way of deepening member relationships, credit unions could recognize those who volunteer with a luncheon, ceremony, or small token of appreciation.

For those with hobbies or other interests, *MCC* provides an easy way to find others with similar interests through the member-suggested forums. By helping members locate and participate in these opportunities, the credit union is strengthening its community presence.

“Essentially, *MCC* is a gathering place for people with common goals and interests,” says Eric Acree, Executive Vice President, Operations, Vantage Credit Union (Bridgeton, Missouri).

getting started

MCC provides an attractive value proposition for credit union members, individual credit unions, the credit union industry, and society as a whole. As Acree succinctly states, “This is a tool to help credit unions do what they’ve always done in the community.”

Consider taking the following steps to determine the extent to which your members and potential members would benefit from an online community:

- 1 Survey your members to measure participation and attitudes regarding volunteerism, and interest in non-traditional credit union clubs. Identify and calculate the size of your credit union’s potential target market(s) for *MCC*.
- 2 Monitor progress of the *MCC* pilot at www.filene.org and the i³ project group. Once the site has been revised, marketing materials will be designed and a public relations plan will be launched to build interest and momentum within the industry.
- 3 Begin the process of establishing (or maintaining) relationships with local volunteer agencies. It’s not too early to develop a list of guidelines to use when screening nonprofit agencies that wish to enter your online community.

Imagine the possibilities! If implemented across the nation, *MCC* could epitomize credit unions’ “people helping people” philosophy as it connects members with community activities, opportunities, and events.





NO EXCUSES

Savings Club

Making Saving Money Easy!

The Opportunity

While the U.S. economy has experienced incredible growth over the past 20 years, inflation-adjusted wages for the typical wage-earner have fallen and the cost of health insurance has increased, leaving the average consumer footing the bill for more expenses than ever before. It is clear Americans have less money to save, and they need solutions to help them do so. Likewise, it is equally clear that given the mandate to help those of modest means build financial futures, credit unions are the right organizations to step in during such trying times to lend a hand.

“As we did the background research in preparation for this project, people kept telling us they didn’t have the time or the discipline to save money for themselves,” explains Crystal Long, Senior Vice President, Consumer Lending and Remote Services, GECU (El Paso, Texas). “As a result, we challenged ourselves to develop a program that requires little-to-no effort from participants and is capable of stimulating savings over time.”



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The Solution

According to the *2005/2006 Study of Consumer Payment Preferences* conducted by the American Bankers Association/Dove Consulting, debit cards continue to gain ground as the payment instrument of choice for consumers. In fact, in 2005, a larger proportion of consumer in-store payments were made by debit card (33 percent) rather than credit card (11 percent), so it simply made good business sense to focus on designing a credit-union specific, savings-based program that matches savings opportunities with the most frequently used consumer payments vehicle.

Enter the *No Excuses Savings Club*. Unlike the BofA *Keep The Change™* account, this account is developed to leverage the power of the cooperative movement to help members build wealth and make saving money easy. An extension of a credit union member's debit card account, the program essentially rounds off transactions to the nearest dollar and automatically sweeps funds to a high-yield savings account with no minimum balance requirement. As an added incentive, credit unions may also decide to match contributions. Here's how the program works:

- No minimum balance, fees, penalties, or eligibility requirements for members to enroll in the program.
- Debit card purchases are rounded up to the nearest dollar and the difference is deposited into a special high-interest savings account.
- Credit union matches deposits 100 percent for the first 45 days (up to a pre-established maximum amount).
- Deposits are made daily to the savings account and are available to the member immediately.
- Credit union pays a 5 percent rate on deposits made to the savings account.

Results from a survey to test various components of the *No Excuses Savings Club* uncovered significant member interest in the product concept. For example, more than two-thirds of responding members cited "an easy and painless way to save" as one of the most attractive features of a debit card savings program. What's more, 87 percent of respondents identified "having my credit union match a portion of the savings" as the most attractive feature of the program. All told, two-thirds of respondents indicated that "they couldn't think of anything that would prevent them from enrolling."

Getting Started

The \$1.2B GECU (El Paso, Texas) has announced it will adopt the *No Excuses Savings Club* program in 2007, along with approximately ten other credit unions. Chief Executive Officer, Harriet May, offers the following words of encouragement: "Not everything we do is about the return on investment. It makes perfect sense to leverage the success of our debit card program to help GECU members save."

Consider taking the following steps to determine the extent to which your members and potential members would benefit from a product to increase savings:

- 1 Analyze the composition of your debit cardholders. Divide them into active and inactive savers and review demographic characteristics of inactive savers to determine market potential within your existing membership.
- 2 Do the same type of analysis for members that do not have a checking (with debit card) account at the credit union. Who are the members with little-to-no savings dollars and no transaction account? Could this product potentially jump start activity and increase service penetration among your inactive members?
- 3 Seek out demographic data (e.g., age and annual incomes) for your entire field of membership to determine the market size and potential for attracting new members with this account.
- 4 It should be noted that BofA currently has a patent pending on *Keep the Change™*. Credit unions should stay abreast of this issue and consult with legal counsel to implement a round-up type program.

For credit unions still teetering on the edge, consider that you likely already have the infrastructure and all the components, including market penetration, in place to join the savings challenge!