

# Focus on Thrift – Collaboration in the Classroom

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Submitted by:

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## Executive Summary of Concept

Credit unions pool their resources to hire a person to facilitate the program and visit schools on behalf of the credit unions. The person selected should be well-trained and talented in reaching young adults and talking about finances.

The individual selected arranges large, auditorium-style, one-hour presentations with schools and other student groups. When that person speaks at a school, they hand out information that includes the logos of participating credit unions and informs the students that they can receive \$25 if they complete a self-guided course and open a savings account at a participating credit union.

The student must log on to the program Web site and complete the self-guided course on finance. Once the course is completed, the student receives a certificate to take to their local credit union when they open their savings account.

When a student arrives with the certificate, participating credit unions know to give the student \$25 for opening an account and keep the certificate to send to the facilitator.

The facilitator can track both courses taken and accounts opened.

## Part 1: Market Place Need

- Consumers need more information about smart financial tactics and more motivation to start saving at a young age.
- Teachers need an easy means of bringing the information to their classrooms in a way that captivates their students' imagination.
- Students need provoking reasons to listen to and participate in financial literacy presentations.
- Credit Unions need more young members to open accounts at their institutions.

- Leagues, government agencies, and non-profits all need a program that has results that can easily be tracked.

## **America's Savings Crisis**

### Without A Net

In 2006, the Center for Retirement Studies at Boston College revealed some alarming facts that convey the financial dangers Americans currently face.

- A mere 20% of Americans are eligible for a pension, leaving 80% of our population to financially fend for themselves during retirement.
- Just 25% of Americans have actually enrolled in their company sponsored 401(k) programs.
- Of those who have enrolled, a staggering 45% of those participants will cash out of that 401(k) program when they leave the company, often using those funds to pay off accumulated consumer debts.

One only has to look at recent bankruptcy statistics from the US Department of Justice to see why we're cashing in our nest eggs. In 2005, 53,509 Americans filed Chapter 7 bankruptcies that totaled over \$1.7 billion in losses. Just one year later, those filings increased to 67,097 cases with over \$2.8 billion dollars in losses. Currently, over 5% of Americans filing bankruptcy are between the ages of 18 and 24, up from 1% in recent years. Also notable, the majority of bankruptcies are filed by people between the ages of 25 and 45, yet these are the years in which we are most likely to be able to get ahead of the financial curve to secure that elusive nest egg.

Our already bloated consumer debts continue to grow. With insurmountable balances on our credit cards and auto loans, we're without the means to establish and commit to a savings plan that will provide us with a financial safety net in times of hardship, and provide for us during our retirement years.

How did Americans become so financially illiterate? Look to the lack of financial education for children and teens, at home and in school. The aforementioned statistics demonstrate that a majority of parents are ill-equipped to provide necessary instruction to their children.

The financial habits we develop in our teens and early 20s—often learned by default or by following the habits of peers—become the basis for our adult money management skills. The strength of those money management skills, or lack thereof, defines the strength of our spending, borrowing, saving, and investing plans throughout the course of our lives.

According to the Social Security Trustees' 2007 Report, the impending Social Security crisis leaves no guarantee that America's compact with its elderly will continue to support them after 2041. Now, more than ever, we must teach our youth the skills they need for the future that they will have to finance.

It is crucial that the next generation establish solid financial skills in their youth. Those skills will evolve into habits that will provide a strong foundation for the financial house, skills that will keep and protect these young people throughout their lives. Those skills must include the ability to create and commit to a consistent savings plan.

## **Need For Immediacy**

### Failing To Make The Grade

The National Jumpstart Coalition for Personal Financial Literacy (Jumpstart) was created in 1995 to improve the financial literacy of youth, grades K – early college. They provide advocacy, research, standards, and educational resources to the public.

Jumpstart's advocacy includes annual, nationwide testing of high school students on basic personal financial skills. The fall 2006 test results show students scoring a mere 54.2% in the basic personal financial skills. Sadly, these scores are an increase from the previous testing period. While financial literacy is in the headlines, we are far from adequately preparing our youth to finance their futures.

MSN Money also cites some frightening statistics about the financial habits of teens and 20-somethings. One in three high school students carry credit cards, and more than half of those students hold cards in their own names. They also note that student loan maker, Nellie Mae, reports that 78% of college students have credit cards, and typically carry a balance of \$3,200. Further, one in ten college students carry credit card balances of \$7,800 or more.

In addition to student loan payments and the pressures of establishing a career, these young people enter adulthood with a burden of consumer debt that places them years behind in their savings. They are left without resources to tuck away for their futures.

## **Part 2: What's Being Done About It?**

### **A Financial Services Regulator Goes To Class**

While working for the Washington State Department of Financial Institutions between 1995 and 2004, Alicia Diefenbach saw fallout from this lack of education. She spoke daily to victims calling the Department, seeking assistance because poor financial choices had landed them in serious financial trouble.

Whether they were victims of identity theft, mortgage loan or securities fraud, or victims of their own poor spending, saving, and credit choices, she was struck by the fact that many of these victims could have avoided these money troubles with ease if they'd received a basic financial education.

It quickly became apparent that these weren't just skills that adults needed. After four years in the Consumer Services mortgage loan fraud enforcement unit, Alicia began developing educational presentations for schools in Washington State. She made over 100 presentations each year in Washington State between 2000 and 2003. She realized that teachers, struggling with their own battle to adequately save, wanted assistance and support in bringing this information into the classroom.

Presentations were one class period long, and used humor and storytelling as the means of delivery. They were a hit with students. The kids were fascinated to learn how identity theft scams occur and that victims are left with bad credit. When they learned the true costs of poor credit scores, they quickly picked up on how bad credit depletes their pocket money through higher rates and fees. And when they learned how compounding interest works, they were thrilled to see just how powerful that pocket money becomes, adding up to millions after decades of wise and safe investing. The progression of these concepts got results and students were inspired to put their money where their accounts were.

Students learned the difference between short and long term savings, and between savings accounts and IRAs. When they realized how simple it was to create their own wealth, they rose to the challenge and asked how to get started. As a regulator of the financial services industries, Alicia then advised students that accounts could be opened at credit unions, at banks, and at brokerage firms.

### **Credit Unions Rise To The Occasion**

#### Where Banks Failed

Unfortunately, inspiration was not enough. Alicia got a call from a high school teen who utilized a bank as her financial service provider. Alicia was dismayed to hear that this student, who had actually been motivated enough to go to her bank to open IRA had been shown the door. Told by her bank that she'd have to pay fees ranging from \$100 - \$150 an hour to discuss IRAs with a financial planner at the bank, the student felt confused and embarrassed when she had to admit she didn't have the needed resources to meet with the planner. She left

without opening the IRA. She left without taking the first step toward personal financial security.

Alicia realized that it wasn't merely enough to educate students about how avoid fraud, to manage credit, and save wisely. Knowing that a student could only be as successful as the financial service provider they were choosing as their partner, Alicia decided to help them short cut an often confusing choice.

She wanted to introduce them to the one financial service provider who truly invested in their communities and would pay them more interest on their savings. The one that would help them open those IRAs, and charge them less interest on their loans. She wanted to introduce them to credit unions.

## **Part 3: First Pilot of Collaborated Effort**

### **Credit University In Washington State**

Seven credit unions in Washington State came together to sponsor a Credit University program. The program is delivered at 40 locations where teens gather, be it schools, camps, or club conferences such as FBLA or DECA. As a result, the Credit University presentation is delivered either in classrooms (for school visits), or in an auditorium or conference center (for camps or club conferences).

Alicia reaches out to teachers that teach subjects like Independent Living, Adult Living, Personal Financial, Business, and Marketing. She first reaches out via email with a brief description of the program. This description is key to getting a response from the teacher.

There are three key components to this outreach: 1) as a former regulator, Alicia is an unbiased presenter of content, 2) the content, covering identity theft, credit, and investing is unique and 3) the program is funded by nonprofits not interested in pitching financial products.

Unfortunately, due to how burdened the school calendar is throughout the year with assemblies, standardized testing, and various other sporting and club activities, school assemblies have been impossible to schedule. On the other hand, smaller audiences allow for a more 'intimate' experience in the classroom. Students feel as though they are being spoken to individually, and they get all of their questions answered.

If Alicia is speaking at a high school, the teacher will usually offer her between two and four classes to speak to over the course of a day. Because teachers rarely have back-to-back presentations available for speakers, the presenter will often spend an entire day at a school to speak to three classes.

At the beginning of each presentation, a dynamic, colorful tri-fold brochure is presented to the students. On each interior page, the three key concepts of the presentation are explained and highlighted: Identity Theft, Credit, and Saving/Investing. On the back page is a list of all of the sponsoring credit unions and their contact information. *There are no solicitations for business on the brochure. This isn't allowed in schools.*

At locations where teachers are unable or unwilling to do Web-based surveys, Alicia provides surveys to the teachers, requesting that the students complete the surveys within one to three weeks.

## **Part 4: The National Opportunity**

### ***Focus On Thrift: Collaboration In The Classroom***

Building upon the currently successful credit union-sponsored financial literacy program, Credit University, a national Credit University program can further inspire teens in fraud prevention and credit management skills. The program effectively demonstrates that those skills lead to additional pocket money. Students will then learn that by consistent, regular contributions to savings and investment accounts, they can easily become part of the next generation of America's wealthy citizens.

What makes i<sup>3</sup>: ***Focus on Thrift: Collaboration in the Classroom*** exciting and unique is that, while branded, it will be branded nationally across the entire industry, rather than by a single financial institution. This would be a previously unseen, industry-wide cooperative effort with regard to an in-class, financial literacy, presentation-based program. Further, it serves to show the industry's dedication to youth financial education, rather than the promotion of itself. Ultimately, it demonstrates the credit union difference to its next generation of membership.

The Western Wonder Woman i<sup>3</sup> project group has conceived of an enhanced Credit University program that capitalizes on the successes of the current version, and seeks to further student learning by adding Web-based learning and instruction that further emphasizes thrift with each educational component. This instruction will be designed as a week-long, in-class experience, with the added benefit of a reward to students who complete the Web-based program. After finishing the online program, students receive a \$25 certificate they can redeem when they open a savings account at a local sponsoring credit union.

The results and rewards are myriad. Students have fun while learning about growing their money. They'll also learn that credit unions are the best partner to have in this process. Further, they'll receive a monetary reward that will further demonstrate that saving their money *literally* pays off. Finally, providing

an intense, week-long financial literacy program that is Web-based relieves a teacher from having to cobble together his or her own curriculum, and thus makes the program easy to implement.

## **i<sup>3</sup> Introduces The Enhanced Credit University Program**

### Program And Oversight

This i<sup>3</sup> project group currently proposes the creation of an organization (structure of the organization TBD) that will oversee the national Credit University project.

Oversight will provide the following for each state/market:

- Teacher/presentation communications support (assistance with scheduling, if needed).
- Follow up/post presentation review with participating teachers.
- Speaker training, if necessary.
- IT support for Web based learning modules.
- A materials distribution center for brochures.

### In-Class And Web-Based

The i<sup>3</sup> team proposes to use the current Credit University platform as a means of introducing the program to teachers and schools around the country. The new program will include two stages. Stage One will be the current in-class presentation. This presentation will be outlined and provided “in the can” for presenters going into schools around the country. Stage Two will be a series of four Web-based learning modules, where students will enjoy interactive learning experiences that support personal financial responsibility.

For ease of integration, a five day program is suggested. One day can be spent in class for Stage One and the remaining four days can be spent working through the Stage Two educational modules.

## **Stage One: In-Class Presentations**

### Speakers

By bringing dynamic guest speakers into classrooms around the country we can create a generation of teens inspired to use their credit and money in a way that allows them the opportunity to save for the future. With presentations continuing to emphasize the differences between banks and credit unions, students will be poised to learn more through the Web modules that follow.

Presenters will distribute the educational brochure to all students, and use a coordinating pre-designed presentation.

Presentations will continue to be one class period long and discuss the topics that students in Washington State have enjoyed over the last four years: Identity Theft Prevention, Credit Management, and Saving/Investing.

This suggested progression of topics engages students; it begins with topics where students are initially most interested, and leads them ultimately to the topic that will get them the best results for their future: actively engaging in saving.

### Finding Presenters

It is unlikely that we will discover one sure method of finding presenters for every state in the country. It is safe to assume that participating credit unions may already have relationships with local high schools. In some markets, however, they may not.

Providing options that allow credit unions to choose comfortable approaches to finding presenters will ensure their state's program is implemented in a way that fits their local culture

Suggested approaches for selecting a presenter are:

- A. Hire a local consultant, experienced in managing both presentation-based programs and teacher relationships. The consultant could be hired by the sponsoring credit unions themselves or by the overseeing organization.
- B. Use Stage One as an enrichment opportunity for credit union employees. Allow them to flex their public speaking muscles. By having a presentation "in the can," employees can participate in the program with little more than a commitment to schedule the presentation and show up for class. This eliminates the expense of hiring a consultant and allows credit unions a more hands-on approach. This would, however, require that sponsoring credit unions agree about the division of presentation duties.

It is also safe to assume that some states will have an idea or sense of how they can most successfully reach out to the youth in their state. Allowing flexibility in Phase One will allow for comfort level and personalization of the program to participating markets.

### **Stage Two: Web-Based Curriculum**

By creating four Web-based educational modules, a week of personal financial education instruction can be achieved in the classroom.

Modules would build upon one another, stressing how each component along the way is a key to optimizing the student's ability to obtain the resources and the skills to establish a regular savings plan.

The following outline provides suggested content for the Stage Two educational modules.

A. Identity Theft

1. Identification.
2. Prevention.
3. Correction.
4. Impact upon credit as pertains to future savings.

B. Credit

1. Credit reports and scores.
2. How scores are calculated and their consequences.
3. Consumer debt and interest calculations.
4. Ultimate costs of mismanagement of credit as pertains to savings.

C. Savings Accounts

1. Short term vs. long term savings.
2. Setting short term goals (emphasizing interest rates).
3. Gentle differentiation of credit unions.
4. Compare rates between a credit union and a national bank.

D. Investing

1. Identifying investments (CDs, bonds, mutual funds, investing).
2. Setting long term goals (emphasizing diversity of products).
3. The magic of compounding interest.
4. A real example.
5. Graduation from Credit University - \$25 Voucher.

Upon completion of the entire week's worth of educational models, the student will receive a voucher for \$25 which is redeemable at any of the sponsoring credit unions in that state.

Due to the prohibitive nature of trying to collect personally identifying information from students, it is recommended that the Web site track student module completion by a randomly assigned number that is encoded to their state. Vouchers are mailed directly to the teacher for distribution in class along with a diploma or certificate of completion.

## Stage Two Curriculum Options

There are multiple ways in which the Stage Two curriculum can be created and maintained. Here are two suggested methods

### We Create Our Own Web Based Curriculum

In terms of the credit union industry having an opportunity to make a national splash, this is as good as it comes. Hiring a curriculum expert and working with a graphic design team would allow us to create the freshest and hippest online curriculum in existence.

Rather than traditional learning modules that begin with required reading followed by exercises (like the majority of curriculum we could consider for partnership), we have an opportunity to take a completely unique approach.

We could model our Web modules on the style of a video game, or a graphic novel (comic book). The student then becomes the hero/heroine of the module and navigates the world with an extraordinary goal they must achieve with the personal finance skills they learn along the way.

Much in the way students design their internet avatars, they could custom design their character and navigate a world where they have to learn fraud prevention, credit management, and savings skills in order to achieve a major goal.

Pros:

- Could provide the ultimate level of student engagement in financial literacy.
- Credit University is currently known for its creative approach to teaching personal financial skills. This model would fit into the 'family' of creative approaches to these topics.
- The Credit Union Industry gets instant national kudos.
- The media will love it as it directs teen leisure-time activity toward learning.
- Easy to market to both teachers and credit unions.
- These modules can evolve to allow students to blog about their savings successes at the site of the Web-based curriculum, to connect teachers with one another, to do live Q & A sessions based upon time zones, and to offer teacher training sessions via webinars.

Cons:

- The initial development is expensive.
- The story theme would need to be changed each year to avoid becoming stale.
- Technically-savvy staff/contractors are needed to maintain the framework.

### Partnership-Based Curriculum

In the spirit of accomplishing more by coming together with others, developing relationships with nonprofits that have already created quality materials could be a useful approach. We could then create our curriculum using pieces of curriculum created by various organizations. The win for them is that we share our survey data with them for their reporting purposes. The win for us is that we do not create any materials, but simply organize the best of what's out there.

Pros:

- Avoids the time and expense of creating our personalized curriculum.
- Uses proven approaches
- Avoids “reinventing the wheel”, but rather we “shop” among what others have already created.
- Provides an entrée into the national financial literacy community by building very strong national alliances with highly respected creators of curricula.

Cons:

- Can we find willing partners? While credit unions are nonprofits, they ultimately sell financial products. Nonprofits or trusts may be conflicted with this and be unwilling to commit for fear of jeopardizing their funding with national banks.
- Do we have enough time resources? Relationship building at this level is time consuming
- Can we get resources approved? Because we'd be using the materials of others, we'd have to involve the leadership of the partnering organizations in our decision making processes.

- Will branding be an issue? We could be required to brand our Web modules with the logos of participating organizations (also not necessarily a bad thing).
- Will the curriculum be used? We aren't creating anything 'fresh' in terms content. If the teachers have already seen it, they might likely already be using it and, therefore, have no incentive to go to our Web curriculum.

## **Bringing Credit Union Sponsored Education To The Nation**

### Choosing A Direction:

The Credit University model is working in Washington State. Based upon the current successes of the program, we know students appreciate learning in fun environments. We also know they're willing to change their behaviors for the better.

At this time we are exploring all the options and considering our available resources. Additional research will help us determine how to proceed. We look forward to the opportunity to roll out a national version of Credit University.