

Hello.

Connect. Give. Grow.



CONCEPT DOCUMENT

INTRODUCTION

“The habit of saving is itself an education. It fosters every virtue, teaches self-denial, cultivates the sense of order, trains to forethought, and so broadens the mind.” – *Thornton T. Munger*

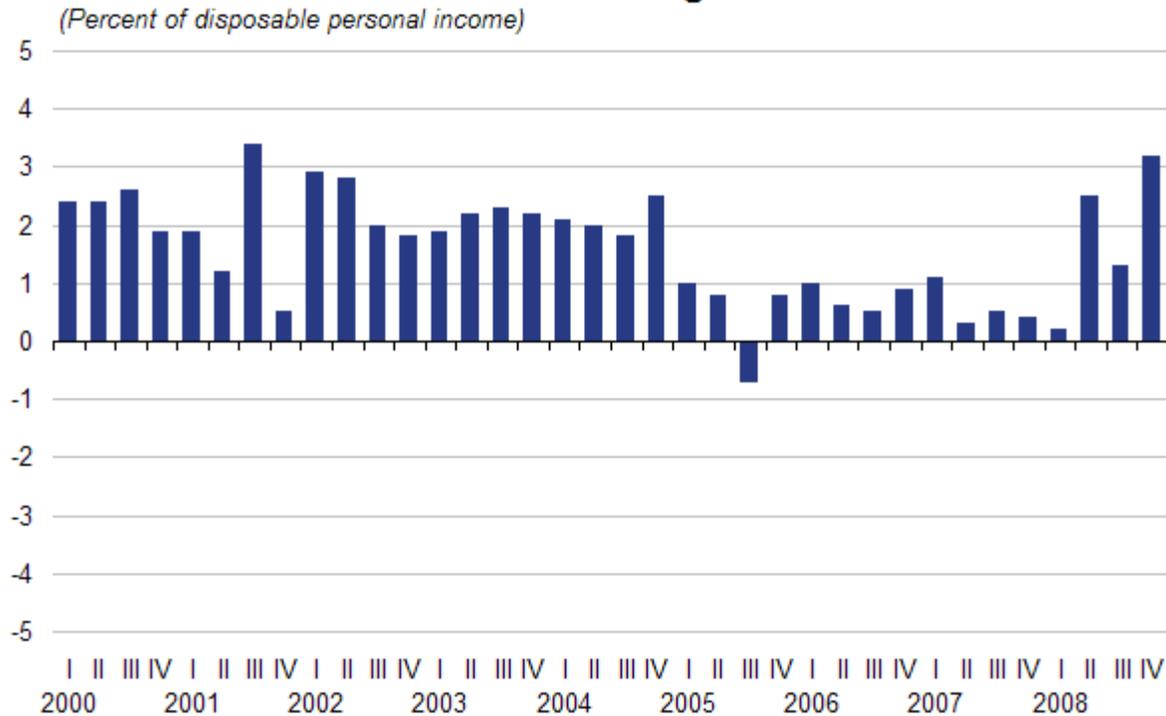
Classic economics assume that people care about their future, and that of their children, and that a person calculates the expected life-time earnings (as a result they save the appropriate amount for planned retirement, or a child’s education, for example). Behavioral economics tells a different story. People care about the future but take into account that people do not have 100% self-control and as a result might under-save for a child’s future, college tuition, etc.

The Silent Generation (born 1925-1943) was incentivized to save by growing up during the Great Depression. The personal savings rate hovered between 8 and 10% from the late 1940s until the mid 1980s. The baby boomers were encouraged by their parents to continue this savings trend, but as the dot-com bubble grew, and disposable income increased, spending replaced saving. Exactly why this trend reversed is still up for debate, but many theories point to the “wealth effect,” in which consumption is stimulated by increasingly higher incomes.

For the last quarter of the century, savings rates have gone into precipitous decline, hitting bottom in 2005, with a savings rate in the negative. Simultaneously, personal wealth also took a dip. Instead of adjusting spending habits to be in line with a revised income level, Americans have had to borrow ever increasing amounts of money to fund their spending.

The U.S. population is growing. Based on middle-series projections, the Nation's population is projected to increase to 392 million by 2050 -- more than a 50 percent increase from the 1990 population size. Using the lowest assumptions, the population would grow slowly, peak at 293 million by 2030, then gradually decline. Conversely, the highest series projects the population to increase quite steadily over the next several decades, more than doubling its 1990 size by the middle of the next century. And, while the population is ever-increasing, the personal savings rate has declined drastically over the years. However, during the 4thQ of 2008, personal savings rates increased in response to an uncertain economy, the stock market downturn, a world-wide financial crisis and a recession headed into full-swing.

Personal Saving Rate



U.S. Bureau of Economic Analysis

It appears that consumers might be turning the corner and the importance of saving – whether for a rainy day or for groceries next month – is taking on a new, higher level of meaning. Consumers are ready for the tools that will help them insure the future of their children.

In an 2008 presentation Mathew Greenwald & Associates, a public opinion and market research firm with expertise in financial services, noted findings from an online survey of young adults age 19-39, about attitudes toward their financial lives.

- Young adults see certain adult responsibilities as harder from them than for prior generations.
 - Specifically, 46% see supporting a family and 51% see saving for the long-term as harder for them than it was for their parents' generation.
- Many say they are struggling financially.
 - Fifty-nine percent of the Gen Y respondents agreed with the statement “You struggle to make ends meet,” while 16% strongly agreed with that statement.
- They describe themselves as optimistic and hard working. They have financial goals that they are confident they can reach.
- Large percentages of young people know they should be saving and investing more.
- Financial literacy appears lacking and savings rates are relatively low.

More than four out of five young adults admit that they should be better prepared for a “rainy day,” but only half say they currently save money on a regular basis. Thirty-seven percent of the Gen Y respondents indicate they have funds set aside specifically for emergencies and the unexpected.

So with young people struggling to save money and to meet the everyday financial demands of life, what will happen to everyday savings for children and even more importantly, what will happen to long-term savings for the future of their children and family? Saving money is a challenge in today's society and yet, a necessary part of raising a healthy child.

For years, spending has been a whole lot "cooler" than saving. But with the financial crisis, big banks tumbling, and jobs being lost, savings has entered a whole new level of "cool" as consumers are uncertain about the future for their families.

Enter Hello. A new way to give meaningful gifts, and a place to connect with children you love to help grow their dreams.

EXECUTIVE SUMMARY

Hello. is a new way of giving. It's a place to connect, give meaningful gifts and grow dreams.

The goal of Hello is quite simple:

- Promote savings early in life
- Capitalize on the time-value/compounding of money – *Rule of 72*.
The *Rule of 72* is a simplified way to determine how long an investment will take to double, given a fixed annual rate of interest. By dividing 72 by the annual rate of return, a consumer can get a rough estimate of how many years it will take for the initial investment to duplicate itself. For example, the rule of 72 states that \$1 invested at 10% would take 7.2 years ($(72/10) = 7.2$) to turn into \$2.
- Make savings easy, painless, and automatic (like brushing your teeth)
- Establish permission to market/communicate early in life
- Position the Credit Union to be relevant from day-one
- Deepen relationships with the entire family unit (it takes a village!)

Borrowing from the *MatriMoney* bridal registry concept, Hello is a baby registry account that starts to accumulate savings for a child even *before* the child is born. Friends, family, and co-workers who struggle with giving meaningful gifts to the couple and /or baby, now have an vehicle by which to give a gift and make a real impact on the child's life. As the child grows and certain milestones in life occur, Hello provides a way for which the extended family unit to remain in contact with one another and continue to give gifts that are meaningful and relevant, instilling solid financial values in a child from a very early age.

The Hello account has three distinct stages that follow the child's growth and maturation: Hello for ages 0-10, Hello for ages 10-16, Hello for ages 16-25. At the initial stage, the parents control the goal setting and manage the account. As the child reaches the second stage of Hello, they assume a role in setting short term goals as well managing more of the content on the Hello social networking site. By the time they reach the age 16, they assume nearly complete control of the account and Hello content, with long term goals such as education funding largely accounted for and positioned for distribution as the child enters post-secondary education.

Credit Union savings incentives and matching gifts are provided at milestones throughout the growing years. The incentives serve to keep momentum high and reward parents and family, and ultimately the child, for saving. “Check-in” points are also scheduled for parents to see the progress they are making and adjust plans for the future. Staying on track for short- and long-term savings is key.

For the purpose of this project, our focus and illustrations are centered on Hello for ages 0-10.

OPPORTUNITY

Capture a market not currently being served with a simple saving process that builds community and savings for children. Extend the opportunity to business partners who will benefit by tapping into a market of 95 million credit union members.

ENVIRONMENTAL SCAN

Baby and pregnancy websites (and there are many!) like Babycenter.com are incredibly popular with young women/young couples who are thinking about and/or starting a family. The information on the website is vast and covers everything about “what to expect when you are expecting” to frequently asked questions, baby development at every stage, a community of users sharing information, questions and photos, and a shopping area to find all of the things needed for this new chapter in life. An email section allows the user to enter the due date or anticipated due date of the baby and receive regular email communication with pregnancy tips, health information, and more. And yet, with all of this information at one’s fingertips, every one of the baby sites lacks one important area to round out the comprehensive nature of these sites. That is, the financial aspect of planning for, having and raising a child.

Numerous searches in various search engines produced nothing on the necessary financial planning and saving not only associated with a new child, but with the child’s future. The searches produced only websites where a consumer can save money on purchases for the child (again, the focus being on spending, not saving).

SOLUTION

Create a new way of giving by linking meaningful giving with a child’s dreams and goals – the parents’ dreams and goals for the child to start. The Hello web/portal provides the space for stories about the child’s development and life, email thank you notes, a history of goal-setting, giving and encouragement, and communication from family and friends. Providing the space for the entire village to help the child reach financial, and life, goals, while everyone learns in the process. See Addendum for poster view of concept.

MEMBER BENEFITS

Simplicity and convenience are key in order to make saving easy and pain-free. And, as stated earlier, the creation of a plan to plan for savings (deciding now that savings will begin in X number of months) is much less intimidating to consumers. Inviting friends and family to become a “community” to support children by helping them reach their savings goals through an interactive learning process will be a new channel of interaction and saving. Both child (receiver) and gift-giver can benefit.

Additional benefits include:

- Peace of mind with creation of a savings plan
- Confidence in reaching savings goals through creation of a formal community (family and friends) to support the child's savings plan and goals.
- Confidence that comes with education through savings plan support from Credit Union
- More wealth with the ability to save more quickly with milestone incentives from Credit Union keeps enthusiasm high.
- Grow short-term and long-term savings balances simulatenously.

CREDIT UNION BENEFITS

Credit unions will benefit from additional (and much-needed) low-cost deposit dollars, educated members, families and friends, and life-long relationships.

TARGET MARKET

Young credit union members planning to start a family. Generation Y (18-29) and the lower end of the Generation X (30-40) are the markets where Hello can make a difference. In addition, Baby Boomers should also be targeted. Young parents are time-constrained and sometimes it is the grandparents (Baby Boomers) that are able to establish the infrastructure for a family savings plan.

OPERATIONAL AND OTHER CONSIDERATIONS

One of the key benefits of the product is the social networking opportunities inherent in the gift solicitation web page. The consumer/member or a credit union staff member can configure a page where the parent can identify goals, or "buckets" for savings, post photos, make announcements, and share news and other information with family and friends who are potential contributors.

Development of web pages to allow both members and non-members to contribute to the child's account may be a resource constraint for those credit unions without a web development staff. Integration with the host or core provider will be required to accurately process the contributions. Core providers or 3rd party vendors might be engaged to develop web pages and back-office integration, in conjunction with system requirements, existing products, security, firewalls, and other considerations, to accurately post the payments and credit appropriate accounts. A development effort already underway is the Fiserv *My Occasion* product. A discussion with Fiserv and/or other core system providers may prove successful in offering Hello as a full product package – integrating the web portal with the accounts on the core system.

PROOF OF CONCEPT

Research was conducted with new parent staff of Affinity Federal Credit Union in Basking Ridge, New Jersey. At the time of the research the working title of the project was the *Milestone Account*. Below are the questions asked and consensus results from that focus group.

Introduction: We are researching a new deposit account concept and would value your input.

The Milestone Account is a joint parent/child account that could be established pre-birth of the child as a “baby \$ gift registry” accepting and aggregating monetary gifts from friends, family, and co-workers before and at the birth of your child. The early nature of the account capitalizes on the time-value/compounding of money, exponentially increasing the value of the account if held for a long-term. It is intended to be a tool that enables parents to start saving early, on behalf of their child, without “seeding” the account with their own money as well as creating an easy, thoughtful and responsible gift alternative for friends, family, and co-workers. As the child grows so can the account as future monetary gifts (think birthdays, holidays, graduations, etc...) are contributed to this account.

That’s the concept, here are our questions:

1. As a consumer, do you think the basic premise of the account is valuable? ***Overwhelming Yes.***
2. If appropriate, would you either use or recommend such an account to others? ***Overwhelming Yes.***
3. Please rate the value of possible additional features to this account on a scale of 1-10, with 10 being of high value.
 - a. Credit Union Matching Deposits = **7**
 - b. Annual Birthday Deposits = **7**
 - c. A Parent Dashboard, enabling parents to allocate balances to “savings”, “spending”, and “giving” buckets which establish healthy financial habits early in life = **9**
 - d. A dedicated financial planner to assist the family in establishing long-term goals = **8**
 - e. A prize-based reward system for the achievement of pre-determined milestones and goals = **7**
 - f. An ultra-long-term savings component (think retirement) that enables the money to work for your child for a long time. (For example, \$2,000 invested for 60 years at 12% results in a fund exceeding \$2,000,000) = **9**
 - g. A college education savings component with possible linkage to a 529 savings plan = **10**
 - h. An online resource center that may include tools and tests to help you and your child learn more about money and making wise financial decisions = **6**

Additional suggestions for the account from focus group attendees:

- Scrolling “honor roll” of those that contributed to the child on the Milestone website
- Linkage to “e-vite” online invitation service for parties or milestone events such as birthdays and graduations
- Partnership with Babycenter.com, a leader in providing pregnancy and child raising advice to expectant and new parents

At CUNA’s Governmental Affairs Conference in February, Hello. was vetted with 20+ credit union executives and met with support for the concept/product. Each Credit Union on the design team is interested in developing the concept for use with their respective member bases.

GETTING STARTED

Current work includes creating a proposal/pitch for websites/companies to incorporate Hello. into their offerings for customers. Websites identified are: Babycenter.com; Babyzone.com; Baby.com;

AmericanBaby.com; baby-gaga.com; PBSKids.org. Companies identified include: Gerber, Evenflo, Fisher Price, Safety 1st, Johnson & Johnson, Kids Health, Jump Start, National Student Loan Program.

MARKETING TACTICS

While each credit union will define their own marketing needs and outreach based on their membership needs, a basic introduction plan includes a direct mail campaign to joint savings account holders between the ages of 25 and 40; information on credit union website, newsletter information, branch posters, and one-to-one conversations in the branch or financial center. A release to local media would drive consumer interest. Partnering with local doctors, hospitals and other appropriate businesses/service organizations to reach the target market would provide a faster “ramp-up” and help to spread the word faster.

RESOURCES

Business partners/sponsors:

The ability to link members with recognized business partners would extend the reach of the product. This would drive business to the sponsor and offer tangible benefits to the members by exposing them to products, discounts, free offers, and savings offers from the sponsor company.

Key benefits to sponsor companies:

Sponsor companies would benefit through additional exposure to 92 million potential credit union members. The permission-based credit union channel would offer a direct marketing opportunity for the sponsor company to reach a financially savvy demographic and establish a long-term consumer relationship by early exposure to their product line.

Through the web portal and the social networking possibilities, the sponsor company would have the possibility of viral product awareness and growth, and the ability to grow their online community.

Socially responsible companies would have the opportunity to educate another major demographic group and enhance marketing exposure with credit union members who are financially responsible and taking an active interest in the financial well-being of their children, their own, and their extended family.

Companies could brand a portion of the web page and provide links to their own web sites, enhancing their brand and product awareness. Additionally, partnering with credit unions would offer another opportunity to link to other sites of interest, blogs, forums, and sweepstakes etc.

Some potential partner companies include: National Student Loan Program, Jump Start, Kids Health, Fisher Price, Safety 1st, Johnsons - Baby.com, BabyCenter.com, Gerber, Evenflo, Graco, Mattel, Disney, PBSKids.org, Babyzone.com, AmericanBaby.com, baby-gaga.com and others.

Grant money:

Grant money to further the development of Hello may be available through sources like the National Credit Union Foundation Innovation Grants (savings) and other sources.

PROJECT TEAM

Filene i³ is a creative group of insightful and energetic credit unions professional who develop new ideas, innovate, and implement for the benefit of the credit union system. Please visit filene.org/home/innovation or email innovation@filene.org to learn more. The team members who developed this idea are:

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