Save a Little, Spend a Little

Concept Document for Fall i3 Meeting – 2008

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Introduction

The genesis of our innovative thought process, “Buying Savings”, was provoked by Peter Tufano, Sylvan C. Coleman Professor of Financial Management and Senior Associate Dean, Harvard Business School. Peter asserted that it should be as easy to save as it is to spend and that gifting savings to a young person should be a simple and an almost impulsive process. In today’s world, a consumer can walk into a retail store and purchase a preloaded debit card at the point of sale and send the card to a recipient without the encumbrance of collecting personal information about the beneficiary. However, there is no similar mechanism for savings. While a debit card purchaser might intend the gifted funds to be used strictly for savings by the recipient, there is no process in place to ensure the funds are used for savings and moreover, there is no incentive for card issuers to offer savings interest. Indeed, most card issuers enact punitive fees if funds are left on the card for any length of time.

As we examined this idea from a number of different angles, we came to the conclusion that the regulatory environment made it very difficult to establish a simple and transparent process for impulsively purchasing savings for another person. Furthermore, the ability to pay interest on the savings absolutely requires the collection of personal information from the beneficiary in order to report interest to the Internal Revenue Service. We came to the disturbing conclusion that the regulatory environment does not encourage savings, but it does promote spending. A second set of challenges comes from the fragmentation of the credit union industry itself. Differing core processing platforms generally means a larger number of expensive custom interfaces in order to enable fund management. In addition, enabling a solution that works across the nation is difficult because of the varying field of membership issues. A consumer that is purchasing savings for another is generally not aware of the recipient’s financial institution relationships. And so, with a six to twelve month window for developing and implementing our innovation project, we opted to create an alternative financial model that could provide the infrastructure to accomplish the original concept of gifting savings.

We researched the current and anticipated growth in the reloadable card market as an alternative financial model to the fragmentation of various core processing platforms that exist in traditional credit union markets and attempted to thwart the challenge of field of membership restrictions by encouraging broad credit union collaboration. We postulated that if an individual already had an account in the card network, it might be more reasonable to connect the gift of savings to this account. The collection of personal information would take place only once, at the time the account is established, and rules within the card processing network could govern the appropriate sub-account (savings, spending, charity) for which the funds are destined. Further, we found that although uncommon, a reloadable card can contain multiple sub-accounts, each with its own set of rules governing spending limits, fund management and even fund allocation. We envision a spending sub-account, a savings sub-account and even a charity sub-account option for these cards, which we generically dubbed “S-cards” (super cards). The benefit of the card network platform is that there is but a single interface to enable fund management. This creates a home banking style interface and promotes the concept of gift card aggregation. We were also conscious that the solution that we are suggesting would need to provide a benefit for credit unions, particularly with regard to membership growth and building and sustaining lasting relationships.

What we ultimately ended up with was an infrastructure primarily targeted toward younger consumers, with strong appeal to parents, that provides an environment that we believe can support our original challenge. In addition, it provides an instructive environment for building financial education within the context of goal setting, measurement and real life practical experience. We call this program “Save a Little, Spend a Little”, and while technical in nature, we feel that with resources readily available in the marketplace, almost any credit union looking to develop such a program can do so. However, like any volume sensitive service, there are stronger economies of scale built through developing collaborative solutions, so we would encourage credit unions to work together with established resources rather than to venture out on their own.

Further, the concept of building a nationally recognized product for credit unions has great merit. In order for a model to work across the country, it would be beneficial for consumers who wish to gift funds to know that they can obtain the products at virtually any credit union and that the recipient need only to be a member of a credit union or to join one. This would allow credit unions to promote themselves as a strong alternative to banks, particularly for teenagers, young adults and parents of teens.

Opportunity

There are three key opportunities addressed by this innovative solution: (1) attracting and retaining younger members, (2) providing an environment that builds financial confidence, and (3) encouraging and stimulating savings.

Over the past few years, attracting new members to credit unions has been difficult, despite the increasing number of community charters. While the number of community charters has increased 86% from 1,049 in June 2000, to 1,957 as of December 2006, the average annual membership growth rate is still only 1.9%.[1] When you take into account that a significant source of the members that comprise this growth is from indirect lending relationships, true "organic" member growth would appear to be stagnant. To further darken the picture, CUNA research shows that the average age of a credit union member has increased from 40 years old to 47 years old in the last two decades. This means that the typical credit union member has left his or her prime borrowing years.[2]

Financial education among the younger demographic continues to be a need in today's economy. The Jump$tart Coalition for Financial Literacy cited in their article *Making the Case For Financial Literacy – 2007*,[3] that:

- According to a 2007 survey by The Hartford Financial Services Group, Inc. the majority of college students say they learn more about personal finance from their parents, but less than half of students say their parents make a consistent conscientious effort to teach them.

- This same study stated that students and parents agree that college students are not well prepared to deal with the financial challenges that lie ahead. Less than one-quarter of students (24%) and only 20% of parents say students are very well prepared to deal with the financial challenges that await them after graduation.

- Further, this study stated that more than three-quarters of students (76%) wish they had more help preparing for their financial future.

- According to a back-to-school survey by Capital One, 49% of teenagers are eager to learn about money management, but only 14% have taken a class on the topic – 35% would like to learn from their parents. When asked about the topics they'd most like to learn about, teens express interest in checking accounts, budgeting, investing, saving, and financing for large purchases.

- According to a survey of parents by Visa, 70% of parents surveyed said their child has not had any formal training in money management, either in school or outside the home

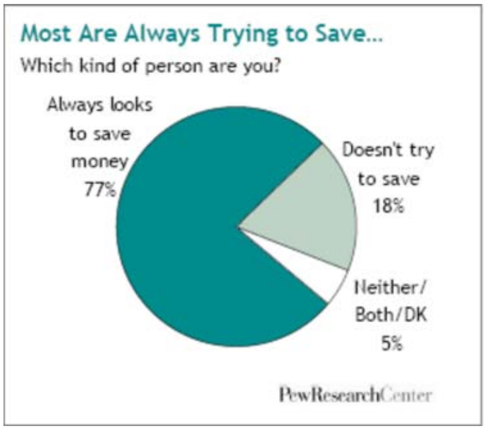
The bottom line is that the interest by young adults and their parents for financial education is overwhelming, but the resources to fulfill that need are not readily available in a format palatable to the younger generation.

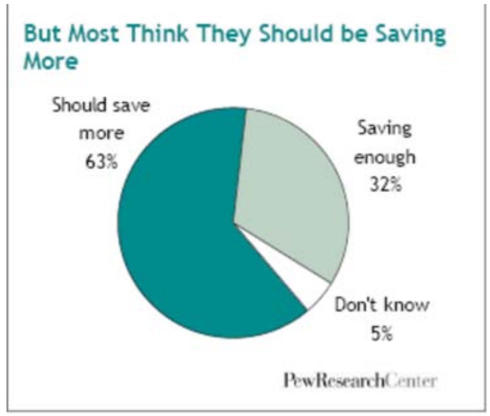
Youth in the U.S. face a number of challenges and complexities. With a spending power of $172 billion per annum, this market segment is attractive to merchants and credit card companies. However, most youth have little knowledge about how to make informed financial decisions. In fact many will rapidly accumulate significant debt leading to depressed credit scores and possible bankruptcy. (Norvilitis et al., 2003; Todd, 2002; Consumer Federation of America, 1999).

At the same time, many youth lack savings accounts and savings. In a recent survey conducted by the Jump$tart

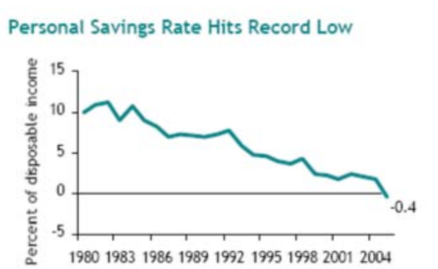
Coalition, 68.5 percent of high school students report owning a savings account (Mandell, 2005). A 1999 study reported that fewer than half of 16 to 22 year old students say that they always save some money, and only half of the students believe that saving is "very important" (American Savings Education Council, 1999, p.1)."

Pew Research found that Americans are aware of the need to engage in savings but generally fall short. Over three-quarters state that they look for ways to save money, yet two-thirds acknowledge that they should save more.





One of the basic tenets of personal financial management is to establish ample savings, yet the savings rate for U.S. households continues to plummet, while consumption rises. In the early 1990s, the U.S. savings rate among consumers amounted to 7% of their disposable income. Later that decade, savings dropped to around the 4% level, and around the turn of the millennium the rate sank to 2%. Between 2005 and 2007, Americans spent nearly all that they earned and it is suggested that the savings rate has fallen into negative territory.



Personal savings rate is aggregate personal saving as a percentage of disposable personal income. Aggregate personal savings are computed as total personal income after taxes minus total consumption.
Source: U.S. Bureau of Economic Analysis. 1980-2004 figures from 2006 Economic Report of the President, Table B-30. 2005 figure from the U.S. Bureau of Economic Analysis

This trend is alarming and must be reversed, but the support structure to educate consumers and to stimulate savings must be established and nurtured. As stated in the introduction, government regulation does not provide an environment that encourages savings. According to Peter Tufano and Daniel Schnieder, in "Using Financial Innovation to Support Savers: From Coercion to Excitement", neither does the private sector. Credit unions have an opportunity to establish and promote savings habits early and to provide the supporting structure to make this rewarding and a potentially social activity.

We all struggle with ways to reach our younger members and our ultimate goal is to help create financially responsible youth that become life long members. Now there is a tool that can help encourage responsible money management.

Solution

What if you had a reloadable card that could separate out spending, savings and charitable donations, all with the protection of parental control? Well now you can! The S-card will allow for multiple pockets of funding, helping children learn about all aspects of financial management. Additionally, the parent will be able to create matching rewards for savings and charity goals that their child achieves.

Our solution for addressing the opportunities is the creation of a reloadable "S-card" that offers three sub-accounts:

1. A debit purchase account
2. A savings account
3. A charitable donations account

Utilizing the Visa Buxx platform, parental controls can be established to help teach younger members about financial concepts in a safe environment. This platform allows the parent to issue an account in the name of a child (minimum age requirement is 12 years old), fund the card from the parental credit union account or through a credit card for emergency funding, monitor purchase activity, and to establish allocations for savings and charitable donations. For example, the parent and child might discuss that two dollars of their ten dollar allowance will be automatically placed into a savings sub-account and one dollar will be placed into a charity sub-account. These rules can be set up and deposits into the S-card account will be allocated per these instructions.

Conceptually, the credit union can utilize interchange income and other fees to fund a competitive savings rate on money that is placed into the savings sub-account. However, interest is not particularly stimulating or exciting. An alternative that can promote and encourage savings is to establish a matching program. Utilizing the parent portal, a parent is able to set up a corresponding match on money saved, once certain goals are established. For example, if the child is saving for a Wii console and is able to reach a savings goal of $50.00, the parent might establish a match program, dollar for dollar or even a portion of a dollar for every dollar accumulated. Theoretically, the program could be expanded to allow the child to establish goals on a social website operated by credit unions and to invite friends and family members to watch as the child builds toward their goals, allowing the ability for friends and family to establish matching programs, as well. Such a social setting provides a strong supportive environment, is exciting and helps the young member to fulfill their goals by wishing not to disappoint their loyal following.

The S-card will allow for multiple pockets of funding, helping youth learn about all aspects of financial management. Features will include:

1. A spending pocket with the ability to see all spending transactions and monitor patterns of spending.
2. A savings pocket that will allow parents to set aside some savings for the child and create a matching incentive for each additional dollar a child saves on their own. Teach children to pay themselves first, and create additional incentives to enhance their financial confidence.
3. An ability to add gifted savings from relatives or others automatically to an existing S-card via a card to card transfer.
4. Ability to transfer accumulated savings into a CU account to earn additional member benefits or improve investments.
5. A charity pocket to teach about social responsibility and giving back to the community. Multiple charities will be available, and again, parents can match charitable contributions that children make on their own.

The S-card offers a complete program that will appeal to credit unions and teaches youth the importance of financial management under the watchful eye of their parents.

Member Benefits

Members will benefit by taking an active roll in the financial literacy of the card recipient. Funding the initial savings pocket on the card lets members take that first step in helping the receiver learn about saving. Once the card is active, the member has the opportunity to continue to help foster that understanding beyond savings by helping the recipient navigate responsible spending along with their savings goals. Even if the member just wants to gift the initial savings, the card itself guides the user through the steps with or without their involvement. This allows the Member/gifter to choose their level of involvement.

Young members benefit from an instrument that can teach them about basic fiscal responsibility, by providing "real world" experience. Habits established earlier in life can help to promote financial success as an adult. Also, the product provides for greater excitement in building savings and offers ways to accumulate savings and to achieve goals more quickly than traditional, non-social methods.

Members also benefit in knowing that this card is supported and sponsored by their Credit Union and that they are giving a gift that is partnered with a sound financial retail center that will stay and grow with the card recipient. There is no concern for the card expiring or the funds disappearing into an unknown channel.

The S-Card presents more occasions for giving that go beyond the traditional, birthday, Christmas, and graduation gift opportunities. A parent with a youth approaching college can use the card to help ensure they have some input on the child's spending and card use habits before letting them onto a college campus where many freshmen learn financial education the hard way. Spending the year prior to college matching the youth's savings and working with them on their spending habits benefits members by giving them peace of mind that their student has a grasp of responsible spending.

The matching/continued giving feature of the card will allow members to turn the initial gift into an ongoing present by setting up reward based matching to the original card recipient. In addition to the initial convenience of purchasing a gift from their credit union, they can continue to use this as their choice gift outlet for as many years/occasions as they choose.

Beyond the ease and convenience of setting up a **"Save a Little, Spend a little"** with their local credit union, members have peace of mind in knowing that they are going beyond traditional gift models and giving a more meaningful and lasting gift. What better way to express their sentiment then giving a gift that shows they care for that person's fiscal well being and want to help them work towards a secure financial future.

The S-card offers members tremendous flexibility, convenience, and spending control. Prepaid cards are increasingly being used as an alternative to checks and cash.

Credit Union Benefits

The S-card will provide strong benefits to the credit union. The most important benefit as we see it is the ability to further the financial education of a young person, and get their parents involved in this process. Most young people rely on their parents' advice for financial decisions and become indoctrinated into the credit union through this relationship. The card will be a fun and innovative way to make this connection, and build a credit union's membership for tomorrow.

Giving friends and family a convenient way to gift savings is also a great feature of the card. This can build name recognition for the credit union with other members and potential members. The recipient is also challenged to save and then spend carefully. The card provides a transaction trail of spending, so purchases can be better monitored. Parents can engage in detailed discussions on spending and savings habits, which isn't as feasible with cash, helping teens to budget their funds and think wisely about their spending habits. Providing parents with financial teaching tools for their children is another great way to retain members and get them actively involved with the credit union.

As consumers are increasingly turning to prepaid cards as an alternative to cash, a credit union has fresh opportunities to:

1. Serve existing members
2. Reach out to new market segments
3. Expand brand recognition
4. Expand partnerships with supported charities (such as Children's Miracle Network)
5. Earn additional non-interest income
6. Expand direct deposit opportunities.

With an aging field of membership, products such as prepaid cards help a credit union by offering compelling products and services that appeal to younger members.

The S-card presents credit unions with a fresh new opportunity to serve existing members, reach out to new market segments, expand their brand recognition, and earn additional non-interest income.

Target Market

The target market for Save a Little, Spend a Little is primarily parents and other adults who wish to provide teenagers with sound financial experience through the use of a safe, reloadable debit and savings card. This innovative product appeals to parents who may wish to use it as an allowance vehicle or a way of providing their child with funds while away at college or spending a semester abroad. On the funding side, the card can be reloaded from a credit union account via ACH on an adhoc or recurring schedule, or in an emergency it can be immediately funded through the parent's credit union credit card. Like most any debit card, funds can be withdrawn via a point of sale purchase or through an ATM terminal. As mentioned previously, the card does offer two unique features, a savings pocket and a charity pocket. The teen is able to establish a fixed percentage of each deposit that will automatically be swept into the savings pocket where it cannot be readily spent. Similarly, a percentage of each deposit can be placed automatically into the charity sub-account.

Teens are also a potential market for the card. The cards have an exciting, flashy set of graphics that appeal to teenagers. Through word of mouth, friends will be compelled to ask their parents to get them a card as well.

Grandparents, aunts, uncles and other adults will also be interested in the card as that perfect gift for the teen that is difficult to buy for. Once the teen has a card, others will be able to gift funds to the card. Savings can even be a social event – the teen can share their savings goals with friends and family who can participate in helping the child to reach their savings goals.

Most importantly, credit unions are a target market for the card. We see the credit union as the promoter of this unique form of financial experience for teens. What better way to serve young people than to provide an exciting, yet safe environment to teach charity, good savings, and fiscally responsible habits? Credit unions may also see an increased interest in the credit union on the part of young members and perhaps new account openings.

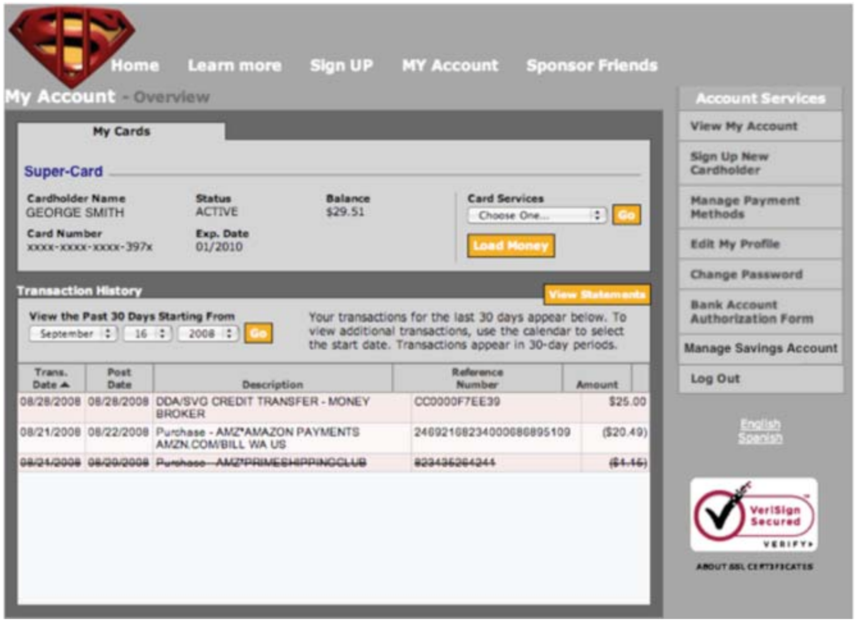
Example Designs for Super-Card Concept

Operational and Other Considerations

In order to produce a solution that a credit union can utilize to help attract young members, build financial confidence and stimulate savings, it is important to understand the underlying payment networks and to be able to navigate through the myriad of providers, issuers and processors. We decided that the most sensible approach was to partner with knowledgeable companies that know the environments that we are attempting to leverage. Our research led us to the Visa Buxx platform. This platform, developed by Visa, was designed to enable a parent/child joint management of a reloadable card account. The Visa Buxx platform also allowed us to create a “super-card” (S-card) that offers multiple sub-accounts.

The S-card program is designed as follows:

1. A parent will set up a card for their child, going to an **Enrollment site**, which can be branded. At this site the parent will order the card and fund the card via a credit card or debit card advance. There are multiple providers that can provide this level of functionality.
2. The next process is getting the card activated. The card is sent to the address of the parent, and then activated via the **parent site**. Again, this site can be branded by the credit union and is envisioned to provide a variety of educational tools and pointers on how to enhance their teen’s spending and savings patterns.
3. A teen portal is created for the young member to access their account. Multiple methods of account access can be supported including web-access and cell phone access to better manage and monitor their accounts.



Development of the "super-card".
Our development of the super-card will be approached in three main phases.

Phase 1 – Q4 2008

Three sub-accounts will be created on all card accounts at issuance.

- Only 2 sub-accounts will be activated, the debit sub-account and the savings sub-account. The charity sub-account will not be active in Phase 1.
- No functionality to establish rules to govern account allocation will be supported on the parental site.
- All funds loaded on the card will be loaded into the debit sub-account. From there, they can be moved into the savings sub-account.

Savings sub-account configuration:

- Funds in the savings sub-account cannot be spent at Visa merchants or withdrawn at ATMs.
- Funds cannot be electronically transferred out through ACH and can only be transferred back to the debit sub-account in order to be withdrawn.

Cardholder functionality:

- Cardholder will be able to see the balance of the 2 sub-accounts on his/her dashboard.
- Transfer from debit sub-account to savings sub-account:
    - Maximum amount per transfer to be defined.

Phase 2 - Q1 2009

In a phase 2, we will add the charity sub-account with a payout function to an account of the charity. Basic parental features would also be added to see the sub-account balances and optionally load funds directly into any of the sub-accounts. Rules to establish how deposits are allocated among the sub-accounts will be established and can be maintained in the parental site.

Phase 3 - Q2 2009

We will begin to explore the capability of setting up a match function. We will also explore methods for allowing friends and family members to gift savings and to provide a social website that will allow teens to establish their goals and share them with their invited community members.

Proof of Concept

Without having actually piloted this project yet, our proof of concept lies in the historical research revolving around this opportunity. The main supporting components for the success of this project is the popularity of prepaid card adoption, the proof that active attention to youth financial education is invaluable and the reality of making savings interesting.

Prepaid card usage is on the rise. In a report released in 2007, the prepaid card association found the following to be true:

•Two out of three U.S. consumers have purchased a prepaid card in the past year with gift cards being the most popular category.

•Most (90%) consumers have purchased a gift card directly from a retailer compared to 4% from a financial institution; huge opportunity for growth among credit unions.

•According to a study released by the Network Branded Prepaid Card Association, about one-third of consumers bought an open-loop gift card within the last 12 months. The market share leader by open-loop card issues is the gift category.

•Most consumers who purchase gift cards indicate that they spend as much or more on a gift card than they would on a traditional gift, and 54% often spend more than the face value of the card they redeem.

•The average gift card purchaser will spend $203 on gift cards this year, a 9% increase over 2006. Consumers will purchase, on average, 4.4 prepaid gift cards during the 2007 holiday season.

Mercator, 2007; Dove Consulting, 2006; Cardline, 2007; Network Branded Prepaid Card Association, 2007

This validates that consumers are comfortable with this version of plastic and understand the function of a stored value card. The steady increase in adoption confirms that there is room for additional growth in this arena and the variety of uses for these cards already in existence will support the introduction of one more variation, that being the S-card.

The financial services industry continues to develop and deploy various methods, initiatives, and programs to aid in the financial education for young adults. The sheer volume of resources that are continually dedicated to this effort highlight the value of such programs. These strategies are not only aimed at basic financial management skills to avoid bankruptcy in later life but also helping to break the cycle of poverty and low-income families. Being able to engage youth with the S-card and allowing them the hands on experience of managing their savings and spending is one of the main goals for the S-Card.

Recent research completed by the Center for Financial Development also suggests that saving and building assets in the earliest years can promote educational attainment and create a sense of hope for the future. Similar to the S-Card are the “children’s savings accounts”, as they are commonly known, have demonstrated the value of matched saving starting in the earliest years and are also seen as the possible foundation for a universal and progressive

system of savings that start at birth. These accounts are long term savings and investment accounts that are seeded with $500 to $1,000, depending on need,
with additional matches for contributions from family, friends, or the children themselves. Savings can be withdrawn for education expenses, to purchase a home, or to start a small business.

Pate, Kim, Linking Youth Savings and Entrepreneurship, Center for Economic Development, 2005

A recent article in the US News and World Report entitled, "The Financial Literacy Crisis", warns that while there are a multitude of literacy programs available, most prove ineffective over time. However, there is hope, as the article goes on to state, that financial education programs that are interactive and repetitive and that focus on big picture concepts such as goal setting get the best results. This lends further fuel to the educational benefits of the S-card which is a hands on, real life experience of spending, saving, and goal setting.

Palmer, Kimberly. *The Financial Literacy Crisis, Ignorance lands Americans in debt. Is the solution more schooling or a simpler system?.*2008.

Linking the two above concepts of financial literacy and prepaid cards stands the proposal of making savings exciting. The following excerpts from the paper *Using Financial Innovation to Support Savers: From Coercion to Excitement* helps support the idea that a savings tool needs to be attractive and almost exciting to be truly successful.

"Another opportunity this card will conquer is providing an attractive if not exciting way for consumers to save. It is far easier to spend money than it is to save money." In the paper *Using Financial Innovation to Support Savers: From Coercion to Excitement,* the authors expand on this point "Think of how many steps you need to go through to buy almost anything except for a house or a car. You give the merchant your money (or a credit card) and you either walk out with the product or arrange for its delivery. In contrast, to save, you typically have to show various documents, fill out a variety of forms, and go through a variety of other time consuming steps. How can we make the act of saving just as easy so that consumers will take delight in it."

"Consumers need more access to tools that allow for unconscious savings. "Innovations that make it easy for people to save still require individuals to make a conscious, unbundled savings decision, but simply lower the impediments to savings. Making saving easy involves making savings products available when and where people can save, that is, where they have "free" money."

Schneider, Daniel and Tufano, Peter. 2008*. Using Financial Innovation to Support Savers: From Coercion to Excitement*

The distinguishing goal for the S-Card is to link and build upon these three proven areas of financial education, pre-paid card success and making savings attractive. Successfully delivering a tool that is interactive, effective and educational will be the focus as we move through the final phases of development and into the pilot phase.

How to Get Started

Fall 2008: We continue to move forward in the development of the S-card, and obviously more development work needs to be done before ease of Implementation is a reality. However, what follows are some of the steps that a Credit Union would consider in rolling out the S-card program:

- Does your Credit Union see a need for a prepaid card program?
  - Is it a fit from a business/strategic perspective?
- Once decision is made, sign necessary contracts for S-card rollout and develop budget numbers.
- Assign project manager and team members.
- Complete implementation paperwork and product documents.
- Develop project plan including timeline.

- Establish costs and fees for the program, including whether cards will be produced in-house or outsourced to a vendor.
- Request contracts for necessary vendors. Review and approve.
- Determine CIP and other compliance issues that need to be addressed.
- Customize website to incorporate S-card product, including access, funding, education, etc.
- Develop policies, procedures and necessary forms.
    - Items to consider include embossing, PINs, mailers, how data is to be maintained and managed, replacement cards, loading funds, etc.
- Develop marketing materials..
- Train employees.
- Roll out S-card to members!

Marketing Tactics

Basic Goal: You want to create a buzz about the card before it is released. You can do this via well-timed articles peeking interest about financial education and responsible spending. Then, ensure that you have trained your staff, executive through front line, on the product and make sure they have used it and can answer questions about it. Lastly, you will want to time your marketing pushes with occasions that the card would be well matched with. Examples of key events and seasons can be found below.

Collateral:
Flyers
Statement Stuffers
In Branch Posters
Teller Stand Signs
Web marketing Email Campaigns
Newsletters
Blog
Teller "Ask Me" Badges

Marketing to Card Users/Encourage Usage (Youth)
School Newspaper
Website
Direct mail
Email
E-Lerts
Blog
Funny You Tube vignettes

Target Marketing Events time of year
Pre Christmas
Pre Graduation
Kick-Off School Year
Starting College
Summer Savings
Help match Summer Job Earnings
Save up for New School Clothes

Marketing Concepts
Give the gift that keeps on giving.

Want to help your teenager be financially savvy starting today?
Prepare your Senior for financial management *before* they get to college.

Sample Launch and roll-out timeline
Target Launch Date: 9/1/2010
1/1/2010 – 9 Months Prior – Commit to S-Card Program, Complete Necessary Requirements Documents and Contracts
3/1/2010 – 6 Months Prior- Begin marketing Development
- Include an article in Newsletter about the importance of Financial Education for Youth

4/1/2010 – 5 Months Prior – Internal Employee Launch and training
6/1/2010 – 3 Months Prior - Newsletter – "Coming Soon" Blurb
7/1/2010 – 2 Months Prior – Informational flyer in Statements geared at Financial Education
8/1/2010 – 1 Month Prior - In Branch Flyers, Posters, Tellers promoting, Website
9/1/2010 – Card is available for purchase. Advertise on your website with a direct link, email campaign. Add "Now Available" to in branch promotional material. Hold employee incentive for card sales.

Financial Pro Forma

At this time in the development of the concept, financial pro formas are immature. Most likely, the largest cost to a credit union will be initial setup fees to establish a program. This fee consists of establishing one or more programs, levels of customization and size of program. A modest monthly fee will cover maintenance, program support and the cost of the enrollment and management website.

Consumers will pay an annual or monthly fee for the card, depending on the flexibility of the plan, the perks associated with the card and other factors. Credit unions can elect to offset some of this cost. Funding the card via a credit union account is expected to be free, while using a credit card for immediate funding will cause the consumer to incur a higher cost. Credit unions can structure the program to discount the use of the credit union credit card. They can also design their program to support a limited number of free ATM withdrawals at the CU. Interchange income helps to offset some of the cost to the consumer or the credit union.

The S-card is a relationship attraction and retention tool and is not expected to generate hard dollars for credit unions. However, due to its ability to serve as a virtual account, it is expected to help credit unions to retain teens as they go off to college. It is also expected to grow membership.

Note: This document, as of this writing (October 2008), builds upon the concept of the S-Card. The project has not yet been implemented in a pilot phase and development of the technology is currently taking place with a potential launch between Q4 2008 and Q1 2009. As the project evolves, this document will be updated with more comprehensive information. Stay tuned!