



# **A Long-Term Strategic Plan to Empower Members by Improving Financial Literacy**

August 31, 2007

# Contents

Members of the Financial Literacy Task Force .....	3
Financial Literacy Task Force Mission.....	4
Task Force Vision .....	4
Task Force Core Beliefs.....	4
Task Force Plan Rationale .....	5
Task Force Recommendations.....	6
Addendum A. Strategic Need for a Movement-wide Commitment to Financial Literacy .....	13
Addendum B. CUNA Financial Literacy Summit Participants .....	15
Addendum C. Resources and Collaborative Opportunities .....	17
Addendum D. Financial Literacy Data Highlights .....	21
Addendum E. Marginal Net Revenue Contribution .....	23

# Members of the Financial Literacy Task Force

## Chairman

**Juri Valdov**, Director, CUNA Board, and CEO, Northwest Federal Credit Union, Herndon, Virginia

## Vice Chair

**Marla Marsh**, Director, CUNA Board, and CEO, Kansas Credit Union Association, Wichita, Kansas

## Members

**John Crist**, CEO, CP Federal Credit Union, Jackson, Michigan

**Steve Delfin**, Executive Director, National Credit Union Foundation, Washington, D.C.

**John Faries**, Chairman, National Youth Involvement Board, and Vice President of Accounting and Marketing, Space Age Federal Credit Union, Aurora, Colorado

**Suzanne McClure**, Vice President of Marketing, Burbank City Federal Credit Union, Burbank, California

**Jill Pharr**, Executive Director, Texas Credit Union Foundation, Dallas, Texas

**Rick Pillow**, Chairman, American Association of Credit Union Leagues, and President/CEO, Virginia Credit Union League, Lynchburg, Virginia

**Helen Godfrey Smith**, CEO, Shreveport Federal Credit Union, Shreveport, Louisiana

**Patricia Wesenberg**, Director, CUNA Board, and CEO, Point Plus Credit Union, Stevens Point, Wisconsin

## CUNA Liaison

**Mark Condon**, Senior Vice President, Research and Advisory Services

## CUNA Staff Support

**James Hanson**, Vice President, Center for Personal Finance

**Philip Heckman**, Director, Youth and Young Adult Programs

**Susan Tiffany**, Director, Personal Financial Information for Adults

# Financial Literacy Task Force Mission

To elevate financial literacy to the level of a core value within credit unions to help sustain the movement's ongoing philosophy of service to members and communities.

## Task Force Vision

That all credit unions offer relevant and effective financial education to all members as an ongoing strategic priority.

## Task Force Core Beliefs

(1) That consistent, long-term credit union growth and prosperity fundamentally depend on improving members' financial literacy\*, and that the more financially literate consumers become, the more likely they are to choose credit union membership. And that the more financially literate members become, the more likely they are to:

- Use more credit union products, saving and borrowing more and generating fewer loan losses,
- Resist chasing competitors' teaser rates or occasional service advantages,
- Respond as needed when called upon for grassroots support of the movement's legislative and regulatory positions,
- Recommend membership to others,
- Raise their children to be members, and
- Become philosophically committed credit union employees, volunteers, and leaders.

(2) That financial education was one of the Credit Union Movement's founding principles as affirmed by the following statement attributed to Roy Bergengren: "The most important service of the credit union is the education of the members in the management and control of their own money." That principle is as relevant today as ever; there is a lifetime need for financial education, and the earlier it begins the greater its lifetime benefits.

(3) That the challenge to be financially literate increases as individuals become more responsible for personal and household financial stability, as financial services become more complex, as global economic pressures become more intense, as the risks and consequences of financial ignorance become greater, and as new generations of consumers are born.

(4) That U.S. credit unions have the opportunity, the resources, the expertise, the trust of their members, and the will to become universally recognized as the No. 1 advocate for and agent of reliable financial education.

- \*See Addendum A: "**The Strategic Need for a Movement-Wide Commitment to Financial Literacy**"

# Task Force Plan Rationale

The plan addresses the financial education needs of three groups:

## Youth

Credit unions can make their philosophy concrete by introducing young members to financial services (under parental supervision). Extending to young members all the services they are educated to handle before leaving home ensures that they'll become young adults who are sold on continuing membership. Addressing the financial needs of youth is the starting point for improving the financial well being of all Americans over time. A youth-centered strategy also has the potential to:

- Instill a lifelong savings habit in all credit union members,
- Increase borrowing and other service use as engaged young members become more-dedicated, more-responsible adult members, and
- Strengthen the emotional bond of membership to motivate grassroots support for legislative and regulatory initiatives and lead some to credit union leadership positions.

## Adult Members

Today's adults face unprecedented personal finance challenges, among them: payday lending, low savings rate, numerous product choices of increasing complexity, heightened opportunity to be defrauded, and poor preparation for retirement. Consumers who deal poorly with these issues will not be productive members of the credit union. But building a financially fit membership through education takes the intimidation factor out of financial management, and:

- Helps members understand thrift, money management, and the credit union difference, and increases members' comfort level and their ability to make wise choices.

## Underserved, Unbanked, and Low-Wealth Households

It has long been part of the credit union system's philosophy and practice to help low- and moderate-income people and communities achieve financial independence. Teaching new immigrants and underserved members better money management skills ultimately helps credit unions grow and prosper. A credit union that implements a comprehensive financial education plan that includes outreach to underserved markets has the potential to:

- Strengthen the credit union system's political and lobbying positions at the state and national level, and demonstrate to legislators, regulators, and the media that the credit union movement truly serves people of modest means, and
- Grow membership and improve the credit union's financial well being by extending membership to rapidly growing segments of U.S. society.

## Recommendations

### **1. Host a national Financial Literacy event in 2008 to help credit unions implement financial literacy strategies and to publicize the movement's programs and their success.**

Hosting periodic national summits will publicize credit union participation in financial literacy efforts, promote even greater credit union involvement, and help credit unions adjust their financial education programs and tactics to meet changing economic conditions and evolving member needs. The Task Force emphasizes that the issue of financial literacy is a global issue as acknowledged at recent G8 summits.

CUNA's 2006 Financial Literacy Summit brought together representatives\* of more than 50 credit union and partner organizations to discuss financial literacy challenges and set an educational agenda for the credit union movement. Work groups focused on the special needs of youth, adult members, and the underserved. It is recommended that future summits look beyond the excellent but relatively narrow credit union experience and draw upon the expertise and successes achieved by the wider range of world wide financial service companies.

Summit participants agreed that although the 2006 event was a good start in redirecting the credit union resources toward the pervasive problem of financial ignorance, any hope for a long-term solution called for a coordinated and sustained movement-wide effort. Regularly repeating events, with the involvement of movement leaders and maximum media coverage, are needed to maintain momentum for the long haul.

The task force also proposes that a financial literacy component be part of the annual Governmental Affairs Conference (GAC) and America's Credit Union Conference & Exposition (ACUC&E). This includes breakout sessions this year to publicize this plan's recommendations and goals, and addressing the importance of financial literacy within the formal, general-session comments delivered by CUNA's CEO and Chairman at the 2008 GAC and ACUC&E.

Shining the spotlight on financial literacy at highly visible events such as CUNA's major two annual conferences will send a clear message that credit union leaders strongly believe in the vital strategic link between financial education, member empowerment, and credit union growth.

- \*See Addendum B: "CUNA Financial Literacy Summit Participants"

**2. Develop an online financial literacy resource center to provide information about best practices within and, when relevant and replicable, outside the credit union movement.**

A self-contained area within or connected to CUNA's Web site will showcase resources and programs that support credit unions' financial education efforts, similar to the impact made by CUNA's Hispanic Resource Center. A national Financial Literacy Resource Center would serve as a:

- Clearinghouse of links to descriptions of products and programs from CUNA and affiliated and partner credit union organizations\*,
- Showcase for relevant financial literacy research and innovative approaches to financial education,
- Spotlight to draw attention to scientifically tested educational methods and relevant research findings, and
- Record of adult members' participation in credit union financial literacy programs, modeled after, compatible with, and linked to the online self-reporting system that the National Youth Involvement Board maintains on its Web site. (To make comparisons more meaningful, CUNA would work to standardize the definition of "participation" across the movement.)

CUNA's Financial Literacy Resource Center would provide links to related resources such as those of the National Endowment for Financial Education and the Jump\$tart Coalition for Personal Financial Literacy.

CUNA should regularly enhance and publicize CUNA's "Financial Literacy Resource Center" movement-wide.

- \*See Addendum C: **"Resources and Collaborative Opportunities"**

**3. Conduct recurring research to identify what information members and potential members want and need, what credit unions are doing to educate them, and how much the movement is improving financial literacy.**

The task force proposes that CUNA's Center for Personal Finance initially conduct a financial education resource and program survey of credit union CEOs.

To encourage financial literacy program evaluation, the Financial Literacy Resource Center should focus a spotlight on programs that have been rigorously tested and proved effective. To measure progress and generate scientific data for legislators and regulators, the credit union movement must conduct ongoing financial literacy research, using previous studies\* as benchmarks. The national CEO survey would determine:

- What kinds of financial education are available for adult and youth members.
- What barriers they face in trying to educate members.
- What staff and monetary resources they devote to member financial education.

CUNA should also consider incorporating a financial literacy component in its biennial National Member and Non-Member Survey and the subsequent report.

Sustaining long-term growth demands that credit unions remain attractive to members and potential members. By conducting a major survey of member and potential members knowledge, attitudes, and skills, the movement can guide credit unions providing the most relevant and effective financial information, and by doing so, stimulate new member business and attract new members. The national member/nonmember survey would determine:

- How members and nonmembers compare in terms of financial literacy.
- What financial information consumers need for themselves and their children.
- How consumers use financial information to make decisions and how they evaluate sources of financial information.
- What financial services consumers use, how they select providers, and how important financial information is in choosing to remain with a given financial institution.

\*See Addendum D: **“Financial Literacy Data Highlights”**

#### **4. Develop measurable national targets for movement-wide financial literacy goals.**

Establishing annual quantitative targets will help make the business case for financial literacy. Establishing national goals will help credit unions focus their efforts in a united fashion to maximize their collective influence on financial ignorance. Measurable targets include:

- Improving members' personal savings rates.
- Increasing members' credit scores.
- Increasing the number of youth members and the availability to qualified youth of financial services beyond basic savings accounts.
- Increasing the percentage of members using two or more credit union services.
- Increasing the percentage of members choosing credit unions as their primary financial institution.
- Lowering the average age of credit union members.
- Increasing the national ratio of members to nonmembers.
- Increasing credit union participation in existing national financial literacy programs and partnerships.
- Increasing the number of credit unions that qualify for the "Financial Literacy Champion" designation (recommendation #5).

CUNA should periodically review annual targets and adjust or revise as needed to maintain the movement's commitment to financial literacy in response to changing circumstances. This will help ensure that credit unions' concentration on financial literacy never flags and their resources are not squandered. The movement must regularly assess the relevance of its national goals and targets.

## **5. Develop and test measurement tools to assess the return on investment of credit union financial education programs.**

CUNA should encourage credit unions to evaluate their financial literacy programs and share the results to improve the movement's educational efforts. CUNA should pilot the use of a simplified measure of member "profitability," such as the Marginal Net Revenue Contribution\*, and its applicability to assessing the return on investments in financial literacy by comparing like groups of members who completed specific financial education programs versus those who didn't.

Data collected by credit unions to help measure their efforts to improve members' financial literacy would include the short-and long-term changes that follow members' participation in educational programs, such as:

- Credit scores,
  - Savings balances,
  - Delinquency and charge-off rates,
  - NSF charges,
  - Additional service use.
- 
- \*See Addendum E: "**Marginal Net Revenue Contribution**"

**6. Develop a “National Financial Literacy Champion” designation” to recognize credit unions that includes building a commitment to financial literacy in their strategic plans.**

CUNA should establish criteria and procedures for credit unions to earn the designation as a “Financial Literacy Champion.” Criteria should include requirements to:

- Include responsibility for financial education in at least one staff job description,
- Regularly provide financial education programs for youth and adult members,
- Report member education program participation annually,
- Regularly assess member education program effectiveness,
- Regularly provide at least one financial education program or event for a public audience, such as students or underserved and unbanked consumers.

Each credit union that met these criteria would be authorized to prominently announce itself as a Certified Financial Literacy Champion. The designation would be managed within CUNA’s Center for Personal Finance.

A list of all Certified Financial Literacy Champion credit unions would appear on CUNA’s online Financial Literacy Resource Center.

**7. Incorporate financial literacy into CUNA's Three-Year Strategic Plan to demonstrate that CUNA is the leading proponent of financial literacy.**

CUNA should lead the way by promoting the plan's financial literacy recommendations throughout the movement on a continuing basis, and by regularly using available informational and educational platforms to urge the adoption and implementation of effective financial literacy programs.

To ensure continuity and ongoing board support, CUNA should include responsibility for financial literacy within the job description of the senior executive and member of CUNA's Executive Management Team.

CUNA should encourage credit unions to participate in existing financial literacy programs and collaborative financial literacy opportunities. Other national organizations and programs have proved popular and successful\*. Whenever possible, credit unions should investigate their applicability to their membership and market and adopt them rather than "reinventing the wheel."

CUNA should encourage collaborative agreements between credit union organizations and like-minded organizations to expand the reach, resources, and effectiveness of financial literacy and consumer education programs for all ages. The credit union movement can leverage its influence by joining forces with compatible organizations and coalitions. Examples include the National Youth Involvement Board and the Cooperative Extension System.

- \*See Addendum C: **"Resources and Collaborative Opportunities"**

## Addendum A

# The Strategic Need for a Movement-Wide Commitment to Financial Literacy

The credit union movement in the United States is at a crossroads. For most of its more than 80 years of existence the movement has grown steadily. But in recent decades growth has slowed, and many signs suggest that the decline will continue unless the movement takes new steps to reverse it.

The aging of the credit union movement threatens its health, and ultimately, its existence. The credit union movement must attract new members in general and borrowers in particular. The credit union movement must start now to prepare the next generation of leaders and volunteers and their successors.

Obviously competitive, legislative, and regulatory changes have the potential to damage credit unions almost overnight. But neglecting the need to attract and serve young adults and youth – and failing to help adults manage their incomes, expenses, and debt -- will gradually be as damaging to credit unions as the most pernicious bank attacks or most misguided changes in government policy.

Consider these key statistics:

**Fact:** From 1980 to 2000, credit unions' loan growth rate has been greater than other lenders'. Since 2000, it has been less. (*Sources: CUNA, NCUA, Federal Reserve.*)

**Fact:** Youth are about one half as common among credit union members as they are among the general population. (*Sources: U.S. Census Bureau, CUNA Market Research estimate.*)

**Fact:** The typical adult credit union member is five years older than the typical U.S. adult. (*Source: CUNA Market Research.*)

**Fact:** The typical credit union CEO is nine years older than the typical U.S. adult. (*Source: CUNA Market Research.*)

**Fact:** Only one of 100 credit union board members is under the age of 30. (*Source: CUNA Market Research.*)

**Fact:** Nearly four of 10 eligible non-members are unfamiliar with credit unions. (*Source: CUNA Market Research.*)

**Fact:** The national personal savings rate--as a percentage of disposable personal income--has been declining since the 1980s and dipped below zero in 2005 for the first time since 1933. It remains below zero. (*Source: U.S. Commerce Department's Bureau of Economic Analysis.*)

**Fact:** Nearly half of all workers saving for retirement have savings that fall short of the \$25,000 mark. (*Source: 2007 Retirement Confidence Survey by the Employee Benefit Research Institute and Matthew Greenwald & Associates.*)

**Fact:** U.S. courts now see an average of 2,000 new bankruptcy filings a day, which translates to 1 million annually. (*Source: Chris Lundquist, founder of Lundquist Consulting, which tracks bankruptcy trends and reported in MSN Money, July 15, 2007 column by Liz Pullman Weston.*)

**Fact:** Roughly 24% of the 40 million members of the U.S. Hispanic immigrant community are unbanked. (*Source: Fed letter, Chicago Fed PDF, 2003, citing data from Survey of Consumer Finances.*)

Addendum B

## **CUNA Financial Literacy Summit Participants**

**National Press Club, Washington, D.C.**

**Sept. 26, 2006**

### **Co-Hosts**

Dan Mica, CEO/President, CUNA

Juri Valdov, Chairman, CUNA

### **Speakers**

Ted Beck, CEO, National Endowment for Financial Education (NEFE)

Rep. Judy Biggert (R-Ill.), Co-chair, Congressional Financial and Economic Literacy Caucus

David Chernow, CEO JA (Junior Achievement) Worldwide

Daniel Iannicola, Jr., Deputy Assistant Secretary for Financial Education, U.S. Treasury

JoAnn Johnson, Chairman, National Credit Union Administration (NCUA)

Laura Levine, Executive Director, Jump\$tart Coalition for Personal Financial Literacy

Travis Plunkett, Legislative Director, Consumer Federation of America (CFA)

Jane Schuchardt, National Program Leader, USDA Cooperative State Research, Education, and Extension Service

Michelle Singletary, Personal Finance Columnist, *Washington Post*

### **Credit Union System Participants**

Kristi Arrington, Georgia Credit Union Affiliates

Lori Bahnmueller, Michigan Credit Union League

Cathy Brorson, Kitsap Community Federal Credit Union

Danielle Chatfield, Kemba Financial Credit Union Inc.

Matt Davidson, California Credit Union League

Steve Delfin, National Credit Union Foundation

Doug Fecher, Wright Patt Credit Union Inc.

Cassandra Grayson, Florida Credit Union League

Carla Hedrick, Denver Community Federal Credit Union

RoxAnne Kruger-Monahan, Washington Credit Union League and Affiliates

Jose Lara, Orange County Teachers Credit Union

Diane LaVigna-Wixted, New York Credit Union Foundation

Tena Lozano, Richard Myles Johnson Foundation

Allan McMorris, Oakland County Credit Union

William Mellin, New York State Credit Union League

Paul Mercer, Ohio Credit Union System

Kay Neidlinger, Indiana Credit Union League

Martha Ninichuk, Maryland & DC Credit Union Association

Janice O'Brien, Wright Patman Congressional Federal Credit Union

Chris Olson, Wisconsin Credit Union League

Jill Pharr, Texas Credit Union Foundation

Pam Owens, National Federation of Community Development Credit Unions

Gary Plank, Arizona Credit Union System  
Christopher Roe, CUNA Mutual Insurance Society  
Miriam Rigal, Synergy One Federal Credit Union  
Dan Santangelo, Credit Union Association of Colorado  
Matt Tebbetts, CUNA Marketing and Business Development Council  
Sarah Turner, Maryland & DC Credit Union Association  
Joe Wambach, Pennsylvania Credit Union Foundation  
Patricia Wesenberg, Point Plus Credit Union  
Amy Wisilosky, Virginia Beach Schools Federal Credit Union  
Lorraine Zerfas, Education Credit Union Council

**Guests**

Darrell Luzzo, JA Worldwide  
John Parfrey, NEFE

## Addendum C

# Resources and Collaborative Opportunities

The following list is meant to indicate the range of resources available and is not exhaustive.

### **CUNA Products and Programs**

CUNA has an extensive array of financial literacy resources, such as:

- **Demographic and behavioral data** about members and potential members and their financial service attitudes, preferences, and knowledge.
- **Hispanic Resource Center**—tools, information, and network connections to credit unions attract and serve members of the Hispanic community.
- **Thrive by Five™: Teaching Your Preschooler About Spending and Saving**—a set of eight free activities in English and Spanish that parents can share with their preschool-age children at home to instill simple money concepts and values, with supplemental resources, developed with the Cooperative Extension System and funded by the National Credit Union Foundation and the Ohio and Texas credit union foundations.
- **Directory of Credit Unions with In-School Branches**—an online directory of credit unions with in-school, student-run branches that identifies more than 150 credit unions in 31 states (and the District of Columbia) operating branches in 548 schools to encourage students to save and apply what they've learned in personal finance lessons. The Center would highlight exemplary programs such as that of CP FCU (Jackson, Mich.), which operates student-run branches in more than 40 schools.
- **Seminars in a Box**—complete materials to conduct a large group personal finance instruction.
- **Home & Family Finance Resource Center™**—online personal finance magazine for adults. Includes the **Financial Fitness Challenge**—an online, monthly interactive program consisting of steps for increasing members' financial confidence and security such as calculating net worth or setting up direct deposit or automatic bill pay.
- **Googolplex™: The CU Guide for Student Moneymakers**—three-in-one online personal finance magazine for children and teenagers.
- **MoneyMix™**—online personal finance magazine for 18-to-30-year olds.

■ **Guides to Independence™**—online interactive courses to introduce teenagers to financial services.

■ **Plan It™**—online pre-retirement planning resources.

■ **National Youth Saving Challenge**—a National Credit Union Youth Week (next April 20-26, 2008) event that gives participating credit unions a chance to motivate children, teenagers, and their parents to become more-active users of credit union services. Each year of the challenge have seen a steady increase in participation and in saving. Results in 2007:

- 393 participating credit unions
- 71,844 youth making deposits (including 9,067 new youth accounts)
- \$10,133,355 total youth saving deposits (\$141.05 per youth)

■ **Desjardins Youth Financial Education Award**—a national program to recognize exemplary credit union and league efforts to improve young people’s personal finance knowledge and skill. CUNA also administers a separate Desjardins Youth Financial Education State Lawmaker Award.

#### **Innovative Affiliate and Partner Programs**

Forward-thinking leaders within the affiliated credit union movement are experimenting with new ways to reach and teach members and potential members, such as:

■ **Staff training programs** to prepare credit union employees to assist members with personal finance challenges, such as the annual **Financial Literacy Boot Camp**, which are run by the D.C. and Virginia Credit Union Leagues.

■ **Personal finance camps** for youth that take advantage of peer influences to make learning about personal finance and credit union uniqueness more memorable and long-lasting. Examples of bringing teenagers together to explore credit union history, traditions, and cooperative solutions to socio-economic problems include:

- **Money Talks–Are You Listening?**—a one-half day session on credit union uniqueness, operations, and career opportunities involving a collaboration among CP FCU (Jackson, Mich.), Option 1 CU (Grand Rapids, Mich.) and Michigan Cooperative Extension 4-H.

- **Camp \$martMoney**—a five-day interactive financial literacy day camp for teenagers, aged 14 to 18, hosted by E FCU (Baton Rouge, La.).

■ **National Endowment for Financial Education© (NEFE©)**—the creator and provider of the **High School Financial Planning Program© (HSFPP)**, a seven-unit curriculum made available at no charge to students and schools nationwide, supplemented by additional online resources. In 2000, CUNA entered into a formal agreement with NEFE to help underwrite the cost of producing and distributing its prestigious HSFPP, publicize its availability, and help teach it in the classroom. In 2007, CUNA funded the creation of a Spanish version of the new HSFPP Student Guide.

■ **Cooperative Extension System**—the educational outreach arms of the more than 100 colleges and universities that comprise the nation's Land-Grant University System, which work in partnership with the Cooperative State Research, Education, and Extension Service (CSREES). CSREES is the agency within the U.S. Department of Agriculture that helps fund research, education, and extension services at the state and local level and provides program leadership in collaboration with the state Cooperative Extension services. CUNA has an informal relationship with CSREES and Cooperative Extension for training teachers and volunteers to use the NEFE High School Financial Planning Program.

■ **National Youth Involvement Board**—a network of credit union volunteers created to obtain grassroots input from individuals working in credit unions/leagues and to create a national system for the dissemination of information and resources regarding youth participation in the credit union movement. The National Youth Involvement Board (NYIB) contributes to the future of credit unions by serving as a resource of youth marketing materials and ideas for the credit union movement, encouraging excitement and commitment to youth financial literacy, creating leadership opportunities for the credit union movement, developing strategic alliances that benefit the credit union movement.

■ **Junior Achievement**—an organization that works world-wide to educate K-12 students about entrepreneurship, work readiness, and financial literacy through experiential, hands-on programs. Junior Achievement (JA) recently signed an agreement with the NEFE to develop ancillary materials for the High School Financial Planning Program. JA is a partner with credit union organizations to develop classroom materials for the **BizKid\$** television series for middle and high school students that is a joint project of the Washington Credit Union Foundation, the Public Broadcasting Service, and Junior Achievement Worldwide, funded by the National Credit Union Foundation, several state credit union foundations and dozens of credit unions, service providers, other nonprofits and individuals.

■ **State Jump\$tart Coalitions**—ten years ago, the national Jump\$tart Coalition for Personal Financial Literacy brought the problem of youthful money management ignorance to the nation's attention. (CUNA currently serves on the national coalition's board) Jump\$tart's biennial survey of high school seniors has documented the dismal state of personal finance understanding among those on

the verge of entering the workforce full time and starting families of their own. The national coalition, in recognition of the impracticality of attempting to influence changes in school personal finance education requirements at the state level, has assisted in the formation of affiliates. Currently 46 state Jump\$art coalitions exist, with credit unions and leagues participation in several states.

■ **America Saves**—a nationwide coalition of nonprofit, corporate, and government groups organized to help low- and moderate-income families build wealth. Through local campaigns and an annual **America Saves Day**, the coalition educates and encourages individuals and families pay down debt, build an emergency fund, save for a home, save for an education, or save for retirement. Created by the Consumer Federation of America with financial support from the National Endowment for Financial Education, the campaign – and its companion initiatives Military Saves, Black America Saves, and Hispanic America Saves – involves many partners, including the National Association of Federal Credit Unions, the Cooperative Extension, and the Defense CU Council.

## Financial Literacy Data Highlights

In recent years, CUNA has conducted research into credit unions' financial education efforts, including:

### **2001 Youth and Seniors Marketing Survey Report**

This *Credit Union Executive Journal* survey reached CEOs of credit unions of all asset sizes

#### ■ Among the findings about **youth**:

- More than one-third (39%) of credit unions make targeted efforts to attract people under the age of 25.
- However, only one-fourth (24%) of credit unions have a formal youth program to build stronger financial relationships with members aged 25 and younger. And although 93% of those with formal youth programs agree that the benefits that their programs bring to their credit unions justify the financial and staff resources the programs require,
  - Only 27% believe that youth program participants' service use increases after they become adults, and
  - A mere 6% actually track former youth program participants' service use as adults.

#### ■ Among the findings about **seniors**:

- One-third of credit unions make targeted efforts to attract people age 50 and older. However,
  - Among those that make targeted efforts only one-third offer financial planning services and
  - Less than one-third (30%) offer seminars on pre-retirement planning.
- Less than one-fifth (18%) of credit unions have a formal seniors program to build stronger financial relationships with members age 50 and older.

### **2005 Member Financial Literacy Survey**

This Center for Personal Finance survey of credit unions with more than \$50 million in assets.

■ Among the findings about **youth**:

- Three-fourths (73%) of credit unions offer financial education to members under age 18.
  - One-third (34%) of those that don't offer financial education cited "lack of member interest" as a barrier to providing financial information to young members.
- Two-thirds (68%) of credit unions offer debit cards to members under 18.
  - One-tenth of those do not require an adult joint account holder for a youth member's debit card.
- Nearly one-half (44%) of credit unions offer credit cards to members under 18.
  - One-tenth (9%) of those do not require an adult co-signer for a youth member's credit card.
- Credit unions that offer financial education to members under the age of 18 spent an average of \$6,876 to do so in 2004. More than one-half (53%) expected to increase that spending in 2005.

■ Among the findings about **adults**:

- Four-fifths of credit unions offer financial education to members 18 and older.
  - Only 13% rank financial education as adult members' greatest need.
  - Nearly one-half (49%) cited "lack of member interest" as a barrier to providing financial information to adult members.
- Credit unions that offer financial education to members 18 and older spent an average of \$10,819 to do so in 2004. Nearly one-half (47%) expected to increase that spending in 2005.

## Marginal Net Revenue Contribution

MCIF software is a powerful tool for asset/liability management, product pricing, and strategic planning. An MCIF can, for example, determine that the most likely prospects for home equity loans are people between the ages of 37 and 48 who have lived in their homes for 14 years or more.

MCIFs deal with averages and cohorts, and calculate profitability of services first, then use those numbers to determine customer value. But for some questions—such as “Is our youth club worth the expense?”—using an MCIF to find the answer seems a bit like flying the Space Shuttle to the corner grocery for a loaf of bread.

There is a proposed alternative, complementary way to measure member value. It uses data that credit unions already collect, but don't aggregate. In fact, most credit unions report member value data monthly. They just don't look at it. Simply put, a member's business is worth what she pays the credit union minus what the credit union pays her. You can express this relationship with a simple formula:

$$\begin{aligned} &\textbf{Marginal Net Revenue Contribution} \\ &= \textbf{Total Loan Interest Paid} \text{ (Most-Recent Year)} \\ &+ \textbf{Total Fees Paid} \text{ (Most-Recent Year)} \\ &- \textbf{Total Interest \& Dividends Earned} \text{ (Most-Recent Year)} \end{aligned}$$

True, this is a crude measure. True, it ignores all the minutia of time and materials and overhead expense that MCIFs chew up and spew out. And it doesn't say anything about the profitability of specific services.

But consider what the Marginal Net Revenue Contribution (MNRC) formula could reveal if applied over an entire year. It would paint a current picture of the dollar value of that member's annual business. The greater an individual's MNRC—even if she's at the historically “unprofitable” ends of the age spectrum, youth and seniors—the more she contributes to the credit union's current business viability. Knowing individual MNRCs, a credit union's primary goal would be to raise each new member to the annual breakeven point and beyond through increased service use.

The beauty of the Marginal Net Revenue Contribution lies in its simplicity. All the data needed to derive it appear on existing monthly statements. All a credit union needs to do is sweep this monthly information into an annual summary file for each member. The result would be an annual measurement of each member's current donation to the cooperative's health.

“Lifetime data look backward,” CUNA economist Steve Rick points out. “Who cares if a particular member was unprofitable 20 years ago, or even last year? If you’re still in business, you obviously survived it. The important thing is serving that member cost-effectively this year and next. Business decisions are best made using marginal benefit/marginal cost analysis, and this measure could help you do that.”

MNRCs would enable a credit union to more easily:

- Compare groups of members on their actual—not average or theoretical—net revenue production.
- Evaluate youth and adult member education programs by comparing the current net revenue contributions of those who participated to those who didn’t (after controlling for variables such as age and household income).
- Identify members with below-average net revenue contributions, with an eye to increasing their productive service use.

CUNA should spearhead an effort to collect and analyze data such as MNRCs from a range of credit unions over time to definitively answer the question about the long-term value of financial literacy programs for all ages. Results should appear on the Financial Literacy Resource Center, and help to standardize the measurement of personal finance education throughout the movement.