The background is a vibrant green and blue gradient with a digital theme. It features binary code (0s and 1s) scattered across the top and sides. A large, 3D-style dollar sign (\$) is rendered in a translucent green color, positioned in the lower half of the cover. The main title is centered in a large, white, bold font with a slight drop shadow.

Financial Education Practices in Credit Unions

By Joe Saari

The information in this publication is accurate as of the time of publication and consistent with standards of good practice in the general credit union and publishing communities. However, as research and practices advance, standards may change. We recommend that readers evaluate the applicability of any recommendations to their particular situation and in light of changing standards.

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INTRODUCTION

Difficult economic times are adding urgency to credit unions' historic role of teaching their members thrift. In December 2009, representatives of 56 credit unions shared with the Credit Union Executives Society information about what motivates them to provide financial education to their members and how this education is being delivered.

When asked to rank possible credit union goals for improving members' financial situations, the following four key goals emerged as important to respondents. (See Chart A.) Listed in rank order of importance they are:

1. Increasing members' awareness about what they should be doing financially,
2. Educating members,
3. Helping members take action to meet their goals, and
4. Encouraging members to change behavior.

Chart A:



“I feel most people are lacking in true financial education.”

— anonymous credit union respondent

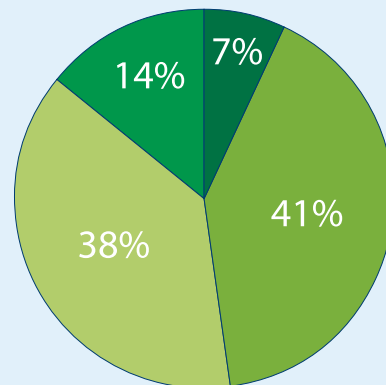
Defining Members' Need for Financial Education

Ninety-three percent of respondents felt their membership had a need for financial education. (See Chart B.) Many respondents elaborated on their rankings, noting specific challenges members face. These comments fell into three themes:

- I. Need is greater now due to the economy.
 1. During these economic times, everyone can use as much financial education as they can get.
 2. Members have an increased need for the basics right now, like budgeting and fixing credit issues.
- II. Some segments of membership have a higher need for education than others.
 1. We serve many low- to moderate-income families. In addition, students still have a gap in curriculum related to personal finances.
 2. Our SEG groups are fairly diverse, so in some SEGs, the need is great. In others, the employees are knowledge workers, and are often financially savvy.
 3. We are working on developing some type of financial literacy training for our grade school students. They really need to learn the basics.
 4. We reach out to a lot of the unserved immigrant population.

Chart B:

As you think about your membership, how would you rate their need for financial education?



Low	0%
Somewhat Low	7%
Medium	41%
Somewhat High	38%
High	14%

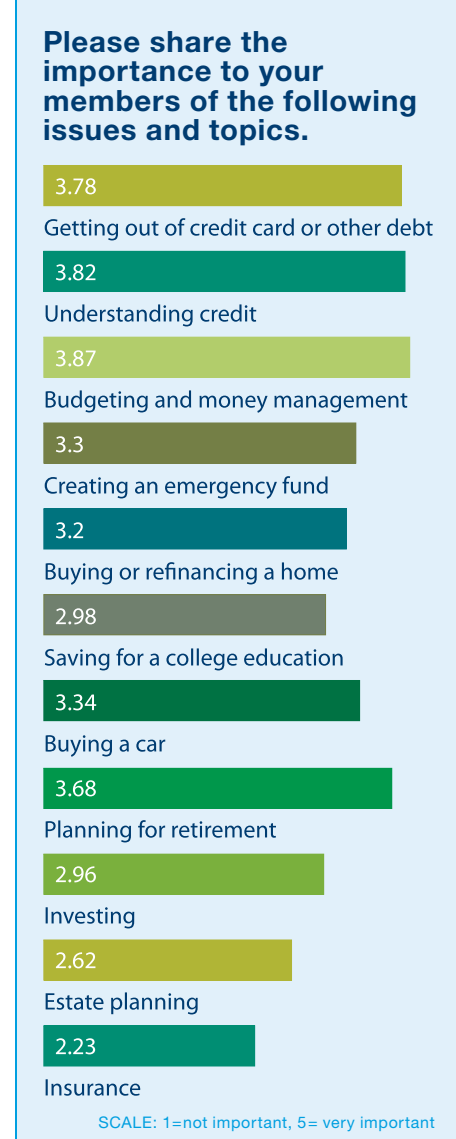
- III. Whether due to lack of awareness, training format, embarrassment or any number of reasons, some members who have a need do not take advantage of the training available.
1. They need more than they want. The information is available, but you have to bribe most members to take advantage of it!
 2. There is a definite need but an apparent lack of motivation on their part to take part in the offerings.

Specific Areas of Need

When asked to rate specific areas of need (1=not important, 5= very important), respondents' top three emerged as budgeting and money management (3.87), understanding credit (3.82) and getting out of credit card or other debt (3.78). (See Chart C.) In addition to the list of topics made available for rating, respondents wrote in topics they see as important to their members. These topics included

- maintaining a checking account;
- facing the sandwich years (caring for aging parents' financial and other needs while handling the cost of raising teenagers soon going off to college/tech school; many feel they don't have all the time/financial resources they need to devote to everyone);
- understanding effects of bankruptcy assistance programs;
- educating their children and grandchildren;
- protecting from identity theft and
- paying for college.

Chart C:



Credit Union Financial Education Practices

With ninety-three percent of respondents indicating there is a strong need for financial education, how are credit unions working to meet the need? This key portion of the findings attempts to answer what programs credit unions are offering and who at the credit union works to educate members, what groups they target, what methods are being used, and which methods they find most effective.

Staffing for Financial Education

The highest staff involvement in providing financial education to members seems to center in two main areas within credit unions: marketing and business development/sales. Assigning responsibility to marketing and/or business development seems consistent with credit unions' cooperative outreach mission of "people helping people" and helping clarify the "credit union difference."

Four survey questions focused on who tackles the tasks related to financial education.

The first question asked, "Within your organization, which individuals or departments are responsible for *developing or promoting* financial education programs? Respondents were allowed to indicate all responses that applied, and two groups, marketing (79 percent) and business development (36 percent), represented the vast majority of responses.

The second question asked, "Which department of those selected in (the first question) has the PRIMARY responsibility for *providing* these services?" For this question, only a single response was allowed. The majority of results were the same as above, with marketing receiving 50 percent and business development, 20 percent, of the responses.

A wide range of departments were at the second tier of involvement in developing or promoting financial education programs: training (23 percent), lending (20 percent), member services (20 percent) and operations/branch management (18 percent). However, these departments were less likely to have *primary* responsibility for developing or promoting programs—ranging from 0 percent to 4 percent with primary responsibility.

Financial education is highly distributed within credit unions today. In fact, the next largest percentage was a write-in response (not offered in the survey) that financial education is the responsibility of the CEO or management (12 percent said this group had some responsibility, and 11 percent said it had primary responsibility). The actual results may have been higher if this had been offered as a choice, rather than being a write-in response.

The finding that responsibility sits at such a high level in some credit unions suggests that financial education is a high priority. (But it also may suggest that there aren't enough resources to make it its own department, so the CEO or senior management must drive it.)

Another interesting note is that only 11 percent of respondents indicated they have a specific department or position, such as member education/financial education, with responsibility for developing or promoting financial education programs. However among this group, 80 percent (7 percent of total respondents) said this area has primary responsibility. This suggests that while a few credit unions have such departments, when they do, this department is likely to have primary responsibility.

“During these economic times, everyone can use as much financial education as possible.”

— David Barton, Gateway Metro Federal Credit Union

The third question asked, “Do you provide financial counseling to your members? 75 percent of the respondents answered “yes”—either via internal staff or a third-party organization.

The fourth question asked, “Who provides financial counseling to your members?” 55 percent indicated they have one or more full-time staff for this purpose, with 10 percent indicating staff within other departments spend a portion of their time providing counseling. Thirty-six percent of respondents rely on a third-party organization to counsel their members.

Staffing data above suggests a hypothesis: There are three basic approaches to financial education:

- It's part of promoting the credit union (marketing or sales own it).
- It's important in its own right (CEO/management own it in smaller CUs, or the function has its own department in larger ones).
- It's distributed throughout the organization and no one really owns it.

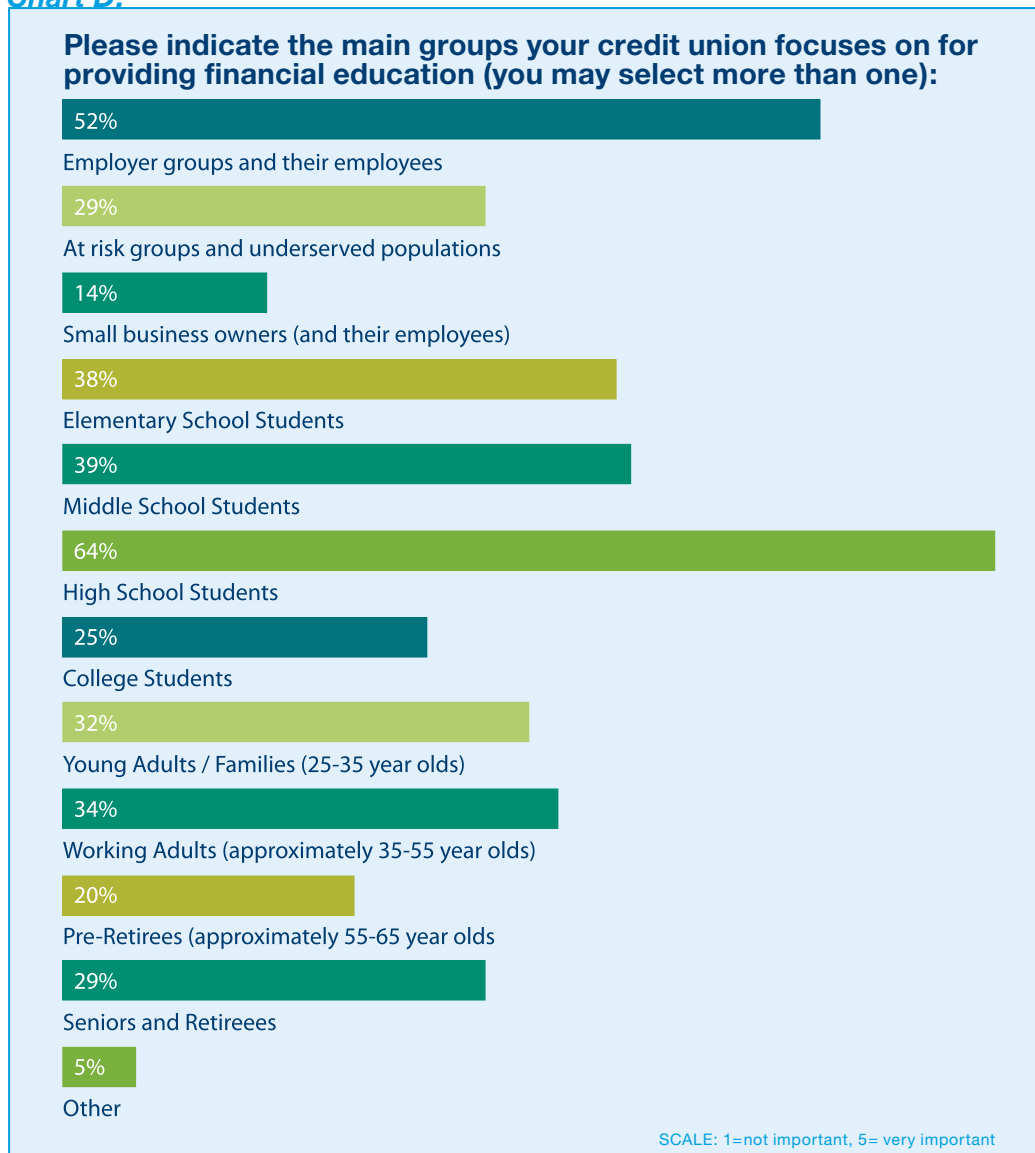
If future research is undertaken, it would be interesting to see how people organize the effort using the three hypothesis above, and to study organizational differences in comparison to effectiveness of efforts. If it is broadly distributed and nobody owns it, presumably the results will not be as good. If the effort is led by the CEO or its own department (financial education), presumably results would be better. The extent to which a marketing/business development group might focus on this among all their priorities probably varies dramatically depending on culture/leadership.

Member Groups Targeted for Education

In clarifying which groups they provide member education too, respondents were allowed to select multiple groups the credit union focuses on for providing financial education. Students or youth emerged in three of the top four categories, which is consistent with credit unions' strategic effort to reach future members.

The top four target groups in rank order are high school students (64 percent), employer groups and their employees (52 percent), middle school students (39 percent) and elementary school students (38 percent). (See Chart D for full findings.) The focus on employer groups was particularly interesting since recent research has shown this as an effective medium for delivering financial education due to bottom line benefits to employers and employees.

Chart D:



Methods and Products Used

Credit unions use a wide variety of methods to educate their constituents. (See Chart E.) For each method offered, 53-74 percent of respondents is currently using it. There is an even wider range in how effective credit unions find these methods in terms of educating their members. For example, 40 percent find printed newsletters **not** effective, while only 9 percent describe financial counseling as ineffective.

Let's look at each method in detail:

Online Financial Education and Calculators

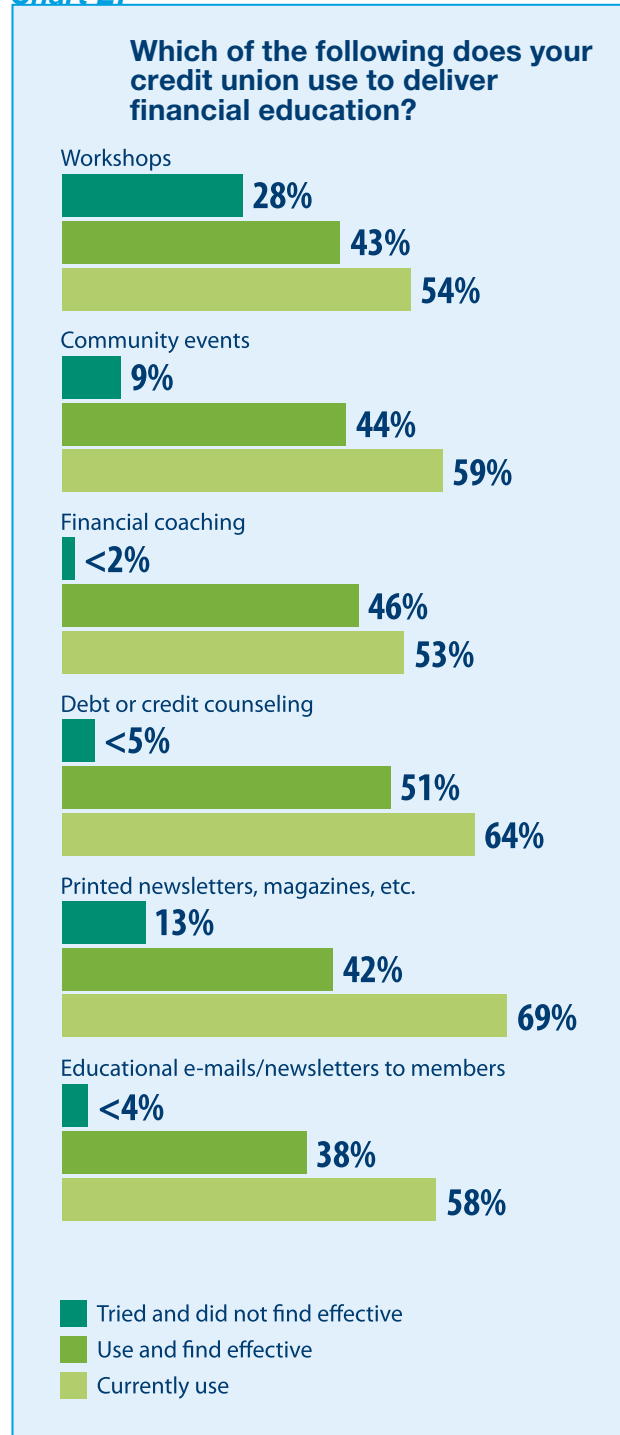
- The most frequently used methods for education were calculators (74 percent), followed closely by online educational materials (73 percent).
- These also were considered among the most effective: 73 percent of those using them found calculators to be effective, and 70 percent found online educational materials to be effective.

Credit unions referenced over 20 other products used. At least 6 percent said they used online resources they had developed in house.

Financial Counseling and Coaching

- Debt or credit counseling was also frequently used (64 percent), with 80 percent finding it effective. A smaller percentage (53 percent) had used financial coaching, with 86 percent finding it effective.
- Interestingly, 18 percent of respondents had found debt or credit counseling not to be effective, while only 9 percent had found financial coaching not to be effective. Of all the types of education, financial counseling had the lowest score under “not effective”—translating to a high level of effectiveness.

Chart E:



Credit unions varied widely on their internal ability to educate their members through face-to-face communication. Specifically, results were:

- High capabilities–20 percent
- Medium-high capabilities–23 percent
- Medium capabilities–43 percent
- Low-medium capabilities–12 percent
- Low capabilities–2 percent

As far as how they provide financial counseling, many have a small one- or two-person staff providing education. In addition, a large percentage outsource their financial counseling to a third-party organization. Specific results include:

- 1-2 full-time staff members–31 percent
- 3-5 full-time staff members–14 percent
- More than 5 full-time staff members–10 percent
- Staff within other departments–10 percent
- A third-party organization–36 percent

Financial Education Communications to Members

- Printed newsletters, magazines, etc. were frequently used (69 percent), but only 61 percent of newsletter or magazine users felt these media were successful. In fact, printed newsletters and magazines were considered the least effective overall (40 percent of people who do or have used them found them not to be effective).
- Educational e-mails and newsletters to members had a relatively lower usage (58 percent), but higher effectiveness than traditional print media. Roughly 69 percent of people who use them felt they were effective.

Financial Education Workshops and Community Events

- Community events had a usage of 59 percent, with 75 percent of organizations using them finding them effective.
- Interestingly, community events ranked in the top three in both the ineffective and effective categories!
- Workshops had a usage of 54 percent, with 79 percent of respondents currently using them finding them effective.
- However, workshops had the highest abandonment rate, with many organizations reporting they had tried workshops and did not find them effective (28 percent). This type of financial education also seemed one of the least effective overall (39 percent found workshops to be not effective).

Other Educational Tools Used by Respondents (provided via a write-in) included:

- presentations in schools (highest mention),
- self-created online education and
- Webinars.

Concluding Thoughts

In today's tough economic climate, now more than ever seems to be the ideal time for credit unions to position themselves as trusted advisors to their members, specifically, as well as to consumers as a whole. Financial education is in keeping with both this strategy and with credit unions' historic mission.

This white paper is one small step in an issue of crucial importance to credit unions and consumers: How can credit unions most effectively improve their members' lives? Further research results exploring how financial education impacts consumer behavior is being studied now, with results expected in 2010.

Of particular interest, from September 2009 to April 2010 the nation's largest study of the effectiveness of financial education is being conducted with roughly 88 Wisconsin credit unions participating in an innovative program called "Real Progress: Pathways to Prosperity." The study includes nearly 80 percent of all employees within the credit union industry in the state of Wisconsin who are registered to complete a 10-hour online investor education certification offered via the Educated Investor University (www.educatedinvestor.com).

The program in Wisconsin has been made possible thanks to a \$200,000 grant from the Investor Protection Trust to the University of Wisconsin-Madison, which has partnered with the State of Wisconsin Governor's Council on Financial Literacy, the Wisconsin Credit Union League, and Precision Information to deliver over 30,000 hours of online investor education to up to 4,000 employees and track and measure the results.

Thus far, halfway through the program's inception, credit union employees have completed over 14,000 hours of online coursework and are showing an impressive 20+ percent increase in financial knowledge. CUES will distribute complete results via a second white paper when the study has concluded in April.

The University of Wisconsin-Madison also expects to publish a detailed report showing not only the impact that quality financial education programs can have on improving knowledge, but also tying that knowledge improvement to changes in behavior that help create bottom-line benefits for credit union employees, members and credit unions in general.

For more information about this program or the CUES financial education survey that is the subject of this white paper, please contact Joe Saari, CEO of Precision Information (publisher of the Educated Investor University) at joesaari@educatedinvestor.com.

References and Resources

Two products from the Educated Investor family are available through CUES. For more information on Educated Investor University, an online program for credit union employees, visit www.cues.org/educatedinvestor/. To learn more about Financial Success Suite, an online program for consumers, visit www.cues.org/fss/.

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