Filene Research Institute

HELPING YOUNG ADULTS BECOME FINANCIALLY LITERATE

Community Credit Union Conference
November 2016

MEET YOUR PRESENTER

james marshall
cooperative trust manager

Why Millennials Matter

Millennials are the largest generation alive today, composed of approximately 74 million individuals born between the late 1970s and the mid-1990s

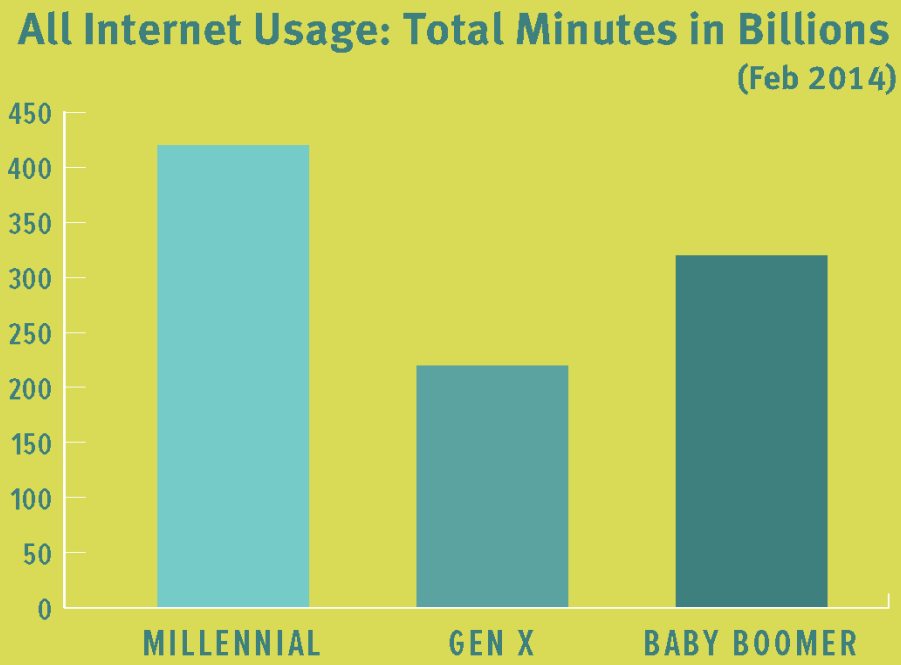
74% of Millennials believe they influence the purchase decisions around them*

Millennials will soon become the largest labor market. It is predicted that, by 2025, three out of every four workers globally will be Millennials**

Sources: *http://www.usnews.com/pubfiles/USNews_Market_Insights_Millennials2014.pdf
**http://filene.org/research/report/gen-y-personal-finances-a-crisis-of-confidence-and-capability

The First Truly Digital Generation

There are **74 million Millennials** nationwide, averaging **over 3 hours per day** on the internet

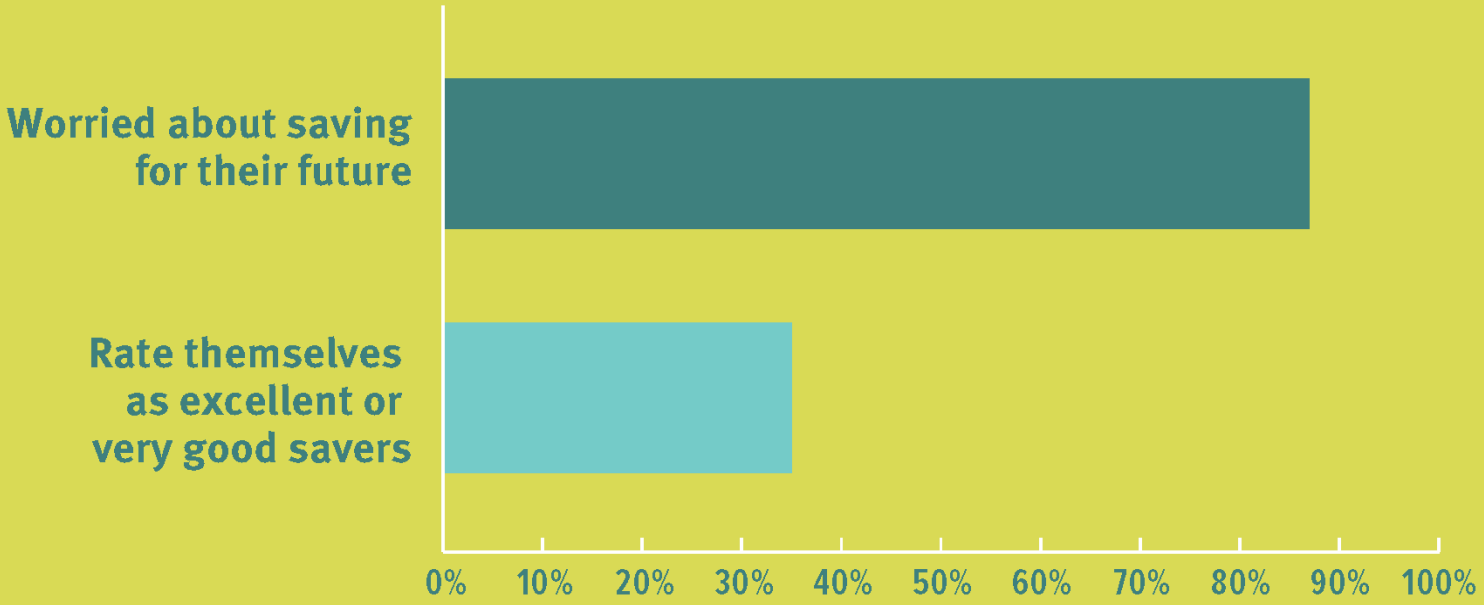


Source: http://www.usnews.com/pubfiles/USNews_Market_Insights_Millennials2014.pdf

Most Millennials keep their assets in cash, the average investor aged 21-36 has 52% of their savings in cash, compared to 23% for other age groups

Source: http://www.ubs.com/us/en/wealth/news/wealth-management-americas-news.html/en/2014/01/27/ubs-investor-watch-report-reveals-millennials.html

Millennials and Their Savings



Source: http://www.usnews.com/pubfiles/USNews_Market_Insights_Millennials2014.pdf

Drowning in Student Debt

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Drowning in Student Debt

The average student debt for the class of 2014 is estimated to be $33,000*

42% of Millennials claim that debt is their biggest concern in life*

21% of college-educated student debtors are underwater on their primary residence, compared with 11% without student debt**

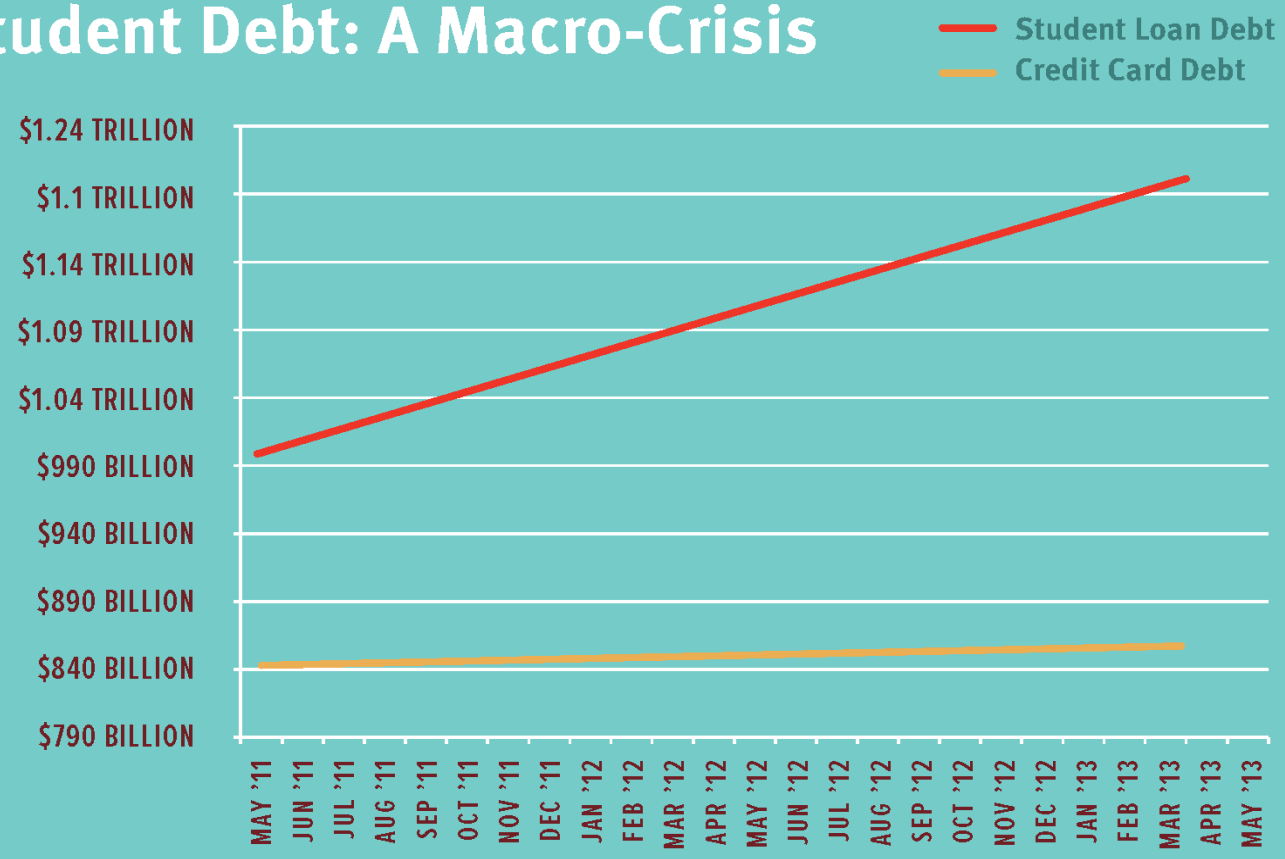
Sources: *http://www.usnews.com/pubfiles/USNews_Market_Insights_Millennials2014.pdf
**http://filene.org/research/report/gen-y-personal-finances-a-crisis-of-confidence-and-capability

Between 2004 and 2012, the number of student loan borrowers increased by 70%*

Student Debt is now second only to mortgages in the debt rankings**

Sources: *http://www.usnews.com/pubfiles/USNews_Market_Insights_Millennials2014.pdf
**http://filene.org/research/report/gen-y-personal-finances-a-crisis-of-confidence-and-capability

Student Debt: A Macro-Crisis

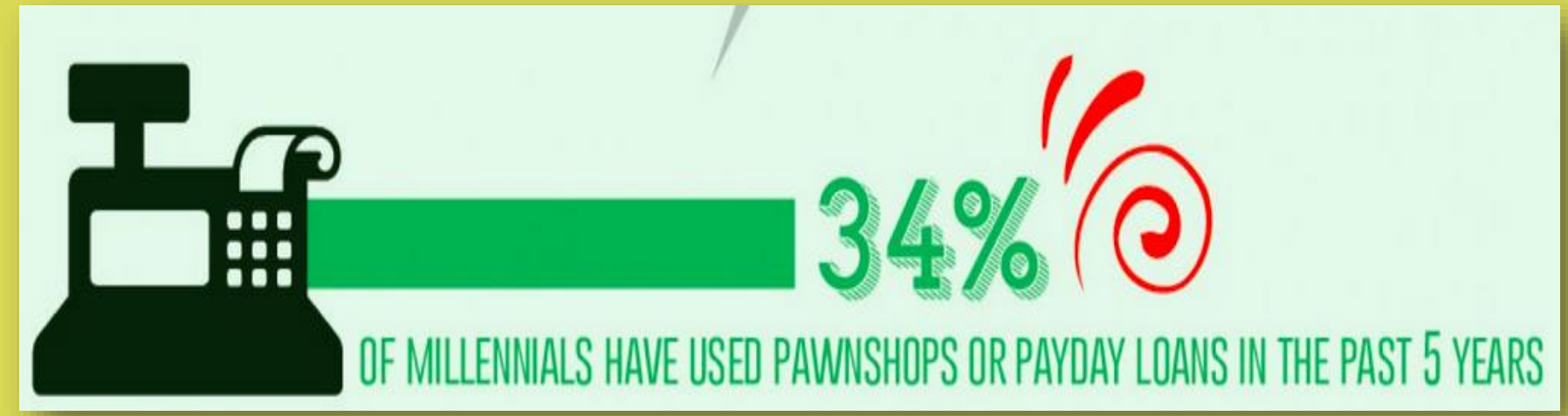


Source: http://filene.org/research/report/student-lending-challenges-and-opportunities-for-credit-unions

68% OF GEN YERS HAVE AT LEAST ONE CREDIT CARD

ONE IN FIVE CARDHOLDERS HAS 4 or more CREDIT CARDS

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability



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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

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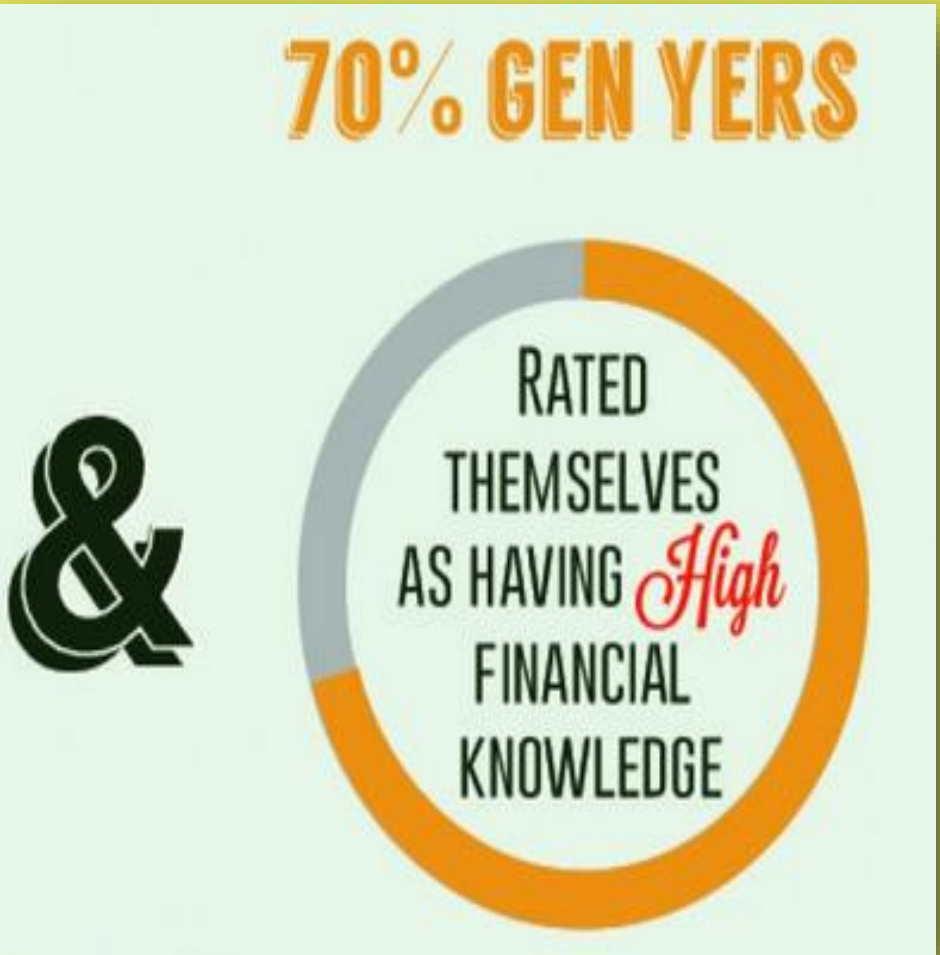

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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

Financial Capability QUIZ

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Q1

Suppose you had $100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow?

a More than $102

b Exactly $102

c Less than $102

d Don't know

e Prefer not to say

a More than $102

b Exactly $102

c Less than $102

d Don't know

e Prefer not to say

Q2

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?

a More than today

b Exactly the same

c Less than today

d Don't know

e Prefer not to say

a More than today

b Exactly the same

c **Less than today**

d Don't know

e Prefer not to say

Q3

Buying a single company's stock usually provides a safer return than a stock mutual fund.

a True

b False

c Don't know

d Prefer not to say

a True

b False

c Don't know

d Prefer not to say

Q4

A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.

a True

b False

c Don't know

d Prefer not to say

a True

b False

c Don't know

d Prefer not to say

Q5

If interest rates rise, what will typically happen to bond prices?

a They will rise

b They will fall

c They will stay the same

d There is no relationship between bond prices and the interest rate

e Don't know

f Prefer not to say

a They will rise

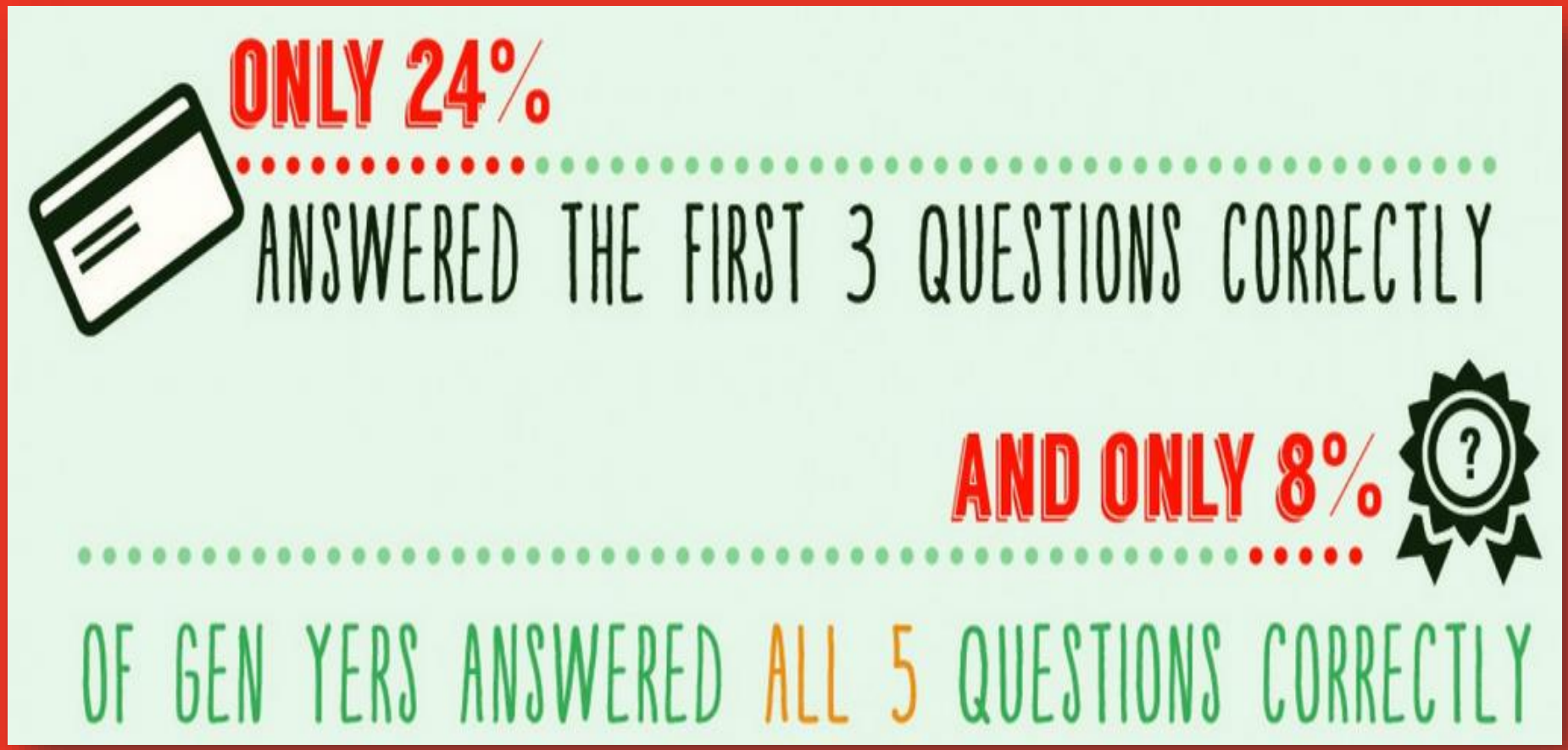
b **They will fall**

c They will stay the same

d There is no relationship between bond prices and the interest rate

e Don't know

f Prefer not to say



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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

WHO SCORES DIFFERENTLY?

Income Matters

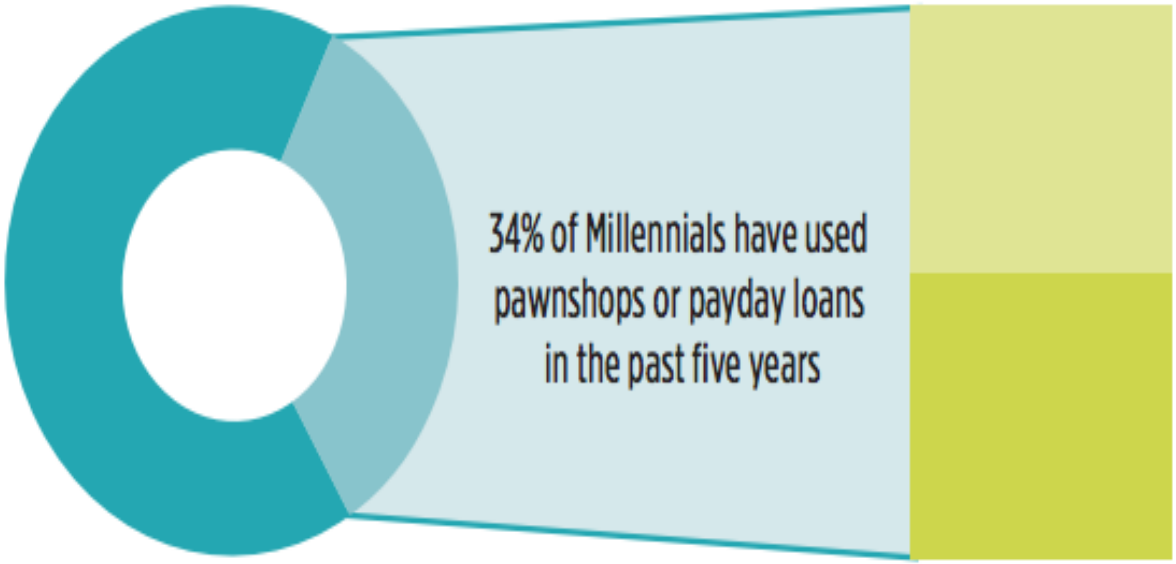
- Those with income above $75,000 scored better on the first three than those with income below $35,000

Gender Matters

- Women are much less likely than men to answer the first three questions correctly

Source: Information

GEN YERS' RECURRENT USE OF NONBANK SERVICES

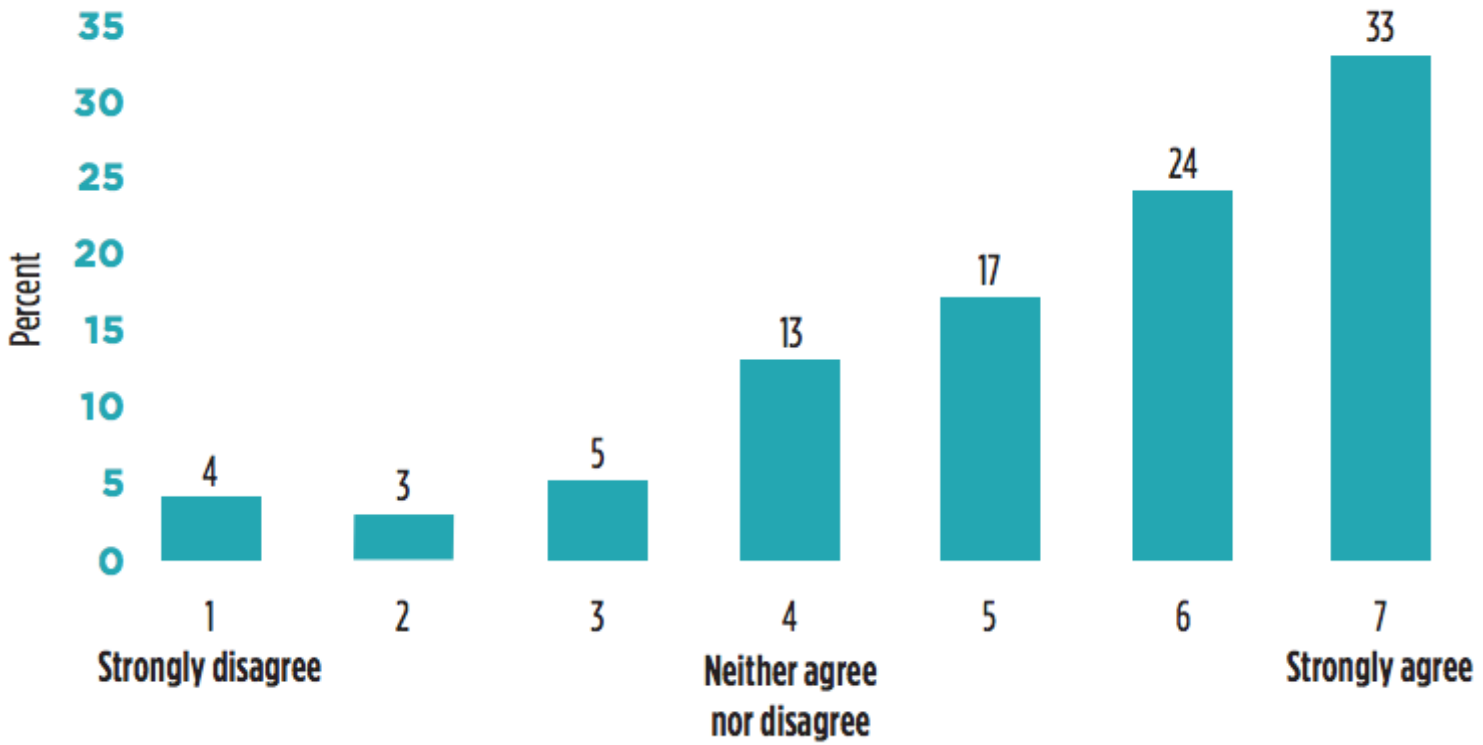


52% of Millennials who have used pawnshops or payday loans in the past five years have used these services three or more times in the past five years

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

CONFIDENCE IN DEALING WITH FINANCIAL MATTERS

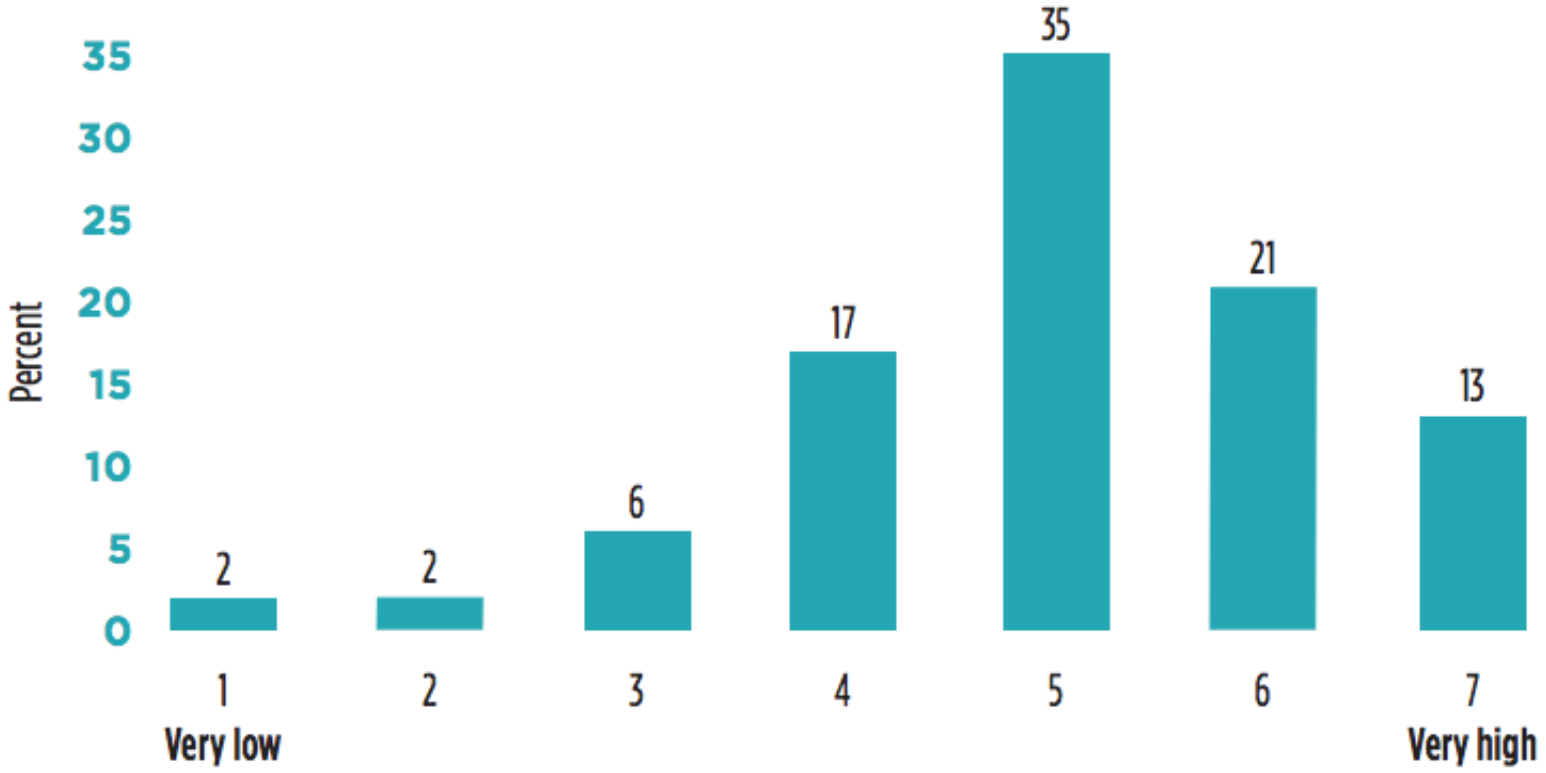
How strongly do you agree or disagree with the following statement?
I am good at dealing with day-to-day financial matters, such as checking accounts, credit and debit cards, and tracking expenses.



Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

CONFIDENCE IN PERSONAL FINANCIAL KNOWLEDGE

On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge?



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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

1. ASSETS ALONE DO NOT PROVIDE A GOOD VIEW OF FINA G

Source: Designspiration (http://designspiration.net/image/314236717723/)

2. DEBT IS ALREADY WIDESPREAD AMONG GEN Y

Source: Kristi Malakoff (http://www.kristimalakoff.com/Canadian%20Star%20Ball.html)

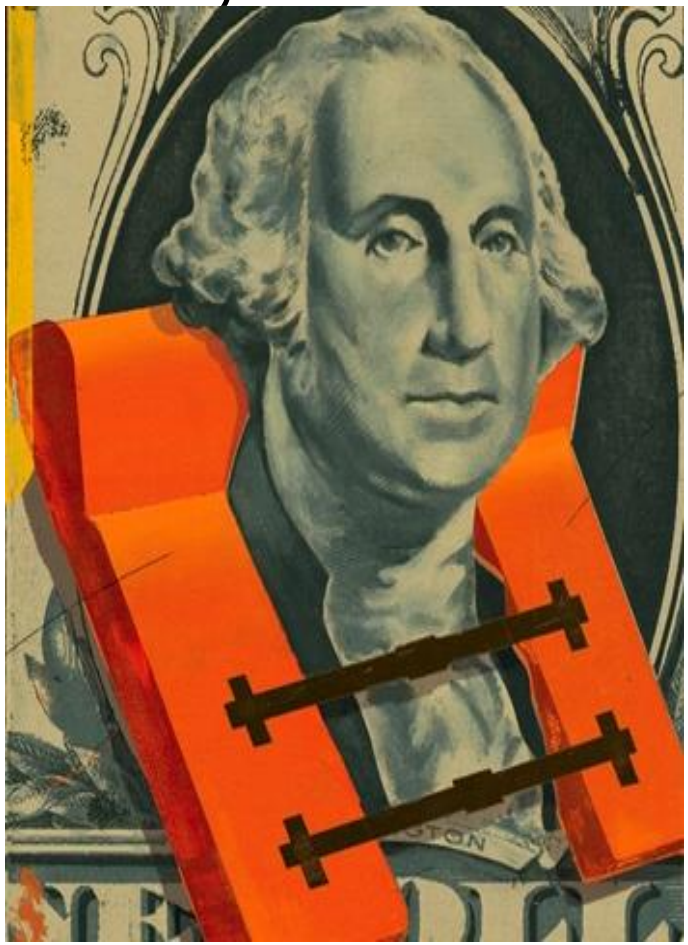
3. MEMBERS OF GEN Y FEEL OVER-INDEBTED

Source: Colossal: Money Faces (http://www.thisiscolossal.com/2011/10/money-faces/)

4. STUDENT LOANS ARE A MAJOR SOURCE OF DEBT; MOST WORRY ABOUT ABILITY TO P

Source: Tonic / Leard (http://designspiration.net/image/378540162163/)

5. GEN Y USES EXPENSIVE DEBT: CREDIT CARDS, AFS



Source: Designers Go To Heaven

6. OVERCONFIDENCE IS ENDEMIC

Source: Colossal: Money Faces (http://www.thisiscolossal.com/2011/10/money-faces/)

7. GEN Y MAKING MANY DECISIONS UNAWARE OF TH

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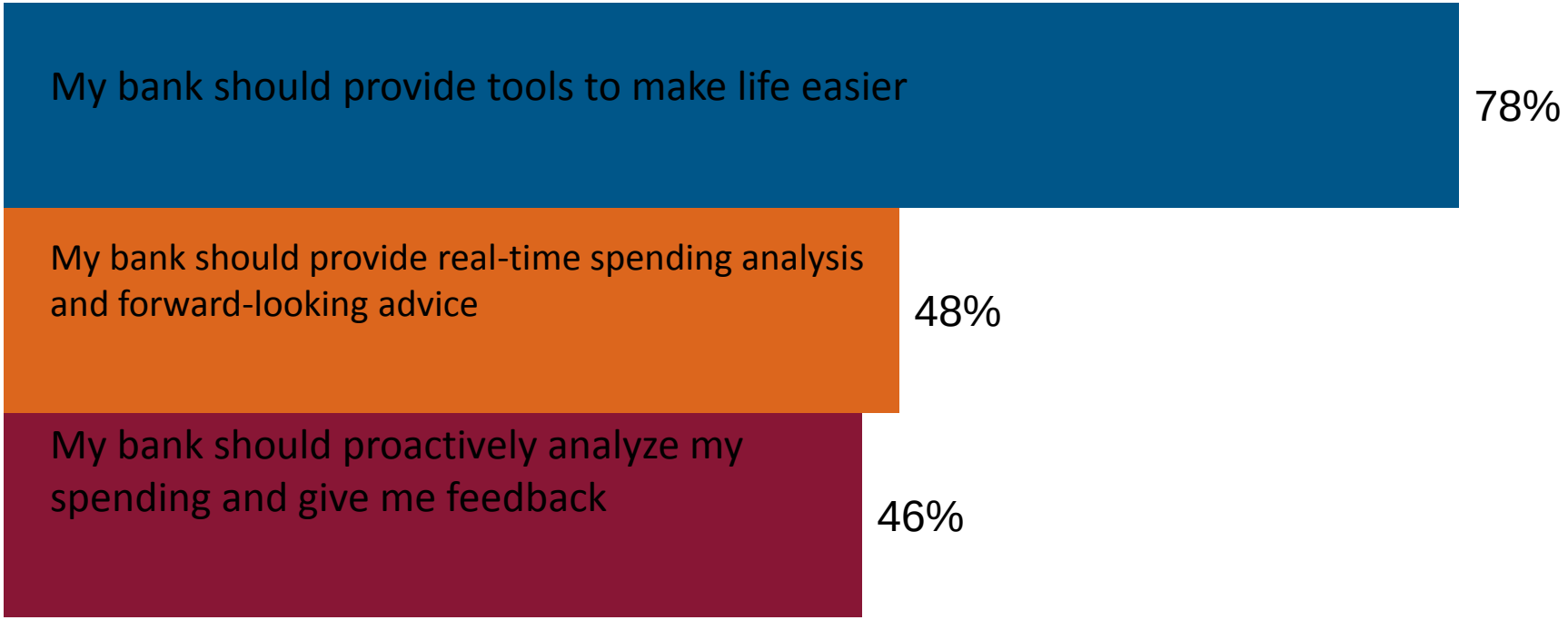
Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

CREDIT UNION SOLUTIONS

INSIGHTS FIRST, TRANSACTIONS LATER



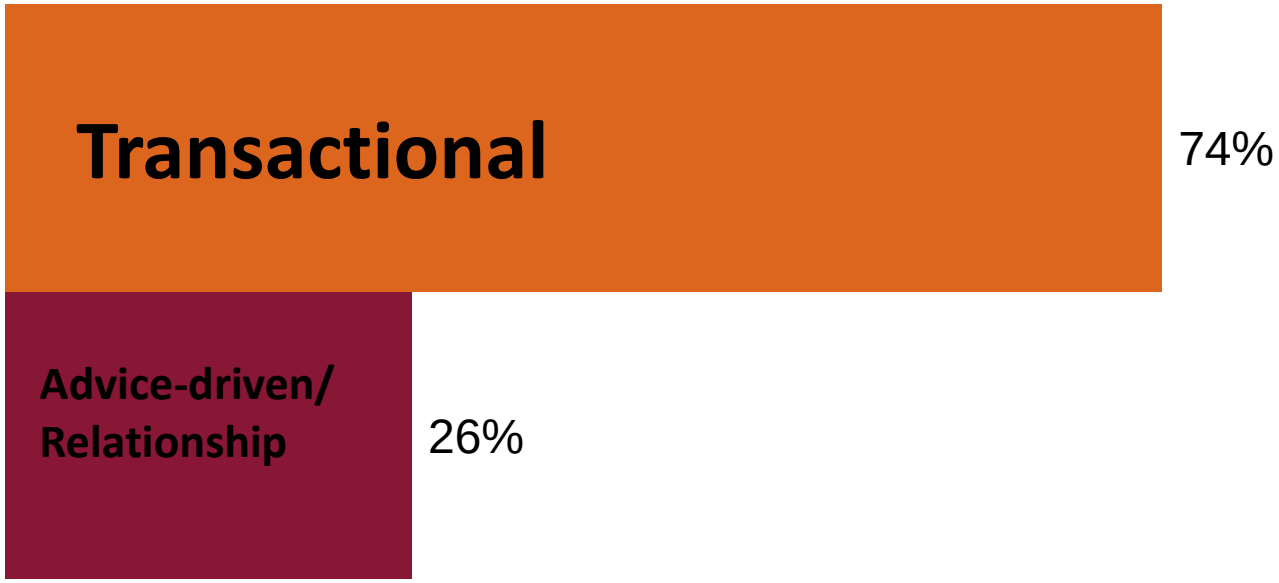
Source: Accenture, 2014

DANGER: COMMODITY AHEAD

How would you categorize your relationship with your bank?

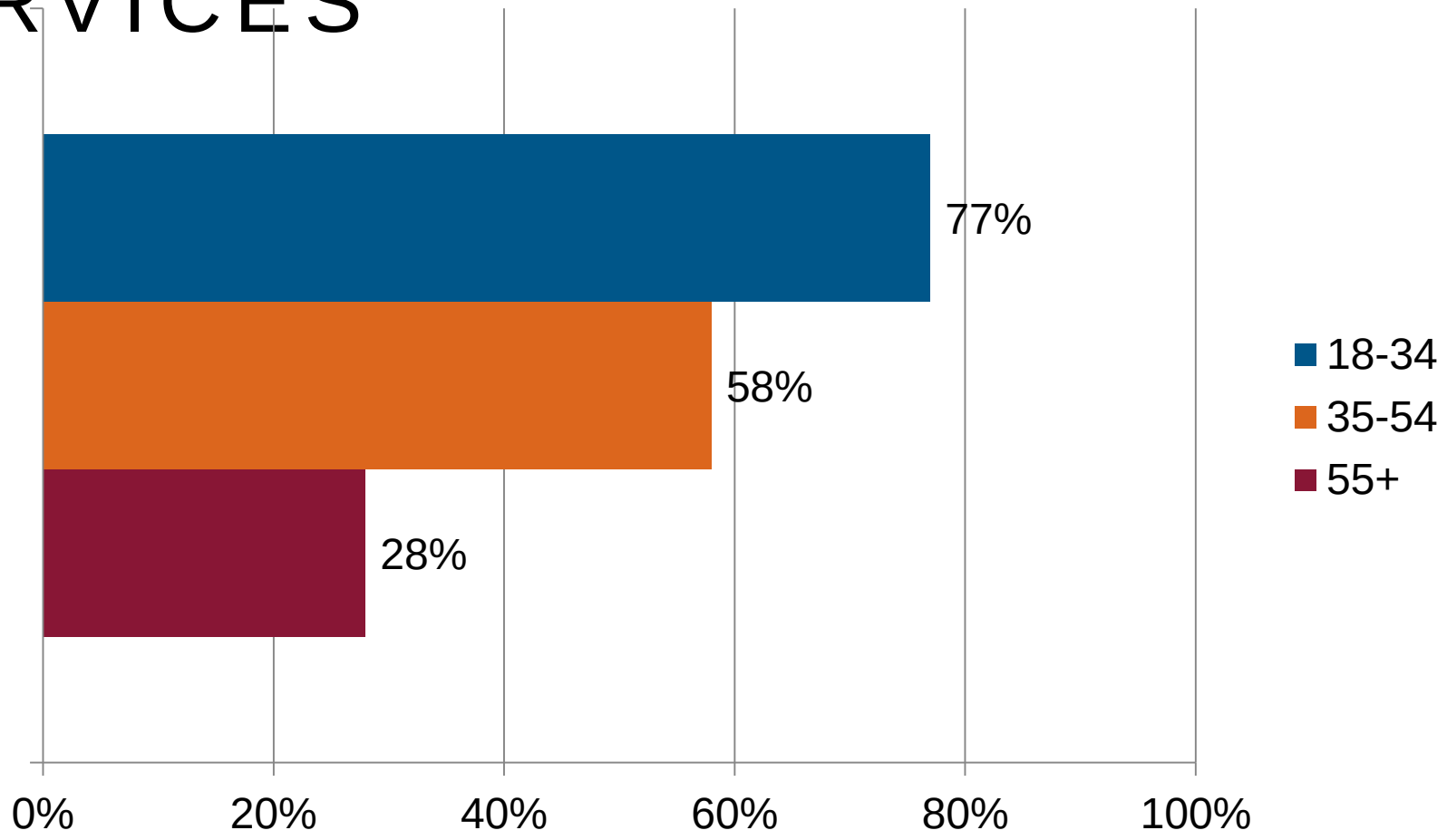
My relationship is defined by simple transactions like paying bills, checking account statements, etc.

My bank provides advice that improves my well-being



Source: Accenture, 2014

WILLINGNESS TO UNBUNDLE SERVICES



Source: Accenture, 2014

DEBT MANAGEMENT IS KEY

- Understanding savings and assets is not enough
- Gen Yers are swimming in debt
- Least educated and lowest income have riskiest debt
- Student debit is a major burden
- AFS debt is a major burden
- Actively address debt and debt management

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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

MILLENNIALS DIFFICULT TO ENGAGE

- They don’t know what they don’t know
- They’re often overconfident

Offer engagement and tools that don’t look like education

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Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability

BUILD INSIGHTS AROUND SPECIFIC PRODUCTS

- Overconfidence means they won't sit for a class
- Just-in-time advice more effective than general education
- Debt education best paired with debt service
- Target student loans, credit cards, mortgages

Tools and messaging should be succinct, specific

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability


Q
A

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THANK YOU

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