HELPING YOUNG ADULTS BECOME FINANCIALLY LITERATE

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MEET YOUR PRESENTER

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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.
Why Millennials Matter

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**

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

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.

Drowning in Student Debt
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**

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:  
Drowning in Student Debt

Student Debt: A Macro-Crisis

68% of Gen Yers have at least one credit card.

One in five cardholders has 4 or more credit cards.

52% of Gen Yers engaged in one or more potentially expensive credit card behaviors.

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability
34% of millennials have used pawnshops or payday loans in the past 5 years.
74% SAY

I am good at dealing with day to day financial matters, such as checking accounts, credit and debit cards, and tracking expenses.
70% of Gen Yers rated themselves as having high financial knowledge.

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability
Financial Capability QUIZ
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
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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
More than today
Exactly the same
Less than today
Don't know
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
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
ONLY 24% ANSWERED THE FIRST 3 QUESTIONS CORRECTLY

AND ONLY 8% OF GEN Y ERS ANSWERED ALL 5 QUESTIONS CORRECTLY
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
34% of Millennials have used pawnshops or payday loans in the past five years.

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?

Source: Filene Research Institute – Gen Y Personal Finances: A Crisis of Confidence and Capability
1. ASSETS ALONE DO NOT PROVIDE A GOOD VIEW OF FINANCE.
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
4. STUDENT LOANS ARE A MAJOR SOURCE OF DEBT; MOST WORRY ABOUT ABILITY TO PAY THEM OFF.
5. GEN Y USES EXPENSIVE DEBT: CREDIT CARDS, AFS

Source: Designers Go To Heaven

Filene Research Institute
6. OVERCONFIDENCE IS ENDEMIC

Source: Colossal: Money Faces (http://www.thisiscolossal.com/2011/10/money-faces/)
7. GEN Y MAKING MANY DECISIONS UNAWARE OF THE IMPLICATIONS OF KNOWLEDGE.
My bank should provide tools to make life easier

My bank should provide real-time spending analysis and forward-looking advice

My bank should proactively analyze my spending and give me feedback

Source: Accenture, 2014
How would you categorize your relationship with your bank?

- My relationship is defined by simple transactions like paying bills, checking account statements, etc. (74%)
- My bank provides advice that improves my well-being (26%)
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

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

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
Questions?

Q

A