January 22, 2020 Convening

EXECUTIVE SUMMARY

Financial well-being is a journey. It's a journey for consumers that navigate an infinite number of choices and resources to try to make the best financial decisions for their lives. It's a journey for organizations, like credit unions, that focus on serving consumers with the purpose of improving financial well-being.

Over the past five years, institutions like credit unions, banks and fin techs have been collaborating with funders, nonprofits and government to define financial well-being, measure it, create products and services that advance it and ultimately document the data that shows what works and what doesn't to advance it at scale. This work is longitudinal and it's complex. It's also important since financial well-being is shown to be tied to community success, health outcomes, and economic empowerment.[1]

The convening co-sponsored by the Foundation and CUNA was meant to take a snapshot of the "state of the state" of financial well-being in the credit union space. 25 credit unions, researchers and system partners were invited to participate in a day-long dialogue to consider the following questions: What does financial health and well-being look like at credit unions and what initiatives are most promising for scaling up or further research?; what can CUNA and the Foundation do to advance and support this work?; how can credit unions better tell their stories regarding this work?; and how can we support transformation from financial education/literacy to financial health and well-being?

Participants reviewed the pre-convening survey results (attached below), researchers and academics led a discussion on the state of existing research and evidence regarding financial well-being, and credit unions shared their stories on financial well-being. The last part of the day focused on small group discussion to consider "a-ha" moments, key takeaways and next steps to create an ecosystem to support this work.

There were several key takeaways from the far-ranging conversation on financial well-being:

1. We need to be careful with the messaging and terminology we use. This work is not financial literacy. It is a holistic focus on consumers' financial well-being. This includes more than one-off content-based financial education classes, whether delivered in person or online.

2. There is a growing consensus that traditional content-based financial education is ineffective at promoting financial well-being. It is also among the least cost-effective approaches. However, credit union leaders emphasized that it remains an important part of their advocacy work, attracts many members, and helps serve as an introduction to other products and services.

3. To that end, financial education needs to be paired with coaching, nudges and the appropriate, affordable products to meet a member where he/she/they are. Strategies are most effective when they are holistic, long-term, and when financial well-being is part of <u>every</u> interaction a credit union has with a member. This can include regular "financial well-being check-ups" as well as considering

[1] https://www.rwjf.org/en/library/research/2018/09/wealth-matters-for-health-equity.html

every member's individual needs that honor what a member wants for her/his/their financial well-being.

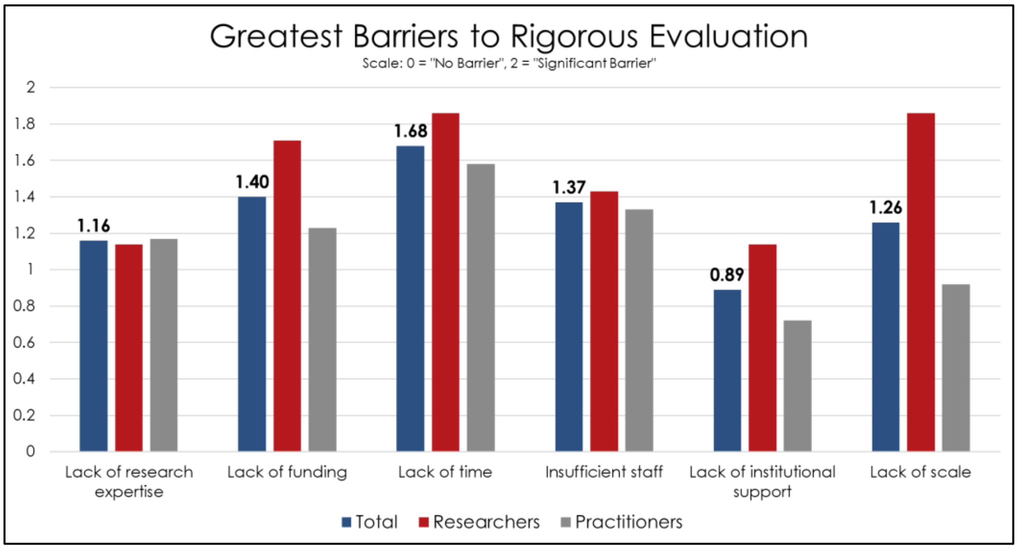
4. Researchers noted that right now we don't know much about what works, so we should be careful about scaling up unproven strategies. A certain humility is required going forward to build directional and causal evidence on what works. To date, there is promising evidence that nudges and "just in time" prompts work, as well as automated and emergency savings, and small-dollar loans, including payday alternative loans and credit-builder loans. It was also noted that product design, context, timing, and expectations matter when it comes to interventions, and that initiatives that are scaled should be evaluated simultaneously.

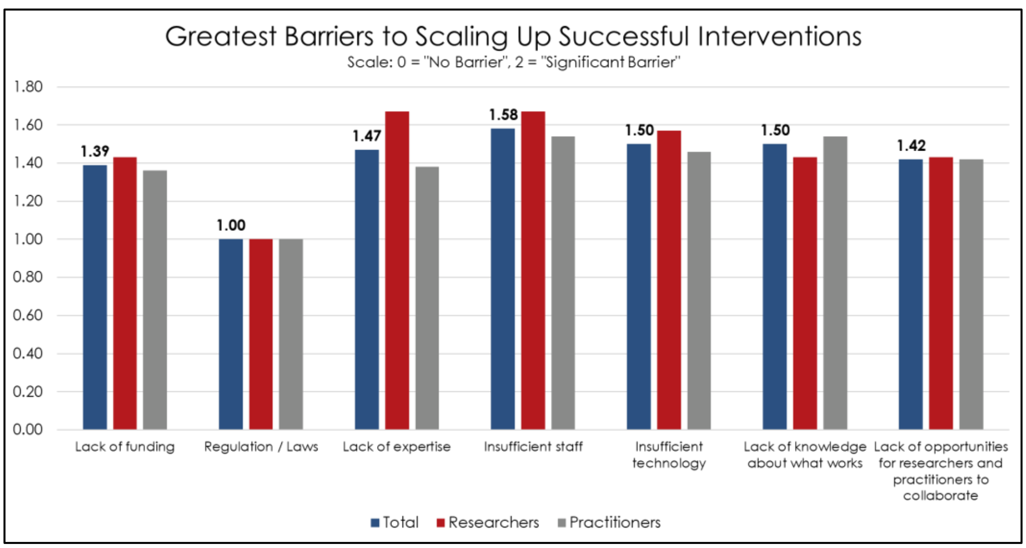
5. There was consensus amongst the participations that there is a great need for more collaboration and pursuing "the big picture" to move financial well-being forward. This includes a role for the Foundation and CUNA to hold more convenings between researchers and credit unions to dialogue, compare experiences and learn.

Pre-Convening Survey Results

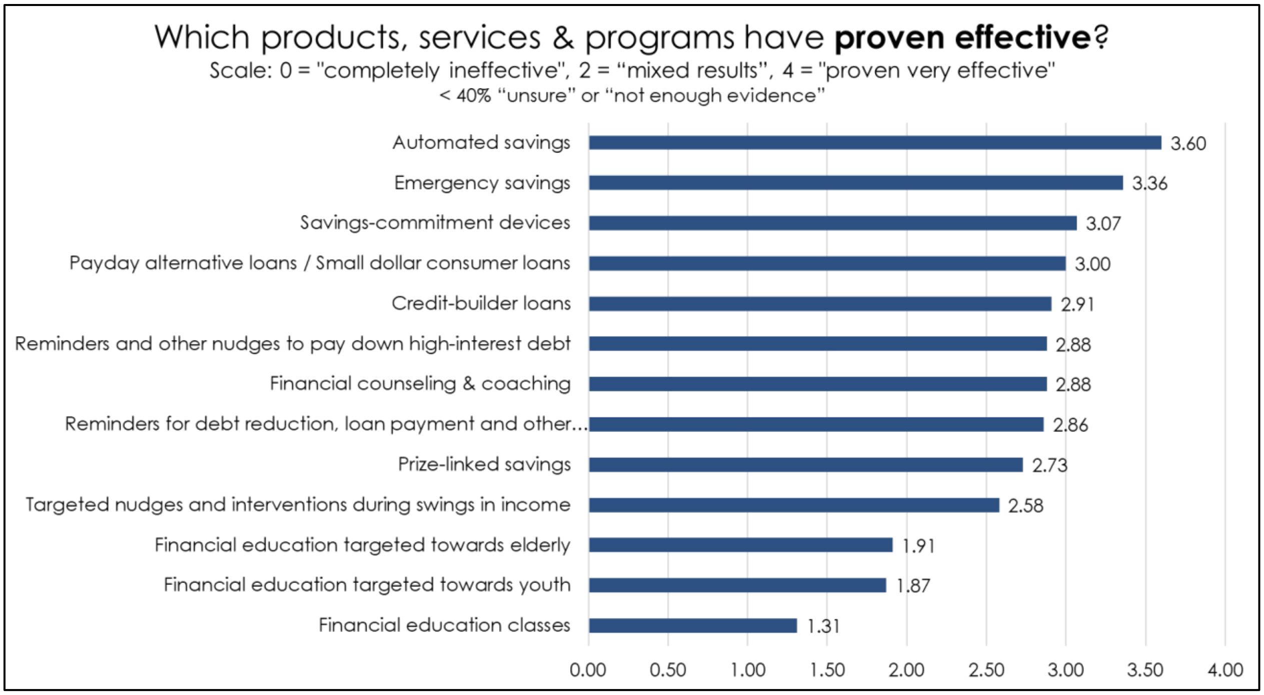
- 23 respondents:
  - 7 academics/researchers
  - 9 credit union professionals
  - 6 CUSO, CU trade association and/or CU system partner
- Evaluation experience:
  - 4 with 10+ years
  - 11 with 5+ years
  - 20 with 2+ years

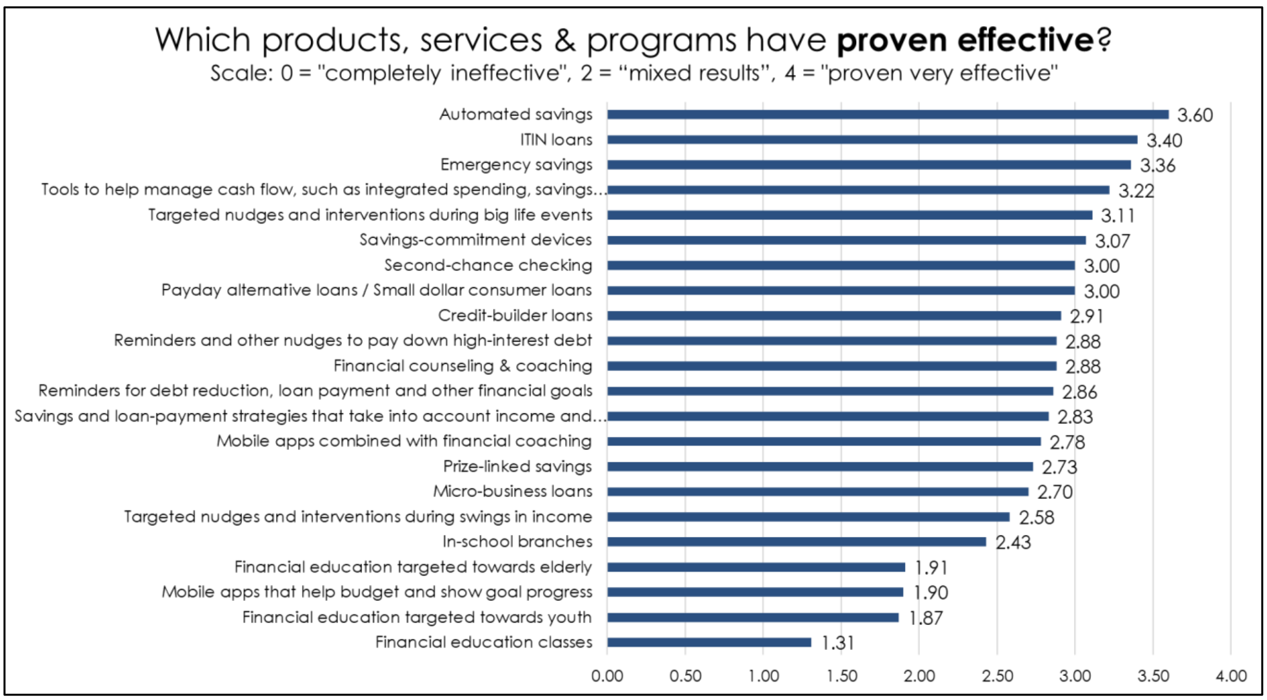
Barriers to Evaluating and Scaling up Successful Interventions:



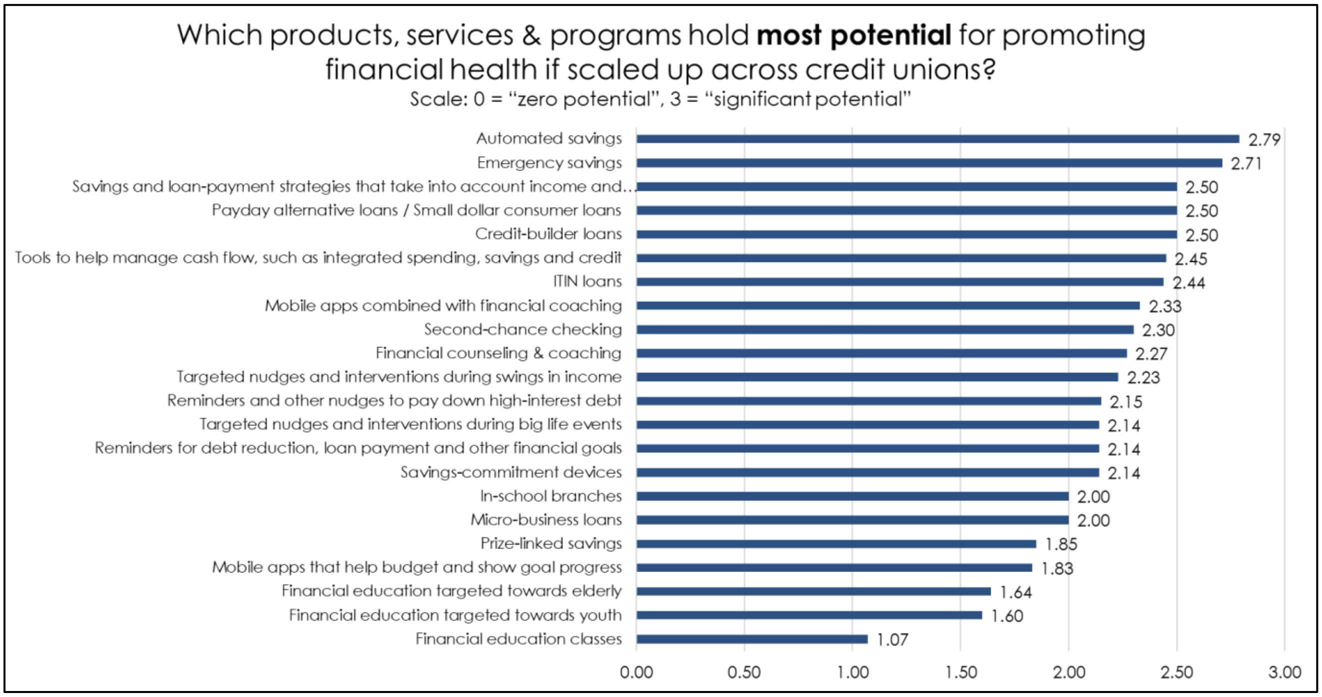


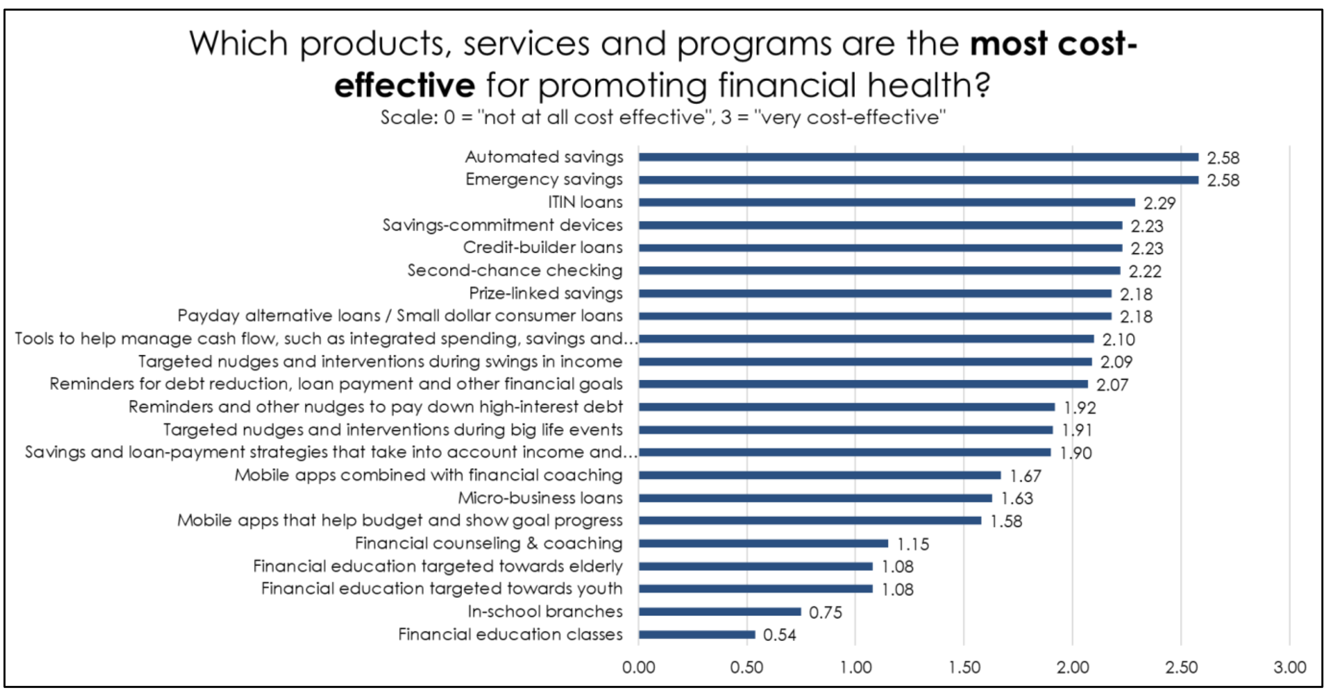
Which Interventions are Most Effective?

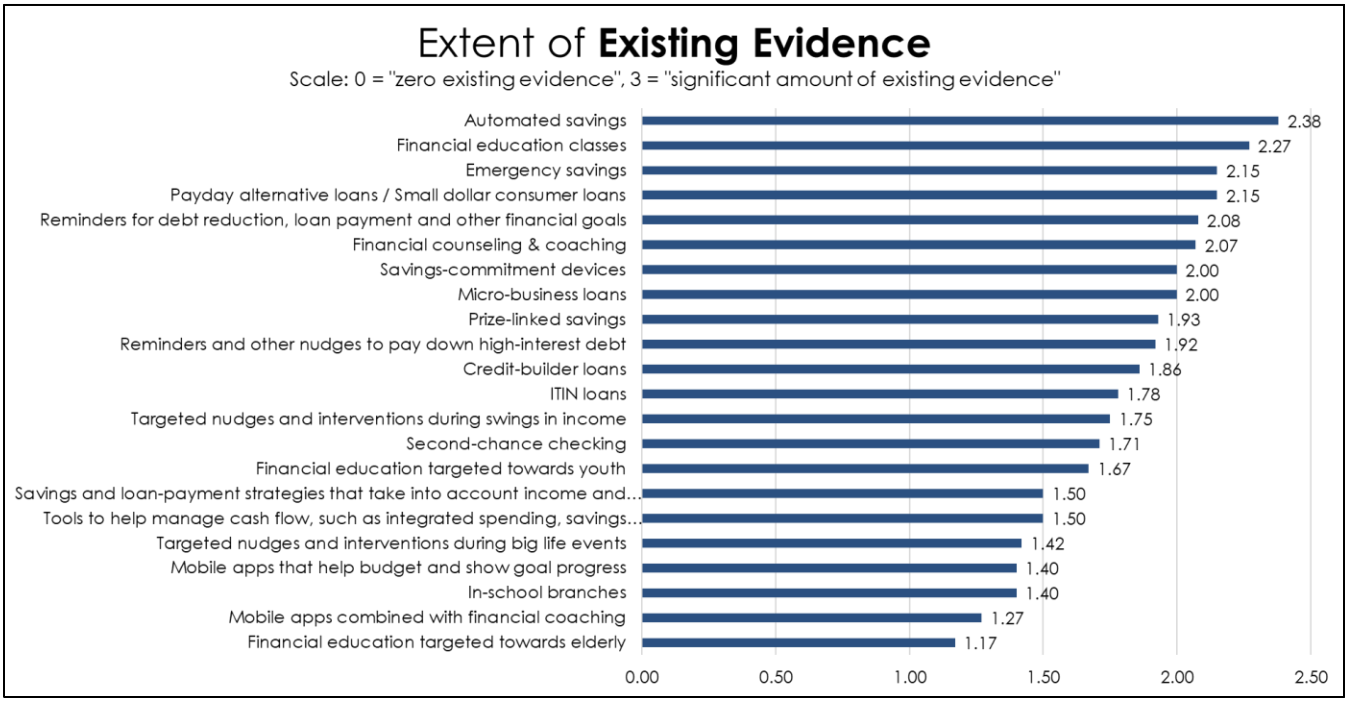


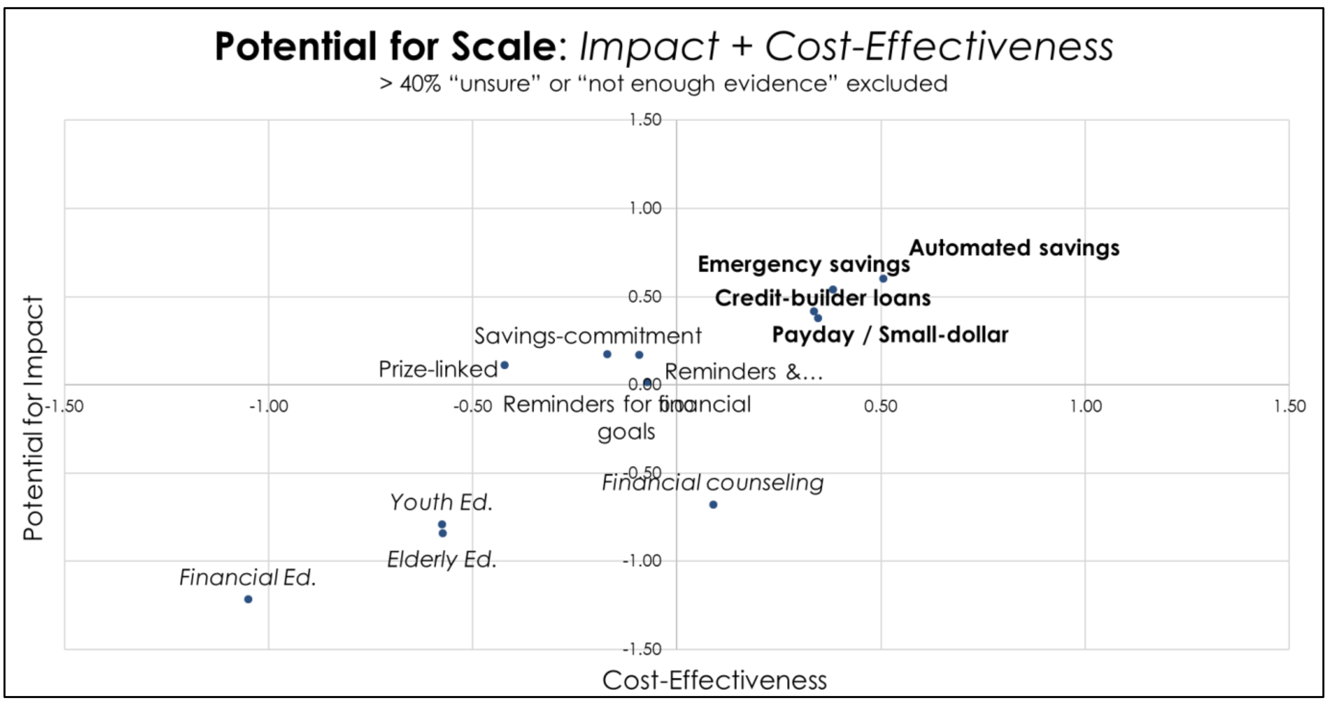


Which interventions have the most potential?






Extent of **Existing Evidence**
Scale: 0 = "zero existing evidence", 3 = "significant amount of existing evidence"
Automated savings 2.38
Financial education classes 2.27
Emergency savings 2.15
Payday alternative loans / Small dollar consumer loans 2.15
Reminders for debt reduction, loan payment and other financial goals 2.08
Financial counseling & coaching 2.07
Savings-commitment devices 2.00
Micro-business loans 2.00
Prize-linked savings 1.93
Reminders and other nudges to pay down high-interest debt 1.92
Credit-builder loans 1.86
ITIN loans 1.78
Targeted nudges and interventions during swings in income 1.75
Second-chance checking 1.71
Financial education targeted towards youth 1.67
Savings and loan-payment strategies that take into account income and... 1.50
Tools to help manage cash flow, such as integrated spending, savings... 1.50
Targeted nudges and interventions during big life events 1.42
Mobile apps that help budget and show goal progress 1.40
In-school branches 1.40
Mobile apps combined with financial coaching 1.27
Financial education targeted towards elderly 1.17
0.00
0.50
1.00
1.50
2.00
2.50

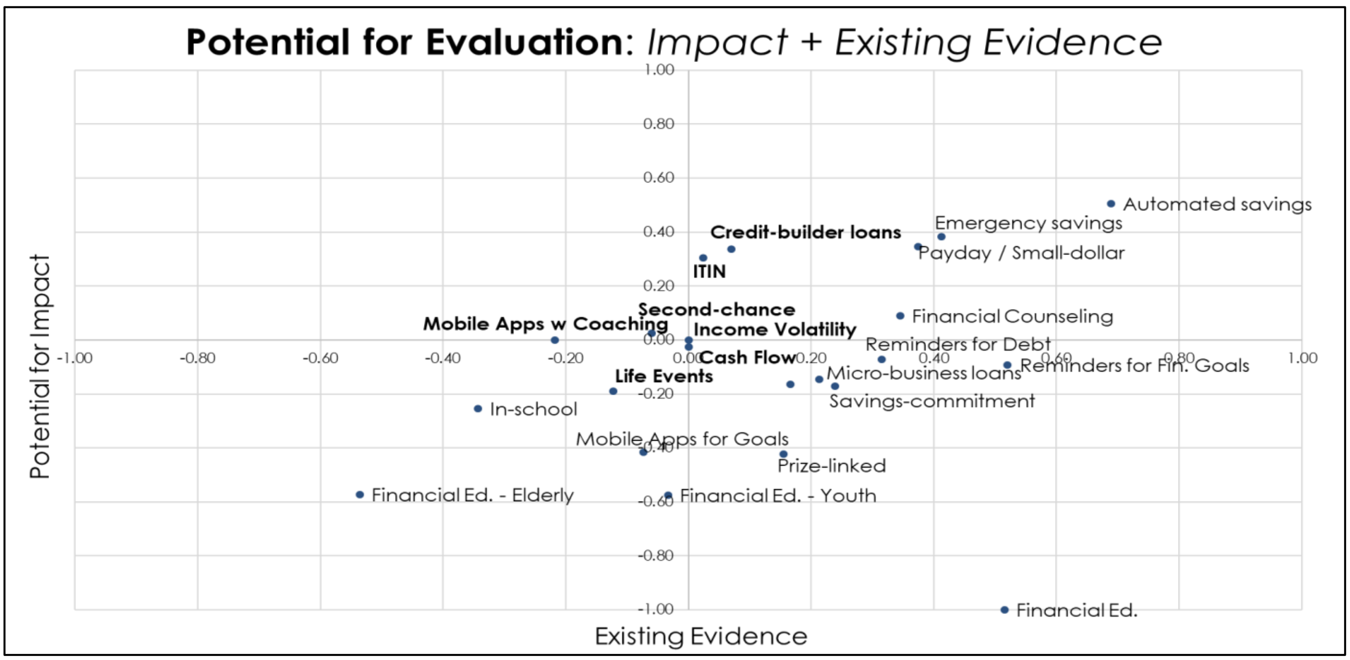

Potential for Scale: *Impact + Cost-Effectiveness*
> 40% "unsure" or "not enough evidence" excluded
Potential for Impact
Cost-Effectiveness
Automated savings
Emergency savings
Credit-builder loans
Payday / Small-dollar
Savings-commitment
Prize-linked
Reminders &...
Reminders for financial goals
Financial counseling
Youth Ed.
Elderly Ed.
Financial Ed.
1.50
1.00
0.50
0.00
-0.50
-1.00
-1.50

Interventions with <u>Most</u> Potential for Scale:

1. Payday Alternative / Small-Dollar Loans
2. Emergency Savings
3. Financial Counseling & Coaching
4. Credit-Builder Loans
5. Automated Savings
6. Mobile Apps Combined with Financial Coaching
7. Tools to Help Manage Cash Flow

Interventions with <u>Least</u> Potential for Scale:

1. Financial Education Classes
2. Financial Education Targeted Towards Elderly
3. In-School Branches
4. Micro-Business Loans



Interventions with Most Potential to <u>Evaluate</u>:

1. Payday Alternative / Small-Dollar Loans
2. Financial Counseling & Coaching / Mobile Apps with Financial Coaching
3. Second-Chance Checking Accounts
4. ITIN Loans
5. Credit-Builder Loans
6. Savings and loan-payment strategies that take into account income and expense spikes and dips
7. Tools to help manage cash flow
8. Targeted nudges during life events

Survey Takeaways:

1. Some consensus around what to scale:
    - Automated & emergency savings, small-dollar/payday/credit-builder loans.
    - Financial counseling & coaching strategies.
    - Best if can scale & evaluate together.
2. Some consensus around what **not** to scale (or dial back):
    - Traditional financial education approaches.
3. Less consensus around what to evaluate:
    - Financial coaching & counseling strategies:
        - Appear to hold promise but somewhat less cost-effective.
    - Behavioral, technological & innovative approaches:
        - Examples: Targeted nudges & reminders, tools to manage cash flow, strategies to help with income volatility, mobile apps.
4. Comments stressed the importance of creating a culture and vision of FinHealth, measuring while scaling, collaboration, & creating time & space for long-term planning.
5. <u>Design</u> of products, services & programs important!