

The National Credit Union Foundation: Financial Health Check-Up Aggregation

Results excerpt, November 2017

Leading the Nation in Consumer Financial Health

MEMBERSHIP | CONSULTING | RESEARCH | INNOVATION

Overview



The **National Credit Union Foundation** provided funding to six credit unions to help them conduct a Financial Health Check-Up project with CFSI during H1 2017, leveraging CFSI's financial health segmentation methodology. Following the execution of the individual credit union projects, CFSI aggregated and weighted the data from the participating institutions and analyzed the combined dataset.

FINANCIAL HEALTH CHECK-UP:

Check-up Objectives

Assess the financial health of credit union members in order to:

- Better understand members' needs
- Benchmark against CFSI's data as a first step toward developing a financial health strategy
- Inform product and service development
- Facilitate effective targeting

Approach

Leverage CFSI's financial health framework, financial health segmentation model, and learnings from the Consumer Financial Health Study to assess members' financial health.

- Deploy a short (13-question) survey to credit union members online.
- Use the survey results and CFSI's segmentation methodology to gauge the financial health of each respondent.
- Analyze the data, compare it to benchmarks from the Consumer Financial Health Study, and summarize key takeaways.

Overview

- Diverse set of participating credit unions with memberships ranging from under 40,000 to over 850,000.
- Combined survey sample size of over 28,000 (weighted to be representative of the total membership of the six participating credit unions).
- Proportion of **Financially Healthy** members ranged from **37% to 50%**, which means that *at least half* of members in each participating credit union are struggling financially.

For comparison:	% Financially Healthy*
National banked	46%
Northeast banked	48%
Midwest banked	47%
South banked	44%
West banked	48%

* Source: CFSI's 2014 Consumer Financial Health Study

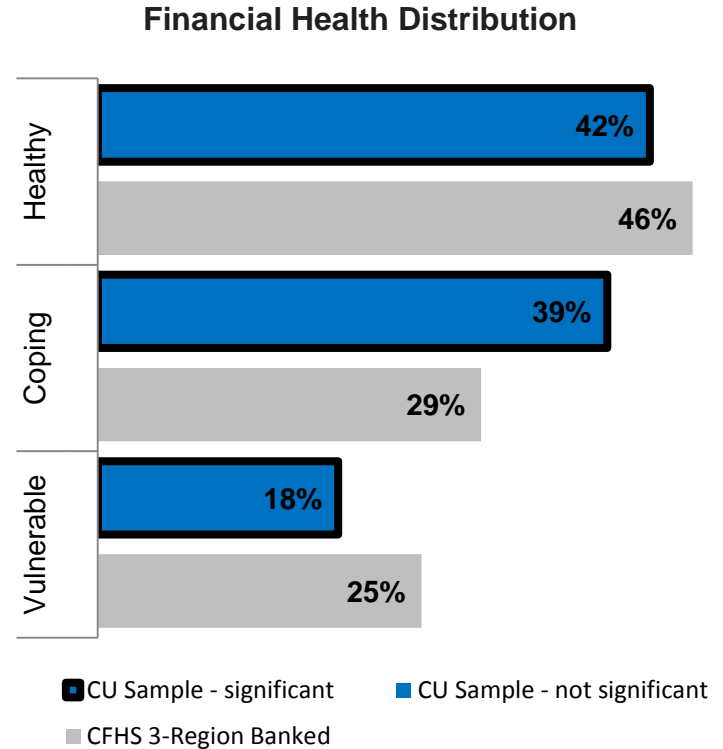


PARTICIPATING CREDIT UNIONS:



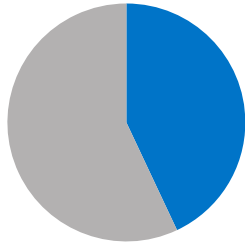
Financial Health Headlines

- **More than half (58%)** of members in the total CU Sample are **struggling financially**.
- **Only a quarter** of members are **highly satisfied** with their present financial situation.
- While financial health is correlated with age and income, there are **financially struggling members at all age and income levels**.
- **About half** of CU Sample members engage in key financially healthy behaviors, like **saving and planning**.



Spending

Findings



43% of members ran out of money before the end of the month at least once in the last year.

- 38% of CU Sample members always live paycheck to paycheck.
- Just over half (51%) of members struggle to some extent to keep up with bills and credit payments.

Opportunity

Leverage technology to help members **better understand and manage cash flows:**

- Account aggregation can provide a comprehensive picture of cash flows and power predictive advice
- Real-time spending tracking and categorization can help members see where they may be over-spending and aid in behavior change
- Nudges and reminders can help members control spending in the moment
- Bill pay organization and automation can help members stay on top of obligations

Saving

Findings



More than half of members do not have a planned saving habit. 30% save whatever is left over at the end of the month, and 21% do not save at all.

- 45% of members could only make ends meet for 3 months or less in the event of an unexpected drop in income; another 10% don't know.
- More than a fifth (22%) of CU Sample members indicate a very short-term time horizon (the next few weeks or months) for saving for the future.

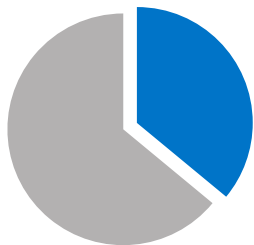
Opportunity

Apply **lessons from innovative savings strategies and behavioral economics best practices** to help members establish and maintain saving habits:

- Adaptive, smart savings tools that remove friction from the saving process can help non-savers set aside funds in an approachable manner.
- Goal-oriented savings programs can help keep members engaged by tapping into an emotional driver.
- Savings incentives, encouraging messages, progress trackers, and nudges can all be effective tools to keep members motivated and on track.

Borrowing

Findings



More than a third (36%) of members have a financial obligation ratio that exceeds the healthy benchmark of 40%.

- Over a quarter (28%) of members believe they have fair, poor, or very poor credit quality; another 6% don't know.
- Over a third (36%) of CU Sample members are only slightly or not at all confident in their ability to fund an unexpected \$2,000 expense within a month.

Opportunity

Deploy **well-designed loan products and debt-management services** to help members better manage their debt load:

- User-friendly calculators can help members understand whether their current debt load is sustainable.
- Credit-building products can help members establish and/or improve credit scores.
- Debt consolidation and smart repayment products can help members save money, accelerate repayment, and avoid default.
- Payment incentives, encouraging messages, progress trackers, and nudges can all be effective tools to keep members motivated and on track.

Planning

Findings



More than a third of members do not plan ahead for large, irregular expenses. Income and expense volatility are the most frequent barriers.

- One quarter of CU Sample members say they would plan ahead if they could, suggesting they recognize the importance of the behavior but encounter challenges with execution.

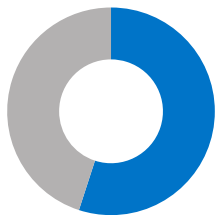
Opportunity

Combine **technological and human assets** to help members plan ahead and surmount volatility challenges:

- Income smoothing products can help members create a stable foundation from which to plan.
- Mine existing data to identify opportunities to help members plan for recurring and lumpy expenses. Proactively contact members to help them take advantage of these strategies and/or services.
- Life stage milestones can provide a rich opportunity to engage members in a conversation around planning for both near- and long-term goals.

Employees

Findings



More than half (55%) of CU Sample employees are struggling financially.

- Compared to non-employees, employees are more likely to be in the Focused segment and less likely to be in the At Risk segment.
- The employee population has a larger proportion of 26-49 year-olds and skews higher income, compared to the non-employee population.

Opportunity

Prioritize the development of an **employee financial health** program:

- Engage employees as key stakeholders, beneficiaries, and partners in driving improved financial health throughout the credit union.
- Include appropriate, high-quality financial health offerings in your employee benefits package.
- Engage employees to solicit feedback, pilot new products and services, and obtain buy-in.

Increasing employee financial health will better position employees to help non-employee members with their financial health. It can also result in improved productivity, decreased absenteeism, and lower healthcare costs.

Coping Segments

Findings



Nearly 4 in 10 members (39%) are in the Coping segments. 18% are in the Striving segment and 21% are in the Tenuous segment.


- The Consumer Financial Health Study (CFHS) finds that while the Coping segments are struggling, they are not the most vulnerable.
- The CFHS finds that the Coping segments are financially and technologically engaged; however, they struggle to varying degrees with saving, debt management, planning, and financial confidence.

Opportunity

The Coping segments include **high-potential target** groups for initial financial health interventions:

- Digital channels hold significant potential for reaching and impacting members in the Coping segments, given their high online/mobile banking adoption rate.
- Consider first tackling a need felt by both Coping segments, like savings, and track corresponding financial health metrics to gauge impact and drive product/service iteration.

Financial Health Measurement

 **Opportunity:** Measuring member financial health metrics alongside business metrics will enable credit unions to understand whether they are making a quantifiable difference in their members' financial lives.

If you can't measure it, you can't improve it.

You can't manage what you can't measure.

You are financially healthy when you...

SPEND

1. Spend less than income
2. Pay bills on time and in full

SAVE

3. Have sufficient liquid savings
4. Have sufficient long-term savings or assets

BORROW

5. Have a sustainable debt load
6. Have a prime credit score

PLAN

7. Have appropriate insurance
8. Plan ahead for expenses

For more detail, see: [Eight Ways to Measure Financial Health](#)

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Thank You

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