

CREDIT UNIONS REACHING FUTURE GENERATIONS

WE'RE GETTING OLDER! AND FOR CREDIT UNIONS, THAT'S A PROBLEM.

Credit union membership is graying, with the average age of credit union members hovering around 47. The baby boomers that have fueled our credit union business have almost moved out of their peak borrowing years of 25-44 and there's a comparatively small number of Generation Xers around to fill the void. More than ever before, it is vital to the future of credit unions to attract and retain younger members.

The answer may be found in

Generation Y, the echo generation to the baby boomers. Yup, we're talking about those hyperactive, multi-tasking young adults who are listening to rap music while they instant-message their friends online, all the while studying for a chemistry test. Born between 1977 and 1997, the more than 70 million members of Generation Y already outnumber their baby-boomer parents. The oldest Gen Yers are just

beginning to graduate from college and enter the workplace. They represent the mainstream financial services customer 10-15 years from now.

According to the Filene Institute at least 31 million adult members of Generation Y are

building lifetime relationships with financial institutions today. At the same time, CUNA reports that there will be about 2.5 million fewer credit union members in their peak borrowing years by 2010. The latest CUNA Environmental Scan report states that in 2003, one out of every three people that moved, got married or changed jobs. (Life events that typically trigger financial decisions) was between 18-28 years old. Analysts suggest that the borrowing power of the 18-24 year olds represents up to \$14 million in loans to the average credit union over the next 10 years. Only one in four of this age group is a credit union member, so credit unions must act quickly to motivate Gen Yers to become members and future borrowers.

Credit unions have a lot of opportunity, but are off to a slow start. It is reported that

only 1 in 8 credit unions actively markets to 18-25 year olds. Credit union members in the 18-34 year old age group reported the lowest satisfaction level in CUNA's 2004 National Consumer survey. A whopping 43 percent of young adults are not satisfied with their credit union. Add to that the fact that consumers in this same age group are most likely to say they're eligible to join a credit union, but least likely to actually join one and least aware of what a credit union is.

Credit unions know they need to attract and retain young adults. And young adults have a big need and desire for affordable financial services. According to a reader survey by *brass/CU* magazine, paying for college and investment-related needs and questions top the list of financial concerns of their young adult readers. At the same time, young adults face some unique challenges that credit unions should

be able to address better

than any other financial institution.

In 2002, only 31.9 percent of high school seniors taking financial literacy tests administered by the JumpStart Coalition passed, a further decline from the 40.9 percent that passed two years earlier. Nellie Mae reported in 2002 that college-age credit card holders were diving deeper into debt, with high balances ranging between \$3,000 and \$7,000, up 61 percent since 2000. And in 2003, the *International Herald Tribune* announced that more than 150,000 teenagers would declare bankruptcy. Clearly, young adults need financial education and this melds with the credit union movement's commitment and skill helping members become good financial citizens.

While some in Generation Y need this type of help, others are off and running ... sometimes into road blocks when dealing with financial institutions. Today's young adults have a host of entrepreneurs as role models. In processing interviews in NY City Family Court, kids still say they want most to be an NBA basketball player. The second most frequent response is "to be an



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entrepreneur.” Today the role models of young adults are entrepreneurs like Mark Cuban, entrepreneur and owner of the Dallas Mavericks, hip hop artist Jay-Z and Facebook founder Mark Zuckerberg. This new breed of heroes all became successful entrepreneurs while in their 20s. Thanks to technology, it is easier than ever before for people to start their own business, but it still takes money to get going.

Today’s young adults are ambitious, autonomous and optimistic. But even brash optimism can fall flat when faced with getting the funding needed to turn a dream into a business reality. Financial institutions require proof of income for two years and many of these folks don’t have it. They will need credit cards for their business and their staff, and they will have trouble getting them.

Bryan Sims, founded *brass/CU* magazine when he was just 19, and he faced these and other challenges. “I don’t think there was a single financial road block we didn’t hit,” he said. “At age 19 I had no credit history. My dad, had been laid off after 9/11 and didn’t have a job, and had dipped into the little savings we had just to live. On my own, I definitely couldn’t get a small-business loan. My dad and I were turned down by a local bank for a small-business loan. No one was investing in the stock market, let alone start-ups out of Corvallis, Oregon, run by a 19-year-old.”

Still, Sims succeeded in creating a company dedicated to young adults, money and how it affects their lives.

His customizable quarterly magazine *brass/CU* “*Young today, Rich tomorrow*” is written by and for young adults and is gaining popularity with credit unions. With a circulation of 300,000 young adult credit union members distributed via 135 credit unions in 37 states, *brass/CU* is offering an economical and effective way to build satisfaction and loyalty amongst Generation Y.

“We decided we needed to have more of a focus on youth members,” said Lanet McCrary, vice president marketing and business development at Magnolia FCU in Jackson, MS. “Like credit unions everywhere, our membership is ageing. *brass/CU* is our first step to try and better serve the young adult market.” Magnolia FCU distributed the first issue of the magazine in May 2006 to members ages 16-23. Lanet said, “Before signing on, one of our staff posted a question to the CUDE Listserv asking for feedback on *brass/CU*. All the responses were positive.”

According to Lanet, the magazine is mailed direct from *brass/MEDIA* to the credit union member. She explained, “We are doing a customized version with our logo plus two full page ads and a 1/3 page ad. The annual cost per young adult member is very affordable for four issues customized. I’m excited about how credit unions in other areas are sponsoring *brass/CU* for some schools. I hope eventually we can do something like that.” Magnolia also has additional copies for use in their lobby. A senior member who read a lobby copy commented, “WE need a magazine like this!”

More than 1400 young adult members of Innovations FCU in Panama City, FL, are also receiving *brass/CU* magazine. Patricia Waters, vice president of marketing at the credit union, says Innovations has distributed two issues of *brass/CU*. “Because we serve a large civil service contingent connected with the local Navy base, our membership is ageing,” explained Patricia. “We are concerned that we will start to lose borrowers and are now trying to skew our marketing to a younger demographic. We are using *brass/CU* to build a better relationship with our young adult members ages 18-25. *brass/CU* addresses the things young adults are interested in. From a marketing perspective, the cost is very reasonable. There is no way we could produce a piece

that appealing with content so relevant to every young person’s life.”

Florida Commerce Credit Union in Tallahassee, FL, saw *brass/CU* as an opportunity to fill a gap in their consumer education for young adults. Samantha Strickland, director of marketing at Florida Commerce, stated, “We saw an opportunity to offer *brass/CU* magazine as an educational tool and couple it with our teenage products like our Smart Start program. Smart Start offers teenage members an online workbook that they complete to get a certificate. With the certificate, they can open a checking account without a co-signer and also have a debit card. We also have special loan programs to allow young adults to establish credit. Generation Y is a huge group of potential credit union members we don’t want to miss out on. We believe it is important to build credit union loyalty early.”

So how DO you reach this elusive group whose average attention span is reported to be only seven to eight minutes? Traditional media isn’t working, partly because there is a shift from mass media to My Media. Yahoo.com states that, “Members of the My Media Generation can fit up to 44 hours of activities into just one day.”

brass/CU CEO Bryan Sims says credit unions should, “Stop thinking that there is a silver bullet in successfully targeting young adults. This generation is so diverse in terms of interests, and dislikes being categorized, that it is a mistake to ask which media should be used to reach them. With advances like Tivo, satellite radio, iPods and streaming video, traditional media like television and radio don’t work.”

Rich Honack, an associate professor of marketing at the Kellogg School of Management at Northwestern University says, “If I were banks and investment firms, I would market to the parents for the kids.” Sims agrees and says networks young adults have contact with are key . . . friends, parents or even roommates. “Generation Y members are much less trusting of social institutions than baby boomers,” reports the Filene Institute. Filene says, “They rely

on advice from their friends more than do older people. Referrals from friends are important to them, and are likely to have a major impact on their buying decisions.” And while Generation Y may distrust social institutions, they are socially driven. Young adults donated almost a billion dollars to tsunami relief. Sims says, “Credit unions need to tell their story to these young adults and in a way that pertains to them. Explain that because credit unions are non-profit, here are the things we do . . . for you . . . in our community . . . on a social level. How much more socially responsible can you get than a credit union vs. a bank. You need to tell your story!”

The Generation Y demographic is the future. If credit unions don’t market to

“STOP THINKING THAT THERE IS A SILVER BULLET IN SUCCESSFULLY TARGETING YOUNG ADULTS.”

them, someone else will. Below are some ideas from Bryan Sims for ways to turn young adults into profitable, loyal, life-long credit union members.

- Offer young adults internships on your Board of Directors. This keeps you in touch and it gets young people involved from a leadership standpoint.

- Look at young adults as opportunities not risks. Remember no credit history is not a bad credit history. Add programs to help young adults build good credit. Be the first relationship a young adult sets up to establish a credit score.

- Consider incorporating risk-based lending to better assist young borrowers including entrepreneur members. Risk-based lending allows the credit union to make loans at an appropriate rate for the credit risk the credit union has, and allows it to make more loans at different credit worthiness levels.

- Establish a link that assists with generational wealth transferring from one generation to the next. Tap into parents to get them to set up an IRA for/with a young adult. Do away with the \$1000 minimum for IRAs. Don’t show pictures of retired people next to information about your IRAs.

- Technology is changing so many things and credit unions need to keep up with technology. Explore ways to become more technologically savvy by improving accessibility for young adults who regularly use cell phones and Internet sites, such as myspace.com and facebook.com. With 42 percent of loan applications nationwide being submitted over the Internet between the hours of 5 p.m. and 8 a.m., credit unions need to provide this service. Interactive satellite maps that include bank and ATM locations are currently being developed for use in new cars. Credit unions need to be on these maps.

- Don’t just provide services, be a partner in creating wealth. Create resource centers with actual resources.

- Investigate the hot, new picture credit cards. Visa’s Picture Perfect card lets you tap into the demand for My Media.

- Life events and key time periods in people’s lives determine financial service choices. If targeting through parents, do so early. It is critical to capture members in earlier years when account sign-ups are occurring (age 16-21). Before age 25, most people purchase their first car, obtain their first credit card, get a student loan and may even purchase their first house. Credit unions need to be there for that “first” major money decision.

You may email Bryan Sims with questions, to discuss ideas or for information on *brass/CU* Magazine at BryanSims@brassmedia.com.

Bryan Sims, CEO of *brass/CU* magazine is passionate about the opportunity for credit unions to meet the needs of young adult members.

