Harland Clarke Webcast

Millennial Money Chatter - A Guide to Millennial Financial Discourse

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Christine: Good morning, and welcome to today's presentation, "Millennial Money Chatter: A Guide to Millennial Financial Discourse," brought to you in partnership with Filene Research. My name is Christine Ahlgren, and I'm the marketing lead for Harland Clarke's Community Banking Segment. I'll be your host for today's presentation, where we'll provide you with the tools you need to connect with your Millennial account holders and prospects in a more relatable way.

The Harland Clarke Informed Bankers Series was created with you, community-based financial institutions and credit unions, in mind. We aim to consistently bring you succinct, timely information on topics that are critical to the success of your businesses. Now, I'd like to introduce you to today's speaker, Tansley Stearns of Filene Research Institute. Tansley is the Chief Impact Officer at Filene Research. She moves the best of Filene's research and innovation into action. With more than 18 years of credit union leadership experience, across a variety of functional areas, she knows how to help an organization move ideas forward to drive business results. We're thrilled to have her with us today. Tansley, thank you again for being here. The floor is all yours.

Tansley: Awesome. Thanks so much, Christine. It's an honor to be here with you, talking about this very important topic of Millennials and how we can better connect with them. As you've heard, I'm Filene's Chief Impact Officer and self-described credit union junkie. I have really devoted my career to this industry, and feel so strongly about the impact that organizations can have, especially as we work with Millennials.

That picture that you see right now is actually the small town that I grew up in called Hillsdale. If you blink, you'll miss it. There's only about 7,000 people there. My family's had a farm there for the last 120 years. In fact, my mom still lives on that farm today. One of the financial decisions that my parents made when I was about three years old was that Michigan came out with a program that said hey, kids, you can pay for your child's college education today. It will be vastly cheaper than when you're children are 18, but you have to promise us that they'll stay right here in Michigan.

I knew two things really early on. One, that I would be going to a university because my parents had already paid for it, and two, that I was going to be going in Michigan because that was the commitment that they had made. In my humble opinion, when you're stuck in Michigan the only good choice is the University of Michigan; Go Blue! I graduated from there with two degrees, one in English and one in Psychology, much to my father's chagrin.

Then, I was looking for work in marketing and social work because those two things are super similar. I ended up stumbling into a small credit union in Metro Detroit that's served Macy's employees. After the interview, really everything became history because I was so passionate about the assumption of how we might improve the financial situation of Main Street Americans. As Christine mentioned, I spent the next 14 years at three different organizations serving in different communities and working to make sure that we could improve the financial situation of our members, in the instance of those credit unions. I've worn a lot of the different hats that you are wearing, likely, and so I know what it's like to be in your shoes. I hope the work that we share with you today can make your job just a little bit easier.

Christine: That was just great. Thanks for that introduction, Tansley. That was fantastic. I think you beat me to the punch. I was going to ask you if you could tell us about Filene Research Institute, and I think we're on our way there. Please, go ahead.

Tansley: Oh, yeah. My pleasure. Absolutely. I'm a little bit passionate about Filene and all the good work that we do. We were founded over 26 years ago by some of the large Credit Union System organization to make sure that our industry had an independent research arm. Research is our middle name. It's the heart and soul of who we are, and all of that in the effort to advance cooperative finance.

About 13 years ago, we developed an innovation competency and that manifests through our i3 program. Those three "I"s stand for ideas, innovation, and implementation. We have a competitive process by which credit union executives can apply, and a few are selected. Those that are selected on top of their day jobs spend two years learning our methodology for innovation, and then they develop ideas leveraging that methodology that we hope makes the entire system stronger.

About 5 years ago now, we developed something called Impact, which is a big part of my responsibility here at the institute. It's all about taking the very best of that research and innovation, and making it practical and applicable, so that organizations can best leverage it. That's really a little bit about Filene and who we are.

Christine: You talk about conducting research, Tansley. What spurred that research, and have you found success in the work that you're doing?

Tansley: Yeah, absolutely. One of the things that I think is really fantastic about our research is that it is grounded in the needs of financial institutions. We have something called a Research Council, and those are credit union CEOs from across North America that give us their time, energy, and most importantly, brain power to say hey, gosh, these are some of the things that are keeping us up at night. When you think about our research, it's not just us kind of geeking out here in Madison and saying, hey, we should research that. It's these credit union CEOs that have said, hey, these are the things that really matter to us.

One of the biggest things that we have heard from credit union CEOs is, boy, we, need to do a better job in becoming more relevant to Millennials. We've done a tremendous amount of work in that regard, and hopefully that work can help financial institutions to better connect with Millennials because we know they are our future, but they see the world very differently than maybe other generations have.

Christine: That's great.

Tansley: You know, I think as we think about Millennials, they talk about money in vastly different ways. What's interesting about this specific research that we did is we actually went online and did something called netnography, which sounds a little bit interesting. Essentially you go online and you listen, and you watch the way that people are talking.

It's very, very intriguing to learn about the ways that they are thinking and talking about money. It's so very different.

Now, sometimes when I talk about Millennials I get, kind of, the eye rolls, especially if I can see people, unlike today. One of the stories that I like to share – if you're a little bit tired of talking about Millennials – is about my grandmother. I was very close to her growing up. She used to spend a lot of time, especially in the summers, with my cousin and myself at her home. I grew up with my cousin being a bit more like my sister than a cousin because of all the time that we spent at my grandmother's house. One of our favorite memories of that time with her is that she often would give us M&Ms, and those M&Ms used to come specifically from one cupboard.

When she passed away, when we were cleaning out her home, we went and looked immediately in that cupboard and right behind the M&Ms were stacks and stacks of those little two-packs of Saltine crackers. You might remember those from when you would go out to eat or go to a diner and you'd see those little two-packs of those crackers. I remember, vividly, when we would go to restaurants she would open her purse at a convenient time and put some of those crackers in her purse, and she was then putting them in her cupboard.

Why did she do that? She grew up in the Great Depression. There were times in her life where her family didn't have enough to eat, and she was going to make darn sure that if those M&Ms ever ran out, that she had enough for all of us. She was kind of stockpiling for that. The reason that I share that story is that, whether or not you get real excited about Millennials, each generation does have these unique experiences that inform their behavior and their attitude.

I thought that this quote really captured it very well, from Avallon of IdeaPaint. He said, "Each generation has a common set of human needs – for community and communication, in particular – that are uniquely shaped by their life experiences but are foreign to anyone outside of that age group."

Of course, it's tempting to have a negative reaction to seeing Millennials tethered to their devices, texting incessantly, but if we do so, we're overlooking what the technology represents. Efficient means to maintain community and communication, and not appreciating that is totally functional for the world they inherited. I hope as we talk about Millennials that level sets why it's so important and why those distinctions between generations do occur.

Christine: Tansley, that was such a beautiful way to sort of lead into talking about Millennials specifically. We really do need to have some empathy to each different generation, and understand what they're going through to really understand how to communicate effectively with them. Now that we have a level set, how would you define the demographics for the millennial marketplace overall?

Tansley: Yeah, absolutely. So, when we talk about that generation one of the reasons that we pay so much attention to them is because they're the largest living generation, 75.4 million of these folks in the US. It's why those of us that are Gen-Xers, like myself, kind of got ignored because there just simply weren't enough of us. The US Census Bureau defines Millennials as those between the ages of 18 to 34, in 2015. You get a sense of why they're so important in terms of that size of the generation. Comparatively speaking, it's very similar to Baby Boomers who are about 74.9 million. That's part of the reason those two generations have gotten so much attention and you hear so much about them.

In terms of beyond the size and their exact ages, they are also the most racially and ethnically diverse generation in history, with nearly half defining as non-White. They're also very well-educated with higher levels of college and post-graduate degrees. They are the most technological savvy generation, not surprisingly. Most of them have natively grown up with that technology in their hands. They've also seen a lot. You talk about that experience. Many of them watched their parents go through the Great Recession. Not probably as deep as the Great Depression, but some of them watched their parents lose their homes; they watched their parents maybe get into trouble with debt during the Great Recession. Their feelings and expectations around money are informed by what they've watched.

They're also – and we'll talk specifically about this as we dive into the research – but they are making different financial decisions than what other generations have. We think that ultimately some of those decisions will be parallel, but they might be delayed. Here's another reason why they're so important: by 2022, they will represent 47% of all shoppers. Eight out of ten interact with their smart phone multiple times each hour; 97% are active on social media; 55% have read a printed newspaper during the previous month. The way that they interact with the world is much, much different than other generations have.

They have different priorities. With less money to spend, they're putting off commitments like marriage and home ownership. Again, we don't think that that means that they won't do those things, but the timing of them will be different. We're anticipating that those peak home buying years will shift from being in the mid-20s to the mid-40s. That's a very different time in your life to make those commitments to a home. That's definitely going to have an impact on financial institutions. What are they doing in the meantime? Living with parents is pretty common; 32.1% live in their parent's home; 31.6% are married or cohabitating in their own household; 22% have some other living arrangement; and 14% are living alone, are single parents, or are other heads of households.

This is a different kind of way to live in a different mix than what we've seen in the past. The fact that they're waiting, again, doesn't mean that they won't buy a home. An overwhelming percentage of Millennials say that they want to own a home at some point in the future. It's not that they wont; it's just that it's likely to be delayed.

I hope that gives you a good sense, Christine, of what we're seeing with Millennials, where they are in life and what it's like to interact with them based on some of the ways that they are there in the world.

Christine: That's actually fantastic, Tansley. Those examples sort of help really crystallize who they are. Can you talk to me a little bit about how they think or talk about financial issue? I imagine there's so many other things that this demographic differ from their previous generations. How do they talk about us? What are they using to do that, and what are they saying that will help us speak to them in a way that makes more sense?

Tansley: Yeah, absolutely. Much of this is informed by the way that they see the world. Interestingly, 41% expect that they will need to financially support their aging parents when they're retired. They do feel that pressure, and we're seeing that today. One of the things that we see in the research is kind of a Back to the Future way of living. Again, my grandmother lived in a home where she had her parents, and her grandparents, and then she was raising her children – you talk about that Sandwich Generation. We are seeing that today in the multi-generational households. You see that also in the expectations and the way that people are thinking about their financial future, that they're going to need to prepare for them.

Two-thirds of Millennials expect to self-fund their primary source of income in retirement through retirement accounts and other savings. There is this notion of uncertainty about how retirement will come to fruition, that they will need to be a very big part of funding that. Three in five want some type of advice when saving and investing for retirement. This is really good news as a financial institution. You have a role to play here, but a very small percentage of those will actively seek financial advice. They want your help, but they're not likely to seek it out. We've got to find those ways to get out there, to – especially at points when a Millennial is actually actively doing something related to their financial situation that we can be a part of that conversation.

How do we lose them? Here are the three ways that we've identified. Thirty-four percent of Millennials leave their bank because account fees are too high. They are very sensitive to fees because again, especially during the Great Recession, many of them saw their parents get in trouble; 27% leave because they've had a negative experience with a representative. Service absolutely does matter; 24% left because there were too few ATM locations. Ease of use, convenience, still reign.

How about some of their financial attitudes? You can see there are some differences. In this chart, what we're doing is we're comparing Millennials with degrees, versus those that don't have degrees. You can see those with a degree feel much more financially secure. Those without degrees tend to spend money without thinking. You can see some of those differences are very real. Another thing I would point you to, "I'm uncomfortable trusting my money to a bank," much higher with those without degrees. Also, in terms of financial acumen, "I know nothing about finances and investments," much higher with those without degrees. There really is an opportunity to engage these Millennials.

The other thing that's very interesting out of this most recent research we've done on Millennials is through that netnography. What we did, like I said, is go online and listen and really watch the way that Millennials are talking specifically about loans. It was so striking. They actually equate debt with death. You can see this hashtag where they're putting together those words, debt and death. It's just so striking – also, talking about debt in regards to slavery. They do things like post these pictures, "chains of death." Every month as they pay off a little bit of their student loan, they take one of those chains off and then demonstrate posting pictures on social media about how they are paying down their debt. They use debt thermometers, sort of the, again, these visuals about their debt, being able to demonstrate that they are paying it down over time.

It's a really negative conversation, particularly around loans. Again, I had you back to that story with my grandmother, where did all this come from? What's the origin of this? Much of it, again, around during the Great Recession, seeing some of their family members get in trouble, but also, the student loan crisis. The amount of student loan debt that many Millennials have. I come out of school, I got a Liberal Arts degree, and I've got $120,000 in debt. What can I do? You think about some of those other implications like delaying buying homes, potentially delaying marriage. There are big implications for all of this. That's why when you see how Millennials are talking about debt it is, to a degree, pretty negative.

Christine: Tansley, they certainly have capture a way to visually represent this challenge they're facing. Are there some language ideas, or topic, or are there certain words that they're using? The "debth" was quite striking to me as well. I almost got goosebumps looking at that. As strictly an oral medium, what should we be saying or how should we talk to these folks in a way that is going to resonate?

Tansley: Absolutely. A couple of things that we recommend, even from those metaphors, is even talking about those chains of debt. Could we invite people to take those chains off, maybe just encouraging them to pay one more loan a month? Quite frankly, we have to recognize – and it pains me to say this, but – what was once cool, is now something else entirely. I was so struck as I was reviewing this research for the first time about all of the words that I really didn't know so much. There are a lot of language suggestions that we could be using. Things like FOMO, fear of missing out. This is something that you see a lot with the Millennials.

As we did this research online, we were able to see them talking about, gosh, I'm worried about missing out. I'm going to maybe make this financial decision that I know isn't the best one because I don't want to miss out. YOLO, you only live once. Again, I'm going to make this decision because I'm only here once and I don't want to miss out. You see this analysis that we did of some of this language, which I think is really helpful. You can see 93% of the time FOMO, when we saw it, was used in a very negative way. Here's an example of how FOMO could be used, was used, online. "I understand this is partly my fault because my FOMO, fear of missing out, won't let me move out of New York City, and this city is costing me money."

Similarly, with YOLO – now, YOLO is more positive than FOMO, so on the negative side of YOLO here's an example. "Newbie thinking of yolo-ing on ELTP. Talk me out of it." On the positive side of YOLO here's an example. "He gave us a nice amount of judgment for playing Pokemon at 3a.m., but YOLO, you only live once." You can see a pretty significant difference where you've got FOMO on a much more negative side, and YOLO as much more positive.

Then there's this notion of "kidults." Here's a quote that I think captures what we mean by that. "These "kidults" sill live with their parents and hop around from job to job, and relationship to relationship. They lack direction, commitment, financial independence, and personal responsibility. They are boomerang kids, adult teenagers. Only a culture with exceedingly low expectations of young people can view the existence of these twenty-something Peter Pans as a positive thing." This notion of "kidult" is here I am as an adult, but I'm still acting a bit like a kid.

Here's some of that analysis. Now, "kidult" breaks between negative and neutral almost precisely. On the negative side, an example, "I'm a kidult for lack of a less obnoxious term. I don't even have curtains. Even in my own version of adulthood, I'm a poor excuse for an adult." Oh, yikes! And then neutral, "Calling all kidults! Join us at the Science Museum on Wednesday 26 August and step back into the wonder-filled world of childhood." You can see those differences. Then, of course, this final one that is a bit more positive, although most were not seen in that light, "Ooooohhh this is going to be fun. Dizzying on this screen. #adulting #kidult"

Then, of course, that leads us to this notion of adulting, that we do eventually have to start behaving like adults. It's this way to talk about these adult behaviors and describe yourself in that way. One of the things that's really interesting from this report, Christine, is that we were able to demonstrate when these terms were peaking, and adulting really got popular, you can see, in around 2016. Let's look at that analysis. About 57% of the analysis we found that adulting was neutral; about 20% negative, and 23% positive. I'll just share those examples.

On the negative side, “Creating a budget and getting finances in line can be so stressful. #adulting” On the neutral side, “Graduated college Friday, and got a joint bank account and savings today. #adulting” You can see the pat-myself-on-the-back, I know I'm doing those things that are acting as an adult. Finally, on the positive side, “Packing my bills two weeks in advance and paying three weeks worth of daycare makes me feel good. #adulting”

We did some analysis through Watson, and this was really interesting. This is IBM's tool, and it's been just tremendous for us to be able to see what this is all about, what it really reveals. That analysis demonstrated, unfortunately – you can see the emoticons our researcher Hope Schau was able to show – exactly how those emoticons played out. What you see is a pretty negative response. You see that crying. You see the very sad face. Those are the most common responses. Even the emotion we were able to see as we analyzed blogs that were written about money from Millennials, you can see that number one emotion was anger. It's pretty striking in terms of what people are feeling.

The other thing that we were able to do was put together a profile of Millennials. You can see their personality traits, their values, and how does that lead to their needs – which I hope is very helpful to you as a financial institution, to be able to say, gosh, how do I take this research, which is really good, but how do I then take it and put it into action? Personality traits that we uncovered, while they're unconcerned with art, they're reserved; independent; they're calm-seeking, so they want to feel more calm; self-focused, which of course that's the tweak that we've all heard so much about around Millennials; organized; susceptible to stress; energetic; driven; authority-challenging; deliberate; and self conscious.

In terms of their values, they don't seek pleasure and sensuous gratification for themselves; they're resistant to change and not necessarily seeking new experiences; they seek personal success for themselves; and they emphasize self-restriction, order, and resistance to change. In terms of their needs, they don't enjoy discovering and asserting their own identities; they do not seek equivalence in the physical world; they distrust standards and the “tried and tested”; and they have an urge to achieve, to succeed, and to take on new challenges. There's a lot of hints there, I think, in terms of how we might be able to connect with this next generation from what we've learned.

Christine: Tansley, again, incredible information. I would like to just give a quick time check. We have five more minutes in this session and so much to cover. We do have one or two questions I'd like to take a moment or two for. Here's the key, right? What does all of this mean that you've just discussed to our community-based financial institutions? Can you just give us a little bit about that?

Tansley: Yeah. I'll just run you quick through. Here's some things we would invite you to do. One is work on reducing financial insecurities for this next generation, financial literacy, offering budgeting, loan consolidation. That can go a long way to helping them feel more confident. Leverage transparency and promote tangible smart choices. Things like, pay just one more payment on your loan every year or here are some ways that you can pay down your debt, take off those chains of debt. Use those money chatter metaphors.

Like I said, breaking the chain of debt, create cool new beginnings, but use those metaphors that Millennials use; maybe use YOLO or FOMO in your marketing language to better connect. Everything old is new again. What about those bucket accounts? Those Christmas Club accounts. What if we brought those back? We think that that notion of really simple ways to bring Millennials along, to help them to feel more financially stable, can go a long way. Finally, be a partner towards adulting. Again, use that language. Help to make those suggestions that will guide Millennials into those stronger financial decisions.

I will give you just a couple parting thoughts. Of course, one, from Ed Filene and that inspires our work everyday – I just love the way he talked about young folks. He said, "You young people will solve your social problems, I am sure, much more successfully than we of our generation solved ours, but that isn't anything to gloat about. You ought to do a better job than we did." From DeFlander, as you take this strategy and move it forward, "Strategy without execution: what value brings a Ferrari if you can't drive."

I would love to, Christine, take a question or two if you have them.

Christine: Thank you. I think we have time for one question. It looks like a great one, so I'm going put this one out there. The question is, did Filene's conduct any research to find out how Millennials are actually feeling about money?

Tansley: Yeah, absolutely. One of the things that we've done prior that I think informed this research was all about financial capability. This is really interesting. We did a series on financial capability, across a number of different segments including, highly educated Hispanics, we did it on pre-retirees, we did it on women, and also, Millennials. We asked Millennials, how do you feel about managing your day-to-day finances? How are you feeling in terms of your confidence in financial acumen? Boy, they told us north of 70%, yeah, we're rock stars; we got this all day long. Then we gave them a little quiz. Less than 8% got 100%. You've got this next generation that feels very confident. The tweet I would give you is that they're overconfident and under-informed.

I hope that some of these tools that we found in this subsequent research, or we went out this money chatter, I hope that that helps you inform how we might engage with that overconfident and under-informed next generation.

Christine: Tansley, I can't thank you enough for this really key and critical insight that you've provided for our audience today. Also, I want to thank the audience themselves for making time to be with us. I know people have very busy schedules and it means the world to Harland Clarke that you've chosen to spend some time with us today. We do hope to see you all again at future informed banker sessions. Thank you, and good afternoon.