GENERATION WHY:

Answering the Call for Financial Literacy

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They're the largest demographic since the baby boomers, estimated to be three times as large as Generation X. By 2025, the income of Generation Y — also known as "Millennials"— will account for almost half of personal income, exceeding all other demographics in purchasing power.[1] Within the next 10 years, the cumulative earnings of millennials is projected to increase by almost 85 percent, exceeding that of baby-boomers — the wealthiest generation to-date[2] — by $500 billion.[3] Generation Y is a crucial demographic for the ongoing success of financial institutions – and the most challenging to pin down.

The Millennial Mindset on Banking

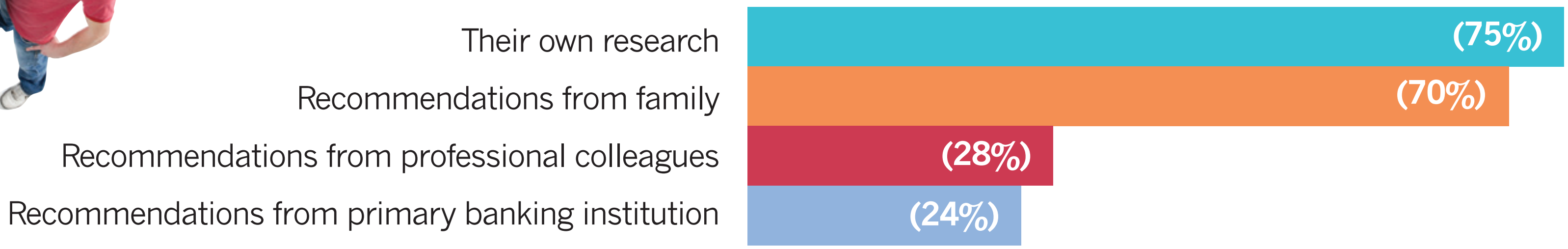
Generation Y is loosely defined as the generation born between the early 1980s and early 2000s. Often seen as technologically enlightened, they're the first generation to be plugged-in 24/7. This demographic group witnessed a financial crash during their formative years. As a result, they remain highly skeptical of banking institutions and can be dismissive of many direct marketing channels.[4]

Banking Methods and Motivation

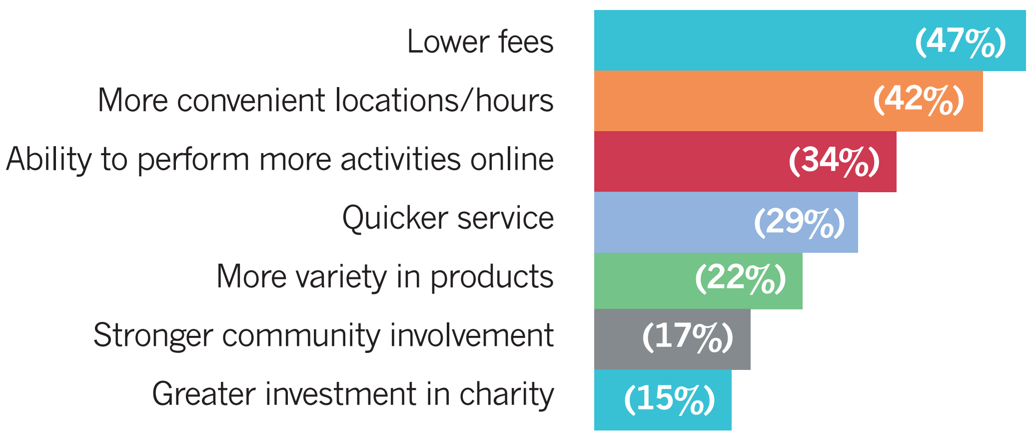
Online tools are Gen Y's first preference for conducting research on banking products and services. Bank-supplied advisors still maintain a prominent role, as do social networking forums, reported as a preferred method for 53 and 43 percent of respondents, respectively.

1 The Financial Brand, *A Tale of Two Gen-Ys: One Uses Branches, The Other Just Shrugs,* January 28, 2013
2,3 Deloitte, *The Implications of Gen Y Consumers for Banks,* April 2008
4 Wells Fargo, *Millennials & Money: 2013 Millennial Survey,* February 2013

How Millennials Select Banking Services[5]



Why Gen Y Chooses a Financial Institution[6]



[5,6] Deloitte Center for Banking Solutions/Harris Interactive Survey, 2008

Branch VS. Browser: Gen Y Prefers Both

Millennials are time-conscious and practical when reaching out for financial advice. For more complex tasks, such as opening a new account or resolving banking issues, they prefer to communicate face-to-face at a local branch. Online account management is preferred for simpler tasks, such as cash management, tracking spending and budgeting.[7]

Opening an account:

65% of Gen Y prefers to do this in person

23% are comfortable opening an account online

13% prefer to open online

Resolving issues with an account:

55% of Gen Y prefers to do this in person

20% prefer doing online

35% comfortable doing online

Getting help with an account question:

38% are comfortable doing online

23% prefer doing online

5% prefer to do this in person

[7] Deloitte, *The Implications of Gen Y Consumers for Banks*, April 2008

Reality, Perception, and Revenue

Millennials value financial literacy, but show a tremendous lack of education on matters related to money. Over 54 percent of Gen Y consumers reported they had little to no knowledge of investment and financial products, and less than a third reported receiving any form of financial education.[8]

Another survey of Gen Y consumers revealed that only 14 percent of respondents correctly answered five questions — covering fundamental concepts like interest rate and inflation calculations, risk/diversification principles, and the effects of terms on total mortgage interest payments — and 57 percent answered three or fewer questions correctly.[9]

Gen Y consumers who work with financial professionals to make investment decisions are more likely to be very knowledgeable about investments and financial products than those who do not (14 percent versus six percent, respectively), yet only one in five work with a financial professional.[10] This represents a huge opportunity for institutions to provide education and guidance to younger consumers, while strengthening brand loyalty. Interestingly, despite the proven lack of financial knowledge, 79 percent of Gen Y respondents felt they had a high level of financial literacy.[11] That's quite a gap between perception and reality. The good news is that millennials are open to guidance from financial advisors and place a premium on experience, which also bodes well for financial institutions.

Best Practices for Engaging Gen Y

Rather than taking an either/or approach to brick and mortar versus virtual banking, branch and online offerings should work in tandem to provide complementary marketing solutions. Mobile-friendly access with an appealing user interface is a must – the majority of millennials use mobile devices to access banking tools and perform research, and millennials as a whole account for 50 percent of mobile users.[12] Just as important, though, is framing marketing strategy on a personal level. Gen Y consumers want to be acknowledged as individuals, not treated like a number.[13]

8 TIAA-CREF Institute, *Engaging Early-Career Workers in their Financial Well-Being,* October 2013
9, 10 LIMRA, *Majority of Gen X and Y Americans are Uninformed About Investments and Financial Products,* February 14, 2013
11 TIAA-CREF Institute, *Engaging Early-Career Workers in their Financial Well-Being,* October 2013
12 Fiserv Consumer Trends Survey, 2011
13 BAI Banking Strategies, *Sticks, Bricks and Gen Y,* April 17, 2013

Given the lack of financial literacy, coupled with the desire to learn, educating Gen Y is a lucrative marketing opportunity for financial institutions. No text messaging lingo or use of slang is required – just good, solid, easily accessible financial advice they can trust.

The Medium: Just as Important as the Message

Considering user experience from Gen Y's perspective and the high-speed rate at which they're served content and information, waiting overnight is equivalent to days in the minds of millennials. By offering online and mobile resources and financial education tools, institutions can strengthen the client relationship and cross-promote product lines.

Interaction and visual components are key to an appealing web presence, and engaging content is paramount. This doesn't require a complete overhaul of marketing strategy, but a careful evaluation of the marketing channels used to reach the target audience. Rather than a block of text, consider integrating instructional videos, graphics and visual modeling tools in online resources. Instead of a traditional radio advertisement, consider marketing financial literacy resources through channels like Pandora.

Research indicates millennials are also open to seeking out financial advice via email and real-time video conferencing.[14] This is an easy and cost-effective way for institutions to integrate the personal side of client communication with appealing tech-savvy tools. Financial advisors might utilize a Skype account, for example, to connect with younger clients on the go.

Personal Financial Management Tools Lead the Way

Millennials wholeheartedly embrace personal financial management (PFM) tools, and rely on them to paint a picture of their overall financial situation. They're more than eight times as likely as boomers to use Mint,[15] and report actively using bank PFM tools when available. Roughly one fourth of Gen Y users desire interactive tools for visualization, i.e., the ability to create customized charts and graphs to better understand their financial situation.

[14, 15] Cisco IBSG, How the Post-Crisis Financial Needs of Younger Consumers Will Transform Retail Banking Services, February 2010

By creating an online platform that integrates a variety of tools, banks can educate young consumers on financial products while creating "stickiness." The key is to integrate. A customized online launch pad with a one-stop shop for educational resources will appeal to millennials and foster a positive perception of the brand.

Engaging Gen Y Account Holders

- Create an accessible, mobile integrated online platform for account management and education
- Tailor the online experience to retain mobile, digitally driven consumers
- Develop online tools that resonate (e.g., online branch and ATM finder, mobile banking apps and institution-specific PFM tools)

Maintain an Active Social Media Presence

Plugged in 24/7, the "DotNet" generation favors online venues over mainstream marketing channels. By leveraging social networking tools like company blogs, Facebook, LinkedIn, Twitter and YouTube, financial institutions can more fully engage Gen Y.

Retail banks can increase revenue by an estimated five to 10 percent by utilizing virtual and community-based financial advice.[16] Over 43 percent of millennials use social media to research financial products and services. In addition, over 26 percent of Gen Y consumers report they'd be willing to switch banks to quickly access financial advice and innovative mobile banking tools.[17] Simply put, social media channels are marketing avenues banking institutions can't afford to ignore.

16, 17 Cisco IBSG, *How the Post-Crisis Financial Needs of Younger Consumers Will Transform Retail Banking Services,* February 2010

It's important to note that it's better to excel at one social media outlet than to half-heartedly manage several at once. For example, smaller institutions could focus primarily on a company blog while providing basic updates to LinkedIn® and Facebook®. For mediums like Twitter®, where speed is of the essence, consider what a realistic time frame is for a response.

Effective Social Media Engagement for Financial Literacy in Action

IC Federal Credit Union

In perhaps the most interesting and creative case of successful Gen Y engagement, IC Federal Credit Union produced a six-part financial educational series on YouTube. The videos, specifically targeted to Gen Y, featured everything from Claymation characters and a talking chin (inexplicably named "Credit Card Murphy") to a life insurance video rampant with zombies.

Sounds weird, but it worked. The irreverent videos were a hit, went viral, and landed the credit union over 540 new Gen Y members in 2012. The series, which generated over 400,000 views, is perhaps the most successful YouTube promotion from a credit union. The average overall increase in new members from 2010 to 2012 was an impressive 51 percent.[18]

IC FEDERAL CREDIT UNION The Intelligent Choice™

TD Bank Group

TD Bank Group, the sixth largest bank in North America, has uniquely positioned itself as a leader in digital content through social media that promotes financial literacy. TD has an active and popular presence on Twitter, YouTube®, Foursquare®, Facebook, and LinkedIn. They've also developed TD Money Lounge, an innovative financial community for college students on Facebook. The highly popular page boasts over 409,000 Facebook "likes" and has been active for more than four years.[19]

TD Bank

18 The Financial Brand, *Credit Union Spikes Gen-Y Member Growth with Viral Talking Chin, Zombie Videos*, April 30, 2013
19 Organization for Economic Cooperation and Development/TD Bank, *How TD's Using #socialmedia to Support Financial Literacy*, May 2011

Putting it All Together

Research on successfully targeting millennials' financial literacy initially seems counter-intuitive and presents unique marketing challenges. Millennials are highly skeptical of banking institutions[20] and aren't receptive to over-the-top, direct marketing approaches, yet they are open to establishing banking relationships that are considerate of their needs.

Financial institutions should focus on educating and informing Gen Y consumers to build client relationships, versus traditional marketing techniques. Ideally, financial institutions must capture or combine the personal relationship side of branch banking with the speed and information-heavy digital world.

To learn more about our expertise with **Gen Y...**

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or visit **harlandclarke.com**

20 Wells Fargo, Millennials & Money: 2013 Millennial Survey, February 2013